

Analysis of Urban Cooperative Banks in Thane District: Trends in Deposit Mobilisation and Loan Disbursement

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Introduction:

The year 2012 is being observed as an International Year of Cooperatives. In the post reform period there have been drastic changes in the structure of banking in India. The policies of Liberalisation, Privatisation, and Globalisation have led to rapid development of almost all the sectors of the economy. So is the case of cooperative sector. Origin of 'cooperative thought' in India is very old. In ancient times, there were cooperative institutions like Grama-sabha and Jatti. In India the movement was formalized in 1904. "Cooperative Society Act, 1904" was limited to Primary Agriculture Cooperative Societies (PACs) only. Later phases experienced enlargement of the scope and role of Cooperative Banks. It is the rapid urbanisation which has led to the emergence of modern Urban Cooperative Banks (UCBs). The demand for the banking services in the rapidly developing urban areas is ever increasing. According to recent Census 2011, Thane district of Maharashtra state has witnessed 35.94% decadal population growth rate. According to Census-2011, Thane stands first in the state in terms of population size. Out of 15 talukas of the district-13 talukas have been categorised as 'urban'.

Thus, the present study is an attempt to make an economic analysis of such a large district in the context of changing trends of both population and banking performance with reference to deposit mobilisation and loan-advancement of the Urban Cooperative Banks working in the district.

Objectives of the study:

- To study the evolution of urban cooperative banks (Urban Cooperative Banks) in Thane.
- To study the development of Urban Cooperative Banks in Thane and its socio-economic impact on different stakeholders.
- To study the different services provided to customers by Urban Cooperative Banks leading to the development of Urban Cooperative Banks in Thane.

Methodology

Profile of the sample:

There are 17 Urban Cooperative Banks in Thane. All six Urban Cooperative Banks functioning and having origin in the Thane district with status of "Scheduled Bank" are selected for the study viz; Bassein Catholic Co-operative Bank Ltd., Dombivali Nagri Sahakari Bank Ltd., Kalyan Janata Sahakari Bank Ltd., Parsik Janata Sahakari Bank Ltd., Thane Bharat Sahakari Bank Ltd. and Thane Janata Sahakari Bank Ltd.

Data-collection

The data is collected from both primary and secondary sources. The primary data is compiled by application of methods like questionnaire, interviews with check-list. The sources for secondary data include annual reports, action plans, audit reports, circulars, policy letters, and official records of above banks. Websites, Journals, magazines, periodicals, and dailies concerning cooperatives were referred to.

Period covered for the study

A five year study period is more relevant to derive meaningful and useful inferences. So, the period: 1st April, 2006 - 31st March, 2011 is covered for the study.

Major Findings:

The selected Urban Cooperative Banks have a stronghold in the district. It is observed that the spread of branches of these banks is uneven. There are still some talukas of the Thane district which are unbanked like Jawahar, Wada, Mokhada and Vikramgad. In branch expansion also the preference is given to the urban talukas like Thane, Kalyan and Vasai to those of rural talukas of the district. It is

also observed that the Urban Cooperative Banks selected for the study have highest number of branches in the taluka of origin only. This shows a strong local / regional character of Urban Cooperative Banks. This feature has two different benefits to the Urban Cooperative Banks viz, development of strong faith among the local population and active participation in local / regional development of the area. It is to be noted that in the last two decades there has been no addition to the list of scheduled Urban Cooperative Banks having origin in the district. The trends in branch expansion by the Urban Cooperative Banks show erratic behaviour / pattern as branch opening in different years of the study period is uneven. As far as the deposit mobilisation by the Urban Cooperative Banks is concerned, there has been an impressive growth in the total deposit mobilisation by these banks. An increase in the deposits is three fold during the study period. Even the average deposit per branch has gone up significantly. This reflects the growing trust of local people on these banks. The Urban Cooperative Banks have been successful in catering varied needs of the local population as there has been fourfold increase in the credit disbursement by these banks during the study period. Performance in credit per branch has also increased significantly. This shows the benefit of the branch expansion to the banks. The credit-deposit ratio on an average for the study period has remained less than two-third of the total deposits. This fact pinpoints the excess of unutilised funds with these banks which can be further utilised for providing credit and for investment purpose. There is a remarkable increase in the productivity of employees of these banks, as business per employee has increased threefold during the study period. The Investment-deposit ratio has almost remained stable. This shows that these banks have limited avenues for investments and most of the investments are statutory in nature. There has been a declining trend in advances given to the priority sector by these banks. This reflects changing preference of these banks in advancing credit to other sectors than the priority sector. The main source of the income to these banks is interest earning from the loans given. However, the interest income has remained almost stable throughout the study period. The contribution of non-interest income to the total income is negligible for these banks and during the study period the trend in non-interest income is almost stable. It is to be noted that the Urban Cooperative Banks have been successful in restricting cost of deposits to a lower level of six per cent throughout the study period which increases a possibility of earning stable profit for these banks. The awareness about the availability of different services is closely linked with the type account holding a customer has with his/her bank. Educational qualification has a strong bearing on awareness about the availability of banking services and both are directly positively correlated.

Selected Suggestions:

- Since it has been observed that certain talukas of the district are uncovered by these banks, priority should be given to branch expansion in these areas which will help in tapping business opportunities.
- Since the Urban Cooperative Banks assume strong local character, small savings of rural and semi-urban areas can be tapped by collaborating with self help groups and micro finance institutions.
- The talukas of origin are well covered by these banks and so expansion in vicinity talukas is suggested. In this case state government's schemes to encourage co-operative banks for expansion in unbanked area may be suggested.
- Since for last two decades there is no addition in the list of scheduled Urban Cooperative Banks having origin in Thane, there is a need to have a number of Urban Cooperative Banks not only to increase competition in the segment but also to cater increasing needs of the district due to rapid development of the district and increase in population.
- The erratic expansion of branches can be streamlined by allowing the banks to open branches in a planned manner; keeping in mind unbanked and insufficiently covered area. For this purpose availability of necessities like space for banking activity should be provided by local government especially in area close to administrative offices.
- Attracting small savings from customers especially from rural and semi-urban areas is a unique selling point (USP) of Urban Cooperative Banks. Urban Cooperative Banks run various schemes like Lakhpati Yojna, Recurring deposit schemes for small savers etc. in this regard. Hence, it is suggested that continuation and development of such schemes should be followed. These schemes should be made more target based.

- The lower Credit-deposit ratio of these banks represents availability of excess funds with them. There is a need to provide effective avenues in order to utilise these funds.
- Even though there is a significant improvement in productivity of the employees of these banks, there is a need to develop a corporate culture in these banks by adopting measures like regular training of the staff, target oriented incentive schemes, working hours, dress code and so on.
- The lower investment-deposit ratio denotes limited investment avenues available with these banks. Hence, it is suggested that opening up of new avenues of investment for these banks should be made by allowing them to invest partially in the capital market.
- Advances to priority sector by these banks show a declining trend and hence it is suggested to broaden the base of priority sector.
- Since interest income is the only major source of income for these banks which has remained almost stable over the years and non-interest income has a negligible proportion in total income, it is suggested that the Urban Cooperative Banks should try to tap non-interest income sources by becoming corporate agents of insurance companies, mutual fund companies and so on.
- There is a need to link different types of services with maximum possible kinds of accounts rather than restricting the availability of some services with particular accounts. E.g. DEMAT facility which is available only for the current account holders can be extended to savings account holders and other types of account holders too.
- While collecting the data from different sources like RBI reports, Urban Banks Department, Head offices of the Banks, Office of Registrar of Cooperatives and some other sources like District Statistical Office (DSO), it was found that there was no uniformity in the methods of compilation of the data and dispersion of the same. Even, the published data in the form of annual report was not available with Urban Banks Department and Office of Registrar of Cooperatives. So it is kindly suggested that there should be uniformity in the data collection methods, variables, frequency of data collection by the authorities dealing / corresponding with cooperatives.
- The data related to cooperative banks was found scattered and therefore, there is a need to make this data available through channels like internet for the easy access.
- Annual reports of the well-functioning Urban Cooperative Banks were made available temporarily on the websites of the banks. Hence, it is suggested that the Urban Cooperative Banks should update their websites to incorporate for general public.