

# PERFORMANCE EVALUATION OF SHIVA SAHAKARI BANK NIYAMITHA OF SHIVAMOGGA DISTRICT

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*Abstract* : This study has been undertaken to investigate based on secondary data information published by the bank through its annual reports for the period from 2006-07 to 2015-16. The data collected are analysed using statistical technique like Average, Coefficient of variation, Standard deviation and Compound annual growth rate. Further, based on the available data prediction regarding amount of loan to be issued, percentage of overdue and NPA are made for the period from 2017-18 up to 2019-20.

*IndexTerms*–Performance,evaluation,shiva,sahakari, urbanbank,

## INTRODUCTION

The term Urban Co-Operative Banks (UCBs), though not formally defined, refer to Primary Co-Operative Banks located in urban and semi-urban areas which, till 1966, were allowed to lend money only for non-agricultural purposes are now permitted to extend their operations covering small borrowers and businesses. Today, their levels of catering to the financial needs of the borrowers have made their scope of operations to widen considerably.

## ORIGIN AND DEVELOPMENT

The origin of the urban Cooperative Banking Movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the Cooperative Movement in Britain and the Cooperative Credit Movement in Germany Cooperative societies were setup in India based on the principles of Cooperative, Mutual Help, Democratic Decision Making and Open Membership. Further, the main objective of Urban Co-Operative Banks is to collect deposits from members as well as non-members and issue the same as loans to members as well as non-members promoting thrift and self-help among the members. The urban co-operative organizations primarily cater to the banking needs and credit requirements of the weaker sections, lower and middle income class people comprising of small entrepreneurs, village artisans, wage earners, retail traders, business men, factory workers, salaried class as well as other self-employed persons. With this context, in Shivamogga district of Karnataka state, The Shiva Sahakari Bank Niyamitha, registered in the year 1997 is successively catering the banking needs of the lower and middle class people of the city for which, this bank is awarded with “Excellence Cooperative Banking” in the year 2005-2006.

## OBJECTIVE OF THE STUDY

The major objectives of the present study are as under:

1. To study the share capital, working capital and lending trends of the Shiva Sahakari Bank Niyamitha.
2. To examine overdue and NPA status of Shiva Sahankari Bank -Niyamaitha.
3. To predict share capital, working capital, lending, outstanding and NPAs status of Shiva Sahankari Bank Niyamitha.

## METHODOLOGY

The present study is based on secondary data information published by the bank through its annual reports for the period from 2006-07 to 2015-16. The data collected are analysed using statistical technique like Average, Coefficient of variation, Standard deviation and Compound annual growth rate. Further, based on the available data prediction regarding amount of loan to be issued, percentage of overdue and NPA are made for the period from 2017-18 up to 2019-20.

## BRIEF HISTORY OF SHIVA SAHAKARI BANK NIYAMITHA

Shiva Sahakari Bank started its operation in 1995-96 and by the end of financial year 2016-17, the bank is operating with share capital of Rs. 165.46 lakh and working capital of Rs. 2812.63 lakh. The bank is successful in accumulating deposit of Rs. 2428.83 lakh and has issued loan of Rs. 1884.96 lakh. The bank catering the banking needs for its 5212 members with 7 employees has CRAR at 16.40 per cent. Further, the total reserve fund of the bank stood at Rs. 130.09 lakh. The Gross NPAs of the bank worked out to be Rs. 146.79 lakh accounting to 7.79 per cent of the total loans issued while its Net NPAs stood at Rs. 103.32 lakh accounting to 5.49 per cent of the total loan issued. The net profit of the bank stood at Rs. 30.33 lakh.

## PERFORMANCE EVALUATION OF SHIVA SAHAKARI BANK NIYAMITHA

### Share Capital and Working Capital of Shiva Sahakari Bank Niyamitha

Share capital is the amount invested by a company's shareholders for use in the business. Like that, in Cooperative Banks also share capital is the amount invested by that particular bank's shareholders to carry out banking activities. As such, Shiva Sahakari Bank has an average share capital of Rs. 97.65 lakh with standard deviation of Rs. 40.14 lakh having compound annual growth rate of 11.41 per cent per annum (Table 1). Though the share capital of the bank increased continuously the increase in the financial year 2013-14 recorded highest increase of 23.57 per cent against lowest increase of 3.25 per cent in the financial year 2007-08 when compared to their respective previous years. However by the end of financial year 2016-17 the amount of share capital of the bank increased by 228.16 per cent when compared to the amount of share capital in the financial year 2006-07.

Table 1: Share capital of Shiva Sahakari Bank Niyamitha from 2006 -2016

Sl. No.	Year	Share capital (in lakh)	Percentage Change	
			To previous year	To 2006-07
1	2006-07	50.42	--	--
2	2007-08	52.06	3.25	3.25
3	2008-09	61.91	18.92	22.79
4	2009-10	73.37	18.51	45.52
5	2010-11	82.47	12.40	63.57
6	2011-12	87.14	5.66	72.83
7	2012-13	94.14	8.03	86.71
8	2013-14	116.33	23.57	130.72
9	2014-15	139.50	19.92	176.68
10	2015-16	151.38	8.52	200.24
11	2016-17	165.46	9.30	228.16
<b>Descriptive Statistics</b>				
1	Average	97.65		
2	Std. Dev.	40.14		
3	C V	41.11		
4	CAGR	11.41		

Source: Annual Reports of Shiva Sahakari Bank Niyamitha

Further, from the data in Table 1, it is evident that the share capital of the bank increased from 2006-07 up to 2009-10 at increasing rate which for the next two years increased at declining rate and again comprised with mixed trend in the future years.

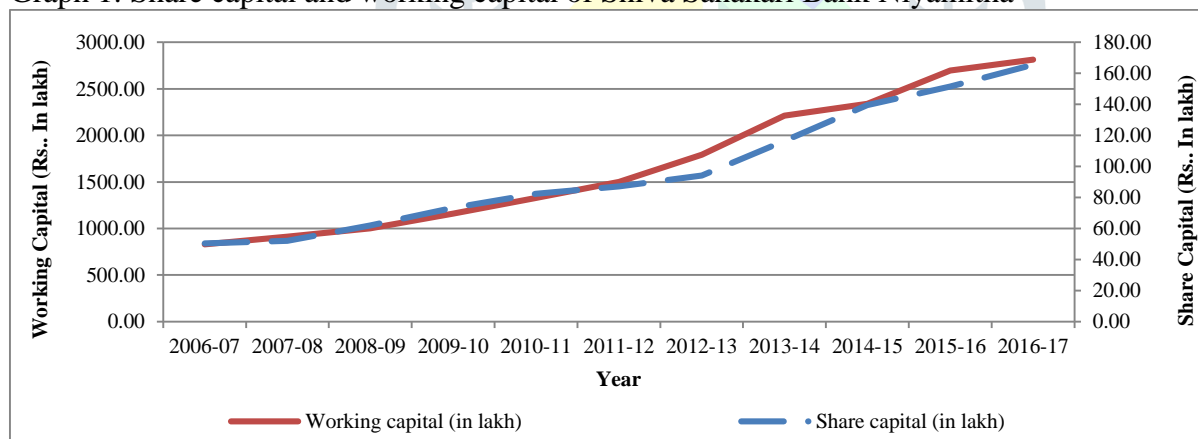
Table 2: Working capital of Shiva Sahakari Bank Niyamitha from 2006 -2016

Sl. No.	Year	Working capital (in lakh)	Percentage Change	
			To previous year	To 2006-07
1	2006-07	830.06	--	--
2	2007-08	911.14	9.77	9.77
3	2008-09	1000.33	9.79	20.51
4	2009-10	1160.23	15.98	39.78
5	2010-11	1329.71	14.61	60.19
6	2011-12	1500.00	12.81	80.71
7	2012-13	1792.82	19.52	115.99
8	2013-14	2207.03	23.10	165.89
9	2014-15	2339.42	6.00	181.84
10	2015-16	2695.90	15.24	224.78
11	2016-17	2812.63	4.33	238.85
<b>Descriptive Statistics</b>				
1	Average	1689.02		
2	Std. Dev.	723.88		
3	C V	42.86		
4	CAGR	11.73		

Source: Annual Reports of Shiva Sahakari Bank Niyamitha.

Working capital indicating availability of the money for day-to-day operations is a common measure of a company's liquidity, efficiency, and overall health where positive working capital generally indicating a company is capable to pay off its short-term liabilities, while negative working capital indicates a company is unable to do so. With this context, the working capital of Shiva Sahakari Bank Niyamithahad average working capital of Rs. 1689.02 lakh exhibiting continuous increasing trend with standard deviation of Rs. 723.88 lakh with compound annual growth rate at 11.73 per cent per annum. The working capital of the bank showed continuous increasing trend with increasing rate up to 2010-11 and increased at decreasing rate in the financial year 2012-13 which again constituted with mixed feature for the next consecutive years. However, the highest and least per cent of increase in working capital was recorded for the financial years 2013-14 and 2016-17 at 23.10 per cent and 4.33 per cent respectively when compared to their respective financial years. Further, by the end of financial year 2016-17 working capital of the bank increased by 238.85 per cent when compared to the working capital of the bank in the financial year 2006-07 which is around 10.70 per cent more when compared to increase in share capital of the bank for the same period. On the other hand, the variation in working capital was found to be at higher rate when compared to variation in share capital as the coefficient of variation for share capital and working capital stood at 42.86 and 41.11 per cent respectively indicating share capital is more consistent when compared to fluctuation in working capital of the bank.

Graph 1: Share capital and working capital of Shiva Sahakari Bank Niyamitha



Source: Tables 1 & 2

Graph 1 representing share capital and working capital of Shiva Sahakari Bank Niyamitha for the period of 2006-07 up to 2016-17 measures 5 years on the horizontal axis and working capital and share capital on the primary and secondary vertical axis respectively. The continuous line represents working capital while the dotted line represents share capital. From the graph it could be observed that both share capital and working capital of the bank have positive and increasing trend where the rate of increase in working capital is found to be slightly at higher rate when compared to the increasing rate of share capital at the initial stage and vice versa in later stage.

Table 3: Loans issued by Shiva Sahakari Bank Niyamitha from 2006 -2016

Sl. No.	Year	Loans (in Lakh)	Percentage Change	
			To previous year	To 2006-07
1	2006-07	561.21	--	--
2	2007-08	575.95	2.63	2.63
3	2008-09	646.21	12.20	15.15
4	2009-10	803.54	24.35	43.18
5	2010-11	875.63	8.97	56.03
6	2011-12	986.75	12.69	75.83
7	2012-13	1074.19	8.86	91.41
8	2013-14	1366.80	27.24	143.55
9	2014-15	1589.09	16.26	183.15
10	2015-16	1691.09	6.42	201.33
11	2016-17	1884.96	11.46	235.87
<b>Descriptive Statistics</b>				
1	Average	1095.95		
2	Std. Dev.	468.86		
3	C V	42.78		
4	CAGR	11.64		

Source: Annual Reports of Shiva Sahakari Bank Niyamitha

Lending loans is one of the major functions of any bank. The banks channelize the accumulated deposits as credit to the needed ones at nominal interest rate. As such, loan disbursement forms one of the major duties of any bank. From the data in Table 3, it is noted that on an average Shiva Sahakari Bank Niyamitha disbursed Rs. 1095.95 lakh as loans to its customers with standard deviation of Rs. 468.86 lakh having compound annual growth rate at 11.66 per cent per annum as the result of which the amount of loan disbursed by the bank in financial year 2016-17 increased by 235.87 per cent when compared to 2006-07. Further, it is noted that in the financial year 2013-14, the increase in the amount of loan disbursed by the bank stood at highest per cent at 27.24 per cent closely followed by 24.35 per cent in the year 2009-10 against 2007-08 where the increase in the loan amount disbursed is found to be least at 2.63 per cent. The amount of loan disbursed by the bank showed continuous increasing trend constituted with increasing and decreasing rate as it increased at increasing rate up to 2009-10 then increased at decreasing rate for the financial year 2010-11 which continued with at increasing and decreasing rate up to 2016-17.

Recovery of loan exhibits the financial status of any bank. A good and sound recovery system is very essential for any bank to successfully operate as it can again recirculate the recovered amount as credit to its customers. As such the recovery status of the bank is found to be at satisfactory level as the percentage of overdue to loan amount has decreasing trend. From the data in Table 4 it is exhibited that the average amount of overdue stood at Rs. 201.46 lakh with standard deviation of 118.50 lakh which ranged from Rs. 72.62 lakh up to 430.37 lakh being the lowest and highest amount of overdue in the financial year 2012-13 and 2010-11 respectively. Further, the amount of overdue had decreasing growth rate as the compound

annual growth rate stood at -2.47 per cent per annum as the result of which the amount of overdue stood at Rs. 156.64 lakh in the financial year 2016-17 against Rs. 206.36 lakh in the year 2006-07. It is further noted that in the financial year 2012-13 lowest percentage of loan amount (6.76 per cent) was recorded against highest percentage of loan amount (49.15 per cent) in the year 2010-11.

Table 4: Overdue in Shiva Sahakari Bank Niyamitha from 2006 -2016

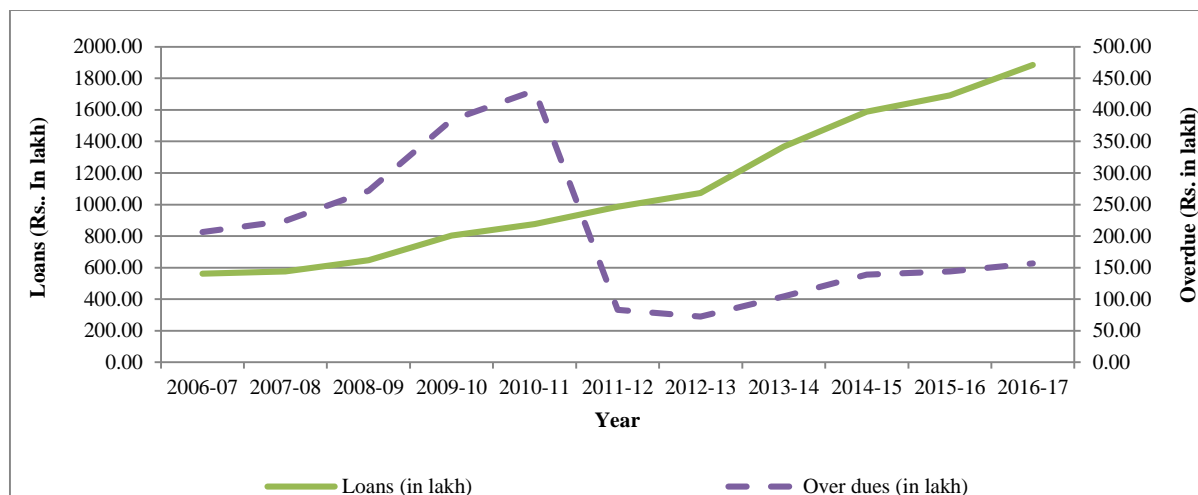
Sl. No.	Year	Overdue		Percentage Change	
		Amount	% to Loan Amount	To previous year	To 2006-07
1	2006-07	206.36	36.77	--	--
2	2007-08	223.99	38.89	8.54	8.54
3	2008-09	272.05	42.10	21.46	31.83
4	2009-10	383.77	47.76	41.07	85.97
5	2010-11	430.37	49.15	12.14	108.55
6	2011-12	83.08	8.42	-80.70	-59.74
7	2012-13	72.62	6.76	-12.59	-64.81
8	2013-14	104.42	7.64	43.79	-49.40
9	2014-15	138.71	8.73	32.84	-32.78
10	2015-16	144.08	8.52	3.87	-30.18
11	2016-17	156.64		8.72	-24.09
<b>Descriptive Statistics</b>					
1	Average	201.46			
2	Std. Dev.	118.50			
3	C V	58.82			
4	CAGR	-2.47			

Source: Annual Reports of Shiva Sahakari Bank Niyamitha

The Graph 2 exhibiting Loans issued and overdue of Shiva Sahakari Bank measures amount of loan issued on the primary vertical axis and amount of overdue on the secondary vertical axis. From the graph it is clear that amount of loan issued shows continuous increase while the amount of overdue having increasing trend for the period 2006-07 up to 2010-11 than had severe decrease in the following year 2011-12 and then gradually increased in the subsequent years.

Graph 2: Loans issued and overdue in Shiva Sahakari Bank Niyamitha from 2006 -2016





Source: Tables 3 & 4

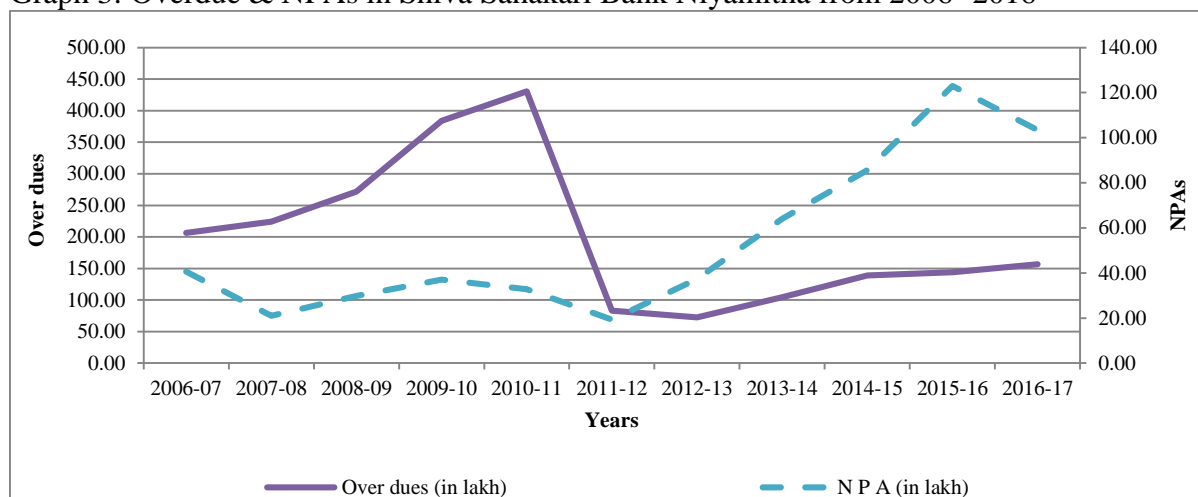
Table 5: NPAs in Shiva Sahakari Bank Niyamitha from 2006 -2016

Sl. No.	Year	Net N P As			Percentage Change	
		Amount	% to		To previous year	To 2006-07
			Loan Issued	Overdue		
1	2006-07	40.63	7.24	19.69	--	--
2	2007-08	21.02	3.65	9.38	-48.26	-48.26
3	2008-09	29.79	4.61	10.95	41.72	-26.68
4	2009-10	37.04	4.61	9.65	24.34	-8.84
5	2010-11	32.84	3.75	7.63	-11.34	-19.17
6	2011-12	27.44	2.78	33.03	-16.44	-32.46
7	2012-13	36.16	3.37	49.79	31.78	-11.00
8	2013-14	62.31	4.56	59.67	72.32	53.36
9	2014-15	78.23	4.92	56.40	25.55	92.54
10	2015-16	122.94	7.27	85.33	57.15	202.58
11	2016-17	103.32	5.48	65.96	-15.96	154.29
<b>Descriptive Statistics</b>						
1	Average	53.79	4.75	37.04		
2	Std. Dev.	33.84	1.46	27.56		
3	C V	62.91	30.65	74.40		
4	CAGR	11.71	-2.50	11.62		

Source: Annual Reports of Shiva Sahakari Bank Niyamitha

Non-Performing Assets (NPAs) of the bank reveals the bank's performance in lending and recovery process. The NPAs status of the bank is found to be at lower level in the initial stage which witnessed increase in the later stage. However, the average amount of NPAs stood at Rs. 53.79 lakh with standard deviation of Rs. 33.84 lakh which ranged in between Rs. 21.02 lakh and 122.94 lakh being the highest and least in the year 2007-08 and 2015-16 respectively. Further, the amount of NPAs having compound annual growth rate of 11.71 per cent per annum increased to Rs. 122.94 lakh in the financial year 2015-16 when compared to Rs. 40.63 lakh in 2006-07. Like that, in the year 2011-12 the total amount of NPAs stood at 2.78 per cent of the total amount of Loan issued which recorded to be the lowest against NPAs at 7.27 per cent of the total amount of loan issued in the year 2015-16 which recorded to be the highest. On the other hand, overdue is found to be more consistent when compared to NPAs as the coefficient of variation for Overdue and NPAs stood at 60.17 and 62.91 per cent respectively.

Graph 3: Overdue &amp; NPAs in Shiva Sahakari Bank Niyamitha from 2006 -2016



Source: Tables 4 &amp; 5

Graph 3 presenting the status of overdue and NPAs of Shiva Sahakari Bank Niyamitha measures the amount of overdue on the primary vertical axis and amount of NPAs on the secondary vertical axis. The graph exhibits that the curve representing overdue shows higher rate of increase in overdue up to 2010-11 and witnessed sudden decrease in the year 2011-12 and then gradual increase in the successive years. On the other hand, the curve representing NPAs exhibits ups and downs up to 2011-12 and then afterwards continuous increase up to 2015-16 at higher rate.

Table 6: Prediction regarding Loans, Overdue and NPAs of Shiva Sahakari Bank Niyamitha for the period from 2017-18 to 2019-20 (Rs. In lakh)

Sl. No.	Year	Share Capital	Working Capital	Loans (Rs.)	Overdue		NPAs	
					Amount	%	Amount	%
1	2017-18	168.72	2977.71	1926.84	178.24	9.25	140.39	7.29
2	2018-19	180.56	3192.49	2065.32	195.85	9.48	165.56	8.02
3	2019-20	192.40	3407.27	2203.80	213.47	9.69	192.76	8.75
	Average	180.56	3192.49	2065.32	195.85	9.47	166.24	8.02

Source: Tables 1,2,3,4 &amp; 5

Based on the amount of share capital, working capital, amount of loans issued, amount overdue and NPAs for the period 2006-07 up to 2015-16, trend values for the period 2017-18 up to 2019-20 presented in Table 6 shows that for the period in between 2017-18 and 2019-20, on an average the bank might accumulate share capital of Rs. 180.56 lakh and working capital of Rs. 3192.49 lakh. Further, it is noted that, on an average, the bank might issue loan worth of Rs. 2065.32 lakh out of which, the average overdue might be around Rs. 195.85 accounting to 9.47 per cent of the loan amount issued and average NPAs to be around Rs. 166.24 lakh account to about 8 per cent of the total loan amount.



## FINDINGS AND SUGGESTIONS

Cooperative Bank is an institution owned by its members of same profession or community having common and shared interest and aspirations catering to the banking needs like loans, deposits, etc. As such, Shiva Sahakari Bank Niyamitha one among the eight Urban Cooperative Banks operating in Shivamogga district is catering the banking needs of its members since 1995-96. The performance evaluation of Shiva Sahakari Bank Niyamitha showed some of the major findings which are presented as under:

- 1) The bank's share capital is growing considerably,
- 2) The bank has sturdy working capital which is swelling substantially,
- 3) Though the bank's lending quantum is increasing but still there is wide scope for expansion in its lending process as the amount of loans issued is increasing at decreasing rate,
- 4) The bank is characterised with effective recovery system as the amount of overdue is considerably decreasing in the later stage when compared to earlier stages. Further, it is appreciable that bank's quantum of overdue is having decreasing growth rate and is negatively correlated with quantity of loan issued and
- 5) However, in spite of all the above positive findings, the NPAs of the bank is seen to be increasing considerable from 2013-14 that too drastically for the last two years that is 2015-16 and 2016-17.

Some of the relevant suggestions to be recommended for the above findings constitute:

1. To extend lending process through simplifying and improving its lending policies,
2. To strengthen the recovery system so that NPAs per cent will be still further reduced,
3. Provide efficient training and development for the staff so that core banking facilities will be more effectively implemented and
4. To educate defaulters about bad consequences of overdue and convince them to make prompt payments which will not only bring NPAs amount to minimum but also will reduce the recovery charges or expenditures incurred.
5. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
6. The banks should plan for expansion of branches.
7. The banks should improve the customer services of the bank to a better extent.

## CONCLUSION

Banking business is doing marvellous for the world economy through simply converting the savings accepted by the savers as deposits and converting the same as lending to borrowers which encourages the flow of money for productive purposes and allowing the economy to grow. With the absenteeism of banking business, savings would have been idle and the entrepreneurs would have encountered difficulty in raising

the money for investments. On the other had poor and middle class people dreaming for a new car or house wouldn't have fulfilled their dreams in the absence of banking activities. As such, with the to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population, the government of India, in 1904 initiated the cooperative movement of India as the result of which, cooperative banks operate as a balancing centre and at present, several cooperative banks are performing multipurpose functions of financial, administrative, supervisory and development. With this context, Shiva Sahakari Bank Niyamitha in Shikaripurataluk of Shivamogga district is performing to its full capacity in fulfilling the banking requirements of its customers and is heading with multi-dimensional intentions in the adoption of new banking technologies.

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