

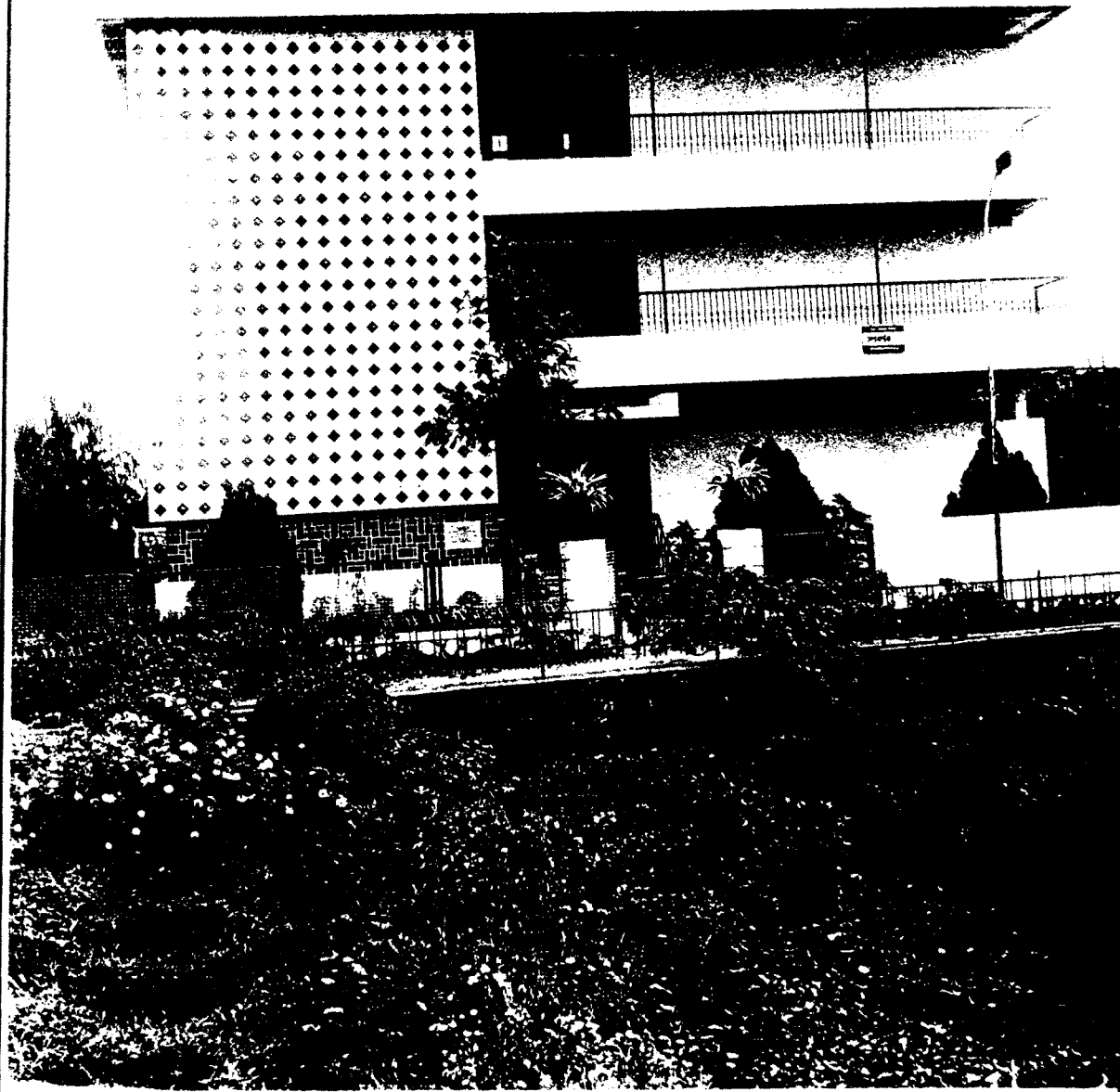
## C H A P T E R - I I I

### DEVELOPMENT OF URBAN CO-OPERATIVE BANKS IN KOLHAPUR

- 3:1 Introduction
- 3:2 Geographical Location
- 3:3 Historical Background of Urban Co-operative Banks in Kolhapur.
- 3:4 Beginning of Urban Co-operative Banks in Kolhapur City:-
- 3:5 Growth of Urban Co-operative Banks during Post Independence period.
- 3:6 Financial Position of Urban Co-operative Banks in Kolhapur.

BRANCH:

SHAHU MARET YARD  
KOLHAPUR



DEVELOPMENT OF URBAN CO-OPERATIVE BANKS

IN KOLHAPUR

3:1 INTRODUCTION :-

In this chapter an attempt has been made to study the historical development and financial position of urban co-operative banks in Kolhapur city. Further, the chapter also deals with the growth of these banks during the post independence period.

3:2 GEOGRAPHICAL LOCATION :-

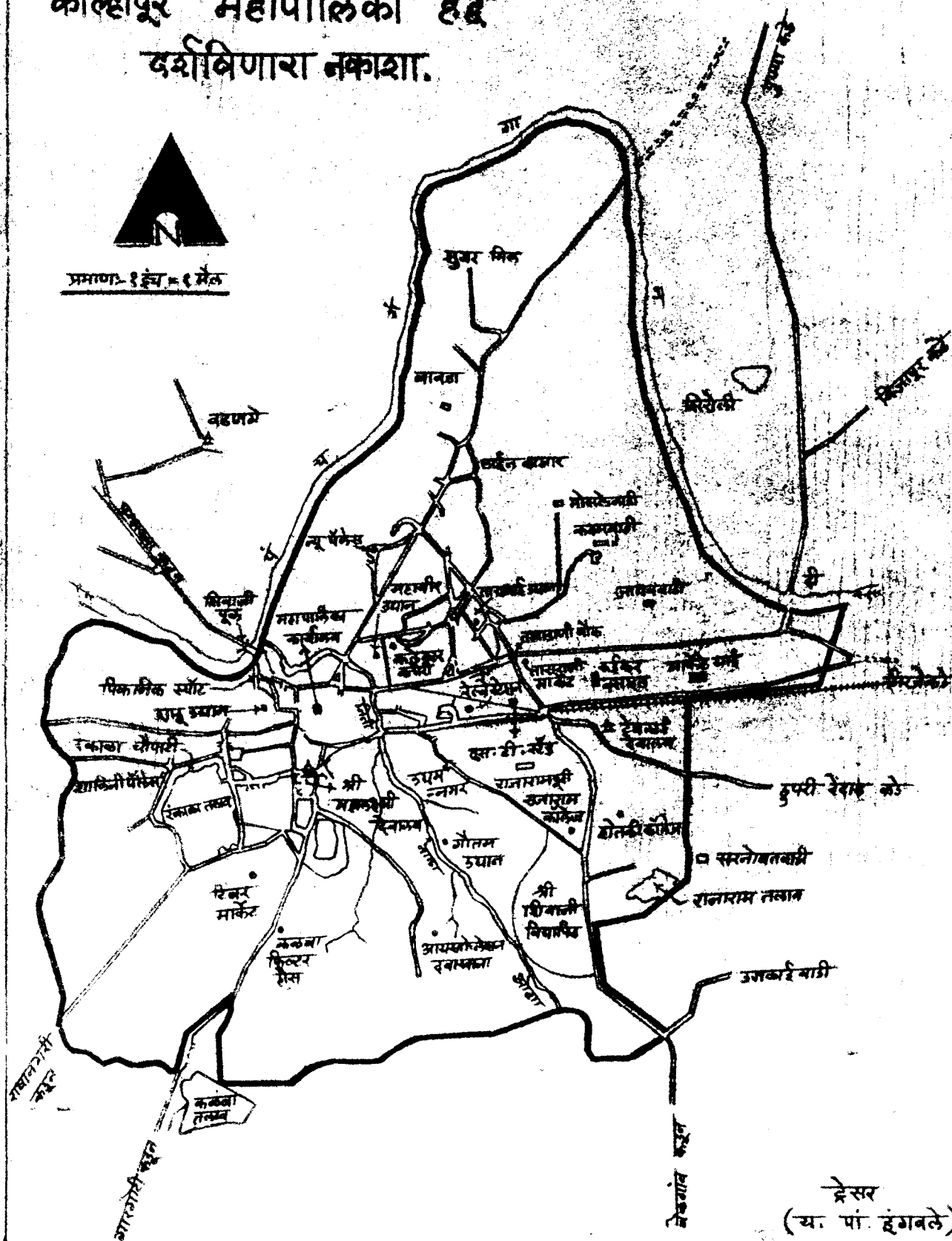
The city Kolhapur is located in south Maharashtra. It is the headquarter of the district of the same name. It is situated on latitude  $16^{\circ}42'1''$  north and on longitude  $74^{\circ}14'$  east. Kolhapur city enjoys a central position between the rugged terrain of the Western Ghats to the west and the rolling plain to the east. The plain of the river Panchaganga near Kolhapur. The city is the 'Gateway of Konkan' from Desh.

Kolhapur is the natural marketing centre for the surrounding region. The city has been an important commercial centre of the region since remote past. The city of Kolhapur is, at a distance of 495 kms. from Bombay 793 kms. From Bangalore, 303 kms from Poona and 45 kms from Sangli Miraj by rail. Kolhapur which was known as the city of nine roads during the past is connected with the sea ports towards west and the cities like Satara, Solapur, Pandharpur, Belgaum and others by an excellent system of

कोल्हापूर महापालिका हद्द  
दर्शविणारा नकाशा.



प्रमाण- १ इंच = १ सेल



roads. The National Highway No 4 passes through the eastern part of the city. The city is mainly expanding towards northeast and east of the old town.

Kolhapur enjoys an equable and invigorating climate except from march to May when hot winds prevail. The percentage of rainfall during the three seasons at Kolhapur is 5.0 %, 7.5%, 87.5 % from June to October.

The total area under the jurisdiction of the Kolhapur corporation is 66.82 sq.k.m. After considering the Geographical location, we will discuss historical background of Kolhapur city.

313

#### HISTORICAL BACKGROUND OF URBAN CO-OPERATIVE BANKS IN KOLHAPUR :-

In the history of Kolhapur, spread over the last few millenious, the single continuing factor which has molded and influenced the social and economic life of the residents of Kolhapur. Kolhapur city is the famous temple of Mahalaxmi which made it at a place of Pilgrimage for the Hindus not only from Maharashtra but from all over India " ~~great~~ Indeed the place has been known as " Dakshina Kashi" and given a status to equal to that Banaras among the religious places to the south of Vindhya<sup>1</sup> As a place of pilgrim age dedicated to the diety which symbolises material wealth, affluence royal power and splendour, the city attracted artisans and provided a centre of commerce over the several countries.

The history of Kolhapur city can be devided into four periods as follows -

Early Hindu period	( C B.C. 325 to 1306 A.D)
Muslim period	( 1307 A.D. to 1658 A.D.)
Hindu period	( 1659 A.D. to 1837 A.D.)
British Period	( 1838 A.D. to 1947 A.D.)

It was at the turn of the last century, to be precise, in 1884 A.D. (British Period) on accession to the Kolhapur throne of Rajashri Shahu Chhatrapati When he was only ten years old, that laid the foundation of new modern era which raised the part of Kolhapur district where his authority extended to higher level of socio-economic activities during his long rule of 38 years, ending 1922.

Important historical events took place between 1889 and 1915 which had far-reaching effects on the economic development of Kolhapur. The most important event was that of Shahu Chhatrapati touched every aspect of social and economic life of his subjects.

" In the agricultural field the big dam at Radhanagari was built by him and he particularly encouraged irrigation by manual-lift system popularly known as " Phad system", which required co-operation of the land holders. In lifting water from one small well called " Budki" about 3 metres deep and carrying it for strong in another Budaki and from there again lifting and carrying it at a higher level to the next 'Budaki' and so on with a total lift of nearly 20 metres " <sup>2</sup> This laid the foundation of co-operative movement of which example is not to be found in any other district of Maharashtra.

Rajashri Shahu Chhatrapati took initiative in establishing co-operative banks, textile mills, oil mills,

mills and controled market places. The chhatrapati Shahu of Kolhapur gave impetus to the co-operative movement in the field of credit and bankigg sector. The confidence *was* generated by him among the population and the measures of socio-economic development <sup>were also</sup> initiated by him. Thus the beginning of urban co-operative credit movement introduced in Second decade of tweektieth century Kolhapur city. ~~After considering historical background of Kolhapur city we will consider the beginning and development of urban co-operative banks.~~

3:4

#### BEGINNING OF URBAN CO-OPERATIVE BANKS IN KOLHAPUR CITY :-

After considering historical background of Kolhapur city and urban co-operative credit movement 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 market, industry, commercial business and banking centre place. For this historical and basic point, of ~~wh~~ 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.

It was certainly a risky venture to set up urban co-operative bank in an isolated place where resources as Share capital, Deposits, Borrowings and necessary other necessary facilities, did not at all existed in the circumstances from the urban weaker community. In the initial stage the number of five urban co-operative banks were introduced banking activities with very limited means of financial positions. As the time passed urban co-operative banks <sup>resources</sup> took progressive trends by the middle class and common class people. As a 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.

Second world war provided a booster dose and rejuvenated the urban co-operative banking industry. Another new five urban co-operative banks were established upto 1942. Thus the total number of urban co-operative banks remained 10. They introduced their banking activities with challenging circumstances. All these developments led to the emergence of a new decisions and directives from State Government, Reserve Bank of India and necessary significant recommendations of working groups, who were appropriated from Government and Reserve Bank of India.

These important factors also affected to the existed Sahukar and money lenders, capitalistic attitudes and policies, however kept the small and common people dissatisfied.



The private moneylenders and the local Sahukar were sucking the blood of common and poor people. As the banks were established these people were immediately turned towards banks. The urban co-operative banks started to play the role of Sahukar and money lender but people were confident about repayment whereas there was no end to their repayment of the loan of Sahukar. The urban co-operative banks, thus succeeded in attracting the common people as a result it became an ideal of their hopes and achievement. As a result, the urban co-operative banks increased to the number of 10 upto 1942.

Active leadership of the locality was on its toes, and in order to ameliorate the conditions of the small people promoted urban co-operative banks. The urban co-operative banks were, thus developed <sup>with</sup> and growing <sup>trends.</sup> At the time of independence, it had established its status known as Urban Co-operative banking centre.

Following chart gives the details of each bank's name, established date, old name, and registered address.

TABLE NO 3:1

Table sh in Kolhapur city.

Original Name of the Bank	Esta
1. The Kolhapur Urban Coop. Society Ltd.,	24 Kolhapur.
2. Shri.Balbhim Parasper Sahakari Path Pedhi.	19 ivaji Peth, Kolhapur.
3. The Government Servants Coop.Credit Society	19 adhav Road, Kolhapur.
4. The Ravivar Peth Coop. Credit Society	19 D.B.Mali Road,
5. Shri.Shahu Coop.Credit Society.	19 alwar Peth, Kolhapur.
6. The Maratha Coop.Bank Ltd.,	20, Road, Kolhapur.
7. Shri.Mahalaxmi Coop. Society Ltd.,	10, Mangalwar Peth, e, Kolhapur.
8. Shri.Mahaveer Coop.Bank Ltd.,	12, Kolhapur.
9. The Elakha Panchayat Servants Coop.Society	19, Kolhapur.
10. Shri.Veershaiv Coop. Bank Ltd.,	4, Kolhapur.
11. Kolhapur Janata Sahakari Bank Ltd.,	19 Station Road, Kolhapur.
12. The Commercial Coop. Bank Ltd.,	26, Kolhapur.
13. Shri.Panchanganga Nagari Sahakari Bank Ltd.,	19, Kolhapur.
14. Kolhapur Mahila Sahakari Bank Ltd.,	19, k, Kolhapur.
15. Youth Development Coop. Bank Ltd.,	19, Kolhapur.

Source: Compiled from Annual repc

3:4

GROWTH OF URBAN CO-OPERATIVE BANKS DURING POST  
INDEPENDANCE PERIOD:-

The growth of urban co-operative banks, in respect of number of banks, branch offices, paid-up share capital, Reserves, Total Deposits, Loans and Advances, working capital, Profit, Dividend rate <sup>etc.</sup> in Kolhapur city during the past independence period is studied as under

a) Number of Banks & Population -

The total number of banks and population of Kolhapur from 1951 to 1984 is shown in the following table.

TABLE NO 3:2

Table showing No.of Urban Banks and  
Population

Year	No.of Urban Coop.Banks	Population of Kolhapur
1951	10	1,36,385
1961	11	1,81,442
1971	12	2,59,050
1981	15	3,40,000
1984	15	3,40,000

Source: Census Reports of Government of India - & from  
the office of DDR. Kolhapur.

The table reveals that the number of urban co-operative banks in Kolhapur has increased in the last three decades. In 1951 there were 10 urban co-operative banks

with 1,36,385 population, whereas now they have crossed 15 and population of the Kolhapur city is 3,40,000. The number of urban co-operative banks registered a one and half-fold increase during the period of last 33 years, while population of the city nearly two and half-fold increase.

The number of urban co-operative banks increased to 150 % during the period of last 30 years and the population increased to 150% during the corresponding period. This close inter-relationship between growth of urban co-operative banks and the population also establishes the fact that kolhapur is essentially a place of urban co-operative banks and members. Quite a large number of members are from communities of small and poor. Most of the urban co-operative banks thus comes from the weaker communities. This is one of the important factors that has contributed to the growth of this urban co-operative banking industry.

b) The Overall Growth:-

Following table reveals the overall financial position and growth of the urban co-operative banks during the period of last 12 years. (From 1972-73 to 1983-84)

## Overall Financial Position and Growth of

Urban co-operative Banks in Kolhapur (Rs. in lakhs)

Items	30th June 1973	30th June 1978	30th June 1984
No.of Urban Coop.Banks	13	15	15
No.of Branch offices	16	24	54
Paid-up Share capital	59.57	121.31	306.26
Reserve Fund & Other reserves	57.36	164.58	446.45
Total Deposits	720.22	1368.15	4697.62
Total Loans & advances	548.58	1020.09	3922.61
Working capital	886.81	1804.99	6083.03
Membership	51,321	69,341	1,23,826
Rate of Dividend	4 to 6%	6 to 12 %	9 to 12%
Profit	11.71	33.51	73.13
Overdues	7.8 %	8.5%	9.9%

Sources: Compiled from Annual Reports of the Urban Coop.  
Banks in Kolhapur.

i) Branch Offices -

The table indicates that the growth of the branch offices of the urban co-operative banks. Although the total number of urban co-operative banks increased from 13 in 1973 to 15 in 1978 and 1984. The total numbers of branch offices increased from 16 in 1973 to 24 in 1978 and 54 in 1984. The growth rate of branch offices increased from 50% during 1973 to 1978 to 125% during

1979 to 1984. It shows that the <sup>progress of</sup> latter is remarkable. The average growth of the branch offices is 3 during the period of last 12 years. The increased branch offices of the urban co-operative banks reveal the fact that more services and facilities <sup>are</sup> given to the members in urban and semi urban areas ~~members~~.

#### ii) Paid-up Share Capital -

It is quite obvious that the financial strength of the co-operative institution depends upon its ability to raise share capital. The larger the amount of share capital collected, the sounder would be the financial position of the urban co-operative bank. It is therefore, expected that the members of the urban co-operative bank should contribute regularly to the share capital.

As per this basic idea urban co-operative banks share capital position clearly shows in the table that the paid up share capital rose by <sup>Rs.</sup> Rs. 61.74 lakhs during the period under review and stood at Rs. 306.26 lakhs at the end of June 1984.

Similarly the average share capital per urban co-operative bank and per member moved up as well from Rs. 4.58 lakhs to Rs. 20.42 lakhs and from Rs. 116 to Rs. 244 respectively during the corresponding period i.e. from 1973- to 1984.

They recorded more than five-fold increase within short span of time.

The share capital or paid up share capital in the aggregate own funds remained nearabout 40% in 1984.

The average growth of paid-up share capital is Rs. 20.56 lakhs during the period of last 12 years.

**Iii) Reserve Funds and Other Reserves -**

The table remarks that the reserve funds and other reserves increased from Rs. 57.36 lakhs in 1973 to Rs. 164.58 lakhs in 1978 and Rs. 446.45 lakhs in 1984.

They recorded more than seven-fold increase within a period of 12 years.

The share of reserve funds and other reserves in the aggregate owned funds remained near about 60% in 1984.

The average growth of the reserve funds and other reserves is Rs. 32.42 lakhs during the period of last 12 years.

Thus it is clear that the increased reserve fund also contributed for considerable growth of the urban co-operative banks in Kolhapur.

**iv) Total Deposits -**

In Kolhapur, the urban co-operative banks have been able to mobilise savings in urban and semi urban areas to a considerable extent. The statistics prescribed <sup>the</sup> in table show that their performance in Kolhapur city <sup>h</sup> in this regard has been fairly commendable.

The total deposits collected by the urban co-operative banks moved up from Rs. 720.22 lakhs in 1973 to Rs. 1368.15 lakhs in 1978 and Rs. 4697.62 lakhs in 1984.

They recorded more than six-fold increase within a period of last 12 years.

A birds eye view the table shows that the average deposits per urban co-operative bank moved up from Rs. 55.40 lakhs to Rs. 313.17 lakhs in the same period.

The average growth of total deposits is Rs. 331.45 lakhs during the period of last 12 years.

A close examination of the table points out that the total deposits more attracted during the last 6 years ~~than in the~~ are more as compared to the deposits in earlier 6 years.

In addition, it is worthwhile to note that the deposits as percentage of working capital was 81% in 1973 and 77% in 1984. Deposits as percentage of total loans outstanding rose from 76% in 1973 to 83% in 1984.

v) Total Loans and Advances -

The table shows the progress made by the urban co-operative banks in advancing loans to the members during the period from 1972-73 to 1983-84. The progress in this respect has been prodigious. The amount of loans, both short term and medium term increased from Rs. 548.58 lakhs in 1973- to Rs. 1020.09 lakhs in 1978 and Rs. 3922.61 in 1984.

They recorded more than seven-fold increase within a period of 12 years.



The average growth of loans and advances is Rs. 281.17 lakhs during the period of last 12 years.

The average loan advanced per urban co-operative bank and per member increased from Rs. 42.10 lakhs to Rs. 261.50 lakhs and Rs. 1069 to Rs. 3168 respectively during the period of last 12 years.

The urban co-operative banks, thus, tried to meet increasing demand for credit in Kolhapur city.

#### vi) Working Capital

The table gives an idea as to the structure of the working capital of the urban co-operative banks. The working capital continuously increased during last 12 years. It rose from Rs. 846.81 lakhs in the year 1973 to Rs. 1804.99 lakhs in the year 1978 and Rs. 6083.03 lakhs in the year 1984, ~~representing~~ representing more than six-fold expansion within a period of 12 years.

This trend indicates that the urban co-operative banks were in a position to meet growing credit requirements of the members in Kolhapur.

The average growth of working capital is Rs.433.02 lakhs during the period of last 12 years.

A close look at the table also reveals that the growth of working capital was rather satisfactory during the ~~6 years than the earlier~~ last 6 years period as compared to the growth<sup>th</sup> in the earlier 6 years period.

#### vii) Profit-

The table indicates that the profit ~~and~~ of urban co-operative banks rose by Rs. 21.80 lakhs, from Rs. 11.27 lakhs to Rs. 33.51 lakhs during 1973 to

1978. And also rose by Rs. 39.62 lakhs, from Rs. 33.51 lakhs to Rs. 73.13 lakhs during 1979 to 84. The latter is remarkable during the period of last 12 years, i.e. (From 1973 to 1984) Representing more than six-fold expansion in the same period.

The average growth of profit is Rs. 5.12 lakhs during the period of last 12 years.

The average profit per urban co-operative bank moved up from Rs. 0.90 lakhs to Rs. 4.87 lakhs during the same period.

Thus the urban co-operative banks created a status in banking business for better utilisation of resources.

#### viii) Rate of Dividend -

According to earned profit specific rate of dividend paid to the members by the urban co-operative banks. Therefore rate of dividend increased from 4 to 6% in 1973 and to 9 to 12 % in 1984.

Rate of dividend indicates the different rates, because of various urban co-operative banks profit earning ratio which affects the rate of dividend.

The average growth rate of dividend is 5% during the period of last 12 years.

#### ix) Overdues -

The table indicates that considering the overall lending activities of the urban co-operative banks this increase need not be considered as serious. In percentage, it increased from 7.8% in 1973 to 9.9% in 1984.

However, the rising trend in overdues is not a happy trend. If the overdues continue to grow at the current rate, they are bound to create serious problems of financial management in future.

x) Membership -

The table indicates the quantitative growth of the membership of urban co-operative banks. The total membership of the urban co-operative banks reflected continuous increase from 51,321 in 1973 to 69,341 in 1978 and 1,23,826 in 1984.

The average growth of membership is 5992 during the period of last 12 years.

The increased membership of the urban co-operative banks reveal the fact that the members realised the utility of co-operative credit and the possibility of producing required credit from the urban co-operative banks. Therefore, they increasingly participated in the co-operative banking movement by way of contributing to the share capital of the urban co-operative banks.

A close scrutiny of the table shows that the urban co-operative banks enrolled as many as 1,23,826 members in 1984. This spurt in membership might have mainly due to the fact that more and more members qualified themselves for co-operative credit as the prevalence of serious economic conditions.

Thus the impressive performance of urban co-operative banks helped in the rapid development of urban co-operative ~~marketing~~ banking movement in Kolhapur.

3:6

FINANCIAL POSITION OF URBAN CO-OPERATIVE BANK  
IN KOLHAPUR :-

After considering the general development of urban co-operative banks in Kolhapur let us study the bank financial position in particular during the period 1973 to 1984.

The table No. 3:4 clearly shows that the totally 15 urban co-operative banks have made an attempt to develop their banking business and banking activities. ~~in~~ Kolhapur urban and semi urban areas.

A close look at the table also reveals that 37% of total urban co-operative banks in Kolhapur district concentrated in Kolhapur city only. Out of which Shri. Veershaiv Coop.Bank Ltd., ranks the first among all the urban co-operative banks, in respect of Reserve Funds, and other Reserves, Profit, Deposits, Loans, Working Capital. Then the Maratha Coop.Bank Ltd., The Mahalaxmi Coop.Bank Ltd., and Shri.Mahaveer Coop.Bank Ltd., ranks se

This salutary trends indicates that the urban co-operative banks tried to play a dominant role in their development and naturally the development of urban co-operative banks in Kolhapur.

(Rs. In lakhs)

Sr. No.	Name of	Total Loans & Advances			
		30.6.84	30.6.73	30.6.78	30.6.84
1.	Kolhapur Bank Ltd.	543.75	46.09	98.71	348.28
2.	Shri. Ball Bank Ltd.	303.52	43.49	75.34	270.29
3.	The Kolha Govt. Serv Bank Ltd.	59.59	7.89	22.08	75.88
4.	The Ravin Coop. Bank	103.10	8.03	15.26	81.22
5.	Shri. Shal Bank Ltd.	178.82	16.07	29.02	136.20
6.	Shri. Mah Bank Ltd.	508.91	94.45	120.88	432.72
7.	The Kolha Co-op. Bank Kolhapur	630.88	35.17	87.49	449.91
8.	Shri. Mah Bank Ltd.	662.28	114.46	201.19	520.31
9.	The Prati shak. Sah Ltd., Koli	133.86	36.02	86.57	433.91
10.	Shri. Vee Bank Ltd.	802.74	105.51	169.39	582.96
11.	The Comm Bank Ltd.	23.06	12.95	17.99	19.24
12.	Shri. Pan Nagari S. Ltd., Koli	105.05	2.56	12.37	71.00
13.	Kolhapur Sahakari Kolhapur	513.65	26.79	68.75	399.74
14.	Kolhapur Bank Ltd.	59.92	-	4.16	28.38
15.	Youth Dev Coop. Bank Kolhapur.	66.05	-	11.89	42.47

Source: Comj

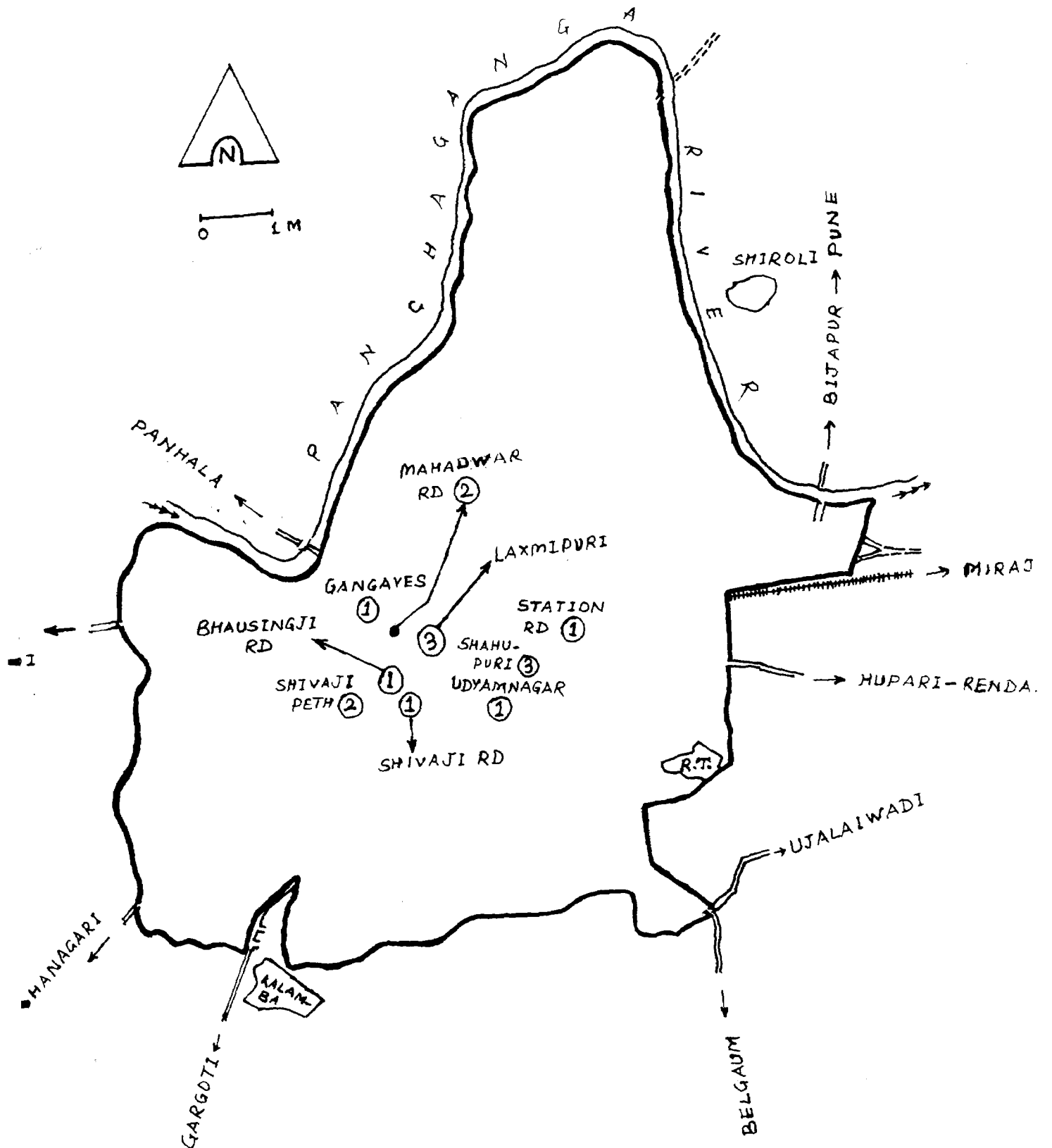
1 lakhs)

Sr. Name c  
No.

1. Kolhapur Bank Ltd
2. Shri. Bal Bank Ltd
3. The Kolh Govt. Ser Bank Ltd.
4. The Ravi Coop. Bar
5. Shri. Sha Ltd., Ko
6. Shri. Mah Bank Ltd
7. The Kolh Coop. Bar Kolhapur
8. Shri. Mah Bank Ltd
9. The Prat shak Sal Ltd., Ko
10. Shri. Vee Bank Ltd
11. ~~Shri. Bal~~ Kolhapur
12. ~~Shri. Bal~~ Kolhapur
13. ~~Kolhapur~~ Kolhapur
13. Kolhapur Sahakar Kolhapur
14. Kolhapur Bank L
15. Youth Coop, B Kolhapur

~~XXXXXXXXXX~~

# NUMBER OF URBAN CO-OPERATIVE BANKS IN CORPORATION AREA OF KOLHAPUR CITY



### REFERENCES

- 1) Vocational Survey of Kolhapur District,  
District Vocational Education office,  
Kolhapur, P.5
- 2) ibid P.5
- 3) Hajela T.N., Principles, Problems and  
Practice of Co-operation, Shivalal Agarwala  
and Co., Agra, 1973, P.206