



**Customized  
Products**

**Local  
Connect**

**Credit  
Plus  
Approach**

**Easy Documentation,  
Facilitation  
& Handholding**

# CAB CALLING

Volume 45 | Issue 3 & 4 | July - December 2021

## Articles :

An Empirical Evaluation of Business Model and  
Positioning of Primary (Urban) Cooperative Banks in India

Repositioning Indian Urban Cooperative Banks as Social Banks

Urban Cooperative Banks at the Crossroads:  
A Business Model for Survival and Growth

Business Modelling for Successful  
Urban Cooperative Banking in India

## Special Feature :

International Research Conference on Strengthening Primary (Urban)  
Cooperative Banks through a Differentiatedness Model

**Stay  
Local**

**Know Your  
Differentiators**

**Cooperative  
Banking**

**Look Beyond  
the Credit**

**Make Your  
Own Business  
Models**



# CONTENTS

**From the Desk of Editor-in-Chief**

## Articles

### **An Empirical Evaluation of Business Model and Positioning of Primary (Urban) Cooperative Banks in India**

*Dr Ashish Srivastava, Rajender Kumar*

01

### **Repositioning Indian Urban Cooperative Banks as Social Banks**

*Dr Ajit Kumar*

24

## Special Feature

### **International Research Conference on Strengthening Primary (Urban) Cooperative Banks through a Differentiated Business Model – Highlights**

31

## Articles

### **Urban Cooperative Banks at the Crossroads: A Business Model for Survival and Growth**

*CA (Dr) Rewati Paithankar*

36

### **Business Modelling for Successful Urban Cooperative Banking in India**

*Dr Ashutosh Raravikar*

46

## Campus Capsule

54

## Gist of Important Circulars

59



# An Empirical Evaluation of Business Model and Positioning of Primary (Urban) Cooperative Banks in India

 Dr Ashish Srivastava<sup>1</sup>

Rajender Kumar<sup>1</sup>

We explore the predilections and approaches of Primary (Urban) Cooperative Banks (UCBs) regarding their business models and positioning. We also examine the relationship between choices of UCBs about their business model and positioning vis. a vis. their key financial parameters. The analysis shows that even though there is awareness amongst UCBs regarding various facets of their business model and positioning, there is a lack of coherence and direction regarding these aspects. Based on the preference of UCBs, we identify the top five differentiation strategies, namely, better customer connect with personalized services, easy documentation, facilitation and handholding, strong cooperative linkage through various extension initiatives, product customization, and an easy credit appraisal process. Our analysis suggests that instead of emulating and following the commercial banking models, UCBs have ample scope, albeit not in terms of the scale of finance, to present an alternative and inclusive model of banking for the weaker sections, women, and small businesses by adopting a four-pronged strategy, namely, stay local, know your differentiators, look beyond the funding, and make you own business models. Based on the above, UCBs can leverage their inherent strengths and with suitable business models, right positioning, and good governance systems can offer an effective alternative model for banking and inclusive finance.

**Key Words** - Banking, UCBs, Business Model, Positioning, Differentiators, Strategy.

**JEL Classification** – G21, G28.

To continue reading, please subscribe through this form...

## I. INTRODUCTION

Primary Cooperative Banks, popularly known as Urban Cooperative Banks (UCBs) in India are registered as co-operative societies under the provisions of, either the respective State Co-operative Societies Act(s) of the state concerned or the Multi-State Co-operative

Societies Act (2002) of the Union of India. They are similar to Credit Unions in many other parts of the world, though having a wider scope of operations owing to their nature as banks. These are essentially cooperative societies, licensed, regulated, and supervised by the Reserve Bank of India for conducting

---

<sup>1</sup> Deputy General Manager and Members of Faculty, College of Agricultural Banking, Reserve Bank of India, Pune (Email – ashishsrivastava@rbi.org.in; rajenderkumar@rbi.org.in).

Insightful comments and constructive suggestions for modifications in the paper from anonymous reviewers are gratefully acknowledged. Views expressed in the paper are personal and do not necessarily represent the official views of the Reserve Bank of India. The usual disclaimers apply.



# Repositioning Indian Urban Cooperative Banks as Social Banks

Dr Ajit Kumar<sup>1</sup>

The issues related to climate change, global warming, mushrooming growth of polluting industries, drug addiction, chemical pesticides etc. have brought into focus the need for an alternative banking model or social banking model. A few small banking entities in certain countries appear to have heralded the philosophy of social banking by ensuring that their activities are carried out in a manner that is in congruence with the broader goals of the society. They would not encourage businesses that harm the ecosystem and would support sustainable environmental practices through their lending policies. Many urban cooperative banks in India, though not formally committed to social banking, appear to be closer to this concept. With some reorientation in their philosophy, business model and lending policy they can reposition themselves as true social banks of the country.

**Keywords:** Urban Cooperative Banks, Social Banking, Inclusive Banking, Green Banking, Ethical Banking.

**JEL Classification:** G21, Q50.

## I. INTRODUCTION

Economic development is the key to human development and banks are the key agents of economic growth and prosperity. However, the catastrophe of unmindful exploitation of natural resources has drawn upon us the wisdom that growth bereft of social and environmental sustainability is counterproductive for humankind. We need to create an economy and ecosystem which is equitable, environment friendly and sustainable in long term.

Climate change has emerged as one of the biggest threats to the future of the universe. The global community has taken note of it, albeit with considerable delay. Countries around the globe have started taking steps towards making the universe a

To continue reading, please subscribe through this form...

safer place for humankind to live in. Alongside governments, central banks of various countries are also seized with the issue of ensuring sustainable banking and are engaged in animated discussion on how to fight against climate change and global warming. Simultaneously, certain banks have also tweaked their business model and decided not to lend to socially damaging and harmful sectors, namely, drug addiction, chemical pesticides, pornography, weapons, nuclear power etc. But sadly, very few mainstream banks have shown the desired sensitivity towards social banking. It is, however, observed that despite no formal commitment by banks to social banking, Indian UCBs, particularly the smaller ones, are by default closer to the concept of social banking.

---

<sup>1</sup> Dr Ajit Kumar is General Manager (Retired), Reserve Bank of India. He is an Associate Member of Asia Pacific Research Committee, International Cooperative Alliance. He can be reached at [drajitbpl@gmail.com](mailto:drajitbpl@gmail.com)

Insightful comments and constructive suggestions for modifications in the paper from anonymous reviewers are gratefully acknowledged. Views expressed in the paper are personal and do not necessarily represent the official views of the Reserve Bank of India. The usual disclaimers apply.



# Urban Cooperative Banks at the Crossroads: A Business Model for Survival and Growth

CA (Dr) Rewati Paithankar <sup>1</sup>

Urban Cooperative Banks (UCBs) in India are an integral part of the Indian banking system. Joint ownership, democratic control, equality, and local character are unique characteristics of UCBs, which make them stand apart from other banks. The community-based people-centric business model of UCBs promotes inclusive banking practices. Because of fierce competition in the banking and financial services industry, the use of rapidly emerging technology and the costs associated with its use, the survival and growth of the UCB sector in India depends on how it responds to the challenges and transforms itself. This paper aims to present an agile business model “Basics First”. This model enables UCBs to strengthen their financials and acts as a springboard for the UCBs to take off and grow their businesses by being competitive. This paper shows how a small UCB has gained financial strength by implementing this “Basics First” business model.

**Key Words:** Banking, Urban Cooperative Bank, Business Model, Basics First.

**JEL Classification:** G21, G28

To continue reading, please subscribe through this form...

## I. INTRODUCTION

International Cooperative Alliance has stated that these are the times in which inequality of income is rising around the world (ICA, 2017). The Cooperative model is perceived as the solution to inequality. Voluntary and open membership of cooperatives enables the members' affordable access to economic participation and wealth creation without discrimination and without causing concentration of capital. In line with the global sentiments and expectations, the cooperative movement in India has originated and thrived since last more than 100 years. Urban Cooperative Banks (UCBs) form an important part of the cooperative movement and the financial services industry in India. It is an accepted fact that

UCBs in India has been addressing the needs of weaker sections of the society by way of providing small loans to neglected sections of the population. Of late, UCBs are faced with challenges to their existence due to several reasons such as fierce competition, changing customer expectations, disruptive entry of fintech firms, the urgency to adopt emerging new technologies and costs associated with them, alleged lack of professional governance, regulatory discomfort, etc. These challenges make it imperative for UCBs to take a relook at their business models and reposition themselves to stay relevant in the current environment of radical changes in banking and stand out in a business place crowded with competitors. This paper presents the business model adopted by Bhagini

---

<sup>1</sup> Vice Chairperson, Bhagini Nivedita Shakari Bank Ltd, Pune. She can be reached at [atrewatipaithankar@gmail.com](mailto:atrewatipaithankar@gmail.com)

Insightful comments and constructive suggestions for modifications in the paper from anonymous reviewers are gratefully acknowledged. Views expressed in the paper are personal and do not necessarily represent the official views of Reserve Bank of India or the organisation, the author works for. The usual disclaimers apply.



# Business Modelling for Successful Urban Cooperative Banking in India

Dr Ashutosh Raravikar <sup>1</sup>

The financial sustainability and growth of the urban cooperative banks (UCBs) can provide a boost to financial inclusion in India. Adoption of suitable business strategies, grass-root linkages, optimization of asset size, and customized innovations can help the UCB sector to perform and grow. The sustainability of the sector hinges upon inculcating a sound governance culture, an environment of support and trust, along with an effective management and incentives structure. Adoption of suitable business models by UCBs with a focus on the above aspects can make it vibrant and sustainable and can help it make a valuable socioeconomic contribution to the economy.

**Keywords:** Sustainability, Business Strategy, Growth, Profitability, Asset Size, Capital.

**JEL Classification:** G21, G28.

To continue reading, please subscribe through this form...

## I INTRODUCTION

Primary (Urban) Co-operative Banks, which are co-operative societies with banking license granted under Section 22 of the Banking Regulation Act, 1949 read with Section 56 thereof, has been instrumental in expanding the landscape of financial inclusion in India. However, failures and lack of financial soundness of some banks over the period has been a matter of concern. Adoption of appropriate business models for UCBs would go a long way in enabling them to become sustainable and successful entities and act as engines for expanding the coverage of financial inclusion in India. This paper discusses the main planks involved in building up such models for the UCB sector in India.

Section II outlines various business models which have evolved and are prevalent across the globe. Section III

discusses the issue of optimum asset size for UCBs. Section IV suggests the business strategies for UCBs for their success and growth. Section V analyses the profitability of UCBs. Section VI deals with their capital-related issues. Section VII suggests the steps required for the sustainability of their business operations. The paper ends with a conclusion in Section VIII.

## II. DESIGNING APPROPRIATE BUSINESS MODELS FOR COOPERATIVE BANKING

A glance at the historical evolution of the urban cooperative banking sector in India shows the growth of diverse types of entities across time and regions. Given that the co-existence of the small, medium and large-sized heterogeneous banks is inevitable, designing a suitable cooperative banking structure and

---

<sup>1</sup> Director, DEPR, RBI, Mumbai.  
He can be reached at [ayraravikar@gmail.com](mailto:ayraravikar@gmail.com).

Insightful comments and constructive suggestions for modifications in the paper from anonymous reviewers are gratefully acknowledged. Views expressed in the paper are personal and do not necessarily represent the official views of Reserve Bank of India. The usual disclaimers apply.





## ‘सीएबी कॉलिंग: अंशदान फार्म’

अंशदाता सं.  
(केवल कार्यालय के उपयोग के लिए)

संपादक  
‘सीएबी कॉलिंग’  
कृषि बैंकिंग महाविद्यालय  
भारतीय रिज़र्व बैंक  
पुणे - 411016

यदि अंशदाता कार्यक्रम के सहभागी हैं तो कार्यक्रम का नाम		
अंशदान दर	एक वर्ष	दो वर्ष
व्यक्तिगत सदस्य (भारत में)	₹ 150	₹ 300
व्यक्तिगत सदस्य (विदेश में)	US\$ 20	US\$ 35
संस्थागत सदस्य (भारत में)	₹ 250	₹ 400
संस्थागत सदस्य (विदेश में)	US\$ 40	US\$ 70

महोदय,

मैं/हम एक/दो\* वर्ष के लिए ‘सीएबी कॉलिंग’ की सदस्यता का नवीकरण करना/ग्राहक बनना चाहता हूँ/ चाहते हैं।

भारतीय रिज़र्व बैंक के पक्ष में आहरित और मुंबई में देय दिनांक \_\_\_\_\_ का  
₹ \_\_\_\_\_ का मांग ड्राफ्ट सं. \_\_\_\_\_ संलग्न है।

या

मैंने दिनांक \_\_\_\_\_ को, ₹ \_\_\_\_\_ का NEFT किया है जिसकी UTR संख्या \_\_\_\_\_ है।

कृपया निम्नलिखित तिमाही से ‘सीएबी कॉलिंग’ के अंक मुझे / हमें भेजें

नाम (स्पष्ट अक्षरों में) श्री/श्रीमती/कुमारी \_\_\_\_\_

पता (स्पष्ट अक्षरों में) \_\_\_\_\_

केंद्र \_\_\_\_\_ पिन कोड \_\_\_\_\_

टेलीफोन नं. (कार्यालय) \_\_\_\_\_ (निवास) \_\_\_\_\_

फैक्स नं. \_\_\_\_\_ एसटीडी कोड \_\_\_\_\_

ई-मेल पता \_\_\_\_\_

अंशदाता सं. (यदि कोई हो तो) \_\_\_\_\_

दिनांक: \_\_\_\_\_ 20 \_\_\_\_\_

\*जो लागू नहीं है उसे काट दें।

(हस्ताक्षर)

NEFT Details for Payment:

**Name of the Account:** Bank's Publications

**Account Number:** 8024129

**Name of Bank:** RBI;

**IFSC Code:** RBIS0PUPA01 (0 means Zero)

**Type of Account:** Current

**Name of Branch:** CAB, Pune



## CAB CALLING - SUBSCRIPTION FORM

**SUBSCRIBER NO.**  
(For office use only)

The Editor  
"CAB CALLING"  
College of Agricultural Banking  
Reserve Bank of India  
PUNE 411016

To be filled if subscriber is a participant  
**Name of the programme**

Subscription Rates	One Year	Two Year
Individual Members (India)	₹ 150	₹ 300
Individual Members (Abroad)	US\$ 20	US\$ 35
Institutional Members (India)	₹ 250	₹ 400
Institutional Members (Abroad)	US\$ 40	US\$ 70

Dear Sir

I/We wish to subscribe / renew subscription\* to "CAB CALLING" for one /two\* years.

A Demand Draft bearing no. \_\_\_\_\_ for an amount of ₹ \_\_\_\_\_ dated \_\_\_\_\_ drawn in favour of "RESERVE BANK OF INDIA", payable at Mumbai, is enclosed.

OR

I have made an NEFT transaction for an amount of ₹ \_\_\_\_\_ with UTR number \_\_\_\_\_ dated \_\_\_\_\_

Please send my /our copy of "CAB Calling" starting from the quarter:

NAME (IN CAPITALS) \_\_\_\_\_

ADDRESS (IN CAPITALS) \_\_\_\_\_

CITY \_\_\_\_\_ PIN \_\_\_\_\_

TEL NO. (OFF) \_\_\_\_\_ TEL NO. (RESI) \_\_\_\_\_

FAX NO. \_\_\_\_\_ STD CODE \_\_\_\_\_

EMAIL ADDRESS \_\_\_\_\_

SUBSCRIBER NO. (IF ANY) \_\_\_\_\_

DATE: \_\_\_\_\_

(SIGNATURE)

\*Strike off whichever is not applicable

NEFT Details for Payment:

**Name of the Account:** Bank's Publications  
**Account Number:** 8024129  
**Name of Bank:** RBI;  
**IFSC Code:** RBIS0PUPA01 (0 means Zero)

**Type of Account:** Current  
**Name of Branch:** CAB, Pune



## College of Agricultural Banking



### वित्तीय क्षेत्र में क्षमता निर्माण एवं विकास

भारतीय रजिस्टर बैंक द्वारा वर्ष 1969 में ग्रामीण और सहकारी बैंकिंग में प्रशिक्षण इनपुट प्रदान करने के लिए कृषि बैंकिंग महाविद्यालय (सीएबी) की स्थापना की गई। इसके बाद, भारतीय वित्तीय क्षेत्र की बदलती अपेक्षाओं को ध्यान में रखे हुए, महाविद्यालय द्वारा कृषि बैंकिंग, एमएसएमई वित्तपोषण, वित्तीय समावेशन और साक्षरता, मानव संसाधन और नेतृत्व आदि जैसे अन्य क्षेत्रों में प्रशिक्षण प्रदान करने के लिए अपने दायरे का विस्तार किया गया। अकादमिक वर्ष 2021 से महाविद्यालय द्वारा चार फोकस एरिया (4C) यथा कॉर्पोरेट गवर्नेंस, साइबर सुरक्षा, ग्राहक सेवा और अनुपालन प्रबंधन की पहचान की गई है ताकि वित्तीय प्रणाली में मजबूती प्रदान करने और सेवा मानकों में वृद्धि करने के लिए बैंकों तथा फाइनेंशियल प्रोफेशनलों की क्षमता निर्माण की जा सके।

महाविद्यालय द्वारा FAO, APRACA, CICTAB, UNDP और राष्ट्रमंडल सचिवालय जैसी अंतरराष्ट्रीय एजेंसियों के सहयोग से कार्यक्रम और अनुसंधान सम्मेलन भी आयोजित किए जाते हैं। इसी के साथ, महाविद्यालय द्वारा राष्ट्रीय और अंतरराष्ट्रीय संस्थानों के लिए उनकी आवश्यकतानुसार कस्टमाइज्ड प्रशिक्षण कार्यक्रम भी आयोजित किए जाते हैं।

वर्ष 2015 से एमएसएमई वित्तपोषण के क्षेत्र में विशेषीकृत नैमकैब कार्यशालाएं आयोजित करने के लिए नोडल संस्थान के रूप में नामित किए जाने के साथ ही वर्ष 2021 में मिशन 'अवतु' के अंतर्गत साइबर सुरक्षा पर शहरी सहकारी

### Building & Enhancing Capabilities in the Financial Sector

Reserve Bank of India established the College of Agricultural Banking (CAB) in 1969 to provide training inputs in Rural and Cooperative Banking. Subsequently, recognizing the changing needs of the Indian financial sector, the College expanded its scope to provide training in other areas like agricultural banking, MSME financing, Financial Inclusion & Literacy, Human Resources & Leadership, etc. From the Academic Year 2021, the College has further identified four focus areas (4Cs), namely Corporate Governance, Cyber Security, Customer Service, and Compliance Management, to build capacity amongst the bankers and financial professionals to enhance the robustness and service standards in the financial system.

The College also conducts programmes and research conferences in collaboration with international agencies like FAO, APRACA, CICTAB, UNDP and the Commonwealth Secretariat. The College further conducts customized training programmes for institutions, both national and international, as per their specific requirements.

The College has been nominated as the 'Nodal Institution' for imparting training to various stakeholders of UCBs on cyber security under the Mission 'AVTU' in 2021, apart from being nominated as the Nodal Institution to impart specialised NAMCABs workshops in the area of MSME financing, since 2015.



**College of Agricultural Banking**

[www.cab.rbi.org.in](http://www.cab.rbi.org.in)