

"A Study Of Professionalism In Cooperative Banks In India"

Prof. Dr. M. B. Sonawane

Associate Prof. & HOD of Business Practices
Ness Wadia College of Commerce Pune- 411 001

ABSTRACT:

Many young people are attracted to careers in banking. There has been a rapid expansion of banking services all over the country. This has been particularly so after the nationalization of important banks. Reserve Bank of India has placed controls on banking institutions. Many branches have opened in the rural areas. Large-scale deposits have been mobilized, and credit facilities are extended to people who, only a few years ago, could not even think of such benefits being offered to them.

The expansion of banking services has obviously resulted in an increase of banking staff. There has been large-scale enlistment both at the clerical level and at the managerial level. With computerization and the entry of international banks, and growth of trade, there is greater emphasis on quality service. The banks are now offering a wide range of services. With such growth opportunities for careers in banking will continue to be available to young people interested in careers in this field.

Key Words :

Introduction, Importance, Objectives of the study, Hypothesis, Research Methodology, Limitation, Data Analysis, Findings and Conclusion, Suggestions and Recommendations, Conclusion, Bibliography

Introduction

Professionalism means meticulous adherence to undeviating courtesy, honesty responsibility in one's dealings with customers and associates, plus a love of excellence that goes over and above the commercial considerations and legal requirements.

According to Hoather Eastndge, Professionalism is an essential trait both in business and society. It is that quality which drives a person's appearance, personal and professional interactions and which provides others with a first impression.

Professionalism also means the conduct, aims or qualities that characterize or mark a profession or professional person. Professionalism plays an important role in how a person is perceived by his employer, his co-workers and casual contacts— actually by every person with whom he interacts. The greater the degree to which a person exemplifies, the easier it will be for him to be set apart from people around him. This outstanding characteristic will cause his superiors to take notice. Professionalism can be applied in every business settings in all industries- The more a person displays professionalism, (he more opportunities for success it will have.

Importance

Cooperative Banks holds a very important position in the Indian banking sector. Competent management is pre-requisite for the success of any Organization. In today's highly competitive and globalized business environment, there is an urgent need of professional management for the successful handling and managing the affairs of the cooperative banks. A well educated enlightened membership, selfless, dedicated, foresighted Board of Directors, well experienced and trained personnel are the real assets of any cooperative organization. We had selected around 11 urban cooperative banks in Pune city.

The general trend is that the growth of professionalism is hampered in the cooperative organization because professional managers have a limited role in the cooperative organization, which are fully dominated by political leaders. Increasing political interference in cooperatives has also affected the healthy growth of the cooperative organization.

In order to make the management of these banks professional and managing the affairs of these banks on scientific lines, there are various institutions which are directly or indirectly involved in imparting education and training to all levels of management viz. policy makers i.e. Chairman, Vice Chairman and other members of the board of directors. Administrator in lieu of the board, Chief Executive Officer and the supervisory and subordinate staff of the bank.

It is hoped that the state government will not delay acceptance of the recommendations made by the RBI in view of (the financial sector reforms and deregulation. Urban cooperative banking sector should be immediately freed from restrictive provisions of Cooperative acts so as to make them self reliant and self supporting.

Before the rise of Co-operative banks, the Commercial banks were doing the function of credit provision to urban sector. These banks used to follow such a policy by which they could get maximum security while providing credits.

These banks did not have any purpose of National Development except profit maximization in their function of credit supply. They never took any risk in their credit supply. Hence the poor rural sector was deprived of the credit facilities of commercial banks. Commercial banks concentrated their attention only on urban sector. Hence development was confined only to the urban sector. This lopsided development could not attain proper balance in economic development.

The agricultural sector which was the main occupation of 70% of population did not have credit supply from banks and so people in the rural sector had heavy burden of loans taken from money lenders. The indebtedness of farmers continued from generation to generation. The rural people suffered a lot due to natural calamities like draught, floods and infectious diseases. The result of this was extreme poverty of rural masses. The English government was worried because there was possibility that rural farmers would rise in revolt if their problems of credit were not solved. At last Frederick Nicholson provoked the idea of setting up of cooperative societies on the pattern of Kaifan societies of German. This idea led to immense growth of cooperative societies at present. The cooperative credit created its own independent honorable place in Indian Economy. On the support and inspiration of Reserve Bank of India, the cooperative institutions had valuable contribution towards the total change of the rural society. The cooperative machinery is marching on by the ambition of socialistic pattern of society.

The cooperative credit machinery is created mainly for development of agricultural occupation in India. The Cooperative credit was given priority with the purpose of making farmers free of the clutches of money lenders and reducing the burden of loans that continued from generation to general ton. The cooperative credit gave agriculture the first priority. To day the cooperative banks are doing the work of realizing the socialistic structure of the society. There is no importance to profit in the field of cooperation. This field gives more importance to all sided development and economic upliftment of the rural sector.

The cooperative mechanism in India is of organizational nature. Though the existence of cooperative institutions is independent on different layers their working is same and it aims at maximizing social benefit. There is a chain of cooperative credit right from the state level at the grass root of the rural level. At the rural level there are Agricultural Credit Societies; at the District level there are District Central Cooperative Banks and at the state level there are State Cooperative Banks which are affiliated to each and do the function of credit supply. From July 1982, Nabard (National Bank for Agricultural and Rural Development) started functioning as per Nabard Act 1982. This bank is apex bank in rural and agricultural credit. It provides credit to agriculture, small and cottage industries in rural areas, village industries, handicrafts and other allied economic activities in rural areas.

Objectives of the study

1. To study the balance sheet and profit and loss account of cooperative banks.
2. To make comparison between various cooperative banks
3. To study professionalism of cooperative Banks
4. To study NPA's of cooperative banks

Hypothesis :-

HO Non Performing assets of cooperative banks are very high. These has to be brought under control.

H1 The profitability of the banks has been improved

H2 Professional management is essential to control NPA's,

Research Methodology:

The advanced Learners Dictionary lays down the meaning of research as "a careful investigation or enquiry specially through search for new facts in any branch of knowledge." Redman and Mory define research as a systematized effort to gain new knowledge.

There are two basic approaches of Research .Quantitative Approach and Qualitative Approach. Quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and Rigid fashion.

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior.

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with logic behind him. It is necessary for the researcher to know not only the research methods / techniques but also the methodology. For this purpose the following aspects were studied. Three types of questionnaires were designed .The questionnaire for senior management of cooperative banks had 49 questions and 11 senior management personnels were the respondents .The questionnaire for middle-level managers of

cooperative banks had 19 questions and 11 Branch managers-were the respondents and the questionnaire for customers of cooperative banks had 22 questions and the respondents were 500 customers from 11 different cooperative banks.

Types: 1. Library Research

- Methods a) Analysis of historical records
- b) Analysis of documents

2. Field Research

- Methods a) Telephone survey
- b) Personal Interview.
- c) Group Interview
- d) Personal Interview
- e) Case Study and life history.

It means a small group study of random behavior, play and role analysis. Currently India has 88 scheduled Commercial Banks (SCB's). 27 public sector banks, 31 private sector banks (they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have combine network of over 53000 branches and 17000 ATM's. Maharashtra State Cooperative Bank is the apex cooperative bank in Maharashtra State. The constituents of Maharashtra state cooperative bank are as follows.

Ahmednagar, Akola, Amravati, Aurangabad, Beed, Buldhana, Bhandara, Chandrapur, Dhule, Gadchiroli, Jalgaon, Jalna, Kolhapur, Latur, Mumbai, Nagpur, Nanded, Nashik, Osmanabad, Parbani, Pune, Ratnagiri, Raigad, Sangli, Saara, Solapur, Sindhudurg, Thane, Wardha, Yeotmal District Central Cooperative Bank Limited. In Pune District Urban Cooperative Banks Association there are more than 54 banks which are affiliated with it and for the research the researcher had selected 11 cooperative banks in Pune city.

The primary data are those which are collected a fresh and for the first time, and thus happen to be original in character. Data needed for the research is collected from annual statements of banks. Questionnaires was also framed to collect data from board members, customers, officials, employees. Suitable sample was chosen from each category mentioned above to know their opinions.

The primary data was collected as follows : The questions that were asked for senior management personnel of cooperative banks included questions about personal details of the respondents, facilities provided by the bank, about CSR activity of the bank, internal audit system of the bank, the percentage of total advances given to the priority sector, about training programmes conducted by the bank, employee turnover of the bank, period of various types of loan disbursed, how the bank brings NPA's under control, ISO certification, performance appraisal system, weightage given by the bank for purchasing government securities the rates of interest the banks charge for various types of loans, about bank assurance and core banking facility, the various measures adopted by the banks to increase profitability, about various problems faced by the bank, profitability of the bank, about social and performance audit, about cooperative banks expansion programmes, about sources of finance, about number of members having banking experience, and how cooperative banks face competition from public , private and foreign banks etc...

The questions that were asked for branch managers of cooperative banks included questions about personnel details of the respondents, the list of securities taken for the grant of loans, important reasons for overdue of loans, the problems faced by the banks while financing to its members, what are the special efforts made for the development of women entrepreneurship, about recovery and various methods of recovery adopted by the bank, no of court cases , list of various facilities provided by the banks, last three years profits made, methods of training adopted by the bank, various reasons for employee turnover, purpose wise classification of loans, about their service standards, about promotion policy, about customer complaint handling mechanism, etc.,

The questions that were asked for cooperative banks customers included their personnel details, in which type of bank (Commercial, private, women etc...) they have their account, various problems faced in obtaining bank loan, about the procedure how customers can complain about discourteous staff, about customer complaint handling mechanism, customers needs and expectations, customers satisfaction level, various improvements required by the banks in case of working hours, services of the staff, loan and membership procedure of the banks, rating of the bank, involvement in the management of banks, etc.,

Secondary data are those which have already been collected by someone else which have already been passed through the statistical process, secondary data related to the study was collected from various journals and books, RBI and Nabard publications and statistical records of apex cooperative bank of Maharashtra and annual report and financial statements of 11 cooperative banks in Pune.

Sampling is the part of Statistical practice concerned with the selection of a subset of individual observations within a population of individuals intended to yield some knowledge about the population of concern. especially for the purposes of making predictions based on statistical inference. The sampling frame specified for this study was defined as the cooperative banks located in Pune city taking into consideration locations, performance, turn over and

other relevant factors. In Pune city there are 54 cooperative banks and for the research the researcher had selected 11 cooperative banks in Pune city.

Limitation :

Conclusions were based on data made available by RBI. cooperative banks, Nabard, and data collected through questionnaires. The period of the study is from 2005-2011.

The survey research is a systematic gathering of information from respondents for the purpose of understanding and/or predicting some aspects of the behaviour of the population of the interest. Every survey aims to collect information from the identified sample to verify the associated hypothesis. A survey could be of various types : personal, mail, computer based etc. This research required views of the Senior Management. Middle level Managers and Customers of cooperative bank in Pune city. So for this research three (3) separate questionnaires were designed for senior management of cooperative banks, middle level managers of cooperative banks and cooperative bank customers. Hence personal interview was conducted for the same. To sum up, the survey methodology of personal interviews was selected.

Questionnaire was prepared to be the tool for consistent collection of data during personal interviews with The senior management, middle-level managers and the cooperative banks customers. A Questionnaire comprises a formalized set of questions for eliciting information. Function of the questionnaire is measurement, and hence minimization of the measurement error needs to be addressed carefully. Measurement error may be minimized by a careful design and development of the questionnaire. The survey questionnaire for this research study was designed to gather in dept data related to the research topic. Plan of how data, analyzed and used, was finalized prior to the design of the questionnaire. Survey questionnaire was designed keeping in view the planned data analysis and ease of interpretation. Survey questions were designed based on personal varied consulting experience of the researcher and informal input received from other experts.

To minimize measurement error, questions have been kept unambiguous and provision for checks has been provided. The questionnaire had both open and closed ended questions. A total number of 49 questions for senior management personnel's 19 questions for branch managers and 22 questions for customers of cooperative banks were included. So total number of questions asked for various levels were 90 questions. Also responses were taken down while the interview was conducted, thereby ensuring accuracy of the survey data captured by the researcher.

Data Analysis : The primary data collected through interviews were analyzed using the selected statistical and analytical tools. Descriptive responses to the questions were analyzed, collated and properly categorized followed by using various statistical tests such as Wilcoxon's signed rank test, Friedman's test, and chi-square test. In addition to the data analysis carried out, its graphical representation helped in drawing meaningful inferences.

Findings and Conclusion:

1. Customers of cooperative banks have appreciation for reliability and credibility.
2. Cooperative banks does not provide all the required facilities to the customers.
3. Laxmi and Lokseva cooperative banks do not have core banking facility, whereas Saraswat, Thane, Dharmaveer Sambhaji, Sadhna, Janta, Jabseva, Cosmos and Abhudaya Cooperative banks have core banking facility.
4. Facilities such as computerization, ATM cum debit card, net banking, online bill payment, mobile banking, sms alerts, drinking water, seating arrangements which are provided by cooperative banks to their customers are appreciated by their customers.
5. Other facilities such as complaint redressal cell, banking working hours and customer care services are not appreciated by its customers.
6. In general poor satisfaction was evident for the services such as membership procedure, bank management and officers cooperation.
7. Majority of shareholders have taken loans from cooperative banks.
8. The percentage of Non-Performing Assets (NPA's) in cooperative banks differ significantly than the reference value of NPA i.e., Zero
9. The percentage of capital related annual profit in cooperative banks differs across the financial years covered in our study.
10. The average number of recovery court cases is higher in cooperative banks.
11. All facilities and rights (leave package, timely salary, staff insurance. staff PF, training programmes) are not equally provided to the employees by cooperative banks.
12. Out of 11 cooperative banks included in the study, 1 bank (9.1%) provide leave package as per norms. 2 banks (18.2%) provide staff insurance 5 banks (45.5%) provide staff training. 6 banks (54.4%) provide staff PF Facility and 10 banks (90.9%) provide the timely salary to their staff.

13. The participation of cooperative banks in social activities is significantly seen
14. Higher proportion of cooperative banks participate in CSR and other welfare activities,
15. Thane, Dharmaveer Sambhaji and Janta (data centre only) cooperative bank have ISO certifications.
16. Out of 11 cooperative banks included in our survey 3 cooperative banks (27.2%) had less than 5% employee turnover. 4 cooperative banks (36,4-%) had 5-10% employee turnover and 4 cooperative banks (36.4%) had more than 10% current employee turnover.
- 17 Out of 11 managers of cooperative banks surveyed 9 managers (81.8%) were males and 2 managers (18.2%) were females.
18. Out of 11 managers of cooperative banks surveyed 10 managers (90.9%) were graduate and 1 manager (9.1%) completed his post-graduation.
- 19 Out of 11 managers of cooperative banks surveyed 5 managers (45.5%) had banking experience between 5 to 10 years, 3 managers had (27.3%) banking experience between 10 to' 15 years and also 3 managers (27.3%) had banking experience between 15-20 years.
- 20 Out of 11 cooperative banks sun-eyed 4 cooperative banks (36.4%) had less than 10000 customers, 2 cooperative batiks (18,2%) had customers between 10000 to 50000) and 5 cooperative banks (45.4%) had more than 50000 customers.
- 21 Out of 11 cooperative banks surveyed 4 cooperative banks (36.4%) had less than 15 directors. 4 cooperative banks (36.4%) had number of directors between 15 to 17 and 3 cooperative banks (27.2%) had number of directors more than 17.
- 22 Out of II cooperative banks surveyed 10 cooperative banks (90,9%) followed persuasion method of recovery and 1 cooperative bank (9J%(had legal court matter.
- 23 Of the 11 directors / senior management personnel of cooperative banks surveyed 2 (18,2%) had education up to graduation level, 6 (54,5%) had up to post-gradual ion level and 3 {27.3%) had professional education.
24. Of the 11 directors / senior management personnel of cooperative banks surveyed 7 (63.6%) had experience between 10 - 15years and 3 (27.3%) had experience between 15 – 20 years.
25. Of the 11 cooperative banks included in the survey, 4 cooperative banks (36.4%) have Jess than 10 branches, 3 cooperative banks (27.2%) have branches between 10 lo 50 and 4 cooperative banks (36.4%) had more than 50 branches.
26. Of the 11 cooperative banks included in the survey, 10 cooperative banks (%.9?'o) conduct audit regularly and I cooperative bank (9,1%) does not conduct audit regularly.
27. Of the 500 customers of cooperative banks surveyed, 292 customers (58.4%) were males and 208 customers (41.6%) were females,
28. Of the 500 customers of cooperative banks surveyed, 3 customers (0.6%) were illiterate, 11 customers (2.2%) had education up to X/X11, 224 customers (44.8%) had education up lo graduation level, 145 customers (29.0%) were post gradual and 117 customers (23.4%) had professional degree.
29. Of the 500 customers of cooperative banks surveyed, 45 customers (9.0%) had income less than 10000 Rs, 91 customers (18,2%) had income between 10000 lo 20000 Rs, 127 customers (25.4%) had income between 20000 to 30000 Rs, 149 customers (29.8%) had income between 30000 lo 40000 Rs and 88 customers (17.6%) had income above 40000 Rs.
30. Of the 500 customers of cooperative banks surveyed, 369 customers (73.8%) had regular savings account and 131 customers (26.2%) had current account.
31. Of the 500 customers of cooperative banks surveyed, 5 customers (1.0%) were unemployed, 200 customers (40.0%) had private service, 47 customers (9.4%) had government service and 248 customers (49.6%) were self employed.
32. Of the 500 customers of cooperative banks surveyed, 139 customers (27.8%) agreed that 1 - 2 weeks are taken lo clear the housing loan, 325 customers (65.0%) responded that 2 4 weeks are taken to clear the housing loan and 36 customers (7,2%) agreed that more than 4 week are taken to clear the housing loan of cooperative banks.
33. Of the 500 customers of cooperative banks surveyed, 192 customers (38.4%) agreed that less than I week is taken to clear vehicle loan, 262 customers (52.4%) responded that 1-2 weeks are taker to clear the vehicle loan, 191 customers (3.8%) agreed that 2 - 4 weeks are taken to clear the vehicle loan, and 27 customers (5.4%) agreed that more than 4 weeks are taken to clear the vehicle loan.
34. Of the 500 customers of cooperative banks surveyed, 3 customers (0.6%) agreed that less than I week is taken to clear personal loan, 443 customers (88.6%) responded that 1 - 2 weeks are taken to clear personal loan, 20 customers (4.0%) agreed that 2 - 4 weeks arc taken to clear personal loan, and 34 customers (6.8%) agreed that more than 4 weeks are taken to clear personal loan.

35. Of the 500 customers of cooperative bank surveyed, the large majority of 410 customers (82.0%) agreed that the rate of interests on loans always keep on changing, and 90 customers (18.0%) agreed that the rate of interest on loans do not change much.
36. Of the 11 cooperative banks included in the survey, all 11 cooperative banks (100.0%) face the problem of lack of sufficient documentation, 10 cooperative banks (90.9%) face the problem of lack of guarantors, 9 cooperative banks (81.8%) face the problem of lack of sufficient property and 7 cooperative banks (63.6%) face the problem of weak repaying capacity of the customers for sanctioning various types of loans.
37. It is found that majority of the customers of cooperative banks also have their bank account in commercial bank private bank.
38. It is found the majority of the shareholders do not participate in the management of cooperative banks due to various reasons.
39. It is found that the shareholders of cooperative banks do not generally attend annual general meeting of banks.

Suggestions and Recommendations :

1. Cooperative banks should focus on attracting deposits and increasing investments,
2. Though profit making may not be the most important objectives of cooperative banks, but in today's globalized world it is very much required by the cooperative banks to earn more profit to stay in competition.
3. Professional and experienced employees should be recruited for better results and professional management.
4. Cooperative banks should give more powers to branch managers and senior managers so decisions could be taken quickly at the branch level without delay.
5. Strict penalties should be imposed on defaulters and corrupt employees of cooperative banks.
6. Cooperative banks should be very professional like private and foreign banks. 1. Cooperative banks should treat customers as king and solve their problems on immediate basis.
8. Core banking facility must be made available by Laxmi and Lokseva cooperative banks on top priority.
9. Cooperative banks should make use of technology to a larger extent and use available resources effectively and efficiently and reduce overheads.
10. Cooperative banks should work on risk management techniques.
11. Various new and innovative methods should be adapted to reduce non-performing Assets by cooperative banks.
12. Cooperative banks should sanction loans only for productive purposes and see that loans are used only for the purpose for which it was sanctioned.
13. Cooperative banks should be free from political pressure.
14. Cooperative banks should set up customer redressal cell and should handle customer complaints on top priority.
15. Cooperative banks should appoint Relationship Managers at branch level, so that effective and efficient coordination could be done with the clients.
16. Cooperative banks should have its own toll-free number to address customer problems and complain is and a call centre could also be set for this purpose.
17. Cooperative banks should sanction loans as early as possible than other private sector banks.
18. Cooperative banks should sell insurance products as is permitted by TRDA. (Insurance Regulatory and Development Authority.) Thus will help in generating extra income for the cooperative banks.
19. Customer problems should be attended on top priority by cooperative banks.
20. Efforts should be made by cooperative banks to introduce innovative products and services.
21. Cooperative banks should develop total HRD plans and standard management practices,
22. To control non-performing assets, cooperative banks should increase quality of loans.
23. Cooperative banks should monitor production, to ensure use of loans for the sanctioned purposes only.
24. Cooperative banks should check the borrower carefully and take appropriate security before sanction of loans.
25. Management Information system (MIS), customer information system (CIS) and financial accounting system should be implemented by all cooperative banks.
26. Majority of cooperative banks (excluding Thane, Dharmaveer Sambhaji and Janta (data centre only) cooperative banks) does not have ISO-Certification. So on top priority ISO Certification should be possessed by all of them.
21. Cooperative banks should develop total quality work culture on priority basis.
28. All cooperative banks included in our study except Dharmaveer Sambhaji, Laxmi, Laxmikrupa and Lokseva cooperative bank provides in house training for their employees.
29. All cooperative banks also send their employees to RBT, Vamnicom, Nibm, College of agricultural banking, Indian institute of banking and finance, Indian banks association etc, for training.

Conclusion : In conclusion, the Hypothesis have been statically tested as well as aims and objectives of the study also fulfilled.

Bibliography :

1. Banking law and regulations (Institute of Bank Management and Research).
2. Various RRI Reports.
3. Cooperative bank in India Functioning and Reforms. (Amit Basak) New Century Publications.
4. Research Methodology (C.R. Kothari) New Age International Publishers.
5. Indian Economy (Datta and Sundaram).
6. Co-operatives in India History, Problems and Reforms. (Babita Agarwal) New Century Publications.
7. International Banking (ICFAI).
8. Bunk Quest / Indian Journal of Finance.
9. Cooperative Banking in Maharashtra (Dr. Malate Anagol and Dr. B. D. Ghanosgi) Himalaya Publishing House.
10. Reinventing Cooperative (B. B. Goel) Deep and Deep Publications, New Delhi.
11. Laws of Cooperative Banking (IIBF, Macmillan).
12. Websites of RBI/ Nabard/ Maharashtra state bank/ Vamnicam/ Nibm/ various urban cooperative banks .
