

PROJECT REPORT (17MBAPR407)

ON

“CREDIT RISK MANAGEMENT” AT YADGIR URBAN CREDIT CO-OPERATIVE  
SOCIETY LTD. YADGIR

BY

MD RAFIUDDIN SOHAIB DARZI

11A17MBA31

Submitted to

**VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI**



In partial fulfilment of the requirements for the award of the degree of

**MASTER OF BUSINESS ADMINISTRATION**

Under the guidance of

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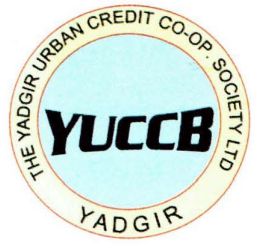


**Department of MBA**

**Acharya Institute of Technology, Soldevanahalli,**

**Hessaraghatta Main Road, Bangaluru-560107**

**March 2019**



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**The Yadgir Urban Credit Co.Op. Society Ltd. Yadgir**

Ref .

Date : 16-02-2019.....

**TO WHOMSOEVER IT MAY CONCERN**

**Certificate of Internship Completion**

This is to certify that Mr. MD RAFIUDDIN SOHAIB DARZI MBA Student bearing USN NO 1IA17MBA31 from Acharya Institute of Technology, Bangalore 560090 affiliated to Vishveswaraya Technological University Belgaum has successfully completed an internship with us in our organization from 03.01.2019 to 16.02.2019.

This internship has enriched him with a better understanding of the demographics, behavior and preferences of our user base, and has helped us strengthen our core offerings.

He was exceptional at his work and he would be an asset to whichever company he works for. We wish him good luck and success in all his future endeavors.

For The Yadgir Urban Credit Co-op. Society Ltd. Yadgir.

**Authorized Signatory**

  
Mr. Abdul Samad

HR Manager



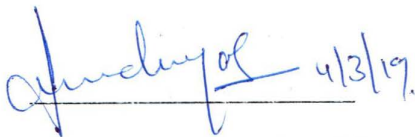
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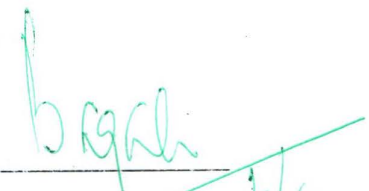
**Date: 04/04/2019**

## CERTIFICATE

This is to certify that **Mr. Md Rafiuddin Sohaib Darzi** bearing USN **11A17MBA31** is a bonafide student of Master of Business Administration course of the Institute 2017-19 batch, affiliated to Visvesvaraya Technological University, Belagavi. Project report on “**A Study on Credit Risk Management at Yadgir Urban Credit Co-op Society Ltd, Yadgir**” is prepared by him under the guidance of **Prof. Sandhya S**, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.



Signature of Internal Guide

  
Signature of HOD

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Signature of Principal/Dean Academics

**Dr. Devarajaiah R.M.**  
Dean-Academics  
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## DECLARATION

I, MD RAFI UDDIN SOHÁIB DARZI, bearing USN No: 11A17MBA31 hereby declare that the Project report with reference with The Yadgir Urban Credit Co-operative Society Ltd. Yadgir Prepared by me under the guidance of Prof. Sandhya.S faculty, Department of MBA Acharya Institute of Technology, and external assistance by Mr. Abdul Samad Manager the Yadgir Urban Credit Cooperative Society ltd. Yadgir.

I also declare that this Project work is towards the partial fulfilment of the university regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi.

I have undergone Project for a period of six weeks. I further declare that this report is based on the original study undertaken by me and not been submitted for the award of any degree/ diploma from any other University/ Institution.

Place: Bangaluru

  
Signature of the student

Date:

## **ACKNOWLEDGEMENTS**

I wish to express my sincere thanks to Dr PRAKASH M R Principal, Acharya Institute of Technology, Bangaluru, Dean-Academics, Dr DEVARAJAIAH D, and deep sense of gratitude to Dr M M BAGALI, HOD, Department of MBA, Acharya Institute of Technology, Bangaluru for their kind support and encouragement in completion of the project Report.

I would like to thank Prof. Sandhya.S faculty, Department of MBA, Acharya Institute of Technology, Bangaluru and external guide Mr. Abdul Samad Manager, Yadgir Urban Credit Cooperative Society Ltd. Yadgir, who gave me golden opportunity to do this wonderful project which helped me to learn various concepts.

Finally, I express sincere thanks to my parents, friends and all the staff of MBA department of AIT for their valuable suggestions in completing this project report.

Place:

MD RAFIUDDIN SOHAIB DARZI

Date:

11A17MBA31

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## EXECUTIVE SUMMARY

The concept of Credit risk management is the risk outstanding to uncertainty regarding the counterparty's ability to meet obligations. Because there are many types of counterparty's form individuals to sovereign government and many different types of obligations credit risk take many forms. The project also tries to find the efficiency of credit risk concept in the co-operative society. The project also tries to analyze that lending has been the prior function of society and exactly apprising a borrower's credit worthiness has been the only method of lending successfully, the method of analysis required varies in function of types of lending being considered," it actually helps in measurement of finance in complete detailed manner". The major objective of this is to control credit risk of the bank when they are issuing loans to required customers and also to giving some suggestions for proper utilization of loan amount repayment of the same. The loan amount has covered different types of areas, where much covered is semi urban and rural centre, it is very necessary to give the guidelines for customers regarding loans. Non-performing assets affects thereby the management adversely. They freeze assets and converts short term claims into long term credit to the customer. However, is that non-performing affects the outsider's perception of the society. As a result, it would not have a very negative impact on the society.

**CHAPTER 1**  
**INTRODUCTION**

## **1.1 INTRODUCTION**

This project is an admirable occasion to build important association in developing and maintaining a very good network for the future. Project is that which explores us to the real world experience with of hoping bright career. This project helps in learning and gaining essential experience and expertise. Project may be for full time or part time depending upon the interest of candidate. This type of project help in handling individual problems in a professional way and information related to particular job in an organisation. It is of 6 weeks of duration and I have successfully completed project in The Yadgir Urban Co-operative Society Ltd. Yadgir.

## **1.2 INDUSTRY PROFILE**

### **Origin of Banking Sector**

The word bank began from French word benque or an Italian word bank which implies a spot or office for fiscal exchange over the counter in former time's banks or work areas were utilized as place for cash exchange.

Amid trade framework there is presence of banking framework individuals used to store cows and rural items. This demonstrates bank has presences around 1700 B.C. Amid this Silver, Gold and Cooper and so on were utilized as a standard for valuation.

Banking is a economic medium that recognizes stores and channels the ones shops into loaning physical activities. Banks are for the maximum part middle components of cash associated framework, and are likewise number one task gamers in budgetary markets. The critical job of financial institution is to type out the individuals who have capital, for example, speculator, investors and provide for the folks that require capital, for example, individuals who wanting credit score, for company or commercial enterprise extension.

## **History of Banking in India**

Indian banking industry started the performance of money lending business with money lenders by limited number of financial resources and restricted area of operation. At later point of it extends to the growth of large number of big commercial banks with huge financial resources and diversified banking activities spread over all parts of the country, the development of Indian banking system from ancient times to modern times to modern times can be considered under the following heads.

### **EVOLUTION OF BANKS IN INDIA:**

The banking system in India can be categorized in two phases:

- Pre-Independence Phase (1786-1947)
- Post-Independence Phase (1947-to till date)

The post independence period may further be divided into the three phases:

- Pre-nationalization period (1947-1969)
- Post-nationalization period (1969-1991)
- Liberalization period (1991-to till date)

### **Pre-Independence Phase (1786-1947):**

- The origin of the banking machine in India may be traced with the inspiration of the bank of Calcutta in 1786. The banking in India originates in the ultimate decade within the 18th century with the inspiration of the English agency homes in Bombay and Calcutta (now Kolkata).
- Three presidency banks financial institution of Bengal, financial institution of Bombay and bank of Madras installed in the nineteenth century below the charter of the British East India agency.
- In 1935, the presidency banks combine as one and created a new bank named Imperial bank of India.
- The central Bank of India, RBI reputable in 1935 on the proposal of Hilton-Young Commission.
- At that time, the banking arrangement was only enclosed the urban population and need of rural and agriculture segment was completely abandoned.

**Post-Independence Phase (1947-to till date):**

On the time of independence, the whole banking sector changed into underneath private possession. The agricultural population of the India needed to rely on small money creditors for their requirements. To resolve those troubles and higher improvement of the economy the government of India nationalized the Reserve bank of India in 1949.

**Nationalisation Period (1969-1991):**

In 1969, Government of India nationalizes 14 major banks whose nationwide deposits were in excess of 50 crores.

**Liberalization Period (1990-to till date):**

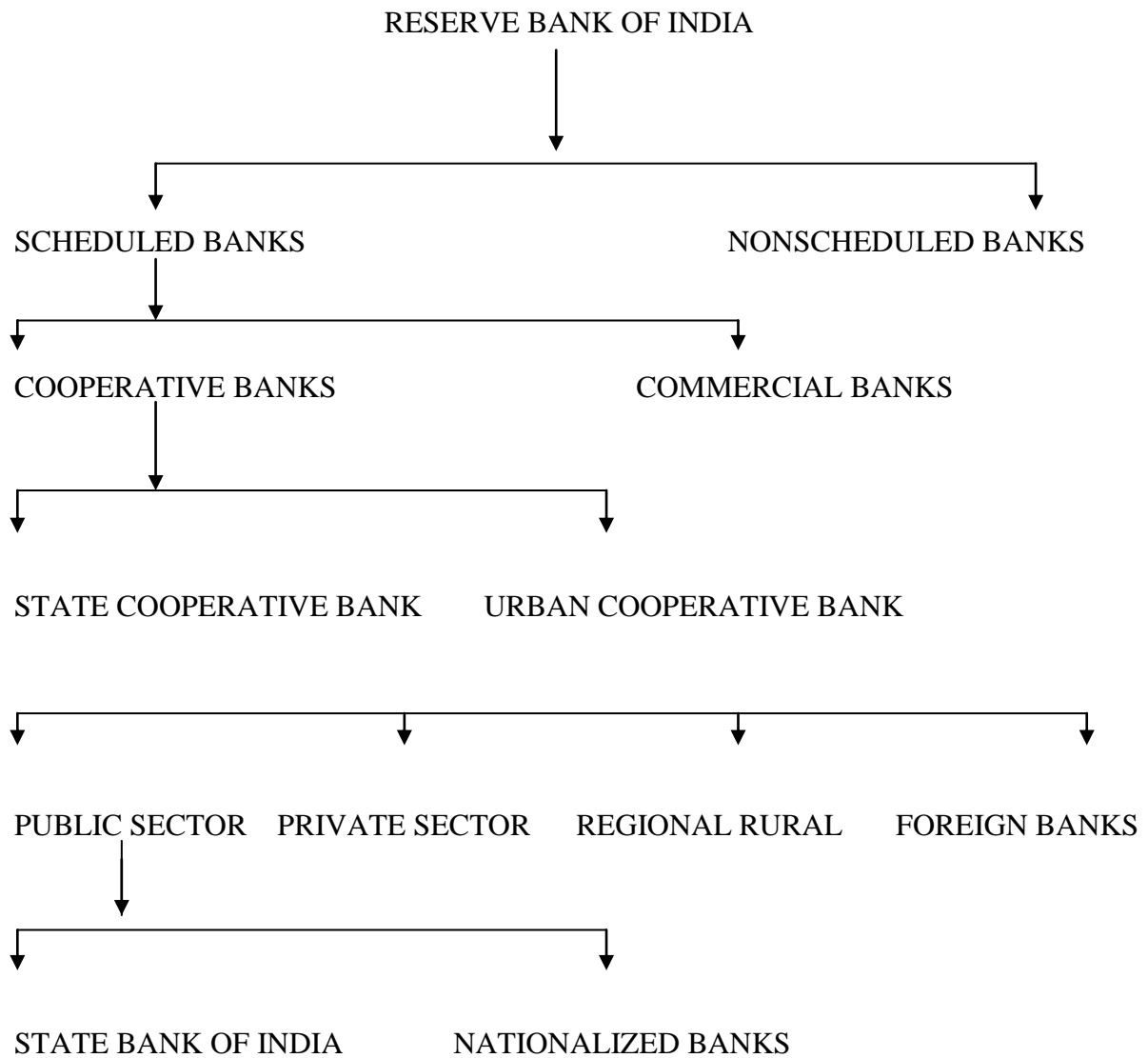
In an effort to improve the financial balance and profitability of public area banks, the authorities of India introduce a committee beneath the chairmanship of Shri. M. Narasimham. The committee encouraged numerous measures to reform the banking industry in India.

**Recent Development in Indian Banking Sector:**

- Kotak Mahindra Bank and Yes bank got a licence from RBI to entry in the system in the year 2003 and 2004.
- In 2014, RBI grants in-principle approval to IDFC and Bandhan Financial Services to set up banks.
- Payment banks and small finance banks are the new forms of banking institutions in India.
- Digitalization in banking sector is growing at a faster rate.

# STRUCTURE OF INDIAN BANKING SYSTEM

Chart 1





### 1.3 COMPANY PROFILE

Table 1.1

<b>Name of Company:</b>	<b>The Yadgir Urban Credit Coop Society Ltd. Yadgir</b>
<b>Type</b>	<b>Public</b>
<b>Industry</b>	<b>Banking, Karnataka, India</b>
<b>Headquarters</b>	<b>Yadgir, Karnataka, India</b>
<b>Founded</b>	<b>1930</b>
<b>Products/ Services</b>	<b>Giving loans to SME's , Agriculture loan,</b>

#### BACKGROUND AND INCEPTION

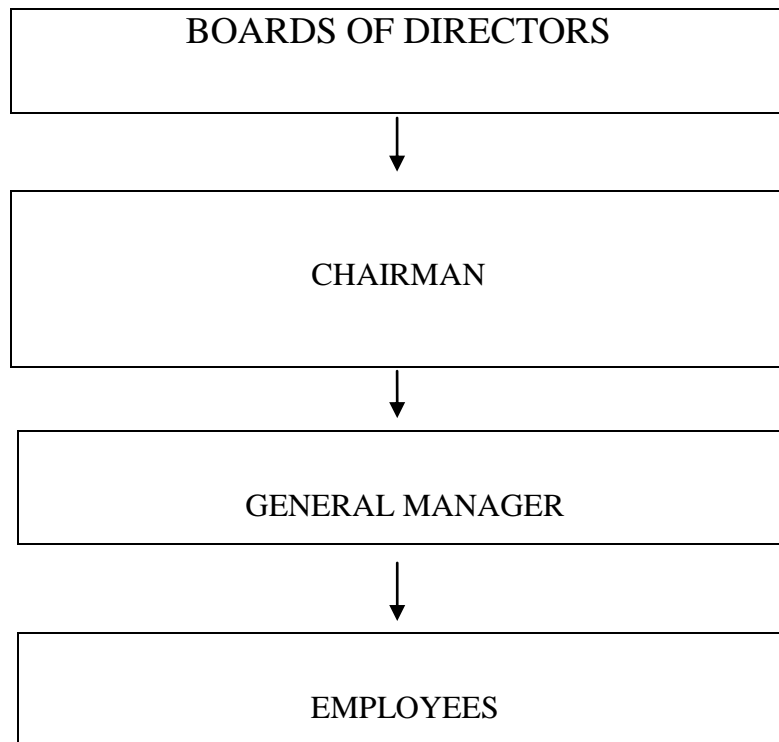
The Yadgir Urban Credit cooperative Society Ltd. Yadgir was established under the name of society in 1930. The society register in the cooperative societies on 28/09/1966, the society started its operation in 1966 with the share capital of Rs. 1, 00,000. It started its business in small-sized activity on course it expanded its services in larger form. Thus The Yadgir Credit cooperative society came into existence.

#### NATURE OF BUSINESS CARRIED

- Society carries out the activity of collecting deposit and lending amount to needy persons.
- Provides money to agriculture and some other associated activities.
- Society performs financial mediator for many activities.
- Provide loans at very low rate of interest to middle/lower class groups.

## ORGANIZATIONAL STRUCTURE OF YADGIR URBAN CREDIT COOPERATIVE SOCIETY LTD.

Chart 2



### 1.4 PROMOTERS

Table 1.2

Promoters of the Yadgir urban credit cooperative society are as follows:

NAME	DESIGNATION	SHARES
M. Nazim	Chairman	45.76%
Abdul Wasey	Director	18.40%
Abdul Hadi	Director	35.73%
Abdul Samad	General Manager	0,11%

## **1.5 VISION**

Making sure highest general of clients services thru satisfactory software of recent facts technology, making due contribution to the countrywide economy and organizing ourselves firmly at domestically as a front ranking society is our cherished vision.

## **1.6 MISSION**

Efforts for growth of our sports at home and abroad thru including new dimensions to our society services are being persisted unabated. Alongside, we are also setting most precedence in ensuring transparency, account capacity, stepped forward customers service in addition to our commitment to serve the society thru which we want to get nearer and inside the direction of the humans of all status. Triumphant an everlasting seat inside the hearts of the people as a being concerned associate in uplifting the national economic well-known via continuous upward and diversification of our client offerings in step with national and worldwide necessities is the preferred purpose we want to reap.

## **1.7 QUALITY POLICY**

- Society will provide standing instruction for the payment of bills, rents.
- To provide information to the locker holders.
- To deliver best services to the customers.
- Committed to the compliance of laws and regulation formed by the government.
- To frequently provide Reserve Banks with inevitable data.
- To provide the middle or lower class people cheaper finance.
- To have a diverse credit portfolio.

## 1.8 PRODUCTS/ SERVICES

1. Deposits and loan on fixed deposits
2. Loan on cumulative deposits
3. Loan on national savings certificate
4. Loan on gold and ornaments
5. Loans on vehicles
6. Service of cash credit
7. Loans on immovable property

- Deposits and loan on fixed deposit: society collect the deposits from the general public in the form fixed deposit and provide loans on these deposits on certain term pertaining to banking regulation.
- Loans on cumulative deposits: society provides the loans to customer in the form of cumulative deposit which can be more benefitted to customer.
- Loans on National Savings Certificate: if customer has any savings certificate by pledging this document to society, banks will give some amount of loan on these certificates.
- Loans on gold and ornaments: society provides loans on the gold and ornaments of the customer. It is returned when customer has paid loan amount dues.
- Loans on vehicle: In recent period loan on vehicle has increased larger rate. Certain terms and conditions has to be fulfilled by customer while loans on vehicle.
- Service of Cash Credit: society also provides service of cash credit to it is to its customer in which it has to be repaid in the stipulated time period. Society charges some amount of commission on these services.
- Loans on immovable property: society also gives the loans on immovable property on which the customer is going to pledged for taking loan.

**The credit risk management process followed in Yadgir urban credit co-operative society can be categorized in the following specific segments.**

- Mission Statement
- Credit Policy Guidelines
- Credit Assessment
- Credit Risk Grading
- Credit Approval Process
- Credit Risk Management
- Credit Recovery

### **1.9 AREA OF OPERATIONS**

The Yadgir urban credit co-operative society operations is restrictions as per section 3 of banking Act to areas comes under Yadgir city municipal councils of Yadgir city and head office is located at Market road. Authority member are trying to provide there service in particular area, which are primarily by middle/lower income group and are defined by minority and low classes to whom commercial are not easily affordable.

### **1.10 INFRASTRUCTURE FACILITY**

The Yadgir urban credit cooperative society proving following infrastructural facilities to its employees.

- The building size is 1600 square feet with a total worth of 84 lakhs.
- Society's building also have all modern facility's for its employees.
- There are total 5 computers in the society.

### **1.11 COMPETITORS INFORMATION**

The Yadgir urban credit co-operative bank is a leading co-operative society in Yadgir city operating in and around the city. It is facing huge competition in the banking industry. The list of competitors is mentioned below.

- ✓ Nandi Finance
- ✓ Shri SAI Credit Co-operative Society

## **1.12 SWOT ANALYSIS**

### **STRENGTH:**

- The Yadgir urban credit co-op society has a vast experience of more than 20 years in business.
- It has diversified portfolio which helps in customer relationship.
- Aggressive marketing helps them to push there in the sole sponsor.
- Centre of attractions for all types of customer.
- Good experience, ability and expertise in providing service.

### **WEAKNESS:**

- Lack of knowledge of technology.
- Only branch is there in the whole Yadgir.
- Low customer care reducing the goodwill of the society.
- No market share for the society.

### **OPPORTUNITIES:**

- The society with its superior service quality and long working hours can capture the customers.
- Chances to give small business credit and try to take the first delivery service advantage.

### **THREATS:**

- Dissatisfied customer on services.
- No availability of core banking process.
- Competition from the other societies.
- Lack of infrastructure facilities.

## **MAIN OPERATIONS OF YADGIR URBAN CREDIT COOPERATIVE SOCIETY LYD.**

- Withdrawals
- Cash Receipts
- Sanctions and Disbursement of loans
- Locker facilities
- Clearing Cheques
- Updating Pass Book
- Issuing New Cheque Book
- Opening of Fixed Deposit Account

## **SIGNIFICANT FACTORS OF SUCCESS**

- Quality of services.
- Low rate of interest.
- Various forms of deposits and loans offered to suit the needs of different people.
- Customer friendly atmosphere maintained in the society.
- Capable and well educated employees.
- The office times are well suited for business people.

## **1.13 FUTURE GROWTH AND PROSPECTS**

- The society has to increase its operations by opening its branches all over Karnataka.
- Enhance customer service.
- Increase all various types of deposits.
- Increase of giving credit to the small and medium businesses.
- Planning to improve the loan services by investing more capital.

**1.14 ANALYSIS OF FINANCIAL STATEMENT OF YADGIR URBAN CO-OPERATIVE SOCIETY LTD.**

**TABLE NO 1.3 PROFIT AND LOSS 2014 TO 2018**

<b>STATEMENT OF PROFIT AND LOSS</b>						
	<b>Particulars</b>	<b>Ason 2014</b>	<b>Ason 2015</b>	<b>Ason 2016</b>	<b>Ason 2017</b>	<b>Ason 2018</b>
I.	Revenue from operations	192.02	255.12	285.03	275.67	308.33
II.	Other income	0.31	0.51	0.8	0.73	1.83
<b>III.</b>	<b>Total Revenue (I+II)</b>	<b>192.33</b>	<b>255.63</b>	<b>285.83</b>	<b>276.4</b>	<b>310.16</b>
IV.	Expenses					
	Cost of materials consumed	128.45	172.12	180.7	164.43	187.47
	Changes in Inventories of finished goods & WIP	3.85	3.85	-4.67	-2.32	-1.58
	Selling & Distribution	14.77	18.78	19.85	19.97	20.83
	Employee benefits expenses	15.32	19.67	21.26	23.97	28.13
	Finance costs	5.8	8.4	7.25	0.98	1.8
	Depreciation and Amortization Expenses	5.46	6.95	8.23	8.5	9.92
	Preliminary & deferred expenses written off	0.04	0.01			
	Other expenses	17.3	18.87	18.58	19.18	22.7
	<b>Total expenses</b>	<b>190.99</b>	<b>248.65</b>	<b>251.2</b>	<b>234.71</b>	<b>269.27</b>
V.	Profit before exceptional extraordinary items and tax (III - IV)	1.34	6.98	34.63	41.69	40.89
VI.	Exceptional Items	0.23	0.19	-0.05	0.27	-0.13
VII.	Profit before extraordinary items and tax (V- VI)	1.11	6.79	34.68	41.42	41.02
VIII.	Extraordinary Items	0	0.6			
IX.	Profit before tax (VII-VIII)	1.11	6.19	34.68	41.42	41.02
X.	Tax expenses:					
	(1) Current tax	1.81	4.36	8.42	11.74	13.62
	(2) Deferred tax	1.22	0.46	0.05	0.94	0.41
XV.	Profit (Loss) for the period (XI + XIV)	-1.92	1.37	26.21	28.74	26.99
XVI.	Earnings per equity share:	10.23	16.05	14.4	17.4	19.5
	(1) Basic	5.14	8.05	7.2	8.7	9.75
	(2) Diluted	5.09	8	7.2	8.7	9.75



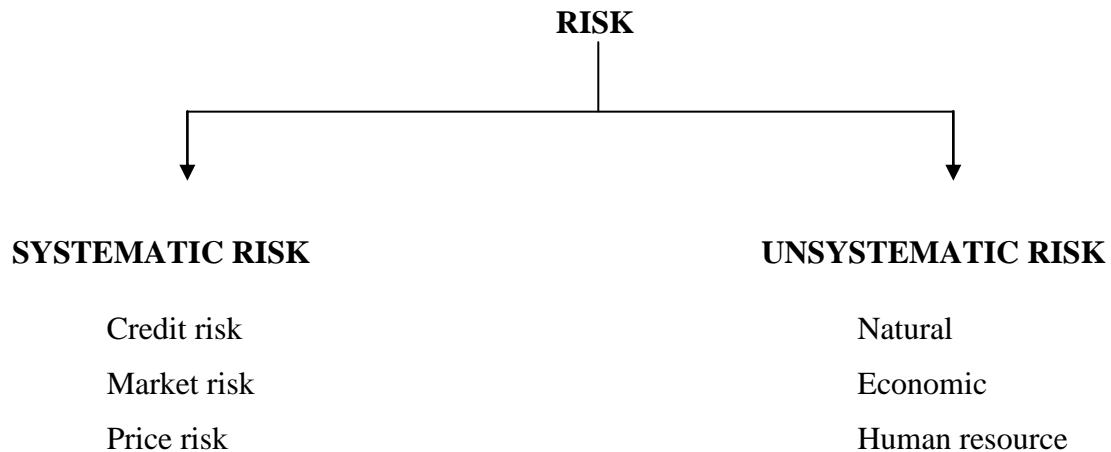
## 2. BALANCE SHEET AS ON 2014-2018

<b>BALANCE SHEET</b>						
	<b>Particulars</b>	<b>Ason 2014</b>	<b>Ason 2015</b>	<b>Ason 2016</b>	<b>Ason 2017</b>	<b>Ason 2018</b>
	<b>EQUITY AND LIABILITIES</b>					
1	<b>Shareholders' funds</b>	<b>49.09</b>	<b>52.50</b>	<b>115.66</b>	<b>128.98</b>	<b>144.02</b>
	Share Capital	11.25	11.28	13.84	13.85	13.85
	Reserves and Surplus	37.84	41.22	101.82	115.13	130.17
	Money received against share warrants					
2	<b>Share application money pending allotment</b>			0.01		
3	<b>Non-Current Liabilities</b>	<b>24.29</b>	<b>25.25</b>	<b>0.00</b>	<b>14.06</b>	<b>13.00</b>
	Long term borrowings	21.82	19.49	10.97	6.62	4.78
	Deferred Tax Liability	1.22	4.37	4.42	5.36	5.77
	Other Long-Term Liabilities	0.23	0.22	0.30	0.34	0.23
	Long term provisions	1.02	1.17	1.30	1.74	2.22
4	<b>Current Liabilities</b>	<b>71.53</b>	<b>87.85</b>	<b>36.65</b>	<b>60.78</b>	<b>84.93</b>
	Trade payable	11.28	17.41	10.01	14.33	14.66
	Other Current Liabilities	10.34	15.86	10.88	11.20	8.23
	Short term borrowings	44.66	46.02	3.54	18.61	35.53
	Short term provisions	5.25	8.56	12.22	16.64	26.51
	<b>Total Liabilities</b>	<b>144.91</b>	<b>165.60</b>	<b>152.32</b>	<b>203.82</b>	<b>241.95</b>
	<b>ASSETS</b>					
1	<b>Non-current assets</b>					
	<b>Fixed assets</b>	<b>72.87</b>	<b>74.53</b>	<b>74.32</b>	<b>89.25</b>	<b>96.72</b>
	Tangible assets	70.28	72.04	71.54	80.66	90.45
	Capital Work-in-progress	2.59	2.49	2.78	8.59	6.27
	<b>Intangible Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.26</b>	<b>0.22</b>
	Intangible assets	0	0	0	0.26	0.22
	Intangible assets under development	0	0	0	0	0
	Non-current investments	3.16	3.16	3.16	3.53	13.19
	Deferred tax assets	0	0	0	0	0
	Long-term loans and advances	2.01	2.46	3.62	4.27	10.33
	Other non-current assets	0.48	0.41	0.52	0.74	1.16
2	<b>Current assets</b>	<b>66.39</b>	<b>85.04</b>	<b>87.68</b>	<b>105.77</b>	<b>120.33</b>
	Current Investments					
	Inventory	23.61	28.29	27.65	23.88	36.25
	Trade Receivables	35.03	42.2	44.21	54.78	60.42
	Cash & cash equivalents	0.43	0.61	0.98	0.78	0.85
	Short-term loans and advances	7	7.36	13.63	25.19	20.51
	Other current assets	0.32	6.58	1.21	1.14	2.3
	<b>Total</b>	<b>144.91</b>	<b>165.6</b>	<b>169.30</b>	<b>203.82</b>	<b>241.95</b>

**CHAPTER 2**  
**CONCEPTUAL BACKGROUND**

## 2.1 THEORETICAL BACKGROUND:

Risk can be defined as “activity or opportunity of a situation which can impair business earnings or cash flows in short/medium/long-term horizon”. Risk arises from a variety of sources, and affected the value of the assets held by any corporation.



### Evolution of Credit Risk Management:

The concept of credit risk was developed by the banks in the late 1960's and 70's to reduce the risk of credit when the banks were facing problem on recovering the loans given to customer banks came with the concept of credit risk management. Credit risk is the threat outstanding to indecision regarding the counterparty's capability to rally obligations. Because there are lots of types of counterparty's starting folks to monarch government and many different types of obligations credit risk take many forms.

### **Concept of Credit Risk Management:**

Financial environment is vibrant. In this vibrant financial environment fluctuation in interest rates and commodity and real estate price are not something required. These fluctuations in economic and financial variables destabilize the corporate strategies and performance of bank. Thus, it is necessary that bank has a frame work of risk management. Effective credit risk management allows bank to reduce risk and potential non-performing assets. Once bank understood their risk and cost they will be able to determine their profitable business. Therefore the bank must have an explicit credit risk management strategy by organizational changes, risk measurement techniques and fresh credit processes and system. While taking about the credit risk management.

### **CREDIT RISK MANAGEMENT TECHNIQUES:**

As the mainstream of assets are in the form of loan. The lending in addition to create the values of the banks. The main trouble is the chance of the borrower not to pay the loan amount. So the proper prudent management of the credit risk is very important. Merton and bodies have suggested these techniques for the managing the credit risk in their article published in journal of banking and finance. Techniques are as follows.

- **Risk Based Pricing:** It has been established that risk based pricing requires leader to change the rate that compensate for the riskiness of the pricing procedure needs to be straight forward and not based solely as historical loan experience. In practice, loan pricing tends to follow the prime rate plus basis price.
- **Assets Restrictions:** Bank lender and other creditors have a claim on the borrower's assets. As long market value exceeds the liabilities value. Creditors protected because proceeds from sale of assets cover the entire alternatively.
- **Monitoring:** If lenders have a contractual right to monitor assets value continuously and seize assets, then loans can be minimized either by auditing assets and to seizing assets before short fall exists or by requiring the posted value of collateral assets to equal or exceeds the promised payment for the private loans.

## **ELABORATIVE INFORMATION ON CREDIT RISK MANAGEMENT:**

The concept of credit risk was developed by banks in the late 1960's and 70's to reduce the risk of credit. When the banks were facing the problems on recovering the loans given to customer banks came with the concept of credit risk management. Credit risk management can ensure efficient impact on banks' balance sheet hence its assets and liability management can ensure efficient credit risk management. Bank can limit the presence of non-performing belongings in its stability sheet. Non-appearing belongings influences the control decisively. They freeze assets and convert short term claims into long term. Credit risk is a hazard because of vulnerability in counterparty's capability to satisfy its dedication. There are numerous sorts of counterparty's commitments jogging from people to monarch governments. Threat is feature in all components of mercantile enterprise interest. Anyway for banks and budgetary foundation, credit score hazard is a fundamental thing that should be overseen. Credit score hazard is the likelihood that a borrower counter accumulating will forget about to satisfy its commitments as according to concurred phrases. Credit score chance, thusly, emerges from the banks managing or loaning to corporate, humans and exclusive banks or budgetary businesses. The motive of credit score risks manage is to maximize a monetary organization's threat adjusted fee of pass back via retaining credit rating threat publicity inner best parameters. Bank wants to manipulate the credit hazard exposure inherent within the complete portfolio as well as the danger in person credit score or transactions. Economic organization need to keep in mind the connection among credit score danger and different chance. The powerful control of credit rating chance is a crucial thing of a complete method to danger control and crucial to the long term accomplishment of any banking venture organisation. Assessing credit score danger an organization need to don't forget 3 issues.

- **Credit Risk Grading:**

In keeping with Bangladesh bank hints, all Banks should adopt a credit chance grading machine. Consequently, Yadgir urban credit Co-Operative Society Ltd. Yadgir. Has duly carried out a credit score hazard grading coverage in its credit score rating risk assessment program. The gadget defines the hazard profile of borrower's to make sure that account manipulate, shape and pricing are commensurate with the threat concerned. (Attention organization on credit score rating risk management, (2005), credit score hazard control: enterprise super Practices, coping with centre risks of economic institutions, Bangladesh monetary institution) hazard grading is a key size of a financial institution's asset quality.

All facilities are assigned a threat grade. Wherein deterioration in danger is noted, the risk Grade assigned to a borrower and its centres are right now changed. Credit score Memorandum consists of a clear announcement of the Borrower's chance grade

## 2.2 LITERATURE REVIEW

- a) **Bhatia (1978)** He said that the monetary performance of co-operative banking machine as pondered with the aid of its output, charge and profitability during the duration 1950-68. He concluded that the income of the Indian banking system at some stage in the above length had upward fashion. The examine counselled that the deregulation of the interest rate to decorate the profitability of financial institution and to make certain a aggressive banking environment which would ultimately bring about better service.
- b) **Kurulkar (1983)** said that vital running should be made in the agricultural finance in backward area. He concluded out of ten sample proprietor who reap long term loan from the banks could not make due price this credit ended in over dues. proprietor must delegate to the branch manager.
- c) **Kalyankar (1983)** stated that “wilful failure to pay and credit threat in financial institution make clean the development in deposits, share capital, working capital, loans, advances, over obligation and recoveries on the district level finance institute
- d) **Macaulay (1998)** performed a survey and installed credit score risk control is the quality manner inside the financial institution and more than 90% of the bank within the united states of America have adopts the excellent exercise for gathering the loans and advances.
- e) **Boyd (1993)** stated it is essential to form proper credit danger surroundings, sound credit giving techniques, suitable credit administrations, measurement, and tracking and manipulate extra credit score hazard.

- f) **Balister (1994)** carried out a have a look at of co-operative financial institution credit chance and over dues of loans in agriculture to study the settlement appearing of defaulters in three blocks of co-operative banks. loss of appropriate path over quit use of mortgage become recognized a chief cause for misuse of credit which has a tendency to growth in over dues.
- g) **Patel (1995)** said that functionality of rural banking, conditional that much less extent of commercial enterprise according to branch and in keeping with worker and excessive stage credit deposit ratio had been foremost issue causing losses in rural banking system. He also notified that percentage of non firm area loans in rural going better.
- h) **Rajagopal (1996)** stated and mentioned the banks credit hazard control and a cautioned role for pricing the goods primarily based on credit risk estimation of the debtors and also explains accurate danger management is good banking.
- i) **Satyanarayane (1996)** said that real danger from credit is the version of portfolio overall performance from its usual value book cost of the bank also effects within the credit score risk of the financial institution while there may be greater quantity of credit score of specific is in hazard, additional possibility of bank will be insolvent.
- j) **Foot and Stein (1998)** concluded that credit score risk control from first to ultimate dynamic mortgage purchases and sale sports outcomes financial institution funding in risky loans. Banks that buy and sell loans embrace greater risky loans as percent of balance sheet than other banks.
- k) **Treacy and Carey (1998)** examined that financial institution inner rating system and operating design of rating system and made a assessment of banking gadget qualified to the rating machine. internal banking gadget allows in dealing with credit score hazard, profitability evaluation and product pricing.



- l) **DAS (2001)** said that in his study on the settlement performance of some borrowers of state co-operative bank ltd, examined the compensation behaviour of the loans.
- m) **Rose, Peter s. (2001)** examined that for all co-operative banks, loans are the essential and infrequently major source of credit hazard but other assets of credit chance be the activities of a bank, in addition to inside the books of banks and in the trading and both on and stale the stability sheet. Banks are commonly going through credit hazard in exceptional financial instrument, other than loans, including acceptance, interbank transactions and and so forth.
- n) **Satyasai and Badatya (2002)** they conducted a study regarding reformation remote credit co-operative institutions. Both analyzed act of remote co-operation credit institution on the basis of credit risk and borrowing and lending operating cost structure, financial viability etc.
- o) **Bagchi (2003)** stated that credit risk identification, measurement, monitoring and control & audit as essential consideration for the credit risk management. He concluded that accurate credit monitoring and control can help for the achievement of credit risk management.
- p) **Muninarayanappa and Nirmala (2004)** they outlined the concept of credit risk management in banks. They centred on the factors to resolve the banks policies on credit risk management cases are connected to the internal and external sources of credit risk management are also taken into account they suggested that success of credit risk management needs safeguarding of correct credit risk environment, strategy and policies. Their aim is to protect and develop the loan quality.
- q) **Khan, A.R. (2008)** illustrate the credit risk is very important risk for all co-operative banks. Credit risk is due to non payable by a borrower it may comes from either an incapability or an refusal to act in the per contracted manner.

r) **Prashanta banerjee K and Farooqui (2009)** said that the reason of credit score chance control is to maximize performance of the assets and minimization of non overall performance belongings as well as make certain the first-class unique loan and their successful control. It must implement a credit score grading device. Each provider ought to be assigned to a chance grade.

**CHAPTER 3**  
**RESEARCH DESIGN**

### **3.1 STATEMENT OF THE PROBLEM**

The project is investigated problems and practices associated with credit risk management of Yadgir urban credit cooperative society Ltd. In this organization more over studies are going on as so many years, but till not anyone studied about the inventory and material management practices of this company. Hence tried to fill this gap of study beyond of my best level.

The main problem of the company is non-availability of human resources also affected the management. If they are using the effective credit risk management techniques it will also lead to over stocking and under stocking.

### **3.2 NEED FOR 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.

### **3.3 OBJECTIVE OF THE STUDY**

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

### **3.4 SCOPE OF THE STUDY**

Risk is any stroll of lifestyles in trendy and in financial quarter especially. Until, these days because of modifiable environment, bank couldn't have enough money to take danger. However of overdue banks are uncovered to same competition and therefore are finished to come across a credit risk.

With globalization banks are not only facing internal competition but also at the international level. The credit crisis encountered by American economy has percolated to the other economies also. Judicious management of deposits procured from the depositors is important. This depends upon judicious deployment of funds by banks.

In the period of crisis is imperative to make a study as how the co-operative bank has survived the crisis.

### **3.5 RESEARCH METHODOLOGIES:**

The subsequent method might be accompanied for the study:

Both number one and secondary facts sources could be used to generate this file. Primary data assets are scheduled survey, informal discussion with experts and remark even as working in distinctive desks. The secondary records resources are annual reviews, manuals, and brochures of Urban Credit Co-operative Society Ltd. Yadgir.

To pick out the implementation, supervision, monitoring and compensation exercise-interview with the worker and good sized take a look at of the present record was and practical case commentary changed into executed.

#### **Methodologies used are**

- Liquid Ratio
- Capital Adequacy Ratio
- Return On Assets Ratio
- Non-performing Loan Ratio

## **Statistical Test**

- Regression
- Anova Test
- Correlation

## **DATA collection approach**

To satisfy the targets of my observe, i have taken each into considerations viz primary one & secondary statistics.

**Primary data:** 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 was made with supervisor and different employees in the enterprise for this reason.

**Secondary statistics:** 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.

## **3.6 LIMITATION OF THE STUDY**

- The study is limited to Yadgir Urban Credit Co-Operative Society Ltd. Yadgir.
- Because of shortage of time a detailed study could not be undertaken.
- Analysis of study depends on the information supplied by the society.
- Data is collected of only the past five years only.

### **3.7 CHAPTER SCHEME**

Chapter 1 – As it is the 1<sup>st</sup> chapter of the project report, It includes Introduction, Industry Profile, Company Profile, Competitors Information, SWOT Analysis shows the company strength, weakness, opportunity & threats. It also shows Future Growth and prospectus of the Company. Financial statement of last 5 years which shows how the company earning and bearing the profit & loss.

Chapter 2 – It includes Theoretical Background of the study and Literature review of various authors which related to this topic called Credit Risk Management.

Chapter 3 – It includes statement of the problem, Need for the study, Objectives of the study, Scope of the Study, Research Methodology, and Limitation & Chapter Scheme of the study.

Chapter 4 – It includes Data analysis & Interpretation of the company, showing the last 4 years data, which shows the company profit & loss.

Chapter 5 – It includes the last chapter of the project report, Summary of Findings, Conclusions & Suggestion.

**CHAPTER 4**

**DATA ANALYSIS AND INTERPRETATION**



### 3. KEY FINANCIAL RATIO

TABLE 3

KEY FINANCIAL RATIO						
For the year ended/as at		2014	2015	2016	2017	2018
<b>OPBDIT margin</b>	%	15.4 %	16.0%	23.8%	25.3%	<b>23.8%</b>
<b>PAT margin</b>	%	- 1.0%	0.5%	9.2%	10.4%	<b>8.8%</b>
<b>Return on capital employed</b>	%	- 2.6%	1.8%	19.8%	20.1%	<b>17.2%</b>
<b>Gross current assets</b>	Days	-10	-4	65	6 0	<b>42</b>
<b>Day inventory (on COP)</b>	Days	52	47	44	4 2	<b>56</b>
<b>Day receivable (on gross sales)</b>	Days	67	60	57	7 3	<b>72</b>
<b>Days payable (on materials)</b>	Days	25	29	16	2 5	<b>22</b>
<b>Current Ratio</b>	Times	0.9	1.0	2.4	1. 7	<b>1.4</b>
<b>Net cash accruals/Total debt</b>	%	-0.1	-0.1	1.4	0. 8	<b>0.4</b>
<b>Interest Coverage Ratio</b>	Times	1.19	1.74	5.78	43.27	<b>23.79</b>
<b>Average cost of borrowing</b>	%	NA	1.69	2.16	8.40	<b>1.54</b>
<b>Total outside liabilities/Capital</b>	Times	1.95	2.15	0.46	0.58	<b>0.68</b>
<b>Gearing - Total debt/Capital</b>	Times	<b>1.35</b>	<b>1.25</b>	<b>0.13</b>	<b>0.20</b>	<b>0.28</b>

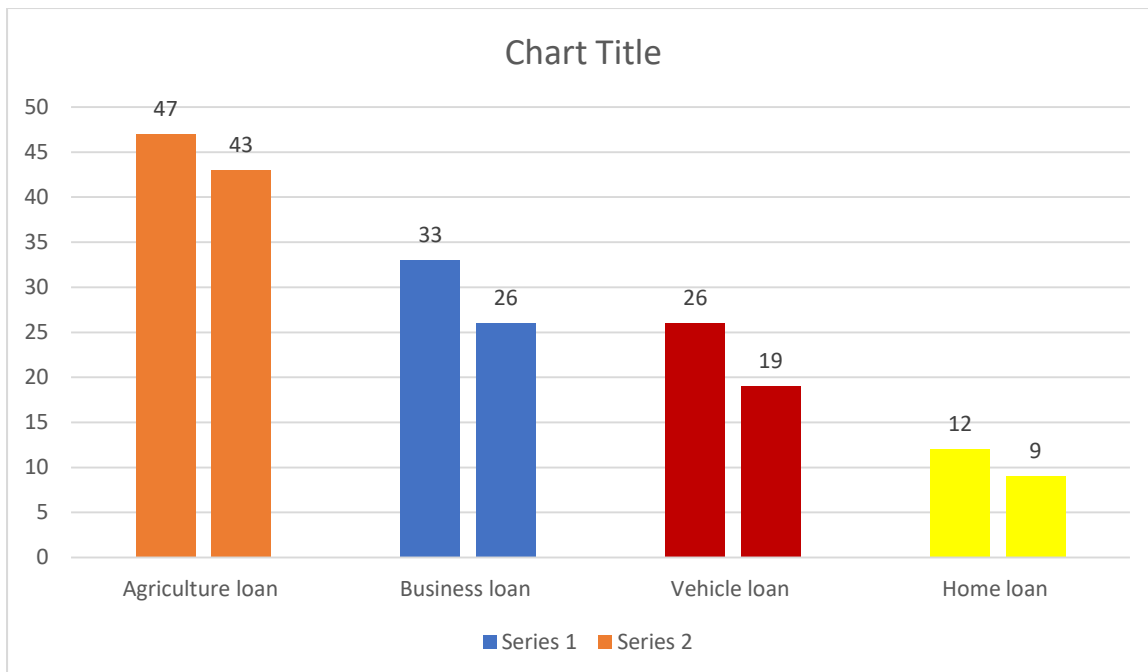
**4. TABLE SHOWING LOAN PROVIDED TO DIFFERENT AREAS FOR FIVE YEARS 14-18**

Particulars	Loan application	Approved loan
Agriculture loan	47	43
Business loan	33	26
Vehicle loan	26	19
Home loan	12	9

**ANALYSIS:-**

As per the Yadgir urban credit co-op bank has covered different types of loan areas, where much approved loan is agriculture field and business loan to develop rural area and vehicle loan , home loan is not much contributed in rural area.

**4.1 GRAPH SHOWING NUMBER OF LOAN APPLICATION COLLECTED IN DIFFERNEC AREA AND APPROVED LOAN APPLICATION IN PARTICULAR AREA.**



## **INTERPRETATION:**

As per Yadgir urban credit co-op bank data loan approved in different kind of area loan application and approved loan in per area. In agriculture file maximum loan application out of 47 application 43 loan application are approved , in business loan 33 application collected and approved business loan is 26, in vehicle loan application number is 26 and approved loan is 19 and home loan total application is 12 and approved loan application is 9.

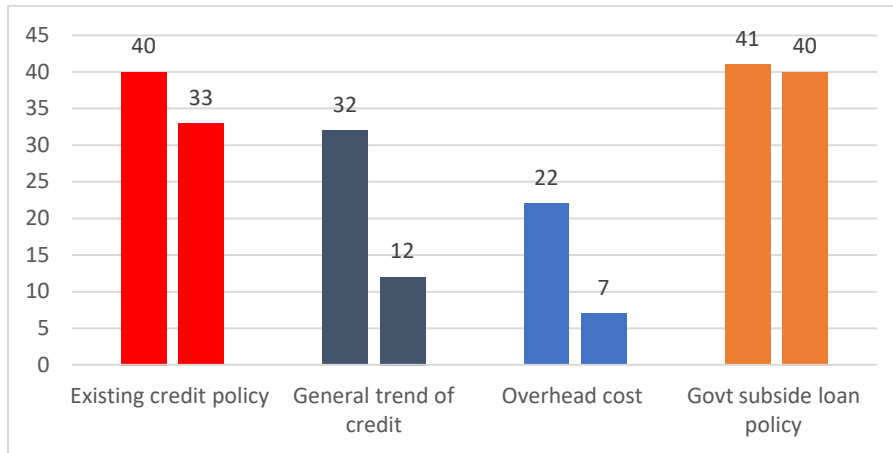
### **5. TABLE SHOWING CONSIDERING THE FOLLOWING FACTORS IN ESTABLISHING A LOAN PORTFOLIO POLICY**

<b>Loan portfolio policy</b>	<b>Number of loan application</b>	<b>Number of approve loan</b>
<b>Existing credit policy</b>	<b>40</b>	<b>33</b>
<b>General trend of credit</b>	<b>32</b>	<b>12</b>
<b>Overhead cost</b>	<b>22</b>	<b>7</b>
<b>Govt subside loan policy</b>	<b>41</b>	<b>40</b>

#### **ANALYSIS:**

Internal data from Yadgir urban credit co-op bank said that the existing credit policy, the general trend of credit and overhead cost were being used to a great extent in the establishment of a of loan portfolio policy with approving loan .

### 4.3 GRAPH SHOWING THE CONSIDERING THE FOLLOWING FACTORS IN ESTABLISHING A LOAN PORTFOLIO POLICY



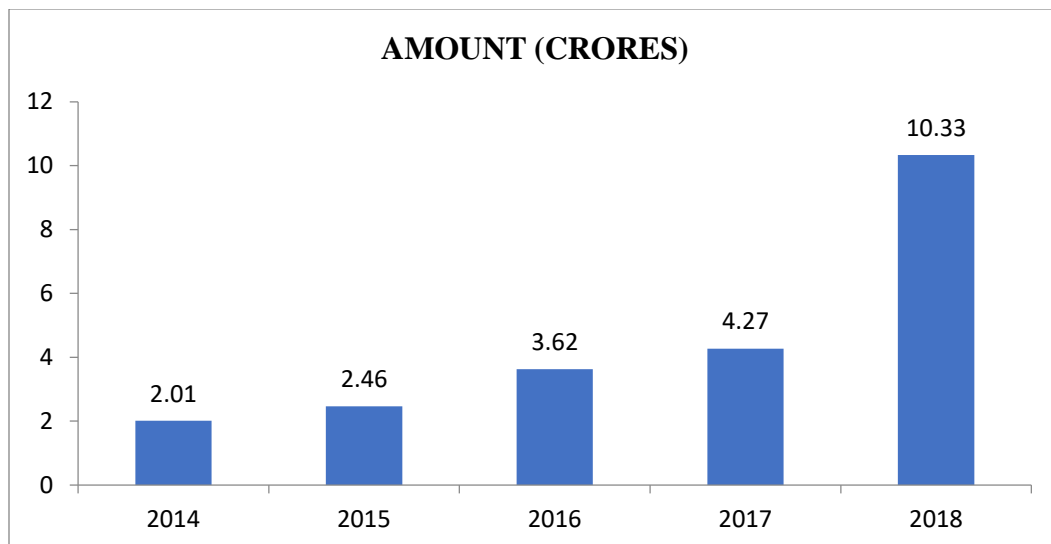
**INTERPRETATION:-**As per internal data from Yadgir urban credit co-op bank existing credit policy based loan application is 40 but approved loan number is 33, in general trend policy application number is 32 and approved loan is 12. Its comes to overhead cost policy application collated number is 22 but approved loan is 7, and as per govt subsidy loan application is 41 and approved by society is 40 loan application only.

#### 6. TABLE SHOWING TOTAL LOAN AMOUNT APPROVED BY SOCIETY:-

YEAR	AMOUNT(CORE)
2014	2.01
2015	2.46
2016	3.62
2017	4.27
2018	10.33

Source: balancesheet

#### 4.3 GRAPH SHOWING TOTAL LOAN AMOUNT APPROVED BY SOCIETY:-



Source: balancesheet

#### INTERPRETATION

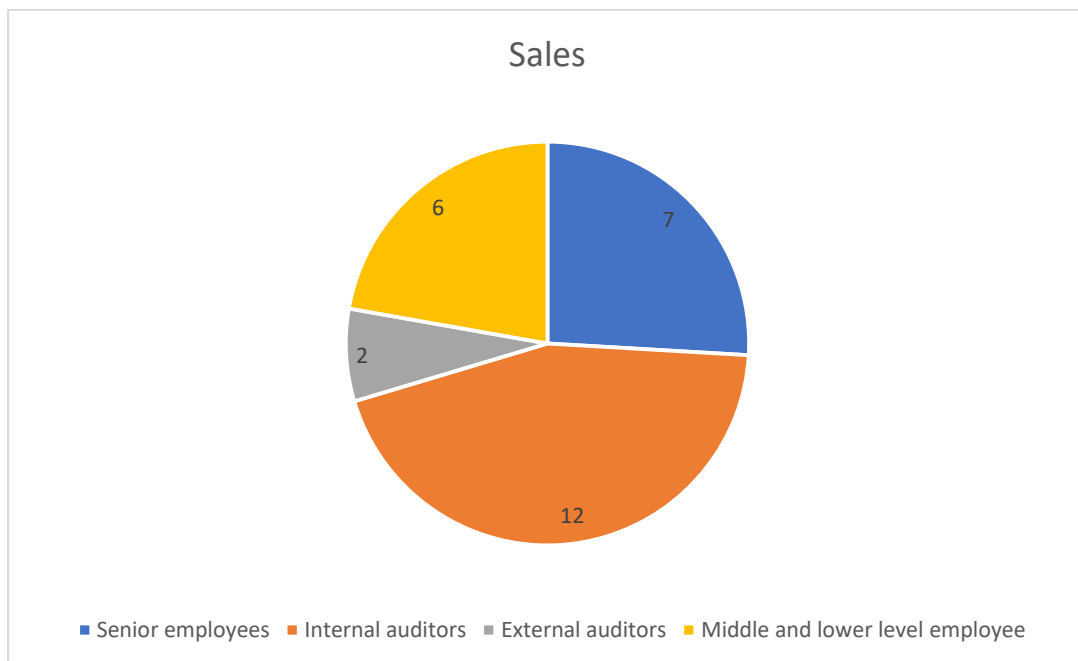
The Yadgir urban credit co-op bank has been increased loan amount time to time and year to year. In the year 2014-15 total loan was Rs 2.01 core, it was increased year to year. In the 2017-18 total approve loan amount is Rs 10.33 This shows that bank has continuously provided a good service to its customers.

**7. TABLE SHOWING THE INVOLVEMENT OF THE FOLLOWING PARTIES IN RISK IDENTIFICATION PROCESS IN THE YEAR 2017-18**

Parties is risk identification	Number of credit risk
Senior employees	7
Internal auditors	12
External auditors	2
Middle and lower level employee	6

Source: internal data from bank

**4. SHOWING THE INVOLVEMENT OF THE FOLLOWING PARTIES IN RISK IDENTIFICATION PROCESS IN THE YEAR 2017-18:-**



**INTERPRETATION:-**

In the above graph shows total number of risk identified by the Yadgir Urban Co-operative bank in the year 2017-18 using the employment and audit department.

**8. TABLE SHOWING CREDIT AMOUNT APPROVED AND RECOVER BY THE BANK IN FOR THE PERIOD OF 2014 TO 2018:-**

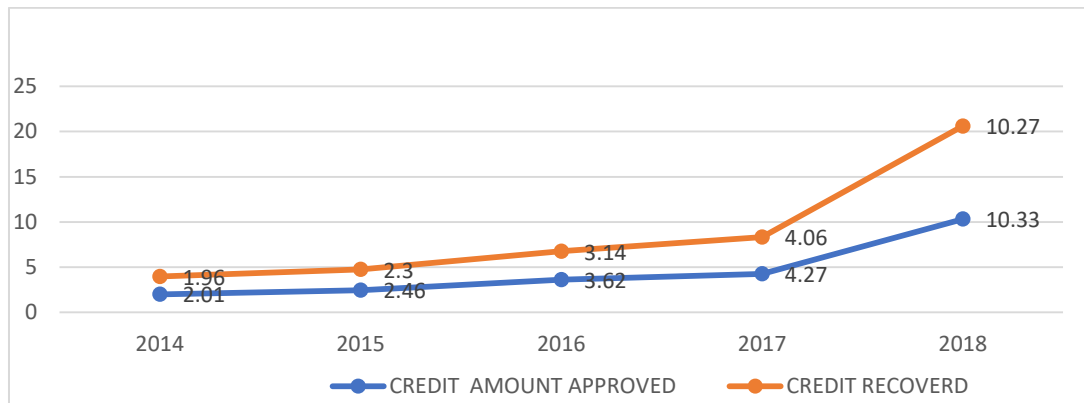
YEAR	APPROVED CREDIT AMOUNT(CORE)	RECOVERY CREDIT AMOUNT(CORE)
2014	2.01	1.96
2015	2.46	2.30
2016	3.62	3.14
2017	4.27	4.06
2018	10.33	10.27

Source: bank data

**ANALYSIS:**

Table shows the approved credit amount 2014 to 2018. In the year 2014 approved credit is 2.01 core and it been increase by year to year , present 2018 total approved credit amount is 10.33 and recovered amount is 10.27 core.

**4.4 GRAPH SHOWING CREDIT AMOUNT APPROVED AND RECOVER BY THE BANK IN FOR THE PERIOD OF 2014 TO 2018:-**



Source: bank internal data.

**INTEREPRATION:**

The above graph showing the Yadgir Urban Co-operative credit approved and recovery amount for the period of 2014 to 2018. In the year 2014 total approved credit amount is 2.01 core and recovery amount is 1.96, but its increase year by year credit approved amount and recovery value is continued ratio, and in the year 2018 total approved credit amount is

10.33core and 10.27 core amount is recovered by Yadgir Urban Co-operative from customer .

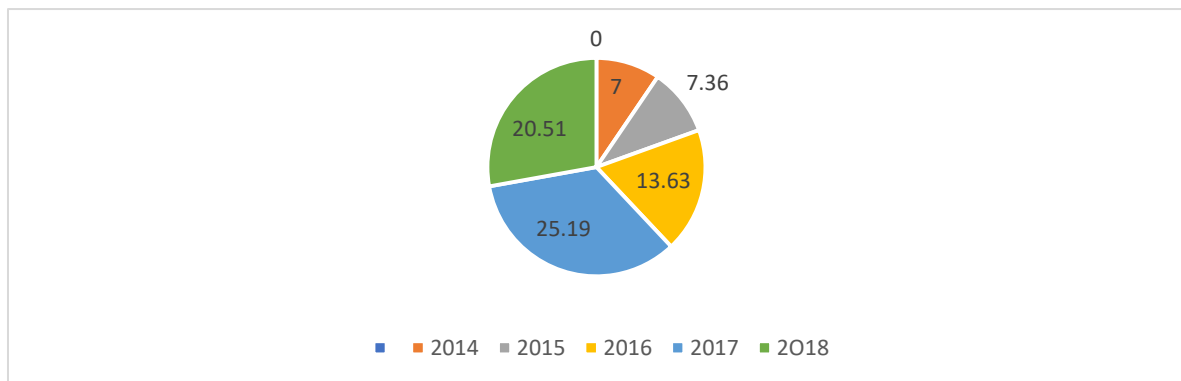
**9. TABLE APPROVAL CREDIT LIMIT FROM GOVT SUBSIDY TO SELECTED AGRICULURTE FIELD:-**

Year	Approved credit Amount	Subsidy Loan amount
2014	7	5.34
2015	7.36	6.1
2016	13.63	12.63
2017	25.19	22
2018	20.51	19.47

Source: Bank internal data-in croes.

**ANALYSIS:-**The above table displays that the loan towards the agriculture field, loan amount is decreased from 7cores in the year 2014 and 5.34 cores bank got subsidy loan amount is in the year 2014 is 5.34and in the year 2015 total approved loan is 7.6 cores and same year subsidy loan is 6.1 cores . in the year 2018 total approved agriculture loan amount is 20.51 cores and bank got 19.47 cores subsidy loan amount.

**6. CHART SHOWING APPROVAL CREDIT LIMIT FROM GOVT SUBSIDY TO SELECTED AGRICULURTE FIELD:-**



Source: Bank internal data

**INTERPRETATION:-**The above table displays that the loan towards the agriculture field, loan amount is decreased from 7cores in the year 2014 and 5.34 cores bank got subsidy loan amount is in the year 2014 is 5.34 and in the year 2015 total approved loan is 7.6 cores and same year subsidy loan is 6.1 cores . in the year 2018 total approved agriculture loan amount



is 20.51 cores and bank got 19.47 cores subsidy loan amount. And the interpretation shows that in the year 2017 bank approved highest loan amount also got 90% of the subsidy from govt of India.

**10. TABLE SHOWING LIQUIDITY RATIO:-**

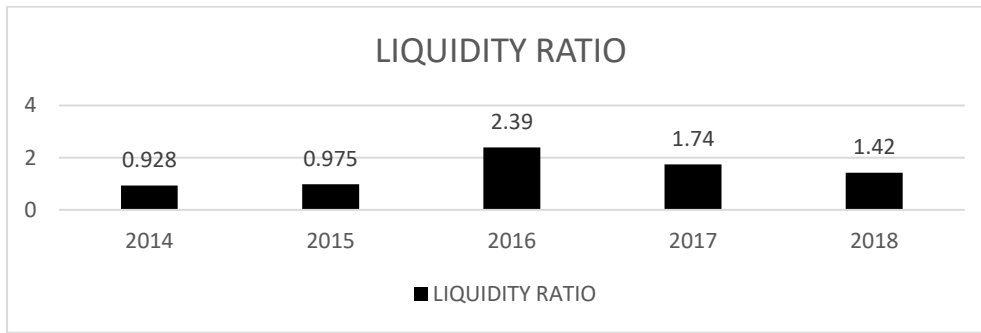
<b>YEAR</b>	<b>CURRENT LIABILITIES</b>	<b>CURRENT ASSETS</b>	<b>LIQUIDITY RATIO</b>
2014	71.53	66.39	0.928
2015	87.85	85.68	0.975
2016	36.65	87.68	2.39
2017	60.78	105.77	1.74
2018	84.93	120.33	1.42

Source: scholar's calculation

**ANALYSIS:**

The above table shows the liquidity ratio from the 2014-2018 In the year 201 liquidity ratio is 0.928, in the year 2015 is 0.975, and in the year 2016 is -2.39, in the year 2017 is 1.74 and in the year 2018 liquidity ratio is 1.42 respectively.

#### 4.6 SHOWING GRAPH OF LIQUIDITY RATIO



Source: Graph Extracted from Table No 4.11

#### INTERPRETATION:

The above graph highlights the liquidity position of The Yadgir urban credit co-operative society for the period of five years. There is constantly changing and fluctuating liquidity from year to year, in the year 2016 there is a highly positive ratio which shows the liabilities is less than the assets and also lending was more but in next two year it stood at positive ratio.

#### 11. SHOWING RISK EXPOSURES ADEQUACY RATIO:-

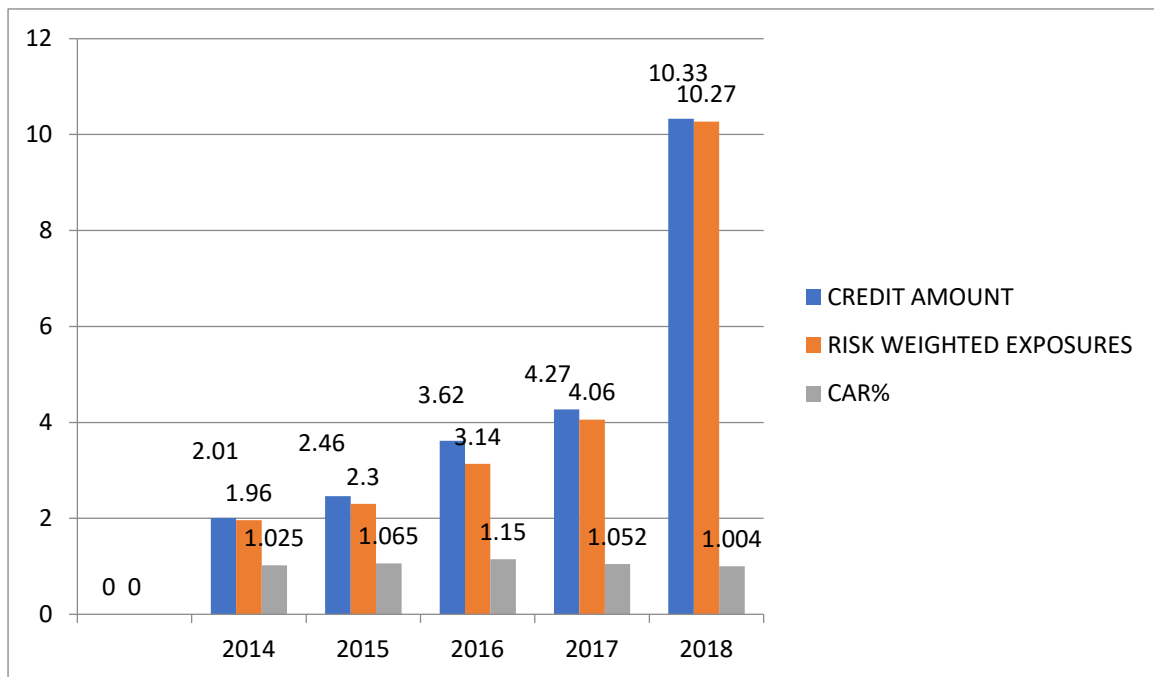
YEAR	CREDIT AMOUNT cores	RISK WEIGHTED EXPOSURES LIMIT in cores	CAR%
2014	2.01	1.96	1.025
2015	2.46	2.30	1.065
2016	3.62	3.14	1.150
2017	4.27	4.06	1.052
2018	10.33	10.27	1.004

Source: internal data from bank

## ANALYSIS:

The table shows the capital adequacy ratio which is calculated by using credit amount risk weighted exposures limit. In the year 2014 CAR is 0.1.025%, in the year 2015 is at 1.065 and in the next couple of coming years i.e. 2017 and 2018 is at 1.052% and 1.004% respectively.

### 4.7 SHOWING CREDIT ADEQUACY RATIO:



Source: internal data from bank

## INTERPRETATION:

In above graph it indicates the stability and efficiency of the bank over the particular financial year. This ratio helps the bank to determine its capacity and meet the liability and other risks. For calculating the CAR will benefits bank in performing in correct direction, bank easily reduced is credit expose limit year by year, if its compare to 2014 car limit is 1.025 and when its came to 2018 year it reduce to 1.004.

**12. TABLE TOTAL DEPOSITS AND TOTAL LOAN& ADVANCES:-**

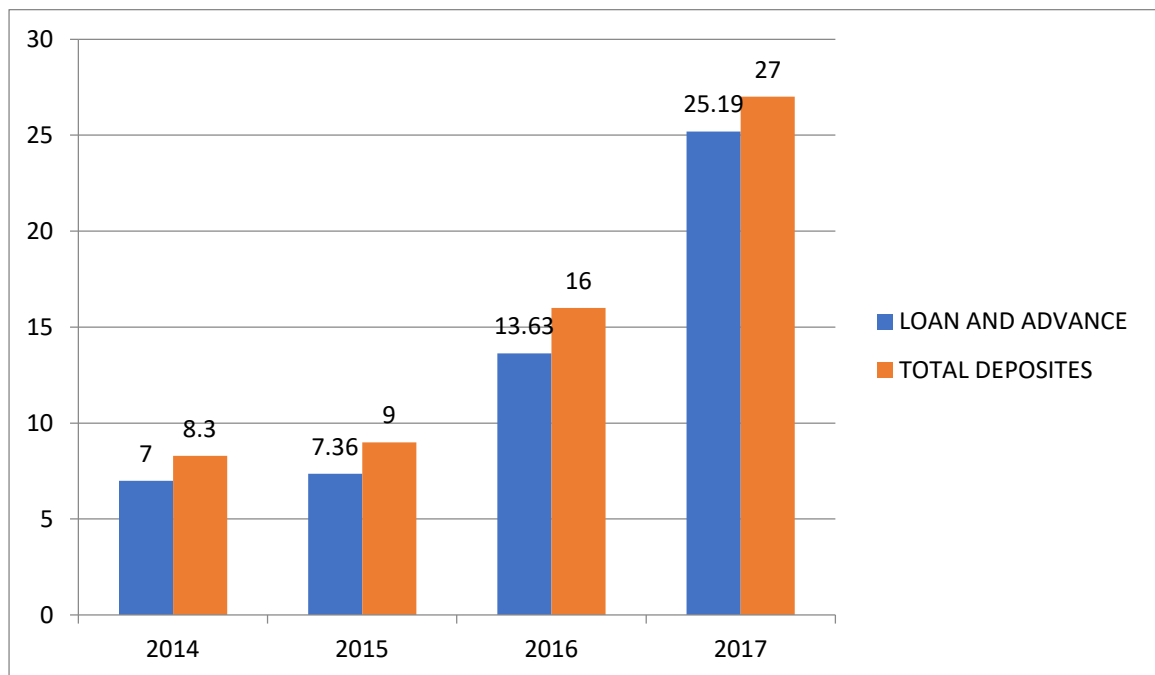
<b>YEAR</b>	<b>LOAN AND ADVANCE</b>	<b>TOTAL DEPOSITES</b>
2014	7	8.3
2015	7.36	9
2016	13.63	16
2017	25.19	27
2018	20.51	30

Source: balance sheet

**ANALYSIS:**

In the above table showing loan and advance . Loan and advance is one of most important part of Yadgir urban credit co-operative society. There is the scenario of last five years. Its increase year by year in deposits. In the year 2014 is 8.3 cores. And in the year 2018 30 cores deposits and 20.51 cores loan amount

#### 4.8 GRAPH SHOWING RETURN ON ASSETS:



Source: balance sheet

#### INTERPRETATION:

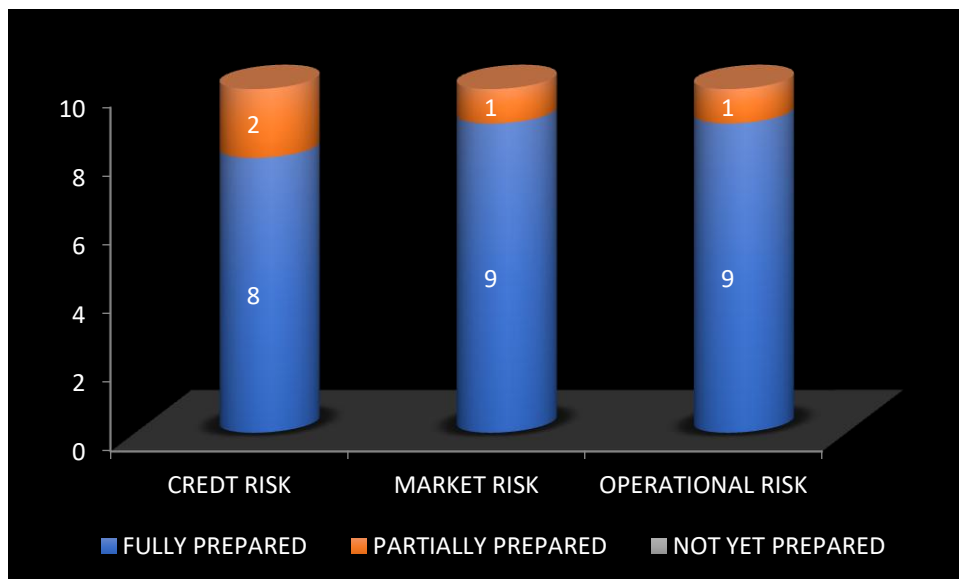
The above graph indicates that total loans provide to customer each year and also its indicates the total deposits in the last five year. 2014 the total deposit collected 8.3 cores rupee , same year total loan and advance is 7 core . When it came to 2018 year its total deposit is 27 cores and its total loan is 25.19 cores , in present year company is doing average business in rural banking sector.

**13. TABLE SHOWING THE EVALUATION OF YOUR READINESS FOR THE NEW BASEL PROPOSALS WITH RECOGNIZE TO CAPITAL NECESSITIES IN CREDIT SCORE**

	CREDIT RISK	MARKET RISK	OPERATIONAL RISK
FULLY PREPARED	8	9	9
PARTIALLY PREPARED	2	1	1
NOT YET PREPARED			

Analysis: the above table showing the assessment of capital proposals in the different base in credit risk and its market risk and operational risk inside the organization.

**4.9 GRAPH SHOWING THE EVALUATION OF YOUR READINESS FOR THE NEW BASEL PROPOSALS WITH RECOGNIZE TO CAPITAL NECESSITIES IN CREDIT SCORE threat.**



**INTERPRETATION:**

In spite of the fact that the credit risk guidelines are viewed as essential to imperative by a solid dominant part of banks, some are just halfway arranged for usage. The banks expect to look past the administrative angles and plan to profit by the new guidelines as a way to improved hazard the executives in the way of find out the credit risk in banking sector.

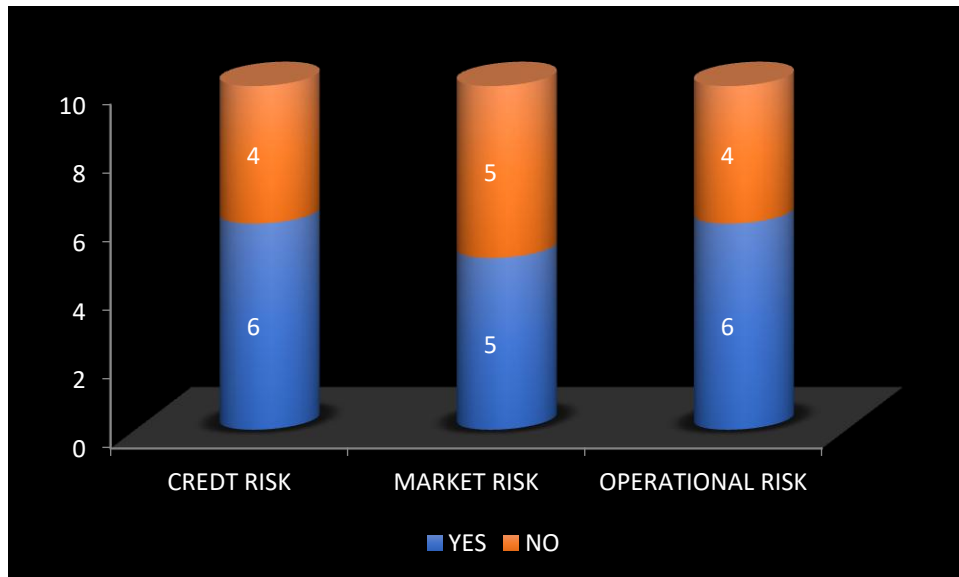
**14. TABLE SHOWING THE RISK COMMITMENT OF BANK:-**

	CREDIT RISK	MARKET RISK	OPERATIONAL RISK
BANK EMPLOYEES	6	5	6
OUTSIDE AUDIT	4	5	4

**Analysis:**

Nearly all the collaborating banks have a threat management department. maximum of the enterprise's chance managers' document to the leader government Officer, Asset and liability supervisor and chief risk Officer accounting for the steadiness in same proportions. slightly greater attention is paid to credit rating and operational risk than to marketplace hazard, as 40 % of the banks working do not have threat commitment.

**4.10 GRAPH SHOWING THE RISK COMMITTEMENT OF BANK**



**INTERPRETATION:**

In spite of the moderately little size of banks, they are commonly very much aware of the hazard the executives work, and for this reason, chance administrators invest over a large portion of their energy playing out these capacities.

**15. TABLE SHOWING THE RISK IN FORESEE DEPARTMENT**

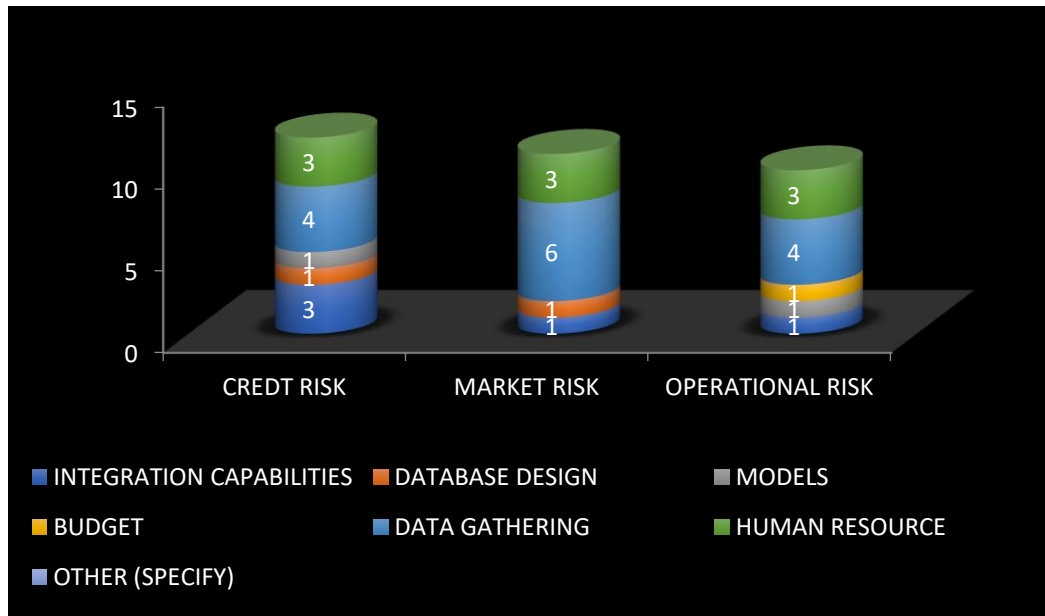
	CREDIT RISK	MARKET RISK	OPERATIONAL RISK
INTEGRATION CAPABILITIES	3	1	1
DATABASE DESIGN	1	1	
MODELS	1		1
BUDGET			1
DATA GATHERING	4	6	4
HUMAN RESOURCE	3	3	3
OTHER (SPECIFY)			

Analysis:

Greater than half of the Banking industry will use their IT infrastructure in its present day layout. Problems that banks foresee are extra on facts gathering and Human useful resource.



#### 4.11 GRAPH SHOWING THE RISK FORESEES DEPARTMENT



#### INTERPRETATION:

The banks ought to train their employees, so as to overcome the difficulties in imposing the Basel II norms. The banks must increase enough infrastructure to collect the desired records.

## 16. HYPOTHESIS TESTING:-

YEAR	NPLR	CAR	ROA
2015	0.0090	0.0373	0.0085
2016	0.0138	0.0741	0.0116
2017	0.0104	0.0993	0.0124
2018	0.0067	0.0715	0.0124

Source: scholar's calculation

Here ROA is the dependent variable and other two NPLR and CAR are the Independent variables.

### 4.16. REGRESSION EQUATION:-

Thus the equation is:

$$\text{ROA} = 0.008 - 0.132 \text{ NPLR} + 0.069 \text{ CAR}$$

Here profitability indicator for the bank is measured by ROA which is a structured variable credit score threat management indicator Non-acting Loans Ratio (NPLR) and credit Adequacy Ratio are the unbiased variables.

### 17. SHOWING MODEL SUMMARY:-

R	R Square	Adjusted R Square	Std. Error of the Estimated
.917	.842	.683	.0009370

R value is 0.917 indicate that positive between dependent variable return on assets (ROA) and input variable Non-performing Loan Ratio and Credit Adequacy Ratio (NPLR & CAR).

R square value is 0.842 which indicates that change in return on assets is explained by Non-Performance Loan Ratio and Credit Adequacy Ratio (NPLR & CAR) up to 84.2%.

### 18. SHOWING ANOVA TEST:-

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	.000	2	.000	5.314	.158
Residual	.000	2	.000		
Total	.000	4			

At 5% significance level it indicate that model is unable to define the relationship between the dependent variable Return On Assets (ROA) and independent variable Non-Performance Loan Ratio and Credit Adequacy Ratio (NPLR & CAR)

### 19. SHOWING COEFFICIENTS:-

Model	Unstandardized Coefficients		Standard Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.008	.002		3.953	.058
NPLR	-.132	.150	-.251	-.882	.471
CAR	.069	.021	.920	3.234	.084

At 5% significant level we are unable to reject Null hypothesis that is there is no significant effect of Credit Risk Management on the financial performance of the Bank.

**CHAPTER 5**

**FINDINGS, SUGGESTIONS AND CONCLUSION**

## 1.1 FINDINGS:-

- The loan amount has covered different types of areas, where much covered is metro & port town centre with high sanction of loan of Rs 2,01 core and the least covered is semi urban & rural centre loan of Rs 2.46 core.
- The bank follows fixed interest. The interest rate is divided according to the borrowed money range. From 25 lakhs. The interest rates for 25 lakhs for 5-10, 10-15, 15-25 terms are 13.50%, from 25-30 lakhs and above 50 lakhs it is 14% respectively.
- Credit threat is normally nicely contained, but there are however troubles related to loan type, loan loss provisioning, and the absence of consolidated accounts. Bank increasing year by year but the percentage of educational loan is decreasing
- Staff advances of the bank is nearly got equal importance only in 2013-14 percentage of loan is 0.47% and there after it got up swing staff advances of the bank is equally increasing to the increase of total loan amount.
- Destiny complexity is anticipated because banks diversify their operations. it's miles predicted that banks will diversify their operations to generate additional earnings resources, in particular fee-based totally income i.e. non interest income, to enhance returns.
- The banks that might choose to adopt the standard approach must try to undertake advanced method.
- Market risk and Operational danger are clear task, as they may be relatively new to the that had been no longer properly developed under the unique Basel Capital Accord.
- R fee is zero.917 imply that superb correlation between based variable return on assets (ROA) and independent variable Non-performance mortgage Ratio and credit score Adequacy Ratio (NPLR & vehicle).
- R square value is 0.842 which indicate that change in return on assets is explainable by Non-Performance Loan Ratio and Credit Adequacy Ratio (NPLR & CAR) up to 84.2%.

## 1.2 SUGGESTION:-

- Bank has to make an unbiased assessment of the risk of the customer before sanctioning a loan.
- Suggest for adopting an Electronic Fund Transfer system (EFT), Electronic Clearing System (ECS).
- Proper training should be given for collection team.
- The bank should update the credit rating periodically.
- The bank should thoroughly assess the financial performance of customers.
- It is suggested to bank to follow similar kind of credit management policies.
- The bank should increase the number of branches to other area for further growth and to extend its customer base.
- While sanctioning loans to customer past credit history is to be considered, along with current income and assets.
- The directors of the bank should have accountability for appreciative and regularly receiving the credit risk strategy.
- Bank should have a system for carrying remedial action on determining credits and managing credit problems.
- The bank should implement a credit rating model in order to control and manage the credit risk of the borrower.

### 1.3 CONCLUSION:-

- Credit risk management has an huge impact on the bank's balance sheet thus its assets and liability management can ensure efficient credit risk management. Bank can limit the presence of non-performing assets in its balance sheets.
- Non-performing assets affects the management adversely. They freeze assets and convert short term claims into long term.
- Cash flows are affected thereby reducing liquidity of the bank. The main point however, is that non-performing assets affects the outsider's perception of the bank. Its credit worthiness decreases. As a result, it would not have a very negative impact on the bank.
- In the case of different credit sanctioned by bank, the bank has observed various risks like Business risk, Industry risk, and Default risk. Because bankers follow a strict methodology to deal with default borrowers.
- Overall The Yadgir urban credit cooperative society has well planned, designated and managed credit risk policy for different types of credit.

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ACHARYA INSTITUTE OF TECHNOLOGY  
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PROJECT(17MBAPR407) -WEEKLY REPORT

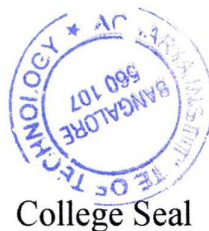
NAME OF THE STUDENT: MD RAFI UDDIN SOHAIB DARZI

INTERNAL GUIDE: Prof. Sandhya.S

USN: 11A17MBA31

COMPANY NAME: The Yadgis Urban Credit Co. Op. Society Ltd. Yadgis

WEEK	WORK UNDERTAKEN	EXTERNAL GUIDE SIGNATURE	INTERNAL GUIDE SIGNATURE
3 <sup>rd</sup> Jan 2019 – 9 <sup>th</sup> Jan 2019	Industry Profile and Company Profile		 4/3/19
10 <sup>th</sup> Jan 2019 – 17 <sup>th</sup> Jan 2019	Preparation of Research instrument for data collection		 4/3/19
18 <sup>th</sup> Jan 2019 – 25 <sup>th</sup> Jan 2019	Data collection		 4/3/19
26 <sup>th</sup> Jan 2019 – 2 <sup>nd</sup> Feb 2019	Analysis and finalization of report		 4/3/19
3 <sup>rd</sup> Feb 2019 – 9 <sup>th</sup> Feb 2019	Findings and Suggestions		 4/3/19
10 <sup>th</sup> Feb 2019 – 16 <sup>th</sup> Feb 2019	Conclusion and Final Report		 4/3/19



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