CHAPTER VI

URBAN CO-OPERATIVE BANKS IN MYSORE DISTRICT
The theoretical aspects in the functioning of urban co-operative credit organisations, their history of development and performance over a period in India in general and Karnataka in particular are thoroughly discussed in the earlier chapters. A study has also been made on the deployment of loan by urban co-operative banks in Karnataka towards various purposes as also the relative role being played by the Reserve Bank of India and the problems standing in the way of the functioning of urban co-operative banks due to restrictive provisions of the Reserve Bank in the immediate previous chapter. These chapters are more or less macro level studies taking into consideration the available material both from the published sources and from the offices concerned. With a view to making a micro level study, the urban co-operative banks working in Mysore District has been taken up in this chapter. The deliberate purpose in taking Mysore district for the micro level study is for two reasons. First, it is a district which is convenient to the author for making census survey since the centre of research has been situated in this district. Second, the district of Mysore has a long history in the development of co-operative movement since it was the centre of erstwhile princely administration, under whose leadership top priority was accorded to the development of the co-operative movement for
easing out various problems of the economically weaker sections living both in rural and urban centres as also this district has been one of the forward centers in the urban co-operative banking movement in the present reorganised Karnataka State. Hence the importance of this chapter.

General Features of Mysore District:-

The district of Mysore is one among twenty districts in the state of Karnataka. It is situated in the extreme south of Karnataka. A part of the land of Mysore district is plain and other part is Malnad area. It covers a geographical area of 12.46 lakh hectares. About 72 per cent of the total population of 25.95 lakhs (1981 census) live in rural areas and remaining 28 per cent live in urban centres. Rank-wise, Mysore district is in the fourth place regarding its area in the state. About 31.3 per cent of the population are literates. The total income of the district during 1986-87 at current prices has been estimated at Rs.758 crores which account for 6.9 per cent of the total income of the state. The per capita income in this district for the same year has been estimated at Rs.2594 as against the average income of Rs.2636 of the state. The primary occupation of the people of this district is agriculture as elsewhere in the state and in the country.

2. Ibid.
Historical background:-

The district of Mysore as on date has been one of the forward districts in having urban co-operative banks in Karnataka. It has the credit of having a large number of urban co-operative banks and stood at fifth place next only to Bangalore (urban) Belgaum, Dharwad and Raichur. As said earlier, this district being the place of administrations of Princely State of Mysore, it did give scope for the development of co-operative movement by enacting a co-operative Societies Regulation in the year 1905, immediately after the introduction of the Co-operative Societies Act in the year 1904 by the then Government at the centre. The Mysore Co-operative Societies Regulation Act of 1905 was replaced by Regulations VII of 1918 to the altered requirements and to ensure sound progress of the co-operative movement. Soon after this, a committee was appointed headed by Sri.Lallubhai Samuldas to review the progress of the co-operative movement and to make suitable recommendations. As a result, in 1923 a Land Mortgage Bank was established with the specific purpose of meeting the long-term financial needs of the primary societies which were inturn lending the credit to the farmers. To bring the Land Mortgage Bank under this regulation, the Regulation VII of 1918 was again amended in 1929. Further, the Regulation was amended thrice, once in 1933 and subsequently in 1935 and 1936 so as to include certain provisions arising from the development of
the co-operative banks and to bring the Land Mortgage Bank within its scope and to bring it abreast of the legislation in British India. During this period, increased attention was paid to the organisation of co-operative institutions in the relatively backward areas of the region. The Government of Mysore again appointed a committee in 1935 headed by Justice R. Chandrashekara Iyer to look into the whole movement which was under considerable hardship. Consequent upon the effects of economic depression in 1929 resulted in a steep rise in the prices of consumer goods particularly the prices of agricultural commodities also due to setback received during the first World War due to general tightness in money market and abnormal rise in the prices of necessaries of consumers. The committee which reviewed the entire position and supported the organisation and development of co-operative movement and the recommendations made for further development of the co-operative movement were accepted by the Government of Mysore. The successful implementation of the recommendations of the committee put the co-operative movement on the growth path. Thus, the District of Mysore by virtue of having the place of administration over a long period has the credit of having long history of the co-operative movement and the effect of which has been the smooth and fast growth of the co-operative movement in all walks of economic activities.
The census survey of the urban co-operative banks working in the district of Mysore was undertaken with a view to probing into specific problems connected with the organisational, financial and operational problems of urban co-operative banks. For the purpose, three sets of questionnaires were prepared and administered to the management of (Management refer to the President/Vice-president/Secretary/administrative officer) the urban co-operative banks in order to collect information on various issues connected to their organisational, financial and operational efficiency, their performance and the particular problems thereof. The second set was administered to the employees selected on random sample basis and a minimum of four employees from each bank depending upon the availability of the staff and their positions were taken in order to collect the opinions about the salary, allowance and other fringe benefits in the urban co-operative banks as and when compared to remunerative benefits to the employees of commercial banks. Thus, in total 40 employees were interviewed to gather information on this issue. The third set of questionnaire was administered to the members of different urban co-operative banks. From this group also, about 10 to 14 member consumers, aggregating 110 consumers from 9 banks working in the district were interviewed with a prepared schedule to seek the opinion of them on the services and the benefits conferred on them by the urban co-operative
banks. Here also members interviewed were personally taken on random sample basis. Thus, the analysis of this chapter is more or less based on survey conducted by the author with three distinct groups of the urban co-operative banks for better understanding of the working of these institutions and the problem connected there to.

A set of questionnaire was administered to the management of all the urban co-operative banks working in the district of Mysore in order to elicit information on various aspects of organisational and operational performance of these banks. Except one, all the eight banks\(^1\) are situated within the city of Mysore having the jurisdiction of Mysore city as the area of operation. The oldest bank in Mysore district has been the Mysore Co-operative Bank Ltd., the origin of which dates back to 1906. Any urban co-operative bank as per the guidelines of the Reserve Bank must fulfill certain norms to achieve viability so as to carryout functions properly and effectively. The prime areas of norms of viability are in respect of owned funds, working capital, loaning operation, interest rates, area of operation and branch expansion or business expansion.

**Reserve Bank norms:**

Although the urban co-operative banks follow Reserve Bank guidelines in strict observance, two of the ten banks could

\(^1\) Of the total 9, one bank has already been converted as Credit Society. Hence the number is 8.
not reach minimum statutory limits in respect of mobilising owned funds (which is consisting of paid-up share capital and reserve funds) and deposits. These two banks were Chamaraja Urban Co-operative Bank of Chamarajanagar and the Mysore University Employees Urban Co-operative Bank Ltd., of Mysore. As a result, the Reserve Bank directed the Mysore University Employees Co-operative Banks Ltd., to convert itself into credit society as Mysore University Employees Credit Co-operative Society Ltd., since 1988. Further, the urban co-operative bank, situated in Chamarajanagar town, which is also a Taluk head quarter, has failed to meet the Reserve Bank norms in respect of securing minimum share capital. This bank could mobilise share capital upto Rs.1.75 lakhs only against the Reserve Bank requirement of Rs.5 lakhs and the accumulated loss of the bank has already reached Rs.1.65 lakhs. As a result, Reserve Bank directed the management of the urban co-operative bank to get itself amalgamated with any urban co-operative bank working on sound lines in the city of Mysore. Though the management of the Chamarajanagar Urban Co-operative Bank is proposed to accept the amalgamation proposition, the other bank must also agree to the amalgamation proposition which is not yet clear. The

1. Office records of the Mysore University Employees Credit Co-operative Society.

2. Office records of the Chamaraja Urban Co-operative Bank Ltd., Chamarajanagar.
reason behind is that the bank which has the preponderance of getting Chamaraja Urban Co-operative bank amalgamated must well be prepared to bear the losses to a minimum of Rs.1.25 lakhs which is the amount of loan not recovered yet. However since then, Reserve Bank has been stressing the idea of amalgamation of Chamaraja Urban Co-operative Bank with any other viable urban co-operative bank working in the district of Mysore and the process of amalgamation is going on. In regard to working capital, loaning operations, interest rate, area of operation, branch expansion and so on, all the urban co-operative banks are strictly observing the Reserve Bank guidelines. As such any viable urban co-operative bank finds it troublesome to accept Chamaraja Urban Co-operative bank getting amalgamated with them. Moreover the distance between Mysore City and Chamarajanagar is beyond 70 K.M which makes it difficult to the urban bank which gets the Chamaraja Urban Bank, amalgamated to cope with the ineffective and inefficient management of the bank on smooth lines.

**Dual Control:**

As pointed out already, urban co-operative banks are under the control of both the Reserve Bank of India and the State Government. Since they are under the dual control, the author made an attempt to know whether this banking sector has been facing any hindrance or having no difficulties as such personal discussion along with administering a
questionnaire revealed following facts. An interesting observation that all the banks subjected to survey are of the opinion that they satisfy the existing practice of dual control both by the Reserve Bank and the State Government excepting some restrictive provisions of the Reserve Bank which are already thoroughly discussed in the foregoing chapter.

The considered opinion favouring the dual control is that since the Reserve Bank is the central bank and spokesman of all the banking institutions, urban co-operative banks are also part of the banking sector in the country. Thus the overall financing management of these banks must go according to the instructions and guidelines issued by the Reserve Bank of India from time to time. Favouring again the control by the State Government regarding the registration, organisation, liquidation, amalgamation and so on it is observed that since the subject 'co-operation' has been the State subject according to constitutional provisions of the country, it is the State which must take necessary action and initiation on the aspects of organisational and operational activities of these urban co-operative banks. Thus, it is clear from the above analysis that urban co-operative banks in the region more or less having no stringent problems due to dual control simultaneously at the hands of Reserve Bank on the one hand and the State Government on the other.
State Partnership:

The question of relationship between the State and the co-operative movement is not of today but since the origin of the co-operative movement. On this relationship depends the phase of co-operative development, diversification of the co-operative movement, the strength of the co-operative enterprise and the character of the entire movement. With the growth in the scope for co-operative movement and the growing assistance of the State in the process of its expansion and diversification, the question of its autonomy has become very important. Its autonomy has manifested itself in the demand on the part of the co-operative movement for transfer to itself the functions of supervisory audit, promotion policy making and other activities. In the Indian context, it is well known that the State has been the part and parcel of the co-operative movement and the course of its development has been directed by the State. The State has been actively assisting co-operative enterprises in terms of providing fiscal assistance and concessions in many forms like loans, grants, margin money share capital, etc.

It is relevant to mention here the various areas in which Government assistance could be legitimately asked for by the co-operative enterprises from the Governments. These are:
1. Loans for various short-term, medium-term and long-term requirements of co-operatives.

2. Subsidies, i.e., permanent grant to co-operatives for undertaking initial construction or for meeting managerial expenses or for undertaking an activity which cannot be financed by the co-operatives.

3. Guarantees for responsibilities undertaken by co-operatives in the shape of repayment of loans or interest etc.

4. Extension of contracts to co-operatives for public works

5. Tax concessions on income as the co-operatives return the profit to their members in proportion to the service rendered.

6. Miscellaneous assistance in the form of allotment of land, building, etc., for co-operative activity.

In the context of a co-operative programme of economic development and social change spearheaded by the State, the role of the co-operative enterprises gets immensely magnified and an altogether new set of considerations are brought to bear on the relationship between the State and the co-operative movement. The powerful enunciation of the doctrine of the state partnership in co-operative development was first found in the monumental Rural Credit Survey
Committee Report (1954) which was headed by Sri.A.D. Gorwala. Since then the co-operative movement is in receipt of state financial participation. In the meantime, co-operative movement in the changed planning vision of the economic system became both the means and the end of the state planning. Plans on co-operative development became an integral part of the national and regional plans worked out, financed and implemented by the State. The State after accepting the recommendations of the State partnership in co-operative development has been assisting in various forms in varying degrees to the co-operative organisations in the State of Karnataka. Even for co-operative urban banks there is the provision of providing financial assistance, provided these banks seek such assistance.

The survey conducted in this connection revealed that these urban co-operative banks excepting one, are not at all depending on the state either for financial assistance or for loans since they themselves are capable of meeting their financial requirements. Of the total banks surveyed, although one bank approached the state for financial participation in its share capital it did not yield results. It is the answer of the remaining managements on the one hand that they are financially sound and on the other they wish to preserve their essentially co-operative character which consists of their volunteerism, autonomy in decision making and independence. Thus, in this context, the urban co-operative
banks unlike other forms of co-operative enterprises are not depending on state for monetary assistance. These organisations deserve encouragement from the state for becoming self-reliant.

Loans:

In providing loans to the patron customers, the banks surveyed followed Reserve Bank guidelines and further the survey revealed that all these banks reached the target of 60 per cent advances to priority sector of the total advances as per the Reserve Bank norms. Over the past three years from 1986-87 to 1988-89, the major forms of loans advanced within the priority sector are hypothecation loans, business loans and consumption loans. But a principal fact to be observed in the survey that though the banks have been financing upto 60 per cent of their loans to priority sector, within this sector, the subsector under small scale industries have received only scanty attention. A fraction of the total priority sector advances by the urban co-operative banks constituting only 2.8 per cent\(^1\) went into the projects under small scale industries.

Demand for Loan:

As spelt out earlier, the urban co-operative banks are capable of meeting all the demands made by the customers for

\(^1\) Computed for the year 1989-90 on aggregate basis.
loans, as is revealed by the survey. It is primarily because, the banks under study excepting, the one which is already in the list of 'weakbanks' are financially sound. As such, they are fully capable of meeting the requirements of the customers in respect of loans. This supports the financial viability of the urban co-operative banks in Mysore district.

Overdues:-

The operational performance of an enterprise is reflected through its recovery and overdues position. Sound and timely recovery of loans lead to a sound recycling of funds for furthering the economic development. It otherwise, shows the weak performance and grim situation. The survey conducted by the author with the managements of urban co-operative banks clearly indicates that the loans over-due, except in one identified weak bank has been in the range of 0.5 per cent to 7 per cent, during the past three years viz., 1987-88, 1988-89 and 1989-90. In the stated weak bank, the over due has been in the range of 50 to 80 per cent during the period under study. Thus, the over-due figures collected through primary investigation revealed that the urban co-operative banks in the area under study are financially sound due to their sound recovery position and hence the sound reflow of funds for bettering the lots of members. This is a satisfactory and appreciative stand taken by the
urban co-operative banks not only for their viability but for meeting the challenges of modern economic system and gain the confidence of the public in this most advantageous banking sector.

**Deposits:**

Urban co-operative banks are depending on both members and non-members for their deposits. Deposit mobilisation in the urban co-operative banks has been the effort of both the members and the non-members. Between 30 to 40 per cent of the deposits collected by each of the surveyed urban co-operative banks are from the non-member as is revealed from the investigation, which means to say that the public at large apart from regular members are also involved in the business of the urban co-operative banking sector. In all the urban co-operative banks surveyed, the types of deposits offered are fixed deposit (term deposit) cash certificate deposit, recurring deposit, pigmy deposit, loan linked deposit, current deposit, saving deposit and so on. Among these, fixed deposits claim the top position in terms of mobilisation of deposits. It is because, urban co-operative banks offer more attractive interest rate than the prevailing rate of interest in commercial banking institutions. As per Reserve Bank's letter dated 22nd April 1992, the interest rates on deposits

---

have been revised and has been put at 11 per cent for deposits of 46 days and above but less than one year, 12 per cent for deposits for one year and above but less than three years and 13 per cent for deposits for three years and above, and these banks are having the discretion to pay an additional interest not exceeding 0.5 per cent per annum. The growing deposits of urban co-operative banks support the self-dependence of these banks in meeting the loan demand of the members and enabling the banks to possess more assets along with increasing the economic welfare of the member community.

**Competition:**

Within the banking sector, one can find commercial banking, co-operative banking as also private banking sectors. Irrespective of the category to which they belong each one of these carry on same kind of business i.e., accepting different kinds of deposits from the public and advancing loans of different types to the public. In this banking operation, the competition among themselves may or may not arise in a particular zone or area. In order to probe into this, the urban co-operative banks working in the district of Mysore were interviewed apart from having personal discussion with them. The outcome of the same is that no urban co-operative bank in Mysore district is facing any sort of competition from any of the commercial banks in
any type of the banking activity. All the surveyed management are of the firm opinion that they are not competitive but complementary to each other. Thus, it is clear from the study that the urban co-operative banking sector by virtue of having distinctive features and advantages, can prosper well and render effective service to the public since it is evidenced from the survey that there is the absence of any sort of competition between the public sector banks and the co-operative banks. Hence the urban co-operative banks which are well suited to the urban people of small means needs more attention. It is also revealed in the survey that in addition to these, lack of co-operative education among the public in its philosophy and method of working, political interference in the day to day functioning of the banks are some of the common hurdles which are found in the smooth working of urban co-operative banks.

The second section pertains to the problem of personnel of urban co-operative banks. Although the urban co-operative banks have not borrowed their personnel from the Government like the other co-operative sectors, the remunerative benefits and other facility being offered by these banks to their employees are not as attractive as is being offered to the employees of commercial banks. The study conducted by the author through survey of the employees of urban co-operative banks revealed the following facts.
A prepared schedule administered to the selected employees of all the urban co-operative banks working in the city of Mysore along with personal discussion with them revealed the following findings. The general problem stated by the author to the respondents runs like; urban co-operative banks donot attract the competent, skilled and talented personnel to work in the organisations as compared to commercial banking institutions.

The first and the foremost aspect to be considered is the salary the employees of the urban co-operative banks get as compared to the salary of the employees of the commercial banks working both at managerial and ministerial levels. It is the firm opinion of all the forty employees interviewed in this connection that the salary of the employees of the urban co-operative banks is not as attractive as the salary given by the commercial banks to their employees which means to say that the urban co-operative banks in general do not offer remunerative benefits to their employees. Further it is stated by 100 per cent of the employees interviewed that the talented, well qualified and the competent staff will be attracted by the commercial banks and the reminder with no option in the job market enter the services in the urban co-operative banks. Since the problem is sound, beyond doubt that the urban co-operative banks donot get the best in the cream due to low salary. They must have to show the attention
towards this aspect. It is, because, in this present complex economic setup and to meet the challenges before the banking sector, the problem must be taken care of by the authorities concerned immediately.

Next equally important aspect to be considered is better promotional avenues. No employee is interested to be in the same position all through the career without getting himself promoted. In the case of urban co-operative banks, about 93 per cent of the employees or 37 out of 40 employees were of the opinion that there is no promotional opportunities at all. This disillusioned the personnel working in the urban co-operative banks. It is because, the organisational set up is very small. According to the Reserve Bank guidelines,¹ the staff considered necessary for an urban co-operative banking in metropolitan, urban and semi-urban centers at the viability level and having a single office will be as detailed in the next page.

Thus, it is clear that there are only two officer cadre posts in urban co-operative banks situated in urban and semi-urban centres while there are only three officer cadre posts including the Accountant in the urban co-operative banks

¹ Reserve Bank of India, Compendium of Instructions/guidelines issued by RBI for primary urban co-operative banks, Bombay, p. 73, 1989.
Designation | Metropolitan centre | Urban centre | Sub-urban centre |
------------|-------------------|-------------|-----------------|
Chief Executive Officer | 1 | 1 | 1 |
Accountant (Banking) | 1 | 1 | 1 |
Officer in charge of loans, establishment and development | 1 | - | - |
Cashier | 1 | 1 | 1 |
Clerks | 2 | 2 | 2 |
Peons | 2 | 2 | 2 |
Total | 8 | 7 | 7 |

centered in the Metropolitan cities. Further, this figures indicate that, there must be only three clerical posts comprising of cashier and two clerks in all the urban co-operative banks. It is the condition of the interviewed employees that once the posts are filled by the Board of Management, virtually the promotional opportunities are going to be ceased. Even the officer cadre posts are being filled through direct recruitment but not on promotion.

Even for the viable branches operating in metropolitan, urban and semi-urban centres, the staff to be appointed as under1 according to the Reserve Bank norms.

1. Ibid, p. 54.
The Reserve Bank, however, made it clear that with the growth of business of the branch the staff strength may be augmented to cope with the increased work load. In the bigger branches, the bank manager may have to be assisted by an officer of the rank of Assistant Accountant. The determination of the staff requirements at the clerical level in the branches of the urban banks dependent upon the total work load or the total number of vouchers attended in the branch. About 7 per cent constituting 3 employees interviewed did not spell out exactly their views perhaps due to the apprehension of the Board of Management. The persistent demand of the author however, made them to opine that they cannot reveal anything about this issue, but were certain of the view that in the internal management i.e., regarding the employees promotions, if any, to be made in the banks it is left to the discretion of the Board of Managements. One who finds favour with the management take the opportunity irrespective of the qualifications, expertise and skills. Since it is impracticable to have centralised
recruitment of the staff as is firmly expressed by the Reserve Bank either by the federation of urban co-operative banks or by the state co-operative bank and central co-operative banks, the recruitment is being done by individual urban banks. Also all the banks taken for survey do not have any branches of their own in their area of operations, which also indicate that these banks are organisationally small and weak. All these facts clearly prove that the promotional opportunities for the employees of the urban co-operative banks are very bleak. Another notable aspect considered by the employees of every institution is the recreational facilities and other fringe benefits for motivating their skills in the profession. About 90 per cent of the employees numbering 36 expressed that they donot have any incremental and the fringe benefits by the institutions which are not atleast on par with the commercial banks, who are working at similar grade. There is also lack of some important benefits like leave, loan, pension etc., in urban co-operative banks.

The empirical study conducted by the author also proves that there are no adequate training facility to build up necessary skill and expertise by urban co-operative banks. The number of urban co-operative banks stood at 208 banks as per the year 1988-89 in Karnataka state. This should offer sufficient scope for organising training programmes
exclusively for the staff of urban banks. The training could be for staff at different levels, i.e. Chief Executives, Key Personnel, Junior Officers, local Auditors and clerical staff. It should also be of different types such as basic courses on co-operative banking and book keeping and orientation courses on resource mobilisation, deployment of funds, diversification of loans, industrial financing, refinancing facility, Banking Regulations Act etc. On the job training programmes for clerical and supervisory staff of urban co-operative banks are very necessary.

The urban co-operative banks particularly which are bigger among them, may maintain adequate number of training reserves to take the place of those deputed for training. These bigger urban banks may also help small banks by lending them their training reserves wherever possible. The urban co-operative banks altogether in the state must have a representation in the National Council for Co-operative Training on a permanent basis so as to facilitate closer co-ordination in regard to the training arrangements for urban banks organised or to be organised by the National Council for Co-operative Training.

Majority of the employees who were subjected to empirical study revealed that they are not for changing the Board of Management every three years. Instead they opined an efficient Board of Management must be there atleast for
five years. About 73 per cent wanted a Board of Management to stay in office at least for five years, though it is not in consonance with the present provisions of the co-operative Societies Act instead under which, every year co-operative elections must be held. Further, in the course of cross questioning about the contravention of the statutory binding, they firmly opined that the State Co-operative Societies Act, pertaining to this aspect may be amended only for urban co-operative banking sector. This as corroborated by them that minimum five year period will help the Board of Management to take care of the banks and for their growth and prosperity with proper plans and projections. Of course, the same Board of Management may call the general body each year and special general body meeting whenever found to be necessary. This also helps the banks in curtailing expenditure, save time and they can devote their attention towards the development of the institutions thereby developing the economic life of the patron consumers.

Co-operative enterprise irrespective of the objectives and activities must totally maintain political and religious neutrality. But here it is altogether a different picture. About 94 per cent of the employee respondents admitted that in the day-to-day functioning of the urban co-operative banks, there is political interference as also party politics. Elections to these banks will be fought in the name of different political party banners although the
cooperatives so also urban co-operative banks are supposed to function without involving themselves in politics. Maintaining political neutrality has been one of the subsidiary principles of co-operative movement, but the survey proves that though these are democratically managed institutions there is a deviation in maintaining the political neutrality.

The employees uniformly agreed that the managements of urban co-operative banks do not take active interest in deposit mobilisation from the public which has been a very important financial source for banking organisations. The management in the banks do not show any kind of interest for the promotion of saving habits to their members in terms of providing education material about the incentive benefits of the banks for their savings in having close co-ordination with the fellow members in upgrading the deposit mobilisation for better prosperity and service. The deposit mobilisation drive must be the yardstick and the urban co-operative banks like commercial banks do not set any target to be achieved in the respective co-operative year in deposit mobilisation. The profitability and the financial viability are dependent solely on the growth rate of deposits. These banks when compared to commercial banks have better opportunities to explore the deposits from the public, because, Reserve Bank permits them to offer one per cent interest over and above
the interest rate being offered by the commercial banks for the deposits. Thus it is suggested that they must make use the opportunities to grow as sound and viable organisations.

Apart from these, the following are some of the findings of the empirical investigations. The employees alleged that, there is no modern outlook of the offices of the urban co-operative banks, lack of medical facilities, lack of cooperation among the staff within the urban co-operative banks etc. All these prove that the economic reasons predominate over the non-economic reasons for not attracting the competitive, qualified and talented personnel to work in these organisations as and when compared to commercial banks. Thus, it is clear that unless the urban co-operative banks take an active and immediate step in improving the human resources, their growth and service conditions continue to be bleak and ineffective compared to commercial banking institutions.

A distinct group in the co-operative sector is the member community which is the user community also the owner community. The facilities to be offered by any co-operative enterprise must reach the member community on priority than the general public. The economic advantages being given by urban co-operative banks are the yardstick in assessing their usefulness to the member consumers. The survey conducted in this connection revealed the following facts.
The first and the foremost task for establishment of an urban co-operative is the mobilisation of the share capital through enrollment of members who are residing in the area of proposed bank. The membership strength will always determine the viability of the banks. The positive growth of banks otherwise ultimately depends upon the membership strength. If an urban co-operative bank has sound membership, it means to say that the institutions themselves are strong. It is, otherwise the institutions are small and weak. Optimum membership yields optimum results. The Reserve Bank also stipulated that every proposed urban co-operative bank must have minimum initial membership as prescribed by it from time to time for getting itself registered as banking institution as per Banking Regulations Act.

For a co-operative institution, members are the owners, they are the custodians and customers are the consumers. It is for the members, of the members and by the members since they are democratically managed institutions. The welfare of the user community has been the prime objective of the urban co-operative banks and they have to work efficiently and effectively in this direction. With a view to ascertaining the primary information, a set of questionnaire was administered to the consumers of all the urban co-operative banks apart from having personal discussion with them. The investigations in this connection revealed the following.
The respondents are interviewed who are taking the benefits of urban co-operative banks for the past several years. The following figures show the consumers who are actively involved in sharing the economic advantages of urban co-operative banks working in the district of Mysore from the past many years.

<table>
<thead>
<tr>
<th>Years</th>
<th>Past 5 years</th>
<th>5 to 10 years</th>
<th>10 to 15 years</th>
<th>Over 15 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of beneficiaries</td>
<td>26</td>
<td>42</td>
<td>33</td>
<td>11</td>
<td>112</td>
</tr>
<tr>
<td>Percentage to total beneficiaries</td>
<td>23.2</td>
<td>37.5</td>
<td>29.5</td>
<td>9.8</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey conducted by the author.

As per the survey conducted by the author, the customers who are also the actual beneficiaries are in receipt of the economic benefits over varying periods from within five years to over fifteen years. The respondent consumers are all educated and are familiar with the nature of functioning of urban co-operative banks and the philosophy behind their working. They are in the age group of 25 to 65 years.

The figures given below indicate whether the members are satisfied or not with regards to the loaning policy and interest the banks collect on advances.
About 94 per cent of the beneficiaries admit that they are satisfied with the loan policy of the urban co-operative banks and about 6 per cent of the total or 7 beneficiaries opined that they are not satisfied with the services of the banks in regard to loaning policy because of two specific reasons viz., lack of cash credit and overdraft facility. Similarly more than 90 per cent of the consumers interviewed expressed that they are satisfied with the services of the banks in regard to interest rate and about 10 per cent of them expressed their dissatisfaction on account of more interest rate being charged by the urban co-operative banks on their advances. Majority of the members are of the opinion that they are fully satisfied with regard to interest rate charged by urban co-operative banks as the same is in conformity with Reserve Bank guidelines.

The rate of interest being offered by these banking institutions to the members and to the public (non-member depositors) on their deposits of various types is very important aspect for the development of these banking
Institutions. It is, because, unless the banks offer attractive and competitive interest rate for the deposits deposited by the public, there will be no growth in the financial viability. Urban co-operative banks have gained confidence from the public in offering interest on their deposit. This is revealed from the investigations conducted by the author. All the customer respondents expressed that the rate of interest being offered by urban co-operative banks for the deposits are attractive as and when compared to the interest rate being offered by the commercial banks. At present the urban co-operative banks do offer 0.5 per cent interest over and above the interest rate being offered by commercial banks for all sorts of deposits for whatever period kept. The Reserve bank, a custodian of the banking institutions in the country has permitted the urban co-operative banks to offer this additional interest because the urban co-operative banks are small banking institutions which are meant for the weak urban population who are the members in these institutions. In order to promote their savings, the urban co-operative banks are being encouraged and extended this advantage.

In connection with the above, for a further information that whether the depositors have full confidence in the urban co-operative banks for their savings, it is the majority opinion that they are having confidence. About 93 per cent of the member consumers are of the opinion that they are fully
confident of the safety of their savings which are deposited in the urban co-operative banks. About 7 per cent of the members though they have confidence in the urban co-operative banks they still prefer to deposit their savings in nationalised banks as these banks were more closer to their residence and easy to approach.

Following is the size-wise classification of savings deposited in urban banks by the informants. Those deposits included savings account deposits.

<table>
<thead>
<tr>
<th>Amount of deposits</th>
<th>Upto Rs.100</th>
<th>Rs.100 to Rs.500</th>
<th>Rs.500 to Rs.1000</th>
<th>Over Rs.1000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents</td>
<td>20</td>
<td>55</td>
<td>28</td>
<td>9</td>
<td>112</td>
</tr>
<tr>
<td>Percentage to total respondents</td>
<td>17.8</td>
<td>49.2</td>
<td>25.0</td>
<td>8.0</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey conducted by the author.

The number of respondents have savings of varying amounts from within Rs.100 to Rs.1000 and above, in different accounts. About 17.8 per cent of the respondents have savings only within Rs.100 and in the range of Rs.100 to Rs.500, 49.2 per cent respondents who have savings in surveyed urban co-operative banks and there are about 28 members who have deposited their savings upto Rs.1000/- which
means to say that all the members do have savings in varying accounts though not the amount looks to be too high. Only 9 out of 112 respondents or 8 per cent have deposits over Rs.1000/-. Thus, the depositors of these banks are by and large people of limited income who can save in small amount out of their resources.

The country is now having a multi-banking system consisting of commercial banks, urban co-operative banks and the private banks. The urban co-operative banks lend loan to their members on priority basis for various purposes. In order to know whether the consumer do have sufficient loan facility from urban co-operative banks or do they approach any other bank other than the urban co-operative bank, personal discussion was held with the consumer respondents. Out of the total 112, 97 or 87 per cent of the respondents opined that they are provided with required amount of finance whenever needed from urban co-operative banks and do not approach any commercial banks for loaning purposes. Another 13 per cent of the informants expressed that the loan given by the urban co-operative banks being inadequate, approach the commercial banks and also other financing agencies for loaning to be used for different purposes.

Thus, the empirical analysis based on primary investigations revealed that the majority of the consumers of the urban co-operative banks are satisfied with the services
being offered by these banks in respect of loan, its policy, interest rate being charged on loans, interest being given on savings against all deposits, etc. This led the author to conclude that urban co-operative banks wherever established are eminently suitable to fill the existing gap in banking and credit needs in urban and semi-urban areas at comparatively less cost of operation, with more simplicity, close contact, local feel, and involvement along with enjoying the confidence of the local people. It is, therefore, considering the special character of urban co-operative banks, the Reserve Bank of India must give due preference for establishing these banks and to open branches in urban centres particularly more so in smaller towns or semi urban centres which are unbanked areas. It is also necessary that banks have to be opened in the extended areas of metropolitan cities which are no smaller than any small towns. Since the local leadership is the main foundation which should be supported for organising urban co-operative banks. It is, however, where there is a felt need for organising urban co-operative banks in centres which are devoid of any banking facilities and for catering to the weaker sections of the community, assistance from the state government in the initial stages of their establishment by way of contribution towards share capital and managerial subsidy must be given.
Thus, the study of this chapter clearly indicate that the urban co-operative banks in the region are working strictly inadherence to the provisions of the Reserve Bank of India. The banks are fully satisfied about the dual control of the Reserve Bank and state Government which in any way do not hinder the developmental activities of the state. Further, it is clear that the banks are financially viable and independent and capable of meeting the demand of the loans. It is found that the employees remuneration and other benefits are not as attractive as the commercial banks' employees and it has been a major hurdle in the working of urban co-operative banks.