EMINENCE OF URBAN CO-OPERATIVE BANKS IN INDIA

Dr Mohana Krishna Irrinki
Assistant Professor, KL Business School,
Koneru Lakshmaiah Education Foundation, Vaddeswaram.
Mayur D Jain
Student, KL Business School, KLEF, Vaddeswaram
Yuval Jain
Student, KL Business School, KLEF, Vaddeswaram
Tushita Solanki
Student, KL Business School, KLEF, Vaddeswaram
Krupa Fadadu
Student, KL Business School, KLEF, Vaddeswaram

ABSTRACT

The Indian banking system had undergone several changes over the years and the Urban Cooperative Banks have significant place. The concept of cooperation was acquired from the European countries in the late 18th century with the motive of serving those segments of the society which are not covered by the financial institutions. The UCBs had undergone several changes due to the recommendations of various committees which are aimed at simplification and enhancement of the operations undertaken by these banks. These banks come under the supervision of both the Reserve Bank of India and the Registrar of Cooperative Societies of both the state and the central. The paper highlights the functions and significance of UCBs along with the evaluation of the financial position for a period of five years starting from 2015 to 2019. It is observed that the few states in the country have no presence of these banks and the NPAs are on the increasing side which is a warning to the banks. The return on assets, equity etc is on the lower side and the banks need to strive to improve their functioning. The status of the Scheduled Cooperative banks is compared to that of the total cooperative banks for the period of the study. Also the financial progress of one scheduled cooperative bank is analysed for this period. Few suggestions were embedded in the paper for enhancing the functioning of the UCBs and gain the confidence of the customers.

KEYWORDS: *Urban Cooperative Banks, Rural Development, Performance Evaluation, Reserve Bank of India, Scheduled Cooperative Bank.*

INTRODUCTION

In India the foundation for urban cooperative banking movement was laid in 1882 with the inspiration from the credit cooperative movement in the European countries like Germany, England etc. The jostle in the functioning of the Urban Cooperative Banks is to pool the savings from middle and low income segments hailing from the urban areas and channelizing these pooled savings towards the credit requirements of their members. The main objective of UCBs is to protect the middle and low class segments of the urban society from the clutches of money lenders and also strive for promoting the habit of savings among these segments of the society. This cooperative movement provided the thrifty sections of the society with an option to save and invest enabling the people to sustain any unseen tides of financial stress and strain. The motive of UCBs is to cater to the savings, credit, and other banking requirements of the middle class in the urban areas with the majority from segments like small business people, factory labour, and salaried employees' people with a limited fixed income in urban or semi-urban areas. UCBs identified the need of providing the products and services as per the customers' needs in order to sustain the prevailing competition in the banking sector (**Carter, 2010**). The banks can gain the confidence of the customers when the services are provided hassle free with special reference to the credit facilities at an affordable cost for the customers and also implement latest technology for better services (**Jyothi Gupta 2012**). The reach of UCBs had increased with the extension of services to the agricultural sector along with the small scale industries and the opinion among the customers that obtaining a loan from UCBs is easier when compared to other private sector banks is a positive sign for these banks (**Soyeliya Usha 2013**)

UCBs are to be registered with the State Cooperative Societies Act, 2002. The so registered entities are regulated as well as supervised by the concerned state Registrar of Cooperative Societies (RCS) or by the Central Registrar of Cooperative Societies (CRCS) depending on the geographical area of operations of the registered UCB. The UCBs are under dual control of state RCS or CRCS along with the Reserve Bank of India which is vested with powers to issue license under Section 22 & 23 of the Banking Regulation Act, 1949. The Reserve Bank of India under a separate independent department supervises and regulates the banking operations as per the Banking Regulation Act, 1949. The RBI's Urban Banks Department coordinates and functions along with the other regulators. The activities of the department are regulatory, supervisory and developmental. The guidelines pertaining to the issue of new bank license, expansion of branches to render the banking business at new places.

The present study is constructed in such way to analysis the performance of the UCBs over the period of five years starting from 2015 to 2019. The financial indicators are ascertained to know the present status of the UCBs in the country and the possible steps to improve the financial performance of these banks to safeguard the interest of the customers and in specific the depositors of the bank. The information used as part of this study is purely secondary data available on the Reserve Bank of India website and other relevant information sources are the internet, scientific journals, and research articles along with few books on banking.

OBJECTIVES

1. To understand the evolution of UCBs over the years.
2. To understand the Significance and Functions of UCBs.
3. To ascertain the status of UCBs in India over the period of 2015-2019.
4. To ascertain the status of Scheduled Cooperative banks to the UCBs in India.
5. To ascertain the status of select Schedule Cooperative Banks to the UCBs in India.

LITERATURE REVIEW

There are various phases through which the urban cooperative had passed over the years to emerge itself as a small sized bank with its operations spread across both the urban and non-urban areas. These banks are different from the rural cooperative banks as these works and known as the primary cooperative banks which have their operations in the urban and semi-urban banks catering to the needs of the segments of retain traders, professionals, small scale business units, salaried employees etc **(Ram Prakash, 2019)**. These banks are largely aimed at meeting the credit requirements of the Small and Medium Industries in their area of operations. These banks are a unique combination of the cooperation and banking going hand in hand and the basis of working is based on two tier system of operations along with the ideology of mutual consideration & help, self help and the basic principle of cooperation among the members **(Ravi B & Jayasheela G, 2016)**. These banks are showering helping hand to the urban informal sector that is deprived of credit facilities by the commercial banks as they are considered to be non-credit worthy **(Ramkumar K, 2003)**. There is continuous evaluation of the performance of these banks which are supported by the changes in the regulatory mechanism for the smooth functioning of the bank along with special emphasis on protecting the interests of all the stakeholders of the bank especially the customers who form the vital ingredient of the organization **(Balwinder Singh & Ruchika Soni, 2015)**. Statutory bodies had stipulated clear guidelines on the functioning of the bank, how the members are to be included into the cooperative society, various sources through which the funds can be raised, how the loan operations are to be carried out, what are the various banking facilities to be rendered along with the reforms that are to be carried out so that the banks can have healthy operations and balance sheet **(Mayilvaganan & Soundararajan, 2013)**. It is evident over the years that the operating environment in which these banks are operating need to be highlighted and continuous improvements are essential **(Venkateswara Kumar, Malla PS, Hanumantha Rao S, 2018)**. With the change in the operations, the implementation of technology in the basic banking operations is introduced to better serve the customers. Technological changes were implemented through Core Banking System, Mobile Banking, Electronic Funds Transfer, ATMs etc which are aimed at better serving the customers of the bank at an affordable cost **(Mohana Krishna Irrinki, 2019)**. Despite these advantages obtained by the bank with the implementation of the technology there are few challenges which are bundled with the implementation of the new technology like the security etc **(Mayilvaganan S, Soundararajan E, 2013)**. In addition to these technical advancements, it is also evident that emphasis needs to be on the location of the branch, security system in the branch, teller counters, suggestion box, cleanliness of the premises, parking space and regular customer meeting as these have significant influence on the satisfaction levels of the customers towards the banking operations and finally on the bank **(James Jacob, 2012)**.

Despite these efforts, it is being observed in the recent past that these banks are making more provisions for the bad debts dampening the profits of these banks. The attitudes of the employees towards the customers are contributing to the discomfort among the banks in addition to the increased political intervention in the operations of the banks, colluded attitude of the employees while disbursing credit (**Gaurav S, Krishnan J, 2017**).

EVOLUTION OF URBAN COOPERATIVE BANKS IN INDIA

Cooperative Bank is one variant of financial institution where the members of this entity are the owners as well as the customers. The functioning of these institutions is based on mutual co-operation & help, democratic mode of decision making, and open membership. UCBs are the primary co-operative banks whose operations are in the urban and semi-urban areas. Anyonya Sahakari Mandali is the first of its kind which started its operations in 1889 as a mutual aid society. The cooperative movement was pushed further with the enactment of the Co-operative Credit Societies Act, 1904. Further the evaluation of these banks and measures for strengthening were obtained through Maclagan Committee formed in 1915 which opined that these are vital in meeting the financial needs of the lower and middle income groups thereby inculcating the habit of savings and banking among them. These recommendations paved the path for the taking the urban cooperative credit movement in the long run. The proliferation of this sector started after 1966 when these are included under the regulation and supervision of the Banking Regulation Act, 1949 and subsequently several committees were initiated and their recommendations were implemented to strengthen the functioning of UCBs over the years. The government of India realized the significant role portrayed by the urban cooperative banking sector it has extended several measures for their benefit thereby enhancing the financial position of the urban and semi-urban poor. Some of the significant committees constituted by the government are Varde Committee (1963), Banking Enquiry Committee (1972), Joglekar Committee (1976), Madhavadas Committee (1979), Narasimham Committee (1991), Marathe Committee (1991), Madhava Rao Committee (1999), YH Malegam Committee (2011), High powered Committee on UCBs (2015).

UCBs come under the purview of State Registrars of Co-operative societies and the Central Registrar of Co-operative societies if the operations are spread across more than one state. They look after the aspects of incorporation, registration, management, amalgamation, reconstruction or liquidation while the Reserve Bank of India looks after the financial and banking operations. UCBs offer banking services such as the bank accounts, loans & deposits etc. The UCBs in India are perceived as the centers in line to communities, localities and work place groups. These lent money especially to the small scale business units and borrowers. With the dynamic changes observed in the banking sector the scope of operations also expanded considerably. These were permitted to disburse credit facilities only for the non-agricultural activities till 1996 and after that they extended their facilities to all the segments of the society as that of other commercial banks. Just like the rural poor there is existence of urban poverty which was ignored by the commercial banks especially in providing credit to the weaker sections living in the urban society. Eradication of the urban poverty attained nation importance and the UCBs were vested with the responsibility of

uplifting them by providing credit on priority basis especially to the trader, self-employed, artisan, mechanics, merchants, carpenters, blacksmiths, small transport operators etc.

The Reserve Bank has prescribed certain norms such as capital adequacy ratios, income recognition, loans and advances, exposures to sensitive sectors, asset classification, provisioning, exposure to single/group borrowers, investments, liquidity requirements, professionalism of management etc. RBI is entitled to conduct inspection of these banks and also obtain the periodical reports from these banks so as to safeguard the depositors and also streamline the operations of the banks and also eliminate the possibility of any financial risk arising out of the operations. RBI had also generated the operation manual, manual of instructions for UCBs, Job Cards, manual for on-site inspection of UCBs etc. RBI also imparts the required training facilities to the staff of UCBs so as to enhance their operational knowledge, skill and expertise.

CHARACTERISTICS AND FUNCTIONS OF URBAN COOPERATIVE BANKs IN INDIA

The important characteristics of any UCBs include: Transaction of banking activities as the principal business, minimum of one lakh rupees should be the paid up share capital for the members, and non permission of any other Cooperative society as their member. The major activities or functions of UCBs include the attraction of deposits from the customers thereby promoting thrift among the members as well as the non- members and also to provide credit facilities to the eligible customers. The primary function is to attract the deposits and thereby providing loans from the raised deposits, to provide vehicle loans, education loans, housing loans, micro credit etc. To promote cooperation, self-help mutual aid between the members of the society. To provide secondary functions such as safe deposit lockers, to collect, accept, purchase, discount, sell the bill of exchange, securities, drafts etc., safe custody of documents and valuables to their members, provision of other subsidiary services, providing necessary assistance for the traders and small business people, issue of letter of guarantee on behalf of the customers, investment of the available funds, recovery of money, sale of properties etc.

The UCBs are further divided based on their branch network. This is adopted by RBI to have differentiated regulatory regime. The UCBs are divided into Tier I and Tier II banks based on their branch network, level of deposits & advances, geographical area of operations. The revised guidelines stipulate the Tier I banks as those with deposits below Rs.100 crores and having a single branch (or) branches in more than one district in contiguous districts (or) branches in a single district at the initial stage and subsequently became multi-district due to reorganization of the district.

Another classification of the UCBs is based on their grading / ranking. The banks are classified as Grade I, II, III and IV or ranked as A, B, C and D. Grade I are the sound banks with satisfactory financial reports. They comply with the stipulated CRAR norms, they have less than 10 percent Net NPA, banks having net profit after allocation of the provisions for the bad loans, and proper maintenance of the prescribed CRR / SLR by the regulating authorities. Grade II are the banks if they convene any of: maintenance of less than 1 percent prescribed CRAR, Net NPA between 10 and 15 percent, incurred net losses after allocation of

the provisions for the bad loans, non maintenance of the prescribed CRR / SLR by the regulating authorities. Grade III banks are those which meet any of the two norms: maintenance of CRAR between 50 to 75 percent of the stipulated percentage, Net NPA between 10 and 15 percent, net losses for the bank in two out of the last three years. Grade IV banks are those whose CRAR is less than 50 percent of the prescribed levels, Net NPA is more than 15 percent and incurred net losses for the last three consecutive years.

FINANCIAL STATUS OF THE URBAN COOPERATIVE BANKS BETWEEN 2015 AND 2019.

In this section the progress of the Urban Cooperative Banks under various parameters were considered from 2015 to 2019 and their status were analyzed in this section. The priority sector lending by the UCBs, the distribution of the UCBs based on their respective Tier Categorization and Ratings were observed for the period of the study i.e 2015 to 2019. Along with these the financial ratios, the NPA position and the CRAR status of the Urban Cooperative Banks for the periods between 2015 and 2019 were analyzed. Finally the distribution of the UCBs across the states and union territories along with their ATMs, along with their Deposits and Advances were analyzed for the year ending March 2019. The Anova test was conducted on these parameters to ascertain the significance and relationship among the parameters under the consideration.

Table 1: Advances of UCBs to Priority Sector (2015 – 2019)   (Amt in Rupees Billion)

Item	2015	2016	2017	2018	2019
1. Agriculture [(i) + (ii)]	55.50	62.31	75.74	93.88	98.03
(i) Agriculture (Direct Finance)	21.17	23.76	32.19	40.85	72.95
(ii) Agriculture (Indirect Finance)	34.33	38.55	43.55	53.03	25.08
2. Micro and Small Enterprises [(i) + (ii)]	523.07	587.25	731.85	812.37	813.86
(i) Micro and Small Enterprises (Direct Finance)	433.79	487.01	576.10	641.00	700.20
(ii) Micro and Small Enterprises (Indirect Finance)	89.29	100.24	155.75	171.36	113.66
3. Micro Credit	48.86	54.86	108.19	110.76	218.21
4. State sponsored orgs for SC / ST	1.14	1.28	1.58	1.71	1.88
5. Education Loans	17.23	19.35	21.94	24.13	19.10
6. Housing Loans	229.04	257.15	252.93	264.86	227.22
7. Others	233.36	261.99	271.02	311.95	169.16
8. Total (1 to 7)	**1108.21**	**1244.18**	**1463.25**	**1619.66**	**1547.46**

Source: Compiled from RBI Website.

Figure 1: Advances of UCBs to Priority Sector between 2015 and 2019
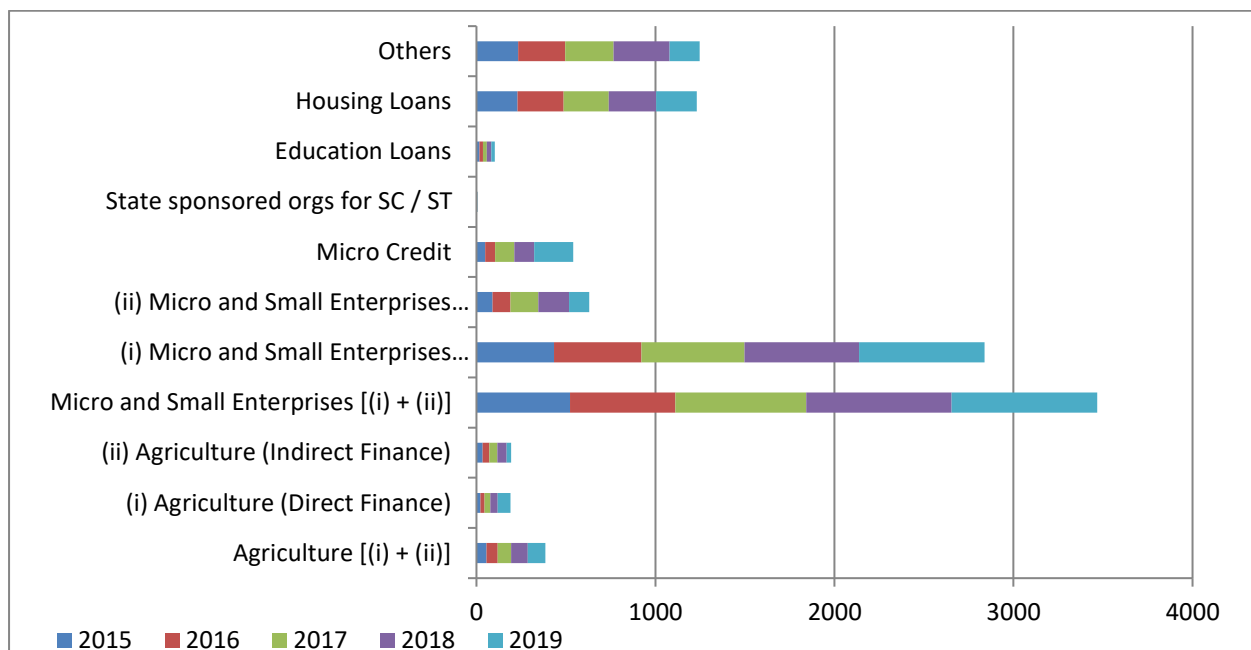
Source: Compiled from RBI Website.

Table 1 describes the credit disbursement of UCBs to the priority sector between 2015 and 2019. It is observed that there is continuous increase in the total amount of credit disbursed to the priority sector by the UCBs over the years. The total credit amount disbursed to priority sector was Rs 1108.21 billion in 2015 which rose to Rs. 1547.46 billion by 2019 registering a growth of 39.64 percent. The majority of the credit disbursement is for the *Micro and Small Enterprises* comprising of both the Direct and Indirect Finance followed by *Housing Loans, Micro Credit, Other Loans* and *Agriculture Loans*. Pertaining to the percentage of growth for each sector over the years, it is observed that the *Agricultural Loans* rose from Rs 55.5 billion in 2015 to Rs 98.03 billion by 2019 registering a growth rate of 76.63 percent followed by *Micro and Small Enterprise Loans* which rose from Rs 523.07 billion in 2015 to Rs 813.86 billion by 2019 registering a growth of 55.59 percent. Similarly the *Micro Credit* amounts rose from Rs 48.86 billion in 2015 to Rs 218.21 billion by 2019 registering a growth of 346.60 percent while the *State Sponsored Organizations for SC/ST* the amount rose from Rs 1.14 billion in 2015 to Rs 1.88 billion by 2019 with a growth rate of 64.91 percent. The *Education Loans* rose from Rs 17.23 billion in 2015 to Rs 19.1 billion by 2019 with a growth rate of 10.85 percent. *Housing Loans* rose from Rs 229.04 billion in 2015 to Rs 227.22 billion by 2019 registering a negative growth of 0.79 percent while there is substantial negative growth in the *Other Loans* which was at Rs 233.36 billion in 2015 which was declined to Rs 169.16 billion registering a negative growth of 27.51%.

Table 2: Tier and Rating wise distribution of UCBs and their respective Deposits and Advances from 2015-2019

Tier	No. of UCBs					Deposits					Advances				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
I	1132	1104	1083	1071	917	543.00	503.97	603.31	593.20	435.87	328.87	290.67	317.81	335.98	250.75
II	447	470	479	480	627	3008.34	3417.82	3831.38	3971.86	4407.28	1914.42	2159.46	2294.43	2469.03	2779.42
Total	1579	1574	1562	1551	1544	3551.34	3921.79	4434.68	4565.07	4843.15	2243.29	2450.13	2612.25	2805.01	3030.17

Rating	No of UCBs					Deposits					Advances				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
A	449	406	397	328	286	1490.85	1318.81	1442.74	1415.36	1396.95	942.85	816.77	824.32	892.57	886.40
B	791	824	828	878	913	1557.97	2103.46	2356.21	2520.40	2715.73	999.83	1349.53	1410.61	1561.83	1711.29
C	263	274	274	278	275	382.83	402.38	527.66	517.97	634.88	238.24	235.45	318.51	303.38	386.20
D	76	70	63	67	70	119.68	97.14	108.07	111.34	95.58	62.36	48.38	58.80	47.24	42.28
Total	1579	1574	1562	1551	1544	3551.34	3921.79	4434.68	4565.07	4843.15	2243.29	2450.13	2612.25	2805.01	3030.17

Source: Compiled from RBI Website.

Table 2 describes the Tier and Rating wise distribution of the UCBs over the period of study. Pertaining to the Tier wise distribution of the UCBs, it is observed that there is continuous decline in the number of Tier I branches from 1132 in 2015 to 917 branches in 2019. In contrary to this there is continuous increase in the number of Tier II branches from 447 in 2015 to 627 in 2019. Regarding the Deposits of the UCBs as per the distribution of Tier based, it is observed that there are between Rs 430 billion to Rs 600 billion in Tier I branches while the range in Tier II branches is between Rs 3000 billion to Rs 4400 billion. It is evident that majority of the deposits are from the Tier II branches despite the small number of branches when compared to Tier I branches. Regarding the Advances by the UCBs, it is observed that the Advances range between Rs 250 billion and Rs 340 billion in Tier I branches while the range is between Rs 1900 billion to Rs 2800 billion in Tier II branches. Same as the deposits the advances are more in Tier II branches despite their low number of branches.

Similarly the branches of UCBs are classified based on their ratings as A, B, C and D. It is observed that majority of the banks are in B category in the range of 790 to 915 followed by A and C in the range of 250 to 450 each while the least number of banks are in D category in the range of 60 to 75. Regarding the Deposits in the UCBs as per their Rankings, it is observed that A rated UCBs have deposits in the range of Rs 1300 billion to Rs 1500 billion while the B rated UCBs have deposits in the range of Rs 2000 billion to Rs 2750 billion and followed by C rated UCBs with deposits in the range of Rs 375 billion to Rs 650 billion and finally the D rated UCBs have deposits in the range of Rs 95 billion to Rs 120 billion. The B ranked UCBs has the highest amount of deposits in comparison to other ranked UCBs.

Pertaining to Advances in the UCBs as per their Rankings, it is observed that A rated UCBs have advances in the range of Rs 800 billion to Rs 950 billion while the B rated UCBs have advances in the range of Rs 950 billion to Rs 1750 billion and followed by C rated UCBs with advances in the range of Rs 225 billion to Rs 400 billion and finally the D rated UCBs have advances in the range of Rs 40 billion to Rs 65 billion. The B ranked UCBs has the highest amount of advances in comparison to other ranked UCBs.

It is evident that the B ranked UCBs have the highest number of banks and also that these are with the highest amount of Deposits and Advances when compared to other ranked UCBs during the period of study under consideration.

Table 3: Select Financial parameters of UCBs during 2015-2019

		2015	2016	2017	2018	2019
Financial Indicators	**Return on Assets**	0.84	0.79	0.77	0.74	0.74
	Return on Equity	9.91	9.26	9.09	8.65	8.66
	Net Interest Margin	2.97	2.95	2.79	2.92	3.12
NPAs	**Gross NPAs**	138.02	149.66	187.13	200.77	215.59
	Gross NPA Ratio (%)	6.15	6.11	7.16	7.16	7.11
	Net NPAs	61.05	50.97	67.93	73.54	74.20
	Net NPA Ratio (%)	2.84	2.17	2.72	2.75	2.57
	Provisioning	76.97	98.68	119.21	127.22	141.38
	Coverage Ratio (%)	55.77	65.94	63.70	63.37	65.58
CRAR	**CRAR < 3**	34	28	27	28	38
	3 <= CRAR < 6	15	15	10	8	7
	6 <= CRAR < 9	27	27	14	15	14
	9 <= CRAR < 12	198	192	160	152	156
	12 <= CRAR	1305	1312	1351	1348	1329
	Total	**1579**	**1574**	**1562**	**1551**	**1544**

Source: Compiled from RBI Website.

Table 3 describes the financial position of the UCBs with the help of select Financial Indicators, position of NPAs and CRAR for the period of the study. Pertaining to select financial indicators, the financial position is observed over three parameters namely the Return on Assets, Return on Equity and Net Interest Margin.

The Return on Assets was 0.84 in 2015 and continuous getting over the years and reached to 0.74 in 2019. Similarly the Return on Equity is getting reduced over the years from 9.91 in 2015 to 8.66 by 2019. The Net Interest Margin had moved from 2.97 in 2015 to 3.12 in 2019. This is a positive indicator for the UCBs while a negative sign for UCBs pertaining to Return on Assets and Return on Equity as these values are getting decreased over the years.

Non Performing Assets (NPAs) give us an idea of how the disbursed credits are performing. Lesser NPA means that the banks are performing well with the credit disbursed while the higher NPA levels imply that the credits disbursed by the banks are not performing well and are eating into the profits of the banks so as to cover these non performing assets. Over the years the Gross NPAs of the banks are increasing steadily which is not a good sign for the UCBs in particular and the economy in general. The Gross NPAs were at Rs 138.02 billion in 2015 which rose to Rs 215.6 billion by 2019. The Gross NPAs ratio was at 6.15 percent in 2015 which increased to 7.11percent by 2019. The Net NPA is arrived by deducting the provisioning for the assets from the Gross NPA. The Net NPAs were at Rs 31.05 billion in

2015 which increased to Rs 74.2 billion by 2019 and interms of the Net NPA Ration the value was at 2.84 percent in 2015 which rose to 2.57 percent by 2019. The provisioning for the bad debts stood at Rs 76.97 billion in 2015 which raised to Rs 141.4 billion by 2019 and interms of the Coverage Ratio it has increased from 55.77 percent in 2015 to 65.58 percent by 2019. These financial indicators are not that prospective for the UCBs functioning as these will negatively impact the overall financial strength of the banks.

The Capital to Risk weighted Assets Ratio (CRAR) determines the capacity of the bank in absorbing the risk. Higher CRAR indicates that the banks are better capitalized. The CRAR is arrived at by dividing the bank's capital to aggregated risk weighted assets. The aggregated risk includes the credit risk, operational risk and market risk. From the table it is observed that there are 34 UCBs whose CRAR is less than 3 in 2015 and the number varied over the years and reached 38 by 2019. This is not at all a good sign for the UCBs. There are 15 UCBs which have CRAR with more than 3 and less than 6 in 2015 which reduced to 7 UCBs by 2019 and similarly there are 27 UCBs in 2015 with CRAR greater than 6 and less than 9 which reduced to 14 UCBs by 2019. There are 198 UCBs in 2015 with CRAR greater than 9 and less than 12 and this number was decreased to 156 UCBs by 2019 and finally there are 1305 UCBs with CRAR greater than 12 and the number of UCBs was increased to 1329 in 2019 which is a good indicator. There are more than 95 percent UCBs which are maintaining CRAR of either equal to more than 9 which is the prescribed level by the Reserve Bank of India. The remaining 5 percent UCBs need to strive hard to maintain the prescribed CRAR level or the governing bodies need to take the measures to safeguard the interest of the depositors of these banks.

Table 4: Distribution of UCBs in States, Union Territory as on March 2019

State	UCBs	Branches	Ext Counters	ATMs	Deposits	Advances	Districts	Districts with UCBs	Districts without UCBs
Andaman and Nicobar	0	0	0	0	0	0	3	0	3
Andhra Pradesh	47	230	1	70	9040.09	6230.76	13	13	0
Arunachal Pradesh	0	0	0	0	0	0	25	0	25
Assam	8	25	0	0	768.12	390.38	33	6	27
Bihar	3	10	1	2	242.64	58.09	38	3	35
Chandigarh	0	0	0	0	0	0	1	0	1
Chhattisgarh	12	28	0	4	745.13	264.56	27	8	19
Dadra and Nagar Haveli	0	0	0	0	0	0	1	0	1
Daman and Diu	0	1	0	0	24.54	7.12	2	1	1
Delhi	15	98	1	33	4573.49	3671.34	11	11	0
Goa	6	149	3	71	4379.43	2742.68	2	2	0
Gujarat	219	1182	4	369	58010.29	38709.99	33	32	1
Haryana	7	32	1	19	1370.23	599.19	22	9	13
Himachal Pradesh	5	25	3	11	1162.80	788.22	12	9	3
Jammu and Kashmir	4	26	4	5	562.81	305.69	22	8	14
Jharkhand	2	6	0	0	138.17	51.79	24	2	22
Karnataka	263	1170	11	314	46772.58	30878.73	30	30	0
Kerala	60	483	1	86	15842.87	9978.37	14	14	0
Lakshadweep	0	0	0	0	0	0	1	0	1
Madhya Pradesh	49	110	1	38	3220.81	1698.52	51	25	26
Maharashtra	496	6245	83	3497	293296.07	181041.93	36	36	0
Manipur	3	10	1	1	334.96	124.00	16	3	13
Meghalaya	3	10	0	0	451.68	151.44	11	3	8
Mizoram	1	1	0	0	63.80	32.98	8	1	7
Nagaland	0	0	0	0	0	0	11	0	11
Odisha	9	32	4	0	1235.21	742.11	30	11	19
Puducherry	1	0	0	0	163.89	123.52	4	1	3
Punjab	4	22	1	9	1199.40	611.74	22	6	16
Rajasthan	35	224	4	45	7175.69	3896.20	33	24	9

Sikkim	1	5	0	0	59.01	18.37	4	2	2
Tamil Nadu	129	334	0	16	8314.04	5109.43	32	32	0
Telangana	51	211	4	154	7517.56	5592.65	33	24	9
Tripura	1	3	0	0	43.15	17.03	8	2	6
Uttar Pradesh	62	251	10	97	7148.56	3766.85	75	46	29
Uttarakhand	5	107	2	54	4851.78	2323.20	13	11	2
West Bengal	43	85	0	18	5607.01	3090.89	23	12	11
All India	**1544**	**11115**	**140**	**4913**	**484315.85**	**303017.76**	**724**	**387**	**337**

Source: Compiled from RBI Website.

ANOVA Test Result

Parameter	Mean	Std Dev		Sum of Squares	Mean Square	F	Sig.
UCBs	42.89	97.4	BG	332003.698	13833.487	19366.882	.000
			WG	7.857	0.714		
Branches	308.75	1055.03	BG	38954543.143	1770661.052	6798.956	.000
			WG	3385.607	260.431		
Extension Counters	3.89	13.81	BG	6669.889	303.177	695.523	.000
			WG	5.667	0.436		
ATMs	136.47	581.93	BG	11851468.472	538703.112	7493.997	.000
			WG	934.500	71.885		
Deposits	13453	49492.95	BG	85727292857.022	3896695129.865	7197.188	.000
			WG	7038448.622	541419.125		
Advances	8417.2	30679.85	BG	32942616382.897	1497391653.768	15732.358	.000
			WG	1237328.268	95179.098		
Districts	20.11	16.01	BG	8058.960	366.316	5.207	.002
			WG	914.595	70.353		
Districts with UCBs	10.75	12.26	BG	5250.893	238.677	529.746	.000
			WG	5.857	0.451		
Districts without UCBs	9.36	10.04	BG	2603.282	118.331	1.659	.174
			WG	927.024	71.310		

BG- Between Group, WG-Within Group. DF=11, 13, 22 & 24

Table 4 describes the distribution of the UCBs across the various states and union territories along with the data of ATMs, Advances, and Deposits etc. It is observed that there are seven states & union territories which are not having any presence of UCBs. Similarly there are 16 states & union territories which are having less than 10 UCBs in their respective territories. There are 6 states & union territories which are having between 11 and 50 UCBs in their respective states or union territories and there are 3 states & union territories which are between 51 and 100 UCBs. Finally there are 4 states & union territories which are having more than 100 UCBs in their states. It is evident that the highest number of UCBs is in the state of Maharashtra with 496 UCBs followed by Karnataka with 263 UCBs, Gujarat with 219 UCBs and Tamilnadu with 129 UCBs in their respective states. Regarding the branches, the highest number is in Maharashtra with 6245 followed by 1182 in Gujarat and 1170 in Karnataka. There are 9 states and union territories which are having between 100 and 500 branches and there are 12 UCBs which are having more than 10 and less than 100 branches and finally there are 12 UCBs which are having single digit number of branches.

There are 19 UCBs which are having more than one Extension branches in their branch network. Out of the Extension Counters the maximum of 83 are in the state of Maharashtra followed by 11 in Karnataka and 10 in Uttar Pradesh. The highest number of ATMs is located in Maharashtra with 3497 followed by 369 in Gujarat, 314 in Karnataka and 154 in Telangana. It is observed that there are 9 states which are not having any ATMs with them while 5 states are having single digit numbered ATMs, 12 states are having ATMs between 10 and 100. Pertaining to the number of districts in the states and union territories there are 724 districts of which 387 districts are covered by the UCBs while the remaining 337 districts are not covered by any UCBs.

The maximum deposits of Rs 293296.07 crores are in the state of Maharashtra followed by Rs 58010.29 crores in the state of Gujarat, Rs 46772.58 crores in Karnataka and Rs 15842.87 crores in Kerala. There are 4 states whose deposits are less than Rs 100 crores while 8 states are having deposits between Rs 100 crores and Rs 1000 crores. 8 states are having deposits between Rs 1000 crores and Rs 5000 crores while 6 states are having deposits in the range of Rs 5001 crores and Rs 10000 crores.

There are 6 states which are having the advances of less than Rs 100 crores followed by 10 states which are having deposits between Rs 101 crores and Rs 1000 crores, 7 states are there where the advances are between Rs 1001 crores and Rs 5000 crores and finally there are 4 states whose advances in UCBs are in the range of Rs 5001 crores to Rs 10000 crores. The highest amount of advances are in the state of Maharashtra with Rs 181041.93 crores followed by Rs 38709.99 crores in Gujarat, Rs 46772.58 crores in Karnataka and Rs 15842.87 crores in Kerala.

The ANOVA test is conducted on the factors to ascertain the relationship with the states. It is observed that the factor *Deposits* has the highest mean of 13453 and highest standard deviation of 49493 indicating that this factor has significant influence on the remaining factors considered under the construct. It is evident that the factors, *UCBs, Branches, Extension Counters, ATMs, Deposits, Advances, Districts* and *Districts with UCBs* are found to have significance relationship at $p < 0.05$ while the only factor *Districts without UCBs* is found to have no significance at $p < 0.05$ at the degree of freedom of 11, 13, 22 and 24.

SUGGESTIONS

There is utmost need for the UCBs to cater to the needs of their customers in the ongoing competitive environment. The products, services, policies of the UCBs should be customer centric, aim to retain the existing customers be and also attract new customers. Delivery system should prompt and there is need to reduce the transaction costs involved in providing the services. The UCBs should strive to adhere to the statutory requirements stipulated by the regulatory authorities otherwise there is every possibility of losing the confidence of all the stakeholders. It is observed that there is continuous rise in the bank NPAs which should be controlled. Proper care to be taken while disbursing the credit to the customers otherwise the fate of the depositors will be at serious stake. There is acute need to provide continuous training facility to the staff so as to serve better for the customers and these are the direct connectivity between the bank and the customers. Stringent vigilance and action are required against any frauds so as to attain the confidence of the customers. Proper evaluation of the places is required for opening of branches rather than openings in unprofitable areas. The ambience of the branches along with the securities of the branches is to be improved to attract the customers. Adoption of new technology is required to fasten the services of the bank and also reduce the transaction costs for them which are advantageous for both the bank and the customers. Reserve Bank of India and other regulating bodies should ensure that the UCBs are free from the stiff competition from other scheduled commercial and other modern type of banks.

CONCLUSION

There are efforts by all the stakeholders of UCBs to create awareness about the inclusion into the formal financial system and the success of UCBs depends on the quality of services rendered to the customers, professionalism of the management, adoption of advanced technology to better reach the customers, continuous efforts to redesign their strategies so as to reach larger satisfied customer base. It is observed that there is increase in the operational efficiency of the UCBs in terms of the deposits; advances, customer base etc are considered over the years. Despite these growth parameters there is continuous rise in the NPAs causing concern for the management, regulators. Steps should be taken such that proper diligence is conducted prior to the disbursement of credit.

ABBREVIATIONS

UCBs – Urban Cooperative Banks   NPA – Non Performing Assets
RBI – Reserve Bank of India   RCS - Registrar of Cooperative Societies
CRCS - Central Registrar of Cooperative Societies

REFERENCES

- Ramesh B., Patel MR. (1999). Performance evaluation of Urban Co-operative Banks in India, *Asian Economic Review*, 41 (2), 323-330.

- Ramkumar, K. (2003). Urban Cooperative Banks, *Banking Finance,* XVI (2), 81-90.

- Asthana, AK. (2007). Performance and Problems of Urban Cooperative Banks in India, *Proceedings and Papers of 24th Annual National Convention, Pune: Indian Societies for Studies in Cooperation*, 32-39.

- James, Jacob. (2012). Corporate Governance in Urban cooperative Banks – The New Mantra for Greater Efficiency and Customer Satisfaction, *The Indian Journal of Journal of Commerce*, 65 (2), 128-133.

- Mayilvaganan, S., Soundararajan,E. (2013). Urban Co-operative Banks in India – An overview, *Indian Journal of Research,* 2 (8), 42-44.

- Balwinder, Singh., Ruchika, Soni. (2015). Customer Satisfaction in Urban Cooperative Banks, *International Journal of Research in Finance and Marketing,* 5 (8), 26-32.

- Ravi, B., Jayasheela, G. (2016). Technology Innovations towards customer service in Urban Co-operative Banking – A case study of Haveri Dist (Karnataka), *International Journal of Creative Research Thoughts,* 4 (2), 214-225.

- Gaurav S., Krishnan J. (2017). How efficient are India's Cooperative Banks? Evidence from DCCBs, *Economic and Political Weekly*, 52 (12), 115-124.

- HemaDivya K., Reddy K., Kota S. (2018). A study on effectiveness of Indian banking ombudsman, *International Journal of Mechanical Engineering and Technology*, 9(5), PP. 267-274.

- Sreeram Kumar G.V., Madhav V.V. (2018). A cost perspective of shift to digital banking in India, *Journal of Advanced Research in Dynamical and Control Systems*, 10 (8 Special Issue), PP. 142-145.

- Venkateswara Kumar K.S., Malla P.S., Hanumantha Rao S. (2018). Changing trends of service quality in Indian banking industry, *Journal of Advanced Research in Dynamical and Control Systems*, 10(8 Special Issue), 374-378.

- Subrahmanyam K.S.L.N.S., Murthy A.V.N. (2019). Technology on the banking industry operations & its impact, *International Journal of Recent Technology and Engineering*, 8(2), 1-5.

- Mohana Krishna Irrinki. (2019). Myths of Cashless Transactions in India, *Journal of Information and Computational Science*, 9(7), pp.133-142.

- Suma Vally K., Deepa E. (2019). A study on technology adaptation in Indian banking, *Journal of International Pharmaceutical Research*, 46(5), PP.14-18.

- Swapna Sabari S., Kamesh A.V.S. (2019). Role of training in information technology in enhancing employee efficiency in banking sector in India, *International Journal of Innovative Technology and Exploring Engineering*, 9(1), 4252-4256.

- Ram, Prakash. (2019). Evaluation and Analysis of Profitability of Urban Co-Operative Banks: A case study of Uttar Pradesh, *International Journal of Recent Scientific Research,* 10 [6(E)], 32994-33002.

- Subrahmanyam K.S.L.N.S., Murthy A.V.N. (2019). Major determinants of profitability in banking industry (An empirical research), *International Journal of Innovative Technology and Exploring Engineering*, 8(10), PP. 4499-4511.
- Sastry S.V.N.M., Murthy A.V.N. (2019). Role of information technology in Indian banking sector developments, *International Journal of Engineering and Advanced Technology*, 8(5), PP.1522-1526.
- Adinarayana P.J., Kishore Babu B. (2019). Modern techniques of promoting the banking financial services and insurance (BSFI), *International Journal of Innovative Technology and Exploring Engineering*, 8(10), PP.1715-1719.
- Mohana Krishna Irrinki (2020). New League of Banking in India with Small Finance Banks, *Test Engineering & Technology*, 82 Jan/Feb, 125-135.
- Reserve Bank of India, http://www.rbi.org.in