



ANALYSIS AND INTERPRETATION OF FINANCIAL STATUS OF COOPERATIVE BANKS IN BAGALKOT DISTRICT

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Abstract: Cooperative A cooperative bank is a financial institution that is owned at the same time by its members. Co-operatives are mostly formed by individuals belonging to some local professional group who have a shared interest in rural finance to meet the last man in the last village; the conventional money lender has no competitor. It provides the only tool that can have demonstrated its worth in reaching the citizens in full; the cooperative movement could not gain traction until 1954, when the RBI approved the recommendation from All India Credit Survey Committee. Each nation depends on the sector of banking. Similarly the Indian banking industry has a unique growth, as the Prime Minister's Bank was formed in the 18th century, and was later the Imperial Bank of India, now known as the State Bank of India in the pre-independence period (SBI). Co-operative banks in India have a crucial role to play in rural finance, by financing areas covering agriculture, livestock, milk, personal financing, independent jobs, and the establishment of small-scale units between the few areas of focus for urban and rural cooperative banks. They provide the necessary alternative to people visiting the village moneylender who have been working for many years, frequently finding themselves in a debt pit that they struggle with.

Index Terms - Cooperative, Analysis, Interpretation, India, Banks.

1.1 Introduction:

Cooperative A cooperative bank is a financial institution that is owned at the same time by its members. Co-operatives are mostly formed by individuals belonging to some local professional group who have a shared interest in rural finance to meet the last man in the last village; the conventional money lender has no competitor. It provides the only tool that can have demonstrated its worth in reaching the citizens in full; the cooperative movement could not gain traction until 1954, when the RBI approved the recommendation from All India Credit Survey Committee. Each nation depends on the sector of banking. Similarly the Indian banking industry has a unique growth, as the Prime Minister's Bank was formed in the 18th century, and was later the Imperial Bank of India, now known as the State Bank of India in the pre-independence period (SBI). Co-operative banks in India have a crucial role to play in rural finance, by financing areas covering agriculture, livestock, milk, personal financing, independent jobs, and the establishment of small-scale units between the few areas of focus for urban and rural cooperative banks. They provide the necessary alternative to people visiting the village moneylender who have been working for many years, frequently finding themselves in a debt pit that they struggle with.

1.2 Review of Literature on Cooperative Society in India:

A number of cooperation studies have been conducted in general and in particular in urban cooperation banks. Many committees and commissions appointed by the Reserve Bank of India, Central and State Governments to urban cooperative banks have presented their reports with several inestimable proposals to improve the functioning of Indian urban cooperative banks.

According to Hesse and Ihák (2007), Cooperative banks, are a significant and growing part of many financial structures. The role of cooperative banks in financial stability is examined empirically in this paper. We find that cooperative banks are more stable than commercial banks, contrary to some claims in the literature. This result is attributed to the cooperative banks' lower volatility of returns, which more than compensates for their lower profitability and capitalization. This is probably due to the willingness of cooperative banks to cushion consumer surplus in weak times. We also find that weak commercial banks are less stable than they would otherwise in systems with a strong cooperative banking presence. In some specifications, however, the overall effect of a higher cooperative presence on banking stability is positive in average.

Mukul G. Asher (2007), concludes that for UCBs to play a significant developmental role in India, they would need the same level of professionalism, modernization, and regulation as commercial banks. According to his research, a significant shift in the way urban cooperative banks are governed and controlled in India is needed to allow UCBs to increase their contributions to achieving greater levels of financial inclusion and development.

Murthy (2008), focused on the importance of financial offerings as a key factor in reducing poverty in rural areas. Rural finance often discussed social, equity, and gender problems that keep families in poverty. Despite India's rapid economic growth, the number of people living in poverty has decreased marginally. Despite the fact that financial institutions in rural areas had a strong infrastructure, they lacked the capacity to provide sufficient services. He proposed that rural finance agencies' key constraint, a lack of funding, be alleviated by enabling them to mobilize resources from the capital market and other new sources.

Rachana (2011), in her report, has analyzed that India was put in a financial inclusion index 50th out of 100 countries. Its main objective was to research financial inclusion in rural areas, the reasons behind reduced inclusion, rural and urban satisfaction in banking services, and to assess the performance of banks operating in rural and urban areas, including cooperative banks and RRBs in particular. Her paper explains in depth the state of financial inclusion in India and Gujarat, followed by a global scenario analysis.

Venkatesulu et al (2018), looked at the current state of urban cooperative banks, their challenges, and their potential growth drivers. It defined what changes are needed to improve bank efficiency and economic growth. It was also proposed that bank branches be expanded and customer service be improved. It was determined that the company's operating performance is poor as a result of its lower capital base, low profitability, and increasing NPAs. Banks were unable to satisfy the increasing credit demand as well as newer consumer demands.

1.3 Research Methodology:

Present Research is focused on the “Analysis of financial status of selected Cooperative Banks in Bagalkot District.” This research states feasibility study of cooperative banks in Bagalkot District and suggests corrective measures needs to be taken in districts in concern to the cooperative banks.

1.4 Research Objectives:

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 examine the management of NPAs and the status of credit risk in co-operative banks along with their performance in Bagalkot

1.5 Analysis and Interpretation:

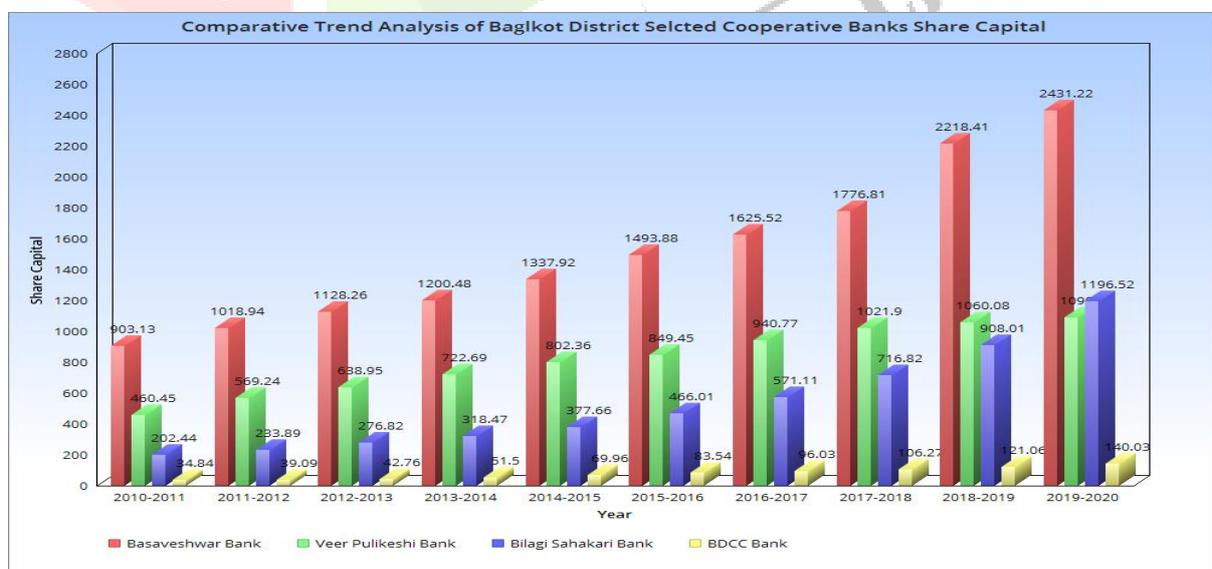
1.5.1 Growth Analysis of Selected Cooperative Banks Share Capital:

Share capital is the prima facie reality of the number of companies and the quality of services provided to individuals. Anyone desiring a membership has a duty to purchase at least one part of the bank of urban co-operatives and the banking services it provides. Individual member contribution to the cooperative business model is reflected in the member share capital. It also determines the financial stake of each individual member. When a member leaves the cooperative, it is removed. The shares of a cooperative society are not distributed to the general public or may be issued at any time; instead, they are issued to the cooperative society's members. Shares may be removed by members/societies in accordance with their bylaws. Shares are sold to the general public or to those who have been invited. Shareholders cannot remove their shares from a corporation.

Members may be allowed to hold shares as part of their membership in a cooperative with share capital, but voting power is tied to membership rather than the number of shares owned. The reversal of this idea is where comprehension of co-operative share capital begins. Co-operative entities need capital and, in part, capital is generated by Member-Owners' share investments. There is no competition for the shares of the cooperative and the shares of the member cannot be sold at a higher value in any secondary market.

Comparative Trend Analysis of Baglkot District Selected Cooperative Banks Share Capital (Rs in Crores)				
Years	Basaveshwar Bank	Veer Pulikeshi Bank	Bilagi Sahakari Bank	BDCC Bank
2010-2011	903.13	460.45	202.44	34.84
2011-2012	1018.94	569.24	233.89	39.09
2012-2013	1128.26	638.95	276.82	42.76
2013-2014	1200.48	722.69	318.47	51.5
2014-2015	1337.92	802.36	377.66	69.96
2015-2016	1493.88	849.45	466.01	83.54
2016-2017	1625.52	940.77	571.11	96.03
2017-2018	1776.81	1021.9	716.82	106.27
2018-2019	2218.41	1060.08	908.01	121.06
2019-2020	2431.22	1090.19	1196.52	140.03

(Table 5.2)



(Graph 5.2)

The graph and table above show the growth of selected cooperative banks. From 2010-11 to 2019-20, the amount of share capital in Bagalkot District co-operative banks has steadily increased. In 2010-11, Basaveshwar Bank had 903.13 lakhs in share capital, while Veer Pulikeshi Bank had 460.45 lakhs, Bilagi Sahakari Bank had 202.44 lakhs, and BDCC Bank had 34.84 lakhs. In 2019-20, share investments in cooperative sector banks increased in proportionately, with Basaveshwar Bank reaching 2431.22, Veer

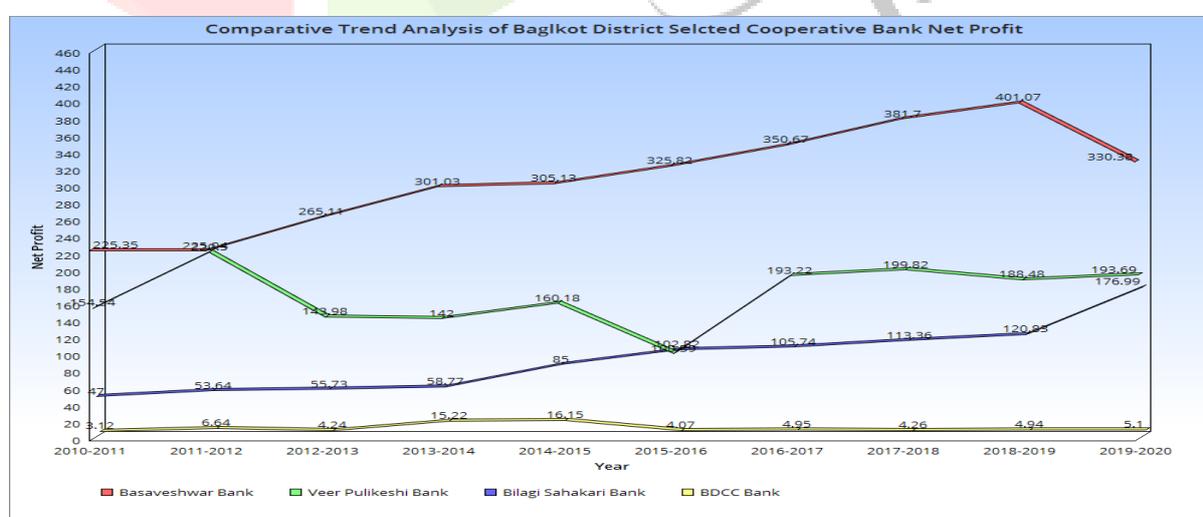
Pulikeshi Bank 1090.19, Bilagi Sahakari Bank 1196.52, and BDCC Bank 140.03, respectively. Basaveshwar Bank Bagalkot has grown its share capital faster than other cooperative banks in the district over the same 10-year stretch. Its share capital has increased significantly from 903.13 lakhs in 2010-11 to 2431.22 lakhs in 2019-20. It became leader among cooperative banks in Bagalkot district.

1.5.2 Growth Analysis of Selected Cooperative Banks – Net Profit:

Cooperative societies' earnings are divided in the same manner as a corporation's dividend is distributed. If there is some money left over after paying taxes, interest, and other reserve payments, it is divided evenly among the stakeholders. According to the amended Cooperative Act of 2006 and its Rules, cooperative banks are required to transfer 10% of their net profit to a reserve fund. The amount of money left over after subtracting your total business expenses from your total income is known as net profit. In other words, it's an estimate that takes into account nearly all of the company's financial transactions. The net profit of an organization is often referred to as its net revenue, net profits, or bottom line. It reflects a company's financial position after all of its costs have been deducted from its overall sales. It is noteworthy because it accounts for all financial transactions involving a company other than tax payments. Investors will use the net profit margin to see if a cooperatives management is making enough money from its revenue and if operating and overhead expenses are under control. One of the most significant indicators of a company's overall financial health is its net profit margin.

Comparative Trend Analysis of Baglkot District Selected Cooperative Bank Net Profit (Rs in Crores)				
Years	Basaveshwar Bank	Veer Pulikeshi Bank	Bilagi Sahakari Bank	BDCC Bank
2010-2011	225.35	154.54	47	3.12
2011-2012	225.04	220.5	53.64	6.64
2012-2013	265.11	143.98	55.73	4.24
2013-2014	301.03	142	58.77	15.22
2014-2015	305.13	160.18	85	16.15
2015-2016	325.82	100.39	102.82	4.07
2016-2017	350.67	193.22	105.74	4.95
2017-2018	381.70	199.82	113.36	4.26
2018-2019	401.07	188.48	120.83	4.94
2019-2020	330.38	193.69	176.99	5.1

(Table 5.6)



(Graph 5.6)

The growth of selected cooperative banks is depicted in the graph and table above. The amount of net profit of Bagalkot District co-operative banks has increased from 2010-11 to 2019-20 due to an increase in cooperative members, branches, versatility in loan offerings, funding from NABARD, and government schemes. Basaveshwar Bank earned 225.35 lakhs net profit in 2010-11, compared to 154.54 lakhs for Veer Pulikeshi Bank, 47 lakhs for Bilagi Sahakari Bank, and 3.12 lakhs for BDCC Bank.

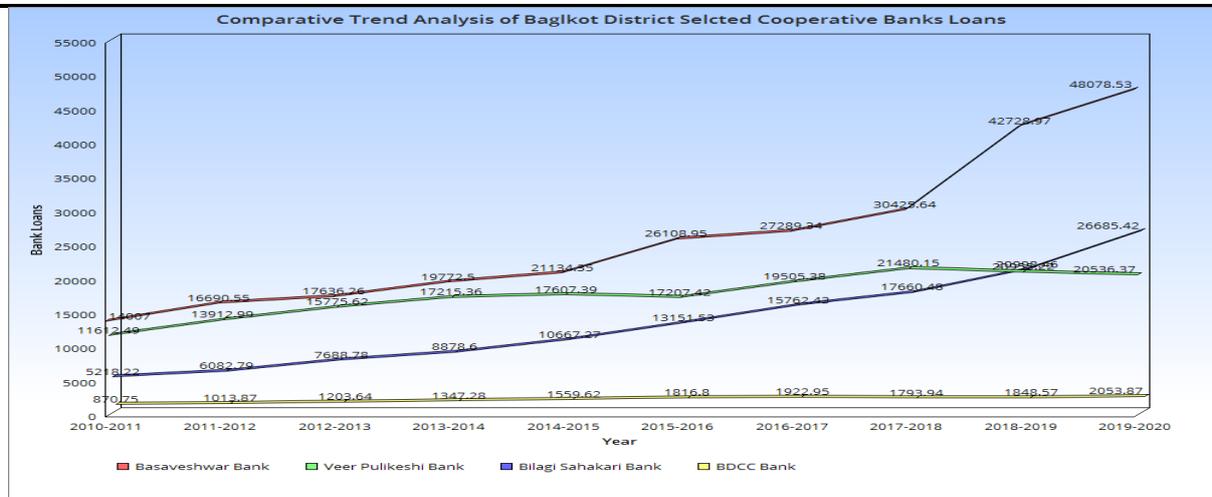
As cooperative banks' operations have grown and demand for membership and loans has increased, net profit margins have also increased, with Basaveshwar Bank touching 330.38 lakhs in 2019-20, Veer Pulikeshi Bank 193.69 lakhs, Bilagi Sahakari Bank 176.99 lakhs, and BDCC Bank 5.1 lakhs. As compared to other cooperative banks in Bagalkot district over the last ten years, Bilagi Sahakari Bank's net profit margin is significantly higher. When comparing 2010-2011's net profit margin of 47 lakhs to 2019-20's net profit margin of 176.99 lakhs, Bilagi Sahakari Bank has recorded more than 129 lakhs profit. In the Bagalkot district, another cooperative bank, Basaveshwar Bank, has made a major impact over the last ten years by mentioning significant income. When comparing 2010-2011's net profit margin of 225.35 lakhs to 2019-20's net profit margin of 330.38 lakhs, Basaveshwar Bank has recorded more than 105 lakhs profit.

1.5.3 Analysis of Selected Cooperative Banks – Bank Loans:

The urban co-operative bank's financial output is determined by the loans and advances it makes. All urban co-operative banks are required by the Reserve Bank of India to provide a minimum of 60.0 percent to the priority sector and 40.0 percent to the other sectors. 25.0 percent of loans and advances to be made to poorer parts of society within 60.0 percent of the priority market. In advancing loans to members, all of our sample urban co-operative banks obey government and RBI orders. The Cooperative obtains a large loan from the bank using the deposit as collateral. The funds obtained from the bank loan are used to provide loans to the members. When the members repay the loans, the money is returned to the bank, and a new loan is obtained. Cooperative loans are a type of loan where the borrower is a member of a cooperative Co-operative societies, in addition to banks, are a significant source of low-cost credit in rural areas (or co-operatives). Co-operative members pool their resources to work together in specific ways. Agriculture, small-scale industry, industrial estates, road and transportation, retail trade and small business, self-employment, education, housing loans to the poor, pure consumption, micro credit, agro and food processing units, and venture capital are among the priority sectors. However, a specific sector may be more critical than others at any given time in terms of achieving national goals such as growing demand, creating job opportunities, and boosting the economy. The definition of priority sector is then applied to such a sector. As a result, the priority sector concept is no longer exhaustive. As a result, the underlying goal of priority sector lending is to ensure that the banking sector provides growing financial assistance to those in need of services. The Reserve Bank of India, as a premier institute safeguarding the country's economy, is primarily responsible for providing regulation and guidance.

Comparative Trend Analysis of Baglkot District Selected Cooperative Banks Loans (Rs in Crores)				
Years	Basaveshwar Bank	Veer Pulikeshi Bank	Bilagi Sahakari Bank	BDCC Bank
2010-2011	14007.00	11612.49	5218.22	870.75
2011-2012	16690.55	13912.99	6082.79	1013.87
2012-2013	17636.26	15775.62	7688.78	1203.64
2013-2014	19772.50	17215.36	8878.60	1347.28
2014-2015	21134.35	17607.39	10667.27	1559.62
2015-2016	26108.95	17207.42	13151.53	1816.8
2016-2017	27289.34	19505.38	15762.43	1922.95
2017-2018	30425.64	21480.15	17660.48	1793.94
2018-2019	42728.97	20955.22	20998.46	1848.57
2019-2020	48078.53	20536.37	26685.42	2053.87

(Table 5.5)



(Graph 5.5)

The loans and advances issued by the selected cooperative banks are depicted in the graph and table above. The amount of loans and advances issued by Bagalkot District co-operative banks increased from 2010-11 to 2019-20 as a result of increased membership and branch expansion. Basaveshwar Bank had 14007.00 lakhs in loans and advances in 2010-11, compared to 11612.49 lakhs for Veer Pulikeshi Bank, 5218.22 lakhs for Bilagi Sahakari Bank, and 870.75 lakhs for BDCC Bank. When compared to nationalized and private sector banks, cooperative sector banks' loans and advances have continued to rise over time as their members increased, as well as due to its subsidized interest rate for various schemes and flexibility in availing loans, with Basaveshwar Bank reaching 48078.53 lakhs in 2019-20, Veer Pulikeshi Bank 20536.37, Bilagi Sahakari Bank 26685.42, and BDCC Bank 48078.53 lakhs. The loans and advances provided by Basaveshwar Bank Bagalkot have increased more than those provided by other cooperative banks in the district over the same 10-year period. It has increased from 14007.00 lakhs in 2010-11 to 48078.53 lakhs in 2019-20 as a result of increased membership holdings and flexibility in offering loan facilities to its members. Bilagi Sahakari Bank and Veer Pulikeshi Bank, on the other hand, have seen a substantial rise in their working capital requirements over the last ten years. Among the cooperative banks in Bagalkot district, BDCC Bank offers the cheapest loans and advances.

1.6 CONCLUSION:

The urban cooperative banking sector is developed in such a way that the interests of depositors and the general public are safeguarded. The Reserve Bank of India's role could thus be to frame a multilayered regulatory and supervisory regime that captures the sector's heterogeneity and implement policies that provide adequate elbowroom for the sector to grow in a non-disruptive manner.

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