A PROJECT REPORT ON

STUDY PROJECT – A STUDY OF PERFORMANCE AND GROWTH OF URBAN CO-OPERATIVE BANK WITH SPECIAL REFERENCE SARASW

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UNDER THE FACULTY OF COMMERCE

BY

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CERTIFICATE

This is to certify that **Ms.Ashlesha Ram Bhuktar** has worked and duly completed his Project work for the degree of Bachelor in Commerce (**Banking & Insurance**) under the faculty of commerce in the subject of banking and insurance and his project is entitled, **"A STUDY OF PERFORMANCE AND GROWTH OF URBAN CO-OPERATIVE BANK WITH SPECIAL REFERENCE SARASWAT BANK"** under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that No part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission

DECLARATION

I the undersigned **Ms. ASHLESHA RAM BHUKTAR** work embodied in this project work titled A study on role of central bank of Indian banking sector with reference to Google forms and my own contribution to the research work carried out under the guidance of **Asst. Prof. Dr. KISHOR CHAUHAN** is a result of my own research work and has not be previously submitted to any other university for any other degree to this or any other university.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I here by future declare that information of this documents has been obtained and presented in accordance with academic rules and ethical conduct.

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EXECUTIVE SUMMARY

Today urban cooperative banks (UCBs) operate in a highly competitive market, on a level playing field with commercial banks. They do so, successfully applying the cooperative principles underlying their business model, owned by members; their primary mission is to offer them the best services, as opposed to maximizing profit for shareholders. It is not fair to treat the UCBs which are catering to the weaker section of the populations on par with MNC Banks, which do not have any social obligations. The UCBs has undergone lot of changes from its inception. The changes that have taken place in UCBs have been for more significant and more radical than others. The sharp changes in the policy environment of both State and Central Government concerning the operations of urban banking system have direct and indirect implications for the performance of UCBs. The performance of the urban cooperative banking segment which was considered one of the robust and fast expanding segments of the banking system in early nineties, has now become one of the weakest with intermittent cases of failures and irregularities. A number of factors such as increasing competition, tightening prudential standards, absence of manpower planning, lack of control of overheads, non-appraisal of loans and multiple control may be responsible for this. The 100 years of existence of UCBs in India clearly shows the resource base of the bank is so strong that it is able to run the business with its own funds and is truly financially independent. But the urban cooperative banking scenario in India today is confronted with a host of issues. These include organizational, managerial, financial and operational issues and unless these problems are solved on a war footing, the very growth of the urban banking sector and integration of the economy will be a distant dream and will only be a wild go enchase.

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CHAPTER – 1

INTRODUCTION

INTRODUCTION

In the developing countries like India banking occupies a very crucial place in undertaking development efforts. The inadequate capital in relation to the demand for developmental activity makes banking the key agents of mobilizing credits and channelizing resources in the desired direction. The banks have been assigned a prominent social responsibility like poverty eradication, employment generation agriculture development and social justice including weaker section. The banks have been involved more and more in the developmental activities of the nation, particularly rural developmental activities. In our country the banking sector has massive changes in their structure and operational methods since the nationalization of banks. In the banking industry we can find three major groups of banking they are public sector banks, cooperative banks and private banks. The second group that is cooperative banks have been rendering the useful services to the people of the nation both rural and urban areas. While credit cooperatives are the oldest and most numerous of all the types of cooperatives in India. The cooperative credit institutions in the country can be broadly classified into Rural Credit Cooperatives and Urban Credit Cooperatives. The Rural Cooperative Credit Structure is the predominant component of the cooperative structure, it consists Institutions like State Cooperative Banks (SCBs) the District Central Cooperative Banks (DCCBs) and the Primary Agricultural Credit Societies (PACS) which taking care of short term credit requirements: and the State Cooperative Agricultural and Rural Development Banks (SCARDBs) and Primary Cooperative Agricultural and Rural Development Banks (PCARDBs), which cater to the long term requirement of credit. 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 (loans, deposits, banking accounts etc.). Cooperative 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 cooperative federation or central body. Co- operative banking is retail and commercial banking organized on a co-operative basis. Co-operative banking institutions take deposits and lend money in most parts of the world. Co-operative banking, includes retail banking, as carried out by credit unions, mutual savings and loan associations, building societies and co-operatives, as well as commercial banking services provided by manual organizations (such as co-operative federations) to co-operative businesses. The structure of commercial banking is of branch-banking type, while the co-operative banking structure is a three-tier federal one. - A State Co-operative Bank works at the apex level (i.e. works at state level). - The Central Cooperative Bank works at the Intermediate Level. (i.e., District Co-operative Banks ltd. works at district level)- Primary co- operative credit societies at base level (At village level) Even if co-operative banks organizational rules can vary according to their respective national legislations, co- operative banks share common features as follows:

Customer-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 maximize 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 cooperative 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, 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.

The other component of the cooperative credit structure is the Urban Credit Cooperatives they are popularly called as Primary Cooperative Banks (PCBs) or Urban Cooperative Banks (UCBs) which are mainly catering to the needs of middle class and weaker sections of urban and semi urban areas. The urban cooperative banking sector is the most important and growing segments of cooperative sector which is totally self - reliant and most vibrant. It is poised to emerge as an important segment of the banking sector contributing significantly to the economic development in urban areas. The primary aim of these banks is to encourage thrift and saving among members meeting the credit requirements of the lower- and middle-income groups in urban and semi urban areas. In general, Urban Cooperative Banks are the institutions evolved for catering to the credit requirements of urban and semi urban lower and middle classes, salary earners, professionals, and those who are engaged in trade and small and cottage industries.

UCB structure is exemplified by its pronounced focus on the needs of small men and micro credit sector. The average size of the loan also works out to be relatively low and an overwhelming segment of UCBs have been able to comply with the priority sector lending targets (directive from central bank to lend to certain sectors like small enterprises, trade & business, housing etc.) set by the central bank of the country. The urban cooperative banking sector is the one of the most important and growing segments of cooperative sector which is totally self-reliant and most vibrant. There are about 2050 urban cooperative banks and 40,000 credit cooperative societies spread over all parts of the country with membership of 2.5

million. The UCBs, one of the main constituents of urban sector, are the flagship of this sector which is also reorganized as one of the important constituents of banking industry contributing substantially to the economic growth of the country. UCBs are also in the process of professionalizing their personnel and upgrading the technology in order to effectively compete with Commercial Banks and Private Banks. Urban cooperative credit movement in general and the number of UCBs in particular is concentrated in few states. Five states account for 80 per cent of the total UCBs in the country.

A noticeable feature of urban banking sector is its financial independence. Unlike the agricultural cooperative credit structure, the urban cooperative banks are not surviving on external assistance such as refinance support are the spirit of self- reliance.

BACKGROUND OF THE STUDY

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 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. Co- operative 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. Therefore, a brief resume of their development should be taken into account. The history of cooperative banks goes back to the year 1904. In 1904, the co-operative credit society act was enacted to encourage cooperative movement in India. But the development of cooperative banks from 1904 to 1951 was the most disappointing one.

1. The first phase of co-operative bank development was the formation and regulation of cooperative society. The constitutional reforms which led to the passing of the Government of India Act in 1919 transferred the subject of "Cooperation" from Government of India to the Provincial Governments. The Government of Bombay passed the first State Cooperative Societies Act in 1925 "which not only gave the movement, its size and shape but was a pace setter of co-operative activities and stressed the basic concept of thrift, self-help and mutual aid. This marked the beginning of the second phase in the history of Co-operative Credit Institutions.
2. 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.

3. The real development of co-operative banks took place only after the recommendations of All India Rural Credit Survey Committee (AIRCSC), which were made with the view to fasten the growth of cooperative banks.
4. The co-operative banks are expected to perform some duties namely extend all types of credit facilities to customers in cash and kind advance consumption loans extend banking facilities in rural areas, mobilize deposits, supervise the use of loans etc. The needs of co-operative bank are different. They have faced a lot of problems, which has affected the development of co-operative banks. Therefore, it was necessary to study this matter.

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 cooperative banks; emphasized the need to establish primary urban co-operative 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 organised at all Urban Centers with a population of 1 lakh or more and not by any single community or caste. The committee introduced the concept of minimum capital requirement and the criteria of population for defining the urban centre where UCBs were incorporated.

Inspired by the success of urban cooperative movement in Germany and Italy some middle-class Maharashtrian families settled in the erstwhile Baroda started a Mutual Aid society. In the early part of the last century. The enactment of Cooperative Credit Societies Act,1904 and the extension of Banking Regulation Act in 1966 gave the real impetus to the movement. Urban cooperative banks were organized on community basis and their lending operations were confined to meeting the consumption-oriented credit needs of their members. Many urban cooperative banks, which were organized initially, were essentially credit societies but later converted themselves into urban cooperative banks.

The Indian Central Banking Enquiry Committee (1931) observed that "the duty of these urban banks should be try to do for the small trader, the small merchant and the middle class population what the commercial banks are doing for the big traders and big merchants". First survey was made by RBI in1961, which commended the working of UCBs and pointed out that the government did not pay much attention for the development of non-agricultural sector. Varde Committee (1963) expected the growth of UCBs by its valuable suggestions. Darmy Committee (1963) admitted the key role of UCBs to undertake housing loans to their members. It also advised ceiling on individual borrowings. Madhavadas Committee (1979) was a landmark in the revolution of UCBs.

In order to review the activities of UCB the High-Power Committee (HPC) was appointed in May 1999, under the chairmanship of Shri. Madhavarao, to evolve objective criteria to determine the need and potential for organizations of UCBs, to review the entry point norms, branch adequacy norms, weak bank conversion of cooperative credit society into UCB and to suggest necessary legislative amendments of B.R. Act a state cooperative act for strengthening the urban banking movement.

Based on the recommendations of HPC the main trust of the policy is on strong capital and corporate governance.

In India UCBs are concentrated more in few states like Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu accounting for over 80% of Urban Cooperative Banks and more than 75% of their total deposits.

The first co-operative credit societies act was passed in 1904. This act provides establishment of credit societies both in urban and semi- urban areas. For providing credit services to common man the act recognized the need of urban co-operative banks along with the rural credit co-operatives rural societies were to be organized on the Reinfusion model while the urban societies were to be established on the pattern of Herman Schulze.

The urban co-operative banks held an important position in the field of co-operative sector and are very significant component in the States in India. As urban credit system has a strong resource base. Today the presence of urban co-operative banks has an immense felt-need in the area of business operations in the present-day banking business describing them as friend-of poor and the borrower as friend of urban co- operative banks.

The first urban co-operative society was established in India which is known an “Annyona Sahakari Mandali located in Boroda on 5th February 1889 under the guidance of Vithal Laxman also known as Bhausaheb Kathekar. Urban co-operative banks functioned in the country. They mobilized deposit from the public and extended credit facilities for specified purpose their lending opinions include provision of credit facilities to small traders, businesspersons, artisans, factory workers, and salaried people with a limited income person.

Urban Co-operative Banks referred as Primary Co-operative Banks in the banking Regulation Act 1949 play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. The UCBs not formally defined refers to urban semi urban areas. These banks till 1996 were allowed to lend money only non- agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities workplace groups. They essentially lent to small borrowers and business. Today their scope of operations has widened considerably over the years primary UCBs have registered a significant growth in number, size and volume of business handled. Credit co-operatives comprising of urban co-operative banks (UCBs) and rural co-operative credit institutions were formed as exclusive institutions to meet specific developmental objectives embodied in the extension of formal financial services to villages and small towns in India. Their geographic and demographic outreach plays a pivotal role in credit delivery and inclusiveness in the financial system. Yet their share is relatively small in the bank- dominated Indian financial system. At the end of March 2016, the assets of rural and urban co-operatives taken together were 10.6 per cent of the total assets held by SCBs. There were 1,562 UCBs and 94,384 rural co-operatives, including short-term and long- term co-operatives at End-March 2017.

Supervision and Regulation of UCBs

The RBI appointed a high-power committee in May 1999 under the chairmanship of Shri. K. Madhava Rao, Ex-Chief Secretary, Government of Andhra Pradesh to review the performance of Urban Cooperative Banks (UCBs) and to suggest necessary measures to strengthen this sector. With reference to the terms given to the committee the committee identified five broad objectives:

- To preserve the co-operative character of UCBs
- To protect the depositors' interest
- To reduce financial risk
- To put in place strong regulatory norms at the entry level to sustain the operational efficiency of UCBs in a competitive environment and evolve measures to strengthen the existing UCB structure particularly in the context of ever-increasing number of weak banks
- To align urban banking sector with the other segments of banking sector in the context of application or prudential norms in to and removing the irritants of dual control regime
- RBI has extended the Off-Site Surveillance System (OSS) to all non- scheduled urban co-operative banks (UCBs) having deposit size of Rs.100 Crores and above

The urban credit cooperatives and banks are subjected to duality of control meaning that the managerial aspects of these banks relating to registration, constitution of management, administration and recruitment, are controlled by the State Governments under the provisions of the respective State Cooperative Societies Act and the banking operations pertaining to branch licensing, expansion of areas of operations, interest fixation on deposits and advances, audit and investments are supervised and regulated by the Reserve Bank of India.

TYPES OF CO-OPERATIVE BANK

The co-operative banks are small-sized units which operate both in urban and non- urban centres. They finance small borrowers in industrial and trade sectors besides professional and salary classes. Regulated by the Reserve Bank of India, they are governed by the Banking Regulations Act 1949 and banking laws (co-operative societies) act, 1965. The co-operative banking structure in India is divided into following 5 components:

1. Primary Co-operative Credit Society

The primary co-operative credit society is an association of borrowers and non- borrowers residing in a particular locality. The funds of the society are derived from the share capital and deposits of members and loans from central co-operative banks. The borrowing powers of the members as well as of the society are fixed. The loans are given to members for the purchase of cattle, fodder, fertilizers, pesticides, etc.

2. Central co-operative banks

These are the federations of primary credit societies in a district and are of two types those having a membership of primary societies only and those having a membership of societies as well as individuals. The funds of the bank consist of share capital, deposits, loans and overdrafts from state co-operative banks and joint stocks. These banks provide finance to member societies within the limits of the borrowing capacity of societies. They also conduct all the business of a joint stock bank.

3. State co-operative banks

The state co-operative bank is a federation of central co-operative bank and acts as a watchdog of the cooperative banking structure in the state. Its funds are obtained from share capital, deposits, loans and overdrafts from the Reserve Bank of India. The state cooperative banks lend money to central co-operative banks and primary societies and not directly to the farmers.

4. Land development banks

The Land development banks are organized in 3 tiers namely, state, central, and primary level and they meet the long-term credit requirements of the farmers for developmental purposes. The state land development banks oversee, the primary land development banks situated in the districts and tehsil areas in the state. They are governed both by the state government and Reserve Bank of India. Recently, the supervision of land development banks has been assumed by National Bank for Agriculture and Rural development (NABARD). The sources of funds for these banks are the debentures subscribed by both central and state government. These banks do not accept deposits from the general public.

5. 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 cantered on communities, localities, workplace groups. They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably.

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.

FUNCTIONS OF CO-OERATIVE BANKS:

Co-operative banks also perform the basic banking functions of banking, but they differ from commercial banks in the following respects

1: Commercial banks are joint-stock companies under the companies' act of 1956, or public sector bank under a separate act of a parliament whereas co-operative banks were established under the co-operative society's acts of different states.

2: Commercial bank structure is branch banking structure whereas co-operative banks have a three-tier setup, with state co-operative bank at apex level, central district co- operative bank at district level, and primary co-operative societies at rural level.

3: Only some of the sections of banking regulation act of 1949 (fully applicable to commercial banks), are applicable to co-operative banks, resulting only in partial control by RBI of co-operative banks and

4: Co-operative banks function on the principle of cooperation and not entirely on commercial parameters.

Role of ICT in Banking Sector:

Introduction to IT and ICT:

Information Technology (IT) is the automation of processes, controls, and information production using computers, telecommunications, software and ancillary equipment such as automated teller machine and debit cards. It is a term that generally covers the harnessing of electronic technology for the information needs of a business at all levels. Communication is the conveyance or transmission of information from one point to another through a medium. Information technology (IT) is increasingly becoming an invaluable and powerful tool driving development, supporting growth, promoting innovation, and enhancing competitiveness. Emerging information technology offers opportunities for developing nations to leapfrog earlier stages of development. It is also important to note that with an increasingly global environment less limited by time or distance, nations around the world need to get connected and join the global networked community. Otherwise, they may fall further be- hind and the gap they have with the developed world could get wider. Additionally, there is growing evidence that information technology is becoming an increasingly powerful tool when used as part of an overall development strategy coupled with partnerships between governments, business, and civil society.

An example of how ICT has had an impact on the Banking Industry is that its emergence allows banks to apply credit-scoring techniques to consumer credits, mortgages or credit cards. Hence, products that used to be highly dependent on the banks´ evaluation of its customers have now become more standardized. Other examples of ICT impact on the Banking Industry include the increased process efficiency, which can reduce costs in banks, and the branch renewal, where focus is gradually shifting away from traditional brick and mortar banks towards the dual-bank concept presented earlier.

The tendencies above have also produced changes in the structure of bank income. As a result of increased competition that has lowered margins in lending operations (the banks' traditional business), banks have diversified their sources of income and rely increasingly on income from fees services rather than interest rate spreads. Fees charged for services include typical banking activities like payment transactions, safe custody and account administration.

Information and Communication Technology in Banking:

Information and Communication Technology (ICT) is the language of the new age and its grammar which is Science has become an indispensable and veritable tool for enhancing effectiveness and efficiency in all other aspects of life. Banking industry has learnt the grammar. It understands the language of the new age. It has tremendously transformed the Industry from what it used to be to the economic mover of the whole wide world, through the magic hands of Computer Science innovations.

The adoption of ICT in banks has improved customer services, facilitated accurate records, provides for Home and Office Banking services, ensures convenient business hour, prompt and fair attention, and enhances faster services. The adoption of ICT improves the banks' image and leads to a wider, faster and more efficient market. It has also made work easier and more interesting, improves the competitive edge of banks, improves relationship with customers and assists in solving basic operational and planning problems.

The application of information and communication technology concepts, techniques, policies and implementation strategies to banking services has become a subject of fundamental importance and concerns to all banks and indeed a prerequisite for local and global competitiveness. ICT directly affects how managers decide, how they plan and what products and services are offered in the banking industry the way banks and their corporate relationships are organized worldwide and the variety of innovative devices available to enhance the speed and quality of service delivery.

Data storage and retrieval is another wonderful innovation brought into the Banking Industry, where specialized software is engaged to create database to be manipulated by Database Management Software (DBMS). A single database created could be used for several purposes within the system in order to eliminate data redundancy. ICT products in use in the banking industry include Automated Teller Machine, Smart Cards, Telephone Banking, MICR, Electronic Funds Transfer, Electronic Data Interchange, Electronic Home and Office Banking.

At the time of manual transactions, an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Now, for banking transactions customers are no longer prepared to wait for information or services. They want their banking information and services at their fingertips by their chosen delivery channel. This creates a problem for many banks and financial institutions. Because if they are unable to provide a fingertip service or IT based service to their customer, it affects their business. So as per the increasing need of IT, they have now started to provide a wide variety of delivery channels like ATM, Phone Banking, Internet Banking, Mobile Banking etc. Today, customer has a choice to use tailor made products for a quick service.

REASONS FOR USING IT IN INDIAN BANKS:

Many banks in India have introduced IT for several reasons: -

1. Adoption of information technology in financial institutions and IT based new services offered by them/competitors
2. Rising competition in banking industry
3. Globalization in banking

4. To meet the growing demand of customers for mobility, speed, efficiency and economy through various technology-based services
5. A technological revolution in the Indian economy
6. Today IT has dramatically changed the functioning of the banks. They have moved from a distributed/disbursed to a centralized environment by introducing multiple delivery channels like: ATM, Internet, and Mobile etc.

STATEMENT OF PROBLEM

Rising Competition, The Urban Co-operative Banks (UCBs) segment which was considered as one of the robust and fast expanding segments of the banking system till late 1990s has become one of the weakest with regular cases of failures. It must be recognized that an UCB's basic organization is driven by the philosophy of co-operation and in an increasingly competitive environment an urban bank becomes more vulnerable on account of factors like size, location and compulsions to lend to a sector and thus is deprived of scale economies.

The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit Limited ability to mobilize resources.

Low Level of recovery, High transaction cost, Administered rate of interest structure for a long time. Due to cooperative legislation and administration, Govt. interference has become a regular feature in the day–to-day administration of the cooperative institution.

Some of the problem area that arise out of the applicability of the cooperative's legislative are:

1. Deliberate control of cooperatives by the government.
2. Nomination of board of director by the government.
3. Participation of the nominated director by the government.
4. Deputation of government officials to cooperative institution etc.

The state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions.

CHAPTER -2 REVIEW OF LITERATURE

Bhat and Rao (1982) evaluated the Growth of PACS in Karnataka during 1965-1978. They reported that the number of societies decreased by about 40% while the membership increased by 110%. The total advances indicated fourfold increase and over dues recorded seven-fold increase. They concluded that in qualitative terms the progress of cooperative was not good due to increase in over dues of these institutions.

Vasudev (1984) studied the Progress and Performance of Primary Agricultural Credit Societies in Karnataka. He observed a reduction in number of societies, increasing trend in total membership as well as membership per society, declining of dormant societies, decrease in percentage of borrowing members to total membership, increase of share capital and loans advanced by PACS in the state during the study period (1968-69 to 1980-81).

Kanvinde (1987) discussed the Growth of RRBs, their impact on employment, operational cost and weakness in their operations. The low rate of returns on highly subsidized loans coupled with rising.

Dr. Chobe Sanket Narayanrao (2017) Economic growth of a country is depending on development of financial sector. In this connection, banking sector must be given priority to attain sustainability in the financial sector. So, the smooth and efficient operation of banking sector help to reduce the risk of failure of an economy, in that purpose central banks all around the world are continuously working on their supervision system. In evaluating the function of the banks, many of the developed and developing countries is now following uniform financial rating system (CAMEL RATING) along with other existing procedures and techniques. Management of Saraswat Co-operative Bank Ltd. succeeds to maintain Capital to Risk-weighted Assets Ratio (CRAR) and Credit Deposit Ratio (CD Ratio) as per prescribed norms of RBI. Debt to Equity Ratio of SCB Ltd. was increased, it means growth of own funds was weak as compared to outside liability of bank. Business per Employee Ratio increased but same time profit per employee ratio was decreased during the study period. NonPerforming Assets was as per limit of norms but increasing trend in NPAs and decreasing in Return on Assets Ratio are serious point for management of SCB Limited. It is need to improvement in Net Interest Margin Ratio. On the basis of the study, it can be concluded that, overall performance of The Saraswat Cooperative Bank Ltd. was satisfactory during the study period.

Mrs. P. P. Satvilkar (2018) The market is seeing discontinuous growth driven by new products and services that include opportunities in credit cards, consumer finance and

1. wealth management on the retail side, and in fee- based income and investment banking on the wholesale banking side.

2. Given the demographic shifts resulting from changes in age profile and household income, consumers will increasingly demand enhanced institutional capabilities and service levels from banks.

3. With the growth in the Indian economy expected to be strong for quite some time- especially in its services sector-the demand for banking services, especially retail banking, mortgages and investment services are expected to be on rise.

4. Reserve Bank of India (RBI) has approved a proposal from the government to amend the Banking Regulation Act to permit banks to trade in commodities and commodity derivatives.

5. The bank should look forward to promoting investment opportunities during their visit through banners, leaflets and pamphlets, etc. and increase the awareness levels.

6. The company must take strong steps in promoting the investment option and generates desire and interest towards the products. A complete new market strategy needs to be formulated.

7. Most of the customers were inclined to invest in insurance schemes in which they showed preference for automobile insurance. Firstly, the corporation should target the existing customer base investment plan and try to increase their awareness levels. Then they should make the other customers of the bank at least aware of the various schemes so that the next stage of interest, desire and action becomes easy to execute.

8. It was surprising to note that some of the respondents having account in co- operative Bank had investment in nearest rival HDFC. Corporation should take stern steps to channelize the investment towards itself. The corporation should also work on the factors, which lead to investment in other banks.

9. Location and loyalty towards the old banks were the key factors for this particular behaviour. The corporation therefore should give a serious thought to these aspects and

try to provide service, which can somehow make a dent in the loyalty and more trust towards the state-owned banks.

Dr. Dilip S. Chavan (2020) As a result of this research, it shows that from tangibility aspect of service quality is concerned, both the customers of Bank of Maharashtra and Saraswat Co-op Bank have strongly agreed that their banks are easily accessible. Saraswat Co-op Bank customers strongly agree that their bank is sincerely interested in problem solving from the point of view of reliable quality of service. Regarding assurance, customers in the field of Bank of Maharashtra and Saraswat Co-op Bank said their banks provide security for transactions and Saraswat Co-op Bank customers agree that their bankers have complete knowledge of banking products. Convenient operating bank hours from empathy point of view of service quality dimension, Saraswat co-op. bank customers have strongly agreed for this. There is no significant difference in opinion among the customers of Bank of Maharashtra sector and Saraswat Co-op Bank about confidence building and technology augmentation aspect of service quality. Bank of Maharashtra’s customer expectations in terms of queries and redressal, loan interest rates, and customer relationship management are higher than Saraswat Cooperative Bank. Saraswat Cooperative Bank's customers are more satisfied than the Bank of Maharashtra overheads and operational costs were shown to be weakening the financial position of RRBs. The author suggested revision of the interest rate.

Bhattacharya (1994) studied the Growth and Financial Viability of Mayurakshi Grameena Bank in West Bengal. The results revealed that the deposits declined from 42.92% to 15.9% from 1989-93. Income declined from 10.09% to 7.71% whereas expenditure increase from 6.21% to 9% during same period leading to losses.

Hosamani (1995) studied the Performance of Malaprabha Grameena Bank in Karnataka and found increase in compound growth rate in respect of number of branches, manpower, family coverage, village covered, deposit accounts and advance accounts. Deposit account and advance account per branch and deposit account per employee had increased over the years and found highly significant in the overall period. During in recent years, there was a shift in the deposit mix towards low-cost deposit with lower interest.

Koli and Landage (2007) studied the Financial Performance of District Central Cooperative Bank: A case of Rathnagiri District Cooperative Bank. This study area covers Rathnagiri district comprising of 9 taluks, with a network of 68 branches and 7 extension counters. For the purpose of the study the selected parameters were Number of branches, owned funds, share capital, borrowed funds, Bad debt, Reserves, Deposits etc. the compound growth rates were used for the analysis and concluded that the annual growth rate of total deposit was ranged from 1.26 to 47.01during the study period. The share of fixed deposits in the total deposits ranged in between 28.03 to 45.36 per cent. The composition of working capital to RDCC bank throws light on the significance of the borrowings of the bank, the borrowed funds which were Rs. 1661.65 lakhs in 1983- 84 rose to Rs. 43880.95 lakhs by 200405 indicated growths by 2540.81% during study period.

Raghu (1990) evaluated the Performance of Primary Cooperative Agricultural Development Bank (PCARDB) Bapatla, Guntur district. The performance of the bank was assessed by estimating the trends of selected indicators of growth. Compound growth rates were estimated in this context for the period from 1966-67 to 1985-86. A compound growth rate was calculated using the formula Y=abt. Ultimate compound growth rates were obtained through Antilog b-1X100.

Reddy (1994) studied the Financial Performance of Mulkanoor Cooperative Rural Banks with the help of different financial ratios and revealed that the institutions had very acceptable and appreciable values for different ratios like current ratio (2.09) and quick ratio (1.74). Further, he also revealed that the profitability ratio and turn over ratios were not up to the desired levels.

Goyal (1995) evaluated the Performance of the Primary Agricultural Credit Societies in Haryana. Time series secondary data pertaining to the period from 1980-81 to1990- 91 were collected the data on number of membership of the societies, deposits, loan advanced, loans outstanding, over dues were collected from statistical abstract, Haryana and other published sources. Compound growth rates (CGR) were worked out by using Exponential Model.

Singh (1996) has made on attempt in the paper to examine the role and performance of Primary Agricultural Cooperative Societies (PACS) in Allahabad district of Uttar Pradesh. The study covered the seven-year period 1988-89 and 1994-95. It was observed that repayment performance was very poor in almost all PACS between 1988- 89 and 1994-95. The percentage of recovery of total demand was around 50% during the period of study. Over dues are perpetual problems faced by PACS caused by wilful default, failure of crops, repayment of old debts, diversion of loan for unproductive purpose etc. it was suggested that the credit should be linked with marketing and action is needed against the defaulters.

Mahabub Hussain (1998) while assessing the performance of the Grameena Bank in Bangladesh laid the hypothesis that "If the poor are supplied with working capital they can generate productive selfemployment without additional external assistance”, and the result showed that the Grameena Bank had reached 6% of villages and 4% target households (1987). The amount disbursed increased from TK99 million in 1983 to TK542 million 1997. The unemployment of the borrower reduced from 31% of the members thought that the bank had made a positive contribution to their standards of living. These results did confirm the validity of the hypothesis.

Patil (2000) used various ratios to evaluate the Performance of Primary Cooperative Agricultural and Rural Development Banks in Dharwad district of Karnataka state. The study revealed that the Current Ratio was less than unity, while the Net worth and Profitability Ratios were negative for all the banks in all the periods except for PCARDB, Dharwad.

Masali (2004) studied the performance of UCBs in Belgaum. The study attempts to examine the viability of UCBs by using various parameters and concluded that the most of UCBs showed fairly low performance in Belgaum and also suffer from few major problems as absence of large branch networking, smaller area of operation, absence of training and expertise to the staff and management etc. Even with all liberalized policies of RBI.

Surya Rao (2007) studied the performance of Cooperative Banking in Andhra Pradesh. The analysis is carried out by using simple statistical techniques such as Averages, Coefficient of Variation (C.V), Growth Rates (G.R) and also ratio analysis is employed to examine the performance by making SWOT analysis and the analysis revealed that the operational efficiency of DCCB-ELURU is satisfactory.

Gadgil (1994) discussed the likely impact of financial sector reforms on the formal agricultural system in India. Movements of interest rates on agricultural loans over the period of 1980-94 are studied. It was observed that the new rates on crop loans to farmers have been enough to enable cooperative and RRBs to meet the financial transactions and risk costs, necessitating continued subsidization by the NABARD/RBI. The researcher then discussed the restructuring of RRBs and rural branches of commercial banks and the future role of NABARD under the situation of total deregulation of interest rates.

Deshapande et al (1998) studied the impact of regulation of interest rates in turning the loss making RRBs to profit making institutions. A sample of 15 RRBs were taken for the study and the information was obtained for the period of 1996-97. They found that impact of deregulation of interest rates on profitability was felt more strongly via advances (through increased interest income) compared to deposit (through possible reduction in interest cost) and the combined impact on both advances and deposit on profitability was found to be limited.

Raiker (1999) studied the initiatives that are undertaken by the RBI to reforms the UCBs in India and assess the impact of the changes on UCBs in Goa. The study uses the concepts of "Linear growth rate" and "compound growth rate" to study the trends in the indicators as Share capital, owned funds, Deposits, Investments etc. of the UCBs and concluded that reforms have slowed down the growth rate of some of the above indicators.

Patil and Thakkar (2007) studied the impact of disinvestment on banking and insurance sectors. They have taken the important parameters such as net profit, net NPA and CRAR and they selected bank groups such as scheduled commercial banks, public sector banks, old private sector banks, new private sector and foreign banks for the years of 1996-97 and 2002-03. And they have concluded that the reforms have positively impacted on banking sector, making more competitive, efficient and equipped with better productivity. The sector has also diversified and has made foray into insurance and investment banking. Some banks indeed have acquired the status of universal banks. The changed scenario may be described as massive banking sector, improved overall performance etc.

Rajendra and Anbalagan (2007) studied the impact of training programmes in central cooperative bank in Tamil Nadu. The present study was carried out in Vellore district central cooperative bank to find the impact and employees attitude towards training and the study helped to find the practical and fitting solution for the training programmes. A per tested questionnaire has been administered to 102 respondents. The study covered the training programmes during the years 2000-01 to 2004-05, and found that 72% of the respondents agreed that trainings helped them to improve the customer relationship, 94% of respondents agreed that training paves way for growth and 99% of respondents favourably accepted that training breeds to good employee behaviour and 95% of respondents felt that training is essential for all employees and same level of employees expressed that training should be made compulsory in all cooperative banks.

Lakshmanan and Dharmendran (2007) has examined the impact of NPAs on selected performance variables viz., Net profit, investments, legal expenses and spread bank. Simple regression model was applied to analyse its impact on performance variables. The result showed that impact of NPAs on all the above performance variables of the bank was negative and insignificant at 5 per cent level in all the equation. The only significant variable is constant in investment and spread. So concerted efforts are required at RBI, NABARD and banks level to control the mounting of NPAs to make the CCCBs effective in the management of NPAs and performance.

Thiripurasundari (2003) bring out the problems of over dues in cooperative housing societies- A case study. Two urban cooperative housing societies, one NGO cooperative housing society and one rural housing cooperative society was selected for the purpose of the study. Analysis were done relating to the over dues on account wise, customer wise and age wise and to know the relationship between age of the borrower and number of defaulter, income of the borrower and number of defaulter chi square test was used and finally concluded as the defaulters are often urged by the society to pay as much as possible to reduce the burden of their loan and thereby avoiding legal action. Hence the society should take suitable measures for reducing the problem of over dues and unnecessary expenses and thereby increases their operational efficiency.

Zakir Hussian (2004) studied the income tax problems of Service Cooperative Banks. The present study was carried out from the year 1999-2000 to 2001-02. The parameters used for the study were deposits, number of Service Cooperative Banks, Deposits per bank, Nature of deposit, Amount of deposit, Date of deposit etc. and concluded that the intervention of income tax department in the internal matters of these banks has added further fuel to their problems. And suggested that the service cooperative banks be exempted from payment of income tax. This will in turn enable service cooperative banks to expand and strengthen their activities and provide the continued financial support to the needy people.

Masali (2004) studied the Performance of Urban Cooperative Banks and he identified that even with all liberalized policies of the Reserve Bank of India the Urban Banks in Belgaum suffer from few major problems. The identified problems are Absence of large branch network, smaller area of operation, Absence of training and expertise to the staff and management, competition from cooperative credit societies, private banks and nationalized commercial banks, Delay in decision making etc. human resource development is one of the drawbacks of these banks. Lack of scientific method selection, lack of knowledge and skill required for their jobs, lack of support from the management is the result of their low performance level.

Raiker (2004) studied the Performance, Problems and Prospects of the Urban Cooperative Banks in Goa and identified the problems facing by the banks. Among them the five major banks were, the problem of dual control, an inadequate legal framework to regulate the commercial banks, the increasing incidence of weaknesses, a low level of professionalism, an apprehension about the credential of the promoters of some of the new UCBs. And also, to overcome these problems, the Madhavarao Committee recommended a number of measures that formed the basis of the reforms that were undertaken by the RB

CHAPTER -3 RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

This is a descriptive type of research which emphasizes on fact-finding analysis and investigation with requisite data interpretations. It is designed to collect descriptive information and to formulate various studies that are highly enlightened. Based on the literature reviews a research gap was analyzed in the previous studies, which helped the researcher to build a proper model, giving a proper direction to conduct a study on students.

TYPE OF STUDY

In this study exploratory research and descriptive research will going to be used.

Exploratory research: - Exploratory research conducted for a problem that has not been clearly defined. Exploratory research helps determine the best research design, data collection method and selection of subjects. It should draw definite conclusion only with extreme caution. Exploratory research often relies on secondary research such as reviewing available literature and /or data, or qualitative approaches such as informal discussions with consumers, employees, management or competitors, and more formal approaches through in-depth interviews, focus group and projective methods.

Descriptive research: - The objective research is to describe the characteristics of various aspects, such as the market potential for a product/company or the demographics and attitudes of consumers who buy the product with the help of primary data collected.

Data Collection: - The goal for all data collection is to compare quality evidence that then translates to data analysis and allows the building of a convincing and credible answer to questions that have been posed.

SOURCE OF DATA

- Primary Data
- Secondary Data

PRIMARY DATA

Primary data are those data which collected by researcher or investor first time, and it is newly. It means it is not collected by someone else or that data are not used which is collected by someone else.

Primary data are collected through some techniques:

- Questionnaire

In my research I'm started to collect the primary data by using my own Efforts and skill through Questionnaire and also with the help of my guide.

SECONDARY DATA

Secondary data are those data which is not collected first time by the researcher which is already have been collected by someone else.

Those data are taken by the researcher for analysis purpose only.

Secondary data are collected through using these techniques:

- Internet
- Magazine
- News Paper
- Any other Research Report
- Government Published Report

In my research I was collect secondary information through Internet

DATA PRESENTATION

Primary and Secondary data which is collected by me for the completion of my research work is presented in Pie chart.

SAMPLE AREA

- Sample area is MUMBAI

SAMPLE SIZE

- Sample size was taken by me as 60 Responses from student.

SAMPLING TECHNIQUES

There are some sampling techniques are used by me

- Convenience Simple Random Sampling

SAMPLING METHOD

The sampling method engaged here is a convenience sampling which is a nonprobability sampling method. Non-probability method is that sampling which involves the sample being drawn from that population which is easily available.

ANALYSIS OF DATA AND INTERPRETATION: For the purpose of data analysis Statistical package for social sciences (SPSS) software & Microsoft excel has been used, as it provides quicker and accurate data analysis which helps the researcher to investigate the research. For analysis and data interpretation Column, line, Pie chart, bar diagram and basic statistical tools such as count, percentage, mean, are used. Chi- square which is a non-parametric test is used for testing the hypotheses.

OBJECTIVE OF STUDY

1. To study the performance of urban co-operative bank in Mumbai district
2. To make suitable suggestion for future development
3. To compare performance of urban co-operative bank with public sector bank
4. To study the credit policies & procedures of these bank
5. To study the role of urban co-operative bank in sustainable development
6. To study the investment by urban co-operative banks in desired sector
7. To find out non-performing assets of co - operative bank

HYPOTHESIS

- **H1:** the co-operative banks provide financial liquidity in urban development
- **H0:** the co-operative bank does not provide financial liquidity in urban development
- **H1:** the co-operative bank policies are useful in urban development
- **H0:** the co-operative bank policies are not useful in urban development
- **H1:** the co-operative bank plays an important role in development of standard of living of urban individuals
- **H0:** the co-operative bank does not play an important role in development of standard of living of urban individuals
- **H1:** the co-operative bank bridge the gap between financial stability and liquidity of urban industries
- **H0:** the co-operative bank does not bridge the gap between financial stability and liquidity of urban industries

SIGNIFICANCE OF THE STUDY

The present study was undertaken in the year 2018-19 in Mumbai. The urban cooperative banks have come as special institution for serving middle income group of urban and semi urban areas. However, in recent years Urban Cooperative Banks are facing stiff competition from financial institutions. Hence there is more competition in financial sector because of mushroom growth of financial institutions in the city such as nationalized banks, private banks, corporate banking sector etc. In order to know the performance, growth, and the problems facing by the urban cooperative banks. The present study has made an attempt to assess the growth of these banks evaluate their financial performance and to identify problems faced by these banks in the state. This study examines the attitude, purpose and usage of mobile phones by undergraduate and post graduate students in a rapidly developing district of Mumbai, with special reference to the students of South Mumbai colleges. The research serves as a valuable guideline to telecommunication companies and various researchers in the field of information science, social communication etc., and a bridge of connectedness, but nothing is perfect. There are some negative impacts of use of mobile phone on students and their habits of using. It is analysed with the help of this research. The findings will help parents and teachers, to understand in a better way the usage behaviour of students' mobile phone. This helps in further investigation about the impact of usage of mobile phones on student's academic approach, social behaviour etc

SCOPE OF THE STUDY

The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones. The banks should plan for expansion. The banks should plan for expansion of branches. The banks should improve the customer services of the bank to a better extent.

LIMITATIONS OF THE STUDY

- The present study is confined to Mumbai city.
- The data pertaining to Urban Cooperative Banks was drawn from records of sample Urban Cooperative Banks in the Mumbai city.
- The sample is confined to few Urban Cooperative Banks in the state. Hence it would be difficult to draw precise generalizations regarding implications of the study.
- There are many gaps in the secondary data. Hence, some of the results suffer from this inconsistency.
- The findings, interpretations and conclusions drawn could be best seen within these limitations. This research shows fascinating findings about the use of mobile phones with reference to communication and media amongst the college going students, one of the major common limitations of this study is, the results cannot be generalized to all college going students since the area / geographical region location and the sample size is limited only to the extent of various South Mumbai colleges.

METHOD OF ANALYSIS

The different analytical tools and techniques used in the study are presented under the following heads:

- Exponential growth model
- Tabular analysis
- Financial ratios
- Garret's ranking test
- Exponential growth model

Growth rates for Urban Cooperative Banks in terms of Number of Banks, Number of Branches, Number of Members, paid up Share Capital, Reserve and Other Funds, Owned Funds, Deposits, Net Profits, Investments etc were computed for a period of 15 years, from 1992-93 to 2006-07. Several functional forms were used to estimate the growth rates of the selected economic variables. Finally exponential growth model was selected to assess the growth of UCBs in Karnataka and to evaluate the performance of UCBs, the model is of the following form:

Y=a b+t e Where,

Y= Dependent Variable for which the Growth Rate is Estimated a= Intercept b= Regression Coefficient t= Time Variable e= Error Term

The Computed Growth Rate was obtained from the logarithmic form of the above equation as below ln y= ln a + t ln b

The per cent Compound Growth rate (g) was derived using the relationship g= (anti ln of b-1) X 100.

Tabular Analysis

Simple conventional method of tabular analysis was used in order to study the impact of prudential norms on performance of Average and percentage analysis were adopted to compare the financial indicators such as number of banks, share capital, net profit, deposits, reserves, owned funds etc. before the year of introduction, on and after the year of introduction of prudential norms. Tabular analysis was also used to determine the effects of prudential norms on the above-mentioned indicators by comparing those indicators.

Financial Ratio Analysis

The Ratio Analysis is one of the most useful and common methods of analysing financial statements. The Financial Ratio Technique was considered to be a most useful tool in evaluating the performance of the financial institutions and they mainly point out the relative importance of the selected items. The financial statements used in this study correspond to the financial year of the UCBs from the year 2003-04 to 2006-07. In this study, the Ratio Analysis Technique has been heavily relied upon, to test the liquidity, solvency, profitability, strength and efficiency of the UCBs. The ratios used for the analysis are described below.

Test of Liquidity

This measures the ability of the enterprise to meet immediate maturing obligations. These ratios also called balance sheet ratios. Current ratio, Ratio of liquid assets to total assets and credit deposit ratio were employed to measure the liquidity position of the banks.

Current Ratio

The ratio would measure the degree of liquidity of banks in the short term. It indicates whether the current assets are sufficient to repay the current liabilities. It is given by the following equation.

Current Ratio= Current Assets/Current liabilities

The assets of UCBs include cash on hand, cash with districts central cooperative bank, cash with other banks, money at call and short notice, short term advances, bills receivable and prepaid expenses.

The current liabilities include demand deposit (saving and current) accounts, short term borrowings and bills payable.

A very high Current Ratio is not desirable as it would mean less efficient use of funds. Similarly, a low current ratio would mean too much of strain on working capital resources. It is generally believed that a good current ratio should be between1.5:1 and 2:1 generally higher the value of this ratio better would be the margin and financial solvency of the bank.

Liquid Assets to Totals Assets Ratio

This Ratio shows the liquidity performance of the banks, the degree of liquidity preference adopted by the bank and was computed as follows

Liquid Assets to Totals Assets ratio = Liquid Assets/Total Assets

The liquid assets include cash in hand, cash at bank and short-term deposits. The total assets include cash and bank investment, advances, fixed assets and other assets.

Credit Deposit Ratio

This Ratio indicates the extent of utilization of resources by the bank. This measure acts as an indirect means of assessing the monetary management of the bank. In the present study, the ratio was estimated as follows:

Credit Deposit Ratio= Advances Outstanding/ Deposit Outstandingx100

The total deposits outstanding comprised of fixed deposits, saving deposits, current deposits and other deposits. The other deposits include the deposits received from cooperative societies.

The success of the bank mainly depends upon the capacity of mobilizing different types of deposits with these deposits, they can make loans and advances.

Acid Test Ratio

This ratio is called quick ratio or near money ratio. This represents the ratio between quick assets and quick liabilities and computed as follows.

Acid Test Ratio= Quick Assets/ Current Liabilities

The quick assets include cash in hand and call money. The quick liabilities include short term deposits, short term borrowings, interest accrued and other liabilities. The ratio indicates the extent to which the capital is financing the current assets, which carries a high degree of liquidity. This ratio is defined as measure of liquidity and assess how liquid the bank would be if business operations come to an abrupt halt.

This ratio is the "Acid test" of the bank's financial soundness. An ideal quick ratio is said to be 1:1. It means that liquid assets of bank should at least equal to current liabilities. It indicates the banks are in a position to pay its current liabilities immediately. Higher ratio indicates the better capacity of the bank to meet its current obligations at short notice and if it is low, it shows short notice and if it is low, it shows short term scarcity.

Test of Solvency

The Solvency Ratios would indicate the ability of the banks to meet its medium- and long-term obligations and they would also provide a basis for measuring the leverage effect on the banks. To meet the solvency position of the banks, ratios such as total liabilities to owned funds and fixed assets to owned funds were employed.

Debt- Equity Ratio

This Ratio is also called Leverage. Lower value of the ratio indicates that the leverage effect will be restricted to the minor role of debt and the major capital being equity. The bank is supposed to be trading on thick equity and when the ratio is high. This ratio is computed using the equation given below

Debt- Equity Ratio = Long term Liabilities/Net worth

In the above ratio the debt is exclusive of current liabilities while equity refers to net worth after deducting intangible assets. Net worth includes statutory reserves, capital reserves revenues, revenues and share capital.

Indebtedness Ratio

This Ratio reflects the solvency position of the bank in a better way. The Ratio indicates the amount owed by the bank to creditors.

Indebt ness Ratio =Total Liabilities/ Net worth

In this case we take current account and term outside liabilities. The lower ratio indicates a better solvency position. The total liabilities include deposits, borrowings, other and contingent liabilities.

Tests of Strength

The following measures were used to measure the real worth of UCBs.

Net worth

It indicates what the bank owes to the owners of business. It measures the excess of assets over liabilities. A positive difference of higher magnitude indicates the soundness of the bank.

Net worth = Total Assets- Total Liabilities.

The net worth indicates the long run liquidity position of the bank or real worth of the business.

Net Capital Ratio

This ratio indicates the degree if liquidity of the business in the long run. It measures the degree of availability of assets to pay off long term liabilities.

Net capital ratio = Total Assets/Total Liabilities

Higher the net capital ratio, greater would be the margin of safety against decline in the prices of major assets of the bank. This ratio would throw light on the real financial strength of the bank.

Test of Profitability

The profitability ratios would provide a fairly sound method of diagnosis of the financial status of the banks and overall efficiency of the banks. These ratios compare the returns over the amount sunk into the business by the banks. Thus, these ratios indicate the profitability of sales and investments made in the business. The ratios employed for the study are discussed below.

Ratio of Net profit to Total Assets

This ratio would indicate the earning capacity of the total assets of the UCBs. It was computed as follows.

Net profits to Total Assets = Net profits/Total Assetsx100

An increasing trend over the years indicates the overall efficiency of the bank.

Net Profits to Net worth Ratio

This ratio showed the extent of profitability is being maintained. It was calculated by the equation given below.

Net Profits to net worth ratio = Net profits/Net worthx100

A decline in the ratio should be a cause for inquiry.

Net Profits to Fixed Assets Ratio

This ratio indicates whether the fixed assets are being used properly. A decline in the ratio shows either that the assets are being kept idle or that business conditions are bad.

Net profits to Fixed Assets = Net profits/Fixed Assetsx100

The lower ratio indicates that adequate depreciation was not written off so that the assets were not worth what they are stated to be. Further, it may mean that the assets were such that they may exist for a short period. The fixed assets consisted of land, building, furniture and fixtures and depreciation on the assets.

Garrett's Ranking Test

The study of constraints faced by the banks is one of the important aspects of research from policy point of view. The respondents were asked to specify the problems facing and rank them (in the order of severity) the constraints in banks and these banks were converted in to scores by referring to Garrett's table.

In this study, Garrett's ranking technique was used to analyze the constraints in banks. The order of the merit given by the respondents was changed into ranks by using the formula.

Per cent position = 100(Rij-0.5)/ Nij

Where Rij= Rank given for ith item by jth individual. Nij= Number of items ranked by jth individual.

The per cent position of each rank was converted to scores by referring to tables given by Garret and Woodworth (1969). Then for each factor, the scored of individual respondents were summed up and divided by the total number of respondents for whom scores were gathered. The mean scores for all the factors ranked, following decision criterion that lower the value the more important is the constraint to the banks.

CHAPTER - 4

DATA ANALYSIS, INTERPRETATION & PRESENTATION

PERFORMANCE OF SARASWAT BANK

Marching parallel to the evolving timeline of India, Saraswat Bank enters into its 100th year of service to the people. After setting sail in the year 1918, soon after the Russian revolution, the Bank has witnessed important world events like the First World War, Second World War, India's freedom struggle and the glorious post-independence era.

Standing the test of time, it has grown to be a pioneer in the urban co-operative banking sector in India offering unparalleled financial services. Towering above its competitors and growing soundly for a century, Saraswat Bank today is spread across six states – Maharashtra, Goa, Gujarat, Delhi, Madhya Pradesh and Karnataka. With a total business of Rs.58,000 crore plus, 280 plus branches, and 260 ATMs, the Bank is committed to taking its legacy ahead with outstanding service Urban Co-operative Bank (UCB). Owing to the vision and guidance of our able management team, we have played a pioneering role in the co-operative banking segment. Saraswat bank have steadily evolved from a community bank to India's largest Urban Cooperative Bank with a Pan-India footprint.

Saraswat bank have proactively embraced besting-class technology and industry-best practices in our business, while staying true to our values. Our Bank has an enduring heritage of blending the agility of a small bank with the ability of a large bank.

Leadership over the years... The transition from a credit society to a Multi-State Co- operative Bank with over 55,000 crore of business could not have been possible without strong leadership at the helm of the Bank throughout its history. I really admire the foresight and vision of our past leaders who with their insightful thoughts and ideas steered the course of your Bank from a co-operative credit society to India's Largest Urban Cooperative Bank. Throughout this journey they did not lose the core focus of staying with the cooperative sector, the common man and the upcoming entrepreneur.

The past 10 decades saw their fair share of ups and downs viz. from operating in a pre-independence era to post-independence from operating in a closed environment to operating in a post-liberalization era to the present day of operating in an era of globalization. In spite of all these external factors your Bank moved from strength to strength and carved a unique position for itself in the co-operative banking sector. Today we are one of the most well-managed and professional names in the UCB sector. We moved on from being a Bank primarily located in Maharashtra to expanding to newer geographical areas of Karnataka, Goa, Gujarat, Madhya Pradesh and even New Delhi. Taking pride in its co-operative culture, your Bank also took over few of the weaker banks in the co-operative segment and turned their branches into profitable ones. This was done while retaining their human resources and merging them perfectly into our culture. As we look back, we realise that all of this was possible only because of the thoughts and ideas of our past leadership, the strategies employed as well as the swift execution of the strategies by our management. Throughout its 100-year history, the Bank has been blessed with Thought Leaders, Strategic Leaders and Implementation Leaders, at all levels.

We are indeed proud of our past leadership; however, we cannot bask in our past glory. To change with the times, we have in recent times become more inclusive, less hierarchical and less judgmental. Opportunities have been given to younger leaders and new ideas are being encouraged. Thus, going forward also your Bank will continue to have the perfect blend of leadership whereby our collective thoughts strategies and implementation will lead us to greater heights of glory.

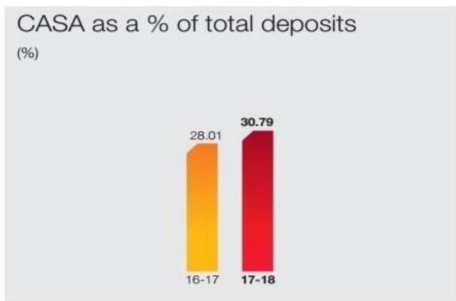
Momentous year for Saraswat Bank Saraswat Bank reported the highest profit of I 241 crores in its history owing to healthy growth in advances reduction in Non-Performing Assets (NPAs) and increase in low-cost Current Account and Savings Account (CASA) deposits. We believe our performance during the year was commendable given the challenges faced by India's banking sector. During the year we grew encouragingly owing to our strong risk governance framework and prudent approach towards lending.

During the year our Bank launched exciting new products like Credit Card and Gift Card, among others. We also introduced the business correspondent facility through the Aadhaar Enabled Payment Services (AEPS) and provided banking to the last mile by tying up with fair price shops. We believe these initiatives will help us enrich the customer experience further and drive our objective of financial inclusion. In step with changing times, We are well poised to double our total business to1,00,000 crores over the next few years. We will achieve this through the happy convergence of technology and teamwork. We are part of a rapidly changing business ecosystem that demands that we evolve constantly to serve our clients better. Leveraging our talent pool and technology investments, we are transforming ourselves every day to provide more customer-centric services every time. Overall, our customer-centric approach cuttingedge digital initiatives and prudent risk management will act as key catalysts for our future growth.

Numbers speak volumes...

Segment-wise break-up of loans

Rising share of low-cost CASA deposits



The performance of Saraswat Bank can be analyzed as follows

1. As compared to last year Gross profit is decrease by 8.48%
2. Decrease in gross profit is mainly because of increase in expenditures
3. To increase gross profit company should increase its sales and should control its expenditure.
4. There is increase in net worth mainly BECAUSE of issue of new shares and reserves Which is beneficial for long term stability of bank
5. Advances taken by bank is also increases which indicate good reputation of bank among the people Because of increase in expenditure the profit after tax is increase by very less amount
6. Non-performing assets also decrease which shows that bank able to recover its debts efficiently
7. Compare to last year there is increase in total deposits this is mainly BECAUSE of current deposit
8. NPA has reduced by around 50% (1.82-0.94)
9. Working capital is also increases which indicates short term solvency position is satisfactory
10. Return on average assets has fall marginally by 0.02%
11. The gross profit ratio has falling by 8.48%. However pat increase by 2.83%
12. Investment has substantially increased by 7.83%. the working capital has been increased by 5.41%
13. Un-secured loan has been increased by 5.70% which has direct impact on NPA.
14. CRAR has decreased by 0.40% that means the bank has ability to absorb losses
15. The number of deposit account over the past decades has grown by 100%. However, the number of advances accounts has decreased by 20%

Financial Performance of Greater Cooperative bank:

Particulars	**March 2018**	**March 2017**
Deposits	**1944.00**	**2026.74**
Savings	560.22	577.85
Current	108.81	92.47
Term	1274.97	1356.42
CASA %	**34.41%**	**33.07%**
Advances	**1368.56**	**1366.83**
Commercial Advances	415.02	432.47
Particulars	**March 2018**	**March 2017**
Others	953.54	934.26
Business Mix	**3312.56**	**3393.57**
Share Capital	28.28	26.60
Net Worth	81.93	70.74
Operating Profit	**36.27**	**45.58**
Net Profit / (Loss)	**7.93**	**-1.66**
CRAR	10.42%	11.82%
Gross NPAs	6.72%	7.52%
Net NPAs	3.46%	3.84%
Net Interest Margin (NIM)	3.00%	3.06%
Average Cost of Deposits	6.18%	6.93%

Highlights of financial performance:

1. Deposits decreased by ` 82.74 Crs at a growth rate of -0.04%.
2. CASA ratio increased by 134 bps during the year under review.
3. Advances increased by ` 1.75 Crs at a growth rate of 0.1%.
4. Net Profit of ` 7.93 Crs was recorded in financial year 2017-18 thus wiping out accumulated losses of earlier year.
5. CRAR remained at a comfortable level of 10.42% as against RBI norms of minimum of 9%.
6. Net Interest Margin (NIM) maintained at 3.00%, mainly due to realignment of credit portfolio from lower yield to higher yield and also due to reduction in cost of deposit.
7. Net Worth of the Bank increased to ` 81.93 Crs from ` 70.74 Crs, an increase of 16% over previous year.
8. Operating Profit decreased to ` 36.27 Crs from ` 45.58 Crs in the preceding financial year, a decrease of 20% over previous year.
9. Gross NPAs (%) and Net NPAs (%) decreased to 6.72% and 3.46% respectively as against 7.52% and 3.84% a year before.
10. The Bank made recovery to the tune of ` 50 Crs in FY 2017-18, and the impact on profit of the Bank was to the tune of ` 15 Crs.
11. The reduction in the average cost of deposits is the result of consistent efforts of interest rate realignments with the market.

Your Bank made a Net Profit of ` 7.93 cr for the financial year ended 31st March 2018 mainly due to NIM, Recovery in NPA accounts (Live as well as Written off) and maintaining Operational Cost at the same level as compared to FY 2016-17.

Your Bank is continuously focusing on reducing Operational Cost as an austerity measure to reduce Bank’s expenditure. Further, Bank is also focusing on increasing Core Advances, to generate higher Interest Income

Dividend:

During the Financial year ended 31st March 2018, Bank has made a decent profit of 7.93 crs and set off its carried forward losses. The Bank is proposing to pay pro-rata dividend @5% subject to Reserve Bank of India (RBI) approval. The total dividend outflow will be to the tune of ` 130 Lacs. The Bank also appropriated balance of profit in other reserves which in turn support Bank to maintain its CRAR above the

RBI's requirement. Appropriations of the net profit for the financial year have been proposed as below:

IN LACS

PARTICULARS	2017-18	2016-17
	`	`
Balance Profit as per last Balance Sheet	-166.39	0.00
Profit for the current financial year	792.62	-166.39
Net Profit available for appropriation	626.23	0.00
Statutory Reserve	198.16	0.00
Dividend @5%**	130.00	0.00
Dividend Equalization Fund	28.25	0.00
Staff Welfare Fund	4.19	0.00
Members Welfare Fund	14.14	0.00
Balance in Profit and Loss A/c	251.49	0.00

* *Dividend proposed for the year 2017-18 is subject to RBI approval.

Annual Budget and Development Plan: ` In Crores

Particulars	March 2018 Budget	March 2018 Actuals	March 2019 Budget
Deposits	2200.00	1944.00	2100.00
Advances	1525.00	1368.56	1500.00
Business Mix	3725.00	3312.56	3600.00

CRAR	>12.50%	10.42%	>12.50%
Gross NPAs	1.90%	6.72%	3.24%

Net NPAs	0.30%	3.46%	0.47%
Net Profit	18.80	7.93	24.17

Capital Adequacy Ratio:

Your Bank continues to have a comfortable capital adequacy ratio of 10.42% as against the minimum prescribed level of 9% by RBI.

CASA Expansion of Customer base:

Your Bank opened 26,077 CASA (Current and Saving Bank) relationships during the last financial year. The Bank has been acquiring on an average more than 19,000 new CASA relationships on a consistent basis for last 3 years. Addition in new CASA customer base will help the Bank in retaining decent CASA ratio and increase its customer base.

Growth & Development of the UCBs in India:

Growth and development of the UCBs may be classified under the following heads with respect to their time duration.

a. Growth and development prior to independence period
b. Growth and development for the period from 1948 to 1966
c. Growth and development for the period from1966 to 1993
d. Growth and development after1993

Growth and Development Prior to Independence Period:

The first experiment in urban credit in India was made in the Baroda state by Prof. V.L. Bhausaheb Kavathekar. The Madras Presidency developed indigenous societies known as Nidhi's, while Western India preferred mutual aid societies. The enactment of co- operative credit societies acts in 1904 conferred a legal status on credit cooperative societies and the first urban co-operative credit society was registered in October 1904 at Conjeevaram in Madras Province, Subsequently the Betegeri co- operative credit society in Dharwar district in the undivided Bombay Province and Bengaluru city cooperative credit society in the erstwhile Mysore state were registered in October 1905 and December 1905 respectively. However, the real beginning was after the amendment in 1912, enhancing its scope to the formation of societies other than credit societies. Hence the Government of India amended the Act in 1912 and in 1919 to make a provision for nonagricultural credit co-op societies. But little attention was paid to the development of urban credit movement till 1914. In 1915, Maclagan committee expressed its opinion that Urban credit cooperative Societies might serve a useful purpose in training the upper and middle upper classes to understand ordinary banking activities/principles. This created a favorable atmosphere, and the Government realized the importance of the UCBs as most suitable agencies for catering to the financial needs of small classes of urban/semi urban people who were in the clutches of moneylenders. The economic depression of 1930 severely affected the agricultural credit cooperative societies more than urban credit cooperative societies, but the progress of urban cooperative societies was steady. In the year 1938 all the list of nonagricultural credit societies were made and found that there was no difference between an urban society and urban bank. An Urban Cooperative Society having Rs.20,000/ as working capital and if it maintains fluid resources according to a standard fixed by the Registrar, was designated as an urban bank in Madras. In Bombay an Urban Cooperative Credit Society could be styled as an urban bank up to 1938, if it had Rs.50,000/ as working capital. However, the real growth of urban bank was made only after the extension of provisions of RBI Act 1934.

Growth and Development during 1948-49 to 1959-60

After enactment of the Banking Regulation Act 1949, our country showed the right path of development to urban co-operative banks and has made a steady growth without any financial participation or help from the Government. The most important development in Urban Cooperative Banking sector was the survey undertaken by the RBI in 1958- 59 for assessing the financial pattern of the UCBs and the role in financing small scale industries.

Growth and Development during March 1st 1966 to March 1993:

On 1st March 1966, the Urban Cooperative Banks were brought under the purview of the Banking Regulation Act 1949 i.e. some provisions of Banking Regulation Act were made applicable to the UCBs in 1966. This was a landmark in the evolution of urban banking movement in India and the UCBs came under duality of control of the RBI and state Government.

Growth and development after 1993

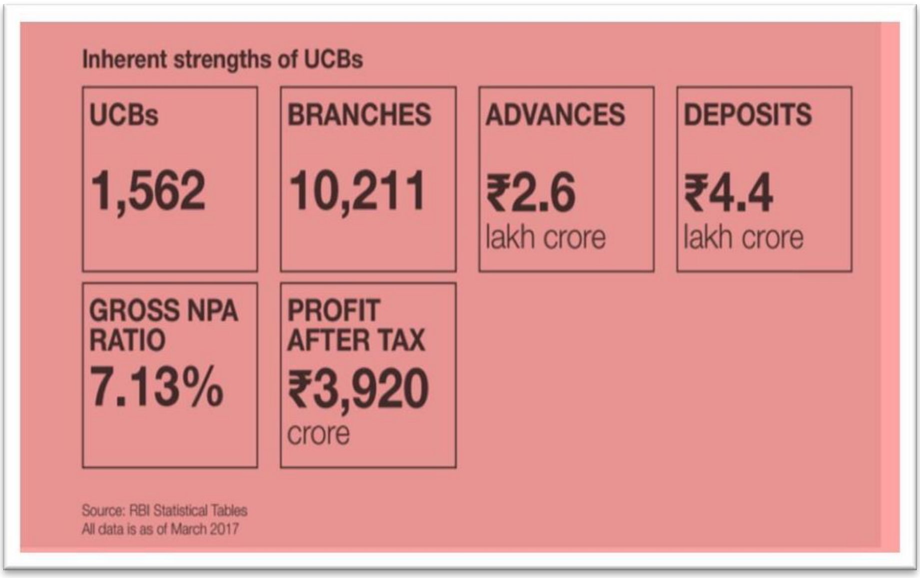
The year 1993 was a watershed in the annals of urban cooperative banking movement. After Narasimham Committee addressed the ills of banking system in 1991, and suggested a road map for liberalising the banking sector, a similar need was also felt to look de novo at the regulatory issues relating to UCBs. Accordingly, RBI appointed the Marathe Committee in 1991 to address these issues. Recommendations of this Committee were quite far reaching, particularly, in the realm of new bank licensing, branch licensing and area of operation etc. Essentially, Marathe Committee, suggested to dispense with the "one district-one bank" licensing policy and recommended organisation of banks based on the need for an institution and potential for a bank to mobilise deposits and purveying of credit. It also felt that existence of commercial banking network should not prevent the cooperative initiative. RBI accepted these recommendations and had come out with its new policy approach in May 1993, Between May 1993, when the revised policy was put in place and 31 March 1999, RBI has issued as many as 537 licenses for setting up new banks. The liberalised branch licensing policy's stress was more on bank's inherent financial strength rather than assessing the need for a branch and its viability in a given centre. As a result, the branch network of UCBs has increased from 3691 as at the end of March 1993, to 6619 by 31 March 1999. Urban cooperative banks were also allowed to extend their area of operation to the entire district without specific approval from RBI and banks, with deposits of Rs.50 crores and above, were permitted to cross the borders of the States of their registration. Banks complying with certain norms can now also open extension counters without RBI permission. RBI had also appointed a Working Group under the Chairmanship of Shri Uday M. Chitale in December 1995 to review the existing audit systems of UCBs. With a view to instill professionalism in the audit of UCBs, the

Working Group suggested that audit of UCBs, with deposits of Rs.25 crores and above, be conducted by Chartered Accountants, thus, ending the monopoly of State Government's audit of UCBs. It has suggested a standard format of audit for all the states. The Working Group also suggested revised audit rating model for UCBs. Regrettably, none of the states, not even the cooperatively advanced states, has implemented the recommendations of Chitale Working Group. Besides, easing regulatory restrictions, a number of policy pronouncements were made in the operational sphere too. UCBs can now invest 10 per cent of their surplus funds outside cooperative fold. Ceiling on quantum of advances to nominal members has been increased substantially and scheduled UCBs have been allowed to do merchant banking/forex operations. Effective from November 1996, urban cooperative banks have been given freedom to finance direct agricultural operations. The interest rates on deposits of urban banks have been deregulated from 21 October 1997. They can also install ATMs without prior approval of RBI. Thus, in the post Marathe Committee dispensation, there was a paradigm shift in RBI's regulatory approach. An excessively controlled regime gave way to a thoroughly liberalised dispensation. The shift in RBI policy on UCBs was a natural corollary of its policy stance on financial sector. Strangely, State Governments who are co-regulators, have not brought out any significant parallel reforms in tune with liberalisation process set in by RBI. The notable exception is Andhra Pradesh which enacted the Mutually Aided Cooperative Societies Act, 1995 freeing the cooperative societies, registered under this Act, from Government control as long as they do not solicit share capital or seek guarantees from State Government.

DEVELOPMENTS IN CO-OPERATIVE BANKING

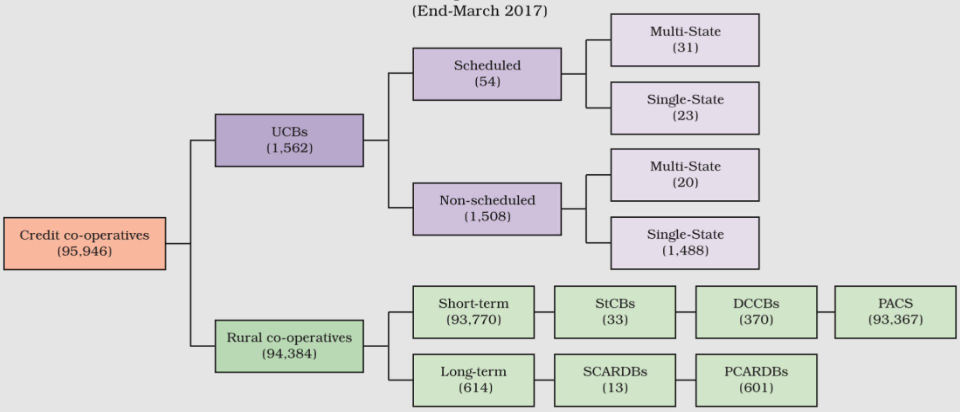
Co-operatives which have often been plagued by fragile financial health, on the whole, portrayed a sanguine picture in the financial results of the latest year. Following on- going consolidation efforts, urban cooperative banks exhibited expansion in balance sheet size and recorded improved profitability. Developments in the rural co-operative sector ensured a turnaround in the performance of the apex level long-term rural credit co-operatives while the short-term rural credit co-operatives continued to exhibit improved performance.

Credit co-operatives, comprising of urban co-operative banks (UCBs) and rural co- operative credit institutions, were formed as exclusive institutions to meet specific developmental objectives embodied in the extension of formal financial services to villages and small towns in India. Their geographic and demographic outreach plays a pivotal role in credit delivery and inclusiveness in the financial system. Yet their share is relatively small in the bank-dominated Indian financial system. At the end of March 2016, the assets of rural and urban co-operatives taken together were 10.6 per cent of the total assets held by SCBs. There were 1,562 UCBs and 94,384 rural co-operatives, including short-term and long-term co-operatives, at end-March 2017 Rural co- operatives accounted for a predominant share in the assets of the cooperative



Structure of cooperative banks in India

Chart VI.1: Structure of Co-operative Credit Institutions in India
(End-March 2017)



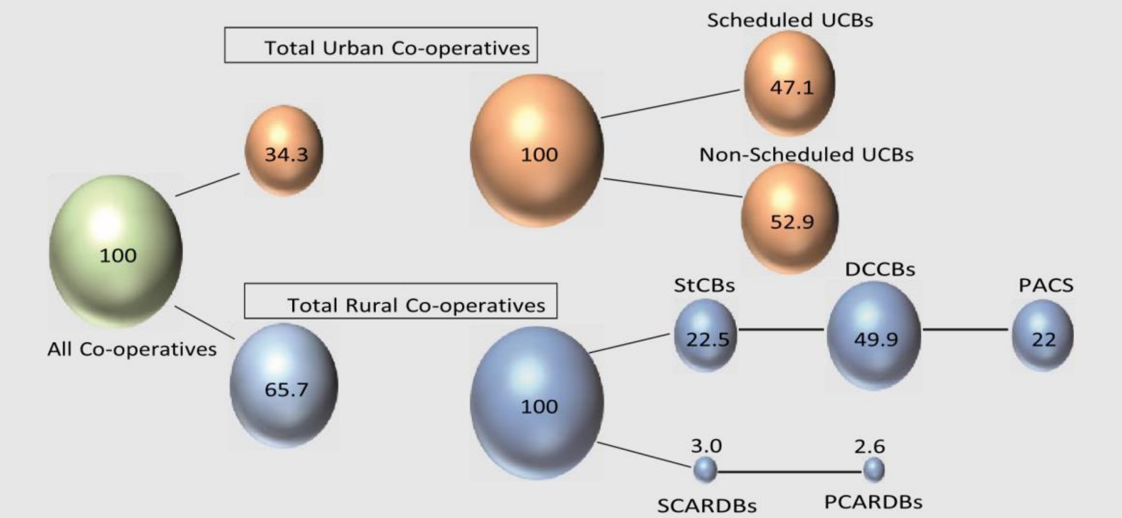
StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Notes: 1. Figures in parentheses indicate the number of institutions at end-March 2017 for UCBs and at end-March 2016 for rural co-operatives.
2. For rural co-operatives, the number of co-operatives refers to reporting co-operatives.

Urban Co-operative Banks

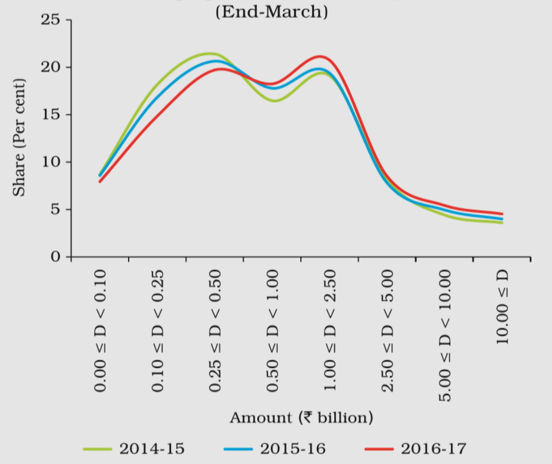
In pursuance of the recommendations of the Marathe Committee (1992), the Reserve Bank followed an active licensing policy for UCBs to allow them to tap area-specific deposit mobilisation and credit absorption potential. As a result, the period 1993-2004 witnessed a proliferation in the number of UCBs. Their poor financial.

Chart VI.2: The Structure of Co-operatives by Asset Size



Notes:1. Figures in Per cent.
2. Bubble Size is scaled to Asset Size.

Chart VI.7: Changing Distribution of Deposits of UCBs (End-March)



Note: D - Deposits.

Chart VI.5: Asset Growth of UCBs

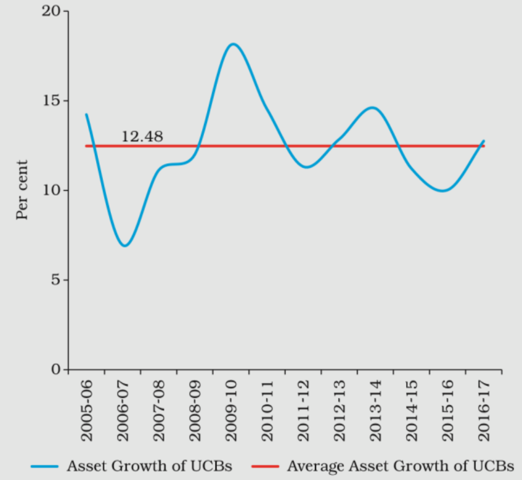


Chart VI.4: Geographical Distribution of UCB Mergers
(Cumulative basis as at end-March 2017)

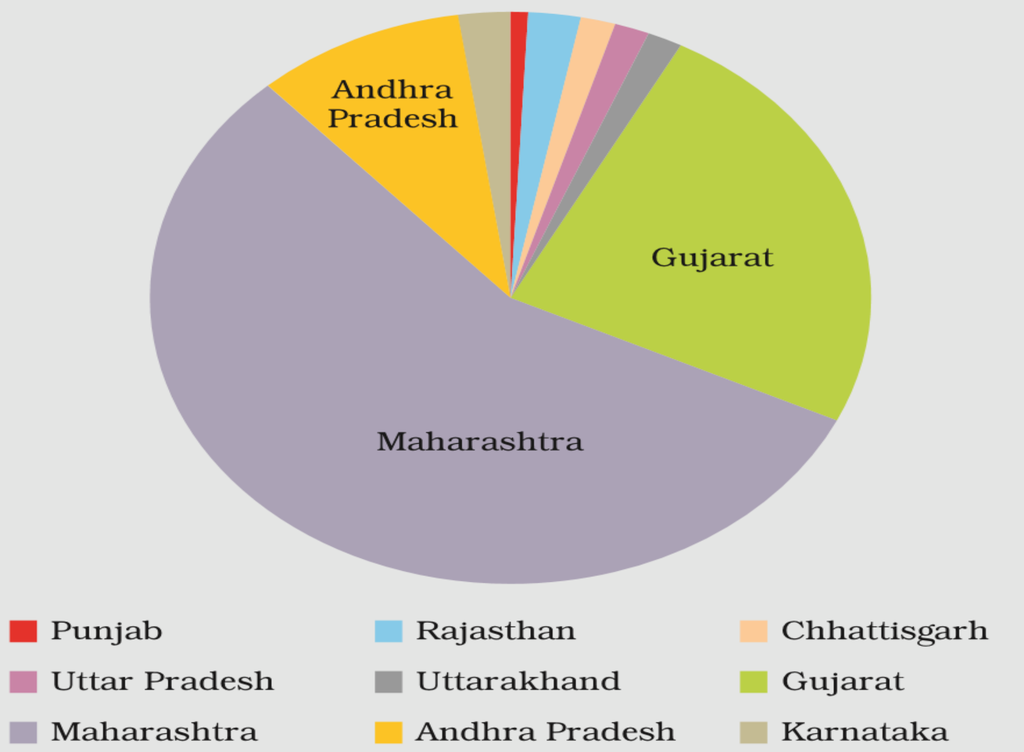


Chart VI.3: Fall in Number of UCBs since 2005

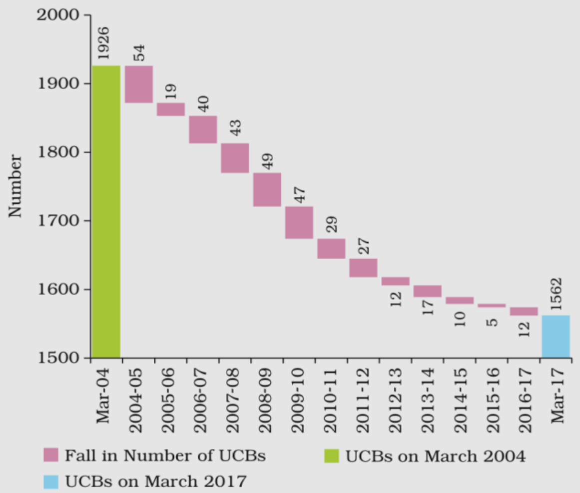


Chart VI.6: Rise of the Tier II UCBs
(End-March)

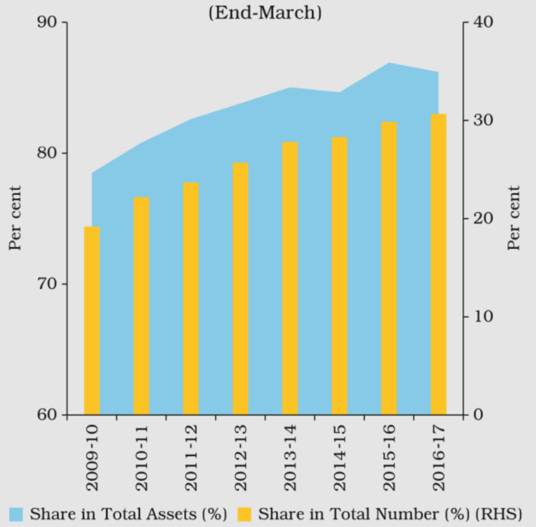
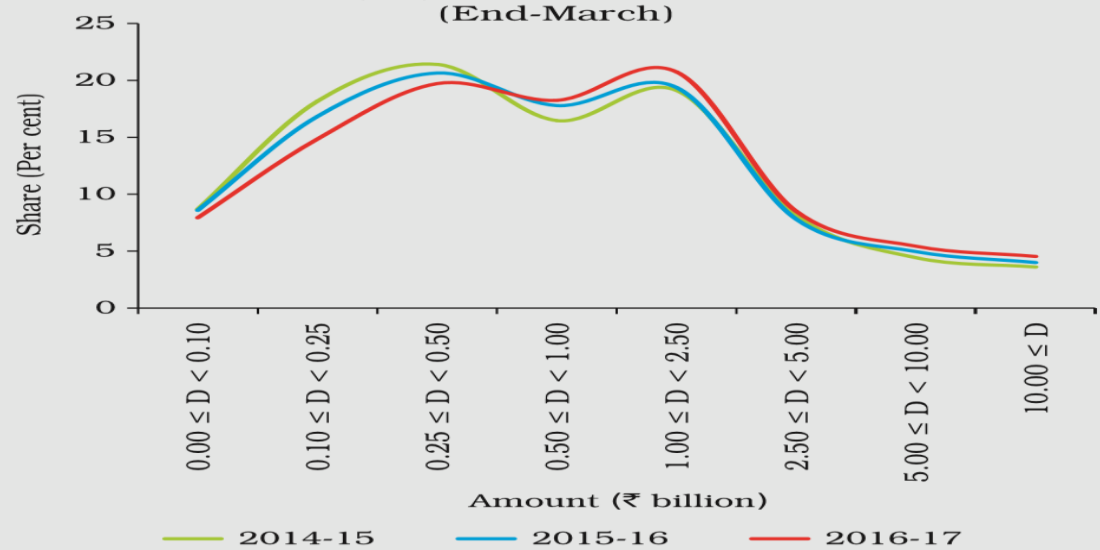
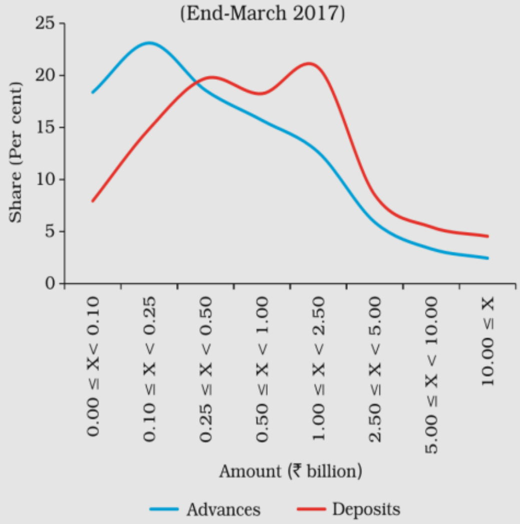


Chart VI.7: Changing Distribution of Deposits of UCBs
(End-March)



Note: D - Deposits.

Chart VI.8: Distribution of UCBs by Deposits *versus* Advances
(End-March 2017)



Note: X - Deposits/Advances.

Chart VI.10: Asset Share of Scheduled UCBs
(End-March)

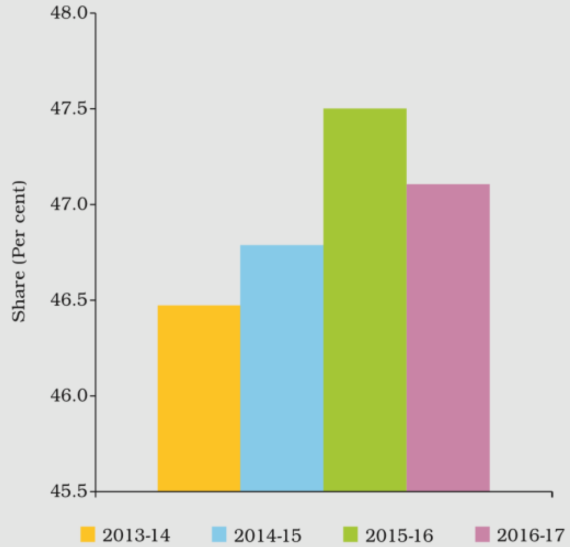


Chart VI.10: Asset Share of Scheduled UCBs
(End-March)

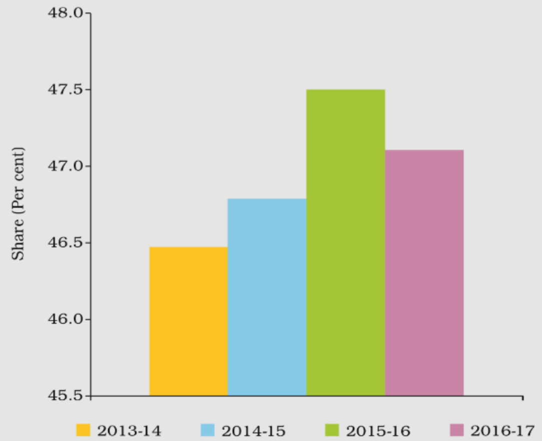


Chart VI.11: Credit to Deposit Ratio
(End-March)

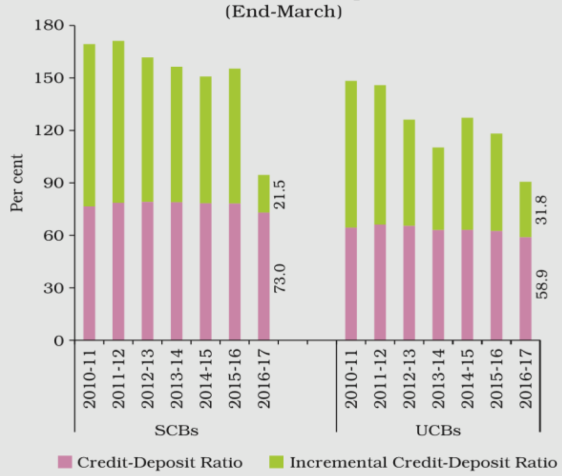


Chart VI.12: Investment to Deposit Ratio
(End-March)

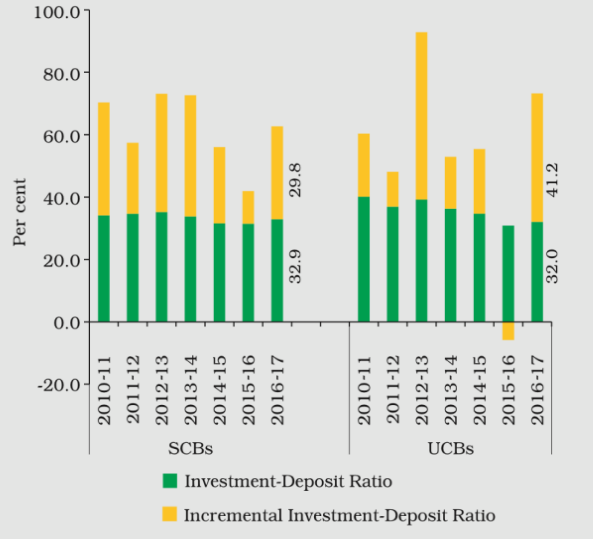


Chart VI.13: SLR and Non-SLR Investments of UCBs: End-March
(y-o-y percentage variation)

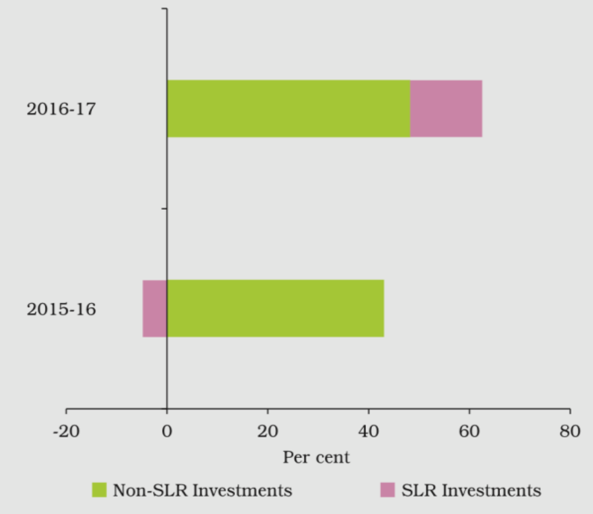
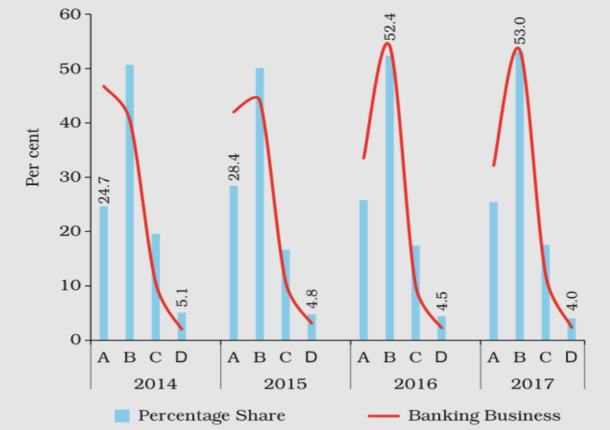


Chart VI.14: Distribution of Number and Business of UCBs - by Rating Categories



Note: Banking Business: Deposits *plus* Advances

Chart VI.16: Growth in Net Worth and Assets

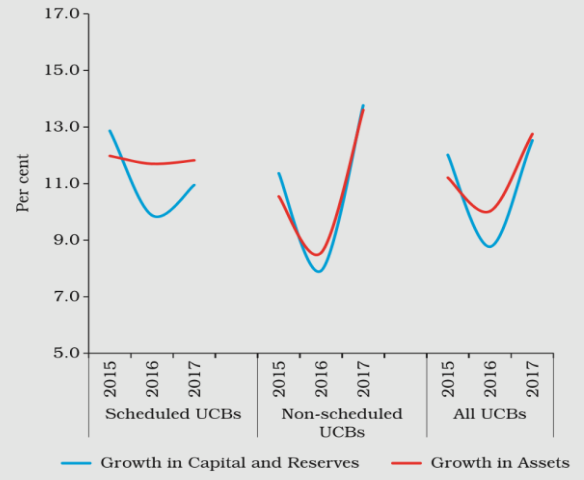
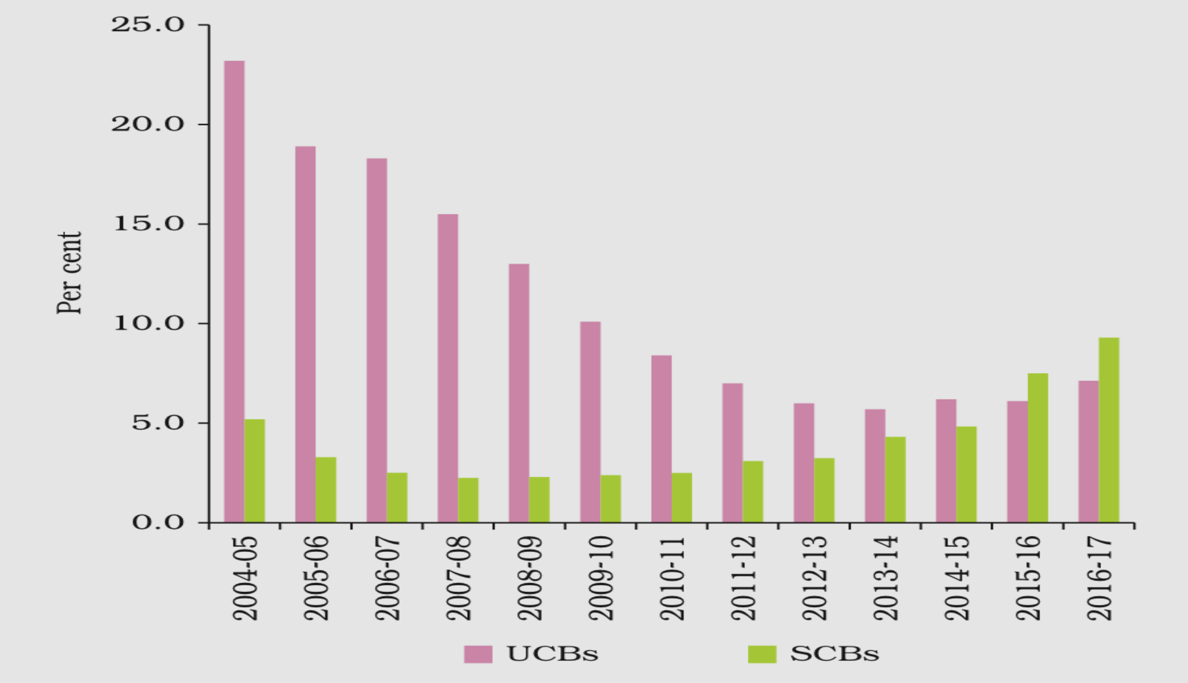
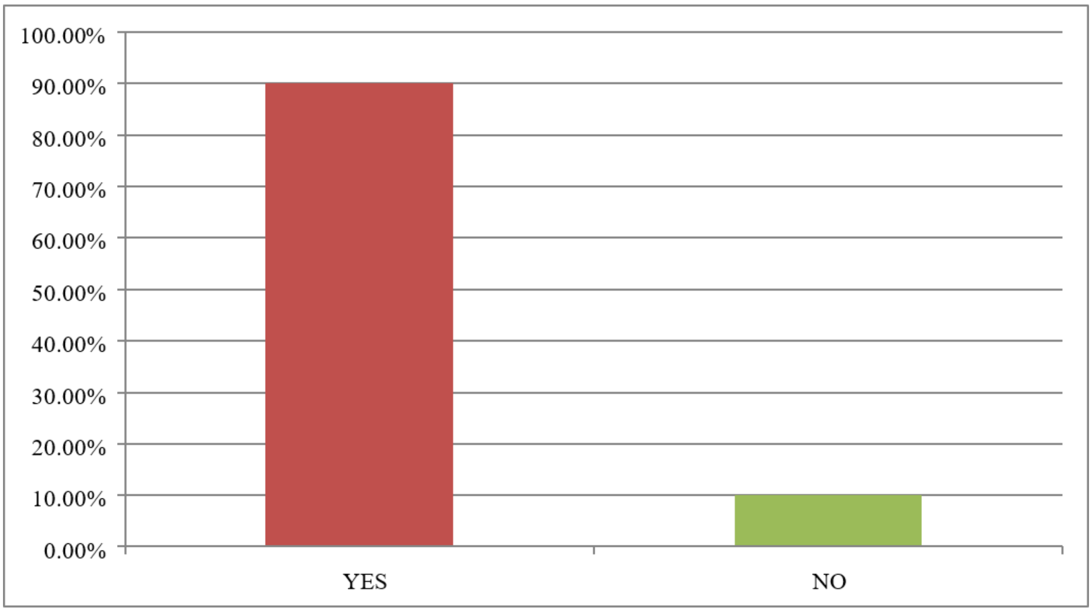


Chart VI.17: Non-performing Assets: UCBs *versus* SCBs



Have you heard about co-operative banking?

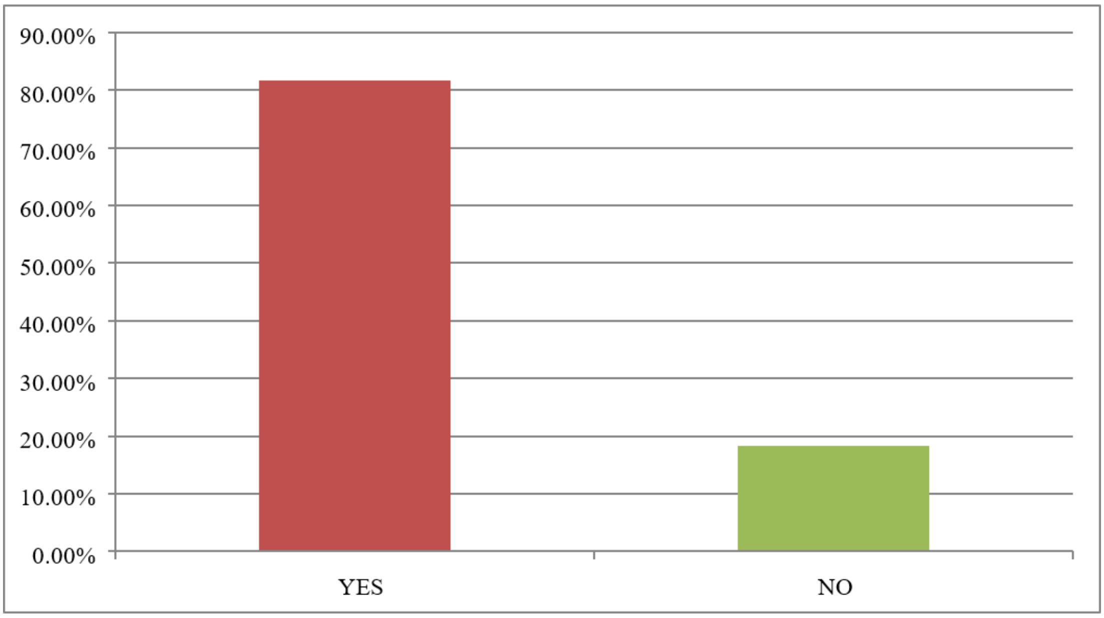
Response	Number of respondents	Percentage of respondent
YES	54	90.00%
NO	6	10.00%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who heard about co-operative banking are significantly more than that of those who didn't.

Do you understand the concept of co-operative banking?

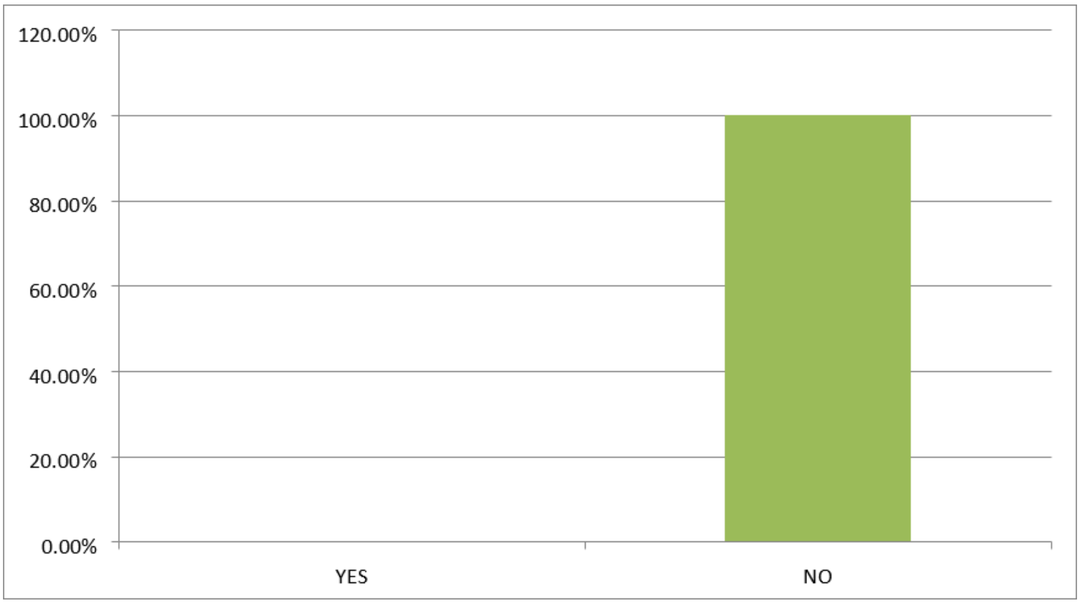
OPTIONS	RESPONDENTS	PERCENTAGE
YES	49	81.70%
NO	11	18.30%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who know the concept of co-operative banking are significantly more than that of those who didn't.

Are you satisfied with secondary functions offered like online banking, Debit Card, Credit Card and insurance services?

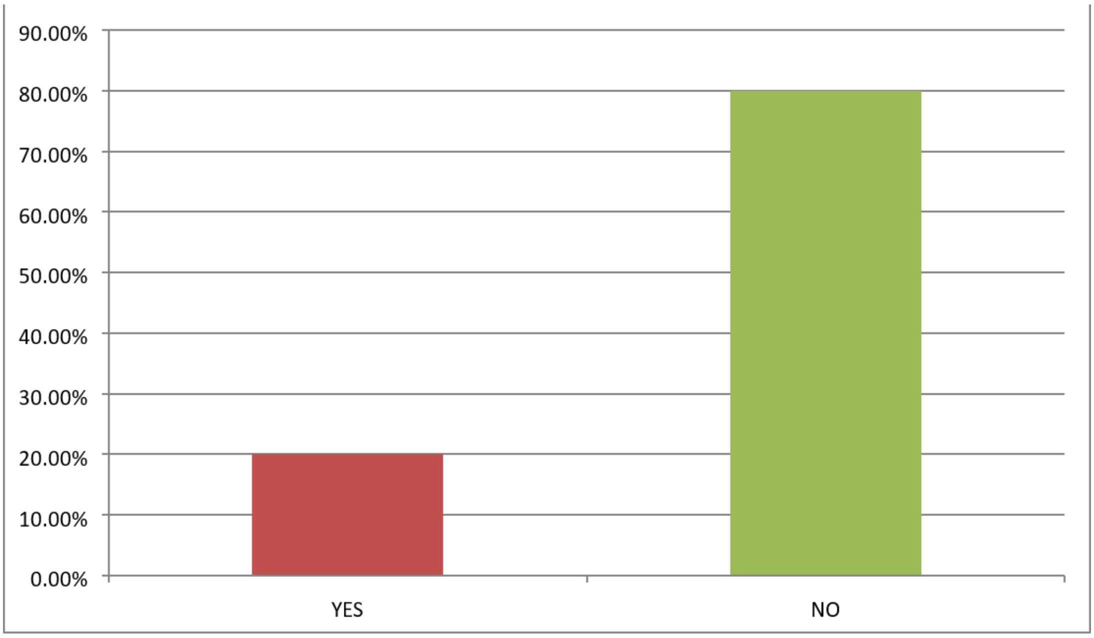
OPTIONS	RESPONDENTS	PERCENTAGE
YES	0	0.00%
NO	60	100.00%
Total	60	100.00%



Interpretations: All the respondents are dissatisfied with the secondary services provided by cooperative bank**.**

Have you taken loan from cooperative bank?

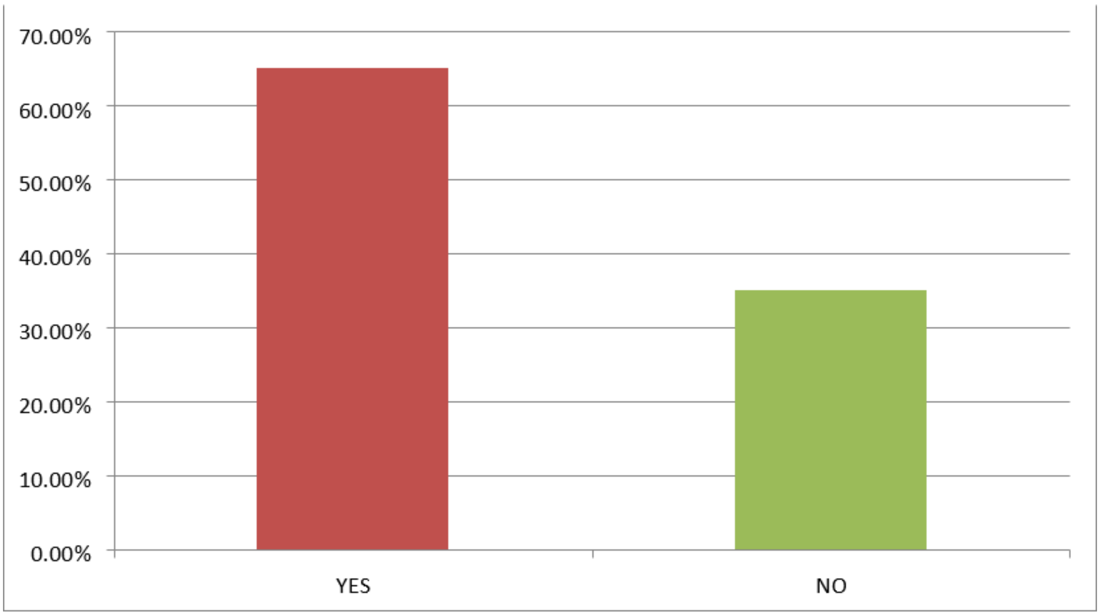
OPTIONS	RESPONDENTS	PERCENTAGE
YES	12	20.00%
NO	48	80.00%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. The proportion of those who says No is significantly more those who say yes. Hence, we can conclude that there are less people which have access to co-operative bank in India.

Is Co-operative bank necessary for general public?

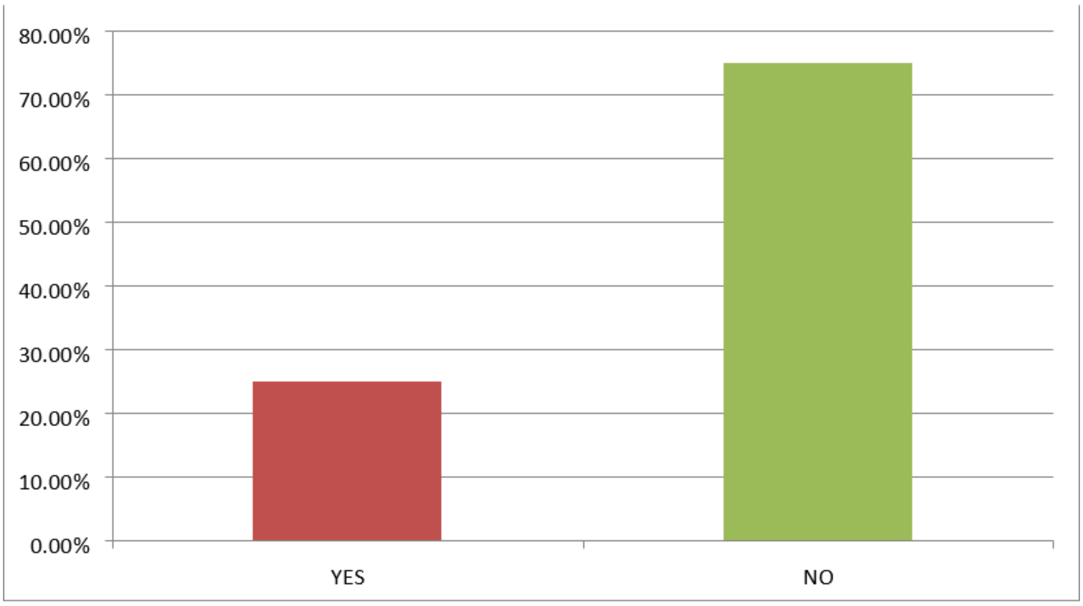
OPTIONS	RESPONDENTS	PERCENTAGE
YES	**39**	**65.00%**
NO	**21**	**35.00%**
Total	**60**	**100.00%**



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who agree that co-operative bank is necessary are significantly more.

Co-operative banks do not provide multipurpose loan?

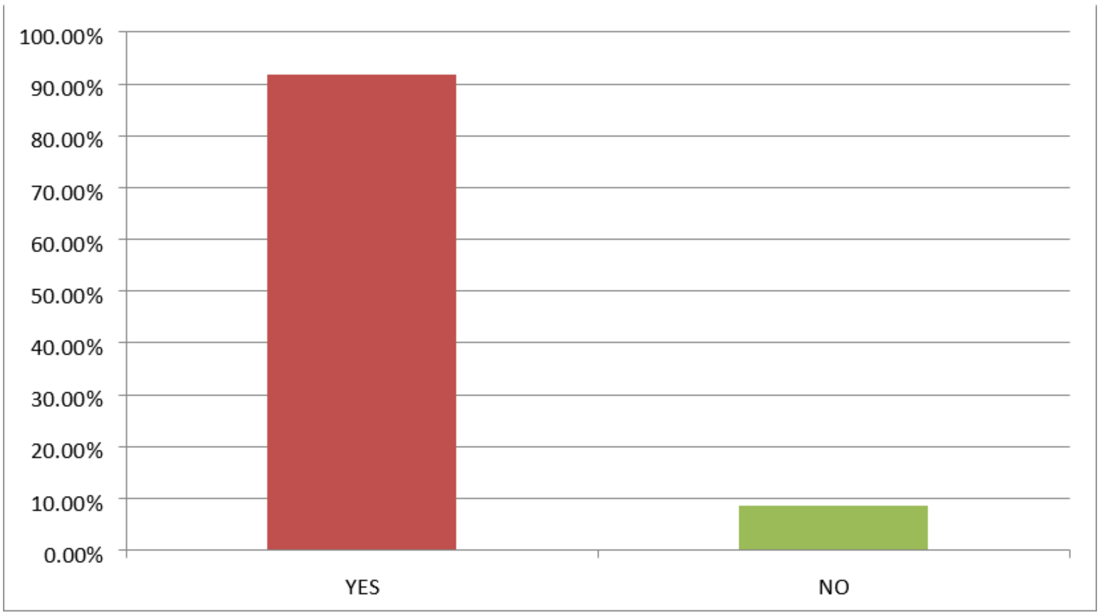
OPTIONS	RESPONDENTS	PERCENTAGE
YES	15	25.00%
NO	45	75.00%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who agree that co-operative bank is multipurpose are significantly more than that of those who do not agree.

Do co-operative banks play an important role in urban development?

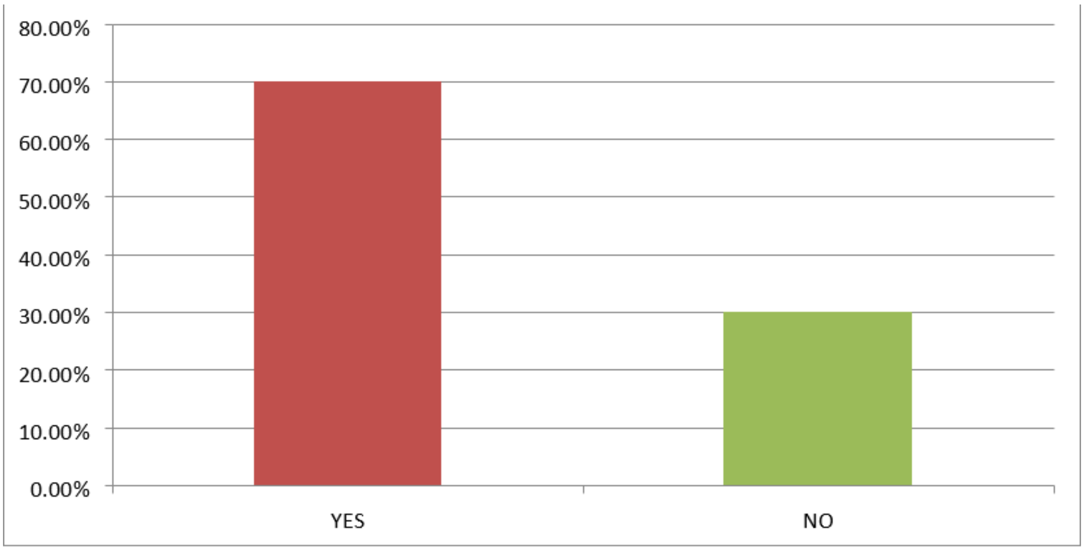
OPTIONS	RESPONDENTS	PERCENTAGE
YES	55	91.70%
NO	5	8.30%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. It indicates that the respondents agree that the co-operative bank is needed for urban development**.**

There should be proper accounting policy or standard for co-operative banking?

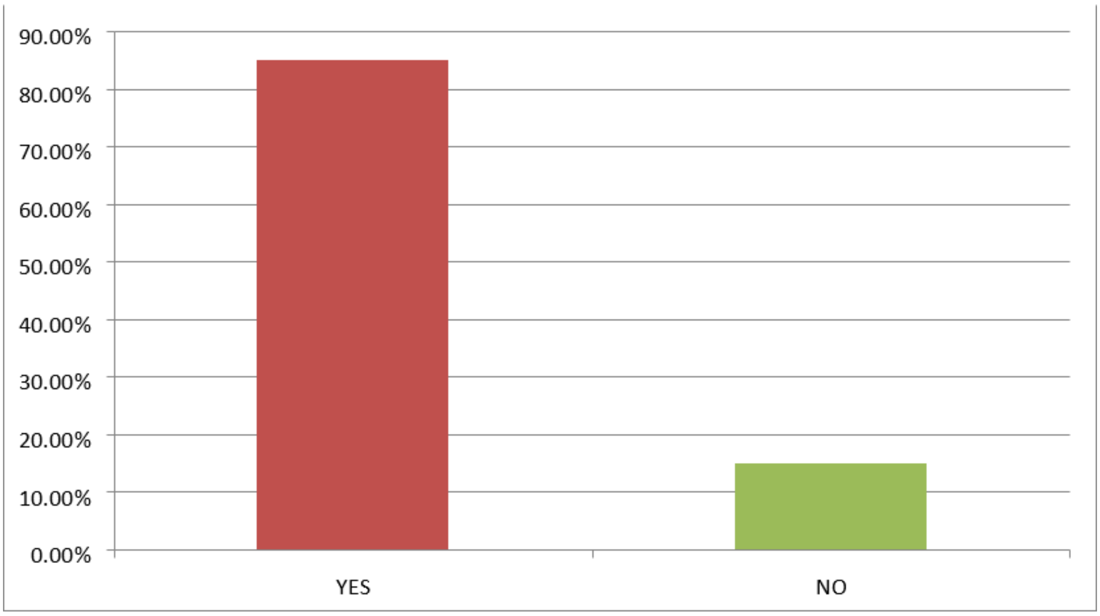
OPTIONS	RESPONDENTS	PERCENTAGE
YES	**42**	**70.00%**
NO	**18**	**30.00%**
Total	**60**	**100.00%**



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who agree that there should be proper accounting policy or standard for co-operative bank are significantly more than that of those who do not agree.

Do you know any co-operative bank?

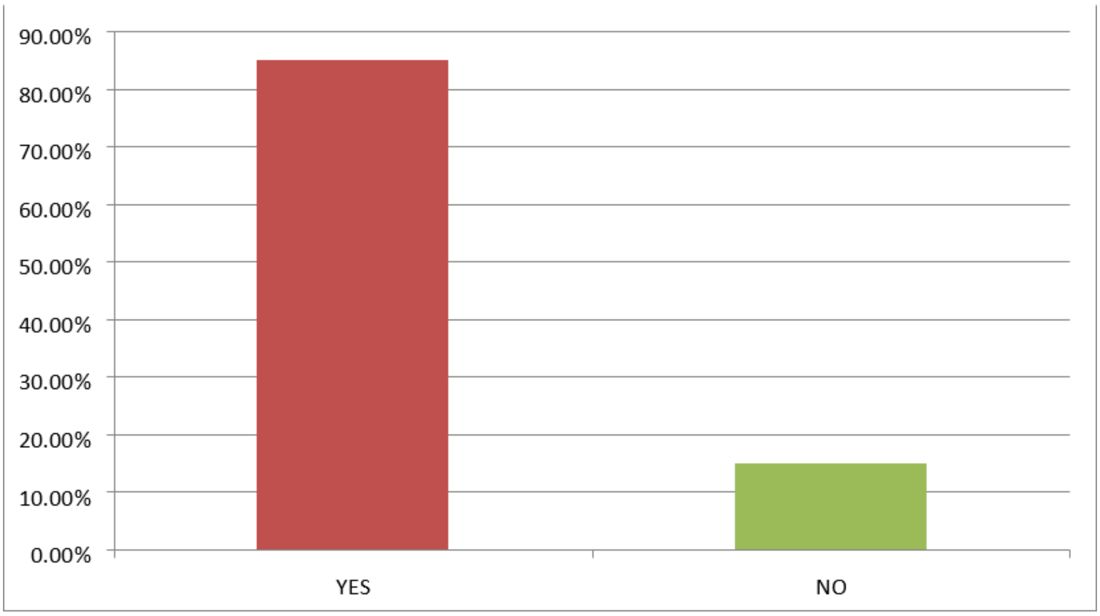
OPTIONS	RESPONDENTS	PERCENTAGE
YES	51	85.00%
NO	9	15.00%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who are aware of co-operative banking is more.

Are you satisfied with the interest rate offered by co-operative bank?

OPTIONS	RESPONDENTS	PERCENTAGE
YES	23	38.30%
NO	37	61.70%
Total	60	100.00%



Interpretations: It indicates that the responses are not equally distributed. It indicates that the proportion of respondents those who are aware of co-operative banking is more.

CHAPTER -5 FINDINGS & CONCLUSION

FINDINGS

This chapter is basically divided into three parts i.e., findings, conclusion, and suggestions. It gives an overall review of the study and the finding for the researcher from which conclusions are being made. This chapter infer by throwing light on the findings, conclusion, and suggestions.

1. The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit
2. Limited ability to mobilize resources.
3. Low Level of recovery.
4. High transaction cost.
5. Administered rate of interest structure for a long time.
6. The state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions.
7. Deliberate control of cooperatives by the government.
8. Nomination of board of director by the government.
9. Participation of the nominated director by the government.
10. Deputation of government officials to cooperative institution etc.
11. The UCBs offered unviable very high interest rates as well as incentives to the depositors.
12. The banks continuously defaulted in the maintenance of CRR and SLR.
13. Ignoring the RBI directive, the Banks sanction huge loans to the prohibited and risky sectors.
14. Borrowers with no capacity to run business and repay amounts are sanctioned huge loans.
15. Loan proposals instead of routing through the Branch Managers were directly recommended by the Directors.
16. In several instances crores of rupees were sanctioned to the individuals, who were not even income-tax payers.
17. Advances were sanctioned for unproductive / consumption / ceremonial purposes.
18. Excess drawl was allowed in many Over-Draft accounts.
19. The system of internal audit does not exist in many of the banks.

CONCLUSION

The cooperative banks are an important constituent of the Indian financial system. The cooperative movement originated in the west, but the importance of such banks have assumed in India is rarely paralleled anywhere else in the world. The cooperative banks in India are registered under the Cooperative Societies Act. The cooperative banks are also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Bank in Laws (Co-operative Societies) Act, 1965. These banks were conceived as substitutes for money lenders.

UCBs thus constitute a heterogeneous group in terms of geographical spread, area of operation, size and in terms of individual performance. The regional distribution of UCBs pointed to a concentration in the Western and Southern regions of the country. The States of Maharashtra, Gujarat, Karnataka, Andhra Pradesh, and Tamil Nadu account for more than 80 percent of the UCBs in the country as of end March 2018. There has been an impressive increase in deposits and advances of UCBs since 1991. UCBs are important segment of the banking sector in the country particularly with regard to urban financial inclusion, traditional/core banking activities as well as in off- balance sheet activities using both stochastic frontier and data envelopment analysis. The results point to a high mean efficiency in core banking activities as compared to the non-core/off-balance sheet activities. This finding has been reiterated by the frequency distribution of efficiency for banks. An analysis of super efficiency indicated only one Scheduled UCB. The other challenges faced by UCBs are duality of control between the Reserve Bank of India and respective State governments, the low level of professionalism, apprehensions about the credentials of promoters of some new UCBs, and lack of training among both lower staff and top management which has led to serious problems of governance. Several measures have been taken by the Reserve Bank of India to ensure their financial health and better corporate governance.

Urban Cooperative Banking is a key sector in the Indian Banking scene which in the recent years has gone through a lot of turmoil. Though some UCBs have shown credible performance in the recent years a large number of banks have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability ever growing non-performing assets (NPA) and relatively low capital base. Also, urban cooperative banks have not been able to service the growing credit requirements of clients or the newer demands for loans in the field of personal finance.

In the interest of healthy competition, the urban cooperative banks should be encouraged to grow. Thus a few bad eggs should not curb the growth of a key banking entity.

A high-power committee constituted by RBI finds that the NPA levels in UCBs are disproportionately high which is a major challenge to be tackled is. Like policy of Loans and Advance UCBs should have an Investment Policy and be updated in each year and approved in the BODs meeting. As a result of total mismanagement and frauds, the Non-Performing Assets – which do not yield any income increased abnormally and the banks became weak/sick**.**

SUGGESTIONS

Based on the findings it is suggested that

1. The banks should adopt the modern methods of banking like.
2. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
3. The banks should plan for expansion of branches.
4. The banks should improve the customer services of the bank to a better extent.

QUESTIONNAIRE

1. Have you heard about co-operative banking?
   - YES
   - NO
2. Do you understand the concept of co-operative banking?
   - YES
   - NO

3. Are you satisfied with secondary functions offered like online banking, Debit Card, Credit Card and insurance services?
   - YES
   - NO

4. Have you taken any loan from co-operative bank?
   - YES
   - NO

5. Is co-operative bank necessary for general public?
   - YES
   - NO

6. Cooperative banks do not provide multipurpose loan?
   - YES
   - NO

7. Do cooperative banks play an important role in urban development?
   - YES
   - NO

8. There should be proper accounting policy or standard for co-operative bank.?
   - YES
   - NO

9. Do you know any co-operative bank?
   - YES
   - NO

10. Are you satisfied with interest rate offered by co-operative bank?
    - YES
    - NO

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