SOME ISSUES IN CUSTOMERS SERVICES OF URBAN COOPERATIVE BANKS: A CASE STUDY OF BEED DISTRICT

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ABSTRACT

The origin of urban credit movement in India can be traced to the close of Nineteenth century. The growth performance parameters of urban cooperative banks in Beed district shows on an average positive growth rates during the study period. It is observed from the study that the farmer and female customers of these banks are only 5 and 8.5 percent respectively. 63 percent customers utilize demand draft service; 18 percent customers utilize locker facility, 6 percent customers utilized overdraft facility and 74 percent customers utilized clearing and transfer facility. It is observed that 90 percent customers expected electricity bill facilities, 80 percent A.T.M. services and 7.5 percent passport services.

KEYWORDS: Customers Services, Urban Banks, Cooperative Credit.

INTRODUCTION

Credit supply was started in India through primary cooperative societies, as per the cooperative act of 1904. As per the cooperative act of 1912 cooperative Banks for supply of loans in agriculture sector for short, medium and long term are formed. However it was realized that cooperation offers a solution not only to the agriculturists but also to the townsman in respect of credit as well as other aspect of his business in life. The Maclagan committee on cooperation pointed out as early as 1915 that “urban credit societies might serve useful purpose in training the upper and middle class to understand ordinary banking principles.” In 1931 the central banking enquiry committee recommended that limited liability of cooperative societies generally known as urban banks, should be established wherever necessary. Facilities and conditions exist for the benefit of middle class of the population. Duty of these urban Banks should be to try to do for the small traders, small merchants and the middle class populations, what the commercial banks are doing for the big trader and the big merchant.

Till Nineteen Sixties the monitory authorities did not bother to look into the working of urban cooperative banks. Hence the growth of urban cooperative banks was haphazard slow and steady. But after the application of banking regulation act of 1949 from first march 1966 and the implementation of the recommendation’s of various committees like Varde committee (1963) Banking enquiry committee (1972) Joglekar committee (1976) Madhavdas committee (1979) Narsimham committee (1991) Marathe committee (1993) etc.
Herman Schultze in Germany and Luigi Luzzatti in Italy can track the origin of urban credit movement in India to the close of nineteenth century following the success of the urban credit institutions organised during the period 1855 to 1885.\(^2\) Some middle class Maharashtrian families settled in the erstwhile Baroda state started a Mutual Aid Society in Baroda on 5th of February 1989 under the guidance of shree Vithal Laxman Kavthekar. When the cooperative societies act of the 1904 conformed legal status on credit society, the first urban cooperative credit society was registered in October 1904 at Canjeevaram in Madras Province. Subsequently the Betegiri cooperative credit society in Dharwar district in the undivided Bombay Province and the Bangalore city cooperative credit society in the erstwhile Mysore state were registered in October 1905 and December 1905 respectively. There after urban credit cooperative societies where organised mostly in erstwhile Bombay and Madras provinces during the period 1919 to 1935.\(^3\)

**SIGNIFICANCE OF THE STUDY**

Due to privatization and Globalisation vast competition has emerged in banking services. Due to liberalization formation of new banks turned to be easy, there by competitive atmosphere emerged in banking services for urban banks to stand in the competition. For financial suitability and workability it is necessary for banks to obtain the information about financial matters. Balance sheet and profit and loss account are not sufficient to express the financial status of the banks. New financial models with scientific relations between financial units are to be adopted. For financial suitability, adoption of new financial models is necessary for understanding financial status of urban banks. For understanding whether urban cooperative banks can stands in the atmosphere of liberalization, it is necessary to know whether urban banks provide modern services like other banks and whether urban banks can understand the problems of customers. Regarding some issues in customers services of urban cooperative banks and their financial progress, very few studies has been done at national and state level but in Marathwada and especially in Beed district no study is under taken in this regard. So this study will be bridge this gap.

**REVIEW OF LITERATURE**

Warerker\(^4\) has observed that the quite understandable as the geographical coverage and the resources at the command urban banks in relation to the resources required are very limited as is borne out by the following figures which include figures for the state of Maharashtra which is one of the most progressive states in so far as development of cooperative movement is concerned.

Shrishshrimal\(^5\) in his book on “Urban Cooperative Banks in India” has given stress on progress, problems and prospects of urban cooperative banks in India. Author observed that the progress of urban banks was quite impressive in India. Author stated that almost 70 percent of the banks and 90 percent of the deposits, working capital and advances of the urban cooperative banks in the country were concentrated in the four states of Maharashtra, Gujrat, Karnataka and Tamil Nadu. Even within these four states the two states Maharashtra and Gujrat accounted for almost two-thirds of the total number of urban cooperative banks in the country and three-fourth
of their deposits, working capital and advances. There were important differences in the pattern of operations of the urban cooperative banks as well between the different states.

Badhe has published an article on the problems of urban cooperative banks in India. He observed that except uneven growth in urban banks they series of problems like lack of viability, development of their funds, in trade and commerce, monopoly use of their resources by small group of people, lack of proper control and supervision over them by supervising agencies and lack of professional executives.

Rao has conducted a research on customer service and strengths of urban cooperative banks an empirical study. He observed that the Majority of customer reported that they are availing loan facilities from their respective urban cooperative banks under study. Another 54 percent customer expressed that they are availing fixed deposit facilities, where as 28 percent (42) availed demand draft facilities, recurring deposit facilities (22.6 percent), overdraft facilities (12.67 percent), bills of exchange facilities (10 percent), payment of LIC premium facilities (4 percent), payment of electricity bills facilities (10.34 percent), and payment of income tax facilities (0.66 percent) were the services availed by the customer. The success of urban cooperative banks depends on the loyalty of the members based on commercial benefits accruing to them and harmonious relationship between the members and the elected leaders. He also concluded that the major challenge for urban cooperative banks today is their capacity to integrate themselves with their national and global counterparts without sacrificing their own cultural ethos. He also concluded that given sincerity of approach, sound management and good customer service, there is a tremendous scope for urban cooperative banks to grow in the liberalized economy, not with standing the competition that is emerging in the changed economic scenario.

OBJECTIVES OF THE PRESENT STUDY

The present study is undertaken mainly to study some issues in customers' services of urban cooperative banks in Beed district. The main objectives of the present study are as follows:

1. To examine the over all growth performance of urban cooperative banks in Beed district.
2. To examine the problems in customers services of urban cooperative banks in Beed district.
3. To examine the services / facilities currently availed by the customers in urban cooperative banks in Beed district.
4. To find out what other services / facilities expected by the customers of urban cooperative banks in Beed district.

RESEARCH METHODOLOGY

The present study pertains to Beed district of the Marathwada region and covers period of 13 years from 1991-92 to 2003-04. The present study in based on primary and secondary data.
The primary data collected through personal contacts using questionnaires and discussions held with customers in the selected four sample banks in Beed district. The primary data were collected from 200 customers that were taken 50 from each selected urban cooperative banks in Beed district.

PROGRESS OF URBAN COOPERATIVE BANKS IN BEED DISTRICT

The owned capital of urban cooperative banks in Beed district has shown continuously positive trend during this study period from 1991-92 to 2003-04. The owned capital of these banks was Rs. 268.84 lacks in 1991-92 which increased and reached to Rs. 9, 253.07 lacks in 2003-04. During the study period owned capital increased by 34.42 times. As well as the components of owned capital (Paid up share capital and reserves) also showed positive trend during this study period. The percentage share of paid up share capital in owned capital was 23 percent in 1991-92 and it decreased to 17.96 percent in 2003-04. Share of reserves is 77 percent in 1991-92 has increased up to 82.04 percent in 2003-04. The increasing share of reserves and decreasing share of paid up share capital in owned capital indicate the increasing self-reliance of urban cooperative banks in Beed district.

The working capital of urban cooperative bank in Beed district was Rs. 2,168.36 lacks in 1991-92 that increased to Rs. 1,01,527.3 lacks in 2003-04. The growth rate of working capital of these banks was 38.79 percent per annum during this study period. The deposit of urban cooperative banks in Beed districts were Rs. 1523.8 lacks in 1991-92, which increased up to Rs. 86252.41 lacks in 2003-04. The deposits of urban cooperative banks have shown continuously positive trend with an annual average growth rate of 41.02 percent. But it is seen that there is large fluctuation in it during the study period. The borrowings of urban cooperative banks in Beed district are found to be increased during the study period. The borrowings of urban cooperative banks in Beed district were Rs. 187.84 lacks in 1991-92, which increased to Rs. 2,912.2 lacks in 2003-04. Its annual growth rate was 57.38 percent during the study period.

The loans and advances of urban cooperative banks in Beed district showed continuously positive trend during the study period. It is found that there has been, on an average increase of Rs. 4,490.98 lacks per year in the loans and advances by urban cooperative banks in Beed district during the study period. Its growth rate was 37.44 percent during the study period. The loans and advances are increased by 42.57 times. Over dues of urban cooperative banks in Beed district has increased by more than 25 percent on an average during the study period.

SOME ISSUES IN CUSTOMERS' SERVICES OF URBAN COOPERATIVE BANKS IN BEED DISTRICT

In this article an attempt has been made to find out what are the problems of customers services in urban cooperative banks in Beed district. It is found from the study the percentage of female customers of selected urban cooperative banks in Beed district is 8.5 percent where as the percentage of male customers is 91.5 percent. The proportion of male customers is more than female customers in banking transactions. Also males are predominant than females in banking services. It is found from the survey of selected urban cooperative banks 71 percent of the customers' express that a loan procedure of these banks is complicated. It is observed the 69.5
percent customers of these banks availed the loan facility though the loan procedure is complicated and the interest rates are more than nationalized banks.

The interest rate on fixed deposit of urban banks is more, but 59.5 percent customers avail this facility. 36.5 percent of the customers avail the facility of daily deposits, in this it is seen that the percentage of traders is more. The facility of clearing and transfer services is availed by 74 percent of the customers. This means that the percentage of customers using cheques is more. Only 6.5 percent of the customers take the advice regarding investment from urban cooperative banks. Customers are not aware of advices regarding investment. Cent percent of the customers avail facility of enquiry. Even if the separate counter for enquiry is not available. The customers avail the facility of enquiry from the employees of the banks. Only 1.5 percent of customers avail the facility of complaint box or complaint book. It is seen that customers neglect the complaint box or complaint book.

From the study it is observed that the classification of customers based on their profession is as follows, traders 59 percent, employs 36 percent and farmers 5 percent. The proportion of farmers is less because the farmers are more concerned with district central cooperative banks. As the employees and traders reside in urban area their proportion is more. When the customers were asked about their expectation from urban cooperative banks regarding new services, 90 percent of the customers expected the facility of electricity bill, 80 percent expect A.T.M. services and 7.5 percent expect passport services. It is observed the customers trend towards new services along with conventional services. Customers expect all the services from urban cooperative banks at par with national banks.

It is observed from the study that 87.5 percent customers feel that urban cooperative banks encouraged deposits. The percentage of customers availing fixed deposits scheme is 56 percent. As the interest rate on fixed deposit is more the customers are getting attracted towards urban cooperative banks. 98.5 percent customers feel that employees of urban cooperative banks are lenient. As the customers and employees have to work together cordial relations are developed between them. If the employees are trained they can deliver better services to customers. 93 percent of the customers expressed satisfaction with urban cooperative banks. This means that urban cooperative banks are giving good services in Beed district.

It is observed from the study that 69.5 percent customers take the loans from urban cooperative banks; out of this maximum loans are taken for professional purpose. And its component is 46.76 percent. Minimum of 13.66 percent customers take loans for vehicles. When giving loans for professional purpose urban cooperative banks do not impose stringent rules as per nationalized banks. Therefore professional loan facility is availed by more customers. As the nationalized banks and other institutions impose lesser interest rate on loans for vehicles customers are attractive more towards them as compare to urban cooperative banks. 71 percent customers expressed that loan procedure of urban cooperative banks are more complicated and 56 percent customers expressed that interest rate of urban cooperative banks is more.

Customers to transfer money from one place to another place utilize demands draft service. 63 percent of the customers avail this service for security purpose. Locker facility is utilized by 18 percent of the customers. Locker facility is availed by selected high and middle-
income group customers. 74 percent of the customers avail agent services like clearing and transfer services. In this services the payment which are to be obtained by customers from other people are obtained by agent, through cheques and cleared, so also the current and futures payment which are to be given by customers are paid through this service as the reliability of banking services is increased.

Transfer and clearing services is being used by maximum number of customers. Traders use transfer and clearing services as it has legal basis. Over draft facility is utilized by 6 percent of the customers. This is a meager percentage because only businessman and traders are benefited by this facility.

RECOMMENDATIONS

In general the progress of urban cooperative banks in Beed district is satisfactory. But in the progress and services of these banks certain lacunas are observed these lacunas can be overcomes for this following recommendations are suggested.

1. Over dues of the urban cooperative banks in Beed district has constantly increased. Therefore banks should try to reduced the over dues, to reduce over dues bank should improve the overdue recovery management. Also banks should consider the repayment capacity of the customers while disbursing loans. After giving loans banks should see that the loans being used for the productive purpose, which it is disbursed.

2. In the working capital of urban cooperative banks in Beed district 22.56 percent is deposits and 8.58 percent is owned funds. From this it is observed that banks are dependant on deposits for working capital. Therefore urban cooperative banks must try to encourage the share capital and reserve funds, by giving more services to the members. Bank should try to attract new members by which share capital can be increased. Increasing the profit and reducing the dividend can divert more funds to profits. There by reserve fund can be increased.

3. Percentage of female customers of urban cooperative banks in meager i.e. 8.5 percent. For increasing female customers in giving loans facility, female customers should be given preference. Special schemes for females should be implemented for giving loans.

4. It is observed from the study 6.5 percent of the customers obtain the advice regarding investment from urban banks. Banks should appoint financial experts to give advice on investments. Experts should give advice on safe investments. For that bank can charge service charges, this will safeguard customers against losses on investments, also income of banks will be increased.

5. It is observed from the study 90 percent customers expect electricity bill services and 56 percent of the customers expect phone bill services from the banks. Banks should provide these services. 80 percent of the customers expect A.T.M. services and 22 percent of the customers expect credit card services. Banks should provide these services.
6. Loan procedure of urban banks is complicated, 71 percent of the customers expressed this. Therefore urban banks should reduce the documentation and time for loan procedures and deliver it instantly.

7. Daily deposit and Recurring deposit schemes are availed by 36.5 percent and 3.5 percent of the customers. For increasing this percentage bank should appoint experts in banking services, who have good moral character, thereby reliability of banks is increased and deposits of customers will be safe.

8. Date of maturation of fixed deposit receipts should be intimated to the customers. Even if date is written on the receipts customers forget the dates and the question of interest rises, for avoiding this, bank should intimated the dates, and thereby inconvenience and losses will not be caused to the customers.

9. Bank should arrange social gatherings like common marriages, scholarships to talented students and lectures etc. so that the information of board of directors and confidence of them will be increased.

CONCLUSION

Credit Supply was started in India through primary cooperative societies as per the cooperative act of 1904. The origin of urban credit movement in India can be traced to the close of Nineteenth century. The urban cooperative banks should be tried to do for the small traders, small merchants and the middle class population of the city. The owned capital working capital, deposits, the loans and advances, Reserves and paid up share capital of urban cooperative banks in Beed district shows on an a average positive growth rates during the study period. The increasing share of reserves and decreasing share of paid up share capital in total owned funds indicates the increasing self reliance of urban cooperative banks in Beed district.

It is observed from the study that the female customers are only 8.5 percent and farmers are 5 percent in four selected urban cooperative banks in Beed district. The 71 percent customers of these banks said loan procedure is complicated. The facility of clearing and transfer services is availed by 74 percent customers. It is observed that 90 percent customers expected electricity bill facilities, 80 percent expected A.T.M. services and 7.5 percent passport services. It is observed that the maximum customers take loan for professional purposes. 63 percent customers utilize demand draft service; 18 percent customers utilize locker facility. Overdraft facility utilized by only 6 percent customers. It means locker and overdraft facility utilization is very low in urban cooperative banks. It is found from the study the customers of urban cooperative banks in Beed district excepted from these banks to provide more modern facilities to them.

REFERENCES


