


CASE STUDIES OF SUCCESSFUL UCB-LED FINANCIAL INCLUSION PROJECTS IN MAHARASHTRA

*** Dr. Rajiv Khurana**

** Associate Professor, Accountancy and Head of Accounts Department, Ramanand Arya DAV College, Mumbai*

Abstract

Banks were extensively established and flourished as a result of economic pressures and government initiatives. Cooperative financial institutions have a greater and deeper presence in rural and semi-urban areas than the others. Co-operative banks are a part of the sizable and influential superstructure of cooperative institutions in India. UCBs are improving people's lives in Maharashtra, which has a varied population and a wide range of socioeconomic conditions. We look at how UCBs interact with persons without bank accounts and how this improves their quality of life. This study examines how Indian urban cooperative banks (UCBs) in Maharashtra are assisting those with insufficient access to banking services. We look at actual cases where UCBs successfully introduce banking to underserved regions. By examining these examples, we may see how UCBs are improving banking's inclusivity and fostering a sense of community. Comparing several situations allows us to identify common factors that contribute to the success of these undertakings. This assists UCBs, government representatives, and others in developing superior development plans that take everyone into account.

Keywords: *Urban Cooperative Banks (UCBS), Co-Operative Banks, Financial Inclusion, Case Studies, Unbanked Individuals, Community Engagement, Sustainable Development*

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Introduction:

The financial and banking sectors in India faced significant problems as a result of the economic reforms that focused on privatisation, liberalisation, and globalisation that were implemented from 1991. Due to the rising cost of capital, collecting debt, and fewer prospects of profitable investment, the UCBs experienced difficulty maintaining their fund profitability. Indian urban cooperative banks combine elements of both cooperative and commercial banking. They are dealing on problems which are present in both cooperatives and commercial banking sectors. These issues are adding further roadblocks in the way of urban cooperative banks.

Germany was the first nation to implement the concepts of cooperation in the lending industry. In economic thought and regulations, the significance of financial and banking organisations to the growth of the economy is widely acknowledged. "The UCBs emerge as a sound and healthy network of jointly owned, democratically controlled, and ethically managed banking institutions offering need-based, high-quality banking services, primarily to the middle and lower middle class and marginalised sections of the society."⁶ Co-operative banks in India are a component of the enormous and strong superstructure of cooperative institutions. In India, the cooperative banking industry has been actively supporting rural development. Since



their inception, the UCBs have made great progress. "The urban co-operative credit movement, which has been around for more than a century, has a nationwide network of 2 104 UCBs and 7365 branch locations. At the conclusion of the fiscal year 1966–1967, the deposit resources of UCBs was a pitiful Rs. 153 crore, but by the end of the fiscal year 1966–1967, they had grown to Rs. 1 10,000 crore (9% of commercial bank deposits), with outstanding loans amounting to Rs. 67,000 crore and working capital to Rs. 1,20,000 crore.²

Comparing several situations allow us to identify common factors that contribute to the success of these undertakings. This assists UCBs, government representatives, and others in developing enhanced development plans that take everyone into account.

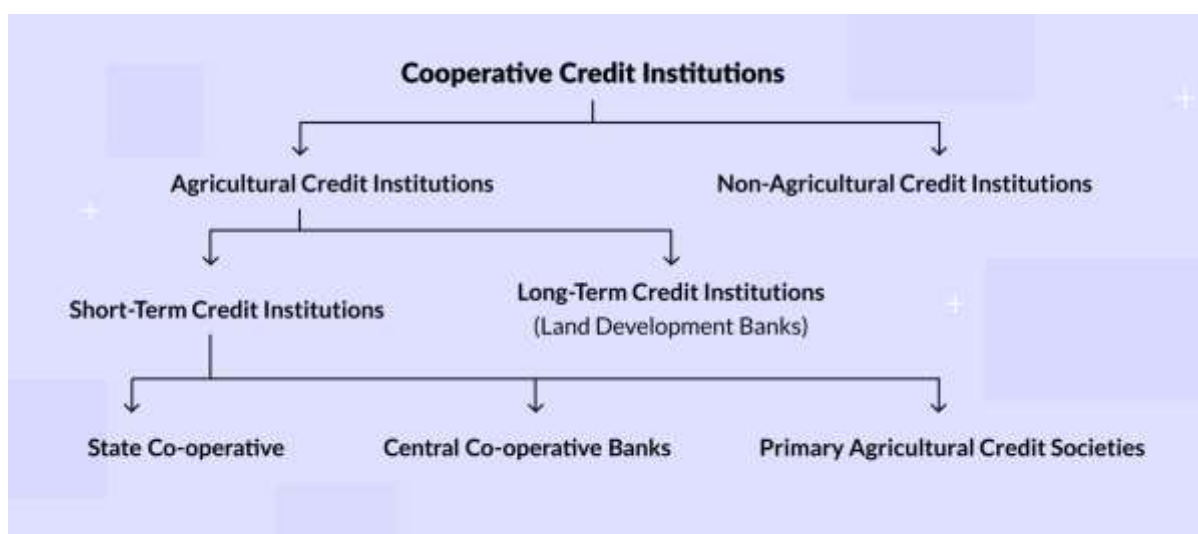
After the release, the urban credit movement in India saw a significant uptick. of the Maclagan Committee Report on Cooperation in India (1 September 15). The committee noted that a sizable portion of urban residents were lenders who imposed high interest rates on loans. The Borrowers were trapped in a debt cycle, and the only way to free them was to Co-operatives in cities⁵

According to this study, UCBs are crucial to ensuring that everyone has access to banking. UCBs contribute to the development of a more equal and just economy by adapting banking services to the requirements of various communities. This article concludes by emphasising the necessity of UCBs, communities, and rule makers continuing to collaborate in order to improve banking access and foster a more robust economy for all.

Cooperative banks are owned and run by their members and operate under the cooperative philosophy. People get together to pool their resources and offer banking services including loans, savings, etc. in order to fulfil the financial needs of a community, such as a village or a particular community.

Urban Cooperative Banks (UCBs) are locally based financial institutions that were founded primarily to serve the banking and credit needs of urban and semi-urban areas.

The co-operative credit structure is shown in chart No 1.1.



Source: <https://razorpay.com/blog/business-banking/cooperative-banking/>


Features of UCBs include:

- These banks' primary duty is to accept deposits from both members and non-members.
- Deposits made by members are prioritised over those made by non-members.
- The lending to members for beneficial reasons is the second major duty of UCBs.
- Additionally, loans are extended to non-members based on the security of their deposits.
- These banks' agencybased purchase and supply of necessary consumer products is their third significant duty. However, this is uncommon to do.

Background and Rationale:

Maharashtra, one of the most populous states in India and a significant economic centre, is home to a variety of urban and rural communities. A sizeable segment of the population continues to be excluded from official banking services despite significant economic growth and advances in technology. UCBs have realised the importance of closing this gap due to their community-centric outlook and localised operations. UCBs are well positioned to promote financial inclusion in both urban and rural settings by emphasising the special requirements of unbanked and under banked people.

The Function of UCBs in Maharashtra's Financial System

UCBs have proven to be important in Maharashtra for increasing financial access. They provide as a bridge between formal financial institutions and those who frequently do not have access to traditional banking services. UCBs are crucial in bridging gaps in the rural and urban financial ecosystems because of their ability to solve regionally specific concerns due to their localised nature.

Challenges and Opportunities:

The literature also recognises the difficulties faced by UCBs, such as the lack of funding, regulatory

restrictions, and rivalry from bigger commercial banks. The studies also highlight how digital banking, technology improvements, and the possibility for UCBs to use community networks to increase financial inclusion.

Knowledge Gap and Need for Research:

Despite the potential of UCBs to advance financial inclusion, further case-based research that focuses on the practical facets of their programmes is required. By presenting lessons from productive UCB-led financial inclusion projects in Maharashtra, this paper seeks to help close this gap.

Objectives of the Research:

The following goals are sought to be accomplished by this study paper:

1. Case studies for UCB-led financial inclusion initiatives in Maharashtra should be located and examined.
2. Investigate the tactics and procedures used by UCBs to reach under-banked and unbanked communities.
3. Analyse the effect of these programmes on the socioeconomic health of the communities that they are intended for.
4. Extrapolate lessons and best practises from the case studies to guide future financial inclusion initiatives and regulations driven by UCB.

Hypotheses of the Study:

Main Hypothesis: In Maharashtra, financial inclusion efforts spearheaded by UCB have improved possibilities and financial circumstances for those without access to banking services.

Hypothesis 1: More unbanked persons are gaining access to the formal banking system because of UCBs' special financial services.

Hypothesis 2: By closely collaborating with communities, UCBs are improving people's understanding of financial issues.



Hypothesis 3. The adoption of technology by UCBs has increased access to banking services in Maharashtra's outlying regions.

Hypothesis 4: By cooperating, UCBs, regulators, and local organisations are ensuring the sustainability and growth of these financial inclusion efforts.

Hypothesis 5: Holds that UCB-led initiatives not only boost finances but also strengthen and safer local communities.

Research Methodology:

Secondary data were collected from the following sources:

Data was gathered from a variety of sources, including official project reports, financial statements, and interviews with project leaders. Obtain a thorough view of each case study's execution, impact. Annual accounts, annual reports and audit reports of UCBs. To gain valuable insights from our case studies utilised qualitative analytical methodologies. Looked at the tactics employed by UCBs, the participation of communities, the function of technology, and the particular financial products provided. Taken two banks for case study.

Significance of the Study:

Fund management in UCBs primarily entails raising capital at the lowest possible cost and investing it in accordance with profitability, safety, and liquidity standards. Designing efficient methods to foster equitable growth requires a comprehension of the values that underlying effective monetary inclusion efforts. This research adds to the body of knowledge on cooperative banking practises and financial inclusion through investigating the experiences of UCBs in Maharashtra. The knowledge acquired from the case studies can assist UCBs, policymakers, and other stakeholders in making decisions that will result in long-lasting and significant financial inclusion initiatives. The study's evaluation of the useful methods and outcomes used by Urban Cooperative Banks

(UCBs) in Maharashtra's efforts towards financial inclusion is important since it sheds light on these issues. The evaluation of successful UCB-led financial inclusion initiatives has a number of significant ramifications for numerous stakeholders and the larger socioeconomic environment. The study focuses at actual cases when UCBs were able to get out to people and communities lacking adequate banking access. Policymakers, financial institutions, and community leaders can learn how to empower marginalised communities through investigating the methods that brought about success. This will increase the stability of their finances and open doors for growth.

Literature Review

The research on urban cooperative banks (UCBs), monetary inclusion, and the importance of UCBs within Maharashtra's financial ecosystem offers helpful context for our study. Financial inclusion, which aims to provide financial services to underserved communities and facilitates savings, borrowing, investments, and risk management, is crucial for sustainable development. Research demonstrates its connection to social empowerment, financial security, and poverty reduction.

Selvan and Samwel Kakuko Lopoyetum (2000)⁸ in their "Study on Non-Performing Assets in Dharmapuri Town Co-operative Bank - A Case Study" from 2000, Selvan and Samwel Kakuko Lopoyetum noted that the bank should work hard and move quickly to recover the unpaid debts. If not, the bank's profitability and viability will suffer. Therefore, it is vital that recovery and management of NPAs be improved.

Sarker and F.S. Hanamashetty (2002)⁷ to investigate the potential for lending portfolio diversification, Sarker and F.S. Hanamashetty (2002)" did a study about the performance evaluation of the UCBs of Maharashtra. They chose six UCBs the met the NABARD refinance criteria and noticed that better performing UCBs had turned to effective management



principles execution and looked out policy ways to achieve high rate of performance.

Amardeep Walia (2003)¹ In his report from the third quarter of 2003, Amardeep Walia investigated the bank's financial operations and discovered that deposits account for 91% of total assets. With 60% in investments and 35%–49% in loans, the bank's lending portfolio was deemed unsound. The recovery rate was 97 percent, credit deposit ratio remained under 39 percent, and the solvency situation was sound with a CRAR of 12 percent. The liquidity management, however, was deemed to be inadequate.

Subash (2003)⁹ in his paper "Strategic Management for Co-operatives," Subash (2003) emphasises the necessity for cooperatives to adapt to the changes in the economy and recommends a wise and effective management of the co-operatives' human and physical resources. For this, cooperatives must always prioritise strategic planning. Determining the overall objectives, policies, and tactics to accomplish these objectives is helpful.

Maasali (2004)⁴ By looking at the nine urban co-operative banks in the Belgaum district of Karnataka state, Maasali (2004) found that UCBs compete with local credit cooperatives for deposits as well as with nationalised banks and private banks that offer loans. Employee performance was just average, non-interest incomes were extremely low, and non-performing assets were very prevalent. He further claimed that issues with UCBs in the Belgaum district included a lack of a significant branch network, a limited geographic scope, a lack of management and staff training, a slow decision-making process, etc.

Case Study 1: Empowering Rural Entrepreneurs - Abhyudaya Co-Operative Bank Ltd

Abhyudaya Co-Operative Bank Ltd recognised the potential of rural business owners in Maharashtra and launched an initiative that would promote economic growth by giving them access to crucial financial

resources. Abhyudaya Co-Operative Bank Ltd. used a holistic approach that included financial literacy initiatives, engaged community outreach, and easily accessible banking services. The bank successfully connected with even the most disconnected cities through seminars, workshops, and cutting-edge mobile banking technologies. The bank made loan application procedures simpler and used mobile banking technologies to make things convenient for rural business owners. The programme included conquering challenges such as low digital literacy, logistical difficulties, and an absence of knowledge of official financial services. Impressive results were obtained as a result of the effort, including higher financial inclusion, increased entrepreneurial activity, improved saving behaviours, and enhanced financial planning abilities among rural populations. This study emphasises the value of community involvement, localised techniques, customised finance options, and clever technological integration in fostering rural entrepreneurship. Abhyudaya Co-Operative Bank Ltd intends to grow by incorporating participant feedback and cooperating with the neighbourhood administration.

Case Study 2: Digital Banking for Urban Slums - Saraswat Co-operative Bank Ltd

Saraswat Co-operative Bank Ltd. started an innovative initiative designed to reduce economic destitution in Maharashtra's urban slums. Through this project, inhabitants who do not have access to banking services are offered customised digital banking solutions. Its key objectives include providing them with modern financial services, safe banking options, and digital financial instruments. Campaigns for digital literacy, user-friendly mobile apps, and cooperation with local leaders were all part of the bank's implementation approach. Workshops, awareness campaigns, and individualised support made digital banking accessible and guaranteed participation. Adoption was aided by a



user-friendly mobile app with improved security and in-depth training, which also helped to address issues including uneven smartphone access, different digital skill, and security worries. For urban slum residents, notable outcomes include improved understanding of finances, widespread app usage, and improved financial management abilities. In order to promote financial inclusion for vulnerable urban communities, the case study emphasises the importance of specialised digital solutions, active community involvement, and on-going education.

Future plans for Saraswat Co-operative Bank Ltd include a wider audience, platform improvements based on user feedback, and exploring partnerships with government projects to increase its effect. In conclusion, Saraswat Co-operative Bank Ltd.'s effort, which provides banking accessibility to underserved urban neighbourhoods in Maharashtra, acts as a testament to the potential of driven by technology monetary inclusion.

Suggestions:

Several suggestions are made in light of the understanding gained with the examination of successful Urban Cooperative Bank (UCB)-led financial inclusion programmes in Maharashtra. First, UCBs should provide financial products that are specifically suited to the requirements of various communities, maintaining their relevance and engagement. Second, if you want to equip people with the knowledge and abilities to successfully use digital financial services, you must invest in comprehensive digital literacy programmes. To increase the scope and impact of financial inclusion efforts, collaborative connections with regional organisations and governmental bodies should be strengthened. Continuous participation in workshops and feedback sessions encourages continual conversation and flexibility in response to changing community needs.

Adopting technology innovations, such as digital banking options, can greatly improve accessibility and ease for marginalised communities.

Conclusion:

In conclusion, the body of research highlights the importance of financial inclusion and the crucial function UCBs have in Maharashtra's financial system. By studying case studies that provide useful insights into how UCBs are successfully promoting financial inclusion in the state, this research builds on the previous body of research. In summary, this study examined the subject of Urban Cooperative Banks (UCBs) and its crucial contribution to the advancement of monetary inclusion in Maharashtra. The examination of case studies demonstrated how UCB-led financial inclusion projects had the power to empower marginalised communities. The examples illustrated the value of locally adapted solutions for closing the financing gap, whether through specialised methods, technological advancements, or involvement in the community. The study re-established the critical linkage between financial inclusion, poverty reduction, economic growth, and social empowerment. In addition to improving financial resilience, the effectiveness of UCBs in reaching the unbanked and under banked populations also aids Maharashtra's overall socioeconomic development. The study's recommendations present doable approaches to increase the influence of UCBs. UCBs can continue to effect changes through creating tailored financial solutions, making investments in digital literacy, promoting collaborations, upholding community participation, embracing technology, and speaking out in favour of favourable laws. In essence, this study emphasises how influential UCBs have been in transforming Maharashtra's financial landscape. These organisations have the capacity to improve the lives of the unbanked and move Maharashtra towards financial



inclusion as long as they continue to develop, innovate, and work together.

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Cite This Article:

**Dr. Khurana R. (2023). Case Studies of Successful UCB-LED Financial Inclusion Projects in Maharashtra, Aarhat Multidisciplinary International Education Research Journal, XII (IV) July-Aug, 1-7.*