
Urban Cooperative Banks in India: A Current Scenario and Future Prospects

Dr. Ashok Kumar Kothari^{1*}

ABSTRACT

Urban co-operative banks (UCBs) are one of the crucial fragments of the banking business of India. They basically oblige the credit needs of people of little methods. Co-operative Banks are coordinated and overseen by the administrators of co-activity, self-improvement, and common assistance. These have been assuming a basic part in the Indian financial system with the wide organization in both urban and provincial regions. The cooperative sector assumes a significant part in satisfying the order standards and the targets of Five Year Plans. The co-operative sector tries to cure the economic disparity and wrongs of concentration of income and riches and along these lines forestalls the misuse of the more fragile areas by the more grounded. Co-activity is an honorable philosophy and it targets building up a just cultivated society. It lays the way to harmony and plenitude of riches, both material and good for all the residents.

Keywords: Urban, Cooperative Bank, Future, UCB

The cooperative banks are small estimated banking units that work both in urban and non-urban zones throughout the most recent 100 years. These banks assume a crucial part in gathering the credit prerequisites and advancement of Small and Medium-size Enterprises. It is a remarkable sector where banking and cooperation cooperates. These banks deal with the premise of a two-level system and on the standards of cooperation, self-improvement, and common assistance. Cooperative banks are assuming a pivotal function in providing food for the credit needs of small contributors and borrowers, principally in the urban casual sector that is regarded as non-credit commendable by the commercial banks. Urban and provincial cooperative banks are the various sorts of cooperative banks working in India. The urban cooperative banks otherwise called essential cooperative banks work in urban and semi-urban territories. These are a small size cooperatively banking units provide food the necessities of small scope specialty units, retail dealers, experts, compensation classes, and so on Regardless of continued development, the sector has experienced a great deal of strife over the most recent couple of years. These banks are endeavoring persistently to address the issues of economic disparity and the concentration of abundance that are causing abuse of more fragile areas by the

¹Associate professor, Govt. Meera Girls College, Udaipur, India

[*Responding Author](#)

Received: February 20, 2016; Revision Received: March 15, 2016; Accepted: March 25, 2016

Urban Cooperative Banks in India: A Current Scenario and Future Prospects

more grounded. The current investigation dissected the advancement of urban cooperative banks in India, its financial presentation, and the improvements that are expected to help the exhibition of the banks to have better economic development.

There was a decrease in the quantity of UCBs from 1,770 toward the finish of March 2008 to 1,721 at the end of the finish of March 2009. This decrease was an outcome of the consolidation cycle. The income charge paid for last financial by 1,780 urban cooperative banks and credit social orders, for the most part, spread across Maharashtra, Andhra Pradesh, Gujarat, Karnataka, and Tamil Nadu, was around Rs 1,000 crore. This shows the might of UCBs and their contribution to the individuals on the one side and to the exchequer and the general public everywhere on the other.

The urban cooperative banking system has seen exceptional development during the last one and a half years. Stores in UCBs have expanded by more than 1100 percent from Rs. 8600 crore to over Rs.100, 000 crore, while progress has ascended from Rs. 7800 crore to over Rs.65,000 for example by 733 percent during 1991-2005. According to the National Association for Cooperative Urban Banks (NAFCUB), the all out stores and loaning of Co-operative Banks is significantly more than Old Private Sector Banks and likewise the New Private Sector Banks. The joint-stock Banks who had opened in the urban and semi-urban regions didn't yet oblige these small investors. This nonattendance of banking and credit offices constrained these gatherings to go to deceitful cash moneylenders and private mortgagers who used to charge excessive interests or forced practically non-repayable terms.

Cooperative development

In the year 1904, the public authority of India began the cooperative development and chose to build up the cooperatives as the institutional organization to handle the issue of usury and country obligation. In quite a circumstance cooperative banks work as an adjusting focus. As of now, we have a few cooperative banks which are performing multipurpose elements of financial, authoritative, administrative, and improvement in nature of extension and advancement of the cooperative credit system.

Cooperative banks

A co-operative bank is a financial organization that has a place with its individuals and they are thus the proprietors just as clients of their bank. These banks are small-sized units coordinated in the co-operative sector which work both in urban and non-urban districts and are generally focused on communities, regions, and workplace.

The greater part of the administrations gave by these banks are reserve funds and current accounts, safe store storage spaces, advance or home loans to private and business clients. For working-class clients, for whom a bank is a place where they can set aside their well-deserved cash, offices like Internet banking or telephone banking isn't significant. Despite the fact that these banks are worse than private banks regarding offices gave, their loan costs are certainly competitive. Unlike private banks, the documentation cycle is long if not rigid, and getting a credit endorsed rapidly is somewhat troublesome. The rules for getting credit from a UCB are less severe than for an advance from a commercial bank.

Urban Cooperative Banks in India: A Current Scenario and Future Prospects

Commercial banks are the most extensive spreading banking organizations in India. They give significant items and administrations. These banks run on commercial lines, for benefit of the association and are not quite the same as investor banks by their association, objectives, qualities, and administration in many countries. These banks are administered and controlled by the banking specialists and need to regard prudential banking guidelines, which put them at a degree of investor banks. The control and management can be actualized straightforwardly by the state elements or appointed to a co-operative alliance or focal body.

Then again, a co-operative bank is run to serve a gathering of individuals from the co-operative body. These banks disseminate just an exceptionally small part of its benefit as profit, holding a significant segment of it in business. All the nationalized banks and practically all the private sector banks in India are commercial banks. In open sector, inside a state, beginning from the State capital, there are State Co-operative Banks and District Central Co-operative Banks at the District level. Under the District Central Co-operative Bank, there are Co-operative Societies.

REVIEW OF PAST STUDIES

Different examinations conducted and various proposals were tried to get adequacy the working and tasks of the financial organizations. Narsimham Committee (1991) underlined on capital amplexness and liquidity, Padamanabhan Committee (1995) proposed CAMEL rating (as proportions) to assess financial and operational productivity, Tarapore Committee (1997) with respect to Non-performing resources and its quality, Kannan Committee (1998) believed about working capital and loaning techniques, Basel committee (1998 and reexamined in 2001) recommended capital sufficiency standards and the board measures. Kapoor Committee (1998) has proposed for credit conveyance system and credit assurance and Verma Committee (1999) recommended seven boundaries (proportions) to pass judgment on financial execution and a few different committees constituted by the Reserve Bank of India to acquire changes the banking sector by underlining on the improvement in the financial strength of the banks. Specialists recommended various instruments and procedures for successful investigation and translation of the financial and operational parts of the financial foundations explicitly banks. Their focal point of revenue was on the examination of financial capacity to work effectively and credit value of cash loaning establishments so as to foresee corporate disappointments and early occurrence of bankruptcy among these organizations. Bhaskaran and Josh (2000) concluded that the recovery execution of co-operative credit foundations continues to unacceptable which contributes to the development of NPA even after the presentation of prudential guidelines. They recommended authoritative and strategic solutions to make co-operative credit foundations more proficient, beneficial and productive on top of competitive commercial banking.

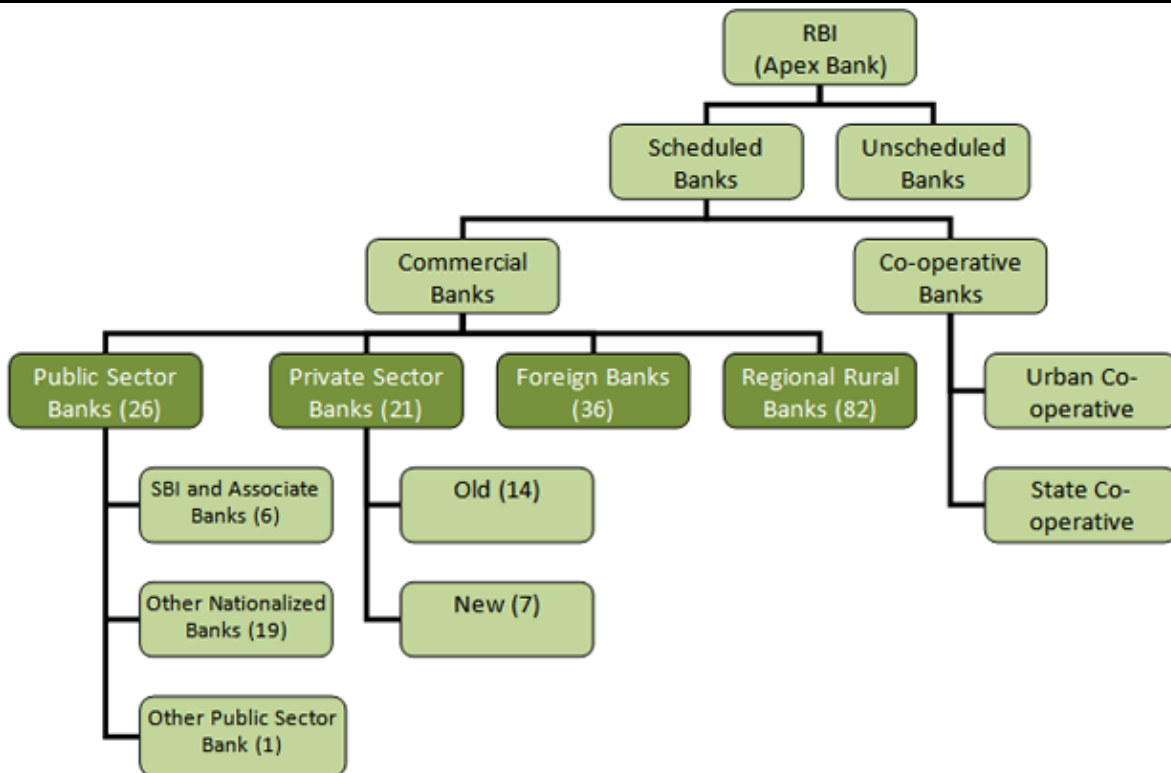
Jain (2001) has compared the presentation investigation of District Central Co-operative Banks (DCCBs) of Western India, similar to Maharashtra, Gujarat, and Rajasthan, and found that DCCBs of Rajasthan have performed better in benefit and liquidity as compared to Gujarat and Maharashtra. Singh and Singh (2006) contemplated the assets of the executives in the District Central Co-operative Banks (DCCBs) of Punjab with explicit reference to the investigation of financial edge. A higher extent of own assets and the recovery concerns have brought about the expanded edge of the Central Co-operative Banks and consequently had a bigger arrangement for non-performing resources.

Urban Cooperative Banks in India: A Current Scenario and Future Prospects

Mavaluri, Boppana, and Nagarjuna (2006) recommended that the presentation of banking as far as a benefit, profitability, resource quality, and financial administration has become critical to stable the country's economy. According to their investigation, public sector banks have been more effective than different banks working in India. Buddy and Malik (2007) investigate the distinctions in the financial qualities of 74 public, private, and unfamiliar banks in India dependent on components, for example, productivity, liquidity, danger, and proficiency. It is proposed that unfamiliar banks were better entertainers, as compared to the other two classifications of banks, when all is said is done and specific usage of assets. Campbell (2007) zeroed in on the connection between nonperforming advances (NPLs) and bank disappointment and contended for a powerful bank bankruptcy law, for the counteraction and control of NPLs for developing and temporary economies as these have been experiencing extreme issues because of NPLs. Singla (2008) draw consideration on financial administration and analyzed the financial situation of 16 banks by considering benefit, capital sufficiency, obligation value, and NPA.

Dutta and Basak (2008) proposed that Cooperative banks ought to improve their recovery execution by receiving a new system of computerized observing of advances, actualize legitimate prudential standards, and coordinate ordinary workshops to continue in the competitive banking climate. Chander and Chandel (2010) examined the financial productivity and practicality of HARCO Bank and discovered terrible showing of the bank on capital ampleness, liquidity, procuring quality, and the administration proficiency boundaries.

STRUCTURE OF INDIAN BANKING SYSTEM



Source: moneyworks4me

Urban Cooperative Banks in India: A Current Scenario and Future Prospects

The Banking business assumes a powerful function in the economic improvement of a country. The development story of an economy relies upon the heartiness of its banking industry. Banks go about as the store just as the force to be reckoned with of the country's riches. They acknowledge stores from people and corporates and loans to the organizations. They utilize the stores collected for gainful purposes which help in the capital arrangement in the country. Today, the Indian Banking System has known the world over for its strength. The Reserve Bank of India is the focal/summit Bank that controls the working of all banks working inside the country. The banking system, to a great extent, comprises of planned (banks that are recorded under the Second Schedule of the RBI Act, 1934). Unscheduled banks structure an exceptionally small component (work as Local Area Bank). Planned banks are additionally ordered into commercial and cooperative banks, with the essential contrast in their brief delay. Cooperative banks are cooperative credit organizations that are enrolled under the Cooperative Societies Act and work according to the cooperative standards of shared help.

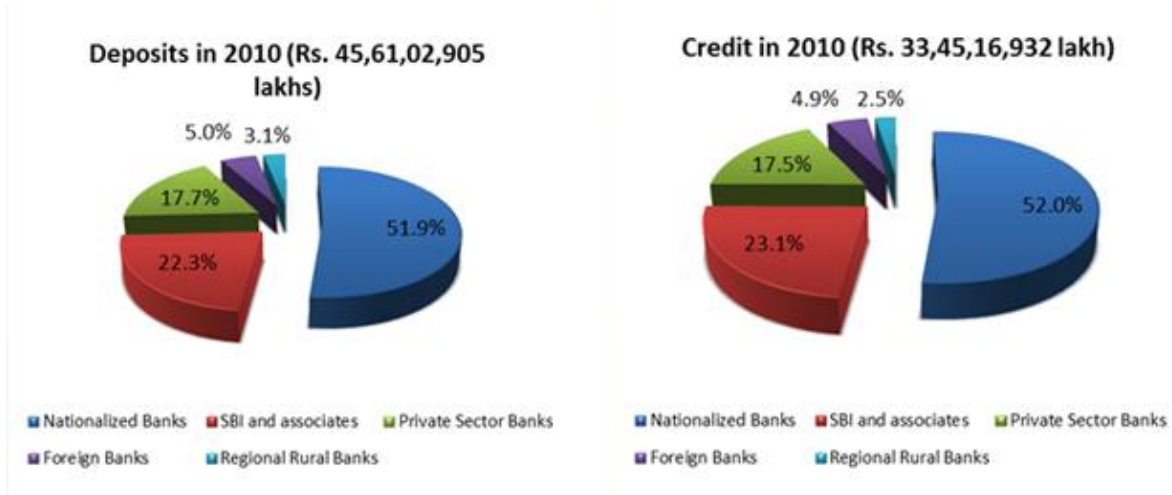
URBAN COOPERATIVE BANKS

Urban Co-operative Banks (UCBs), is the essential cooperative banks situated in urban and semi-urban regions. These banks were customarily fixated on communities, regions work spot, and gatherings. Till the year 1996, these banks were permitted to loan cash just for non-horticultural purposes. Be that as it may, this qualification doesn't hold today, their scope of activity has enlarged considerably. The Urban cooperative banking development in India, begun during the nineteenth century when enlivened by the achievement of the investigations identified with the cooperative second in Britain and the cooperative credit second in Germany.

MAJOR PLAYERS IN THE INDIAN BANKING INDUSTRY

Type of Commercial Banks	Major Shareholders	Major Players
Public Sector Banks	Government of India	SBI, PNB, Canara Bank, Bank of Baroda, Bank of India, etc.
Private Sector Banks	Private Individuals	ICICI Bank, HDFC Bank, Axis Bank, Kotak Mahindra Bank, Yes Bank etc.
Foreign Banks	Foreign Entity	Standard Chartered Bank, Citi Bank, HSBC, Deutsche Bank, BNP Paribas, etc.
Regional Rural Banks	Central Govt, Concerned St. Govt and Sponsor Bank in the ratio of 50:15:35	Andhra Pradesh Grameena Vikas Bank, Uttranchal Gramin Bank, Prathama Bank, etc.

Urban Cooperative Banks in India: A Current Scenario and Future Prospects



Before the finish of March 2015, there were 1,515 UCBs working in the country, of which the lion's share were non-planned UCBs. Co-operatives run to support a gathering of individuals from the co-operative body and disperse an extremely small segment of its benefit as profit, holding a significant segment of it in business. Since 2001, the sector has experienced a great deal of unrest because of different elements like arrangement of tricks, rising competition with the beginning of advancement, globalization, twofold control, low capital, a significant level of NPAs, helpless expert administration, nonappearance of current innovation in UCBs banking business, helpless administration and blunder, and so on All the nationalized banks and the private sector banks are commercial booked banks. There are State Co-operative Banks and District Central Co-operative Banks at the District level and Under the District Central Co-operative Bank, there are Co-operative Societies. As of now in India, the banks can be bifurcated into Public Sector Banks or Nationalized Banks, which are commercial and planned banks a portion of the instances of these banks are State Bank of India, Bank of India, and so on Public Sector Banks, which are co-operative and non-planned, are state possessed banks like the Maharashtra State Co-operative Bank, Junnar Co-operative Society and so on Private Sector Banks, which is commercial and booked, could be unfamiliar banks, just as Indian Banks. Model: Foreign Banks-CITI Bank, Standard Chartered Bank, and so forth.

The Urban co-operative banks mostly account to the different classes of individuals for independent work, ventures, small scope units, and home money. Though then again the country co-operative banks mostly money for horticultural exercises like cultivating, steers, milk, incubator, individual accounting, and some small scope businesses and independent work is driven exercises.

CONCLUSION

The Urban Co-operative Banks is a significant constituent of multi-organization banking system activity in the country. It gives financial serves to the individuals and non-individuals from urban and semi-urban regions. The primary issue in the thousand years is to reorient the structure working and the executives of the cooperative organizations. There should be an able activity program to give explicit guide focuses to the cooperative in the zones of polished skill and

Urban Cooperative Banks in India: A Current Scenario and Future Prospects

successful interaction of entombing cooperative relationship assembly of assets and improving investment of individuals in the dynamic cycle.

The disappointment of specific banks in accomplishing their goals can't be looked at as a disengaged issue. This overall inclination winning in the whole cooperative development and specific issues looked by PACs or affecting the advertising associations engaged with the cooperative development. The profoundly upsetting issue is mounting over-contribution. The raising over duty has incapacitated the whole credit structure, because of the absence of oversight and powerlessness of laborers to take care of their advances, which are the central point answerable for the mounting over the levy of disappointment banks. The advancing approach and structure should be updated for small miniature activities. The credit applications and undertakings should be checked cautiously by the cooperatives before the advance progression. Urban Cooperative Banking is a vital sector in the Indian Banking scene, which in the ongoing years has experienced a great deal of disturbance. In spite of the fact that some UCBs have indicated valid execution in the ongoing years, countless banks have given noticeable indications of shortcomings. The operational proficiency is inadmissible and described by low benefit, regularly developing non-performing resources (NPA), and generally low capital base. Likewise, urban cooperative banks have not had the option to support the developing credit prerequisites of customers or the more current requests for advances in the field of individual budgets. In light of a legitimate concern for solid competition, the urban cooperative banks should be encouraged to develop. Subsequently, a couple of rotten ones ought not to check the development of a key banking element.

REFERENCE

1. Government of India (1998): Report of the Committee on Banking Sector Reforms, RBI, Mumbai Reserve Bank of India (1999):
2. Government of India. Report of the Committee on Banking Sector Reforms, RBI, Mumbai Reserve Bank of India Report of the High Power Committee on Urban Cooperative Banks, RBI, Mumbai, 1998-1999.
3. Gupta J, Jain S. A study on Cooperative Banks in India with special reference to Lending Practices. International Journal of Scientific and Research Publications. 2012; 2:10.
4. Hajera Fatima Khan. Current scenario of urban cooperative banks in India, IJMRR/Oct. 2015/ Volume 8/Issue 10/Article No-3/27- 38.
5. Hough EM. Co-operative movement in India” Published by: Oxford university press, London, 1960.
6. Jawahar Babu KVSN. Performance evaluation of Urban Co-operative Banks in India”, IOSR Journal of Business and Management (IOSRJBM). 2012; I(5):28-30.
7. Khan HF. A critical study of the functioning of urban cooperative banks in Hyderabad. M. Phil, Thesis, Madurai Kamraj University, 2010.
8. Mithani DM, Gordon E. Banking and financial system published by, Himalaya publishing house 2008.
9. Ramesha K (2003): Co-operative Banking and Financial Sector Reforms in India Agenda for Future Research, International Conference on Mapping Co-operative Studies in the New Millennium, British Columbia Institute for Co-operative Studies,

Urban Cooperative Banks in India: A Current Scenario and Future Prospects

10. Ramesha K (2004): Economic Reforms and the Performance of Co-operative Sector in India – Lessons for Future, International Association for the Economics of Participation, 12th Biannual Conference, Saint Mary's University, Halifax, Canada, July 8-10, 2004
11. Ramesha K, Chipalkatti Niranjana and Rishi Meenakshi (2006): Who Failed Whom? An Empirical Assessment of Prudential Standards and Co-operative Banks in India, AEA-ASSA Annual Conference, January 6-8, 2006, Boston MA, USA
12. Rao KV, Nirmala D. (October-December). Performance Evaluation of Urban Cooperative Banks. *The Indian Journal of Commerce: Indian Commerce Association*, 2006, 36-50.
13. Report of the High Power Committee on Urban Cooperative Banks, RBI, Mumbai
14. Reserve Bank of India: Report on Trend & Progress of Banking in India (1993-94 to 2004-05), RBI, Mumbai
15. Shantanu Bose. Urban cooperative banks in India current scenario, *Abhinav International Monthly Refereed Journal of Research in Management & Technology*. 2014; 3:6.
16. Sudhakara Rao B, Suryachandra Rao D. Evolution of Urban Co-Operative Banks In India and Their Current Status. *Journal of Business and Management*. 2016; 19:7.
17. University of Victoria and International Co-operative Alliance, Victoria BC, Canada, May 28-31, 2003
18. Venkatesulu A. A Study on Urban Co-operative banks in India - Issues and Prospects *International Journals of Advanced Research in Computer Science and Software Engineering* ISSN: 2277-128X (Volume-8, Issue-4) 2015
19. Zulkhibri A Majid and Habibullah S Muzafar (2005): Determinants of 24 Deposit Taking Co-operatives' Failure in 1986: An Empirical Evidence, *Asian-African Journal of Economics and Econometrics*, Vol. 5, No 2, 2005

Acknowledgements

The authors profoundly appreciate all the people who have successfully contributed to ensuring this paper in place. Their contributions are acknowledged however their names cannot be mentioned.

Conflict of Interest

The author declared no conflict of interest.

How to cite this article: Kothari A. (2016). Urban Cooperative Banks in India: A Current Scenario and Future Prospects. *International Journal of Social Impact*, 1(2), 94-101. DIP: 18.02.016/20160101, DOI: 10.25215/2455/0101016