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REVIEW ARTICLE

A STUDY ON COMMERCIAL CO-OPERATIVE BANKS IN INDIA

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ABSTRACT

The term Commercial Co-operative Banks (CCOB) not formally defined same as Urban Co-operative Banks. It may defined as “The Co-operative banks works in urban area and providing all services same as commercial banks and controlled by RBI, Banking regulation act 1949 and State Governments as per the provisions of respective State Acts.” The main functions of these banks to provide short term loan to businessman, traders, entrepreneurs etc. These banks are established under Co-operative act but provide all the services which provided by commercial banks like ATM, E-Banking, Housing Loan, Vehicle loans, Demat account facilities, Fund Transfer Facility, SMS facilities etc.

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INTRODUCTION

Co-operative banks have parallel growth with other commercial banks. Co-operative banks play an important role in Indian economy. Commercial Co-operative bank is an urban co-operative bank. It may be scheduled or non- scheduled and single state or multi state. 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, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities, work place groups. They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably. Urban cooperative banks were set up with the objective of promoting sustainable banking practices amongst a relatively specific target clientele viz., the middle income strata of the urban population. They were brought under the regulatory ambit of the Reserve bank by extending certain provisions of the banking regulation act, 1949, effective from March 1, 1966.

URBAN CO-OPERATIVE BANKS (UCBs):

The term Urban Co-operative Banks (UCBs), not formally defined, it refers to primary co-operative banks located in urban and semi-urban areas (General Knowledge Today 2013).

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The Urban Cooperative Banks have to obtain a license from the Reserve Bank for doing banking business. The unlicensed primary (urban) co-operative banks can continue to carry on banking business till they are refused a license. Further UCBs also have to obtain prior authorization of the Reserve Bank to open a new place of business. UCB have to follow the prudential norms relating to income recognition, asset classification, and provisioning and capital adequacy ratio¹. There are 1,618 urban co-operative banks located in India at the end of March, 2012.

The urban co-operative bank classified in two categories Scheduled co-operative banks and Non-scheduled co-operative banks. Scheduled and Non-scheduled co-operative banks further classified in two categories single state and multi state. At the end of March 2012 there are 52 Scheduled Co-operative Banks stood in India and out of these 25 banks is multi state and 27 banks are single state. Apart from this at the end of March 2012 there are 1566 non scheduled co-operative banks 18 multi states and 1548 single state stood in India. Besides above, urban co-operative banks also can be classified in following categories on the basis of its name and functions.

Commercial Co-operative Banks

- Nagrik Sahkari Bank
- Mercantile Co-operative Banks
- Mahila Co-operative Banks
- Peoples Co-operative Banks

¹ General Knowledge Today, <http://www.gktoday.in/rural-cooperative-banks-in-india/>

- Financial Co-operative Banks
- Industrial Co-operative Banks

The researcher focused on the Commercial Co-operative banks situated in India in this research paper.

but also doing activities like other commercial banks such as loan on commercial vehicles' loan for commercial purpose, Demat account facilities, housing loans, etc. Generally commercial co-operative banks are doing their activities in urban areas. From the above discussion the following features of CCOBs can be derived.

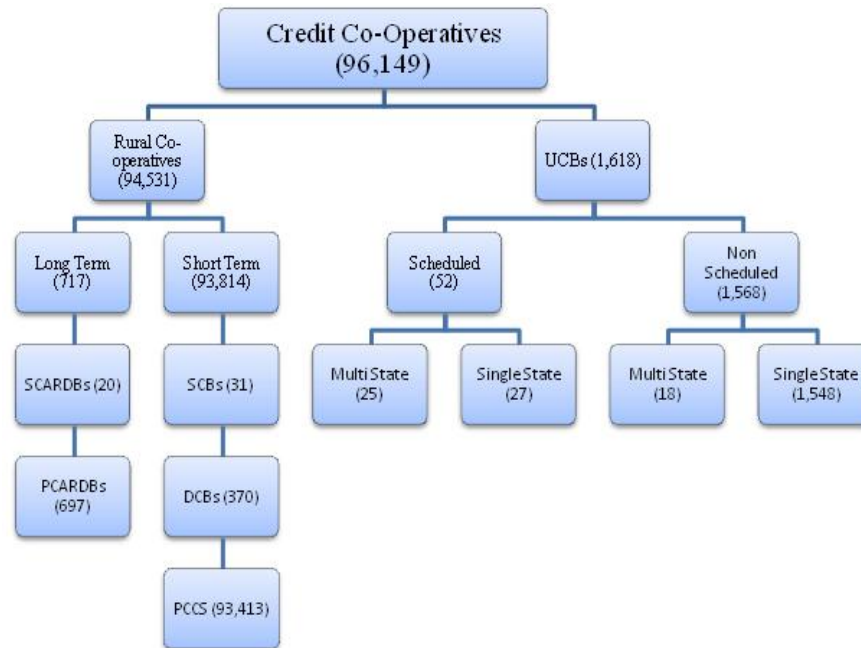


Figure 1. Structure of Co-operative Credit Institutions in India (As at end March 2012)

Note: Figures in brackets () indicates number of banks or credit institutions at the end of March 2012.

PCCS = Primary Co-operative Credit Societies:

DCBs = District Co-operative Banks

SCBs = State Co-operative Banks

DCARDBs = District Co-operative Agricultural Rural Development Banks:

SCARDBs = State Co-operative Agricultural Rural Development Banks:

UCBs = Urban Co-operative Banks

(Source: <http://www.rbi.org.in/scripts/PublicationsView.>)

Concept of commercial co-operative bank

The term Commercial Co-operative Banks (CCOB) not formally defined same as Urban Co-operative Banks. It may be defined as "The Co-operative banks works in urban area and providing all services same as commercial banks and controlled by RBI, Banking regulation act 1949 and State Governments as per the provisions of respective State Acts." The main functions of these banks to provide short term loan to businessman, traders, entrepreneurs etc. These banks are established under Co-operative act but provide all the services which provided by commercial banks like ATM, E-Banking, Housing Loan, Vehicle loans, Demat account facilities, Fund Transfer Facility, SMS facilities etc. Commercial Co-Operative Bank is one kind of co-operative bank work at state level which providing all banking facilities to the people at local level. It is part of co-operative banking sector. The main objective of Co-operative banks is to provide banking facilities at the local level and to co-operate their members. But day by day profit making is being the main the objective of the co-operative banks like other business. Commercialization has entered in Co-operative banks now days. Hence Commercial co-operative banks are in co-operative sectors. Commercial Co-operative banks are not only co-operate to their members

Features of Commercial Co-operative Banks

1. CCOB is a Co-operative bank.
2. It is a Co-operative bank mostly works in urban area.
3. It provides all facilities to its customers which provides by a commercial bank.
4. This kinds of banks governed by RBI, Banking regulation act 1949, and respective act of state for co-operatives
5. Such banks mainly deal with retail banking business.
6. Some CCOBs operate beyond their state of registration and are governed by the Multi state Co-operative Act 1984. Like Kalupur Commercial Co-operative Bank.
7. CCOBs accept deposits from members as well as customers for loan and short period of time.
8. It provide loan to its members and customers for non agricultural purpose for business development, purchase of house purchase of vehicle, for short period of time say one to five years and for long period of time say 10 to 15 years.

Literature Review

- (1) K. Selvavinayagam (2005), in his paper titled "Financial Analysis of Banking Institutions" intended to provide an

improved analytical framework to present the different aspects of performance.

- (2) Patel, Rupal R. Lecturer at Saraspur Arts and commerce college, Gujarat University Ahmedabad, (2005), in her study of 'Operational Efficiency of District Central Cooperative Banks in Gujarat - A Comparative Study' observed on Operational efficiency of DCCBs of Gujarat and Gujarat State co-operative banks (GSCBs) and its development and progress. She also focused on comparative growth of DCCBs and GSCBs
- (3) Desai, Suresh V. (2006) Performance Appraisal of Urban Co-operative Banks in North Gujarat. PhD thesis, Saurashtra University. In his study Mr. Desai has examine profitability, financial efficiency of UCBs of North Gujarat, the data related to all the twenty Urban Co-operative Banks for the past seven years viz. 1997-98 to 2003-2004 have been collected and various techniques of measuring performance like, Common Size Statement, Ratio Analysis and several statistical techniques have been applied to analyze and draw conclusions.
- (4) Amit Basak (2009) analyzed the case Study on "Performance Appraisal of Urban Cooperative Banks" figured that though some UCBs have performed creditability in the recent years, a large number of them have shown discernible sign of weakness.
- (5) R. K. Patel, Head, Accountancy Department, Desai C. M. Arts & Commerce College, Viramgam, Dist. Ahmedabad (Gujarat) (2012) in his paper titled "Financial performance of urban co-operative bank" studied that during the period 1991-2004 the urban co-operative banking sector witnessed substantial growth, possibly encouraged by the liberalized policy environment in post reform period.
- (6) Dr. Padmaja B. (Associate professor, Sri Vasavi Institute of Management) Dr. BhanuKiran, C. (Professor, Ananta Lakshmi Institute of Technology and Sciences) and Dr. Rama Prasada Rao, C. H. (Professor, Sri Krishnadevaraya Institute of Management, SK. University, Anantapur). (2013) in their study titled "An empirical study on financial performance of Anantapur urban Cooperative bank" reveal that Urban Cooperative Banks are mostly working in the rural and semi-urban areas. They are the back bone of banking system and contribute for growth of the nation .The researcher aims to analyze the financial performance of Anantapur Urban Cooperative bank.

So many researchers have done research work on urban co-operative bank in India, Gujarat and other state of the country. But there was no any research on commercial co-cooperative banks (CCOBs) in UCBs has been done in the previous years and recently. So the researcher tries to fill the research gap of study on UCBs by do the research work on Commercial Co-operative Banks of UCBs of India.

Objectives of the study

The Main objectives of this paper are as below:

1. To Know and discuss the concept of Commercial Co-operative Bank.
2. To explore the role of Commercial Co-operative Banks in India.

3. To know about existing Commercial Co-operative Banks in India.
4. To discuss the Role of CCOBs in UCBs in India

MATERIALS AND METHODS

The study based on a theoretical and conceptual understanding about Commercial Co-operative Banks in India and its role in Urban Co-operative banks in India. Data has been collected from the available literature on websites and other published material like books magazines annual reports research papers etc.

Commercial co-operative banks in India

CCOBs are the urban co-operative banks as the researcher already discussed and urban co-operative banks play an important role in development of Indian economy. Before check the number of CCOBs in India, the researcher first checked the number of UCBs in India.

Total Number of UCBs in India

There are total 1609 urban co-operative bank registered at the end of March 2013 out of these 51 is scheduled and 1558 are non-scheduled urban co-operative banks.

Table 1. Year wise Number of Urban Co-operative Banks India

Year	No. of Bank in India
2001	1618
2002	1854
2003	1941
2004	1926
2005	1872
2006	1853
2007	1813
2008	1770
2009	1721
2010	1674
2011	1645
2012	1618
2013	1609

(Source: www.rbi.org.in)

From the above table and chart it can be conclude that the no. of UCBs are continuously decrease after 2003. In the year 2003 there were 1941 UCBs in India this number come down to 1609 of March 2013. That means at there was a reduction of 17 percent.

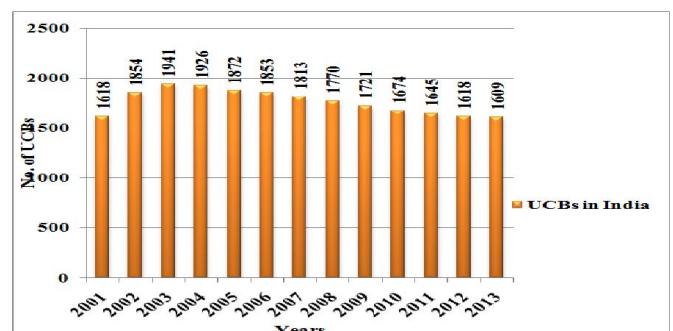


Figure 2. Year wise Number of UCBs in India

Total Number of CCOBs in India

There are total 23 Commercial Co-operative banks in India and out of this 14 CCOBs are in Gujarat at the end of March 31, 2014. The State wise list of CCOBs is as under. Out of the total CCOBs in India two are Scheduled and remaining 21 are Non-Scheduled and out of the two scheduled bank one is in Gujarat, Kalupur Commercial Co-operative bank.

Role of CCOBs in Indian banking system

The co-operative banking sector has created attraction and attention in recent year by its performance and long survival. Today the co-operative banks become an important constituent of the Indian financial system and cover a large segment of society because of their quick and personalized service.

They take the responsibility of covering the unmonitored sector neglected by commercial banks and most priority is given by UCBS to small and medium enterprise UCBs provide service with no bars of caste religion etc. and thus spread the feeling of "Unity of diversity". Some UCBs operate beyond their state of registration and are governed by the Multi state Co-operative Act 1984. CCOBs are the part of UCBs therefore ultimately it also being considered most important constituent of Indian banking system. CCOBs provide services to the customers, employees' societies and nation just like commercial bank but it acts at co-operative banks. It provides its services in urban and semi urban areas which are not covered by Commercial banks. Some CCOBs are working in Multi state nowadays like Kalupur Commercial Co-operative bank Ltd., The Akola Janata Comm. Co-op. Bank Ltd. therefore the scope of CCOBs increases day by day.

Table 2. State wise List of Commercial Co-operative Banks in India

No.	Name of Bank	Types of Bank	State
1	The Vaish Co-operative Commercial Bank Ltd.	Non-Scheduled	Delhi
2	Bhuj Commercial Co op Bank Ltd.	Non-Scheduled	Gujarat
3	Chanasma Commercial Co-operative Bank Ltd.	Non-Scheduled	Gujarat
4	Commercial Co-operative Bank Ltd.	Non-Scheduled	Gujarat
5	Commercial Co-operative Bank Ltd. Jamnagar	Non-Scheduled	Gujarat
6	Jivan Commercial Co-operative Bank Ltd.	Non-Scheduled	Gujarat
7	Junagadh Commercial Co-operative Bank Ltd.	Non-Scheduled	Gujarat
8	Marketyard Commercial Cooperative Bank	Non-Scheduled	Gujarat
9	Porbandar Commercial Co-op Bank Ltd.	Non-Scheduled	Gujarat
10	Rajkot Commercial Cooperative Bank Ltd.	Non-Scheduled	Gujarat
11	Randheja Commercial Co-operative Bank Ltd.	Non-Scheduled	Gujarat
12	Sarvodaya Commercial Coop. Bank Ltd.	Non-Scheduled	Gujarat
13	Vallabh Vidhyanagar Commercial Coop. Bank ltd.	Non-Scheduled	Gujarat
14	Vijay Commercial Coop. Bank Ltd.	Non-Scheduled	Gujarat
15	Kalupur Commercial Coop. Bank Ltd	Scheduled	Gujarat
16	Commercial Co-operative Bank Ltd., Kolhapur	Non-Scheduled	Maharashtra
17	Jijau Commercial Co-operative Bank Ltd., Amravati	Non-Scheduled	Maharashtra
18	Ravi Comm. Urban Co-op. Bank Ltd., Nagpur.	Non-Scheduled	Maharashtra
19	The Janata Comm. Co-op. Bank Ltd., Khamgaon	Non-Scheduled	Maharashtra
20	The Akola Janata Comm. Co-op. Bank Ltd.,	Scheduled	Maharashtra
21	Brahmawart Commercial Co-operative Bank Ltd.	Non-Scheduled	Utter Pradesh
22	Noida Commercial Co-operative Bank Ltd.	Non-Scheduled	Utter Pradesh
23	United Commercial Co-operative Bank Ltd., Kanpur	Non-Scheduled	Utter Pradesh

(Source: www.rbi.org.in)

Total: 3 Number of CCOBs in India		
No. of CCOBs in Gujarat	1	13
No. of CCOBs in Delhi	0	1
No. of CCOBs in UP	0	3
No. of CCOBs in Maharashtra	1	4
No. of CCOBs in India	2	21

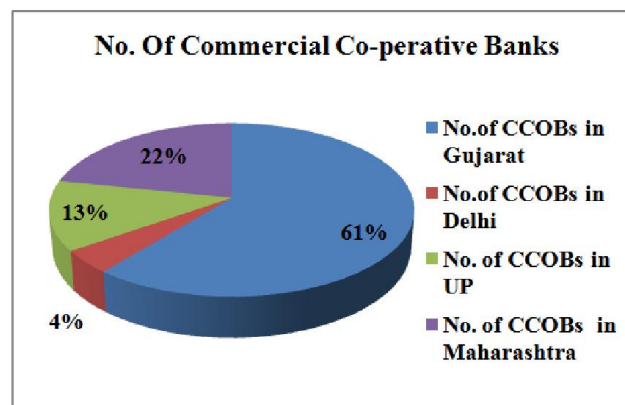


Figure 3. From the table and graph it is clear that major Commercial Co-operative Banks are in Gujarat that is 61%.

In spite cut throat competition in the banking field, and facing the challenges of globalization and the Basel reforms, the CCOBs marching the glorious path earning profit and paying the dividends to the shareholders since inception. From the social obligation point of view it has formulated various schemes for the upliftment and welfare of the weaker section, such as Educational loan at comparatively low rate, banking service at a glance to senior citizen, handicapped & women. CCOBs are providing various customers service, such as Franking, Demat, General Insurance etc. It can be said that because of their noble objectives; functions and humanitarian attitude towards clients and society, the CCOBs in spite of being a small segment of the co-operative banking sector, have proved themselves a vital role of the Indian banking system. The committee on co-operative movement appointed by the Government of Tamil Nadu in February, 1968, under the chairmanship of Shri K. Santhanam –has made the following observation:

“The non agricultural credit societies have been significantly successful in attracting deposits and promoting saving.” This sector of the movement has grown voluntarily without special encouragement from the state. The urban banks in the state have recorded a steady progress over the years. As observed by the co-operative planning committee (1946), urban banks have proved to be the best suited agencies for which joint stock banks are not generally interested.

Thus it can be stated that though organized on a small scale primarily to meet the need of the poor or weaker sections of society, the urban banks have proved that they occupy a key position in semi-urban and urban areas so far as the national banking structure is concerned.

Conclusion

In the above study the researcher studied the concepts of co-operative bank and structure of co-operative bank in India. The researcher also focused on Urban Co-operative Banks (UCBs) in India and Commercial Co-operative Banks (CCOBs) as a part of UCBs in India.

The researcher discussed about concept of CCOBs, its role and its positions in urban co-operative banks in India. The researcher observed that out of the total CCOBs in India most of the situated in Gujarat. Out of the total 23 CCOBs in India 14 are situated in Gujarat that means 61%. So Gujarat plays an important role in development of UCBs and CCOBs in India.

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