Chapter-3

Growth and Development of Urban Cooperative Banks in Rajasthan-An Overview
CHAPTER-III

GROWTH AND DEVELOPMENT OF
URBAN CO-OPERATIVE BANKS IN RAJASTHAN
-AN OVERVIEW

The banks are the heart of financial structure of
economy since they have the ability, in co-operation with
the Central Bank of a country, to add to the money supply
of the nation and create additional purchasing power.
Banks’ lending, investments and related activities
facilitate the production, distribution, and consumption in
the economy. While explaining the economic importance of
banks, Prof. Sayers says that the special interests of
economists in the activities of banks are due to the
monetary nature of the deposit liabilities of the banks.
Like any other business, the activities of banks are direct
personal interest to the people who use them and to the
people who work in them.¹

This chapter deals with the concept of banking origin
and history of the co-operative banks in India as well as in
Rajasthan.

The Urban Co-operative Credit Movement originated
in Germany when Herman Schulze started such societies
for the benefit of artisans in the cities. Mr. Schulze found
a friendly society in 1849 for the relief of sickness. For
the provision of credit he founded in his native town the
first loan society in 1850 and Hog originated Dairy Co-
operative Banking for the development of dairy enterprise. Dr. Hog's banks improved dairymen's life in the rural and sub-urban parts of Germany and Schulze model were designed to improve the social and economic fabric/life of urban part of Germany. The attractive business of co-operative banks of Germany had created an atmosphere of ideal situation for the growth of co-operative banking system at an international level during the period, 1849 to 1890. In Italy, the credit of starting such societies goes to Luigi Luzzatti. Encouraged by the success of the urban credit institutions in those countries, social workers in India began to think in terms of co-operation as a means of bringing succour to the middle class as early as the close of the nineteenth century.

The idea of co-operative banks was first discussed in Great Britain in about 1870, and at a conference on banking at Bury. Mr. Ludlow said that he saw no reason as to why there should not be a bank "in a close possible connection with the wholesale society". Opinion was sharply accepted and the co-operative wholesale society decided in May 1872, to undertake the business of banking as a separate department of the C0-operative Wholesale Society, C.W.S. The new department was named, "The loan and Deposit Department", a title that is retained until 1876. The Banking Department had shown very great progress in accumulating resources. During this period, India too, had borrowed the theory and practice of co-operative banking system from Germany. The first urban
credit society saw the light of the day in 1889 when a mutual aid society was registered at Baroda.

The last two decades of the nineteenth century were notable for the establishment of voluntary organisation linked with co-operative methods, which had the Indian philosophy as the base and the European experience for guidance. The Madras Presidency had developed the indigenous societies known as Nidhis, analogous to the friendly and building societies in Britain, while Western India preferred mutual aid societies.

As early as in 1883, Sir Henry Stark had advocated the introduction of the co-operative credit system in India on the European model and after four years, Sir Raymod West renewed the plea. The Government of Madras was the first to grasp the possibilities of the co-operative movement in India and appointed, in 1892, F.H. Nicholson as the Special Officer to study the theory and practice of the co-operative movement in Europe, with special reference to the organisation of co-operative credit in Germany, and to suggest means and ways for its introduction in India. In his two reports issued in 1885 and 1897, he gave exhaustive information about the development in Europe, and recommended the model of Raiffeisen Societies. His emphasis was, however, on the man whom they had discovered and not on the system and, therefore, ‘Find Raiffeisen’ was the crux of his advice.

The Madras Government decided to set up two village banks as an experiment; but the Bombay Government was not enthusiastic about his recommendations. At the same
time the states like U.P., Punjab and Bengal started co-operative societies on the Italian model. Those were registered in the absence of special legislation, either under the Societies Registration Act or the Companies Act.

The first experiment in urban co-operative credit made in the then Baroda State. On February 5, 1889, Prof. Vithal Laxman alias Bhausaheb Kavathekar arranged a dinner at his residence in Baroda and the party ended with the decision to set up ‘Anyonya Sahakari Mandalii’ was the object of promoting thrift and providing relief among Maharashtrian residents in Baroda city. The 21 Maharashtrians attending the dinner became founder members on the spot by agreeing to subscribe at least Rs. two each month. It was the mutual aid society of subscriber-members. Its funds were deposited in the Postal Bank, and it had no assistance from the Baroda State. Inspired by the experiments in the Baroda State such voluntary associations, for the twin purposes, were set up in the Bombay presidency and that too by the public-spirited men without any Government assistance. At this juncture, Indian opinion had been impressed upon by the success of small village banks in Germany and Italy.

The enactment of Co-operative Credit Societies Act, 1904 conferred legal status on the credit societies and the first Urban Co-operative Credit Society was registered in 1904 at Conjeevaram in Madras Province. Subsequently, the Betegri Co-operative Credit Society in Dharwan district in the undivided Bombay Province (now in north Karnataka) and the Bangalore city the co-operative credit
societies, in the erstwhile Mysore State were registered in October 1905 and December 1905, respectively. However, the real beginning was made after the amendment in 1911, enhancing its scope to the formation of non-agricultural credit societies.

The functional framework of co-operative banks and the joint stock bank or non-co-operative bank shows absolutely no difference. Both borrow to lend to others and cover their expenses and earn a profit out of the difference between the cost of their borrowings and the income from their lendings. To perform these duties, both types of banks act as reservoir of capital whereby savings are mobilized and credit is given to those who are found able to show profitable use of loans for the benefit of all.

However, in the history of our co-operative movement and particularly in the field of co-operative banking, urban banks occupy strategic position and have played a vital role not only in meeting the consumption requirements of the weaker section of the society but also in increasing the industrial production, and in strengthening the base in infrastructural facilities in urban and semi-urban areas by providing the basic key input, i.e., credit. The urban banks are basically the institutions of such persons of the lower class of the society, by the persons of the lower class and for the persons of the lower class. The official record of the Maharashtra State Co-operative Bank Ltd., Bombay shows that about 72 per cent of the borrowers had borrowed amount up to Rs. 5,000 at the close of June 1985. Those who borrowed Rs. 5,001 and Rs. 25,000 accounted
for 22.5 per cent of the total borrowers. One of the salient features of the urban banking system is that they are self-reliant. In contrast to central co-operative banks, the urban banks depend on their own funds and deposits. The reliance on outside borrowings is very low, i.e., 2.87 per cent as on 30th June 1979. Secondly, the commercial banks advance loans against personal surety on a selective basis. Thirdly, they are local organisations that have democratic management, and they are serving the persons of small means, ever since the days when the commercial banks were not prepared to look towards them.

**VIEWS OF VARIOUS COMMITTEES ON THE ROLE OF URBAN CO-OPERATIVE BANKS**

Maclagan Committee first recognised the importance of urban co-operative banks categorically on co-operation in 1915. It pointed out that, the "Urban Credit Societies might serve a useful purpose in training the upper and middle urban classes to understand the ordinary banking principles". A decade and a half later, the Indian Central Banking Enquiry Committee (1931) felt as follows:

The duty of these urban banks should be to try to do for the small traders, the small merchants, and the middle class population what commercial banks are doing for the big traders and big merchants.

Subsequently the co-operative planning committee stated as under:

Joint Stock banks are not interested in developing the business of small loans, because the cost of advancing and recovering them is high. Furthermore, as joint stock banks,
on the first hand, are not likely to have under ordinary circumstances full and intimate knowledge of the standing and resources of persons of moderate means, they will not advance on personal security. On the other hand, there are numerous persons in urban areas of small means, like traders, merchants, artisans, factory workers, street hawkers, motor and lorry drivers, who resort to money lenders and similar agencies for small loans and obtain them at high rates of interests. Co-operative banks qualify by establishing personal and intimate relationship with people for this class as the most suitable agencies for serving their credit needs.9

The Rural Banking Committee (1950) also commented on the role that urban co-operative banks could play in providing banking facilities. The committee observed that urban banks, which were established in many towns in Bombay and Madras, would be able to offer facilities both to urban people and to individuals in the nearby rural areas, and in view of their relatively low cost of establishment and operation can go up to places smaller than the Taluka towns.

The sub-committee set up by the small-scale Industrial Board in 1956 to consider the question of channelling loans to small-scale industries through urban co-operative banks observed that “the supply of credit by all existing institutional agencies is not adequate to demand and the proposal for utilisation of co-operative urban banks for channeling loans to small scale industries has to be considered”.10
According to the study group on credit co-operative in the non-agricultural sector appointed by the government of India under the Chairmanship of the late Shri V. P. Varde in 1963, the urban co-operative banks have an important role to play in several respects including the following:

a) First and foremost, they can organise and bring together middle and working classes in urban and semi-urban areas.

b) The mobilisation of savings by urban co-operative banks and the consequent drawing of urban resources into the Apex and Central Co-operative Banks, which are in need of funds to finance the rural, industrial, and other functional co-operatives, can contribute to general economic development.

c) By providing credit on reasonable terms to the middle classes, they can rescue them from the exploitation of moneylenders.

d) By financing individual industrialist and artisans in urban areas, they can make a significant contribution to industrial development.

e) They can provide intelligent, experienced and active leadership to the co-operative movement including the central and the Apex Co-operative Banks, which in view of their federal character draw their directors from member-institutions. The same opinion was also expressed in RBI report on the survey of urban co-operative banks (1957-58).
The banking commission appointed by the government of India in February 1969 under the chairmanship of Shri R. G. Saraiya has observed as follows:

Urban co-operative banks do useful work in mobilising deposits and financing the sector of small borrowers. Another useful activity is the financing of house construction and repair for members of the banks. Also, this type of banking provides a useful avenue for those who have the necessary ability to set up a bank.\(^{12}\)

Similarly, the committee on Problems of Urban Co-operative Banks in Maharashtra, appointed by the Government of Maharashtra in December 1974 under the chairmanship of the late Shri V. M. Joglekar, has commented on the performance of urban banks in Maharashtra in the following words:

The performance of urban banks in Maharashtra, taken as a whole, is fairly satisfactory. Non-officials may trace the sustained growth over the years to the devoted and self-less management. Not only the number of urban banks has increased, but membership, which is a measure of people involvement, has also increased. Deposits have gone up considerably; the deposits from non-members are more than those of the members, which is a positive proof of the fact that the urban banks have secured the confidence of the depositing public of urban and semi-urban areas.\(^{13}\)

The committee on Urban Co-operative Banks, popularly known as 'Madhava Das Committee', was appointed by the Reserve bank of India in September 1977;
it submitted its report in September 1978. The committee has observed that, despite various limitations, urban banks have mobilised substantial local resources and striven to serve small borrowers. According to the committee, there is scope and need for the development of urban banks in some States. These banks are eminently suitable for filling up the existing credit inadequacies in urban and semi-urban areas at comparatively lower cost of operations.\(^{14}\)

The foregoing sections show not only the continuous attempt and attention of the government and the RBI through different committees and commissions on the issue of urban co-operative banks, that it also shows the degree and direction of change in the co-operative credit policies in favour of urban co-operative banks. Therefore, the urban co-operative banking is having dominating position in the banking sector.

**GROWTH AND DEVELOPMENT OF UCBS IN INDIA:**

**Growth before Independence**

While explaining the provision of the Co-operative Societies Act of 1904, all the urban credit societies including the urban banks were described as non-agricultural credit societies. The government for the organisation of non-credit societies did not give special encouragement. They were expected to grow themselves without assistance from the State. The Maclagan Committee (1915) recommended the extension of co-operation among the non-agricultural classes as a result of which a number of urban credit societies started coming into existence.
During 1913-1917 there was the bank failure in commercial banking sector. The failure of the commercial banks gave scope for the organisation of new urban credit societies. "The economic depression of 1930s severely affected the agricultural credit societies more than the urban credit societies, but the progress of urban societies was steady".\(^1\) In addition, the inter-war period did not affect the urban credit movement as adversely as it affected the agricultural credit movement. This was possible due to the fact that during the period of depression, the fall in urban income was not as steep as in rural incomes. Another factor responsible for the stability of movement in urban areas was the comparatively high standard of managerial efficiency available in urban areas. Also, the Second World War provided a great stimulus to the urban credit movement. It attracted the large membership and deposits on account of the rise in money income.\(^2\)

In the year 1938 all the urban co-operative banks were included in the list of non-agricultural credit societies. There was no difference between an urban co-operative society and the urban co-operative bank. An urban credit society having Rs. 20,000 as working capital and if it maintains fluid resources according to a standard fixed by the Registrar was designated as an urban bank in Madras, while in Bombay an urban credit society could be styled as an urban bank capital. But since 1938, it was only those urban credit societies which did banking business as defined by section 277(b) of the Indian
companies Act, then in force and had a paid-up share capital of not less than Rs. 20,000, were allowed to call as banks. The criteria of defining the urban banks in each state was different, because of which the data on urban co-operative banks were not available on an all India basis. Prior to 1948-49 the data on all India basis were presented in the Review of Co-operative Movement in India; published by the Reserve Bank of India. Even these data suffer from various limitations as no uniform definition of an urban bank was adopted by different states.

Growth before 1st March 1966

The extension of certain provisions of RBI Act, 1934 and Banking Regulation Act 1949 to co-operative banks from 1st March 1966, necessitated the classification of growth of urban co-operative banks broadly into two periods:

1. Before 1st March 1966

Growth before 1st March 1966

The growth and progress of urban banks before 1st March 1966 are shown in Table 3.1.
Table 3.1: Growth of urban co-operative banks before 1st of March 1966 (Rs. in crore)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particular</th>
<th>1948-49</th>
<th>1965-66</th>
<th>Percentage over 1948-49</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of urban banks</td>
<td>815</td>
<td>936</td>
<td>14.84</td>
</tr>
<tr>
<td>2.</td>
<td>Membership (in '000)</td>
<td>535</td>
<td>2,814</td>
<td>236.06</td>
</tr>
<tr>
<td>3.</td>
<td>Owned Funds (Rs.)</td>
<td>4</td>
<td>18.91</td>
<td>372.75</td>
</tr>
<tr>
<td>4.</td>
<td>Deposits</td>
<td>17</td>
<td>76</td>
<td>347.05</td>
</tr>
<tr>
<td>5.</td>
<td>Working capital</td>
<td>22</td>
<td>100.61</td>
<td>357.31</td>
</tr>
<tr>
<td>6.</td>
<td>Loans outstanding</td>
<td>12</td>
<td>66.97</td>
<td>458.08</td>
</tr>
<tr>
<td>7.</td>
<td>Overdue</td>
<td>1</td>
<td>5.51</td>
<td>N.C.</td>
</tr>
<tr>
<td>8.</td>
<td>Percentage of overdue to outstanding</td>
<td>8.33</td>
<td>8.22</td>
<td>N.C.</td>
</tr>
</tbody>
</table>

Source: Ninth Indian Co-operative Congress, NCUI, Background Papers, 1982.

It may be seen from the above table that

1. The number of banks has increased by 14.84 percent from 1948-49 to 1965-66. The number of banks has gone up from 815 in 1948-49 to 936 in 1965-66.
2. The membership has increased by 236.06 per cent during the above period.
3. The owned funds, deposits and working capital increased nearly four-fold.
4. The loans outstanding also increased by 4.58 times.
5. Though the over dues increased from 1 crore to 5.51 crore, the percentage of overdue to loans outstanding declined from 8.33 percent to 8.22 per cent.
Development of Urban Co-operative Banks in India (After 1st March, 1966)

We are concentrating our attention to the development of urban co-operative banks, which have occurred since 1967-68 to 1999-2000. Since the implementation of the Banking Regulation Act 1949, the urban banks have grown rapidly, in order to push the rate of development of the economic activities, the central and the state Governments have taken the co-operatives as one of the instruments of economic development. An attempt is being made at discerning the trend of growth of urban co-operative banks by applying selected indicators that have been used for the analysis of the preceding period.

We shall first examine the quantitative growth of urban co-operative in terms of the number of banks. It is revealed from the above table that the overall trend of the banks seems to have been increasing from 1967-68 onwards. During two-and-a-half decades (1968 to 1992-93), the number of banks increased from 1127 to 1437 in the last seven years' period: 1993 to 2001. The number of urban banks reveals the fast trend of growth. But the percentage growth of the banks over the previous years shows wavering trend, i.e., 1987-88 the number of banks increased by 0.81 percent over the preceding years, thereafter the growth has slowed down a little less than 2.22 percent in the year 1992-93 followed by 0.29 percent in the year 1997-98, over the preceding years. However, in the last two years the number of urban banks has increased by an average of 17.48 percent.
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>No. of Banks</td>
<td>1127</td>
<td>1215</td>
<td>1206</td>
<td>1281</td>
<td>1371</td>
<td>1437</td>
<td>1502</td>
<td>2027</td>
<td>3.38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(6.22)</td>
<td>(7.03)</td>
<td>(4.81)</td>
<td>(4.52)</td>
<td>(34.95)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Owned fund</td>
<td>27.70</td>
<td>64.64</td>
<td>143.22</td>
<td>161.44</td>
<td>273.09</td>
<td>536.87</td>
<td>5985.27</td>
<td>9754.00</td>
<td>73.90</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(12.72)</td>
<td>(69.16)</td>
<td>(96.59)</td>
<td>(1014.84)</td>
<td>(62.97)</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Deposits</td>
<td>110.00</td>
<td>271.89</td>
<td>626.63</td>
<td>2278.00</td>
<td>4986.65</td>
<td>13530.68</td>
<td>40691.50</td>
<td>71710.00</td>
<td>48.87</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(263.53)</td>
<td>(118.90)</td>
<td>(171.34)</td>
<td>(200.73)</td>
<td>(76.23)</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Working capital</td>
<td>143.99</td>
<td>368.75</td>
<td>889.43</td>
<td>2935.64</td>
<td>6926.46</td>
<td>18006.77</td>
<td>52233.64</td>
<td>91457.00</td>
<td>46.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(230.06)</td>
<td>(135.94)</td>
<td>(159.97)</td>
<td>(190.08)</td>
<td>(75.09)</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Loans outstanding</td>
<td>92.84</td>
<td>208.42</td>
<td>377.72</td>
<td>1802.00</td>
<td>4562.24</td>
<td>10132.14</td>
<td>27807.00</td>
<td>45856.00</td>
<td>52.45</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(377.07)</td>
<td>(153.18)</td>
<td>(122.08)</td>
<td>(174.44)</td>
<td>(64.90)</td>
<td></td>
</tr>
</tbody>
</table>

Source:
1. Data from 1967-68 to 1977-78 have been taken from RBI reports on currency and financial annual report 1967-68-1977-78.
2. Data from 1982-83 to 1987-88 have been taken from NABARD annual reports of respective years.
3. Data from 1992--93 to 1999-2000 have been taken from National Federation of Urban Co-operative Banks & Credit Societies Ltd. (NAFCUB) Annual Reports of respective years.

N.B.:
1. The total no. of banks include salary earner's banks also.
2. Figures in brackets show that growth rates over the previous years.
The owned funds of the urban co-operative banks show greater increasing trends during the period under study. The owned funds recorded an increase from Rs. 27.70 crore in 1967-68 to Rs. 9754.00 crore in 1999-2000. Such an increase may be taken as a pointer to the increase in paid-up share capital and the banks' improving profit-earning capacity. If we study the recent growth of owned funds, it also shows that the owned funds have recorded a further spurt, i.e., the simple average growth rate worked out for the years 1992-93 to 1999-2000 are 96.59 percent, 1014.84 percent, and 62.97 percent over their respective preceding ones. The overall average growth rate per annum works out to be 73.90 percent. From the above analysis we notice that the banks are particular about generating their internal resources.

The operational efficiency of the banking sector depends upon the extent to which it can mobilise the surpluses of the public by way of deposit mobilisation. The lending activities are also dependent upon the deposit mobilisation. The deposits can be mobilised from their members as well as from the non-members. The growth of deposits during 1967-68 to 2000 shows an increasing trend. The per annum average growth in deposits during the period, 1982-83 to 1999-2000 was 48.87. The progress in the deposit mobilisation could be attributed to the close intimacy between the board of directors and the members. Moreover, the urban banks have the statutory permission to give higher rate of interest on deposits than the public and private sector banks.
The working capital of the urban co-operative banks has increased from Rs. 143.99 crore to 91457.00 crore during the period, 1967-68 to 1999-2000. If we study the growth of working capital from 1982-83 to 2000, it shows that there was a steady increase in the working capital. The annual average growth rate works out to be 46.54 during the recent years. Due to the increasing number of banks, owned funds and deposits, there was remarkable progress in the working capital of urban co-operative banks.

The amount of loan outstanding went from Rs. 92.84 crore in 1967-68 to 45856.00 crore in 1999-2000. If we study the recent years' growth, it will be observed that on an average, outstanding loans have increased by 52.45 percent per annum.

**IMBALANCE IN THE DEVELOPMENT OF UCBs IN INDIA**

In the growth of urban co-operative banks, certain regional imbalances seem to have occurred over the period under study. The urban banks were concentrated in States like Maharashtra, Gujarat, West Bengal, Andhra Pradesh, Karnataka and Tamil Nadu. Many committees and reports have pointed out the imbalances. The sixth Indian Co-operative congress said that,

The development of existing urban banks is uneven; the states like Maharashtra, Gujarat, Madras, Andhra, Mysore and Madhya Pradesh have made progress in the development of urban banks. In certain large regions including states like U.P., the progress of urban banks was insignificant.
There are various socio-economic political reasons for the imbalances in the growth of urban banks. One general cause is that the economically advanced States are able to develop the cooperative sector. The leadership and official support were also responsible for the imbalances. Whenever the industrial development had taken place, the urban banks had grown rapidly. The Reserve Bank of India Survey on urban co-operative banks pointed out that the high level of development of urban co-operative banks in some states appear to be the result of the efforts and services of enthusiastic and capable non-officials in these states. The non-official leadership was the main factor, which made Maharashtra to stand the forefront of other states as far as the development of urban banks was concerned.

State-wise Position of UCBs in India

Table 3.2 gives a comparative picture of urban co-operative Banks in India. The table reveals the following facts in respect of uneven development of urban banks:
Table- 3.3 State wise Position of Urban Co-operative Banks in India as on 30th June 2000 (Rs. in crore)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>State</th>
<th>No. of banks</th>
<th>Reporting Banks</th>
<th>Amounts of deposits</th>
<th>Per bank deposit</th>
<th>Loans &amp; Advances during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Andhra Pradesh</td>
<td>175(8.63)</td>
<td>141</td>
<td>3204(4.47)</td>
<td>22.72</td>
<td>1937(4.22)</td>
</tr>
<tr>
<td>2.</td>
<td>Assam</td>
<td>12(0.59)</td>
<td>7</td>
<td>94(0.13)</td>
<td>13.43</td>
<td>35(0.08)</td>
</tr>
<tr>
<td>3.</td>
<td>Bihar</td>
<td>8(0.39)</td>
<td>2</td>
<td>1(0.001)</td>
<td>0.50</td>
<td>1(0.002)</td>
</tr>
<tr>
<td>4.</td>
<td>Delhi</td>
<td>19(0.94)</td>
<td>15</td>
<td>535(0.75)</td>
<td>35.67</td>
<td>221(0.48)</td>
</tr>
<tr>
<td>5.</td>
<td>Goa</td>
<td>7(0.35)</td>
<td>7</td>
<td>701(0.98)</td>
<td>100.00</td>
<td>453(0.99)</td>
</tr>
<tr>
<td>6.</td>
<td>Gujarat</td>
<td>357(17.61)</td>
<td>327</td>
<td>16709(23.30)</td>
<td>51.10</td>
<td>10923(23.82)</td>
</tr>
<tr>
<td>7.</td>
<td>Haryana</td>
<td>8(0.39)</td>
<td>8</td>
<td>79(0.11)</td>
<td>9.88</td>
<td>52(0.11)</td>
</tr>
<tr>
<td>8.</td>
<td>Himachal Pradesh</td>
<td>5(0.25)</td>
<td>5</td>
<td>74(0.10)</td>
<td>14.8</td>
<td>36(0.08)</td>
</tr>
<tr>
<td>9.</td>
<td>Jammu &amp; Kashmir</td>
<td>4(0.20)</td>
<td>3</td>
<td>127(0.18)</td>
<td>42.33</td>
<td>55(0.12)</td>
</tr>
<tr>
<td>10.</td>
<td>Karnataka</td>
<td>323(15.93)</td>
<td>259</td>
<td>5129(7.15)</td>
<td>19.80</td>
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<td>613(1.34)</td>
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Grand total 2027 71703 45856

Source: Arranged from the 25 annual report, 2000-01, published by NAFCUB (National Federation of Urban Co-operative Banks and Credit Societies Ltd.)

N.B. Figure in brackets indicates percentage.
1. The state of Maharashtra had emerged as one of the leading states in respect of the urban co-operative banks among all the states of the Indian Union.

2. The six states, viz., Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Tamil Nadu, and Madhya Pradesh, account for 84.2 percent of the total number of banks in India, 91.63 percent of the total deposits and 92.34 percent of the loans advanced during the year. The data show that the share of the remaining states was negligible.

3. As regards the per bank average deposit, Goa ranks the first followed by Maharashtra and Gujarat.

It is noticed from the table that if we exclude the development of urban banks in six states, the development made by all other states accounts for very low share. Therefore, there is a need for the removal of the regional imbalances in the development of urban co-operative banks viz., the Reserve Bank of India, the National Federation of Urban Co-operative Banks and the Credit Societies Ltd. The State Urban Co-operative Banks Federation should take special efforts. An 'area planning' should be implemented in the uncovered regions of the country. The RBI should liberalise its licensing policy and relax the share capital requirement while registering such banks.
SOME ACHIEVEMENTS OF UCBS AND ROLE OF NATIONAL FEDRATION OF URBAN COOPERATIVE BANK AND CREDIT SOCIETIES LIMITED, NAFCUB.

Inclusion of UCBs in the Second Schedule of RBI

The committee set up to examine the issues raised by the national federation of urban co-operative Banks and credit societies, submitted its report in February 1987. Almost all the recommendations of the committee have been accepted and a necessary follow up action was taken by R.B.I. A significant outcome of these recommendations was the decision to accord scheduled bank status to selected urban co-operative banks. The government of India has issued an order for publishing the notification in the official Gazette in which 11 banks were accorded the status of scheduled banks.

One of the demands at every conference/seminar of urban co-operative banks in respect of district level, state level, or all India level, has been the passing of unanimous resolution requesting for the declaration of urban banks as scheduled banks. The main reason for such a demand has been although many of the shareholders of such urban banks are associated with one or the other public trust as its trustees' members of the local bodies, etc. They could not keep any of their funds in the urban banks. Similarly, number of shareholders of the urban banks who were dealing with the government undertakings, public sector corporations, etc. including the Indian oil corporation,
Hindustan Steel and some of the corporate bodies such as "Ceat Tyres Ltd., etc. were refusing to accept the cheques/pay slips issued/drawn on urban co-operative banks, as they were non-scheduled banks.

By a notification dated 18 August 1988, issued by the R.B.I. the eleven banks, which has time and demand liabilities of Rs. 50 crore and above were notified for inclusion in the second schedule to the R.B.I. Act. 1934. However, it is now increased and licensed UCBs whose demand and time liabilities are not less than Rs. 100 crore qualify to be included in the second schedule to the RBI act 1934. The number of schedule urban co-operative banks, which stood at 29 as at the end of March 1998, increased to 51 as at the end of June 2000.

The effective data for becoming schedule banks was September 1988. One can regard the said date as red-letter day in the history of urban co-operative banking movement. It is heartening to note that said achievement has coincided with the celebration of 100 years of co-operative banking movement in the country. The salient features of inclusion of urban banks in the second schedule are as under.

1. The conference of schedule status on the bank would project its image amongst general public.

2. The bank would be eligible for refinance facilities from the R.B.I. and industrial development bank of India directly instead of through state co-operative
banks. This should help the bank in enlarging the industrial loan portfolio.

3. The bank can avail itself of the Reserve Bank of India remittance facilities scheme.

4. The bank will be in a position to accept deposits from local bodies, quasi-government organisations and religious and charitable institutions.

5. The bank can issue guarantees to state and central government departments in favour of its clients. It can also issue cheques/pay orders of settlement of dues of the clients of the bank in favour of public sector organisations.

Although the big urban banks have been declared as schedule banks, yet it may not be able to get the recognition of such banks by all the public sector undertakings / corporations, etc. Earlier rules of all the undertakings were recognising schedule banks as approved institutions for all the banking transactions. Now rules of many of these undertakings have been amended notifying only the Nationalised Banks as approved banks, hence there is a doubt as to how far the scheduling will benefit the urban banks. Knowing the deficiency, there is a demand by the urban banks to lower the cut-off line in terms of time and demand liabilities for being eligible to be included in the second schedule<sup>21</sup>.
High Power Committee of RBI on UCBs

It would be useful to look at the Narasimham Committee recommendations. The committee suggested that RBI should review the entry norms in respect of UCBs and prescribe revised prudent minimum capital norms for them. To achieve an integrated system, the committee recommended that UCBs should also be brought within the ambit of the board of financial supervision. In response to these recommendations of the committee, the RBI has set-up a high power committee on the urban co-operative banks under the chairmanship of Shri K. Madhava Rao, former chief secretary to the Government of Andhra Pradesh to review the performance of UCBs and suggest measures to strengthen them. The financial 2000-2001 began with the organisation of 8th All India Conference of Urban Co-operative Banks and credit Societies. The conference suggestion the following recommendations.

I. High Power Committee of Reserve Bank of India on Urban Co-operative Banks

The conference deliberated the recommendations of the High Power Committee and felt that by and large the recommendations are in the interest of Urban Co-operative Banks, but suggested the following modifications:

1. Entry Point Norms (EPNs)

The EPNs recommended by the High Power Committee are too high and should be revised as suggested
NAFCUB, concept of unit banks is a welcome step in this direction and relaxation to special category of banks may be continued and the banks organised by minority may be given same relaxation as given to banks for SC/STs.

2. Professional Directors

The conference appreciates the need to have experienced and professional directors on the boards of urban banks but feels that such persons may not always be available/elected to the board. It recommends that this condition may not be insisted upon; instead two persons with requisite qualifications may be co-opted in the board.

3. Promoter Director

To the suggestion of High Power Committee that Promoter Director should not be a defaulter to any financial institution of bank and no criminal proceedings be there, the conference records that the term defaulter may clearly be defined and condition regarding the criminal proceedings should be dropped because such a provision is likely to be misused in certain cases because of mutual rivalries, etc. Similarly, conference feels that the financial means of promoters are not as important as their standing in the societies; their honesty, integrity and organisational capabilities and therefore this condition may also be dropped.

A regards the condition that the promoter should not be director in chit fund, NBFCs or commercial banks, the
conference feels that experienced directors of a cooperative bank may be useful in organising a new bank and therefore, the condition of promoter not being a director in any cooperative bank may be dropped.

4. Mahila Banks

The conference feels that the Mahila banks should be recognised as effective instruments of socio-economic change and as a vehicle of economic empowerment of women especially from the middle class and weaker section of societies. It recommends that the state governments should encourage the formation of Mahila banks by providing one time start up monetary support of 3-5 lakh, and waiving off the audit fee for the first 3 years. The RBI should permit the enrolment of 25% male nominal members to allow Mahila banks provide membership to males up to 30-50% with non-voting shareholding to augment share capital or allow Mahila banks to fully enrol male members after they attain the entry point norms prescribed for the general banks in a centre.

5. Opening of Branches/Extension Counters

The conference observes that the condition that bank should not open more than 10% of its total branches subject to a minimum of one branch per year, will obstruct the growth of good and professional run banks.

As regard the opening of a branch in a district other than the district in which a bank is registered within a
state, it net worth be equal to entry capital prescribed for highest centre was not acceptable and it was not recommended that when a bank wishes to extend its area of operation to the entire State, the required net worth of the bank could be equal to that as prescribed for the highest category.

In respect of opening of extension counters, Conference suggests that those banks that fulfil all the criteria required for opting the Annual Action Plan should be permitted to open extension counter if they have included opening of such extension counters in their Annual Action Plan.

6. Multi-State Banks

The stipulation of Rs. 50 crore as minimum own funds for banks to be registered under the Multi-State Cooperative Societies Act is highly impractical. Hence, it is recommended that the banks with own funds of Rs. 10 crore and above may be permitted to open their branches in other states.

7. Unlicensed Banks

The conference endorses the stipulation given to be obtained by unlicensed banks by March 31, 2002 and suggests that the condition for making profits during each of the last three years may be reduced to two years only.
8. **Weak Banks**

The Conference recommends that for the banks to be considered as weak, the history of showing net losses should be three years instead of two years as at present. The Conference also recommends that the banks may be categorised as "weak" or "sick" only if they come under 2 out of 3 parameters given and not any one of the three, as recommended by the HPC.

9. **Capital Adequacy & Share Capital**

The conference feels that the process of introduction of CRAR to UCBs should be phased over four years starting from March 31, 2001. The conference also feels that 5% of the capital as a ceiling of maximum shareholding by any member is too low and should be raised to 15%.

In order to enable the banks to augment their share capital the conference suggests that the introduction of concept of non-voting shares, which may be transferable either at premium or at discount depending upon the performance of the bank should be seriously considered.

10. **Roles of RBI & Cooperative Departments**

The conference appreciates the recommendations of the High Power Committee to bring specifically the banking related functions under the sole purview of the Reserve Bank of India and Cooperative function under the domain of Registrar cooperative societies. It is, however,
suggested that the powers of suppression of the board by the Registrar even for any cooperative issue should be subject to prior consultation with and consent of the RBI.

11. Amendment in BR Act to delete word 'Primary' from the Urban Co-operative Banks

The recommendations of the High Power Committee to amend BR Act to enable the Urban Cooperative Banks to enrol any cooperative society other than the credit society or urban cooperative banks as member is most welcome and recommends that amendments to section 7 and section 5(ccv) which are long overdue should be done as recommended at the conference.

12. Audit by Chartered Accountant

The recommendation of the High Power Committee to transfer the audit function to RBI under section 30 of the Banking Regulation Act is welcome. Conference recommends that till the time this be implemented, RBI may advise State Governments to allow the audit of urban cooperative banks to be conducted by the chartered accountants who are on the panel of RBI.

13. Power to RBI to Remove any Director/C.E.O.

The recommendation of the High Power Committee vesting absolute powers with RBI to remove any director or C.E.O. is not in conformity with the democratic functioning of the Urban Cooperative Banks where the General Body has the final authority in all such matters.
The conference believes that such arbitrary powers should not be given to the RBI.

14. Membership of Clearing House

The Conference recommended that the entire banks, which are licensed by RBI, should be accorded immediate membership of clearinghouse without any difficulty/discrimination.

15. Formation of Apex Banks of Urban Cooperative Banks

The conference observed that the High Power Committee has not made any recommendation regarding the formation of apex bank at the state level and recommended that the RBI should encourage organisation of such banks in all the States.

II. Management of Investment

Under the deregulated interest regime it is important for the UCBs to gain expertise in Asset/Liability Management & Management of Investment in Government Securities for maximum returns with minimum risk and high liquidity for sustainability of banks.

III. Information Technology in UCBs

Information Technology (IT) has become the backbone for the operational success of any organisation. In banking sector IT has assumed a greater importance under the deregulated and competitive environment.
ATM/Tele banking, credit cards, electronic transfer of funds, consumer banking, etc. are the IT related services, which tend to increase the customer’s satisfaction. The conference feels that banks should ensure that the technology developed by them is flexible enough to allow necessary changes and to carry out corrections or undertake corrective measures.

IV. Management of NPAs

The conference believes that managing NPAs is one of the crucial functions of the bank's management and suggests that members of the board of UCBs should be thoroughly conversant with all the prudential norms equipped with the tools to oversee the management of NPAs on regular basis.

V. Issues Relating to Cooperative Societies

The conference recommends the following:

1. In case of salary earner societies’ law should empower employer to deduct/recover loan from salaries and deposit it immediately with society.

2. Employer should provide accommodation within the premises for running a salary earner society.

3. Tax relief on Thrift fund and Guarantee funds should be given.

4. In case of lock-out/closures of organisation the society should be allowed to function.
5. In respect of housing loans extended by Societies, tax paid certificates issued by the employee's cooperative institution while computing tax liability of the concerned loanee employee may recognise tax paid certificates issued by employees cooperative credit societies.

**INTERACTION WITH RBI**

The federation during the year 2000-2001 had very close interaction with the RBI and was able to achieve significant successes on various operational issues covering UCBs. Some of the important issues are as under:

I. **Immediate Credit of Outstation and Local Cheques up to Rs. 7500/-**

As a part of improving customer services in UCBs the RBI has allowed scheduled UCBs to enhance the present ceiling of Rs. 5000/- to Rs. 7500/- for immediate credit of local as well as outstation cheques.

II. **Payment of Balance in Accounts of the Deceased Customers to Survivors/Claimants**

The RBI has advised urban cooperative banks that the requirement of insisting on production of succession certificate from the legal heirs should be totally withdrawn irrespective of the amount involved. But the banks should adopt such safeguards while settling claims, as they consider appropriate including taking of indemnity bond. In case where dispute is there and where indemnity is not
available banks can insist on production of succession certification.

III. Maximum Limited on Advances-Limit on Credit Exposure

The RBI has lowered the credit exposure ceiling in respect of individual borrower from present 25% to 20% of bank's capital funds to be attained by the end of March 2002. This reduction has been made to bring urban cooperative banks close to the international standards of 15% in respect of the above. Similarly, in the case of computation of capital funds the free reserves were redefined to exclude bad and doubtful debts' reserves, depreciation in investments and other assets and other outside liabilities. This is aimed at standardising the capital funds and thereby strengthening the capital base of the bank.

IV. Revision of Licensing Policy of new Urban Cooperative Banks

The RBI on the recommendation of the High Power Committee has revised the licensing policy of new urban cooperative banks with main thrust on strong start up capital and professional background of promoters for the better corporate governance. The entry point norms have been revised upward and concept of unit bank has been introduced as a relaxation in setting up of new urban cooperative banks. Relaxation in entry point norms for the special category of banks like those organised by the
Mahila banks, SCs/STs, banks organised in less/least areas, North East states, Sikkim, Daman & Diu, Andaman & Nicobar Islands, Lakshadweep regions and tribal and desert areas as declared by the specified authority of the state concerned continue to be there.

V. Monetary & Credit Policy Measuring-Relaxations to Urban Co-operative Banks

The RBI in its mid-term review of monetary and credit policy for the year 2000-2001 has given certain operational autonomy to the urban cooperative banks as given below:

a) Certificate of Deposits (CDs) Scheme

The minimum lock in period of 15 days for the transfer of CDs has been withdrawn by the RBI that provide flexibility and depth to secondary market and operational freedom to urban cooperative banks.

b) Deregulation of Charging of Penal Interest

As per extant guidelines of RBI, overall penal/additional interest to be charged by the bank should not exceed 2% over and above the rate of interest application/normally charged to the respective borrowers, which has been deregulated and left to the respective banks to decide.
VI. Calendar of Reviews-Matters to be Placed before the Board of Director of UCBs

The business plan of UCBs may be prepared annually and reviewed at quarterly intervals. This will help urban cooperative banks to plan their business strategies of growth and profitability.

VII. Rate of Interest on Advances Against Term Deposits

The RBI has relaxed the existing guidelines on advances against the term deposits. Banks are free to determine the rate of interest on all the advances against the term deposits of borrowers in their own name irrespective of the amount of advance, without reference to minimum lending rate. However, advances against 3rd party deposits will continue to be charged at the minimum lending rate of 13% even if the rate of interest is lower than 13% limit.

VIII. Priority Sector Lending

a) Agriculture Lending

The RBI in order to provide more avenues for banks' lending to agriculture and increasing the out reach of banks in rural areas, has decided that lending by scheduled UCBs to non-banking financial companies (NBFCs) for on lending to agriculture may be reckoned for the purpose of priority sector lending as indirect finance to agriculture.
b) Credit Deployment to SSI Secto

The RBI, following the decision of the Government of India has advised the urban cooperative banks that all the industry related services, business enterprises with investment up to Rs. 10 lakh in fixed assets excluding land and building will be eligible for benefits as small scale services business (industry related) Enterprises (SSSBE) as against Rs. 5 lakh at present.

c) Loans to Software Industry

Hitherto only scheduled urban cooperative banks were permitted to give loans to software industry. RBI has now relaxed this stipulation and has allowed all urban cooperative banks to extend loans to software industry as priority sector advances. It is advised that loans to software industry having credit limit up to Rs. one crore from the Banking system will be eligible for inclusion under the priority sector. However, small loans given to software professionals etc. up to Rs. 5 Lakh will continue to be covered and reported under the "loans to professionals and self employed".

IX. Branch Advisory Committee

The Branch advisory committees were constituted with limited power to sanction loans etc. for branches situated at a distance of more than 25 kms from the Head office. The RBI, by relaxing the existing conditions, in
fact, has now delegated the powers to respective boards of the banks to decide on such issues.

X. Recognition of Type Retreating & Coffee Curing/Processing Activities as SSI

The RBI has included tyre retreating activity (through cold/hot processes) and coffee curing/processing activity in SSI.22

GROWTH AND DEVELOPMENT OF UCBS IN RAJASTHAN

"A well run co-operative banking progress can finance a large number of small entrepreneurs' cooperative bank; can also attract a small saving especially if they go to the people instead of expecting them to come to them, waiting long hours and filling forms" - Indira Gandhi.

Credit co-operative in urban areas cover a wide field. These include the urban cooperative banks, where deposits are usually withdraw-able by cheques and which carry on normal banking functions. Employees co-operative credit societies including the factory worker’ credit societies, which receive deposits from and meet the requirements of permanent or semi permanent salary earners in a particular organisation and other types of non-agriculture credit societies catering to a particular profession such as weavers and fisherman, or a particular community or religious group.
The urban co-operative movement was started to protect the middle classes and men of small means from the clutches of moneylenders and to inculcate the habits of thrift and savings amongst them. The inspiration to organise these societies in India was derived from the success of similar institutions in Germany and Italy in the later half of the nineteenth century. Initial work was done at Baroda, followed by the organisation of these societies in Madras while states of Bombay and Mysore.

The beginning of urban co-operative credit societies movement in Rajasthan was made in 1919 with the establishment of Ajmer credit society and annual X-Mas co-operative societies in Ajmer-Marwara for the year ending June 1920. The establishment of these two societies provided impetus to the urban credit movement and within the next two years more such societies were started for salary earners on communal or occupational basis.

Among the erstwhile princely states, the urban credit movement was organised first in Kota. There were three departmental employees' societies in 1924. In these societies members used to deposit fixed sum every month according to their salaries and thus, these societies served as serving banks for only employees. Loans were given to members only in emergency at 9% rate of interest.

An urban co-operative bank has been defined as one, which has organised for accepting deposits from the public
which are usually repayable by cheques and which carry on normal banking business.

However, first urban co-operative banks were established on 15 April 1959 named as Urban Co-operative Bank Ltd Jaipur. In the same year as on 17-12-1959, Baran Nagrik Sahakari Bank Ltd., Baran was established.²⁶

In Rajasthan, a decade ago, there were only 12 urban cooperative banks and 3 salary earners' societies; since then rapid changes have taken place. At the end of June 20001, number of Urban Cooperative Banks including salary earner's societies rose to 41; including 6 Mahila urban cooperative banks.²⁷

Out of 41 urban cooperative banks (inclusive of 3 salary earners societies) 38 banks have been issued licenses Under section 22 of the Banking Regulation Act, 1949 (AACS), 10 Urban cooperative Banks have been categorised as weaker banks as they do fulfil viability norms as prescribed by the RBI.

22 Urban Cooperative Banks out of 41 banks have no branches at all. Total number of branches is 128 (including 2 extension counters). The 7 districts of Jaisalmer, Dungarpur, Banswara, Tonk, Jhunjhunu, Hanumangarh and Karauli do not have any Urban Cooperative Banks.

Elected boards govern the banks except for 9 banks, which are governed by the Co-operative Department that there is dual control of the state government and the banks’ elected boards. Recently, one Lok Vikas Urban
Cooperative Bank Ltd. has gone into liquidation and it has ceased functioning.

The governance of the banks is influenced and constrained by the vested interest of its board members. There is an excessive interference of the state government in the day-to-day functioning of the banks. There is no professionalism in the functioning of the banks. Staffs posted by the cooperative department do not possess the requisite banking qualifications and therefore, banks face difficulties in their smooth functioning. However, number of Urban Cooperative Banks is on the rise and they are increasingly meeting the credit needs of the economy and are an important segment of financial mediation.


We are concentrating our attention on the position of the UCBs in Rajasthan since the first UCB was established in 1959. But, due to the non-availability of data, analysis is not possible from 1959. An attempt is being made at discerning the trend of growth of urban co-operative banks in Rajasthan by applying the selected indicators that have been used for the analysis for the period 1991-92 to 1999-2000.

We shall first take the quantitative growth of urban banks in terms of the number of banks. The overall trend (Table 3.4) of the urban banks seems to have been increasing slowly from 1991-92 onwards. During the one decade the number of banks increased from 23 to 39. In
this period the number of urban banks reveals the slow trend of growth and the annual average percentage of growth of the banks increased by only 7 percent, but the percentage growth of the banks over each previous year seems to be declining, i.e., in the year 1995-96 and 1997-98. However, during 1999-2000, the number of urban co-operative banks has increased by 21.19 percent.

The share capital of the urban co-operative bank has increased from Rs. 3.43 crore to Rs. 19.16 crore during the period, 1991-92 to 1999-2000. If we study the growth of share capital it shows that except the year 1992-93, there was a steady increase in the share capital. The annual average growth rate works out to 24.2 percent.

The owned funds of the urban co-operative banks show greater increasing trend during the period of our study. The owned funds recorded an increase from Rs. 3.43 crore in 1991-92 to 77.00 crore in 1999-2000. This increase may be taken as an indicator to the increase in share capital and the banks improving profit-earning capacity. The overall average growth rate per annum works out to be 57.10 percent. From the above analysis, we notice that the banks are particular about generating their internal resources.

Deposit constitutes one of the primary sources of external capital and forms the very life of banking organisation. The deposits are really a loan to cooperative banks. Deposits help the banks to reduce the quantum of
borrowings from the financial agencies' the lending activities. The growth of deposits during 1991-92 to 1997-2000 shows an increasing trend except in 1992-93. The per annum average growth in deposits was 29.56 percent during recent years. The progress in the deposit mobilisation could be attributed to the close intimacy between the board of directors and the people of operating areas.


(Rs. in cores)

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</tr>
<tr>
<td>1998-99</td>
<td>32</td>
<td>15.64</td>
<td>50.00</td>
<td>424.00</td>
<td>241.00</td>
<td>539.00</td>
</tr>
<tr>
<td>1999-2000</td>
<td>39</td>
<td>19.16</td>
<td>77.00</td>
<td>597.00</td>
<td>351.00</td>
<td>759.00</td>
</tr>
</tbody>
</table>

% of Annual Average Growth | 7.64 | 24.2 | 57.10 | 29.56 | 29.14 | 34.24

Source: Annual Reports of Co-operation Office of the Registrar of Co-operative Societies, Jaipur, Rajasthan
The amount of loans went from Rs. 48.36 crore in 1991-92 to Rs. 351 crore in 1999-2000. If we study the recent years' growth, it will be observed that, on an average, loans have increased by 29.56% per annum.

The working capital of the urban banks have increased from 13.45 crore to 759.00 crore between 1991-92 and 1999-2000. If we examine the growth of working capital during this period, there is a steady increase in the working capital. The annual average growth rate works out to be 34.29. Due to the increase in owned funds and deposits, there was remarkable progress in the working capital of urban cooperative banks.

It may be concluded that the urban co-operative banking movement in India, which had its origin in the year 1889, has shown significant progress. Three landmarks mark the growth of the movement: the first was the extension of Banking Regulation Act 1949 to the cooperative banks in March 1, 1966, the second was the appointment of the committee of urban co-operative banks (Madhavdas Committee) in 1974 and the third was the appointment of a High Power Committee on the UCBs. The extension of BR Act paved the way for the healthy growth of the movement bringing about the financial discipline under control. If we study the growth of urban co-operative banks in Rajasthan in respect of number of banks, owned capital deposits, loan outstanding, and working capital, etc. it will be seen that the progress of urban co-operative banks in the state is not praise-worthy as compared to
other states like, Maharashtra, Gujarat, Tamil Nadu, and Karnataka. However, there is imbalance in the development of urban banks in India as well as in Rajasthan. The urban cooperative banks improve the present trend of growth one can expect that the weaker section of the people, who are their main clientele, will be benefited much. Thus, the banks are poised to play an important and effective role in achieving the objects of economic plan. The next chapter deals with the "marketing of services by UCBs in Rajasthan".

REFERENCES

7. GOI, Report of the Committee on Co-operation in India, Delhi, 1915, p.11.


24. Ibid, for the Year Ending June 1923.