EVALUATION OF URBAN COOPERATIVE BANKING SECTOR IN THE POST- VISION DOCUMENT PERIOD

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ABSTRACT

Cooperative banks now possess the capability of becoming a formidable competitive force in the savings and consumer credit sectors of the financial marketplace all over the world. Cooperative banks did not contribute to the financial crisis, yet they are still subject to increasing regulatory environment challenge all over the world. Urban cooperative banks (UCBs) consistently strive to ensure their member financial health and well-being as member-owned–not–for-profit cooperatives whether from the perspective of capital levels, CAMELS ratings or asset quality, the urban cooperative banking industry is generally healthy and well capitalized. The number of UCBs under composite rating 'A' and 'B' consistently increased from the year 2011-12 to 2015-16 whereas composite rating of 'C' and 'D' declined the same period (See table 1).Out of the 8 parameters have been selected for measuring the performance of UCBs in the post vision document clearly states that 6 parameters are in favour of this sector i.e., gross and Net NPAs, deposits, loans, grade-wise rating, CAMELS ratings, and total assets. Only two parameters did not i.e., number of banks and share of UCBs assets to banking assets Yet UCBs have faced a crippling wave of new regulatory burdens in the years since the implementation of Vision Document 2005. The article make an attempt to find out whether or not the urban cooperative banking sector can achieve and sustain a rate of growth that will carry them to a position of prominence in the post vision document period.

Key Words: *Cooperative Bank, Urban Cooperative Bank, Financial Crisis, Vision Document and CAMELS Ratings*

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INTRODUCTION

Cooperative banks now possess the capability of becoming a formidable competitive force in the savings and consumer credit sectors of the financial marketplace all over the world. Their unique history is not well recognized. The roots of the cooperative credit movement lie in the more general cooperative movement in Germany during the 1840s. The economic crisis of the 2008s gave additional impetus to the cooperative movement in general and to urban cooperative banking in particular. Deposits in cooperative banks have grown faster than deposits in commercial banks in U.S.A., Dominica, Lithuania and Canada in recent years. Cooperative banks have experienced a lower failure rate than commercial banks (NAFCU, 2016).

Cooperative banks did not contribute to the financial crisis, yet they are still subject to increasing regulatory environment challenge all over the world. Urban cooperative banks (UCBs) consistently strive to ensure their member financial health and well-being as member-owned-not-for-profit cooperatives whether from the perspective of capital levels, CAMELS ratings or asset quality, the urban cooperative banking industry is generally healthy and well capitalized. Yet, UCBs have faced a crippling wave of new regulatory burdens in the years since the implementation of Vision Document 2005. The article make an attempt to find out whether or not the urban cooperative banking sector can achieve and sustain a rate of growth that will carry them to a position of prominence in the post vision document period.

International Perspective

The General Assembly of the United Nations by Resolution 64/136 of 18th December 2009, urged Governments and Institutions to help in achieving the objectives set by the declaration of 2012 as the "International Year of Co-operatives". It underlined the contribution of this business model to economic and social development and poverty alleviation in many regions and countries (International Year Statement, 2012). The studies presented at the 2014 International Summit of Cooperatives, Quebec, Canada testify to their growth. The movement currently represents: (Draft 2014)

- 2.6 million cooperatives and mutuals
- 1 billion members and clients around the world
- 250 million jobs
- 12 % of total jobs in the G-20 countries
- $3000 billion in annual revenue
- Permission to a low cost money transfer from people working in developed countries to their families in developing countries
- Cooperatives of banking and financial services record $ 158.7 billion turnover in 2010 (The World Co-operative Monitor)

- Financial cooperatives in their diverse forms serve over 621 million people in the G-20 nations alone. They "provide US$3.6 trillion in loans, hold US$4.4 trillion in savings and have US$ 7.6 trillion in total assets." Some financial cooperatives hold prominent rankings particularly in the EU, Asia (400 million customers in China and India) and the Americas. They form a diverse, but distinct financial model.

There is good evidence to show that credit cooperatives contribute to greater financial stability and sustainability.

Indian Perspective

In 2009, the Indian Government amended its Constitution through its constitution (111th) Bill, which made the right to form Cooperative Societies a fundamental right. The House also accorded the right to set up a specialized agency on the lines of the Election Commission which can conduct election of the cooperative societies. (agricoop.nic.in)

The Indian cooperative credit movement is the largest system in the world in terms of people served (267 to 390 million people). Urban cooperative banks [UCBs] have long been a part of the Indian economic system. (Ramu. N, 2013). The number of UCBs in India is 1574 with nearly 20 million members and Rs.4784 billion in assets as on March 31st, 2016 (RBI, 2016). They are unit banks based on the American model; not the branch banks of the British model. (Ramu, N. 2009). Today, in India co-operative legislation is a State Matter, i.g. there are as many Indian co-operative laws as there are states (like in the USA and Australia). With the introduction of the Multi-State Co-operative Societies Act, cross-border co-operation is facilitated and such co-operatives are given more autonomy in exchange of renouncing to government assistance. The fact that one quarter of the 800 million co-operators represented by the ICA are Indians proves that the legal framework originally developed in India has been working effectively. (Münkner H-H, 2013)

REVIEW OF LITERATURE

The committees appointed by the RBI and the Government of India have conducted several studies of the activities of the UCBs.

- **RBI took up the first study of UCBs in the year 1958 - 59.**
- The **Indian Central Banking Enquiry Committee (1931**), observed: The duty of these urban banks should be to try to help the small trader, the small merchant and the middle class population.
- The **Rural Banking Enquiry Committee (1950**), also commented on the role that urban co-operative banks could play in providing banking facilities.

- The **Working Group on Industrial Financing through Co-operative Banks (1968**), (known as Damry Group) appointed by the Reserve Bank recognized the key role which urban banks could play in providing finance to cottage and small-scale industries.
- The **Madhavdas Committee (1979**), evaluated the role played by urban co-operative banks in greater details and drew a roadmap for their future role recommending support from RBI and Government in the establishment of such banks in backward areas and prescribing viability standards.
- The **Marathe Committee (1992**), redefined the viability norms and ushered in the era of liberalization.
- The **Madhava Rao Committee (1999**), focused on consolidation, improvement of sick banks and, better professional standards of urban co-operative banks and sought to align the urban banking movement with commercial banks.
- **Appointed the Malegam Committee** (2010).
- The **Working Groups** (WG) constituted include WG to examine issues relating to augmenting capital of UCBs under the Chairmanship of N S Vishwanathan (2006).
- **Working Group on Information Technology (IT**) Support to UCBs under the Chairmanship of R Gandhi (2007).
- Working Group on Umbrella Organisations for UCBs under the Chairmanship of V S Das (2008).
- RBI's Vision Document (2005)
- The Standing Advisory Committee of RBI on UCBs in its meeting on 8th December 2004, discussed the issues of formalizing a vision document. The aim was to clearly spell out strategies to address the difficulties and weaknesses of the sector to recognize the strengths and unique features that differentiate UCBs from commercial banks and to frame regulatory norms accordingly.

The salient features of the Draft Vision Document which has been placed by RBI on its website are:

i) UCBs are classified into two Tiers: Tier 1: Unit Banks with deposits up to Rs.50 crores; Tier II: All other banks.
ii) to determine the deposit base and to reckon the fortnightly average of the NDTL so that a stable and reliable basis is adopted.
iii) to recommend different prudential norms for each tier of the banks.
iv) to enhance professionalism and improve the quality of governance of UCBs.
v) to identify weak but potentially viable entities in the sector.
vi) to identify the unviable entities in the sector and provide an exit path for such entities.
vii) to recommend the setting up of a State Level Task Force on Cooperative Urban Banks (TAFCUB) in each of the 5 States with high concentration of UCBs.
viii) the guidelines on merger and amalgamations of UCBs have been issued [Vide circular UBD NO (PCB) Cir.36/09.169.00/ 2004-05 dated February 2, 2005].

As a part of the MoU, it was decided to set up State Level Task Force for Cooperative Urban Banks (TAFCUBs) comprising representatives of the Reserve Bank, State Government and Federation/Association of UCBs. TAFCUBs identify the potentially viable and non-viable UCBs in the State and provide a revival path for the former and a non-disruptive exit route for the latter set of banks. The exit route could include merger or amalgamation with stronger banks, conversion into societies or ultimately as a last resort, through liquidation. As on March 2010, MoUs have been entered into with Central Government and all 28 States having presence of UCBs, thus covering the entire UCB sector.

Two-Tier Regulatory Structure

The Vision Document sets out the objective of rationalising the regulatory and supervisory framework for UCBs to enable the smaller UCBs gain in strength. In order to achieve this objective, banks were classified as Tier I banks and Tier II banks. Tier I Banks are Unit Banks with deposits less than `50 crore. The definition for Tier Banks has since been amended vide circular dated March 07, 2008 as under: Tier I Primary Urban Co-operative Banks means:

i) Unit banks i.e. banks having a single branch / Head Office and banks with deposits below `100 crore, whose branches are located in a single district.
ii) Banks with deposits below `100 crore having branches in more than one district, provided the branches are in contiguous districts and deposits and advances of branches in one district separately constitute at least 95 per cent of the total deposits and advances respectively of the bank.
iii) Banks with deposits below `100 crore, whose branches were originally in a single district but subsequently, became multi-district due to reorganisation of the district and Tier II banks, i.e. all other UCBs.

Prudential norms for Tier I and Tier II banks were also revised. While Tier II banks are under the 90-days NPA norm as applicable to commercial banks, the 180-days NPA norms for Tier I banks (Non Performing Assets) has been extended to March31, 2008 and further extended to March31, 2010. This is intended to provide a measure of relief to the small UCBs as lower provisioning is required, which, in turn, would translate into higher profits that could be used to shore up the capital base of these banks. These banks are, however, required to build up adequate provisions in the intervening period to enable them to migrate to 90-days norms in future. Another relaxation extended to Tier I banks pertains to investments made in Government Securities. In view of the market risks associated with such investments, Tier I UCBs have been given exemption for maintaining SLR in Government Securities (up to 15% of NDTL) to the extent of funds placed in interest- bearing deposits with State Bank of India & its subsidiaries and the public sector banks including IDBI Ltd. Tier II banks have also been subjected to the stricter provisioning norms on ‘standard advances’ which can be 2% for certain type of exposures. The proportion of SLR holdings in the form of Government and other approved securities as percentage of NDTL was revised and non-scheduled UCBs were asked to maintain SLR of 7.5% by September30, 2009, 15% by March31, 2010 and 25% by March31, 2011. Non-SLR investments of UCBs continue to be limited to 10% of a bank's total deposits as on March 31 of the previous year. (ICAI, 2013)

Some of the major problems of UCBs are listed below (ICAI 2013):
i) Poor Working Capital Base
ii) High Interest rate on Loans & Advances
iii) Adverse Selection of Borrowers
iv) Non - availability of Multi-faceted product services offered by Commercial Bank
v) Poor Technological Support
vi) Untrained and Low Qualified Staff
vii) Microbranch Net Work
viii) Lagging behind on financial & marketing technique
ix) Lack of liberty to consider borrower-wise interest rate
x) Restriction on accepting Govt. Deposits
xi) Competition from Co-operative Credit Societies
xii) Low level of computerization
xiii) High Operating Cost

High Powered Committee on Urban Co-operative Banks (2015)

In the 31st Standing Advisory Committee (SAC) on UCB held in October 2014, a view was expressed that the vision document published by RBI in 2005 needs to be revisited particularly with regard to facilitating further growth of the UCB sector. It was observed that large UCBs aspire to conduct businesses like commercial banks, without being subject to same regulatory and supervisory framework. Given the limited legal powers and resolution options with RBI, there is a need to consider whether unrestricted growth of a UCB will be in the interests of depositors. It was also felt that the recommendations of the Malegam Committee needed further examination with regard to the appropriate time for issuing of licences and examining the modalities for taking them forward. The Committee examined the various issues, took the opinion of banks, federations and other stakeholders and makes the following recommendations:

i. Business Size of 20,000 crore and Conversion of Multi State-UCBs into joint stock banks.
ii. Conversion of other UCBs into Small Finance Banks. (SFBs)

The review of earlier literature relating to urban cooperative banks reveals that many studies are macro-level, very much broad-based and too much general in nature and much work has not been done on the aspects like banking business performance after the implementation of Vision Document 2005. This study is a pioneering attempt in the evaluation of UCBs in India, especially as a result of the implementation of Vision Document after 2005. Viewed from this angle, the present study assumes a special significance.

Rating Model for UCBs

In order to bring about supervisory convergence between UCBs and commercial banks, the rating models were revised from the inspection cycle beginning March 31st, 2009. With the introduction of revised rating model, the gradation system of UCBs was dispensed with. The revised CAMELS rating model was made applicable to UCBs with deposits of Rs.100 crore and above, and a revised simplified version of the same was made applicable to UCBs with deposits of less than Rs.100 crore. The UCBs had to be rated on the basis of the CAMELS components, viz, Capital, Assets Quality, Management, Earnings, Liquidity and Systems and Control on a scale of 1 to 100 UCBs had to be assigned rating of A+ to D based on the weighted average of the ratings of the components. (ICAI, 2013)

Relevance to Present –Day Problems

The UCBs have undergone historical transformation after the implementation of Vision Document 2005. By proclaiming 2012 the International Year of Cooperatives, the United Nations has recognized the important role of cooperatives in the social and economic development of communities worldwide. For the first time ever, cooperatives were invited to take part in B-20 countries talks (Draft 2014). Therefore the importance of the role of cooperatives in the social development becomes a subject of great relevance today.

Concern about Regulation and Supervision of Urban Cooperative Banking Sector

As reported by National Bank for Agriculture & Rural Development (NABARD), out of 33 State Cooperative Banks (StCBs) in the country, 7 StCBs carried accumulated loss as on 31st March, 2016. Further, out of 371 District Central Cooperative Banks (DCCBs) in the country, 111 DCCBs carried accumulated losses as on 31st March, 2016.

As regards Urban Cooperative Banks (UCBs), Reserve Bank of India (RBI) has reported that out of total 1574 UCBs, 72 UCBs incurred losses as on 31st March, 2016. The steps taken for revival of rural cooperative banks are as under:

Under the revival package for short Term Cooperative Credit Structure (STCCS) Government of India released Rs. 9,245 crore. In 2014, Government announced implementation of the Scheme for Revival of 23 Unlicensed District Central Cooperative Banks (DCCBs) in four States viz. 16 in Uttar Pradesh, 3 in Jammu & Kashmir, 3 in Maharashtra and 1 in West Bengal. The total capital infusion required for revival of these 23 DCCBs was assessed to the tune of Rs. 2375.42 crore, out of which the commitment from Central Government would be for Rs.

673.29 crore, for State Governments, Rs.1464.59 crore and for National Bank for Agriculture & Rural Development (NABARD) it would be Rs.237.54 crore (GOI,2016)

On the other hand, Commercial banks continue to report higher bad loans and their gross NPAs as on March 31, 2015, stood at 5.17 per cent. The stressed assets ratio (includes NPAs and restructured loans) was 13.2 per cent. Going by the details of annual financial results of public and private sector banks for 2014-15, the gross NPA of 26 public sector banks have risen by 22.5 per cent to Rs 2.78 lakh crore against Rs 2.27 lakh crore in the previous financial year. From 2013 to 2015, 29 public sector banks wrote off as much as Rs 1.14 lakh crore of bad debts. The Government announced Rs 70,000 crore compensation plans for these banks. As PSBs dominate the Indian banking sector and increase in the NPAs of PSBs is matter of concerns steps are being taken to improve the situation. (Ramu. N, 2016)

RBI issued guidelines for licensing of Small Finance Banks (SFBs) in the private sector on November 27, 2014. A minimum paid-up-capital of ` 100 crore has been prescribed for SFB with a minimum regulatory CRAR of 15%. Further, 75% of their assessed net bank credit (ANBC) will go towards priority sector lending and 50% of the loan portfolio will constitute loans up to ` 25.00 lakh. These regulatory prescriptions are more stringent than that for UCBs (High Powered Committee, 2015)

The Government had taken steps to revival packages for rural cooperatives banks and commercial banks. At the same time, they are given permission for the establishment of Small Finance Banks (SFBs) under the private sector. There are 72 UCBs incurred losses as on 31 March, 2016. The government had to provide huge amounts (Rs 70,000 crore) to some commercial banks to bail them out in successive years from their problem on NPAs. If it is justified that policy of both the government and the regulator i.e., RBI is to protect the interest of the depositors and the credibility of the banking system, then the same policy should be applicable to those UCBs which are suffering from NPAs.(Ramu,N 2016). Contradictory to this, the RBI and Government had imposed restrictions on their activities through tightening of prudential norms and payment of income tax for their earnings, creating hyper tension environment to UCBs (i.e., Permission for SFBs).

All over the world after 2007 financial crisis it is proved that Credit Unions or Cooperative banks exceed the performance of the commercial banks. (NAFCU, 2016) because of the increasing public confidence and they are doing traditional banking business unlike commercial banks. Growth of UCBs is an indication of faith with the depositors and other stakeholders. Both the government i.e., Federal and state governments using the banks and cooperative banks for the purpose of "vote banking" to waiver of loans to farmers and Industrialists respectively at the cost of people. At present hyper-tension competitive environment makes all entities are competing with each other's resulted in ultimate benefits goes to customers or consumers. It is noteworthy in the states of Maharashtra and Gujarat UCBs are main competitors for banks and at the same time the percentage share of UCBs to total assets of commercial banks in India is very meager. In India, ‘banking’ is central subject whereas ‘cooperation’ is a state subject. Supervision and regulation of UCBs are vested with federal government and day-to-day affairs are with state. Already the implementation of Vision Documents since 2005 both the governments joints together through the MoU for the development of vibrant UCB sector. It is proved that there was a tremendous growth of UCBs in terms of deposits and advances, improved assets quality, reduction of NPAs, higher CAMELS ratings.(RBI Reports, 2004-16). Cooperative banks are unique in nature and they are operated with the principle of ‘one man one vote ‘concept whereas commercial banks is ‘one share one vote ‘concept. Both the ideology and principle of these two entities are differing. UCBs main concern is that they are not receiving genuine help.

Research Methodology

The study is based on secondary data. It is the analytical study based on the conceptual and theoretical in nature. The study considers the data for the period of 12 years from 2004-05 to 2015-16 i.e., post implementation period of Vision document. The secondary data are collected from the various issues of the Reserve Bank of India–Report on Trends and Progress of Banking in India from 2004-05 to 2015-16. This study use the following 8 parameters under three broad financial measures:

Financial Measures	Selected Parameters
1) Financial Statement	i. Deposits ii. Loans iii. Total Assets iv. The share of UCBs assets to total assets of commercial banks
2) Assets Quality	v. Gross NPAs vi. Net NPAs
3) Capital Adequacy	vii. Grade-wise Distribution viii. CAMELS Ratings
4) Profile of the bank	ix. Number of UCBs

Business Performance of UCBs in India

Particulars of the number of UCBs and their asset quality in terms of percentage of Gross non-performing assets and Net non-performing assets and UCBs classifications (based on RBI evaluation) are shown in Table 1 for twelve years from 2004-05 to 2015-16.

Table 1: Performance of Urban Cooperative Banks in India
(2004 - 05 to 2015 - 16)

(` billions)

S. No.	Year	No. of UCBs	Asset quality (%)		Grade			
			Gross NPA	Net NPA	I	II	III	IV
1.	2004-05	1872	23.4	12.5	807 (43%)	340 (18%)	497 (27%)	228 (12%)
2.	2005-06	1853	18.9	8.8	716 (39%)	460 (24%)	407 (23%)	270 (14%)
3.	2006-07	1813	18.3	7.8	652 (36%)	598 (33%)	295 (16%)	268 (15%)
4.	2007-08	1770	15.5	7.7	748 (42%)	526 (30%)	258 (15%)	238 (13%)
5.	2008-09	1721	13.0	5.9	845 (49%)	448 (26%)	219 (14%)	173 (11%)
6.	2009-10	1674	11.8	4.7	879 (52%)	465 (28%)	179 (11%)	131 (9%)
7.	2010-11	1645	8.5	2.5	845 (52%)	497 (30%)	172 (10%)	151 (8%)
	CAMELS RATING				A	B	C	D
8.	2011-12	1618	7.0	2.0	191 (12%)	790 (49%)	522 (32%)	115 (7%)
9.	2012-13	1606	6.0	1.4	214 (13%)	861 (54%)	432 (27%)	99 (6%)
10.	2013-14	1589	6.0	1.7	392 (25%)	805 (51%)	311 (19%)	81 (5%)
11.	2014-15	1579	6.0	2.84	448 (28.4%)	NA	NA	NA
12.	2015-16	1574	6.55	3.05	406 (26%)	824 (52%)	274 (17%)	70 (5%)

Source: RBI - Report of Trends and Progress of Banking in India from the year 2004 - 2005 to 2015-2016
NA – Not Available.

Note: 1. Figures in parenthesis refer to percentage to Grade-wise CAMELS Rating JCBs to total number of UCBs.

2. The data on grade-wise distribution of UCBs are not available from 2012 as this classification has been discontinued and a new rating-wise classification of UCBs has been introduced.

The number of UCBs in India would fall gradually. In 2005, there were 1872 UCBs but in 2016 there were only 1574 UCBs. It means 298 UCBs have disappeared due to ever increasing tidal wave of compliance burden, high level of NPAs, outcome of the process of consolidation and also mismanagement.

The asset quality of UCBs improved over a period as reflected in the decline in NPAs (gross and net) percentage terms. The NPA ratios of UCBs were 6.5 per cent (gross) and 3.05 per cent (net) as on 31st March 2016. The asset quality and recovery performance of UCBs in India improved to 6.5 per cent of gross NPAs and 3.05 per cent of net NPAs as on 31st March 2016 from 23.4 per cent of gross NPAs and 12.5 per cent of net NPAs as on 31st March 2005. It is also noteworthy that the gross NPAs and net NPAs ratios for UCBs were on a decline between 2004-05 and 2015-16 reflecting the growing financial soundness of this sector.

The grade-wise distribution of UCBs was followed by RBI from May 12, 2003 (Ramu N, 2012). For regulatory purposes, UCBs are classified into Grade I, II, III and IV based on CRAR, net NPA and profitability and compliance with CRR/SLR. Banks with no supervisory concerns are classified as Grade I banks. Banks classified in Grade II are also relatively sound while those in GRADEs III and IV are financially weak banks.

The total number of Grade I and II banks increased over a period from 2004-05 to 2015-16 while those in Grade III and IV declined. The general improvement in Grade I and II banks largely reflects the salubrious impact of the consultative process under TAFCUBs (RBI, 2007). The number of UCBs in Grade I and Grade II increased from 1147 (61 per cent of the total) as on 31st March 2005 to 1342 (82 per cent of the total) as on 31st March 2011 At the same time, however, the number of UCBs in Grade III and Grade IV fell from 725 (39 per cent of the total) to 303 (18 per cent of total) as on 31st March 2011, as on March 2005 (See table 1).

There have been a distinct positive impact of the Memorandum of Understanding (MoUs) and Task Forces for Cooperative Urban Banks (TAFCUBs) on the UCB sector. This is evident from a decline in the number of Grade III and IV banks.

A new CAMELS rating method for judging the financial strength of UCBs were introduced from 2012 onwards (RBI, 2012). As per CAMELS rating, as on 31st March 2016 about 78 per cent of the UCBs had composite ratings of A and B. Further, 17 per cent had a composite rating of C. Only 5 per cent had the lowest rating of D, representing the weakest financial health. There was perceptible improvement in the financial strength of UCBs as on 31st March, 2016. The number of UCBs under composite rating 'A' and 'B' consistently increased from the year 2011-12 to 2015-16 whereas composite rating of 'C' and 'D' declined the same period (See table 1).

The Table 2 exhibits the volume of business of UCBs and Banking sector as a whole for 12 years from the year 2004-05 to 2015-16.

Table 2: Volume of Banking Business of UCBs and Banking sector in India (2004-05 to 2015-16)

(` billions)

S. No.	Year	UCBs			Banking Sector		
		Deposits (`)	Loans (`)	Total Assets (`)	Deposits (`)	Loans	Total Assets
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	2004-05	1050 (79%)	669 (51%)	1321 (5.6%)	19625 (83%)	11004 (47%)	23554
2.	2005-06	1122 (74%)	704 (47%)	1510 (5.4%)	25768 (92%)	18056 (65%)	27858
3.	2006-07	1210 (75%)	787 (49%)	1614 (4.6%)	33273 (96%)	24447 (71%)	34633
4.	2007-08	1399 (78%)	904 (50%)	1794 (4.1%)	31969 (73%)	23318 53%)	43261
5.	2008-09	1570 (78%)	962 (48%)	2009 (3.8%)	40632 (78%)	29999 (57%)	52413
6.	2009-10	1832 (77%)	1124 (47%)	2372 (3.9%)	47469 (79%)	34967 (58%)	60251
7.	2010-11	2119 (78%)	1365 (50%)	2718 (3.8%)	56159 (78%)	42975 (60%)	71834
8.	2011-12	2386 (79%)	1578 (52%)	3026 (3.6%)	64535 (78%)	50736 (61%)	82994
9.	2012-13	2768 (83%)	1810 (54%)	3327 (3.4%)	74295 (77%)	58797 (61%)	95900
10.	2013-14	3155 (81%)	1995 (52%)	3873 (3.5%)	85332 (78%)	67352 (61%)	109635
11.	2014-15	3551 (82%)	2243 (51%)	4352 (3.6%)	94338 (78%)	73882 (61%)	120370
12.	2015-16	3921 (82%)	2450 (51%)	4784 (3.7%)	100927 (78%)	78965 (61%)	129589

Source: RBI - Report of Trends and Progress of Banking in India from the year 2004-2005 to 2015-2016

Note: 1) Figures in parenthesis refer to percentage to total assets (in column 3, 4, 6 and 7).

2) Figures in parenthesis refer to percentage of total assets of UCBs to total assets of commercial banks (in column 5).

The share of deposits and loans in total assets of UCBs ranges between 74 and 83 per cent and 47 and 54 per cent respectively over a period of 12 years. The volume of deposits and loans were found maximum to the tune of `3921 billions and `2450 billions respectively in the year 2015-16. The table reveals that urban cooperative banking sector depend more on deposits. Since a deposit involves interest cost, the UCBs should make concerted efforts to augment their owned- fund component. At the same time, it shows that middle-income and low income people prefer to deposit their funds in UCBs for higher rate of interest than in commercial banks. As on 31st March 2016, the total assets/liabilities of UCBs constituted 3.7 per cent of assets of banking sector in India. The volume of deposits and loans of UCBs witnessed an accelerated growth in sync with the trend witnessed in the commercial banking sector.

The volume of assets of UCBs expanded at a lower rate of 3.6 times from the period 2004 - 05 to 2015-16, compared with a growth of 5.5 times by commercial banking sector during the same period. The volume of business shows there is a consistently increasing trend both in UCBs and commercial banks from 2004-05 to 2015-16. The Loans and advances, are constituted about half of the total assets of UCBs. UCBs relied heavily on deposits as a source of funds, which accounted for 82 per cent of their total liabilities in 2015-16. The share of UCBs assets to total assets of commercial banks have shown an decreasing trend from 5.6 per cent in 2004-05 to 3.7 per cent in 2015-16. The table 2 confirms the fundamental definition of banking, (the primary business of banking is accepting deposits and lending the loans). Both UCBs and commercial banking sector have no exemption in this trend.

The present study is a pioneering attempt in the evaluation of the performance of urban cooperative banking sector in India in the post-vision document period. The major policy initiatives in the UCB sector in the recent past include implementation of the Vision Document 2005.The Reserve Bank of India(RBI) has introduced vision document with the purpose of remain the viable and the exit of non-viable UCBs. The earlier studies related to the urban banking sector is based on differentiating between the performance of pre-reform (i.e. before 1991) and the post-reform periods. But after the implementation of the vision document, it is appropriate to examine the performance or operations of UCB sector in India is a need of an hour. From this angle the study assumes the special significance. The performance of credit union all over the world is far better than the commercial banks during the financial crisis. The purpose of the study has been to assess the performance in terms of number of banks, assets quality (both Gross & Net NPAs), Grade-wise banks, CAMELS ratings, deposits, loans and total assets over a period of 12 years i.e., from 2004-05 to 2015-2016. The study is confined only 8 parameters. The study brings out the following as its major findings:

1. The share of UCBs in the total bank assets is relatively low. Nevertheless, their market share was 5.6 per cent in 2004-05 but it declined gradually to 3.7 per cent in 2015-16.
2. The major source of funds of the UCBs is deposits which accounts for 74 per cent to 83 per cent during the study period.
3. The volume of assets of UCBs expanded at a lower rate of 3.6 times from the period 2004-05 to 2015-16, compared with a growth of 5.5 times by commercial banking sector during the same period.
4. The volume of business (deposits + loans) shows there is a consistently increasing trend both in UCBs and commercial banks from 2004-05 to 2015-16.

5. The Loans and advances, are constituted about half of the total assets of UCBs.
6. The number of UCBs in India would fall gradually from 2004-05 to 2015-16.There were 298 UCBs have disappeared.
7. The asset quality of UCBs improved over a period as it reflected in the decline in NPAs (gross and net) percentage terms.
8. There was a steady rise in the number of financially stronger UCBs (defined as Grade I and II) and decline in the number of financially weaker UCBs (defined as Grade III and IV) between 2004-05 and 2015-16.
9. The number of UCBs under composite rating 'A' and 'B' consistently increased from the year 2011-12 to 2015-16 whereas composite rating of 'C' and 'D' declined in the same period.

CONCLUSION

What are the reasons for the extraordinary growth (except number of banks and share UCBs assets to banking assets) experience by UCBs over the past 12 years? At the same there was 289 banks was disappeared and 73 of them incurring loss. On account of the process of consolidation due to RBI revival strategy, there has been a continued reduction in the number of UCBs from 2005 to 2012. If we summaries these reasons we have a better perspective for looking at the future course of development. In the hyper-tension competitive environment UCBs continue to remain straightforward to their inherent mission of 'promoting thrift' and providing "a source of credit for provident purposes." The number of UCBs under composite rating 'A' and 'B' consistently increased from the year 2011-12 to 2015-16 whereas composite rating of 'C' and 'D' declined the same period (See table 1).Out of the 8 parameters have been selected for measuring the performance of UCBs in the post vision document clearly states that 6 parameters are in favour of this sector i.e., gross and Net NPAs, deposits, loans, grade-wise rating, CAMELS ratings, and total assets. Only two parameters did not i.e., number of banks and share of UCBs assets to banking assets. It is obvious that the competitive position of UCBs has been improved in recent years as a result of both legislative and effective implementation of vision document since 2005. By and large, the urban cooperative banking sector can take some pride in what has been accomplished to date. However, in the more deregulated environment more effective and efficient management must be achieved if UCBs are to hold their own and have a chance to move ahead and prosper.

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