CHAPTER - VIII
SUMMARY AND SUGGESTIONS
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The present chapter, with which the study concludes, consists of two sections. The first section includes a summary of major findings of the previous chapter made by the researcher on the basis of the primary and secondary data. In the second section, the suggestions are made in the light of the major findings, which could be found useful tips for toning up the urban bank institutions in the selected region in particular and Karnataka state in general.

SECTION - I

Introductory chapter (I) deals with the statement of the problem research methodology and review of literature. Though a number of studies have been undertaken to investigate into the number of problems faced by UCBs about licensing, area of operation, role of these banks, potentialities for their growth, their innate qualities for rendering good customer services, necessity of these banks in financing SSI, priority sector needs etc. in the state and the country have not been able to probe deep into the various problems that confront the beneficiaries. Hence, to probe deep into these unsound problems the present study has under taken. For gaining appropriate perspective of the problems in all its dimensions both primary and secondary data were collected. While the primary data were collected from actual discussions with the bank officials and borrower beneficiaries of sample UCBs with the help of interview schedule. The secondary data were collected from the published and unpublished relevant literature and records. Dharwad district is purposively selected for the study. Four UCBs, two urban based and two taluka based UCBs were selected for the study. Much thrust is given by the researcher to assess the priority sector lending of the sample UCBs. Hence, five priority sectors were selected for in-depth study with the application of purposive and quota sampling method. In all 200 sample beneficiaries were selected with the help of equal allocation of 50 member borrowers or 10 borrowers from each selected priority sectors from each sample UCBs in the Dharwad district.

Chapter II analyses the role of UCBs in economic development. Three important contributions by way of meaning, distinction between commercial
banks and UCBs and lastly significance of UCBs is highlighted in this context. The UCBs are justified and developed as special types of co-operative credit institutions to cater to the requirements of various sections of urban communities. In order to develop urban based economic activities these have brought about the existence of a strong and self reliant set up of credit banks in urban areas. This fact is evident with two fold basic objectives. One, it is intended to promote habits of thrift among town dwellers, and other to provide them with facile credit.

The UCBs have good number of features which clearly reveals the socio-economic beneficial effects on urban people. They all along were recognized generally for the prominent role in shaping the economic life of the urban communities.

The distinction between the commercial and co-operative banks shows some areas of friction between the two and some privileges given to UCBs over commercial banks. However, it is noticed that the commercial banks have dominance over UCBs in day-to-days banking and credit activities. UCBs are not only financial institutions but also are the instruments of social change fostering an all sided development urban activities and catering to the weaker section as well as the money market economy.

Many committees and commissions have suggested that UCBs should be strengthened on strong footing on par with commercial banks. This in a nutshell indicates the most vital role of UCBs in promoting overall growth of urban areas.

The progress and growth of UCBs in India and Karnataka state have been assessed in the III chapter “All for each and each for all”. This is the principle behind which the Co-operative Movement was floated in our country. With this laudable objective, co-operative credit organizations came into being in several parts of our country during the 1900s. The then Government of India thought it fit to organize and regulate the co-operative credit societies and Co-operative Credit Societies Act of 1904 was brought about.

The provisions of this Act includes that all urban credit societies and urban banks are described as non-agricultural credit societies. Without any
substantial encouragement and help by the Government, the growth of these non-agricultural credit societies was spontaneous and self-propelled. Apart from the facilities as are available for other co-operative, urban banks have came to be organized as most self-reliant class of co-operative institutions in our country.

Before independence progress of UCBs through five phases was quite slow. But during 1913-17, large number of commercial banks (87) failed and occurred huge financial loss of Rs. 1.75 crores. Varde Committee rightly pointed out that the failure of Swadeshi Joint Stock Banks created an opportunity for UCBs to develop. Then many provinces encouraged UCBs, even then the performance of UCBs and overall progress was not satisfactory. The study identified the various reasons for slow growth of UCBs in India. The policies of the then government, lack of organization, lack of urbanization, industrialization, lack of awareness and illiteracy of the people. Thus the progress of UCBs before independence was neither systematic nor adequate.

The progress of UCBs after independence is discussed under three periods. The first period covers 18 years from 1948-49 to 1965-66 (covering Three Five Year Plan), during which the performance of UCBs was just satisfactory and there was only a marginal increase in number of UCBs from 815 to 936 representing an increase of 14.84 percent. But this increase is not uniform among the states. Membership increased considerably from 535 to 2814. The loans and advances increased from Rs. 12 crores to Rs. 66.97 crores but overdues at the said period has increased from Rs. 1 crore to Rs. 5.51 crores.

The second period covers 26 years from 1966 to 1992, where the number of UCBs increased from 936 to 1311, membership increased from 2814 to 11221, owned funds increased from Rs. 18.91 crores to Rs. 1,765 crores, deposits surged from Rs. 76 crores to Rs. 1,108 crores, loans outstanding increased from Rs. 66.97 crores to Rs. 8,713 crores, showed a highly satisfactory growth of UCBs.

The third period covers thirteen years from 1992 to 2005. The progress of UCBs after Reforms is satisfactory. These have succeeded in setting new
banks and attracting members. For instance, the number of banks increased from 1311 to 1872, owned funds increased from Rs. 1,765 crores to Rs. 12,314 crores, deposits from Rs. 11,108 crores to 1,10,255 crores, loan outstanding increased from Rs. 8,713 crores to Rs. 67,932 crores. Thus the progress of UCBs in India was quite satisfactory. For a number of decades none of the financial institutions could even touch the fringe of the magnitude of the credit given by the UCBs.

It is also found in the present study that the progress and performance of UCBs in India during 56 years from 1948-49 to 2004-05 is uneven.

The state-wise distribution and the progress of UCBs in India is extremely uneven as some states like Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Tamil Nadu, did fairly well, and are called as Highly Progressive State, others like Madhya Pradesh, Uttar Pradesh, Kerala, West Bengal are called as Progressive States and remaining states are termed as Less Progressive States. Thus despite the satisfactory growth of UCBs certain regional imbalances in terms of geographical spread seem to have occurred over the period. Out of 1872, 1497 UCBs are heavily concentrated in highly progressive states. These accounted for 90 percent of deposits in 2004-05. Maharashtra alone has accounted for 69.89 percent deposits in the total deposits of the highly progressive states.

The key financial performance of UCBs in India has also showed a remarkable progress among the states, but Maharashtra alone have surpassed the other UCBs of the country.

It is heartening to note the shocking episode of UCBs in states of Gujarat and Maharashtra, the funds of which have used for fraudulent activities. Because of the distortions the UCBs are classified in Grade III and IV depending upon their financial strength and other aspects such as NPA, CRAR etc. The stringent policies of RBI projected a weak atmosphere for all UCBs in India hence a condition of liquidation occurred and out of 2086 UCBs (2003) 214 UCBs have been liquidated and 1872 UCBs are in existence (2005).

An interesting observation is that the progress of UCBs in Karnataka state which provides a model to the country as a whole. The numbers of banks,
branches, employees, membership have increased. However the rate of growth of membership has decreased from 16.41 percent in 1996-97 to 1.44 percent in 2004-05. Further, a mixed trend is witnessed in respect of financial indicators of UCBs in Karnataka.

The share capital has increased from Rs. 90 crores to Rs. 358.94 crores. But unfortunately it has declined (13.12 percent) in 2005. The reserves and other funds of UCBs in Karnataka is also increase. For example, it has increased from Rs. 245 crores in 1996 to Rs. 1,360.85 crores in 2005. The rise is continuous but not significant. This is because the percentage growth in first seven years is 24.60 percent then declined to 22.55 percent but increased to 30.17 percent in 2005.

The deposits of 226 UCBs increased 04 fold from Rs. 1,630 crores to Rs. 7,206.75 crores. Deposits though showed an increase but the growth rate was not remarkable, as deposits declined steeply by 14.21 percent in March 2005. Further, the increase of working capital is continuous up to 2004 but declined 12.25 percent in 2005. Similarly, the increase of loans and advances of the UCBs varied in the state. For instance, in the initial period it is satisfactory. But in 2005 it has not shown any significant results and experienced a decline of 15.21 percent. Further, the similar trend is also noticed in respect of priority sector advances. The advances to priority sector has risen from Rs. 785 crores to Rs. 4,731.64 crores resulting 06 fold increase, but the same resulted in a decline of 3.36 percent in 2005.

Finally, the profit earned by the UCBs has considerably decline in the state. Thus, the important finding of the study is that all key financial indicators have shown an increasing trend upto 2003. But unfortunately all the financial indicators have shown declining trend after 2003.

The progress of UCBs among the districts of Karnataka state is also uneven. Districts have been classified into three broad categories. Accordingly, six districts are considered as highly progressive districts, Bangalore, Belgaum, Bijapur, Bagalkot, Dharwad and Tumkur districts comes under this category. These districts are having large number of UCBs with well equipped infrastructure facilities. Among these districts the performance of Bangalore
district UCBs is highly satisfactory in all respects. For example, of the total UCBs in these districts 54 are there with 200 branches. The district has 3324 employees 1780 trained staff.

Among 09 progressive districts, Uttar Kannada district is found to be very strong in respect of both physical and financial aspects. Though the number of UCBs is same (06) to the Davangere and the Haveri districts, the branches of Uttar Kannada UCBs are having highest of 48, 194 trained employees 08 UCBs have computerized and Rs. 802.57 lakhs net profits have maintained the sound financial position which signifies their basic strength.

Less progressive districts are having less number of UCBs, least number of trained employees, insignificant deposits, unsatisfactory and negligible advances to priority sectors with fewer profit margins. These UCBs are working and the credit policies of these UCBs are inadequate, lacks dynamism and detrimental to the growth of UCBs in their respective areas. The efficiency in the functioning is also less. Hence, the performance of the UCBs is poor in these districts. Another important finding of the study is that the progress made by UCBs among the districts is uneven.

In the IV chapter, an attempt is made to assess the physical performance of the sample banks selected for the study. More attention is given to the growth of the membership, style of functioning in the management, type of infrastructure facilities and behaviour of the employees towards customers in the sample banks. The essential and fundamental spirit of the co-operative banking structure is democracy. Under the democratic management the UCBs will be able to plan according to the decisions of the members. The members of the co-operative banks will be empowered to be on the Board of Management and contribute for the growth of UCBs. In the light of this the researcher studied and found the various aspect like licensing, branch expansion, membership, training of the employees and management as a whole.

The summary of the findings pertaining to this chapter is enumerated in the ensuing paragraphs.

Dharwad district has a network of different types of banking institutions engaged in providing credit to rural and urban people.
The commercial banks are leading in terms of total number of branches and also the number of urban branches.

There has been uneven growth of banks, and bank's branches within the district and among the talukas in the district.

Of the 15 urban co-operative banks, 13 are in Hubli-Dharwd city and only two are outside the corporation limit.

The branch expansion of UCBs in the study area is tardy and poor. Azad UCB is having five branches and has expanded its financial support to various activities in general and priority sectors in particular. The Alnavar UCB is having only one branch. Kalaghatagi and Abhinandan UCBs are not having any branches. However, they are also supporting finance to various activities.

The membership of urban based UCBs is satisfactory. Pioneer among them is the Azad UCB and its membership was 10679 during 2004-05 while Abhinandan UCB has 4411 members, where as the membership of taluka based UCBs is not satisfactory. Kalaghatagi UCB has 3131 members but Alnavar UCB has a negative membership growth rate in all the years.

The important finding in this respect is that selected UCBs have not strictly followed the roster and reservation in the existing employment pattern. Out of 81 total numbers of employees, the Azad UCB had highest number of 31 employees, while the Kalaghatagi UCB had the lowest number of 12 employees. Out of 81 employees 05 are belonging to SC and ST women folk is also neglected in providing employment in selected UCBs. The number of female employees in these banks is only 04.

There has been a shortage of trained staff. The study found out of 81, 31 employees (38.27 percent) is trained where as 50 employees (61.72 percent) is untrained. 56 employees are working on permanent basis and 25 employees on temporary basis.

The management aspect of selected UCBs is quite satisfactory. Even under financial crisis in most of the UCBs in the state as well as the selected UCBs are discharging their day-to-day activities and advancing credit to priority sectors. This is mainly due to efficient management of the UCBs. in addition to this, these UCBs have formed various sub-committees to look into
the day-to-days work of their respective banks. Apart from many related issues of finance, caring the urban poor and weaker sections are the major concerns of the sample UCBs. But unfortunately, it is found in the present study that the selection procedure of the staff is unsatisfactory. On the basis of the above finding the first hypothesis of the present research study “The performance of UCBs in the Dharwad District is remarkable” is disproved.

Fifth chapter of the thesis deals with the main objective of UCBs aiming at quantitatively and qualitatively promoting the thrift and self-help among the members. At the same time these pursue collection of deposits from the public to augment resources viz., share capital, reserves and other funds, working capital etc. for the continuous supply of credit to their members and other needy urban people is highlighted in this chapter. The study has attempted to know that how far these UCBs are the effective instruments of economic development of the people particularly those riddled with limited means and economically socially weaker sections of the study region.

It is found that, the growth of share capital of the sample banks is uneven. The Azad UCB has maximum amount of paid-up share capital of Rs. 137.07 lakhs in 2004-05, while the Kalaghatagi UCB has the minimum amount of share capital of Rs. 33.02 lakhs.

A phenomenal increase of reserves and other funds of the sample UCBs are noticed during the study. The annual growth of reserves in Alnavar UCBs is 17.32 percent, the Azad UCB 20.20 percent, the Kalaghatagi UCB 6.00 percent and Abhinandan UCB 74.63 percent over five years.

Azad UCB has occupied the prime position as far as the amount of working capital is concerned and it was highest in all the five years of the study. It is of Rs. 2434.19 in 2004-05. The Abhinandan UCB has a minimum working capital of Rs. 553.40 lakhs in the above said period.

Total deposits of Azad UCB is recorded highest of Rs. 9,633.60 lakhs and lowest is found in Abhinandan UCB of Rs. 2,963.16 lakhs.

The composition of deposits of Azad UCB is highest of Rs. 584.65 lakhs of savings deposits Rs. 1,200.67 lakhs of Fixed Deposits and Rs. 63.99 lakhs of current deposits. But the minimum of Rs. 29.73 lakhs of Savings Deposits, Rs.
443.40 of Fixed Deposits, Rs. 2.38 lakhs Current Deposits and Rs. 2.23 lakhs of Recurring Deposits are found in Abhinandan UCBs during the reference year under the study.

The highest average deposit per member is found in Alnavar UCB (Rs. 0.38 lakh) and lowest (Rs. 0.13 lakh) in Abhinandan UCB. The Alnavar is in the first place, the Kalaghatagi is in the second place, the Azad UCB is in third place and Abhinandan UCB is in the fourth place as far as average deposits are concerned.

The four UCBs selected for the study advanced total loans of Rs. 14,703.05 lakhs during five year. The maximum amount of 7,654.70 lakhs of loans is extended by Azad UCB and minimum amount of Rs. 1587.96 lakhs is advanced by Abhinandan UCB.

There has been a continuous growth of loans and advances found in all banks during the first three years, but later years a decline was observed.

It is also found that the annual growth rate of loans and advances over the previous year was maximum of 41.34 percent in Abhinandan UCB, 18.38 percent in Kalaghatagi UCB, 18.29 percent in Alnavar UCB and 16.09 in Azad UCB during 2000-01.

The compound growth rate of loans and advances over five years was observed and found that highest of 3.63 percent from Alnavar UCB, 2.96 percent from Abhinandan UCB, 2.65 percent from Azad UCB and -0.37 percent from Kalaghatagi UCB.

The highest average loan per member is 0.22 percent of Alnavar UCB and the lowest of 0.07 percent from Abhinandan UCB is also found in the study.

The net profits position of the sample UCBs has been fluctuating and is inconsistent. The profit earned by Alnavar UCB is highest of Rs. 114.32 lakhs and lowest of Kalaghatagi UCB during the said period. The Azad UCB has witnessed loss in all the years under the study and negative growth rates have observed. The important finding pertaining to financial indicators of the four selected UCBs is quite satisfactory. There has been a spectacular increase in share capital, reserves, working capital, deposit mobilization and advances by
sample banks in the study region. However, it is found that the progress in this respect is uneven.

The entire VI chapter is devoted and assessed the PSL of sample UCBs. Knowing fully well the commendable status of UCBs in enhancing finance to priority sectors the researcher humbly attempted the amount of loan advanced, outstanding balance and amount of overdue of the beneficiaries of sample banks. The volume of credit financed by the UCBs under PSL all over the country can never be matched by any other Agency. In this background, the present study particularly in this chapter has found few observations and is summarized below.

It is to be noted that the contribution by these UCBs towards lending for priority sectors is above 60 percent of their advances. But there is no uniform lending policies of selected UCBs towards priority sectors.

The credit deployment to selected five priority sectors by Azad UCB is maximum of Rs. 5,086.81 lakhs during five years period. It is Rs. 2,803.37 lakhs by Alnavar UCB, Rs. 1,185.76 lakhs by Kalaghatagi UCB and Rs. 1,177.03 lakhs by Abhinandan UCB.

The loan advanced to five selected sectors during five years period is highest of Rs. 8,238.38 lakhs by Azad UCB and lowest of Rs. 965.28 lakhs by Abhinandan UCB is found.

The number of beneficiaries of selected priority sectors is quite high of 25,237 in Azad UCB but quite small of 2,339 members in Alnavar UCB.

All sample banks are facing the problem of overdue in the study period. The amount of overdue is highest of Rs. 346.50 lakhs in Alnavar UCB and lowest of Rs. 95.20 lakhs in Azad UCB. The position in other banks is more or less same. For example, it is Rs. 169.45 lakhs in Kalaghatagi UCB and Rs. 169.04 lakhs in Abhinandan UCB.

The cottage and small scale industrial sector plays a very important role and one of the striking features of planned economic development in India has been the development of these tiny enterprises. The country accorded high priority to this sector on account of its employment generation, low requirement of capital, short gestation period, useful links with medium and
large sectors, promotion of balanced regional development, utilization of local resources etc. In this context SSI units are being accepted as a key to sustainable economic growth, the flow of credit through UCBs is urgently felt. But unfortunately selected UCBs have neglected in extending sufficient finance to SSIs. It is found that Azad UCB disbursed least amount of Rs. 25.91 lakhs, Alnavar UCB Rs. 60.20 lakhs, Kalaghatagi UCB Rs. 82.76 lakhs and Abhinandan UCB Rs. 195.84 lakhs. Thus in the light of strategic importance of SSI sector all selected UCBs have totally failed in extending credit to maximum beneficiaries and developing small scale and cottage industries in their respective places. Thus the important finding is that all sample UCBs have neglected SSIs.

Financial assistance in the form of Housing loans are granted for constructions, additions, alterations and repairs exclusively for the benefit of the member borrowers by the UCBs in the country is praise worthy. The present study found that the UCBs have neglected house building activities. Alnavar UCB advanced least amount of Rs. 189.55 lakhs to 102 beneficiaries in five years from 2000 to 2005. Remaining three sample banks have extended credit to few beneficiaries for house constructions. Hence, it is found that UCBs have also neglected housing sector development in urban areas.

SBEs established mainly for the purpose of providing services include individuals and firms. The credit advanced to SBEs in the study area found that Azad UCB has advanced Rs. 4,509.84 lakhs to 21595 beneficiaries in entire five years period. The credit extended by Kalaghatagi UCB is Rs. 280.12 lakhs to 567 beneficiaries. The performance of other two UCBs is more or less same. Thus the overall performance of selected UCBs in extending credit to SBEs is quite satisfactory but the amount of credit is very low.

The loaning policy of the UCBs in advancing loans to RWTO sectors is not satisfactory. Because it is found that all sample UCBs have extended meager amount to this sector in the entire study period. Alnavar UCB has extended the largest sum of Rs. 830.30 lakhs to 412 beneficiaries and only a meager amount of Rs. 47.86 lakhs is extended by Abhinandan UCB among 156 beneficiaries. The Azad UCB has disbursed Rs. 396.48 lakhs to 950
beneficiaries and Kalaghatagi UCB disbursed Rs. 437.07 lakhs to 138 beneficiaries. Thus it is found that transportation activities are also not encouraged by UCBs.

It is also found that punctuality in the repayment of loans to UCBs has been absent. The inevitable result has been a sharp rise in the amount of overdues. The rise is not restricted to one region. There remarkable trend in rising overdues in almost all states. The mounting overdues of the UCBs have been the serious concerns to Government, RBI and to UCBs themselves. The study found that overdues position of sample UCBs rising steadily over the five years period of the study.

In the light of the above findings and on the basis of various observations the second hypothesis “The funds deployed by UCBs to selected priority sectors are insignificant in the study region” is disproved.

The VII chapter entirely focused on the analysis of the primary data about the Impact of UCBs on the sample beneficiaries. The first section of this chapter deals with the social profile of the sample beneficiaries. In order to asses the impact of the UCBs, the researcher has selected 200 beneficiaries from sample UCBs. It is found, that 72.5 percent of the sample is belonging to the above 41 years of age group, 79.5 percent beneficiaries are male, only 20.5 percent beneficiaries are females, 33 percent beneficiaries are agriculturists, where as 66.5 percent are having other occupations like manufacturing, services, business etc. Only 16.5 percent beneficiaries are illiterates and maximum of 83.50 percent beneficiaries are literates, 21.5 percent beneficiaries are having less than 05 members and 78.50 percent beneficiaries were having more than 05 members in their families.

Opinions of the beneficiaries about the management of UCBs:

The second section deals with the opinions of beneficiaries pertaining to the working of UCBs in their UCB areas. During the field work questions were asked about the management of UCBs and the study found that 85.50 percent beneficiaries stated freely that management is not co-operative and helpful. Only 29 (14.50 percent) beneficiaries opined that the management of their UCBs is good.
It is found that 167 (83.50 percent) beneficiaries felt that UCBs are politicized where as 33 (16.5 percent) beneficiaries felt contrary to this. An over-whelming majority of the selected beneficiaries said that politics has crept into the functioning of UCBs which jeopardized and damaged the fair name of UCBs.

32 beneficiaries of taluka based and 76 beneficiaries of urban based UCBs, in total 108 (54 percent) beneficiaries is of the opinion that the UCBs are not free from casteism. These are under the control of some rich and particular caste people and wanted to help their own people, which is not definitely a sound practice in UCBs.

80 percent of the sample stated freely and accused UCBs that there is discrimination in extending the loan. Opposite to this, only 20 percent beneficiaries stated that there is no such thing prevailed in UCBs.

32 (16 percent) beneficiaries opined that the membership is open to all. But unfortunately, 168 beneficiaries openly stated that the membership is not open to all. Maximum number of 80 beneficiaries of taluka based and 88 beneficiaries of urban based UCBs opined that procedures enrolling in the members are not flexible.

It is heartening to found that a sizeable majority of 145 beneficiaries stated that women are neglected by UCBs in all respects. UCBs have created barriers for women to undertake urban economic activities. Only 55 beneficiaries’ is of the opinion that due importance is given to women in disbursing the credit. Further, large number of beneficiaries is stated that there are only few female members in the management. The main finding pertaining to above subject is that membership is not open to all and women folk are neglected.

Opinions of the beneficiaries of sample banks pertaining to loans:

87 (43.50 percent) beneficiaries of the total number of selected beneficiaries of UCBs felt that the UCBs have ensured adequate loans for undertaking economic activities. 22 beneficiaries of taluka based and 65 beneficiaries of urban based UCBs subscribed to this opinion. It is heartening to find that this type of satisfaction is not there with the rest of the sample. Of
about 113 (56.50 percent) beneficiaries stated that loans of UCBs are not sufficient and adequate for which they are falling at the foot of money lenders and private financers.

Of the total 200 sample beneficiaries, 163 (81.50 percent) have opined that adequate credit is not available in UCBs. Further, they also stated that the interest rate charged by UCBs is also high.

110 (55 percent) beneficiaries have taken loan to expand existing and traditional business. 90 (45 percent) beneficiaries found that loan is taken to start new business. More traditional occupations like cradle making is encouraged and promoted in taluka based UCBs. On the contrary to this, more new economic activities are undertaken by the beneficiaries of urban based UCBs. An interesting finding is that the urban based UCBs have created new entrepreneurial class than that of taluka based UCBs.

The study attempted to find out the skills of the beneficiaries necessary to undertake any economic activity and it is found that the majority of the sample 178 (89 percent) beneficiaries have not undergone any training. This is mainly due to the activities undertaken by the beneficiaries are familiar, traditional and simple.

Opinions of the beneficiaries of UCBs about deposit schemes:

Information pertaining to promotion and popularization of mobilization schemes by UCBs officials is also collected from beneficiaries. The beneficiaries of the UCBs have clearly stated that UCBs officials have utterly failed in popularizing the deposit schemes among common public. For instance 141 (70.50 percent) beneficiaries have stated that the UCB officials are least bothered about attracting deposits.

The high rate of interest is an encouragement given to the general public to deposit more in UCBs. Very small fraction (55) of the sample opined that the RI is more and is helpful to them. Where as 145 (70.5 percent) beneficiaries have expressed that RI on deposits is not attractive and high.

155 (77.50 percent) beneficiaries have openly stated that they have not repaid the loans according to the installments fixed by their respective UCBs. 73 beneficiaries of taluka based and 82 beneficiaries of urban based UCBs have
not paid the loans fully but they have paid partly. Among these, 02 beneficiaries of Alnavar, 23 of Kalaghatagi, 25 of Azad and 18 beneficiaries of Abhinandan UCBs have not at all paid the loan amount. Further, it is found that the beneficiaries of Alnavar UCB are promptly repaying the loan as compared with other beneficiaries of remaining UCBs.

**Opinions of the beneficiaries of UCBs pertaining to customer services:**

In order to give good customer services, the employees must be co-operative and enterprising. It is heartening to know that 119 (59.50 percent) beneficiaries opined that employees are not co-operative and enterprising. It is also found that at least in the current juncture UCBs are not boosting a desired customer orientation.

189 (94.50 percent) beneficiaries asserted that employees of UCBs are not equipped with modern methods and 11 (5.50 percent) beneficiaries are just satisfied with the work done by bank employees.

Normally, UCBs do not have extra funds which can be spent on publicity of services. This is true, in case of present study, where 183 (91.50 percent) beneficiaries stated that UCBs are not advertising their services. Generally they are depending on indoor advertisements. Only 17 (8.50 percent) beneficiaries said that with personal contacts the publicity of services is undertaken.

It is found that any ancillary services like travelers’ cheques, credit cards, mail transfers etc. are not provided by the sample UCBs. 168 (84 percent) beneficiaries are of the opinions that ancillary services are not provided at all by UCBs. Only very few of 32 (16 percent) beneficiaries are satisfied with the services of UCBs.

Convenient working hours is the prerequisite from the view point of the development of UCBs. 84 (42 percent) beneficiaries opined that the working hours of UCBs are most convenient to them. But 116 (58 percent) beneficiaries expressed that they are not happy with working hours which is not enabling them to pay visit to the bank during leisure time.

The performance of UCBs in the study region is also studied from the point of view of the development of infrastructure. Opinions of beneficiaries of
UCBs are against to this where the UCBs are having inadequate infrastructure. Only 18 (09 percent) beneficiaries opined that infrastructure is satisfactory.

The last question is asked to know about the social and economic status of the beneficiaries after availing the loan. It is found, that 101 (50.50 percent) beneficiaries stated negatively. The advances of the UCBs are diverted to non-productive purposes by beneficiaries. Hence, the danger of money being used for unproductive purposes is felt by the beneficiaries and they have not improved their standard of livings. 99 (45.50 percent) beneficiaries have asserted that they have improved their lives, expanded the business, and started living in a better way. Maximum of 62 beneficiaries of taluka based and maximum of 37 beneficiaries of urban based UCBs have improved their socio-economic status in the society with the help of the loan extended by selected UCBs.

In the third section of this chapter the bank-wise amount of loan availed by the sample beneficiaries is assessed and found 118 (59 percent) beneficiaries have availed loan of Rs. more than 5000 to Rs. 1 lakh by the UCBs. Only 13 beneficiaries of Housing sector have availed less amount ranges in between Rs. 5000 to Rs. 1 lakh, which clearly shows that amount for repairs but not for constructions. 40 beneficiaries of the total sample availed loan, ranges between Rs. 1 lakh to Rs. 2 lakhs. Only 06 beneficiaries of cottage and SSI sector have availed this amount of loan. It is also found that UCBs have not encouraged cottage and SSI sector which are badly in need of the credit. The beneficiaries of Housing and SBE sectors have availed the loan of Rs. 3 lakhs to Rs. 4 lakhs. Out of 12 beneficiaries of the sample only one beneficiaries of housing sector 02 from SSI, 03 beneficiaries of RWTO have availed the loan amount which ranges from Rs. 04 lakhs and above.

Thus, it is found that insignificant loan amount is availed by more number of beneficiaries and more loan amount is availed by less number of beneficiaries. The important finding of this analysis is that the selected banks have failed to meet the credit needs of the people.

The total loan and priority sector loan availed by the beneficiaries and loan amount sanctioned by UCBs is not significant thus the second hypothesis
"The funds deployed by the UCBs to selected priority sectors are insignificant in the study region" is largely proved and accepted.

The impact of UCBs credit on urban based economic activities revealed by the study found that majority of the taluka based beneficiaries (76) have taken loan for developing existing activities or business. On the contrary majority of urban based beneficiaries (66) have availed loan facilities to develop new economic activities. Thus UCBs have created new Entrepreneurial class in the study region and the third hypothesis "The UCBs have helped to generate new entrepreneurial class, employment and creation of assets" of the study is proved and justified.

The impact of UCBs credit on Employment as well as Man-Days created is assessed in the study and found, that all 200 beneficiaries generated employment opportunities of both family and hired labour is to the tune of 50,958 man-days. Urban beneficiaries have created more employment to both family and hired labour than that of taluka beneficiaries. It is found that more employment to hired labour is generated by SSI and RWTO sectors than that of other selected sectors.

The impact of UCBs credit on Wages is assessed and found that, wage incomes in organized sector are more than in unorganized sector though, labourers work 08 hours in a day. Wages in cottage and SSI (Rs. 165 to Rs. 225) and RWTO (Rs. 90 to Rs. 150) are more than in PRT (Rs. 50 to Rs. 80) and SBE (Rs. 40 to Rs. 55) sectors. It is also found that labourers of PRT, SBE sectors are working more hours in a day, but are getting less wages mainly because of nature of the work is unskilled.

The impact of UCB credit on Assets is also studied. Out of 200 beneficiaries, 112 beneficiaries have created assets. The UCBs credit has positive impact on the beneficiaries. 29 beneficiaries of Alnavar UCB, 29 beneficiaries of Kalaghatagi UCB, 23 beneficiaries of Azad UCB and 31 beneficiaries of Abhinandan UCB have created assets. Study found that, 40 beneficiaries have constructed houses, 07 beneficiaries have purchased mini vehicles for passenger transportation, 10 beneficiaries have purchased trucks, 11 beneficiaries purchased tractors, 13 beneficiaries have autos and 31
beneficiaries have created other assets. In the light of above findings the third hypothesis “UCBs have helped to generated new entrepreneurial class, employment and creation of assets” of the study is largely proved, justified and accepted.

SECTION - II

SUGGESTIONS

In the light of the findings the researcher has made certain suggestions to strengthen the UCBs, so that they can be effective instruments, for bringing about the much awaited socio-economic transformation, in the urban areas and to face the New Economic System and Globalization. Some strategies and suggestions of UCBs can be achieved through the following.

1) Interference of political parties in the UCBs elections and the UCBs functioning should be done away with.
2) There should not be casteism and groupsim in the management of UCBs.
3) UCBs have to channelise their resources but costly funds from less or no productive areas to more profitable areas of bank business.
4) UCBs credit would be more effective if the banks maintain data-base of the customers. Such a data-base would help the UCBs in taking a rational decision relating to credit sanction.
5) Credit should be given on the basis of the need and requirements of the borrowers. It is noted that the required credit not only help in starting of any business but also repaying capacity of the borrowers. This leads to proper development of the business and regular repayment of the loan amount by the borrowers.
6) UCBs have to extent financial support to new beneficiaries. This calls for identification of educated youths. By doing so, UCBs can generate new entrepreneurial class in urban areas. Such class is very scarce in Indian economy. This is one vital contribution of UCBs to the nation.
7) Local people should be appointed as an employee or officer. Such type of appointment helps in caring out day-to-day business activities. Because local employee can identify problems, policy and solve them effectively.
a. For effective and efficient administration, the management must have the option to select those, who besides possessing required academic qualification and technical competence, are persons of integrity who can be trusted by all for handling high level financial transactions sometimes amounting to several crores of rupees.

b. Instead of state activism and interference in appointment of employees, which is trying to erode the authority of the management; the object cannot be served by checking the general academic qualifications and not moral and other traits of his/her personality.

c. Every UCB or its branch should have on its staff, atleast some able person from the same locality, so that it will be easy for the manager of UCB to learn about the local conditions, people and also can serve better in the familiar surroundings. It is hoped that at least 05 lakh jobs can be created for the urban educated youths on account of these banks.

8) It is found in the study that SSIs have created more employment opportunities to hired labour. Hence, it is suggested that UCBs have to extend not only financial support but also extension facilities to new borrowers.

   Keeping in view loans, liberal finance must be sanctioned to setup tiny and small industries as an important line of future development. The development of suitable industries in the study region and localities would help in efficient functioning of UCBs.

9) UCBs have to create and generate their own resources by popularizing and mobilizing the deposits from the public. Deposits must be collected for longer durations and UCBs must campaign more and more savings and deposit schemes.

   a. During the period of last 40 months there have been a fall in the rate of interest and this must be borne in mind and the depositors must be suitably convinced, so that they re-invest in UCBs.

   b. UCBs should choose some class of customers like senior citizens, small depositors, for whom they should provide some incentive.
c. Because of some errant UCBs not only in the country, state or in study region has made it abundantly clear that lack of adequate secured liquid assets have substantially compromised the depositors’ interests. As a result public confidence in the urban co-operative banking sector as a whole has shaken. In the interest of a growth of this sector in the region itself there is no option but to devise a viable and transparent system for reasonable protection of public deposits.

10) NGO’s principles should be extended to UCBs. It is to be noted here that NGOs normally work on no-profit no-loss basis. Such policy should be implemented in UCBs.

11) In order to enhance the efficiencies in UCBs local problems and people should be taken into consideration. People committees should be formed.

12) Working hours of the UCBs should be in the morning and evening hours. Majority of urban poor and lower income group people belonging to labour class and they work normally from 10 am to 6 pm. Hence, it is not convenient to them. So these UCBs should work in the morning i.e., 8 am to 12 noon and evening i.e., 5 pm to 9 pm.

a. UCB meetings should be conducted in the evenings, preferably after 6 pm and on holidays, so that the members who are also agriculturists, artisans, traders etc. can conveniently attend the meetings after attending to their daily chores and responsibilities.

13) Along with credit, extension, training, advice and necessary skills should be made available to beneficiaries.

14) Every UCB should setup 05 branches in their locality. Considering the special character of UCBs, they must be given due preferences in opening branches in the area. Thus there must be great liberalization of bank branch licensing.

a. UCBs must be permitted to shift their existing branches within the same locality, open specialized branches into satellite offices and also encourage the loss making branches at urban centres taking into confidence of the local people.
b. RBI should simplify the procedure for establishing new UCBs, licensing and branch opening process.

c. The expansion of UCBs should be according to a well conceived and well planned programme and will have to be considered in the light of overall banking policies and the changing structure of banking system as a whole. So yet their future development should not be viewed in isolation.

15) UCBs have to take care of creation of assets and employment in urban areas.

a. UCBs should diversify their business. It should be production oriented. Hence, UCBs must concentrate providing financial assistance for Self Help Groups (SHG) where the advances should generate further employment.

b. UCBs must increase the quantity and quality of loans and advances to member beneficiaries. The officials of the UCBs should strictly ensure that all the loan schemes for the development of business trade and commerce must be strictly fulfilled. The implementation of these schemes should be more closely supervised by the higher bank officials. Because such are aimed at generating employment opportunities to the urban youths and this ultimately contributes to the national development.

c. Selection norms of loan sanctioning should be changed to keep out the creamy layers and ensure that the benefits of the loan go to only those who demand them most.

16) Reservation in the management and sanction of loan should be strictly on the basis of merit and roster.

a. It is also needed to implement Roster and Reservation systems in the employment pattern of the UCBs.

b. Recruitment of personnel and replenishing the staff should be to the optimum standards in order to survive in the competitive times.

c. Employees in UCBs shall discharge their obligations with utmost sincerity, honesty and devotion. It is only the UCBs which have been
facing numerous threats; attacks perpetrated by vested interests and have faced many tough times. With all the force and strength at their command, with a sense of sincerity and belongingness, they could demolish the hurdles and can proceed further for registering further success.

d. For women 33 percent reservation should be given in both management of UCBs and sanctioning of loan.

e. The UCBs should give more attention to the recruitment of female employees on all the posts, especially the female employees should be appointed on the counters.

f. Enhancement and involvement of women who are dynamic and educated increases the empowerment of women and decreases the gender disparities. More so, more sincere work can be done by women.

17) Training is a man power development function. The employees must train and retrained. But the study found the shortage of trained staff in the selected UCBs, necessitated the researcher to suggest that,

a. Full-fledged training facilities must be made available to impart ongoing training to the employees on all subjects ranging from credit appraisal to communication skill. Hence, employees must take the maximum benefit from such facilities. These encompass skill upgradation and aptitude development in full measure.

b. The managements of UCBs have to realize the importance of continuous up-gradation of skill, knowledge, ability, proficiency of the employees and they must initiate steps to implement suitable measures for the staff to be trained to remain competitive. Individual growth is not an end itself; organization growth is integrated with employees' individual growth. Hence, training has real personal and professional development orientation.

18) Each UCB has to initiate and encourage Small Savings Schemes.

19) Credit should be extended to localized activities and local people.

20) Learning and training in computer education should be made compulsory to all employees.
21) RBI should treat UCBs on par with commercial banks. It is to be noted here that commercial banking treatment is the most important remedial measure to the healthy growth of UCBs.

a. Financial sector reforms have revolutionized the banking industry. RBI has been stipulating global prudential norms (to achieve global standards) for large and small banks alike. Number of unfair restrictions in UCBs particularly has not created a “Level Playing Field”. The researcher found that only private companies are reaping the benefits but UCBs are shouting and crying loudly for freedom from archaic law, the government the bureaucracy, the politicians and they yet to be liberated and must be given the freedom that they needs to compete and conduct the affairs as is available to their competitors.

b. They must be given some kind of patronage and immunity from the regulator and the government as is enjoyed by commercial banks.

Hence, UCBs in India need to be provided a level playing field to withstand the growing competition in the new era.

22) The resource base of the sample UCBs is not solid. It is therefore, felt to suggest, that the Governments should contribute on a selective basis towards the share capital and the contribution must be equal to that collected by members.

a. Government should recognize in the initial stage at least some well managed UCBs by giving them financial support.

b. In backward areas as well as in respect of UCBs organized by weaker sections ‘subsidy’ must be provided towards rent of the bank’s premises, furniture and fixtures etc.

c. Keeping in mind the co-operative philosophy, wherein members’ contributed fund to make available credit services which the members can avail of and the surpluses thus generated are shared by members or ploughed back into the UCBs.

d. One of the avenues to be explored is the introduction of non-voting shares that are transferable at mutually agreed price between the buyer
and the seller and another one exploring non-conventional avenues for raising financial resources to make UCBs more efficient.

e. Government should play its role in protecting one of the oldest sectors at grass roots level in the Country by not imposing rules and regulations that are detrimental to its growth.

23) All modern infrastructure facilities should be created and made available in UCBs. Infrastructure in the UCBs offices should be improved. Especially banks can not command respect of the subjects if they functions from an ill-suited one room office with broken furniture and lacks good office equipments. All the UCBs of the states and districts should be provided with their own specious buildings good furniture, official equipments, computers etc.

UCBs must divert some of their resources to creation of infrastructure facilities. Maharastra state sugar co-operatives model to be incorporated for such development.

24) UCBs must enter into capital, share and global markets hence, UCBs must create linkage with the capital market.

25) Stringent measures are to be incorporated for recovery of the loan and every year 100 percent recovery of loan should be the guiding principle.

a. Strict and serious recoveries have to be undertaken immediately. In each UCB there shall be Field Supervisors for collection of loans. An unceasing effort must be undertaken by the employees to collect dues and overdues. For this UCBs have to create “Special Recovery Cells” and this responsibility must be entrusted to the “Risk Management Department”. With a more focused approach, the overdues and their recoveries must be monitored rigorously on day-today bases.

b. Borrowers who have defaulted for more than Rs. 50,000 or Rs. 1 lakh, their names shall be published and criminal proceedings shall be initiated against them for willful defaults. Along with this there must be built-in-measures to arrest overdues.

c. Installment eithiks should be propogated among the borrowers of the banks.
d. A time bound Action Programme must be there in UCBs to collect the dues and to set right the maladies.

26) Credit to weaker sections for house construction and Group Housing programmes are to be undertaken by UCBs.
   a. The loans of UCBs for house construction purpose must be of larger amounts and for longer duration.
   b. An upward revision of financial assistance in housing is necessary in view of the rising prices of the building materials. The financial assistance under the housing schemes must be sufficient enough to build a good durable house, which solves the housing problem of the beneficiaries once for all.

27) Location specific membership and open membership is going to help in building UCBs on strong footing. Membership of all people residing in and around UCB areas is to be made compulsory.
   a. The UCBs should not put artificial restrictions on the new membership, the worthy and needy should be helped without delay.
   b. The increased membership will contribute to increase the share capital.
   c. Some lines of action could be considered for increasing the enrollment of numbers and development of UCBs.
   d. Just by simply increasing the membership is not the need of the hour.
      The researcher feels to suggest that the future of UCBs depends on whether UCBs are able to transform themselves into self-reliant and mutually aided units in which the members are quick enough to adopt and adjust to the changing environment. Hence, co-operative, competent and effective membership which will fetch business and income must be needed and to be increased.

28) Periodical performance evaluation is to be adopted in all UCBs. In order to improve the operational efficiency and financial productivity, the UCBs have to set targets based on rationality, compare them with the actual and thereby find out the reasons for adverse achievement for taking corrective actions.
29) An effective co-ordination between commercial banks and co-operative banks. A line of action could be considered for their development. In most states a number of UCBs exist, where some UCBs are efficient, some are weak and developing. Hence, these two categories of UCBs must be made nucleus, the rest should be encouraged to develop on their own by adopting appropriate policies.

30) Channeling credit at the state and district level is emphasized. For this state level and district level co-ordination committees must be necessarily activated.

31) The Co-operative Movement has no doubt made considerable progress in certain sectors since the inception. But there is glaring regional imbalances, heterogeneity in the size, low coverage of population and disparities in the coverage of UCBs in towns and cities. Hence, efforts must be made to remove this, keeping in mind the common people, the policy makers develop the UCBs in the country evenly and must orient the policies towards the removal of regional disparities. This is not enough but they must plan necessary organization at various levels to implement them. The success of the plan and its enlargement from time to time can be achieved only with fullest co-operation of the people. People should be made aware that the present economic scenario there is no alternative to co-operative system for their survival.

32) The small deviations by less progressive states and districts are sought to be protected and are rescued by the governments whenever they face liquidity problems.

33) The UCBs must be recognized by the government of India as an important instrument of credit for financing the people of small means and the urban middle classes. It should pronounce certain, as is being extended for co-operative banks coming under the agricultural sector.

34) The sector is pleading for financial support but no government, either at centre or at state has come forward to extend a helping hand. Initiatives therefore have to come from within the sector, that financially strong UCBs
should come forward and devise a scheme for liquidity support to ailing UCBs. It is done through “An Inter Co-operative Bonding System”.

35) Selection procedure of the staff of the selected UCBs is not satisfactory. Hence, it is of utmost important to suggest, that there must be “Recruitment Committee” entrusted with the duty of selection of the employees by taking into account the necessary criterion of selection. Apart from their academic qualification, there must be pre-special counselling, judging the training acquired skills, considering merit, testing aptitude and leadership qualities, along with professionals in the field of banking, accountancy, funds management, credit management and ability in information technology etc., must be taken care during the selection of the staff.

a. It is necessary to keep the staff sufficiently motivated through periodic job rotation, job enrichment and recognition of performance.

b. The salary increase must be linked to business turnover, productivity and profitability of the UCBs.

36) An important way to be very smart, the UCBs should infuse confidence in the investing public, by being much more alert and should never create any impression of suspecting the soundness of the bank.

a. Advances targets should be fulfilled at any cost. Almost all advances must go to the urban and the semi-urban areas. No question of these funds must be siphoned off to other sector.

b. There must be flexibility in the interest rates between different kinds of loans, such as cottage and SSI, housing loans, service, industry and others depending on loan duration, risk factor, priority, government schemes etc.

37) If the UCBs have to become market leaders the number of other players in the market must be restricted and all the requirements of the urban population must be met through the UCBs only.

38) Apart from rural poverty, the urban poverty is now becoming more serious. Hence, there are certain areas which are chronically backward; with the same amount of loan disbursal they can be improved.
39) UCBs should follow Multi-Link approach in lending and recovering. For 
this, pre-sanction strategies and post sanction strategies must be practiced in 
UCBs.

40) The emphasis must be not on credit worthy individuals but on credit 
worthy purposes.

41) UCBs should keep their surplus funds in the commercial banks and 
nationalized banks in the vicinity. Hence, the need for effective co- 
ordination between co-operatives and commercial banks in channeling 
credit at the state and district level is emphasized. It is considered therefore 
necessary to activate the supervision of district collector.

42) Under Human Resource Development (HRD) efforts, a second line of 
management should be developed in UCBs. Induction of professionals is a 
must both at board and executive levels in UCBs. To improve performance 
and productivity, professionalism should be inculcated and imbibed at all 
levels.

43) To provide transparency, authenticity and accountability of the 
management to the members and shareholders, a timely statutory audit by 
an external professional is must. The entrusting of audit to Chartered 
Accountants on the lines of commercial banking system will clear the 
arrears and will set the UCB on right path for sustainable development. 
Hence, better system of continuous audit by the professional auditors 
should be introduced.

44) With a view to redressing the complaints and the customers/deposits the 
“Suggestion Box” should be kept in the UCBs. It was found that none of the 
selected banks were having these facilities.

45) The UCB laws of the country should be made more flexible. So that a rigid 
uniform pattern is not imposed in the country with vide, social and 
economic variations. The states should be given the discretion of determining the UCBs patterns that are suitable to their unique local conditions.
Conclusion:

These are some of the thoughts of the researcher. The Financials Sector Reforms have thrown up challenges as well as new opportunities to UCBs. To prepare them for these challenges certain reform measures as enunciated are essential. UCBs are excellent instruments of credit which were developed by the small investing public led by co-operators in the towns and cities in many parts of our country. The utility of these organizations have helped in a massive way for many. These are the Banks of the common people. Hence, they have to be nurtured, if they are weak. They have to be further developed, if they are strong enough. They must be made as the mightiest in the financial system, if they are already strong enough. The above suggestions reveal a “Total Quality Policy” for UCBs. More than this, what is necessary is dedication, determination a quest for progress, development and enhancement of the principles on which these institutions were built up over the years. Let us rededicate ourselves through this research work to take UCBs to further greater heights of the glory strength, purpose and viability in our nation.