PART III
THE CHANGING SOCIO ECONOMIC FRAMEWORK AND THE URBAN COOPERATIVE BANKS
CHAPTER 8

PROSPECTS

SYNOPSIS

Retrospect.

Future — Emergence of new environments—
Working Group on Industrial Financing
through Cooperative Banks -- RBI control--
Gujarat Urban Cooperative Banks' Federation -- 20-Point Economic Programme -- Financing consumers' coop. stores -- Predictions--
Concluding observations.

Retrospect

Gujarat, it is an undisputed fact, has smarted in the pioneering of the wake on the sector of the urban coop. banking in our country, as it is the most luring and interesting event to reveal that, on February 5, 1889, well-nigh 87 years back, 23 citizens of Baroda City united together, conceived the bright and golden idea and put their shoulders to the wheel by establishing the first coop. credit society in our country under the name "Anyonya Sahayakari Mandali, Baroda".

Till early sixties of this century, the drive of the founding, strengthening and expanding UCBs did not make much head-way in terms of their numerical strength and mobilisation and utilisation of funds. As compared to the growth of other types of coop. credit societies, the urban coop. banking movement lagged far behind. At the end of June 30, 1969, there were only 1,129 UCBs in India with the
total membership of 29,24,000 persons and the total working capital of Rs. 33,38 lakhs as against 1,88,000 other coop. credit societies having 3,85,61,000 members and Rs. 12,74,06 lakhs working capital. These UCBs, in addition to providing cash credit and overdraft facilities, advanced a total amount of Rs. 1,58,34 lakhs loans to their members during 1968-69, as against the total loans of Rs. 8,92,18 lakhs both short-term and medium-term advanced by other coop. credit societies in the country.  

Average amount of loan per member of an UCB at All-India level during 1968-69 stood at Rs. 1.4 thousands as compared to the figure of Rs. 1.8 thousands in Gujarat. The urban coop. banking movement was mainly concentrated in the State of Maharashtra, Gujarat, Karnataka and Tamil Nadu as out of 1,129 UCBs, 62.8 per cent banks were located in these States. Insofar as the developmental picture of UCBs in Gujarat was concerned, out of 129 banks 53.5 per cent banks were functioning in the dist.s of Kheda, Mehsana, Panch Mahals and Vadodara.

However, it was after July 19, 1969, consequent upon the abrupt nationalisation of our 14 big commercial banks and imposition of stringent conditions by these banks on advancing to their business customers, that people at large, mainly the middle class businessmen, experienced that services of the nationalised commercial banks, lagged behind, in meeting

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1. E-18: pp. 1,19,21 and 27.
their needs, that the drive for organising UCBs gathered great momentum. Consequently, the total strength of the UCBs at an All-India reached at 1,215 at the end of June 30, 1973, resulting in an addition of an average of 21.2 banks per year. The tempo of establishing new UCBs was more pronounced in Gujarat, as during the period of four years ending on June 30, 1973, as many as 68 UCBs came into existence. The pace of progress became still faster between 1973-74 and 1974-75, during which 40 new banks appeared on the scene, bringing their total strength to 237. The development was not restricted to mere numerical strength of the UCBs which experienced all-round progress as compared to their position as at the end of June, 1969. (Vide: Table 8.1)

As can be seen from the data given in Table 8.2 that the UCBs in Gujarat were, in most of the items, far ahead of the UCBs in Maharashtra, Karnataka and Tamil Nadu in the progress made by them in different facets of their growth during 1969-70 and 1972-73.

Similarly at the All-India level, too, the UCBs secured the top position in all the indicators of progress except (a) average paid-up share capital per bank (b) average working capital per bank and (c) average deposit per bank which stood at 68.7 per cent, 91.0 per cent and 100 per cent at All-India level. However, viewing minutely in true
<table>
<thead>
<tr>
<th>Particulars</th>
<th>30 June, 1969</th>
<th>30 June, 1973</th>
<th>Percentage rise</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of UCBs</td>
<td>129</td>
<td>197</td>
<td>52.7</td>
</tr>
<tr>
<td>Membership (in 'ooos)</td>
<td>306</td>
<td>451</td>
<td>47.3</td>
</tr>
<tr>
<td>No. of borrowing members (in 'ooos)</td>
<td>152</td>
<td>222</td>
<td>46.1</td>
</tr>
<tr>
<td>Paid-up share capital</td>
<td>303</td>
<td>738</td>
<td>143.5</td>
</tr>
<tr>
<td>Average paid-up share capital per bank</td>
<td>2.3</td>
<td>3.7</td>
<td>60.8</td>
</tr>
<tr>
<td>Reserve and Other funds</td>
<td>217</td>
<td>418</td>
<td>91.8</td>
</tr>
<tr>
<td>Working Capital</td>
<td>3338</td>
<td>8776</td>
<td>162.9</td>
</tr>
<tr>
<td>Average Working Capital per bank</td>
<td>25.9</td>
<td>44.5</td>
<td>67.9</td>
</tr>
<tr>
<td>Deposits</td>
<td>2633</td>
<td>7166</td>
<td>172.1</td>
</tr>
<tr>
<td>Average deposit per bank</td>
<td>20.4</td>
<td>36.4</td>
<td>78.5</td>
</tr>
<tr>
<td>Loans advanced during the year</td>
<td>2731</td>
<td>5037</td>
<td>84.8</td>
</tr>
<tr>
<td>Average amount of loan advanced per borrowing member during the year (in 'ooos)</td>
<td>1.8</td>
<td>2.3</td>
<td>27.7</td>
</tr>
</tbody>
</table>

perspective, the comparative rank of Gujarat could be placed on the top in achievements, looking to its relatively smaller geographical bounds and strength of urban population as compared to their counterparts in other larger States.

Future

Emergence of new environments: The immediate post-commercial

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Table 8.23

<table>
<thead>
<tr>
<th>Facet of growth</th>
<th>Percentage rise at the end of June 1973 on the base of June 1969 in</th>
<th>Gujarat</th>
<th>Maharashtra</th>
<th>Karnataka</th>
<th>Tamil Nadu</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of UCBs</td>
<td>52.7</td>
<td>21.0</td>
<td>-6.0</td>
<td>-0.7</td>
<td></td>
</tr>
<tr>
<td>No. of Members</td>
<td>47.3</td>
<td>27.7</td>
<td>33.3</td>
<td>-10.0</td>
<td></td>
</tr>
<tr>
<td>Paid-up Share</td>
<td>143.5</td>
<td>89.1</td>
<td>54.0</td>
<td>25.0</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average share</td>
<td>60.8</td>
<td>50.0</td>
<td>6.0</td>
<td>4.6</td>
<td></td>
</tr>
<tr>
<td>capital per bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve and</td>
<td>91.8</td>
<td>60.3</td>
<td>100.0</td>
<td>44.4</td>
<td></td>
</tr>
<tr>
<td>Other funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working capital</td>
<td>162.9</td>
<td>112.4</td>
<td>73.3</td>
<td>58.0</td>
<td></td>
</tr>
<tr>
<td>Average Working</td>
<td>67.9</td>
<td>69.5</td>
<td>54.7</td>
<td>69.2</td>
<td></td>
</tr>
<tr>
<td>capital per bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>172.1</td>
<td>123.4</td>
<td>72.6</td>
<td>65.4</td>
<td></td>
</tr>
<tr>
<td>Average amount</td>
<td>78.5</td>
<td>77.9</td>
<td>84.1</td>
<td>76.0</td>
<td></td>
</tr>
<tr>
<td>of deposit per</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans advanced</td>
<td>84.8</td>
<td>48.4</td>
<td>37.3</td>
<td>74.6</td>
<td></td>
</tr>
<tr>
<td>during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average amount</td>
<td>27.7</td>
<td>-8.0</td>
<td>4.3</td>
<td>40.0</td>
<td></td>
</tr>
<tr>
<td>of loan advanced</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>per borrowing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>member during</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Ibid.
banks' nationalisation period witnessed numerous environmental changes with far reaching effects on the working and the further growth of UCBs in our country in general and in Gujarat in particular. These have been discussed in the paragraphs that follow.

The Working Group on Industrial Financing through Cooperative Banks: It was constituted by the RBI in 1967, which in its Report submitted in 1968, gave a new dimension to the functioning of the UCBs. The Group emphatically stated that among the cooperative banks, the UCBs were the suitable institutions which would undertake the function of granting adequate finance to small scale industrial units and suggested that a dynamic programme of extending the sphere of influence of UCBs had to be chalked out urgently on the following lines:

(i) High priority should be given in organising new UCBs in areas where there was sufficient concentration of cottage and small scale industries carried on by industrial units.

(ii) Existing UCBs might be allowed to extend their area of operations to make it possible for them to finance small scale industrial units which were not too far away from an office of the bank.

(iii) These banks should be permitted to open branches anywhere in the dist.s or the State where there were good prospects for business with small scale units which were not being served by local UCBs.

(iv) The restrictive provisions in the bye-laws of banks, if any, standing in the way of their providing adequate finance to industrial units owned by individuals and partnership firms, should be removed.

(v) Bye-laws of bigger banks should contain a clear provision for enabling them to provide block capital loans to small scale industrial units.

(vi) The loaning policies of the UCBs must adopt a strong bias in favour of economically productive activities rather than the financing of mere consumption and other non-productive items.

(vii) In order to enable the UCBs to undertake the financing of small industries on large scale, RBI should provide refinance facilities and it should provide funds to the State Govt.s to enable them to contribute to the share capital of UCBs.

In pursuance of these recommendations of the Working Group, the RBI has been extending refinance facilities to UCBs in respect of their advances to 22 broad groups of cottage and small scale industries. In order to give incentives
for financing cottage and small scale industries, the RBI, on a selective basis, has been providing loans to the State Govt.s to enable them to contribute to the Share Capital of those primary coop. banks which have either financed or have concrete programmes for financing small scale industries. The RBI has been making relaxation in regard to eligibility of the UCBs provided it is satisfied that the banks have definite programme of lending to small scale units. The Credit Guarantee Scheme sponsored by the Govt. of India for ensuring smooth flow of credit from banking sources to the small scale industries was extended in 1966 to the licensed UCBs. The scheme was further extended to unlicensed banks also, which fulfil the norms prescribed by the guarantee organisation.

RBI control: The Banking Regulation Act, 1949, has been applied to the UCBs, by passing the Banking Laws (Applicable to Cooperative Societies), 1965, with effect from March 1, 1966, whereby the RBI has been empowered to exercise control on the working of the UCBs. The recent two regulatory measures taken by the RBI have generated much uproar in the urban coop. banking sector. One of the directives of the RBI requires a minimum paid-up share capital of Rs. 1 lakh for registration of a new UCB, intending thereby to restrict the mushroom growth of UCBs. Through another

directive, issued on January 31, 1975, the RBI imposed a ceiling on the UCBs in respect of their making or providing or renewing loans or advances or other financial accommodation to a director or to any other single party. In all cases, unsecured loans have to be restricted to a maximum amount of Rs. 5,000/- only. Of course, in deserving cases, the RBI has been granting exemptions to them on their presentation.

It is encompassed in general, on my visits, that some managements of UCBs are inclined to breed a tendency of avoiding indulgence in transactions with RBI. Possibly they carry wrong impressions about the role of RBI. The latter has not adopted stringent policy measures to strangle the development of the UCBs. In fact, RBI is ever keen as before for strengthening the foundations of the Urban Coop. Banking movement. It is only with this object that the RBI is vigilantly watching and controlling the functions of the UCBs, by calling for many returns, through inspections, and by imposing restrictions on unhealthy trends and issuing directives for adopting healthy procedures, in keeping with National Policy and set principles of financial managements. In fact, RBI is catering free service as financial advisers and consultants to the UCBs. I, therefore, earnestly and strongly appeal to the Managements of all UCBs, 

to shake off their misconceptions and recognise the role of the RBI to the one of "Friend, Philosopher and Guide". In reality, instead of hiding the events, all the intricacies, confusions and popular errors, they should be boldly placed before the inspection party of the RBI, or for understood anomalies references should be made to RBI and obtain competent and qualified guidance to eradicate the evil of popular errors. There is no cause for fear for honest mistakes; but if mistakes are hidden and perpetuated when noticed designate the Committer as a criminal. RBI's main intention is to guide UCBs to adopt correct procedures and stop from making mistakes.

As per the standard laid down by the RBI in its study of the UCBs, an UCB to be viable must have a minimum working capital of Rs. 50 lakhs. According to this yard stick as on June 30, 1973, out of 187 reporting UCBs, only 40 UCBs in Gujarat could be regarded as viable. Most of the non-viable banks are in big cities, like Ahmedabad, Vadodara, Surat and Rajkot where the branches of the commercial banks as well as those of the District Central Cooperative Banks are already functioning. Naturally, therefore, the new UCBs in this context would have to face tough competition in mobilisation of the deposits from the public. It is thus doubtful, therefore, if many of these UCBs would become

viable in the near future.

Gujarat Urban Cooperative Banks' Federation: As stated in Chapter 2, the Gujarat Urban Cooperative Banks' Federation formed by the UCBs on March 5, 1975, has been functioning with great gusto and enthusiasm and taking energetic multidirectional steps to set the urban coop. banking movement on right path and to stimulate its progress and prosperity. It organised (i) a two-day Seminar for small UCBs in Gujarat on March 29-30, 1976,9 which was guided althroughout by the Chief Officer of the Agricultural Credit Deptt. of the RBI, (ii) a one-day Seminar for the UCBs of Ahmedabad dist. on July 4, 1976 at Viramgam,10 (iii) a two-day Seminar for UCBs of Mehsana, Banaskantha and Sabarkantha dist.s on August 22-23, 1976, at Talod,11 and (iv) a two-day training programme for the higher level executives of small UCBs on March 29-30, 1976 at Vadodara.12 The Federation has started publishing a monthly entitled Gujarat UCBF Bulletin providing very useful and instructional material to UCBs.13 It has formulated a two-phased plan for organising new UCBs at definite trade centres. In the first stage, it envisages to have 60 new banks in 12 dist.s at places having population exceeding 15,000 (Vide: Table 8.3). In the second phase, it desires to have a plan for covering under UCBs' services all

places with a population between 10,000 and 15,000 persons.\textsuperscript{15}

It may be stated that the GSCBA had in 1971 prepared and published a districtwise list of places of trade centres where there existed scope for establishing new UCBs, the analysis of which would reveal 404 places suitable for forming new banks as shown in Table 8.4.

Of course, between July 1971 and June 30, 1975 as many as 74 new UCBs have been established in Gujarat at either some of the places indicated by the Federation or else where, substantiating the validity of the potential of bright prospects for further numerical growth of UCBs as envisaged by the Federation. Thus, a stupendous task is still lying ahead for wide expansion of the urban coop. banking sector in Gujarat.

Table 8.4

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Centres</th>
<th>District</th>
<th>No. of Centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad City</td>
<td>3</td>
<td>Kutch</td>
<td>22</td>
</tr>
<tr>
<td>Ahmedabad (Rural)</td>
<td>20</td>
<td>Mehsana</td>
<td>28</td>
</tr>
<tr>
<td>Amreli</td>
<td>16</td>
<td>Panch Mahals</td>
<td>7</td>
</tr>
<tr>
<td>Gandhinagar</td>
<td>2</td>
<td>Rajkot</td>
<td>24</td>
</tr>
<tr>
<td>Banaskantha</td>
<td>12</td>
<td>Sabarkantha</td>
<td>17</td>
</tr>
<tr>
<td>Bharuch</td>
<td>17</td>
<td>Surat</td>
<td>43</td>
</tr>
<tr>
<td>Bhavnagar</td>
<td>22</td>
<td>Surendranagar</td>
<td>13</td>
</tr>
<tr>
<td>Jamnagar</td>
<td>20</td>
<td>Vadodara</td>
<td>27</td>
</tr>
<tr>
<td>Junagadh</td>
<td>21</td>
<td>Valsad</td>
<td>39</td>
</tr>
<tr>
<td>Kheda</td>
<td>51</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20-Point Economic Programme: Shri Prabhudas Patel, Union Deputy Minister for Agriculture and Irrigation, in his inaugural address at the "Kaira Dist. Urban Cooperative Banks Seminar" on 24 April 1976, inter alia, stated "The 20-Point Economic Programme announced by the Prime Minister in July 1975, lays great emphasis on promoting the economic interests of the middle and lower income groups. The activities of the urban banks and the employees cooperative credit societies need to be substantially stepped up to protect and promote the interests of the vulnerable sections in the urban areas. The employees credit cooperatives can protect the middle and low income groups from the usury of money-lenders. The urban cooperative banks, besides

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providing consumption credit to low and middle classes in urban areas, would also effectively assist small entrepreneurs, petty traders and artisans. A large programme of development of urban cooperative banks and employees credit societies needs therefore to be launched on a priority basis to help lower and middle income groups and also small traders, artisans and entrepreneurs in urban areas. The fulfilment of economic and social objectives of any cooperative depends on the efficiency of its management. It is, therefore, essential that the urban cooperative banks should develop high managerial skill particularly to identify the weaker sections to reach the benefits of their programme."

Financing consumers' coop. stores: In the wake of implementation of the 20 Point Economic Programme, the Govt. of India in consultation with the Agricultural Credit Deptt. of the RBI has advised, in May 1976, the State Govt.s in the matter of financing consumers' coop. stores by the UCBs. The intention of this new measure is to make available surplus resources of the UCBs, which otherwise are kept in commercial banks. Accordingly, the Registrar of Coop. Societies, Gujarat State, directed the UCBs to undertake this work by suitably amending their bye-laws and loan rules. The Registrar has clarified that it is not necessary for an

UCB to enroll a consumers' coop. store as its member for the purpose of financing it, as in terms of Sec. 2 of the RBI Act, UCBs cannot admit a coop. society as their member. But, these consumers' coop. stores could be financed by them under the provision of Sec. 45 of the Gujarat Cooperative Societies Act, which provides that with the special sanction of the Registrar, a coop. society may advance loans to another coop. society. Thus, the scheme has opened a new field of activity for the UCBs. Of course, certain guidelines are evolved for the working of the scheme. It provides for proper coordination between the UCBs and the Dist. Central Cooperative Banks to avoid overlapping of finances. It has also been made clear that financing of consumer cooperatives should not be done at the cost of priority sectors like the cottage and village industries. The rate of interest charged on loans to consumer cooperatives would not be higher than the interest rates charged by the Dist. Central Cooperative Banks for distribution of consumer commodities. Further, it was decided that loans should be advanced against goods pledged or hypothecated at a margin of 10 per cent. Only in cases where a Government guarantee is available, while normal margins would be allowed in all other cases.

Predictions: With a view to mustering the valued opinions

of veteran leaders in cooperation, top administrators, and chief executives of UCBs of various sizes, a small questionnaire was circulated, inviting the views and assessments as to the (i) "Future of Urban Coop. Banking in Gujarat" and (ii) "Grounds on which their views in reply to (i) are based". Numerous inspiring and valuable replies were received. But, for want of space in this writing, the extracts from a few only are given in the paragraphs that follow to explore the issue in its proper perspective.

Shri V.P. Amin, expressed, "General cooperation movement is better in Gujarat than other States of India. Good cooperative workers with insight and business acumen are at the helm of many UCBs. Quicker disposal and efficient service is there in UCBs compared with big banks. Local directors are knowing well the depositors, borrowers and citizens and hence development and progress has been achieved. Future of Urban Cooperative Banking is bright."

Shri Kantilal Ghiya candidly observed, "We hope that a new society on the basis of no exploitation of anybody can be formed through Cooperation. The ultimate aim of the

20. Shri Amin is Chairman of Cooperative Bank of Ahmedabad Ltd., Ahmedabad, Chairman of the Gujarat Urban Cooperative Banks' Federation.


22. Shri Ghiya is Chairman of IFFCO, Ex-Chairman of the Ahmedabad District Central Cooperative Bank Ltd., Ahmedabad and Gujarat State Cooperative Union."
Cooperative Movement is to achieve a social and economic revolution. For this purpose, for meeting the needs of the people, the UCBs are a 'must'. Hence, there is a great future for Urban Cooperative Banks in Gujarat."  \(^{23}\)

Shri H.M. Joshi  \(^{24}\) (IAS) viewed, "The prospects of developments in any cooperative organisation ultimately rests on the knowledgability of the beneficiaries and members for whose services the cooperative has been organised... The UCBs have more or less the composition of members falling within single line of trade. For the present, the expectation has been that the credit can do the trick in every field of developmental activity. With building up of inflationary spiral, naturally the market trend is always on the high side. The shortage of essential commodities also is another factor which adds a new and favourable dimension in the problem of turn-over, for the credit utilisation in a particular profession or trade. Hence, it is very much difficult now-a-days to predict what would be future of things because of the fact that, much may be hidden from what looks on the surface. Only the loanee in a single portfolio of trade/industry and business could also spell some danger potentially to the fabric of the Urban Cooperative Banking in case there is an economic jolt beyond the control

\(^{23}\) D-11.

\(^{24}\) Commissioner of Cooperation, Gujarat State, Ahmedabad.
of business administration and financiers. The present trend of UCBs leads to the lone portfolio for being exclusively in the direction of simple trade or commercial channel. It may therefore become risky in the traditional way of putting all the eggs in a single basket. However, when there is daily trend of escalation of prices and values, the present day conditions may not be indicative of any abrupt failure or depression in the working of the organisation. The tax concessions on interest on deposits and the freedom to charge the interest on loans taken for the purpose of business, helps in the manipulation of the deposit-cum-advance by the businessman. It is therefore in this context that the development of UCBs had been accelerated and the existing conditions may even look very bright. The nationalised banks also have their own problems of regimentation and standardization, and what can be called the delayed process of decision making. The customers earlier serviced by them may suffer because of the disadvantage of large-scale organisation. It is therefore this factor which may help the progress and growth of small banking units in the form of UCB. The existence for longer time may be subject to RBI's policy formation with regard to banking services, to the various sectors. The cooperatives at one time enjoyed so many concessions, which are now gradually being withdrawn. The reply therefore to the proposition can be that the prospects would be bright in case the present conditions continue
to exist. Whether the conditions can exist infinitely itself is questionable inasmuch as, the impact of inflation is one of the factors promoting the preservation of the existing conditions.

The UCBs have a future and a definite future, too, in case they serve the felt needs of the population of a metropolitan town or city with regard to their genuine requirement of credit both professional and for private consumption. They are the real medias for door-to-door and day-to-day contact, scrutiny and worth of the customers to be served by the Bank. It is therefore through the service of the individual who may be small businessman, entrepreneur, industrialist or mere loanee for consumption that the Bank exists and prospers. They are also good medias for mobilisation of resources, as their approach will be very much at ground level. Such banks can also be helped inter-se by commercial banks. The only danger that will be felt in future would be unrestrained multiplication of units of such Banks, leading to unhealthy competition in deposit mobilisation as well as loaning, ultimately coming to grip with the same vicissitudes as mentioned earlier.25

Shri C.K.Patel26 expressed, "Relevant grounds for my


26 Shri Patel is Financial Adviser, Bardoli Cooperative Sugar Factory Ltd.; Ex-Managing Director, Gujarat State Cooperative Bank; Retired-Joint Registrar, Cooperative Societies, Gujarat State; and Ex-Honorary Secretary, Gujarat State Cooperative Banks Association.
the spirit noticed in the organisation and development of urban banking in Gujarat in the period of past five years seems to have reached its peak-point now, particularly because the impetus for having our own banking houses supplied by the indifferent and unhelpful attitude of the commercial banks in the post-nationalisation period has had its full impact on urban banking that could be seen from the numbers of new peoples' banks organised in the capital as well as all prospective fresh centres in Gujarat State and has left little scope for further development and extension of the urban banking activity in Gujarat. Of course, with the increase in demand for more funds for trade and credit needs of the trading community that forms the bulk of membership and backbone for credit demands and the resultant capital formation very vital in urban banking, the prospects now for further demonstrable progress has a limited scope that cannot be ignored while assessing the future of cooperative banking in Gujarat which according to my understanding is bright only, though not very bright."

Shri C.C. Mehta, stated, "The importance of UCBs as an institution best suited to cater to the banking and credit needs of the small man in the Urban and Rural areas has been

27. D-4.

28. Shri C.C. Mehta is Manager, Gujarat State Cooperative Bank Ltd., Ahmedabad.
generally recognised by various committees and study groups. The need for spread of urban banking in the country and among others for the provision of institutional credit for cottage and small scale industries assumed added urgency and importance in the context of the recent national objective of speedy removal of the regional imbalance in industrial and economic growth, the provision of employment opportunities, the diffusion and dispersal of wealth and advancement of the interest of the small man. It is the general observation of the people that after nationalisation of the commercial banks services offered by them do not seem to the mark. In a competitive economy of today the performance of all enterprise will be judged by what it can deliver to a consumer or a producer which can ease the economy of the nation. So, this is what I feel, is the challenge and at the same time a very opportune time too for UCBs to prove their ability in providing required banking facilities to the people, in the economic interest of their own city/village and country too. The leaders actively engaged with UCBs should realise the situation and ceaseless efforts should be made in switch-overing the traditional lending activities of the UCBs."

Shri N. O. Dharia,\textsuperscript{30} envisions a bright future for

\textsuperscript{29} D-7.

\textsuperscript{30} Shri Dharia is General Manager, Ahmedabad Mercantile Cooperative Bank Ltd., Ahmedabad.
the UCBs in Gujarat on the following premises:

"(i) With the efficient three-tier system in Gujarat, cooperative banking has acquired coordination of high order."

"(ii) Though coverage of UCBs is not extensive in all districts of Gujarat, it is a justified impression that people have an experience and awareness for efficient business line operations and the variety of services offered to its members by UCBs."

"(iii) Its leadership has shown maturity in the field of finance, administration and policy making purposes. On its service is found adequately trained staff, growth of deposits, variety of loan port-folio and acquisition of procedural techniques have given these banks viability to function on pattern of commercial banks."

"(iv) A new concept on Regional and Sectional development through banking is in operation. There being more infra-structure development in Gujarat, more urban development shall follow this economic activity resulting in need and growth for more UCBs."

"(v) Cooperative sector was encouraged for its efficient and satisfactory service to its members on operative
principles and its ability for promotion of thrift from weaker sections of the society and directing the savings for productive credit, raising standard of living of its members."

"(vi) After nationalisation of larger commercial banks and role assigned to them to uplift economy of underdeveloped regions and weaker sections of the society, they shall have to play a dynamic role in such areas where UCBs cannot shoulder that gigantic responsibilities of laying foundation for infra-structure of financial investment. Till then, there are and shall come up hundreds of centres where UCBs can grow and achieve success the way two hundred UCBs have done in organising democratic units, mutually mobilising thrift of the community and rendering help to small businessmen and artisans and rendering help to small man in improving his standard of living. Still there is time for UCBs to play complementary role to commercial banks. Growing self reliant and improving working standards, every small and big UCB has future to develop further."

"(vii) Application of Banking Regulation Act, and increased number of directives from RBI, regulating the business and management of UCBs shall improve the image and quality of UCBs."
"(viii) With their potentiality for economy, ability of quick and personal service due to easy access to community, democratic functioning rendering them popularity, and local unitary characteristics, before line of demarcation vanishes between commercial banks attuned to same objectives and coop. banks, UCBs have bright future for next decade when Gujarat will witness more urban centres developed following industrialisation development of communication and transport, port and harbour, and improving in Farm Sector."

"(ix) Oil economy and inflation have eroded saving potentiality both of industry and community. There shall be need for machinery to mobilise investment saving. Best institutes are small, unitary and highly specialised ones. Urban coop. banks are more suited to play its role of national policy too, under prevailing state of economy."

Shri D.J. Mistry\textsuperscript{32} viewed, "UCBs should adopt now a progressive attitude towards their functions and should try to diversify their activities and offer a wider range of facilities to their members than are now given. In their loan policy, the bank should adopt a sufficiently wide and diversified system suitting to the needs of the times and of

\textsuperscript{32} Shri D.J. Mistry is the then Secretary of the Gujarat State Cooperative Banks Association Ltd., Ahmedabad.
the different categories of members. The mere old concept that patrons of coop. business will support them because they are good ideas, has gone. The false idea that co-operatives are born for success simply because they are co-operatives have too now diminished. The entry of commercial units have changed the whole situation. Today, UCBs which are just mini commercial banks, shall have to prove their right of existence and growth by the sheer efficiency of their operations, the excellence of their services to their patrons and the contributions they make in fulfilling the national objectives. 33

Shri D.L. Darji, 34 while opining about the future of UCBs as 'Excellent Bright', observed, "As a result of credit squeeze exercised by the nationalised banks, businessmen, industrialists and others who were seeking alternative arrangements found the UCBs to be the only source to provide efficient and alternative arrangements, as evinced from the rapid growth of UCBs in Ahmedabad."

"People have realised that cooperative banking services are effective and prompt in comparison with the commercial banks. People at large are attracted for their deposits as their faith now is grown in UCBs. However, deposit collections

33. D-6.

34. Shri Darji is Manager, Patan Nagrik Sahakari Bank Ltd., Patan, Dist. Mehsana.
will enhance when Deposit Insurance Scheme is made applicable by the State Govt. in Gujarat State by requisite amendment in the Cooperative Act." \(^{35}\)

Shri A.N. Patel\(^ {36}\) opined, "Lack of sufficient competent management personnel is probably the most serious single limiting factor upon the further growth and efficient expansion of UCBs in Gujarat State. With this point in mind, instead of increasing number of new UCBs, it will be more useful and meaningful, too, if sound and efficient UCB plans to open more branches by extending their area of operation. I am very much happy to make a mention here that scope and prospects for the future growth of UCBs is very bright in Gujarat." \(^{37}\)

Shri Kapilbhai Kotadia\(^ {38}\) observed, "Urban banking is a bare necessity and hence its future is very bright, if office bearers and staff remain honest, hardworking and faithful to the cause. Development of movement in cities like Ahmedabad in two years and its role in helping the middle class prove the proposition." \(^{39}\)

In his inaugural address at the Seminar for Small UCBs

\(^{35}\) D-10.

\(^{36}\) Shri A.N. Patel is the then Manager of Cooperative Bank of Ahmedabad.

\(^{37}\) D-8.

\(^{38}\) Shri Kapilbhai Kotadia is Chairman of Himatnagar Nagrik Sahakari Bank Ltd., Himatnagar.

\(^{39}\) D-12.
in Gujarat, organised by the GUCBF on 29-30 March, 1976, Shri K. Madhava Das stated "Urban cooperative banks have a very important role to play in the economy of this State. Although commercial banks have and are opening branches in urban as well as semi-urban areas, yet there is enough scope for UCBs for mobilising deposits and also for providing loans for productive purposes, particularly to the weaker sections of the community. They have the advantage of close local knowledge and keen non-official leadership. But, in order to function efficiently and in a competitive manner, UCBs have necessarily to improve their working and operational efficiency. The Reserve Bank's Officers have been inspecting UCBs periodically and pointing out the weaknesses in their working, besides suggesting various measures for their improvement. But the response of the banks both in rectifying the defects pointed out by the RBI and in implementing the suggestions has not generally been up to the mark. I should like every UCB to make earnest efforts to improve its operational efficiency and ensure effective compliance with the suggestions given in the Reserve Bank's inspection reports. In this matter, active help from the Cooperative Department and the Apex Bank is called for. ... As part of the measures for reform, it is absolutely necessary that UCBs should reorient their lending policies so that the

40. Shri K. Madhava Das is Chief Officer, Agricultural Credit Dept., RBI.
loans advanced generate additional income whereby the borrowers, particularly the small borrowers, are enabled to repay their dues. The banks should also explore new avenues of lending, especially to small artisans, small scale industries and the educated unemployed who wish to take up trade or industry. The age-old practice under which banks used to lend against real estate or gold without looking into the purpose of the loan and the repaying capacity of the borrower should change. ... In connection with attracting deposits, I may mention that in some of the States, the scheme of deposit insurance has been in operation for some years in respect of cooperative banks as well. The extension of this scheme in any State would require certain amendments to the Cooperative Societies Act. I hope that the State Government will give serious thought to this aspect and pass the necessary amendments to the law as early as possible in order that the benefit of deposit insurance may be extended to Cooperative Banks, in the State, including urban banks."

While the dignitaries like Sarvashri V.P. Amin and K.F. Ghiya unreservedly foresee the future growth of UCBs in Gujarat, other veteran cooperators, top administrators and chief executives of these institutions do visualise conditionally bright prospects of the movement in our region.

41. L-224: pp. 31-32.
Concluding observations: On an overall view of (i) the rapid pace of multi-directional pace of progress of UCBs in Gujarat since July, 1969, (ii) the changed/changing environmental situations in our country, (iii) the existence of a large number of trade centres providing for ample opportunities for coming up of new UCBs, and (iv) dynamic leadership, initiative and proper guidance emerging through the forum of GUCBF, the writer confidently can envision a bright future for the urban coop. banking sector in Gujarat provided the UCBs (a) consolidate their position, (b) organise effective and continuing campaigns for mobilising local deposits, (c) reorient their loaning policies and explore new avenues of lending, (d) improve their operational efficiency by (i) bringing in uniformity in their organisational set-up and assignment of responsibilities to duly qualified, trained and experienced staff at different levels, (ii) streamlining the procedures and practices of their working, (iii) ensuring effective compliance with the directions, suggestions and advice given, from time to time, by the RBI.

42. The writer refrains from repeating the suggestions, in this regard, made by her at appropriate places in this write-up.