

CHAPTER ONE

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CHAPTER NO. 01

INTRODUCTION

1.0 RATIONAL:

“Drop in separation could only fade away, drops in Co-operation made the ocean”

“There is sweetness in Co-operation; there is no one weak or strong among those who co-operate, each is equal to other.”

-Mahatma Gandhi.

“In Co-operation man is the beginning and man is the end. This is in striking contrast to capitalism, where money is the beginning and the end, and men are but a means.”

“Every human need comes into Living Co-operation, because the power lies with people, not with money. Thus, co-operation humanizes business and through a sector of the economy. This is its legitimate source of pride.”

-Prof. Georges Lasserre.

“A hundred times everyday, I remind my self that my inner and outer life is depended on the labours of other men, living and dead, and that I must exert myself in order to give in the same measure as I have received and still receiving.”

-Albert Einstein.

“I expect to pass through this world but once. Any good there fore that I can do, or any kindness that I can show to any fellow creature, let me do it now. Let me not defer or neglect it, for I shall not pass this way again.”

-Stephen Grellet

All the above proverbs tell the importance of Co-operation in human life. This has given birth to some themes like “Bin sahaakar nahi uddhar”, “Unity is the strength” and “Each for all and all for each”. Co-operation literally means common operation by the peoples retaining their individual autonomy and independence keeping in mind that their development lies in the development of the society in which they live.

1.1 CO-OPERATIVE MOVEMENT:

Co-operation is a form of organization where members join together as human beings to satisfy their common economic, social and cultural needs. Co-operation was conceived in India as the answer of the small man to the moneylender. It was seen as an instrument of

self-help among the poorer segments of the population. The co-operatives are expected to attend less towards profits and more towards services. The emphasis is not on profitability and the co-operative should work on no profit no loss basis. In case, they make some income over expenses, they should plough it back into expansion of the co-operative activities and improvement in the quality of services. They also spread a sense of togetherness among co-operators and generate loyalty to the co-operative movement.

Co-operation was introduced in our country in the early years of 20th century primarily as a means of helping the indebted poorer sections of the agriculturists, so that their economic conditions can be improved and be lift these people out of a state of stagnation. For many years, the co-operative movement in India was primarily concerned with credit activities. The need was felt for organizing societies with functions other than credit also. To facilitate this idea, the Co-operative Societies Act 1912 was passed. This provided legal sanction for organization of different kinds of co-operative societies.

The co-operative movement in our country is though more than 100 years old; it has made impressive counts only after independence. It was introduced as an instrument for providing relief to farmers in rural areas from the exploitive clutches of private moneylenders. Thus, after independence, the co-operatives have emerged as strong and vibrant economic force providing varieties of services not only to rural masses but urban masses, particularly the weaker sections of the community also benefited. The planning process, which was started in India as first five year plan in 1951, aim at development of economy through public, private and co-operative enterprises.

At the initial stages of planning, co-operation was accepted as an important part of state policy in the development of many economic activities. Main objectives of National development are raising the productivity level of economy, alleviation of poverty, creation of additional employment opportunities for the people and to improve the livelihoods of the masses so as to make them economically independent and enlightened citizens. The movement has passed through many developmental stages. The movement thus achieved the aspirations of the people in many areas especially in Agriculture, Industries and Economical activities. Our Nation has celebrated 50th anniversary of its independence. Nation is proud in the glorious achievements in the co-operative sectors.

In the year 1995, the International Co-operative Alliance adopted a statement on Co-operative identity at its Congress held at Manchester, and for the first time an universal definition of co-operative was given, that includes Value of co-operative organisation and the reconstructed principles of co-operation. Most of the co-operative identity has assumed a great significance in the present era of economic liberalization. We accept that co-operatives continue to be the best hope for those sections of people and economic activities that may be subjected to exploitative tendencies of a market oriented economic system. Thus, Co-operative will have to make earnest efforts to protect, preserve and project their identity in the area of competitive and open market.

1.2 WORLD CO-OPERATIVE MOVEMENT:

The world saw the roots of Co-operative movement during the industrial revolution in United Kingdom, where the lust and lure of mass production uprooted the morality of mankind and human values and resulted in exploitation of working class. It is here the Co-operative movement took birth for removing the harsh living condition of the labours.

The first Co-operative Society “Rochdale Equitable “ was formed with an idea to supply goods and provision of social and educational facilities for ordinary workers. With a total some of 28 pounds and 28 weavers and artisans, they laid the foundation stone of the first Co-operative store of the world on 21st December 1844 at the Toad lane street of Rochdale, United Kingdom.

The birthplace of urban Co-operative Credit Movement is Germany. In the year 1884, Francis Haeck established first Co-operative Credit Society in Belgium. However, this credit society operated as an investment organization rather than Co-operative. Schulze Delitzsch started Urban Credit Society in 1850, with a motive to inculcate the habit of savings amongst its members and to give them loan for various purposes on the basis of personal security at a low rate of interest. In 1855, the first experiment of Urban Co-operative banking was successful in Germany. The ideas and concept of Urban Co-operative banking then spread from Germany to Italy. Professor Luigi Luzzatti from Italy has work a lot and given a structural form to urban co-operative banking and his efforts proved useful and effective in Italy.

In India, the importance of Co-operatives can be judged from the views of legendary personalities. Pt. J.L. Nehru observed “Co-operation is the only way for eliminating

poverty, overhauling the social set up, assuring an equitable distribution of wealth and the first step towards the goal of socialism-a prerequisite for democratic administration". L.B. Shastri was so impressed by the motives of Co-operatives that he desired one "Amul" in every district of our country. Morarji Desai maintained that, "No democracy can be guaranteed until co-operative spirit governs all people in the country".

1.3 INDIAN CO-OPERATIVE MOVEMENT:

The Co-operative movement in India has completed its century. During the last 100 years the Movement has entered several sectors like Banking, Housing, Warehousing, Agriculture, Transport, Dairy, Fishery, Rubber plantations, handloom, Sugarcane production etc. It is because of the Credit Co-operatives that the strong holds of moneylenders were weakened and thousands of families are free from their bondage.

After 100 years of the formation of Co-operative Credit Societies Act in India, let us examine the present position of Indian Co-operative Credit Movement.

**Table No. 1.1 Indian Co-operative Movement at a Glance
All Co-operatives –2002-03**

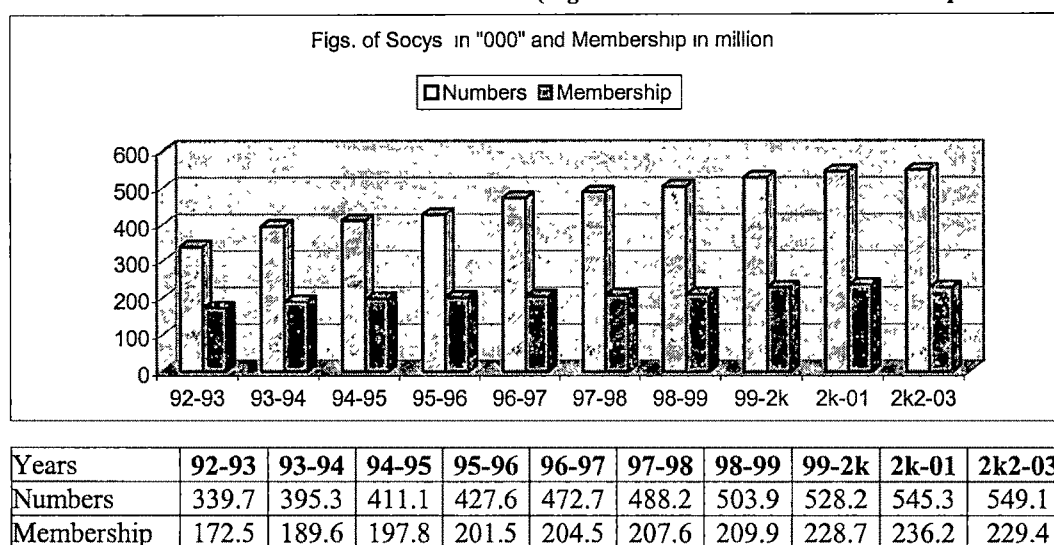
(Value Rs. in Million)

Number of Cooperatives (all levels)	549,119
(a) Primary Agriculture and Credit Cooperatives	145,928
(b) Primary Non-Credit Cooperatives.	399,934
Membership of Cooperatives (all levels and types)	229.510 million
(a) Membership of Primary Agri/Credit Cooperatives	150.553 million
(b) Membership of Primary Non-Credit Cooperatives	64.827 million
Share Capital (all levels and types)	Rs. 223,944.0
(a) Share Capital of Primary Credit Cooperatives	Rs. 102,791.8
(b) Share Capital of Primary Non- Credit Cooperatives	Rs. 56,655.5
(c) Govt. Participation in Primary Agriculture Cooperatives	5.76 %
Working Capital (credit and non-credit)	Rs. 3,827,496.4
Reserves	Rs. 300,504.0
Deposits	Rs. 1975,633.1
Coverage of Rural Households	71 %
Village covered by Cooperatives	100 %
No. of National level Cooperative Federations	19
No. of State level Cooperative Federations	367
No. of District level Cooperative Federations	2,890
Agriculture production credit advances (Short term)	Rs. 235,436.2
Agriculture production credit advances (Middle term)	Rs. 52,833.8
Investment Credit advances (Long term)	Rs. 31,027.3
Total Loan advances (Short term+Middle term+Long term)	Rs. 319,297.3

Source: Indian Cooperative Movement – a Profile, 2004, National cooperative Union of India.

The table no. 1.1 gives an overview of Indian Co-operative Movement perhaps starting from zero in the year 1904 and after a period reaching to all most every village in India. The Co-operative Movement has covered 71% of rural household out of total 1919.63 millions of household in India by the year 2001- 02. The share of employment by Co-operatives in organized sector is 17.09 millions (4.25%) out of total work force of 402.5 millions by 2001-02.

Chart No. 1.1 : Growth of Indian Co-operative Movement
(Figures in thousands and membership in millions)



Source: Indian Cooperative Movement – A Profile, 2004, National cooperative Union of India.

The above chart shows increase in number of Co-operatives and its membership over a period of ten years from 1992-93 to 2002-03. The number of Co-operatives increased from 339.7 million in 1992-93 to 549.1 million in 2002-03, which is growth of 61.86%. Similarly, the membership of Co-operatives also rises from 172.5 million in 1992-93 to 229.4 million in the 2002-03, a growth of 75.20% over a period of ten years.

1.4 CO-OPERATIVE MOVEMENT IN GUJARAT:

In Gujarat state, the first Co-operative society was registered in Vadodara, the princely state of Gaekwad regime in the year 1889 as urban credit society namely Anyonya Sahayak Sahakari Mandali, Baroda (Now Anyonya Sahakari Bank Limited). For taking out the downtrodden people from financial stress, this society was registered as co-operative under the Co-operative Societies Act, 1912 and converted into an urban cooperative bank in 1966.

Visalpur Cooperative Credit Society in Dascroi taluka of Ahmedabad district was the first agriculture credit society under the Co-operative credit societies Act of 1904 in Gujarat. The first urban co-operative bank in Gujarat, (then as a part of Bombay State) registered in 1909 as Jambusar Peoples Co-operative Bank in Bharuch district.

The system of multi-purpose co-operative society was introduced at Kodinar (Saurashtra region) in 1912, which directed the scientific way for crop loan credit system. Established in 1951, the Land Mortgage Bank was the pioneer for the land reforms in Saurashtra. The bank lend generously to the tenants to remove them from the clutches of landlords. Now this bank has been named as Gujarat State Co-operative Agriculture and Rural Development Bank and working for the development rural mass with it's 179 branches at district and taluka level.

Amul and Dudhsagar Dairy are the name of co-operative excellence in Asia. First milk co-operative society was formed at Choryasi, Surat district in 1940 and first Milk Producers Co-operative Union as registered at Anand in 1946.

In agriculture sector two giant co-operative fertilizer plants IFFCO and KRIBHCO were established in Gujarat in the years 1974 and 1985 respectively. In 1955, the first Sugar factory was established at Bardoli, which is one of the largest sugar factory in India.

In Gujarat, the co-operative spread its activities even in the field of education and training. The first co-operative training was started in the year 1929 at Surat. At present there is Gujarat State Co-operative Union with 19 district co-operative Unions and 5 Co-operative management centers apart from Udaybhansinhji Regional Institute of Co-operative Management and National Institute of Co-operative Management (NICM) at Gandhinagar. These institutes provides co-operative education, training and develops co-operative management skills as well as they are big source of information for Researchers in Co-operative Sector.

On 1st May 1960 Gujarat and Maharashtra was separated from the Bombay State. At that time, there were 13959 co-operatives societies of all types, which increased to more than 80000 at the end of 2002-03.

The above details give quantitative measurement of co-operatives in India as well as in Gujarat. However, the Ex-Deputy Chairman of Planning Commission has noted that,

“The Co-operative Movement in India is at cross roads and has been passing through a critical phase like our economy. In such circumstances, acceptance of self-reliance and Swadeshi and non-dependence on funds, is the only alternative. Growth with social justice along with due care of environment for sustainable development must be the new direction of the Co-operative Movement”.¹

1.5 DEFINITION- CO-OPERATIVE:

“Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”.²

The above clarifies that it is independent organization of people who come together by their own to satisfy their all-similar needs by their own joint efforts and under complete co-ordinations, cohesiveness and in a constructive way.

1.6 VALUES:

“Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity”.³

It means that in the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Co-operatives are self-help democratic organizations. These organizations bring the services and facilities, which are not within their reach as individuals. Self-help and mutual-help are the instruments for acquiring economic and social development. So, founders of co-operatives must be having some principles.

1.7 PRINCIPLES:

The co-operative principles are guidelines by which co-operatives put their values into practice.

1.7.1 Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial political or religious discrimination.

¹ Mohan Dharia, 'Re-investing Co-operatives- A 21 century vision, deep and deep publications. p 38

² Co-operative movement in Gujarat- A profile, The Gujarat State Co-operative Union, 'Sahyog' Ahmedabad, p 2.

³ Co-operative movement in Gujarat- A profile, The Gujarat State Co-operative Union, 'Sahyog' Ahmedabad p 2.

1.7.2 Democratic member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and Women serving as elected representatives are accountable to the membership. In primary co-operative members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

1.7.3 Economic Participation by members

Members contribute equitably to, and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes:

- Developing their co-operative possibly by setting up reserves, part of which at least would be indivisible.
- Benefiting members in proportion to their transactions with the co-operative.
- Supporting other activities approved by the membership.

1.7.4 Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

1.7.5 Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives, they inform the general public particularly young people and opinion leaders about the nature and benefits of co-operation.

1.7.6 Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, regional, national, and international structures.

1.7.7 Concern for Community

Co-operatives work by the sustainable development of their communities through policies approved by their members.

The above-mentioned principles show the highest level of values to be practiced by every co-operative. However, in this modern age one basic need applicable to all of them and that is easy, effective and efficient availability of money. Perhaps, banking is the only answer to this query.

1.8 DEFINITION – BANKING:

Section 5 (c) of the Banking Regulation Act 1949, defines Banking as “Accepting, for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise and withdrawal by cheque, draft, order or otherwise”.⁴

Banking is an activity of collecting money from the public (one who don't need it for the time) in form of deposits on one hand and making it available to public again (one who need it) on the other hand. Thus, we can say that, bank is an organization that facilitates to reduce the gap between “Have” and “Have not” in money term and keeping a part of it for itself for providing such facilities.

“In view of satisfying the needs and requirements of all strata of Urban and Semi-Urban population in their social and economic upliftment, particularly the amelioration (to make or become better) of weaker sections of the community and also for the development of trade and small industries, the banks and specially Urban Co-operative Banks are expected to function far more effectively and efficiently”.⁵

1.9 DEFINITION-CO-OPERATIVE BANKING:

H. Wolf has defined, “A Co-operative Bank as an agency, which is in a position to deal with small man on his own terms accepting the security he has without drawing in protection of the rich. That agency must not be a channel for pouring charity or subsidizing the small man out of the public funds, instead the material help must be backed by moral improvement and strengthening the fibre”.⁶

⁴ Shirish R. Kulkarni, 'Cost management of Deposits', Anmol Publications Pvt. Ltd., New Dehli. p 1

⁵ Shirish R. Kulkarni, 'Cost management of Deposits', Anmol Publications Pvt. Ltd., New Dehli p 1.

⁶ H. Wolf, Co-operative Banking, Edition 2. p 3

Co-operative Banking has three important per-requisites, which are not necessarily found in Commercial Banks:

- I. Democratic Management
- II. Responsiveness to feel needs and
- III. Self and local participation.

Co-operative Banking is a special form on business organisation aiming at the economic upliftment of the members and laying a great emphasis on moral principles and human values.

1.10 EMERGENCE OF URBAN CO-OPERATIVE BANKS (UCBS):

The urban co-operative credit movement had originated in Germany when Herman Schultz started such societies for the benefit of the artisans in cities. He formed the first urban credit society in 1850. However after 45 years, Prof. V.I. Alias Bhausahab Kavathekar made the first experiment in urban credit in the then Baroda state. He formed an 'Anyonya Sahakari Mandali' (1889) for the promotion of thrift and to provide credit to the Maharashtrians. The Madras presidency had developed indigenous societies known as Nidhis, analogous to the friendly and building societies in Britain, while western India preferred mutual aid societies.

The enactment of Co-operative Credit Societies Act, conferred legal status of credit societies and the first urban co-operative credit society was registered in 1904 at Conjeevaram in Madras Province. However, the real beginning was after the amendment in 1911, enhancing its scope to the formation of non-agricultural credit societies. The economic depression of 1930s severely affected the agricultural credit societies more than urban credit societies. However, the progress of urban societies was steady. In the year 1938, all the urban co-operative banks were included in the list of non-agricultural credit societies. There was no difference between an urban society and urban bank. An urban credit society with Rs. 20000 as working capital and maintaining fluid resources according to a standard fixed by the registrar was designated as an urban bank in Madras. While in Bombay, an urban credit society could be styled as an urban bank up to 1938, if it had Rs. 50000 as working capital. However, the real growth of urban bank was only after the extension of provision of RBI Act, 1934 and Banking Regulation Act, 1949 to co-operative banks from 1st March 1966. These two acts showed the right path of developments to urban co-operative banks in our country.

1.11 OBJECTIVES OF URBAN CO-OPERATIVE BANK:

The primary objective of urban co-operative bank is to encourage 'Thrift and help' and to raise resources by way of deposits. Hence, the basic aim of an urban co-operative bank is to encourage the saving habits of its members. As rightly pointed, "Co-operation is definitely a school of thrift, and co-operative saving creates first the basis of funds, which are then employed for granting credits and securing the confidence of depositors and clients".⁷

Another objective of these banks is to lend money to those who may not have acceptable assets to secure funds, but who is in need of it, especially to the weaker section of the community. The resources of banks should not be given to a few chosen members. All members are entitled to get loans and an individual maximum is fixed to avoid the monopolizing of resources by a few. While lending money, the co-operative banks see that they are properly used for productive purposes. Then only it would be possible for the borrower to repay the loans in time. The co-operative system possesses certain qualities, which eliminate the difficulty encountered by commercial banks while lending to small borrowers. Co-operative banks are generally local in character and they have the local feel. Therefore, lending by them is more to the needy people of the community and hence recovery becomes easier. The aim of co-operative lending is not to weaken a member by making debt unbearable burden but to help him to get rid of his financial difficulties by creating assets and to start a new economic life.

The purpose of co-operative bank is also to offer service to the customers at a reasonable cost. As profit motive is eliminated, a co-operative banker can offer to render services at a reasonable cost. Co-operative Banks has been enjoying legislative support from the government. In India, they have been working under the co-operative societies Acts of the respective States. At present, Co-operative Banks have been providing all modern banking services comparable to that offered by any Commercial Bank.

1.12 FUNCTIONS OF URBAN CO-OPERATIVE BANK:

The Banking Regulation Act- 1949, governs the functions of urban co-operative banks in India. According to Section 6 of Banking Regulation Act urban co-operative banks can undertake following functions.

⁷ S.Shamim Kazim, 'Urban Co-operative Banks: Present Positions and their Challenges', IBA Bulletin, Feb 2001, p 11-15.

- The borrowing, raised or taking up of money, the lending or advancing of money either upon or without security, the drawing, making accepting discounting, buying, selling, collecting and dealing in bills of exchanges, hundies, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credits, travellers cheques and circular notes; the buying and selling of foreign exchange, the buying, selling and dealing in bullion, including foreign bank notes, the acquiring, holding, issuing on commission, under writing and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and selling of bonds, scripts of other forms of securities on behalf of constituents or others, the negotiating of loan and advances, the providing of safe deposit vaults; the collecting and transmitting of money and securities.
- Acting as agents for any government or local authority or any other person or persons; the carrying on of agency business of any descriptions including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers.
- Contracting for public and private loans, negotiating, and issuing the same.
- The effecting, insuring, guarantying, underwriting participating in managing and carrying out of any issue, public or private or state, municipal or other loans of shares, stock, debentures or debenture stock of any company, co-operative society, corporation or association and the lending of money for the purpose of any such issue.
- Carrying in and transacting every kind of guarantee and indemnity business.
- Managing, selling and realizing any property, this may come into the possession of the co-operative bank in satisfaction or part satisfaction of its claims.
- Acquiring and holding and generally dealing with any property or any right, title or interest on any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security.

- Undertaking and executing trusts.
- Undertaking the administration of estates as executor or otherwise.
- Establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts, and conveniences the co-operative bank or the dependents or connections of such persons, granting pensions and allowances and making payments towards insurance, subscribing to or guaranteeing money for any public, general or useful object.
- Any other form of business, which the central government may by notification in the official gazette, specify as a form business in which it is lawful for a co-operative bank to engage.

1.13 GROWTH OF URBAN CO-OPERATIVE BANKS IN INDIA:

The journey of the urban co-operative banking sector from a total deposit of Rs. 17 crores in 1947 to well over Rs. 56,000 crores in 2000 indeed has been a long one, signifying an achievement of which any sector can be proud. The UCBs have carried on their onward march alone, without any financial participation or help from the Government. The urban banks grew at a much faster rate in the states of Gujarat, Maharashtra and Karnataka. The report of the Madhavdas Committee on urban co-operative banks set up by RBI gave favourable recommendations and since then, banks got the attention of all sections of economy.

Urban co-operative banks have been working as a separate entity in the Indian financial system and have been performing their role successfully in a specific segment. Being local in character they are more close to the people in the areas of their operations and have performed better in their respective areas in comparison to public sector banks. When the UCBs were brought under the preview of Banking Regulation Act, 1949 in 1966, there were 1106 UCBs having own funds of Rs 58 crores and their deposits and advances amounted to Rs. 153 crores and Rs. 167 crores respectively. At the end of March 2000 there were 2050 UCBs the aggregate deposits of these banks increased to Rs. 56,297 crores at the end of June 1999. The outstanding advance went up to Rs. 35,614 crores during the same period. The credit deposit ratio of urban co-operative banks was 63.3 per cent at the end of June 1999.

However, the position of the of UCBs at the end of March 2004 is given below

Table No. 1.2: Performance of Urban co-operative banks in India (at the end of March 2004)

Rs in Crores

No. of Urban co-operative banks	1926
Share capital	3267
Free reserves	9082
Deposits	110256
Advances	67930
Investments	48220
Credit-Deposit ratio	61.6

Source: Trends and progress of banking in India 1999-2000 and 2003-04

There were 29 scheduled urban co-operative banks up to March 1999, which have rose up to 51 as on March 31, 2000. Of these, 34 located in Maharashtra, 11 in Gujarat, 3 in Andhra, 2 in Goa and 1 in Karnataka. The total deposits and advances of scheduled urban co-operative banks as at the end of March 2000 aggregated Rs. 28,182 crores and Rs. 17,286 crores respectively. The deposit growth of scheduled urban co-operative banks was at 23.3 per cent during 1999-2000.

However, the position of the performance of scheduled UCBs at the end of March 2004 is given in the table below.

Table No. 1.3: Performance of Scheduled Urban co-operative banks in India (at the end of March 2004)

Rs in Crores

No. of scheduled Urban co-operative banks	55
Paid up capital	707
Free reserves	2488
Deposits	529
Advances	23962
Investments	13954

Source: Trends and progress of banking in India 1999-2000 and 2003-04

1.14 GROWTH OF URBAN CO-OPERATIVE BANKS IN GUJARAT:

In Gujarat at the end of 1995-96 there were 301 urban co-operative banks with around 23 lakhs of members. The paid up share capital of UCBs was Rs 144 crores. The banks

collected deposits of Rs.4249 and made advances of Rs. 4286 crores with a working capital of Rs 5958 crores. There were 15 scheduled urban co-operative banks in all over India at the end of 1995-96 out of which 5 were in the state of Maharashtra and Gujarat. However, the performance of urban co-operative banks in Gujarat at the end of March 2004 is given in the table

Table No. 1.4: Performance of Urban co-operative banks in Gujarat (at the end of March 2004)

Rs in Crores

No. of Urban co-operative banks	328
Share capital	440
Free reserves	1584
Deposits	16279
Advances	9703
Investments	8305
Credit-Deposit ratio	59.6

Source: Trends and progress of banking in India 1999-2000 and 2003-04

Table No. 1.5: Comparison of scheduled commercial bank and scheduled urban co-operative bank

(Rs. in crores)

Institutions	As at end of March	Total Assets	Deposits	Advances	Investments
Commercial Banks	2003	1646983	1325049	739125	685243
	2004	1909300	1537140	859936	796008
Urban co-operative Banks	2003	49653	35351	22644	16282
	2004	47930	36351	22469	17463

Source: Trends and progress of banking in India 1999-2000 and 2003-04

1.15 COMPARISON OF SCHEDULED COMMERCIAL BANKS AND SCHEDULED URBAN CO-OPERATIVE BANKS:

A comparison between scheduled urban co-operative banks (UCBs) and scheduled commercial banks (SCBs) reveals that scheduled urban co-operative banks were able to receive higher growth in deposits and credit in comparison to SCBs because of their proximity to the customers. A comparison of financial performance of the two also shows that in relation to total assets, the spread of UCBs was higher than SCBs and the operating expenses were lower than SCBs. But the gap in operating profit ratio of UCBs and SCBs narrowed down due to higher share of other income for SCBs. Even than the

profitability of UCBs was higher than SCBs. These result shows that UCBs have developed a certain clientele which is their strength and even under the present competitive environment they can make use of this factor to retain their old client base by adopting new techniques and evolving better schemes for their customers.

The UCBs have been able to manage their affairs very well since their emergence, as it is evident from their growth discussed above. However, due to the policy of liberalization and globalization started more than a decade ago have brought about vast changes in the working of Indian banking. The banking sector have to address new risks in form of interest rate deregulation, vulnerability in markets, liquidity, change in information technology and specifically due to prudent norms of enhancing capital adequacy, strengthening of regulatory and supervisory framework, income recognition, classification of assets and provisioning, stringent licensing and measure of corporate governance.

The banking industry is finding it difficult to maintain their positions including UCBs in these new situations. Most of the norms implemented to public and private sector banks have been introduced to UCBs as well. UCBs have an edge over other banks in terms of their services because of their closeness to customers and a helpful attitude of their staff to catch the needs of their members.

In the light of above circumstances and ever increasing competition, if things do not improve as per the expectations of urban masses, the UCBs would lose their hold on their customers to other banks with sophisticated techniques and innovative schemes at their disposal. So, the UCBs have to restructure, repackage and reinforce their schemes related to advances and deposits. In nutshell, it is to manage their assets and liabilities to suit the need of the day.

P.K. Bhattacharjee, deputy managing director and chief financial officer of the State Bank of India, says “The importance of managing the Asset-liability mix emerges from the deregulated interest rate environment that has evolved after liberalization. Banks are exposed to new products such as fund based and non-fund based activities, derivatives, long duration swaps and so on. Here, unless a bank has its asset-liability matched, it could be in trouble”.

Asset-Liability Management (ALM) is a tool for managing the risk in banks. When other banks and financial institutions are on heels to introduce various techniques of risk management across India, the UCBs have to follow the suit and now it is clearly indicated by Reserve bank of India (RBI) also. The RBI enforced the implementation of ALM giving lot of importance as it encompasses risk and as a custodian of financial system, gave guidelines for practice of ALM in UCBs.

“Once the entire Indian banking system has adopted sophistication in ALM it would go in a long way in strengthening the entire bank sector which will have a positive impact on banks’ profitability”.⁸

1.16 ASSETS LIABILITY MANAGEMENT: A CONCEPT

Assets Liability Management as a concept, found its way some times in the late seventies. It is basically a hedging response to the risk in Financial Intermediation although, more often than not, it has been used as an appendage for profit maximization, which has given rise to new risks in the process.

Risks in the business of financial inter mediation may assume various dimensions, the principal amongst which are:

1. The credit risks
2. The interest rate risks and
3. The exchange rate risks

Although market risks and operation risks are also important variables to be managed, appreciation and assessments of credit risks have always received emphases in the business of financial intermediation. Interest rate risks and others are new emergence of the financial sector, aided by the following developments since the mid sixties.

- The world has-been moving into a perpetual innovation “knowledge society” characterized by economic instability. Innovation means organizes abandonment of the old. So, the Product Life Cycle has naturally shortened.
- The oil shocks, the floated dollars, the unifying Europe, the emerging Far East, the debt saddled Latin America the resurging East Europe, have put a competitive

⁸ Sangita Mehta, ‘ALM by Indian banks’, Risk management – An introduction, ICAI, p 189

demand on the available capital in the World. Capital now shuttles between markets on the basis of opportunities with alarming speed.

- The technological advancement recorded in the area of computing and communication has multiplied the data processing power and accelerated the process of transfer of money and information from one center to another.
- Deregulation and globalization of financial markets have created a range of risks alongside opportunities. Corporate are now compelled to examine their competitive positions in the context of global market place rather than in purely domestic terms.
- The transformation of the market place has led to disinter mediation of the activities of banks and financial institutions. This has blurred (to make less distinct) the conventional boundaries between financial intermediaries making individual institutions more vulnerable to the consequences of misjudgments and misfortunes. Systemic risks have grown as asset prices are increasingly becoming unstable.
- The forces of competition, particularly for international business have put pressure on the margins. This has forced intermediaries to venture out in the more risky areas of business when return prospects are high.

It is in the backdrop of above scenario, that we must understand the concept of Asset Liability Management. ALM attempts to manage the entire balance sheet on the basis of formalized understanding of the risks involved and quantification thereof.

At the beginning, the ALM was largely focused on management of interest rate risks because of volatility in interest rates and because the risk is fungible growth. By fungibility we mean that the rate risk of one position can be offset by an opposite risk in another.

“ALM is no longer limited to interest rate risk. Due to development of parametric approach to risk evaluation and other newer techniques, the application of ALM is also spreading to other areas like currency exchange rate risk, commodity risk, equity related risks and even credit related risks”.⁹

⁹ B Shivakumar, ‘How to manage risk’ The Economic Times, June 1999

1.17 WHAT IS ASSET-LIABILITY MANAGEMENT?

- Bank's Asset-liability Management is discretionary funds management where the focal point is to increase or decrease interest sensitive funds at the initiative of the bank.
- Asset-Liability Management is the management of total balance sheet dynamics with regard to its size and quality.
- Asset-Liability Management is a philosophy under which banks can target asset growth by adjusting liabilities to suit their needs.
- Asset-Liability Management is defined as the process of adjusting bank liabilities to meet loan demands, liquidity needs and safety requirements.
- Asset-Liability Management is defined as the process of managing the net interest margin (NIM) within the overall risk bearing capacity of a bank.
- Asset-Liability Management is an essential tool in the hands of the top management, which can be effectively utilized to maintain the right balance between the objectives of profit and risk undertaking.
- Asset-Liability Management is essentially a planning function designed to move the organization in the direction of its long range plan while maintaining flexibility to adopt to short run changes.
- Asset-Liability Management is a tool that enables bank managements to take business decisions in a more informed framework with an eye on the risks that the bank is exposed to.
- Asset-Liability Management is a comprehensive and dynamic framework for measuring monitoring and managing the liquidity interest and exchange rate risk of a bank.

1.18 OBJECTIVES OF ASSET-LIABILITY MANAGEMENT:

A sound ALM system focuses on:

1. Review of interest rate.
2. Fixation of interest /product pricing on both assets and liabilities.
3. Examining loan portfolio.
4. Examining investment portfolio.
5. Measuring foreign exchange risk.

6. Managing liquidity risk.
7. Review of actual performance vis-à-vis projections in respect of net profit, interest spread and other balance sheet ratios.
8. Budgeting and strategic planning.
9. Examining the profitability of new products.

Since management of risk is fundamental to sound banking practice, no bank can afford to err (to make mistake) on this count. If poorly managed, a bank can experience earning, liquidity and ultimately capital adequacy problems.

1.19 RISK- CONCEPT AND MEANING:

During the post nationalization period of Indian banking industry different words and concepts have attained significance over different times. Initially, it was social banking in the seventies, followed by IRDP upto mid-eighties ending up with consolidation\rationalization\computerization by late eighties. Liberalization and deregulation of interest rates, prudential norms, capital adequacy, and asset liabilities management and also risk management have become the buzzwords of the nineties.

“With globalization consciousness about the ‘risk’ factor is gaining prime importance. Adherence to capital adequacy standards, accepted under Basle Committee world wide has given further fill up to classification norms pronounced by Narasimham Committee have brought the risk factor into sharper focus”.¹⁰

Every one knows that business grows only by taking risk. Greater the risk, higher the profit and hence the business unit must strike a trade off between the two. The essential functions of risk management are to identify, measure and more importantly monitor the risk profile of the bank. While Non Performing Assets are the legacy of the past in the present, Risk Management system is the pro-active steps taken at present for the future. Managing risk is nothing but managing the change before the risk manages every one.

The etymology of the word “RISK” can be traced to the Latin word “RESCUM” means Risk at Sea or that which cuts. Risk is associated with uncertainty and reflected by way of charge on the fundamental i.e. in the case of business it is the CAPITAL, which is the cushion that protects the liability holders of an institution from any unexpected loss. “In

¹⁰ V.T. Godse and K C. Chakrabarty, ‘Risk Management’, IBA Bulletin, March 1996

the process of financial intermediation, the gap of which becomes thinner and thinner, banks are exposed to severe competition and hence are compelled to encounter various types of financial and non-financial risks”.¹¹

In the process of financial intermediation, banks use the financial, physical, organizational, human and technological resources to deliver banking products, i.e., financial and non-financial services. Both, the input acquisition and output generation are conditioned by environment and the surroundings within which the banks operate. Like opportunities from outside the organisation and strength within the organization, the environment is also endowed with external threats and internal weaknesses. These facts get reflected as risks while undertaking of business. With the globalization of financial sector operations, the counters of risk have also broadened multifold. When the thrust of operations is on profits i.e., reward, the emphasis on risk is bound to go up. The uncertainty of future, impact of past and instability of present all give rise to risk.

The Asset Liability Management (ALM) is apart of the overall risk management of system in the banks. It implies examination of all the assets and liabilities simultaneously on a continuous basis with a view to ensuring a proper balance between funds mobilization and their deployment with respect to their maturity. It includes product pricing for deposits as well as advances, and the desired maturity profile of assets and liabilities.

Tolerance level of mis-match should be fixed for various maturities depending upon the asset-liability profile, deposit mix, nature of cash flow etc. Bank should track the impact of pre- payment of loans and premature closure of deposits so as to realistically estimate the cash flow profile.

It is being emphasized earlier that the need of ALM for UCBs have arise more strictly because of new economic reforms in form of interest rate deregulation, capital adequacy, income recognition and classification of assets and provisioning. So it is better to have good knowledge and understanding about these norms before go in to the details of ALM.

¹¹ V.T. Godse and K.C. Chakrabarty, 'Risk Management', IBA Bulletin, March 1996

1.20 NEW ECONOMIC REFORMS:

In November 1991 the Committee on Financial system headed by M.Narasimham came out with its recommendations. The financial sector reforms, being an important constituent of the overall reforms, were imperative to economic order. It emphasized on centralized planning to indicative planning. Thus, the Committee on Financial System shifted its onus (burden, duty or responsibility) from ownership to efficiency and competitiveness while ensuring the integrity and operational autonomy of the operations of the banks. Major Recommendations of the Committee include:

1. Deregulation of interest rates to reflect market conditions
2. Bringing down the Statutory Liquidity Ratio (SLR) of banks to 25 percent in a phased manner and progressive reduction in Cash Reserve Ratio (CRR) to 10 percent.
3. Phasing out directed credit programmes.
4. Raising interest rate on Government borrowings to market determined rates.
5. Restructuring of banking system.
6. Increased competition by allowing private sector banks and foreign banks.
7. Transparency in balance sheets.
8. Setting up of special tribunals to speed up loan recovery.
9. Setting up of Assets Reconstruction Fund.

1.20.1 Interest Rate Deregulation

While opening the system for competition, it was decided to allow greater autonomy to banks by allowing them to fix interest rates on major portion of deposits and advances on their own. This has been considered as the most important factor that has created competitive environment for banks. Under deregulated environment margins are expected to become thinner and thinner. It is the situation where the fittest and the fastest only will survive. The environment will weed out weaker units, so how to face the challenge is more important than identifying measures to remedy the reducing margins. Banks with lower spread (difference between interest on advances & investment and interest paid on deposits) will be immediately hurt by the competition. Banks high cost of

deposits, low yield on advances, lower ratio of other income to total income, high level of NPAs, low yield on investments, high operational expenses are expected to suffer due to the rate war. Stronger banks, i.e., banks with better ratio in respect of above parameters will be able to become market leaders.

1.20.2 Capital Adequacy

The capital adequacy requirement for banks in India was in 1961 when the RBI instructed banks to maintain a 6% capital to total deposits. Following the acceptance of the 1988 Basle Committee recommendations by the RBI in 1992, the entire outlook of the Indian banks changed. In 1992, except few, all the banks in the private and public sector had a capital adequacy far below the stipulated 8%. In case of UCBs for non-scheduled UCBs capital adequacy ratio (CAR) should be 9% and for the scheduled UCBs it is 8% up to the end of 31st March 2004

The constraints faced by banks in reaching the 8% CAR have been mainly:

- The new income recognition and asset classification norms.
- The rising quantum in providing depreciation on Government securities, held for SLR purpose.
- The tax rule, which do not permit deduction of provisions on non-performing assets for calculating income tax.
- The social orientation which has affected the profit earning capacity of most banks
- Local Government pressures on directed lending, continuance of unviable branches.
- The awareness of the concept of capital adequacy and its future implications on the bank being confined only to the department concerned.

The need for banks to reach and maintain at least the regulatory minimum of 8% CAR has become paramount in view of the adverse implications that may rise in the future of banks that have CAR below 8%. Capital adequacy is a reflection of the inner strength of a bank, which would stand it in good stead during times of crisis. Earlier, the Government involvement takes away to a great extent the adverse effect of a low CAR on the banks. Customer perceptions of a bank are earlier not at all linked to its capital adequacy, but because of new reforms the

emphases on capital adequacy has increased. Banks presently has a threat of deposit erosion or reduction in asset base on this count as it has a crucial bearing on important profitability parameters, like opening of new branches, fresh lending in high risk but profitable areas, manpower recruitment and diversification of business through subsidiaries or through specially designated branches, as the RBI has link these operational dimensions to the bank's capital adequacy achievement.

Capital adequacy is a dynamic concept, closely related to the performance of a bank, as it is a parameter for bank evaluation. In future banks cannot afford to have a haphazard growth in assets and consequently liabilities, as their capital adequacy would come under pressure.

“The sooner banks realize the importance of capital adequacy and initiate viable, practical planning process for its maintenance at all times, the better they would be to meet their challenges of the future”.¹²

1.20.3 Income Recognition

Earlier income from advances is recognized on the basis of Health code classification. Now, banks have been advised to evolve a realistic system in the matter of income recognition taking into account the prospects of realization of the security. The Committee on financial system has underlined the need for the policy of income recognition to be objective and based on the record of recovery. It has observed that internationally income from non-performing assets is not recognized on accrual basis but is booked as income only when it is actually received. The Committee has, therefore, recommended that banks in India should follow a similar practice.

1.20.4 Asset Classification

The Committee on financial system that banks should classify their advances into four broad categories i.e., standard assets, sub-standard assets, doubtful assets and loss assets has decided it. Classification in these categories is done taking into account the degree of well defined, credit weaknesses and extent of dependence

¹² K.Shankar, 'Planning for Capital Adequacy in PSBs', an extract from a dissertation.

on collateral security for realization of dues. Following are the classifications of assets.

20.4.1 Standard assets- All performing assets and over due below 90 days (180 days for agricultural loans)

20.4.2 Non-performing assets (NPA)- An advance, if interest or installment remain overdue for more than 90 days (for gold loans and loan up to Rs.1 lakh it is 180 days)

1. **Sub-standard assets-** One, which has been classified as NPA for a period not exceeding 18 months. (12 months w.e.f. 31-3-2005)
2. **Doubtful assets-** One, which has remained NPA for a period exceeding 18 months. (12 months w.e.f. 31-3-2005)
3. **Loss assets-** One, where loss has been identified by the Bank or internal \ external auditors or the RBI Inspectors, being the amount has not been written off wholly or partly.

Over a period of time these instructions have undergone change and becoming stringent day by day to meet the International Standards. Accordingly w.e.f. 31-3-2004, a non performing assets shall be a loan or advance where:

- Interest and/or installments of principal remain overdue for a period of more than 90 days in respect of a term loan.
- The account remains 'out of order' for a period of more than 90 days in the respect of an overdraft\cash credit.
- The bill remain overdue for a period of more then 90 days in the case of bills purchased and discounted.
- Interest and/of installment of principal remains overdue for 2 harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes.
- Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

1.21 GUIDELINES ON PROVISIONING REQUIREMENT OF BANK ADVANCES:

As and when an asset is classified as an NPA, the bank has to further sub-classify it into sub-standard, loss and doubtful assets. Based on this classification, bank makes the necessary provisions against the assets before declaring any dividends on its shares.

- In case of standard asset 0.25% of the outstanding (as per new guidelines)
- In case if a sub standard asset, a general provision of 10% of total outstanding should be made.
- In case of doubtful assets, guidelines requires the bank concerned to provide entirely i.e., 100% of the unsecured portion and in case of secured portion an additional provision of 20% - 50% of the secured portion should be made depending upon the period for which the advance has been considered as doubtful.

For instance, for NPAs that are up to 1 year old, provision should be made of 20% of secured portion, in case of 1-3 year old NPAs up to 30% of the secured portion and finally in case of more than 3-year-old NPAs up to 50% if secured portion should be made by the concerned bank.

- In case of loss assets 100% of the outstanding should be provided for, if assets are permitted to remain in book and write off is not done.

RBI has merely laid down the minimum provisioning requirement that should be complied with by the concerned bank on a mandatory basis, However, where there is a substantial uncertainty to recovery, higher provisioning should be made by the bank concerned.

1.22 RESEARCH DESIGN:

1.22.1 Scope of the study

This study focused on the complex situation faced by the urban co-operative banks due to new economic reforms and competition faced from other private and commercial banks.

In Gujarat, the incident of Madhavpura Mercantile Co-operative Bank in the year 2001 added fuel to the fire. Many banks were closed, some declared as weak and sick and almost all were adversely affected by that MNCB fall down. People lost faith in co-operative banks, which result in drain of the deposits of UCBs in Gujarat. Under these situations it become inevitable for the UCBs in Gujarat to prove their viability.

For the scope of the study as stated above, a twelve years data from 1992-93 to 2003-04 has been taken for ascertaining the impact of deregulation in the financial sector. The time period selected is divided into regulated phase up to 1995-96 and post regulated phase from 1996 onwards.

1. Regulated interest rates era i.e. protected atmosphere from 1992 - 93 to 1995-96.
2. Deregulated interest rate era i.e. free economy from 1995-96 to 2003-04.

To sustain in the competitive banking industry, these banks have to be professional competent and viable. To uplift the small man and the member of UCBs these banks will have to make profit, even when their main aim is not to maximize profit. Management of their assets and liabilities is one of the area where UCBs have to strive hard in near future.

Asset-Liability Management (ALM) is a tool for managing the risk in banks. When other banks and financial institutions are on heels to introduce various techniques of risk management across India, the UCBs have to follow the suit and now it is clearly indicated by Reserve bank of India (RBI) also. The RBI enforced the implementation of ALM giving lot of importance as it encompasses risk and as a custodian of financial system, gave guidelines for practice of ALM in UCBs.

1.22.2 Objectives of the study

1. To assess the performance of UCBs in Gujarat.
2. To assess the liquidity position of UCBs in Gujarat.
3. To calculate reasonable and viable asset liability mix of UCBs in Gujarat.
4. To compute the cost of deposit of UCBs in Gujarat.
5. To comment on the growth, progress and development of UCBs in Gujarat.

1.22.3 Hypothesis of the study

1. The competition of urban co-operative banks with public sector banks, private sector banks and foreign banks will not stop the progress of urban co-operative banks in Gujarat. (H-1)
2. Congestion environment for urban co-operative banks in Gujarat will not allow them to come out from the adverse situation. (H-2)
3. Non-performing assets swallow the income of urban co-operative banks in Gujarat during the period of study. (H-3)

1.22.4 Selection of sample banks

Following urban co-operative banks have been selected from through out Gujarat for the study.

1. Anyonya Co-operative Bank Ltd., Vadodara city.
2. Bhavnagar Nagarik Sahakari Bank, Bhavnagar city.
3. The Dahod Urban Co-operative Bank, Dahod city.
4. The Godhara City Co-operative Bank, Godhara.
5. The Kalupur Commercial Co-op. Bank, Ahemadabad City. (Scheduled bank)
6. The Mehsana Urban Co-operative Bank, Mehsana city. (Scheduled bank)
7. Modasa Nagrik Sahakari Bank, Modasa city.
8. Rajkot Nagrik Sahakari Bank, Rajkot city. (Scheduled bank)
9. Sardar Bhiladwala Pardi People's Co-operative Bank, Valsad district. (Scheduled bank)
10. The Surat People's Co-operative Bank, Surat city. (Scheduled bank)

Ten Urban Co-operative Banks have been selected form throughout Gujarat out of which five banks namely (1) The Kalupur Commercial Co-operative Bank (2) The Mehsana Urban Co-operative Bank (3) Rajkot Nagrik Sahakari Bank (4) The Surat Peoples Co-operative Bank and (5) Sardar Bhiladwala Co-operative Bank are scheduled co-operative banks. The Surat Peoples Co-operative Bank and The Sardar Bhiladwala Co-operative Bank are from South Zone of Gujarat State. The Anyonya Co-operative Bank and The Godhara City Co-operative Bank are from Central Zone of Gujarat State. The Dahod Urban Co-operative Bank covers the whole tribal area. The Kalupur Commercial Bank, The Mehsana Urban Co-operative Bank and Modasa Nagarik Sahakari Bank cover the North-east Zone of

the Gujarat State. Bhavnagar Nagrik Sahakari Bank and Rajkot Nagrik Sahakari Bank cover the Western Zone popularly known as Saurashtra Zone of the Gujarat State. It is to noted that only first name of these UCBs is taken in to consideration in the tables for the analysis in the further chapters.

1.22.5 Source of data

The data for the study comprises of primary data collected from various sources like annual reports of selected Urban Co-operative Banks, Gujarat urban Co-operative Banks Federation and National Federation for Urban Co-operative Banks. The study also integrates reports from various committees, study groups, appointed by RBI, workshops and seminars conducted by other banking institutions. The primary data is collected by personal visit to the managers of Urban Co-operative Banks and head of the various co-operative institutions. Details of these discussions and questionnaire are part of data collected.

1.22.6 Methodology

To analysis the data average balances of various items of assets and liabilities are considered. The figures of two consecutive years are taken from the balance sheet of selected banks. The data regarding various expenses and incomes is analyzed from profit or loss account of the banks and were arranged according to the feasibility and requirement to develop necessary framework for computation and good analysis. Various statistical tools like mean, standard deviation, coefficient of co-relation, regression etc. are directly or indirectly used in this study.

1.22.7 Pathway of study

The study is divided in to following eight chapters.

CHAPTER NO.1

Defines the problem and formulates the objectives and hypothesis of the study. It focuses on the relevance of the study and describes the research methodology and choice of sample.

CHAPTER NO.2

It contains references in form of abstract, summary and quotations from large number of articles from various magazines and journals. References of related books, case studies or research studies, number of reports and extract of speeches

are taken care of in the review of literature for this study. The study has the references from the year 1985 to 2005 i.e., almost for a period of 20 years. All major areas that affect the study are considered under this chapter.

CHAPTER NO.3

In this study there are many aspects to be dealt with, in order to understand the contribution of Urban Co-operative Banks in India, it is worthwhile to have a profile of Urban Co-operative Banks in India. This chapter deals with overall growth and development of UCBs in India as well as in Gujarat.

CHAPTER NO.4

It covers the analysis and management of various types of assets in the bank balance sheet for selected urban co-operative banks in Gujarat from the year 1994-95 to 2003-04.

CHAPTER NO.5

It takes up the analysis and management of various types of liabilities in the bank balance sheet for selected urban co-operative banks in Gujarat from the year 1994-95 to 2003-04.

CHAPTER NO.6

Since ALM is a part of comprehensive risk management system this chapter provides the details of various types of risks and tools/techniques to measure or minimize such risks. It also considers the RBI guidelines for risk management.

CHAPTER NO.7

An Analysis of overall asset-liability management by different approaches/methods is the threshold of this chapter. Data related to selected urban co-operative banks in Gujarat for a period of 10-12 years is used for this analysis.

CHAPTER NO.8

It covers the summary of above chapters is from conclusions, observations and findings. It also provides suggestions for prudent management of assets and liabilities for urban co-operative banks.