2.1: REVIEW OF LITERATURE

With a view to identify and understand the aspects and areas relating to UCBs investigated earlier, the researcher has taken an extensive review of work earlier carried on. The cooperative movement in India is a leading movement in the world. Among various sectors of cooperative movement, banking has recorded the fastest growth, since submission of All India Rural Credit Survey Committee (AIRCSC) Report 1954. Cooperative banking has survived and developed oscillating through a number of hurdles since its inception till date. Despite its impressive growth and felt presence over the decades, their roots have been shaking in many states of India, due to a variety of reasons, in recent past years. Even though the present study focused mainly on UCBs, it cannot be desisted from total cooperative credit structure. Hence inevitably, the development and problems of cooperative banking in general and UCBs in particular formed an integral part of review of literature. Since inception various studies have been carried out by the experts, research scholars and academicians in the field of cooperation in general and urban co-operative banking sector in particular. A lot of information including statistical data has been published in the form of books, reports, articles and research works.

The renowned books on cooperative banking, recommendations reported by various committees and study groups, research papers and articles published in periodicals, Ph. D thesis, M, Phil. Dissertations, websites and other published sources were reviewed to fabricate the hypothetical foundations of the study. The present review of literature gives an idea about the past and present banking environment along with the future challenges in the co-operative credit sector in general and urban co-operative banking sector in particular.

Indule C. B. (1968)\(^1\) asserted that UCBs have succeeded to attract small depositors and have been successfully competing with commercial banks. Furthermore he placed on record UCBs high ordered liquidity preference and positive trend in deposits and share capital. He pointed out that state governments have not paid due attention towards the vital recommendations put forth by Varde Committee regarding participation of state government in UCBs’ share capital. Further, he brought forward the deficiencies and problems of UCBs such as most of UCBs have no effective internal checks, violating the regulations, providing excess loans against
inappropriate security, not providing credit facilities to small traders, small scale industries with limited means as per their needs, excessive dual control.

In the end he argued that despite these problems, there is an enormous scope for the UCBs to expand their business because there are number of towns in India, which have no single UCB and/ or their branches.

Bedi R.D. (1971)² examined the progress of co-operative movement, managerial and operational aspects of the co-operative organizations at all levels. He gave stress on the programme of co-operative training and education, supervision and inspection of co-operatives and community development programme. His study showed the correct path to follow on the previous historical background which is necessary for the sustainable development of the co-operatives in India.

Madhavdas Committee (1978)³ remarked that to fulfill the requirement of credit in urban and semi-urban areas urban banks are a good channel and compared to other banks urban banks are cheaper as well as their working methods are easier. The committee observed that the UCBs have maintained good relation in local areas so the committee recommended facilities about re-finance on low rate for providing cheaper credit to small scale industries, self-employment, traders, transport services and other small services.

Gulabrao Patil (1980)⁴ pointed out the key problems of UCBs such as no permission to UCBs to become member of clearing house, non-acceptance of cheques and guarantees of UCBs ceiling on secured as well as non-secured loans, delay in getting license for opening new branches, differential treatment as compared to commercial banks, permission denial of loans to co-operation societies etc.

He criticized the discriminating policy of RBI in giving less importance to UCBs and more to nationalized banks in every aspect. He further urged that RBI and the Government have willfully neglected the implement the recommendations made by Madhav Das Committee in the interest of development of urban co-operative banks. He has appealed RBI not to withhold licensees of urban co-operative banks while liberally granting the permission to nationalized banks.

Rangarajan Committee (1984)⁵ drew up the first blue print for computerization and mechanization in banking industry and recommended introduction of computerization and mechanization at branch, regional office / zonal office and head office levels of banks.
Ghugare V. B. (1985) observed that some UCBs in Kolhapur have violated the RBI regulations U/S 12(2)(b) regarding providing loans to priority and weaker sector; instead they have highly concentrated on loans against gold and suggested that UCBs should strive to provide a wide range of banking services to their customers with all desirable facilities. With the active participation of every staff and member of the Board of Directors, the loan recovery system should be established.

Ghorpade V. D. (1986) observed that UCBs in Karad city have inculcated the habits of thrift and saving among their members and suggested the measures for effective working of UCBs, as follows: (i) that UCBs should make effective advertisement for collecting maximum deposits, (ii) that they should develop healthy relationship with customers, (iii) that before sanctioning loans a survey should be made regarding the feasibility of projects, (iv) that preference should be given to small scale and cottage industries and educated unemployment while disbursing loans, (v) that by considering the value of the time of depositors and customers, banks should introduce the ‘Teller System for Quick Banking Services’

NAFCUB (1986) threw ample light on the functions, activities, achievements and problems of UCBs and other credit societies operating in India. This book discussed the functions, problems, viability norms, provisions of Banking Regulation Act of 1949 applicable to UCBs, licensing guidelines, rehabilitation of weak banks, co-operative training and education, role of RBI and NAFCUB in development of UCBs among others. The book mentioned that in the beginning, the UCBs had members of a particular community which had reaped the fruits of co-operative credit institutions either by the way of earning interest on deposits or availing loans at comparatively at low rates of interest. The book pointed out the negligence of the government towards the second schedule of the RBI, membership of local clearing house, purchase of government securities, TDS on interest income of government securities, the maintenance of liquid assets, priority sector advances, grant of loans to co-operative housing societies, limitations on housing loans, limited insurance cover on deposits etc. The brief account has been taken of the training programmes, refresher courses, seminars conducted by the RBI for the senior staff and management of the UCBs to impart knowledge of banking business and latest developments regarding policies and procedures. The specific standards (norms) of viability of UCBs recommended by various committees and implemented time to time by the RBI
are also discussed. In the chapter Rehabilitation of Weak UCBs, the criterions framed by RBI for recognizing weak banks and their classification have been mentioned. Certain legal and operational measures have been suggested for overcoming the weakness. The specific information about the courses, training programmes, research, consultancy and publications in co-operation as well as institutions engaged in this regard at national and regional level has been revealed in the end chapter of the book. The book is very informative as every dimension of UCB has been precisely discussed in it.

Rangarajan Committee (1988) identified the purpose of computerization as improvement in customer service, decision making, house keeping and profitability. The committee observed that banking is a service industry and their improved efficiency will lead to a faster rate of growth in output and help to expand employment all around. The work force in the banking industry must, therefore, look upon computerization as a means to improve customer service and must welcome it in that spirit, the Committee added.

Rangarajan Committee (1989) observed that the class of customers and their expectation differ widely from one population segment to other-rural, semi-urban, urban and metropolitan and similarly the number of transactions and staff also vary widely. It is therefore difficult to generalize on the pattern of services to be provided by banks at their various branches. The committee recommended the computerization of banking services that would lead to reduction in processing/working time, accuracy in reporting, provision of additional innovative services and expeditious transfer of funds. It further pointed out that a time has come now to move to on-line real time transaction processing environment in relation to branch banking so as to enable the customer to have better service.

Koli P. P. (1991) found that most of the Womens’ Urban Co-Operative Banks in Western Maharashtra were small in terms of share capital, membership, loans and advances, working capital profit branches and area of operation and consequently have made a little impact on their members and are facing the problems. In order to improve the performance of Womans’ UCBs, she suggested that on all the posts female servants must be recruited and enough training facility should be provided. Moreover, they should avail the refinance facilities from RBI, SIDBI and NHB. Further, she suggested that there should be at least one lady director from the
womens’ UCBs in the state on the board of The Maharashtra State Co-operative Bank, which is an Apex Bank in co-operative credit sector in the state.

**Narsimhan Committee (1991)** did not show concern to review the working and evaluating the performance of co-operative banks and also did not make suggestions as to how challenges in feature be met by co-operatives. However, the recommendations made by the said committee certainly influenced the RBI policy directives about functions in future and the policy adopted by the RBI keeping in view only the problems of nationalized banks, this will not necessarily be relevant but also detrimental to the interest of UCB’s. Moreover, basic and urgent problems remain unnoticed e.g. the problem of declining profitability and viability owing to stringent SLR, CRR recommendations and interest thereon, priority sector lending, lending for housing, vehicles, loans to small traders, extension of consumption loan limits, permitting scheduled banks to open branches, outside the State, grant of foreign exchange dealership, merchant banking, etc. The reforms in the financial sector were officially announced as per the recommendations of Narsimhan Committee in the year 1991, which covered structural, organizational and operational aspects of commercial banks. The reforms mostly covered commercial banks and development financial institutions and left co-operatives out of the purview of recommendations by the Committee.

**Sen Gupta (1991)** studied the attitude of branch managers towards the changing bank environment and their approach towards credit business. His study highlighted that 76 percent of the respondents felt the need of marketing orientation, of which 30 percent perceived the importance of personalized customer service as the major criteria for tapping credit business and 46 percent favoured aggressive salesmanship. The study further revealed that though marketing belief existed in majority of managerial personal, implementation of strategies was lacking. They neither attempted to SWOT analysis nor endeavored to assess the potential demand for credit deployment in their respective command areas. Similarly the involvement of staff members in credit marketing was found lacking. The study recommended organizational intervention by way of team spirit at the branch level to make the branch a marketing outfit for bank lending.

**Girigosavi D. D.(1992)** suggested that the UCBs should organize blood donation camp, eye check-up camps, medical check-up camps, entrepreneurship
development camps, free marriage ceremony for rural folks, sports programmers etc. to enhance the clientele base. He also advocated the need of planning and research department for the effective marketing of banking services and the priority sector and weaker sections of the society should be given more importance in loans disbursement rather than security loans. The banks should provide transfer the loan sanctioning authority to branch managers up to some limit of amount. The staff should be trained in respect of customer services, behavioural skills, and innovative banking practices to improve the quality of service and bank image.

Gogate, M. V. (1993) highlighted the important aspects of select UCBs such as the composition of working capital, loan portfolio including priority sector and weaker sections, organizational structure, level of mechanization and computerization etc. To change the dismal picture of UCBs, the researcher suggested some important measures as follows; (i) to raise the share capital, (ii) to minimize the borrowings from DCC banks, (iii) to invest in inter-bank deposits, (iv) to discontinue long-term financing and the refinance facility, (v) to train the staff (vi) to adopt modern technology for all banking operations to attract and to satisfy the customers.

Raju (1993) found that major portion of the savings of households in Kerala was in the form of financial savings and that too in the form of bank deposits. He argued that banks still have an upper hand in mobilizing the savings of households especially in the matter of foreign remittances. He observed that the rate of growth in bank deposits did not match with the rate of growth in domestic savings. The surplus generated in the economy was being diverted to other forms of savings, some of which were nonproductive. He recommended that the banks should chalk out suitable deposit promotion strategies to educate and motivate different categories of households.

Jadhav N. L. (1994) found that customers of UCBs in Sangli district happier with their services than commercial banks and argued that though it is so for further improvement in customers service the following steps are required to be taken. (i) developing banking habits among woman folk, (ii) organizing the educational campaigns for convincing the importance of savings and inculcating the saving habits among masses, (iii) motivating small scale industries, (iv) organizing seminars and conferences on various banking related issues, (v) conducting competitions for ‘Best Member’ ‘Best Borrower’, and ‘Best Depositor’ etc.
Saraf Committee (1994)\(^{18}\) looked into technological issues related to the payment system, reviewed the telecommunication system like use of BANKNET and optimum utilization of SWIFT by the banks in India and made recommendations for widening the use of modern technology in the banking industry. The Committee recommended setting up institutions for electronic funds transfer system in India.

Shalgaonkar H. D. (1995)\(^{19}\) observed that most of the UCBs in Satara district had preferably financed to big traders and businessmen for non-productive purposes like consumption and ceremonial occasions and neglected the small and cottage industries. Resultantly they faced the NPA problem. The researcher has strongly appealed to the board of directors to work collectively for development of the bank by keeping aside their all personal rivalries. Finally, he pointed out that the UCBs have to concentrate their attention on new customer services like e-banking, credit and debit cards, merchant banking and try to increase profitability and to reduce the cost of operations for survival and development.

Shere Committee (1995)\(^{20}\) studied all aspects relating to electronic funds transfer and recommended framing of RBI (EFT system) regulations U/S 58 of the Reserve Bank of India Act 1934 (RBI Act.), amendments to the RBI Act and to the Bankers Book Evidence Act, 1891 as short-term measures and enacting of a few new acts such as EFT Act, the Computer Misuse And Data Protection Act etc. as long-term measures.

Kulkarni Shirish R. (1996)\(^{21}\) explained the overall position of UCBs operating in Gujarat in general and in Vadodara district in particular and observed that UCBs have succeeded in improving the standard of living of their members. He highlighted certain innovative schemes launched by UCBs for their members namely Jiwan Dhara Pension Scheme, Education Fund Scheme, Medical Fund Scheme, and Dhanya Watap Yojana in which loans are provided for purchasing food-grains at the time of harvesting. He found that some UCBs take care of their members even after their death by providing financial help to meet the expenses of rituals. Such an intimacy has naturally attracted the people to shift their preference from commercial banks to UCBs. The UCBs have succeeded to attract the deposits of urban people more than commercial banks did. Some UCBs initiating compulsory saving deposits for members have broadened their deposit base. They have promoted the people for daily saving and accordingly they have made arrangements to collect the amount from
the residence of depositors. The application of Deposit Insurance Scheme to UCBs has further enhanced the trust of urban people in UCBs. The intimate relations with the banks have helped the members to get timely and sufficient credit from UCBs.

Further, he found that working capital position of UCBs is comparatively strong, borrowings are negligible, C/D Ratio of UCBs is higher than commercial banks. Therefore, UCBs afford to charge 1 percent less interest than commercial banks and overdues percentage to total advances is comparatively less. He has placed a hand on defects in the working of UCBs such as women and weaker sections are less entertained, more loans are provided for consumption purposes, less educated people are working on high administrative posts and lack of training facilities. He regarded these defects as the major hindrances in the development of UCBs. In the end, he has suggested that at least two days in every week the UCBs should keep their offices open for more than normal time or can keep the banks open on Sunday and holiday on any other day instead. UCBs should increase the membership of women and the people weaker sections.

Narasimhan Committee (1998) examined the various issues related to the technology upgradation in the banking sector. The Committee observed that the most of the technology that could be considered suitable for India in some form or the other has been introduced in some diluted form or as a pilot project, but the desired success has not been achieved because of the reasons inter-alia lack of clarity and certainty on legal issues. The committee suggested implementation of the necessary legislative changes, keeping in the view the recommendations of Shere committee. The need for addressing the following issues was also emphasized:- (i) encryption on Public Switching Telephone Network (PSTN) lines (ii) admission of electronic files as evidence (iii) treating Electronic Funds Transfers on par with crossed cheques / drafts for purposes of Income Tax etc. (iv) electronic Record keeping (v) provide data protection (vi) implementation of digital signatures and (vii) clarification on payment finality in case of EFT.

Reserve Bank of India (1998) expressed that in the last couple of years there has been a key trend to focus on core banking systems. The report agreed that with the implementation of core banking systems across the banks, the usage level of IT for customer management has increased. Core banking systems have enabled banks to launch new products and services targeting specific customer segments after
understanding their banking and investment requirements. ATM, Internet-banking as well as Mobile-banking have improved customer convenience by providing Anywhere-Anytime Banking Services. Customers now prefer to pay their bills online at the click of a button. Electronic Clearing System (ECS) and Electronic Funds Transfer (EFT) have facilitated faster funds movement and settlement for the customers of different banks and different centers. The electronic data interchange and cash management service facilities have enabled better funds management for the customer. However, a very few banks have offered customers the ability to access their accounts and perform money transactions using Internet-banking. It is now possible for the banks to use the Internet as a delivery channel for banking services. Moreover technological advancements have introduced tremendous changes in the ability of financial and non-financial firms to efficiently collect, store, use and sell information about their customers.

Donde Ramesh (1999) noticed that as in the recent years the share of interest income from investment is slowly becoming larger than the interest income from loans the UCBs have been becoming unable to find out good class of borrowers. He pointed out that due to the lower rate of interest on debentures by Apex banks than the rate of interest on loans, profit of UCBs is declining rapidly. Further, he argued that the deregulation of interest rate policy of RBI has conferred freedom to the banks, but at the same time the responsibility of Board of Directors has been augmented. In this point of view the BoD should be keen and alert about rules and regulation of Banking Regulation Act-1949 RBI Policies, co-operative laws of concerned states, local, national and international level economic, political, social activities, customer’s expectations, and attitudes. He warned that the Board of Directors of UCBs should work seriously and studiously considering all the pros and cons in the operations.

Hota M. R. (2000) opined that banking is an effective tool of socio economic development of millions. However in the recent years there have occurred a number of transformations in the banking industry. The Indian financial system has transformed itself from class-banking to mass-banking, from wholesale-banking to retail-banking and from macro-banking micro-baking. The technological up-gradation, reasonable price of product, sound marketing policy and quality of service would give a bank the competitive edge in the new global environment. Attractive customer-friendly and pleasant atmosphere inside the branch premises would be the
order of the day. Training in the line of up-gradation of skills of the staff and change in their attitude, behavior and conduct would be vital for offering efficient and courteous services to customers in the computerized era and to authenticate the customer expectations. However the future appears to be very bright, rosy, and beneficial to the customer, who is at the center of attraction and in the sharp focus of all banks.

**Jagadish Capoor Committee (2000)** recommended several measures concerned with the recovery management, professionalization, business diversification, human resource development, fund mechanism and setting up of a Co-operative Rehabilitation and Development Fund (CRDF). Further the committee mentioned that the co-operatives have lost their democratic character and have become the government controlled bureaucratic organizations and suggested minimizing the excessive government control and regulation for the sound development of the co-operatives throughout its own principles.

**Lanjekar J.R. (2001)** evaluated the overall performance of the UCBs in Satara district with special reference to management, staff, customer service, profitability and financial position, ultimately focusing on customer satisfaction and opined that it is essential to provide training facilities as well as recreation facilities to the employees such as sports club, library, and amusement parks in order to enhance their efficiency. He further made some operational suggestions for improving the financial performance with increased customer satisfaction. (a) developing better organization set up, (b) providing enough training to the staff, (c) behaving affectionately with customers, (d) using modern technology for promptness and accuracy in operations.

**Rakesh Mohen (2001)** opined that the banking system must respond quickly and appropriately to the credit and promotional needs of the farmers, rural artisans, women and other segments of the rural poor. The Banking system in India governs the savings of the people and makes them available for development of rural sector. The banking system in Germany and Japan has close links with industrial and agricultural sectors, which is an important element in the rapid development of these countries.

**Andhare Rachana (2002)** highlighted dual control, lack of own reserve funds, tedious inspection, technology cost and replacement cost account of
obsolescence, competition amongst banks, faulty and unreliable credit management, application of CRAR, compulsory investment in government securities, incompetent staff and lack of training facilities etc. as vital problems faced by UCBs. She suggested that the banks should take appropriate steps to tackle these problems as early as possible.

**Anita, C. (2002)** observed that in the recent past many of the UCBs have failed due to credit risk. Many of the Multi State Scheduled UCBs have in recent past started Credit Enquiry Department and the work allotted to the staff members working in the department have to go in the market and collect as much possible information about the borrowers and his dealings by actually meeting suppliers, debtors, creditors and banker etc. The purpose behind this is very clear that these UCBs want to ensure that quality of the borrower client is tested in the initial stage of credit risk. As these banks are having very huge business volumes and they have established their credentials in the financial markets, these banks usually get the possible information through market participants. But for the small size UCB it is just impossible to get such information from the market. Further, there are restrictions on the area of operations that act as limiting factor for the UCBs. Hence, for long time the need to have Credit Information Bureau is felt by the urban co-operative banking sector. In fact an attempt to this was also made by the UCBs in Pune district on voluntary basis. However, it has failed as some of the UCBs refused to share their data base of customers. The need to have such official bureau is felt by almost all UCBs but because of some hesitancy and fear the UCBs are not coming out openly and sharing information among them.

**Balasubramanya S. (2002)** expressed that the automation in the banking sector has come a long way starting with the Rangarajan Committee Report on the banking sector reforms during 1980s, followed by reports of the Narasimhan Committee in 1990s. With over 65,000 branches of the banks (inclusive of public, private and the cooperative sector) in the country, He found that the percentage of branches covered by automation was very low. Though many banks had claimed that more than 70% business has been automated due to the enforcement of RBI guidelines, in reality it was much lower, as many functions in each branch were still done manually or with partial automation. Hence, there was a significant amount of automation work to be achieved in the banking sector.
Dominic Barton et al. (2002) quoted that financial crises are imminent in the global economy and the key to survival and growth in business is – anticipate first and then manage. Managing a crucial situation to emerge as a winner is the first step on the ladder to success. This is not as difficult as it seems.

Gulati et al. (2002) suggested that IT strategies need to be formulated by banks taking into consideration the critical aspects of long/short-term planning to align technology systems with business objectives. Conscious efforts must be made to place the entire organization’s proper perspective and to have a holistic approach to planning. He opined that the following strategic evaluation needs to be made:

(I) The current state (Where are we?): It is nothing but an introspection or self-assessment process which analyses the present/current technology in use. It incorporates the evaluation of staffing, training, organizational processes and controls, communication and management reporting.

(II) Desired state (Where do we want to go?): This refers to identification and prioritisation of the reasons behind technology adoption. The technology goals should always be firmly grounded in an understanding of the marketplace. Sizing up the competition and measuring up to its pace, based on a SWOT analysis, must be the foundation of the decision on where to go.

(III) Destination (How do we get there?): This is an important phase of the technology planning process which involves making decisions about, how to implement the technology action plan and the technology initiatives required to be pursued in the short-term, medium-term and long-term.

Nair Ramprakash (2002) focused on the key role of directors in the success of UCBs and discussed the attempts made by RBI in introducing a code of conduct for Board of Directors. Government has tried to establish balance between authority, responsibility and accountability in the co-operative sector with UCBs as no exception. Management with more lucid, proficient, trustworthiness and financial discipline are expected to enter in the UCBs. He strongly argued that the paradigm shift in the mind set of the Board of Directors will create a key organizational change in the management of urban co-operative banks.

Pise N. C. (2002) argued that because of their proximity to the customer, the scheduled UCBs are better than private sector and public sector banks in so far as growth and performance is concerned. Further he observed that due to the fall in the
interest rates on deposits, the public might have favoured the NBFCs. The mounting overdues have posed an acute problem before observed UCBs. He revealed that fact that non-interest income of sample UCBs was too less and non-interest expenses were increasing day by day. In this context, to provide better customer-oriented services, high quality of staff, the support and customer education is essential. To reduce the regional imbalance in the progress of UCBs, immediate attention should be given by the apex co-operative bodies, national and state level federations he remarked in the end.

**Pujari Y.D. (2002)** assessed the overall financial performance of UCBs in Solapur district and found that professionally powerful leadership can achieve better success. He focused on the problems of UCBs such as dual control, increasing competition and overdues, lack of professionalism and sound management. The researcher suggested the following measures to overcome the weakness and sickness of UCBs---(i) merging the weak banks into strong banks in the same talukas , (ii) providing modern professional skills and techniques to the personnel (iii) initiative of district associations of UCBs with the involvement of Department of Commerce and Management of the Universities.

**Sabannavar J. P. (2002)** argued that because of the strict control and restrictions laid down by the RBI as well as state governments, some existing UCBs in Belgaum district have merged into other giant banks while some have liquidated and some have turned weak. He observed that in order to expand the business most of the UCBs have concentrated on housing loans and trade and commerce neglecting the unemployed youth, small artisans, professionals, and small scale units. He opined that the largest chunk of the weaker sections of the society have lagged behind in availing credit facilities from UCBs only because of non possession of wealth i.e. land, building, gold, silver etc. to offer it as security. Further, the researcher has suggested following measures for improving the situation; (i) to improve the efficiency of the staff, (ii) to provide professional training to staff, (iii) to equip the managers with substantial controlling powers, (iv) to attract the institutional savings from schools, colleges, associations, and trusts by evolving new deposits products, (v) to set up the separate debt recovery mechanism, (vi) to adopt the modern technology , (vii) to enhance the satisfaction level of customers by providing them innovative IT-based services such as ATM, credit-cards, telephone banking and e-banking etc.
Steve Allen (2002)\textsuperscript{38} observed that the urban co-operative banking sector in India has experienced a lot of financial disasters. The recent one is that of the collapse of Madhopura Bank in the state of Gujarat, which has twisted more than 25 small UCBs in the state along with it. The regulator in its directive, while highlighting the need of long term viability of the UCBs, has referred to the adverse impact on profit, profitability and the net worth of the bank. Lack of transparency in the lending transactions of the Madhavpura Bank and blind faith of other small UCBs who have invested their substantial amount in the said bank has jittered the co-operative banking not only in the state of Gujarat but throughout the country. This has even raised question mark on the working of UCBs in the country and caused reputational risk to other sound UCBs in other states also. Since January 2007, world over the recession started and India also could not keep itself aside from it. Fortunately, in India the intensity of the recession was not that high as it is experienced by the developed countries like USA or European countries. During this period the UCBs especially in the states which were advanced in industrial developments faced adverse market conditions and risks arising out of that. Thus, the financial risk management is definitely to protect the UCBs from disaster that might twist the stability of the bank. Though this is a very basic principle that has been highlighted by the authors, UCBs in India are still far away from the same concept.”

Teli R.B (2002)\textsuperscript{39} observed that UCBs in Kolhapur district have maintained more than required cash and bank balances and they have given more emphasis on conventional lending. He further stated that the depositors of UCBs were not yet aware of Deposit Insurance Scheme launched for security of their deposits. Pursuant to that he advocated that the awareness regarding deposit insurance scheme be created among depositors to instill the confidence among them. Further he suggested that UCBs should—-(i) adopt scientific investment strategy to get better yield, (ii) reduce the NPAs, (iii) implement one time settlement (OTS) scheme by calling eligible borrowers, (iv) provide customer services such as D. D., T. T. M. T. and electronic fund transfer facility; advisory services, collecting telephone and light bills, (v) computerize its operations as early as possible.

Bhuimali Anil (2003)\textsuperscript{40} pointed out that in various countries co-operation has been used as an institution and instrument of economic development. He stated that co-operatives have played a significant role not only as instrument of economic
growth, but also influencing the people towards social and economic changes by way of adopting innovation and technology. In the end he suggested that co-operative legislation should be made in such a form that the co-operative movement would become free and democratic without any external disturbances and interferences and would guarantee the economic development and the betterment of the condition of every member by fully utilizing the local resources through co-operative enterprises.

Katti V.P. (2004) highlighted the useful leadership qualities are essential for building up, survival, growth and persistence of the successful co-operative financial institutions in Kolhapur district. She observed that till middle of 20th century, the leadership remained away from the political arena, it was politically neutral. However, in the post independence period, leadership is being used as economic and political strength. This phenomenon has been increasingly politicizing the co-operative movement. However, with the spread of education, the educated leadership has been coming forward. The leadership in general has been provided mostly by the middle aged persons falling between 30 to 50 years. The younger and female educated leadership is a recent trend in the field of UCBs. She stressed that every UCB needs dynamic, motivated, prudent, visionary, and enlightened leadership as the ultimate performance depends on the qualities of leadership.

Kulkarni A.V. (2004) pointed out that new economic reforms initiated in 1991 and W.T.O era of 1995 have brought about the striking changes in banking industry. That has ushered a number of internal and external problems before UCBs, due to which the very survival of small UCBs have been becoming very critical day by day. This has led many UCBs on the verge of merger and amalgamation.

In this context he notified that the survival of UCBs is highly dependent on the role and responsibility of Board of Directors. He argued that majority of UCBs have become weak because of unscientific approach in fixation of interest rates on deposit and loans, lack of sound knowledge of banking business, investment in unproductive assets, lack of proper project appraisal etc. In this critical situation, change in the mindset of directors is directly related to the viability of the UCBs. As leaders, trustees, implementers and administrators, all the directors should have sound knowledge of banking business.

Rajshekhara K. S. (2004) described the adoption of IT in banking has undergone several changes with the passage of time. Today IT has become an
inseparable segment of banking organization. The application of Information Technology in the banking sector resulted in the development of different concepts of banking such as e-banking, Internet-banking, Online-banking, Telephone-banking, ATM, Universal-banking and Investment-banking etc. He stated that IT has a lot of influence on banking transactions, which ensures quick service with low transaction cost to the customers. However the real success of IT in the banking sector depends upon the customers’ satisfaction. Therefore banks should organize and conduct customer awareness programmes in their service area about modern banking services and also about security in the context of e-banking.

Vaidyanathan Committee (2004) recommended that the co-operative credit societies and banks should be free of state control and an Andhra-style Act should be passed in every state. Committee recommended that the shareholding by the state in individual co-operative institution should be reduced. On the recommendations of the Brahma Prakash Committee and concern to Andhra Act, the committee advocated freedom to the primary credit societies, whether it may be a member of the three-tier structure and to associate with any other credit institution such as a commercial bank.

Ananthakrishnan G. (2005) opined that the discriminating customer’s expectations have begun to change in terms of quality and service and particularly with the advent of computers and ATMs, the gap between the customers and the banking personnel has been widening. He stated that unless a change of heart occurs, even the largest banks will find it hard to survive on their assumed false glory. Further he said that only the banks which take care to see the reality and react early will survive and prosper, while those who continue to follow the traditional path will find their market share eaten away.

He pointed out that nowadays customers are no longer willing to wait in long queues or tolerate arrogant behaviour of the employees. The banks must satisfy the customer’s requirements and needs to the fullest extent and be able to replicate this on an on-going basis. He identified following four factors which may ensure contented customer services:

- What satisfies the customer?
- Devising quantifiable determinants.
- Continually monitoring and improving these parameters.
- Seeking customer feedback to ensure alignment with customer needs.
These four approaches can go a long way in helping the banks to achieve its quality goals as regards customer service. Successful banking relationships are formed at a human level. Factors which help in retaining the existing customers are as past experiences with the bank, familiarity with the services offered by the bank and simplified procedures, knowledge of or experience with competitor’s products and services, brand image—banking with a particular bank is regarded as a status symbol, overall ambience at the bank premises, extra services or value addition provided by the bank.

He enlisted the factors that may which displease the customers, such as poor service attitude, long queues, inability of the bank to meet customer needs, lack of proper ambience, lack of humility that prevents banks from meeting customer needs.

**Indian Institute of Banking and Finance (2005)** brought forward the fact that the selected banks from grade ‘IV’ went in troubles because of various mandatory provisions. Wrong decision in distributing credit forced the UCB to make incremental provision for the NPAs and at the same time declining market value of the investment portfolio also forced the UCBs to make incremental ‘Marked to Market’ provisions for the depreciation in the value of invested securities. Business volume of this UCB is very small and there were no high variations in the net cash inflows. Because of the directives for the mandatory provisions, the UCB went reporting higher losses over the period of five years. The net cash inflows were very low as compared the required level of provisioning. As a result, the accumulated losses mounted up and the Regulator went on degrading the UCB and imposed incremental supervisory restrictions.

As the UCB is in ‘IV’ grade it has become impossible to get share capital. As per the directives it took five years for the UCBs to make 100% provision for N.P.A. account. This period is referred as transition period. Therefore, if the bank is making cash losses this additional burden of provision further adds to the difficulties of UCBs. During this transition period the banks reported operating profits but after provisioning finally reported losses. Because of accumulated losses the UCBs lose the capacity to garner new capital. As the required capital was not generated during this transitional phase, the Regulator further downgraded UCBs. Thus, the UCBs are trapped in vicious circle.
Kumawat M. L. (2005) identified ground level reasons behind the bank scams and pointed out that the UCBs have purposefully avoided the internal audit system and unnecessarily placed excess funds in other banks, disbursed loans breaking the ceiling limit of exposure, disbursed loans in cash for the unproductive/consumption/ceremonial purposes and also excess withdrawal was allowed in many overdraft accounts. Ultimately as a result of mismanagement and frauds, NPA is increasing day by day in the UCBs. To improve the professionalism and reduce malpractice, it is essential to enact stringent rules and regulations and harsh implementation system by the RBI, central and state governments. Otherwise, survival of UCBs will become more and more doubtful, he argued.

Patel R.K. (2005) revealed that there is lack of effective professional management and financial management. The NPA ratio is high and the customers are not satisfied. Most of the UCBs are unaware of the recent developments in banking sector and the customers wish that UCBs implement modern techniques in line with international standards.

Banergi S.K. (2006) said that the entry of big banks in the retail segment has put considerable pressure on the net interest margins and pushed up the cost of lending’.

Das Banshree et. al. (2006) identified the government interference, mismanagement and manipulation, lack of awareness, restricted coverage and functional weakness as the causes of slow progress of co-operative movement in India. They stressed that India requires meaningful reforms in the co-operative sector, before complete opening up its economy to the competitive regime, which should ensure; higher standard of living for the village people and production for mass consumption.

Deole Ratnakar (2006) argued that in the present environment of total deregulation and market free economy, the logical asset-liability management is important to achieve the objectives of the banks as the ALM system identifies types of risks i.e. liquidity risk, credit risk, interest rate risk.

Patil Jyoti B. (2006) observed that the mounting NPA has adversely affected the profitability of UCBs in Kolhapur district and to overcome this problem she suggested that (a) while sanctioning the loans technical soundness and managerial efficiency must be studied carefully, (b) financial position of the party
must be examined, (c) board of directors should not interfere in disbursement, (d) large amount of loans to single person should be avoided as far as possible, (e) proper and timely follow up should be taken by the top management, (f) separate loan/debt recovery department and review committee should be set up (g) clear responsibilities regarding NPAs should be shouldered to the committee, (h) loans must be disallowed to those person, who already have amount of outstanding either in the same bank or any other bank.

Mariappan, V. (2007) observed a high degree of heterogeneity in UCB sector in terms of deposit base, areas of operation and nature of business. Further, he identified that UCBs are lagging behind than other banks particularly due to lack of innovative product and inability of adopting modern technology like, electronic fund transfer (ETF), electronic clearing system (ECS), automated teller machine (ATM), shared payment network system (SPNS), credit cards and debit cards, telephone-banking, mobile-banking, internet-banking, electronic data interchange so on and so forth. In the era of merger and amalgamation, the small size of the UCBs has been adversely affecting their business operations. Increasing competition with new generation and giant nationalized banks, UCBs have become unable to meet the expectations of customers. He also found that present loan recovery mechanism has failed to reduce the mounting NPAs. The UCBs are unable to introduce professional management system at the bank and branch level, and also their pay scales and structure failed to attract the professional managers towards UCBs. Failure of one or few UCBs and wide propaganda of this failure stories by media shakes the faith of common people in UCBs, he added.

Muley S.S. (2007) stated that the co-operative banking is the cheapest and best source of rural credit as it fulfils the basic need of short and medium term loans farm and non-farm sector required for their operations. He found that: (i) the loan issued by PACS was increased from Rs.8474 crore in 1994 to Rs.33996 crore in 2003. It is evident from the data that DCCBs, SCBs, PCARDBs and SCARDBs providing loan with increasing trend during the period 1991 to 2003. However, the share of co-operative credit institutions in agricultural credit was declined from 44% in 1997-98 to 34% in 2002-03, (ii) the recovery performances of co-operative banks were not satisfactory and they have been facing the problems of recovery, (iii) the co-operative banks suffer from typical problems e.g. lack of necessary funds, delays in sanctioning
loans, effective supervision verification of actual utilization of loans, political interference, unsatisfactory recovery performance, lack of adequate and trained staff, high cost of management, etc.

He suggested that considering the importance of co-operative credit the government should protect co-operative banks in rural competitive environment and review the co-operative laws. Further he suggested that the co-operative banks should adopt new technologies, computerization, good communication network, tighten the supervision and monitoring of operation, train the staff and provide them incentives etc. And above all the political interference in the affairs of co-operative banks should be eliminated.

**Pandit P.T. (2007)** identified different causes of NPA such as improper identification of borrowers, lack of appraisal skills, delay in loan sanctioning, under or over financing, insufficient gestation or repayment period, lack of post-disbursement follow-up, lack of borrower contact and poor understanding of clientele, faulty recovery management, negligence in internal control and poor understanding of clientele. He suggested that the NPAs be classified age-wise and volume-wise, all members of staff should be involved in the process of recovery management, designing various incentive schemes etc. as measures. He suggested that UCBs can learn lessons from micro-finance institutions such as adopting informal approach to interest rates and that UCBs should increase share capital and deposit base to improve the capital strength. He finally concluded that bringing more and more people should bring under the umbrella of UCBs is the need of the hour.

**Ramesh D. (2007)** advocated that the main issue in new millennium is to reorient the functioning and management of the co-operative institutions. He further emphasized that there should be a well conceived action programme to provide specified guide points to co-operatives; mobilization of more resources, professionalization, efficiency enhancement, introduction of modern technology, systematic training through effective interplay of inter-co-operative relationship, increased participation of members in decision-making process and reduction dependence on government assistance.

He placed on the record the important role played by co-operatives in promoting agricultural and rural development in India, particularly in the field of credit, supply of inputs, processing and marketing of agricultural produce. However,
he continues, due to adoption of globalization, the co-operatives in India are facing several problems and the measures like quality consciousness, cognizance of global competition, devoted membership, need for viable financial system, political appeasements, mobilization of deposits, restructuring of co-operatives, restructuring the pattern of credit utilization, linkage with self-help groups (SHGs), government strategy for revitalization of co-operative banks and urge for co-operative spirit and exclusive loyalty of the members can hopefully be helpful for survival of co-operative movement.

Further, he stated that the professional leadership is prerequisite for creating and nurturing co-operative organizations also for providing a vision, inspiring and guiding both the members and the management as well. He opined that to enable the co-operative credit society needs honest, skilled, benevolent and dedicated leaders. Professional leadership enables the co-operatives as self reliant and economically viable rural financial organization.

Vinayagamoorthy A. (2007) discussed the effects of globalization on co-operative sector of India. He stated that the transition from controlled economy to open competitive economy in the name of globalization or liberalization has thrown a whole lot of challenges to the co-operative sector which is comprised of 5.04 lack different types of co-operatives with membership of 22 crore, covering 100% villages and 67% rural households. He pointed out that the reform measures under the economic policy, mainly concentrated only in removing the fetters on private enterprises and in stimulating higher economic growth by promoting industrial sector. The rural and agricultural sector remained somewhat neglected and also the effect of economic reforms on the economic fortunes of the common people was overlooked. Throughout the reform decade i.e. from 1991 to 2000, the role and relevance of the co-operative sector remained on the background, in spite of its predominant position in various fields of Indian national economy.

He explained that in a developing economy like India with huge deficits in terms of quality and quantity, the State has to accept the primary responsibility of providing co-operative credit. Concern to socio-economical consideration like-low living standard, incomplete and imperfect markets, it is the primary duty of the government to ensure the easy access to co-operative credit. The author explained that it is the need of the hour that co-operative sector in the era of liberalized environment
is to seize every opportunity available to it. On the whole, according to the author, the future vision of co-operative movement will have to be based on efficient parameters relating to promotion of excellence, improvement of operational efficiency and strengthening of means of financial resource generation.

Kavitha M. (2008) concluded that undoubtedly the co-operatives have played vital role in building a viable model of development however they have not really helped the members to improve their position to fight against those who exploit the farmers and restrained their development. She pointed out that several drawbacks such as poor infrastructure, lack of quality management, over-dependence on government, dormant membership, non-conduct of elections, lack of strong human resources policy, neglect of professionalism, etc. are the major stumbling blocks in the way of progress of co-operatives. Co-operatives are also unable to evolve strong communication and public relations strategies which can promote the concept of co-operation among the masses. She suggested that to develop effective strategies to overcome existing weaknesses, the basic needs through public service co-operatives should be provided.

Reserve Bank of India (2008) mentioned that UCBs are now operating in a fairly deregulated environment and are required to determine their own interest rates on deposits and on advances. The interest rate on bank’s investment in government and other permissible securities are also market related. Intense competition for business, involving both the assets and liabilities, together with increasing volatility in the domestic interest rates as well as foreign exchange rate, has brought pressure on the management of UCBs to maintain an optimal balance between spread, profitability and long term viability.

Avudaiammal and Vasanthi (2009) observed that public sector commercial banks enjoyed a better position than UCBs in respect of NPAs. In case of every urban co-operative bank, Board of Directors needs to be thoroughly attentive with all the great detail the NPA account, they argued. They suggested that the Recovery Committee should make time-bound action plan to convert NPAs into performing assets. They identified the misuse of funds, absence of appropriate security, ineffective supervision on the utilization of loans; less effective loans recover measures, difficulty in execution of decrees obtained, diversion of funds, willful defaulters, incompetent management, corruption and political compulsion as the
critical reasons behind the mounting NPAs. For resolution of this problem, the researchers suggested two types of strategic measures such as (I) **Preventive Measures:** such as credit rating of clients, budgeting for reduction of NPA, effective system of credit appraisal and credit audit and (II) **Corrective measures:** such as the adjustment of collateral securities, pressurizing the guarantors, arranging special recovery drives, rehabilitation of potential viable units, compromising with borrowers for final settlement etc.

**Das V.S. (2009)** revealed that the regulator in India is worried about the increased rate of failure of the UCBs and RBI proposes to establish a separate fund for the urban co-operative banks. The purpose of setting up of this fund is to help urban co-operative banks to tide over liquidity problems and short fall of the prescribed capital adequacy norms. In addition, it is also proposed that a national level umbrella organization is to be set up to provide ATM, investment banking and cash management services to these entities. The fund is to be named as ‘Emergency Fund Facility Scheme’ and is to be set up through an agreement between UCBs and State Governments with banks contributing in with 0.05% of their assets. The amount would qualify for interest.”

**IBF VISION (2009)** stated that the UCBs are supposed to be local banks catering the banking needs in the local area. However, to survive in competitive environment, the management of the some of the UCBs are of the opinion that they should not only grow by size but also expand geographically. There is a growing tendency observed especially in the UCBs in the urban area that they want to provide all type of technology oriented services as provided by the private and foreign sector banks, without understanding the limitations such as lack of capital, lack of expertise, lack of technological support and huge capital investments which are required to start these services. Many of the UCBs are proceeding in this direction. There is no doubt that in competitive banking environment the UCBs also need to gear up for providing these types of services but at what cost? Further, whether these UCBs are financially strong enough to bear such high costs?

**Mujawar Naushad (2009)** examined the movement of gross and net NPAs of Sanmati bank over a period of from FY 2001-02 to 2007-08 by rigorously computing the differential values over the preceding years and found that the mean differential value of ‘percentage of gross NPA to gross advances’ was + 0.53 while
that of ‘percentage of net NPA to net advances’ was -0.62. This clearly indicated that Sanmati Bank’s management of net NPA was quite rigorous than its management of gross NPA. He found that: (i) from 2003, the Bank does not disburse loan to any of its directors and their relatives. In co-operative banking sector it is quite difficult, but the Sanmati Bank has been very strictly adhered to it. Presently, no loan stands in the names of directors of Sanmati Bank and /or their relatives. The directors are really worthy of appreciation for keeping the bank aloof from undue political interference, (ii) the creditworthiness of the applicant of loan is personally verified by the directors. Being in the business field, they are well aware of the character and the history of prospective borrower, which they honestly communicate to CEO of the bank. Moreover, confidential report by Chartered Accountant is also taken in that regard, (iii) while granting Cash Credit, it is made obligatory for the borrower to open and operate the Recurring Deposit Account of not less than Rs.1250 per month, (iv) in case of term loan, borrower is asked to open the Pigmy Account with the bank, through which monthly EMI plus interest is covered. For example if the EMI plus interest goes to Rs.1000, the borrower has to give a pigmy collection of Rs.35 per day (Rs: 1000/ 30 days), (v) the recovery mechanism of the bank is very strong and morally supported by the Board of Directors.

Utekar Satish (2009) 64 identified the challenges before co-operative banks. He stated that the government and regulators are now treating UCBs at par with commercial banks but at present in UCBs, there is no clear-cut planning in line with market rates and training is not linked to skill development, job description has not been drawn up in great details, the employees are not aware of business strategies and policies. Under this situation, the UCBs have to evolve a comprehensive plan to build an environment which will result in the bank’s growth, profitability and reputation enhancement. He emphasized that the UCBs need to gain customers’ confidence by having strong, sustainable and flexible balance sheet, transparent accounting practices, proper disclosure systems, best corporate governance practices, integrated services to customers of all segment and leveraging on technology and human resources in order to have consistent growth in business. He cautioned the UCBs that Basel-II norms will be the forthcoming monster for UCBs. Therefore, each UCB needs to adjust itself with the given changes and rejuvenate its strength. He suggested
that the UCBs should create multiple income avenues such as bancassurance, mutual fund distribution, franking, forex and technology sharing etc. to generate more profit.

Mallika Kumar (2010) found that after initiation of financial sector reforms in 1991, the banking sector of India became more and more competitive and customer-centric. Presently, a large variety of modern and innovative services are being provided by banks. However, in co-operative banks’ management has not fully accepted the marketing philosophy in their business operations. Financial liberalization and deregulation are gradually exposing them more to market forces. Marketing is used not only by profit organization but in non-profit organization as well. In the present competitive and market-oriented environment, marketing has become indispensable for co-operative banks as never before. The growing competition, less protective environment, compulsions of profitability, declining market-share of co-operative banks are the outcomes of emerging liberalization in banking and financial sector in India. To improve the image and position of co-operative banks in the market, as well as for effective utilization of the vast infrastructure and human resources, there is no alternative to marketing approach. For co-operative banks, to survive and to regain the previous place of prominence and dominance in the society, marketing is the only solution, the researcher warned.

Trivedi Bhavi (2010) evaluated the performance of co-operative banks in the context of LPG policy and observed that the LPG policy has widened the scope of business for giant banks than small co-operative banks, which has resulted in uneven competition for co-operative banks. UCBs have focused on priority sector lending for survival. However, this policy has proved too difficult to cope up with the present customer-oriented business and increasing competitive environment. Interest rates have created the problem of customer retention because due to high interest rates, the co-operative banks many as times lose their customers, who migrate towards commercial banks. On the other side, adopting large-scale networking, and modern technology, commercial banks have succeeded to reduce the cost of customers in terms of labour and time, whereas cooperative banks have lagged behind on this front. The researcher also identified certain important causes behind the low competitiveness of co-operative banks such as dual control and haggard legal process, insufficient and less skilled professionals, overburden of management on the bank staff which periodically reduces staffs’ morale and enthusiasm, low investment in IT
and modern technology and political pressure in loans and investment portfolio. The researcher strongly advocated UCBs to prioritize their investments in IT with adequate attention to human resource development both in business process and customer services to overcome the above-mentioned problems.

Mishra A. K. (2011)\(^6\) described that UCBs have been operating in a more competitive environment and therefore, the need to take care of customer requirements has become more important. He made some operational suggestions such as (i) the branches of UCBs should cater to the betterment of the customers (ii) they should improve their image in society, customer satisfaction and profits (iii) the time norms for specific business transactions should be displayed prominently in the banking hall so that it catches the customers’ attention (iv) there should be active participation of employees at all levels for improving customer services.

Datir R.K. and Patil, B.D. (2012)\(^6\) pointed out that over recent years the financial health of UCBs sector showed an increased return on assets and further fall in the ratio of NPAs. As per new CAMELS Rating Model, 61 percent of UCBs had rating of A and B indicating good financial health, 32 percent UCBs indicated weak financial position while 7 percent indicated the weakest financial position. In short, the UCBs are now improving their financial performance.

Jawahar Babu and B Muniraha Selkhar (2012)\(^6\) opined that presently the UCBs are required to take certain measures like adopting professionalization of its management, inculcating good corporate governance, technology absorption and scrupulous adherence to regulatory framework. UCBs have to learn from past experiences and adjust to new realities since banking is risky business. In future, UCBs have to be ready to face many challenges in competitive environment from both public and private sector banks’ expansion activities both vertically and horizontally.

Kamath K.V. (2012)\(^7\) brought to the notice that the demographic shifts in terms of income levels and cultural shifts in terms of lifestyle aspirations are changing the profile of the Indian consumer, which is and will be a key driver of economic growth going forward. The Indian banking sector is at an exciting point in its evolution and for them there are immense opportunities to enter new businesses and new markets, to develop new ways of working, to improve efficiency, and to deliver higher levels of customer service.
Kohli, S.S. (2012) pointed out that with gradual deregulations, banks are now exposed to different types of risks such as market risks, interest rate risk, liquidity risk, exchange risk, etc. In respect of lending, they face credit risk which includes default risk and portfolio risk. Besides these the banks also face other risks like reputational risk and operational risk. Therefore, a robust risk management system is necessary.

Kuppuswamy, P.T. (2012) opined that Indian banking sector is faced with multiple and concurrent challenges such as increased competition, rising customer expectations and diminishing customer loyalty. The consumers’ expectations have been growing day by day. Broadly speaking, these expectations are swift service with minimal response time, efficient service delivery, tailor-made and value-added products to suit specific needs, hassle-free procedures and minimum transaction costs, and pleasant and personalized service.

The banking business has undergone a sea change. As the Indian banks move gradually beyond universal banking and position themselves as financial service providers, banking business is getting redefined. Technology is unsettling the earlier business process and the customer’s behaviour is undergoing a change. These have enhanced the forces of competition. To survive under these turbulent conditions, the banks will have to undertake business process reengineering, redefine their strategy and HR strategies to the overall business strategy.

Nayak R M (2012) identified some of the challenges that banks are facing today. They are as follows (i) changing needs of the customers (ii) coping with regulatory reforms (iii) reducing spread (iv) maintaining high quality assets, (v) management of impaired assets (vi) keeping pace with technology upgradations (vii) sustaining healthy bottom lines and (viii) increasing shareholder value etc.

Shenoy, P.S. (2012) explained that in the new business environment, banks have to be flexible enough to accommodate changes and at the same time have the necessary stability to retain the core competencies to deal with change. Electronic banking services have spread quickly in recent years. The threat of new entrants has lead many banks to offer e-finance ranging from basic to fully integrated internet services. The banks need to develop robust internal control systems, management information systems, and early warning triggers. Four trends are fundamentally
altering the banking industry: consolidation, globalization of operations, and development of new technologies and universalization of banking.

Ranjana Kumar (2012) stated that on account of introduction of certain advanced technology, there would be a strong case for recruiting fresh talent with attractive pay and perquisites. However, an organization cannot afford to go on inducting talent without reviewing its existing manpower and how worthwhile it is to continue with some of them in the changed scenario. Even after equipping people with the latest knowledge, the results will not start flowing unless they are empowered to deliver the vision of the organization. The vision of the organization should be exciting to the employees and a source to unleash their potential.

In the backdrop of United Nations Declaration to observe year 2012 as the International Year of Co-operatives, the conference of co-operative Ministers of States and union territories was held in which it was unanimously resolved to take immediate steps for revitalizing the co-operative sector which is facing the challenge of tough competition on one hand and government issues on the other. The Conference noted the valuable contributions made by co-operatives in different sectors of Indian economy particularly in rural credit, agriculture input and production, agro-processing, storage, marketing, consumers’ fertilizer, dairy, fishery and housing etc. In the above-said Conference, Agriculture Minister Hon’ble Sharad Pawar (2012) expressed his view that the co-operatives should be considered essentially as an economic enterprise which should be member-driven institutions.

In the Conference, Minister of State Hon’ble Arun Yadav(2012) emphasized the need to restore the democratic character of co-operatives both in management and in management business process as the co-operatives are essentially people’s movement. He further continued that the challenges and constraints are faced by UCBs mainly on account of competitive and dynamic market environment. Further, UCBs, like other co-operatives institutions, have inherent weaknesses which have also affected their functioning. A unanimous vie emerged for continuous support from government to the co-operatives to make them autonomous and member-driven institutions through appropriate legal and policy reforms. Restoring credibility and dignity of co-operatives is essential so that co-operatives become autonomous, self-reliant, democratic and accountable to members and fulfill the expectations of members and other stakeholders, he added.


K V Kamath (MD and CEO, ICICI Bank), S S Kohli (CMD, Punjab National Bank), P S Shenoy (CMD, Bank of Baroda), Ranjana Kumar (CMD, Indian
Bank), R M Nayak (MD and CEO, Lord Krishna Bank) and P T Kuppuswamy (Chairman and CEO, The Karur Vysysa Bank) described as to how challenging the current situation is for banking industry and what has to be done to survive and grow in the market while Hon’ble Ministers of Maharashtra State Mr. Sharad Pawar and Mr. Arun Yadav highlighted the significance of UCBs in the society and focused on their credibility and dignity. The only study of Gulati (2002) focused on evolving IT strategy by UCBs.

The aforementioned studies have focused on shortcomings in the working of UCBs, hindrances in their performance, problems faced by UCBs and need for modernization and computerization to provide improved banking services. Almost no study has so far been devoted exclusively to analysis of current challenging environment for UCBs and their survival and growth strategy. No such a kind of study as regards UCBs in Kolhapur district is available. The present study is therefore undertaken to fill up this research gap.

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