CHAPTER 3
WORKING OF URBAN CO-OPERATIVE BANKS
IN KARNATAKA
CHAPTER 3
WORKING OF URBAN CO-OPERATIVE BANKS
IN KARNATAKA

In this chapter an attempt is made to present definitions, objectives, features and working of urban co-operative banks in Karnataka.

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.

Co-operatives are based on the values of self-responsibility, democracy, equality and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

DEFINITIONS OF URBAN CO-OPERATIVE BANK

Co-operative credit association / bank – a voluntary association of individuals with unrestricted membership and collectively owned resources formed by small businessmen, professionals and/or wage earners, conducted on a democratic basis under joint management and for mutual service by accumulating the savings of members and granting them credit on easy terms of interest and repayment, surplus being placed to reserves or distributed between depositors and shareholders, the association also using the
joint responsibility of its members as a security for loans obtained for its members from outside sources.

Till the introduction of the Banking Regulation Act 1949, as applicable to co-operative societies from 1st March 1966 no clear cut definition was given for urban banks. Till 1939, the term ‘Bank’ was loosely used by many societies. Some urban credit societies undertook banking functions without using the word ‘Bank’ or ‘Banker’ in their name, but there were many urban credit societies not engaged in any banking functions used the word bank or banker.

In 1939, the Mehta Bhansali committee defined urban co-operative banks as follows: “All urban credit societies having paid up share capital of Rs.20,000 and over, and accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order, came within the category of urban co-operative banks”.

The above definition failed to bring out any of the features of co-operative societies and their principles.

To give a statutory status and to bring uniformity in the definitions of urban co-operative banks, the Government of India added a Section in the Banking Regulation Act of 1949.

“Urban Bank is defined as a primary co-operative bank having paid up capital and reserves of Rs.1 lakh and above. These banks are required to obtain license to carry on
banking business, to seek prior permission for opening of new offices from RBI. They have to maintain a certain minimum cash reserves and liquid assets and to submit returns prescribed under the rules framed as per the Act”.

OBJECTIVES OF URBAN CO-OPERATIVE BANKS

The principal objectives of urban banks are:

a) to mobilise resources by way of deposits from members and non-members;

b) to grant loans to members for various productive and consumption purposes;

c) to offer various banking services such as collection of bills, cheques, drafts etc. accepted by the members;

d) to keep the valuables of the members under safe custody; and

e) to offer all other banking facilities normally provided by commercial banks.

SALIENT FEATURES OF URBAN CO-OPERATIVE BANKS

1. Voluntary Association and Open Membership

Membership of an urban co-operative bank shall be voluntary and available throughout the life of it without artificial restriction or any social, political, racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

2. Formation, Registration and Licensing

Urban co-operative banks are formed under Co-operative Societies Act on filing a bye-law and registered with Registrar of Co-operatives. They have to obtain a license
from RBI under Section 22 of Banking Regulation Act 1949, to do banking business in India.

3. Democratic Control

The members elect the managing committee by exercising one man - one vote, in general meeting. Managing committee consisting of honorary service minded people to carry on banking operations on democratic principles.

4. Mutual Benefit

Urban co-operative banks are formed to carry on banking business with a view to provide mutual benefit to their members at low cost to uplift economically weaker sections of society without any outside aid.

5. Privileges

They enjoy privileges like higher rate of interest on deposits, lower lending rates, exemption from payment of tax on interest and profits, lesser Cash Reserve Ratio and Statutory Liquidity Ratio, etc.

6. Dual control

They are subject to dual control of the Registrar of Co-operative Societies at the State level and Reserve Bank of India at the National level.

7. Area of operation

Their area of operation is an urban and semi-urban centre.
DISTINCTION BETWEEN COMMERCIAL BANKS AND URBAN CO-OPERATIVE BANKS

The urban co-operative banks are treated on par with the commercial banks by applying the Banking Regulation Act of 1949 to urban co-operative banks by RBI in 1966. On 8th August, 1988, the RBI issued a notification to include the urban co-operative banks having time and demand liabilities above Rs. 50 crores be included in the second schedule of RBI Act 1934. In September 1993, the limit of deposit for scheduling was raised to Rs. 100 crores.

Practically, the urban co-operative banks' operational functions and the functions performed by commercial banks in India do not differ. The services which an urban co-operative bank offered to its members and the public in general are broadly the same as offered by commercial banks. In certain aspects urban co-operative banks differ from commercial banks and they are:

1. **Meaning**

Urban co-operative bank is a bank formed for mutual help to promote habit of thrift and savings, to provide money on easy terms of interest and repayment, for the artisans, unemployed youth, small traders, employees, professionals and weaker sections of society, in urban and semi-urban areas.

Commercial banks are formed to perform banking business in such a way as to maximize the return on the owners' investment.
2. **Formation**

Urban co-operative banks are formed and registered under Central or State Co-operative Societies Act, whereas commercial banks are formed under Indian Banking Regulation Act 1949.

3. **Supervisory Authority**

Urban co-operative banks are supervised and controlled by RBI and Registrar of State Co-operatives.

Commercial banks are supervised only by RBI.

4. **Share capital**

Urban Co-operative Bank’s share capital is not fixed, it varies almost continuously due to admission of new members and cessation of members, grant of loans to members etc., but the share capital of commercial banks is normally fixed.

5. **Membership**

Membership is open and people from all walks of life can become members in Urban Co-operative Banks. The members may be regular, associate or nominal. Only regular members have voting right and one man one vote is the principle.

In commercial banks’ membership is restrictive and not open. Only regular members are found in commercial banks and one share one vote is the principle.
6. **Motto or Objective**

Urban Co-operative Banks' main motto is mutual self-help with service to promote thrift and protect people from clutches of moneylenders. Commercial banks' main objective is to earn profit and subsidiary objective is to provide services to customers.

7. **Nature of banking business**

Urban Co-operative Banks are largely unit banks with few or no branches. They function in the same city/town or at the most district. In exceptional cases in another district or even in another state.

Commercial banks on the other hand are generally branch banking units and are not subject to restrictions in regard to their area of operation.

8. **Management**

The members elect the managing committee of Urban Co-operative Banks. Honorary service minded people will be managing them. All managerial powers are concentrated in the hands of managing committee. The managers have only supervisory role in managing banks.

The shareholders of commercial banks elect the Board of Directors to manage the commercial banks and usually they are professionals. The powers are decentralised and carried to the level of managers.
9. **Loans and advances**

Urban Co-operative Banks can lend only to members on easy terms of interest and instalments. On default, the Urban Co-operative Banks can go to Registrar of Co-operatives to recover the dues. Loans are sanctioned by managing committee of Urban Co-operative Banks in a meeting.

Commercial banks can lend to members and to non-members alike for agricultural and non-agricultural purposes. The remedy for default is through court. The loans are sanctioned by managers at various levels.

10. **Sharing of profit**

The profit in Urban Co-operative Banks are distributed to members with a maximum limit of 15% of paid-up capital and the surplus is paid to members on the basis of transactions transacted.

The profit earned by commercial banks is distributed to shareholders on the paid up capital. There is no maximum limit on dividend payable to shareholders.

11. **Audit and Inspection**

All Urban Co-operative Banks are to be audited by auditors of Urban Co-operative Banks, then auditors of State Co-operative Audit Department and auditors of RBI. According to Souharda Sahakari Act of Karnataka - 2000, all self-reliant co-operatives may be audited by chartered accountants.
In case of commercial banks the private audit by chartered accountants and the RBI auditors audit the accounts.

PRIVILEGES OF URBAN CO-OPERATIVE BANKS OVER COMMERCIAL BANKS

1. Rate of Interest

The Urban Co-operative Banks can pay $\frac{1}{2}$% to 1% more on deposits and charge less on loans and advances.

2. Cash Reserve Ratio

It is fixed at 3% minimum, of time and demand liabilities for Urban Co-operative Banks. In case of commercial banks it is varying from time to time but definitely it is more than that of Urban Co-operative Banks.

3. Statutory Liquidity Ratio

It is fixed at 25% of time and demand liabilities for Urban Co-operative Banks but for commercial banks it is fluctuating and at present it is also varying from time to time and definitely it is more than that of Urban Co-operative Banks.

4. Tax

Urban Co-operative Banks are exempted from paying tax on interest income as well as on profits. No such exemptions for commercial banks.
5. **Priority Sector Advances**

60% of advances of Urban Co-operative Banks must be for priority sector out of which minimum 25% to weaker sections of society at the regular rate of interest. In case of commercial banks it is only 40% of advances are to be for priority sector at a concessional rate of interest.

**MEMBERSHIP PROCEDURE OF URBAN CO-OPERATIVE BANKS**

Membership procedure of a co-operative institution shall be voluntary and available without artificial restrictions or without any social, political, racial or religious discrimination to all persons, who can make use of its services and are willing to accept the responsibilities of membership.

**Types of Members:**

Urban co-operative banks in the country today have four types of members:

a) Regular members.

b) Nominal members.

c) Associate members and

d) Other Members.

a. **Regular Members:**

Regular members are the individuals having the right to vote and attend the general meetings of members. The regular members contribute to the share capital of the bank. They are like equity shareholders of Joint Stock Companies.
b. **Nominal Members:**

Nominal member is one who has contributed towards share capital as a member but has no right to attend and vote at General Meetings of Urban Co-operative Banks. Such membership is only a legal fiction and not a genuine co-operative membership. Persons are enrolled as nominal members, only for the limited purpose of enabling them to stand sureties for the borrower or for borrowings, for short periods and that too against tangible security. Usually a guarantor, a joint owner of mortgaged property, etc. are admitted as nominal members. Further, total number of nominal members shall not exceed 10% of the regular members at any point of time.

c. **Associate Members:**

Associate member is a member on probation who is not yet qualified or who has not yet proven his trust worthiness, but who intends to join the Urban Co-operative Bank as a member. Before admitting a person as a regular member he is kept on probation to test his trustworthiness and eligibility by admitting him as an Associate Member. Usually prospective borrowers, non-qualified and unknown people were first admitted as Associate Members.

The associate members have no right to vote and they are not required to make any contributions to the share capital.
d. **Other Members**

Other members include a Central Government or/and State Government and/or Apex Co-operative contributing towards capital of Urban Co-operative Banks in the initial stages of promotion and/or for rehabilitating the weak Urban Co-operative Banks.

Broadly speaking the membership of Urban Co-operative Banks comprises of persons living in urban areas. The eligibility conditions for the membership of these banks are prescribed under rules and bye-laws.

The study group on credit co-operatives in non-agricultural sector was of the opinion that membership should be open to all persons who are residing in the area of operation of the bank and who are competent to contract.

The average membership of Urban Co-operative Banks varies from State to State. It is difficult to determine the reasonable size of the membership of an urban bank.

The central banking inquiry committee insisted that the organization of larger banks should be encouraged. According to the report on the survey of urban co-operative banks (1957-58) the average membership of an urban bank should be 1,500, if it has to be a viable institution. The study group on urban credit co-operatives was of the view that the urban banks should have a strong base, so that it may raise adequate resources for meeting demand and for creating confidence among the depositors.
Co-operation means a voluntary organization with unrestricted membership. But entire business of co-operative bank is based on the mutual knowledge of members, their habits, positions and business methods. The best security for a co-operative bank is the moral worth of its members.

ORGANISATIONAL STRUCTURE OF URBAN CO-OPERATIVE BANKS

Organisation of Urban Co-operative Banks

Organisation is concerned with building, developing and maintaining of a structure of working relationship to attain objectives. Study of organisational structure is of prime importance because it is the structural framework within which individual efforts are co-ordinated and various tasks are performed.

Mostly urban co-operative banks all over the country have an elected body and paid staff. But the General Body of members is the supreme authority. The organisational structure of urban co-operative banks is shown in Chart 3.1.
ORGANISATIONAL STRUCTURE OF UCBs

POLICY-MAKING WING

General Body
Board of management
Executive Committee
President/Vice President

EXECUTIVE WING
General Manager

Administration and Establishment Section
Loans and Operations Section
Planning and Development Section
Branch and Accounts Section
Branch Control and Inspection

Section Manager
Office Superintendent
Section Officer
Inspector
Office Assistants
The organisational structure as shown in Chart 3.1 comprises of two wings, viz.,

I Policy Making Wing

II Executive Wing

Policy Making Wing:

A policy maps out the course along which the bank's activities are to be conducted to serve the purpose for which it is established. Policies are also described as the guiding principles established by the bank to govern actions usually under repetitive conditions.

Policy making wing of Urban Co-operative Bank is concerned with making policies regarding various aspects of bank. Policy making wing consists of:

A. General Body
B. Board of Directors
C. Executive committee and
D. President and Vice President

A. General Body

In the organisational structure of Urban Co-operative Bank, as shown in Chart 3.1 the General Body is the Supreme Authority in all matters pertaining to the bank. However, it is not the ultimate authority in the true sense of the term because it has to act within the framework of the bye-laws of the bank, the Karnataka State Co-operative Societies Act and RBI. The General Body meets at least once in a year. Such meetings provide an opportunity to its members to express their feelings of the functioning of the
bank and offer suggestions for improvement. All decisions in these meetings are arrived in democratic process in which each member has the right to cast one vote.

Functions of General Body

Following are the important functions of General Body:

2. Consideration of the Registrar’s Note on auditor’s inspection and adoption of audit certificate.
3. Disposal of net profits and sanctioning of dividend.
4. Amendment or repeal of existing bye-laws or enactment of new bye-laws.
5. Election of members to the Board of Directors and their removal from the Board.
6. Approval of the Annual Budget.
7. Appointment of Auditors.
8. Appeal against the decision of the Board of Directors by any member.
9. Review of loans advanced to the members of the Board of Directors and if necessary to direct action for recovery of such loans.
10. Expulsion of members.

B. Board of Directors

Board of directors is the heart of the bank. It has to act as trustee of members, in managing the bank’s activities with care and diligence, so as to safeguard their interest to the maximum.
The Board of directors represents the General Body of the bank and in fact the most vital organ in the organisational structure. It is the Board which thinks, plans and frames policies as well as ensures effective implementation of such policies.

Functions of Board of Directors

The main functions are:

1. Preparing of annual budgets, approval of annual budgets and sending them to the Local Deputy Registrar of Co-operative Societies for concurrence.
2. Admission of members.
3. Raising and investment of funds.
4. Granting of advances.
5. Taking disciplinary action on the erring employees.
6. Convening the meetings of the General Body, etc.

C. Executive Committee

Committees are formed with a view to secure balanced view on any of the vital matters connected with decision making and execution of policies. Executive committees are usually required to decide about the basic policies of the bank. Executive Committee consists of President, Vice President and Directors elected by the Board from amongst themselves. The committee being appointed annually, holds office till their successors are appointed. Powers are delegated by the Board of Directors to the Executive Committee. The Executive Committee is concerned with a consideration of credit applications, sanction of loans, examination of the cases of arrears and taking initiative
actions for recoveries, fixation of rents of the offices/branches, sanction of increments, bills, etc.

D. President and Vice President

The President is annually elected from among the directors who shall exercise general control and supervision over the affairs of the bank and the work of its officers. He presides over the meetings of the General Body, the Board and the Executive Committee.

The vice president is also elected annually from among the directors. He shall exercise the powers and performs the duties of the president whenever the latter is absent.

II. Executive Wing

The Executive Wing is concerned with the execution of the policies framed by the Policy – Making Wing and also of the various policies of the Government relating to the conduct of the business of the banks.

The executive wing consists of:

A. General Manager
B. Section Managers
C. All other employees of the urban co-operative banks.
A. General Manager

The General Manager is one to whom administrative functions and powers are delegated by the Board of Directors. The General Manager should be a man of vision and a master of strategy. He must be capable of stimulating and leading the men employed in the bank. He should define the duties and responsibilities of subordinates in such a way that high standards of achievement are obtained by them in their jobs.

The senior most employee of the Urban Co-operative Bank happens to be the General Manager who is the Chief Executive Officer of the bank with complete control over the entire administration of the bank subject to the control of the Board of Management.

The wide range of powers that the General Manager enjoys can be categorised into:

1. Financial Powers
2. Administrative Powers

1. Financial Powers of the General Manager
   i. To borrow, invest and tap deposits.
   ii. To operate the bank’s account.
   iii. To buy, sell, pledge and endorse the securities.
   iv. To examine loan applications and place them before the Board of Directors for approval.
v. To review the collections of over dues.

vi. To pay taxes.

vii. To sign all receipts and challans.

2. Administrative Powers of the General Manager

i. To deal with all communications made in the name of the General Manager.

ii. To arrange for the meetings.

iii. To shoulder responsibility for maintenance of accounts and registers as prescribed by the Act.

iv. To prepare for election and issue intimation letters of due date of election and to conduct the election.

v. To submit all returns and reports under the Banking Regulation Act, etc.

B. Section Managers

Section managers are concerned with the task of implementing the policies and plans chalked out by the Supreme Authorities. Section managers are responsible for the execution and interpretation of policies and for the successful operation of assigned sections. In executing the work, the General Manager of Urban Cooperative Bank is assisted by Section Managers of four sections:

i. Administration and Establishment Section.

ii. Loans and Operations Section.

iii. Planning and Development Section.
iv. Branches and Accounts Section.

v. Branch Control and Inspection Section.

Each section manager functions with definite responsibility in specific areas earmarked for them. Each of the section managers is in turn, assisted by office superintendent, section officers, inspectors and office assistants.

Structure of Urban Co-operative Banks

In general Urban Co-operative Banks have got unitary structure. They have been required to work exclusively without any structural support from any higher level financing institutions. Unlike urban co-operative banks, agricultural credit co-operative societies have State level Apex bodies. As a result, urban banks are functioning under various constraints which can be overcome only after their separate and independent Apex banks are established.

The unitary structure of urban banks was based on the presumption that urban co-operative banks will be affiliated to the district level central co-operative banks and therefore there was no necessity of organising separate district and apex organisations for them. But the field experience is that most of the urban banks are self sufficient and do not require any substantial funds from district level central co-operative banks. In fact some of the urban banks are stronger than the district central co-operative banks.
URBAN CO-OPERATIVE BANKS AS SMALL MEN’S BANKS

Urban banks are people’s banks in the true sense of the term. The strength of urban co-operative bank lies in their compactness, limited area of operation, close contact with the community and the local feel which are immensely suited to promote thrift and self help among the members. These banks are organised by people of small means. They are managed by the representatives of middle class and lower middle class shareholders. Their deposits are, by and large mobilised by these classes. Their advances are mainly to their members of small means. Units of their deposits and advances are very small.

ORIGIN OF URBAN CO-OPERATIVE MOVEMENT IN KARNATAKA

The co-operative movement in Karnataka originated and developed along with the history of co-operative movement in India. The first urban co-operative bank in Karnataka was formed on 18th October, 1905 in Dharwad district in the undivided Bombay province with the name, “The Betageri co-operative credit society”. This is considered to be the first urban co-operative bank in the State and the third one in India. This was organised with the assistance and guidance of Shri S.U.Kulkarni and by the sparkling motivation of Reverend Canon Ravington. But today, unfortunately, it is not in existence.

The second urban co-operative bank organized in the state was “The Bangalore city co-operative credit society”, which was registered in the month of December 1905. It was organised under the able leadership of Shri Chandrasekhar Aiyar.
In Karnataka State, after the re-organisation of States in 1956, The Mysore Co-operative Societies Act, 1959 was drafted and it received the assent of the President of India on 11th August 1959 and it came into force on 1st June 1960.

EVOLUTION OF URBAN CO-OPERATIVE BANKS IN KARNATAKA

The evolution of Urban Co-operative Banks in Karnataka is presented in table 3.1

Table 3.1
Evolution of Urban Co-operative Banks in Karnataka

<table>
<thead>
<tr>
<th>Year</th>
<th>Registration of Banks</th>
<th>Total No. of Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900-1910</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>1910-1920</td>
<td>30</td>
<td>43</td>
</tr>
<tr>
<td>1920-1930</td>
<td>22</td>
<td>65</td>
</tr>
<tr>
<td>1930-1940</td>
<td>5</td>
<td>70</td>
</tr>
<tr>
<td>1940-1950</td>
<td>16</td>
<td>86</td>
</tr>
<tr>
<td>1950-1960</td>
<td>21</td>
<td>107</td>
</tr>
<tr>
<td>1960-1970</td>
<td>62</td>
<td>169</td>
</tr>
<tr>
<td>1970-1980</td>
<td>38</td>
<td>207</td>
</tr>
<tr>
<td>1980-1990</td>
<td>6</td>
<td>213</td>
</tr>
<tr>
<td>1990-2000</td>
<td>87</td>
<td>300</td>
</tr>
<tr>
<td>TOTAL</td>
<td>300</td>
<td></td>
</tr>
</tbody>
</table>

Source: Karnataka News, Karnataka State Federation of Urban Banks Ltd., Bangalore.
Chart 3.2

Evolution of UCBs in Karnataka

No. of UCBs
During 1900-1910, thirteen Co-operative Credit Societies were formed.

During 1910-1920, 30 Co-operative Credit Societies were formed. The growth during this decade was 230% over the previous period. The banking crisis which existed during 1913-17 saw the failure of many commercial banks. These failures paved the way for the organization of new urban credit societies and a boom in their activities.

During 1920-1930, again there was a spurt in the formation of these Co-operative Credit Societies. Twenty-two banks were formed on co-operative basis. The growth during this period was nearly 50% over the last decade.

The great economic depression of 1930’s severely affected the formation of Urban Co-operative Credit Societies. Therefore, only 5 new urban credit societies were formed during 1930-1940. The growth during this period was only 8% over the last decade.

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. During 1940-1950, the growth again picked up the momentum of Co-operative Movement and 16 Urban Co-operative Credit Societies were formed. The growth during this period was almost 25%.

During 1950-1960, on the recommendations of Reserve Bank of India both the State and Central Governments adopted several promotional measures for Agricultural
Credit Societies and Urban Co-operative Banking Sector was left to stand on its own. Though there was no encouragement from both the governments the Urban Co-operative Banks maintained the same tempo of growth of 25%. During 1950-1960, twenty one Urban Co-operative Banks were formed.

During 1960-1970, sixty two Urban Co-operative Banks were formed. The growth rate was 60%. After reorganisation of states in 1956, the then Government of Mysore, passed a legislation and it came into force on 1st June 1960. When the Banking Regulation Act 1949 was made applicable to Urban Cooperative Banks in 1966, there were 160 Urban Co-operative Banks in our State.

During 1970-1980, thirty eight banks were formed and registered. The growth rate was about 18% over the last decade. In the year 1980, there were 195 Urban Co-operative Banks with 65 branches.

During 1980-1990, only six banks were formed and 5 banks were liquidated. At the end of 1990, there were 208 banks with 195 branches working in Karnataka State.

During 1990-2000, there were 293 banks, at the end of 2000, there were 300 Urban Co-operative Banks with 556 branches working in Karnataka State. Geographical location of Karnataka State is presented in map 3.1. Number of Urban Co-operative Banks and their Branches in Karnataka State is presented in map 3.2.
URBAN CO-OPERATIVE BANKS
IN KARNATAKA STATE

NO. OF BANKS IN EACH DISTRICT
(As on 31st March 2001)

Total Banks 302
No. of Branches 560
No. of Mahila Banks 28
No. of Mahila Banks Branches 14
### PROGRESS OF UCBs IN KARNATAKA

The progress of urban co-operative banks in Karnataka is shown in Table 3.2.

#### Table 3.2

**Progress of UCBs in Karnataka**

(Rs. In crores from Sl. No.4 to Sl. No.12)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of Banks</td>
<td>209</td>
<td>204</td>
<td>218</td>
<td>238</td>
<td>251</td>
</tr>
<tr>
<td>2</td>
<td>No. of Branches</td>
<td>253</td>
<td>276</td>
<td>324</td>
<td>365</td>
<td>441</td>
</tr>
<tr>
<td>3</td>
<td>No. of Members</td>
<td>1209581</td>
<td>1321010</td>
<td>1380066</td>
<td>1597903</td>
<td>1811705</td>
</tr>
<tr>
<td>4</td>
<td>Paid up Share Capital</td>
<td>63</td>
<td>74</td>
<td>94</td>
<td>116</td>
<td>144</td>
</tr>
<tr>
<td>5</td>
<td>Reserve and other funds</td>
<td>132</td>
<td>158</td>
<td>205</td>
<td>263</td>
<td>342</td>
</tr>
<tr>
<td>6</td>
<td>Own Funds</td>
<td>195</td>
<td>232</td>
<td>299</td>
<td>379</td>
<td>486</td>
</tr>
<tr>
<td>7</td>
<td>Deposits</td>
<td>1045</td>
<td>1222</td>
<td>1596</td>
<td>2085</td>
<td>2852</td>
</tr>
<tr>
<td>8</td>
<td>Working Capital</td>
<td>1271</td>
<td>1519</td>
<td>1953</td>
<td>2549</td>
<td>3403</td>
</tr>
<tr>
<td>9</td>
<td>Loans and Advances</td>
<td>800</td>
<td>955</td>
<td>1235</td>
<td>1592</td>
<td>2012</td>
</tr>
<tr>
<td>10</td>
<td>Priority Sector Advances</td>
<td>455</td>
<td>536</td>
<td>702</td>
<td>910</td>
<td>1405</td>
</tr>
<tr>
<td>11</td>
<td>Percentage of Over dues</td>
<td>11</td>
<td>11</td>
<td>10</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>12</td>
<td>Net Profit</td>
<td>33</td>
<td>38</td>
<td>54</td>
<td>74</td>
<td>90</td>
</tr>
<tr>
<td>13</td>
<td>No. of Employees</td>
<td>5715</td>
<td>6072</td>
<td>6412</td>
<td>6910</td>
<td>8822</td>
</tr>
<tr>
<td>14</td>
<td>No. of Trained</td>
<td>1973</td>
<td>2120</td>
<td>2340</td>
<td>2515</td>
<td>3393</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue, 'The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore'.
Chart 3.3

Growth of UCBs & their Branches in Karnataka

- No. of Banks
- No. of Branches
The trends in growth of Urban Co-operative Banks in Karnataka during 1993-94 to 1997-98, were as follows:

1. **No. of Banks:**

   The number of Urban Co-operative Banks increased from 209 in 1993-94 to 251 by the end of 1997-98. The growth of banks was 1.2 times during the study period. 50 UCBs formed and 8 UCBs liquidated during the period of study.

2. **No. of Branches:**

   Branches of Urban Co-operative Banks increased from 253 in 1993-94 to 441 by the end of 1997-98. The growth of branches was definitely bettered compared to the growth of number of Urban Co-operative Banks. The growth of branches was 1.7 times during the study period. During the period under study, 194 branches formed and 5 branches liquidated.

3. **Members:**

   Membership increased from 1209581 in 1993-94 to 1811705 by the end of 1997-98. The growth of membership was 0.5 times during the study period.

4. **Paid up Share Capital:**

   The growth of paid up capital was 1.3 times during the study period. Paid up share capital was Rs.63 crores during 1993-94 and increased to Rs.144 crores during 1997-98. Though the membership had increased by only 0.5 times the paid up capital had
increased by 1.3 times during the study period. This speaks about increase in share capital per member during the study period.

5. **Reserves and other funds:**

The growth of reserves and other funds was 1.6 times during the study period. During 1993-94 reserves and other funds were Rs.132 crores and increased to Rs.342 crores during 1997-98. The reserves and other funds increased at higher proportion to paid-up capital and thus leading to stability of capital funds in Urban Co-operative Banks. The Urban Co-operative Banks are moving towards self-reliance in funds.

6. **Owned Funds:**

The growth of owned funds during the study period was 1.5 times. Owned funds during 1993-94 were Rs.195 crores and increased to Rs.486 during 1997-98. The increase in owned funds was due to increase in reserve and other funds in a greater proportion.

7. **Deposits:**

The growth of deposits of Urban Co-operative Banks was 1.7 times during the study period. Deposits during 1993-94 were Rs.1045 crores and increased to Rs.2852 crores during 1997-98. Deposits are the principal sources of operative funds of banks. The continuous increase in deposits is a very healthy sign of efficiency in operation of Urban Co-operative Banks. It also denotes that Urban Co-operative Banks' success in attracting savings of the people in the form of deposits.
8. **Working Capital:**

The growth of working capital of Urban Co-operative Banks was 1.7 times during the period of study. During 1993-94 working capital was Rs.1271 crores and increased to Rs.3403 crores during 1997-98. The growth of working capital has put Urban Co-operative Banks on the map of prosperity and profitability of Banking Sector.

9. **Loans and Advances:**

The growth of loans and advances of Urban Co-operative Banks during the study period was 1.5 times. During 1993-94 loans and advances were Rs.800 crores and increased to Rs.2012 crores during 1997-98.

10. **Priority Sector Advances:**

The growth of priority sector advances of Urban Co-operative Banks was 2.1 times during the period 1993-94 to 1997-98. During 1993-94 priority sector advances were Rs.455 crores and increased to Rs.1405 during 1997-98. Urban Co-operative Banks had achieved the target of 60% of loans and advances to priority sector as per RBI guidelines.

11. **Overdues:**

The percentage of overdues to the total loans and advances outstanding was about 11 per cent in 1993-94 and decreased to 9 per cent in 1997-98. This is a healthy sign of progress and prosperity of Urban Co-operative Banks.
12. **Net Profit:**

The growth of net profit of Urban Co-operative Banks was 1.7 times during the study period. During 1993-94 Urban Co-operative Banks earned Rs.33 crores and during 1997-98, Rs.90 crores. Urban Co-operative Banks as business units were performing well in commercial terms.

13. **Number of Employees:**

The growth of employees of Urban Co-operative Banks was 0.5 times during the study period. During 1993-94 number of employees were 5715 and increased to 8822 during 1997-98.

14. **Number of Trained Employees:**

The growth of trained employees of Urban Co-operative Banks during the study period was 0.7 times. During 1993-94 number of trained employees were 1973 and increased to 3393 during 1997-98.

There is a very good over all progress made by Urban Co-operative Banks in Karnataka. The achievements of UCBs in the State are admirable. The UCBs have become an outstanding to other sectors. The success of UCBs in Karnataka can be attributed to a combination of variety of factors like interest and zeal of honorary workers, support and confidence of general public, etc. Because of the liberalised economic policy of Central Government and the Reserve Bank of India, many more urban co-operative banks are being established in all the unbanked districts. The
establishment of Mahila Urban Co-operative Banks in Karnataka is a recent and bold step. The State and Central Governments should encourage the formation of new Urban Co-operative Banks by curtailing and curbing restrictions.

GEOGRAPHICAL DISTRIBUTION OF UCBS AND THEIR BRANCHES, GROWTH OF MEMBERSHIP AND WORKING CAPITAL

Geographical Distribution of Urban Co-operative Banks

Since the primary concern of UCBs is to encourage thrift and inculcate savings habit among urban and semi-urban masses, and to meet their credit requirements, more number of UCBs in urban and semi-urban areas are opened. Establishment of UCBs continues till the desired geographic and demographic coverage is achieved.

Liberalised Licensing Policy of Reserve Bank of India has stimulated more response for the establishment of new urban co-operative banks in general and mahila co-operative banks in particular. Growth in number of UCBs in Karnataka is presented in table 3.3.
Table 3.3

Growth in number of Urban Co-operative Banks

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of UCBs</th>
<th>% of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>209</td>
<td>——</td>
</tr>
<tr>
<td>1994-95</td>
<td>204</td>
<td>-2</td>
</tr>
<tr>
<td>1995-96</td>
<td>218</td>
<td>7</td>
</tr>
<tr>
<td>1996-97</td>
<td>238</td>
<td>9</td>
</tr>
<tr>
<td>1997-98</td>
<td>251</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue, 'The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore'.

Quantitative growth can be measured in terms of number of banks. The overall trend in the growth of number of UCBs was increasing during the study period, except in the year 1994-95. The total number of UCBs was 209 in 1993-94 and decreased to 204 in 1994-95 due to liquidation of 5 UCBs. In 1995-96, 3 UCBs liquidated, 17 new UCBs formed and hence the total number of UCBs increased to 218. In 1996-97, 20 new UCBs formed and the total number of UCBs increased to 238. In 1997-98, 13 new UCBs formed and the total number of UCBs increased to 251.

During the period under study 8 urban co-operative banks liquidated and 50 new urban co-operative banks formed. Growth rate of UCBs was fluctuating during the period under study. Growth rate of number of urban co-operative banks was (-)2 per cent in the year 1994-95 over 1993-94, increased to 7 per cent in the year 1995-96 over
1994-95, again increased to 9 per cent in the year 1996-97 over 1995-96 and decreased to 5 per cent in the year 1997-98 over 1996-97.

Table 3.4

Region-wise distribution of UCBs

<table>
<thead>
<tr>
<th>Year</th>
<th>Bangalore Region</th>
<th>Belgaum Region</th>
<th>Gulbarga Region</th>
<th>Mysore Region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>67</td>
<td>106</td>
<td>6</td>
<td>30</td>
<td>209</td>
</tr>
<tr>
<td>1994-95</td>
<td>66</td>
<td>103</td>
<td>6</td>
<td>29</td>
<td>204</td>
</tr>
<tr>
<td>1995-96</td>
<td>70</td>
<td>102</td>
<td>16</td>
<td>30</td>
<td>218</td>
</tr>
<tr>
<td>1996-97</td>
<td>73</td>
<td>114</td>
<td>20</td>
<td>31</td>
<td>238</td>
</tr>
<tr>
<td>1997-98</td>
<td>78</td>
<td>118</td>
<td>23</td>
<td>32</td>
<td>251</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue ‘The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore’.

Table 3.5

Average Percentage share of each Region to the total number of UCBs

<table>
<thead>
<tr>
<th>Bangalore Region</th>
<th>Belgaum Region</th>
<th>Gulbarga Region</th>
<th>Mysore Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>50</td>
<td>7.5</td>
<td>12.5</td>
</tr>
</tbody>
</table>

Note: Average percentage share of each Region to the total number of UCBs in Karnataka is computed.
Chart 3.4

Region-wise distribution of UCBs


Bangalore Region ■ Belgaum Region □ Gulbarga Region □ Mysore Region
Region-wise distribution of urban co-operative banks, as presented in the above tables reveal that number of UCBs in Bangalore Region increased from 67 to 78, due to formation of 12 new UCBs and liquidation of 1 UCB during the period under study. Bangalore Region ranks second, next to Belgaum Region, in respect with number of UCBs. The average share of Bangalore Region to the total number of UCBs was 30 per cent.

Belgaum Region had the lion’s share in the total number UCBs in Karnataka. In Belgaum Region, number of UCBs increased from 106 to 118 due to formation of 18 new UCBs and liquidation of 6 UCBs during the period under study. The average share of Belgaum Region to the total number of UCBs was 50%.

Gulbarga Region had the least number of UCBs in Karnataka. In Gulbarga Region, the number of UCBs increased from 6 to 23 because of formation of 17 new UCBs during the period under study. The average share of Gulbarga Region to the total number of UCBs was 7.5 per cent.

Mysore Region ranks third in respect with number of UCBs in Karnataka. In Mysore Region, the number of UCBs increased from 30 to 32 due to formation of 3 new UCBs and liquidation of 1 UCB during the period under study. The average share of Mysore Region to the total number of UCBs was 12.5 per cent.
Conclusion

Though, RBI has liberalised its Licensing Policy to new Urban Co-operative Banks, enterprising businessmen and industrialists of Karnataka in general and Gulbarga Region in particular, are not coming forward in true spirit of co-operative endeavor to exploit this opportunity in a big way,

REGION-WISE DISTRIBUTION OF BRANCHES OF UCBs

In order to increase the volume of business many branches of UCBs have been opened in urban and semi-urban areas of Karnataka. Branch expansion continues to be a high priority function for UCBs till the desired geographic and demographic coverage is achieved. With a view of giving greater degree of freedom to financially strong and well managed UCBs, for opening branches, the branch expansion policy was further liberalised in accordance with the recommendations of Narasimham Committee on financial sector reforms. In terms of the new policy, UCBs which satisfied certain prescribed norms, were permitted to open branches at centres of their choice without having to obtain prior approval of RBI.

Growth of branches of UCBs in Karnataka is presented in table 3.6 and region-wise distribution of branches of UCBs is presented in table 3.7.
Table 3.6

Growth of Branches of UCBs

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Branches</th>
<th>% of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>253</td>
<td>———</td>
</tr>
<tr>
<td>1994-95</td>
<td>276</td>
<td>9</td>
</tr>
<tr>
<td>1995-96</td>
<td>324</td>
<td>17</td>
</tr>
<tr>
<td>1996-97</td>
<td>365</td>
<td>13</td>
</tr>
<tr>
<td>1997-98</td>
<td>442</td>
<td>21</td>
</tr>
</tbody>
</table>


The above table reveals that number of branches were 253 in 1993-94 which increased to 442 in 1997-98, accounting 1.7 times increase. During the period under study, 194 new branches formed and 5 branches liquidated. Growth rate of branches was fluctuating, i.e., 9 per cent in 1994-95, 17 per cent in 1995-96, 13 per cent in 1996-97 and 21 per cent by the end of 1997-98.
Table 3.7

Region-wise Distribution of Branches of UCBs

<table>
<thead>
<tr>
<th>Year</th>
<th>Bangalore Region</th>
<th>Belgaum Region</th>
<th>Gulbarga Region</th>
<th>Mysore Region</th>
<th>Total No. of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>100</td>
<td>120</td>
<td>—</td>
<td>33</td>
<td>253</td>
</tr>
<tr>
<td>1994-95</td>
<td>108</td>
<td>130</td>
<td>—</td>
<td>38</td>
<td>276</td>
</tr>
<tr>
<td>1995-96</td>
<td>131</td>
<td>152</td>
<td>—</td>
<td>41</td>
<td>324</td>
</tr>
<tr>
<td>1996-97</td>
<td>150</td>
<td>171</td>
<td>—</td>
<td>44</td>
<td>365</td>
</tr>
<tr>
<td>1997-98</td>
<td>185</td>
<td>200</td>
<td>—</td>
<td>57</td>
<td>442</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue, 'The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore'.
Chart 3.5

Region-wise distribution of Branches of UCBs

- Bangalore Region
- Belgaum Region
- Mysore Region
Region-wise distribution of branches as shown in the above table reveals that the number of branches in Bangalore region increased from 100 to 185, in Belgaum Region from 120 to 200 and in Mysore Region from 33 to 57 during the period under study. 5 branches liquidated in Belgaum Region. Gulbarga Region is the only Region which has no branch network. Again in Mysore Region, only Dakshina Kannada and Mysore districts have the branch network (As per Basic Statistical Tables under Appendices).

Findings
1. There is an upward trend in the growth of number of UCBs and their branches in Karnataka.
2. Maximum number of UCBs and their branches are concentrated only in Belgaum and Bangalore Regions, about 80 per cent.
3. Gulbarga Region has the least number of UCBs (no branch network) than that of other Regions, about 7 per cent.
4. Concentration of highest number of UCBs and their branches, about 50 per cent, in Belgaum Region.
5. Liberalised Licensing Policy of RBI has not stimulated more response for establishment of more number of UCBs in Gulbarga and Mysore Regions, due to lack of initiative on the part of co-operative leadership and proper support of the State Government.
Suggestions

1. A few enterprising businessmen and industrialists should come together in true spirit of co-operative endeavour and establish these institutions in unbanked areas.

2. There is a scope for establishment of women's co-operative urban banks in uncovered areas of Karnataka State. Steps should be taken by the leaders to organise such banks in uncovered areas.

3. In order to boost the growth of urban co-operative banking movement in the less and least developed regions (like Gulbarga Region), to begin with, a few district/select centres may be identified where organisation of UCBs is feasible in terms of level of economic activity, existence of local leadership and potential for mobilisation of deposits and purveying of credit.

4. The main reason for the imbalance in the growth of UCBs is due to the present weak linkages between the urban banks on the one side and the State/District Co-operative Banks on the other. Therefore, an Apex Urban Co-operative Bank in Karnataka should be set up early.
Growth of Membership of UCBs in Karnataka

The membership of a co-operative urban bank plays a vital role in its initial development. Urban banks, like other co-operative credit institutions, are expected to follow the policy of open membership. The membership should not be restricted on the basis of caste, community or such other narrow consideration. The information about growth of different types of members and region-wise growth of membership of the UCBs is shown in the following tables.

Table 3.8

Growth of Membership by Classes

<table>
<thead>
<tr>
<th>Year</th>
<th>Regular Members</th>
<th>Associate Members</th>
<th>Nominal Members</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>903</td>
<td>99</td>
<td>206</td>
<td>5</td>
<td>1213</td>
</tr>
<tr>
<td>1994-95</td>
<td>987</td>
<td>121</td>
<td>213</td>
<td>5</td>
<td>1326</td>
</tr>
<tr>
<td>1995-96</td>
<td>1062</td>
<td>134</td>
<td>184</td>
<td>1</td>
<td>1381</td>
</tr>
<tr>
<td>1996-97</td>
<td>1229</td>
<td>166</td>
<td>203</td>
<td>1</td>
<td>1599</td>
</tr>
<tr>
<td>1997-98</td>
<td>1378</td>
<td>206</td>
<td>230</td>
<td>1</td>
<td>1815</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue, 'The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore'.

128
Table 3.9
Region-wise growth of Membership

<table>
<thead>
<tr>
<th>Year</th>
<th>Bangalore Region</th>
<th>Belgaum Region</th>
<th>Gulbarga Region</th>
<th>Mysore Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>458165</td>
<td>528406</td>
<td>23166</td>
<td>199844</td>
</tr>
<tr>
<td>1994-95</td>
<td>493272</td>
<td>593526</td>
<td>24378</td>
<td>209834</td>
</tr>
<tr>
<td>1995-96</td>
<td>552152</td>
<td>592082</td>
<td>45196</td>
<td>190636</td>
</tr>
<tr>
<td>1996-97</td>
<td>649431</td>
<td>698254</td>
<td>54308</td>
<td>195910</td>
</tr>
<tr>
<td>1997-98</td>
<td>714408</td>
<td>790789</td>
<td>73180</td>
<td>233328</td>
</tr>
</tbody>
</table>

Table 3.10
Percentage share of each Region to the Total Membership

<table>
<thead>
<tr>
<th>Year</th>
<th>Bangalore Region</th>
<th>Belgaum Region</th>
<th>Gulbarga Region</th>
<th>Mysore Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>38</td>
<td>44</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>1994-95</td>
<td>37</td>
<td>45</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>1995-96</td>
<td>40</td>
<td>43</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>1996-97</td>
<td>41</td>
<td>44</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>1997-98</td>
<td>39</td>
<td>44</td>
<td>4</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue, 'The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore'.

Note: Percentage share of each Region to the Total Members computed.
Chart 3.6

Region-wise growth of Members

- Bangalore Region
- Belgaum Region
- Gulbarga Region
- Mysore Region


Member Growth in Each Region:
- Bangalore: Steady increase
- Belgaum: Moderate increase
- Gulbarga: Minor increase
- Mysore: Significant increase
The following inferences can be drawn from the above tables:

1. **Substantial share of Regular Members:**

   Share of Regular Members to the total number of members was substantial, about 75 per cent. The increase in the share of regular members is a good sign because it shows the genuine members taking interest in the working of UCBs for mutual help. These regular members are the real and loyal members who will be interested in the progress of UCBs.

2. **Insignificant share of Associate Members:**

   Share of Associate members was 8 per cent in 1993-94 and increased to 11 per cent in 1997-98. About 1/10\(^{th}\) of total members were associate members.

3. **Declining Share of Nominal Members:**

   Share of nominal members declined from 17 per to 13 per cent during the period under study. The reduction was due to decrease in temporary borrowers and guarantors to advances. These nominal members are not genuinely interested in running of co-operative banks but are only interested in loans and advances granted by UCBs to their members.

4. **Only one Other Member:**

   Number of other members decreased from 5 to 1. This shows that the governments are not interested in becoming members by contributing towards the paid up share capital.
of UCBs. At the same time, we can presume that UCBs are self sufficient in collecting the required paid up capital from people.

5. Disparity in the growth of members:

The average percentage of members to the total members was: Belgaum Region 43 per cent, Bangalore Region 46 per cent, Gulbarga Region 0.4 per cent and Mysore Region 10 per cent. It indicates that there is more number of members in Bangalore and Belgaum Regions only than that of other two regions.

Findings

1. It is a healthy sign that nearly 3/4th of members are regular members, because a person joins as a regular member with the intention to achieve the objectives of co-operation rather than to control.

2. The non-participation of Government directly or indirectly shows the financial stability and soundness of UCBs in Karnataka.

3. Belgaum and Bangalore Regions alone share 89 percent of total number of members, while the share of Gulbarga Region is less than 1 per cent and that of Mysore Region is 10 per cent.
GROWTH OF WORKING CAPITAL

Working capital of the bank is the summation of owned capital and borrowed capital. It is the total capital employed by the bank. The Reserve Bank of India has been using 'working capital' as the entire liabilities side of the balance sheet excluding contra items which are in the nature of offsetting each other and accumulated losses (Audit proforma 'A' and proforma of annual returns of RBI specified this concept of working capital). The practice of UCBs reveals that it has been using the same definition, which has been used for the purpose of audit and annual returns.

Components of working capital are:

a. Owned funds
b. Deposits
c. Borrowings and
d. Other liabilities.

Trends in the growth of Working Capital

Trends in the growth of working capital of UCBs are presented in table 3.11
### Table 3.11

**Trends in the growth of Working Capital**

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Working Capital</th>
<th>% of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>127112</td>
<td>----</td>
</tr>
<tr>
<td>1994-95</td>
<td>151907</td>
<td>20</td>
</tr>
<tr>
<td>1995-96</td>
<td>195295</td>
<td>29</td>
</tr>
<tr>
<td>1996-97</td>
<td>254879</td>
<td>31</td>
</tr>
<tr>
<td>1997-98</td>
<td>340325</td>
<td>34</td>
</tr>
</tbody>
</table>

### Table 3.12

**Region-wise growth of Working Capital**

(Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore Region</td>
<td>59063</td>
<td>70708</td>
<td>93095</td>
<td>120487</td>
<td>165164</td>
</tr>
<tr>
<td>Belgaum Region</td>
<td>54821</td>
<td>65805</td>
<td>81591</td>
<td>107806</td>
<td>140199</td>
</tr>
<tr>
<td>Gulbarga Region</td>
<td>584</td>
<td>727</td>
<td>1408</td>
<td>2382</td>
<td>3707</td>
</tr>
<tr>
<td>Mysore Region</td>
<td>12644</td>
<td>14667</td>
<td>19202</td>
<td>24204</td>
<td>31255</td>
</tr>
</tbody>
</table>

Chart 3.7

Region-wise growth of Working Capital
(Rs. in lakhs)

Bangalore Region ■ Belgaum Region □ Gulbarga Region □ Mysore Region
Tables 3.11 and 3.12 reveal the following:

1. Substantial growth in working capital:

   The working capital of UCBs had increased substantially in absolute terms from Rs.127112 lakhs in 1993-94 to Rs.340325 lakhs in 1997-98. The increase was about 1.7 times during the study period.

2. Increasing annual growth rate:

   The growth of working capital of UCBs during the study period was increasing from 20 per cent to 34 per cent. The continuous increase in growth rate was due to increase in various components of working capital.

3. Substantial Contribution of Bangalore and Belgaum Regions:

   About 85 per cent of working capital was contributed by UCBs of Bangalore and Belgaum Regions. Share of UCBs of Gulbarga Region was insignificant and that of Mysore Region was about 10 per cent.

Components of Working Capital

The information about the components of working capital and the percentage share of each component in total working capital during 1993-94 to 1997-98 is presented in table 3.13.
Table 3.13

Components of Working Capital

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Owned funds</th>
<th>% to W.C.</th>
<th>Deposits</th>
<th>% to W.C.</th>
<th>Borrowings, other Liabs.</th>
<th>% to W.C.</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>19518</td>
<td>15</td>
<td>104491</td>
<td>82</td>
<td>3103</td>
<td>2.4</td>
<td>127112</td>
</tr>
<tr>
<td>1994-95</td>
<td>23266</td>
<td>15</td>
<td>122249</td>
<td>80</td>
<td>6392</td>
<td>4.2</td>
<td>151907</td>
</tr>
<tr>
<td>1995-96</td>
<td>29908</td>
<td>15</td>
<td>159584</td>
<td>82</td>
<td>5803</td>
<td>3</td>
<td>195295</td>
</tr>
<tr>
<td>1996-97</td>
<td>37840</td>
<td>15</td>
<td>208542</td>
<td>82</td>
<td>8497</td>
<td>3</td>
<td>254879</td>
</tr>
<tr>
<td>1997-98</td>
<td>48624</td>
<td>14</td>
<td>285277</td>
<td>84</td>
<td>6424</td>
<td>2</td>
<td>340325</td>
</tr>
</tbody>
</table>

Source: Directories of Urban Co-operative Banks in Karnataka - V and VI Issue, "The Karnataka State Co-operative Urban Banks Federation Ltd., Bangalore".
Chart 3.8

Distribution of Working Capital of UCBs in Karnataka
by Sources 1993-94

- Paid up Share Capital
- Reserve and other funds
- Deposits
- Other Liabilities

Distribution of Working Capital of UCBs in Karnataka
by Sources 1997-98

- Paid up Share Capital
- Reserve and other funds
- Deposits
- Other Liabilities
1. Decreasing share of owned funds:

   The share of owned funds in working capital had decreased from 15 per cent in 1993-94 to 14 per cent in 1997-98.

2. Substantial share of deposits:

   The share of deposits in working capital fluctuated from 80 per cent to 84 per cent during the study period. The share of deposits was very much substantial compared to other components.

3. Insignificant share of borrowings and other liabilities:

   The share of borrowings and other liabilities in working capital was insignificant. The share fluctuated from 2.4 per cent to 4.2 per cent during the period under study.

4. Overall trends in composition of working capital:

   On an average the share of owned capital, deposits and borrowings and other liabilities were 14.8 per cent, 82 per cent and 2.9 per cent respectively during the study period. The table indicates that the major component of working capital was deposits with 82 per cent of share followed by owned funds with 14.8 per cent and borrowings and other liabilities with 2.9 per cent.

5. Share of Internal and External Sources of Finance:

   Internal source of finance refers to owned capital. Its share was 14.8 per cent in the working capital of UCBs. The external source refers to deposits, borrowings and other liabilities. The share of external source was 85 per cent.
Conclusion

Deposits form the major components in working capital of UCBs, followed by interest free source, i.e., reserves and then the paid up capital, borrowings and other liabilities.

The insignificant borrowings states that UCBs are self reliant, because they mobilise deposits from public on their own strength. Therefore, the success of UCBs heavily depends on their reputation and faith and trust of people in them.

PLACE OF KARNATAKA UCBs ON INDIAN SCENE

The Karnataka State ranks third next to Maharashtra and Gujrat in terms of almost all performance parameters such as the number of Urban Co-operative Banks, their branches, paid up capital, reserves, owned funds, deposits, working capital and loans and advances. Table 3.14 shows the place of Karnataka UCBs on Indian scene:
Table 3.14

Place of Karnataka UCBs on Indian Scene

As on 31\textsuperscript{st} March 1998.

(Rs. in crores).

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Names of the States &amp; Union Territories</th>
<th>No. of Banks</th>
<th>Owned Capital</th>
<th>Deposits</th>
<th>Loans &amp; Advances</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>136</td>
<td>100.11</td>
<td>843.44</td>
<td>621.88</td>
<td>1129.11</td>
</tr>
<tr>
<td>2</td>
<td>Assam</td>
<td>07</td>
<td>21.03</td>
<td>60.64</td>
<td>30.92</td>
<td>89.53</td>
</tr>
<tr>
<td>3</td>
<td>Bihar</td>
<td>06</td>
<td>0.62</td>
<td>5.07</td>
<td>1.28</td>
<td>6.10</td>
</tr>
<tr>
<td>4</td>
<td>Delhi</td>
<td>16</td>
<td>41.98</td>
<td>237.59</td>
<td>131.65</td>
<td>327.02</td>
</tr>
<tr>
<td>5</td>
<td>Goa</td>
<td>07</td>
<td>68.77</td>
<td>420.47</td>
<td>303.98</td>
<td>525.11</td>
</tr>
<tr>
<td>6</td>
<td>Gujarat</td>
<td>336</td>
<td>1402.55</td>
<td>6717.89</td>
<td>4625.07</td>
<td>9142.05</td>
</tr>
<tr>
<td>7</td>
<td>Haryana</td>
<td>08</td>
<td>6.81</td>
<td>40.66</td>
<td>29.40</td>
<td>61.57</td>
</tr>
<tr>
<td>8</td>
<td>Himachal Pradesh</td>
<td>05</td>
<td>3.20</td>
<td>31.35</td>
<td>19.74</td>
<td>37.14</td>
</tr>
<tr>
<td>9</td>
<td>Jammu &amp; Kashmir</td>
<td>04</td>
<td>4.26</td>
<td>71.16</td>
<td>32.74</td>
<td>77.32</td>
</tr>
<tr>
<td>10</td>
<td>Karnataka</td>
<td>289</td>
<td>654.21</td>
<td>3188.00</td>
<td>2356.00</td>
<td>4057.00</td>
</tr>
<tr>
<td>11</td>
<td>Kerala</td>
<td>61</td>
<td>70.99</td>
<td>640.23</td>
<td>481.77</td>
<td>775.13</td>
</tr>
<tr>
<td>12</td>
<td>Madhya Pradesh</td>
<td>79</td>
<td>49.08</td>
<td>314.37</td>
<td>181.09</td>
<td>406.80</td>
</tr>
<tr>
<td>13</td>
<td>Maharashtra</td>
<td>586</td>
<td>2060.43</td>
<td>15513.59</td>
<td>10851.50</td>
<td>19475.01</td>
</tr>
<tr>
<td>14</td>
<td>Manipur</td>
<td>05</td>
<td>4.07</td>
<td>29.11</td>
<td>14.86</td>
<td>36.70</td>
</tr>
<tr>
<td>15</td>
<td>Meghalaya</td>
<td>02</td>
<td>1.41</td>
<td>2.84</td>
<td>1.20</td>
<td>4.71</td>
</tr>
<tr>
<td>16</td>
<td>Mizoram</td>
<td>01</td>
<td>0.91</td>
<td>4.30</td>
<td>7.20</td>
<td>9.86</td>
</tr>
<tr>
<td>17</td>
<td>Nagaland</td>
<td>01</td>
<td>0.10</td>
<td>0.36</td>
<td>0.22</td>
<td>1.50</td>
</tr>
<tr>
<td>State</td>
<td>UCBs</td>
<td>Capital</td>
<td>Deposits</td>
<td>Advances</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>------</td>
<td>---------</td>
<td>------------</td>
<td>-----------</td>
<td>----------</td>
<td></td>
</tr>
<tr>
<td>Orissa</td>
<td>13</td>
<td>32.45</td>
<td>249.82</td>
<td>164.93</td>
<td>324.03</td>
<td></td>
</tr>
<tr>
<td>Pandicherry</td>
<td>01</td>
<td>2.61</td>
<td>15.27</td>
<td>13.09</td>
<td>8.95</td>
<td></td>
</tr>
<tr>
<td>Panjab</td>
<td>05</td>
<td>9.24</td>
<td>74.33</td>
<td>53.13</td>
<td>91.38</td>
<td></td>
</tr>
<tr>
<td>Rajasthan</td>
<td>37</td>
<td>36.80</td>
<td>250.63</td>
<td>164.85</td>
<td>318.82</td>
<td></td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>133</td>
<td>150.10</td>
<td>1058.23</td>
<td>827.11</td>
<td>1372.99</td>
<td></td>
</tr>
<tr>
<td>Tripura</td>
<td>01</td>
<td>0.80</td>
<td>3.30</td>
<td>1.34</td>
<td>4.98</td>
<td></td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>64</td>
<td>47.63</td>
<td>359.93</td>
<td>195.23</td>
<td>476.90</td>
<td></td>
</tr>
<tr>
<td>West Bengal</td>
<td>53</td>
<td>91.71</td>
<td>472.19</td>
<td>362.16</td>
<td>726.77</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>1856</td>
<td>4647.16</td>
<td>29454.77</td>
<td>20622.34</td>
<td>37991.48</td>
<td></td>
</tr>
</tbody>
</table>

Source: Directories of National Federation of Urban Co-operative Banks and Credit Societies, New Delhi.

Urban Co-operative Banks grew at a much faster pace in the States of Maharashtra, Gujarat, and Karnataka. Maharashtra state is the leader in the co-operative movement. There are about 586 urban co-operative banks in the state out of total of 1856 urban cooperative banks in the country. The financial indicators for UCBs of Maharashtra State show 51% of total working capital, 54% of total deposits and 53% of total advances, thereby implying that Maharashtra is the pioneer State holding a unique position in the urban banking sector of the country.

Gujarat State has large presence of urban co-operative banks. There are about 336 urban co-operative banks in the state and some of them are quite big in their size and operations.
Karnataka is the third state in the country to have a major concentration of urban co-operative banks. There are 289 urban co-operative banks in the state having total deposits of Rs.3188 crores and advances of Rs.2356 crores. The membership of these banks stands at around 20 lakhs. The priority sector lending is the highest at 70% with share of weaker section at 25% of total loans and advances. Karnataka State also remained in forefront in respect of opening of new banks. All the Mahila Banks in the State are working well.

Due to the concentration of urban co-operative banks in few States of the country, regional imbalance has emerged. An attempt needs to be made to develop these co-operative banks in the unbanked districts to the extent feasible. Mahila banks need to be encouraged in many more districts of the country. This is important because women by nature are more frugal.