

**CHAPTER - I****INTRODUCTION**

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## CHAPTER-I

### INTRODUCTION

#### 1.1 INTRODUCTION

Co-operative organisations have become a way of life with more and more people. These organisations 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 and the urban Co-operative Banks is one of its important constituents. There are different types of Co-operative Societies and among them Co-operative Banking Sector forms an important segment of the Co-operative Movement. Agricultural and Non-Agricultural Credit Societies are the roots of Co-op. Banking Sector.

Like commercial banks, the urban Co-operative banks are doing banking business and there is no difference between them in their functional approach. However, Urban Co-operative Banks with their distinctive features of working have occupied strategic position in Urban, semi urban and even today in rural areas amongst the middle classes and weaker sections of the society. Basically the urban Co-operative banks are the institutions of the people of small means. They inculcate the habit of thrift, savings and mutual aid leading to better economic conditions of those who join them. They also endeavour to serve small borrowers of the community.

The significance of Urban Co-op. Banks in the banking system has been emphasised by the various committees which examined their working from time to time. In the past. The importance of Urban Co-op. Banks as an institution best suited to cater to the banking and credit needs of persons of limited means was firstly recognised by the Maclagan Committee on Co operation in 1915. The Indian Central Banking enquiry committee, 1931, felt that, The Urban Co-op. Banks should provide to the small traders, small merchants and the middle classes, the same facilities and services as commercial banks were providing to the big businessman.

The Co-op. Planning Committee 1946, also pointed out that the commercial banks could not extend financial assistance to the persons of small means due to high cost of advancing and recovering the small loans. Therefore Urban Co op. Banks would be the best suitable agency for serving the credit needs of the classes like traders, artisans, factory workers, technicians, skilled workmen like carpenters, blacksmiths, machanics etc.

Apart from that, a survey committee of Urban Co-op. Banks (1957/58), a study group on credit co-op. in non agricultural sector under the Chairmanship of Shri V.P. Varde (1963) and about a decade and a half back, Madhav Das Committee appointed by the Reserve Bank of India in 1977, have explained the significant role that has been played by Urban Banks in Indian Banking system.

The JOgalekar Committee appointed by the Government of Maharashtra in 1974, for studying the problems of urban co op. banks in Maharashtra, had commented that, the performance of the urban co-op. banks in Maharashtra, taken as a whole was fairly satisfactory.

Considering the origin of non agricultural credit co op. societies and the observations and comments of the various Committees appointed by the Central Government, the Reserve Bank of India and Government of Maharashtra, it is quite clear that the urban co-op. Banks have been playing a vital role in the banking structure of the country. ✓

Among the urban co-op. Banks, the Primary Teacher's Co op . Bank plays a significant role in promoting the interest of the Primary Teacher's Community. The need of such banks is imperative. The main objectives of The Primary Teacher's Co-op. Banks are to meet the various financial needs of primary teachers, improve their living standard and to inculcate the savings habits among them. Such Banks mainly advance loans to the primary teachers for Housing, children's education and for purchasing vehicles. The Bank also gives secured loans to the non-members.

In spite of the fact that the co-op. banks are facing so many problems, they are expanding their operations.

The Bank has to frame its lending policies in accordance with the directives of the Government, Reserve Bank of India, the NABARD, Co-op. Department and Maharashtra

State Co-op. Bank. Maharashtra State Co-op. Bank is the apex bank for all co-op. banks. Such policies have to be executed by The Primary Teacher's Co-op. Bank Ltd, Satara.

The Primary Teacher's Co-op. Bank Ltd., Satara is having ten branches in addition to its Head Office at Satara, and it has been playing an important role for the last 47 years. The researcher has selected this bank with a view to assessing its performance by using the various techniques of financial analysis.

#### 1.2 SELECTION OF THE PROBLEM :

Efficient management of any organisation is essential for its survival and growth. This is particularly true for all the small scale organisations like The Primary Teacher's Co-op. Bank Ltd., Satara. The management, shareholders, depositors and other beneficiaries always seek answers about the financial position of their bank. The problem is selected with a view to give <sup>such</sup> information and help them in assessing the performance of their bank. All the techniques of financial analysis are used for the purpose of our study.

#### 1.3 OBJECTIVES OF THE STUDY :

The main objectives of the present study are as follows :

1. To study the geographical location, history and development of Primary Teacher's Co-op. Bank Ltd., Satara.

2. To study the organisation and management aspects of The Primary Teacher's Co-op. Bank Ltd., Satara.

3. To develop a theoretical model for the analysis of financial statements and examine the various techniques used for financial analysis.

4. Making financial analysis of the Primary Teacher's Co op. Bank Ltd., Satara, through ratio analysis, funds flow analysis, comparative statements, common-size statements and trend ratios.

5. To evaluate the profitability, safety and liquidity position of the bank.

6. To give observations and make suggestions.

#### 1.4 HYPOTHESIS :

The study is based on the following hypothesis :

1. The overall management and working of the bank is as per the Co-op. Act and directives of the Reserve Bank of India.

2. The financial position of the Primary Teacher's Co-op. Bank Ltd., Satara is reasonably sound.

3. The Bank has been providing timely and need based finance to the Primary Teachers in Satara district.

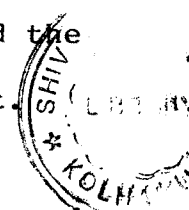
4. The Bank has taken necessary steps for the recovery of overdues.

#### 1.5 METHODOLOGY :

The primary and secondary data required for the present study are collected from the following sources :

1. Published Annual Reports, Books of Accounts, Audit Reports and records of the Bank.

2. Discussions and interviews with office bearers and the staff of the bank and officials of the Co-op. Department.



3. Library sources:-the various books, journals and reports on banking.

The data collected through primary and secondary sources were processed and analysed with the help of tables, graphs and maps. 'A case study method' is adopted for the purpose of this research work.

#### 1.6 SCOPE AND LIMITATIONS OF THE STUDY :

The Primary Teacher's Co-op. Bank Ltd., Satara has been working for last 47 years. This Bank is having ten branches, and they are working at taluka and village level in Satara district. The Head Office of the Bank is situated at Satara. The financial position of the Bank is studied for a period of last 10 years i.e. from 1984/85 to 1993/94. The Primary Teacher's Co op. Bank Ltd., Satara as the Head Office and its branches are taken for the purpose of study. The various techniques of financial analysis viz. ratio analysis, funds flow analysis, comparative statements, common size statements and Trend ratios are used for analysis and interpretation of financial statements.

This study is limited to financial analysis of the Primary Teacher's Co-op. Bank Ltd., Satara.

#### 1.7 SIGNIFICANCE OF THE STUDY :

The financial statement prepared in absolute manner are 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, the liquidity and solvency

position of the bank, its earning capacity, trends and future prospects. To serve this purpose, figures recorded in the financial statement are required to be rearranged and analysed in such a manner that they become easily intelligible to the management & officials. A comparison of a bank's ratios with inter-bank ratios and the corresponding bankwise indices are useful in determining whether the financial position and operational results of the bank are satisfactory or not.

It is 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 Primary Techer's Co-op. Bank Ltd., Satara an opportunity for its self-assessment. It will also help in improving the efficiency and overall working of the bank. /

#### 1.8 CHAPTER SCHEME :

The present study is divided into ten chapters.

##### CHAPTER I : INTRODUCTION

The first chapter includes selection of the problem, objectives, hypothesis, methodology, scope, limitations and significance of the study.

##### CHAPTER II : HISTORICAL BACKGROUND AND DEVELOPMENT OF THE BANK :

This chapter is divided into two parts. Part-A covers definitions, objectives, need and main income sources of the Urban Co-op. Bank. It also includes historical development



of Urban Co-op. Banks worldover in India, Maharashtra and Satara district. Part-B deals with the profile of the bank. It covers origin, objectives, location, organisation structure and growth of the bank.

#### CHAPTER III : TECHNIQUES OF FINANCIAL ANALYSIS :

This chapter deals with the theoretical information of Techniques of financial analysis. This chapter is divided into two parts.. PART-A covers concept, functions and structure of financial statements. PART-B deals with the analysis of financial statements. It covers meaning, need, importance, object, process, types, limitations and techniques of financial analysis.

#### CHAPTER IV : RATIO ANALYSIS :

The chapter covers meaning , advantages and limitations of ratio analysis. It also includes calculation of liquidity, leverage, activity and profitability ratios and their interpretation.

#### CHAPTER V : FUNDS FLOW ANALYSIS :

The chapter includes concept, sources and uses of funds and meaning, managerial uses and limitations of funds flow statement. It also includes calculations of funds flow statements and their interpretation.

#### CHAPTER VI : COMPARATIVE STATEMENTS :

The chapter covers meaning and importance of comparative statements. It also includes preparation of comparative statements and their interpretation.

#### CHAPTER VII : TREND ANALYSIS :

The chapter includes methods and utility of trend analysis. It also covers graphic representation and calculation of trend percentages and their interpretation.

**CHAPTER VIII : COMMON-SIZE STATEMENTS :**

The chapter covers meaning, preparation and interpretation of common-size statements. It also includes comparison with Ahmadnagar District Primary Teacher's Co op. Bank Ltd., Ahmadnagar and evaluation of their performance.

**CHAPTER IX : PERFORMANCE EVALUATION OF THE BANK :**

The chapter includes evaluation of actual performance against the norms prescribed by the Co-operative Department.

**CHAPTER X : CONCLUSIONS AND SUGGESTIONS :**

The tenth and the last chapter is intended for giving the observations, conclusions and suggestions.