

CHAPTER : ONE

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CHAPTER -ONE-

1.1 INTRODUCTION :

Co-operative Banks are organised by the people for their own collective benefit. These banks encourage thrift through small savings and advance loan to their members at fair rates of interest. They are registered under Co-operative Section Acts. Statistics about the progress of Co-operative Societies in India reveal that the number of institutions in each category has not increased in recent years because there is now a greater emphasis on consolidation of weak societies and activation of societies which became almost defunct. It should be noted that despite of reduction in the number of primary societies though not significantly, the membership has increased.

In Co-operative Banking, the main emphasis in recent years was on aligning policies with measures adopted for attaining the overall objectives of monetary and credit restraints. Efforts were also made in the direction of reduction in the regional imbalances in the distribution of credit and extending assistance to small and economically weak farmers. Steps were also taken to rehabilitate weak Co-operative banks to become viable units.

Urban Co-operative Banks are the important constituent of Urban Co-operative Credit Movement in India.



These banks are concentrated in few states like Maharashtra, Gujarat, Karnataka and Tamil-Nadu, which accounted 78% of the total number of Urban banks in India, out of which 35% of banks are in the State of Maharashtra. These banks have reached in almost all the towns and cities of Maharashtra. They have been playing an important role in mobilisation of deposits and providing loans and advances to urban-people. It is important to note that in State of Maharashtra mainly in Sangli district, Sangli Urban Co-operative Bank Ltd., Sangli has been playing a unique and prominent role in meeting the financial needs of small and medium class people.

Sangli Urban Co-operative Bank Ltd., Sangli has been established on 4th November, 1935. Since then, the bank has been working in Sangli town. Now there are in all 34 branches of this bank operating banking business in different parts of Maharashtra. Very recently on 1st September, 1988 Reserve Bank of India has included this bank in the list of Scheduled Urban Co-operative Banks as its total deposits have been increased to Rs. 6066.87 lakhs and made the highest record in Western Maharashtra. Hence, the researcher felt it necessary to study the advances of this bank, as it stands a typical model Urban Co-operative Bank in the country.

1.2 OBJECTIVES OF THE STUDY :-

- (1) The prime objective of the study is to introduce some more effective, useful and result oriented 'Statistical Techniques' like 'Correlation' and 'Regression' in the area of Co-operative banks. These techniques if carefully used would serve the banker as reliable tools while framing the investment policy and making proper plan of loans and advances in a balanced manner. They would help to minimise the overdues (bad-debts) and increase bank's efficiency. The technique of correlation enables the banker not only to plan his investments but also to control and regulate the loans and advances scientifically. It also helps them to forecast the future trends in money market and capital market and frame the bank's future policy.
- (2) With the above view in mind the researcher has decided to pin her attention on micro study of loans and advances of the main branch of Sangli Urban Co-operative Bank Ltd., Sangli and evaluate the specific aspects stated below :
 - (a) Loans to transport, agriculture and trade.
 - (b) Recovery of the loans and overdues.

(c) To trace out the causes of overdues.

- 3) To make useful suggestions for efficient working.

1.3 SCOPE OF THE STUDY :

The present study covers the following points regarding the "Main Branch" of Sangli Urban Co-operative Bank Ltd., Sangli.

- a) Finding out the loans advanced to the transport operators, agriculturists and traders during the bygone five years period i.e. from 1983-84 to 1987-88.
- b) The percentage of recovery of loans from transport operators, agriculturists and traders etc.
- c) Recovery of the loans and the problems occurred.
- d) Regular repaying transport operators, agriculturists, traders and their percentage to the total financial assistance.
- e) Search into the causes of non-recovery of loans and their percentage to total loans.

The Sangli Urban Co-operative Bank Ltd., Sangli has its near about 34 branches spread in different parts of the State of Maharashtra. But the main branch of the bank which is situated in the heart of the city, occupies the key position and about one fifth of the total business

of the bank comes within its cover. Hence, this branch has been chosen for micro-level study.

1.4 SOURCES OF DATA COLLECTION :

This study is based on the secondary as well as primary data too.

a) SECONDARY DATA : Secondary data is collected mainly from the annual reports of the bank, bank records and from published articles in newspapers.

b) PRIMARY DATA : The unpublished data is collected from branch officers. For that purpose questionnaire is prepared. Time to time discussions with branch manager and other officers are also made on certain important matters of loans. In the same manner special questionnaire has been prepared and interview has been taken of the borrowers in transport, agriculture and trade to arrive at the causes of overdues.

c) PREPARATION OF QUESTIONNAIRE : For collection of unpublished information from the bank questionnaire for banker has been prepared and similarly for collecting information from borrowers and another separate questionnaire for borrowers has been prepared.

d) SELECTION OF SAMPLE OF BORROWERS : For the study, purposive sampling method has been used. Selected 200

borrowers, i.e. 25% of the total borrowers, have been interviewed to get the information by way of answers to the questionnaire.

1.5 SELECTION OF PERIOD OF TIME :

The period of 5 years from 1983 to 1988 has been selected by the researcher as the bank has made planned and determined progress in attaining the maximum possible deposits and advancing loans to the needy parties during the above stated period and the contribution of the main branch is unique and significant one.

As the business of the bank has been continuously expanding it is not possible to take into account all the aspects of the bank for micro study. Hence, only advances to transport, agriculture and trade during above noted 5 years period have been studied.

1.6 LIMITATIONS OF THE STUDY :

Since the study is undertaken as a part of the fulfilments of the requirements of the degree course of Master of Philosophy in Commerce, the researcher has limited her study to one unit in the Urban-Co-operative banks.

The dissertation is required to be submitted to the university within a limited period of time;

therefore the study is limited to certain aspects of the bank. Similarly, the period of study is also limited to 5 years, i.e. from 1983 to 1988.

The researcher has tried to introduce scientific statistical techniques like "Correlation" and "Regression" which need detailed statistical information regarding the loans advanced and overdues caused but bank could not give all the details as it has to maintain secrecy of the accounts, hence limitation came in introducing the above techniques completely.