



# A SYSTEMATIC LITERATURE REVIEW AND RESEARCH OBJECTIVE OF TREASURY MANAGEMENT OF URBAN COOPERATIVE BANKS

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**Purpose:** The current study aims in understanding and reviewing of the literature done in the area of cooperative banking sector and with some special reference of Urban cooperative banks. The paper also helps in identifying the gaps in the study conducted till now, and provides the gate way for further study in the area. One such important area is of the investment pattern and cash flow management which is specifically called as treasury management.

**Methodology or Approach:** To conduct the study literature review of papers, articles and other documents related to the cooperative banks and their activities were reviewed. Major research papers conducted in the area of Cooperative banks, fund management of commercial banks and also some of the highlighted activities under the head of banking sector are also studied in this paper. Conduction of literature survey gives an idea to identify the research gap and area available for study further. Special reference given to the Urban cooperative banks which are creating major part of cooperative sector in financial inclusion and money management in rural, urban and semi urban areas of Karnataka. In the study flow, research gap was identified for further study and they were scrutinized using ABCD and SWOC models to understand in academic method.

**Findings:** After in-depth study of literature on UCB and other cooperative banks, it was clear that there is huge scope for study in the area of the banks fund management and treasury management activities which happens as a daily routine work in all the banks. There are better opportunities available for the banks to conduct their investment and sourcing of funds in increasing the mobility of funds to make much profit. But still these cooperative banks are restricted themselves in to specific area of business and this has to be promoted well to develop the UCB's so that they can compete with the other commercial banks.

**Originality/value of the study :** Here it is not just the study of financial performance of the UCB and other cooperatives, but their investment activities were also included in the study. These type of study are very rare, since many researchers only conducted study on profitability, financial position and growth of cooperative banks only. However in the current study more concentration was given for the treasury management of UCB's under the heads of cooperative banks. The study will be more effective and useful for the society and even for the organisations in understanding the fund management activity.

**Paper type :** Systematic literature review paper.

**KEY WORDS:** Cooperative, UCB, Fund management, Cash flow, Investment, Performance analysis, Banking, Sources of funds.

## INTRODUCTION

Cooperative banking is a retail and commercial banking organized on a cooperative basis. They take deposits like other banks, they provide loan, they do financial transaction as other banks do and the area of their business is



quite small compare to other reputed commercial banks in India. Lending practices and working capital management in these banks also same like other banks but few regulations made by govt and RBI are making these banks to perform the activity in smaller interest. But many times these banks giving tough competition for the commercial banks irrespective of their size and growth. Under the cooperative banks they have been divided in to two broad categories based on their business activity ie Agriculture credit institution and non- agriculture credit institution which subdivided further in to Short terms and Long term credit institutions.

The classification of state cooperative, central cooperatives and Primary agriculture cooperatives under Short term credit institution is carried based on the area of their business and controlling authority which manage their business. In rural India the authority has divided these banks on Tier I , Tier II and Tier III specified banks based on the business activity and financial activities.

Even though the cooperative act introduced in 1904 itself, but the states like Karnataka, Maharashtra, Gujarat and Punjab had got more number of cooperative banks in recent years. The banks situated in these state plays vital role in the history and growth of the cooperative banks in India.

Major terms used like Urban cooperatives, Primary agricultural credit societies , regional rural banks and local area banks are in use in the general public. The greatest inspiration in India to start these UCB's is from Britain and Germany. The greatest movement happened in these two countries had made India to think on the need of these banks for the economic development in the urban and semi urban areas. The vision of these banks stand with mutual help , cooperation among known group and union of small groups which form the concept of cooperative.

Many studies says that 19<sup>th</sup> century was the time in which majority of the UCB has entered Indian economy and started functioning towards the growth of the country men. In 1904 only the first UCB started in Kanjivaram of Tamil nadu which started performing well in that area.

The biggest challenge for these banks is the fund management, like other commercial banks which have huge market and customer base does not face such challenges. As we aware these banks have got many opportunities in investment and funding activity is strong enough, however UCB have got limited chances and opportunities to do this by their own. Majority of the UCB depends only on providing credit for the needy and investing in local govt bonds and securities. This traditional method has to be improved without ignoring the existing process of the banks to compete in the global banking market.

Even the RBI showed a greater interest in improving these UCB financially with their recent introduction of Supervisory action framework which helps these banks to take major decision in consultation with RBI. Earlier Three tier structure is reframed too four tier structure under this new scheme to analyse and identify the opportunities for these banks to perform. Recent changes in RBI guidelines for the UCB's to invest 10 percent of their total banks deposit in non-SLR securities and investment in unlisted securities should not cross ten percentage of the total SLR investment in any time is now relaxed by RBI to help UCB's. Now UCB's have been exempted from both of these activities in the year 2022.

## OBJECTIVES OF THE STUDY

1. To collectively study the literature available in the area of Indian Cooperative banking sector.
2. To identify the Gap in the fund management of Urban cooperative banks which in turn link to their profit.
3. To build a research proposal using the literature study and conduct ABCD analysis to synthesize in more.
4. To identify the study area, which was not covered in the Indian cooperative banking sector.
5. Implementation of SWOC analysis to the collected review of literature in turn to study the performance of UCB's in Indian Market.
6. To identify the available modes of investment for the UCB's based on the current investment activities performed by them.

## RESEARCH METHODOLOGY

The current study is not done with any financial data, however this study purely deals with the literature review conducted on the published data. The study was quite broaden by including other commercial banks, opinion based articles of reputed news journals and other banking papers to support the study in depth. Hence the study take us to the area of banking, cooperative banking and performance analysis of these banks in the recent time. With the financial study few research articles related to the work life, growth, fund management, profitability and challenges of cooperative banks are also added to make the study more effective in terms of the targeted area. A methodological approach with four step is applied here to complete the study.

- 1) Searching the articles using the key words in the available resources.
- 2) Criteria were set for the data to be included and excluded.
- 3) Basic screening process was carried out in selecting the specific paper.
- 4) Selected papers were put on deep study to analyse the treasury management and fund management activities conducted by the UCB's.

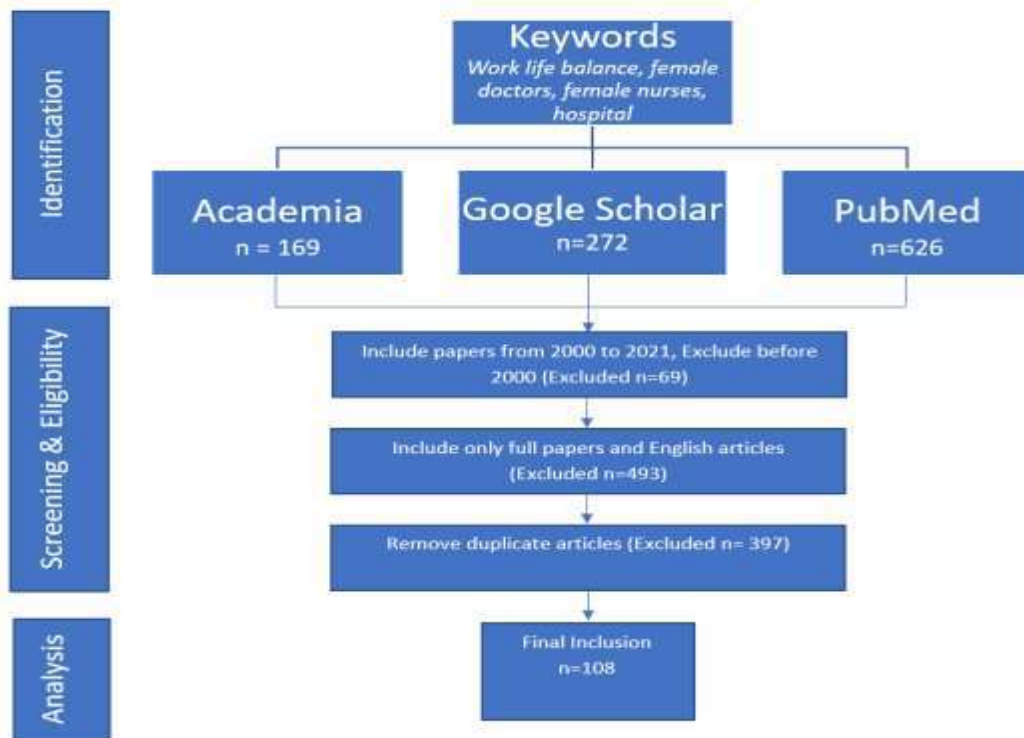


Fig 1 : Summary of process of Literature review.

## LITERATURE REVIEW

For any bank making profit and exist in the market become the priority, at the same time to achieve this agenda investing money in profitable investment avenues is also important and crucial role. Urban cooperative banks were restricted by the supervision bank on their investment activities and hence these banks never crossed the line of investment due to policy and procedures from the RBI. However some time the financial position, management team, shareholders decision and interest of banks also plays vital role in taking major investment decisions. Irrespective of size of bank, govt and centralized bank has given some guidelines for these banks to invest money in Umbrella banks and other unlisted organisations.

Now a days UCB's are enlarging their sources of funds and their investment avenues, as earlier the banks were investing only on regular credits for the customers. The study helps to understand the provisions for UCB provided by statutory body to hold liquid asset of 25 percentages of their demand and time liabilities in India and this may be hold in cash, gold or un encumbered securities.

The availability of the study papers on this area is very less, where most of the researchers conducted study on growth and requirements of UCB but not their financial activity. So the current study helps to understand the recent trend in cash management and fund management process followed by the urban cooperative banks in growth prospectus.



Serial No	Area and Focus of the Research	The outcome of the Research	References
1	Performance of state cooperative bank	Here the factors influencing the total earning and there by the profitability of the cooperative banks was identified and suggested for improvement in investment attributes.	{1}
2	Financial Inclusion through Cooperatives	Role of cooperatives was discussed and inclusion of cooperatives in major financial decisions was identified.	{2}
3	Cooperative banks in India	The study reveals the benefit of UCB's when compare to commercial banks for the rural customers in terms of documentation and procedures for loans.	{3}
4	Lending Practices	The study identifies the need of new investment portfolios from the cooperative banks, where they are following the old method of investment.	{4}
5	Financial appraisal	Study identifies the opportunities for cooperative banks to perform against commercial banks in Urban areas and suggest for more branches at urban level.	{5}
6	Pattern of lending practices	Clusters of financial inclusion were identified in this study to suggest the management in diversifying the lending practices in Delhi cooperatives.	{6}
7	Financial activity	This study reveals the poor deposit mobilization of Thirupathi cooperative bank and identified the ineffective deployment of deposit sources.	{7}
8	Data Envelopment Analysis	The DEA of the Indian Cooperative banks was studied and analysis required for identifying the business opportunities in Indian banking sector was explored.	{8}
9	Technical efficiency	Extensive empirical studies of banking efficiency have been conducted with special reference to cooperative bank and banking efficiency that has been represented here give useful comparatives and provides information that can lead to significant improvement in UCB,s	{9}
10	Productive Performance Evaluation	Irrespective of regular business performance, this study identifies the chain between the performance of the bank and its contribution for societal growth.	{10}
11	Profitability and Loan Recovery	The Need of urban cooperative banks in Mumbai Karnataka was clearly identified and the importance of these banks in economic growth of the region as studied with the help of both primary and secondary study.	{11}
12	Performance Appraisal	Growth of UCB's in ters of Profitability and employee satisfaction was studied and matched with the potential employees of these type of banks.	{12}
13	Productivity analysis	Comparative study conducted between cooperative banks and commercial banks which gave the output of employee inclusion and quality of service at cooperative bank. Study reveals the more productivity in cooperative banks.	{13}
14	Funds Management	Application and sources of funds was analysed with the end result as the cooperative banks are not taking risks in extending the investment portfolio	{14}
15	Sustainability, Viability and Governance	Here the major role played by govt and its policies in managing DCCB's clearly shows that govt intervention is much and it is needed at this level to support the banks with less performance.	{15}



16	Profitability Performance	The study makes an effort in identifying the importance of Profit levels of the cooperative banks , to analyse the long term visionary ideas of these banks	{16}
17	Marketing Strategies	Channels for improving the number of branches and their performance in rural level was elaborated in the study. And the study also identifies the lack of promotional activities conducted by these banks	{17}
18	Marketing Strategies	Study reveal the truth of extend of marketing research and funding happening in these UCB compare to commercial banks in India. This is the main reason for failure of many banks in maharashtra.	{18}
19	Working performance	Apex banks which contains maximum share of local state govt have much interference by local authority and hence the low performance leads to closure of these banks in tamilnadu.	{19}
20	The Menacing Problems of Overdue	Most of the customers for these banks in Rajasthan is farmers, hence climatic condition and monsoon impacts the repayment of loan by farmers. Creation of NPA is more year by year.	{20}
21	Performance and achievements	Being a major Agriculture background state, Haryana DCCB facing huge challenge in terms of imbalance in receipts and deposits.	{21 }
22	Credit Risk Management and Efficiency of Savings	Impact of credit risk management on the financial feasibility was identified with the help of the techniques of credit risk management followed by the cooperative societies	{22}
23	Effect of Credit Risk Management on Financial Performance	Failures of the cooperative banks are very high due to lack of knowledge in credit risk management and hence Nigerian banks have failed in the holistic banning system.	{23}
24	Financial performance	Since Anantpur district covered with large percentage of rural area, these banks performance has laid a big foundation in terms of profit and expansion.	{24}
25	Workings of Select Urban Co-Operative Banks	In competition with commercial banks, UCB in Tamilnadu have given a tough competition in terms of implementing technology and banking procedures to attract customers.	{25}
26	Financial performance	Most of the banks in Dharmavaram have financed small scale industries and hence these bans are financially well maintained with cost management strategy	{26}
27	Economic Effects of the Digital Transformation	The mode of digital transformation helped out in growing economy for cooperative banks. The study identified the opportunities opened up for cooperative banks in terms of digital transformation.	{27}
28	Cooperative Banks and Local Economic Growth	Here the role of DCCB's in improving the domestic economy and idea of expansion of these banks activity in to semi urban areas was discussed broadly.	{ 28 }
29	Role of Cooperative Societies	Contribution of Cooperative banks in rural areas was measured and compared with the commercial banks, this proves the intensity of fund flow from these banks was much measurable in terms of quantity and service quality.	{29}
30	Training and Development	Most of the employees in rural banks have experienced lack of training due to unavailability of resources and funds. The study clarified the requirements of training at these banks to overcome the difficulties.	{30}





31	Cooperative Banks and Financial Stability	Planning and organising the funds for daily business was quite difficult for the cooperative banks since these banks perform activities in small number of customers and funds.	{31}
32	Customer Satisfaction	Most of the commercial banks have given many offers and benefits to attract the new and existing customer. This marketing strategies cannot be implemented by DCC'B or rural banks due to lack of funds.	{32}
33	Compliance and Obligations of Co-Operative Bank	Predominantly the government rules and regulations restrict the cooperative banks growth in terms of money and investment.	{33}
34	Good Cooperative Governance	Transparency in daily business is very less in cooperative banks when compare to commercial banks. The reason behind this is the members authority and intervention in day to day business activity.	{34}
35	Financial Performance	When it comes to sources and application of funds, public sector banks play vital role in disinvestment and strict policies. This made the banks much profitable.	{35}
36	Non-Performing Assets Management	NPA in the rural cooperative banks is mainly because of less collateral and under maintenance of risk management teams. The failure of credit system leads to failure of financial performance of these banks.	{36}
37	Performance of Women Urban Co-Operative Banks	Camel model identifies the evolution of new era in financial modeling at bangalore women's cooperative banks. The study make a clear picture of the success of the bank in short span of time due to proper functions carried by these banks.	{37}
38	Crisis of Agricultural Co-Operatives in the World	Since the agriculture is the main source of income for farmers, the majority of the customers for these banks are also the farmers. These banks are like oxygen for rural residents for the loans and advances.	{38}
39	Working Capital Management --	This banks mainly depend on the Pigmis and small credit system for their working capital. Due to overburden of advances few challenges have been faced by the banks in maintaining the working capital	{39}
40	Key Issues and Way Forward	Many surveys and studies revealed that future of Indian rural economy is in the hands of cooperative banks. These banks works in the ground level to understand the problems of below poverty level people.	{40}
41	Progress and Problems	Due to lack of funds and support from the member banks, maharastra cooperative bank was failed many time.	{41}
42	Lending Practices	These banks much concentrated on lending loan for the small scale investors and ignored the long term revenue generating investments. This made the bank to perform in average growth.	{42}
43	Productivity in Co-operative Banks	Less skilled staff and ignorance in technology investment has made the cooperative banks less familiar and less productive.	{43}
44	Non-Performing Assets	NPA is a common problem for banks, but the NPA in cooperative banks will be comparatively less due to long set of loan process with proper documentation.	{44}



45	Satisfaction of Urban Co-operative Bank	Customer with small investment are happy and customer with expectation of larger financial assistance were unhappy with the documentation and delay process of these banks. And moreover these banks were providing the loans at very cheaper interest.	{45}
46	Non-Performing Assets	This rural bank occupied in very small place of tamilnadu with the constant monitoring of financial activities and hence the percentage of NPA is very less due to its quick process and strong management team.	{46}
47	Cooperative Governance in Co-Operative Banks	Most of the activities were clearly discussed in prior before taking major decisions, hence it has been identified that proper decision making can bring the cooperative banks to the most competitive and successful.	{47}
48	Mobilization and Management of Capital	Fund mobilization is most easiest and simplest activity of cooperative banks in India. Irrespective of the territory in its financial activity, the bank is performing in huge money circulation process.	{48}
49	Strengthening Resilience of Urban Co-operative Banks in India	When compare to German Banks, the sample bans selected in the study are more vital and progressive due to implementation of new technology and innovation in banking process.	{49}
50	Liquidation of cooperative banks	As we see most banks are getting merged, the strength of the cooperative banks are very less compare to commercial banks. These banks are running short of daily working capital and investments.	{50}

### INVESTMENT AVENUES AND FUND MANAGEMENT OF UCB'S IN CURRENT SITUATION

As per the guidelines from the RBI, cooperatives (urban) have some few avenues and where they can invest by following the guidelines of statutory bodies.

Sl	Avenues
1	Holding Shares in Other Co-operative Societies
2	Statutory (SLR) Investments
3	Investment Policy
4	Transactions through SGL Accounts
5	Use of Bank Receipts (BRs)
6	Settlement of Government Securities Transactions through CCIL
7	Ready forward contracts in Govt. Securities
8	Non SLR Investments

### RESEARCH GAPS AND PROPOSAL

After reviewing these many research papers and publications, it was observed that many studies are conducted in the area of fund management, growth, profitability, employee satisfaction, non-performing assets and sources and applications of funds only. There is a huge scope in studying the ignored or untouched areas in cooperative sector. Thus proposed study will be the treasury management activities performed in urban cooperative banks will be suitable area for the study in progress.

Gap 1: Most of the studies concentrate only on the growth and profitability of cooperative banks. Thus not much literature reviews available on the proposed area of the study on Urban cooperative banks treasury management.

Gap 2: Since step by step RBI or statutory bodies of the cooperative ( Urban) banks are taking much decisions on allowing these banks to invest more in Umbrella banks, detail study can be conduted regularly by monitoring the new policies and procedures.

Gap 3 : There are less information and data regarding the Urban cooperative banks ( inclusively) as like other commercial banks to conduct study on their overall performance.



Gap 4 : There is no centralized agency or institution which collectively provide the status of these banks, state govt in the different tier levels manage these urban cooperative banks, since these banks regulated in the state level in different way.

Gap 5: Even though the statutory bodies allow these banks to invest in the respective avenues, management of these individual banks take unique decisions which cannot be club together and make general conclusions.

Gap 6: Only financial data available can be used to identify their investment patterns, however availability of future investment plans can be used to advise the banks on the future profitable investments.

## RESEARCH AGENDAS

1. To identify the specific region in Karnataka and by selecting UCB's in this region for the study to understand their fund management process.
2. To analyse and understand the different avenues used by these UCB's to mobilise the funds and make profit.
3. To examine the methods or techniques used by these UCB's to select the available investment avenue.
4. To understand the detail information about the fund management techniques and procedures followed in these banks.
5. To foresee the trend in Indian banking system specially the Urban cooperatives, investment patterns and source identification.

## ABCD EVALUATION OF RESEARCH PROPOSAL

One of the modern and reliable method of analysing our research ideas, our thoughts on process, the various business models and plans is ABCD analysis. Many times the researchers fail to conduct this analysis due to lack of information on their study in their early study period, however this analysis is based on any particular data but this purely depends on hoe we have understood the research methods and process. To conduct the study on the treasury management of selected UCB's , it is mandatory to prepare the data for ABCD analysis which is predominantly used in the research field to have clear idea about the proposal and study. Even though the study deals with the secondary data, the fund management of these cooperative banks in the specified region can be applied here to enhance the quality research proposal.

Advantages:

- The proposed study will be benchmark for further study in other cooperative banks of the state.
- The proposed study is untouched area in previous years, hence the study will be road map for further research.
- The outcome of the suggestions in the post research can be implemented by banks( outside the sample ) for further financial growth.
- Since most of the UCB's are located in the Tier 2 and Tier 3 cities, the outcome of the study will be an input for these banks to expand their business for the larger interest.

Benefits:

- New investment avenues can be identified in the post completion of the study, which can be suggested for implementation in the UCB's.
- This study can become the source of information on investment for UCB's association in Karnataka and also for the Govt of Karnataka.
- Study will explore many other investment and sources of funds for these UCB's in selected region of Karnataka.

Constraints:

- Few investment methods currently followed by the banks are confidential and hence the secondary data for this study may be difficult.
- Since these UCB's does not have treasury management team, their fund management difficulties need to be studied by either discussion with the management orally.
- Unavailability of clear primary data to the support the designed study will be a challenge to organize the study in both primary and secondary data.

Disadvantages:

- There will be few personal observations in the proposed study, where each UCB's are maintained by individual board of members. Hence the output accuracy may not be completely accurate.





- Fund management process and methods are sometime confidential and banks may provide incorrect information while providing the data for research.
- Data collection could be done for past 10 years and predicting the future with this data may not be accurate in terms of economic condition and unprecedented situations.

## SWOC ANALYSIS OF THE RESEARCH OBJECTIVE

### Strength

1. The present study will focus only on the Urban cooperatives in the specific region of Karnataka.
2. The study will try to redefine the investment methods in the UCB's.
3. Proposed study deals with identifying better options for the UCB's for the investment alternatives.
4. Output of the study will be a documented evidence for other cooperative banks also.

### Weakness

1. The study results will be drawn only based on the secondary data and hence this may be different for different banks in the same region.
2. Since the sample is restricted to specific region banks and their investment avenues, study ignores other elements which influence the investment methods.
3. Economic condition and global banking issues were not included in the study.

### Opportunities

1. The Study data and analysis can be used by other cooperative banks also for the purpose of investment and fund sourcing.
2. The output of the proposed study will enhance the cooperative banks investment objectives.
3. New suggestions can be drawn by the proposed study which helps the Karnataka cooperative society association in taking some investment challenges to RBI or govt.
4. The prediction and past investment avenues and modes can be scrutinized to understand the positive and negative impacts on profitability of the UCB's.

### Challenges

1. New addition or modifications in the govt policy may have some impact on proposed study in the study period, since RBI release guidelines frequently on regulations.
2. Maximum data collection is from secondary sources/ bank records, hence there may be chances of high level of significance in the hypothesis creation.
3. It will be tough to generalize the statement on the basis of output or result, since the sample will be drawn randomly for the study based on 4 regions.

## FINAL RESEARCH PROPOSAL ON CHOSEN TOPIC

Though the examine of the literature papers published in the area of the proposed study, few gaps have been identified and at the same time ignored or untouched area was also identified for the study. This will be considered in further research period and based on that the data collection and analysis part will be decided.

**Title:** Treasury management process at Urban Cooperative Banks in Karnataka.

**Purpose:** As we defined in the methodology, there is a huge opportunity to explore and study on the fund management of the UCB'S in Karnataka. There are many studys available on NPA, ALM and other activities of the cooperative banks, however very minimal literature is available on the proposed study. In most of the districts these banks are not performing up to the mark and hence it is assumed that the wrong investment decision may also be reason for the failure and this need to be tested while conducting the study.

## RESEARCH OBJECTIVE

1. To analyse the treasury management methods and their impact on Performance of UCB's.
2. To examine the efficiency of fund management in the selected UCB's in Karnataka.
3. To estimate the future cash flows for the UCB's based on the historical fund management activities.
4. To identify the current methods followed by UCB's in resource utilization and mobilization.
5. To analyse the trend followed by these banks in investment activities and compare with other cooperatives.



- To identify and suggest new techniques or modes of investment available for the UCB's in Karnataka.

## PROPOSED METHODOLOGY

### Study Population

In Karnataka there are 264 UCB's currently performing their business and hence the same will be selected for study population.

### Study Sample

As of date the UCB's in Karnataka are divided into four regions, hence it is decided to include at least 15 banks from each region to conduct the study. The selection is subjected to availability of data and business capacity of the banks.

### Instruments

As the data analysis will be conducted on the secondary data provided by individual banks and the analysis is purely based on their fund management activities, few statistical tools and techniques will be used as per the requirements.

- Test for normality and trend analysis will be used.
- Hypothesis testing will be conducted to predict future cash flows.
- Financial performance of the banks will be examined to understand the sources of funds.
- Descriptive study can be completed using the basic statistical tools like Mean, median, SD and Range.
- Least square method for cash projection.
- It is proposed to use SPSS and E-view based on the data availability.

### Analysis and Interpretation

The judgment will be made after detailed analysis of the obtained data using standard and scientific methods. The results will be tested simultaneously to obtain the error-free results.

### Results and finding from the study

Diagrammatic tabular will be framed to present the analysis in the easiest way and figurative forms will be followed where necessary.

### Conclusion and Implications

It summarizes the objectives of the study and at the same time it allows sample banks to grab the opportunities available in the market to make the bank grow financially in the coming years. The other banks which were not added in the sample can follow the new effective methods to conduct the fund management in the coming years. This study also reveals the financial strength and position of UCB's in Karnataka; this may help the banks for effective decision making.

### Bibliography and reference

To strengthen the output or results of the study proper literature, published papers, books and supporting financial and non-financial proofs will be supplemented in the end of the study.

### Research Ambit and Constraints

The proposal will focus only on the selected UCB's which will be selected based on the data availability and regions specified. Sample size is restricted to 60 banks out of 264 in Karnataka to have a quality study and time frame. There may be chances of changing the banks which are included in the sample due to lack of support or information shared by the banks. Primary data analysis is ignored almost, however there is still scope of Primary data analysis in the area of banks' attractiveness towards the customers using their banking products.

## CONCLUSION

The core objective behind conducting the in-detail study of the literature review on the proposed study is to identify the Gaps and ignored areas in the UCB's sector. There are few untouched areas in the cooperative sector which need to be explored by the academicians and students in the current market condition. As we are aware of the global challenges in the banking sector, we do not want the cooperative sector to fall behind in the Indian market.



Specially UCB's and other cooperative banks are back bone of rural banking sector, there should be more study conducted in these areas to boost the sector and identify the opportunities available for this sector to compete with the commercial banks.

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