

CHAPTER – 1

INTRODUCTION TO THE INDIAN BANKING SYSTEM

A financial system is an important tool for a country that wants to develop economically. The reason is that it helps in the creation of wealth by way of investments. That is why different types of financial services are available to facilitate the requirement. One of the important ways for a country to control financial transactions and services is through banks.

In India, banks are playing a crucial role in the socioeconomic progress of the country after independence. The banking sector is dominant in India it accounts for more than half the assets of the financial sector. Indian banks have been going through a fascinating phase through rapid changes brought about by financial sector reforms, which are being implemented in a phased manner.

Meaning of bank

A bank is a financial institution that accepts deposits from the public and creates a Demand deposit while simultaneously making loans. Lending activities can be directly performed by the bank or indirectly through capital markets.

The RBI regulates and operates the banking system in India. It supervises and administers exchange control and banking regulations and administers the government's monetary policy. The banking system in India works according to the guidelines issued by the RBI

History of the banking sectors

The Banking system in India can be categorized into two phases:

- 1) Pre-Independence Phase (1786-1947)
- 2) Post- Independence Phase (1947 to 1969)
- 3) Post-nationalisation Period (1969 to 1991)
- 4) Liberalisation Period (1991)

Pre-Independence Phase (1786-1947)

The first bank of India was the “Bank of Hindustan”, established in 1770 and located in the then, Indian capital, Calcutta. However, this bank failed to work and ceased operations in 1832.

- During the Pre Independence period over 600 banks had been registered in the country but only a few managed to survive.

- Following the path of the Bank of Hindustan, various other banks were established in India. They were:
 - The General Bank of India (1786-1791)
 - Bank of Bengal (1809)
 - Bank of Bombay (1840)
 - Bank of Madras (1843)
- During the British rule in India, The East India Company established three banks: Bank of Bengal, Bank of Bombay, and Bank of Madras, and called them the Presidential Banks. These three banks were later merged into one single bank in 1921 which was called the “Imperial Bank of India.”
- The Imperial Bank of India was later nationalized in 1955 and named The State Bank of India, the largest public sector bank.

Post- Independence Phase (1947 to 1969)

- At the time of independence, the entire Banking sector was under private ownership. The country’s rural population had to depend on small money lenders for their requirements. To solve these issues and better development of the economy the Government of India nationalized the Reserve Bank of India in 1949.
- In 1955 the Imperial Bank of India was nationalized and named the State Bank of India.
- The Banking Regulation Act was enacted in 1949.

Post-nationalization Period (1969 to 1991)

- The Indian Banking system immensely developed after nationalization but the rural and weaker section of the society was still not covered under the system.
- To solve these issues, the Narasimham Committee in 1974 recommended the establishment of Regional Rural Banks (RRB). On 2nd October 1975, RRBs were established to extend the amount of credit to the rural section of society.
- Six more banks were further nationalized in the year 1980. With the second wave of nationalization, the priority sector lending target was also raised to 40%.

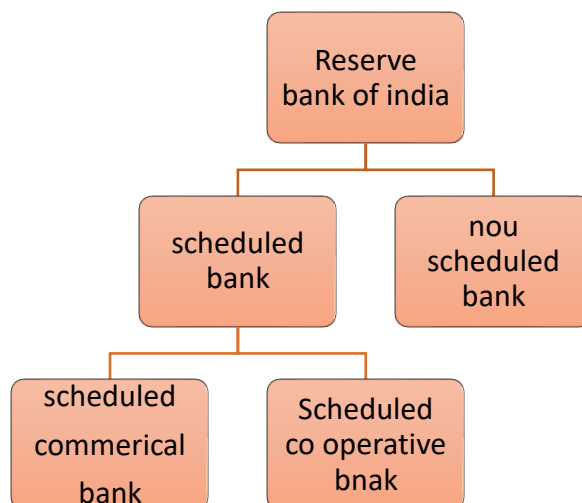
Liberalization period (1991)

From 1991 onwards, there was a sea change in the Indian economy. The government invited private investors to invest in India. Ten private banks were approved by the RBI. A few prominent names which exist even today from this liberalization are HDFC, Axis Bank, ICICI, DCB, and IndusInd Bank.

In the early to mid-2000s, two other banks, Kotak Mahindra Bank (2001) and Yes Bank (2004), received their licenses. IDFC and Bandhan banks were also given licenses in 2013-14. Other notable changes and developments during this era were:

- Foreign banks like Citibank, HSBC, and Bank of America set up branches in India.
- The nationalization of banks came to a standstill.
- RBI and the government treated public and private sector banks equally.
- Payments banks came into existence.
- Small finance banks were permitted to set up their branches throughout India.
- Banks began to digitalize transactions and various other related banking operations.

Structure of the banking system in India



Scheduled banks

The second schedule of the Reserve Bank of India Act contains a list of banks that are described as scheduled banks. A bank in the order designated as a scheduled bank should have paid-up capital and reserves as described by the act. In terms of section 42(6) of the RBI Act, 1934, the required amount was only Rs 5 lakhs. However, presently the RBI prescribes a minimum capital of Rs 100 crore and it's business must be managed in a manner that, in the opinion of RBI, is not detrimental to the interests of its depositors. The scheduled bank is also required to maintain of cash reserve ratio, based on its depositors. The scheduled banks are required to maintain of cash reserve ratio, based on their demand and time liabilities at the prescribed rate. They are also known as public sector banks. A nationalized bank is one where control, management, and ownership vest in the government.

Non-scheduled banks

The commercial banks not included in the second schedule of the RBI Act are known as non-scheduled banks. They are not entitled to get facilities like refinance and rediscounting of bills from RBI. They are mainly engaged in lending money, discounting and collecting bills, and agency services. RBI does not encourage the opening of non-scheduled banks.

I. COMMERCIAL BANKS

A commercial bank is an institution that accepts deposits, makes business loans, and offers related services like accepting deposits and lending loans and advances to general customers and businessmen.

The commercial bank includes the public sector, private sector, foreign banks, and regional rural banks:

a) Public Sector Banks

A public sector bank is a nationalized bank that accounts for more than 75% of the total banking sector in the country. They are banks with a majority of the stakes held by the government. For example, the Bank of Maharashtra, bank of Baroda, Canara Bank, State Bank of India

b) Private Sector Banks

Private sector banks are the ones with a major stake or equity being held by private shareholders. All of the banking rules and regulations laid down by the Reserve Bank of India (central bank) apply to private sector banks. For example, ICICI Bank, IDBI Bank, and Axis Bank.

c) Regional Rural Banks

A regional bank is a scheduled commercial bank, but it is established to provide credit to the weaker section of society, such as marginal farmers, small businesses, and agricultural laborers. They would typically operate at a regional level in different states of the country and have branches in selected urban areas.

d) Foreign Banks

A foreign bank is a bank with its headquarters in a foreign country but also operates in other parts of the country as a private entity. These banks need to follow the regulations of the home country as well as the country where they operate.

II. CO-OPERATIVE BANK:

Co-Operative Banks are small financial institutions that offer lending facilities to small businesses in both urban and non-urban regions. A cooperative bank was set up by passing a co-operative act in 1904. They are organized and managed on the principle of cooperation and mutual help. The main objective of the cooperative bank is to provide rural credit.

The cooperative movement in India

The experience of the British government with Indian peasant society on occasions of famine scarcity gives the idea of providing some financial assistance to the village people. It was also found that the Indian peasantry always suffered from a lack of funds required for development.

The striking factor is that the jaghirdars and Zamindaris always exploited the peasants when the latter failed to deposit the land tax in time even, though they required money for their subsistence if there was famine. Realization of land tax was the first objective of the colonial rule.

This prompted the British government to establish credit co-operative societies in the village, the first co-operative credit societies Act was passed in 1904 to remove the weaknesses of this Act, and the new co-operative Societies Act was passed in 1912. The movement has now made rapid strides. The second report on recommendation and planning issued by the Government of India gave an important place to cooperative movement as a result a cooperative planning committee was appointed by the Government of India in 1945. It was in 1951 that the RBI appointed a committee with the terms of guidance to survey All India rural credit societies. The report of this committee was submitted in 1954.

The cooperative movement in Karnataka

On 8th May 1905, a 12-member society called 'Agriculture Credit Cooperative Society' came into existence under the leadership of Shri Siddannagouda S. Patil at Kanaginahala village in the present district of Gadag in Karnataka, the 1st cooperative society in the country. Siddannagouda Sanna Ramangouda Patil (1843-1993) is known as the father of the Co-Operative movement in Karnataka.

Structure of the cooperative banking system in India:

The cooperative banking system in India is federal in structure. It has a pyramid type of three-tier structure constituted by:

- Primary agricultural credit societies
- Central Cooperative bank
- State cooperative bank

1. Primary agriculture credit societies:

Primary credit societies lay the total or base level. In rural areas, there are Primary Agricultural Credit Societies (PACS), which cater to the short- and medium-term credit needs of the farmers. In urban areas to provide non-agricultural credit, urban cooperative banks, and employee credit societies are formed. Urban banks are their members. They also accept deposits from members and non-members.

2. Central Co-operative Banks:

are federations of primary societies belonging to a specific district. Furnishing credit to the primary society's central cooperative banks serves as an important link between these societies and the money market of the country. No central cooperative banks lend to individuals. It lends to societies only.

3. State Co-operative Banks:

lie at the apex of the entire cooperative credit structure. Every state cooperative bank's basic function is to furnish loans to the central cooperative banks to enable them to help promote the lending activities of the primary credit societies. The state cooperative banks thus, serve as the final link between the money market and the cooperative sector of the country.

FEATURES OF CO-OPERATIVE BANK:

- They are organized and managed on the principle of cooperation self-help and mutual help. They function with the rural of "one member one vote".
- Co-operative banks perform all the main banking functions of deposit mobilization supply of credit and provision for remittance facilities.
- Co-operative banks are perhaps the first government-supported agency in India.

- Co-operative banks belong to the money market as well as capital markets.
- Co-operative banks accept current, saving, fixed, and other types of time deposits from individuals and institutions including banks.
- Co-operative banks do bank business mainly in the agricultural and rural sectors.
- Co-operative banks are also required to comply with requirements of SLR and CLR liquidity requirements as other scheduled and non-scheduled banks.
- Some co-operative banks are scheduled co-operative banks while others are non-scheduled banks.

ADVANTAGES OF COOPERATIVE CREDIT

- Co-operative like money lenders, can process intimate's knowledge of the character and financial position of their members, the local production possibilities, and the chance of growth.
- Co-operatives have lower administrative costs on account of voluntary services rendered by their members.
- They still among their members a strong feeling of responsibility for prompt payments of interest and repayments of loans
- They promote thrift and saving among their members and mobilize their small savings for productive or useful purposes.
- The procedure of deposit and withdrawal from a cooperative credit society or bank is less complicated since personal identification and other problems do not exist.
- Co-operatives may provide loans to their members at lower rates of interest and save them from the clutches of shylock-type money lenders.
- They make their members financially more secure.

Merits of co-operative bank:

- As the management of co-operative banks at the lower rung of the ladder on the honorary services of the members, the cost of operation of co-operative banks is relatively low.
- Because of the low cost of operation, the co-operative banks can provide credit to the weaker sections at cheaper rates.

- They install among their members a strong feeling of responsibility for prompt payment of interest and repayment of loans.
- They promote thrift and saving among their members and mobilize their small savings for productive or useful purposes.
- Co-operative provides loans to their members at lower rates of interest and saves them from the clutches of shylock-type money lenders.
- They make their members financially more secure.
- They are suitable to help people of small means.

Limitations of cooperative banking:

- The small size of cooperative banks has checked the growth of cooperative banking.
- Co-operative banks are not able to mobilize adequate resources from members as well as non-members for one reason or the other.
- On account of limited funds at their disposal. Co-operative banks are not able to grant adequate credit to their members.
- Most of the loans are concentrated in a few persons mostly related to each other. This has also resulted in the poor recovery of advances.
- The limited managerial talent available with the cooperative banks & the ineffective post-credit supervision employees are also responsible for the poor recoveries of advances

CHAPTER-2

ORGANIZATION PROFILE

2.1 INTRODUCTION

SUCO Bank started in a taluk canter of Raichur district; Sindhanur in 1995 as Sindhanur Urban Co-operative Bank under the leadership of Mr. Manohar Maski. Soon the Bank became popular as SUCO Bank; hence Bank changed its registered name itself to SUCO Bank. The team of SUCO Bank draws the inspiration to start the Bank from the success of Janatha Bazar, Sindhanur. SUCO Bank started in a computerized and air-conditioned environment from day one. Today it may be a common phenomenon in the banking sector but in 1995 it was a drastic step from Team SUCO Bank. Even today SUCO Bank is a pioneer in the banking sector.

In 2001 SUCO Bank became the first Cooperative institution to be registered under Souhrada Sahakari Act. SUCO Bank is the first cooperative bank in Karnataka, which has entered the ATM network in the country by launching the RuPay Card. SUCO Bank is a Pioneer Bank in the Aadhar Payment System in Karnataka, which includes SMS, and H2H Fund Transfer. SUCO Bank is the first co-operative bank to introduce the third benefit to the employees – Future Protection Plan Scheme. SUCO Bank's implementation of the concept of "All Are Officers" has improved the loyalty of our employees considerably.



BANK PROFILE

REGISTERED NAME	Suco souharda sahakari bank ltd
TYPE	Co-operative bank
ESTABLISHED	May 3 rd 1995
HEAD OFFICE	Bellary
FOUNDER	Founder chairman and director Mr. Manohar
CLASS OF BANK	Private bank
STATUS	Active
AGE OF COMPANY	27 years
BRANCH	29
EMPLOYEES	290
BANKING HOURS	Monday to Saturday 10 am to 6 pm
ACTIVITIES	Financial services like accepting deposits, providing loans, and locker facility, mobile banking, ATM, E-commerce,
MODE OF PAYMENT	Cash, cheque, demand draft, and Net banking
WEBSITE	Suco bank.com

BOARD OF DIRECTOR

Name of the member	Designation
Mohit Maski	Chairman
Muralidhar Reddy	Vice Chairman
Manohar Maski	Founder chairman and Director
Vijay G Dambal	Professional Director
Venkatesh Krishnan	Professional Director
Jagadishappa singanul	Director
Nagangoud	Director
Aarshiya	Director
Savitri S	Director
Padmanachand Mehta	Director
Mahendra Choudri	Director
Venkatesh Rao	Managerial Director

BRANCHES OF SUCO BANK

Suco Bank has 29 branches

NUMBERS	BRANCHES
1	Bellary
2	sindhanur
3	gangavathi
4	Raichur
5	koppala
6	Bellary (patel nagar)
7	siruguppa
8	kalabugi
9	hubballi
10	yadgiri
11	hospete
12	Raichur(vasavinagar)
13	lingasugur
14	chitaradurga
15	hubballi(keshvapur)
16	challakere
17	shahapur
18	manvi
19	Dharwad
20	davangere
21	maski
22	belagavi
23	kudligi
24	mundaragi
25	ranebennur
26	channagiri
27	kalabugi
28	haveri
29	katagi

Success and Growth walk together. Within a span of four years of inception, Suco Bank has spread its wings with three more branches being started at Sindhanur (May 1995) Gangavathi (August 1998), Raichur (June 1999), and Koppal (Sept 1999) Bellary (2007). The customer enjoys anywhere Banking facility at all the branches. The interiors and infrastructure of the branches are in tandem with that of any multinational bank branch, thus providing the customers a glimpse of how banking business can be conducted.

Origin of the bank

SUCO bank started on “3 May 1995” with totally computerized and air-conditioned in the “Budhewal complex”. It started with a capital of “Rs 18 lakhs”. SUCO bank has always been the first institution to respond to innovative concepts.

The nature of the business carried

The banking business is the major business carried on in the bank. In this it mainly deals with borrowings and lending of cash apart from this it is involved in various types of business and providing services to customers.

VISION AND MISSION

The vision of the Suco Bank

- Accuracy and reliability shall be the mainstays of the service of the bank to provide the utmost customer satisfaction.
- The bank ensures the safety and profitability of assets by due diligence and by adopting appropriate information technology.
- The bank maintains a sufficient backup of the system and the data.
- The bank gives maximum opportunity for career advancement of the employees.
- The bank aims to grow in size and geographical spread, by introducing a variety of innovative financial services/products.

The mission of the Suco Bank

- Aim to provide a range of financial services to customers.
- Practice judicious management of risks and offer services to customers’ satisfaction.
- Maintain transparency in dealing with customers and invariably fulfill all commitments.

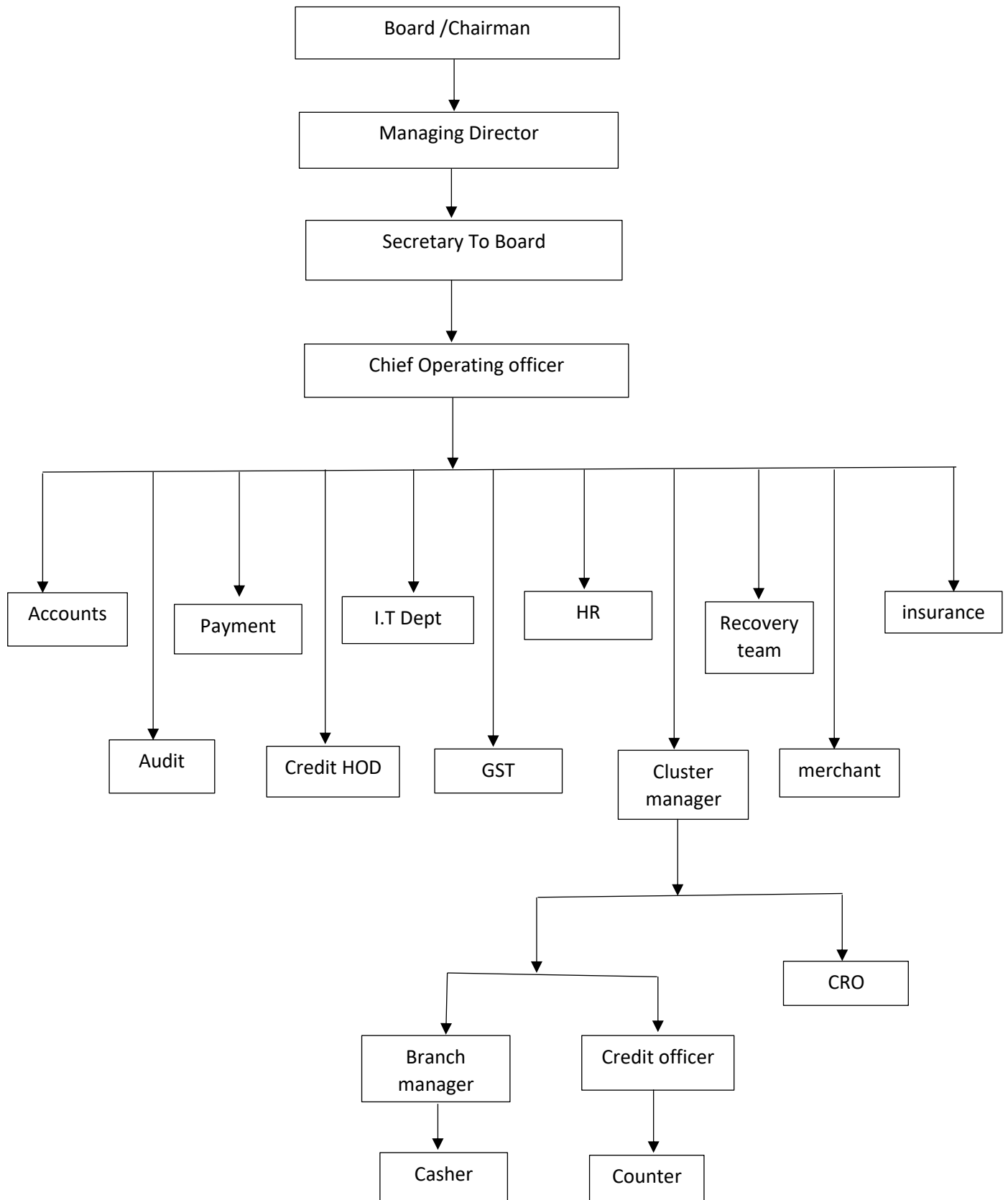
- Train employees to render professional and pleasing service.
- Give fair returns to its members and contribute to their general welfare.

SUCO BANK OBJECTIVES

The following shall be the aims and objectives of the Bank.

1. To promote thrift, self-help, and cooperative values among the members and depositors of the Bank;
 2. To conduct banking transactions following the Banking Regulation Act, of 1949 (as applicable to cooperative institutions);
 3. To formulate schemes and extend financial assistance for the uplift of the members, an economically weaker and backward section of society, and to improve the status of women;
 4. To extend various types of loans to members to suit their necessities;
 5. To issue all sorts of bonds, hundis, certificates, drafts, warrants, share certificates, and other deeds, accepting, purchasing, and selling them;
 6. To invest surplus resources of the bank by the laws governing banking transactions;
 7. Conducting transactions not prohibited by the Reserve Bank of India, for example, safety lockers, sale of insurance policies, etc.
- To issue, debit and ATM cards;
 - To provide new services to customers and members by adopting technology – i.e., to offer mobile banking and internet banking services;

ORGANIZATION STRUCTURE



SERVICES

Such a bank is completely computerized from the day one believes in catering to the needs of the customer efficiently at all times. The customer can have the luxury of one-to-one service, without having to shuffle between tables. Every staff is capable of providing the customer with all the information and service needed.

1) Long transaction hours

SUCO bank was the only bank to provide transaction facilities from 10:00 am to 7:30 pm. This amply displays the commitment of the bank to customer service.

2) Telebanking facility

The people at SUCO Bank appreciate the value of the time and energy of the customers. By introducing a Tele-banking facility, SUCO bank has ensured that customers can access the details of their accounts through telephone lines without leaving the comfort of their homes and not having to travel long distances. In simple words, telebanking means mobile banking, in this, the customers can get information regarding their account's transactions through SMS (who have their mobile) information available of the last five transactions.

3) Electronic fund transfer scheme

Under this service, funds are transferred from one place to another within a short time. This facility was made available to the customers of cooperative banks recently. SUCO bank has not only ensured the success of this scheme but also has been the backbone of providing better customer service to rural, and semi-urban customers. EFT Scheme of the Karnataka State Cooperative Urban Banks Federation Limited enables urban cooperative banks to affect remittances on behalf of their customers to various places in the country using the network of urban cooperative banks in India. Suco Bank is the first bank to join the EFT scheme.

4) Debit Card

Suco bank debit card allows customers to access their bank cards at any bank ATM in India. The card can be used for shopping and payments.

5) Insurances:

Suco Bank offers a range of Insurance products like Life Insurance, Health Insurance, vehicle, and Travel Insurance. The products are made accessible to customers through a wide network of advisors and officers.

- Life Insurance: Suco Bank provides many life insurance products through life insurance companies.
- General Insurance: Suco Bank provides general insurance like motor, travel, and home insurance through Bajaj Allianz, and Infotopia companies.

6) Locker facility:

safe deposit locker facility is one of the ancillary services provided by the bank to its customers. The locker facility is available from morning 10:30 am to 7:30 pm.

7) Check:

check is a document that orders a bank to pay a specific amount of money from a person's account to the person in whose name the cheque has been issued.

8) ATM:

Automated teller machines (ATMs) are electronic banking outlets that allow people to complete transactions without going into a branch of their bank. Suco Bank has 28 ATMs in North Karnataka.

9) RTGS and NEFT:

RTGS is a funds transfer system based on a gross settlement concept where money is moved from one bank to another in real-time. RTGS is better to transfer the big amount with urgency. And NEFT' stands for National Electronic Funds Transfer. NEFT is better to transfer a small amount with urgency

10) Loan facilities:

We provide loan facilities according to your individual needs

TYPES OF ACCOUNTS:

Accounts: In this category, we have different categories of Accounts such as Savings Accounts, Current-Accounts, Fixed Deposit accounts, etc. which are sub-categorized.

NUMBER	TYPES OF ACCOUNTS
1	Savings accounts
2	Fixed deposit account
3	Current account

1. Saving account:

commercial banks, cooperative banks, and postal departments accept deposits by way of opening a savings bank account the savings bank account is generally opened by salaried persons or by those who have a fixed regular income. A savings account is opened to encourage people to save and collect their savings. The saving account holder is allowed to withdraw money from the account two times or three times a week. The interest rate given on saving accounts is sometimes attractive. The account is opened with a minimum balance of 1,000. At present, the rate of interest is 2.5% to 3.0%. Pa. The interest rate varies per amount of money deposited. The savings accounts are

- **Basic Saving Account:** Basic account can be opened with Zero Balance. And the balance in the account should not cross Rs .50, 000.
- **Premium Saving Account:** it is a mixture of a Savings Account and an Overdraft Account. To meet short-term financial activities.
- **Supreme Savings Account:** it is a banking facility without a minimum balance. All facilities like Cheque book, DBTL, Debit Card, IMPS, and Mobile Banking, are available.
- **Juniors Savings Account:** it is an account specially made for the age group of 10 and up to 18 years who can independently operate this account. It is helpful to receive scholarships and other financial benefits.

2. Current account:

The current account is opened by a businessman who has several regular transactions with the bank, both deposits and withdrawals. It is also known as a Demand Deposit. In the current account, the amount can be deposited and withdrawn at any time without giving any notice. It is also suitable for making payments to creditors by using cheques. Cheques received from customers can be deposited by this account for collection. The account is opened with a minimum balance of 1,600. With interest of 2.5% to 3.0%. The current accounts are.

- Freedom Current Account: freedom current account will be having minimum balance of Rs. 50,000. Here there will be no charges on NEFT and RTGS transactions.
- Celebration Current Account: celebration account should be an average monthly balance of Rs. 1, 00,000.

3. Fixed Deposit Account:

the account is opened for a particular fixed period (time) by depositing a particular amount (money) is known Fixed Deposit. The term 'Fixed deposit' means that the deposit is repayable only after a specific period is over. Under the fixed deposit account, the money is deposited for a fixed period sat six months, one year, five years, or even ten years. The money deposited in this account cannot be withdrawn before the expiry of the period. The rate of interest will be based on the periods.

4. Recurring Deposit Accounts:

in a recurring deposit account, a certain amount is accepted every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period.

5. Freedom Deposit:

it is a fixed period investment for 300 days and the minimum amount of deposit will be RS. 1,000 and above.

LOANS:

Being a cooperative bank, giving Loans and Advances is among our primary activities. Apart from participation in meeting both Term Loan and Working Capital requirements of the agriculture sector, Small Scale Industries sector, Infrastructure sector, etc. We have a fairly large number of loan products specially designed to suit customers' needs and to achieve economic success and financial security. The loans are

- Business loan- personal
- Consumer Durable Loan
- Cash Credit- Personal
- Construction Loan – Personnel
- Suco Home Loan
- Consumption Loan
- Gen Term Loan -personal
- Gold Loan- Personal
- Loan On FD-Personal
- Od-Personal
- Premium Sb
- Site purchase loan -Personal
- Suco Easy Money -Personal
- Vehicle Loan -Personal
- Gruha Vaibhav-Personal
- Loans to professionals
- Loan Future Rentals
- Medical Profession Loan
- Personal Loans ToGesetted Officers
- SucoSulaba Sala
- Education loans -Personal
- Vidya Setu loan
- Suco- Pmsva Nidhi Scheme
- Loan On SSD

Some special loans are given by Suco Bank to the farmers

- Dhanyalakshmi Loan
- Suco Solar Irrigation Pump set (SSIP) loan
- Agricultural Allied Term Loan
- Kisan Samman Loan
- Loan for Areca Nut Machine
- Godown Construction loan

i. Dhanyalakshmi loan:

Dhanyalakshmi is a loan product granted against the pledge of agricultural produce. Advance granted against not pledge of agro-produce may be classified as “Dhanyalakshmi/ Key Loans/ Pledge Loans” in general and this product is to be categorized depending upon different types of commodities, borrowers and godowns.

- **Purpose of loan:** The farmers often selling their produce to repay their debts soon after harvesting. Pledge financing will save these farmers from distressed sales of their produce.
- **Eligible Borrowers:** Agriculturists, traders, and businessmen who deal in Agricultural commodities and Rice mills represented by the proprietor.
- **Margin:** Amounts are granted upon the extent of 60% of the value of pledged agricultural produce to the fresh borrowers and 65% to the existing key loan borrowers by keeping 40% and 35% margins respectively.
- **Amount:** based on the pledged agricultural produce.
- **Repayment:** maximum 1 year
- **Security:** Mortgage of property: mortgaging of the property. Collecting the relative documents of the property and legal opinion. And valuation of the properties from godowns in case the customers stored the stock in the 3rd. party's godown the no is necessary from the godown owner mentioning the ailment of the loan of the bank on the stock in his godown is known to him.
- **Godowns:** The godowns are having good buildings and floors that are cemented and leakproof and have strong shutters. The goods/stocks of different loans/borrowers will be stored separately with putting tags on the bags. The tags will be having the Name of the bank, the seal

of the bank, the borrower's name, and the no of bags stored. And the godowns will be inspected by the bank officers. Turuvihala godown which is in 400 feet length and 120 feet in width. Which has ng total capacity of storing 1, 25,000 bags. The rent per bag is Rs. 10 for the initial 3 months and Rs. 4 per bag after 3 months. The validity of storing products will be having will be Six months to One year.

ii. **Suco Solar Irrigation Pump set (SSIP) loan:**

Many of the farmers are facing problems with water facilities in agriculture like rain-based agriculture, low supply of power, not availability of groundwater by the bore wells, and many more. So, to make free of farmers by these difficulties SUCO Bank is always involved in empowering the farmers in one or another way. And it introduced a loan called the "Suco solar irrigation pump set loan scheme". This makes the farmers free from the electricity or fossil fuel pump sets. Farmers will be free from the scheduled power supply or free from fuel burden by having this improved and lower-cost solar Irrigation pump set system. It provides improved quality at an attractive price a Solar Irrigation Pump set to reduce the cost of the irrigation system.

- **Purpose of loan:** To purchase 5 H.P. solar Irrigation pump set controllers along with solar panels and structure as 1 unit.
- **Eligibility:** All agriculturists who are having 1.5 acres and above of agricultural land with functional bore well in that land.
- **Amount:** Maximum loan amount will be Rs.1,75.00/-for each unit solar pump set.
- **Repayment period:** loan amount is to be repaid in 24 or 36 EMIS/ 8 or 12 Quarterly installments/ 4 or 6 half-yearly installments.
- **Security:** Hypothecation of assets created out of Bank finance and a suitable third-party co-obligation. If a customer needs more than one unit then security shall be as directed by Credit Department Head Office

iii. **Agriculture allied term loans:**

Agricultural loans are availed by a farmer to fund seasonal agricultural operations or related activities like animal farming, purchase of agricultural tools, device development of land, and construction of storage facilities. This type of loan also helps buy inputs such as fertilizers, and seeds.

- **Purpose of loan:** Purchase of agriculture machinery, agricultural equipment, solar motors, installation of pipelines, and development of agricultural land.
- **Eligible borrower:** agriculturist who owns agricultural land.
- **Amount:** maximum amount of Rs. 50,00,000
- **Repayment:** repayment period will be up to 5 years
- **Security:** mortgage of land

iv. **Kisan Samman loan:**

- **Purpose of loan:** to meet the expenses of Monsoon Harvesting.
- **Eligible borrowers:** all farmers who are beneficiaries of the PM-KISAN Scheme and have an SB account in Suco bank in which Kisan Samman Nidhi is credited directly to the account are only eligible to avail of the loan under this scheme.
- **Amount:** loan can be granted up to the maximum of Rs. 25,000/- per beneficiary farmer.
- **Repayment:** entire loan amount along with interest shall be repaid within 3 years in 6 half-yearly installments.
- **Security:** No collateral security is to be insisted on. However, 2 Co-obligates are to be taken and one of them should be the PM-KISAN beneficiary. They have to produce years RORs in their name.

v. **Loan of purchasing areca nut machine:**

- **Purpose of loan:** the loan is to be granted for the purchase of an Areca nut machine and dryer.
- **Eligibility:** farmers having at least 3 acres of land are eligible to avail of loaning n under this scheme.
- **Amount:** loan amount can be granted depending on the capacity of the machine. The Minimum loan amount nt: Rs. 1lakh Maximum loan amount t: Rs. 5lakh
- **Repayment:** entire loan amount along with interest shall be repaid in 4 half-yearly installments.
- **Security:** Hypothecation of machinery as prime security. Two co-obligates are to be obtained from other than family members. Co-obligate with at least 3 acres of land/ businessman nose annual income should not be less than 3 lakhs as per IT returns

ACHIEVEMENTS OF SUCO BANK

- ❖ First cooperative bank to register under the Karnataka Souhardha Sahakari Act (KSSA) 1997.
- ❖ First cooperative Bank in Karnataka to introduce DBT (Direct Benefit Transfer) from the government, like LPG subsidy.
- ❖ First cooperative bank to provide Call centres.
- ❖ Karnataka's first cooperative bank to start UPI (Unified Payment Interface) service to its customers.
- ❖ The Second bank in Karnataka has its own IFSC Code.
- ❖ First Bank to introduce PA (Performance Allowance) in the cooperative sector.
- ❖ First cooperative Bank to connect to the National ATM network (NFS) through its ATM network.
- ❖ First cooperative Bank to launch DEBIT CARD.
- ❖ First Souhardha cooperative bank to go for “CORE BANKING FACILITY (CBS)”.
- ❖ First co-operative bank to go for mergers acquisition and the bank successively did M&A by merging two co-operative banks of north Karnataka, that is Shree Vardaman Co-operative Bank of Hubli and Mahila Co-operative Bank of Bellary.

SWOT ANALYSIS

SWOT analysis of a firm helps it to know about its strengths, weakness, opportunity, and threats in the market scenario and also helps them to improve its business strategies and also make a plan.

S - STRENGTHS

W - WEAKNESS

O - OPPORTUNITIES

T - THREATS

Strengths

- Long transaction hours (i, e.10:00 am to 6:00 pm)
- 28 years of existence.
- Fully computerized from day one
- High degree of customer satisfaction.
- Microfinance facility
- SMS banking facility
- RTGS facilities
- Co-operation among the bank employees
- Highly qualified and experienced staff
- Transparent structures, a high degree of flexibility, and fast decisions
- Conservative and sustainable business policy

Weakness

- Less number of branches
- Small area of operation, as the bank operates in limited areas
- Limitations imposed by the cooperative banking acts and regulations
- less advertisement

Opportunities

- Better understanding among the members and rural customers
- Direct connection with RBI and other co-operatives
- Govt support as it offers subsidies which in turn transferred to customers
- New technologies can be adopted to gain a competitive advantage
- Building new client relationships

- Expanding the advisory and other services offered to clients, investors, and banks

Threats

- Increased Competition from commercial banks and other nationalized banks in the untapped rural sector
- Small network for operation
- Increasing interest rates due to increasing inflation and liquidity fluctuation

Competitors to Suco Bank

- ❖ Cooperative societies and Nationalized banks
- ❖ Foreign banks and Cooperative banks
- ❖ Commercial banks and financial institute

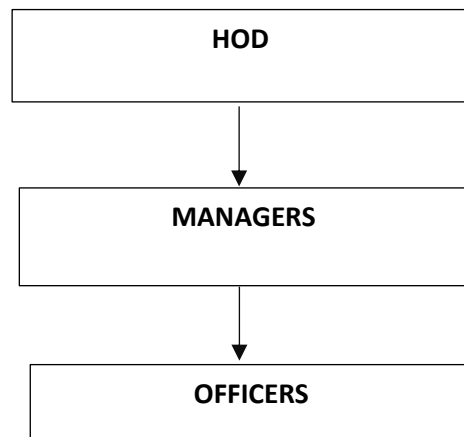
CHAPTER -3

MAJOR DEPARTMENT

CREDIT DEPARTMENT:

Credit administration involves a department in a bank or lending institution that is tasked with managing the entire credit process. Lending money is one of the core functions of a bank, and banks generate revenue by charging a higher interest rate on loans than the interest they pay on customer deposits.

Structure of the department



The function of the department

- Underwriting loan proposal
- Sanctioning loans
- Post sanction follow up
- Reviewing loan accounts

Objectives of the department

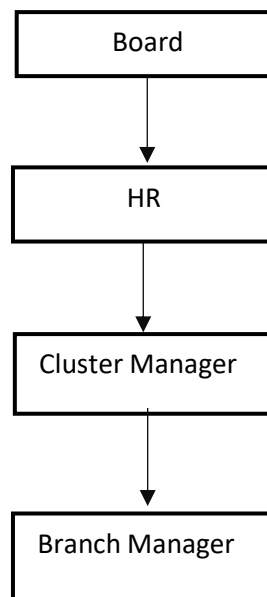
- Ensure quality loans
- Minimise the NPA's

HUMAN RESOURCE DEPARTMENT:

Selecting the right person for the right job is very important. HRD department does this act. The major function of this department is to manage people at work. Managing people not only refers to working but also includes white collared professionals. Usually the HRD functions will be tailor-made to suit the organizational needs. Thus, the main objective of HRD is to maintain the cordial relationship by providing the maximum welfare and thereby optimizing the personal contribution to the effecting working of that undertaking. Every organization achieves its ends by proper utilization of the monetary, material, and human resources at its command. While human resource is only one resource, with which all the other resources are mobilized and utilized to achieve organizational objectives. Human resource management is a set of programmed, functions, and activities which are designed and carried out to increase the effectiveness of the organization by improving the efficiency of its employees.

Recruitment and selection process at Suco Bank:

Once the need for a vacancy to be filled is felt, the information is passed on in the following hierarchy from bottom to top-level management;



The HR collects information from the cluster manager regarding the need for recruitment and communicates the same to the board secretary. This is then discussed in the board meeting and approved by the board members to begin the recruitment process. The selection committee includes the following persons as its members;

- ❖ Cooperative President – President
- ❖ One of the Cooperative Directors – Member
- ❖ United Cooperative representative – Member
- ❖ An External Expert – Member
- ❖ Chief Executive/ Managing Director – Member secretary
- ❖ Minimum required quorum for the Committee meeting shall be 3

The Human Resources Selection Committee shall have the authority to recruit essential staff for the bank. This committee shall work under the limitations of Federal cooperative or Regulatory institutions/Laws from time to time. During recruitment, the committee shall adhere to the following rules.

Recruitment to various posts in the bank is done:

1. By direct recruitment

- a) Suitable candidates shall be selected by publishing ads in 2 state-level newspapers, followed by a written exam and an oral exam.
- b) The responsibility of conducting the written exam shall be handed over to a professional External Agency.
- c) 2 third-party experts shall be present in the oral exam, in which no candidate shall be eligible for an appointment without the approval of at least 1 third-party expert.
- d) The age limit/ retirement age of the candidate shall be as per the service rules.

The appointment committee will be responsible for the transparent and professional execution of all the above-mentioned appointment procedures.

2. By promotion:

promotion usually is based on merit and /or seniority

3. By special agreements

The selected candidate through direct recruitment will undergo training for a period of 3 months and will work as a probationary officer for 1 year. After completion of the probationary period, the performance of the officer is reviewed upon which the branch manager suggests whether to confirm, extend (for another 3 months), or to terminate the employee. The confirmed officer enjoys all the benefits that a permanent employee must receive.

Objectives of HRM

- Understand the importance of Human Resource Management to the organization
- Appreciate the key functions associated with Human Resource Management.
- Implement a Human Resource Planning Process
- Understand the importance of Recruitment and Selection
- Implement an effective Performance Appraisal Process
- Understand the function of Training and Development and its importance to the organization

Functions of HRM

HR has many important functions in the organization. These include recruitment, performance management, learning and development, and many more.

1. Human resource planning

The first HR function is all about knowing the future needs of the organization. What kind of people does the organization need, and how many? Knowing this will shape recruitment, selection, performance

2. Recruitment and selection

The second HR function involves attracting people to work for the organization and selecting the best candidates.

3. Compensation and Benefits

Benefits and compensation form the major crux of the total cost expenditure of an organization. It is a must to plug in the expenses, and at the same time, it is also necessary to pay the employees well. Therefore, the role of human resource management is to formulate attractive yet efficient benefits and compensation packages to attract more employees into the workplace without disturbing the finances of the company.

4. Employee performance management

The next activity on the HR functions list is effective employee performance management. Effective performance management ensures that the output of the employees meets the goals and objectives of the organization. Performance management doesn't just focus on the performance of the employee. It also focuses on the performance of the team, the department, and the organization as a whole.

5. Employee training & development

Imparting proper training and ensuring the right development of the selected candidates is a crucial function of HR. After all, the success of the organization depends on how well the employees are trained for the job and what are their growth and development opportunities within the organization.

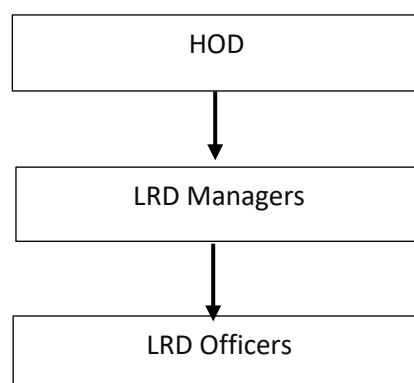
6. Function evaluation

As a business and society change, so too must an efficient HR function. Function evaluation is a technical aspect of HR. By evaluating the HR function, the department ensures that the company is successful at both a strategic level and with service delivery and support. The company needs to deliver the level of services required, whilst operating strategic

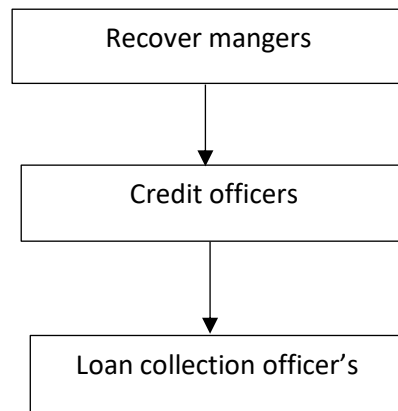
LEGAL AND RECOVERY DEPARTMENT

Debt collection/recovery is a creditor's attempt to recover consumer credit and loans that have not been paid back by a customer. Once the debt belongs to a collection agency, the creditor will send the claim information and supporting documentation to the debt collector noting your failure to pay according to the terms of the agreement. After the claim is reviewed and accepted by the debt collection service, the recovery process begins with a demand letter being sent to the debtor and an acknowledgment letter being sent to the client (the creditor who enlisted the collection service). The department has 3 Credit Managers, 23 credit Officers, and 24 Customer Relationship Officers.

Structure of the department



Legal and recovery department team (Branch level)



Functions of the department

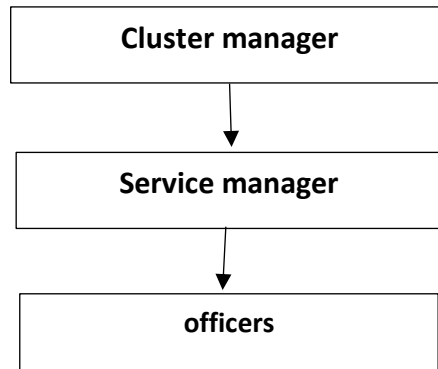
- Daily recovery follow-up of accounts like status 0,1,2 (through customer relationship officers)
- NPA recovery follow up
- Monitoring overdraft account
- Branch-wise NPA review every week through virtual meetings.
- Monthly branch visits by department officers for NPA recovery
- Special monitoring of quarterly, half-yearly, and installment loan accounts.
- Seizing process for recovery
- Attending various legal cases
- Vehicle seizing, gold auction, the property auction process

SERVICE DEPARTMENT

Customer Service is the front desk of any organization. It provides all the necessary information to the customers. For any organization, it is the main and most important department which needs to deal with the customer more than any department in the bank. It is one of the busiest departments in the banks and it is the very place that makes an early impression on the clients. The image and reputation of the bank depend upon the effective functioning of this department. It is the first place where the customers first get the service. As different activities such as opening new accounts of customers, closing an existing account, issuing checkbooks, balance inquiries and providing statements, issuing debit cards, etc are performed.

Excellent customer service can improve the bank's ability to lure affluent prospects, elevate the bank's profitability, lower bank operation costs, and create greater customer loyalty

Structure of the department



Functions of the department

- Account opening
- Offering insurances
- Doing transactions
- Offering products to the customer

Objectives of the department

- Providing services
- Completing the tasks

FINANCE DEPARTMENT

Accounting is the art of recording. Classifying and summarizing in a significant manner in terms of money, transactions, and events which are in part at least of financial character and interpreting the result thereof.

The finance department is a vital department of an organization it is concerned with providing and using cash and credit for carrying on business correctly

The function of the finance department

1) To prepare the budget

The financial department of the company must make the budget before actually providing money to any department. It will be helpful to fulfil each department with minimum cost. The finance department can take the records from the respective department. It will be useful for making a better budget.

2) Financial management

In this function, the finance department gets money from the capital market at very low risk and cost. The finance department analyses all the resources of funds and creates a good financial structure for a company. In this structure, the finance department analyses whether it will decrease the overall cost of capital on an Average basis or not.

3) Management of investment of the company

After making the financial structure, the finance department invests debenture holders' and shareholders' money in the best projects for getting the highest return on investment. For this, the finance department has to take an investment decision. These investment decisions can be taken with the help of capital budgeting and investment analysis techniques.

4) Management of the taxes

Management of taxes is also the function of the finance or finance department. Taxes may be direct or indirect. The finance department continues to watch the amendments and updates in tax laws and also creates a good corporate relationship with the government by paying a return of corporate tax on the time

5) Management of financial risks

The finance department takes many measures for managing the financial risks of a company. For reducing loss of funds due to happening liquidity, solvency, or financial disaster, the finance department makes a good plan and also takes the help of debt collectors, insurance companies, and other rating agencies for reducing financial risk.

6) Merge acquisition decisions

For creating a good brand in the market, the financial department works with the marketing department and both take the steps of merger and acquisition activity. The main aim of a merger or acquisition is to reduce competition and spread a brand in the market. The finance department provides the money to take over any other firm to estimate its long-term return.

CHAPTER – 4

NON-PERFORMING ASSETS IN SUCO BANK

Introduction

Banking has various tools to measure its user's stability, performance, and credibility. Any slight imbalance could harm the bank's reputation. Non-Performing Assets (NPA) are one way to assess the strength and stability of a bank's finances.

The non-performing assets definition refers to the default loan classification by banks and other financial institutions. These loans' interest and principal payments have been past due for a considerable time. In India, a loan becomes a non-performing asset after 90 days. This blog explains what are non-performing assets in detail.

Meaning

A nonperforming asset (NPA) is a classification for loans or advances in default. A loan is in arrears when principal or interest payments are late or missed. A loan is in default when the lender considers the loan agreement to be broken and the debtor is unable to meet his obligations

How Nonperforming Assets (NPA) Work

Nonperforming assets are listed on the balance sheet of a bank or other financial institution. After a prolonged period of non-payment, the lender will force the borrower to liquidate any assets that were pledged as part of the debt agreement. If no assets were pledged, the lender might write off the asset as a bad debt and then sell it at a discount to a collection agency.

In most cases, debt is classified as nonperforming when loan payments have not been made for a period of 90 days. While 90 days are standard, the amount of elapsed time may be shorter or longer depending on the terms and conditions of each loan. A loan can be classified as a nonperforming asset at any point during the term of the loan or at its maturity.

Impact

The problem of NPA is alarming nowadays in our banking system. The most important is the NPA. The least is the confidence of depositors, lenders, or investors. It makes credit availability difficult and disrupts the institution's image. The following are some major impacts:

- **Profitability:**

It directly affects the profit of the institution. The more the NPA, the less profit is as the institution must make provisions for NPA, which causes 25% – 30% more provisions leading to lower profits.

- **Liability Management:**

To manage NPA, banks have to lower the interest rates on deposits and increase the lending rates, affecting a bank's business and economic growth.

- **Asset Contraction:**

An increase in NPA slows down the rotation of funds, lowering the bank's interest income.

- **Capital Adequacy:**

Banks must maintain the required capital on **risk-weighted assets** per Basil norms. The more NPA, the more required capital induction, leading to increased capital cost.

- **Public Confidence:**

NPA disrupts banks' creditworthiness. The public is frightened to make deposits with the bank having more NPA because they fear losing their money, as the bank's liquidity endangers.

Limitations

NPA is the most important tool to determine any bank or financial institution's soundness, performance, and health. The more the NPA, the lower the performance of other banks or institutions, and the less the bank is creditworthy. It creates a negative effect on the goodwill of a bank, and this can be judged only by total NPA. So it is a very important measure to be carried out. The mentioned below are disadvantages:

- **Reduced Income:**

With the increase in NPA assets, financial institutions' **profitability** reduces as it reduces the realization of assets.

- **Falling Financial Strength:**

As NPA is nothing other than assets with reduced chances of realization, these directly affect the financial strength of a business.

- **Disrepute to Business Image:**

It drastically affects the financial image of the organization.

- **Falling Credibility:**

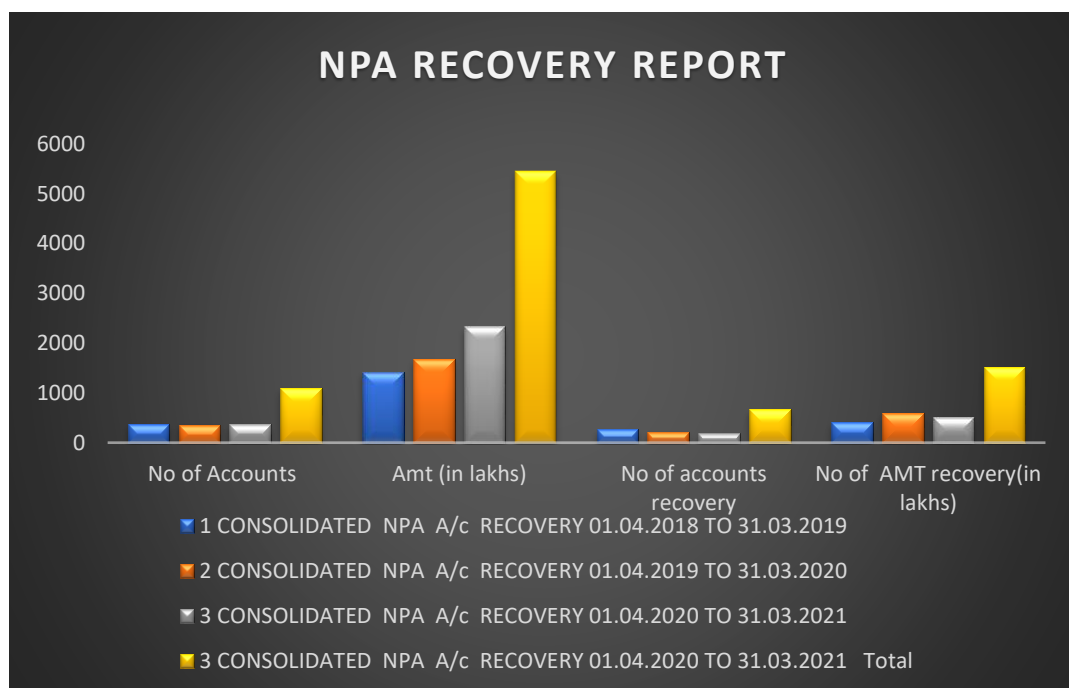
It adversely affects the image of lending institutions. As a result, lenders also do not show interest in lending due to the increased risk of non-repayment.

- **Loss of Capital/Reserves:**

Due to increased chances of non-recovery, an organization not only loses future profitability but also incurs a loss of the principal amount granted.

Three financial years NPA recovery report

SL NO	Three financial years NPA recovery report	No of Accounts	Amt (in lakhs)	No accounts recovery	No AMT recovery (in lakhs)
1	Consolidated NPA A/C recovery 01.04.2018 to 31.03.2019	372	1423.27	269	407.35
2	Consolidated NPA A/C recovery 01.04.2019 to 31.03.2020	356	1685.74	220	588.46
3	Consolidated NPA A/C recovery 01.04.2020 to 31.03.2021	369	2335.09	177	511.22
	Total	1097	5444.54	666	1507.03



From the available information I got to know that there is a good performance of Suco Bank while the recovery of consolidated NPA in the last 3 financial years 2019,2020,2021. As the data represent the percentage in 2019 was 72%, in 2020-62%, and in 2021 it is 48%.

From the data it is clear that the amount of assets goes on increasing but the recovery of those decreased year by year.

CHAPTER – 5

FINDING AND SUGGESTIONS

FINDINGS

- Many farmers were borrowing pledge loan for their produces.
- Farmers are less aware of the other loans related to the agricultural loans
- Well established working conditions and a good working culture presence, employees are enjoying their work here. Even in this pandemic time, the staff is coming regularly that show their love towards the work.
- If more than one bank lends money for the same purpose at the same time there is an overlapping of the credit borrower.
- The loans and advances of the Bank are in continuous growth. In the last year, it is grown up to 2.65%.
- The deposits of the bank are in continuous growth. In the last year, the deposit is grown up to 11.54%.
- In the last year the Business is grown up to 1316croresore. (8.98 %.)
- In the last year the working capital is grown up to 941.78 crores (14.60%)
- In the year 2019-20 members of the Bank were 31,785 and in 2021-22 it increased to 34,314. (Grown by 7.95%)
- In the last year the Bank has achieved a Business of Rs.1316 crore.
- NPA is down by 80.09 lack

SUGGESTIONS

- More branches should be opened in urban and metropolitan cities.
- Control of NFPs to be continued.
- Bank should go for television Advertisements for creating awareness of the bank and its offers.
- Banks can tie up with educational institutions for increasing the education loan segment.

LEARNING EXPERIENCE

- The internship is done to gain practical experience from the organization to learn how the work organization works.
- During the internship come across many departments and their sections like finance, HR, service department, etc.
- Came to know about the importance of every department which can be helpful to achieve the target of the bank.