

# A Study on Financial Statement Analysis- Current Ratio and Debt Equity Ratio of the Jamnagar District Cooperative Bank Ltd.

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## ABSTRACT

Majorly 21 types of banks are functioning worldwide. Each and every bank plays important role in growth and development of economy of the nation. This research is focusing on district level banks of Gujarat State. Presently total 42 district level banks are functioning in Gujarat. Amid them, the orientation is taken in account to evaluate the financial performance based on two parameters – current ratio and debt equity ratio of the bank. The research is examined for Jamnagar District Co-Operative bank Ltd for financial year 2013 to 2019. An application of t – test is used to examine the results. It is observed that there is significance difference between the yearly upgradation in current ratio and debt ratio of the bank. The bank has progressively worked for Saurashtra region of Gujarat state.


**Keywords:** *Current Ratio, Debt Ratio, t – test*


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## 1. Introduction

From an overall perspective to bet on somebody means to trust. At first, the gathering accumulated and began doing a few monetary exchanges in London. They have gifted "BANK" to the world. By and by, it is extremely well known around the world. Indeed, the created nations are significantly connected with the financial situation on the planet. It is currently addressed as a monetary establishment, which can be taking care of each of the start to finish monetary assets. It plays various part in various time. The underlying stage is talked about herewith by making sense of the importance of the Bank in next area.

### 1.1 Importance of Bank

The word bank is utilized as a thing to allude to where individuals store cash or to a long hill or slant. Like a riverbank. Bank is likewise utilized as an action word significance to skip off of something. The word bank is exceptionally normal and has a few others detects. As both a thing and an action word. A bank is a foundation that permits individuals to store cash into a record (called a ledger) for supervision. Banks frequently offer numerous other monies related administrations like loaning cash, sending cash to others, trading enormous bills for more modest bills, and giving Mastercards. Actual structures where these administrations are offered are called banks, and the organizations that own and work these foundations are likewise called banks. This sort of business is called banking, and an individual who works in this business is known as a financier.

## **1.2 Banking in India Pre and Post-Autonomy**

### **Pre-freedom period (Before 1947)**

English India duplicated this model and in light of the proposals of Sir Frederick Nicholson (1899) and Sir Edward Regulation (1901), the Co-Usable Credit Social Orders Act, 1904 was passed. It attempted to manage the issues of rustic obligation and ensuing states of ranchers in the country. The Demonstration advanced the foundation of credit agreeable social orders which prompted the development of first metropolitan co-employable credit society, enlisted on October 1904 at Kanjeeपुरam now in Tamil Nadu State. It denoted the start of the standardization of the Helpful Financial framework in India. However, there were sure imperfections in the Demonstration which limited the compass of the normal advantages of cooperatives. The Demonstration just allowed the enlistment of credit social orders, and there was no arrangement for the insurance of non-credit social orders or government social orders. These weaknesses were perceived by the Government and to cure it; more complete regulation was presented, known as the Agreeable Social Orders Demonstration of 1912. It perceived the development and association of non-credit social orders and the focal co-usable leagues. In 1919, after the finish of WWI under the Settlement of Versailles, 1919, the Montague Chelmsford Changes were presented in India under which Participation turns into a moved subject which was to be directed by the States. The requirement for independent represents compelling execution and to extend the compass of the helpful banks was felt by the States. The Bombay Commonplace Government was quick to pass its own demonstration which was known as Bombay Commonplace Agreeable Social Orders Act, 1925. Other state legislatures like Madras, Bengal, Bihar and Punjab followed the Bombay Act and passed their own regulation before long. In 1942, the English Government established the Multi-Unit Agreeable Social Orders Act, 1942, the ambit of which covered social orders whose tasks are stretched out to more than one state. The Demonstration accommodated the guideline of undertakings of such society by the arrangements of helpful social orders demonstration of the state where the primary business of the general public is found.

### **Post-freedom period (after 1947)**

After freedom, the development of helpful social orders kept up with its speed even subsequent to confronting a few difficulties during that stage and kept on being important for the financial improvement of the country. The Initial Long Term Plan perceived the significance of cooperatives in the execution of advancement plans, especially focusing on the ranchers and more vulnerable segment of the general public. In 1954, Legislature of India named a board of trustees called All India Rustic Credit Study Panel to cure the issue of provincial credit and other monetary issues of the country local area. It suggested an obvious institutional system for helpful associations, especially for addressing the necessities of country India. The proposals of the advisory group were perceived and were placed into impact under the Second-Long Term Plan. The Second-Long Term Plan suggested growing the extent of helpful exercises to different fields with extraordinary accentuation on the warehousing area.

The Third Long term Plan underlined on preparing staff for the helpful area and to build the compass of the agreeable development. The Fourth Long Term Plan suggested the combination of a helpful framework for compelling working. The Fifth Long Term Plan suggested the foundation of Ranchers Administration Social orders. The 6th Long term Plan fostered a direct program for a helpful society toward bring monetary turn of events and for growing the extent of helpful social orders. The Seventh Long Term Plan likewise focussed on development and development of the extent of helpful social orders to accomplish more prominent business and abatement destitution in the country.

## **1.3 Present Situation of Banking**

The helpful banks are little estimated financial units which work both in metropolitan and non-metropolitan regions throughout recent years. These banks assume a vital part in gathering the credit necessities and improvement of Little and Medium size enterprises. It is an exceptional area where banking and collaboration cooperates. These banks work based on two level framework and on the standards of participation, self-improvement and common assistance.

Helpful banks are assuming an exceptionally critical part in providing food the credit needs of little contributors and borrowers, fundamentally in the metropolitan casual area that are considered non-credit commendable by the business banks. Metropolitan and provincial helpful banks are the various kinds of agreeable banks working in India. The metropolitan helpful banks otherwise called essential agreeable banks work in metropolitan and semi metropolitan regions. These are the little size helpfully banking units provide food the requirements of limited scope specialty units, retail dealers, experts, pay rates classes and so forth. Regardless of a supported development, the area has gone through a ton of disturbance over the most recent couple of years. These banks are endeavouring

persistently to resolve the issues of financial disparity and the convergence of abundance that are causing abuse of more vulnerable segments by the more grounded. The current review examined the advancement of metropolitan helpful banks in India, monetary execution and the improvements are expected to support the presentation of the banks to have better financial development.

#### 1.4 Banking Guidelines

As per the part "B" of the financial guidelines act 1949, the expression "banking" signifies tolerating, to loan or venture, of public stores of cash, repayable on request etc., and pull out capable with a money order, request, draft and so on. Banks acknowledges stores from public, makes the assets accessible to the people who need them and helps in settlement of cash starting with one spot then onto the next. Banking business has done ponders for the world's economy. This clear strategy for tolerating cash stores from contributors and afterward loaning similar cash to the borrowers, banking movement energizes the progression of cash to useful use and speculations. This thusly permits the country's economy to develop. Without any financial business, the business visionaries wouldn't be in that frame of mind to collect the cash and the reserve funds would sit inactive in our homes.

#### Helpful development

In the year 1904 the public authority of India began the helpful development and chose to foster the cooperatives as the institutional organization to handle the issue of usury and provincial obligation. In such circumstance helpful banks work as an adjusting focus. As of now we have a few helpful banks which are carrying out multipurpose roles of monetary, managerial, administrative and improvement in nature of extension and advancement of helpful credit framework. Helpful banks an agreeable bank is a monetary organization that has a place with its individuals and they are thus the proprietors as well as clients of their bank. These banks are little measured units coordinated in the co-employable area which work both in metropolitan and non-metropolitan districts and are generally jogged on networks, regions and work place. A large portion of the administrations given by these banks are reserve funds and current records, safe store storage spaces, credit or home loans to private and business clients. For working class clients, for whom a bank is where they can set aside their well-deserved cash, offices like Web banking or telephone banking isn't vital. Albeit these banks are worse than private banks as far as offices gave, their loan fees are most certainly aggressive. Unlike confidential banks, the documentation cycle is extended if not tough and getting a credit supported rapidly is somewhat troublesome. The standards for getting a credit from a UCB are less tough than for a credit from a business bank. Business banks are the largest spreading banking establishments in India. They give significant items and administrations. These banks run on business lines, for benefits of the association and are not the same as investor banks by their association, objectives, values and administration in many nations. These banks are managed and constrained by the financial specialists and need to regard Prudential Financial guidelines, which put them at a degree of investor banks. The control and management can be executed straight by the state elements or designated to a co-employable league or focal body.

#### 1.5 Financial Structure Analysis In Banking

The helpful bookkeeping framework is a strategy for recording and revealing the monetary consequences of its deals. The clerk keeps the deals of the helpful in a day to day diary. These records are then used to create different monetary reports that give a verifiable record of the cooperatives' business action. The bookkeeping framework is talked about in two areas in this aide. The main covers the accounting report, pay explanation, and proclamation of incomes. These fiscal summaries report the aftereffects of the helpful deals. This part likewise makes sense of the month to month income explanation, an arranging device for the board. Area 2 covers the record keeping elements of the everyday diary and general record. Segment 2 additionally covers the part records that are required in view of the agreeable special job of giving financial advantages circulated with respect to every part's utilization.

Monetary Proportions as a two of Examination (Significant of Proportion)

##### 1. Fiscal report Investigation

Understanding fiscal reports are significant for partners of the organization.

Proportion examination helps in figuring out the correlation of these numbers; moreover, it helps in assessing numbers from pay proclamations and monetary records for what's in store. For example, Value investor investigates the P/E proportion, the Profit payout proportion, and so on while banks notice Obligation to Value proportion, Net edge proportion, Obligation to resource proportion, and so on.

##### 2. Proficiency of Organization

Proportion examination is significant in understanding the organization's capacity to produce benefit. Return on Resource, returns on Value let us know how much benefit the organization can create over resources of the firm and value interests in the firm, while net edge and working edge proportions let us know the organization's capacity to produce benefit from deals and working proficiency.

### 3. Arranging and Anticipating

From an Administration and financial backer perspective, proportion examination assists with understanding and gauge the organization's future financials and tasks. Proportions framed from past fiscal report examination helps in assessing future financials, planning, and anticipating the future tasks of the organization.

### 4. Distinguishing Hazard and Making Remedial Moves

The organization works under different business, market, activities related chances. Proportion examination helps in understanding these dangers and assists the board with getting ready and make vital moves. Influence proportions help in performing responsiveness examination of different elements influencing the organization's productivity like deals, cost, obligation. Monetary influence proportions like Interest Inclusion proportion and Obligation Inclusion proportion tell how much the organization is subject to outside capital sources and the organization's capacity to reimburse obligation.

### 5. Peers Examination

Financial backer, as well as the organization's administration, makes an examination with Contenders Organization to comprehend effectiveness, productivity and piece of the pie. Proportion examination is useful for organizations to perform SWOT (Qualities, Shortcoming, Amazing open doors, and Dangers) examination on the lookout. It likewise tells regardless of whether the organization can perform development over a period from past financials and regardless of whether the organization's monetary position is getting to the next level.

### 6. A Superior Wellspring of Correspondence

Proportion investigation is significant while introducing the financials of the organization to its partners. Proportions make it straightforward than perplexing and immense numbers.

Now and again numbers can be underhanded which prompts financial backers losing certainty, however proportion examination assists the financial backer with understanding the circumstance of the organization after correlation and assists them with continuing to put resources into the business.

### 7. Monetary Dissolvability

The organization's capacity to pay transient not entirely set in stone by liquidity. Current Proportion, Basic analysis proportion lets us know whether an organization can pay its momentary commitment soon. The organization consistently runs examination on past budget reports to comprehend and get ready for instalment of transient commitments.

### 8. Direction

Proportions give significant data on the functional productivity of the organization, and the usage of assets by the organization. It assists the executives with estimating and making arrangements for future, new objectives, focus on the various business sectors, and so on.

### 9. Pattern Line

Proportion investigation gives us the pattern line, which demonstrates regardless of whether an organization can perform over a period. Organizations assemble information from past detailing periods pattern line framed can be utilized to comprehend and pass judgment on future execution and any conceivable issue which can't be found from only one-year proportion examination.

### 10. Significant Apparatus

Monetary examination of the organization isn't possible without proportion investigation. Proportion examination is a significant device that is expected to play out all activities whether the correlation with peer organizations, estimating the effectiveness of the organization in different parts of making a monetary model of the organization to figure future execution.

## 11. Across the board Bundle

Proportion examination incorporates proportions, which measure different parts of systematic liquidity, proficiency, dissolvability, influence, benefit and market esteem. It gives dependable data to financial backers and the board according to all viewpoints to go with their own choices. A financial backer shouldn't rely upon only one proportion to go with venture choices however ought to play out a careful examination of different proportions and comprehend its significance connected with the organization's future presentation.

## 2. Concern Reviews:

Pooja Mengi in her article "Consumer loyalty with administration quality-An experimental investigation of public and confidential area banks", (September 2009) thought about that client administrations are a necessary piece of any feature of banking and it characterizes the fate of any financial association. For a help area like financial industry the entire scope of exercises and age of pay turns around the clients. As per her servequal execution will guarantee greatest consumer loyalty and furthermore help in going to client dependability.

Sandip Ghosh Hajra, Dr. Kailash. B.L. Srivastava in their article "Effect of administration quality on consumer loyalty, steadfastness and responsibility in the Indian Financial area", (May 2010) has surveyed that assistance quality assumes fundamental part towards the determinant of seriousness for laying out and supporting and fulfilling the relationship with the bank clients. A client disapproved of corporate culture, an incredible help framework plan, the viable use of data and innovation are pivotal prevalent help quality. In such manner, by recognizing what's to come needs, challenges the Indian Financial area has answered these requirements by focusing closer on improvement of administration quality in order to hold its market position. In the present in Indian financial situation agreeably administration quality is an irreplaceable cutthroat system. Investigating the view of administrations quality and its relationship with the consumer loyalty, dedication and responsibility in banks is particularly significant. He additionally given a significance for administration quality aspects which are; confirmation, sympathy, security and dependability. Every one of these component of administration quality will in general firmly affect consumer loyalty relying on the quality execution. Accordingly, one might say that once on the off chance that financier become fruitful in offering better subjective types of assistance, the client would be fulfilled. The bank likewise should start activity to be guaranteed their client that doing a business with them is completely gotten one and their cash is generally protected with the bank.

Ashok J. Kumar. M, Rajesh. R in their article "The present clients are fulfilled? A review with Banks", (September 2009) said that Indian Financial industry saw a monstrous change after the modern strategy 1991. Before this approach, clients don't have a lot of information on financial area. In any case, after 1991 modern approach, with extraordinary section of private and unfamiliar banks the entire situation changed. The cutting edge and powerful looking new age banks have started catching the market. The data and innovation additionally arose as the foundation of the financial activity, changing the help conveyance through new stages and channels. During this cutthroat stage the banks are likewise encouraged to comprise a client support board of trustees. The assumption for client likewise increments as the improvement in help happens. It is normal one anyway in the banks a few stages towards relieving the client's concerns would be help in diminishing the client issues. There is likewise need to make mindfulness about the procedural changes in the new framework because of automating the financial activities. More or less, both the staff and the clients ought to reorient their disposition towards the financial administrations in the IT driven climate and value the complexities of the new framework so that no. of events, grumblings would decrease.

Shri. G. D. Medhe in his M. Phil thesis, "An investigation of Bank client administrations with exceptional reference to Kolhapur Janata Sahakari Bank Ltd, Kolhapur", (1988) has surveyed that for the improvement of any country there is a need of high pace of capital development. Furthermore, this capital development is conceivable by the banks the people who act a beat of the country. Except if and until the financial area creates there is no likelihood 'to foster the country. In the improvement of Indian economy there is an overwhelming majority of banking industry. Banking industry is cash situated; it is administration and client arranged. Giving the great client administrations is one of the principal elements of each and every bank. Despite the fact that the improvement of each and every bank generally relies on its proficiency of delivering the great client administrations. At present many banks are properly participated in giving the effectives banking administrations to its esteemed clients. What's more, thusly the sharp rivalry is expanding among the banks and by this way they need to turn into a fruitful broker.

A. J. Joshua, K. V. M. Varambally, Muli. P. Koshy in their exploration paper under the heading, "Consumer loyalty and quality view of electronic financial channels benefits: An observational review", (January 2010), have referenced that every one of the banks in India have acknowledged in advancement period, to keep up with cutthroat and offering the best types of assistance to their worth clients, they need to have best administrations to their clients they need to have the best and most recent advancements set up. Independent of their possession status (private and Public area) practically all them have given greatest significance to the mechanical turn of events and arrangement. A. T. Ms, plastic cash, online assortment and instalment administrations, electronic asset move and clearing administrations, versatile banking, doc the board framework, savvy cards, centre financial arrangements, branch banking branch organizing, web banking are the results of their drives of innovative up degrees. The innovation empowers items and more compelling conveyance channels offers worth to their clients, giving them whenever, anyplace, at any rate banking to their clients.

### 3. Application to Data:

#### 3.1 Current Ratio of the Bank

This proportion estimates the capacity of the bank to meet its ongoing liabilities comparable to its ongoing resources. This infers the everyday liquidity which the bank has for its working. This proportion when more noteworthy than 1 is seen as the fluid to meet its ongoing commitments.

**Table 1 Current Ratio of the Bank**

Years	Current Assets	Current liabilities	Ratio
2013	57253.99	12264.1	4.67
2014	58827.26	13556.46	4.34
2015	55402.52	12941.13	4.28
2016	52305.73	8112.43	6.45
2017	50506.7	8041.21	6.28
2018	54859.52	10983.06	4.99
2019	56849.54	11254.6	5.05

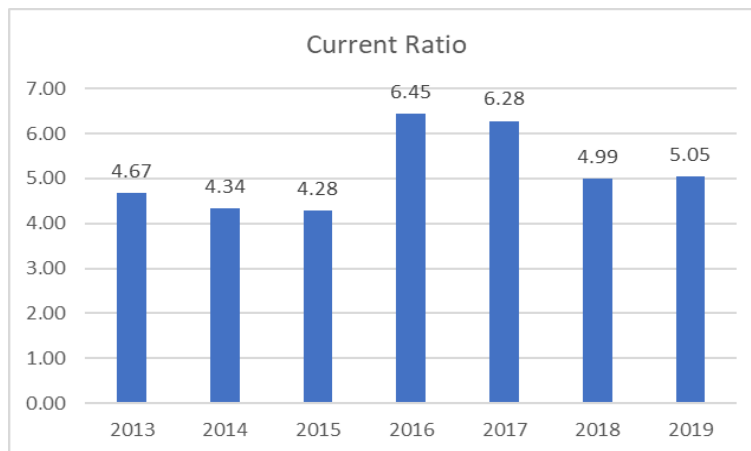


Figure 1 Current Ratio of the Bank

The current ratio for Jamnagar District co-operative bank is examined for the financial year 2013 to 2019. The consistency of bank is steadily grown up to the year 2017, which was declined in 2018 and has reached 4.99%. The current liability of the bank has increased during the financial year 2018. Thus the bank has declined in current ratio value. It is also balanced during 2019 as 5.05. Other than the bank has balanced value of current ratio. This clearly indicating that the bank has function steadily for last six years.

#### 3.2 Debt Equity Ratio of the bank

The debt equity proportion is an influence proportion that shows how much an organization's supporting comes from obligation or value. A higher debt equity proportion implies that all the more an organization's supporting is from obligation as opposed to giving portions of value. Banks will more often than not have higher debt equity proportions since they acquire capital to loan to clients. They likewise have significant fixed resources, i.e., neighbourhood offices.

Years	Debt	Equity	Ratio
2013	11661.82	2167.57	5.38
2014	7317.07	2306.51	3.17
2015	8437.39	2621.29	3.22
2016	18812.24	2849.72	6.60
2017	16619.2	3278.79	5.07
2018	12569.54	2644.77	4.75
2019	15679.12	2865.32	5.47

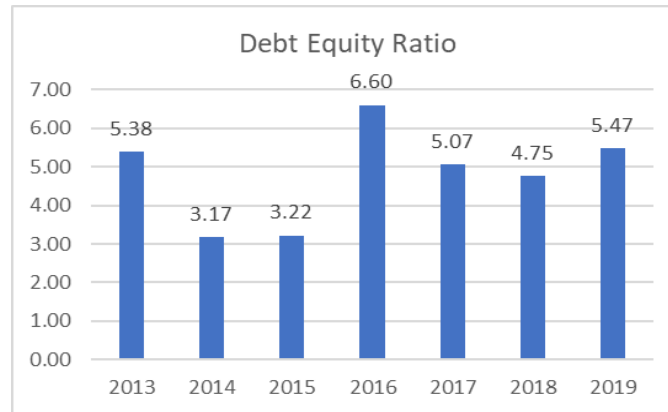


Figure 2 Debt Equity Ratio

The highest value of debt equity generated by bank is recorded for the financial year 2016. It has recorded 6.6% for the study of last seven years. The bank has created least equity from market during the financial year 2014 and 2015. Moreover, it has balanced for the financial year 2018. For rest of the year, the bank has created equity towards debt is almost equal. Higher collection of equity shows that the bank has generating higher debt. It means the bank is functioning in trouble for financial market.

The unbalanced statement is to be examined by using inferential statistics. This may support to estimate the future correspondents of bank. An application of t – test for independent mean is examined at 5% level of significance and (n – 1 = 7- 1 = 6) degree of freedom. The test results are examined for the following hypotheses:

1. There is no significance difference between the value of current ratio of the bank for last seven years.
2. There is no significance difference between the value of debt equity ratio of the bank for last seven years.

Table 3 t – test of CR and DR

Test Statistics	DR	CR
Mean	4.81	5.15
Variance	1.54	0.77
Pearson Correlation	0.76	
Hypothesized Mean Difference	5.5	
df	6	
t Stat	0.97	1.36
P(T<=t) two-tail	0.0021	0.003
t Critical two-tail (5% level of significance)	1.94	1.94

The actual mean value is computed for both the ratio values. The variability is also measured. The correlation between the debt equity and current ratio is measured as 0.76. It shows that the explained variation between 57.76% ( $R^2 = 0.5776$ ). It shows that the

higher collection of equity directly proportionated to current liabilities as 58%. Rest 42% generation of equity is spent to balance other recourses. The critical value of t-test is examined 1.94 for 6 degree of freedom and 5% level of significance. The computed value of t is 0.97 and 1.36, which are lower than the 1.94. It shows that stated hypotheses are fail to reject. It shows that there is no significance deference between the value of current ratio and debt equity ratio of the bank for last seven years. The acceptance of hypotheses intimated that the bank has to focus on balancing the funds, it should have proper management in NPA, it must have to increase the fund via opening of new accounts.

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