

CHAPTER - II

(A) A PROFILE OF INDIAN BANKING SYSTEM

**(B) HISTORY, DEVELOPMENT AND PROSPECTIVES
OF URBAN CO-OPERATIVE BANKS**

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(A) A PROFILE OF INDIAN BANKING SYSTEM

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- 2.2 Role and Development of Indian Banking
- 2.3 Indian Banking Structure
- 2.4 Characteristics of Indian Banking
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2.1 Introduction

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2.4 Characteristics of Indian Banking

2.5 Recent Trends in Indian Banking

2.6 Urban Co-operative Banks and Commercial
Banks : Comparison

2.1 INTRODUCTION :

In this chapter an attempt is made to study the development of Indian Banking Structure and its characteristics.

The chapter also covers the main important factor and recent trends in Indian banking. In this chapter also includes the comparison between the commercial banking and urban banking in India.

2.2 ROLE & DEVELOPMENT OF INDIAN BANKING :

In the Banking history of India the first bank was established in 1700 viz. Hindustan Bank but it remained a failure due to its malfunctioning. The first successful Bank was established in 1806 i.e. Bank of Bengal by Britishers. Hence 1806 is the real beginning of Banking in India. After that in 1840 Bank of Bombay and in 1843 Bank of Madras came into existence. In 1920 these banks were amalgamated and known as Imperial Bank of India. The Imperial Bank was nationalised by the passing of State Bank of India Act, 1955 which was brought into force with effect from 1st July, 1955. Prior to the inauguration of the Reserve Bank of India in 1935, it performed certain central banking functions in particular, acting as banker to Government.

At the head of the Indian Banking Structure there is Reserve Bank of India which is the central banking institution of the country, brought into existence by the

Reserve Bank of India Act, 1934. After that period in Indian Banking System has taken tremendous changes.

The nationalisation of the 14 biggest Indian joint stock banks in the private sector those with deposits of Rs. 50 crores and over was a momentous step in the history of Indian Banking. This was to be achieved by an increased emphasis on deposit mobilisation and development of the banking habit and by reorientation of credit dispensation with due stress on the financing of the weaker sections of the society removal of regional disparities and development of backward areas.

On April 15, 1980, the Government nationalised 6 more banks each with deposits Rs. 200 crores and over. This has further strengthened control over the commanding heights of the economy. Nationalisation of 6 more banks is very useful to Government for rendering banking facilities to rural and backward areas.

It must be noted that in a developing economy the concept of role of the Bank cannot be a static one. It is dynamic and multi-dimensional ever changing of ever widening according to needs and priorities. Thus there are more branches to cover more uncovered areas and to reach a large spectrum of society especially in rural

areas. There were yet banking facilities to people living in rural areas and so it is helpful to raising standard of living of that people.

Economic development is a wider comprehensive concept. It is used for underdeveloped and undeveloped countries. Economic development is a functional rate of new capital formation. Capital formation especially in developing and underdeveloped countries is a slow process. It involves putting to the productive use - that part of current incomes which are not used nor current consumption. For the capital formation process there is an important function of mobilising the savings which has to be done by modern banks. Thus the drives for capital formation requires action to increase, mobilise and appropriately channelise the domestic resources available for economic development.

Commercial banks in India play an important agency role for collection of savings of the people. There is a sizeable increase in aggregate deposit - liabilities of these banks during last decade. However, this growth is not commensurate to the task of development undertaken by India.

The traditional Indian banking has financing only to trading and real estate. It has now changed in extending credits to the production units. Recently banks were assigned social objectives as compared to banks running on profit maximisation line. During the post nationalisation period advances have been transferred into sectorwise distribution of advance which had limited across to banking facilities before there has been a decrease in the share of agriculture, small scale industries and other non-traditional sectors if means priority sectors. As well as priority sectors banks give special loan facilities to weaker sections and self employment scheme.

The social objectives were judged in terms of rate of expansion of number of branches, deposit mobilisation and development of credit to priority sectors. To achieve these goals banks have to concentrate on needs and behaviour of customer.

2.3 INDIAN BANKING STRUCTURE :

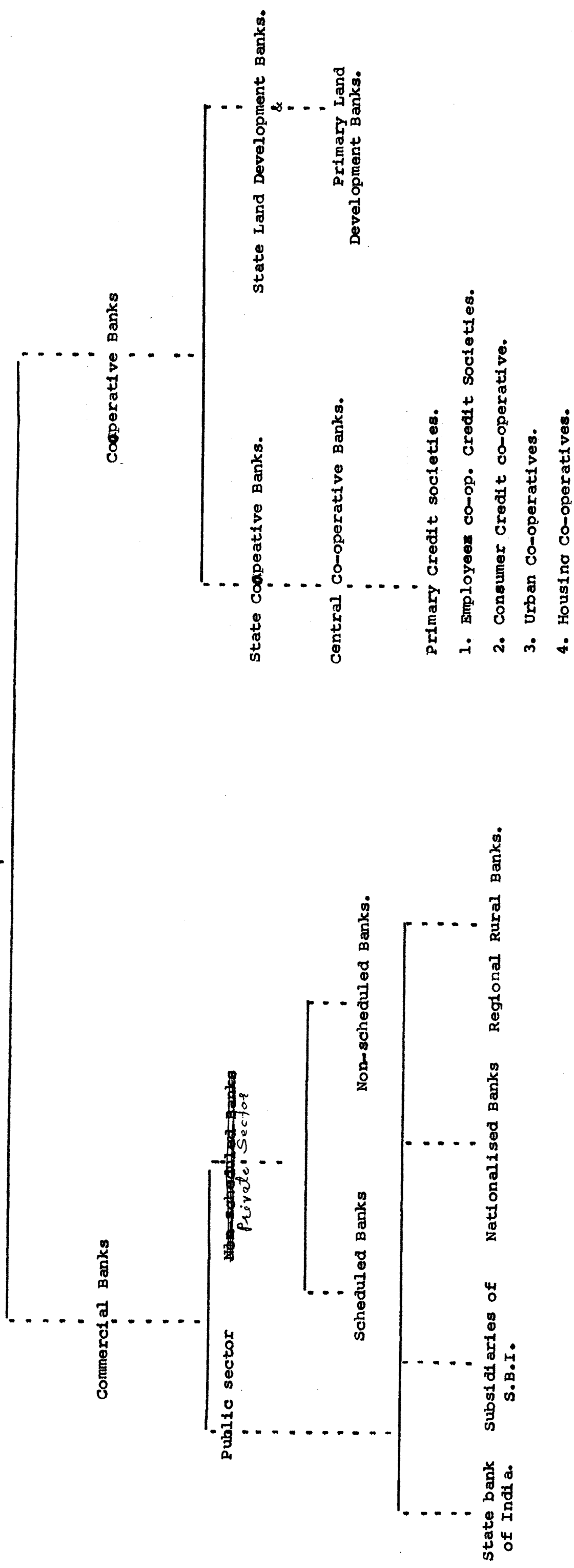
At the head of the Indian banking structure the Reserve Bank of India which is the central banking institution of the country brought into existence by the Reserve Bank of India Act, 1934. Originally a shareholder's bank it was nationalised in 1948. It is entrusted with all the powers and functions which modern central banks have.

Some of these ~~are~~ derived from the Reserve Bank of India Act, 1934 and other from the Banking Regulation Act, 1949. The former Act constitutes the Central Banking Legislation, while the latter Act represents legislation for regulating the activities of commercial and co-operative banks. Under the Act bearing its name the Reserve Bank of India has the monopoly of note issue, is banker to Government and is also a banker's bank. The bank is vested with large powers of supervision, control, direction and inspection of scheduled and non-scheduled banks. The powers originally given to R.B.I. have been enhanced from time to time through various amendments to the Banking Regulation Act, 1949.

The idea of Indian Banking Structure will be derived from the following chart.

Chart showing the Indian Banking Structure.

- RESERVE BANK OF INDIA -



From the above chart it is clear that there are broadly two types of banks which are working in India viz. commercial banks and co-operative banks. Commercial banks are also divided into two parts, one is public sector which is fully owned by Central Govt. and another is private sector which is working at privately.

Public sector banks comprise of the State Bank of India, its seven subsidiaries, 20 nationalised banks and Regional Rural Banks. The State Bank of India which is the biggest commercial bank, is in a class itself prior to the inauguration of the Reserve Bank of India in 1835, it performed certain central banking functions in particular, acting as banker to Government. It was nationalised by passing of State Bank of India Act, 1955, which was brought into force with effect from 1st July, 1955.

There are seven subsidiaries of the State Bank of India. These banks are governed by the State Bank of India (subsidiaries) Act, 1959, which was passed in order to provide for the formation of certain Govt. or Govt. associated banks. Their operations are mainly concentrated in the area denoted by their names. These banks are working under the direction of State Bank of India.

The nationalisation on July 12, 1969 of the 14 biggest India joint stock banks in the private sector these with deposits of Rs. 50 crores and over was a momentous step in the history of Indian banking. The objectives of nationalising these banks was to ensure that the banking system serves better the developmental needs of all sectors of the economy in conformity with the national policy and priorities. On 15th April, 1980 the president of India promulgated an ordinance entitled, "The Banking Companies Ordinance 1980" by which 6 more Indian commercial banks each with deposits exceeding Rs. 200 crores on March 14, 1980 were taken over.

Regional Rural Banks is a new category of Scheduled Banks which came into existence on the 2nd October, 1975. The objectives of this bank is to provide for the development of agriculture, trade, commerce, industry and other productive activities in the rural areas. The Regional Rural Banks will be scheduled commercial banks sponsored by existing scheduled banks but will differ from them in as much as their area of operation will be restricted to a specified region in any State.

As well as Indian commercial banks in public sector, there is also commercial banks in private

sector. In private sector scheduled and non-scheduled banks both are included. Scheduled banks are those which are included in the Second Schedule of the Reserve Bank of India. The Indian Scheduled banks in the private sector are very great in size. The Reserve Bank has the power to exclude any scheduled bank from the second schedule, if it fails to comply with any conditions. Those joint stock banks which are not so included are called non-scheduled banks.

In Indian banking structure there is equal importance to co-operative banks. Co-operative banks are those which are fully owned by general public, no participant of Central or State Government in that banks. These banks are purely in private field, working on co-operative basis. The State Co-operative Banks are the 'apex' institutions in each state in the field of short term and medium term agricultural credit. It may be mentioned that the co-operative credit structure for short term and medium term credit is a three-tier federal one with a State Co-operative bank at the apex level in each state.

District Central Co-operative Banks are working as central bank for each district under the guidance of State Co-operative Bank. The main function of the

central bank is to licence the primary credit societies. Primary credit societies are those which are financing at village level. In primary credit societies different types of credit societies also are included as like, Employees Co-operative Credit Societies, Consumers Credit Co-operatives, Urban Co-operatives, Housing Co-operatives etc.

Besides short term and medium term finances agriculturists requires long term finances for effecting permanent improvement in land. The co-operative credit societies, co-operative central banks and 'apex' banks generally provide only short term and medium term loans. Commercial banks are not also ready to finance for agriculture because commercial banks do not consider land as an acceptable security. For that purpose the State Governments establishes new banks to financing for agriculture which is known as Land Development Bank. There is a one Central Land Development Bank at State level and Primary Land Development Banks which is establishes at each district level.

As well as Land Development Banks are established for financing agriculture purpose only, there is a need to establish special banks financing for industries. For that purpose Development Banks or Institutions are

establishes by Government of India for financing to industries.

There is a one more category of bank which is known Exchange Bank. Exchange Bank is fully owned by Central Government. This bank is doing transactions of exchanging money among the countries.

2.4 CHARACTERISTICS OF INDIAN BANKING SYSTEM :

Banking in India has some special characteristics of their functions and organisation. Some of them are given as under.

1. Banking system in India is purely divided into two sectors viz. (i) rural, unorganised sector in which shroffs, seths, mahajans and the village money lenders are included, (ii) urban, organised sector, which is explained above.
2. Indian banks have shown a high rate of increase in deposits but credit has been always in inadequacy which is the great defect at the Indian Banking System.
3. There is some specialisation in banks to granting loans to particular fields of Indian economy.

4. There will be always out-through competition among banks which leads to the loss and bankruptcy.

2.5 RECENT TRENDS IN INDIAN BANKING :

After the nationalisation of 14 biggest banks in India on 19th July, 1969 and 6 more banks on 15th April, 1980 there has been a steady increase in number of banks offices, deposits, advances, investments etc. The overall increase in different fields of commercial banks is shown in the following table.

TABLE NO. 2.1

TABLE SHOWING THE GROWTH OF COMMERCIAL BANKS
FROM 1969 to 1985 (Rs. IN CRORES)

I t e m s.	1969	1985
Number of Bank Offices	8262	52013
Deposits	4665	83721
Advances	3609	52231
Investments in Govt. Securities	1359	29963

(Source : Compiled from Yojana, July - 1986, Pg. 5).

The above table shows that the branches were increased from 8,262 at the end of June, 1969 to 52,013 at the end of June, 1985. It means branches were increased by 43,751 within last 16 years. Majority of branches increased in rural areas from 1,832 in June, 1969 to 13,064 in September, 1985. The average population per bank offices of the end of June, 1969 was 65,000 and at the end of September, 1985 that was 13,000.

With the greater rate of investment in the economy, banking business as represented by advances and deposits has been rising to higher level. The nationalised banks performance in the matter of deposit mobilisation is commendable. The total deposits of these banks were increased from 4,665 crores in June, 1969 to Rs. 83,721 crores in December, 1985. It means increase in deposits around 18 times in this period. This deposits which constituted 15% of national income in 1969 was constitute 42% of the national income in 1985.

Total advances of the commercial banks is increased from Rs. 3,609 crores in June, 1969 to Rs. 53,231 crores in December, 1985 it means arounding 15 times. Big efforts were made by commercial banks in rural lending was increased from 1.5% to 13.1% of total bank advances. The advances of banking have been concentrated to banking

priority sector increased from Rs. 441 crores in June, 1969 to Rs. 19,208 crores in September, 1985. As percentage to total advances the same increased from 14% to 42.7% during the same period. Besides granting loans to priority sector banks give special loan facilities to the weaker section of the society- At the end of Sept., 1985 advances to weaker sections amounted to Rs. 4,410.33 crores is given by banks.

In the case of investment with the steady and slowly increase in the liquidity ratio, the investments in the Government securities have increased from Rs. 1,359 crores in 1969 to Rs. 29,963 crores in 1985.

A very important recent trend in the Indian banking is the increasing extend at credit control by the Reserve Bank of India. The bank rate raised from 3% in 1947 to 10% in 1981.¹

In conclusion, we can say that in the last few years banking in India has made impressive deposits have been shown a high rate of increase which is indicative of success in bank's efforts at deposit mobilisation. There is an accelerated growth in deposits of banks, however, has not been adequate to meet all demands for bank credit comfortably.

2.6 URBAN CO-OPERATIVE BANKS AND
COMMERCIAL BANKS - COMPARISON :

As far as the banking functions are concerned there is no difference between the co-operative and commercial banks. The distinction is in their objectives and organisation. The urban co-operative banks are basically organisations of persons of small means for meeting their common economic needs. Co-operative banks do not work for profit alone. They give prominence to the social objectives, without compromising with the basic cannons of banking. Co-operative banks give more stress on giving loans to economically backward persons. The interest rates on loans given by co-operative banks is also less than the commercial banks.

The area of operations of the urban banks is also restricted so that it becomes a compact organisation with the members knowing each other. Generally the area of operations of any co-operative bank should be one city or one district. Though thus every urban bank is a small organisation with an essential local character, the different banks work as part of a single federal structure of co-operative banks with the district banks at the intermediate level and state co-operative bank at the halm as the apex bank. This federal organisation ensures

the benefits of scale of economics to the small scattered urban co-operative banks.

The most important distinguishing feature of the urban banks is their democratic management. Their committees of management are elected at fixed intervals and the voting in these elections is on the basis of 'one man, one vote' irrespective of the shareholding.

"In a view of the special and peculiar characteristics of the clientele the urban co-operative banks are required to work with a low profit of pamp and parade in comparison to the commercial banks and to lay great emphasis on extension and education of their customer who largely come from such classes as vendors, small traders and shop keepers, small industrialists and economically weaker sections of the community."²

Urban co-operative banks render more and more services to urban and semi-urban peoples and so these banks are became popular in urban areas. As the customers are persons of small means it necessarily follows that the urban banks both with reference to deposits as well as advances are retail bankers.

(B) HISTORY, DEVELOPMENT AND PROSPECTIVES
OF URBAN CO-OPERATIVE BANKS :

2.7 INTRODUCTION :

The historical background, development and prospectives of urban co-operative credit movement is studied with reference to the following points.

- Urban Co-operative Credit Movement in the World.
- Urban Co-operative Credit Movement in India.
- Urban Co-operative Banks in Maharashtra.
- Urban Co-operative Banks in Western Maharashtra.
- Urban Co-operative Banks in Kolhapur District.
- Urban Co-operative Banks in Kolhapur City.

2.8 URBAN CO-OPERATIVE CREDIT
MOVEMENT IN THE WORLD :

The co-operative movement came into existence in 19th century when Henri Saint Simon (1760 - 1825) and Charles Fourier (1772 - 1837) in France and Robert Owen (1771 - 1858) in England developed ideas to transform capitalist society into a socialist one with the help of co-operatives. Though the practical attempt of these earlier co-operatives failed in England and France, the co-operative ideas were not forgotten. In Rochdale, an industrial town located near Manchester, 28 weavers formed

a consumer's co-operative society on 24th October, 1844. The deed of the Rochdale Equitable Pioneers is called the hour of birth of the modern co-operative movement. This co-operative was based on the principles which has been valid for more than a century. Even today these principles are accepted with a few necessary modifications decided by the International Co-operative Alliance.

Germany was the first country in the world to apply the principles of co-operation in the field of credit. The co-operative credit movement was started in Germany in the middle of the 19th century. Heri Franz Schulze (1809 - 1885) took the initiative and started introducing various measures of relief. Schulze adopted the new measures to resume the people who were living in the urban areas. Self credit was, therefore, considered to be the only stepping stone. He has seen the miserable condition of the people, with his own legal eyes. In 1849 he organised a friendly society for relief in sickness. In 1850 he formed the first credit association. In 1852 Schulze formed a society at Belifrench, which was based on co-operative principles. He published a book in 1855 which contained the principles of co-operative banking as formulated by him. The number of books started by him, increased rapidly and in 1859 he organised a Congress of these books, He was also responsible for securing from

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the first co-operative law - 1867, which latter on was made applicable to the entire country in 1889.³ - Accordingly to this law all co-operative societies were to be organised on the basis of limited liability.

The key-stone of this system of credit is the accumulation of capital. Schulze insisted that a man who joined a society must take up at least one share at a high figure. These associations are known also as 'Peoples' Bank' which undertake all activities of urban banking and commanded naturally more capital.

Thus the urban co-operative credit movement originated in Germany and then its needs spread over in the world.

2.9 URBAN CO-OPERATIVE CREDIT MOVEMENT IN INDIA :

2.9.1 HISTORICAL BACKGROUND OF URBAN CO-OPERATIVE BANKS IN INDIA :

In India, urban co-operative societies are came into existance by the passing of Co-operative Societies Act, 1904. The first urban co-operative bank in India is started in 1904 in the 'Kanjivaram' in the Madras Region. But truly urban co-operative banks in India was started after the passing of Co-operative Societies Act, 1912 and

recommendations of Maclegan Committee in 1915. Firstly, these banks are established at Big Cities. Ports and Commercial Centres and so the benefit of these banks were get to the businessmen and traders.

The first Co-operative Societies Act, 1904 was made for the organisation of urban credit societies. But little attention was paid to the development of urban movement before the Maclegan Committee. This committee expressed the opinion that, 'Urban credit societies might serve a useful purpose in training the upper and middle urban classes to understand ordinary banking principles. That plan created a favourable climate. The social leaders took interest in developing the movement depression which did not do much harm to the urban movement. The enlightenment membership and higher managerial efficiency of urban banks were also conducive to their development.'²

After that the Banking Enquiry Committee was appointed in 1931 by the Reserve Bank of India. Later, the economic boom created by the Second World War (1939 - 1945) provided a stimulus to the growth of urban banks in India. They grow not only in number but also in size, diversifying their activities considerably.

The usefulness of urban co-operative banks in financing artisans, small traders, factory workers and urban middle classes was recognised by various committees and working groups such as Control Banking Equity Committee (1931), The Co-operative Planning Committee (1946), The Study Group on credit co-operatives in the non-agricultural sector (1965) and the working group on Industrial Finance through co-operative banks (1960) set up by the Reserve Bank was of the view that urban banks were ominously suitable institutional agencies in the co-operative sector.

Above all, committees the Reserve Bank of India with their sound effects succeeded in forming 11,995 credit societies, which increased in number by 1,284 upto 1985 in India.

2.9.2 PRESENT POSITION OF URBAN CO-OPERATIVE BANKS IN INDIA :

In India, the urban co-operative banks were not developed equally in all over the country. These urban banks have grown only in few states. Almost 70% of these banks and about 90% of their deposits working capital and advances are concentrated only in four states viz. Maharashtra, Gujarat, Karnataka and Tamilnadu. It is gratifying to note that 83% of total urban co-operative banks in India concentrated in these four states. Out of these four states,

Maharashtra and Gujarat account for nearly 2/3rd of the total member of co-operative banks in the country and 3/4th of their deposits, working capital and advances.

As per the report on currency and finance 1983-84, published by the Reserve Bank of India, in 1982-83, there were 1,281 primary urban co-operative banks in India having own funds of Rs. 2,278 crores. Loans outstanding of these banks were of the order of Rs. 1,802 crores.

As a sequel to the policy of the Central and State Governments, District Industrial Centres are being established to formulate the development of cottage and small industries. The objectives of the District Industrial Centres and urban co-operative banks is identical and as such of State and District level. At present the representative of urban co-operative bank has not been given place on the district advisory committee of the District Industrial Centres. As a matter of fact, the urban co-operative banks being located at smaller places long before the nationalised banks came into being are more near to the people in their area of operations than the nationalised banks.

2.9.3 PROSPECTIVES OF URBAN

CO-OPERATIVE BANKS IN INDIA :

During the last half a century the urban co-operative banks carved out a special place for itself in the

credit chart of our country. They combine in their set-up a co-operative structure with commercial utility in their ~~financial~~ functional operations. As against the commercial banks which rose till recently locating at big ports and towns and catered only to the needs of the big few the urban co-operative banks established at much member places at the hands of local people and were primarily inspired for providing help and success for the common man. Small traders, artisans, carpenters, cobblers, blacksmiths, over self-employed and middle class persons have always constituted the bulk of the borrowers.

From the year 1960 the Reserve Bank of India has felt to need to think about the urban co-operative banks. The Reserve Bank of India has appointed a committee to study the problems of urban co-operative banks in 1962. This committee has given some recommendations to urban co-operative banks to improve their operational efficiency. For the avoidance of the frauds and misuse of funds some provisions in Banking Regulation Act, 1949 may be applied to urban co-operative banks from 1966. And after that period urban co-operative banks play a dynamic role in the field of 'banking' and 'co-operation'.

The progress of urban co-operative banks in last decade (1971-81) is considerable. After the year 1970 urban co-operative banks were started to give loans to individuals and non-productive purpose under the direction of Reserve Bank of India.

By the considering all these progressive matters of urban co-operative banks, the Reserve Bank of India has brought to look at these banks as adequately. In the Seventh Five Year Plan of Government of India there are made some provisions for the future of these banks. In this plan some expectations are also treated from urban banks. The provisions in this plan are made favourable to development of urban co-operative banks.

The following table shows the expected progress of urban co-operative banks in the Seventh Five Year Plan of India.

- Table No.2.2 -

- Table showing the expected Expansion and Development of Urban Co-operative Banks in the -
Seventh Five year Plan of India (1985-90)

(Rs. in crores)

Sr. No.	Particulars	Present position upto June-1985.	Budgeted progress upto March-1986.	85-86	86-87	87-88	88-89	89-90
(1)	Primary Urban Co-operative Societies.	1310	1400	1430	1460	1490	1520	1550
(2)	Branches	1037	1250	1350	1450	1550	1650	1750
(3)	Own Capital	428.90	490	590	710	850	1020	1225
(4)	Deposits	2655.55	2880	3460	4150	4980	5980	7175
(5)	Loans	2101.94	2375	2850	3450	4125	4950	6000
(6)	Weak Banks	-	300	250	200	150	100	50

2.10 URBAN CO-OPERATIVE BANKS IN MAHARASHTRA :

2.10.1 HISTORICAL BACKGROUND OF URBAN

CO-OPERATIVE BANKS IN MAHARASHTRA :

Co-operation in Maharashtra has been the pioneering sector of co-operative movement in the country. Maharashtra played an ~~an~~ dynamic role in urban banking business. After the passing of Co-operative Societies Act, 1934, the co-operative movement in Maharashtra has started with speed.

"Defence Accounts Co-operative Bank Limited, Pune", was the first urban co-operative bank in Maharashtra formed by the employees of the Defence Department on 9th January, 1905. Within a month on the same background, 'Cosmos Co-operative Bank Limited, Pune', came into existence on 18th January, 1905 to serve the urban people of Poona City which is still today considered as a markable urban bank at Poona.

The third urban co-operative bank formed in Maharashtra in Solapur District at Barshi under the title, "Barshi Central Urbah Bank Limited, Barshi", on 24th April, 1905. "Shamrao Vitthal Co-operative Bank Limited" was the fourth bank in Greater Bombay of Maharashtra State formed on 27th December, 1905.

Thus in 1805 urban banking business started in Maharashtra, but there was not urban co-operative bank formed during the next two years. Afterwards on 27th December, 1908, "Dhule Urban Co-operative Bank Limited", started in Ahmadnagar district at Ahmadnagar on 28th March, 1909. Another urban co-operative bank formed in the same district at Ahmadnagar under the title "Nagar Urban Co-operative Bank Limited, Ahmadnagar", as on 31st March, 1910.

Thus during the period of 1905 to 1915 number of 11 urban co-operative banks established in six district of Maharashtra i.e. Bombay - 2, Pune - 3, Kolhapur - 2, Nagar - 2, Solapur - 1 and Dhule - 1.

The recommendations and reports of the various committees appointed by Reserve Bank of India, favourable circumstances were created for development of urban co-operative banking activities. The progress of urban co-operative banks is very considerable due to their ~~progress~~ proper planning and rigid direction, which resulted into the improvement of the performance. Here it should be noted that the fairly rapid progress of industrial and commercial development in the urban areas, effects increasing scope for the development of urban co-operative banks.

2.10.2 PRESENT POSITION OF URBAN

CO-OPERATIVE BANKS IN MAHARASHTRA :

In maharashtra in 1984 there were 362 urban co-operative banks, having a membership of 26 lakhs. Share capital was Rs. 68.50 crores, owned funds Rs. 159.50 crores, Deposits were worth Rs. 1,460 crores, Loan and Advances were Rs. 1,875 crores and loans outstanding were Rs. 928 crores.

Maharashtra played an dynamic role in urban banking business. The urban co-operative banks in Maharashtra developed as step by step. In the last three decades there has been high rate of increasing urban co-operative banks in Maharashtra. The following table shows the progress of urban co-operative banks in Maharashtra in the last three decades.

TABLE NO. 23

Table showing the Progress of Urban
Co-operative Banks in Maharashtra.

Membership on '000 & Rs. in '00,000

Sr. No.	Particulars.	1961	1971	1981
1.	Banks	149	250	335
2.	Membership	433	802	1,429
3.	Share Capital	294	1,102	3,084
4.	Own Funds	511	1,710	7,007
5.	Deposits	1,243	8,798	62,339
6.	Received Loans	N.A.	474	1,327
7.	Working Capital	N.A.	11,823	82,639
8.	Loans & Advances	N.A.	15,978	83,602
9.	Loans Outstanding	1,571	6,664	44,254
10.	Overdues	133	384	3,690
11.	Banks in Profit	N.A.	229	319
12.	Amount of Profit	25	160	1,046

Source : 'Sahakar Jagat, May - 1986.

From the above table it shows that the progress of urban co-operative banks in Maharashtra arises at rapidly. The progress is not only in quantity but also in quality.

Maharashtra is one of the leading state in the urban co-operative banks in India. In 1984, out of 1,281 urban co-operative banks in India, 362 urban co-operative banks are working in Maharashtra. Though these banks formed under co-operation principles, they got profit during 1983 amounting to Rs. 17.40 crores. In 1984, out of 362 urban co-operative banks in Maharashtra, 325 were in profit. Profit made were Rs. 20 crores while 25 banks were in loss, the loss being 30 lakhs. It should be noted that these banks are making business not only for profit but for their co-operation of urban people in view of their economic problems.

2.11 URBAN CO-OPERATIVE BANKS
IN WESTERN MAHARASHTRA :

In geographical eye view Pune, Ahmadnagar, ~~xxxx~~ Satara, Sangli, Solapur and Kolhapur these six districts came under Western Maharashtra. Kolhapur district came under Western Maharashtra so it is better to study the urban banking business in Western Maharashtra, after studying the urban banking business in the whole Maharashtra.

Out of 362 urban co-operative banks in Maharashtra, 135 urban co-operative banks in Western Maharashtra. So far as development of urban co-operative

banks in Maharashtra is covered, these six districts are leading one as compared to another twenty two districts in Maharashtra. These six districts made line share in urban banking business.

It is also important to note that these six districts of Western Maharashtra are not only leading in respect of number of banks but also in respect of membership, owned funds and profit.

The data in following table is sufficient to prove the above statement.

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- TABLE NO. 2.4 -

Table showing the position of Urban Co-operative Banks in Western Maharashtra as on 30th June, 1982.

(RUPEES IN LAKHS)

District	Membership	No. of Banks	Owned funds	Deposits	Loans outstanding	Profit
Pune	1, 30, 518	38	451.45	9417.51	5745.18	112.58
Kolhapur	1, 67, 653	39	602.81	5750.89	5357.04	124.37
Solapur	51, 223	18	215.93	2535.10	2125.30	80.47
Sangli	54, 209	18	219.09	3783.69	3218.72	52.36
Satara	42, 857	14	237.52	2512.30	2002.94	51.17
A. Nagar	68, 658	13	149.93	2384.26	2054.11	49.37

Source : Statistical information of Urban Co-operative Banks in Maharashtra - Maharashtra State Co-operative Bank Limited., Bombay-1982.

Thus Western Maharashtra urban banking group is much ahead in undertaking urban co-operative banking in co-operative sector.

2.12 URBAN- CO-OPERATIVE BANKS

IN KOLHAPUR DISTRICT :

After considering the impressive performance of the urban co-operative banks in the Maharashtra and Western Maharashtra now we will discuss the urban co-operative banks in Kolhapur District.

Kolhapur District is located between 15° and 17° North latitude and 73° and 74° East longitude. It is surrounded by Satara District in the East and by Belgaum District of Karnataka State in South and East. Its major represents an irregular part of the South Deccan plateau. Area of Kolhapur District is 8,059 Square Kilometers. It comprised of 12 Tahsils and 1,098 Villages.

In such a district urban co-operative credit movement started in 1913. The first urban co-operative bank was established in Kolhapur District on 24th May, 1913 at Karvir Tehsil, named The Kolhapur Urban Co-operative Bank. It is one of the 11 urban co-operative banks established during the period of 1905 to 1915 in India.

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After introducing the urban co-operative banking movement in Kolhapur District, the performance and responses were so considerable for growth and progress of urban co-operative banking sector in Kolhapur District. Total number of 41 urban co-operative banks were established in Kolhapur District upto 1986, from 1913 to 1947 means before independence period total number of 12 urban co-operative banks were established, from 1947 to 1966 total number of 14 urban co-operative banks established and from 1966 to 1986 total number of 41 urban co-operative banks were established in Kolhapur District.

Urban co-operative banks in Kolhapur District have made rapid progress with satisfactory results. The following table indicates the position of urban co-operative banks in Kolhapur District during the period of last 9 years. That is from 1977 to 1986.

TABLE NO. 2.5

Table showing the Position of Urban
Co-operative Banks in Kolhapur
District from 30/6/1977 to 30/6/86

(Rs. in lakhs)

I t e m s.	30th June, 1977	30th June, 1986
Total No. of Bank Offices	37	41
Membership	1.87	2.33
Total Deposits	2,477.29	11,053.08
Loans Outstanding	1,787.87	9,685.25
Working Capital	3,061.17	15,798.24
Owned Funds	238.94	764.39
Overdues	477.29	1,634.52
Profit	55.25	193.20

Source : Compiled from the Record of District Deputy
Registrar of Co-operative Societies Office,
Kolhapur.

Above table clearly shows that the total number of urban co-operative banks increased from 37 in 1977 to 41 in 1986. It also points out that the quantitative growth of the membership of urban co-operative banks went up from 1.87 lakhs in 1977 to 2.53 lakhs in 1986.

The above table reveals that the total deposits collected by the urban co-operative banks moved up from Rs. 2,477.29 lakhs in 1977 to Rs. 11,053.08 lakhs in 1986. The average deposits per urban co-operative bank moved up from Rs. 66.95 lakhs to Rs. 269.59 lakhs in the same period. Similarly average deposits per member also increased from Rs. 1,324 to Rs. 4,368 in the corresponding year.

The table remarks that the loans outstanding of urban co-operative banks increased from Rs. 1,787.87 in 1977 to Rs. 9,685.25 in 1986. The urban co-operative banks, thus, tried to meet increasing demand for credit in Kolhapur District. The average loan advanced per urban co-operative bank and per member increased from Rs. 48.32 lakhs to Rs. 236.22 lakhs and Rs. 956 to Rs. 3,828 respectively during the same period.

The table indicates that the in Kolhapur District Urban Co-operative Banks were in position to build up owned funds i.e. paid-up share capital and reserve funds as well as other reserves increased from Rs. 238.94 lakhs

in 1977 to Rs. 764.39 lakhs in 1986 making a table rise of Rs. 525.45 lakhs.

The table significantly points out that the working capital of urban co-operative banks in Kolhapur district rose by Rs. 12,737.07 from Rs. 3,061.17 lakhs in 1977 to Rs. 15,798.24 in 1986. The table notably shows that the overdues increased from Rs. 477.29 lakhs in 1977 to Rs. 1,634.52 lakhs in 1986. The table also indicates that the profit of urban co-operative banks in Kolhapur district went on increasing satisfactorily from Rs. 55.25 lakhs in 1977 to Rs. 193.30 lakhs in 1986. The average profit per urban co-operative banks rose by Rs. 3.22 lakhs from Rs. 1.49 lakhs to Rs. 4.71 lakhs during the period of 9 years.

Thus from the above explanation, it is clear that Kolhapur district has made a tremendous progress in urban banking.

2.13 URBAN CO-OPERATIVE BANKS IN KOLHAPUR CITY :

The City Kolhapur is located in South Maharashtra. It is the headquarter of the district by the same name. It is situated on latitude 16°-42° North and on longitude 74°-14° East. Kolhapur City enjoys a central position between the rugged train in the Western Ghats to the West

and the following rolling plain to the East. The plain of the river Panchaganga near Kolhapur.

After considering historical background of Kolhapur City we will consider the beginning and development of urban co-operative banks in Kolhapur City.

According to the progress and development of urban co-operative banking industry in Kolhapur district, more contribution paid by developing activities of Kolhapur City urban co-operative banks which were established in Kolhapur City. Location surrounding and area of Kolhapur City introduced as well marked industry, commercial business and banking centre place. For this historical and basic point of view Kolhapur City is always in position of an advance city. Co-operative mind and kind of Kolhapuri people create favourable results in urban co-operative banking sector.

The introduction of the Co-operative Credit Societies Act, 1904, marked the beginning of the co-operative movement in India. According to this Act, "It was to encourage thrift, self-help and co-operation amongst agriculturist, artisans and persons of limited means." Another co-operative societies Act was passed in 1912 known as Co-operative Societies Act, 1912. This

Act also provides various facilities for development of co-operative credit movement.

At the same time, the first urban co-operative credit society was established on 24th May, 1913 known as 'Kolhapur Urban Co-operative Society Ltd.' Afterwards the name was changed and well known as 'Kolhapur Urban Co-operative Bank Ltd.' Hon. late Bhaskarrao Vithajirao Jadhav took initiative. He started introducing various measures of relief, through established the Credit Society at Kolhapur. The spirit behind the establishment of urban co-operative bank was mainly for development of common people and persons of limited means i.e. salary earners, low wage earners, artisans, small traders, and poor persons.

Thus the introduction of urban co-operative bank and its potentiality won the confidence of the people. Chhatrapati Shahu Maharaja's impressive directions and people's kind co-operation creates a satisfactory performance with steady development of the urban co-operative banks in Kolhapur since 1913.

In the initial stage the number of five urban co-operative banks were introduced banking activities with very limited means of financial resources. As the time passed, urban co-operative banks resources took progressive trends by the middle class and common class people.

As consequence the urban co-operative banks gradually increased with increasing demand for credit facilities attracted towards urban co-operative banking sector. This initial upsurge was, however, halted by the on-set of the Great Depression in the early nineteen thirties.

Another new five urban co-operative banks were established upto 1942. Thus the total number of urban co-operative banks remain 10. They introduced their banking activities with challengable circumstances. All these developments led to the emergence of a new decisions and directives from State Government, Reserve Bank of India and necessary significant recommendation of working groups who appropriated from Government and Reserve Bank of India.

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