

UGC Minor Research Project

**“A study of Customer Services and
Financial Performance of Selected Urban
Cooperative Banks in Marathwada”**

Submitted to



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Preface

The term Urban Co-operative Banks (UCBs), not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. These banks were traditionally centered on communities, localities work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably. The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India.

Urban Co-operative Banks play an important role in meeting the banking needs of urban and semi urban areas of the country. UCBs account for about 5 per cent of deposits and almost equal proportion of advances of the banking system. Despite their small share in business, UCBs contribute significantly towards social and economic development, as instrument of financial inclusion. They mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society and thereby fill up an important gap in the mechanism for delivery of financial services.

Urban co-operative banks ranked a very significant position in the Indian banking sector. Competent management is pre-requisite for the success of any organization. At present highly competitive and

globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks. Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization. In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management. It is hoped that the State Governments will not delay acceptance of the recommendations made by the RBI. In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self-reliant and self-supporting. The purpose of this study is to examine the customer services and financial performance of the Sundarlal Savaji Urban Cooperative Bank Ltd. Jintur, Mahesh Urban Cooperative Bank Ltd. Parbhani and Peoples Cooperative Bank Ltd. Hingoli in Marathwada region.

Dr. Sanjivkumar S. Agrawal

Principal Investigator

UGC Minor Research Project

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Dr. Sanjivkumar S. Agrawal

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Chapter No. 01:

Introduction and Research Methodology.

- **Introduction.**
 - **Cooperative Banks.**
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Introduction:

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today.¹ These banks were traditionally centered on communities, localities work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably. The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India. Cooperative societies are based on the principles of cooperation, - mutual help, democratic decision making and open membership. Cooperatives represented a new and alternative approach to organization as against proprietary firms, partnership firms and joint stock companies which represent the dominant form of commercial organization.

The first known mutual aid society in India was probably the '*Anyonya Sahakari Mandali*' organized in the erstwhile princely State of Baroda in 1889 under the guidance of *Vithal Laxman* also known as *Bhausahab Kavthekar*. Urban co-operative credit societies, in their formative phase came to be organized on a community basis to meet the consumption oriented credit needs of their members. Salary earners' societies inculcating habits of thrift and self-help played a significant role in popularizing the

movement, especially amongst the middle class as well as organized labour. From its origins then to today, the thrust of UCBs, historically, has been to mobilize savings from the middle and low income urban groups and purvey credit to their members - many of which belonged to weaker sections.

The enactment of Cooperative Credit Societies Act, 1904, however, gave the real impetus to the movement. The first urban cooperative credit society was registered in *Canjeevaram* (Kanjivaram) in the erstwhile Madras province in October, 1904. Amongst the prominent credit societies were the Pioneer Urban in Bombay (November 11, 1905), the No.1 Military Accounts Mutual Help Co-operative Credit Society in Poona (January 9, 1906). Cosmos in Poona (January 18, 1906), Gokak Urban (February 15, 1906) and Belgaum Pioneer (February 23, 1906) in the Belgaum district, the Kanakavli-Math Co-operative Credit Society and the Varavade Weavers' Urban Credit Society (March 13, 1906) in the South Ratnagiri (now Sindhudurg) district. The most prominent amongst the early credit societies was the Bombay Urban Co-operative Credit Society, sponsored by *Vithaldas Thackersey* and *Lallubhai Samaldas* established on January 23, 1906.²

The Cooperative Credit Societies Act, 1904 was amended in 1912, with a view to broad basing it to enable organization of non-credit societies. The *Maclagan Committee* of 1915 was appointed to review their performance and suggest measures for strengthening them.³ The committee observed that such institutions were eminently suited to cater to the needs of the lower

and middle income strata of society and would inculcate the principles of banking amongst the middle classes. The committee also felt that the urban cooperative credit movement was more viable than agricultural credit societies. The recommendations of the Committee went a long way in establishing the urban cooperative credit movement in its own right.

Under State Purview:

There was the general realization that urban banks have an important role to play in economic construction. This was asserted by a host of committees. The Indian Central Banking Enquiry Committee (1931) felt that urban banks have a duty to help the small business and middle class people. The Mehta-Bhansali Committee (1939) recommended that those societies which had fulfilled the criteria of banking should be allowed to work as banks and recommended an association for these banks. The Co-operative Planning Committee (1946) went on record to say that urban banks have been the best agencies for small people in whom Joint stock banks are not generally interested. The Rural Banking Enquiry Committee (1950), impressed by the low cost of establishment and operations recommended the establishment of such banks even in places smaller than taluka towns.⁴

The first study of Urban Co-operative Banks was taken up by RBI in the year 1958-59. The Report published in 1961 acknowledged the widespread and financially sound framework of urban co-operative banks; emphasized the need to establish primary urban cooperative banks in new centers and suggested

that State Governments lend active support to their development. In 1963, *Varde Committee* recommended that such banks should be organized at all Urban Centers with a population of 1 lakh or more and not by any single community or caste.⁵ The committee introduced the concept of minimum capital requirement and the criteria of population for defining the urban center where UCBs were incorporated.

A feature of the urban banking movement has been its heterogeneous character and its uneven geographical spread with most banks concentrated in the states of Gujarat, Karnataka, Maharashtra, and Tamil Nadu. While most banks are unit banks without any branch network, some of the large banks have established their presence in many states when at their behest multi-state banking was allowed in 1985. Some of these banks are also Authorized Dealers in Foreign Exchange

Cooperative Banks:

According to the International Co-operative Alliance Statement of co-operative identity, a 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. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.⁶ In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for other. A co-operative bank is a financial entity which belongs to

its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services.

Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. Depending on countries, this control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. Even if their organizational rules can vary according to their respective national legislations, co-operative banks share common features:

- ***Customer's owned entities:*** In a co-operative bank, the needs of the customers meet the needs of the owners, as co-operative bank members are both. As a consequence, the first aim of a co-operative bank is not to maximise profit but to provide the best possible products and services to its members. Some co-operative banks only operate with their members but most of them also admit non-member clients to benefit from their banking and financial services.
- ***Democratic member control:*** Co-operative banks are owned and controlled by their members, who democratically

elect the board of directors. Members usually have equal voting rights, according to the co-operative principle of "one person, one vote".

- ***Profit allocation:*** In a co-operative bank, a significant part of the yearly profit, benefits or surplus is usually allocated to constitute reserves. A part of this profit can also be distributed to the co-operative members, with legal or statutory limitations in most cases. Profit is usually allocated to members either through a patronage dividend, which is related to the use of the co-operative's products and services by each member, or through an interest or a dividend, which is related to the number of shares subscribed by each member.

Co-operative banks are deeply rooted inside local areas and communities. They are involved in local development and contribute to the sustainable development of their communities, as their members and management board usually belong to the communities in which they exercise their activities. By increasing banking access in areas or markets where other banks are less present - SMEs, farmers in rural areas, middle or low income households in urban areas - co-operative banks reduce banking exclusion and foster the economic ability of millions of people. They play an influential role on the economic growth in the countries in which they work in and increase the efficiency of the international financial system. Their specific form of enterprise,

relying on the above-mentioned principles of organization, has proven successful both in developed and developing countries.

Urban co-operative banks - Important for the economy:

According to Manual on Financial and Banking Statistics 2007 of RBI, Urban Co-operative Banks play an important role in meeting the banking needs of urban and semi urban areas of the country. UCBs account for about 5 per cent of deposits and almost equal proportion of advances of the banking system.⁷ Despite their small share in business, UCBs contribute significantly towards social and economic development, as instrument of financial inclusion. They mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society and thereby fill up an important gap in the mechanism for delivery of financial services.

Problems with UCBs:

A number of UCBs suffer from a series of maladies of miss management, absence of professionalism, interference by political bosses, laxity in internal control due to poor systems and procedures and weak financial position caused by high non-performing loans and their inability to raise required capital. And these problems get compounded by the duality of control by state governments and the RBI, as the latter has very limited control over these banks. When the managements of these banks totally abdicate their responsibility to resurrect the troubled banks, RBI is forced to impose restrictions on their operations, and when they reach a state of beyond repair that RBI withdraws the license

resulting in liquidation of these banks. Though the number of sick and weak UCBs is coming down, there still exist a large number of them who need to improve their position to remain in banking business.

Importance of Study:

Urban co-operative banks ranked a very significant position in the Indian banking sector. Competent management is pre-requisite for the success of any organization. At present highly competitive and globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks. Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization. In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management. It is hoped that the State Governments will not delay acceptance of the recommendations made by the RBI. In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self-reliant and self-supporting. The purpose of this study is to examine the customer services and financial performance of the selected urban cooperative banks in Marathwada region through statistical analysis. The principal importance of the study is –

- 1) To understand the key factors of bank.
- 2) To understand the concept of Urban Cooperative Banking.
- 3) To understand the various financial products of banks.
- 4) To understand the rules and regulations fixed by Govt. of India for urban cooperative banks.
- 5) To know the marketing of customers services practices.

Objectives of the Study:

The following objectives are set for the study.

- 1) To know the Role & Importance of Urban Co-operative Bank.
- 2) To reviews the functions and services of the Urban Co-operative Bank.
- 3) To study the management practices of Urban Cooperative banks.
- 4) To examine the services provided to customer by Urban Cooperative banks.
- 5) To measure the financial progress of selected Urban Cooperative Banks in Marathwada.
- 6) To give the suggestions to improvement in marketing and financial performance of selected urban cooperative banks.

Hypothesis:

The following hypothesis is fixed for the study

- 1) Financial performance of selected urban cooperative banks is satisfactory during the study period.
- 2) Selected Urban Co-operative Banks are providing various convenient customers services to their customers.

Scopes and the Limitation of the Study:

The study deals with the working and performance of selected urban cooperative banks in Marathwada. The main focus of the study is on growth, organization, management, capital mobilization, cost structure, profitability, viability, customer services, problems and prospects. The Scope do these research works is restricted only to a study of the various aspects mention in the objectives.

Period of Study:

The period of the study has been taken-up from the financial year 2010-11 to 2014-2015 (5 Years). The financial year starts from 1st day of April of a year and ends on 31st day of March of next year.

Research Methodology:

Research methodology used for study is both exploratory and descriptive. Primary and secondary source is used for collecting the data on the research topic. The primary source is mainly confined to experienced survey interviews of the persons having concern to bank. Bank officials and customers of the bank are made a target of the enquiries for knowing marketing / customer services practices of the bank and evolution of the customer satisfaction. Under secondary source various libraries and bank offices of Urban Co-operative bank were visited for collecting the information from the books, reports and office records. For the purpose of analysis researcher had used various statistical techniques i.e. Table, Ratios, Indices, Percentages, Diagrams and Averages.

Sample Profile:

The following three urban cooperative banks from Marathwada region of Maharashtra State is selected to know the financial performance.

1. Sundarlal Savaji Urban Cooperative Bank Ltd. Jintur.
2. Mahesh Urban Cooperative Bank Ltd. Parbhani.
3. Peoples Cooperative Bank Ltd. Hingoli.

Chapter Scheme:

The entire research will divided into following six chapters.

1. Introduction and Research Methodology.
2. Role and Importance of Urban Cooperative Banks.
3. Organization, Management and Marketing of Urban Cooperative Banks.
4. Financial Performance of Selected Urban Cooperative Banks.
5. Conclusions and Suggestion.

Review of Literature:

A review on the previous studies on Urban Cooperative Banks is necessary to know the areas already covered. This will help to find our new areas uncovered and to study them in depth. After understanding the concept of Urban Banks, we need to study the previous studies in order to have a larger view of various factors. This will surely lay down the scope of the topic for further research. The earlier studies made on Urban Banks are briefly reviewed here.

- 1. Dastane and Thakkar (2010)⁸** - Maharashtra is one of the leading industrial states in India. The state income is among of the highest in India. Maharashtra is one of the rapidly urbanizing states in India and with increasing urbanization; there has been rapidly increasing demand for the various banking needs by the urban population. In such a scenario Urban Cooperative Banks are supposed to play a vital role. The study of importance of Urban Cooperative Banking and its development in Maharashtra requires a historical perspective in relation to growth of Urban Cooperative Banking in the state. Hence, the study tries to analyze development of Urban Cooperative Banking in Maharashtra by analyzing trends in growth of Urban Cooperative Banks and its membership, deposit mobilization and loan disbursement, Share Capital and Working Capital, Profitability, Credit-Deposit Ratio etc.

- 2. Deshmukh and Som (2011)⁹** -Urban Co-operative Banks were giving banking facility to grass root persons. The concept of Financial Inclusion is inbuilt in the structure of Urban Co-operative Bank. As Urban Co-operative Banks are mostly working in the rural and semi-urban areas they understand the genuine commercial needs of the local population in their area of operation. Urban Co-operative Banks help small and medium sized traders, entrepreneurs, artisans and farmers who are deprived of banking facility as private sector and commercial banks tap only high profile and successful entrepreneurs. The Urban Co-operative Banks

play an important role in economic construction. They are the back bone of banking system and contribute for growth of the nation and hence this sector needs special attention in the years to come, from the government and also from the Reserve Bank of India.

- 3. Jawahar Babu and Muniraja Selkhar (2012)¹⁰** - Urban Co-operative banking Sector is an important constituent of Multi Agency banking system operation in the country. These institutions play an important role in the economic enlistment of lower and middle-income group of persons. The Reserve Bank of India in its annual report on trends and progress in banking states that urban banks are important purveyors of credit to small borrowers and to weak sections of the society but is not coming out with any supportive policies that will strengthen the role of UCBs.

- 4. Khandare (2012)¹¹** - The origin of urban credit movement in India can be traced to the close of Nineteenth century. The growth performance parameters of urban cooperative banks in Beed district shows on an average positive growth rates during the study period. The farmer and female customers of these banks are only 5 and 8.5 percent respectively. 63 percent customers utilize demand draft service; 18 percent customers utilize locker facility, 6 percent customers utilized overdraft facility and 74 percent customers' utilized clearing and transfer facility. The study also shows that 90 percent customers expected electricity bill facilities, 80 percent A.T.M. services and 7.5 percent passport services.

5. Muniraja Sekhar and Sudhir (2012)¹² - Currently, there are about 1872 urban co- operative banks in India, which form 14% of the banking sector. While the focus has always been on private and public sector banks who are riding the technology wave to emerge as front runners in the global banking arena, cooperative banks, have been laggards when it comes to technology adoption. The drivers of performance for UCBs, as for any organization, includes indicators such as increased employee satisfaction, increased customer satisfaction, financial stability, lower average time to resolution, and innovations in information and communications technology (ICT). Co- operative banks can play a significant role in rural financial inclusion if they ably take advantage of the technology in place. Besides enabling faster services, their decision to bring technology into play will open up possibilities of providing new cost-effective banking products and services to the farming community in particular. It is envisaged that post implementation of CBS including Financial Inclusion, Cooperative banks will also implement internet banking, phone banking, ATM network etc. According to industry watchers, technology deployments like CBS are a big challenge in cooperative banks. Factors such as high costs of implementation and maintenance coupled with lack of regional language software support for CBS are deterrents. Then, there is the issue of customization. Most solutions available in the market cater to the needs of traditional banks and cooperatives need rather specific levels of customization. Indian customers find it hard to use

technologies like ATM and prefer to do transactions over the counter. Manpower constraints exist in this sector. Cooperative banks cannot afford to have IT staff to man IT infrastructure in the way that larger banks can. Finally, there are basic issues like power and rugged terrain that make it difficult to run a CBS or anything else 24x7.

6. Gnanasekaran, Anbalgan and Abdul Nazar (2012)¹³ -

It is hoped that the State Governments will not delay acceptance of the recommendations made by the RBI. In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self-reliant and self-supporting. This paper examines the growth and success of the urban cooperative banks in Vellore District through statistical analysis.

7. N. Ramu (2013)¹⁴ - The Urban Cooperative Banking (UCB)

system has come a long way since 1904 when the first UCB was started at Kancheepuram in Tamil Nadu. UCBs remain not-for-profit, owned and controlled by the members who use their services. They are unit banks of the American model rather than branch banks of the British model. With the tightening of prudential norms, the banking sector has been consistently conforming to and adopting international prudential norms and accounting practices. Such strengthening of prudential norms has resulted in increased levels of Non-Performing Assets (NPAs) for the Urban

Cooperative Banking Sector. As per CAMELS rating model, the highest weight is given to asset quality components. Today, UCBs are compelled to maintain superior asset quality in the competitive market for their survival. In the wake of large scale defaults of UCBs in India, this study analyze the asset quality in select UCBs in Tamil Nadu. This paper also traces the Non-Performing Assets of financial cooperatives in other countries. A comparison of UCBs with financial cooperatives abroad is also done.

- 8. Jagtap (2013)¹⁵** -Banking system occupies the central position in Indian Financial system. It is the backbone of Indian economy. It plays an important role in mobilizing savings and channelizing them into production activities etc. In our country, the banking sector broadly consists of Scheduled Commercial Banks (SCBs) and Co-operative Banks. Further, SCBs include public sector, private sector and foreign sector banks while cooperative banks include State Co-operative Banks, District Central Co-operative Banks (DCCBs), State Cooperative Agriculture and Rural Development Banks (SCARDBs), Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) and Urban Co-operative Banks (UCBs). SCBs form the important part of the Indian financial landscape in terms of their business and outreach also.

- 9. Ravichandran and Pandian (2013)¹⁶** -This study on Visvesvarya Urban Cooperative Bank analyze the financial

performance and the growth potential and it is certainly learning for the other urban cooperative banks functioning in the country. The Visvesvarya Urban Cooperative bank is one leading urban cooperative bank in Karnataka and got best urban cooperative bank award in Karnataka continuously for four years from 2004 to 2007. The share capital and reserve fund has made positive growth and the owned and the working capital held by the bank have made steady progress. Net profits of Visvesvarya urban co-operative bank during the year 2006-07 to 2010-11. The result shows that except during the year 2009-10 remaining four years positive net profit growth could be observed. Among the five year period highest per cent could be observed during the year 2010-11 i.e., 39.79 per cent.

- 10. Mayilvaganan and Soundararajan (2013)¹⁷** - The urban counterparts of rural co-operatives the Urban Co-operative Banks (UCBs) too have traditionally been an important channel of financial inclusion for the middle and low income sections in the semi-urban and urban area. The state and central Governments could recognize that the UCBs are not just co-operative societies but they are essentially banking entities whose management structure is that of a co-operative. Recently, the UCBs have increasingly started adopting the three-pronged financial inclusion strategies used by commercial banks – Banking Correspondents (BC), “no-frill” accounts and promoting microfinance activities. Once again, their local nature gives them an advantage over

their national rivals in executing these moves better. UCBs enjoy an undeniable edge in the area of relationship banking.

11. Srinivas Kumar (2013)¹⁸ -Primary (urban) cooperative banks (UCBs) are expected to lay down, with the approval of their boards, transparent policies and guidelines for credit dispensation, in respect of each board category of economic activity, keeping in view of credit exposure norms and various other guidelines issued by the RBI, term though not formally defined, refer to primary cooperative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non- agricultural purpose. This distinction does not hold today. These banks were traditionally centered around communities, localities workplace groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably.

12. Sumeet Giram (2014)¹⁹ - Development of country depends on the industrial and agriculture development of the country which requires the proper supply of funds at proper time. Urban co-operative banks plays significant role in meeting the requirements of small traders, agriculturists and middle income group people. At present there is highly competitive and globalized business environment, which needs a professional management for the successful controlling and managing the affairs of UCB. Moreover, political hindrance in co-operative sector has also affected

the strong growth of the co-operative organization. One must remember that the economy is at a very challenging stage today. It is within these challenges that the banking industry faces the onerous task of ensuring proper consolidation and maintaining a healthy asset quality. We are no more mere domestic players. We are now a set of global players, which are happening in banking domain or the economy, be it in US, EU or even East Asia. Hence, the banking industry will have to be careful when it comes to creating assets. Once you have supported the credit seekers, you have to ensure that your investments turn out to be productive lending. Time has come today that bankers have to be seen as a partner instead as lender. Urban Co-operative banking sector should be right away free from restrictive provisions of co-operative Acts so as to make them self-reliant and self-supporting.

13. **Gautam and Upadhaya (2014)**²⁰ -Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. Urban co-operative banks ranked a very significant position in the Indian banking sector. Competent management is pre-requisite for the success of any organization. At present highly competitive and globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks.

Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization. In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management. It is hoped that the State Governments will not delay acceptance of the recommendations made by the RBI. In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self-reliant and self-supporting. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation co-operative banks operate as a balancing center. At present there are several co-operative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system.

14. **Shinde and Pawar (2014)²¹** - Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. The Urban Co-operative Banks (UCB's) occupy a significant place in the Indian Co-operative Banking structure. Though these banks

are important part of the financial system, most of these banks always face the problem for mobilizing the funds. This study was undertaken to study the mobilization of funds by The Karad Urban Cooperative Bank Ltd. Karad. The Karad Urban Cooperative Bank Ltd, Karad is one of the oldest and well known co-operative banks in Maharashtra. Presently it is working through 48 branches in 7 districts of Maharashtra. The study was conducted to study the different sources used by the bank to mobilize the funds and to study the trend of these sources. The study found that the bank has succeeded in mobilizing the funds from its customers and there is a positive growth in the deposits, share capital and reserves of the bank throughout the study period from 2007-08 to 2013-14.

15. **Behera (2014)²²** - Urban co-operative banking sector is an important constituent of Multi Agency system operation in the country. They essentially cater to the credit needs of persons of small means. The Reserve Bank of India in its annual report on trend and progress in banking, state that urban banks are purveyor of credit to small borrowers and weaker section of the society, but it is not coming out with any supportive policies that will strengthen the role of USB. Although some UCBs have been shown remarkable in the recent years, still a large number of banks have shown measurable performance. The operational efficiency is unsatisfactory and characterized by low profitability, ever growing non-performing assets (NPA) and relatively low

capital base. Over a long period of time, the performance of UCBs has been deteriorating due to non-recovery of interest and installments of loan portfolio. Probably the biggest challenge facing the banking sector, especially the UCBs, is the availability of quality assets. The organization is now at cross road. The growing NPA tendency put the bank into liquidity crunch. Major concerns suffering this sector include high levels of loan delinquency, erosion of capital base, paucity of funds for fresh deployment, ineffective credit planning, lack of professionalism in application of computerized system, lack of HRD policies, poor management information system etc. Prolonged sickness in most of the USB loses customers' confidence and the society at large. One of the most disturbing features of this moment is that it is increasingly passing into the hands of nasty politicians, who misuse their position with undue interference. The paper examine the working and financial performance of the urban cooperative banks.

16. **Bose (2014)²³** - Urban Co-operative banks play a pivotal role not only in meeting the credit requirements of various sphere but also play a significant role in the development of Small & Medium industries in urban areas. The urban co-operative banking works on the basis of two tier system. This paper focuses on the current scenario of urban co-operative banking system in India, by mentioning its need, its brief history, its current structure among the co-operative credit society, improvement in financial position of UCBs,

contribution of UCBs towards economic development of the country. This paper also highlights the challenges faced by the UCBs and its future prospects.

17. **Nagarajapillai (2014)**²⁴ -This article examines the recent policy developments and the major issues and challenges of urban cooperative banks (UCBs). In the last one and a half decades, UCBs have undergone a historical transformation of unprecedented breadth and depth. This new stage has generated special concern amongst cooperative banks. At the same time, the economic meltdown impaired financial institutions all over the world, but cooperative banks in most markets have performed reasonably well in comparison with other financial institutions. This is due to the relatively straightforward operations of most cooperative banks, their ability to focus on member service as opposed to short-term profit maximization, and the conservative nature of their executives and regulators. The current status and the operational features of UCBs are dealt with in order to describe the future trends and potential difficulties and opportunities of the urban cooperative banking sector.

18. **Chandrashekar (2015)**²⁵ - The most significant development related to UCBs was the extension of certain provision provisions of banking Regulations Act, 1949 to the cooperative societies in 1966 after that which the cooperative banks also got the benefit of deposit insurance schemes. This paper is to access the growth and structure of cooperative

credit societies in India and to study the financial and identify overall performance of UCBs in India. The study is based on Secondary data. Urban cooperative bank are an important role for the governments of inclusive growth and has come to occupy a formidable place in the Indian financial system.

19. **Padmaja, Bhanu, and Rao (2015)²⁶** - The researcher analyzes the financial performance of Anantapur Urban Cooperative bank. The study used exploratory research design which relies on secondary data. The analyzed data reveals that there was significant growth in the deposits mobilization, loans and advances, working capital, reserves and owned funds. There is no significant growth in membership but there was significant growth in share capital per member with CGR of 9.43. There was significant increase in the total cash with the bank which is growing at CGR of 12.44. There was no significant growth in CDR. There was significant difference in the growth and composition of income. The total expenses were increasing significantly with CGR of 16.61. Even though there was increasing trend in the Net Profits earned during the study period except in the year 2006-07 but it was statistically in significant. The EPS of AUCB was enhanced which is statistically significant during the study. Therefore the performance of AUCB was satisfactory.

20. Ravindra Murthy, and Narayana Rao (2015)²⁷ - Over recent years, the financial health of the urban co-operative sector has shown a remarkable improvement. In 2011-12, the sector showed an increased return on assets and a further fall in the ratio of Non-Performing Assets (NPAs). As per the new CAMELS rating model, 61 per cent of the UCBs, accounting for about 78 per cent of the total banking business of the UCB sector, had ratings of 'A' and 'B', indicating the good financial health of this sector. The Co-operative movement in India was started a century ago with the enactment of Co-operative Society Act in 1904. The Co-operative structure in India can broadly be divided into two segments. The urban areas are served by Urban Co-operative Banks (UCBs), rural co-operatives operate in the rural parts of the country. The banking related activities of UCBs are governed by the Reserve Bank of India(RBI),whereas the registration and management related activities are governed by the Registrar of Co-operative Societies(RCS) in case of UCBs operation in single state and Central RCS in case of multi-state UCBs. Keeping the above facts the present paper evaluates the performance of UCBs with absolute financial figures.

21. Abdul Wahid (2015)²⁸ -Professionalization of management in cooperative banks is now a days a burning issue in the way of competing their counter parts. The study deals with the effectiveness of training and development programmes of these banks. There are 19 Cooperative banks including Urban Cooperative Banks of Delhi State. The study

identifys the institutional framework for imparting training and developments programmes to all levels of management in these banks. Since the composition of Board of Directors in these Banks are not as per the requirement of RBI and directives of Registrar of Cooperative Societies. They are even not graduate and belong to the some political parties. The study also discloses the problems in the way of professionalization of management in these banks in detail.

- 22. Balwinder and Soni (2015)²⁹** - The origins of the urban cooperative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the cooperative movement in Britain and the cooperative credit movement in Germany such societies were set up in India. From its origins then to today, the thrust of UCBs, historically, has been to mobilize savings from the middle and low income urban groups and purvey credit to their members - many of which belonged to weaker sections. So, the application of the knowledge of customer satisfaction is imperative to establishing and maintaining a long-term relationship with customers and long-term competitiveness. In this context, for the better performance and growth of UCBs, it has become very essential to give proper weightage to the opinions of customers of these banks and at the same time to measure and monitor the customer satisfaction continuously. In the paper an attempt has been made to identify factors (as perceived by customers) which are expected to be dictating

and determining the service quality performance of Urban Cooperative Banks of Punjab, Haryana and Himachal Pradesh.

Research Gap:

The review of literature clearly reveals that no research was previously conducted on the marketing and financial performance analysis of Urban Cooperative Banks in Marathwada region of Maharashtra state of India. Hence the research aims to fill the gap by analyzing the financial performance of Sundarlal Savaji Urban Cooperative bank, Mahesh Urban Cooperative Bank and Peoples Cooperative Bank.

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Chapter No. 02:

Role and Importance of Urban Cooperative Banks.

- **Introduction.**
 - **Urban Co-operative Banks.**
 - **Background of UCBs.**
 - **History of Urban Co-operative Banks in India.**
 - **Objectives of the Urban Co-Operative Bank.**
 - **Recent Developments of UCBs.**
 - **Future Scenario.**
 - **Review of Growth of Urban Co-operative Banking Sector.**
 - **Region wise Distribution of UCBs.**
 - **Market Share of Urban Co-operative Banks in Total Banking Sector.**
 - **National Federation of Urban Cooperative Banks and Credit Societies Ltd. New Delhi.**
 - **The Maharashtra Urban Co-operative Banks' Federation Ltd, Mumbai.**
 - **Membership of Urban Cooperative Banks in Maharashtra.**
 - **Growth in Deposits.**
 - **Loans and Advances.**
 - **Credit-Deposit ratio.**
 - **Banks in Profit and Loss.**
 - **Challenges of UCBs.**
 - **References.**
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Introduction:

Urban Co-operative Bank (UCB) is an important banking sector for extending financial services to the small, medium and weaker people from urban, semi-urban areas. The Urban Co-operative bank, though not defined, refers to the Co-operative banks located in urban and semi-urban areas. Funds are not only needed for the big industrial sector but are also required by the small scale industry, small business houses, weaker section people, service sector people from the urban area. Urban co-operative banks provide such loans and other banking facilities to these people. Hence, UCB plays a vital role in the development of the country. The bank which provides loan facilities to non-agriculture sector people is known as an urban co-operative bank. The Mumbai regional banking enquiry committee and central banking enquiry committee recommended to establish co-operative societies generally known as UCB to provide loan facilities to middle class people, small business units etc. Recently the Urban Co-operative Banks have been directed to provide loans to industrial development and priority sectors of the economy. Co-operative banks have been playing an important role in the socio-economic development of the country by making available credit at an affordable cost to the people from rural, urban and semi-urban areas.¹ There are 1,579 Urban Co-operative Banks having a deposit position of Rs. 3,55,134 crores and advances of Rs. 2,24,329 crores up to the financial year 2015 working at national level where as in the Maharashtra State there are 539 Urban co-operative banks working in the State. As regards regional distribution Maharashtra, Karnataka, Gujarat, Tamil Nadu and

Andhra Pradesh accounts for about 77 per cent and Maharashtra alone account for 33 per cent of the total UCBs.

Urban Co-operative Banks:

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities, work place groups. They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably. Urban cooperative banks were set up with the objective of promoting sustainable banking practices amongst a relatively specific target clientele viz., the middle income strata of the urban population. They were brought under the regulatory ambit of the Reserve bank by extending certain provisions of the banking regulation act, 1949, effective from March 1, 1966.²

Background of UCBs:

The origins of the urban co-operative banking movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the cooperative movement in Britain and the co-operative credit movement in Germany, such societies were set up in India. Co-operative societies are based on the principles of cooperation, mutual help, democratic decision making, and open membership. Cooperatives represented a new and alternative approach to organization as

against proprietary firms, partnership firms, and joint stock companies which represent the dominant form of commercial organization. They mainly rely upon deposits from members and non-members and in case of need, they get finance from either the district central co-operative bank to which they are affiliated or from the apex co-operative bank if they work in big cities where the apex bank has its Head Office. They provide credit to small scale industrialists, salaried employees, and other urban and semi-urban residents.

Cooperative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. A co-operative bank is defined as 'a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. The term Urban Cooperative Banks (UCBs), although not formally defined, refers to the primary cooperative banks located in urban and semi-urban areas. These banks, until 1996, were allowed to lend money only to non-agricultural purposes.³ This distinction remains today. These banks have traditionally been around communities, localities working out in essence, loans to small borrowers and businesses. Today their scope of operation has expanded considerably

History of Urban Co-operative Banks in India:

The urban Co-operative credit movement in India was started to cater the banking and credit requirements of the lower

and middle class urban people. They include traders, businessmen, artisans, factory workers, and salaried people with fixed income in urban and semi-urban areas. The motive behind the starting of urban credit movement in India was the success stories of urban credit institutions organized by *Herrmann Schultze* in Germany and *Luigi Luzzatti* in Italy. It was the middle class *Maharashtrian* families settled in the erstwhile Baroda state, who started the first mutual aid society named as '*Anyonya Sahakari Mandali*' in Vadodara (Baroda) in 1889 under the leadership of *Sri Vithal Laxman Kavathekar*. The erstwhile Madras presidency had organized co-operative undertakings in the form of indigenous '*Nidhis*' much before the official launching of the co-operative movement. The spread of the news of achievements and success in *Nidhis* helped its birth in other states like Uttarpradesh, Punjab and Bengal under semi-official auspices.

Madras Government took some pioneering effort in the initiation of co-operative movement. In 1892, the Madras Government appointed *Sir F. Nicholson* to enquire into the possibilities of starting a system of land banks in that province. His report to the Madras Government in 1899 recommended the starting of co-operative societies. This led to the formation of co-operative credit societies in different parts of India, as a policy and programme of the government. Following this, in 1904, the Co-operative Societies Act was passed in India and co-operative credit societies obtained legal status. The first co-operative credit society was registered in October 1904 at Kanjeevaram in the erstwhile Madras province.⁴

Initially the Urban Co-operative credit societies were organized on a community basis to meet the credit needs of their members. Salary earners' societies played a significant role in popularizing the movement, especially amongst the middle class as well as organized workers. So, from the beginning of UCBs its thrust has been to mobilize saving from the middle and low income urban groups and giving credit to their members, many of which belonged to weaker sections. These banks were traditionally centered around communities, localities and work place groups but today, their scope of operations has widened considerably. There was a general realization that urban banks have an important role to play in economic construction.

Objectives of the Urban Co-Operative Bank:

The UCBs are generally considered as Small People Bank because they are organized for Promoting thrift and Co- Operation among the lower and middle strata of the society. The Objectives of the UCBs are divided in two parts, which are as follows:⁵

(a) Principal Objectives:-

- 1) To promote thrift, self-help and mutual co- operation among the members.
- 2) To mobilize resources i.e. to borrow funds from members and nonmembers to utilize for giving loans to their members
- 3) To provide credit to the members at a reasonable rate for productive or trading purpose.
- 4) To undertake collection of bills drawn, cheques, draft etc. accepted or endorsed by members and approved

constituents; to remit funds and to discount cheques and bills of approved members subject to rules and bye laws on their behalf.

- 5) To arrange for safe custody of valuables and documents of members and constituents and
- 6) To provide other banking and subsidiary services.
- 7) To give vehicles loans to members of the bank.

(b) Subsidiary Objectives:-

- 1) To give possible help and necessary guidance to traders, artisans etc. who are members of the bank.
- 2) To do every kind of trust and agency business and particularly do the work of investment of funds, sale of properties and of recovery or acceptance of money.
- 3) To undertake every kind of banking and Sharaffi business and also give bank guarantee and letters of credit on behalf of members.

Recent Developments of UCBs:

Over the years, Urban Co-operative Banks have registered a significant growth in number, size and volume of business handled. As on March 31, 2015 there were 1,579 UCBs all over India and there total deposits were 3,55,134 crores and advances of Rs.2,24,329 crores, indicating faith of common man in the UCBs. At the same time some banks were closed during last five years and depositors lost their hard earned money. To save this peoples movement, it is very essential to understand their problems, their expectations from Government and Apex Bank and their

limitations. It is also necessary to find some remedies that will boost the UCBs to survive in the present world of competition. Urban co-operative banks were giving banking facility to grass root persons. UCBs have played key role in developing rural, semi urban areas in the area of their operations.

Financial Inclusion is launched with much fanfare by Govt. and RBI. This concept is inbuilt in the structure of UCBs. They are the backbone of state economy having the touch of local soil. Every UCB takes genuine commercial needs of local population in their service area. As they know the local scenario, they easily spot and support budding entrepreneurs. Private Sector banks and PSUs tap high profile and successful entrepreneurs. UCBs are the one who help small and medium sized traders and entrepreneurs who generally have no balance sheets or poor balance sheets to support their genuine trade / business requirements. UCB function over the length and breadth of the state. Since they function in all parts of the states they do contribute for equitable growth in all the regions. With the passage of time, the size and operations of the urban co-operative societies increased significantly and, therefore, it was considered necessary to bring them under the purview of the Banking Regulation Act, 1949. Besides, with the introduction of the Deposit Insurance Scheme for commercial banks in 1962, a need was felt to extend the benefit to the cooperative banks also. In view of these factors, effective 1 March 1966, certain provisions of the Banking Regulation Act, 1949 were made applicable to primary (urban) co-operative banks also by insertion of section 56 in the Banking Regulation Act, 1949. With the extension of the provisions

of the Banking Regulation Act, 1949 to primary [urban] cooperative banks, they came under the dual control of respective State Governments and Reserve Bank of India.⁶

While the managerial aspects of these banks namely registration, constitution of management, administration and recruitment, amalgamation, liquidation etc. are controlled by the State Governments under the provisions of the respective State Co-operative Societies Act, the matters related to banking are governed by the directives/guidelines issued by the Reserve Bank of India. UCBs in India are mostly concentrated in 5 states viz., Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu. Together they account for almost 80 per cent of the total number of banks, 89 per cent of the deposits resources and 89.8 per cent of the credit deployment by all cooperative banks in the country. State of Maharashtra alone has 25 per cent of total UCBs and accounts for 65.4 per cent of deposits and 67.8 per cent of advances of the co-operative sector.⁷ As regards UCBs, the issues of governance come under the purview of the respective State Governments and the Reserve Bank of India takes care of the prudential aspects of these banks. However, in practice, because of various reasons such as personal vested interests, political interference, financial irregularities and dual control, many UCBs have become breeding grounds for financial indiscipline and mismanagement resulting into huge losses and failure of banks.

UCBs in general were suffering from issues like, sharp increase in number of banks and branches, large number of

financially unsound banks, Steep increase in interest expenses on deposits consequent to deregulation, high rate of interest on deposits and advances, adverse selection of borrowers, low capital base, dual control, high exposure to real estate and other sensitive sectors, lack of professionalism, political interference, unlicensed UCBs, low level of computerization, faulty recruitment system / excess staff / poor skill up gradation, low level of operational efficiency, high operating costs etc.

Future Scenario:

The Government and RBI should consider primarily the Co-operative banks as essential factor in the overall banking and the credit environment of the society. These banks are the most competent tool for financial inclusion and over the time has proven their ability to provide credit at the grass root level effectively. Only thing is that they need proper cushioning, guidance, advice and support. With the growing networking of UCBs and their utility in financial up-liftment and financial inclusion, which is need of the hour, it is felt necessary that a separate umbrella organization exclusively for urban cooperative banks may be design on the similar lines of NABARD. UCBs with their unique and exclusive organizational set up will be the most effective tool for the financial inclusion of urban poor and hence this sector need special attention in the years to come. The RBI has appointed a committee on licensing of new UCBs under the chairmanship of *Shri Y H Malegam* which recommended that:

- UCBs play a useful role and there is need for a greater presence of UCBs in unbanked districts and in centers having population less than 5 lakh. It is necessary to encourage new entrants to open banks and branches in States and Districts which are unbanked or inadequately banked. It is equally necessary to discourage new entrants from opening branches in Districts and population centers which are already adequately banked.
- The existing well managed co-operative credit societies meeting certain financial criteria like profits, capital adequacy, NPAs' proportion etc. should be given priority for granting licenses as urban co-operative banks particularly in unbanked or inadequately banked centers.
- The committee also recommended an umbrella organization that will provide temporary liquidity to the member UCBs. The funds required for providing temporary liquidity shall be mobilized from member UCBs who shall be permitted to keep their CRRs with this Umbrella Organization bank. All the non-scheduled urban co-operative banks in India shall be the compulsory members of this Umbrella Organization. If these recommendations are accepted by RBI, it will definitely boost the urban cooperative banks and new UCBs with sound financial position and well professional staff will come into existence. This will also be beneficial to existing UCBs as the umbrella organization will solve their temporary liquidity problem.

Review of Growth of Urban Co-operative Banking Sector:

While reviewing the progress made by the urban co-operative banks during the last 14 years, it was observed that the performance has by and large been satisfactory. Though there has been reduction in the number of UCBs from 2004 onwards, the total banking business (deposits plus advances) of UCBs has shown steady increase signifying that the banks have been able to garner more business.

Table No. 2.01:

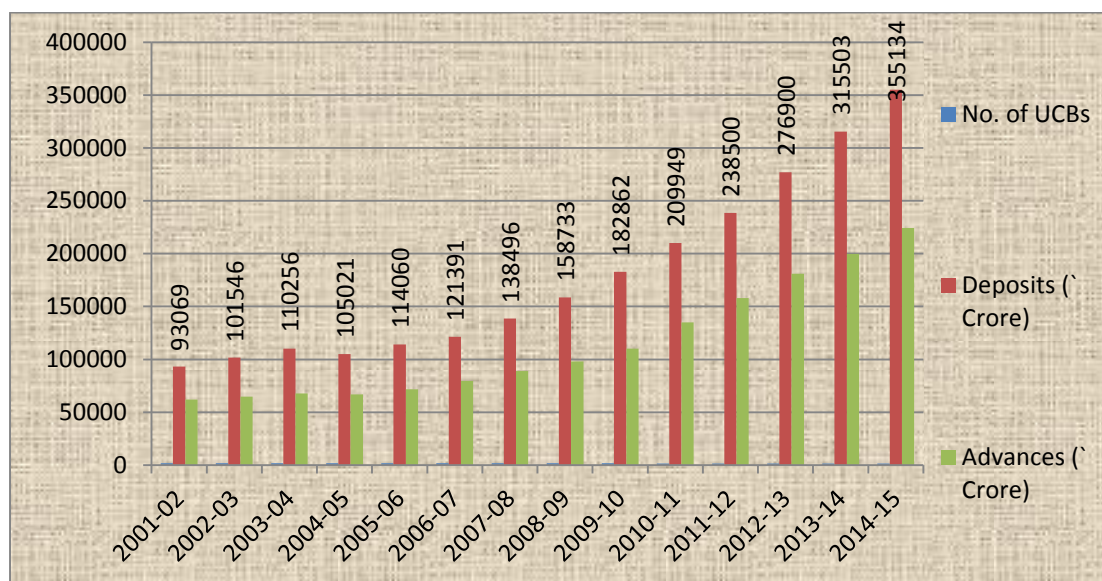
Performance of UCBs – Deposits and Advances

Sr. No.	Year	No. of UCBs	Deposits (Rs. Crore)	Advances (Rs. Crore)
1	2001-02	1854	93069	62060
2	2002-03	1941	101546	64880
3	2003-04	1926	110256	67930
4	2004-05	1872	105021	66874
5	2005-06	1853	114060	71641
6	2006-07	1813	121391	79733
7	2007-08	1770	138496	88981
8	2008-09	1721	158733	97918
9	2009-10	1674	182862	110303
10	2010-11	1645	209949	135104
11	2011-12	1618	238500	158000
12	2012-13	1606	276900	181000
13	2013-14	1589	315503	199651
14	2014-15	1579	355134	224329

Source: <http://www.iosrjournals.org>

Graph No. 2.01:

Performance of UCBs – Deposits and Advances



While reviewing the progress made by the UCB during the last 14 years it shows that the performance has by and large been satisfactory. Though there has been reduction in the number of UCBs from 2004 onwards, the total banking business of UCB has shown steady increase signifying that the banks have been able to garner more business. The Reserve Bank adopted a multy -layered regulatory and supervisory strategy aimed at the merger / amalgamation of viable UCBs and the exit of unviable ones for the revival of this sector. This initiative led to gradual reduction in the number of UCBs, as a result, the total number of UCBs at end March 2015 stood at 1579 as against 1854 in 2001-02. The total amount of deposits mobilized by these banks was Rs. 3,55,134 crores and the total amount of advances was Rs. 2,24,329 crores.

Region wise Distribution of UCBs:

There is a disparity in the distribution of banking business of the urban cooperative banks. There are 1,579 UCBs with close to 9,722 branches in the country. In spite of being present in 25 states, almost 82 per cent concentrates in the Western and Southern region mainly in five states of Gujarat, Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu - with the lion's share going to Maharashtra. The western and southern region which accounts for 27 percent of the total districts in India and about 91 percent of the total banking business of UCBs. On the other hand, the remaining four regions in north, north east, east and center with 73 percent of the total districts had a share of around nine percent only in the total banking business of UCBs.⁸

Table No. 2.02:

Distribution of UCBs based on State, Union Territory and Region.

Sr.	State	No. of UCBs	No. of Branches	Deposits	Advances	Total Districts Covered
1	Haryana	7	23	7421.9	3791.7	9
2	Himachal Pradesh	5	13	6398.6	4221.0	5
3	Jammu & Kashmir	4	26	4864.3	2395.3	8
4	Punjab	4	22	10859.8	5263.0	7
5	Rajasthan	37	203	57172.4	33047.5	28
6	Delhi	15	97	30989.1	28348.5	11
7	Assam	8	31	6207.0	4495.8	6
8	Manipur	3	11	3797.2	1687.3	4

A UGC Minor Research Project: "A study of Customer Services and Financial Performance of Selected Urban Cooperative Banks in Marathwada".

9	Meghalaya	3	8	1522.8	612.5	3
10	Mizoram	1	1	376.6	248.7	1
11	Tripura	1	3	301.5	177.3	2
12	Bihar	3	11	1695.2	1347.5	4
13	Jharkhand	2	5	590.5	576.0	2
14	Odisha	9	38	9868.3	5435.9	11
15	Sikkim	1	5	267.3	126.5	2
16	West Bengal	43	110	37168.9	18204.3	13
17	Chattisgarh	12	25	5814.0	4629.6	9
18	Madhya Pradesh	51	106	24964.7	12386.0	27
19	Uttar Pradesh	67	266	60896.9	34033.1	46
20	Uttarakhand	5	103	33210.3	15972.7	13
21	Goa	6	100	36409.8	22734.3	2
22	Gujrat	226	1028	385060.9	248064.1	32
23	Maharashtra	510	5442	2230747.2	1396610.6	36
24	Daman & Diu	0	2	177.8	150.0	1
25	Andhra Pradesh	48	177	59322.7	44100.9	13
26	Karnataka	265	1012	294613.4	199609.1	30
27	Kerala	60	426	112009.2	68735.1	14
28	Tamilnadu	129	260	81113.9	53078.1	32
29	Telangana	53	163	45988.1	32159.8	10
30	Puducherry	1	5	1507.0	1043.9	1
	Total:	1,579	9,722	3551337	2243286	382

Source: <http://www.nafcub.org/>

Market Share of Urban Co-operative Banks in Total Banking Sector:

The business growth of UCBs was not, however, commensurate with the overall growth in the banking sector. There has been a gradual fall of the share of UCBs' business in the overall business of the banking sector. Despite the presence of large number of UCBs, their share in the total deposits and advances of the banking sector is insignificant and the share is reduced year after year. From the market share of 6.3 per cent as on March 31, 2001, it had reduced to 3.5 per cent as on March 31, 2010. This reflects to a large extent the effect of the policy of not permitting UCBs, including the healthy and well managed ones, to open new branches for six years contributing thereby to their inability to garner their share in the growing economy.

Table No. 2.03:

Market Share of Urban Co-operative Banks in Banking Business in Banking Sector. (In Percentage)

Sr. No.	Year	UCBs	DCCBs & State CBs	RRBs	Commercial Banks
1	2001-2002	6.3	7.2	2.9	83.6
2	2002-2003	6.4	7.2	3.0	83.4
3	2003-2004	6.3	7.0	3.0	83.7
4	2004-2005	5.8	6.6	3.1	84.5
5	2005-2006	5.3	6.3	3.1	85.3
6	2006-2007	4.6	5.4	2.9	87.2
7	2007-2008	4.0	4.7	2.7	88.6
8	2008-2009	3.7	4.1	2.7	89.5

9	2009-2010	3.4	3.9	2.6	90.1
10	2010-2011	3.5	3.7	2.7	90.1

Source: <http://www.iosrjournals.org>

National Federation of Urban Cooperative Banks and Credit Societies Ltd. New Delhi

The National Federation of Urban Cooperative Banks and Credit Societies Ltd. (NAFCUB) is an Apex Level Promotional body of Urban Cooperative Banks and Credit Societies Ltd. in the Country. The main objective of NAFCUB is to promote the urban cooperative credit movement and protect the interest of the Sector. The Federation was registered under the Multi-State Cooperative Societies Act as a Multi-State Cooperative Society on 17th February, 1977. The Registered Office of NAFCUB is at Delhi and the area of operation is whole of the country. NAFCUB represent around 1600 Urban Cooperative Banks and more than 50,000 Cooperative Credit Societies functioning all over India.⁹ NAFCUB is committed to work towards building a strong and viable urban co-operative banking and credit system across the country, to strive for level playing field for the institutions, to be an effective voice of the sector, to work towards eliminating visible weaknesses and infirmities, to provide the training and other support and to knit the institutions into a cohesive unit for them to benefit from strength of being in co-operative system. The main objective of the National Federative is to promote Urban Cooperative Credit movement in the country. The other objectives of the Federation are as under:

1. To provide a forum for discussion and follow up of issues relating to urban cooperative banks and co-operative thrift and credit societies.
2. To promote and protect interest of member institutions and take up their problems individually and collectively at appropriate forum as well as with the concerned authorities / regulators.
3. To interact and liaise with the Ministries of the Union Government, State Governments, the Reserve Bank of India, NABARD, Commercial Banks, financial sector institutions, representatives of various bodies of financial, industrial and trading sectors both at national and at international levels.
4. To promote urban cooperative credit movement in India and to undertake studies /research projects related to the Movement.
5. To organize by itself and / or in collaboration with other bodies, conferences, conventions, workshops, seminars and discussions on banking and financial services, cooperation, management and allied subjects.
6. To arrange publication of periodicals, news bulletins and journals, to interact with media on behalf of the sector and to exchange information of common interest of member banks and to cooperate with the NCUI, NCCT, ICA, ICBA, CAB, NIBM, NIBSCOM, BIRD, IIB, IBA or any other such national or international organization in the field of education, training and publicity.
7. To develop and administer by itself or along with other institutions, schemes for mutual benefit of urban cooperative

credit institutions, and to take such action or enter into such agreements as may be necessary for furtherance of the objectives.

8. To develop expertise in the areas of banking, management, technology and offer consultancy services to the member institutions.
9. To take membership of other national and international institutions.
10. To undertake all activities and discharge all functions of a Federal Cooperative as envisaged in section 24 of the Multi State Cooperative Societies Act, 2002.

The Maharashtra Urban Co-operative Banks' Federation Ltd, Mumbai:

The Maharashtra Urban Co-operative Banks' Federation Ltd, Mumbai, a spokes-person body of all the co-operative banks in Maharashtra, is the largest and efficient Federation in India and has been playing an important role in voicing the grievances of member banks before the appropriate forums including the Central Government, Reserve Bank of India, State Government, Commissioner of Co-operation, Registrar of Co-operative Societies, Income Tax Authorities and other related Government Bodies. Federation is established on March 9, 1979 (AACS) and registered under Maharashtra Co-operative Societies Act, 1960. It is situated at Bharatiya Krida Mandir, 4th Floor, Naigaon-Wadala Road, Mumbai.¹⁰

Federation works on the principle '*No Profit No Loss*'. The activities of the Federation are carried out from subscriptions collected from its Member Banks. Out of 517 UCBs in Maharashtra as on date, 475 UCBs are the Members of the Federation. Apart from this, 18 District / Divisional Associations are also the Members of the Federation. So total members of the Federation are 493. Functions of the Federation are carried out by the Representatives elected by Urban Co-operative Banks & District / Divisional Associations Group Members from Maharashtra. Board of Directors is elected after every 5 years. 13 Representatives are elected through Urban Co-operative Bank's Group & 6 Representatives are elected through District / Divisional Associations Group. 2 Mahila Representatives are elected from State Level Mahila Reserved Election Constituency. 2 Co-opted Members are also nominated on the Board. One Executive Committee is formed through Board of Directors from every Revenue Division. Routine work and implementation of decisions/resolutions of Executive Committee & Board Meeting is carried out by Chief Executive and Secretary in association with staff members of the Federation.

To protect and guide the urban co-operative banks in today's competitive environment is the main aim of establishment of the Federation. It also aims to bring awareness of various schemes offered by Central Government, State Government, Co-operation Department such as Agricultural Debt Waiver and Debt Relief Scheme-2008, One Time Settlement, Model Bye-laws, etc. Federation has been received approval as a "Recognized Training

Institution" on 30, 2012 by the Commissioner of Co-operation & Registrar of Co-operative Societies, Maharashtra State, Pune. Throughout the year Federation had imparted training to the Directors, Management and Employees of Urban Co-operative Banks on various subjects such as Revised Rating System, Model Bye-law, The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), Regulations relating to sale of Assets to ARC , Case Laws under the SARFAESI Act, 2002, NPA Management, NPA Prudential Norms alongwith case studies. Besides the directors and Chief Executive & Secretary of the Federation delivered speeches / lectures on various subjects such as Know Your Customer (KYC), Anti-Money Laundering (AML), Prevention of Money Laundering Act (PMLA), etc. Federation also conducted Seminars on '*Supervisory Action Framework for Urban Co-operative Banks and Future Challenges before Urban Co-operative Banks*' on 13th April, 2012. Federation had arranged Training Programme in collaboration with FIU-IND, Delhi on KYC updation, Login Related Issues, Access to FINnet Gateway, Uploading the reports and Cash and Suspicious Transactions reporting to FIU-IND.

Membership of Urban Cooperative Banks in Maharashtra:

The unique feature of the cooperative institutions is that the members of the society come together to put their small savings to provide credits for the various purposes and thus, the study of growth in membership of Urban Cooperative Banks is important.

The table given below deals with growth in membership of Urban Cooperative Banks in Maharashtra since 1971.

Table No. 2.04:

Growth in Membership of Urban Cooperative Banks in Maharashtra

Sr.	Year	Membership (in' 000)	Increase / Decrease	% Growth
1	1970-71	883	-	-
2	1980-81	1618	735	83.24
3	1990-91	4464	2846	175.90
4	2000-01	7808	3344	74.91
5	2010-11	6760	-1048	-13.42

From the above table it becomes clear that there has been tremendous increase in the membership of Urban Cooperative Banks in Maharashtra that shows the increasing popularity of urban Cooperative Banking in the state. Except for the last decade of 2000-01 to 2010-11 where there has been negative growth in the membership of the Urban Cooperative Banks (-13.42%), there has been almost double growth in membership of such banks on an average. However, as stated earlier the consolidation phase is responsible for bringing about decrease in the membership as there has been decrease in the numbers of urban Cooperative Banks. This decline also indicates increasing competitiveness by the other Urban Cooperative Banks within the segment as well as from the commercial banks having technological superiority over the Urban Cooperative Banks.

Growth in Deposits:

Mobilization of deposits is one of the primary functions of any banking institution. The performance of a bank can be judged on the basis deposits mobilized by such banks as the deposits mobilized determine capacity of the banks to lend and satisfy credit needs of the people. The Urban Cooperative Banks need to satisfy various credit needs of the urban and semi-urban population and for which effective deposit mobilization especially small deposits of urban and semi-urban population through different schemes is required. The table given below shows growth in deposits by the Urban Cooperative Banks in Maharashtra.

Table No. 2.05:

Deposit Mobilization by Urban Cooperative Banks

Sr.	Year	Deposits (in' Rs. Lakh)	Increase / Decrease	% Growth
1	1970-71	6832	-	-
2	1980-81	65779	58947	862.81
3	1990-91	466298	400519	608.89
4	2000-01	4092326	3626028	777.62
5	2010-11	4201575	109249	2.67

From the table given above, it becomes clear that there has been huge increase in the deposit mobilization by the Urban Cooperative Banks in the state. For the three decades from 1970-71 to 2000-01, there has been almost seven fold increase in the deposit mobilization by the banks. However, in the last decade due to consolidation of the segment and increasing competition from the

commercial banks with technological superiority, the growth in the deposits has remained at 2.67 per cent only. Thus, the declining deposit mobilization by the Urban Cooperative Banks is a serious issue that needs to be answered by the effective policy environment.

Loans and Advances:

Loans and advances provided by the bank are considered as important sources of funds for individual needs of the finance and that of industries. The idle funds mobilized in the form of deposits by the bank are put into productive use by the loan disbursement. The loans and advances provided by the bank is also an important source of earning profits as loans and advances generate income in the form of interest. The following table given below shows loan and advances provided by the Urban Cooperative Banks of Maharashtra state.

Table No. 2.06:

Loan and advances by Urban Cooperative Banks

Sr.	Year	Credits (in' Rs. Lakh)	Increase / Decrease	% Growth
1	1970-71	12381	-	-
2	1980-81	55581	43200	348.92
3	1990-91	442279	386698	695.74
4	2000-01	3221062	2778783	628.29
5	2010-11	3424474	203412	6.32

The table given above shows the trends in loan disbursement by the Urban Cooperative Banks in the state. One can observe rapid increase in the credit disbursement by the Urban Cooperative Banks. For the decade from 1970-71 to 2000-01, there has been huge increase in the credit disbursement by the banks i.e. almost six folds on an average. However, in the last decade due to the consolidation, there has been comparatively slower growth in the credit disbursement by the Urban Cooperative Banks. But, an interesting point to be noted is that though in the last decade of 2000-01 to 2010-11, the growth in the deposits is only 2.67 per cent the growth rate of the credit has been 6.32 per cent. Thus, the growth in credit disbursement is more than that of deposits.

Credit-Deposit ratio:

The analysis of Credit-Deposit ratio is used for the performance analysis of a bank. This ratio shows the productive use of deposits for purpose of credit disbursement. The excess of deposits available above the required limit shows underutilization of funds the over utilization beyond the limit may prove harmful for bank's credibility. Hence, maintaining the balance between the two is important. It is calculated as follows:

$$\text{Credit - Deposit Ratio (\%)} = \text{Total Advances/Total Deposits.}$$

The table given below shows Credit-Deposit ratio of Urban Cooperative Banks for the period 1970-71 to 2010-11.

Table No. 2.07:

Credit-Deposit ratio of Urban Cooperative Banks

Sr.	Year	Deposits (in' Rs. Lakh)	Credits	Credit Deposits ratio
1	1970-71	6832	12381	181.22
2	1980-81	65779	55581	84.50
3	1990-91	466298	442279	94.85
4	2000-01	4092326	3221062	78.71
5	2010-11	4201575	3424474	81.50

The table shows trends in Credit-Deposit ratio of Urban Cooperative Banks functioning in the state. One can see decreasing trends in the credit-deposit ratio. However, in the last decade of 2000-01 to 2010-11, there has been a marginal increase in the credit-deposit ratio. The declining credit-deposit ratio shows better utilization of the resources (deposits) for the purpose of credit disbursement. Higher the credit-deposit ratio, lower is the utilization of the funds for the productive purposes. Thus, the declining credit-deposit ratio shows better performance of the Urban Cooperative Banks in utilization of the given resources for providing credit.

Banks in Profit and Loss:

As stated earlier, the Urban Cooperative Banks are facing stiff competition from the Commercial Banks. Thus, it would be interesting to know the profitability performance of Urban

Cooperative Banks. For this purpose, the following table shows number of Urban Cooperative Banks in profit as well in loss.

Table No. 2.08:

Profitability of Urban Cooperative Banks

Sr.	Year	Banks in Profits	Banks in Loss
1	1970-71	-	-
2	1980-81	330	7
3	1990-91	367	13
4	2000-01	559	92
5	2010-11	455	76

From the above table it becomes clear that with increase in the number of Urban Cooperative Banks, there has been increase in both the number of banks in profit as well as in loss. The proportion of loss making Urban Cooperatives Banks in Maharashtra, however, was highest in the decade of 1990-91 to 2000-01. Thus, it becomes obvious that the highest number of the Urban Cooperative Bank in loss in the decade of 1990-91 to 2000-01, compelled the Urban Cooperative Banking segment to undergo consolidation where there has been mergers and acquisition of weak Urban Cooperative Banks with those of strong Urban Cooperative Banks. As a result there has been decline in the number of Urban Cooperative Banks in loss from 92 in the year 2000-01 to 76 in the year 2010-11. This shows sign of recovery and restructuring of the Urban Cooperative Banking segment in the Maharashtra. However, it also pinpoints at the requirement of effective policy environment to strengthen the cooperative

movement in general and the Urban Cooperative Banking in particular.

- After the remarkable expansion of four decades, Urban Cooperative Banking in Maharashtra is experiencing consolidation in the recent decade, which is further expected to be continued with more number of mergers and acquisitions. The segment requires strong supervision and effective policies on the part of RBI and Government especially, state government because as stated earlier, cooperation is the subject included under state-list.
- The consolidation phase is responsible for bringing about decrease in the membership as there has been decrease in the numbers of urban Cooperative Banks. This decline also indicates increasing competitiveness by the other Urban Cooperative Banks within the segment as well as from the commercial banks having technological superiority over the Urban Cooperative Banks. Thus, the Urban Cooperative Banks require to upgrade themselves in technology front as the demand for technology based- rapid financial services in the form of ATMs, Internet Banking, Credit-Debit Cards, RTGSNEFT services are becoming need of the time and people especially, urban population who are not having enough time to visit banks frequently, demand more and more of such services.

- Declining growth in deposit mobilization as well as credit disbursement by the Urban Cooperative Banks is a serious issue that needs to be answered by the effective policy environment. However, in the last decade the growth in credit disbursement is more than that of deposits.
- Declining credit-deposit ratio shows better performance of the Urban Cooperative Banks in utilization of the given resources for providing credit.
- Declining number of Urban Cooperative Banks in loss shows sign of recovery and restructuring of the Urban Cooperative Banking segment in the Maharashtra. However, there is requirement of effective policy environment to strengthen the cooperative movement in general and the Urban Cooperative Banking segment in particular in Maharashtra.

Challenges of UCBs:

Despite the fact that the business and asset base of UCBs has grown over the years, but these institutions have been facing numerous challenges for its development and sustainability.¹¹ First of all the market competition and the need to retain good clientele are affecting the UCBs too. Secondly the larger private sector commercial banks, with their ability to invest more in technology and offer better remuneration to attract skilled persons, are better off in this competitive era. Most of the problems faced by the UCBs are due to governance issues and connected lending. Unlike the case of other institutions the shares of which can be listed in a

stock exchange and can change hands without affecting the capital base, in case of UCBs, the shareholders can withdraw their contribution to capital resulting into shrinkage of capital of the bank.

Given the importance and interconnectedness of these banks, it is understandable that the RBI is extremely cautious about the health of the banks and requires that they adhere to steep capital adequacy norms. But even here, the UCBs face a unique problem restricted by their cooperative nature, they cannot issue fresh equity to shore up capital. The only capital growth they have, therefore, has to be in line with the growth of the business of their clientele. This remains a challenge for UCBs to struggle with.

There are major operational hurdles as well. Lack of professionalism is a common allegation hurled at UCBs from the mainstream banks. It is often viewed that while on one hand, hiring local people has helped keep the costs down and has enhanced the connectedness of these banks with the respective communities and groups, at times it has come at the cost of a professional work ethic. The problems, however, may well lie not with the staff, but with the processes in use at the UCBs including at the very top, the board of directors. In order to improve efficiency, increase transparency and promote fairness, the decision-making processes pertaining to staff administration, granting of credit and new membership should be clearly laid down.

Qualifications of the top management are another issue. Experience can scarcely be a substitute for domain knowledge in almost any field, particularly in the banking field. Attracting talent, even though not necessarily of the same gloss as that of private and foreign banks, is of critical importance. Training can help matters to some extent. As part of the commitment made in the memorandum of understanding (MOU) with the state governments, free of cost training courses for directors, chief executive officers (CEOs) and other officials of UCBs is being conducted by the RBI at regional locations and in local languages for the convenience of banks.

Family control of UCBs remains another problem. There is a perception that most UCBs are family-managed, leading to financial irregularities, serious conflict of interest issues and related party transactions that can threaten the entire viability of the banks. A few rotten apples are enough to give the entire sector a bad name. UCB management is also frequently very closely connected to local politics in many cases. In some sense, this is not surprising, since elections lay at the heart of both activities and a degree of overlap invariably sets in. The problem is that, sometimes in reality and much more frequently in perception, this leads to political coloring of credit and financial decisions – clearly an undesirable outcome.

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Chapter No. 03:

Organization, Management and Marketing of Urban Cooperative Banks.

- **Introduction.**
 - **Structure of UCBs.**
 - **Functions of Urban Co-Operative Banks.**
 - **Operating Environment.**
 - **Supervision and Regulation.**
 - **Funds Management of UCBs.**
 - **Corporate governance.**
 - **Organization and Management of UCBs.**
 - **Professionalism in Urban Co-operative Banks.**
 - **Human Resource Management in Urban Cooperative Banks.**
 - **Developmental Role of RBI.**
 - **Institutional Framework in Professionalization of Management.**
 - **Marketing of Urban Banks.**
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 - **New Trends in Customer Services of Urban Bank.**
 - **Other Services of the Bank.**
 - **Observations under Field Visits.**
 - **References.**
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Introduction:

The Urban Co-operative Banks (UCB's) have to play an important role in meeting the requirements of small traders, weavers, agriculturists and other lower and middle income group of people. Recently, the UCB's have been directed to concentrate their efforts towards the industrial development and other priority sectors of the economy.¹ Urban co-operative banks ranked a very significant position in the Indian banking sector. Competent management is prerequisite for the success of any organization. At present highly competitive and globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks. Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization. In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management.

Urban co-operative banking sector has come to occupy a formidable place in the Indian financial system. However, sustenance of its growth is attendant to professionalization of its management, inculcating good corporate governance, technology absorption and scrupulous adherence to regulatory framework. We can expect that the sector will learn from its past mistakes and shortcomings quickly and will provide a sound network in the

banking system for sustainable growth and development of the economy.

Structure of UCBs:

The Urban Co-operative Banks (UCBs) registered as co-operative societies under the provisions of State Co-operative Societies Acts or Multi State Co-operative Societies Act and licensed to undertake banking business under the provisions of Banking Regulation Act, 1949 (*As Applicable to Co-operative Societies*). The UCBs are co-operative societies at the primary level and represent a unitary structure. They operate on standalone basis; unlike the three tiers rural co-operatives credit structure, though loosely integrated to the higher financing agencies, such as District Central Co-operative Banks (DCCBs) and State Co-operative Banks (SCBs). The status of the UCBs registered under the Multi State Co-operative Societies Act in the cooperative structure is not well defined.² They are neither linked to any DCCB nor SCB on account of their presence in more than one state.

Every authority concerned with Co-operative sector will have to play its part in ensuring that the aspirations of the Urban Co-operative Banking sector are nurtured in a manner that depositor interest and the public interest at large are protected. The role of RBI could, thus, be to frame a regulatory and supervisory regime that is multi-layered to capture the heterogeneity of the sector and implement policies that would provide adequate elbowroom for the sector to grow in a non-disruptive manner. The State and Central Governments could recognize that the UCBs are not just co-

operative societies but they are essentially banking entities whose management structure is that of a co-operative. They should recognize the systemic impact that inefficient functioning of the entities in the sector could have. Consequently, it would be in the interest of the sector if they support, facilitate and empower the RBI to put in place mechanisms and systems that would enable these UCBs to perform their banking functions in a manner that is in the overall interest of the depositor and the public at large.

Functions of Urban Co-Operative Banks:

The main functions of the urban co-operative banks are to accept deposits from the members and non-members. Deposits from the members are given reference to deposits from non-members. The second main function is to lend to members for useful purposes. Loans are also given to non-members on the security of their deposits. Third important function of these banks and the societies is to undertake purchase and supply of essential consumers' goods on an agency basis. But this is not generally done. The principal functions of urban co-operative banks are to promote thrift, to advance loans on personal security or on mortgage of house property, on pledge of gold and silver, produce, merchandise, Government securities, fixed deposit receipts, life insurance policies, land mortgage and bank debentures.

Operating Environment:

The area of operation is visually restricted by its bye-laws to a municipal area or town. In some cases, it exceeds this area. The Urban Co-operative Bank in New Delhi for instance, had in 1963

the whole of the Union territory of Delhi as their area of operation. The speedy Group on credit Co-operatives in Non-Agricultural sector has recommended that normally, it would be advisable for an Urban Co-operative Banks to restrict its area of operation to the Municipality or the Taluk where it operates.³

Supervision and Regulation:

At present in India, urban credit co-operatives/banks are subjected to duality of control, meaning that the administration related aspects are being supervised and regulated by State Government and the banking operations are supervised and regulated by the central bank of the country. This has, understandably resulted in overlapping jurisdiction of the state Government and the central bank of the country.⁴ Moreover, a clear-cut demarcation of the financial and administrative areas for regulation is almost impossible and even if it is possible it surely acts as an impediment in effective supervision. While the Central Bank of the country has the wherewithal under the Banking Regulation Act for dealing with crucial aspects of functioning of commercial banks, in the case of co-operative banks it requires the intervention of the Registrar of Co-operative Societies (State Government). Given the number of urban credit cooperatives/banks, the central bank of the country is not in a position to effectively supervising them. Thus, the duality of control not only affects the quality of supervision and regulations, but also the functioning of the urban co-operative banking sector.

Membership:

Members of the Urban Co-operative Banks are composed of Traders, Merchants, Salaried and Professional people etc. The Study group recommended that generally membership of Urban Co-operative Banks should be open to all persons competent to contract and residing in the area of operation.

Management:

Management of UCBs vests in a Board of Directors, who is elected by the general body consisting of all the members.⁵ The final authority in all matters rests with the general body but the actual conduct of affairs of the bank rests with the board of directors and the secretary of the Bank. The tenure of office of the Board of Directors varies in the states. The usual practices are to hold elections (a) each year (b) Once in three years and (c) each year by rotation of one-third of the board. The history of elections every year has not found favour with the study Group as the same is expensive, takes up time and energy and the directors have hardly any time to get themselves acquainted with the functioning of the institution before fresh elections are held. The final authority in all the matters rests with the general body, but the day-to-day working of the Bank are looked after by the board of Directors and trained, efficient staff. The tenure of directors differs with the state.

Resources:

Sources of finance of the UCBs consist of their owned funds and borrowed funds. Owned fund consist of paid up share capital and accumulated reserves created out of appropriation from

profits. Borrowed fund consists of mainly different types of deposits received from members and non-members as well as borrowings from the Central Co-operative Bank. The face value of the shares issued by these banks varies from Rs.10 to Rs.100. The bye-law of most of the UCBs provides that every borrowing member must contribute to the share capital in a definite proportion, which is normally 10 per cent of the amount borrowed in case of the personal loan.⁶

Borrowings:

Borrowings of UCBs from other financing agencies are almost negligible as compared to those of Agricultural Credit Societies. The Urban Banks generally borrowed from Central Co-operative Banks, While a few borrow from the Apex Bank. These banks should be affiliated with Central Co-operative Bank and the Apex Bank should not finance them directly.

Loan Operations:

Loan operations of UCBs consist of granting fixed loans or cash credit loans to their members against mortgage of unencumbered immovable property, or as the surety of one or more persons who are also members or as the pledge of agricultural produce, industrial goods, gold and silver ornaments, government securities or as the security of the fixed deposits and insurance policies.

Funds Management of UCBs:

The UCBs have become an important constituent of multi-agency banking system operating in the country. These institutions have been playing a useful role in the mobilization of resources from the low and middle income group and utilizing them for the economic benefit of poorer section of the society. Following the deregulation of interest rates on deposits and advance and the changing interest rate scenario, efficient management of resources has assumed considerable importance. There is also a shift in the focus from mere '*Growth*' to '*Growth with Profitability*' as ultimately the UCBs have to be financially strong and viable.⁷ Therefore, rising of resources in a cost effective manner and proper deployment of resources for making loans and advances and investment in government and other approved securities and other investments for maximizing earnings is critical from the point of view of increasing profitability. Hence, the success of the Urban Co-operative Banks depends on its effective and efficient way of managing funds and investment.

Funds management in an urban co-operative bank is wide ranging and covers the entire liabilities and assets. The bank's main resources are own fund, deposits, borrowings and other liabilities, which are continuously converted in the form of cash, bank balances, investments, loans and advances and other assets. Resources managements in a bank can be considered efficient, if the maturity pattern of liabilities and assets is adequately matched, cost of raising resources is kept at the minimum and yield on assets is at the optimum level. The funds mobilized by the urban co-

operative bank are deployed in investment in the CRR, the SLR, the Non SLR investment and loan and advances.

Corporate governance:

Interference of politicians in the day to day management of UCBs is considered as a serious problem. One of the most disturbing features of the movement is that it is increasingly passing on to the hands of politicians and vested interests. Unless urban co-operative banks are freed from political interference, efforts to introduce transparency and accountability, a prerequisite of good governance, may not bring desired results. To exercise proper control on their operation, good corporate governance is a must.⁸ It's a way of keeping one above one's personal interest, assigning priority to co-operative's interest, and the way in which those with power, use that power. It is the reflection of quality of management. Status of cooperative governance in UCBs is not satisfactory and most of the problems faced by the UCBs are due to governance issues and connected lending. In UCBs borrowers have a significant say in the managements of the banks. This has the potential of influencing Boards to take decisions that may not always be in the interest of depositors who constitute most important stakeholders of a bank. Also, unlike the case of institutions the shares of which can be listed in a stock exchange and can change hands without affecting the capital base, in case of UCBs, the shareholders can withdraw their contribution to capital and shrink the capital of the bank and thereby limit its ability to increase risk weighted assets and expand business.

The concept of corporate governance is not much different than the internationally accepted principles of co-operation. One of the cardinal principles of co-operation as accepted by International Co-operative Alliance (ICA) is "*member economic participation*" indicating contributing equitably to, and controlling democratically, the capital of co-operative by the members. Many of the problems faced by the UCBs are due to governance issues and lack of professionalism. RBI has also prescribed that at least two directors with suitable banking experience or with relevant professional qualification in the fields of law, accountancy or finance are co-opted on the Board. The *Malegam Committee* has even recommended creation of a professional Board of Management structure in between the Board of Directors and the CEO as a pre-condition for licensing of new urban co-operative banks.⁹ However, there are still many governance gaps that need to be addressed for the UCBs of future. There can hardly be a debate on the desirability of a higher degree of professionalism in the governance structure of co-operative institutions.

Organization and Management of UCBs:

The general body of a Central Co-operative Bank consists of its members. The overall management of the Bank vests in a Board of Management elected in accordance with the Act, Rules and Bye-laws application to them. The paid staff carries out the day-to-day management. The internal organization of urban Co-operative Banks varies from state to state and from bank to bank. Though the organizational pattern in each bank may vary in details according to local needs and conditions, the Committee

recommended that Urban Co-operative Banks should undertake the re-organization in a phased manner keeping in view the following profile:¹⁰

1. A whole time professional managing director should head the bank.
2. Under the managing director there should be six main divisions.

1. *Planning and Development Division:*

This division under the charge of a Development officer should pay special attention to;

- a. Development of the capability of primaries to provide short and medium credit in an integrated way,
- b. Development of scheme for agricultural and allied activities to be financed by the societies,
- c. Development of schemes for village industries and other activities for self-employment;
- d. Mobilization of deposits and performance budgeting and
- e. Arrangement of horizontal co-ordination with other financing agencies, supplying agencies, marketing societies and government department.

2. *Operation Division:*

This division under an executive officer should give effect to the credit policies prescribed by the proposed NABARD and provide credit assistance to Primary Agricultural Societies or individual directly according to approved policies and procedures, and make continuous efforts to simplify forms and procedures.

3. Account Division:

This division under a chief accountant should look after borrowing, management of funds, general banking, loans and advances, accounts, statistical information and investment.

4. Technical Division:

This division under an executive officer should consist of technically qualified staff to assist in scheme formulation, appraisal of different types of schemes for which there is considerable potential in the area of the bank.

5. Administrative Division:

This division under a manager should be in charge of inspections of the branches, Board matters, establishment, executive committee meetings, etc.

As the internal organization varies from bank to bank, the staffing pattern also varies widely. With the increase in the magnitude and complexities of operations, the task to be performed by the Urban co-operative bank staff is becoming more and more complex as compared to earlier days when they were functioning as a mere channel for giving credit and collecting it back through the primaries, like other banking institutions, central co-operative banks also require to fulfill a number of statutory and other obligations to their clientele on the one hand and to their constituents on the other.

Professionalism in Urban Co-operative Banks:

For the co-operative banks in India, co-operatives are organized groups of people and jointly managed and democratically controlled enterprises. They exist to serve their members and depositors and produce better benefits and services for them. Professionalism in Urban Co-operative banks reflects the co-existence of high level of skills and standards in performing, duties entrusted to an individual. Co-operative bank needs current and future development in information technology. It is indeed necessary for cooperative banks to devote adequate attention for maximizing their returns on every unit of resources through effective services.¹¹ Cooperative banks have completed 100 years of existence in India. They play a very important role in the financial system. The cooperative banks in India form an integral part of our money market today. It is understood that cooperative banks approach human resource management (HRM) from the wrong perspective and their financial performance suffers as a result. Instead of focusing on how to execute strategy through the performance of the employees in many cooperative banks, the first priority is cost control and the focus often begins with the HR function.

Human Resource Management in Urban Cooperative Banks:

Human resource management in urban cooperative banks is more sensitive, personalized, context dependent and cannot be managed through a set of predefined techniques. In fact, it is difficult to practice customer-centric strategic management

without first achieving employee satisfaction. Thus, employee satisfaction is a prerequisite to customer satisfaction. Skill Development is a key factor defining the characteristics of a successful banking institution. Employing and retaining skilled workers and specialists, re-training the existing work force and promoting a culture of continuous learning would be a challenge for the banking institutions.¹²

In Co-operative banks being dependent on government for financial and managerial assistance, governments depute their officers. The practice of deputation affects the bank employees in respect of employees' promotion. Co-operative banks have Local identity and image. Co-operative banks prefer to recruit local candidates particularly for managerial post because they are well aware of local environment. Internal promotion can be a good practice if merit is not sacrificed. Similarly, recruiting like-minded people can become a bad practice if it leads to organizational behavior where diversity is resented. Cooperative banks typically apply precise and rigorous guidelines to admit members but do not show the same commitment when it comes to recruiting people, despite the fact that hiring decision involves enormous costs when one takes into account the recruitment costs, training costs, salary and benefit over the tenure of employee and replacement cost.

Training and Development:

Designing and implementing effective training and development systems is a particular challenge because all the costs are borne in the present, while all the benefits will accrue in the

future. With the significant increase in the complexity and magnitude of banking service especially in view of the task undertaken by the urban cooperative banks for the socio-economic development in urban and semi-urban areas, the need of the training has been greatly felt.¹³

The major problems found in urban cooperative banks are lack of knowledge of funds management resulting in acceptance of high cost deposits and their disposition in low return uses. Another problem is lack of expertise in lending, observing capital adequacy, investment in government securities, managing non-performing assets (NPAs), and other newer international rules imposed by the RBI and NABARD. Most of the training programmers organized by the cooperative training institutions impart only theoretical knowledge of the subject. Urban Cooperative banks are localized institutions with poor funds and some of the technical courses offered by the national training institutions are high cost oriented. Language of training is English which other problem is for employees.

Remuneration:

Salary structure of urban co-operative banks is not as attractive as private or public sector banks.¹⁴ A remuneration system based on the skill and ability of workers is important. Pay and other reward strategies should revolve not only around business goals but also around the employee's needs and aspirations, such as the opportunity to work on challenging assignments etc.

Employer - Employee Relationship:

A harmonious employer-employee relationship is essential for the effective functioning of the urban cooperative banks. The challenge for the banks is to encourage people to unleash their power of thinking and apply it to their daily work. The employer should always encourage the employees to bring out their fullest talent for the success of the institution. There is a need to develop healthy conflict between the management and employees as not all organizational conflicts are undesirable. While healthy conflict revolves around the vigorous exchange of ideas in the best interest of the organization, unhealthy conflict is based on anger, frustration and personal animosity.

Professional attitude:

Professional attitude of employees at all levels is the need of the hour. Professional management is essential for any banking system and hence RBI insists on it.¹⁵ But, on many occasions, the state government dissolves the elected boards of cooperative banks and deposes government officials to manage their affairs. As the government officials do not possess adequate expertise in banking, the efficiency of the cooperative banks suffers. The political interferences in the activities of cooperative banks are another drawback for the absence of good governance.

Developmental Role of RBI:

The Reserve Bank may have to provide assistance to the UCBs, more particularly the smaller ones, in improving their skill levels. Since the College of Agricultural Banking is already

providing training facilities to the UCBs, this institution could be used as the forum for doing so. Keeping in view the financial implications for banks, for providing quality training, the cost of training programmes could be largely subsidized by the Reserve Bank for the Unit banks.¹⁶

The Reserve Bank has been encouraging the UCBs to invest in government securities by stipulating that a portion of the SLR investments are held in the form of these securities. There is an inherent advantage in holding a part of the SLR investments in G-Secs as otherwise the banks are required to keep their entire SLR in higher tier co-operative banks, the financial position of which may itself be uncertain. At the same time it would be necessary to ensure that the UCBs are not put to any difficulty in buying and selling the securities. To address this issue Reserve Bank may, through its Regional Directors, liaise with the network of Primary Dealers to put in place an appropriate arrangement in this regard.

Institutional Framework in Professionalization of Management:

The infrastructure for imparting training to all categories of cooperative personnel has been planned and developed as a results of far reaching recommendation made by Mclagan Committee on Cooperation (1915) Royal Commission on Agriculture (1928), Cooperative Planning Committee (1945), Central Committee for Cooperative Training (1953) Study Team on Cooperative Training (1960) and by the informal expert group on Cooperative education training & Research (1974).¹⁷

- a. Reserve Bank of India.
- b. National Council for Cooperative Training.
- c. National Federation of Urban Cooperative Banks and Credit Society Ltd. (NAFCUB).
- d. National Bank for Agriculture and Rural Development (NABARD).
- e. International Cooperative Alliance (ICA), New Delhi.
- f. Bank themselves.
- g. National Cooperative Union of India (NCUI).
- h. VAMMICOM, Pune.
- i. Yashwantrao Chavan Academy of Development Administration, Pune.
- j. Registrar of Cooperative Societies (RCS).

Marketing of Urban Banks:

The banking industry has undergone rapid changes, followed by a series of fundamental developments due to liberalization and deregulation trends initiated in the country in early 1990's.¹⁸ There has been a change in the very concept of traditional banking activities and concept of quality in service has gathered attention of all customers. Increasing competition among a broad range of domestic and foreign institutions in product marketing area has become a prevalent practice and thus attempt to be different from other banking institutions has become the priority consideration of the sector. It is predominantly seen that, in line with the increase in overall economic activities, financial institutions, too, have modified themselves accordingly in all the spheres including customer services. To meet the demands of today's marketing

environment, organizations are looking to service initiatives as a means to create or sustain competitive advantage. Measuring customer satisfaction is critical in the process of serving the customer.

The importance of improving service quality in the banking industry is highly considered for achieving objectives of the industry in whole. The concept of service quality is complex due difficulty in measuring unlike a product quality, which can be measured with certain yardsticks. It can be presumed that service quality lies within the minds of the customer based on his perceptions on quality parameters. In the present scenario of fierce competition, service firms strive to stay in the forefront of today's marketplace by offering quality service. Research has shown that service quality is an essential strategy for winning and retaining customers. Indeed, the quality of service is more important than price in differentiating a service firm from its competitors and in fostering customer loyalty. It is very complex to analyze the impact of Service quality on customer satisfaction. However it is established that generally quality service creates satisfied customer and may lead profitability to the firm as such. A study on Customer behavior gives valid insights about the customer which in turn helps the firm to develop quality yardsticks to cater the needs of the customer.

Automation in Urban Cooperative Banks:

The recent developments in banking technology and expansion of telecommunication network have ushered in new

banking experience. Customers have benefited by way of quick and efficient service delivery. The increase in level of efficiency has been translated into higher profits for the banks. Most of the technology initiatives have been taken by new generation banks and the Public Sector Banks have also followed suits. Of late technology has penetrated into the Regional Rural banks as well. However, the urban cooperative banks have by and large remained in the periphery of this rapid technological development. Only a few cooperative banks have been able to adopt technology in a big way. Computerization is no doubt investment oriented and cooperative banks may not have the complete need or sources to go ahead with computerization. Nevertheless, when the entire country is marching ahead with computerization in the banking sector, cooperative banks cannot lag behind.¹⁹ Sundarlal Savaji Urban Cooperative bank has implemented Core Banking Solutions, ATM services to its customers. Lessons may be drawn from such banks and computerization may be attempted by the cooperative banks. With the introduction of computerization, efficiency will increase, staff can be deployed for more field work and new products can be introduced by the banks.

Models of Customer Services:

Commercial banking is essentially a service oriented industry and co-operative banking too. Whether co-operative or commercial set up of bank, the customers wants personalized service and attention, no matter which bank it is or of what size? The banks are expected to give top-most priority in providing satisfactory and efficient services to their customers in medium cost. Their success

and goodwill depends largely on the range and quality of service offered to their customers.²⁰ The misled customer at the outset has a contact with counter man who sells the services. Hence it is duty of all the banking staff to assist the counter man through whom the services to customers are extended. The men behind the counter man have immense potentialities to maintain and promote customer satisfaction.

The customer must be able to transact his business at just one point. He must be able to do so in a matter of minute. We get common scene in any busy bank that some customers loitering around the bank counter in an anticipation of their settlement of transactions. Some customers move from one counter to other enquiring about something. Some are in long queues. This type of situation is hardly indicative of building favorable image of co-operative banking. This is a major deterrent to the growth of UCBs in Maharashtra. Recently, someone has made a cynical suggestion that in order to entertain the people loitering or sitting around the bank counter, the TV – VCR may be kept on. The people will forget the business for which they came and bank staff may discharge the work slowly.

The customer service charges should be kept reasonable. There should be uniformity in the service charges levied by different UCBs on various services. Similarly these charges should be less than the charges of commercial banks. One of the main objectives of UCB is the spread of banking habit among the people. This will not be achieved by mere branch expansion. A

simultaneous improvement in the variety of auxiliary services provided, followed by a service tariff which is economic both to the banker and the customer, is essential. The bank charges seem to be certainly exorbitant for collection of outstation cheques of small value. This, which the bank to do is due to high postal charges. The Registered Post services are costlier. Its better if all the bank correspondence is moved from one place to another by the post free of charges. There is logic in such facility, since the Government is keen on developing the co-operative banking sector which is indirectly owned by it.

Peoples Cooperative Bank Hingoli has to devise innovations in counter services. It may introduce teller system. Similarly the bank may extend its counter in remote village by trusting the work to the Secretary of the Village Co-operative Society or to the teacher in Primary School. An account of illiterate may be encouraged by giving those photographs.

Complaints of poor customers' services are generally heard in large branches of selected urban banks located in bigger towns. Clients in these branches are very particular to get their jobs done fast as they do not have the time to wait in bank premises. In contrast, the clientele of smaller rural branches are not so much in hurry. They would like to be seated for some time and take rest on arrival at the branch after walking a few miles. They have time to wait at the branch. What of the staff to make the customers feel at home. The bank staff in the rural areas should emulate the example of the post master in the local post office who establishes

homely relations with the people in the area. Measures should be initiated by urban banks for improving the staff attitude towards people. Employees should also be encouraged to participate in local activities and integrate themselves with local community. This is likely to excuse them to the people and improve their responsibility and responsiveness. Being an extremely dynamic concept, customer service needs to be assessed and re-assessed so that existing schemes and procedures are suitably altered and new one can be devised to cater the emerging needs.

New Trends in Customer Services of Urban Bank:

The commonly new trends adopted by various schedule urban co-operative banks in selected banks are as under-

Core Banking Solution:

Core Banking Solution (CBS) is networking of branches, which enables Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account. The customer is no more the customer of a Branch. He becomes the Bank's Customer.²¹ Thus CBS is a step towards enhancing customer convenience through anywhere and anytime banking. All CBS branches are inter-connected with each other. Therefore, Customers of CBS branches can avail various banking facilities from any other CBS branch located anywhere in the world. These services are:

- To make enquiries about the balance; debit or credit entries in the account.

- To obtain cash payment out of his account by tendering a cheque.
- To deposit a cheque for credit into his account.
- To deposit cash into the account.
- To deposit cheques / cash into account of some other person who has account in a CBS branch.
- To get statement of account
- To transfer funds from his account to some other account – his own or of third party, provided both accounts are in CBS branches.
- To obtain Demand Drafts or Banker's Cheques from any branch on CBS – amount shall be online debited to his account.
- All these aim to provide convenient, efficient, and high quality banking experience to the customers, comparable to world class standards.

Automated Teller Machine Service:

The Bank's ATM is connected to Central ATM Switch at Data Center and Customers are able to do all the transactions through any of the Branches of the Bank. By using ATM Customer can transfer their fund from one Branch account to Other Branch account by ATM Link Process.

Safe Deposit Locker:

Most of the schedule co-operative bank offers safe deposit locker system to its customer. The bank charges its commission near about Rs.1000 per year for each locker.

National Electronic Fund Transfer System (NEFT):

Bank offers National Electronic Fund Transfer System (NEFT) for efficient, secured, economical and reliable system of transfer of funds from bank to bank as well as from remitter's account in our bank to the beneficiary's account in another bank with in our country.²² In this payment system instructions between banks are processed and settled on batch to batch basis at fixed times during the day. There is no minimum or maximum stipulated transaction value for using this facility

Real Time Gross Settlement System (RTGS):

Bank offers Real Time Gross Settlement System (RTGS) & National Electronic Fund Transfer System (NEFT) for efficient, secured, economical and reliable transfer of funds from bank to bank as well as from remitter's account in our bank to the beneficiary's account in another bank with in the country.²³ An electronic payment system in which payment instructions between our bank and other banks are processed and settled individually and on a real time basis for transaction value of Rs 1 lac and above. Under normal circumstances the beneficiary bank's branch receives the funds in real time as soon as funds are transferred by the remitting bank.

Any Branch Banking:

In any branch banking is offering following services to its customers. The Bank's customer having ATM card can withdraw the Cash from any ATM of the Bank. The Bank is providing the facility to withdraw / Deposit / Transfer the cash through the

counter from any of Banks branches. The customer can deposit his/her cheque in any of our branch of the bank. This facility will be start shortly

Nomination:

Nomination facility is available for all deposit accounts, articles in safe custody and safe deposit vaults. Nomination is available for accounts opened in individual capacity (i.e. single/joint accounts as well as accounts of a sole proprietary concern) only, i.e. not for accounts opened in representative capacity. Nomination can be done in favour of one person only. However, nomination in favour of more than one person is permissible in jointly operated locker accounts with common consent. Nomination can be made, cancelled or varied by the account holder anytime during his/her life time. While making nomination, cancellation or variation, witness is required and the request should be signed by all account holders. Nomination can be made in favour of a minor also.

SMS Banking:

Most of the urban bank in an attempt to fulfill the ever rising needs of banks customers has launched SMS banking facility for its customers. SMS Banking brings Banking to your fingertips. With SMS, you can perform a wide range of query based transactions from your mobile phone at a very low cost.

Transaction Alert:

The techno based facility is introduced for the customers to inform the details of transactions on their mobile through SMS. Alerts are sent online as soon as transaction is effected on the account. Through this facility Term Deposit Maturity alerts are sent on the date of maturity.

Tele Banking Service:

Bank has introduced Telebanking facility for our customers and the customer can get his/her account details over the phone.

Other Services of the Bank:

Protection for Bank Depositors:

Bank deposits up to One Lakh Only in respect of each depositor are fully protected by the Deposit Insurance and Credit Guarantee Corporation under the Deposit Insurance Scheme.²⁴ The Scheme covers all commercial banks (including Regional Rural Banks) operating in India and also cooperative banks in States and Union Territories to which the Scheme has been extended by the Central Government. These Banks are registered as insured banks with the Corporation. If a Bank goes into liquidation: The Corporation will arrange to pay to every depositor directly or through the liquidator the amount due to him under the insurance scheme. If a bank is reconstructed or amalgamated with another bank and the scheme the scheme of reconstruction or amalgamation does not entitle a depositor to get credit for the full amount of his deposit. The Corporation will arrange to pay the reconstructed bank or the amalgamated bank an amount

equivalent to the shortfall between the amount due to the depositor under the insurance scheme and the amount of deposit of credit received by him under the scheme of reconstruction or amalgamation.

Deposit Insurance and Credit Guarantee Corporation (DICGC):

DICGC is a wholly owned subsidiary of the Reserve Bank of India, Since 1962, it is engaged in providing deposit insurance for depositors of banks against loss of part or all of their deposits arising from bank failures. Deposit Insurance is compulsory as well as automatic for the bank and thus no bank can remain uninsured by the DICGC except those cooperative banks where the concerned State Governments are yet to pass the required legislation.²⁵

SMS/Email Alerts & Email Statement:

Schedule co-operative bank provides SMS/Email Alerts, Email Statement another useful facility for the benefit of its customers. This will provide various notifications to you on mobile or email.

Observations under Field Visits:

Efficient Services to Borrower:

The services extended to the borrower were reported as unsatisfactory by respondents. Some of the factors annoying the borrowers are:-

- 1 The bank has set an exhaustive and cumbersome procedure of sanctioning loans.

- 2 Application for loan and other forms concerning to borrowing are too difficult to understand without help of others.
- 3 The bank do not provide timely information about subsidies, rebate etc. to the borrowers.
- 4 The information about the various loan schemes and the govt. roll in such schemes are inadequately informed. The Government policy about the loan relief declared time to time is inadequately informed and benefits of the said policy are percolated to the borrowers after many laps to time.
- 5 The loans may be sanctioned to one person and may be informed to other due to similarity of name.
- 6 The selected urban banks believe in oral rather than written communication to customers.
- 7 Borrowers were not provided the information of re-payment schedule, or the conversion scheme or overdue recovery schedule.

Efficiency Aspects:

The customers expect efficient, speedy and prompt handling of their transaction and not any out of way treatment or favors. The efficiency, speed and promptness are subjective and relative terms and their interpretation may vary from persons to persons. Therefore, it would be fair on the part of any customer to expect, transactions to be completed within a 'reasonable time' and every customer would be willing to wait for reasonable time, but not beyond that. The efficiency of transactions may go up with the mechanization and computerization of branches.

Time Required for Depositing:

The customer by one or other purpose deposits the cash with bank on their account. The important purpose of them is to deposit the amount for the saving purpose. The numerous saving schemes are popularized by the banks. The customers or persons on behalf of customers deposit the amount in bank. The time required for depositing the cash in bank is normally 10 minutes but some time required 10 to 30 minutes or more than 30 minutes for depositing cash. The further enquiry revealed that the customers required more than 30 minutes for depositing cash.

Withdrawal of Cash:

Withdrawal of cash is found convenient and less time consuming the same is found delayed. From field survey shows that 60 per cent customers of selected banks required less than 10 minutes for withdrawal while 25 per cent customers required 10 to 30 minutes for withdrawals. Surprisingly 15 per cent customers required more than 30 minutes for the same. Report over this revealed that such delay is inevitable due to small size of staff for meeting demand at rush hours. Hence there is a need to employ an additional hand at rush hours to assist.

Behaviour Aspects:

Sundarlal Savaji, Mahesh Urban bank and PCBs Ltd. Hingoli sells its service through their employees and, therefore, the dealings of the bank employees with their customers are of capital importance. The minimum expectation of a customer is that he should be extended normal courtesies, treated well by the staff and

heard. Perhaps, the single most significant factor having a vital bearing on the quality of customer service in bank is employee motivation, which is influenced by and in turn, itself influences employee's attitude. The behaviour of the staff becomes an important determinant of the customers' feeling and opinion about the bank. A feeling response, once aroused, lasts long time and it has an inertial effect. An unpleasant experience makes the customer forget the earlier pleasant experiences and unpleasant experiences persist. This fact is often lost sight of by the staff while treating the customers.

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Chapter No. 04:

Financial Performance of Selected Urban Cooperative Banks.

- **Introduction.**
 - **Components of Financial Performance of Selected Urban Cooperative Banks.**
 - **Brief Profile of Selected Urban Banks.**
 - **Financial Performance of Selected Urban Cooperative Banks.**
 - **Testing of Hypothesis.**
 - **Field Survey and Observations.**
-

Introduction:

A co-operative bank is cooperative first and then bank. Co-operative Bank needs to remain profitable within cooperative framework. Urban Cooperative banks play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. They have traditionally concentrated on retail services, providing savings products and credit to consumers, retail traders, and professionals, self-employed and small and medium sized enterprises. Urban cooperative bank are an important role for the governments of inclusive growth and has come to occupy a formidable place in the Indian financial system. The concept of financial inclusion is inbuilt in the structure of Urban Co-operative Bank. As Urban Co-operative Banks are mostly working in the urban and semi-urban areas. They are the back bone of banking system and contribute for growth of the nation.

Urban Co-operative Bank structure is bifurcated into Scheduled and Non-scheduled Banks. UCBs are graded into four categories on the basis of their financial performance. This financial performance is determined by various parameters such as Capital Adequacy, Level of Non-performing Assets, history of Profit or Loss, etc. While UCBs from Grades - I and II can be considered as relatively stronger banks, the banks belonging to Grades - III and IV can be classified as sick and weak banks.

Last two decades the Urban Banks has witnessed a steady growth in the business. Here an attempt has been made to highlight the financial performance of the bank, comparison with

other banks and to search possible reasons of success which has caused for the turn from the status of a cooperative. This chapter on Sundarlal Savaji Urban Co-operative Bank Ltd. Jintur, The Mahesh Urban Co-operative Bank Ltd. Parbhani and Peoples Cooperative Bank Hingoli makes an attempt to analyze the financial performance and the growth potential and it is certainly learning for the other urban cooperative banks functioning in the country These Urban Cooperative bank is leading urban cooperative bank in Marathwada region.

Components of Financial Performance of Selected Urban Cooperative Banks:

- 1. *Share Capital:*** Share capital is one the important compound of owned fund and every bank should make an attempt to improve share capital position in every year. The urban cooperative banks follow the concept share linkage to the loan and it also provides additional share to the members at the time of lending. The details of share capital position has presented in table No. 5.02
- 2. *Reserve Fund:*** Reserve fund is the another important component of owned fund and all urban cooperative banks as per the Cooperative societies Act earmarks 25 per cent as statutory reserve and apart from statutory reserves and makes other reserves and it includes building fund, education fund, members death relief fund staff welfare fund etc. An increase the share capital and reserve fund position will enable the

banks in achieving the task. The reserve fund held with the bank has been given in table 5.03.

3. **Working Capital:** The working capital is considered as life blood of any organization and the urban cooperative banking sector are not an exception to this. The urban cooperative banks adopt different methods to determine the working capital. Some banks calculated working capital by taking the total of the balance sheet minus contra and some banks calculates working capital by taking share capital plus reserve plus deposits and net profit. Here, the second method has used for determining the working capital. The working capital position of the bank has shown in the table No. 5.04.
4. **Deposits:** The deposits mobilized by the banks may be classified as low cost deposit (savings bank deposit), no cost deposit (current deposit) and high cost deposits are called term deposits. In order to improve the profit and profitability the CASA deposit should constitute 30 per cent of the total deposits and the term deposit should not exceed 50 per cent of the total deposits. The total deposit held by the bank is given in the table No. 5.05.
5. **Investments:** As per the RBI norms the urban cooperative banks should maintain 3 per cent CRR and 25 per cent as SLR and these is 25 per cent investment in SLR is only in Government Securities. This investment is called as SLR investment and the rest of the investment is called non SLR

investment. The details of both SLR and Non SLR investments made by the bank are given in table No. 5.06.

6. **Loans and Advances:** The loans and advances made by the bank can be classified three categories and it includes Short term loans, Cash credits, Overdrafts, and Bill discounted (*demand loan, secured cash credit, over draft, unsecured cash credit etc*), Medium term loan (*Gold loan, vehicle loan, trade loan, equipment loan etc*) and Long term loan (*immovable property loan, mortgage loan and educational loan*). The details of loans advanced by the banks are given in table No. 5.07.

7. **Net Profit:** Profit is a yardstick to measure the managerial efficiency of the bank. The bank is continuously earning profit and the details of net profit earned by the bank have been presented in table No. 5.08.

Brief Profile of Selected Urban Banks:

The Sundarlal Savaji Urban Co-operative Bank Ltd. Jintur:

The Sundarlal Savaji Urban Co-operative Bank was setup in the year 1986, with initial share capital of Rs. 100 Crores as central financing agency under the Indian Co-operative Societies Act 1912 and completed 50 years (2015). As such, the membership has improved phenomenally over the years. The share capital, reserves, owned funds, deposits; working capital, loans and advances and

the percentage of over dues have increased during the period. The profit of Sundarlal Savaji Urban Co-operative Bank has been showing increasing trend. Late Sri Sundarlal Savaji have put in meritorious service in co-operative, educational and social field felt the necessity of establishing a Urban Co-operative Bank in the co-operative sector which was transformed as a people movement founded in this bank. The head office of the bank is at Jintur.

The Mahesh Urban Co-operative Bank Ltd. Parbhani:

The Mahesh Urban Co-operative Bank Ltd. Parbhani was setup in the year 1997, with initial share capital of Rs. 5 Crores as central financing agency under the Indian Co-operative Societies Act 1912 and completed 19 years, (2015). As such, the membership has improved phenomenally over the years. The share capital, reserves, owned funds, deposits; working capital, loans and advances and the percentage of over dues have also increased during the period. The head office of the bank is at parbhani.

Peoples Cooperative Bank Hingoli:

The Peoples Co-operative Bank Ltd. Hingoli was setup in the year 1983, with initial share capital of Rs. 25 Crores as central financing agency under the Indian Co-operative Societies Act 1912 and completed 33 years (2015). As such, the membership has improved phenomenally over the years. The share capital, reserves, owned funds, deposits; working capital, loans and advances and the percentage of over dues have also increased during the period. The head office of the bank is at Hingoli.

These Banks has introduced a wide range of credit schemes at attractive interest rates, which has become very popular, especially among the middle-class, in view of the easy repayment plans. Bank offers attractive interest rates on deposits and also various add-on features at very market competitive rates.

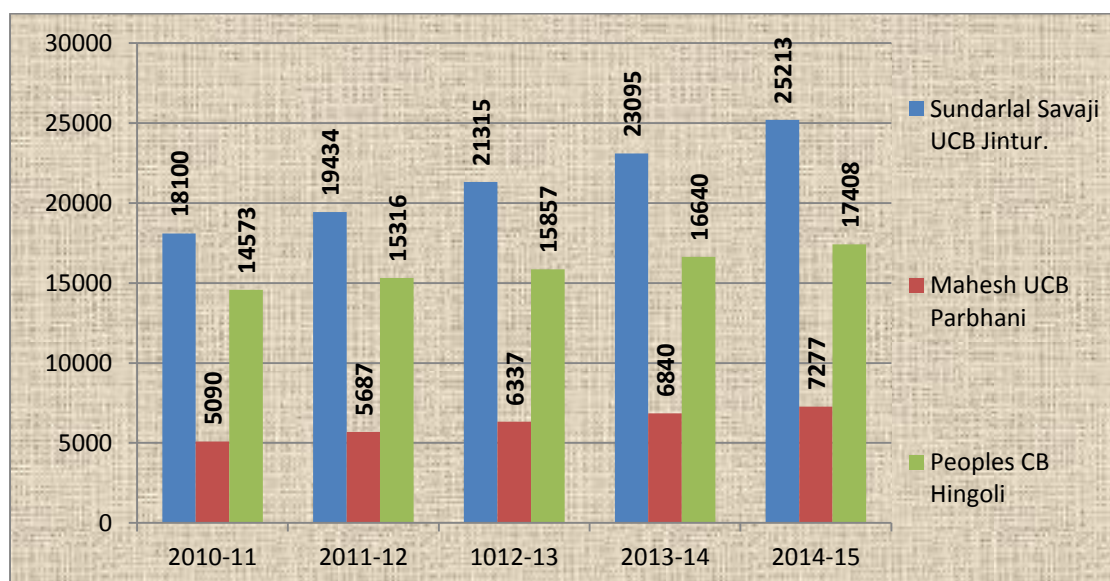
Table No. 5.01:
Members of Selected Urban Cooperative Banks.

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	18100 (100.00)	5090 (100.00)	14573 (100.00)
2	2011-12	19434 (107.37)	5687 (111.73)	15316 (105.10)
3	1012-13	21315 (117.76)	6337 (124.50)	15857 (108.81)
4	2013-14	23095 (127.60)	6840 (134.38)	16640 (114.18)
5	2014-15	25213 (139.30)	7277 (142.97)	17408 (119.45)

Source: Annual Reports of Selected UCBs.

Graph No. 5.01:

Members of Selected Urban Cooperative Banks.



The above Table No. 5.01 shows the data about the number of members of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the table that the total members of Sundarlal Savaji Urban bank was 18,100 in 2010-11 was increased up to 25,213 in 2014-15; the total number of members of Mahesh Urban Bank was 5,090 in 2010-11 also increased up to 7,277 in 2014-15 while the number of members of Peoples Bank Hingoli was 14,573 in 2010-11 also increase up to 17,408 in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate in this concerned was record 42.97 per cent during the study period 2010-11 to 2014-15. However, there is still a wide scope for selected Urban Co-operative Banks to increase the membership in their working areas.

Financial Performance of Selected Urban Cooperative Banks:

Table No. 5.02:

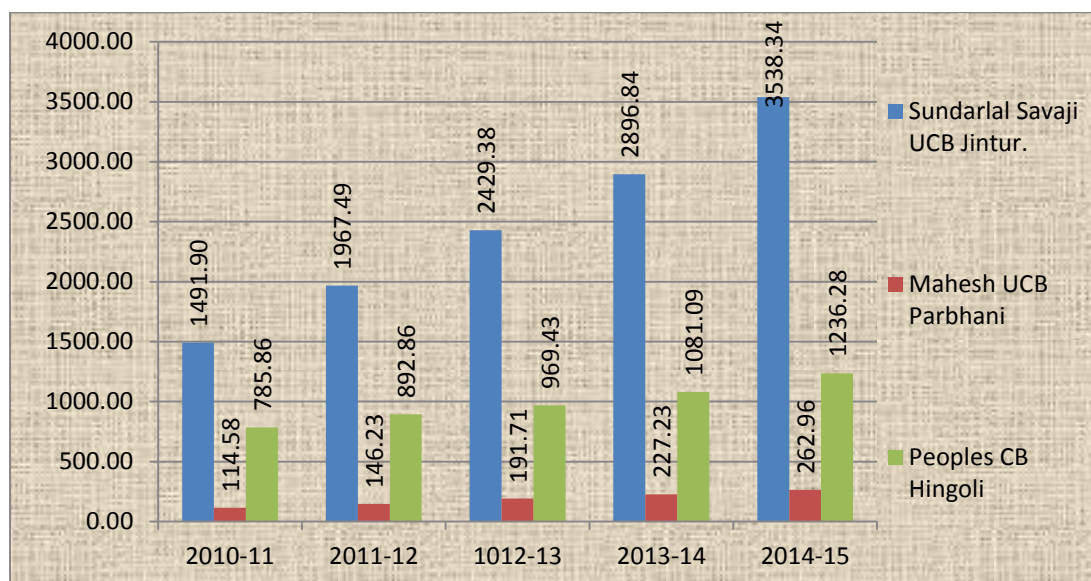
Share Capital of Selected Urban Cooperative Banks. (Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	1491.90 (100.00)	114.58 (100.00)	785.86 (100.00)
2	2011-12	1967.49 (131.88)	146.23 (127.62)	892.86 (113.62)
3	1012-13	2429.38 (162.84)	191.71 (167.31)	969.43 (123.36)
4	2013-14	2896.84 (194.17)	227.23 (198.32)	1081.09 (137.57)
5	2014-15	3538.34 (237.17)	262.96 (229.50)	1236.28 (157.32)

Source: Annual Reports of Selected UCBs.

Graph No. 5.02:

Share Capital of Selected Urban Cooperative Banks. (Rs. In Lakh)



The above Table No. 5.02 shows the data about the Paid-up Share Capital of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Paid-up Capital of Sundarlal Savaji Urban bank was Rs. 1,491.90 Lakh in 2010-11 was increased up to Rs. 3,538.34 lakh in 2014-15; the total Paid-up Capital of Mahesh Urban Bank was Rs. 114.58 Lakh in 2010-11 also increased up to 262.96 Lakh in 2014-15 while the total paid-up Capital of Peoples Bank Hingoli was Rs. 785.86 Lakh in 2010-11 also increase up to Rs. 1,236.28 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Sundarlal Savaji Urban Bank's growth rate is on the top in this concerned was record 137.17 per cent during the study period 2010-11 to 2014-15.

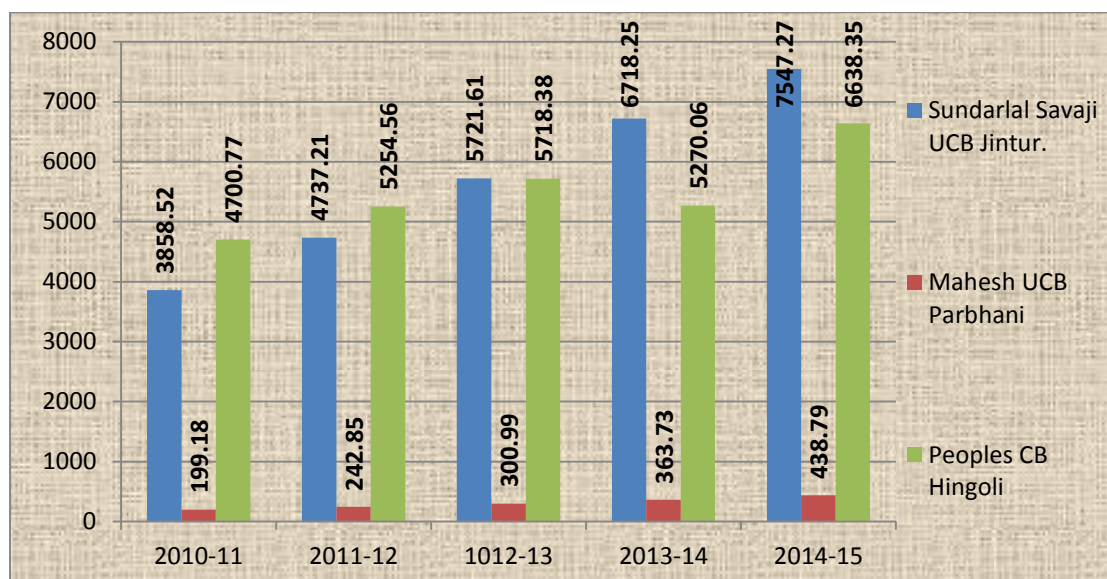
Table No. 5.03:
Reserve and other Funds of Selected Urban Cooperative Banks. (Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	3858.52 (100.00)	199.18 (100.00)	4700.77 (100.77)
2	2011-12	4737.21 (122.77)	242.85 (121.92)	5254.56 (111.78)
3	1012-13	5721.61 (148.29)	300.99 (151.11)	5718.38 (121.48)
4	2013-14	6718.25 (174.11)	363.73 (182.61)	5270.06 (112.11)
5	2014-15	7547.27 (195.60)	438.79 (220.30)	6638.35 (141.22)

Source: Annual Reports of Selected UCBs.

Graph No. 5.03:

Reserve and other Funds of Selected Urban Cooperative Banks. (Rs. In Lakh)



The 'reserves' is the indicator of financial position of the banks. The above Table No. 5.03 shows the data about the Reserve and other funds of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Reserve and other funds of Sundarlal Savaji Urban bank was Rs. 3,858.52 Lakh in 2010-11 was increased up to Rs. 7,547.27 lakh in 2014-15; the total Reserve and other funds of Mahesh Urban Bank was Rs. 199.18 Lakh in 2010-11 also increased up to 438.79 Lakh in 2014-15 while the Reserve and other funds of Peoples Bank Hingoli was Rs. 4,700.77 Lakh in 2010-11 also increase up to Rs. 6,638.35 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 120.30 per cent during the study period 2010-11 to 2014-15. It is remarkable achievement of Mahesh Urban Co-operative Bank.

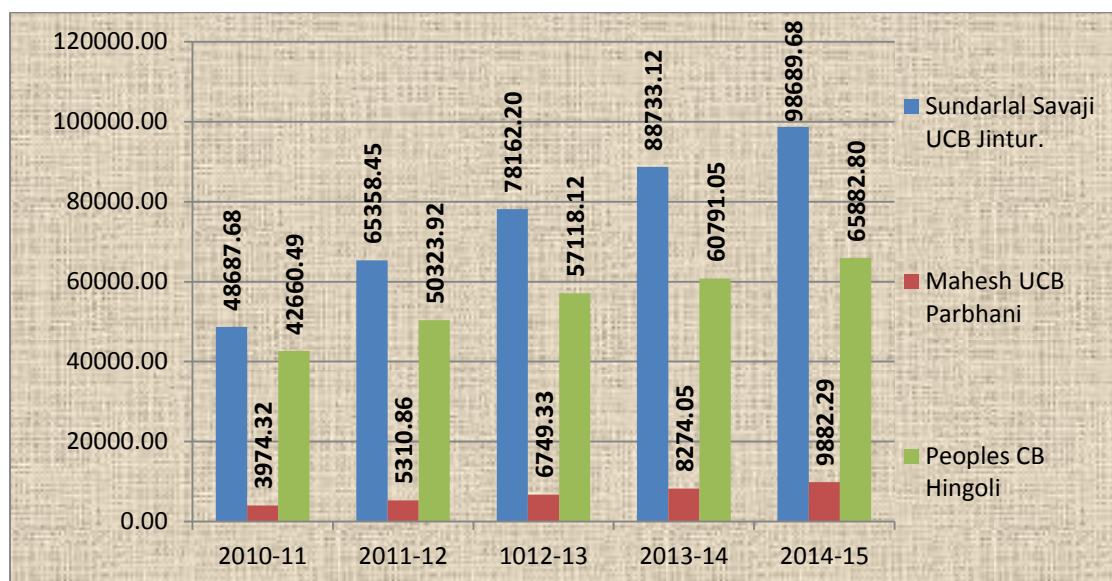
Table No. 5.04:
Working Capital of Selected Urban Cooperative Banks.
(Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	48687.68 (100.00)	3974.32 (100.00)	42660.49 (100.00)
2	2011-12	65358.45 (134.24)	5310.86 (133.63)	50323.92 (117.96)
3	1012-13	78162.20 (160.54)	6749.33 (169.82)	57118.12 (133.89)
4	2013-14	88733.12 (182.25)	8274.05 (208.19)	60791.05 (142.50)
5	2014-15	98689.68 (202.70)	9882.29 (248.65)	65882.80 (154.44)

Source: Annual Reports of Selected UCBs.

Graph No. 5.04:

**Working Capital of Selected Urban Cooperative Banks.
(Rs. In Lakh)**



The above Table No. 5.04 shows the data about the Working Capital of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Working Capital of Sundarlal Savaji Urban bank was Rs. 48,687.68 Lakh in 2010-11 was increased up to Rs. 98,689.68 lakh in 2014-15; the total Working Capital of Mahesh Urban Bank was Rs. 3,974.32 Lakh in 2010-11 also increased up to 9,882.29 Lakh in 2014-15 while the Working Capital of Peoples Bank Hingoli was Rs. 42,660.49 Lakh in 2010-11 also increase up to Rs. 65,882.80 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 148.65 per cent during the study period 2010-11 to 2014-15. Thus, the working capital of all these selected Urban Co-operative Bank shows an increasing trend and the bank has been depending largely upon owned funds for building working capital.

Table No. 5.05:

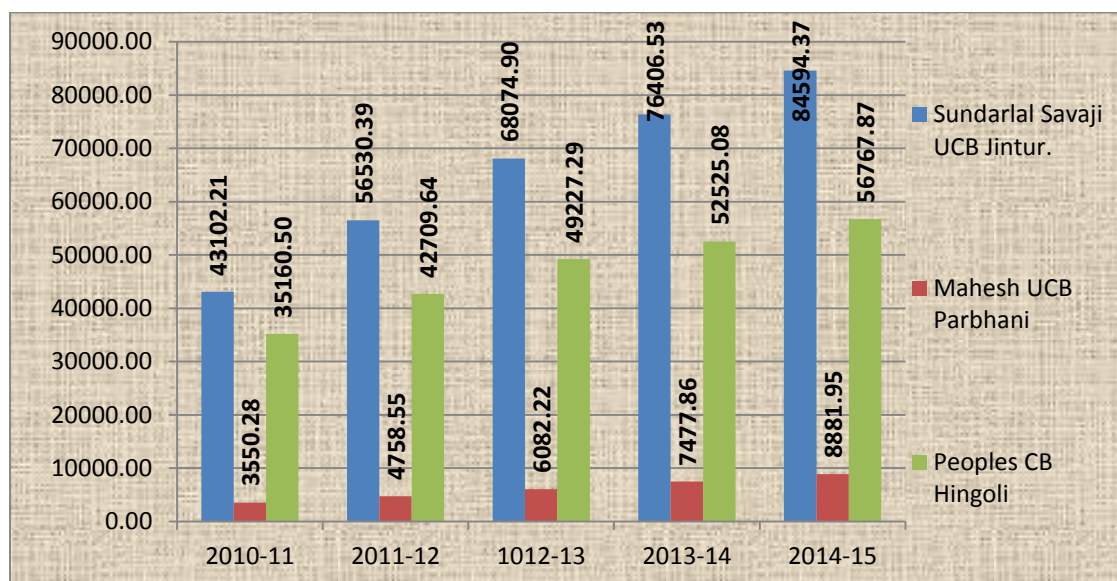
Deposits of Selected Urban Cooperative Banks. (Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	43102.21 (100.00)	3550.28 (100.00)	35160.50 (100.00)
2	2011-12	56530.39 (131.15)	4758.55 (134.03)	42709.64 (121.47)
3	1012-13	68074.90 (157.94)	6082.22 (171.32)	49227.29 (140.01)
4	2013-14	76406.53 (177.27)	7477.86 (210.63)	52525.08 (149.39)
5	2014-15	84594.37 (196.26)	8881.95 (250.18)	56767.87 (161.45)

Source: Annual Reports of Selected UCBs.

Graph No. 5.05:

Deposits of Selected Urban Cooperative Banks. (Rs. In Lakh)



Another indicator of progress of Urban Co-operative Bank is the deposits mobilized by them. It indicates the trust and faith in the Urban Co-operative Bank. The above Table No. 5.05 shows the data about the Deposits of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Deposits of Sundarlal Savaji Urban bank was Rs. 43,102.21 Lakh in 2010-11 was increased up to Rs. 84,594.37 lakh in 2014-15; the total Deposits of Mahesh Urban Bank was Rs. 3,550.28 Lakh in 2010-11 also increased up to 8,881.95 Lakh in 2014-15 while the Deposits of Peoples Bank Hingoli was Rs. 35,160.50 Lakh in 2010-11 also increase up to Rs. 56,767.87 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 150.18 per cent during the study period 2010-11 to 2014-15.

Table No. 5.06:

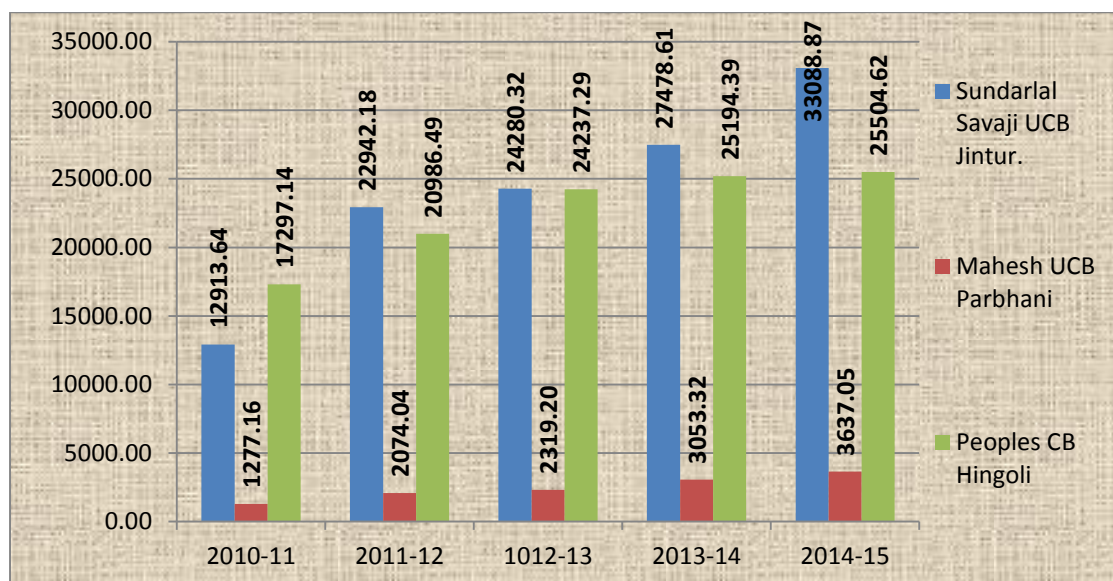
Investments of Selected Urban Cooperative Banks. (Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	12913.64 (100.00)	1277.16 (100.00)	17297.14 (100.00)
2	2011-12	22942.18 (177.66)	2074.04 (162.39)	20986.49 (121.33)
3	1012-13	24280.32 (188.02)	2319.20 (181.59)	24237.29 (140.12)
4	2013-14	27478.61 (212.79)	3053.32 (239.07)	25194.39 (145.66)
5	2014-15	33088.87 (256.23)	3637.05 (284.78)	25504.62 (147.45)

Source: Annual Reports of Selected UCBs.

Graph No. 5.06:

Investments of Selected Urban Cooperative Banks. (Rs. In Lakh)



The above Table No. 5.06 shows the data about the Investments of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Investments of Sundarlal Savaji Urban bank was Rs. 12,913.64 Lakh in 2010-11 was increased up to Rs. 33,088.87 lakh in 2014-15; the total Investments of Mahesh Urban Bank was Rs. 1,277.16 Lakh in 2010-11 also increased up to 3,637.05 Lakh in 2014-15 while the Investments of Peoples Bank Hingoli was Rs. 17,297.14 Lakh in 2010-11 also increase up to Rs. 25,504.62 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank’s growth rate is on the top in this concerned was record 184.78 per cent during the study period 2010-11 to 2014-15.

Table No. 5.07:

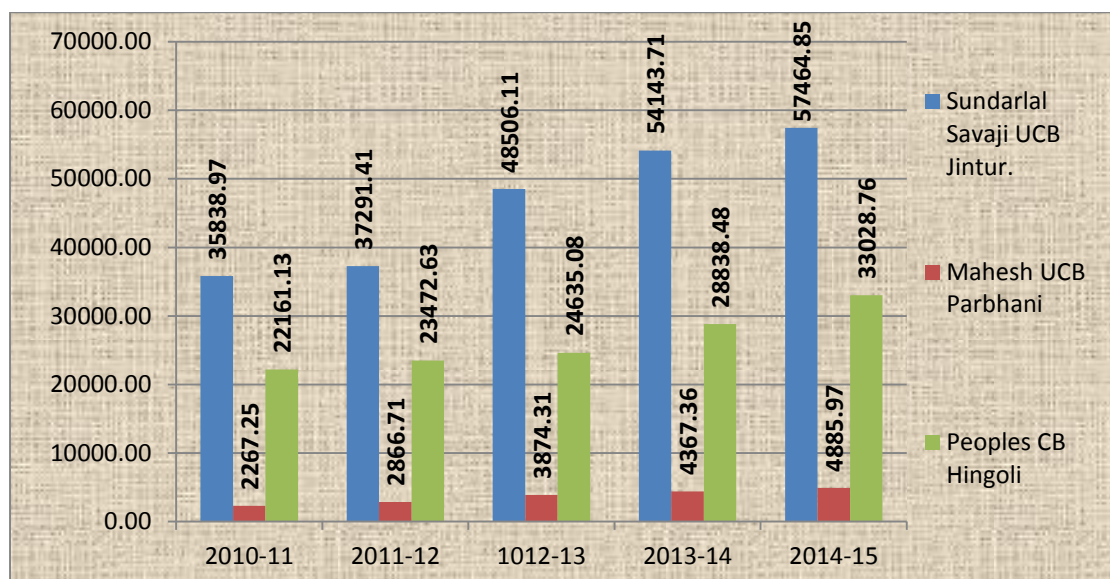
Loans and Advances of Selected Urban Cooperative Banks. (Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	35838.97 (100.00)	2267.25 (100.00)	22161.13 (100.00)
2	2011-12	37291.41 (104.05)	2866.71 (126.44)	23472.63 (105.92)
3	1012-13	48506.11 (135.34)	3874.31 (170.88)	24635.08 (111.16)
4	2013-14	54143.71 (151.07)	4367.36 (192.63)	28838.48 (130.13)
5	2014-15	57464.85 (160.34)	4885.97 (215.50)	33028.76 (149.04)

Source: Annual Reports of Selected UCBs.

Graph No. 5.07:

Loans and Advances of Selected Urban Cooperative Banks. (Rs. In Lakh)



Loans operation is a source of income to banks. The above Table No. 5.07 shows the data about the Loans and Advances of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Loans and Advances of Sundarlal Savaji Urban bank was Rs. 35,838.97 Lakh in 2010-11 was increased up to Rs. 57,464.85 lakh in 2014-15; the total Loans and Advances of Mahesh Urban Bank was Rs. 2,267.25 Lakh in 2010-11 also increased up to 4,885.97 Lakh in 2014-15 while the Loans and Advances of Peoples Bank Hingoli was Rs. 22,161.13 Lakh in 2010-11 also increase up to Rs. 33,028.76 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 115.50 per cent during the study period 2010-11 to 2014-15.

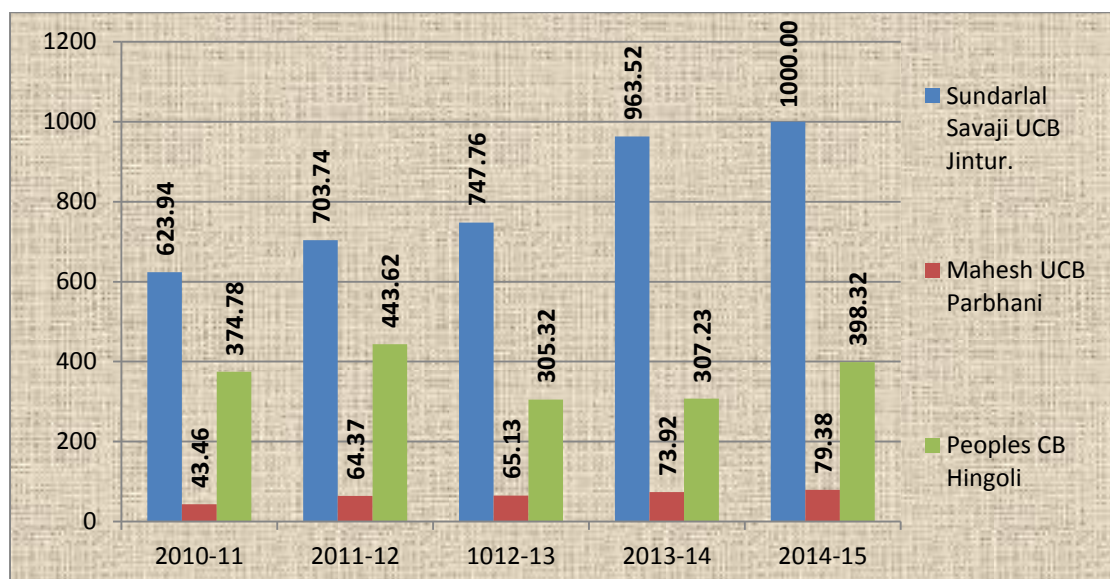
Table No. 5.08:
Profit and Loss of Selected Urban Cooperative Banks.
(Rs. In Lakh)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	623.94 (100.00)	43.46 (100.00)	374.78 (100.00)
2	2011-12	703.74 (112.78)	64.37 (148.11)	443.62 (118.37)
3	1012-13	747.76 (119.84)	65.13 (149.86)	305.32 (81.47)
4	2013-14	963.52 (154.43)	73.92 (170.09)	307.23 (81.98)
5	2014-15	1000.00 (160.27)	79.38 (182.65)	398.32 (106.28)

Source: Annual Reports of Selected UCBs.

Graph No. 5.08:

**Profit and Loss of Selected Urban Cooperative Banks.
(Rs. In Lakh)**



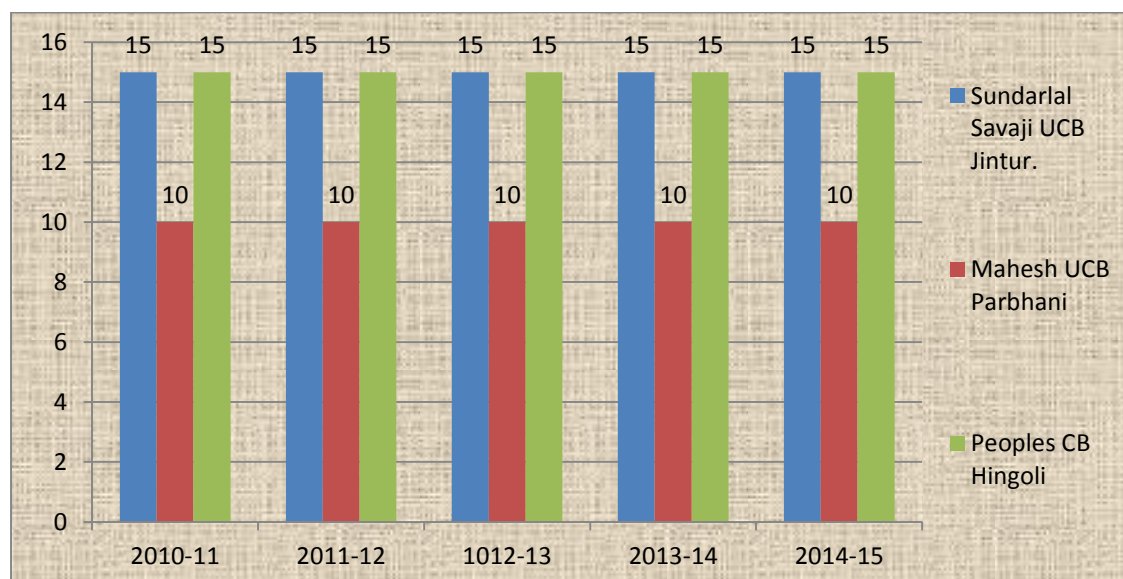
The above Table No. 5.08 shows the data about the Profits and Loss of selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the total Profit of Sundarlal Savaji Urban bank was Rs. 623.94 Lakh in 2010-11 was increased up to Rs. 1,000 lakh in 2014-15; the total Profit of Mahesh Urban Bank was Rs. 43.46 Lakh in 2010-11 also increased up to 79.38 Lakh in 2014-15 while the Profit of Peoples Bank Hingoli was Rs. 374.78 Lakh in 2010-11 also increase up to Rs. 398.32 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 82.65 per cent during the study period 2010-11 to 2014-15.

Table No. 5.09:
Dividend declared by Selected Urban Cooperative Banks.
(%)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	15	10	15
2	2011-12	15	10	15
3	1012-13	15	10	15
4	2013-14	15	10	15
5	2014-15	15	10	15

Source: Annual Reports of Selected UCBs.

Graph No. 5.09:
Dividend declared by Selected Urban Cooperative Banks.
(%)



The above Table No. 5.09 shows the data about the Dividend declared by selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the Sundarlal Savaji Urban bank was declared 15 per cent dividend to its shareholders during the study period; Mahesh Urban Bank was declared 10 per cent dividend during 2010-11 to 2014-15 and the Peoples Bank Hingoli was declared the dividend up to 15 per cent to its members during the study period. Rs. As far as the comparison is concerned among the selected Urban Banks the Sundarlal Savaji Urban Bank and Peoples Cooperative banks declared higher dividend with compare to Mahesh Urban Bank during the study period 2010-11 to 2014-15.

Table No. 5.10:
Audit Class obtained by Selected Urban Cooperative Banks. (%)

Sr.	Year	Sundarlal Savaji UCB Jintur.	Mahesh UCB Parbhani	Peoples CB Hingoli
1	2010-11	A	A	A+
2	2011-12	A	A	A+
3	1012-13	A	A	A
4	2013-14	A	A	A+
5	2014-15	A	A	A+

Source: Annual Reports of Selected UCBs.

The above Table No. 5.10 shows the information about the Audit Class obtained by selected Urban Cooperative banks during the study period 2010-11 to 2014-15. It is concluded from the above table that the Sundarlal Savaji Urban bank was obtain 'A' Class for financial audit; Mahesh Urban Bank was obtain also 'A' Class in audit and Peoples Bank Hingoli obtained 'A+' audit class during the study period 2010-11 to 2014-15. As far as the audit class is concerned Peoples Cooperative Bank done the good job during the study period.

Testing of Hypothesis:

The following hypothesis is fixed for the study-

“Financial performance of selected urban cooperative banks is satisfactory during the study period”.

To test the above hypothesis the financial components considered as Share Capital, Reserve and other reserves, Working capital, Deposits, Loans and advances and Investments. The results of growth in the above factors find out from the study is as follows-

- The growth in Share Capital of Sundarlal Savaji UCB records 137.17 per cent, Mahesh UCB growth was 129.50 per cent and Peoples CB records 57.32 per cent growth in Share Capital during the study period 2010-11 to 2014-15.

- The growth in Reserves and other funds of Sundarlal Savaji UCB records 95.60 per cent, Mahesh UCB growth was 120.30 per cent and Peoples CB records 41.22 per cent growth in Reserves and other funds during the study period 2010-11 to 2014-15.
- The growth in Working Capital of Sundarlal Savaji UCB records 102.70 per cent, Mahesh UCB growth was 148.65 per cent and Peoples CB records 54.44 per cent growth in working capital during the study period 2010-11 to 2014-15.
- The growth in Deposits of Sundarlal Savaji UCB records 96.26 per cent, Mahesh UCB growth was 150.18 per cent and Peoples CB records 61.45 per cent growth in working capital during the study period 2010-11 to 2014-15.
- The growth in Investments of Sundarlal Savaji UCB records 156.23 per cent, Mahesh UCB growth was 184.78 per cent and Peoples CB records 47.45 per cent growth in working capital during the study period 2010-11 to 2014-15.
- The growth in Loans and Advances of Sundarlal Savaji UCB records 60.34 per cent, Mahesh UCB growth was 115.50 per cent and Peoples CB records 49.04 per cent growth in working capital during the study period 2010-11 to 2014-15.

From the above findings it is concluded that during the study period the selected urban banks have made satisfactory progress that's why the hypothesis formulated for the study is accepted.

Hypothesis No. 02:

The following hypothesis is fixed for the study

“Selected Urban Co-operative Banks are providing various convenient customers services to their customers”.

These Banks has introduced a wide range of credit schemes at attractive interest rates, which has become very popular, especially among the middle-class, in view of the easy repayment plans. Bank offers attractive interest rates on deposits and also various add-on features at very market competitive rates. Peoples Cooperative Bank Hingoli has to devise innovations in counter services. Complaints of poor customers’ services are generally heard in large branches of selected urban banks located in bigger towns. Clients in these branches are very particular to get their jobs done fast as they do not have the time to wait in bank premises. The customer service charges should be kept reasonable. All CBS branches are inter-connected with each other. Therefore, Customers of CBS branches can avail various banking facilities from any other CBS branch. The Bank's ATM is connected to Central ATM Switch at Data Center and Customers are able to do all the transactions through any of the Branches of the Bank. By using ATM Customer can transfer their fund from one Branch account to other Branch account by ATM Link Process. As far as the observations and discussions with the officials with the selected urban cooperative banks the researcher concludes that the hypothesis formulated for the study is accepted.

Field Survey and Observations:

The selected Urban Cooperative Banks have a stronghold in the district. It is observed that the spread of branches of these banks is uneven. There are still some talukas of the Parbhani, Hingoli, Jalna and Aurangabad district which are unbanked. In branch expansion also the preference is given to the urban talukas of the district. It is also observed that the Urban Cooperative Banks selected for the study have highest number of branches in the taluka of origin only. This shows a strong local / regional character of Urban Cooperative Banks. This feature has two different benefits to the Urban Cooperative Banks viz, development of strong faith among the local population and active participation in local / regional development of the area. It is to be noted that in the last two decades there has been no addition to the list of scheduled Urban Cooperative Banks having origin in the district.

The trends in branch expansion by the selected Urban Cooperative Banks show erratic behaviour / pattern as branch opening in different years of the study period is uneven. As far as the deposit mobilization by the Urban Cooperative Banks is concerned, there has been an impressive growth in the total deposit mobilization by these banks. An increase in the deposits is doubled during the study period. Even the average deposit per branch has gone up significantly. This reflects the growing trust of local people on these banks. The Urban Cooperative Banks have been successful in catering varied needs of the local population as there has been doubled increase in the credit disbursement by these banks during the study period. Performance in credit per

branch has also increased significantly. This shows the benefit of the branch expansion to the banks.

The credit-deposit ratio on an average for the study period has remained less than two-third of the total deposits. This fact pinpoints the excess of unutilized funds with these banks which can be further utilized for providing credit and for investment purpose. There is a remarkable increase in the productivity of employees of these banks, as business per employee has increased threefold during the study period. The Investment-deposit ratio has almost remained stable. This shows that these banks have limited avenues for investments and most of the investments are statutory in nature. There has been a declining trend in advances given to the priority sector by these banks. This reflects changing preference of these banks in advancing credit to other sectors than the priority sector.

The main source of the income to these banks is interest earning from the loans given. However, the interest income has remained almost stable throughout the study period. The contribution of non-interest income to the total income is negligible for these banks and during the study period the trend in non-interest income is almost stable. It is to be noted that the Urban Cooperative Banks have been successful in restricting cost of deposits to a lower level of six per cent throughout the study period which increases a possibility of earning stable profit for these banks. The awareness about the availability of different services is closely linked with the type account holding a customer

has with his/her bank. Educational qualification has a strong bearing on awareness about the availability of banking services and both are directly positively correlated.

Now, it is very much clear that Urban Co-operative Banks have very much importance in sustainable development. Without the help of urban co-operative banks, millions of people in India would be lacking the much needful financial support. Urban Co-operative banks take active part in local communities and local development with a stronger commitment and social responsibilities. These banks are best vehicles for taking banking to doorsteps of common people, unbanked people in urban areas. Their presence in the social, economic and democratic structure of the country is essential to bring about harmonious development and that perhaps is the best justification for nurturing them and strengthening their base. These banks are sure to win the race because they are from the people, by the people and of the people. Urban Co-operative Bank is very important role for the sustainable development of India. UCBs through various facilities provided to the society. This bank has also financially helped for various sectors. i.e. Education, Health, Social Work, Agriculture, Rural Development, Wedding Function, Cottage and Small Scale Industries, Retail Traders, Wholesale Trade etc. The banks also finance the weaker sections.

Chapter No. 05:

Findings, Conclusions and Suggestions.

- **Introduction.**
 - **Findings of the Study.**
 - **Conclusions.**
 - **Suggestions.**
-

Introduction:

The role of urban cooperative banks for financial inclusion is noteworthy. They have played significant role in mobilizing savings from lower and middle income groups and in providing direct credit to small entrepreneurs and traders. The overall financial performance of the UCB's in all fronts namely, Share Capital, Deposits, Loans and Advances, Profit and Reserve Funds, working capital, etc., are showing a significantly and un-disturbing trend through the application of different statistical tools applied in the study. Therefore, it may be concluded that the selected UCB's are the road of progress. Co-operation is a better choice as compared to the corporate sector if run on trust, honesty and confidence. The Government and Reserve Bank should sponsor this field in the interest of the common man in the area. No doubt the future of UCBs is bright but at the same time it is challenging. For every UCB coordination between management, customers and regulators is an important aspect. The experienced and enlightened the UCBs should bring in mind that they should firstly survive in the present world of competition and then grow. They should accept the challenge and succeed by giving better customer service at a competitive cost.

Findings of the Study:

The following findings of the study are listed below-

- The study found that the UCBs has succeeded in mobilizing the funds from its customers and there is a positive growth in the deposits, share capital and reserves of the bank throughout the study period from 2010-11 to 2014-15.

- The total number of UCBs at end March 2015 stood at 1,579 as against 1,854 in 2001-02. The total amount of deposits mobilized by these banks was Rs. 3,55,134 crores and the total amount of advances was Rs. 2,24,329 crores.

- It is concluded from the study that the total members of Sundarlal Savaji Urban bank was 18,100 in 2010-11 was increased up to 25,213 in 2014-15; the total number of members of Mahesh Urban Bank was 5,090 in 2010-11 also increased up to 7,277 in 2014-15 while the number of members of Peoples Bank Hingoli was 14,573 in 2010-11 also increase up to 17,408 in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate in this concerned was record 42.97 per cent during the study period 2010-11 to 2014-15. However, there is still a wide scope for selected Urban Co-operative Banks to increase the membership in their working areas.

- One of the important findings of the study is that the total Paid-up Capital of Sundarlal Savaji Urban bank was Rs. 1,491.90 Lakh in 2010-11 was increased up to Rs. 3,538.34 lakh in 2014-15; the total Paid-up Capital of Mahesh Urban Bank was Rs. 114.58 Lakh in 2010-11 also increased up to 262.96 Lakh in 2014-15 while the total paid-up Capital of Peoples Bank Hingoli was Rs. 785.86 Lakh in 2010-11 also increase up to Rs. 1,236.28 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Sundalral Savaji Urban Bank's growth rate is on the top

in this concerned was record 137.17 per cent during the study period 2010-11 to 2014-15.

- The total Reserve and other funds of Sundarlal Savaji Urban bank was Rs. 3,858.52 Lakh in 2010-11 was increased up to Rs. 7,547.27 lakh in 2014-15; the total Reserve and other funds of Mahesh Urban Bank was Rs. 199.18 Lakh in 2010-11 also increased up to 438.79 Lakh in 2014-15 while the Reserve and other funds of Peoples Bank Hingoli was Rs. 4,700.77 Lakh in 2010-11 also increase up to Rs. 6,638.35 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 120.30 per cent during the study period 2010-11 to 2014-15. It is remarkable achievement of Mahesh Urban Co-operative Bank.
- Total Working Capital of Sundarlal Savaji Urban bank was Rs. 48,687.68 Lakh in 2010-11 was increased up to Rs. 98,689.68 lakh in 2014-15; the total Working Capital of Mahesh Urban Bank was Rs. 3,974.32 Lakh in 2010-11 also increased up to 9,882.29 Lakh in 2014-15 while the Working Capital of Peoples Bank Hingoli was Rs. 42,660.49 Lakh in 2010-11 also increase up to Rs. 65,882.80 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 148.65 per cent during the study period 2010-11 to 2014-15. Thus, the working capital of all these selected Urban Co-operative Bank shows an

increasing trend and the bank has been depending largely upon owned funds for building working capital.

- Total Deposits of Sundarlal Savaji Urban bank was Rs. 43,102.21 Lakh in 2010-11 was increased up to Rs. 84,594.37 lakh in 2014-15; the total Deposits of Mahesh Urban Bank was Rs. 3,550.28 Lakh in 2010-11 also increased up to 8,881.95 Lakh in 2014-15 while the Deposits of Peoples Bank Hingoli was Rs. 35,160.50 Lakh in 2010-11 also increase up to Rs. 56,767.87 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 150.18 per cent during the study period 2010-11 to 2014-15.

- The total Investments of Sundarlal Savaji Urban bank was Rs. 12,913.64 Lakh in 2010-11 was increased up to Rs. 33,088.87 lakh in 2014-15; the total Investments of Mahesh Urban Bank was Rs. 1,277.16 Lakh in 2010-11 also increased up to 3,637.05 Lakh in 2014-15 while the Investments of Peoples Bank Hingoli was Rs. 17,297.14 Lakh in 2010-11 also increase up to Rs. 25,504.62 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 184.78 per cent during the study period 2010-11 to 2014-15.

- Total Loans and Advances of Sundarlal Savaji Urban bank was Rs. 35,838.97 Lakh in 2010-11 was increased up to Rs.

57,464.85 lakh in 2014-15; the total Loans and Advances of Mahesh Urban Bank was Rs. 2,267.25 Lakh in 2010-11 also increased up to 4,885.97 Lakh in 2014-15 while the Loans and Advances of Peoples Bank Hingoli was Rs. 22,161.13 Lakh in 2010-11 also increase up to Rs. 33,028.76 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 115.50 per cent during the study period 2010-11 to 2014-15.

- It is concluded from the above table that the total Profit of Sundarlal Savaji Urban bank was Rs. 623.94 Lakh in 2010-11 was increased up to Rs. 1,000 lakh in 2014-15; the total Profit of Mahesh Urban Bank was Rs. 43.46 Lakh in 2010-11 also increased up to 79.38 Lakh in 2014-15 while the Profit of Peoples Bank Hingoli was Rs. 374.78 Lakh in 2010-11 also increase up to Rs. 398.32 Lakh in 2014-15. As far as the comparison in concerned among the selected Urban Banks the Mahesh Urban Bank's growth rate is on the top in this concerned was record 82.65 per cent during the study period 2010-11 to 2014-15.

- The study concluded the Sundarlal Savaji Urban bank was declared 15 per cent dividend to its shareholders during the study period; Mahesh Urban Bank was declared 10 per cent dividend during 2010-11 to 2014-15 and the Peoples Bank Hingoli was declared the dividend up to 15 per cent to its members during the study period. Rs. As far as the comparison in concerned among the selected Urban Banks

the Sundarlal Savaji Urban Bank and Peoples Cooperative banks declared higher dividend with compare to Mahesh Urban Bank during the study period 2010-11 to 2014-15.

- It is concluded from the present study that the Sundarlal Savaji Urban bank was obtain 'A' Class for financial audit; Mahesh Urban Bank was obtain also 'A' Class in audit and Peoples Bank Hingoli obtained 'A+' audit class during the study period 2010-11 to 2014-15. As far as the audit class is concerned Peoples Cooperative Bank done the good job during the study period.

Conclusions

Following conclusions are traced out during the course of the present study relating to the selected Urban Cooperative Banks.

- UCBs are the one who help small and medium sized traders and entrepreneurs who generally have no balance sheets or poor balance sheets to support their genuine trade / business requirements.
- Because of various reasons such as personal vested interests, political interference, financial irregularities and dual control, many UCBs have become breeding grounds for financial indiscipline and mismanagement resulting into huge losses and failure of banks.
- The Urban Cooperative banks do not spare their staff for training as they do not have sufficient staff to manage their

normal work in absence of so called deputed trainees and have no financial stability to pay their salaries during training period.

- It is also found that right type of adequate number of qualified personnel i.e. lecturers, Instructor etc. are not available in the training Institute.
- Lack of proper facilities and infrastructure create the academic hindrances for full utilization of these work of these training institutes.
- There is a lack of coordination between training institute at the state level and training institute at national level i.e. NCCT.
- The Cooperative banks does not have a body of knowledge of its own which a stepping stone toward professionalism. The selected Urban Cooperative banks of are not exception of this.
- The unwarranted and unnecessary interference of the RCS and his role in the prevailing administrative set up is the hindrance in the way of making the management of cooperatives more professionalized.
- In the absence of clear cut demarcation of the roles, functions and powers of Board of Directors, CEOs and paid executive the Urban Cooperative Bank fail to introduce professionalization of management.

- The service condition, work environment, lack of welfare facilities at various levels of the management, absence of better customer services, computer less functioning etc. are various factors that contribute in poor functioning and performance of these banks.
- There is no prescribed educational qualification for the Board of Directors. They are not even graduates. They are not familiar with the principles and practice of banking business and its legal requirements. Some of them are from political background, social workers, school and college teachers, agriculture sector etc. not having knowledge of management, business and banking.
- It has been revealed from the facts that the participation of paid management in various seminars, training programmes, time bound courses and workshop etc. is absolutely nil because of the lack of interest and indifference of these policy makers towards such programmes.
- The minimum educational qualification prescribed for clerical staff in urban cooperative banks is generally a secondary school certificate and graduation for the post of officers. The faculty recruitment policy for paid management does not attract the efficient and competent in the bank.
- It has been found the lack of accountability at each level of management due to their inherent weakness is also affecting adversely the management of these banks.

- One of the main problem confronting the Urban Cooperative banks is that well qualified and experienced professionals do not enter in these banks because of low pay and perks, lesser freedom and autonomy, too much of external interference in their day-to-day functioning, improper work culture, absence of conductive environment, non-adherence to the established rules and regulations, absence of prompt decision making etc.
- Major concerns suffering this sector include high levels of loan delinquency, erosion of capital base, paucity of funds for fresh deployment, ineffective credit planning, lack of professionalism in application of computerized system, lack of HRD policies, poor management information system etc.
- Professionalization of management in cooperative banks is now a days a burning issue in the way of competing their counter parts.
- The success of the Urban Co-operative Banks depends on its effective and efficient way of managing funds and investment.
- The funds mobilized by the selected urban co-operative bank are deployed in investment in the CRR, the SLR, the Non SLR investment and loan and advances.
- Status of cooperative governance in UCBs is not satisfactory and most of the problems faced by the UCBs are due to governance issues and connected lending.

- Urban Cooperative banks cannot afford to have IT staff to manage IT infrastructure in the way that larger banks can.
- Peoples Cooperative Bank Hingoli has to devise innovations in counter services. It may introduce teller system. Similarly the bank may extend its counter in remote village by trusting the work to the Secretary of the Village Co-operative Society or to the teacher in Primary School.
- Complaints of poor customers' services are generally heard in large branches of selected urban banks located in bigger towns. Clients in these branches are very particular to get their jobs done fast as they do not have the time to wait in bank premises.
- Employees should also be encouraged to participate in local activities and integrate themselves with local community. This is likely to excuse them to the people and improve their responsibility and responsiveness.
- The minimum expectation of a customer is that he/she should be extended normal courtesies, treated well by the staff and heard.
- The behaviour of the staff becomes an important determinant of the customers' feeling and opinion about the bank. A feeling response, once aroused, lasts long time and it has an inertial effect.

- Increasing political hindrance in Urban Co-operatives has also affected the strong growth of the cooperative organization.

The share capital and reserve fund has made positive growth. The owned and the working capital held by the bank have made steady progress. The advances made by the bank has made positive trend and it will pave way. The amount earmarked by the bank in strengthening the fixed assets and other assets are showing positive growth. The CD ratio in the initial period is less and it has made phenomenal growth in the subsequent years. The bank maintain adequate amount SLR investments and the on the other hand the investment in Non SLR is slightly more. The result shows that during the year 2010-11 to 2014-15 positive net profit growth could be observed.

Suggestions:

In general the progress of selected urban cooperative banks in Marathwada is satisfactory. But in the progress and services of these banks certain lacunas are observed. These lacunas can be overcomes for this following recommendations are suggested. In this direction following important suggestions are given on the basis of findings and conclusions of the study.

- ✓ The Urban Cooperative Banks require to upgrade themselves in technology front as the demand for technology based rapid financial services in the form of ATMs, Internet Banking, Credit-Debit Cards, RTGS-NEFT services are becoming need of the time and people especially, urban population who are

not having enough time to visit banks frequently, demand more and more of such services.

- ✓ There is an urgent need of professional management for the successful controlling and managing the affairs of the selected urban co-operative banks.
- ✓ In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management.
- ✓ In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self-reliant and self- supporting.
- ✓ For the better performance and growth of UCBs, it has become very essential to give proper weightage to the opinions of customers of these banks and at the same time to measure and monitor the customer satisfaction continuously.
- ✓ In order to improve efficiency, increase transparency and promote fairness, the decision-making processes pertaining to staff administration, granting of credit and new membership should be clearly laid down.

- ✓ The PCBs Ltd. Hingoli should establish customer service department which should conduct surveys, studies, research etc. and direct the management for improving these services.
- ✓ Customer service needs to be assessed and re-assessed so that existing schemes and procedures are suitably altered and new one can be devised to cater the emerging needs.
- ✓ Over dues of the selected urban cooperative banks has constantly increased. Therefore banks should try to reduced the over dues, to reduce over dues bank should improve the overdue recovery management. Also banks should consider the repayment capacity of the customers while disbursing loans. After giving loans banks should see that the loans being used for the productive purpose, which it is disbursed.
- ✓ It is observed that banks are dependant on deposits for working capital. Therefore urban cooperative banks must try to encourage the share capital and reserve funds, by giving more services to the members.
- ✓ Bank should try to attract new members by which share capital can be increased.
- ✓ Increasing the profit and reducing the dividend can divert more funds to profits. There by reserve fund can be increased.

- ✓ It is observed from the study very less customers obtain the advice regarding investment from urban banks. Banks should appoint financial experts to give advice on investments. Experts should give advice on safe investments. For that bank can charge service charges, this will safeguard customers against losses on investments; also income of banks will be increased.
- ✓ It is observed from the study that customers expect electricity bill services and phone bill services from the banks. Banks should provide these services.
- ✓ Customers also expect that more A.T.M. services and credit card services. Banks should provide these services.
- ✓ Maximum customers expressed that Loan procedure of urban banks is complicated. Therefore urban banks should reduce the documentation and time for loan procedures and deliver it instantly.
- ✓ Daily deposit and Recurring deposit schemes are availed by the customers. For increasing this bank should appoint experts in banking services, who have good moral character, thereby reliability of banks is increased and deposits of customers will be safe.
- ✓ Date of maturation of fixed deposit receipts should be intimated to the customers. Even if date is written on the receipts customers forget the dates and the question of

interest rises, for avoiding this, bank should intimate the dates, and thereby inconvenience and losses will not be caused to the customers.

- ✓ Bank should arrange social gatherings like common marriages, scholarships to talented students and lectures etc. so that the information of board of directors and confidence of them will be increased.
- ✓ The bank has been facing the problem of over dues during this period. It is suggested that the banking institution to have effective recovery machinery with plans. To this effect, the bank should provide staff with sufficient training. For improving its performance, it has to concentrate on recovery performance, controlling expenses, robust risk management practices and diversifying their operations.
- ✓ The bank should make necessary attempts to bring innovation and creativity particularly women and senior citizens.
- ✓ Steps may be taken by the bank to reduce the Non SLR investment and it may be diverted for loaning operations. This process may help the bank to improve the CD ratio.
- ✓ Financial position of the borrower must be assessed properly and procedure for sanctioning loans should be fool-proof.

- ✓ While making advances, an UCB should keep in view the cardinal principles of banking such as, safety, security, liquidity and profitability of its investments.
- ✓ Proper legal and other measures have to be expedited to recover pending loans and overdue. This will ensure public confidence and avoid scams.
- ✓ Profitability of banks depends, inter alia, on reduction of costs, recovery of overdue, work reorganization and development of cost consciousness.
- ✓ Under liberalized regime UCBs are offering very high rates of interest on deposits compared to commercial banks to attract deposits. As a consequence they are charging high rates of interest on loans and advances. This is creating problem in recovery of loans.
- ✓ Proper documentation is important in ensuring the safety of a bank's advances.
- ✓ A medium-term nature of advances should remain within the medium-term resources of the bank.
- ✓ Post-sanction monitoring is the primary responsibility of banks to be vigilant and ensure proper end use of bank funds/monitor the funds flow.

- ✓ The banks should be no concentration of advances in the hands of a few borrowers or their families or the industries in which they or their families are interested, enabling them to corner a sizeable portion of the bank's advances.
- ✓ Since it has been observed that certain talukas of the district are uncovered by these banks, priority should be given to branch expansion in these areas which will help in tapping business opportunities.
- ✓ Since the Urban Cooperative Banks assume strong local character, small savings of urban and semi-urban areas can be tapped by collaborating with self-help groups and micro finance institutions.
- ✓ The talukas of origin are well covered by these banks and so expansion in vicinity talukas is suggested. In this case state government's schemes to encourage co-operative banks for expansion in unbanked area may be suggested.
- ✓ Since for last two decades there is no addition in the list of scheduled Urban Cooperative Banks in Parbhani and Hingoli district, there is a need to have a number of Urban Cooperative Banks not only to increase competition in the segment but also to cater increasing needs of the district due to rapid development of the district and increase in population.

- ✓ The erratic expansion of branches can be streamlined by allowing the banks to open branches in a planned manner; keeping in mind unbanked and insufficiently covered area. For this purpose availability of necessities like space for banking activity should be provided by local government especially in area close to administrative offices.
- ✓ Attracting small savings from customers especially from rural and semi-urban areas is a unique selling point of Urban Cooperative Banks.
- ✓ Urban Cooperative Banks run various schemes like Lakhpati Yojna, Recurring deposit schemes for small savers etc. in this regard. Hence, it is suggested that continuation and development of such schemes should be followed. These schemes should be made more targets based.
- ✓ The lower Credit-deposit ratio of these banks represents availability of excess funds with them. There is a need to provide effective avenues in order to utilize these funds.
- ✓ Even though there is a significant improvement in productivity of the employees of these banks, there is a need to develop a corporate culture in these banks by adopting measures like regular training of the staff, target oriented incentive schemes, working hours, dress code and so on.
- ✓ The lower investment-deposit ratio denotes limited investment avenues available with these banks. Hence, it is

suggested that opening up of new avenues of investment for these banks should be made by allowing them to invest partially in the capital market.

- ✓ Advances to priority sector by these banks show a declining trend and hence it is suggested to broaden the base of priority sector.
- ✓ Since interest income is the only major source of income for these banks which has remained almost stable over the years and non-interest income has a negligible proportion in total income, it is suggested that the Urban Cooperative Banks should try to tap non-interest income sources by becoming corporate agents of insurance companies, mutual fund companies and so on.
- ✓ There is a need to link different types of services with maximum possible kinds of accounts rather than restricting the availability of some services with particular accounts. E.g. DEMAT facility which is available only for the current account holders can be extended to savings account holders and other types of account holders too.
- ✓ While collecting the data from different sources like RBI reports, Urban Banks Department, Head offices of the Banks, Office of Registrar of Cooperatives and some other sources like District Statistical Office (DSO), it was found that there was no uniformity in the methods of compilation of the data and dispersion of the same. Even, the published data in the

form of annual report was not available with Urban Banks Department and Office of Registrar of Cooperatives. So it is kindly suggested that there should be uniformity in the data collection methods, variables, frequency of data collection by the authorities dealing / corresponding with cooperatives.

- ✓ The data related to cooperative banks was found scattered and therefore, there is a need to make this data available through channels like internet for the easy access.
- ✓ Annual reports of the selected Urban Cooperative Banks were not available on the websites of the banks. Hence, it is suggested that the Urban Cooperative Banks should update their websites to incorporate for general public.

In the context of promoting professional management, the study finds that there should be a continuous emphasis on training and retraining of bank staff and their exposure to latest trends in banking will be an essential component in promoting operational efficiency in Urban Cooperative banks. The management of such banks has to be trained in proper appraisal of loan application and follow up utilization of loan application and follow up utilization of such loans for the specified objectives. Professional managers will have to think globally and act locally by focusing their attention on competition with institutions in the banking industry. There is a need for recruiting trained and professional staff in the Board of Directors and CEOs. While interviewing with the staff of the banks it has been found that whenever they find a better career prospects in some other organization with high rank, they leave the former

organization and join the later. This attitude does not develop the interest for training amongst the staff. It has also been observed during the survey of these banks that most of the supervisory and subordinate level staff of the urban cooperative banks of have not been provided the training as per the training module developed by State Cooperative training Centre. A thorough analysis of the working of urban cooperative banks of shows that there are a number of obstacles in the way of the professionalization of management of banks owned by financially weaker sections and therefore, the elected management is expected to render the service of managing and controlling the affairs of the bank without any remuneration.

In the absence of proper education and training and clear demarcation of functions between the Board of Directors and the Chief Executive Officer, the Chairman and Directors sometimes conduct operational parts of management also leading to their involvement in the day-today execution of the policies. It leads to confrontation with salaried management and also the involvement of vested interests. In spite of all efforts made at state level and National Council for Co-operative Training at national level, the education and training programmes to various levels of management of these banks could not be fully utilized. These banks do not spare their staff for training as they do not have sufficient staff to manage their normal work. It has also been found that adequate numbers of qualified personnel i.e. lecturers and instructors are not available at the training centers.

The management information system is not effective in urban co-operative banks and problems arise in respect of proper and timely reporting and there is no efficient monitoring cell in these banks to look after the reports and data. In order to overcome or minimize the above stated problems and obstacles it is necessary to provide better, result oriented and improved training facilities. Training institutes should also have adequate physical facilities, training equipment, teaching aids, proper material, relevant literature and above all congruent atmosphere. Trainers must possess adequate knowledge of the subject they teach, ability to deliver, aptitude for teaching and use of techniques appropriate to the subjects and to the trainees.

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