



## Spread of Urban Co-operative Banks in India

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**ABSTRACT**

Credit is an essential requirement of any society. With economic development, banking institutions also evolved to fulfil the demand for credit. The origin of urban co-operative credit movement in India can be traced to the close of the 19th century. Spread of Urban Co-operative banks can be measure on the basis of number of banks in the states. The main objectives of the paper are to study the structure and spread of UCBs in India. Secondary data have been used for the study. The study revealed that uneven spread of UCBs in India. More than 75% UCBs are account for only in five states, Maharashtra including Goa, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu. Government should take necessary steps towards spread of UCBs in all over country.

**KEYWORDS**

Credit, Co-operative, Spread, Urban Co-operative Banks

### Section-I Introduction

Credit is an essential requirement of any society. With economic development, banking institutions also evolved to fulfil the demand for credit. The origin of urban co-operative credit movement in India can be traced to the close of the 19<sup>th</sup> century. The origin of urban co-operative credit movement in India dates back to 5 February 1889 when under the guidance of Late Shri Vithal Laxman Kavthekar, a mutual aid society was formed by same middle class Maharashtrian families in Baroda state. The name of the bank was "ANYONYA SAHAKARI MANDALI". When the Co-operative Credit Society Act 1904 conferred legal status on credit societies, the first Urban Co-operative Credit Society was registered in October 1904. This happened in Conjeevaram in Madras province (now known as Chennai). Since then the UCBs in India have passed through many phases.

Co-operatives occupy an important position in the Indian financial system. Co-operatives were the first formal institution to be conceived and developed to purvey credit to rural India. Thus far, co-operatives have been key instrument of financial inclusion in reaching out to the last mile in rural areas. The Urban counterparts of rural cooperatives, the Urban Co-operative Banks (UCBs) too have traditionally been an important channel of financial inclusion for the middle and low income sections in the semi-urban and urban areas. (RBI, 2009) These banks are formed to serve the common man for encouraging self-help and thrift in the semi urban and urban areas.

The UCBs are regulated and supervised by State Registrars of Co-operative Societies, Central Registrar of Co-operative Societies in case of Multi-state co-operative banks and by Reserve Bank. The Registrars of Co-operative Societies of the States exercise powers under the respective Co-operative Societies Act of the States in regard to incorporation, registration, management, amalgamation, reconstruction or liquidation. In case of the urban co-operative banks having multi-state presence, the Central Registrar of Co-operative Societies, New Delhi, exercises such powers. The banking related functions, such as issue of license to start new banks / branches, matters relating to interest rates, loan policies, investments, prudential exposure norms etc. are regulated and supervised by the Reserve Bank of India under the provisions of the Banking Regulation Act, 1949.

The rest of the paper has been divided into four sections. Section-II provides a brief review of studies related to Urban

Co-operative progress. Section-III describes the objectives of the study. Section IV describes the methodology adopted in this research. Section-V describes analysis and results of recent financial performance of UCBs. Section-VI describes the conclusion of the paper.

### Section-II Literature Review

Various studies on progress of Urban co-operative banks in India. RBI has constituted various committees – Varde committee (1963), R.G. Saraiya Committee (1972), Madhavdas committee (1978), Marathe committee, Madhav Rao committee-High power committee (1999) etc. have found significance growth of UCBs in India.

In the India context, several studies have been conducted on aspects of progress and financial performance of UCBs. Notable among them Muni (1990), Kulkarni (1996), Ramesha(2001), Roy(2001), Godse(2002), Sen(2002), Lopoyetum(2003), Shouche (2003). They observed that significant growth of UCBs in only five states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu account for 80% of total UCBs in the country. They have also found that high rate of overdue in UCBs.

There is no separate study on geographical spread of UCBs. Therefore, it is necessary to study on geographical spread of UCBs.

### Section-III Objectives of the Study

The main objectives of the study are

- (1) To study the structure of Urban Co-operative Banks in India
- (2) To study the geographically spread of Urban Co-operative Banks in India

### Section-IV Methodology

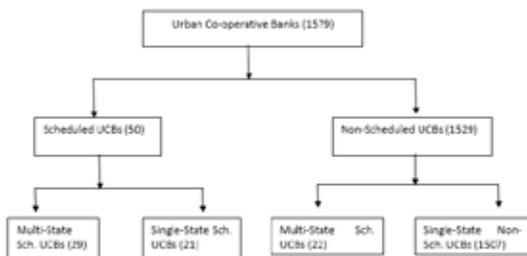
Historically the UCBs existed in India even a century ago but by and large they worked as primary Urban Co-operative Credit Societies. The unique status of UCBs was given to them in 1966. Therefore the period of this study for spread of UCBs confined to 1967 to 2015. Secondary data have been used for the study.

### Section-V Data Analysis

Structure of Urban Co-operative Banks in India

Structure of UCBs is shown in following chart 1. As on 31<sup>st</sup> March 2015 1579 UCBs are in India. Out of total UCBs 50 banks are scheduled and remaining 1529 banks are Non-Scheduled UCBs. Out of 50 Scheduled UCBs 29 were Multi-state (operation in more than one state) and 21 UCBs having operations in single state. Out of 1529 Non Scheduled UCBs 22 UCBs multi-state and remaining 1507 UCBs having operations in single state.

**Chart 1**  
**Structure of Urban Cooperative Banks in India (As on March 31, 2015)**



**Table 1 State-wise Distribution of UCBs**

Sr. No.	State/Year	1-3-1966	1971	1992	2002	2011	2013	2014	2015
1	Maharashtra and Goa	382	267	392	673	545	523	518	516
2	Gujarat	154	139	293	359	243	234	228	226
3	Karnataka	98	148	215	321	268	266	265	265
4	Andhra Pradesh	50	43	66	169	106	103	102	101
5	Tamil Nadu	148	113	139	138	129	129	129	129
	Total (1 to 5)	832 (76.26)	710 (77.17)	1105 (78.87)	1660 (79.43)	1291 (78.48)	1255 (78.14)	1242 (78.16)	1237 (78.34)
6	Other States	259 (23.74)	210 (22.83)	296 (21.13)	430 (20.57)	354 (21.52)	351 (21.86)	347 (21.84)	342 (21.66)
	Total	1091 (100)	920 (100)	1401 (100)	2090 (100)	1645 (100)	1606 (100)	1589 (100)	1579 (100)

Note: Figures given in parentheses indicate the percentage of total number of UCBs Sources (1) RBI (1978) "Report of the Committee on Urban Co-operative Banks" Chairman: Madhavdas, pp. 16-17. (2) "Report on Trend and Progress of Banking in India", RBI various Issues. (3) Patel, R K (2009), "Problems and Prospects of UCBs with special reference to UCBs in Ahmedabad, p. 116.

**Table 2 State-Wise (Region wise) distribution of UCBs**

Sr. No.	States / Union Territories	No. of UCBs		
		2013	2014	2015
	Northern region	74	73	72
1	Haryana	7	7	7
2	Himachal Pradesh	5	5	5
3	Jammu and Kashmir	4	4	4
4	Punjab	4	4	4
5	Rajasthan	39	38	37
6	Delhi	15	15	15
	North-eastern region	17	17	17
7	Assam	8	8	8
8	Manipur	3	3	3
9	Meghalaya	3	3	3
10	Mizoram	1	1	1
11	Sikkim	1	1	1
12	Tripura	1	1	1

**Geographical Spread of Urban Co-operative Banks in India**

Geographical spread of UCBs is shown in Table 2 and Table 3.

As on 01-03-1966 1091 UCBs and it was decreased to 920 in 1971. Number of UCBs increased to 2090 in 2002 due to new license policy of RBI. Due to scams in UCBs number of banks closed and number of banks were merged into sound UCBs. It can be seen that more than 75% UCBs are only in five states Maharashtra and Goa, Gujarat, Karnataka Andhra Pradesh and Tamil Nadu. Region wise distribution of UCBs is shown in table 2. It can be seen that maximum UCBs are in Western and Southern region of the India.

	Eastern region	62	59	57
13	Bihar	3	3	3
14	Jharkhand	2	2	2
15	Odisha	11	10	9
16	West Bengal	46	44	43
	Central region	137	137	135
17	Chhattisgarh	12	12	12
18	Madhya Pradesh	51	51	51
19	Uttar Pradesh	69	69	67
20	Uttarakhand	5	5	5
	Western region	757	746	742
21	Goa	6	6	6
22	Gujarat	234	228	226
23	Maharashtra	517	512	510
	Southern region	559	557	556
24	Andhra Pradesh/ Telangana	103	102	101

25	Karnataka	266	265	265
26	Kerala	60	60	60
27	Tamilnadu	129	129	129
28	Puducherry	1	1	1
	All-India	1606	1589	1579

**Source: "Report on Trend and Progress of Banking in India", RBI various Issues.**

### Section-VI Conclusion

As per analysis, it is concluded that more than 75% UCBs are only in five States Maharashtra including Goa, Gujarat, Karnataka, Andhra Pradesh and Tamil Nadu and region wise maximum UCBs are in western region. It is also observed that number of UCBs collapsed and number of UCBs merged into sound UCBs during last ten years. Government should motivate UCBs to expand their operations in other states. Government should motivate to open new UCBs in small states. UCBs should not work as private sector banks. UCBs should adopt professional management approach. Corporate governance should be adopted by the management of UCBs.

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