

CHAPTER II

**FINANCIAL SYSTEM**

**OF INDIA**

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## **CHAPTER- II**

### **Financial System of India**

#### **INTRODUCTION**

Financial system is the mirror reflection of an economy. The performance of economy depends upon performance of financial institution. The financial system is possibly the most important institutional & functional vehicle for economic transformation.

The Indian financial system has established a strong link between savings & investments by creating a unique mechanism through which varied economic activities are created, sustained & developed. The role of financial system is very important in the progress of every country. The financial sector plays a crucial role in the functioning of the economy because it allows a more efficient transfer of resources from savers to investors, as well as it facilitates the use of funds by households, business, traders & government. Financial sector helps in promotion of entrepreneurship in the developing country like India.

Keeping in view the structure of financial system & its diversity in wide variety of institutions, there is a distinction in financial market as Organized & Unorganised. The distinction between these two markets relates to the individuals & institutions operating in these markets, their activities & extent to which their activities could be co-ordinates & monitored. The commercial banks & the co-op banks are the main components of the organised money market & RBI controls their activities. As against this the moneylender & indigenous bankers constitute the unorganised money market. Even though Usurious Money Act was passed to control the activities of moneylenders & indigenous bankers, their activities & the practices are beyond the co-ordination & control.

➤ **Classification of Indian financial system**

Indian financial system is broadly classified into 2 groups: -

i) Organised Sector ii) Unorganised Sector

Organised financial system again divided into two as banking institutions & non-banking institutions.

Unorganised financial system comprises of relatively less controlled moneylenders, indigenous bankers, landlords, trader's etc. Reserve Bank of India does not directly control this part of financial system. Rules & regulations within the orbit of the monetary authorities govern them.

In this present dissertation, only organised Indian finance system is taken into account.

## **2.1 Financial system & economic development**

One of the important aspects of the financial system is that it has a machinery to facilitate both production & exchange of goods & services. It not only transfers resources for lending funds & supply credit but also creates credit. The commercial banks help exchange of goods & services & extend markets for them by granting credit facilities i.e. facilities to withdraw for settlements of payments against future claims. The financial system is able to accelerate economic development by pooling the finance & the transfer of financial resources through increased mobilisation of savings & also by creating credit in anticipation of savings.

An active & broad-based financial system is essential for economic development of any country. In turn it nourishes further progress in activities & performance of the financial system. A wide variety of services are rendered by the financial institutions to the borrower for raising capital for productive use. The effectiveness of the

financial system in serving the priorities & needs of economic development is fulfilled.

In India the financial development has been to a large extent a state induced activity & the Govt. has played a significant role in fostering the process. The Govt. played the role of an encourager by creating a diversified base of financial institutions to fulfill financial needs of rapid industrialization. The role of Govt. is important in the field of the regulations & administrative mechanism. The Govt. nationalized commercial banks in 1969 & widened its functions. The Development Financial Institutions were set up to meet the medium & long-term needs of industry, trade & agriculture. The financial development in India has given rise to a financial inter-mediation based system. Banks and FI's have played a dominant role by providing huge amount of loans to needy people in India.

Thus Indian banking is the lifeline of the nation. It's network is spreaded across the length & breadth of the country with various offices and branches.. Banks provides a nation wide framework for payments, clearing & settlements. It helped in bolstering agriculture, industry, trade & commerce and overall entrepreneurship by catering their financial needs.

## **2.2 The Concept of Banking**

### **➤ Banking: -**

The banking institutions in a country mobilise savings by accepting monetary deposits from the people, participate in payments mechanism for the exchange of goods & services & extend credit. The bank creates credit in the form of promises to pay in future & lend to their borrowers as facilities to draw funds. The banks lend funds by way of withdrawing facilities and advances made to the customers by charging interest on it . This constitutes credit creation.

Banking is an evolutionary concept because the concept of banking has been changing over time. Bank is an institution , dealing in money & credit. It is an institution, which receives money as deposits & lends money as credit. Thus a banker may be defined as “a dealer in money” or “a dealer in credit”. A bank is usually thought of as a reliable agency with which money is deposited. Thus a bank recycles the money in the economy and does the function of money creation.

➤ **Definition of bank**

Section 5(c) defines ‘Banking Company’, clause (b) of section 5 defines banking & section 6 provides for the business in which banking companies may engage. The relevant provisions of the Banking Regulation Act 1949 given the definition of bank.

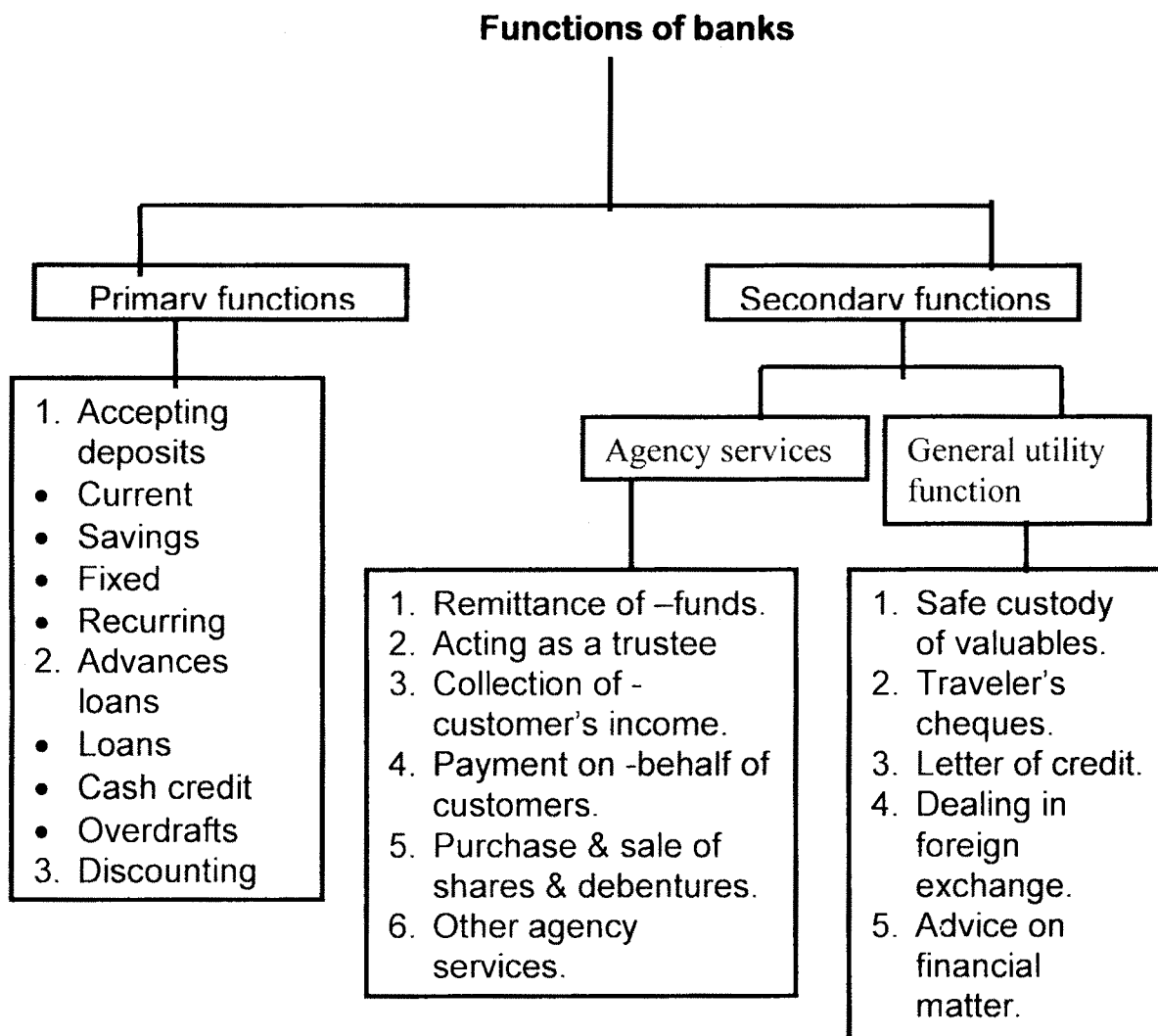
In Banking Regulation Act 1949 sec 5(c) the definition of banking company is given as “a company, which transacts the business of banking in India.” Business of banking is defined in sec 5(b) of the B.R Act as, “Accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise & withdrawal by cheques, draft, order & otherwise.” <sup>10</sup>

From the above definition, we can conclude that a bank is an institutional company that accepts deposits of money from the public & this deposited money is used for lending from the deposits collected from the public, interest is paid to the depositors. Similarly, interest is earned on lending & investment. These investments of deposits must be repayable on demand by the depositors.

Banks earn profit from the difference between receiving interest and paying interest. Interest on term loan deposits are always more than that of saving deposits. Current deposits do not require to pay any interest on it. Interest on term loan is the main income of banks.

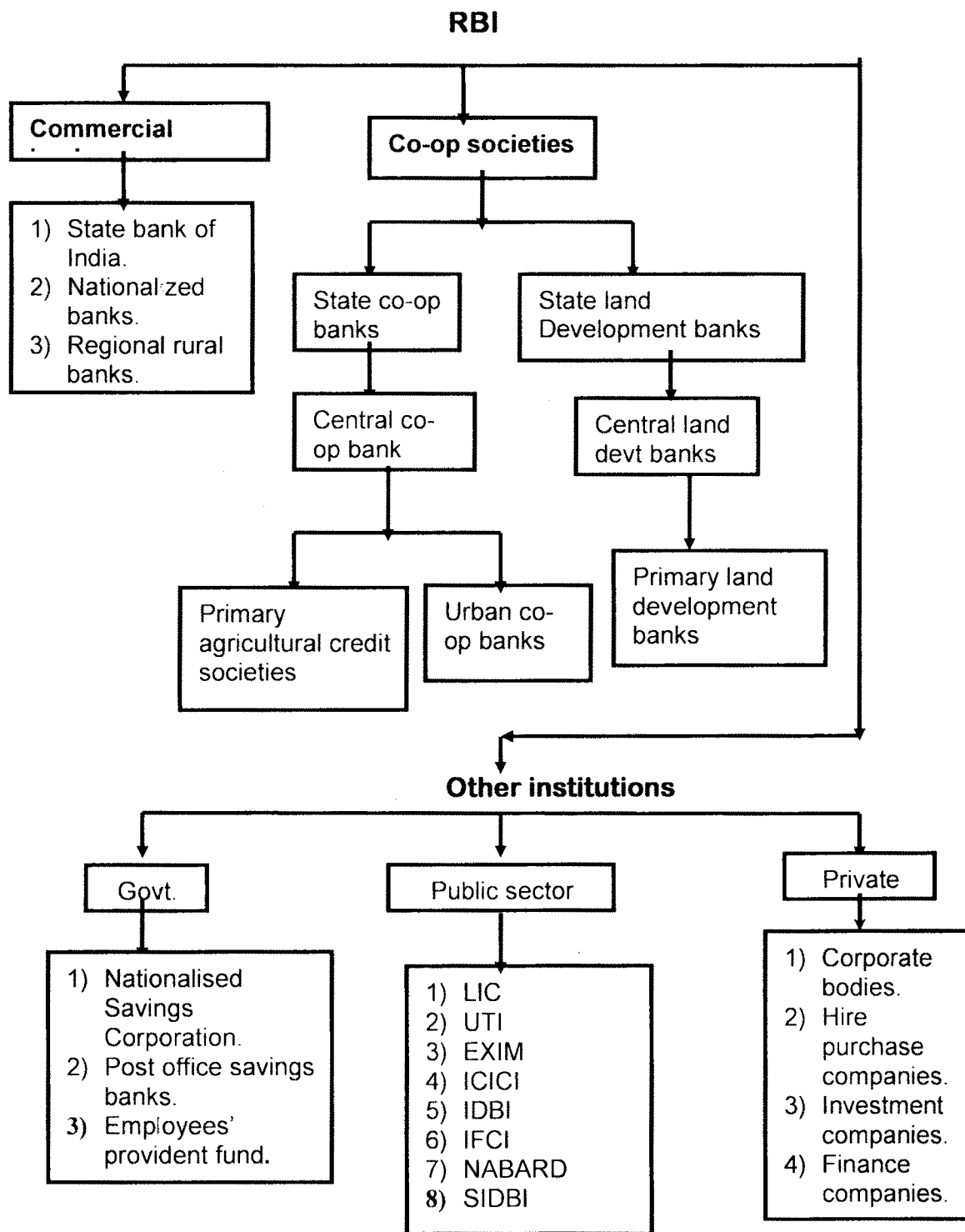
➤ **Functions of the bank**

Generally Banks render various services to its customers. The functions of banks are divided into primary functions and secondary functions. But accepting the deposits and advancing the loans are the major two function of every bank. Following chart describes various functions of banks.



**Chart-I**

➤ **Structure of financial institutions in India**



**Chart-II**



The present chart explains the structure of financial institutions in India. The economic development of the country depends on its financial structure. The structure of financial institutions in India has developed & became broad based.

Urban Co-op Bank has separate existence in the financial system of India. These banks are self-reliant factor providing services to middle class people in urban areas.

Urban co-op banks have been set up with an objective of prompting banking habits among the lower & middle-income strata of population. Earlier means prior to 1966 UCB's were inclusively under the control of state Government, being registered under the co-op societies Act of state Government but with effect from 1 March 1966 RBI has become the regulatory & supervisory authority of UCB's for their banking related operations.

In September 1997, the Reserve Bank of India appointed a committee on Urban Co-op banks under the chairmanship of Shri. K. Madhavrao to evaluate the role of Primary Co-op bank in the banking system & to indicate the lines of their future growth. The said committee made recommendations relating to the policy & procedures relating to the licensing of new urban co-op banks. So the RBI modified the registration & licensing of new Urban Co-op banks from time to time. The question of area of operation of an urban bank has been revised from time to time. The RBI also fixed the area of operation of urban co-op banks. Urban co-op banks is required to obtain prior permission of reserve bank of India before opening a new places of business or changing the location of the existing places of business otherwise than within the same city, town or village. It means they have to take permission before opening a branch in any other place.

## **2.3 Co-operative banks**

### **➤ Introduction**

The main object of this topic is to survey briefly the history of co-op movement in India & on the back ground to trace the history of Urban Co-op Banks in India. An important segment of the organized sector of the Indian banking system is represented by a group of financial institutions collectively called co-op banks. They are so called because they have been organized under the provisions of the co-op society's law of the state. The co-op banking system is much smaller than the commercial banking system. The major beneficiary of co-op banking is the agricultural sector in particular & the rural sector in general. We know that 14 major commercial banks are nationalised in 1969 but these in practice hardly provided any credit for agriculture & other rural economic activities. The true importance of the co-op credit system lies in its geographical coverage, because they provide credit to entire country by locating in villages.

### **➤ Definition: -**

The Co-op movement is flourishing not only in India, but there is perhaps no advanced country in the world where the importance of the co-op movement has not been realised. In India we find different types of societies coming up in different areas. We have sugar co-op in Maharashtra, processing societies in Gujarat. Following are the definition of co-operation.

Mr. V. L. Mehta looked upon co-operation in a wider sense voluntarily improvement of economic conditions of the people by the people themselves. According to his definition co-operation is the association of individuals who have common needs & who are voluntarily joined together. He described co-operation as follows: -

*“A co-operation is only one aspect of vast movement which promotes voluntary association of individuals having common needs, who combine towards the achievement of common economic needs”<sup>11</sup>*

In general sense definition of co-op bank: -

*“ A co-op bank is a mutual society formed, composed & governed by the working people themselves for encouraging regular saving & granting small loans on easy terms of interest & repayment”.<sup>12</sup>*

Thus, co-op banks must be co-operative in character & it should promote economic activities & provides banking facilities to rural people.

From the above definition of co-operation we can conclude that, the term co-operation means working together. It is one of the forms of business organisation where group of persons having one or more economic objectives, which are common. These people come together with their resources & use them for mutual benefit. In rural economy of India, it has been accepted as an important medium for generation of country's socio-economic life.

#### ➤ **Functions of co-op banks**

An important segment of the organized sector of the Indian banking system is represented by a group of financial institutions collectively called as co-operative banks. They have been organized under co-op society's law of state. The co-operative banks provide short term & long-term institutional credit at reasonable rates of interest to its members. Co-op banks perform all the main banking functions of deposit mobilisation, supply of credit & provision of remittance facilities. Under the banking regulation act 1949 only Urban Co-op Banks; State Co-op Banks & District Central Co-op Banks are qualified to be called as banks in the co-op sector.

Capitalism & socialism are also the ways of conducting business. The co-op sector is at least expected to play a balancing role between

private & public sector. Co-operatives are in better position than public & private enterprise to listen to their customers & cater their needs by providing them financial assistance.

The growths of co-operatives have contributed to general improvements in the level of economic activity. It raises the standard of living of the weaker section of the society.

➤ **Co-operative banking in Maharashtra: -**

Historically, Maharashtra has always been in the forefront of the co-operative movement in India. It was leadership provided by eminent men like Late Shri.Vaikunthabhai Mehta, Late Prof. Dr. Dhananjay Gadgil, Late Dr. Vitthalrao vikhe patil, Prof.D.G.Karve, Late Vasantdada Patil, which was largely responsible for such a remarkable progress in the co-operative movement. In the field of the co-operative banking, the Maharashtra State co-operative bank occupied & continues to occupy a prominent position.

The success of the sugar factories in Maharashtra opened up a new area of agro-industrial development in the country. As a whole central co-op banks in the state claimed total deposits & advances of all central co-operative banks in the country. Maharashtra enjoys a leading position in the field of urban co-op banks.

➤ **Co-op banking structure**

The co-op banking credit structure as it has since been developed consists of two parts.

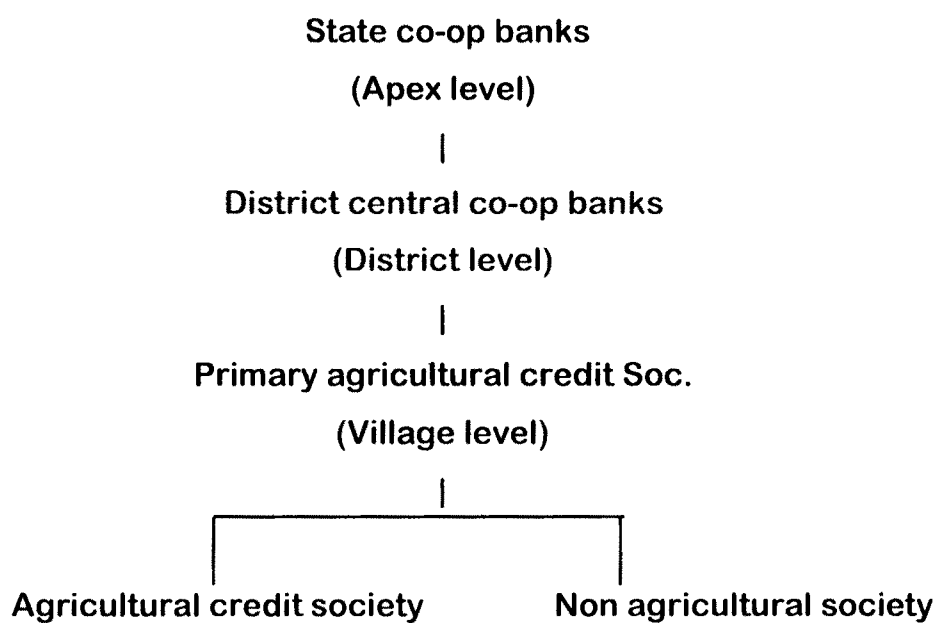
- 1) One engaged in short term & medium term credit.
- 2) The other engaged in long-term credit.

The co-op structure is pyramidal in character. At the base i.e. at the village level there is primary co-op societies upon which the whole building of co-op credit based. These societies are federated at the district level into a Central co-op bank. At the state level the district banks are federated into an apex bank, which is called State co-op

bank. The state co-op bank in its term is closely linked with RBI, which provides considerable financial assistance to co-op credit societies.

The long-term credit structure consists of two tier system. There are primary land mortgage bank at the base & central land mortgage bank at the top. In some state central & development banks operates through their branches.

### **Three-tier structure of co-op banks**



**Chart - III**

In actual practice most of the Urban Co-op Banks are self-sufficient; they do not require any funds from the DCC banks. Some of the Urban Co-op Banks are proved stronger than Central co-op bank. In Maharashtra a District Central Urban Bank has been established at Ahmednagar, which raises funds mainly through deposits & finances.

➤ **State co-operative Banks: -**

The state co-operative bank is a federation of central co-operative banks & acts as a watchdog of the co-operative banking structure in the state. Its funds are obtained from share capital, deposits, loans & overdrafts from the Reserve Bank of India. The state co-operative banks lend money to central co-operative banks & primary societies & not directly to farmers. It provides the link between RBI /NABARD & rural finance. The state co-op banks lend almost entirely to co-op societies, central co-op banks & primary societies mainly short-term loans for seasonal agricultural operations.

➤ **District central co-operative bank (DCC bank)**

In the three tier co-op credit structure in India, the district central co-op banks constitute the intermediately between primary credit societies at the base level & the state co-operative banks at the top level. Presently this type is more popular & large number of district central co-operative banks in the country fall under this category. Its main object is to meet the credit requirements of primary credit societies.

➤ **Primary Agricultural Credit Societies: -**

The funds of society derive from the share capital & deposits of members & loan from central co-operative banks. The loans are given to members for the purchase of cattle, fodder, fertilizers pesticides, implement etc. in rural sector.

Primary Agricultural Credit Societies form the base in the three-tired Credit structure of co-operative banking in India. They are organized at the village level to cater to the short term & medium term credit needs of the people in a locality, consisting only four to five villages.

## **2.4 Historical background of Urban Co-op bank in – Maharashtra**

### **➤ History of urban co-op banking in Maharashtra**

Maharashtra, which is one of the leading states in the development of co-op movement in the country, is also in the forefront of the urban co-op banking. Middle class Maharashtrian families settled in Baroda could trace the beginning of the urban co-op credit movement in India back to the formation of a mutual aid society. Maharashtra along with Gujarat, Tamil Nadu & Karanataka is the 4 states where the co-op banks have taken firm root. It is realised that urban co-op credit societies eminently suitable for mobilizing the local savings & to provide finance to the needy people belonging to the low & middle class families. This laid to the organisation of urban co-op societies in the then Bombay Province.

During the great depression of 1930 there was a set back in the development of urban co-op banking. But fortunately after Second World War, there was again a rapid growth of Urban Co-op banking & more number of societies was organized. One of the important characteristics of these banks was that they were self-reliant institutions. While the other sectors of the co-op movement received assistance from the Central & State Governments during the 5-year plan period. But urban banks have developed all on there own, due to the devoted attention paid by the co-operators involved in the movement. Mostly freedom fighters devoted for the establishment of co-op societies in India.

➤ **Role of Urban Co-op Banks**

The on-going economic reforms have also a great impact on the future role of the Urban Co-op Banks. The RBI has already initiated action in regard to extension of some of the recommendations made by the committees on financial system to the Urban Co-op Banks. These included application of the guidelines for income recognition, classification of assets & provisioning to the Urban Co-op Banks from the accounting year 1992-93. It has been established that Urban Co-op Banks are best suited to encourage small-scale industries, cottage industries that could result in greater employment. The Urban Co-op Banks provides loans & advances to its members only. The area, which could be profitably, covered by Urban Co-op Banks are: -

- 1) Dairy, poultry, fishery, farming – i.e. Allied Agricultural Activities.
- 2) Cottage & homemade industries/Traders/Whole Sellers & Retailers.
- 3) Transports/purchasing of vehicles.
- 4) Self-entrepreneurship for setting up own business & self-employment.

The Urban Co-op Banks have to keep in view the social economy needs of the people. Housing is one of the great needs of the common man. The Urban Co-op Banks are also actively involved themselves in financing for housing, which includes acquisition of new houses & renovation & repairs of old houses.

➤ **Functions of Urban Co-op Banks**

- 1) To attracts deposit from members as well as non-members.
- 2) To advance loans to needy members.
- 3) To act as an agent to the joint purchases of domestic & other requirements.
- 4) To arrange for safe custody lockers for valuables & ornaments of the customers.
- 5) To provide other facilities as providing by commercial banks.



## 2.5 Progress of Urban Co-op Banks in India, Maharashtra & Sangli District.

### Progress in India

The first Urban Co-op Banks was started in state of Baroda in 1889. Late Mr. V. L. Kavathekar drew inspiration from successful Urban Co-op Credit Institution and from Lokmanya Tilak & other freedom fighters of India. Later the then Indian government recognised the importance of the Urban Co-op Banks & passed a separate co-op act named as Indian Co-op Society's act 1904. The Urban Co-op Banks are considered as the common man's bank. They represent an important component of the banking industry in India. Therefore they were rightly expected to shoulder the responsibilities of extending credit facility to the priority sectors & weaker section of the India.

The following table will clearly give the picture of performance of Urban Co-op Banks in Indian economy.

**Table no.1**  
**Financial Performance of UCB's in India**

(Amt in Crores)

| Item       | 2000   | 2001   | 2002   | 2003     | 2004     |
|------------|--------|--------|--------|----------|----------|
| No. Of UCB | 1,784  | 1,618  | 1,854  | 1,941    | 1,926    |
| Deposits   | 71,189 | 80,840 | 93,069 | 1,01,546 | 1,10,256 |
| Loans      | 45,995 | 54,389 | 62,060 | 64,880   | 67,930   |

(Source: - Reports on Trend & progress of banking in India 2003-2004)

From the above table we can understand the progress of Urban Co-op Banks in India. In the year 2000, there were 1,784 Urban Co-op Banks, which increased to 1,926 in 2004. The deposits accepted by them in 2002 were 71,189 crores which increased to 1, 10,256 crores in

2004. The advances given by Urban Co-op Banks in 2002 were 45,995 crores which increased to 67,930 crores in 2004.

➤ **Progress in Maharashtra: -**

In Maharashtra first Urban Co-op Bank was registered on 9.01.1906 at Pune named Defense Co-op Banks Ltd. The second was registered on 18.01.1906 known as COSMOS Co-op Bank Ltd. It also registered in Pune. The Barsi Central Co-op Bank Ltd. Barsi was the third bank registered on 29.04.1906. It was really beginning of Urban Co-op Banks in Maharashtra.

In Maharashtra urban co-op banks have done a commendable job qualitatively & quantitatively. In growth of urban co-op banks, Maharashtra stood at first in comparison with other states like Gujarat, A.P. & Karnataka. The position & progress of Urban Co-op Banks in Maharashtra can be understood with the help of following table as compared to other four states in India.

**Table no. 2**

**UCB's in selected states**

(Amt. in crores)

| State       | No. of Bank | Deposits | Advances |
|-------------|-------------|----------|----------|
| Maharashtra | 668         | 37242    | 29960    |
| Gujarat     | 359         | 16907    | 10923    |
| Karnataka   | 322         | 5729     | 3304     |
| A.P.        | 196         | 3204     | 1937     |
| Total       | 1545        | 62884    | 44124    |

(source ;Workshop paper published by RBI College of agriculture Pune,on UCB devt. in co-op banking 2001)

So out of 2250 urban banks in the country, more than 1545 banks are in above 4 states. If we classify further the western part of Maharashtra consisting Mumbai, Pune, Satara, Solapur, Sangli & Kolhapur is having 60% of total Urban Co-op banks in Maharashtra.

## **2.6 Progress of Urban Co-op Banks in Sangli District**

There are 31 districts in Maharashtra. Sangli district is one of small district in Maharashtra State. But it is one of the most developing districts of the state located in Southern Maharashtra. It is also one of the leading District in the development of UCB's.

During 1917 the co-op movement in Sangli district was in preliminary state. Sangli is very big trading center & it is considered to be the second largest market of agricultural products in Maharashtra State. It has also agricultural produce market committee & big market of turmeric & oil seeds at Sangli. Besides this there is a growing trade in tobacco. No of small scale industries are situated in Sangli. Thus we can say that Sangli is developing city in marketing, trading & small-scale industrial units. It is very important to note that at present there are 7 Urban Co-op Banks are there which have established their branches in Sangli & else were.

Sangli Urban Co-op Banks Ltd., Sangli & Vasantdada Shetkari Sah. Bank Ltd. Sangli are two important & big Urban Co-op Banks as compared to other 5 Urban Co-op Banks in Sangli City. These two banks have provided huge amount of loans to various needy people. They also accepted huge amount of deposits from its members.

In Sangli District as on 31.3.2005 there are 30 Urban Co-op Banks. Out of them only 29 Urban Co-op Banks are reporting, 19 banks are profitable & remaining 10 banks are in loss. The progress of Urban Co-op Banks in Sangli District is as below:

**Table no 3.**  
**Progress of UCB's in Sangli District**

(Amount in crores)

|                          |          |          |      |
|--------------------------|----------|----------|------|
| No. of Urban Co-op Banks | 30       | Deposit  | 2700 |
| No. of branches          | 310      | Advances | 2000 |
| No. of members           | 2,22,763 | Shares   | 60   |

(Source: - Annual Report of Sangli District Urban Co-op Banks Association, 2006)

Above table shows that 30 Urban Co-op banks in Sangli having 310 branches are operating in Sangli District & else were. They offered that huge amount of advances. More than 30 Urban Co-op banks have given near about 2000 crores of Rs. as an advance. Thus they fulfilled needs of 2, 22,763 members.12

Out of total loans of Rs.2000 crores advanced by all Urban Co-op Banks in Sangli District, near about 775 crores of Rs. are advanced only by Urban Co-op Banks established in Sangli. They have showed their best progress in recent years in accepting the deposits & catering the needs of urban peoples, artisans, and traders for various purposes. The following table shows their performance in Sangli City.

Even though there are seven Co-op Banks established in Sangli and operating its business all over state. Among these seven banks Vasant Dada Shetakari Sahakari Bank. Ltd. and Sangli Urban Co-op Bank Ltd Sangli. are the to major banks in catering the needs of local people.

**Table no 4.**  
**Urban Co-op Banks & their economic condition In Sangli City**  
**As on 31.03.2006**

(Amount in crores)

| Particulars                                   | Members         | Capital       | Deposits           | Loans            |
|---|-----------------|---------------|--------------------|------------------|
| Sangli Urban co-op bank Ltd                   | 50,482          | 782.29        | 38,548.41          | 25,250.23        |
| Vasantdada Shetkari Sah. Bank Ltd             | 11,212          | 651.69        | 58,723.18          | 40,416.30        |
| Parshwanath Co-op Bank Ltd.                   | 6,566           | 127.96        | 9,226.70           | 4,993.35         |
| Laxmi Mahila Vikas Co-op Bank                 | 7,861           | 57.55         | 1207.06            | 661.93           |
| Sangli Districts Teacher's Primary Co-op Bank | 6,990           | 1,063.1       | 9,450.61           | 6,163.56         |
| Annasaheb Karale Janta Sah. Bank Ltd.         | 10,406          | 199.52        | 9,803.30           | 6,383.98         |
| Murgharajendra Co-op bank Ltd.                | 16,294          | 153.59        | 9,836.64           | 6,401.17         |
| <b>Total</b>                                  | <b>1,09,811</b> | <b>3035.7</b> | <b>1,36,796.44</b> | <b>90,270.52</b> |

(Source: - Annual report of Sangli District Co-op Urban Banks Association 2005-06.)

The above table shows that out of total 30 Urban Co-op Banks in Sangli District, 7 Urban Co-op Banks are registered & also operating in Sangli City. These Urban Co-op Banks accepted deposits near about 1, 36,796 crores of Rs. from Sangli & other urban areas around Sangli City. They cater the needs of non-agricultural classes, artisans, traders etc & advanced near about Rs.90, 271 crores .

## 2.7 Profile of selected Urban Co-op Banks

The Researcher has selected two Urban Co-op Banks in Sangli as a sample, which are established in Sangli & functioning in Sangli. These banks are assumed as the representatives of other Urban Co-op Banks.

1) Vasantadada Shetkari Sah. Bank Ltd., Sangli (V.S.S.B)

2) Sangli Urban Co-op Bank Ltd., Sangli (S.U.C.B)

### **2.7.1. Profile of the V.S.S.B**

Vasantdada Shetkari Sah. Bank Ltd., Sangli (V.S.S.B) was established in the year 1965. It registered its name on 13.08.1965 with the banking license number DBOD (UBD) MH.346P dated 28.07.1983. The head office of this bank is situated on Sangli-Miraj road Sangli. During the last 40 years the bank not only established its niche in the banking movement in south Maharashtra but its presence is acknowledged by co-operators in Maharashtra. The present board of directors is headed by Shri. Madan Bhau Patil. For the last 4 years the bank is in limelight because of its aggressive banking facilities.

#### **➤ Historical background of the bank**

The V.S.S.B. Ltd. registered its name under co-op society's acts on 13<sup>th</sup> august 1965. The bank was promoted by Late Shri. Appasaheb Birnale & Late Shri. Vishnuanna Patil under the auspicious leadership of 'Padmabhushan' late Shri. Vasantdada Patil. This bank was firstly named as Bharat Co-op Bank Ltd. Sangli.

The bank commenced the banking business on 19<sup>th</sup> October 1965 under the guidance of Late Shri. Vishnu Anna Patil, who was also the chairman of Maharashtra State Co-op Bank Ltd. In the very beginning bank started its business having 150 members with a share capital of Rs. 52000 & fixed deposit of Rs. 4, 00,000.

The bank is formed for the object of helping the weaker section of the society. Up to 1978, the maximum members/ borrowers of the bank were agriculturist i.e. Shetkari, so the name of the bank was converted as "Shetkari Sah. Bank Ltd., Sangli". Further it is renamed in the name of Padmabhushan Late Shri. Vasantdada Patil one of the, well-known the then Chief-Minster of the Maharashtra. Now the bank is well known by the name 'Vasantdada Shetkari Sah. Bank Ltd., Sangli'.

In 1965 with the membership of 142, this bank advanced loan of Rs. 3.21 lakhs. In the year 2005-2006 the bank advanced the loan of Rs.

40,416 lakhs. In 1965 it had the deposit of Rs. 4.48 lakhs but this deposit position is increased to Rs. 58,723 lakhs in 2005-06. This shows tremendous progress of the bank.

At present under the Guidance of Chairman. Shri. Madanbhai Patil , bank is providing facilities like ATM, Tele-banking, Fax on demand at Kolhapur, Sangli, Pune, Mumbai. VSSB is aggressive bank in providing banking facilities to its members.

➤ **Area of operation**

At present VSSB operates its banking business in Sangli, Kolhapur, Solapur, Pune, and Ratnagiri & Mumbai Districts. It has its network of 35 branches & one extension counter in above-mentioned districts. It is having a reputed premier in the field of Urban Co-op Banks in Maharashtra. The premier position of the bank is the result of the spirit of co-operative principles strictly adhered by the institutions. The bank has been on customer based development & remained committed to cater the needs of common man & agriculturist.

This bank has received four state level awards of various categories in banking business. Now INDIGLO i.e. the national level institute evaluated the co-op banks on various norms, has rated VSSB & given 13<sup>th</sup> rank at state level as first in the Sangli District out of 469 banks.

2.7.2 ➤ **Profile of Sangli Urban Co-op Bank Ltd. Sangli (SUCB)**

The Co-op banks play a limited but important role in the banking system of the country. Sangli Urban Co-op Bank Ltd. Sangli is a scheduled co-op bank registered on 4<sup>th</sup> November 1935 & got banking license number A.C.D. /MH 277P-dated 19/08/1981. The head office of this bank is situated in Khan Bhag, Sangli. The functional area of the bank is limited within Maharashtra State. Some branches in other states are functioning under the respective districts with the

permission of state co-op department & RBI. The bank is functioning with the basic co-op principle i.e. 'of the people, by the people, for the people'.

➤ **Historical background**

SUCB was in fact originally registered under the Sangli state Co-op Society Act in 1935. The bank was promoted by enlightened group of young citizens led by Late Shri. M.H.Godbole, who was determined to make a success of the bank in the co-operative manner.

Banking institutions around 1935 were mainly catering the needs of big merchants & traders. They had specialised in financing agricultural through co-op societies. In such a situation petty traders, professionals & other persons belonging to the low-income group has to approach private moneylenders, to secure their financial requirements. The promoters of the bank, in this situation took an opportunity to start a co-op banking institutions with the object of meeting the needs of people belonging to the low-income group. The total credit of promotion of this bank goes to late Shri. Mahadev Hari Godbole.

In the very beginning bank started with a small amount of capital of Rs. 1100 & deposit of Rs. 200 in a small town like Sangli having population of around 30,000. Firstly three storied building for head office was constructed in the central place of Sangli City. On the background of increased volume of business, new building for head office was constructed in the year 1986 & the head office was shifted in the new building at Khan Bhag on 10.01.1987.

The first branch of the bank was opened at Madhavnagar to facilitate the financial needs of industrial as well as trading activities. The bank entered backward area of Marathwada in the year 1966 by opening two branches one at Beed & another at Parbhani. After 1970 branch expansion took speed & now at present the bank has 35



branches. It is rendering banking services through its 35 branches not only to the specific category of customers but also to the poor to uplift them, in keeping with special obligation.

At present under the guidance of chairman Shri. Bapusaheb B. Pujari, the bank is providing various banking services. Along with its banking business, bank has always been aware of its social obligations. It has given donations to number of educational, social & cultural institutions, which have been playing a useful role in contributing to the enrichment of the social & cultural life of Sangli & other areas. Starting its function at the small premises, it has grown up to the stage of scheduled status.

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