

**CHAPTER – I**  
**INTRODUCTION AND RESEARCH**  
**METHODOLOGY**

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## **1.1 Introduction: -**

Literally the term “co-operation means” “working together” co-operation is a form of business organization wherein a group of persons having one or more common economic goals voluntarily pool their resources and use them for mutual benefit. Co-operation has been accorded a premier position in the rural economy of India. It has been accepted as an important medium for regeneration of the country’s socio economic life. Co-operative Societies Act in 1904 said an area of Co-operative banking system unshared in the country. A number of Co-operative credit societies were set up under the provisions of this Act. The prime objectives of the Act are to set up Co-operative credit societies “to encourage thrift, self-help and Co-operation among agriculturists, artisans and persons of limited means.”<sup>1</sup>

The Co-operative Banks have been playing a very significant role in the mobilization of savings and provision of banking facilities. The main aim of the Co-operative Banks is to inculcate habit of thrift among low and middle-income groups of society and to cater their need and to make them self-reliant. 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 interest and repayment.

“The Co-operative banking system is an integrated one and because of its three-tier structure, it has been enabled to extend credit to agriculturists, artisans and small men in general. The three-tier system also allows a rationalized flow of resources from the metropolitan centre to the villages and combines this with fairly low costs of operations.”<sup>2</sup>

In India, the Co-operative credit societies were started mainly for catering to the credit needs of the rural sector in general and of the agricultural sector in particular. The commercial banks can not extend financial assistance to the persons of small means due to high cost of the advancing and recovering the small loans. Therefore, Co-operative Banks would be the best suitable agency for serving the credit needs of the classes like traders, artisans, blacksmiths, factory workers, technicians, mechanics etc. By financing individual industrialists in urban and rural area they can make a significant contribution to industrial development. By providing credit on reasonable

terms to the middle class they can rescue them from the exploitation of the moneylenders and other similar agencies.

The Shri. Satyavijay Sahakari Bank Ltd; Kundal has also performed the significant work in respect of providing the finance to the various sectors and needy peoples in the society. It has been also introduced number of schemes to providing the loans to business units.

## **1.2 Statement of problem:-**

In 21st century, the entire banking sector is facing lot of problems Shri. Satyavijay Sahakari Bank Ltd; Kundal is also not exception to it. These problems include severe competitions, advanced technology, modern management methods, and inflation etc. for the making functions of the Co-operative banks more transparent and competent.

The financial statement prepared in absolute manner is of very little significance to the management. The figures in the financial statement standing alone convey no meaning to the management. The management wants to know the financial strength of the bank, profitability, solvency, liquidity, operating, and activity position of the bank, its earning capacity, trends and future prospects recorded in the financial statement are required to be rearranged and analyzed in such a manner that they become easily intelligible to the management & officials. "A comparison of banks ratios with interbank ratios and the corresponding bank are useful to determined whether the financial position & operational results of the bank are satisfactory or not."

Researcher felt that this study would help the management, shareholders, creditors, bankers, and depositors in judging the financial position, liquidity, profitability and creditworthiness of the bank. The study will provide the Shri. Satyavijay Sahakari Bank Ltd; Kundal an opportunity for its self-assessment. It will also help in improving the efficiency and overall working of the bank.

### **1.3 Objectives of the study: -**

- 1) To study financial performance of Shri. Satyavijay Sahakari Bank Ltd; Kundal.
- 2) To evaluate the Profitability, Solvency and Liquidity position of Shri. Satyavijay Sahakari Bank Ltd; Kundal
- 3) To study movement of Non Performing Assets (NPAs).
- 4) To make necessary suggestion for improvement in performance.

### **1.4 Hypothesis of the study: -**

Following are the specific hypothesis of the present study.

1. The overall financial performance of the bank is sound.
2. The bank has to reduce Non Performing Assets (NPA).

### **1.5 Significance of the study:-**

Today, we are living in competitive age, so we found competition in every field. Shri. Satyavijay Sahakari Bank Ltd; Kundal, has also facing a lot of problem of competition in the banking sectors i.e. Nationalized Banks, Commercial Banks, Scheduled Banks etc. so the financial performance analysis was the important study to know how the contributes co-operative bank in the survival, growth and development of the economy in the country

The present study will help to understand the policies, procedures and practices of lending procedures and recovery of loans and advances followed by Shri. Satyavijay Sahakari Bank Ltd; Kundal. It will help to understand management policies and practices followed by bank. It will also help to understand the role of the bank in development of people in rural & urban area. This study will be helpful to evaluate the performance of bank in respect of financial position, profitability, operational efficiency and customer services etc. this study will be helpful to assess the impact of new norms of RBI on financial position of bank. This is also an attempt to find out the drawbacks, hurdles and problems of the bank.

## **1.6 Scope of the study:-**

Shri. Satyavijay Sahakari Bank Ltd; Kundal has been working for last 47 years. The bank has 11 branches and they are working at taluka & village level in the Sangli district. The present study relates to the financial performance evaluation of the Head Office. The Head Office of the bank is situated at Kundal. The financial position of the bank is studied for a period of last 5 years i.e. from 2007 to 2011.

## **1.7 Methods of data collection:-**

For the purpose of present research study. The researcher used primary and secondary data are as follows:

### **PRIMARY DATA:-**

The supplementary primary data collected through discussion and interviews with General Manager, office bearers and the staff of the bank and official of the co-operative department.

### **SECONDARY DATA:-**

The Published Annual reports, Books of accounts, Audit reports and records of the bank. Library sources: various books, journals, articles & reports of banking. The data is to be processed and analyzed with the help of the tables, graphs & charts.

## **1.8 Data Analysis:-**

After collecting the necessary data the researcher has used data to analyze with the help of different tools & techniques of financial analysis such as ratio analysis. In this ratio analysis the researcher has calculated the profitability, solvency, liquidity, and operating and activity ratios. The researcher also examines the growth of the capital, reserves, membership, total deposits, loans and advances and working capital of the bank. The researcher also indentifies the growth of the SLR and Non SLR investments of the bank. The researcher has also analyzes the movement of the Performing and Non Performing Assets (NPA) of the bank during the 2006-07 to 2010-11. For the purpose of hypothesis testing the researcher used various tools and techniques of descriptive statistics.

## **1.9 Chapter scheme:-**

Chapter – I: Introduction and Research Methodology:

It deals with the introduction, statement of the problem, objective, hypothesis, significance, scope, and methods of data collection, data analysis, chapter scheme, and references.

Chapter – II: Review of Literature:

This chapter deals with the reviews of various committees, articles, journals and references of various books.

Chapter – III: Bank Profile:

This chapter deals with the history of the bank, profile of kundal , registration and establishment of the bank, general information, Board of Directors, members of the bank, services to the customers, organization chart of the bank, branches of the bank and growth of the bank.

Chapter – IV: Theoretical background:

This chapter deals with the theoretical information of financial statement analysis. It covers introduction, meaning, definition, need and use, objective, types, limitations. It also includes introduction of ratio analysis, definition, advantages, limitations & classification of the ratio analysis. It also includes introduction of NPA and its impact.

Chapter – V: Analysis & interpretation of data:

This chapter deals with the analysis & interpretation of data through different tools & techniques of financial analysis. It includes growth of the bank, NPA analysis of the bank, and descriptive analysis of financial assistance, calculated profitability, solvency, liquidity, and operating and activity ratios.

Chapter – VI: Findings, Suggestions and Conclusions:

The sixth chapter is intended for giving the findings, suggestions and conclusion.

**References:-**

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