Chapter-7

Conclusion and Suggestions
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CONCLUSION AND SUGGESTIONS

In the banking sector of the Indian economy the urban co-operative banks occupy strategic position and have played a vital role not only in meeting the consumption requirement of lower-income group of men but also increasing the industrial production and strengthening the base of infra-structure facility in urban and semi-urban areas by providing the basic key inputs. The urban co-operative banks are basically institution of such persons belonging to the lower class by the persons of the lower class and for the persons of the lower class. Urban co-operative banks were set-up with the avowed objective of promoting sustainable banking practices amongst a relatively specific target clientele viz., the middle income strata of the urban population. The UCBs were brought under the regulatory ambit of the Banking Regulation Act 1949 effective from March 1, 1966. At the end of June 2000, 2084 PCBs were functioning in the country with 3768 branches outlets including 91 salary earners' banks 117 Mahila Banks and 51 schedule urban co-operative banks spread all over the country. Their total deposits aggregated to Rs. 71703 crore and outstanding loans accounted for Rs. 45,857 crore with working capital of Rs. 91,458 crore. Their priority sector deployment is around 63 percent and operational efficiency was 84%. The NPA levels were at 11 percent of their aggregate advances and
there are 242 weak banks. The level of computerisation is around 31 percent.

It has been revealed by the fact that the performance of urban co-operative banking sector as a whole has attracted considerable attention in the recent years specially in the context of on going phase of financial sector reforms compared to their rural counter parts. The primary (urban) co-operative bank (PCBs), which operate in the semi-urban and urban areas, have posted better performance. Though, by and large the performance of urban banking system appears to be fairly well with that of the schedule commercial banks in few matters, i.e., in recovery of loans customers' services etc.

Urban co-operative banks, which are not included in the second schedule of RBI has faced several problems. Non-schedule UCBs are not eligible for refinance and remittance facilities scheme of the RBI. These banks are not in a position to accept deposits from local bodies, quasi-government organisations and religious and charitable institutions. These banks can not issue guarantees to state and central government departments in favour of their clients. It cannot issue cheques/pay orders for the settlement of dues of the client of the bank in favour of public sector organisation.

In the case of urban co-operative banks, the financial sector reforms have thrown up a lot of challenges besides giving them excellent opportunities for growth. Accent on
transparency, both in accounting and in operation, capital adequacy and provisioning norms, freeing of interest rate etc., have forced all the public sector banks to shift their priorities and lay more emphasis on the profitability, efficiency, customer service, organisational restructuring, employee productivity etc. In these stage urban banks has faced stiff competition from nationalised banks, commercial banks, foreign banks, private banks, private financing agencies and moneylenders. Those who are standing on the same platform where urban banks were operating their business in the new liberal economic policy of central government and RBI, the UCBs have lost many privileges and concessions that they enjoy in the past. Hence, in future they have to compete on their own strength. Their future depends upon their capability to provide better services in terms of variety, quality and cost.

The urban co-operative banking movement in India, which had its origin in the year 1889, has shown significant progress. The growth of the movement is marked by three landmarks, first is the extension of Banking Regulation Act 1949 to the co-operative banks in March 1, 1966, second is the appointment of the committee of urban co-operative banks, i.e., (Madhavdas Committee in 1974) and third is the appointment of High Power Committee on urban cooperative banks. The extension of BRA paved the way for the healthy growth of the
movement bringing about the financial discipline and control.

The inclusion of urban co-operative bank in the second schedule of RBI Act, 1934 on 18th August 1988 was regarded as the date of red-letter day in the history of urban co-operative banking movement.

The beginning of the urban co-operative credit societies movement in Rajasthan was made in 1919 with the establishment of Ajmer Credit Societies and Annual X-Mas Co-operative Society in Ajmer-Marwara for the year ending June 1920. However, the first UCB was established on 15th April 1959, named as the Urban Co-operative Bank Ltd, Jaipur. A decade ago, there were 12 urban co-operative banks and 3-salary earner's societies, since then rapid changes have taken place. At the end of June 2001, number of UCBs including salary earner's societies rose to 41 including 6 Mahila urban co-operative banks. If we study the growth of UCBs in Rajasthan in respect of the number of banks, owned capital, deposits, loan outstanding and working etc., it will be seen that the progress of urban co-operative banks in the state is not praise-worthy as compared to other states like Maharashtra, Gujarat, Karnataka, and Tamil Nadu. However, there is imbalance in the development of urban banks in the country as well as in Rajasthan.

If the present trend of growth is improved by the UCBs, one can expect that the weaker sections of the
people, who are their main clientele, will be benefited much. Thus, the banks are poised to play an important and effective role in achieving the objectives of economic plan.

The various services provided by the urban co-operative banks are to attract deposits from members as well as non-members, to advance loans to members as well as non-members, to act as an agent for the joint purchase of domestic and other requirement of the customers to undertake collection of bills, accepted or endorsed by the customers to provide other facilities as provided by the commercial banks. But a large number of UCBs render only a few of the services. None of these banks offer services like non-residential account operation, trade introduction, arranging of investments, and execution of trustee services. Some of these services require technical know-how and, therefore, experienced persons in that field must be hired. Moreover, the volume of transactions may not be sufficient to cover the large overhead charges. Therefore, the urban banks by their nature cannot offer such services. Thus, it is seen that the range of services rendered by the urban co-operative banks is limited and it reduces their capacity to compete with the commercial banks.

Bank has integrated the components of marketing into its operation since 1950s when it introduced itself to its customer through advertisement. Later on banks started expanding their area of operation by opening more
branches during 1970s, which is known as market development and market penetration. During 1980s banks developed different kind of ancillary services, which is known as the product development. In 1990s the scenario of banking business has totally changed in order to bring efficiency, accountability and high degree of customer services. The adapting of marketing strategy gives the bank a competitive edge over its competitors and also forces them to think for future. A good marketing of banking service is the proper combination of six ingredients in the background of business environments and organisational objectives. The six mix of marketing are used to attract more and more customers. These mixes (techniques) are product, price, place, promotion, people and procedures.

The urban banks in Rajasthan in general have not used effectively any of the six techniques outlined above. In fact, a proper mix of the above techniques would have yielded better results. The main reason for the failure of urban banks in this respect is the absence of plans. None of the banks has any plan for the deposit mobilisation. In the absence of plans, the banks have not set any goals or target for the deposit mobilisation. Consequently, they do not feel the necessity for any of the above techniques. They were largely satisfied with the deposits that were made to the banks out of the individual efforts of the customers. In other words, the banks were satisfied with their limited operation. In a highly competitive field of banking, this
approach may ultimately land the urban banks in stagnation and in the long run, the banks may face various problems.

Therefore, it is suggested that the urban banks initiate steps to prepare both short-term and long-term plans for the deposit mobilisation. Such an exercise should be on a rational basis taking into account the local environment, past achievements, the potentialities of the locality, the experience, expertise and willing cooperation of the staff, the competition from the commercial banks, and the cost of such operations.

Our analysis reveals that the UCBs in Rajasthan have lagged much behind in the field of deposit mobilisation as compared to the all India level. They are supposed to strengthen their position by mobilising more deposits. In respect of deposit mobilisation in small towns, which have the status of Municipality, is analysed. It reveals that the UCBs in Rajasthan have established more offices in big cities like Jaipur, Jodhpur, Udaipur, and Kota. Urban Co-operative Banks of these cities are able to mobilise adequate deposits as compared to other towns. However, the credit-deposit ratio in these big cities is yet low. It is because of high borrowing rate and hesitation among the UCBs to provide loans and search for more and more secured field for the loans and advances.

It also indicates that the deposits of the state in comparison to other well-developed states of the country
are rather small. The district-wise analysis of the data shows that the percentage distribution of deposits was much higher as compared to the percentage distribution of the population in these districts. In other districts although the percentage distribution of population was quite high, but the percentage distribution of deposits was quite low.

It is seen that the activities of UCBs in the state is quite high in the developed districts and it is confined to a few bigger towns only. There are seven districts where there are no UCBs, nor they have any office at all. It, therefore seems that the development of UCBs in the state was totally inadequate and imbalance.

In a nutshell it can be concluded that as compared to the all India level, bank-wise and branch-wise deposits in Rajasthan is quite low but the growth rate of deposits is high as compared to the previous year. This indicates the variation in the trend of deposit mobilisation. Yet, it lags behind some of the developed states. It has also been observed that the inter-districts' disparity still exists, which can be reduced by opening more branches.

In addition, there is not much difference between the problems of urban co-operative banks of Rajasthan and those of the urban co-operative banks of other states. However, there were some differences between the problems of UCBs faced in Rajasthan and those of the other states. The following were the specific problems faced by the UCBs in Rajasthan. These can be broadly
classified as structural, organisational or managerial, financial, physical, and others.

The UCBs in Rajasthan have tried to provide maximum services to their members as well as to the non-members. However, in the case of few banks, it was difficult to find a proper borrower who can utilise the loans for the productive purposes and self-employment. These banks whose members are spread over some of the urban or rural areas, it was difficult to find the borrowers who may utilise the loans for the productive investment purposes.

Also, these banks were facing some of the physical problems such as lack of adequate office premises and the location. Again, they were facing the problem of staff turnover. It was due to the low salary scales for them and better prospects available elsewhere in other fields.

Thus, due to their limited earnings and low salary there was a lack of well experienced managerial staff members, as a result of which most of these UCBs could not find competent people for their organisations.

SUGGESTIONS

On the basis of the study made so far it appears that the growth of such UCBs on the whole has been satisfactory to certain extent. However, in Rajasthan, the growth of UCBs, services provided and their marketing strategies have not been satisfactory, though there were
imbalance in the various factors. The working of UCBs in the metropolitan, urban and semi-urban areas is not the ultimate goal. It is only the viability, which should be judged on the basis of deposits, is much more significant. It is therefore, essential that the UCBs should take special measures for the mobilisation of deposits in rural and semi-urban areas. In addition, the UCBs are required to take more initiative to publicity, door-to-door campaign, extension programme, and attractive schemes for collecting the savings of small entrepreneurs, small artisans, businessman, factory workers, salaried class as well as other self-employed persons. It is, therefore, quite essential to dispense credit among such people by the UCBs even in the beginning. This will help in the development of saving habits among these people in rural and semi-urban areas. It is also essential to popularise the deposits schemes in rural and semi-urban areas among the poor and middle-class people. The primary consideration of banks should not be credit-worthiness of the party, but rather it should be the attractive schemes and the security offered by them. The UCBs should also increase their credit deposit ratio in their field of operation.

In order to fasten the economic development of small entrepreneur, businessman, factory workers, salary earners, self-employed persons, and other middle and backward class of the society, the banking approach should be realistic so that the banks may work on sound footing.

The following suggestions are offered in this regard:
1. According to the time service "Mobile Service" is quite important, but not a single branch of UCBs in Rajasthan is providing this type of service. So, the UCBs should start this service, which is very useful in attracting customers.

2. The UCBs in Rajasthan do not provide the special deposits schemes like Urban Surakasha Deposit, Dhanvarsha, Shishu Kosh; Shubhamangal deposits schemes etc., which are very useful for the lower income group. So these types of schemes should be provided by the UCBs in Rajasthan.

3. "Evening counter" is one of the important needs of the human being, which should be provided by all the branches of UCBs.

4. Extension counter service is also an important service, which should be provided by all banks.

5. Education and marriage are the social basic needs of a man and, therefore, all the branches, which are lacking in Rajasthan, must also launch such deposit schemes.

6. Consultancy service is also one of the most important services, so this should be started.

7. "Unsecured advances" should also be made available by all the banks, which may prove to be helpful to the people of the lower income group.
8. "Customer's Day" which is on 15th of every month, should be taken seriously and observed by all the banks.

9. The nature of the bank employees should be helpful and pleasing and that they should be courteous in trying to promote the services being rendered by them.

10. The initial consideration should be given to the rural areas while opening the branches.

11. There is a scope for the UCBs in uncovered districts and a large number of towns in Rajasthan. At present, there are seven districts and 163 towns, which do not have urban co-operative steps. Consequently, efforts should be taken by the leading UCBs and the leaders in these areas to organise UCB in uncovered areas.

12. Promotion of services is a major tool for informing, educating and communicating with customers. The urban cooperative banks in Rajasthan have not utilised an effective advertisement or publicity for the deposit mobilisation and other banking services. The UCBs in Rajasthan also have no plan or provision for the promotional tools. Steps should, therefore, be taken to plan and make necessary provisions for the promotional tools.

13. In a competitive age, customer demand is for faster service and less cumbersome procedures. So, those
banks which take less time in delivering services to customers, command a competitive edge over others. This lead-time, which is consumed in processing, can be curtailed by simplifying the existing procedures and by the use of modern technology. So, the UCB, should take steps for 100 percent computerisation of banking services in the state.

14. In modern age the main necessity is to provide security and facility, and the credit cards and travellers cheques mainly fulfil this necessity, which provides security. But the UCBs in Rajasthan do not provide these services and if started, these will be of great help to the public.

15. The UCBs should also start the ATM services to compete with the public and private sectors.

16. There should be an apex bank for the urban cooperative banks to take care of urban banks.

17. There should be uniformity in the presentation of annual reports of the banks. The annual reports should give at least 5 years progress report in respect of membership, paid-up share capital, deposits, loans over dues, profit and loss, audit class etc. This will enable the members as well as the general public to know the working of these banks.
18. The UCBs can undertake the skill formation training programmes with the help of government and semi-government bodies for the self-employed people.

19. Taking into the consideration the volume of deposits, members, and loan disbursement, the UCBs can divide their work into sub-sections headed by the sectional head and the member of the board of directors. The committees such as loan, administration, planning and development, audit and inspection should be appointed. These sections can help to speed up the working of these banks.

20. The failure of Madhavpura Mercantile co-operative bank Ltd., Ahmedabad and Krushi urban co-operative bank Ltd., Hyderabad has affected the overall performance and growth of UCBs. It also created insecurity among the people and potential depositors. Depositors do not want to take risk to invest in the UCBs.

So, insurance of bank deposit which is intended to give a measure of protection to the depositors, particularly the small depositors, from the risk of loss of their deposits arising from bank failures. Such a protection, by infusing confidence in the minds of the people, assists in developing the banking habit of the community and generally contributes to the stability and orderly growth of the banking system. The introduction of a deposit insurance scheme under the deposit Insurance Corporation
Act, 1961 in the wake of certain bank failure was thus a significant development in the banking field. The deposit insurance and credit guarantee corporation was established on 1st January 1962.

Initially all the commercial banks including the regional rural were registered as insured banks. Every depositor of an insured bank, which goes into liquidation, is entitled to receive from the corporation repayment of his deposits in all the branches of that bank held by him, in the same capacity and right, up to a maximum limit (ceiling) prescribed from time to time. The present ceiling is Rs. 30,000. The insured banks have to pay premium to the corporation. Premium is at the rate of 4 paise per annum for every Rs. 100/- of the total amount of deposits covered by the scheme of Insurance. Deposits with the cooperative banks including urban cooperative banks have also been brought within the scope of the deposit insurance scheme.

21. The UCBs should start services, like trade introduction, credit information arranging of investments, which pave the way for self-employment and help the economic development of the state. The UCBs should also hire technical know-how and experienced persons to regulate the service of investment arranging and trade introduction.
SUGGESTIONS FOR CUSTOMER SERVICES

The success of the urban banks in deposit mobilisation mainly depends on the better customer services. The urban banks can improve their quality of services by the following practices:

♦ Speedy encashment of cheque.

♦ Prior notice of data of maturity of fixed deposits.

♦ Automatic renewals of fixed deposits on maturity.

♦ Automatic payment of interest for the period between the dates of maturity of the date of withdrawal.

♦ Conduct training of employees to improve services.

♦ Constituting the customer service committee.

CUSTOMER SERVICE COMMITTEE

Constituting the customer service committee consisting of the bank secretary, employees and representative of customers for the periodical evaluation of the services rendered and for effective implementation of improvement practices.

In fact, the committee can discuss any topic, which has a bearing on the quality of service. The following items merit special consideration by the committee so that the discussions prove more fruitful.
1. **Maintenance of Premises**

The position regarding the general cleanliness and proper maintenance of the office furniture and premises needs to be periodically reviewed. The points which should receive particular attention are the condition of the furniture and counters, white/colour washing of the premises, curtains were provided and electric wiring (loose and hanging wiring not only give a shabby look but is a fire hazard).

2. **Customer Guidance**

Under this head, the committee may consider the following:

a) **Enquiry counter:** while a large and medium size bank should have an independent enquiry counter, bank may combine this work with some other desk. What is essential is that the clear details for this should be knowledgeable and polite. The working of this counter needs constant watch. As a matter of fact, the enquiry clerk, being in direct touch with the visiting public may have important feedback to convey and as such may be occasionally invited to the committee meetings.

b) Name plates of employees and Indicator Boards both in English as well as in the regional language should be provided. One or two committee members may be requested to keep a watch on the proper display of the
above who should also ensure that these are being regularly cleaned and polished.

c) Publicity Material: Adequate publicity material should be displayed at the enquiry counter and/or at any other convenient place. Someone may be made responsible to ensure that this is being done. Old shabby business posters and calendars should be removed and the current ones displayed in glass/wooden frames.

3. Amenities for Constituents

The committee should keep a close watch on the provisions of amenities for constituents, which include arrangements for drinking water, chairs, benches, and fans in the public space, a table and pen/ball pen for writing, a cycle stand and prompt availability of account opening forms and application forms for draft issue, pay-in-slips, etc. As regards vouchers, what is essential is that these are kept properly arranged and are not allowed to get jumbled up? As a rule, members of the committee may oversee the arrangements on a regular basis.

4. Working of Cash Department

The working of cash department, particularly of seats which concern public such as receipts, payments and exchange counter, should be reviewed on an ongoing basis. On certain occasions, some counters get heavy rush of
work, the committee may consider the remedial steps to avoid inconvenience to the public on such occasions.

5. **Meaning of Counters**

(a) While all members of the staff are expected to render customer service, those on the counters, which is the first meeting places of constituents with the Bank-staff have special role to play, rather it is they who project the Bank's image. All individuals do not possess the same temperament, so only those members of the staff who are willing, extrovert in nature and possess the cheerful disposition, the selection of such persons should be made at the counters on an ongoing basis in the meetings.

(b) The start of the work in the meeting is sometimes delayed due to the time taken in making relief arrangements for the counters. This delay must be let down. It is for the committee members to review the position and if any delay is noticed, to discuss how the situation could be set right. Some of the methods, which may be considered are, to insist on punctual attendance, organic leave in a planned and phased manner and ask the employees to send intimation, well in time, when they are to go on sudden leave due to emergent reasons.
6. **Seating Arrangement**

   Out seating plan should be functional, which may make smooth flow papers. The committee may periodically review the seating arrangement available at the bank.

7. **Complaints**

   Complaints, which may be written or oral need to be studied in-depth and remedial steps devised to avoid their recurrence. Staff members may be encouraged to narrate in the committee meetings complaints made to them or the difficulties faced by the public.

8. **Verbal or Written Suggestions**

   Suggestions, verbal or written received during the month should be seriously considered with a view to improving the efficiency and coming up to expectations of the constituents.

9. **Statement of Accounts and Debit/Credit Advices**

   The position prevailing at the branch in respect of these two highly sensitive areas merits constant review. Any complaint reviewed from a constituent regarding delayed/ non-receipt of the statement/advice must be thoroughly gone into.

10. **Punctuality and Courtesy**

    The committee may examine on an ongoing basis whether all concerned observing punctuality in attending
to their assigned jobs and are providing uninterrupted service to the constituents during business hours. Instances of indifferent or rude behaviour, if brought to the notice of the committee on the part of the members of staff should be thoroughly gone into. The matter should be objectively discussed and remedial measures suggested.

10. **Complaint-Cum-Suggestion Box**

Complaint may be received through suggestion box. As such complaint-cum-suggestion box must be opened daily and if complaint received, it should be entered into the complaint register, and if not, then entered NIL and the initials should be put in the register. The complaint received in the complaint/suggestion box or through the day must be immediately acknowledged on the same day and final reply sent to the complaint within a maximum period of 5 days from the date of receipt of complaint.

**NEED FOR FURTHER RESEARCH:**

Some of the operational research in the urban co-operative banks should be undertaken. The areas of further research shall be as under:

1. Post-utilisation studies of loans.
2. Requirements of security and assessment of credit needs.

5. Political interference and political influence on lending and recovery.

These research activities can be undertaken by the banks themselves or by the research institutes engaged in economic and social research.