Chapter 4

EVALUATION OF OPERATIONAL EFFICIENCY AND PRODUCTIVITY

- Training and development of staff and officers

- Wage productivity

- Productivity through other per employee indicators

- Cash management i.e., ratio of cash in hand to deposit

- Recovery of Advances

- Credit-Diposit ratio
CHAPTER -4

EVALUATION OF OPERATIONAL EFFICIENCY
AND PRODUCTIVITY

In Uttar Pradesh, while Urban Co-operative banks may be said to form one group of 177 Branches, their Sizes, geographical locations, member profiles and the different provincial laws under which they operate, make them a highly heterogeneous group. A large number of these banks are small entities having a town or district as their permitted area of operation. The R.B.I is primarily responsible for the banking related functions of Urban Banks like interest rates, loan policies, investments etc.

In practice however, there is a lot of overlapping of controls. For example, although administration and recovery of loans, Decision of investment etc. are purely banking related functions and should come under the control of Reserve Bank, the Registrar also have a say in it. Their Efficiency and productivity can be increased by a well trained staff because it can be lessen their NPAs and may give good shape to their Credit - Deposit Ratios.

TRAINING AND DEVELOPMENT OF STAFF AND OFFICERS :-

Urban Co-operative Banks provide education and training for their members, elected representatives, managers and employees so
that they can contribute effectively to the development of their co-operatives. They inform the general public—particularly Yong people and opinion leaders—about the nature and benefit of cooperation.

It is universally recognised that the co-operative movement in all its facets is dependent on education and training of its members. The I.C.A. Commission (1966) recommended that "All co-operative societies should make provisions for the education of their officers and employees. Education, Training and development are correlated and interdependent. Without one the other cannot be possible. If education develops mental faculties and increases knowledge, training chisels it and levels it. If education sharpens the intellect broadens the vision and builds up the character, training gives a practical shape and furthers the progress of education. Both education and training are, therefore, essential for the proper development of any Bank's Staff. The growth, profitability and success of the urban Co-operative banks is essentially dependent on the general education and training of the members on the one hand and their education in co-operative principles and training in co-operative methods on the other.

**Staff & officers training**

In Consequence of the recommendations of the various committees, Training facilities were provided in some states. It was however, only after independence that serious thought to the problem of cooperative training was given and in 1947, a Co-operative training college was established at Poona by the Bombay Provincial Co-operative institute.

In 1962 the R.B.I. on the advice of the standing advisory committee on agricultural credit, introduced a scheme of assistance in the co-operative Training college, poona under which a short-term
course of training for senior co-operative Bank staff was started. The First course commenced in April, 1952.

In November 1953, the Govt. of India and the Reserve Bank of India jointly constituted the central committee for co-operative training was a high level agency for promoting co-operative education and training in the country. The central committee classified trainees into higher, intermediate and subordinate categories. For giving training to the higher officers in charge of direction and control at district level or above and also the executives in co-operative institutions at district level or above, the Poona college was expanded. For the training of intermediate staff, 5 regional training centres were established at Madras, Poona, Ranchi, Meerut and Indore. Apart from this, the central committee established 8 Block level co-operative officer's Training centres at Gopalpur-on-sea, Bhavnagar, kalyani, kota, faizabad, Hyderabad, Tirupati and Patiala. The capacity of each training centre was to train about 100 candidates in one course of 11 months. Special short-term courses in marketing and land mortgage banking were introduced at some of the centres. For the training of subordinate co-operative personnel, such as Junior auditors, Supervisor, salesmen, various state governments, in consultation with the central committee, Started junior training centres at suitable places.

**Training by the R.B.I.**

During 1975-76 R.B.I. introduced a course at its Banker's Training college Bombay for the managers of the Co-operative Banks. The college has since been shifted to Poona. The course is intended to equip the managerial personnel of co-operative banks with up-to-date knowledge of practices and procedures of modern banking. The college is also conducting a course for the officers of the urban Co-operative
banks in which training in inspection techniques and procedures is provided (under section 35 of the banking regulations act the Reserve bank can arrange for an inspection of a co-operative bank through one or more officers of the co-operative bank in a state.)

**Training arrangements in Banks**

A working group appointed by the Reserve Bank of India in September 1982 (Kasbekar Committee) reviewed the training arrangements in banks and at the apex level. The training strategy recommended by the group and broadly accepted by the Reserve bank of India. Subject to Marginal involvement of industry level institution viz. Bankers Training college, College of Agricultural Banking and national institute of bank's Management, training upto the middle management level is considered to be the responsibility of the training institution of Banks.

The training responsibility of urban banks in respect of higher levels are to be shared by some industry level institution:-

- Urban Co-operative Banks Training centres are periodically reviewing the training strategy adopted, augmenting infrastructure where ever required and introducing such additional programmes as may be considered necessary by individual urban banks. They are also following these works-

- Training institution both at the bank and industry level makes use of the faculty of each other, as far as possible on a reciprocal basis for specialised programmes.

- Bank Management demonstrate that a trainer's is a prestigious position and that this will be given only to candidates of proven merit.
- The trainers go back to the operational side after a period of about 4 to 5 years.

*Note:*

Co-operation, on voluntary basis among the training centre/colleges run by bank and industry level institutions would go a long way in obviating duplication of courses.

- They instruct the Banks that they should give more attention to the method of selection of trainees and their post-training placement.

*Note:*

In the light of deliberations at the workshop held in Bankers training college, Mumbai in October 1990 certain guidelines covering different aspects of training in banking industry were advised by the RBI to all banks in December 1991, with a request to review in detail their prevailing training arrangement and take appropriate measures for suitably strengthening the training structure, so as to make training system a more effective instrument of development of their human resources.

A Standing co-ordination committee under the chairmanship of Deputy Governor of Reserve Bank Of India Co-ordinates, monitors and guides the training arrangements in Banks on an ongoing basis.

**Management of Training at Bank's Training Institutions:**

* Assessment of Training needs, strategies for meeting these needs and preparation of calendar of programmes:-

* All urban banks formulates "Training Policy" indicating the periodicity of training for different categories of staff and types
of training to be imparted. The four broad types of training that which are as under :-

- Induction and Refresher Courses
- Functional Programmes such as Credit, International Banking, Foreign exchange, Human resources management and Development etc.
- Crash programmes for contingency demands, Like service area approach, housing finance etc.
- Futuristic orientation programmes for emerging possibilities, like financial innovations, investment banking, securitisation, leasing, hire purchase, factoring, computerization etc.

* While preparing the calendar of programmes, the banks ensure that the capacity is fully utilised and nominations for each programme are effectively ensured through careful advance planning, prompt substitute arrangements for drop outs, etc.
* The training colleges of various banks attempts to coordinate their efforts specially in the following areas :
  - Exchange of training material including video Programmes.
  - Trainer's meet for sharing information about innovative programmes
  - Exchange of faculty.
* Selection, Development and utilisation of faculty:
* Principal/Vice Principal:
  - They are more of a captain of a team and less of a manager.
  - They Possess quality of providing a Pro-active work environment conductive for experimentation, innovation and creative endeavours.

**Note :**

He should basically be a person with strong commitment to training and HRD and aptitude to lead, guide and administer a
function which is distinct from other known forms, like operational Banking.

* Faculty

In view of the important and the criticality of the role for dissemination of knowledge and ideas, the role of a faculty member is to be considered on par with other officers in the organisation.

**Note:**

He should preferably be in senior or middle management scale except in some technical area, like computers.

- They have good academic record, successful achievement in the operational assignments, perceptive ability, ability in interpersonal relationship, ability to influence thinking and above all, a strong urge for self-development.

**Selection Procedure for faculty:**

There is a streamlined selection procedure including psychological tests, group discussion and interview. Principal also associate with the selection panel. If there is need, the help in selection process may be sought for from outside experts / Institutions.

**Development of Faculty**

The faculty develop in a phased manner starting from deputation to a formal faculty development programme, deputation to a programme in his functional areas including management and areas of his specialization, guidance in the development of instructional materials, such as, audio-visual aids, distance learning materials, Computer based training etc. The faculty of apex colleges get opportunity to participate in the national and international
conferences in their areas of specialisation. Apart from the lecture session, they get sufficient time for updating their knowledge, conducting research and developing case studies etc. There is a exchange of faculty members in the apex colleges of the banks in certain key areas.

**Incentives**

- The faculty members may be sponsered or encouraged to be members of the professional bodies like ISTD etc.
- They always encouraged to develop specialisation in a couple of areas.
- Annual Conferences for the faculty members may be organised in some specialised areas at BTC, CAB and/or NIBM.

**Assessment of the performance of faculty members :-**

It is based on the number and types of programmes Co-ordinated, number of teaching assignments, training material developed, ability to motivate participants for learning, efforts for conducting search/Studies etc.

**Note :**

A suitable format should be designed encompassing the above areas for assessment of the performance of the faculty members-

**Training Institutes**

For the development of the employees and officers there are so many management institutions are running. Regional institute of Co-operative management, Baglore, National council for co-operative training (NCCT) - New Delhi, has been permitted by the all India council of Technical education, New Delhi and govt. of Karnataka, to
conduct full time MBA courses commenced from the academic year 1999-2000.

The institute is affiliated to Banglore university. Similar courses have been introduced at other institute also. Some of them are as follows:-

Vaikunth Mehta National Institute Co-op. Management
Pune, Maharashtra - 411007

Institute of Co-op. Management
Erandwana, karve Road, Pune, Maharashtra

Regional Institute of Co-op. Management
Shastrinagar, Patna, Bihar- 800023

Institute of Co-op. Management Co-op. Comp.
Lamphelpat,Imphal, Manipur 795003

Regional Institute of Co-op. Management
Chandigarh- 160047

Institute of Co-op, Management
Bhubaneshwar, Orissa - 751012

Regional Institute of Co-op Management
Gandhinagar, Gujarat 382030

Institute of co-op. Management Complex
Block A, Jhalanna Dungari,
Integrated Co-op. Training,
Jaipur, Rajasthan- 302004

Regional Institute of Co-op. Management
Bangalore, Karnataka- 560070

Institute of Co-op. Management
Madurai, Tamilnadu- 625022

Regional Institute of Co-op. Management
Distt. Nadia, West Bengal

Institute of Co-op. Management
Hyderabad, Andhra Pradesh 500030

Institute of Co-op Management
Chennai (Tamil Nadu) 600040

Institute of Co-op. Management
Binovanagar, Guwahati Assam

Institute of Co-op. Management
Thiruvanthapuram, Kerala

Institute of Co-op Management
Bhopal Madhya Pradesh

Institute of Co-op Management
Thana, Kannur, Kerala 670012
Institute of Co-op. Management  
Nagpur  
Maharashtra -440002  

Training Institutes in U.P.

- Institute of Co-op. Management  
  Dehradoon  
  Uttar Pradesh 248009  

- Institute of Co-op. Management  
  Rajajipuram  
  Lucknow, Uttar Pradesh -226017  

Regional offices and federations are also contributing for the Training and development of the staff and officers.

- Uttar Pradesh  
  Sahakari kisan Bhavan, 2, Mahatma Gandhi Marg,  
  Lucknow - 226001,  

- Uttar Pradesh Urban Co-op. Banks federation Ltd.  
  6-B, Park Road, Jaiswal Complex (2nd floor),  
  Lucknow 226001, U.P.  

- National federation of urban Co-op Banks and Credit Societies  
  Ltd., New Delhi  

College of Agricultural Banking, Reserve Bank of India, Pune

This college is situated in Ganesh khind Road, Pune, Maharashtra - 411016 and conducts a number of Programmes/Seminars for the benefit of the urban co-op. Banks. The college of Agricultural Banking R.B.I., Pune vide its letter CAB. No.7848/PNGA/101/788 Dated 27th February, 1988, observed that with the objective of expending and sharing their own experience in the field of training, with the Banks training colleges / institutes, they have decided to open, on a formal and regular basis, a window of required guidance. The banks/training institutes, in the way of consultancy for designing courses, sharing course material and sparingly make available faculty assistance. Banks/training colleges in need of the guidance may approach them in this regard.
**Note:**

The college of Agriculture Banking, RBI, Pune has reported that there is a lack of proper response from most of the urban co-operative Bank resulting in under-utilization of capacity. Banks have been advised to make full use of the college to build up necessary upgradation of skills and expertise amongst the staff by means of adequate training. This will have direct bearing on the qualitative of the health of the institution. The Reserve Bank has advised the urban Banks to depute more staff and ensure that majority of the staff in the Banks is exposed to training.

With a view to encourage the banks to depute maximum number of staff for the training, The reserve Bank has reduced the participation fee as detailed below.

Rupees per work per participant

<table>
<thead>
<tr>
<th>Bank Category</th>
<th>Existing Rates</th>
<th>Revised Rates (w.e.f. 1.10.2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-op. Banks with working capital above Rs. 1 crore</td>
<td>Rs.8000.00</td>
<td>Rs.5500.00</td>
</tr>
<tr>
<td>of Rs. 1 crore and below</td>
<td>Rs.5500.00</td>
<td>Rs.4250.00</td>
</tr>
</tbody>
</table>

(In Respect of Short/Long duration Courses, Proportionate fees will be charged)

Bank believes that its human resource is its biggest asset for growth, development of new activities, diversification and for undertaking modern banking. The top Management believes that full and proper development of human resource is not possible merely by proper selection but both fresher and experienced persons need constant training and retraining.

4.12
Each newly recruited person is given first theoretical training through class room lecturers for specific period, depending whether he is sub-staff, clerk or officer. On joining, employees are inducted to the bank, they are told about different functions of the bank, role of various functions and so on. Then freshers are given on the job training in specialised branches for the purpose before they are placed. Even after posting they are treated as trainee and are given full responsibility only gradually.

The Bank conducts number of training programmes each year generally for specific purpose to train the employees in them. Such programmes are for deposits, Appraisal of loan applications, Rural Banking foreign exchange, Computer operation, ATM, electronic Banking, legal aspects, dealing with customers, how to deal with cash, fixed deposit, maintenance of records and so on. For each programme in different regions employees are sent for training on the basis of performance appraisal, and recommendations of the branch manager or the department in which one is working.

Besides banks own training programmes middle level and higher level officers are sent for training in Banking institute, management institutes and specialised institutes for labour management, finance, accounts, co-operatives law etc.

The experts are also invited to give lectures on specific subjects in which senior and junior officers are asked to participate.

These banks also send sometimes employees to RBI, Local Head office or central office for practical training in a specialised field in a particular department like project department, rural credit, debt
management investment, share department etc. So that they may latter be posted for these functions.

**Strategy of Executive Development (ED)**

Nearly 90% of the development occurs based on the on-the-job experience. Training and development programmes affect only 10% of his development. The strategy may be depicted as in the following figures.

Figure (4.a) : Showing the strategy of Executive Development (ED)

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Unified Strategy of ED

In Bank Effort

Of the job experience

Co-training and development

out Bank Formal Training

Out Bank Training & development
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**Recommendations on Training facilities in urban Banks of Uttar Pradesh :-**

- Urban Banks should continue to bestow more attention on training. As base level programmes and those on general Banking will be discontinued in BTC and will be conducted by banks in their own colleges or in house facilities, The posts of principal and members of faculty should be accorded higher importance. Talented and knowledgeable officers with proven track record
should be appointed as members of faculty with a good package of facilities.

- Officers posted as faculty of training colleges should also be sufficiently exposed to suitable training so that banks are in a position to replicate some of the training programmes conducted in BTC in their own training establishments.

- Banks should take care that there is a proper fit between the participant profile and the programme profile. There should be a match between the training undergone by an officer and his post training placement so that the benefits arising out of the training may be put to the best use of the bank and the officer.

- Banks should assume a pro-active role of encouraging and counseling their employees to acquire professional qualifications for strengthening the knowledge base and enhancement in professional competence.

- The Indian Institute of Bankers and Indira Gandhi National Open University have now jointly come out with an MBA programme in Banking and finance exclusively for bank staff. As a measure of encouraging professional learning and acquisition of a specialised post - graduate Degree in banking and finance, all Banks may consider reimbursing the course expenses to those staff who which pass this special MBA Degree.

**WAGE PRODUCTIVITY**

Efforts are constantly being made to increase the productivity of
employees or labour by increasing its efficiency through education and training, by improving capital and by better organisation.

There is a kind of prevasive feeling that wages and productivity go hand-in-hand, i.e., the higher the wages, the higher will be the productivity and vice-versa. Though same positive correlation exists between these two - wages and productivity, they are not absolutely related. That is to say, an increase of twenty five percent in wages does not necessarily result in a proportionate size in productivity and vice-versa. The relationship between wages and productivity can better be made clear through the following figure -

Figure (4.b) : showing the relationship between wages and productivity

In fact wages of the urban banks employee reflects attitude of employees and there are a number of variables between employee’s wages and productivity. Wages depends upon individuals/Employee’s likes or dislikes directed towards persons, things or situations or combinations of all these. A more accurate statement about high wages is that it indicates a predisposition to be more productive if
leadership is effective along with proper production facilities, and individual's ability. Such factors are presented in the following figure-

Figure (4.c) : Showing the Satisfaction - Productivity Model

This shows that productivity is a function of four factors—organisational factors, Individual factors, attitudes and morale. Attitudes and morale, in turn, are determined by the satisfaction of Bank's employees (Individuals), which is again affected by organisational and individual factors. Thus the productivity is a function of several variables; of course, wages may be one of the important ones. The Successful manager of U.Co-op Bank's branch recognises that behavioural management requires a positive integration of goals so that working employees working together will achieve the desirable high wages with high productivity. Though it is possible to achieve high productivity with low wages as shown in fig-
4.c (line C), this position can't continue for long (Specially in U.P. Urban-Banks) because in the long-run, employees will show their resistance, dissatisfaction and restriction which eventually lead to low productivity.

**Productivity and Efficiency in Urban Banks of U.P.**

Need for productivity and efficiency: - So long as the capital-deficient less developed urban banks continue suffering from inadequacies of their economic environment and shortages of such instrumental production factors as technical know-how, their productivity and efficiency can not catch up with their counterparts in the advanced banking environment. They have, as such, to adopt, as widely as possible, the modern low-cost techniques in all their co-op. Banking sector and have, thus, to push up their credibility and credit worthiness to ensure particularly adequacy of capital, technology, Training and development for their efficiency and productivity. Among the practical programs of rapid and rich Banking, therefore, simultaneous improvements in the productivity and efficiency of production factors and organisations should get undoubtedly a top most place and priority. In urban-banks of U.P., Productivity and efficiency problems assumes paramount importance as it asset is conducive to bank's development. Here, we need a proper combination of higher productivity per employee efficiency and maximum total a output with lowest cost with the object of serving national objectives of "Growth with stability". Thus, in a fast expanding urban Co-op. Banking like maharastra, Gujrat etc., the increase of productivity can be a powerful element of urban Banking policy for increasing Bank's wealth and in the raising of standard of working.

**Causes of low wage productivity in U.P.**

Low wage productivity is due to a wide variety of reasons, namely
- Under-utilisation of existing employees
- Poor human relations
- Lack of technical know-how
- Non-availability of sufficient finances, absence of professionalised management and non-provision of healthy working conditions
- Excessive government and political controls and restrictions.

* The key to improving U.P. urban Bank's Wage productivity is to remove the causes responsible for low productivity. And this calls for action on the part of the government, employers and workers. Govt. have a responsibility for creating conditions favourable to higher productivity by promoting a balanced programme of Banking development.

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**Concept of Productivity**

Productivity is a tool which should be use by UCBs of U.P. for measuring relationship between the results achieved (output) and the means employed (input) to achieve the results, in financial and, or physical terms, in relation to given time and condition.

Productivity for several factors can be calculated as under:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Labour&quot;</td>
<td>( \text{Output in terms of value or quantity} ) / ( \text{Number of man-hours spent on production} )</td>
</tr>
<tr>
<td>&quot;Capital&quot;</td>
<td>( \text{Value of output} ) / ( \text{Amount invested for output} )</td>
</tr>
<tr>
<td>Productivity</td>
<td>( \text{Quantity or value of output} ) / ( \text{Cost of management} )</td>
</tr>
</tbody>
</table>

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**PRODUCTIVITY THROUGH OTHER PER EMPLOYEE INDICATORS:**

It has been proved by a number of empirical studies in a number of industries both in India and abroad that good industrial relations and policies of motivation help in improvement of productivity and quality of service. In order to test it researcher wanted to carry out survey to find out productivity of some branches in U.P.
but as no sufficient data was made available by branches it could not become possible to study productivity of branches. With computerisation of some branches, the waiting time for customers for certain operation has declined and customers fell better satisfied. In order to find out productivity some regular and old customers of over five years standing of bank were contacted, who had following responses.

Results of Survey to find Banks Productivity

<table>
<thead>
<tr>
<th>Question</th>
<th>2001 Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the time taken in deposits of funds declined in 2002 Compared to 1997-98?</td>
<td>85%</td>
</tr>
<tr>
<td>Has the time taken in issue of draft reduced?</td>
<td>10%</td>
</tr>
<tr>
<td>Has the time taken in completing entries in pass book reduced?</td>
<td>97%</td>
</tr>
<tr>
<td>Are the bank employees more courteous than before?</td>
<td>37%</td>
</tr>
<tr>
<td>Has the overall service of the bank has improved?</td>
<td>50%</td>
</tr>
</tbody>
</table>

The discussions with some of them clearly suggest that time taken in various operations has declined in last few years, which may be considered improvement of productivity. But it is largely due to computerisation, there is little change in the attitude of employees towards work. They are as lethargic as before and while away their time. Whatever improvement is in productivity, it is due to change in process and use of computers. However, most of the branches as yet are working without computers. But most of the time productivity does not come in the way of business because it is less than what one can handle even manually. However, when there is peak season of deposits or payment, customers have to stand in long que.; Some time for an hour or more which is very irritating to customers. When services to customers of U.P. urban Banks are compared with other
state's urban banks, the productivity in U.P. urban Co-op. banks is not satisfactory and customer often complain.

When discussion were held with managers of selected branches, it was told that as yet there is very little change in the procedure and they are not free to adopt modern techniques. Thus they are not motivated to increase productivity; they have to work as per set rules and regulations. Therefore even if employee want to increase productivity, they are not able to do so.

**Reaction of employees**

When employees were contacted to find out job satisfaction, devices of job satisfaction, policies and plans of motivation and their relationship with productivity, they had following reactions:-

Almost all employees felt that procedures in UCBs are stereotyped and need wholesale modifications with the use of computers, ATM, electronic transfer and E-Banking. If modern techniques are adopted it should be possible to reduce operations in the Commercial banks. This, however Paper work and speed up all the processes of operations in the UCBs. This however will be possible only when central office changes the procedures, branches can not take any initiative.

Employees, Second reaction was that productivity can't be measured in terms of number of entries handled per day or per month. The productivity is greatly dependent upon the number of customers, which visit a branch for various operations. If the number of customers visiting a branch is less than what they can handle, they will remain underemployed.
Further, in the opinion of employees, norms should not be similar for big and small branches or urban branches. In rural areas customers are not well equipped to deal with banks. Therefore, staff is required to help them in filling various forms of deposits, withdrawals, issue of draft etc. hence the Productivity calculated in terms of number of transactions handled within a day will be different in urban and rural branches.

The productivity also depends upon the procedure. In some branches of urban co-op. Banks, for issue of drafts, teller system has been adopted where same person accepts the cash and prepares the draft. In such teller system time taken in issue of drafts is less than in places where old procedure is still in vogue.

In some big branches there are note counting machines where time taken in deposit of cash is less than in branches where counting of money is done manually.

Similarly there are branches where cheques can be dropped in a box along with form dually filled but there are other branches, where cheques are to be handled over to clerk and receipted, which takes longer time than those dropped in a box.

**Improvements Needed**

To improve productivity of bank employees, speeding up handling of business, improve efficiency of employees and provide more job satisfaction, number of steps are called for innovation and further computerizing bank work; the important one of which are given below:-
Urban Banks must study its present process of operations, which are being followed for long years. With increase in the level of education of employees and customers and greater awareness, there is need of detailed study of process by experts and compare it with other banks in India and abroad. Even if one compares cheque deposit forms of different banks there are differences. There are certain banks, which have only one form for current account, saving account, cash & cheque. There are other banks that have separate forms cosign causing to customers. If there is only one cheque/cash, deposit form is adopted, it will save time.

In urban banks customers are highly dissatisfied with the system of issue of draft. One is required to get a form from stationery counter then fill it up, deposit the cash with cashier and then deposit the form with a draft issuing clerk who asks the customer to come after 2/3 hours and thus half the day is waisted. But as already stated there are some bank who issue drafts through teller system, which save lot of time.

In case of payment of cheques in some urban banks, there is a teller system for payment in selected branches. In this system the same Bank employee takes the cheque from the customer and makes payment. Customer is not required to go from counter to counter. thus, time is saved both to the bank and the customer. But this system is adopted upto certain amount and only in few branches. If the teller payment system is adopted in all branches and to all payment upto Rs. 10000/-, it will increase the productivity of employees and save time of customers.

In case of loan applications, at present there is no time limit for disposal of applications; employees take their own time. If responsible
time limit is fixed for appraisal of loan application, appraisal of credit worthiness of customers forwarding the applications to next higher officer and total time limit for disposal of loan application is fixed, it will help every one and improve bank's employees productivity.

Most of the bank employees fell job dissatisfaction because their job is monotonous; they have to handle same type of job day in and day out. If seats of employees are interchanged from time to time, it will have number of advantages. It will reduce the boredom of the Job, train the staff to handle many types of jobs and will help to reduce frauds and increase their potentials.

Urban Bank has a scheme of training based on the results of performance appraisal but there are many employees who are not sent for training because manager finds it difficult to spare him. Thus if some one is important he/she is denied the opportunity for growth. The system, therefore needs to be improved and any one who is selected must be sent for training.

It is also found out that many employees do not take training seriously, they waste their time because in most of the training programme there are no examinations after the training. If there is system of formal exams or warding marks, it is likely that employees will take the programmes more seriously.

The employees also do not feel satisfied from training. First, they feel that many trainers do not known how to train. Further, employees expect that after training there will be promotion but most of the time it does not happen and this results in frustration. Employees also told that what they learn in training are not allowed
to apply in day to day work because they have no discretion. In such a situation they feel training is waste of time.

Innovation in one of the important motivation in most of the organizations. But it is almost completely absent in banks where employees are not allowed to do a work in any other manner except set process. If they have any suggestions it has to be forwarded to the central office and unless it is accepted by it, there can't be any change. However, in the matter of assessment of loan application the supervisors, credit officers and managers can use innovative system but they avoid it so that they may not be held responsible if something goes wrong.

At present employees of banks work for the bank only because they have to earn their livings. However, they do not understand social conditions. If they are properly trained about social conditions in urban and rural India and are impressed that they are doing good social work for the country, they will be more satisfied and interested in the job.

In the urban banks, except promotion, there is no system of incentives for reward. In many factories if a group of persons produce more than targeted they are rewarded but such system is almost absent in banks. The various types of targets are fixed for each branch. When they are achieved, there is hardly any incentive except few words of appreciation and praise but when they are not achieved employees are asked the explanations for short fall in achievement and it becomes negative point in their appraisal report. In order to motivate employees, more positive approach of reward is called for. When target are exceeded 10% or more, some monetary reward should be given besides excellent or good report to help future
promotion. Similarly when target falls by 10% or less no explanation should be asked from employees. Only when fall is more than 10%, explanation should be asked. Moreover it is necessary that targets for various activities should be fixed in consultation with concerned employees rather than superimposed. It will have to advantages; first employees will feel greater involvement in the bank work. Secondly, later on they can't blame targets to be unrealistic, the reason for short fall in achievement.

There is need to make counter work more interesting through greater use of computers. If this is done, those employees who are working in rural branches will be motivated to improve their performance, as it will give them prospects of advancement and promotion.

The work of bank is too monotonous and requires facilities for recreation. Urban Banks has the policy of promoting sports, indoor games, provision of books and magazines for staff and their family members. But it has been observed that except in very big branches no space is made available for sports and recreation. In smaller branches the allocation of funds is too meager and with this amount it is not possible even to subscribe for few newspapers and magazines.

The concept of regular meetings between staff and manager has been part of the system but they have become rituals. It is necessary to activate them and allocation of larger funds for recreation and sports facilities.

The bank has been provided many facilities to its employees such as cheap interest loans for house construction, loans for purchase of consumer durable, marriage and education of their
children which motivates employees to be better and work better but it helps only those who need such facilities.

Inefficiency in delivering the service to customers has a direct bearing on the banks success. Therefore, all possible efforts should be made to motivate employees to deliver their best. It is necessary that employees empowerment should be enhanced so that they may feel more involved in increasing productivity and dealing better with the customers of the bank. The system of quality circle has proved very successful in the industry, which should be developed in banks in a big way. These circles may make suggestion for better customer care, fraud prevention, cost reduction, Storage of records, use of solar energy to mention a few. Those employees whose suggestions are accepted they should be well rewarded, not merely petty amount but by substantial amount so that they and others may be motivated to participate in a bigger way. This on the one side helps reduce boredom, on the other help cultivate innovative facilities in employees.

**CASH MANAGEMENT i.e., RATIO OF CASH IN HAND TO DEPOSIT**

Cash is one of the current assets of a Bank. It is needed at all time to keep the business going. A Bank should always keep sufficient cash for meeting its obligations. Any shortage of cash will hamper the operations of a concern and any excess of it will be unproductive. Cash is the most unproductive of all the assets. While fixed assets like machinery, Plant etc. and current assets such as inventory will help the business in increasing its earning capacity, but in banking cash in hand will not add anything to the concern. It is in this context that cash management has assumed much importance.

The term 'Cash' with reference to cash management is used in two senses. In a narrow sense, it is used broadly to cover cash, coins,
currency notes and generally accepted equivalents of cash such as cheques, drafts and demand deposit in banks. The broader view of cash also includes near-cash assets, such as, marketable securities and time deposits in banks. The main characteristics of these is that they can be readily sold and converted into cash. They serve as a reserve pool of liquidity that provides cash quickly when needed. They also provide a short-term investment outlet for excess cash and are also useful for meeting planned outflow of funds.

**Cash Ratio**

The relationship between a bank’s reserve of cash and its total deposit. Since urban banks must always be able to pay cash on demand to those of its customers entitled to ask for it, a certain amount of cash has to be held for this purpose. The greater the extent to which people make payments in cash the greater the cash reserve required; the greater the use made of cheques as means of payment the smaller the cash reserve required. With the development of the co-op. banking bankers learned from experience how much cash they required to meet ordinary demands on them, no bank being able to withstand a run on it whether rumours regarding its soundness were justified or not. British bankers in general have if anything erred well on the side of safety. In the early days of banking a fairly large cash reserve would be necessary, but by the beginning of this century it had become an accepted principle of British banking that a cash ratio of 10% was round Policy. The English commercial banks have always regarded as cash, in addition to the amount in the till of their branches, their balances at the bank of England, and although these are simply book entries, they are justified in doing so, since withdrawals from these balances can always be made in cash. Between the Two world wars the English banks found that a cash ratio of 8% gave the main ample margin of safety, and although they continued to
show a ratio of 10% in their monthly statements and half yearly balance sheets, by means of a practice generally known as "Window dressing" (q.v.), between times they maintained a ratio of only 8%. Shortly after its nationalization in 1946 the Bank of England recommended that the commercial banks should desist from this practice, and this advice was followed. In contrast to some other countries, there is no legal cash ratio imposed on British banks. Nevertheless in evidence before the Radcliffe committee, it was stated that the Bank of England would insist if necessary on the present cash ratio being maintained. In the United States the cash ratio varies between different cities and also between demand (current account) and time (deposit A/C) deposits. Also the Federal Reserve Authorities have power to vary these cash ratios whenever they think such a course necessary.

The maintenance of a known cash ratio is of vital importance to control by Head bank of the credit policy of the urban-banks. By means of open market operation the head bank can reduce or increase the cash reserve of urban banks, and this then affects the cash ratio of these banks, compelling them, in the case of reduction, to curtail their lending in order to reduce their deposits so that their cash ratio can be maintained. Perhaps more important than the cash ratio, however, is the second liquidity rule of the banks - to keep liquid assets to a value of fixed percentage of their total. If the cash ratio falls below 8% it is fairly easily restored by the banks calling in some of their loans to the money market, but this would not restore the liquid assets to the required fixed percentage level. To maintain this fixed percentage ratio requires more drastic action- the curtailment of a bank's lending.
Scheduled primary co-operative bank maintains cash reserve Ratio (CRR) on a daily basis during a reporting fortnight. In order to reduce volatility in maintenance of cash balances by banks with the reserve Bank, effective fortnight beginning January 7, 1995, banks are required to maintain a minimum level of 85% of the CRR balances required to be maintained by banks on each of the first 13 days of the reporting fortnight. On the 14th day of the reporting fortnight, banks will be allowed to maintain less than 85% of the required cash balances to Adjust the average of daily balances to the required level. In case, a bank maintains the CRR at less than the minimum level of 85% of the amount of CRR to be maintained on any of the first 13 days of the reporting fortnight, the bank will lose 1/14 of the eligible interest. Even if there is no shortfall in the CRR on the average basis for the fortnight.¹

Note: In case of shortfall in the maintenance of the required percentage, the amount of interest payable would be reduced by the amount calculated at the rate of 25% per annum on the amount of shortfall. It has also been clarified that for shortfall in cash ratio exceeding the level on which net interest becomes payable on the eligible balance (inclusive of such balance relating to increase in Demand and time liabilities after 23rd march,1990) the penalty would be applicable on the amount of default.

RBI has exempted the Scheduled Co-op. Banks from maintenance of CRR of 6% beginning from 26-04-1997 in respect of liabilities of a Scheduled Primary Co-operative Bank to the Banking system as computed under clause (d) of Explanation to section 42 (1).

Interest Rates on CRR:

The interest rates on cash balance maintained with Reserve Bank of India under CRR, was paid according to a two tier formula, i.e. 10.5% per annum on eligible cash balance based on the net demand and time liabilities outstanding as on 23rd march, 1990. No Interest was paid on the increase in the CRR resulting from increase in the net DTL over the level as on 23rd march 1990. The effective rate was working out to 3.5% with effect from 25th october 1997 the RBI will pay interest @ 4% on all eligible cash balance maintained with the RBI under proviso to sec.42(1) and sec. 42 (1A). The interest rate was raised to 6% effective 21-04-2001. Effective 3-11-2001, the interest ratio has been increased to 6.5%.

Graph (4.A): Scoring Pattern of Interest Rate on CRR (2001)

* Above mentioned details is focusing on "Indian Mercantile Coop. bank Ltd., Lucknow (U.P.)" because it is the largest leading and the only scheduled urban co-operative Bank in Uttar Pradesh and in north India. Except U.P. there are many scheduled urban-co-operative, but in U.P. This one is only one scheduled urban bank, running its business with a mission to Grow together with objectives to cater the best services to its customers.

1. Urban Banks Diary 2001
RECOVERY OF ADVANCES

Urban Co-operative banks advance loans to their members. These banks allow advances for the purpose of advances to artisans for the purchase of implements and raw materials, payment of prior debt, Ceremonial purposes, educational purpose, medical expenses, Building purchasing and purchase of seeds, manure or agricultural implements etc. Most of the banks of U.P. are engaged in these kind of activities but they are unable to recover or realise their amount and that is the main reason of NPA's of these banks.

An amount is to be considered "Past due" when it remained outstanding for 30 days beyond due date. Due to the improvement in the financial sector during the past few years, it has been decided to dispense with "Past Due" concept with effect from March 31, 2001. Accordingly as from that date, a Non-performing Asset (NPA) Shall be an advance where:

- Interest and/or installment of principal remain overdue for a period of more than 180 days in respect of term loan.

- The Account remains out of order for a period of more than 180 days, in respect of on overdraft/Cash credit (OD/CC)

- The bill remains overdue for a period of more than 180 days in the case of bills purchased and discounted.

Interest and/or installment of principal remains overdue for two harvest reasons but for a period not exceeding two half years in the case of an advance granted for agricultural purposes, and Any amount to be received remain overdue for a period of more than 90 days in respect of other accounts.
Now, the urban banks of U.P. have become strict in case of recovery of advances and they have advised their staff and managers to chalk out an appropriate transition path for smoothly moving over to the 90 days norm. As facilitating measure, banks move over to charging of interest at monthly rests, by 1st April 2002. However the date of classification of an advance as NPA may not be changed on account of charging interest monthly rests. Banks should, therefore continue to classify an account as NPA only if the interest charged during any quarter is not serviced fully within 180 days from the end of the quarter with effect from 1st April 2002 and 90 days from the end of the quarter with effect from 31st March 2004.

Urban Banks are upgrading their existing management information system (MIS) for the collection of data on loans, where the interest and/or installment of principal remain overdue for a period of more than 90 days in order to crystallise NPAs on a 90 days norm. Some Banks have been commenced additional provisions for such loans, started from the year ending 31st March 2002 which would strengthen their balance sheets and ensure smooth transition to the 90 days norm by 31st March 2004. Banks have been advised to work out necessary modalities and submit their action plans early and in any case by 31st December 2001 after approval by their Boards, to the concerned regional office, of this department.

Urban banks are required to make provisions as under in respect of various categories of assets.

<table>
<thead>
<tr>
<th>Assets classification</th>
<th>Provisional Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Assets</td>
<td>0.25%</td>
</tr>
<tr>
<td>Sub-Standard Assets</td>
<td>10%</td>
</tr>
</tbody>
</table>
Doubtful Assets

Between 20% to 50% of secured Portion depending on the age of the NPA, and 100% of the unsecured portion.

Loss Assets

100%

Considering that higher loan loss provisioning adds to overall financial strength of the banks and the stability of the financial sector, banks are urged to voluntarily set apart provisions much above the minimum prudential levels as a desirable practice.

Note :-

RBI vide its circular No. UBD. RTN/4211/11.06/97-98, dated 24th March 1998 has reiterated that normally the profit and loss account and balance sheet of the bank gets completed within 45 days of closure of the accounting year and a copy has to be submitted to the auditor within 15 days thereafter. There should, therefore be no difficulty in submitting statement of NPAs along with a special return in form IX as 31st march of that year by 20th May every year. The RBI has reiterated that if the audited balance Sheet and profit and loss account along with auditors report is not submitted before 30th Sep. every year it will invite penalties U/S 46 and on 47 A of BR act, 1949.

Prudential Exposure Norms - Maximum Limit of Advances

It has decided to withdraw the maximum limit on advances based on total time and demand liabilities and instead fix prudential exposure limits based on capital funds, as below.
- Ceilings: The exposure limits effective 1-4-2000, Shall not exceed 20% of capital funds in case of individual borrower and 50% in case of group of borrowers.

The definition of "Capital Funds" is as under - 'Capital funds' would comprise of-

- Paid up capital
- Building fund
- Free reserves as per the audited accounts

- Exposure - Exposure shall include funded and non-funded credit limits and underwriting and similar commitments. The Sanctioned limits or outstanding whichever are higher shall be reckoned for arriving at exposure limit. However, in respect of non-funded credit limits only 50% of such limits or outstanding which ever is higher, need be taken into account for the purpose.

- Groups - It has been decided to leave the identification of groups to the perception of the Banks, who are generally aware of the basic Constitution of their clientele. The group to which a particular borrowing unit belongs may, therefore, be decided by the banks on the basis of relevant information available with them, the guiding principle in this regard being commonality of management and effective.

- Applicability and effective date: These stipulations shall apply to all borrowers and shall come into force with immediate effect in respect of fresh credit limits to be sanctioned. In respect of the existing credit facilities to borrowers which are in excess of the ceilings now prescribed, Banks should take necessary action to bring down the limits/outstanding within a period of one year. The Banks also
been advised to submit details of the existing borrowers enjoying excess limits to the regional office. In case of no such account, a nil Statement should be submitted.

The banks are advised to conduct the exercise every year after finalisation of the balance sheet of the Banks to fix the exposure ceilings at the board meeting and inform the loan sanctioning authorities.

**Maximum limit of unsecured advances to single party/Connected Group**

The maximum limit of all types of unsecured advances including clean bills/multani hundis purchased / discounted and drawals allowed against cheques sent for collection, to a single party/Connected Group or relatives of Directors as under :-

**Primary Co-op Banks.**
- Category of advances whose DTL are
  - less than Rs. 10 Crores Rs.25000/-
  - Rs. 10 Crores and above Rs.50000/-
- The ceiling for temporary unsecured advances without sureties for a period upto 30 days has been raised from Rs. 1000/- to Rs. 5000/-

**Interest Rates on Advances**

The interest rates in respect of refinance from IDBI/SIDBI or from RBI U/S 17(2)(bb) of the reserve Bank of India act. 1934, or the National Housing Bank will be as those specified by the refinancing institution and this should be charged to the ultimate borrower (s) accordingly.
Banks are advised to invariably incorporate the following Proviso, in the case of advances of all categories, in loan agreements and other relevant documents to avoid difficulties in severing the rates of interest in revising of earlier loans whenever there is a change in the rates of interest as per the directives.

"Provided that the interest payable by the borrower Shall be subject to the changes in interest rates made by the Reserve Bank of India from time to time".

**Penal Interest**

As the interest on the loans and deposits have been substantially de-regulated and banks Boards have been empowered to formulate policy on lending rates taking into account the cost of underlying credit risk etc. and with a view to give further operational autonomy to the banks, RBI has decided to give freedom to the banks to formulate transparent policy for charging penal interest rates to the borrowers (for default in repayment, non submission of financial Statement etc.) with the approval of their Boards. [The policy should be governed by well accepted principles of transparency, fairness, incentive to service the debt and due regard to genuine difficulties of the customers.]

**Advances to Salaried Borrower**

Advances granted to salaried employees against personal security are not to be treated as unsecured advances, provided the Co-operative societies act of the state concerned contains an obligatory provision for deduction of periodical loan installments by the employer, from the employees emoluments and provided the Bank has taken advantage of the provision, However, it is observed that
despite such an arrangement, recoveries are not forthcoming from salaries of employees. Further, it has been found that, in the event of salaried borrower resigning his job or in the case of his death, the Banks are not always in a position to recover such loans. In view of these difficulties in U.P., it has been decided that loans to Salaried employees shall be reckoned as secured, only for the computation of total unsecured advances to members as a whole. (The Banks are, therefore, advised that while sanctioning loans to an individual salaried borrower, to ensure that these advances do not exceed the various purpose-wise maximum limits, of unsecured advances as stipulated and as amended from time to time).

Management of Advances portfolio and control over advances

Most of the banks has been cautioned in regard to irregularities/deficiencies in sanction and supervision of loans/Advances as under :-

- Sanction of limits beyond the discretionary powers either orally or on telephone discouraged.

- Record of all oral telephonic instructions sanctioning the limit is maintained.

- Written confirmation of the competent sanctioning authority in regard to oral/Telephone sanctions Should be obtained by the disbursing authority/Official within a week/fortnight.

- Some Head Offices is initiating stringent action against erring functionaries (If they are indulging in unauthorized sanctioning).
Note:

No Primary co-op. Bank Shall finance a borrower, who is already enjoying credit facilities with another primary co-op. Bank, without obtaining a no objection certificate from such financing bank and where the aggregate of the credit facilities enjoyed by the borrower exceeds the ceiling stipulated in the directive for a single party, the prior approval of the R.B.I. Shall be obtained.

Advances to Directors and their relatives

It is observed by the survey that no primary Co-op. Bank will grant unsecured loan and advances:

- To any of its directors; or
- to firms or private companies in which any of its directors is interested as partner or managing agent or guarantor or to individuals in cases where any of its directors is interested as partner or managing agent or guarantor
- To any company in which the chairman of the Board of directors of co-op Bank (Where the appointment of a chairman is for a fixed term) is interested as its managing agent, or where there is no managing agent, as its chairman or managing director.
- The primary co-op. Banks are also prohibited from granting unsecured advances against guarantee of any of its directors.

Most of the urban Co-op. banks of U.P. have not ensured proper utilisation of loans and advances given for identification purposes, resulting in diversification of funds by barrowers for purposes other than for which they have, been ranted. As this may ultimately results in such advances becoming sticky, Banks are advised to ensure proper utilisation of funds by the borrowers. In order to enable the Banks to immediately recall advances when such diversification
comes to their notice, they are also advised to incorporate the following condition in the loan agreement and other connected documents.

"The Borrower is prohibited from using the loan amount or any part thereof for any purpose other than for which it has been sanctioned. If the bank apprehends or it has season to believe that the borrowers has violated or is violating this condition, it has a right to recall the loan amount or any part thereof at once not withstanding anything to the contrary contained in the loan agreement or any other agreement".

An assessment of the working of primary (urban) Co-op. banks excluding Salary earners societies is made under the following broad heads and marks given on the basis of specific norms indicated under each head. The classification of the survey of the bank may thereafter be arrived at on the basis of the aggregate marks secured by it, as indicated blow.

*Performance under priority Sector/Weaker Section Advances* :-

**15 Marks**

Marks under this head are given on the basis of the level of priority sector/weaker sector advances outstanding in relation to the total of advances/Priority sector advances of the bank on the last day of the co-operative year as indicated below:
- Percentage of priority sector advances to total advances at the end of the year
  - Between 60% and above: 10 Marks
  - Between 50% and upto 60%: 7 Marks
  - Between 40% and upto 50%: 5 Marks
  - Below 40%: Nil
Percentage of weaker section advances to total advance at the end of the year

25 % and above 5 Marks
between 15% and upto 25% 3 Marks
Less than 15% Nil

Recovery Performance ----- 25 Marks

Marks may be given on the basis of the percentage of overdues to the loans and/Advances outstanding at the end of the co-operative year and also the steps taken by the bank to cover the overdues with legal action.

- Percentage of overdues to loans and advances outstanding at the end of the co-operative year
  Overdues upto 5% 20 marks
  For every increase or 1.5% or fraction over 5%, reduce one mark each.

- Performance of the bank in taking effective legal action
  Cases under Sec.101 filed above 75% of overdues over one year 5 Marks
  50% to 75% of overdues over one year 3 Marks
  Less than 50% overdues over one year Nil

Recovery of advances is the responsibility of members of the Managing Committee and office-bearers with the help of bank supervisors and government staff. The urban Co-operative banks Acts of the various states contain provisions for summary disposal of cases of default, etc. by the Registrar, Urban Co-operative banks. Generally, these powers are delegated to the Co-operative Bank’s officers or
Assistant Registrars, but nothing will happen unless arrangements are made for expeditious execution of awards.

Timely repayment of loans advanced by the Bank to their borrower is extremely crucial for the success of the movement. It has, however, been observed that punctuality in the repayment of loans has hardly been observed by the members with the result that there has been a steep rise in the amount of overdues all over the country. It has been a matter of serious concern to all concerned. It is needless to emphasise that those overdues have accumulated chiefly because of ineffective supervision; apathetic attitude of the Cooperative banks; the advancement of loans in contravention to rules, the undue pressure exercised by political leaders and unsatisfactory management by the managing committees, the liberal attitude of the State Governments, failure of crops, low rate of interest, non-linking of credit with marketing, defective loan policies etc. To improve the situation it is necessary that these defects are removed immediately and not only supervision is made effective but strong action is taken against defaulters.

There are some recommendations in this regard which inter alia include, the borrowers, the extension staff, the administrators the political leader must be educated and brought to discipline so that the credit is used for the purpose for which it is advanced and loans are repaid out of the income resulting from the production activities financed through such loans, the Central Banks having heavy overdues must be rehabilitated. A programme maybe introduced under which a serious drive for the recovery of dues may be launched, which may be accompanied by coercive measures. In extreme cases, the temporary method of direct financing of the bank by the individual Co-operative Banks may also be tried, measures should be taken to
streamline and reform the policies and procedures followed for advancing loans, the apex and Central Co-operative Banks should launch a drive in their area of operation for the recovery of dues, a careful watch may be kept over the due dates, by the central Co-operative Banks, the urban Co-operative banking Act may be amended so as to provide for the execution of decrees by the Co-operative Department without the help of the department of Revenue, the staff of the Co-operative Bank Department should be watchful in pursuing action on overdues, obtaining decrees and executing them. The position should be reviewed and additional recovery staff may be appointed wherever necessary, the Co-operative Bank Act may be amended so as to empower them to initiate action of their own against defaulting members, although the Registrar of UCBs is empowered to supersede an inefficient management, in practice it has been found that it is not always possible to dislodge them from the seat of power because of their being entrenched in the local set-up. In such a situation the financing agencies, wherever practicable, should be given a significant representation on the managing committee after its super session and pending the restoration of a duly elected board of directors, the banks should exercise the utmost vigilance to see that the book adjustment are genuine, the co-operative acts and rules must be amended so as include a provision for disqualifying defaulters and representatives of defaulting societies from continuing on the board of directors, if such a provision does not already exist; and, the defaulters should be debarred and should not be financed; even the government should be advance any financial assistance either in the form of fertilizers or in any other form.

The State government should not unduly interfere to the recovery proceedings or pass instructions to their officials which might obstruct the recovery of dues. On the contrary, they should deal with
such cases with a strong hand and adopt coercive measures with the full backing of the revenue authorities. To quote the team: "If the State Governments fail in their responsibility to create the appropriate climate for recovery, the remedial measures proposed by us for adoption in the sphere of legislative amendments, administrative and managerial changes, and structural reforms will have little significance and impact on recoveries."

**CREDIT - DEPOSIT RATIO**

Urban banks lend by granting loans or overdrafts to customers, or lend to the government by the purchase of Govt. stocks. When banks increase their lending this also increases their deposits. Unlike other lenders a bank does not require to possess what it lends. If a borrower has only a small balance to the credit of his account and he obtains an overdraft he can draw a cheque for this amount, and pay it to a creditor who will then deposit it in his own account. The creditor's account will have increased by a certain amount but the borrower's account can only show a debit for this amount. The power of banks to create credit is of great economic importance, and it is essential therefore, that the monetary authorities should have power to control it, according to monetary policy they wish to pursue. These banks have always restricted their expansion of credit by their cash ratio, as it was in their own interests to do so.

The amount standing to the credit of the customers of a bank. Deposits become the property of the banker but must be repaid when asked for. Deposits are not held in trust but are borrowed from customers.

The table ahead shows a position of credit deposit ratio of urban banks of Uttar Pradesh up to the year 2003.
Table (4.1) Scoring Pattern of Credit - Deposit Ratio of UCBs in Uttar Pradesh

(Rs. in crore)

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Reporting Banks to R.B.I.</th>
<th>Deposits</th>
<th>Credit</th>
<th>C-D Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>57</td>
<td>889.00</td>
<td>395.00</td>
<td>44.4%</td>
</tr>
<tr>
<td>2002</td>
<td>47</td>
<td>1009.00</td>
<td>599.00</td>
<td>59.3%</td>
</tr>
<tr>
<td>2003</td>
<td>72</td>
<td>1240.25</td>
<td>814.57</td>
<td>65.5%</td>
</tr>
</tbody>
</table>


As at the end of March 2001, 57 urban Co-operative banks were reported their position in respect of credit & deposit. The total No. of Reporting banks decreased to 47 as at end of March 2002 and again increase to 72 as at the end March 2003. According to reporting banks in the year 2002, deposits were Rs. 1009.00 crore, which were in a better position than the previous year deposits (Rs. 889 crore) and credit deposit Ratio were 59.3%. Continuing the trend of the Previous two years, the growth of the deposits of UCBs out paced the growth of credit in 2003. The Growth Rate of Credit-Deposit Ratio in the year
2003 was more than that recorded in the Previous year, the Loans & Advances also went up by Rs.814.57 crore and recorded good growth.

Credit-deposit ratio of these banks in our country were recorded 68.3% (in the financial year 1997-98), 64.9% (in 1998-99), 63.3% (in 1999-2000), 67.3% (in 2000-01) and 66.7% (in the year 2001-02) 1

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1. Website RBI - Urban Bank Department