

Chapter - 1

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INTRODUCTION

1.1 Introduction

The banking system occupies a very important place in the process of economic growth. An efficient banking system collects savings and diverts them into productive channels for the attainment of the desired economic growth. In the past the banks were working as only depositories and loan vendors. But in the modern age, its structure and concept have been changed. A developing economy requires a continuous process of investment and the investment facilities are provided by the banks. Economic development is based on the process of banking development and so banks are known as the life blood of the country. The commercial banks, private banks and co-operative banks are all working today with a view to promoting economic development. More significant is the role played by the co-operative banks since they have emerged from and for the weaker section of society. The activities of the co-operative banks in India are growing in volume and dimension to suit the changing circumstances and the need of the customers. The urban co-operative banks are also adopting themselves to the changed circumstances.

In the context of planned economic growth with emphasis on social justice, the banking system has become an important instrument in the attainment of socio-economic objectives. Urban co-operative banks are an important constituent of the multi agency banking system in the

country and a distinct role to play in the task of economic development in consonance with national priorities and policies.

Urban co-operative banks over the years have recorded a phenomenal growth and they have assumed new and diversified responsibilities. Notwithstanding these changes, their original objective of serving the small men and weaker sections of the society should not be lost sight of. And also the pressure on banks for providing new and better services is becoming increasingly scarce and their profit margins are being squeezed. Externally, the pressure of the environment is affecting the management and activities of urban banks.

1.2 Importance of Banking System

The banking system plays an important role, some times a very crucial role in the process of economic development of a region and a country. The banks primarily help to mobilise savings of the people and make them available for the purpose of investment, which is very vital for economic growth. Banks have also help in optimizing the use of limited resources particularly in an underdeveloped country through the process of institutionalisation of savings and investment.

In present times, banks not only play an intermediary role in the mobilisation of resources and deployment of the same but also have a crucial role in the identification of productive avenues for investment and potential entrepreneurs. Bank plays an increasingly important role in the external trade of the country. Specialised banking functions in this regard facilitates greater and thereby helping to earn precious foreign exchange.

Apart from arranging for finance for foreign trade, these banks help in the establishment of useful contacts with potential markets and buyers overseas. The bank role has thus undergone a transformation and now transcends the traditional areas; they in fact get involved in varied aspects of the growth process. The development strategy in India is to promote economic growth with a measure of distributive justice. The banking system has emerged as an important instrument in this behalf. Urban co-operative banks constitute a very important part of the multi agency banking system adopted in India.

The urban credit movement in India began roughly a century ago when the first mutual aid society was setup in Baroda. The Co-Operative Credit Societies Act 1904 conferred legal status on such societies. In those days, all the urban credit societies including the urban banks were described as non-agricultural credit societies. Such societies were expected to grow on their own volition without any government assistance whatsoever. The situation improved slightly for the development of urban banks received attention in 1915 when the Macglan Committee referred to the potentialities for the organisation of such societies especially in urban localities to meet particularly the requirements of the middle class people.

In wake of the acute economic crisis 1990 the government of India launched programme of Economic Reforms. The New Economic Policy had twin objectives to be achieved simultaneously viz. bringing stability in the short period and promote rapid economic development in the long

period. To achieve these objectives the government had introduced different economic reforms in different sectors of economy. These reforms consist of fiscal reforms, financial sector reforms, industrial reforms, reforms related to foreign investment and international trade policy etc.

Financial sector reforms is the one of the important areas of New Economic Policy. The structural reforms in the real economy would not be possible and effective without efficient and competitive financial system. After nationalization the Indian banking sector has made quantitative progress in terms of branch expansion and credit flow. But it faced problem of financial solvency. Narasimham Committee was appointed to study in problem of banking sector. The committee submitted its report in 1991. This committee made various recommendations in order to improve the efficiency and profitability in financial sector.

This lead to adoption of policy measures by the government. It resulted into adoption of new methods in the banking sector like new classification of assets, acceptance of prudential norms etc. All these measures are designed to improve the productivity of urban co-operative banking sector as a whole.

The present study, 'Economic Reforms and Labour Productivity in Urban Co-operative Banking Sector' with special reference to co-operative banks in Kolhapur is related to banking sector reforms only. Banking reforms is one of the part of financial sector reforms and in this present study an attempt is made to study about impact of economic reforms on labour productivity.

They are –

- a) Liquidity ratio
- b) Leverage ratio
- c) Activity ratio
- d) Profitability ratio
- e) Valuation ratio
- f) Cost per employee
- g) Business per employee

1.3 Objectives of the Study

The following are the objectives of the present study.

1. To study the historical review of urban co-operative bank in India.
2. To study the administration pattern of urban co-operative bank
3. To study the labour productivity of urban co-operative bank in Kolhapur
4. To study the problems in labour productivity in urban co-operative bank in Kolhapur.

1.4 Research Methodology

Keeping in view significance of labour productivity in urban co-operative banks. The present study tries to examine the labour productivity of urban co-operative banks in Kolhapur.

A) Selection of the Urban Co-operative Banks

The study is conducted with special reference to urban co-operative banks in Kolhapur. The data will be collected from 3 urban co-operative banks.

These banks are selected on the basis of purposive sampling techniques. Arriving at the sample size and important criteria used during 6 consecutive years i. e. 2000-01 to 2005-06.

a) Data Collection

i) Primary Data

The primary data is collected from the sample by using questionnaire. This sample will be drawn on the basis of stratified sampling method.

ii) Secondary Data

The secondary data is collected from using official reports, annual reports of urban co-operative banks in Kolhapur, co-operative movement in India – A Statistical Profile, documents available from various libraries and institutions, various articles published in journals, books and many such periodicals.

b) Data Analysis

Keeping in view the objectives of the study appropriate statistical techniques such as Average, Co-relation, Compound Growth Rate is used for the data analysis.

1.5 The Statement of the Problem

"Reforms and Labour Productivity in Urban Co-operative Banks in Kolhapur" is the title of the present study. The study is related to 6 years i. e. from 2000-01 to 2005-06 with special reference to Kolhapur.

1.6 Study Period

The period under study will be 6 years i. e. from 2000-01 to 2005-06.

1.7 Limitations of the Study

The present study has some limitations. Some of them are as follows.

1. The study is limited to urban co-operative banks in Kolhapur.
2. The study focuses only labour productivity of the urban co-operative banks in Kolhapur.
3. The study period is limited to 6 years only.

1.8 Chapter Scheme

The chapter scheme of the present study is as follows:

Chapter – 1 : Introduction

Chapter – 2 : Development of Urban Co-operative Banks in Kolhapur

Chapter – 3 : Banking Sector Reforms

Chapter – 4 : Labour Productivity and Trends

Chapter – 5 : Conclusions and Suggestions