

The major problems faced by urban cooperative banks in Kollam District, Kerala

¹ Kannan V Unnithan, ² Dr. M Somasundaram

¹ PhD Research Scholar, Department of Commerce, Annamalai University, Annamalai Nagar, Chidambaram, Tamil Nadu, India

² Associate Professor, Department of Commerce, Annamalai University, Annamalai Nagar, Chidambaram, Tamil Nadu, India

Abstract

The present investigation was the high problems faced by Urban Cooperative Banks (UCBs) in Kollam District, Kerala. Firstly, explain briefly the problems of dual control by the State Government and the RBI. Secondly, discuss the details about limited area of operation. Thirdly, deliberate the key problems for violation of financial norms, poor management and poor quality services. Fourthly, analyse the problems for lack of modernisation, increasing over dues, lack of planning and coordination, fifthly to describe the details of political interference and staff problem and prospects. It concludes with an overview of important area from the literature.

Keywords: Problems faced, Dual control, License, Prudential financial, Services, Overdue, and Interference

Introduction

Cooperative endeavour is not an alien phenomenon to Kerala. The present investigation is the key problems faced by Urban Cooperative Banks (UCBs) in Kollam District. The cooperative credit movement in modern Kerala was never a spontaneous development as in advanced countries, so the new generation gap will be affected frequently. Kollam District UCBs has been not well, some vital problems listed out here. Each one for UCBs is an integral part of the middle class population of Taluk level, so area of operation is limited. Generally, Urban Cooperative Banks (UCBs) are not covered fully the Core Banking System (CBS) in Kollam District, Kerala. Kerala people enjoys a better standard of living, its economy is progressing to greater heights, but the Urban Cooperative Banks generally not to implement the new policies of the New Generation Banks. The UCBs generally, not providing current account to individual customers. It has not installed the full-fledged high-tech facilities for banking operations and not provides the new modern banking facilities to its customers. To discuss the vital problems for benchmarking activity of Urban Cooperative Banks (UCBs) in Kollam District, Kerala.

Problems of Dual Control

A major problem faced by Urban Cooperative Banks (UCBs) in Kollam District is to face the duality of control by the State Government and the RBI. The UCBs are supervised by RBI and also issued for license while regarding administrations like registration, administration constitution and administration and selection etc. This had negative impact on the functioning of the UCBs. The problem of dual control is majorly faced by UCBs, to list out briefly.

- UCBs are governed by the respective Cooperative Societies Acts of the States in which they are registered. There are also 42 UCBs which are registered under the Multi-State Cooperative Societies Act, 2002.
- UCBs are also governed by the Banking Regulation Act, 1949 and Part 5 of the Act makes provision for the application of the Act to cooperative banks subject to certain modifications. These modifications provide that

several of the powers which the act gives to RBI for the supervision and regulation of banks are diluted or are denied to RBI when applied to UCBs. These pertain mainly to control over the Board of Directors of UCBs and their management of the affairs of the UCBs.

- Under the various State Cooperative Societies Acts and to a lesser extent under the Multi-State Cooperative Societies Act, the Registrars of Cooperative Societies are vested with significant powers regarding the functioning of the Boards of Directors and the management of the UCBs.
- As a consequence, RBI is not empowered to take unilateral action against the management of an erring UCB in case of need and it requires the assistance of the concerned register of Cooperative Societies to take necessary action.
- This system of dual control is often claimed to have been one of the important factors responsible for the less than satisfactory performance of several UCBs.
- Recognizing the conflicts created by this system of dual control, the Vision Document proposed that there should be a strong working arrangement between RBI and State Governments/CRCS to address the difficulties caused by dual control.
- Under the Memorandum of Understanding (MoUs), State Governments have agreed to take immediate action on requisition by RBI for supersession on the Board of Directors, appointment of liquidators, initiation of action for removal of CEO / Chairman of a bank, enhancing quality of HR and IT resources on lines required by RBI.
- While the Registrar of Co-operative Societies would continue to exercise control and regulation of Urban Co-operative Bank as a co-operative society, RBI would exercise control and regulation on its function as a bank.

Limited Area of Operation

The Urban Co-operative Banks (UCBs) have to function within restricted framework in the context of mobilisation of deposits. The need for heavy industrial advances and trade finance for industrial units as well as for commercial enterprises is here but

the UCBs are not able to meet with it is they have to serve as per RBI directives. But to survive in the competitive world the UCBs should enhance their area of operation and start providing loans as per local needs. The area of operation of the UCBs in Kollam District shall be confined to the Taluk, Corporation, Municipality and city.

Violation of Prudential Financial Norms

It is found that many Urban Co-operative Banks (UCBs) violate norms governing advances. Top officials of the banks receive loans without documents. The UCBs in Kollam District, must adopt a system of internal audit and inspection of branches and department. The RBI should follow strict supervision and to stop such malpractices.

Poor Management

The necessity of the financial institution has a good corporate financial management and articles. The UCBs directors are politician or illiterate, due to this reasons the management of UCBs are poor. The Urban Co-operative Banks (UCBs) in Kollam District faces the poor management problems especially UCB in Karunagapally.

Poor Quality Services

The services of UCBs are not significant enough in terms of quality and have failed to attract deposits from individuals and institutions other than the co-operative sectors. Hence they should try to improve the quality of services by providing required facilities like waiting space, customer information counter, complain box, banking information chart, easy accessibility to higher officials at the banking promises. At the same time they should maintain good customer relations and keep positive attitude towards customer. Beside this they should start providing door to door services. To provide best quality services to the customers and treat as the customer is a king. The Urban Co-operative Banks (UCBs) in Kollam District to implement a new policies and procedures to improving the quality services.

Lack of Modernisation

In today's world of technological advancement, still manual form of work followed in some of the Urban Co-operative Banks (UCBs) which cause delay and increase operational cost. Most of the UCBs in Kollam District failed to provide services through use of modern technology except some UCBs. It has become inevitable now on part of UCBs to have computerised system of banking and adopt latest banking technique like ATM Card, Debit Card, Credit Card, Internet Banking, Tele Banking,

Increasing Overdue

The Urban Co-operative Banks (UCBs) in Kollam District suffers from dangerously. Low or weak quality of loans and assets are highly unsatisfactory recovery of loans, which enhance the proportion of overdue. Due to this situation, UCBs must have to develop a separate recovery department for quick recoveries.

Political Interference

Political interference in affairs of the Urban Co-operative Bank (UCBs) leads to faulty lending and poor recovery. It compels, to pressure on the banking to provide loan to parties whose

repaying capacity is doubtful. Political party's discussion should affect the lending procedures of UCBs in Kollam District. Through banks take to legal action against the defaulter it often interferes by putting an end or postponing such an action. Hence political interferes is damage to UCBs in administration.

Staff Problems and Prospects

The Urban Co-operative Banks (UCBs) in Kollam District facing the problem of good staffs. They are not trained and professional. The UCBs do not select staff on professional basis. External pressures are a cause of untrained and low standard staff which directly effects on quality work. At least appointment of Chief Executive Officer like, Manager or Managing Director should be made on professional lines and provide training to untrained or fresh staff members or employees.

Other Problems

- Low capital adequacy ratio.
- Lack of transparency in financial statement.
- Balance sheet of most the UCBs are not finalized in time due to non-completion of audit purpose.
- Lack of planning and co-ordination.
- Lack of standardization in data reported by ratio etc.

Conclusion

This paper presents a study about 'The major problems faced by Urban Cooperative Banks'; selected a case study in Kollam District, Kerala. The Urban Cooperative Banks (UCBs) to relieve the problems, they should implement new methods and policies of New Generation Banks. This study is helpful to understand the key problems faced by Urban Co-operative Banks (UCBs) in Kollam District. Firstly discuss the problems of dual control system. Listed out, briefly the details of the dual control system. The current study is helpful to understand the problems of Urban Co-operative Banks (UCs) in Kollam District, Kerala. The powerful political interference of UCBs is high hazard than that of New Generation Banks. There are 4 head office and 22 branches of UCBs in Kollam District, these UCBs bear the problems of limited area of operations, violation of prudential financial norms, poor management, poor quality services and lack of modernisation, increasing overdue, political interference, staff problem and prospectus. This study is helpful to know the present problems faced by Urban Co-operative Banks in Kollam District, Kerala and make to implement good steps in future.

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