Chapter - III

REVIEW OF LITERATURE

1. Cooperative Banking

Today cooperative movement in India is one of the largest movements in the world. Initially it was started with a limited spectrum of activities or dispensation of rural credit has now entered in all fields of economic activity with social content. We are proud of the movement which has covered 100% villages and 75% of rural house holds and functioning over 545 thousand cooperatives of various levels with membership coverage of 236 millions and working capital of Rs.34,00,555 million inclusive of credit and non-credit. It has been playing a significant role in disbursing agricultural credit, distribution of agricultural inputs, providing market support, processing etc.

The importance of Urban Cooperative banks in providing banking series to the middle and lower income group of people is noteworthy. The cooperative banking sector has a century old existence. It has a reach upto the masses in economy specifically the lower income group. The cooperative Act was enacted in 1904 to liberalize the rural poor and farmers from the indigenous bankers, wholesalers and landlords. The cooperative credit movement in our country is having a three tier system. The Apex bank at State level, District cooperative banks at district level and Primary cooperative society as rural sector is the organizational structure.

The history of urban cooperative banks can be studied in this different era. 1915-1966 when urban cooperative banks were developed on the will power of the local leaders. The second era started from 1966 when Reserve bank of India started to exercise their control. The era lasted upto 1990, after which the free economic policy was introduced because of Narsiham
Committee Report. This era from 1990 is witnessing till today. Irrespective of any period these banks were having 3 main characteristics:

1) Mass banking – These banks were responsible to extend its banking services up to the bottom level of the society. Because of its local nature the customer had affection for the banks.

2) These banks are self reliant that is these banks perform their functions out of the Deposits of the banks, these banks were never dependent on the Govt. Grants, loan from outsiders (with some exceptions).

3) The third characteristics are the Regional imbalance. There does exist the imbalance, may be because of number of banks, or transactions in banks.

Maharashtra is leading in cooperative movement. In all Indian context to day there are 35 State Cooperative Banks and 1853 UCB’s the deposits are Rs.112,000 crores and loans upto Rs.70,000 crores of which 80% transactions in Maharashtra, Karnataka, Gujarat, Andhra Pradesh and Tamilnadu.

This imbalance on national level does exist on the working of Maharashtra level out of 623 banks 461 banks are in Mumbai and West Maharashtra, Marthwada and Vidharbha are far behind the region of West Maharashtra.

The role played by various committees by Central Government and the RBI cannot be neglected. These committees were appointed from 1904 to 2003, the History development of UCBS cannot be studied without the study of these committees.

1. Maclegon Committee 1915
2. Mehta Bhansali Committee 1939
3. Sahakar Niyojan Committee 1946
4. Rural Banking Committee 1950
5. Gorawala Committee 1951
6. Vaikuthbhai Mehta Committee 1958
7. Study Group of RBI 1961
8. Study Group of Non Agricultural 1963
9. V.P Varde Committee 1978
10. Damry Committee 1974
11. R. G. Sareyya Committee 1969
12. V.M. Joglekar Committee 1974
13. Madhavlal Committee 1978
14. Goipuriya Committee 1991
15. Narsiham Committee 1991
16. Marethe Committee 1992
17. Nayak Committee 1993
18. Ghosh Committee 1993
19. Study Group of Shrimati Vaz 1993
20. K.M. Madhavrao Committee 1999

These committees provided the recommendations for better working of the UCB are which lead to the Business and Policy development of the Urban Cooperative Banks.

After 1991 the number of UCB’s raised to 670 in 2004 from 381 in 1990. During the same period the UCB had to compile with the Nationalized Banks, Commercial Banks, Private Banks, Financial Institutions, Foreign Banks. During the same period the modern techniques are applied by banks.

The number of UCB’s in India today is more than 2000 by the year 2020 it will be about 5000 and the number of UCB’s in Maharashtra shall be 1500. Today there are about 52 UCB’s having the status of schedule Banks, of
which 5 UCB’s are Multi State Banks. By this year 2020 there will be about 100 UCB’s having schedule bank status and 15 UCB’s with Multi state banks.

Co-operative movement in India in General and Maharashtra in particular has formed the strong base for economic development. The Co-operative movement is the out come of mass movement. This is the only movement that has reached the deprived off class from the society. The main objective of the co-operative Banks is to extend financial help to mindless, poor and the deprived off class from the society. And the objective of Mahila Nagari Sahakari Bank is to make women more stable in economic activities.

2. Mahila Urban Co-Operative Banks

The contribution by women in economy in all sections cannot be neglected. All the same time for the purpose of economic empowerment of this large section of population it is necessary to make some alternative arrangements. Mahila Urban Co-operative Bank Ltd is one such a measure. Maratha committee suggested providing preferential status to Urban Co-operative Banks for women. This has reflected a policy of stabilization. The Urban Co-operative Bank movement in India is century old phenomenon. But the introduction of women urban co-operative Bank is 71 years old. At present there are 108 Mahila Nagari Sahakari Bank which are extending financial assistance to the entrepreneurs in their area of operation. The Mahila Nagari Sahakari Banks are extensive their area of operation beyond the Banking Business.

There is ample literature on banking in general and cooperative banks in particular available both from domestic and foreign authors. The researcher has studied several books relating to banking as well as cooperative banking and has presented reviews of few books which have bearing on this research study.
3. **Indian Authors**

A) **R. Thirunarayanan**\(^1\) has observed that cooperative Banks are considered the king pin of the entire cooperative credit system since they have dual responsibility of financing all the cooperative activities in the district and liaison with NABARD, RBI, State Government, and Apex Bank ensuring smooth implementation of their policies. Development as also expansion of credit, industrial, processing, marketing, consumer, dairy, handloom, housing, fishery and other cooperatives in a district greatly depend on the financial and developmental role played by the Central Cooperative Bank of the district. The book gives a glimpse of the major activities of Central Cooperative Banks with particular reference to Kanpur and South Arcot in Central Cooperative Banks; Strength and Weakness.

The book has helped this researcher to understand the cooperative banking in India in its right perspective. The book has focused on the day to day procedures of the urban cooperative banks e.g. relating to expansion of credit, processing of loan application, documents, marketing of banks lending as well as deposit mobilization schemes.

B) **S. Vydhianathan**\(^2\) has observed that it is unfortunate that the cooperative movement in India, which is 100 years old, is passing through a difficult phase. Gone are the days when cooperative sugar mills, spinning mills, banks and supermarkets in Tamil Nadu were models to the entire country. Now the majority of the cooperative institutions, especially spinning mills, sugar mills and supermarkets are facing financial crisis. The same situation prevails throughout the country except in a few states.

The advent of globalization and liberalization has forced cooperatives to face multiple challenges of a market-oriented economy. Besides, over a period of years, the movement has become politicized with politicians
replacing genuine people interested in the cooperative movement. Now wrestling control of cooperative societies has become a political prestige. This, in turn, has led to alleged inclusion of bogus members in a majority of cooperative societies with the connivance of a `pliable bureaucrat' at the time of cooperative elections.

Hence, if the cooperative movement has to sustain, a clean break from the past has to be introduced in the management of cooperative societies, which the author has stressed in this book. This book is largely an outcome of his studies during his tenure as Registrar of Cooperatives and from his personal experience. He has critically examined the present governance structure of the cooperative movement, especially the cooperative credit system.

He has rightly pointed out that in the absence of institutional credit, many poor and marginal farmers in the State would have become victims of private moneylenders. After seeing symptoms of deep-rooted malaise in credit flow to farmers, he initiated a new focus and management initiatives to face the challenges. For this he stresses the need for transparency lest people suspect credit distribution itself.

The author also deals with the history of the cooperatives, problems related to credit and banking, policy and operational aspects related to the functioning of cooperatives, especially with relation to credit in Tamil Nadu, and the public distribution system.

C) **Mrs. Usha Thorat**³, Dy. Governor of Reserved Bank of India, has nicely covered all the aspects of urban cooperative banking industry in India.
She has given a brief note on the historical perspective on cooperative movement in India and the origin of UCBs, and then move on to the current issues.

The Reserve Bank is continuously evolving the regulatory and supervisory framework for UCBs to ensure their soundness without sacrificing their competitiveness.

**Corporate Governance Issues in UCBs**

Most of the problems faced by the UCBs are due to governance issues and connected lending. In UCBs borrowers have a significant say in the managements of the banks. This has the potential of influencing the Boards to take decisions that may not always be in the interest of the depositors who constitute the most important stakeholders of a bank. Also, unlike the case of institutions the shares of which can be listed in a stock exchange and can change hands without affecting the capital base, in case of UCBs, the shareholders can withdraw their contribution to capital and shrink the capital of the bank and thereby limit its ability to increase risk weighted assets and expand business.

Mrs. Thorat has very aptly referred to some of the vital aspects of corporate governance. She has in detail talked about the role and duties of the directors of these banks. There must be transparency, compliance, public accountability, individual governance in order to perform the collective duties. The banks should have integrity, competence, commitment and competence.

Shri Vepa Kamesam at Intensive Management Development Programme, IIRM, Mumbai on June 16, 2004 at Institute for Development and Research in Banking Technology delivered a speech on the topic Vision with Action for Managers.
In his speech he referred to Mr. Brook Montagna, a Life Coach in USA, states that there are 10 steps to set and achieve meaningful goals. The Steps to Success can be used over and over, whenever it's time to chart your course again. The researcher fully agrees with his evaluation of steps to success viz.

The ten steps are given hereunder in brief:

a. Release
   It is important to release negative energy caught up in past events. Say goodbye to past mistakes, frustrations, or disappointments and keep your focus on now. In order to reach new goals, you will need all the positive energy you can muster!

b. Create a Vision
   A vision for your life is like a magnet pulling you forward. A clear and meaningful vision is essential to staying motivated and focused. This is your dream, purpose, and mission you know you want to live. It is important to be able to see it, feel it, taste it and know it is possible for you. Write it, draw it, collage it, sing it, whatever keeps it alive!

c. Prioritize
   From your vision, decide what aspects are most important. For example: If your vision includes several new business projects, create a priority list starting with the project that you are most passionate about.

d. Set Definite Goals
   Achievable goals are reasonable and specific. They are written down, and specify what, when, and how. Create deadlines, detailed steps, visible reminders, daily reviews, and consistent action. This takes time, but it's critical to getting the results you want. Remember the carpenter's rule for increasing effectiveness, "Measure twice. Cut once".
e. Commit

What does commitment to your goals mean to you? Do you think of drudgery, or excitement? Success over the long term stems from a commitment that is grounded in excitement. Read your vision every day to keep the excitement fresh.

f. Create a Foundation for Success

Increase your chances for success by including a plan for each of the following:

- **Mind Management**: Take charge of your thinking. Negative thinking is like an anchor when you are trying to move forward into new territory. Write out positive, confident beliefs and thoughts that you will entertain for your success, and read them frequently.

- **Time Management**: Schedule your time for effectiveness, and be accountable to the actions you have planned. Use a calendar! Don't over commit, and curb your time wasters.

- **Emotion Management**: What helps you get back on track when you experience disappointment, discouragement, or doubt? Set up a support system of friends, peers, service providers, and a good self care program so that you bounce back quickly. Be sure to include fun and humor as part of the process in reaching your goals.

- **Environment Management**: How will you handle all the distractions? The phone calls, e-mail, noise, too many ideas in your own mind? It pays to address each potential distraction with concrete action. For example, if you find that responding to e-mail is a time thief and reduces your productivity, select a reasonable amount of time to respond to e-mail, schedule it, and stick to it!

- **Gremlin Management**: Gremlins are everything else within your own make up, the patterns and behaviors that get in the way of your success. Procrastination is one of the most familiar to all of us.
With mindfulness and conscious attention to your thinking and actions, you can change old habits. If you need help making a change, try coaching. Don't let anything stop you!

g. **Take Action**

Each goal can be broken down into small steps. Think about each long term goal and "rewind the tape" in your mind. How did you get there? What did you need to learn along the way? What steps did you take? Write down the steps, put them on your calendar in such a way that each task can reasonably be accomplished.

h. **Evaluate**

This is very important! Schedule a review session each week where you look at your results so that you may: * Learn from mistakes * Celebrate successes (no matter how small) * Revise plans if needed

i. **Confidence**

Who or what will you call on to remind you of your greatness and your ability to reach your goals? Support Group? Inspirational Books? Friends? Peers? Life Coach? Be prepared to use these resources.

The entire lecture of Mrs. Usha Thorat has covered all the management aspects of working of the cooperative banking and the various issues that they have to deal with on priority. The book has proved to be very useful for the researcher.

D) **M. Ramanjaneyulu** has stated that at a time when social science research is taking a deeper look at the bottlenecks and problems affecting the status of women in developing countries, the book Economic Empowerment of Women in India by Professor M Ramanjaneyulu is a welcome addition to the existing literature on the subject. It is a well established fact that building
entrepreneurial qualities in women is an effort in the direction of empowering women to change their destinies. It also includes entitlements that enable women to gain control over resources besides their access to decision making—all of which are crucial to a complete process of empowerment. There have been several efforts in the direction of instilling Micro-finance has emerged in a big way with assured results to women in distress—social and economic—facilitating economic assistance through an informal network amongst a homogeneous group of women. Despite a few drawbacks, the entire strategy of forming women's groups and providing economic support to them has paved.

While much of the information provided in the book is well established, it nevertheless carves a niche for itself by arguing that two factors play an utmost role in women's ultimate economic empowerment. They are identified as: (a) well designed micro credit programmes, and (b) participatory learning approaches that enable integrating women's priorities into the mainstream economic development policies and programmes.

The book is presented in several chapters (as many as 15) where a bit of overlapping is evident. But the advantage is that it covers a wide range of topics—from historical analysis of women and economic development to such key issues like micro-finance, information technology, performance of the Women Development Corporation in Karnataka, profile of women micro-enterprises, and the impact of economic policies on women's empowerment against the backdrop of the National Policy for the Empowerment of Women.

E) Dr. Partho Pratim Roy⁵ has lucidly brought out important aspects of management of Urban Cooperative Banks in India. He has also identified the main challenges that the Urban Cooperative Banks in India are facing. The
book has proved to be an asset to understand the present challenges before these banks.

According to him 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 main challenges for UCBs are, inter-alia,

- To retain and enhance their market share,
- To develop skills and expertise to combat diverse banking operations,
- To professionalize and de-politicize 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.

F) **Indian Institute of Banking & Finance, “Laws of Co-operative Banking” (2007)** is authored by the institute and the book is mainly useful to the students of banking who are appearing for the CAIIB examinations. It is also useful for those non bank employees to know the functioning of the cooperative banks in India. This book is a part of the course for Urban Co-
operative Banks (UCBs) and covers all laws pertaining to UCBs. The book has an added advantage in that it covers all laws that generally apply to banks in India and in addition it covers those laws that are specific to UCBs. Other than laws, the book’s coverage includes the principles governing co-operative banking and then looks at the various laws that govern co-operative banking in India. It also looks at the various structures of co-operative banking institutional structure and also the salient features of the Multi State Co-operative Societies’ Act. Though this book has been written with the examination for UCBs in mind, it would be useful to anybody who is interested in knowing more about UCBs.

G) D. P. Sarda⁶ (2008) has in his book titled as “Handbook on Lending to Micro, Small and Medium Enterprises - A Practical Guide” has discussed at length the role of micro, small and medium enterprises (MSMEs) in an economy such as ours cannot be over emphasized. In fact, it would not be an exaggeration to say that small and medium industries form the backbone of the country’s economy. Apart from contributing to national income, exports and employment opportunities, MSME sector has certain advantages, better utilization of local resources, low capital requirement, high employment generation, ability to cater to the local consumption needs and widening of entrepreneurial base. However, as is the case with all industries, providing timely and sufficient financial assistance at a reasonable rate of interest is of paramount importance.

Government has included financing to MSMEs as part of the mandatory priority sector finance. Banks and financial institutions are required not only to extend financial assistance to this sector at a lower rate of interest but also to convey their decision on finance proposals to the small and medium scale entrepreneurs within the shortest possible time. This, however, calls for having specially trained staff in the banks and financial institutions. Training, thus, assumes vital importance as the lending norms
and other stipulations are revised frequently, keeping in view the prevailing economic conditions.

It is in this context that the book assumes great significance. As indicated by the title, the book is a practical guide, providing valuable information regarding term loans and working capital loans to the MSME sector. The author has meticulously analyzed different aspects of the subject. Covering technical, commercial, financial and management appraisals the author has devoted an exclusive chapter on the actual disbursement, supervision and follow-up of advances.

With his long experience in the banking field, the author has taken pains to provide valuable insights into many areas of lending not usually touched upon by many writers. For instance, he has even covered related subjects such as income recognition, asset classification and provisioning norms and thereby provided value addition to the publication. Besides the book has some useful chapters on credit rating for risk management and special features for financing the MSME sector, which highlight among others, its limitation.

Going through the various chapters, one is impressed by the author’s simple but effective language whereby he succinctly conveys in no uncertain terms certain principles of sound and safe lending. At the same time, he is candid enough to admit that despite the best efforts of the financial institutions, some accounts could become NPAs and subsequently even bad. This does not mean that bankers should adopt a casual attitude about the defaulting account or lose heart but actually strive hard to ensure that such things are not repeated.

In this connection, one is tempted to follow his advice regarding management appraisal. According to him, this is of vital importance as the
person or entrepreneur behind the project is what matters most from preventing even a sound project turning into an NPA account. He further adds that a second rate project run by a sound management team is better than a first rate project in the hands of a second rate management. The experience of sick industrial units indicates that many of them have become sick owing to inefficient and dishonest management.

Reading of this book by D. P. Sarda was a great experience. He has brought out all aspects of lending which is in sharp focus today. In the present day context the financing of Medium and Small Scale Industries has assumed great importance and the deliberations in the book are quite useful to all practical bankers and the students of banking as well.

H) Shri P. N. Joshi, has a rich experience both in public sector as well as private sector banking apart from working in Reserve Bank of India. He has seen number of changes in the banking sector in India. These experiences have been recorded in this book. He has deep insight into the working of not only central banking but also banking system in general.

Shri P. N. Joshi in his article has commented on the small Banks, cooperative banks and cooperative credit societies. In his article he has quoted that the bank should have vision, creativity and best suited bank practices. The small banks and cooperative banks can play a major role in upliftment of the rural poor and urban deserving.

Shri Joshi talks about his experiences as a banker and economist but also deals with several issues relating to non performing assets, financial sector reforms, and national banking policy to provide what he calls “a sustainable banking structure”.

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The chapter on nationalized banking policy is indeed very interesting and needs to be read with great interest for he indicates revolution for national banking policy over a period of years and then suggests a banking policy which can provide a sustainable banking structure. The book is full of interesting anecdotes which are referred to with a sense of humour. He explained in the book what should be the role of a Chairman as a leader in a Bank

I) **K. K. Saxena** has discussed in greater details the bank marketing concepts and their applications. Entry of new private sector banks in the wake of globalization and deregulation of the banking sector coupled with technology revolution and competition has brought about a sea change in the approach and business strategies of the Indian Banks towards customers and market. The new private sector banks have rapidly increased their market share by using technology enabled channels to offer world class services to customers. These banks are better informed about business opportunities and are able to act fast in finding out tailor-made solutions for customer because they are in close touch with customers and market. The public sector banks and old private sector banks have realized that in the backdrop of heightened competition because of the entry of new players and multiple channels customers have become more demanding and less loyal to banks. The major challenge before these banks today is how to retain the existing customers and attract new customers.

During the intervening period banking has undergone a transformation. To take care of the requirements for marketing in the changed environment, he has incorporated in the revised edition certain new topics viz. evolution of marketing in India, technology, competition, customer service, cross selling avenues of savings and changing profiles of Indian savers etc.
The book has been divided into fifteen chapters and has covered almost all the important concepts of marketing like Buyer Behaviour, Market and Market Segmentation. Marketing Mix, Environment Analysis, Marketing Planning, Personal Selling, Public Relations, Image Building, Competition and Customer Services etc.

What is significant and makes this book distinct from other books on the subject is the author’s sharing of his personal experiences in the application of many of the marketing concepts. He has also tested the validity and effectiveness of many marketing concepts from the experience in application of these concepts in State Bank of India. The author has also added three chapters for the guidance of the bank branch managers, viz. Environmental Analysis at Branch level, Marketing Planning at Branch level and Profitability of Branches.

While collecting the secondary data from the field of the targeted banks it was observed that some of the concepts and marketing strategies discussed in the book are totally unknown to them. Those concepts if implemented by these targeted banks with true spirit will be definitely beneficial from them to develop their business on sound lines.

Shri Joshi has advocated that considering the Indian scenario national bank policy should have at its core desire to train the local youngsters providing vocational guidance, make the small banks, cooperative banks and cooperative credit societies capable of delivering the goods and to achieve the desired development.

This researcher is in full agreement with the views expressed by Shri P. N. Joshi in this article. Mergers and acquisitions is not the solution for international competitiveness. Instead co-operative banks should be
promoted and encouraged to carry on their contribution in the national economy.

**M. N. Gopinath** – 2008 book titled “Banking Principles and Banking Operations” With the onset of financial and banking reforms there has been a virtual sea change in the banking arena. The proof of this, if need be, could be seen from the fact that both public and private sector banks are found vying with each other in offering newer and newer products and improving their customer service. In such a scenario there is a crying need for all bank employees to know not merely the basic banking principles / procedures but also the various products and services offered by them. And, not many publications have come out covering both these aspects in a very comprehensive fashion.

The book mainly aims to fill in this void. For, not since M. L. Tannan ‘s publication “banking Law and Practice”, there has been no such exhaustive book on the subject. Hence, the author M. N. Gopinath a seasoned banker with over 3 decades experience in both leading public and private sector banks and presently on the board of Bank of India has done a commendable job in bringing out this book. His objective in writing the book is clear – to give banking students a thorough grounding in all products and services offered by commercial banks together with all the relevant theoretical and legal inputs. The purpose has been to develop a course for equipping students to confidently manage the work in the front office of the bank, within a week of joining i.e. after the usual familiarization course.

Wile thus the book has been designed primarily to serve as an authoritative text book, some of the topics touched upon by him are sure to be of immense interest even to the general reader. For instance, the chapters on Retail credit, Marketing and customer service are written in such a simple and effective way that they would be appealing to one and all. Since the
author had worked in Bank of India at its New York office, he has put to
good use the valuable experience gained therein, particularly regarding
modern banking practices.

His emphasis has been more on the operational and customer service
aspects rather than the legal angle. Nevertheless, he has taken pains to
provide the necessary legal and regulatory provisions at the appropriate
places for the benefit of readers. Realizing the need for the present-day
banker to have sound knowledge of financial accounting and business
mathematics, he has devoted two chapters on the same. Similarly, the
chapter on Monetary Policy is expected to help even the general reader to
understand and appreciate news and events relating to price, liquidity and
interest rate and their impact on economic growth. In the chapter on
Financial Services, he has discussed, among others, the insurance scene and
its regulatory body. Insurance Regulatory Development Authority (IURDA)
and how banks are also providing insurance services.

The chapter on the Regulatory environment spells out RBI’s role in
regulating the banking system. The author has done well in highlighting,
among others, the importance of Know Your Customer (KYC) norms and the
need for banks to follow them scrupulously. Also the Anti Money
Laundering (AML) guidelines of RBI are, according to him, mainly to
prevent the misuse of banking channels for laundering illegal or black
money. He has rightly emphasized that banks should educate the customers
and enlist their support and cooperation so as to follow the KYC norms and
AML guidelines in the true spirit.

Action Plan

(1) Redefining of Banks' policies / Long term plans

(i) Banks should redefine its policies by taking into account
women's requirements in a focused and integrated manner.
(ii) Banks should have a Charter for women which must be published. They should prepare long term plans and within that area plans with a view to outreach credit to women. To start with, banks should earmark at least 2 per cent of their net bank credit for women and raise it to 5 per cent in 5 years time. For this purpose, they may take into account credit extended to women directly for smaller projects; credit under different schemes of banks/Government sponsored schemes and credit to companies where majority of the promoters shares are held by women; partnership firms where majority partners are women and proprietary concerns where proprietors are women. (iii) Banks must ensure that the benefits under various poverty alleviation and employment promotion schemes go to the women in the prescribed ratio.

K) A Swathi Murlidharan recorded her findings as under:

**Why loans for women entrepreneurs not taking off**

Various public sector and private sector banks have special schemes for women. Bank wise majority schemes are as under:

- Bank of India: Priyadarshini Yojana
- Canara Bank: CAN Mahila
- Central Bank of India: Cent Kalyani
- Dena Bank: Dena Shakti
- Oriental Bank of Commerce: Orient Mahila Vikas Yojana
- Punjab National Bank: Mahila Udyam Nidhi Scheme
- Punjab & Sind Bank: Udyogini Scheme
Almost all public sector banks run special schemes to fund women entrepreneurs; yet it proves to be difficult for women to acquire loans easily. This is partly because of the mindset of bank officials who believe that women will have to run that extra mile to market their products, making it hard to make decent sales. Low awareness about these schemes is another reason for their slow uptake. In this article, DARE gives an overview of the various schemes offered by nationalized banks, challenges that women entrepreneurs face when it comes to avail funding and tips on how to make the going easy.

The DNA of a Woman Entrepreneur

DARE spoke to a number of women entrepreneurs during the course of research on this story and found that there is a common thread linking most, if not all, of them. A typical woman entrepreneur belongs to two broad categories — she is either from a financially secure background and is willing to take risks with her own venture or she is from an economically weaker background and wants to start an enterprise to sustain her family. Ganesh Prabhu, a professor at the Indian Institute of Management Bangalore, corroborates the point and says, “Most of the women who come to women entrepreneurship workshops are either from well-to-do-families, who think the risk is worth taking or those who belong to the lower-income group and are interested in starting a business for survival.”
What women say | What banks say

Not aware of special schemes | Many women are usually silent partners, included just to get the benefit

A relief of just 0.25 to 1% in interest rate is not worth the trouble | Skeptical whether women will be able to market their products and services; once convinced, do not hesitate to give loans

The process is too time consuming and requires far too many visits to the branch | Not many women come seeking loans for their startups

Often do not get what is promised | Have special cells for helping entrepreneurs, especially women

Women, typically, take up their hobbies as a business, especially when starting their enterprise single handedly. They generally get into businesses that interest them. This is evident from the fact that most women prefer starting home-based businesses from toy making and fashion designing to creating computer software.

According to Prof. Prabhu, “A woman entrepreneur will typically not think that since more people are doing a particular business and earning significant profits out of it they should enter the arena. Profit and size seems to be of less importance and satisfaction of doing it is of more importance to them.” He adds, “This is good in a way because this helps them to learn the basics well before they take bigger risks and invest high.”

The same is the situation in the case of Mahila Urban Sahakari Banks even in the progressive state of Maharashtra. In fact what is expected of the Mahila Urban Cooperative Banks that they should come all out to develop the
women entrepreneur and support them in the initial stages till they can stand on their own. They will need management input which a bank officer can offer. What these women require is guidance and close supervision till they become well versed in their business. Therefore the researcher is of the view that the Mahila Urban Coop. Banks should play a positive role of a development banker. Being a Mahila Bank the women entrepreneurs will be interacting with the bank freely and the bank should try to help them out in whatever way it can within the framework given by the Reserve Bank of India.

**L) Macmillan Publishers India**\(^{(11)} \textbf{(2010)}\) has published a book entitled “Co-operative Banking Operations” which specifically deals with the operations of cooperative banking system in India.

This book has been divided into two modules: Module A deals with deposits and new products.

In the first chapter the author has discussed about the different deposit products that the cooperative banks are offering. Banking is a service oriented activity. The main functions of a bank are to accept deposits and to lend money, besides taking care of investments. Therefore, accepting deposits is a main function of the bank. It speaks of different types of relationships between bank and its customer. Deposits are of two different types. One is demand deposits which are payable on demand and the other one is a time deposit which is payable after a lapse of agreed time. Therefore savings, current, credit balances in overdrafts as well as cash credit accounts, matured term deposits are these are demand deposits. Fixed deposits, recurring deposits, Dam Duppat or Tippat etc. are the term deposits which are payable on maturity. There are various deposit schemes of different banks a few of them are: Children deposit scheme, combination of term and demand deposits, recurring deposits, daily deposits etc.
The chapter 2 discusses different deposit accounts, salient features of deposits like Fixed, Reinvestment, recurring. The procedure to be followed while opening these accounts like identification, introduction, photograph, and the nomination of deposit accounts etc.

The chapter 3 also continues the discussion on different types of deposit accounts. In the area of term deposits, besides the traditional ones, the new and innovative products are discussed. A flexi deposit its salient features as well as its combinations have been seen. Further, the details about other special deposits like children schemes, combination of deposit cum advances, daily collection deposits have also been highlighted. A detailed discussion about Non Resident Indian deposits (NRO, NRE and FCNR) help to understand non-resident accounts better.

Chapter 4 discusses the banker –customer relations. Banks have plenty of scope to interact with the customers and serve them with various activities. Service with a smile and a purposeful service bring in new customers, besides retaining the existing satisfied customers. During banking transactions, the banker has to handle the requirements of different types of customers. In this context implementation of Know Your Customer (KYC) norms requires special attention. Besides the various types of accounts, the importance of Mandate and Power of Attorney has been discussed. The aspects relating to Know Your Customer has been highlighted. Different types of accounts such as individual, joint accounts, minors, proprietorship concern, partnership firm, Companies, Hindu Undivided Family, Trust, Association, Cooperatives, insolvent, Blind persons, and executors have been discussed. The importance of nomination as well as settlement of Death Claims has been deliberated in this chapter. Additionally, the other services rendered by banks like Any Time Money (ATM) Plastic Money, Bancasurance, Core Banking Service have been mentioned.
Since the bankers are dealing with negotiable instruments, particularly that of cheques the knowledge about the important provisions of the Negotiable Act, 1881, is very essential. The day-to-day functioning of the bank depends on extending proper service to the customers. The provisions of law help the banker to function effectively. The role of both the paying banker and the collection banker differs. Accordingly the banker has to take steps to see that the interest of the customer as well as the banker is protected. Proper understanding of the functions and using the correct methods will protect the banker. Chapter 5 discusses about negotiation instruments, important aspects of negotiable instruments Act, 1881, Duties and responsibilities of paying banker as well as collection banker.

Chapter 6 deals about the relationship with customer. The relationship with customers varies according to the nature of agreement entered into by a bank. Customers generally have different kinds of transactions with the bank. As a depositor, the customer deposits money with the bank. As a Locker holder, she/he takes the locker on a lease basis. When the customer requests for banker to collect the cheques, she/he gives direction as a principal to the banker who acts as an Agent. When the same customer borrows from the bank he/she becomes the debtor for that transaction. Hence the banker has to understand the role of the customer and the various provisions of the relevant acts to extend proper service.

Chapter 7 narrates the other aspects of banking service. Which include lien, set-off or Adjustment, Appropriation, Garnishee Order, Attachment Orders, Indemnities, Guarantees etc. The aspect relating to Lien, Set-off, Garnishee Order and other attachment order are highlighted. The role of appropriation in the banking field and how to handle such situations are explained in this chapter. Both indemnities as well as guarantees are
important. The areas covering them and the salient features of bank guarantees have been discussed here.

Banks functions have undergone a sea change. With the changing times, new products are required to make banks survive the competition. Innovative products, keeping in view the need of the customers, assume importance. Since the awareness of banking and its products are on the increase, banks will have to introduce attractive products to suit the expectation of the customers. The deposit policy of the bank is an important document. The interest rate plays a crucial role. All these issues have been discussed in detail in the 8th chapter.

The Module B is titled as Credit Management and deals in greater detail spread over 24 chapters.

Chapter 9 is quite extensively talks about the credit area. The important aspects have been noted hereunder:

- Lending is a basic function of banks.
- While taking a lending decision, the banker should ensure that the cardinal principles of lending with respect to safety of funds, profitability, liquidity, purpose, security and spread are followed in letter and spirit.
- The process of granting a loan is divided into four parts: viz. Credit appraisal, sanction, documentation and monitoring and follow up.
- The credit officer has to examine various aspects of managerial competence, technical feasibility of the project, market potential and financial viability. The appraisal of a proposal depends upon various factors, e.g. quantum of loan, nature of security, terms of repayment, etc.
- While making a credit appraisal, the credit officer has to critically examine strengths and weaknesses of the unit. Assessment of strength
and weaknesses is done by analyzing inherent protective factors, competitive edge, level of technological up-gradation, operational efficiency, management capability, cash flow trend, liquidity, past trend of servicing debts, government policies and status affecting the industry / unit, other related areas, etc.

- For an objective credit appraisal, it is essential to know the concept and meaning of working capital, how working capital cycle is measured and what methods are usually employed to assess working capital requirement and what are the generally accepted norms / RBI guidelines for identification of current assets and current liabilities, current ratio and net working capital.

- A unit requires funds for purchasing various items of fixed assets such as land and building, plant and machinery, electrical installation and other preliminary and pre-operative expenses. These fixed assets are used over a period of time to produce goods or services, which enable the unit to earn profit thereby enabling it to repay the loan. The term loan is sanctioned to finance these fixed assets by a loan agreement, which specifies terms and conditions and covenants including repayment terms.

- Reserve Bank of India has formulated a scheme to make loans and advances to state-co-operative banks under Section 17(2)(bb) read with Section 17 (4) © of the RBI Act, 1934 for financing production and marketing activities of 22 broad groups of small/tiny cottage industrial units. The refinance scheme has been drawn up to ensure adequate flow of funds for industrial financing through urban co-operative banks.

- Urban Cooperative Banks are required to fix, with the approval of their board, credit exposure limit in relation to their capital funds: Maximum 15% of bank’s capital fund to a single borrower and Maximum 40% of bank’s capital fund to group borrowers. Capital funds for this purpose will consist of credit free reserves and building
funds. Credit exposures would include both funded and non-funded credit limits, underwriting and similar commitments made by the bank. In respect of non-funded limit only 50% of the limits will be included for calculation of maximum exposure. Credit exposure limit will not include loan and advances granted against bank’s own deposit. In case of construction and multiple banking, single borrower or group exposure norms shall govern a bank’s share.

Chapter 10 is a very important chapter which deals with negotiating skills and strategies for lending. In a customer driven market, negotiation skills play a useful role in mobilizing and developing business. In banks, negotiation skills are required in credit dispensation, compromise mobilization, selling insurance and retail products and HR and IR matters. Negotiation is a process of achieving a mutually acceptable outcome to a situation in which the parties involved initially have differing views/aims. Three stages are involved in a negotiation process: preparation, negotiation and implementation. Before embarking on negotiation, there is a need to assess the opponent’s relative strengths/weaknesses and foresee the possible outcome. Overall objective of negotiation is that each party to negotiation should help the other party so that both feel satisfied with the outcome. Negotiations are generally done face to face in a meeting. But technology development has enabled people to do negotiation over telephone or via video-conferencing. Negotiations are influenced by style and pace of negotiators, by the composition of the negotiating teams, and by the arrangements for seating and refreshments. The subject, scope and purpose of the meeting should be made clear before negotiations commence. Negotiators must be alert and use negotiation skills to make the negotiation effective. Sensitive handling is required as the negotiation reaches an agreement.

Chapter 11 covers priority sector lending. Priority sector advances have been made obligatory on banks as part of social obligation. Priority sector
broadly includes advances to agriculture, small scale industries, and other activities of borrowers such as small business, retail trade, and small transport operators, professional and self-employed, housing, education, micro credit, etc. All these segments of priority sector have been defined so as to avoid any scope for ambiguity/confusion. Banks have been asked to lend a minimum of 40% of net bank credit to priority sector and a minimum 18% of net bank credit to agriculture. A target of minimum 10% of net bank credit has been fixed for weaker section. Weaker sections, under priority sector include: (a) Small and marginal farmers owning upto 5 acres of land. (b) Artisans, village and cottage industries where credit limit does not exceed Rs.50,000/- (c) Beneficiaries under SGSY and SJSRY schemes. (d) Scheduled cases and scheduled tribes. (e) Beneficiaries under Differential Rate of Interest Scheme. (f) beneficiaries under the scheme for liberation and rehabilitation of scavengers (SLRS), and (g) advances to self help groups. Detailed guidelines have been given to banks for completion of loan application, acknowledgement, disposal, rejection and recording in loan application receipt and disposal register. Guidelines have also been given for rate of interest levying of service charge, penal interest and redressal of complaints.

Small Scale Industries (SSI) have been playing a critical role in developed and developing economies. They have been identified to possess the unique strength of innovation and have served as incubators for new technologies and practices. In the Indian context, they have made substantive contribution to manufactured goods, exports and generation of employment. But many of them are weak in capital, use of technology and quality of output. They are dependent on one or a few persons and are vulnerable to emerging global environment due to opening of economy and de-reservation. Looking at all these aspects, RBI has identified the SSI sector under priority sector and has laid down detailed guidelines for banks for lending to this sector. It is common knowledge that there is a significant gap between demand
and supply of credit to SSI sector and at the same time there are huge business opportunities for banks to lend to SSIs.

Retail traders, small road and water transport operators, professional and self employed and small businesses are very important segments of priority sector. RBI has laid down detailed guidelines by fixing the threshold limits for each segment to benefit small borrowers. Bank can, however, consider sanctioning loans to borrowers exceeding the threshold limit on business consideration. Banks can extend financial assistance to these borrowers by way of cash credit, bill or cheque purchase and advance against supply bills for working capital and term loan for acquisition of fixed assets. It can also grant composite loan where it is felt that compliance with submission of stock statement and other information system will not be possible for the borrower due to small scale of operation or other valid reasons. Bank is required to prescribe credit norms through loan policy which may inter alia include eligibility conditions, purpose, maximum permissible finance, margin, interest rate, service charges, repayment terms and security norms for advances to all these sectors. Pre-credit appraisal / commonly involves assessment of managerial competence of promoters, technical feasibility of the project, market ability appraisal of product and financial viability of the business. Working capital requirements upto Rs.100 lakh are sanctioned under turnover method and exceeding Rs.100 lakh through any of the three methods i.e. cash budge system, turnover method and 2nd method of lending. The loans are sanctioned for acquisition of fixed assets after satisfying debt servicing capacity of the borrower and on satisfying norms prescribed by the bank for debt equity ratio, Debt Service Coverage Ratio etc.

In chapter 22 narrates the recovery measures to be adopted by the banks for the recover of the advances.
It is worth mentioning over here that the author has with a view to convince the reader about the subject under discussion has gave several illustrations, case studies which help the reader to understand the subject more easily. The book is very useful for the students of banking.

M) Mr. U C Patnai and R. N. Misra\textsuperscript{12}, observed that Rural Banking is basically aimed at economic upliftment of rural poor through provision of adequate and timely credit to agriculturists and rural artisans. The multi-agency approach and target oriented institutional financing in rural areas has resulted in escalation of burden of debt. Probably this burden of debt in the absence of generating adequate repaying capacity did hinder the repayment of loan in time. Non-payment of rural credit has paralyzed the recycling process of the agricultural credit institutions. The mounting overdues not only caused serious concern to the financing institutions, but also to the government and borrowers alike. The book presents the magnitude of the problem, the repayment behaviour of the loanees, different probable causes of mounting overdues in the rural credit sector and a few suggestions to improve the scenario. Since it is a comprehensive and research based work on the subject, this book may prove useful for planners as well as for central and state governments and also financing institutions while formulating lending and recovery policies for development of agriculture and rural artisans. It is found useful not only by rural banking institutions but also by researchers, students and teachers of economics, banking and finance

N) Amit Basak\textsuperscript{13} has dealt in with greater details the functioning of the cooperative banks. 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. Urban Co-operative Banks (UCBs), also referred to as primary cooperative banks play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. UCBs mobilise 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.

Though much smaller as compared to scheduled commercial banks, co-operative banks constitute an important segment of the Indian banking system. They have an extensive branch network and reach out to people in remote areas. 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 focusing on UCBs 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.

O) Macmillan Publishers India (2010) has published a book entitled “Banking Finance & Economics: Banking and Finance, Co-operative Banking” which specifically deals with the cooperative banking system in India.

Co-operative Banking is a dominant segment of banking in semi-urban and rural areas of India and plays a significant role in spreading banking facilities to the underprivileged sections of the society. Since this segment is huge and has diverse requirements, this book attempts to encompass all aspects of co-operative banking and would be highly useful to all those who wish to gain insights into co-operative banking in the country. This book comprises four modules. The first module covers the history and structure of cooperative institutions in India, its modalities and laws related to banking operations. Module two on banking operations covers all the relevant details
of various deposits and advances products including those under Priority sector. Various guidelines of RBI/NABARD, investment strategies and instruments are covered under investment management. Module three on technology management covers various products that are available for service delivery. Under risk management, various aspects of ALM, Basel norms, and aspects of profit planning – including profitability model – are explained. The last module on supervisory and regulatory aspects covers role of R.B.I., central bank's guidelines and various control returns, recommendations of various committees, role of directors, corporate governance, best practices and Management Information System.

P) Masood Ahmed Khan (2010) has authored book entitled “Banking in India (Unknown)”. The present textbook on banking in India is addressed to the undergraduate students of Indian universities. There have been significant changes in the area of institutional credit since 1947. New public sector financial institutions such as development banks have come up in big way and old types of financial institutions such as commercial banks have been nationalized, strengthened and expanded. The cooperative banks, which serve the agricultural sector, have been streamlined. The Reserve Bank of India, the central bank of the country, was nationalized with effect from 1 January, 1949, and in March the Banking Companies Act was passed, conferring on it a wide range of regulatory and supervisory powers over the banking system. The book is divided in eight chapters. The first chapter deals with the role and importance of banks as financial intermediaries and their types. Chapter two discusses the Reserve Bank of India. As an apex institution of a country's financial system, it plays a leading role in organizing, running, supervising and regulating the banking system. Therefore any book on banking will be incomplete without a reference to the functions and performance of the Reserve Bank of India. Chapter three is devoted to the history, definition, and functions of commercial banks, while chapter four deals with the analysis of branch expansion and deposit mobilization and
chapter five look into their patterns of credit deployment and investment, chapter six analyses the financing of priority sector. The discussion on cooperative banks is taken up in chapter seven and that of development banks is in chapter eight.

4. **Committee of Secretaries (COS) 2000**

   Strengthening of credit delivery to women particularly in Tiny and SSI sector the need for strengthening credit delivery to women particularly in the Tiny and SSI sector has been engaging the attention of the Government for quite some time. The matter was examined in detail by the Committee of Secretaries [COS]. Consequent to that, the Ministry of Finance, Banking Division had prepared a report in consultation with various Government and Non-Government agencies, Reserve Bank of India and public sector banks, National Bank for Agriculture and Rural Development, Small Industries Development Bank of India, Ministry of SSI & ARI and the Department of Women and Child Development on how to more fully meet the credit needs of women particularly in the tiny and SSI sectors within the existing institutional framework. The Report contained an Action Plan to be implemented by public sector banks. The meeting of the Committee of Secretaries held on 14 September 2000 has recommended the Action Plan to Government which has since accepted the same.

   As desired by Government the Reserve Bank of India forwarded a copy of the Report containing the Action Plan to be implemented by public sector banks. The Reserve Bank of India had directed the public sector banks to initiate action on the said action plan to achieve the target objective. The action plan has been detailed hereunder.
5. **Web Sites Browsing**

With a view to get updated as to what is happening about the women’s banks in India the researcher has referred to the various websites which describe the background and functioning of these banks available on the websites. This review of the material contained in the websites has also immensely helped the researcher to understand various approaches these women’s banks are adopting for development of women entrepreneurs.

The information related to Shri Mahila Seva Sahakari Bank, the separate Bank of Poor Self employed Women Workers was established at the initiative of 4000 self employed women workers in the year 1974. The said information is collected through the website.  

6. **RBI: Weak Urban Co-Operative Banks may Lose License**

The Reserve Bank of India on Thursday directed the management of urban co-operative banks to keep their financial positions strong, failing which, it said, it could resort to tough measures, including canceling their licenses.

If a co-operative bank's deposit erodes beyond 25%, the central bank would issue a show cause notice for cancellation of the license of the bank concerned, which it calls supervisory action. Other conditions are not specific.

The action "would increase in terms of severity as the financials deteriorate and could include restriction on pre-mature withdrawal of deposits, freeze on the level of advances/deposits, prohibition in acceptance of deposits, issue of show cause for cancellation of banking license etc," the RBI said in a statement.

Banks should shore up capital if it falls below the regulatory requirement of 9%. 

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"The management of the bank should identify the cause of deterioration and take necessary corrective actions on its own, with a view to improving the financial position of the bank," said the RBI. "Such corrective action should be prompt as any delay could be detrimental to the interest of the depositors and other stakeholders of the bank," it said.

"The corrective action should include measures for augmenting capital, close monitoring of NPAs and their recovery especially the large NPAs, improving profitability by curtailing expenses, mobilizing low-cost deposits, etc, depending on the nature of the deficiency," said the RBI.

"The UCBs should also prepare time-bound specific action plan for bringing about necessary improvement in their functioning and the board of directors should monitor the progress in implementation of the action plan in every meeting of the board," it said.

If the management failed to revive the bank, the RBI would initiate supervisory action, which would include active monitoring.

This would be followed by pre-emptive actions aimed at arresting further deterioration of the financial position of the bank concerned, the central bank said. "The extent and nature of supervisory action would depend on the level of capital adequacy and the extent of erosion in deposits, if any, in the bank," said the RBI.

**SUMMARY**

The urban cooperative bank movement in India is century old. It has a mass base. Between 1915 to 1999, there were around 20 Expert Committees appointed by the Reserve Bank of India. Their recommendations have brought about several improvements in the working of these banks. Needless
to say that these recommendations have improved the working and the performance of these banks to a great extent.

The Reserve Bank of India has also initiated several measures on the basis of the recommendations of the various committees to strengthen the working of the urban cooperative banks. It is also providing guidance to these UCBs as to how to tackle the NPA, need for computerization and improvement in the pre-sanction scrutiny and post disbursement of supervision over credit in order to contain the NPAs.

Urban cooperative banks have also focused their attention to the human resources development, particularly equipping their staff with required skills to handle their counter operations professionally.

The Reserve Bank has also introduced CAME: rating system for these banks which take into account comprehensive aspects of the banking business. Undoubtedly now there is greater awareness amongst these banks and that the banks are paying greater attention to the improvement in productivity and profit per employee.
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