Chapter - III

Review of Literature
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REVIEW OF LITERATURE

3.1 INTRODUCTION

The banking and the financial sector are essentially based on trust of the depositors and the public. The urban cooperative credit sector must look at all avenues of increasing this trust. There are number of books, journals, websites available in Banking in general. However, the literature about women's banking there are hardly handful of material is available. Since the women banks (banks managed by women) also cater to the needs of the male clients and perform the same functions as that of the commercial banks managed by the men and a fair mix of both the gender, the researcher has also gone through various books on general banking with a thrust on banking books on cooperative banking in India.

3.2 BOOKS

A) R. Thirunarayanan (1996) Book titled “Cooperative Banking In India.” 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.

B) S. Vydhianathan (2004-05) in his book titled “The cooperative
movement” 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
wresting 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.

Mrs. Usha Thorat, Dy. Governor of Reserved Bank of India, while delivering Shri R. N. Godbole Memorial Lecture on the 6th December 2006 at the Shivaji University, Kolhapur has taken a comprehensive view of the Urban Cooperative Banks. She has nicely covered all the aspects of urban cooperative banking industry in India. ¹

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. But before, stepping into the realm of regulation/supervision.

**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. On this crucial aspect of corporate governance,

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 agree 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.

C) M. Ramanjaneyulu, 2006, Book titled “Economic Empowerment of Women in India”

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.

D) Dr. Partho Pratim Roy (2007)

In his recent book titled as "Management of Urban Co-operative Bank Book" 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.
E) "Laws of Co-operative Banking" (2007)

Is authored by Indian Institute of Banking and Finance 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.

F) D. P. Sarda (2008)

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.

G) Shri P. N. Joshi (2008)

In his book titled "Glimpses of changing Banking Scenario" had 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 issued relating to non performing assets, financial
sector reforms, and national banking policy to provide what he calls “a
sustainable banking structure”.

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


In his book titled “Bank Marketing – Concepts and Applications”
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.


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.

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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.
J) Bhagwati Prasad, (2009) in his article titled “Human Resource Management in Indian Cooperatives: Some issues” published in International Journal of Cooperative Management, Vol. 4, Number 2, Sept. 2009 has dealt with the current approach of the cooperatives particularly the cooperative banks in India. He has observed as follows:

Indian Cooperative banking movement has passed through hundred years of its existence. At the same time, human resources management has been a neglected field in cooperative banks over a period of time and poor image of cooperative bank employees in the society affects the morale. Only recently there has been a greater recognition of this function. In this project an attempt has been made to analyze the practices of human resource management and the challenges faced in recruitment and retention of efficient personnel for managing the complex affairs of cooperative banks.

Good human resource management (HRM) is essential to retaining staff and maintaining a high overall level of performance within a health organization. Effective HRM is one of the key building blocks of a comprehensive HRH strategy. A responsive human resource management system can help ensure that staff knows what they are supposed to do, get timely feedback; feel valued and respected, and have opportunities to learn and grow on the job. Fragmented, politicized human resource management systems and lack of human resource managers are two common barriers to effective HRM.
Over the years, highly skilled and knowledge based jobs are increasing while low skilled jobs are decreasing. This calls for future skill mapping through proper HRM initiatives.

Indian organizations are also witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian organizations. There is a need for multi skill development. Role of HRM is becoming all the more important.

An organization is made up of a number of people who strive to achieve the organization’s goals. Human resources have a significant bearing on the profitability, efficiency and overall organizational effectiveness. Human beings differ from one another in their basic mental abilities, skills, approaches, qualifications and also behaviour which account for their complex behaviour patterns and psychological makeup. Such difference gets multiplied when they interact with one another in a group or in an organization. This generates different styles of management, values, feelings, beliefs and opinions of the employees. They must be groomed in order to take risks, think innovatively, and handle new problems. In the competitive environment, employees of any business organization are the key factor for deciding the success of the firm, in general, and cooperatives in particular.

It is understood that cooperative banks approach human resource management (HRM) from the wrong perspective and their financial performance suffers as a result. Instead of focusing on how to execute strategy through the performance of the employees in many cooperative
banks, the first priority is cost control and the focus often begins with the HR function.

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**Need for HRM**

World over, the technology driven channels such as, ATM, net banking and mobile banking have reduced walk-in-customers at the bank branches. However, in India, it is observed that the customers still find it difficult to use these technology based channels and they are more comfortable in traditional banking over the counter personally to ensure error - free and risk - free banking service. While struggling to provide better and efficient service at the counters, the staff is also confronted with various regulatory norms to mitigate risks in operations. This clearly establishes that employees of cooperative banks play a vital role in managing not only the 'transaction' of a customer but also future long-term relationship with them.

There are several reasons for the new approaches to the management of staff. Firstly, infrastructural problems with growth in the bank and over
staffing. Secondly, the increasing competitive pressure in cooperative banking had led to greater attention to controlling labour costs and increasing labour productivity. Thirdly, the nature of change had moved the emphasis towards being a market driven rather than an administratively driven organization and the importance of staff quality was being emphasized.

**Human Resource Policies**

Although all cooperative banks have policies, the manner in which they are documented and presented to employees varies considerably. Other than the practices explicitly required by law, there are no specific rules on how to document and implement the principles and practices by cooperative banks. Therefore, the form substance and tone of cooperative banks' policies and procedures are totally within their activities. This discretion presents both a challenge and opportunity for a cooperative institution. The challenge is deciding among almost infinite choices on how to define structure, implement and communicate the bank’s rules of operation. As for the opportunity, a sound and appropriate set of policies will lay the groundwork to support the cooperative bank’s business objectives, provide employees with the necessary guidance and achieve the desired organizational culture.

Having a set of written policies enhances employees’ understanding of bank rules and expectations and encourages communications between employees and supervisors and among workers in general. But in practice, there is no specific written document of HR policies in many cooperative banks. It is neither necessary nor desirable to have every rule and practice
documented, but it is advisable to take the time to formalize the important ones. In addition having certain policies in writing – such as rules prohibiting unlawful discrimination and harassment – may save an organization a lot of time and money in the event of a lawsuit.

The cooperative banks should be committed to Equal Employment Opportunity (EEO) policies that provide a healthy work environment, free of discrimination and harassment of any kind.

**HR Managers today are focusing attention on the following**-

a) **Policies**- HR policies based on trust, openness, equity and consensus.

b) **Motivation**- Create conditions in which people are willing to work with zeal, initiative and enthusiasm; make people feel like winners.

c) **Relations**- Fair treatment of people and prompt redress of grievances would pave the way for healthy work-place relations

d) **Change agent**- Prepare workers to accept technological changes by clarifying doubts.

e) **Quality Consciousness**- Commitment to quality in all aspects of personnel administration will ensure success.

Due to the new trends in HR, in a nutshell the HR manager should treat people as resources, reward them equitably, and integrate their aspirations with corporate goals through suitable HR policies.
Thus it has been seen that the Urban Cooperative Banks are falling in tune with the new generation techniques of human resources management.

K) Mr. U C Patnai and R. N. Misra (2010), book titled "Rural Banking in India".

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.
L) Amit Basak (July 2010)

In his book entitled, "Cooperative Banks in India – Functioning & Reforms" 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.
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.
Macmillan Publishers India (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 highlightened. 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 limit s 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 budget 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 ration, 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.


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.

3.3 COMMITTEES

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.

3.4 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.

1. Rashtriya Mahila Kosh

The National Credit Fund for Women known as Rashtriya Mahila Kosh (RMK) was set up in 1993, as a national-level organization under the Ministry
of Women and Child Development, Government of India to meet the credit needs of poor and asset less women in the informal sector. RMK was started with an initial corpus of Rs.31.00 crore bolstered up to Rs.41.00 crore with an additional allocation of Rs.10.00 crore in 2006-07 which has grown over to Rs.88.00 crore due to prudent investment, credit and recovery management.

**Administrative Set Up**

RMK is administered by a Governing Board consisting of 16 members representing various Central Ministries / Departments, State Governments, Specialists and Representatives of Organizations active in the field of micro credit. The Minister of State for Women and Child Development (Independent Charge), Govt. of India is the Chairperson of the Governing Board and the Executive Director of RMK acts as Member Secretary. RMK meets all its administrative and establishment expenditure from internal resources without depending on budgetary support.

**Objectives**

RMK extends micro-finance services through a client friendly and hassle-free loaning mechanism for livelihood activities, housing, micro-enterprises, family needs, etc to bring about the socio-economic upliftment of poor women. RMK has also taken a number of promotional measures to popularize the concept of women empowerment through micro financing, thrift and credit, formation and stabilization of SHGs and also enterprise development for poor women.
Credit is disbursed to the women SHGs both rural and urban through intermediate organizations like NGOs, Co-operative societies, Government autonomous organizations, not-for-profit Section 25 Companies, State Women Development Corporations, registered bodies and federations of women etc. There is no collateral.

**Refinance Scheme**

RMK provides 100% refinance assistance to Mahila Urban Co-operative Banks on finances provided by them to poor women either directly or through SHGs within the norms of the RMK Main Loan Scheme.

In a bid to give a fillip to micro-credit via self-help groups (SHGs), the Rashtriya Mahila Kosh (RMK), an independent registered society, set up in 1993 by the department of women & child development, under the ministry of human resource development, has proposed that it will provide refinance to commercial banks that lend to SHGs formed by women, at 5%.

There are several other loan schemes for women particularly in the backward region as well as women from weaker section. Additional information is available on the referred website. The Mahila banks under study were not fully aware of the RMK's schemes and have not availed off any assistance from this Kosh. This may be because the banks have their own funds from out of which they can lend. However the researcher is of the view that these banks should have all the information about this Kosh and try to explore the possibility obtaining their funds at lower rate which may result in low priced loans to the women beneficiaries.
A Swathi Muridharan (1/06/2009) undertook the study of why loans for women entrepreneurs is not taking off. Her findings are 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:

<table>
<thead>
<tr>
<th>Bank</th>
<th>Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of India</td>
<td>Priyadarshini Yojana</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>CAN Mahila</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>Cent Kalyani</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>Dena Shakti</td>
</tr>
<tr>
<td>Oriental Bank of Commerce</td>
<td>Orient Mahila Vikas Yojana</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>Mahila Udyam Nidhi Scheme</td>
</tr>
<tr>
<td>Punjab &amp; Sind Bank</td>
<td>Udyogini Scheme</td>
</tr>
<tr>
<td>State Bank of India</td>
<td>Stree Shakti Package</td>
</tr>
<tr>
<td>State Bank of Mysore</td>
<td>Stree Shakti</td>
</tr>
<tr>
<td>SIDBI</td>
<td>Mahila Udyam Nidhi</td>
</tr>
<tr>
<td>Tamilnadu Mercantile Bank</td>
<td>Mahalir</td>
</tr>
</tbody>
</table>

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."

<table>
<thead>
<tr>
<th>What women say</th>
<th>What banks say</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not aware of special schemes</td>
<td>Many women are usually silent partners, included just to get the benefit</td>
</tr>
<tr>
<td>A relief of just 0.25 to 1% in interest rate is not worth the trouble</td>
<td>Skeptical whether women will be able to market their products and services; once convinced, do not hesitate to give loans</td>
</tr>
<tr>
<td>The process is too time consuming and requires far too many visits to the branch</td>
<td>Not many women come seeking loans for their startups</td>
</tr>
<tr>
<td>Often do not get what is promised</td>
<td>Have special cells for helping entrepreneurs, especially women</td>
</tr>
</tbody>
</table>
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.
3.5 CIRCULARS

Recent related R.B.I. Circulars

1) RBI revises supervisory framework for urban co-operative banks²

The Reserve Bank of India (RBI) on Thursday revised the supervisory action framework for urban co-operative banks; saying in case of financial woes, banks must be the first to take corrective steps.

Earlier, RBI had initiated action against ailing urban co-operative banks, based on its assessment of their financial positions.

The central bank said an urban co-operative bank’s management should initiate corrective action if its capital adequacy ratio fell below nine per cent. "The corrective action should include measures for augmenting capital, close monitoring of NPAs (non-performing assets) and its recovery, especially large NPAs, improving profitability by curtailing expenses and mobilizing low-cost deposits, depending on the nature of the deficiency," RBI said in a notice.

Urban co-operative banks must prepare a time-bound action plan, and the progress must be monitored by their boards, RBI said.

In the absence of such action by the bank, RBI would take supervisory action in two stages. The central bank would first monitor the performance of the bank — if the capital adequacy ratio fell below six per cent or gross bad loans exceeded 10 per cent of the loan book or deposits were concentrated in the hands of a few depositors or the credit deposit ratio was more than 70 per cent.
"In the second stage, the supervisory action would be through pre-emiptive action, aimed at arresting further deterioration in the bank’s financial position," RBI said.

If such a bank’s capital adequacy ratio falls below four per cent and its net worth turns negative, RBI would take appropriate steps, depending on the extent of the erosion in deposits. If the erosion in deposits is up to 10 per cent, the bank would have to explore the option of merging with another bank and would not be allowed to raise more deposits.

RBI would issue a show cause notice for canceling the license of a bank if the erosion in deposits exceeds 25 per cent.

2. **Board of Directors – Recent Guidelines**

To ensure professionalism in the Board, the banks should have at least two directors with suitable banking experience (at middle/senior management level) or with relevant professional qualification in the fields of law, accountancy or finance. The banks should also have a suitable provision in their bye-laws to ensure this. However, these instructions would not be insisted upon in case of Salary Earners Banks in view of the nature of their membership.

Recommendation of the Madhavdas Committee on Board of Directors of Urban Cooperative Banks: July 01/2011.
3. **Women Representative on the Board**

Where, the scope for the organization of an urban bank exclusively for women is limited in any area, the existing urban banks may give representation to women members on the Board of management and, wherever necessary set up a separate section to cater to the needs of women members. At least one seat for women shareholders may be reserved on the BODs.

4. **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 showcause notice for cancellation of the licence 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%.
"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 stake holders 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.

1 http://wcd.nic.in/ar0708/English/Chapter-11.pdf