



GROWTH OF URBAN CO-OPERATIVE BANKS IN SOLAPUR DISTRICT

Prof. Dr. Santosh N. Kadam
Assistant Professor and Head of the Business
Economics Deptt., S.B.P. College, Mandrup,
Tal-S.Solapur, Dist-Solapur (Maharashtra)

Abstract :

The urban cooperative banking sector in India was the pioneer at micro credit dispensation in urban and semi urban areas and emerged as an important instrument in the Banking Sector. This movement started in India with the chief object of catering to the banking and credit requirement of the urban middle class. Urban co-operatives bank (UCBs) occupies a prominent place among the non-agricultural credit co-operative in India.

KEYWORDS: urban cooperative banking sector , Urban co-operatives bank.



INTRODUCTION :

Since inception of the Cooperative Banks the small depositors and investors felt these banks as their home banks because of their emotional and financial attachment with middle and lower income groups. Because they advance loans mostly to the small traders, artisans, businessmen, factory workers, self employed persons and salary earners on personal security as well as against gold, silver and other valuable product. They are also expected to inculcate the habit the thrift and saving amongst the middle class in urban or semi-urban areas. The USBs provide all types of banking facilities like all other commercial banks to their members and customers. The very purpose of establishing the UCBs was to liberate the borrowers from the clutches of informal money lending system.

OBJECTIVES

In this paper an attempt has been made...

1. To find out the current status of the UCB's in Solapur district.
2. To explain about the growth of the UCB's in Solapur district.

METHODOLOGY

Keeping in mind the above said objectives, the secondary data was used from the RBI's Report on Trend and Progress of Banking and from Annual Reports of the Solapur District Urban Co-operative Association for the period of 2006 to 2010. In short the whole study is depending on the secondary sources of data. The statistical tool of percentage change was used for to find out the growth of Urban Co-operative Banks in Solapur district.

FINANCIAL SECTOR REFORMS AND UCBS

The process of financial sector reforms in India started with the setting up of `Narsimham Committee` way back in 1991. In an attempt to align the Indian financial sector reforms have given the autonomy to banking sector and the same has been welcomed by the community and the customers. The process of liberalization encompasses promoting competition amongst banks by allowing new entrants and enhancing the scope of financial institutions, Relaxing norms for lending and investment, Deregulating interest rates, Rationalizing regulatory role of RBI and Brining transparency in functioning of banks by prescribing norms for income recognition, provision and capital adequacy.

The liberalized economy provides good opportunities especially to the friendly, grass root level, self dependent UCBS, provided they are given freedom of operation and they on their part adopt professional approach in their banking operations to face the intense competition of the market driven economy. But it is unfortunate that many banks have not taken steps to gear themselves up to comprehend and implement the recommendations of the committee.

PROGRESS OF URBAN CO-OPERATIVE BANKS IN MAHARASHTRA

The UCBS in India have been growing exclusively through dedicated initiatives of co-operators and community members without any direct inputs from the government. They have now developed into an excellent self-supporting financial constituency. The UCBS grew at a much faster rate in the states of Gujarat, Maharashtra and Karnataka. The growth of UCBS in Maharashtra over's the years has been very impressive. With the rapid increase in the country, potential of urban co-operative banking sector is all the greeter in generating employment, income opportunities and also alleviating urban poverty. Table no.1 shows the progress of UCB's in Maharashtra.

Table 1st
Urban Co-operative Banks in Maharashtra
(Rs. Corer)

Sr. No.	Item	2006	2010	% Change
1	No. of Banks	1853	1674	-9.66001
2	Deposits	112237	182862	62.92488
3	Advances	70379	110303	56.72715
4	Assets	140432	236058	68.09417
5	Investment	48472	85347	76.07485
6	Net Profit	635	1484	133.7008
7	NPA*	19.7	11.53	-41.4721

Source: RBI's Report on Trend and Progress of Banking

Note: *shows the percentage to Advances

In the year of 2010, there are around 1674 UCBS spread throughout the state. The amount of deposits with the UCB's in 2010 was 182862 corers and advances given to the customers with the percent of the deposits were 60.32 percent in the same time. More over the assets with the UCB's was 236058 corers and investment made by them was 85347 corers in the year of 2010. The profit earned by the UCB's in Maharashtra was 1484 corers. But the NPA of the UCB's was still 11.53 percent to advances in the same time.

But when we compare this picture before the five years i.e. 2006 it is clear that, the number of UCB's declined by 9.66 percent. Where the amount of deposits and assets with the UCB's increased by 62.92 and 68.09 percent respectively over the period of 2006 to 2010. There is also increase in investment of the UCB's by 76.07 percent. The net profit of the UCB's increased very well (i.e. by 133.70 percent) than the other financial factors. It was only because of faster decline (i.e. 41.47 percent) in the NPA of the UCB's in Maharashtra.

URBAN CO-OPERATIVE BANKS IN SOLAPUR DISTRICT

The urban co-operative banks were established in Solapur district to provide funds to satisfy the needs of the traders and small industrial units. Although they are working urban areas, slowly they have entered in the rural sector of the district. They are centralized only in Solapur city and Pandharpur taluka of the district. There are 2 taluka like South Solapur and North Solapur where UCBs are not established due to geographical situation. In all out of 39 UCBs there are 31 UCBs disbursing loans without borrowing from others. There are 6 UCBs having branches above 10 with the head office. But 16 UCB's have no branches. The total numbers of branches of the UCBs in the district including head offices are 163 (i.e. each UCB's having 4.17 branches in the district). Table no.2 shows the members and workers with of the UCB's in Solapur district in the year of 2006 and 2010.

Table 2nd
Members and Workers with UCB's in Solapur District

Sr. No.	Item	2006	2010	% Change
1	No. of Banks	39	39	0
2	Branches + Head office	148 (3.79)	163 (4.17)	10.13
3	Members	234599 (6015.35)	278701 (7146.17)	18.79
4	Workers	1977 (50.69)	1858 (47.64)	-6.02
5	Per Branch Workers	13.35	11.39	-14.66

Source: Annual Report of Solapur District Urban Co-operative Association Ltd. Solapur

Note: Figures in parenthesis shows the Per Bank data.

The total members of these UCB's in the district are 278701 till the year of 2010. It means there are 7146.17 members with per UCB's in Solapur district. Moreover now presently 1858 workers were engaged with the UCB's in the district (i.e. per UCB's has 47.64 workers). While in the year of 2010 the proportion of the workers with each branch was 11.39.

The growth of the UCB's over the period of 2006 to 2010 showing that, there is no change in the numbers of the UCB's in the district. While the branches and members of the UCB are increased by 10.13 and 18.79 percent respectively in the above same period. Moreover it is also found that, the workforce of the UCB's was declined by 6.02 percent in the Solapur district. While very interesting thing was found that, per branch workers of the UCB's declined very highly (i.e. 14.66 percent) even though the increase in the branches (i.e. 10.13 percent) of the UCB's in Solapur district, it was because of the computerization of the UCB's in the district.

GROWTH OF THE UCBs IN THE SOLAPUR DISTRICT

The growth of the UCBs in the Solapur district during 2006 to 2010 is given in the table no. 3. It is clear from the table that, the economic status of all the UCB's in Solapur district was found well. The deposit with per UCB's in the district was 7880.27 lakhs and the advance given to the customers was 4631.31 lakhs in the year of

2010. Moreover the working capital with per UCB's was 9154.13 lakhs with the 224.40 lakhs share capital in the same period.

Table 3rd
Economic Analysis of the UCB's in Solapur District
(Rs. in Lakhs)

Sr. No	Item	2006	Per Bank	2010	Per Bank	% Change
1	Share Capital	5832.14	149.54	8751.71	224.40	50.06
2	Funds (All)	240431.56	6164.91	29311.30	751.57	-87.80
3	Deposits	204495.56	5243.47	307330.68	7880.27	50.28
4	Advances	138497.40	3551.21	180621.18	4631.31	30.41
5	Borrowing	5072.77	130.07	1818.11	46.61	-64.15
6	Over dues	16103.01	412.89	16694.18	428.05	3.67
7	Investment	33023.18	846.74	126372.2	3240.31	282.67
8	Profit/Loss*	1323.19	33.92	2451.85	62.86	85.29
9	Working Capital	244104.44	6259.08	357011.41	9154.13	46.25
10	NPA	408.58	10.47	728.03	18.66	78.18

Source: Annual Report of Solapur District Urban Co-operative Association Ltd. Solapur

Note: * shows in 2010 there were 3 banks in Loss

The all type of funds with per UCB's in the year of 2010 was 751.57 lakhs where the borrowing from the other banks by per UCB's was only 46.61 lakhs in the same period. While about the over dues and profit of per UCB's in the district, it was 428.05 and 62.86 lakhs respectively in the period of 2010.

There was turn down trend in all type of funds of the UCBs by 87.80 percent during the period of 2006 to 2010. There is an increase in deposits, advance, investment and working capital of the UCBs was 50.28, 30.41, 282.67 and 46.25 percent respectively during the same period. The net profit of the UCBs also increases by 85.29 percent over the above same period. It is also found that, the over dues of the UCBs enhanced by only 3.67 percent during the same period. It means the net increase in the over dues of the UCBs is very low, which is showing a good picture for the working of urban co-operative banking sector in the Solapur district. The declining trend in the borrowing of UCBs (i.e. by 64.15 percent) shows that, the UCBs have concentrated on deposit mobilization. The above overall picture of UCBs in Solapur district Shows healthy growth rate almost in all the parameters.

CONCLUSIONS

The forgoing analysis reveals that, the co-operative urban banking sector has emerged as an important segment in the banking system in India. On this ground the urban co-operative banks were established in Solapur district for to provide the funds to the urban traders and inderstile units. The UCBs in Solapur district have done quite well in deposit mobilization and lending operation in the period of 2006 to 2010. Their performance in this respect is at the top position in the total banking transaction of the district. Therefore we can say that, the overall picture of UCBs in Solpure district shows healthy growth rate in all the banking parameters. With the UCBs, DCCB, L.D.Bs, M.S.C. bank pay office and commercial banks are providing banking services in Solapur district. All these institutions are accepting deposits, lending loans and providing related banking services to the people in the district. But there are some restrictions on UCBs regarding accepting

deposits and lending loans of some institutions. They are also not doing the functions like commercial banks as merchant banking, letter of credit, underwriting, leasing etc. So there are some limitations on their working of deposit mobilizing and lending loans. In spite of the restrictions on the working of UCBs, they have done quite well in deposit mobilization and lending work.

REFERENCES:

1. Daya, R. (1999), Internationalization and Cooperatives in the Next Millennium, *The Cooperator*, Vol. 37, No.6
2. Dubashi, P.R. (2002), Cooperatives in the Next Millennium, *The Cooperator*, Vol. XXXVII, No. 9
3. Dubashi, P. R. (1999), Cooperation and Second Generation of Economic Reforms, *The Cooperator*, Vol. XXXVII, No. 5
4. Krishnaswamy, O. R. and Kulandaiswamy, V. (2000), *Cooperation: Concept and Theory*, Arudra Academy Coimbatore, Tamil Nadu.
5. Mishra, R. V. (1999), Cooperative Sector: Problems and Prospects, *The Cooperator*, Vol. 37, No.6
6. Ramesh, R. S. (2000), Challenges Before Cooperatives under Liberalized Economic Regime, *The Cooperator*, Vol. XXXVII, No. 10.
7. Report of the Expert Committee on Urban Cooperative Banks in West Bengal (2008),
8. Souvenir (2003), 86th Annual Conference of Indian Economic Association, Shivaji University, Kolhapur (Maharashtra).
9. Jugale V.B. and Dange A.A. (2003), *Economy of Maharashtra: Problems and Prospects*, Shivaji University, Kolhapur (Maharashtra)
10. www.rbi.org.in