



Strengthening urban cooperative banks

Challenges and prospects of cooperative banks in India

GN Bureau

With an aim to redefine the cooperative bank movement in the country, Governance Now, in collaboration with the National Federation of Urban Cooperative Banks and Credit Societies Ltd (NAFCUB), organised the Urban Cooperative Bank Summit, Maharashtra. Held in Mumbai in April, the summit was attended by over 120 cooperative bank representatives from Maharashtra.

Participants debated on issues like the changes needed in the current economic and legal framework for the growth of cooperative banks; the role of modern technology in new-generation banks and the requisite schemes to enable cooperatives to provide

consumer-centric facilities.

Outlining the purpose of the summit, Kailashnath Adhikari, director, Governance Now, said the summit provided a platform for policy makers, people's representatives, banking and tax consultants, senior government officials, and representatives of cooperatives banks to connect and deliberate. "If cooperative banks are to make a substantial contribution to the development of the nation, they need to be empowered. However, it is necessary to make certain changes and improvements within the framework of rules and regulations of the banks," he said.

Inaugurating the event, Haribhau Bagde, speaker, Maharashtra assembly, said, "It is very easy to start a bank; but it is extremely difficult to run it, make it grow, and ensure its survival." In Maharashtra, cooperative banks account for 32-33 percent of the total



number of banking transactions. After the issue of non-performing assets (NPA) was raised by the Reserve Bank of India in 1991-92, banks with two or three branches having a turnover of Rs 1-2 crore started closing down. "This was a matter of grave concern. A cooperative institution started by the people for the benefit of the people should not close down," he added.

Bagde also highlighted the contributions made by cooperative banks to society and said that people have more faith in small banks. He also noted that for the cooperative sector to flourish, transparency and perfect organisation were the need of the hour.

CN Vaze, chairman, Janakalyan Sahakari Bank, said banks should target qualitative development, not just quantitative growth. "We form only 2.5-3 percent of the total banking business. The government is not serious about what and how many concessions it will give. If we want the government to pay heed to our demands, we will have to come together," he said.

"The demands of the banks should be practical and balanced. The demand

that the TDS limit should be increased from ₹10,000 to ₹50,000 or even up to ₹1 lakh is an appropriate demand; but to ask for a complete waiver does not make sense," Vaze added.

After giving an overview of the cooperative movement in India, Ashishkumar Chauhan, managing director and CEO, BSE Ltd, said, "It would be very difficult to find a small entrepreneur who has not taken a loan from a cooperative bank. These banks give loans to those who do not get loans from anywhere else. Bank employees need to change their method of working. The BSE is ready to impart specialised training for this. It is necessary to prepare a road-map of how these banks will contribute to the economic development of the nation for the next



Haribhau Bagde, speaker, Maharashtra assembly, inaugurates the event

25 years. The banks should associate themselves with various schemes offered by the centre, the prime minister's office, and the state government."

Describing the challenges faced by cooperative banks, Satish Marathe, chairman, Sahakar Bharati, said, "Many ministers in the central government and ministry of finance are unaware that there are 1,550 unscheduled banks in India. This is a serious matter. In the past few years the number of these banks has gone down from 2,100 to 1,600.

"The concept of privatisation of cooperative banks is being pushed vigorously. Such a step has been necessitated because of obstacles in the cooperative law. So, without wasting any more time, the necessary changes should be made in the cooperative law and the difficulties faced by the banks should be resolved. While going forward in this direction the central and

state government should also prepare favourable rules and regulations," he added. Marathe also suggested that all urban cooperative banks should come together. "There are many credit societies in Maharashtra which are run well. They follow rules meticulously. They provide capital to thousands of economically weak people. They give loans to self-help groups. These banks will continue to exist in the future."

Giving a brief overview of cooperatives in Maharashtra, Chandrakant Dalvi, the state's commissioner of co-operation, said, "The state has 54 types of 2,39,000 cooperative institutions. Of these 1,606 are urban cooperative banks. Thirty-two percent of these banks are in Maharashtra alone. These banks hold 64 percent of the total de-

For the cooperative banking sector to flourish, transparency and perfect organisation are the need of the hour.

posits in the country. The number of grade 1 urban banks has gone up to 313 from 200 while grade 4 banks have decreased in number from 114 to 32. This success belongs to the hundreds of directors working in the field of cooperatives. Of the 1,606 banks nationwide, 517 can be found in Maharashtra. Of the 42 multistate banks, 30 are in Maharashtra and every day many proposals are received for these. All these banks have a collective share capital of ₹7,305 crore. Of this, 56 percent, that is ₹4,100 crore is in Maharashtra. These banks disburse loans that add up to ₹1,81,000 crore, and of that 65 percent is disbursed in the state." Yet, 43 weak banks in Maharashtra were merged with other banks.

Maharashtra Urban Cooperative Banks Federation chairman Vidyadhar Anaskar talked about how wrong practices prevalent in cooperative banks can be curbed. He stressed on creating awareness among account holders in

order to create trust in banks. Anaskar said, "It is true that cooperative banks charge an interest rate of 13 percent, but they have no hidden charges. There is a need to bring about banking literacy among account holders regarding issues like: the risk involved in sudden withdrawal of deposits, how to read a balance sheet and report, and how to recognise a good bank."

Banking on technology

Apoorva Mehta, commercial attorney of Microsoft India, talked about what kind of technology could be supplied by their company to cooperative banks. He said, "Today's youth want ATMs close by, they want the facility of netbanking and want services at a greater speed. To be able to meet these demands the banks are going to need state-of-the-art data centres. The data centres will make the job easy for all banks. Henceforth, the banks will be able to ask for their audit reports at any time of the year. The company is committed to providing world-class services to all banks."

Ajit Joshi, regional business manager of Ricoh India, talked about the revolution brought by core banking. He gave detailed information about how Ricoh's projects could be used for the expansion of banks. "There are more than one lakh post offices in the country. Core banking has been implemented in 36,000 post offices. Thanks to this, the postman can now take the bank to every household through a handheld device. At places where there is no electricity, the device can be charged by solar energy," he said.

Abhijit Dutta of Microsoft, Rajan Patre of Ricoh India, the deputy general manager of TJSB, Swapnil Jambhale, the chief general manager and head of the IT section of the SVC Bank Ravikiran Mankikar, Pushpinder Singh, head of the National Payment Corporation's regional rural banks as well as cooperative banks and government department, and other experts talked about how IT can be used more smartly in banks. ■

feedback@governancenow.com