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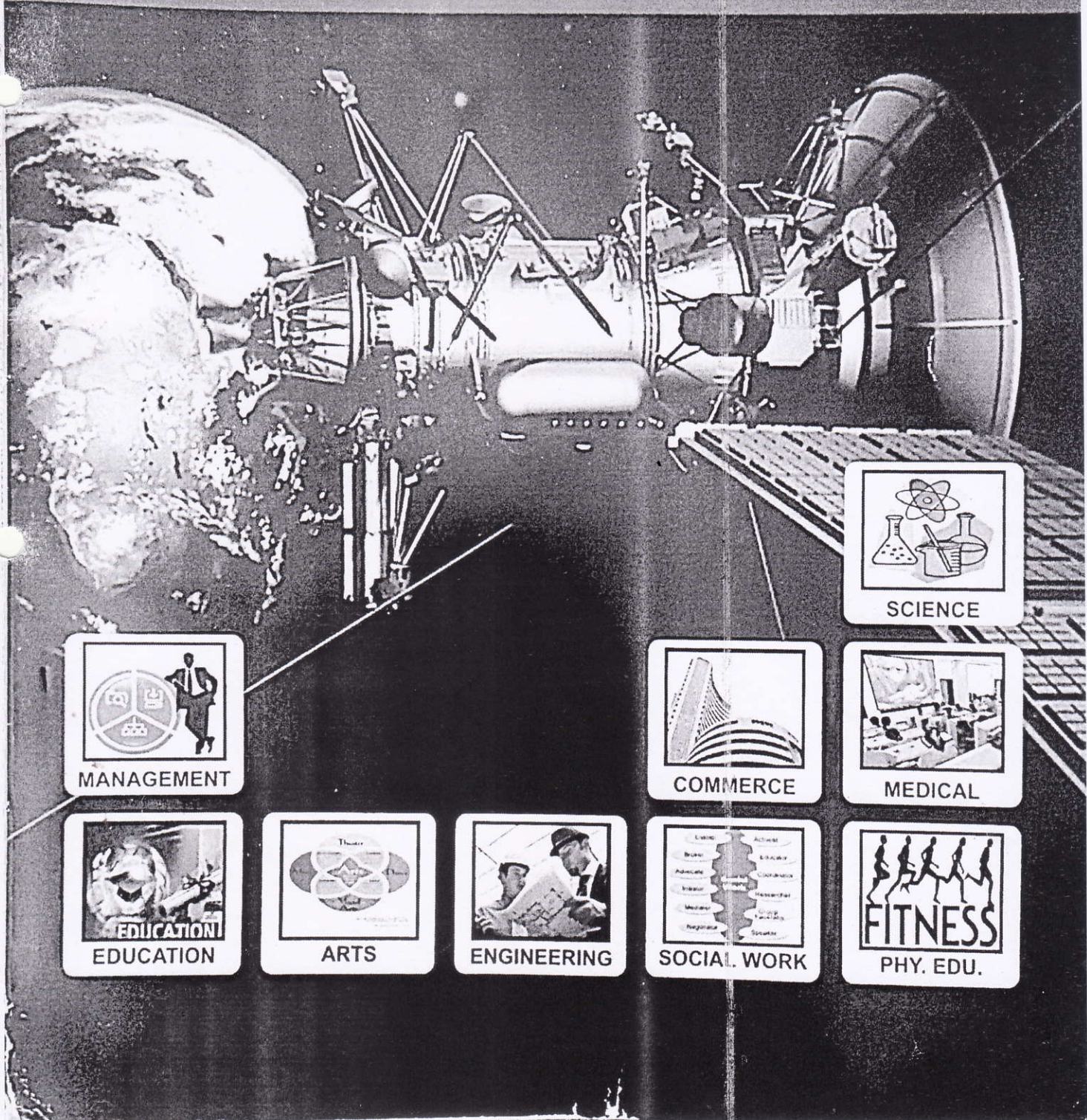
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"An In-depth study on Cooperative Sector Banks and their Financial Performance in Gujarat"

Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and rural indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. At present there are several cooperative banks which are performing multipurpose functions of financial, administrative, supervisory and development in nature of expansion and development of cooperative credit system. The study of the bank's performance along with the lending practices provided to the customers is herewith undertaken.

Key Word: Cooperative Banks, Loaning Practices, Financial Performance

1. INTRODUCTION

Co-operative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centred on communities, localities and work place groups and they essentially lend to small borrowers and businesses. The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas. These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a Gujarat State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agriculturally based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small-scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of

people for self-employment, industries, small scale units and home finance. The sebanks provide most services such as saving and current accounts, safe deposit lockers, loan or mortgage stop private and business customers. For middle class users, for whom a bank is where they can save the money, facilities like Internet banking or phone banking are not very important. Although they are not better than private bank since most facilities provided, their interest rate are definitely competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult.

2. OBJECTIVES OF THE STUDY

1. To know the lending practices of cooperative banks in Gujarat.
2. To measure and compare the efficiency of Cooperative Banks of Gujarat.
3. To study the impact of size on the efficiency of the Cooperative Banks.
4. To suggest the appropriate measures to improve the efficiency of the Cooperative banks.

* Research Scholar- Hemchandracharya North Gujarat University, Patan

** Research Supervisor - Principal. Shri V. R. Patel College of Commerce Mehsana

3. REVIEW OF THE LITERATURE

Various studies conducted and numerous suggestions were sought to bring effectiveness in the working and operations of financial institutions.

Narsimham Committee (1991) emphasized on capital adequacy and liquidity, Padamanabhan Committee (1995) suggested CAMEL rating (in the form of ratios) to evaluate financial and operational efficiency, Tarapore Committee (1997) talked about Non-performing assets and asset quality, Kannan Committee (1998) opined about working capital and lending methods, Basel committee (1998 and revised in 2001) recommended capital adequacy norms and risk management measures. Kapoor Committee (1998) recommended for credit delivery system and credit guarantee and Verma Committee (1999) recommended seven parameters (ratios) to judge financial performance and several other committees constituted by Reserve Bank of India to bring reforms in the banking sector by emphasizing on the improvement in the financial health of the banks. Experts suggested various tools and techniques for effective analysis and interpretation of the financial and operational aspects of the financial institutions specifically banks. These have focus on the analysis of financial viability and credit worthiness of money lending institutions with a view to predict corporate failures and incipient incidence of bankruptcy among these institutions. Campbell (2007) focused on the relationship between nonperforming loans (NPLs) and bank failure and argued for an effective bank insolvency law for the prevention and control of NPLs for developing and transitional economies as the sector has been suffering severe problems due to NPLs.

4. RESEARCH METHODOLOGY

4.1 Type of Research

Descriptive research is used in this study in order to identify the lending practices of bank and determine customer's level of satisfaction. The method used was questionnaire and interview of the experienced loan officers.

4.2 Collection of data

4.2.1 Secondary Data: This research paper is based on only secondary data derived from;

- a. Annual reports of the cooperative bank
- b. Manual of instructions on loans and advances
- c. Books
- d. Articles and Research Papers
- e. Internet

5. RESULTS

The financial performances of Urban Cooperative Banks (UCBs) improved in 2015-20 though there are some concerns with regard to some of the UCBs reporting negative CRAR. Within the rural cooperative sector, State Cooperative Banks (StCBs) and District Central Cooperative Banks (DCCBs) reported profits but the ground level institutions, i.e., Primary Agricultural Credit Societies (PACS) continued incurring huge losses. The financial performance of long-term cooperatives was found to be even weaker than their short-term counterparts. Also, it was observed that the branch network of cooperatives, though widespread across the country, continued to be concentrated in certain regions. Moreover, the network of cooperatives was not broad based in the north-eastern region of the country. This suggests that efforts need to be taken to improve banking penetration in the north-eastern part of the country along with improving the financial health of the ground level cooperative institutions.

6. INCREASED INTER-LINKAGES BETWEEN UCBS AND COMMERCIAL BANKS

In recent years, the integration of cooperative banks with the financial sector has increased following the inclusion of UCBs in Indian Financial Network (INFINET) and Real Time Gross Settlement System (RTGS) from November 2010. Further the annual policy statement of the Reserve Bank for 2010-11 envisages inclusion of financially sound UCBs in the Negotiated Dealing System (NDS) and opening up of internet banking channel for UCBs satisfying certain criteria. An analysis of deposits and advances base wise distribution of UCBs revealed that banking business was predominantly concentrated in favour of larger UCBs. UCBs with larger deposit base

(more than or equal to '500 crore), though accounted for only 4 per cent of total number of UCBs, contributed almost 53 per cent of total deposits. Balance sheet of UCBs expanded at a rate of 15 per cent at end-March 2020 over the previous year. This expansion in balance sheet was largely attributed to borrowings on the liabilities side and loans and advances on the assets side.

7. PROBLEMS FACED BY COOPERATIVE BANKS

- The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit
 - Limited ability to mobilize resources. ii. Low Level of recovery.
 - High transaction of cost.
 - Administered rate of interest structure for a long time.
 - Due to cooperative legislation and administration, Govt. interference has become a regular feature in the day-to-day administration of the cooperative institution. Some of the problem area that arises out of the applicability of the cooperative's legislative is:
 - Deliberate control of cooperatives by the government. Nomination of board of director by the government. Participation of the nominated director by the government.
 - Deputation of government officials to cooperative institution etc.
3. The state cooperative banks are not able to formulate their respective policies for investment of their funds that include their surplus resources because of certain restrictions.
 4. Prior approval of RBI is mandatory for opening of new branches of SCBs. The SCBs are required to submit the proposal for opening of new branches to RBI through NABARD, whose recommendation is primarily taken into consideration while according permission.

8. SUGGESTIONS

- The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc.

- The bank should plan to introduce new schemes for attracting new customer and satisfying the present ones.
- The banks should plan for expansion of branches.
- The banks should improve the customer services of the bank to a better extent.
- Easy repayment and fewer formalities are the main factors determining customer's selection of loans.

9. LIMITATIONS OF THE STUDY

1. The study is based on the data of 2015-20 years only.
2. The secondary data for study mainly consider from Annual Report.
3. The time period of the research paper is limited.

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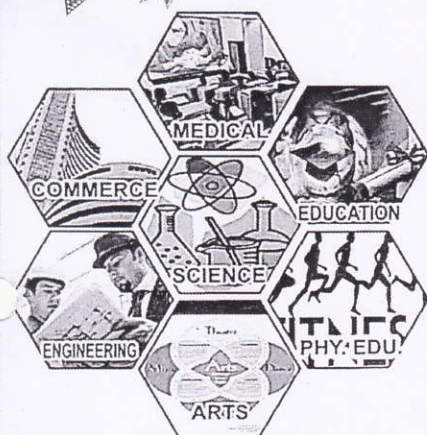
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in Published His / Her Articles Entitled "An In-depth study on
Cooperative Sector Banks and their Financial Performance
in Gujarat"

& has got Published In Our An International Quarterly Multi
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We Wish Him A Great Success.

Dr. Dignat D. Oza
Dr. Dignat D. Oza
Chief Editor