

CHAPTER - II

CHAPTER II

GROWTH OF URBAN CO-OPERATIVE BANKS IN MAHARASHTRA

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GROWTH OF URBAN CO-OPERATIVE BANKS IN MAHARASHTRA

2.1 Progress of UCBs in India

During the last quarter of the 19th century, cultivators were being exploited by moneylenders. The indebtedness of the farmers increased by leaps and bounds. The failures of rain and frequent famines added fuel to the fire. All these destroyed the self-sufficient economy of the villages. In this regard the government first took indirect steps to check the growing influence of the Mahajan but they could not achieve big success. The need for providing cheap credit facilities to the farmers went on increase and the idea of starting co-operative credit society was hatched in 1892.

Then the Madras government sent Sir Fedrik Nicholson for studying the co-operative movement in European countries. The report prepared by Nicholson was received in 1899 by the Madras government which recommended formation of urban co-operative banks in India. The first urban co-operative bank in Tamil Nadu was registered in Kanchipuram in Chengalpet district of Madras presidency on October 1904. Co-operative Credit Societies Act of 1904 conferred legal status on credit societies and the first urban co-operative credit society was registered in 1904 at Congeevaram in Madras. Subsequently On 18th October 1905 the first urban co-operative credit

society was established in Maharashtra at Betgeri in Dharwad district in the undivided Bombay Province (now in the north Karnataka) named as 'Betegiri Co-operative Credit Society'. In Mysore and the Bangalore city co-operative credit society was registered in December 1905.

Very little attention was paid to this aspect of the movement till it attracted the attention of the MacLagan Committee in 1915 which pointed out his potentiality. This committee pointed out that urban credit societies might serve useful purpose in training the upper and middle-classes to understand ordinary banking principles. In 1931 the Central Banking Enquiry Committee recommended that limited liability co-operative societies generally known as UCBs should be established where ever necessary facilities and conditions exit for the benefit of these classes of the population.

The government of India appointed a committee in 1901 to study the question of starting co-operative credit society in India. According to the recommendations of committee Co-operative Credit Societies Act was passed in 1904. This act provided for the establishment of credit societies both in rural and urban areas for providing credit facilities at cheap rates to the middle class people living in the same locality. Thus the act recognised the need of UCBs along with the rural credit co-operatives. Rural societies were to be organised on the Raiffeisen model while the urban societies were to be organised on the pattern of Schulze Delitzsch.

In India the origin of urban co-operative movement can be traced to the second half of the 19th century when some middle class Maharashtrian families in the Baroda state started a mutual aid society called ' Annyonya Sahakari Mandali' in Baroda on 5th February 1889, under the guidance of Shri Vithal Laxman alias Bhausaheb Kavthekar. This society is still functioning. Urban co-operative banks in India were organised as credit societies and later converted into urban banks. The failure of the Swadeshi Joint Stock Banks created an opportunity for co-operative banking to develop as a medium for mobilizing the saving of persons of modest means and helping those whom financial distress caused by high living cost and unemployment had driven into the clutches at money lenders. UCBs advanced loans mostly to small traders, artisans and salary earners on personal security as well as against gold, silver and produce. This indicates the role of UCBs in small towns. In this connection the co-operative planning committee 1946 recommended that , " In a view of the usefulness of the UCBs to people of small means should be organised in all towns".

In 1950 Rural Banking Enquiry committee recommended that, "UCBs are useful to cater to the credit needs of people residing at urban, semi-urban and taluka places." In 1963 Varde Committee made various recommendations for the better development of UCBs. According to the Banking Companies Act 1949 recommended as the Banking Regulation At 1949 with effect from 1st March 1966 was amended and some of the provisions were made applicable to certain types of co-operative institutions carrying on banking business. Thus

we purview of the Banking Regulation Act and thereby under the supervisory control of the RBI.

In 1972 Banking Commission recommended that , "UCBs are useful to lend to small traders and to collect saving. Madhav Das Committee 1977 have explained the significant role of UCBs in Indian banking system. The progress of UCBs was relatively faster after the post nationalisation period that is 1969 - 1970. Large number of UCBs came exit after 14 major commercial banks were nationalised in 1969. In 1969 there were 664 UCBs in India which increased to 1206 in 1977 - 1978 that is nearly doubled in nine years.

Narsimham Committee Report 1991

The government of India had appointed a committee on financial system headed by Shri Narsimham, former Governor of the RBI to examine the structure of the financial system and to make recommendations for its efficiency and effectiveness with particular reference to the economy of operations, accountability and profitability of the commercial banks and financial institutions. The committee submitted its report to the government in November 1991. This committee did not deal with the urban banking system. However by the objective of making the financial system efficient, profitable and productive the recommendation of this committee would have an impact on the working of the urban co-operative banks. The recommendations relating the categorization of advances, structural organisation of banking system and permission for greater freedom to foreign banks to open their offices in India would have a great impact

on urban banking sector in India. As a result in coming years there will be great competition and exposure to the market. In this connection, it is the need of hour that UCBs pay special attention to the small new entrepreneurs and a category of small farmers. They should pay more attention to personalized and prompt customer service.

Marathe Committee Report 1992

The RBI appointed a committee headed by Shri Sharad Marathe chairman SICOM to study the working of UCBs and credit co-operative societies and to review the policies of the RBI in this connection the committee submitted its report to RBI in May, 1992. The important recommendations relating to the registration and licensing of new UCBs, their area of operations, rehabilitation of weak UCBs, viability norms, supportive legislative amendments regulatory mechanism and other related matters have created hopeful atmosphere all over the country among the UCBs. Most of the people related to the urban co-operative movement have welcomed these recommendations and expresses their satisfaction in this regard. This will enable the UCBs to extend their operation and financial strength. It will also give a great impetus to the urban co-operative movement in India.

2.1.1 Growth in Number of UCBs and Owned fund

Table 2.1 shows number of UCBs in India. In 1988-89 number of UCBs were 1378 which increased to 1390 in 1989-90 showed 0.87%. In 1990-91 number of UCBs was increased to 1397 showed 0.50%

change. In 1995-96 it was increased to 1501 showed change by 7.44%. In 1996-97 number of UCBs was increased to 1653 showed 10.13% change. In 1997-98 it was decreased to 1502. In 1998-99 it was increased to 1581 which showed 5.26% change over previous year. In 1999-2000 it was again increased to 2050 which increased 2084 in 2000-01. In 2001-02 number of UCBs was increased to 2090 showed marginal change by 0.29% as compare to 2000-01.

Table 2.1

Growth in Number of UCBs and Owned funds of UCBs in India

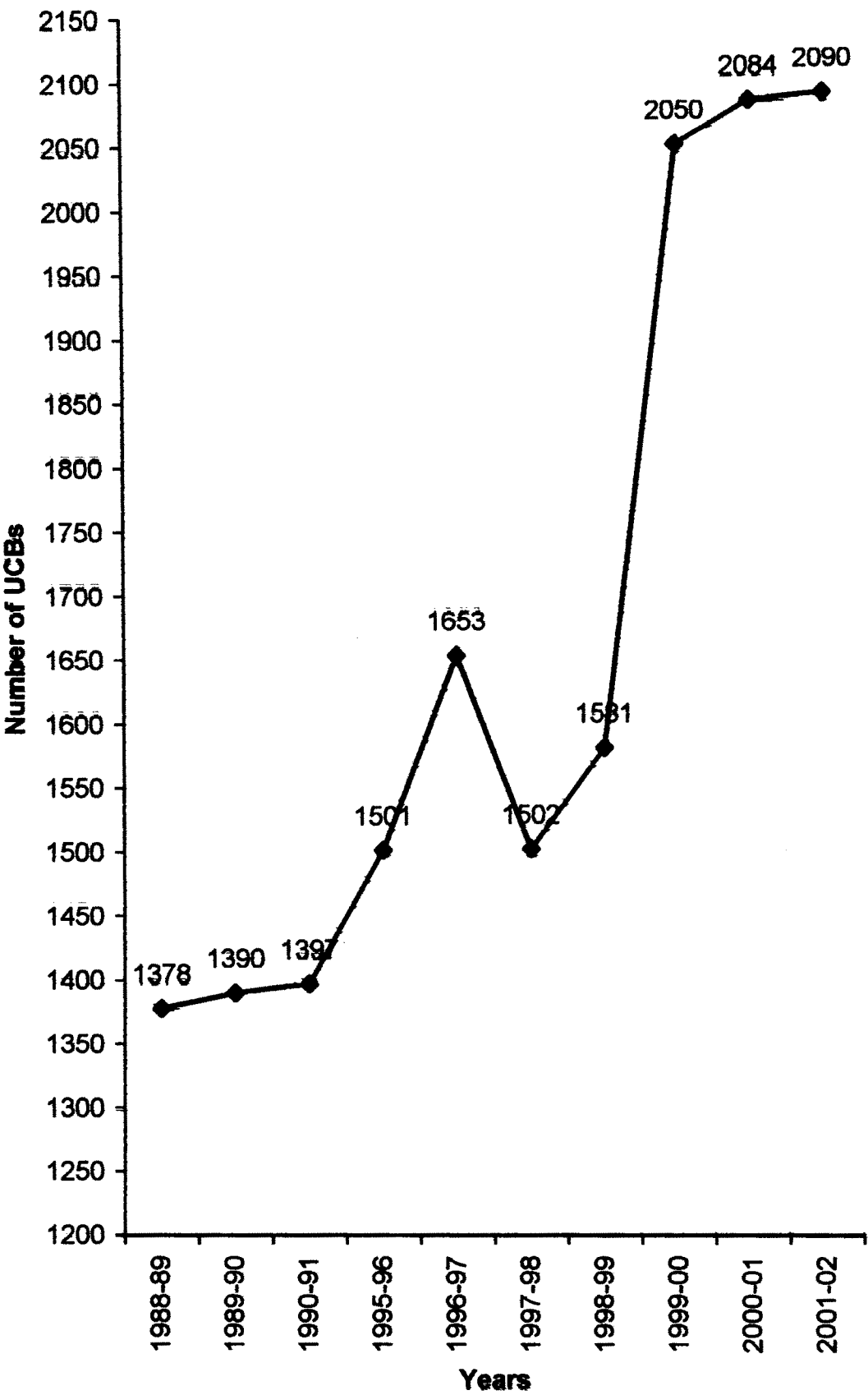
(Rs.in Lakh)

Sr. No.	Years	Number of UCBs	% change	Owned fund	% change
1	1988-89	1378	-	1082	-
2	1989-90	1390	0.87	1256	16.08
3	1990-91	1397	0.50	1481	17.91
4	1995-96	1501	7.44	3848	159.82
5	1996-97	1653	10.13	4695	22.01
6	1997-98	1502	-9.13	5985	27.48
7	1998-99	1581	5.26	6829	14.10
8	1999-00	2050	29.66	9314	36.39
9	2000-01	2084	1.66	10826	16.23
10	2001-02	2090	0.29	13796	27.43

Source:- Reports on Trends and Progress of Banks in India, RBI.

In 1988-89 owned fund of UCBs in India was Rs.1082 crores, which increased to Rs.1256 crores in 1989-90 which showed 16.08% change. In 1990-91 owned fund of UCBs was increased to Rs.1481 crores showed 17.91% change as compare to 1989-90. Again it was increased to Rs.3848 crores in 1995-96 which showed 159.82% change as compare to 1990-91. In 1996-97 owned fund of UCBs was increased to Rs. 4695 crores, Rs.5985 crores in 1997-98, Rs.6829 crores in 1998-99 and further it was increased to Rs. 9314 crores in

Graph No. 2.1
Growth in Number of UCBs in India



1999-2000. In 2000-01 it was again increased to Rs.10826 crores showed 16.23% change over 1999-2000. In 2001-02 it was increased to Rs.13796 crores showed 27.43% change over previous year. Thus it showed that owned fund of UCBs in India has increased during 1988-89 to 2001-02.

2.1.2 Growth in Deposits and Loans outstanding

Table 2.2 shows the progress in deposits and loans outstanding of UCBs in India during 1998-99 to 2001-02. In 1998-99 deposits of UCBs in India was Rs.7232 crores which increased to Rs. 8660 crores in 1989-90 showed 19.75% change. In 1990-91 it was increased to Rs. 10157 crores showed 17.29% change over 1989-90. In 1995-96 it was again increased to Rs.24165 crores showed 137.91% change over previous year. In 1996-97 deposits of UCBs was increased to Rs. 30714 crores showed 27.10% change. In 1997-98 deposits of UCBs was increased to Rs.40692 crores and it was increased to Rs.48583 crores in 1998-99 showed 19.39% change. In 1999-2000 deposits of UCBs was Rs. 71189 crores and further increased to Rs.80840 crores in 2000-01 showed 13.56% change. In 2001-02 deposits of UCBs was increased to Rs.93069 crores showed 15.13% change over previous year.

Table 2.2
Growth in Deposits and Loans outstanding of UCBs in India
(Rs.in Lakh)

Sr. No.	Years	Deposits	% change	Loans outstanding	% change
1	1988-89	7232	-	5820	-
2	1989-90	8660	19.75	6802	16.87
3	1990-91	10157	17.29	8003	17.66
4	1995-96	24165	137.91	17908	123.77
5	1996-97	30714	27.10	21550	20.34
6	1997-98	40692	32.49	27807	29.03
7	1998-99	48583	19.39	30999	11.48
8	1999-00	71189	46.53	45995	48.38
9	2000-01	80840	13.56	54389	18.25
10	2001-02	93069	15.13	62060	14.10

Source:- Reports on Trends and Progress of Banks in India, RBI.

In 1988-89 loans outstanding of UCBs in India was Rs.5820 crores which increased to Rs.6802 crores in 1989-90 and further increased to Rs.8003 crores showed 17.66% change over previous year. In 1995-96 loan outstanding of UCBs was increased to Rs.17908 crores. In 1996-97 it was increased to Rs. 21550 crores showed 20.34% change over previous year. In 1997-98 It was again increased to Rs.27807 crores, Rs.30999 crores in 1998-99 and Rs.45995 crores in 1999-2000. It was further increased to Rs.54389 crores 2000-01 and Rs.62060 crores 2001-02 showed 14.10% change over previous year.

2.2 State-wise Progress of UCBs in India

During 1980-81 there were 1090 UCBs in India. Out of these 45 UCBs were in Andhra Pradesh, 267 in Gujrat, 196 in Karnataka, 45 in Kerala, 25 in Madhya Pradesh. In Maharashtra there were 314 UCBs, 11 in Rajasthan, 122 in Tamil Nadu, 10 in Uttar Pradesh, 27 in

West Bengal. In other states of India there were only 28 UCBs. During 1994-95 there were 1431 UCBs in India. Out of these banks 67 UCBs were setup in Andhra Pradesh, 293 in Gujrat, 218 in Kamataka, 59 in Kerala, 50 in Madhya Pradesh. In Maharashtra there were 399 UCBs, 29 in Rajasthan, 137 in Tamil Nadu, 48 in Uttar Pradesh and West Bengal respectively. In other states there were only 83 UCBs.

Table 2.3
State-wise Position of UCBs in India

Sr. No.	States	1980-81	1994-95	2000-01	2002-03
1	Andhra Pradesh	45	67	175	169
2	Gujrat	267	293	358	362
3	Karnataka	196	218	322	324
4	Kerala	45	59	63	65
5	Madhya Pradesh	25	50	89	77
6	Maharashtra	314	399	635	670
7	Rajasthan	11	29	40	44
8	Tamil Nadu	122	137	134	136
9	Uttar Pradesh	10	48	75	78
10	West Bengal	27	48	52	55
11	Other States	28	83	95	117
12	Total	1090	1431	2038	2097

Source :-

- 1) Statistical Statement relating to the Co-operative movement in India 1980-81 NABARD Part -I Credit society.
- 2) NAFCUB Baba Research Project Report Bombay July 1996.
- 3) Indian Co-operative Movement a Profile - Published by National Co-operative Union of India (NCUI) New Delhi.
- 4) www.rbi.org.in

Note :- Other States Include : Assam, Bihar, Haryana, Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Meghalaya, Manipur, Mizoram, Nagaland, Orissa, Punjab, Tripura, Delhi, Goa, Pondicherry and Meghalaya.

In 2000-01 there were 2038 UCBs in India. Out of these banks 175 UCBs were in Andhra Pradesh, 358 in Gujrat, 322 in Karnataka, 63 in Kerala, 89 in Madhya Pradesh. There were 635 UCBs in Maharashtra. 40 UCBs in Rajasthan, 134 in Tamil Nadu, 75 in Uttar Pradesh, 52 in West Bengal. In other states there were 95 UCBs while in 2002-03 there were 2097 UCBs. Out of these 169 UCBs were in Andhra Pradesh, 362 in Gujrat, 324 in Karnataka, 65 in Kerala, 77 in Madhya Pradesh. There were 670 UCBs in Maharashtra . 44 UCBs in Rajasthan, 136 in Tamil Nadu, 78 in Uttar Pradesh, 55 in West Bengal . In other states there were 117 UCBs.

2.3 Progress of UCBs in Maharashtra

2.3.1 Position of UCBs Before Independence

Maharashtra is the leading state in India where in the highest number of co-operative societies of various types have been functioning in almost all regions. Credit co-operative movement in Maharashtra is one of the biggest part of the co-operative movement in Maharashtra. The credit co-operative movement is broadly classified into agricultural credit co-operative and non-agricultural credit co-operative. UCBs are the part and parcel of non-agricultural credit co-operative movement. The UCBs have been playing a very important role to bringing about economic development of urban area. The Maharashtra State is contributing a very predominant role in the area of urban co-operative bank.

Commercial banks and co-operative credit societies have got more importance in respect of giving maximum loans and advances to

the businessmen, traders, to the weaker section and lower income group people to change their socio-economic aspects. Co-operation in Maharashtra has been the pionnering sector of the co-operative movement in the country. It has remained in the forefront since its inception. It has always been a source of inspiration to similar movements elsewhere in the country. The co-operative movement in Maharashtra provides a model to the country both in respect of qualitative and quantitative aspects.

During the period 1904 -15 the agricultural credit societies and non-agricultural credit societies were 13882 and 602 respectively. During the same period 12 UCBs were established in Maharashtra of which 2 UCBs were in Greater Bombay, 1 in Dhule district, 4 in Pune district, 2 in Ahmednagar district, 1 in Solapur district, 2 in Kolhapur district. Due to crisis among the joint stock banks the government of India appointed a committee on October 8, 1914 under the chairmanship of E.D.Maclagan former secretary of govt. of India. This committee was appointed to suggest measures improvement in regard to the constitution and working of central and provisional banks and the financial connection between the various parts of the co-operative organisations.

The importance of UCBs as an institution best suited to cater to the banking and credit needs of persons of limited means was first recognised by this committee in 1915. It was pointed out that UCBs would serve the useful purpose of training and urban middle classess to understand the banking principles and practices. As a result of this

committee's recommendations number of societies began to increase. The failure of local joint stock banks made easy the way for the organisation of new urban credit societies. It was then realised that urban credit societies were prominently suitable institutional agencies for collecting local savings and to provide relief to those who were in clutches of moneylenders. by providing financial assistance to them.

Upto 1920, non-agricultural societies were called as parents of UCBs. Most of the UCBs formerly known as urban co-operative societies. They were managed by honorary workers and part time staff. Several urban credit societies were established after the end of the First world war. They introduced a variety of measures to mobilise deposits resources and simple banking facilities. Under the Chemsford Reforms Act of 1919 Co-operation was made a state subject. Bombay state gave a lead by passing a separate Act in 1925 and other state also followed. During the period 1916 to 1926, 20 UCBs were established. Out of these UCBs 6 were in Greater Bombay, 1 in Thane district, 1 in Ratnagiri district, 3 in Nashik district, 1 in Pune district, 2 in Jalgaon, 1 in Sangali district, 2 in Satara, 1 in Ahmednagar and 2 in Kolhapur district.

During 1927 to 1937 totally 35 banks were established in Maharashtra. Out of this UCBs, 8 were in Greater Bombay, 1 in Thane, 3 in Kulaba, 3 in Ratnagiri, 1 in Dhule, 2 in Jalgaon, 2 in Pune , 1 in Solapur, 4 in Sangali, 2 in Satara, 1 in Aurangbad, 1 in Nagpur, 1 in Osmanabad and 4 in Kolhapur district UCBs were established. During the same period local support received by the UCBs was very

important base for their development in the urban area. Very few members of management knew the banking business. There was no agency to guide them and supervise their working. The wrong practices of borrowings from multiple agencies, the extension of the period of repayment without justification of advances against landed property crept were at the start itself. The facility for cleaning the cheques helped the UCBs to print their cheques. This became a symbol of status and deposits of Urban banks nearly doubled during 1924 - 29.

The govt. of India formed in June 1929 Central Banking Enquiry Committee to investigate the existing condition of banking in India and also recommended steps to meet needs of agriculture, commerce and industry. In 1931 this committee recommended that limited liability to co-operative societies generally known as UCBs should be established for the benefit for these classes of the population. The duties for these UCBs should be try to do for the small traders, merchants and the middle class people as the commercial banks are doing for the big traders and the big merchants. This committee felt that the UCBs should provide them same facilities and services. The committee was also of view that UCBs should concentrate on short term business. They should not lock up their funds in loans on the security of landed property. It made detailed recommendations relating to their management, business etc and the recommendations were accepted by the govt. of India. The measures suggested for the development and regulation of banking had been suggested for the

development and regulation of banking had been tagged with the establishment of RBI. The suggestions were slowly carried into effect after 1935.

The co-operative banking system strengthened and widened its urban base during 1938 - 47. Its major source of strength was non-agriculture sector. It is continued to be for in excess of the demand on them. Provided support to the expansion of co-operative activity on a large scale in the sphere of distribution of essential goods including agricultural inputs and marketing of produces and strengthened its ties with money market.

The Second World War imposed additional strains on co-operative banking system. The co-operative banking in Maharashtra met the demands. Second World War made them conscious of the importance of sound banking policy. As a result the financial position of UCBs improved by the end of 1940- 41. In 1941 state govt. advised the Registrar to take action in case of co-operative banks in view of wrong banking practices adopted by banks. Thus after ensuring the govt. encouraged, public and semi public institutions started to depositing their surplus funds with co-operative banks.

Since the beginning of 1941 important development took place, such as

1. Various steps were taken to avoid unfair competition from financing agencies.
2. The various standards of sound banking policies were made applicable to UCBs.

3. The bank resorted to a policy of developing urban banks to small traders at taluka market centers. During 1938 to 1947, 18 UCBs were established in Maharashtra. Out of these UCBs, 6 were in greater Bombay, 1 in Kulaba, 1 in Ratnagiri, 1 in Dhule, 3 in Nashik, 2 in Jalgaon, 1 in Solapur, 1 in Sangali, 2 in Kolhapur district UCBs were established. It is further to note that the UCBs acquired a considerable structure during pre-independence period due to four reasons.

1. The failure of local joint stock banks gave impetus to the growth of UCBs.
2. UCBs were suitable institutional agencies for collecting local saving and providing financial accommodation of those who were in the clutches of moneylenders.
3. The great depression of 1930 didn't hinder the development of UCBs mainly because the fall in the urban income was not as steep as the fall in rural income.
4. The economic boom created by the 2nd World War provided a continuous growth of the UCBs.

2.3.2 Progress of UCBs After Independence

After independence co-operation became one of the important instrument of Maharashtra State policy. With that policy, UCBs came to be encouraged and assisted. A survey of UCBs conducted by the study group on credit co-operatives in non-agricultural sector in 1963 known as Varde Committee. This committee recommended the need for establishing new urban banks and extending their membership,

making the banks economically viable, diversifying their loan, portfolio and ensuring enhanced financial assistance from them to small industrialists and artisans. In 1966 the UCBs were brought under banking regulation act 1949 to foster their growth and also to bring them under financial disciplines and regulations. In 1967 the working group on industrial financing through co-operative banks was set up by the RBI under the chairmanship of its Deputy Governor Shri P.N.Damry. This committee recommended that the UCBs was the only suitable co-operative financing agency which could successfully undertake the function of providing adequate finance to small industrial units.

The development of UCBs attracted by govt. and apex bank and resulted into rapid growth of the UCBs. At that time apex bank declared its policy not to competing with UCBs. Mobilisation of small savings and financing to the members of limited means are also the reasons for the growth of UCBs. Taking into consideration these facts the Registrar permitted to UCBs to finance industrial and housing sector. This resulted that number of UCBs in Maharashtra state doubled during the period from 1948 to 1970. In 1977 Madhavdas committee was set up by RBI under the chairmanship of Executive Director, Shri Madhavdas. This committee made a study of past performance and future potentialities of UCBs. This committee noticed that UCBs were mainly suitable to fill existing gaps in banking and credit needs in urban and semi-urban areas with comparatively less cost of operation and their simplicity, close contact, local feel and

financial difficulties could also enjoy the confidence of local people. Thus this committee recommended a preference for UCBs in opening branches in semi-urban areas.

In 1983 the standing advisory committee for UCBs was set up by RBI under the chairmanship of Deputy Governor Dr. M.V. Hate. This committee known as Hate Committee. This committee recommended that, "the UCBs should be exhorted to achieve a target of 60% of their total advances for priority sector lending by 30th June 1985". Of the total priority sector advances at least 25% advances should have been given to weaker sections.

In this way the recommendations and reports of the various committees favourable circumstances were created for the development of UCBs activity. Factors like dynamic leadership and potential for deposits mobilization and the urge to form co-operative institutions for self-help and thrift have helped to promote UCBs. Table 2.4 shows the growth in UCBs in Maharashtra. In 1960-61 there were 149 UCBs in Maharashtra which increased to 265 in 1970-71 showed 77.85% change. In 1980-81 number of UCBs was increased to 345 showed 30.19% change over previous year. In 1987-88 number of UCBs was increased to 376 and further increased to 377 in 1988-89 which showed 0.27% change. In 1989-90 it was decreased to 376 and increased to 381 in 1990-91. In 1991-92 it was slightly increased to 382 in 1993-94 which increased to 378, 407 in 1994-95 and 456 in 1995-96. It was further increased to 650 in 1999-2000 and 656 in 2000-01.

Tab 2.4.
Growth in Number of UCBs, Membership and Share capital of
UCBs in Maharashtra

(Rs. in Lakh)

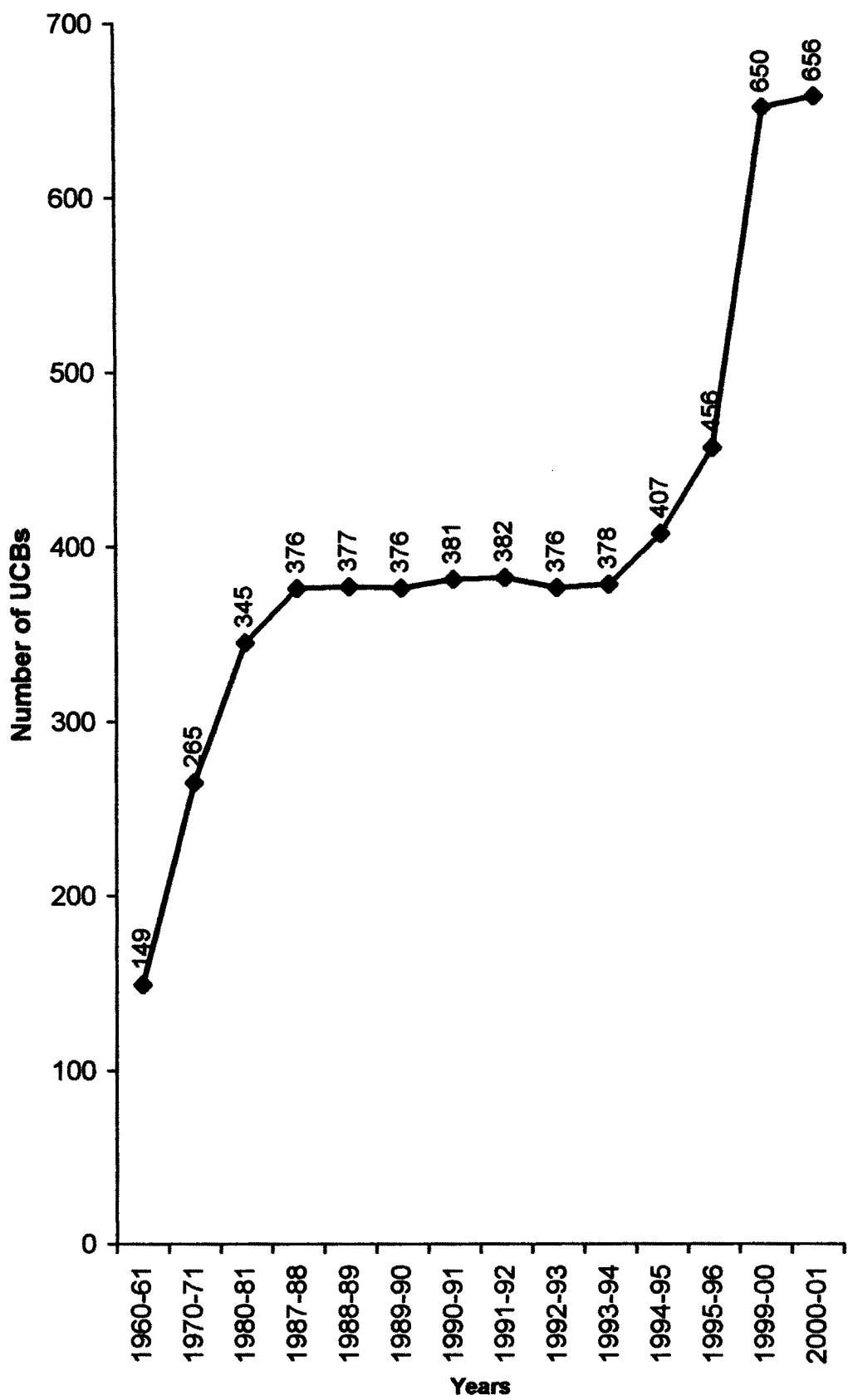
Years	Number of UCBs	% Change	Membership (000)	% Change	Share capital	% Change
1960-61	149	-	433	-	294	-
1970-71	265	77.85	883	103.93	947	222.11
1980-81	345	30.19	1618	83.24	4201	343.61
1987-88	376	8.99	3348	106.92	12465	196.72
1988-89	377	0.27	3600	7.53	13700	9.91
1989-90	376	-0.27	4600	27.78	18700	36.50
1990-91	381	1.33	4464	-2.96	18682	-0.10
1991-92	382	0.26	4857	8.80	20104	7.61
1992-93	376	-1.57	5720	17.77	22099	9.92
1993-94	378	0.53	6015	5.16	24319	10.05
1994-95	407	7.67	6933	15.26	33453	37.56
1995-96	456	12.04	6629	-4.38	36927	10.38
1999-00	650	42.54	7782	17.39	57032	31.45
2000-01	656	0.92	7808	0.33	89885	57.59

Source :- Co-operative Movement at Glance

In 1960-61 membership of UCBs was 433 thousand which increased to 883 thousand in 1970-71 and 1618 thousand in 1980-81 showed 83.24% change over previous year. In 1987-88 it was increased to 3348 thousand indicated 106.92% change. In 1988-89 membership of UCBs was increased to 3600 thousand, 4600 thousand 1989-90 and it was decreased to 4464 thousand in 1990-91. In 1991-92 it was increased to 4857 thousand and 5720 thousand in 1992-93. The membership of UCBs was again increased to 7782 thousand in 1999-2000 showed 17.39% change. It was further increased to 7808 thousand in 2000-01.

In 1960-61 share capital of UCBs in Maharashtra was Rs.294 lakh it was increased to Rs. 947 lakh in 1970-71 showed 222.11%

Graph No. 2.2
Growth in Number of UCBs in Maharashtra



change. It was increased to Rs. 4201 lakh in 1980-81. In 1987-88 it was further increased to Rs. 12465 lakh and Rs. 18700 lakh in 1989-90. In 1991-92 share capital of UCBs was increased to Rs. 20104 lakh Rs. 22099 lakh in 1992-93 and Rs. 24319 lakh in 1993-94. 1995-96 it was increased to Rs. 36927 lakh and Rs 57032 lakh in 1999-2000 which showed 31.45% change over previous year. Again it was increased to Rs. 89885 lakh in 2000-01.

2.3.3 Growth in Owned fund, Deposits, Borrowings and Working capital

1) Owned fund

In 1960-61 owned fund of UCBs in Maharashtra was Rs. 511 lakh which increased to Rs. 1502 lakh in 1970-71 showed 193.93% change. It was further increased to Rs. 8530 lakh in 1980-81 and Rs. 33223 lakh in 1987-88. In 1988-89 owned fund of UCBs was Rs. 36500 lakh it was further increased to Rs. 45800 lakh in 1989-90 showed 25.48 % change. It was increased to Rs. 55540 lakh in 1990-91 showed 21.27 % change over previous year. In 1991-92 it was increased to Rs. 63559 lakh and Rs. 75996 lakh in 1992-93 showed 19.57% change. In 1993-94 it was increased to Rs. 86373 lakh Rs. 102888 lakh in 1994-95 and Rs. 114333 lakh in 1995-96 showed 11.12 % change over previous year. Recent position showed that it was increased to Rs. 242764 lakh in 1999-2000 showed 112.33% change. It was further increased to Rs. 431770 lakh in 2001 indicating 77.86 % change.

Thus UCBs in Maharashtra have made satisfactory progress in increasing their owned funds during 1960-61 to 2000-01 which ultimately reflect the efficiency of these banks.

Table 2.5
Growth in Owned fund, Deposits, Borrowing and Working capital of
UCBs in Maharashtra

(Rs. in Lakh)

Years	Owned fund	% Change	Deposits	% Change	Borrowings	% Change	Working capital	% Change
1960-61	511	-	1243	-	N.A	-	N.A.	-
1970-71	1502	193.93	6832	449.64	308	0.00	9280	0.00
1980-81	8530	467.91	65779	862.81	1666	440.91	88704	857.93
1987-88	33223	289.48	297636	352.48	14786	787.52	399604	350.49
1988-89	36500	9.86	331000	11.21	16000	8.21	460000	15.11
1998-90	45800	25.48	482000	45.62	23000	43.75	590000	28.26
1990-91	55540	21.27	466298	-3.26	32965	43.33	617642	4.69
1991-92	63559	14.44	516221	10.71	35176	6.71	691173	11.91
1992-93	75996	19.57	601627	16.54	31831	-9.51	798957	15.59
1993-94	86373	13.65	687112	14.21	33607	5.58	910392	13.95
1994-95	102888	19.12	776629	13.03	44859	33.48	1025426	12.64
1995-96	114333	11.12	886290	14.12	47699	6.33	1176726	14.75
1999-00	242764	112.33	3500193	294.93	60195	26.20	4117018	249.87
2000-01	431770	77.86	4092326	16.92	75440	25.33	5574123	35.39

Source :- Co-operative Movement at a Glance

ii) Deposits

In 1960-61 deposits of UCBs in Maharashtra was Rs. 1243 lakh which increased to Rs. 6832 lakh in 1970-71 and Rs. 65779 lakh in 1980-81 showed 862.81% change over previous year. It was increased to Rs. 297636 lakh in 1987-88, Rs. 331000 lakh in 1988-89. In 1989-90 it was again increased to Rs. 482000 lakh showed 45.62% change over previous year. However it was decreased to Rs. 466298 lakh in 1990-91. In 1991-92 it was increased to Rs. 516221 lakh again it was increased to Rs. 601627 lakh in 1992-93 showed 16.54%

change. In 1993-94 deposits of UCBs was increased to Rs. 687112 lakh and Rs. 776629 lakh in 1994-95 showed marginal change. In 1995-96 it was increased to Rs. 886290 lakh showed 14.12% change over 1994-95. Deposits of UCBs was further increased to Rs. 3500193 lakh in 1999-2000 and Rs. 4092326 lakh in 2000-01 showed 16.92% change.

iii) Borrowings

In 1970-71 borrowings of UCBs in Maharashtra was Rs. 308 lakh which increased to Rs. 1666 lakh in 1980-81 showed 440.91% change. It was further increased to Rs. 14786 lakh in 1987-88 showed 787.52% change. In 1988-89 borrowing of UCBs was increased to Rs. 16000 lakh it was increased to Rs. 23000 lakh in 1989-90 indicated 43.75% change over previous year. Borrowings of UCBs was increased to Rs. 32965 lakh in 1990-91. In 1991-92 it was increased to Rs. 35176 lakh and it was decreased to Rs. 31831 lakh. In 1993-94 it was again increased to Rs. 33607 lakh. It was increased to Rs. 60195 lakh in 1999-2000 which showed 26.20% change over previous year and it was further increased to Rs. 75440 lakh in 2000-01.

iv) Working capital

In 1970-71 working capital of UCBs in Maharashtra was Rs. 9260 lakh which increased to Rs. 88704 lakh in 1980-81 showed 857.93% change. In 1987-88 it was increased to Rs. 399604 lakh Rs. 460000 lakh in 1988-89 and Rs. 590000 lakh in 1989-90 in 1990-91 it was increased to Rs. 617642 lakh and Rs. 691173 lakh in 1991-92

showed 11.91 % change. Working capital of UCBs was increased to Rs. 798957 lakh in 1992-93 it was increased to Rs. 910392 lakh in 1993-94 and Rs. 1025426 lakh in 1994-95. It was again increased to Rs. 1176726 lakh in 1995-96, Rs. 4117018 lakh in 1999-2000 and Rs. 5574123 lakh in 2000-01 which showed 35.39 %change over previous year.

2.3.4 Loan advanced, Outstanding and Overdues

i) Loans advanced

In 1970-71 loans advanced by UCBs in Maharashtra was Rs. 12381 lakh which increased to Rs. 87343 lakh in 1980-81 and Rs. 441551 lakh in 1987-88. In 1988-89 it was increased to Rs. 510000 lakh Rs. 785000 lakh in 1989-90 and Rs. 555246 lakh in 1990-91. It was increased to Rs. 532588 lakh in 1991-92 and Rs. 592366 lakh in 1992-93 showed 11.22% change. In 1993-94 loans advanced by UCBs was increased to Rs. 669658 lakh which showed 13.05% change over previous year. It was increased to Rs. 791061 lakh in 1994-95, Rs. 938770 lakh in 1995-96. Further it was increased to Rs. 2760245 lakh in 1999-2000 and Rs. 3221062 lakh in 2000-01 showed 16.69% change.

ii) Loans outstanding

In 1960-61 loans outstanding of UCBs was Rs. 1671 lakh which increased to Rs. 5007 lakh in 1970-71 showed 199.64% change. Again it was increased to Rs. 48008 lakh in 1980-81, Rs. 219478 lakh in 1987-88, Rs. 285000 lakh in 1988-89 and Rs. 425000 lakh in 1989-90. Loans outstanding of UCBs was decreased to Rs. 322718 lakh in 1990-91. In 1991-92 it was again increased to Rs. 369988 lakh and

Rs. 414240 lakh in 1992-93. In 1993-94 it was increased to Rs. 473855 lakh and Rs. 511319 lakh in 1994-95 which showed 7.91% change. In 1995-96 it was increased to Rs. 696525 lakh showed 36.22% change. It was further increased to Rs. 1691368 lakh in 1999-2000 indicating 142.83% change over 1995-96. It was increased to Rs. 2834956 lakh in 2000-01 showed 157.60% change over previous year .

Table 2.6
Loan advanced by UCBs in Maharashtra

(Rs. in lakh)

Years	Loans advanced	% Change	Loans outstanding	% Change	Loans overdues	% Change
1960-61	N.A	-	1671	-	133	-
1970-71	12381	0.00	5007	199.64	364	173.68
1980-81	87343	605.46	48008	858.82	3732	925.27
1987-88	441551	405.54	219478	357.17	22599	505.55
1988-89	510000	15.50	285000	29.85	24000	6.20
1989-90	785000	53.92	425000	49.12	33000	37.50
1990-91	555246	-29.27	322718	-24.07	45735	38.59
1991-92	532588	-4.08	369988	14.65	50883	11.26
1992-93	592366	11.22	414240	11.96	53102	4.36
1993-94	669658	13.05	473855	14.39	63144	18.91
1994-95	791061	18.13	511319	7.91	72070	14.14
1995-96	938770	18.67	696525	36.22	76545	6.21
1999-00	2760245	194.03	1691368	142.83	103108	34.70
2000-01	3221062	16.69	2834956	157.60	182409	76.91

Source :-Co-operative Moment at a Glance.

iii) Loans overdues

In 1960-61 loans overdues of UCBc in Maharashtra was Rs. 133 lakh which increased to Rs. 364 lakh in 1970-71 showed 173.68 % change. In 1980-81 it was increased to Rs. 3732 lakh and Rs. 22599 lakh in 1987-88 showed 505.55% change. In 1988-89 it was increased to Rs. 24000 lakh Rs. 33000 lakh in 1989-90 and Rs. 45735 lakh in 1990-91 showed 38.59% change over previous year. In 1991-92 it was increased to Rs. 50883 lakh which showed 11.26% change

again it was increased to Rs 53102 lakh in 1992-93. In 1993-94 it was increased to Rs. 63144 lakh Rs. 72070 lakh in 1994-95 and Rs. 76545 lakh in 1995-96. In 1999-2000 it was further increased to Rs. 103108 lakh and Rs. 182409 lakh in 2000-01 showed 76.91% change.

2.3.5 Growth in Profit and Loss

Table 2.7 shows number of UCBs in profit and loss in Maharashtra.

1) Growth in profit

In 1980-81, 330 UCBs was in profit in Maharashtra and amount of their profit was Rs. 1170 lakh. Number of banks in profit was increased to 362 and amount of profit was increased to Rs. 8330 lakh in 1987-88. In 1988-89 number of UCBs in profit was constant i.e. 362 but amount of profit was increased to Rs. 8500 lakhs. Number of UCBs in profit was increased to 370 but amount of profit was decreased to Rs. 5500 lakh in 1989-90. In 1990-91 number of UCBs in profit was decreased to 367 but amount of profit was increased to Rs. 7116 as compare to 1989-90. In 1991-92 number of UCBs in profit was constant i.e. 367 but amount of profit was increased to Rs. 8320 lakh as compare to 1990-91. In 1992-93, 355 UCBs was in profit and amount of their profit was increased to Rs. 9534 lakhs. In 1993-94 number of UCBs in profit was decreased to 326 and amount of profit was also decreased to Rs. 933 lakh as compare to 1992-93. Number of UCBs in profit was constant i.e. 326 but amount of profit was increased to Rs. 9807 lakh in 1994-95 as compare to 1993-94. In 1995-96 number of UCBs in profit was again increased to 367 and amount of profit was also increased to Rs. 13656 lakh as compare to

1994-95. In 1999-2000 number of UCBs in profit was increased to 551 and amount of profit was also increased to Rs.34686 lakh as compare to 1995-96. In 2000-01 number of UCBs in profit was further increased to 559 but amount of profit was decreased to Rs.4875 lakh as compare to 1999-2000.

Table 2.7
Growth in Profit and Loss of UCBs in Maharashtra
(Rs. in Lakh)

Sr. No.	Years	Number of UCBs in profits	Amount of profit	Number of UCBs in loss	Amount of loss
1	1980-81	330	1170	7	6
2	1987-88	362	8330	14	74
3	1988-89	362	8500	15	75
4	1989-90	370	5500	6	45
5	1990-91	367	7116	13	163
6	1991-92	367	8320	14	282
7	1992-93	355	9534	18	620
8	1993-94	326	9333	49	1803
9	1994-95	326	9807	76	1817
10	1995-96	367	13656	65	3520
11	1999-00	551	316851	92	11348
12	2000-01	559	4875	92	13122

Source :-Co-operative Moment at a Glance

ii) Growth in loss

In 1980-81 ,7 UCBs in loss in Maharashtra and amount of their loss was Rs. 6 lakh. Number of UCBs in loss was increased to 14 and amount of loss was increased to Rs. 74 lakh. In 1988-89 number of UCBs in loss was increased to 15 and amount of loss was increased to Rs. 75 lakhs. Number of UCBs in loss was decreased to 06 and amount of loss was also decreased to Rs.45 lakh in 1989-90. In 1990-91 number of UCBs in loss was increased to 13 and amount of loss was also increased to Rs.163 lakh as compare to 1989-90. In 1991-

92 number of UCBs in loss was increased to 14 and amount of loss was increased to Rs.282 lakh as compare to 1990-91. In 1992-93, 18 UCBs in loss and amount of their loss was Rs. 620 lakh. In 1993-94 number of UCBs in loss was increased to 49 and amount of loss was increased to Rs. 1803 lakh as compare to 1992-93. Number of UCBs in loss was increased to 76 and amount of loss was further increased to Rs.1817 lakh in 1994-95 as compare to 1993-94. In 1995-96 number of UCBs in loss was again increased to 65 and amount of loss was also increased to Rs. 3520 lakh as compare to 1994-95. In 1999-2000 number of UCBs in loss was increased to 92 and amount of loss was increased to Rs.11348 lakh as compare to 1995-96. Number of UCBs was constant i.e. 92 but amount of loss was again increased to Rs. 13122 lakh in 2000-01 as compare to 1999-2000.

2.4 Division-wise Position of UCBs in Maharashtra

In 2001 there were 656 UCBs in Maharashtra. Out of these 95 UCBs were set up in Mumbai division. In Mumbai division, Mumbai is only a district having 95 UCBs. In Konkan division the number of UCBs were 36. Out of this 20 UCBs were in Thane district, 10 in Raigad district. Only two UCBs were seen in Sindhudurg district and 4 in Ratnagiri district. In Nashik division there were 117 UCBs. Out of these 50 UCBs were in Nashik, 12 in Dhule district. In Nandurbar district there were 7 UCBs. 25 in Jalgaon district and 23 in Ahmednagar district.

Table 2.8
Division-wise Number of UCBs in Maharashtra 2001

Sr. No.	Division	Number of UCBs in district	Number of UCBs in division
1	Mumbai	Mumbai (95)	95
2	Konkan	Thane (20)	36
		Raigad (10)	
		Sindhudurg (2)	
		Ratnagiri (4)	
3	Nashik	Nashik (50)	117
		Dhule (12)	
		Nandurbar (7)	
		Jalgaon (25)	
		Ahmednagar (23)	
4	Pune	Pune (63)	104
		Solapur (41)	
5	Kolhapur	Satara (34)	126
		Sangali (32)	
		Kolhapur (60)	
6	Aurangabad	Aurangabad (18)	52
		Jalana (7)	
		Parbhani (20)	
		Hingoli (7)	
7	Latur	Beed (16)	57
		Nanded (10)	
		Osmanabad (12)	
		Latur (19)	
8	Amravati	Buldhana (9)	36
		Akola (9)	
		Washim (1)	
		Amravati (13)	
		Yavatmal (4)	
9	Nagpur	Wardha (5)	33
		Nagpur (19)	
		Bhandara (1)	
		Gondia (2)	
		Chandrapur (4)	
		Gadchiroli (3)	
	Total		656

Source :-Co-operative Movement at a Glance in Maharashtra 2001

Part II

Note :- Figures with in brackets shows the number of Urban Co-operative Banks.

There were 104 UCBs in Pune division. Out of these 63 UCBs were in Pune and 41 in Solapur district. In Kolhapur division there were 126 UCBs out of these UCBs 34 UCBs in Satara district, 32 in Sangli district and 60 in Kolhapur district. In Aurangabad division there were 52 UCBs. Out of these 18 UCBs were in Aurangabad district, 7 in Jalna district, 20 in Parbhani district and 7 in Hingoli district. In Latur division there were 57 UCBs. Out of these UCBs 16 UCBs were seen in Beed district, 10 in Nanded district, 12 in Osmanabad district and 19 in Latur district.

There were 36 UCBs in Amravati division. Out of these 9 UCBs in Buldhana district. 9 in Akola district. Only one UCB is seen in Washim. In Amravati district there were 13 UCBs and 4 in Yavatmal district. In Nagapur division there were 33 UCBs. Out of this 5 in Wardha district ,19 in Nagpur district .In Gondia and Gadchiroli there were 2,2 UCBs respectively .In Chandrapur district there were 4 UCBs and Bhandara there were only one UCB was seen.

2.5 Challenges before UCBs in Maharashtra :

Unlike the agricultural credit societies and rural banking sector, most of the urban co-operative banks and non-agricultural credit societies recently, have been functioning in a reasonable manner except for banks which became weaker due to lack of business or managerial problems. The urban co-operative credit sector as a whole didn't face very serious problems, because of their dynamic policies, several banks all over the country, grew to a level from which they

could be permitted to work as scheduled banks and effectively compete in the financial market.

During recent years, the impact of globalization and declining management standards in some banks have begun to affect their competitive ability and disturb the placid atmosphere of their relations with members. In stances of mismanagement, reckless lending and bankruptcy are not wanting. The declining interest rates have further added to their problems and due to unfavourable changes in the ratio of deposits and loan amounts, the problem of non productive (performing) assets (NPA) became to them a major operational issue. Their age old, grievance of dual control (Government Co-operative Department and the Reserve Bank of India) continues to hold to this day.

The K. Madhavdas high power committee appointed by the RBI of India in 1999 has recommended organizational as well operational norms which extended the scope of their lending operations to trade and small industries. In addition the small and upcoming banks have also to indirectly compete with well-established co-operative banks. Because of the influx of multi-national and high profile banks into the country, the UCBs are losing some of their clientele and are facing the prospect of reduced volume of business. Many of the banks are already changing their managerial styles and are resorting to aggressive methods in promoting business among members and non-members alike.

With occasional scandals surfacing and being publicised through the media, they have to be extra careful to preserve their identity and maintain their image as people oriented banks. It is difficult task but there is no possibility of a short-cut as gradually the banks will have to fight their own battle. However the severity of the competitive operational problems could be reduced if the banks approach their problems collectively and share each others experiences to mutual advantage.

2.6 Conclusion :

Historical and statistical profile of UCBs showed that the urban co-operative movement was originated in Germany then it developed in India. The first urban co-operative society was established at the end of the nineteenth century in India. UCBs in India were organized as credit societies and later converted into urban banks UCBs developed steadily and progressively after independence. The progress of UCBs was relatively faster after post nationalization period. The landmarks in the history of urban co-operative movement are the application of Banking Regulation Act to the co-operative banks in 1966. To examine the structure of the financial system and for its effectiveness Government of India appointed Narsimham Committee 1991. To study working of UCBs and urban co-operative societies and to review the policies of the RBI appointed Marathe Committee in 1992 by RBI. Maharashtra is the leading state in the area of UCBs. Credit co-operative movement in the state is one of the biggest parts of the co-operative movement.