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A PROJECT REPORT ON THE CREDIT RISK MANAGEMENT AT TUMKUR GRAIN MERCHANT CO-OPERATIVE BANK LTD. TUMKUR

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Abstract—*Co-employable Banks have helped with boosting the development pace of Indian economy by giving a fillip to agrarian creation in the nation by making accessible modest and bother free horticultural account. The financial performance of a bank can be measured in the form of efficiency, liquidity, profitability, services, customer satisfaction etc. Financial performance is a scientific evaluation of the profitability and financial strength of any business. It helps to understand the significant facts and relationship concerning managerial performance, corporate efficiency, financial strength and weakness, credit worthiness. The technique of financial analysis is frequently applied with a view to determine continuity or discontinuity of the operating policies, investments value of the business, credit rating & testing the efficiency of operations. This study is entirely based on secondary data and different ratios have been applied to evaluate the financial performance of The TUMKUR MERCHANTS CO -OPERATIVE BANK, TUMKUR.*

Keywords—*Agricultural Loans, Co-operative Bank, Credit Risk Analysis, Liquidity, Profitability.*

INTRODUCTION

Money is viewed as backbone of an endeavor. This is on the grounds that in the cutting-edge cash situated economy account is one of the essential establishments of a wide range of monetary exercises. It is the ace key which gives access to all sources to being utilized in assembling exercises. It has been appropriately said that business needs cash to get more cash-flow, notwithstanding, it likewise evident that cash sires more cash just when it is appropriately overseen; along these lines effective administration of each business undertaking is firmly connected with proficient administration of its money.

Between 1950's and 60's Tumkur city has been created as a significant Business focal point of Karnataka State. In that period, the city has pulled in such huge numbers of Industries and Merchants class.

AN OVERVIEW OF LITERATURE

Rajagopalan (2007), it presents the ideas of an agreeable and talks about in lawful status, different sorts, and administration and managerial structure in the primary article.

Amit Singh Sisodiya and Ramana Pemmaraju (2010), utilizing the profoundly acclaimed CAMEL procedure, this investigation checks exhibitions of State-claimed banks, private area banks and remote banks.

Suresh Padmalatha (2011), in his book featured the CAMELS rating to survey the money related states of each bank. In any case, these money related measures are basically log pointers, a posthumous perspective on the business, instead of lead indictors that evaluate the bank's strength to make an incentive later

A.Vijay Kumar (2012) examined the presentation of SBI and its partner's bank to gauge in general wellbeing and monetary status utilizing CAMEL rating framework. It is deduced in the investigation that the SBI and its partner banks have prevailing with regards to keeping up capital sufficiency proportion at the more significant level than the endorsed level (over 9%) during the examination

Jyoti Gupta, Suman Jain, (2012) in their research paper has discussed the financial performance of UCBs in India. They have studied 200 respondents to understand types of loan preferences, services standard of co- operative banks, efficiency, lending practices as well as satisfaction level of the customers with reference to co- operative banks. Descriptive research is used in this study to identify the lending practices of bank and determining customer's level of satisfaction and suggested measures to improve efficiency of UCBs in India.

Nagarjuna R.C (2010) examined in his paper financial performance of selected co- operative banks in Karnataka. The study helped to understand the working and growth of Co-operative Banks in Karnataka. To study the financial performance of Co-operative Banks, various financial parameters like the Capital Adequacy, Reserves, Borrowings, Liabilities, and levels of Non-performing Assets etc. were analyzed. It also examines the efficiency and effectiveness in mobilizing the deposits, lending advances, investments and recovery performance, the Operating Profit/Net Profit and suggests measures for improving the working of Co-operative Banks.

Sudarsan Nayak (2014) in the research paper focuses on challenges before the co-operatives. Co- operative in spite of being largest movement in the world and strongest link, it faces number of challenges like lack of internal resources, inadequate infrastructure, competitive tier structure, apathy of members towards management, lack of accountability, increasing sickness, dormancy, low level of professionalism, excessive government control, political interference, dominance of vested interest over management, lack of human resource development, lack of education and training and also provides various suggestions and strategies to handle these problems.

Soni and Saluja (2013) the study is based on the financial ratios of DCC Bank in Rajnandgaon. The different ratios indicating liquidity, efficiency, profitability, and solvency are taken into consideration to understand the financial position of the bank. The financial position of this bank analyzed by ratio analysis techniques and it is found that the solvency, liquidity, and profitability are satisfactory. The efficiency ratios indicated a medium level of the expenditure over the gross income. Profitability of the bank was very low due to the heavy over dues and low rate of recovery.

NEED OF THE STUDY

To make a study as to how the co-operative society has survived the crisis of credit risk and knows the credit products and services offered by the society. Also study about how the products and services have affected the society performance whether the society was able to minimize the risk.

Objectives

- To study the different types of credit products offered by the bank.
- To study the criteria for giving the different types of loans.
- To study the measures taken by the bank to minimize the credit risk.
- To study and analyze the credit risk faced by the bank from each credit product of the bank.

SCOPE OF THE STUDY

Hazard is any walk around ways of life in popular and in monetary quarter particularly. Until, nowadays due to modifiable condition, bank could not have enough cash to take peril. Anyway, of past due banks are revealed to same rivalry and hence are done to run over a credit hazard. With globalization banks are confronting inner rivalry as well as at the worldwide level. The credit emergency experienced by American economy has permeated to different economies too. Wise administration of stores acquired from the contributors is significant. This relies on wise arrangement of assets by banks. In the time of emergency is basic to make an examination as how the co-usable bank has endured the emergency.

SAMPLING

primary facts have been accumulated through non-public interview by way of direct touch method. The method which becomes adopted to accumulate the records is 'non- public Interview' technique. Non-public interview and dialogue were made with supervisor and different employees in the enterprise for this reason.

The information is accrued from the Magazines, Annual reports, net textual content books. The diverse assets that have been used for the collection of secondary statistics are and bank internal record.

TOOLS FOR DATA COLLECTION

Following various tools and techniques are used.

- Analysis of annual reports.
- Analysis of financial statements.

- Analysis of secondary data.

Sources of Data:

The universe of the study was financial institutions, with respect to focus on banking sector and credit department. Methodology is based on Primary Data and Secondary information.

DATA ANALYSIS AND INTERPRETATION

EMPIRICAL RESULTS

TABLE 1: BALANCE SHEET ANALYSIS

Sl. No	TGMC Bank	2018-19	2019-20
1	Own fund	262.54	287.70
2	Deposit	2211.67	2229.57
3	Advances	1568.24	1522.56
4	Total assets	3.45%	25.51%

Source: Annual Report of TGMC from 2018-19 to 2019-20

Interpretation:

The most important tools of analysis are through ratio. Ratio is comparison of two relevant and comparable figures. It helps in understanding and comparing the financial and overall position of organization and helps in evaluating the performance with standards with its own previous performance. An attempt has been made to evaluate financial performance The Tumkur Merchants Co -Operative Bank, Tumkur. The present study is concerned about the evaluation of financial performance of Tumkur Merchants Co -Operative Bank, Tumkur from 2018-19 to 2019-20 which has been carried out with the help of different ratios. The main variables and their trends are given below:

TABLE 2: PROFIT AND LOSS ANALYSIS

Sl. No	TGMC BANK	2018-19	2019-20
1	Interest earned	243.73	227.33
2	Interest paid	08.11	07.43
3	Profit and loss	10.07%	09.27%

Source: Annual Report.

Interpretation:

From the above table, it can be observed that the Net Worth, totals assets of TGMC Bank have increased. Deposit, Capital of the bank and Net profit also increased.

TABLE 3: TYPE OF DEPOSIT (Rs. In lakhs)

Particulars	2019	2020
Fixed Deposit	2427.53	5022.79
Saving Deposit	2545.40	3078.55
Current Deposit	1313.64	2394.74
TOTAL	**22476.53**	**25696.9**

Source: Annual Report

Interpretation:

Fixed store incorporates money testaments, R/D, Maturity store, NRE store, NER endorsement, Matured store, Matured R/D, Matured Jayalakshmi little store, developed money authentication, and so forth.

TABLE 4: QUALITY ASSETS (Rs. In lakhs)

Sl.No	Year	Standard Assets (%)	NPA (%)
1	2015-16	1523.35(10.82%)	0%
2	2016-17	1881.33(10.33%)	1.39%
3	2017-18	2087.35(10.28%)	0.64%
4	2018-19	2394.17(09.66%)	3.45%

Source: Annual Report.

Concepts:

As against the standard resources the development of NPA is appeared in the table.

Analysis:

Percentage of performance of the standard assets is in the increasing trend which can be called a healthier development of performance of the bank, at the same time the level of NPA in percentage wise shows the decreasing trend.

Interpretation:

The shows that the bank is taking proper steps to recover the dues by the customer, etc. when the rate of NPA is decreasing it will help the growth of the bank.

FINDINGS

- Almost all respondents of the chose USBs said that their jobs and obligations of different functionaries of the bank is very much characterized. None of the respondents have said that they are unsatisfied with jobs and duties characterized by their banks.
- Half of the respondents said that measurement level is acceptable. There are acceptable extent of respondents who mean their degree of measurement is normal while remaining said it is poor.
- according to one fourth respondents, subjective measures are acceptable though about portion of them implies their subjective measures are normal.
- All respondents likewise concurred that their administrations have set cutoff points for satisfactory degree of different dangers.
- None of the bank having separate office for hazard the board. On a normal three senior people have designated this duty.

SUGGESTION

- Bank needs to make a fair evaluation of the danger of the client before authorizing a credit.
- Suggest for receiving an Electronic Fund Transfer framework (EFT), Electronic Clearing System (ECS).
- The bank should execute a FICO score model to control and deal with the credit danger of the borrower.
- The heads of the bank ought to have responsibility for grateful and normally getting the credit chance methodology.
- The bank should build the quantity of branches to other zone for additional development and to expand its client base
- While authorizing advances to client past record of loan repayment is to be thought of, alongside current pay and resources.
- The bank should refresh the FICO assessment intermittently.
- The bank ought to completely survey the budgetary presentation of clients.

Conclusion

The administration of the credit chance is conceivable just with its estimation. Models are the apparatuses to viably quantifies the hazard presentation of different monetary organizations. With the right proportions of the credit chance, its administration will get powerful and effective. This exploration work focuses on building up a way to deal with measure the acknowledge dangers related for different barrowers of a bank. For these the significant appraisal boundaries for the bank are taken as the indicator factors.

There are numerous ways to deal with creating credit hazard model which have been talked about as of now in break report. It is hard to state definitively, which of the methodologies has the best capacity to anticipate default, each having its upsides and downsides. The stock cost-based model is theoretically engaging.

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