

Chapter 2

Research Methodology

1. Introduction

Banking organization is an important organization of modern trade and commerce. Bank's in India are regulated by Banking Regulation Act, 1949 and Reserve Bank of India. The RBI from time to time forms various committees to improve the operation and efficiency of Indian Banks. Further an efforts have been made by RBI to bring transparency in bank operations. As per Ghosh Committee recommendation the format for preparation and presentation of financial account of banking companies has been changed on and from the financial year ending on 31 March 1992. The primary purpose of such revision is to make the banking transaction more transparent. The revised format consists of eighteen schedules for detailing out the items covered therein.

After step towards transparency is that of implementing the recommendation of "Narashimhan Committee " advocated for change in accounts and policy in relation to,

- Identification of NPA
- Income reorganization
- Classification of assets
- Provision towards asset based on classification

In consonance of such recommendations, the RBI has issued a statement of accounting policy which all banks in India should follow while preparing their final accounts with effect from the year ended on 31 March, 1993.

Banks major portion of income is generated from advances made by the bank in normal course of business. However showing income on accrual basis is not found suitable for recognition of income from advances. This affects co-operative banks to the great extent than the Nationalized or private sector banks. It may be because of co-operative banks providing loans to weaker section of the public i.e. small traders, small scale industries Agro -based units and they find difficult to recover the advances immediately as per norms of the RBI. So at present it is observed that the Urban Co-operative Banks are in difficulties.

The present research makes an attempt to analyse the problem of NPAs in UCBs. The study also probes into the circumstances and cause behind NPAs of UCBs in general and specifically The Commercial Co-operative Bank Ltd. Kolhapur.

2. Identification of Problems

In recent years, the performance of co-operative banks has been by and large not satisfactory and the liberalized new economic policies have posed threat to the survival and growth of co-operative bank. Specifically due to introduction of NPA the UCBs are in difficulties. If we go through the profit and loss a/c of bank it gives a very dear picture that UCBs are struggling for minimizing the number of NPA accounts. Because rise in the NPA account disturbs the financial discipline of the bank. It affects not only the working of the bank but sometime entire profit is required to be transfer to NPA provision. Besides, these banks are unable to distribute dividend to the shareholder. As NPA percentage goes up, RBI declares the bank as a weak or sick bank. So research thought that the concept of NPA particularly from the point of view of UCBs is important for studying the seriousness of problems and its impact on working of UCBs.

3. Statement of the Problem

The Title of the problem or study is “ A STUDY OF NON-PERFORMING ASSETS OF CO-OPERATIVE BANKS’ WITH SPECIAL REFERENCE TO THE COMMERCIAL CO-OPERATIVE BANK LTD. KOLHAPUR”.

4. Scope of the Study : -

The subject of research is Non Performing Assets of Co-operative Banks. For the investigation of the problem The Commercial Co-operative Bank Ltd. Kolhapur is selected as a sample bank. The researcher thought that all UCBs are functioning on the similar lines and they are exposed to the similar condition, facing the similar problems. Therefore a sample of single UCB via The Commercial Co-operative Bank Ltd. Kolhapur. Is thought to be appropriate for investigation of the problem.

The scope of the study cover review of loans and advances, their types, sanction procedure, internal control system, NPAs, classification of NPAs, provision required to be made and recovery procedure of NPAs. The study will also probe into the details of different causes related to NPAs and accordingly suggest remedies to The Commercial Co-operative Bank Ltd. In particular and also to UCBs in general.

5. Research Methodology : -

5.1) Selection of Sample

For the purpose of study specific bank has been selected as a sample bank. The research has communicated with no. of banks but no one is willing to share information in respect of NPA as it is a confidential and sensitive issue. The Commercial Co-operative bank Ltd. Kolhapur is selected for the study. The researcher is a member of the Commercial Co-operative Bank and also contact with the Asst. manager and chairman and they are also willing to provide necessary information related to NPAs. The bank also good reputation in the Kolhapur district and also a good track record but facing problems relating to NPA. The researcher also thought that all UCBs are functioning on the similar line. So the specific banks is selected as a sample bank.

5.2) Data collection

The present study is based on primary and secondary data. The interview method is thought to be appropriate for primary data collection. One to one discussion with manager, director, and other staff of the bank in normal working hours was hold. In this method, the predetermined questionnaires were used to gather the desired data.

The data is also collected through secondary sources. Since NPA is a confidential issue, mostly study is based on secondary data. The secondary data is obtained by internal source as Annual Reports, Registers and Accounting record of the bank. It is also obtained from various publications i.e. RBI Master Circulars, RBI Bulletin, Publications of Universities and research institute e.g. Indian Journal of Economics, Report of committees, News paper and periodicals and from various books.

5.3) Data Analysis : -

The data so collected is organized, classified, tabulated and analysed in systematic manner and conclusions are drawn. Simple tools have been employed for data analysis.

6. Objectives of Study :-

The specific objectives of study are as follows,

1. To study and review the performance of loans and advances
2. To study the trend of NPAs of the bank.
3. To understand the efforts taken by the bank to recover the loans and advances.
4. To examine the incidence of incurring NPAs and reasons behind that.
5. To make suggestion and recommendation to improve operating efficiency and reduce level of NPAs.

7. Hypothesis :-

1. The bank has taken all necessary steps to ensure that the timely and regularly repayment of loans by the borrowers.
2. The bank takes adequate steps to inform about status of the loans and advances at given date and take adequate steps to recover outstanding loans and advances.
3. The bank makes adequate provision towards NPAs as per RBI norms

8. Limitation of Study :-

Since study is undertaken as part of fulfillment of requirement of Degree of M.Phil. (Commerce and Management) the researcher has contented himself to study of a single aspect of financial sector reforms suggested by the Narasinhm Committee i.e. Non Performing Assets.

The cost and time factor have remained as major limiting factors due to which the researcher has confined his enquiry only to The Commercial Co-operative Bank Ltd. Kolhapur.

It is also required to submit research report to the University within the prescribed period, with this in mind the scope of the investigation is restricted to single sample bank. Further period considered for the present study is also limited to a span of 5 year i.e. the year 2001-02 to 2005-06.

Since the information about NPA is confidential one the observation and conclusions are based on the statistical information supplied by executive staff of the bank and mostly other secondary information. The same has also been cross checked with the information and opinions expressed by the staff and Board members in actual discussion.

9. Chapter Scheme : -

Chapter 1 : Growth And Performance of UCBS in General - It deals with conceptual framework of co-operative banks, their functions, types etc. It also contains the growth aspect of urban co-operative bank in India, Maharashtra and in Kolhapur district.

Chapter 2 : Research Methodology - It deals with identification of the problem related to the subject matter under study, Limitation of the study, its objectives, hypothesis and methodology used.

Chapter 3 : Review of Literature And Theoretical Background of NPAs - This chapter cover the profile of the bank, its history, location, management structure, and growth of the bank in the last 5 year commencing from the year 2001/02 to 2005-06.

Chapter 4 : Profile of The Commercial Co-op. Bank Ltd. Kolhapur - It contained two parts one is review of the research work in respect of the non performing assets. And second part cover the theoretical background of the Non performing assets.

Chapter 5 : Data Analysis And Interpretation - The researcher divided this chapter in four parts. In first part a brief review and analysis of the NPAs problem of co-operative sector including UCBS is taken. In the second part evaluation of NPA problem of the sample bank is done. In the third part causes generally applicable to all UCBS are analysed and interpreted and remedies in general to minimize NPA is given in fourth part of this chapter.

Chapter 6 : Conclusion And Suggestions - The chapter summarized the findings of the study on evaluation of NPAs of The Commercial Co-operative Bank Ltd. and also focuses on suggestions made.