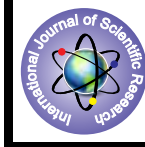


Urban Co-Operative Banks and Their Extent of Access to Borrowers- A Study in Gulbarga District of Karnataka



Economics

KEYWORDS :

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ABSTRACT

Urban Co-operative Banks (UCBs) are an important part of the financial system in India. It is, therefore, necessary that the UCBs emerge as a sound and healthy network of jointly owned, democratically controlled, and ethically managed banking institutions providing need based quality banking services, essentially to the middle and lower middle classes and marginalized sections of the society. The present study is focused on examining the borrowers' preference of Urban Cooperative Banks. The study is an attempt made to examine the extent of borrower purchase behavior influenced by Urban Cooperative Banks in Gulbarga District of Karnataka State and its impact on augmenting income, employment generation and improving the living standards of the sample borrowers. The observations in this study are basically based on the field survey (during 2012-13) conducted on 100 sample borrowers who actively visited the Sir M. Vishweshwaraiah Sahakara Bank Niyamita, Gulbarga taluk (50 borrowers) and Shri Mahatma Basaveshwara Cooperative Bank Ltd, Afzalpur taluk (50 borrowers). It has been found that UCBs are important crowd pullers and played an important role in improving the living style, social status, improving their business based on borrower's interest and their positive involvement at the Urban Cooperative Banks of the sample selected Gulbarga taluk and Afzalpur taluk in Gulbarga district of Karnataka. Most of the borrowers reported that UCBs are provided several types of loans facilities as per member's convenience with low rate of Interest.

Background

Urban Co-operative Banks (UCBs) are an important part of the financial system in India. It is, therefore, necessary that the UCBs emerge as a sound and healthy network of jointly owned, democratically controlled, and ethically managed banking institutions providing need based quality banking services, essentially to the middle, lower middle classes and marginalized sections of the society.

Credit supply to farmers was started in India through primary cooperative societies, as per the cooperative act of 1904. Co-operative act of 1912 made provision for cooperative Banks to supply loans for agriculture sector through 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 urbanites in respect of credit as well as other aspect of their 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. The Duty of these urban Banks should be to try to help the small traders, small merchants and the middle class population, what the commercial banks are doing for the big traders and merchants. Hence the objective of the study is to examine the borrower's preference for urban cooperative banks.

Operational Reforms

An operation of any business needs certain operational reforms to manage their business. The following are the reforms which are identified.

- Good Governance
- Enhancing Efficiency and Competitiveness
- Professionalism
- Adoption of Information Technology
- Up-gradation of Technology
- Quality Improvement
- Reducing Transaction & Management Cost
- Simplification of Systems and Procedures
- Guidance Support
- Proper Communication

Financial Reforms

Any financial operation needs certain reforms. Here are some of the reforms that are identified.

- Adoption of Prudential Norms
- Asset Liability Management
- Reducing Non-Performing Assets
- Improving Recovery
- Securitization
- Ensuring Timely & Quality Audit
- Government Support for Recapitalization
- Effective Financial Management

This study has the objective of examining the borrowers' preference of Urban Cooperative Banks

Methodology

The study has attempted to examine the extent of borrower purchase behavior influenced by Urban Cooperative Banks in Gulbarga District of Karnataka State and its impact on augmenting income, employment generation and improving the living standards of the sample borrowers. The observations in this study are basically based on the field survey conducted on 100 sample borrowers who actively visited the Sir M. Vishweshwaraiah Sahakara Bank Niyamita, Gulbarga taluk (50 borrowers) selected from Gulbarga Taluk and Shri Mahatma Basaveshwara Cooperative Bank Ltd, selected from Afzalpur taluk (50 borrowers) during the year 2012-13.

SOCIO-ECONOMIC PROFILE OF THE BORROWERS

The socio economic characteristics of sample borrowers have immense influence on the purchase of the loans in selected two taluks of Gulbarga District. The data was collected from the 100 sample respondents, who are members/borrowers of the Urban Cooperative Banks in Gulbarga district. An attempt is made to document the important socio-economic characteristics of the borrowers under following sections.

Age-Group of the Borrowers

The borrowers were classified into various age groups and the results are furnished in the table 1. Among four age compositions, majority 41 percent of the borrowers are in the age group of 26-55 years, 16 percent are 55 years and above, only 2 percent borrowers are below 25 years of age.

Table 1: Age Group of the Borrowers

Age Group	No. of Borrowers	Percentage
Less than 25 years	2	2.00
26-40	41	41.00
41-55	41	41.00
56 and above	16	16.00
Total	100	100.00

Source: Compiled field data

The overall results clearly indicate that borrowers who are in the age group of 26-55 years constitute 82.00 per cent in the total sample. Hence, majority of the sample borrowers predominantly consisted of middle age group in the selected two taluks in Gulbarga district.

Educational status of the Borrowers

Education plays an important role in making the borrowers aware of the selection/taking good decision while select of loan among the different types available in the Urban Cooperative Banks.

Table 2 reflects the level of education of the sample borrowers. Out of the total 100 borrowers, all are literates, majority of the borrowers (47.75 per cent) were graduates, 27.25 per cent borrowers are under graduates and 25 per cent of the borrowers are post graduates.

Table 2: Educational Status of the Borrowers

Education Level	No. of Borrowers	Percentage
Up to Under Graduates	25	25.00
Graduates	65	65.00
Post Graduates	10	10.00
Total	100	100.00

Source: Compiled field data

The education level of the borrowers always support in their selection of loan as nowadays various loan facilities are provided by the Urban Cooperative Banks. Therefore, educated borrowers easily find out the right and useful type of loan at the Banks.

Occupational Pattern of the Borrowers

Generally, the level of occupation of a borrower is determined by his social status in the society and it is very important for any urban family. The borrowers, who are visiting the Urban Cooperative Bank in Gulbarga district of Karnataka have been classified as government employees, private employees, businessmen, professionals, students and others as presented in the Table 3.

Table 3: Occupational Pattern of the Borrowers

Occupation	No. of Borrowers	Percentage
Govt. Employees	48	48.00
Pvt. Employees	18	18.00
Businessmen	06	06.00
Professionals	14	14.00
Students	8	8.00
Others	06	6.00
Total	100	100.00

Source: Compiled field data

Majority of the borrowers fall under the government officials category constituting 48 percent of the total sample, whereas 18 percent are private employees, 14 percent are professionals, 8 percent are students, 6 percent borrowers are businessmen and 6 percent borrowers are under the others category. The overall results clearly indicate that the government employees accounted for the major share followed by professionals.

Year wise Particulars of Borrowers starting transactions with the Banks

The table 4 depicts the borrowers who visited the banks in different years. Out of 100 percent, 20 percent of the borrowers have started transacting in UCBs since 2010, whereas 23 percent of the borrowers started banking operations in the year 2011, 18 percent of the borrowers started their business transactions with UCBs in the year 2012 and 39 percent of the borrowers transacted UCBs in the year 2013.

Table 4: No. of Borrowers transacted with the Urban Cooperative Banks across Years

Year	No. of Borrowers	Percentage
2010	20	20.00
2011	23	23.00
2012	18	18.00
2013	39	39.00
Total	100	100.00

Source: Compiled field data

The results clearly shows that majority of the borrowers depends on Urban Cooperative Banks for borrowing loans since 2010. Therefore, UCBs are providing need based loan facilities for borrowers.

Purpose of loans availed by the Borrowers in UCBs

The table 5 reflects the purpose of loans availed for which sample borrowers visited UCBs. Out of 100 percent of the borrowers, maximum 63 percent of borrowers approached UCBs for housing loan purpose. Only 15 per cent of the borrowers registered under the personal loan purpose and 22 per cent of the borrowers approached banks for other loan facilities purpose. The result clearly shows that more than 60 per cent of the borrowers approached UCBs for housing loan purpose.

Table 5: Purpose of visit to Urban Cooperative Banks by the Borrowers

Purpose	No. of Borrowers	Percentage
Personal loan	15	15.00
Housing loan	63	63.00
Other loans	22	22.00
Total	100	100.00

Source: Compiled field data

Reasons for Preferring UCBs by Borrowers

The Table 6 highlights the number of borrowers who preferred UCBs to borrow loans. Out of 100 percent, 24 percent borrowers fall under the category 'low rate of Interest', another 24 percent come under 'convenience' category to obtain loans from UCBs, 11 percent borrowers prefer UCBs for 'pleasure' only. Majority of the borrowers i.e., 36 percent prefer UCBs based on the 'availability of different types of loans' with low rate of Interest compared to other commercial banks and only 5 per cent of the borrowers prefer UCBs for 'positive response' by the UCBs employees.

Table 6: Reasons for the Preference of Urban Cooperative Banks

Preference	No. of Borrowings	Percentage
Low rate of Interest	24	24.00
For Pleasure	11	11.00
Availability of various types of loans	36	36.00
Positive response	05	05.00
Convenience	24	24.00
Total	100	100.00

Source: Compiled field data

The overall results clearly show that usually borrowers gave more preference to availability of various types of loans. The results also show that more number of borrowers prefer UCBs only for getting loans.

Borrowers Opinion about UCBs Services

The UCBs' stable existence depends only on their providing different types of loan facilities, good services and encouragement to borrowers who are seeking good response from UCBs. The table 7 reflects 84 percent of the borrowers accepted the UCBs for providing good services to borrowers.

Table 7: Borrowers Opinion about the Services by the Urban Cooperative Banks

Happy with the UCBs	No. of Borrowers	Percentage
Yes	84	84.00
No	16	16.00
Total	100	100.00

Source: Compiled field data

Only 16 percent of the borrowers opined that UCBs are not providing good services. The overall result shows that almost majority of the borrowers expressed their happiness with services of UCBs.

Urban Cooperative Banks are the best banks to borrow loans

Another important point to be noted is that the UCBs are the best bet to borrow loans in the local areas. The table 8 reveals that 63 percent of the borrowers expressed their view that UCBs are the best place to borrow loans, 19 percent of the borrowers strongly agreed that UCBs are the best to borrow loan. Only 11 percent of the borrowers expressed that UCBs are not the best to borrow loans.

Table 8: Urban Cooperative Banks are the best banks to Borrow loans

Best bet to Borrowing loan	No. of Borrowers	Percentage
Strongly Agree	19	19.00
Agree	63	63.00
Disagree	11	11.00
Strongly Disagree	07	07.00
Total	100	100.00

Source: Compiled field data

Therefore, less percent of the borrowers disagree about the business activities of the UCBs. Only 7 per cent of the borrowers strongly disagree for borrowing loans from UCBs. The overall

result reveals that people trust UCBs for various loans and services.

Borrowers' Opinion about the Rate of Interest in UCBs

The table 9 reflects borrower's opinion about the rate of Interest of the various loans in UCBs.

Table 9: Borrowers' Opinion about the Rate of Interest in UCBs:

Rate of Interest Range	No. of Borrowers	Percentage
High Interest Range	14	14.00
Moderate Interest Range	65	65.00
Low Interest Range	21	21.00
Total	100	100.00

Source: Compiled field data

The table 9 reveals that 65 percent of the borrowers are expressed their opinion that UCBs are following moderate rate of Interest range. 14 percent of the borrowers are felt that UCBs follow highest rate of Interest range. 21 percent of the borrowers expressed their view that UCBs are implementing loaning procedure with lower rate of Interest range. The result reveals that almost all the sample borrowers are satisfied about the present rate of Interest of the UCBs.

Gender Ratio of the Borrowers

The table 10 reveals that gender ratio of the sample borrowers in the selected UCBs in two taluks in Gulbarga district of Karnataka.

Table 10: Gender Ratio of the Borrowers

Gender	No. of Borrowers	Percentage
Male	68	68.00
Female	32	32.00
Total	100	100.00

Source: Compiled field data

Male borrowers are more compared to female borrowers among the borrowed members of UCBs. Male borrowers were 68 percent whereas 32 percent were female borrowers in the selected UCBs. The overall result reveals that there is more number of male borrowers than female borrowers in the selected UCBs.

Summary & Conclusions

The Borrowers prefer Urban Cooperative Banks because, Urban Cooperative Banks are best to obtain various types of loans and advances, several services and facilities to the satisfaction of the borrowers. Therefore, borrowers are always giving preference to Urban Cooperative Banks to fulfill their requirements.

Urban co-operative banking sector has occupied an important, indispensable and a formidable place in the Indian financial system. However, sustenance of its growth is depends on professionalization of its management, inculcating good corporate governance, technology absorption, scrupulous adherence to regulatory framework and proper human resource development.

It has been found that UCBs selected for this study are important crowd pullers and play an important role in improving the standard of living, social status, improving their business based on borrower's interest and their active and positive participation/involvement in the development of Sir M. Vishweshwaraiah Sahakara Bank Niyamita, Gulbarga is selected from Gulbarga Taluk and Shri Mahatma Basaveshwara Cooperative Bank Ltd is

selected from Afzalpur taluk of Gulbarga district of Karnataka. Most of the borrowers opined that UCBs are providing several types of loans facilities and other services as per member's convenience, requirements with low rate of Interest and borrower-friendly norms.

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