PREFACE

The operation of any business depends upon the nature of business. Banking operations, therefore, depends upon the nature of banking business. The business of Banking is not defined anywhere as such but the Banking Regulation Act, 1949, lays down, inter’ alias, the activities which the Banks cannot engage themselves in and for this purpose of banking. According to this section, the business of banking consists in acceptance, either for the purpose of lending and/or investment, of the deposits payable on demand or otherwise on demand and withdraw able by cheque, order or otherwise. This shows that the major functions of Banks are:

1. To mobilize the deposits from the public and
2. To utilize the deposits for the purpose of lending or investment or both. In the process of this activity, the banks make profit for themselves. The Banks therefore, accept Deposits which are mainly of 2 types, i.e.

(a) Deposit which are payable on demand popularly called demand deposits. And

(b) Deposit which are not payable on demand but which are payable after certain time mutually agreed upon between the depositor and bank at the time of depositing money, the period may range from one week to ten years. Such deposits are called time deposit in banking parlance

As against deposit there are some kind of advances where any bank use these tools as their finance i.e.(1) secured and unsecured advances (2)short term ,medium-term and long-term advances (3)fund base and non fund advances.

Every bank doing their banking mainly by taking deposit and giving advances so if we want to find out financial health of any banks than we have to consider their performance particularly in their segment of deposit and advances.

The co-operative banking sector in the Indian economy holds a distinct identity. As it is the only institution of micro credit dispersion. The phenomenal growth of co-operative
enterprises in recent year is a positive proof of the fact that among various financial institutional agencies they have been recognized as the best for supplying exploitative, cheap, sound and dynamic credit to small borrowers, professionals, artisans and the weaker sections of society.

In today's world of uncertainty, people have become conscious about their savings and investments in safest way. They are also in search for an institution from where in case of need they can get easy cheap credit, which is near to their residence and where they can be treated as a family member. The co-operative banking sector is the only one where people can find all these qualities and get good return on their investments as well. Though the co-operative sector is a micro credit dispersion institution, the ministry of finance has accepted its contribution in the growth and development of a particular town/district/state and there by the Indian economy as a whole.

The Madhavpura co-op. bank ltd. collapsed in the year 2002. Many co-op. bank of south Gujarat put their deposit in this bank for remittance as it was a multi state co.op.bank. They were also in trouble and facing financial crunch. An earthquake took place when 1st co-op bank of south Gujarat was failed i.e The B.B.Shroff Bulsar Peoples co.op.bank at Valsad .It is a big bank and many depositors lost their deposit. At Navsari, The Navsari Peoples‘Co.op.bank closed due to bad investment and bad advances. At Surat The Diamond Jubliee co-op. bank ,fifty years old bank closed, followed by small bank i.e. tier I bank.At last during my study the other multi state co-op bank i.e. The Gujarat Industrial co.op.bank closed and The Surat Mahila Nagrik Co .Op. bank ltd. which was managed by Ladies only was also liquidated. It was really shocking as no one imagine about such kind of mishap.

Due to certain changes in the banking sector and new economic policies, the co-operative credit sector in general and the Urban Co-operative Banks (UCBs) in particular have undergone a crisis. At the same time the failure of some good scheduled and non scheduled banks have also attracted the attention of the people and raised the question of security of their fund. So the need to find actual financial stability of the UCBs and assure investors about the operational as well as financial efficiency of the UCBs has been felt.
Distinctive features of the UCBs as compared to other banks have motivated the researcher to do research on the Financial Strengthen of tier II urban co. op. bank of south Gujarat. It is a fact that there is no dearth of research studies on the financial analysis of tier II UCBs taken together representing all the other UCBs located in South Gujarat. The researcher has therefore selected the topic “A study of performance evaluation of Urban Co. Op. banks in Deposits and advances in south Gujarat, particularly of tier II Urban Co . Op. banks.”

The present study which is based on the primary and secondary data have been initiated to examine financial strengthen of tier II urban banks of south Gujarat. It also suggests measures to make their role more effective in their services to people and also managing their futures stability.

The present study covers tier II, eight UCBs registered in South Gujarat having span of eight years i.e. from 2001-02 to 2008-09. The study follows analytical methods. The researcher has applied the following tools for the purpose of analysis of data as:

- Common-size statement analysis
- Ratio Analysis
- Trend Analysis

In addition, various types of tables, graphs, charts and diagrams have been incorporated wherever required to interpret collected data.

The study has been presented in six chapters along with a lengthy annexure containing the data of all banks studied for the selected period:

The first chapter deals with the overview of the topic. It deals with the meaning, definition and classification various types of Deposits and advances. It also highlights the importance of performance evaluation in banks and the parameters of sound lending.

The second chapter deals with stepwise procedure adopted to carry out this research study and also a review of the literature researched for this thesis. The procedure
adopted here is sufficient, effective and most accurate in the light of research and various limitations.

The third chapter has the basic concept and introduction to banking. It overviews the current Indian Banking System and also has a brief description of the workings of RBI. It discusses in detail the working of Co-operative banks along with their historical background and development. This chapter discusses the cooperative principles and also highlights the growth of Urban Co-operative banks in India particularly in Gujarat and Surat city.

In the fourth chapter deals with the analysis and interpretation of financial strength ratios, Deposits-Advances positions of all the tier II urban banks of south Gujarat. This is the most important part of the research and each ratio is covered comprehensive.

The fifth chapter contains a brief profile of the selected banks which are covered under the study. This profiling of banks has helped streamline the research into a more logical and focused manner and has helped perform the comparative analysis more effectively.

In the sixth chapter, an attempt has been made to summarize the findings of the study and to offer suggestions in order to improve financial strengthen particularly in Deposit and Advances of the tier II UCBs under study in particular and the UCBs in general.

The last part of the thesis contains the list of books, RBI reports, journals and websites, etc. used by the researcher as reference during the study and also the annexure containing all the data used in the analysis of the selected banks for the period of study.