A STUDY ON FINANCIAL PERFORMANCE OF CO-OPERATIVE BANKS IN TUMKUR DISTRICT

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Abstract

This paper attempts to contribute the co-operative banking efficiency literature by investigating the financial performance of co-operative banks operating in Tumkur District. The study applies CAMAL analysis and other methods by improving management of deposits, No. of employees, Loan advances, and investment operations the less efficient banks can successfully achieve efficiency in resource utilization. The result also provide valuable insights to policy makers and managers for improving the efficiency in management of the co-operative banking sector.

Key words: Co-operative banks, Performance, Efficiency, Co-operative movements credit institutions, Tumkur district.

INTRODUCTION: origin of the co-operative credit movement in India dates back to 1904, when the co-operative credit societies Act was passed. The main reason for the introduction of the cooperative movement in India was the failure of Taccavi loans. The loaning system adopted by Government had a number of defects, such as a high rate of interest, rigidity of collection, onerous terms regarding periods of repayment, delays in distribution, conditions relating to securities required etc, and all these contributed to the failure of government loaning system. India’s rural credit system in unique in its reach and diversity. Indian economy continues to be pre-dominantly rural in character. The cooperative movement in the country originated as a measure against rural poverty, aggravated by chronic indebtedness of the farmers and practices of usury its worst by the money lender.

Cooperatives perform commercial and other functions related to rural development in general agricultural development in particular. They are organized and operated on the basis of cooperative principles which provide objectives methods of operation the distinguish them from other organizations the evolution of cooperatives therefore requires approaches from what different from those applied to other types of enterprises. Mobilization of more deposits, improving in granting loans, speedy recovery of over dues maintenance of adequate and limited resources keeping of adequate margin between borrowing and ending rates to build a strong reserve fund making of proper scrutiny and provision for bad and doubtful reserves are some the reforms that were already announced and implemented by the co-operative bank.

Financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Co-operative banks play
an important role to fulfill this gap. Co-operative banks perform commercial and other functions related to rural development in general and agricultural development in particular mobilization of more deposits improvement granting loans, speedy recovery of over dues, maintained of adequate and limited resources keeping of adequate margin between borrowing and lending rates so as to build a strong reserve find and making of proper scrutiny and provision for bad and doubtful reserves are some of the reforms that were already announced and implemented by the co-operative banks the light of above this present study is carried out to “Evaluate the financial performance of co-operative banks in Tumkur District

**REVIEW OF LITERATURE:**

Various studies conducted and numerous suggestion were sought to be bring effectiveness in the working and operations of financial institution. Kurulkar (1983) in his published work on agricultural finance in backward region. Reported glaring defects in the set-up of co-operative credit system. He pointed that out of the ten sample owners who obtained long — term credit from the co-operative banks, 30% could not secure short-term credit. Lack of short-term or production credit to the farmers who availed long-term credit resulted in lower output per acre, thereby resulting in over dues. Chopra (1987) in her book. Studied operational efficiency of some selected public sectors banks. She found the lack of professionalism in banking industry and stressed for the introduction of scientific management practices to enhance profits and profitability of public sector banks. She recommended comprehensive management of costs as well as earning of the banks. Devadas (1987) in his book titled Co-operative Banking and economic Development studied the role of Assam Co-operative Apex Bank Ltd. In economy of the state. He found that apart from working as a commercial bank it had to discharge three other functions i.e. to finance primary credit societies. To act as banking centre for primary societies and to undertake supervision of primary societies. He found that bank had not been able to achieve much in these three fields due to lack of adequate support from government of the state. Gayathri, K (1993) studied the credit delivery in rural Karnataka. She has concluded that refinancing from NABARD for Agriculture scheme is mainly based on the recovery performance of the banks. Patel (1995) in his paper on viability of rural banking inferred that low volume of business per branch and per employee and high level of credit deposit ratio were two major factors causing losses in rural banking system. He observed that relative share of non — farm sector loans in rural banks was going up.Das (1997) in his paper . studied the productivity in nationalized banks. He observed that labour productivity in nationalized banks. Over the time. Had not remained low but also substantially declined. He advocated the restructuring of banks to improve productivity in Indian banks

**RESEARCH GAP:**

The review of literature clearly reveals that no research was previously conducted on the financial performance analysis of cooperative banks in Tumkur district of the Karnataka, Hence the research aims to fill the gap by analyzing the financial performance of Co-operative Banks in Tumkur District of Karnataka, with some specified ratios and applying statistical tools to analyse the progress and profitability of selected co-operative banks in Tumkur district of the state Karnataka.

**NEED FOR THE STUDY:**
Financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by valuable groups such as weaker sections and low income groups at an affordable cost. Co-operative bank play a free dominate role to fulfill this gap. The present study is intended to appraise the financial performance of selected Co-operative Banks in Tumkur District with particular reference to finance.

SIGNIFICANCE OF THE STUDY:
Co-operative banks play very important role in providing banking services to common man in their area of co-operation. A small depositor or a small borrower feels comfortable in dealing with the local staff of co-operative bank than to the staff of nationalized banks and private sector banks. If co-operative banks go in liquidation due to abnormal increase of NPA not only customers and staff members of that particular cooperative bank will suffer but all other co-operative banks will also get a sector which is very important for the balance of economic development of our country.

Banking is the life blood of Indian economy. Banking has three types of sectors, which provide finance to different sectors i.e. private sector, public sector and cooperative sector. The Study of the cooperative structure in Tumkur has proved that maximum cooperative sector damaged its reputation because of high position of NPA which effect ultimately the economic development of the state and nation. The NPA impact on the performance of the bank in which it reduces its interest income, the net worth of the bank, demoralized the staff, hardens Capital Risk Adequacy Ratio which also restricts recycling of find and hinders the desirable yield.

SCOPE OF THE STUDY:

The researcher mainly focused attention to study the financial performance of co-operative banks in Tumkur district. This study hence to analyse the financial performance of selected co-operative banks for sample study.

RESEARCH METHODOLOGY
Hypothesis of the study
Hypotheses have been framed to facilitate better understanding by deeply analyzing the objectives and to keep the focus of the study intact.

1. The bank’s performance in terms of mobilization of deposits, disbursement of loans, investments, and the net profit are linearly increasing.

2. The banking customers have inter-ala choose commercial banks over Cooperative Banks as their first choice.

3. The schemes and policies of the Co-operative Bank are fine tuned to meet the changing requirements of the modern day customers and get their continued patronage.

4. The bank’s Non-performing Assets show a linearly decreasing trend indicating better prospects for the future.

5. The financial reformist policies of government and other agencies have positively influenced the performance of the Co-operative Banks.

RESEARCH DESIGN:

-This study is basically descriptive and analytical nature of research work. To analyze the study purposes, a detailed study of the thrust areas such as operational, managerial and financial performance are done through the application of CAMELS method.
Finally suitable null hypotheses are framed and checked using various suitable statistical tests.

### Data Sources

The present study has exhaustively used both primary and secondary data for analysis and interpretation. The required secondary data are from the published and unpublished records of the Co-operative Bank which includes among others annual reports and record.

The officials of the bank also provided necessary clarification and help while evaluating the data pertaining to the bank sides these, trade magazines, journals, books, articles and internet sources are also consulted for strengthening the discussions. Though the secondary data forms the core of the present research, a deserving importance is given to the primary data this regard a pre tested.

### Objectives of the Study:

1. To examine the trends in the financial status, growth and performance of co-operative banks in Tumkur District.
2. To analyze the profile and operational trends of the selected co-operative banks in Tumkur District.
3. To appraise the financial performance of the co-operative banks with the help of CAMEL analysis.
4. To examine the Position of the credit risk and NPAs management in the cooperative banks in Tumkur District.

### Period of the Study:

The focus of this present research study is on the analyzing the financial performance of selected co-operative banks in Tumkur District for this purpose relevant data for the period of 8 years are collected from the annual reports of the co-operative banks.

### Sampling Design:

The sample of present study is restricted only to those co-operative Bank which are in Tumkur district. Tumkur district is one of the 28 district in Karnataka located southern part of the state. The district is surrounded by Ananthpur district of Andhra Pradesh in the north Kolar and Bangalore districts in the east. Mandya District in the south and Chitradurga and Hassan in the west. The number of registered co-operative banks are existing in Tumkur district are as follows.

### Plan of Analysis:

The data collected tabulated and classified in accordance with the objectives of the study. These data are then subjected to statistical tests which include among others ratio analysis including CAMELS approach, percentage analysis, trend analysis, one way ANOVA, chi-square test, and independent test. Many of the calculations are carried out with the help of Statistical Package for Social Sciences (SPSS) and MS excel package. Tables, charts, and graphs etc., are used wherever necessary to visualize the observations and inferences. Finally conclusions are drawn based on the analysis and findings.

### Conclusion:

Though Co-operative Banks have made significant progress in catering to the needs of the large section of the population especially the poor in rural and semi-urban areas, most of these institutions lack professionalism, sound management system and autonomy in decision making. This has caused low volume of business, stagnation in borrower membership and the high incidence of over dues and thus collectively causing financial ill health among these Co-operative Credit institution. Various factors such as increasing competition, tightening prudential standards, supervision and
regulatory standards, multiple controls etc have only complicated the situation for these banks. Given the enormity of the situation and critical role of Cooperative Banks in nation building there was a felt need to analyze and present the reasons for the success or failure of Co-operative banks and to assist them in retaining their position in a fiercely competitive market place.

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