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PERFORMANCE EVALUATION OF CO-OPERATIVE BANK: A CASE STUDY ON SPS BANK IN BALLARI DISTRICT

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ABSTRACT:

Banking sector is one of the popular sectors in India, Banks providing services mainly in two ways; first one is receiving deposits and secondly providing loans to public. Every business requires financial assistance; most of the business operations take financial assistance (loan) from the bank to meet their business activities. Development through cooperation is a basic principle of cooperative movements; it has contributed considerably in the economic development of India. Co-operative society can change economic and social life. Urban co-operative banking sector is an important constituent of mutually agency banking system operating in the country. Co-operative banks are playing an important role in urban area development. Co-operative bank is the important source of credit to small borrowers. The present study attempts to examine the performance evaluation of the Cooperative bank. An attempt is being made to study the bank performance with different ratios.

KEYWORDS: Performance Evaluation, Cooperative Bank, SPS Bank, NPA.

INTRODUCTION

An efficient functioning of the financial system facilitates the free flow of fund to meet productive activities and promotes investment. The financial system provides the intermediation between savings and investments and promotes economic development. The economic development of any country depends upon the existence of a well organised financial system. It is the financial system which supplies the necessary financial inputs for the production of goods and services which in turn promote the well being and standard of living of the people of a country. The banking sector helps in mobilizing the productive ventures. These banks act as supportive system and help in the fast economic promotion in the business of an individual. The policy of the banks specifies the sanctioning of the loan proposals and investing of deposit made, by putting in to the proper place system.

Co-operative banks are playing a vital role in rural and urban areas. Co-operative banks are providing loans to rural and urban area people to encourage their economic and social conditions. In rural area people are facing many problems in financial matter and they are borrowing loan from money lenders with exorbitant rate of interest. Co-operative bank is solving those problems by providing loaning facilities with a minimum rate of interest on loan. The bank has performing in right way to reach all financial services to customer's door. The present study attempts to examine the performance evaluation of the Cooperative bank. An attempt is being made to study the bank performance with different ratios.

CONCEPT OF CO-OPERATIVE BANK

Co-operative is a form of organization wherein persons voluntarily associate together on the basis of equality for the promotion of their economic interest. Under this system people with limited means are benefited much. 'Each for all and for each' is the philosophy and principle of co-operation.

The history of co-operative movement in India began at the end of 19th century. Several credit cooperative societies were established in the state of Punjab and Uttar Pradesh. During that period the Madras government sent Sir Fredric Nicholson to Germany to study the co-operative movement taking place there. Nicholson submitted his report in 1895 and suggested to establish Raiffiesen model societies in our country. In 1901 the Famine commission also recommended for the establishment of those societies. Based on this, the government passed Co-operative societies Act in 1904. This act laid the foundation for co-operative movement in India. There were some defects in this act did not provide opportunity for credit societies and the distinction between cities and rural areas was not made on scientific basis therefore, in order to remove these defects the new co-operative societies act was passed in 1912.

After independence co-operative movement received good encouragement from the government. Co-operative movement has become the basic principle of planned development during the five year plans. During the plan period different co-operative societies were established. Co-operative movement has achieved rapid progress in the states of Karnataka, Uttar Pradesh, Maharashtra, Tamil Nadu, Gujarat, Punjab, Hariyana etc. co-operative movement spread all over the country. Co-operative societies are especially suitable for the development of small and cottage industries. Therefore, co-operative societies were established in every corner of the country.

PROGRESS OF CO-OPERATIVE MOVEMENT

Co-operative sector in India is the largest in the world. In 1950-21 the total number of agriculture primary credit societies was 1.05 lakhs with 44 lakhs members. They had Rs.37.25 crores as working capital and had advanced credit to the tune of Rs.23 crores. In 1998-99 there were 91720 agricultural primary societies with 8.12 crores members. During this period their total working capital was Rs.10718 crores. During the same period 2970 primary land development banks and 7460 primary agricultural marketing societies were functioning with a total membership of 48 lakh. In 1998-99 the total numbers of all types of societies were 3.95 lakh and the total membership was 18.96 crores. They had Rs.118700 crores as share capital.

REVIEW OF LITERATURE

Numbers of studies have been conducted on co-operative banks in India. Here, an attempt is being made to provide an overview of various aspects and issues of present study through the review of existing literature. Some of the important studies were selected for review and some have been discussed below.

Rahim¹ (2012) research article entitled 'Performance Appraisal Systems in Private Banks of Bangladesh: a study on the Mercantile Bank Limited', the researcher has critically evaluated the existing performance appraisal systems of Mercantile bank limited. The study recommended to the bank authority to develop a uniform performance appraisal policy and should form a performance evaluation committee to evaluate its employee's performance.

Md. Ariful Islam and et. al.² (2014) in their work compares the four types of bank's time series performance on the basis of selected CAMEL ratios. The research revealed and concluded that among the four categories of banks operating in Bangladesh, DFIs has been found more vulnerable compared to the rest of three categories. The performance of banking sector is always been a source of interest for researcher to judge the economic condition of a county. This study is helpful to know the banking performance in the country and its contribution to economy.

Mengistu's³ (2015) paper entitled 'Evaluation of Financial Performance of the Banking Sectors in Ethiopia: the case of Zemen Bank', this study was aimed to evaluate the financial performance of the banking sector in Ethiopia. For the purpose of the study Zemen bank selected as a sample bank in Ethiopia. The researcher has been calculated several ratios on the basis secondary source, data are collected from annual

report of the Zemen bank. The result of the study of revealed that the bank had an experience of an increasing pattern of those ratios in the first few years of its functioning. Finally, the efficiency level of the bank has been measured; the results of the ratios analysis disclose that the bank had a good rate of efficiency.

ABOUT SPS BANK

SPS bank started its operations in the year 1998 as Sandur Pattana Sahakari Bank Ni., (SPS Bank) with aim of providing quality service to the customer and Reach the banking service to the middle and lower class people with the slogan of “your friendly bank”. With this tagline banking services are available from morning 10.30 am to evening 06.30 pm in working days. Mr. K.S. Nagaraj is the founder of SPS bank. He is a reputed mine owner in Sandur area. The bank registered under KSS Act in the year 2001, and bank is having a board of director body, in this board body consist nine directors. The RBI license number KAN 1646 P. The SPS bank has been awarded as a Grade-I bank by the Reserve Bank of India.

OBJECTIVES OF THE STUDY

The following are the important objectives of the present study.

1. To evaluate the inflow and outflow of cash of the SPS bank.
2. To examine the bank performance in the remote area.
3. To offer suitable suggestions to improve the performance of the bank.

METHODOLOGY

To accomplish the objectives of the study secondary data were used. Secondary data were collected from various sources including books, research papers, annual reports of the bank and related websites. The study period covers ten years from 2006-07 to 2015-16.

NEED FOR THE STUDY

The success of any business activities is mainly depends on the financial management. The small and medium business firms are directly depending on bank to gear their required fund (loan). The nationalized and commercial bank offers different loans. Today the cooperative banks are playing a significant role in developing rural and urban area by offering various financial services. The study is undertaken to know the financial performance evaluation of SPS co-operative bank in Sandur area.

Table No. 01: Share Capital of the SPS Bank

Year	Share Capital	In percent	Cumulative percent
2006-07	40.54	6.33	6.33
2007-08	47.56	7.43	13.76
2008-09	52.85	8.26	22.02
2009-10	59.84	9.35	31.37
2010-11	69.24	10.92	42.29
2011-12	70.75	11.06	53.35
2012-13	72.37	11.31	64.66
2013-14	73.18	11.44	76.10
2014-15	76.58	11.90	88.00
2015-16	76.78	12.00	100.00
Total	639.69	100.00	

Source: Computed from annual reports of the bank from 2006-07 to 2015-16

The above table shows that the share capital of the SPS bank. The present study covers the ten years period of the bank to evaluate the share capital performance. The bank has hold 40.54 lakhs share capital in the year 2006-07, and it is consistently increased to 76.78 lakhs in the 2015-16. This consistent progress shows that strength of the bank.

Table No. 02: Deposits and Loans of the SPS Bank

Year	Deposits	In percent	Loans & Advances	In percent
2006-07	1076.56	4.08	462.13	4.26
2007-08	1442.82	5.46	523.42	4.84
2008-09	1610.45	6.10	689.27	6.37
2009-10	2032.48	7.69	788.32	7.28
2010-11	2656.74	10.04	1123.37	10.38
2011-12	2880.32	10.90	1145.63	11.59
2012-13	3187.87	12.08	1278.56	13.81
2013-14	3407.50	12.90	1545.47	14.28
2014-15	3804.50	14.40	1617.62	14.95
2015-16	4319.10	16.35	1649.04	16.11
Total	26418.34	100.00	10822.83	100.00

Source: Computed from annual reports of the bank from 2006-07 to 2015-16

Table no. 02 shows the total deposits and total loans of the SPS bank. The bank has good faith in the public in financial services. The public have deposited amount of Rs.1076.56 lakhs in the year 2006-07 and deposits in the bank have increased consistently over the study period. As per the base year of the study is 4.08 percent of amount has been deposited and it has increased to 16.35 percent in the year 2015-16. Public have receives the loans from the bank for good rate of interest, in the year 2006-07 the loan and advances was only 4.26 percent and it was increased to 16.11 percent in the year 2015-16. The total loans and advances of the bank is Rs. 10822.83 lakhs and total deposit is Rs. 26418.34 over the study period.

Table No. 03: Investments and Borrowings of the Bank

Year	Investment	In percent	Borrowing
2006-07	534.53	3.17	0.00
2007-08	759.39	4.51	0.00
2008-09	905.00	5.37	0.00
2009-10	1302.83	7.73	0.00
2010-11	1664.06	9.88	0.00
2011-12	1931.40	11.46	0.00
2012-13	2140.76	12.70	0.00
2013-14	2151.27	12.76	0.00
2014-15	2483.53	14.74	0.00
2015-16	2976.29	17.68	0.00
Total	16849.06	100	

Source: Computed from annual reports of the bank from 2006-07 to 2015-16

Table no 03 reveals that investments of the bank and bank's borrowings from others. Bank has invested a huge amount in the different portfolios for maintaining a good financial strength of the bank. Rs. 534.53 lakhs were invested in the year 2006-07 and 2976.29 lakhs in the year 2015-16. It shows that the bank has following financial strategies to maintain the bank financial strength. There is a surprise in the study, the SPS bank has not borrowed any amount from the others, this the positive sign the bank.

Table No. 04: SPS Bank Reserve Funds, Net Profit

Year	Reserves		Net Profits	
	Amount (in lakhs)	In percent	Amount (in lakhs)	In percent
2006-07	84.63	3.12	28.56	4.72
2007-08	113.85	4.19	34.75	5.75
2008-09	145.00	5.34	41.13	6.80
2009-10	178.92	6.59	46.09	7.62
2010-11	220.26	8.11	58.17	9.62
2011-12	270.50	9.97	58.85	9.73
2012-13	320.34	11.80	64.99	10.75
2013-14	382.94	14.11	77.44	12.81
2014-15	452.81	16.68	93.62	15.48
2015-16	545.16	20.09	101.00	16.72
Total	2714.41	100	604.6	100.00

Source: Computed from annual reports of the bank from 2006-07 to 2015-16.

Table no. 04 exhibits bank's reserve funds, net profit and non performing assets. Over the study period the bank has reserved a good rate of amount in the reserves head (Rs. 2714.41 lakhs) Rs. 545.16 lakhs in the year 2015-16. Net profit of the bank is constitutively increased from Rs. 28.56 lakhs in the year 2006-07 to Rs. 101.00 lakhs in the year 2015-16.

Table No. 05: Performance of the SPS Bank in Ratios

Year	CD Rratio	CRAR Ratio	ROA	NPA
2012-13	40.10%	15.35%	1.90%	0.00%
2013-14	45.35%	17.80%	2.04%	0.00%
2014-15	42.51%	18.71%	2.28%	0.00%
2015-16	38.18%	28.92%	2.92%	0.00%
Avg.	41.53%	20.19%	2.28%	0.00%

Source: Computed from annual reports of the bank from 2012-13 to 2015-16

The performance of the bank can measure with the help of ratios like; CD ratio, CRAR ratio and ROA. Credit/debt ratio of the bank has maintained a good average that is 41.53 percent. The CRAR ratio is fluctuation in the period of time and its average ratio is 20.19 percent. Return on assets is also achieved good ratio; the average return on the asset is 2.28 percent. The bank has maintaining zero percent NPA over the period of the bank. It is clearly understood that the bank has performed in the achieving the profit and maintaining the NPA at zero.

SWOT ANALYSIS

The SPS bank - SWOT Analysis examines the company's key business structure and operations, history and products, and provides summary analysis of its key revenue lines and strategy.

SPS bank is engaged in the banking services, providing good financial services through the different loans and advances in Sandur area. The bank recorded revenues of Rs. 28.56 lakhs in the financial year ended March 2006-07 (FY2007) and gradually increases Rs. 101.00 lakhs in the year 2015-16. From the last decade bank has maintaining zero percent of NPA (Non-Performing Asset).

STRENGTHS

1. The SPS bank provides more and more services to urban and rural people.
2. The transactions of bank are fully computerized and service available up to evening 6.30 pm.
3. The service provided is more efficient and accurate so that customers take interest towards SPS Bank services.

4. It performs good and satisfied verifications before accepting or lending the loan proposals.

WEAKNESS

1. The awareness of the SPS bank is less compared to other banks.
2. Latest and new types of schemes are not available.
3. There are fewer members of employees.

OPPORTUNITIES

1. The bank should provide ATM facilities.
2. The bank will be expanding in its services by the introducing of new schemes and new policies.

THREATS

1. It has tough competition from other banks working in the area.

FINDINGS

The following are the important findings of the present study. They are:

1. The SPS bank grants loans only for commercial activities.
2. Bank has given less attention on salary based loan, staff loan and household loan.
3. Bank has not providing any loans to the agricultural activities and education loans.
4. There is no ATM facility to the customers.

SUGGESTIONS

The following recommendations are made to improve the performance of the bank.

1. Provide more facilities to the agriculturist to develop the agriculture in working area, like, providing Kissan credit card facility or low rate of interest on agricultural loan, etc.
2. Education is back bone of the society, for developing the education level in society provide loan facilities to students.
3. The Cooperative Banks should try to increase their deposits by opening branches in business areas, improve the services to their clients, introduce different types of deposit schemes and offer competitive rates of interest.
4. To make separate section in bank premises for loans and advances, it helps to customer to communicate freely with the bank officers.
5. To maintain the notice board in bank for displaying the rate of interest slab.
6. Bank has to provide more information regarding the loans and advances through the effective and attractive advertisements.
7. Occasionally bank has to cross verify the satisfaction level of the customers about their products and services, which helps them in coming up with customized products and services.
8. The present research has suggested to providing more number of facilities such as ATM, credit card, etc.

CONCLUSION

It is clear from the above study that SPS bank has played very vital role in the development of rural area. The bank presently covering entire Sandur taluka by providing financial help to the needy, it works under the provision of RRBs Act and lending operation is found satisfactory. The co-operative bank is instrumental in Indian economic development, with presence all over India, it not only serve people of every nook and corner of the country but also connects the people of various languages, religion, caste and creed. The researcher has found in his study that the SPS bank in Sandur area have good performance.

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