INTRODUCTION

Co-operative movement in India has completed one hundred years. Co-op banks are one of the segments of this movement and have a history before to this movement. As the name indicates the term co-op bank refers to primary co-op banks based in urban and semi urban areas. Traditionally these banks were formed by certain communities, caste, religion or local groups with sole objective to service needs of their society. Their main activities were related to collection of deposit from small, middle class people and lend money to small and needy people and do the business on no profit no loss basis, with the motive to full fill social obligations with the limited scope. However today the scope and functions of these banks has very broad based and widened and crossed the boundaries of different states and competing with commercial banks.

The origin of UCB movement in India is inspired by the success of co-op movement in Germany Britain organization of “Equitable Pioneers Society” in 1844 by Robert Owen at Toad Line Rochadale in northern part of England. The idea was introduced in India mainly to prevent rural indebtedness of rural masses from the clutches of moneylenders. Sir Frederick Nicholson originated the idea sometimes in 1889-90. Co-op structure is based on four principals [1] self help-mutual help [2]democratic way of functioning [3]open membership[4] one member one vote. Each member, shareholder has right to say in the working of the society. The working of co-op scoty. is different from the companies or commercial organization. It is governed by co-op scoty's act and not by companies act.

to withdraw In India the first mutual aid society was started in erstwhile princely State of Baroda in 1889 [5/2/1889] by middle class Maharashtrian families under the guidance of Shri Vithal Laxman Kavthekar alias Bhausaheb Kavthekar known as the" Anyonaya Sahakari Mandali” Initially such societies were organized by communities with social objective to serve the needs of members of their community, people having small means ,low income group to mobilize savings and lend money to such groups, weaker section of society to bring them out of clutches of money lenders who used to charge very high rate of interest on borrowed money besides hypothecation of personal belongings of rural masses.


The coop credit scty. act 1904 was amended in 1912. The Maclagan committee of 1915 was appointed and recommendations of committee streamlined the cooperative movement. In 1913-14 banking crisis when 57 joint stock bank companies were collapsed people preferred deposits from these companies and placed it in coop urban sctys. This flight of deposits strengthened the position of societies and also gained a confidence of public.

The constitutional reforms of Govt. of India act 1919 made "Cooperation" as a subject of state provincial Govt. and the Govt. of Bombay passed the first state coop scty. act in 1925 which gave a big boost to the size and shape and trendsetter for coop movement. Subsequently many other states also followed passing of such act. The legislation stressed the basic concept of thrift, self help and mutual aid which marked the beginning of second phase in the history of coop structure.

In between various committees were formed as it was realized that urban coop banks can play important role for the growth of economy of the country. The central banking enquiry committee [1931], Mehta Bhansali committee [1939], The coop planning committee [1946], The rural banking enquiry committee [1950], The study group on credit cooperatives in the non agricultural sector [1963], working group on industrial financing through coop banks [1968] by RBI.

The first study of urban coop banks was taken up by RBI in 58-59 and it's recommendations published in 1961 stressed the need for establishment of primary urban coop banks in various state centers and support of the respective state govs. for the growth of the coop institutions. In 1963 Varde committee recommended the establishment of banks in all urban centers with population of 1 lacs or more with concept of minimum capital requirement and not by single community or caste.

However w.e.f.1/3/1966 UCBS were brought under the supervisory control of RBI. with the amendment of B.R.Act 1949 AACS [as applicable to coop sctys].This has resulted in dual control over coop banks one by state registrar and another by RBI with control over
management by state registrar as per coop scnty. act and banking operation by RBI as per B.R.Act. In 1968 UCBs were extended DICGC support to protect the depositor’s interest.

Subsequently various other committees like Damry group 1968, Banking commission 1969, Madhavdas committee 1979, Marathe committee 1992, Madhavrao or high power committee 1999 suggested roadmap further paved the way for expansion as well as strengthening and streamlining the coop banking structure and consolidated it's position with reference to working and financial soundness and bringing them at par with commercial banks.

During the year 1988-89 RBI awarded scheduled status to 11 primary well managed banks by inclusion in second schedule of RBI Act 1934, upgrading the functions of these banks at par with commercial banks. As of March 2003 '56' banks were awarded scheduled status. Few large coop banks spread their wings across the state boundaries by getting Multi state status under registration of Multi state coop scnty act. As of March 2012, 1645 banks are scheduled multi state banks functioning at various states of the country.

However the growth of urban banking movement is heterogeneous character and uneven geographical spread with five states of the country i.e. Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Tamil Nadu account for 80%of total numbers of banks.

Over the years the primary urban coop banks have registered a significant growth in it's number, size, and volume of business. As many as 537 licenses were issued by RBI between 1993 to march 1999. In the year 1993 there were 1311 UCBs With a view to improve financial soundness of UCBs sector RBI has since 2005 entered into Memoranda Of Understanding [MOU ] with all state Govts. During the last five years due to various reasons such as cancellation of licenses, mergers, liquidation banks in sector has declined by more than 200 and stood at 1645 as of 31st. March 2011, with the deposit of Rs.209949Cr., Advances Rs. 135104.Cr., Market share of 3.5% with business mix of Rs.345053Cr. Grade wise 845 UCBs [Grade I] 502 [Grade II] 172 [Grade III] 126 [Grade VI ]are classified. Various reasons were attributed for failure of coop banks during last ten years of which lack of corporate governance and professionalism in management in working of UCBs are main issues and these topics are my study of research.