



Analysis of Cooperative Banks Financial Status in Bagalkot District

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ABSTRACT

The roots of the Indian cooperative banking drive can be found in agriculture and the related industries. It was the result of the pain and fight of a common person in the 19th century. The first Credit Societies Co-operative Act was introduced in 1904 to protect rural farmers from clutches of moneylenders. In addition, nominal co-operative finance is an ideal and manageable source for the rural population (Subburaj, Samwel Kakuko Lopoyetum & Selvam, 2003). In the early 20th century, the co-operative banks arrived in India as an official attempt to build a new form of institute based on the principles of co-operative organization. These banks were designed to provide temporary and adequate short and long-term institutional lending at fair interest rates as substitutes for money lenders.

Keywords: Cooperative, Bank, Bagalkot, Financial, Analysis

1. Introduction:

The roots of the Indian cooperative banking drive can be found in agriculture and the related industries. It was the result of the pain and fight of a common person in the 19th century. The first Credit Societies Co-operative Act was introduced in 1904 to protect rural farmers from clutches of moneylenders. In addition, nominal co-operative finance is an ideal and manageable source for the rural population (Subburaj, Samwel Kakuko Lopoyetum & Selvam, 2003). In the early 20th century, the co-operative banks arrived in India as an official attempt to build a new form of institute based on the principles of co-operative organization. These banks were designed to provide temporary and adequate short and long-term institutional lending at fair interest rates as substitutes for money lenders.

2. Need of Study:

The process of financial inclusion ensures that the required groups, for example weaker sections and lower income groups have timely access to adequate tax services at a significant cost. In order to meet the banking divide, the cooperative banks play a

dominant part. The aim of this study is to assess the financial performance of selected cooperative banks in the district of Bagalkot.

3. Objective of the Study:

The research is being carried out in order to achieve the following essential goals:

1. To analyze the trends in the fiscal status, performance and growth of co-operative banks in Bagalkot District.
2. To analyze the profile and operational trends of the selected co-operative banks in Bagalkot District.
3. To appraise the financial performance of the co-operative banks with the aid of CAMEL analysis.
4. To examine the management of NPAs and the status of credit risk in co-operative banks along with their performance in Bagalkot.

4. Data Analysis and Interpretation:

Co-operative banks that cater to the needs of the poorer sections of society in urban areas are a powerful tool for financial empowerment and inclusion. Commercial and other roles related to rural development in general, and agricultural development in particular, is performed by urban cooperatives. They are structured and run on cooperative principles, which include goals and operating procedures that set them apart from other organizations. The evolution of cooperatives, therefore, necessitates approaches that are distinct from those used by other forms of businesses.

4.1 Analysis of Selected Cooperative Banks Bank Working Capital:

Cooperative banks rely heavily on their working capital to stay afloat. The profitability of a bank is determined by its working capital, which is determined by the resources available in the cooperative bank.

Indeed, under new competitive pressures, improving overall performance in Urban Cooperative Banks (UCBs) poses serious challenges. Since the UCB's operational efficiency is so important in ensuring a sufficient and timely flow of credit to urban and semi-urban citizens for a variety of purposes, close scrutiny of their output is warranted.

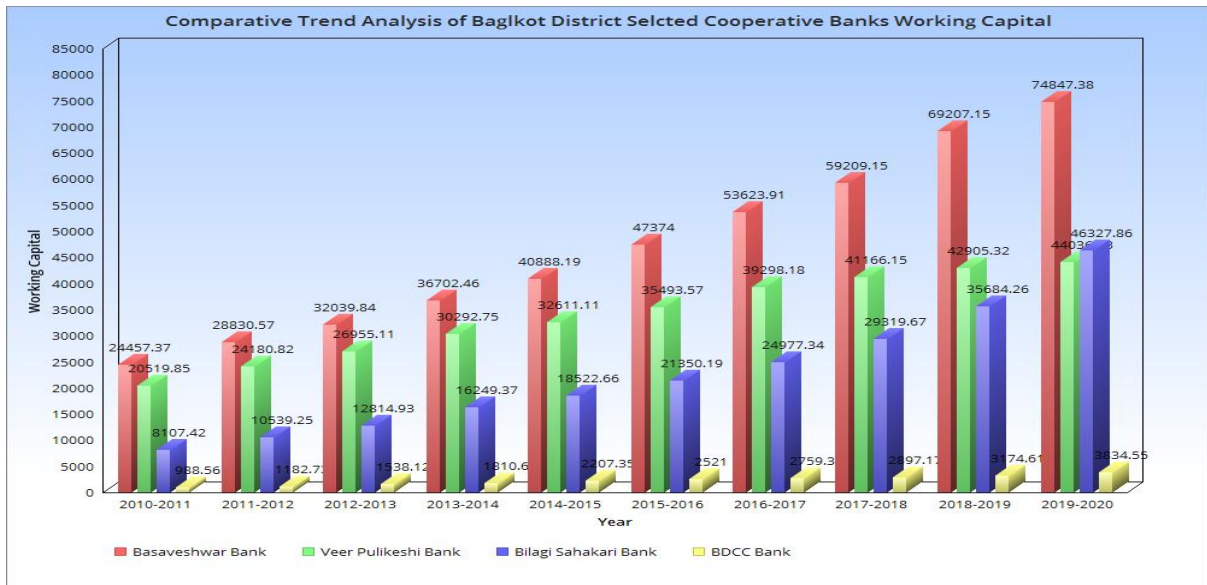
The amount of money required to bridge the gap between disbursements (payments to suppliers) and receipts is known as working capital requirement (payments from customers). The working capital allowance is the sum required to cover the cost of the delay. Businesses' financial resources are often minimal.

Internal (owned funds consisting of share capital plus reserves) and external (borrowed funds consisting of deposits plus borrowings) sources of funds, as well as some other sundry sources, make up the working capital of Urban Cooperative Banks (UCBs).

The analysis of its development would provide a reasonable picture of the bank's resource management success in the long run. The bank's cost of funds is primarily determined by the cost of deposits and borrowings. Many urban banks' Achilles heel is proper fund management.

Comparative Trend Analysis of Baglkt District Selected Cooperative Banks Working Capital (Rs in Crores)				
Years	Basaveshwar Bank	Veer Pulikeshi Bank	Bilagi Sahakari Bank	BDCC Bank
2010-2011	24457.37	20519.85	8107.42	988.56
2011-2012	28830.57	24180.82	10539.25	1182.73
2012-2013	32039.84	26955.11	12814.93	1538.12
2013-2014	36702.46	30292.75	16249.37	1810.6
2014-2015	40888.19	32611.11	18522.66	2207.35
2015-2016	47374	35493.57	21350.19	2521
2016-2017	53623.91	39298.18	24977.34	2759.3
2017-2018	59209.15	41166.15	29319.67	2897.17
2018-2019	69207.15	42905.32	35684.26	3174.61
2019-2020	74847.38	44036.83	46327.86	3834.55

(Table 4.1)



(Graph 4.1)

The graph and table above show the growth of selected cooperative banks. Due to a rise in various operating expenses, the amount of working capital needed by Bagalkot District co-operative banks has increased from 2010-11 to 2019-20. In 2010-11, the working capital requirement of Basaveshwar Bank was 24457.37 lakhs, compared to 20519.85 lakhs for Veer Pulikeshi Bank, 8107.42 lakhs for Bilagi Sahakari Bank, and 988.56 lakhs for BDCC Bank. Working capital requirements in cooperative sector banks have continued to rise in proportion over time as operations have expanded, with Basaveshwar Bank reaching 74847.38 lakhs in 2019-20, Veer Pulikeshi Bank 44036.83, Bilagi Sahakari Bank 46327.86, and BDCC Bank 3834.55.

Over the same 10-year span, the working capital requirements of Basaveshwar Bank Bagalkot have increased more than those of other cooperative banks in the district. Due to a proportionate improvement in its Current Assets and Current Liabilities, it has risen from 24457.37 lakhs in 2010-11 to 74847.38 lakhs in 2019-20. On the other hand, the working capital requirements of Bilagi Sahakari Bank and Veer Pulikeshi Bank have increased significantly over the last ten years.

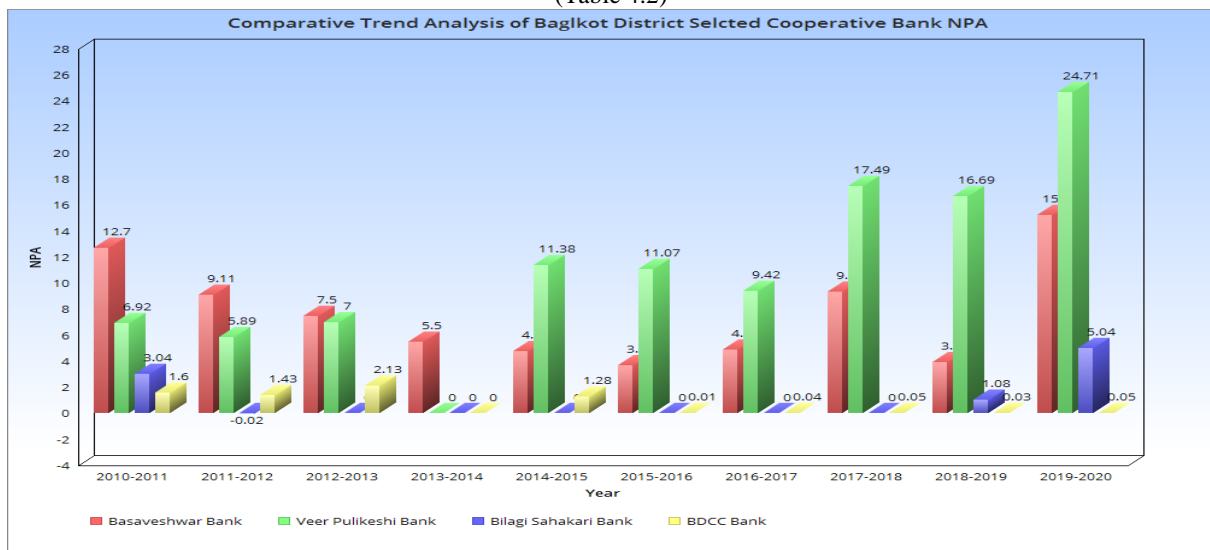
4.2 Analysis of Selected Cooperative Banks – Non Performing Assets:

Cooperative banks have emerged as one of the most powerful economic transformation tools. Due to their priority sector lending in the federal co-operative credit system, however, credit risk is high. Non-performing assets (NPAs) in Central Co-operative Banks' loan portfolios have become inevitable. This investigation looks into the state of nonperforming assets (NPAs) and their effect on financial health, including profitability, liquidity, and solvency. Each level of the federal co-operative credit system suffers when a co-operative creditor defaults. We have all heard or read the term NPA in this day and age. The banking sector is dealing with a high level of nonperforming assets (NPAs), which is causing a downward trend in profitability. Let us attempt to comprehend the NPA process in a straightforward and understandable manner.

The factors that trigger cooperative credit default and those that distinguish defaulters have been established. Researchers and bankers interested in the field of NPA Management in Co-operative Banks will benefit from this study. As a result, net NPA tells you the exact value of non-performing assets after the bank has set aside funds for them. NPAs may also be calculated as a proportion of overall progresses. It allows us to estimate how much of the overall advances is unrecoverable.

Comparative Trend Analysis of Baglkot District Selected Cooperative Bank NPA (Rs in Crores)				
Years	Basaveshwar Bank	Veer Pulikeshi Bank	Bilagi Sahakari Bank	BDCC Bank
2010-2011	12.70%	6.92%	3.04%	1.60%
2011-2012	9.11%	5.89%	-0.02%	1.43%
2012-2013	7.50%	7%	0.38%	2.13%
2013-2014	5.50%	0%	0.29%	0%
2014-2015	4.79%	11.38%	0%	1.28%
2015-2016	3.67%	11.07%	0%	0.01%
2016-2017	4.91%	9.42%	0%	0.04%
2017-2018	9.36%	17.49%	0%	0.05%
2018-2019	3.91%	16.69%	1.08%	0.03%
2019-2020	15.22%	24.71%	5.04%	0.05%

(Table 4.2)



(Graph 4.2)

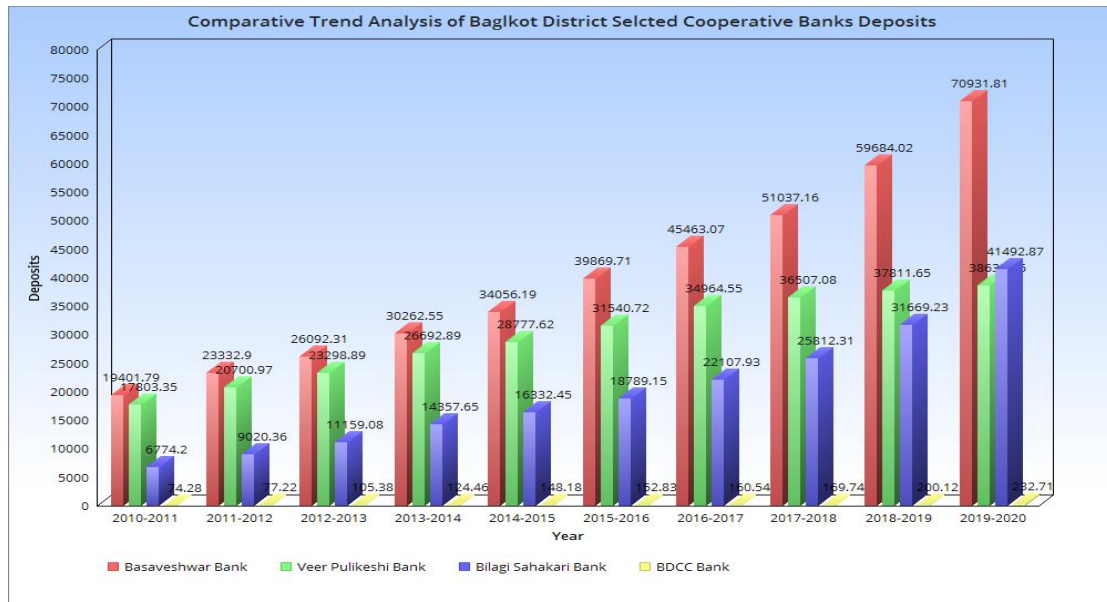
The graph and table above show the non-performing assets of selected cooperative banks. Due to a rise in cooperative members and loan offers, the NPA ratio of Bagalkot District co-operative banks has risen from 2010-11 to 2019-20. In 2010-11, Basaveshwar Bank had an NPA rate of 12.70 percent, compared to 6.92 percent for Veer Pulikeshi Bank, 3.04 percent for Bilagi Sahakari Bank, and 1.60 percent for BDCC Bank. Non-performing assets margins have increased as cooperative banks' operations have expanded and demand for loans has increased, with Basaveshwar Bank reaching 15.22% in 2019-20, Veer Pulikeshi Bank recorded 24.71 percent NPA, Bilagi Sahakari Bank recorded 5.04 percent NPA, and BDCC Bank has recorded 0.05 percent NPA. When above trend analysis of NPA had seen researcher felt that BDCC Bank and Bilagi Sahakari Bank has strong control and consistency over its Non Performing Assets, on the other hand Basaveshwar Bank and Veer Pulikeshi Bank has to concentrate on curbing their Non Performing Assets. The management of non-performing assets (NPAs) starts when a borrower submits a loan application. If the character or income of the borrower is poor, the loan would default. The bank staff should have strong analytical skills and be capable of determining the loan sanction limit for a potential borrower. NPA management cannot be achieved from behind four walls, but it is important to keep up with current events and industry trends. The numerous recovery tools are also extremely important. It is also necessary to be familiar with related actions.

4.3 Growth Analysis of Selected Cooperative Banks Bank Deposits:

Deposit mobilization is an effective method for resource mobilization in two ways. The first is the mobilization of surplus income from savers themselves, which entails encouraging savings by means such as habit thrift, and the second is the efficient use of such savings in economic productive purposes. The performance or failure of an institution's deposit mobilization is determined by the management's sound and responsible business operations. Deposit mobilization is an important aspect of preparation because it eliminates the need for borrowing. The deposit is a key indicator of a credit agency's performance and productivity. The greater the deposit base, the greater the public trust. Retail and commercial banking are organized cooperatively in cooperative banking. In most areas, cooperative banking institutions accept deposits and lend money. The society's goal is to improve its members' economic circumstances, and it seeks to accomplish this by providing facilities for better farming, industry, and living, as well as carrying out work of common economic interest and value to the members. Co-operative banks have a broad variety of financial services and goods, including fixed deposits; however, Co-operative Societies do not have a banking license and are established to promote the economic interests of their members. As a result, cooperative societies can only keep accounts and accept deposits from their members.

Comparative Trend Analysis of Baglkot District Selected Cooperative Banks Deposits (Rs in Crores)				
Years	Basaveshwar Bank	Veer Pulikeshi Bank	Bilagi Sahakari Bank	BDCC Bank
2010-2011	19401.79	17803.35	6774.2	74.28
2011-2012	23332.90	20700.97	9020.36	77.22
2012-2013	26092.31	23298.89	11159.08	105.38
2013-2014	30262.55	26692.89	14357.65	124.46
2014-2015	34056.19	28777.62	16332.45	148.18
2015-2016	39869.71	31540.72	18789.15	152.83
2016-2017	45463.07	34964.55	22107.93	160.54
2017-2018	51037.16	36507.08	25812.31	169.74
2018-2019	59684.02	37811.65	31669.23	200.12
2019-2020	70931.81	38633.66	41492.87	232.71

(Table 4.3)



(Graph 4.3)

The growth of selected cooperative banks is depicted in the graph and table above. The amount of deposits in Bagalkot District cooperative banks has steadily increased from 2010-11 to 2019-20. Basaveshwar Bank had 19401.79 lakhs in deposits in 2010-11, compared to 17803.35 lakhs for Veer Pulikeshi Bank, 6774.2 lakhs for Bilagi Sahakari Bank, and 74.28 lakhs for BDCC Bank. Deposits in cooperative sector banks have continued to grow in proportion, with Basaveshwar Bank touching 70931.81 in 2019-20, Veer Pulikeshi Bank 38633.66, Bilagi Sahakari Bank 41492.87, and BDCC Bank 232.71 in 2019-20. Over the same 10-year stretch, Basaveshwar Bank Bagalkot has gained more deposits than other cooperative banks in the district. From 19401.79 lakhs in 2010-11 to 70931.81 lakhs in 2019-20, it has increased significantly.

5. Conclusion:

Many economic activities are impossible to start without credit. As a result, cooperative banks play a critical role in providing credit to various sectors of the economy for a variety of purposes. In India, cooperative banks are an important part of the banking system. These banks primarily serve rural communities, particularly the agricultural sector. They are the primary source of institutional credit for farmers, small businesses, and the general public.

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