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"PERFORMANCE OF SHIVSHAKTI URBANCO-OPERATIVE BANK LTD. OF BARSHI"

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Abstract:-With the growing competition in the market and globalization coming into role it has become essential for any bank/organization to keep in touch with recent technology. The Banking industry plays a dynamic role in the economic development of a country. The growth story of an economy depends on the robustness of its banking industry. Shivshakti Urban Co-operative Bank" was registered on 1998 with an authorized capital of 7 lacks and commenced its business on 9th Nov. 1999.

The Objective of this research is to evaluate the performance of the Shivshakti Urban Co-operative Bank of the Barshi with respect to deposits, loans, net profit, reserve & surplus, non-performing assets etc. during the 2008-2009 to 2012-2013. The study is exploratory in nature and makes use of secondary data. The data is collected from the various sources of Shivshakti urban co-operative bank, website of the RBI, research paper etc. For the evaluation of the performance table, percentage and bar diagram have been used to analyze the data. The research finds and concludes that performance of Shivshakti urban co-operative bank with respect to deposits, loan, reserves & surplus, net profit, non-performing assets is satisfactory.

Keywords: Market And Globalization , Industry , Economic Development , Urban Co-operative Bank

INTRODUCTION

A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital. A bank links together customers that have capital deficits and customers with capital surpluses.

Due to their importance in the financial system and influence on national economies, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking, under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords.

Origin of Bank:

From the ancient times in India, an indigenous banking system has prevailed. The businessman called Shroffs, Seths, Sahukars, Mahajans and Chettis etc. had been carrying on the business of banking since ancient times. These indigenous bankers included very small money lenders to shroffs with huge businesses, who carried on the large and specialised business even greater than the business of banks. The origin of western type commercial banking in India dates back to the 18thcentury. The story of banking starts from Bank of Hindustan established in 1770 and it was first bank at Calcutta under European management. In 1786 General Bank of India was set up. Since the Calcutta was the most active trading port in India, mainly due to the trade of the British Empire, it became a banking center. Three Presidency banks were set up under charters from the British East India Company- Bank of Calcutta, Bank of Bombay and the Bank of Madras. These worked as quasi central banks in India for many years. The

Bank of Calcutta established in 1806 immediately became Bank of Beng. In 1921 these 3 banks merged with each other and Imperial Bank of India got birth. It is today’s State Bank of India. The name was changed after India’s Independence in 1955. So State Bank of India is the oldest Bank of India. In 1839, there was a fruitless effort by Indian merchants to establish a Bank called Union

Bank. It failed within a decade. Next came Allahabad Bank which was established in 1865 and working event today. The oldest Public sector Bank in India having branches all over India and serving the customers for the last 145years is Allahabad

Bank. Allahabad bank is also known as one of India’s Oldest Joint Stock Bank. The Oldest Join Stock bank of India was Bank of upper India established in 1863 and failed in 1913.The first Bank of India with Limited Liability to be merged by Indian Board was Oudh Commercial Bank. It was established in 1881 at Faizabad. This bank failed in 1958.The first bank purely managed by Indian was Punjab National Bank, established in Lahore in 1895. The Punjab National Bank has not only survived till date but also is one of the largest banks in India. However, the first Indian commercial bank which was wholly owned and managed by Indians was Central Bank of India which was established in1911.So this bank is called India’s First Truly Swadeshi bank.

Meaning of Bank:

It is a financial institution that deals in money and its substitutes and provides other financial services. Banks accept deposits and make loans and derive a profit from the difference in the interest rates paid and charged, respectively.

Definition of a Bank:

Banking Regulation Act of India, 1949 defines Banking as “accepting, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque draft, order or otherwise.”

The Banking industry plays a dynamic role in the economic development of a country. The growth story of an economy depends on the robustness of its banking industry. Banks act as the store as well as the power house of the country’s wealth. They accept deposits from individuals and corporate and lends to the businesses. They use the deposits collected for productive purposes which help in the capital formation in the country. Today, the Indian Banking System is known the world over for its robustness. The Reserve Bank of India is the central/apex Bank which regulates the functioning of all banks operating within the country.

Reserve Bank of India (RBI)

RBI is reserve bank of India, was established in April in 1935on the basis of Hiltonyoung commission recommendation. The Reserve Bank of India was established in accordance with provisions of the Reserve Bank of India Act, 1934.The Central office of the Reserve Bank was initially established in Kolkata, but was later on permanently moved to Mumbai in 1937. The Governor sits at the Central Office and forms the policies. Though originally privately owned, the Reserve Bank of India has been fully owned by the Government of India since it nationalization in 1949.

Scheduled Banks:

All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are scheduled banks. A scheduled bank is a bank that is listed under the second schedule of the RBI Act, 1934. In order to be included under this schedule of the RBI Act, banks have to fulfill certain conditions such as having a paid up capital and reserves of at least 0.5 million and satisfying the Reserve Bank that its affairs are not being conducted in a manner prejudicial to the interests of its depositors.

Non-scheduled Banks:

The banks which not included under this act called non-scheduled bank.

Commercial Banks:

Commercial banks are the financial entity, that provides financial service to public and company .services means deposits, lending etc…commercial banks include.

Public Sector Banks:

Public sector bank is banks whose majority of stakes holds by central government. i.e. (at list 50% share).during 1969 major NATIONALISATION process started and 14 banks were nationalized during INDIRA GANDHI time..And later in 1980 again indira rule, other banks were nationalized. So total bank nationalized is 19. Nationalization makes private limited to public limited and controlled by central government.
Examples: SBI, IOB, BOB, PNB, UB etc…..

Private Sector Banks

These are banks majority of share capital of the bank is held by private individuals.
These banks are registered as companies with limited liability.
Examples: ICICI Bank, Axis Bank, HDFC etc.

Foreign Banks

These banks are registered and have their headquarters in a foreign country but operate their branches in our country.

Examples: HSBC, Citibank, Standard Chartered Bank etc.

Regional Rural Banks

The Regional Rural Banks in India (RRBs) was established in October 2, 1975, these banks played an important role in the economic development of the rural India. The main goal of regional rural banks in India was to provide credit to the rural people who are not economically strong enough, especially the small and marginal farmers, agricultural labours, and even small entrepreneurs.

Co-operative Banks

Cooperative banks are financial entity, where its customers are its owners. This formed under a mutual basis, or in a cooperative way. These are no-profit-no-loss financial organizations. In above we classified to 2 forms

Urban Co-operative Bank

The term Urban Co-operative Banks (USBs), refers to primary Co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. But today, these banks were traditionally centered on communities, localities work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably.

State Co-operative Bank

The State Co-operative Bank is federation of central co-operative bank and acts as a watchdog of the co-operative banking structure in the state. Its funds are obtained from share capital, deposits, loans and overdrafts from the Reserve Bank of India. The state co-operative banks lend money to central co-operative banks and primary societies and not directly to the farmers.

PRIMARY FUNCTIONS OF BANKS:

These are the main activities of the bank and also main source of income for the bank. These are the obligatory on the part of bank to perform. E.g. Accepting deposits, Granting Loans and Advances.

Accepting Deposits:

The most significant function of a bank is to mobilize deposits from the public. The persons having surplus funds and savings find it handy to deposit the amounts with banks. On the basis of the nature of deposits, funds that have been deposited with bank also earn interest. Thus, deposits with the bank grow along with the interest earned. If the rate of interest is higher, people are encouraged to deposit even more money with the bank. Banks also ensure safety of funds deposited with the bank.

Savings account:

Meant for those people who wish to save money for future. Generally, here there are no restrictions on the amount that can be withdrawn at any point of time and also how often can it be withdrawn (frequency of withdrawals). Savings account holder receives a pass book which includes rules with respect to its operations. Minimum amount for account opening in a nationalized bank: Rs. 500. If you want cheque book facility as well, then it may cost Rs.1000. The interest rates range from 4-6%. In private banks, minimum balance required is generally higher and can be as high as Rs.10, 000. One can have single or joint accounts.

Fixed Deposits/Time Deposits/Long Term Deposits:

As the name suggests, they have been made for a specific time period and one cannot withdraw funds before maturity of that period for which they have been deposited in the bank. One earns higher rate of interest depending on the period of deposit. For this account, one does not get a pass book or cheque book, instead he will receive a Fixed deposit Receipt that will be duly signed by manager of the bank and will contain details like name/address of depositor, amount deposited, rate of interest, maturity date, etc. On maturity, the holder can claim his funds by producing this receipt.

Current Deposits/Demand Deposits:

Businessmen generally open these accounts. Here, one can withdraw funds anytime by means of cheques. Here, deposits can be made to any extent and bank does not pay interest on current deposits. In fact, it charges a small amount as fees from operators of this account on the basis of transactions they carry out. They also enjoy overdraft facilities. They are provided with cheque book, pass book and a pay-in slip book.

Recurring Deposits:

Normally salaried employees and small traders open this account. Periodically, they deposit a certain amount of money in the bank. On the expiry of certain time period, withdrawals are allowed. This account earns a higher rate of interest.

Grant of loans and advances:

Loans and advances are given to people and to companies at a higher rate of interest than what banks give on various deposit accounts. The rate of interest charged on loans and advances shall vary on the purpose, period and the mode of repayment. The difference between the rate of interest allowed on deposits and the rate charged on the Loans is the main source of a bank's income.

Loans: A loan is given for a certain time period. Normally, banks give shortterm loans. Though term loans, meaning, loans for more than one year, shall also be given. The borrower/debtor can pull out the total amount in lump sum or in installments. Nonetheless, interest will be charged on the entire loan amount. Loans are normally given against the security of certain assets .i.e. Collateral. A loan can be repaid either in lump sum or in installments.

Advances: An advance is a credit facility provided by the bank to its customers. It differs from loan in the sense that loans may be granted for longer period, but advances are normally granted for a short period of time. Further the purpose of granting advances is to meet the day to day requirements of business. The rate of interest charged on advances varies from bank to bank. Interest is charged only on the amount withdrawn and not on the sanctioned amount.

Cash Credit: It is a financial arrangement through which banks allow borrower to borrow money up to a certain limit. Cash Credit arrangement is ordinarily made against the security of commodities hypothecated or pledged with the banker. The borrower has to pay interest on the total amount of advance.

Bank Overdraft:

Overdrafts are advanced to holders of current accounts. If borrower requires temporary finance, banker may allow him to overdraw on his account with or without security. As compared to Cash Credit, overdraft is advantageous to borrower as he has to pay interest only on the actual amount withdrawn by him and not total amount.

Loans:

A loan is an advance sanctioned by the bank to the customer with or without security. In respect of loan, banker makes lump-sum payment to the borrower or credits his deposit account with the money advanced. Loan is advanced for a fixed period at an agreed rate of interest. Repayment can be done either in installments or at the end of expiry period. Borrower has to pay interest on the total amount of advance. Interest has to be paid whether he withdraws money from his account or not.

Letter of Credit:

A letter of credit is an assurance from a bank that a particular debt will be honoured by the bank if the borrower defaults/fails to pay. Letters of credit are beneficial when dealing with new, unfamiliar vendors who might not be sure of a company's credit worthiness.

If company X were supplying goods to company Y, company Y would wish to get credit from company X. Company X does not have regular supply to Y and hence does not have enough comfort to extend credit to Y. In such case, banker of Y may come forward to guarantee payments to X on behalf of Y. Since the payments are now guaranteed by a bank, X would not hesitate to extend credit to Y. It is evident that bank does not supply any funds in this facility. It is only the contingent risk that is assumed by the bank. So, risk of bank is lower as compared to cash credit facility where bank's funds are also involved in addition to the risk assumed. Hence, it is an indirect way of financing working capital.

Discounting of Bills:

In a particular transaction, company A supplies goods to company B. Company B accepts the goods , also accepts the bill of company A and agrees to pay after a specified credit period. However, A requires money immediately. He approaches a banker who pays him up front against the accepted bill. Banker does not pay him full amount but adjusts its interest payment for the value and period and pays A. This is called as banker discounts the bill. This is a fund based facility as banker actually pays upfront. Suppliers' working capital is thus not stuck up for that credit period. Supplier has to get prior limit set for such bill discounting facility. Discounting may be done either by supplier's banker or purchaser's banker.

Secondary Functions of Bank:

These are the supportive activities of the bank and not the main source of income for the bank. These are not obligatory on the part of the bank to perform. But generally all commercial banks perform these activities. E.g. Agency function and utility function.

Agency Functions:

These functions are provided by banks as agents to its customers. They are as follows:

- ❖Collect/pay cheques/bills on client's behalf; facilitate funds transfer from one place to another.
- ❖Buy/sell shares and securities on behalf of clients.
- ❖Collect interest, dividend, rent etc. to aid customers, if they instruct so.
- ❖Pay interest, insurance premiums, rent etc. in the best interests of customers in accordance to their instructions.
- ❖Collect Government dues- Taxes, telephone/other bills etc.
- ❖Act as a trustee, advisor, executor and administrator.
- ❖Act as agent/correspondent in aid of clients for other banks/financial institutions within the country and abroad.

General Utility Functions:

Apart from the above mentioned services, banks provide certain other services as well; not only to their clients but to the general public. They are:

- ❖Underwriting of shares/debentures etc.
- ❖Providing Locker facilities.
- ❖Collect and Publish relevant economic data from time to time.
- ❖Issue drafts, travellercheques etc. to tourists.
- ❖Assist in foreign trade by dealing in foreign exchange, subject to provisions of FERA ACT.
- ❖Acting as a referee for its clients thereby strengthening their creditworthiness.

OUTLINE

The Banking industry plays a dynamic role in the economic development of a country. The growth story of an economy depends on the robustness of its banking industry. Banks act as the store as well as the power house of the country's wealth. They accept deposits from individuals and corporate and lends to the businesses. They use the

deposits collected for productive purposes which help in the capital formation in the country.
The Urban Co-operative bank play important role in the social economic life development. They also help to various sectors by providing different facility. Profit, expenses, earnings of the bank i.e. capital, banks objective depend upon these things and we can understand how the bank perform? They work or not? Using various facility, technique how they can increase their performance?

RESEARCH METHODOLOGY AND DATA ANALYSIS

Need and importance

The Banking industry plays a dynamic role in the economic development of a country. The growth story of an economy depends on the robustness of its banking industry. Banks act as the store as well as the power house of the country's wealth. They accept deposits from individuals and corporate and lends to the businesses. They use the deposits collected for productive purposes which help in the capital formation in the country. The Urban Co-operative bank play important role in the social economic life development. They also help to various sectors for providing with different facility. Profit, expenses, earnings of the bank i.e. capital and banks objective depend on these things we can understand how the bank perform? They work or not? Using various facility, technique how they can increase their performance?

Objectives of the study:

1. To study the performance of the Shivshakti Urban Cooperative Bank with respect to
a.Deposit Mobilization
b.Loans disbursed
c.Non-Performing Assets
d.Net Profit
e.Shares
f.Reserve & surplus

Scope:

The present research intends to examine the working, growth and performance of the Shivshakti urban co-operative banks, in respect of deposits, loans, shares, reserve & surplus, net profit, N.P.A. etc. Geographically, the research confines itself only to the Shivshakti urban co-operative bank operating in Barshi. It is empirical work at micro level based on secondary data relating to working of the Shivshakti urban cooperative bank in Barshi. The main focus of the investigation is to evaluate the performance of the entire Shivshakti urban co-operative bank of the Barshi.

Research Methodology:

This research makes a detailed and comprehensive analysis of all the major aspects of the bank. For this purpose, analysis and interpretation of the financial statement five years data is used. The work on a whole has been very useful to get a practical knowledge and experience in the field of financial management especially in financial performance of which is an aid to management in taking appropriate decisions. The research was made out according to the profit and loss account and balance sheet for the last 5 years and other information provided by the bank. On the basis of this analysis, I understood the concept.

Research Design:

Research design is done by the exploratory research and exploratory research is done by doing research through secondary data.

Data Collection:

The data used for this research is Secondary Data which is collected through various sources like the books, internet, research papers and annual reports of the Shivshakti urban co-operative bank. All these sources have been tremendous support for making me complete this research.

Statistical tools:

In this research, the statistical tools are used percentage, graph, chart, table and averages to understand the data easily and clearly. This data is interprets in clear manner to get an exact result.

Key concepts:

Deposits: This included fixed, savings and other deposits viz., current, security, matured, home saving, Loans: This comprised of long term, medium and short term loans.
Net Profit: Profit is taken after the deducting all expenses.

Non- performing assets: As per prudential norms introduced by the RBI with regard to the classification of the assets, the portion of the bad and doubtful assets as disclosed by the banks in their annual reports were taken as non-performing assets.

Reserves and Surplus: The components included in reserve and surpluses were statutory reserves, general reserves, dividend equalization fund, investment fluctuation fund, bad and doubtful debt reserve and other reserves excluding overdue interest reserves.

LIMITATIONS:

- The study is based on the data of only five years.
- The time period of research was limited.
- The study of the data is mainly based on the annual report.

FINDINGS:

1.It is found that there is increase in growth of the deposits of the bank i.e. 1548.41 to 3727.50 and as per percentage there is increase and decrease in deposit of the bank.
2.It is found that there is increase in the growth of the loans year to year and as per percentage there is increase as well as decrease in growth rate of loans every year.
3.Net profit is increasing in three years (2009-10, 2010-11 and 2012-13) and there is decrease in 2011-12. As per percentage there is increase net profit till 2010-11 and then there is loss in 2011-12 and again there is increase in 2012-13.
4.Reserves and surplus are increase in every year and as per percentage it is increases up to 2010-11 and then decreasing.
5.Shares are increase in the every year but as per the percentage there is increase in the 2009-10 & 2011-12 and decrease in the 2010-11 & 2012-13.
6.N.P.A. is increasing in 2009-10 & 2012-13 and decrease in 2010-11 & 201112 and same is in percentage.
7.By comparing two years i.e. 2011-12 & 2012-13 it is found that there is increase in 2012-13 as compared to 2011-12.
8.There is increase in the all account except decrease in savings account as compared to 2011-12.

SUGGESTIONS :

- Deposits are increasing it is good for the company but they have to improve more.
- There is decrease in the loans. So they have to improve the loan approval system and prevent the frauds in procedure of loan sanction.
- There is loss in the net profit. So they have to improve the services.
- N.P.A. of the bank is increasing. For that they have to improve their loan recovery system.

CONCLUSION

The foregoing analysis has showing that, the growth pattern of different variables with help of secondary data for the 5 years from 2008-2009 to 2012-2013. These variables shows that lots of changes are occur in every year. Deposits, loans, non-performing assets, shares etc. are the major component of the bank and they are working smoothly. From this observation we can say organization are smoothly working and growing itself and in every year sharehold
er are getting there profit.

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