CHAPTER –2
WORKING OF URBAN CO-OPERATIVE BANKS
IN INDIA
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In this chapter an attempt is made to present origin, rationale and growth of urban co-operative banks in India.

HISTORICAL PERSPECTIVE

The Urban Co-operative Credit Movement originated in Germany when Herman Schultz started such societies for the benefit of artisans in the cities. Mr. Herman Schultz, a German is considered as the father of Urban Co-operative Banks. He founded in his native town the first loan society in 1850. Dr. Hon started Dairy Co-operative Banking for the development of dairy enterprise. The attractive business of co-operative banks of Germany created an ideal situation for the growth of co-operative banking at an international level during 1849 to 1890. In 1892 another German Mr. Raiffeisen founded village bank in rural areas for all types of people, i.e., agriculturists, traders and artisans.

In Italy, the credit of starting such societies goes to Luigi Luzzati. In 1866, Prof. Luigi Luzzati, a professor of economics at Technical Institute of Milan, Italy started the first ‘Banca Populare’, or ‘People’s Bank’. 1.

1. Mathur B.S. "Co-operation in India", Sahitya Bhavan, Agra, (1990), P. 221
The co-operative wholesale society in England opened a loan and deposit department in 1872. At present it is recognized as one of the most important banking institutions in Britain.

Encouraged by the success of the Urban Credit Institutions in these countries, social workers in India began to think in terms of co-operation as a means of bringing succour to the middle classes.

ORIGIN OF URBAN CO-OPERATIVE BANKS IN INDIA

The origin of the urban credit movement in India can be traced to the close of the nineteenth century. The first experiment in urban co-operative credit was made in the then Baroda state. On February 5, 1889, Prof. Vithal Laxman Khavatekar, started “Anyonya Sahakari Mandal”, the mutual aid society of subscriber members, with the object of promoting thrift and providing relief among Maharashtrian residents in Baroda city. 2 At present, it is termed as the Anyonya Sahakari Mandali Co-operative Bank Limited, Baroda 3.

Inspired by the experiments in the Baroda State, such voluntary associations, for the twin purposes, were set up in the Bombay Presidency by public-spirited men without Government assistance. At this juncture, Indian opinion had been impressed by the success of small village banks in Germany and Italy.

RATIONALE BEHIND ESTABLISHMENT OF URBAN CO-OPERATIVE BANKS IN INDIA

The rationale behind establishing urban co-operative banks in India is to overcome the defects of commercial banks in terms of procedural wrangling and difficulty in accessibility. The urban co-operative banks are comparatively simple and have lesser procedures, operational flexibility, feeling of ownership and easy accessibility. The quick disposal of loan proposals due to personal touch and attractive rate of interest on deposits made urban residents to come forward in establishing urban co-operative banks.

PROGRESS OF URBAN CO-OPERATIVE BANKS IN INDIA

To study the progress of Urban Co-operative Banks in India since the inception, the period has been divided as:

A. Pre - Independence Period and
B. Post - Independence Period.

A. PRE-INDEPENDENCE PERIOD (1889-1947)

As it has been referred earlier, the first Urban Co-operative Bank was formed on 5th February 1889 in a princely State of Baroda under the leadership of Shri Vithal Laxman Khavatekar with the name ‘Anyonya Sahakari Mandal’. Since 1889 to 1904 not a single co-operative bank was established.

The enactment of Co-operative Societies Act 1904

The enactment of the first Co-operative Credit Societies Act of 1904, provided the stimulus to the formation of the urban co-operative credit societies. With the conferment
of legal status under the Co-operative Credit Societies Act of 1904, the urban credit society was registered in October 1904 at Canjeevaram in the erstwhile Madras province. Subsequently, the Betageri Co-operative Credit Society in Dharwad district (now in Gadag district) in the undivided Bombay province and the Bangalore city co-operative credit society in erstwhile Mysore state were registered in October 1905 and December 1905 respectively.

The enactment of Co-operative Societies Act 1912

It can be said that the Co-operative Credit Societies Act 1904 was to some extent restrictive in its scope, as this Act permitted only primary credit societies and kept non-credit and federal societies out of its purview. Subsequently, in 1912 another Co-operative Societies Act was passed and it removed many shortcomings in the earlier Act and served as a model for subsequent Acts passed by various State Governments when co-operation became a transferred subject under the constitutional reforms.

The Co-operative Societies Act of 1912 is the basis of all co-operative legislation in India. It is an amalgamation of well known co-operative principles - both Credit and Non-Credit Societies and Federal Co-operative Societies could be formed under this Act.

Maclagan Committee 1915

The development of urban banks received attention in 1915 when the Maclagan Committee referred to the potentialities for the organization of such societies especially in urban localities to meet the requirements of middle class people. "The Maclagan Committee, 1915 on co-operation rightly thought that the urban credit societies should serve the useful purpose of acquainting the middle and upper middle classes of urban population with ordinary banking practices and transactions. As a result of this change in outlook, many urban credit societies were organised primarily in erstwhile Bombay and Madras provinces between 1919 and 1938".5.

Thus the Maclagan Report (1915) constituted another important landmark in the history of urban co-operative credit movement. On the recommendations of committee the government classified co-operative credit societies into agricultural credit societies and non-agricultural credit societies.

Banking crisis 1913-1917:

The banking crisis which existed during 1913-17 saw the failure of many commercial banks. During this period 87 commercial banks failed with a total paid up capital of over Rs.1.75 crores. These failures paved the way for the organisation of new urban credit societies and a boom in their activities. 6. Such "failure of local joint stock

banks in the country at that time gave further impetus to the growth of urban co-operative societies. It was then realized that urban credit societies were eminently suitable institutional agencies for collecting local savings and to provide relief to those who were in the clutches of money lenders by providing them with financial accommodation". 7.

Montagu-Chelmsford Constitutional Reforms of 1919:

In the history of Co-operative Credit Movement an important event took place in the form of political reforms, which was known as Montagu-Chelmsford Constitutional Reforms of 1919, under which co-operation became a transferred subject. The transfer of the subject of co-operation from the Central to the State Governments led to the passing of various legislation on co-operation by the State Governments (then called the Provinces). Bombay took the lead and passed its own Act in 1925. It was followed by Madras (1932), Bihar and Orissa (1935), Coorg (1936) and Bengal (1940). 8.

The Great Depression of 1930:

The world-wide economic depression of 1930s severely affected the agricultural credit societies more than the urban credit co-operatives. The progress of urban societies has been steady with no ups and downs during depression.

Impact of Second World War (1939-45) on Urban Co-operative Banks:

The economic boom created by Second World War (1939-45) provided a stimulus to the growth of urban banks in India. They grew not only in number but also in size by diversifying their activities considerably. Urban co-operative credit societies which had hitherto largely confined their loaning operations to provision of consumption needs of the members were called upon to take up new avenues such as financing of artisans, small businessmen and small traders for productive purposes.

B POST-INDEPENDENCE PERIOD:

The study of progress of Urban Co-operative Banks, in post independence period is divided into two periods. First from 1947 to 1966, i.e., before application of the Banking Regulation Act 1949 to the Urban Co-operative Banks. Second, 1966 onwards, i.e., after application of the Banking Regulation Act 1949 to the Urban Co-operative Banks.

India attained independence in 1947 and adopted the planned way of economic development. At the time of independence, India had 1060 UCBs. It decreased to 815 in the year 1948-49. Partition of India was partly responsible for this. 9.

POST-INDEPENDENCE PERIOD: 1947-48 TO 1965-66

During the post-independence period, India embarked on a programme of planned development. The co-operation and co-operative institution has been accepted as an indispensable instrument for economic planning and as an important medium for regeneration of the country's socio-economic life. During post independence period, there was a spectacular growth in overall financial dimensions of the UCBs in quantitative terms.

The progress of urban co-operative banks in India from 1947-48 to 1965-66 is presented in table 2.1. The data related with the period 1947-48 to 1965-66, presented in table 2.1 provides an overall trends of the growth of Urban Co-operative Banks.
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Banks</th>
<th>Members</th>
<th>Deposits</th>
<th>Loans &amp; Adv.</th>
<th>Owned Funds</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947-48</td>
<td>1060</td>
<td>698</td>
<td>20</td>
<td></td>
<td></td>
<td>27</td>
</tr>
<tr>
<td>1948-49</td>
<td>815</td>
<td>535</td>
<td>17</td>
<td>19</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>1949-50</td>
<td>776</td>
<td>580</td>
<td>18</td>
<td>20</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>1951-52</td>
<td>930</td>
<td>604</td>
<td>20</td>
<td>24</td>
<td>6</td>
<td>27</td>
</tr>
<tr>
<td>1953-54</td>
<td>716</td>
<td>873</td>
<td>24</td>
<td>27</td>
<td>7</td>
<td>33</td>
</tr>
<tr>
<td>1955-56</td>
<td>1585</td>
<td>1139</td>
<td>32</td>
<td>32</td>
<td>9</td>
<td>44</td>
</tr>
<tr>
<td>1957-58</td>
<td>829</td>
<td>1181</td>
<td>27</td>
<td>33</td>
<td>8</td>
<td>57</td>
</tr>
<tr>
<td>1959-60</td>
<td>1242</td>
<td>1797</td>
<td>61</td>
<td>65</td>
<td>17</td>
<td>82</td>
</tr>
<tr>
<td>1961-62</td>
<td>760</td>
<td>1214</td>
<td>38</td>
<td></td>
<td></td>
<td>54</td>
</tr>
<tr>
<td>1965-66</td>
<td>936</td>
<td>1814</td>
<td>76</td>
<td></td>
<td></td>
<td>101</td>
</tr>
<tr>
<td>Mean</td>
<td>970</td>
<td>1004</td>
<td>33</td>
<td></td>
<td></td>
<td>45</td>
</tr>
<tr>
<td>Max.</td>
<td>1585</td>
<td>1814</td>
<td>76</td>
<td></td>
<td></td>
<td>101</td>
</tr>
<tr>
<td>Min.</td>
<td>716</td>
<td>535</td>
<td>17</td>
<td></td>
<td></td>
<td>22</td>
</tr>
</tbody>
</table>

Chart 2.1

Progress of UCBs in India 1947-48 to 1965-66
(members in thousands)
Chart 2.2

Progress of UCBs in India 1947-48 to 1965-66
(Rs. in crores)
Progress of Urban Co-operative Banks during 1947-48 to 1965-66 as shown in Table 2.1 and Charts 2.1 and 2.2, is explained in detail:

1. **Number of Urban Co-operative Banks:**

   India had 1060 Urban Co-operative Banks at the time of independence. Due to partition of India, number of Urban Co-operative Banks decreased to 815 during 1948-49. In 1949-50, the number of Urban Co-operative Banks were reduced to 776 but in 1951-52, the number increased to 930, thus recording 20% growth over previous year. In 1955-56 the Urban Co-operative Banks were 1585, the highest number of Urban Co-operative Banks in India before Reserve Bank of India taking over them under its control. The Number of Banks fluctuated throughout this period and in 1965-66 there were 936 Urban Co-operative Banks operating in India. During the period of 1947-48 to 1965-66 the average annual growth over previous year was only 20%. The maximum growth was 61% and minimum was –24%.

2. **Number of Members:**

   In 1947-48 the number of members of Urban Co-operative Banks was 6,98,000. The growth of membership was continuous except in 1948-49 and 1961-62. The average annual growth of members was 6% during the period 1947-48 to 1965-66. In 1965-66 the number of members stood at 18,14,000 with nearly 3-fold increase of membership during the period 1947-48 to 1965-66.
3. **Deposits:**

In 1947-48 the deposits were Rs.20 crores which increased nearly 4 times during the period of 20 years from 1947-48 to 1965-66. The maximum amount of deposits during this period was Rs.76 crores during 1965-66. The annual average growth was 9% but the growth of deposits was not continuous and stable.

4. **Loans & Advances:**

Loans and advances of Urban Co-operative Banks were Rs.19 crores during 1948-49 and increased to Rs.65 crores during 1959-60. From 1957-58 to 1959-60, loans and advances growth was 96.96%.

5. **Owned funds:**

Owned funds of Urban Co-operative Banks which includes paid-up share capital, reserves and other funds were Rs. 4 crores during 1948-49. The growth of owned funds was continuous up to the period 1955-56. In 1957-58 owned funds decreased to Rs.8 crores due to decrease in number of banks and members. Owned funds increased to Rs. 17 crores in 1959-60 i.e. 4 times increase during the period 1948-49 to 1959-60.

6. **Working Capital:**

At the time of independence, working capital of Urban Co-operative Banks was Rs.27 crores and increased to Rs.101 crores in 1965-66, i.e., working capital increased by 45% during the period 1947-48 to 1965-66. The growth was continuous and positive except during 1948-49 and 1961-62.
7. Overdues:

The percentage of overdues to total outstanding loans of Urban Co-operative Banks during the period 1947-48 to 1965-66 was very less compared to other Co-operative Banks in India. It was 7% in 1947-48 and decreased to 6% in 1965-66 which indicates the management of Urban Co-operative Banks was efficient.

During 1948-49 and 1961-62, Urban Co-operative Banks experienced negative growth in all important financial indicators of their growth. Reason for the negative growth of Urban Co-operative banks during 1948-49 was due to partition of India and during 1961-62 was due to after effects of China War. Otherwise, qualitatively the growth during the period of 1947-48 to 1965-66 was satisfactory in the fields of deposits, loans and advances, working capital and recovery of outstanding loans and advances.

POST-INDEPENDENCE PERIOD: 1966-67 ONWARDS

The Banking Regulation Act of 1949 was extended to Co-operative Banks for the first time from 1st March 1966. The era of dual control on Urban Co-operative Banks came into force from 1st March 1966.

Progress of Urban Co-operative Banks in India from the beginning of dual control on Urban Co-operative Banks in 1966 and onwards is shown in Table No. 2.2. During this period Urban Co-operative Banks developed their banking business by opening their new branches and their deposits and advances also increased rapidly. Along with the introduction of new economic policy, the Reserve Bank of India brought many of the
changes such as de-regulation of interest rate, application of prudential norms, reduction of non-performing assets, etc. on the basis of recommendations of committees formed by the Reserve Bank of India.

Table 2.2

PROGRESS OF URBAN CO-OPERATIVE BANKS IN INDIA - 1966 ONWARDS

( Rs. in crores, members in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of banks</th>
<th>No. of members</th>
<th>Deposits</th>
<th>Loans</th>
<th>Owned funds</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966-67</td>
<td>1106</td>
<td>2714</td>
<td>153.00</td>
<td></td>
<td>58.00</td>
<td>222.00</td>
</tr>
<tr>
<td>1976-77</td>
<td>1105</td>
<td>5675</td>
<td>519.00</td>
<td>406.53</td>
<td>117.00</td>
<td>722.00</td>
</tr>
<tr>
<td>1986-87</td>
<td>1359</td>
<td>11041</td>
<td>4319.18</td>
<td>3838.90</td>
<td>272.68</td>
<td>5840.87</td>
</tr>
<tr>
<td>1990-91</td>
<td>1397</td>
<td></td>
<td>10156.88</td>
<td>8003.13</td>
<td>1480.83</td>
<td>13389.52</td>
</tr>
<tr>
<td>1991-92</td>
<td>1309</td>
<td></td>
<td>10646.72</td>
<td>8122.65</td>
<td>1612.46</td>
<td>13934.49</td>
</tr>
<tr>
<td>1992-93</td>
<td>1399</td>
<td></td>
<td>13772.78</td>
<td>9923.35</td>
<td>2280.38</td>
<td>18205.09</td>
</tr>
<tr>
<td>1993-94</td>
<td>1400</td>
<td></td>
<td>16768.83</td>
<td>12172.34</td>
<td>2722.75</td>
<td>22037.26</td>
</tr>
<tr>
<td>1994-95</td>
<td>1431</td>
<td></td>
<td>19710.63</td>
<td>14519.95</td>
<td>3238.52</td>
<td>25976.42</td>
</tr>
<tr>
<td>1995-96</td>
<td>1501</td>
<td></td>
<td>24165.37</td>
<td>17907.91</td>
<td>3847.54</td>
<td>31743.90</td>
</tr>
<tr>
<td>1996-97</td>
<td>1653</td>
<td></td>
<td>27738.40</td>
<td>19086.42</td>
<td>4343.46</td>
<td>37915.64</td>
</tr>
</tbody>
</table>

Source: Urban Credit Vol.XX No. 1, Quarterly, March 1998.
Chart 2.3

Progress of UCBs in India - 1966 onwards
(Rs. in crores)
Table 2.2 and Chart 2.3 depict the progress of Urban Co-operative Banks from 1966 onwards. The following inferences can be drawn from the Table 2.2 and Chart 2.3:

1. **Number of Banks:**

   The overall trend in number of Urban Co-operative Banks was increasing during the study period, it was 1106 Urban Co-operative Banks in 1966-67, increased to 1653 in 1996-97 and 1936 by the end of 1998. The growth of number of Urban Co-operative Banks was almost stabilised from 1983-84. The increase was just ranging from 0% to 1%.

2. **Number of Members:**

   In 1967-68 the number of members was 27,14,000, which increased to 2.5 crores in 1999-2000. There is a wide fluctuation in the growth of membership during the study period, it varies from minimum 15% to maximum 24% during 1967-68 to 1989-90.

   The continuous growth of membership indicates that the people have shown interest in becoming members of Urban Co-operative Banks. This increase also indicates the fulfillment of Urban Co-operative Banks’ objective of promoting and developing banking habits in urban and semi-urban centres.

3. **Deposits:**

   During 1966-67 the deposits were Rs.153 crores, increased to Rs.27738.40 crores during 1996-97 and Rs.50,544 crores by the end of 1998-99. The increase in deposits was due to efficient working of Urban Co-operative Banks in India.
The substantial growth of deposits could be attributed to the efficiency of banks, personal and close contact between management and customers, and also the $\frac{1}{2}$ % to 1% higher rate of interest on deposits paid by Urban Co-operative Banks than the public and private sector scheduled commercial banks.

4. Loans and Advances:

The loans and advances at the end of 1967-68 were Rs.92.84 crores which increased to Rs.19086.42 at the end of 1996-97. The Urban Co-operative Banks cater to the needs of middle class and weaker sections of the society. 60% of their advances are given for priority sector and 25% of these to the weaker sections as per Reserve Bank of India instructions.

When we compare loans and advances with overdues, the percentage of overdues are within the limits. The Non-Performing Asset levels of Urban Co-operative Banks are far lower than those of commercial banks.

So we can definitely compliment the management of Urban Co-operative Banks in India as a whole for not only lending money to right people, at right time but also to recover the loans at right time without proceeding for legal action.
5. **Owned funds:**

The owned funds of Urban Co-operative Banks during 1966-67 were Rs.58 crores and increased to Rs.4343.46 crores during 1996-97. Growth of owned funds of Urban Co-operative Banks is due to increase in number of banks and their members.

6. **Working Capital:**

In 1966-67 the working capital was Rs.222.00 crores and increased to Rs.37915.64 crores during 1996-97.

The substantial increase in working capital is an indication of growth in volume of business of Urban Co-operative Banks due to increase in membership, owned funds and deposits. There was a steady increase in working capital throughout the study period.

7. **Overdues:**

The overdues as a percentage to total loans outstanding decreased from 10% in 1967-68 to 8% in 1987-88. The maximum percentage of over dues during the period of 20 years was 12% and minimum was 6% with an average of 9%. The decrease in percentage of over dues is a healthy sign.

The Urban Co-operative Banking Sector among other Sectors of Co-operative Movement has made commendable progress in the country. Having proved their worth through their performance, Urban Co-operative Banks have come a long way since they
were brought under the purview of Banking Regulation Act, and are fully justified in their present demand for complete autonomy from restrictions of all kinds.

THE STRUCTURE OF FINANCIAL INSTITUTIONS IN THE INDIAN ECONOMY

The Indian Financial System presently consists of the following institutions:

a. Public Sector Banks.
b. Private Sector Banks.
c. Co-operative Banks.
d. Non-Banking Financial Institutions.
e. Un-organised sector of moneylenders in Indian Money Markets.

Now-a-days all these institutions are providing finance for more or less the same purposes, e.g., housing, purchase of consumer durables, industrial finance, trading, small borrowers and other activities.

Thus, there is an overlapping of the functions being performed by various financial institutions.

Formerly, prior to the social welfare policy of the state and nationalisation of banks, commercial banks were only catering to industries.
Now, even Urban Co-operative Banks have gradually started losing their social and co-operative character and are heading towards becoming more of commercial banks. A timely check should be put on this tendency by laying special stress on directing them to fulfil their social obligatory functions of uplifting the economic status of the lower and middle income groups and other weaker sections of the society. RBI, in fact should examine in detail the feasibility of demarcating the areas of financing to be allotted to various financing institutions. The structure of financial institutions in Indian economy is shown in chart 2.4.
Chart 2.4

THE STRUCTURE OF FINANCIAL INSTITUTIONS IN INDIAN ECONOMY

RBI - AT THE TOP

Commercial
Banks

Public
Sector

SBI
Associate
Banks

RRBS

Nationalised
Banks

State
Co-operative
Societies

State
Land
Dev. Bank

Other
Institutions

Co-operative
Banks

Private
Sector

14 Banks
19.07.1969

6 Banks
15.04.1980

Central
Co-operative
Bank

CLD Banks

PLD Banks

Primary Agri.
Credit Societies

Primary (Urban)
Co-operative Banks

Govt.
National Saving Corp.
Post Office
Savings Bank
Employees Provident Fund etc.

Public Sector
LIC
GIC
UTI
NABARD
IDBI
ICICI
IFCI
SFCS
SIDBI etc.

Private Sector
Chits
Nidhis
Corporate bodies
Hire Purchase
Investment Companies, etc.

SET-UP OF CO-OPERATIVE BANKING IN INDIA:

Co-operative Banking Movement began primarily to curb the exploitative dominance of the money lenders over the middle and financially weaker sections of the population in the early nineteenth century. The set up of Co-operative Banking may be observed from the following Chart 2.5.

National Co-operative Bank of India

- National Federation
- National Federation of State
- National Federation of Urban Coop. Banks
- State Cooperative Banks
- State Cooperative Land Development Banks
- State Federation of Urban Coop. Banks
- District Cooperative Central Banks
- Distt. Cooperative Land Development Banks
- District Urban Cooperative Banks
- Central Co-operative Banks

In 1993 the "National Co-operative Bank of India" has been registered under the Multi-State Co-operative Societies Act, 1984 which is a Central Act. All other State and District Level Co-operative Banks are registered under the State Co-operative Societies Act of the different states. The following Central Acts are applied to the Co-operative Banking Sector in India:
1. The Banking Regulation Act – 1949
2. The Negotiable Instrument Act – 1881
4. The Bankers Books Evidence Act – 1891
5. The Banking Companies (legal practitioners clients accounts)Act –1949
6. The Industrial Dispute Act –1947
7. The Payment of Bonus Act – 1965
8. The Payment of Gratuity Act – 1972

PLACE OF UCBs IN CO-OPERATIVE CREDIT STRUCTURE IN INDIA

The UCBs play an important role in mobilising the deposits from, and meeting the credit requirements of urban and semi-urban people in India. These co-operative units constitute an important components of non-agricultural co-operative credit societies in India. Their place in the co-operative credit structure in India is depicted in chart 2.6.
Chart 2.6

CO-OPERATIVE CREDIT STRUCTURE

Agricultural Credit

Societies

Non-Agricultural Credit

Societies

Short-term Credit

Long-term Credit

State Urban Coop. Bank

State Industrial Bank

State Coop. Bank

Central Land Devp. Bank

Central Urban Coop. Bank

Primary Industrial Banks

Primary Land Devp. Bank

Primary Urban Coop. Bank

Employees Coop. Credit Societies

Primary Grain Agri. Agri. Banks Credit Societies Societies.
HIGHLIGHTS OF URBAN CO-OPERATIVE CREDIT SECTOR IN INDIA

1. Urban Co-operative Credit Sector consists of 2050 urban co-operative banks and over 38000 credit societies spread all over the country during 2000-01.

2. The membership of urban co-operative banks exceeds 2.5 crores.

3. This sector is over 100 years old.

4. It is the only fully self reliant sector among co-operatives with no equity participation or any form of funding from the Government.

5. The total deposits of Rs.56,000 crores during 1999-00 which account for over 40% of the working funds of the entire co-operative sector.

6. The urban co-operative banks cater to the needs of middle class and weaker sections of the society. 60% of their advances are given for priority sector and 25% of these to the weaker sections as per Reserve Bank of India instructions. Priority sector includes small scale industries, small business finance, agricultural and allied activities.

7. In spite of such percentage of small loans, the Non Performing Asset levels of urban banks are far lower than those of commercial banks.

8. The urban co-operative banks are essentially local area banks; out of 2050 banks (scheduled as well as non-scheduled banks) having deposits of Rs. 56,000 crores, more than 50% UCBs are unitary banks.

9. There are 51 urban co-operative banks which have been given scheduled status by the Reserve Bank of India, account for nearly 50% of the aggregate deposits. These are relatively larger banks with deposits of more than Rs.100 crores each, providing all banking services to the customers just as commercial banks do.
There are 110 Mahila Urban Co-operative Banks in the country. They are organised exclusively by women and the members who are financed are also women. They promise to be a very useful medium of economic empowerment of women.