



# Service Charges by Cooperative Banks

## These go from none to more

Today, co-operative banks operate across the country alongside commercial banks and play a crucial role in providing need-based finance, especially to people engaged in agricultural and agriculture-based operations including those related to farming, cattle and milk, as well as to some small industries and self-employment-driven activities. Cooperative banks are small-sized units and are traditionally centred on communities, localities and workplace groups, and they essentially lend to small borrowers and businesses. This article assesses the service-charge component by comparing 10 Delhi/NCR-based cooperative banks on essential parameters. What do cooperative banks charge for basic banking services? While at it, we also look at the basic banking services that cooperative banks provide in the first place.

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For our comparative study on the charges they levy for various services, we have chosen 10 cooperative banks in Delhi and NCR that provide detailed information on their websites. We have chosen these banks based on product offer (gathered from their websites) and services rendered (feedback from consumers).

The parameters on which we have compared them include availability of ATM service, SMS alerts, outward cheque deposited returned, inward cheque issued returned, 'stop payment' of cheque, number of free cheque leaves and issue of additional cheques, charges for not maintaining minimum balance, charges for account closure before one year, and signature/photo/verification/attestation charges. We gave the highest weightage (15 points) to consumer feedback, which also helped in determining the most important and beneficial variables. These variables have a direct bearing on the product structure.

### CV RECOMMENDATIONS

#### Best Buy

**Kangra Cooperative Bank**

#### Good Buy

**Punjab & Maharashtra Coop Bank  
(PMC Bank)**

#### Fair Buys

**Janata Cooperative Bank  
Saraswat Cooperative Bank  
Jamia Cooperative Bank**



## SERVICE CHARGES IN COOPERATIVE BANKS:

CV Weightage Points (100)	Service Charges in Cooperative Banks in Delhi/NCR (for ordinary aavings A/C holders)	Kangra	PMC	
For General Information	Established	1972	1984	
	Total branches in India	12	135	
	No. of branches in Delhi/NCR	12	6	
10	Free cheque leaves available (number)	15 (3)	30 (7)	
5	Issue of additional cheques (Rs per leaf)	2 (5)	3 (5)	
5	Account statement/balance certificate/duplicate passbook (Rs)	20 (5)	100 (1)	
5	Stop payment of cheque (Rs)	40 (5)	50 (5)	
10	Account closure before 1 year (Rs)	150 (4)	75 (10)	
8	Outward cheque deposited returned (Rs)	20 (8)	50 (8)	
7	Inward cheque issued returned (Rs)	50 (7)	250 (1)	
5	Signature/Photo/Verification/Attestation charges (Rs)	50 (5)	100 (3)	
10	Not maintaining minimum balance (Rs, quarterly)	20 (10)	50 (10)	
5	ECS returned outward (debit to your account) (Rs)	50 (5)	50 (5)	
5	SMS alerts (half-yearly) (Rs)	NS (0)	NS (0)	
5	ATM service availability	Yes (5)	Yes (5)	
5	Debit card issuance charges (Rs)	115 (3)	100 (3)	
15	Consumer feedback	11	5	
<b>Total 100</b>		<b>76</b>	<b>68</b>	

Notes:

- NS: Not specified
- Information given here has been sourced from websites.
- Charges for services described differently in nomenclature are grouped under major heads.
- Charges are taken for individual SB accounts of cooperative banks based in Delhi.
- In many banks, GST is included/excluded in the service charges and is therefore not specified here.

A cooperative bank is a financial entity that belongs to its members, who are at the same time the owners and the customers of their bank. Cooperative banks are often created by persons belonging to the same local or professional community or sharing a common interest. These banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts).



## Service Charges by Cooperative Banks

### A COMPARATIVE CHART

	Janata	Saraswat	Jamia	Bombay Mercantile	Shivalik Mercantile	SVC	Vaish Adarsh	Jain
	1987	1918	1993	1941	1990	1906	1936	1996
	5	280	8	52	33	193	11	5
	5	2	8	1	5	1	11	5
	40 (10)	20 (7)	40 (10)	20 (7)	15 (3)	60 (10)	60 (10)	25 (7)
	3 (5)	5 (5)	10 (2)	5 (5)	5 (5)	5 (5)	3 (5)	4 (5)
	50 (3)	50 (3)	100 (1)	100 (1)	50 (3)	75 (3)	100 (1)	100 (1)
	50 (5)	25 (5)	50 (5)	60 (3)	100 (1)	100 (1)	50 (5)	100 (1)
	100 (7)	150 (4)	50 (10)	200 (1)	250 (1)	100 (7)	NS (0)	154 (1)
	100 (5)	50 (8)	250 (1)	100 (5)	75 (8)	125 (3)	200 (1)	100 (5)
	150 (4)	100 (7)	150 (4)	50 (7)	350 (1)	150 (4)	200 (1)	150 (4)
	100 (3)	50 (5)	100 (3)	50 (5)	100 (3)	75 (5)	100 (3)	200 (1)
	150 (6)	50 (10)	150 (6)	50 (10)	50 (10)	200 (2)	60 (10)	180 (2)
	100 (3)	100 (3)	150 (1)	NS (0)	NS (0)	150 (1)	NS (0)	NS (0)
	30 (2)	NS (0)	Nil (5)	30 (2)	Nil (5)	NS (0)	NS (0)	Nil (5)
	Yes (5)	Yes (5)	Yes (5)	Yes (5)	Yes (5)	Yes (5)	No (0)	No (0)
	300 (2)	NS (0)	200 (2)	100 (3)	Nil (5)	200 (2)	NS (0)	NS (0)
	6	4	10	5	9	3	7	8
	66	66	65	59	59	51	43	40





## THE COOPERATIVE STRUCTURE IN INDIA

### COOPERATIVE CREDIT SOCIETIES

#### PRIMARY AGRICULTURAL

(These are small societies catering to agricultural needs in villages)

**(Regulator: State government/NABARD)**

Cooperative banking institutions take deposits and lend money in most parts of the world. They have been vital in serving sections of society – farmers and low- or middle-income people – who have limited or no access to institutional finance. These banks are known to offer easier loan and deposit products.

Here are the basic features that define cooperative banks:

- ✓ These banks are registered under state laws.
- ✓ They are governed by Banking Regulation Act.
- ✓ They primarily cater to rural poor and agriculturists.
- ✓ They provide term credit to the agriculture sector and obtain refinance/concessional interest from RBI.

#### PRIMARY URBAN

(Employees' credit societies and credit societies come under this. These are small societies that cater to credit needs of city dwellers)

**(Regulator: State government)**

- ✓ They have limited scope in branch expansion; they cannot operate overseas.
- ✓ They require specific permission from state government/ RBI for opening branches outside the state.

Cooperative banks are mostly concentrated in the state where they were originally established by a group of farmers or socially-committed Samaritans after obtaining a license from the RBI. These are basically community-based and rural/semi-urban entities in nature. This also explains why many of these banks have fewer branches in metro areas.

### Overview of the Cooperative Banking Structure

#### ◆ State cooperative banks (first tier)

**Regulator:** State government/NABARD/RBI (limited control)

- They obtain 'license to operate' from RBI under Banking Regulation Act.
- They operate as the apex bank for all the cooperative societies in the state.
- They can seek permission from state government/RBI to open branches outside the state.
- RBI provides credit to cooperative societies through them at concessional rate (below what is provided to commercial banks).

#### ◆ District central cooperative banks (second tier)

**Regulator:** State government/NABARD and RBI (partial control)

- They operate as the apex bank for all cooperative societies in the district.
- Main activity is to fund (lend money to) affiliated primary societies.
- They accept deposit from the public and lend for different purposes.

#### ◆ Primary/Urban cooperative banks (third tier)

**Regulator:** State government/RBI (partial control)

- They are non-agricultural credit societies.
- They operate mostly in urban and semi-urban areas.
- They provide trade/housing finance as well as finance for other purposes.
- They accept deposits from the public, but they also work on borrowed capital.

#### ◆ Urban cooperative banks

- Their banking services are neighbourhood-friendly.

### Cooperative Banks versus Commercial Banks

Cooperative banks differ from commercial banks in the following respects:

a) Commercial banks are joint-stock companies under the Companies Act of 1956, or public sector banks registered under a separate Act of parliament, whereas cooperative banks are established under the Cooperative Societies Acts of different states.

b) Commercial bank structure is a branch banking system whereas cooperative banks have a three-tier setup, with state cooperative banks at apex level,





district central cooperative banks at district level, and primary cooperative societies at rural level.

c) Only some of the sections of Banking Regulation Act of 1949 (fully applicable to commercial banks) are applicable to cooperative banks, resulting in only partial control by RBI of cooperative banks.

d) Cooperative banks function on the principle of cooperation and not entirely on commercial parameters.

Cooperative banking has been a game changer in India's banking sector – they have contributed to improving banking and finance access for more sections of the overall population, and what's more, they are competing with the banks operating in the

commercial sector, with more 'presence' in the rural and semi-urban belt than in the urban/metro areas. However, much of their success will also depend on their adopting modern methods of professional management and embracing advanced and consumer-friendly computer technologies, coupled with stricter control on their operational losses and bad debts. The overlapping of regulatory authority should be minimised so that the management control is vested with professionals rather than elected politicians as governing members. Only with certain reforms will India's cooperative banks hope to be like the 'single banking' concept of the Western countries with limited branch network or nil branch network but enjoying unlimited access to people and resources.

The cooperative movement in India started with the enactment of Cooperative Credit Societies Act in 1904. The first urban cooperative credit society was registered in Canjeevaram (Kanjivaram) in the erstwhile Madras province in that year. It was set up to cater to the needs of small businessmen as an alternative to moneylenders.

A banking crisis in 1913–14, which saw the collapse of 57 joint-stock banks, led to a flight of deposits from joint-stock banks to urban cooperative banks. With effect from 1 March 1966, large cooperative banks with paid-up share capital and reserves of Rs 1 lakh were brought under the purview of the Banking Regulation Act, 1949, and within the ambit of the Reserve Bank's supervision. In 1966, there were about 1,100 urban cooperative banks with deposits and advances of Rs 167 crore and Rs 153 crore, respectively.