

THE GROWTH OF
BANK OF MAHARASHTRA LIMITED
IN ITS AREA OF OPERATION

[A Case Study in Monetary Economics and Banking Theories]

February, 1966

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A thesis submitted to the University of Poona
for the degree of
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in Economics

By

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and this was a time consuming process though the final figures appear only as small tables. For compilation and calculation process, the Bank helped me with the adding and calculating machines. I am under obligation of some Private Limited Companies which have allowed me to use their balance sheets. Access to the libraries of the Gokhale Institute of Politics and Economics, Maratha Chamber of Commerce and Industries, and the Bank of Maharashtra Ltd helped me a great deal. Special mention to be made with gratitude, is of the Chase Manhattan Bank, New York which allowed me the use of its rich library freely during my stay with them in 1963.

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INTRODUCTORY

"No individual bank or banking system could be understood or judged except in the light of its past history. This is specially true in a country like India, where banking is still in the earlier phases of its growth, and where conditions differ materially from one part to another."⁽¹⁾ "Just as the study of a physical phenomenon is impossible without a study of its relation to its environment, any study of an economic unit should be undertaken with a careful scrutiny of the background against which it has been created and has developed."⁽²⁾ The study of one individual bank namely the Bank of Maharashtra Ltd., would therefore require us to look into the history of banking in the region where it operates and the history of the Bank itself before a detailed analysis of the portfolios of the Bank is attempted in comparison with the Indian banking industry and on the background of monetary economics and general banking theories.

(1) Dr.S.K.Muranjan - Modern Banking in India.
3rd edition. page 5.

(2) A history of the first 30 years of Bank
Melli Iran. 1928-1958.
page 1.

As the name of the Bank itself suggests, the region chosen by the Bank for its activities was that of Maharashtra. The State of Maharashtra came into existence on 1st May 1960, but before that the area which comprises the state today was already known as Maharashtra for many centuries. The whole region was politically never together until 1960, but the ties of language and culture had brought the people from it together and the promoters of the Bank had this region before them, when they established the Bank.

The State of Maharashtra :

Though the State of Maharashtra has come on the Indian map recently, a broad idea about it would be helpful to understand the economic and banking history of this region. From the time when the British rule started and upto 1956 this region was divided in the states of Bombay, Madhya Pradesh and ~~the~~ Hyderabad. Upto 1937, the province (state) of Bombay included some parts of the present Mysore State known as Karnatak, Sind province which is now a part of Pakistan and the present state of Gujrath. Sind was separated from Bombay province in the year 1937, before the partition of India took place. Further, in the year 1956, Karnatak region was separated to form a new Mysore state along with some parts from other states, and the Marathi language speaking eight districts of

Madhya Pradesh state and five districts of Hyderabad state were added to Bombay State according to the recommendations of the States Reorganisation Committee. In 1960, this Greater Bombay State was divided in two states of Maharashtra and Gujraht.

The State of Maharashtra now comprises of 26 districts subdivided in 240 talukas. Its area is 3.07 lakh square kilometres i.e. 9.4 per cent of the Indian Union. The adjusted population of the State for the year 1951 was 320 lakhs or 9.05 per cent of the Indian population. In 1961, it increased to 392 lakhs, but the percentage was nearly the same (9.02). In 1951, the state had 373 town groups and 35,526 villages, with an urban population of 27.9 per cent as against the national average of 17.8 per cent. Even excluding the city district of Greater Bombay the percentage was 19.5. The density of population was 333 per square mile (129 per square km) as against 384 per square mile (148 per square km) for the Indian Union.

The table given on the next page gives district-wise details of the number of towns, urban and total population, density per square mile and percentage of literacy, for the years 1951 and 1961. These details of population are given because economic activities

especially banking activities are greatly influenced by the nature of population and the environment in which it lives. The effects of these factors on the growth of a bank are discussed at a greater length in the third chapter. The district-wise break up would enable us to study the effects of these basic factors of population on the banking activities of the different parts of the state. Their effects are studied in details, while considering the growth of the Bank at some centres, in chapter eight. In general it can be said that while the number of towns and the factor of density influences the decisions of a bank in opening its branches, the ratio of urban population and literacy affect the ability and propensity of the society to save and to accept banking habits for the transactions purposes and for saving purposes. The change in the two census years 1951 and 1961 indicates the rate of change or growth of the different districts. "Faster growth is indicative of larger opportunities for employment and of increased buying ability in the area",

(3) Thompson Consumer Index of Market - A research study of market factors. page 10.

on which the growth of a branch of a bank is vitally dependent. If full information of these factors would have been available from the year 1931, it would have been more helpful to assess the growth of banking in the region. However, as such information is available from 1951 only, it has been used in the best manner possible.

Table No. 1 : 1

P.T.O.