Chapter IX

RETROSPECT AND PROSPECT

This concluding chapter assesses the working of urban co-operative banks in the country in the light of what has been discussed in the preceding chapters and suggests measures to promote their all-round development in India.

National Picture

As already discussed in the preceding chapters, the urban co-operative banks have registered a spectacular progress in India whether one considers from the viewpoint of number of banks organized or financial resources mobilized or loans advanced granted. As on June 30, 1974, there were 1,286 banks in the country spread over to 20 states/union territories and operating in all population group centres, such as rural, semi-urban, urban and metropolitan centres. Numerically, they represented the largest number of banks in the country sponsored by local leadership and initiative with local resources for the benefit of local people. The total membership of these banks aggregated 37,06 thousands of which 16,62 thousands were borrowing members or 45 per cent of the total members. The average membership per bank worked out at 2,959 and
it had covered 17 per cent of urban population of the country in this year. In the same year, the working capital of these banks totalled 435 crores, consisting of Rs.37,65 lakhs as paid-up share capital, Rs.23,48 lakhs as reserves, Rs.3,21,30 lakhs as deposits and Rs.21,96 lakhs as other borrowings. The total advances of these banks were of Rs.510 crores in the co-operative year 1973-74 and advances outstanding at the end of June 1974 amounted to Rs.258 crores. The bulk of these advances were of short-term nature and 47 per cent of these were granted on surety security. The overdues were low at 8 per cent at the end of June 1974. More than 75 per cent of the total number of banks in 1973-74 were making profit and about one out of 10 banks were run at a loss.

A significant feature that deserves to be noted is that not only members but also non-members of public had faith and confidence in these banks and had deposited their small savings with these. This is evidenced by the fact that in the total of deposits of these banks of Rs.321 crores in 1973-74, as much as 143 crores were deposited by the non-members which formed 45 per cent of the total deposits. In the total deposits, 76 per cent were savings and fixed deposits indicating that these
banks are playing useful role in promoting the habit of thrift and banking among the members as well as non-members. These banks had attracted the members by introducing a variety of savings schemes and the deposits of these banks represent the savings of small man of society as deposit per member in 1973–74 was as small as Rs.460.

A noteworthy feature, not revealed by statistics, relating to the operations of these banks is that they transact the banking business in the language of people of the region and thus to make them accessible to the people. It may be also noted that they carry on their business either in the morning or evening and thereby rendering services at a time convenient to the people. This had motivated housewives, office-going people, artisan class, labourers and others to open saving bank account with these banks.

The dependence of these banks on honorary service is still continued and this had a healthy effect in having low management costs, which formed 3 per cent of the total working capital in 1973–74. It may, however, be noted that with the growth of the banks, the need for having professionalised management should not be lost sight off.
To cater to credit and banking needs of labourers, co-operative labourers' banks are functioning in Gujarat and Maharashtra. Similarly, to look to the special needs of women, women's urban co-operative banks have been promoted in Maharashtra and Gujarat. These are novel types of urban banks and speak for the for-sighted vision of their promoters. Such banks, however, have yet to spread in other parts of India.

Although the Report on the survey of urban Co-operative Banks, 1961 and subsequently the Report of the Working Group on Industrial Financing through Co-operative Banks, official and non-official leaders of the movement have rightly emphasized the need for orientation the loan policy of these banks so as to meet the credit needs of small-scale industrial units, no appreciable work has been done in this direction so far. These ideas are yet to be popularized among the leaders of urban banks. However, as discussed earlier, a few urban banks have done commendable work in this field.

Coming to Gujarat, this state is rated as one of the leading states in the country in the field of urban banking. Besides being the first State to organize the Textile Workers' Co-operative Bank Limited in Ahmedabad in 1947 and developing it to a remarkable extent, it has
recently promoted Women's urban co-operative banks. After
the formation of Gujarat State in 1960, there have been
significant achievements to the credit of these banks
which can be seen from the all-round development —
growth in number of banks and their members, increase in
financial resources and loan business. In the year
1974-75, there were 231 urban banks having 6,04,224
members. The working capital and total advances in this
period aggregated Rs.142,80 lakhs and Rs.87,03 lakhs
respectively. The formation of Gujarat Urban Co­
operative Banks' Federation speaks for the dynamic
leadership of the urban co-operative bankers. Moreover,
the Rajkot MAGRIK Sahakari Bank Limited, situated in
Rajkot, was long ago selected as a model urban bank by
the Reserve Bank of India in its Report on the Survey
of Urban Co-operative Banks, 1961 for its striking
progress in several spheres of its working especially
in the financing of small-scale industries in those days
when this idea was in the womb of future.

The picture of the urban co-operative banks presented
above certainly reveals the record of the achievements
of the urban banks. It may, however, be noted that
there is also the other side of this picture. Of the
unfavourable features found in the operations of these
banks, mention may be made of (i) the uneven development among the different states in the matter of number of banks, membership, resources and advances, (ii) large proportion of advances for consumption and other purposes, (iii) the failure to maintain liquid resources according to statutory requirements on the part of some banks and to submit various returns regularly and correctly due to inadequate, untrained and inefficient staff, (iv) existence of nominal members, (v) indulgence into non-credit activities by these banks, (vi) issue of qualifying shares (for contesting for the post of directors) to few members and (vii) passive attitudes of some state governments to amend state co-operative societies' acts to facilitate the introduction of deposits insurance scheme, creating separate and special staff to look after the supervision, inspection and audit of urban banks and permitting these banks to accept deposits from quasi-government bodies.

Development

There are bright prospects and potentiality for the development of these banks in the years to come. The lines of their development are discussed below.

It has been pointed out that urban co-operative banks have grown in few states, say Maharashtra, Gujarat,
Tamil Nadu, Karnataka, Kerala, Andhra Pradesh and West Bengal and in the remaining states they have not made much headway. It is, therefore, necessary to correct this uneven development by the leaders of these banks. A target for their future growth should be to have at least one urban bank in each town serving urban population of 50,000. On the above norm, for the towns existing in India, the number of urban banks should at least have been 2,921, whereas, the number of banks stood at only 1286 at the end of the year 1973-74. It may be noted that this calculation ignores the fact that bigger cities having population of more than one lakh will require more than one bank. If this is taken into account the number of banks to be promoted will still be still larger. It has been also observed a number of banks were found to be dormant. The number of such banks varied between 95 and 111 in the period from 1967-68 and 1973-74, in the country. It will, therefore, be necessary to formulate a positive and dynamic programme of action to consolidate the operations of the existing banks and activating the dormant banks and to expand their number and members.

With the starting of five-year plans of economic development in the country, much attention has been paid
to the promotion and development of agricultural co-operative credit and other societies. No such attention, however, seems to have been paid to the development of the urban co-operative banks in the first three plans eventhough the Planning Commission has recognised the importance of co-operation as a suitable agency for the development of varied economic activities in the country. Only in the fourth plan, some attention was paid to these banks by specifying the number of banks to be organized and number of members to be enrolled. It is however, high time that the planners, the Government as well as the leaders of the co-operative movement took more note and active interest in the problems of middle class population including salary-earners, factory workers, artisans, small-scale industrialists, self-employed entrepreneurs and the weaker sections of the urban community and formulated programmes for the development of urban banks so as to meet the credit and banking needs of such classes of urban community.

Some of the urban co-operative banks have been successful in mobilising good amount of share capital and deposits. It should be noted, however, several of the urban banks are in weak position and not viable units. For instance, out of 1,286 urban banks only 1,060 banks had the status of 'primary banks', having share capital and reserve funds of at least Rs.1 lakh. The importance
of strengthening the owned capital of the banks and tapping larger amounts of deposits so that they can play their part in meeting the credit and banking requirements of the various sections of the urban community adequately.

The loan policy of these banks needs to be reoriented so as to cater to the credit needs of the small-scale industries which have been given a high priority in the development plans of the country. They should also explore the possibilities of granting loans for the purpose of higher university and technical education. Loans to the weaker sections of the urban population and to the self-employed persons also needs to be encouraged.

In order to enrich the image of these banks in the eyes of the public, it is desirable that their working be placed on sound and efficient times. This can be done by recruiting well-qualified officers at strategic points, taking benefits of the training programmes of the College of Agricultural Banking and such other programmes.

Building of member-relations can enhance the prestige and generate public confidence in these banks and this can be done by proper publicity and providing
better facilities in the banks. They should have their own building in the central locality of the cities with proper ventilation, safe deposits vaults and better counter and seating arrangements.

**Policy Frame**

Sound functioning and healthy growth of urban co-operative banks depend on part played by different organizations. In the past, these banks progressed well without any encouragement from state, but now-a-days state cannot remain silent observer, it will have to play a positive role to strengthen their working.

Supervision, inspection and audit have healthy effect on the management of urban co-operative banks and these can be ensured by state governments by creating a separate staff in the form of Joint Registrar or Deputy Registrar at head office and relevant staff at distinct level. State governments will have to evince keen interest than hither to in this branch of co-operation by taking such steps which can quicken their growth. For example, deposit insurance scheme has not been introduced in all states and this is due to unenthusiastic attitude of the state governments. Urban co-operative banks are
not allowed to accept deposits from quasi-government and other bodies in some States because of attitude of state governments. Some states, governments have not yet amended the state co-operative societies acts to allow the membership of partnership firms/joint stock companies as members of urban banks to facilitate the financing of small-scale industries. These are the areas where state governments can extend their helping hand.

National co-operative union of India and its organizations such as Viakunth Mehta National Institute of Co-operative Management, Poona, Co-operative Training Colleges at state levels and schools at regional level can play useful role to promote co-operative training programmes for different categories of staff of urban banks. They also can undertake some problem-oriented research work. District co-operative unions and state co-operative unions can take the help of these organizations while planning seminars or programmes for these banks.

Gujarat has recently promoted the Gujarat Urban Co-operative Banks' Federation to quicken the growth and solve problems faced by banks in this state. As stated, it plans outstation training programmes of the College of Agricultural Banking. It organizes seminars and conferences and publishes valuable literature useful to
these banks. Promotion of such federations in other states is necessary to quicken the growth of urban banks in other states.

People's Banks

Urban co-operative banks serve the people by promoting among them the habit of thrift and banking and granting credit on personal and other securities for variety of purposes and that is why they are known as people's banks or popular co-operative banks. The promoters and leaders of these banks looked upon them as a vehicle of public service and had nursed them with high idealism and high hopes sacrificing their family leisure and pleasure. Given dedicated and competent leadership as was provided in the past, recruitment of well-qualified and trained batch of officers having missionary zeal and enthusiasm along with favourable and encouraging policy of state governments, urban banks' federation, where they exist, Reserve Bank of India, College of Agricultural Banking, National Federation of Urban Co-operative Banks, universities and other institutions, the people's banks can look forward to playing an important role in meeting the banking and credit needs of their middle class and weaker sections of the urban community in India.