

**“COST AND MANAGEMENT ACCOUNTING PRACTICES  
IN URBAN CO-OPERATIVE BANKS IN PUNE  
CITY – AN OVERVIEW”**

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**Abstract:**

*During the last decades or so, the banking has undergone a tremendous change from a mere money lending institution, a bank is being called upon to play an effective role in the task of socio-economic development and the upliftment especially In India, the economic reforms in those people who were hitherto neglected and deprived. Therefore the clientele of banking is widely diversified lot, each category having it special or particular need to be met. There are also high expectations of the society from the banking business, thereby the banks to have a hard look into their several areas of management to measure up to the tasks assigned to them.*

**KEYWORDS:**

Cost And Management , Co-Operative Banks , economic , socio-economic .

**INTRODUCTION**

In India the economic reforms in Banking Industry were introduced in the year 1985. After economic reforms, banking sector in India had experienced considerable radical transformation after implementation of the recommendations suggested by the Narsimham Committee on the basis of the major observations made on the Indian Banking System in their report. In 1983, Rangrajan Committee envisaged the various benefits of mechanization in the area of customer service and house keeping. After computerization and development of advanced technology in telecommunication, banks have introduced number of online services.

Banks internal goals and external environment have been changed by the new economic policy. To encounter the challenges in emerging competitive environment, Co-operative Banks will have to undergo suitable change. Management of business activities in professional manner becomes one of the requirements. Consequently, the efficiency and impact of such organization depends upon the adoption of modern management tools, techniques and systems. Decision making and planning in the co-operative banks has now to be more systematic. They have to be more creative in their approach in marketing and selling their services. These all have thrown more challenging tasks than before. The managerial functions of today's co-operative banks cannot depend on yesterday's methods and tomorrow's managerial functions of the banks on today's method.

**IMPORTANCE-**

The following various facets have been envisaged for the research study-

Economic Reforms

Increase in number of UCBs

Increase in Competition and slow growth

Professional management and Corporate Governance in UCBs

Pricing in Banking Services

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Decision making in various areas.

**OBJECTIVES-**

The objectives of the research study are as mentioned below-

- i. To study the methods, tools and techniques of the cost and management accounting used by UCBs.
- ii. To study the cost and management accounting practices followed by UCBs.
- iii. To compare methods, tools and techniques followed by the UCBs.
- iv. To provide appropriate suggestions to improve present cost and management accounting practices exist in the UCBs.

**RESEARCH METHODOLOGY-**

The study is based on primary and secondary data. The primary data is collected through interviews and discussion with the help of questionnaire. The secondary data has been collected by using the annual reports, official publications of various documents, reports. The research study restricted to Pune city area and the period were 2010-2012.

**HYPOSTHESIS-**

- I. The cost and management accounting techniques followed better will be financial performance of UCBs.
- II. The new established banks are followed cost and management accounting techniques.

**FINDINGS-**

There is no separate cost accounting department in UCBs.  
Accounts departments provide information regarding cost, MIS reports, various analysis, and decision makings.  
Conventional costing system followed by UCBs.  
Cost statements prepared under existing system are being used by UCBs.  
All UCBs are using budget and budgetary control technique.  
All UCBs are following management information system.  
43% UCBs are using the information as it is a provided by the accounting system.  
Major cost and management accounting tools and techniques used by the UCB.  
Different banks follow different practices for presentation of annual reports.  
17% UCBs are preparing financial statements on daily, weekly, fortnightly, quarterly, half yearly and yearly basis.  
93% UCBs financial statements are analysed on monthly basis.  
95% UCBs are using previous year's performance.  
All UCBs are analyzing portfolio of investments.  
All UCBs are preparing budget for expenses to be incurred during the year.  
58% UCBs have separate department/committee for cost control.  
55% UCBs compare the performance of one branch with other branches.  
88% banks reported that they are comparing the performance of their bank with other bank.  
98% banks working capital requirement for day to day basis.  
84% banks are preparing budget for capital expenses.  
35% banks determine finance cost for all resources.  
All banks are computerized and some banks are already introduced Core Banking System.  
Only one bank is providing ATM facility to their customers.  
In most of the UCBs member on the Board of Director are not professionally qualified.

**CONCLUSION-**

The banks are practicing Cost and Management Accounting tools and techniques in their day to day business activities. They are also using this information for planning, organizing, control and decision making process. However, there are some tools and techniques which are partially or not in totality. The banks need to understand thoroughly the concepts and importance of these tools of Cost and Management Accounting from the view point of decision making process.

The real impact of the Cost and Management Accounting practices will be seen, felt and experienced when the bank will use Cash and Fund Flow Statement, Capital Budgeting, Cost Accounting etc. regularly and comprehensively. It will help the banks to understand their existing status and will definitely help to improve their competitive strength, financial stability and achieve their desired business goals.

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**SUGGESTIONS-**

It is deemed necessary to introduce separate Cost Accounting Department in the banks.  
It is necessary to provide training in the area of Cost and Management Accounting to the concerned staff members.  
The small banks can avail services of professionals in the area of Cost and Management Accounting.  
It is in the largest interest of banks to follow Activity Based Costing System.  
The banks must prepare Cost Statements and keep ready for information in such a manner that cost data will be available at any time.  
The banks should follow Target Costing practice.  
The banks should conduct Cost Audit as a part of internal control system.  
The UCBs should use Cost and Management Accounting tools for decision making.  
There should be uniformity in presenting financial information i.e. annual report.  
All UCBs are suggested to prepare the Cash and Fund Flow Statement on regular basis.  
There should be a separate committee for cost control and cost reduction.  
It is advised to the banks to follow Zero Base Budget System.  
It is advised to the banks to make Inter Firm Comparison and Intra Branch Comparison.  
Each bank analyzes capital expenditure by using Capital Budgeting Technique.  
All banks should determine Cost of Funds of share capital and free reserve.  
All banks should determine the finance mix i.e. proportion of deposits and loans.  
There should be a separate department/committee responsible for fixing prices of various services or products.  
The bank should introduce Total Quality Management System.  
To have competitive advantage over private and public sector banks, all UCBs use advanced Information Technology System.  
The UCBs must introduce the Management Audit.  
The UCBs must publish benchmark, norms, standards, ideal ratio in annual report.

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