

Role of Urban Bank in Indian Economy: A Study of Shri Balji Urban Cooperative Bank

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Abstract— Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. Urban co-operative banks ranked a very significant position in the Indian banking sector. Competent management is pre-requisite for the success of any organization. At present highly competitive and globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks. Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization. In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management. It is hoped that the State Governments will not delay acceptance of the recommendations made by the RBI. In view of the financial sector reforms and de-regulation, Urban Co-operative Banking Sector should be right away freed from restrictive provisions of co-operative Acts so as to make them self-reliant and self-supporting. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation co-operative banks operate as a balancing centre. At present there are several co-operative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. This paper is an attempt to highlight the role of urban bank in Indian economy with respect to Balaji Urban Cooperative Bank.

Index Terms— UCBs, Co-operative movement of India, StCBs, Loan, Investment, Advance, F.D., SBCoBank, financial performance.

I. INTRODUCTION

Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and work place groups and they essentially lend to small borrowers and businesses The Urban

Co-operative Banks (UCB's) have to play an important role in meeting the requirements of small traders, weavers, agriculturists and other lower and middle income group of people.

Recently, the UCB's have been directed to concentrate their efforts towards the industrial development and other priority sectors of the economy. In order to achieve the above objectives, the UCB's have to make proper credit planning and available financial resources must be allocated properly for such purpose. 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, until 1996, could only lend for non-agricultural purposes. As at end-March 2013, there were 1,770 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 51 UCBs having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance. They were brought under the regulatory ambit of the Reserve bank by extending certain provisions of the banking regulation act, 1949, effective from march 1, 1966.

Shree Balaji Co-operative Urban Bank has been started banking activity since 23-03-2000. It bank is certified by Banking Act 1949 and it is operated by administration and operation Co-operative Act 1912. Its working area is Satna. SBUCoBank is opens account related to Satna people for urban area. It provide 2% extra interest on F.D.(Fixed deposit) to share holder deposit by them It has opened account more than 10600 within the established of 13 years. In which saving accounts are 5000, fixed deposit a/c 4500 and current a/c 1600. It banks provide .05% interest on current account.

II. RESEARCH METHODOLOGY

The study is descriptive in nature and it is based on secondary data drawn from the annual reports.

Objectives of the Study:

Urban co-operative bank comes under primary co-operative societies at the base level of the three tiered pyramidal structure. The urban co-operative banks are the only institutions in co-operative credit structure which are very helpful to meet the requirement of small farmers and small scale industrial concerns as UCBs are formed on the principle of co-operation. Thus, right from their establishment, UCBs are solving the economic problems of lower middle income group of people and thereby contributing to the economic development of the country.

Background of UCBs:

The origins of the urban co-operative banking movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the co-operative 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 co-operation, mutual help, democratic decision making, and open membership. Co-operatives 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.

They provide credit to small scale industrialists, salaried employees, and other urban and semi-urban residents. Co-operative Banks in India are registered under the Co-operative Societies Act. The co-operative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1912. A co-operative bank is defined as "a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. The term Urban Co-operative Banks (UCBs), although not formally defined, refers to the primary co-operative banks located in urban and semi-urban areas. These banks, until 1996, were allowed to lend money only to non-agricultural purposes. This distinction remains today. These banks have been traditionally around communities, localities working out in essence, loans to small borrowers and businesses. Today their scope of operation has expanded considerably.

Co-operative banking – The challenges ahead in recent years, there has been a considerable widening and deepening of the Indian financial system, of which banking is a significant component. With greater liberalization, the financial system has come to play a much larger role in the allocation of resources than in the past and its role in future can be expected to be much larger than at present. The

growing role of the financial sector in the allocation of resources has significant potential advantages for the efficiency with which our economy functions.

The following areas required to take certain measures to be strengthened

1. The pattern of resources of Urban co-operative banks (owned funds, deposits, and borrowings)
2. The development of resources
3. The management and supervision
4. The role of UCBs in the financial system
5. The regulatory framework for co-operatives

Status of UCBs in India:

Indian Banking system is on its sound footing UCBs in India are playing major role in servicing rural economy and there is no need to worry as evident from following data regarding UCBs in India.

Statistics Analysis:

Table : 1

Total Number of Banks in India	1770
Total Deposits	Rs.1, 12,000 crs
Total Advances	Rs. 78,000 crs.
Total No. of scheduled banks in India	53
Total No. of Mahila Banks	139
Total No. of One Unit Banks	900
Salary Earner Banks	24
Total deposits of scheduled banks	Rs. 51,173 crs (42% of total deposits of UCBs)
Total advances scheduled banks	Rs. 32, 884 crs.

Source: Internet

Table: 2 Gradation of Banks all India level

Grade- I Banks-	690
Grade- II	430
Grade- III	390
Grade- IV	260

Source: Internet

**Table 3: Data Analysis of Shree Balaji Urban Co-operative bank Satna (M.P.)
Deposit, & Investment, Advances Deposit (Amount in lakhs)**

Statement	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Current a/c	418.78	346.70	592.22	488.08	354.49	757.98
Saving a/c	282.25	239.13	375.88	473.88	417.17	485.04
Term Deposit	468	1444.18	1513.69	1633.33	1288.82	1565.89
TOTAL	1169.33	1730.01	2481.79	2595.26	2068.48	2808.91

Source: Annual Report

Analysis: It has been observed from the above table that the current A/C amount is increasing 181%, Saving A/C amount is increasing 171.85%, and Term deposit A/C amount is increasing 334.59% whereas the total deposit A/C amount is increasing by 240.15% from 2007-08 to 2012-13.

Table 4: Investment (Amount in lakhs)

Statement	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Fixed Deposit	698.20	1209.37	1031.77	848.1	692.07	773.85
Govt. Securities	281.68	278.96	375.33	472.31	618.19	616.74
Total	979.88	1488.33	1407.10	1420.41	1310.26	1390.59

Source: Annual Report

Analysis: It has been observed from the above table that the fixed deposit amount is increasing by 11.84% , Govt. Securities deposit amount is increasing by 218.9% whereas the total investment amount is increasing by 141.91% from 2007-08 to 2012-13.

Table 5: Loan & Advances (Amount in lakhs)

Statement	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Short term	501.69	709.23	1293.81	1309.34	942.61	972.66
Medium term	153.09	177.51	236.23	226.76	387.39	473.09
Total	654.78	886.74	1530.04	1536.10	1330	1445.75

Source: Annual Report

Analysis:

It has been observed that the short term advance amount is increasing by 193.88%; medium term amount is increasing 309.03% Whereas the total loan and advance amount is increase by 220.80% from 2007-08 to 2012-13.

Table 6: Appropriation of Profit (Amount in lakhs)

Statement	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Statut. Reserve	25	50	50	55	55	75
Bad. Debt. Fund	05	07	9.50	11.50	08	13.50
Building Fund	20	20	25	25	25	25
Dividend	19.45	17.26	17.271	18	19.422	19.991
Income Tax	37.575	40.895	40.545	45.5	44.958	48.197
Balance of Profit	21.516	21.778	4.772	4.08	1.113	1.953
Total	128.541	156.933	147.088	159.08	153.533	183.641

Source: Annual Report

Analysis: Net profit increase during 2007-2008 to 2112-13 is 142.87%

Problems faced by co-operative banks

- A. 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 of cost.
 - Administered rate of interest structure for a long time.
- B. Due to co-operative 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 arises out of the applicability of the cooperatives legislative is:
- Deliberate control of co-operatives by the government.
 - Nomination of board of director by the government.
 - Participation of the nominated director by the government.
 - Deputation of government officials to co-operative institution etc.
- C. 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.
- D. Prior approval of RBI is mandatory for opening of new branches of SCBs. The SCBs are required to submit the proposal for opening of new branches to RBI through NABARD, whose recommendation is primarily taken into consideration while according permission.

III. SUGGESTIONS

With the onset of liberalization, Co-operative banks in India are under pressure to change the ways in which they do business. They now face an increasingly competitive environment not only from banks but also from non-bank financial institutions. Explosive growth in IT has changed the way individuals interact with banks and the way banks respond. In the changed scenario, success will depend on the ability of banks to leverage the human potential and capabilities, Marketing of Banking products, Customer value-added services, competitive pricing of deposits and advances, good corporate governance, information & Technology.

- The customer said that the bank should adopt the latest technology of the banking like ATMs, internet/online banking, credit cards etc.
- The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
- The banks should plan for expansion of branches.
- The banks should improve the customer services of the bank to a better extent.

IV. CONCLUSION

SBCoBank provide .05% interest on current account by tie up with many banks. It is providing many facilities to customers. SBCoBank is getting regular profit. It is cooperative lower and medium people in their financial progress. SBCBank is grade IInd UCB. Bank Development through co-operation is a basic principle of corporation movement. With the help of cooperation society can change economic and social life. As the bargaining power is the soul of new economic policy, it has posed new challenges before the Indian common man .On the other hand role of government is constantly minimizing. The Indian Government is implementing policies in the favor of Multinational companies, capitalists and the rich. This leads to serious question whether Indian Consumer and producer will survive in the era of globalization? The solution to this question is in the co-operation movement, as it has a bright history.

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