

600 Universities set to Go Cashless to Use UGC Funds

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Universities across the country may now have to resort to cashless means like bank transfers, cheques and credit debit cards while making use of periodic funds from University Grants Commission (UGC).

In a directive to the 600 odd universities which come under it, UGC has proposed that they may make use of the current system of demand drafts only on rare occasions. The commission said the move was in order to bring in accountability, transparency and seamlessness in the process of transfer of grants. The commission said it has virtually made payments cashless and decreased the interface between stakeholders and employees of the organisation. The commission typically disburses grants through its flagship Public Financial Management System (PFMS). Each university is required to register by filling up details on the portal to ensure funds reach them from the commission as scheduled.

“The Commission had introduced disbursement of grants through the PFMS and to ensure timely disposal of fellowships and scholarships, the UGC has been vigorously following the policy of their disposal through direct benefit transfer which also uses the PFMS transfer,” stated the circular.

“Going cashless is an excellent move and it increases accountability and transparency in the system,” said Ninge Gowda, registrar (administration) of Bangalore University.

(Your comments & Views on the above along with your name and email address are welcome on nafenindia@nafenindia.com)

A Study on the Impact of Retail Service Quality on Consumer Behaviour

By G. Raghu, Assistant Professor, Department of MBA-VTU, Dayananda Sagar College of Engineering, Bangalore & Dr. Radha. S, Professor & Regional Director, Regional Center IGNOU, New Delhi,

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Exhibit 2

Inventory of Skills Developed by the Case Method

- ❖ Qualitative & Quantitative analytical skills, including problem identification skills, data handling skills & critical thinking skills.
 - ❖ Decision making skills, including generating different alternative, selecting decision criteria, evaluating alternatives, choosing the best one & formulating congruent action & implementation plans.
 - ❖ Application skills, using various tools, techniques & theories.
 - ❖ Oral communication skills, including speaking, listening & debating skills.
 - ❖ Time management skills, dealing with individual preparation, small group discussion & class discussion.
 - ❖ Interpersonal or social skills dealing with peers, solving conflicts & practicing the art of compromise, in small or large groups.
 - ❖ Creative skills, looking for & finding solutions geared to the unique circumstances of each case.
 - ❖ Written communications skills involving regular & effective note-taking, case reports & case evaluations.
- ✓ Cases allow Participants/Students to learn by doing/ action/implementation of the present concepts in their memory. They allow them to step into the shoes of decision-makers having the empathy feeling of real organizations. & deal with the issues managers face, with no risk to themselves or the organizations involved.
 - ✓ Case improve the students ability to ask the right questions, in a given problem situation. Their ability to identify & understand the underlying problems rather than the symptoms of the problems is also enhanced.
 - ✓ Case studies provide the exposure to the learner a wide range of industries, organizations, functions & responsibility levels. This provides learners/ participants the flexibility & confidence to deal with a variety of tasks & responsibilities in their careers. It

also helps learners/ participants to make more informed decisions about their career choices.

- ✓ Case studies strengthen the learners/ participants' the grasping of management theories by providing the real life of examples of the underlying theoretical concepts by providing rich interesting information about real business situations they breathe life into conceptual discussions.
- ✓ Cases provide participants with an exposure to the actual working of business & other organizations in the real world.

Exhibit 3

Consequences of Participants Involvement with the Case Method

- ❖ Case analysis requires participants to practice important managerial skills- diagnostic, decision making, observing, listening & persuading- while preparing for a case discussion.
 - ❖ Cases require students to relate analysis & action, to develop realistic & concrete actions despite the complexities & partial knowledge characterizing the situation being studied.
 - ❖ Participants must confront the Intractability of reality- complete with absence of needed information, an imbalance between needs & available resources & conflicts among competing objectives.
 - ❖ Participants develop a general managerial point of view- where responsibility is sensitive to action in a diverse environmental context.
- ✓ Case studies reflect the reality of managerial decision making in the real world, in that the participants/ learners must make decisions based on insufficient information. Cases reflect the ambiguity & complexities that accompany most management issues.
 - ✓ When working on a case study in a group, the participants must also be able to understand & deal with the different view-points & perspectives of the other members in their team. This serves to improve their communication & interpersonal skills.
 - ✓ Case studies provide an integrated view of

management. Managerial decision making involves integration of theories & concepts learnt in different functional areas such as marketing, finance, HR etc. The case method gives the exposure to participants of this reality of management.

From the above we can summarize that there will be 3 steps learning while solving the case:

- 1- Case discussion within the group
- 2- Written analysis of the case from each participant
- 3- Presentation of case in a group of 3-5 participants depending upon size of group.

Reference :

- ❖ Michiel R. Leenders,
- ❖ Louise A. Mauffette- Launders & James Erskine, Writing case, 4th Edition



**"Urban Co-operative banks in
India - Issues and Prospects"**
By Dr. J. Murthy, M.Com, MBA, PhD
Associate Professor, Department of
MBA, Sree Vidyanikethan Institute of
Management, Tirupathi

Abstract:

The New Economic Policy began to reach up to the grass route level since 1991. The agricultural economy was playing the major role and responsibility of providing finance to agriculture and farmers were mostly entrusted to co-operative sector. Obviously, The Urban Co-operative Banks were playing most significant role in availing funds from NABARD and State Co-operative Banks and disbursing it to farmers through Primary Agricultural Co-operative Societies. As such, the study of urban co-operative banks, as one of the representative banks, has its special significance.

The present paper aims to study the current status of the urban co-operative banks (UCBs) industry in India and Developments that are needed to boost the

performance of these co- operative banks to have better economic growth.

Introduction:

Cooperative banks are small-sized units organized in the co-operative sector which operate both in urban and non-urban regions. These banks are traditionally centered on communities, localities and work place groups and they essentially lend to small borrowers and businesses. The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary cooperative banks located in urban and semi-urban areas.

These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 42 UCBs having operations in more than one State. However, today this limitation is no longer prevalent. While the co-operative banks in rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in urban areas mainly finance various categories of people for self-employment, industries, small scale units and home finance.

These banks provide most services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. For middle class users, for whom a bank is where they can save their money, facilities like Internet banking or phone banking is not very important. Although they are not better than private banks in terms of facilities provided, their interest rates are definitely competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult. The criteria for getting a loan from a UCB are less stringent than for a loan from a commercial bank.

Commercial and Co-operative Banks

Commercial banks are by far the most widespread banking institutions in India. They provide major products and services in India. A commercial bank is run on commercial lines, for profits of the organization.

A co-operative bank on the other hand is run for the benefit of a group of members of the co-operative body.

A co-operative bank distributes only a very small portion of its profit as dividend, retaining a major portion of it in business.

All the nationalized banks in India and almost all the private sector banks are commercial scheduled banks. There are a large number of private sector co-operative banks and most of them are non-scheduled banks. In the public sector also, within a state, starting from the State capital, there are State Co-operative Banks and District Central Co-operative Banks at the District level. Under the District Central Co-operative Bank, there are Co-operative Societies.

At present, In India, the banks can be bifurcated into following categories.

Public Sector Banks or Nationalized Banks, which are commercial and scheduled Examples: State Bank of India, Bank of India etc.

Public Sector Banks, which are co-operative and non-scheduled-These, are state owned banks like the Maharashtra State Co-operative Bank, Junnar Co-operative Society etc.

Private Sector Banks, which are commercial and scheduled-These could be foreign banks, as well as Indian Banks. Examples: Foreign Banks- CITI Bank, Standard Chartered Bank etc. Indian Banks: Bank of Rajasthan Limited, VYSYA Bank Limited etc.

Private Sector Banks, which are co-operative and scheduled These are large co-operative sector banks but which are scheduled banks. Examples: Saraswat Co-operative Bank Limited, Cosmos Co-operative Bank Limited etc.

Private Sector Banks, which are co-operative and non-scheduled -These are small co-operative banks but which are non-scheduled. Examples: Local co-operative banks which operate within a town or a city. Example: Mahesh Sahakari Bank Limited.

Regional Rural Banks. These are state owned. These banks have been established with a view to developing the rural economy by providing, for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas, credit and other facilities, particularly to the small and marginal farmers, agricultural labourers and artisans and small entrepreneurs

Gramin Banks, that are also state owned. They operate

at still smaller level than RRBs and serve at villages level.

Foreign banks, These banks have Head Office outside India and branch in India, Besides, the Reserve Bank of India (hereinafter referred to as RBI) acts as the central bank of the country. RBI is responsible for development and supervision of the constituents of the Indian financial system (which comprises banks and non-banking financial institutions) as well as for determining, in conjunction with the central Government, the monetary and credit policies. They are also controlled by RBI.

Review of the Literature

Various studies conducted and numerous suggestions were sought to bring effectiveness in the working and operations of financial institutions. Narsimham Committee (1991) emphasized on capital adequacy and liquidity, Padamanabhan Committee (1995) suggested CAMEL rating (in the form of ratios) to evaluate financial and operational efficiency, Tarapore Committee (1997) talked about Non-performing assets and asset quality, Kannan Committee (1998) opined about working capital and lending methods, Basel committee (1998 and revised in 2001) recommended capital adequacy norms and risk management measures. Kapoor Committee (1998) recommended for credit delivery system and credit guarantee and Verma Committee (1999) recommended seven parameters (ratios) to judge financial performance and several other committees constituted by Reserve Bank of India to bring reforms in the banking sector by emphasizing on the improvement in the financial health of the banks. Experts suggested various tools and techniques for effective analysis and interpretation of the financial and operational aspects of the financial institutions specifically banks. These have focus on the analysis of financial viability and credit worthiness of money lending institutions with a view to predict corporate failures and incipient incidence of bankruptcy among these institutions.

Bhaskaran and Josh (2000) concluded that the recovery performance of co-operative credit institutions continues to unsatisfactory which contributes to the growth of NPA even after the introduction of prudential regulations. They suggested legislative and policy prescriptions to make co-operative credit institutions more efficient, productive and profitable organization in tune with competitive commercial banking.

Jain (2001) has done a comparative performance analysis of District Central Co-operative Banks (DCCBs) of Western India, namely Maharashtra, Gujarat and

Rajasthan and found that DCCBs of Rajasthan have performed better in profitability and liquidity as compared to Gujarat and Maharashtra.

Singh and Singh (2006) studied the funds management in the District Central Co-operative Banks (DCCBs) of Punjab with specific reference to the analysis of financial margin. It noted that a higher proportion of own funds and the recovery concerns have resulted in the increased margin of the Central Co-operative Banks and thus had a larger provision for non-performing assets.

Mavaluri, Boppana and Nagarjuna (2006) suggested that performance of banking in terms of profitability, productivity, asset quality and financial management has become important to stable the economy. They found that public sector banks have been more efficient than other banks operating in India.

Pal and Malik (2007) investigated the differences in the financial characteristics of 74 (public, private and foreign) banks in India based on factors, such as profitability, liquidity, risk and efficiency. It is suggested that foreign banks were better performers, as compared to other two categories of banks, in general and in terms of utilization of resources in particular.

Campbell (2007) focused on the relationship between nonperforming loans (NPLs) and bank failure and argued for an effective bank insolvency law for the prevention and control of NPLs for developing and transitional economies as these have been suffering severe problems due to NPLs.

Singla(2008) emphasized on financial management and examined the financial position of sixteen banks by considering profitability, capital adequacy, debt-equity and NPA.

Dutta and Basak (2008) suggested that Co-operative banks should improve their recovery performance, adopt new system of computerized monitoring of loans, implement proper prudential norms and organize regular workshops to sustain in the competitive banking environment.

Chander and Chandel (2010) analyzed the financial efficiency and viability of HARCO Bank and found poor performance of the bank on capital adequacy, liquidity, earning quality and the management efficiency parameters.

Problems Faced By Cooperative Banks

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

Hindrances to the performance of UCBs

* **Rising Competition:** The Urban Co-operative Banks' (UCBs) segment, which was considered as one of the robust and fast expanding segments of the banking system till late 1990s, has become one of the weakest with regular cases of failures. It must be recognized that an UCB's basic organization is driven by the philosophy of co-operation and in a increasingly competitive environment an urban bank becomes more vulnerable on account of factors like size, location and compulsions to lend to a sector and thus, is deprived of scale economies.

* **Scams:** Involvement of some of the UCBs in Gujrat and Andhra Pradesh in the share market scam in 2001 greatly

lowered the level of public confidence in these banks. Even the existence of the Deposit Insurance and Credit Guarantee Corporation (DICGC), the upper insurance coverage is only up to Rs 1 lakh.

* **Low Capital base:** Further in spite of their strengths, the Urban Cooperative Banks also have a weakness in terms of generation of share capital. Thus the UCB sector is presently on a crossroad with these Banks finding it increasingly difficult to maintain their heterogeneous and unique cooperative character with the requirements of a strict regulatory regime and prudent banking norms as has been insisted upon by the RBI in the aftermath of the Gujrat and Andhra Pradesh experiences. 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 business

* **No clear-cut Loan and Investment Policy:** In most of the UCBs in the state, there is virtually any Loan Policy not to speak of a comprehensive well laid out Loan Policy. The most important part of Loan Policy is the pre-credit appraisal part which is absent in the so called Loan Policy of many banks. The ultimate result of this type of mismanagement in and non appraisal of the risk in credit is non recovery of loans and assets and standard assets trickling down to substandard, doubtful and non-recoverable loss.

* The fact remains that most of the UCBs has no policy of Investment. They are making investments based on their experience and on the basis of circulars and guidelines issued by the RBI from time to time but there are instances of violation of directives of RBI by some banks in the past by purchasing securities from fake brokers and ultimately the officers are entrapped in fraud case and money invested is turned into loss assets.

* **Piling- up of NPAs:** A high power committee constituted by RBI finds that the NPA levels in UCBs are disproportionately high, which is a major challenge to be tackled is. Like policy of Loans and Advance UCBs should have an Investment Policy and be updated in each year and approved in the BODs meeting.

* As a result of total mismanagement and frauds, the Non-Performing Assets – which do not yield any income increased abnormally and the banks became weak/sick.

* **Dual Control:** The multiplicity of regulation and control from central and state bodies hinders the smooth and efficient functioning of UCBs on the one hand, and the absence of administrative control by the government

authorities leads to arbitrary usage of funds, and putting stakeholders' interests at stake.

* **Poor governance:** UCBs borrowers have a significant say in the managements of the banks. This has the potential of influencing the Boards to take decisions that may not always be in the interest of the depositors who constitute the most important stakeholders of a bank.

* **Uneven geographical dispersal:** Uneven geographical dispersal of UCBs in few states such as Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu is evident from the fact that those states account for over 80% of urban cooperative banks presence and 75% of their total deposits. The type of reach cooperative banks has in our country and the type of customized services they can offer at the local level, the potential is tremendous. But, the question is have we achieved the true potential? The answer to the question to a certain extent is negative

Common Irregularities Reported In Some Managed Cooperative Banks:

* Term loans were converted into overdrafts and loan amounts were enhanced without any formal request from the borrowers.

* Sub-prime mortgage: Huge amounts of loans were sanctioned on the basis of the properties mortgaged with the bank, which had fake and fabricated sale deeds and therefore had no legal value. There is an instance wherein a borrower obtained a loan of Rs.50 lakhs by mortgaging a Municipal Park in Hyderabad City. In yet another sensational instance, a borrower mortgaged the land belonging to Wakf Board and obtained a loan of Rs.2.5 crores. And there are instances, where crores were sanctioned even on the basis of non-existing properties.

* Most of the properties mortgaged were grossly overvalued by the valuers of the banks.

* Fictitious entries indicating repayment of huge amount of cash and subsequent withdrawal on the same day with a view to prevent the said amount from being classified as Non-Performing Assets (NPA).

* The application for sanction of big loans were received in the head office directly by Chairman / Managing Director and the loan amounts of crores of rupees were sanctioned on the same day without obtaining any verification reports from the field officers regarding viability of the project / business, repaying capacity,

credit worthiness etc. of the applicant.

* The UCBs offered unviable very high interest rates as well as incentives to the depositors.

* The banks continuously defaulted in the maintenance of CRR and SLR.

* Ignoring the RBI directive, the Banks sanction huge loans to the prohibited and risky sectors.

* Borrowers with no capacity to run business and repay amounts are sanctioned huge loans.

* Loan proposals instead of routing through the Branch Managers were directly recommended by the Directors.

* In several instances crores of rupees were sanctioned to the individuals, who were not even income-tax payers.

* Advances were sanctioned for unproductive / consumption / ceremonial purposes.

* Excess drawl was allowed in many Over-Draft accounts.

* The system of internal audit does not exist in many of the banks.

Suggestions

1. The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc.
2. The banks should plan to introduce new schemes for attracting new customers and satisfying the present ones.
3. The banks should plan for expansion of branches.
4. The banks should improve the customer services of the bank to a better extent.

Conclusion

Urban Cooperative Banking is a key sector in the Indian Banking scene, which in the recent years has gone through a lot of turmoil. Though some UCBs have shown credible performance in the recent years, a large number of banks have shown discernible signs of weakness. The operational efficiency is unsatisfactory and characterized by low profitability, ever growing non-performing assets

(NPA) and relatively low capital base. Also urban cooperative banks have not been able to service the growing credit requirements of clients or the newer demands for loans in the field of personal finance. In the interest of healthy competition, the urban cooperative banks should be encouraged to grow. Thus a few bad eggs should not curb the growth of a key banking entity.

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Edited and issued on behalf of NAFEN by Dr. P. K. Gupta, Secretary General, National Foundation of Indian Engineers, 11/6B, Shanti Chambers, Pusa Road, New Delhi-110 005.
Phone: +91-11- 25853104, 25854212, Fax: +91-11-25789399 [E-Mail: nafenindia@nafenindia.com](mailto:nafenindia@nafenindia.com) [Website: http://www.nafenindia.com](http://www.nafenindia.com)