# CHAPTER THREE

## REVIEW OF LITERATURE

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CHAPTER THREE

REVIEW OF LITUREATURE

3.1 Introduction

Urban Cooperative Banks (UCBs) figure among the vital segments of the banking industry of the country. They essentially cater to the credit needs of persons of small means. Though some UCBs have performed creditably in the recent years, a large number of them have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability, ever-growing Non-Performing Assets (NPAs) and relatively low capital base. The large-scale sickness in the UCBs has shaken the public confidence in cooperative banks. In this context, this research makes an attempt to examine the working and financial performance of the UCBs. To make the analysis simpler and presentable, the researcher takes up the Cosmos Co-operative Bank Ltd. Pune, one of the leading UCB in Maharashtra.

As far as the financial performance analysis of the urban cooperative banks is concerned, most of the researchers have done research in the field of cooperative banking by using their own ways. Some researchers used secondary data for analysis and some of them have used primary and secondary data for their research. They have decided their own parameters of judging the financial performance analysis and drawn their inferences.

Basically cooperative banking sector in India, because of LPG is facing new challenges in their day to days banking operations such as changing banking environment, entry of private and foreign banks, changes in banking products, policies of other banks, competition with private, foreign and nationalized banks. Therefore whatever tools and techniques previous researchers used for their research were appropriate in those days but they are not appropriate in today’s changing environment for banking sector. Because banking environment, policies and banking operation are drastically changed as compared to previous one. In the age of Internet
banking and mobile banking it is very difficult to judge the financial performance of banks by using traditional tools of performance appraisal.

Therefore the researcher felt that the financial performance of the bank should be analyzed by considering the above mentioned constraints to get the right results and also felt that there is a need to change the parameters of financial performance analysis to judge the financial performance of the bank in this competitive era.

The review of past research work done by various researchers in the field helps researcher not only to plan and organize his research work on proper line but also provides the opportunity to improve over the past inadequacies. Review of various relevant literature revealed that most of the UCBs in Maharashtra were meeting the statutory obligations with respect to priority and weaker section lending.

The review of literature is an important constituent of a research work. It assists in understanding the significance, background and the current position relating to the subject chosen for the research work. Hence, it is necessary to review related literature on the topic of investigation. The topic has been divided into the following four parts:

A) Books
B) Reports of various Committees appointed by the Government and various organisations and agencies, such as International Co-operative Alliance etc.
C) Research Articles published in reputed National and State level Journals
D) Research work done by the scholars.

3.2 (A) Books

3.2.1. The Origins of International Banking in Asia

The researcher has advocated about the book titled “The Origins of International Banking in Asia” on the origins of international banking in the Asian Countries”. Across ten chapters, authors find focus on individual subjects, such as how London financial markets were keys to the development of Asian financial institutions, to the decline and fall of the once powerful but now forgotten Oriental Banking Corporation (OBC).
The origins of Asian banking very much lie in the City of London. The book discusses the British influence and sets the scene for the rest of the book, charting how London-based institutions acted as a hub for Asian Banks. When the Yokohoma Specie Bank set out to finance Japan’s overseas trade in the late nineteenth century after years of isolation, the establishment of a branch in London was the key to accessing the money markets there in order to facilitate trade: “Whether it was Japanese silk exports to the United States and France or raw cotton imports from India, the sterling bill drawn on London provided the means of finance.

The fate of the OBC is a salutary reminder that major banking collapses are not a new phenomenon. In the middle of the nineteenth century the OBC was the biggest UK-controlled bank in Asia, yet by the 1880s the bank had staggered into unsustainable debts and was wound up in 1884. The authors show how the Bank, in an attempt to expand its services beyond trade facilitation, clashed with the all-powerful East India Company, which in those pre-munity days was still very much ruling the sub-continent.¹

3.2.2. Governance of International Banking: The Financial Trilemma

The researcher explained about the book “Governance of International Banking: The Financial Trilemma” about the governance of International banking. The book explores the dilemmas that faced by European countries to enjoy the benefits of both increased globalization and the comforts of the old-fashioned nation state at the same time.

In the UK, we saw this with the fall of Lehman Brothers, the collapse of Icelandic banks and the near-collapse of major (and some smaller) UK banks. Different solutions were found for those different situations, but in all cases the potential impact on us was serious, wherever the “global” (or not so global) bank originated.

But, as the author seems to recognize, banking union (whatever that is) surely has to lead on to (perhaps be accompanied by) political union. The author indicates that the solution to the reluctance of individual states’ taxpayers to fund economic problems (and, in some cases, gross irresponsibility) in other states is to go for “joint
sovereignty” since “the construction of the EU as a democratic polity in international law allows for a different, post-Westphalia approach to the concept of sovereignty.”

3.2.3. International Banking Legal & Regulatory Aspects

The researcher has explained legal and regulatory aspects of the international banking sector from a book titled as “International banking legal & Regulatory aspects”. The author explained that liberalization of overseas investment norms for Indian corporate has brought with it business opportunities for Indian banks. But this has also brought with itself the need for banks to comply with international laws and regulations. This book gives an overview of various regulations existing in international banking. In addition, the book also provides information about the various Indian laws that need to be followed by banks engaging in international banking transactions.

Among other topics, the book covered the regulation of International Banking, Regulation and the Process of Deregulation, Basel Concordat, Capital Adequacy Norms and Ratios and Foreign Exchange Management Act (India). This book mainly focused on the legal and regulatory aspects of international banking.

3.2.4. Indian Banking System

The researcher explained from the book titled “Indian Banking System” about the banking system in India and its importance. Indian Banking System assumed significant importance in the wake of economic reforms initiated since 1991. Indian banking is an important service provided by number of financial institutions with the changed economic scenario. These banks are not confined to only traditional activities.

The book incorporates the concepts and practices in banking. It includes all the aspects of merchant banking, an overview of Indian capital market, portfolio management in India context, marketing of banking services, ATMs for improving customer service. It includes most comprehensive coverage with latest developments.
3.2.5. Cooperative Banking in India: Functioning & Reforms

The researcher focused on the book titled “Cooperative Banking India: Functioning & Reforms” about the functioning and reforms of urban cooperative banking in India. According to the author Co-operative banks are an integral part of the Indian financial system. They comprise urban co-operative banks and rural co-operative credit institutions. Co-operative banks in India are more than 100 years old.

UCBs mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. Scheduled UCBs are under closer regulatory and supervisory framework of the RBI. Rural co-operative banks operate mainly for the benefit of rural areas, particularly the agricultural sector.

They have traditionally played an important role in creating banking habits among the lower and middle-income groups and in strengthening the rural credit delivery system. This book focused on UCBs which provides a vivid account of the functioning of co-operative credit institutions in India including recent reforms. Besides, it includes a case study of the working of UCBs in the Indian state of West Bengal.  

3.2.6. Management of Urban Co-Operative Banks

The researcher advocated about the book titled “Management of Urban co-operative banks” about the management skills for urban cooperative banks. According to the researcher banking has always been the major vehicle for any nation’s economic development. With the liberation economy, a paradigm shift has taken place in Indian banking to help the country’s liberalized economy perform as per global standards. In the process, banking sector-be it commercial, development of co-operative has been witnessing a whirlwind of changes and challenges. These challenges are manifold, multi-faced and multi-dimensional.

Urban Co-operative banks (UCB’s) which are functionally more akin to commercial banks than to their co-operative counterparts, have considerably been
affected by the super-cyclonic winds of change. The author has talked about the challenges of the urban cooperative banks they are as follows-

- To retain and enhance their market share,
- To develop skills and expertise to combat diverse banking operations,
- To professionalise and depoliticize management,
- To profitably manage funds in-flow and out-flow as also recovery of NPAs,
- To retain and develop human resources for qualitative productivity,
- To cope with increased customer-expectations by developing better and newer products and services,
- To recognize, accept and translate latest information and communication technology into useful applications for their business development.\(^6\)

3.2.7. Technology, Risk Management & Supervision in Co-operative Banking

The researcher has talked on his book titled “Technology, Risk Management and supervision in Co-operative Banking” about the various elements of the cooperative banking. According to the author the banking system technology has changed the way UCBs do their business as well. This book takes the reader through the technology based banking that is being followed in the UCBs today and how this has changed the face of co-operative banking. Banking, by its nature, can be risky.

Risk management and effective risk management is, therefore, the order of the day. This book covers the various risk management techniques currently being adopted and that can be adopted by the UCBs. The regulatory aspects of UCBs are also comprehensively covered in this book.\(^7\)

3.2.8. Management of Urban Cooperative banks in India

The researcher has discussed about the various managerial elements of the urban cooperative banks in India in his book titled “Management of Urban Cooperative banks in India”. The authors strongly pointed out those Co-operative banks are an important part of the Indian financial system. UCBs mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. Scheduled UCBs are under closer regulatory
and supervisory framework of the RBI. Though much smaller as compared to scheduled commercial banks, co-operative banks constitute an important segment of the Indian banking system. They have traditionally played an important role in creating banking habits among the lower and middle-income groups in urban areas and also in strengthening the rural credit delivery system.

This book also focused on management of UCBs in India, including recent reforms. Besides, it includes a case study of financial efficiency and the working of UCBs in the Indian state of Andhra Pradesh of Chittoor District.8

3.2.9. Corporate Banking

The researcher has focused on book about the various issues of corporate banking book titled as “Corporate Banking”. The author has explained the guidelines listed by SEBI are also provided in this book. The book speaks volumes about the banking and finance sector, and also about investments pertaining to the Indian and global markets. It provides extensive details about the services offered by banks and about how businesses are funded.

The book talks about the services that are provided, either through a subsidiary or in-house by banks, and emphasizes on the concept of infrastructure development. Some of the topics covered in this book are- Features of Project Finance, Merchant Banking, Investment Banking, Corporate Banking, Corporate Advisory Services, Appraisal of Project Finance Proposals, Managing Risk In Project Financing, Corporate Finance, Corporate Deposits, and Features of Project Finance.9

3.2.10. Retail Banking

The researcher has discussed various issues of the retail banking in book titled as “Retail Banking” The author explained that retail Banking has become a very important component in the business mix of banks. Retail Banking offers multiple comfort factors for banks to do business. Large and divergent customer base across income segments offers huge scope for banks to develop and offer multiple products and services.
In addition to traditional products and services offered by banks over the years, the retail model has undergone rapid innovation in the past decade with regard to products, processes, people and technology. Technology has become the driver for retail banking explosion, and technology products like ATM, Internet Banking, Mobile Banking, Card products like Debit Cards, Credit Cards and remittance products like RTGS and NEFT are making their presence felt in the retail space. Banks are embracing different strategies, redesigning their conventional business silos, reengineering their channels, products and services to increase the share of the customer wallet.  

3.2.11 Banking Theory, Law and Practice

The researcher has explained about the book titled as “Banking theory, Law and Practice” about the updates of banking theory and practice in India. According to the authors banking scenario in India is changing fast to keep pace with the international banking practice. As a result, the banks in India have been asked to meet specific standards such as Capital Adequacy Norms, Classification of Assets, Income Recognition norms etc. Further new directions have been issued to bring the NBFCs under strict control and to improve their financial health.

The authors have been duly accommodated all above mentioned things in this edition at suitable places with a view to providing the latest information in the field of banking to the students of banking all over India. The latest development in the field of banking like the introduction of inclusion inter- bank mobile payment services, green channel counters, financial Basel III norms, New types of NBFCs, ATMs for rural masses, Management of Non-Performing Assets, Real time gross settlement, etc are included in this edition by the authors.

3.2. (B) Reports of Various Committees

3.2.1. Committee Reports and Co-operative Movement

Researcher has made an attempt to review the literature in respect of different committees like review committee, reports of the working groups, study teams on co-operatives etc. for detail study of the research work. Various expert committees were appointed to study the development of co-operatives and to make the
recommendations for the sustainable development of co-operative movement, from
time to time, as and when the Government felt that something was wrong with the
movement. At the time of independence two major committee’s were established
namely- Agricultural Finance Sub-Committee under the Chairmanship of Prof.
D.R.Gadgil, and Co-operative Planning Committee under the Chairmanship of
R.G.Saraiya in 1945.\textsuperscript{12}

3.2.2. Agricultural Finance Sub-Committee (1945)

This committee was formed under the chairmanship of Prof. D. R. Gadgil,
obscured that, “the spread of co-operation would provide the best and the more lasting
solution for problems of rural economy in general and that of agricultural credit in
particular.” The committee considered that it is not possible for the co-operative
movement to supply the entire credit needs of farmers in India. The committee
recommended that state government should give much larger quantity of aid as
compared past years so that the co-operative sector might be enabled to supply better
credit facilities to farmers in India.\textsuperscript{13}

3.2.3. Co-operative Planning Committee (1945)

This committee was formed under the chairmanship of R. G. Saraiya in 1945,
the committee advocated that primary societies should be converted into multi-
purpose societies. The committee recommended that efforts should be taken to get 30
per cent of the rural population and 50 per cent of villages within the ambit of the
reorganized societies within a period of 10 years, 25 percent of the total surplus or
agricultural produce should come under this sector. The Committee also suggested
that Reserve Bank of India should provide credit assistance to co-operatives in rural
areas to the greater extent.\textsuperscript{14}

3.2.4. All India Rural Credit Survey or Gorwala Committee (1954)

The committee was appointed to supervise a survey regarding facilities
available in rural areas for providing agricultural loans to the farmers and to make
necessary recommendations by the Reserve Bank of India in 1951. The committee
submitted its report after analyzing the various causes for unsatisfactory working of
the movement in 1954. The committee recommended the following things- A) an
Integrated Scheme of Rural Credit involving three fundamental principles i) State participation ii) Co-ordination of credit with other economic activities iii) Administration through trained and efficient personnel. B) Suitable amendments were suggested in RBI Act and the establishment of a National Co-operative Development and Ware Housing Board at all India level. C) The establishment of three special funds under the RBI was suggested- Viz i) The National Agricultural Credit (long-term operations) Fund, ii) The National Agricultural (stabilization) Fund, iii) National Agricultural Credit (Relief and Guarantee) Fund. D) A crop loan system was to be evolved. E) The economic viability of the co-operatives at the village level was essential. Each village society should be revitalized and reorganized and be made really effective. These recommendations were approved by the government of India.15

3.2.5. Law Committee (1956)

The Law Committee was set up by Government of India under the Chairmanship of S. T. Raja. The committee submitted its report in 1957 and prepared a draft bill and forwarded to all State Governments for simplifying and liberalizing the provisions of co-operative laws and procedures. The committee asked to all states to make suitable modifications according to their local conditions. The law related to co-operatives, their responsibility of enactment and administration rested in the State Governments. Many State Governments passed their new Acts after the committee report.16

3.2.6. Policy Resolution of (1958)

National Development Council (NDC) discussed and recommended tremendous reforms in the pattern of organization of societies at village level in its policy resolution of 1958 about co-operative movement in India. The Government of India pointed out to the State Governments the broad outlines of the policy to follow in respect of co-operative development in India.

The resolution states that the policy of organizing large-sized societies was given up and the scheme of service co-operatives, organized on the basis of village community as a primary unit with the object of helping the members increase their agriculture production was introduced. Policy emphasized on linking credit with
marketing for strengthening the co-operative movement. The policy suggested coverage of all villages and all rural families within a short period as possible up to the end of third plan. Every farmer and rural worker should get advantage of co-operative credit facilities.\textsuperscript{17}

### 3.2.7. Mehta Committee (1959)

This Committee was formed in 1959 and submitted its report in October 1960. The committee recommended determining the question of viability, providing adequate finance and state participation at the primary level. The committee also suggested suggestions to expand credit facilities and credit structure for strengthening co-operative credit movement in India.

The committee also focused on the co-operative societies to increase their internal resources, proper management, encourage the credit worthy people as member, the marginal and sub-marginal cultivators, landless tenants etc. and provide them optimum credit on the basis of their requirement and repaying capacity. The RBI liberalized its credit limits for the Central Co-operative Banks. The organization of primary societies, which formed the base of the co-operative credit structure, was settled on the basis of the recommendations of the Committee.\textsuperscript{18}

### 3.2.8. Committee on Co-operative Administration (1963)

The committee was appointed in April 1963 under the Chairmanship of V. L. Mehta to review the departmental set up and to suggest recommendations the departmental administrative staffs at various levels. The committee recommended that the Registrar, Co-operative Societies, should be an IAS officer and should have completed two years training. There should be Joint Registrar for audit, credit and banking, marketing and processing, industrial societies, forming societies and consumer societies.

The committee also recommended that proper training facilities should be given to the departmental and institutional staff as well as orientation training should be given after every five to seven years. The pattern of organization of primary societies, which formed the base of the co-operative credit structure, was settled on the recommendations of the Committee report.\textsuperscript{19}
3.2.9. M. L. Dantwala Committee (1964)

Government of India appointed a committee on co-operative marketing to review the pattern of organization of co-operative marketing and give recommendations to ensure sound and speedy development of agricultural marketing.

The committee gave its interim report in 1966 with following strong recommendations such as- for the future pattern of organization two-tire structure of marketing societies, apex societies at State level and primary societies at middle level. State Trading Corporation and Food Corporation of India should purchase their requirements of agricultural production through it. Committee gave the recommendations for Fertilizer Committee (Silverman Committee) that the chemical fertilizers should be distributed through co-op. marketing society. The State Bank of India should give priority to meet the requirements of marketing societies.

3.2.10. Mirdha R.N. Committee (1964)

This Committee was appointed by Government of India to suggest measures for proper development of the co-operative movement to eliminate non-genuine societies and vested interests. The committee assessed the size of the problem of non-genuineness in the co-operative movement, the report came to the conclusion that the movement was by large moving in the right direction and magnify a few malpractices and come to a conclusion that the movement was replete with non-genuine societies.

The committee gave certain suggestions to overcome a wrong type of tendencies Viz co-operative training and education, regular audit of societies by an agency independent of Registrar, Government assistance etc. The committee also observed the factors hitting self-reliance and self regulation in the co-operative movement The committee gave many useful recommendations including setting up of National Co-operative Bank to make the movement self reliant.

3.2.11. All India Rural Credit Review Committee (1966)
This committee was appointed under the chairmanship of B. Vendatappiah, and the Committee submitted its report in 1969. The committee recommended the entry of commercial banks into the rural credit system stated clearly that this was being done to supplement and not supplant the co-operative credit structure. According to the committee report a large number of Primary Agricultural Credit Societies are neither viable nor even potentially viable and must be regulated as inadequate and unsatisfactory agencies for dispensing production oriented credit.

The committee gave maximum stress on integrity, efficiency and the sense of dedication, functioning based on democratic and egalitarian principles and effective supervision. The All India Rural Credit Review Committee explained that “the expanding area and scale of co-operative activity and its growing diversification made it necessary that co-operative banks should build up large resources by way of deposits”. The committee also prepared the ground for a multi-agency approach to agricultural finance.21

3.2. 12. All India Rural Credit Review Committee (1969)

This Committee was appointed by the Government of India under the chairmanship of B. Vendatappiah. The main objective of the committee was to suggest tools for the reorganization of rural credit. The Committee found that there is marked increase in the co-operative credit between 1951-52 and 1967-68 i.e. from Rs.24 crores to 500 crores. However, there was a lag in dispersal of co-operative credit in the backward states of Assam, Bihar, Orissa, West Bengal, Rajasthan and Jammu & Kashmir. In other parts of the country too, there were weaknesses in co-operative banking like low deposits, high overdue and general lack of business, management etc., restructuring such weaknesses but the need for increased requirement of finance for agriculture in the wake of green revolution technology. The Committee suggested the following recommendations- a) The establishment of Agricultural Credit Board, b) Setting up of a Small Farmers Development Agency, c) Creation of Electrification Corporation for the benefit of underdeveloped areas, d) Formulation of a more active and much bigger role for ARDC, e) Adoption of various measures for ensuring the timely and adequate flow of credit for agriculture through co-operatives and commercial banks.22
3.2.13. P. R. Dubhashi Committee (1972)

The key issues addressed by the Committee were- a) Adoption of professional management, b) Extension of deposits and insurance, c) Quality of working- litigation pending, adjournment, hundred percent audit, security of loan proposals, documentation, loan recovery plan, grant of membership, maintenance of records, revision of bye-laws, Registrars power, court procedures, nature of appeals in the court, a common law for all types of Co-operative Societies, etc. 23


Reserve Bank of India appointed committee under the Chairmanship of M. K. Madhavdas, Executive Director of Agricultural Loan Dept. to examine and give recommendations on the working of Urban Co-operative Banks and examine the services to be provided in future. The committee submitted its report in July 1978 with the recommendations such as Composition of Model Bye-Laws, providing finance to small scale industries, managerial aspects and self-employment etc.

The committee also focused on the fulfil the requirement of credit in urban and semi-urban areas urban banks are a good source as compared to other banks urban banks are cheaper as well as working methods are also easier. The Committee examined that they maintain good relation in local public. The committee suggested facilities about re-finance on low rate for providing cheaper credit to small scale industries, self-employment, traders, transport services and other small services.

The committee also recommended that the functioning of urban cooperative banks should work according to the needs of the customers of the society members. The urban cooperative should provide credit facilities to its customers in short span of time to increase its customers and also concentrate on their day to day working.24

3.2.15. Marathe Committee (1978)
The Committee was appointed in 1978 to work out the issues of urban cooperative banks. These issues are such as Development of Urban Co-operative Banks (UCB) as per their need, regional imbalance in development and the principle of one district one bank, branch expansion by the new UCB’s instead of by the old established UCB’s, encouragement of establishment of Women’s Co-operative Banks, utility of UCB’s for non-agricultural loans in rural areas as the basis for future branch expansion, survey at the national level to be taken by the Federation and Co-operative Dept. of the state to suggest measures to develop UCB movement in backward areas and measures for developing local leadership and expertise in the non-bank backward areas.  

3.2.16. Ardhanarishwaran Committee (1987)

The committee emphasised on the modern and professional management, financial discipline, human resource development, composition of Board of Directors, criteria for selection of the staff and General Manager.

3.2.17. Khusro Committee (1989)

The Agricultural Credit Review Committee was appointed by Reserve Bank of India in August, 1986 to undertake review of the rural financial system and to assess the credit requirements of the agricultural sector during the next decade. The Committee submitted its report in August 1989.

The committee recommended ceiling on lending rate of commercial banks on agricultural lending at 15.5 per cent, whereas in case of Primary Land Development Banks, it was suggested at 5 per cent and for the RRBs 8.65 per cent. The committee demand for credit was limited and more realistic as it is based on farmer’s desire of borrowing from organised and unorganised sources.

The Committee opined that the organised credit has been extended to a very large number of borrowers, who are first generation members of the banking system with shifted loyalties from unorganised money-lenders. But the money-lenders and other informal lenders have not yet gone away.

3.2.18. Pant Committee (1990)
The Ministry of Agriculture set up another Committee in October 1990 under the chairmanship of Pant J.C. (Additional Secretary, Department of Agriculture and Co-operation) to consider the implement of the recommendations of the Agricultural Credit Review Committee (1989) for strengthening the co-operative Credit delivery system on sound financial lines. To make each primary agricultural credit society viable the committee suggested some action programme.

The committee was set up to train personnel working in co-operative banks in all aspects of preparation of business development plans (BDP) for PACS, committee suggested that the personnel training will develop the total scope of activities which are necessary for increasing loan business, deposit mobilization, increase the range of profitable activities, etc.

The committee suggested that instead of five years period of the programme for restoring the viability of primary co-operative credit society to a minimum business of Rs.10 lack per annum should be phased over a period of ten years due to heavy financial commitment required to overcome the problem. 28


The committee was appointed to revise the existing co-operative laws for co-operative development through voluntary participation of the people. The Committee also recommended a Model Co-operative Law in 1991 in order to make co-operatives self-reliant, autonomous and democratic which was circulated to all the states with the advice to incorporate the same. It ensures more power to the members, more participation and less government intervention in the affairs of co-operatives.

There were some problems in implementing the recommendations because of the state’s unwillingness to share in costs and their reluctance to dilute state powers. Only nine states enacted the Mutually Aided Co-operative Societies Act, 1995, i.e. Jammu & Kashmir, Uttarakhand, Orissa, Bihar, Jharkhand, Madhya Pradesh, Chhattishgarh, Karnataka, and Andhra Pradesh. The Central Government introduced the Multi-State Co-operative Societies Act, 2002 which was in line with the Model Act and came into force with effect from August 19, 2002. 29

3.2.20. The Narasimham Committee Report (1991)
The recommendations made by the committee certainly influenced the RBI policy directives about functions in future and the policy adopted by the RBI. The basic and urgent problems remain unnoticed e.g. the problem of declining profitability and viability owing to stringent SLR, CRR recommendations and interest thereon, priority sector lending, lending for housing, vehicles, loans to small traders, extension of consumption loan limits, permitting “scheduled banks” to open branches, outside state grant of foreign exchange dealership, merchant banking, etc. reforms in the financial sector were officially announced as per the recommendations of Narasimham committee in the year 1991.

The reforms were announced in financial sector in the year 1991. These reforms covered various aspects like structural, organizational and operational aspects of commercial banks came into operation since 1992 which covered commercial banks and development financial institutions (DFI’s) and left co-operatives out of the purview of recommendations by the committee. 30


The second part of the report of the Narasimham committee was submitted on 24\textsuperscript{th} April 1998. The committee recommended close up the branches which are under loss or percentage of NPAs over 2%.

3.2.22. Capoor Committee (2000)

The Government of India appointed the Jagadish Capoor Committee to recommend on the lines that co-operative societies must evolve as independent self-reliant, autonomous and member-driven organisation. The committee recommended several points concerned to professionalization, business diversification, recovery management, human resource development, fund mechanism and setting up of a co-operative rehabilitation and development fund.

The committee also talked about lost of their democratic character and have become the government controlled bureaucratic organizations. The committee suggested minimizing excessive control and regulation for the proper development of the co-operatives through its own principles. 31

The Government of India announced the broad National Policy on Co-operatives in April 2002. The cooperatives would be provided necessary support, encouragement and assistance so as to ensure that they work as autonomous, self-reliant and democratically managed institutions accountable to their members and make a significant contribution to the national economy. Because of these internal and structural weaknesses of cooperatives, wide regional imbalances, and lack of proper policy support had neutralized their positive impact.

The Co-operative will be enabled to set up holding companies/subsidiaries, enter into strategic partnership, venture into futuristic areas like insurance, food processing and information technology etc., and shall be independent to take the financial decisions in the interest of the members and the furtherance of their stand. Under this National Policy on Co-operatives Government has to set up and carry out suitable programmes and schemes to build and develop co-operative institutions in the under developed states/regions with particular reference to the North Eastern States of India. 32


The Government of India formed a committee under the Chairmanship of A.Vaidyanathan, known as Task Force on Revival of Co-operative Credit Institutions, to reviving and revitalizing the rural co-operative credit structure (CCS) and attributes high priority and urgency to it. The report of Task Force on Revival of Rural Cooperative Credit Institutions (Short Term Co-operative Credit Structure) was submitted in February 2005 and Report of the Task Force on Revival of Rural Cooperative Credit Institutions (Long Term Co-operative Credit Structure) was submitted in August 2006.

The committee recommended that the co-operative credit societies and banks should not have any state control and an Andhra-style act should be passed in every state. Committee recommended that the shareholding by the state in individual co-operative institution should be reduced.
On the recommendations of the Brahma Prakash Committee and concern to Andhra Act., the committee advocated about the freedom of primary credit societies, whether it may be a member of the three-tier structure and to associate with any other credit institution such as a commercial bank. 33

3.2 (C) Research Articles

3.2.1. Dubhashi P.R. (1969)

The researcher advocated in his research paper titled “Strategy of Co-operative Development”, Paper presented in the seminar was originally a special lecture delivered by researcher and published in the Financial Express on 21st March, 1968. In the article researcher explained about the term “Strategy of Development” came into popular trend in literature on economic development.

The strategy of future development emerged out of the past experience and stages through which development takes place. Author talked that the stages of the evolution had always been thought of by social thinkers i.e. Karl Marx and Rostow. As the co-operative movement spread to different countries in the world displays different history. It became clear that co-operative movement has different origins and different lines of development.34

3.2.2. Mohinder Singh (1967)

The study published in the conference was organized by the International Co-operative Alliance, Education Centre for South East Asia and had its main theme, “the problems of agricultural co-operative credit”.

The researcher discussed a review of development in the countries of South-East Asia brings out certain elements that may enable co-operatives to acquire necessary vitality for playing an important role in the growth of agriculture. This area-there should be a well-developed extension service, supported adequately by research station and working closely with the co-operative organization to create amongst the farmers a demand for improved agricultural requisites and implements.

The co-operative sector should be able to provide adequate and timely credit to cover the production and essential needs for consumption on the basis of the
repaying capacity of the farmer. Multipurpose co-operative sector combining credit, supply and marketing offer a possibility of dealing with these problems in an integrated way. Co-operatives should function in a favourable economic and legal environment. 35

3.2.3. Singh Balwinder (2000)

The researcher examines source-wise and farm stratum-wise the nature and extent of credit and relationship between credit and area under cultivation, area under HYV, use of fertilizers, productivity and concentration of resources have examined in the present study. Author examined that the Green Revolution has disappeared gradually in India.

It is evaluated the nature and extent of rural credit along with the growth of agricultural production and the process of farm mechanization. Researcher provided the statistical information of the case study conducted for collecting the primary information in Punjab. The researcher also examined the causes determining the extent of credit, the determinants of overdue and in this context the economic position of different categories of farmers. Further the researcher explains that there is a big increase in loan per borrower and even after three decades of nationalization of banks, the main sources of credit for farmers is still the private money-lenders. 36

3.2.4. Datar D.R. (1969)

The researcher discussed in his research paper titled as “Place of Co-operation in India’s Economy”. Co-operative movement in India since independence has made a remarkable progress and it became the backbone of rural economic activities. The researcher tried to measure the contribution of co-operative movement in Indian economy. In this paper researcher made available statistical information for different years and for some of the sectors of co-operative activity such as credit, marketing, processing, sugar production, consumers and industrial co-operation etc. has been compiled and presented in tabular form along with corresponding information for the whole country. Percentage turnover of co-operative sector to total turnover of the country has also been worked out.
Apart from this, researcher believed that the Indian co-operative movement will grow into a movement embracing all fields of economic activity and come out as a powerful sector in the Indian economy. 37

3.2.5. Suresh K.A., Joseph Molly (1990)

The researcher attempted to analyze the different rural development programmes implemented by government of India. The role of the co-operatives under the five year plans and the major types of functional co-operatives as agents of rural development are enunciated by author with historical background. Author explained that rural development is a subject of determining significant as it predominance rural population and their accentuating poverty.

In the present study author studied credit co-operatives of Kerala, this is one of the most leading States in co-operative movement in India. In this present study the review of co-operative efforts has revealed that the functions and performances of co-operatives are affected by a lot of factors.

The researcher focused on several organizations involved in rural development such as government, co-operatives, voluntary organizations, commercial banks, industrial houses, etc. about eleven rural development programmes are explained in detailed, and the major operational approaches of these programmes were reformist, functional, target and total approach. 38


The researcher discussed rural co-operatives and their impact on the rural economy. The researcher explained that the Indian farmers needed credit for agricultural purpose which was available from the private money-lenders, but the credit supplied by them was at a very exorbitant rate of interest. It was beyond the reach of farmers. Same way, whatever Government loan was available that was available only at a very limited extent. In order to meet the credit demand of the farmers at a soft rate of interest, Indian Government passed the co-operative societies act to overcome the problem.
The researcher suggested that co-operative legislation should be made in such a form so that the co-operative movement would become free and democratic without any external disturbances in it and would guarantee economic development and the betterment of the condition of every member by full utilization of local resources through co-operative enterprises and everybody would think that the society is his own instead of thinking it as government society.\(^{39}\)


The researcher explained that India is a country of villages. Majority of the population (72\%) of the country lives in villages; it means almost two third populations of the country lives in rural areas. Sixty per cent working population of the country is dependent on agriculture and its allied activities for livelihood. The rural economy is the main base of Indian economy which contributes 18 per cent share in national income.

The author presented study in three sections, first two exhibit a searching analysis of many aspects of rural development, especially concept, significance, current issues and strategy of development as well as various rural development schemes, role of NGOs etc. section third consists with various aspects of co-operation such as concept, principles, origin of the co-operative movement in India and abroad, and co-operation during planning period etc.\(^{40}\)

### 3.2.8. Das Banshree, Dr. Palai N.K. and Dr. Das Kumar (2006)

The paper discussed the problems and prospects of cooperative sector in India. India is basically an agrarian economy with 72 per cent of its total population residing in rural areas. Researcher explained the share of Co-operatives in National economy in percentage. Statistical information indicated that modern cooperative movement made a tremendous progress in India in every activity and occupies a major place in the share of the national economy. The failure of the public sector in several cases is a serious trend

Researcher also explained that neither private sector nor public shall promote social welfare. India requires meaningful reforms in the co-operative sector, before complete -opening up its economy to the competitive regime, which should ensure;
higher standard of living for the village people and production for mass consumption. In comparison to the neglected treatment of the past, co-operatives should be considered an important key of development.  


The RBI and the Government have emphasized the importance of credit to agriculture many times. The Committee on Financial System (GoI 1991) set out a negative policy for credit to agriculture and other priority sectors which were manifested in three broad areas: the renovation of institutional structural design for rural credit, disincentive of credit flow to agriculture through the mechanical application of Basel norms and the squeeze on resources available for agricultural credit operations.

This paper has discussed these three broad areas, experience of some advanced economies and suggested way through policy reforms which are a sine qua non, if credit flow of agriculture has to be stepped off. The paper examined that the financial sector liberalization has led to a debilitation of institutional framework for agricultural credit.


The paper argues the “Role of Co-operative Banks in Rural Credit”, that to uplift of rural population the financial support is necessary, it is an essential requirement of farm and non-farm sector.

The study revealed that recovery performances of co-operative banks are not satisfactory. So the co-operative banks are facing the problems of recovery and others. For the rehabilitation of co-operative credit several commodities and taskforce made various recommendations. Considering the importance of co-operative credit the government should protect co-operative banks in rural competitive environment. Researcher discussed the problems i.e. lack of necessary funds, delays in sanctioning loans, effective supervision verification of actual utilization of loans, political interference, unsatisfactory recovery performance, lack of adequate and trained staff, high cost of management, etc.
Researcher also discussed the measures and tools viz. review of co-operative law, adoption of new technologies, computerization, good communication network, tighten the supervision and monitoring of operation, removal of political interference, required training and incentives to staff as well as measures for rehabilitation of co-operative credit.43

3.2.11. Ramesh D. (2007)

The researcher explained the performance and challenges before the Maharashtra District Central Co-operative Bank, in rural credit delivery system. Observed that co-operation is a form of socio-economic organization which is an important instrument of overall rural development. The researcher stated in the final remark that the main issue in new millennium is to reorient the functioning and management of the co-operative institutions.

There should be a well conceived action programme to provide specified guide points to co-operatives; obligation of professionalism and efficiency, introduction of modern technology, systematic training through effective interplay of inter co-operative relationship, mobilization of resources, and enhancing participation of members in decision making process and reducing dependence on government assistance.

The research paper also discussed the measures such as- need for viable financial system, political appeasements, mobilization of deposits, restructuring of co-operatives, pattern of credit utilization, and linkage with self-help groups, government strategy for revitalization of co-operative banks, and the soul of professionalism, etc.44


The research paper discussed the “Globalization and Co-operative Sector in India”, globalization means mutual global co-operation by way of reducing control and bureaucratic delays and steering the economy towards better market orientation. In the year 1991 marked the beginning of a new era in economic policy. To encourage privatization, policy changes such as deregulation of state investment in
infrastructure, manufacturing etc. provided for new direction and affected almost all the sectors of the economy including co-operative sector.

Researcher explained that the transition from controlled economy to open competitive economy in the name of globalization or liberalization has thrown a whole lot of challenges to the co-operative sector. It was believed that co-operatives would not be able to survive in the face of stiff competition posed by private sector. In contrast, there were still few, who regarded co-operation as a dynamic enterprise, which had been able to survive for around 100 years.45


In the paper researcher presented the analysis of the behaviour of rural household of northeast uplands of India in the borrowing and use of credit. Researcher coated that the role of credit is very critical in enabling the poor to overcome poverty. There are evidences to show that access to credit is positively correlated with the decline in rural poverty and increase in secondary and tertiary output.

The paper also explained that the people are mainly dependent on the formal credit needs. Overall, the maximum number of loans is supplied by the formal credit agencies, namely commercial banks. The failure of the co-operative banks/ societies in meeting the credit needs of rural households in the uplands areas is supported by the findings of the baseline survey where none of the households identified co-operative societies as a source of credit.46


The research paper studied the rural indebtedness in India. It is found that it has remained an important issue and an obstacle for development. For the sound economic and social development it requires in-depth analysis so as to address the problem in all its dimensions. Despite tremendous expansion of the branch network particularly in rural areas after nationalization of private sector banks and the growth of institutional credit for agriculture, the severity of agricultural indebtedness has persisted.
The paper examined and observed that the formal institutions offer poor quality service through inadequately manned branches. The declining profitability of agriculture, rising commercialization with weakened support systems, decline in public investments, ineffective and inadequate risk mitigation arrangements, absence of technological breakthrough in reducing costs or increasing productivity, the rising input prices, insensitive rural institutions and extremely poor quality and coverage by formal credit institutions and lack of stringent action in supply of inputs and periodic natural calamities have contributed towards the manifestation of agrarian crises in the Indian economy. 47

3.2.15. Ramesh Chander and Jai Kishan Chandel (2012)

The authors advocated in their research paper titled as “An evaluation of financial and viability of cooperative banks- A study of four DCCBs in Haryana (India)” published in a reputed journal. Around 372 District Central Cooperative Banks (DCCBs) in India with large number of branches and extension counters cater to the needs of nearly one lakh societies in rural India.

In the present study, an attempt is made to analyze the financial performance and viability of four District Central Cooperative Banks (DCCBs) operating in Hisar division in Haryana for a period of twelve years (1997-98 to 2008-09) by financial analysis with different parameters and z-score analysis. The financial parameters here taken are profitability, liquidity, efficiency, solvency, risk and bankruptcy.

The results reveal that four DCCBs with approximately fifty branches have not been performing well on all financial parameters taken for study. The banks performed well on one parameter but deteriorated on another and in different years as well.48

3.2.16. Dr. Seema Sant and Dr P.T Chaudhari (2012)

The researchers described in their paper “A study of the profitability of Urban cooperative banks ( in greater Mumbai and Jalgaon for 5 years)” that the analysis of different financial ratio of UCBs operating in Greater Mumbai and Jalgaon suggest that the technological changes have significantly improved the productivity and profitability margins of these banks.
Further, the statistics indicate that the performance of UCBs in Greater Mumbai is significantly better than the performance of UCBs in Jalgaon. Moreover, with the advancement of communication technology the UCBs have been successful in reducing their burden ratio and credit-deposit ratio over the time.  

3.2.17. Ms. Shachi Pareek (2012)

The researcher explained in her research paper “Profitability Performance Analysis of Urban Co-operative Banks in Jaipur District” that the profitability performance analysis is one such technique through which the overall efficiency of a financial institution can be analyzed.

It is concerned with the income and expenditure analysis. It is carried out using two sets of ratios viz, Spread and Burden Ratios. Analysis of these two categories of ratio reveals the ability of banks to make profits. The Urban Co-operative Banks (UCBs) occupy a significant place in the Indian Co-operative Banking structure. But these banks are not able to increase their size due to lack of public confidence.


The researchers of the research paper explained in the paper “Evaluating and Mapping the Indian Urban Cooperative Banking Sector for Better Survival that a combination of financial restructuring and institutional reforms can only help urban cooperative banks to improve the efficiency. Despite impressive economic growth, powerful wave of consumerism, computerization and corruption coexist in social life of India. Urban cooperative banks, among all the formal banking entities, historically have had the biggest retail reach and an intimate relationship with clients. That nexus is eroding with the growth of personal banking services and new technology, especially by private banks.

Also urban cooperative banks have not been able to service the growing credit requirements of clients or the newer demands for loans in the field of personal finance. In the interest of healthy competition the urban cooperative banks should be encouraged to grow. Thus a few bad eggs should not curb the growth of a key banking entity.
3.2.19. Dr K Ramesh (2001)

The researcher explained in his paper “Financial Sector Reforms and Performance of Co-operative Credit Organizations : A Study of Urban Co-operative Banks in India” that the UCBs’ as a segment was considered as one of the vibrant segments of the Indian banking system till 1998-99, is now faced with intermittent cases of failures.

It is also evident that the share of the UCBs to the total deposits and advances of the system has shown a declining trend in the post-prudential period. This, though subject to limitations, suggest that the performance UCBs is on a downward trend after 2001. Our detailed analysis clearly brings out the structural break with regard to growth rates of parameters under study as a result of the extension and tightening of prudential standards.52

3.2.20. K. C. Misra (2005)

The researcher explained in his research paper titled as “Regulatory and supervisory framework for Urban Cooperative Banks – key issues and Challenges”. In this paper an attempt has been made to list some of the issues relating to

- Separate regulatory and supervisory authority for UCBs,
- Dual/multiple control,
- Consolidation through mergers/amalgamations,
- Key prudential norms relating to capital adequacy and liquidity,
- Accounting standards and audit,
- Corporate governance and professionalization and
- Insider lending – directors’ advances.

Before dealing with the suggestions and opinions, this paper touches upon the objectives and principles of prudential regulatory and supervisory framework of banks in general terms, the objectives and implementation mechanism of the proposed framework for UCBs and lastly the views & suggestions relating to above issues.53
3.2.21. Dr. A Ramachandran and D. Siva Shanmugam (2012)

The researcher described in their paper “An empirical study on the financial performance of selected scheduled urban cooperative banks in India” that the future of urban cooperative banks is challenging because of the competition from public sector banks and private sector banks. Public sector banks and private sector banks are concentrating on their major expansion activities both vertically and horizontally. The growth of urban cooperative banks depends on transparency in control and operation, governance, customer-centric policies, technology-up gradation and efficiency.

In the study, what has been done is applying imported prudential norms to the banks. Transplanting solutions from abroad would be of little help. To find a more pragmatic solution to the issues in urban cooperative banks a detailed socio-economic study has to be conducted on the functioning of these banks.54

3.2.22. Mrs. Kishori J. Bhagat (2010)

The researcher explained in her paper titled as “Issues of urban cooperative banks in India” that apart from presenting the status of our Banking Cooperatives, highlighting their problems of capital inadequacy, growing NPAs, lack of professionalism in the management, etc. and making a few broad suggestions, there are hardly any innovative practices which can be shared with other successful Cooperative Banks.

Cooperative banks act as a very important channel for credit allocation to the small borrowers. Thus, improving their functioning through a better regulatory structure can provide further impetus to economic growth and poverty alleviation.55


The researcher explained in his research article titled as “A study on Cooperative Banks in India with special reference to Lending Practices” about the lending practices of the cooperative banks in India. The researcher advocated about the several problems of the cooperative banks in India such as the cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit, due to cooperative legislation and administration, Govt.
interference has become a regular feature in the day–today administration of the cooperative institution, the state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions and prior approval of RBI is mandatory for opening of new branches of SCBs.

The researcher has given suggestions such as the banks should adopt the modern methods of banking like internet banking, credit cards, ATM, the banks should plan to introduce new schemes for attracting new customers and satisfying the present ones, the banks should plan for expansion of branches and the banks should improve the customer services of the bank to a better extent.56

3.2.24. Dr. E. Gnanasekaran, Dr. M. Anbalgan & N. Abdul Nazar (2012)

The researchers explained in their joint research titled as “A study on the Urban Cooperative Banks Success and growth in Vellore District – Statistical Analysis” about the success and growth of urban cooperative banks in Vellore district.

The researcher advocated about the success and growth of the urban cooperative bank of Vellore district. Urban co-operative banks ranked a very significant position in the Indian banking sector. Competent management is prerequisite for the success of any organization.

At present highly competitive and globalized business environment, there is an urgent need of professional management for the successful controlling and managing the affairs of the urban co-operative banks. Increasing political hindrance in co-operatives has also affected the strong growth of the cooperative organization.

In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are several institutions which are directly or indirectly connected involved in imparting education and training to all levels of management.57
3.2.25. Heiko Hesse and Martin Cihak (2007)

The researchers explained in the IMF working paper titled as “Cooperative Banks and Financial Stability” about the cooperative banks and financial stability.” The findings in this paper indicate that cooperative banks in advanced economies and emerging markets have higher z-scores than commercial banks and (to a smaller extent) savings banks, suggesting that cooperative banks are more stable.

This finding, perhaps somewhat surprising at first, is due to much lower volatility of the cooperative banks returns, which more than offsets their relatively lower profitability and capitalization. Researcher suggest that this observed lower variability of returns, and therefore the higher z-scores, may be caused by the fact that cooperative banks in normal times pass on most of their returns to customers, but are able to recoup that surplus in weaker periods.58


The researcher explained in the research paper titled as “Financial performance of urban cooperative banks: A study with reference to Tamil Nadu” about the financial performance of the cooperative banks of Tamil Nadu.

The present study is an attempt to investigate intensively into the profitability performance of UCBs with reference to Tamil Nadu state using a RoE and RoA measure of overall profitability. This study covers a period of six years i.e. from 1998-99 to 2003-04. The study reveals that the sample banks show satisfactory performance as regards RoE, RoA and NIM. The low percentage of establishment cost reflects the efficiency of the sample banks with regard to cost control. It clearly indicates that the cooperative banks will able to face competition in the present business environment.59

3.2.27. Anupam Mitra (2011)

The researcher advocated in his research paper titled as “Corporate Governance of Urban Co-operative Banks in India: An Overview” about the corporate governance of urban cooperative banks in India. The researcher has talked about the corporate governance of urban cooperative banks in India.
In the post-liberalization period the urban co-operative banks, particularly those in larger towns, are facing tougher competition from commercial banks. Even public sector banks have shrugged off their traditional lethargy and have become very aggressive. One of the vital problems, which vitiate co-operative movement, is the interference of the politicians in the organization. Politically insulted environment prevailing in the urban co-operative banks at the management level is a hindrance of this sector. One of the most disturbing features of the movement is that it is increasingly passing on to the hands of the politicians and vested interests.

3.2.28. Sanjay Kanti Das (2012)

The researcher explained in his research paper titled as “Operational and Financial analysis of Meghalaya Cooperative Apex Bank” about the financial performance analysis of Meghalaya Cooperative Apex bank.

Finally, operational efficiency and financial ratios like deposits to staff, net profit to staff, loan outstanding to staff, spread to staff etc are shown the positive aspect of accounting efficiency of the bank. In fine, it can be said that MCAB in India are the true friends of farmers in particular and rural population in general. They have played significant role in the development of rural economy of India.

But as per literature and studies done by various researchers, MCAB are facing various problems and challenges such as dual control, poor financial base, less focus on deposit mobilization, poor infrastructural facilities, lack of professionalism, low level of technology upgradation and poor recovery performance etc. But SCBs are very important financial institutions and are equally important of Govt. of India that is financial inclusion.

3.2.29. Sapovadia and Vrajlal K. (2008)

The authors explained in their research paper titled as “Good Corporate Governance as a tool to withstand urban cooperative banks crisis: A case study of Rajkot Nagrik Cooperative Bank, India” about the corporate governance of the urban cooperative bank in Rajkot.
The author advocated that Indian economy is substantially supported by cooperative sector through 500,000 cooperatives, 230 million members, assets worth INR 1.5 billion and presence in every sector of economy. 20th century remained milestone for credit and banking cooperative in Gujarat state. At beginning of new millennium, 350 Urban Co-operative Banks (UCBs) held around 18 per cent (INR 170000 million) of the total bank deposits in Gujarat and advanced 6 per cent of the loans. Due to a major UCB scam, the year 2001 was turning point and misfortune for state cooperative banking that has eroded image of the sector.

The research paper investigates reasons of growth under adverse conditions and test whether RNSB has maintained cooperative principles and value at the centre? A cooperative bank is cooperative first and then bank. Cooperative Bank needs to remain profitable within cooperative framework. It has to carefully blend business expediency and cooperative values.62

3.2.30. Hans Groeneveld (2011)

The researcher explained in research paper titled as “The Cooperative Banking Model: Performance and Opportunities” about the performance and opportunities of the cooperative banks. Researcher further talked about the Cooperative banking model, the analysis of this paper indicates that ECBGs appear to be well-positioned to benefit from the opportunities resulting from the financial crisis due to their long standing business philosophy and good reputation among customers.

Thus, the main conclusion is that Cooperative banking is not a panacea for post-crisis banking in general, but should be viewed as a viable, enduring and parallel alternative to the SHV banking model that has been in the spotlight for most of the time in recent decades. There is no presumption that the STV model is to be regarded as the norm as SHV and Cooperative banks have equal status as contributors to the services provided by the financial sector of the economy.63

3.2.31. Michael Tschopel (2011)

The researcher explained about the “Member Value-strategy of co-operative banks” in his research paper titled as “The Member Value-strategy of co-operative banks”.
Due to the increasing complexity of the banking sector, co-operative banks have to face challenging tasks to realise and establish a successful competitive strategy. During the financial market and economic crisis, financial cooperatives proved to be economically viable because of their sustainable governance structure. Based on this, the present paper analysed the theoretical components of a promising strategic alignment of co-operative banks and its practical application in relation to governance elements.

It is observed that the concept of the Member Value may help to close a research gap, which exists because of the lack of suitable concepts of operationalisation concerning the support of members and mutualism of financial co-operatives. The practical relevance of this kind of strategy was confronted by its requirements of practical application. A first approach for the quantification finalises this paper.64

3.2.32. Thirupathi Kanchu (2012)

The researcher explained in his research paper titled as “Performance Evaluation of DCCBs in India: A study” about the performance of District Central Cooperative banks in India.

The financial performance of the District Central Co-operative banks in India is analyzed using different statistical techniques. From the above analysis, it is concluded that the growth of No. of DCCBs and their branches have negative trend up to certain period later there is negligible positive trend where as the membership in cooperatives have been increasing. The capital, reserves, and borrowings increased almost double during the study period, with a nominal percentage of variation. The cooperative banks have been maintaining on an average 78.15% of C/D ratio.

It is suggested that government should formulate specific policies and they should be implemented for the upliftment of District Central Cooperative Banks in India. DCCBs should try to upgrade technology and should formulate customer friendly policies to face competition with commercial banks.65
3.2.33. Laura Chiaramonte, Federica Poli and Marco Orian (2010)

The researchers explained in their research paper titled as “Are Cooperative Banks a Lever for Promoting Bank Stability: Evidences from the Recent Financial Crisis in OECD Countries” about the cooperative banks a level for promoting bank stability.

Based on a sample of cooperative, savings and commercial banks from OECD countries over the period 2001-2010, this paper aims to investigate whether and how cooperative banks contribute to bank stability. In particular, cooperative banks explicate their stabilizer power mainly during the crisis years and only after a certain threshold of their market shares.

Finally, researcher observed a positive and increasing influence of mutual banks on the stability of large banks (with total assets above 10 billions), even though just in the crisis period.66

3.2.34. Mahesh Baburao Patil (2011)

The researcher explained in his research paper titled as “A study of awareness of ombudsman in banking among the members of urban cooperative banks in Thane city, Maharashtra state” about ombudsman of the cooperative banks in Thane district of Maharashtra state.

As it is observed that large numbers of beneficiaries of UCBs do not have the awareness of the availability of Banking Ombudsman Scheme, it is required to educate the beneficiaries regarding the scheme through customer education, in addition to the efforts for creating awareness by branch wise publicity. Further, it is also required to make aware of the functioning of the Banking Ombudsman Scheme along with the procedure to be adopted to take the benefit of Banking Ombudsman Scheme to the beneficiaries of UCBs.

The study clearly pointed out that the awareness of Banking Ombudsman Scheme provided by RBI is much low and the need is to create awareness of the scheme. Most specific observation the study rendered it shall be appropriate if the
individual UCBs have their own Ombudsman for speedy settlement of the customers' grievances.  

3.2.35. Dr. K.V. S. N Jawahar Babu & B. Muniraja Selkha (2012)

The researchers explained about the problems & prospectus of the UCBs in India in his research titled “The Emerging Urban Co-Operative Banks (Ucbs) In India: Problems and Prospects”.

Urban Co-operative banking Sector is an important constituent of Multi Agency banking system operation in the country. These institutions play an important role in the economic enlistment of lower and middle-income group of persons.

Presently, the UCBs occupy an important place in the Indian Financial system. However the UCBs strengthen their uniqueness and growth in the banking industry and it is required to take certain measures like for strengthening the UCBs sector sustenance of its growth is attendant to Professionalization of its management, inculcating good corporate governance, technology absorption and scrupulous adherence to regulatory framework.

In future the urban cooperative banks are ready to face many challenges in the competitive environment of both Public and Private sector banks expansion activities both vertically and horizontally.

3.2.36. Dr. Purushottam Vishnu Deshmukh (2013)

The researcher explained in his research paper titled as “The Performance of Cooperative Banking in India” about the performance of the cooperative banking in India.”

The author further explained about the development through cooperation is a basic principle of corporation movement; it has contributed considerably in the development of Maharashtra specifically Western Maharashtra. With the help of cooperation society can change economic and social life. As the bargaining power is the soul of new economic policy, it has posed new challenges before the Indian common man. On the other hand role of government is constantly minimizing.
The advent of the Special Economic Zones, Mall, and Chain Marketing of multinational companies is creating new problems in India. However, Indian Cooperative sector has the potential of offering new remedies for these problems. However, the Indian cooperative sector is presently suffering from some problems.  

3.2.37. Dr. Vilas B. Khandare (2012)

The researcher has explained about the customer services of the urban cooperative banks of Beed district of Maharashtra in his research titled as “Some issues in customers services of urban cooperative banks: A case study of Beed district”.

The author further explained that credit supply was started in India through primary cooperative societies as per the cooperative act of 1904. The origin of urban credit movement in India can be traced to the close of Nineteenth century. The urban cooperative banks should be tried to do for the small traders, small merchants and the middle class population of the city.

It is observed from the study that the female customers are only 8.5 percent and farmers are 5 percent in four selected urban cooperative banks in Beed district. The 71 percent customers of these banks said loan procedure is complicated. The facility of clearing and transfer services is availed by 74 percent customers. It is observed that 90 percent customers expected electricity bill facilities, 80 percent expected A.T.M. services and 7.5 percent passport services.

3.2. (D) Research Work

3.2.1. Dr. B.P. Wani (March 1981)

The researcher in his research titled “Industrial of the banks in India is uneven and these banks have concerned in the states. The urban cooperative banks in Maharashtra are also unevenly distributed and they offered different services. In spite of the restrictive provision under rule 45 of the cooperative societies Act, cases of dual membership and even multiple memberships are found. It leads to duplication of borrowing and increase in percentage of over dues. It requires serious consideration for this an identity card may be introduced.
Majority of the members of the urban are individual. Institutional membership such as partnership firms, joint stock companies, and educational institutional and local bodies constitute a negligible proportion of the total membership. Urban cooperative banks are enough scope to enrol limited companies as their members and to develop banking business with them if they take initiative to contact limited companies established in their area of operation.71

3.2.2. Dr. Najaf Gharachourlou Aghjelou (October 2007)

The researcher explained in his research titled “The investigation of risk analysis and risk management in selected branches of cooperative banks in Pune” about the risk analysis and risk management of the cooperative banks in Pune. The author has advocated about the study indicates that 20.2% of risk factor is not applied to cooperative banks and it shows that there is a big gap between theory and practice for reduction risk in cooperative banks in Pune. A properly structured risk identification, analysis, and mitigation process can moderate the risks associated with cooperative banks and it need to develop properly educational programme and workshops.

The investigation represents that there is no enough data and useful data system for facing with risk management in cooperative bank and the risk management process should capture usable data and be kept as simple as possible. Finally the analysis shows that more bankers cover only credit risk by using simple methods, it represents need of study to develop other kind of risk analysis methods in cooperative banks.72

3.2.3. Dr. Avinash Shaligram (July1984)

The researcher explained in his research titled “Lending operations of the Urban cooperative banks in Maharashtra, before and after the application of the banking regulation Act 1949(With special reference to urban cooperative banks functioning in Pune City) about the urban cooperative banks of Pune city that these banks are self reliant sector, within the cooperative fold, in the banking world of our country.
The origin of this type of institution belongs to the report of the Malegaon Committee, which resulted into growing up of a number of non-agricultural credit societies to remove the common man from the low and middle income group from the clutches of the money lenders. The RBI felt it is necessary to bring this sector under their control in the early sixties. The banking Companies Act was renamed as banking Regulation Act. All the provisions were not made applicable and added some provisions which are applicable for the urban cooperative banks in India.

The study recommended that the landings of the urban bank now should be need based lending, with social objectives and employment oriented. The involvement of the urban banks in extending financial assistance to the small scale industries should be more. The Urban cooperative banks should extend their financial support to solve the housing problems at both the level. The study represents the role of RBI about the urban cooperative banks to give financial assistance to meet the domestic needs of the common man.73

3.2.4. Dr. S. Nikkiran (1977)

The researcher explained in his research titled “Financing policies and procedures of urban cooperative banks in Tamil Nadu” about the financing policies of urban cooperative banks of Tamil Nadu. The study revealed that every urban cooperative bank must formulate its own scheme to help the weaker sections instead of financing the weaker section sporadically. Loans and consumption purposes for weaker section can be distributed in terms of kind portion in participation with consumer cooperatives. As the weaker section is vulnerable to spend the money for consumption purposes, a portion of the loan can be credited to thrift deposit and after a particular amount is accumulated it can be given to them.

Uniform personal set up must be introduced in all the urban cooperative banks in Tamil Nadu. The educational qualification for a Chief Executive should not be diluted and minimum of a degree with cooperative training must be made. Degree as the minimum qualification can be fixed even the staff next to the secretary.74
3.2.5. Dr. A. P. Kulkarni (2005)

The researcher explained in his thesis titled “Analysis of financial statements of urban cooperative banks with special reference to Pune” about the window dressing in financial statements analysis of the urban cooperative banks in Pune district. The researcher has explained the role of financial in the banks and its impact on the performance of the urban cooperative banks in Pune. The researcher has used various techniques to prove that.

In his present research he has used the various analysis techniques to analyse the bank performance on the basis of financial statements. The researcher has used various ratios to judge the financial performance analysis of the banks and showed that how banks are performing and focused on the financial position of the bank. In the suggestions of his research his has suggested various new things for the banks if banks apply all those things in the day to day operation. I think definitely bank will improve its performance and financial performance also.75

3.2.6. Dr. Sudhir Bhosle (2010)

The researcher has explained in his research titled “A study of financial appraisal of urban cooperative banks in Pune district”. The researcher has focused on the financial performance of the cooperative banks of Pune district. In his research he has focused on the financial statements of the urban cooperative banks of the Pune district and he has also tried to judge the financial performance on the basis of it.

In his research he has judged the performance by using the various tools of accounting like Ratio analysis, Trend analysis, Comparative statements and analysis of Balance sheet analysis. Etc. He has suggested various things to improve the financial performance of the bank by using financial statements of the banks.76

3.2.7. Dr. V.I. Swami (2012)

The researcher has explained the problems and prospectus of the urban cooperative banks in Solapur district in his research titled “Problems and prospectus of Urban Cooperative Banks in Solapur District”. In this research work the researcher indentified the problem area of understanding and analysing the prospectus and
problems of urban cooperative banks in Solapur District. The empirical study was undertaken made to identify the prospectus and problems of urban cooperative banks in Solapur District.

The research findings are made based on the survey of customers, employees and board of Directors of the Urban Cooperative banks of Solapur district. One of the finding indicates the category of the customers. In this rate the researcher came across percentage share of customers. In this near about 41 % salaried customers are having their account in urban cooperative bank, only 7 % customers respondents were belongs to students and retired personnel group.

One of the interesting finding about the same was of women contribution. Female customers base of is that out of 76 respondents 33 respondents are either self employed or salaried one. 77

3.3. Conclusion

Since independence the co-operatives have assumed an important role in the socio-economic development of the rural, certain policy initiatives were taken to restore them. Although there has been spread of co-operatives in almost all the sectors of the economy.

The growth of co-operatives in spite of the traditional areas like credit, i.e. processing, marketing, fertilizer distribution, consumers, housing, labour etc. much remain to be done. The share of the co-operative in sustaining rural economy must be increased. Benefits of various programmes and projects should be percolated to the rural economy, a large section of the Indian economy.

It is also needed to provide continuing support to the co-operatives by the government because the benefits of growth do not trickle down automatically. However, it does not mean that the co-operatives have virtually become government directed, controlled and regulated enterprises, and administrative interference by the government in the day-to-day working of the co-operatives.

Acting on the recommendations of the Task Force for revival of short-term rural co-operative Credit Structure in January 2006 involving financial assistance of
Rs.13,596 crores. States required signing memorandum of understanding (MoU) with NABARD, committing to implement the legal, institutional and other reforms as envisaged in the revival package.

From the above literature review, the areas covered in these studies are: Strategies of Cooperative development, Cooperative Alliance and Education Centre, nature and extent of credit, Place of cooperative in Indian Economy, rural cooperative and rural development, Problems and prospectus of urban cooperative banks and repayment performance.

However, not much research has been done in the field of working of the urban cooperative banks, financial planning and managerial aspects of urban cooperative banks. Therefore it is necessary to conduct studies in the areas of financial performance of the urban cooperative banks in Pune.

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