CHAPTER 5

MOBILISATION OF FUNDS

SYNOPSIS

Introduction.

Types of Funds Needed.

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Overall view.

Introduction

All activities in a monetary economy involve finance which constitutes the very base upon which the superstructure of modern corporate enterprise is created. "Finance can be defined as that administrative area or set of administrative functions in an organisation which have to do with the management of the flow of cash so that the organisation will have the means to carry out its objective as satisfactorily as possible and at the same time meet its obligations as they
Thus, finance is concerned with the raising and administering the funds used in an undertaking. Like all other enterprises UCBs need funds.

**Types of Funds Needed**

The financial needs of an UCB depend on the size and the area of its operation. The capital required can be classified in two categories: (i) Fixed Capital, and (ii) Working (Current) Capital.

(i) **Fixed Capital**: Fixed Capital or long term capital is required for (a) The purchases of land for buildings, godowns, etc.; (b) the construction of bank buildings, godowns, etc.; (c) installations of electric mains and fittings, telephone lines, water pipe lines, etc.; (d) the purchase of vehicles, and (e) the purchase of furniture, fixtures, etc..

The term "Fixed Capital" indicates that the value of assets cannot be recovered in cash unless the same are disposed of. Thus, fixed capital is looked up and will not fetch periodical interest; although the same contributes towards saving in the shape of payment of rents, for the structures, which the urban bank otherwise, would have been compelled to hire on monthly basis.

Before investing money for a 'fixed asset', full probed

survey of the financial justification, whether it will be economical or otherwise, to build an asset or to hire an asset, should be made. While going in for a new 'fixed asset' the same should be planned with a view to meet the foreseeable expansion of the UCB and its requirements in this context.

(ii) Working capital: By 'Working Capital' is meant that it is a part of the total capital which is required for financing working or current needs of the UCBs. It covers locking up funds in such assets as (i) cash on hand, (ii) cash balances with other banks, (iii) advances, (iv) bills receivables, and (v) other miscellaneous current assets, and the funds that are required for incurring expenditure on such items as (i) salaries of staff, (ii) maintenance and repairs of buildings, godowns, vehicles, equipments etc. (iii) printing and stationery, (iv) travelling expenses, (v) postage, telegrams and telephone expenses, (vi) insurance premia, (vii) legal consultants and audit fees, (viii) rent, rates and taxes, (ix) advertisements, propaganda and publicity, (x) electricity charges, (xi) interest on borrowings, (xii) storing expenses, and (xiii) maintenance of general sanitation, (xiv) purchase of journals, periodicals, etc. and (xv) election expenses.

The proportion of fixed capital and working capital of 33 reporting banks as on June 30, 1974, represented in Table
5.1, revealed that while working capital ranged between 95.5 per cent and 99.9 per cent, the fixed capital ranged between 0.1 per cent and 4.5 per cent. This shows that the UCBs require very negligible portion of the fixed capital.

**Table 5.1**

<table>
<thead>
<tr>
<th>Range of Fixed Capital as percentage of Total Capital</th>
<th>No. of Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.1 - 0.5</td>
<td>13</td>
</tr>
<tr>
<td>0.6 - 1.0</td>
<td>8</td>
</tr>
<tr>
<td>1.1 - 1.5</td>
<td>4</td>
</tr>
<tr>
<td>1.6 - 2.0</td>
<td>4</td>
</tr>
<tr>
<td>2.1 - 2.5</td>
<td>1</td>
</tr>
<tr>
<td>2.6 - 3.0</td>
<td>2</td>
</tr>
<tr>
<td>3.1 - 3.5</td>
<td>-</td>
</tr>
<tr>
<td>3.6 - 4.0</td>
<td>-</td>
</tr>
<tr>
<td>4.1 - 4.5</td>
<td>1</td>
</tr>
<tr>
<td>4.6 - 5.0</td>
<td>-</td>
</tr>
</tbody>
</table>

The Board of Directors, initially undertake the task of estimating the short-term as well as the long-term capital for an urban bank, taking into account the requirement segments of expenditures mentioned above. The working capital of an urban bank is obtained from (A) owned funds and (B) borrowed funds.

**Sources of Funds**

Alike the other institutions and business enterprises,

2. F-101 to F-133.
the UCBs have at their command internal and external sources for mobilising funds. Funds raised through internal sources are known as owned funds and those raised through external sources are treated as borrowed funds. (1) Issuing shares, (2) ploughing back of profits and (3) accepting donations, grants and other assistance from various agencies are grouped under sources of owned funds. Issuing debentures, collecting deposits and taking loans and advances are the major sources for the borrowed funds.

(A) Owned Funds

(i) Issuing shares

Concept: Under the corporate form, the property employed in an enterprise is owned by the corporate body and not by the persons who provide it. Those who make property available to the corporate enterprise own it. But, it is the corporation, a separate legal body, that has the title to the corporate property. The owners receive only a piece of paper representing their individual shares in the equity of the corporation itself.

Types of shares: The UCBs collect share capital by issuing (a) ordinary(equity) shares, and (b) preference shares.

(a) Ordinary shares: Ordinary shares may be regarded as the corner stone of financial structure. It means, ordinary shares play very vital role for raising finance. The holders of ordinary shares are the residual claimants against the
assets and income of the corporation. This position of the equity holder may result to his advantage in times of prosperity and to his disadvantage when the enterprise is facing depression. Even then the ordinary shares have played an important role in raising finance in the most of our industries. It is a good instrument for raising the funds. Because of low value, it is less difficult to sell ordinary shares. The company can get capital at a low rate as well as increase profits by trading on equity shares. UCBs, as per study are found to raise share capital only through ordinary shares.

(b) Preference shares: A preference share represents a particular portion of the share capital which has been endowed with certain preferences and limitations. It is a kind of hybrid security that partakes of some of the features of the debentures and some of the ordinary shares. The term "preference" indicates merely relative advantages over ordinary shares. Preference shares are classified as cumulative preference shares, non-cumulative preference shares, participating preference shares, redeemable preference shares, and guaranteed preference shares. Ordinarily, the UCBs are not found raising share capital through these types of shares. But, when they get share capital contribution from the State Govt., they are required to create a special type of redeemable

preference shares for issuance to the Govt. and to observe the following conditions:

(i) The bank concerned shall create a special class of fully paid up shares known usually as redeemable preference shares, payable out of the profits of the bank, and the surplus profits of the bank shall be credited to a separate account usually known as capital redemption reserve fund and the shares purchased by Govt. shall be redeemed out of this fund and not out of the general capital of the bank. The Capital Redemption Reserve Fund shall be started immediately and such portion of the profits as the Directors think proper shall be credited to that fund from year to year.

(ii) The bank concerned shall not issue any debentures or contract loans or otherwise exercise its borrowing powers except with the previous sanction of the Govt./Dist. Central Cooperative Bank/The Industrial Finance Corporation of India or as the case may be.

(iii) The bank concerned shall not declare dividends in excess of 4½ per cent per annum subject to the condition that the bank may create a dividend equilisation fund on the lines to be laid down by Govt.. The contribution to the Dividend Equilisation Fund shall

have a priority next to the contribution to the capital redemption reserve fund.

(iv) The bank concerned shall accept two nominees of Govt. in addition to the nominee of the Registrar, Coop. Societies, on its Board of Directors till the share capital contribution by the Govt. is repaid. The right of appeal will lie to the Govt. when the nominees of the corporation as well as the nominees of the Govt., dissent from a decision of the Board and Govt.'s, decision shall be binding on the Board.

(v) The Govt. shall have the right to appoint (and remove) the Managing Director/General Manager/Manager of the Bank at the bank's cost so long as the Govt. capital remains with the bank.

(vi) In place of the capital redemption reserve fund referred to at condition No. (i) above, the bank shall have the option of creating a separate fund under its bye-laws authorising it to collect deposits (non-refundable) from the members under certain conditions for being utilised to redeem the share capital contributed by Government. The relevant bye-laws of the bank in this connection should clearly state that the amount so deposited will not be repayable in cash but on the expiration of the period prescribed for redemption of the share held by the Govt. each producer share
holder will be entitled to receive shares of values of amount standing to his credit.

(vii) The shares purchased by Govt. shall be primary fully paid up shares with preferential rights as to the return of the capital in winding up but redeemable earlier out of profits or out of proceeds of the fund created vide condition No. (vi) above.

(viii) The bank concerned shall amend its bye-laws, so as to give due effect to these conditions before utilising Govt.'s share capital.

(ix) The accounts of the bank should be got audited by the Govt. auditor appointed by the Registrar of Cooperative Society, Ahmedabad for the purpose and the bank should agree to have continuous and concurrent audit and to bear the cost of audit as fixed by the Registrar of the Cooperative Societies from time to time.

(x) The reports of all auditors should be made available to the Govt., which may also call for information about the action taken thereon.

(xi) The bank should submit annually a statement of accounts duly certified by auditors to the Accountant General.

(xii) The Accountant General is entitled to undertake a test-check of the initial accounts of the bank at his discretion.
Issue value of ordinary (equity) shares: New shares are issued at par or at premium. When shares are decided to be issued at a premium, the General Meeting of the Bank of the Board of Directors as may be prescribed in the bye-laws, shall have to pass a resolution as to the premium amount to be charged and that the sanction of the Registrar to the resolution is obtained.

As extracted from the provisions of the bye-laws of 74 banks, as on June 30, 1971, 57 banks valued their shares at par; 66 banks did so at premium; and 78 banks reserved the right to sell at par or at premium by passing a resolution to that effect by the Board of Directors and 4 banks had the option to sell at premium in the General Body Meeting.

Shree Bharat Cooperative Credit Bank Ltd., Baroda classified its shares in 'A' class and 'B' class respectively on the denominations of share value of Rs. 25/- each for 'A' class shares and Rs. 5/- each for 'B' class shares. It sold 'A' class shares at premium of Rs. 10/- each and 'B' class shares at par. Veraval Peoples Cooperative Bank Ltd., Veraval sold its shares at par, but the first share to each share


The purchaser was issued at a premium of Rs. 2/-.

The Kaira Peoples Cooperative Bank Ltd., Kaira laid down a ceiling to raise initial share capital to the value of Rs. 1,00,000/- at par and issued shares after crossing the share limit worth Rs. 1,00,000/- at premium of Rs. 4/- per share. Jhalod Urban Cooperative Bank Ltd., Jhalod, laid down the provisions for issuing shares at par; but also prescribed that the same may be issued at premium. This bank also laid down in its Bye-laws that premium will not exceed more than 50 per cent of the value of a share.

The 6 banks which issued their shares at premium did so as per details below:

<table>
<thead>
<tr>
<th>No. of Banks</th>
<th>Share Denominations</th>
<th>Amount of premium charged per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Rs. 10/- each</td>
<td>Rs. 5/-</td>
</tr>
<tr>
<td>1</td>
<td>Rs. 10/- each</td>
<td>Rs. 2/50</td>
</tr>
<tr>
<td>1</td>
<td>Rs. 20/- each</td>
<td>Rs. 5/-</td>
</tr>
<tr>
<td>1</td>
<td>Rs. 25/- each</td>
<td>Rs. 5/-</td>
</tr>
</tbody>
</table>

The bye-laws of these banks provided that the amounts recovered as premium will be credited to the Reserve Fund.

Types of share-holders: Share capital may be collected from (i) individuals, (ii) Govt., (iii) partnership firms, (iv) joint stock companies, and (v) any other corporate bodies as the bye-laws of the UCBs provide that any major person
who is an inhabitant of the city or the area of operation and who is competent to contract under the Indian Contract Act, 1872; any firm, company, association or society registered under the Societies Registration Act, 1960; the State Govt.; and the Public Trust registered under law are eligible to be their ordinary share-holders.

In addition to the ordinary membership under which shares are issued, any person may be admitted by the Board of Directors as a nominal, associate or sympathiser member provided that the total number of such members in a society shall not exceed 10 per cent of the total number of members thereof; a nominal, associate or sympathiser member shall not be entitled to any share, in any form whatsoever, in the assets or profits of the society. He shall have only such privileges and rights of a member and be subject to such liabilities of a member as may be specified in the bye-laws of the society.

The distribution of paid-up share capital of 49 reporting UCBs in Gujarat as on June 30, 1971, amongst the different types of members is depicted in Table 5.2. It may be observed from the table that out of total amount of paid-up share capital, 95.0 per cent share capital was owned by individual members, 3.9 per cent was owned by partnership firms, 0.6 per cent was owned by Govt., 0.4 per cent was owned by coop. societies, and 0.1 per cent was owned by other corporate bodies.
### Table 5.28

Ownership of paid-up share capital by

<table>
<thead>
<tr>
<th>Individual</th>
<th>Cooperative</th>
<th>Govt.</th>
<th>Partner-ship</th>
<th>Joint stock</th>
<th>Firm</th>
<th>Corporate bodies</th>
<th>Other Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,67,23,545</td>
<td>75,050</td>
<td>1,00,760</td>
<td>6,96,185</td>
<td>190</td>
<td>13,945</td>
<td>1,76,09,675</td>
<td></td>
</tr>
</tbody>
</table>

Share denomination: Value per share at par or face value based upon share capital targeted to be raised, i.e., value at par per each multiplied by number of shares issued to meet with the limit of share capital, is a matter of predetermined proposal of the promoters approved by the Registrar. Thus, value so specified at par per share is reckoned as share denomination; say, of Rs. 5, 10, 25, 50 and/or Rs. 100 and the like as best suited to the local conditions and types of undertaking designed and section of associates partaking in the corporate body.

Out of 94 reporting banks, as on June 30, 1971, 2⁹ banks fixed Rs. 5/- per share; 33¹⁰ banks fixed Rs. 10/- as value

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8. B-1, B-4, B-6, B-8, B-10 to B-15, B-17, B-20 to B-22, B-25, B-29, B-30, B-32, B-34 to B-36, B-38, B-40, B-43 to B-45, B-54, B-56, B-58 to B-60, B-62, B-64, B-65, B-68, B-69, B-72, B-75, B-78, B-79, B-81, B-84, B-89, B-92 to B-94, and B-98 to B-100.


10. B-1, B-4, B-8, B-10, B-12, B-17, B-21, B-25, B-27, B-29, (contd. .. p.339)
per share; 111 banks specified Rs. 12.50 per share; 512 banks had share denomination of Rs. 20/- each; 3613 banks had their par value of Rs. 25/- per share; 714 banks fixed Rs. 50/- per share and 815 banks specified Rs. 100/- per share. In the case of one 16 bank the denomination was of Rs. 5/- each for 'B' class shares and Rs. 25/- each for 'A' class shares, whereas another 17 bank laid down Rs. 25/- each for 'A' class shares and Rs. 100/- each, for 'B' class shares as their denominations.

It will, thus, be evinced that the share denominations adopted at lower cost ranging from Rs. 5/- to Rs. 25/- was popular in 68 out of 94 reporting banks. In true spirit of development and in interest of common men, in order to induce association of the really needy persons, the denomination, should, it is proposed, be the minimum lowest one. A fair denomination, consistent with the permissibility of

10. (continued from p. 338)
   B-30, B-35, B-40, B-42 to B-44, B-46, B-51, B-55, B-56, B-60, B-65, B-67, B-76, B-77, B-85, B-87 to B-90, B-92, B-93, and B-99.
13. B-11, B-13, B-14, B-18, B-19, B-22, B-23, B-26, B-28, B-32, B-36 to B-39, B-49, B-52, B-58, B-59, B-62, B-68 to B-72, B-75, B-78, B-79, B-81, B-82, B-86, B-94, to B-98, and B-100.
14. B-2, B-6, B-48, B-50, B-61, B-64, and B-80.
15. B-3, B-5, B-7, B-9, B-41, B-47, B-54, and B-91.
of pockets of common men would be of Rs. 10/- per share; maximisation being set at Rs. 25/- when a larger drive is contemplated.

Share-holding limit: In terms of Sec, 29 of the GCS Act, 1961, 'No member in any society, other than the State Government, or a Society shall hold more than such portion not exceeding one-fifth of the total share capital of the society as may be prescribed, provided that the State Government, may, by notification in the Official Gazette specify in respect of any class of societies a higher maximum than one-fifth of the share'.

Dispersal of share-holding: The case studies of two UCBs, one, a large Bank in Ahmedabad City and a small bank at Valsad, showed (Vide: Table 5.3) that there was no concentration of shares in a few members. 75.8 per cent and 91.9 per cent shareholders held shares between 1 and 5 in Cooperative Bank of Ahmedabad Ltd., Ahmedabad, and Sheth Bhagwandas Brij-bhukhandas Shroff Bulsar Peoples' Cooperative Bank Ltd., Bulsar respectively.

Share capital refund: Any member can resign from the membership with the approval of the Board of Directors of an UCB. Such approval will not, however, be granted if he is a debtor of the Bank or is a surety to any other member who is a debtor.

**Table 5.319**

<table>
<thead>
<tr>
<th>No. of shares held between</th>
<th>A*</th>
<th></th>
<th>B@</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of shares</td>
<td>% age</td>
<td>No. of shares</td>
</tr>
<tr>
<td>1 to 5</td>
<td>1667</td>
<td>75.8</td>
<td>1665</td>
</tr>
<tr>
<td>6 to 10</td>
<td>144</td>
<td>6.5</td>
<td>54</td>
</tr>
<tr>
<td>11 to 25</td>
<td>252</td>
<td>11.5</td>
<td>66</td>
</tr>
<tr>
<td>26 to 50</td>
<td>83</td>
<td>3.8</td>
<td>24</td>
</tr>
<tr>
<td>51 to 100</td>
<td>38</td>
<td>1.7</td>
<td>3</td>
</tr>
<tr>
<td>101 to 200</td>
<td>15</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>201 and above</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* A = Cooperative Bank of Ahmedabad Ltd., Ahmedabad.
@ B = Sheth Bhagwandas Brijbhukhandas Shroff Bulsar Peoples' Cooperative Bank Ltd., Bulsar.

or has otherwise undertaken responsibilities of the Bank. Besides, in any one year, the refund of share capital to the member resigning from membership shall not exceed 10 per cent of the aggregate paid-up share capital of the Bank as it stood on 30th June preceding.

**Share capital forfeiture:** The General Body Meeting of an UCB can terminate the membership of any member on the following grounds:

1. If he is persistent defaulter in repaying the money of the Bank.

(ii) If he is found cheating the Bank by presenting false information or data.

(iii) If he is declared insolvent or legally disabled.

(iv) If he is criminally convicted for acts involving moral turpitude.

(v) If he intentionally does any act likely to injure the credit of the Bank.

(vi) If the share-holder is a member of any other Coop. Credit Society or whose membership is terminated for the reasons enumerated under the bye-laws.

All the shares held by him can be forfeited by the majority votes in the General Meeting. If any member is terminated for the reasons enumerated in the bye-laws, his all rights, as a member will be cancelled without affecting the financial rights and responsibilities vested in shares held by him.

**Share capital transfer:** With the approval of the Board of Directors, a member may transfer to another member his share or shares after holding the same for one year. The transfer is not complete until the name of the transferee has been entered in the 'Share Transfer Register' and such fee as may be prescribed by the Board of Directors has been paid. Transfer form printed and issued by the Bank will have to be used for transferring the shares.
Table 5.4

<table>
<thead>
<tr>
<th>Year ending June, 30</th>
<th>No. of Banks</th>
<th>No. of members (in '000)</th>
<th>Paid-up share capital (Rs.)</th>
<th>Annual %age rise in share capital</th>
<th>Average per Bank (Rs.)</th>
<th>Average per Members (in '000)</th>
<th>Total Capital (Rs.)</th>
<th>Share Capital as %age of total capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>42</td>
<td>99</td>
<td>60</td>
<td>-</td>
<td>1.4</td>
<td>0.06</td>
<td>730</td>
<td>8.2</td>
</tr>
<tr>
<td>1961</td>
<td>60</td>
<td>125</td>
<td>80</td>
<td>33.3</td>
<td>1.3</td>
<td>0.06</td>
<td>936</td>
<td>8.6</td>
</tr>
<tr>
<td>1962</td>
<td>76</td>
<td>159</td>
<td>105</td>
<td>31.3</td>
<td>1.4</td>
<td>0.07</td>
<td>1177</td>
<td>8.9</td>
</tr>
<tr>
<td>1963</td>
<td>88</td>
<td>179</td>
<td>122</td>
<td>16.2</td>
<td>1.4</td>
<td>0.07</td>
<td>1343</td>
<td>9.1</td>
</tr>
<tr>
<td>1964</td>
<td>92</td>
<td>186</td>
<td>138</td>
<td>13.1</td>
<td>1.5</td>
<td>0.07</td>
<td>1527</td>
<td>9.0</td>
</tr>
<tr>
<td>1965</td>
<td>111</td>
<td>215</td>
<td>166</td>
<td>20.3</td>
<td>1.5</td>
<td>0.08</td>
<td>1793</td>
<td>9.2</td>
</tr>
<tr>
<td>1966</td>
<td>124</td>
<td>242</td>
<td>204</td>
<td>22.9</td>
<td>1.6</td>
<td>0.08</td>
<td>2150</td>
<td>9.5</td>
</tr>
<tr>
<td>1967</td>
<td>120</td>
<td>259</td>
<td>229</td>
<td>12.3</td>
<td>1.9</td>
<td>0.09</td>
<td>2413</td>
<td>9.5</td>
</tr>
<tr>
<td>1968</td>
<td>122</td>
<td>272</td>
<td>255</td>
<td>11.4</td>
<td>2.1</td>
<td>0.09</td>
<td>2843</td>
<td>9.0</td>
</tr>
<tr>
<td>1969</td>
<td>129</td>
<td>306</td>
<td>303</td>
<td>18.8</td>
<td>2.3</td>
<td>0.10</td>
<td>3338</td>
<td>9.1</td>
</tr>
<tr>
<td>1970</td>
<td>138</td>
<td>321</td>
<td>354</td>
<td>16.8</td>
<td>2.6</td>
<td>0.11</td>
<td>4082</td>
<td>8.7</td>
</tr>
<tr>
<td>1971</td>
<td>163</td>
<td>378</td>
<td>463</td>
<td>30.8</td>
<td>2.8</td>
<td>0.12</td>
<td>5274</td>
<td>8.8</td>
</tr>
<tr>
<td>1972</td>
<td>188</td>
<td>412</td>
<td>594</td>
<td>28.3</td>
<td>3.2</td>
<td>0.14</td>
<td>6608</td>
<td>9.0</td>
</tr>
<tr>
<td>1973</td>
<td>197</td>
<td>451</td>
<td>738</td>
<td>24.2</td>
<td>3.7</td>
<td>0.16</td>
<td>8776</td>
<td>8.4</td>
</tr>
</tbody>
</table>

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Growth trends and observations: The growth trends of share capital collected by UCBs in Gujarat depicted in Table 5.4 for the period, year by year, from 1959-60 to 1972-73, reveals that in terms of absolute figures there had been rise every year. From the view point of annual percentage rise, there are variations, the maximum rise being 33.3 per cent in the year 1960-61 and the minimum rise being 11.4 per cent in the year 1967-68. The drop in the performance was apparently noticeable due to the increased number of banks having been opened anew, having been able to induce and capture meagre share capital. The subsequent good performances were noticed at 31.3 per cent rise in year 1961-62 and ar 30.8 per cent rise in year 1970-71. The reasons for fluctuations and non-permissibility of rhythmic rise in share capital were attributable what due to the intensive branch expansion programmes launched by big Commercial Banks in the very area of operation of the UCBs and what due to more than one UCB functioning in the same specified area of operation. It is, however, commendable and heartening to note that as against Rs. 60 lakhs of share capital in 1959-60, it rose to Rs. 738 lakhs in 1972-73, i.e. within a spell of 13 years, the overall paid up share capital rose by 1130 per cent, which was no small an achievement.

As regards average share capital per bank, the growth ever since 1965-66 had remained increasing. But for a small
drop of Rs. 0.1 lakh in 1960-61 and a rise of Rs. 0.1 lakh in 1963-64, the trend between 1959-60 to 1964-65 had remained stagnant. Again, the position of Rs. 1.5 lakhs in 1964-65 was elevated to Rs. 3.7 lakhs in 1972-73, indicated a smooth and steady progress.

Viewing again from the stand point of average share capital per member, the position remained stagnant between the years 1959-60 and 1967-68, but for the rise of Rs. 0.01 thousand noticed in each of the years 1961-62, 1964-65 and 1966-67. In the three successive years, viz., 1968-69, 1969-70 and 1970-71, there was an uniform rise of Rs. 0.01 thousand each year. In the years, 1971-72 and 1972-73, the position had further improved and the rise noticed during these two years was of Rs. 0.02 thousand each year. Comparing the position of Rs. 0.06 thousand average share capital per member as prevalent in the year 1959-60 to Rs. 0.16 thousand climax ed in 1972-73, indicated a rise of 167 per cent.

The contribution of 'share capital' to 'total working capital' was not uniform. The highest percentage of share capital to total working capital was 9.5 per cent each in the years of 1965-66 and 1966-67. Next in the range was 9.2 per cent in the year 1964-65 and 9.1 per cent each in years 1962-63 and 1968-69. In the remaining years it varied between 9.0 per cent and 8.2 per cent. Thus, the position
was rather fluctuating in keeping with the rise and the fall evinced in the path of progress of amassing share capital.

The percentage of share capital to total working capital during these 14 years, i.e. from 1959-60 to 1972-73 was between 8.2 per cent and 9.5 per cent which, from the viewpoint of raising effective funds, was rather low.

In Table 5.5 are presented the slabs of paid up share capital of 183 UCBs in Gujarat as on June 30, 1973, from which it followed that (i) 66.1 per cent banks fell into the slab of Rs. 1.01 to 4.00 lakhs, 16.9 per cent fell into the slab of Rs. 4.01 to 8.00 lakhs, and the remaining 17.0 per cent or 31 banks were in the slabs of share capital (a) upto rupees one lakh and (b) slabs ranging from Rs. 8.01 lakhs to Rs. 28.00 lakhs, and (ii) the average share capital per bank in the slab of upto Rs. 1.00 lakh was Rs. 0.70 lakh, and in the cases of the remaining slabs the averages were Rs. 2.38 lakhs; Rs. 5.35 lakhs, Rs. 9.66 lakhs, Rs. 13.29 lakhs, Rs. 17.08 lakhs, Rs. 22.59 lakhs and Rs. 27.54 lakhs in the slabs of Rs. 1.01 to 4.00 lakhs, Rs. 4.01 to 8.00 lakhs, Rs. 8.01 to 12.00 lakhs, Rs. 12.01 to 16.00 lakhs, Rs. 16.01 to 20.00 lakhs, Rs. 20.01 to 24.00 lakhs, and Rs. 24.01 to 28.00 lakhs, respectively.

The data regarding share capital of 183 UCBs of various age-groups in Gujarat as on June 30, 1973, presented in Table 5.6 revealed that 100 banks of the age-group upto 10
Table 5.5

<table>
<thead>
<tr>
<th>Amount of paid-up share capital (Rs. in lakhs)</th>
<th>Amount of No. of paid-up Banks Average per bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 1.00</td>
<td>12</td>
</tr>
<tr>
<td>1.01 to 4.00</td>
<td>12</td>
</tr>
<tr>
<td>4.01 to 8.00</td>
<td>31</td>
</tr>
<tr>
<td>8.01 to 12.00</td>
<td>11</td>
</tr>
<tr>
<td>12.01 to 16.00</td>
<td>3</td>
</tr>
<tr>
<td>20.01 to 24.00</td>
<td>2</td>
</tr>
<tr>
<td>24.01 to 28.00</td>
<td>1</td>
</tr>
</tbody>
</table>

years had paid-up share capital of Rs. 409 lakhs, 40 banks of the age-group of 11 to 20 years had Rs. 140 lakhs, 18 banks of the age-group of 21 to 30 years had Rs. 63 lakhs, 8 banks of the age-group of 31 to 40 years had Rs. 17 lakhs, 12 banks of the age-group 41 to 50 years had Rs. 50 lakhs, 3 banks of the age-group 51 to 60 years had Rs. 29 lakhs, one bank each of the age-group 61 to 70 years and over 80 years had Rs. 4 lakhs each. In the age-group of 71 to 80 years, however, there was not a single bank. The age-group 51 to 60 years secured the highest average share capital per bank of Rs. 9.7 lakhs, followed by Rs. 4.2 lakhs within the age-group of 41 to 50 years; Rs. 4.1 lakhs within the age-group upto 10 years; Rs. 4.0 lakhs each in the age-group of 61 to 70 and over 80 years; Rs. 3.5 lakhs each in the age-group of 11 to 20 and 21 to 30 years; and Rs. 2.1 lakhs.

in the age-group of 31 to 40 years. Thus, with the advance in age, the UCBs did not secure any advantage in respect of share capital contribution.

Percentage of contribution of paid up share capital to total working capital was not uniform in various age-groups as can be ascertained vide the factual figures. The highest percentage of 11.6 per cent was within the age-group upto 10 years and the lowest one of 2.3 per cent was within the age-group over 80 years and intermediary rise of 7.8 per cent was found in the age-group of 61 to 70 years. A gradual fall in the percentage was observed in the age-groups of 11 to 20, 21 to 30, 31 to 40, 41 to 50, and 51 to 60 by 9.3 per cent, 6.3 per cent, 6.1 per cent, 3.9 per cent and 3.5 per cent respectively.

In Table 5.7 are given the districtwise data of share capital of the UCBs in Gujarat from 1967-68 to 1972-73, the study of which would lead us to the following deductions:

(i) In terms of the annual percentage rises, Kutch topped the list with 100 per cent rise in the year 1968-69, followed by Jamnagar by 100 per cent rise in the year 1972-73. The next in the rank were Junagadh (91.7 per cent in 1971-72), and Ahmedabad City (91.2 per cent in 1970-71).


(iii) No fall, besides, in the annual percentage of share capital was found in any dist. during the years 1967-68 to 1972-73.

(ii) In the rest of the years, the annual percentage of rises of the share capital in all the dist.s were uneven, ranging from 3.7 per cent to 62.5 per cent.

22. Ibid.
(v) The performance of average share capital per share holder, was topped by Sabarkantha dist. with Rs. 0.41 thousand in year 1970-71, and with Rs. 0.40 thousand in year 1969-70; followed by Ahmedabad (Rural) dist. with Rs. 0.38 thousand in year 1972-73; Sabarkantha dist. with Rs. 0.37 thousand each in the years 1967-68 and 1971-72.

(vi) While Dangs dist. had no UCB during the years, Gandhinagar dist. had only one bank functioning in the years 1971-72 and 1972-73 and its average share capital per member was Rs. 0.33 and Rs. 0.34 thousand respectively.

(vii) In the rest of the dist.s the average share capital per member during the years ranged between Rs. 0.04 and 0.35 thousand for the remaining years.

(viii) In regard to the average share capital per bank, Ahmedabad City topped the list (6.5 lakhs in year 1972-73), followed by again, Ahmedabad City (Rs. 5.8 lakhs in 1967-68), Surat dist. and Ahmedabad City each (Rs. 5.3 lakhs in years 1970-71 and 1971-72 respectively).

(ix) While Dangs had no such bank, Gandhinagar dist. had only one bank established in 1971-72. It had only Rs. 1 lakh share capital in the years 1971-72 and 1972-73.

(x) In the rest of the years, in all the dist.s, the range
of average share capital per bank was from Rs. 1.00 lakh to Rs. 5.00 lakhs.

In our country, Maharashtra, Karnataka, Gujarat and Tamil Nadu are considered to be the developed States in the field of cooperation. In Table 5.8 are shown the comparative figures regarding the paid-up share capital of the UCBs, from 1967-68 to 1972-73, situated in these States to indicate the superiority or otherwise of one State or the other on an All-India level. This analytical study would show the following results:

(i) Excepting Tamil Nadu, the annual percentage rises in share capital in all other States as also at All-India level in the year 1970-71 were the highest.


(iii) While Maharashtra and Karnataka were bigger States than Gujarat with 250 and 210 UCBs respectively as against only 163 in Gujarat in the year 1970-71, they had slightly higher position than Gujarat for a short spell of one year only as reflected through the figures of rise in share capital of 40.4 per cent in Karnataka and 37 per cent in Maharashtra, as against 30.7 per cent in Gujarat. (The same rise i.e. 30.7 per cent observed in 1970-71 also at All-India level).
It will be interesting to note, however, that immediately in the succeeding year, viz., 1971-72, the table got rather turned topsy-turvy as evinced through the top-most position of rise in Gujarat by 28.4 per cent followed by 16.4 per cent in Tamil Nadu, 10.4 per cent at All-India level, 5.9 per cent rise in Maharashtra and 7.4 per cent fall in Karnataka.

(iv) Notwithstanding the effects of war with Pakistan in 1971 and scores of economic implications involved thereunder, the mature leadership in the coop. field of Gujarat State alone could keep the flag of steady progress afloat and victoriously waving as the study indicated a rise of 24.2 per cent in Gujarat, followed by 16.1 per cent in Maharashtra, by 15.3 per cent at All-India level, by 9.8 per cent in Karnataka, and by 7.5 per cent in Tamil Nadu.

(v) The range of percentage rise in Gujarat was from 17 per cent (in 1969-70) to 30.7 per cent (in 1970-71); in Maharashtra, it was from 5.9 per cent rise (in 1971-72) to 37 per cent (in 1970-71); in Karnataka, it was from -7.4 per cent (in 1971-72) to 40.4 per cent (in 1970-71); in Tamil Nadu, it was from 2.7 per cent (in 1969-70) to 16.4 per cent (in 1971-72) and at All-India level it was from 8.4 per cent (in 1969-70) to 30.7 per cent (in 1970-71).
(vi) In the year 1967-68, in terms of the total paid up share capital Maharashtra stood first with its 39.88 per cent contribution as compared to the same at All-India level; followed by Gujarat 15.51 per cent, Karnataka 13.85 per cent and Tamil Nadu with 12.55 per cent. In 1972-73, however, the position was that Maharashtra topped the list with share capital of 41.03 per cent followed by Gujarat at 22.32 per cent; Karnataka with 11.73 per cent; and Tamil Nadu with 8.99 per cent. This was an evidence of declines even in other larger States; whereas, virtually in Maharashtra and Gujarat the figures were quite progressive.

(vii) Equating the position of average paid up share capital per member, Maharashtra and Karnataka stood first in 1967-68 with Rs. 0.10 thousand each; followed by Gujarat with Rs. 0.09 thousand, Tamil Nadu with Rs. 0.02 thousand, and Rs. 0.06 thousand at All-India level. In year 1968-69 the position was topped by Karnataka with Rs. 0.12 thousand, followed by Maharashtra with Rs. 0.11 thousand, Gujarat with Rs. 0.10 thousand, Tamil Nadu with Rs. 0.02 thousand and All-India with Rs. 0.06 thousand. In 1969-70 Gujarat paced forward and had Rs. 0.11 thousand average share capital per member; the same as that of both Maharashtra and
Karnataka; All-India figure being of Rs. 0.07 thousand. In 1970-71, however, Maharashtra led the rest with Rs. 0.14 thousand as against Rs. 0.12 thousand each in Gujarat and Karnataka, and Rs. 0.08 thousand at All-India level. In year 1971-72 Karnataka topped and stood first with Rs. 0.15 thousand, followed by Rs. 0.14 thousand each both in Gujarat and Maharashtra. In 1972-73, however, Gujarat topped the list with Rs. 0.16 thousand followed by Maharashtra with Rs. 0.15 thousand, Karnataka with Rs. 0.14 thousand, All-India with Rs. 0.10 thousand, and Tamil Nadu with Rs. 0.03 thousand.

Viewing the position as in successive years, Gujarat with Rs. 0.09 thousand in 1967-68 had progressed year by year with figure of paid up average share capital per member rising to Rs. 0.16 thousand in 1972-73. Maharashtra had Rs. 0.10 thousand in 1967-68 from where it reached a rise as indicated by Rs. 0.15 thousand in 1972-73. Karnataka had Rs. 0.10 thousand in 1967-68 and Rs. 0.14 thousand in year 1972-73. Tamil Nadu had much lesser development with only Rs. 0.02 thousand in 1967-68 and Rs. 0.03 thousand in 1972-73. All-India figure indicated Rs. 0.06 thousand in 1967-68 and Rs. 0.10 thousand in 1972-73. Thus, from the view-point of relative figures, Gujarat,
in all the years had evinced a smooth stable rise.

(viii) In regard to the average paid-up share capital per bank of these States, during 1967-68 to 1972-73, as compared with All India level, it is observed that during the years 1967-68 to 1972-73 Maharashtra topped the list in each year, followed by Gujarat, All-India, Tamil Nadu and Karnataka. In year, 1972-73, Maharashtra was topping the list with Rs. 484.0 thousands, followed by Gujarat with Rs. 374.4 thousands, All-India with Rs. 271.9 thousands, Tamil Nadu Rs. 219.9 thousands and Karnataka Rs. 194.8 thousands. Further, while there was progressive rise in the average paid-up share capital per bank, during 1967-68 to 1972-73, in Gujarat and Tamil Nadu, Maharashtra and Karnataka witnessed such rise except in the year 1971-72.

(ix) The analytical study of the comparative figures of average paid-up share capital per bank as at the end of 1967-68 and 1972-73 revealed that Maharashtra had a rise of Rs. 184.4 thousands per bank during the period, followed by Gujarat with Rs. 165.2 thousands by Karnataka with Rs. 89.3 thousands and Tamil Nadu with only Rs. 77.4 thousands. Thus, the UCBs in Gujarat and Maharashtra established their superiority over other States in the rate of mobilisation of paid-up share capital.
### Table 5.8

<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th>Annual %age rise</th>
<th>Average share capital per share-holer</th>
<th>Average share capital per bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1969</td>
<td>18.5</td>
<td>9.1</td>
<td>10.5</td>
</tr>
<tr>
<td>1970</td>
<td>17.0</td>
<td>12.4</td>
<td>7.7</td>
</tr>
<tr>
<td>1971</td>
<td>30.7</td>
<td>37.0</td>
<td>40.4</td>
</tr>
<tr>
<td>1972</td>
<td>28.4</td>
<td>5.9</td>
<td>-7.4</td>
</tr>
<tr>
<td>1973</td>
<td>24.2</td>
<td>16.1</td>
<td>9.8</td>
</tr>
</tbody>
</table>

---

(ii) Ploughing back of profits

Concept: The process of creating corporate savings and their utilisation in the business is technically termed as ploughing back of profits.  

Forms: The UCBs retain a portion of their net profits in the forms of reserve fund and other funds. The cooperative societies including the UCBs are statutorily required to create such funds from out of their annual net profits. As laid down under Sec. 66 of the UCS Act, 1961, a society may appropriate its profits (i) to its reserve fund or any other fund created by it, (ii) to payment of dividends to members on their shares, (iii) to contribution to the educational fund of such coop. society as the State Govt. may by notification in the Official Gazette specify as "the Gujarat State Cooperative Union", (iv) to the payment of rebate on the basis of support received from members and persons who are not members to its business and subject to the prescribed conditions, to payment of honoraria and to any other purposes which may be specified in the rules or bye-laws. As a model example, the provisions made for distribution of net profits through the bye-laws of the Surat Peoples' Cooperative Bank Ltd., Surat, are summarised as follows:

(a) Reserve fund: According to the provisions of

Sec. 67 of the GGS Act, 1961, (i) every society which does or can derive a profit from its transactions, had to maintain a reserve-fund, and (ii) at least one-fourth of the net profit of the society each year, has to be carried to the reserve fund; and such reserve fund may be used in the business of the society or may, subject to the provisions of Sec. 71, be invested, as the State Govt. may by general or special order direct, or may, with the previous sanction of the State Govt., be used in part for some public purpose, likely to promote the objects of this Act, or for some such purpose of the State or of local interest; provided that if the Registrar is satisfied that the financial condition of the society is such that it is unable to carry to its reserve fund an amount upto the aforesaid limit of one-fourth of its net profits he may by order in writing for such period as he may specify in the order, fix for the society, a limit lower than the aforesaid limit but not lower than one-tenth of its net profit. 26 The main object of setting the reserve fund is to safeguard the interest of the members in case there are any losses which without affecting the share capital, can be recouped from the reserve fund. Again, on the owned fund -- which is strengthened by the Reserve Fund, no interest is required to be paid, which enables the Bank to advance financial assistance to its members at cheaper rates of interest.

(b) **Dividend equilisation fund:** Dividend up to 9 per cent only can be paid to the share-holders on the amount paid on each share. In any year, if the surplus remains out of the amount set apart for the payment of dividend up to 9 per cent per annum, such surplus sum shall be carried to Dividend Equilisation Fund. In case, if in any year the share-holders get less than 9 per cent on their shares, the difference of amount as may be resolved by the Board of Directors may be taken from the Dividend Equilisation Fund to meet such a deficit.

(c) **Building fund:** The amount which the Board thinks fit has to be carried to the Building Fund of the Bank.

(d) **Contingency fund:** After the above deductions are made, the Board of Directors, may, if deemed fit, set aside and carry the surplus amount to contingency fund to meet the unforeseen needs of the Bank.

(e) The balance of profit thereafter, will be appropriated to other funds with the sanction of the General Meeting and of the Registrar.

**Data analysis:** The analysis of figures given in Table 5.9 depicts the global growth trends of Reserve and other Owned Funds for the period from 1959-60 to 1972-73, of the UCBs in Gujarat State.

(i) There was progressive rise in the global amount of
Table 5.927

<table>
<thead>
<tr>
<th>Year ending June, 30.</th>
<th>No. of banks</th>
<th>Amount of Average per bank</th>
<th>Total Capital</th>
<th>Proportion of Reserve &amp; other Owned funds to total capital (in %age)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>42</td>
<td>25</td>
<td>0.60</td>
<td>0.64</td>
</tr>
<tr>
<td>1961</td>
<td>60</td>
<td>31</td>
<td>0.52</td>
<td>0.55</td>
</tr>
<tr>
<td>1962</td>
<td>76</td>
<td>43</td>
<td>0.57</td>
<td>0.61</td>
</tr>
<tr>
<td>1963</td>
<td>88</td>
<td>50</td>
<td>0.57</td>
<td>0.59</td>
</tr>
<tr>
<td>1964</td>
<td>92</td>
<td>52</td>
<td>0.57</td>
<td>0.67</td>
</tr>
<tr>
<td>1965</td>
<td>111</td>
<td>57</td>
<td>0.51</td>
<td>0.51</td>
</tr>
<tr>
<td>1966</td>
<td>124</td>
<td>70</td>
<td>0.56</td>
<td>0.60</td>
</tr>
<tr>
<td>1967</td>
<td>120</td>
<td>82</td>
<td>0.68</td>
<td>0.70</td>
</tr>
<tr>
<td>1968</td>
<td>122</td>
<td>92</td>
<td>0.75</td>
<td>0.81</td>
</tr>
<tr>
<td>1969</td>
<td>129</td>
<td>107</td>
<td>0.83</td>
<td>0.85</td>
</tr>
<tr>
<td>1970</td>
<td>138</td>
<td>126</td>
<td>0.91</td>
<td>0.90</td>
</tr>
<tr>
<td>1971</td>
<td>163</td>
<td>150</td>
<td>0.92</td>
<td>0.80</td>
</tr>
<tr>
<td>1972</td>
<td>188</td>
<td>177</td>
<td>0.94</td>
<td>0.88</td>
</tr>
<tr>
<td>1973</td>
<td>197</td>
<td>205</td>
<td>1.04</td>
<td>1.08</td>
</tr>
</tbody>
</table>

Reserve Fund between 1959-60 and 1972-73.

(ii) The amount of Reserve Fund of Rs. 25 lakhs in 1959-60 had touched Rs. 205 lakhs in 1972-73, indicated a net
rise of 8.2 times or 720 per cent.

(iii) As regards rise in other owned funds, it witnessed a graded progress except for a fall of Rs. 5 lakhs in 1964-65.

(iv) The amount of amassment of other owned funds was Rs. 27 lakhs in 1959-60 which rose to 215 lakhs in 1972-73, indicated a net rise of 7.9 times or 688.9 per cent.

(v) There was graded rise in the figures of the Reserve and other owned funds in all years except in 1964-65 during which there was no rise nor fall.

(vi) As against the total mount of owned funds of Rs. 52 lakhs in 1959-60, the figures rose to Rs. 418 lakhs in 1972-73 which indicated an over-all rise of 8 times or 703.8 per cent.

(vii) The annual percentage rise was the highest, viz. 39.1 per cent in 1961-62 followed by 26.3 per cent in 1965-66, 23.1 per cent in 1960-61, 22.1 per cent in 1971-72, 21.9 per cent in 1972-73, 15.3 per cent in 1966-67, 15.2 per cent in 1969-70, 15.1 per cent in 1967-68, 14.6 per cent in 1962-63, 13.6 per cent in 1968-69, 12.4 per cent in 1970-71 and 11.8 per cent in 1963-64. In the year 1964-65, there was neither rise nor fall.

(viii) The trend generally observed was that the amassment of
'Other Owned Funds' were more than the accumulation of Reserve Fund every year except for years 1969-70, 1970-71 and 1971-72.

(ix) The average of Reserve Fund per bank which was Rs. 0.60 lakh in 1959-60 rose to Rs. 1.04 lakhs in 1972-73 indicating an over-all rise of 73.33 per cent.

(x) Between 1964-65 and 1972-73 there was a graded rise in the average amount of Reserve Fund per bank. During 1959-60 to 1964-65 there were falls of Rs. 0.08 lakh in 1960-61 and Rs. 0.06 lakh in 1964-65. In 1961-62 there was a rise of Rs. 0.05 lakh, whereafter there was no rise and no fall upto 1963-64.

(xi) In year 1959-60, average owned funds per bank was Rs. 0.64 lakh, whereas the same rose to Rs. 1.08 lakhs in 1972-73, which indicated an over-all rise of 68.8 per cent.

(xii) Between 1964-65 and 1972-73, there was a graded rise in the average of owned funds per bank except a fall of Rs. 0.10 lakh in 1970-71. During the period 1959-60 to 1964-65 there were falls, viz. of Rs. 0.09 lakh in 1960-61; of Rs. 0.02 lakh in 1962-63 and of Rs. 0.16 lakh in 1964-65. There was a rise of Rs. 0.06 lakh in 1961-62 and a rise of Rs. 0.08 lakh in 1963-64.

(xiii) The percentage of reserve and other owned funds combined to total working capital was found uneven during
1959-60 to 1972-73.

(xiv) Reserve and other funds as percentage of total capital was the highest at 7.6 per cent each in the years 1961-62 and 1962-63 followed by 7.5 per cent in 1963-64, 7.1 per cent in 1959-60, 6.9 per cent in 1966-67, 6.8 per cent in 1960-61, 6.7 per cent each in years 1965-66 and 1967-68, 6.5 per cent in 1968-69, 6.4 per cent in 1964-65, 6.1 per cent in 1969-70, 5.3 per cent in 1970-71, 5.2 per cent in 1971-72 and 4.8 per cent in 1971-72.

In Table 5.10 are presented the slabs of Reserve and Other Owned Funds of 182 banks, as on June 30, 1973, the study of which would reveal as follows:

(i) 57.7 per cent banks fell in the slab of funds upto Rs. 1 lakh, 33 per cent banks fell in the slab of Rs. 1.01 to Rs. 5.00 lakhs, 4.4 per cent banks were found in the slab of Rs. 5.01 to Rs. 10.00 lakhs, 2.2 per cent banks were in the slab of Rs. 10.01 lakhs to Rs. 15.00 lakhs, 1.1 per cent banks each were in the slabs of Rs. 20.01 to Rs. 25.00 lakhs and Rs. 25.01 to Rs. 30.00 lakhs respectively and 0.5 per cent banks fell in the slab of Rs. 45.01 lakhs to Rs. 50.00 lakhs.

(ii) There were no banks in the slabs of Rs. 15.01 to Rs. 20.00 lakhs and Rs. 30.01 to Rs. 45.00 lakhs.
### Table 5.10

<table>
<thead>
<tr>
<th>Amount of Reserve and other owned funds (in lakhs)</th>
<th>No. of banks*</th>
<th>Average per bank (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 1.00</td>
<td>105</td>
<td>0.32</td>
</tr>
<tr>
<td>1.01 to 5.00</td>
<td>60</td>
<td>2.18</td>
</tr>
<tr>
<td>5.01 to 10.00</td>
<td>8</td>
<td>6.83</td>
</tr>
<tr>
<td>10.01 to 15.00</td>
<td>4</td>
<td>12.83</td>
</tr>
<tr>
<td>15.01 to 20.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20.01 to 25.00</td>
<td>2</td>
<td>20.72</td>
</tr>
<tr>
<td>25.01 to 30.00</td>
<td>2</td>
<td>26.96</td>
</tr>
<tr>
<td>30.01 to 45.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>45.01 to 50.00</td>
<td>1</td>
<td>49.55</td>
</tr>
</tbody>
</table>

* Excluding the figures of the Baroda Traders' Cooperative Bank Ltd., Baroda as it possessed Reserve and other Owned Funds of only Rs. 300.

(iii) The banks having meagre amounts of Reserve and Other Owned Funds were the highest in number.

(iv) The general trend was that with the increase in the amounts of Reserve and Other Owned Funds, the number of banks decreased.

(v) Viewing in terms of average of Reserve and Other Owned Funds per bank, the study asserted that with the increase in the slab of amounts of Funds, the average per bank was also relatively increasing.

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In Table 5.11 are presented the data regarding the amounts of Reserve and other Owned Funds spread, as on June 30, 1973, in 183 UCBs of various age-groups. Their study would reveal that 100 banks of the age-group up to 10 years possessed Reserve and other Owned Funds of 13.4 per cent; 40 banks of the age-group of 11 to 20 years had 21.5 per cent of these funds, 18 banks of the age-group of 21 to 30 years had 19.7 per cent of these funds; while 8 banks of age-group of 31 to 40 years, 12 banks of age-group of 41 to 50 years, 3 banks of age-group of 51 to 60 years, 1 bank of age-group of 61 to 70 years; 1 bank of age-group over 80 years had 5.6 per cent, 20.8 per cent, 15.1 per cent, 1.0 per cent and 2.9 per cent of these funds respectively. There was not a single bank in the age-group between 71 and 80 years.

Equating the performances in terms of average Reserve and other Owned Funds per bank in the banks of different age-groups; it will be established that the highest amount, viz., of Rs. 2100.3 thousands was touched by the banks in the age-group of 51 to 60 years; next ranked the oldest UCB (viz. The Anyonya Sahaykari Mandli Cooperative Bank Ltd., Baroda), figuring at Rs. 1218 thousands. The average per bank of Reserve and other Owned funds of the UCBs of the remaining age-groups ranged between Rs. 720.5 thousands and Rs. 55.9 thousands.
The analytical study of Table 5.12 pertaining to Inter-State growth trends of Reserve and Other Owned Funds reflected as follows:

(i) In terms of absolute figures, there was an apparent graded rise of Reserve and Other Owned Funds for the period 1967-68 to 1972-73 in all the States as well as at All-India level. In Gujarat the amount appropriated under this head, which was Rs. 191 lakhs in 1967-68, rose to Rs. 418 lakhs in 1972-73; indicated a rise of 118.8 per cent taking 1967-68 as the base year. However, the annual percentage rise of these funds between the period 1967-68 to 1972-73, remained

29. Ibid.
uneven, viz., 13.6 per cent in 1968-69, 15.2 per cent in 1969-70, 12.4 per cent in 1970-71, 22.1 per cent in 1971-72 and 21.9 per cent in 1972-73.

(ii) In Maharashtra, the sum of these funds which was at Rs. 403 lakhs in 1967-68 rose to Rs. 776 lakhs in 1972-73 showing a rise of 92.6 per cent, with annual percentage rise being 20.1 per cent in 1968-69, 12.0 per cent in 1969-70, 12.2 per cent in 1970-71, 12.0 per cent in 1971-72 and 14.0 per cent in 1972-73.

(iii) The figures of these funds for Karnataka in 1967-68 were Rs. 182 lakhs and Rs. 413 lakhs in 1972-73 which indicated a rise of 126.9 per cent with annual percentage rise of 13.7 per cent in 1968-69, 7.2 per cent in 1969-70, 14.4 per cent in 1970-71, 8.7 per cent in 1971-72, and 49.6 per cent in 1972-73.

(iv) The figures of Tamil Nadu being of Rs. 160 lakhs in 1967-68 and Rs. 245 lakhs in 1972-73 indicated a rise of 53.1 per cent; the annual percentage rise being 6.9 per cent in 1968-69, 8.8 per cent in 1969-70, 14.5 per cent in 1970-71, 10.8 per cent in 1971-72 and 3.8 per cent in 1972-73. All-India figure with Rs. 1123 lakhs in 1967-68 and Rs. 2162 lakhs in 1972-73 showed a rise of 92.5 per cent, with an annual rise of 14.1 per cent in 1968-69, of 9.4 per cent in 1969-70, of 14.2 per cent in 1970-71, of 12.7 per cent in 1971-72 and of 19.8 per cent in 1972-73.
### Table 5.12

<table>
<thead>
<tr>
<th>Year ending June-30.</th>
<th>Reserve and other Owned Funds (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>G.</td>
</tr>
<tr>
<td>1968</td>
<td>191</td>
</tr>
<tr>
<td>1969</td>
<td>217</td>
</tr>
<tr>
<td>1970</td>
<td>250</td>
</tr>
<tr>
<td>1971</td>
<td>281</td>
</tr>
<tr>
<td>1972</td>
<td>343</td>
</tr>
<tr>
<td>1973</td>
<td>418</td>
</tr>
</tbody>
</table>

(v) Equating the results of rise in terms of absolute figures, Maharashtra, topped the list, followed by Gujarat, Karnataka and Tamil Nadu in all the years from 1967-68 to 1972-73.

(vi) As regards annual percentage rise, Maharashtra topped the list in 1968-69, followed by Karnataka, Gujarat and Tamil Nadu. In 1969-70, the topmost was Gujarat followed by Maharashtra, Tamil Nadu and Karnataka. In 1970-71, the topmost was Tamil Nadu followed by Karnataka, Gujarat and Maharashtra. In 1971-72, the topmost was Gujarat followed by Maharashtra, Tamil Nadu and Karnataka. In 1972-73, the top position was secured by Karnataka followed by Gujarat, Maharashtra and Tamil Nadu.

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(vii) There was rise in the average Reserve and other Owned Funds per bank every year in all States and also at National level in terms of absolute figures except for a slight fall of Rs. 0.1 lakh in Gujarat in year 1970-71.

(iii) Accepting donations, etc.

Donations and entrance fees are the main sources that can be included in this group.

**Donation:** This is a source of raising funds falling within the group of "Owned Funds". Out of 68 reporting banks as on June 30, 1971, it is gathered that provisions existed in the bye-laws of all the 68\(^{31}\) banks to raise funds through donations; and appropriate the capital so raised in the Reserve Fund.

**Entrance Fee:** As per provisions in the bye-laws of all the UCBs, remittance of entrance fee is obligatory before enrolment as a member. Table 5.13 presents the rates of entrance fee in 70 reporting banks as on June 30, 1971.

The popular mode of laying down the rates of entrance fee was found to be Re. 1 only. Money raised through entrance fee

Table 5.13

<table>
<thead>
<tr>
<th>Rate of Entrance Fee</th>
<th>No. of Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re. 0.50</td>
<td>1</td>
</tr>
<tr>
<td>Re. 1.00</td>
<td>62</td>
</tr>
<tr>
<td>Rs. 2.00</td>
<td>3</td>
</tr>
<tr>
<td>Rs. 3.00</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs. 4.00</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs. 5.00</td>
<td>4</td>
</tr>
</tbody>
</table>

fee has been transferred to Reserve Fund in keeping with the provisions prescribed in the bye-laws.

Observations: It is, however, hardly necessary, to comment here that for raising funds, this source is but a trifling and negligible one.

(B) Borrowed Funds

In the initial stage as well as on an onward expansion stage, the UCBs may not have sufficient owned funds to meet the needs.

Alternatively, they have to depend on borrowed funds. Borrowed funds are obtained from various sources by (i) issuing debentures, (ii)

collecting deposits from members and non-members, (iii) securing loans from Govt., (iv) borrowing from the Central Financing Agencies. The amount of the fund borrowed should be in a relative ratio with the owned funds of an UCB. The more the owned funds indicating the liability taken by the members, the more is the borrowing capacity of the bank.

Funds can be raised or received by deposits and by loans at such rates of interest and on such terms and to such extents as may be determined by the Board of Directors provided that the total amount of such loans and deposits received shall never exceed twelve times the total amount of paid up share capital, building fund and reserve fund, after deducting therefrom accumulated losses but if in any year the limit is crossed, the amount received in excess will be invested in the Govt. Securities, subject to the provisions made in Rule 24(3) under the GCS Act, 1961.

(i) Issuing debentures

Concept: Debenture constitutes a part or a mode of creditorship security and is a loan taken by a corporate body. Creditorship security-holders are the creditors of the corporate body.

A debenture may be defined as an instrument executed by a corporate body under its common seal acknowledging indebtedness to some person or persons to secure the sum advanced; thus, a debenture is an acknowledgement of a debt
by a corporate body in a series of fixed denomination, which may be unsecured or secured by a fixed or floating charge on the assets of the corporate body. The terms and conditions on which they are issued are endorsed on their back.

Types: Debentures may be classified into different types on the basis of the terms and conditions of their issue. These are (a) bearer debentures, (b) registered debentures, (c) naked (unsecured) debentures, (d) secured or mortgage debentures, (e) redeemable debentures, and (f) irredeemable debentures.

(a) Bearer debentures are payable to the bearer and are transferable by mere delivery. They are negotiable instruments. Interest coupons are attached to them and interest is payable to the holder of coupons. (b) Registered debentures are payable to registered holders and their transfer is to be registered with the corporate body issuing them. (c) Naked (unsecured) debentures are issued with merely a promise of payment, without any security for payment of interest or capital. (d) Secured debentures are payable to the registered holder or to the bearer, but they are issued with a charge on the undertaking and assets of the Corporate body as security. They are sometimes called mortgage debentures. The charge on the debentures may be fixed or floating. (e) Redeemable debentures are redeemable when payment of the principal is provided for on a specified date or on notice or demand. So far as
redeemable debentures are concerned, sinking fund is created for the protection of the interest. (f) Irredeemable debentures are irredeemable or perpetual as no time is fixed within which the corporate body is bound to redeem them, and the debenture holders cannot demand payment as long as the enterprise is a going concern.

Data analysis: The study of the bye-laws of 71 banks, as on June 30, 1971 established that no provision of raising of funds by issuing debentures existed in 35^33 banks, such a provision however, existed in bye-laws of 36^34 banks. In the bye-laws of 2^35 banks, out of 36 mentioned above, it is laid down that before issuing debenture, prior permission from the Dist. Registrar, for so doing must be obtained. Further, notwithstanding existence of provision in the bye-laws, the study has revealed that none of the above mentioned 36^36 banks, had ever raised funds through issuing debentures. Thus, this source remained merely a paper provision. The UCBs, for one reason or the other, did not like to raise funds through debentures.


36. (om p. 375)
(ii) Collecting deposits

Concept: Deposits are the surplus funds entrusted by their savers to the financiers with the twin objects of (a) earning regular income thereby in the form of interest and (b) securing the safety of their funds.

The distinctive advantage of securing funds through deposits has been that the financiers borrow funds on their terms, conditions and convenience and at their doorstep, without creating any charge on their assets.

If the Banks are the veins of body economics of a nation, deposits are its life-blood which runs through the veins to lend vitality to the economy of a country. In our country, with the development of banking and increase in bank offices, deposits of the banks have been increasing both in volume and forms on an increasing scale in conformity with the increased economic activities in the country.

The main object of the UCBs being the promotion of thrift among their members, their efforts are primarily directed towards tapping their savings. Generally, the major portion of the borrowed funds of the UCBs is derived in the form of deposits attracted by them from their members and the non-
members residing mainly in the areas of their operation.

**Types:** In the various types of deposits popularised by the UCBs are included (a) Current Deposit, (b) Savings Deposit, (c) Special Savings Deposit, (d) Fixed Deposit, (e) Recurring Deposit, (f) Call Deposit, (g) Thrift Deposit, (h) Compulsory Savings Deposit, (i) Members' Provident Fund, (j) Home Savings' Deposit, (k) Pigmy Deposits. The UCBs have made detailed Rules and Regulations for collection of these types of deposits. Though these rules vary slightly here and there, the underlying principles, yardsticks and objects remain the same; the salient features of which are explained in the pages that follow.

(a) **Current Deposits:** These are the deposits made by the customers of the UCBs in the current deposit accounts in which deposits and their withdrawals are permissible for as many times as desired by the customers. The current deposit accounts are further characterised by the following:

(i) A current account can be opened with a minimum of Rs. 100 by any one as may be allowed by the bank.

(ii) Interest is paid on daily balances. But the day on which balance goes below Rs. 100 or any other specified amount, no interest is allowed. In the event of average

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37. J-104.
balance going below Rs. 100; the Bank is entitled to recover from such accounts, a sum of Rs. 5 or any other specified amount per six months as an incidental charge.

(iii) These deposits bear no or nominal rates of interest ranging from 0.5 to 1.5 per cent. In case interest accrued is less than Rs. 3 or any specified amount per six months, the same is not permissible for payment.

(iv) All the payments to the credit of the account with the Bank should be accompanied with a paying-in-slip in which amount to be credited will be written by the depositor. Depositor should ensure that the official of the Bank has signed on the counter-foil of the slip in token of acknowledgement of the receipt of amount entered in the slip.

(v) Printed cheque of the Bank has to be used for withdrawal of money. Cheque written in any other way will not be entertained by the Bank. Also, the Bank has a right to refuse acceptance of cheques written for less than Rs. 5.

(vi) The depositors are given the pass books by the banks and only their officials concerned have to write amount or any other details in the pass book. However, the Banks hold no responsibility if this instruction is
violated in consequence of which damage or loss is caused. Ordinarily, the pass book must be sent once in a month to the Bank for posting the details of deposits and withdrawals. On receipt of the pass book so posted or on furnishing memo of account figure, the account holder should check the correctness of amounts entered and if any discrepancies are noticed, should at once inform the Manager of the Bank. If this is not done, it will tantamount to the account having been reconciled with the account holder and found correct; by the very act of having sent the Pass Book or the memo of figure of account.

(vii) Cheques of amounts drawn in excess of deposits in the account are not acceptable to the banks unless prior arrangements of overdrafts are made with the banks.

(b) **Savings Deposit**: The object of the savings bank account is to encourage depositors to save small sums now and then. They are intended neither to replace the current deposit nor of short-term deposit accounts. Any person approved by the Bank may open a savings bank account by paying an initial deposit of Rs. 5 and, upon agreeing to comply with the rules and the regulations concerning Savings Bank Accounts. A person intending to open a Savings Bank Account must call at the Bank, and sign an application
for opening such an account, and declare therein that he/she has agreed to accept rules for the conduct of Savings Bank Accounts. In special cases, accounts may be opened through post.

The account holder has to undertake to maintain Rs. 5 as minimum balance in the account. If an account, at any time falls below the minimum limit of Rs. 5, the account holder has to pay a charge of Re. 1 every half year, or part thereof as incidental charges, so long as the balance remains under Rs. 5. All deposits by local constituents should be accompanied by the paying-in-slip. In any one calendar month, the total amount deposited in a Savings Bank Account should not exceed the maximum amount specified by the Bank unless previous permission is obtained from the Bank. The maximum amount on which the interest is given in a Savings Bank Account is also being specified. Order and crossed cheques in the names of the parties other than the defaulter are ordinarily now accepted by the bank for deposit.

A depositor can withdraw money from his account by forms of withdrawal or by cheques where allowed by the bank to the extent of 150 withdrawals per year. He cannot withdraw a smaller sum than rupee one or any sum which is not a multiple of rupee one, unless, it be to close his account.

When a Depositor wishes to withdraw his money by forms of withdrawal he must present his pass book personally or by duly authorised agent at the Bank with an order for withdrawal signed by himself and showing the amount which he
wishes to withdraw. If he be unable to write, he must attend personally and affix his mark or seal to the order, to be attested by the signature of an approved witness.

The accounts in which cheque books are issued will only be drawn upon by means of cheques. Such accounts shall not be drawn upon by means of withdrawal forms, except in the case of accounts in which the facility of withdrawal by cheques is cancelled.

The Savings Deposit Accounts cannot be overdrawn. Withdrawals whether in person or by cheques can only be permitted against balance, and in no case against cheques(funds) in course of realisation.

The Savings Deposits will bear interest at rates higher than those are allowed on current deposits on minimum monthly balances between the close of 6th day and the end of the each calendar month. Interest will be credited in the months of June and December calculated upto May and November. No interest will be allowed on any account, which is opened and closed within six months or the accrued interest is less than Re. 0-50 (paise fifty) only per half year.

A pass book is being supplied, showing the depositor's account, his name, occupation or profession, and address. The pass book has to be presented with every deposit and request for withdrawals.

A specific amount of incidental charge is being collected
if account is closed within six months from the date of opening. 38

(c) Special Savings Deposits: The Rajkot Nagrik Sahakari Bank Ltd., Rajkot has provided the facility of accepting this type of deposits from its members and non-members. Their characteristics 39 are stated below:

(i) Any one by depositing Rs. 10 may open his account, but the same person will not be able to open more than one account on his own name.

(ii) Those desirous of opening account will have to apply to the Managing Director, on the specified Application Form, giving all the details sought thereunder, along with specimen signature.

(iii) Interest will be accrued at the rate of 5 per cent, the same being calculated on the minimum monthly balance between the close of 6th day and the end of each calendar month. Interest will be calculated upto 30th November and 31st May every year and will be credited to the account if it is accrued to Re. 0.50 or more.

(iv) Each account-holder will be given a pass book in which

his account number and address will be recorded and which will be required to be produced at the time of depositing amounts in the account. In the pass book, the amounts deposited or withdrawn will be posted. No one else but the Bank official should write anything in this pass book.

(v) The depositors will be permitted to withdraw from their accounts, only once a month either a sum of Rs. 1000 or one-fourth of total amount at their credit in the beginning of the month, whichever is lesser. The Bank reserves the right to refuse requisition for withdrawal of an amount in excess of the limit prescribed above. In the event of permission having been granted to withdraw money more than once in a month, in such cases at the instance of each withdrawal in excess of one; Re. 0.50 will be debited to the account.

(vi) Where an account is required to be closed, interest will be credited to the account, calculating the same upto the close of the previous calendar month, on production of the pass book. If more than Rs. 3000/- are at credit at the time of closing the account, the depositor will be required to advise the Bank in writing keeping a clear margin of one month; but if the bank has advanced a loan to such an individual or if that person has stood a surety of similar nature,
it will be within discretion of the Bank whether to pay the amount or not. If the account is closed within one year, an amount of Rupee one will be charged on account of Pass-Book.

(d) **Fixed Deposits**: These are deposits by the customers for a specified period of time, bearing attractive rates of interest. Larger the amounts of fixed deposits and longer the period of maturity, the higher are the rates of interest subject to the maximum limit prescribed by the RBI. The following are the features of such deposits as incorporated in the Rules pertaining to "Fixed Deposits" laid down by the Kajoor Sahakari Bank Ltd., Ahmedabad:

(i) A minimum of Rs. 500 and over will be issued as Fixed Deposit and receipt thereof will be issued.

(ii) Interest on a fixed deposit of one year and over will be paid at the interval of every six months or as desired by the depositor on production of the F.D.R.

(iii) Ordinarily, the interest will cease to accrue on expiry of the term period.

(iv) The money against the F.D.R. cannot be withdrawn in piecemeal or by cheque or draft.

(v) The depositor will be required to present the F.D.R. to the Bank, duly signed by the authorised person on

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40. J-105.
a ten paise revenue stamp for withdrawing cash against F.D.R..

(vi) F.D.R. cannot be sold by an endorsement duly signed. In the absence of any special instructions, the money due against the F.D.R. will be paid to the client on completion of term-period or thereafter on presentation of the F.D.R. duly signed.

(vii) In the event of a client needing money against F.D.R., prior to the term period, the principal amount of the deposit without interest will be repaid to him on a requisition in writing.

(viii) In the event of a depositor needing money against the F.D.R., an overdraft within the limit of 75 per cent of the principal with the sanction of the President will be given on receipt in this regard of a request in writing; the interest chargeable on the sanctioned amount being 1 per cent more than the same specified on the F.D.R..

(ix) On the F.D.R., the date of maturity is being recorded so that the depositor can either get the F.D.R. encashed or issue instructions for extending the period of the same. In this regard, no separate notice to the depositor will be issued to communicate expiry of the term period.
(e) Recurring Fixed Deposit: Recurring deposit means the amount for which the account is opened and is required to be deposited every month. The account can be opened with Rs. 5 or in multiples of Rs. 5. The total amount repayable will not exceed the maximum amount specified by the bank. Recurring deposit account -- single or joint -- can be opened by (i) any adult (ii) a guardian on behalf of a minor, or (iii) joint account by any adults. These deposits are to be made in monthly equal instalments. The number of monthly instalments may be 36 or 60 or any number of months as may be specified by the Bank. Each monthly instalment will be of Rs. 5 or an exact multiple of Rs. 5. Cheques on other Banks are not accepted in payment of instalment. The instalment for any calendar month must be paid on or before the last working day of the month. If it is not so paid interest will be charged at the specified rate of interest for the amount of the instalment of the deposit per month. A fraction of a month will be treated as full month for the purpose of calculating such interest. The total interest so chargeable will be debited to the account and recovered from the total amount payable. In the usual course, when all the instalments stipulated by the depositor are paid, the accumulated amount are repayable, together with accrued interest, 30 days after the last instalment has become payable and has been paid. A pass book is being supplied to the depositor. No instalment can be paid into and no repayment can be made from
an account without the production of the pass book. If the pass book is spoiled, multilated, or lost, a charge of Re. 1 will be made for a fresh pass book.

The depositors are allowed to get a loan of the amount not exceeding 80 per cent of the amount of the instalments already paid on the security of the recurring deposits, on usual terms and conditions of the loan of the Bank. The recurring deposits are not transferable.  

(f) Compulsory Thrift Deposit: These are the deposits to be made by the members of the UCBs monthly, quarterly, half-yearly or annually either in equal instalments or in lump-sum for a definite period of time. The following are the additional details of this type of deposits as are found from the Rules framed by the Bhavnagar Vibhagiya Nagrik Sahakari Bank Ltd., Bhavnagar:

(i) Every member borrower of the bank will have to join this scheme; however, it will be optional for members who are not borrowers.

(ii) The standard for remittance of monthly instalments for the present will be as under:

(a) Borrowers from Re. 1 to Rs. 1000 - Rs. 2 per month
(b) Borrowers from Rs. 1001 to Rs. 2000 - Rs. 3 per month
(c) Borrowers from Rs. 2001 to Rs. 3000 - Rs. 5 per month
(d) Borrowers of more than Rs. 3000 - Rs. 10 per month

42. J-103.
Any member will be permitted to deposit bigger amounts than those prescribed above and will also be permitted to remit consolidated amount at a time for one month, six months or a period convenient to him.

(iii) On such deposits, until further orders, interest will be paid at 5 per cent, calculated from 1st July to 30th June, the interest where accrued to less than Re. 0.25 will not be paid.

(iv) Every member will be required to pay the instalment before last date of the month.

(v) A pass book will be issued to each depositor, which will be required to be produced in the bank at the time of remittance of the instalment. In this pass book, remittances and withdrawals will be recorded. None else but the official of the Bank should write anything in the pass book.

(vi) Money so deposited will not be returnable upto the period of five years; and thereafter, the same will be repaid subject to the extant rules of the Board in respect of its repayment; but for the usage as under there will not be any objection of time limit.

(a) To purchase more share of the bank on depositor's own name.

(b) In case the member is not a borrower; but on his
own option has joined the scheme and demands his savings to be repayed.

(c) To remit insurance premium of own life policy if the policy is assigned in favour of the Bank.

(d) In case of sickness of depositor or his family members if the Board of Directors are so convinced.

(vii) Withdrawal of money will be permitted on the form prescribed by the Bank.

(viii) The Executive Committee may permit a member to close his account as per extant Rules of the Bank.

(ix) Till such time, the borrower-member's own or Suretyship responsibility exists, the account will not be permitted to be closed.

(g) Members Provident Fund: The Halol Urban Cooperative Bank Ltd., Halol has put into operation this type of scheme for collection of deposits from its members. The object of this fund is to get accumulated deposits from the members over a period of time and to make them available to the member, or to his heirs, or persons assigned by him in case of depositor's death on the expiry of specified period. Other features of the scheme are as under:

(i) Any member can open one or more accounts in his own

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name or may open accounts on the names of two or more members and money can be repaid to any one or more of them or to the surviving member. To get the Provident Fund Deposit Account opened, application is to be made on the prescribed form, containing such details as (a) monthly amount to be paid by the member, (b) time limit (term period) for joining the Scheme, (c) applicant's full name and address, (d) full name and address of the assignee, (e) affirmation of having read and understood the rules with acceptance of the same.

(ii) Provident Fund Account can be opened for a term of 10, 15 or 20 years as desired by the members. If account is opened for 10 or 15 years, on completion of such specified period, period can be extended within the time limit of 20 years with sanction by the Board of Directors.

(iii) Each member has to pay every month an amount not lesser than one rupee and not more than ten rupees before the 15th of the same month. In case of default, he is required to pay penalty. In the event of any depositor keeping overdue of his monthly remittances consecutively for six months, his account will be closed by giving him one week's notice and the principal amount as remitted by the depositor together with interest
accruing at the rate of Savings Account will be paid to the depositor after deducting from the same the Bank's dues, if any, at the specified period.

(iv) As may be resolved by the General Body Meeting; neither lesser than 4 per cent nor more than 8 per cent interest will be accrued on the amounts as on credit against an account on the 5th and maintained accordingly up to the end of the month, to be credited in the account once in a year on 30th June every year.

(v) The Bank will remit on 30th June every year, or thereafter at the earliest but latest by 30th September the same year, an amount not exceeding 7½ per cent of the net profit, but such contribution to each member of Provident Fund Scheme, will not exceed 3/16th part (i.e. not more than nineteen paise per rupee of interest earned); and such amount will also be credited in the Member's account. Even if such contribution is given later than 30th June, it will still be reckoned as given from 30th June.

(vi) The amount of Provident Fund Collection will be separately invested, as deposit in Guilt-edged Security, or in the Gujarat State Cooperative Bank, or in District Central Cooperative Bank or in the National Savings Certificates as are not maturing after a period of more than 12 years. (As the bank has to pay interest
to the members on such accounts as defined under rule (iv) above, the right of taking interest on amounts thus deposited will vest with the Bank.)

(vii) If any losses or depreciations arise out of sale of investments as above, all the members will have to defray the same, proportionate to their amounts of credits in their accounts.

(viii) In keeping with the Rules and interest as may be decided by the Board of Directors, in cases of sickness or for any other genuine important cases, the member will be given advances against the amounts at credits against their accounts. But the limit of such advances will not be more than 50 per cent of the amount at the credit of the member against his account.

(ix) On this Provident Fund amount, the priority right and charge will be vested with the bank, that is, the amount will be paid to the depositor after deducting from the same, the dues, if any, of the Bank.

(h) **Home Savings Deposit:** The Jamnagar Nagrik Sahakari Bank Ltd., Jamnagar has been implementing the scheme of Home Savings Deposit bearing the following characteristics:

(i) Any person can get the account opened with a minimum of rupee one only and on all working days he is

44. J-106.
required to deposit the said amount daily.

(ii) In the event of a demand from the depositor for remittance of such amount, any responsible official of the bank will personally collect the deposit from the depositor's residence or site of business by issuing a receipt immediately on the spot.

(iii) On such deposits, the bank will pay 4 per cent interest per year. Interest will be counted from the first date of the following month for the amount standing on credit at the end of the previous month; and the interest so accruing on 31st December and on 30th June will be credited to the account. But the same will be paid only if the interest is exceeding Re. 0.50.

(iv) The depositor can discontinue his account any time and withdraw the balance at his credit.

(i) **Call Deposit:** This type of deposit more or less connotes the same and similar significance as of other fixed deposits, except for the absence of a specified term of period for maturity. In this scheme, the advantage to the depositor is the facility to procure his money, in the instance of any unforeseen eventually or need, by giving a specified 3 to 7 days (in keeping with the term) notice to the Bank. Interest at higher rates is offered under this scheme by the banks, than is done under Savings Deposit accounts. Some banks declare higher rates of interest for
larger amounts of such call deposits.

(j) **Pigmy Saving Deposit**: The Junagadh Commercial Cooperative Bank Ltd., Junagadh, ran this scheme under which any person could get an account opened by remitting Rs. 5 only. The bank used to give a small cash box to every depositor for collecting in it his daily savings. The depositor did not require to attend the bank for depositing his savings. A responsible official of the bank had to visit the depositor's residence to collect the savings on a specified day in the last week of each month and used to take away the amount after issuing the receipt on the spot and then getting the amount credited in the depositor's account.

(k) **Cash Certificates**: Computed in terms of interest compounded as prevalent and specified under the terms of fixed deposits schemes, this is yet another form of attracting deposits, wherein, deposits are obtained at a relatively calculated lesser denomination; as against, say, a sum of Rs. 10 or Rs. 100 and repaid at the expiry of the specified term-period of such cash certificates at Rs. 10, Rs. 100 and the like.

**Composition**: Within the background of factual figures, analytical derivations of the structural trends of deposits of the UCBs prevalent districtwise in Gujarat State as on June

30, 1973 are presented (Vide: Table 5.14) in the paragraphs that follow:

(i) (a) Except for the dist.s of Jamnagar and Kutch, the major mobilisation of deposits was through the source and type of 'fixed deposits' in all the remaining dist.s of Gujarat.

(b) The performance of various dist.s regarding the fixed deposits secured out of total deposits of all types during the year 1973, was the highest in the Panch Mahals (66.9 per cent) followed by Mehsana dist. (63.7 per cent), Bhavnagar 63.3 per cent, Bharuch 62.8 per cent, and Kheda (60.2 per cent); the figure in the remaining dist.s ranged between 59.4 per cent and 7.1 per cent.

(c) Expressing the trends of progress of 'fixed deposit collection' districtwise, Ahmedabad City topped the list with Rs. 1182 lakhs, followed by Kheda dist. with Rs. 530 lakhs, the Panch Mahals with Rs. 416 lakhs, Vadodara with Rs. 353 lakhs, Surat with Rs. 305 lakhs, Rajkot with Rs. 250 lakhs, Mehsana with Rs. 244 lakhs, Valsad with Rs. 176 lakhs, Bharuch with Rs. 145 lakhs and Junagadh with Rs. 101 lakhs; the amount in the remaining dist.s ranged between Rs. 78.00 lakhs and Rs. 1 lakh.

(ii) Likewise in the percentage of collection through savings
Table 5.14 (in lakhs of Rs.)

<table>
<thead>
<tr>
<th>District</th>
<th>No. of banks</th>
<th>Amount as on 30-6-73 (in lakhs of Rs.)</th>
<th>Savings</th>
<th>Fixed</th>
<th>Call</th>
<th>Current</th>
<th>Others</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Ah'd City</td>
<td>32</td>
<td>268</td>
<td>1182</td>
<td>265</td>
<td>459</td>
<td>17</td>
<td>2191</td>
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<tr>
<td>Ah'd (Rural)</td>
<td>5</td>
<td>14</td>
<td>35</td>
<td>2</td>
<td>11</td>
<td>1</td>
<td>63</td>
<td></td>
</tr>
<tr>
<td>Amreli</td>
<td>6</td>
<td>15</td>
<td>42</td>
<td>11</td>
<td>5</td>
<td>1</td>
<td>74</td>
<td></td>
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<tr>
<td>Banaskantha</td>
<td>6</td>
<td>12</td>
<td>20</td>
<td>-</td>
<td>7</td>
<td>2</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Bharuch</td>
<td>6</td>
<td>70</td>
<td>145</td>
<td>-</td>
<td>10</td>
<td>6</td>
<td>231</td>
<td></td>
</tr>
<tr>
<td>Bhavnagar</td>
<td>7</td>
<td>31</td>
<td>76</td>
<td>3</td>
<td>5</td>
<td>5</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Dangs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Gandhinagar</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Jamnagar</td>
<td>2</td>
<td>7</td>
<td>16</td>
<td>3</td>
<td>22</td>
<td>-</td>
<td>48</td>
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</tr>
<tr>
<td>Junagadh</td>
<td>8</td>
<td>29</td>
<td>101</td>
<td>22</td>
<td>37</td>
<td>-</td>
<td>189</td>
<td></td>
</tr>
<tr>
<td>Kheda</td>
<td>32</td>
<td>254</td>
<td>530</td>
<td>32</td>
<td>53</td>
<td>12</td>
<td>881</td>
<td></td>
</tr>
<tr>
<td>Kutch</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>11</td>
<td>-</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Mehsana</td>
<td>16</td>
<td>78</td>
<td>244</td>
<td>7</td>
<td>31</td>
<td>23</td>
<td>383</td>
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</tr>
<tr>
<td>Panch Mahals</td>
<td>15</td>
<td>140</td>
<td>416</td>
<td>1</td>
<td>29</td>
<td>36</td>
<td>622</td>
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</tr>
<tr>
<td>Rajkot</td>
<td>6</td>
<td>173</td>
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<td>13</td>
<td>53</td>
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<td>490</td>
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</tr>
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<td>78</td>
<td>20</td>
<td>6</td>
<td>2</td>
<td>133</td>
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</tr>
<tr>
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<td>228</td>
<td>305</td>
<td>4</td>
<td>127</td>
<td>1</td>
<td>665</td>
<td></td>
</tr>
<tr>
<td>Surendernagar</td>
<td>2</td>
<td>9</td>
<td>18</td>
<td>2</td>
<td>13</td>
<td>2</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Vadodara</td>
<td>19</td>
<td>170</td>
<td>353</td>
<td>-</td>
<td>24</td>
<td>47</td>
<td>594</td>
<td></td>
</tr>
<tr>
<td>Valsad</td>
<td>4</td>
<td>101</td>
<td>76</td>
<td>-</td>
<td>24</td>
<td>1</td>
<td>302</td>
<td></td>
</tr>
</tbody>
</table>

deposits, Rajkot led all the dist.s with 35.3 per cent followed by Surat with 34.3 per cent, Valsad with 33.4 per cent, Bharuch with 30.3 per cent and Banaskantha with 29.5 per cent; the remaining dist.s in Savings Deposits, ranged between 28.8 per cent and 12.2 per cent.

(iii) In terms of the percentage of current deposits as to the total deposits collected, Kutch dist. topped the list with 78.6 per cent followed by Jamnagar with 45.9 per cent, Surendranagar with 29.6 per cent, Gandhinagar with 25.0 per cent, Ahmedabad City with 20.9 per cent, Junagadh with 19.6 per cent, Surat with 19.1 per cent, Ahmedabad (Rural) with 17.5 per cent, each 17.0 per cent by Banaskantha and Rajkot dist., with 10.8 per cent; the percentage in the remaining dist.s ranged between 8.1 per cent and 4.1 per cent.

(iv) In amounts collected through call deposits equated on a percentage with total collections by all types of deposits, Sabarkantha topped the list with 15.0 per cent followed by Amreli (14.9 per cent), Ahmedabad City (12.1 per cent), Junagadh (11.7 per cent) and Jamnagar (6.3 per cent).

Banaskantha, Bharuch, Gandhinagar, Kutch, Vadodara and Valsad, however, did not collect any amount during the year through call deposits. In the remaining dist.s
the collection of call deposits ranged between 4.5 per cent and 0.1 per cent.

(v) In amounts collected through other types of deposits on a percentage basis as against over-all total collections, Vadodara dist. topped the list with 7.9 per cent followed by Mehsana (6.0 per cent), the Panch Mahals (5.8 per cent), Banaskantha (4.8 per cent), Surendranagar (4.5 per cent) and Bhavnagar (4.2 per cent). Gandhinagar, Jamnagar, Junagadh and Kutch had no deposit collections under this type. The collections in the remaining dist.s ranged between 2.6 per cent and 0.1 per cent.

(vi) In terms of total deposit collections through all types of deposits, Ahmedabad City topped the list with Rs. 2191 lakhs, followed by Kheda (Rs. 881 lakhs), Surat (Rs. 665 lakhs), the Panch Mahals (Rs. 622 lakhs), Vadodara (Rs. 594 lakhs), Rajkot (Rs. 490 lakhs), Mehsana (Rs. 383 lakhs), Valsad (Rs. 302 lakhs), Bharuch (Rs. 231 lakhs), Junagadh (Rs. 189 lakhs), Sabarkantha (Rs. 133 lakhs) and Bhavnagar (Rs. 120 lakhs); the amounts in other dist.s ranged between Rs. 74 lakhs and Rs. 4 lakhs.

(vii) Summarising the role of invidual dist. in mobilising the total deposits through various forms of deposits, the following picture emerges:
(a) In Ahmedabad City, out of total deposit collections Rs. 2191 lakhs by 32 banks, 54.0 per cent were raised through fixed deposits, 20.9 per cent through current deposits, 12.2 per cent through savings deposits, 12.1 per cent through call deposits and a trifling percentage of 0.8 per cent through the other types of deposits.

(b) Ahmedabad (Rural) dist. through 5 banks had a total collection of Rs. 63 lakhs of which 55.5 per cent was covered by fixed deposits, 22.2 per cent by savings deposits, 17.5 per cent by current deposits, 3.2 per cent by call deposits and 1.6 per cent by other types of deposits.

(c) Amreli dist., through 6 banks collected the total amount of Rs. 74 lakhs of which 56.8 per cent was covered by fixed deposits, 20.3 per cent by savings deposits, 14.9 per cent by call deposits, 6.7 per cent by current deposits and 1.3 per cent by other types of deposits.

(d) Banaskantha dist., through 6 banks, collected the total amount of Rs. 41 lakhs of which 48.7 per cent was covered by fixed deposits, 29.5 per cent by savings deposits, 17.0 per cent by current deposits, and 4.8 per cent by other types of deposits.
(e) Bharuch dist., through 6 banks, collected the total amount of Rs. 23.2 lakhs of which 62.8 per cent was covered by fixed deposits, 30.3 per cent by savings deposits, 4.3 per cent by current deposits and 2.6 per cent by other types of deposits.

(f) Seven banks of Bhavnagar dist. collected the total amount of Rs. 120 lakhs of deposits of which 63.3 per cent were covered by fixed deposits, 25.8 per cent by savings deposits, 4.2 per cent each were covered by current and other types of deposits and 2.5 per cent by call deposits.

(g) One bank in Gandhinagar dist. collected the total amount of Rs. 4 lakhs of which 50.0 per cent were covered by fixed deposits, and 25.0 per cent each by savings and current deposits.

(h) Jamnagar dist. through 2 banks collected the total amount of Rs. 48 lakhs of which 45.8 per cent, 33.3 per cent, 16.4 per cent and 6.3 per cent were collected in the forms of current deposits, fixed deposits, savings deposits and call deposits respectively.

(i) Junagadh dist. through 8 banks gathered the total deposits of Rs. 189 lakhs of which 53.4 per cent were covered by fixed deposit, 19.6 per cent by current deposit, 15.3 per cent by savings deposits and 11.7
per cent by call deposits.

(j) 32 banks of Kheda dist. collected the total amount of Rs. 881 lakhs of which 60.2 per cent, 28.8 per cent, 6.0 per cent, 3.6 per cent and 1.4 per cent were covered by fixed deposits, savings deposits, current deposits, call deposits and other types of deposits respectively.

(k) Kutch dist. through one bank amassed the total amount of Rs. 14 lakhs of which 78.6 per cent were covered by current deposits, Rs. 2 lakhs or 14.3 per cent by savings deposits and Rs. one lakh or 7.1 per cent by fixed deposits only.

(l) Mehsana dist. through 16 banks could mobilise the deposits of Rs. 383 lakhs of which 63.7 per cent were collected in the form of fixed deposits, 20.4 per cent were savings deposits, 8.1 per cent were current deposits; 6.0 per cent were other types of deposits and only 1.8 per cent were by call deposits.

(m) 15 UCBs of the Panch Mahals dist. gained the total amount of Rs. 622 lakhs of which 66.9 per cent were fixed deposits, 22.5 per cent were savings deposits, 5.8 per cent were other types of deposits, 4.7 per cent were current deposits and only 0.1 per cent were in the form of call deposits.
(n) Rajkot dist. through 6 banks accumulated the total amount of Rs. 4.90 lakhs of which 51.0 per cent were covered by fixed deposits, 35.3 per cent by savings deposits, 10.8 per cent by current deposits, 2.7 per cent by call deposits and 0.2 per cent by other types of deposits.

(o) The eight banks of Sabarkantha dist. collected the total amount of Rs. 133 lakhs of which 58.7 per cent were covered by fixed deposits, 20.3 per cent by savings deposits, 15.0 per cent by call deposits, 4.5 per cent by current deposits and 1.5 per cent by other types of deposits.

(p) Surat dist. through 7 banks obtained the total deposits of Rs. 665 lakhs out of which 45.9 per cent were covered by fixed deposits, 34.3 per cent by savings deposits, 19.1 per cent by current deposits, 0.6 per cent by call deposits and 0.1 per cent by other types of deposits.

(q) While Surendranagar dist. through 2 banks collected total deposits of Rs. 44 lakhs of which 40.9 per cent were covered by fixed deposits, 29.6 per cent by current deposits, 20.5 per cent by savings deposits and 4.5 per cent each by call and other types of deposits; 19 UCBs of Vadodara dist. collected the total amount of Rs. 594 lakhs of which 59.4 per cent,
28.6 per cent, 7.9 per cent, and 4.1 per cent were in the forms of fixed deposits, savings deposits, other types of deposits and current deposits respectively.

(r) The four banks of Valsad dist. mobilised the total amount of Rs. 302 lakhs, of which 58.3 per cent were covered by fixed deposits, 33.4 per cent by savings deposits, 8.0 per cent by current deposits and 0.3 per cent by other types of deposits.

Excepting, Banaskantha, Jamnagar, Kutch, and Surendranagar dist.s, the bulk of the total deposits collected by the UCBs covered by fixed deposits, ranging from 50.0 per cent (in Gandhinagar dist.) to 66.9 per cent (in the Panch Mahals dist.). In Kutch and Jamnagar dist.s, current deposits were in the forefronts being 78.6 per cent and 45.8 per cent of their total deposits respectively. Again, out of the total deposits of Rs. 7166 lakhs of all the UCBs as on June 30, 1973, 55.5 per cent deposits were in the form of fixed deposits. Thus, of all the types of deposits, fixed deposit was found the most popular and widely used one.

Growth trends:
State level: Based on total deposit collections, year by year, an attempt is now made to present (Vide: Table 5.15 and Diagram 5.A) a global analysis of the deposit growth trends of the UCBs in Gujarat from 1959-60 to 1972-73, which
establishes as under:

(i) During 1959-60 to 1972-73, there was progressive rise in the amounts of deposits collected. Taking 1959-60 as the base year, the deposits witnessed a rise of 1159.4 per cent in 1972-73.

(ii) The annual percentage rise was distributed unevenly within the range of 13.1 per cent in 1966-67 to 35.7 per cent in 1972-73.

(iii) The rise and the fall in the percentage of deposit collections are phased as below in different periods, considering previous year as the base year.

(a) From 1960-61 commencing with rise of 29.5 per cent it started falling to 22.3 per cent in 1961-62, 15.6 per cent in 1962-63, and 14.3 per cent in year 1963-64.

(b) There was a rise elevating the figure to 18.8 per cent in year 1964-65.

(c) Again, this was followed by a fall to 15.8 per cent in 1965-66 and to 13.1 per cent in 1966-67.

(d) In the year 1967-68, there was a rise of 21.1 per cent and a fall of 17.3 per cent in the next year.

(e) The year 1969-70 brought again a rise to 21.9 per cent with a successive rise to 32.1 per cent

(f) The year 1971-72 was faced with a fall in deposit collection bringing the figure of 24.5 per cent.

(g) Again, the usual positive momentum gained ground and the figure of rise in 1972-73 swelled to 35.7 per cent.

(iv) A probe into the facets of the average deposit collections per bank reveals that between 1965-66 to 1972-73, (a) there were frequent ups and downs in the average amount of deposit per bank; (b) as against an average deposit of Rs. 13.5 lakhs per bank in 1959-60, the figure rose to Rs. 36.4 lakhs per bank in 1972-73; and (c) the period between 1964-65 and 1972-73, witnessed a progressive rise, while during 1960-61 to 1965-66 the amount of average deposit per bank was less than that of the year of 1959-60.

(v) The total amount of deposits as percentage of total capital was found to be lying within the range of 76.2 per cent (in 1965-66) to 81.6 per cent (in year 1972-73) during 1959-60 to 1972-73, thus playing a major role in mobilisation of capital and constituted, in effect, the major portion of the borrowed capital.

(vi) The total deposits as percentage of total working capital was the highest i.e. 81.6 per cent in 1972-73,
<table>
<thead>
<tr>
<th>Year ending June 30.</th>
<th>No. of banks</th>
<th>Total deposits outstanding (Rs.)</th>
<th>Average per bank (Rs.)</th>
<th>Annual % age rise</th>
<th>Deposits as % age of total capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>42</td>
<td>569</td>
<td>13.5</td>
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<td>78.0</td>
</tr>
<tr>
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<td>29.5</td>
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<td>76</td>
<td>901</td>
<td>11.9</td>
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<td>88</td>
<td>1042</td>
<td>11.8</td>
<td>15.6</td>
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<td>12.9</td>
<td>14.3</td>
<td>78.0</td>
</tr>
<tr>
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<td>111</td>
<td>1415</td>
<td>12.7</td>
<td>18.8</td>
<td>78.9</td>
</tr>
<tr>
<td>1966</td>
<td>124</td>
<td>1638</td>
<td>13.2</td>
<td>15.8</td>
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<td>2244</td>
<td>18.4</td>
<td>21.1</td>
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<td>2633</td>
<td>20.4</td>
<td>17.3</td>
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<td>5280</td>
<td>28.1</td>
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<tr>
<td>1973</td>
<td>197</td>
<td>7166</td>
<td>36.4</td>
<td>35.7</td>
<td>81.6</td>
</tr>
</tbody>
</table>

followed by 80.4 per cent in 1970-71, 79.9 per cent in 1971-72, 78.9 per cent each in years 1964-65, 1967-68 and 1968-69; 78.8 per cent in 1960-61, 78.6 per cent in 1969-70; 78.0 per cent each in years 1959-60 and 1963-64, 77.6 per cent in year 1962-63; 76.8 per cent in 1966-67, 76.6 per cent in 1961-62 and 76.2 per cent in the year 1965-66.

In Table 5.16 are presented the data regarding the slabs of deposits of 183 UCBs of Gujarat as on June 30, 1973, whose analysis would show the following deductions:

(i) 32.8 per cent banks fell into the slab of deposit collection of Rs. 1.00 lakh to 10.00 lakhs, 33.9 per cent banks were in the slab of Rs. 10.01 lakhs to 30.00 lakhs, 20.2 per cent banks came in the slab of Rs. 30.01 lakhs to 60.00 lakhs, 5.5 per cent banks fell in the slab of Rs. 60.01 lakhs to 100.00 lakhs, 4.4 per cent banks came in the slab of Rs. 100.01 lakhs to Rs. 200.00 lakhs, 1.1 per cent banks each fell in the slab of Rs. 200.01 lakhs to 300.00 lakhs and Rs. 400.01 lakhs to 500.00 lakhs, 0.5 per cent bank each graded in the slab of Rs. 500.01 lakhs to 400.00 lakhs and Rs. 500.01 lakhs to 600.00 lakhs.

(ii) Two banks, viz., Ahmedabad Peoples' Cooperative Bank Ltd., Ahmedabad (Registered in 1932) with deposit of
Rs. 484.82 lakhs and Rajkot Nagrik Sahakari Bank Ltd., Rajkot (Registered in 1953) with deposits of Rs. 437.11 lakhs ranked in the slab of Rs. 400.01 lakhs to 500.00 lakhs.

(iii) The Cooperative Bank of Ahmedabad Ltd., Ahmedabad (Registered in 1968) had deposits of Rs. 338.64 lakhs in the slab of Rs. 300.01 lakhs to 400.00 lakhs.

(iv) Two Banks which fell in the slab of Rs. 200.01 lakhs to 300.00 lakhs were, Ahmedabad Mercantile Cooperative Bank Ltd., Ahmedabad (Registered in 1966) with deposit of Rs. 227.53 lakhs and Sardar Bhiladwala Pardi Peoples Cooperative Bank Ltd., Pardi (Registered in 1930) had deposits of Rs. 212.12 lakhs.

(v) The oldest UCB of Gujarat State, viz., "The Anyonya Sahakari Mandli Cooperative Bank Ltd., Baroda" (Registered in 1889) had comparatively smaller amount of deposits of Rs. 157.57 lakhs in the slab of Rs. 100.01 lakhs to 200.00 lakhs as compared with the amount of deposit collections of the above mentioned younger banks.

(vi) With the increase in the size of the slab, the average deposit per bank in each subsequent slab also progressively increased as, as against an average deposit of Rs. 4.85 lakhs per bank in the slab of
Table 5.16

<table>
<thead>
<tr>
<th>Amount of deposits (in lakhs of Rs.)</th>
<th>No. of banks</th>
<th>Amount of deposits (in lakhs of Rs.)</th>
<th>No. of banks</th>
</tr>
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<td>1 to 10.00</td>
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<td>200.01 to 300.00</td>
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<td>10.01 to 30.00</td>
<td>62</td>
<td>300.01 to 400.00</td>
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</tr>
<tr>
<td>30.01 to 60.00</td>
<td>37</td>
<td>400.01 to 500.00</td>
<td>2</td>
</tr>
<tr>
<td>60.01 to 100.00</td>
<td>10</td>
<td>500.01 to 600.00</td>
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</tr>
<tr>
<td>100.01 to 200.00</td>
<td>8</td>
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</tbody>
</table>

Rs.1 to 10 lakhs, the average deposits per bank rose to Rs. 18.26 lakhs in the slab of Rs. 10.01 lakh to 30.00 lakhs, Rs. 40.60 lakhs in the slab of Rs. 30.01 lakh to 60.00 lakhs, Rs. 80.60 lakhs in the slab of Rs. 60.01 lakhs to 100.00 lakhs, Rs. 136.04 lakhs in the slab of Rs. 100.01 lakhs to 200.00 lakhs, Rs. 219.83 lakhs in the slab of Rs. 200.01 lakhs to 300.00 lakhs, Rs. 338.64 lakhs in the slab of Rs. 300.01 lakh to 400.00 lakhs, Rs. 460.97 lakhs in the slab of Rs. 400.01 lakhs to 500.00 lakhs and Rs. 569.36 lakhs in the slab of Rs. 500.01 lakhs to 600.00 lakhs.

The UCBs obtained deposits from the different types of depositors which are mainly (a) coop. societies and (b) individual members and non-members. An attempt is made here (Vide: Table 5.17) to analyse the break-up of deposits.

---

obtained by the UCBs for the period from 1967-68 to 1972-73; from different types of depositors. The analysis of the data shows as follows:

(i) individual members of the UCBs played a significant role in contributing the major portion of the total deposits of UCBs. Their contribution ranged between 45.2 per cent (in 1968-69) and 62.2 per cent (in 1972-73). Except for the years 1968-69 and 1971-72, the deposits from the members showed a progressive rise in each year.

(ii) Though the source of non-members was an important one in mobilising the savings of the community, its contribution showed a declining trend during 1970-71

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits from</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount (in lakhs of Rs.)</td>
<td>Members %age share</td>
<td>Amount (in lakhs of Rs.)</td>
<td>Non-members %age share</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1968</td>
<td>28</td>
<td>1238</td>
<td>55.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1969</td>
<td>269</td>
<td>1189</td>
<td>45.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1970</td>
<td>50</td>
<td>1683</td>
<td>52.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1971</td>
<td>29</td>
<td>2507</td>
<td>59.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1972</td>
<td>35</td>
<td>3070</td>
<td>58.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1973</td>
<td>67</td>
<td>4456</td>
<td>62.2</td>
</tr>
</tbody>
</table>
(iii) The rate of coop. societies as depositors of their surplus funds with the UCBs was very insignificant ranging between 0.7 per cent and 1.6 per cent except 10.2 per cent in 1968-69.

Inter-state level: The analysis of the data regarding comparative inter-state mobilisation of deposits by the UCBs during 1967-68 to 1972-73 as presented in Table 5.18 shows the following results:

(a) (i) The average deposit per bank during 1967-68 to 1972-73 was the highest in all the years in Maharashtra, followed by Gujarat, All-India, Tamil Nadu and Karnataka.

(ii) In all the States, as also at All-India level, there was progressive rise in average deposit per bank in varying degrees; except for year 1971-72 when Maharashtra witnessed stagnation.

(iii) In Gujarat, the average deposit per bank in 1967-68, which was Rs. 18.4 lakhs, rose to Rs. 36.4 lakhs in 1972-73, indicated an increase of Rs. 18.00 lakhs or 97.8 per cent in the period of 5 years. In Maharashtra the same was Rs. 22.4 lakhs in 1967-68 and Rs. 43.6 lakhs in 1972-73; showed an increase of Rs. 21.2 lakhs or 94.6 per cent. While the figures for Karnataka of Rs. 4.7
lakhs in 1967-68 and Rs. 11.5 lakhs in 1972-73 indicated a rise of Rs. 6.9 lakhs or 146.8 per cent, the figures of Tamil Nadu, which were Rs. 8.1 lakhs in 1967-68 and Rs. 15.7 lakhs in 1972-73, worked out to a rise of Rs. 7.6 lakhs or 93.8 per cent. The All-India performance at Rs. 9.8 lakhs in 1967-68, rising to Rs. 22.4 lakhs in 1972-73 had an increase of Rs. 12.6 lakhs or 128.5 per cent.

(iv) In terms of absolute figures the amount of deposit in Gujarat was Rs. 2244 lakhs in 1967-68 and Rs. 7166 lakhs in 1972-73, which indicated a rise of Rs. 4922 lakhs or 219.3 per cent; the position in Maharashtra was reflected at Rs. 4915 lakhs in 1967-68 and Rs. 121.97 lakhs in 1972-73, equated to rise of Rs. 7282 lakhs or 148.2 per cent; the facts about Karnataka remained as Rs. 1008 lakhs in 1967-68 and Rs. 2126 lakhs in 1972-73, worked out to a net rise of Rs. 950 lakhs or 80.8 per cent; the position as at All-India level represented by figures of Rs. 11004 lakhs in 1967-68 rising to Rs. 27179 lakhs in 1972-73, afforded a net increase of Rs. 16185 lakhs or 147.1 per cent. Thus, Gujarat topped the list, followed by All-India, Maharashtra, Karnataka and Tamil Nadu in
terms of the rate of growth in deposit mobilisation during the period of 5 years.

(b) (i) Probing into the facts of the annual percentage rise of the deposits; Gujarat topped the list in the years 1969-70, 1971-72 and 1972-73. In 1968-69 Karnataka stood first, followed next by Gujarat. In 1970-71 Maharashtra topped the list followed by All-India and Gujarat.

(ii) While there were wide variations in the ups and downs in the annual rates of growth of deposits of the UCBs in all the States including All-India, there was steady and stable rise in Gujarat except for a fall in 1971-72; and yet, it is note-worthy to record that in year 1971-72, Gujarat topped the list with a rise of 24.5 per cent followed by Karnataka (15.5 per cent), All-India (13.8 per cent), Tamil Nadu (10.2 per cent) and Maharashtra (8.1 per cent).

(iii) The year 1971-72 had a marked fall in the annual rate of growth of deposits of the UCBs in all the States as well as at All-India level, except for Karnataka.

(iv) The annual percentage rise in Gujarat ranged from 17.3 per cent in 1968-69 to 35.7 per cent in 1972-73. The same in Maharashtra was 8.1 per cent
<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th>Average Deposit per Bank (in lakhs of Rs.)</th>
<th>Annual %age rise</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>18.4</td>
<td>22.4</td>
</tr>
<tr>
<td>1969</td>
<td>20.4</td>
<td>24.5</td>
</tr>
<tr>
<td>1970</td>
<td>23.3</td>
<td>25.2</td>
</tr>
<tr>
<td>1971</td>
<td>26.0</td>
<td>35.2</td>
</tr>
<tr>
<td>1972</td>
<td>28.1</td>
<td>35.2</td>
</tr>
<tr>
<td>1973</td>
<td>36.4</td>
<td>43.6</td>
</tr>
</tbody>
</table>

in 1971-72 and 46.3 per cent in 1970-71. As for Karnataka it ranged from 11.7 per cent in 1970-71 to 33.1 per cent in 1968-69. The performance in Tamil Nadu was 9.3 per cent each in 1968-69 and in 1969-70 and 23.6 per cent in year 1972-73. Viewing the figures of All-India, the same ranged between 11.7 per cent (in 1969-70) and 33.2 per cent (in the year 1970-71).

Intra-state level: In Table 5.19 are given the districtwise and the year-wise data regarding average deposit per bank of the UCs and annual percentage rise in Gujarat from 1967-68 to 1972-73, the study of which will lead us to the following major deductions:

(i) Surat dist. topped the list in respect of average deposit per bank, with Rs. 128.8 lakhs in 1970-71; followed by figures of Rs. 105.8 lakhs in 1969-70; Rs. 98.0 lakhs in 1968-69, Rs. 93.8 lakhs in 1967-68, Rs. 83.1 lakhs in 1972-73 and Rs. 82.6 lakhs in 1971-72. Next was the role of Valsad dist. with Rs. 79.3 lakhs in 1970-71, Rs. 75.7 lakhs in 1969-70, Rs. 75.5 lakhs in 1972-73 followed by Ahmedabad City with Rs. 72.0 lakhs in 1967-68, Rajkot with Rs. 71.6 lakhs in 1972-73, again Valsad with Rs. 71.0 lakhs in 1968-69, Ahmedabad City with Rs. 67.8 lakhs in 1972-73, Valsad with Rs. 65.5 lakhs in 1971-72 and Rs. 61.3 lakhs in 1967-68.
As for the remaining years in all the dist.s, the range of average deposits per bank swelled between Rs. 53.8 lakhs and Rs. 1.0 lakh.

(ii) The highest average deposits per bank were secured, in order of merit, by Surat, Valsad, Ahmedabad City and Rajkot dist.s.

(iii) In 1967-68, Surat dist. had the highest amount of average deposits per bank of Rs. 93.8 lakhs, followed by Ahmedabad City Rs. 72.00 lakhs, Valsad Rs. 61.3 lakhs, Rajkot Rs. 33.5 lakhs and Bharuch Rs. 27.8 lakhs.

(iv) In 1968-69, Surat dist. had Rs. 98.0 lakhs followed by Valsad Rs. 71.0 lakhs, Ahmedabad City Rs. 47.5 lakhs, Rajkot Rs. 36.8 lakhs, and Bharuch Rs. 31.0 lakhs.

(v) In 1969-70, Surat dist. had Rs. 105.8 lakhs, followed by Valsad Rs. 75.7 lakhs, Ahmedabad City Rs. 45.2 lakhs, Rajkot Rs. 42.7 lakhs and Bharuch Rs. 34.2 lakhs.

(vi) In 1970-71, Surat dist. had Rs. 128.8 lakhs, followed by Valsad Rs. 79.3 lakhs, Rajkot Rs. 53.8 lakhs, Ahmedabad City Rs. 42.00 lakhs, the Panch Mahals Rs. 31.1 lakhs and Bharuch Rs. 30.8 lakhs.

(vii) In 1971-72, Surat dist. had Rs. 82.6 lakhs, followed by Valsad Rs. 65.5 lakhs, Rajkot Rs. 52.4 lakhs, Ahmedabad City Rs. 46.5 lakhs, Bharuch Rs. 34.5 lakhs and the Panch Mahals Rs. 31.4 lakhs.
(viii) In 1972-73, Surat dist. had Rs. 83.1 lakhs, followed by Valsad Rs. 75.5 lakhs, Rajkot Rs. 71.6 lakhs, Ahmedabad City Rs. 67.8 lakhs, the Panch Mahals Rs. 43.6 lakhs and Bharuch Rs. 38.5 lakhs.

Thus, after Surat, Valsad, Ahmedabad City and Rajkot, the Panch Mahals and Bharuch were also developing their deposit mobilisation drives.

(ix) In terms of annual percentage rise in deposit mobilisation, Jamnagar dist. topped the list with 380 per cent in 1972-73, followed by Gandhinagar with 300 per cent in 1972-73, Kutch with 250 per cent in 1972-73, Ahmedabad (Rural) dist. with 115.4 per cent in 1970-71, Jamnagar with 100 per cent in 1970-71; Ahmedabad (Rural) dist. with 89.4 per cent in 1971-72, Ahmedabad City with 86 per cent in 1970-71, Junagadh with 85.3 per cent in 1972-73, Jamnagar with 66.7 per cent in 1971-72, Junagadh with 64.5 per cent in 1971-72, Surendranagar with 63.00 per cent in 1972-73, Ahmedabad(Rural) dist. with 62.5 per cent in 1969-70, Ahmedabad City with 60.2 per cent in 1972-73 and Ahmedabad(Rural) dist. with 60.00 per cent in year 1968-69.

(x) During the years, however, in all the dist.s, the annual percentage rise ranged between 58.3 per cent and 4.5 per cent; excepting only in Kutch dist. in year 1968-69 where there was a fall of 20 per cent.
(xi) There was neither rise nor fall in the annual percentage rise of deposits of the UGBs in the dist.s of Junagadh (in 1968-69), Jamnagar (in 1969-70) and Kutch (in 1969-70, 1970-71 and 1971-72).

(xii) As regards the score of annual percentage rise, the first five dist.s that secured the highest figures each year from 1967-68 to 1972-73 are stated below with supporting facts:

(a) In 1968-69, Ahmedabad (Rural) dist. with 60 per cent secured the highest position followed by Jamnagar (50 per cent), Ampeti (36 per cent), Ahmedabad City (31.9 per cent) and Bhavnagar (29.8 per cent).

(b) In 1969-70, Ahmedabad (Rural) dist. topped the list with 62.5 per cent followed by Junagadh (50 per cent), Ahmedabad City (42.6 per cent), Mehsana (29.7 per cent), and Sabarkantha dist. (28.6 per cent).

(c) In 1970-71, Ahmedabad (Rural) dist. led with 115.4 per cent followed by Jamnagar with 100 per cent, Ahmedabad City with 86 per cent, Surendranagar with 58.3 per cent and Mehsana with 51.9 per cent.

(d) In 1971-72 Ahmedabad (Rural) stood first with 89.4 per cent followed by Jamnagar (66.7 per cent),
Junagadh (64.5 per cent), Surendranagar (42.1 per cent) and Ahmedabad City (38.5 per cent).

(e) In 1972-73, Jamnagar stood first with 380 per cent followed by Gandhinagar with 300 per cent, Kutch with 250 per cent, Surendranagar with 63 per cent and Ahmedabad City with 60.2 per cent.

Thus, from out of 5 years, Ahmedabad(Rural) dist. topped the list during 4 years.

Hurdles: Deposits are the major sources of working capital to the UCBs. This is substantiated in the study as is reflected from the figures of UCBs having secured deposits ranging from 76.2 per cent in 1965-66 to 81.6 per cent in 1972-73 in relation to total capital. These figures expressed in another way, amounted to a ratio of 90.9 per cent in 1965-66 to 94.0 per cent in 1972-73 in relation to total borrowed funds. This evinces magnetic influence and bright image of local coop. leaders possessing confidence of the masses, so much so that the vast amounts were deposited even by the non-members. It is, however, dismaying to observe that some hurdles did exist which have been thwarting the fullfledged deposit collections to the extreme coveted capacities of the UCBs; resultant from certain rudimentary, outdated and reactionary misconceptions based on idle thinking inconsistent with the very ideal and principle of coop. activities by the people, with the resources of the people,
for the socio-economic independence of the people and through the people's coop. banks. These obstacles are discussed in paragraphs that follow:

(i) Absence of deposit insurance cover: All the commercial banks are covered by the Deposit Insurance Scheme. 52

Deposits play a significant role in the economic growth of a country. But, then the banks with which these deposits are deposited must be able to refund them on demand as per terms and conditions. Any failure on the part of the bank to do so may create a crisis of confidence amongst the small depositors. In order to safeguard the interest of the depositors, the "Deposit Insurance Corporation" was established.

An important landmark in the history of banking of this country was the establishment of the Deposit Insurance Corporation of India during the year 1962, on the lines of the Federal Deposit Insurance Corporation which was formed in the United States of America in the year 1933. The Corporation was to provide an insurance cover to the deposits of the banks. The UCBs are excluded from the purview of the Corporation as they are not directly controlled and supervised by the RBI.

All the commercial banks were initially covered by the Corporation and deposits to the extent of Rs. 1500 per depositor was granted an insurance cover. They were required to pay an annual premium at the rate of 5 paisa per Rs. 100 while the limit of cover was enhanced to Rs. 5000 on 1.1.68 and Rs. 10000 from 1.1.70 onwards, the rate was kept unaltered.

The fact that the deposits in the coop. banks were not covered by the Corporation, adversely affected their image in the public eyes. Therefore, an effective representation was made by the All-India State Cooperative Banks' Federation to the Central Govt. and the RBI. Consequently, the Deposit Insurance Corporation Act was amended on 27.12.1968. The amendment enabled

* L-8: p. 18. @ L-14: p. 22.
Maharashtra, Andhra Pradesh, Madhya Pradesh, Kerala, Daman, Goa were the only States which amended their cooperative acts suitable to give cover to their coop. banks under this scheme. The fact that the deposits in the UCBs in Gujarat State has not been covered by this scheme, adversely affected the image of UCBs in the eyes of the depositing public. The commercial banks mightier in wealth and in business intricacies and tactics are not unlikely to mislead the masses by whispering in their ears that the Govt. does not reckon the stability of the UCBs as secured and that is why the Govt. has not offered such a cover to UCBs. This

(continued from p. 420)

all the Cooperative Banks -- State, District and Primary -- having total funds of Rs. one lakh and more comprising of share capital and reserve fund, to come under the cover of the scheme. But this laid an obligation on the States to amend their Cooperative Acts. Cooperation was a subject of the State and the State Govt. or the Head of the State Coop. Deptt. were vested with the powers regarding registration, liquidation, administration, suspension of Managing Committee of the Cooperative societies. Under the required amendments the States were made either to surrender these powers to RBI or accept the recommendations of the RBI in regard to their implementations. Only then, the cooperative banks of such States were entitled to the insurance cover from the Corporation. Maharashtra, Andhra Pradesh, Madhya Pradesh and Goa-Div Daman were the only States (including Union Territories) which amended their Acts accordingly and secured for their coop. banks, cover from the Corporation with effect from 1-1-71.

With the extension of the Scheme to Kerala in April, 1975, there are now 578 registered insured banks -- 81 commercial banks and 497 coop. banks. Of the 497
amounts to subjecting tiny sized UCBs to run a race of an unfair competition with the gigantic commercial banks which may prove detrimental to the cause of deposit collections by the UCBs. The issue of covering the UCBs under the Scheme, by requisite modifications in the act by Gujarat Govt.; is often stressed by the RBI but the same, for the reasons unknown, are put to a deaf ear for long. The Gujarat Cooperative Banks Association, The Gujarat Urban Cooperative Banks Federation, and cooperative leaders of distinction, have a time and number resolved and urged for bringing the UCBs under the cover of Deposit Insurance Corporation of the RBI. No fruitful results have still come forward. Notwithstanding such a serious negative trend, there existed a proud record for the dedicated leadership in cooperation in Gujarat, that in terms of collective prosperity of urban banking sector, we stand second as a State—only next to Maharashtra -- but, virtually first with our

(continued from p. 421)

registered coop. banks, 67 are in Andhra Pradesh, 4 in Jammu and Kashmir, 57 in Madhya Pradesh, 305 in Maharashtra, 49 in Kerala, 9 in Delhi, 4 in Goa, Daman and Div and 2 in Pondicherry.

Under the Deposit Insurance Scheme in force, depositors in each insured bank are assured repayment of their deposits, subject to a maximum of Rs. 10000 per depositor in the event of liquidation, reconstruction or amalgamation of any such bank.*

luminous performance of figures; as per capita basis, al-
though ours is comparatively a much smaller State than
Maharashtra, Karnataka, Tamil Nadu and the other leading
larger States in our country where active interest in the
coop. activities is evinced.

(ii) Restricted power of borrowing: In the Seminar of the
UCBs of the Gujarat State held on 7-9-75 under the auspices
of the GUCBF, it was brought out that in view of accelerated
growth of UCBs in Gujarat and the commercial banking facili-
ties which are now being catered to the public by this sec-
tor, the scope of borrowing by an UCB to the limit of only
12 times of the paid up share capital reserve fund + build-
ing fund -- accumulated losses is much lower to discharge
huge service responsibilities and therefore the same may
please be enhanced to the extent of 24 times of the same. 53

This issue apparently is voiced by various spokesmen
of the coop. sector at various levels, through various
channels and conferences; but nothing fruitful has turned
out. This markedly retards the activities of the UCBs.
When no limitations are levied on commercial banks, such
impositions on these banks are bound to subject them to be
relegated and tossed out as trifling agencies in front of
commercial banks.

53. G-8: p. 29.
(iii) **Limited catchment area**: The UCBs have but a limited area of operation. There is hardly any scope to open in the same small area any more branch. The commercial banks, under their ambitious branch extension programmes are opening branches in any area of our country and, therefore, they cover the area of operation of UCBs and by the dint of their superiority in terms of very highly trained personnel in the techniques of banking and enormous assets in their coffers, through smarter and tactful deals, drain away huge deposits from urban and semi-urban areas causing a major slice from the lot and range of the UCBs which, in turn, tends the scopes of activities of these banks much tinier. Permitting such uneven race within two institutions of unequal might simply amounts to loss of energies in mutual clashes and defeat the cause of coop. wake. When our Govt. is earnestly dedicated to promote coop. awakenings, it is in fairness of justice, consistent with sense of awakened vigilance that in tune with the recommendations made by the RBI's 'Study Group', 1963, "While considering permitting commercial banks to open branches, the capacity of the Urban Cooperative Bank in the area or its scope for development should be given due consideration."54 Ever since the Study Group's report on May 31, 1963; it appears to have been concealed in cold storage by the bureaucratic wheel as a mere paper decision

and the wise counsels of the Study Group have not prevailed and the branch expansion drives of the commercial banks are let loose in urban and semi-urban areas inflicting recurring punishments to the onward progress of urban coop. banking, is but a mere ridicule of our policy decisions. Money matters are the matters of facts and not of fancy. How could expert's opinions be shelved without inviting declines? The horse need be flogged and made to run in the aimed direction and not permitted to gallop hither and thither elastically causing perilous damages to our dedicated cause of cooperation.

(iv) Serious impacts of local events: It is not less oftenly found that the external staff in commercial banks, if possessed of vices or doubtful character are not morally scared or afraid as the area is unknown to them. But the local staff in UCBs, have, but, to morally, even on their own, abide by to an extent, certain code of good conduct. If there are dirty elements in the shape of wicked type of staff members; it will lead to a loss of image of the bank with an eventual decline, not only in mobilisation of funds but also in its overall functions. Any wrongful doing of any member of the staff or the top management leading to misappropriation of the funds of the UCBs leads to lowering of the image of these banks in the eyes of the local people, resulting in putting a brake to their deposit mobilisation programmes.
(v) Discriminatory Govt. policy: The District Cooperative Banks under the apprehension that there may be probable monetary losses, desist from opening branches in the backward areas. The Gujarat Govt., therefore, has decided to subsidise them in administrative expenditures, provided they open in branches/any of the 26 such ear-marked backward areas. The UCBs are not eligible for such assistance. It will, therefore, be, in fairplay and within the cannons of financial justification to give similar subsidies to UCBs established in the said backward defined areas.

By issuing a directive with effect from August 16, 1974, the RBI restricted the rate of interest in Call Deposits to $\frac{1}{2}$ per cent only. This is highly alarming trend. At such a low rate of interest the UCBs could not attract call deposits from public.

(vi) Competition of other agencies collecting public deposits: Apart from the competition of commercial banks, the UCBs have to face keen competition from such agencies as (a) non-banking companies; (b) local money-lenders, shroffs and indigenous bankers; (c) Govt. agencies like post offices and small saving schemes, organisations, and (d) District Central Cooperative Banks.

The percentage rates of interest offered by UCBs, on

one side and private parties, industries, etc. on the other, are given in Table 5.20 which will evaluate that there are more attractive interest rates, in the non-banking sectors, which, naturally are the causes to drain away money in form of deposits directly to the non-banking sectors.

On one side higher termed advances and on the other side Govt. measures against black money hoarding have caused a tangle of money shortage with subsequent effect of soaring rates of interest. A number of firms are publicly drawing deposits at rates between 13 per cent and 15 per cent. In the market, the demand of cash is rated at 15 per cent to 24 per cent. As per Gujarat Samachar dated 21-11-74, in a news item dated 20-11-74 pertaining to Bombay, one renowned Textile Mill had drawn a loan of Rs. Eighty lakhs at 18 per cent from a Shipping Company is the guide line to indicate as to where the currents of financial trends in our country are flowing during the present dynamic age. In consequence, the UCBs have to offer competitive rates of interest on deposits as enough financial assistance is not catered to them either by the Central Financing Agencies or by the Govt. at cheaper rates of interest.

Observations:

(i) The burning problems deserving redressals were expressed by the cooperators in various Seminars and Conferences
<table>
<thead>
<tr>
<th>Agency</th>
<th>Period</th>
<th>Fixed Deposits</th>
<th>Savings Current</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(1) Private Companies/Industries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) American Universal Electric (India) Ltd., Delhi.</td>
<td>12 months to above 48 months</td>
<td>12% to 14%</td>
<td>-</td>
</tr>
<tr>
<td>(b) Madhusudan Limited, Bombay</td>
<td>6 &quot; to above 3 yrs.</td>
<td>13 to 16</td>
<td>-</td>
</tr>
<tr>
<td>(c) Garware Nylons Ltd., Bombay</td>
<td>1 year to 10 years</td>
<td>10 to 13%</td>
<td>-</td>
</tr>
<tr>
<td>(d) Elfinsten Spinning &amp; Weaving Mills Co. Ltd., Bombay</td>
<td>1 &quot; to 5 &quot;</td>
<td>13 to 16</td>
<td>-</td>
</tr>
<tr>
<td>(e) The Maharashtra Sugar Mills Ltd., Bombay</td>
<td>1 year to 3 years</td>
<td>11% to 13%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(For Public)</td>
<td>12 to 14</td>
<td>(For shareholders)</td>
</tr>
<tr>
<td></td>
<td>(For shareholder 1% more at every 6 months)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| <strong>(2) Shroff &amp; Partnership firms:</strong>        |                                |                |                 |
| (a) Laxmichand Bhagaji Shroff and Financier | 3 months to 5 years            | 8 to 13        | 7%             |
| (b) Jethabhai &amp; Co., Karamsad              | 1 year to 3 years              | 15 to 18       | -               |
| (c) Anand Amin &amp; Co., Ahmedabad             | 1 year to 5 years              | 13 to 15       | -               |</p>
<table>
<thead>
<tr>
<th>Agency</th>
<th>Period</th>
<th>Fixed Deposits</th>
<th>Savings</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>(3) Dist. Central Coop. Banks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Sabarkantha Dist. Central Coop. Bank Ltd., Ah'd.</td>
<td>15 days to above 5 years</td>
<td>3% to 10%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(b) Ah'd Dist. Coop. Bank Ltd., Ah'd.</td>
<td>91 days to above 5 years</td>
<td>5(\frac{3}{4}) to 10%</td>
<td>5%</td>
<td>-</td>
</tr>
<tr>
<td>(4) Land Development Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Urban Coop. Banks:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) The Kalupur Commercial Coop. Bank Ltd., Ah'd.</td>
<td>46 days to above 5 years</td>
<td>4% to 11</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>(b) The Madhavpura Mercantile Coop. Bank Ltd., Ah'd.</td>
<td>91 days to above 5 years</td>
<td>7% to 11</td>
<td>7%</td>
<td>-</td>
</tr>
<tr>
<td>(c) The Ah'd Mercantile Coop. Bank Ltd., 'Ah'd.</td>
<td>1 month to 5 years</td>
<td>7% to 11</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>(d) Textile Trader Coop. Bank Ltd., Ah'd.</td>
<td>91 days to above 5 years</td>
<td>7% to 12</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>(e) The Bhagyodaya Coop. Bank Ltd., Ah'd.</td>
<td>3 months to above 5 years</td>
<td>8 to 12</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>(f) Ellisbridge Coop. Bank Ltd., Ah'd.</td>
<td>3 months to above 5 years</td>
<td>8 to 12</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>(g) Santosh Sahakari Bank Ltd., Ah'd.</td>
<td>16 days to above 5 years</td>
<td>6% to 11%</td>
<td>6%</td>
<td>1%</td>
</tr>
</tbody>
</table>

(Higher rate for larger amounts)

56. L-23; and L-25 to L-34.
as follows:

(a) The Seminar of the UCBs of the Gujarat State held at Rajkot on May 29, 1971, under the auspices of the GSCBA, recommended that the restrictions regarding acceptance of the deposits from the Trusts as well as from the Local Self-Governing Bodies be relaxed in such a way as to be useful for the UCBs.\(^{57}\)

As notified by the Deptt. of Agriculture, Forests and Cooperation, vide their communication dated December 27, 1972, the provision of the acceptance of the deposits from Public Trusts by the UCBs which was that (i) The concerned UCB should fall within the Audit class A; and that (ii) The UCB should possess owned share capital of Rs. One lakh and deposit collection of Rs. Five lakhs and should be working since 5 years since after registration; is modified with the provisions that (1) Share capital and reserve fund should be of Rs. five lakhs and over and deposit amounts should be upto Rs. 25 lakhs, and that (2) The audit class of the Bank must be Class 'A'; (3) the Bank must have a life of minimum 3 years since after its registration.\(^{58}\)

(b) In the First Seminar of the Chief Executives of the UCBs, held at Poona on July 12-13-14, 1971, under the auspices of the Coop. Banks' Training College of the RBI, in view of keen competition in urban and semi-urban areas of the UCBs with the commercial banks, it was reiterated that the UCBs should launch deposit mobilisation drive and that the State Govt. in order that the benefit of the Deposit Insurance Scheme may be made available to the UCBs make requisite arrangements in the Act. 59

(c) The Seminar of the UCBs of the Ahmedabad and Gandhinagar Dist.s held at Ahmedabad on September 3, 1972, under the auspices of the Ahmedabad District Cooperative Bank Ltd., recommended that the UCBs should fix up annual targets for deposit collection and should make all efforts to attain such targets. It was also expressed that there should be simultaneous growth in the number of account holders. The UCBs were also appealed not to accept deposits from the Coop. Societies as per the provision of the Cooperative Societies Act. 60

(d) In the Fifth Seminar of the UCBs of the Gujarat State held at Ahmedabad on December 16, 1973, under the auspices of the GSCBA, it was resolved that in

order to meet with the expansion of the joint advertisement scheme of the association, the charges should be shared proportionately by the UCBs with the GSCBA.61

(e) In the Seminar of UCBs of the Ahmedabad and Gandhinagar Dist.s held at Ahmedabad on December 13, 1974, under the auspices of the Ahmedabad District Cooperative Bank Ltd., it was emphasised that the minimum and the maximum rates of interest payable on the deposits may be maintained in the light of the directives of the RBI. It was decided that in view of the competition for procuring deposits, the RBI be requested to give latitude to the UCBs having their total demand and time liabilities of Rs. 25 lakhs each to pay 1½ per cent higher. It was also agreed that the UCBs should avoid internal competition and pay an uniform rate of 10 per cent for procuring Call Deposits.62 (However, this proposal is obliterated and turned down by the RBI, vide restriction laid down to pay only ½ per cent on Call Deposits by the UCBs.)

(f) In the First Seminar of the UCBs of the Gujarat State held at Ahmedabad on September 7, 1975,

under the auspices of the GIICBl it was once again reiterated that in the Gujarat State; in the interest of depositors, who are mostly common men from the masses, the cover of Deposit Insurance Scheme should be given to UCBs, so that the masses may gain more confidence regarding the security of their deposits in the UCBs, in the context of the recent directives of the RBI and can thereby bequeath the more and more deposits from the public. 63

(ii) During the past few years it has been evident from the statistics relaid in the foregoing tables and their analytical interpretations that the deposit mobilisation had expanded tremendously. Rate of interest of expansion of different classes thereof is a matter, however, of specialised, psychoanalytical study and research to evolve new plans and schemes to suit the taste of the masses involved. Tempo of growth of "Time and Saving Bank Deposits" as compared to Current and Contingency Accounts evinced a popular trend. The reason is quite evident. Banks have recurrently been appealing for fixed and saving deposits through intense advertisements. Saving bank accounts have been more popular for such reasons (i) they earn interest at rates higher than before, (ii)

63. G-8: p. 29.
no service charges are levied on the transactions thereof (iii) cheques can be written against them and (iv) withdrawals, although restricted, are not so substantial as to amounting to non-feasibility of the working needs in general of the depositer. Other deposits like fixed deposits, call deposits, cash certificates and recurring deposits, do essentially fall within the category and class of time deposits, with special rates of interest and withdrawal arrangements.

(iii) Notwithstanding the descriptively narrated avoidable hurdles which were required to be intercepted, factual figures have proved that a great number of personal savings and fixed deposit accounts as well as the outstanding balances in them have showed relatively larger rise than those in other accounts.

(iv) Stringency in the money market and prevailing high rates of interest outside the banking sector, offering abnormally higher rates of interest by non-banking companies to attract deposits directly from the public; and the change in the budgetary policy to raise more resources by taxations rather than by deficit financing could be regarded as important factors for slowing down the deposit growth of the UCBs.

(v) Bank deposits depend upon the savings in a country.
Creation of savings depends upon the capacity to save which is affected by various economic factors such as size of the income, diffusion of the income, the taxation policy, price level in the country, cost of living and willingness to save, etc.

Suggestions: The following steps will go a long way in accelerating the deposit mobilisation programmes of our UCBs:

(i) The need for satisfying depositors that their deposits would be secured deserve special emphasis. Possibility of giving extra votes to depositors of limited representation to the depositors on the Board of Directors, thereby giving them at least some voice as members in the management need be seriously considered and promptly implemented in order to maintain confidence and continuity of flow of deposit collection.

(ii) In order to arouse confidence amongst the depositors, the State Govt., at the initial stage, should necessarily contribute to the share capital especially in needy cases for limited periods.

(iii) The attraction of business including deposits by the UCBs, to a certain extent, depends on the locality of their offices and their buildings. A good building with modern arrangements for business activities, well ventilated building, good canteen, sitting arrangements,
meeting accommodation, safe deposit vaults, etc. will go a long way to enhance the prestige of the institution and promote confidence in their depositors. The State Govt. should, as far as possible, help the UCBs in securing land for constructing or expanding their buildings.

(iv) To attract the customers, the UCBs should resort to new models of techniques through advertisements, introduce attractive pass-book covers and award prizes once in a year to lucky pass-book number and the like. The National Cooperative Union, in consultation with the State Cooperative Unions, may consider offering incentives for such deposit mobilisation by instituting National and State Prizes for the best UCB in the State or region in the efforts made for deposit mobilisation every year. GUCBF may also devise some attractive schemes in this regard.

(v) The names of the depositors could be printed on the cheque books. In order to have living contacts with clientele, meetings of the members and depositors may be periodically arranged to understand each other's view points. As an incentive to capture more deposits, introduction of lucky dip system of prize draw should be done at such meetings to make the gathering more lively.
(vi) It is worth-while for each UCB to set a small portion of the profit every year to give a prize to the best depositor of the year.

(vii) It would be desirable for UCBs to set apart a small portion of their profits every year, to "a member education programme". The State Cooperative Union and the National Cooperative Union should pull such funds and utilise the same specifically for the purpose of member education of the UCBs.

(viii) The posters, literature, etc., in regard to coop. saving should also be prepared and circulated by National Cooperative Union and State Cooperative Unions, to promote the cause of cooperation.

(ix) The UCBs have a vast potential for deposit mobilisation. What is required is to tap this potential systematically with tact and skill and honesty of purpose. Commercial banks with their vast net-work of branches in urban areas are a force to be reckoned with. United action by the entire urban banking organisation would alone pay the dividend. Isolated UCBs or credit societies may succeed temporarily; but cannot hope to build their image on a permanent basis. A federation of urban credit cooperative societies in each State may, therefore, be of some use to pave the path for united and uniform actions. Gujarat State
being the most advanced and enlightened in the sector of cooperation, did realise this urge and had already established the Gujarat State Cooperative Banks Association in 1960, which now is remodelled on yet refined administration exclusively to the benefit of urban banks in the name of the Gujarat Urban Cooperative Banks Federation since March 5, 1975.

(x) A regular system of collection of deposits, however small in amounts, from loanees at the rate possibly of 2 per cent to 5 per cent a year on the basis of loan granted should be introduced which would inculcate habit of thrift and go a long way in enhancing the savings amongst such needy members at the same time encouraging savings' drive as a whole.

(xi) The UCBs should diversify their deposit schemes by introducing educational deposit schemes, cash certificate's scheme, commulative time deposit scheme, annuity and pension type schemes, pocket savings service, hundi deposits, chit funds etc. in order to encourage savings and at the same time enveloping the credit needs of the needy. In the present days of fast developing world, 'Mobility' helps the banks to reach new sections of customers and to enhance live communications. Mobile Vans, the mobile bank-scheme, the Intinerant agent Scheme, Small and pigmy deposit
schemes, Chit fund Scheme and one man offices, are the matters of immediate advantageous considerations.

(xii) Efficient management is another factor to be reckoned with. Unless the management is efficient it would be difficult to increase affection and loyalty of members and also to attract more clientele. Management should offer facilities to members, which should be as attractive if not more attractive than those offered by commercial banks; but efforts are unfailingly needed to improve the present level of efficiency in management and the participation of members in the management of the Urban Credit Institutions. This is an important task to which the cooperators in our country have to pay urgent and pointed attention.

(xiii) In this developing machine age the different sections of clientele may be busy round the clock and the specified duty hours of UCBs may not suit them. To envelope them in the banking facilities it will be in rightness of mutual interest therefore that flexibility in the timings of the bank's working hours to suit the conveniences of the clientele of particular areas and profession is judiciously adjusted. Morning and evening sessions will be useful in residential areas, shopping centre branches etc. There can be a ladies unit in housing colonies.
(xiv) Savings promotion drives through 'Small Saving Week' with lucky number prizes on auspicious occasions are the requisites of the time as it is but a fact that only a fraction of community savings comes to the banking fold and greatest efforts are therefore called for by the UCBs to mobilise savings.

(xv) The UCBs should introduce such services as 'Safe Deposit Vaults', 'Safe Custody', collection of dividend, payment of insurance premium, and acceptance of electricity bills. If possible, standing instructions regarding periodical payments, such as insurance premium, payment of subscriptions etc. may be accepted.

(xvi) Periodical review of dormant accounts should be taken up by the Agent of the branch with a view to finding out with personal contact the reasons therefor.

(xvii) To mobilise deposit collections from the masses in the semi-urban and rural areas is a stupendous task. Setting inspiring schemes of cash rewards, trophies etc. for best depositors are found better prospective measures. Besides, the depositors should be foretold and assured of giving them required advances for their needy purposes, out of such deposit collections, so that they feel assured, heartened and induced to keep their surplus money and savings with the bank, so that large amounts of deposits can be captured from urban
and semi-urban areas.

(xviii) In order to create a good impression on the masses, bank staff should be specially trained to exhibit modest and good behaviour with the clients, remaining ever zealous and polite to offer best facilities and service promptly to the customers. In order to guide the customers, a counter and/or a department for enquiries must necessarily be maintained, to eliminate inconveniences to the customers, especially, new ones and ladies.

(xix) Wherever possible there should be branch extension programmes, supported both legally and monetarily by the RBI and financially backed by the SBI and LIC.

(xx) The door to door approach should be made by the experts of the UCBs to find out (i) the needs of the masses to fill up the gaps of their socio-economic developments, and (ii) to guide the needy persons as regards the "know-how" of the prospective jobs which can be shouldered by them in the direction of increasing productivities; (iii) supplying to the needy, simultaneously financial assistance to cover such activities; (iv) day to day caretaking of the activities so sponsored to ensure that (a) money loaned and invested is actually spent for the correct cause, (b) progress of the activity is going on smoothly in keeping with the
target laid down, (c) productivity as per target is achieved and further paced and accelerated by importing where necessary, the guidelines and directives and active personal guidance from experts from special research cells obtained and catered to the clientele and (d) the production centres maintain the price line of their products, such that the fixed income groups who are the traditional savers, may be able to continue to make their regular contributions to the deposit growth.

(iii) Taking loans and advances

Concept: The funds borrowed by the individuals and institutions from the individual and institutional lending agencies on the terms and conditions dictated by the latter are termed as borrowings. These funds are provided for use in consideration of interest-payment and they are to be repaid in instalments or in lump-sum on or before the stipulated time. The borrowings may be in the form of cash credits, overdrafts and loans.

Agencies: To meet with the increased requirements of finance, commensurate with the needs for catering demands on the banks for credit from the productive and distributive sectors of the economy; occasionally, the UCBs are required to borrow funds from such agencies as (a) Govt., (b) State Cooperative Bank, and (c) District Central Cooperative Banks, and (d) others.
The loans, however, in recognition with the term of borrowed funds, as per data presented in this study, constituted a very small fraction, as compared with the funds mobilised by the UCBs through the deposits.

(a) Govt.: To inspire and encourage the UCBs to finance cottage industries and small scale industries, the State Govt. provided external finance to them usually through the State Cooperative Bank. The finance provided by the RBI to the coop. sector is broadly at a concessional rate of interest.

Based on the recommendations made by the "Working Group" appointed by the RBI in 1967 in regard to the policy of Industrial Advances, the advantage of Credit Guarantee Scheme of 1960 was extended to the UCBs also; which in the event of a loss due to overdues afforded guarantee upto 75 per cent of the advances. This should in reality have accelerated borrowing by the UCBs from Govt. to revolutionize new wakfs, a reconnaissance in small scale industries. But, in fact, the UCBs have displayed little interest notwithstanding great and unprecedented financial facilities offered by the Govt., demands an urgent and pointed investigation followed by planning and implementing remedial measures. Govt. loans of this kind are really of immense value in accelerating operating efficiency of an UCB on an economic and yet guaranteed scale.
(b) **State Cooperative (Apex) Bank:** Ordinarily, the Gujarat State Coop. Bank does not grant loans to an UCB because of its scope of work as a credit society. However, industrial advances are made available to them on easy terms of interest. In addition, the RBI also gives industrial advances to the UCBs through the intermediary of the State Cooperative Bank. On the lines of the RBI affording cover upto 75 per cent of the lendings made by the UCBs to the small scale industries under the Credit Guarantee Scheme on payment of "Guarantee Fee"; The Gujarat State Cooperative Bank Ltd. also has offered a guarantee of 6.25 per cent to the UCBs on payment by the latter Rs. 0.05 as guarantee fee per Rs. 100 per year.

(c) **The District Central Cooperative Banks:** Generally, loans to UCBs are advanced by their respective District Central Cooperative Banks, on terms and conditions specified by the latter. Borrowed fund consists of deposits and loans. Major portion of borrowed fund, as is revealed by this study, was mobilised through deposits; the source of loans, constituted only a fraction thereof.

The financial facilities offered by DCCBs to the UCBs are of two types: (1) Cash Credit and (2) Overdraft.

(1) **Cash credit:** The Dist. Central Coop. Banks give cash credit facilities to the UCBs functioning in their respective areas of operation, normally, on the following terms
and conditions:

(i) The authorised representatives of the UCB will be required to give a written Promissory Note to the DCCB, in token of having received the cash credit amount at the specified interest to be accrued at the interval of every six months, although for a specified term period, repayable (even earlier) whenever demanded by the DCCB.

(ii) The withdrawals from this Cash Credit Account and cash credit will be required to be repaid whenever demanded by the DCCB, although, ordinarily, the latter will not so demand prior to the expiry of specified term period. However, if requirements arise, the DCCB will be entitled to put such a prior demand which will be required to be complied with by the UCB.

(iii) In the event of any breach of terms and conditions, the DCCB will be empowered to stop the UCB from further withdrawals from the Cash Credit Account and will be entitled to recover the dues even prior to the specified period.

(iv) Excess cash and recoveries should be credited in the cash credit account from time to time and should not be directly utilised in any other transactions.

(v) In the event of full withdrawals from the Cash Credit
Account not having been operated by the UCB, the DCCB will charge interest for one-fourth of the sanctioned amount of credit at the rate for full period as specified in the letter of sanction.

(vi) At the end of each month, Trial Balance and Balance Sheet will have to be submitted to the DCCB by or before 10th of the following month.

(vii) Not to utilise the amount of this credit for any purpose other than for which the credit is sanctioned.

(viii) Interest will accrue at interval of every six months.

(ix) Extra 2 per cent interest will be charged on the overdues.

(x) To get the accounts audited regularly.

Clean Cash Credits pledged on General Assets are also afforded by the DCCB.

(2) Overdraft: Similar to cash credit account, the DCCB may agree to open overdraft account of a specified amount in favour of an UCB on such conditions as may be separately agreed to between the both. This is also a sort of advance or loan. In this case also the competent and authorised representatives of the UCB are required to deliver to the concerned DCCB on its Demand Promissory Note for the specified amount. The facility of overdraft is also afforded in the cases of UCBs' fixed-deposits kept with the DCCB; to the extent
of 85 per cent of the amount of fixed deposits; the interest charged, however, on the amount of overdraft being 2 per cent more than the rate of interest on fixed deposits.

As conveyed under, Circular No. 9-10 dated 20-2-68 by the GSCBA, the Chief Officer of the Agricultural Credit Deptt. of the RBI expressed that instead of loans heretofore given by the DCCB to the UCB on the basis of so many times of their Owned Funds: the same should be done onwards, as an adopted policy, on the basis of purposes for which UCBs have themselves effected advances to their members; as a mode of requirement, say -- as a financial accommodation -- to be extended by the DCCB to the UCB. For this purpose he suggested as follows: (a) priorities should be fixed for the purposes for which the UCBs have made advances to their members. The DCCB should give loans as a mode of reimbursement commensurate on the percentage basis, to the advances made by the UCBs of amounts allocated to different purposes. (b) Consistent with the above policy, reimbursement should be done (i) upto 80 per cent for advances given to small scale industries; (ii) upto 60 per cent in cases of advances made against pledge or hypothecations; and (iii) upto 40 per cent on personal securities or on immovable properties to meet with the personal or domestic needs. 64

It will not be incorrect to note that the UCBs, should

64. K-7.
invariably submit immediate and periodical reports to the DCCBs, of the advances, as and when made, purpose for which made and the amounts involved, so that the DCCB can promptly allot amounts for reimbursements. The Copies of the Promissory Notes collected by the UCBs from the recipients of the advances may also be sent to the DCCBs as supporting documents.

(d) Others: At times, the UCBs have to approach individual and institutional financing agencies outside the coop. fold for getting a financial accommodation — temporary or otherwise. Such types of UCBs' credits are included in this category.

Agency-based composition: In Table 5.21 are sketched the details of loans drawn by the UCBs of Gujarat State from various agencies between 1967-68 and 1972-73. The analysis of the data reveals as follows:

(i) The drawal of loans from the DCCBs, out of over-all total amounts of loans drawn, ranged between 74.6 per cent in 1968-69 and 93.4 per cent in 1972-73. Similarly, loans obtained from other sources ranged between 6.2 per cent in 1972-73 and 21.1 per cent in 1968-69, Loans obtained through Govt. agency ranged between 0.4 per cent in 1972-73 and 4.6 per cent in 1967-68. This focusses a retarding trend of obtaining lesser and lesser amounts of loans, year by year,
(ii) Similarly, there is in general a trend of fall in obtaining loans from other sources. However, this has remained fluctuating as will be revealed from rise of 6.1 per cent in 1968-69; followed by a fall of 4 per cent in 1969-70, a small rise of 2.2 per cent in 1970-71, a big fall of 8.3 per cent in 1971-72, and a fall of 4.8 per cent in 1972-73. This establishes that the UCBs are a bit less interested to obtain loans either from Govt. or from other sources.

(iii) The popular source tapped by the UCBs, had been the DCCBs. With 80.4 per cent of total borrowings obtained by them from the DCCBs in 1967-68; there was a slight fall of 5.9 per cent in 1968-69 followed by a rise of 5.7 per cent in 1969-70. With a negligible fall of 0.6 per cent in 1970-71, the trend had gone up towards a rise of 8.8 per cent in 1971-72 followed by 4.9 per cent rise in 1972-73. Equated and expressed in other words, from 80.4 per cent of 1967-68 it had reached to 93.4 per cent in 1972-73, evinced a net rise of 13 per cent.

(iv) In terms of absolute figures, as against the amount of Rs. 123 lakhs of loans from DCCB in 1967-68 it reached to Rs. 424 lakhs in 1972-73; which indicated a rise of
Table 5.21

<table>
<thead>
<tr>
<th>Year (July-June)</th>
<th>Borrowings (other than deposits) from</th>
<th>Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Govt. Rs.</td>
<td>DCCBs Rs.</td>
</tr>
<tr>
<td>1967-68</td>
<td>7</td>
<td>123</td>
</tr>
<tr>
<td>1968-69</td>
<td>8</td>
<td>138</td>
</tr>
<tr>
<td>1969-70</td>
<td>7</td>
<td>216</td>
</tr>
<tr>
<td>1970-71</td>
<td>3</td>
<td>231</td>
</tr>
<tr>
<td>1971-72</td>
<td>2</td>
<td>346</td>
</tr>
<tr>
<td>1972-73</td>
<td>2</td>
<td>424</td>
</tr>
</tbody>
</table>

244.7 per cent in the raising of funds through loans from DCCBs.

(v) In respect of loans raised from other sources being of Rs. 23 lakhs in 1967-68 and Rs. 28 lakhs in 1972-73 indicated a rise of 21.7 per cent.

As regards the loans from Govt., which were of Rs. 7 lakhs in 1967-68 reduced to Rs. 2 lakhs in 1972-73, showed a fall of 71.4 per cent.

(vi) Out of the total loans of Rs. 153 lakhs, 80.4 per cent were through the agency of DCCBs. 15.0 per cent were from others and 4.6 per cent were from Govt. agency; whereas out of total loans of Rs. 454 lakhs at the end of June 1973, 93.4 per cent were from the DCCBs; 6.2 per cent were from others and 0.4 per cent were

from Govt. Thus, the UCBs relied most on the borrowings from the DCCBs, and other sources had a very insignificant role as a source of external finance to the UCBs.

**Growth trends:**

**State-level:** Table 5.22 enpictures the contribution of the borrowings (excluding deposits) in the total capital raised by the UCBs in Gujarat State from 1959-60 to 1972-73, the analysis of which leads us to the following major results:

(i) In terms of absolute figures, the period witnessed a progressive rise in amounts of loans every year except in the years of 1962-63 and 1967-68, they showed the drops of Rs. 5 lakhs and Rs. 12 lakhs respectively.

(ii) There was a collection through loans of Rs. 454 lakhs in 1972-73; which was Rs. 49 lakhs in 1959-60 indicated a rise of 826.5 per cent.

(iii) A trend of uneven rise and fall in respect of the borrowings as percentage of total capital was found during 1959-60 to 1972-73. With the figures of 6.7 per cent in 1959-60; there was a fall of 0.8 per cent in 1960-61, followed by a rise of 1.0 per cent in 1961-62; then a fall of 1.2 per cent in 1962-63, and again a fall of 0.2 per cent in 1963-64. There was stagnancy for a year as indicated by 5.5 per cent each in years 1963-64 and 1964-65; followed by a rise of
Table 5.22 (in lakhs of Rs.)

<table>
<thead>
<tr>
<th>Year ending June, 30.</th>
<th>Total Capital (Rs.)</th>
<th>Capital collected through borrowings (other than deposits) (Rs.)</th>
<th>Borrowings as per percentage of total capital mobilised</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>730</td>
<td>49</td>
<td>6.7</td>
</tr>
<tr>
<td>1961</td>
<td>936</td>
<td>55</td>
<td>5.9</td>
</tr>
<tr>
<td>1962</td>
<td>1177</td>
<td>82</td>
<td>6.9</td>
</tr>
<tr>
<td>1963</td>
<td>1343</td>
<td>77</td>
<td>5.7</td>
</tr>
<tr>
<td>1964</td>
<td>1527</td>
<td>84</td>
<td>5.5</td>
</tr>
<tr>
<td>1965</td>
<td>1793</td>
<td>98</td>
<td>5.5</td>
</tr>
<tr>
<td>1966</td>
<td>2150</td>
<td>164</td>
<td>7.6</td>
</tr>
<tr>
<td>1967</td>
<td>2413</td>
<td>165</td>
<td>6.8</td>
</tr>
<tr>
<td>1968</td>
<td>2843</td>
<td>153</td>
<td>5.4</td>
</tr>
<tr>
<td>1969</td>
<td>3338</td>
<td>185</td>
<td>5.5</td>
</tr>
<tr>
<td>1970</td>
<td>4082</td>
<td>269</td>
<td>6.6</td>
</tr>
<tr>
<td>1971</td>
<td>5274</td>
<td>290</td>
<td>5.5</td>
</tr>
<tr>
<td>1972</td>
<td>6608</td>
<td>391</td>
<td>5.9</td>
</tr>
<tr>
<td>1973</td>
<td>8776</td>
<td>454</td>
<td>5.2</td>
</tr>
</tbody>
</table>

2.1 per cent in 1965-66. There were successive falls of 0.8 per cent in 1966-67 and 1.4 per cent in 1967-68, followed by 0.1 per cent rise in 1968-69. In the year 1969-70, there was a rise of 1.1 per cent followed by

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66. 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; B-128; D-13; E-6: pp. 23-26; E-7: pp. 8-13; E-8: E-8; E-8: pp. 14-19; E-9: pp. 14-19.
a fall of 1.1 per cent in 1970-71. In 1971-72, there was a rise of 0.4 per cent followed by a fall of 0.7 per cent in 1972-73.

(iv) The range of percentage of procurement of loans to total capital was between 7.6 per cent and 5.2 per cent during 1959-60 to 1972-73.

(v) The highest percentage of loans to total capital was 7.6 per cent in 1965-66, followed by 6.9 per cent in 1961-62, 6.8 per cent in 1966-67, 6.7 per cent in 1959-60, 6.6 per cent in 1969-70, 5.9 per cent each in 1960-61 and 1971-72, 5.7 per cent in 1962-63, 5.5 per cent each in years 1963-64, 1964-65, 1968-69 and 1970-71, 5.4 per cent in 1967-68 and 5.2 per cent in 1972-73.

(vi) This establishes that the contribution of the borrowings in the total capital collected by the UCBs was negligible.

An attempt is now made to derive analytical facts as follows from the data enpicted in Table 5.23, of the total funds (excluding deposits) borrowed by the UCBs, of different age-groups in Gujarat State from 1968-69 to 1972-73:

(i) In 1968-69, out of 35 banks in the age-group upto 10 years, 62.9 per cent banks had taken loans, the average amount of loans per bank being of Rs. 2.9 lakhs;
### Table 5.23

<table>
<thead>
<tr>
<th>Age bracket (Age as on 30-6-73)</th>
<th>At the end of</th>
<th>(in lakhs of Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a  b  c</td>
<td>a  b  c</td>
</tr>
<tr>
<td>Upto 10 years</td>
<td>35  22  2.9</td>
<td>39  30  5.0</td>
</tr>
<tr>
<td>10.1 to 20 years</td>
<td>38  25  2.6</td>
<td>38  23  3.0</td>
</tr>
<tr>
<td>20.1 to 30 years</td>
<td>17  9  2.0</td>
<td>17  5  6.6</td>
</tr>
<tr>
<td>30.1 to 40 years</td>
<td>10  5  3.6</td>
<td>10  4  1.3</td>
</tr>
<tr>
<td>40.1 to 50 years</td>
<td>12  3  0.7</td>
<td>12  2  0.5</td>
</tr>
<tr>
<td>50.1 to 60 years</td>
<td>3  -  -</td>
<td>3  -  -</td>
</tr>
<tr>
<td>60.1 to 70 years</td>
<td>1  -  -</td>
<td>1  1  0.2</td>
</tr>
<tr>
<td>70.1 to 80 years</td>
<td>-  -  -</td>
<td>-  -  -</td>
</tr>
<tr>
<td>Over 80 years</td>
<td>1  -  -</td>
<td>1  4  -</td>
</tr>
</tbody>
</table>

- **a** = Total No. of Banks.
- **b** = No. of banks taken loans.
- **c** = Average amount (in lakhs) per bank.

---

and out of 38 banks in the age-group of 10.1 to 20 years, 65.8 per cent banks had borrowed loans, the average amount per bank being of Rs. 2.6 lakhs; 52.9 per cent banks out of total number of 17 banks in the age-group of 20.1 to 30 years had average amount of loan per bank of Rs. 2 lakhs; 50 per cent banks out of total 10 banks in the age-group of 30.1 to 40 years had drawn loans at the average of Rs. 3.6 lakhs per bank. 25 per cent banks out of 12 banks in the age-group of 40.1 to 50 years had taken loans, the average per bank being Rs. 0.7 lakhs. The banks in the age-group of 50.1 to 60 years, 60.1 to 70 years and over 80 years, were 3, 1 and 1 respectively, but none of these had taken any loans. There was not a single bank in the age-group of 70.1 to 80 years. Out of the total of 117 banks in 1968-69, only 54.7 per cent banks had taken loans.

(ii) In 1969-70, out of 39 banks in the age-group upto 10 years, 76.9 per cent banks had taken loans, the average of which per bank was Rs. 5.0 lakhs; and out of 38 banks in the age-group of 10.1 to 20 years, 60.5 per cent banks had taken loans of the average amount per bank of Rs. 3.0 lakhs. 29.4 per cent banks out of 17 total banks in the age-group of 20.1 to 30 years had borrowed loans, the average per bank
of which was Rs. 6.6 lakhs. 40 per cent banks out of total of 10 banks in the age-group of 40.1 to 50 years had taken loans, the average per bank of which was Rs. 0.5 lakhs. Three banks in the age-group of 50.1 to 60 years and one bank in the age-group of over 80 years did not borrow any loans. One or 100 per cent banks out of one bank in the age-group of 60.1 to 70 years had taken loans to the extent of Rs. 0.2 lakhs. There was not a single bank in the age-group of 70.1 to 80 years. Out of the total of 121 banks in 1969-70, only 53.7 per cent banks had taken loans.

(iii) In 1970-71, out of 62 banks in the age-group upto 10 years, 54.8 per cent banks had taken loans, the average of which per bank was Rs. 4.2 lakhs. Out of 39 banks in the age-group 10.1 to 20 years, 76.9 per cent banks had taken loans of the average amount per bank of Rs. 2.5 lakhs. Eight or 44.4 per cent out of 18 total banks in the age-group 20.1 to 30 years had borrowed loans average of which was Rs. 5.0 lakhs. Four or 50 per cent out of 8 total banks in the age-group of 30.1 to 40 years had borrowed loans, the average per bank of which was Rs. 3.5 lakhs. 25 per cent out of 12 total banks in the age-group of 40.1 to 50 years had borrowed loans of the average of Rs. 4.7 lakhs per bank. None of the 3 banks in the
age-group of 50.1 to 60 years; one in the age-group of 60.1 to 70 years and one in the age-group of over 80 years took any loans. Out of the total of 144 banks, only 54.9 per cent banks had taken loans in the year 1970-71.

(iv) In 1971-72, out of 85 banks in the age-group upto 10 years, 63.5 per cent banks had taken loans, the average of which per banks was Rs. 4.2 lakhs. Out of 40 banks in the age-group of 10.1 to 20 years, 67.5 per cent banks had taken loans of the average amount of Rs. 3.9 lakhs per bank. 44.4 per cent banks out of 18 total banks in the age-group of 20.1 to 30 years had borrowed loans, the average per bank of which was Rs. 5.9 lakhs. 50 per cent banks out of total of 8 banks in the age-group of 30.1 to 40 years had borrowed loans, the average per bank of which was Rs. 2.3 lakhs. Three or 25 per cent banks out of total of 12 banks in the age-group of 40.1 to 50 years had taken loans of the average amount of Rs. 2.3 lakhs per bank. Three banks in the age-group of 50.1 to 60 years, one bank in the age-group of 60.1 to 70 years and one bank in the age-group of over 80 years did not take any loans. Out of the total of 168 banks, only 96 or 57.1 per cent banks had taken loans in the year 1971-72.

(v) In the year 1972-73, out of 100 banks in the age-group
upto 10 years; 62 per cent banks had taken loans, the average of which per bank was Rs. 4.8 lakhs.
Out of 40 banks in the age-group of 10.1 to 20 years, 65 per cent banks had taken loans of the average amount of Rs. 3.3 lakhs per bank. 38.9 per cent banks out of total of 18 banks in the age-group of 20.1 to 30 years had borrowed loans, the average of which per bank was Rs. 7.1 lakhs. 50 per cent banks out of total of 8 banks in the age-group of 30.1 to 40 years had taken loans, the average of which per bank was Rs. 1.0 lakh. Only one bank out of total of 12 banks in the age-group of 40.1 to 50 years had taken loans of the average amount of Rs. 17.0 lakhs per bank.
One bank out of three banks in the age-group of 50.1 to 60 years had taken loans, the average of which per bank was Rs. one lakh. One bank in the age-group of 60.1 to 70 years and one bank in the age-group over 80 years did not take any loans. There was not a single bank in the age-group of 70.1 to 80 years.
Out of the total of 183 banks, only 55.2 per cent banks had taken loans in the year 1972-73.

Inter-state level: In the context of background of raising of funds through loans, studied earlier for Gujarat State, a picture is now drawn (Vide: Table 5.24) of inter-state position to enable us to derive analytical comparisons.
(i) In all the years from 1967-68 to 1972-73, the UCBs in Gujarat collectively as a whole have obtained highest amount of loans from the central financing agencies, followed by from other sources and of the least amounts from the Govt. agency.

(ii) As for Maharashtra, the highest amounts were drawn from the central financing agencies followed by other sources and then from Govt.. However, in 1967-68, 1968-69 and 1971-72 absolutely no loans were drawn from Govt..

(iii) Equating the role of Karnataka, the loans obtained during all years were the highest from the central financing agencies. But, the loans drawn from Govt. were more in years 1967-68, 1969-70 and 1970-71 than those drawn from other sources; whereas, in years 1971-72 and 1972-73 loans obtained from other sources were more than those drawn from Govt.. In the year 1968-69, the percentages of loans drawn from both the agencies; viz., other sources and Govt. were equal.

(iv) As for Tamil Nadu, as well, the agency of the DCCBs had catered the highest amounts of loans, followed by other sources in the years of 1968-69, 1970-71, 1971-72 and 1972-73. However, the drawals of loans from the sources of 'Others' and Govt. were equal in the years 1967-68 and 1969-70.
Table 5.24

<table>
<thead>
<tr>
<th>Year ending June, 30.</th>
<th>Govt.</th>
<th></th>
<th></th>
<th>C.F. Agencies</th>
<th></th>
<th></th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>4.6</td>
<td>-</td>
<td>*</td>
<td>21.0</td>
<td>1.8</td>
<td>5.1</td>
<td>80.4</td>
</tr>
<tr>
<td>1969</td>
<td>4.3</td>
<td>-</td>
<td>7.4</td>
<td>1.8</td>
<td>2.6</td>
<td>74.6</td>
<td>72.0</td>
</tr>
<tr>
<td>1970</td>
<td>2.6</td>
<td>9.0</td>
<td>13.0</td>
<td>1.7</td>
<td>6.6</td>
<td>80.3</td>
<td>75.7</td>
</tr>
<tr>
<td>1971</td>
<td>1.0</td>
<td>3.4</td>
<td>5.0</td>
<td>1.7</td>
<td>2.7</td>
<td>79.7</td>
<td>85.2</td>
</tr>
<tr>
<td>1972</td>
<td>0.5</td>
<td>-</td>
<td>5.2</td>
<td>1.4</td>
<td>1.5</td>
<td>88.5</td>
<td>84.3</td>
</tr>
<tr>
<td>1973</td>
<td>0.4</td>
<td>0.6</td>
<td>6.1</td>
<td>1.8</td>
<td>1.6</td>
<td>93.4</td>
<td>92.1</td>
</tr>
</tbody>
</table>

C.F. Agencies = Central Financing Agencies
* = Negligible.

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(v) The prevalent position at All-India level also remained virtually parallel to the one in Gujarat; i.e. loans of the highest amounts having been drawn from the central financing agencies; followed by other sources and then from the State Govts.

(vi) The UCBs of Gujarat State had apparently evinced a trend, year by year, of taking lesser and lesser amounts of loans from the agency of Govt. as can be perceived by the percentages of such loans steadily declining from 4.6 per cent in 1967-68 to 0.4 per cent in 1972-73. Similar trend was visible in Maharashtra where Govt. loans taken in 1969-70 was 9 per cent which declined to 0.6 per cent in 1972-73. In Karnataka, the mode of taking loans from Govt. although higher in all the years as compared with other States as well as All-India figures, also varied in amounts unevenly fluctuating from 21 per cent in 1967-68, followed by 7.4 per cent in 1968-69, 13 per cent in 1969-70, 5 per cent in 1970-71, 5.2 per cent in 1971-72 and 6.1 per cent in 1972-73, which also spot lighted a reduction from 21 per cent in 1967-68 to 6.1 per cent in 1972-73. In Tamil Nadu the trends of drawal of loans from Govt. had equal percentages, viz., 1.8 per cent each in 1967-68 and 1968-69; 1.7 per cent each in 1969-70 and 1970-71 and 1.4 per cent in the
year 1971-72 and 1972-73; also indicated a gradual trend of reduction. At All-India level, Govt. loans touched 6.6 per cent (the peak) in year 1969-70 having a figure of 5.1 per cent in 1967-68, had declined to 1.6 per cent in 1972-73.

(vii) In respect of percentage of loans taken by a State from the central financing agencies with regards to total loans taken during a year; Tamil Nadu stood first in 1967-68 with 96.4 per cent followed by 94.6 per cent in 1968-69, and 96.6 per cent in 1969-70. While in 1970-71, Karnataka had the highest figure of 93.2 per cent, Gujarat topped the list in 1971-72 with 88.5 per cent and 93.4 per cent in 1972-73.

(viii) The range of loans taken from the central financing agencies in Gujarat was between 74.6 per cent and 93.4 per cent; in Maharashtra it was from 72.0 per cent to 96.0 per cent; in Karnataka it was varying from 73.7 per cent to 93.2 per cent; in Tamil Nadu it was from 80.3 per cent to 96.5 per cent and at All-India level it was from 79.0 per cent to 87.6 per cent.

(ix) In respect of securing the highest percentage of loans from other sources as compared to total loans raised from all agencies, Gujarat stood first in 1967-68 with 15 per cent; 17.1 per cent in 1969-70 and 19.3
per cent in 1970-71. Maharashtra stood first in 1968-69 with 28 per cent and 15.7 per cent in 1971-72. In 1972-73 Tamil Nadu topped the rest with 18.3 per cent.

(x) The range of loans taken from other sources in Gujarat was between 6.2 per cent (1972-73) and 21.1 per cent (1968-69); in Maharashtra, it moved from 4 per cent (1967-68) to 28 per cent (1968-69); in Karnataka, it was between 1.8 per cent (1970-71) and 12.6 per cent (1972-73); in Tamil Nadu, it varied from 1.7 per cent (1969-70) to 18.3 per cent (1972-73); and at All-India level it remained between 7.8 per cent (1967-68) and 18.4 per cent (1968-69).

Intra-state level: The analytical study of the districtwise break-up of borrowings through loans from the central financing agencies and other sources as on June 30, 1973, by the UCBs in Gujarat State, as presented in Table 5.25 showed the following main results:

(i) Out of 183 banks, 101 numbers or 55.2 per cent banks took loans while 82 numbers or 44.8 per cent banks did not take loans from any source during the year 1972-73.

(ii) The highest amount of loans taken from the DCCBs amounting to Rs. 86 lakhs was found in Kheda dist., followed by Rs. 65 lakhs in Ahmedabad City, Rs. 60 lakhs in
Mehsana dist., Rs. 25 lakhs in the Panch Mahals dist.,
Rs. 14 lakhs in Vadodara dist., and Rs. 8 lakhs in
Banaskantha dist.; the amounts in other dist.s were
ranging from Rs. 5 lakhs to Rs. 1 lakh.

(iii) In terms of districtwise average amounts of loans per
bank from the central financing agencies, the perfor­
mance of the six topmost dist.s is enumerated as
Mehsana dist. ranking first with Rs. 8.6 lakhs, fol­
lowed by Vadodara dist. with Rs. 7 lakhs; Kheda dist.
with Rs. 6.1 lakhs, Ahmedabad City with Rs. 5.4 lakhs,
the Panch Mahals dist. with Rs. 5.0 lakhs, and Rajkot
dist. with Rs. 4.0 lakhs.

(iv) The highest amounts of loans taken from other agencies
was Rs. 49 lakhs in Mehsana dist., followed by Rs. 36
lakhs in Ahmedabad City, Rs. 27 lakhs in Kheda dist.,
Rs. 11 lakhs in the Panch Mahals dist., Rs. 10 lakhs
in Ahmedabad (Rural) dist., Rs. 9 lakhs each in Bhav­
nagar, Jamnagar and Rajkot dist.s, Rs. 6 lakhs in
Junagadh dist. and Rs. 5 lakhs in Vadodara dist.; the
amounts in other dist.s falling within the range of
Rs. 3 lakhs to Rs. 1 lakh.

(v) In terms of districtwise average amounts of loans per
bank from the other sources, performance of 8 topmost
dist. is enumerated as Mehsana Rs. 7.0 lakhs, the
Table 5.25

<table>
<thead>
<tr>
<th>District</th>
<th>CFA No. of banks</th>
<th>Amount (lakhs)</th>
<th>Total No. of banks</th>
<th>Amount (lakhs)</th>
<th>No. of banks not borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CFA</td>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. of banks</td>
<td>Amount (lakhs)</td>
<td>No. of banks</td>
<td>Amount (lakhs)</td>
<td></td>
</tr>
<tr>
<td>Ah'd City</td>
<td>12</td>
<td>65</td>
<td>7</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>Ah'd (Rural)</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Amreli</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Banaskantha</td>
<td>3</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td>7*</td>
</tr>
<tr>
<td>Bharuch</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Bhavnagar</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Dangs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Gandhinagar</td>
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<td>2</td>
<td>-</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Jamnagar</td>
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<td>-</td>
<td>2</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Junagadh</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>8</td>
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<tr>
<td>Kheda</td>
<td>14</td>
<td>86</td>
<td>9</td>
<td>27</td>
<td>36*</td>
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<td>Kutch</td>
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<td>Mehsana</td>
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<td>60</td>
<td>7</td>
<td>49</td>
<td>19£</td>
</tr>
<tr>
<td>Panch Mahals</td>
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<td>25</td>
<td>2</td>
<td>11</td>
<td>17$</td>
</tr>
<tr>
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<td>4</td>
<td>9</td>
<td>6</td>
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<td>Sabarkantha</td>
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<td>2</td>
<td>1</td>
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<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Surendranagar</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>3*</td>
</tr>
<tr>
<td>Vadodara</td>
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<td>14</td>
<td>5</td>
<td>5</td>
<td>19</td>
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<tr>
<td>Valsad</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

CFA = Central Financing Agency.
* = 1 bank took loan from 2 sources.
@ = 4 banks took loans from 2 sources.
£ = 3 banks took loans from 2 sources.
$ = 2 banks took loans from 2 sources.
* = Negligible

Panch Mahals Rs. 5.5 lakhs, Ahmedabad City Rs. 5.1 lakhs, Ahmedabad (Rural) Rs. 5.0 lakhs, Jamnagar Rs. 4.5 lakhs, Kheda Rs. 3.0 lakhs, and Bhavnagar and Rajkot dist. s Rs. 2.3 lakhs each.

**Observations:** As analytically extracted through the factual figures, the borrowings through loans by the UCBs from Govt. and other financing agencies were almost negligible. The Central Financing Agencies, viz. the DCCBs are although the main source for the purpose, are primarily committed to agricultural finance. Besides, they are also not less often facing the problems of paucity of funds. Thus, the UCBs have to face lot of hurdles in obtaining financial assistance, with the result that the expansion of their activities is often throttled. The introduction of "Reimbursement Scheme" by the RBI with regard to industrial advances on a percentage basis; no doubt, affords a sigh of relief; but it is neither an end-all or an eventual solution to meet with the increasing demands of the day. Creation of an exclusive, and dependable agency or system to cater to the entire requirements of the UCBs is indispensable. On one side, as is variously clamoured, a time and number, in seminars and conferences, by the representatives of the UCBs, the cause of creating a separate state level apex bank for the UCBs, the consensus of opinion prevailed as resolved in the Conference convened at Poona.
in April 1969, of the representatives of the UCBs, under the auspices of the National Cooperative Union, runs as under:

"It is not necessary to organise Central Financing Agencies exclusively for the Urban Credit Cooperatives. The existing central and apex cooperative banks should function as the financing banks for the Urban Credit Cooperatives, also. The Conference noted that so far the central and apex cooperative banks were not, in most States, been able to provide financial accommodation to the urban credit cooperatives to the required extent; in some cases, assistance available from the central and apex cooperative banks to urban credit cooperatives was very unsatisfactory. It was, therefore, recommended that central and apex cooperative banks must infuse confidence among the urban credit cooperatives by adopting a loaning policy which might be as favourable to the urban credit cooperatives as it was to the agricultural credit cooperatives. The central and apex cooperative banks should also give representation on their Boards to the urban credit cooperatives. A certain percentage of funds should be earmarked for the urban cooperative credit sector. The preference of the apex/central cooperative banks vis-a-vis the Urban Cooperative Banks may be reviewed at the end of 5 years with a view to deciding whether it is necessary to establish separate financing agencies for the urban cooperative banks/societies." 

70. G-7: pp. 9-10.
The 7th Indian Cooperative Congress held at New Delhi, too, adopted a resolution requesting the RBI to allow the establishment of an Apex Bank exclusively for the Urban Coop. Credit Sector in States where feasible. 71

Besides, in respect of setting a separate apex bank for the following, legal, administrative and practical difficulties 72 need also to be foreseen:

(i) To establish any corporate institution, it is indispensable to ensure its provision under the established law of the land. It is imperative, therefore, that until requisite modifications are made in the Act; RBI can neither give recognition nor any financial accommodation to an urban apex bank. The spread of UCBs except in 3-4 States in our country is but limited. Thus, the issue does not appear to be seriously viewed in the near future. Resultingly, it is a matter of doubt if the Registrar of Coop. Societies would accept enrolment of such a separate state level apex bank for the UCBs in Gujarat.

(ii) To establish any banking institution, the share capital is of primary importance in respect of creating owned funds. In keeping with the legislated rules for the coop.s, the limitations to create borrowed funds are specified as 12 times of their owned funds. The

Govt. is often giving requisite share capital contributions to the apex bank to make it convenient to the latter to fulfil its responsibilities with ease. It is often represented by the GSCBA that the Govt. may give share capital contribution to the UCBs; but so far the Govt. has not accepted this request. Viewing from this angle as well, the proposed apex bank is not unlikely to face difficulties in appreciable amounts.

(iii) The demand to give interest at higher rates to the UCBs on their deposits and to charge lower rates of interest on borrowings made by the UCBs from the apex bank, may not be also feasible without endangering the very existence of such an apex bank; as a requisition in reality may be termed as reactionary to the very basic principles of banking.

(iv) Notwithstanding the above concrete facts, in case a separate apex bank for the UCBs is created at the State level, it needs serious dispassionate thoughts on the problems as to how to bifurcate the implementation of the provision of the 'Mutual Arrangement Scheme' launched by the Gujarat State Cooperative Bank, in respects of UCBs and other coop. banks. In the absence of this Mutual Arrangement Scheme, there will be a severe and disastrous set-back in rendering
quality of service to the clients for transfer of money and encashment of bills.

In other States like Maharashtra, Karnatak and Tamil Nadu which are developed in the sector of coop. banking, enveloping much wider areas, such a problem of a separate apex bank at the State level, exclusively for UCBs is not found necessary. Viewing, therefore, from all these aspects, even in Gujarat, untodate, the most practical, legal and workable mode to accelerate expansion in the sector of coop. banking, lies concealed in the united and well defined and coordinated efforts of the team-work of the UCBs, the DCCBs, the State Cooperative Bank and RBI.

For the fact that there is great dearth of expert, trained and experienced personnel, the UCBs are not able to enhance industrial financing. This necessitates creation of a cadre of staff capable of implementing projects demanding technical skill not only to draw and check technical facts and facets but also to supervise at all stages the execution, to ensure that the money advanced is genuinely used towards yielding and lucrative results of profitability.

However, it is not disalarming to record that under the provisions of Banking Regulation Act, the UCBs have to maintain cash and liquid assets and invest the same in the DCCBs. The interest given in this case to the UCBs is at ordinary rate; but the same DCCBs are giving cash credits
to the UCBs at higher rates of interest. It was, therefore, rightly resolved in the First Conference of the UCBs, convened at Ahmedabad, on Sept. 7, 1975, under the auspices of the GUCBF, requesting the central financing agencies to keep the standards of rates of interest just and fair to promote the cause and inspire the UCBs in their development.  

It was strongly recommended by the Study Group that the credit requirements of the UCBs should be met with by the National Organisations, viz., the RBI, the SBI, and the LIC at reasonable rates of interest through the regular financing agencies and that the processes should be made as simple as possible.

It will be, therefore, in fairness with expeditious enhancement of activities, that the RBI may follow up and chase the issue hard with the other sister financing institutions to procure better financial accommodations to meet with the day-to-day increasing financing demands of the UCBs. If the present central financing agencies are not able to meet with the increased load of this work, possibly due to their priority commitments for agricultural finance, the RBI, alternatively, may ask the central financing agencies to create and operate an additional wing and cell to exclusively work for the requirements of the UCBs. It is only in this case that the question of creation of a separate apex

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73. L-21.1: p. 54.  
bank exclusively for the UCBs may inordinately wait. If, however, in the opinion of the RBI, this course may unduly increase the bulk of work-load of the DCCBs limitlessly, rendering a position beyond control, the RBI, may, as an alternative measure decide and entail the commercial lead bank of the dist. concerned to function on behalf of the RBI, not only as a monitor, but also to provide complete financial accommodation and technical know-how to the UCBs on requisitions; in keeping with a distinct directive which may be issued by the RBI; as an interim trial measure, to start with two or three leading dist.s of the State.

**Overall View**

The analysis of data (Vide: Table 5.26) in regard to the respective shares of different sources in the total capital mobilisations by the UCBs in Gujarat during 1959-60 to 1972-73, would lead us to the conclusion that deposits topped the list with percentage share between 76.2 (in 1965-66) and 81.6 (in 1972-73), followed by Share Capital with its contribution between 8.2 per cent (in 1959-60) and 9.5 per cent (in 1965-66 and 1966-67), by loans with their share ranging from 5.2 per cent in 1972-73 and 7.6 per cent in 1965-66, and by the ploughed back profits whose contribution ranged between 4.8 per cent in 1972-73 and 7.6 per cent in 1961-62 and 1962-63. Thus, the UCBs relied predominantly on the deposits as their major source for
Table 5.2675

<table>
<thead>
<tr>
<th>Year ending June 30.</th>
<th>Owned Capital (in %age)</th>
<th>Borrowed Capital</th>
<th>Total capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share Capital Reserve and other Owned Funds</td>
<td>Deposits</td>
<td>Loans</td>
</tr>
<tr>
<td>1960</td>
<td>8.2</td>
<td>7.1</td>
<td>78.0</td>
</tr>
<tr>
<td>1961</td>
<td>8.6</td>
<td>6.8</td>
<td>78.7</td>
</tr>
<tr>
<td>1962</td>
<td>8.9</td>
<td>7.6</td>
<td>76.6</td>
</tr>
<tr>
<td>1963</td>
<td>9.1</td>
<td>7.6</td>
<td>77.6</td>
</tr>
<tr>
<td>1964</td>
<td>9.0</td>
<td>7.5</td>
<td>78.0</td>
</tr>
<tr>
<td>1965</td>
<td>9.2</td>
<td>6.4</td>
<td>78.9</td>
</tr>
<tr>
<td>1966</td>
<td>9.5</td>
<td>6.7</td>
<td>76.2</td>
</tr>
<tr>
<td>1967</td>
<td>9.5</td>
<td>6.9</td>
<td>76.8</td>
</tr>
<tr>
<td>1968</td>
<td>9.0</td>
<td>6.7</td>
<td>78.9</td>
</tr>
<tr>
<td>1969</td>
<td>9.1</td>
<td>6.5</td>
<td>78.9</td>
</tr>
<tr>
<td>1970</td>
<td>8.7</td>
<td>6.1</td>
<td>78.6</td>
</tr>
<tr>
<td>1971</td>
<td>8.8</td>
<td>5.3</td>
<td>80.4</td>
</tr>
<tr>
<td>1972</td>
<td>9.0</td>
<td>5.2</td>
<td>79.9</td>
</tr>
<tr>
<td>1973</td>
<td>8.4</td>
<td>4.8</td>
<td>81.6</td>
</tr>
</tbody>
</table>

capital mobilisation, needed for carrying on their activities.

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75. 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-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, B-128; D-13; E-6: pp. 23-26; E-7: pp. 8-13; E-8: pp. 14-19; E-9: pp. 14-19.