

Evaluation of Operational Efficiency and Productivity of Urban Co-Operative Banks in Uttar Pradesh, India

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ABSTRACT

Urban co-operative banks have very much importance in sustainable development. Without the help of co-operative banks, millions of people in India would be lacking the much needful financial support. Urban Co-operative Bank (UCBs) is very important role for the sustainable development of India. UCBs through various facilities provided to the society. This bank has also financially helped for various sectors. i.e. Education, Health, Social Work, Agriculture, Rural Development, Wedding Function, Cottage and Small Scale Industries, Retail Traders, Wholesale Trade etc. The banks also finance the weaker sections of the society. This research paper analyses and evaluates the UCBs's recovery performance, over dues position and inter-bank differentials of operational efficiency and productivity.

Introduction

Urban Co-operative banks mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. These banks organize on a limited liability basis; generally extend their area of operation over a town. The main functions of these banks are to promote thrift by attracting deposits from members and non-members and to advance loans to the members. It was register under Co-operative Societies Act of the respective State Government. Prior to 1966, Urban Co-operatives were exclusively under the purview of State Government from March1, 1966 certain provisions of Banking Regulation Act have been made applicable to these banks. Consequently, the RBI become the regulatory a supervisory authority of Urban Co-operative Banks for their related operations. Managerial aspects of such banks continue to remain with State Governments under the respective Co-operative Societies Act. These banks with multi-presence regulated by the Central Government and registered under Multi-State Co-operative Societies Act. The RBI extends refinance to Urban Co-operative Banks at bank ate against their advances to tiny and cottage industrial units. These banks grants sizeable loans and advances under priority sector for lending to small business enterprises, retail trade, road and water transport operators and professional and self-employed persons. Urban Co-operative banks are mostly located in towns and cities and cater to the credit requirement of the urban

Cooperative endeavour is not an alien phenomenon to India. Kautilya, in his Arthashastra described, "Guilds of workmen as well as those who carry on any cooperative work shall divide their earnings either equally, or as agreed upon among themselves." The cooperative credit movement in modern India, Curiously, is a state initiated movement. The then State regime, though it had an unbending political dispensation towards native subjects, had taken a lead to create an institutional credit structure essentially to cater to the needs of farmers and lower income groups. It is further

interesting to note that cooperative initiative so taken was perhaps the first ever attempt towards micro credit dispensation in India.

The origin of Urban Credit Movement in India can be traced to the close of the nineteenth century. Some middle class Maharashtrian families settled in the erstwhile Baroda State ventured to organize a mutual credit society in Baroda on 5th February, 1889. Later on, with the passing of Cooperative Credit Societies Act of 1904, the credit societies acquired a legal status. This encouraged the formation of Cooperative Credit Societies but initially the formation was on a very modest scale. The first registered urban co-operative credit society was organized in Kanjeevaram town of the then Madras Presidency.

Realising the need for strengthening such institutions a committee under the chairmanship of Mr. Maclagan was appointed in 1915 to review their performance and suggest measures for strengthening them. It was observed that a good number of persons were indebted to money-lenders who charged very high rates of interest. The borrowers once in debt remained always in debt and on the other hand the money-lenders continued to thrive. A situation of this type was neither conducive to the development of the society nor in the individual interest as well as the country at large. The Maclagan Committee realized that Cooperative Credit Societies were the appropriate answer to the problem for those who were under the clutches of money-lenders. The basic idea was that by forming a Cooperative Credit Society, the members (of the society) shall pool their resources and these resources could be lent to the needy members at reasonably low rate of interest.

Urban Co-operative Banks in Uttar Pradesh

In Uttar Pradesh, most of the (UCBs) are small entitles, having a district or town as their permitted area of operation. The RBI is primarily responsible for these banking related functions like interest rates, credit and loan policies, investment decision etc. However, in practice, there has been a

lot of overlapping on their control, e.g. administration, recovery of loans, decisions regarding deployment of funds etc. are purely banking related functions and come under the control of the RBI, but the Register also has his direct say and interference in this regard. The efficiency and productivity of these banks can be increased only by well trained and efficient staff because it reduces their non performing assets and may improve their Credit Deposit Ratio. Therefore, the scope of training and development of their staff assumes high importance for UCBs in the State.

Objectives of the study:

Following are the objectives of the research paper:

1. To take the information about state-wise UCBs in India.
2. To study the role of Urban Co-operative Banks in sustainable development of India.
3. To study the financial performance of Urban Co-Operative Banks in India.
4. To analyse and evaluate their recovery performance, overdue position and inter-bank differentials of operational efficiency and productivity.
5. To give suggestion for improvement in productivity of UCBs in UP.

Research Methodology:

This research paper is based on both primary as well as secondary data. The primary data have been collected through field visit, analyzing relevant financial statements, reports and return, as well as personal interviews. Interviews of different executives and officials of some selected UCBs have been conducted on the basis of the requirement of data and information and more commonly for removing the confusions regarding the working of UCBs. The researcher did not believe in preparing and sending the questionnaires by post because their response was generally poor and incomplete. Therefore, it was thought proper to approach some selected UCBs as per convenience of the researcher and collected necessary data and information on interviewing the bank executives and officials.

The secondary data have been collected from the office of Registrar, Co-operative Societies, Lucknow; Urban Banks Department of RBI; National Federation of Urban Cooperative Banks and Credit Societies Ltd., (NAFCUB), New Delhi; Uttar Pradesh Cooperative Banks Federation Ltd., Lucknow and also from different reports and return of different UCBs in U.P. Any published material available on the subject has also been used for the purpose of the researcher in hand.

The collected data and information have been properly processed by preparing suitable tables. For the purpose of evaluating the efficiency and productivity of UCBs, the parameters like Productivity with sub-parameters, like wage productivity, recovery of advances, cash management, i.e. ratio of cash in hand to deposits and credit-deposit ratio has been used.

Analysis of Efficiency and Productivity of Urban Co-Operative Banks:

Training and Development of Staff of UCBs:-

UCBs in the State of U.P. have enough arrangements to

provide education and banking to their members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperative units. It is universally recognized that the cooperative movement in all its facets is dependent on education and training of its members. The I.C.A. commission (1966) recommended that "All cooperative societies should make provisions for the education of their officers and employees. Education, training and development are correlated and interdependent, without one the other cannot be possible. If education develops mental faculties and increases knowledge, training chisels it and levels it. If education sharpens the intellectual, broadens the vision and builds up character, training gives a practical shape and furthers the progress of education. Both education and training are, therefore, essential for the proper development of any Bank's staff. The growth, profitability and success of the UCBs are essentially dependent on the general education and training of the members on the one hand, and their education in cooperative principles and training in cooperative methods on the others.

Staff and Officers Training:

As consequence of the recommendations of the various committees, training facilities were provided in some states. It was, however, only after independence that serious thought to the problem of cooperative training was given and in 1947 a cooperative training college was set up at Poona by the Bombay Provincial Cooperative Institute.

In 1962, the R.B.I. on the advice of the Standing Advisory Committee on Agricultural Credit, introduced a scheme of assistance in the Cooperative Training College, Poona under which a short-term course of training for senior Cooperative Bank staff was started. The First course commenced in April, 1952.

In November 1953, the Government of India and the Reserve Bank of India jointly constituted the Central Committee for Cooperative Training. It was a high level agency for promoting cooperative education and training in the country. The central committee classified trainees into higher, intermediate and subordinate categories. For giving training to the higher officers in charge of direction and control at district level or above and also the executives in cooperative institutions at district level or above, the Poona College was expanded. For the training of intermediate staff, 5 regional training centers were set up at Madras, Poona, Ranchi, Meerut and Indore. Besides, the Central Committee also set up 8 Block level cooperative officers Training Centers at Gopalpur, Bhavnagar, Kalyani, Kota, Faizabad, Hyderabad, Tirupati and Patiala. The capacity of each training centre was to train about 100 candidates in one course of 11 months. Special short-terms course in marketing and land mortgage banking were introduced at some of the centers. For the training of subordinate cooperative personnel, such as junior auditors, supervisor, salesmen, various state governments in consultation with the Central committee, started junior training centers at suitable places. The above facts make it clear that on the recommendation of the Central Committee on cooperative Training enough efforts were made in the State of Uttar Pradesh. It includes one Regional Training Centre at

Meerut, one Block level Officers training centre at Faizabad and many junior level Training Centers.

Training by the R.B.I.

During 1975-76, R.B.I. introduced a course at its Banker's Training College, Bombay for the managers of the Cooperative Banks. The college has since been shifted to Poona. The course is intended to equip the managerial personnel of cooperative banks with upto date knowledge of practices and procedures of modern banking. The college is also conducting a course for the officers of the urban cooperative banks in which training in inspection techniques and procedures is provided. Even today, UCBs officers are sent to Poona for such training courses and refresher courses from amongst the UCBs in U.P.

Training Arrangements in Banks

A working group appointed by the Reserve Bank of India in September 1982 (Kashbekar Committee) reviewed the training arrangements in banks and at the apex level. The training strategy recommended by the Group was accepted by the Reserve bank of India in principle. Subject to marginal involvement of industry level institutions viz. Bankers Training College, College of Agricultural Banking and National Institute of Banks Management, training up to the middle management level was considered to be the responsibility of the banks themselves in their own institutions.

In the light of deliberation at the workshop held in Bankers Training College, Mumbai in October 1990, certain guidelines covering different aspect of training in banking industry were advised by the RBI to all banks in December 1991, with a request to review in details their prevailing training arrangement and take appropriate measures for suitably strengthening the training structure, so as to make training system a more effective instrument of development of their human resources.

Management of Training at Banks Training Institutions

A Standing coordination committee under the chairmanship of the Deputy Governor of Reserve Bank of India Coordinates, monitors and guides the training arrangement in Banks on an ongoing basis viz.:-

- i) Assessment of Training needs, strategies for meeting these needs and preparation of calendar of programmes;
- ii) All urban banks formulates "Training Policy" indicating the periodicity of training for different categories of staff and types of training to be imparted. The four broad types of trainings are arranged viz.:
 - (a) Induction and Refresher Course,
 - (b) Functional Programmes such as Credit, International banking, Foreign exchange, Human Resources Management and Development etc.
 - (c) Crash programmes for contingency demands, like service area approach, housing finance etc., and
 - (d) Futuristic orientation programmes for emerging possibilities, like financial innovations, investment ranking, securitization, leasing, hire purchase, factoring, computerization etc;
- (iii) While preparing the calendar of programmes, the

banks should ensure that the capacity is fully utilized and nominations for each programme are effectively ensured through careful advance planning, prompt substitute arrangements for drop outs, etc;

- (iv) The training colleges of various banks attempt to coordinate their efforts especially in the following areas:
 - (a) Exchange of training material including video programmes,
 - (b) Trainers meet for sharing information about innovative programmes.
 - (c) Exchange of faculty, and
 - (d) Selection, development and utilization of faculty.

Training Institutes

For the development of the employees and officers, so many management institutions are running e.g. Regional Institute of Cooperative Management, Bangalore National Council for Cooperative Training (NCCT), New Delhi, has been permitted by the all India Council of Technical education, New Delhi and Government of Karnataka to conduct full MBA courses commenced from the academic year 1999-2000. The institute is affiliated to Bangalore University. Similar courses have been introduced in so many cooperation management training institutes in different states in the country, though they are more in number in Maharashtra and Tamil Nadu.

In U.P. there were two such institutes being at Dehradun and Lucknow, but after the separation of Uttaranchal from U.P., there remains only one such institute in U.P. which is institute of Cooperative Management Rajajipuram, Lucknow, 226017.

Besides, the Regional officers and federations are also contributing for the Training and development of staff and officers for the purpose. There are a good number of institutes in different parts of the country, out of which following are in U.P.

1. Uttar Pradesh Sahkari Kisan Bhavan, 2, Mahatma Gandhi Marg, Lucknow-266001.
2. Uttar Pradesh Urban Cooperative Banks Federation Ltd., 6-B, Park Road, Jaiswal Complex (2nd floor), Lucknow -226001, U.P.
3. National Federation of Urban Cooperative Banks and Credit Societies, Ltd. New Delhi (for U.P. Only).

The College of Agriculture Banking, RBI, Pune has reported that there is a lack of Proper response from most of the urban Cooperative Banks resulting in under-utilization of capacity, Banks have been advised to make full use of the college to build up necessary up graduation of skills and expertise among the staff by means of adequate training. The Reserve Bank has advised the urban banks to depute more staff and ensure that majority of the staff in the banks is exposed to training. The position in U.P. is rather worse in comparison to Maharashtra and Tamil Nadu. The UCBs in U.P. should depute their executives and other staff for necessary training courses like credit management, land mortgage lending, leasing etc. It is necessary to improve the efficiency and productivity of UCBs in U.P.

With a view to encourage the banks to depute maximum

number of staff for the training, The Reserve Bank has reduced the participation fee as detailed below:²

Rupees per Work per Participant

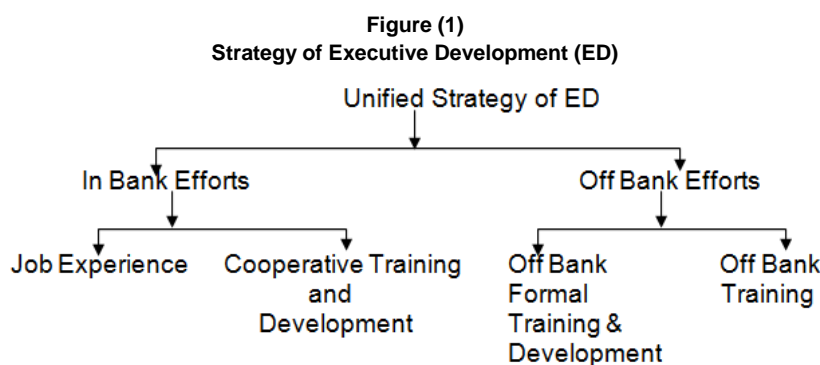
Bank Category	Existing Rates	Revised Rates (w.e.f. 01.10.2000)
Cooperative Banks with working capital above Rs. 1 crore	Rs. 8000.00	Rs. 5500.00
Rs. 1 Crore and Below	Rs.5500.00	Rs. 4250.00

In respect of Short/Long duration Course, proportionate fees is charged. Besides banks own training programmes, middle level and higher level officers are sent for training in banking institutes, management institutes and specialized institutes for labour management, finance, accounts,

cooperatives, Law etc. The experts are also invited to give lectures on specific subject in where senior and junior officers are asked to participate. These banks also send some times employees to RBI, Local Head Office or central office for practical training in a specialized field in a particular department like project development rural credit, debt management, investment, share department etc., so that they may be posted for such functions after getting adequate knowledge.

Strategy of Executive Development (ED)

Nearly 90% of the development is based on the job experience. Training and development programmes affect only 10% of the development. The executive development strategy of UCBs should be quite flexible, purposeful and affective. In brief, it should be based on the following as shown in Figure-1.



Recommendation for Training Facilities in UCBs in Uttar Pradesh

1. UCBs should continue to give more attention on training. As base level programme and those on general banking should be discontinued in Bank Training Colleges and be conducted by banks in their own colleges or in house facilities. The posts of principal and members of faculty should be accorded higher importance. Talented and knowledgeable officers with proven track record should be appointed as members of faculty with a good package and facilities.
2. Officers posted as faculty of training colleges should also be sufficiently exposed to suitable training so that banks are in a position to replicate some of the training programmes conducted in banking Training Colleges in their own training establishments.
3. Banks should take care that there is proper coordination between the participant profile and the programme profile. There should also be an appropriate match between the training undergone by an officer and his post training placement so that the benefits arising out of the training may be put the best use of the bank and the officer.
4. Banks should assume a pro-active role of encouraging and counseling their employees to acquire professional qualifications for strengthening the knowledge base and enhancement in professional competence.
5. The Indian Institute of Bankers and Indira Gandhi National Open University have now jointly come out

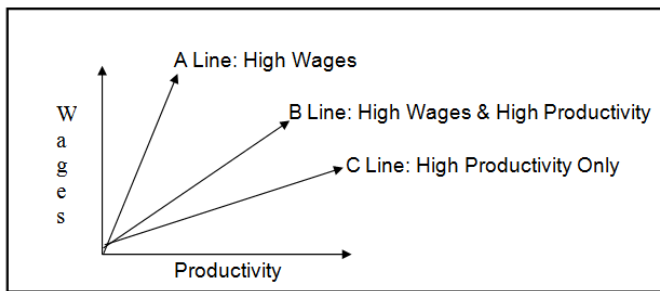
with an MBA programme in Banking and Finance exclusively for bank staff. As a measure of encouraging professional learning and acquisitions of a specialized post graduate degree in banking and finance, all banks may consider reimbursing the course expenses to those who get through this MBA Degree successfully.

Wage Productivity

Efforts are constantly being made to increase the productivity of employees by increasing their efficiency through education and training by improving capital and by better organization.

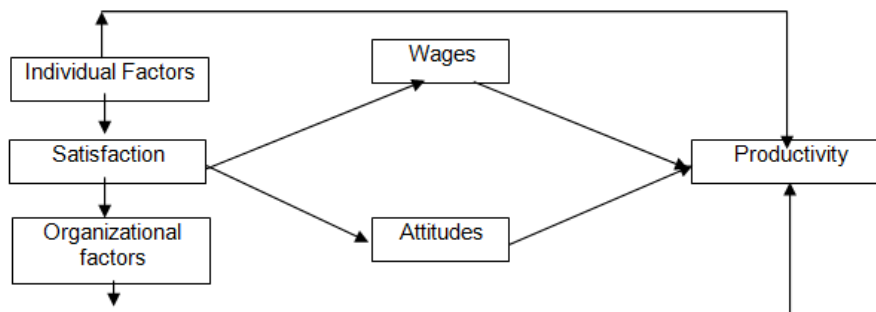
There is a kind of pervasive felling that wages and productivity to hand in hand i.e. higher the wages, the higher will be the productivity and vice-versa. Though some positive correlation exists between these two-wages and productivity, they are not absolutely related. That is to say, an increase of twenty five percent in wages does not necessarily result in a proportionate increase in productivity. The relationship between it can better be made clear through the following / next figure-2

Figure -2
Relationship between wages and productivity



In fact, wages of the urban bank employees reflect attitude of employees and there are a number of variables between employee’s wages and productivity. Wages depend upon employees likes or dislikes directed towards persons, things or situations or combinations of these all. A more accurate statement about high wages may be that it indicates a predisposition to be more productive if leadership is effective along with proper production facilities and individuals ability. Such factors may be better explained with the help of the following figure.

Figure -3
Satisfaction-Productivity Model



Figures -3 clearly indicate that productively is a function of four factors i.e. (a) organisational factors, (b) Individual factors (c) Attitudes; and (d) Morale. Attitudes and Morale are determined by the satisfaction of banks employees which are further affected by organisational and individual factors. Thus, productivity is a function of several variables; of course, wages may be one of the important ones. The successful manager of a UCB branch recognizes that behavioural management requires a positive integration of goals so that employees working together will achieve the desirable high wages with high productivity. Though it is possible to achieve high productivity with low wages as shown in the Figure 4.3 this position cannot continue for long (Specially in U.P. UCBs because in the long –run, employees may show their resistance, dissatisfaction and restriction which eventually lead to low productivity.

Productivity and Efficiency of UCBs in U.P.:

Need for productivity and efficiency:- So long as the capital deficient less developed urban banks continue suffering from inadequacies of their economic environment and shortages of such instrumental production factors as technical knowhow, their productivity and efficiency cannot be at par with their counterparts in the advanced banking environment. They have, as such, to adopt, a widely as possible, the modern low-

cost techniques in all their cooperative banking sector and have, thus, to push up their credibility and credit worthiness to ensure particularly adequacy of capital, technology, training and development for their efficiency of production factors and organisation should get undoubtedly a top most place and priority. In UCBs of U.P. productivity and efficiency problems assume paramount importance as their assets are conducive to ban’s development. Hence it needs a proper combination of higher productivity per employee, efficiency and maximum total output with lowest cost with the subject of serving national objectives of “Growth with stability”. Thus, in a fast expending urban Cooperative Banking like in Maharashtra, Gujarat etc., the increase of productivity can be a powerful element of urban banking to increase Bank’s wealth and to raise the standard of working of such banks.

Concept of Productivity:

Productivity is a tool which should be used by UCBs of U.P. for measuring relationship between the results achieved (output) and the means employed (input) to achieve the results in financial and physical terms in relation to given time and condition.

Productivity for several factors can be calculated as under:-

$$\text{Labour Productivity} = \frac{\text{Output in terms of value or quantity}}{\text{Number of man - hours spent on production}}$$

$$\text{Capital Productivity} = \frac{\text{Value of output}}{\text{Amount invested for output}}$$

$$\text{Productivity} = \frac{\text{Quantity or value of output}}{\text{Cost of management}}$$

Causes of Low Wage Productivity in U.P. UCBs:-

1. Low wage productivity of UCBs in the State of U.P. is because of a wide variety of reason viz.,
2. Under utilization of the existing work force i.e. employees;
3. Poor human relations;
4. Lack of technical knowhow;
5. Non availability of finance as per requirement;
6. Absence of professionalized management;
7. Lack of healthy working conditions;
8. Excessive government control and restrictions; and
9. Too much political interference

Above are the causes for low wage productivity of U.P. UCBs. It needs immediate action by all parties, i.e. government, employers and employees. Government has the responsibility of creating conditions favourable to higher

Results of survey to find out Banks Productivity:

- Has the time taken in deposits of funds declined?
 Has the time taken in issue of drafts, reduced?
 Has the time taken in completing entries in pass book reduced?
 Are the bank employees more courteous than before?
 Has the overall service of the bank has improved?

The discussion with some of the customers clearly suggested that the time in various operations has declined within the last few years, which may be considered as an improvement in productivity. But it is largely due to computerization, there is a little change in the attitude of employees towards work. They are as lethargic as they were before and remained away from their work as usual. Whatever improvement is in productivity, it is due to change in process and use of computers. However, most of the branches are yet working without computers. But most of the time productivity does not come in the way of business because it is less than what one can handle manually. However, when there is peak season of deposits or advances, customers have to stand in long queue. Some times for an hour or more which is very irritating to the customers. When services to customers of U.P. UCBs are compared with other states UCBs, the productivity in U.P. UCBs is not satisfactory and customers often complain for different operations which cause much harassment to them.

When discussions were held with the executives of some selected branches of UCBs in U.P. it was told that as yet there is very little change in the procedure and they are not free to adopt modern techniques. Thus, they are not motivated to increase productivity; they have to work as per set rules and regulations. Therefore, even if employees want to increase productivity they are not able to do so. Moreover, it is surprising to mention that out of total 908 branches only 70 UCBs are in U.P. only 42 have been computerized till March 31, 2008 and other 07 were under the process of computerization. Moreover, computerization is confined mostly to the corporate towns of the State. Besides, no branch of UCBs in the State provide ATM facility.

Reaction of UCBs Staff:

productivity by promoting a balanced programme of banking development.

Productivity Assessment Indicators:-

It has been proved by a number of empirical studies in a number of industries both in India and abroad that good industrial relations and policies of motivation help in improvement of productivity and quality of service. In order to test it, researcher wanted to carry out survey to find out productivity of some branches of UCBs in U.P. Since no sufficient data could be made available by these branches, it could not become possible to conduct such survey. With computerization of a few branches, the waiting time for customers for certain operations has declined and as such. They feel more satisfied. In order to find out productivity, some regular and old customers of over five years standing were contacted whose responses were as under:-

Year 2009

- Yes 85%
 Yes 10%
 Yes 97%
 Yes 37%
 Yes 50%

When employees were contacted to find out job satisfaction, devices of job satisfaction, polices and plans of motivation and their relationship with productivity, their reactions were: -

- 1) Almost all employees felt that procedure in UCBs are stereo type and need much modification with the use of computers, ATM, electronic transfer and E-Banking. If modern techniques are adopted, it would be possible to the UCBs to work and operate on the same lines on which the scheduled commercial banks run.
- 2) Employees also reacted that productivity cannot be measured in terms of the number of entries handled per day or per month. The productivity is much dependent upon the number of customers, which visit a branch for various operations. If the number of customers visiting a branch is less than what they can handle, they may be considered underemployed.
- 3) Further, in the opinion of employees norms should not be similar for big and small branches or urban and rural branches. In rural areas customers are not well equipped to deal with banks. Therefore, staff is required to help them in filling up various forms whether for deposits, withdrawals, issue of drafts, etc. Hence the, Productivity calculated in terms of number of transactions handled within a day will be different in urban and rural branches.
- 4) Productivity also depends upon the procedure. In some branches of UCBs for issue of drafts, teller system has been adopted – where same person accepts the cash and prepares the draft. In such teller system time taken in issues of drafts is less than in places where old procedure has not been replaced to issue drafts.
- 5) In some big branches there are note counting

machines, where time taken in deposit of cash is less than in branches, where counting of money is done manually.

- 6) Similarly, there are branches where cheques for collection can be dropped in a box along with the slip duly filled, but there are other branches, where cheques are to be handed over to the clerk under signatures, which takes more time than those dropped in a box.

Suggestion for Improvement in Productivity:-

To improve productivity of bank employees, to speed up handling of business, to improve efficiency of employees and to provide more job satisfaction to them, a number of steps are required to be taken immediately along with computerizing the bank work some important of these steps are given below:-

- 1) Urban Banks must study its present process of operations, which is being followed since long. With increase in the level of education of employees and customers and greater awareness, there is need of detailed study of process by experts and to compare it with other banks in India and abroad. Even if one compares cheque deposit forms of different banks, there is difference. There are certain banks, which have only one form for current account, savings bank account, cash and cheques. There are other banks that have separate forms confusing the customers. If there is only one cheque/cash, deposit form is adopted; it will save time and also confusion of customers.
- 2) In urban banks customers are highly dissatisfied with the system of issue of drafts. One is required to get and fill in the form, deposit the cash with cashier and then deposit the form to the a draft issuing clerk who asks the customer to come after 2-3 hours and thus half the day is wasted. But as already stated there are some banks who issue drafts through teller system, which saves lot of time by issuing the draft within minutes.
- 3) In case of payment of cheques, there is a teller system for payment in selected branches. In this system, the same Bank employee takes the cheque from the customer and makes payment. Customer is not required to go from counter to counter. Thus, time is saved both to the bank and the customer. If the system is introduced, both productivity of bank branch as well as the satisfaction of the customers will improve.
- 4) In case of loan applications, at present there is no time limit for disposal of applications; employees take their own time limit. If adequate time limit is fixed for appraisal of loan application, appraisal of credit worthiness of the customers forwarding the applications to next higher officer, and total time for disposal of loan application is fixed; it will help everyone and improve employees productivity.
- 5) Most of the bank employees feel job dissatisfaction because their job is monotonous and they have to handle the same type of job day in and day out. If seats of employees are interchanged from time to time, it will have a number of advantages. It will

reduce the boredom of the job, train the staff to handle different jobs and will help to reduce frauds and increase their potential.

- 6) Urban Bank has a scheme of training based on the result of performance appraisal, but there are many employees who are not sent for training because manager finds it difficult to spare them. The system, therefore, needs to be streamlined and any one who is selected must be sent for training.
- 7) It is also noted that many employees do not take training seriously because there is no system of any test after the training. Hence the system should be amended and every employee should have passed a test on completing the training course.
- 8) Besides, the trainers at the institutes should be fully qualified and experienced so as to satisfy fully the trainees.
- 9) If the bank employees are properly trained about social conditions in urban and rural India and are impressed that they are doing good social work for people, they will be more satisfied in the job.
- 10) In UCBs except promotion, there is no system of incentives and rewards. It will be worthwhile to suggest to fix different types of targets for each and every bank branch. Where they are achieved, concerned employees should be rewarded with some incentives.
- 11) There is need to make counter work more interesting through greater use of computers, if this is done, those employees who are working in rural branches will be motivated to improve their performances, as it will give them prospects of advancement and promotion.
- 12) The work of bank is too monotonous and requires facilities for recreation. UCBs have the policy of promoting sports, indoor games, provision of books and magazines for staff and their family members. But it has been observed that, except in big branches in big towns, no arrangement is made for sports and recreation.
- 13) Banks have been providing many facilities to its employees such as cheap interest loans for house construction, loans for purchase of consumer items, marriage and education of their children which motivate them, but it helps only those who need such facilities. There should be likewise facilities to all.
- 14) Besides, the working climate of banks should be quite hygienic along with good working conditions and healthy environment.
- 15) The system of quality circles has been proved very successful in the industry, which should also be developed in banks on sound lines. They may make practical suggestions for better customers services, fraud prevention, cost reduction, storage of records, etc.
- 16) The employees whose suggestions are accepted should be properly rewarded.

Efficiency in providing customers services have a direct bearing on banks success. Therefore, all efforts should be made to motivate the employees to do their best. It is

necessary that employees empowerment is enhanced so that they may feel more involved in improving productivity and dealing in a better way with the customers.

Cash Management:-

Cash is one of the current assets of the banks. It is needed all times to keep the business going on. A bank should always keep sufficient cash to meet obligations. Any shortage of cash, hampers the routine operations of the concern, while any excess of it will be unproductive cash is most productive asset among all the assets. While fixed assets like plant, machinery, furniture etc. and current assets like inventory, help the business in increasing its earning capacity, but in banking industry, cash in hand does not add anything to the concern. It is in this context that Cash Management has assumed much importance.

The term cash with reference to Cash Management is used in two senses, viz.-

- a) In a narrow sense, it is used to cover cash, coins currency notes and generally accepted equivalents of cash such as cheques, drafts and demand deposits in banks.
- b) The broader view of each includes near cash assets, such as, marketable securities and time deposits in banks. The main characteristics of these is that they can readily sold and converted into cash.

Cash Deposit Ratio:

The relationship between a bank's reserve of cash and its total deposits is called Cash Deposit Ratio. Since UCBs are always able to pay cash on demand to their customers entitled to ask for it, a certain amount of cash has to be held for this purpose. The greater the extent to which people ask for payment in cash, the greater is the cash reserve required; the greater the use made of cheques as means of payment, the smaller is the cash reserve required.

- a. Percentage of priority sector advances to total advances at the end of the year

60% and above	10 marks
Between 50% and 60%	7 marks
Between 40% and 50%	6 marks
Below 40%	Nil

Directives issued by the National Freedom of Urban Cooperative Bank and Credit to societies Ltd., New Delhi Oct. 2000.

- b. Percentage of weaker section advances to total advances at the end of the year.

25% and above	10 marks
Between 15% and 25%	8 marks
Below 15%	Nil

The next table-1 shows the total advances and the proportionate share of priority sector advances given by the UCBs in U.P. during the period of five years from 2003-04 to 2007-08.

Table -1: Advances by UCBs in U.P.

Years	Total Advances given	Priority sector advances	% of Priority sector advances to total advances
2003-04	326.00	157.56	48.33%
2004-05	395.00	207.93	52.64%
2005-06	599.00	346.10	57.78%
2006-07	814.57	458.81	56.33%

Scheduled primary cooperative banks maintain cash reserve Ratio (CRR) on a daily basis during a reporting fortnight. In order to reduce the required maintenance of cash balances by banks with the Reserve Bank. In case, a bank maintains the CRR at less than the minimum level of CRR the bank will loose 1/14 of the eligible interest. Even if there is no shortfall in the CRR on the average bass for the fortnight.³

In case of shortfall in the maintenance of the required percentage, the amount of interest payable would be reduced by the amount calculated at the rate of 25% per annum on the amount of shortfall. It has also been clarified that for shortfall on the eligible balance (inclusive of such balance relating to increase in demand and time liabilities after 23rd March, 1990, the penalty would be applicable on the amount of default.⁴

Assessment Approval:

An assessment of the working of UCBs has been made and marks given on the basis of some specific norms for differed heads of their working. The classification of the study has been arrived at on the basis of the aggregate marks secured by it. These heads include the following:-

- I. Performance under Priority/Weaker Section Advances.
- II. Recovery Performance, and
- III. Credit Deposit Ratio

I. Performance under priority Sector/Weaker Section Advances

15 Marks

Marks under this head are given on the basis of level of priority sector/weaker sector advances outstanding in relation on the total advances of the bank on the last day of the year as indicated below:-

2007-08	988.26	568.52	57.51%
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It has already been highlighted with the above table-1 showing advances given by UCBs in U.P. in Chapter III, Gross evaluation of UCBs that there has been a steady increase in both total as were priority sector advance extended by UCBs. Their total advances have gone for Rs. 326 crore in 2003-04 to Rs. 988.26 crores in 2007-08. While priority sector advance have gone up from Rs. 157.56 crore to Rs. 568.52 crore during the same period. During this period of five years total advances by UCBs went up by 82.01% while this increase was 116.68% in case of priority sector advances. This percentage clearly shows that the UCBs in U.P. are giving more emphasis on giving advances to priority sector.

It is further proved by the fact that there has been a constant increase in the percentage of priority sector advances to total advance given by these banks during the period under study, which has been 48.33% in 2003-04, 52.4% in 2004-05, 57.78% in 2005-06, 56.33% in 2006-07 and 57.51% in 2007-08. Thus, it is clearly that with the exception of 2006-07 when there has been a slight decline in the percentage of priority sector advances to total advances given by UCBs in U.P., though the actual figure has gone up to Rs. 458.81 crores in 2006-07 as against Rs. 346.10 crores in 2005-06.

Though the priority sector advances and their percentage to total advances given by the UCBs is U.P. both are increasing, they are not upto the mark so far,. As per the guidelines of the Federation of UCB and Credit societies Ltd., New Delhi 10 marks to an UCB can be awarded only, if the priority sector advances are 60% or above of the total advances. Thus, U.P. UCBs get only 07 marks.

- a. Percentage of overdues to loans and advances outstanding at the end of the year:
Overdues upto 5% 20 marks

For every increase or 1.5% or fraction over 5% reduce one mark each.

- b. Performance of the bank in taking effective legal action:
Cases under Sec. 101 filed above 75% of overdues over one year. 5 marks
50% to 75% of overdues over one year 3 marks
Less than 50% overdues over one year Nil

Recovery of advances is the responsibility of members of the Managing Committee and office-bears with the help of bank supervisors and government staff. The Urban Cooperative Banks Acts in various states contain provisions for summary disposal of cases of default, by the Registrar, Urban Cooperative Banks. Generally, these powers are delegated to the Cooperative Banks officers or Assistant registrars, but noting may happen unless the arrangements are made for expeditious execution.

In fact, recovery position of advances extended by UCBs in the state is extremely poor. Hardly 20-35% Ref⁸ borrowers are honest and regular in repayment of loan and interest thereon well in time. Generally, they (most of them are farmers of weak persons) expect that government will set them free from repayment on political grounds.

So far as the weaker sections are concerned, the position is worse than the priority sector advances. The researcher despite his all efforts could not have the figures for weaker section advances given by UCBs in the State as they are not being maintained by all the UCBs properly. Most of the UCBs, include them with priority sector. As per estimate of the Federation of UCBs and Credit Societies Ltd. New Delhi, such advances are hardly 25 to 40 percent of the priority sector advances. Thus, in some cases UCBs can be awarded only 03 marks. Because of the following reasons, UCBs afraid of giving advances to weaker sections.

- 1) More risk in repayment.
- 2) Government policy to let off these sections from paying the principal or interest or both.
- 3) Absence of adequate security or guarantee with this class of people.
- 4) Inability of weaker persons to perform paper formalities because of their illiteracy, etc.

The advances to weaker sections by the UCBs can only be increased, if the State Government gives the guarantee for repayment of both interest and principal.

II. Recovery Performance:-

25 Marks

Marks may be given on the basis of the percentage of overdues to the loans and advances outstanding at the end of the year and also the steps taken by the bank to recover the overdues with legal action.⁷

It has been noticed that punctuality in the repayment of loans and advances has hardly been observed by the members with the results that there has been a steep rise in the amount of overdues all over the UCBs. It has been a matter of serious concern to all parties to the affair. It is needless to emphasise that these overdues have accumulated chiefly because of ineffective supervision; apathetic attitude of the cooperative banks; advancement of loans in contravention to rules; undue pressure exercised by the politicians; failure of crops; low rate of interest; non-linking of credit with marketing; defective loan policies, etc. To improve the situation it is necessary that these defects are removed immediately and not only supervision is made effective but strong action is taken against defaulters.

How to combat with the Recovery Problem:

A number of practical suggestions and recommendation to combat with the recovery problem of loans extended by UCBs have been given in Chapter VIII 'Problems' under the Heading VIII 'Recovery of Advances'.

III. Credit –Deposit Ratio:-

UCBs lend by granting loans or overdrafts to customers, or lend to the government by the purchases of government stocks. When banks increase their lending, this also increases their deposits. Unlike other lenders, a bank does not require to possess what it lends. If a borrower has only a small balance to the credit of his account and he obtains an overdraft, he can draw a cheque for his amount, and pay it to a creditor who will

then deposit it in his own account. The creditor's account will be increased by a certain amount and the borrower's account can only show a debit for this amount. The power of banks to create credit is of great economic importance and it is essential, therefore, that the monetary authorities should have necessary power to control it. These banks have always been restricted to expand their credit by their cash ratio.

The amount standing to the credit of the customers of a bank deposits become the property of the banker, but must be repaid when asked for. Deposits are not held in trust, but are borrowed from customers.

The table-2 ahead shows a position of credit deposit ratio of UCBs of Uttar Pradesh up to the year 2007-08.

Table -2
Credit –Deposit Ratio of UCBs in Uttar Pradesh

Years	No of Reporting Banks to R.B.I.	Deposits	Credit	C-D Ratio
2003-04	56	809.00	326.00	40.3%
2004-05	57	889.00	395.00	44.4%
2005-06	47	1009.00	599.00	59.3%
2006-07	70	1240.25	814.00	65.5%
2007-08	70	1472.07	988.26	67.0%

The last column of the Table under study reveals that the Credit Deposit Ratio of UCBs in U.P. has been increasing steadily as it has gone up from 40.3% in 2003-04 to 67.0% in 2007-08. It clearly proves that UCBs in UP extend advances at an ever increasing rate [Table-2]. It seems to be because of three reasons viz.

- 1) More emphases of the RBI on UCBs to extend more and more advances to priority and weaker sections;
- 2) Very high growth of Primary Cooperative Societies and their membership; and
- 3) More loan to farmers, artisans and other weaker sections of the society.

Through the Credit-Deposit Ratio of UCBs in U.P. show an increasing trend, it cannot be regarded to be satisfactory. As per norms Credits Deposit Ratio of 75% to 67% is considered to be ideal for the banks like UCBs. No doubt, these banks are trying their best to reach the above target; they are just at the border line as their Credit Deposit Ratio during 2007-08 has been 67%. It is, therefore, suggested that the UCBs in the State should adopt a liberal policy to extend loans and advances. However, it may be possible, only when either the R.B.I. or the State Government ensures the security of such loans and advances.

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