

## CHAPTER - I

### INTRODUCTION

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### 1.1 URBAN CO-OPERATIVE BANKS

The Urban Co-operative Banks occupy a significant place in the urban co-operative credit movement. They advances loans mainly to small traders, under poverty line below, artisans and salary earners on personal security as well as against gold and silver oranments etc.

Urban co-operative bank is defined as -

- A) According to the Co-operative Planning Committee (1946), urban banks receiving deposits on current account should have -
- a) a paid-up share capital of at least Rs.20,000
  - b) maintain fluid resources on the scale prescribed by the Registrar of Co-operative Societies,
  - c) carry to the reserve fund at least one third of their net profit till it equals the paid-up share capital and thereafter at least one fourth of the net profits. The reserve fund should be invested in gilt-edged securities or deposited in banks approved by the Registrar and should not be used for the business of the Bank.



B) Recording the need for adoption of a uniform definition of an urban bank in the context of the ability of the institution to employ qualified, trained and experienced staff, the study group on credit co-operative in the non-agricultural sector, appointed by the Government of India under the Chairmanship of the late Shri V.P.Varde in 1963, suggested certain norms. The group recommended that a co-operative societies act in urban and semi urban areas having a minimum paid-up share capital of Rs.50,000, and under taking the provision of banking facilities could be termed as an urban co-operative bank.

Provision of the Reserve Bank of India Act, 1934 and Banking Regulation Act, 1949 to co-operative banks from 1st March, 1966, an urban bank is called a primary co-operative bank and defined as co-operative society, other than a primary agricultural credit society - the primary object of transaction of banking business - the paid-up share capital and reserves of which are not less than Rs.1 lakh.

## 1.2 FUNCTIONS OF THE URBAN CO-OPERATIVE BANKS

The important functions of the Urban Co-operative Banks are as follows :

- a) to attract deposits from members as well as non-members
- b) to advance loans to members,

- c) to undertake collection of bills, accepted by members,
- d) to provide other facilities as provided by the commercial banks and
- e) to arrange for safe custody of valuable documents of members.

### 1.3 URBAN CO-OPERATIVE BANKS IN INDIA

The development of Urban Co-operative Credit Societies did not receive much attention until 1915 when the MaClagon Committee referred to the potentialities for the organisation of such societies as means of training the upper and middle classes in ordinary banking principles. The failure of local joint stock banks in the country at that time gave an impetus to the growth of urban co-operatives credit societies. It was then realised urban credit societies eminently suitable institutional agencies for collecting local saving and provide local relief to those were in the clutches of money lenders by providing them with financial accommodation. Then number of Urban Credit Co-operatives organised in Bombay and Madras Provinces during this period (1919-38). The urban credit societies which established in Bombay confined their lending operations to meet the consumption needs of their members.

Later, the economic boom created by the Second World War (1939-45) provided stimulus to the growth of

urban banks in India. They grew not only in number but also in size, diversifying their activities considerably. Urban co-operative credit societies who confined their loaning operation in providing consumption credit needs the members were called upon to take up new avenues such as financing artisans, small businessmen and small traders for productive purposes in the context of the hesitancy of commercial banks at that time to meet the credit needs of these classes due to the high cost of servicing of loans.

The urban usefulness of urban banks in financing artisans, small traders, factory workers and urban middle classes was recognized by various committees and working groups such as the Central Banking Enquiry Committee (1931), the Co-operative Planning Committee (1946), the Study Group on Credit Co-operatives in the Non-Agricultural Sector (1963) and the Working Group on Industrial Financing through Co-operative Banks (1968), more particularly the Working Group on Industrial Financing through Co-operative Banks (1968), set-up by the Reserve Bank of India was of the view that urban banks were eminently suitable institutional agencies in the co-operative sector to cater for the credit needs of small-scale industries run by individuals, firms and joint stock companies.

In Kolhapur City the Urban Co-operative Credit Movement started in 1913. The first Urban Co-operative

Bank was established in Kolhapur city on 24th May, 1913 named as the Kolhapur Urban Co-operative Bank. About 40 Urban Co-operative Banks were established in Kolhapur District at the end of the year 1985. It is also to be noted that Urban Co-operative Banks in Kolhapur City have made rapid progress with satisfactory results.

The Kolhapur Maratha Co-operative Bank was established in the year 1933. It has also celebrated the Golden Jubilee Celebration. The Bank has provided loans to productive and non-productive purposes, such as Cottage and Small Scale Industries, Commercial, Educational Agriculture and Allied Activities, House Construction and Repairs, Consumption and other purposes.

Hence, the researcher has selected the Kolhapur Maratha Co-operative Bank as one of the urban co-operative banks, as one in Kolhapur city to make the analytical study of its loans and advances during the period of five years i.e. 1980-81 to 1984-85.

So the exact title of the present study is "A Study of Loans and Advances of The Kolhapur Maratha Co-operative Bank Ltd., Kolhapur (1980-81 to 1984-85)."

#### 1.4 OBJECTIVES OF THE STUDY

The objectives of the present study are as follows :

- 1) To study the extent of loans and advances provided by the Kolhapur Maratha Co-operative Bank Ltd., Kolhapur, during the period of five years under study.
- 2) To analyse and examine the loans and advances sanctioned and distributed by the Bank for various purposes.
- 3) To study the financing of the Bank to the Small Scale Industrial Units in Kolhapur City.
- 4) To know the nature and recovery of overdues of the Bank.

#### 1.5 SCOPE OF THE STUDY

The Kolhapur Maratha Co-operative Bank Ltd., is established in Kolhapur city and its branches are opened in the Kolhapur city only. The loans and advances of the Bank have been studied for the period of five years i.e. 1980-81 to 1984-85.

The present study is also related to the small scale industrial units coming under the operational area of the Kolhapur Maratha Co-operative Bank Ltd., Kolhapur. Small Scale industry as defined by the Reserve Bank of India is considered while selecting the small scale industrial units for the present study. They are -

1. Engineering industries
2. Bakeries
3. Oil Crushing Mills
4. Leather goods and leather productions
5. Handicrafts industries
6. Chemical industries
7. Printing Press and Book-binding
8. Timber Industry
9. Plastic products factories
10. Paper packaging (products) industries
11. Food production units
12. Miscellaneous industries such as manufacture of sports goods, buttons and paper products.

However, the present study is confined to some of the selected small-scale industrial units which are as under :

1. Printing Press and book-binding
2. Chemical industry
3. Engineering industries
4. Oil crushing mills
5. Bakeries
6. Leather goods and leather productions

#### 1.6 RESEARCH METHODOLOGY

For the purpose of collection of information for present study, the following methods are used -



1) Primary Data

For the purpose of primary data interview questionnaire is prepared to collect information from the borrowers.

2) Secondary Data

The secondary data is collected from published work in the said subject, records of the Kolhapur Maratha Co-operative Bank Ltd., Kolhapur and discussion with Bank Manager and loan sanction committee.

3) Selection of the Unit

The Kolhapur Maratha Co-operative Bank Ltd., Kolhapur is selected for the study.

4) Selection of Period of Time

The period of five years from 1980-81 to 1984-85 is selected for the study purpose.

5) Selection of Sample Borrowers

Out of 231 borrowers 25 sample of borrowers are selected for the study of advances of the Bank to small scale industrial units.

In these 231 units are included 40 printing press, 2 book-binding, 1 chemical industry, 17 oil crushing mills, 20 Bekaries, 21 leather goods and leather production, 130 engineering industries. Ten percent of

each group is taken as sample e.g. out of 40 printing press 4 printing press i.e. 10% of 40 etc.

While taking sample of 25 borrowers care was taken by the author at least 1 borrower is interviewed having each type of industrial unit.

### 1.7 SOURCES OF DATA COLLECTION

The data required for the study are collected from the following various sources

- 1) Discussion with the Deputy-Manager, Branch Manager, Board of Directors and Loan Sanction Committee.
- 2) Records at Head Office and Branches of the Bank.
- 3) Annual Reports of the Bank.
- 4) Various pamphlets on loans and advances of the Bank.
- 5) Questionnaire prepared for the borrowers.
- 6) Library - various books, journals and reports on the Banking.

### 1.8 LIMITATION OF THE STUDY

Since the study undertaken as a part of the fulfilment of the requirements of the Degree Course of Master of Philosophy in Commerce and Management, the researcher has limited the study to the one aspect of the

working of loans and advances of the Kolhapur Maratha Co-operative Bank Ltd., Kolhapur. The period of study is also limited to five years i.e. from 1980-81 to 1984-85, and the dissertation is required to be submitted to the University within prescribed period of time.

The study is completed on the basis of information supplied by the executive staff of the Bank and borrowers. But some borrowers were unwilling to answer all questions and supply the detailed information. Secondly, Executive Staff of the Bank were not eager to supply the information about loans and advances.

#### 1.9 PLAN OF THE STUDY

The entire study is divided into five chapters.

1) The first chapter deals with introduction of the study. It includes the objectives, scope, limitations of the study and methodology adopted for the study.

2) The second chapter deals with profile of the Kolhapur Maratha Co-operative Bank Ltd., Kolhapur.

3) The third chapter deals with analysis of loans and advances of the Bank. It includes, purposes for loan sanctioned, types of loans and advances, trend of loans and overdues, securitywise loans and advances and amount-wise loans and advances.

4) The fourth chapter deals with Analysis and Interpretation of sample survey, in respect of small scale industrial units.

5) The last chapter deals with summary, findings and suggestions.