

Chapter I

INTRODUCTION AND RESEARCH

METHODOLOGY

Chapter I

Introduction and Research Methodology

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1.1 Introduction

Today banks have become a part & parcel of our life. Safety liquidity, profitability & social good are the basic principles of banking business. The co-operative banks are the banks for the masses. They are root level institutions for cultivating the habit of saving in the common people & providing them the best which they could offer with the limits, regulations & rules designed by the Laws and Acts.

The urban co-operative banks are established to provide loans & advances to the salaried persons, traders and businessman in the specific area. The number of urban Co-operative banks is sizable in Maharashtra. Therefore it is necessary to evaluate overall performance of urban co-operative banks. Performance is closely related with an individual in particular & organization in general. Since urban co-operative bank is a social organization it is essential to study overall working of the bank considering the objective of the bank.

1.2 Theoretical Framework

1.2.1 Meaning and definitions of related terms

To understand the basic concepts relating to this study the meaning & definitions of the related terms has been studied in the following paragraphs.

1. Co-operation

The term co-operation has come from the Latin word 'Co-operari' which means work together for common purpose.

H. Calvert defined Co-operation as "A form of organization wherein persons voluntarily associate together as a human being on the basis of equality for the promotion of the economic interests of themselves.

According to late Shri V. L. Mehata "Co-operation is only one aspect of vast movement which promotes voluntary association of individuals having common needs who combine towards the achievement of common economic needs."

Prof. Paul Lambert defines, "A Co-operative society is an enterprise formed & directed by an association of users based on rules of democracy & intended to serve members and the community as a whole."

These definitions are sufficient to bring out the salient features of Co-operative organizations.

Features of Co-operation

1. Voluntary Membership
2. Democratic Managements
3. Service Objectives
4. Function for the Welfare of Society
5. Intends to remove economic weaknesses of the people

Principles of Co-operation

1. Voluntary & Open membership
2. Service motive-not profit
3. Limited liability
4. Democratic Control
5. Equitable distribution of surplus dividend
6. Self-help organization
7. Limited interest on share capital
8. Free from politics
9. Promotion of Co-operative education
10. Mutual Co-operation among Co-operatives

2. Bank

According to Banking Regulation act 1949, "Bank is an institution which accepts deposits for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise & withdrawals by cheques, drafts, order or otherwise."

Features:

1. Bank is financial institution which accept deposits from the public & advances loans to the needy.
2. It is profit making institution & the difference between the interest received on loans & the interests paid on deposits is its profit.
3. Bank also performs some agency & utility functions for its members.

3. Co-operative Bank

A Co-operative Bank is a mutual society formed composed and governed by working people themselves for encouraging regular saving and granting small loans on easy terms of interests & repayments.

A Study Group of the National Credit Council presided over by D.R. Gadgil observed:

"The Co-operative banking system is an integrated one & because of its three-tier structure has been enabled to extend credit to agriculturist artisans and small men in general. The three-tier system also allows a rationalised flow of resource from the metropolitan centres to the villages & combines this with fully low cost of operations."

4. Urban Co-operative Bank

Urban Co-operative Bank is a co-operative bank established in urban area or semi-urban area for encouraging regular saving & granting small loans on easy terms of interests & repayment.

Urban Co-operative bank promote economic activities & provide banking facilities & services to the urban people. These banks basically cater to the credit needs of small borrowers & are more concerned with the financing of agriculture & all other allied activities in urban area.

Objectives:

1. To encourage savings of urban people.
2. To attract deposits from members and non-members.
3. To lend money to the members at reasonable interest.
4. To lend money to professionals, self employed persons.
5. To lend to salary earners, teachers, farmers, businessmen and others living in urban area.
6. To lend money for education, housing, business purpose and other purposes at reasonable interest rate.
7. To induce people to join as members and shareholders.
8. To encourage thrift, self help, co-operation among members.
9. To invest funds of bank which are not required for lending.

According to Committee on Non-agricultural Credit Co-operatives under the Chairmanship of Mr. V.P. Varde, Urban Co-operative Bank should include the following features:

1. Registration under the State Co-operatives Societies Act.
2. Area of operation urban or semi-urban.
3. Paid up Share Capital minimum Rs. 50,000.

4. Provision of banking facilities (i.e. accepting deposits from members and non-members and advancing loans to needy members).

The report on the survey of urban co-operative bank conducted by the R.B.I. in 1961 considered that non-agricultural credit society having the following features may be classified as an urban co-operative bank.

1. Minimum paid up share capital of Rs. 20,000.
2. Provision of important banking facilities, withdrawal of cheques, remittance of funds etc.
3. Maintenance of fluid resources according to the prescribed standards.

1.2.2 Structure of Co-operative Banking

There are mainly two types of co-operative credit institutions

1. Agricultural
2. Non-agricultural

Of these two the agricultural credit institutions dominate the entire co operative credit structure. Agricultural Co-operative Credit Institutions fulfill the needs of common man in the rural sector.

In contrast the Non-agricultural Co-operative Credit Institutions cater the credit needs of the people in the urban sector especially through Urban Co-operative Banks.

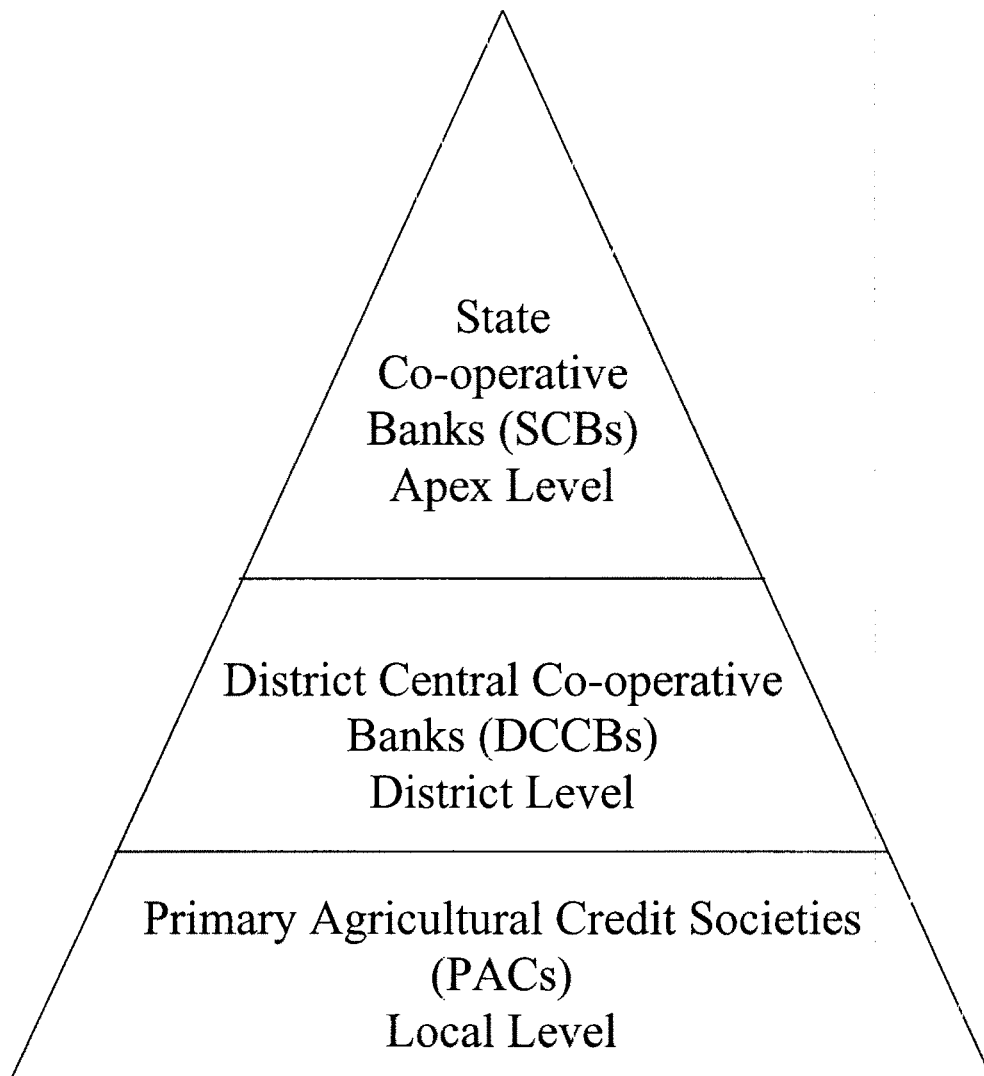
Chart 1**Three Tier Pyramidal Structure of Co-operative Banks in India**

Chart 1.2

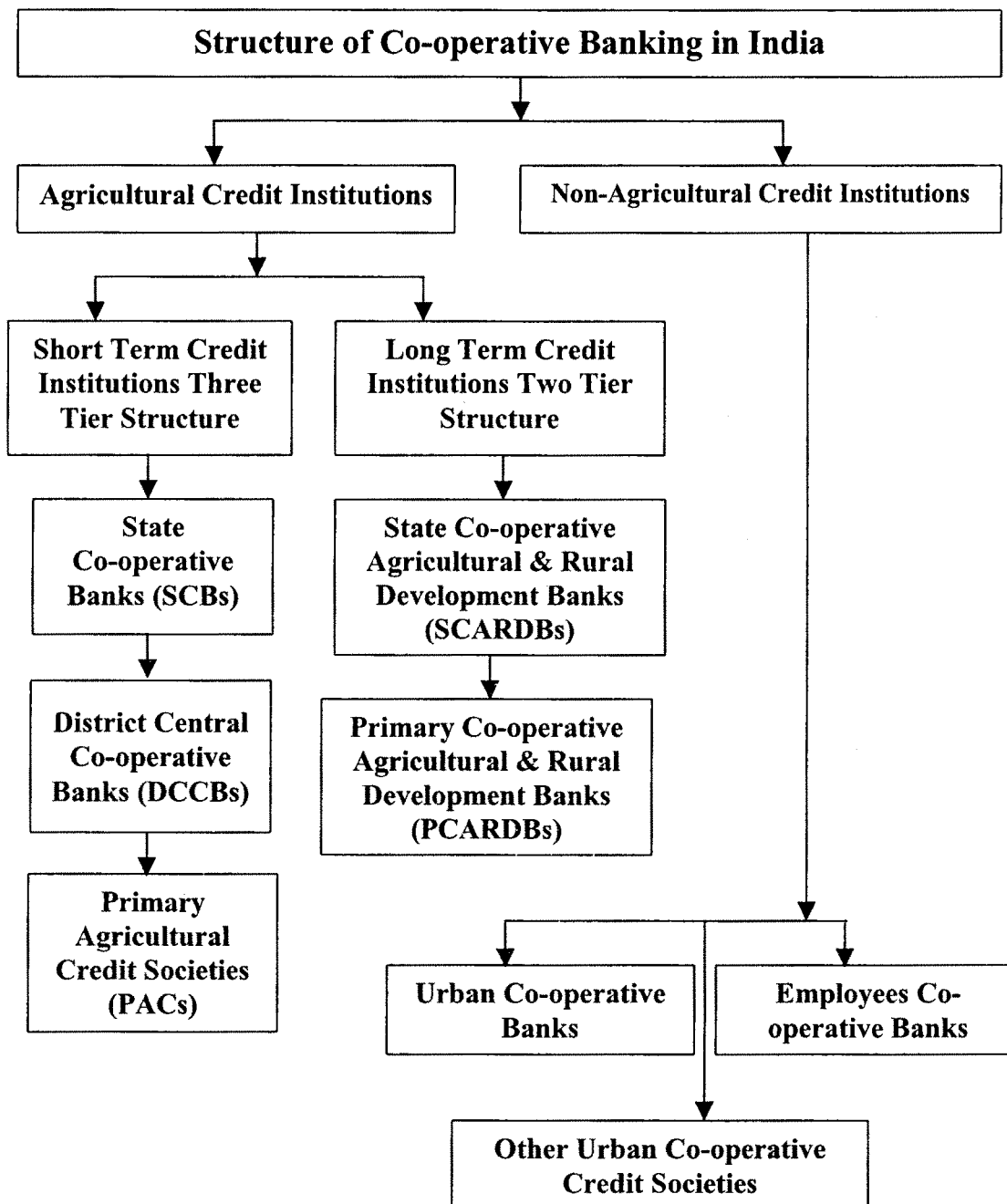


Chart 1.2 gives the entire picture of the organisational structure of Co-operative Banking in India. Thus Urban Co-operative Banks are Non-Agricultural Credit Institution.

Thus, it is essential and useful to study working of Urban Co-operative Banks.

1.2.3 Need and Importance of Urban Co-operative Banks

Poor and middle class people working in different offices or working on daily wages require money for various reasons like housing, education, starting new business etc. To satisfy these wants there is a great requirement of non-agricultural urban co-operative banking.

Co-operative banks are the banks for masses. They are root level institutions for cultivating the habit of saving in the common people and providing them the best which they could offer with the limits, regulations and rules designed by Laws & Acts.

Urban co-operative bank plays crucial role in providing loans and advances to salaried persons, traders, businessmen in urban areas.

The following points shows the need of urban co-operative banks:

1. Private and nationalised banks are not interested in catering to the economic needs of people in urban and semi-urban areas.
2. Nationalised banks do not sanction loan or personal security and the salary earners have only the personal security.
3. Urbanisation is increasing rapidly.
4. It is necessary to form the habit of saving among salary earners.

Thus it is essential and useful to study working of Urban Co-operative Banks.

1.3 Approach to the problem

The title of the study is 'A Study of Performance Evaluation of Sahyadri Sahakari Bank Limited, Karad, Dist. Satara'.

Karad is one of the important commercial centres in Satara District. Similarly Karad is a leading place in Maharashtra providing education to students. The large number of social and educational institutions are established in Karad.

Twenty Three Co-operative Banks including Urban Co-operative Banks are working in Karad City. Sahyadri Sahakari Bank Ltd., Karad is one of the reputed co-operative banks working in Karad. The Bank is established on 15th June, 1995 as Urban Co-operative Bank. It's Head Office is located at Sahakar Bhavan, Station Road, Karad

At present, most of the urban co-operative banks are facing the problems of overdues, recovery, non-performing assets and other problems. Therefore, it is necessary to study overall performance and operational efficiency of urban co-operative banks. Therefore, this topic is selected for present research work. This study covers detailed analysis and interpretation regarding profile, general information, financial aspects, various schemes of Sahyadri Sahakari Bank Ltd., Karad, Dist. Satara

1.4 Objectives of the Study

1. To study theoretical framework.
2. To take review of related literature
3. To highlight the profile of Sahyadri Sahakari Bank Ltd., Karad
4. To analyse general information and financial aspects of the bank.
5. To study the problems of the bank.
6. To present findings and conclusions and make suggestions for improving the performance.

1.5 Research Methodology

1.5.1 Case Study Method

1.5.2 Reference Period

The information and data has been collected from the beginning for the period 11 years viz. 1995-96 to 2005-2006 for the purpose of analysis and interpretation.

1.5.3 Techniques of Analysis

The following techniques were applied.

1. Classification and Tabulation of the Data.
2. Averages and Percentages
3. Graphs, Charts and Maps.

1.6 Tools used for the collection of the data

The required data for this investigation is collected from the following sources:

1.6.1 Primary Data

Primary data has been collected by the following ways:

1. Questionnaire

The detailed and comprehensive questionnaire has been prepared on the basis of objectives of the study.

2. Interview and Discussion

Personal interview and discussion has been made with Directors, Chairman, Senior Officers of the Bank.

3. Observation

The observation method has also been used for collection of related information. The researcher has attended some meetings of Board of Directors and Annual General Meeting.

1.6.2 Secondary Data

Secondary data has been collected from the following sources:

1. Annual Reports of Sahyadri Sahakari Bank Ltd., Karad
2. Audited Statements of the Bank.
3. Maharashtra Co-operative Societies Act 1960.
4. Published sources like books, periodicals etc.
5. Unpublished sources like M.Phil Dissertations, Ph.D. Thesis.

1.7 Significance of the Study

The issues addressed by this study has been important and crucial. This study has been helpful in improving the efficiency and overall working of Sahyadri Sahakari Bank Ltd., Karad. The findings of this study has been proved very useful to the co-operative banks in general and urban co-operative banks in particular.

1.8 Scope and Limitations of the Study

This study has covered only the performance evaluation of Sahyadri Sahakari Bank Ltd., Kaerad, Dist. Satara. The stipulated period within which the study has been completed is also limiting factor.

1.9 Chapter Scheme

The present research work has been organised into total six chapters. They are discussed below:

Chapter I – Introduction & Research Methodology

In this chapter meaning and definitions of related terms, approach to the problem, statement of the problem, objectives of the study have been given.

The research design and methodology include the points such as Case Study Method and Techniques of analysis and reference period.

The tools used for the collection of the data scope and limitations of the study as well as the significance of the study have been given.

Chapter II – Review of Literature

In this chapter, the recommendations of various committees, commissions and study groups related to the co-operative credit sector have been discussed. In the review of literature section, the articles written by the experts, published in various periodicals such as dailies, magazines, special issues have been reviewed and conclusions have been drawn from that extracts.

Chapter III – Profile of Sahyadri Sahakari Bank Ltd., Karad, Dist. Satara

This chapter relates to the history, origin and developments of Sahyadri Sahakari Bank Ltd., Karad. The history and development of this Bank have been studied in detail.

Chapter IV – Analysis and Interpretation of Data

In this chapter, a detailed study has been made regarding general information and financial aspects of Sahyadri Sahakari Bank Ltd., Karad, Dist. Satara.

Chapter V – Findings, Conclusions and Suggestions

Summary of all the research work, the observations found out, significant suggestions for improving the overall performance and management of Sahyadri Sahakari Bank Ltd., Karad, Dist. Satara have been given in this chapter.