

## “Problems of Women’s Co-operative Banks”

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### Abstract

Urban co-operative bank sector is one of the key financing sector in metropolitan urban and semi-urban area which accelerating the economic growth and social welfare. The RBI imposes some restrictions on banking sector. In Maharashtra state some scandals have been taken place in co-operative banks particularly, some UCBs have lost the faith of public to a great extent. Some urban co-operative bank closed its business due to fear of sickness. This has affected to other urban co-operative banks adversely and it becomes weak bank because of deposits in those banks which were closed their business. The RBI imposed some restriction on UCBs and made some regulation regarding UCBs. The measures such as imposition of prudential norms, strengthening of finance, liberalization of interest rate and new competition environment has brought about a significant change in bank attitude toward profitability, risk and overall performance. Because of the changing competition environment, the importance of improved efficiency has assumed a critical significance of the survival and sustained viability of UCBs. In this changed global banking scenario, to get the competitive edge, UCBs must have to work hard to improve their efficiency at the all level of banking operations.

But some of the fundamental problems faced by the urban co-operative banks in general and the problems faced by women’s co-operative banks in particular are discussed in this paper.

**KEYWORDS:** Urban Co-operative Banks, Women’s Co-operative banks, financial performance, Deposit mobilization, Democratic management, Transparency in financial statements, Self-employment-oriented, Productive investment

### Problems of Women’s Co-operative Banks:

Establishment of women’s co-operative banks is a bold and revolutionary step in the history of urban co-operative banking in India. In this regard Maharashtra has made a notable progress by giving freedom to women by setting up women’s banks. Maharashtra is the pioneering state in women’s co-operative banks in India. The first women’s co-operative bank known as Ichalkaranji Mahila Sahakari Bank Ltd was established in October 1971, at Ichalkaranji. At present there are 33 women’s co-operative banks all over Maharashtra. Thus, the Maharashtra is a pioneering state in the women’s co-operative banks in the India. There is no basic difference between the co-operative banks in general and the women’s co-operative bank. However, one difference must be accepted and that is, women’s co-operative banks have been formed with a social purpose and therefore, it needs special encouragement from the Government and the society. Women co-operative bank is just like any other co-operative bank as far as its working is concerned.

Every bank has to put in extra efforts to make it more and more efficient in the eyes of public. It has to accept challenging responsibilities and responsibility of creating faith amongst its members as well as in urbanizing and industrializing

society. The role of an urban co-operative bank is still complicated because its area of operation is limited. But all Women's Co-operative Banks were made maximum efforts to uplift women welfare. Women banks are provided them various attractive schemes, facilities and maximum help, thereby the members could regain their confidence in the bank. The Women's Co-operative Banks are to face a number of problems. The following were the specific problems faced by the Women's Co-operative Banks. These problems can be broadly classified as Administrative problems. Structural problems, problem regarding the staff, financial problems, problems regarding functioning of banks problems regarding customers services and other problems.

### **1. Administrative Problems of WCB's:**

1. The Directors of the Women's Co-operative Bank play a very important role for the bank. They decide the policies of the bank. It then looks the implementation issues and gets the implementation done. In any administrative issue Board is the final authority. They lead the bank and give direction to it. Therefore, their role as director is very important for the bank either to lead to progress or get the bank ruined. The directors have a prominent role to play in making a bank successful.

Directors of Women's Co-operative Banks must have their role clarity while interacting with professional management to get best results for growth of the banks. Directors must strive to restore and maintain complete public faith and trust in banks. The Board of Directors occupies a pivotal position in the organization structure of the bank. The organization gets its strength and efficiency from the combined efforts of the board itself. Therefore, it is important to train them in various fields. This includes proper training regarding banking services, legal provisions, rules and regulations of the bank, staff, members, depositors and repayment of loan etc.

It was found that all Women's Co-operative Banks were neither provided any training facility nor has encouraged the directors to attend seminars, symposium and conferences which would provide specific and up to date knowledge to the directors. The lack of training makes them unable to have proper decision making regarding the expansion of the banks. The lack of training has also affected the efficiency of the Board of Directors which is observed through their inactive participation. This resulted in lack of co-ordination and awareness among them. If mutual understanding and confidence is not developed, the bank will not be able to function efficiently.

2. The directors must take keen interest in the day-to-day working of the bank. They should be alert about their duties and responsibilities. Hence, they must have active participation in the functioning of the bank. Try to learn every thing about the bank and its environment. Remember that the main function of the Board of Directors is to ensure that the basic needs of society in the form of customers and share-holders of the bank are met through good product and services. Board members should inculcate and maintain mutual trust and respect for fellow board members and top executives.
3. Board of Directors do not involve in any matter relating to personnel administration. Do not interfere in the day-to-day functioning of the bank. As mentioned earlier, every bank has some problems to face. Major problems can

be solved through proper, mutual co-ordination between the chief-executive officer and Board of Directors. The chief executive officer of the bank has not been able to point out to the Board of Directors regarding the centralized and biased lending. The problem is that he could not succeed in restricting centralized loans. Chief executive officer being the responsible officer should guide the directors properly. The Board of Directors should also take initiative to gather more and more information regarding the proper functioning of the bank. This includes accuracy and reliability of the information with the reference to the bank. The absence of co-ordination between chief executive officer and Board of Directors has been a serious problem.

4. Besides these administrative problems it was found that there has been an overall absence of proper developmental planning of these Women's Co-operative Banks. Neither proper strategy could be planned regarding sanctioning of neither loans nor recovery of loans. Women's Co-operative Bank has to equip with planning to face any challenge through its outstanding performance. The Board of Directors and chief executive officers should be more cautious in adopting proper developmental planning. The Women's Co-operative Banks are failed in creating the competitive strength in itself.

## **2. Structural Problems of WCB's:**

1. Generally, the RBI gives permission to open the branches to the banks, if they fulfill the conditions of population, priority sector advances, satisfactory recovery and having 'A' audit class. But RBI has neglected this demand even though the Women's Co-operative Banks fulfill the criteria; hence the branch expansion program of these banks was prolonged.
2. Acquisition and retention strategy of a banking unit is a factor of several aspects like the management structure, focus areas, budget, technology etc. In the current competitive scenario, banks need to focus on their market share as well as to ensure survival and growth; focus on customer acquisition also has gained an equal importance.
3. The Women's Co-operative Banks have tried to provide maximum services to their members. However, in the case of a few banks, it was found that there was a lack of proper borrowers. The RBI has laid down the condition that loans provided must be 'Productive' and 'Self-employment-oriented'. The banks whose membership is spread over rural areas it was difficult to find out the borrowers for productive investment purpose.

## **3. Problems regarding functioning of WCB's:**

1. The Women's Co-operative Banks method of sanctioning of loans is not uniform. There are different criteria which are broadly taken into consideration while sanctioning the loans. As a result those who are really in need of loan are deprived of the facility.
2. There was gap between the credit demands and the credit sanctioned by the Women's Co-operative Banks. It was observed in the survey that on an average of the borrowers were getting insufficient loan amount from their banks. Because of this situation, the members used to avail themselves of loans from other sources such as money lenders and private agencies.
3. The Women's Co-operative Banks were shown disparities in sanctioning loans to the members. It is indicated that the loans sanctioned against gold mortgage, hire purchase are comparatively higher than any other mortgages. Uniformity

has to be adopted in order to provide facilities to the needy members. The centralized lending policy has created the problem of recovery also.

4. Women's Co-operative Banks undertakes two guarantors as well as the signature of their husbands or sons. It seems 6 persons are compelled to remain present at the execution of loan bond. Due to the above condition the guarantors are not ready to stand as surety.
5. After having interviewed the members regarding loans, it was felt that the political pressure influenced the process of sanctioning loans. Hence, political interference is a problem in Women's Co-operative Banks.
6. Disbursement of loans without considering the purpose for which the loans have been taken and repaying capacity of the borrowers has financially put this bank in a very precarious situation.
7. Women's banks are aware of the fact that the proper utilization of loans is not done by the borrowers. This shows that there is a lack of co-ordination between sanction of loan and utilization of loan. Women's Co-operative Banks cannot rule out this problem. It has found that the loan has not been utilized for the purpose for which it was sanctioned. Hence, the recovery problem is acute one.
8. The Women's Co-operative Banks, especially Dhule Sahakari Women Bank, has been facing the problem of overdues since last few years, as a result of which the bank has been declared as weak bank and it was under the rehabilitation program of RBI. In the initial years the bank was not having permanent recovery officers. Therefore, the overdues were high.
9. It was also observed that the membership of the women's bank means an additional source of loans to men. The few literate members of Nandurbar Mahila Sahakari bank and Dhule Sahakari bank in rural areas were not aware of the loan amount and period of loan, almost all the amount was spent by their husbands.
10. Non-recovery of loans reflects improper functioning of the banks. Recovery is important from the point of view of efficiency.
11. Recovery from respectable and well-to-do people is also becoming a serious problem which the banks should tackle more efficiently and carefully.
12. The loan recovery officer's time is wasted and money spent on loan recovery is increasing day by day. The frequent visits of the recovery officers put the bank into a high cost, while the recovery is less. The attitude of the borrowers towards loan recovery officers is non-co-operative. The loan recovery officer should be given thorough knowledge of legal actions to be taken against defaulters. Loan recovery has become difficult now-a-days.
13. In a male-dominated society like ours, there is no property in the name of women and hence the banks were facing the problem of financing to women. Generally, the banks finance the women on their personal security with two guarantors; however, in the case of big amount of loans banks were facing this problem. It was observed that in many cases it was too difficult to get the guarantors as many members were having no immovable property.
14. In Women's Co-operative Banks lack of credit planning has adversely affected the prosperity of the bank. Proper planning of credit is required so as to know when a loan has been sanctioned. How much has been repaid and what is the present condition of the bank. This will also help the banks to direct their financial resources in a proper direction which will give stability to the bank. This also

brings down the rate of problems in the recovery and will also help to provide remedies wherever needed.

15. Women's Co-operative Banks modified its strategy and decided to give priority to women entrepreneurs. Women's banks tried to motivate its members to come forward and ask for loans for small scale industries. In spite of it, back received negligible response.
16. A bank customer may be either depositor or borrower. Both are equally important to its development. Its growth depends on its image in the society. If members of Board of Directors are influential persons and have integrity, if their chief Executive and other staff are well educated and experienced people and if the Bank management as a whole is prudent and their loaning policies are based on sound banking principles and practices, generally public will have confidence in the institution and would prefer to deal with it. As regards loaning, primary object of women's banks is not to earn large profit but to meet essential credit needs of its members.
17. Attitude of the common people towards Women's Co-operative Banks is not proper. The conservative attitude is a problem in the efforts of collecting and increasing deposits as well as membership of the bank.
18. The middle class and lower income group does not respond to the various schemes introduced by the women's banks. Ignorance about the concept of 'Co-operation' even in the educated class is also one of the problems in collecting deposits as well as getting responsible and aware membership.

#### **4. Problems Regarding the Members of WCB's:**

1. Changes in addresses are not informed to women's banks by the member's. Information regarding Annual General meeting is not properly communicated to them. This results inefficiency on the part of its members. They participate inactively during the meeting. This has its impact on the director-member relationship, improper utilization of loans, inactive attitude in repayment etc. the members fail to carry out their responsibilities. There is lack of communication.
2. The women's banks members do not ask for any explanation of doubts and queries. As a result of which bank is unable to solve its problems. This shows that members have built up their relations only to get loan sanctioned. Hence, the members of the women's banks should become more serious about their responsibilities.
3. The Board of Directors, office bearers, members, are jointly responsible for the progress of the bank. A proper co-ordination and adjustment is required. But this bank seems to be lacking it. It is found that blame is put on the members and administration of the bank which signifies that no-one is ready to accept the responsibility of the inefficiency of the bank.
4. In every Annual report, the women's banks have every now and then, requested the members to repay the loans and introduced a number of schemes from time to time. But the members did not respond to it. Lack of education amongst its members retards the growth and development of the bank.

#### **5. Problems regarding of the Staff of WCB's:**

1. In comparison with the nationalized banks, the employees of the Women's Co-operative Banks are paid less salary. This shows that the employees are not paid satisfactorily.
2. Majority of the employees and officers had long tenure of experience in Women's Co-operative Banks and thereby they are well familiar with working conditions of the women's banks.
3. In Women's Co-operative Banks, Scientific Personnel Planning does not exist. The qualification of the staff is not well prescribed as well qualifications for the post were not strictly followed in respect of the employees and officers of the women's banks. Many of them were holding various categories of the post without the qualification required for the post.
4. In Women's Co-operative Banks, the recruitment and selection policy of the staff is not uniform and proper.
5. The male-female ratio of these women's banks is 30:70. This brings out lack of proper co-ordination between the male-female employees. Lack of co-ordination among the staff members has reflected on the overall functioning of the bank. As a result of which these banks has to face problems like lack of feed back about the loan recovery and lack of promptness.
6. Due to the limited earnings and low salary there was lack of well experienced managerial staff. Some Women's Co-operative Banks could not obtain competent staff due to the above reasons. The experts were not available in the banks to study the borrowers' financial position and help in their project reports.
7. One of the internal problems faced by the Women's Co-operative Banks was the problem of staff turnover. It was due to the reasons, marriage, better prospects, low salary scales. After marriage a lady goes to her husband's house, and hence she leaves the job.
8. Man-power planning is being neglected in Women's Co-operative Banks, there was no plan indicating the man power requirements, made in advance and no systematic training and development programs formulated for their staff. Due to the financial burden and lack of interest shown by the management, the percentage of trained personnel in women's banks was very poor.
9. There was no uniformity in pay scales and other allowances in the Women's Co-operative Banks. Different pay scales, variations in annual increments lead to adverse effect on the moral of the employees of women's banks.
10. In Women's Co-operative Banks, no proper and well defined promotion policy. Most of the banks have a policy to promote the employees purely on the basis of seniority. The criterion of seniority leads of frustration among the meritorious employees and results in lack of reasonable career progression.
11. In Women's Co-operative Banks does not have well defined transfer policy. Most of the respondents are not satisfied on the transfer policy. Most of the respondents are not satisfied on the transfer policy followed by these women's banks.
12. Transfer, in majority of the women's banks was considered as a disciplinary action rather than administrative action so majority of the respondent suggested that transfer may be made only after completion of a minimum period of service in the particular place.
13. The training facilities and attitude towards training for Women's Co-operative Banks employees is not satisfactory. The training is taken very casually by the

women's bank management. No efforts are made for identifying the training needs and preparation of training plans at the bank level; which could lead to ineffective implementation of the training program.

14. Well trained and competent staff is one of the most important assets of women's banks. Trained staff is able to handle customer queries and requests in the most efficient manner and thereby enhance customer satisfaction not only in terms of timely delivery but values for their money. Staff members play a very crucial role in retention of customers, cross sell as well as referral business.
15. Most of the training programs organized by the co-operative training institutions impart only theoretical knowledge of the subject language is another problem. National Training Institutions offer their training Program in common language i.e. English and majority of the women co-operative banks employees are not able to follow and understand the concept.
16. Lack of adequate training resulted in inefficiency of the employees. This can be seen through their lack of promptness. It reflects the prosperity of a bank because unless and until bank employees try to fulfill the requirements of its members promptly, nothing can be achieved.
17. In Women's Co-operative Banks most of the employees had not undergone any pre-recruitment co-operative training. As well as the employees of the women's banks have not facility of any post recruitment training.
18. In Women's Co-operative Banks training is needed to the Board of Directors of the banks, but no such facilities are available and Board of Directors has not taken the initiative for the same.
19. All Women's Co-operative Banks are providing the different welfare facilities to their employees. The women's banks are offering vehicle loan, concessional rate Housing loan, Advanced for medical treatment etc. for their employees.
20. Women's Co-operative Banks have not used any sophisticated methods to evaluate their employee's performance. This is the major reason for poor performance of employees in women's banks.
21. One of the most important issues before the Women's Co-operative Banks is compensation in these banks varies. The salary structure of women's banks was different from bank to bank even for the same cadre and salary structure of women's banks was not uniform.

## **6. Problems Regarding quality and variety of the consumer's services:**

Under the consumer's protection Act, the consumer can demand compensation for poor quality goods and services and 'Banking' is included in the 'Services'. That is why it is necessary to see that proper services are rendered to the consumer in the Banking field. Banking is a service business. There are different types of progressive consumer services. In general there is a feeling among the people that consumer services are not made available in time. The quality of there services is deteriorating day by day. Therefore, it is necessary for the women's banks to take necessary steps to improve the quality of there services before there are harsh reactions from the consumers. It is necessary to improve the quality and variety of the consumer's services. The complaints from the consumers are following:

1. The surroundings, ventilation, water and electricity supply, sitting arrangements and open space etc. of the women's banks.
2. The general atmosphere and the system of implementation of work.

3. The attitude of the administrations and the staff towards the consumers, their knowledge and the staff in their work, the treatment that they give.

Every factor mentioned above has a good or bad influence on the consumer. It is possible for the women's banks to improve every factor mentioned above. The women's banks officials must observe and decide the improvements to be done.

### **Prospects of Women's Co-operative Banks:**

In spite of the above problems, the women's co-operative banks have good prospects in financing the women. The prospects of women's co-operative banks in Maharashtra are glamorous because of the following reasons:

1. Present Government policy aims at encouraging the women to make them self-reliant.
2. So far, the small scale and cottage industries are not getting much attention by the big banks, and hence much more is still to be done there; this can be done by co-operative banks.
3. Due to the keen competition in the open market for funds, skill to innovate new scheme, propagate it and finance for it is a challenge to women's co-operative banks.

The all Maharashtra data indicate that about 50 per cent of the population is living below the poverty line. Therefore, the women's bank could play a crucial role in improving the standards of living of women's financing suitable banking policies. It is, thus, the women's co-operative banks have bright future in Maharashtra. The demand for new women's co-operatives will be ever expanding due to promotion of women's development programs. The banking services will be demanded by women as they consist of fifty per cent of the total population.

### **Conclusion:**

The Women's Co-operative Banks are followed the rules properly framed by Reserve Bank of India or Registrar of co-operative societies. In spite of the above problems and difficulties, the women's co-operative banks have good prospects in financing the women. The prospect, of Women's Co-operative Banks are glamorous because of the women's banks could play a crucial role in improving the standards of living of women's financing suitable banking policies. It is, thus clear that Women's Co-operative Banks have bright future, but there are several problems which need to be tackled in time. There is no much difference between the problems of Women's Co-operative Banks and the problems of general urban banks. The timely and sympathetic solutions on the problems of women's banks will take these Women's Co-operative Banks on the map of the whole Nation.

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