CHAPTER-THREE
DESIGN OF STUDY

This chapter includes Research Methodology used by for the study. The chapter begins with the reason for selecting District Central Cooperative Bank for study. It includes relevance and scope of study, research objective, research design, sample, design, and data collection techniques used for this study. It also presents the limitations of the study.

Research is an unbiased, structure and a sequential method of enquiry directed towards a clear implicit or explicit objective. This objective might lead to validating the existing postulates or arriving at new theories or models. Thus, research methodology not only includes research technique but also the logic behind its usage.

The research has a number of research designs available to investigate, but the most appropriate is the one which is universally followed, simple to comprehend and best suited to the research objective.

Thus, at the outset, it become imperative to understand reason for selecting the fund management of District Cooperative Central Bank Limited Raipur and Bilaspur for the study.

The Reason for Selecting Cooperative Bank from Among New Private Sector Banks

The reason can be justified by analyzing the following two criteria in detail

1. The reason for not selecting public sector banks in India for Study

2. The reason for Selecting private sector banks in India for study

The Reasons for not selecting public sector Banks in India for study
Nowadays banks provide variety of services like savings account to internet banking, granting loan services to insurance, locker facility to transfer money to abroad. The banking has therefore become very complex and requires specialized skills so as to move in tandem with the current transformations in the global banking system. Since the inception of public sector banks it had monopoly in the market. But after liberalization with the entrance of private banks, upper bar of competition has increased a lot which forced public banks to enhance the level of banking services.

The difficult issue pertaining to banking Industry is that whether, Government will retain majority control over public sector bank in the prevailing international consensus as against government ownership and many developing countries which are actively engaged in privatizing government banks as part of their financial sector reform. Privatization is obviously not a guarantee against bad banking, as it is evident from the banking crises involving private banks in both developed and developing countries. However this argument is usually countered by conceding that the privatization alone is not sufficient, and must be accompanied by improved regulation and supervision, it is nevertheless necessary because government ownership involves ‘ politicization’ and ‘ bureaucratization’ of banking.

The Committee on Banking Sector Reform (CBSR) this issue has recommended that the government/RBI holding the public sector banks/State Bank of India is reduced to 33%. Two reasons have been given by the committee CBSR are.

The capital requirement of banks will expand substantially because of combined effect of growth in lending and enhanced capital adequacy requirements, and the additional capital required is much larger than likely growth in the reserves through plough back of profit. Additional capital will have to contribute and will have to maintain a 51% share in equity for the government, which requires large contribution from the budget .The committee therefore recommended that the additional capital needs by the banks should be met by bringing in new private equity, which would dilute the government’s share below 51%.

The second reason given by the CBSR is that the degree of functional exercise required for sound banking may not be possible as long as government retains a majority share.
Nowadays banks provide variety of services like savings account to internet banking, granting loan services to insurance, locker facility to transfer money to abroad. The banking has therefore become very complex and requires specialized skills so as to move in tandem with the current transformations in the global banking system. Since the inception of public sector banks it had monopoly in the market. But after liberalization with the entrance of private banks, upper bar of competition has increased a lot which forced public banks to enhance the level of banking services.

Government accountability makes it unlikely that government would be willing to distance itself from management by delegating all powers of supervision to an entirely independent non-government board of directors. In any case, since the aboard must reflect the interests and perception of shareholders, it is difficult to envisage a board acting completely independently of the government as long as the government is a majority shareholder. In fact, there is real danger that such an arrangement might degenerate into one which gives an appearance of independence but allows informal and unstructured interference in practice. This would only continue the relationship of dependence without the transparency and formal procedures involved when government is formally responsible.

Majority ownership also imposes certain statutory constraints. It implies that the government’s anti-corruption machinery has jurisdiction over bank officials in the same way as government officials. The agencies can also prosecute in such cases even though management may have a different view of the culpability of action. Since investigations take long time as the bank official suffer significant costs in the process, including possible suspension and denial of promotion. Vulnerability on this score encourages multiple layer of scrutiny and decision making in public sector banks because bank official find comfort in concurrence from others. This creates cumbersome system in which negative view expressed at any stage are unlikely to be countered, all of which introduces rigidity and an unwillingness to take reasonable commercial risks.

It is difficult to imagine Indian public sector banks engaging in innovative banking under these constraints. Reducing the government's equity below 51% should therefore be the next step in banking sector reform.
Owing to the complexities associated with public sector banks, this research work has emphasized on appraising the performance of private sector banks.

**The Reason for Selecting Private Sector Banks in India for Study**

Initially, all the banks in India were private banks, which were founded in the pre-independence era to cater to banking needs of the people. In 1921, three major banks i.e. Bank of Bangal, Bank of Bombay, and Bank of Madras, merged to form Imperial bank of India. In 1935, the Reserve Bank of India was established and it took over the central banking responsibilities from the Imperial Bank of India (IBI), transferring commercial banking functions completely to IBI. 1955, after the declaration of first-five year plan, Imperial Bank of India was subsequently transformed into State Bank of India.(SBI).

Following this, occurred the nationalization of major banks in India on 19 July 1969. The government of India issued an ordinance and nationalization the 14 largest commercial banks of India, including Punjab National Bank (PNB), Allahabad bank, Canara Bank, Central Bank of India, etc. Thus, public sector banks revived to take up leading role in the banking structure. In 1980, the government of India nationalization 6 more Commercial banks, with control over 91% of banking business of India.

In 1994, the Reserve Bank of India issued a policy of liberalization to license limited number of private banks, which came to be known as new generation tech-savvy banks. Global Trust Bank was, thus the first private bank after liberalization; it was later amalgamated with oriental Bank of commerce (OBC). The Housing Development Finance Corporation Limited (HDFC) becomes the first (still existing) to receive an in principle’ approval from the Reserve Bank of India (RBI) to set up a bank in the private sector.

At present, Private Banks in India includes leading banks like ICICI Banks, ING Vysya Bank, Jammu & Kashmir Bank, Karnataka Bank, Kotak Mahindra banks, SBI Commercial and International Bank, etc. Undoubtedly, being tech-savy and full of expertise, private banks have played a major role in the development of Indian banking industry. They have made banking
more efficient and customer friendly. In the process they have jolted public sector banks out of complacency and forced them to become more competitive.

The Reason for Selecting Cooperative Bank from among new private sector banks.

As evident from above, there are numerous private sector banks in India, but the reason for selecting cooperative bank from among new private sector banks rests on the following criteria:

Despite, the importance of financial performance studies, the literature on performance of an individual bank over the years does not exist. So a great work is needed on measuring and comparing the financial performance. In view of the above, a study of financial performance of one of the private sector banks is useful to various interest groups such as the government, private and public sector banks, and the community. Hence, the present work proposes to address this important issue on a selected private sector commercial bank, Cooperative bank.

SIGNIFICANCE AND SCOPE OF STUDY

This study is important to many parties, such as depositors, regulators of banks, government and managers. In a competitive financial market bank performance provides signal to depositors and investors whether to invest or withdraw funds from the bank. Depositors need previous performance of banks whether is it beneficial to deposit their extra money to earn profit. Depositors often look at the interest rate the banks offer for deposits. But by analyzing bank performance they will be able to get more and reliable information about the strength of the bank. So, this study will help them to decide which bank to place their saving with more confidence.

Similarly, it flashes direction to bank managers whether to improve its deposit service or loan service or both to improve its finance. The results of our study are also very important for managers of the banks as the performance of the bank can be compared to the overall banks performance. This would be a good indicator for them to understand their bank’s performance against the industry. Further analysis of financial ratios could also provide a signal and be able to
predict future progress of their bank’s situation thereby enhancing the financial institution efficiency and stability of the Indian banking sector. Regulator is also interested to know in order to regulate and monitor functioning. Based on the results the government may decide whether to increase the number of branches or not.

Currently, bank regulators often use financial ratio to screen banks. Most studies found that financial ratios regarding capital adequacy, earning, and liquidity are useful in evaluating the economic performance and management quality of banks. While the calculation of a set of financial ratio is a relatively easy task, the aggregation of those ratios can be a quite complicated process involving interpretation and judgment. The analysis of financial ratio is crucial for bank regulators to compare bank performance over period of time.

This research covers the financial data on DCCB’ from 2006-2007 to 2010-2011. This research used financial ratios to investigate the banking performance namely; capital adequacy ratio, asset quality ratio, management quality ratio, efficiency ratio and liquidity ratio. The financial strength is then assessed at the level of Indian economy’s status during the tenure of research period. All the data and financial data are taken from audited annul reports submitted to RBI by banks.

Most of the previous studies have used financial ratios as their proxy for investigating the bank performance. As such, the financial ratio have been popular techniques as well as powerful tool in approaching the issues of evaluating as well as a powerful tool in approaching the issues of evaluating the bank’s performance.

The study has further resorted to assessing the performance internally and externally. This study can be a source of help to bank managers to improve their financial performance and formulate policies that will promote effective financial system. This study also recommends measures that could be adopted by bank to ensure soundness in their operations. The examination of financial performance in banking has important public policy implications in the District context.

Firstly, the principle aim is to achieve a more competitive and efficient financial system. The banking industry is a vital part of the financial system in any country. Thus, its success or failure strongly affects the health of the economy. Secondary, it is interesting to study the determinants of financial performance, as it also help the policy- making bodies create, if needed, an appropriate regulatory environment.
RESEARCH OBJECTIVES

The issues that will be addressed in this research work will be;

1. Whether DCCB’s performance in terms of various financial indicators has improved in recent years?

2. Which one of the DCCB’s had utilized the fund effectively and efficiently?

A decade and half has elapsed since the initiation of banking sector reforms in India. Over this period the Indian banking sector has experienced a paradigm shift. Hence it is high time to make performance appraisal of this sector. It is against the above background that the present study has been undertaken, to assess the performance of DCCB’s.

In today’s competitive environment, one with immense opportunities and challenges it is absolutely essential that banks utilize resources efficiently. Taking into account these dynamics, it is important to evaluate DCCB’s growth, credit quality, strength and soundness and profitability.

The research work has following objectives:-

1. To find out the overall financial position of District Cooperative Central Bank Raipur and Bilaspur in Chhattisgarh State, since 2006-2007 to 2010-2011.

2. To evaluate the overall performance of the bank through major financial administrative indicators.

3. To analysis the mobility and efficiency of management of fund.

4. To analysis the aspects of problem area that involves the study and analysis of Non-performing assets at Apex Bank.

The whole analyze will be shaped directly to fit the logical need of our objective. I will mainly reckon as to the number, their percentage and average variation of the concerned variable in
order to reach conclusive results. Appropriate indicators will be used for the analysis and for drawing inferences.

**HYPOTHESES:-**

The hypothesis is framed on the basis of availability of facts and data.

1) Working capital of DCCB-Raipur has been effectively and efficiently managed than Bilaspur.

2) Profitability of DCCB-Raipur was encouraged than Bilaspur.

3) Liquidity position of Bilaspur was sound than DCCB-Raipur.

4) NPA of Bilaspur is increasing than DCCB-Raipur.

5) There is an efficient mobility of funds in DCCB-Raipur than Bilaspur DCCB.

**RESEARCH DESIGN**

Research design is the conceptual structure within which research is conducted; it constitutes the blue print for the collection, measurement and analysis of data. Decisions regarding what, where, when, how much, by what means concerning an enquiry or a research study constitute a research design. There are three basic types of research designs namely exploratory, descriptive and analytical. Exploratory research design is flexible in its approach and involves a qualitative investigation in most of the cases. It is the simplest and most loosely structured. Descriptive design on the hand provides comprehensive and detailed phenomena under study. The experimental research design is used to measure the influence of independent variables on the dependent variable while keeping the effect of other extraneous variables constant.

The variables type employed for the study is exploratory – secondary resources comprehensive, analytical analysis. Further it assumes the shape of a casual design where in the cause and effect relation between the ratios and performance indicators is evaluated.
RESEARCH SAMPLE

The process of selecting the right individuals, object and events for the study is known as sampling. Sampling relies on certain sampling concepts-population, sample and sampling unit. Population refers to any group of people or object that forms the subject of study in particular survey. A sample is the subset of population which contains only some elements of the population. A sample unit is the single member of the sample.

This research work has chosen the bank employees as population and as the research focuses on the analysis of financial statement to suggest bank to improve performance, the sample chosen is only DCCB’s.

Further random sampling is used to get the opinion on the performance yardstick and so two the DCCB’s were contacted. Eleven Questions were filled up by the customers of both the DCCB’s and five questions were filled by the bank executives.
DATA SOURCES

Once the research design is identified to match the research objectives, the next task to be done by researcher is to get the perspective relevance to the study. The researcher seeks the data collection mode to aid the further research process. The data collection techniques are broadly classified under two heads - primary and secondary sources.

The primary data are those which are collected afresh and for the first times, and thus happens to be original in character. The primary data is used when the subject to be investigated depends highly on the response of the concerned parties. This means that the use of primary data in the response of the parties involved investigation. But this research work is undertaken to measure the financial statement of both the DCCB’s so the primary data does not add to the research data identified for study, but to add to the efficacy of the model proposed, the perception of bank customer and Executives is collected through questionnaire method.

The secondary data are those which have been already collected by someone else and which have already been passed through statistical process. Books relating to banking, financial statement analysis and researches are referred. Articles and journals on banking performance research by different research scholars and philosophers are referred. Research literature and old theses have also been used as secondary sources. Moreover literature from the 90s and later has been used. Websites have also been used as secondary sources. The major data on financial statement are collected from the audited, published reports of the bank on websites of RBI and DCCB’s.

This study attempted basically to measure the financial performance of DCCB’s for the period 2006-2007 to 2010-2011. It is evaluator in nature, drawing sources of information from secondary data. The financial performance of banks is studied on the basis of financial variables and ratios. In this study an attempt was made to analyze the financial performance using simple regression in order to estimate the impact of independent variable represented by capital adequacy, asset quality, management, earning capacity and liquidity ratios on dependent variable to measure internal performance, represented by ROA and ROE. From the extensive literature review, it was found that banks with higher total deposits, credits assets, and shareholders’ equity do not always mean that it has better profitability performance.
The rest of the work is organized to study the linkage between financial performance measured by CAMEL model and ANOVA—one way which is the measure of market based performance of any bank.

In this study, the financial statement of DCCB’s are analyzed using ratio analysis and these ratio will form a set of independent variables characterizing each of the study period. These ratios are then used to construct a model to establish the relationship of each variables of the bank performance using ROA and ROE as independent variables on one hand to appraisal the bank internally and another set of independent and dependent variables are used to evaluate the performance of the bank externally.

DATA ANALYSIS AND INTERPRETATION:

The quality of the project work depends on the methodology adopted for the study. Methodology, in turn, depends on the nature of the project work. The use of proper methodology is an essential part of any research. In order to conduct the study scientifically, suitable methods & measures are to be followed. Accordingly with convenience basically computer aided like; Excel, Ms-word, etc.

According to convenience and need the statistical techniques such as ANOVA test, ratio analysis, trend analysis, average and percentage etc are used.

NOTEWORTHY CONTRIBUTION OF THE STUDY:-

This study would contribute in clarifying the concepts relating to funds management, recovery, loan, and Non-Performing Assets very well. After the study of topic in-depth the fundamental concepts are very clear. The beneficiaries from the study of this topic would be first of all self-researcher, academicians, practicing managers, prospects researchers and the banks. If these parties refer this research study in future can take advantage of finding and suggestions. Academician, practicing managers and research students may take benefits for academic purpose and on the jobs. The banks if feel may implement the suggestions for improvement of Efficiency and Decreases of Nonperforming Assets of Banks. It can be said the benefits would be multidimensional for above mentioned parties.
EXPECTED OUTCOME OF THE STUDY:—

This research will help to know efficiency of management of funds. It helps to know mobility of funds. It helps to analyze judging the efficiency of management of funds. It helps to know the relationship between loan disbursement and recovery of loans.

LIMITATION OF THE STUDY

This research is carried out to identify various financial indicators which can assess the overall performance of DCCB’s on the basis of the research gaps identified in the literature review. The research has tried to fill up the gaps to certain extent but in spite of extensive research work undertaken, there are certain gaps which could not be shortened. This study encountered to several limitations;

1. Many studies have been done to analyze the performance of commercial banks around the world based on profitability determinants and the financial indicators. However, this study has used financial ratios to analyze the bank performance based on the CAMEL approach through; the research does not want to check the ranking of the bank on the basis of CAMEL rating but to appraise the financial position of DCCB’s

2. There are very little studies done on Fund management of the banks using financial indicators and so being of its kind, this study, is subject to further validation.

3. As the research analyzed the performance of DCCB’s during 2006-2007 to 2010-2011 years the accessibility of the banking data information was quite a problem, principally to collect banks annual reports was difficult and so the numbers of ratios used are less.

4. Due to the limitation of time, the sources of the data, the study period covers only 5 years.

The researcher has tried to appraise DCCB’s from all angles—internally, externally and economically by addressing to maximum gaps identified in the previous chapter but owing to the above limitations, the scope is left for future research to fulfill the unanswered gaps.