Analysis of relationship between capital and profit of district co-operative bank Thrissur

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Abstract
Thrissur District Co-operative Bank Ltd is an India based bank. The bank was established in 1918. The aim of the study is to analysis the relationship between capital and profit of the bank. For this study data collected from the head office of district co-operative bank Thrissur. The data collected were then compiled, tabulated and analyzed. Correlation is used to analyze the relation between capital and profit. The study is historical in nature. Data collection is done through secondary sources (Annual Reports, Websites etc.) After the study it reveals that Thrissur District Co-operative Bank’s maintain relationship between capital and profit. But that’s not a perfect relation.

Keywords: Capital, profit

1. Introduction
Finance have important role in every business activity. All business activity requires acquisition and use of funds for running the business unit commercially i.e. generating revenues over total cost incurred. Without funds no business activity can take a final shape in practice. Financial management refers to that part of the management activity, which is concerned with planning and controlling of firms financial resources. Procurement and utilization of fund is the main task of financial manager. Utilization of fund is important. Capital should be utilized properly. That means should make profit according to capital. The finance manager is required to select such a finance mix or capital structure, which maximize shareholders wealth.

2. Methodology
Correlation is used to identify the relation between capital and profit. The study is based on secondary data. Secondary data collected by annual reports.

2.1 Correlation
Correlation is used to study the relationship between two variables. A very simple definition of correlation is that given by A.M. Tuttle. He defines correlation as:”An analysis of the co variation of two or more variables is usually called correlation”. In this study using Karl Pearson’s Coefficient of correlation. Of the several mathematical methods of measuring correlation, the Karl Pearson’s method, popularly known as Pearsonian coefficient of correlation, is most widely used in practice. The Pearsonian coefficient of correlation is denoted by ‘r’. It is one of the very few symbols that are used universally for describing the degree of correlation between two series.

Analysis

<table>
<thead>
<tr>
<th>Capital</th>
<th>587</th>
<th>580</th>
<th>524</th>
<th>812</th>
<th>1095</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>-573</td>
<td>521</td>
<td>860</td>
<td>239</td>
<td>424</td>
</tr>
</tbody>
</table>

X=capital (In ten lakhs)
Y=profit
Karl Pearson’s Coefficient of correlation (r) = \[\frac{n\sum xy - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}\]

\[= \frac{5 \times 1074817 - (3598 \times 1471)}{\sqrt{5 \times 2813914 - (3598)^2}[5 \times 1576267 - (1471)^2]}}\]

\[= \frac{81427}{2547152.035} = 0.0319\]

2.2 Table Showing Interest on Deposites and Borrowings

<table>
<thead>
<tr>
<th>Years</th>
<th>Interest On Deposites And Borrowings</th>
<th>Trends (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-2007</td>
<td>546276613.90</td>
<td>100</td>
</tr>
<tr>
<td>2007-2008</td>
<td>747529868.29</td>
<td>137</td>
</tr>
<tr>
<td>2008-2009</td>
<td>972208849.82</td>
<td>178</td>
</tr>
<tr>
<td>2009-2010</td>
<td>1561329987.55</td>
<td>286</td>
</tr>
<tr>
<td>2010-2011</td>
<td>1938231661.62</td>
<td>355</td>
</tr>
</tbody>
</table>

(Sources: District co-operative bank balance sheet)

3. Conclusion

From the correlation analysis find out that there is no exact relationship between capital and profit. And get the value 0.03 that is not near to positive one. So we can’t say that there is perfect positive correlation between variable. Their profit not increases accordance to capital. That is because of increasing expenses of bank. But they efficiently utilize their fund in the form of loan for generating income. And banks capital and profit are related, but they want to give some attention to increase profit accordance to capital.

4. Reference

5. Annual Reports of District Co-operative Bank Thrissur