RISK MANAGEMENT IN PRAGATHI-KRISHNA GRAMEEN BANK IN GULBARGA DISTRICT: EMPIRICAL EVIDENCE

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ABSTRACT

A broad range of innovative and evolutional financial products, available globally at current time, have taken place and turned banking into a dynamic and active risk management process of assets and liabilities in a low regulated, high-risk environment. A complex system of techniques and management tools are used from banks to measure, monitor and control risks that are mainly categorized in credit risk, market risk, interest rate risk, liquidity risk, operational risk and legal risk. So, in the light of these lines, this research paper concludes that the performance of Pragathi Gramina Bank in meeting its objectives is successful and appreciable based on the available data for the purpose of study. And the research paper conveys a message to the government to take further needful support to these regional rural banks to make them more viable and successful in meeting the needs of rural credit in the coming days.

KEYWORDS*: Assets, Liabilities, interest rate, liquidity risk, operational risk, legal risk, Pragathi Gramina Bank.*

INTRODUCTION

Financial institutions play a crucial role in today's globalized economy. Because of their expertise and by monitoring and screening potential borrowers, these financial intermediaries have a comparative advantage in overcoming symmetric information. As such, one of the fundamental roles of these financial intermediaries is capital allocation by lending funds that have been deposited in their accounts. Risk management in banking contains a combination of processes and models, results of scientific research, that banks base on them to implement risk-based policies and practices. Banks are not any more practice traditional financial intermediation in low risk environment. A broad range of innovative and evolutional financial products, available globally at current time, have taken place and turned banking into a dynamic and active risk management process of assets and liabilities in a low regulated, high-risk environment. A complex system of techniques and management tools are used from banks to measure, monitor and control risks that are mainly categorized in credit risk, market risk, interest rate risk, liquidity risk, operational risk and legal risk.

The basic reasons that made the risk-based practices to develop quickly are: banks have major incentives to move rapidly in that direction, regulations developed guidelines for risk measurement and for defining risk-based capital (equity) and the risk management .toolbox, of models enriched considerably, for all types of risks, providing tools making risk measures instrumental and their integration into bank processes feasible. Risk is a key factor for business, because you cannot get profit from any activity without risk. Since banking risks are a source of unpredicted expenses, their proper management might stabilize revenues, having the role of shock absorber. At the same time, strengthening the value of banking shares can only be achieved through real communication with the financial markets and implementation of adequate programmes of banking risk and banking risk management.

REVIEW OF LITERATURE

In order to find out the statement of the research problem, the literature already available pertaining to the research gap is too reviewed. Before embarking upon the research study the researchers made an attempt to review the literature related to research paper are as under –

Gorton et al (1995), scrutinised that research has viewed loan sales as a response to regulatory costs as a source of nonlocal bank capital to support local investments as a function of funding costs and risks and possibly as a way to diversify.

Rajagopal (1996), made an attempt to overview the bank's risk management and suggested a model for pricing the

products based on credit risk assessment of the borrowers. Research concluded that good risk management is good banking, which ultimately leads to profitable survival of the institution. It was inferred that a proper approach to risk identification, measurement and control safeguarded the interests of banking institution in long run.

Allayannis et al (1999), examined the use of foreign currency derivatives in a sample of large U.S. non-financial firms and report that there was a positive relation between firm value and the use of foreign currency derivatives. Their evidence suggested that hedging raises firm value.

Ferguson (2001) analyzed the models and judgments related to credit risk management. The author concluded that proper risk modelling provides a formal systematic and disciplined way for firms to measure changes in the riskiness of their portfolio and helped them in designing proper strategic framework for managing changes in their risk

Bagchi (2003) examined the credit risk management in banks, risk identification, risk measurement, risk monitoring, risk control and risk audit as a basic consideration for credit risk management and concluded that proper credit risk architecture, policies and framework of credit risk management, credit rating system, monitoring and control contributes in the success of credit risk management system.

Gambhire (2007) described the concept of Basel II Norms and the method to calculate credit risk, operational risk and market risk. The study also focused on the challenges and benefits of application of Basel II Norms in Indian banking system.

OBJECTIVES OF THE RESEARCH STUDY

The main objectives of research study are as under –
1. To know the conceptual framework of risk management in financial institutions in Indian context.
2. To know the respondents perception towards risk management in PKGB in Gulbarga District.
3. To offer some valuable suggestions based on the major findings of the study area.

RESEARCH METHODOLOGY

A research study design is the arrangement for collection and analysis of data. The study is basically descriptive in nature. For the purpose of the study, primary and secondary information has been gathered from the existing literature such as relevant research based on books, articles.
   a. **Data Collection:** Data collected for the study was through Primary and Secondary sources. It consists of original data gathered for the present study. The first information has been collected through a suitable is well structured questionnaire. The present study is mainly based on primary data source collected from the respondents of 'Pragathi-Krishna Grameen Bank in Gulbarga District. Respondents' opinion was rated on five point scale.
   b. **Secondary Data Source:** The study consists of information that already exists that has been collected for the purpose of this study. The secondary data source information has been collected through the bank websites, Annual reports, journals, magazines and internet.

c. Sample Size for the study: As stated above, that a survey questionnaire has been constructed and administered among the respondents of PKGB from the selected districts of Karnataka particularly, Hyderabad-Karnataka region. However, the researchers' collected primary information from a large sample of 250 respondents to represent the population.

TOOLS AND TECHNIQUES OF THE RESEARCH STUDY

In the present study, the researchers has applicable suitable statistical tool as percentage for analysis of data and to draw meaningful conclusion therefrom. The relevant tools were also applied for analysing the primary data especially for the purpose of knowing the attitude of '*RISK MANAGEMENT IN PRAGATHI-KRISHNA GRAMEEN BANK IN GULBARGA DISTRICT: EMPIRICAL EVIDENCE'*. An analytical tables and charts have been constructed for the effective presentation of the results of analysis.

THE STUDY
Profile of Krishna Grameena Bank

Krishna Grameena bank is the sixth regional rural bank in Karnataka State. The Krishna Grameena bank is a reigional rural bank established in terms of provisions of regional rural banks Act, 1976 and was sponsored by State Bank of India. The bank started to function on 1st December 1978 under the dynamic and able leadership of Shri. Ashok Khani as its first chairman. Initially, the area of its operation was confined to Gulbarga District only. Later on it was extended to the neighbouring districts of Bidar and Yadgir also. Now the bank is operating in Gulbarga, Bidar and Yadgir districts of Karnataka since 1st December 1978.

The Central Government has decided to merge the two Regional Rural Banks (RRB's) of North Karnataka viz., Krishna Grameena Bank and Pragati Grameena Bank with headquarters at Bellary and the resultant bank is christened as Pragati Krishna Grameena Bank (PKGB). The new bank has come into effect from August 23, 2013 sponsored by Canara Bank. However, before the merger the KGB was entirely sponsored by the State Bank of India. The command area of the new bank will be the combined operational area of the erstwhile two RRBs viz., Bidar, Gulbarga, Yadgir, Raichur, Koppal, Bellary, Davangere, Chitradurga, Shimoga, Kolar and Chickballapur. The Gulbarga, Bidar and Yadagir these three districts are known for their backwardness and are also the lead districts of the sponsor bank. The position of the cooperatives is very weak in Gulbarga and Yadagir districts and quite strong in Bidar district. "The total area covered by these three districts is around 21637.471 Sq-kilometers spread over 15 Talukas and 2020 inhabited villages.

PROFILE OF RESPONDENTS

The profile of respondents with regard to demographics like gender, age, qualification and marital status has been discussed as under –
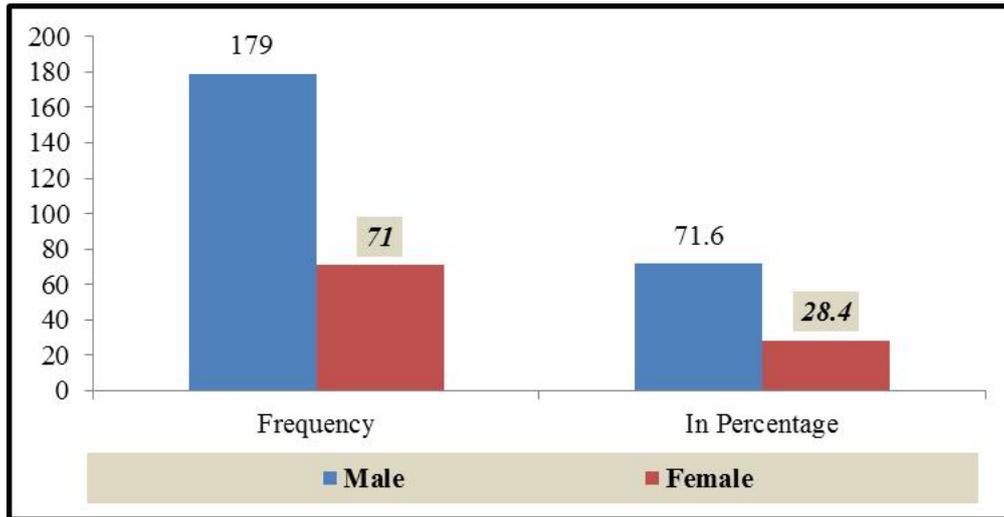
Table No – 1:
Distribution of respondents on the basis of gender-wise

Category	Frequency	In Percentage
Male	179	71.6
Female	71	28.4
Total	**250**	**100**

Source: Field Investigation.

It is seen in table no – 1 that 179 respondents forming 71.6 percent of the total were male and the rest of the 71 respondents forming 28.4 percent were female. In this study, the male respondents constitute more than the half of the total sample size of this study. It has been also shown in chart no.1.

Chart No – 1:
Distribution of respondents on the basis of gender-wise

Table No – 2:
Distribution of respondents on the basis of Age-wise

Category	Frequency	In Percentage
19 year -30 year	83	33.2
31 year – 45 year	123	49.2
46 year – 58 year	44	17.6
Total	**250**	**100**

Source: Field Investigation.

The above table depicts the age of the respondents on the basis of age-wise. The age ranged between 31 year – 45 year of the maximum number i.e.123 (49.2 percent) respondents were in age group of 19 year – 30 years constituting 33.2 percent followed by 17.6 percent of respondents were in the age group of 46 year – 58 years. The significant highlight of age group respondents is many of the respondents were above 31 year to 45 year. The set of employees above the age group of 19 year – 30 year may have positive contribution on risk management in study bank. It has been also shown in chart no.2.

Chart No – 2:
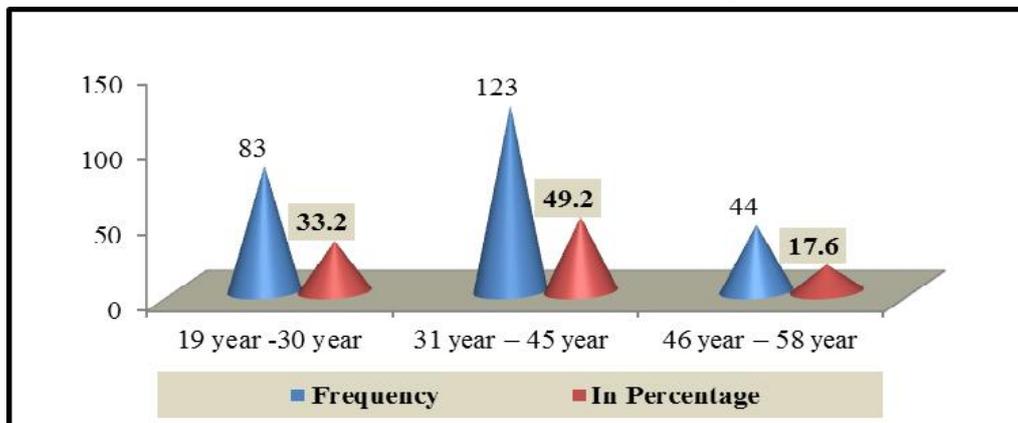**Distribution of respondents on the basis of Age-wise**

Table No – 3:
Distribution of respondents on the basis of qualification

Category	Frequency	In Percentage
College Graduate	148	59.2
Post Graduate	64	25.6
Others	38	15.2
Total	**250**	**100**

Source: Field Investigation.

The analysis of table 3 reveals that, the education background of respondents is mixture representing 59.2 percent with college graduate 25.6 percent post graduate, 15.2 percent represents others. It is very difficult for the organisation to frame an appropriate Risk management policy for developing the banking. i.e. in the light of diverse educational qualification of the respondents. It has been also shown in chart no -3 respectively.

Chart No – 3:
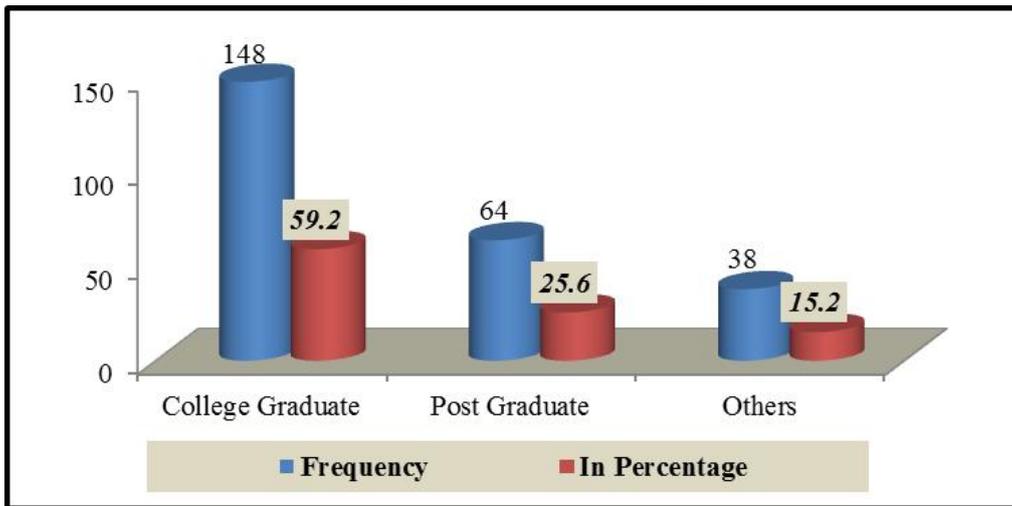**Distribution of respondents on the basis of qualification**

Table No – 4:
Distribution of respondents on the basis of Marital Status

| Category	Frequency	In Percentage
Married	178	71.2
Unmarried	72	28.8
Total	**250**	**100**

Source: Field Investigation.

It is seen in table no – 4 indicate that 178 respondents forming 71.2 percent of the total respondents were married and the rest of remaining of the 72 respondents forming 28.8 percent were unmarried. The male and female respondents were almost mixture proportion in this study. It has been also shown in chart no - 4 respectively.

Chart No – 4:
Distribution of respondents on the basis of Marital Status
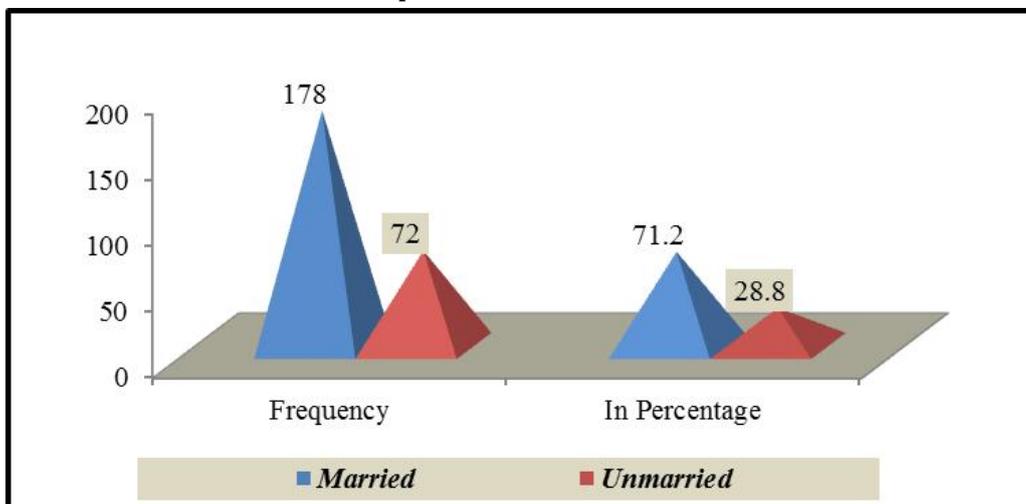
Table no -5:
Nature of the Group

Particulars	No. of Respondents	In Percentage
Homogeneous	182	72.8
Heterogeneous	68	27.2
Total	**250**	**100**

Source: Field Investigation.

The above table 5 represents that 182 respondents representing 72.8 percentages of self-help groups are of homogeneous in nature and whereas remaining 68 respondents representing 27.2 percentage self-help groups are of heterogeneous in nature.

Table no -6:
Savings of SHGs

Savings of SHGs	No. of Respondents	In Percentages
Below- 1000	48	19.2
1000 – 1500	159	63.6
1500 – 2000	43	17.2
Total	**250**	**100**

Source: Field Investigation.

The above table 6 exhibits that the 48 respondents representing 19.2 percentages of groups have savings of below 1000, whereas 159 respondents representing 63.6 percentage of the group have savings from Rs.1000 to Rs.1500 and whereas remaining 43 respondents representing of the have savings from Rs.1500 to Rs.2000 respectively.

Table No – 7:
Records Keeping by the SHGs

Records of Book Keeping	No. of Respondents	In percentage
Well maintained	157	62.8
Maintained	57	22.8
In process	36	14.4
Total	**250**	**100**

Source: Field Investigation.

The above table express that 157 respondents representing that 62.8 percentage of the self-groups have well maintained their accounts, whereas 57 respondents representing 22.8 percentage of the self-help groups have maintained their accounts whereas remaining 36 responds representing 14.4 percentage of self- help groups have that the updating of accounts in process.

Table No – 8:
Annual Audit Conducted by SHGs

Annual Audit Programme	No. of Respondents	In percentage
Yes	225	90
No	25	10
Total	**250**	**100**

Source: Field Investigation.

The above table 8 reveals that 225 (90 percentage) respondents representing 75 percentage of the self -help groups had annual auditing and whereas remaining 25 respondents representing 10 percentages of the self- help groups have not gone under annual auditing programme.

FINDINGS
The major findings of the research study are as under –

- Out of 250 respondents it is found that 179 respondents forming 71.6 percent of the total were male and the rest of the 71 respondents forming 28.4 percent were female. In this study, the male respondents constitute more than the half of the total sample size of this study.
- The majority of age of the respondents on the basis of age-wise. The age ranged between 31 year – 45 year of the maximum number i.e.123 (49.2 percent) respondents were in age group of 19 year – 30 years constituting 33.2 percent followed by 17.6 percent of respondents were in the age group of 46 year – 58 years.

- It can be inferred that majority of education background of respondents is mixture representing 59.2 percent with college graduate 25.6 percent post graduate, 15.2 percent represents others. It is very difficult for the organisation to frame an appropriate Risk management policy for developing the banking. i.e. in the light of diverse educational qualification of the respondents.
- It is observed in the study that of 178 respondents forming 71.2 percent of the total respondents were married and the rest of remaining of the 72 respondents forming 28.8 percent were unmarried. The male and female respondents were almost mixture proportion in this study.
- It is found that a majority of 182 respondents representing 72.8 percentages of self-help groups are of homogeneous in nature and whereas remaining 68 respondents representing 27.2 percentage self-help groups are of heterogeneous in nature.
- It is analysed that 48 respondents representing 19.2 percentages of groups have savings of below 1000, whereas 159 respondents representing 63.6

percentage of the group have savings from Rs.1000 to Rs.1500 and whereas remaining 43 respondents representing of the have savings from Rs.1500 to Rs.2000 respectively.

■ It is found that a substantial number of respondents i.e., express that 157 respondents representing that 62.8 percentage of the self-groups have well maintained their accounts, whereas 57 respondents representing 22.8 percentage of the self-help groups have maintained their accounts whereas remaining 36 responds representing 14.4 percentage of self-help groups have that the updating of accounts in process.

■ The respondents through interactions and survey have revealed that 225 (90 percentage) respondents representing 75 percentage of the self -help groups had annual auditing and whereas remaining 25 respondents representing 10 percentages of the self-help groups have not gone under annual auditing programme.

CONCLUSION

Risk management in banking contains a combination of processes and models, results of scientific research, that banks base on them to implement risk-based policies and practices. Banks are not any more practice traditional financial intermediation in low risk environment. A broad range of innovative and evolutional financial products, available globally at current time, have taken place and turned banking into a dynamic and active risk management process of assets and liabilities in a low regulated, high-risk environment. A complex system of techniques and management tools are used from banks to measure, monitor and control risks that are mainly categorized in credit risk, market risk, interest rate risk, liquidity risk, operational risk and legal risk. So, in the light of these lines, this research paper concludes that the

performance of Pragathi Gramina Bank in meeting its objectives is successful and appreciable based on the available data for the purpose of study. And the research paper conveys a message to the government to take further needful support to these regional rural banks to make them more viable and successful in meeting the needs of rural credit in the coming days.

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