

CHAPTER V

PROFILE OF LEADERSHIP IN LEADING BANKS IN KOLHAPUR CITY

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The analysis of leadership in UCBs will now onwards be focussed on the four sampled banks in Kolhapur City. They are presently the leading UCBs of the city. At the outset, a brief history of the banks would be presented in order to bring out the significant role played by a chosen key persons in pioneering and nurturing the banks, thus providing leadership to the institutions. Thereafter, an indepth analysis of all the persons involved in the management of the banks throughout the bank's life would be presented.

5.1 CHH.SHAHU, PRECURSOR OF THE URBAN BANKS

Kolhapur was a Princely State till 1949. Chhatrapati Shahu Maharaj, an enlightened king, ruled over the erstwhile Kolhapur State for 28 years (1894-1922). He was an able administrator caring for the welfare of all sections of people in his kingdom, a social worker and a great thinker. All the while, he was yearning for the social, educational and economic welfare of his subjects.

During the earlier period of his regime, agriculturists were found to be in the grips of the moneylenders, who squeezed them by charging exorbitant rates of interest.

To relieve the poor masses from the jaws of the money-lenders, he encouraged establishment of credit cooperatives. During his regime, 37 cooperative societies were started, of which 35 were credit societies. Small traders, businessmen and employees too were exploited by private moneylending agencies. Hence, the Chhatrapati encouraged formation of non-agricultural cooperative societies.

During his rule, 4 UCBs started functioning. They were:

- (1) Kolhapur Urban Cooperative Bank Limited,
Kolhapur (1913),
- (2) Balbheem Urban Cooperative Bank Limited,
Kolhapur (1915),
- (3) Government Servants' Cooperative Bank Limited,
Kolhapur (1917),
- (4) Kagal Urban Cooperative Bank Limited,
Kagal (1917).

Thus, Chh.Shahu provided the initial leadership for the birth of the cooperative movement in general and urban cooperative banks in particular in his kingdom.

5.2 LEADERSHIP IN THE FORMATIVE STAGE OF THE SELECTED BANKS

As is noticed just now, the initial impulse of establishment of urban cooperative banks in the Princely State of Kolhapur came from Chh.Shahu in the early years of the

present century. Happily, his successor, Chh.Rajaram, continued the policy. As a result, a number of urban cooperative banks emerged. For this, a number of non-officials came forward and provided early leadership not only for the promotion of the bank, but also for guiding its destinies. A brief account of this needs to be presented. It is done in the context of the following four presently leading cooperative UCBs in Kolhapur city:

- (1) Kolhapur Urban Cooperative Bank Ltd., (1913),
- (2) Kolhapur Maratha Urban Cooperative Bank Ltd., (1933),
- (3) Shree Mahaveer Cooperative Bank Ltd., (1937),
- (4) Shree Veershaiva Cooperative Bank Ltd., (1942).

The account does not go into the detailed history of these banks. Rather, it is interested in bringing forth the leadership which played a key role in furthering the cause of the bank.

5.2.1 Kolhapur Urban Cooperative Bank Ltd.

The sanitary workers, sweepers and other down-trodden people were harassed by Pathans and Savkars. It was brought to the notice of Chh.Shahu Maharaj by Bhaskarrao Jadhav, who was Superintendent of Kolhapur Municipal Council. With the support and inspiration of the Chhatrapati, the first cooperative credit society was started in Kolhapur city on 24.5.1913, under the leadership of Bhaskarrao Jadhav. It was named as The Kolhapur Urban Cooperative Credit Society.

The very objective of establishment of this society was to stop the exploitation of ordinary employees. The first meeting was held on 24.5.1913. It was decided to start the 'Kolhapur Urban Cooperative Credit Society'. Accordingly, the bye-laws were also framed by 18 members who attended the meeting.

During 1913 to 1915, the number of members of the Bank went up from 18 to 334. It had the members drawn from all the rank and file of the society. To begin with, Chh.Shahu paid Rs.1,000 as an interest-free deposit, out of the municipal funds. Therefore, the Bank was able to lend 80 per cent of its deposits at the rate of 3 per cent interest rate. In the beginning, the face-value of shares was Rs.10. It was collected in 2 instalments. Importantly, in the year 1913, three joint-stock banks (1. Solapur Bank, 2. Southern Maratha Bank, and 3. Jagadguru Bank) went into bankruptcy, but this event did not come in the way of the establishment and progress of the Kolhapur Society. The society started cheque system for the first time in 1921.

On the request of Bhaskarrao Jadhav, Chh.Shahu donated a piece of land measuring 20'x60' for constructing the Society's building. The building was opened at the hands of Chh.Rajaram Maharaj on 3.6.1923. Some special features of the Society were as under:

- (i) it introduced the use of cheques,
- (ii) it implemented daily audit system and further the accounts

- were audited by a special auditor;
- (iii) weekly instalment system was started for businessmen for the repayment of their loans;
 - (iv) the loan limit was increased from Rs.1,000 to Rs.2,000;
 - (v) From 1917-18 onwards, the society started lending to other societies also and thereby it functioned like a central financing agency in the district;
 - (vi) for effective recovery of loans, the society started publishing the names of the defaulting borrowers; and
 - (vii) it published its annual reports.

Due to the depression of 1930's, profit margins of farmers and traders declined substantially. Overdues of the society swelled from 13 per cent in 1931-32 to 39 per cent in 1935-36. To reduce the percentage of overdues, three measures were adopted:

- (i) the rate of interest was reduced from 9 per cent to 7.5 per cent;
- (ii) 3 per cent commission was given to the agents to speed up the work of recovery of loans; and
- (iii) loans on the security of gold and silver were introduced.

As an important landmark, on 1.10.1936, the society was converted into a bank and thus it became the Kolhapur urban Cooperative Bank Limited. During the period of Second World War, the bank again faced the problems of heavy overdues due

War-time inflation. Consequently, profit of the bank slashed. In such a difficult situation, D.N.Kanerkar got elected to the Board of Directors and made enormous efforts to rectify the bad condition of the Bank. He introduced two new schemes: (1) Recurring Deposit Scheme, and (2) Compulsory Saving Deposit Scheme. Later on, Kanerkar became the Chairman of the Bank four times during 1952 to 1965.

In later years too, the Bank showed a good progress. The Urban Cooperative Bankss were allowed to pay 1 per cent more interest on their deposits than the commercial banks. Further, the banks were directed to lend minimum 60 per cent of their loans to the priority sector, including 25 per cent to the weaker sections of the community. In 1986-87, this Bank lent 66 per cent of its loans to the priority sectors, of which 38 per cent was given to economically backward sections. In 1988, the Bank celebrated its Platinum Jubilee. In the long life of the Bank, Bhaskarrao Jadhav and D.N. Kanerkar were the key figures which shaped the destiny of the Bank.

5.2.2 Kolhapur Maratha Urban Cooperative Bank Ltd.

Chh.Shahu Maharaj brought Dattoba Ramchandra Bhosale from Nasik to Kolhapur. He was a Police Inspector in Nasik. He was appointed as an educational officer in Kolhapur State. He took lead in establishing many social institutions. He felt

that for smooth working of such institutions, easy availability of finance was a must. Therefore, he thought of establishing a cooperative bank. It caused establishment of 'The Kolhapur Maratha Cooperative Bank Limited, Kolhapur' on 20th October, 1933. It was the first urban cooperative Bank to register in that year. Dattoba Bhosale was thus the pioneer of this bank. After the demise of Chh. Shahu in 1922, his son Chh. Rajaram Maharaj had come to power. He followed the policies of his father. He also encouraged cooperative institutions and as such, supported the establishment of the Kolhapur Maratha Urban Cooperative Bank at Kolhapur. The very objective of establishment of this Bank was to relieve the small traders, businessmen and weaker sections of the society from the clutches of the Pathans, Marwaris, Dalals, etc.

Even though the Bank emerged during the depression period, it made an outstanding performance due to its enlightened leadership. The first meeting of the Management Committee was held on 25th November, 1933. Bhaskarrao Jadhav also attended the meeting. The Bank started its functioning from 3rd January 1934. Doulatrao Y. Bhosale was the first chairman and Balasaheb A. Mahagaonkar was the first vice-chairman of the Bank. Janardanpant D. Bhosale and K. G. Powar were the promoters of this Bank. J. D. Bhosale was in the management of the Bank for forty years. He devoted much of his time and energy to the progress of the Bank. K. G. Powar, an advocate, too made a noteworthy contribution.-

5.2.3 Shree Mahaveer Urban Cooperative Bank Ltd.

Kolhapur, by mid-thirties, exhibited signs of rapid development of trade, commerce and small-scale industrial activity. Obviously, needs of finance too were growing much faster. Over the three-and-half decades of the present century, already some urban cooperatives had appeared on the scene of Kolhapur city, besides a few private commercial banks. But all these banks together were unable to quench the financial thirst. In addition, the Jains among the traders and businessmen thought to have a bank sponsored and run by the persons from their community. Hence, a plan of establishing an urban cooperative bank, run by the people of their community, began to take shape. Balwant Shantappa Mithari, Annasaheb Ladage, Gangaram Bapu Chougule and Devappanna Mangaj took the lead and finally established a bank by the name of Shree Mahaveer Urban Cooperative Bank Limited at Kolhapur on 12th May 1937.

In the formative stage of the Bank, Annasaheb Babaji Ladage took much efforts. He was in the government of Kolhapur State, then being ruled by Chh.Rajaram Maharaj. Ladage was chosen as the first chairman of the Bank. He held the office for eight years. Thereafter, another pioneer of the Bank, Gangaram B.Chougule, succeeded in the office in 1946 and continued till 1960. He was a trader by vocation and had long experience therein, which was useful to him

while shaping the destiny of the Bank. Ladage and Chougule strove hard and put the bank on sound footing. Chougule handed over the reigns of chairmanship of the Bank in 1961 to Dasharath Y.Mench, who was one amongst the pioneers of the Bank. During his tenure upto 1969, he established new heights of Bank's activities. An additional name needs to be mentioned. Shripal T. Vankudre, a businessman, was on the Board of Directors of the Bank for 20 years from its inception.

5.2.4 Shree Veershaiv Cooperative Bank Ltd..

To cater to the needs of the Lingayat community, this bank was started at Kolhapur in 1942. D.B.Mali, N.C.Chikmath, M.D.Shreshthi, S.V.Nashte and Ratnappa Kumbhar were the pioneers of the bank. During the pre-Independence period, this bank was confined to only the Lingayat community. Soon, the management of the bank realized that if the bank is restricted to only the Lingayat community, its future growth would be stunted. Therefore, after Independence, the membership was really kept open to others also. D.B.Mali was the first chairman of the bank who held the office for 11 years. Under his reigns, the bank made a good progress. B.B.Patil and S.V.Nashte were the promoters of the bank. They put their toil and efforts for the healthy growth of the bank. B.B.Patil served as a member of Board of Directors for 26 years. S.V.Nashte, a big trader in Kolhapur, was

a member of this bank for 20 years. S.A.Patil was one of the efficient chairmen for 15 years. The other important figures who contributed towards the growth of the bank were Dr.S.S.Ghali and R.M.Chougule. They were in the management board for more than 25 years. Thus, the experiences of all these persons were very useful for shaping the destiny of the bank.

5.3 ANALYSIS OF THE PERSONNEL ON THE BOARD OF DIRECTORS

Composition of the Board of Directors of an UCB from time to time reflects the extent to which there is a concentration of the personnel on this key body or enough opportunities are available to a large number of persons to sit in the body. Dispersal of representation is normally expected and desired for strict observance of the spirit of cooperation. An indepth study of the representation of the members on this body would throw light on the factual situation.

Before actually launching the analysis, here a brief interlude is provided by adding the details relating to the statutory provisions about the membership of the bank and representation on the Board of Directors.

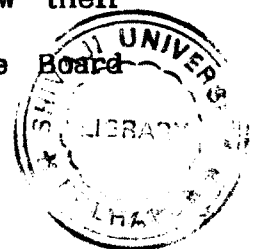
The idea behind this analysis is that the Board of Directors gives directions to the chairman in discharging his responsibilities. Each person therein is important in

deciding the fate of the organization. Therefore, each Director can be treated as providing leadership in his way to the organization.

5.3.1 Membership

Broadly speaking the membership of an urban cooperative bank comprises persons living in urban areas. The conditions of eligibility for the membership of these banks are prescribed under rules and bye-laws. Accordingly, small-traders, artisans, merchants, professional classes can be the members, provided they have their business or profession in the jurisdiction of the bank and they should be eligible to contract with the bank as per the provisions made in the Indian Contract Act, 1872. One who desires to be the member of an UCB should apply on the bank's printed forms and the application should be sanctioned in the meeting of the Board of Directors with majority voting. They must pay the required amount of a share and admission fee in cash, viz. Rs.100 as share-capital and Rupee one as an admission fee.

The member must have completed 18 years of age and must not have committed any unlawful activity by which he has suffered moral degradation. The applications for membership of such urban people are scrutinized by the Board of Directors and when they are sanctioned, the persons become valid members of the bank. They can withdraw their membership after one year with the permission of the Board



of Directors and as per provisions of the rules and bye-laws.

5.3.2 Board of Directors

Board of Directors consists of 9 members as below:

- (A) (1) Directors to be elected from amongst the members of the bank, as stipulated in the bye-laws;
 - (2) One director nominated by the State government, if the government has contributed to the share capital;
 - (3) On of the Board of Directors, two seats shall be reserved, one for the members belonging to Scheduled Castes/Scheduled Tribes and the other from the members of the weaker sections.
- (B) Tenure of office of the Board is 4 years.

5.3.3 Personnel on Board of Directors : A Scenario

Now a scrutiny of the representatives on the Board of Directors (BOD) of the four sampled banks will be attempted with reference to different parameters. The data here pertains to all the directors of the four banks throughout the life of the banks, excluding the years for which data was not available.

5.3.3.1 Age-structure of the directors

This feature would point out the age-group from which the bank leadership has come forth. Data in this context is given in Table 5.1.

Table 5.1
Classification of the directors by age-group

Name of the Bank	No. of directors	Age-group		
		18-35	35-50	Above 50
1. Kolhapur	42	10 (24)	31 (74)	1 (2)
2. Maratha	69	56 (81)	13 (19)	-
3. Mahaveer	71	19 (27)	43 (60)	9 (13)
4. Veershaiv	57	-	40 (70)	17 (30)
Total	239 (100)	85 (36)	127 (53)	27 (11)

Note: Figures in brackets are the rounded percentages to the total.

Source: Field survey.

An aggregate sample of 239 directors of the 4 UCBs of Kolhapur city was available. A little over half of them were from the middle-age group (35-50 years) and a little over one-third belonged to the younger age-group (18-35 years). Thus, taken together, nearly 90 per cent of the directors of the banks were below 50 years. Perhaps, most of them were active in their vocations and had an instinct of participation in some public institutions. This attitude is naturally befitting the age-group. Therefore, the leadership in general has been provided mostly by the middle-aged persons normally falling between the range of 30 to 50 years.

If looked bankwise, Maratha Bank appears to be a conspicuous exception to the general observation. Surprisingly,

81 per cent of its directors were youths in the age-group 18-35 years. At the other extreme, Veershaiv Bank becomes conspicuous as it never had a director below 35 years. In addition, Maratha Bank had none above 50 years, whereas Veershaiv Bank's 30 per cent directors from the older group. No other bank had such a large percentage of directors above 50 years. Mahaveer Bank was next in order in this context. Of the 4 banks, Mahaveer Bank alone had a rather reasonable combination of the three age-groups. It could, therefore, rely on the experience and advice from the grey hairs as also it could prepare the younger generation for future responsibilities. In the middle age-group, Kolhapur Bank had the largest proportion of directors, closely followed by Veershaiv Bank and then Mahaveer Bank. Maratha Bank was far below. It remained a bank run by the youths. On the contrary, Veershaiv Bank totally avoided youths.

5.3.3.2 Caste composition of the directors:

Ethnic distribution of the directors would reveal the origins of the leadership. The data is presented in Table 5.2 (on the following page).

On the basis of the available data for 260 directors of the banks, Table 5.2 reveals clear domination of three castes in the four banks in question, with Marathas leading and Jains and Lingayats following, in that order. This is for the reason that the banks have been floated and nurtured by the people from specific castes. It can be seen vividly

Table 5.2
Classification of directors by caste

Name of Bank	No. of Directors	Lingayat	Maratha	Brahmin	Jain	Backward classes	Others
Kolhapur	42	2 (5)	18 (43)	5 (12)	8 (19)	1 (2)	8 (19)
Maratha	86	-	77 (90)	-	-	6 (7)	3 (3)
Mahaveer	75	-	2 (2.5)	-	67 (90)	2 (2.5)	4 (5)
						Weaker Section	
Veershaiva	57	53 (93)	-	-	-	4 (7)	-
Total:	260 (100)	55 (21)	97 (37)	5 (2)	75 (29)	13 (5)	15 (6)

Note: Figures in brackets are the rounded percentages to the total.

Source: Field survey.

through the break-up figures and perceived well by the name of the Bank itself. In Maratha, Mahaveer and Veershaiv Banks, the Marathas, the Jains and the Lingayats, respectively, have given over 90 per cent of the directors. Only Kolhapur Bank had a fair combination of persons drawn from different ethnic groups of the society. All the banks show some representation to members from backward classes. This has come out of the legal compulsion introduced in recent years. Earlier, all these banks avoided this representation. Thus, the UCBs, by the process of their establishment and management by persons of specific castes, have attempted to build the leadership from within the castes.

5.3.3.3 Educational status of the directors

On this count, authentic information of 237 directors was available, which has been tabulated and presented in Table 5.3

Table 5.3
Classification of the directors by education

Name of the UCB	No. of directors	Upto 7th Std.	8th to 10th Std	Under-graduate	Graduate
1. Kolhapur	42	23 (55)	11 (26)	3 (7)	5 (12)
2. Maratha	74	32 (43)	18 (24)	-	24 (33)
3. Mahaveer	64	20 (31)	30 (47)	1 (1.5)	13 (20.5)
4. Veershaiv	57	28 (49)	14 (24.5)	1 (2)	14 (24.5)
Total:	237 (100)	103 (43)	73 (31)	5 (2)	56 (24)

Note: Figures in brackets are the rounded percentages to the total.

Source: Field survey.

Table 5.3 establishes broadly an inverse relationship between the level of education of the directors and the directorship of the bank. The overall picture shows domination of the persons having education upto 10th standard; and within this group, the percentage has tilted more towards those with education upto 7th standard. So far graduates are concerned, they were one-fourth in the total. However, bank-wise details show that Maratha Bank had the largest proportion (one third), Veershaiv Bank had one-fourth and Mahaveer Bank had one-fifth directors with a degree. Kolhapur

Bank was governed mostly by the persons with educational level upto 10th standard.

It appears that the early vanguards of these banks were mostly less educated persons, but their inherent qualities must have made them good leaders. The educated class has been associated with the banks, particularly during the last two decades. Of course, this does not mean that there were no graduates at all as pioneers. There were, but they were a few. The point is, leadership of the bank has sprung largely from the less educated sections of the society.

5.3.3.4 Vocation of the directors

Vocational data of the directors was available in case of 255 persons. The same is classified in Table 5.4.

Table 5.4
Classification of the directors by vocation

Name of the UCB	No. of Directors	Business men & Industrialists	Land-lords	Professionals	Social workers	Government service	Others
1. Kolhapur	42	26 (62)	4 (9.5)	6 (14)	2 (5)	4 (9.5)	-
2. Maratha	71	25 (35)	7 (10)	12 (17)	4 (6)	20 (28)	3 (4)
3. Mahaveer	85	56 (66)	11 (13)	12 (14)	-	6 (7)	-
4. Veershaiv	57	26 (46)	17 (30)	6 (10)	-	7 (12)	1 (2)
Total:	255 (100)	133 (52)	39 (15)	36 (14)	6 (2)	37 (15)	4 (2)

Note: Figures in brackets are the rounded percentages to the total.

Source: Field survey.

It is a point worth remembering that most of the urban cooperative banks have seen the limelight out of the financial needs of the industry and business community of relatively small means. This fact is confirmed by the statistical details of Table 5.4. Of the 255 directors, 52 per cent were drawn from this category. Especially, Kolhapur and Mahaveer Banks relied largely on these sections by drawing nearly two-thirds of their directors from them. Veershaiv Bank, though gave priority to the business community, relied substantially also on the landlord class. Maratha Bank had the widest representation; business sections and government servants were the preferred sections; even then, professionals and landlords too were associated with it. All the banks had atleast a small proportion of directors from the professional classes.

5.3.3.5 Place of residence of the directors

Information of 260 directors regarding their place of residence at the time of their directorship was available. Classified data is given in Table 5.5. (on the following page).

Table 5.5 represents that 223, out of 260, directors belonged to Kolhapur city, accounting for 86 per cent of the total. Outsiders constituted only 14 per cent of the aggregate. It means most of the directors were from Kolhapur city.

The same position is found in individual banks too. More than 90 per cent of directors of Kolhapur and Mahaveer

Banks were local, whereas nearly 90 per cent of directors of Maratha Bank and 65 per cent of Veershaiv Bank were local.

Table 5.5
Classification of the directors by
place of residence

Name of the UCB	No. of directors	Local (Kolhapur)	Outsiders
1. Kolhapur	42	39 (93)	3 (7)
2. Maratha	86	76 (88)	10 (12)
3. Mahaveer	75	71 (95)	4 (5)
4. Veershaiv	57	37 (65)	20 (35)
Total:	260 (100)	223 (86)	37 (14)

Note: Figures in parentheses are the rounded figures of percentages to the total.

Source: Field survey.

The reason for local dominance is obvious. As seen earlier, the business and industrial community dominated the band of directors. They were concentrated at Kolhapur as Kolhapur city provided ample scope since long for more industry and business. Moreover, these were the people who felt the need of more banks, and hence took lead in establishing them.