CHAPTER - I

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Despite the predominant nature of the Indian rural economy, there has been a fast trend towards urbanization. The growth of urban population has been very large since 1971 and particularly so in 1981. Economists consider it nothing short of urban-explosion. This has caused rapid expansion in economic activities like cottage and small scale industries, private retail traders, auto service dealers and repairers, road and water transport operators, small business enterprises, vegetable and fruit vendors, house building activities etc. in urban areas. Urbanization is playing a very important role in Indian economy. It provides productive employment to migrant agricultural labour in urban activities. Besides, providing modern inputs to agriculture, it supports internal and foreign trade, contributes a sizable chunk to the national income and provides various consumer and luxury goods to growing population. Hence, urban development is a necessary condition for economic well being of any economy.

Inspite of introduction of several measures relating to industrial credit, urban self employment activities, urban infrastructure, housing etc. under the banner of Five Year Plans since 1951, and urban development in India has been in beset with several problems. Over crowding of population in urban areas, lack of housing, drinking water, electricity, other infrastructure facilities, open unemployment, threat of competition in the wake of liberalization regime and inadequate finance for urban based organized and unorganized economic activities, etc., are the challenges to be faced.

Finance is the life blood of an industrial and commercial undertaking and other urban economic activities. In a sense the words viz, loan, credit, debt and finance are synonymous; money or finance or credit is the lubricant that facilitates the operation of a machine. Financing of urban areas means the use of capital to meet the financial requirements of the people engaged in various urban economic activities.
An important link among the various economic activities is banking and it has to play a direct role not only in creating the machinery needed for measuring development activities but also in ensuring that the finance made available goes into desired directions. The various Committees and Working Groups were appointed from time to time by the Government of India (GOI) and the Reserve Bank of India (RBI) to study and suggest remedial measures for overcoming the defects in the present banking system. These have thrown much light on the role of Urban Co-operative Banks (UCBs) in the development of urban activities.

In this context, the Co-operative Banks have specific role to play, because initially these laid more emphasis on the credit aspect. But with the passage of time, where ecological changes are taking more rapidly now, and at any other point in the history of mankind – the emphasis shifted to what we call “Innovate or Perish”. So the functional areas such as housing, infrastructure, urbanization, transportation and allied activities received much attention by government where UCBs have to cater to the needs for all such activities. These became more important, acquired greater significance and accorded their rightful place in the overall scheme of the credit disbursement to the urban people.

The primary objective of UCBs is to extend banking facilities to unbanked areas especially in urban/semi urban areas to ensure an increased flow of assistance to the hitherto neglected sectors, to foster the growth of new and progressive entrepreneurs and to give a professional bent to the bank management. It is a known fact that the UCBs are the integral part of our financial system and they have to make all arrangements to meet the requirements of needy people who feel shy of going to commercial banks, can find suitability with UCBs. For this reason, they must remain financially sound and customer friendly. Therefore, a necessity has risen in the mind of the present researcher to study the financial performance of the UCBs.

The UCBs need to deploy 60 percent of credit to the priority sector (of which 25 percent ought to go to weaker sections) as against 40 percent for nationalized banks. To enable deposit mobilization, UCBs are allowed to offer...
higher interest rates on savings and current accounts. Some of the artificial props are given to boost the urban co-operative banking. In this regard facilitating the reserve flow of funds from the rural to urban areas is the most retrograde step that policy makers have taken. Priority sectors – including agriculture and allied activities, small scale industry, housing, self employment, business services, education, retail trade services and technical assistance to very poor persons and weaker sections, the whole range of non-farm activities in the rural/urban/semi-urban sector, have no access to capital market and hence the emphasis should be to promote flow of financial resources from urban to semi-urban and rural areas. The RBI itself admitted that the objective of co-operative banking is to create enduring and sustainable financial institutions which remain responsive to the credit needs of the weaker sections.

In the light of this, the researcher felt the necessity to study the priority sector lending of the selected UCBs of the Dharwad district. In addition to this, the aim of the study is to project the part played by the co-operative credit grass root level institutions where they must achieve a target of 60 percent (percent) of their total advances for priority sectors lending.¹

Empirical evidences reveal that the organized sector is incapable of providing the needed thrust to bring about a massive expansion in employment and income, which the UCBs are fulfilling. Thus the study discusses the credit needs of the formal sector, non-farm sector, sub-sector rural/urban small scale industrial sector, small tiny service sectors, market related self-employment programmes and so on. “It was imperative, hence that our banking system in general and UCBs in particular should refocus their attention on lending to Priority Sectors (PSs), small borrowers, micro-enterprises in the high tech areas”.²

Many discrepancies have already crept into the co-operative sector in India as a whole. Every day it appeared in the news about the scams, frauds in the UCBs. At the same time, UCBs in India have very distinctive status also. UCBs have given scheduled status, some are authorized to deal in foreign exchange, and some UCBs have multi-state branches and virtually they are working as small commercial banks. They are the great sources to transport
operators. Even big industrialists are also looking forward for UCBs for finance. But unfortunately some UCBs have utterly failed.\(^3\)

Hence, the present study of a researcher aims to know the role played by UCBs in strengthening the financial position of the weaker sections and priority sector lending of the banks in the urban/semi urban areas.

In this regard, what are the sincere efforts that these UCBs are doing for their viability is the curiosity which raised the researcher to undertake this research work and appraise the intensity of the problem (if any) particularly with reference to Dharwad District. It is obvious that the credit policies will be effective where they are related to specific conditions prevailing in a region. Hence, specific study for a particular region is essential so as to bestow meaningful inferences for the formulation of appropriate credit policies. Thus, it was highly imperative to find out and assess the financial performance of UCBs, PSL of UCBs and impact of UCBs on selected beneficiaries of selected priority sectors and major problems that hinders the growth of UCBs in Dharwad district.

Lastly, no study about the PSL of the selected UCBs in Dharwad district has yet been made. So it was felt that there is a need for an in-depth study about the working of the UCBs and their advances to priority sectors.

This research work is a modest attempt to examine these and many more issues and objectives in order to offer useful suggestions to improve the performance in general and in study region in particular.

A number of studies have been made to investigate the various aspects of working of UCBs and their role in development of various urban activities. At this juncture, a brief account of their findings seems to be appropriate.

The review of literature connected with the working and performance of UCBs in India and in Karnataka, would provide a basis for the present work. Several committees, working groups, study groups, intellectuals, social scientists and researchers have evaluated the role and estimated the performance of the UCBs from time to tome. Many individual studies have been undertaken in this regard.
In addition to this, the researcher has made an attempt to review research related articles found in journals, magazines and in theses of few individual studies in appraising the overall performance of the UCBs, much light has been thrown by the experts and practical bank administrators on the working conditions of the UCBs. Some scholars have attempted to write articles on some specific aspects of urban Co-operative Banks.

**Review of Theses:**

Kattimani⁴ (1994) has attempted to highlight the deposit and deployment patterns of the funds of the UCBs in the state of Karnataka. He has analytically dealt with the overall profitability and the structure of management costs in UCBs in the state.

A research work undertaken by Panduranga Naik⁵ (1999) where he focused on the new challenges faced by UCBs on the one hand and on the other number of opportunities thrown upon them. Promptly he has done his work in combining both the concepts of co-operativism and small banking practices with the working management of UCBs.

Sharada Upnal⁶ (2001) in her thesis revealed that the proper instruments of social and economical change in the country crucially depended on the capabilities of the overall functioning of the UCBs. The scholar highlighted the mission of the financial system in the coming future which should be to reduce the costs, improve productivity and offer better consumer/customer services. The author has undertaken this research work only to know the viability and profitability of the sample bank in Bagalkot District.

Ravi Kadam⁷ (2004) in his thesis presented vast information about the financial position of fourteen UCBs of North Karnataka region. The author has given the detail sketch of the purpose-wise credit, state-wise position and even district-wise position of UCBs of the above said region, but not appraises the grass root level problems of UCBs in the study region.

With the application of operational and solvency ratios, the writer has measured the financial performance of the UCBs and also traced how the Banks were using their assets efficiently. Ten specific suggestions pertaining to the research work are praise-worthy.
Review of M.Phil Dissertations:

Scholars like Doke Kiran and Baburao (1997) made an analysis of financial statements by adopting the technique of ratio analysis. The conclusions are considered by the authors are useful for management, investors and creditors which would lead to organizational effectiveness and can be like the goal oriented performance.

Mulla (1999) in his dissertation expresses the achievements of UCBs in Karnataka with their admirable positions. The UCBs have become an outstanding example to other financial sectors he opines. The success of UCBs according to the author, can be attributed to a combination of variety of factors like interest and zeal of honorary workers, support and confidence of general public, borrower’s and customers etc. The author has clearly mentioned the services rendered by UCBs where the writer has distinguished the services from banker’s point of view and customer’s point of view. Further, has enlisted the customer amenities which are all really praise worthy.

Review of Articles from Journals:

Vidya Upadya and Vasan Kodag (1996) made a notable contribution in the sense that, the article envisages the working of women co-operative bank and the development of women entrepreneurship and employments. The authors have undertaken the task of appraising the Bank very critically. This article also analyzed the fact that how credit facilities have helped the members to enhance their living standards and also suggested some useful thoughts to strengthen them through some specific and particular measures.

Payalavannan (1997) has made an attempt to highlight the impact of structure reforms on the UCBs. With this view the author has opined, and pointed out that in order to accelerate the tempo of banking, all out efforts need to be initiated in structure reforms at various levels. The structure reforms have a great impact on UCBs. These reforms are bound to affect UCBs, since they work as an integral part of country’s economic framework. He was of the opinion that if co-operatives do not take cognizance of these reforms, they will lag behind and their very existence will be of no use. In order to improve the
efficiency of UCBs as an integrated economic system, very bold decisions in structure reforms have to be taken was the appeal of the author.

Ramesh and Patil\textsuperscript{12} (1998) have made an elaborate study of the growth trends in different dimensions of UCBs in India. The authors have identified the major trends in the functioning and performance of these banks. They have brought the introspective picture of Indian UCBs and their working. The study indicators are both physical and financial. With the help of Linear and Exponential growth models, the study estimated the Linear and Compound growth rates. The study also covered the overall performance and deficiencies in the working of UCBs and suggested some remedies for better working.

Selvan and Samuel\textsuperscript{13} (1999) highlighted the twelve types of bank's priority sector lending – like advances to agriculture, cottage and Small Scale Industries, Road and Water Transport Operators, Retail traders, Small Business Enterprises, Housing, Professional and Self employed, Consumption, Bio-gas plant and market yard along with Calf Rearing etc. are some of the bank activities and few among them have not yet implemented as pointed by the author. These are encouraged by the bank with open minded strategy under the present liberalized economic scenario. Even though there are existing problems and difficulties in the field of its work, these banks, have sufficient potential and enough strength to overcome any short falls. This is the sheer confidence of the author about the UCB of Kodaikanal.

The author, at the very outset, gave an introduction about the urge of PSL or termed as social-lending, explaining an over view of the city, which has the best serene environs for tourists in the whole of South India. Authors with the help of Inspection Reports of the RBI calculated the advances to priority sectors and appraised the rapidity of the status of Priority Sectors Lending. Their methodology was an analytical one. Their case study covered the six year period and calculations like percentage more or less per account Priority Sectors Lending were all note-worthy. In conclusion, the authors felt the necessity of increasing the expertise of the bank to survive in the Liberalization, Privatization and Globalization era. They opined that this bank should become one best example before others.
Samwel Kakuko Lopoyetum\textsuperscript{14} (2000) gives the vivid picture about the Dindigul UCB Ltd., No. 19312 which was registered as a co-operative society under Act 11 of 1912 (India), the headquarter is at Dindigul Town, Dindigul Taluk of Dindigul District in Tamil Nadu. This bank completed 90 years of its existence. According to the author, it is ‘A’ class audit classification during 1998-99, and since last two decades it had maintained this. Each activity of the bank is appreciated, and for this there is quality aspect in the bank in bringing financial stability and sustainability of the bank.

The author narrated the performance of the banking taking into account the area of operation, branches, membership, management and administration, Limits of the loans sanctioned, Investments of the bank, Deposit position and percentage, more or less working capital and its corporative analysis, net profits position etc. The author has touched the most vital aspect called efficiency of the bank. They have a great concern about the bank, and hence along with only 04 problems, have explicitly explained the 07 future plans and suggestions for the improvement of this particular bank.

Veerakumaran and Subhash\textsuperscript{15} (2001) says that since 1936, the Palakkad UCB in Kerala is working without borrowing from any other financial agencies and it is catering to the needs of the masses for more than seven decades. The authors have come to the conclusion in a study conducted by the economic research department of SBI with the opinion that the credit disbursed to the weaker sections of the community in Kerala state not only increased the levels of incomes but also enhanced the dignity and social status of the borrowers. This statement is obviously true where much light was put on the rising trend in membership, share capital, and deposits which showed its sustainable growth, dedication of its employees and management which these are other distinctive characters of this bank. This is a renowned successful urban co-operative bank of India.

Amrit Patel\textsuperscript{16} (2004) opined that the co-operative credit structure in India is now a century old. Since their long existence, these credit institutions are unable to keep pace with contemporary financial institutions. They are lacking in leadership, professionalism, transparency, accountability and are
totally un-functional. The study of the author revealed that the co-operatives are ineffective, inactive (dormant) and are dying (moribund). The economic and financial sector reforms during 1991, a healthy financial system is the principal prerequisite and is an important component came into sharper focus. All the operational parameters for the assessment of the soundness of the co-operative banks have applied, though the co-operative banks operate at the district level. This article covered the status of co-operative credit institution with regard to recovery, Non-performing Assets, accumulated losses, gross margin to working funds etc. and found several lapses like structural flows operational inefficiencies and infrastructure weakness. Hence challenges in multi dimensional way are to be faced. The students of economics agree on the fact that just increase in Gross National Product cannot be identified with mere rural development in a remedial way to face the challenges.

Samvel K. Lopoyetum17 (2004) write about the New Economic Policy (NEP) which was started with high hopes that, it would prove a panacea for all economic problems, but the co-operative banking sector could not take the full advantage of these reforms, because they were not planned properly. There are several problems already existed in the sector and thus the reforms unquestionably opened up new challenges like threats, prospects, opportunities and potentialities. The author has given strategies for successful operation of District Central Co-operative Banks (DCCBs) and UCBs, suggested the diversified lending and recovery operations, pre-sanction/post sanction and an integrated recovery strategies recycling of fund mix and many more efficient and effective Central Banking strategies. The author strongly believed in many other solutions which would bring bright prospects to central co-operative banking in an efficient manner.

Sharada V and Police Patil P. A.18 (2000) in their study emphasized the need for the co-operatives to be aloof from the influence of vested interest groups, free from politics, abundant state financial help and must be encouraged professionals into the co-operative sector. Tracing the co-operative development in Karnataka, the authors viewed optimistically the above
enumerated things in the co-operatives in the Dharwad district in order to reach success.

Krishna K. Gupta19 (2005) in his study on “Evaluation of Co-operative Credit Institutions in India: A view point” has highlighted that no initiative of strengthening the co-operative credit institutions will sustain unless it comes from co-operative system itself. The apex co-operative institution, therefore, should come forward for the revival of the whole co-operative credit system rather than the system waiting for the Government fiat for its strategy.

Subrahmanyam. B.20 (2001) has found in his study the importance of co-operative system which is a crucial channel of credit for rural and urban areas. His study made an observation on the union budget about the vitality of the co-operative sector. Since long and over a period of time, however, problems and various hurdles have developed in the co-operative sector. The author viewed this mainly because of excessive bureaucratization and overlapping jurisdiction of governments, Reserve Bank of India, Co-operative Department and even NABARD. Hence, the author felt the urgency to maximize the union budget proposal and ensure special, specific and appropriate measures for co-operatives to become dynamic, vibrant, viable, strong and more democratic.

Review of Articles of Magazines:

Khazim21 (1996) has observed that the UCBs occupy a specific position in the Indian banking and financial system with their unique structure and character. Khazim observed some proposed new measures particularly in regard to maintenance and safety of securities held under prescribed SLR, low CRR, and other provisions. In spite of these concessionalities the UCBs are unable to make profits and are not surviving at all. They are working in a few states only. Because of the new regulatory umbrella opened by RBI, it is difficult for UCBs, author says, precautions must be taken to introduce the measures and allow sufficient time for UCBs to implement them in the interest of their members. While Globalization has created a totally different environment, UCBs must try to choose policies which enable them to derive maximum benefit. They must undergo many changes in order to perform their functions.
Warrekar\textsuperscript{22} (1996) has observed that in the liberalized environment every UCB will have to decide for itself once the legal position is clear whether it should be privatized and whether it will be able to serve the members and the society better. He has asserted that after privatization, there will be more scope for earning large profits but profits are not at all the aims of the UCBs. These banks are at the crossroads. Not withstanding their achievements and phenomenal growth in many parts of India, UCBs are beset with many financial and organizational constraints and problems in the new era of Privatization and Globalization. Many scholars have expressed serious doubts about UCBs' abilities to cope with those challenges of the new era. Hence the author opined that the UCBs will be thrown again into the hands of wealthy people. This is true because since long UCBs have thrived best in the hands of selfish managements who worked for their own benefit. Thus Warrekar examined certain issues and challenges confronting UCBs. The author strongly felt the views against Privatization and narrated the factors against it, while reviewing this article the present researcher aptly pointed out that, it is high time that any policy measures have not yet been adopted and are not given serious considerations by the authorities concerned about Privatization.

Manoj Shah\textsuperscript{23} (1999) observed that UCBs should make strategic movement to broaden base their activities concentrating eco-friendly schemes to ensure sustained growth. The author opined that our banking system should become strong enough to sustain and supplement the integration of the code of best practices to find this achievement. This includes adequate capital structure, sound-accounting policies, transparency, sound risk management practices, upgrading skills, Human Resource Development (HRD), innovative banking with inbuilt competencies and capital resources richness to achieve sturdy banking system. The socio-economic strength of a UCB depends upon the context in which it operates. Hence the author argued that there should not be any control either from RBI or from Co-operative Department because this hinders the very operational functioning of the UCBs. However, there must be autonomy for UCBs is the strong view of the author. This all must be ideal and
not be incompatible but they should complement each other by practicing eco-friendly schemes. However UCBs often emphasize many schemes.

Pratibha Patil\textsuperscript{24} (2001) viewed the status of women in almost all spheres for a fairly long time successfully held most prestigious and top ranking. Recently women have been steadily climbing up the ladder to make inroads into the male dominated corporate echelons. She says, vast majority of our female population comprising women from weaker sections continue to lead a stifled existence and silently bear the agony where their economic dependence on the male members of their family has thrust upon them.

Being the chairperson of NAFCUB’s committee on Mahila UCBs and the Role of women in WUCBs, stressed the point to liberate the vast majority of our women folk from humiliating existence to face life with confidence is as she calls “The empowerment of women”. In her guest editorial realized the hurdles her fellow women cooperators would have crossed to get their Mahila Banks started and the never ending chain of challenges they must be facing to keep them going. Providing a service like banking which essentially survives on securities to women who are deprived even of a say in the family matters, let alone owing a share in the property is surely no mean task. The writer created a total platform for women for total development.

As a chairperson for the 1\textsuperscript{st} meeting of NAFCUB’s committee on Mahila Banks and Role of women in UCB held at Bhopal on April 12, 2001 echoed with similar sentiments by Pratibha Patil about the gender related issues, particularly those involving upliftment of women from the weaker sections have always been a major concern of the co-operative sector in general.

Feroza Bano\textsuperscript{25} (2001) wrote about the Management and Board of Directors should consists of women members only. These all are known for their enthusiastic nature, taking unanimous decisions and dedicated members, who are actively working for the growth and development of the bank. The author expresses happiness about the customer services. The bank is fully computerized and the maximum number of banks customers belong to Hindi belt, so the bank has procured software which can provide statements of accounts, pass books, drafts etc. in Hindi.
An interesting point from the article is noted that without the Govt. help the bank is able to mobilize the deposits up to Rs. 09 crores. All the investments of the bank are as per the RBI guidelines. Every minute work is done with full verification and examination. The recovery position of the bank is praise worthy. The author opines that the bank has become the model bank within a very short span of time.

**Review of Publications:**

Koli²⁶ (1992) gave a vivid elaboration about the origin, genesis and evolution of the UCBs in India and also in Maharastra. The author has tremendously worked on highlighting the role of women in crash programmes like credit. The stress on identifying women’s entrepreneurship is noteworthy. The views on the negligible participation of women and the status of women in India are really appealing. In the thesis, the summary of suggestions includes the general problems to be met, management responsibilities; recruitment rules service rules, government responsibilities in regard to nursing the women UCBs rehabilitation and redressal of difficulties, are appealing. For her epoch work the NAFCUB has published the whole research work in the year 1992.

According to the author, the women UCBs, organized and managed by women for the eco benefit of women, still needs more awareness in building skill and development of entrepreneurship. Author’s work is appreciated as it has elaborately dealt with the performance of six women UCBs in Western Maharastra. The study revealed some problems. Hence author opined that there must be need for total involvement of women, women must be helped to acquire self-confidence because women are the part of mainstream of national development. So the present researcher also feels that the initiation of crash programme for elevating women status to secure a fair share of employment opportunities is the thought of the hour.

**Review of Text Books:**

Maheshchandra Garg and Joshi²⁷ (1997) have criticized the ineffective branch expansion programme of the UCBs in Karnataka state. They have cited the fact that about 66 percent of the UCBs in the state are located only in four
districts, viz. Bangalore, Belgaum, Dharwad and Bijapur, while rest of the districts are lagging in the localization of UCBs. Further, the authors have observed that in spite of 208 banks operating in the state, the average number of branches per bank works out to be less than one. This results in the inactive role of UCBs in increasing banking habits even among the urban people. In their findings they said that there is a need for a deliberate policy for the development of UCBs in the state.

Bedi²⁸ (2001) contributed theoretically about the theory, history and practice of co-operation, and contained an immense information and knowledge about the history and growth of co-operation in the world as well as in India. He has covered the origin and development of co-operation in almost twelve countries of the world including India. The endeavor in bringing within the compass of the book is the information relating to a variety of shapes, stages of co-operation. The author had personal experience in the field of co-operation practiced in several states of India.

**Review of News Paper:**

Bimal Jalan²⁹ (2001) delivered a speech at the banks economists' conference in New Delhi and opined that the banking system can influence the pace and position of economic growth by institutionalizing savings and enhancing resources in well determined directions in consonance with the national objectives and priorities. The Reserve Bank Governor also expressed that, over the last three decades, the role of banking in the process of financial intermediation has been undergoing a profound transformation owing to changes in the global financial system. It is now clear, according to him that a thriving and vibrant banking system require a well developed financial structure with multiple intermediaries operating in market with different risk profiles.

Various committees and commissions have authenticated and firmly expressed the significant part played by UCBs in India viz.

1. The Indian Central Banking Enquiry Committee 1931 has observed that "The duty of these UCBs must be to try to do for the small traders, the
small merchants and the middle class population, what the Commercial Banks are doing for the big traders and big merchants”.

2. The Co-operative Planning Committee 1946.

3. The Rural Banking Enquiry Committee 1950.

4. A committee on co-operative credit, 1956, headed by V. L. Mehta.

5. The survey of UCBs by RBI in 1958-59.

6. Study Group on credit co-operatives in the non-agricultural sector in 1963 by Shri. V. P. Varde, appointed by GOI under his chairmanship.

7. The working group on Industrial Financing through Co-operative Banks in 1968.

8. GOI in 1969 appointed the Banking Commission under the chairmanship of Shri. R. G. Saraiya.

9. Govt. of Maharasstra in 1974 appointed Shri. V. M. Joglekar as a chairman for the committee on “Problems of UCBs in Maharashtra”.

10. The popular Madhav Das Committee in 1978 July, appointed by RBI is solely on the UCBs.


15. High Power Committee. 2002


17. Vision Document, RBI, under the chairmanship of Shri. K. R. Anand, Chief General Manager RBI.

These several committees and various study groups have assessed the total performance of UCBs from time to time and have recommended the corrective measures to strengthen them. These committees have made the studies on the issue at macro level, but they have thrown less light on the performance of UCBs. This may be due to the restricted terms and conditions of the policy and legal frame work within which they were supposed to operate.
and study. However the importance and usefulness of UCBs in financing the urban poor, middle class and weaker sections (or masses) was recognized by these committees and commissions.

These are all the writings that are reviewed and revealed that Urban Banking is of greater significance than any other co-operative banking due to certain specific strengths and uniqueness they managed to survive and grow in the competitive environment.

Review of Articles from Media Room:

Mujumdar N. A.30 (2001) Some UCBs faced liquidity and insolvency problems because of non-adherence to prudential norms by RBI. A sudden withdrawal of deposits in one multi-state UCBs was the theatre of a scam. The author viewed; that not only UCBs are after the purchase of government security, but some DCCB are also very keen in this task in 2002, the scams were very serious for the whole co-operative credit structure were without any direction. Author vividly pointed out the clear work assigned to NABARD, RRB and Co-operative Banks which aims towards a sustainable growth. Various committees from time to time have been formulated to show the right path to march ahead. But author was at panic to know that no one provided blue prints for futures shape of the economy. Author memorizes the services of V. L. Mehta and D. R. Gadgil, who dreamt always the rural economy. But today India is not having such dedicated leaders.

This article revealed that ‘New-culture’ with the effect of reforms aims at providing loans to mighty projects rather than disbursing the credit to medium and long term credit to productive purposes have to be developed. The author stressed the priority sector lending of co-operative banking sector as a whole, which is catering to the needs of the weaker masses. This point bears some weight because the draft paper to the X plan, 2002-2007 gives more validity for sustainable growth with increase employment opportunities and thus increasing levels of income of the rural and urban poor.

The writer clearly pointed out the reasons of appreciations to the co-operative financial segment. He highlighted the naked truth about the failures in reducing poverty and cited an example of china, with proper planning
achieved 06 percent of reduction in poverty in just two decades. But the present researcher felt meaningless in comparing the statistics with other countries. What exactly is necessary according to the author is not broad based growth but a need based growth. Hence, the researcher opines the proper financial mechanism from top to bottom must be activated in the proper dispensation of credit. Author’s views are really worth to be attended. RBI’s business is to earmark the areas on which each financial segment could focus and should suggest solutions and make all one by establishing proper liaison on amongst all.

Jagdish Kapoor31 (2001) Deputy Governor, RBI, took part in the discussions on the theme “Reforms in Urban Banking Sector”, gave the true picture of UCBs during 2000 accordingly co-operative credit was the first to consider the micro credit dispensation in India. A century old urban co-operative credit movement which had 2084 UCBs, with 7368 branches, total deposits of Rs. 71,701 crores and outstanding loans of Rs. 45,856 crores has spread over the country. He revealed the concentration of the UCBs in Maharastra, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu, which is mainly due to strong co-operative leaderships. The profiles of these banks particularly aiming at the PSL was appreciated by Kapoor, as it was difficult for commercial banks to cater to the needs of urban poor. Barring some weak entities UCBs are performing well was the opinion.

The Deputy Governor viewed about the regulation of RBI for UCBs. The recommendations of High Power Committee (HPC) on UCBs were accepted and implemented. But as regards issues related to dual control, there was very little attention given, hence in the discussions wanted to place before some issues for future development of UCBs and suggested –

One: Urban Co-operative Banking sector at par with rest of the financial system –

This is very essential since the sector has made laudable achievements in undertaking multifarious banking activities, merchant banking, deposit insurance since 1971, established easy access to public deposits etc. must be appreciated. Hence it must be brought under regulatory regime of RBI. The
opinions were strong about the nature of business, frame work, size of operation; balance sheet etc. which must not be undermined. With simple opinions the author said that the only thing UCBs must is to adhere to the regulations. The author adds, the attempts made by RBI over UCBs must be in the form of protection to UCBs where –

a. Working group has already constituted to study the interest rates on deposits, risk and asset liability management for which every body must wait for the recommendations.

b. UCBs must first be able to disclose their level of owned funds, NPAs (Gross/Net) compliance reserve requirements, and per-employee productivity.

c. Strengthening the audit system was the major concern. In 1995 an expert panel had taken a lead and suggested professionalization of audit and re-designing of audit format. But Kapoor said that many state governments had not responded positively so the researcher felt that aligning UCBs with other financial entities is not a simple work because years are passed since RBI is persuading to do so.

d. The author had very clear doubts regarding the frontiers of UCBs and their access to inter banking and capital markets, a nation wide reach which made them to remain last in the race. Because these are not the investment avenues where they can manage every thing.

e. Regarding CRR and SLR, the UCBs in any way find it difficult to maintain during liquidity crisis. The UCBs, out of their resources were unable to keep it in government securities as well as in Statutory Liquidity Ratio (SLR). The researcher’s views regarding bringing UCBs on par with other financial entities are impossible, what the deputy governor has expressed seemed to be the same.

**Two: Future setup for weak banks –**

Kapoor was not ready to accept the fact of cancellation of licenses and closure of some weak UCBs. It is known fact that closure is the last resort to be adopted but before there must be enough know-how about the rehabilitation. The strategies to be considered are, a) the registrar must speed up the courts for
recovery process, b) unviable branches must be closed down, c) UCBs must find out avenues for additional capital and d) merging but not forceable merging with sound or strong UCBs. Researcher feels that all this needs a very careful study.

**Three:** Improving Governance is extremely important. An efficient man for a right work must be taken care of –

**Four:** Thorough road map was drawn about duel control dilemma –

The Madhava Rao and Narasimhan Committees’ recommendations were yet not given due attention which poses many hurdles for the working of the UCBs. The author strongly believed that the regulation of RBI over UCB is factually impossible. Kapoor gave three ways of eradicating the duel control, viz, a) Possibilities of constitutional amendment, b) Confining the duties of Registrar and c) Demarking the roles of state government and RBI in the State Acts which would lead to the amendment of BR Act in a manner which could enable RBI to assume certain powers.

In the concluding part of the discussions an opinion of Separate Agency for supervision of UCBs is given. The present researcher has similar ideas because UCBs have made their own position stretching large strata of people where day to day’s supervision becomes cumbersome for RBI. RBI usually visualizes once in two years with long gaps of observations hence a separate body for supervision is a need of the hour.

Sinor32 (2004) gave exhaustive information about the present crisis present scenario, dual regime, RBI’s entry point norms, PSL, NPA problem, licensing and a separate agency for supervision of UCBs in a nation. Being a chief executive, with vast knowledge of past, present and failure prospects of UCBs, wanted to bring to the notice the real status of UCBs in the Indian financial system. In the beginning he also had a doubt about the real fact which made UCBs to suffer. According to him, it might be due to the scandal in the stock market or snafu in the bond market. But at present confidential crisis have emerged. Some UCBs are performing well, but at the same time there are small entities which have very critical situations. The Maratha Mandir Cooperative Bank under liquidation and RBI issued directives to freeze all its
business though it had made profits of Rs. 24 lakhs, NPA actually reduced to 25.74 percent, Capital Adequacy Ratio (CAR) stood at 9.91 percent in 2003-04. But in case of Punjab and Maharastra, co-operative banks with continuous cumulative withdrawals stood at over Rs. 06 crores, RBI told the depositors not to worry is very strange but a true fact. This all is nothing but the worst thing of Dual regime that UCBs are over seen by both state governments and RBI. It is proverbial to say that “The Dual Regime” is the greatest bane of the co-operative sector.

The recommendations of Madhava Rao committee are best but until RBI or Government gets absolute power nothing can be done. The UCBs are political cesspools; board always plays a game of gutters, spread rumours etc. which ultimately leads to dismantle of the bank, which is a naked truth. The author narrated an example of wishper camp against south Indian co-operative bank, all worst things started thereon.

Sinor wanted to reduce the NPA’s accounting norm to 90 days, because it will be a difficult task to furnish for small UCBs, who cater to small government agencies which repay there loans usually after 180 days. Is it not injustice? The author pointed out that the RBI has over looked this, RBI has an answer for this and it says to approach Debt Recovery Tribunals (DRT) but this body has flooded with appeals, so one must wait and watch.

Whatever the attempts made by government and RBI, are not fruitfully operated, only for the reason of political apposition. However, the author said that the UCBs can not be brought under the ambit of RBI but with ambitious aims of RBI and central government are firm in bringing the “Best Practices” to UCBs also then under the pressure, the UCBs have to adopt all for their overall improvement in efficiency and operations.

The researcher knows well that every one is very keen in watching the performance of co-operative banks, because RBI is cancelling the licenses of weak banks and trying for Amalgamation and Merger. The whole co-operative banking sector must wait till the report of Task Force set up by the finance ministry comes out. The author’s views were very interesting, that even under so many hurdles UCBs are working, but unhealthy situations have already
taken birth in the whole sector. All are trying to solve, but how far it will be successful is all to be noted. The RBI wants permissible exposures reported under “Special Reports” by UCBs. Sri. Chidambaram, the present Finance Minister, ensured “Super Regulatory Authority” for administering the UCBs. Thus, many more things will definitely make UCBs stronger than ever before.

Ranjana Kumar\textsuperscript{33} (2004) said, over 40 percent of rural population was still dependent on money lenders for their credit needs despite the existence of co-operative banks. Citing a recent study conducted by NABARD, Ms. Ranjana Kumar said, it was unfortunate that the rural population even decades after the nationalization of banks and multi agency mode adopted for catering to the credit needs of the poor are still in the clutches of the money lenders. Accordingly, the co-operative banking in the rural segment could not be run on a set pattern and there is need for innovation in product design and service methods. Apart from changing the banking hours to suit the needs, the author also advised the bankers to closely monitor the unforeseen tragedies in the personal lives of the borrowers and re-schedule the loans.

Advising the bankers to closely study the bad accounts to ascertain whether they were largely due to the policy frame work or mismanagement by the banking staff, Ms. Ranjana Kumar asked the co-operative bankers to evolve new policies on a periodic basis to deal with these problems. Pointing out the model of addressing credit and savings needs of rural folk through women groups and self help groups, was highly successful with recovery rates of up to 98 percent, Ms. Kumar at the Inaugural session advised the women co-operative bankers to initiate measures towards providing marketing support to the products of these women and self help groups.

\textbf{Review of Report :}

Vaidyanathan\textsuperscript{34} (2004) “A Task Force Committee on co-operation” recommended that recapitalization be limited to institutions that confirms to the standards of eligibility (viability or potential viability) which do not confer to its prescribed standards (non viable, dormant and defunct credit co-operatives) to be merged/amalgamated/closed. The committee also recommended that Capital to Risk Weighted Assets (CRAR) be made applicable to all co-
operative institutions. Indeed they are initially supported with external resources, to achieve CRAR of 7 percent. This may be enhanced to 09 percent then to 12 percent over a period of time. As per this the co-operative credit institutions to return the government equity and credit societies, including the primaries and their federal structures to increase their owned funds to achieve a minimum CRAR percent to 12 percent within the next five year period. In this connection, RBI should initiate steps to get Banking Regulation Act amended, in order to bring co-operative bank on par with commercial banks in terms of prudent financial regulations.

The above mentioned studies have been useful in highlighting the role and different problems of UCBs in the process of urban development activities in urban India, by the very nature of their objectives; they have not been able to probe deep into the various problems faced by both UCBs and beneficiaries of UCBs. Hence, it is felt that there is a need for in depth studies at the UCBs and beneficiary levels to fathom and appraise the intensity of the problems that the bankers and the beneficiaries face in getting/utilizing loans for various urban activities.

Thus, the present study is a humble attempt to make an in-depth analysis of UCBs and urban beneficiaries in the process of undertaking urban developmental activities through (UCB) finance.

Objectives of the Study

From the foregoing paragraphs, it is evident that any study on banking development would be incomplete unless the role of UCBs in the overall urban development is not studied. When the present study dwells on the development of UCBs in Karnataka, with a special reference to Dharwad district, it is essential to throw sufficient light on how far the UCBs functioning is significant in the course of urban development in particular and economy in general.

The study of urban co-operative development further necessitates the review of progress made by them in India, Karnataka, and Dharwad district
throws some useful light on assessing the performance and adopting some positive policies towards further development.

The following are the main objectives:

i. To provide the general review about the role of UCBs in the Indian Banking system.

ii. To study the evolution and progress of Urban Co-operative Banks in Karnataka and in study region.

iii. To evaluate the growth and performance of selected UCBs.

iv. To assess and analyze the priority sector-wise deployment of credit of UCBs in the study region.

v. To assess the physical performance of selected UCBs.

vi. To find out the mobilization of financial resources by selected UCBs.

vii. To know and collect the opinion of the beneficiaries regarding day-to-day functioning of UCBs and impact of UCBs on the urban economy.

viii. To identify the problems, and suggest measures based upon the useful findings of the present study.

**Hypotheses of the Study**

In order to achieve the above stated objectives of the study, the following hypotheses are formulated.

i. The performance of UCBs in the Dharwad District is remarkable.

ii. The funds deployed by UCBs to selected priority sectors are insignificant in the study region.

iii. UCBs have helped to generate new entrepreneurial class, employment and creation of assets.

**Methodology and Research Design**

As discussed and reviewed, the research related literature which is essential for designing of the present study research design is the blue print of the procedure that enables a researcher to test the hypotheses by reaching valid conclusions about the performance of UCBs in urban economy. The present
investigation determines the effectiveness of PSL of the sample UCBs on employment generation and other related aspects of the borrower beneficiaries.

**Materials and Data Used:**

The study of this nature necessitates the use of both primary and secondary data. Accordingly in the present study, the related research information has been obtained from both the primary and secondary data.

**A. Primary Data:**

The primary data were collected with the help of pre-designed schedules for canvassing the selected respondents of four sample UCBs in the Dharwad District. This accentuated the researcher to prepare a detailed and comprehensive interview schedules. The investigator has used systematic and scientific procedure while constructing these. Before finalization at the schedules a pilot study was conducted and experts' opinions were also collected. After finalization of the schedules, the residential addresses and contact numbers of the selected borrower beneficiaries were collected with the help of the officials of the sample UCBs. Then the field work was undertaken. Thus the data from the borrower beneficiaries relating to five selected priority sectors’ loan schemes of the sample banks were collected and administered with the help of an interview schedule.

**Tools Used for the Study:**

The following tools were used for collecting the requisite primary data which were construed by the investigator.

a. Questionnaire schedule meant for Bank officials is constructed and standardized by the researcher. This schedule consists of 40 main question statements and 41 sub questions.

b. The interview schedules were meant for the borrower beneficiaries of the sample UCBs. This schedule is constructed and standardized by the researcher.
Thus two sets of schedules were prepared and served. One schedule administered for Bank Officials of 15 UCBs of the Dharwad District and another schedule for 200 borrower beneficiaries of the sample banks.

Field Work and Collection of Data:

The present study is an empirical research based on the "Survey Method". In order to assess the impact of credit assistance by UCBs under the scheme of targeted credit programme to priority sectors, a field survey was specially carried out. It involves the collection of primary data from the selected borrowers of the sample UCBs. For this purpose, prior permission has been taken by contacting personally the bank officials of the sample UCBs.

During the field work, borrower beneficiaries in the sample were contacted several times and discussions were held with them individually on various aspects while canvassing the schedule. The interview schedule was translated into vernacular language because the targeted respondents were either not conversant with the English language or were illiterates. It was also borne in mind that the respondents would be able to express their views and opinions more effectively in their mother tongue, or local language. The borrowers who understand English were given schedules in English. The interview schedules were open-ended once and the beneficiaries had to tick (✓) in front of one of the suggested alternative answers. Detail notes were taken during these discussions and attempts were made to cross check the views and ideas expressed by these borrowers during the 90 days of survey work from 20th December 2005 to 26 March 2006.

The data used in the analysis is also collected through personal discussions with eminent bank officials like, Chief Executive Officer, KSCUBF Ltd., Bangalore, Deputy Director (Audit) KAS, DCCB, Dharwad, Principal and Faculty members of the Co-operative Training College, Dharwad, Chairman, Vice-Chairman, Managers and Accountants of the UCBs.

Visits, Attendance and Observations:

In order to find out the working of UCBs and their performance, continuous visits were undertaken to sample banks in the vicinity of the study
region. The Annual Board Meeting of Alanavar UCB was attended and regarding the collection of primary data, it was kept in the agenda and passed by the bank. It was the happiest movement for the researcher as much information was gathered about the functioning of the Bank. Similarly, the permission of the managements of the other Sample Banks was taken through the managers for collecting the primary data.

**B. Secondary Data:**

The present study is also based on the secondary data for evaluating the objectives of the study. The researcher has collected secondary data by contacting and visiting the source centres. The relevant information and data has been collected from both published and unpublished materials. For this purpose, the following libraries were consulted –


In addition to the above sources, the existing available literature on the subject was also used in the study, published works of eminent authors related to Urban Banking, related articles in various news papers etc. are also used as an external source of secondary data. In order to present the measures or policy changes various committee reports are also referred.

The Annual Reports of the UCBs, RBI Inspection and Audited Reports, Co-operative Banks Diary for the years from 2000-01 to 2004-05, pamphlets produced by the sample banks enabled the present researcher to elicit first hand information needed for the research.

In order to analyze the performance of four UCBs a set of physical and financial variables were considered and the time series data from 2000-2001 to 2004-2005, were collected to identify the variables that had the major influence on the working and performance of the bank. In order to workout the targets and achievements of the selected UCBs in the dispensation of credit, loan advanced and balance outstanding to selected priority sectors were collected.
The time series data relating to overdue were also collected. This data formed the basis of the research study.

The study also has been supplemented by a wide coverage of readings, references and cross references as mentioned in the bibliography appended with this thesis.

**Selection of the Study Region:**

The Dharwad district, one of the districts of the Karnataka state has been selected for the purpose of conducting an intensive study. Dharwad was the largest district in the state prior to its re-organization into three districts viz, Dharwad, Gadag and Haveri. It has been the administrative centre place right from the British rule in India at present it is neither too large nor too small and the overall growth of the district is moderate. The Dharwad district comprises of five talukas Dharwad, Hubli, Navalgund, Kalaghatagi and Kundgol. Out of these talukas, Dharwad, Hubli and Kalaghatagi talukas have been selected for the purpose of the study. The other two talukas are not having UCBs.

The study area of Dharwad region was selected for the following reasons.

Firstly, the present Dharwad District includes 15 UCBs and the first Co-operative Credit Society at Kanaginhal a tiny village in Dharwad was registered on 8th May 1905 and completed 100 years of inception on 8th May 2005. On the other hand, other UCBs were established in 1907 known as Maratha Co-operative Bank, which is popularly known as Mahalaxmi Urban Co-operative Bank and is not working at present. But Dharwad is the mother of many UCBs in the country from British rule. Some of the UCBs like the Hubli UCBs, Alnavar UCBs are working on sound footing but many of the UCBs of the districts are not working due to grave situation and discrepancies. Therefore, the present work has been undertaken to assess the exact performance of the UCBs in the Districts.

Secondly all the UCBs more or less are having enough and sufficient span of life, i.e., more than 75 years of their establishment and are known since then for the laudable achievements that they have done and are doing in
catering to the needs of the people of the Dharwad region necessitated the researcher to select Dharwad region.

Thirdly, it is a known fact that, the UCBs are very strong in Dharwad region, out of 15 UCBs, 3 UCBs are in the district headquarters, 11 UCBs are in taluka headquarters and one UCB is in rural centre. The economy of this District placed in North Karnataka is an industrial and commercial centre and known for trade and business. Its favourable business environment has altered several small and medium scale industries. The development of industries and commerce has provided a fertile ground for the financial institutions. There are a number of Commercial Banks, Nationalized Banks, Scheduled Banks, Grameena Banks, Co-operative Banks and Mahila UCBs in the district. Peoples’ need for finance is continuous and is met by UCBs.

Fourthly, the exogenous factors which are the general economic environment of the region, the volume of business transaction of the region, the confidence of the people on the Banking system, the banking habit of the people, most important of all the savings potential of the region, and lastly the extent to which these Banks are able to mobilize the savings of the community in the form of deposits, has made the researcher to select this region.

Fifthly, the sectoral deployment of credit in Dharwad region is better in the state than any other districts of state.

Sixthly, the study region also commands a lions share in the UCBs in Karnataka State. The High Power Committee, appointed by Government of Karnataka in its report, stated that the performance of UCBs in Dharwad District is adequate in all respects. The deposit mobilization, highest level of deposits from house hold sector, highest per branch deposits, purpose wise advances where housing has the biggest share in the total advances, SSI, cottage industry which is not attended adequately is even revealed highly satisfactory results. Para 17th of Dr. Nanjundappa’s Report clearly states that the picture of Dharwad district Co-operative Development wise is in the first place followed by Belgaum and Bijapur.36 This statement has attracted the attention of the researcher and hence the Dharwad region is selected.
Seventhly, the present researcher is familiar with the local banking system and people in the vicinity and thought that the district is an ideal geographical confinement for conducting the study of this kind.

Lastly, the time and cost factors were also considered for the operational convenience while selecting the region.

Based on these socio-eco conditions “Purposive Sampling Method” was adopted in the selection of the region.

**Selection of the Sample Banks:**

The exercise of mopping up of potentials that can be exploited through bank credit is an important tool for development of UCBs in Dharwad district, have for many decades been endeavoring to do this exercise. UCBs directed credit system to various sectors (Priority) interalia identifies various gaps that would be required to be bridged for exploiting the available potentials, provide meaningful directions for credit flow, facilities improved for capital efficiency and suggested measures for removing sectoral imbalance in the deployment of credit etc. are the areas of thrust in the present research. Hence, the UCBs have been selected for the study for the following reasons.

Since four or five years the UCBs in the districts are not working properly as the failure of Karnataka Central Co-operative Bank (KCCB) – the mother of all UCBs. The liquidity maintained by the UCBs in the form of SLR with KCCB has totally vanished. The reasons were continuous drought conditions for three years in Dharwad district. Hence, farmers did not repay the loans taken from KCCB. So, to know the financial health of the UCBs is the utmost desire of the researcher to study the performance of sample UCBs.

It is heartening to know that “there is a confidential crisis in the co-operative banks”.\(^{37}\) The researcher wanted to study the financial performance of the selected UCBs and to know whether RBI has some rescue measures adapted to these banks like Global Trust Bank. Because under shaken confidence the financial institutions cannot function at all.

Despite many hurdles, UCBs are working. But in an economic reforms era these have to convert the challenges into opportunities. Hence, the researcher wanted to study wholly these banks and wanted to justify the
hypotheses as well as wanted to test the thought of the people who are talking ill about these banks.

As far as the economy of the Dharwad is concerned, having both agriculture coupled with industries and the district claimed relatively special advantage in terms of entrepreneurship and resourcefulness of the people. Hence, the researcher wanted to study the financial operations of the selected UCBs and wanted to explore the prioritized deployment of credit to various sectors.

The Banks have been selected on the basis of profitability, one of the performance parameters, as the UCBs are expected to function like commercial organizations. ‘Profits’ is not only a yard stick to measure the efficiency and achievement but a reasonable profit of the Bank decides its lending rates also. Along with profit earned other aspects like priority sector lending, mobilization of deposits, advances and management side of UCBs is also considered for selection of UCBs. It will also be a part of the study to reveal their involvement with the members to satisfy their needs and live up to the principles of cooperation. In all to test the hypothesis that, “the performance of UCBs is remarkable” the researcher has selected the following UCBs.

Table 1.1
Selected Urban Co-operative Banks

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Area</th>
<th>Name of the Sample Banks</th>
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<tbody>
<tr>
<td>1.</td>
<td>Taluka Based UCBs</td>
<td>i. The Kalghatgi Urban Co-Op. Bank Ltd., Kalaghatagi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii. The Alnavar Urban Co-Operative Bank Ltd. Alnavar</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ii. The Abhinandan Sahakari Bank Niyamit, Hubli</td>
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</table>

Source : Primary Data

The area of the study as has been pointed out is confined to Dharwad District, which comprises five taluks. There are 15 UCBs in the District of
which two Taluka based and two urban based UCBs were selected by adopting “Purposive Sampling Method” for conducting an intensive study. The selected banks are shown in the above table.

The main criteria for the selection of these four UCBs have been that the performance of these UCBs has been quite satisfactory in relation to other UCBs in the district.

**Selection of the Priority Sectors:**

Urban development is nothing but the development of various economic activities in the urban areas. Though a large number of economic activities covered a great deal of influence on urban development through UCBs, the present study has chosen only five economic activities that have been financed by UCBs.

Though these five economic activities have been selected for in-depth study, it is necessary to assess to what extent these economic activities have been implemented by taluka and urban based entrepreneurial class. Thus, various activity and area-wise analysis became an important feature of the present study. Another important aspect of the present study is to highlight various problems faced by UCBs and the beneficiaries of these UCBs.

Lastly, there is a need to arrive at policy suggestions on the basis of the whole study according to the main objectives. Broad conclusions have to be called out from the study so that certain policies would be derived for framing of Rules and their implementation.

The Banks have advanced loans to a variety of activities under priority sectors in UCBs. Out of these only five priority sectors were selected viz.

i. Cottage and Small Scale Industries
ii. Road and Water Transport Operators
iii. Private Retail Traders
iv. Small Business Enterprises and
v. Housing

These were the activities for which advances were made and had the highest number of borrowers. This selection is particularly based on the availability of complete list of borrowers of each sector in each sample bank.
for the reference years under the study. Purposive Sampling has been used to select the above said activities.

**Selection of the Sample Beneficiaries:**

The selection of priority sectors enabled the present researcher to select the beneficiaries also. The study is based on the sampling method. For the purpose of the study, a sample unit is described as a borrower beneficiary that is an individual who had obtained loan from UCBs for running an enterprise. Hence, a complete list of member borrowers of four sample UCBs was obtained from the respective offices of the banks. Of the four selected UCBs, a sample of 200 borrower beneficiaries were selected with the help of equal allocation of 50 member borrowers or 10 borrowers from each selected priority sectors from each Sample Bank. However, by applying Quota and Purposive sampling method, a precaution was taken that all the 200 sample beneficiaries were either the borrowers of the loan or repaid the loans at the time of interview. For this purpose, the membership list of June 2004-2005 was considered, as the borrowers were asked to furnish the details of their borrowings for last five years.

**Data Processing:**

After the completion of the collection of information through interview schedules, a thorough check-up of the data was made. The missing data was collected immediately. The data was arranged very systematically and carefully in separate sets of four sample banks. Then the data were tabulated and rearranged in computer to bring about uniformity. Thus, the so called data collected from the primary and secondary sources were inter-processed with the help of some statistical tools like Percentage, Averages and Ratio Analysis. These have been presented in well-designed statistical tables for drawing conclusions. The emphasis in the study was on tabular analysis of the data. The negative and positive growth of various physical and financial performance parameters have worked out with percentage which provides an in-depth evaluation of yearly and average growth rate. This analysis is presented in IV.
V, VI and VII chapters of the study and forms the original contribution of the researcher.

**Measurement of Performance Parameters:**

The present study throws light on the performance parameters identified by the researcher under secondary data. To measure the financial performance of sample UCBs, the necessary data regarding share capital, reserves, working capital, deposits, loans and advances, profits and audit classification were collected and measured the yearly growth as well as growth over five years period. To know the attitude of the borrowers of selected priority sectors loan schemes, loan utilization, rate of interest (RI), employment generation, asset creations, improving the standard of living and percentage of loan repayment etc. were measured along with socio-economic profile of the sample beneficiaries through primary data.

**Responses of the Respondents:**

As such, the survey result which has been undertaken among fifty each sample respondents of Alnavar, Kalaghatagi and Hubli regions was good and pleasing. Though some of the members of Kalaghatagi UCB were illiterate, they responded amiably to all the questions. All the 50 respondents of Alnavar UCB were very happy to answer. It is the only bank which served their locality since long. The respondents of Azad UCB and Abhinandan UCBs were also unforgettable. By and large, it was not difficult to collect information from the selected respondents. When the researcher has approached with an interview schedule with an explanation about the nature and purpose of the research, most of them willingly agreed to answer the questions and participated in the discussions. The researcher has not at all faced any kind of inconvenience or trouble as such during the survey.

**Period of the Study:**

The present study covers a time period of five years from 2000-2001 to 2004-2005.
Limitations of the Study:

Like other studies on "Economics of Banking" the present work also suffers from limitations. Like -

1. The study is confined only to Hubli, Dharwad and Kalaghatagi talukas of the Dharwad District.

2. Due to the limitation of time, the study could not cover a large number of districts for samples.

3. The study undertaken to assess the performance of UCBs is restricted only to four Sample Banks.

4. The study is focussed and is limited only to the performance of selected UCBs and their impact on the beneficiaries of the selected priority sectors.

5. The present study covers a time period of only 5 years from 2000-2001 to 2004-2005. Unfortunately, data pertaining to earlier years i.e., before 2000 were not found as per the present study requirement.

6. The information relates only to the year 2004-05, during which the survey was conducted.

7. This research is basically based on both primary and secondary data. The study also suffers from general limitations in the case of primary data. The data obtained by the survey method where the borrower beneficiaries provided information from their memory.

8. The findings are based on the ability of the respondents to recall their memory as far as the loans, rate of interest, income and employment generation and repayment are concerned. Unfortunately large majority of the beneficiaries had not maintained the details of accounts regarding the loans taken from the UCBs. Therefore the reliability and validity of the primary data depends upon the degree of honesty with which the responses are provided by those interviewed. Hence, the accuracy of the data collected through the schedules is not cent percent.

9. The findings of the study may not correspond with the findings of similar studies undertaken in other parts of the country or state or study region which have socio-eco and political features that are different and varied from those of the study region.
Scope of the Study:

The UCBs can make attempts to tap the savings of small people of small means. The commercial Banks in the district are also catering to the needs of the people but unlike UCBs, they have failed to keep in touch with the local clientele whose income levels are meager. Except providing loans to purchase some electrical appliances and housing, the commercial banks have neglected the poor people who also save marginally. The economy is growing and people are participating in many developmental and industrial activities. Hence, men and women who are working and earning and are of frugal nature provide a great potential for deposit mobilization. Hubli is the second capital city next to Bangalore, known for business and transportation. Alnavar is a town famous for timber business, Kalaghatagi connects Karwar district and is pioneer in agriculture and allied activities and transportation is also undertaken on a large scale. Thus the people of these growing regions, cities, towns, industrial and business centres are likely to have a high marginal propensity to save and invest. Thus the researcher wanted to study the performance and impact of these UCBs on the borrowers. Finally, the study also intended to identify the problems of UCBs.

The study has been undertaken mainly to highlight the features and impact of loan schemes of 5 priority sectors lending offered by selected UCBs in Dharwad District. All kinds of beneficiaries of Cottage and Small Scale Industries (SSI), Road and Water Transport Operators (RWTO), Private Retail Traders (PRT), Small Business Enterprises (SBE), and Housing have been included in the study. It has been undertaken from the stand point of selected priority sectors lending and the selected borrowers of the sample UCBs of the District and the bankers are excluded from the study.

Context of the Study:
The present study has been divided in to VIII chapters.

CHAPTER I: INTRODUCTION:

Introduction (i.e., the present chapter), this chapter deals with statement of the problem, review of literature, specific objectives of the study, research
methodology, study area, UCBs, priority sectors and beneficiaries selected or chosen. It also contains the period, limitations scope and hypotheses of the study.

CHAPTER – II: ROLE OF URBAN CO-OPERATIVE BANKS:

This chapter provides theoretical basis for the study. Initially, in the first section, the chapter throws light on the meaning, definition and characteristics of the Urban Co-operative Banks. The second section deals with the distinction between Commercial Banks and Urban Co-operative Banks. And the third section presents briefly the significance and role of Urban Co-operative Banks.

CHAPTER – III: PROGRESS OF URBAN CO-OPERATIVE BANKS IN INDIA AND KARNATAKA:

The third chapter in a nutshell gives the progress of UCBs in India and Karnataka. The first section of the chapter presents the progress of UCBs before independence. Section two highlights the progress of UCBs after independence. The third and final section discusses the progress of UCBs in Karnataka.

CHAPTER – IV: PHYSICAL PERFORMANCE EVALUATION OF SAMPLE URBAN CO-OPERATIVE BANKS:

In the earlier part of the chapter is the profile, banking network, total number of UCBs, their date of registration, area of operation and present position of UCBs in Dharwad district are analyzed. Further, an attempt is also made to examine and evaluate the physical performance of sample UCBs. Finally, it also provides briefly a picture of the management of the Sample Banks.

CHAPTER – V: FINANCIAL PERFORMANCE EVALUATION OF SAMPLE URBAN CO-OPERATIVE BANKS:

This chapter deals with the trends in the resources of selected UCBs of Dharwad district. The first section studies the trend in the share capital resources and other owned funds of the selected UCBs, the second section
discusses about the growth of deposits and the third section it also studies the loans and advances extended by the selected UCBs.

CHAPTER – VI: PERFORMANCE EVALUATION OF PRIORITY SECTOR LENDING OF THE SAMPLE URBAN CO-OPERATIVE BANKS:

In this chapter, the concept of priority sector and the importance of the deployment of credit by UCBs to these sectors is highlighted. The performance evaluation of priority sector lending of Alnavar UCB from 2000-01 to 2004-05 is analyzed in the first section of this chapter. Section two gives detailed information regarding priority sector lending (PSL) by Azad UCB. The PSL of the Kalaghatagi UCB is highlighted in the third section. In the fourth section the priority sector financial assistance of Abhinandan UCB is discussed.

CHAPTER – VII: IMPACT OF SAMPLE URBAN CO-OPERATIVE BANKS ON THE SAMPLE BENEFICIARIES:

On the basis of the fieldwork the chapter analyses, the flow of credit to beneficiaries, opinion of the beneficiaries pertaining to functioning of the UCBs and other beneficial effect of UCBs loan on borrowers.

CHAPTER – VIII: SUMMARY AND SUGGESTIONS

The last chapter contains the summary of main findings. The conclusions based on the analysis of the Primary and Secondary data and observations of the researcher are analyzed. In this chapter an effort is also made to offer certain policy suggestions for tackling the innumerous problems, to tone up these UCBs and enable them to functions as vibrant units.
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