CHAPTER TWO
RESEARCH METHODOLOGY

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CHAPTER TWO
RESEARCH METHODOLOGY

2.1 Introduction

This chapter deals with stepwise procedure adopted to carry out this research study. It is felt that the procedure adopted is sufficiently effective and most accurate in the light of research and various limitations. The Cooperative bank is an autonomous association of persons united voluntarily to meet their members financial (loans, deposits, other services), economic, social and cultural needs and aspirations through a democratically controlled way.

The research work broadly classified into two aspects. The first part of research work is carried out on financial performance analysis of the Cosmos Cooperative Bank Ltd., Pune. Second part of research work is carried out with the help of field work. The information is collected from management of Cosmos Cooperative bank in Pune.

2.2 Problem Statement

The financial appraisal of commercial banks is continuously done through the various groups and committees appointed by formal and statutory organizations with the help of financial parameters in general and priority sector lending in particular. However UCBs do not have such financial exercise through the expert committees constituted by formal organizations. As consequence their financial performance appraisal has remained concealed and largely unknown to the banking community, users of their services and Government.

During the last one decade, the number of UCBs decreased due to ongoing consolidation process of the UCB sector in the form of merger/ acquisition among financial viable bank and exit of the non-viable ones, there was a concentration of number of UCBs in grade-I and II.
The cooperative banks are facing severe problems which have restricted their ability to ensure smooth flow of credit such as Limited ability to mobilize resources, Low Level of recovery, High transaction of cost, Administered rate of interest structure for a long time & Government & Political interference in day to day working of the cooperative banks. So it was must to analyze the financial performance of the bank in Pune. The study has focused on overall financial performance of the bank.

Sound and efficient financial practice is a strategic tool for organizational effectiveness. In the new liberalized scenario, where multinational & other global players, the management of the banks is expected to be more productive and efficient survival.

Some of the problems are adequate amount of capital, regional imbalance and competition due to sharp increase in number of banks and branches of private sector commercial banks. Most of the problems faced by the bank are governance issues. These banks are under dual control and therefore they have to abide with regulations of both. One of the main problem of the bank is lack of professionalism, generally it is seen that these banks do not function efficiently due to problems such as Government interference, lack of awareness, restricted coverage, functional weaknesses and intangibility of finance. The members of their elected representatives are not experienced enough to manage the bank. Again because of limited capital they are not able to get the benefits of professional management.

Other issues like orthodox mentality of directors, political interference, level of computerisation, director’s influence in recruitment, low level of operation efficiency etc are also some of the important problems faced by urban cooperative banks.

2.3 Significance of the Study

The co-operative banking sector in India plays an important role in expanding rural economy as well as banking structure and its services to the last man of the society. The co-operative banking structure has developed very fast in India but still it lags in so many things like ideal liquidity position due to NPA of customer as well as staff, modernization of banking structure etc. The Study of the co-operative structure in Gujarat has proved that maximum cooperative sector damaged its reputation
because of high position of NPA which effect ultimately the economic development of the state and nation.

The NPA impact on the performance of the bank in which it reduces its interest income, the net worth of the bank, demoralized the staff, hardens Capital Risk Adequacy Ratio which also restricts recycling of fund and hinders the desirable yield. Looking to the situation of banks it is desirable to take effective measures to reduce the NPAs as low as possible. Not only reduction but up gradation of quality of such assets would also be desirable for improvement managing these Non performing assets is required in order to protect the interest of shareholders, depositors as well as increase the credit worthiness of bank. It is also advisable to increase the profitability by making the provision as well as expansion plan.

NPA should be reduced for sustaining the economic growth, to increase the welfare of employees, to maintain reputation of the banks as well as to create job opportunities for future generation. Movement of urban cooperative banks had started from 1906 in Pune district. First two banks Viz Cosmos Cooperative bank and Defence Accounts Cooperative bank were established in 1906. Many cooperative banks which were formed initially as credit societies were transformed into Cooperative banks with time and increase in their business levels. Presently Pune is having web of 54 urban cooperative banks besides 22 other urban cooperative banks operating in Pune but having their head quarters out of Pune.

The nature of Pune city is changing day by day. Previously it was known as “City of Academicians” has transformed into major industrial belt including manufacturing and information and technology.

Cosmos Cooperative Banking is a key sector in the Indian Banking scene, which in the recent years has gone through a lot of turmoil. Cosmos Cooperative Bank is operating in a hostile socio-economic environment and maintaining a coherent direct challenge to the mainstream is not easy. Market competition and the need to retain good clientele are affecting the Cosmos Cooperative Bank too. The commercial banks, with their ability to invest more in technology and offer better remuneration to attract skilled persons, are better off in fending competition.
Therefore, the Cosmos Cooperative Bank, that is competing in the same space, especially in cities and towns, is also being aggressively targeted by these commercial banks and face tough competition. In this competitive environment Cosmos Cooperative Bank has to be more effective and efficient to survive. The basic question in this research is how co-operatives banks can respond to current financial challenges and changes for better survival and save cooperative identity. Researcher examined the impact of the size of a bank on its financial efficiency.

The financial efficiency of the sample bank data is evaluated by using the model of Data Envelopment Analysis. Financial efficiency further decomposed into Pure Financial Efficiency and Scale Efficiency for the purpose of categorizing the banks as efficient and less efficient banks to identify and investigate the relationship between the ‘size’ and efficiency’ of the sample bank data.

The researcher observed that the overall Pure Financial efficiency of the sample Cosmos Cooperative bank during the period under consideration showed the trends. Observation of grouping results also showed that the number of banks that could feature themselves as efficient banks or inefficient banks. It is thus difficult to explain the variations in the financial efficiency of the Cosmos Cooperative bank.

Financial performance is the mirror of the bank. For analyzing the financial performance financial statements are analyzed because these statements are available to the shareholders. Through these financial statements one can judge the financial health of the bank.

2.4 Objectives of the Study

The present study “A Study of Financial Performance Analysis of Cosmos Cooperative Bank Ltd. Pune.” has been initiated to fulfil certain objectives which are as follows:
1. To suggest measurement tools for financial practices in Cosmos bank financing.
2. To analyse the effectiveness of financial practices of Cosmos bank.
3. To study the impact of management on financial policies of Cosmos bank.
4. To study those factors which have a direct impact on the Financial practices of Cosmos bank.
5. To suggest suitable recommendations to the bank.
2.5 Justification of Objectives

For the justification of above mentioned objectives samples of branches were selected. During this study the factors which affect directly & indirectly on the financial performance of the Cosmos Cooperative bank was taken place as a part of study. This research explains the impact of government interference and mismanagement on the financial performance of the bank. This study analyses the effective & efficient financial practices of the bank.

2.6 Statement of Hypothesis

A hypothesis is nothing more than a conceptual statement about the relationship between two or more variables. It should be simple. The hypotheses are as follows.

a) Financial practices of Cosmos cooperative bank are effective to achieve its objectives.

b) The Cosmos cooperative bank has maintained efficiency for improving financial performance.

c) The Cosmos cooperative bank spends enough amounts on financial practices.

2.7 Research Design

In the analysis of the financial performance analysis of the Cosmos Cooperative Bank Ltd. Pune, descriptive as well as analytical research design is used, in which past data of the banks are used to interpret the financial data of the banks.

2.8 Sources of Data Collection

The study utilized both primary and secondary data. The relevant data and information was collected from published and unpublished sources from the following places.

1. Head office of Cosmos Cooperative Bank Ltd. Pune
2. Jaykar Library, University of Pune, Pune
3. National Institute of Bank Management, Pune
2.8.1 Primary Sources

Primary data have been collected from the managerial personnel, executives, staff and customers of 20 selected branches of Cosmos Cooperative Bank, Pune through the following method.

- Personal Interview
- Discussion
- Questionnaire
- Observations etc

2.8.2 Secondary Sources

The information related to Cosmos Cooperative Bank in banking sector is studied. Narasimham committee report is dealt in detail by referring various government publication & reference books, journals, banks published data & also through internet. The secondary data related to financial analysis is collected through the following sources.

- Annual reports of Cosmos Cooperative Bank, Ltd. Pune
- Balance Sheets & Profit & Loss Accounts of the Cosmos bank
- Internal circulated matter from RBI, RBI guidelines
- Trend & Progress reports of RBI,
- Co-operative journals,
- Co-operative diary and
- From the web sites available on net.¹
2.9 Analysis of Information

Researcher adopted financial tools to know the financial condition of the bank by using ratio analysis technique. The conclusion is drawn on the basis of Ratio Analysis of last ten years i.e. 2002-03 to 20011-12. With the help of analysis researcher gave some of the suggestions, which would help Cosmos Co-operative Bank for increasing financial performance.

2.10 Period of Coverage

Researcher chose the period of coverage for ranking the banks on the basis of financial performance of the last ten financial years i.e. 2002 - 2003 to 20011-12. This period was selected for the study because the complete data for the entire period was available. This period is considered adequate to study, trends and infer valid conclusion.

2.11 Scope of the Study

The study covers only those branches of Cosmos Cooperative Bank which are registered and working in Pune. It does not cover those branches of Cosmos Cooperative Bank which are not working in Pune. This study enables researcher to improve knowledge about the banking sector, specifically on account of financial performance and NPAs of the Cosmos Co-operative Banks. This study also enables the banks to know its actual performance in last ten years.

2.12 Tools and Techniques

The following accounting, statistical and diagrammatic techniques are used by the analyst:

(A) Accounting technique, Ratio Analysis.

(B) Statistical techniques, Stepwise Multiple Regression Analysis, Spearman Rank holders Correlation, Binomial Test etc.

(C) Diagrammatic and graphic presentation of data.
(A) Accounting techniques

The following accounting techniques are used by the analyst:

- Comparative statement analysis.
- Common size statement analysis.
- Ratio analysis.

(B) Statistical techniques

The following Statistical techniques are used by the analyst:

- Mean (x),
- Standard deviation (σ)
- Coefficient of variation (C.V.) (percentage)
- Trend percentage analysis

(C) Diagrammatic and graphic presentation of data

Diagrams and graphs are exhibiting the data in sample, comprehensible and intelligible form.²

2.13 Selection of Sample

A complete list of the customers for the year 2011-2012 was obtained from the selected branches of the bank. Average customers of the selected branches were worked out as on 31.12.2012 to 5965 customers. A moderate sample of 597 customers, considering 10% of the population was drawn for detailed investigation. Total branch managers and Branch Accountants of the selected branches were worked out as on 31.12.2012 to 34 each. Considering 58.82% were also selected for collecting required data. Thus the study was based on the final sample of 637 respondents (20 Managers + 20 Accountants + 597 Customers) as indicated in table 2.1
Table 2.1 Respondent-wise Sample

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Respondent</th>
<th>Total Population</th>
<th>Sample Size &amp; Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Branch Managers</td>
<td>34</td>
<td>20 (58.82%)</td>
</tr>
<tr>
<td>2</td>
<td>Branch Accountant</td>
<td>34</td>
<td>20 (58.82%)</td>
</tr>
<tr>
<td>3</td>
<td>Customers (Borrowers &amp; Depositors)</td>
<td>5965</td>
<td>597 (10%)</td>
</tr>
<tr>
<td></td>
<td><strong>Total Sample Size</strong></td>
<td><strong>637</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 2.14 Sampling Technique

The researcher has used Convenient Simple Random Sampling Method to select sample branches.

### 2.15 Justification of Sampling Method

A sampling method is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure, the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample. Sample method is determined before data collection. There are different types of sample methods based on two factors viz, the representation basis and element selection technique. On the representation basis the sampling may be probability sampling. Probability sampling is based on the convenient random selection.

In this study, the homogeneous data will be collected therefore convenient simple random sampling method is chosen. Under this method every item of the universe has an equal chance of inclusion in the sample. The result obtained from the probability or random sampling can be assured in terms of probability i.e. we can measure the errors of estimation or the significance of results obtained from a random sample, and this facts brings out the superiority of convenient simple random sampling design.

Convenient simple random sampling from a finite population refers to that method of sample selection which gives each possible sample combination an equal
probability of being picked up and each item in the entire population to have an equal chance of being included in the sample.²

2.16 Classes of Respondents

For this study purpose the following classes of respondent to be contacted.

- Branch Managers
- Accountants
- Customers

2.17 Limitations of the Study

The study has the following limitations.-

The study was restricted only to the branches of Cosmos Cooperative bank ltd, Pune for the specific period from 2002-003 to 2011-2012. The results and conclusions are based on the analysis of data and various thoughts, opinions given by the concern authorities.

In spite of these limitations every efforts has been made to find out facts. The researcher has tried to find out the financial positions of the urban cooperative banks with the help of Ratio analysis technique. This study has the suggestions given by the researcher will be useful to the management and the members of urban cooperative banks.

The sample of present study is restricted only to those branches Cosmos Cooperative Bank which are registered in Pune area. The samples selected from the Pune urban area and some of the branches are not considered for the purpose study for the reasons of time constraint and inconvenient to visit.

The study covers a span of ten years i.e. from 2002-03 to 2011-12. The data for the present study will be obtained from the annual financial reports of the Cosmos Cooperative Bank and from various journals of trade and co-operation, RBI bulletins and circulars, books and various committee reports based on the Cosmos Cooperative Bank and from leading daily news papers, form the Pune Urban Co-operative banks Association and district registrar of co-operative societies.
Analysis of financial statements of Cosmos Cooperative Bank is done by applying the tools and techniques of accounting and Statistical such as ratio analysis, common-size statements analysis and comparative statements analysis.

The following are the major limitations of the present study:

a) Since the primary data & secondary data used in this work are collected from the officers of Cosmos Cooperative Bank and published annual reports of respective Cosmos Cooperative Bank respectively, they have inherited limitations.

b) The present study is based on the selected 20 branches of Cosmos Cooperative Bank. As the size of the sample selected is very small, the limitations of a small sample are applicable. Moreover, the sample includes only those branches of Cosmos Cooperative Bank which are registered in Pune city and statistical information of which are available for the entire period of study. The sample does not represent those branches of Cosmos Cooperative Bank which are not registered in Pune; the conclusion inferred from the above study may not be applicable to the branches of Cosmos Cooperative Bank which are not registered in Pune. No sample has been taken from multi state Cosmos Cooperative Bank’s branches as their registration is out of Pune.

c) The limitations of tools and techniques applied for the analysis are inherent in the present study.

d) The analyst could not get some information otherwise useful for a deeper study, due to the RBI restrictions on disclosure of data on part of higher officials.

In spite of all these limitations this study throws light on the important challenging problems of the Cosmos Cooperative Bank.

2.18 Scheme of Chapters

The scheme of the report is as follows.

Chapter No. 01 Introduction and Overview of Banking System in India.

This chapter deals with the various aspects such as introduction of banking system in India, Need of Banking, History of Indian banking system, Nationalisation, Govt. Policy on banking industry, Law of banking, Regulation for Indian banks, A
brief review of reforms of banking sector in India, Role of RBI in Banking reforms in India, Impact of reforms on the banking sector in India, Classification of banking industry in India, Reserve Bank of India, Introduction of cooperation, Concept of cooperation, Principle of cooperation, Cooperation legislation, Cooperative movement in India, Cooperative banking in India, Objectives of Cooperative banking, Functions of Cooperative banking, History of Cooperative banks in India, RBI policies for cooperative banks, Types of cooperative banks, Objectives of Urban cooperative bank, Status of UCBs in India, High power committee report, UCBs in Maharashtra, Functions of cooperative banks, etc and conclusion.

Chapter No. 02 Research Methodology

This chapter deals with the various aspects of the study such as problem statement, significance of the study, Objectives of the study, Justification of objectives, Statement of Hypothesis, Research design, Sources of data collection, Analysis of information, Period of coverage, Scope of the study, Tools and techniques, Selection of sample, Sampling technique, Justification of sampling method, Classes of respondents, Limitations of the study and scheme of the chapters and conclusion.

Chapter No. 03 Review of Literature

This chapter deals with the work done in the past on similar topic and for this purpose the topic is divided into three parts. The first part includes book reviews of various authors on banking and cooperative banking at international and national level; second part includes reports of various committees appointed by central and state government time to time on cooperative banking. The third part includes the review of research papers published by researcher at international, national and state level on cooperative banking; and fourth section includes research work done by the researcher in past on cooperative banking and conclusion.

Chapter No. 04 Profile of the bank

This chapter deals with the various aspects of Cosmos Cooperative Bank such as Introduction, History and current status, Cosmos foundation, Bank services and achievements, Number of Members, Share Capital, Reserves, Deposits, Loans and Advances, Working Capital, Investments, Profits, Over dues, Number of branches,
Productivity, Net worth, NPA, Capital adequacy Ratio, Average cost of Deposits and Return of Assets, Foreign exchange trade, Real time gross settlement, National electronic Fund transfer, Non- financial factor, Cosmos visa debit card, SMS banking service, Internet banking, ATM, Bank owned web site, Bill payment facility, DEMAT, Mutual fund, Insurance business, Franking, E-Tax Payment facility and conclusion.

**Chapter No. 05 Financial Performance Analysis of the Bank**

This chapter deals with the various aspects of financial analysis of the bank such as Essence of the financial disclosure, Parts of the financial statements, Fundamental basic accounting concept and conventions, Characteristics of financial statements, Limitations of financial statements, Methods of financial analysis, Terms used in analysis of banks performance, Indicators of productivity, Analysis of Profit and Loss A/c, Financial performance analysis on the basis of Profit and Loss A/c, Bank performance, Analytical table of Profit and Loss A/c, Division of income, Division of Expenditure, Ratio analysis, Critical Analysis of Balance sheet, Contingent liabilities, Analysis of Balance sheet, Balance sheet ratio analysis, Loans and advances to directors and relatives, Classification of over dues, Amount wise classification of deposits, Outstanding amount wise classification of loans percentage to total loans, Purpose wise classification of loans, Analysis of Cash flow statement, Effects of non- performing assets, RBI guidelines for NPA, Types of NPA, Causes of NPA, Management of NPA, Remedies available for NPA, Revised guidelines for NPA, NPA position of Cosmos Cooperative Bank Ltd. Pune and Comparative NPA position of Cosmos Cooperative Bank Ltd. Pune etc and conclusion.

**Chapter No. 06 Data Analysis and Inferences**

This chapter includes the analysis of data collected from various sources. The researcher has analysed the data collected from main three sources such as Depositors, Borrowers, Accountants and Branch Managers and conclusion.

**Chapter No. 07 Issues, Findings & Suggestions**

This chapter brings together the conceptual and analytical stands in the preceding chapters to present the issues and findings drawn on the basis of primary
and secondary data. The researcher has also drawn recommendations and suggestions on the basis of primary and secondary data and conclusion.

2.19 Conclusion

Indian cooperative banking has been making attempts to change themselves continually. Thus financial practices must be sound so that it can be improve organizational effectiveness. Despite rapid growth the overall progress of cooperative movement during 100 years of its existence is not very impressive.

Co-operative banks play very important role in providing banking services to common man in their area of co-operation. A small depositor or a small borrower feels comfortable in dealing with the local staff of co-operative bank than to the staff of nationalized banks and private sector banks.

If co-operative banks go in liquidation due to abnormal increase of NPA not only customers and staff members of that particular co-operative bank will suffer but all other co-operative banks will also get a major setback. Banking is the life blood of Indian economy. Banking has three types of sectors, which provide finance to different sectors i.e. private sector, public sector and cooperative sector.

It is therefore necessary to know the causes of poor performance of the movement and on that basis take such steps as would promote a faster growth of cooperative movement in India.

This is basically a survey of all those concerned with development of Cosmos Cooperative bank ltd. Pune. Due to paucity of time and resources, it was confined to one urban cooperative bank in Pune. But the survey of the branches is conducted of Cosmos Cooperative bank and extensive nature.

The suggestions given in the thesis have lot of relevance in making them more viable and customer friendly. In the next chapter, it is attempted to take the review of past research done by the researchers.
References


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