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RESEARCH METHODOLOGY

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CHAPTER - III
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3.1 Introduction:-

Liberalisation and globalization of banking in industry have expanded the horizon of Indian banking industry ushering in an era of competition. Liberalisation has paved the way for setting up the new banks and branches creating an environment of competition. So, the viability of urban co-operative banks is in danger. Hence, this study assumes significance in the changed context.

Urban co-operative banks require a district type of financial information to improve their financial soundness and operational efficiency. The traditional approach by way of statements like profit & loss account and balance sheet does not seem to work. There is need to design a more dynamic approach by establishing rational and more scientific relationship between different financial components and examining their soundness by employing modern sophisticated financial tools. This calls for the use of popular techniques like ratio analysis, trend analysis, growth analysis etc, for interpreting and analyzing the financial position of the urban co-operative banks. Thus, the present study would use these tools to analyses financial health of urban co-operative banks in Jalna district. This will provide suitable to management, Reserve Bank of India and also to the regulating agencies. The present study is a step towards revitalising the methods of financial appraisal and re–orient the approach of urban co-operative banks towards realistic ends.

A very few studies have been conducted so far on the growth and financial performance of urban co-operative banks at the Maharashtra state level. No study has so far been made to study the growth performance and financial analysis of urban co-operative banks in Marathwada in general and Jalna district in particular. Hence the present study is a sincere effort to fill this gap.

3.2 Need of Urban Co-operative Banks:-

Prior to the emergence of Co-operative movement in India, the need of finance of farmers & small artisans in villages & artisans, small traders &
businessmen in towns were not satisfied by private money lenders. They charged exorbitant interest rates on the loans distributed to their borrowers. The needs of loans of all were not satisfied due to lack of credit on the part of borrowers or lack of sufficient money with money lenders. Hardships in procuring loan were faced by the borrowers. Therefore, they could not prosper or even run their occupation due to lack of finance. Naturally they were involved in financial crisis.

To overcome the problem of finance, it was necessary for a group of persons to come together & form an organization catering to their need of finance. The various organizations catering to different needs of their members on the principles of co-operation advocated by Raiffeison & such other models are called as Co-operative societies. Urban Co-operative Banks are one of them working in towns catering to the need of finance of their members at reasonable rate of interest. Urban Co-operative Banks have seen catering the need of finance of their members & will have to continue its work in future for the benefit of their members & also to make the members self reliant.

3.3 Significance of the Study:-

Banking organizations play a vital role in providing finance to the different sections of the society in the forms of different kinds of loans & advances. Every banking organization is set up mainly with banking objectives. Likewise, same is the case of Urban Co-operative Banks.

The Urban Co-operative Banks in India in recent times have been in the news more for their malpractice fraud and collapses than for their unique services and contribution to the economy, a number of Urban Co-operative Banks become weak and unviable, eroding public confidence and posing systemic risk to the Urban Co-operative banking sector in India. So it is become important to study the financial performance of Urban Co-operative Banks.

The State of Maharashtra is considered to the leader in co-operation in general & in Urban Co-operative Banks in particular. The total numbers of Urban Co-operative Banks in India 1721 out of 512 Urban Co-operative Banks in Maharashtra State & out of only 6 Urban Co-operative Banks in Jalna district in 2008-09. The district of Jalna from Marathwada region which is characterized as
economic backward area, Urban Co-operative Banking is equally underdeveloped in Marathwada in comparison with other regions of the state. Prima facie, the district of Jalna relatively behind the other districts of the region as far as Urban Co-operative Banks are concerned as the number of such Banks is less in the district than other districts.

The study has intended to make evaluation of the financial performance of Urban Co-operative Banks in Jalna district, in the era of liberalisation & seen whether their performance have up to the mark & also to seen whether they have achieved their objectives of formation & make suggestion to improve their performance.

Such study did not take place in the past in Jalna district, according to my best knowledge. The study will be helpful in assessing the financial performance of the Banks in the district & in boosting economic activities resulting in economic development of the district, by improving their financial performance by implementing the suggestions to be made on the basis of the study.

3.4 Scope of the Study:--

The research study is confined to the Financial Performance Appraisal of The Urban Co-operative Banks in Jalna District. The scope of the study has been divided into three groups:

i) **Geographical**: The study has covered the financial performance appraisal of only those urban co-operative banks whose head offices are situated in Jalna district.

ii) **Operational**: The study has covered the financial activities carried out by the urban co-operative banks in Jalna district.

iii) **Temporal**: The study has covered the analysis and interpretation of data for the period of ten years from 1998-99 to 2007-08.

3.5 Principal Objectives of Study:--

The present study is undertaken mainly to study the growth performance and financial analysis of urban co-operative banks in Jalna district. The principal objectives of the study are enumerated as follows.
1) To study the growth performance of Urban Co-operative Banks in Jalna district.
2) To study the profitability & productivity of each sample bank of be studied.
3) To ascertain the contribution of share capital to working capital & it’s annual rate of growth.
4) To see whether the banks to be studied maintain of cash deposits ratio.
5) To evaluate the percentage of deposits to working capital.
6) To assess the performance of the banks to be studied as far as their norms in form of loans & advances to Priority Sector & Weaker Section is concerned.

3.6 Research Methodology:-

Types of data:

The study of the financial performance appraisal of urban cooperative banks in Jalna district makes use of both primary and secondary data collection.

3.6.1 Primary data:

The primary data have been collected through conduct of a schedule survey by canvassing combine questionnaire for borrowers and depositors of the banks.

Size and sample method of the Borrowers and Depositors:

Number of borrowers and depositors fixed as 25 each have been selected from six urban co-operative banks in Jalna district by purposive sampling method. Aggregating sample size is 300 out of 150 borrowers and 150 depositors. This sample schedule survey was conducted in the month of December 2013 to July 2014.

3.6.2 Size of the sample of the banks:

The study has aimed at exclusively only those Urban Co-operative Banks whose head offices are situated in Jalna district. The district has also a few branches of other urban co-operative banks whose head offices are in other districts. There are the following six banks are selected for study, whose head offices are situated in Jalna district.

ii) Jalna Merchants Co-operative Bank Ltd., Jalna.
iii) Mantha Urban Co-operative Bank Ltd., Mantha.
iv) Priyadarshani Nagari Sahakari Bank Ltd., Jalna.
v) Shree Gajanan Maharaj Urban Co-operative Bank Ltd., Bhokardan. and
vi) Samarth Sahakari Bank Maryadit, Jalna.

3.6.3 Secondary Data Collection:
Secondary data have been collected from the following sources.
- Annual Reports of the concerned banks.
- Reserve banks of India - Reports of the Committee’s on UCBs.
- Urban Co-operative Banks relevant Committee’s & Commissions Reports.
- Govt. of Maharashtra Co-operative Movement at Glance.
- Related books, thesis, Journals, various related web-site, newspaper etc.

3.6.4 Analysis of the data-techniques:
In this study, simple statistical techniques such as growth rate (fixed base method), annual growth rate (change base method), average rate, percentage, proportions, Coefficient of variation, Standard deviation, graphs have been used to ascertain desired results by way of analysis of data.

3.7 Hypothesis of the study:-
The researcher has tried to test the hypothesis formulated for the present study.

$H_1$: The members of urban co-operative banks in Jalna district are showing increasing trends.

The membership of urban co-operative banks in Jalna district has increased by 1.55 times with 5.10 percent annual growth rate. Hence the hypothesis is satisfied. (Table no. 5.2)

$H_2$: Deposits of urban co-operative banks in Jalna district is showing growing trends.
Deposits of urban co-operative banks in Jalna district has increased by 4.04 times during the study period. Hence the hypothesis is satisfied. (Table no. 5.6)

3.8 The Chapter Scheme:-

The present study had been divided in to seven chapters as follows

The first chapter is devoted to discuss the co-operative movement and development in India & world, Co-operative today, structural and philosophical premise, Co-operative as legal entities, Co-operative principles, forms of Co-operative, Types of Co-operative in India & world, Co-operative political movements and also in this chapter the historical development about Jalna district and Jalna district at a glance.

The second chapter attempt is made to study the origin and development of the urban co-operative banks with reference to meaning and definitions of co-operative banks, distinguishing features between Commercial and Cooperative Banks. This background chapter narrates the place of urban co-operative banks in the co-operative credit structure of India with nature, definition, role and objectives of Urban Co-operative Bank in India. It has tried to explain the origin & development of Urban Co-operative Banks in India, Maharashtra with state-wise position of UCBs in India and District-wise position in Maharashtra state. It also attempts to explain important events which stimulated the growth of urban co-operative banks.

The third chapter is research methodology chapter. It has takes scope and objectives of the thesis and show that how the primary data selected. What is the methodology of study, what techniques of analysis are adopted to appraise the financial performance of Urban Co-operative Bank in Jalna district.

The fourth chapter presents the review of current and relevant literature on the subject. The literature on Urban Co-operative Banks in India is reviewed in this chapter.

The fifth chapter is devoted to present the growth & financial performance of Urban Co-operative Banks in Jalna district during the study period. The growth performance of these banks with respect of share capital, reserve fund, owned fund, working capital, deposit, loan and advance etc. and financial
performance appraisal of Urban Co-operative Banks by various ratios with some statistical techniques.

The sixth chapter has included survey revelations. In this chapter designed interview schedule survey from 150 borrowers and 150 depositors form Urban Co-operative Banks in Jalna district and they have given their opinions.

The seventh chapter covers the conclusions drawn from study to get widened view the suggestion have also been made with present situations consideration.

3.9 Limitations of the study:-

The following are the limitations of the study

• The study suffers from the inherent limitations of the financial statements and techniques of analysis like ratio analysis and trend analysis.

• The samples size is limited to 150 Borrowers & 150 Depositors form Urban Co-operative Banks in Jalna district. The number of sample may not be real representative of Urban Co-operative Banks in Jalna District.

• The survey was carried out in the month of January 2014 to July 2014, so the results may not be pertinent to every year.

• The answers given by the respondents may not be correct.

In spite of the above mentioned limitations, every possible effort has made to maintain the quality of research work.