urban co-operative banks in particular to get rid of from the clutches of indigenous bankers and moneylenders.

As regards the origin of co-operative banking in Asia is concerned, credit is to be given to Vadodara (Gujarat). First such effort was made when "Kavathekar Mandali" formed on Vasant Panchami (i.e. on 5th February, 1889), a co-operative credit society. Thus the birth place of co-operative credit movement and especially the beginning of urban co-operative banking was initiated first in Vadodara. Prof. V. L. Kavathekar (Bhau Saheb) was the Professor of Economics. He realised the difficulties of poor and middle class people and seen the exploitation of private moneylenders. He gave birth to Anyonya Sahayakari Mandali. Initially, 23 members contributed Rs.75/- and formed a Mandali. Later on this, Mandali was registered as Urban Co-operative Bank.

However, the Urban Co-operative Banks have assumed a new significance in recent years in the context of certain new developments which has taken place. As a result of these developments, the urban co-operative banks have gathered a new momentum and made rapid progress in Gujarat in recent years. At the same time, certain new problems and challenges have also creep in before the urban banks in Gujarat.

Mobilisation of deposits and disbursement of loans are the two major functions performed by banks. Since the urban banking in Gujarat has taken roots and the operations of these banks have
grown substantially in recent years, author felt the need to undertake an in-depth study on the working of Urban Co-operative Banks in Gujarat and to study specially the lending operations (which is the prime function) of these banks.

The study undertaken will certainly be of great use to the banking in general and urban co-operative banking in particular in formulating the future plans and policies for the banks and for improving their operations in various spheres of their activities.

Objectives of the Study:

The broad objectives of the study are as under:

1. To review the growth of Urban Co-operative Banks in Gujarat.

2. To analyse the sources of funds of Urban Co-operative Banks.

3. To know the loan mechanism and procedure and to evaluate lending operation.

4. To identify and to assess the problems of overdue and recovery of the banks and to study the supervision and follow up measures.

5. To derive conclusion and make suggestions for improving the performance of the banks.
Research Methodology Used:

The study is mainly based on the secondary data collected through the sources like annual reports of the Urban Co-operative Banks. Various reports of the committees appointed by Reserve Bank of India and the information collected from the federation of Urban Co-operative Banks in Gujarat, and it has been supported by: (i) the primary data collected through well-designed questionnaires, and (ii) the specially arranged visits with the officials and Directors of the Urban Banks.

The selection of 26 UCBs from among the 288 UCBs, working in Gujarat has been made scientifically in the following way.

A separate ratio dividing the total advances by total number of borrowers has been calculated, and all the banks have been put in the descending order. Then these banks have been broadly classified into three groups, comprising 96 banks in each group. Each group of banks have again been classified into three categories as per their performance - higher, moderate and lower. Thus, 32 banks were there in each category of banks with higher, moderate and lower performance of lending.

Within each of this categories, one bank belonging each to 'A', 'B' and 'C' audit class have been selected. However, as the number of banks belonging to 'C' audit class found less, they had been given less representation in the final selection. Again, all the UCBs have been grouped according to the geographical regions.
into four groups - Saurashtra & Kutch, North Gujarat, Central Gujarat and South Gujarat, and then the final selection of 26 banks has been made in such a way that each region gets proportionate representation. Thus, 26 selected banks have been selected as under: Saurashtra & Kutch region (7 banks), North Gujarat region (6 banks), Central Gujarat region (10 banks), and South Gujarat region (3 banks).

The information and data is collected from above-mentioned 26 selected UCBs. These data have been tabulised and analysis has been made therefrom. Simple statistical tools like percentage, ratios, averages, growth rates etc. have been used for analysing the data.

Besides, an attempt has also been made: (i) to identify the lending operations of UCBs in the field of priority sector lending, (ii) to compare the operations of selected banks with loaning operations of State Bank of India (as an representative of public sector bank), and (iii) to solicit the views of the borrowers by sending questionnaire and arranging interviews with 260 borrowing members selected randomly from the selected banks.

Conclusions have been derived and few suggestions have been made to improve the lending operations of Urban Co-operative Banks in Gujarat.
Scheme of Chapterisation:

The work has been divided into seven chapters:

The first chapter is named as "Growth of Urban Co-operative Banks in Gujarat". In this chapter, the evolution and the growth of Urban Co-operative Banks in Gujarat have been reviewed. Besides, a comparative study of the parameters of the growth like membership, deposits, working capital, advances, owned funds, staff members and their efficiency and audit class classification etc. of Gujarat level have been explained.

The second chapter deals with the "Sources of Funds of Urban Co-operative Banks." It presents the description and the analysis of the various sources of funds of the UCBs like share capital, reserves, deposits and borrowings.

The third chapter pertaining to "Lending Operations: Loan Mechanism and Its Policy" covers the aspects related to the characteristics of bank loans, principles of sound lending, loaning structure, loaning procedure etc.

In the fourth chapter on "Lending Operations - Loans and Advances", an analysis of the loaning operations comprising mainly of short-term and medium-term loans - their disbursement have been made.
The fifth chapter discusses the burning problems of overdues and recovery of the banks.

The sixth chapter is fully devoted to follow-up and supervision and other allied matters related to loaning operations are also covered here. A special feature of priority sector lending by Urban Co-operative Banks is also incorporated.

The last chapter contains the summary and major conclusions derived from the study, and few suggestions have also been made to improve the performance of the banks.