CHAPTER – III

REVIEW OF LITERATURE

The review of literature will enable us to understand the work done so far in the area under present study, so that one can identify the areas or aspects which are not covered and which can be taken up for further study. Even sometimes some of the studies may suggest future areas of research so that much light can be thrown on the problem. In order have insight into the problem of study, the review of literature is being done. In the present study there are various Committees and individual studies which have focused their attention either directly or indirectly on the area of study. In order to get in touch with the problem these various studies have been reviewed here.

The Committee on Co-operation (Maclagan Committee, 1912-15)

The Committee on co-operation was appointed to review the progress made during the period 1912-15 and to suggest proper measures. The Committee stressed the need for formation of norms regarding structure, financial management, role of co-operative
department, supervision over primaries, building adequate reserves, etc.

The Committee on Co-operative Credit (1959)^2

The Committee on Co-operative Credit, 1959, was appointed under the Chairmanship of V. L. Mehta to review the adequacy of co-operative credit, has recommended to strengthen the internal resources of co-operatives with the help of linking of borrowings to share capital, competitive rates of interest on deposits. It has also recommended limiting the borrowing power on the basis of owned funds and recovering the advances through linking of credit with marketing.

The Madhav Das Committee on Urban Co-operative Banks (1977)^3

In September, 1977, the RBI appointed a Committee on urban co-operative banks under the Chairmanship of the then Executive Director, RBI, K. Madhav Das to evaluate the role of primary co-operative banks in the banking system and to indicate the lines of their future growth. The Committee submitted its report in 1978. The Committee made recommendations regarding the policy and procedures relating to the licensing of new urban co-operative banks.
Further, the Committee made several recommendations to develop urban co-operative banks in a planned manner.

S. S. Sisodia, (1989), in his study emphasized that urban co-operative banks are expected to play an extremely important role in translating the national goals into reality by providing the much needed finance to such persons like artisans, cottage workers, wage earners, hawkers, small traders, small industrialists, professionals, self-employed persons both for productive and social needs. Apart from financing in the initial period the urban banks may also extend refinance facility for these weaker sections of the society.

P. P. Koli, (1990), has conducted a research study on A Critical Appraisal of Women's Co-operative Banks in Western Maharashtra. The researcher in this study opined that most of the women's banks in the State are small in respect of share capital, membership, loan utilization, working capital and profit. As a result of this, they have made little impact on its members. Similarly, the limited paid up share capital and deposits have made adverse effect on the viability of women's banks. Due to increasing overdues the banks are facing the problem of working capital, which in turn has affected the whole working of women's bank. She has also emphasized the impact of women's co-operative banks on its
members. The study is an eye opener to working of women's co-operative banks in western Maharashtra.

Marathe Committee, (1991)\\(^6\)

A Committee under the Chairmanship of S. S. Marathe, Director, Central Board, RBI, was appointed in September, 1991, which looked into the various impediments being faced by urban banks in regard to organisation of new banks, licensing of the existing banks, opening of branches, expansion of business, providing flexibility in the day-to-day working of urban banks. The Committee recognized the need to review and liberalise the existing regulatory framework pertaining to urban co-operative banking sector in the context of greater freedom being given to the financial system.

Narasimham Committee, (1991)\\(^7\)

A Committee on the Financial Sector Reforms under the Chairmanship of Narasimham was set up by Government of India in 1991 and the Committee submitted its report in November, 1991, has made recommendation for increasing profitability of banks, strengthening of viability of banking institutions, recommendations for restructuring competition in banking industry, reforms relating to internal organisation of banks and supervision. In short, the first
Narasimham Committee focused its recommendations to build a strong and efficient financial system. Although the Committee has not made any direct reference to co-operative banking sector, yet its recommendations were made applicable on urban co-operative banks by RBI.

**Philip Thomas and Jessey, K.O.** (1994) have undertaken a study on, *Priority Sector Advances of Urban Co-operative Banks in Kerala*, have made an assessment of the growth of urban co-operative banks in Kerala, the extent of priority sector lending, security-wise lending of urban co-operative banks in Kerala, etc. This study has made a thorough enquiry into the priority sector lending of urban co-operative banks. Researcher's conclusion is that a lion's share of the priority sector lending is made for unproductive purposes such as, consumption loan, which resulted in overdues in the priority sector lending.

**B. Veeresh,** (1995), in his research article titled, *Need for Mahila Co-operative Banks : Performance Appraisal of a Mahila Co-operative Bank Ltd., Bangalore, City of Karnataka State*, has elaborated at greater length the role of co-operative banks in the improvement of the lot of the women. His observation is that the central objective of the Mahila bank is to bring about a qualitative
change in the lives of women is noteworthy. The author has taken up the study of the financing of Mahila co-operative bank of Bangalore city in Karnataka State. The main objectives of the study were:

(1) to study the structural and organizational aspects of the Mahila Co-operative Bank Ltd., Bangalore City of Karnataka State and find out whether it confirms to the norms laid down in its byelaws,

(2) to study the capital structure of the bank as reflected in the growth of share capital and membership,

(3) to find out the growth and composition of its deposits and loans,

(4) to assess the attitudes and opinions of the members of the bank pertaining to future “Development Plans” of the bank, and

(5) to evaluate the overall performance of the bank in the light of the contemplated objectives and suggest remedial measures.

The other important issues of the study are structure of management in bank, deposit mobilisation of the bank, staffing pattern of the bank supported by tabular details. A detailed account of some important credit schemes, profit position of the bank, future development plans of the bank have been presented supported by facts and figures. Suggestions for mobilizing as much deposits as possible through new deposit schemes like premium price deposits,
retirement deposit scheme, housing deposit scheme, etc., are indeed worthy of consideration. Author's threadbare analysis of the bank is exemplary.

Medha Dubhasi, (1995), in her research article titled, Women's Co-operative Bank Panaji, relates to the origin and growth of Mahila Co-operative Banks Ltd., Panaji, Goa. She has briefed up the problems faced by the said bank such as lack of trained staff, drawback of not receiving licence from RBI and recovery of loan from loanees. She concludes her article with optimistic note that the bank would meet the challenges and flourish in the years to come.

Vidya V. Upadhya and Vasan B. Kodag, (1996), have undertaken a study on Women's Role in Urban Co-operative Banks with Special Reference to Shri Laxmi Mahila Sahakari Bank Ltd., Sangli. The researchers have examined the functioning of women's urban co-operative banks, development of women entrepreneurship and self-employment. It is a critical assessment of the working of Mahila Co-operative Bank of Sangli. This article has also analysed the credit facilities that helped the members to improve their living standards and has suggested specific measures to strengthen them. The present study was based on random sample survey of members, Chairmen and Board of Directors, employees, depositors and
customers of Shri Laxmi Mahila Sahakari Bank Ltd., Sangli. Women's contribution in the development of this bank was studied under the following headings: women as shareholders; women as Directors and Chairperson; women as employees; women as depositors; women as customers and borrowers. The authors have concluded that there is need to have an active participation of women in this field as members, Directors, employees as well as borrowers. There is need to identify a new class of borrowers, mostly women entrepreneurs and to give them loan for their development.

Narasimham Committee Report Second, (1997)\textsuperscript{12}

The Report of the Narasimham Committee on Banking Sector Reforms which proposed to review the Indian banking sector reforms, following the recommendations made in 1991 by the Committee on Financial System (which was also headed by Narasimham) and to suggest new measures was submitted in 1997. Focus of the Narasimham Committee is on building a strong and efficient banking system. According to this report some of the measures to strengthen the banking system particularly urban banks are as under.

The Committee highlighted the role being played by urban banks in the economic development of the country and recognized the
importance of urban co-operative banks in the banking sector. The Committee recommended that the current entry point norms, specially the capital requirement are too much liberal. RBI should urgently undertake a review of these norms and prescribe revised prudent minimum capital norms for these banks. Further, with a view to achieving an integrated system of supervision over the financial system, the Committee recommends that the urban co-operative banks should also be brought within the ambit of the Board of Financial Supervision. One of the problem areas in supervision of the urban co-operative banks is the duality in control by the State Government and the RBI. Though co-operation is a State subject, since urban co-operative banks are primarily credit institutions meant to be run on commercial lines, the Committee recommends that this duality in control should be dispensed with.

B. S. Rohilia, (1997), in his research study on Contribution of Women in Indian Co-operative Urban Banking Environment Development – A Case Study of The Nagpur Mahila Nagri Sahakari Bank Ltd., Nagpur, has given a brief but a significant account of importance of co-operatives in the development of women folk in particular and national development in general. He observed that women co-operatives provide to their members an institutional set up
and support for upgrading their status socially as well as economically is spectacular. The author has briefed the importance of Mahila Co-operative Banks in the life of women in realistic manner.

A case study of Nagpur Mahila Nagri Sahakari Bank Ltd., Nagpur, was undertaken with a view to analyzing its role in the development of women folk and also to see the effect of such banking innovations on Indian economy. He has dwelt upon the objects of the study of the Nagpur Mahila Nagri Sahakari Bank, Nagpur, methodology adopted for the study; bank's detailed profile; management structure of the bank under study; membership details; share capital of the bank; year-wise growth of working capital; scheme-wise deposit mobilized by the said bank, pattern of assistance; scheme-wise loans and advances of the Nagpur Mahila Nagari Sahakari Bank Ltd., as on 31st March, 1995, recovery pattern of loans and advances, profit earned by the bank and other features of the bank like provision of service, co-operation; moral support; financial resources for the growth and development of women entrepreneurs in Nagpur; presentation of award for excellence in entrepreneurship to women, etc. The author also has given concrete
suggestions for development of the bank. In nutshell, it is an exhaustive study of the said bank.

Ramesh and M. R. Patil, (1998),\textsuperscript{14} have made the \textit{Financial Analysis of Urban Co-operative Banks – A Case Study of Mapusa Urban Co-operative Banks in Goa}. The specific objectives of the study are:

(1) to examine the working capital structure and composition of the bank,

(2) to evaluate the performance of the bank on the basis of selected performance indicators,

(3) to study the impact of new economic policy characterized by liberalisation and globalisation on the performance of the bank, and

(4) to suggest appropriate policy measures to enhance the bank’s performance.

The analysis has introspected the working capital structure and composition and the growth of selected variables for a period of 12 years. The authors have suggested short-comings in the working of the bank as well as remedial measures for elevating its performance. The authors suggest that services like promotional activities, proper and efficient utilisation of funds, choice of suitable and appropriate
business activity, etc., are desirable to its borrowers for continuous and follow up rapport between the bank and the borrowers. So, the present study is the most systematic and thread-bare analysis of the bank under study.

**R. C. Gupta**, (1998), in an empirical study on *Problems and Prospects of Women Co-operative Banks*, explains about origin, the growth and the financial position of Mahila Co-operative Banks in India. He also discusses problems of Mahila banks at a greater length. According to him problems faced by these banks are lack of financial aid to these banks by Central and State governments, competition with the commercial banks for collection of deposits, overdues, no provision for the allocation of budget for Mahila Co-operative Banks in the Five Year Plans of the State and the Centre, etc. While writing prospects of Mahila Urban Co-operative Banks, he advocates that the State government should provide financial assistance to women banks to those which have unsound economic position. The RBI should give 50 per cent concession in priority/weaker section advances to women banks which have been working only for the last three years. He strongly recommends that RBI should give 10 per cent relaxation to open women banks. Researcher feels that voting right should be given to the nominal members of
Mahila Co-operative Banks. Similarly, the RBI should reduce the limit of SLR from 25 per cent to 15 per cent because 60 per cent advances of these banks are for priority sector and weaker sections. All women co-operative banks get refinance facilities from RBI through State co-operative banks.

**Task Force, (1999)**

The Central government constituted a Task Force in April, 1999 (Chairman, Jagdish Capoor) to study the functioning of rural co-operative credit institutions and to suggest a package of measures for their strengthening. A summary of recommendations contained in the report submitted to the Central government on July 24, 2000. In view of the limited resources of co-operative banks, the Task Force has emphasized the need for strengthening the resource base especially capital. Further, the Task Force expressed an urgent need to initiate measures for the rehabilitation of potentially viable co-operative banks.

**High Power Committee, (1999)**

The RBI appointed this Committee in May, 1999, under the Chairmanship of K. Madhav Rao, to review the performance of urban
co-operative banks and suggest necessary measures to strengthen this sector. The recommendations of this Committee are:

1. The policy for granting licence to new urban co-operative banks should be based on following twin criteria:
   (a) strong start up capital base, and
   (b) professional background of promoters with proven track record.

2. There should be at all times at least two Directors with suitable banking experience or persons with relevant professional qualification.

3. The promoters should not be the defaulters to any financial institution/bank/co-operative bank/co-operative society, etc.

4. No criminal proceedings should have been instituted against them.

5. The promoters should not be associated as Directors with any chit fund/NBFC/co-operative bank/commercial bank.

6. Chief Executive Officer of a proposed bank should be adequately qualified.

7. The Committee recommends relaxations as allowed at present, for organisation of new urban co-operative banks by SCs/STs/Mahila and those established in less/least developed/tribal regions may be continued for a further period of 5 years and thereafter, a review may be made.
8. To consider measures for determining the future set up of weak/unlicensed banks.

9. To examine the need for conversion of co-operative credit societies into primary co-operative banks.

10. To suggest necessary legislative amendments to Banking Regulation Act and Co-operative Societies Act of various States for strengthening the urban co-operative movement.

Prem S. Sharma, (2000),\textsuperscript{18} conducted a study on \textit{Urban Co-operative Banks Need for Functional Improvement}, has pointed out the discussions and recommendations of the Eighth All India Conference of Urban Co-operative Banks held on 20\textsuperscript{th} and 21\textsuperscript{st} of April, 2000. This article has reviewed the growth of urban co-operative banks and discussed the recommendations of Second Narasimham Committee Report. It has also attempted to explain the report submitted by the Expert Committee of RBI relating to licensing policy, entry point norms in terms of capital and membership, rehabilitation policy on weak and unlicensed banks, conversion of co-operative societies into urban co-operative banks, appointment of auditors for co-operative banks, etc.
The Union Government constituted a Task Force on 30th December, 2004, to rejuvenate the rural co-operative credit structure under the Chairmanship of A. Vaidyanathan. The Committee has observed that co-operative banking and credit institutions play an important role in meeting the growing credit needs of rural India. The Committee recommends that, in the interest of prudent management, the co-operative credit institutions required to increase owned capital so as to ensure a minimum Capital to Risk Asset Ratio (CRAR) of 7 per cent and it has to be raised to 12 per cent within another 5 years.

It also recommends entrusting audit to Chartered Accountants at all levels of co-operative credit structure. The Committee has emphasized the need for training, upgradation of personnel, accounting and audit systems, essential for good management, ensuring regular conduct of elections, annual meetings and compliance with essential prudential norms.

B.S. Sudha, (2004), in her research study titled, Management of Mahila Co-operative Banks in Karnataka, identified factors that determine management efficiency of Mahila Co-operative
Banks in Karnataka. It also measured economic performance of Mahila banks relating management efficiency with profitability and also suggested measures to improve the management efficiency and thereby their economic performance. It is the observation of the researcher that the success of any organisation depends upon the efficiency of its management. She also opines that since management efficiency being the personnel factor cannot be equated with any other factor. Intense competition in the field of banking calls for high rate of management efficiency. It is conviction of the researcher that given the required encouragement and managerial personnel to Mahila Co-operative Banks their performance will be definitely far excellent. In nutshell the researcher has made the threadbare study of the role of management efficiency in economic performance of Mahila Co-operative Banks of Karnataka.


Considering the limited success achieved in extending banking services in North Eastern Region and in order to address the constraints of the region in a more focused and state-specific manner, the RBI constituted on January 25, 2006 a Committee on Financial sector plan for North Eastern Region under the Chairmanship of Usha
Thorat, Deputy Governor, RBI. The Committee in its report submitted in July, 2006, has expressed its opinion about urban co-operative banks' role thus: "Urban co-operative banks (UCBs) represent voluntary local initiatives and where the financials of such entities are sound and governance satisfactory, they are ideal for delivering financial services to the local population". With a view to involving UCBs in the improvement of the situation in NER, the Committee has made specific suggestions for the co-operative credit sector.

The Committee strongly recommends the use of IT based solutions for increasing outreach. Apart from greater use of Automated Teller Machines (ATMs) including mobile ATMs, debit and credit cards, there are various models using smart cards and mobile payments for carrying out banking transactions from non-branch locations.

Valuable information may be found in the above studies. But most of the studies are made on overall performance of urban/Mahila Co-operative Banks. But none of the studies has reviewed the in-depth working of Mahila Co-operative Banks such as deposit mobilization, deployment pattern of funds, impact of bank credit on income and employment generation, etc. Such an attempt is made in
the present study. The study is expected to widen the knowledge in
the field of working of Mahila Co-operative Banks. It is hoped that
this study would provide useful insights to planners and policy
makers as well as academicians and researchers in the field of Mahila
Banks. The study would have to be more meaningful and significant
if micro level local oriented in depth study is undertaken at the grass
root level. Therefore, a micro study at the district level like the
present one is undertaken.
References


2. The Committee on Co-operative Credit, 1959.

3. The Committee on Urban Co-operative Banks, 1977, (Madhav Das Committee),


5. Koli, P. P., (1990), Women's Urban Co-operative Banks, Published by National Federation of Urban Co-operative Banks and Credit Societies, New Delhi.


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