

Chapter VI

BANKING, CO-OPERATIVES AND TRADE

Karnataka has a rich cultural heritage. Early epigraphs of ancient Karnataka do refer to goods and financial transactions. They speak about trade activities, rate of interest that prevailed and the community living that existed in those days. Temples acted as banks and the socio-economic activities of the society revolved around the temples. Karnataka has made a greater stride in modern banking in India during 20th century. The functioning of Organised Banking sector was evidenced with the establishment of the branches of the then Presidency Banks, i.e.. The Bank of Bombay (1840) and The Bank of Madras (1843) which opened their branch offices at Dharwad in 1863 and at Bangalore Cantonment in 1864 respectively. In course of time, many more branches of the Presidency Banks were opened at Belgaum (1867), Mangalore (1867), Hubli (1870) and Kumta (1872-73). Mangalore Branch of the Madras Presidency Bank was started to meet the requirements of the port traders. Dharwad branch was opened mainly to facilitate the cotton traders of the Bombay-Karnataka area.

The Un-organised banking sector was mainly dominated by the local money lenders viz. *Sahukars*, *Zamindars* and Traders. Money-lending was a profitable business. It was commonly practised by all communities. The Marwadis, Gujarathis, Jains, Mahajans, Chettiyars, and Multhani money lenders from the North came and settled in important trading centres of Karnataka. They are found engaged in money lending business even to-day. Bangalore Cantonment area was dominated by the European money lenders (including widows of army officers) together with the natives. During the British days even special civil courts were set up to settle such money lending disputes called as small causes courts, amounting to Rs.500/-.

In the absence of strict regulatory measures which came much later, especially after independence, the promoting of a banking company was much easier. Small banking companies with a limited capital base and inexperienced management were the common features. There was a mushroom growth of banking. Even in semi-urban and rural areas banks were promoted. Nearly half the total number of banks born in the State was registered during 1930-1940. The Swadeshi Movement also contributed much for the growth of Commercial banking activities in the State, promoted specially by the local traders. Most of these banks had a limited life span. In those days, the banks were started with impressive names to attract the customers, especially on the basis of religion, caste and community. Many a time, local community spirit reflecting itself in commercial spirit contributed much for the faster growth of community banking. This tendency was very much evident especially in Dakshina Kannada (South Kanara), which is said to be the cradle of modern banking industry in Karnataka. The contributions of undivided Dakshina Kannada district to the modern banking industry is unique. Branch banking was started here as early

as 1923. During the four decades (1906-1945), the district became the cradle and creche in nursing as many as 22 banks.

In different Parts of the integrated areas of Karnataka, sporadic commercial banking activities were ushered in at different times, based on local demand, expertise and economic potentialities. In princely Mysore the period of Commissioner's rule (1831-1881) was of great significance. It ushered in an era of modernisation by adopting the British system of administration in all spheres including banking. The establishment of Bangalore Cantonment in 1809 and shifting of the State Secretariat from Mysore to Bangalore in 1831 gave a fillip to commercial and industrial activity in Bangalore which was partly supported by the banking institutions.

The joint stock banks that were promoted in princely Mysore were Bangalore based banks i.e., Bangalore Bank Ltd and Mysore Bank Corporation Ltd., both registered in 1868 with a share capital of Rs. 7 lakhs and Rs. 2 lakhs respectively. As said earlier, Bangalore City including the then Cantonment area had a rich potentiality and infrastructure which boosted the growth of banking both in the organised and unorganised sectors.

During 1868-1876, there were nearly 24 banking companies operating in Bangalore City area. During the next few decades i.e., from 1890 to 1949 about 12 banking companies though were founded in Bangalore City, all did not survive. Among the Bangalore based banks, the Bangalore Union Bank founded in 1890 had the longest service of fifty years before its liquidation in 1940. The Devanga Bank (1926) was amalgamated with the Vijaya Bank in 1963. The Vysya Bank (1930) and the Bank of Mysore (1913) survived and the later becoming State Bank of Mysore at a later stage.

The royal capital, Mysore, did not lag behind in promoting joint stock banks. In 1874 (six years later than Bangalore), two banking companies, viz., the Rajadhani Bank and the Town Bank of Mysore were promoted here and continued to function not beyond 1913. A decade thereafter, in 1885 Nanjangudu Srikanteswara Swamy Bank was promoted. This is the only bank which served for nearly 80 years till its licence was refused in 1965. During the period of two-and-a half decades (1884-1908) as many as 17 joint stock companies were promoted here, combining banking and trading. Among the oldest banks of the princely Mysore which are no more now, a mention may be made of Chitradurga Savings Bank founded in 1870 at Chitradurga which had a record service of nearly 96 years before its merger with Karnataka Bank Ltd in 1966.

Agricultural Banks: In 1894, the Mysore Government had promoted a new breed of banks styled as Agricultural Banks, by adopting the principles of limited guarantee of joint-stock companies in their structure and co-operative principles in their *modus operandi*. These banks were mainly meant for

extending agricultural credit to the poor farmers at a cheaper interest and to save the peasants from the ruinous interest rates and exploitation by the money lenders. By 1901, there were 64 such banks in the princely state. The credit facilities extended by these institutions at cheaper rates, were misused by the big land holders. Many of these banks became defunct and by 1917 all these banks were closed. Although, was a unique experiment, but failed due to lack of supervision and liberal financial assistance by the Government to these institutions.

In the former Bombay-Karnataka area, where the Urban co-operative movement was strong enough, the ventures for promoting commercial banks by the local merchants were very much limited. However, some of the earliest efforts to promote local commercial banks in this region were: the Union Bank of Bijapur and Sholapur (1908), Bagalkot Commercial Bank (1922), Sri Lakshmi Bank, Hangal (1929) of Dharwad Dt, Hubli City Bank (1930), Belgaum Bank, Belgaum (1930) and the Bank of Citizens (1939) Belgaum. The earliest commercial bank to be founded in Uttara Kannada district was Bank of Rural India founded at Karwar in 1940. By 1930-40, the Bombay and Mangalore based banks specially Canara, Syndicate, Corporation Bank, Union Bank, S.B.I. and Central Bank of India opened their branches in the commercial towns of Bombay-Karnataka area. In the former Hyderabad-Karnataka areas, till the establishment of the State-owned Hyderabad Bank in 1941, there were no conspicuous commercial banking ventures. However, from Gulbarga district, the Saraswati Bank (1922), Gulbarga Banking Co.(1930) and Commercial Banking Company, Yadgiri (1938) were some of the earlier banking enterprises. Raichur had two banks i.e., Sri Sharada Banking Co.(1937) and Osmania Aziz Bank (1933). Bidar had no commercial banks till 1946.

In the former Madras Presidency area which included the present South Canana, Udupi, Coorg, Bellary districts and Kollegal taluk of present Chamarajanagar district, commercial banking was in full swing.

Development of Banking :

There have been remarkable changes in the banking in the country, specially after the nationalization in 1969. Out of the 20 nationalised banks in the country, four are from Karnataka viz., Canara Bank (1906) and Vijaya Bank (1930) both originating from Mangalore, and Corporation Bank (1906) and Syndicate Bank (1925), both originating from Udupi. Among the private sector banks the Vysya bank Ltd., Bangalore (1930) and Karnataka Bank Ltd., Mangalore (1930) are the leading banks of the State, having branches outside the State also. Recognising the growing banking business in Karnataka, the RBI opened its branch at Bangalore in 1953. The total number of employees working in the RBI Bangalore Branch office was 1695 as in September 1992. Since nationalisation, the concept of 'class banking' has been transformed into the concept of 'mass banking'. Now, Banks are considered as active instruments in bringing the socio-economic transformation at the grass-root level. They are

playing vital role in the implementation of economic policies of the State and the Central Government according to plan priorities. In lending, the policy of credit-worthiness of the purpose has dominated over the credit-worthiness of the person. There is a remarkable change in the lending policy of banking institutions. Now, the lending policy is target and priority sector oriented. Both public sector and private sector including co-operative banks in the State have actively responded continuously to the national policies of banking. In the popular loan mela programmes (1985-1987), the banks of Karnataka did not lag behind; so also in the promotion of Grameena Banks. The innovative banking policies like Lead Bank Scheme, loans under D.I.R., IRDP, 20 Point Programmes, Anthyodaya, adoption of villages by commercial banks and co-operatives for their all round development, and the service area approach to lending in rural area etc., have been fully implemented by the banks working in the State. Many commercial banks in the State have diversified their activities towards merchant banking, leasing, housing etc.,

Since 1976-77, after the establishment of Grameena banks, better and intensive banking services are provided in the rural areas. Now, rural area is better served than before in 1969. All the districts of the State are covered by the Grameena Banks which has reduced the imbalanced economic growth between the urban and the rural areas to a certain extent.

In 1990, in terms of ratio of number of banks serving per lakh population, Karnataka stood fourth rank in the country having 9.5 number of bank offices per lakh population, as against 7.1 bank offices at the all-India level. The developed States in this regard other than Karnataka were Gujarat, Haryana, Maharashtra, Punjab and West Bengal. From among the list of developed states, the rank of Karnataka was 2nd. The spread of banking services in the rural areas was much better in Karnataka when compared to some other developed States. The spread of number of banks in rural segments per lakh population was 8 in the State, being next only to Punjab where it was 9. The Credit Deposit ratio of rural banks in the State was the highest among the States i.e., 107.4% in June 1990, as against all-India C.D.R. of 65.2%. The C.D. ratio of semi-urban branches also was the highest in Karnataka (76.9), compared to the national ratio of 50.5%. The geographical spread of rural branches in the State which was only 25% in June 1969 had increased to 55% in March 1989. This was mainly due to rapid expansion of Grameena Banks all over the State. The lending of commercial banks to priority sector including weaker section exceeded the stipulated target of 40% fixed by the R.B.I. In Karnataka, of the total lending, the share of priority sector was 45% (Rs. 3,487 crores) as in 1991.

Karnataka was in the 8th rank among the major States in per capita deposit, which being Rs. 2,362. The per capita advance was Rs. 1,844 which was higher than the national average of Rs. 1,570, though it was lower than Maharashtra (Rs. 3,801), Punjab (Rs. 2,201), and Tamilnadu (Rs. 2,438). The deployment of credit was better in the State compared to all-India figures.

The total investment made by commercial banks in Karnataka in the State/Central Government loans floated during 1991-92 were as follows: Central Rs. 64 crores, State Development Loan Rs. 14.10 crores; other State Loans Rs. 4.50 crores (RBI Report). Some key indicators of commercial banks in the State as in March 1992 were as follows:- C.D.R.: 77.2%; Loans under D.I.R: Rs. 7167.3 lakhs; Loan under 20 point economic programme: Rs. 1,21,513 lakhs; Loans under IRDP: Rs. 26,174 lakhs; Priority sector advances: Rs. 3,47,005 lakhs; percentage of priority sector to total advances 42%; per branch deposit Rs. 251.75 lakhs; per branch advance Rs. 194.24 lakhs; rural deposits: Rs. 1,57,318 lakhs; rural advances: Rs. 1,24,724 lakhs.

Banking Network : Karnataka has a better banking network system than any other state in the country. Apart from the 19 nationalised banks, State Bank of India and its 7 associate banks are operating in Karnataka. There are also over 25 private sector banks besides 13 Regional Rural Banks operating in the State. There were 4,704 commercial bank branches (including 1,103 branches of 13 Regional Rural Banks) in the State as on March 2003 of which 3,180 were in rural areas. The share of rural branches was 46% against 25% at the time of nationalization. As in March 2003 the average per branch population for the state as a whole was 12,395. The aggregate outstanding deposits of commercial banks (including Regional Rural Banks) stood at Rs.63,840 crores and outstanding advances amounted to Rs.41,592crores at the end of March 2003. The credit deposit ratio of the state works out to 65% against the RBI stipulation of 60%. The priority sector advances amounted to Rs.19,436 crores as in March 2003, which works out to 46.73% of total advances against the RBI stipulation of 40%. The advances to agriculture and allied activities in the state stood at Rs.8,177 crores. The weaker section advances in the state stood at Rs.3,342 crores. While the per branch business for the state as a whole works out to Rs.22.41crores, that for rural branches it was significantly lower at around Rs.7.05crores. For the country as a whole it was Rs.30.52crores and for rural branches Rs.7.75 crores. In 2002-03, as many as 9,284 individual families were assisted under Swarnajayanthi Gram Swarojgar Yojana(SGSY) that came into effect from 1-4-1999. Apart from this 2,016 Self Help Groups(SHGS) were assisted to the extent of Rs.66.02crores in the same period.

Major Banks : The major Banks operating in Karnataka (with total branches shown in brackets) as in 2002-03 are Canara Bank (523), State Bank of Mysore (501), Syndicate Bank (478), Vijaya Bank (390), State Bank of India (309), Corporation Bank (205), State Bank of Hyderabad (114); other nationalized banks are Allahabad bank (17), Andhra Bank (23), Bank of Baroda (39), Bank of India (62), Bank of Maharashtra (42), Central Bank of India (54), Dena Bank (24), Indian Bank (59), Indian Overseas Bank (61), Oriental Bank of Commerce (5), Punjab National Bank (46), Punjab & Sind Bank (5), State Bank of Patiala (4), State Bank of Bikaner and Jaipur (3), State Bank of Indore (1), State Bank of Saurashtra (2), State Bank of Travancore (12), UCO Bank (24), Union Bank of India (85), United Bank of India (7); other commercial Banks are Karnataka Bank Ltd. (251), Vysya Bank (104), Bank of Rajasthan (1), Bharat Overseas

Bank (2), Catholic Syrian Bank (9), City Union Bank (4), Dhanalakshmi Bank (6), Federal Bank Ltd. (10), Ganesh Bank of Kurundwad (6), Jammu and Kashmir Bank (2), Karur Vysya Bank (23), Lakshmi Vilas Bank (16), Nedungadi Bank (6), Ratnakar Bank (12), Sangli Bank (28), South Indian Bank (17), Tamil Nadu Mercantile Bank (5), United Western Bank (4), Development Credit Bank (NA), Lord Krishna Bank (NA), U.T.I. Bank (NA), ICICI Bank (NA), Centurian Bank (NA), HDFC Bank (NA), IDBI Bank (NA), Industrial Bank (NA), The Regional Rural Banks which are operating are Bijapur Grameena Bank (89), Cauvery Grameena Bank (122), Chikamagalur -Grameena Bank (46), Chitradurga Grameena Bank (93), Kalpatharu Grameena Bank (79), Kolar Grameena Bank (62), Malaprabha Grameena Bank (238), Netravathi Grameena Bank (22), Krishna Grameena Bank (106), Sahyadri Grameena Bank (29), Tungabhadra Grameena Bank (162), Varada Grameena Bank (30), Visveswaraiiah Grameena Bank (25), The Foreign Banks operating are ANZ Grindlays Bank PLC, HongKong & Shanghai Banking corporation, City Bank N.A., BNP Paribas, Standard Chartered Bank, Deutsche Bank, Bank of Nova Scotia, Abu Dhabi Commercial Bank, Bank of Muscat International, Society General. As on March 2006, there were 5002 bank branches of different banks including the 1120 regional rural banks with an deposit amount of Rs.134698 crores and total credit issued by them amounting to Rs.103456 crores. As on 2007 March, there were 5,165 branches including the 1128 regional rural banks in the state with Rs. 171898 crores of deposits, Rs. 133177 crores of credit being handled by the various banks in the state. As on March 2008, there were 27 Public Sector Banks, 16 Private sector Banks and 5,390 branches including the Regional Rural Banks in the State. See the table for details. As on September 2008, there were 5,590 branch banks including the 1,168 regional rural banks handling 2,24,001 crores of deposits and Rs. 74, 990 crores credit amount respectively.

The table given here provides districtwise statistics relating to the banking activities in the State.

District-wise distribution of the number of Branches, Aggregate Deposit and Gross Bank Credit of Scheduled Commercial Banks in Karnataka from 1969 to 2008

(Amount in Crores Rs.)

District		1969	1980	1991	1994	1998	2003	2006	2008
Bangalore	Branches	150	540	637	657	755	859	984	1,135
	Deposits	101	792	4,820	6,538	15,190	41,272	85,349	1,36, 805
	Advances	90	727	4,304	5,493	12,310	26,454	66,149	1,07,596
Bangalore (Rural)	Branches	-	-	101	102	107	109	111	66
	Deposits	-	-	132	184	348	872	1,545	1,362
	Advances	-	-	111	138	225	369	763	1,166

Ramanagara	Branches								69
	Deposits	Newly formed in 2007							1,852
	Advances								572
Belgaum	Branches	64	201	282	284	306	324	338	354
	Deposits	18	122	594	783	1,414	2791	4,103	6,137
	Advances	8	62	370	423	771	1529	3,083	5,027
Bellary	Branches	30	111	172	172	175	158	164	171
	Deposits	5	43	231	329	572	1149	2,538	4,389
	Advances	7	45	227	289	481	987	2,498	4,791
Bidar	Branches	7	36	90	92	93	91	87	91
	Deposits	1	11	99	139	257	500	776	1,059
	Advances	1	8	72	91	167	273	489	760
Bijapur	Branches	40	118	239	240	244	122	122	128
	Deposits	6	47	295	404	905	817	1111	1,651
	Advances	3	26	192	251	495	578	1055	1,729
Bagalkot	Branches						121	125	137
	Deposits	Newly formed in 1997					914	1215	1,665
	Advances						599	1103	1,585
Chamaraj-nagar	Branches						55	55	57
	Deposits	Newly formed in 1997					255	368	534
	Advances						173	342	493
Chikmagalur	Branches	31	79	130	130	132	134	139	143
	Deposits	5	45	202	266	559	925	1264	1,838
	Advances	4	37	173	210	584	1049	1243	1,616
Chitradurga	Branches	21	80	195	199	203	116	115	118
	Deposits	4	39	236	321	560	599	858	1,265
	Advances	6	33	206	240	447	411	744	1,081
Davanagere	Branches						125	127	131
	Deposits	Newly formed in 1997					775	1190	1,730
	Advances						694	1328	2,031
Dakshina Kannada	Branches	168	372	462	472	496	308	322	348
	Deposits	40	257	1370	1928	3020	5203	7359	10,123
	Advances	23	144	855	884	1336	2108	4010	5,774
Dharwad	Branches	63	203	326	332	349	200	210	224
	Deposits	16	110	568	778	1412	2360	3357	4,931
	Advances	6	67	363	455	784	1299	2903	4,362

Gadag	Branches						79	79	84
	Deposits	Newly formed in 1997					440	622	921
	Advances						264	561	795
Gulbarga	Branches	19	107	168	170	170	176	175	188
	Deposits	4	34	253	360	724	1434	2058	2,967
	Advances	2	19	180	217	413	801	1810	2,878
Hassan	Branches	32	85	155	155	163	166	169	173
	Deposits	4	41	218	293	579	977	1408	2,128
	Advances	3	28	165	196	378	767	1285	1,816
Haveri	Branches						95	97	104
	Deposits	Newly formed in 1997					467	727	1,050
	Advances						363	2498	1,047
Kodagu	Branches	27	68	108	108	109	111	109	112
	Deposits	6	42	178	250	523	733	941	1,408
	Advances	3	25	109	121	285	633	872	1,102
Kolar	Branches	20	84	185	186	185	179	179	99
	Deposits	3	39	222	302	547	1006	1390	1,269
	Advances	1	22	163	187	354	566	1126	908
Chikballapur	Branches								84
	Deposits	Newly formed in 2007							779
	Advances								1,627
Koppal	Branches						76	79	82
	Deposits	Newly formed in 1997					387	610	892
	Advances						418	114	1,026
Mandya	Branches	16	72	127	127	127	127	128	132
	Deposits	2	27	151	199	356	657	935	1,304
	Advances	1	15	113	132	221	424	827	1,149
Mysore	Branches	48	189	251	257	266	242	257	276
	Deposits	16	111	650	896	1707	3031	4656	7,169
	Advances	8	79	458	545	969	1660	3252	4,933
Raichur	Branches	26	101	161	162	163	98	103	113
	Deposits	3	33	212	280	529	647	925	1,389
	Advances	3	32	187	221	455	622	1124	1,671
Shimoga	Branches	36	111	175	180	181	157	160	171
	Deposits	8	53	288	380	680	1376	1882	2,860
	Advances	14	51	278	314	522	987	1634	2,194

Tumkur	Branches	19	88	179	182	184	182	178	186
	Deposits	4	39	244	328	569	1077	1505	2,211
	Advances	1	23	154	193	315	640	1282	1,616
Udupi	Branches						204	217	232
	Deposits	Newly formed in 1997					3262	4068	5,697
	Advances						828	1620	2,435
Uttara Kannada	Branches	34	105	157	158	164	168	173	182
	Deposits	7	48	253	340	630	1470	1938	2,965
	Advances	2	20	113	128	240	422	783	1,020
Karnataka (Total)	Branches	851	2750	4300	4364	4572	4772	5002	5,390
	Deposits	255	1934	11216	15298	31882	75398	134698	2,10,350
	Advances	186	1460	8793	10728	21753	45919	103456	1,64,112

*Deposits and Advances were rounded off to the nearest crore of Rupees and hence the district totals need not tally with the State Figure

Note: Since 1986 Bangalore District has been bifurcated into Bangalore Rural District and Bangalore District. Likewise the districts of Mysore, Dharwad, Dakshina Kannada, Chitradurga, Shimoga and Raichur were bifurcated in 1997. Further in 2007 the districts of Bangalore Rural and Kolar have been bifurcated but due to non availability of split figures, separate figure are not given for the newly carved districts of Ramanagar and Chickballapur respectively upto 2006.

Source: 1. Pigmy Economic Review Feb. 1984, Syndicate Bank.

2. Karnataka at a glance 1990-91, 1993-94, 1997-98, 2003 and 2006 Directorate of Economics & Statistics, Bangalore.

Major Banks and their Branches :Among the 2,357 centres which are having banking services in the state, if 1827 centres are served only by Scheduled Commercial Banks, 67 centres are served only by the co-operative banks, the remaining 469 centres are served by both type of banks. Among the 5,591 bank branches that are working in the state, 2, 143 are located in rural areas, 1,144 in semi-urban areas, and the remaining 2,304 are working in urban areas (including the 1,116 branches working in metropolitan centres). Among the top 200 centres in the country, if Bangalore (17.27%) ranks third next only to Mumbai and Delhi having. 1,116 reporting offices, transacting 1,40,309 crores deposits and 1,15,935 crores credit, with an annual growth of 19.2% as against the national growth rate of 20% and 25.79% respectively. Mangalore (35th), Mysore (47th), Hubli-Dharwad (58th), Belgaum (74th) and Udupi (97th) are the other centres finds place among the first 100 banks. Bellary (117th), Gulbarga (132), Sagar (152nd), Shimoga (167th), Hospet (176th) comes in the next 100 ranks enlisted by RBI.

As on March 2007, more than 75 banks with 5402 branches were serving in the state. Among them if Canara Bank topped the list by having 565 branches followed by Syndicate Bank (560), State Bank of Mysore (532), Vijaya Bank (439), Karnataka Vikas Gramina Bank (407), Pragathi Grameena (360), State Bank of India (346), Corporation Bank (287), Karnataka Bank (271), Cauvery Kalpataru Grameena Bank (207), State Bank of Hyderabad (119), Krishna Grameena Bank (109), ING Vysya Bank (107), Indian Overseas Bank (77), Union Bank of India (93), Indian Bank (67), Bank of India (69), Central Bank of India(58) and YES Bank with single office was the least.

Co-operative Movement

Karnataka has a fascinating history of Co-operative Movement. Co-operative culture in various economic activities in the State is clearly evident. It is deep-rooted since the official launching of the movement in 1904. The first Primary Agricultural Credit Society to be founded in the country was at Kanaginhall (Gadag tq) of Gadag district on 8th May 1905, and it is still functioning. Similarly, the first Urban Co-operative Credit Society to be organised in the State was at Betageri on 18-10-1905 [Gadag district, now defunct]. The Swadeshi Movement of 1905 inspired many local leaders and social workers to start the co-operatives to cater to their local needs. Bangalore City Consumers Co-op. Society started in December 1905 is said to be the first Co-operative institution in princely Mysore. By 1906, the places like Belgaum, Gokak, Mysore, Hubli, Dharwad and Sira had urban co-operative Banks.

The erstwhile princely Mysore State had promoted a unique breed of financial institutions called "Agricultural Banks" in 1894, a decade earlier to the official launching of the Cooperative Movement by the Government. The *modus operandi* of agricultural banks was such that they had imbibed co-operative principles though their constitution was of public company, limited by guarantee.

Since 1912, the diversification took place in the Co-operative Movement. In course of time, non-agricultural and non-credit societies emerged in large number all over the state. In the early years, the Governments of Princely Mysore and the Bombay Presidency earnestly encouraged the spread of the movement in rural areas by extending special incentives and appointment of honorary co-operative supervisors to guide the co-operative institutions.

It is interesting to know that in order to cater to the needs of the local people, special economic activities like fencing, hunting, bunding, cattle breeding, insurance, farming, grain banks, fisheries, forest labour, special marketing, education, irrigation, house building, consumer goods selling etc., were undertaken under co-operative sector much earlier.

Holding the taluk and district level co-operative conferences to review the progress of the movement was a regular feature in Bombay-Karnataka area in 1920-1930. In order to propagate the principles of co-operation in the rural

areas and to have a mass appeal there was a special drama troupe to propagate the idea of Co-operation at Amminabhavi of Dharwad district. Many of the District Central Co-operative banks, specially the banks working at Dharwad, Madikeri, Sirsi, etc., came to the help of groaning indebted farmers during the economic depression of 1929-30 when the movement in general had also received a setback. Many of the farmers could not pay their overdue to the banks. Though these Co-operative banks purchased the pledged properties of the debtors, the same was returned to them without any profit when the debt was cleared. This spirit of co-operation helped those co-operative banks to grow further when the economic conditions improved. Many banks arranged debt reconciliation boards for settlement of loans.

Co-Operative Ventures : Karnataka has many firsts in the co-operative ventures in the country. The Hubli Cotton Sales Society Ltd., Hubli, organised in 1915 is considered to be the first Indian co-operative marketing society. The Farmers Service Society (FSS) sponsored by Canara Bank in 1973 at Bidadi in Bangalore district is such first society in the country. Similarly, the Sports Promotion and Development Society at Chandargi of Belgaum district is a unique organisation of all-India importance founded in 1984. Hulkoti Co-op. Education Society (1921), J.G. Co-operative Hospital at Ghataprabha (1951, Belgaum district) and Rural Electricity Society at Hukkeri of Belgaum district (1969) are some of the earliest special types of co-operatives in the State. The Hiranyakeshi Co-operative Sugar Factory of Sankeswar of Belgaum district founded in 1956 is considered as one of the best co-operative sugar factories in the State. (These are the few examples). Karnataka is one of the leading States in the country where the Urban Co-op. Bank movement has emerged strong. Karnataka ranked 3rd in the country next only to Gujarat and Maharashtra. Karnataka is the first State in the country to have the Federation of Urban banks (1965). It is conspicuous that after the Reorganisation of the State, the orbit of the Co-operative movement has been expanded in all its spheres. Some of the apex institutions at the district and the State level have established their record growth vertically and horizontally. Increased financial participation in the form of share capital, subsidy, grants etc. by the Central and State Government, N.C.D.C. etc., have facilitated the increase in the number of co-operatives. Many of the major industries like spinning, cotton processing, textile, sugar, tiles, food processing etc., have been started in the State in the co-operative sector.

During 1976-77, most of the economically non-viable, weak primary societies were amalgamated. This process of amalgamation on large scale, strengthened the base of primary societies and their number was reduced considerably.

Recognising the prominent position of the State in the co-operative sector, the Institute of Co-operative Management was founded in Bangalore (1962). In 1990, the National Agricultural and Rural Development Training Institute was founded at Bangalore to train the bank and co-operative sector officials.

The district-wise number of co-operatives (including under liquidation) in the State as on 31-3-2003 was as follows : Bangalore (Circle I) 530 & (Circle II) 1,463, Bangalore Rural 1,659, Kolar 2,295, Tumkur 1,362, Chitradurga 689, Shimoga 975, Belgaum 3,861, Dharwad 1,012, Bijapur 973, Uttara Kannada 852, Mysore 1,581, Mandya 1,534, Hassan 1,191, Chikmagalur 508, Kodagu 335, Dakshina Kannada 727, Gulbarga 1,851, Raichur 741, Bellary 1,065, Bidar 820, Davanagere 1,242, Bagalkot 1,196, Haveri 916, Gadag 895, Chamarajnar 596, Udupi 511 and Koppal 528.

As on March 2008, there were 239 urban co-operative banks with their 573 branches holding Rs. 869442.39 lakhs of deposits and Rs. 510783.70 lakhs of credit. Likewise there were 4738 other co-operative banks and 177 PLD banks together disbursing Rs. 104309.17 lakhs credit to the members. Besides there were 4,959 agricultural and 3,958 non agricultural credit co-operative societies working in the state. Among them the agricultural credit co-operative societies had given Rs. 2,270.83 crores of short term and middle term loans to its members. Moreover there were 13,016 non credit co-operative societies which included 329 marketing, 1,457 house building, 10,667 milk or/and 11,592 other societies were in existence. Similarly the liquidated co-operative societies in the state was 2517 (342 credit and 2175 non credit co-operative societies).

The table given below indicate the comprehensive picture of the decadal growth of co-operative societies in Karnataka in the last five decades.

Decadal Growth of the Co-operative Societies in Karnataka Since during 1961-2007.

No.	Particulars	1961	1971	1981	1991	2001	2003	2007
1.	Primary Co-operative Agricultural & Rural Development Banks	118	170	177	177	177	177	177
2.	Primary Agricultural Credit Societies	9,107	8,675	4,871	4,350	4,388	4739	4959
3.	Grain Banks	1027	851	844	151	123	121	NA
4.	Urban Banks	NA	210	239	223	313	308	296
5.	Employees and other Co-operative Credit Societies	NA	766	1594	1599	2913	3534	NA
6.	Marketing Co-Operative societies (G) Purpose	259	207	192	189	177	154	329
7.	Specialised Commodity Marketing Co-operative Societies	NA	62	144	340	135	197	NA

8.	Processing Co-operative Societies	29	40	69	32	101	94	NA
9.	Farming Co-operative Societies	144	499	595	242	108	61	NA
10.	Milk Supply Co-operative Societies	70	617	2577	6291	8253	9331	10667
11.	Live Stock Co-operative Societies	NA	63	90	73	241	317	NA
12.	Irrigation Co-operative Societies	35	63	225	564	1421	2843	NA
13.	Fisheries Co-operative Societies	70	123	193	272	375	473	NA
14.	Consumer Co-operative Societies	3951	1302	1541	1650	1502	1677	NA
15.	Housing Co-operative Societies	350	920	1309	1606	1274	1539	1457
16.	Weavers Co-operative Societies	621	798	831	726	410	614	NA
17.	Industrial Co-operative Societies	1064	1835	1892	1001	891	879	NA
18.	All Other types of Co-operative Societies	1388	855	1368	1439	3305	1513	563
19.	Societies under Liquidation	277	2175	4408	4158	3823	3207	2517
	Total	14954	19431	23159	25083	29930	31908	25945

Growth of Co-operative Movement in Karnataka for some years during the last decade

(Rs. in lakhs)

Year	No. of Co-op.	Membership societies	Share Capital	Working Capital
1990-91	25,083	1,18,00,000	43,108.00	3,15,833.00
1994-95	25,903	1,33,26,000	70,411.02	6,86,091.00
1995-96	26,411	1,35,58,480	76,565.76	10,26,550.86
2000-01	29,930	1,62,00,000	1,47,316.00	21,19,867.00
2001-02	30,862	1,86,00,000	1,49,990.00	21,57,543.00
2002-03	31,908	1,95,00,000	1,62,740.00	22,65,420.00
2003-04	32,804	1,97,00,000	1,70,877.00	23,78,690.00

Source: Registrar of Co-operative Societies in Karnataka, Bangalore.

Regulated Markets

Establishment of regulated markets especially for agricultural produces went a long way in providing fair and remunerative prices to the growers. The need for the establishment of Regulated Markets, especially in respect of agricultural produces was keenly felt as early as in 1928 by the Royal Commission on Agriculture. In different parts of integrated Karnataka efforts were made to establish regulated markets in a phased manner depending upon the potentialities. In the former Bombay Karnataka area, as early as in 1927, major cash crop cotton was the first commodity to be brought under regulation under the Bombay Cotton Market Act 1927. In the former Hyderabad Karnataka area regulated markets came into being in 1930. In the Madras-Karnataka area, Madras Commercial Crop Act of 1933 was ushered in to regulate the marketing of commercial crops. In a tiny Kodagu State, coffee being the main commercial crop, marketing of it was covered under Coffee Marketing Expansion Act 1942, and Coffee Act of 1942 of the Central Government.

In the former Mysore State, Mysore Agricultural Produce Markets Act 1939 was enacted for the purpose. The First Market Committee to be established in old Mysore was at Tiptur under which the trade of copra and coconut was regulated. The Reorganisation of the State in 1956 brought in its control 54 regulated markets governed under different Marketing Legislations that were in force including marketing personnel and market committee officials. In 1966, an Act, more comprehensive, uniform and applicable to the entire State known as Karnataka Agricultural Produce Marketing (Regulation) Act was enacted and brought into force from May 1968.

There is a State Agricultural Marketing Board (1978) to guide, regulate, co-ordinate and finance developmental activities of regulated markets in the State. The activities of the Board are mainly promotional. Karnataka is the first State in the country to manage a college at Hubli (1964) and Mysore for training of officials and other members engaged in agricultural marketing and allied activities. Again Karnataka is the first State to cover *hamals*, cartmen and weighmen of the A.P.M.Cs. under group insurance. APMCs. are extending short term loan to farmers upto Rs. 50,000 on pledge of produces.

Since the implementation of the Regulated Markets Act in 1968, efforts are being made to bring more and more new areas and notified commodities under the regulation. By 1978-79, the number of markets increased to 115, and that of sub-markets to 201. With this, Karnataka ranked 6th in the country in respect of regulated markets and sub-markets. By 1991-92, the State had 116 main markets and 303 sub-markets. The Division-wise distribution of market and sub-markets were: Belgaum 39 (118), Bangalore 33 (72), Gulbarga 26(63), Mysore 18(50) (The number in the brackets indicates the number of sub-markets). In 2002-03 the State had 144 main markets and 343 sub-markets.

The Division-wise distribution of main markets and sub-markets were: Belgaum 43 (129), Bangalore 38 (89), Mysore 37 (56) and Gulbarga 26 (69). (brackets indicate sub-markets) During 2006-07 there were 145 main markets and 350 sub markets in the state (See the following table for details).

The largest number of Main Markets is in Belgaum district with 10 numbers. Even in the case of sub-markets Belgaum district has the largest i.e., 36 followed by Tumkur district with 25. The number of Regulated Markets are more in the former Bombay-Karnataka area because of the earlier implementation of the Regulated Markets Act and the coverage of the wider areas under the market regulations.

Districtwise Number of Regulated Markets as in 2006-07

SI. No.	District	Main Markets	Sub Markets	Total	Turnover (Rs.in lakhs)
1.	Bangalore	2	7	9	200778.13
2.	Bangalore (R)	4	10	14	8829.72
3.	Chitradurga	4	10	14	20116.69
4.	Davanagere	6	8	14	48495.31
5.	Kolar	8	16	24	37895.62
6.	Shimoga	4	18	22	58407.37
7.	Tumkur	9	25	34	24300.07
8.	Belgaum	10	36	46	31208.08
9.	Bijapur	3	14	17	14169.82
10.	Bagalkot	5	15	20	14337.63
11.	Dharwad	5	11	16	44090.13
12.	Gadag	5	17	22	24534.63
13.	Haveri	7	12	19	56454.28
14.	Uttara Kannada	8	20	28	24684.99
15.	Bellary	6	14	20	40738.18
16.	Bidar	5	9	14	14111.93
17.	Gulbarga	7	22	29	53908.95
18.	Raichur	4	11	15	70056.62
19.	Koppal	4	13	17	56433.07
20.	Chimagalur	6	9	15	12554.86
21.	Dakshina Kannada	5	4	9	33364.24
22.	Udupi	3	3	6	6439.53
23.	Hassan	6	17	23	20368.42
24.	Kodagu	3	4	7	6839.53
25.	Mandya	6	10	16	19372.17
26.	Mysore	7	8	15	46183.08
27.	Chamarajanagar	3	4	7	5454.31
	State	145	350	495	994156.83

Source: Department of Agricultural Marketing, Bangalore. State at a Glance 2007-2008.

Important markets

There are certain important markets for certain notified commodities, spread all over the state. Based on the quantity of arrivals of notified commodities during 2007-08, the following are the important regulated markets for some important produces:

Cotton : Bijapur, Ranebennur, Bailhongal, Raichur, Santhesarguru, Haveri, Soundatti, Hubli, Dharwad, Bellary, Nargund.

Groundnut : Chalkere, Gadag, Chitradurga, Raichur, Davangere, Hubli.

Dry Chillies : Byadagi, Hubli, Ranebennur and Haveri.

Jaggery : Mandya, Mahalingapur, Bhadravathi, Chamarajnagar, Belgaum, Bagalkot, Jamkhandi, Bangarpet.

Areca : Shimoga, Sagar, Sirsi, Mangalore, Chitradurga.

Coconut : Kadur, Tarikere, K.R.Pete, Tiptur (copra), Arsikere, Mandya, Channarayapatna.

Fruits, Flowers

& Vegetable : Bangalore, Mysore, Belgaum and Hubli.

Paddy : Gangavathi, Sindhnoor, Raichur, Siraguppa, Manvi, Davanagere, T.Narsipur, Bellary.

Jowar : Gadag, Haveri, Belgaum, Bijapur.

Wheat : Gadag, Bijapur, Belgaum Dharwad.

Ragi : Arsikere, Hassan, Tumkur, Harappanahalli.

Tur and Dal : Gulbarga, Bidar, Yadgir, Sedam, Chitapur and Raichur.

Betel leaves : Honnavar, Dharwad, Ranebennur, Savanur, Tumkur and Channapatna.

Onion : Bangalore, Hubli, Belgaum, Davangere, Challakere and Mysore.

Potato : Mysore, Malur, Chikballapur, Bangalore, Hassan, Belgaum and Hubli.

Spices : Madikeri, Gonikoppal, Mudigere and Sakleshpur.

Silk : Ramanagar, Channapatna, Kanakapura, Sidlaghatta, Vijayapura and Kollegal.

Tender

Coconut : Maddur

Source : Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, September 2008, RBI, Mumbai 2008.

Statistical Tables relating to Banks of India, RBI, Mumbai 2007, 2006-07