

Chapter 1

Introduction and Research Methodology

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1.1 Introduction

The bank is a leader of the co-operative movement in the country. The bank was singularly fortunate in having the guidance stalwarts in the field of co-operation as Shri. Vaikunthbhai L. Mehta, Shri. R.G.Saraiya, Dr. Dhananjayrao R.Gadgil, Dr. D. G. Karve without losing sight of the social development perspectives, the bank has acquired considerable expertise and experience in the field of financing agriculture and rural development and in particular, it's pioneering efforts in providing crop loans on the basis of credit worth wise and financing agro industries. The bank can be truly called a bank of the farmers and run for the farmers.

Today banks have become a part in parcel of our life. Safety, liquidity, profitability in social good is 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 and providing them the best which they could offer with the limits, regulations and rules designed by the laws and Acts.

Urban co-operative banks are dealing primarily with people of small means that is small entrepreneurs, small businessmen, small transport operators, retail traders etc. Most of the urban banks started as credit societies and got converted into banks subsequently. The number of urban co-operative banks is sizable in Maharashtra. Therefore it is necessary to evaluate overall performance of urban co-operative banks. Urban co-operative banks constitute key constituents of multi-agency banking system adopted in the country.

1.2 Theoretical Framework

1.2.1 Meaning definitions of related terms:

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

1. Co-operation

Co-operation is derived from the Latin word "Co-operi" which means working together with others for a common purpose. The object is the economic and social

betterment of persons who so co-operate. Co-operation helps these persons to escape from such exploitations and enable them to become their own lenders or merchant's or employees or traders.

a) According to Prof. Seligmen

Co-operation in its technical sense means the abandonment of competition in distribution and production and the elimination of middlemen of all kinds."

b) Mr. Calvert defines it as

"A form of organisation where in the persons voluntarily associate together as human beings on basis of equality, for the promotion of economic interests of themselves."

2. Banks

Banking is a service oriented activity. Banks mobilize savings of the society and make them available for the purpose of investment which is vital for economic growth. They also help in making optimum use of limited resources through the process of institutionalization of saving and investment. For having kept the money with bank, the depositor is entitled to compensation by way of interest. For lending money, the banker earns an income by the way of interest. For the investments made, the depositor gets returns by way or dividends or interest.

a) Sayers

"Banks are institutions whose debts- usually referred to as bank deposits, are commonly accepted in final settlement of other peoples debts."

b) Banking Regulation Act 1949

"Accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque, draft, order or otherwise."

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 and repayments.

A study group of the National Credit Council presided over by Dr. D. R. Gadgil observed:

“The co-operative banking system is an integrated one and 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 renationalized flow of resource from the metropolitan centers to the villagers and combines this with fully low cost of operations.”

4. Urban Co-operative Bank

Urban co-operative banks, essentially considered as small men’s banks. Urban credit societies were eminently suitable institutions agencies for collecting local settings and to provide relief to those who were in the clutches of money lenders by providing them with financial accommodation.

The Central Banking Enquiry Committee Sys-

“The duties of these urban banks should be to try to do for the smaller trader, the small merchant and the middle-class population what the commercial banks are doing for the big trader and big merchant.”

Objectives

1. To encourage savings of urban people.
2. To attract deposits from members and non-members.
3. To lend money to the member at reasonable interest.
4. To lend money to professionals, self employed persons.
5. To lend to salary earners, teachers, businessmen and other living in urban area.
6. To lend money for education, housing 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.

1.2.2 Structure of Co-operative Banking

The credit sector is “the Prince of Denmark” in the whole apparatus of the co-operative movement; it merits the pride at place in the present study of co-operation. The co-operative structure is pyramidal or federal in character.

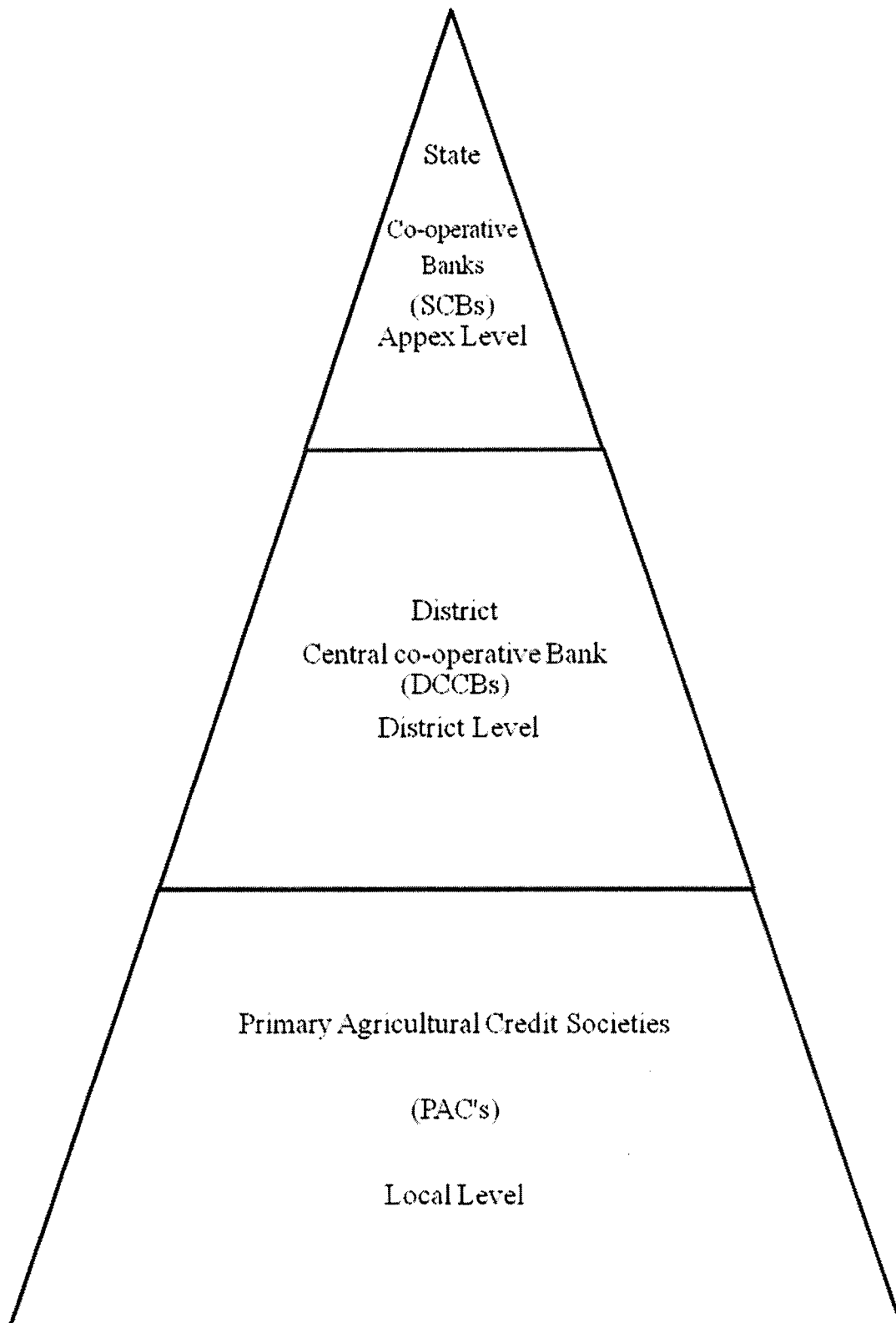
These are mainly two types of co-operative credit institutions.

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 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 1.1 Three-tier Pyramidal Structure of Co-operative Banks in India



Appex Level

The Maclogon Committee emphasized the need for establishing an apex bank in each major province in these words: “It is in our opinion necessary to provide in each of the major provinces on apex bank which will co-ordinate and control the working of central banks, forecast and arrange for the provincial requirements as a whole and be the financing co-operative of the provinces.”

Central Bank

The term central bank is used when the central society as its members not only primary societies, but also individuals. The central co-operative banks occupy a position of cardinal importance in the co-operative credit structure. They form an important link between the apex co-operative Bank and the primary agricultural credit societies.

Primary Agricultural Credit Societies

Primary agricultural credit societies are the grass root level arms of the shoot term co-operative credit structure. They deal directly with farmers and give short term and medium term loans. The major objective of co-operative development programmes is to provide benefits of co-operative activities to weaker sections of the society.

Chart 1.2 Co-operative Credit Structure

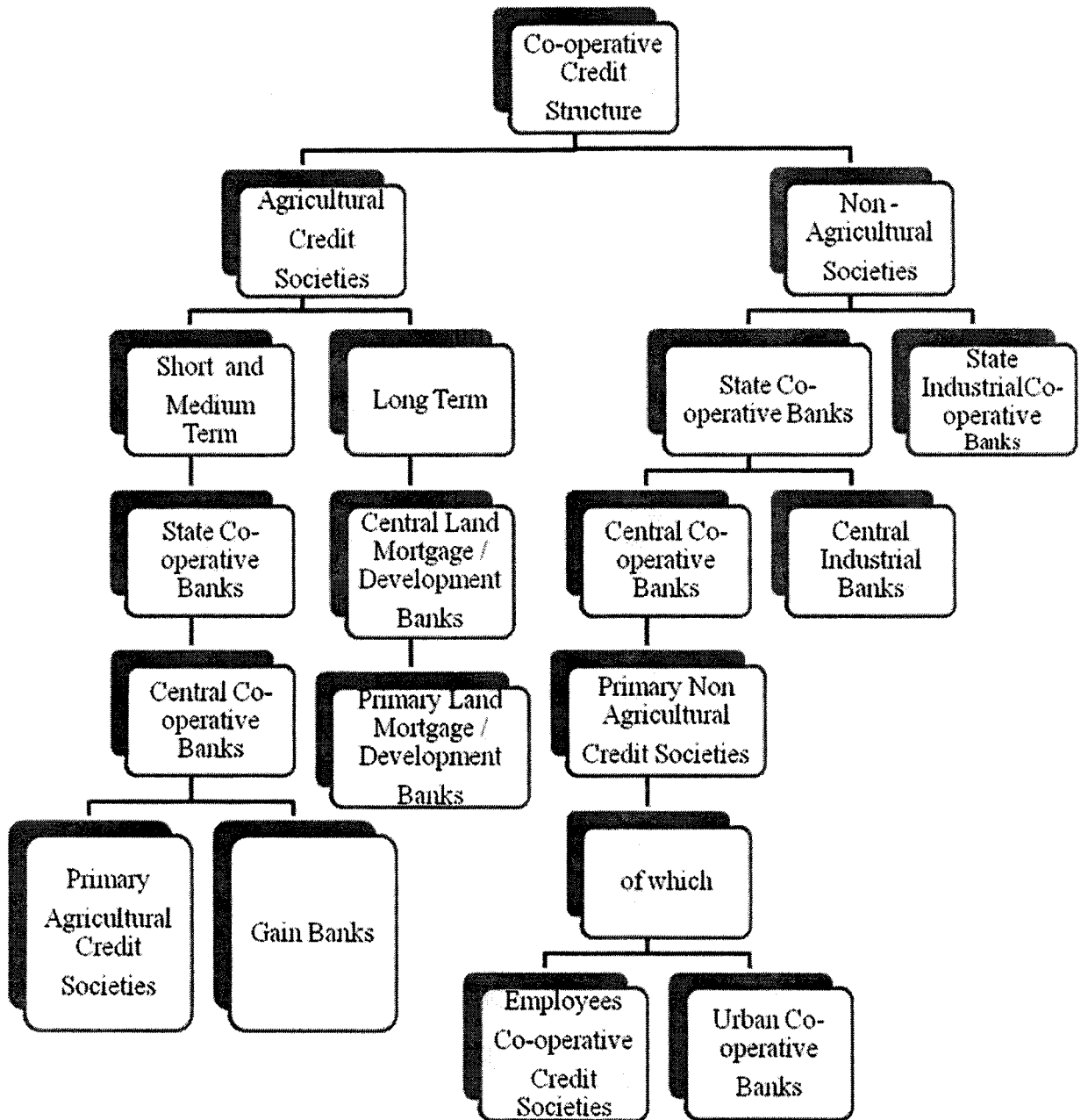


Chart gives the entire picture of the organizational structure of co-operative Banking in India. Thus urban co-operative Banks are Non-Agricultural credit institution.

Thus it is essential and useful to study working of urban co-operative Banks.

1.2.3 Origin of Urban Co-operative Banks

Urban co-operative banks are more than 100 years old, organized first in Germany by H. Schutze and by L. Luzzalti in Italy during 1855-1885. In India the first urban co-operative bank was established on February 5, 1889 under the guidance of Shri. V. L. Kartherkar. In 1904 under the co-operatives Act it was given a legal status. The guiding principles of UCB's have been the lofty ideas of voluntary and membership, equal economic participation and concern for community "As of March 2004 there were over 2100 Primary Urban Co-operative Banks with a network of 6% of aggregate deposits of scheduled commercial banks".

Among the various states Maharashtra accounts for the highest number of urban co-operative Banks as well as amount of advances, also showing the lowest percentage of bad debts. Maharashtra state is highly benefitted out of the services of these banks.

1.2.4 Need and Importance of Urban Co-operative Banks

Urban co-operative banks are dealing primarily with people of small means i.e. small entrepreneurs, small businessmen, small transport operators. retail traders etc. By virtue of their special characteristics in particular their co-operative character, democratic management, compact area of operations, mutual knowledge and cohesion, they are very much suited to cater to the banking and credit requirements of such people.

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 and Acts.

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

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

1. Private and Nationalized banks are not interested in catering to the economic needs of people in urban and semi-urban areas.
2. Nationalized banks do not sanction loan or personal security and the salary earners have only the personal security.
3. Urbanization 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 Approaches to the Problem

Accepting deposits from the people, who went to invest their money in banking business, those who want to save money from their earnings and those who want to make their business transaction through banks and advancing loans to people to proper purpose of urban area, are the main objectives of urban banks.

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

Twenty three co-operative banks including Urban Co-operative Banks are working in Karad city. The Rayat Sevak Co-operative Bank Ltd. Satara Branch: Karad is one of the reputed co-operative bank working in Karad. The Bank was established on 25th September 1996. Its head office is located at Satara.

At present, most of the urban co-operative banks are facing the problems of overdue, recovery, nonperforming 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, and various schemes of the Rayat Sevak Co-operative Bank Ltd. Satara A case study of Karad branch.

1.4 Statement of Problem

The present study attempts to evaluate the performance of The Rayat Sevak Co-operative Bank Ltd. Satara Branch: Karad. The researcher proposed to measure the development of the bank from 2001 to 2008. The development is measured in terms of deposits, loans and other services over the period of study.

1.5 Objectives of the Study

The objectives of the present study are as follows-

1. To study the organisation and managerial structure of the bank.
2. To study the increase in bank deposits.
3. To study the increase in loans.
4. To study other services of the bank.
5. To study nonperforming assets of the bank.
6. To suggest the suitable solutions of the problems.

1.6 Research Methodology

1.6.1 Case Study Method

1.6.2 Reference Period

The information and data was collected from the beginning for the period of 8 years viz. 2000-2001 to 2007-2008 for the purpose of analysis and interpretation.

1.6.3 Techniques of Analysis

Collected data was processed with the help of computer by using some quantitative techniques, percentage growth in deposits and advances, business per employee, analysis of major items of expenses and income, average deposits per account and average loan per account etc. Wherever necessary the charts and graphs were drawn.

1.7 Tools used for the collection of Data

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

1. Primary Data

Primary data has been collected by the following ways:

a) Questionnaire

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

b) Interview And Discussion

Personal interview and discussions has been made with director's, chairman, senior officers of the Bank.

c) Observation

The observation method has been used for collection of related information.

2. Secondary Data

Secondary data has been collected for the following sources:

- Audited statements of the Bank
- Maharashtra Co-operative Societies Act 1960
- Published sources like books, periodicals etc.
- Unpublished sources like M. Phil Dissertations, Ph. D. Theis.

1.8 Significance of the Study

The issues addressed by this study have been important and crucial. This study has been helpful in improving the efficiency and overall working of Rayat Sevak Co-operative Bank Ltd; Satara A case study of Karad Branch. The findings of this study have been proved very useful to the co-operative banks in general and urban co-operative banks in particular.

1.9 Scope and Limitations of the Study

The present study is limited to important aspect like organization of the bank, mobilization and loan and advances. The researcher will be complex this work on the limited period during 2000-2001 to 2007-2008.

1.10 Chapter Scheme

The present research work has been organized into total five chapters. They are discussed below:

Chapter 1: Introduction and Research Methodology

In this chapter meaning and definitions of related items, 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 tool used for the collection of the data scope and limitations of the study as well as the significance of the study has been given.

Chapter 2 : Theoretical Background of subject

The second chapter includes the general information of co-operative banks and historical development of urban co-operative banks. Progress of urban co-operative banks in Maharashtra.

Chapter 3: Profile of Rayat Sevak Co-operative Bank Ltd; Satara Branch: Karad.

This chapter relates to the history, origin and developments of Rayat Sevak Co-operative Bank Ltd; Satara as was as Karad Branch. The history and development of this bank have been studied in detail.

Chapter 4: Data Analysis And Interpretation

In this chapter, a detailed study has been made regarding financial aspects of Rayat Sevak Co-operative Bank Ltd; Satara Branch: Karad.

Chapter 5: Findings, Conclusions and Suggestions

Summary of all the research work, the observations found out, significant suggestions for improving the overall performance of Rayat Sevak Co-operative Bank Ltd; Satara Branch: Karad have been given in this chapter.