CHAPTER SIXTH:

CONCLUSION, FINDINGS, SUGGESTIONS AND FORECASTING.

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CONCLUSION, FINDINGS, SUGGESTIONS AND FORECASTING

6.1- CONCLUSIONS.

INTRODUCTION

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.

Over the years, primary (urban) Co-operative banks have registered a significant growth in number, size and volume of business handled. As on 31st March, 2003 there were 2,104 UCBs of which 56 were scheduled banks. About 79 percent of these are located in five states, - Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu. Recently the problems faced by a few large UCBs have highlighted some of the difficulties these banks face and policy endeavours are geared to consolidating and strengthening this sector and improving governance.
In the present day context, it is of interest to recall that during the banking crisis of 1913-14, when no fewer than 57 joint stock banks collapsed, there was flight of deposits from joint stock banks to Co-operative urban banks. Maclagan Committee chronicled this event thus:

"As a matter of fact, the crisis had a contrary effect, and in most provinces, there was a movement to withdraw deposits from non-Co-operatives and place them in Co-operative institutions, the distinction between two classes of security being well appreciated and a preference being given to the latter owing partly to the local character and publicity of Co-operative institutions but mainly, we think, to the connection of Government with Co-operative movement"

The central bank got into act after the co-operative bank had its net worth or equity and reserves eroded by piling bad assets. A National Bank for Agriculture and Rural Development (NABARD) audit of the bank’s 2009-10 balance sheet revealed that its net worth turned negative by Rs. 140 crore as it had to set aside money or provide for bad loans.

According to the NABARD report, the bank’s net loss in fiscal 2010 was Rs. 775.98 crore and bad loans Rs. 500 crore, nearly 30% of total’s advances.

NABARD executive director Prakash Bakshi confirmed that his organisation had suggested corrective action on MSC by RBI.

The District Central Co-operative Bank was established at Marathwada Region in 1958. It has been working as a federal central financing agency catering to the requirements of all the primary credit societies in the district. Since 1962, the Zilla Parishad also transacts its financial business through this
bank. There were fifty branches of the bank excluding head office in the district during 1968-69 which rose to 68 in 1971-72. The bank gives assistance to the primary agricultural societies for improving productivity of land. The bank also gives loans to industrial societies for increasing production. The Bank also sanctions working capital to the urban banks. The Bank, thus, has served the co-operative sector and has helped it to achieve sustained growth over last nine decades.

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...). In India co-operative banks are regulated with the RBI and governed by Banking Regulations Act 1949 and Co-operative Societies Act, 1965.

RESEARCH METHODOLOGY

This chapter discusses the research design, the population and sample. It also discusses the instruments used in the data collection, the procedure for data collection and the method for data analysis.

The research design, research approach, research strategy, sample collection methods, data collection methods and data analysis are the main constituents of research methodology.
Co-operative Bank is a public sector bank undertaking the Government of India and Maharashtra Government. These banks provided all types of loans throughout the country excluding the metropolitan cities of Mumbai and New Delhi. Generally having area of one district is selected for the study relating to impact of the bank on agricultural sector on Marathwada Region. To have better understanding, qualitative research is found suitable along with a small quantitative study.

SAMPLE AND SAMPLING TECHNIQUE

This study is an empirical study. It is based upon sample survey. The researcher will use strategic convenes sample randomly selected. The following methods have been adopted. There are 08 districts in Marathwada region and every district is having its own District Central Co-operative Bank. Similarly there are Sixty Eight Co-operative Banks in Marathwada region are controlled and governed by Maharashtra state Co-operative Bank. And BR act 1949 under controlled by RBI. The researcher has selected 06 samples of District Central Co-operative Banks, 08 urban Co-operative Banks from Marathwada region.

The convenient sampling procedure was used to select 14 Co-operatives Banks from Marathwada Region for Research Study. The convenient sampling method was used because of the sparsely distribution of the study area.

Testing of Hypothesis:-

The entire hypotheses were accepted by percentages methods during Research work, excluding the NPA rate of the Bank. Hence, this study fulfills the Maximum objectives and proves the hypothesis.
Data Collection

DATA COLLECTION PROCEDURE

Thirty questionnaires were used, one for each person or respondent. The questions were read for them to answer. Male and female Bank Managers were interviewed in the ratio of 1:1. That is, equal chances were given to them in order to get a fair or a balance response from the male and female respondents.

A nearly endless variety of data now exists or can be obtained, but only a few types are relevant to each study objectives. The data was categorized as facts, knowledge, opinions, intentions etc. The present study aims to collect the data on all of the above except intentions. As it is judged that the same is of less value as far as the purpose of research is concerned. The sources of data can be categorized as data collected from primary sources and data collected from secondary sources.

Primary Data

Primary data was collected through observation, questionnaires and interviews. Along with filling-up of questionnaire, interviews with customers, staff and officers of Co-operative Bank, their places of work/residence were conducted and that data was selected as a major primary data, since the aim of the research is to study the impact of agricultural services, feedback about various services provided by the bank and their valuable suggestions were sought. The researcher has collected primary data during 2006-07 to 2010-11.

Secondary Data

The secondary data were collected for this study from different sources such as RBI monthly bulletin, NABARD statistical reports, various journals,
different annual balance sheets of concern with the banks used as secondary data, and more so official published record of Co-operative Banks, in Marathwada region is also used for this purpose. In this study simple statistical tools are used for arriving an inference. The secondary data has been collected from journal/newsletter/circular, published record of Dept. of Reserve Bank. The secondary data has also been collected from the select books on management.

**Sample Size:**

The approach to the problems is multidimensional, interdisciplinary and comparative. Accordingly, the study starts from a theoretical discussion of the concept of Co-operative Banks in Marathwada Region and an analytical evolution of the various aspects of Banks structure in order to arrive at the prescriptive synthesis of the various problems facing the consumer after globalization. Hence it will include both theoretical and practical aspects of Co-operative Banks development.

The present study is based on 14 random samples out of which 01 sample selected of District Co-operative bank in each district except Hingoli and Jalna and 01 sample selected of Urban Co-operative Bank from each district. The present study covers the whole areas of Marathwada Region. For this purpose the study was conducted by employing multistage random sampling techniques survey method.

**GLOBALISATION AND ITS IMPACT ON CO-OPERATIVE BANKING:**

Core Banking is normally defined as the business conducted by a banking institution with its retail and small business customers. Many banks treat the retail
customers as their core banking customers, and have a separate line of business to manage small businesses. Larger businesses are managed via the corporate banking division of the institution. Core banking basically is depositing and lending of money.

Nowadays, most banks use core banking applications to support their operations where CORE stands for "centralized online real-time environment". This basically means that the entire bank's branches access applications from centralized datacenters. This means that the deposits made are reflected immediately on the bank's servers and the customer can withdraw the deposited money from any of the bank's branches throughout the world. These applications now also have the capability to address the needs of corporate customers, providing a comprehensive banking solution.

A few decades ago it used to take at least a day for a transaction to reflect in the account because each branch had their local servers, and the data from the server in each branch was sent in a batch to the servers in the datacenter only at the end of the day (EoD).

Normal core banking functions will include deposit accounts, loans, mortgages and payments. Banks make these services available across multiple channels like ATMs, Internet banking, and branches

“Typically, foreign banks are dependent on the fortunes of their head office,” said one banking analyst.
Foreign banks could also face stiff competition from Indian lenders, despite the country having a relatively low penetration of financial services, as more private banks have come into the sector in the last decade.

Interest margins for banks have been falling since 2000, according to a report by investment bankers and securities firm Execution Noble, as banks fight for market share across the board.

**Employment Opportunities in private sector:**

The globalisation process turns out to have performed a double-edged sword for the Indian labour. In terms of 'current daily status' estimates brought out by the National Sample Survey Organisation, there has been a significant deceleration in labour force participation rate to 1.3 per cent per annum during 1993-2000 from 2.4 per cent during 1983-1994. Notwithstanding a higher GDP growth in the latter phase, employment growth declined to 1.1 per cent from 2.7 per cent in the backdrop of decline in employment elasticity to 0.16 from 0.52 over the same period. The sharp deceleration in employment growth has raised fears that economic growth in the 1990s has been a 'jobless' variety. Besides, there is evidence of increasing capital intensity almost in all sectors including small un-organised ones and services particularly in the latter half of the 1990s.

**RESERVE BANK OF INDIA POLICY REGARDING CO-OPERATIVE BANKING:**

For commencing banking business, a primary (urban) Co-operative bank, as in the case of commercial bank, is required to obtain a licence from the Reserve
Bank of India, under the provisions of Section 22 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

**Licensing of Existing Primary (Urban) Co-operative Banks**

In terms of sub-section (2) of Section 22 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), the primary (urban) Co-operative banks existing in the country as on March 1, 1966, (when some banking laws were applied to UCBs), were required to apply to the Reserve Bank of India. They were given three months to obtain a licence to carry on banking business. Similarly, a primary credit society which becomes a primary (urban) Co-operative bank by virtue of its share capital and reserves reaching Rs. one lakh (Rs.1,00,000) and above was to apply to the Reserve Bank of India for a licence within three months from the date on which its share capital and reserves reach Rs. one lakh. The existing unlicensed primary (urban) Co-operative banks can carry on banking business till they are refused a licence by the Reserve Bank of India.

**Branch Licensing**

Under the provisions of Section 23 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), primary (urban) Co-operative banks are required to obtain permission from the Reserve Bank of India for opening branches.

**Statutory Provisions**

The regulatory functions of Urban Banks Department relate to monitoring compliance with the provisions of the Banking Regulation Act, 1949 (As
Applicable to Co-operative Societies) by urban Co-operative banks. These provisions include:

They asserted that even if the RBI has exclusive jurisdiction on the banking functions of UCBs, the RCS and the State Government will be pilloried by the public and press, if anything goes wrong with an UCB. They said that, they are not prepared to bear the cross in the event of failure of RBI's supervision. When it was put to them that Registrar of Companies or the concerned State Government are not being blamed for the sickness of the commercial banks, they argued that public always associate regulation of UCBs with RCS. When it was brought to their notice that State Governments appointed their employees, who were at the verge of retirement, for a period of two to three years in UCBs without reference to their work experience, their reply was that the quality of staff selected by the Managing Committee is any day much inferior.

The instances mentioned above are only illustrative. One of the suggestions, repeatedly put forth by the cooperators is that excesses of dual control regime can be contained by transferring the item "cooperation" to Union List or to Concurrent List so as to enable the Union Parliament to legislate on the subject of Co-operative banks. Given the federal policy of our country, it is unlikely that the State Governments would agree to such a transfer. Earlier Committees like Madhava Das Committee, Marathe Committee and quite recently Narsimham Committee have all suggested that there is need to address the issue of 'duality of control', by carrying out necessary statutory amendments. However, nothing substantial has been done till date. The Committee is of the opinion that
right and timely investment decisions will maximize bank's profits. Some of the State Governments do not give freedom to UCBs to invest their surplus funds but dictate where the investment should be made. When this problem was raised with the representatives of State Governments, they emphatically argued (except in Madhya Pradesh) that funds from Co-operative sector cannot be allowed to be invested outside the Co-operative sector.

The Committee is of the opinion that the only effective way to address the problem of dual control is to carry out amendments in the State Co-operative Societies Act, the Multi State Co-operative Societies Act, 1984, as also the Banking Regulation Act, 1949 to clearly demarcate the banking related functions which are to be regulated slowly by RBI and those related to establishment of Co-operative societies and their Co-operative character which shall remain within the domain of the RCS of concerned state. The Committee feels that for banking related functions, the RBI should be the sole regulator.

**ECONOMIC DEVELOPMENT AND CO-OPERATIVE BANKING IN GLOBALIZATION:-**

1. **Business and entrepreneurs development:-**

   The Co-operative banks following programmes arranges for Business and Entrepreneurs Development:-

   - To promote setting up of modern dairy farms for production of clean milk.
   - To encourage heifer calf rearing thereby conserve good breeding stock.
   - To bring structural changes in the unorganized sector so that initial processing of milk can be taken up at the village level itself.
• To bring about upgradation of quality and traditional technology to handle milk on a commercial scale.

• To generate self employment and provide infrastructure mainly for unorganized sector.

2. Agricultural and rural development:-

The main players in the field of agricultural credit in the formal sector include the commercial banks, the regional rural banks (RRBs), and the rural Co-operatives. The rural credit Co-operatives in the country are in an impaired state. Several factors have led to the impairment of the Co-operative Credit Structure, but it would be advisable to understand the magnitude of the problem first. The Co-operatives once dominated the rural credit market in the institutional segment (with a share of around 65 per cent, going by the All India Debt and Investment Survey 1991), but now have a significantly smaller role.

While there are issues of internal governance that are a cause of concern, we also have to remember that even the external regulation and supervision for the structure are not as stringent as it is for the commercial banking structure.

3. Services:-

Following services given to the customers by co-operative banks

• Customers Services.

**Business and working hours** The employees are expected to be at their seats at the commencement of the business hours and attend to all the customers who are in the branch prior to the close of business hours. In practice, however, in many branches of banks, employees take their own time to open the counters
and also do not attend to customers who are in the queue at the close of business hours. Some banks with a view to ensuring that the service to customers is made available exactly at the commencement of business hours fix the working hours of the staff 15 minutes before the start of business hours. This arrangement can be made by all the banks at their branches in metropolitan and urban centres.

**Display of time norms** Time norms for specified business transactions should be displayed prominently in the banking hall so that it attracts the customers' attention as well as that of the employees for adherence.

There are complaints that counters are closed at the end of business hours, without disposing of customers. Banks may issue instructions that all customers who enter the banking hall before the close of business hours may be attended to.

**Extension of business hours for non-cash transactions:** Staff at the counters may undertake the following transactions during the extended business hours (branches to indicate the timings)

(a) **Non-voucher generating transactions:**

(i) Issue of passbook/staff of accounts

(ii) Issue of cheque book

(iii) Delivery of term deposit receipts/drafts

(iv) Acceptance of share application form; and

(v) Acceptance of clearing cheques/bills for collection

(b) **Voucher generating transactions:**

(i) Issue of term deposit receipts (TDR)

(ii) Acceptance of cheques for locker rent due;
(iii) Issue of travelers’ cheques

(iv) Issue of gift cheques

(v) Acceptance of individual cheques for transfer credit

**PROBLEMS OF CO-OPERATIVE BANK IN MARATHWADA REGION:**

The enhanced role of the banking sector in the Indian economy, the increasing levels of deregulation and the increasing levels of competition have placed numerous demands on banks. Operating in this demanding environment has exposed banks to various challenges.

Customer service: It is no longer adequate for banks to provide only traditional banking services. Apart from providing the conventional banking services, banks have begun offering a bouquet of financial services to their clients, including cross selling of financial products. The ultimate aim is to offer a one-stop-shop for meeting varied customers' financial needs. Some banks have begun employing customer relationship management systems to not only retain the existing customers but also to attract new customers. The establishment of new private sector banks and foreign banks has rapidly changed the competitive landscape in the Indian consumer banking industry and placed greater demands on banks to gear themselves up to meet the increasing needs of customers. For the discerning current day bank customers, it is not only relevant to offer a wide menu of services but also provide these in an increasingly efficient manner in terms of cost, time and convenience.

While banks are focusing on the methodologies of meeting the increasing demands placed on them, there are legitimate concerns in regard to the banking
practices that tend to exclude rather than attract vast sections of population, in particular pensioners, self-employed and those employed in unorganised sector. While commercial considerations are no doubt important, banks have been bestowed with several privileges, especially of seeking public deposits on a highly leveraged basis, and consequently they should be obliged to provide banking services to all segments of the population, on equitable basis. Further, experience has shown that consumers’ interests are at times not accorded full protection and their grievances are not properly attended to. Feedback received reveals recent trends of levying unreasonably high service/user charges and enhancement of user charges without proper and prior intimation. It is in this context that the Governor, Reserve Bank of India had mentioned in the Annual Policy Statement 2005-06 that RBI will take initiatives to encourage
- greater degree of financial inclusion in the country;
- setting up of a mechanism for ensuring fair treatment of consumers; and
- effective redressed of customer grievances.

ENTRY NORMS FOR CO-OPERATIVE BANKS BY RBI:-

Rural Co-operative credit institutions have played a large role in providing institutional credit to the agricultural and rural sectors in the past. Typically, these credit institutions have been part of two distinct structures, commonly known as the short term Co-operative credit structure (ST CCS) and the long term Co-operative credit structure (LT CCS) in each state. The ST CCS, comprising primary agricultural credit societies (PACS) at the village level, district central Co-operative banks (DCCBs) at the intermediate level, and the state Co-operative
bank (SCB) at the apex level, primarily provides short term crop loans and other working capital loans to farmers and rural artisans, although over the last few years, it has also been providing longer duration loans for investments in the rural sector. The LT CCS, comprising state Co-operative agriculture and rural development bank (SCARDB) at the state level and primary (P) CARDBs or branches of SCARDB at the decentralised district or block level, has been providing typically medium and long term loans for making investments in agriculture, rural industries, and lately housing.

The banks may hold such liquid assets in the form of cash, gold or unencumbered approved securities. ‘Approved securities’-as defined by section 5(a) (i) & (ii) of the Banking Regulation Act, 1949 (AACS) mean -

(i) Securities in which a trustee may invest money under clause (a), (b), (bb), (c) or (d) of Section 20 of the Indian Trust Act, 1882.

(ii) Such of the securities authorised by the Central Government under clause (f) Of Section 20 of the Indian Trust Act, 1882 as may be prescribed. Holding in Government/other approved Securities

All primary (urban) co-operative banks are required to achieve certain minimum level of their SLR holdings in the form of government and other approved securities as percentage of their Net Demand and Time Liabilities (NDTL).

DUAL CONTROL ON CO-OPERATIVE BANKS:

The RBI felt that it was a regulatory necessity to bring the banking institutions operating in the Co-operative sector within the statutory control of
RBI. Thus, the application of banking laws to Co-operative banks basically emanated because of the following reasons:

i) Interests of depositors required extension of Banking Regulation Act to banks in the Co-operative sector,

ii) RBI's supervision was considered necessary for extending deposit insurance.

iii) Substantial funds were granted to Co-operative credit structure by way of created money from RBI and, hence, it had a monetary policy connotation,

iv) Public interest required that institutions having substantial public deposits and functioning as banks should operate under the supervision of Reserve Bank of India.

The advent of liberalization and globalization has seen a lot of changes in the focus of Reserve Bank of India as a regulator of the banking industry. De-regulation of interest rates and moving away from issuing operational prescriptions have been important changes. The focus has clearly shifted from micro monitoring to macro management. Supervisory role is also shifting more towards off-site surveillance rather than on-site inspections. The focus of inspection is also shifting from transaction-based exercise to risk-based supervision. In a totally de-regulated and globalised banking scenario, a strong regulatory framework would be needed. The role of regulator would be critical for:

a) Ensuring soundness of the system by fixing benchmark standards for capital adequacy and prudential norms for key performance parameters.

b) Adoption of best practices especially in areas like risk-management,
provisioning, disclosures, credit delivery, etc.

c) Adoption of good corporate governance practices.

d) Creation of an institutional framework to protect the interest of depositors.

e) Regulating the entry and exit of banks including cross-border institutions.

Further, the expected integration of various intermediaries in the financial system would add a new dimension to the role of regulators. Also as the co-operative banks are expected to come under the direct regulatory control of RBI as against the dual control system in vogue, regulation and supervision of these institutions will get a new direction. Some of these issues are addressed in the recent amendment Bill to the Banking Regulation Act introduced in the Parliament.

6.2 FINDINGS.

The major findings the UCB sector during the recent years include implementation of the Vision Document 2005, initiatives for financial restructuring and asset liability management. The major policy initiatives in the UCB sector during the year 2009-10 are as under:

1. License Policy for New Co-operative Banks:-

   New Bank Licenses-Consequent upon consolidation and improvement in the financial health of the banking sector, it was announced in the Annual Policy Statement in April 2010 that a Committee would be set up comprising all stakeholders for studying the advisability of granting new licenses to UCBs.
Accordingly, an expert committee under the Chairmanship of Shri Y. H. Malegam has been set up. The committee, inter alia, will be reviewing the performance of UCBs over the last decade; review the need for organization of new UCBs and the extant regulatory policy on setting up of new UCBs; lay down entry point norms for new UCBs; examine whether the licensing could be restricted only to financially sound and well managed Co-operative credit societies through conversion route; and to make recommendations relating to legal and regulatory structure to facilitate growth of sound UCBs.

2. Expansion of area of operation and new Branches:-

Area of Operation-In order to provide avenues for organic growth to sound and well functioning uni-State Tier II UCBs, it was decided to consider requests for expansion of area of operation to the entire state of registration for UCBs conforming to the financial position of a Grade I bank. While considering such requests, RBI will give due consideration to the system of internal control prevailing in the bank and supervisory comfort.

3. ATM Services:-

Opening of off-site ATMs--In the Annual Policy Statement of 2010-11, it was announced that well managed UCBs would be allowed to set up off-site ATMs without seeking approval through Annual Business Plan. While considering such requests, the Reserve Bank would give due consideration to the financial health of the bank in terms of the eligibility criteria laid down.
4. Non-SLR Investments-

Investment by UCBs in unlisted non-SLR securities (subject to the minimum prescribed rating) should not exceed 10 per cent of total non-SLR investments at any time. Since there is a time lag between issuance and listing of securities, investment in non-SLR securities which are proposed to be listed but not listed at the time of subscription are exempted from the 10 per cent limit. Considering that long term bonds issued by companies engaged in infrastructure projects are generally held for a long period and not traded, UCBs investment in non-SLR bonds issued by such companies and having a residual maturity of seven years are allowed to be kept in HTM category.

5. Merging Resolution of Weak UCBs-

In order to deal with weak UCBs, where proposals for merger were not forthcoming from within the UCB sector, a scheme of transfer of assets and liabilities (including branches) of UCBs to commercial banks, with DICGC support, has been envisaged as an additional option for resolution of weak banks. Accordingly, detailed guidelines were issued by the Reserve Bank on February 24, 2010.

6. Various Committees:–

i) Account & Audit Committee:

The Audit Committee shall consist of at least three members and must be comprised solely of independent Directors who also meet the requirements of Rule 10A3 under the Securities and Exchange Act of 1934. Each member of the Audit Committee shall be appointed by the Board or upon recommendation of the
Nominating Committee and shall satisfy the independence and expertise requirements of the Sarbanes-Oxley Act of 2002 (the "Act"), including the rules and regulations promulgated by the Securities and Exchange Commission there under, and requirements of any National Securities Exchange or Automated Quotation System on which the Company's securities may be traded or quoted as appropriate.

Vacancies on the Audit Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. The members of the Audit Committee may be removed by a majority vote of the Board.

**Meeting of Audit Committee**  The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

**Powers of Audit Committee**  The audit committee shall have powers which should include the following: 1. To investigate any activity within its terms of reference. 2. To seek information from any employee. 3. To obtain outside legal or other professional advice. 4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

**Role of Audit Committee:** The role of the audit committee shall include the following:
1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

3. Reviewing with management the annual financial statements before submission to the board, focusing primarily on;
   
   (a) Any changes in accounting policies and practices.
   
   (b) Major accounting entries based on exercise of judgment by management.
   
   (c) Qualifications in draft audit report.
   
   (d) Significant adjustments arising out of audit.
   
   (e) The going concern assumption.
   
   (f) Compliance with accounting standards.
   
   (g) Compliance with stock exchange and legal requirements concerning financial statements
   
   (h) Any related party transactions

ii) Investment Committee:

The investment committee's purpose is to assist the Board in its oversight of all of the following:

- Coordinate and oversee the Fund's investment portfolio
- Supervise the management of the Investment Managers within the guidelines of the Fund, including the investment policy, and, in particular, monitor:
o the pipeline of investments

o the portfolio transactions and disinvestments and

o the financial structure and performance of the portfolio and investments

The Investment Committee will furthermore make decisions on investments in MFIs, as well as in other areas from time to time indicated by the Board. The Board of Directors has appointed an investment committee, of which each member has an alternate who will replace the investment committee member in case of absence

iii) Credit Committee:

The Credit Committee determines the Credit Policy of the Bank. The Credit Committee identifies possible risks assumed by the Bank for different types of transactions which are not within the competence of the Assets and Liabilities Directorate. It is also responsible for making final decisions on raising and use of funds within its authority as determined by the Executive Board of the Bank. The Credit Committee has the authority to make a final decision on approval or rejection of proposed transactions as well as to establish personal limits and client limits in accordance with its powers. Resolutions of the Credit Committee may be overruled only by the Executive Board of the Bank.

At its meetings the Credit Committee of the Bank passes resolutions on granting/extending:

- short-term, medium-term and long-term loans and guarantees;
- loans and guarantees of branches/offices of the Bank;
• loans and guarantees for periods and amounts;
• validity periods of letters of credit, sureties and other (including off-balance sheet) transactions involving credit risks.

The Credit Committee has the authority:

• To set limits for Bank clients on active operations;
• To set limits on Russian and foreign counterparties (including limits on a pre-settlement risk and settlement risk);
• To set country limits;
• To set provisions and determine a risk group for transactions involving credit risks;
• To approve internal regulatory documents relating to procedures for handling transactions containing credit and other risks (except those within the ALC competence), procedures for some crediting types, methodologies of counteragent borrowing capacity analysis and other regulatory documents relating to risk management;
• To take legal risks of raising and using funds;
• To set limits on specific credit and market instruments involving credit risks;
• To set limits on bond issuers and on risk bonds themselves;
• To approve procedures for banking operations involving credit risks and, when giving consent to specific transactions, approve procedures for banking operations involving operational risks inherent to given operations;
• To delegate its powers to the authorized persons with setting limits on active and passive banking operations;
• To delegate its powers to out-of-town branches and subsidiary banks, setting limits on the latter with respect to independent decision-making relating to loan transactions;

7. Transparency in the Financial Statement and CEO Certificate:-

The Balance Sheet should be the true financial picture of the Bank disclosing different operational and accounting ratios relating to profit, return on assets, business per employee, capital adequacy ratio, true picture of nonperforming assets, maturity profile of loans, advances, investments, borrowings, deposits, etc. The Chief Executive should certify all reports and schedules, which is to be placed in the Board and in the AGM. Implementation of Internal Control System- the UCBs should adopt Internal Check and Control System, which is an in-built Safeguard against fraud, embezzlement, manipulation etc.

6.2.1 Financial Problems:-

1. Deposits:-

The growth in the number of deposit account was found to be highest among all physical performance indicators of DCC Bank, Head Office during the study period. This was mainly the result of both growths in membership and the number of branches. The growth in loan accounts was observed to be negative and non-significant. This reflected mounting over dues, non-repayment of loan amount, and hence curtailment of lending activities. The growth in the number of employees was positive and significant. This was due to an increase in business transactions and the membership of the bank and the business transaction as
indicated by a large growth in deposit accounts. The growth in the number of branches was also positive and significant. There was a gradual increase in the number of branches in the district from 2007-08.

2. Loan and Advances:-

The bank advanced agricultural loans both for Seasonal Agricultural Operations and Medium Term (Agricultural) purposes, covering large area in the Marathwada Region. The agricultural advances by the DCC Bank, Head Office and selected branches are discussed.

3. Profitability:-

Profitability ratios are helpful in assessing the financial health of the institution (Table 2.6 & 2.7). a) Net Profit to Total Assets Ratio The ratio of net profit to total assets was positive for all the years and ranged among 2006-07 to 2010-11 over the study period. Suggest that the ratio should two percent for the efficient utilization of asset. The results thus call for the efforts by the bank to increase profits by reducing costs so as to achieve at least the standard norms of two percent.

a) Net Profit to Net worth Ratio:

The ratio shows the rate of return on the equity capital of the bank. The ratio was negative for five years from 2006-07 to 2010-11 since the net worth itself was negative for this period. However, the ratio was positive for remaining years and showed mixed trend. The maximum ratio during the study period was 2006-07 to 2010-11.
b) Net Profit to Fixed Assets Ratio:-

The ratio indicates the extent of profitable use of fixed assets of the bank. It can be noticed from Table 2.6 that the ratio was positive with a mixed trend for the study period. The ratio was more than unity for a total of five years indicating that each rupee of fixed investment earned a net profit of more than one rupee.

4. Employment and their Economic Development:-

As a result of the on-going consolidation initiatives in the UCB sector, the profile of UCBs witnessed a shift in favor of financially sound banks. The UCB sector reported overall net profits as at end-March 2011. However, the spillover effects of the global financial turmoil caused a decline in the profitability during the last two years. Some of the emerging issues which deserve attention in the UCB sector are negative non-interest margin, high level of nonperforming loans, presence of loss-making banks, banks with negative CRAR and skewed concentration of banking business. Expansion of Co-operative Banks is going to increase so employment opportunities are available for employment.

Guidance to Customers

All branches, except very small ones, should have "Enquiry" or "May I help you" counters. Such counters may exclusively attend to enquiries or may be combined with other functions depending upon the requirement. As far as possible, such counters should be near the entry point to the banking hall.

Provision of ramps at Automated Teller Machines (ATMs)

Banks are advised to take necessary steps to provide all existing ATMs/ future ATMs with ramps so that wheel chair users / persons with disabilities can easily
access them. The height of the ATM should be such that it does not create an impediment in its use by a wheelchair user.

**Loans and advances services**

The Urban Co-op. Banks mobilise deposits from the members of the public. The banks have introduced various deposits schemes which induce the common man to save more money. The Urban Co-op. Banks accept deposits for the purpose of lending. One of the most important functions of the banks is to create credit. Except in a few cases like interest on savings bank deposits and interest on export credit and interest on small loans upto Rs.2 lakh which are administered (under the control of the RBI), most of the interest rates on deposits as well as loans & advances can now be freely set by the banks themselves).

It is the primary duty and function of the Urban Co-op. Banks to safeguard the interest of depositors. Whenever deposits are accepted, the bank agrees and undertakes to repay the amount of deposits with interest to the depositor on maturity. The ownership of the deposit amount vests with the customer and the custody of the deposit amount is with the Banker. So whenever Advances and Loans are sanctioned to shareholders / members of the Bank, the Banker has to take utmost care to see that the Borrower repays the amount of loan with interest so as to enable the Banker to repay the amount of deposit with interest to the customer.

It is with background, it will be clear that the banker must be vigilant about the utilization of the amount of advances and loans made to be...
shareholders/nominal member. If the Banker is reluctant and negligent towards recovery of loan amounts and advances, it will be very difficult for the bank to repay the amount of "DEPOSIT AMOUNTS" to the customers on maturity.

**Recovery through salary:**

After issue of such preliminary notices, there may be a positive response from the principal borrower and he may repay the amount of defaulted loan installment, or the principal borrower and the surety may approach the authorities of the bank and may explain their genuine difficulties regarding repayment of loan amount or there may offer to repay the dues partially. There may be cases where there is no response from the borrower / sureties.

With this background, the bank should proceed further to devise such steps which will result in recovery of dues. Under various State Co-operative Acts (e.g. Section 49 of M.C.S. Act 1960) it has been provided that if a member of a society./Bank authorises his Employer to make deduction from his salary/wages, in order to satisfy the claims of the society/Bank, then on receipt of requisition letter from the concerned Bank, the Employer shall proceed to make deduction from the salary/wages from the concerned employee/member to meet the claims of the Bank. The Employer must remit the amount so deducted immediately to the Bank concerned.

In addition to the above, there are provisions under the Indian Payment of Wages Act 1936 (vide Section 7(2) and Section 7(2)(j) which stipulates that the Employer shall make deduction from the salary/wages of an Employee to satisfy the claims of the Co-operative Society / Banks.
Settlement of Disputes:

Based on the noting of the Management, the Board of Directors may pass a Resolution authorizing the Manager/or such other officer to file "Dispute Application" in the Co-operative Court against the defaulting principal borrower and his sureties. Section 91 of the MCS Act empowers the co-operative courts to decide on 'Disputes' and Section 95 further empowers the court to direct attachment of property before announcement of the award which is called Attachment before award or order and interlocutory order if it is satisfied that the parties to the dispute are likely to remove/dispose off whole or part of his property. Section 95 similarly empowers the Registrar / Officer authorised by him to take the above measures in case of disputes referred to him.

Services to Depositors:

One of the important functions of the bank is to accept deposits from the public for the purpose of lending. In fact, customers are the major stakeholders of the banking system. Protecting customers and their interests is the key area for the regulatory framework for banking in India.

Depositors and borrowers have rated the attributes of customer satisfaction differently. Here we analyze how depositors have rated the various attributes of customer satisfaction. These attributes are analyzed broadly in terms of bank personnel and products and services. When a customer visits a bank, the first encounter is usually with a member of the bank personnel. A depositor may ask for an account-opening form, or may seek clarification, or may request updating of passbook or withdrawal of cash, or may make a deposit. Hence, it is important
to determine how depositors are rating the various attributes of customer satisfaction. The clarity of the ratings of these attributes needs to be evaluated.

The parameters of the bank personnel.

Public Services:

Banks offer the following services to account holders at their specified branches - multi-city / Payable at Par (PAP) cheque facility, anywhere banking facility, trade services, and phone banking facility, internet banking facility, credit card, debit/ATM card, mobile banking and Real Time Gross Settlement (RTGS). Foreign banks are expanding the number of products on offer, their complexity such as derivatives, leverage financing. Doorstep banking facilities are being offered by some of these banks to cater to convenience lifestyle of its customers.

Private Banks are extending services including wealth management and equity trading apart from credit cards. The pricing mechanism is dependent on client relationship and the nature of the transaction. The pricing can be arrived at by profiling customers into different segments. The large corporate segment comprises of the bulk and large value transactions. This segment is characterized by multiple service relationships. The pricing in this segment is transaction based and depends on the size of transactions and on the banks' relationship with the corporate. Hence, the pricing is decided on a one to one basis and public. The other segments comprise the brokers, small and medium enterprises (SME), other banks and the retail segment. In each of these cases, the pricing is not made public and is determined on the basis of the nature of the transaction and the banks' relationship with the client, on a one to one basis.
Typically, high volumes and low value characterize the SME segment. Therefore the pricing for this segment differs from that of the large corporate. Similarly the pricing for the banks is very different. In the retail segment, the bank publishes its tariff.

4. Others:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among Co-operatives

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...).

6.3 SUGGESTIONS:

1. Improvement in services of Co-operative banks:

   Suggestions for the improvement of the functioning of co-operative banking in general and e-banking at the co-operative bank level in particular are based on the investigation made by the researcher. Most of the suggestions are of practical nature. If they are brought in practice the co-operative banks may go
online like other commercial banks using e-banking services. The contribution of this research is in the form of suggestions are most important. There may be some type of discrepancy in implementing the ordinance / orders of RBI. It is also the responsibility of the banking system especially RBI to take care of these Co-operative banks along with other scheduled banks.

2. **Training to members, directors and employees:**

In some cases, the employees of the banks may not be in a position to handle such sophisticated level of technology because of lack of knowledge or skill. This is more so in case of Indian banks. Therefore, the top management of the banks should take the necessary steps to provide adequate training to their employees in the IT area so that the employees feel more comfortable in handling high technology based transactions.

For management skills training is necessary to the members & Directors of Banks regarding Co-operative Act, Banking Regulation Act and RBI Policy.

3. **Exemption from income tax for co-operative bank:**

Income generated from agricultural advances by state Co-operative banks and district central Co-operative banks is likely to be exempted from income tax since 1960. But the finance ministry is considering that income tax on income of Co-operative bank is exempted u/s 80 p of Income tax act till 2007. But now Income Tax impose on income tax Co-operative Bank rate of income tax is 30 percent of income. But it is need of exemption.
4. Applied E-banking in co-operative bank:

Physical location of the branches will be less important and possibly irrelevant as new technologies such as ATMs, internet banking, mobile banking, core banking etc. provide wider access to a broad range of new facilities/service. In case of core banking a very high level of technology is used at all the branches and customers level. The customers may not be familiar with the level of IT. In such case, the customers may not feel comfortable in handling business transactions with their banks. The banks have to play an important role in educating their customers in this area.

5. Service rules and attractive pay scale to employee of co-operative banks:

The pay scales of employees of the urban Co-operative banks will be revised with effect from April 2008. The employees will get increase in salaries ranging from Rs. 1500 to Rs. 9000 a month as a result of the pay revision, Minister for Cooperation G. Sudhakaran announced here on Wednesday.

The new running scale will be Rs. 5500-39700 against existing scale of Rs. 4200-26700. The government has decided to grant four grades to sub-staff on the eighth, sixteenth, 23rd and 28th years of service. Others would be given two grades on the eighth and sixteenth years. Employees reaching stage-stagnation will get three stagnation increments.

The house rent allowance will be ten per cent of basic pay subject to a maximum of Rs. 1750 a month. The medical allowance will go up from Rs. 1350 to Rs. 1800 a month.
6. **Remove dual control and only control by RBI:**

The role played by urban co-operative banks in greater details and drew a roadmap for their future role recommending support from RBI and Government in the establishment of such banks in backward areas and prescribing viability standards. However, concerns regarding the professionalism of urban Co-operative banks gave rise to the view that they should be better regulated. This marked the beginning of an era of duality of control over these banks. Banking related functions (viz. licensing, area of operations, interest rates etc.) were to be governed by RBI and registration, management, audit and liquidation, etc. governed by State Governments as per the provisions of respective Maharashtra Co-operative State Acts. 1960, UCBS were extended the benefits of Deposit Insurance.

7. **Improvement in management skills:**

- Perfectly located Branch needs architectural reconstruction to reflect the corporate style indoor and outdoor.
- Security of the Branch and the employees is compromised in the current work environment. This elevates the necessity of attention to the reconstruction issue.
- Equipment needs upgrading.
- New architectural solution must allow space for customer hospitality desk to protect the existing friendly work relations with locals
- The character of the rural area demands increased mobility for the branch. Additional vehicle must be provided.
• Strong local relations must be capitalised for further growth
• Branch manager to be supported continuously with specific additional trainings to improve to satisfaction his organisational and leadership skills.

8. Others suggestions:-

• 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 of branches.

The banks should improve the customer services of the bank to a better extent

6.4 FORECASTING:-

1. A role of co-operative banks in economic development:

   Co-operatives can play a significant role on economic development, especially in rural areas where absence of large spending power does not attract private investment to harness local skills and resources that can uplift the local economy living standards besides exporting produce to distant customer locations in cities. Co-operatives of farmers enable consolidation of fragmented land, investment in mechanization and irrigation, better bargaining power to buy seeds and fertilizers cheaply, arrange for proper common storage and greater bargaining power in selling farm produce to traders as also make banks comfortable in providing agricultural credit, thereby improving the productivity of agriculture and improving the incomes of farmer members of the Co-operatives. Co-operatives if fishing/ pisciculture, animal husbandry and dairy, residential
housing, and other economic activities can contribute similarly to economic development.

2. **Urban co-op. banks are helpful to small entrepreneurs and businessman:**

   Urban Co-operative banks are helpful to small entrepreneurs and businessman because these banks are the leading banks to sanctions the loan to small entrepreneurs for development of their business. Loan may be sanction to small kirana shop, vegetable shop etc.

3. **Nationalized banks and private banks have limitation but co-op. banks can remove these lamination:**

   Nationalized banks and Co-operatives banks are played separate role. i.e. management, rules regarding RBI and other many things. For that nationalized Banks and private banks have lamination given by RBI and Banking regulation act but Co-operatives banks are get same exemption by some limitation from RBI and Bank regulation act.

4. **97th state constitutional amendment is made for development co-op banks:**

   1. **Active Members:**

      Active Members means one who participates in the affairs of the banks and utilize the minimum level of services or products of that banks as many prescribed in the bye-laws of the banks.

      Active members: Active member means a person who has been admitted as an ‘ordinary member’ under the Bye-laws of the Bank and who compiles following conditions.
i) To attend at least one general body meeting in the previous five consecutive years,

ii) To utilize minimum level of services as provided in bylaw no 15 as following.

**Voting rights for general election of the Bank**

i. Only active member shall have one vote irrespective of the number of shares held;

ii. Individual active member shall vote in person, while a firm or a company or any other body corporate constituted under any law for the time being in force, or Government which is a member, may appoint one of its partner, director or officer to participate in the election to exercise the right of vote;

iii. Active member shall not be eligible to vote who has become defaulter as provided in explanation to clause i) of sub section (1) of section 73 CA.

**Minimum level of services for becoming active member**

The minimum level of services to become active member is prescribed depending upon size of the Bank.

<table>
<thead>
<tr>
<th>Sr. no</th>
<th>Size of Bank (Deposit in Cr. On the date of preparation of provisional list)</th>
<th>Minimum share capital holding</th>
<th>And minimum deposits required</th>
<th>Or minimum loan required</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Upto Rs. 100 cr.</td>
<td>1000</td>
<td>5000</td>
<td>100000</td>
</tr>
<tr>
<td>02</td>
<td>Rs.100 Cr. to 500 Cr.</td>
<td>2000</td>
<td>10000</td>
<td>100000</td>
</tr>
<tr>
<td>03</td>
<td>Rs.500 Cr. to above</td>
<td>3000</td>
<td>20000</td>
<td>200000</td>
</tr>
</tbody>
</table>
Liability of a member:

The liability of a member shall be limited to the capital represented by the share or shares of which such member is the registered holder. The liability of a past member to the extent of shares as they existed at the time when he ceased to a member shall continue for a period of two years from the date of cessation. The estate of the deceased member shall remain liable to the extent of sums due to the bank for a period of two years.

2. Numbers of Directors not more than twenty one:

As per the new norms of Co-operative act there will be not more than 21 directors in Co-operative banks as well as urban Co-operative bank. It is strictly prohibited by 97 amendment norms.

The executive management of the bank shall vest in the hands of Board of Directors consisting of such No. of Directors depending upon the size of the Bank is given below

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Size of Bank</th>
<th>General Category</th>
<th>SC/ST</th>
<th>WOmen</th>
<th>OB</th>
<th>DT NT SBC</th>
<th>Total Elected Director</th>
<th>Expert Director</th>
<th>Functional Director</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Up to Rs.100 Cr.</td>
<td>13</td>
<td>01</td>
<td>02</td>
<td>01</td>
<td>01</td>
<td>18</td>
<td>02</td>
<td>01</td>
<td>21</td>
</tr>
<tr>
<td>02</td>
<td>Up to 100-500 cr.</td>
<td>13</td>
<td>01</td>
<td>02</td>
<td>01</td>
<td>01</td>
<td>18</td>
<td>02</td>
<td>01</td>
<td>21</td>
</tr>
<tr>
<td>03</td>
<td>Above 500 cr.</td>
<td>13</td>
<td>01</td>
<td>02</td>
<td>01</td>
<td>01</td>
<td>18</td>
<td>02</td>
<td>01</td>
<td>21</td>
</tr>
</tbody>
</table>

Reserve seats for expert directors: two directors to be co-opted from active members of the bank with suitable banking experience from middle management of any bank for the minimum period of 10 years or having relevant professional qualification. For the purpose of the sub-clause the professional qualification
means a Chartered Accountants /ICWA /CS /CAIIB /MBA (Banking and Finance)/ Law Graduate or Faculty in Banking Commerce and Economics field having a experience in the middle / senior / top level management or teaching for minimum 10 years. (this is as per RBI circular No. PCV.CIR.POT 39/09.103.01/2001-02, Dt.05/04/2002)

**Reserve seats: as per provisions u/s 73 B of the Act.**

i. One seat shall be reserved for the active member belonging to SC/ST.

ii. One seat shall be reserved for OBC for the member belonging to the other backward class.

iii. One seat shall be reserved for the active member belonging to the D-notified Tribes (Vimukta Jatis), Nomadic Types or special Backward Classes.

**3. Appointment of Auditor:**

The appointment of the auditor and his remuneration shall be approved in the General Body Meeting for the Bank. The qualification / disqualifications, powers, rights and duties of the auditor shall be as prescribed under the Act, and RBI guidelines.

Accounts and record shall be maintained in forms prescribed or approved by the registrar and RBI. Any member of the bank may inspect any of the register or records during office hours in so far as it relates to his own business transaction.

The account of the bank shall be audited by an auditor appointed from the panel of the auditors approved by registrar at least one in each year and the
remuneration of auditors shall be fixed by the Registrar or the Bank as the case may be.

4. Functional Director:

Functional directors means and includes a Managing Director or a Chief Executive Officer by whatever designation called or any of the head of the Department of the concerned society, nominated by a committee.

The chief Executive, may at anytime, on the direction of the Board, call a special General Body Meeting of the Bank and shall call such meeting within 30 days after the receipt of requisition from the Registrar or on requisition in writing from not less than 250 members or from 1/5 th of the total number of members of the Bank whichever is less transact the business as stated in notice of the meeting.

Quorum of the general body meeting: i. the quorum for the general meeting shall be one fifth of the total number of members or 100 members whichever is less.

i. No business shall be transacted at any general body meeting unless there is a quorum at the time when the business of the meeting is due to commence.

ii. The quorum for the special general meeting shall be one fifth of the total number of members or 300 members whichever is less.

The functional director of the Bank shall be appointed by the board as per fit and proper criteria issued by the registrar time to time. He shall be a full time employee of the bank and he shall aid and assist the Board in their function.
The functional director under the general superintendence, direction and control of the board shall exercise the power and discharge the functions specified below

i) Day to day management of the business of the bank.

ii) Operating the account of the bank will be responsible for making arrangement for safe custody of cash.

iii) Signing on the document for and on behalf of the Bank.

iv) Making arrangement for the proper maintenance of various books and records of the Bank and for the correct preparation timely submission of periodical statement and returns in accordance with the provision of this act, the rule and the bye laws.

v) Convening meeting of the general body, of the bank, the board and executive committee and other committees constituted under the act and maintaining proper record for such meeting.

5. Expert Directors:

Reserve seats for expert directors: two directors to be co-opted from active members of the bank with suitable banking experience from middle management of any bank for the minimum period of 10 years or having relevant professional qualification. For the purpose of the sub-clause the professional qualification means a Chartered Accountants /ICWA/CS/ CAIIB/ MBA (Banking and Finance)/ Law Graduate or Faculty in Banking Commerce and Economics field having a experience in the middle / senior / top level management or teaching for
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vi. One seat shall be reserved for the active member belonging to the D-notified Tribes (Vimukta Jatis), Nomadic Types or special Backward Classes.

**Disposal of the NET Profit:**

The net profit of the bank shall be calculated and disposed off in accordance with the provisions of the MCS Act, 1960 and Rules framed there under. To transfer for contribution to the education fund at the rate of 5% or more but not exceeding 10% of the balance of net profit to be utilized for the education and training of directors, employees and members as may be recommended by the board of directors.

**5. Co-op. banks are helpful to social economic development:-**

Co-operatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development. The process of developing and sustaining a Co-operative involves the processes of developing and promoting community spirit, identity and social organisation as Co-operatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development.
Co-operatives are viewed as important tools for improving the living and working conditions of both women and men. Since the users of the services they provide owned them, Co-operatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve. As Co-operatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection.

Hence, Co-operatives accord members opportunity, protection and empowerment - essential elements in uplifting them from degradation and poverty.

As governments around the world cut services and withdraw from regulating markets, Co-operatives are being considered useful mechanisms to manage risk for members and keep markets efficient.

6. No competition among nationalized banks and co-op. banks:

Nationalized banks network is large on entire country and their rules are applied by staff. They provided loans and advances to large scale Industrialist and businessmen but Co-operative banks are established in specific area and these banks have local knowledge and they know their customers. So they provided special services to customers and sanction loan to the knowing people. And recovery is made properly. So there is no competition between nationalized banks and Co-operatives banks.
7. Bright future for co-op. banks:

Co-operatives are not unaffected by structural adjustments and globalization of commodity market. As a result, Co-operative Banks are required to redesign their strategies for sustainability and growth. The economic reforms initiated by the government of India in 1991 have affected the Financial Institutions including the Co-operative Financial Institutions. These reforms aim at liberalization and deregulation of Indian economy.

The Co-operative Banks of Punjab have accepted the reforms in Indian economy, especially, the financial reforms in right spirit. Since these Banks have mainly been providing credit to agriculture sector, changes in agricultural economy affect them more closely. The Banks envisage following scenario as a result of liberalized agricultural policy:

Liberalization of agricultural policy would result in greater capital intensity and borrowed capital requirements of agriculturists. In order to induce diversification and produce quality products for international market. For this purpose, Punjab farmers would need greater credit support for improved technology, seeds and agro-inputs.

Liberalized agricultural policy would reverse the process of fragmentation of land holdings and would result in exodus of employment opportunities from agricultural sector to other sectors of economy. Such as small business enterprises, services and industrial sector.
Liberalization of agriculture would professionalize and modernize agriculture, thereby earning a status of industry attracting high skilled professionals in agriculture sector.

Liberalized agricultural economy would lead to a greater role of private research and development institutions in improving the productivity and quality of agricultural operations.

The liberalized agricultural policy would bring greater thrust on export of raw and value added agro-products.

The liberalized agricultural economy would lead to sowing/planting of new crops. Leading to a great deal of crop diversification.

The Co-operative banks can develop in future because these banks are required for economic development for rural India and urban Co-operative banks play important role in small business development, so co-operative banks have good future.