

A Study on Financial Performance of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Banks In Karnataka



Economics

KEYWORDS: Banking Sector, Financial performance, Merchants Souharda Co-operative Bank, Sree Charan Souharda Co-operative Bank.

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ABSTRACT

Banking sector is one of the leading financial institutions to meet the financial needs of individuals. But today banks are exempted from financial crises it leads to shortage of resources therefore the performance of banks should be superior to meet future uncertainties. The present study focuses on the performance of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Bank. The present study based on secondary data. The data analysis carried out on by using simple statistical technique like percentage, average and compound growth rate. This paper concluded that the Growth of Share Capital, Reserves, Deposits, Loans and Advances, Investment, Working capital, Profit, Net N.P.A (Non Performing Assets) of both banks are fluctuated during the study period. And financial performance of the Sree Charan Souharda Co-operative Bank has been increased compared to The Merchants Souharda Sahakara Co-operative Bank.

Introduction

Germany is the birth place of co-operative credit movement in the world. In India the inspiration for the co-operative movement come largely from Germany. Origins of the co-operative movement in India can be traced back to co-operative credit societies Act 1904, the wide geographical coverage of co-operatives. Souharda Co-operative Banks are an important part of the financial institutions providing need based quality banking services. Members and non-members, essentially to the middle and lower middle classes and Marginalized section of the society.

The Karnataka Souharda Co-operative Act provide for recognition, encouragement and voluntary formation of co-operatives based on self-help, mutual aid, wholly owned, managed and controlled by members as accountable, competitive, self-reliant and economic enterprises guided by co-operative principles and matters connected therewith. Souharda Co-operative Banks were the registered under Souharda Co-operative Act 1997. Souharda Co-operative Bank is a statutory body.

The Co-operative Sector in India is divided into two major segment viz., Urban Co-operative Banks and Rural Institutions. UCBs (Urban Co-operative Banks) a single tire structure, the rural co-operative credit structure has traditionally bifurcated into two parallel wings. viz., short term and long term, short term Credit Co-operative Institutions have a federal three tire structure consisting of large number of PACS (Primary Agricultural Credit Societies) at the grass root level, District Central Co-operative Banks (DCCBs), at the district level and STCBs (State Co-operative Banks) at the state level the smaller states and union territories (UTs) have two tire structures with state co-operative banks directly meeting the credit requirements of PACS. The long-term Rural Co-operative Structure has two tires namely SCARDBs- State Co-operative Agriculture and Rural Development Banks at the state level and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the taluk level.

Objectives

- 1) To study the financial performance of the Merchants Souharda Co-operative Bank.
- 2) To study the financial performance of the Sree Charan Souharda Co-operative Bank.
- 3) To analyze the function of the Souharda Co-operative Banks.

Methodology:

The present study is based on secondary data the required data collected from the Merchants Souharda Co-operative Bank and Sree

Charan Souharda Co-operative Banks, Annul Reports, Journals and Web sources for the period of 2012 to 2016. The data analysis carried on by using simple statistical technique like percentage, average and compound growth rate.

Origin of the Merchants Souharda Sahakara Co-operative Bank Niyamita and Sree Charan Souharda Co-operative Bank

The Merchants Souharda Sahakara Bank Niyamita, (MSSBN) has established in the year 1951. This bank has serviced for 65 years. And in under Souharda Co-operative Act 1997 has been converted to this bank. In very short period of time bank has become most popular because of its unique service. MSSBN operating with a fully computerized branches, namely Jayachamarajendra extension branch, RMC yard branch, Channkeshavapura extension branch, Holalkere Road branch, Jogimatti Road Branch, JTA branch, Vidyanagara, IUDP layout branch, Taralabalunagara Branch.

In 1986 MSSBN (The Merchants Souharda Sahakara Bank Niyamita), is licensed under RBI (Reserve Bank of India) in 2001, recognized under Souharda Sahakara Act 1997. In 2009 bank is awarded as "Best Souharda Bank". Of Karnataka State".

MSSBN has expanded its operations to Chitradurga, Bellary and Tumkur districts and years to years achieving tremendous growth in deposits, loans and Advances, at present bank having 5120 Members.

Function of Merchants Souharda Sahakara Co-operative Bank

Merchants Souharda Sahakara Bank Niyamita, are functions such as following:

- 1) Bank has established 5 drinking water units for members.
- 2) The bank has organized Ambulance Services for bank members and public. This kind of facility is first time in history of co-operative society.
- 3) Loan daily collection facility.
- 4) The Bank has given Individual personal Accident Insurance of Rs.25,000, for members of the bank.
- 5) Free Ambulance service in case death of member.
- 6) The Bank wills financial support for social spiritual and sports activities at Chitradurga.

Sree Charan Souharda Co-operative Bank

Sree Charan Souharda Co-operative Bank is the best example

Souharda Co-operative Banks in Karnataka. The bank was established in January, 1997 and other branches namely city Market area, Sultanpet, Malleshwaram, Jayanagar, and Chikkallasandra, Banasawadi all situated at Bangalore city. Provide banking and credit facilities to urban and semi urban area. The needy segments of the community at large drawn from lower, middle and upper middle classes. The Bank attracted, term deposits, short-term deposits, Fixed Deposit, Auto Renewal Deposit, Sree Charan Samrudhi Deposit, Sree Charan Suraksha Deposit, Recurring Deposits, Pigmy Deposit, and services namely, Core Banking, ATM (All Time Money) NEFT and RTGS Facility, SMS Alert services PAN Card Services, and Education Loan (EDL), Saral Education Loan, Vehicle Loan (VHL), Jewel Loan (JLA) or Gold Loan Personal Loan (PLA), Secured Bond Loan (SBL).

The Bank has been constantly evolving attractive Deposit and Lending Schemes. Relevant to the time progressing, healthily, and growing from strength to strength the Bank "The Common Man by the Common on Man and the Common Man".

Functions of Sree Charan souharda Co-operative Bank

- 1) Demand / Term Deposit Facility
- 2) Safe Deposit Lockers Facility.
- 3) Direct clearing (RBI) and out station, cheque clearing facilities.
- 4) RTGS (Real Time Gross Settlement) and NEFT (National Electronic Funds Transfer Services).
- 5) Instant transfer of funds
- 6) ECS facility services for payment of utility bills.
- 7) Attractive rate of interest on deposit
- 8) E-Stamping papers facility services in Souharda Co-operative Banks.

To, encourage thrift, self-help and mutual aid among members and attract deposits from members and non- members more responsibility and freedom of business for the Souharda Co-operative Banks. Lend to members for useful purposes loans-short term, medium term and long term loan to members. This bank provides facilities such as remittance offund, collection of cheque, E-stamping specialty, Railway ticket and safe deposits vaults etc.

Data analysis and Interpretation

Table No-1: Year-wise Financial Progress of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Bank Ltd from 2012 to 2016

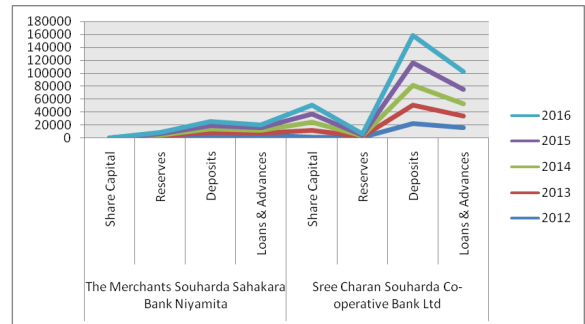
| Years | The Merchants Souharda Sahakara Bank Niyamita | | | | Sree Charan Souharda Co-operative Bank Ltd | | | |
|-------------|---|------------------------|------------------------|--------------------|--|--------------------------|-----------------------------|-----------------------------|
| | Share Capital | Reserves | Deposits | Loans & Advances | Share Capital | Reserves | Deposits | Loans |
| 2012 | 169.8 (22.05) | 1638.5 7 (18.64) | 4357.8 5 (16.77) | 4177.3 (20.04) | 1060.4 8 (2.07) | 1153.9 17.4 (17.4) | 22943.6 14.43 (14.43) | 16070.3 15.63 (15.63) |
| 2013 | 152.89 (19.86) | 1736.7 1 (19.76) | 4870.9 3 (18.75) | 3849.47 (18.47) | 1111.0 66 (21.69) | 1224.1 11 (18.5) | 27936.5 52 (17.57) | 18439.5 5 (17.94) |
| 2014 | 150.15 (19.50) | 1852.6 1 (21.08) | 5106.4 3 (19.65) | 4174.63 (20.03) | 1215.7 4 (23.73) | 1310.4 43 (19.8) | 31187.7 72 (19.62) | 19382.0 01 (18.86) |
| 2015 | 151.08 (19.62) | 1465.1 8 (16.67) | 5407.6 8 (20.81) | 4092.34 (19.63) | 1295.7 77 (25.29) | 1412.7 79 (21.3) | 34743.5 58 (21.85) | 21691.15 15 (21.10) |
| 2016 | 146.02 (18.97) | 2095.3 2 (23.84) | 6240.8 1 (24.02) | 4549.49 (21.83) | 1394.5 4 (27.22) | 1514.3 31 (22.8) | 42178.08 08 (26.53) | 27203.81 81 (26.47) |

| | | | | | | | | |
|-------|--------|-------------|---------|----------|----------|---------|----------|-----------|
| Total | 769.94 | 8788.3 9 | 25983.7 | 20843.23 | 51231.78 | 6615.61 | 158989.6 | 10278.679 |
| CAGR | -3.08 | 3.26 | 8.57 | 2.34 | 70.00 | 7.10 | 15.43 | 12.92 |

Source: The Merchants Souharda Sahakara Bank Niyamita, And Annual Reports Sree Charan Souharda Co-operative Bank Ltd.

Note: Actual Values in terms of lakhs, values in brackets are percentages.

Graph: 1: Year-wise Financial Progress of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Bank Ltd from 2012 to 2016



The above table and graph shows that financial progress of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Banks in Karnataka during 2012 to 2016. It is clear from the analysis the Share Capital of the Merchants Souharda Sahakara Bank Niyamita (MSSBN) was about Rs.169.8 lakh in 2012 has decreased to Rs. 146.02 lakh, Share Capital in 2016. The Compound Annual Growth Rate is -3.08 percent, which means on an average the share capital of this bank decreased by -3.08 percent per annum from 2012 to 2016. The Reserves to this bank was Rs.1638.57 lakhs in 2012 has increased to Rs.2095.32 lakh in 2016. The CAGR of Reserves is 3.26 percent which means on an average of increased by 3.26 percent per annum from 2012 to 2016. Whereas, a deposit of this bank was about Rs.4357.85 lakh in 2012 has increased to Rs.6240.81 lakh in 2016. The CAGR of Deposits is 8.57 percent which means on an average it increased by 8.57 percent per annum from 2012 to 2016.

The Loans and Advances of this bank was Rs.4177.3 lakh in 2012 has increased to Rs.4549.49 lakh in 2016. The CAGR (Compound Annual Growth Rate) of Loans and Advances is 2.34 Percent which means on an average it increased by 2.34 percent per annum from 2012 to 2016.

The Sree Charan Souharda Co-operative Bank Ltd Bank in Karnataka from 2012 to 2016. The Share Capital was Rs.1060.48 lakh in 2012 in 2016 has increased to 1394.5 lakh in share capital in 2016. The CAGR is 70.00 percent, which means on an average the share capital of this bank was increased by 70.00 percent per annum from 2012 to 2016. The Reserves of this bank was Rs.1153.97 lakh in 2012 has increased to Rs.1514.31 lakh in 2016. The CAGR of reserves is 7.10 percent which means on an average it increased by 7.10 percent per annum from 2012 to 2016, whereas deposits of this bank was Rs.22943.66 lakh in 2012 has increased to Rs.42178.08 lakh in 2016. The Loans and Advances of this bank was Rs.16070.32 lakh in 2012 has increased to Rs.27203.81 in 2016. However the Compound Annual Growth Rate is Loans and Advances is 12.92 percent.

The above table and graph shows that financial progress of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Bank Ltd, The investment (MSSBN) of this bank was Rs.2011.42 lakh in 2012 has increased to Rs.3434.41 lakh in 2016, However the CAGR of investment is 7.53 percent respectively, The working Capital of this bank was Rs.6708.06 lakh in 2012 has increased to 8874.9 lakh in 2016. However the CAGR of Working Capital is 5.39 percent the profit and Net N.P.A of this bank was

Rs.151.01 lakh in 2012 has increased to 230.49 lakh in 2016. The CAGR of profit 9.70 percent respectively.

Sree Charan Souharda Co-operative Bank in Karnataka was Rs.8048.28 lakh in 2012 has increased to 15377.43 lakh investment in 2016. The Compound Annual Growth Rate is 17.60 percent, which means on an average the investment of this bank was increased by 17.60 percent per annum from 2012 to 2016. The Working Capital of this bank was Rs.25740 lakh in 2012 has decreased to Rs.7126.65 lakh in 2016. The CAGR of working capital is -20.98 which means on an average the it decreased by -20.98 percent per annum from 2012 to 2016. The profit of this bank was Rs.176.21 lakh in 2012 has decreased to 164 lakh profit in 2016; the Compound Annual Growth Rate is 0.60 percent which means on an average the profit of this bank was decreased by 0.60 percent per annum from 2012 to 2016. The Net Non-Performing Assets of this bank was 2 percent lakh in 2012 has in decreased to 1.32 percent lakh Net Non-Performing Assets in the CAGR is -25.58 percent which means on an average the Net Non-Performing Assets of this bank decreased by -25.58 percent per annum from 2012 to 2016.

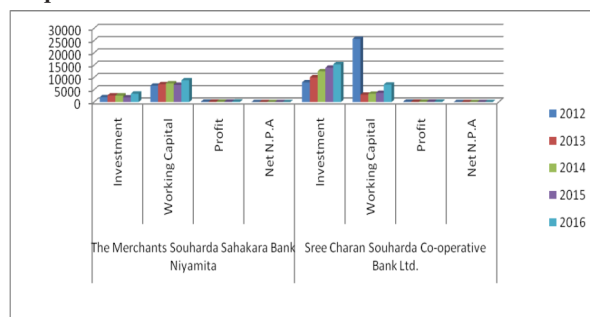
Table No- 2: Year-wise Financial Progress of the Merchants Souharda Sahakara Bank Niyamita and Sree Charan Souharda Co-operative Bank Ltd from 2012 to 2016

| Year s | The Merchants Souharda Sahakara Bank Niyamita | | | | Sree Charan Souharda Co-operative Bank Ltd. harda Co | | | |
|-----------|---|--------------------|-------------------|-----------|--|--------------------|-------------------|------------------|
| | Investment | Working Capital | Profit | Net N.P.A | Investment | Working Capital | Profit | Net N.P.A |
| 2012 | 2011.42 (15.72) | 6708.06 (17.88) | 151.01 (16.88) | 0 | 8048.28 | 25740 (59.85) | 176.21 (22.69) | 2% |
| 2013 | 2732.14 (21.35) | 7273.05 (19.38) | 161.05 (18.00) | 0 | 10095.24 (16.81) | 3027.17 (7.04) | 131.68 (16.95) | 2.62% (32.75) |
| 2014 | 2680.13 (20.95) | 7641.89 (20.37) | 177.5 (19.84) | 0 | 12534.13 (20.87) | 3371.38 (7.84) | 143.38 (18.46) | 1.85% (23.13) |
| 2015 | 1937.03 (15.14) | 7023.94 (18.72) | 174.49 (19.51) | 0 | 14001.04 (23.31) | 3745.21 (8.71) | 161.45 (20.79) | 0.40% (5) |
| 2016 | 3434.41 (26.84) | 8874.9 (23.65) | 230.49 (25.77) | 0 | 15377.43 (25.61) | 7126.65 (16.57) | 164 (21.11) | 1.32% (16.5) |
| Total | 12795.13 | 37521.84 | 894.54 | 0 | 60056.12 | 43010.41 | 776.72 | 8% |
| CAGR | 7.53 | 5.39 | 9.70 | 0 | 17.60 | -20.98 | 0.60 | -25.58 |

Source: The Merchants Souharda Sahakara Bank Niyamita, And Annual Reports Sree Charan Souharda Co-operative Bank Ltd.

Note: Actual Values in terms of lakhs, values in brackets are percentages.

Graph 2:



Findings

1) In, 2012 the share capital of The Merchants Souharda Co-operative Bank was 169.8 lakh; in 2016 it is decreased to 146.02 lakh. The CAGR Shows negative value i.e. -3.08

2) Sree Charan Souharda Co-operative Bank CAGR of Working Capital and Net N.P.A of shows negative value i.e. -20.98 and -25.58 respectively.

3) The CAGR of Reserve, Deposits and Loans and Advance of The Merchants Souharda Co-operative Bank 3.26, 8.57 and 2.34 respectively. Sree Charan Souharda Co-operative Bank's CAGR of Share Capital, Reserve, Deposits and Loans and Advance were 70.00, 7.10, 15.43 and 12.92 respectively.

4) Net N.P.A of The Merchants Souharda Sahakara Co-operative Bank is almost nil.

5) The Net N.P.A of Sree Charan Souharda Co-operative Bank's is more compared to The Merchants Souharda Sahakara Bank Niyamita.

Suggestions

1) The Merchants Souharda Co-operative Bank's Share Capital Should be improved.

2) The Working Capital of Sree Charan Souharda Co-operative Banks Should Be improved to avoid critical situation.

3) The Sree Charan Souharda Co-operative Bank Should takes measures to reduce Net N.P.A.

4) The Sree Charan Souharda Co-operative Bank Should provides loans and advances for productive purpose to reduce Net N.P.A

5) Effective steps should be taken to improve the profit earning capacity of Sree Charan Souharda Co-operative Bank.

Conclusion

The Karnataka Souharda Co-operative Act provide for recognition, encouragement and voluntary formation of co-operative based on self-help and ethically managed banking institutions. Souharda Co-operative Banks in were the registered under Souharda Co-operative Act 1997. The Mechants Souharda Sahakara Co-operative Bank Niyamita and Sree Charan Souharda Bank best examples Souharda Co-operative Banks in Karnataka. (MSSBN) Bank is in 2009 bank is awarded as " Best Souharda Bank of Karnataka" state and , Sree Charan Souharda Co-operative Banks growing from strength to strength the Bank " The Common man by the common on man and the common man".

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