

CHAPTER – I

INTRODUCTION AND METHODOLOGY

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CHAPTER – I

INTRODUCTION AND METHODOLOGY

1:1 Introduction :-

Co-Operative organization have become a way of life with more and more people. These organizations are playing a major role in economic progress of the weaker sections of the society. The Indian Co-operative movement primarily meant for the welfare of common people, is one of the largest voluntary movements in the world.

Today, there is no country in the world which does not have a co-operative movement of its own in one or other form. The management has come to stay as an important sector of the national economy all over the world. The co-operative movement exist every where. The co-operative movement exists in the developed as well as underdeveloped countries.

There is co-operative banking sector, which forms an important segment of the co-operative movement. Like commercial bank co-operative banks are doing banking business. Co-operative banks have played very vital role in economic development of our country. Co-operative banks help traders, businessmen, entrepreneurs, artisans, distributors, employees and workers. The main purpose of co-operative bank is provide banking service to the society. However co-operative banks with their distinctive features of working occupied strategic position in urban, semi-urban and rural areas among the middle classes and weaker

sections of the society. The co-operative banks also playing a very significant role in the mobilization of saving and provision of banking facilities in the urban and semi-urban and rural areas. They also provide finance key sectors like-small industry and agriculture.

Co-operative banks in Maharashtra are also playing important role in the mobilization of deposits and providing the loans advances to various sectors Palus Sahakari Bank ltd. Palus has also performed the significant work in respect of providing the financial assistance to the various needy persons.

The concept of co-operation has been applied in almost all countries widely in the industrial and commercial fields. In India co-operative movement is supported by the government and it is reduced in having co-operative organizations in all the fields of life viz consumers stores, manufacturing, co-operative societies of employees credit co-operative societies, rural co-operative bank and urban co-operative banks.

The need of co-operative banking arises because of the joint stock bank are not interested in providing the credit to the urban-rural middle class people. Co-operative bank are becoming very popular in rural areas.

There are various techniques of financial analysis, one of them is ratio analysis. Ratio analysis is very important, powerful and popular technique of financial analysis. Financial statements is

of great importance to the people related to the concern externally as well as internally. Financial analysis will enable the researcher to forecast prospects of banks, in terms of future earning, ability to pay interest, debt maturity both long term and short term, profitability etc.

1.2 Statement of the Problem :-

The present study deals with the critical analysis of financial performance and position to Palus Sahakari Bank Ltd. Palus. The well accepted technique of ratio analysis is used for the purpose of study.

1.3 Selection of the Problem :-

Efficient management of any organization is essential for its survival and growth. This is particularly true for all the small scale organizations, like the Palus Sahakari Bank Ltd. Palus. The management shareholders, depositors and other beneficiaries always seek answers about the financial position of their banks. The problem is selected with a view to give such information and help them in assessing the performance of their bank. Ratio analysis is one of the powerful techniques of financial analysis are used for the purpose of our study.

1.4 Objectives of the Study :-

The present study is undertaken with the following objectives.:-

1. To study the profile of Palus SahaKari Bank Ltd. Palus.

2. To arrange the financial data available from financial statements suitable for financial analysis.
3. To select the appropriate package at financial ratios and to highlight their theoretical importance.
4. Computation and interpretation of the financial ratios over a period of five years.
5. To understand the financial position and offer suggestion to solve its problems in a way of the progress.

1.5 Scope of the Study:-

The Palus Sahakari Bank Ltd. Palus has been worked for last 40 years. This bank is having 11 branches, they are working in taluka, district and village level in Sangli, Satara and Kolhapur district. The head office is situated at Palus.

The scope of the study covers only the financial analysis of Palus Sahakari Bank Ltd. Palus, through ratio analysis technique. The analysis will be carried out through calculation of different ratios of the financial data available to us. The financial performance and position of the bank have been studied for a period of last 5 years from 2000-2001 to 2004-2005.

1.6 Limitation of the Study :-

Limitation means restrictive conditions. It is essential for the research scholars to reduce the problem to a workable size and set boundaries by limiting its scope.

The limitation of the study are as follows.

1. As we have used qualitative technique i.e. case study, limitation of the case study are assumed.
2. We have used secondary sources of data, they are also having own limitation.
3. The period of present study is restricted only five years from 2000-2001 to 2004-2005.
4. Through there are different technique of financial analysis (Ratio, fund flow, trend analysis, comparative statement etc.) We have used only ratio analysis technique.
5. This is a micro level study, which limits it self to financial performance and position of Palus Sahakari Bank ltd. Palus.

1.7 Collection and processing of data :-

The present study is based mainly on the secondary data available from the records of the bank. The annual reports are the major sources of data. After collecting the necessary information, the processing of the information, the processing of the information will be undertaken by using ratio analysis technique of financial analysis. As per requirement the simple statistical techniques will be used in order to interpret the data more meaningfully.

1.8 Significance of the study :-

The financial statement prepared in absolute manner are of very little significance to the management. The figure in the financial statement standing alone convey, no meaning of the management. The management wants to know the financial strength of the bank, the liquidity and solvency position of the

bank, the earning capacity, trends and future prospects. To serve this purpose figures recorded in the financial statement are required to be rearranged and analyzed in such a manner that they become easily intelligible to the management and officials.

It is felt that this study would help the management, share holders, creditors, bankers, depositors in judging the financial position, liquidity, profitability and credit worthiness of the bank. The study will provide the Palus Sahakari Bank Ltd. Palus an opportunity for its self assessment. It will also help in improving the efficiency and overall working of the bank.

1.9 Chapter scheme :-

The present study is divided into five chapters.

Chapter I

Introduction and Methodology

First chapter includes introduction, statement of the problem, selection of the problem, objectives of the study, scope of the study, limitation of the study, collection and processing of data and significance of the data.

Chapter II

Historical Background and Development of Bank

Second chapter includes, introduction, co-operative movement, general background of the bank, history of the bank, co-operative movement, registration and establishment, Board of the director, members of the bank, services to the Customers ,

location of the bank, management of the bank, important features of the bank, organization functions and growth of the bank.

Chapter III

Theoretical framework of financial analysis

Third chapter includes introduction, meaning, significance, necessity, advantages, limitations, types of ratio includes liquidity, leverage, activity and profitability ratios.

Chapter IV

Analysis and Interpretation of Data

Forth chapter includes, current ratio, liquidity or quick ratio, cash position ratio, proprietary ratio, debt to equity ratio, fixed assets to net worth ratio, interest coverage ratio, total assets to turnover ratio, fixed assets to turnover ratio, net profit ratio, return on shareholders investment ratio and overall progress of the ratio.

Chapter V

Conclusion and Suggestions

Fifth chapter includes conclusions and suggestions.