CHAPTER 2
EVOLUTION AND GROWTH-2 : POST-INDEPENDENCE PERIOD

SYNOPSIS

Pre-Gujarat State Formation Period (1947-48 to 1959-60):

Post-Gujarat State Formation Period (1960 onwards):

Growth Trends: Banks: State level -- Intra-state level -- Inter-state level; Membership: State level -- Intra-state level -- Inter-state level; Owned Funds: State level -- Intra-state level -- Inter-state level; Borrowed Funds: State level -- Intra-state level -- Inter-state level; Working Capital: State level -- Intra-state level -- Inter-state level; Financial Results: State level -- Intra-state level -- Inter-state level.

Concluding Observation.

Pre-Gujarat State Formation Period (1947-48 to 1959-60)
Emergence of independent India (1947): India attained Independence on August 15, 1947. India was divided into two
separate states — Bharat and Pakistan. There were a large number of Native States of varied size and status in Gujarat, Kathiawar and Kutch regions. Those interspersed with or contiguous to the geographical territory of the then Gujarat were merged, one by one, with the former Bombay State,¹ those in Kathiawar were amalgamated to constitute the new Saurashtra State² and the unified area of Kutch was put under the Central Government Administration as a "C" class State. The miracle of integration had taken place within a short span of two years due to the consummate statesmanship and sagacity of the Late Sardar Vallabhbhai Patel,³ and the patriotic and rational attitude of the Indian princes.⁴ While, during the British Rule, Gujarat remained divided into the British-ruled territories and Princely States, in 1947, when the country became independent and subsequently the princely order was eliminated, as stated above, Gujarat still remained divided under three administrations — the Bombay State covering the Dist.s of Gujarat, the Saurashtra State covering the Saurashtra Dist.s and the Central administration covering the

1. The Baroda State was merged with the Bombay State on May 1, 1949.
2. The United State of Saurashtra was inaugurated on February 15, 1948.
3. The first Deputy Prime Minister of India in charge of the Home Ministry.
Integration brought in its wake such immediate changes as (i) reorganisation of the revenue limits of a number of dist.s in the enlarged Bombay State, (ii) application of the legislation in force in the Bombay State to the merged territories, and (iii) unification of administrative machinery and procedures. As a result, the Baroda Cooperative Societies' Act was repealed and the Bombay Cooperative Societies' Act of 1925 was applied to the whole of the enlarged Bombay State. The Saurashtra State had also adopted the Bombay Cooperative Societies' Act, 1925 with effect from September 15, 1948, repealing the then existing legislation for coop. societies in Princely States of Bhavnagar, Junagadh and Porbandar.

Banking Companies Act (1949): Another significant event that took place during this period was the passing of the Banking Companies Act of 1949, prior to which there was no law in India relating to banking companies. In fact, in 1936, one Chapter containing special provisions relating to banking companies was added to the Indian Companies Act of 1913. With the assent of the Governor-General on March 10, 1949, and by a Notification of the Central Govt. the Banking Companies Act was brought into force from March 16, 1949. However, the coop. banks were excluded from the operation of the Act under its Section 3.

The Rural Banking Enquiry Committee (1949): It was appointed, in 1949, by the RBI. 8 To encourage the growth of UCBs in rural areas the Committee suggested that coop. societies and banks should be given special assistance and "some subsidies", in addition to the concessions and privileges including concessional rates for postal remittances, relaxation of rules governing accounts with the post-office savings banks and appointment as agents for the sale of National Savings Certificates which were already made available to them. 9 The Registrar of the Bombay Province had made proposals to Govt. to grant to each UCB a subsidy of Rs. 300 per month and to place a building with a strong room at the disposal of each urban bank so that all the 94 municipal towns and 445 major Panchayat areas in the State could be served by UCBs. No action was taken by the Govt. in this respect and in the meantime, the RBI pursued a vigorous policy of promoting commercial branch banking. The result was that UCBs in semi-urban areas had to compete with commercial banks and postal savings banks. 10

Era of Nation-wide Economic Planning (1950): The Govt. of India set up, in March 1950, the Planning Commission and entrusted it with the following major tasks:

(i) to make an assessment of the material, capital and

human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements; 

(ii) to formulate a Plan for the most effective and balanced utilisation of the country's resources; 

(iii) to determine priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage; 

(iv) to indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan; 

(v) to determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects; 

(vi) to appraise, from time to time, the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and 

(vii) to make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it; or, on a
consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problems as may be referred to it for advice by Central or State Govt.s.¹¹

First-Five Year Plan (1951): As a part of the long term planning the Planning Commission prepared the First Five Year Plan whose draft outline was prepared by it in July, 1951. The final Plan was presented to the Govt. of India on December 7, 1952, and laid before Parliament on December 8.¹² Though the Plan involved an outlay of about Rs. 2069 crores (which was subsequently raised to Rs. 2356 crores¹³) by the Central and the State Govt.s over the period 1951-1956, it did not provide any amount for the development of the urban coop. banking in the country. However, the Planning Commission did emphasise the need for the development of the urban sector of the coop. movement on systematic lines in the following words: "The utility of cooperation in the urban areas extends to the credit and other needs of small entrepreneurs and cottage workers. Urban banking conducted on cooperative lines has a very important role to play in this field. Cooperative banks are more democratic and more amenable to local control than even small sized joint stock banks, and

¹³ Ibid.
hence urban banking closely associated with other forms of urban cooperation ought to be more purposefully developed."  

All India Rural Credit Survey Committee (1951): It was appointed, under the Chairmanship of Shri A.D. Gorwala, by the RBI, in August 1951. The Committee, though mainly dealt with Agricultural Credit, had observed, "In areas where central banks or branches of the apex bank are not functioning, urban banks may be allowed to finance rural societies as a transitional measure."  

Second Five Year Plan (1956): Though the Second Five Year Plan, much bigger in size than the First Five Year Plan, was brought into effect from April 1, 1956, it also did not contain any specific scheme that envisaged the development of the urban coop. banking movement in India as also in Gujarat region. Of course, the Planning Commission had observed in the Second Five Year Plan, "With the rapid growth of towns and closer integration between the rural and the industrial economy there is a large and expanding field for the development of cooperation in urban areas. In the past urban cooperation has received inadequate attention. In retail and wholesale trade, transport, small industry, banking, housing and construction, for instance, much can be achieved through efficient organisation along cooperative lines."  

Formation of the Bigger Bilingual Bombay State (1956): As a result of the implementation of the recommendations of the States Reorganisation Commission that was appointed by the Govt. of India in December, 1953, the State of Bombay was reconstituted with effect from November 1, 1956, as the bilingual State with five constituent units of Kutch, Saurashtra, Marathawada (roughly the Marathi-speaking Dist.s of the former Hyderabad), Vidarbha (roughly the Marathi-speaking Dist.s of the former Madhya Pradesh), and the residuary Bombay State (that is, the former Bombay State bereft of the Karnataka Dist.s). Thus, the new State bulked larger in size and economy of the country than prior to its reconstitution. The direct impact of this major change in relation to Gujarat region was that all the Gujarati-speaking areas, for the first time, were put to one administrative authority, requiring the application of the existing Acts of the Bombay State to the areas newly brought under it.

The First Bombay State Cooperative Banks' Conference (1957): It was held in 1957. It emphasised the need for providing financial facilities by the UCBs to their members for productive purposes. It also suggested that these banks should become co-partner in strengthening the economic condition of the artisan class, thereby helping the development programme of the small industry in the country.

Formation of Separate Gujarat State (1960): Consequent upon the passing of the Bombay Reorganisation Act, 1960, the bilingual Bombay State was bifurcated and two separate States viz. Gujarat and Maharashtra came into existence on May 1, 1960. The State of Gujarat comprised such territories of the bilingual Bombay State as (a) Banaskantha, Mehsana, Sabarkantha, Ahmedabad, Kaira, Panch Mahals, Baroda, Broach, Surat, Dangs, Amreli, Surendranagar, Rajkot, Jamnagar, Junagadh, Bhavnagar and Kutch dist.s; and (b) 50 specified villages in Umbergaon taluka of Thana dist., 76 specified villages in Nawapur and Nandurbar talukas of West Khandesh dist. and 80 specified villages in Akkalkuwa and Taloda talukas of West Khandesh dist.

Growth Trends: Between July 1947 and June 1960, 45 new UCBs were incorporated, bringing their numerical strength to 81 by the end of June, 1960. The penetration of urban coop. banking movement was far and wide as out of 45 new banks, 3, 3, 5, 5, 1, 5, 6, 1, 5, 4, 3, 2, and 1 were organised in Ahmedabad (Rural), Amreli, Baroda, Bhavnagar, Broach, Junagadh, Kaira, Kutch, Mehsana, Panch Mahals, Rajkot, Sabarkantha, and Surendranagar dist.s respectively. Banaskantha, Bulsar, Dangs, Gandhinagar, Jamnagar, and Surat were the dist.s in which no new UCB was formed during the period. Similarly,

the formation of new banks was widely spread during this period, as can be seen from Table 2.1. The highest number of banks registered was 8 in 1955-56, followed by 6 each in 1954-55 and 1958-59. Of course, no bank was formed during 1951-52.

Table 2.121

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>No. of banks formed</th>
<th>Year (July-June)</th>
<th>No. of banks formed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947-48</td>
<td>2</td>
<td>1954-55</td>
<td>6</td>
</tr>
<tr>
<td>1948-49</td>
<td>4</td>
<td>1955-56</td>
<td>8</td>
</tr>
<tr>
<td>1949-50</td>
<td>1</td>
<td>1956-57</td>
<td>4</td>
</tr>
<tr>
<td>1950-51</td>
<td>3</td>
<td>1957-58</td>
<td>3</td>
</tr>
<tr>
<td>1951-52</td>
<td>-</td>
<td>1958-59</td>
<td>6</td>
</tr>
<tr>
<td>1952-53</td>
<td>1</td>
<td>1959-60</td>
<td>4</td>
</tr>
<tr>
<td>1953-54</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The detailed study of the statistical information for selected years regarding operations of the UCBs with share capital and reserves of Rs. 1 lakh and above exhibited in Table 2.2 would show their growth-trends as follows:

(i) During 1947-1960, there was about four-fold rise in the numerical strength of the banks, an annual average rise being about 1.5. The highest average annual growth was observed between 1955-56 and 1958-59.

21. B-7, B-8, B-11, B-12, B-16, B-20, B-25, B-26, B-28 to B-30, B-36, B-42 to B-46, B-51, B-53, B-60, B-64, B-67, B-70, B-73, B-75, B-80, B-85, B-89, B-92, B-93, B-99, B-102, B-104, B-107, B-108, B-111, B-116, B-117, B-119, B-121 to B-124, B-126 and B-129.
increase of 2.5 was during 1947-1948.

(ii) Between 1946-47 and 1959-60, membership of the banks rose from 16.3 thousands to 93.1 thousands, registering an annual average rise per year of 5.9 thousand members. As against an average membership of 2.3 thousands per bank in 1946-47, it rose to 34. thousands per bank in 1959-60. Taking 1946-47 as the base year, the increases recorded in the membership were 165.6 per cent, 182.8 per cent, 261.3 per cent, 299.4 per cent and 471.2 per cent at the end of 1948-49, 1950-51, 1952-53, 1955-56 and 1959-60 respectively.

(iii) While there has been progressive increases both in the borrowed funds and the working capital of the banks from 1946-47 to 1959-60, their owned funds showed the rising trends throughout the period except in 1950-51 when they registered a fall of 10.4 per cent on the base year of 1948-49; their respective growth-trends on the base year of 1946-47 being as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Trends (in %ages)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owned Funds</td>
</tr>
<tr>
<td>1948-49</td>
<td>152.6</td>
</tr>
<tr>
<td>1950-51</td>
<td>126.3</td>
</tr>
<tr>
<td>1952-53</td>
<td>184.2</td>
</tr>
<tr>
<td>1955-56</td>
<td>273.7</td>
</tr>
<tr>
<td>1959-60</td>
<td>442.1</td>
</tr>
</tbody>
</table>

(iv) Though during the period of thirteen years the advances
<table>
<thead>
<tr>
<th>Year ending 30th June</th>
<th>No. of banks</th>
<th>Membership (in'000)</th>
<th>Owned Funds</th>
<th>Borrowed Funds</th>
<th>Working Capital</th>
<th>Loans Outstanding</th>
<th>Profit</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>7</td>
<td>16.3</td>
<td>19</td>
<td>146</td>
<td>165</td>
<td>70</td>
<td>1.8</td>
<td></td>
</tr>
<tr>
<td>1949</td>
<td>12</td>
<td>43.3</td>
<td>48</td>
<td>198</td>
<td>246</td>
<td>105</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>1951</td>
<td>14</td>
<td>46.1</td>
<td>43</td>
<td>245</td>
<td>288</td>
<td>111</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>1953</td>
<td>18</td>
<td>58.9</td>
<td>54</td>
<td>271</td>
<td>325</td>
<td>140</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>1956</td>
<td>22</td>
<td>65.1</td>
<td>71</td>
<td>418</td>
<td>489</td>
<td>169</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>27</td>
<td>93.1</td>
<td>103</td>
<td>589</td>
<td>692</td>
<td>353</td>
<td>7.1</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Table 2.2

(In lakhs of Rs.)

22. E-1: pp. 74-89; E-2: pp. 88-91 and 100-107; E-3: pp. 116-119 and 126-135; E-4: pp. 90-93 and 104-115; E-5: pp. 94-97 and 112-125; E-6: pp. 23-30; B-1, B-4, B-15, B-17, B-29, B-32, B-33, B-35, B-36, B-38 to B-40, B-44, B-53, B-64, B-66, B-67, B-75 to B-78, B-81, B-82, B-85, B-87, B-92, B-97, B-98, B-101, B-110, B-111, B-117 and B-128.
outstanding increased from Rs. 0.7 crores in 1946-47 to Rs. 3.53 crores in 1959-60, indicating an over five-fold rise, the average outstanding of advances of Rs. 430 per member in 1946-47, fell to Rs. 380 per member in 1959-60. Of course, the average of Rs. 10 lakhs of outstanding of advances per bank in 1946-47 rose to Rs. 13 lakhs in 1959-60.

(v) All the banks earned profits during all the years except in 1959-60 when one bank incurred a total loss of Rs. 0.02 lakh. The banks continued to show a progressive rising trend in the net profits secured by them during the period under review. As compared to the profit-figures for 1946-47, they exhibited increases of 66.7, 83.3, 100, 177.8 and 294.4 per cent during 1948-49, 1950-51, 1952-53, 1955-56 and 1959-60 respectively.

Post-Gujarat State Formation Period (1960 Onwards)

This period of about one and a half decades in the history of the urban coop. banking movement witnessed numerous important major events that influenced it here in one way or the other and accelerated its pace of progress and prosperity. In the pages that follow an attempt has been made to give a brief account of these events and stretch the picture of the operations of the UCBs in Gujarat during this period.
The Gujarat State Cooperative Banks' Association Ltd. (1960):
It was technically registered, on April 16, 1960, under Sec. 10 of the Bombay Cooperative Societies Act, 1925, with the following main objects and has commenced functioning actively with immediate effects:

(i) to coordinate the work of central and urban coop. banks in the State of Gujarat and to promote uniformity in their banking practice;

(ii) to regulate by mutual arrangement and adjust the exchange business among member-banks;

(iii) to take requisite steps for the maintenance of adequate fluid resources by the banks in their areas of operations;

(iv) to render advice to member-banks in financial matters and matters of common interest;

(v) to convene periodical conferences of central and urban coop. banks for the discussion of means and measures for the promotion of the primary objects of the Association;

(vi) to arrange through the Gujarat State Cooperative Union or otherwise for the training of the staff of member-banks;

(vii) to carry on such functions and duties and exercise such -------

powers under the Gujarat Cooperative Societies Act of 1961 and Rules thereunder as are delegated by the Govt. and Registrar under the said Act and Rules;

(viii) to arrange to visit and inspect member-banks;

(ix) to call for information and periodical returns and statements of their financial position from banks and if necessary to arrange for the publication of such statements;

(x) to keep in touch with (a) the Agricultural Credit Deptt. of the RBI, (b) the money market, (c) the securities market, and to issue periodical bulletins to member-banks;

(xi) to review periodically the structure of coop. finance and banking in the State and to make suitable recommendations to member-banks, Registrar or Govt., as necessary; and

(xii) to do all such other things as may be necessary for promoting and protecting the common interests of member-banks and for carrying out the objects of the Association. 24

Of all its activities, special mention requires to be made of (a) organisation of periodical Seminars of the UCBs, and (b) introduction of the Mutual Arrangement Scheme. Insofar

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as the former is concerned, it did organise as many as 5 Seminars of UCBs between 1961 and 1975, wherein a numerous issues concerning urban coop. banking movement in Gujarat were discussed at length and the conclusions drawn and/or resolutions adopted thereat were followed effectively by the Association. Through the forum of the Seminars the Association could render very vital role in assisting various authorities in framing their policy decisions. Insofar as the latter is concerned, the contributions of the Association in working out and implementing the Mutual Arrangement Scheme^{25} for the cooperative banks has been unique. By virtue of their constitution, the area of operation of the coop. banks always remains restricted. This puts them in a helpless position vis-a-vis the commercial banks. An important service which banks are supposed to provide to their customers can be in regard to the remittance of funds from one centre to another at the minimum possible cost. The traditional methods of remitting money have been losing grounds with the increasing spread of the banking habit among the people, and the cheques and the drafts have been gaining popularity and getting wider acceptance as a mode of remittance. This facility can be extended by an institution having a network of branches throughout the country. No coop. bank can have its branches beyond an assigned area. The UCBs suffer from a greater limitation in this regard as their geographical area of operation may usually limited to a city, 

25. The Scheme envisages arrangements regarding (i) Issue of Drafts and (ii) Collection of Bills.*

* G-3: p.5.
a town or its part. The Mutual Arrangement Scheme helps the coop. banks to be out of the disadvantageous position pertaining to their area of operation. It enables them to extend to their customers the useful banking services of issuing drafts and collection of bills through all the important centres in and outside the State of Gujarat.

Credit Guarantee Scheme (1960): In order to enable the financial institutions to lend freely to the small industrial units the RBI introduced in July, 1960, a Credit Guarantee Scheme. The implementation of the Scheme is looked after by a specially created Credit Guarantee Organisation. The Scheme which was initially applied to a few lending institutions was extended to (i) SBI and its subsidiary banks, (ii) scheduled banks, (iii) non-scheduled banks, (iv) State Cooperative Banks, (v) Central Cooperative Banks, and (vi) State Financial Corporations, in 1966, in the first instance. Following the

26. It envisages the grant of credit guarantees by the RBI to the banks and other financial institutions against the loans -- short-term and/or long-term (not exceeding 7 years) -- granted by them to the small scale industries having machineries valued upto Rs. 7.5 lakhs as per the following terms:

(a) upto 75 per cent of the outstanding loan amount;
(b) upto Rs. 7.5 lakhs for advances made for a short period of 2 years;
(c) upto Rs. 2.5 lakhs per unit for long term advances i.e. 7 years.
recommendations of the Working Group\textsuperscript{27} on "Industrial Financing through Cooperative Banks", the Scheme was subsequently applied to the UCBs, too.

\textbf{Jagubhai Parikh Committee (1961):} The Govt. of Gujarat appointed a six-men Committee under the Chairmanship of Shri Jagubhai Parikh, in August, 1961, to examine the structure of UCBs that were established in the Rajkot area with the encouragement of the then Saurashtra State Govt. to provide financial assistance to artisans, small-scale industries, salary-earners and small traders. The Committee was required to go into the details of the working of these banks and suggest measures to revitalise the weaker banks. It made the following striking recommendations:\textsuperscript{28}

(i) The UCBs should mobilise more deposits by increasing the number of non-borrowing members.

(ii) The UCBs should be permitted to accept deposits from the local bodies and the public trusts.

(iii) The State Govt. should raise its share in the share capital of the UCBs in proportion to the rise in the collection of the share capital by the banks.

(iv) The UCBs should diversify their advances.

(v) The banks should advance long, medium and short terms

\textsuperscript{27} This Group was appointed by the RBI in 1969.

\textsuperscript{28} D-1: pp. 1-2.
industrial loans to the artisans and the small industrialists.

(vi) The Recovery Officers appointed for the District Central Cooperative Banks should also be entrusted with the work of recovery of dues of the UCBs.

The Gujarat Cooperative Societies Act, 1961: With the formation of the separate State of Gujarat the State Govt. enacted, in 1961, a separate Act, viz., the Gujarat Cooperative Societies Act, in place of the Bombay Cooperative Societies Act, 1925. This Act, among other things, distinctly provided for (a) provisional registration of coop. societies (Vide: Sec. 9), (b) allowing associate and sympathiser members by coop.s (Vide: Sec. 25), (c) direct subscription by State Govt. to the share capital of a society with limited liability (Vide: Sec. 51), (d) indirect partnership of share capital by State Govt. in societies (Vide: Sec. 52), (e) empowering the Govt. to appoint Govt. nominee, on the board of management of a society, (Vide: Sec. 80), (f) establishment of Principal State Partnership Fund by an apex society (Vide: Sec. 53), and (g) the establishment of Subsidiary State Partnership Fund by a central society (Vide: Sec. 54). 29

The Third Five Year Plan (1961): Like the earlier Five Year

Plans, the urban cooperative banks did not find a place in the Third Five Year Plan, too. This constituent of our cooperative movement was, once again, neglected by our Planners.

Study Group for Non-agricultural Credit Societies (1963): A Study Group under the Chairmanship of Shri V.P. Varde was appointed, in May 1963, by the Central Ministry of Community Development and Cooperation, with the following terms of reference:

(i) to examine the present patterns of organisation and the working of non-agricultural credit societies including UCBs and employees' coop. credit societies;

(ii) to recommend specific measures for their promotion and development on sound lines;

(iii) to indicate programmes and physical targets for the organisation of such coop.s during the third and fourth plans; and

(iv) to recommend steps for close inter-relationship between coop.s in this field with other fields of coop. activity.³⁰

After detailed study and careful considerations the Study Group, inter alia, made numerous recommendations of

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which the following were related to the UCBs:

(i) A uniform definition of UCBs should be adopted so as to facilitate implementation of a national policy for the development of such institutions. The definition should include the following features:

(a) a credit coop. registered under the State cooperative societies act in urban or semi-urban areas;
(b) a minimum paid up share capital of Rs. 50,000; and
(c) provision of banking facilities viz. accepting for the purpose of lending or investment of deposits from members and non-members repayable on demand or otherwise and withdrawable by cheque, draft, order, etc..

(ii) UCBs should be organised in all towns and in every town with a population over one lakh.

(iii) UCBs should not, in future, be organised on a communal basis and existing societies so organised should suitably amend their bye-laws to throw their membership open to all communities.

(iv) It would normally be advisable for an UCB to restrict its area of operation to the municipality or the taluka town where it operates.

(v) No dogmatic restriction should be laid down as to the size of UCBs.

(vi) Membership of UCBs should be open to all persons
competent to contract and residing in the area of operation.

(vii) The State may participate in the share capital of new banks or of such UCBs as require immediate strengthening of their owned funds position. This should be done only in the case of real need and as an exceptional measure. The State may contribute upto Rs. 25,000 on a matching basis in order to make up a minimum level of share capital of Rs. 50,000 per UCB as early as possible.

(viii) More intensive efforts should be made to attract deposits.

(ix) Central financing agencies should recognise the claims of UCBs as legitimate demands on them and it should be ensured that such banks are given the loans and overdrafts required from time to time. For this purpose, a special Section should be created by the District Central Cooperative Bank.

(x) The RBI, the SBI or the LIC may have to step in and extend necessary credit facilities to UCBs at reasonable rates of interest, through regular financing agencies.

(xi) The UCBs should not normally lend for periods exceeding five years. Where, however, the surplus long term resources of any UCB justify the granting of such loans, it may be done with the prior approval of the Govt.
(xii) The UCBs should adopt a sufficiently diversified loaning system and they should avoid the combination of trading with banking.31

Second Gujarat State Cooperative Conference (1965): The Second Gujarat State Cooperative Conference that was held, in May, 1965, at Bardoli (Dist.: Surat) under the auspices of the Gujarat State Cooperative Union, had unanimously adopted, inter alia, the following important resolutions which partially or fully related to UCBs:

(i) The Govt. should make provisions to allow Panchayats and Semi-Govt. institutions like State Industrial Development Corporation and Municipalities to deposit their surplus funds with the coop. banks.

(ii) While granting a permission to a commercial bank for opening a branch in any area, the RBI should give due consideration to the existing coop. banking arrangements there.

(iii) The UCBs should be exempted from the payment of the stamp duty upto Rs. 5,000.

(iv) The guarantee given or the certificate issued by the UCBs in favour of the contractors or tenderers of the governmental contracts or works should be honoured.

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Banking Regulation Act (1965): With the growth of their business, the coop. banks attained great importance in the banking sector of our economy and, therefore, with a view to bringing them under the statutory control of the RBI, 'The Banking Regulation Act (Application to Cooperative Societies)' was passed on August 18, 1965, and made operative from March 1, 1966. Following are the main regulatory provisions of the Act:

(i) All the coop. banks, having paid up share capital and reserves of Rs. 1 lakh and above are required to obtain licence from the RBI both for starting their banking business and for opening a new branch (Vide: Sec. 11(1) of Banking Regulation Act, 1949). This enabled the RBI to bring about a proper coordination between the branch expansion programmes of the commercial banks and the coop. banks.

(ii) All coop. banks other than the scheduled state cooperative banks have to maintain under Section 18, a cash reserve of not less than 3 per cent of their total demand and time liabilities, either with themselves or in current account with the higher financing agencies.

32. L-7: pp. 13-16.
(iii) All coop. banks are required to maintain liquid assets including the minimum cash reserves of 20 per cent of the total time and demand liabilities in India, for a period of two years from the commencement of the Act, or for such further period not exceeding one year as the RBI may allow in particular case. After the transitional period is over, all the coop. banks will have to maintain the liquid assets of not less than 25 per cent of their total time and demand liabilities in addition to the cash reserves of 3 per cent.

(iv) The coop. banks are prohibited from granting unsecured advances to their directors. The RBI is, however, empowered to allow the primary coop. banks to grant, if necessary, to their directors unsecured loans and advances on such terms and conditions as may be approved by it and to issue directives to these banks or any of them regarding the terms and conditions on which advances and guarantees be given by them.

(v) The RBI has been empowered to inspect these banks and to issue necessary directives to them. The RBI may inspect primary coop. banks either directly or through the State Cooperative Banks.

The major impact of this new legislation was that the coop. banks have to function under dual control system viz., the Registrar of Cooperative Societies of the concerned State has been exercising control in the matters of their incorporation
management and winding up and the RBI has been regulating matters regarding their banking activities and their inspections.

Working Group on Industrial Financing through Cooperative Banks (1967): In view of the cottage and small-scale industries occupying a key position in the country's plan for economic development, it became essential that top priority should be given to accelerate their development. The deliberations of the RBI Standing Advisory Committee on Rural and Cooperative Credit necessitated the RBI to the formation of the Working Group under the Chairmanship of Shri P.N. Damri (Deputy Governor, RBI) on June 26, 1967 to examine, among other things, "the role of urban cooperative banks in financing cottage and small-scale industries; the nature of existing difficulties, if any, and to suggest concrete measures necessary to enable the urban cooperative banks to play a positive role in financing cottage and small-scale industries."

While accepting that a dynamic programme of extending the spheres of influence of UCBs had to be chalked out, the Study Group made the following major recommendations:

(i) High priority should be given to the organisation of

36. Ibid.; p. 54.
UCBs in areas where there is a 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 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.

As regards the flow of finance from the RBI for cottage and small-scale industries, the Study Group opined that the funds may also flow through apex cooperative banks directly to the UCBs without the apex banks routing the funds through the central cooperative banks. In certain areas, however, if the UCBs have large dealings with central banks, then the funds from the apex banks may flow through the central banks, depending upon the arrangements preferred by the UCBs themselves.

National Banking Commission (1963): Another notable event that preceded the 'major revolution' in Indian banking was the appointment of the Banking Commission by the Govt. of
India, in Feb., 1969, under the Chairmanship of Shri R.G. Saraiya.

The Commission was inter alia, required to study (i) the geographical and functional coverage of the banking system, (ii) the size and the dispersion and the area of operation of banks, and (iii) the costs and the capital structure of banks as well as their operating methods, procedures and management policies. The Commission was also supposed to consider the question of management development. In addition to these studies about the banking in general, the Commission was entrusted with the responsibility of reviewing the working of the coop. banks and make proposals for a purposeful coordinated development of commercial and coop. banks. The legislative frame as also the non-banking financial intermediaries and indigenous banking agencies affecting the working of commercial and coop. banks were also to be covered by the Commission. It may be noted that the working of the RBI and other statutory bodies in the financial system did not come within the purview of the Commission.

The Commission, in its report submitted to the Govt. of India in Feb., 1972, included the following major recommendations in regard to the UCBs:

(i) UCBs which do useful work in mobilising deposits and financing of small borrowers should be encouraged by

granting them the status of scheduled banks.

(ii) These banks should finance for the construction as well as repairing of houses. For this purpose they should provide long term loans as per the standards which may be laid down by the RBI.

(iii) In order to provide adequate finance for productive purposes, the maximum limit for individual advances be related to the purpose of utilisation of the advances.

(iv) A limit should be fixed for advances against domestic purposes. This should, however, not be applied to the employees' credit societies.

(v) To retain the present business and to attract new business by UCBs, arrangements should be so made that no delay is caused and no difficulty is experienced by the customers in their transactions with these banks.

The Fourth Five Year Plan (1969): While the first three Five Year Plans recognised 'Cooperation' merely as an economic activity, the Fourth Plan, in addition to putting it on par with the public and private sectors, looked upon it as an important instrument for attaining the aim of democratic socialistic pattern of society through democratic means. The Planners expected 'Cooperation' to play an important role for the rapid development of (i) Agriculture, and (ii) small-scale

38. L-16: p.17.
It was for the first time that the Planning Commission took cognizance of the existence of the UCBs by stating that "in urban areas, the salary earners' societies and the primary urban cooperative banks can make an important contribution to future development.... The primary cooperative banks in the selected urban areas in which they have come up, have been financing activities of small producers and traders and are perhaps the most suitable types of organisation for this purpose." 39

The Coop. Deptt.s and the State Cooperative Banks were urged by the Commission to take steps for the wider establishment and sound working of the UCBs and hoped that "the operations of the urban cooperative banks will be considerably expanded especially in regard to the financing of small-scale industries and small industrialists,. In order to enable urban banks to discharge this responsibility, it will be necessary to strengthen their capital base." 40 The State Govt.s were asked to participate in the share capital. The funds required for the purpose were to be given by the RBI to the States in the form of loans. Such participation was, however, had to be on a selective basis and only those UCBs engaged or interested in productive activities related to the financing of small-scale industries were to be preferred.

40. Ibid.
All India Conference on Urban Credit Cooperatives (1969):
In pursuance of the requests from the various States, the National Cooperative Union of India (NCUI) convened an All-India Conference of the Urban Credit Cooperatives at Poona during 23-25 April, 1969, to discuss their various problems on an all-India basis.

Deep but pinpointed deliberations at the Conference resulted in the following main unanimous recommendations:

(i) The UCBs and salary-earners' coop. societies must base themselves on open and homogenous membership.

(ii) There should be clear cut allocation of funds to be used for different purposes.

(iii) The resources of the UCBs need be strengthened by reimbursement of funds by the state coop. banks, the IDBI, and even from the budgetary resources of the State Govt.s.

(iv) Where the business of the JCBs was exclusively with their members, the provisions of the Banking Regulation Act need not be applied to them.

(v) The UCBs should adopt the techniques of scientific manpower planning and scientific personnel management, and should follow systematic and scientific procedures in regard to the recruitment of personnel and their

performance appraisal.

Nationalisation of Commercial Banks (1969): Indian Banking witnessed a historic event with the taking over of the 14 major commercial banks by the Govt. on July 19, 1969, by an ordinance. These banks had a total deposits of Rs. 2741.76 crores and they along with the SBI and its subsidiaries accounted for 85 per cent of the total deposits of all the commercial banks.

The broad aims of nationalisation as stated in the preamble to the Banking Companies (Acquisition and Transfer of Undertakings) Act 1970, were "to control the heights of the economy and to meet progressively and serve better the needs of development of the economy in conformity with national policy and objectives." In the list of other objectives are


43. These were the banks which had deposits of not less than Rs. 50 crores each on the last Friday of June, 1969.

44. A-46: p. 139.
included (i) providing adequate credit for agriculture, small industries and export trade; (ii) encouraging new class of entrepreneurs by providing easy credit facilities; (iii) giving a professional bent to bank management by nominating professionals on the boards; (iv) providing adequate training as well as reasonable terms of service for bank staff.

The nationalisation affected a considerable diversification in the lending policies of the commercial banks. The traditional approach of measuring the creditworthiness of the borrowers was replaced by the need-based and entrepreneurship development of small and common man. Again, they were almost compelled to extend their services in the rural areas which were hitherto neglected, and thereby encouraging banking habits and mobilising the rural savings.

The outcome of all these were (a) rigorous restriction of lending to business and industries, and (b) opening of more and more branches by these commercial banks in the rural areas. While the former resulted in the establishment of large number of small UCBs by different traders and industrialists sector-wise, the latter posed a serious challenge to

45. I-12: p. 10.

46. This is evidenced by the fact that as many as 20 banks came into being during the first year of the post nationalisation period, their spreadover being 10 in Ahmedabad City, 4 in Kaira Dist., 3 in Sabarkantha Dist., and 1 each in Banaskantha, Baroda and Mehsana districts.
the coop. banks in regard to deposit mobilisation.

Lead Bank Scheme (1969): As a result of the recommendations of a Study Group set up by the National Credit Council in Oct., 1968, the Lead Bank Scheme was introduced in Dec., 1969. It was a major step towards the implementation of the two-fold objective — (i) mobilising deposits on a massive scale throughout the country, and (ii) stepping up of lending by the banking system for the growth of the economy. The Scheme envisaged the identification and study of local progress by the commercial banks and evolve an integrated plan for the area. Thus, it proposed an area approach.

Under the Scheme, a dist. is taken as an administrative unit and the lead role is assigned to a major scheduled bank. Such a bank is known as the 'Lead Bank'. This 'Bank' is responsible for taking a leading role in surveying the credit needs, development of branch banking and of credit facilities in the dist.s allotted to it. The Lead Bank is supposed to conduct the surveys of the lead dist. with a view to finding out the non-bank centres, where its branches could be located and prepare a phased programme for branch expansion in the dist.s. It is also expected to estimate the deposit potentials and the credit gaps. The main object of the Scheme is to speed up the banking development in view of the needs of the local economy.

In case of the State of Gujarat three banks viz. (i) Bank of Baroda, (ii) Dena Bank, and (iii) State Bank of
Saurashtra have been given the status of a Lead Bank. Bank of Baroda, Dena Bank and State Bank of Saurashtra have been allotted seven, six and six dist.s of the State.

It is unfortunate that the coop. banking structure has not been associated with the Scheme. As a matter of fact, it has been posing a serious challenge to the working of the coop. banks in general and the UCBs in particular, in regard to deposit mobilisation. It could have been a fruitful proposition, had the UCBs been associated with the Scheme. However, the RBI has issued instructions to the Lead Banks to ask for the cooperation of the district central coop. banks in the implementation of the Scheme.


The Seminar, inter alia, emphasised that the central coop. banks should take active interest in the development of the UCBs by encouraging the local leaders in each 'taluka

47. Bharuch, Dangs, Kheda, Panch Mahals, Surat, Vadodara and Valsad.
48. Ahmedabad, Banaskantha, Gandhinagar, Kutch, Mehsana and Sabarkantha.
49. Amreli, Bhavnagar, Jamnagar, Junagadh, Rajkot and Surendranagar.*
50. L-12: p.7.

centre' and 'trade centre' to establish UCBs through their systematic and planned efforts, and appealed to the Gujarat State Cooperative Banks' Association to prepare a list of the places where the UCBs could be established and send it to each district central coop. bank for consideration of its Board to take active steps for organising them.  

First All India Conference of the Chief Executives of the UCBs (1971): The Cooperative Bankers' Training College of the RBI convened an All India Conference of the Chief Executives of the UCBs at Foona on July 12-13-14, 1971.

The RBI, through this Seminar, attempted, for the first time, at knowing and appreciating the difficulties of our UCBs. In the list of the issues that were discussed in the Seminar were included (a) branch expansion programme, (b) deposit mobilisation, (c) amendment to the Cooperative Acts of the States so as to extend the Deposit Insurance Scheme to the UCBs, (d) timely submission of returns by the UCBs under the Banking Regulation Act to the RBI, and (e) advancing funds, if and when necessary, by the Apex Bank to the UCBs for the maintenance of cash reserves and liquidity assets. The Seminar urged the UCBs to divert their lending from their traditional consumption fields to small traders, small-scale industrialists and such other categories of customers for productive purposes.  

Second All India Conference of the Chief Executives of the UCBs (1974): The Cooperative Bankers' Training College of the RBI called the Second Conference of the Chief Executives of 30 selected UCBs at Poona on 21-23 March, 1974. It was conducted by Dr. C.D. Latey, Executive Director, Agriculture Deptt., RBI.

The prolonged deliberations, discussions and cross-discussions at the Conference resulted in the following decisions:

(i) Though the UCBs having share capital of less than Rs. 1 lakh are eligible to get themselves registered with the Registrar, Cooperative Societies, they cannot get a licence from the RBI unless they possessed share capital of Rs. 1 lakh and above. This requirement has deprived many UCBs having large working capital and providing efficient banking services to their customers for a number of years of getting licence from RBI.

(ii) These banks should not merely concentrate on lending against securities. Instead they should insist on making objective lending. They should gradually change their traditional fields of lending and encourage industrialists to borrow from them by adopting and following a policy of charging discriminating rates of interest without sacrificing their profitability.

(iii) These banks suffer from lack of technical knowledge for industrial lending and consequently they are not in a position to fully utilise their financial resources. They should, wherever feasible, come out for lending to industrial enterprises on a joint participation basis with the commercial banks. This will bring about a fruitful coordinated utilisation of the technical knowledge of the commercial banks and the financial resources of the UCBs for productive purposes.

(iv) The UCBs should start the process of recovering their dues well in advance. The delay in getting the help of the Governmental Recovery Officer should not be the cause for creation of overdues.

(v) The UCBs should behave in consonance with the credit control policy of the RBI, even when they may not be directly touched by such measures. They should refrain from lending to the traders and thereby discourage hoarding by them, thus help controlling the inflationary situation.

(vi) In order to provide efficient banking services, the staff of the UCBs should be imparted professional training. All the UCBs should take full advantage of the training facilities created by official and non-official agencies.

The Fifth Five Year Plan (1974): While the Draft Fifth Five Year Plan has been a step forward in the advancement of our
national economy, once again the Planning Commission has lost sight of the UCBs, and the role which they can play in the national economy. The Draft Fifth Plan has completely been silent on the urban coop. banking movement.

Gujarat Urban Cooperative Banks' Federation (1975): Though there was the Gujarat State Cooperative Banks' Association Ltd. to look after the problems of the Cooperative Banks in Gujarat and protect their interests, it was always felt that the UCBs have their own peculiar problems and therefore there should be an independent separate association of their own so that their problems can be very well tackled, and their interests be equally well protected. This long felt need was ultimately materialised on March 5, 1975 when the Gujarat Urban Cooperative Banks' Federation was formed with the following main aims and registered:

(i) To endeavour to maintain an uniformity in the working of the UCBs in Gujarat.

(ii) To maintain set standards in regard to the Cash Reserve and Liquid Assets as laid down by the Banking Regulation Act for the UCBs and to make necessary arrangements for the timely dispatch of various returns to the RBI by them.

(iii) To give guidance and advice to the member-banks in their

day-to-day working in regard to administrative and financial difficulties and to take necessary steps to solve those difficulties, and also to provide them practical guidance in their day-to-day problems by arranging personal visits.

(iv) To convene/arrange, from time to time, Seminars, Conferences and Meetings for discussing and deliberating the general problems of the UCBs.

(v) To make arrangements for the extension of the Mutual arrangement Scheme, put into operation by the Gujarat State Cooperative Banks' Association, to the UCBs.

(vi) To make suitable arrangements for the training of the staff of the UCBs either independently or in collaboration with any institution.

(vii) To call for Monthly, Quarterly, Half-yearly and Annual Accounts Statements or to collect necessary information from the UCBs and make necessary arrangements for their publication.

(viii) To supply to the member-banks information regarding economic (financial) matters through Circulars or Magazine/Magazines by keeping in constant touch with the RBI, the Gujarat State Cooperative Bank, Commercial Banks, Money Market and Securities Market.

(ix) To provide all assistance and guidance for the formation and efficient management of the new UCBs and thereby to
the efficient and rapid development of the UCBs in the State.

(x) To endeavour to maintain a close and continuous coordination among State Cooperative Bank, District Cooperative Banks, Industrial Cooperative Banks and the Urban Cooperative Banks.

(xi) To make efforts for the procurement of the licences from the RBI for the foreign exchange business by UCBs.

In pursuance of the above laid objectives, the Federation (i) convened the First Conference of the Urban Cooperative Banks of Gujarat on Sept. 7, 1975 at Ahmedabad, (ii) organised the 2-day Seminar of small size UCBs at Baroda on 29-30 March, 1976, and (iii) started publishing monthly viz. 'Gujarat Urban Cooperative Banks' Federation Bulletin' for the benefit of the member-banks. The prompt functioning of the Federation has generated promising hopes of revitalising the Urban Coop. Banking movement in Gujarat.

Growth Trends

As against the background of the aforesaid events, an attempt is made here to present analytically the year-wise and/or area/region-wise comparative growth facets of UCBs.

Banks

State level: The analysis of the figures given in
Table 2.3 reveals that (i) except in the years of 1966-67 and 1967-68, there was a progressive rise in the numerical strength of the banks between 1960-61 and 1972-73; (ii) taking 1960-61 as the base year, the number of UCBs in Gujarat rose by 228.3 per cent at the end of the year 1972-73; (iii) the annual rate of growth of the banks was not uniform -- it ranged from 26.7 per cent in 1961-62 to -3.2 per cent in 1966-67.

<table>
<thead>
<tr>
<th>At the end of Coop. Year</th>
<th>No. of Banks</th>
<th>Annual rate of growth (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>60</td>
<td>-</td>
</tr>
<tr>
<td>1961-62</td>
<td>76</td>
<td>26.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>88</td>
<td>15.8</td>
</tr>
<tr>
<td>1963-64</td>
<td>92</td>
<td>4.5</td>
</tr>
<tr>
<td>1964-65</td>
<td>111</td>
<td>20.7</td>
</tr>
<tr>
<td>1965-66</td>
<td>124</td>
<td>11.7</td>
</tr>
<tr>
<td>1966-67</td>
<td>120</td>
<td>-3.2</td>
</tr>
<tr>
<td>1967-68</td>
<td>122</td>
<td>1.7</td>
</tr>
<tr>
<td>1968-69</td>
<td>129</td>
<td>5.7</td>
</tr>
<tr>
<td>1969-70</td>
<td>138</td>
<td>7.0</td>
</tr>
<tr>
<td>1970-71</td>
<td>163</td>
<td>18.1</td>
</tr>
<tr>
<td>1971-72</td>
<td>188</td>
<td>15.3</td>
</tr>
<tr>
<td>1972-73</td>
<td>197</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Intra-state level: In Table 2.4 are given the districtwise comparative data of the UCBs in Gujarat from 1960-61 to 1972-73, the study of which would lead us to the following observations:

(i) While, on the base year of 1960-61, there was a more than threefold rise in the number of banks at the State level during the period under review, such rise was more than sixteenfold in Ahmedabad City, followed by Ahmedabad (Rural) dist. eightfold, Mehsana and Banaskantha sixfold each, Amreli and Vadodara fivefold each, Sabarkantha and Surat fourfold each, and Kheda dist. three and a halffold. The remaining dist.s showed almost a stagnant position.

(ii) Kheda dist. had the highest number of banks as at June 30, 1973, followed by Ahmedabad City (33), Vadodara (21), Mehsana (18) and the Panch Mahals (15). The remaining dist.s had less than ten banks except the Dangs that had yet to open its account.

(iii) Though these 197 banks were located in all the districts of Gujarat except Dangs (Vide: Map 2.1) 126 (or 64 percent) Banks were concentrated only in five dist.s viz., Kheda, Ahmedabad City, Vadodara, Mehsana and the Panch Mahals.

(iv) While Amreli topped the list with 200 per cent annual rise in the number of these banks in 1962-63, followed

**Inter-state level:** In our country, Maharashtra, Karnataka, Gujarat and Tamil Nadu are considered to be the developed States in the field of Cooperation. In Table 2.5 are shown comparative figures of UCBs situated in these States from 1967-68 to 1972-73 to indicate the superiority or otherwise of one State over the others. Their analytical study would show the following results:

(i) On June 30, 1973, Maharashtra had the highest number of banks (280), followed by Karnataka (199), Gujarat (197) and Tamil Nadu (135).

(ii) These four States together accounted for over 66.6 per cent of the total strength of 1215 of the UCBs in India
Table 2.5

<table>
<thead>
<tr>
<th>Year</th>
<th>A.I.</th>
<th>G.</th>
<th>M.</th>
<th>K.</th>
<th>T.N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td>1127</td>
<td>122</td>
<td>219</td>
<td>216</td>
<td>145</td>
</tr>
<tr>
<td>1968-69</td>
<td>1129</td>
<td>129</td>
<td>223</td>
<td>212</td>
<td>145</td>
</tr>
<tr>
<td>1969-70</td>
<td>1129</td>
<td>138</td>
<td>239</td>
<td>210</td>
<td>140</td>
</tr>
<tr>
<td>1970-71</td>
<td>1173</td>
<td>163</td>
<td>250</td>
<td>210</td>
<td>136</td>
</tr>
<tr>
<td>1971-72</td>
<td>1213</td>
<td>188</td>
<td>270</td>
<td>211</td>
<td>136</td>
</tr>
<tr>
<td>1972-73</td>
<td>1215</td>
<td>197</td>
<td>280</td>
<td>199</td>
<td>135</td>
</tr>
</tbody>
</table>

as at June 30, 1973, their respective shares being Maharashtra 23 per cent, Karnataka 16.5 per cent, Gujarat 16.3 per cent and Tamil Nadu 13 per cent.

(iii) During the period under study, while the number of banks in Gujarat and Maharashtra witnessed the net rises of 75 and 61 respectively, Karnataka and Tamil Nadu showed the net decreases of 17 and 10 respectively.

(iv) As against the annual maximum rise of 3.9 per cent in 1970-71 at All-India level, Gujarat had the maximum annual growth of 18.1 per cent in the same year, followed by Maharashtra (8 per cent during 1971-72) and Karnataka (0.5 per cent during 1971-72). While the annual growth rate in the case of Gujarat

ranged between 4.8 per cent in 1972-73 and 18.1 per cent in 1970-71, Maharashtra had the minimum annual growth rate of 1.8 per cent in 1968-69 and the maximum one of 8 per cent in 1971-72, and Karnataka had the annual growth rate of 0.5 per cent in 1971-72 only, Tamil Nadu had the negative maximum annual growth rate of 3.4 per cent in 1969-70 and had no rise in number of banks throughout the period.

Thus, the urban coop. banking movement in Gujarat could establish its superiority in terms of the numerical growth of banks over other States.

Membership

State level: In Table 2.6 are given yearwise data from 1960-61 to 1972-73 regarding number of members of UCBs, the reading of which establishes that (i) there was a progressive rise in the strength of members throughout the period under study, (ii) taking 1960-61 as the base year, there was an all-fold factual rise of 260.8 per cent in the membership at the end of 1972-73 and (iii) in terms of annual percentage rises, 1961-62 was the palmiest year with 27.2 per cent rise followed by 17.8 per cent in 1970-71; 15.6 per cent in 1964-65; 12.6 per cent each in the years of 1962-63 and 1965-66; and 12.5 per cent in 1968-69. In the rest of the years, the annual rate of membership growth was between 9.5 per cent and 3.9 per cent.
### Table 2.6\textsuperscript{58}

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of members (in 'ooo)</th>
<th>Year</th>
<th>No. of members (in 'ooo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>125</td>
<td>1967-68</td>
<td>272</td>
</tr>
<tr>
<td>1961-62</td>
<td>159</td>
<td>1968-69</td>
<td>306</td>
</tr>
<tr>
<td>1962-63</td>
<td>179</td>
<td>1969-70</td>
<td>321</td>
</tr>
<tr>
<td>1963-64</td>
<td>186</td>
<td>1970-71</td>
<td>378</td>
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<tr>
<td>1964-65</td>
<td>215</td>
<td>1971-72</td>
<td>412</td>
</tr>
<tr>
<td>1965-66</td>
<td>242</td>
<td>1972-73</td>
<td>451</td>
</tr>
<tr>
<td>1966-67</td>
<td>259</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Intra-state level:** Table 2.7 depicts the analytical layout of district-wise growth of membership from 1960-61 to 1972-73; the observations derived therefrom are subjoined below:

(i) Taking 1960-61 as the base year, whereas the membership growth in Gujarat was 3.6 times at the end of 1972-73, the growth in membership at the dist. level differed from dist. to dist. (excepting, of course, in Banaskantha and Gandhinagar dist.s where in 1960-61 no UCB existed) the highest being 13 times in Mehsana followed by Ahmedabad (rural) 7 times; Vadodara 6.5 times, Amreli and Sabarkantha each 6 times, Kheda 4.9 times, Bhavnagar 4.4 times, Rajkot 4 times, Surat

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58. B-1, B-4, B-8, B-11, B-15, B-20, B-21, B-26, B-29, B-30, B-32 to B-40, B-42, B-44 to B-46, B-51, B-53, B-55, B-56, B-59, B-61, B-64 to B-67, B-73 to B-83, B-85, B-87, B-88, B-92, B-95, B-97 to B-99, B-108, B-109, B-111, B-113, B-117, B-120, B-123 and B-128; D-13; E-7: pp. 8-13; E-8: pp. 14-19; E-9: pp. 14-19.
3.6 times, Ahmedabad City 3 times, the Panch Mahals 2.8 times, Bharuch 2.6 times, Valsad 2.2 times, Junagadh 2.1 times, Jamnagar and Kutch each 1.5 times and Surendranagar 1.3 times.

(ii) One bank was registered in Banaskantha in 1962-63 with a very poor and negligible membership. Taking the figures of membership of year 1963-64 as base year, its growth of membership at the end of 1972-73 was 1.7 times.

(iii) In Gandhinagar district, an UCB was registered in the year 1971-72 only and its membership in both the years, namely, 1971-72 and 1972-73 was but poor and negligible.

(iv) The highest annual percentage rise in the membership growth was 300 per cent in Surendranagar in the year 1964-65, followed by Ahmedabad (Rural) 200 per cent each during the years 1965-66 and 1966-67, Junagadh 120 per cent in the year 1967-68, and Ahmedabad (Rural), Amreli, Banaskantha, Mehsana and Sabarkantha 100 per cent each during the years 1961-62, 1962-63, and 1964-65, 1965-66, 1961-62 and 1965-66 respectively. There was neither annual rise nor fall in the membership of UCBs in Ahmedabad City (during 1965-66), in Ahmedabad (Rural) (during 1962-63, 1963-64, 1969-70, and 1972-73); in Amreli (during 1961-62, 1963-64, 1965-66, 1967-68 and 1970-71); in Banaskantha (during 1967-68 to 1971-71); in Bharuch (during 1968-69);

(v) Out of the total membership of the UCBs at the end of 1972-73, the strength of 67.4 per cent was distributed in 5 dist.s of Ahmedabad City, Vadodara, Kheda, Rajkot and the Panch Mahals dist.s only.

Inter-state level: Table 2.3 furnishes the comparative figures of the total strength of membership of UCBs of India and the States of Gujarat, Maharashtra, Karnataka and Tamil Nadu spread between the period 1967-68 and 1972-73, the observations of which run as under:-

(i) The total membership in terms of absolute figures as
Table 2.860

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>A.I.</th>
<th>G.</th>
<th>M.</th>
<th>K.</th>
<th>T.N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td>2714</td>
<td>272</td>
<td>675</td>
<td>221</td>
<td>1054</td>
</tr>
<tr>
<td>1968-69</td>
<td>2924</td>
<td>306</td>
<td>679</td>
<td>207</td>
<td>1082</td>
</tr>
<tr>
<td>1969-70</td>
<td>2925</td>
<td>321</td>
<td>737</td>
<td>242</td>
<td>987</td>
</tr>
<tr>
<td>1970-71</td>
<td>3250</td>
<td>378</td>
<td>802</td>
<td>323</td>
<td>988</td>
</tr>
<tr>
<td>1971-72</td>
<td>3275</td>
<td>412</td>
<td>853</td>
<td>228</td>
<td>990</td>
</tr>
<tr>
<td>1972-73</td>
<td>3402</td>
<td>451</td>
<td>867</td>
<td>276</td>
<td>975</td>
</tr>
</tbody>
</table>

Evidenced from 1967-68 to 1972-73 was the highest in Tamil Nadu, followed by Maharashtra, Gujarat and Karnataka.

(ii) Taking 1967-68 as the base year, while the membership growth as arisen in 1972-73 was 25.4 per cent at All-India level, Gujarat topped All-India and other States with 65.8 per cent followed by Maharashtra with 28.4 per cent, Karnataka 24.9 per cent and Tamil Nadu 7.5 per cent.

(iii) In 1972-73, out of the total membership of 34.02 lakhs at All-India level, Tamil Nadu had 28.7 per cent membership, followed by Maharashtra 25.5 per cent, Gujarat 13.3 per cent and Karnataka 8.1 per cent. Thus, 75.6 per cent of the All-India membership was covered by

---

these four States only; leaving a poor figure of 24.4 per cent for the rest of the States of India. This firmly establishes that save for the above four States, other States were much backward in the field of Urban Coop. Banking wake.

(iv) Gujarat had established its superiority over other States in terms of the annual rates of growth in membership as shown below:

<table>
<thead>
<tr>
<th>Year</th>
<th>A.I.</th>
<th>G.</th>
<th>M.</th>
<th>K.</th>
<th>T.N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1968-69</td>
<td>7.7</td>
<td>12.5</td>
<td>0.6</td>
<td>-6.3</td>
<td>2.7</td>
</tr>
<tr>
<td>1969-70</td>
<td>0.03</td>
<td>4.9</td>
<td>8.5</td>
<td>16.9</td>
<td>-8.8</td>
</tr>
<tr>
<td>1970-71</td>
<td>11.1</td>
<td>17.8</td>
<td>8.8</td>
<td>33.5</td>
<td>0.1</td>
</tr>
<tr>
<td>1971-72</td>
<td>0.8</td>
<td>9.0</td>
<td>6.4</td>
<td>-29.4</td>
<td>0.2</td>
</tr>
<tr>
<td>1972-73</td>
<td>3.9</td>
<td>9.5</td>
<td>1.6</td>
<td>21.1</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

State level: The analytical study abstracted from Table 2.9 as regards Owned Funds of UCBs in Gujarat during 1960-61 to 1972-73, leads us to the following observations:

(i) Assuming 1960-61 as the base year, the owned funds growth as at the end of 1972-73 was 702.8 per cent.
(ii) Though the owned funds witnessed a progressive rise during the period under study, their annual percentage

* They included paid up share capital and all types of owned funds.
## Table 2.961

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Total Owned Funds (in lakhs of Rs.)</th>
<th>Annual Rate of Growth (in % age)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>144</td>
<td>-</td>
</tr>
<tr>
<td>1961-62</td>
<td>194</td>
<td>34.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>224</td>
<td>15.5</td>
</tr>
<tr>
<td>1963-64</td>
<td>252</td>
<td>12.5</td>
</tr>
<tr>
<td>1964-65</td>
<td>280</td>
<td>11.1</td>
</tr>
<tr>
<td>1965-66</td>
<td>348</td>
<td>24.3</td>
</tr>
<tr>
<td>1966-67</td>
<td>395</td>
<td>13.5</td>
</tr>
<tr>
<td>1967-68</td>
<td>446</td>
<td>12.9</td>
</tr>
<tr>
<td>1968-69</td>
<td>520</td>
<td>16.6</td>
</tr>
<tr>
<td>1969-70</td>
<td>604</td>
<td>16.2</td>
</tr>
<tr>
<td>1970-71</td>
<td>744</td>
<td>23.2</td>
</tr>
<tr>
<td>1971-72</td>
<td>937</td>
<td>25.9</td>
</tr>
<tr>
<td>1972-73</td>
<td>1156</td>
<td>23.4</td>
</tr>
</tbody>
</table>

Rises were uneven; the highest being 34.7 in 1961-62 followed by 25.9 in 1971-72, 24.3 in 1965-66, 23.4 in 1972-73 and 23.2 in 1970-71. The annual rise in the remaining years was within the range of 16.6 per cent to 11.1 per cent.

(iii) The average of owned funds per bank in 1960-61 that was

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Rs. 2.4 lakhs rose to Rs. 5.9 lakhs in 1972-73, indicated a net rise of Rs. 3.5 lakhs in 12 years.

Intra-state level: Table 2.10 describes the data regarding owned funds accumulated by the UCBs in Gujarat from 1960-61 to 1972-73, the analysis of which will enable us to arrive at the following major deductions:

(i) With 1960-61 as the base year, the rise in owned funds in 1972-73 was 8 times, whereas their growth trends in different dist.s were varying; Ahmedabad (Rural) in this respect standing first with rise of 33 times, followed by Sabarkantha 27 times, Mehsana 24.8 times, Amreli 18 times, Bhavnagar 15.7 times, Ahmedabad City 14 times, Rajkot 9.9 times, Junagadh and Vadodara dist.s each 9.5 times, Kheda 7.8 times, Surat 5.4 times, Jamnagar 4.5 times, the Panch Mahals 4.1 times, Valsad 3.2 times, Bharuch and Surendranagar each 2.5 times and Kutch 2 times.

(ii) In Banaskantha dist., taking the figure of 1962-63 as a base (as there was no UCB in this dist. prior to this) the growth in the owned funds at the end of 1972-73 was 13 times.

(iii) In Gandhinagar dist. the owned funds were the same viz. of Rs. 1 lakh only in 1971-72 and 1972-73 because of having only one bank that was registered only in 1971-72.

(v) In the total owned funds of all the UCBs of Gujarat 1972-73, Ahmedabad City, Kheda, Vadodara, Mehsana, the Panch Mahals and Surat had their shares of 24.2 per cent
12.2 per cent, 9.1 per cent, 8.6 per cent, 8.0 per cent and 6.0 per cent respectively.

Inter-state level: In Table 2.11 are presented the factual figures of the owned funds gathered by the UCBs of a few selected States during 1967-68 to 1972-73. Their analytical study will show the following main readings:

(i) The growth of owned funds in terms of absolute figures during 1967-68 to 1972-73 exhibited the progressive trends in all the States, topping in Maharashtra, followed by Gujarat, Karnataka and Tamil Nadu.

(ii) In the total of the owned funds of all the UCBs in India at the end of 1972-73, Maharashtra, Gujarat, Karnataka and Tamil Nadu had a contribution of 39 per cent, 21.2 per cent, 14.7 per cent and 9.9 per cent respectively, leaving only 15.2 per cent to the lot of performances of all the remaining States.

(iii) Reckoning 1967-68 as the base year, growth of the owned funds at the end of 1972-73, was the highest in Gujarat with 159.2 per cent, followed by Maharashtra 101.2 per cent, All-India 97.4 per cent, Karnataka 95.4 per cent and Tamil Nadu 48.1 per cent.

(iv) In view of the annual percentage rises of owned funds, except for the years 1970-71, and 1972-73; Gujarat topped the list in the years of 1968-69, 1969-70 and 1971-72 with 16.6 per cent, 16.2 per cent and 25.9 per
<table>
<thead>
<tr>
<th>Year</th>
<th>Total Owned Funds (in lakhs of Rs.)</th>
<th>A.I.</th>
<th>G.</th>
<th>M.</th>
<th>K.</th>
<th>T.N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td></td>
<td>2769</td>
<td>446</td>
<td>1059</td>
<td>410</td>
<td>366</td>
</tr>
<tr>
<td>1968-69</td>
<td></td>
<td>3114</td>
<td>520</td>
<td>1200</td>
<td>459</td>
<td>393</td>
</tr>
<tr>
<td>1969-70</td>
<td></td>
<td>3388</td>
<td>604</td>
<td>1346</td>
<td>493</td>
<td>414</td>
</tr>
<tr>
<td>1970-71</td>
<td></td>
<td>4196</td>
<td>744</td>
<td>1710</td>
<td>635</td>
<td>451</td>
</tr>
<tr>
<td>1971-72</td>
<td></td>
<td>4670</td>
<td>937</td>
<td>1848</td>
<td>629</td>
<td>512</td>
</tr>
<tr>
<td>1972-73</td>
<td></td>
<td>5465</td>
<td>1156</td>
<td>2131</td>
<td>801</td>
<td>542</td>
</tr>
</tbody>
</table>

cent respectively. In 1970-71, however, Karnataka had the highest performance of 28.8 per cent followed by Maharashtra with 27.0 per cent, Gujarat 23.2 per cent and Tamil Nadu 8.9 per cent. In year 1972-73, Karnataka had annual percentage growth rate of 27.3 per cent followed by Gujarat 23.4 per cent, Maharashtra 15.3 per cent and Tamil Nadu 5.9 per cent. Summing up the facts, the comparatively smallest State of Gujarat topped the list in 3 years; stood second in one year and stood third in one year during a spell of 5 years was no small credit for the efficient functioning of UCBs in Gujarat.

(v) During 1968-69 to 1972-73, the annual percentage rise at All-India level was 12.5 per cent, 8.8 per cent,

23.8 per cent, 11.3 per cent and 17.0 per cent respectively. In Maharashtra it was 13.3 per cent, 12.2 per cent, 27.0 per cent, 8.1 per cent, and 15.3 per cent respectively. During the same period, in Karnataka it was 12.0 per cent, 7.4 per cent, 28.8 per cent, -0.9 per cent and 27.3 per cent respectively and in Tamil Nadu the same was 7.4 per cent, 5.3 per cent, 8.9 per cent, 13.5 per cent and 5.9 per cent respectively.

(vi) The growth rate of Gujarat as compared with that of All-India level, was higher in all the consecutive years, except for the fact that in year 1970-71, the growth rate of Gujarat and All-India reflected practically equal as evinced by the figures of 23.8 per cent for All-India and 23.2 per cent for Gujarat.

**Borrowed Funds**

**State level:** In Table 2.12 are depicted the data regarding the borrowed funds of the UC3s in Gujarat from 1960-61 to 1972-73, whose analytical interpretation would lead us to the following summing ups:

(i) As against the total amount of borrowed funds of Rs. 792 lakhs in 1960-61, it rose to Rs. 7620 lakhs in 1972-73, reflecting a net rise of 9.6 times.

(ii) The average of borrowed funds per bank that Rs. 13.2

* They included deposits, loans and borrowings from sundry creditors.
lakhs in 1960-61 rose to Rs. 38.7 lakhs in 1972-73, indicating a net rise of Rs. 25.5 lakhs per bank during the period of 12 years.

(iii) The annual growth rate of the borrowed funds was the highest in 1972-73 with 34.4 per cent followed by 30.2 per cent in 1970-71, 25.2 per cent in 1971-72, 24.1 per cent in 1961-62 and 23.4 per cent in 1969-70. In the remaining years it was ranging between 19.1 per cent in 1955-66 and 12.0 per cent in year 1966-67.

Table 2.1264

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Total Borrowed Funds (in lakhs of Rs.)</th>
<th>Year (July-June)</th>
<th>Total Borrowed Funds (in lakhs of Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>792</td>
<td>1967-68</td>
<td>2397</td>
</tr>
<tr>
<td>1961-62</td>
<td>983</td>
<td>1968-69</td>
<td>2818</td>
</tr>
<tr>
<td>1962-63</td>
<td>1119</td>
<td>1969-70</td>
<td>3478</td>
</tr>
<tr>
<td>1963-64</td>
<td>1275</td>
<td>1970-71</td>
<td>4530</td>
</tr>
<tr>
<td>1964-65</td>
<td>1513</td>
<td>1971-72</td>
<td>5671</td>
</tr>
<tr>
<td>1965-66</td>
<td>1802</td>
<td>1972-73</td>
<td>7620</td>
</tr>
<tr>
<td>1966-67</td>
<td>2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Intra-state level: The detailed analysis of the figures regarding the borrowed funds of the UCBs in Gujarat from

64. B-1, B-4, B-8, B-11, B-15, B-20, B-21, B-26, B-29, B-30, B-32 to B-40, B-42, B-44 to B-46, B-51, B-53, B-55, B-56, B-59, B-61, B-64 to B-67, B-73 to B-83, B-85, B-87, B-88, B-92, B-95, B-97 to B-99, B-108, B-109, B-111, B-113, B-117, B-120, B-123, and B-128; D-13; E-7: pp. 8-13; E-8: pp. 14-19; E-9: pp. 14-19.
1960-61 to 1972-73 as presented in Table 2.13 indicates the following main conclusions:

(i) Taking 1960-61 as the base year, while the rise in borrowed funds by 1972-73 in Gujarat was 9.6 times, their growth trends at the dist. level were varying. In Ahmedabad (Rural) dist., the growth recorded a rise to the tune of 92 times followed by Sabarkantha 33.3 times, Mehsana 25.6 times, Ahmedabad City 21.3 times, Amreli 19.5 times, Junagadh 19.4 times, Bhavnagar 15.1 times, Vadodara 14.4 times, Kheda 10.9 times, Rajkot 9.5 times, Jamnagar 9.3 times, Kutch 7.5 times, Surat 5.6 times, the Panch Mahals 5.4 times, Surendranagar 4.0 times, Valsad 3.2 times and Bharuch 3.0 times.

(ii) In Banaskantha dist., taking the figures of the year 1962-63 as the base, the growth in the borrowed funds in the year 1972-73 was 50 times.

(iii) In Gandhinagar dist., taking the figures of 1971-72 as the base, the growth was 6 times in the year 1972-73.

(iv) The highest annual percentage rise in the borrowed funds was 500 in Gandhinagar in 1972-73, followed by Banaskantha 300 and 280 in 1963-64 and 1965-66 respectively, Jamnagar 273.3 in 1972-73, Junagadh 250 in 1967-68, Jamnagar 150 in 1962-63, Junagadh 109.1 in 1971-72, and Ahmedabad (Rural) 100 each in 1963-64 and 1964-65, Mehsana 100 in 1963-64 and Sabarkantha 100.
in 1962-63.

There was neither annual rise nor annual fall in borrowed funds, (1) in Ahmedabad (Rural) in 1961-62 and 1962-63, (2) Bharuch in 1963-64, (3) Jamnagar in 1961-62, 1965-66 and 1966-67, (4) Junagadh in 1963-64, (5) Kutch in 1961-62, 1963-64, 1965-66, 1966-67 and 1969-70 to 1971-72, and (6) Surendranagar in 1965-66. In the rest of the years, the highest annual rise in all the dist.s was 87.5 per cent and the highest annual fall was 60 per cent.

(v) Out of the total borrowed funds of Rs.7620 lakhs of all the UGBs of Gujarat in the year 1972-73, Rs. 5915 lakhs or 77.6 per cent were distributed amongst only six dist.s, viz., Ahmedabad City, Kheda, the Panch Mahals, Surat, Vadodara and Rajkot.

**Inter-state level:** Table 2.14 relays the factual figures of the borrowed funds of the UCBs during 1967-68 to 1972-73 at Inter-State Level, the analytical interpretations of which are given below:

(i) The borrowed funds in terms of absolute figures in all the consecutive years during 1967-68 to 1972-73 were the highest in Maharashtra, followed by Gujarat. Excepting for 1967-68, in the remaining years Karnataka ranked third, and in 1967-68 Tamil Nadu ranked third.

(ii) Taking 1967-68 as the base year, the rise in the borrowed
funds at the end of 1972-73 was the highest in Gujarat with 217.9 per cent followed by All-India 144.9 per cent, Maharashtra 144.8 per cent, Karnataka 129.9 per cent and Tamil Nadu 78.5 per cent.

(iii) Of the total borrowed funds of all the UCBs in India at the end of the year 1972-73, 87.6 per cent were contributed by Maharashtra (44.0 per cent), Gujarat (26.8 per cent), Karnataka (9.1 per cent) and Tamil Nadu (7.7 per cent) only.

(iv) During the period 1967-68 to 1972-73, the annual growth rate of borrowed funds at All-India level ranged between 12.4 per cent in 1969-70 and 32.7 per cent in 1970-71, at Gujarat level between 17.6 per cent in 1968-69 and 34.4 per cent in 1972-73, at Maharashtra level between 7.6 per cent in 1971-72 and 46.1 per cent in 1970-71, at Karnataka level 11.3 per cent in 1972-73 and 32.9 per cent in 1968-69 and at Tamil Nadu level 8.9 per cent in 1968-69 and 22.6 per cent in 1972-73.

(v) In terms of annual percentage rise in the borrowed funds during 1968-69, Karnataka had the highest growth rate with 32.9 per cent; during 1969-70, Gujarat topped the list with 23.4 per cent; during 1970-71, Maharashtra stood first with 46.1 per cent; during 1971-72, Gujarat ranked first with 25.2 per cent, and during 1972-73, again Gujarat topped the list with 34.4 per cent. Thus,
Table 2.1466

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Total Borrowed Funds (in lakhs of Rs.)</th>
<th>A.I.</th>
<th>G.</th>
<th>M.</th>
<th>K.</th>
<th>T.N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967-68</td>
<td>11630</td>
<td>2397</td>
<td>5117</td>
<td>1122</td>
<td>1231</td>
<td></td>
</tr>
<tr>
<td>1968-69</td>
<td>13360</td>
<td>2818</td>
<td>5701</td>
<td>1491</td>
<td>1340</td>
<td></td>
</tr>
<tr>
<td>1969-70</td>
<td>15021</td>
<td>3478</td>
<td>6347</td>
<td>1729</td>
<td>1463</td>
<td></td>
</tr>
<tr>
<td>1970-71</td>
<td>19927</td>
<td>4530</td>
<td>9272</td>
<td>1964</td>
<td>1620</td>
<td></td>
</tr>
<tr>
<td>1971-72</td>
<td>22698</td>
<td>5671</td>
<td>9978</td>
<td>2318</td>
<td>1792</td>
<td></td>
</tr>
<tr>
<td>1972-73</td>
<td>28482</td>
<td>7620</td>
<td>12528</td>
<td>2579</td>
<td>2197</td>
<td></td>
</tr>
</tbody>
</table>

during the five years from 1967-68 to 1972-73, Gujarat stood first three times, and stood second twice, whereas Maharashtra and Karnataka stood first only once, which evinces the superior borrowing techniques followed by the UCBs in Gujarat.

Working Capital

State level: The analysis of the yearwise figures in regard to the working capital of UCBs in Gujarat from 1960-61 to 1972-73 presented in Table 2.15 shows the following major results:

(i) The working capital that was Rs. 936 lakhs at the end of 1960-61 rose to Rs. 8776 lakhs by the end of 1972-73, reflecting a rise of 837.6 per cent.

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(ii) In consideration of phased growth trends, entire period may be bifurcated in two groups: One. 1962-63 to 1968-69 during which the growth rate ranged between 12.2 per cent and 19.9 per cent and Two. 1961-62 and 1969-70 to 1972-73 during which the growth trends ranged between 22.3 per cent and 32.8 per cent.

(iii) The highest annual percentage rise was 32.8 during 1972-73.

Table 2.15

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Total Working Capital (in lakhs of Rs.)</th>
<th>Annual rate of growth (in %age)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>936</td>
<td>-</td>
</tr>
<tr>
<td>1961-62</td>
<td>1177</td>
<td>25.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>1343</td>
<td>14.1</td>
</tr>
<tr>
<td>1963-64</td>
<td>1527</td>
<td>13.7</td>
</tr>
<tr>
<td>1964-65</td>
<td>1793</td>
<td>17.4</td>
</tr>
<tr>
<td>1965-66</td>
<td>2150</td>
<td>19.9</td>
</tr>
<tr>
<td>1966-67</td>
<td>2413</td>
<td>12.2</td>
</tr>
<tr>
<td>1967-68</td>
<td>2843</td>
<td>17.8</td>
</tr>
<tr>
<td>1968-69</td>
<td>3338</td>
<td>17.4</td>
</tr>
<tr>
<td>1969-70</td>
<td>4082</td>
<td>22.3</td>
</tr>
<tr>
<td>1970-71</td>
<td>5274</td>
<td>29.2</td>
</tr>
<tr>
<td>1971-72</td>
<td>6608</td>
<td>25.3</td>
</tr>
<tr>
<td>1972-73</td>
<td>8776</td>
<td>32.8</td>
</tr>
</tbody>
</table>

Intra-state level: In Table 2.16 are presented the district-wise comparative growth trends of the working capital of the UCBs in Gujarat from 1960-61 to 1972-73, the study of which would yield the following major derivations:

(i) While, on the base year of 1960-61, there was more than 9.4 fold rise in the working capital at the State level during the period under review, such rise was 62.5 fold in Ahmedabad (Rural), 32 fold in Sabarkantha, 25.4 fold in Mehsana, 20.2 fold in Ahmedabad City, 19.2 fold in Amreli, 15.3 fold in Bhavnagar, 13.5 fold in Vadodara, 10.4 fold in Kheda, 10.3 fold in Junagadh, 9.5 fold in Rajkot, 8.1 fold in Jamnagar, 5.6 fold in Surat, 5.2 fold in the Panch Mahals, 4.8 fold in Kutch, 3.7 fold in Surendranagar, 3.2 fold in Valsad and 2.9 fold in Bharuch. The figures presented above do appear heartening.

(ii) For Banaskantha, taking 1962-63 as the base year, there was 31.5 fold rise in 1972-73; while such a rise was 3.5 fold in Gandhinagar taking 1971-72 as the base year.

(iii) The highest annual percentage rise in the working capital was 250 in Gandhinagar in 1972-73, followed by Jamnagar 225 in 1972-73, Banaskantha 200 during 1963-64 and 1965-66 each, Kutch 171.4 in 1972-73, Junagadh 170.6 in 1967-68 and Jamnagar and Sabarkantha 100 per cent each in the year 1962-63. There was neither rise nor
fall in Ahmedabad (Rural) during 1962-63, in Jamnagar during 1965-66 and 1966-67, in Kutch during 1963-64 to 1965-66, during 1970-71 and 1971-72, and in Surendranagar during 1965-66. During the rest of the years, the highest annual rise in all the districts was 98.8 per cent and the highest annual fall was 50 per cent.

(iv) Out of the total working capital of all the UCBs in Gujarat in the year 1972-73, 69.6 per cent were shared by the five districts, viz., Ahmedabad City, Kheda, the Panch Mahals, Vadodara and Surat.

Inter-state level: Table 2.17 presents the factual figures of the working capital of UCBs during 1967-68 to 1972-73 at Inter-State level, the analytical interpretations thereof are summarised below:

(i) The annual working capital growth in 1968-69 was the highest in Karnataka with 27.3 per cent, followed by Gujarat 17.4 per cent, Maharashtra 11.7 per cent and Tamil Nadu 8.5 per cent. In 1969-70 Gujarat topped the list with 22.3 per cent, followed by Karnataka 13.9 per cent, Maharashtra 11.5 per cent and Tamil Nadu 8.3 per cent. In 1970-71 Maharashtra stood first with 42.8 per cent, followed by Gujarat 29.2 per cent, Karnataka 17.0 per cent, and Tamil Nadu 10.3 per cent. In 1971-72 Gujarat stood first with 25.3 per cent, followed by Karnataka 13.4 per cent, Tamil Nadu 11.3 per cent and Maharashtra 7.7 per cent. In 1972-73.
Gujarat topped the list with 32.8 per cent, followed by Maharashtra 24.0 per cent, Tamil Nadu 18.9 per cent and Karnataka 14.7 per cent.

(ii) In terms of All-India level, the annual growth rate of working capital, as compared to the small State of Gujarat, emanated as under:

(a) Except for the year 1970-71, in all the years the trend at All-India was lower than its counterpart in Gujarat in 1968-69, 1969-70, 1971-72 and 1972-73.

(b) The annual growth rate at All-India level during the period was 14.4 per cent in 1968-69, 11.7 per cent in 1969-70, 31.0 per cent in 1970-71, 13.5 per cent in 1971-72 and 24.0 per cent in 1972-73.

(iii) Considering 1967-68 as the base year, the annual growth rate of working capital in 1972-73 was 135.8 per cent in All-India, while in Maharashtra it was 137.4 per cent, followed by Karnataka 120.6 per cent, Gujarat 110.1 per cent and Tamil Nadu 71.5 per cent.

(iv) In the total of the working capital of all the UCBs in India in the year 1972-73, the percentage contribution of working capital of Maharashtra, was 43.2, followed by Gujarat 25.9, Karnataka 10.0 and Tamil Nadu 8.1.
### Table 2.1769

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Total Working Capital (in lakhs of Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A.I.</td>
</tr>
<tr>
<td>1967-68</td>
<td>14399</td>
</tr>
<tr>
<td>1968-69</td>
<td>16474</td>
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<tr>
<td>1969-70</td>
<td>18409</td>
</tr>
<tr>
<td>1970-71</td>
<td>24123</td>
</tr>
<tr>
<td>1971-72</td>
<td>27368</td>
</tr>
<tr>
<td>1972-73</td>
<td>33947</td>
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</tbody>
</table>

### Financial Results

**State level:** In Table 2.18 are exhibited the yearwise figures of the profits and losses of the UCBs of Gujarat during 1960-61 to 1972-73. It may be observed that:

(i) the number of banks earning profits showed a progressive rise during the period under study,

(ii) the amounts of the profits as also the amounts of the net profits showed progressive rise, too, during the period,

(iii) the number of banks having neither positive nor negative financial results were quite negligible,

(iv) the total amounts of losses incurred by the UCBs in each year under study were normal, and

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(v) on the base year of 1960-61, the average net profit per bank witnessed a rise of 281.7 per cent in 1972-73.

Table 2.18

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>No. of Banks</th>
<th>Total Earnings</th>
<th>Incurring Losses</th>
<th>Profits</th>
<th>Losses no profitted</th>
<th>Earnings no profitted</th>
<th>Incur- ring in- (Prof- fit earned)</th>
<th>Net Profit</th>
<th>Net Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>60</td>
<td>53</td>
<td>7</td>
<td>-</td>
<td>1023</td>
<td>9</td>
<td>1014</td>
<td>16.9</td>
<td></td>
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<tr>
<td>1961-62</td>
<td>76</td>
<td>67</td>
<td>6</td>
<td>3</td>
<td>1361</td>
<td>67</td>
<td>1294</td>
<td>17.0</td>
<td></td>
</tr>
<tr>
<td>1962-63</td>
<td>88</td>
<td>81</td>
<td>5</td>
<td>2</td>
<td>1626</td>
<td>81</td>
<td>1545</td>
<td>17.6</td>
<td></td>
</tr>
<tr>
<td>1963-64</td>
<td>92</td>
<td>82</td>
<td>9</td>
<td>1</td>
<td>1905</td>
<td>105</td>
<td>1800</td>
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<td></td>
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<tr>
<td>1964-65</td>
<td>111</td>
<td>97</td>
<td>13</td>
<td>1</td>
<td>2359</td>
<td>46</td>
<td>2313</td>
<td>20.8</td>
<td></td>
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<tr>
<td>1965-66</td>
<td>124</td>
<td>102</td>
<td>19</td>
<td>3</td>
<td>2925</td>
<td>129</td>
<td>2796</td>
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<tr>
<td>1966-67</td>
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<td>114</td>
<td>5</td>
<td>1</td>
<td>3173</td>
<td>61</td>
<td>3112</td>
<td>25.9</td>
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<tr>
<td>1967-68</td>
<td>122</td>
<td>116</td>
<td>6</td>
<td>-</td>
<td>3809</td>
<td>55</td>
<td>3754</td>
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<tr>
<td>1968-69</td>
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<td>123</td>
<td>6</td>
<td>-</td>
<td>4595</td>
<td>68</td>
<td>4527</td>
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<tr>
<td>1969-70</td>
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<td>127</td>
<td>11</td>
<td>-</td>
<td>5396</td>
<td>83</td>
<td>5313</td>
<td>38.5</td>
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<tr>
<td>1970-71</td>
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<td>20</td>
<td>6</td>
<td>7089</td>
<td>174</td>
<td>6915</td>
<td>42.4</td>
<td></td>
</tr>
<tr>
<td>1971-72</td>
<td>188</td>
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<td>28</td>
<td>6</td>
<td>9136</td>
<td>411</td>
<td>8725</td>
<td>46.4</td>
<td></td>
</tr>
<tr>
<td>1972-73</td>
<td>197</td>
<td>175</td>
<td>18</td>
<td>4</td>
<td>12941</td>
<td>231</td>
<td>12710</td>
<td>64.5</td>
<td></td>
</tr>
</tbody>
</table>

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70. B-1, B-4, B-8, B-11, B-15, B-20, B-21, B-26, B-29, B-30, B-32 to B-40, B-42, B-44 to B-46, B-51, B-53, B-55, B-56, B-59, B-61, B-64 to B-67, B-73 to B-83, B-85, B-87, B-88, B-92, B-95, B-97 to B-99, B-108, B-109, B-111, B-113, B-117, B-120, B-123, and B-128; D-13; E-7: pp. 8-19; E-8: pp. 14-25; E-9: pp. 14-25.
Intra-state level: In Table 2.19 are presented the district-wise figures of the profits and losses made by the UCBs between 1960-61 and 1972-73, the analytical study of which leads us to the following summing up:

(i) During 1972-73 Ahmedabad City topped the list with a total profit of Rs. 3436 thousands by 26 banks. The corresponding figures for 1960-61 were Rs. 136 thousands by 2 banks.

(ii) Kheda ranked second with a total profit of Rs. 2061 thousands during 1972-73 by 33 banks. The corresponding figures for 1960-61 were Rs. 140 thousands by 9 banks.

(iii) Mehsana ranked third with Rs. 1736 thousands by 18 banks in 1972-73; the corresponding position as in 1960-61 being Rs. 39 thousands by 3 banks.

(iv) Baroda ranked thereafter with Rs. 1103 thousands profit by 20 banks in the year 1972-73, as against the same of Rs. 79 thousands by 4 banks in 1960-61.

(v) The role of the Panch Mahals came next in the arena, with a profit of Rs. 1072 thousands in 1972-73 by 15 banks, the profit figures of 1960-61 being Rs. 226 thousands by 10 banks.

(vi) As regards the position of the banks in the remaining dist.s, comparative figures of profit of the year 1972-73 ranged from Rs. 698 thousands to Rs. 7 thousands.
There was no profit in 1972-73 in Kutch.

(vii) The highest profit in 1960-61 was of Rs. 226 thousands in the Panch Mahals and the lowest profit of Rs. 3 thousands was in Ahmedabad (Rural).

(viii) The highest loss of Rs. 93 thousands was incurred by 3 banks in Rajkot during 1972-73, followed by Rs. 57 thousands by 5 banks in Ahmedabad City, Rs. 29 thousands by 3 banks in Surat, Rs. 23 thousands by 1 bank in Vadodara, Rs. 15 thousands by 2 banks in Kutch; and the losses in the remaining dist.s were ranged between Rs. 8 thousands in Junagadh and Rs. 1 thousand in Banaskantha. No bank in the dist.s of Ahmedabad(Rural), Amreli, Bharuch, Valsad, Gandhinagar, Jamnagar, Mehsana, the Panch Mahals, Sabarkantha and Surendranagar had incurred any loss during 1972-73. During 1960-61, losses ranging between Rs. 1 thousand and Rs. 2 thousands were incurred by the dist.s of Bhavnagar, Jamnagar, Kheda, Kutch, Rajkot and Sabarkantha.

(ix) Ahmedabad City earned the credit of having the highest amount of the net profit of Rs. 3379 thousands in 1972-73, followed by Kheda (Rs. 2059 thousands), Mehsana (Rs. 1736 thousands), Vadodara (Rs. 1080 thousands), and the Panch Mahals (Rs. 1072 thousands). The figures of the net profits in the remaining dist.s during 1972-73 ranged between Rs. 605 thousands and -Rs. 15.
thousands.

(x) In 1960-61 the highest net profit was of Rs. 226 thousands in the Panch Mahals dist., followed by Rs. 140 thousands in Kheda, Rs. 136 thousands in Ahmedabad City, Rs. 102 thousands in Bharuch and Rs. 100 thousands in Valsad. The range of the net profit in 1960-61 in the remaining dist.s was from Rs. 79 thousands to -Rs. 2 thousands (or loss of Rs. 2 thousands).

(xi) The highest average net profit during 1972-73 was of Rs. 102.4 thousands secured by Ahmedabad City, followed by Rs. 96.4 thousands in Mehsana, Rs. 86.5 thousands in Valsad, Rs. 86.4 thousands in Rajkot, Rs. 71.5 thousands in the Panch Mahals, Rs. 58.8 thousands in Kheda, Rs. 54.0 thousands in Jamnagar, Rs. 51.4 thousands in Vadodara, Rs. 50.5 thousands in Surendranagar and Rs. 50.3 thousands in Junagadh; the average net profit in the remaining dist.s in 1972-73 ranged between Rs. 47.8 thousands and -Rs. 7.5 thousands.

(xii) In 1960-61, the average net profit of Rs. 68 thousands was the highest in Ahmedabad City, followed by Rs. 37.0 thousands in Surat, Rs. 33.3 thousands in Valsad, Rs. 22.6 thousands in the Panch Mahals, Rs. 20.4 thousands in Bharuch, Rs. 19.8 thousands in Vadodara,
Gujarat and then Karnataka and lastly Tamil Nadu.

(v) In terms of rise in absolute figures of the losses sustained during the period under study, the lowest rise was observed in Gujarat (a credit to the bankers), followed by Maharashtra, Tamil Nadu and Karnataka.

**Concluding Observation**

Though with smaller geographical size and lesser urbanised areas than the States of Maharashtra, Karnataka and Tamil Nadu, Gujarat made envious and remarkable multidirectional progress in the field of urban coop. banking in our organised banking sector.

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