

SCHEDULED URBAN CO-OPERATIVE BANKS – A CASE STUDY

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Received: 05.05.2020

Revised: 02.06.2020

Accepted: 28.06.2020

Abstract

Now a day the Urban Co-operative Banks (UCB) is performing a vital role within the financial system. Urban Co-operative Banks are love commercial banks in there operation. The term "Urban Co-operative Banks" has not been uniformly outlined. In most states, no clear definition of an urban co-operative bank has been created. In India, commercial banks and cooperative banks are the two necessary wings of the organized banking structure. The Co-operative Banks are a special form of banking within which people co-operative with each other with a view to promoting there mutual interest. Co-operative suggests that operating along, during this banking organization, people voluntarily co-operative with one another on equal terms to market there own economic interest. The profitability of a UCB will be evaluated on the basis of it's deposits, advances, and a lot of specifically by the distinction between it's total financial gain and expenses. The Indian banking sector could be a backbone of the Indian economy thus it ought to be supervised a lot of closely then the other business unit. Indian banking sector wide includes co-operative, commercial, nationalized, private, and international banks in it's fold.

Keywords--- The Co-operative Banks, UCB's, scheduled Urban Co-operative Banks,

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DOI: <http://dx.doi.org/10.31838/jcr.07.08.209>

INTRODUCTION

Today, co-operative banks operate across the country side-by-side with commercial banks and play a vital role in providing need-based finance, particularly for people engaged in agricultural and agriculture-based operations together with farming, cattle, milk, personal finance, etc, beside some tiny industries and self-employment driven activities.

Nowadays, the co-operative sector includes a very important significance within the financial system. The co-operative sector having it's outstanding status in varied areas like - social, agricultural, and non-agricultural areas. It has its own universal significance within the totally different areas of economic activities like credit and finance.

The prime base of co-operative society is in co-operative credit society, salary earner's society, and co-operative banks. Actually, the idea of co-operation in rural and urban sectors, that helps the downtrodden people of rural areas. Hence, the govt. has passed Special Co-operative Societies Act for enhancing the co-operative movement in India.

Robert Owen (1771-1858) fathered the co-operation movement. The co-operative credit societies were constituent a special role within the rural likewise as urban areas of the country.

In follow, the character and dealing of co-operative societies and co-operative Banks are totally different like agricultural activities and non-agricultural activities, handicrafts, agro-based industries, etc. With the passage of your time, the development of the method of the co-operative movement in co-operative banking entered into urban areas as economic development.

Government, significantly Reserve Bank of India provided special legal issues for the organization of urban banking within the co-operative sector. So, the urban co-operative banks are significantly organized for the development of the weaker sections of the society.

Co-operative Banking relies on the development of agriculture however Urban Co-operative Banks are organized for the urban backward category of the society.

Now, the Urban Co-operative Banks are the prime competitors of private commercial Banks. The Reserve Bank of India is giving permission for the formation of scheduled Urban Co-operative

Banks with some specific directions and segments. Urban Co-operative Bank's organization, structure, management, working, etc. are controlled by The Reserve Bank of India and Co-operative Societies Act. It implies that their could be a duality of management.

ORIGIN OF THE RESEARCH PROBLEM

In a very wider sense, with the tremendous growth, development, and ever-changing the banking surroundings of these days the survival of banking management and organization depends on the level of income generated through optimum use of assets.

Prime drawback of scheduled Urban Co-operative Banks is unhealthy debts termed as 'Non-Performing Assets (NPA)'. scheduled Urban Co-operative Banks face major issues like internal control of management, enhancing the effectiveness of officers, increasing deposits, loans and advances, recovery of loans, over dues, etc. In spite the these issues, others are-

(i) application of laws and procedures, (ii) Political inference, (iii) Flow of funds, (iv) Corruptions at various levels, (v) Cut-throat competition in banking era.

Interdisciplinary Relevance

Scheduled Urban Co-operative Banking sector having a remarkable status within the social, economical and political sciences.

Scheduled Urban Co-operative Banking interdisciplinary relevance related with the commercial and private baking is incredibly sound and standard. Scheduled Urban Co-operative Banks are having a significant role within the foreign exchange era.

Review of Research and Development in the Subject

The origin of Urban Co-operative Banking System will be derived back to the year 1848. In India, Urban Co-operative Banking system emerged within the wake of centenary year of its existence. The first Urban Co-operative Bank within the country was established by Mr. V.L. Kavthekar in 1889 called 'AnnyonaSahakariMandal Co-operative Bank Ltd.' at Baroda. In 1904, a separate Co-operative Societies Act was introduced to facilitate registration of Urban Co-operative Credit Institutions.

The MacLagan Committee specially stressed the requirement for providing encouragement to Urban Co-operative Credit Agency. Reserve Bank of India, appointed several knowledgeable committees and legislative measures were taken to consolidate the development and growth of Urban Co-operative Banks. The Banking Regulation Act, 1949 was conjointly created applicable to Urban Co-operative Banks in 1966.

Additionally to the current, several committees were appointed by Reserve Bank of India, from time to time for the expansion of Urban Co-operative Banks such as- Madhav Das Committee (1977), Committee on Urban Co-operative Banks (1979). For control the expansion and management of Urban Co-operative Banks, The Reserve Bank of India was created a separate 'Urban Co-operative Department' in 1984.

Narsimhan Committee on the financial system was appointed in 1991, to verify all aspects of structure, organization, functions, and procedure of financial and banking systems and suggested certain measures to improve its efficiency and effectiveness.

A committee under the guidance of Marathe, S.S. was appointed by Reserve Bank of India in 1992, to study the licensing policy of new Urban Co-operative Banks. Near about 1400 Urban Co-operative Banks were efficiently working in India. Out of these, 387, Urban Co-operative Banks were in Maharashtra State. On account of scientific and efficient banking, the Reserve Bank of India made to the quality and elevate 14 'Schedule Banks' out of which 11 were located in Maharashtra.

The development of Scheduled Urban Co-operative Banks is extremely uneven in various states of our country. It is much faster in Maharashtra, Gujarat and some other States of India. As on 31st March 2003, there were 2104 Urban Co-operative Banks of which 56 were Schedule Banks. About 790% percent of these are located in 5 States- Maharashtra, Gujarat, Andhra Pradesh, Tamil Nadu, and Karnataka.

Schedule in any ordinary means 'Annexure'. There are 5 schedules to the Reserve Bank of India Act, 1934. Of those schedules, No.3, 4 & 5 have been deleted by subsequent amendments. Schedule No.1 & 2 are in existence. In the second schedule name of all scheduled banks have been included namely all nationalized banks, all regional rural banks, all private sector commercial banks, and some the state co-operative banks, etc.

A 'Scheduled Bank' is one, which was included in the second schedule of the Banking Regulation Act, 1949. These banks-

- Which had paid capital and reserves of not less than `750 crores.
- CRAR of a minimum 121%.
- Gross NPAs of 5%.
- Continuous net profit for the previous 3 years.
- Compliance with CRR/SLR requirements.
- No major regulatory and supervisory concerns.
- Which satisfied the Reserve Bank of India that affairs were not being conducted in a manner detrimental to the interest of the depositors were included in this schedule.

Schedule bank was required to maintain a certain amount of reserves with Reserve Bank of India. They, in return, enjoyed the facility of financial accommodation and remittance facilities at concession rates from Reserve Bank of India.

Reserve Bank of India Act which came in to force in 1934, had prescribed certain guidelines for notifying any bank as 'Scheduled Bank' as one-

- which included in the second schedule of any bank not already included which carries on the business of banking in India, and
- which had paid-up share capital and reserves an aggregate value of not less than `750 crores of rupees and
 - satisfied the bank that its affairs were not being conducted in a manner detrimental to the interest of its depositors, and
 - was a State Co-operative Bank of a company defined in Section-3 of the Companies Act, 1956 or an institution notified by Central Government in this behalf a corporation or a company incorporated by or under any law in force in any place outside of India.
 - which directed the exclusion from the schedule of any scheduled bank.
 - the aggregate value of whose paid-up capital and reserves became at any time not less than `750 crores or
 - which was, in the opinion of the bank after making an inspection under Section-35 of the Banking Companies Act, 1949 (10 of 1949) conducting its affairs to the detriment of the interest of its depositors, and
 - which were into liquidation or otherwise cased to carry on banking business.

Most of the Scheduled Urban Co-operative Banks are centered on Maharashtra State, which constitutes the area of the research project.

With a view, considering the overall analytical study of Scheduled Urban Co-operative Banks, it is proposed to evaluate the working of Scheduled Urban Co-operative Urban Banks in, particularly Pune City. The period of evaluation is ten years of three Scheduled Urban Co-operative Banks namely-

- Cosmos Co-operative Bank Ltd.
- JantaSahakari Bank Ltd.
- Saraswat Co-operative Bank Ltd.

International Status

Today, Scheduled Urban Co-operative Banks are having a vital role in the international and Indian economy. Scheduled Urban Co-operative Banks are having the prime performance of the functioning of foreign exchange currency. As compared with the structure, management, performing and functioning, working capital, deposits, loans, and advances, are enhanced heavily as compared with other commercial banks. International status is attempted by improving standard enhancing efficiency and performance towards the foreign exchange currency, deposit mobilization, loans and advances, recovery, transparency in the financial accounts, and business transactions.

National Status

Scheduled Urban Co-operative Banks are contributing social and economical development of banking industries in India. The national development of Scheduled Urban Co-operative Banks can be environmental economic and socio-political, etc. Sound socio, economic, and political energy are very fruitful to continue banking management for a long time. Today, Scheduled Urban Co-operative Banks are contributing to the economic sustainability of a country. Scheduled Urban Co-operative Banks are providing financial aid to various sectors i.e. education, social work, rural and urban credit development, weaker section of the society, cottage and small-scale industries, retail traders, wholesale traders and downtrodden, etc.

It is very crystal clear that Scheduled Urban Co-operative Banks are playing a vital role in the socio-economic development of members of the country. Actually, Scheduled Urban Co-operative Banks are providing resources for livelihood and upliftment of Indian workers. Scheduled Urban Co-operative Banks are also providing a sound network in the banking system for suitable growth and development of the Indian economy.

Scheduled Urban Co-operative Banking facilities for Indian economy. Scheduled Urban Co-operative Banking system routes the surplus funds of the community to the most productive channels. Scheduled Urban Co-operative Banks are providing facilities of transfer of funds from one part of the country to another States.

The growth and development of Indian industry and trade in a country is not possible without services of Scheduled Urban Co-operative Banks. Scheduled Urban Co-operative Banking services are providing to rural masses of the weaker section of the society and downtrodden as well. Scheduled Urban Co-operative Banking status consists of State and regional rural areas of the country. Scheduled Urban Co-operative Banks are maintaining inter-regional relations for the development of economic life of human being in a different areas of the country. Hence, Government and Reserve Bank of India are giving special privileges for development of Scheduled Urban Co-operative Banks in India.

SIGNIFICANCE OF THE STUDY

Scheduled Urban Co-operative Banking organisation is set up mainly with certain banking objectives. Scheduled Urban Co-operative Banks are playing pivotal role in fulfilling their objectives for development of the rural and urban backwards community and downtrodden.

Scheduled Urban Co-operative Banks are the barometers of Indian economy. Bankers and society point of view, the research study having a milestone in the development of a nation.

The study focuses on examining the productivity, viability and profitability of Scheduled Urban Co-operative Banks not only in the Pune City but also in rural and urbanised banking era. It helps to the banker and urbanised banking era. It helps to the banker by way of comparing and analysing the performance, profitability, efficiency and productivity of Scheduled Urban Co-operative Banks in India.

Overall, the significance of the study is fruitful to the society as a whole. Particularly to the employees, customers, investors and shareholders etc. It also giving due attention towards the changes in the life style of downtrodden people of the society. Scheduled Urban Co-operative Banking activities did not remain limited to the rural area but also in urbanised backward and weaker sections of the society.

It is also identifying the determinants of financial performance to understand financial as well as profitable capability and effectiveness of Scheduled Urban Co-operative Banks in the national economy.

The significance of the research study is to examine development and performance of Scheduled Urban Co-operative Banks in rural and urban area. Now-a-days, Scheduled Urban Co-operative Banks are in the news for their malpractice, fraud and collapses their banking services and contribution to the economy.

The significance of the study is to solve the problems such as eroding public's confidence, corruptions, un-viability, posing unsystematic progress, bankruptcy, etc. To detect these loopholes, it is essential to study the financial study of the Scheduled Urban Co-operative Banks.

OBJECTIVES OF THE STUDY

1. To study the Scheduled Urban Co-operative Banking Movement in Maharashtra State.
2. To analyse the operational performance of Scheduled Urban Co-operative Banks.
3. To study the internal variations regarding growth, structure and performance of Scheduled Urban Co-operative Banks.
4. To identify the problems faced by Scheduled Urban Co-operative Banks and suggestions thereon.

RESEARCH METHODOLOGY

The Secondary Data were of those which have already been collected by some other agency and which are already processed. Secondary Data may be available in the form of published or unpublished sources. Researcher will collect the data by means of the related sources such as Text Books, Articles, Published Papers, Journals, Periodicals, Published Statistical Review Statement and Web Portals.

LIMITATIONS OF THE STUDY

Limitation of the research study are as follows:

1. The study is limited to Scheduled Urban Co-operative Banks approved by Co-operative Society Act and Rules and Regulations of the Reserve Bank of India.

HYPOTHESIS

The following hypotheses have been set for the present study.

1. Scheduled Urban Co-operative Banks are adopting procedures, rules, and regulations laid down by Reserve Bank of India.
2. Scheduled Urban Co-operative Banks are followed the Laws and Regulations of Co-operative Societies Act.

STATEMENT OF THE PROBLEM

No organization or department can exist unless the human resource is of a good quality and capable of properly exploiting the opportunities to achieve the organizational goals.

This is true of banking organization also, where physical capital is only a fraction of the total resources mobilized by the organization. They are service organizations where human resource makes the difference between success and failure.

Good human resource is a pre-requisite to higher morale and productivity. The human resource philosophy of an organization gets reflected in how the human resources are regarded, treated and managed as this plays a vital role in the overall success of an organization.

The key to a successful organization lies in attracting, retaining and developing its human resource. It is through potential and effective human resource policies that ordinary people can be converted into extraordinary performers.

The goals of an organization can be achieved through effective HRM Policies and Practices.

Scheduled Urban Co-operative Banks: Historical Review, Concept and Its Structure:

Urban co-operative bank comes under primary co-operative societies at the base level of the three tiered pyramidal structure.

The urban co-operative banks are the only institutions in co-operative credit structure which are very helpful to meet the requirement of small farmers and small scale industrial concerns as UCBs are formed on the principle of co-operation.

Thus, right from their establishment, UCBs are solving the economic problems of lower middle income group of people and thereby contributing to the economic development of the country.

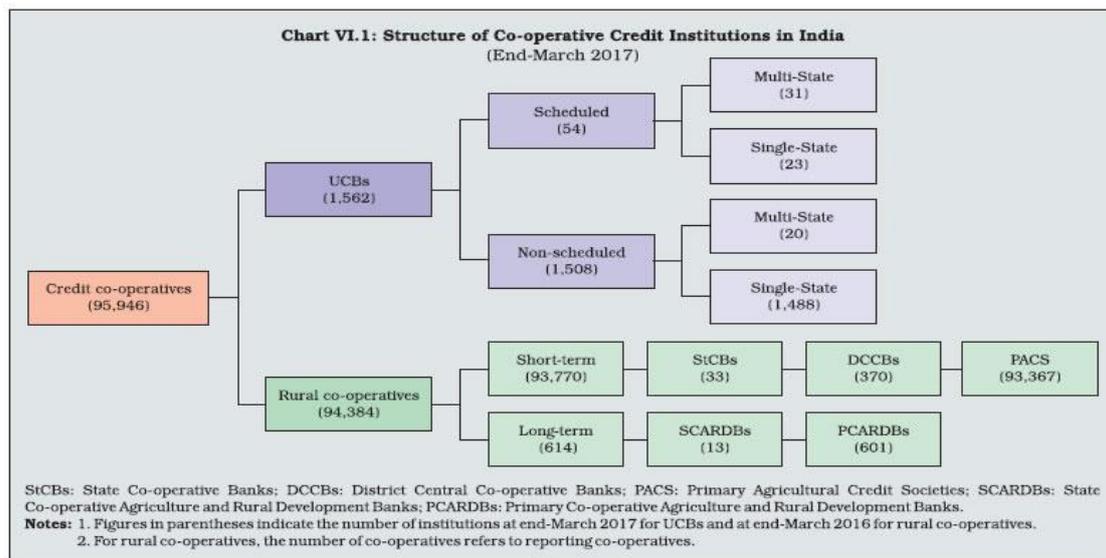


Figure 1. Structure of Co-operative Credit Institutions in India
Source: Reserve bank of India-Publications (rbi.org.in)

Scheduled Urban Co-operative Banks: Capital Structure, Bye-Laws, Functioning and Business Matters Without a sound and effective banking system in India it cannot have a healthy economy.

Working of Scheduled Urban Co-operative Banks and Policy of Reserve Bank of India

Urban Cooperative Banks play an important role in meeting the growing credit needs of metropolitan, urban and semi-urban areas of the country. As a significant contributor towards the financial inclusion objectives of the nation, UCBs mobilize. The regulatory powers conferred on the RBI with regard to cooperative banks are limited. While the principles of supervision with regard to cooperative banks have been formulated and implemented by the RBI in respect of UCBs under the Banking Regulation Act, 1949, the Act does not apply to Primary Agricultural Credit Societies and Land Development Banks, thus leaving them under the regulatory purview of the State. The RBI is entrusted with the responsibility of regulation and supervision of the banking-related activities of UCBs under the Banking Regulation Act, 1949 as Applicable to Cooperative Societies (AACS). Other aspects such as incorporation, registration, administration, management and winding-up of UCBs are supervised and regulated by the respective State Governments through Registrars of Cooperative Societies (RCS) under the Cooperative Societies Acts of the respective States. UCBs with a multi-state presence are registered under the Multi-State Cooperative Societies Act, 2002 and are regulated and supervised jointly by the Central Government through Central Registrar of Cooperative Societies and the RBI.

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