

***“Adoption of Technology for better Customer Experience and Growth of Business in Urban Co-operative Banks”***

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*A Summer Internship Report*

SUBMITTED TO

**International Management Institute,**

**Bhubaneswar**



**IN PARTIAL FULFILMENT FOR THE AWARD OF POST  
GRADUATE DIPLOMA  
IN MANAGEMENT**

By

PRIYA SINGH

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## **AKOWLEGMENTS**

Amidst the pandemic that we are going through, many companies have cancelled their internship as we all know is a massive part of the learning curve of a B-school program and one's career path to becoming a successful manager.

The **Reserve Bank of India (RBI)** has made this internship possible for me by on-boarding me during these unprecedented times. It's my privilege of a lifetime to work as a management Intern for Reserve Bank of India (RBI), in fact, an opportunity to learn Bankers to Banks and Government in depth. Being a part of **Department of Supervision, RBI Bhubaneswar** and working on the topic title '*Adoption of Technology for better Customer Experience and Growth of Business in Urban Co-operative Banks*' helped me to learn the nuances of the banking sector in general and Urban Co-operative Banks in particular with special focus on technology integration thereat.

I would like to thank **Smt. Sonali Das** for being a mentor to me and providing me the opportunity to practice my theoretical knowledge in pragmatic purview.

I feel privileged to have **Shri. Alok Ranjan Ranarahu** as my industry mentor who provided me with the phased opportunities during my internship tenure to demonstrate my aptitude in this. I appreciate sir's unwavering support by providing me with all the necessary data and making it possible to complete the project from home. He made it easier by floating the survey in different co-operative banks on my behalf and guided me in the entire project, I am deeply indebted to him, who was always a call or text away and ready to guide me at any time of my project, without his support and guidance, this would have not been possible for me.

Thanks to **Shri. Sushant Kispotta** for making it possible to reach out to the Urban Co-operative Banks and ensuring all the necessary feedbacks.

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At last, I extend the gratitude to my faculty mentor **Shri. Devesh Baid** from IMI Bhubaneswar for being a source of guidance.

I hope I have done justice to the project framework. As a result of this experience, I am more exhilarated than ever to pursue a career in the Banking Industry.

Priya Singh

International Management Institute Bhubaneswar

### Student's Undertaking

I, Priya Singh, bearing Institute Roll No 19PGDM-BHU049, declare that the summer project titled '*Adoption of Technology for better Customer Experience and Growth of Business in Urban Co-operative Banks*' is my original work and completed under the supervision of **Smt. Sonali Das** (General Manager) of Reserve Bank of India, Bhubaneswar, **Prof. Devesh Baid** of International Management Institute, Bhubaneswar. Further, I also declare that the report being submitted herewith is free of any textual plagiarism.

Priya Singh

Place: International Management

Institute, Bhubaneswar

Date:

**Successful Internship completion Certificate.**



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महोदय/महोदया

Madam/Dear Sir

**प्रशिक्षण पूरा करना / Completion of Internship**

यह प्रमाणित किया जाता है कि आपके इंस्टीट्यूट के छात्रा **सुश्री प्रिया सिंह** ने 16 अप्रैल 2020 से 16 जुलाई 2020 तक बैंक में अपना ग्रीष्मकालिन प्रशिक्षण सफलतापूर्वक पूरा किया है। उन्हें "Adoption of Technology for better Customer Experience and Growth of Business in Urban Co-operative Banks" विषय पर प्रोजेक्ट पूरा करने के लिए दिया गया था।

This is to certify that **Ms. Priya Singh** of your Institute has successfully completed summer training with the Bank from April 16, 2020 to July 16, 2020. The topic of the project assigned to her was "Adoption of Technology for better Customer Experience and Growth of Business in Urban Co-operative Banks".

भवदीय/Yours faithfully

  
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**Certificate From Faculty Guide**

Recommended that the Summer Internship Report titled '*Adoption of Technology for better Customer Experience and Growth of Business in Urban Co-operative Banks*' prepared by Ms. Priya Singh under my supervision and guidance be accepted as fulfilling this part of requirements for the award of Post Graduate Diploma in Management. To the best of my knowledge, the contents of this report did not form a basis for award of any previous degree/diploma to anybody else.

Date:

Signature:

Name of the guide:

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## **EXECUTIVE SUMMARY:**

There are several factors attributed to India's high growth in the recent period - improved productivity, growing entrepreneurial spirit, and higher savings to name the few important ones. But one factor usually under-acknowledged – that is financial intermediation, improvement in the quantum and quality of financial intermediation ranks along with other factors, a key growth driver. And one of the key factors that drove the improvement in the quantum and quality of financial intermediation is the widespread and efficient use of Information Technology (IT). Ever since the 18th century, the banking sector has been evolving, and it is known as one of the oldest businesses in the world. It has progressed and grown with every passing year. Although, it was the industry that took the lead to transform itself with the help of technology, Banks which were generally regarded as a place with long queues and an unmanageable amount of paperwork has caught up fast thanks to technological advancements and quick adoption of the same in the banking sector.

The present study focuses on the analysis of the innovation in banking technologies and technology adoption in the Urban Co-Operative Banking Sector with special reference to Odisha State. The major objective of the study is to find out the extent of integration and impact of banking technology innovations in UCBs and suggest how the UCBs can leverage technology for sustainable growth and development. The study is based primarily on secondary data apart from a questionnaire-based survey.

The total deposits of the Indian banking sector are ₹1, 28, 87,262 crores, and advances are ₹97, 09,829 crores. If we talk about the Urban co-operative banks in India, the deposits are ₹4, 84,315.85 crores (which is 3.75% of total deposits Indian banking sector) and Advances is ₹3, 03,017.76 crores (3.12% of total advances of the banking sector). The UCBs in Odisha had a total deposits and advances of ₹1235.2 crores (0.25% of total UCBs deposits) and ₹ 742.1 crores( 0.24% of total UCBs advances) respectively as on March 2019. The banking system in our county has been leveraging technology to improve not only the customer services but also played a vital role in achieving the set targets of financial inclusion to a great extent.

The objective of the study is to know the extent of the UCBs have adopted technologies with the prospective of Odisha and to suggest the way forward after studying the impediments of technologies.

The aspects of the study included an introduction, objective of the study, research methodology, data interpretation, and analysis, findings, suggestions, and recommendations.

The study suggests that the Urban Cooperative Banks need to redesign and re-structure their strategies for the business by adopting innovative banking technologies for better customer experience, growth of the business, and remaining relevant in the super dynamic banking sector. Moreover, their competitors are in a constant churning process of onboarding technologies in tune with the market demand and customers' expectations to develop customized products to suit the requirements of the ever- demanding clients to grow the business and also striving towards "Customer Delight".

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction to Financial System**

The economic scene in the post-independence period has seen a sea change; the result being that the economy has made enormous progress in diverse fields. There has been a quantitative expansion as well as diversification of economic activities. The experiences of the 1980s have led to the conclusion that to obtain all the benefits of greater reliance on voluntary and market-based decision-making, India needs efficient financial systems. The financial system is possibly the most important institutional and functional vehicle for economic transformation. Finance is a bridge between the present and the future and whether it be the mobilization of savings or their efficient, effective, and equitable allocation for investment, it is the success with which the financial system performs its functions that sets the pace for the achievement of broader national objectives.

#### **1.2 Significance and Definition**

The term financial system is a set of inter-related activities/services working together to achieve some predetermined purpose or goal. It includes different markets, institutions, instruments, services, and mechanisms that influence the generation of savings, investment capital formation, and growth. Van Horne defined the financial system as the purpose of financial markets to allocate savings efficiently in an economy to ultimate users either for investment in real assets or for consumption. Christy has opined that the objective of the financial system is to "supply funds to various sectors and activities of the economy in ways that promote the fullest possible utilization of resources without the destabilizing consequence of price level changes or unnecessary interference with individual desires." According to Robinson, the primary function of the system is "to provide a link between savings and investment for the creation of new wealth and to permit portfolio adjustment in the composition of the existing wealth." From the above definitions, it may be said that the primary function of the financial system is the mobilization of savings, their distribution for industrial investment and stimulating capital formation to accelerate the process of economic growth.

#### **1.3 The Concept of the Financial System**

The process of savings, finance, and investment involves financial institutions, markets, instruments, and services. Above all, supervision control and regulation are equally significant. Thus, financial management is an integral part of the financial system. Based on the empirical evidence, Goldsmith said that "... a case for the hypothesis that the separation of the functions of savings and investment which is made possible by the introduction of financial instruments as well as enlargement of the range of financial assets which follows from the creation of financial institutions, increase the efficiency of investments and raise the ratio of capital formation to national production and financial activities and through these two channels increase the rate of growth....." The inter-relationship between varied segments of the economy are illustrated below: -

#### **1.4 Inter-relationship in the Financial System**

A financial system provides services that are essential in a modern economy. The use of a stable, widely accepted medium of exchange reduces the costs of transactions. It facilitates trade and, therefore, specialization in production. Financial assets with attractive yield, liquidity and risk characteristics encourage saving in financial form. By evaluating alternative investments and monitoring the activities of borrowers, financial intermediaries increase the efficiency of resource use. Access to a

variety of financial instruments enables an economic agent to pool, price and exchange risks in the markets. Trade, the efficient use of resources, saving and risk taking are the cornerstones of a growing economy. In fact, the country could make this feasible with the active support of the financial system. The financial system has been identified as the most catalysing agent for growth of the economy, making it one of the key inputs of development. The Indian financial system is broadly classified into two broad groups:

- (i) Organised sector
- (ii) Unorganised sector.

The financial system is also divided into users of financial services and providers. Financial institutions sell their services to households, businesses and government. They are the users of the financial services. The boundaries between these sectors are not always clear cut. In the case of providers of financial services, although financial systems differ from country to country, there are many similarities.

#### (i) Organised Indian Financial System

The organised financial system comprises of an impressive network of banks, other financial and investment institutions and a range of financial instruments, which together function in fairly developed capital and money markets. Short-term funds are mainly provided by the commercial and cooperative banking structure. Nine-tenth of such banking business is managed by 18 leading banks (as on March 2019) which are in the public sector. In addition to commercial banks, there is the network of cooperative banks and land development banks at state, district and block levels. With around two- third share in the total assets in the financial system, banks play an important role. Of late, Indian banks have also diversified into areas such as merchant banking, mutual funds, leasing and factoring. The organised financial system comprises the following sub-systems:

1. Banking system
2. Cooperative system
3. Development Banking system:
  - (i) Public sector
  - (ii) Private sector
- 4 .Money markets and
5. Financial companies/institutions.

Over the years, the structure of financial institutions in India has developed and become broad based. The system has developed in three areas - state, cooperative and private. Rural and urban areas are well served by the cooperative sector as well as by corporate bodies with national status. There are many non-banking financial institutions channelizing credit into economy namely development finance institutions, investment companies etc.

#### ii) Unorganised Financial System

On the other hand, the unorganised financial system comprises of relatively less controlled moneylenders, indigenous bankers, lending pawn brokers, landlords, traders etc. This part of the financial system is not directly amenable to control by the Reserve Bank of India (RBI). There are a host of financial companies, investment companies, chit funds etc., which are also not regulated by the RBI or the government in a systematic manner. However, they are also governed by rules and regulations and are, therefore within the orbit of the monetary authorities.

### **1.5 Indigenous Banking in India**

At independence, India had an indigenous banking system with a centuries-old tradition. This system had developed the hundi, a financial instrument still in use that is similar to the commercial bill of

Western Europe. Hundi were used to finance local trade as well as trade between port towns and inland centres of production. They were often discounted by banks, especially if they were endorsed by indigenous bankers. Indigenous bankers combined banking with other activities, much as the goldsmiths, merchants, and shippers of eighteenth and nineteenth century Europe had done. They usually belonged to certain castes or communities, such as the Multanis, Marwaris and Chettiars, and they differed in the extent to which they relied on their own resources, rather than deposits and other funds for their lending. Some brokers specialized in introducing indigenous bankers to commercial banks, while others brought together traders and indigenous bankers.

### **1.6 Rural Financial System**

Rural financial system has been evolved over a period of time from the year 1904, when the first Primary Agricultural Credit Society was organized, by accepting and implementing important recommendations of expert committees appointed by the Government of India/RBI from time to time. During the pre-reform period, more particularly, after the advent of the scientific and technological revolution in the sphere of agriculture, the Government of India and the RBI have evolved several new concepts, innovations and novel approaches, which, the Rural Financial Institutions (RFIs) have responded very favourably by implementing them.

### **1.7 Position of UCBs in banking eco system**

Credit is an essential requirement of any society. With economic development, banking institutions also evolved to fulfil the demand for credit. The origin of urban co-operative credit movement in India can be traced to the close of the 19th century. The origin of urban co-operative credit movement in India dates back to 5 February 1889 when under the guidance of Late Shri Vithal Laxman Kavthekar, a mutual aid society was formed by some middle-class Maharashtrian families in Baroda state. The name of the bank was "Anyonya Sahakari Mandali". When the Co-operative Credit Society Act 1904 conferred legal status on credit societies, the first Urban Co-operative Credit Society was registered in October 1904. This happened in Conjeevaram in Madras province (now known as Chennai). Since then the UCBs in India have passed through many phases. Co-operatives occupy an important position in the Indian financial system and were the first formal institution to be conceived and developed to purvey credit to rural India. Thus far, co-operatives have been key instrument of financial inclusion in reaching out to the last mile in rural areas. The Urban counterparts of rural cooperatives, the Urban Co-operative Banks (UCBs) too have traditionally been an important channel of financial inclusion for the middle- and low- income sections in the semi-urban and urban areas. These banks are formed to serve the common man for encouraging self-help and thrift in the semi urban and urban areas. The UCBs are regulated and supervised by State Registrars of Co-operative Societies, Central Registrar of Co-operative Societies in case of Multi-state co-operative banks and by Reserve Bank. The Registrars of Co- operative Societies of the States exercise powers under the respective Co-operative Societies Act of the States in regard to incorporation, registration, management, amalgamation, reconstruction or liquidation. In case of the urban co-operative banks having multi-state presence, the Central Registrar of Co-operative Societies, New Delhi, exercises such powers. The banking related functions, such as issue of license to start new banks / branches, matters relating to statutory reserves, interest rates, investments, income recognition and asset classification, prudential exposure norms etc. are regulated and supervised by the Reserve Bank of India under the provisions of the Banking Regulation Act, 1949.

## **CHAPTER 2**

### **OBJECTIVES OF THE STUDY**

The study is conducted with the objectives of understanding the level of technology integration and adoption in UCBs along with impediments. An attempt has been made to achieve the following key objectives of this study. The conclusion and suggestion part of the report gives an overview of the extent of fulfilment of these objectives:

- I. To what extent UCBs has adopted the banking technologies
- II. To understand the prospective of Odisha.
- III. To identify the impediments to technology adoption
- IV. To suggest the way forward.

## CHAPTER 3

### METHODOLOGY

The adopted procedure for the conduct of research assumes significance as it has a direct bearing on the reliability, accuracy, and adequacy of the obtained results. The methodology is the science of studying how the study is carried out scientifically, it also talks about the logic behind the method is used in the context of the study. The methodology adopted for studying the project was surveying the Urban Co-operative Banks in Odisha.

#### **Research design used in this study**

In this study, the descriptive research design is used to ensure the maximization of reliability and minimization of bias of data collected.

#### **Data collected method**

The process of data collection begins after a research problem has been defined and research design has been chalked out. There are two types of data secondary and primary data. For the fieldwork a survey is done to understand the extent of integration of banking technology in UCBs of Odisha.

#### PRIMARY DATA:

It is first-hand data, which is collected by the researcher itself. Primary data is collected by various approaches to get precise, accurate, realistic, and relevant data. The main tool is gathering primary data was Questionnaire Survey. It was achieved by a direct approach and observation from the officials of the banks.

#### SECONDARY DATA:

It is the data that is already collected by someone else. The researcher has to analyse the data and interprets the results. It has always been important for the completion of any report. It provides reliable, suitable, adequate, and specific knowledge. The secondary data is collected by using banks' annual reports and authorized websites of banks.

#### **Method of Data Analysis**

For analysing the collected data and measuring various phenomena efficiently and effectively to draw sound suggestions and conclusions, certain statistical techniques were used. The data collected were tabulated, edited, and classified for analysis.

#### ANALYTICAL TOOL:

CAMEL Analysis Model

The data collected were tabulated, edited, and classified for analysis. The analytical tool used in this study is CAMELS Analysis to compare the performance of Indian banks. To analyze the data MS- EXCEL tool is used. Further the Analysis is divided into two steps:

1. Questionnaire method : to know the extent of technology integration in Odisha.
2. CAMEL Analysis: to know the Overall performance of the bank and the correlation between performance and technological adoption of the bank.

## CHAPTER 4

### BACKGROUND

#### 4.1 Overview of Banking Sector

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have capital deficits to customers with capital surpluses. Due to their critical status within the financial system and the economy generally, banks are highly regulated in most countries. They are generally subject to minimum capital requirements which are based on an international set of capital standards, known as the Basel Accords.

Banking in India originated in the last decades of the 18th century. The first banks were The General Bank of India, which started in 1786, and Bank of Hindustan, which started in 1790; both are now defunct. The oldest bank in existence in India is the State Bank of India, which originated in the Bank of Calcutta in June 1806, which almost immediately became the Bank of Bengal. This was one of the three presidency banks, the other two being the Bank of Bombay and the Bank of Madras, all three of which were established under charters from the British East India Company. For many years the Presidency banks acted as quasi-central banks, as did their successors. The three banks merged in 1921 to form the Imperial Bank of India, which, upon India's independence, became the State Bank of India in 1955.

#### 4.2 Structure of Indian Banking

As per Section 5(b) of the Banking Regulation Act 1949: "Banking" means the accepting, for lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise." All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are scheduled banks. These banks comprise Scheduled Commercial Banks and Scheduled Cooperative Banks. Scheduled Commercial Banks in India are categorized into four different groups according to their ownership and/or nature of the operation. These bank groups are:

- Public Sector Banks
- Private Sector Banks,
- Foreign Banks
- Small finance bank

Payment banks are the new introduction to the category. Besides the Nationalized banks (majority equity holding is with the Government), the commercial banks comprise foreign and Indian private banks. Nationalized banks and Regional Rural Banks are constituted under respective enactments of the Parliament, the private sector banks are banking companies as defined in the Banking Regulation Act. These banks, along with regional rural banks, constitute the public sector (state-owned) banking system in India. The Public Sector Banks in India are the backbone of the Indian financial system. The cooperative credit institutions are broadly classified into urban credit cooperatives and rural credit cooperatives. Scheduled Co-operative Banks consist of Scheduled State Co-operative Banks and Scheduled Urban Co-operative Banks. Regional Rural Banks (RRB's) are state-sponsored, regionally based, and rural oriented commercial banks. The Government of India promulgated the Regional Rural Banks Ordinance on 26th September 1975, which was later replaced by the Regional Rural Bank Act 1976. The preamble to the Act states the objective to develop the rural economy by providing credit and facilities for the development of agriculture, trade, commerce, industry and other productive activities in



the rural areas, particularly to small and marginal farmers, agricultural laborers, artisans, and small entrepreneurs.

### 1. 4.3 Some statistics of Scheduled Commercial Banks

**Figure 4.3. 1. Scheduled Banks' Statement of Position in India (as on March 27, 2020)**

		(Amount in Crore of ₹)					
		SCHEDULED COMMERCIAL BANKS			ALL SCHEDULED BANKS		
		(Including RRBs and SFBs)					
		29-Mar-19	13-Mar-20	27-Mar-20	29-Mar-19	13-Mar-20	27-Mar-20
I	LIABILITIES TO THE BANKING SYSTEM (A)						
	a) Demand & Time deposits from bks.	176827.73	225264.96	230769.71	181651.43	230353.78	236043.19
	b) Borrowings from banks	79459.13	51594.1	80950.71	79486.67	51707.45	80966.61
	c) Other demand & time liabilities	15139.32	14926.77	16311.61	15212.07	15077.17	16462.01
II	LIABILITIES TO OTHERS (A)						
	a) Deposits (other than from banks)	12573771.75	13339149.43	13571032.76	12901578.8	13744236.13	13979593.78
	i) Demand	1511287.34	1457567.92	1616969.77	1542553.51	1491383.12	1653723.39
	ii) Time	11062484.41	11881581.49	11954062.92	11359025.3	12252852.99	12325870.32
	b) Borrowings @	378253.6	312512.4	309472.44	381863.9	317069.8	313946.09
	c) Other demand & time liabilities	543646.17	676170.55	603945.29	552532.82	688739.52	616690.24
III	BORROWINGS FROM R.B.I. (B)	180688	105035	286442.99	180688	105035	286442.99
	Against usance bills and / or prom. Notes	0			0		
IV	CASH	74876.68	79661.86	87154.11	76554.41	81700.2	89450.14
V	BALANCES WITH R.B.I. (B)	565707.29	551020.37	505130.9	581001.73	567006.88	519410.78
VI	ASSETS WITH BANKING SYSTEM						
	a) Balances with other banks						
	i) In current accounts	13329.18	14502.1	14401.06	17216.27	17073.07	17044.17
	ii) In other accounts	209718.82	132633.4	141794.55	228663.44	161490.39	165143.81
	b) Money at call & short notice	32252.06	14790.75	20222.08	47046.64	33998.23	44096.61
	c) Advances to banks (i.e. due from bks.)	29635.13	28965.4	30531.49	32950.25	30260.89	38434.92
	d) Other assets	42878.87	52203.29	53240.76	46792.93	58616.73	59661.93
VII	INVESTMENTS (At book value)	3381056.15	3795013.27	3693395.78	3475606.66	3910585.39	3810423.69
	a) Central & State Govt. securities+	3379001.47	3787015.87	3684742.8	3467844.56	3896178.52	3795522.47
	b) Other approved securities	2054.68	7997.43	8653	7762.1	14406.9	14901.23
VIII	BANK CREDIT (Excluding Inter Bank Advance)	9771722.44	10140472.54	10371912.96	10047124.9	10472050.55	10707690.81
	a) Loans, cash credits & Overdrafts \$	9521993.67	9921609.01	10150691.78	9792287.22	10249923.68	10483305.06
	b) Inland Bills purchased	26223.31	26204.82	25657.53	27641.33	26783.66	26212.64
	c) Inland Bills discounted	158296.04	141863.58	145682.82	160983.69	143437.31	147253.36
	d) Foreign Bills purchased	24587.53	20982.76	20457.61	24913.56	21459.12	20932.06
	e) Foreign Bills discounted	40621.88	29812.43	29423.17	41299.05	30446.85	29987.64

## CHAPTER 5

### COOPERATIVE BANKS

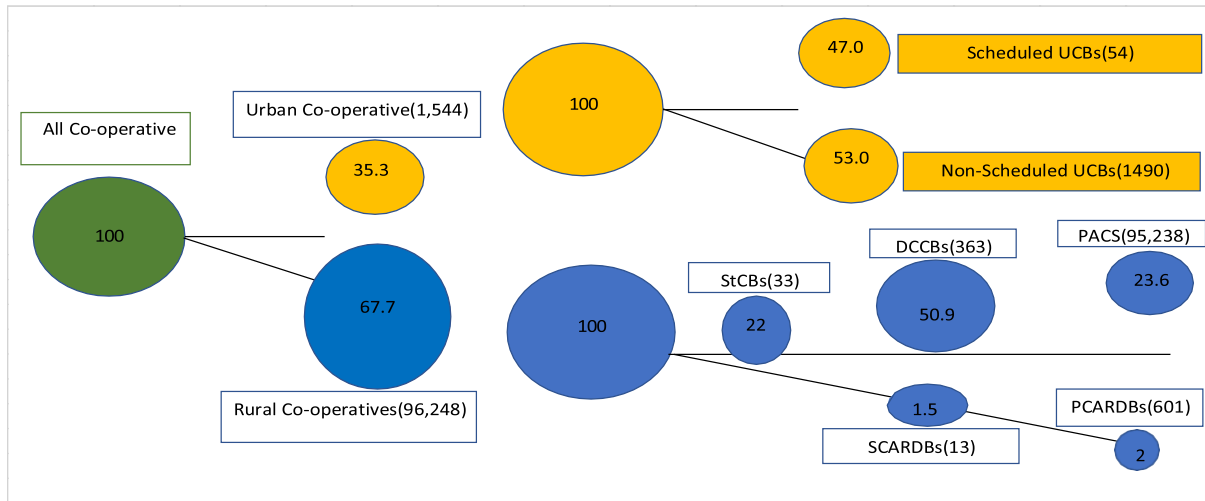
People who come together in conjunction to serve their common interests frequently form a co-operative society under the Co-operative Societies Act. When a co-operative society occupies itself in the banking business then these co-operative societies are called a cooperative Bank. Society has to acquire a license from the Reserve Bank of India (RBI) before starting the banking business. Any cooperative bank as a society is to function under the overall administration of the registrar, cooperative societies of the state. As regards the banking business, society must go along with the guidelines set and issued by the Reserve Bank of India (RBI). In keeping with their 'grassroots' integration into the life and essence of the widest sections of society, co-operative banks in India are invested with developmental goals among which financial inclusion has assumed crucial importance. These institutions play a critical role in last-mile credit delivery and in extending financial services across the length and breadth of the country through their geographic and demographic outreach.

At the end of March 2019, credit cooperative banks comprised 1,544 urban co-operative banks (UCBs) and 96,248 rural co-operative banks (end-March 2018), with the latter accounting for 64.7 percent of the total assets of co-operatives. UCBs and among the rural co-operatives, the State Co-operative Banks (SCBs), and the District Central Co-operative Banks (DCCBs) are registered either under the Co-operative Societies Act of the state concerned or under the Multi-State Co-operative Societies Act, 2002. Banking laws were made significant to co-operative societies since March, 1966. Currently, there is a duality of control over SCBs/DCCBs/UCBs between the Registrar of Cooperative Societies (RCS) or the Central Registrar of Cooperative Societies (CRCS) and the Reserve Bank. While the mandates of the RCS/CRCS encompass incorporation, registration, management, recovery, audit, the supersession of Board of Directors, and liquidation, the Reserve Bank is invested with regulatory functions. The Reserve Bank is also entrusted with the responsibility of supervision of UCBs, entailing prescription of prudential norms for capital adequacy, income recognition, asset classification and provisioning, liquidity requirements, and single/group exposure norms. Also, it helps in the capacity building of employees and assists in the implementation of IT infrastructure in UCBs.

Primary Agricultural Credit Societies (PACS) and long-term co-operatives are outside the purview of the Banking Regulation Act, 1949. The NABARD has been given power under Section 35 (6) of the Banking Regulation Act to conduct inspections of SCBs and DCCBs. The NABARD also conducts voluntary inspections of State Co-operative Agriculture and Rural Development Banks (SCARDBs).

The growth of these co-operative institutions has not been commensurate with that of other constituents of the banking sector in India. At the end of March 2019, the combined assets of urban and rural co-operatives were 10.6 percent of the total assets of scheduled commercial banks (SCBs), down from 19.4 percent in 2004-05. Several operational and governance-based impediments have operated as drags on their performance, stunting their growth.

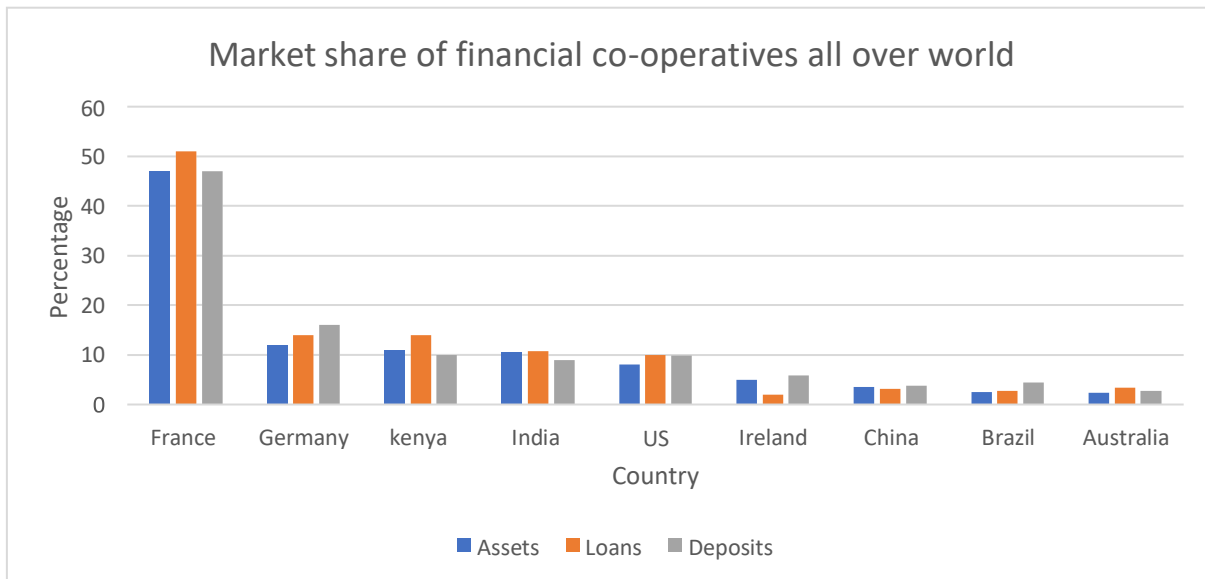
**Figure 5. 1. The structure of co-operatives by asset size**



**5.1 Co-operative Banks: A Cross-Country Comparison**

The financial co-operative (FC) institutions, which trace back their origins to the 19th century, were established across jurisdictions to extend loans at affordable prices to the unbanked population. Amongst the FCs, the services of credit unions are exclusive for their members, who share a common profession, entrepreneurship interests, or in some cases, just their location. In contrast, co-operative banks offer services to non-members as well (Birchall, 2013). While there are co-operatives based on a simple business model of deposit-taking and lending, others, such as those in Europe, form federations by pooling their resources resembling large banking groups and provide a large array of services (for example, Rabobank Group in Netherlands, Credit Agricole Group in France and Op- Pohjola Group in Finland).

**Figure 5.1. 1. Market share of financial co-operatives**



## 5.2 Place of UCBs in Indian Banking System

Inspired by the success of experiments which was related to the Co-operative credit movement in Germany and the co-operative movement in Britain formed the origin of UCBs. Mutual help, open membership, and democratic decision making are the principle of Co-operative Societies. “Anyonya Sahakari Mandali” was the first known mutual aid society in India. Initially, UCBs came to meet the consumption-oriented credit needs of the members but at present, it mobilizes the savings of middle and low-income urban groups to their members from whom many belong to the weaker section.

The primary co-operative bank in the urban and semi-urban areas are termed as Urban Co-operative banks (UCBs). Till 1996 these banks were allowed to lend their money for the only purpose of non- agriculture, small borrowers, and businesses. Today the scope of their operation has widened considerably.

There is a duality of control in the Urban Co-operative banks as the banking-related functions (viz. area of operation, licensing, interest rates, IRAC, etc.) were to be governed by RBI and management, registration, audit, and liquidation, etc were to be governed by the state acts of the state government.

Over the years, primary (urban) cooperative banks have registered a significant growth in number, size, and volume of business handled. As of March 2019, there are 1544 UCBs of which 54 are banks that are scheduled. About 79 percent of these are located in five states i.e. Tamil Nadu, Andhra Pradesh, Karnataka, Gujarat, and Maharashtra. Recently the problems faced by a few large UCBs have highlighted some of the difficulties these banks face and policy endeavours are geared to consolidating and strengthening this sector and improving governance.

## CHAPTER 6

### URBAN CO-OPERATIVE BANKS (UCBs) IN INDIA

There are over 1,544 UCBs in the country. Yet they form a tiny part of the banking system accounting for less than 3% of the total banking assets and deposits and less than 3.5% of total advances. They also follow the 80-20 rule. The top 20% of UCBs accounts for almost 80% of its deposits. In spite of being present in 25 states, much (almost 80%) of the action happens in the five states of Gujarat, Maharashtra, Andhra Pradesh, Karnataka, and Tamil Nadu with the largest share going to Maharashtra. Till March 2019, Maharashtra stood first among all UCBs, there 56.18 percent of all UCB branches, around 59 % of total extension counters of UCBs and more than 70% of all its automated teller machines (ATMs) are in Maharashtra. As a result, more than 60% of the total banking business of the UCBs sector was concentrated in Maharashtra but their numbers have been decreasing in recent years. During 2000-2010, 132 banks had their licenses cancelled and 62 merged with other banks. In this scenario, it is perhaps understandable why this sector does not exactly steal the limelight in banking policy.

#### 6.1 Role of Urban Co-operative banks in developments

As far as financial inclusion is concerned, ignoring the value of this sector would be a serious mistake. By their nature, UCBs in India can play a critical role in this area. They have traditionally played an important role in mobilizing resources from lower and middle-income groups and in providing direct finance to small entrepreneurs and traders. The UCBs, with their deep-rooted connections with specific communities, can easily inspire the trust of small savers and borrowers. By being local in nature and intricately interwoven with the local community, the UCBs have a clear advantage over commercial banks. It is easier for the UCBs to break the psychological barrier that proves prohibitive in the last mile of financial inclusion i.e. to create a trust for the bank among its target community and bring customers within its fold. Today, when large commercial banks are working hard to set up branches and employing technology to reach out to these far untouched regions of the country, it is time for the UCBs to step into the game that is naturally theirs.

#### 6.2 RBI's Role in Empowering UCBs

In order to empower the cooperative banks in their commercial/managerial functioning, RBI in its Memorandum of Understanding (MoUs) with the State Governments has committed to facilitate the development of human resources and skills and to provide assistance in information technology (IT) initiatives undertaken by the UCBs. The UCBs here have to take a lead and play a more pro-active role in order to utilize the services and assistance provided by the Reserve Bank to make themselves more competitive by bringing efficiency in their functioning. This has to be achieved through cultivating Capital Adequacy and Non-Performing Assets (NPA) Provisioning Standards; better Corporate Governance; introducing Professional Management and following best practices in banking operations.

The Reserve Bank committed itself to strengthen the sector and to protect the depositors' interests. The Reserve Bank's Vision Document for UCBs brought out in March 2005 with the objective of maintaining the viability and competitiveness of the cooperative sector. RBI felt the need to have more effective interaction with the State Government to address some of the systemic issues hindering the growth and functioning of the cooperative banks. In view of this, RBI has signed Memorandum of Understanding (MoU) with 26 States so far, which provides the basis for the constitution of Task Force for Urban Cooperative Banks (TAFUCB), the forum for the consultative decision-making process. The various TAFUCB meetings across the States have generated the desired effects and have helped in the strengthening of the UCB sector.

The Central Government vide Notification dated 29<sup>th</sup> June 2020 while exercising the power conferred by sub-section (2) of section 1 of the Banking Regulation (Amendments) Ordinance, 2020 (12 Of 2020) has notified that the provisions of section 4 of the said Ordinance shall come into force for Primary Co-operative banks (UCBs). The said amendments might help RBI to bring the much needed reform in UCB sector, which otherwise was not possible due to limitation to the existing statutory powers vested upon RBI.

### 6.3 Trends in Urban Co-operative Banking Sector:

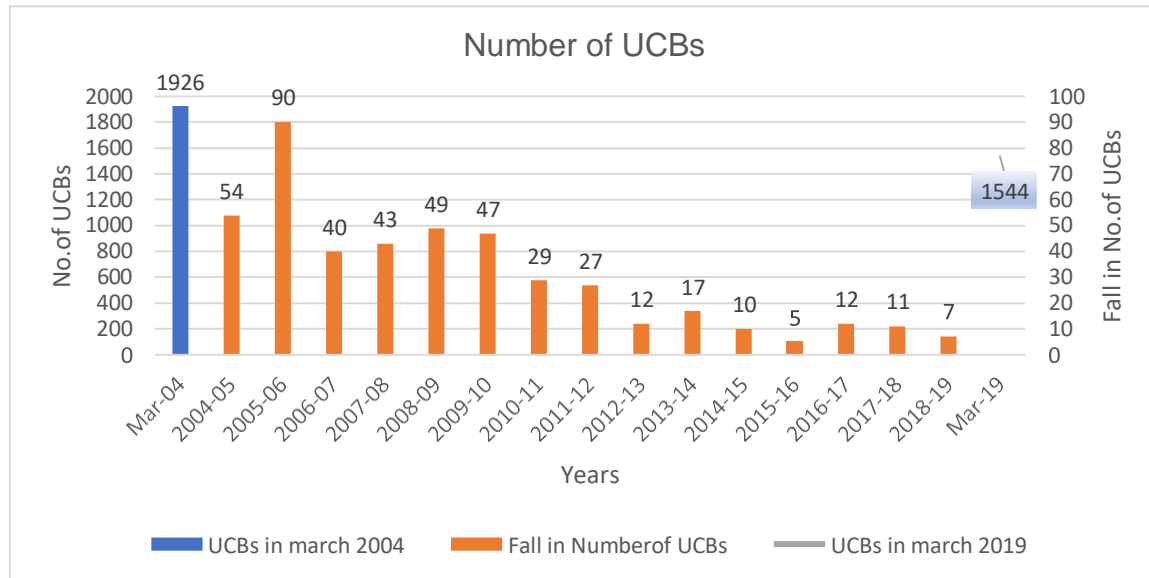
**Figure 6.3.1. Balance sheet of Urban Co-operative Banks. (as on March 2019)**

Items	(Amt in ` Crores)						
	Scheduled UCBs		Non-Scheduled UCBs		All UCBs		
	2018	2019	2018	2019	2018	2019	Growth (%) in 2019 over
No. of UCBs	54	54	1497	1490	1551	1544	
<b>Liabilities</b>							
1) Capital	4,118.32	4,348.16	8,851.80	9,234.77	12,970.12	13,582.93	4.72
	(1.56)	(1.53)	(2.97)	(2.94)	(2.30)	(2.27)	
2) Reserves and Surplus	16,662.54	18,447.27	18,625.88	19,341.68	35,288.41	37,788.96	7.09
	(6.29)	(6.47)	(6.24)	(6.15)	(6.27)	(6.31)	
3) Deposits	2,12,041.12	2,25,687.51	2,44,465.72	2,58,628.34	4,56,506.84	4,84,315.85	6.09
	(80.09)	(79.21)	(81.90)	(82.29)	(81.05)	(80.83)	
4) Borrowings	4,628.15	4,907.73	367.19	333.31	4,995.34	5,241.04	4.92
	(1.75)	(1.72)	(0.12)	(0.11)	(0.89)	(0.87)	
5) Other Liabilities and Provisions	27,307.59	31,538.04	26,183.21	26,746.90	53,490.80	58,284.94	8.96
	(10.31)	(11.07)	(8.77)	(8.51)	(9.50)	(9.73)	
<b>Total Liabilities</b>	<b>2,64,757.71</b>	<b>2,84,928.72</b>	<b>2,98,493.79</b>	<b>3,14,285.00</b>	<b>5,63,251.51</b>	<b>5,99,213.72</b>	<b>6.38</b>
	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	
<b>Assets</b>							
1) Cash in Hand	1481.58	1341.74	3,982.39	4,046.17	5,463.97	5,387.92	-1.39
	(0.56)	(0.47)	(1.33)	(1.29)	(0.97)	(0.90)	
2) Balances with RBI	10,359.76	11,079.83	2,143.54	2,698.84	12,503.31	13,778.67	10.20
	(3.91)	(3.89)	(0.72)	(0.86)	(2.22)	(2.30)	
3) Balances with Banks	16,155.16	17,065.43	46,813.23	43,779.76	62,968.39	60,845.19	-3.37
	(6.10)	(5.99)	(15.68)	(13.93)	(11.18)	(10.15)	
4) Money at Call and Short Notice	3,080.81	4,290.84	1,380.70	1,580.15	4,461.51	5,871.00	31.59
	(1.16)	(1.51)	(0.46)	(0.50)	(0.79)	(0.98)	
5) Investments	68,927.94	72,305.33	80,906.05	84,637.84	1,49,833.98	1,56,943.17	4.74
	(26.03)	(25.38)	(27.10)	(26.93)	(26.60)	(26.19)	
A) SLR Investments	61,068.33	61,394.03	74,795.09	78,055.89	1,35,863.42	1,39,449.92	2.64
	(23.07)	(21.55)	(25.06)	(24.84)	(24.12)	(23.27)	
B) Non-SLR Investments	7,859.60	10,911.30	6,110.96	6,581.95	13,970.56	17,493.26	25.22
	(2.97)	(3.83)	(2.05)	(2.09)	(2.48)	(2.92)	
6) Loans and Advances	1,36,822.38	1,46,571.55	1,43,637.21	1,56,446.21	2,80,459.59	3,03,017.76	8.04
	(51.68)	(51.44)	(48.12)	(49.78)	(49.79)	(50.57)	
7) Other Assets	27,930.09	32,273.99	19,630.67	21,096.03	47,560.76	53,370.02	12.21
	(10.55)	(11.33)	(6.58)	(6.71)	(8.44)	(8.91)	
<b>Total Assets</b>	<b>2,64,757.71</b>	<b>2,84,928.72</b>	<b>2,98,493.79</b>	<b>3,14,285.00</b>	<b>5,63,251.51</b>	<b>5,99,213.72</b>	<b>6.38</b>
	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	<b>(100.00)</b>	

Despite their large number, only 3.6 percent of the total asset of SCBs are accounted for by UCBs. With limited avenues to raise capital, most of them are single branch entities.

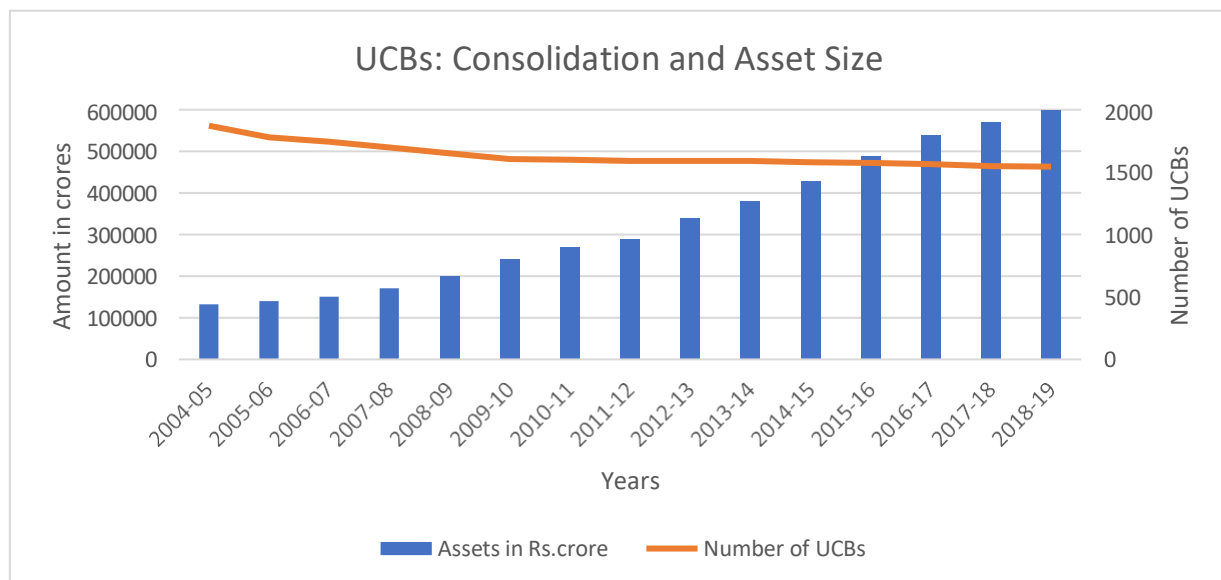
Enabled by a liberal licensing policy, the period 1991-2004 saw phenomenal growth in UCBs' number and asset size. Subsequently, this expansion turned unsustainable and some of them became weak and unviable over time.

**Figure 6.3. 2. Number of UCBs**



Notwithstanding the fall in the number of UCBs, however, their combined asset continuously increased

**Figure 6.3. 3. Consolidation and Asset Size of UCBs**



UCBs are classified for regulatory purposes into Tier-I and Tier-II (deposit below and more than ₹ 100 crores respectively) categories, based on their depositor bases. Tier II UCBs have larger depositor bases and wider geographical presence than their Tier I counterparts. During 2018-19, the number of Tier II UCBs increased sharply

**Table 6.3. 1. Tier-wise Distribution of Urban Co-operative Banks. (as on March 2019) (In crores)**

Tier Type	Number of Banks		Deposits		Advances		Total Assets	
	Number	%total	Amount	%total	Amount	%total	Amount	%total
Tier I UCBs	917	59.4	43,588	9.0	25,076	8.3	54,591	9.1
Tier II UCBs	627	40.6	4,40,728	91.0	2,77,942	91.7	5,44,622	90.1
All UCBs	1544	100.0	4,84,316	100.0	3,03,018	100.0	599,214	100.0

The SCBs share in the total bank deposits has been 93.56 and 93.36 percent in the year 2018 and 2019 as compared to UCBs 2.73 and 2.82 percent in the corresponding period, displaying a downward trend.

**Table 6.3. 2. The market share of deposits in India**

Year	Deposits Share (%)	
	2018	2019
Schedule Commercial Banks	93.56	93.36
UCBs	2.73	2.82
Other Banks	3.72	3.82
Total	100.0	100.0

Uneven geographical dispersal of UCBs had resulted in 80 percent of the total presence and 75 percent of total deposits concentrated in five states such as Tamil Nadu, Gujarat, Maharashtra, undivided Andhra Pradesh, and Karnataka as on March 2019. The predominant concentration of Urban Cooperative Banks in these 5 states is mainly on account of the emergence of strong cooperative leadership.

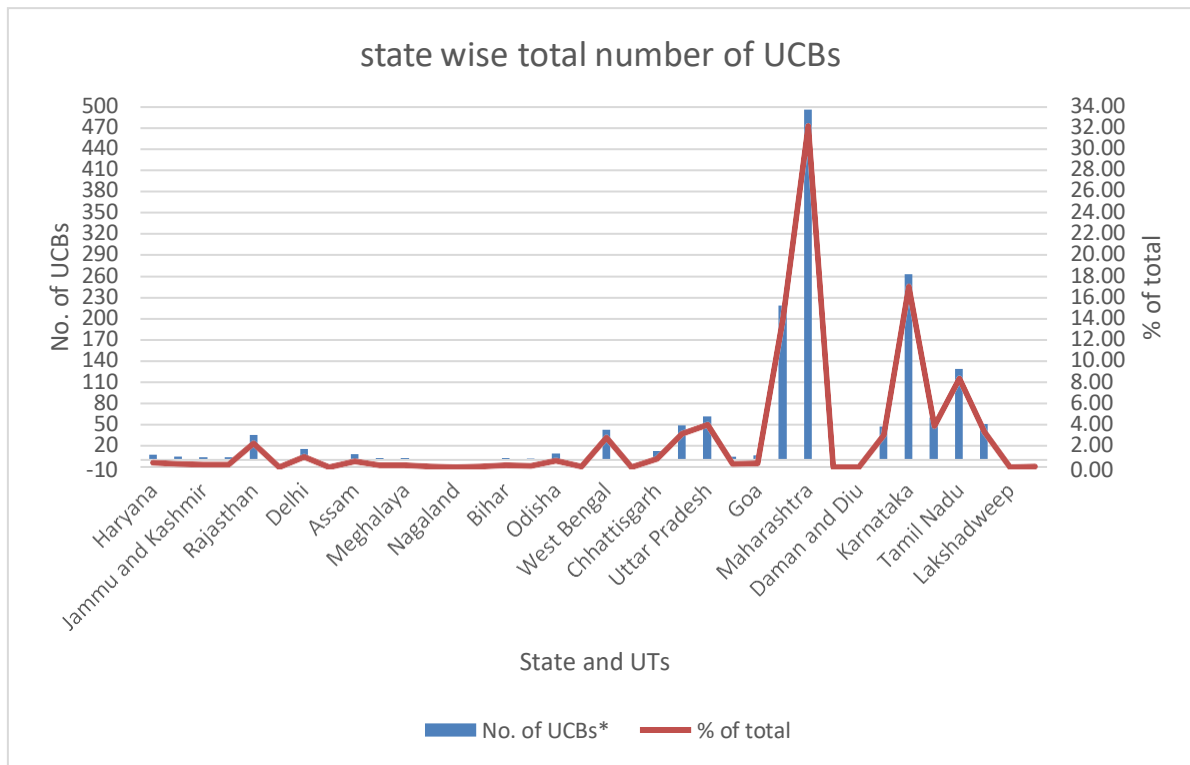


**Table 6.3. 3. State and Union Territories(UT) wise distribution of UCBs.**

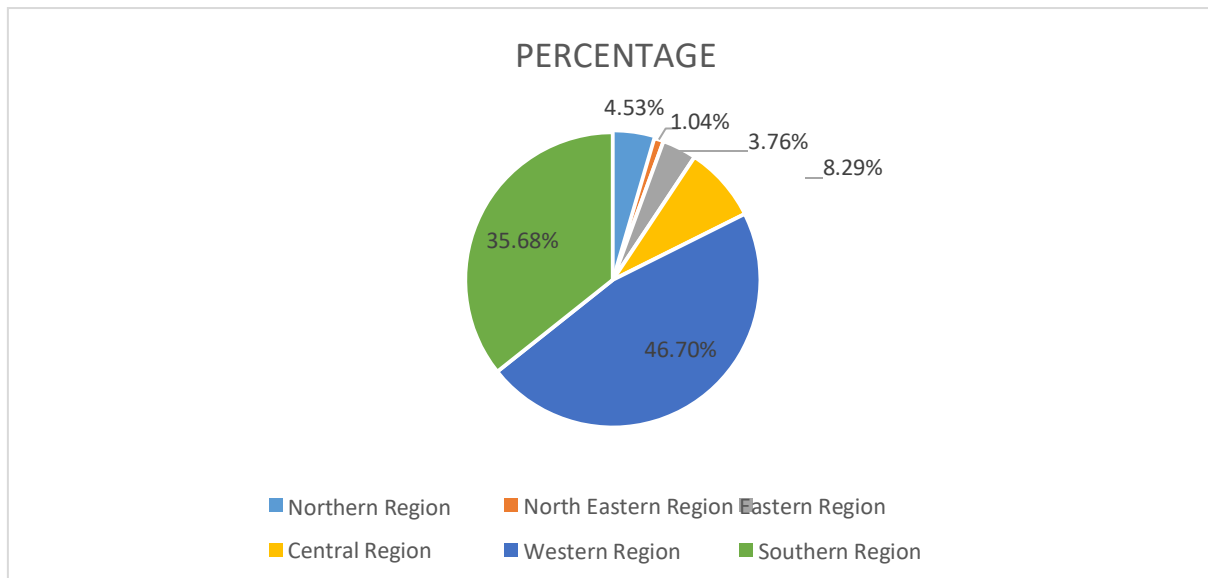
S. No.	State	No. of UCBs				No. of UCBs (% in Total)			
		2016	2017	2018	2019	2016	2017	2018	2019
	Years								
1	Maharashtra	508	502	498	496	32.27	32.14	32.11	32.12
2	Karnataka	265	264	264	263	16.84	16.9	17.02	17.03
3	Gujarat	224	220	220	219	14.23	14.08	14.18	14.18
4	Tamil Nadu	129	129	129	129	8.2	8.26	8.32	8.35
5	Uttar Pradesh	67	66	63	62	4.26	4.23	4.06	4.02
6	Kerala	60	60	60	60	3.81	3.84	3.87	3.89
7	Telangana	52	52	51	51	3.3	3.33	3.29	3.3
8	Madhya Pradesh	51	51	49	49	3.24	3.27	3.16	3.17
9	Andhra Pradesh	48	48	47	47	3.05	3.07	3.03	3.04
10	West Bengal	43	43	43	43	2.73	2.75	2.77	2.78
11	Rajasthan	37	37	37	35	2.35	2.37	2.39	2.27
12	Delhi	15	15	15	15	0.95	0.96	0.97	0.97
13	Chhattisgarh	12	12	12	12	0.76	0.77	0.77	0.78
14	Odisha	9	9	9	9	0.57	0.58	0.58	0.58
15	Assam	8	8	8	8	0.51	0.51	0.52	0.52
16	Jharkhand	2	2	2	2	0.44	0.45	0.45	0.45
17	Odisha	9	9	9	9	0.38	0.38	0.39	0.39
18	Assam	8	8	8	8	0.32	0.32	0.32	0.32
19	Uttarakhand	5	5	5	5	0.32	0.32	0.32	0.32
20	Jammu and Kashmir	4	4	4	4	0.25	0.26	0.26	0.26
21	Punjab	4	4	4	4	0.25	0.26	0.26	0.26
22	Bihar	3	3	3	3	0.19	0.19	0.19	0.19
23	Manipur	3	3	3	3	0.19	0.19	0.19	0.19
24	Meghalaya	3	3	3	3	0.19	0.19	0.19	0.19
25	Jharkhand	2	2	2	2	0.13	0.13	0.13	0.13
26	Puducherry	1	1	1	1	0.06	0.06	0.06	0.06
27	Sikkim	1	1	1	1	0.06	0.06	0.06	0.06
28	Tripura	1	1	1	1	0.06	0.06	0.06	0.06
29	Mizoram	1	1	1	1	0.06	0.06	0.06	0.06
Total	All India	1574	1562	1551	1544	100	100	100	100

Maharashtra and Karnataka continued to top the list of UCBs in India since 2016. The Odisha occupies the 14<sup>th</sup> place with a share of 0.58% as on March 2019. However, the overall growth of UCBs are constantly in a decline stage in India well as in Odisha due to merger and liquidation of UCBs. The total UCBs has been declined to 1544 as on March 2019 from 1574 as on March 2016. The states and UTs like Arunachal Pradesh, Nagaland, Dadar Andaman and Nicobar, Dadra and Nagar Haveli, Daman and Diu, and Lakshadweep have no presences of UCB.

**Figure 6.3.4. State and UT wise total number of UCB as on March 2019:**

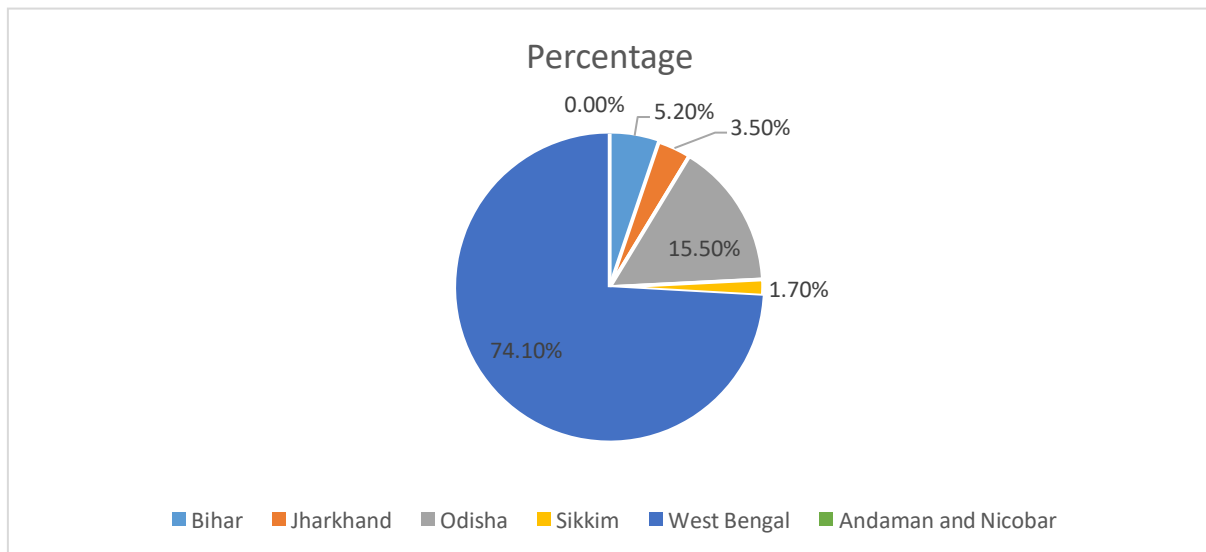


**Figure 6.3. 5. Region wise distribution of UCBs at the end of March 2019:**



The western region has the highest number of UCB's (721 out of 1544) followed by the southern region (551 out of 1544).

**Figure 6.3.6. State wise number of UCBs in Eastern Region:**



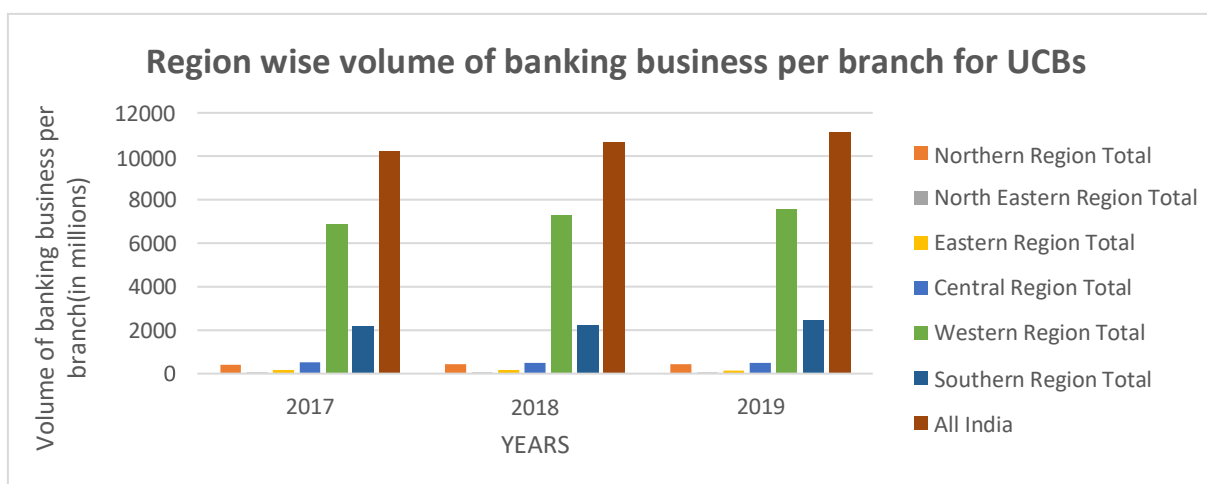
In the Eastern region West Bengal state has the largest number of UCBs (43 out of 58) followed by Odisha (9) and Bihar(3).

The banking business of UCBs captured spatially concentrated in the Western region followed by the Eastern region. As depicted in Table No.6.3.4, the volume of banking business per branch was significantly higher in the western and southern regions of India.

**Table 6.3. 4. Region wise volume of banking business per branch for UCBs**

Regions ↓	Volume of banking business per branch (in millions)		
	2019	2018	2017
Northern Region Total	427	423	408
North Eastern Region Total	49	48	53
Eastern Region Total	138	171	168
Central Region Total	496	500	514
Western Region Total	7577	7265	6898
Southern Region Total	2428	2239	2180
All India	11115	10646	10221

**Figure 6.3. 7. Region wise volume of banking business per branch for UCBs**



## CHAPTER 7

### URBAN CO-OPERATIVE BANKS (UCBs) IN ODISHA

Odisha with nine UCBs has occupied the fourteenth place in terms of number of UCBs in India. The history of the UCBs in Odisha dates back to 1904 when the Co-operative Credit Societies Act was enacted in the country. Initially, a considerable impact of this movement was witnessed in Ganjam district. Within a short span, three UCBs were established in the Ganjam District. To be specific the Parlakhemundi Co-operative Urban Bank, the first urban bank in Odisha, was established in the year 1914 followed by the Utkal Urban Co-operative Bank in 1934. Afterward, a few more banks were opened in different corners of the state. In Odisha, there was 18 UCBs in between 1950-1951. Most of the banks amongst these have achieved significant progress in their work.

**Table 7. 1. Overview of UCBs in Odisha (as on March 2019)**

No. of UCBs	9
No. of Branches	32
No. of Extension Counters	4
Deposits (in Crores)	1235.2
Advances (in Crores)	742.1
Total Districts	30
No. of Districts with a presence of UCB	11
No. of ATMs	0

**Table 7. 2. Details of Urban Co-operative bank based in Odisha (as on March 2020)**

Sr. No	Name of the bank	Year of Registration and Banking License	Location	No. of Branches
1.	Balasore Co-operative Urban bank Ltd	1945 & 2009	Balasore	Unit Bank
2.	Berhampur Co-operative Urban bank Ltd	1945 & 1984	Berhampur	1(Evening branch)
3.	Urban Co-operative bank Ltd., Cuttack	1981 & 1981	Cuttack	Branch-16. Extension Counter-2
4.	Jeypore Co-operative bank Ltd	1943 & 2002	Jeypore	Unit Bank
5.	Kendrapara Urban Co-operative bank Ltd	1986 & 1987	Kendrapara	6
6.	Puri Urban Co-operative bank Ltd	1945 & 2009	Puri	2
7.	The Co-operative Urban bank Ltd., Parlakhemundi	1915 & 2010	Parlakhemundi	Unit bank
8.	Urban Co-operative bank Ltd., Rourkela	1988 & 1989	Rourkela	5

9.	Utkal Co-operative bank Ltd	1934 & 2017	Bhubaneswar	Branch-2, Extension counter-2
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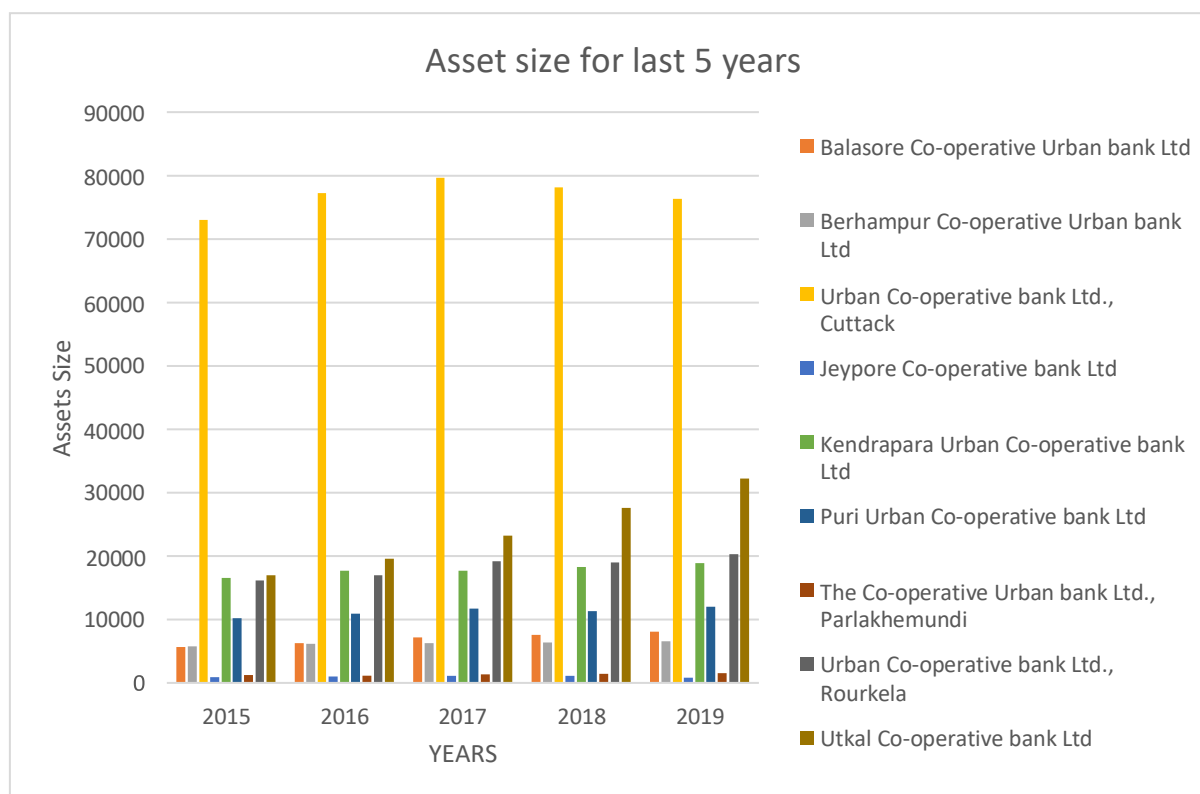
**Table 7. 3. Details of based on Financial parameters of UCBs in Odisha**

<b>Financial Parameters(Audited Figures)(in lakhs)</b>						
<b>Name of the Bank</b>	<b>Years</b>	<b>Asset Size</b>	<b>Deposits</b>	<b>Loans/ Advances</b>	<b>NNPA&amp; GNPA(%)</b>	<b>Profit</b>
<b>Balasore UCBL</b>	2019	8070.5	6732.48	2350.71	3.13/18.24	20.57
	2018	7571.57	6308.01	2252.95	7.49/21.00	23.47
	2017	7196.89	6034.89	2143.36	11.85/23.45	18.53
	2016	6237.85	5187.3	2109.07	16.33/26.88	16.42
	2015	5627.13	4651.08	1884	15.34/26.88	28.45
<b>Berhampur UCBL</b>	2019	6582.99	4844.62	3529.72	31.22/41.96	23.92
	2018	6353.66	4778.52	3506.01	29.86/39.49	21.5
	2017	6265.63	4823.02	3249.53	28.57/37.42	20.45
	2016	6133.26	4790.87	3025.13	25.36/34.31	23.1
	2015	5786.06	4573.88	2315.6	30.73/40.20	-8.14
<b>Cuttack UCBL</b>	2019	76301	44598.6	26117.1	2.82/16.38	77.1
	2018	78144.2	44557.9	24572.3	3.26/18.95	289.41
	2017	79665.8	45413.9	21946	2.17/21.46	-581.94
	2016	77247	45175.7	21768.9	3.67/23.07	-94.71
	2015	73036.7	44049.2	19603.2	4.45/26.31	-561.39
<b>Jeypore UCB</b>	2019	852.63	564.35	239.04	15.42/40.63	3.53
	2018	1072.1	600.32	217.05	11.09/39.38	3.26
	2017	1119.92	651.07	261.79	18.80/48.92	1.94
	2016	1036.22	637.37	286.45	20.88/43.76	2.08
	2015	895.54	608.05	309.25	31.89/47.54	-33.78
<b>Kendrapara UCB</b>	2019	18919.21	15894.25	10446.03	10.22/18.22	34.54
	2018	18295.95	14950.34	9765.59	11.66/19.62	40.49
	2017	17699.05	14724.72	8932.62	12.09/20.76	29.24
	2016	17682.85	14919.14	9604.08	13.39/20.84	8.87
	2015	16568.56	14238.78	9424.4	13.70/13.73	152.89
<b>Puri UCB</b>	2019	12043	9208	4786	-0.20/11.99	43.31
	2018	11329	8706	4598	0.00/12.64	99.37
	2017	11700	9127	4262	4.36/17.43	67.87
	2016	10884	8154	4023	5.97/19.84	17.06
	2015	10223	7660	3738	8.50/22.46	32.14
<b>Parlakhemundi UCB</b>	2019	1555.24	1357.4	736.79	19.09/22.06	2.39
	2018	1432.89	1247.51	656.64	16.77/21.88	2.3
	2017	1281.51	1119.62	532.54	26.94/33.80	2.27
	2016	1121.4	985.3	472.04	28.59/34.28	1.16
	2015	1210.55	1062.52	555.21	31.01/36.04	1.69
<b>Rourkela UCB</b>	2019	20316.17	13318.59	9949.46	3.07/14.73	173.18
	2018	18961.28	12493.4	8364.16	4.65/18.07	163.22
	2017	19173.68	12367	7581.11	7.62/23.17	95.78
	2016	16944.78	10962.81	6907.35	11.62/27.85	17.25
	2015	16169.62	10521.17	7269.98	18.13/30.08	35.19

<b>Utkal UCB</b>	2019	32255.37	27310.5	16208.25	19.09/22.06	357.28
	2018	27569.26	14698.94	14698.94	-0.70/3.52	348.65
	2017	23262.54	18801.28	13487.29	26.94/33.80	249.09
	2016	19638.35	14536.79	11231.21	0.29/4.21	298.55
	2015	16953.15	12768.75	9913.6	1.24/5.11	132.16

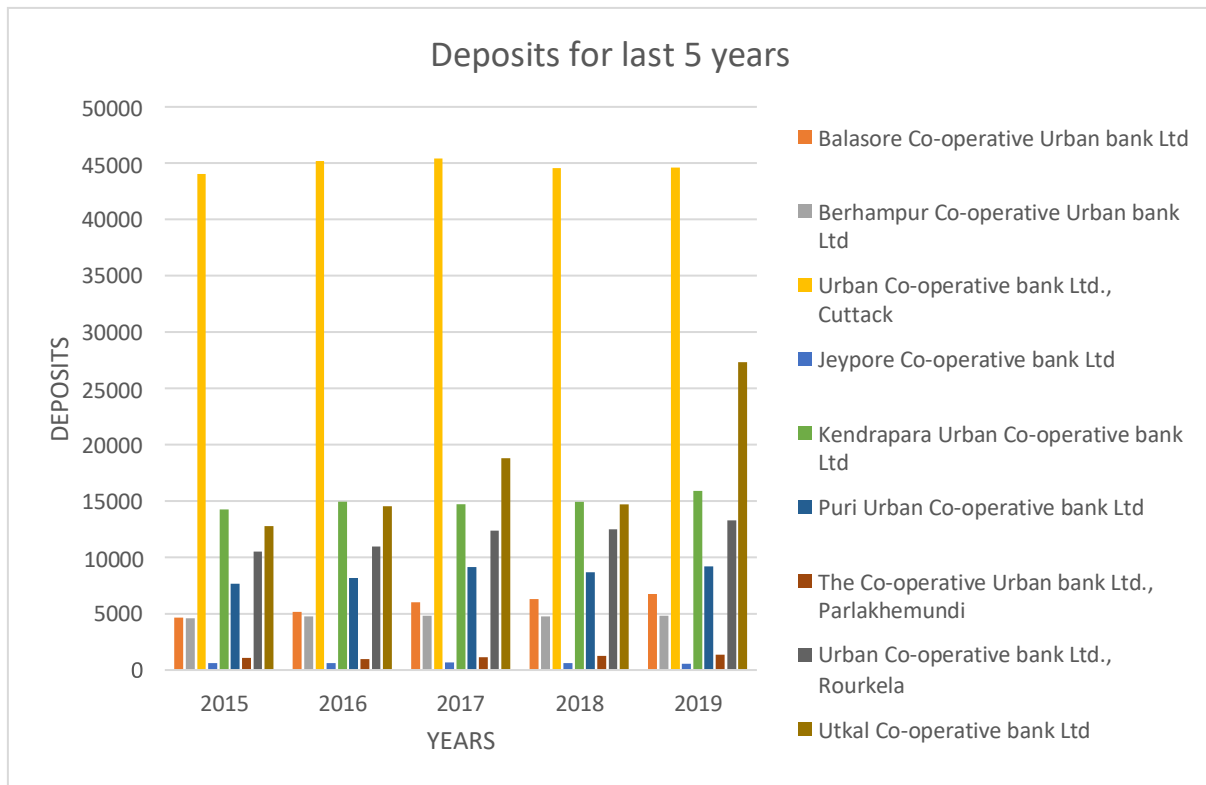
Different banks function at different levels considering the parameters like asset size, deposit, advances, NPA and Profit. The reasons could be the geographical presence, management, embracing change over the period of time etc.

**Figure 7. 1.Asset size of all UCBs in Odisha**



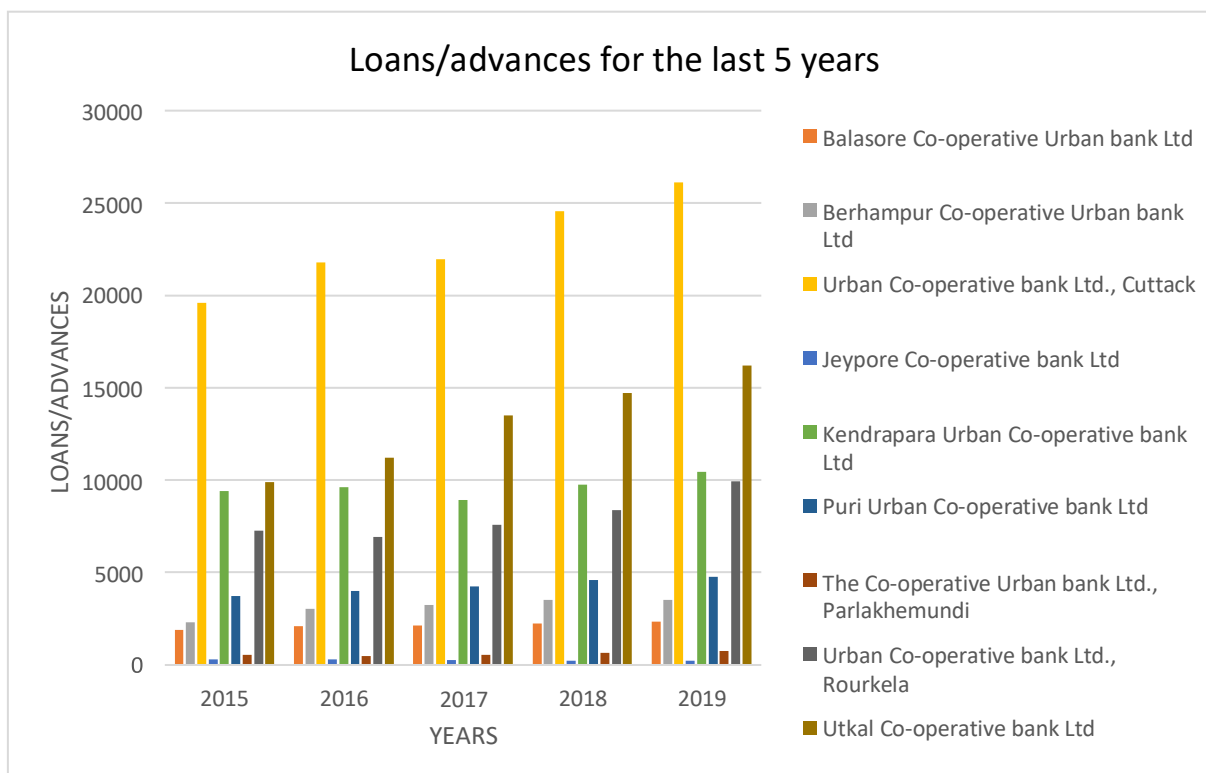
The Cuttack Co-operative has the highest asset size followed by Utkal co-operative bank, and the lowest is Jeypore Co-operative Bank. In last five years almost all the banks have increased their Asset Size.

**Figure 7. 2. Deposits of all UCBs in Odisha**



The Cuttack Co-operative bank has the highest deposits whereas Jeypore UCB has the lowest since 2015. It is seen that since last 5 years, there is a decline in the deposits of almost all the UCBs. Especially Jeypore UCB and Parlakhemundi UCB.

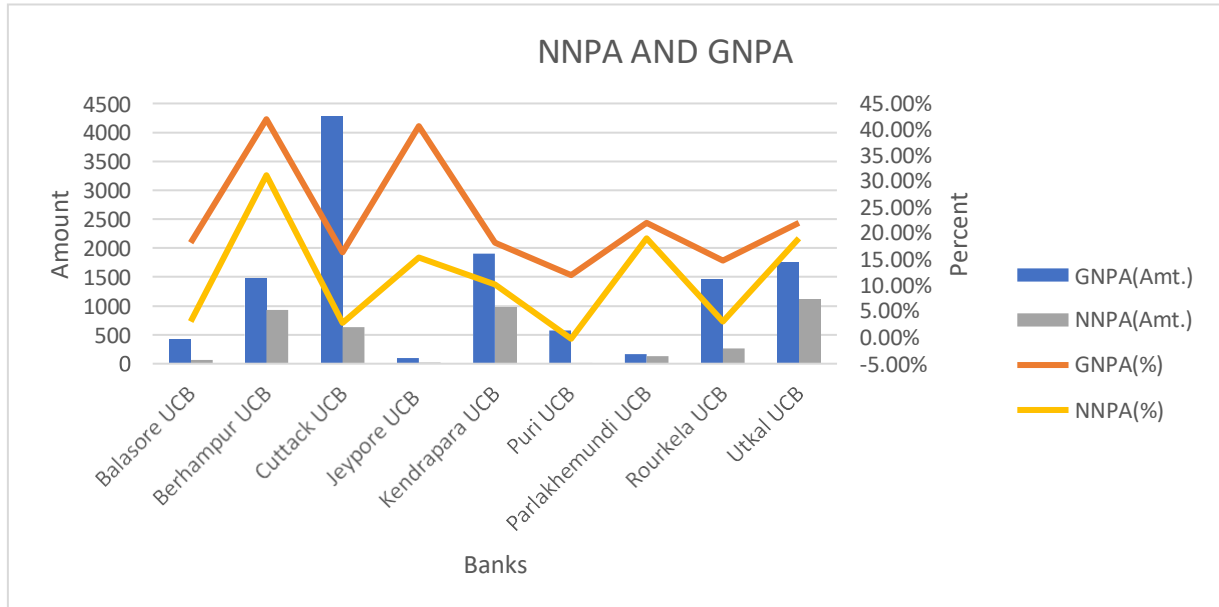
**Figure 7. 3. Loans/Advances of all UCBs in Odisha**





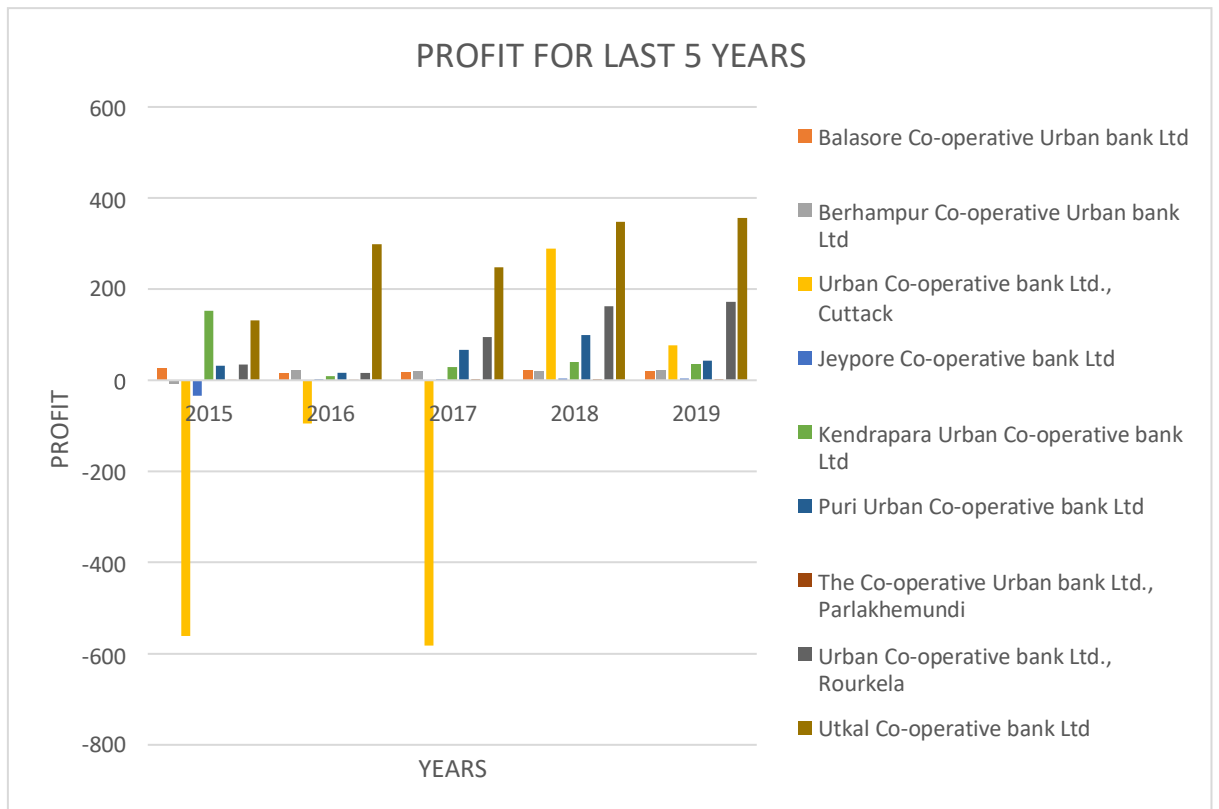
Since 2015 Cuttack co-operative Bank has the highest advances and loans followed Utkal Co-operative Bank and Kendrapara Bank and lowest is Jeypore Co-operative Bank followed by Parlakhemundi.

**Figure 7. 4. Net NPA and Gross NPA of UCBs in Odisha.**



Cuttack Cooperative bank has the highest GNPA which ₹4279.19 lakhs at 16.38 % of the total advance

**Figure 7. 5. Profit of all UCBs in Odisha**



The Utkal Co-operative Bank has the highest audited profit followed by Rourkela in 2019. The Cuttack and Jeypore Co-operative Banks are reeling under accumulated loss of ₹1131.57 lakh and ₹22.83 lakhs respectively, as on March 2019.

Considering the branch networks, asset size, deposit and advances Cuttack, Utkal, Rourkela, and Kendrapara UCBs are the major players followed by Puri and Balasore in the UCB sector of Odisha.

## CHAPTER 8

### EVOLUTION OF BANKING TECHNOLOGIES

Technological innovation in general and information technology (IT) applications in particular, have had a major effect in banking and finance. Outstanding IT-based innovations are considered and grouped into four distinct periods based on Indian Scenarios are:

- Early adoption (1960-1980),
- Specific application (1980-1990),
- Emergence (1990-2000) and
- Diffusion (2000-till date).

#### 8.1 Role of Technology in development of UCBs:

Technological innovation has not only enabled a broader reach for consumer banking and financial services but has enhanced its capacity for continued and inclusive growth. Banks and financial institutions rely on gathering, processing, analyzing information in order to improve its service and meet the expectations of customers. Banks have been quick to realize and adopt technology in a big way. The visible benefits of IT in day-to-day banking in India are quite well known. The 'Anywhere Banking' through Core Banking Systems, 'Anytime Banking' through new, 24/7/365 delivery channels such as Automated Teller Machines (ATMs), and Net and Mobile Banking, etc. are also increasingly becoming an integral part of the services provided by the UCBs. In addition, IT has enabled the efficient, accurate, and timely management of the increased transaction volume that comes with a larger customer base.

Another important aspect with regard to technology implementation for internal purposes in UCBs is the Management Information System (MIS). The MIS reports so generated help the top management as effective risk management and a strategic decision-making tool.

The use of IT reduces the costs of financial transactions, improves the allocation of financial resources, and increases the competitiveness and efficiency of financial institutions. Most importantly, it enables us to take any product or service to the general masses. The challenge now lies in taking greater advantage of new technologies and information-based systems and expanding the coverage of the Indian banking and financial system to under-served markets in rural and semi-urban areas. The use of Smart Card technology, mobile ATMs, coverage of post offices under electronic payments networks in remote areas could play a significant role in providing financial services to unbanked and underbanked people. Today, we all should understand that poor people are bankable and there is tremendous potential for the business growth of financial institutions by providing banking services to them. What we need right now is the appropriate business delivery model which will facilitate taking the banking services to the doorsteps of the people at a lesser cost. The technology-based solution would go a long way to achieving inclusive growth in India.

In order to enhance the deployment of technology in UCBs, a Working Group was constituted in 2007 to examine the various areas where IT support could be provided by the Reserve Bank of India. Shri. R. Gandhi, (then Regional Director, RBI, Hyderabad) was the Chairman of the core group. Based on the recommendations of the Working Group which looked into ways of supporting IT initiatives of the UCBs, IDRBT was asked to facilitate UCBs availing of Core Banking Platform on an Application Service Provider (ASP) model. With this, the UCBs will be able to put in place cost-effective, modern technology so as to render better customer service and sound regulatory compliance

## **8.2 Extent of technology integration in Urban Co-operative Banks:**

There exists a wide disparity with regard to the usage of Information Technology by the Urban Cooperative Banks. They are working towards the implementation of CBS, there are still many UCBs that are not under CBS. There are 171 small co-operative banks which are yet to implement the fully functional CBS as on March 2018. The remaining banks exist somewhere along the continuum between those that had CBS on the one hand, and those without even PCs on the other. There are still 15 states which are having Urban Co-operative banks that have no ATMs while 18 states have zero extension counters as on March 2019. Most banks have solutions based on Total Branch Automation. Several banks have implemented locally developed and customized application solutions. While some big UCBs have in-house IT wings to take care of the development and maintenance of systems, most banks have outsourced these services.

There were several large banks that had their own data centres and were offering core banking solutions to the smaller banks and that a few successful cases of sharing of data centre facilities among banks were also known. Some prominent banks are given below and the major technologies that are used by them.

### **8.3 Technologies used by some major Co-operative banks**

Some major co-operative banks like Saraswat bank, Cosmos Bank, Shamrao Vithal Co-operative Bank, Abhyudaya Co-operative bank Ltd., Bharat Co-operative Bank, TJSB Sahakari Bank, etc. have adopted the technologies like CBS, ATM, Quick Response Solution, Internet Banking, BHIM UPI, 24\*7 Phone banking, corporate Internet banking, mobile banking, e- passbook, online bill payment, Anywhere Banking, Electronic Clearing services, electronic fund transfer(NEFT/RTGS), At-Par cheque facility, e-payment of taxes, telebanking, e-statements, Point of Sale, Rupay chip-based debit card, SMS banking, etc. However, the sector as a whole is lagging behind the other players of the banking eco-system.

### **8.4 Technology and UCBs in Odisha.**

It is almost impossible to imagine a bank without Technology as core of its operational strategy in the 21<sup>st</sup> Century, so also the UCB sector. The UCBs in Odisha, despite embracing technology at a later stage, have not yet taken the advantage of available technologies. The reasons are many but poor corporate governance and dual control mechanism are the two stand out reasons for such scenario apart from other issues. The CBS system brought in during 2015 for the UCBs in Odisha is yet to be stabilised. Overall, the technology adoption is at a nascent stage in the UCBs of Odisha in comparison with some well managed UCBs in other parts of India.

## CHAPTER 9

### FINDINGS

The grounding of UCBs in Odisha dates back to 1904. The Parlakhemundi Co-operative Urban Bank, the first Urban bank in Odisha, was established in the year 1914 followed by the Utkal Urban Co-operative Bank in 1934. Afterward, a few more banks were opened in different corners of the state. Rourkela and Kendrapara Urban Co-operative bank is the most recent one established in 1988 and 1986 respectively. At present, there are 9 UCBs in Odisha as of 30th June 2020.

Although there is a long history of the UCBs in Odisha, but technology adoption is very recent one. Computerization followed by CBS in the banking sector has revolutionised the way the banks deliver their services apart from adding to the satisfaction level of the customers. Computerization by few banks on their own followed by introduction of CBS mode in 2015 was no way a bad beginning by the UCBs in Odisha. But the subsequent developments that marred the implementation and stabilization of CBS in the UCBs in Odisha have prevented the banks to make best use of the CBS platform.

The computerisation by few UCBs in Odisha dates back to 2015 but the benefit from the leveraging of technology is not satisfactory. There possible reasons could be capital, corporate governance, human resource, dual control etc. As the CBS acts as the edifice upon which other technology based products like ATM, Net banking, Mobile banking etc. could have been launched, the proper implementation and stabilization of CBS should be given utmost important in order to harness the banking technology to the fullest extent.

In order to find out the issues that the UCBs are struggling with in this regard, we tried through a Questionnaire method to understand whether technology has any role in the growth and development of banks. In addition, we also had a comparative analysis with two banks in Odisha and two banks in Nagpur, Maharashtra for a better understanding of the role of technology in the growth and development of the banks, as in the matter of technology adoption the banks of Odisha are found almost at a similar level platform and the banks chosen for comparison from Nagpur are in an advance stage of technology integration.

#### 9.1. Questionnaire based Survey: The extent of technological integration in UCBs of Odisha:

Technology has a definitive role in facilitating transactions in the banking sector and the impact of technology implementation has resulted in the introduction of new products and services by various cooperative banks in India. To understand the extent to which technological integration is there in Urban Co-operative banks of Odisha a Survey was conducted among all the UCBs Odisha, the questionnaire for the same is attached at the end of the project.

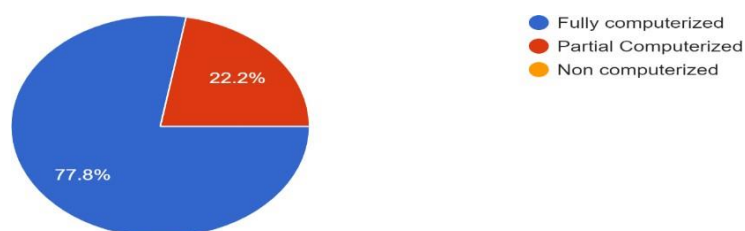
**Table 9.1. 1. Showing the summary of the Responses**

The Technologies in use					
Name of the bank	Status of Computerization	Stabilization of CBS	Status of Website	ATM/Card	NEFT/RTGS
Cuttak UCBL	yes	yes	yes	No	yes
Balasore UCBL	yes	Partial	no	No	yes
Kendrapara UCBL	yes	yes	yes	Yes(debit card)	yes
Puri UCBL	yes	yes	no	No	yes
Jeypore UCBL	Partial	Partial	no	No	yes
Rourkela UCBL	yes	yes	yes	No	yes

<b>Parlakhemundi UCBL</b>	Partial	Partial	no	No	No
<b>Berhampur UCBL</b>	yes	Partial	no	No	No
<b>Utkal UCBL</b>	yes	yes	yes	No	yes
<b>The technologies the UCBs wish to adopt in future</b>					
<ul style="list-style-type: none"> <li>• Internet banking</li> <li>• Mobile banking</li> <li>• IMPS, NACH &amp; Online Bill Payment</li> <li>• Core Banking solution with on line banking need to be adopted</li> <li>• Telebanking etc.</li> </ul>					
<b>The hurdles that are coming in between adoption of the above technologies</b>					
<ul style="list-style-type: none"> <li>• Due to lack of freedom to take a decision on the selection of technological partners</li> <li>• Lack of standard operating procedure for data checking &amp; migration audit.</li> <li>• The cost of Computerization/CBS was not affordable as source of income is very limited.</li> <li>• due to lack of technological support</li> <li>• The adopted CBS application is not that much efficient and robust.</li> </ul>					

**Bank computerization:** Out of total 9 UCBs of Odisha 77.7% (7 banks) and 22.2% (Jeypore and Parlakhemundi) are partially computerized as all the activities are not brought under.

**Figure 9.1. 1.The extent of Bank computerization of all UCBs of Odisha.**



**Core Banking Solution (CBS) Facility:** CBS is a centralized platform, which creates an environment where the entire Banks' operations can be controlled and run from which makes anytime, anywhere, anyway banking possible. Core Banking Solution (CBS) Facility was initiated in 2015 in all banks, however, it has not been fully implemented/stabilized in all the UCBs of Odisha. However, the functioning of CBS was found stabilized to a greater extent at 44.4% of UCBs i.e. Kendrapara, Puri, Utkal and Rourkela UCBs and rest 55.60% were found partially functional 55.6%.

**Figure 9.1. 2.The extent of stabilization of Core Banking Solution in all UCBs of Odisha.**

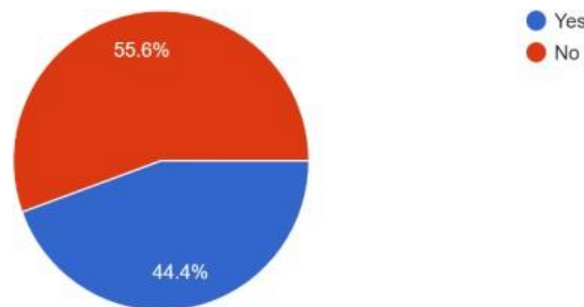


**Website of Banks:** UCBs having a website are 44.4% (4 Banks) which are:

- The Urban Co-Operative Bank, Ltd Cuttack
- The Kendrapara urban co-op. Bank
- The Urban Co-operative Bank Limited, Rourkela
- The Utkal Co-operative Bank, Ltd

Among these 3 Banks reported that their websites are periodically updated and customers are aware of the same except Cuttack UCB. While remaining 5 UCBs (55.6% ) do not have websites:

**Figure 9.1. 3.Status of Website in all UCBs of Odisha.**



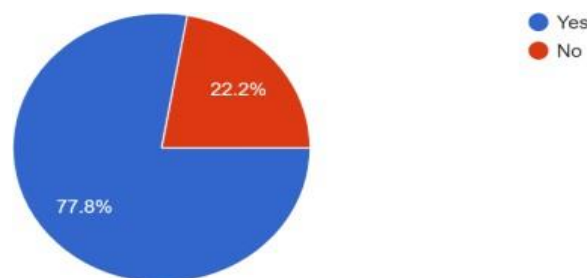
**Automated Teller Machine (ATM) service:** None of the UCBs have either their own or shared ATM facility. However, Kendrapara UCB has recently piloted by issuing around 300 debit cards through sponsorship arrangement with Odisha State Cooperative Bank. The debit cards are being used at ATMs and Point of Sale Terminals.

**Debit Card Facility:** The debit card is issued by only one bank that is Kendrapara bank.

**Electronic Fund Transfer Facility (NEFT/RTGS):** The EFT is a system whereby anyone who wants to make payment to another person can approach his bank and give instructions to transfer funds directly from his account to the bank account of the receiver/beneficiary.

Seven UCBs(77.8%) provide electronic fund transfer facility through the sponsored banks and remaining two (22.2%) of banks i.e. Berhampur and Parlakhemundi do not provide this facility

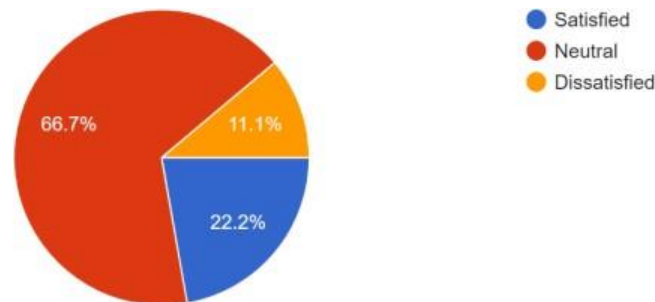
**Figure 9.1. 4.Percentage of banks providing NEFT/RTGS Facilities.**



**Risk Management and Information Security:** as technology is not established there is not use in these aspects.

The banks' own satisfaction level regarding the level and extent of technology-based services offered to its customers varied from being satisfied to dissatisfied. Two banks- 22.2% responded as satisfied, 6 banks-66.7% are neutral and one -11.1% are dissatisfied.

**Figure 9.1. 5.Satisfaction level of bankers regarding technology-based services**



### **9.2 The technologies the UCBs wish to adopt in future**

The responding banks wished to adopt the following in the future or are in process of the same consists of basic technologies like ATM services, issuing Debit/Credit Card to the customers to withdraw money from ATMs.

- Internet banking
- Mobile banking
- IMPS, NACH & Online Bill Payment
- Core Banking solution with on line banking need to be adopted
- Telebanking etc.

### **9.3 Challenges before UCBs**

**The hurdles that are coming in between adoption of the above technologies as responded by UCBs are:**

- Due to lack of freedom to take a decision on the selection of technological partners
- Lack of standard operating procedure for data checking & migration audit.
- the cost of Computerization/CBS was not affordable as source of income is very limited.
- due to lack of technological support
- The adopted CBS application is not that much efficient and robust.



#### **9.4 Problems associated with new technologies**

For the management, it's not the easy task to deploy the technologies in the Urban Co-operative Banks mainly because of the non -competency of the existing staff, the non -availability of required qualified professionals, to make use of IT for performing various activities of the banking. Despite these problems to get the benefits of efficiency, speed, increased volume of activity and customized development of products UCBs are adopting new technology. There is no doubt that positive results and the process of improvements come with the new technologies but it needs proper identification of its utilization and the benefits. The major risks associated with innovative technology are;

- Cost of software/ Cost-effectiveness
- Cybersecurity system needs to be monitored
- Convenience operation
- No Technically Qualified staff in IT or Computer Science/manpower
- Lack of Adequate Training to management staffs
- Integration of data in a systematic way
- Customer awareness/ lack of technological knowledge of our valued customers.
- Legal Aspects
- Vulnerability to fraudsters/hackers
- Robust functionality
- Improper MIS control
- Redundancy

#### **9.5. Is adoption of Technology an Enabler? A comparative analysis of two banks of Odisha with that of two banks of Maharashtra.**

As because technology adoption in UCBs of Odisha is too little too late and much has not been taken place apart from introduction of CBs in the year 2015(the full potential of which is yet to be harnessed by the banks), an attempt was made to have an understanding of the impact of technology on the key financial parameters of banks. Accordingly, two banks under Nagpur, Regional Office of RBI having similar type of branch network but having relatively advance stage of technology adoption were selected for the comparison. The comparative financial parameters analysis of Pandharpur Urban Co-operative Bank Ltd, Solapur vis-à-vis Cuttack Urban Co-operative Bank and Lokmangal Co-operative Bank Ltd Solapur vis-à-vis Kendrapara Urban Co-operative bank Ltd was attempted.

**Table 9.5. 1.Table The comparative financial parameters of these banks**

<b>Name of the banks</b>	<b>Pandharpur UCBL</b>	<b>Cuttack UCBL</b>	<b>Lokmangal UCBL</b>	<b>Kendrapara UCBL</b>
<b>Location</b>	Nagpur	Odisha	Nagpur	Odisha
<b>Year of establishment</b>	1912	1981	1997	1986
<b>No. of branches</b>	18	16	7	8
<b>List of technology used by the banks</b>	NEFT/RTGS	CBS yet to stabilized	Core banking, IMPS, ATM,POS, ECOM, NEFT/RTGS, Mobile banking	CBS yet to be stabilized, debit card facility

Financial Parameters (as on march 2019)(in lakhs)					
Parameters	Year	Pandharpur UCBL	Cuttack UCBL	Lokmangal UCBL	Kendrapara UCBL
Asset Size	2019	174730.2	76301	83337.04	18919.21
	2018	146117.8	78144.17	76349.59	18295.95
	2017	130618.2	79665.78	62494.14	17699.05
	2016	120309.1	77247.04	52492.94	17682.85
	2015	101849.2	73036.65	41695.91	16568.56
Deposits	2019	1519403	44598.55	75101.69	15894.25
	2018	126018.3	44557.91	69684.85	14950.34
	2017	113262.5	45413.92	57747.93	14724.72
	2016	105586.5	45175.74	47928.29	14919.14
	2015	88903.1	44049.2	37500.32	14238.78
Loans/ Advances	2019	91649.08	26117.11	45123.77	10446.03
	2018	80959.88	24572.31	41866.21	9765.59
	2017	70021.8	21945.98	36955.05	8932.62
	2016	64728.67	21768.9	28888.95	9604.08
	2015	55359.08	19603.15	20879.61	9424.4
NNPA	2019	16.7	634.12	6.66	972.03
	2018	8.84	671.24	6.03	1035.93
	2017	9.94	382.16	5.73	973.39
	2016	8.24	637.75	3.53	1153.21
	2015	6.21	673.05	3.09	233.18
Profit	2019	993.65	77.1	388.06	34.54
	2018	983.56	289.41	317.88	40.49
	2017	934.56	-581.94	307.82	29.24
	2016	803.65	-94.71	282.13	8.87
	2015	746.32	-561.39	276.44	152.89

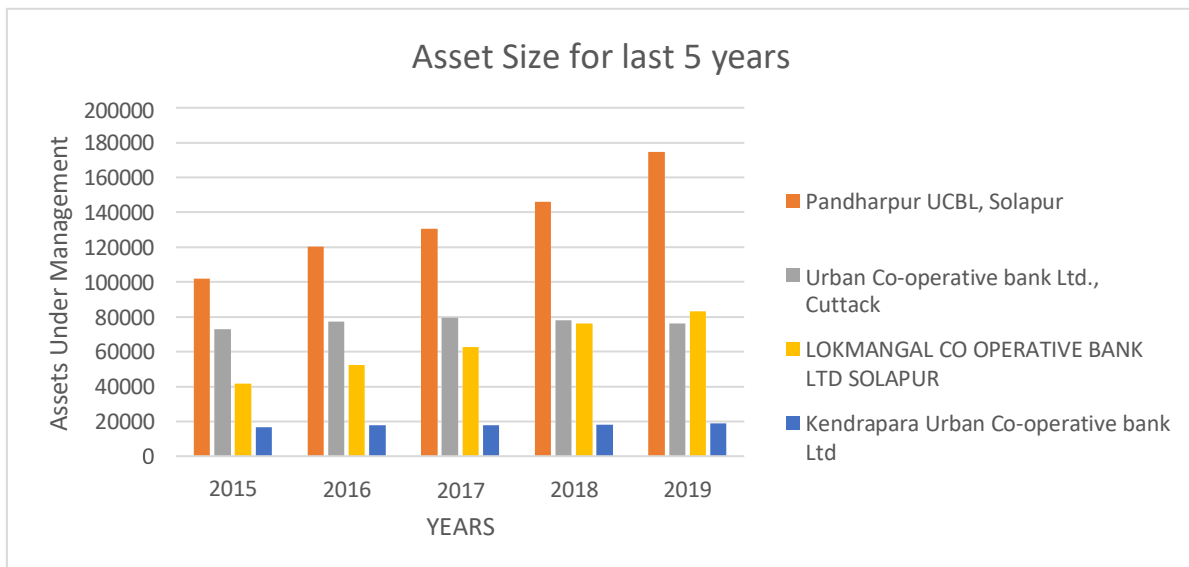
Table 9.5. 2.Comparison of Lokmangal UCB and Kendrapara UCB

Parameters	Lokmangal Co-operative Bank Ltd Solapur	Kendrapara Urban Co-operative Bank Ltd
Branches	7	6
It based services and Products offered	<ul style="list-style-type: none"> <li>• Core Banking</li> <li>• Fully Computerized</li> <li>• Immediate Payment Service(IMPS)</li> <li>• Automated Teller Machine (ATM)</li> <li>• Point Of Sale(POS)</li> <li>• E-Commerce</li> <li>• RTGS/NEFT through Sub member</li> <li>• Mobile Banking</li> </ul>	<ul style="list-style-type: none"> <li>• Core Banking</li> <li>• Fully Computerized</li> <li>• RTGS/NEFT through sponsored bank</li> <li>• Debit Card facility ( just piloted)</li> </ul>

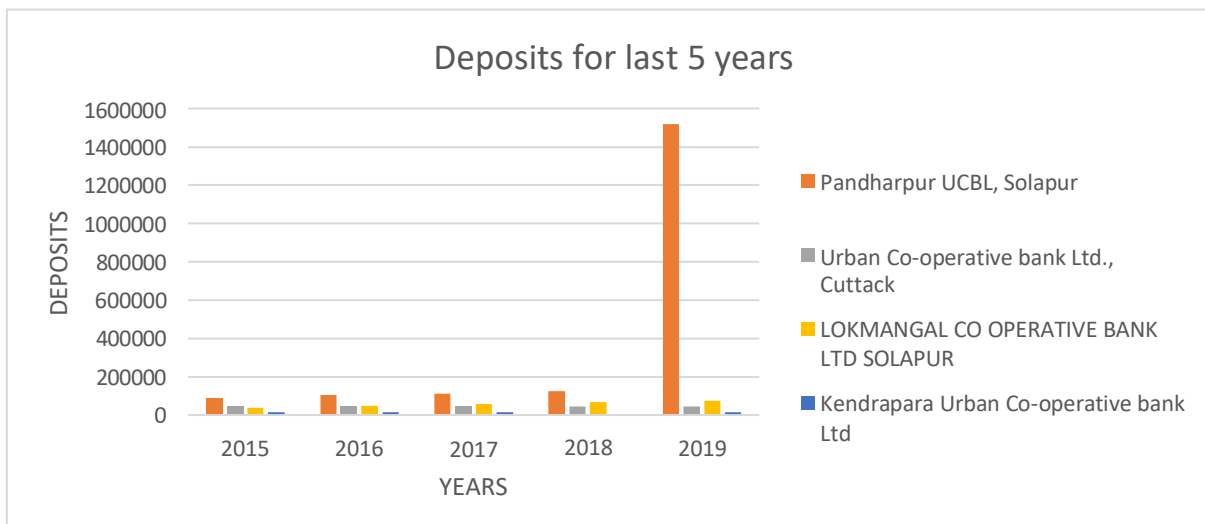
**Table 9.5. 3.Comparison of Cuttack UCB and Pandharpur UCB**

Parameters	Cuttack Urban Co-operative Bank	Pandharpur Urban Co-operative Bank Ltd,
Branches	16 + 2 Extension Counters	18
It based services and Products offered	<ul style="list-style-type: none"> <li>• Core Banking not fully stabilized</li> <li>• NEFT/RTGS through sponsor bank</li> </ul>	<ul style="list-style-type: none"> <li>• ATM Services</li> <li>• NEFT/RTGS</li> <li>• NFS Network</li> <li>• Core Banking</li> </ul>

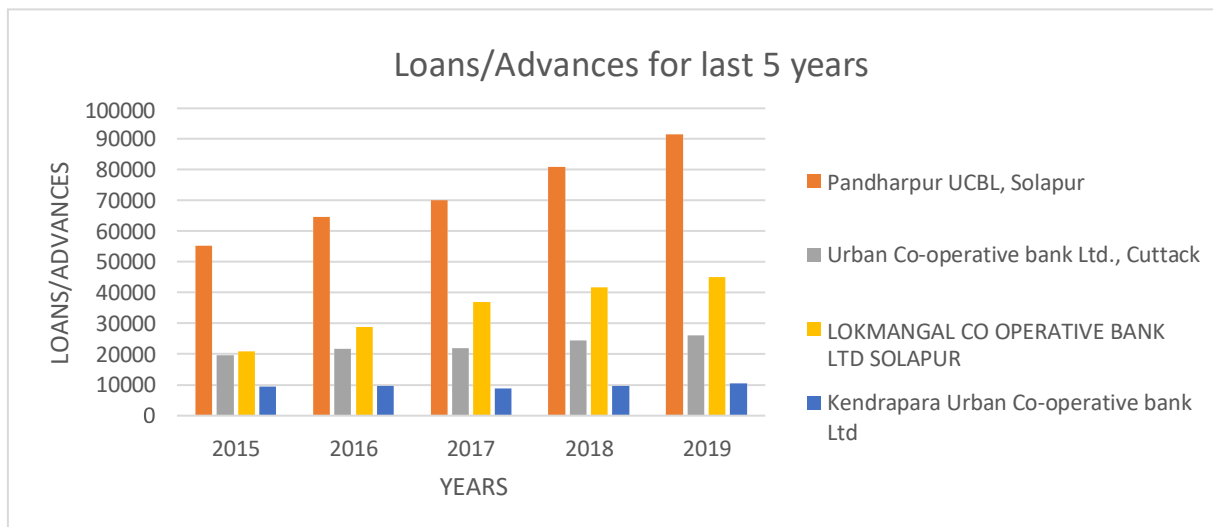
**Figure 9.5. 1.Asset Size: Pandharpur vs Cuttack and Kendrapara vs Lokmangal UCB**



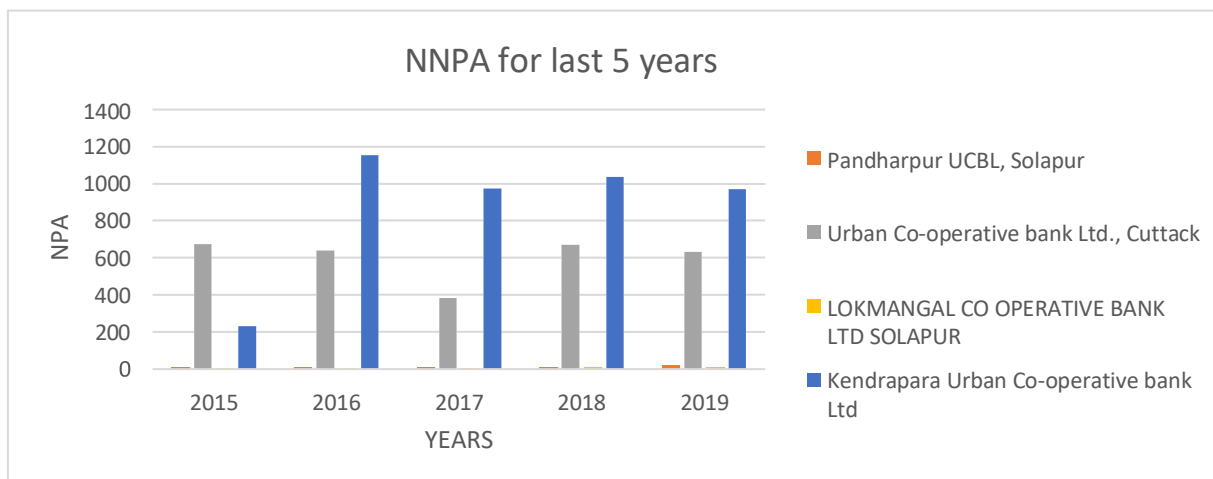
**Figure 9.5. 2.Deposits: Pandharpur vs Cuttack and Kendrapara vs Lokmangal UCB**



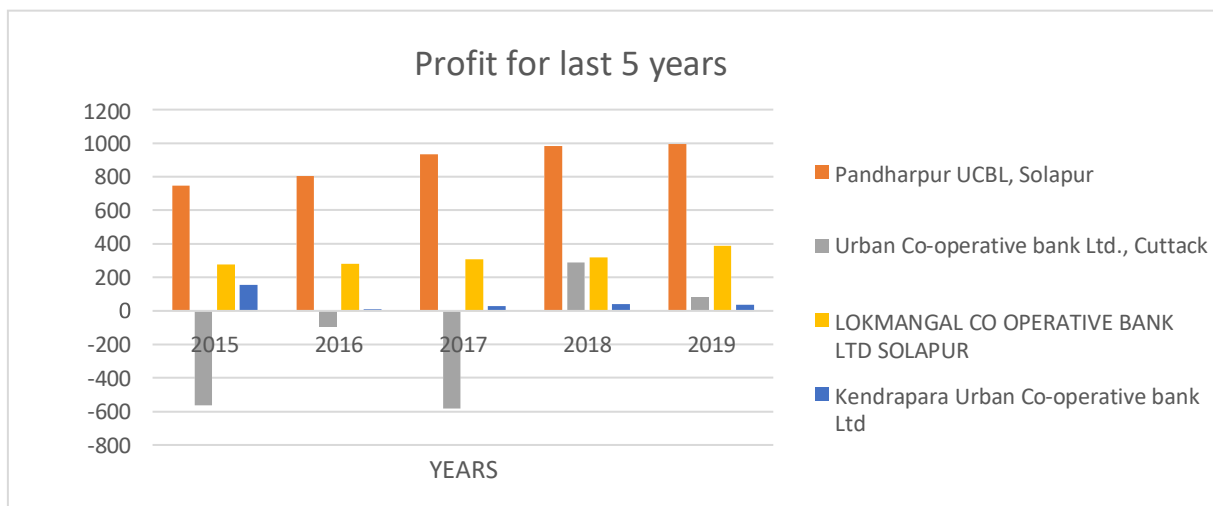
**Figure 9.5. 3.Loans/ Advances: Pandharpur vs Cuttack and Kendrapara vs Lokmangal UCB**



**Figure 9.5. 4.NNPA: Pandharpur vs Cuttack and Kendrapara vs Lokmangal UCB**



**Figure 9.5. 5.Profit: : Pandharpur vs Cuttack and Kendrapara vs Lokmangal UCB**



The comparative financial analysis shows a remarkable variation in the performance of the two banks of Nagpur with that of Odisha. Although, factors other than the technology such as corporate governance, quality human resource, support from the State Govt., prevailing business environment, customer profile etc. cannot be ignored for such variation in performance, but the technology as a key enabler can also not be ruled out.

#### 9.6. A comparative analysis through CAMEL Analysis Model

- CAMEL is an international rating system used by regulatory banking authorities to rate financial institutions, according to the five factors represented by its acronym. The CAMEL acronym stands for "Capital adequacy, Asset quality, Management, Earnings, and Liquidity".
- Financial performance of Selected UCBs in India on different parameters of CAMEL model.
- Through the study we would come to know the financial position of the selected 11 Urban Co-operative banks operating in India taken as sample.
- The study covers a period of three financial years i.e. from 2016-17 to 2018-19.
- CAMEL rating is a subjective model which assesses financial strength of a bank, whereas CAMEL ranking indicates the banks comparative position with reference to other banks.
- Ratios and averages have been used for analysis. Averages are calculated using MS-Excel.
- Composite Ranking (Overall Performance) of Selected Banks.
- The selected banks are :
  1. Abhyudaya Co-operative Bank Limited, Mumbai
  2. Apna Sahakari Bank Limited
  3. Bharat Co-operative Bank Limited , Mumbai
  4. Cosmos Co-operative Bank Ltd.
  5. Goa Urban Co-operative Bank.
  6. Sangli Urban Co-operative Bank, Sangli
  7. Sarwaswat Co-operative Bank, Bank
  8. SBPP Co-operative Bank, Killa Pardi
  9. Shamrao Vithal Co-operative Bank Ltd
  10. TJSB Sahakari Bank
  11. Utkal Co-operative Bank

#### Overall Financial Performance of the Banks

Banks that have lower average are ranked 1st and are considered to be less-than-satisfactory institutions Banks with scores greater and are ranked high and they are considered to be high-quality institutions.

Figure 9.6.1 Composite Ranking(Overall Performance)

BANK	Composite Ranking (Overall Performance)					AVG	RANK
	C	A	M	E	L		
Abhyudaya Co-operative Bank Limited, Mumbai	28.55	0.10	14.20	0.66	1.36	8.97	8.00
Apna Sahakari Bank Limited	12.68	0.10	15.56	0.95	1.27	6.11	3.00
Bharat Co-operative Bank (Mumbai) Limited, Mumbai	16.26	0.05	24.05	1.07	1.28	8.54	7.00
Cosmos Co-operative Bank Limited	17.00	0.09	17.74	0.63	1.39	7.37	6.00
Goa Urban Co-operative Bank Limited	16.79	0.49	13.04	1.02	1.37	6.54	4.00
Sangli Urban Co-operative Bank Limited, Sangli	13.41	0.12	7.87	0.87	1.33	4.72	2.00
Saraswat Co-operative Bank Limited, Bombay	52.22	0.06	28.27	0.82	1.37	16.55	11.00
SBPP Co-operative Bank Limited, Killa Pardi	18.21	0.20	15.69	1.20	1.43	7.35	5.00
Shamrao Vithal Co-operative Bank Limited	52.00	0.09	21.60	0.96	1.25	15.18	10.00
TJSB Sahakari Bank	29.78	0.07	21.25	1.17	1.32	10.72	9.00
Utkal Co-operative bank Ltd	11.01	0.11	3.41	0.57	0.53	3.13	1.00

Amongst all UCBs, Saraswat Co-operative bank, Shamrao Vithal Co-operative Bank are the high quality banks with highest average whereas the Utkal and Sangli Urban Co-operative Banks are less than satisfactory Institutions.

## Technology in use

Banks that have lowest total their technology adoption is too little too late, (the full potential of which is yet to be harnessed by the banks).

Banks that have highest in total have relatively advance stage of technology adoption.

Figure 9.6.2 Technology in Use

BANK	Technology in use										total	Rank
	RTGS/NEFT	CBS	ATM servi	NET Banki	debit/cre	UPI enabl	e-Bill pay	Mobile ba	Any banc	SMS/Tele		
Abhyudaya Co-operative Bank Limited, Mumbai	1	1	1	1	1	0	0	1	1	1	8	5
Apna Sahakari Bank Limited	1	1	0	0	0	0	0	1	0	1	4	2
Bharat Co-operative Bank (Mumbai) Limited, Mumbai	1	1	1	1	0	0	0	0	0	0	4	2
Cosmos Co-operative Bank Limited	1	1	1	1	1	1	1	1	1	1	10	6
Goa Urban Co-operative Bank Limited	1	1	1	0	0	0	0	0	1	0	4	2
Sangli Urban Co-operative Bank Limited, Sangli	1	1	0	0	0	0	0	0	1	1	4	2
Saraswat Co-operative Bank Limited, Bombay	1	1	1	1	1	1	1	1	1	1	10	6
SBPP Co-operative Bank Limited, Killa Pardi	1	1	0	1	1	0	0	1	0	1	6	3
Shamrao Vithal Co-operative Bank Limited	1	1	1	1	0	0	0	1	1	1	7	4
TJSB Sahakari Bank	1	1	1	1	0	1	1	1	0	1	8	5
Utkal Co-operative bank Ltd	1	1	0	0	0	0	0	0	0	0	2	1

Banks that are given low total score are ranked 1<sup>st</sup>, whereas Banks with high scores are ranked high.

Amongst all UCBs, Saraswat Co-operative bank, Cosmos Co-operative Bank and Shamrao Vithal Co-operative Bank are the high quality banks with highest total in number of technology in use whereas the Utkal and Sangli Urban Co-operative Banks have less in number of technology in use.

Correlation Between the Rank of Composite rating of Overall performance and Technology in use is 0.69 which shows:

- An attempt was made to have an understanding of the impact of technology on the key financial parameters of banks.
- There is very high positive correlation of 0.69 between the average score of all selected UCBs in CAMEL analysis and total score of technology in use of all selected banks Shows that UCBs having high average score in camel and which are high performing banks also have highest score in technology adoption.
- There is remarkable variation in the overall performance of banks having high CAMEL score with that of Banks having low CAMEL score.
- Although, factors other than the technology such as corporate governance, quality human resource, support from the State Govt., prevailing business environment, customer profile etc. cannot be ignored for such variation in performance, but the technology as a key enabler can also not be ruled out.

## CHAPTER 10

### SUGGESTION

The success of the UCBs depends ultimately upon their ability to fulfill the expectations of their stakeholders and perform their duties. It is a challenge and opportunity for UCBs to function in a highly technologically advanced banking environment and to focus on more business opportunities and render better customer service. An impetus for growth is provided by these technologies. The importance of educating and training not only the staff but also the customers about the various available technology-based banking services also plays an important part here. For the growth of UCBs, RBI is also trying to facilitate the technology integration and imparting training to the key players responsible for implementation. Coming across the findings we came to know the extent to which the different technology-based services that UCBs in Odisha are providing which can be said that is on very primary stage also came across many problems; challenges that UCBs are facing be it lack of trained staff or the cost management. We came to know the various technology the UCBs wish to adopt in the future or are in progress like ATM, Net banking, etc. Apart from the problems and challenges in adoption of new technologies, there is one more aspect after the technology are adopted the problem associated with the usage of new technologies like cybersecurity, robust functionality, etc. at last we saw what differences the technology brings in the functioning and performance of the bank through the comparison of UCBs of Odisha with Nagpur. Based on the findings and other background data the primary suggestions can be:

- The efficiency in corporate governance, emphasis on prudential decision making and support by the regulator considering the SWOT (strength, weakness, opportunity and threat) of the UCBs need to be emphasized.
- Immediate stabilization of CBS for maximizing the benefits of Technology through distribution of financial products and services through multiple channels like A.T.M. facilities, internet and Mobile banking.
- A proper cost management structure or framework to suit the requirements of the bank need to be established.
- Skilling of Human Resource by imparting training to handle computerized operations in banks.
- Technically qualified personnel need to be recruited, to reduce redundancy and fill the gap in banks regarding proper manpower.
- The customer need to be made aware of the technology adopted for deriving benefits out of the technology integration.
- A robust cybersecurity framework to take care of emerging cyber threats as part of banks' risk management strategy.
- Proper back up plan in case of failure of the primary set up technology.
- The bank management should prevent frequent machine failure in ATM as well as computers.
- Proper MIS control should be established.
- Customer complaint cell should be created in every cooperative bank and its branches, so that customer can express their grievances and solve their problems.
- Legal and regulatory back up are essential for the effective adoption of technologies...

In addition, Urban cooperative banks would need to take measures to have appropriate technology for access control and security the area of great concern in today's highly competitive environment. The cooperative banks thus to have more attention on Information Technology deployment with IT policies and procedures in place to guide these banks on the lines of prevailing standards and solutions.

## CHAPTER 11

### CONCLUSION

Today, the focus should be on more and more simplifying the technologies which can be used anywhere anytime and on any platform. The IT solutions should be user friendly and without much intervention of third party or support required for operating the same, it should be secure and cost and time effective for both the user as well as the service provider. In this context, the Urban Co-operative Banks need to redesign and re-structure their strategies for the business, as the banks from other categories like commercial banks, small finance banks, etc. are developing their technologies with changing market scenario and customer's need because the focus is shifting to the class banking from mass banking with the value-added and customized products to grow the business and for better customer satisfaction. In this regard, it is important to adopt e-banking technologies. Some of the importance of technologies are as follows:

- In today's competitive world of banking, to be in there, it's mandatory to adopt E-banking services to attract young age customers and also add to the customer delight.
- To retain and enhance its market share.
- To cope with increased customer expectations by developing better and newer products and services.
- The banks are providing various digital services online which is accepted by their customer to compete with other Banks
- Due to customer satisfaction of easy and immediate banking also safe banking.
- It saves time spent in banks, provides 24\*7 banking to customers.
- In the modern era of science and information technology providing E-Banking services to the customers are highly essential on the part of the bank to encourage banking business and dignity.
- E-Banking is the stepping stone and the crown to activate all the functions of banking easy and smooth with transparency.
- The technology became an integral part of every sphere of life. The use of technology is time effective and error-free.
- The branch banking has lost charm. Customers are more techno-savvy and they have less time to visit branches for banking. Also, the use of technologies has saved time and energy. To cope with the other market players, it is very much important to adopt modern e-banking services and to cater to the customers.

Functioning in a highly technologically advanced banking environment in the country is in itself a challenge and an opportunity for the UCBs to upgrade to a computerized environment to focus on more business opportunities and render better customer service. These technological platforms provide an impetus for growth. The role of training and educating not only the staff but also the customers about the various technology-based banking and financial services also play an important part here. Apart from this the Governance, Management, and Control structure also play a major role, which is pivotal to integrate technology in the UCBs and keep adopting the innovations. The control structure, Management play an important role in facilitating a focused and continuous system of supervision through enhanced use of technology. Most of the problems faced by the UCBs are due to governance issues and connected lending. In UCBs borrowers have a significant say in the management of the banks. This has the potential of influencing the Boards to make decisions that may not always be in the interest of the depositors who constitute the most important stakeholders of a bank. Also, unlike the case of institutions the shares of which can be listed in a stock exchange and can change hands without affecting the capital base, in case of UCBs, the shareholders can withdraw their contribution to capital and shrink the capital of the bank and thereby limit its ability to increase risk-weighted assets and



expand the business. Cooperative banks should be professional and work on sound managerial systems, taking care of future projections to retain and improve their market share and identity. The dual control led to governance and managerial failure leading in turn to severe financial impairment.

The very concept of banking is changing the present competitive environment and the conventional framework for management with which UCBs are comfortable is not sufficient. Good governance is critical to the efficient functioning of an entity and more so for a banking entity.

To enhance access to technology for UCBs, Reserve Bank have been facilitating the acquisition of basic hardware and software for conducting routine operations. Further, the software has also been developed to enable the UCBs to prepare and submit all returns to Reserve Bank, electronically. The software has been implemented free of cost in the banks and the officials of banks are also being provided adequate training in using the software, which enables banks to maintain a database of returns submitted to the supervisor which in turn acts as an MIS for the UCBs. The stronger UCBs also are members of clearinghouses and of the Real-Time Gross Settlement System.

It is unknown and difficult to guess the technology that will come in coming near future but it is very important to integrate and adapt and make use of the technologies which are known to us and present and should be used appropriately with proper environmental scanning and mentoring with right strategic measures. It is worth mentioning here that the commercial and other banks are taking bold initiative for the deployment of new and advanced technologies. The Co-operative banks are also in no expectation of this race in technology like The Cosmos Bank Pune, The Shamrao Vithal Co-operative Bank is shifting to advance technology from basic one and they have established a good network.

The technology enables the banks to reach the place where the customer is present. By adopting technology, it enables the banks to raise their financial conditions by growth in the business and raise the standard of living of the customers and provide better customer satisfaction.

The UCBs in Odisha cannot turn a blind eye to the rapid changing banking scenario particularly in the sphere of technology led service delivery by their peers as well as competitors. The present technology led banking scenario for the UCBs in Odisha, by any means, is not at all comfortable and much need to be addressed to make it competitive and remain relevant in highly dynamic banking eco-system. A proactive regulation, effective corporate governance, efficient management and quality human resource will definitely help the UCBs in Odisha to overcome the challenges and re-establish their relevance in the banking eco-system in Odisha.

## **CHAPTER 12**

### **LIMITATIONS OF THE STUDY**

The study is likely to have certain limitations due to constraints of resources and time. To understand the study in proper perspective some of the limitations are mentioned below:

1. We have taken the assumption that the respondents have given the response true to their knowledge.
2. The nature of research and objective is considered to be narrow.
3. As the study time was short so, the sample size and other parameters were selected accordingly, so that in the given time frame the work could be finished.
4. There are chances of biasness in the information provided by the respondents because there is a possibility that they might be unwilling to provide correct information.
5. Since the study was conducted during the pandemic, it was difficult to study the every each aspect of the study.
6. Since the researcher has not conducted much pieces of researches, this report cannot be compared to the works of experienced scholars.
7. Since the study is also upon the secondary data, there are chances that it can be vague and information could not be accurate.
8. The study was conducted according to our limited understanding.

## **CHAPTER 13**

### **SCOPE OF FUTURE IMPROVEMENTS**

1. There is a lot of scope for future research so that the unanswered aspects of the research problem could be addressed.
2. There can be future research to address the limitations of the study.
3. This research is specifically with the perspective of UCBs in Odisha State, further, the studies can be done to address the same research problem in different settings, locations, and contexts.
4. By using new evidence or theories or other recent phenomena the same research problem can be addressed, by expanding theory and re-assessing the model used in the study.

## **APPENDICES:**

1. Questionnaire floated is given below:



questionnaire.docx

2. Responses from all 9 Urban Co-operative Bank of Odisha:



Responses.docx

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