CHAPTER 6

UTILISATION OF FUNDS

SYNOPSIS

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Assets Structure.

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Cash with Banks: Basic considerations -- Data analysis -- Observations.

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Introduction

It is imperative, especially, for an under developed country like ours with limited resources, to make the best possible use of all available idling or dormant resources.
and assets; be it in the form of vast man-power, enormous natural resources, dormant wealth of savings, hidden wealth in cash, valuables, gold, jewellery, currency and like, raw goods, live stocks, group of uncared for and unused intelligentsia and all such combined potentials lying ignorantly untapped so far to be churned out by a reconnaissancę followed by a detailed extensive survey to efficiently harness such power potentials into a well planned, constructive and defined phased course of series of activities, without permitting anywhere in the realm of actions the luxury of wastage; in chronological sequences to help develop the giant shaped planned economy of the country. Economic progress, as is emphasised in our study earlier, consists of series of functions like mobilisation of funds and resources followed up skillfully by employing and investing such funds, to create at lucrative and enhanced rates, in repeated rotations and turn-overs, creation of mere and more capital, without running in the risks of sustaining any losses, consistent with the market trends, strictly abiding simultaneously, with the framework of the 'Law of the Land'.

Expressed in brevity, this is a process of tactful mobilisation of all available surpluses and idling funds and appropriating and utilising them exclusively in various channels of improving socio-economic shape and structure of the area served under the scheme. Mobilisation of funds for a noble cause by popular local leaders of great repute in the
sector of cooperation is rather an easy task as is evinced from the fact and figures examined in Chapter 5. The centralised, well legislated specific control of such mobilised funds in respect of further utilisations, transactions, and turn-overs through the agencies of the UCBs, with the institutional monitoring authorities above, upto the zenith level of RBI, do watch and ensure that public money so raised yield coveted results to translate aims and ideals of local upliftments in realities in all respects; because utilisation of funds in the desired directions is a harder and stupendous task demanding more intricate skill and knowledge in the trends of the field of finance, especially in the present days of dynamic financial fluctuations all over the world. In essence, the UCBs play a prominent role in reshaping the economic life of the country. In the initial stage coop. credit societies were considered to be local aids to cater small socio-economic needs to common men. In the context of directives enjoined under the implementations of the series of the Five Year Plans, the UCBs are required to shoulder yet higher and higher responsibilities, of industrial financing to spread the prosperities evenly in their areas of operations. To follow up this sacred pledge they are committed to specific legislated objects. Let us examine them. As enumerated and defined within the bye-laws:

of the Cooperative Bank of Ahmedabad Ltd., Ahmedabad and the Surat Peoples Cooperative Bank Ltd., Surat the same run as under:

(i) To encourage the members to develop a habit of economy and savings.

(ii) To raise funds for advancing the credits on interest to the members.

(iii) To advance credits on interest for running business and give necessary advice and possible assistance to the small and medium scale industries, to the professional and business firms of the craftsmen, to the individual traders and artisan members etc. who may be the members of the bank in respect of the functions of the Bank under the bye-laws.

(iv) To open safe deposit vault and let the drawers for the safe custody of the documents, securities, shares, gold and silver ignots and such other valuables, etc.

(v) To transact all business pertaining to bills of exchange and to deal in the time limit bills of exchange and 'Usance Bills' at the responsibility and risk of the members according to the rules laid down by the Board of Directors of the Bank.

(vi) To transact all business regarding banking and money-lending.
(vii) To deal with all types of work regarding Trust and Agencies and especially the work regarding investing money and disposing of properties and recovering or collecting money.

(viii) To undertake the administration of trust and to accept any executive office as an executor or trustee or any such type of position of trust independently or jointly with others wherever the Board thinks it fit.

(ix) To advance money to the members against ornaments of gold and silver and to open branches within the jurisdiction of the bank, to undertake the work of transaction of goods of the members by commission of agency.

(x) To accept money, documents, securities, valuables, and all types of articles for their safe custody or for their transportation from one place to another.

(xi) To take up work of paying insurance premia, bills of Electric Co, and do hundi business and such other works of members as well as non-members on normal rates of commission.

(xii) To extend the credit facilities of loan, cash credit, hypothecation credit, pledge credit, over-draft, etc. to the members on condition and basis as may be laid by the Board of Directors from time to time.

(xiii) To do other works as may be deemed lawful in the
interest of the Bank and that as the Central Govt. or State Govt. direct to achieve above objects and goals of the bank.

(xiv) With the previous permission of the Registrar to purchase any property for the business or for the use of the Bank, to construct it and/or to make suitable alterations which may be necessary and to maintain the same.

(xv) To undertake every kind of banking and 'Sharaffi' business and also to undertake of giving bank guarantee on behalf of the members.

Other contributory services which may be supplemented are as under:—

(i) To assist customers for exchange and transfer of money through drafts, telegraphic transfers, mail transfers and through travellers' cheques.

(ii) To render expert advice to the customers as regards income tax transactions, and investment in shares and securities.

(iii) To undertake shares, debentures and securities of public and private sectors.

(iv) To offer services in the dealings of foreign exchange.

Assets Structure

Ideal composite propulsion of a financing corporate
body like an UCB, lies within its ideal distribution of assets governed by certain cardinal principles, viz., liquidity, profitability, shiftability and risklessness. The nature of the money market and prevalent economic conditions of the country are playing main impacts on the structures of the assets. The constituent limbs of assets structure consists of (a) cash on hand, (b) cash with banks, (c) investments, (d) Loans and advances, (e) lands and buildings, and (f) other assets comprising of (i) bills receivables, (ii) furniture, fixtures, and dead stock, and (iii) miscellaneous assets. In Table 6.1 are given data regarding the assets structures of UCBs in Gujarat as at the end of June 1971, June 1972 and June 1973.

The analysis of data presented in Table 6.1 would lead us to the following deductions:

(i) Out of total assets of Rs. 5470 lakhs at the end of 1970-71; 58.0 per cent were employed in advances; followed by 25.6 per cent in investments; 10.5 per cent were kept as cash balances with other banks; 2.8 per cent in cash on hand; 1.9 per cent were in other assets, viz., 0.9 per cent in interest receivable, 0.6 per cent in furniture and dead stock and 0.4 per cent in miscellaneous; and 1.2 per cent in the land and buildings.

(ii) Out of total assets of Rs. 7009 lakhs at the end of
### Table 6.12

(in lakhs of Rs.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash on hand</td>
<td>152</td>
<td>176</td>
<td>221</td>
</tr>
<tr>
<td>2. Cash balances with banks</td>
<td>577</td>
<td>745</td>
<td>1217</td>
</tr>
<tr>
<td>3. Investments</td>
<td>1403</td>
<td>1681</td>
<td>2256</td>
</tr>
<tr>
<td>4. Advances</td>
<td>3168</td>
<td>4207</td>
<td>5241</td>
</tr>
<tr>
<td>5. Land &amp; Buildings</td>
<td>64</td>
<td>70</td>
<td>82</td>
</tr>
<tr>
<td>6. Other Assets</td>
<td>106</td>
<td>130</td>
<td>202</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5470</strong></td>
<td><strong>7009</strong></td>
<td><strong>9219</strong></td>
</tr>
</tbody>
</table>

1971-72: the highest share was of loans and advances amounting to 60.0 per cent; followed by investments of 24.0 per cent; cash balances with other banks of 10.6 per cent; cash on hand of 2.5 per cent; other assets of 1.9 per cent comprising interest receivable of 0.9 per cent; furniture and dead stock of 0.6 per cent and miscellaneous assets of 0.4 per cent; and land and buildings of 1.0 per cent.

(iii) Out of total assets of Rs. 9219 lakhs at the end of 1972-73, the highest share was of loans and advances amounting to 56.8 per cent; followed by investments...

of 24.5 per cent; cash balances with other banks of 13.2 per cent; cash on hand of 2.4 per cent; other assets of 2.2 per cent composed of interest receivable of 1.0 per cent, miscellaneous assets of 0.7 per cent, and furniture and dead stock of 0.5 per cent; and land and buildings of 0.9 per cent.

(iv) The annual percentage rise in cash on hand was 15.8 per cent in 1971-72 and 25.6 per cent in 1972-73; taking 1970-71 as base year there was rise of 45.4 per cent in 1972-73. Similarly, the annual percentage rise in cash balances with other banks was 29.1 per cent in 1971-72 and 63.4 per cent in 1972-73. Taking 1970-71 as base year there was 110.9 per cent rise in 1972-73. While there was annual percentage rise in investments was of 19.8 per cent in 1971-72 and 34.2 per cent in 1972-73, and taking 1970-71 as base year the rise was of 60.8 per cent in 1972-73; the annual percentage rise in loans and advances was of 32.8 per cent in 1971-72 and 24.6 per cent in 1972-73 and taking 1970-71 as base year the rise was of the order of 65.4 per cent in 1972-73. Again, in the case of land and buildings, the annual percentage rise was 9.4 per cent in 1971-72, and 17.1 per cent in 1972-73 and taking 1970-71 as base year, there was a rise of 28.1 per cent in 1972-73. Similarly, the annual percentage rise in other assets was of 22.6
per cent in 1971-72 and 55.4 per cent in 1972-73 and taking 1970-71 as base year, the rise was to the tune of 90.6 per cent in 1972-73.

Though there was a rise of 68.6 per cent in the total assets of the UCBs during 1970-71 to 1972-73, uneven ups and downs in the shares of constituent assets were noticed and these are discussed asset-wise in the pages that follow.

**Cash on Hand**

**Basic considerations:** Deposits mobilised by banks are repayable as per the terms and conditions. The fixed deposits are repayable on the completion of their specified period and the other deposits are repaid as and when demanded. To meet with such exigencies of demand calls, the banks are required to maintain liquid assets in keeping with the provisions of the Banking Regulations Act, 1949 and other directives as issued, from time to time, by the RBI. This liquidity may be maintained in two ways: (i) by keeping hard cash on hand and (ii) by maintaining balances with other banks. The degree of liquidity to be maintained by a bank depends upon various factors like, (i) location (ii) size and type of deposits (iii) degree of banking habits (iv) existence of 'Banker's Clearing House', (v) nature of advances, and (vi) the available refinance facility. As regards the UCBs in addition to the observance of the above
standards, they have also to comply with the standards stipulated by the Registrar of the Coop. Societies, who may also fix up the maximum limit upto which an UCB can keep cash on hand.\(^3\)

Cash balances on hand also need good protection. Normally, the UCBs have suitable arrangements to keep the cash on hand in a safe under their custody. In the absence of an adequate arrangement for the safe custody of cash on hand, the UCBs are permitted to keep it in the strong room of the Local Govt. Treasury, wherever it existed, or in any other approved place. In such cases, of transfer of cash from one place to another, a cash-in-transit transfer insurance policy has to be obtained by the concerned UCB.

Sec. 18 of the Banking Regulation Act, 1949, lays down, "Every Cooperative Bank not being a State Cooperative Bank ... shall maintain in India by way of cash reserve with itself ... or in the case of a primary Cooperative Bank with Central Cooperative Bank of the district concerned or partly in cash with itself and partly in such account or accounts, a sum equivalent to at least three per cent of the total of its time and demand liabilities ..."\(^4\)

From the liquidity point of view cash is no doubt the most ideal asset of all. However, as it is not invested,

\(^3\) H-5: p. 33. \(^4\) A-2: p. 28.
it does not earn anything, so, it can, in essence be termed as an idle asset. The management of some UCBs, either through overzealousness, lack of knowledge of financial management, lack of apathy towards indiscrimination, might maintain cash reserves more than the mandatory or statutory limits, are treading the dreadful path of causing losses of earnings to the banks; such incidents also are being gravely viewed by the RBI.

**Data analysis:**

**State level:** In Table 6.2 are given the details of the amounts of cash balances kept on hand by the area-based groups of the UCBs in Gujarat at the end of June 1973.

<table>
<thead>
<tr>
<th>Amount of cash on hand (Rs.)</th>
<th>No. of Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Ah'd Va- Su- Rajkot the rest of the areas</td>
</tr>
<tr>
<td></td>
<td>City do- rat City dara City City</td>
</tr>
<tr>
<td>Upto 5,000</td>
<td>173</td>
</tr>
<tr>
<td>5,001 to 10,000</td>
<td>5</td>
</tr>
<tr>
<td>10,001 to 20,000</td>
<td>4</td>
</tr>
<tr>
<td>20,001 to 40,000</td>
<td>1</td>
</tr>
<tr>
<td>40,001 and above</td>
<td>-</td>
</tr>
</tbody>
</table>

The analysis of the above Table will show as follows:

(i) Banks having maintained cash on hand upto Rs. 5000

were 173 in Gujarat State; out of which 15.1 per cent banks were from Ahmedabad City, 5.0 per cent banks were from Vadodara City, 2.3 per cent banks were from Surat City, 1.2 per cent banks hailed from Rajkot City and 76.4 per cent banks were from the rest of the places spread all over in Gujarat.

(ii) Banks having maintained cash on hand between Rs. 5001 and Rs. 10000 were in all 5; out of which 40 per cent banks were from Ahmedabad City, 20 per cent banks were from Surat City and 40 per cent banks were from the rest of Gujarat area.

(iii) While Banks having cash maintenance on hand between Rs. 10001 and Rs. 20000 were four only 3 in Ahmedabad City and only 1 in the rest area of Gujarat; there was only one bank (Kalupur Commercial Bank Ltd., Ahmedabad) in Ahmedabad City that maintained cash between Rs. 20001 and Rs. 40000.

(iv) Out of 183 reporting UCBs, 94.5 per cent banks maintained cash on hand upto Rs. 5000, 2.7 per cent banks kept the cash on hand between Rs. 5001 and Rs. 10000, 2.2 per cent banks had cash on hand between Rs. 10001 and Rs. 20000 and only 0.6 per cent banks maintained cash on hand between Rs. 20001 and Rs. 40000.

Thus, a large number of the UCBs did maintain small amounts of cash balances on hand.
Table 6.3 exhibits a vivid picture of periodical comparative figures of cash on hand with the UCBs in Gujarat State from 1959-60 to 1972-73, the analytical derivations of which are presented in the paragraphs that follow:

(i) Amount of cash on hand have in terms of absolute figures been increasing every year except for 3 years; viz., 1966-67, 1969-70 and 1970-71; and the same remained stagnant in 1963-64 as can be revealed by the figures of Rs. 22 lakhs each in 1962-63 and 1963-64.

(ii) Cash on hand which was Rs. 16 lakhs in 1959-60 rose to Rs. 263 lakhs in 1972-73 showed a rise of 16.4 times or 1543.8 per cent.

(iii) The total amount of cash on hand ranged between Rs. 16 lakhs (in 1959-60) and Rs. 394 lakhs (in 1968-69).

(iv) There were uneven fluctuations of rises and falls in the average cash on hand per bank during 1959-60 to 1972-73. The lowest average cash on hand per bank was Rs. 0.2 lakh in 1963-64, followed by Rs. 0.3 lakh each in 1960-61 to 1962-63, 1964-65 and 1966-67, Rs. 0.4 lakh each in 1959-60 and 1965-66; Rs. 1.0 lakh each in 1967-68 and 1970-71, Rs. 1.3 lakhs in 1972-73, Rs. 1.4 lakhs in years 1971-72, Rs. 1.6 lakhs in years 1969-70, and Rs. 3.1 lakhs in 1968-69.

(v) The average cash on hand ranged between Rs. 0.2 lakh
Table 6.3

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of banks</th>
<th>Cash Average hand cash (in lakhs</th>
<th>% rise in average cash on hand as compared to 1960 position</th>
<th>Cash balances as %age of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>42</td>
<td>16</td>
<td>0.4</td>
<td>2.8, 2.2, 2.1</td>
</tr>
<tr>
<td>1961</td>
<td>60</td>
<td>19 @</td>
<td>0.3</td>
<td>-25.0, 2.6, 2.0, 2.0</td>
</tr>
<tr>
<td>1962</td>
<td>76</td>
<td>21</td>
<td>0.3</td>
<td>-25.0, 2.3, 1.8, 1.7</td>
</tr>
<tr>
<td>1963</td>
<td>88</td>
<td>22</td>
<td>0.3</td>
<td>-25.0, 2.1, 1.6, 1.6</td>
</tr>
<tr>
<td>1964</td>
<td>92</td>
<td>22</td>
<td>0.2</td>
<td>-50.0, 1.8, 1.4, 1.4</td>
</tr>
<tr>
<td>1965</td>
<td>111</td>
<td>29</td>
<td>0.3</td>
<td>-25.0, 2.0, 1.6, 1.5</td>
</tr>
<tr>
<td>1966</td>
<td>124</td>
<td>53</td>
<td>0.4</td>
<td>-3.2, 2.5, 2.3</td>
</tr>
<tr>
<td>1967</td>
<td>120</td>
<td>40</td>
<td>0.3</td>
<td>-25.0, 2.2, 1.7, 1.6</td>
</tr>
<tr>
<td>1968</td>
<td>122</td>
<td>118</td>
<td>1.0</td>
<td>+150.0, 5.3, 4.2, 3.9</td>
</tr>
<tr>
<td>1969</td>
<td>129</td>
<td>394</td>
<td>3.1</td>
<td>+675.0, 15.0, 11.8, 11.2</td>
</tr>
<tr>
<td>1970</td>
<td>138</td>
<td>216</td>
<td>1.6</td>
<td>+300.00, 6.7, 5.3, 5.0</td>
</tr>
<tr>
<td>1971</td>
<td>163</td>
<td>162</td>
<td>1.0</td>
<td>+150.00, 3.8, 3.1, 2.9</td>
</tr>
<tr>
<td>1972</td>
<td>188</td>
<td>260</td>
<td>1.4</td>
<td>+250.00, 4.9, 3.9, 3.7</td>
</tr>
<tr>
<td>1973</td>
<td>197</td>
<td>263</td>
<td>1.3</td>
<td>+225.00, 3.7, 3.0, 2.8</td>
</tr>
</tbody>
</table>

(vi) The picture regarding percentage rise (+) or fall (-) in average cash on hand as compared to the position of 1959-60 showed that the figure of fall of -25 per cent in 1960-61 to the one of rise of + 675 per cent in 1968-69 indicated a big trend of expansion. Again, commencing with a fall of -25 per cent in 1960-61, the stagnancy of the same fall was noticed in 1961-62, 1962-63, and 1964-65. This was followed by a fall of -50 per cent in 1963-64 and there was no fall no rise in year 1965-66. And, only after a fall of -25 per cent in 1966-67, the remaining years indicated varying rises as reflected by + 150 per cent in 1967-68, + 675 per cent in 1968-69, + 300 per cent in 1969-70, + 150 per cent in 1970-71, + 250 per cent in 1971-72 and + 225 per cent in 1972-73. The highest rise of + 675 per cent was indicated in 1968-69 with the highest fall of -50 per cent in year 1963-64.

(vii) Cash balance on hand as percentage of total deposits also showed varying trends. The cash balances as percentage of total deposits ranged between 1.8 per cent in year 1963-64 and 15.0 per cent in year 1968-69. The highest percentage was observed at 15.0 per cent in 1968-69, followed by 6.7 per cent in 1969-70, 5.3 per cent in 1967-68, 4.9 per cent in 1971-72, 3.8 per
percent in 1970-71, 3.7 percent in 1972-73, 3.2 percent in 1965-66, 2.8 percent in 1959-60, 2.6 percent in 1960-61, 2.3 percent in 1961-62, 2.2 percent in 1966-67, 2.1 percent in 1962-63, 2.0 percent in 1964-65 and 1.8 percent in year 1963-64.

(viii) Cash balance as percentage of total capital ranged between 1.4 percent in 1963-64 and 11.8 percent in year 1968-69. The highest percentage was 11.8 percent in 1968-69, followed by 5.3 percent in 1969-70, 4.2 percent in 1967-68, 3.9 percent in 1971-72, 3.1 percent in 1970-71, 3.0 percent in 1972-73, 2.5 percent in 1965-66, 2.2 percent in 1959-60, 2.0 percent in 1960-61, 1.8 percent in 1961-62, 1.7 percent in 1966-67, 1.6 percent each in 1962-63 and 1964-65, and 1.4 percent in 1963-64.

(ix) The cash balance as percentage of total assets was the highest at 11.2 percent in 1968-69, followed by 5.0 percent in 1969-70, 3.9 percent in 1967-68, 3.7 percent in 1971-72, 2.9 percent in 1970-71, 2.8 percent in 1972-73, 2.3 percent in 1965-66, 2.1 percent in 1959-60, 2.0 percent in 1960-61, 1.7 percent in 1961-62, 1.6 percent each in the years of 1962-63 and 1966-67, 1.5 percent in 1964-65 and 1.4 percent in 1963-64. Thus, this ratio ranged between 1.4 percent in 1963-64 and 11.2 percent in 1968-69.
Except for the year 1968-69, the cash balances as percentage of (a) total deposits, (b) total capital and (c) total assets were within norms.

Inter-area level: Table 6.4 depicts an inter-area comparison of cash on hand of UCBs in Gujarat in general with special reference to its position in big cities of Ahmedabad, Vadodara, Surat and Rajkot prevalent as at the end of June, 1960, 1966 and 1972. The analytical study of these data would result in the following main observations:

(i) As on June 30, 1960, in Ahmedabad City there were 2 UCBs holding average cash balance per bank of Rs. 52.5 thousands; one bank in Vadodara City having the same of Rs. 36.0 thousands; one bank in Surat City maintaining cash of Rs. 223 thousands and one bank in Rajkot City holding cash of Rs. 8.0 thousands and the rest 37 banks in the rest of Gujarat holding average cash on hand of Rs. 32.2 thousands established that the highest amount of the average cash balance existed in Surat, was followed by the bank of Rajkot City.

(ii) As on June 30, 1966, in regard to the average cash on hand per bank, 3 banks in Surat City had the highest cash on hand per bank of Rs. 281.3 thousands, followed by one bank in Rajkot City with Rs. 192.0 thousands;
3 banks in Ahmedabad City with Rs. 77.0 thousands, 84 banks in the rest of Gujarat (except of course Vadodara City) with Rs. 26.8 thousands and 6 banks in Vadodara City with the average cash on hand per bank of Rs. 17.2 thousands.

(iii) As on June 30, 1972, the topping City was Rajkot with 3 banks having average cash on hand per bank of Rs. 441.0 thousands, followed by 3 banks in Surat City with the same of Rs. 284.3 thousands, 9 banks in Vadodara City with Rs. 253.8 thousands, 27 banks in Ahmedabad City with Rs. 238.0 thousands and 126 other banks, scattered all over the places in the rest of Gujarat, had Rs. 53.4 thousands as average cash on hand per bank.

(iv) While cash balance as percentage of total assets of the UCBs as on June 30, 1960, was the highest 2.8 per cent in the areas of the rest of Gujarat; it was the highest at 4.9 per cent in Vadodara City, followed by 3.4 per cent, 3.1 per cent, 1.8 per cent, and 1.3 per cent in Ahmedabad City, in Rajkot City, in the rest of Gujarat and in Surat City respectively at the end of June 30, 1972.

(v) As on June 30, 1960, the cash balance as percentage of total deposits was the highest at 4.0 per cent in the areas of the rest of Gujarat, followed by 2.3
per cent in Surat City, 1.0 per cent each in Ahmedabad and Vadodara Cities and 0.2 per cent in Rajkot City. At the end of June 1972, Vadodara City topped the list with 6.1 per cent followed by Ahmedabad City with 4.3 per cent, Rajkot City with 3.9 per cent, the rest of Gujarat with 2.6 per cent and Surat City with 1.6 per cent.

(vi) In regard to the cash balance as percentage of total capital, while Vadodara City, Rajkot City and Ahmedabad City witnessed a rise of 4.4 per cent, 3.2 per cent and 2.7 per cent respectively between 1960 and 1972; Surat City and the rest of Gujarat showed a fall of 0.6 per cent and 0.9 per cent during the said period.

Inter-state level: In Table 6.5 are presented inter-state comparison of cash on hand held by the UCBs in Gujarat, All-India, Maharashtra, Karnataka and Tamil Nadu from 1967-68 to 1972-73 in terms of average per bank, cash balance as percentage of total assets and the same as percentage of total deposits and total capital, the analysis of which would lead us to the following main readings:

(i) Average cash on hand per bank in 1968 was the highest in Gujarat being Rs. 1.0 lakh, followed by Rs. 0.8 lakh in Maharashtra, Rs. 0.4 lakh each in Karnataka and at All-India level and Rs. 0.3 lakh in Tamil Nadu.
In the year 1969, Gujarat again topped the list with Rs. 3.1 lakhs, followed by Maharashtra with Rs. 0.9 lakh, All-India with Rs. 0.7 lakh, and Rs. 0.4 lakh each in Karnataka and Tamil Nadu. In the year 1970, Gujarat had again a consecutive thumping topmost condition with Rs. 1.26 lakhs average cash on hand per bank, followed by Rs. 0.8 lakh in Maharashtra, Rs. 0.5 lakh each in All-India and Tamil Nadu, and Rs. 0.3 lakh in Karnataka. In 1971, Maharashtra topped the list with Rs. 1.2 lakhs, closely followed by Gujarat with Rs. 1.0 lakh, Rs. 0.6 lakh by All-India, Rs. 0.5 lakh by Karnataka, and Rs. 0.4 lakh by Tamil Nadu. In 1972, Gujarat and Maharashtra topped the list with Rs. 1.4 lakhs each followed by Rs. 0.7 lakh, by All-India, Rs. 0.4 lakh by Tamil Nadu, and Rs. 0.3 lakh by Karnataka. In 1973, Gujarat topped the list with Rs. 1.3 lakhs, followed by Rs. 1.0 lakh in Maharashtra, Rs. 0.6 lakh in All-India, and Rs. 0.4 lakh each in Karnataka and Tamil Nadu. Thus, this simplified that save for year 1971, Gujarat topped other States and even All-India figures and even in 1971, Gujarat very closely followed Maharashtra in topping.

(ii) The highest average cash on hand per bank in Gujarat was Rs. 3.1 lakhs in 1969, the lowest being Rs. 1.0
lakh each in years 1968 and 1971. At All-India level
the highest average cash on hand per bank was Rs. 0.7
lakh each in 1969 and 1972; the lowest being Rs. 0.4
lakh in 1968. In Maharashtra, the highest average
cash on hand per bank was Rs. 1.4 lakhs in 1972; the lowest
being Rs. 0.8 lakh each in 1968 and 1970. In Karnataka,
the highest average cash on hand per bank was Rs. 0.5
lakh in 1971; the lowest being Rs. 0.3 lakh each in
1970 and 1972. In Tamil Nadu, the highest average cash
on hand per bank was Rs. 0.5 lakh in 1970; the lowest
being Rs. 0.3 lakh in 1968. This again amplified the
topmost position of Gujarat.

The cash balance as percentage of total assets in
1968 was the highest in Karnataka being 4.5 per cent,
followed by Gujarat with 3.9 per cent, All-India with
3.0 per cent, Maharashtra with 2.7 per cent and Tamil
Nadu with 2.4 per cent. In 1969, Gujarat topped the
list with 11.2 per cent followed by All-India, Kar­
ataka, Maharashtra and Tamil Nadu with 4.3 per cent,
3.3 per cent, 2.6 per cent and 2.6 per cent respectively.
In 1970, Gujarat again topped the list with 5.0 per
cent followed by Tamil Nadu with 3.4 per cent, All-
India with 3.0 per cent, Karnataka with 2.8 per cent,
and Maharashtra with 2.2 per cent. In 1971, Karnataka
with 3.5 per cent was the top-most, followed by Gujarat
with 2.9 per cent, All-India and Maharashtra each with 2.6 per cent, and 2.2 per cent by Tamil Nadu. In the year 1972, Gujarat topped the list with 3.7 per cent followed by Maharashtra with 3.0 per cent, All-India with 2.8 per cent; Tamil Nadu with 2.2 per cent; and Karnataka with 1.9 per cent; and lastly, in 1973, Gujarat once again topped the list with 2.8 per cent followed by 2.3 per cent by Karnataka; 2.1 per cent by All-India, 1.8 per cent by Tamil Nadu, and 1.7 per cent by Maharashtra. This once again substantiated the topmost collective features evinced by Gujarat.

(iii) Cash balance as percentage of total assets in Gujarat was the highest at 11.2 per cent in 1969 and the lowest at 2.8 per cent in 1973. At All-India, it was the highest at 4.3 per cent in 1969; the lowest at 2.1 per cent in 1973. In case of Maharashtra, the highest was 3.0 per cent in 1972 and the lowest was at 1.7 per cent in 1973. While in Karnataka, the highest was 4.5 per cent in 1968 and the lowest was 1.9 per cent in 1972. In Tamil Nadu the highest position was at 3.4 per cent in 1970 and the lowest was at 1.8 per cent in 1973.

(iv) Cash balance as percentage of total deposits in 1968 was the highest in Karnataka with 7.8 per cent, followed
by 5.3 per cent in Gujarat, 4.3 per cent in All-India, and 3.7 per cent each in Maharashtra and Tamil Nadu. In 1969, Gujarat topped the list with 15.0 per cent, followed by All-India with 6.3 per cent, Karnataka with 5.7 per cent, Tamil Nadu with 4.0 per cent and Maharashtra with 3.6 per cent. In 1970, Gujarat again topped the list with 6.7 per cent, followed by 4.9 per cent by Tamil Nadu, 4.6 per cent by Karnataka, 4.3 per cent by All-India and 3.2 per cent Maharashtra. In 1971, Karnataka topped the list with 5.6 per cent, followed by Gujarat with 3.8 per cent, All-India with 3.7 per cent, Maharashtra with 3.5 per cent and Tamil Nadu with 3.2 per cent. In 1972, Gujarat topped the list with 4.9 per cent, followed by Maharashtra (4.0 per cent), All-India (3.9 per cent), Tamil Nadu (3.2 per cent) and Karnataka (3.1 per cent). In 1973, Gujarat as usual topped the list with 3.7 per cent, followed by Karnataka with 3.6 per cent, All-India with 2.8 per cent, Tamil Nadu with 2.4 per cent, and Maharashtra with 2.3 per cent.

(v) The highest percentage of cash balance to total deposits in Gujarat was 15.0 per cent in 1969, the lowest being 3.7 per cent in 1973. At All-India level, the highest one was 6.3 per cent in 1969 and the lowest was 2.8 per cent in 1973. In the case of Maharashtra
while the highest percentage was 4.0 per cent in 1972, the lowest one was 2.3 per cent in 1973. In Karnataka the highest figure was of 7.8 per cent in 1968, the lowest being 3.1 per cent in 1972. In the case of Tamil Nadu the highest percentage was 4.9 per cent in 1970 and lowest one was at 2.4 per cent in 1973.

The percentages of cash balances to total deposits except for Karnataka had decreased in other States and also at All-India level, in varying degrees in the year 1973.

(vi) Cash balance as percentage of total capital in the year 1968 was the highest in Karnataka with 5.2 per cent, followed by Gujarat with 4.2 per cent, All-India with 3.3 per cent, Maharashtra with 2.9 per cent, and Tamil Nadu with 2.8 per cent. In 1969, Gujarat topped the list with 11.8 per cent, followed by All-India with 4.8 per cent; Karnataka with 3.9 per cent, and Maharashtra and Tamil Nadu each with 2.9 per cent. In 1970, Gujarat topped the list with 5.3 per cent, followed by Tamil Nadu with 3.7 per cent, All-India with 3.3 per cent, Karnataka with 3.2 per cent, and Maharashtra with 2.5 per cent. In 1971, Karnataka stood first with 3.8 per cent, followed by Gujarat (3.1 per cent), All-India (2.9 per cent), Maharashtra
(2.8 per cent), and Tamil Nadu (2.4 per cent). In 1972, Gujarat stood first with 3.9 per cent, followed by Maharashtra with 3.2 per cent, All-India with 3.1 per cent, Tamil Nadu with 2.4 per cent, and Karnataka with 2.1 per cent. Again, in 1973, Gujarat as usual stood first with 3.0 per cent, followed by Karnataka with 2.5 per cent, All-India with 2.3 per cent, Maharashtra and Tamil Nadu each with 1.9 per cent.

(vii) Cash balance as percentage to total capital in Gujarat was the highest at 11.8 per cent in 1969, the lowest being 3.0 per cent in 1973. At All-India level, the highest percentage was 4.8 per cent in 1969 and the lowest was at 2.3 per cent in 1973. In the case of Maharashtra the highest figure was 3.2 per cent in 1972 and the lowest one was at 1.9 per cent in 1973. While in Karnataka, the highest percentage stood at 5.2 per cent in 1968 and the lowest one was at 2.1 per cent in 1972; in Tamil Nadu the highest one was at 3.7 per cent in 1970 and the lowest was at 1.9 per cent in 1973.

Observations: From out of 5 years under study, Gujarat topped the list for 3 years in regard to (i) cash balances as percentage of total assets, (ii) cash balances as percentage of total deposits and (iii) cash balances as percentage of total capital. Thus, the UCBs in Gujarat could
not take the advantage of keeping the minimum cash balances on hand as compared to the UCBs in other States and at All-India level.

**Cash with Banks**

**Basic considerations:** It is imprudent in banking system to keep cash idle without harnessing the same for productive purposes if the requirements or provisions do not warrant. The bankers have to face a dilemma of liquidity V/s profitability. Even for stop-gap arrangements and short durations, the JCBs must invariably resort to the ideals of depositing their idle cash balances with other financing institutions including DCCBs. Such balances, in reality, constitute liquid assets ranking just next, if not equivalent to, hard cash. Generally, the UCBs which are members of a DCCB do not require the permission of the Registrar of Coop. Societies to open current accounts with that DCCB. However, for opening current accounts, with joint stock banks in the State, including the branches of joint stock banks whose head offices are outside the State, the permission of the Registrar is to be obtained.\(^9\)

In keeping with Sec. 24 of the Banking Regulation Act 1949, which is applied to the UCBs since 1-3-1966 (Vide: Circular letter No. NSB/05/H-4831 of 11-9-74\(^10\) issued by

Coop. Deptt., Gujarat State, Ahmedabad) it is necessary that the UCBs should maintain 25 per cent liquid assets in addition to 3 per cent Cash Reserve of Demand and Time Liabilities. The RBI is often complaining that many UCBs in Gujarat do not maintain such liquid assets and there is possibility of such events resulting into non-fulfilments of demands of the depositors. The UCBs need alert themselves in this respect. At the same time, the Directorates of the UCBs should very vigilantly watch and ensure that the amounts of liquid assets are never kept idling without earning interest. The same must necessarily be kept invested in Govt. Securities, Trustee Securities, as fixed deposits with the Gujarat State Cooperative Bank or with the DCCBs. Here also the stipulated limit of 25 per cent need not be meaninglessly exceeded; and further surplus assets should, with due care and endeavour, be invested else-where so as to ensure better and higher returns.

Data analysis:

State level: The analytical study of the factual position of cash balances of the UCBs with other banks as on June 30, 1973, in Gujarat, presented slab-wise, in Table 6.6 would lead us to the following main readings:

(i) 52 banks had bank balances with other banks upto Rs. 1 lakh, out of which 3 banks were located in Ahmedabad City, 2 banks were from Vadodara City, one was from
Table 6.611

| Amount (in lakhs of Rs.) | Total no. of reporting banks | No. of reporting banks in | | | | | Surat City and 46 banks hailed from rest of the areas in Gujarat State.

(ii) Banks having bank balances between Rs. 1.01 and 10.00 lakhs were 106, out of which 16.0 per cent were from Ahmedabad City, 4.7 per cent banks were from Vadodara City, 2.8 per cent banks were from Surat City, one bank was from Rajkot City and 75.5 per cent banks hailed from the rest of the areas of Gujarat State.

This is the only slab which covered over 59.0 per cent banks.

(iii) 13 Banks had bank balances between Rs. 10.01 and 20.00 lakhs, of which 38.5 per cent banks were for Ahmedabad City, 15.4 per cent banks were from Vadodara City, 46.1 per cent banks were from rest of the areas of Gujarat State. It may again be noted here that Surat and Rajkot are missing from this Group.

(iv) While 4 banks had bank balances between Rs. 20.01 and 30.00 lakhs (of which 2 banks each were from Ahmedabad City and from the rest of the areas in Gujarat), 2 banks had bank balances between Rs. 30.01 and 40.00 lakhs and these both banks were located in Ahmedabad City only. Similarly, 3 banks had bank balances between Rs. 40.01 and 50.00 lakhs, of which one bank each was located in Ahmedabad City, Surat City and 1 was found in the rest of areas of Gujarat.

(v) There was not a single UCB, having bank balances in the slabs between Rs. 50.01 and 100.00 lakhs. However, there were 3 banks in the slab of over Rs. one crore, out of which 2 banks were from Ahmedabad City and one bank from Rajkot City.

(vi) Out of total 183 banks in the Gujarat State, 28.4 per cent had bank balances upto Rs. 1.00 lakh, 58.0 per cent banks had the same between Rs. 1.01 and 10.00 lakhs, 7.1 per cent banks had it between Rs. 10.01 and 20.00 lakhs, 2.2 per cent banks had the same between Rs. 20.01 and 30.00 lakhs, 1.6 per cent banks had the same between
and 50.00 lakhs, and 1.6 per cent banks had the same over Rs. 100 lakhs. There was a single bank having bank balances between Rs. 50.01 and Rs. 100 lakhs.

In Table 6.7 are exhibited the data regarding bank balances of the UCBs as on June 30, of Gujarat from 1959-60 to 1972-73, together with their relationships with total deposits, total capital and total assets; the analysis of which would show the following main results:

(i) The amount of bank balances, which was Rs. 69 lakhs at the end of June, 1960, rose to Rs. 2572 lakhs at the end of June, 1973, displaying a rise of 3627.5 per cent.

(ii) The total amount of bank balances with other banks increased in all years except for a drop of Rs. 45 lakhs or 32.6 per cent in 1964-65 and of Rs. 67 lakhs or 19.5 per cent in 1968-69.

(iii) It will be interesting to record that the annual percentage rises except for 1964-65 and 1968-69, were of Rs. 19 lakhs or 24.8 per cent in 1960-61; of Rs. 13 lakhs or 14.8 per cent in 1961-62; of Rs. 14 lakhs or 13.9 per cent in 1962-63; of Rs. 23 lakhs or 20.0 per cent in 1963-64; of Rs. 58 lakhs or 62.4 per cent in 1965-66; of Rs. 127 lakhs or 84.1 per cent in 1966-67; of Rs. 65 lakhs or 23.4 per cent in 1967-68; of Rs. 368 lakhs or 133.3 per cent in 1969-70; of Rs. 117
<table>
<thead>
<tr>
<th>Year (As on June, 30.)</th>
<th>No. of UCBs</th>
<th>Amount of cash with banks (in lakhs of Rs.)</th>
<th>Average amount of bank balances per bank (in lakhs of Rs.)</th>
<th>% rise (+) or fall (-) in average as compared to 1960 position</th>
<th>Bank balance as % of Total</th>
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<tr>
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<td></td>
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<td>Des- Capi- As- po- tal sets</td>
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<tr>
<td>1960</td>
<td>42</td>
<td>69</td>
<td>1.6</td>
<td>-</td>
<td>12.1 9.5 9.1</td>
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<tr>
<td>1961</td>
<td>60</td>
<td>88</td>
<td>1.5</td>
<td>- 6.3</td>
<td>11.9 9.4 9.4</td>
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<tr>
<td>1962</td>
<td>76</td>
<td>101</td>
<td>1.3</td>
<td>- 18.8</td>
<td>11.2 8.6 8.3</td>
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<tr>
<td>1963</td>
<td>88</td>
<td>115</td>
<td>1.3</td>
<td>- 18.8</td>
<td>11.0 8.6 8.2</td>
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<tr>
<td>1964</td>
<td>92</td>
<td>138</td>
<td>1.5</td>
<td>- 6.3</td>
<td>11.6 9.0 8.6</td>
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<tr>
<td>1965</td>
<td>111</td>
<td>93</td>
<td>0.8</td>
<td>- 50.0</td>
<td>6.6 5.2 4.9</td>
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<tr>
<td>1966</td>
<td>124</td>
<td>151</td>
<td>1.2</td>
<td>- 25.0</td>
<td>9.2 7.0 6.7</td>
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<tr>
<td>1967</td>
<td>120</td>
<td>278</td>
<td>2.3</td>
<td>+ 43.8</td>
<td>15.0 11.5 11.0</td>
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<tr>
<td>1968</td>
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<td>343</td>
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<td>+ 75.0</td>
<td>15.3 12.1 11.5</td>
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<tr>
<td>1969</td>
<td>129</td>
<td>276</td>
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<td>+ 31.3</td>
<td>10.5 8.3 7.8</td>
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<tr>
<td>1970</td>
<td>138</td>
<td>644</td>
<td>4.7</td>
<td>+ 193.8</td>
<td>20.1 15.8 15.0</td>
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<tr>
<td>1971</td>
<td>163</td>
<td>761</td>
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<td>+ 193.8</td>
<td>17.9 14.4 13.6</td>
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<tr>
<td>1972</td>
<td>188</td>
<td>1311</td>
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<td>+ 337.5</td>
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<tr>
<td>1973</td>
<td>197</td>
<td>2572</td>
<td>13.1</td>
<td>+ 718.8</td>
<td>35.9 29.3 27.7</td>
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</table>

lakhs or 18.2 per cent in 1970-71; of Rs. 550 lakhs or 72.3 per cent in 1971-72 and of Rs. 1261 lakhs or 96.2 per cent in 1972-73.

(iv) There were uneven fluctuations in the averages of bank balances per bank; the highest one per bank being Rs. 13.1 lakhs in 1972-73, followed by Rs. 7.00 lakhs in 1971-72, Rs. 4.7 lakhs each in 1969-70 and 1970-71, Rs. 2.8 lakhs in 1967-68, Rs. 2.3 lakhs in 1966-67, Rs. 2.1 lakhs in 1968-69, Rs. 1.6 lakhs in 1959-60, Rs. 1.5 lakhs each in years 1960-61 and 1963-64, Rs. 1.3 lakhs each in years 1961-62 and 1962-63, Rs. 1.2 lakhs in 1965-66, and Rs. 0.8 lakh in the year of 1964-65.

(v) The average bank balance per bank in the year 1959-60 was Rs. 1.6 lakhs, which rose, in the year 1972-73, to Rs. 13.1 lakhs indicated a rise of 8.2 times or 718.8 per cent.

(vi) There were very wide fluctuations in the rises or the falls of the average bank balances per bank as compared to their position as on June 30, 1960. While the highest fall of -50.0 per cent was found at the end of 1964-65, the lowest fall of -6.3 per cent was noticed each in the years 1960-61 and 1963-64. Similarly, the highest rise of +718.8 per cent was recorded in 1972-73 and the lowest one was of +31.3 per cent in
(vii) Bank balances as percentage of total deposits were uneven during the period of year 1959-60 to 1972-73. The highest percentage was reflected as 35.9 per cent in 1972-73 and the lowest one was at 6.6 per cent at the end of 1964-65. In terms of percentages of bank balances to total deposits, the highest, viz., 35.9 per cent in 1972-73, was followed by 24.8 per cent in 1971-72, 20.1 per cent in 1969-70, 17.9 per cent in 1970-71, 15.3 per cent in 1967-68, 15.0 per cent in 1966-67, 12.1 per cent in 1959-60, 11.9 per cent in 1960-61, 11.6 per cent in 1963-64, 11.2 per cent in 1961-62, 11.0 per cent in 1962-63, 10.5 per cent in 1968-69, 9.2 per cent in 1965-66, and 6.6 per cent in 1964-65. The percentage of bank balances to total deposits which was 12.1 per cent in the year 1959-60, rose to 35.9 per cent in 1972-73; revealing a net rise of 23.8 per cent.

(viii) Bank balance as percentage of total capital in the year 1959-60 was 9.5 per cent, which rose to 29.3 per cent in 1972-73, indicated a net rise of 19.8 per cent in a period of 13 years. The highest rise of 29.3 per cent was in 1972-73; followed by 19.8 per cent in 1971-72; 15.8 per cent in 1969-70; 13.4 per cent in 1970-71; 12.1 per cent in 1967-68; 11.5 per
cent in 1966-67; 9.5 per cent in 1959-60; 9.4 per cent in 1960-61; 9.0 per cent in 1963-64; 8.6 per cent each in years 1961-62 and 1962-63; 8.3 per cent in 1968-69; 7.0 per cent in 1965-66; and 5.2 per cent in 1964-65. As compared to the period between 1959-60 and 1965-66, the subsequent period from 1966-67 to 1972-73 (except for the year 1968-69) indicated the trend of the highest position of bank balances as percentage of capital.

(ix) Aggregate bank balance as percentage of total assets was 9.1 per cent in the year 1959-60, which rose to 27.7 per cent in 1972-73, indicated a rise of 18.6 per cent in a period of 13 years. The highest bank balance as percentage of total assets was 27.7 per cent in year 1972-73; followed by 18.6 per cent in 1971-72; 15.0 per cent in 1969-70; 13.6 per cent in 1970-71; 11.5 per cent in 1967-68; 11.0 per cent in 1966-67; 9.4 per cent in 1960-61; 9.1 per cent in 1959-60; 8.6 per cent in 1963-64; 8.3 per cent in 1961-62; 8.2 per cent in 1962-63; 7.8 per cent in 1968-69; 6.7 per cent in 1965-66 and 4.9 per cent in 1964-65.

The percentage of bank balances to total assets was 9.1 per cent in 1959-60, which rose by 0.3 per cent in 1960-61; followed by a decrease of 1.1 per
cent in 1961-62; subjected to a further decrease of 0.1 per cent in 1962-63; followed by a rise of 0.4 per cent in 1963-64. Again there was a fall of 3.7 per cent in year 1964-65, followed by a rise of 1.8 per cent in 1965-66, and a rise of 4.3 per cent in 1966-67, and a further rise of 0.5 per cent in 1967-68. Again came a fall of 3.7 per cent in 1968-69, followed by a rise of 7.2 per cent in year 1969-70. This was followed by a small fall of 1.4 per cent in 1970-71, succeeded by a rise of 5.0 per cent in 1971-72. In the year 1972-73 there was again a rise of 9.1 per cent.

These figures are the signals of rise and fall of liquid assets which experience resultant effects of money market and business turn-over.

Inter-area level: Table 6.8 depicts an inter-area comparison of bank balances of the reporting UCBs of Gujarat as at the end of June 1960, 1966 and 1972. The analytical readings thereof are appended hereunder:

(i) As on June 30, 1960, one bank in Rajkot had the highest average balance per bank of Rs. 1157.0 thousands followed by one bank in Surat City with Rs. 1079.0 thousands, 2 banks of Ahmedabad City with Rs. 481.0 thousands; one bank in Vadodara City with Rs. 142.0 thousands and 37 banks in the rest of Gujarat
with Rs. 95.5 thousands. Switching on to the analytical probe as on June 30, 1966; in regard to the holding of average bank balances per bank, one bank in Rajkot city stood first at Rs. 1331.0 thousands, followed by 3 banks in Surat city with an average of Rs. 779.7 thousands; 3 banks in Ahmedabad City with Rs. 708.7 thousands, 6 banks in Vadodara City with Rs. 131.5 thousands and 84 banks in the rest of the areas in Gujarat with Rs. 99.4 thousands. As on June 30, 1972, 3 banks in Surat City had the highest average balances per bank of Rs. 1755.7 thousands, followed by 3 banks in Rajkot City with Rs. 1325.7 thousands, 27 banks in Ahmedabad City with Rs. 919.8 thousands, 9 banks in Vadodara City with Rs. 480.2 thousands and 126 banks in the rest of the areas in Gujarat with Rs. 286.8 thousands. Thus, the UCBs located in big cities had higher averages of bank balances at the end of all these years.

(ii) Ahmedabad City had Rs. 481.0 thousands average balance per bank in 1960, which rose to Rs. 919.8 thousands in 1972, indicated a rise of 91.2 per cent on the base year of 1959-60. Similarly, Vadodara City had Rs. 142.0 thousands average balance per bank in 1960, (though reduced to Rs. 131.5 thousands in 1966) which rose to Rs. 480.2 thousands in 1972, indicated,
in 12 years, a rise of 238.2 per cent. In the case of Surat City it had Rs. 1079.0 thousands average balance per bank in 1960, which, with a fall to Rs. 779.7 thousands in 1966, rose in 1972 to Rs. 1755.7 thousands, indicated a rise of 62.7 per cent during 12 years. While, Rajkot City which had Rs. 1157.0 thousands average balance per bank in 1960; showed a net rise of Rs. 168.7 thousands at the end of June, 1972, indicating only 14.6 per cent rise; the rest of the areas in Gujarat State, which had Rs. 95.5 thousands average balance per bank in 1960, indicated a net rise of Rs. 191.3 thousands or 200.5 per cent at the end of June, 1972, taking 1960 as the base year.

(iii) Bank balance as percentage of total deposits in the year 1960 was highest at 31.8 per cent in Rajkot City, followed by the rest of the areas in Gujarat State with 11.9 per cent, Surat City with 11.3 per cent, Ahmedabad City with 9.4 per cent and Vadodara City with 3.8 per cent. In the year 1966, Rajkot City topped the list with 11.3 per cent, followed by Ahmedabad City (10.8 per cent), Surat City (9.3 per cent), rest of the areas in Gujarat State (9.1 per cent), and Vadodara City (5.9 per cent), as percentage of bank balances to total deposits. In the year 1972, Ahmedabad City topped the list with 16.5 per cent,
followed by the rest of the areas of Gujarat State with 14.1 per cent, Rajkot City with 11.7 per cent, Vadodara City with 11.5 per cent and Surat City with 9.7 per cent as percentage of bank balances to total deposits.

While aggregate bank balance as percentage of total deposits showed a rise of 7.7 per cent, 7.1 per cent and 2.2 per cent in the case of UCBs of Vadodara City, Ahmedabad City and the rest of the areas of Gujarat respectively between 1960 and 1972; it exhibited a fall of 20.1 per cent, and 1.6 per cent in the case of UCBs of Rajkot City and Surat City respectively.

(iv) At the end of June, 1960, bank balance as percentage of total capital was the highest at 28.1 per cent in Rajkot City, followed by 9.9 per cent in Surat City, 8.6 per cent in rest of the areas in Gujarat, 7.8 per cent in Ahmedabad City and 3.1 per cent in Vadodara City. While the said ratio, at the end of June 1966, was the highest at 9.4 per cent in Rajkot City, followed by 8.9 per cent in Ahmedabad City, 8.2 per cent in Surat City, 6.6 per cent in the rest of the areas in Gujarat and 4.8 per cent in Vadodara City; at the end of June, 1972, Ahmedabad City with 13.9 per cent topped the list, followed by the rest of the areas in Gujarat with 10.7 per cent, Rajkot City with 10.1 per cent, Vadodara City with 9.9 per cent
and Surat City with 8.7 per cent.

During 1960 to 1972, Vadodara City, Ahmedabad City and the rest of the areas of Gujarat experienced a net rise of 6.8 per cent, 6.1 per cent and 2.1 per cent respectively; Rajkot City and Surat City indicated a net fall of 18.0 per cent and 1.2 per cent respectively in regard to the bank balance as percentage of total capital.

(v) At the end of June 1960, in regard to the bank balance as percentage of total assets Rajkot City topped the list with 26.9 per cent, followed by Surat City with 9.6 per cent, the rest of the areas of Gujarat with 8.3 per cent, Ahmedabad City with 7.4 per cent and Vadodara City with 3.0 per cent. Similarly, at the end of the cooperative year of 1966, Rajkot topped the list with 9.0 per cent, followed by Ahmedabad City with 8.5 per cent, Surat City with 8.0 per cent, the rest of the areas of Gujarat with 6.3 per cent and Vadodara City with 4.5 per cent. But, at the end of June, 1972, the picture was quite different. Ahmedabad City with 13.0 per cent stood first, followed by the rest of the areas of Gujarat State with 10.1 per cent, Rajkot City with 9.4 per cent, Vadodara City with 9.3 per cent, and Surat City with 8.2 per cent.
With regard to the trends of percentage of aggregate bank balance to total assets during 1960 to 1972, Vadodara City, Ahmedabad City and the rest of areas of Gujarat showed a net rise of 6.3 per cent, 5.6 per cent and 1.8 per cent respectively; whereas Rajkot City and Surat City marched backward by 17.5 per cent and 1.4 per cent respectively taking 1960 as the base year.

Inter-state level: The analysis of the data regarding aggregate bank balance of the UCBs in Gujarat, All-India, Maharashtra, Karnataka and Tamil Nadu, as at the end of each cooperative year between 1968 and 1973, presented in Table 6.9, would lead us to the following main derivations:

(i) The average bank balance per bank, in 1968, was the highest in Gujarat with Rs. 2.8 lakhs, followed by Maharashtra with Rs. 2.7 lakhs, All-India with Rs. 1.3 lakhs, Tamil Nadu with Rs. 1.0 lakh and Karnataka with Rs. 0.8 lakh. In the year 1969, Maharashtra topped the list with Rs. 2.9 lakhs, followed by Gujarat with Rs. 2.1 lakhs, All-India with Rs. 1.4 lakhs, Karnataka and Tamil Nadu each with Rs. 1.0 lakh. In the year 1970, Gujarat led the rest with Rs. 4.7 lakhs, followed by Maharashtra with Rs. 3.1 lakhs, All-India Rs. 1.9 lakhs, Karnataka Rs. 1.6 lakhs and Tamil Nadu with Rs. 1.2 lakhs. Again, in the year of 1971, Gujarat
stood first with Rs. 4.7 lakhs, followed by Maharashtra with Rs. 3.3 lakhs, All-India Rs. 2.0 lakhs, Tamil Nadu Rs. 1.4 lakhs, and Karnataka Rs. 1.3 lakhs. Similarly, in 1972, too, Gujarat topped the list with Rs. 7.0 lakhs, followed by Maharashtra with Rs. 3.8 lakhs, All-India with Rs. 2.8 lakhs, Karnataka with Rs. 2.3 lakhs and Tamil Nadu with Rs. 1.2 lakhs. But, in the year 1973, Maharashtra topped the list with Rs. 15.4 lakhs, followed by Gujarat with Rs. 13.1 lakhs, All-India with Rs. 6.9 lakhs, Karnataka with Rs. 2.8 lakhs and Tamil Nadu with Rs. 1.2 lakhs.

It is thus evident that Gujarat topped the list for all the years, except for the years 1969 and 1973. During 1969 and 1973 also it stood second close to the first-ranker — Maharashtra.

(ii) The average bank balance per bank in Gujarat, during 1968 to 1973, increased except for the year 1969 it showed a drop of Rs. 0.7 lakh and displayed stagnancy at Rs. 4.7 lakhs in the year 1971. Further, this average which, in 1968, was Rs. 2.8 lakhs, rose to Rs. 13.1 lakhs in 1973 showing a rise of 36.8 per cent in a spell of five years. Taking up a similar comparison of average bank balance per bank at All-India level, it displayed successive increases in varying degrees every year as reflected from Rs. 1.3 lakhs in
1968 to Rs. 6.9 lakhs in 1973; which indicated a rise of 430.8 per cent during 1968 to 1973. In Maharashtra also the average bank balance per bank per year increased from Rs. 2.7 lakhs in 1968 to Rs. 15.4 lakhs in 1973, indicating a rise of Rs. 12.7 lakhs or 5.7 times or 470.4 per cent during a period of 5 years. In Karnataka, the position of average bank balance per bank did not display an uniform trend. There were increases in all the years except for the year 1971; where there was a drop of Rs. 0.3 lakhs. But, on the base year of 1968, the ratio witnessed a net rise of 250.0 per cent at the end of June, 1973. In the case of Tamil Nadu, the average bank balance per bank showed an increase of 20.0 per cent at the end of the cooperative year 1973, on the base year of 1968.

(iii) At the end of June, 1968, bank balance, as percentage of total deposits was the highest in Karnataka with 18.2 per cent, followed by Gujarat with 15.3 per cent, All-India with 13.8 per cent, Maharashtra 12.0 per cent and Tamil Nadu 11.9 per cent. Similarly, in 1969, Karnataka stood first with 15.7 per cent, followed by All-India with 12.4 per cent, Maharashtra 11.9 per cent, Tamil Nadu 11.4 per cent and Gujarat with 10.5 per cent. While in 1970, Karnataka topped the list with 21.1 per cent, followed by Gujarat with 20.1 per cent, All-India with 15.2 per cent; Maharashtra
with 12.4 per cent, and Tamil Nadu with 12.0 per cent; in 1971, Gujarat topped the list with 17.9 per cent, followed by Karnataka with 15.1 per cent, All-India with 12.6 per cent, Tamil Nadu 11.8 per cent, and Maharashtra with 9.4 per cent. In 1972, Gujarat topped the list with 24.8 per cent, followed by Karnataka with 24.5 per cent, All-India with 15.9 per cent, Maharashtra 10.7 per cent, and Tamil Nadu 9.6 per cent. Again, at the end of the cooperative year 1973, Gujarat stood first with 35.9 per cent, followed by Maharashtra with 35.4 per cent, All-India with 30.8 per cent, Karnataka with 24.0 per cent and Tamil Nadu with 7.7 per cent.

(iv) While the aggregate bank balance as per centage of total deposits showed a rise of 23.4 per cent, 20.6 per cent, 17.0 per cent and 5.8 per cent in Maharashtra, Gujarat, All-India and Karnataka respectively between 1968 and 1973; it met with a fall of 4.2 per cent in Tamil Nadu.

(v) While at the end of June, 1968, bank balance as percentage of total capital was the highest in Gujarat with 12.1 per cent, followed by Karnataka with 11.9 per cent, All-India with 10.5 per cent, Maharashtra with 9.6 per cent and Tamil Nadu with 8.8 per cent; at the end of the cooperative year of 1969, Karnataka
stood first with 10.8 per cent, followed by All-India with 9.5 per cent, Maharashtra with 9.4 per cent, Tamil Nadu with 8.5 per cent and Gujarat with 8.3 per cent. In 1970, Gujarat topped the list with 15.8 per cent, followed by Karnataka (14.8 per cent), All-India (11.6 per cent), Maharashtra (9.7 per cent) and Tamil Nadu (9.0 per cent). Similarly, in 1971, Gujarat led the rest with 14.4 per cent, followed by Karnataka with 10.1 per cent, All-India with 9.8 per cent, Tamil Nadu with 8.9 per cent and Maharashtra with 7.5 per cent. Again, in 1972, Gujarat topped the list with 19.8 per cent, followed by Karnataka (16.7 per cent), All-India (12.4 per cent), Maharashtra (8.6 per cent) and Tamil Nadu (7.2 per cent).

In 1973, Maharashtra stood first with 29.4 per cent, closely followed by Gujarat with 29.3 per cent, All-India with 24.6 per cent, Karnataka with 16.5 per cent, and Tamil Nadu with 6.0 per cent.

(vi) The percentage of bank balance to total capital in Gujarat State, which was 12.1 per cent in 1968, rose to 29.3 per cent in 1973, indicated a rise of 17.2 per cent in a spell of 5 years. While the said ratio showed a rise of 19.8 per cent and 4.6 per cent in Maharashtra and Karnataka respectively, it exhibited a fall of 2.8 per cent during 1968 to 1973.
(vii) While in 1968, bank balance as percentage of total assets was the highest in Gujarat with 11.4 per cent followed by Karnataka with 10.4 per cent, All-India with 9.5 per cent, Maharashtra 8.7 per cent and Tamil Nadu 7.5 per cent; In 1969, Karnataka stood first with 9.0 per cent, followed by All-India with 8.6 per cent, Maharashtra with 8.5 per cent, Gujarat 7.8 per cent and Tamil Nadu 7.6 per cent. In 1970, Gujarat stood first with 15.0 percent followed by Karnataka (13.2 per cent), All-India (10.6 per cent), Maharashtra (8.8 per cent) and Tamil Nadu (8.2 per cent).

Again, in 1971, Gujarat topped the list with 11.8 per cent, followed by Karnataka with 9.5 per cent, All-India with 9.1 per cent, Tamil Nadu with 8.2 per cent and Maharashtra with 7.2 per cent. In 1972, too, Gujarat led the rest with 18.6 per cent, followed by Karnataka with 14.8 per cent, All-India with 11.6 per cent, Maharashtra with 8.1 per cent and Tamil Nadu 6.6 per cent. Further, in 1973, Gujarat topped the list with 27.7 per cent, followed by Maharashtra (27.6 per cent), All-India (23.0 per cent), Karnataka (15.1 per cent) and Tamil Nadu (5.8 per cent).

(viii) Bank balance as percentage of total assets in Gujarat, which was 11.4 per cent in 1968, rose to 27.7 per cent in 1973; indicating a rise of 16.3 per cent in the spell of 5 years. Whereas the said ratio...
during the same period in Maharashtra and Karnataka exhibited a rise of 18.9 per cent and 4.7 per cent respectively, it showed a decline of 1.7 per cent in Tamil Nadu.

**Investments in Securities etc.**

*General considerations:* Alike other financing institutions, the UCBs have to arrange for investing their surplus funds in such sources/assets as would fetch them the maximum income. But, they are not totally free to invest their funds in the modes and the manners they like.

While the Board of Directors of an UCB has the power to decide the mode of investment of surplus funds, the Act has stipulated certain outlets for such investments. Sec. 71 of the GCS Act, 1961, laid down that "(1) A society may invest, or deposit its funds (a) in a Central Bank, or the State Cooperative Bank, (b) in the State Bank of India, (c) in the Postal Savings Bank, (d) in any of the securities specified in section 20 of the Indian Trusts Act, 1882, (e) in shares, or security bonds, or debentures, issued by any other society with limited liability, or (f) in any cooperative bank or in any banking company approved for this purpose by the Registrar, and on such conditions as the Registrar may from time to time impose. (g) in any other mode permitted by the rules, or general or special order of the State Government. (2) Notwithstanding anything contained
in sub-section (1), the Registrar may, with the approval of the State Cooperative Council, order a society or a class of societies to invest any funds in a particular manner, or may impose conditions regarding the mode of investment of such funds."  

This question of investment of surplus funds of the UCBs was examined by several Committees on Cooperation. The Bhansali-Mehta Committee, 1937, recommended in its report that all societies which obtain any portion of their working capital by deposits should invest their entire reserve fund or an amount equal to deposit liabilities, whichever be less, under investments permitted under Sec. 20 of the Indian Trusts Act, except that no investments should be in immovable property without the prior sanction of the Registrar. The Cooperative Planning Committee, 1946, observed that UCBs with a paid-up capital and reserve of Rs. 50,000 and over and with ten years' standing should be allowed to invest upto 40 per cent of their surplus funds in such manner as their boards may unanimously determine. It may be interesting to make a reference here of the minute of dissent recorded by one of the members of this Committee, viz., Mr. H.L.Kaji who felt that the directors of such bigger societies were usually more conversant with the money market and would be better guides than the Registrar, even with a  

Financial Adviser, who could not be expected necessarily to be a financial expert. He also felt that the control as it operated then hampered freedom in the investment of funds and must be relaxed.18

The Committee of Direction of the All-India Rural Credit Survey, 1954, endorsed the following recommendation of the Fifteenth Registrars' Conference, 1947:

"... the surplus funds of urban banks should ordinarily be invested in provincial (State) and central cooperative banks to enable them to finance cooperative societies. Where such investment is not necessary, the Conference recommends that urban banks may be empowered to invest 15 per cent of their surplus funds after providing for fluid resources in such manner as their boards may unanimously decide and in accordance with such terms as the Provincial Government may lay down."19

However much, it is principally an accepted fact as a constructive measure that a good factor of control on the freedom of the board of directors regarding their powers of investing funds may be necessary, yet in order to run the bank, if not with fat earnings but with tolerable profits, it is considered obligatory that they should be given due leeway to decide their own investment policy keeping in mind the general principles of cooperation and sound and

18. Ibid.
safe investment.

Structure: The UCBs invest their funds in one and/or more types of securities. In Table 6.10 are stated the details of the types of securities and other sources in which the UCBs had invested their funds as on June 30, 1973. Their analysis would show the main results as are given below:

(i) Out of 183 UCBs operating as on June 30, 1973, 32.2 per cent banks invested in Govt. securities, 25.7 per cent banks invested in other trustee securities, 90.2 per cent banks invested in fixed deposits with other banks and 98.4 per cent banks invested in the shares of other cooperatives.

(ii) Out of total investment of Rs. 2256 lakhs, 83.2 per cent were invested in fixed deposits with other banks by 165 banks, followed by 7.8 per cent invested in Govt. securities by 59 banks, 6.5 per cent invested in trustee securities by 47 banks; and 2.5 per cent were invested in shares by 180 banks.

(iii) The aggregate, amount of investment in fixed deposits with other banks being more popular in terms of earning better returns was the highest, viz.; Rs. 1877 lakhs; whereas, amount invested in shares was the lowest, at Rs. 56 lakhs.

(iv) The average investment per bank was the highest at
Table 6.1

<table>
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<th>Sr. No.</th>
<th>Types of Investment</th>
<th>No. of investing banks</th>
<th>Amount invested (in lakhs of Rs.)</th>
<th>Average investment per bank (in lakhs of Rs.)</th>
<th>Percentage share in total investment</th>
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<td>Govt. securities</td>
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<td>7.8</td>
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<td>Other Trustee securities</td>
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<td>3.1</td>
<td>6.5</td>
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<tr>
<td>3.</td>
<td>Fixed Deposits with other banks</td>
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<td>1877</td>
<td>11.4</td>
<td>83.2</td>
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<td>4.</td>
<td>Shares</td>
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<td>56</td>
<td>0.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>451</td>
<td>2256</td>
<td>5.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Rs. 11.4 lakhs in fixed deposits with other banks, followed by Rs. 3.1 lakhs in other trustee securities; Rs. 3.0 lakhs in Govt. securities and Rs. 0.3 lakh in shares.

(v) The percentage share in total investment by fixed deposits with other banks was the highest with 83.2 per cent, followed by Govt. securities with 7.8 per cent, other trustee securities with 6.5 per cent, and shares with 2.5 per cent. This amplified that percentage share of fixed deposits with other banks in total investment had a lion's share of 83.2 per cent;
whereas the sum total of all the remaining three types of investments, viz., Govt. securities, other trustee securities and shares; all combined, constituted only 16.8 per cent.

Table 6.11 embodies inter-district structural trends of investments of surplus funds by the UCBs in Gujarat as on June 30, 1973; the analytical study of which brings forward the following major deductions:

(i) In terms of absolute figures, Surat dist. invested the highest amount of Rs. 5059 thousands in Govt. securities followed by Ahmedabad City, the Panch Mahals, Bharuch, Valsad and Kheda dist.s; the rest of the dist.s having in the Govt. securities amount ranging between Rs. 595 thousands and Rs. 3 thousands. There was not a single UCB in Dangs dist. and UCBs in Gandhinagar, Jamnagar and Kutch did not invest any amount in Govt. securities.

(ii) The average investment in Govt. securities per bank was the highest in Surat dist., with Rs. 1686.3 thousands followed by Ahmedabad City with Rs. 898.8 thousands, Valsad with Rs. 352.7 thousands, Rajkot with Rs. 297.5 thousands, the Panch Mahals with 297.4 thousands, Bharuch with Rs. 215.0 thousands, Vadodara with Rs. 115.3 thousands and Mehsana with Rs. 107.3 thousands; the average investment per bank in the rest
of the dist. s was between Rs. 71.3 thousands and Rs. 3.0 thousands.

(iii) The percentage share of investment in Govt. securities to total amount of investment was the highest in Surat dist. with 14.2 per cent followed by Ahmedabad City (12.3 per cent), the Panch Mahals (11.5 per cent), Bharuch (11.4 per cent), Rajkot (6.6 per cent) and Valsad (6.5 per cent). The percentage of investment in Govt. securities to total investment in the remaining dist. s was between 3.4 per cent and 0.1 per cent.

(iv) In terms of the absolute figures of investment in other trustee securities, Ahmedabad City invested the highest amount of Rs. 5670 thousands, followed by Mehsana dist. with Rs. 2530 thousands, Surat dist. with Rs. 2070 thousands, Vadodara dist. with Rs. 1185 thousands, Valsad dist. with Rs. 1043 thousands, the Panch Mahals dist. with Rs. 744 thousands, Rajkot dist. with Rs. 498 thousands, Bhavnagar dist. with Rs. 277 thousands, Kheda dist. with Rs. 250 thousands, Bharuch dist. with Rs. 236 thousands and Sabarkantha dist. with Rs. 113 thousands. While the rest of the dist. s had invested in other trustee securities amounts ranging between Rs. 10 thousands and Rs. one thousand, the dist. s of Gandhinagar, Jamnagar, Junagadh, Kutch and Surendranagar did not invest any amount in other trustee
(v) The average investment in other trustee securities per bank was the highest in Ahmedabad City with Rs. 945.0 thousands, followed by Rs. 843.3 thousands in Mehsana dist., Rs. 690.0 thousands in Surat dist., Rs. 498.0 thousands in Rajkot dist., Rs. 347.7 thousands in Valsad dist., Rs. 296.3 thousands in Vadodara dist., Rs. 277.0 thousands in Bhavnagar dist., Rs. 93.0 thousands in the Panch Mahals dist., Rs. 78.7 thousands in Bharuch dist., Rs. 37.7 thousands in Sabarkantha dist. and Rs. 31.3 thousands in Kheda dist.. The average investment per bank in the rest of the dist.s was between Rs. 10.0 thousands and Rs. 1.0 thousand.

(vi) The percentage share of investment in other trustee securities to total amount of investment was the highest in Mehsana dist. with 18.0 per cent, followed by Ahmedabad City with 15.5 per cent, Bhavnagar dist. with 7.9 per cent, Valsad dist. with 6.5 per cent, Surat dist. with 5.8 per cent, Rajkot dist. with 5.5 per cent, Vadodara dist. with 5.2 per cent, Bharuch dist. with 2.5 per cent, and the Panch Mahals and Sabarkantha dist.s each with 2.4 per cent. The percentage of investment in other trustee securities to total investment in the remaining dist.s was between 1.0 per cent and 0.1 per cent.
(vii) In terms of absolute figures of investment in fixed deposits, Kheda dist. topped the list with Rs. 32589 thousands, followed by Surat dist. (Rs. 283.56 lakhs), the Panch Mahals dist. (Rs. 263.17 lakhs), Ahmedabad City (Rs. 255.05 lakhs), Vadodara dist. (Rs. 204.50 lakhs), Valsad dist. (Rs. 137.89 lakhs), Mehsana dist. (Rs. 101.63 lakhs), Rajkot dist. (Rs. 79.08 lakhs), Bharuch dist. (Rs. 78.77 lakhs), Sabarkantha dist. (Rs. 45.03 lakhs), Bhavnagar dist. (Rs. 29.82 lakhs), Amreli dist. (Rs. 20.61 lakhs) and Ahmedabad (Rural) dist. (Rs. 16.89 lakhs); the rest of the dist.s invested in Fixed Deposit Amounts ranging between Rs. 9.35 lakhs and Rs. 0.3 lakhs.

(viii) The average investment in Fixed Deposits per bank was the highest in Surat dist. with Rs. 4050.9 thousands, followed by Rs. 3447.3 thousands in Valsad dist., Rs. 1977.0 thousands in Rajkot dist., Rs. 1754.5 thousands in the Panch Mahals dist., Rs. 1312.8 thousands in Bharuch dist., Rs. 1136.1 thousands in Vadodara dist., Rs. 1051.3 thousands in Kheda dist., and Rs. 1020.0 thousands in Ahmedabad City; in the rest of the dist.s it ranged between Rs. 677.5 thousands and Rs. 30.0 thousands.

(ix) The percentage share of investment in fixed deposits to total amount of investment was the highest in Kheda
dist. with 94.3 per cent, followed by Sabarkantha dist. with 94.1 per cent, Gandhinagar dist. with 92.9 per cent, Amreli dist. with 92.5 per cent, Jamnagar dist. with 91.9 per cent, Ahmedabad (Rural) and Banaskantha dist.s each with 90.5 per cent, Surendranagar dist. with 90.2 per cent, Vadodara dist. with 89.6 per cent, Kutch dist. with 88.2 per cent, Rajkot dist. with 87.3 per cent, Bhavnagar dist. with 85.2 per cent, the Panch Mahals dist. with 85.0 per cent, Bharuch dist. with 83.9 per cent, Surat dist. with 79.4 per cent, Junagadh dist. with 78.8 per cent;
Mehsana dist. with 72.3 per cent, and Ahmedabad City with 69.8 per cent.

(x) In terms of absolute figures of investments in shares, Mehsana dist. topped the list with Rs. 1039 thousands, followed by Ahmedabad City (Rs. 857 thousands), Kheda dist. (Rs. 780 thousands), Vadodara dist. (Rs. 731 thousands), the Panch Mahals dist. (Rs. 326 thousands), Valsad dist. (Rs. 278 thousands), Surat dist. (Rs. 235 thousands), Bhavnagar dist. (Rs. 237 thousands), Junagadh dist. (Rs. 216 thousands), Bharuch dist. (Rs. 204 thousands), Ahmedabad (Rural) dist. (Rs. 165 thousands), Amreli dist. (Rs. 145 thousands), and Sabarkantha dist. (Rs. 124 thousands), The rest of the dist.s had investments in shares of the amounts ranging between Rs. 79 thousands
and Rs. 4 thousands.

(xi) The average investment in shares per bank was the highest in Valsad dist. with Rs. 69.5 thousands, followed by Rs. 64.9 thousands in Mehsana dist., Rs. 39.5 thousands in Jamnagar dist. Rs. 38.5 thousands in Vadodara dist., Rs. 34.0 thousands in Bharuch dist., Rs. 33.9 thousands in Bhavnagar dist., Rs. 33.6 thousands in Surat dist., Rs. 33.0 thousands in Ahmedabad (Rural) dist., Rs. 30.9 thousands in Junagadh dist., Rs. 28.0 thousands in Surendranagar dist., Rs. 26.8 thousands in Ahmedabad City, Rs. 25.2 thousands in Kheda dist., Rs. 24.2 thousands in Amreli dist., Rs. 21.7 thousands in the Panch Mahals dist., Rs. 15.6 thousands in Banaskantha dist. and Rs. 15.5 thousands in Sabarkantha dist. The average investment per bank in the rest of the dist.s, was between Rs. 9.7 thousands and Rs. 4.0 thousands.

(xii) The percentage share of investment in shares to total amount of investment was the highest in Junagadh dist. with 20.8 per cent; followed by Kutch dist. with 11.8 per cent; Ahmedabad (Rural) dist. with 8.8 per cent; Jamnagar dist. with 8.1 per cent, Banaskantha dist. with 7.5 per cent; Mehsana dist. with 7.4 per cent; Gandhinagar dist. with 7.1 per cent, Bhavnagar dist. with 6.8 per cent, Amreli dist. with 6.5 per cent,
Surendranagar dist. with 6.4 per cent, Vadodara dist. with 3.2 per cent, Sabarkantha dist. with 2.6 per cent, Ahmedabad City with 2.4 per cent, Kheda dist. with 2.3 per cent, Bharuch dist. with 2.2 per cent, Valsad dist. with 1.7 per cent, the Panch Mahals dist. with 1.1 per cent and Rajkot and Surat dist.s each with 0.6 per cent.

Thus, of all the forms of investments, the fixed deposit was the most popular one among the UCBs and Kheda dist. secured the first position in this field.

All UCBs did not invest their surplus funds in equal amounts in different modes of investments. In Table 6.12 are presented data in regard to the slabs of amounts of investments made by the UCBs in the different modes of investments as on June 30, 1973.

Investments in Govt. securities upto Rs. 0.50 lakh were made by the 26 banks; the average amount of investment per bank being Rs. 0.17 lakh. 24 banks had invested an average amount per bank of Rs. 0.16 lakh in trustee securities; 27 banks having invested an average amount per bank of Rs. 0.25 lakh in fixed deposits and 148 banks having invested an average amount per bank of Rs. 0.17 lakh in shares. The highest average amount of investment per bank was in fixed deposit, followed by Govt. securities, shares, and trustee securities. Investments in the range of Rs. 0.51 to 1.00
lakh in Govt. securities were made by 10 banks, the average amount of investment per bank being Rs. 0.87 lakh. 7 banks had invested an average amount per bank of Rs. 0.75 lakh in trustee securities; 9 banks having invested an average amount per bank of Rs. 0.72 lakh in fixed deposits; and 20 banks having invested an average amount per bank of Rs. 0.66 lakh in shares. The highest average amount of investment per bank was in Govt. securities, followed by trustee securities, fixed deposits and shares. Investments in the range of Rs. 1.01 lakhs to 2.50 lakhs in Govt. securities were made by 10 banks, the average amount of investment per bank being Rs. 1.50 lakh, 6 banks had invested an average amount per bank of Rs. 1.82 lakh in trustee securities; 28 banks having invested an average amount per bank of Rs. 1.78 lakh in fixed deposits; and 11 banks having invested an average amount per bank of Rs. 1.45 lakh in shares. The highest average amount of investment per bank was in trustee securities, followed by fixed deposits, Govt. securities and shares. Investments, in the range of Rs. 2.51 to 5.00 lakhs, in Govt. securities were made by 4 banks, the average amount of investment per bank being Rs. 3.53 lakhs, 3 banks had invested an average amount per banks of Rs. 3.71 lakhs in trustee securities. 25 banks had invested an average amount per bank of Rs. 3.62 lakh in fixed deposits, and one bank had invested an amount of Rs.2.53 lakh in shares. The highest average amount of investment
per bank was in trustee securities, followed by fixed deposits, Govt. securities and shares. Investments in the range of Rs. 5.01 to 10.00 lakhs in Govt. securities were made by 6 banks, the average amount of investment per bank being Rs. 6.26 lakhs, 3 banks had invested an average amount per bank of Rs. 7.05 lakhs in trustee securities; and 27 banks had invested an average amount per bank of Rs. 7.04 lakhs in fixed deposits; no bank having invested anything in shares from this group. The highest average amount of investment per bank was in other trustee securities followed by fixed deposits, and Govt. securities. Investment in the range of Rs. 10.01 to 15.00 lakhs in Govt. securities was made by one bank, the amount of its investment being Rs. 10.29 lakhs. One bank had invested an amount of Rs. 10.12 lakhs in trustee securities and 17 banks had invested an average amount per bank of Rs. 12.29 lakhs in fixed deposits. No bank invested any amount in shares. The highest average amount of investment per bank was in fixed deposits followed by Govt. securities and trustee securities. Investment in the range of Rs. 15.01 to 20.00 lakhs in trustee securities was made by only one bank, the amount of its investment being Rs. 19.47 lakhs. 12 banks had invested an average amount per bank of Rs. 16.67 lakhs in fixed deposits. There was no investment made by any bank in Govt. securities and shares. The highest average amount of investment per bank was in trustee securities followed by fixed deposits.
Investment in the range of Rs. 20.1 to 25.00 lakhs was made by 5 banks in fixed deposits only, the average amount of investment per bank being Rs. 21.62 lakhs. Investment in the range of Rs. 25.01 to 50.00 lakhs in Govt. securities was made by 2 banks, the average amount of investment per bank having Rs. 43.39 lakhs. Two banks had invested an average amount per bank of Rs. 32.30 lakhs in trustee securities and 8 banks invested an average amount per bank of Rs. 38.39 lakhs in fixed deposits. Investments in ranges of Rs. 50.01 to 75.00 lakhs and over Rs. 75.00 lakhs were made in fixed deposits by 4 banks, and 3 banks respectively; their average amount of investment per bank being Rs. 61.85 lakhs, and Rs. 150.64 lakhs respectively.

The highest average amounts of investment in 'Govt. securities' per bank was Rs. 43.39 lakhs in the investment range of Rs. 25.01 to 50.00 lakhs, followed by Rs. 10.29 lakhs in the range of Rs. 10.01 to 15.00 lakhs, Rs. 6.26 lakhs in the range of Rs. 5.01 to 10.00 lakhs, Rs. 3.53 lakhs in the range of Rs. 2.51 to 5.00 lakhs, Rs. 1.50 lakhs in the range of Rs. 1.01 to 2.50 lakhs, Rs. 0.87 lakh in the range of Rs. 0.51 to 1.00 lakh, and Rs. 0.17 lakh in the range upto Rs. 0.50 lakh. There were no investments in the range of Rs. 15.01 to 20.00 lakhs, Rs. 20.01 to 25.00 lakhs, Rs. 50.01 to Rs. 75.00 lakhs and over Rs. 75.00 lakhs. It was the most interesting trend that the bulk of larger investments were in higher slabs of investment ranges.
Table 6.12 22

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<th>Amount invested</th>
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<td></td>
<td>Govt. securities</td>
<td>Other</td>
<td>Trustee securities</td>
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<td>Upto 0.50</td>
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<td>24</td>
<td>0.16</td>
<td>27</td>
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<td>0.51 - 1.00</td>
<td>10</td>
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<td>7</td>
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<td>9</td>
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<tr>
<td>1.01 - 2.50</td>
<td>10</td>
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<td>6</td>
<td>1.82</td>
<td>28</td>
<td>1.78</td>
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<td>5.01 - 10.00</td>
<td>6</td>
<td>6.26</td>
<td>3</td>
<td>7.05</td>
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<td>10.12</td>
<td>17</td>
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<td>-</td>
</tr>
<tr>
<td>15.01 - 20.00</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>19.47</td>
<td>12</td>
<td>16.67</td>
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<tr>
<td>20.01 - 25.00</td>
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<td>-</td>
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<tr>
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<td>32.30</td>
<td>8</td>
<td>38.39</td>
<td>-</td>
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<tr>
<td>50.01 - 75.00</td>
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<td>-</td>
<td>-</td>
<td>4</td>
<td>61.85</td>
<td>-</td>
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<tr>
<td>Over 75.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>150.64</td>
<td>-</td>
</tr>
</tbody>
</table>

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a = No. of Banks.
b = Average per bank (in lakhs of Rs.)

22. Ibid.
The highest average amount of investment in trustee securities per bank was Rs. 32.30 lakhs in the investment range of Rs. 25.01 to 50.00 lakhs, followed by Rs. 19.47 lakhs in the range of Rs. 15.01 to 20.00 lakhs, Rs. 10.12 lakhs in the range of Rs. 10.01 to 15.00 lakhs, Rs. 7.05 lakhs in the range of Rs. 5.01 to 10.00 lakhs, Rs. 3.71 lakhs in range of Rs. 2.51 to 5.00 lakhs, Rs. 1.82 lakhs in the range of Rs. 1.01 to 2.50 lakhs, Rs. 0.75 lakhs in the range of Rs. 0.51 to 1.00 lakh and Rs. 0.16 lakh in the range upto Rs. 0.50 lakh. There were no investments in the range of Rs. 20.01 to 25.00 lakhs, Rs. 50.01 to 75.00 lakhs and over Rs. 75.00 lakhs. Here also the popular trend treded was higher money investment of larger amounts in bigger slabs of ranges.

The highest average amount of investment in fixed deposits per bank was Rs. 150.64 lakhs in the investment range of over Rs. 75.00 lakhs, followed by Rs. 61.85 lakhs in the range of Rs. 50.01 to 75.00 lakhs, Rs. 38.39 lakhs in the range of Rs. 25.01 to 50.00 lakhs, Rs. 21.62 lakhs in the range of Rs. 20.01 to 25.00 lakhs, Rs. 16.67 lakhs in the range of Rs. 15.01 to 20.00 lakhs, Rs. 12.29 lakhs in the range of Rs. 10.01 to 15.00 lakhs, Rs. 7.04 lakhs in the range of Rs. 5.01 to 10.00 lakhs, Rs. 3.62 lakhs in the range of Rs. 2.51 to 5.00 lakhs, Rs. 1.78 lakhs in the range of Rs. 1.01 to 2.50 lakhs, Rs. 0.72 lakh in the range of
Rs. 0.51 to 1.00 lakh and Rs. 0.25 lakh in the range upto Rs. 0.50 lakh. Once again, this established that there was popular flow in higher investment ranges.

The highest average amount of investment in shares per bank was Rs. 2.53 lakhs in the investment range of Rs. 2.51 to 5.00 lakhs, followed by Rs. 1.45 lakhs in the range of Rs. 1.01 to 2.50 lakhs, Rs. 0.66 lakh in the range of Rs. 0.51 to 1.00 lakh and Rs. 0.17 lakh in the range upto Rs. 0.50 lakh. There were no investments in the ranges between Rs. 5.01 and over Rs. 75.00 lakhs. Here too, we could see that the larger amounts were in the higher investment slabs.

Data analysis:

State level: In Table 6.13 is shown the figures of the aggregate investments of the UCBs of Gujarat covering the period from 1959-60 to 1972-73, together with their relationships with total deposits, total capital and total assets. Their analysis would reveal as follows:

(1) The aggregate amounts of investments have increased in successive years in varying degrees except for the decreases evinced in the years 1966-67, 1971-72 and 1972-73. The highest amount of investment of Rs. 1183 lakhs was in 1970-71 and the lowest one of Rs. 252 lakhs was in the year 1959-60. The total investment in 1959-60 which was of Rs. 252 lakhs rose to Rs. 803
Table 6.13

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Banks</th>
<th>Amount (in lakhs)</th>
<th>Average (per Rs.) per bank (in lakh)</th>
<th>% rise (+) or fall (-) in average as compared to 1960</th>
<th>Investment as %age of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>De- po-</td>
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<td></td>
<td></td>
<td>tal</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>1960</td>
<td>42</td>
<td>252</td>
<td>6.0</td>
<td>-</td>
<td>44.3</td>
</tr>
<tr>
<td>1961</td>
<td>60</td>
<td>302</td>
<td>5.0</td>
<td>-16.7</td>
<td>41.0</td>
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<td>1962</td>
<td>76</td>
<td>383</td>
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<tr>
<td>1963</td>
<td>88</td>
<td>475</td>
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<td>-10.0</td>
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<td>92</td>
<td>512</td>
<td>5.6</td>
<td>-6.7</td>
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<td>1965</td>
<td>111</td>
<td>554</td>
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<td>-16.7</td>
<td>39.2</td>
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<tr>
<td>1966</td>
<td>124</td>
<td>714</td>
<td>5.8</td>
<td>-3.3</td>
<td>43.6</td>
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<tr>
<td>1967</td>
<td>120</td>
<td>667</td>
<td>5.6</td>
<td>-6.7</td>
<td>36.0</td>
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<tr>
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<td>122</td>
<td>774</td>
<td>6.3</td>
<td>+5.0</td>
<td>34.5</td>
</tr>
<tr>
<td>1969</td>
<td>129</td>
<td>842</td>
<td>6.5</td>
<td>+8.3</td>
<td>32.0</td>
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<tr>
<td>1970</td>
<td>138</td>
<td>975</td>
<td>7.1</td>
<td>+18.3</td>
<td>30.4</td>
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<tr>
<td>1971</td>
<td>163</td>
<td>1183</td>
<td>7.3</td>
<td>+21.7</td>
<td>27.9</td>
</tr>
<tr>
<td>1972</td>
<td>188</td>
<td>947</td>
<td>5.0</td>
<td>-16.7</td>
<td>17.9</td>
</tr>
<tr>
<td>1973</td>
<td>197</td>
<td>803</td>
<td>4.1</td>
<td>-31.7</td>
<td>11.2</td>
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</tbody>
</table>

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lakhs in 1972-73; reflecting a rise of 218.7 per cent. In terms of annual percentage rises, the highest annual percentage rise was 28.9 per cent in 1965-66, followed by 26.8 per cent in 1961-62, 24.0 per cent in 1962-63, 21.3 per cent in 1970-71, 19.8 per cent in 1960-61, 16.0 per cent in 1967-68, 15.8 per cent in 1969-70, 8.8 per cent in 1968-69, 8.2 per cent in 1964-65, 7.8 per cent in 1963-64, -6.6 per cent in 1966-67, -15.2 per cent in 1972-73, and -19.9 per cent in year 1971-72.

(ii) The average investment per bank, that was Rs. 6.0 lakhs in 1959-60 decreased to Rs. 4.1 lakhs in 1972-73 indicating a fall of 31.7 per cent. The highest amount of average investment per bank was Rs. 7.3 lakhs in 1970-71, followed by Rs. 7.1 lakhs in 1969-70, Rs. 6.5 lakhs in 1968-69, Rs. 6.3 lakhs in 1967-68, Rs. 6.0 lakhs in 1959-60, Rs. 5.8 lakhs in 1965-66, Rs. 5.6 lakhs each in 1963-64 and 1966-67, Rs. 5.4 lakhs in 1962-63, Rs. 5.0 lakhs each in the years 1960-61, 1961-62, 1964-65 and 1971-72, and Rs. 4.1 lakhs in 1972-73.

(iii) During the period of 1960-61 to 1966-67, in the years of 1971-72 and 1972-73, there were falls in the average amount of investment per bank ranging between 3.3 per cent and 31.7 per cent as compared to the average amount
of the investment per bank in the year 1959-60. Only 4 years, viz., 1967-68, 1968-69, 1969-70 and 1970-71 witnessed the rises ranging between 5.0 per cent and 21.7 per cent as compared to average amount of investment per bank in the year 1959-60.

(iv) Investment as percentage of total deposits at the end of the year 1959-60 which was 44.3 per cent fell to 41.0 per cent in 1960-61, rose slightly to 42.5 per cent in 1961-62 with a further rise to 45.6 per cent in 1962-63, followed by a drop to 43.0 per cent in 1963-64 and another successive drop in 1964-65 to 39.2 per cent. Again in 1965-66 it rose to 43.6 per cent. In the remaining period from 1966-67 to 1972-73 consecutively there were falls from 43.6 per cent to 11.2 per cent in 1972-73. This relationship ranged between 45.6 per cent in 1963 and 11.2 per cent in 1973. The highest percentage of investment to total deposits was 44.3 per cent in 1959-60; the lowest being 11.2 per cent in 1972-73, which indicated a reduction of 33.1 per cent during the period of 13 years.

(v) The highest percentage of investment to total capital was 35.4 per cent in 1962-63, followed by 34.5 per cent in 1959-60, 33.5 per cent in 1963-64, 33.2 per cent in 1965-66, 32.5 per cent in 1961-62, 32.3 per
cent in 1960-61; 30.9 per cent in 1964-65, 27.6 per cent in 1966-67, 27.2 per cent in 1967-68, 25.2 per cent in 1968-69, 23.9 per cent in 1969-70, 22.4 per cent in 1970-71, 14.3 per cent in 1971-72 and 9.2 per cent in 1972-73. The percentage of investment to total capital which was 34.5 per cent, in the year 1959-60 fell to 9.2 per cent at the end of 1972-73 causing a fall of 25.3 per cent. Except for the rises in years 1961-62, 1962-63, and 1965-66, there were falls of varying degrees in percentages of investment to total capital and no wide and major rises and falls were evinced during the years except for major falls of 5.6 per cent in 1966-67, 8.1 per cent in 1971-72 and 5.1 per cent in 1972-73.

(vi) The percentage of investment to total assets in the year 1959-60 was 33.3 per cent, fell to 8.6 per cent in the year 1972-73, indicated a fall of 24.7 per cent. The highest percentage of investment to total assets was 34.0 per cent in 1962-63, followed by 33.3 per cent in 1959-60, 32.1 per cent each in years 1960-61 and in 1963-64, 31.5 per cent in 1965-66, 31.3 per cent in 1961-62, 29.1 per cent in 1964-65, 26.3 per cent in 1966-67, 25.8 per cent in 1967-68; 23.9 per cent in 1968-69, 22.7 per cent in 1969-70, 21.1 per cent in 1970-71; 13.4 per cent in 1971-72 and 8.6 per cent in 1972-73.
It is to be pointedly observed that, but for lesser extents between earlier years from 1959-60 to 1965-66, the ratios of investment to total deposits, total capital and total assets had radically and constantly dropped down during the latter years from 1966-67 to 1972-73. This was a pointer to the fact that the UCBs could find other more profitable sources for investment of their surplus funds in the latter years.

**Inter-state level:** Table 6.14 depicts a picture in general of Inter State comparison of different types of investments from year 1969-70 to 1972-73, the analysis of which would focus the following facts:

(1) At the end of 1969-70, the highest amount of total investment was in Maharashtra with Rs. 1978 lakhs, followed by Gujarat with Rs. 975 lakhs, Karnataka with Rs. 336 lakhs and Tamil Nadu with Rs. 316 lakhs. Similarly, in 1970-71, Maharashtra with Rs. 3378 lakhs topped the list followed by Gujarat, Karnataka and Tamil Nadu.

Again, in 1971-72, Maharashtra with Rs. 3371 lakhs ranked first followed by Gujarat with Rs. 947 lakhs, Karnataka with Rs. 460 lakhs and Tamil Nadu with Rs. 359 lakhs.

At the end of June, 1973, once more, Maharashtra
with Rs. 1328 lakhs, stood first, followed by, Gujarat (Rs. 803 lakhs), Tamil Nadu (Rs. 534 lakhs), and Karnataka (Rs. 432 lakhs). Thus, Maharashtra and Gujarat were the foremost States in terms of absolute figures of investments.

(ii) The average amount of investment per bank at the end of 1969-70 was the highest at Rs. 8.3 lakhs in Maharashtra, followed by Rs. 7.1 lakhs in Gujarat, Rs. 3.7 lakhs in All-India, Rs. 2.3 lakhs in Tamil Nadu and Rs. 1.6 lakhs in Karnataka. At the end of 1970-71 Maharashtra topped the list with Rs. 12.7 lakhs, followed by Gujarat with Rs. 7.3 lakhs, All-India with Rs. 5.0 lakhs, Tamil Nadu with Rs. 2.5 lakhs and Karnataka with Rs. 2.4 lakhs as average investment per bank. Similarly, in 1971-72, Maharashtra secured the first position with an average amount of investment per bank of Rs. 12.5 lakhs, followed by Gujarat (Rs. 5.0 lakhs), All-India (Rs. 4.5 lakhs), Tamil Nadu (Rs. 2.6 lakhs) and Karnataka (Rs. 2.2 lakhs). In 1972-73, too, Maharashtra led the rest with an average amount of investment per bank of Rs. 4.7 lakhs, followed by Gujarat, with Rs. 4.1 lakhs, Tamil Nadu with Rs. 4.0 lakhs, All-India with Rs. 3.1 lakhs and Karnataka with Rs. 2.2 lakhs. Thus, Maharashtra and Gujarat maintained
their leads, too, at All-India level in terms of average investment per bank.

(iii) In terms of percentage share of investment in total assets in 1969-70, Maharashtra led the rest with 23.3 per cent, followed by Gujarat (22.7 per cent), All-India (20.5 per cent), Tamil Nadu (15.4 per cent), and Karnataka (13.5 per cent). In 1970-71, too, Maharashtra had the highest percentage of share of investment in total assets at 26.9 per cent, followed by All-India (22.6 per cent), Gujarat (21.1 per cent), Karnataka (18.1 per cent), and Tamil Nadu (15.3 per cent). Again, in 1971-72 Maharashtra secured the first position with 26.8 per cent, followed by All-India at 19.8 per cent, Tamil Nadu at 14.3 per cent, Karnataka at 13.8 per cent, and Gujarat at 13.4 per cent share of investment in total assets. At the end of 1972-73, the percentage share of investment in total assets was the highest, at 18.7 per cent in Tamil Nadu, followed by 11.7 per cent in Karnataka, 10.3 per cent in All-India, 8.6 per cent in Gujarat, and 8.5 per cent in Maharashtra.

(iv) While Maharashtra and Gujarat witnessed a fall of Rs. 650 lakhs and Rs. 172 lakhs respectively in 1972-73 on the base year of 1969-70; Tamil Nadu and Karnataka witnessed a rise of Rs. 218 lakhs and Rs. 96 lakhs.
respectively during the said period.

(v) By the end of the years of 1969-70, 1970-71 and 1971-72, Gujarat had invested the highest amounts in fixed deposits, followed by Govt. and other securities and then others. In 1972-73, the highest amount was invested in others and then in Govt. securities, no amount was invested in fixed deposits. In Maharashtra also in 1969-70, 1970-71 and 1971-72, the highest amounts were invested in fixed deposits followed by Govt. and other securities, and others. In Karnataka in 1969-70 and 1970-71, the highest amount invested was in fixed deposits, followed by Govt. and other securities; and others. In 1971-72 and in 1972-73 the highest amount was invested in fixed deposits, followed by others, and then in Govt. and other securities. In the years of 1970-71, 1971-72 and 1972-73 the highest amount was invested in fixed deposit, followed by Govt. and other securities and then in others. At the end of 1969-70, the highest amount was invested in Govt. and other securities, followed by fixed deposits and then in others.

Advances

Introduction: Lending of funds to the constituents, mainly traders, business and industrial enterprises, constitutes the main business of a banking company. The major portion
of a bank's funds is employed by way of loans and advances, profitable employment of its funds. The major part of a bank's income is earned from interest and discount on the funds, so lent. The business of lending, nevertheless, is not without certain inherent risks. Largely depending on the borrowed funds, a banker cannot afford to take undue risks in lending his funds. He, therefore, follows a very cautious policy while lending his funds and conducts his business on the basis of well-known principles of sound lending in order to minimise the risks. 25

The UCBs do not give loans and advances to non-members. The responsibility of an UCB is much greater than that of commercial banks. The Bombay Provincial Banking Enquiry Committee (1930) very aptly observed that the coop. principles have a more intimate bearing on the productive employment by coop. banks of their capital than on the methods of raising and banking their resources. 26

Forms: Advances are generally reflected in such forms as (a) cash credit, (b) overdrafts, (c) loans and (d) discounting of bills.

(a) Cash credit:

Features: Under this method of granting financial accommodation, an UCB allows its members to borrow money upto a certain limit fixed by it for a specified period of time against either a bond of credit by sureties or certain other ------

securities. This system is popularly followed by large section of commercial and industrial undertakings; the inherent advantage in the system being that the customer need not borrow the full amount in a lump sum even if the whole of the amount, in the subsequent stages, he is likely to require, but has the facility of drawing such smaller amounts in piece-meal as and when required. Other facility is of crediting subsequently, amounts lying surplus with him for time being in the bank. However, the writer during her extensive field-work noticed that, in practice, neither any credit balance is created nor debit balance is fully wiped out by a customer over a period of years; on the contrary, usually withdrawals are found to exceed the receipts.

The probable point of disadvantage to the banker under this system lies concealed in the fact that, whereas the banker has to keep himself well-equipped and ready as per estimate and agreement to pay even the full amounts assigned when called for under the arrangement, if the actual drawings fall much below the estimate, the banker loses interest in the funds remaining idle. To provide against such a contingency; expressed in other words, to neutralise the loss of interest so created on the idle funds unavoidably kept by the banks within the sanctioned cash credit limits, Dehajia Study Group (in 1969) suggested "The levy of commitment charge of unutilised limits, coupled with, if necessary,
a minimum interest charge."\(^{27}\)

Although, in practice, clean loans, on personal credit of an individual of undoubted means and character, turn out to be just as safe and satisfactory as any other, yet an Indian banker, partly due to his innate conservatism and partly on account of tradition established by the old Presidency Banks, insists on having paper with at least two names as security for the advances, as a clean advance on a single name promissory note unsecured by collateral, is looked upon by him as not quite secure.\(^{28}\)

**Terms and conditions:** The terms and conditions\(^ {29}\) of cash credit facilities afforded by the Junagadh Vibhagiya Nagrik Sahakari Bank Ltd., Junagadh are narrated below:

(i) Consequent upon the sanction of cash credit, the frequent withdrawal or withdrawals not exceeding the amount of cash credit sanctioned, the interest and whatever their incidental expenses are incurred will have to be paid up within specified period.

(ii) Upto the specified time limit in keeping with the agreement, the amounts repeatedly advanced from time to time upto the specified money limit, the interest accrued thereon as decided by the Board of Directors for the amount used and for the length of time will

\(^{27}\) A-53: p. 3.15. \(^{28}\) A-50: p. 256. \(^{29}\) J-112.
be debited in the account at the interval of every six months which will also be required to be repaid.

(iii) Within the period or term of the said account, if the interest on amounts repeatedly withdrawn falls short of 1/3rd amount of the sanctioned cash credit, the minimum interest recoverable will be of 1/3rd amount of cash credit.

(iv) If any amount is in credit even in cash credit account, the interest on the same will be paid at the rate of savings bank accounts.

(v) On the shop or godown of the person availing cash credit advance, the first and prior floating charge of raw materials will rest with the bank.

(vi) In the instances where the price of securities, in terms of pledge or mortgage gets lower than the credits outstanding in the cash credit account, the borrower will either have to offer increased securities of the marginal increase of cost or pay equivalent amount in cash.

(vii) In case the cash credit amount is not repaid within the specified period, a penalty of 25% more than the interest rate will be levied from the date of overdue to the date of repayment.

(viii) Without assigning any reasons whatsoever, only through a notice of 30 days the bank will be authorised to
raise or lower the rate of interest or will close the cash credit account and will be entitled for demanding back the amount standing due in the cash credit account.

(ix) The amounts withdrawn from the cash credit account will have to be used for commercial purposes only and accordingly a satisfactory proof will have to be furnished every time if demanded. In case of a default in furnishing such a proof the entire amount of cash credit together with interest and contingent expenditures will have to be paid.

(x) In order that the dues on account of cash credit, its interest and incidental expenditures connected thereto are secured, a promissory note for full amount of cash credit will have to be executed and sureties who are members of the bank will have to be offered. The responsibility for the cash credit transaction will be both individual and collective of the borrower as well as of the sureties.

(xi) Viewing the trends of money market the Board of Directors, will from time to time, change the rate of interest, which will be binding also on the defaulters.

(xii) The present cash credit rules now in force and those which may come in force in future will be binding and no disputes thereof will be permitted.
(xiii) The outstanding amount in connection with the cash credit account will have to be paid on or before the specified date. It will be bank's full privilege and will if so deemed fit to extend the term of period of cash credit for sometime or for any longer time.

(xiv) In keeping with the decision of the Board of Directors, the borrower, entering into cash credit deal will have to purchase the requisite number of shares. Similarly, for new advances, more shares, as may be further decided by the Board of Directors will have to be purchased.

(xv) During the year, five times rolling of sanctioned cash credit amount will have to be made; otherwise half per cent extra charge will be levied.

Procedure: The UCBs provide for two types of cash credit: (a) clean cash credit and (b) pledge cash credit.

To obtain the clean cash credit the following procedure as laid down by the Himtnagar Nagarik Sahakari Bank Ltd., Himtnagar, required to be followed by individuals, firms or by corporate bodies:

(1) Submission of an application by the proposed borrower in the form prescribed by the bank, giving such details as (a) if the applicant is a member, the details of his membership and roll number; (b) if he
is not a member, reference for membership application made by him with details; (c) amount of cash credit, the duration for which required and the details of securities offered; (d) details of immovable properties, buildings, etc. held by the applicant in the town under the area of operation of the bank, giving approximate cost of the assets, City Survey and Municipal numbers thereof; (e) brief cause of taking cash credit; (f) details of the proposed two sureties with particulars of their professions, service/business, addresses and monthly incomes.

(ii) Execution of an affidavit, by the proposed borrower, covering such details as (a) applicant's profession; (b) period of his doing the said business; (c) amount invested by him in the business; (d) period of his living in the town; (e) monthly income; (f) whether he is a member in any other coop. credit society/bank; and if yes, particulars of that institution/corporate body; (g) information regarding advances drawn by the applicant from any other coop. credit society or bank; (h) with whom his money transactions are going on presently; (i) whether he is a debtor?; if yes, for how much amount and to whom; (j) profession of his surety; and (k) monthly income of surety.

(iii) Furnishing of two sureties.
(iv) Presenting statement containing the description of the applicant's property as also the properties of his sureties.

(v) Presentation of the receipts of payments of municipal taxes on the properties of the applicant and his sureties.

(vi) Giving details, if any, of transactions of credits and debits with the bank through Current/Savings/Cash Credit accounts.

On the receipt of the application for clean cash credit on the above lines consisting of all-embracing and full-fledged details and informations, the loan officer assisted by field staff will assess the genuineness of the cause and the repaying capacity of the proposed borrower and with full comments, submit his report to the Manager. The Manager in turn, will screen the factual data and will, if found genuine, present the case with his comments and recommendations, if any, to the Board of Directors who will take decision in their periodical meeting and grant sanction for the proposed Cash Credit after due deliberations on the issue. The Board of Directors may curtail the amount of limit of grant of cash credit if so desired.

To obtain pledge cash credit the following procedure as laid down by the Visnagar Nagarik Sahakari Bank Ltd., Visnagar is required to be resorted to by individuals, firms
or corporate bodies:

(i) Application has to be made on printed prescribed forms to the president of the bank furnishing therein the following main points: (a)

(a) Details of membership, Roll No. etc. if the applicant is already a member.

(b) If application for membership is done, the date of such application.

(c) The amount and the period of pledge cash credit requisitioned.

(d) Details with approximate cost of immovable properties held by the proposed borrower, certifying that such properties are neither attached nor mortgaged under any other previous financial commitments and that the titles thereof are clear; giving approximate cost of such immovable properties.

(e) Survey No., Census No. and City Survey No. and Municipal No. of such property.

(f) In addition, two sureties with their names, profession, monthly incomes and place of business/service are to be offered.

(g) In the like way as is described earlier in case of procedures for furnishing details in connection
with "Clean Cash Credit", here also, parallel and similar details as regards borrower and both the sureties are required to be furnished in the application.

(ii) Execution of a promissory note affirming that whenever demanded by the Bank the specified amount will be repaid to the bank or to the party assigned by the bank, by the borrower jointly and severally at the specified rate of interest -- in keeping with the term of agreement -- with the interest accruing at the interval of every six months.

(iii) Execution of an agreement pertaining to pledge cash credit by the proposed borrower.

Subsequent to the receipt of detailed application, after due survey and test-check by field-cum-technical staff and loan officer, the papers with full comments of prevalent positions and capacity of the proposed borrower for repayment go to the Manager who after due scrutiny will recommend the case for full or partial grant or for rejecting the request. The Board of Directors, after full study and discussions will suitably deal with the proposal.

(b) Overdraft:

**Concept:** In case when a client-member is in need of a temporary financial accommodation, the bank may allow him to overdraw his current account, normally against collateral
securities. Just in keeping with the cash credit advance, this is also advantageous to the borrower because, interest is to be paid under this scheme also on the amount actually used and for the period used by him.

The customer, although permitted by the banker to draw more than what stands to his credit, in other words avail­ing the facility of overdraft as and when required; is expected when feasible to repay it by means of deposit in his account.

The marked difference between a cash credit and over­draft is that the overdraft is but a form of bank credit which could be availed of occasionally; whereas in the case of cash credit, its salient features provide its usage for long terms especially by those transacting regularly in the commercial and industrial sectors.

Clientele: A large proportion of such advances are found in UCBs having large number of trader-members.

Terms and conditions: These vary slightly here and there from bank to bank from the view point of economic develop­ments of various localities in each dist. As in 1970-71 as embodied in the Bye-laws of Gandhidham Cooperative Bank Ltd., Adipur, overdrafts and cash credits were advanced at 12 per cent per annum to members only against the security mentioned hereunder: 30

(i) Overdrafts may be granted against the security, Gold, Gold ornaments, Silver Bars, Govt. Papers, Shares of Joint Stock Companies, Insurance Policies etc., at such margins as the Board of Directors shall deem sufficient from time to time provided that a sum not exceeding Rs. 30,000 shall remain outstanding against each individual and/or firm at a time. This limit of restriction shall not apply in case of advances against Govt. Securities and Fixed Deposits when a margin of at least 10 per cent shall be maintained.

(ii) Overdrafts may be advanced against the hypothecation and/or mortgage or stock-in-trade at such margins as may be decided by the Board from time to time, provided that such hypothecation is backed by a promissory note executed by the borrowers in favour of the Bank, provided that a sum not exceeding Rs. 10,000 shall remain outstanding against each individual and/or at a time.

(iii) Overdrafts may be advanced against the pledge of Merchandise Goods i.e. commodities of all kinds, sugar, jaggery, oil etc. deposited with bank in its godown, which is insured and the possession of which has been handed over to the bank, subject to a satisfactory margin and provided that sum not exceeding Rs. 30,000 shall remain outstanding against each individual and/or
firm at a time.

Rules: The Rules regarding overdrafts as framed by Junagadh Vibhagiya Nagrik Sahakari Bank Ltd., Junagadh contain the following main provisions:

(i) These rules govern 'Overdraft' given to members of the bank on deposit accounts, such as current account, savings bank account, special savings bank account and on fixed deposit accounts.

(ii) These overdraft rules are applicable to such members as are living or serving or doing business within the area of the bank.

(iii) The borrower and his sureties have to execute such Bank's Documents as Agreement, Promissory Note, Letter of Continuing Guarantee Bond, Acknowledgement of advanced sum, Surety Bonds, etc. in favour of the Bank as may be required by it.

(iv) The members asking for facilities of overdraft will have to purchase shares worth Rs. 10,000 for being included in the approved list; and such list of approved persons only will be considered for giving overdrafts.

(v) The member offering suretyship shall not bear any overdues in the bank, i.e. shall not be a defaulter.

(vi) If there are any overdies, in the name of either the borrower or of the surety, the same will have to be prepaid before commencing such overdraft account.

(vii) The tenure of overdraft will not be limited for more than one year.

(viii) The application for extension of 'overdraft limit' will have to be made three months in advance of the date of its actual expiry.

(ix) Bank, without giving notice, will stop any account at anytime of any individual or firm.

(x) The actual payment of such current account can be withheld by the bank.

(xi) If bank's dues are outstanding and if a cheque for encashment for drawal from a current account is presented to the bank, the bank will first, exercise full deduction of its dues from the said account and will pay from the balance the remaining on the said account; money if sufficiently left over in account to meet with the amount requisitioned to be withdrawn by the cheque -- otherwise, will return the cheque unpaid in which case neither the firm nor firm's partner/s will be able to raise any dispute.

(xii) Bank may make any additions and alterations as the same may deem fit in the "Approved List".
(xiii) The service charge for services rendered by the bank will be recovered up to Rs. 10, at every six months from such accounts.

(xiv) The matured insurance policy may be endorsed in favour of the bank.

(xv) Overdraft facility can be closed by the bank at any time.

(xvi) A firm or individual who is extended the overdraft facility will have to execute all their banking transactions through this bank only.

(xvii) The Bank reserves the right of additions, alterations or omissions of any clause of their rules whatsoever.

(xviii) Firm or individual who has applied for Overdraft facility should invariably furnish in writing full details of financial accommodations — advances; etc. if obtained from any other institutions.

Procedure: To avail the facility of overdraft, the depositor-member has to undergo the following procedure as derived from the text of procedures laid down by the Visnagar Nagrik Sahakari Bank Ltd., Visnagar:

(i) The member-depositor has to submit to the President of the Bank an application, furnishing the amount upto which he is desirous of drawing (a) clear overdrafts against his current, savings, special savings
or fixed deposit accounts or (b) pledge overdraft under the terms and conditions, more or less on the same or similar terms and conditions as prevalent for pledge cash credit.

(ii) The applicant has to declare the details of his immovable properties possessed with clear title of ownership in the area of operation of the bank, giving the approximate cost of such property with locations, areas, city, Survey No., Municipal No., Census No. etc..

(iii) Affirmation is also to be given by the proposed borrower that such property is neither attached nor mortgaged under any previous financial commitments with any other agencies.

(iv) Cause of availing this financial accommodation is also required to be furnished.

(v) Two sureties with details of their names, addresses, professions, monthly incomes and addresses of their service/business will be required to be furnished.

(vi) The applicant has to execute an agreement with the bank embodying the terms and conditions as determined by the bank.

(vii) The applicant has to execute a Promissory Note agreeing to promise and abide that whenever demanded, he is
required to pay to the Bank, or to any one assigned by the Bank, the sum borrowed at the rate of specified per cent of interest accruing at every six months, the outstanding amount along with the interest.

(viii) The sureties of the applicant have to execute an 'Overdraft Security Bond' in favour of the bank agreeing (a) to stand as surety of the applicant for the security of the amount of the overdraft and (b) abiding to pay whenever demanded by the Bank the outstanding amounts, and if he fails in so doing, the bank is authorised to recover the amount from him and from all types of properties and assets held by him.

(ix) The applicant has to present a 'Letter of continuing security' to the Bank.

On receipt of the application, along with the required documents, the Board of Directors take a decision on the recommendations made on the application by the bank manager.

Concludingly, the subject of Procedures as far availing facilities of Clean Cash Credit, Pledge Cash Credit, Clean Overdraft and Pledge Overdraft; the applicant has to process the application with severally enumerated details explained above, and submit to the Bank along with Promissory Note, Security Bond, Surety Bonds etc.; Manager details the Loan Officer and the field staff to investigate facts and
offer assurance as regards capacity of the proposed borrower to repay the amount sanctioned with interest. The manager after further scrutiny and recommendations submits the same to the Board of Directors; who after due considerations and discussions thereof sanction the advance, either fully or partially or rejects the same entirely as may be deemed fit. For the sanctioned advances, the agreements are executed and on fulfilment of the initial prerequisites, the proposed borrower becomes entitled to turn over his transactions on the deed with the Bank.

Data Analysis:

State level: Table 6.15 enpictures the different facets of cash credit and overdrafts made available by the UCBs in Gujarat from 1965-66 to 1972-73; the analytical interpretations of which are described below:

(i) Out of total number of the UCBs, 77.7 per cent had sanctioned cash credit and overdrafts in 1972-73; 73.4 per cent, 71.7 per cent, 71.3 per cent, 62.3 per cent, 53.2 per cent, 49.2 per cent, and 41.9 per cent banks did so in the years of 1970-71, 1969-70, 1971-72, 1967-68, 1965-66, 1966-67 and 1968-69 respectively.

(ii) Taking 1965-66 as the base year, the rise in limit of sanctions of cash credits and overdrafts, was of 805 per cent in 1972-73. The annual percentage rise
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<th>Year (July-June)</th>
<th>No. of banks</th>
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<th>Highest Outstanding Rs.</th>
<th>Recoveries effected (Recovered Gross) Rs.</th>
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N.A. = Not available  CC&O = Cash Credit and Overdraft

in limits sanctioned was uneven. The highest annual percentage rise was marked in the year 1972-73 with 63.6, followed by 60.5 in 1966-67, 51.2 in 1969-70, 41.3 in 1968-69, 14.8 in 1971-72, 12.3 in 1967-68 and 10.7 in 1970-71.

(iii) In terms of absolute figures, the amount of gross advanced had increased in all the years except for 1966-67. In 1966-67 there was a fall of Rs. 183 lakhs in gross advanced. Comparing the figures of the previous year, there was a net rise of Rs. 758 lakhs.

in 1967-68; Rs. 112 lakhs in 1968-69, Rs. 1837 lakhs in 1969-70, Rs. 483 lakhs in 1970-71; Rs. 2591 lakhs in 1971-72, and Rs. 2504 lakhs in 1972-73.

(iv) As against the amount of Rs. 1266 lakhs of gross sanctioned in 1965-66, it rose to Rs. 9368 lakhs in 1972-73 indicating a rise of 640 per cent in a spell of 7 years.

(v) Taking 1969-70 as the base year, there was 194.3 per cent rise in 1972-73 in the highest outstandings of cash credits and overdrafts. During 1969-70 to 1972-73, in terms of absolute figures of highest outstandings in cash credits and overdrafts were reflected by the figures of Rs. 1314 lakhs in 1969-70; Rs. 1823 lakhs in 1970-71, Rs. 2285 lakhs in 1971-72 and Rs. 3867 lakhs in 1972-73. The highest annual percentage rise in the highest outstanding was in 1972-73 of 69.2, followed by 38.7 in 1970-71, and 25.3 in 1971-72.

(vi) The amount of recoveries effected in 1965-66 was of Rs. 1169 lakhs, which rose to Rs. 8720 lakhs in 1972-73, which worked out to a rise of 645.9 per cent.

(vii) In terms of annual percentage rise in recoveries effected was found uneven during the period under review. The highest annual percentage rise was of 84.7 in 1969-70, followed by 55.5 in 1971-72, 38.9

Intra-state level: Table 6.16 displays the figures emanating in districtwise realm of the UCBs of Gujarat in terms of cash credits and overdrafts sanctioned for the years 1970-71, 1971-72 and 1972-73, the study of which would show the following main deductions:

(i) (a) In 1970-71, 100 per cent banks sanctioned cash credits and overdrafts in six dist.s viz., Bhavnagar, Kutch, the Panch Mahals, Sabarkantha, Surendranagar and Valsad; followed by 86.7 per cent banks in Kheda dist.; 83.3 per cent banks in Bharuch dist.; 80.0 per cent banks in Banaskantha dist.; 75.0 per cent banks in Surat dist.; 68.4 banks in Vadodara dist.; 66.7 per cent banks in Junagadh dist.; 58.8 per cent banks in Mehsana dist.; 50 per cent banks each in Ahmedabad City, Ahmedabad (Rural) dist., and Amreli dist.; and 33.3 per cent banks in Rajkot dist. No bank gave this facility in Jamnagar dist.

(b) In 1971-72, 100 per cent banks sanctioned cash credits and overdrafts in five dist.s; viz., Amreli, Banaskantha, Gandhinagar, Junagadh and Surendranagar; followed by 97.1 per cent banks in Kheda dist.; 87.5 per cent banks in Sabarkantha
dist.; 75.0 per cent banks each in the Panch Mahals and Valsad dist.s; 66.7 per cent banks each in Ahmedabad City and Bharuch dist.s; 62.5 per cent banks in Ahmedabad (Rural) dist.; 57.9 banks in Mehsana dist.; 57.1 per cent banks in Vadodara dist.; 42.9 per banks each in Rajkot and Surat dist.s and 28.6 per cent in Bhavnagar dist.

(c) The cash credits and overdrafts were sanctioned in 1972-73 by 100 per cent banks each in five dist.s, viz., Amreli, Gandhinagar, Junagadh, Sabarkantha and Surendranagar; followed by 97.1 per cent banks in Kheda dist.; 96.7 per cent banks in the Panch Mahals dist.; 83.3 per cent banks each in Banaskantha and Bharuch dist.s; 78.8 per cent banks in Ahmedabad city; 75.0 per cent banks in Valsad dist.; 66.7 per cent banks in Vadodara dist.; 62.5 per cent banks in Ahmedabad (Rural) dist.; 61.1 per cent banks in Mehsana dist.; 57.1 per cent banks in Rajkot dist. and 50.0 per cent banks each in Bhavnagar, Jamnagar and Surat dist.s.

(ii) (a) In 1970-71, the highest limits of cash credits and overdrafts sanctioned was of Rs. 830 lakhs by 26 banks in Kheda dist., followed by Rs. 560 lakhs
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**a** = Total No. of banks; **b** = No. of Banks sanctioned (in lakhs of Rs.); **c** = Gross advances (in lakhs of Rs.)
by 10 banks in Mehsana dist., Rs. 302 lakhs by
4 banks in Banaskantha dist., Rs. 296 lakhs by
12 banks in Ahmedabad City, Rs. 287 lakhs by
5 banks in Bharuch dist., Rs. 222 lakhs by 13
banks in Vadodara dist., Rs. 194 lakhs by 14
banks in the Panch Mahals dist., Rs. 107 lakhs
by 3 banks in Surat dist., Rs. 96 lakhs by 4
banks in Junagadh dist., and Rs. 95 lakhs by 8
banks in Sabarkantha dist. The limit sanctioned
in all the remaining dist.s ranged between Rs. 30
lakhs and Rs. 1 lakh.

(b) In 1971-72, Kheda dist., topped the list with
the highest amount of limits sanctioned of
Rs. 1544 lakhs by 97.1 per cent banks out of
total 34 banks; followed by Ahmedabad City with
Rs. 357 lakhs by 66.7 per cent banks out of total
30, banks, Surat dist. with Rs. 330 lakhs by 42.9
per cent banks out of total 7 banks, the Panch
Mahals dist. with Rs. 261 lakhs by 75 per cent
banks out of total 16 banks, Vadodara dist. with
Rs. 238 lakhs by 57.1 per cent banks out of total
21 banks, Junagadh dist. with Rs. 178 lakhs by
per cent banks, Mehsana dist. with Rs. 176 lakhs by
57.9 per cent banks out of total 19 banks and
Sabarkantha dist. with Rs. 148 lakhs by 87.5 per
cent banks out of total 8 banks. The range of
limit of cash credits and overdrafts sanctioned in the remaining dist.s was between Rs. 78 lakhs and Rs. 6 lakhs.

(c) In 1972-73, 26 out of total 33 banks in Ahmedabad City sanctioned the highest limit of cash credits and overdrafts worth Rs. 2295 lakhs, followed by Rs. 1596 lakhs by 34 banks out of total 35 banks in Kheda dist., Rs. 445 lakhs by 13 banks out of total 15 banks in the Panch Mahals dist., Rs. 310 lakhs by 4 banks out of total 8 banks in Surat dist., Rs. 243 lakhs by 14 banks out of total 21 banks in Vadodara dist., Rs. 227 lakhs by 8 banks in Junagadh dist., Rs. 176 lakhs by 11 banks out of total 18 banks in Mehsana dist., and Rs. 135 lakhs by 8 banks in Sabarkantha dist. In the remaining dist.s, these limits of cash credits, and overdrafts sanctioned ranged between Rs. 98 lakhs and Rs. 1 lakh.

(iii) (a) In terms of absolute figures of gross advanced, Ahmedabad City ranked first in 1970-71 with the highest amount of Rs. 1306 lakhs, followed by the Panch Mahals dist. Rs. 1055 lakhs, Mehsana dist. with Rs. 545 lakhs, Kheda dist. with Rs. 290 lakhs, Vadodara dist. Rs. 195 lakhs, Surat dist. with Rs. 177 lakhs, Valsad dist. with Rs. 149 lakhs,
Bharuch dist. with Rs. 139 lakhs, and Banaskantha dist. with Rs. 122 lakhs. The amount of gross advanced of cash credits and overdrafts in remaining dist.s ranged between Rs. 95 lakhs (in Junagadh dist.) and Rs. 1 lakh (in Kutch dist.).

(b) In 1971-72, Ahmedabad City, Kheda dist. and the Panch Mahals dist. ranked first, second and third with gross advanced of Rs. 2407 lakhs, Rs. 1544 lakhs, and Rs. 1086 lakhs respectively; the range of gross advanced in the remaining dist.s was between Rs. 366 lakhs and Rs. 4 lakhs.

(c) In 1972-73, in terms of absolute figures, Ahmedabad City had the highest amount of gross advanced of Rs. 4764 lakhs, followed by Rs. 1596 lakhs in Kheda dist., Rs. 567 lakhs in Junagadh dist., Rs. 404 lakhs in the Panch Mahals dist., Rs. 362 lakhs in Bharuch dist., Rs. 310 lakhs in Surat dist., Rs. 249 lakhs in Valsad dist., Rs. 234 lakhs in Bhavnagar dist., Rs. 211 lakhs in Vadodara dist., Rs. 157 lakhs in Mehsana dist., Rs. 129 lakhs in Sabarkantha dist. and Rs. 119 lakhs in Banaskantha dist.. In the remaining dist.s, the amount of gross advanced ranged between Rs. 71 lakhs and Rs. 5 lakhs.
(iv) While in 1970-71, Mehsana dist. had the highest amount of outstandings of cash credits/overdrafts, followed by Kheda dist. (with Rs. 257 lakhs); in 1972-73, Ahmedabad City had the highest outstanding of Rs. 1438 lakhs, followed by Kheda dist. with Rs. 690 lakhs.

**Inter-state level:** Table 6.17 depicts inter-state picture of cash credits and overdrafts for the years 1969-70, 1970-71, and 1971-72, from which is derived analytical comparison of performances of various States as interpreted below:

(i) (a) During 1969-70, in Gujarat 71.7 per cent banks sanctioned cash credits and overdrafts; in Maharashtra and Karnataka the same facilities were extended by 66.5 per cent banks and 34.8 per cent banks respectively. At All-India level only 32.7 per cent banks provided these facilities. Tamil Nadu did not extend this type of advances to any of their client-members.

(b) In 1970-71, Maharashtra topped the list as its 81.2 per cent banks sanctioned cash credits and overdrafts. Gujarat closely followed Maharashtra by its 73.0 per cent banks having sanctioned these advances, followed by Karnataka with 40.5 per cent banks and All-India with 38.7 per cent banks. Tamil Nadu had no such advances. Similarly, in 1971-72, 73.0 per cent banks of Maharashtra
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<tbody>
<tr>
<td></td>
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<td>b</td>
<td>c</td>
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<tr>
<td>Tamil Nadu</td>
<td>140</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All India</td>
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<td>369</td>
<td>4245</td>
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</tbody>
</table>

- a = Total No. of banks.
- b = No. of Banks undertaking cash credits and overdrafts.
- c = Limits sanctioned (in lakhs of Rs.).
- d = Gross advanced (in lakhs of Rs.).
- e = Highest outstanding (in lakhs of Rs.).

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sanctioned cash credits and overdrafts, 71.3 per cent banks of Gujarat did the same; whereas 39.0 per cent banks at All-India level and 38.9 per cent banks in Karnataka sanctioned cash credits and overdrafts. Again, Tamil Nadu, in this year did not too, apparently took no interest and sanctioned any cash credit or overdrafts to their clientele.

(c) The UCBs in Gujarat and Maharashtra had taken active lead in sanctioning cash credits and overdrafts to their clientele for productive purposes. Karnataka had made a medium pace effort, but, it is apparent that the banks could not popularise this source for productive purposes amongst industrialists, small traders, artisans and the like. So far as Tamil Nadu was concerned, there appeared some apathy for this scheme and no bank showed any interest to utilise this source for investment of funds.

Observations: As for the salient features now in vogue, whatever be in terms of aims and ideals, theories and practice, it should as a healthy recourse, as regards advancing by Cash Credit System, the writer cannot but emphasise as follows:

(a) By or before the expiry of the prescribed time limit, the borrower must wipe out his debts.
(b) If genuine and valid reasons in the favour of the borrower demands; a fresh credit may be granted to him necessarily in the instances only in which the previous ones are fully cleared.

(c) The time-gap between the expiry of the time limit of a previous cash credit and commencement for a fresh one; should not be of less than 60 days; as it is apprehended that if there is a small gap of 4 to 5 days the borrower will manage to bring forward the money on a prohibitive rate of interest from a private money-lender and will close his cash credit account which can again start, say after about 4-5 days. This will not prove to be healthy practice, as it will not truly reflect the position of financial stability of the borrower. It will not thus be worth to extend financial accommodations to the one who is not possessed of real financial stability; but who is only smart enough in exhibiting superficial make up by way of jugglary of imbueing cross transactions to dramatise his perforced status of being recognised as a person of plenty.

(d) The banks should reduce the quantum of clean cash credit and should resort to pledge cash credit and hypothecation cash credit. Similarly, no clean overdraft should be granted by the UCBs.
(e) Temporary overdrafts or similar facilities provided by the UCBs in the form of allowing the parties to withdraw money against cheques in clearing should be immediately dispensed with or should be restricted.

(c) Loans: Banks, in essence, in a rudimentary expression, are, but money-lenders possessed of the art of trading in money with profit. Loans are but one of the forms of bank advances which the banker makes in a lump-sum. This form of advance is generally availed of by individuals and enterprises who need finance for a specified period of time. The UCBs are mini-commercial banks and their main activity is of advancing loans of varied scales to their members.

Concept: Loan is a specified amount of money for a well-defined purpose sanctioned by an UCB to its member for a definite period. The latter may either draw the same in entirety in cash or deposit the amount back in the bank in his current or savings account; but, in essence, the full amount of loan is thus legally granted and drawn by the member. He has to pay interest on the full amount from the date of drawal of the loan. As for repayment of the loan, the same may generally be done wholly at a time in lump sum or in instalments if so permitted under the terms and conditions agreed upon earlier.

Distinction between cash credit and loan: While there are a
number of distinguishing points between a loan and a cash credit, mention may be made of an important one, namely, cash credit enjoys continuity, whereas loan is for a specified period. A loan when once repaid in full, or in part, cannot be drawn again by the borrower unless the banker sanctions a fresh loan again. Loan accounts are supposed to have lower operating cost than cash credits, because of a large number of operations in the case of the latter as compared to the former, and consequently, a lower rate of interest on loans appears to be justifiable than in the case of cash credits.\textsuperscript{35}

**Types:** On the basis of duration of loans, they are classified as (i) short-term loans and (ii) medium-term loans.

The short-term loans are provided by the banks to their member-customers to meet with the working capital requirements. These short-term loans are granted for a period not exceeding one year. Middle class persons, salary earners, traders etc. are popularly availing of this type of loans for meeting consumption expenses. This type of loans are granted to the members against (i) personal securities of the borrower; or (ii) certain collaterals like, gold and silver ornaments, Govt. papers, fixed deposit receipts, etc.

Medium-term loans provided by the banks are popularly reckoned as 'Termed Loans'. These loans are granted for

the purposes of establishment, renovation, expansion and modernisation of industrial units, such loans being granted for a period ranging between 2 and 5 years.

Another point to be noted is that the period of repayment of such loans is longer, and the degree of risk involved in them is greater than that of the short-term loans. Further, the repayment of the medium term loans is expected to come out of the resultant increased earnings of the borrowing concerns. Thus, in the case of lendings in medium term loans a closer and vigilant appraiser on the borrowing concern is required to be exercised.

The UOBs, however, provide both types of loans to their clientele, consistent with the restrictions laid down, from time to time, by the RBI.

**Maximum limits**: The bye-laws of the UOBs do prescribe the maximum limit up to which the loans may be granted by them. These limits are dependent upon the resources at the command of the UOBs. The Board of Directors, therefore, need to take due care to ensure that they strictly adhered to the set limits. The limits for short term and medium term loans, and secured and unsecured ones are different in each case.) For example, the Cooperative Bank of Ahmedabad Ltd., Ahmedabad provided for (a) the maximum limit of 70 per cent of the market price of the raw material or finished goods with a ceiling of Rs. 50,000; (b) a limit of Rs. 10,000
against security of gold and silver ornaments, (c) a limit of 50 per cent of the market value of the immovable property with a ceiling of Rs. 15,000 for the medium-term secured loans; while the limit for the short-term unsecured loans the limit was fixed at Rs. 5,000.\textsuperscript{36} The Surat Peoples Cooperative Bank Ltd., Surat also provided similar limits thus: (a) Rs. 15,000 against gold and silver ornaments, (b) Rs. 20,000 against the security of machinery, for medium-term secured loans; whereas the limit for short-term unsecured loans the ceiling was fixed at Rs. 10,000.\textsuperscript{37}

Procedure: An intending borrower has to go through the new well-defined and laid down formalities for securing a loan from an UCB. The following are the main stages involved in this process:

(i) Submission by the proposed borrower of an application in the prescribed form with full and correct data honestly filled in.

(ii) Investigation by the bank's field-cum-technical staff as regards genuineness and feasibility of the proposal contemplated by the proposed loanees.

(iii) Assessment by the bank's Loan Officer as regards the capacity of the proposed borrower to repay the loan within prescribed time limit and his submission

\textsuperscript{36} J-3: p. 23. \textsuperscript{37} J-98: pp. 15-16.
thereof to the Bank Manager.

(iv) Scrutiny of the papers by the Bank Manager and his submission to the higher level.

(v) Recommendation and fixation of limit of credit by the Cash Credit Loan Committee.

(vi) Actual sanction by the Board of Directors.

(vii) Execution of (a) a Promissory Note by the borrower, (b) the bonds of two competent sureties, (c) the agreement in the case of pledged loans; hypotheca­tion and mortgage deals. In the case of hypotheca­tion, as the charge does not remain with the bank, the inventory of movable articles, which will be a part of agreement will be verified from time to time. In the case of mortgage, documents of clear title of the immovable properties duly endorsed by the borrower in favour of the bank will be required to be kept in the charge of the bank.

(viii) Sanctioning of loans: All applications for loans, either for short-term or for medium-term, are first scrutinised by the technical-cum-field staff who with their comments on all facts and facets and their opinion regarding capacity of the borrower for repay­ment are routed to the Manager through the Loan Officer. The manager, in turn, studies the case and with his observations submits the file for final
decision to the Board of Directors. In certain cases, however, the powers for sanctioning up to a specified amount are delegated by the board of directors to the Manager/Managing Director.

Most of the UCBs, in respect of grant of credits, set up the Credit Committee, out of the members of the Board of Directors, with some members coopted from other ordinary members in order to facilitate the grant of credits. Where such credit committee exists, loan applications will first be put up to it by the Manager. The Credit Committee will go into the details and fix the credit limit. The Board of Directors in turn while sanctioning the loan will take due cognizance of actions processed by the Credit Committee and the limit fixed by the latter. Normally, in no case the Board goes beyond the limit fixed by the Credit Committee while sanctioning the loans; it is, besides, needless to say that the Board, does definitely enjoy the powers to reduce the limit decided by the Credit Committee.

(ix) Disbursement of loan sanctioned: Before the disbursement of loan is made to the borrower, the bank authorities, will ensure that (a) all the documents are fully executed as per extant rules and surrendered in the charge of the bank, (b) pledged goods are surrendered to the bank, (c) additional shares are purchased
by the borrower, (d) verification is done of hypothecated movable articles, (e) agreements are legally executed in case of pledged, hypothecated and mortgaged loans, and (f) all the items as per procedures are fully complied with by the borrower.

Growth trends:

State level: In Table 6.18 are presented the yearwise data of loans granted by the UCBs in Gujarat State during 1965-66 to 1972-73. The analysis of which would lead us to the following main results:

(i) Banks advancing loans as percentage of total banks were 100 in 1969-70, followed by 97.0 in 1972-73, 96.9 in 1968-69, 96.3 in 1971-72, 92.6 in 1967-68, 92.0 in 1970-71 and 88.3 in 1966-67.

(ii) Taking 1965-66 as the base year, while the membership of the UCBs experienced a rise of 58.9 per cent in 1972-73 and the borrowing members rose to 115.5 per cent.

(iii) In 1965-66, the amount of loans advanced was of Rs. 1534 lakhs, rose to Rs. 5037 lakhs in 1972-73, indicating a rise of 228.4 per cent.

(iv) The annual percentage rise in the amount of loans advanced was observed to be un-uniform. The highest annual percentage rise was marked by 51.4 in 1971-72, followed by 44.0 in 1966-67, 23.8 in 1970-71, 20.4 in

(v) The average lending per advancing UCB was the highest in 1972-73 with Rs. 26.4 lakhs followed by Rs. 24.6 lakhs in 1971-72, Rs. 21.8 lakhs in 1968-69, Rs. 20.8 lakhs in 1966-67, Rs. 20.1 lakhs in 1967-68, Rs. 19.6 lakhs in 1970-71, Rs. 17.2 lakhs in 1969-70, and Rs. 13.3 lakhs in 1965-66.

(vi) The average lending per advancing UCB, which was of Rs. 13.3 lakhs in 1965-66 rose to Rs. 26.4 lakhs in 1972-73, which showed a rise of 98.5 per cent.

(vii) While the highest average lending per borrowing member was Rs. 2.3 thousands in 1972-73, the lowest average lending per borrowing member was Rs. 1.5 thousands each in 1965-66, 1969-70 and 1970-71. The figures of the highest amount of average lending per borrowing member of Rs. 2.3 thousands (in 1972-73) followed by Rs. 2.2 thousands in 1971-72, Rs. 2.0 thousands each in 1966-67 and 1967-68, and Rs. 1.8 thousands in 1968-69.

(viii) The borrowing members as percentage of total members ranged between 51.9 in 1970-71 and 41.5 in 1967-68. Again, the borrowing members as percentage of total members was the highest in 1970-71 with 51.9 followed by 49.7 in 1968-69, 49.5 in 1971-72, 49.2 in 1972-73,
### Table 6.19

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<th>Year (July-June)</th>
<th>Total No. of Members (in '000)</th>
<th>Borrowing Members (in '000)</th>
<th>Amount of loans advanced (in lakhs of Rs.)</th>
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48.6 in 1969-70, 43.2 in 1966-67, 42.6 in 1965-66 and 41.5 in 1967-68. This establishes that but for the figure of 51.9 per cent reflected in 1970-71, the figures of borrowing members as percentage to total members was below 50 in all the years.

**Intra-state level:** In Table 6.19 are presented the district-wise figures of loans advanced by the UCBs in Gujarat during 1966-67, 1968-69, 1970-71 and 1972-73, the main analytical interpretations of which are subjoined below:

(1) In the year 1966-67, the average lending per borrowing member was the highest in the Panch Mahals dist.

(Rs. 9.3 thousands), followed by Sabarkantha dist. (Rs. 9.0 thousands), Mehsana dist. (Rs. 7.3 thousands), Bharuch dist. (Rs. 4.0 thousands), Surat dist. (Rs. 2.8 thousands), Valsad dist. (Rs. 2.4 thousands), Amreli dist. (Rs. 2.1 thousands), Rajkot dist. (Rs. 1.7 thousands), Kheda dist. (Rs. 1.4 thousands), and Vadodara dist. (Rs. 1.0 thousand). In the remaining dist.s the average lending per borrowing member ranged between Rs. 0.7 thousand (in Bhavnagar dist.) and Rs. 0.3 thousand (in Banaskantha and Kutch dist.s each). In 1968-69, the highest average lending per member was observed in Banaskantha dist. worth Rs. 7.3 thousands, followed by Rs. 5.9 thousands in Amreli dist., Rs. 5.7 thousands in Kheda dist., Rs. 4.8 thousands in Mehsana dist., Rs. 4.7 thousands in Surat dist., Rs. 4.3 thousands in Surendranagar dist., Rs. 3.7 thousands in Sabarkantha dist., Rs. 3.5 thousands in Bharuch dist., Rs. 2.9 thousands in the Panch Mahals dist., Rs. 2.1 thousands in Bhavnagar dist., Rs. 1.2 thousands each in Rajkot and Vadodara dist.s. The range of average lending per borrowing member in the remaining dist.s was from Rs. 0.7 thousand (in Jamnagar dist.) to Rs. 0.4 thousand (in Kutch and Valsad dist.s each). In 1970-71, the average lending per borrowing member was the highest in Amreli dist. with Rs. 6.1 thousands, followed
by Kheda dist. with Rs. 4.8 thousands, Sabarkantha dist. with Rs. 4.3 thousands, Mehsana dist. with Rs. 4.0 thousands, Rajkot dist. with Rs. 3.5 thousands, Bharuch dist. with Rs. 3.0 thousands, the Panch Mahals dist. with Rs. 2.7 thousands, Valsad dist. with Rs. 2.5 thousands, Banaskantha dist. with Rs. 1.7 thousands, Ahmedabad (Rural) dist. with Rs. 1.4 thousands, and Vadodara dist. with Rs. 1.3 thousands. The average lending per borrowing member in the remaining dist.s ranged between Rs. 0.9 thousand (in Surat dist.) and Rs. 0.4 thousands (in Ahmedabad City and Kutch dist.s each). In 1972-73, the highest average lending per borrowing member was of Rs. 21.0 thousands in Banaskantha dist., followed by Rs. 9.5 thousands in Amreli dist., Rs. 9.4 thousands in Sabarkantha dist., Rs. 5.0 thousands in Mehsana dist., Rs. 3.8 thousands in Kheda dist., Rs. 3.2 thousands in Bharuch dist., Rs. 3.1 thousand in Surendranagar dist., Rs. 2.8 thousands in Surat dist., Rs. 2.3 thousands in the Panch Mahals dist., Rs. 2.2 thousands in Valsad dist., Rs. 1.9 thousands in Ahmedabad City, Rs. 1.8 thousands in Ahmedabad (Rural) dist., Rs. 1.5 thousands in Bhavnagar dist. and Rs. 1.0 thousand in Junagadh dist.; the average lending per borrowing member in the remaining dist.s ranged between Rs. 0.9 thousand (in Jamnagar dist.) and Rs. 0.2 thousand (in Kutch dist.). While in
Table 6.1940

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</table>

a = Average lending per $borrowing$ member (in '000 Rs.)
b = Borrowing Members as % of total members.

40. Ibid.
Gandhinagar dist. only one bank was existed in 1972-73, which did not grant any loans to its members; Dangs dist. had no UCB.

(ii) During the years 1966-67, 1968-69, 1970-71 and 1972-73, the average lending per borrowing member was the highest in Banaskantha dist. in 1972-73 reflected by Rs. 21.0 thousands, followed by Rs. 9.5 thousands in Amreli dist. in 1972-73, Rs. 9.4 thousands in Sabarkantha dist. in 1972-73, Rs. 9.3 thousands in the Panch Mahal dist. in 1966-67, Rs. 7.3 thousands each in Mehsana dist. in 1966-67 and Banaskantha dist. in 1968-69, Rs. 6.1 thousands in Amreli dist. in 1970-71, Rs. 5.9 thousands in Amreli dist. in 1968-69, Rs. 5.7 thousands in Kheda dist. in 1968-69, Rs. 5.0 thousands in Mehsana dist. in 1972-73, Rs. 4.8 thousands each in Mehsana and Kheda dist.s in 1968-69 and 1970-71 respectively, Rs. 4.7 thousands in Surat dist. in 1968-69, Rs. 4.3 thousands each in Surendrangar and Sabarkantha dist.s in 1968-69 and 1970-71 respectively, Rs. 4.0 thousands each in Bharuch and Mehsana dist.s in 1966-67 and 1970-71 respectively, Rs. 3.8 thousands in Kheda dist. in 1972-73, Rs. 3.7 thousands in Sabarkantha dist. in 1972-73, Rs. 3.5 thousands each in Bharuch and Rajkot dist.s in 1968-69 and 1970-71 respectively, Rs. 3.2 thousands and Rs. 3.1 thousands in Bharuch and Surendranagar dist.s respectively in the year 1972-73 and
Rs. 3.0 thousands in Bharuch dist. in 1970-71. In the remaining years in all the dist.s the average lending per borrowing member ranged between Rs. 2.9 thousands and Rs. 0.2 thousand.

(iii) During the spell of 6 years, while Banaskantha, Amreli, Surendranagar, Kheda, Ahmedabad City, Ahmedabad(Rural), Bhavnagar, Junagadh, Sabarkantha, Jamnagar, and Valsad dist.s experienced an increase of the order of Rs.20.7, 7.4, 2.7, 2.4, 1.4, 1.2, 0.8, 0.6, 0.4, 0.3, and 0.2 thousands respectively in the average lending per borrowing bank; the Panch Mahals, Mehsana, Rajkot, Bharuch, Vadodara and Kutch experienced a fall of 7.0, 2.3, 0.9, 0.8, 0.2 and 0.1 thousands respectively, and Surat dist. had neither rise nor fall.

Thus, except for the dist.s of Bharuch, Kutch, Mehsana, the Panch Mahals, Rajkot, Vadodara and Valsad, in all the dist.s the average lending per borrowing member had increased. In Surat dist. it remained stagnant. Gandhinagar dist. did not grant any loan to its members.

(iv) The borrowing members as percentage of total members was the highest in Surat and Surendranagar dist.s each with 100 in 1970-71; followed by 85.1 in Ahmedabad City in the year 1968-69; 83.3 in Jamnagar dist, in 1972-73; 79.2 in Ahmedabad City in 1966-67; 75.0 in
Surendranagar dist. in 1972-73; 71.4 in Ahmedabad (Rural) dist. in 1972-73; 70.0 in Bhavnagar dist. in 1970-71; 66.7 each in Banaskantha, Sabarkantha, Bharuch and Kutch, and Kutch and Sabarkantha dist.s in the years 1966-67, 1968-69, 1970-71, and 1972-73 respectively; 65.2 and 63.0 in Ahmedabad City in the years 1972-73 and 1970-71 respectively; 60.0 in Ahmedabad (Rural) dist. in 1968-69; 59.4 in Rajkot dist. in 1972-73; 53.8 in Bharuch dist. in 1968-69; 52.9 in Kheda dist. in 1966-67; 50.9 in Vadodara dist. in 1968-69; 50.0 each in Kutch and Sabarkantha, Kutch, and Ahmedabad (Rural) and Sabarkantha dist.s in the years 1966-67, 1968-69, and 1970-71 respectively; 48.0 in the Panch Mahals dist. in 1970-71; 47.4 in the Panch Mahals dist. in 1966-67; 45.5 in Valsad dist. in 1972-73; 45.0 in Mehsana dist. in 1968-69; 41.7 each in Bharuch and Junagadh dist.s in 1966-67 and 1970-71 respectively; 41.5 in Vadodara dist. in 1972-73; 41.4 and 41.2 in 1970-71 in Rajkot and Mehsana dist.s respectively; 40.9 each in the Panch Mahals and Bhavnagar dist.s in the years 1968-69 and 1972-73 respectively; 40.0 each in Amreli, Bhavnagar and Junagadh, Jamnagar, and Junagadh dist.s in the years 1966-67, 1970-71, and 1972-73 respectively.

The borrowing members as percentage of total members in the remaining years in all the districts ranged
between 38.9 (in Bharuch dist. in 1972-73) and 14.3 (in Rajkot and Surendranagar dist.s each in 1966-67).

Thus, in most of the UCBs all the members were not borrower-members. The UCBs should see that they attract all members needing finance by providing good banking and other services to them.

**Inter-state level:** In Table 6.20 are presented the inter-state position of growth trends in loans given by the UCBs in selected States during 1967-68 to 1972-73; the analytical derivations of which are enumerated below:

(i) In 1967-68, Maharashtra had the highest amount of average lending per borrowing member worth Rs. 2.2 thousands, followed by Gujarat with Rs. 2.0 thousands, Karnataka and All-India with Rs. 1.3 thousands each, and Tamil Nadu with Rs. 0.5 thousands. Similarly, in 1968-69, Maharashtra stood first with Rs. 2.5 thousands, followed by Karnataka (Rs. 2.1 thousands), Gujarat (Rs. 1.8 thousands), All-India (Rs. 1.4 thousands) and Tamil Nadu (Rs. 0.5 thousands). Again, in 1969-70, Maharashtra topped the list with Rs. 2.6 thousands, followed by Karnataka with Rs. 1.7 thousands, Gujarat with Rs. 1.5 thousands, All-India with Rs. 1.3 thousands and Tamil Nadu with Rs. 0.5 thousands. In 1970-71, too, Maharashtra was marked with the highest average lending per borrowing member being Rs. 2.9
by
thousands, followed
Gujarat with Rs.1.5 thousands, All-India with Rs. 1.4 thousands, Karnataka with Rs. 1.3 thousands and Tamil Nadu with 0.6 thousand.

In 1971-72 also, Maharashtra topped the list with the highest amount of average lending per borrowing member of Rs. 2.8 thousands, followed by Karnataka (Rs. 2.6 thousands), Gujarat (Rs. 2.2 thousands), All-India (Rs. 1.8 thousands), and Tamil Nadu (Rs.0.8 thousand). In 1972-73, Gujarat and Maharashtra stood first with average lending per borrowing member of Rs. 2.3 thousands each, followed by Karnataka with Rs. 2.2 thousands, All-India with Rs. 1.5 thousands, and Tamil Nadu with Rs. 0.7 thousand.

Thus, in all the years from 1967-68 to 1972-73, Maharashtra ranked first with the highest average lending per borrowing member; whereas Gujarat acquired the first position, side by side with Maharashtra in 1972-73, second rank in two years (viz., 1967-68 and 1970-71) and the third position in the remaining 3 years of 1968-69, 1969-70 and 1971-72).

(ii) On the base year of 1967-68, the average lending per borrowing member rose to 15.0 per cent in Gujarat, 4.5 per cent in Maharashtra, 69.2 per cent in Karnataka, 40.0 per cent in Tamil Nadu and 15.4 per cent at All-India level in 1972-73.
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>b</td>
</tr>
<tr>
<td>Gujarat</td>
<td>2.0</td>
<td>41.5</td>
<td>1.8</td>
<td>49.7</td>
<td>1.5</td>
<td>48.6</td>
</tr>
<tr>
<td>Mahara-</td>
<td>2.2</td>
<td>47.4</td>
<td>2.5</td>
<td>47.7</td>
<td>2.6</td>
<td>47.2</td>
</tr>
<tr>
<td>orningsra</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Karnataka</td>
<td>1.3</td>
<td>57.9</td>
<td>2.1</td>
<td>54.6</td>
<td>1.7</td>
<td>45.0</td>
</tr>
<tr>
<td>Tamil</td>
<td>0.5</td>
<td>24.1</td>
<td>0.5</td>
<td>24.0</td>
<td>0.5</td>
<td>27.9</td>
</tr>
<tr>
<td>Nadu</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All India</td>
<td>1.3</td>
<td>38.2</td>
<td>1.4</td>
<td>39.5</td>
<td>1.3</td>
<td>41.8</td>
</tr>
</tbody>
</table>

a = Average lending per borrowing members (in '000 Rs.)
b = Borrowing members as % of total members.

---

Thus, in terms of percentage rise in a period of 5 years, Karnataka stood first, followed by Tamil Nadu, Gujarat and Maharashtra.

(iii) In 1967-68, the borrowing members as percentage to total members were the highest in Karnataka reflected by 57.9, followed by 47.4 in Maharashtra, 41.5 in Gujarat, 38.2 in All-India and 24.1 in Tamil Nadu; in 1968-69, Karnataka topped the list with the highest percentage of borrowing members of total members of 54.6, followed by Gujarat with 49.7, Maharashtra with 47.7, All-India with 39.5, and Tamil Nadu with 24.0. In the year 1969-70, the highest percentage of 48.6 was in Gujarat, followed by 47.2 in Maharashtra, 45.0 in Karnataka, 41.8 in All-India and 27.9 in Tamil Nadu. In 1970-71, again, Gujarat topped the list with 51.9, followed by Karnataka (49.2), Maharashtra (47.4), All-India (42.5) and Tamil Nadu (29.6). In 1971-72 Maharashtra had the highest percentage of borrowing members to total members reflected by 54.4, followed by Gujarat with 49.5, Karnataka with 46.9, All-India with 43.0 and Tamil Nadu with 25.3. Similarly, in the year 1972-73, Maharashtra topped the list with the highest percentage of borrowing members of the total members of 60.9, followed by Karnataka (52.2), All-India (50.3), Gujarat (49.2) and Tamil Nadu (35.1).
Thus, in terms of percentage of borrowing members to total members, in 1967-68 Karnataka ranked first, Maharashtra second and Gujarat third; in 1968-69 Karnataka ranked first, Gujarat second and Maharashtra third; in 1969-70 Gujarat stood first, Maharashtra second and Karnataka third; in 1970-71 Gujarat secured first position, Karnataka second position and Maharashtra third position; in 1971-72 Maharashtra ranked first, Gujarat second and Karnataka third; in 1972-73 again Maharashtra led the rest, followed by Karnataka and Gujarat, Tamil Nadu had very low percentages of borrowing members of the total members.

(iv) The borrowing members as percentage of total members ranged between 51.9 (in 1970-71) and 41.5 (in 1967-68) in Gujarat; between 60.9 (in 1972-73) and 47.2 (in 1969-70) in Maharashtra; between 57.9 (in 1967-68) and 45.0 (in 1969-70) in Karnataka; between 35.0 (in 1972-73) and 24.0 (in 1968-69) in Tamil Nadu; and between 50.3 (in 1972-73) and 38.2 (in 1967-68) at All-India level. Thus, the UCBs of Maharashtra State could cover higher percentage of borrowing member as compared to the other States.

Interest rates structure: The banks charge interest on the loans granted by them since that makes a substantial source of earning for them. These rates may be different on different types of loans depending upon whether the loan is
secured or unsecured one. Very obviously the rates of interest on secured loans are lower as the banker is assured of the repayment of the loan amount. Thus, in this case the rate of interest is vicariously connected with the degree of risk involved. They charge higher rates of interest on clean or unsecured loans.

At the Seminar of the UCBs of the Ahmedabad/Gandhinagar dists. held under the auspices of the Ahmedabad District Cooperative Bank Ltd., Ahmedabad, on September 3, 1972, it was expressed that in order to avoid unhealthy competition, the UCBs should devise a broad guideline in regard to the rates of interest for lending. 42

Whereas majority of the UCBs are not mindful of specific norms of types of securities in deciding the rate of interest to be charged on an advance, some banks do charge varying rates of interest in keeping with the securities offered by the borrowers. For example, the Halol Urban Cooperative Bank Ltd., Halol, charged 10 per cent interest on pledge of goods, 10% per cent on loan against gold and silver ornaments and immovable property, 11 per cent on loan against hypothecation and 1½ per cent higher than allowed on Fixed Deposit Receipts as on June 30, 1971. 43 Similarly, the Kalol Urban Cooperative Bank Ltd., Kalol (Panch Mahals Dist.) charged 11 per cent on pledge of goods and hypothecation, 10 per cent

on immovable property, 1 per cent higher than allowed on Fixed Deposit Receipts as on June 30, 1971. The Visnagar Nagrik Sahakari Bank Ltd., Visnagar, also, charged differential rates according to the type of securities offered by a borrower. The rates charged were 11½ per cent on pledge of goods, 11 per cent against gold and silver ornaments, 12 per cent on hypothecation, 11½ per cent on mortgage loan, 1 per cent higher than allowed on Fixed Deposit Receipts as on June 30, 1971.

Normally, the UCBs charge different rates, on secured and unsecured loans. But the analysis of data of the rates of interest charged by 10 selected UCBs as on June 30, 1971, presented in Table 6.21 revealed that the majority of the UCBs had not made any distinction between the secured and unsecured loans, as 4 or 40 per cent of them laid down the same rates for both the types of loans, and that surprisingly, in case of 3 banks the rates on secured loans exceeded by ½ per cent over the unsecured loans. The author feels that sound commercial prudence warrants a difference in the rates of interest on secured and unsecured loans and those who put some security should get the benefit of lower rates of interest.

The study brought out the following reasons for variations in the rates of interest charged by our UCBs:

44. B-82.  45. B-75.
Table 6.21

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Bank</th>
<th>Rates of interest charged</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Secured loans</td>
</tr>
<tr>
<td>1.</td>
<td>The Ahmedabad Peoples Coop. Bank Ltd., Ahmedabad.</td>
<td>Between 10% &amp; 11%</td>
</tr>
<tr>
<td>2.</td>
<td>Cooperative Bank of Ahmedabad Ltd., Ahmedabad.</td>
<td>Between 11% &amp; 12%</td>
</tr>
<tr>
<td>3.</td>
<td>The Jamnagar Nagrik Sahakari Bank Ltd., Jamnagar.</td>
<td>12%</td>
</tr>
<tr>
<td>4.</td>
<td>The Tarapur Urban Coop. Bank Ltd., Tarapur.</td>
<td>9%</td>
</tr>
<tr>
<td>5.</td>
<td>The Umreth Urban Coop. Bank Ltd., Umreth.</td>
<td>10%</td>
</tr>
<tr>
<td>6.</td>
<td>The Morvi Nagrik Sahakari Bank Ltd., Morvi.</td>
<td>12%</td>
</tr>
<tr>
<td>7.</td>
<td>The Himatnagar Nagrik Sahakari Bank Ltd., Himatnagar.</td>
<td>11%</td>
</tr>
<tr>
<td>8.</td>
<td>The Halol Urban Coop. Bank Ltd., Halol.</td>
<td>Between 10% &amp; 10½%</td>
</tr>
<tr>
<td>9.</td>
<td>The Kalol Urban Coop. Bank Ltd., Kalol(Dist. Panch Mahals)</td>
<td>Between 10% &amp; 11%</td>
</tr>
<tr>
<td>10.</td>
<td>The Visnagar Nagrik Sahakari Bank Ltd., Visnagar.</td>
<td>Between 11½% &amp; 12%</td>
</tr>
</tbody>
</table>

(i) Absence of an apex controlling institution: An apex authority would facilitate the process of fixation of an uniform rate of interest on both the deposits as well as lendings, with a permissible reasonable variation keeping in view the local environments.

(ii) Different cost of borrowings in different regions: A

46. B-1, B-3, B-40, B-60, B-64, B-75, B-81, B-82, B-89, and B-93.
borrower is prepared to pay a price in relation to his need. Wherever there are more potentialities for advances, the UCBs may be prepared to pay a higher rate of interest on deposits to mobilise savings. This may very naturally require them to charge different rates.

(iii) Location of a bank: The rent and other upkeep charges will have an important bearing on the total costs of management of a bank. In a fully developed urban area, these are bound to be higher as compared to charges required to be paid by the UGBs located in semi-urban area and hence, the UCBs charge higher rates of interest.

(iv) Size of bank: The bigger the size of a bank, the higher is its cost of management that compels the bank to keep high rates of interest.

(v) Demand for credit: The economic law of demand and supply also contributes to the different rates of interest charged in different areas. The higher the demand for credit, higher are the rates of interest.

(vi) Existence of competing banking units: If an UCB enjoys a monopoly position it will be able to avail all the overriding advantages in its area of operation. However, if there prevails competition in the area of the mightier commercial banks, the UCBs may have
to be prudent enough to keep down the rate of interest reasonably.

(vii) Regulatory provisions of the RBI: In order that the UCBs, in a craze of competition may not keep their rates fantastically low which may lead them to declines, the RBI regulates provisions of maxima and minima of rates.

While the rates of interest will depend upon the interaction of the demand and supply forces for credit, the following factors directly or otherwise act as determinants of the rate fixation:

(i) **Prevailing Bank Rate**: No bank will be able to charge less than the prevailing 'Bank Rate'. Thus, the Bank Rate will be taken as a base for fixation of the rate of interest.

(ii) **Prevailing Money Market Rate**: This will also act as one of the determinants, in the rate of interest since the UCBs are operating in the money market and they cannot keep themselves aloof of the interactions of the prevailing money market rates.

(iii) **Degree of risk involved**: Though not directly the risk factor does come in for the fixation of the rate of interest, the greater the degree of risk involved, the higher are the rates of interest.
(iv) **Type of borrowing industry:** The stability or otherwise of an industry or its nature will have its impact on rate determination. Again, the reputation of the borrowers may also indirectly cause an impact on rate determination.

(v) **RBI's credit policy:** The rate fixation will also be influenced by the existing credit policy followed by the RBI.

The commercial banks and the UCBs charge different rates of interest on the same type of advances granted by them. The commercial banks are guided by the directives of the RBI which lay down the maximum rates to be charged by them. Thus, they are permitted to charge a maximum rate of 16\% per cent.\(^{47}\) The current rate of interest charged on loans against hypothecation/pledge by Dena Bank, a nationalised commercial bank, is 16 per cent, while Bank of Baroda charges up to 16\% per cent; The Karamsad Urban Cooperative Bank Ltd., Karamsad, charges 15\% per cent; and 15 per cent is charged by the Anand Urban Cooperative Bank Ltd., Anand.\(^{48}\) Interest charged on loans on personal security by Dena Bank and Bank of Baroda is 16\% per cent while the Anand Urban Cooperative Bank Ltd., Anand charges 15 per cent and the Karamsad Urban Cooperative Bank Ltd., Karamsad charges 8 per cent on borrowings up to Rs. 2000 and 16\% per cent for

\(^{47}\) L-6: p. 398.  
\(^{48}\) D-13.
amount above Rs. 2000.  

**Size:** Unlike the commercial banks, the UCBs grant loans of very small sizes to a customer ranging from below Rs. 100 to Rs. 5000. In Table 6.22 are presented the data regarding different sizes of loans advanced by the UCBs in Gujarat from 1964-65 to 1972-73, the analytical study of which would show as

(i) In 1964-65, out of total amount of loans of Rs. 1955 lakhs, 30.8 per cent fell within the loan slab of Rs. 501 to Rs. 1000, 26.3 per cent fell within the slab of Rs. 301 to 500, 18.0 per cent fell in the slab of Rs. 501 to Rs. 1000, 15.3 per cent were in the slab of over Rs. 5000, 9.2 per cent were in the slab of Rs. 101 to 300 and 4.0 per cent fell in the slab of Rs. 100 and less.

(ii) In 1965-66, out of total loans of Rs. 1534 lakhs, 20.7 per cent, 20.0 per cent, 15.3 per cent, 8.2 per cent, and 5.7 per cent were in the slabs of Rs. 1001 to 5000, Rs. 501 to 1000, Rs. 301 to 500, Rs. 101 to 300, over Rs. 5000, and Rs. 100 and less respectively.

(iii) In 1966-67, out of total amount worth Rs. 2209 lakhs, while 37.5 per cent fell in the slab of Rs. 1001 to Rs. 5000, 22.6 per cent fell in the slab over Rs. 5000,

49. Ibid.
and 19.1 per cent, 11.7 per cent, 8.8 per cent and 0.3 per cent were in the slabs of Rs. 501 to 1000, Rs. 301 to 500, Rs. 101 to 300, and Rs. 100 and less respectively.

(iv) In 1967-68, out of total loans of Rs. 2268 lakhs, Rs. 739 lakhs (or 32.6 per cent) were in the slab of Rs. 1001 to Rs. 5000, Rs. 578 lakhs (or 25.5 per cent) fell in the slab of Rs. 501 to 1000, Rs. 499 lakhs (or 22.0 per cent) were in the slab of over Rs. 5000, Rs. 244 lakhs (or 10.7 per cent) in the slab of Rs. 301 to 500, Rs. 175 lakhs (or 7.7 per cent) in the slab of Rs. 101 to Rs. 300 and Rs. 33 lakhs (or 1.5 per cent) in the slab of Rs. 100 and less.

(v) While in 1968-69, out of total amount of loans of Rs. 2731 lakhs, 35.5 per cent were in the slab of Rs. 501 to Rs. 1000, 23.1 per cent were in the slab of Rs. 1001 to Rs. 5000, 16.0 per cent fell in the slab of Rs. 301 to 500, 14.8 per cent were in the slab of over Rs. 5000, 5.6 per cent were in the slab of Rs. 101 to 300 and 5.0 per cent in the slab of Rs. 100 and less; in 1969-70, out of total loans of Rs. 2375 lakhs, 44.3 per cent were in the slab of Rs. 1001 to 5000, 24.0 per cent were in the slab of Rs. 501 to Rs. 1000, 16.8 per cent were in the slab of over Rs. 5000, 13.3 per cent in the slab of Rs. 301
(in lakhs of Rs.)

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Total Amount</th>
<th>Rs. 100 &amp; less</th>
<th>Rs. 101 to 300</th>
<th>Rs. 301 to 500</th>
<th>Rs. 501 to 1000</th>
<th>Rs. 1001 to 5000</th>
<th>Over Rs. 5000</th>
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</thead>
<tbody>
<tr>
<td>1964-65</td>
<td>1955</td>
<td>8</td>
<td>180</td>
<td>514</td>
<td>352</td>
<td>602</td>
<td>299</td>
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<tr>
<td>1965-66</td>
<td>1534</td>
<td>88</td>
<td>235</td>
<td>306</td>
<td>317</td>
<td>462</td>
<td>126</td>
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<tr>
<td>1966-67</td>
<td>2209</td>
<td>6</td>
<td>193</td>
<td>259</td>
<td>422</td>
<td>829</td>
<td>500</td>
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<td>1967-68</td>
<td>2268</td>
<td>33</td>
<td>175</td>
<td>244</td>
<td>578</td>
<td>739</td>
<td>499</td>
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<tr>
<td>1968-69</td>
<td>2731</td>
<td>136</td>
<td>152</td>
<td>438</td>
<td>969</td>
<td>631</td>
<td>405</td>
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<tr>
<td>1969-70</td>
<td>2375</td>
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<td>33</td>
<td>316</td>
<td>570</td>
<td>1053</td>
<td>398</td>
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<td>1970-71</td>
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<td>67</td>
<td>180</td>
<td>375</td>
<td>616</td>
<td>986</td>
<td>716</td>
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<td>1971-72</td>
<td>4452</td>
<td>57</td>
<td>180</td>
<td>1148</td>
<td>781</td>
<td>1368</td>
<td>918</td>
</tr>
<tr>
<td>1972-73</td>
<td>5037</td>
<td>53</td>
<td>123</td>
<td>322</td>
<td>1092</td>
<td>2047</td>
<td>1400</td>
</tr>
</tbody>
</table>

To Rs. 500, 1.4 per cent fell in the slab of Rs. 101 to Rs. 300 and 0.2 per cent were from the slab of Rs. 100 and less.

(vi) In 1970-71, out of total loans of Rs. 2940 lakhs, while 33.5 per cent fell in the slab of Rs. 1001 to Rs. 5000; 24.3 per cent were in the slab of over Rs. 5000, and 21.0 per cent, 12.8 per cent, 6.1 per cent and 2.3 per cent fell in the slabs of Rs. 501 to 1000, Rs. 301 to 500, Rs. 101 to 300, and Rs. 100 and less respectively.

(vii) In 1971-72, out of total loans of Rs. 4452 lakhs, 30.8 per cent, 25.8 per cent, 20.6 per cent, 17.5 per...
cent, 4.0 per cent and 1.3 per cent fell in loan-groups of Rs. 1001 to Rs. 5000, Rs. 301 to Rs. 500, over Rs. 5000, Rs. 501 to Rs. 1000, Rs. 101 to Rs. 300, and Rs. 100 and less respectively.

(viii) In 1972-73, the amount 40.6 per cent fell within the slab of Rs. 1001 to Rs. 5000, 27.8 per cent fell in the slab of over Rs. 5000, 21.7 per cent were in the slab of Rs. 501 to 1000, 6.4 per cent fell in the slab of Rs. 301 to 500, 2.4 per cent were in the slab of Rs. 101 to 300 and 1.1 per cent fell within the slab of Rs. 100 and less, out of the total amount of loans of Rs. 5037 lakhs.

It can be deduced from the above facts that in all the years, except for 1968-69, the highest amount (or percentage) of loans given by the UOBs fell within the slab of Rs. 1001 to Rs. 5000 and that loans to the tune of 84.7 per cent, 91.8 per cent, 77.4 per cent, 78.0 per cent, 85.2 per cent, 83.2 per cent, 75.7 per cent, 79.4 per cent and 72.2 per cent were in loan-brackets between Rs. 100 and less and Rs. 1001 to Rs. 5000.

Table 6.23 displays district-wise data regarding the sizes of loans advanced by the UCBs in Gujarat during 1964-65 and 1972-73, the analytical study of which would show that the highest contribution in the year 1964-65 was reflected by 84.7 per cent in Ahmedabad City in the loan
slab of Rs. 301 to Rs. 500, followed by 84.2 per cent in Banaskantha dist. in the slab of Rs. 1001 to 5000, 77.9 per cent in Sabarkantha dist. in the slab of Rs. 1001 to 5000, 65.3 per cent in Rajkot dist. in the slab of over Rs. 5000, 62.7 per cent in the Bharuch dist. in the slab of over Rs. 5000, 57.5 per cent in Mehsana dist. in the slab of Rs. 1001 to 5000, 53.2 per cent in Kheda dist. in the slab of Rs. 501 to 1000, 52.7 per cent in Valsad dist. in the slab of Rs. 1001 to 5000, 51.3 per cent in Kutch dist. in the slab of Rs. 301 to 500, 47.6 per cent in Surat dist. in the slab of Rs. 1001 to 5000, 47.2 per cent in Surat dist. in the slab over Rs. 5000, 44.3 per cent in Vadodara dist. in the slab of Rs. 1001 to 5000, 44.1 per cent in Ahmedabad (Rural) dist. in the slab of Rs. 301 to 500; the remaining figures ranged between 34.9 per cent in the amount slab of Rs. 100 and less in Jamnagar dist. and 0.1 per cent each in the slab of Rs. 100 and less in Bharuch and Rajkot dist.s, and the same in the amount slab of Rs. 101 to 300 in Baraskantha dist.. Thus, except Bharuch and Rajkot dist.s, all the dist.s had advanced the highest amounts of loans in the sizes ranging between Rs. 100 & less and Rs. 1001 to Rs. 5000.

In 1972-73, the highest contribution was marked in the slab of over Rs. 5000 with 80.9 per cent in Jamnagar dist.; followed by 68.7 per cent in Valsad dist. in the slab of
over Rs. 5000; 64.9 per cent in Surat dist. in the slab of
over Rs. 5000; 59.0 per cent in Bharuch dist. in the slab
of Rs. 1001 to 5000; 57.5 per cent in Surendranagar dist.
in the slab of Rs. 1001 to 5000; 53.5 per cent in the Panch
Mahals dist. in the slab of over Rs. 5000; 53.4 per cent
in Sabarkantha dist. in the slab of over Rs. 5000; 51.2 per
cent in Ahmedabad (Rural) dist. in the slab of Rs. 1001 to
5000; 48.9 per cent in Bhavnagar dist. in the slab of over
Rs. 5000; 47.3 per cent in Ahmedabad City in the slab of
Rs. 1001 to 5000; 45.6 per cent in Banaskantha dist. in the
slab of Rs. 501 to 1000; 45.4 per cent in Sabarkantha dist.
in the slab of Rs. 1001 to 5000; 44.5 per cent in Rajkot
dist. in the slab of Rs. 1001 to 5000, 42.7 per cent in
Junagadh dist. in the slab of over Rs. 5000; 41.5 per cent
in Vadodara dist. in the slab of Rs. 1001 to 5000; the
remaining figures ranged between 39.2 per cent in Kutch
dist. in the slab of Rs. 501 to 1000, and 0.1 per cent
each in Bharuch and Bhavnagar dists. in the slab of Rs. 100
and less, and 0.1 per cent in Junagadh dist. in the slab
of Rs. 101 to 300.

As against 2 dists. in 1964–65, Jamnagar, Valsad, Surat, Sabarkantha and the Panch Mahals had advanced the
highest amounts of loans in the slab of over Rs. 5000 dur-
ing 1972–73, to the tune of 80.9 per cent, 68.7 per cent,
64.9 per cent, 53.5 per cent and 53.4 per cent respectively
of the total loans advanced. In the rest of the dist.s, the highest amounts of loans advanced, during 1972-73, fell in the slab ranged from Rs. 100 and less to Rs. 1001-5000.

The analysis of the data in regard to the loans of different sizes advanced by the UCBs in selected States during 1969-70 to 1972-73, presented in Table 6.24 would show the following main trends:

(i) In the slab of Rs. 100 and less, the highest percentage of loans advanced reflected by 4.0 in Maharashtra in 1971-72, followed by 3.9 in Karnataka in 1971-72, 3.8 and 3.5 in Tamil Nadu in 1969-70 and 1970-71 respectively, 3.4 at All-India level in 1971-72, 3.3 in Karnataka in 1970-71; the range in the remaining years in all the four States and All-India was between 2.8 each in Tamil Nadu in 1971-72 and in All-India in 1970-71 and 0.2 in Gujarat in 1969-70.

(ii) In the slab of Rs. 101 to 300, Tamil Nadu stood first with the highest percentage of 13.2 each in 1969-70 and 1970-71; followed by 12.1 and 11.0 in the same State in 1971-72 and 1972-73 respectively; 10.9 and 10.2 in Maharashtra in 1969-70, and 1970-71 respectively; 9.8 and 9.6 at All-India level in 1970-71 and 1969-70 respectively; 9.2 in Karnataka in 1970-71; the range in the remaining years in all the four States and at All-India level was between 7.6 in Karnataka

(iii) In the slab of Rs. 301 to 500, the highest percentage of loans advanced reflected by 25.8 in Gujarat in 1971-72, followed by 22.8 in Karnataka in 1969-70, 19.4 and 17.7 in Tamil Nadu in 1969-70 and 1970-71 respectively; 17.5 in Karnataka in 1970-71; 16.0 each in Tamil Nadu in 1971-72 and at All-India level in 1969-70; 15.5 at All-India level in 1971-72, 15.4 in Tamil Nadu in 1972-73, 15.2 at All-India level in 1970-71; the percentage of loans in the remaining years in all the four States and at All-India ranged between 14.6 in Maharashtra in 1970-71 and 5.1 in Karnataka in 1972-73.

(iv) The figures of 30.4 per cent were the highest figures of loans advanced by the UCBs in Karnataka in 1972-73 representing the slab of Rs. 501 to 1000, followed by 28.9 per cent each in Karnataka in 1970-71 and 1971-72; 26.6 per cent, 25.4 per cent, 25.2 per cent and 24.1 per cent in Tamil Nadu in 1970-71, 1972-73, 1971-72 and 1969-70 respectively; 24.0 per cent in Gujarat in 1969-70; the range of percentage of loans advanced in the remaining years in all the four States and at All-India was between 21.8 per cent at All-India level in 1971-72 and 14.0 per cent in Maharashtra in 1972-73.

(v) In the slab of Rs. 1001 to 5000, the highest percentage
of loans advanced reflected by 44.3 and 40.6 in Gujarat in 1969-70 and 1972-73; 40.5 in Maharashtra in 1972-73, 38.6 at All-India level in 1972-73, 37.4 in Tamil Nadu in 1972-73, 36.8 in Karnataka in 1972-73, 34.9 in Tamil Nadu in 1971-72, 33.5 in Gujarat in 1970-71, 32.5 at All-India level in 1969-70, 31.8 in Tamil Nadu in 1969-70, 31.7 in Karnataka in 1969-70, 30.8 in Gujarat in 1971-72, 30.2 in Maharashtra in 1969-70, 30.0 in Karnataka in 1971-72; the range of percentage of loans advanced in the remaining years in all the four States and at All-India was between 28.6 in Karnataka in 1970-71 and 22.5 in Maharashtra in 1971-72.

(vi) In the biggest slab of over Rs. 5000 Maharashtra stood first with the highest percentage of 35.7, 34.4 and 34.2 in 1972-73, 1970-71 and 1971-72 respectively; followed by 27.8 in Gujarat in 1972-73; 27.1, 26.1 and 26.0 at All-India level in 1972-73, 1970-71 and 1971-72 respectively; 25.1 and in Maharashtra in 1969-70. The percentage in the remaining years in all the four States and at All-India level ranged between 24.3 in Gujarat in 1970-71 and 7.7 in Tamil Nadu in 1969-70.

(vii) The loans advanced by the UCBs in Gujarat were at 83.2 per cent (in 1969-70), 74.7 per cent (in 1970-71)
Table 6.24

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<tr>
<th>State</th>
<th>Total Rs.100</th>
<th>Rs.101-300</th>
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<th>Rs.501-1000</th>
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<td>1179</td>
<td>2103</td>
<td>4909</td>
<td>9585</td>
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* Excluding the figure of Rs. 10 lakhs of Manipur as break-up not available.

@ Excluding the figures of Rs. 81 lakhs of Orissa as break-up not available.

79.4 per cent (in 1971-72) and 72.2 per cent (in 1972-73) in the loan-slabs ranging between Rs. 100 and less and Rs. 1001 to 5000 as against such percentages of 74.9 per cent, 65.6 per cent, 65.8 per cent, 64.3 respectively in Maharashtra; 85.3 per cent, 87.5 per cent, 79.6 per cent, 77.3 per cent respectively in Karnataka; 92.3 per cent, 89.1 per cent, 90.9 per cent, 91.9 per cent respectively in Tamil Nadu; and 80.4 per cent, 73.9 per cent, 74.0 per cent, 72.9 per cent cent respectively at All-India level. Thus, Maharashtra topped the list, in all these years, in regard to advancing loans in the slab of Rs. over 5000, followed by Gujarat.

**Purposes:** The UCBs lend their funds to their members for a variety of purposes varying from seasonal agricultural operations to consumption loans including purchase of implements, processing and marketing of agricultural produce and industrial and other purposes. All these are for seasonal and short term periods. They also provide medium term loans for (a) sinking of or repairs of wells, (b) purchase of machinery (pumpsets for irrigation) and cattle, (c) minor improvements to land, (d) agricultural purposes and (e) others.

In Table 6.25 are demonstrated the data regarding the purpose-wise lendings of the UCBs of Gujarat during the
period 1964-65 to 1972-73; the main readings of which are elucidated as under:

(i) As regards short-term loans no bank advanced loans for the purpose of purchase of agricultural implements as well as processing of agricultural produce. (Of course, for this purpose a negligible amount of loans was advanced by the UCBs in the year 1967-68).

(ii) Loans advanced for the purpose of seasonal agricultural operations reflected by 0.5 per cent in 1964-65 and 0.3 per cent in 1965-66; during the period from 1966-67 to 1972-73 no UCB advanced any loan for this purpose.

(iii) The range of loans given for the purpose of marketing of crops was between 7.0 per cent in 1968-69 and 2.2 per cent in 1967-68. During 1969-70 to 1972-73 no UCB granted any amount of loan for this purpose.

(iv) In the category of the short-term loans, the highest amount of loans was advanced for other purposes ranging between 82.1 per cent in 1972-73 and 50.8 per cent in 1968-69. The highest amount of loans advanced for other purposes was marked in the year 1972-73 with 82.1 per cent, followed by 77.6 per cent in 1971-72, 77.2 per cent in 1967-68, 71.6 per cent in 1969-70, 71.1 per cent in 1970-71, 58.5 per cent in 1965-66, 53.0 per cent in 1964-65, 52.6 per cent in 1966-67 and
### Table 6.2553

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<tr>
<th>Year (July-June)</th>
<th>Short-term loans for</th>
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<tr>
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<tr>
<td>1965-66</td>
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<td>--</td>
</tr>
<tr>
<td>1971-72</td>
<td>100</td>
<td>--</td>
</tr>
<tr>
<td>1972-73</td>
<td>100</td>
<td>--</td>
</tr>
</tbody>
</table>

* = Negligible; a = Total; b = Seasonal agricultural operations; c = Purchase of agricultural implements; d = Marketing of crops; e = Processing of agricultural produce; f = Industrial purposes; g = Consumption loans; h = Other purposes; i = Total; j = Sinking of or repairs to wells; k = Purchase of machinery(pumpsets for irrigation); l = Purchase of cattle; m = Minor improvements to land; n = Other agricultural purposes; o = Others.

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50.8 per cent in 1968-69.

(v) Out of the total short-term loans, the second position was secured by consumption loans. The highest amount of loans advanced for this purpose was reflected by 38.7 per cent in 1966-67, followed by 36.0 per cent in 1964-65, 33.5 per cent in 1968-69, 25.7 per cent in 1965-66, 25.5 per cent in 1970-71, 24.6 per cent in 1969-70, 21.7 per cent in 1971-72, 16.2 per cent in 1972-73 and 13.9 per cent in 1967-69 in 1967-68.

(vi) The short-term loans advanced by the UCBs for industrial purposes ranged between 10.8 per cent and 0.7 per cent during the period under study. The highest percentage of such type of loan was 10.8 per cent in 1965-66, followed by 8.7 per cent in 1968-69, 6.7 per cent in 1967-68, 4.7 per cent in 1966-67, 4.5 per cent in 1964-65, 3.8 per cent in 1969-70, 3.4 per cent in 1970-71, 1.7 per cent in 1972-73 and 0.7 per cent in 1971-72.

(vii) As regards medium-term loans except for two years -- 1964-65 and 1965-66 -- in all the years 100 per cent loans were granted for the purposes classified as 'others'. In 1964-65 out of the total amount of medium-term loans, 99.6 per cent loans were granted for other purposes and 0.4 were granted for other
agricultural purposes. In the year 1965-66, out of the total amount of medium-term loans, 51.8 per cent were granted for other purposes, 48.0 per cent for other agricultural purposes and 0.2 per cent for minor improvements to land.

Thus, it can be deduced that UCBs did prefer to granting short-term loans for other purposes, then for consumption purposes, industrial purposes, marketing of crops, and seasonal agricultural operations. In the case of medium-term loans, they concentrated on advancing for other purposes.

In Table 6.26 are enpicted the district-wise data in regard to the purpose-wise lending of the UCBs of Gujarat for the years 1964-65 and 1972-73; the analytical derivations are subjoined below:

(i) In 1964-65, out of the total district-wise short-term loans, 100 per cent loans each were granted by Ahmedabad City, Banaskantha, Sabarkantha and Surat dist.s for other purposes; and 100 per cent by Ahmedabad (Rural) for consumption; followed by 98.0 per cent, 97.9 per cent and 95.1 per cent in Amreli, Junagadh and Jamnagar dist.s respectively for other purposes, 83.8 per cent in Kutch dist. for consumption; 78.0 per cent in Rajkot dist. for other purposes; 71.8 per cent in Bhavnagar dist. for consumption; 67.6 per
and 62.3 per cent in Mehsana and Valsad dist.s respectively for other purposes, 60.2 per cent in the Panch Mahals dist. for consumption, 56.3 per cent in Vadodara dist. for industrial purposes; 52.9 per cent and 51.6 per cent in Surendranagar and Kheda dist.s for consumption; 48.4 per cent and 37.3 in Kheda and Bharuch dist.s respectively for other purposes, 36.6 per cent in Valsad dist. for consumption; 31.4 per cent in Bharuch dist. for industrial purposes, 31.3 per cent in Bharuch dist. for consumption; 30.0 per cent in Surendranagar dist. for industrial purposes.

(ii) In 1972-73, out of the total district-wise short-term loans, 100 per cent loans each were granted by Ahmedabad City, Banaskantha, Bharuch, Gandhinagar, Mehsana, the Panch Mahals, Rajkot, Sabarkantha and Surat dist.s for other purposes; whereas 100 per cent loans were granted by Vadodara dist. for consumption; followed by 96.6 per cent, 91.9 per cent, 77.6 per cent and 77.5 per cent in Jamnagar, Amreli, Ahmedabad (Rural) and Junagadh dist.s respectively for other purposes; 73.9 per cent in Kheda dist. for consumption; 63.4 per cent in Surendranagar dist. for industrial purposes; 57.2 per cent and 48.6 per cent in Valsad and Bhavnagar dist.s respectively for other purposes; 47.0 per cent and 37.8 per cent in Bhavnagar and Kutch
dist. s for industrial purposes; 33.3 per cent in Kutch dist. for other purposes; 32.9 per cent in Surendranagar dist. for consumption; the range of purpose-wise loans in all the dist.s was between 28.9 per cent in Kutch dist. for consumption purpose and 3.4 per cent in Jamnagar dist. for industrial purposes.

(iii) Out of the total district-wise medium-term loans, in 1964-65, 100 per cent loans each were granted by Ahmedabad City, Bharuch, the Panch Mahals, Vadodara and Valsad dist.s for other purposes; and 100 per cent loans were granted by Jamnagar dist. for other agricultural purposes. No UCB of any other dist.s advanced any amount of medium-term loans.

(iv) In 1972-73, out of the total district-wise medium-term loans granted, 100 per cent loans were granted for other purposes by all the dist.s — Ahmedabad City, Ahmedabad (Rural), Amreli, Banaskantha, Bharuch, Bhavnagar, Jamnagar, Junagadh, Kheda, Mehsana, the Panch Mahals, Rajkot, Surat, Surendranagar, Vadodara and Valsad, Gandhinagar, Kutch and Sabarkantha dist.s had not granted any amount of medium-term loans.

Table 6.27 displays the picture of data regarding purpose-wise lending by the UCBs in selected States from 1969-70 to 1972-73; the study of which would lead us to the
following major observations:

(i) In Gujarat, out of the total short-term loans during the period under study, the highest percentage of loans (ranging between 82.1 in 1972-73 and 71.1 in 1970-71) was advanced for other purposes, followed by consumption purposes (ranging between 25.5 in 1970-71 and 16.2 in 1972-73), and loans for industrial purposes (ranging between 3.8 in 1969-70 and 0.7 in 1971-72). No bank advanced any amount of loans for the purpose of seasonal agricultural operations, purchase of agricultural implements, marketing of crops, processing of agricultural produce, etc.

(ii) In Maharashtra, out of the total short-term loans, the highest amount of loans was granted for other purposes reflected by 86.2 per cent in 1969-70 and 76.5 per cent in 1970-71; while the range of percentage of consumption loans was between 13.0 in 1970-71 and 5.7 in 1969-70; loans for industrial purpose ranged between 10.8 in 1972-73 and 7.9 in 1969-70; the range of loans for marketing of crops ranged between 3.7 per cent in 1972-73 and 1.1 per cent in 1970-71; loans for seasonal agricultural operations ranged between 0.6 per cent in 1972-73 and 0.1 per cent each in 1969-70, 1970-71 and 1971-72; the range of loans for purchase of agricultural implements was between 0.5 per
cent in 1971-72 and 0.1 per cent in 1972-73; the range of loans for processing of agricultural produce was between 0.2 per cent in 1972-73 and 0.1 per cent each in 1969-70 and 1971-72.

(iii) In Karnataka, out of the total short-term loans during the period under study, the highest percentage of loans (ranging between 87.5 in 1972-73 and 77.4 in 1969-70) was advanced for other purposes, followed by consumption loans (ranging between 16.5 in 1971-72 and 6.6 in 1972-73), loans for marketing of crops (ranging between 9.5 in 1969-70 and 0.7 in 1971-72), industrial loans (ranging between 6.5 in 1970-71 and 0.5 in 1971-72), loans for processing of agricultural produce (ranging from 0.6 in 1972-73 and 0.1 in 1971-72), loans for seasonal agricultural operations (ranging between 0.5 in 1972-73 and 0.1 in 1970-71), and loans for purchase of agricultural implements (ranging between 0.4 in 1969-70 and 0.1 in 1971-72).

(iv) In Tamil Nadu, out of the total short-term loans, the highest amount of loans was granted for consumption loans reflected by 58.2 per cent in 1971-72 and 34.0 per cent in 1969-70, followed by loans for other purposes (ranging between 44.0 per cent in 1969-70 and 27.6 per cent in 1972-73); loans for seasonal agricultural operations (ranging between 13.4 per cent in
1969-70 and 7.6 per cent in 1971-72); loans for purchase of agricultural implements (ranging between 5.9 per cent in 1969-70 and 0.9 per cent in 1971-72); and industrial loans (ranging between 4.5 per cent in 1971-72 and 2.7 per cent in 1969-70). No bank advanced any loan for the purpose of marketing of crops and processing of agricultural produce.

(v) At All-India level, out of the total short-term loans, the highest percentage of loans was advanced for other purposes ranging between 79.1 in 1969-70 and 72.2 in 1970-71, followed by consumption loans ranging between 17.8 in 1970-71 and 11.9 in 1969-70; loans for industrial purposes ranging between 7.5 in 1970-71 and 5.7 in 1971-72; loans for marketing of crops ranging between 2.1 in 1972-73 and 0.9 in 1969-70; loans for seasonal agricultural operations ranging between 1.2 in 1972-73 and 1.0 in 1971-72; loans for purchase of agricultural implements ranging between 0.5 in 1971-72 and 0.2 in 1970-71; and loans for processing of agricultural produce ranging between 0.2 in 1972-73 and 0.1 each in 1969-70 and 1971-72.

(vi) In Gujarat, during the period under study, 100 per cent medium-term loans were granted for the purposes classified as 'others'.

(vii) In Maharashtra, out of the total medium-term loans,
during the period under study, the highest percentage of loans were granted for other purposes ranging between 100 in 1969-70 and 93 in 1972-73; followed by loans for other agricultural purposes (4.8 in 1972-73); loans for purchase of machinery (pumpsets for irrigation) (ranging between 1.8 in 1972-73 and 0.1 in 1971-72); and loans for minor improvements to land (ranging between 0.4 in 1972-73 and 0.1 in 1971-72). No bank granted any loan for purchase of cattle; while a negligible amount of loans was granted for sinking of or repairs to wells.

(viii) In Karnataka, out of the total medium-term loans, the highest percentage of loans, reflected by 98 in 1969-70 and 64 in 1972-73, was advanced for other purposes; followed by loans for other agricultural purposes which ranged between 33.3 in 1972-73 and 1.0 in 1969-70; loans for purchase of machinery (pumpsets for irrigation) ranging between 1.7 in 1972-73 and 0.1 in 1969-70; loans for purchase of cattle ranging between 1.0 in 1971-72 and 0.1 in 1970-71; and loans for sinking of or repairs to wells 0.1 each in 1971-72 and 1972-73.

(ix) In Tamil Nadu, out of the total medium-term loans, the highest percentage of loans were advanced for other purposes (in which the highest and the lowest
percentages were 72.8 in 1972-73 and 65.2 in 1970-71 respectively); followed by loans for minor improvements to land (the highest and the lowest being 24.5 in 1970-71 and 11.5 in 1972-73); loans for purchase of machinery (pumpsets for irrigation) (the highest and the lowest reflected by 10.5 in 1972-73 and 3.6 in 1969-70); loans for purchase of cattle (the highest and the lowest indicated by 4.2 in 1972-73 and 2.0 in 1970-71); and loans for sinking of or repairs to wells (the highest and the lowest reflected by 3.8 in 1970-71 and 1.0 in 1972-73). No bank advanced any amount of loan for other agricultural purposes.

(x) An All-India level, out of the total medium-term loans, during the period under study, the highest percentage of loans was advanced for other purposes (ranging between 94.2 in 1971-72 and 87.3 in 1972-73); followed by loans for other agricultural purposes (ranging between 6.2 in 1972-73 and 0.6 in 1971-72); loans for minor improvements to land (with a range of 4.0 in 1970-71 and 2.9 in 1971-72); loans for purchase of machinery (pumpsets for irrigation) (with a range of 2.3 in 1972-73 and 0.9 each in 1969-70 and 1971-72); loans for purchase of cattle (ranging between 0.9 in 1971-72 and 0.3 in 1970-71); and loans for sinking of or repairs to wells (ranging between 0.7
in 1969-70 and 0.3 in 1972-73). Thus, it may be observed that except for Tamil Nadu, in all the above mentioned States as well as in All-India UCBs preferred to giving loans for other purposes, followed by consumption purposes.

As regards medium-term loans, while the UCBs of Gujarat had advanced 100 per cent loans for other purposes, the UCBs of other States had also advanced huge amounts of their funds for other purposes.

The foregoing analysis showed that the UCBs gave a predominant position to lending for consumption and other purposes to their members. They did not give much thought to extend their finances for industrial activities. It has received a secondary treatment by the UCBs. While no logical reason is given anywhere for this policy on the part of the UCBs, it is felt that this is so, possibly because of the dearth of technically qualified staff who may be able to evaluate and appraise the loan proposals submitted by the industrial units. It is solicited therefore, that the UCBs should come out of their old ruts and be judicious enough to increase their advances to industrial sector as it would mean killing two birds by one stone: (i) increasing their deposit-potential and (ii) raising the level of employment in industrial sector.

This is what has been voiced by various Seminars/Working
Groups/Study Groups/Conferences/Commissions, etc. in their deliberations/resolutions/recommendations/reports, etc.

For example, the Working Group on Industrial Financing through Cooperative Banks 1967 made the following recommendations for increasing the scope and quantum of industrial advances by the UCBs:

(i) High priority should be given to the organisation of UCBs in areas where there is sufficient concentration of cottage and small-scale industries carried on by individual units. The share capital of these banks could be strengthened by Govt. contribution.

(ii) The existing UCBs may be allowed to extend their area of operations so as to make it possible for them to have dealings with individual units which are not too far away from an office of the bank to render supervision both costly and difficult.

(iii) The banks should be permitted to open a branch/an office anywhere in the dist. or the State, where there are good prospects for business with industrial units and these are not being served by local UCBs.

The Conference of the UCBs of the Gujarat State held under the auspices of the GSCBA, Ahmedabad, on April 13, 1969, resolved to request the State Cooperative Banks to provide necessary industrial and other advances to these UCBs which

56. H-7: p. 54.
are not supplied with adequate finance from the District Cooperative Banks. 57

The Seminar of the UCBs of the Gujarat State held under the auspices of the GSCBA, Ahmedabad, at Rajkot on May 29, 1971, recommended (a) the amendment of the bye-laws of the concerned coop. banks so as to enable them to expand their industrial lending and (b) the making of arrangements obtaining information from small industrial units, scrutinising the loan applications before sanctioning them and keeping a watch on their utilisation. 58

The Seminar of the UCBs of the Ahmedabad/Gandhinagar dist.s held under the auspices of the Ahmedabad District Cooperative Bank Ltd., Ahmedabad, on September 3, 1972, also recommended to the UCBs to take advantage of the three schemes, viz. (i) 'Refinancing Scheme' of the RBI for industrial advances, (ii) 'Credit Guarantee Scheme' of the Govt. of India for small scale industries, and (iii) 'Reimbursement Scheme' of the Apex Bank for small-scale industries, to increase their share in industrial advances. 59

The Second All-India Conference of the Chief Executives of the UCBs held under the auspices of the Bankers' Cooperative Training College of the RBI at Poona during March 21-23, 1974, recommended that the UCBs should take advantage of the technical expertise of the commercial banks in the field of

industrial lending and undertake lending to industrial enterprises on a joint participation basis with them. This will enable them to full utilisation of their financial resources for productive purposes. 60

In order to increase the role of the UCBs in regard to industrial lending, the First Conference of the UCBs of the Gujarat State, organised by the GUCBF while noting that (a) in the economic field the development of small scale industries has been given national priority, (b) the refinance facility has been provided to the UCBs for the advances made by them to the small scale industrial units under the Scheme of the RBI, but the UC3s have not been able to get the sufficient benefit of this facility; it resolved to request the RBI to give the following facilities to the UCBs to bring about momentum in this direction:

(i) The lengthy procedure for advances be simplified.
(ii) The advances on machinery and business collections (debt) be included for the purpose of advances by the RBI.
(iii) Advances to Service Industries and Priority Sector, viz., technicians, transport operators etc. should be covered.
(iv) The RBI should cover all advances made by the UCBs

to small traders, self-engaged persons, etc. in the Scheme of Credit Guarantee Corporation.

The Conference further resolved that the Gujarat State Cooperative Bank be recommended to grant management subsidy to the UCBs for the appointment of technical staff so that they may come forward to provide such advances. 61

The UCBs should take the full advantage of RBI Scheme for advances to small scale industries. In order to encourage advances to small scale industries, the Credit Guarantee Scheme that was introduced by the RBI in July, 1960, has been made applicable to the UCBs from August 1966. Under the Scheme, the advances sanctioned by credit institutions to small scale industrial units engaged in the manufacture, processing or preservation of goods and organised on a coop. basis or otherwise are eligible for guarantee against the losses. It is felt that the UCBs could have taken advantage of this Scheme and been little adventurous in lendings for the small scale industries.

The UCBs should also concentrate on advances for productive purposes. Hitherto they have primarily showed a tendency to lend more for consumption purposes than for productive ones. Apart from creating a hazard of overrising overdues this does not prove in any way advantageous to the

economy resultingly, since it does not create any savings or production. It is hightime, therefore, that the UCBs should change their attitudes and policies and lend more against the productive purposes to certain classes like artisans, small traders, self-employed persons and the like. It is needless to emphasise here that this would gear up the production activities which is the dire need of the day. Various authorities have emphasised this on varied occasions. For example, The Study Group on Credit Cooperatives in the Non-Agricultural Sector, 1963 recommended that the lending policy of UCBs should be more imaginative and should be in keeping with the programmes of economic development. It should be production oriented.\textsuperscript{62} The Banking Commission (1969) held that the maximum limit for individual advances be related to the purpose of its utilisation, the emphasis being laid on the productive purposes.\textsuperscript{63} The First Conference of the Chief Executives of the UCBs held under the auspices of the Bankers' Cooperative Training College of the RBI at Poona, during July 12-14, 1971 appealed the UCBs to divert their lending to small traders, small scale industrialists and such other categories of customers for productive purposes from their traditional consumption fields.\textsuperscript{64}

While the UCBs generally refrain from granting loans extending over 5 years i.e. for long-term, the Study Group

\textsuperscript{62} H-6; p. 78.  \textsuperscript{63} L-16; p. 17.  \textsuperscript{64} L-14; p. 38.
on Credit Cooperatives in the Non-Agricultural Sector (1963) recommended that UCBs should not normally lend for periods exceeding five years. But, where the surplus long term resources of any UCB justify the granting of such loans, it may move the Registrar to address the Govt. for relaxation of the rule.\textsuperscript{65} It also recommended that arrangements for meeting requirements of long term loans in urban and semi-urban areas should be made. UCBs may open a separate section for giving long term loans on the security of houses.\textsuperscript{66} The Banking Commission, too, recommended the grant of long-term loans for construction as well as repairing of the houses in accordance with the standards laid down by the RBI.\textsuperscript{67}

The UCBs should adopt a sufficiently diversified loaning system. Loans for consumption purposes should largely be connected with purposes promoting economic efficiency e.g. education, durable consumer goods etc.\textsuperscript{68}

The UCBs should go into the purpose for which loans are required, scrutinise their genuineness and, where possible, help the member to reduce his borrowings. For this task, a committee of members who could come from different areas or constituencies and may have personal knowledge of the borrowing members, may be formed. The society may also

\textsuperscript{65} H-6: p. 77. \textsuperscript{66} Ibid.: p. 78. \textsuperscript{67} I-16: p. 17. \textsuperscript{68} H-6: p. 78.
consider paying to the creditors of the members directly, with his permission, in so far as it is practical.\textsuperscript{69}

The UCBs should keep in view the measures taken by the RBI under its credit control policy even when the same may not directly touching them. They should help controlling the inflationary situation by discouraging hoarding by the traders through restricting lending to them.\textsuperscript{70}

One of the most restrictive factors affecting the advances of the UCBs has been the burden of stamp duty. This issue was discussed at various Seminars and Conferences and the following recommendations/resolutions/suggestions were made:

Conference of the UCBs of the Gujarat State held under the auspices of the GSCBA, at Ahmedabad on April 13, 1969 resolved to recommend to the State Govt. to raise the exemption limit in the payment of stamp duty from Rs. 2000 to Rs. 10000.\textsuperscript{71} Seminar of the UCBs held under the auspices of the GSCBA, at Ahmedabad on Dec. 16, 1973 also resolved to the same effect.\textsuperscript{72}

The First Conference of the UCBs of the Gujarat State organised by the GUCBF resolved to raise the exemption of stamp duty from Rs. 2000 to Rs. 7000.\textsuperscript{73}

\textsuperscript{69} H-6: p. 77.  \textsuperscript{70} L-19: p. 27.  \textsuperscript{71} L-10: p. 6.  \textsuperscript{72} 3-7: pp. 19-20.  \textsuperscript{73} G-8: p. 28.
The State Govt. should come forward to grant this relief to the UCBs in order to lessen their cost of lending to their members.

Securities accepted: The UCBs advance loans against various types of securities offered by their borrower-members. Such securities include fixed deposit receipts, Govt. securities, coop. papers, agricultural produce, merchandises, gold and silver, gold and silver ornaments, immovable properties, shares and debentures of joint stock companies, machinery and life insurance policies.

Loans when granted against securities which may either be pledged, hypothecated or mortgaged are termed as secured ones. "The pledge is defined as bailment of goods as security for payment of a debt, or performance of a promise". Thus, in case of pledge, (a) there should be bailment of goods, and (b) the objective of such bailment should be to hold the goods as security for the payment of debt. Hypothecation is another method of creating a charge on the movable assets in which neither ownership nor possession of the goods is transferred to the creditor, but an equitable charge is created in favour of the latter. Section 58 of the Transfer of Property Act, 1882, defines Mortgage as, "The transfer of an interest in specific immovable property for the purpose of securing, (a) the payment of money advanced

or to be advanced by way of loan, (b) on existing or future
debt, or (c) the performance of an engagement which may give
rise to a pecuniary liability."^76

Whatever may be the method of creating a charge on
an asset, the proper valuation of the asset is an inescapable must, so that the banks do not land themselves into
troubled waters at a later stage. The UCBs need take special care in this regard as most of them do not possess
technically qualified staff for such valuations. The services of technical experts may be arranged on a contractual
basis, keeping in view the nature of advances. Alternatively, a group of closely located UCBs may jointly arrange for the
hiring of such technical experts from common pool.

As per the terms agreed upon in an agreement for
granting a loan, etc., the possession of goods, and Govt.
and other securities offered, ornaments and the like remain
in the sole possession of the bank. An inventory with valuation of hypothecated movable articles, together with papers
of agreement for the deal, all remain in the custody of the
bank till the debt is fully repaid with the interest by the
borrower. Even the Godowns with the goods of sole belonging
of the borrower with a board of the bank; written, "Under
Pledge of ....... UCB" remain in the charge of the bank with
the lock of the bank under the charge of a godown keeper and

watchman who are employees of the bank. The transaction of sale, etc. also do remain within the sole powers of such goods pledged with the bank.

Loans when sanctioned without taking any security from the borrowers are termed as unsecured ones.

In Table 6.28 are manifested the figures of loans advanced against different types of securities by UCBs in Gujarat during the period 1964-65 to 1972-73; the study of which would lead us to the following observations:

(i) During the period 1964-65 to 1972-73, out of the amounts of the total loans granted against different types of securities, the amount of loans granted against personal sureties was the highest (Rs. 2,67,173 thousands in 1972-73); followed by loans against immovable property (reflected by Rs. 1,16,063 thousands in 1972-73); loans against merchandise (Rs. 71,425 thousands in 1972-73); loans against other securities (marked with the figures of Rs. 22,823 thousands in 1970-71); loans against Govt. securities (Rs. 13,370 thousands in 1972-73); loans against gold and silver (reflected by Rs. 10,979 thousands in 1972-73); unsecured loans (Rs. 7,670 thousands in 1972-73); loans against fixed deposits (Rs. 5,456 thousands in 1967-68); loans against agricultural produce (marked with the figures of Rs. 3,181 thousands
in 1967-68); and loans against coop. papers (Rs. 562 thousands in 1967-68).

(ii) In terms of percentages, the highest and the lowest percentages of loans advanced against surety were 58.6 in 1964-65 and 33.3 in 1966-67; whereas the same for loans against immovable property were 32.5 in 1965-66 and 14.9 in 1964-65; in case of loans against merchandises they were 24.2 in 1966-67 and 11.0 in 1964-65; as regards loans advanced against other securities, the highest and the lowest percentages were reflected by 12.2 in 1966-67 and 1.6 in 1967-68; loans against Govt. securities were marked by 4.1 as the highest percentage in 1967-68 and 1.1 as the lowest percentage in 1964-65; loans against gold and silver were marked with the highest and the lowest percentages being 3.5 in 1968-69 and 1.0 in 1966-67; the same in case of loans against fixed deposits were reflected by 3.5 in 1967-68 and 0.8 in 1965-66; as regards unsecured loans the highest and the lowest percentages were 3.2 in 1965-66 and 0.3 in 1964-65; loans against agricultural produce were marked by 2.0 as the highest percentage in 1967-68 and 0.8 each as the lowest percentages in 1965-66 and 1969-70; and the figures of 0.4 in 1967-68 and 0.1 in 1965-66 were the highest and the lowest percentages respectively in case of loans advanced against coop. papers.
(iii) On the base year of 1964-65, the total amount of loans advanced, during 1972-73, against fixed deposits, Govt. securities, merchandises, gold and silver, immovable properties, other securities and personal sureties witnessed a rise of 284.4 per cent, 1149.5 per cent, 577.8 per cent, 292.2 per cent, 709.6 per cent, 150.0 per cent, and 373.7 per cent, respectively in a spell of 8 years. Loans against the security of (a) coop. papers and (b) agricultural produce were granted during 1965-66 and 1967-68, and during 1964-65, 1965-66, 1967-68, 1968-69 and 1969-70 respectively.

In Table 6.29 are indicated the inter-state analytical figures of security-wise loans made available by the UCBs from 1969-70 to 1972-73; the interpretations of which are subjoined below:

(i) In Gujarat, the amount of loans advanced against fixed deposits ranged between Rs. 5413 thousands in 1972-73 and Rs. 3541 thousands in 1969-70; in Maharashtra it ranged between Rs. 70279 thousands in 1970-71 and Rs. 18364 thousands in 1971-72; in Karnataka, the range of loans granted against fixed deposits was between Rs. 8901 thousands in 1972-73 and Rs. 6002 thousands in 1969-70; in Tamil Nadu, the highest amount was of Rs. 29967 thousands in 1971-72 and the
lowest amount was of Rs. 17009 thousands in 1969-70; at All-India level, it ranged between Rs. 120362 thousands in 1970-71 and Rs. 78512 thousands in 1969-70.

In terms of percentages, the loans advanced against fixed deposits in Gujarat ranged between 1.6 in 1969-70 and 1.1 each in 1971-72 and 1972-73; in Maharashtra, it ranged between 10.6 in 1970-71 and 2.6 in 1971-72; in Karnataka, the range was of 5.4 in 1970-71 to 3.6 in 1971-72; in Tamil Nadu, the same was between 18.0 in 1971-72 and 11.3 in 1972-73; at All-India level, it ranged between 8.1 in 1970-71 and 4.2 in 1972-73.

(ii) In Gujarat loans granted against Govt. securities ranged between Rs. 13370 thousands in 1972-73 and Rs. 3592 thousands in 1969-70; in Maharashtra, the same was between Rs. 56407 thousands in 1971-72 and Rs. 5250 thousands in 1972-73; in Karnataka, the highest and the lowest amounts were reflected by Rs. 1493 thousands in 1970-71 and Rs. 42 thousands in 1972-73; in Tamil Nadu, no bank advanced against Govt. securities; whereas at All-India level, the highest amount was of Rs. 68181 thousands in 1971-72 and the lowest was of Rs. 19144 thousands in 1972-73.

In terms of percentages, the loans advanced against Govt. securities in Gujarat reflected by 2.6
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<th>State</th>
<th>Year</th>
<th>Total Amounts of loans advanced</th>
<th>Fixed Deposits Amount</th>
<th>Govt. Securities Amount</th>
<th>Coop. Paper Am.</th>
<th>Agrs. Unsecured Amount</th>
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78. E-19: p. 134; E-20: p. 134; E-21: p. 135; E
as the highest percentage in 1972-73 and 1.6 as the lowest percentage in 1969-70; in Maharashtra, it ranged between 8.0 in 1971-72 and 0.6 in 1972-73; the highest and the lowest being 0.9 in 1970-71 and 0.1 in 1971-72 respectively in Karnataka; at All-India level, the highest and the lowest figures were reflected by 3.9 in 1971-72 and 0.9 in 1972-73 respectively.

(iii) The range of loans advanced against merchandise was of Rs. 71425 thousands in 1972-73 to Rs. 29609 thousands in 1969-70; in Maharashtra, the amount of such type of loans ranged between Rs. 137015 thousands in 1971-72 and Rs. 59232 thousands in 1969-70; in Karnataka, the highest and the lowest amounts were reflected by Rs. 23292 thousands in 1972-73 and Rs. 13881 thousands in 1969-70. No bank in Tamil Nadu advanced any loan against this type of security. At All-India level, the highest and the lowest amounts were marked with Rs. 221053 thousands in 1971-72 and Rs. 110733 thousands in 1969-70 respectively.

In terms of percentages, the loans granted against merchandise in Gujarat ranged between 14.5 in 1970-71 and 13.1 in 1969-70; in Maharashtra, it ranged between 19.5 in 1971-72 and 11.8 in 1972-73; in Karnataka, the highest and the lowest percentages were 12.9 in 1970-71 and 7.7 in 1971-72 respectively; and at All-
India level, the range was of 13.4 in 1970-71 to 9.7 in 1969-70.

(iv) In Gujarat the amount of loans advanced against gold and silver ranged between Rs. 10979 thousands in 1972-73 and Rs. 5255 thousands in 1969-70; in Maharashtra, it ranged between Rs. 133712 thousands in 1971-72 and Rs. 26080 thousands in 1969-70; in Karnataka, the figures of Rs. 16827 thousands in 1972-73 and Rs. 9815 thousands in 1969-70 were the highest and the lowest amounts; in Tamil Nadu the same was between Rs. 64008 thousands in 1972-73 and Rs. 29222 thousands in 1969-70 in 1969-70; and at All-India level, the range was of Rs. 229605 thousands in 1971-72 and Rs. 89350 thousands in 1969-70.

In terms of percentages, the loans granted against gold and silver in Gujarat reflected 2.5 as the highest figure in 1971-72 and 2.0 as the lowest figure in 1970-71; in Maharashtra, the figures of 19.0 in 1971-72 and 4.9 in 1970-71 were the highest and the lowest ones of such type loans; in Karnataka, the range was of 7.5 in 1972-73 and 6.5 in 1971-72; in Tamil Nadu, the years 1972-73 and 1970-71 were marked with the highest and the lowest percentages reflected by 33.5 and 21.0 respectively; and at All-India level, the years 1971-72 and 1970-71 represented the highest and the lowest percentages at 13.2 and 6.8
respectively.

(v) In Gujarat, the amount of loans advanced against immovable property ranged between Rs. 116063 thousands in 1972-73 and Rs. 42790 thousands in 1969-70; in Maharashtra, the same was between Rs. 87963 thousands in 1971-72 and Rs. 54396 thousands in 1972-73; in Karnataka, the highest and the lowest amounts were reflected by Rs. 59039 thousands in 1972-73 and Rs. 30656 thousands in 1970-71; in Tamil Nadu, the range was of Rs. 81650 thousands in 1972-73 to Rs. 64057 thousands in 1970-71; and at All-India level, it ranged between Rs. 416633 thousands in 1972-73 and Rs. 263554 thousands in 1969-70.

In terms of percentages, the loans granted against immovable property in Gujarat ranged between 24.9 in 1970-71 and 18.1 in 1971-72; in Maharashtra, the years 1969-70 and 1972-73 represented the highest and the lowest percentages reflected by 13.2 and 6.2 respectively; in Karnataka, the years 1972-73 and 1971-72 were marked with the highest and the lowest figures of 26.2 and 16.0 respectively; in Tamil Nadu the highest percentage was reflected by 48.4 in 1969-70 and the lowest at 40.2 in 1971-72; and at All-India level, the highest and the lowest percentages were reflected by 23.0 in 1969-70 and 20.0 in 1972-73.
(vi) In Gujarat, the amount of loans granted against surety reflected by Rs. 267173 thousands as the highest amounts in 1972-73 and Rs. 130181 thousands as the lowest ones in 1969-70; in Maharashtra, the years 1972-73 and 1971-72 were marked with the highest and the lowest amounts worth Rs. 497214 thousands and Rs. 119580 thousands respectively; in Karnataka, the highest figure was reflected by Rs. 93666 thousands in 1971-72 and the lowest figure was reflected by Rs. 42916 thousands in 1969-70; in Tamil Nadu, the range of such type of loans was of Rs. 30120 thousands in 1970-71 and Rs. 22103 thousands in 1972-73; and at All-India level, it ranged between Rs. 960930 thousands in 1972-73 and Rs. 443407 thousands in 1969-70.

In terms of percentages, Gujarat advanced loans against surety ranging between 57.9 in 1971-72 and 47.3 in 1970-71; followed by Maharashtra with the range between 56.8 (in 1972-73) and 17.0 (in 1971-72); Karnataka with the range of 44.2 (in 1971-72) and 29.4 (in 1970-71); and Tamil Nadu with 20.6 (in 1970-71) and 11.6 (in 1972-73); At All-India level, the range was of 46.1 in 1972-73 to 31.5 in 1971-72.

(vii) In Gujarat, the amount of loans granted against other securities reflected by Rs. 22823 thousands as the highest amount in 1970-71 and Rs. 7409 thousands as
the lowest amount in 1969-70; in Maharashtra, the years 1971-72 and 1969-70 were marked by the highest and the lowest amounts worth Rs. 116558 thousands and Rs. 44172 thousands respectively; in Karnataka, the highest amount was reflected by Rs. 31215 thousands in 1972-73 and Rs. 13109 thousands in 1969-70; in Tamil Nadu only during two years (i.e. 1971-72 and 1972-73) the loans were granted against other securities — ranging between Rs. 1468 thousands in 1972-73 and Rs. 1357 thousands in 1971-72; and at All-India level, the highest amount was reflected by Rs. 173600 thousands in 1971-72 and the lowest amount was of Rs. 73926 thousands in 1969-70.

In terms of percentages, Gujarat granted loans against other securities ranging between 7.4 in 1970-71 and 3.3 in 1969-70; Maharashtra granted the same ranging between 16.5 in 1971-72 and 8.1 in 1972-73; in Karnataka, the range was of 13.9 in 1972-73 and 9.7 in 1969-70; in Tamil Nadu in both the years (i.e. 1971-72 and 1972-73) the percentages of loans advanced were 0.8 each; and at All-India level, it ranged between 9.9 in 1971-72 and 6.4 in 1969-70.

(viii) As regards unsecured loans in Gujarat, the highest amount was reflected by Rs. 7670 thousands in 1972-73 and the lowest amount was reflected by Rs. 7128 thousands
in 1970-71; in Maharashtra the amount of Rs. 58710 thousands was the highest in 1972-73 and the amount of Rs. 8899 thousands was the lowest in 1971-72; and in Karnataka, the year 1970-71 was marked with the highest amount of Rs. 11721 thousands and the year 1972-73 was marked with the lowest amount of loans of Rs. 2014 thousands. In Tamil Nadu no bank advanced any amount of unsecured loans; while at All-India level, the highest amount was reflected by Rs. 55222 thousands in 1972-73 and the lowest was Rs. 22519 thousands in 1971-72.

In terms of percentages, Gujarat granted unsecured loans ranging between 1.5 in 1972-73 and 0.4 each in the years 1970-71 and 1971-72; in Maharashtra, it ranged between 4.4 in 1972-73 and 1.3 in 1971-72; in Karnataka, it ranged between 7.2 in 1970-71 and 0.9 in 1972-73; and at All-India level, the range was between 2.7 (in 1972-73) and 1.3 (in 1971-72).

(ix) No UCB in Gujarat and Tamil Nadu granted loans against coop. papers. In Maharashtra only during years -- 1970-71 and 1971-72 -- loans were granted against coop. papers -- ranging between Rs. 1516 thousands in 1970-71 and Rs. 6 thousands in 1971-72. In Karnataka except for the year 1969-70 in all the years loans against coop. paper was granted ranging between Rs. 102 thousands in 1972-73 and Rs. 59 thousands in
1971-72. At All-India level, loans advanced against coop. papers ranged between Rs. 3083 thousands in 1970-71 and Rs. 42 thousands in 1969-70.

(x) In Gujarat, only during 1969-70 Rs. 1876 thousands or 0.8 per cent loans were granted against agricultural produce. In Maharashtra the highest amount was reflected by Rs. 25754 thousands in 1972-73 and the lowest being Rs. 6194 thousands in 1969-70; the highest percentage was 3.6 in 1971-72 and the lowest being 1.3 in 1969-70. In Karnataka, the same ranged between Rs. 12642 thousands in 1971-72 and Rs. 6401 thousands in 1972-73; in terms of percentages, it ranged between 8.3 in 1969-70 and 2.8 in 1972-73. In Tamil Nadu only in two years -- 1969-70 and 1970-71 -- the loans were granted against agricultural produce -- of which the highest amount was of Rs. 1396 thousands or 1.0 per cent in 1969-70 and the lowest amount was of Rs. 1358 thousands or 0.9 per cent in 1970-71. At All-India level, the highest figures were marked in 1971-72 worth Rs. 41286 thousands and the lowest in 1969-70 being Rs. 21176 thousands; in terms of percentages, the highest percentage was reflected by 2.4 in 1971-72 and the lowest was 1.6 in 1972-73.

Thus, it can be derived from the above study that except for Tamil Nadu all the other States granted the highest
percentages of total loans against surety; the securities viz. immovable property, merchandise, other securities, gold and silver, fixed deposits were also proved more or less popular in all the States.

In order to safeguard the interests of the lending banks and to lay down the maximum amount of unsecured advances, a Committee consisting of Chairmen and Managers of the Small, medium and big sized UCBs, officials of the RBI and the Gujarat State Cooperative Bank Ltd., Ahmedabad, was formed to discuss the issue at the Seminar of UCBs of the Ahmedabad/Gandhinagar Dist.s held under the auspices of the Ahmedabad District Cooperative Bank Ltd., Ahmedabad, on December 13, 1974. The Committee recommended that banks having (a) total deposits of Rs. 50 lakhs; (b) deposits exceeding Rs. 50 lakhs and upto Rs. 1 crore and (c) deposits exceeding Rs. 1 crore, can grant unsecured advances to the tune of 50 per cent, 40 per cent and 53% per cent of their total demand and time liabilities, respectively.79

The Reserve Bank of India (Vide: its Circular No. ACD, ID. 4151/J, 33-74/5, dated January 31, 1975) laid down the maximum limit of unsecured advances for an UCB as under:

"(i) 5 per cent of the total time and demand liabilities of the bank or Rs. 5000 whichever is higher, if such total is less than Rs. 1 lakh;

(ii) 5 per cent of the total time and demand liabilities of --------

the bank if such total is Rs. 1 lakh or more but
less than Rs. 200 lakhs; and

(iii) 5 per cent of the total time and demand liabilities
of the bank or Rs. 10 lakhs, whichever is lower, if
such total is Rs. 200 lakhs or more,

Provided that out of the aggregate of such advances,
unsecured advances shall not exceed Rs. 5000 and shall
carry the personal security of another member.

Provided further that the aggregate of the amounts
outstanding in respect of advances to the directors shall
not exceed 10 per cent of the total time and demand liabi-
lities of the bank.

Provided also that the aggregate of the amounts out-
standing in respect of unsecured advances to the directors
shall not exceed Rs. 10,000.80

An implementation of this directive, it is felt, would
result into the reduction of the quantum of the unsecured
advances by the UCBs.

Recovery performance: Recovery of loans advanced determines
the success of an UCB. As the UCBs deal with the small
borrower-members, their task of recovering the loans from
loanee-members becomes taxing, time-consuming and risky.

Table 6.30 displays the analytical data of recovery

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performance of UCBs in Gujarat State for the period from 1965-66 to 1972-73, and their study would show the following deductions:

(i) The total amount of loans outstanding reflected by Rs. 122876 thousands in 1965-66 rose to Rs. 512903 thousands in 1972-73; indicated a rise of 317.4 per cent.

(ii) Out of the total loans outstanding as on 30th June 1966, 1967, 1968, 1969, 1970, 1971, 1972 and 1973, 76.9 per cent, 69.8 per cent, 70.7 per cent, 80.9 per cent, 81.7 per cent, 70.8 per cent, 71.4 per cent, and 71.4 per cent were short-term loans respectively. Thus, the short-term loans outstanding ranged between 69.8 per cent (in 1966-67) and 81.7 per cent (in 1969-70). Similarly, the medium term loans outstanding at the end of each comparative year under study, ranged between 18.3 per cent (in 1969-70) and 30.2 per cent (in 1966-67).

(iii) The amount of loans due for repayment in the year 1965-66 was of Rs. 145200 thousands, which rose to Rs. 501614 thousands in 1972-73; reflected a rise of 245.5 per cent during a spell of 7 years.

(iv) The amount of recoveries made being Rs. 138987 thousands in 1965-66 rose to Rs. 478655 thousands in 1972-73, showed a rise of 244.4 per cent.
(v) At the end of 1965-66, the amount of overdues was of Rs. 6215 thousands, which rose to Rs. 22959 thousands in 1972-73, indicated a rise of 269.5 per cent.

(vi) Out of the total amounts of loans due for repayment during 1965-66, 1966-67, 1967-68, 1968-69, 1969-70, 1970-71, 1971-72 and 1972-73, recoveries effected were of the order of 95.7 per cent, 96.0 per cent, 95.8 per cent, 95.3 per cent, 94.3 per cent, 94.9 per cent, 96.0 per cent and 95.4 per cent respectively. Thus, during the period of 8 years, recovery performance ranged between 94.3 per cent (in 1969-70) and 96.0 per cent (in 1966-67 and 1971-72). It was a satisfactory performance.

(vii) Overdues as percentage of total loans outstanding ranged between 5.7 to 3.7. Overdues as percentage of total loans outstanding was the highest at 5.7 each in 1968-69 and 1969-70, followed by 5.3 in 1967-68, 5.2 in 1966-67, 5.1 in 1965-66, 4.5 in 1972-73, 4.0 in 1970-71 and 3.7 in 1971-72.

(viii) Out of the total overdues of the year ending 30-6-1966, 24.9 per cent were overdues of 1 year, 25.9 per cent were of between 1 and 2 years, 16.5 per cent were of between 2 and 3 years and 32.7 per cent were of over 3 years. In 1966-67, the total overdues was classified as 31.5 per cent overdues of 1 year, 22.1 per cent of
between 1 and 2 years, 16.4 per cent of between 2 and 3 years and 30.0 per cent of over 3 years. The overdues reflected by 38.9 per cent, 21.4 per cent, 14.5 per cent and 25.2 per cent fell in the period of overdues of 1 year, 1 and 2 years, 2 and 3 years and over 3 years respectively in the year 1967-68. The year 1968-69 was marked with the overdues of 41.1 per cent of 1 year, 20.8 per cent of between 1 and 2 years, 13.6 per cent of between 2 and 3 years and 24.5 per cent of over 3 years in the total overdues. In 1969-70, the overdues of 1 year reflected by 38.1 per cent, overdues of between 1 and 2 years -- 28.1 per cent, overdues of between 2 and 3 years -- 13.0 per cent and overdues over 3 years -- 20.7 per cent of the total overdues. The overdues reflected by 42.9 per cent, 22.2 per cent, 18.4 per cent and 16.5 per cent fell in the period of overdues of 1 year, between 1 and 2 years, between 2 and 3 years and over 3 years respectively in the year 1970-71. In 1971-72, out of the total overdues, 52.8 per cent overdues were of 1 year, 18.9 per cent of between 1 and 2 years, 12.4 per cent -- between 2 and 3 years and 15.9 per cent -- over 3 years. In 1972-73, out of the total overdues, the overdues of 1 year reflected by 48.8 per cent, 23.9 per cent were overdues of between 1 and 2 years, 10.1 per cent -- between 2
and 3 years and 17.2 per cent — over 3 years.

(ix) Bad and doubtful debts being Rs. 609 thousands in 1965-66 rose to Rs. 2235 thousands in 1972-73, indicated a rise of bad and doubtful debts of 267.0 per cent.

(x) Bad and doubtful debts as percentage of total loans outstanding was within the range of 1.0 to 0.3. Bad and doubtful debts as percentage of total loans outstanding was the highest in 1968-69 reflected by 1.0, followed by 0.6 in 1969-70, 0.5 each in 1965-66, 1966-67 and 1970-71, 0.4 in 1972-73, and 0.3 in 1967-68 and 1971-72.

(xi) Bad and doubtful debts as percentage of total overdues was the highest in 1968-69 reflected by 17.9 (this is not a good sign) and the lowest in 1967-68 reflected by 6.0. The highest bad and doubtful debts as percentage of total overdues in 1968-69 reflected by 17.9 was followed by 11.7 in 1970-71, 10.7 in 1969-70, 9.8 in 1965-66, 9.7 in 1972-73, 9.2 in 1971-72, 8.8 in 1966-67 and 6.0 in 1967-68.

In Table 6.31 are presented the districtwise figures of recovery performances of the UCBs in Gujarat during 1972-73; the analytical readings of which are summarised below:

(i) The amount of loans due for repayment was the highest
in Ahmedabad City worth Rs. 170876 thousands, followed by Rs. 51201 thousands in Kheda dist., Rs. 49663 thousands in Mehsana dist., Rs. 38162 thousands in Sabarkantha dist., Rs. 29011 thousands in the Panch Mahals dist., Rs. 22625 thousands in Bharuch dist., Rs. 20318 thousands in Banaskantha dist., Rs. 20263 thousands in Vadodara dist., Rs. 18854 thousands in Amreli dist., Rs. 15079 thousands in Rajkot dist., and the range of the amount of loans due for repayment in the remaining dist.s was of Rs. 13698 thousands (in Bhavnagar dist.) to Rs. 502 thousands (in Kutch dist.).

(ii) The highest recoveries were recorded in Sabarkantha dist. (99.3 per cent), followed by Mehsana dist. (98.9 per cent), the Panch Mahals dist. (98.3 per cent), Amreli dist. (98.1 per cent), Banaskantha dist. (97.5 per cent), Kheda dist. (97.4 per cent), Ahmedabad City (96.8 per cent), Surendranagar dist. (96.0 per cent), Bharuch dist. (95.4 per cent), and Ahmedabad (Rural) dist. (92.0 per cent). In the remaining dist.s the recoveries ranged between 89.9 per cent (in Bhavnagar dist.) and 74.1 per cent (in Kutch dist.).

(iii) As regards overdues, Sabarkantha dist. had the lowest overdues of 0.7 per cent, followed by Mehsana dist. with 1.1 per cent, the Panch Mahals dist. with 1.7 per cent, Amreli dist. with 1.9 per cent, Banaskantha dist.
with 2.5 per cent, Kheda dist. with 2.6 per cent, Ahmedabad City with 3.2 per cent, Surendranagar dist. with 4.0 per cent, Bharuch dist. with 4.6 per cent, Ahmedabad (Rural) dist. with 8.0 per cent, Bhavnagar dist. with 10.1 per cent, Jamnagar dist. with 11.0 per cent, Valsad dist. with 11.1 per cent, Vadodara dist. with 12.6 per cent, Surat dist. with 14.1 per cent, Junagadh dist. with 18.3 per cent, Rajkot dist. with 21.1 per cent and Kutch dist. with 25.9 per cent.

(iv) Overdues as percentage of total outstanding ranged between 29.7 and 0.1. Overdues as percentage of total outstanding were the highest in Kutch dist. reflected by 29.7, followed by 10.9 each in Junagadh and Surendranagar dist.s, 10.5 in Banaskantha dist., 9.1 in Rajkot dist., 8.4 in Valsad dist., 8.1 in Jamnagar dist., 6.9 in Bharuch dist., 6.0 each in Ahmedabad (Rural) and Surat dist.s, 5.9 in Vadodara dist., 5.3 in Amreli dist., 3.3 in Ahmedabad City, 3.1 in Sabarkantha dist., 1.9 in Kheda dist., 1.6 in Mehsana dist., 1.2 in the Panch Mahals dist. and 0.1 in Bhavnagar dist.

The overdues as percentage of total loans outstanding more than 5 per cent in an UCB requires the setting up of an effective and efficient recovery machinery.
(v) Out of the total overdues of the UCBs in Ahmedabad City, the highest overdues were reflected by 52.3 per cent falling in the period of 1 year, 35.0 per cent overdues in the age-group of 1 and 2 years, 9.7 per cent of 2 and 3 years, and 3.0 per cent of over 3 years. In Ahmedabad (Rural) dist., 37.9 per cent overdues were of over 3 years, 35.7 per cent were of 1 year, 16.9 per cent were of 1 and 2 years, and 9.5 per cent overdues were of 2 and 3 years. Amreli dist. was marked with 37.5 per cent overdues of 1 year, 32.8 per cent of over 3 years, 21.2 per cent of 1 and 2 years, and 8.7 per cent overdues of 2 and 3 years. The figures of overdues reflected by 40.9 per cent, 26.4 per cent, 23.0 per cent and 9.7 per cent were of 1 and 2 years, 1 year, over 3 years, and 2 and 3 years respectively in Banaskantha dist. Bharuch dist. had 40.1 per cent overdues of 1 year, 29.6 per cent overdues of over 3 years, 21.1 per cent overdues of 1 and 2 years and 9.2 per cent overdues of 2 and 3 years. In Bhavnagar dist. the overdues of 1 year, over 3 years, 1 and 2 years, and 2 and 3 years were 48.8 per cent, 25.2 per cent, 21.3 per cent, and 4.7 per cent respectively. Gandhinagar dist. did not record any amount of overdues. In Jamnagar dist. the figures of overdues reflected by 80.9 per cent, 11.9 per cent, 4.1 per cent and 3.1 per cent were of 1 year,
1 and 2 years, over 3 years, and 2 and 3 years. Junagadh dist. was marked with the overdues of 47.1 per cent of 1 year, 24.3 per cent of over 3 years, 18.4 per cent of 1 and 2 years, and 10.2 per cent of 2 and 3 years. In Kheda dist., the highest overdues were of 1 year reflected by 55.6 per cent, followed by 26.2 per cent overdues of 1 and 2 years, 15.5 per cent overdues of 2 and 3 years, and 2.7 per cent overdues of over 3 years. In Kutch dist., 33.1 per cent overdues were of 1 year, 29.2 per cent overdues were of 1 and 2 years, 26.2 per cent overdues were of 2 and 3 years, and 11.5 per cent overdues were of over 3 years. Mehsana dist. had overdues of 55.5 per cent, 34.1 per cent, 6.6 per cent, and 3.8 per cent falling in the periods of 1 year, 1 and 2 years, 2 and 3 years, and over 3 years respectively. The figures of overdues in the Panch Mahals dist. reflected by 54.4 per cent, 30.1 per cent, 12.1 per cent and 3.4 per cent were of 1 year, 1 and 2 years, 2 and 3 years, and over 3 years respectively. Rajkot dist. was marked with overdues of 40.5 per cent, 23.5 per cent, 19.0 per cent and 17.0 per cent of over 3 years, 1 year, 1 and 2 years, and 2 and 3 years. In Sabarkantha dist., the figures of overdues were reflected by 92.0 per cent of 1 year, 4.4 per cent of 1 and 2 years, and 3.6 per cent
of over 3 years. In Surat dist. 74.6 per cent overdues were of 1 year, 18.1 per cent overdues were of 1 and 2 years, and 7.3 per cent were of 2 and 3 years. The figures of overdues in Surendranagar dist. reflected by 45.0 per cent, 34.2 per cent, 10.5 per cent and 10.3 per cent were of 1 year, 1 and 2 years, 2 and 3 years, and over 3 years respectively. Vadodara dist. had the highest overdues reflected by 62.7 per cent of 1 year, followed by 16.2 per cent overdues of over 3 years, 14.7 per cent overdues of 1 and 2 years, and 6.4 per cent overdues of 2 and 3 years respectively. In Valsad dist., 41.3 per cent overdues were of over 3 years, 30.0 per cent overdues were of 1 year, 17.8 per cent were of 1 and 2 years, and 10.9 per cent of 2 and 3 years.

(vi) Except for the four dist.s -- Ahmedabad (Rural), Amreli, Kutch, and Sabarkantha -- all the dist.s were recorded with bad and doubtful debts ranging between Rs. 1130 thousands (in Ahmedabad City) and Rs. 2 thousands (in Surendranagar dist.).

(vii) Bad and doubtful debts as percentage of total loans outstanding was the highest in Junagadh dist. reflected by 2.0, followed by 1.2 in Bharuch dist., 1.1 in Jamnagar dist., 0.9 per cent in Bhavnagar dist., 0.7 per cent in Ahmedabad City, 0.6 in Vadodara dist.,
0.3 in Surat dist., 0.2 each in Banaskantha and Rajkot dist.s; 0.1 each in Kheda, Surendranagar and Valsad dist.s, 0.04 in Mehsana dist. and 0.03 in the Panch Mahals dist..

(viii)While, bad and doubtful debts as percentage of total overdues ranged between 20.6 and 1.2; it was the highest in Ahmedabad City reflected by 20.6, followed by 18.2 in Junagadh dist., 17.3 in Bharuch dist., 13.8 per cent in Jamnagar dist., 10.0 per cent in Vadodara dist., 8.7 per cent in Bhavnagar dist., 5.3 per cent in Surat dist., 2.8 in Kheda dist., 2.7 in Rajkot dist., 2.6 in the Panch Mahals dist., 2.3 in Mehsana dist., 1.8 in Banaskantha dist., 1.2 in Valsad dist. and 0.5 in Surendranagar dist..

In Table 6.32 are depicted the data regarding recovery performances of UCBs in selected States from 1969-70 to 1972-73; the analytical derivations of which are presented below:

total

(a) Out of the year-wise amount of loans due for repayment the highest recoveries made were of the order of 96.8 per cent, 96.7 per cent and 96.1 per cent in Maharashtra in the years 1969-70, 1971-72 and 1970-71 respectively; followed by 96.0 per cent, 95.4 per cent, 94.9 per cent and 94.7 per cent in Gujarat in the years 1971-72, 1972-73, 1970-71 and 1969-70 respectively;
94.5 per cent in Maharashtra in 1972-73; 94.1 per cent, 93.0 per cent, and 92.8 per cent at All-India level in the years 1971-72, 1970-71 and 1969-70 respectively; 92.8 per cent in Tamil Nadu in 1972-73; 92.7 per cent at All-India level in 1972-73; 92.0 per cent and 91.7 per cent in Tamil Nadu in 1971-72 and 1970-71 respectively; 91.3 per cent, 89.9 per cent, 88.1 per cent and 87.6 per cent in Karnataka in the years 1972-73, 1971-72, 1970-71 and 1969-70 respectively; and 86.8 per cent in Tamil Nadu in 1969-70.

(b) Out of the yearwise total amount of loans outstanding, the highest amount of overdues was of the order of 13.2 per cent in Tamil Nadu in 1969-70; followed by 12.4 per cent, 11.9 per cent, 10.1 per cent and 8.7 per cent in Karnataka in the years 1969-70, 1970-71, 1971-72 and 1972-73 respectively; 8.3 per cent and 8.0 per cent in Tamil Nadu in 1970-71 and 1971-72; 7.3 per cent at All-India level in 1972-73; 7.2 per cent in Tamil Nadu in 1972-73; 7.2 per cent, 7.0 per cent and 5.9 per cent at All-India level in 1969-70, 1970-71 and 1971-72 respectively; 5.5 per cent in Maharashtra in 1972-73; 5.3 per cent, 5.1 per cent, 4.6 per cent and 4.0 per cent in Gujarat in 1969-70, 1970-71, 1972-73 and 1971-72 respectively; 3.9 per
cent, 3.3 per cent and 3.2 per cent in Maharashtra in 1970-71, 1971-72 and 1969-70 respectively. Thus, Gujarat and Maharashtra had the highest recoveries and the lowest percentages of overdues.

(c) As regards the total overdues in Gujarat, the highest amount of overdues of Rs. 11190 thousands in 1972-73 was in the period of 1 year and less and the lowest was of Rs. 1666 thousands in 1969-70 belonged to the bracket of 2 and 3 years; in Maharashtra, the highest amount was of Rs. 23320 thousands of 1 year and less in 1972-73 and the lowest was of Rs. 3182 thousands of 2 and 3 years in 1971-72; in Karnataka, the highest amount reflected by Rs. 13527 thousands of 1 year and less in 1972-73 and the lowest amount reflected by Rs. 3065 thousands of over 3 years in 1969-70; in Tamil Nadu, the highest and the lowest figures were reflected by Rs. 7710 thousands of 1 year and less in 1969-70 and Rs. 1734 thousands of over 3 years in 1972-73 respectively. All-India was marked with the highest figures of Rs. 74805 thousands of the period 1 year and less in 1972-73 and the lowest figures of Rs. 17227 thousands of 2 and 3 years in 1970-71.

(4) Overdues as percentage of total loans outstanding were the highest in Karnataka reflected by 19.9 per cent, 14.8 per cent, 13.1 per cent and 12.3 per cent
in the years of 1969-70, 1970-71, 1972-73 and 1971-72 respectively; followed by 10.1 per cent at All-India level in 1969-70; 9.9 per cent and 9.5 per cent in Tamil Nadu in 1970-71 and 1971-72; 8.5 per cent each in Tamil Nadu and at All-India level in 1972-73; 8.4 per cent and 8.1 per cent at All-India level in 1970-71 and 1971-72 respectively; 6.9 per cent, 6.1 per cent and 5.8 per cent in Maharashtra in the years 1972-73, 1971-72 and 1970-71 respectively; 5.7 per cent each in Gujarat and Maharashtra in 1969-70; and 4.5 per cent, 4.0 per cent and 3.7 per cent in Gujarat in the years 1972-73, 1970-71 and 1971-72 respectively. Thus, Gujarat and Maharashtra had lower percentages of over-dues to total loans outstanding -- ranging between 6.9 and 3.7.

(e) Bad and doubtful debts in Gujarat ranged between Rs. 1363 thousands in 1969-70 and Rs. 2235 thousands in 1972-73; in Maharashtra, the same ranged between Rs. 1077 thousands in 1970-71 and Rs. 2554 thousands in 1969-70; in Karnataka it ranged between Rs. 1327 thousands in 1972-73 and Rs. 307 thousands in 1969-70; the range of Rs. 624 thousands in 1971-72 to Rs. 120 thousands in 1972-73 was observed in Tamil Nadu; and at All-India level, the range was of Rs. 8165 thousands in 1972-73 to Rs. 5372 thousands in 1969-70.
(f) Bad and doubtful debts as percentage of total loans outstanding ranged between 0.6 and 0.1. In Gujarat bad and doubtful debts as percentage of total loans outstanding was the highest being 0.6 in 1969-70 and the lowest being 0.3 in 1971-72; in Maharashtra the highest and the lowest percentages of bad and doubtful debts of total loans outstanding reflected by 0.5 in 1969-70, and 0.2 each in 1970-71, 1971-72 and 1972-73 respectively; in Karnataka, the highest percentage was 0.6 each in 1971-72 and 1972-73, and the lowest being 0.2 in 1969-70; in Tamil Nadu, the highest figure was reflected by 0.4 per cent each in 1970-71 and 1971-72, and the lowest one by 0.1 per cent in 1972-73; and at All-India level, the years 1969-70 and 1971-72 represented the highest and the lowest figures of 0.5 per cent and 0.3 per cent respectively.

(g) Bad and doubtful debts as percentage of total overdues were the highest in Gujarat reflected by 11.7, 10.7 and 9.7 in the years 1970-71, 1969-70 and 1972-73 respectively; followed by 9.2 each in Gujarat in 1971-72 and Maharashtra in 1969-70; 4.7 and 4.6 at All-India level in the years 1969-70 and 1972-73 respectively; 4.5 each in Karnataka in 1971-72 and 1972-73; 4.3 each at All-India level in 1970-71 and 1971-72; 3.9 and 3.6 in Tamil Nadu in the years 1971-72 and
1970-71 respectively; 3.5, 3.3 and 2.8 in Maharashtra in 1972-73, 1971-72 and 1970-71 respectively; 2.5 in Karnataka in 1970-71; 1.9 in Tamil Nadu in 1969-70; 1.1 in Karnataka in 1969-70; and 0.7 in Tamil Nadu in 1972-73.

Thus, the percentages of bad and doubtful debts of the total overdues, were the highest in Gujarat; which implied that in such cases advances were given without considering the repaying capacity of the borrowers.

Observations: One of the taxing problems which the UCBs have been repeatedly facing is that of the overdues. (i) Abnormal fluctuations in the price levels of the commodities subjecting topsy turvey trends of cash and funds flows beyond the expectations of the traders, which rendered it beyond their means to make timely repayment of the borrowed amounts; (ii) cropping up unanticipated natural calamities; (iii) advancing loans under various impacts of political and social influences without due and exact assessment of creditworthiness and/or repaying capacities of the borrowers; (iv) misuse by the borrowers of the loans granted by the UCBs; (v) instigating and misleading of the borrowers by some self-styled leaders for irregular repayments of their outstandings; (vi) lack of effective machinery in the UCBs for precise process of exacting the recoveries; and (vii) more emphasis on lendings for consumption purposes could be regarded as the
contributing factors for rising trends of overdues of the UCBs.

As larger turn-overs would yield larger benefits to the UCBs, no UCB can afford to block up its funds in such a way as may not maintain regular inflow of returns/recoveries with interest. Furthermore, only in the event of regular rotations of funds and turn-overs, that an UCB may be able to cater to the needs of various types of customers. This demands special efforts to prevent and/or reduce overdues. Tremendous drive is necessary to be launched on this issue for obvious other important reason. If a general impression is once founded in the minds of the borrowers that overdues are lightly taken as granted by an UCB, it may like a plague-rat spread infectious disease, spread amongst a larger number of borrowers. A set machinery and predetermined line of action, should be strictly followed as a part of remedial measures to retard the infiltration of increasing tendencies and trends of overdues. The following steps would go a long way in reducing the overdues:

(i) The Loan officer and field staff of an UCB should make a precise assessment of the creditworthiness and the repaying capacity of the borrowers before sanctioning loans.

(ii) All decisions regarding lending should be based on sound banking principles and not swayed, influenced or
(iii) Well-defined recovery machinery should be planned and efficiently practised in the light of local conditions and type of borrowers and rigidly adhered to.

(iv) The recovery procedure decided by the UCB, should be piously followed in keeping with the schedule — i.e. giving the first notice before a month, serving second notice before a week, third personal reminder a day prior to actual payment date, faithfully without fail or without any exception, pinning down the responsibility of defaulting staff in doing so for suitable disciplinary actions.

(v) In the event of all efforts as prescribed (Vide: item (iv) above) fail, the matter may be further pursued by personal visits and calls by the bank staff not only on the borrower but on the sureties as well to exercise moral pressure on the borrowers. Of course, such personal calls and visits would demand additional employment of field staff.

(vi) In case of all above efforts exhausting without yielding positive result of effecting the recoveries, finally, the recourse resorted to should be of prompt adoption of legal proceedings against a defaulting borrower.
(vii) A sound investing policy should be made to lend a good portion of amount for productive purposes. Continuous follow up action should be made by calling regular reports and documents from the borrowing unit/persons supplemented by bank representatives at sites to verify that the money lent is used for the specified purpose only.

(viii) In order to expedite the legal proceedings against the defaulting borrowers, the GUCBF should collect, all relevant records and data and find out some acceptable proposal for speedy recoveries.

(ix) As resolved at the First Conference of the UCBs of the Gujarat State organised by the GUCBF arrangements should be made to have the office of the Board of Nominees at each dist. to speed up arbitration cases. 84

(x) As suggested at the Second All-India Conference of the Chief Executives of the UCBs held under the auspices of the Bankers' Cooperative Training College of the RBI, at Poona during March 21-23, 1974, the process of recovery by the UCBs should start well in advance and that delay in getting the help of the Govt. Recovery Officer should not be the cause for the creation of overdues. 85

(d) **Bills discounting:** Purchase and discounting of bills differs from the collection of the bills. In case of purchase of bills, an UCB credits the amount of the bill to the drawer's account before the realisation of bill; i.e., it lends its funds instantaneously to the drawer. In the balance sheet of the bank, the bills purchased and discounted are reflected as part of loans and advances. 86

In both the cases of purchase and discounting of bills, an UCB will credit the customer's account with the amount of the bill after deducting prescribed charges or discount. As regards the demand bills the same are repayable on demand as there is no term of maturity; thus the UCB draws the payment immediately on presentation to the drawee. Thus, the demand bill, in effect, is known as the purchase of the bill. Regarding usance bills maturing after a period of time, the UCB has put to retain the bill for that period and realise the amount of the bill from the drawee on its due date. This is termed as discounting of the bills. In fact, the 'discount' charged by the bank is at a higher rate than the charge made in case of purchase of bills. The discount includes, the expenses incurred in realisation, the interest on the amount of the bill credited to the drawer. In case the bill is dishonoured on the due date the amount due on the bill together with the interest and other charges is debited to the drawer's account.

86. A-53: p. 3.75.
Clientele: The facility of discounting of bill is extended to members only. No such facility is granted to non-members by any UCB.

Procedure: A member desirous of taking advantage of discounting facilities given by the bank, shall have to apply on a printed form for the grant of a credit under this Scheme furnishing all the information as contained in the form. The same shall then be placed before the Board with recommendations from the Manager and the President for the purpose of final decision. This decision will then be communicated to the party/parties who shall then execute an agreement in favour of the bank. The party/parties then can present the bills to the bank and the same will be discounted across the counter like a cheque.

Discounting rate structure: Here also, there is no uniformity in the rates charged by different UCBs. One bank, viz., The Karamsad Urban Cooperative Bank Ltd., Karamsad, charges 18 per cent since 1975, the other — The Vallabh Vidyanagar Commercial Cooperative Bank Ltd. charges 16½ per cent; for discounting bills of exchange with a provision that in case of default the party will be charged extra 50 per cent of the rate charged for the period of default.87

Growth trends: Table 6.33 depicts the figures pertaining to the business of discounting of bills undertaken by the UCBs in Gujarat from 1969-70 to 1972-73; the main readings of which

Table 6.33

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Bills Discounted</th>
<th>Retired</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969-70</td>
<td>942</td>
<td>956</td>
<td>52</td>
</tr>
<tr>
<td>1970-71</td>
<td>1077</td>
<td>969</td>
<td>77</td>
</tr>
<tr>
<td>1971-72</td>
<td>1399</td>
<td>1332</td>
<td>140</td>
</tr>
<tr>
<td>1972-73</td>
<td>1537</td>
<td>1484</td>
<td>191</td>
</tr>
</tbody>
</table>

are explained hereunder:

(i) The amount of the bills discounted in the year 1969-70 was of Rs. 942 lakhs, which rose to Rs. 1537 lakhs in 1972-73, indicating a rise of 63.2 per cent in a spell of 3 years. While in terms of annual percentage rise the highest annual percentage rise in the amount of bills discounted was 29.9 in 1971-72, followed by 14.3 in 1970-71, and 9.9 in 1972-73.

(ii) The amount of bills retired rose to Rs. 1484 lakhs in 1972-73 from Rs. 956 lakhs in 1969-70, accounted for a rise of 55.2 per cent in a spell of 3 years; whereas regards annual percentage rise in bills retired, the year 1971-72 was marked with the highest annual percentage rise of 37.5, followed by 11.4 in 1972-73, and 1.4 in 1970-71.

(iii) The total amount of bills outstanding being Rs. 52 lakhs rose to Rs. 191 lakhs in 1972-73, reflecting a

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88. Ibid.
rise of 267.3 per cent. In terms of annual percentage rise of bills outstanding, the highest annual percentage rise recorded in 1971-72 was 81.8, followed by 48.1 in 1970-71 and 36.4 in 1972-73.

In Table 6.34 are presented the figures of the business of discounting of bills undertaken by the UCBs in selected States during 1969-70 to 1972-73; the analytical interpretations of which are subjoined below:

(i) Taking 1969-70 as the base year, there was a rise of 63.2 per cent in the amount of bills discounted in Gujarat during 1972-73; Maharashtra recorded a rise of 34.0 per cent during the spell of 3 years; Karnataka was marked with a rise of 396.9 per cent; and All-India registered a rise of 74.0 per cent in 1972-73. Tamil Nadu had not provided this type of facility.

In terms of annual percentage rise in the total amount of bills discounted, Gujarat had annual percentage rises of 14.3, 29.9 and 9.9 during the years of 1970-71, 1971-72 and 1972-73 respectively; Maharashtra recorded -9.5 rise in 1970-71, 4.8 rise in 1971-72, and 41.3 rise in 1972-73; Karnataka had annual percentage rises of 286.7, 14.7 and 12.0 in the years of 1970-71, 1971-72 and 1972-73 respectively; while All-India was marked with annual percentage rises of 22.7, 14.4 and 24.0 in the years 1970-71, 1971-72
and 1972-73 respectively.

(ii) Taking the figures of 1969-70 as the base, the total amount of bills retired experienced a rise of 55.2 per cent in 1972-73 in Gujarat; the figures in Maharashtra showed an increase of 38.9 per cent in 1972-73; in Karnataka the total amount of bills retired indicated a rise of 168.1 per cent in 1972-73; and All-India recorded a rise of 62.2 per cent in 1972-73. In terms of annual percentage rises in bills retired, Gujarat recorded 37.5 rise in 1971-72, 11.4 rise in 1972-73 and 1.4 rise in 1970-71; in Maharashtra, the years 1972-73, 1971-72 and 1970-71 were marked with 47.6 rise, 6.3 rise and 11.5 fall respectively; Karnataka had rises of 128.0 and 23.1 in 1970-71 and 1972-73 respectively with an exception of a fall of 4.5 in 1971-72; All-India registered rises of 30.3, 12.0 and 11.2 in 1972-73, 1970-71 and 1971-72 respectively.

(iii) Taking 1969-70 as the base year, there was a rise of Rs. 139 lakhs or 267.3 per cent in the total amount of the bills outstanding in 1972-73 in Gujarat; Maharashtra recorded a rise of Rs. 79 lakhs or 83.2 per cent during the spell of 3 years; Karnataka was marked with a rise of Rs. 77 lakhs or 183.3 per cent; and All-India registered a rise of Rs. 305 lakhs or
155.6 per cent in 1972-73. In terms of annual percentage rises in the amount of the bills outstanding, Gujarat had annual percentage rises of 81.8 in 1971-72, 48.1 in 1970-71 and 36.4 in 1972-73; Maharashtra recorded 143.2 rise in 1970-71, 49.4 rise in 1971-72, and 49.6 fall in 1972-73; Karnataka registered rises of 138.1, 18.0 and 0.8 in 1970-71, 1971-72 and 1972-73 respectively; and All-India had annual percentage rises of 110.7 and 47.5 in 1970-71 and 1971-72 respectively, and fall of 17.7 in 1972-73.

(iv) In terms of the rate of expansion of this activity, UCBs of Gujarat lagged far behind their counterparts in Karnataka, which demonstrated a very rapid growth between 1969-70 and 1972-73.

Observations: This is such a business activity in which UCBs hesitate to enter, as this is considered to be highly risky operation in lending. Complete financial knowledge about the parties discounting the bills will have to have with a banker before granting any discounting facility to a customer. This is a challenging proposition even for the well-established commercial banks. Therefore, many UCBs in smaller urban areas refrain from undertaking this activity.

Land and Buildings

Investment in land and buildings tantamounts to locking up the funds of an UCB in fixed assets on long-term basis.
It is another mode of investment of the bank's funds. But, this is permitted to be availed of only when there is a dire need for the same since any investment in such asset would generally relatively be unremunerative.

Need for investment in land/buildings: An own building is considered as a sign of soundness of a bank. Apart from saving of rent on account of having an own building, there may be a number of other advantages which may accrue to a bank in having its own building. A good building of the bank may create an image in the minds of the general public and may, therefore, attract larger business. Again, a building with all the modern amenities and facilities may also have an inspiring influence on the efficiency of the employees. In case, a bank gets its own buildings constructed, future expansion may also be foreseen and provision be made accordingly.

Similarly, the importance of comfortable residential accommodation is emphasised. The bank may like, in keeping with the trends of an enlightened management, of acquiring land for the construction of Staff Quarters. This can be done in two ways. One. The bank may simply purchase the land and organise a coop. housing society for the construction of quarters, the cost of construction being borne by the employees. Two. The bank itself may get constructed the quarters and provide them to the employees at some nominal or subsidised rent. Whatever method be adopted, it
Table 6.34\textsuperscript{89} (in lakhs of Rs.)

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>G. a</th>
<th>G. b</th>
<th>G. c</th>
<th>M. a</th>
<th>M. b</th>
<th>M. c</th>
<th>K. a</th>
<th>K. b</th>
<th>K. c</th>
<th>T.N. a</th>
<th>T.N. b</th>
<th>T.N. c</th>
<th>A.I. a</th>
<th>A.I. b</th>
<th>A.I. c</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969-70</td>
<td>942</td>
<td>956</td>
<td>52</td>
<td>2359</td>
<td>2258</td>
<td>95</td>
<td>324</td>
<td>558</td>
<td>42</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3701</td>
<td>3866</td>
<td>196</td>
</tr>
<tr>
<td>1970-71</td>
<td>1077</td>
<td>969</td>
<td>77</td>
<td>2134</td>
<td>1998</td>
<td>231</td>
<td>1253</td>
<td>1272</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4541</td>
<td>4330</td>
<td>413</td>
</tr>
<tr>
<td>1971-72</td>
<td>1399</td>
<td>1332</td>
<td>140</td>
<td>2237</td>
<td>2124</td>
<td>345</td>
<td>1437</td>
<td>1215</td>
<td>118</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5193</td>
<td>4814</td>
<td>609</td>
</tr>
<tr>
<td>1972-73</td>
<td>1537</td>
<td>1484</td>
<td>191</td>
<td>3161</td>
<td>3136</td>
<td>174</td>
<td>1610</td>
<td>1496</td>
<td>119</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6438</td>
<td>6271</td>
<td>501</td>
</tr>
</tbody>
</table>

\textsuperscript{89} a = Bills discounted  \quad \text{b = Bills retired}  \quad \text{c = Bills outstanding}

is certain that it would not only add to the morale of the employees but would also reduce the staff-turnover.

**Statutory requirements:** Investment of funds into land and buildings, however, is not so simple. There are certain legal restrictions. Thus, Rule 29 (1)(c) of the GCS Rules, 1965 provides, "With the previous sanction of the Registrar any society may invest its fund or a portion thereof in the purchase or leasing of land or buildings, and in the construction of buildings; Provided that the purchase of such land or the construction of such building is likely to be advantageous to the society in the conduct of its business." Thus, it is imperative for a society to obtain a prior sanction of the Registrar if it wants to invest its funds in land and buildings. It may, however, be noted here that the Registrar does, though subject to certain special conditions, permit a society to invest its funds in the construction of its own building even when a society may not have adequate building fund.

**Growth trends:** In Table 6.35 are presented districtwise information regarding the UCBs having investment in land and buildings as on June 30, 1973. It may be observed that in Kutch dist. 100 per cent banks (out of the only reporting bank) owned land and building; in Bharuch dist. out of 6 reporting banks 83.5 per cent banks owned land and buildings; --

---

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Banks Reporting</th>
<th>Owing land &amp; building</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ah'd City</td>
<td>32</td>
<td>6</td>
</tr>
<tr>
<td>Ah'd(Rural)</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Amreli</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Banaskantha</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Bharuch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Bhavnagar</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Dangs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gandhinagar</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Jamnagar</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Junagadh</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Kheda</td>
<td>32</td>
<td>14</td>
</tr>
<tr>
<td>Kutch</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mehsana</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Panch Mahals</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>Rajkot</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Sabarkantha</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Surat</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Surendranagar</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Vadodara</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>Valsad</td>
<td>4</td>
<td>2</td>
</tr>
</tbody>
</table>

in Ahmedabad (Rural) dist., out of 5 reporting banks 80.0 per cent banks owned land and buildings; in Sabarkantha dist., out of 8 reporting banks 50.0 per cent banks owned land and buildings; in Valsad dist., out of 4 reporting banks 50.0 per cent banks owned land and buildings; in the

Panch Mahals dist. out of 15 reporting banks 46.7 per cent banks owned land and buildings; 43.8 per cent banks, out of 32 reporting banks in Kheda dist. owned land and buildings; in Mehsana dist. 43.8 per cent banks out of 16 reporting banks owned land and buildings; in Bhavnagar dist. banks owning land and buildings were 42.9 per cent out of 7 reporting banks; in Vadodara dist. out of 19 reporting banks 42.1 per cent banks owned land and buildings; in Amreli and Rajkot dist.s 33.3 per cent banks each owned land and buildings, out of 6 reporting banks each; in Surat dist. out of 7 reporting banks 28.6 per cent banks owned land and buildings; in Ahmedabad City 18.8 per cent banks, out of 32 reporting banks, owned land and buildings; in Banaskantha dist. out of 6 reporting banks 16.7 per cent banks owned land and buildings; and 12.5 per cent banks, out of total 8 reporting banks in Junagadh dist. owned land and buildings. No bank in Gandhinagar, Jamnagar and Surendranagar dist.s owned their land and buildings.

Table 6.36 contains the analytical data regarding investments of funds in land and buildings by the UCBs in Gujarat from 1959-60 to 1972-73; the main readings of which are elucidated below:

<table>
<thead>
<tr>
<th>Year ending June 30.</th>
<th>No. of banks</th>
<th>Total amount invested in Land &amp; Buildings (in lakhs of Rs.)</th>
<th>Average investment in Land &amp; Buildings per UCB (as % of total Assets)</th>
<th>Investment in Land and Buildings (in lakhs of Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>42</td>
<td>16</td>
<td>0.7</td>
<td>2.1</td>
</tr>
<tr>
<td>1961</td>
<td>60</td>
<td>17</td>
<td>0.7</td>
<td>1.8</td>
</tr>
<tr>
<td>1962</td>
<td>76</td>
<td>19</td>
<td>0.6</td>
<td>1.6</td>
</tr>
<tr>
<td>1963</td>
<td>88</td>
<td>26</td>
<td>0.9</td>
<td>1.9</td>
</tr>
<tr>
<td>1964</td>
<td>92</td>
<td>33</td>
<td>1.0</td>
<td>2.1</td>
</tr>
<tr>
<td>1965</td>
<td>111</td>
<td>41</td>
<td>1.2</td>
<td>2.2</td>
</tr>
<tr>
<td>1966</td>
<td>124</td>
<td>44</td>
<td>1.1</td>
<td>1.9</td>
</tr>
<tr>
<td>1967</td>
<td>120</td>
<td>43</td>
<td>1.0</td>
<td>1.7</td>
</tr>
<tr>
<td>1968</td>
<td>122</td>
<td>48</td>
<td>1.1</td>
<td>1.6</td>
</tr>
<tr>
<td>1969</td>
<td>129</td>
<td>44</td>
<td>0.9</td>
<td>1.3</td>
</tr>
<tr>
<td>1970</td>
<td>138</td>
<td>49</td>
<td>0.9</td>
<td>1.1</td>
</tr>
<tr>
<td>1971</td>
<td>163</td>
<td>59</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>1972</td>
<td>188</td>
<td>77</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>1973</td>
<td>197</td>
<td>87</td>
<td>1.3</td>
<td>0.9</td>
</tr>
</tbody>
</table>

41.7 per cent, 39.5 per cent, 34.1 per cent, 34.8 per cent, 29.7 per cent, 32.3 per cent, 35.0 per cent, 36.9 per cent, 37.2 per cent, 37.7 per cent, 33.1 per cent, 30.3 per cent, and 35.0 per cent UCBs respectively.

had invested their funds in land and buildings. Thus, during the period under study, the highest and the lowest percentages of banks investing their funds in land and buildings were 52.4 (in 1959-60) and 29.7 (in 1964-65) respectively; while the highest and the lowest amounts of funds invested in land and buildings were Rs. 87 lakhs (in 1972-73) and Rs. 16 lakhs (in 1959-60).

(ii) At the end of June 1960, the total amount invested in land and buildings, which was Rs. 16 lakhs rose to Rs. 87 lakhs at the end of cooperative year 1972-73, reflecting a rise of 443.8 per cent during a spell of 13 years.

(iii) Taking 1959-60 as the base year, the percentage rise in amount in land and buildings was the highest in 1972-73 with 443.8, followed by 381.3 in 1971-72, 268.8 in 1970-71, 206.3 in 1969-70, 200.0 in 1967-68, 175.0 each in 1965-66 and 1968-69, 168.8 in 1966-67, 156.3 in 1964-55, 106.3 in 1963-64, 62.5 in 1962-63, 18.8 in 1961-62, and 6.3 in 1960-61.

(iv) In terms of average amount of investment in land and buildings per UCB owning land and buildings was the highest in 1971-72 with Rs. 1.4 lakhs; followed by Rs. 1.3 lakhs in 1972-73; Rs. 1.2 lakhs in 1964-65; Rs. 1.1 lakhs each in the years 1965-66, 1967-68 and
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and 1970-71; Rs. 1.0 lakh each in 1963-64 and 1966-67; Rs. 0.9 lakh each in 1962-63, 1968-69 and 1969-70; Rs. 0.7 lakh each in 1959-60 and 1960-61; and Rs. 0.6 lakh in 1961-62. Thus, the average investment in land and buildings per UCB ranged between Rs. 1.4 lakhs and Rs. 0.6 lakh.

(v) The investment in land and buildings as percentage of total assets was the highest in 1964-65 reflected by 2.2 and the lowest was 0.9 in 1972-73. The highest investment in land and buildings of 2.2 in 1964-65 of the total investment, was followed by 2.1 each in the years 1959-60 and 1963-64; 1.9 each in 1962-63 and 1965-66; 1.8 in 1960-61; 1.7 in 1966-67; 1.6 each in 1961-62 and 1967-68; 1.3 in 1968-69; 1.1 each in 1969-70 and 1971-72; 1.0 in 1970-71; and 0.9 in 1972-73. Taking 1959-60 as the base year, the investment in land and buildings as percentage of investment in the total assets at the end of each year from 1959-60 to 1972-73 decreased except for two years -- i.e. 1963-64 when it was the same as of 1959-60, and 1964-65 when it registered a rise of 0.1 per cent.

In Table 6.37 are presented the districtwise figures of investments in land and buildings made by the UCBs in Gujarat as on June 30, 1973, the study of which lead us to
the following observations:

(i) 100 per cent banks owned land and buildings in Kutch dist., followed by 83.3 per cent banks in Bharuch dist., 80.0 per cent in Ahmedabad (Rural) dist., 50.0 per cent each in Sabarkantha and Valsad dist.s, 46.7 per cent in the Panch Mahals dist., 43.8 per cent each in Kheda and Mehsana dist.s, 42.9 per cent in Bhavnagar dist., 42.1 per cent in Vadodara dist., 33.3 per cent each in Amreli and Rajkot dist.s, 28.6 per cent in Surat dist., 18.8 per cent in Ahmedabad City, 16.7 per cent in Banaskantha dist., and 12.5 per cent in Junagadh dist.. No bank in Gandhinagar, Jamnagar and Surendranagar dist.s owned land and buildings.

(ii) Total amount invested in land and buildings was the highest in Ahmedabad City worth Rs. 2572 thousands, followed by Rs. 973 thousands in Kheda dist., Rs. 769 thousands in Rajkot dist., Rs. 753 thousands in Surat dist., Rs. 675 thousands in Vadodara dist., Rs. 594 thousands in Valsad dist., Rs. 463 thousands in the Panch Mahals dist., Rs. 371 thousands in Bhavnagar dist., Rs. 234 thousands in Bharuch dist., Rs. 210 thousands in Sabarkartha dist., Rs. 191 thousands in Mehsana dist., Rs. 142 thousands in Junagadh dist., Rs. 103 thousands in Ahmedabad (Rural) dist., Rs. 69 thousands in Amreli dist., Rs. 50 thousands in Kutch
Dist. and Rs. 5 thousands only in Banaskantha dist.

(iii) The average investment in land and buildings per UCB owning land and buildings was the highest in Ahmedabad City with Rs. 428.7 thousands, followed by Rs. 384.5 thousands in Rajkot dist., Rs. 376.5 thousands in Surat dist., Rs. 297.0 thousands in Valsad dist., Rs. 142.0 thousands in Junagadh dist., Rs. 123.7 thousands in Bhavnagar dist., Rs. 84.4 thousands in Vadodara dist., Rs. 69.5 thousands in Kheda dist., Rs. 66.1 thousands in the Panch Mahals dist., Rs. 52.5 thousands in Sabarkantha dist., Rs. 50.0 thousands in Kutch dist., Rs. 46.8 thousands in Bharuch dist., Rs. 34.5 thousands in Amreli dist., Rs. 25.8 thousands in Ahmedabad (Rural) dist., Rs. 21.3 thousands in Mehsana dist., and Rs. 5.0 thousands in Banaskantha dist. Thus, the UCBs in Ahmedabad City, Rajkot, Surat, Valsad, Junagadh, Bhavnagar and Vadodara dist.s had invested proportionately big amounts in land and buildings.

(iv) Investment in land and buildings as a percentage of the total assets was the highest in Kutch dist. with 2.9, followed by 1.9 per cent in Bhavnagar district, 1.6 per cent in Valsad district, 1.3 in Rajkot dist., 1.2 in Sabarkantha dist., 1.0 in Ahmedabad (Rural), 0.9 each in Ahmedabad City, Surat and Vadodara dist.s,
<table>
<thead>
<tr>
<th>District</th>
<th>No. of banks</th>
<th>Total Amount Owned</th>
<th>Average Investment in Land &amp; Buildings (in '000)</th>
<th>Investment as % of total assets</th>
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<td>Ah'd City</td>
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<td>6 2572</td>
<td>428.7</td>
<td>0.9</td>
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<tr>
<td>Ah'd(Rural)</td>
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<td>1.0</td>
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<td>2 69</td>
<td>34.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Banaskantha</td>
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<td>1 5</td>
<td>5.0</td>
<td>0.1</td>
</tr>
<tr>
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<td>5 234</td>
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<td>3 371</td>
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<td>-</td>
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<td>Junagadh</td>
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<td>1 142</td>
<td>142.0</td>
<td>0.6</td>
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<tr>
<td>Kheda</td>
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<td>14 973</td>
<td>69.5</td>
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<td>7 191</td>
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<td>0.3</td>
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<tr>
<td>Panch Mahals</td>
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<td>7 463</td>
<td>66.1</td>
<td>0.6</td>
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<tr>
<td>Rajkot</td>
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<td>2 769</td>
<td>384.5</td>
<td>1.3</td>
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<tr>
<td>Sabarkantha</td>
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<td>4 210</td>
<td>52.5</td>
<td>1.2</td>
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<tr>
<td>Surat</td>
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<td>2 753</td>
<td>376.5</td>
<td>0.9</td>
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<tr>
<td>Surendranagar</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vadodara</td>
<td>19</td>
<td>8 675</td>
<td>84.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Valsad</td>
<td>4</td>
<td>2 594</td>
<td>297.0</td>
<td>1.6</td>
</tr>
</tbody>
</table>

0.8 each in Bharuch and Kheda dist.s, 0.7 in Amreli dist., 0.6 each in Junagadh and the Panch Mahals dist., 0.5 each in Mehsana dist.

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Thus, the percentage of investment in land and buildings of the total assets ranged between 2.9 (in Kutch dist.) and 0.1 (in Banaskantha dist.).

Table 6.38 reflects the figures of investment of funds in land and buildings by UCBs in selected States from 1967-68 to 1972-73; the readings of which are interpreted below:

(i) The highest amount invested in land and buildings in Gujarat was of Rs. 87 lakhs in 1972-73, followed by Rs. 77 lakhs in 1971-72, Rs. 59 lakhs in 1970-71, Rs. 49 lakhs in 1969-70, Rs. 48 lakhs in 1967-68 and Rs. 44 lakhs in 1968-69. In Maharashtra the highest amount in land and buildings was reflected by Rs. 162 lakhs in 1972-73, followed by Rs. 145 lakhs in 1971-72, Rs. 110 lakhs in 1970-71, Rs. 107 lakhs in 1969-70, Rs. 89 lakhs in 1968-69 and Rs. 80 lakhs in 1967-68.

In Karnataka, the year 1970-71 was marked with the highest investment in land and buildings of Rs. 105 lakhs, followed by Rs. 77 lakhs in 1972-73, Rs. 72 lakhs in 1971-72, Rs. 52 lakhs in 1968-69, Rs. 46 lakhs in 1969-70 and Rs. 34 lakhs in 1967-68. Tamil Nadu recorded the highest investment in land and buildings worth Rs. 37 lakhs in 1972-73, followed by Rs. 35 lakhs each in the years 1968-69, 1970-71 and 1971-72, and Rs. 34 lakhs in the years 1967-68 and 1969-70. At
### Table 6.3
(in lakhs of Rs.)

<table>
<thead>
<tr>
<th>As on June 30</th>
<th>G.</th>
<th>M.</th>
<th>K.</th>
<th>T.N.</th>
<th>A.I.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>a</td>
<td>b</td>
<td>a</td>
<td>b</td>
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<tr>
<td>1968</td>
<td>48</td>
<td>1.6</td>
<td>80</td>
<td>1.2</td>
<td>34</td>
</tr>
<tr>
<td>1969</td>
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<td>1.3</td>
<td>89</td>
<td>1.2</td>
<td>52</td>
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<tr>
<td>1970</td>
<td>49</td>
<td>1.1</td>
<td>107</td>
<td>1.3</td>
<td>46</td>
</tr>
<tr>
<td>1971</td>
<td>59</td>
<td>1.0</td>
<td>110</td>
<td>0.9</td>
<td>105</td>
</tr>
<tr>
<td>1972</td>
<td>77</td>
<td>1.1</td>
<td>145</td>
<td>1.2</td>
<td>72</td>
</tr>
<tr>
<td>1973</td>
<td>87</td>
<td>0.9</td>
<td>162</td>
<td>1.0</td>
<td>77</td>
</tr>
</tbody>
</table>

a = Investment by UCBs in land & buildings.
b = Investment in land & buildings as %age of total assets.

All-India level, the highest investment in land and buildings was of Rs. 439 lakhs in 1972-73, followed by Rs. 396 lakhs in 1971-72, Rs. 368 lakhs in 1970-71, Rs. 289 lakhs in 1969-70, Rs. 281 lakhs in 1968-69 and Rs. 247 lakhs in 1967-68.

(ii) Taking 1967-68 as the base year, there was a rise of 81.3 per cent in the amount of investment in land and buildings in 1972-73 in Gujarat; in Maharashtra, there was a rise of 102.5 per cent; in Karnataka, there was a rise of 126.5 per cent; in Tamil Nadu the rise was

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of 8.8 per cent; and at All-India level, there was a rise of 77.7 per cent. Thus, during the period under study, the highest percentage rise was recorded in Karnataka, followed by Maharashtra, Gujarat and Tamil Nadu.

(iii) In 1967-68, the highest amount of Rs. 80 lakhs was invested in land and buildings by Maharashtra, followed by Rs. 48 lakhs by Gujarat, Rs. 34 lakhs each by Karnataka and Tamil Nadu; in 1968-69, Maharashtra stood first with investment of Rs. 89 lakhs in land and buildings, followed by Karnataka (Rs. 52 lakhs), Gujarat (Rs. 44 lakhs), and Tamil Nadu (Rs. 35 lakhs). In 1969-70, Maharashtra led the rest with Rs. 107 lakhs, followed by Gujarat with Rs. 49 lakhs, Karnataka Rs. 46 lakhs, and Tamil Nadu with Rs. 34 lakhs; in 1970-71, Maharashtra topped the list with Rs. 110 lakhs, followed by Karnataka (Rs. 105 lakhs), Gujarat (Rs. 59 lakhs), and Tamil Nadu (Rs. 35 lakhs). In 1971-72, the highest amount invested in land and buildings was of Rs. 145 lakhs by Maharashtra, followed by Gujarat with Rs. 77 lakhs, Karnataka with Rs. 72 lakhs and Tamil Nadu with Rs. 35 lakhs. In 1972-73, too, Maharashtra had the highest investment of Rs. 162 lakhs in land and buildings, followed by Rs. 87 lakhs by Gujarat, Rs. 77 lakhs by Karnataka, and Rs. 37 lakhs by Tamil Nadu. Thus, in all the years (during 1967-68 --

(iv) Investment in land and buildings as percentage of the total assets in Gujarat was the highest (in 1967-68) at 1.6 and the lowest was (in 1972-73) at 0.9; in Maharashtra the highest and the lowest percentages were reflected by 1.3 in 1969-70 and 0.9 in 1970-71 respectively; Karnataka recorded the highest percentage of 3.8 in 1970-71 and the lowest one of 1.9 in 1967-68; Tamil Nadu was marked with the highest percentage of 1.8 each in 1967-68 and 1968-69, and the lowest percentage of 1.3 in 1972-73. At All-India level, the year 1967-68 represented 1.6 as the highest percentage of investment in land and buildings, of the total assets, and the year 1972-73 represented the lowest percentage of 1.2.

Observations: A rented building may not be containing all the facilities required for housing a bank. It may not be very well planned and, therefore, partitions -- temporary or otherwise may have to be got made in the building. This definitely does not give a good show. Again it may not enable
Having an own building of a bank will not only solve all these issues but will also enable a bank to provide many more additional facilities — both to the customers as well as to the employees — like safe deposit vaults, better accommodation, large space etc., ultimately thereby resulting into larger business and better staff contentment.

Again, a bank may be required to pay high rent for the hired building which may not prove economical in the sense that calculating the rate of return on the funds invested in land and buildings and the amount of rent required to be paid by a bank, it may turn out to be a wiser decision to have its own building. A bank earning good profit may think of having its own building with all modern facilities in a good locality without any consideration to the amount of the rent — high or low — as it would contribute to expansion in the volume of business, ultimately adding thereby to the volume of profits. The example of the Cooperative Bank of Ahmedabad Ltd., Ahmedabad, having a grand building on the Relief Road/Tilak Road — a busiest locality of Ahmedabad — is a glaring supporting case in this respect.  

Further more, the facility of the safe deposit vault can be provided, generally, only when a bank may have its own building as this would require a strong big room wherein the locker-cabinets may be kept. It may be mentioned here

that this facility can also be provided in a suitably built rented building. But it may not always be possible to have such a building. A large own building may also prove to be an earning source for a bank as the surplus space could be given on rent. In case of possible expansion, the bank may be able to take possession of the space and use it. The Karamsad Urban Cooperative Bank Ltd., Karamsad has a very big building and has let the surplus space for the Central Excise Office and the Post Office, thereby earning a good income.

One bank viz. Anyonya Sahakari Mandali Cooperative Bank Ltd., Baroda, has constructed a few quarters for its employees and are providing them to the staff at 10 per cent rent calculated on salary (i.e. basic salary + DA). The occupants are also required to pay all taxes proportionately. It is felt that the other banks should also follow the suit. 96

Other Assets

Constituents: In addition to all the assets mentioned heretofore, there are other assets that cover furniture and dead stock, interest receivable, library books, income tax refundable, deposits with other organisation/party/local authority and advances against postal stamps. These are miscellaneous assets having no significance in terms of income generation.

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Furniture, fixtures, and dead stock: A bank by nature of its business requires to have furniture and dead stock in the form of tables, chairs, counters, cupboards, racks, the locker-cabinets, fans, air-coolers, water-coolers, typewriters, calculators, cheque detector machine, cardex cabinet, etc.. Quite a substantial amount gets invested in all these assets. Though unproductive in nature, they do indirectly contribute to the earnings of a bank. The investment in such assets differ from bank to bank depending on the size of the bank and the volume of business.

Interest receivable: All interests due but not received can be termed as interest receivable. This appears on the asset side of the balance sheet of a bank; for the simple reason that the amount of interest is an income of this year and thus though accrued has not been received. The amount of this asset depends upon (i) the regularity or otherwise of the borrowers in making the payment of amount of interest (ii) the terms and conditions of the payment of interest on loans and advances.

Miscellaneous assets: They included such items as (a) income tax refundable (b) deposit with any organisation/party/local body (c) advances against postal stamps and adhesive stamps (d) library books. Similarly, preliminary expenses, discount on shares and debit balances in the profit and loss account though shown on the asset side of the balance sheet do not
represent any tangible asset. Other asset/assets received against any suit on any party may also be shown on the asset side of the balance sheet.

Table 6.39 presents the composition of other assets of 183 UCBs in Gujarat as on June 30, 1973. It may be observed that out of the total amount of Rs. 202 lakhs, the share of interest receivable was of 45.5 per cent, the share of miscellaneous assets was 29.7 per cent, and that of the furniture and dead stock was of 24.8 per cent. Thus, in the group of other assets, interest receivable claimed the highest percentage, followed by miscellaneous, and furniture & dead stock.

Table 6.39<sup>97</sup>

<table>
<thead>
<tr>
<th>Asset Group</th>
<th>Amount (in lakhs of Rs.)</th>
<th>%age share in total other assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Furniture and Dead Stock</td>
<td>50</td>
<td>24.8</td>
</tr>
<tr>
<td>(b) Interest Receivable</td>
<td>92</td>
<td>45.5</td>
</tr>
<tr>
<td>(c) Miscellaneous</td>
<td>60</td>
<td>29.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>202</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Growth trends: In Table 6.40 are included the figures of other assets of UCBs in Gujarat for the years of 1959-60,

Table 6.4098

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Banks</th>
<th>Value of Other Assets (in lakhs)</th>
<th>%age share in total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959-60</td>
<td>42</td>
<td>28</td>
<td>3.7</td>
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<tr>
<td>1963-64</td>
<td>92</td>
<td>47</td>
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<tr>
<td>1967-68</td>
<td>122</td>
<td>138</td>
<td>4.6</td>
</tr>
<tr>
<td>1971-72</td>
<td>188</td>
<td>267</td>
<td>3.8</td>
</tr>
</tbody>
</table>

1963-64, 1967-68 and 1971-72; the analytical derivations of which are enumerated below:

(i) The amount of other assets rose to Rs. 267 lakhs in 1971-72 from Rs. 28 lakhs in 1959-60, which indicated a rise of 853.6 per cent in a spell of 12 years.

(ii) Taking 1959-60 as the base year, the amount of other assets rose by 67.9 per cent in 1963-64; the same assets rose by 193.6 per cent in 1967-68, taking 1963-64 as the base year; while the amount of other assets in 1971-72 rose by 93.5 per cent, taking 1967-68 as the base year.

(iii) This group of assets witnessed a progressive rise during 1959-60 to 1971-72.

(iv) The average amount of other assets per bank which was Rs. 0.7 lakh in 1959-60 rose to Rs. 1.1 lakhs in

1967-68 and to Rs. 1.4 lakhs in 1971-72.

(v) The contribution of other assets in total assets was reflected by 4.6 per cent in 1967-68, 3.8 per cent in 1971-72, 3.7 per cent in 1959-60 and 2.9 per cent in 1963-64. Thus, the percentage share of other assets in total assets was between 4.6 per cent (in 1967-68) and 2.9 per cent (in 1963-64).

Table 6.41 reflects the facets of other assets of the UCBs at inter-State level from 1967-68 to 1972-73; the analytical observations of which are elucidated hereunder:

(i) Taking 1967-68 as the base year, the rise in other assets in 1972-73 in Gujarat was 221.7 per cent; in Maharashtra it was 88.8 per cent; and in Karnataka the same was reflected by 137.6 per cent, while Tamil Nadu recorded a fall of 24.3 per cent, All-India witnessed a rise of 92.1 per cent. Thus, as regards percentage rise in other assets during the period of 5 years Gujarat ranked first, followed by Karnataka and Maharashtra, Tamil Nadu had a fall.

(ii) In terms of annual percentage rise in other assets Gujarat had the highest percentage rise in 1970-71 reflected by 147.4, followed by 66.3 in 1972-73, 23.8 in 1969-70, -8.7 in 1968-69 and -30.8 in 1971-72; Maharashtra had rises of 54.4, 31.2, 15.4, -- 3.5 and
-16.4 in the years 1968-69, 1972-73, 1970-71, 1969-70 and 1971-72 respectively; Karnataka recorded 206.8 rise in 1969-70, 109.0 rise in 1972-73, 0.9 rise in 1968-69, 24.9 fall in 1971-72 and 51.1 fall in 1970-71; Tamil Nadu was marked with rises of 70.5 and 33.0 in 1970-71 and 1971-72 respectively, and falls of 23.9, 33.0 and 34.5 in 1969-70, 1968-69 and 1972-73 respectively; at All-India level, the years 1972-73, 1969-70, 1970-71 and 1968-69 were marked with rises of 28.3, 19.5, 19.1 and 12.0 respectively, while the year 1971-72 recorded a fall of 6.0.

(iii) The average other assets per bank in Gujarat was the highest with Rs. 2.4 lakhs in 1970-71, followed by Rs. 2.3 lakhs in 1972-73, Rs. 1.4 lakhs in 1971-72, Rs. 1.1 lakhs each in 1967-68 and 1969-70, and Rs. 1.0 lakh in 1968-69. In Maharashtra, the highest amount of average other assets per bank was reflected by Rs. 3.0 lakhs each in 1968-69 and 1970-71, followed by Rs. 2.9 lakhs in 1972-73, Rs. 2.7 lakhs in 1969-70, Rs. 2.3 lakhs in 1971-72, and Rs. 2.0 lakhs in 1967-68. In Karnataka, the year 1969-70 was marked with the highest amount of other assets per bank worth Rs. 1.7 lakhs, followed by Rs. 1.4 lakhs in 1972-73, Rs. 0.8 lakh in 1970-71, Rs. 0.6 lakh each in 1968-69 and 1971-72, and Rs. 0.5 lakh in 1967-68. In Tamil Nadu,
<table>
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<th>Year (July-June)</th>
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<td>c</td>
<td>a</td>
<td>b</td>
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<tr>
<td>1967-68</td>
<td>122</td>
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<td>4.6</td>
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<td>1971-72</td>
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<td>1970-71</td>
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<tr>
<td>1969-70</td>
<td>7.7</td>
<td>1543</td>
<td>1543</td>
</tr>
<tr>
<td>1970-71</td>
<td>5.8</td>
<td>1727</td>
<td>1727</td>
</tr>
<tr>
<td>1971-72</td>
<td>5.1</td>
<td>1213</td>
<td>1213</td>
</tr>
<tr>
<td>1972-73</td>
<td>6.1</td>
<td>2215</td>
<td>2215</td>
</tr>
</tbody>
</table>

a = Total UCBs  
b = Value (Amount) of Miscellaneous Assets (in lakhs of Rs.)  
c = % share in total Assets.

the highest amount of average other assets per bank was reflected by Rs. 1.8 lakhs in 1971-72, followed by Rs. 1.4 lakhs in 1967-68, Rs. 1.3 lakhs in 1970-71, Rs. 1.2 lakhs in 1972-73, Rs. 1.0 lakh in 1968-69 and Rs. 0.8 lakh in 1969-70. The All-India level recorded the highest amount of average other assets of Rs. 1.8 lakhs in 1972-73, followed by Rs. 1.6 lakhs in 1970-71, Rs. 1.4 lakhs each in 1969-70 and 1971-72, Rs. 1.1 lakhs in 1968-69, and Rs. 1.0 lakh in 1967-68. Thus, Maharashtra and Gujarat led the rest with the highest amount of average other assets per bank.

(iv) The per cent share of other assets in total assets in Gujarat ranged between 6.9 per cent (in 1970-71) and 3.6 per cent (in 1968-69 and 1969-70 each); in Maharashtra, the same ranged between 8.7 per cent (in 1968-69) and 4.9 per cent (in 1971-72); in Karnataka the range was of 14.5 per cent (in 1969-70) to 4.0 per cent (in 1971-72); in Tamil Nadu it ranged between 11.0 per cent (in 1967-68) and 5.1 per cent (in 1969-70); and at All-India level, the per cent share of other assets in total assets was between 7.7 per cent (in 1969-70) and 5.8 per cent (in 1971-72).

Observation: Investment in this group of assets is negligible as they represented below 5 per cent share in the total assets of UCBs in Gujarat and at All-India, their share ranged
between 5.8 per cent and 7.7 per cent.

Concluding Views

The aforediscussed analytical study of the assets management of the UCBs would amplify that managing advances plays a predominant and taxing role. The very existence and expansion of the UCBs depend on the efficient and judicious investment of funds in advances and their punctual rotations. The managements of the UCBs have to bring about changes in their lending policies. As per the current trends, the UCBs have to come out from their old ruts and pay pointed attention to advance loans for productive purposes. Loan being granted for consumption purposes only did not raise the economic development, howsoever, granting of such loans for grave purposes like redemption of old debts incurred from money-lenders, repairing a falling house, daughter's marriage, clearance of doctor's bills, children's education and the like, were all genuine and inescapable needs, which if not catered to through some humanitarian medium like a coop. agency, well in time, was but apt to compel the suffering common men to be clenched within the cruel clutches of money-lenders. Volumes of summons and preachings are being poured time and again from institutions of all levels and even reiterated by the RBI and the Govt. issuing clear-cut directives to the UCBs to readjust their angle of policy of lending focussed at
productive purposes. Admittedly, such a policy is undeniably in consonance with the dire need of the day, to elevate socio-economic standards of our people, in tune with our however, planned economy, it becomes, a pious duty, to put in here, a word of caution in bold letters and to advocate adoption of ways and means of middle course, or else, it is apprehended, that the poorer section of our community, not finding timely due and genuine financial accommodation from the recognised coop. institutions will again start falling helplessly in cruel hands of 'Indian Shylocks', (i.e. Marwaries, Pathans and Private crude money lenders). Let us therefore be very firm in our resolves for onward march, on sound, judicious, dispassionate and prudent foundations and enhance the pace of our development, slowly but steadily and calculatedly instead of being tossed to like a shuttle-cock to overzealous brainwaves which may not rescue the most needy -- the poorer -- from the ditch of declines. It may be added that it had repeatedly come to the notice of the RBI that several UCBs had lavishly and indiscriminately advanced loans to the directors of the UCBs thereby exhausting and diminishing funds needed for advances to others. RBI, therefore, issued firm and specific restrictions and directives to eradicate the evils and to infuse instead, a fairplay and financial justice alike to all the members encompassed in the entire fold of an UCB.