CHAPTER - ONE

INTRODUCTION

Origin of Indian Banking

Though the banking activities exist in India since 18th century but still today in the 21st century it is not fully successful to create a position in the rural lively hoods basically the agricultural labor and similar category of people. In ancient days the term bank is used for activities like credit only, in that arena only private money lenders, land lords and some repute persons were providing services of credit to the poor at the time of their difficulty financial situation. Then the kingdom system was came in to operation where king of that area had got the authority to provide financial assistance to the public after that in Indian were ruled by British people for more than a hundred years. In the initial stage the basic principle behind to set up of a bank is to provide financial assistance to the public more over to their customer but later after the existence of general bank of India the main objective of the bank is to channelizing the savings of the public for the productive purpose. Bank is an intermediary between the saver and the economy in which the excess amount of the public is utilized for a productive way. Banks are the main participant of the financial system in India, which offers numbers of facilities for the customers. Commercial banks, financial institutions, term lending institutions, investment intermediaries, state level developmental banks, credit cooperatives, non banking financial institutions and money lenders are the player in the Indian financial system. To become an economy healthy it is necessarily requires a sound and effective banking system. A sound and effective banking system means the system where the policies are made and implemented for more participation of bottom level of society i.e. it is the participants from the back ward section of economy.
Channelization of savings of public is more required to strengthen the Indian economy. Till today there are number of villages which is untouchable and far behind from the banking facilities in Odisha and the term bank is a dream for them where as on the other hand there are another world where bank is a place of playing games. They involved themselves in the banking practices but they are not winning the faith of the public. This is the case of heart of the micro credit institutions which are playing different parts of Odisha and later on they are vanished from the profile map. In this chapter an attempt is made to find out the successive progress of banking practices made in different phases in India. From the point of view the banking arena of India is divided into three stages on the basis of their function.

1.1. Phase I: Early phase from 1786 – 1969 of Indian banks

In the year 1786 the general bank of India was setup. Next came the bank oh Hindustan and Bengal bank. The East India Company established bank of Bengal in 1809, bank of Bombay in 1840, Bank of Madras in 1843 as an independent units and called them Presidency banks. In 1920 these three banks established by East India Company were amalgamated and the existence of a bank named Imperial bank of India came into action where most of the shareholders were from European countries. For the first time exclusively by Indians, in the year 1865, the Allahabad bank was established. In the year 1894 in Lahore, a bank named Punjab National bank was came into operation. After that number of banks such as Bank of Baroda, Canara bank, Indian bank, bank of Mysore and bank of India were set up to provide the financial services in India. In 1935 Reserve bank of India came into action as a bank. In this phase there were 1100 small banks were came into action but it was experienced a systematic failure for them. As per the Reserve bank of India Act of 1934, Reserve bank of India was continued as
an apex bank without major government ownership. Hence the government passed the banking regulation act 1949 for smooth running of these banks. As per the Banking regulation Act 1965, Reserve bank of India was vested with extensive powers for the supervision of banking in India as the Central banking authority. During those days the public confidence on the bank was somewhat low, so the deposit mobilization was slow. Abreast of it the savings bank facility provided by the postal department was comparatively safer.

1.2. Phase II: Nationalization of bank up to 1991, Indian banking sector reforms

After independence, government of India took major steps in the Indian banking sector. In 1955 the Imperial bank of India is nationalized as State Bank of India. Nationalization refers to the process of taking over the control of private banks by the government. It is the conversion of private sector banks into public sector banks where the government has either the entire or the majority share holding. State bank of India formed to act as the principal agent of Reserve bank of India and to handle banking transactions of the union and the state government of the country. In the year of 1969 seven subsidiary bank of state bank of India were nationalized as major process of nationalization and later in the same year 14 major private commercial banks in the country were nationalized. These 14 banks were Central bank of India, Bank of Maharashtra, Dena Bank, Punjab national bank, Syndicate bank, Canara bank, Indian bank, Indian overseas bank, Bank of Baroda, Union Bank, Allahabad bank, United bank of India, UCO bank, Bank of India. After that there was a second phase of nationalization of Indian banks carried out in the year 1980, when 7 more banks nationalized. This step of nationalization brought 80 percent of banking segment in India were under government ownership. After the nationalization of banks, the
branches of the public sector banks in India rose to approximately 800 percent in deposits and advances took a huge jump by 11,000 percent. Government ownership gave the public implicit faith and immense confidence in the sustainability of public sector banks.

1.3. Phase III: New Phase of Indian banking system, after banking sector reforms in 1991

The third phase of development of Indian banking introduced many more products and facilities in the banking sector in its reform measures. In this stage banks are giving more emphasis on their services as there are number of private and foreign banks are come into operation after globalization. Indian banks face a global competition and to compete with them they have improved their service quality accordingly. In this phase mobile banking, internet banking came into existence which helps the customer for the round o clock banking facility in his /her hand. Besides that customer gets the ATM facility, locker facility as well as the facility like short term investment such as money parking system have been implement which plays a vital role in metros. E- Cash is phenomenon step as banks point of view which help the customer not to carry any hard form of cash which sometimes difficult to carry and manage the same. In this phase know your customer (KYC) has implemented, similarly no frill is came into existence for the common man.
1.4. Banking Structure in India

In Indian financial system, Indian banking system is an important constituents. A bank may be defined as any company which accepts for the purpose of lending or investment deposits of money from public, repayable on demand or otherwise and with drawn by cheque, draft and order or otherwise. On the basis of statutory provision or legal provisions of Reserve bank of India, banks are classified as scheduled and non scheduled banks.

Chart -1.1: Banking structure in India

Source: RBI Bulletins

1.4A. Schedule banks

Schedule banks are those banks which are included in the second schedule of the Reserve bank of India Act, 1934. Those banks qualify these conditions are included in the second schedule of the RBI Act 1934.
The banks must have a minimum paid up capital and reserve of Rs. 5 lakhs of net owned fund or net worth of Rs. 5 lakhs. But presently RBI has prescribed for a basic amount Rs. 300 Cores in case of a Scheduled commercial bank. However, this stipulation does not apply to those banks which have already been established under the Rs. 5 lakhs requirement.

The bank must be either a company or a corporation, whether incorporated in India or outside India, but carrying on the business of banking in India.

The bank must satisfy the Reserve bank of India that its affairs are not being conducted in a manner detrimental to the interest of the depositors.

These banks come within the direct purview of the credit control measures of the reserve bank and they are entitled to borrowings and rediscounting facilities from the RBI. They are also covered by the deposit insurance scheme and the credit guarantee scheme in operation. These banks have to abide by all the rules, regulations and directions issued by the RBI from time to time.

1.4B. Commercial Bank

Commercial banks are organized on a joint stock company system, primarily for the purpose of earning a profit. They can be either of a branch banking type, like in the most other countries with a large network of branches, or of the unit banking type which is mainly followed by United states of America where a banks operation are confined to a single officer or to a few branches within a strictly limited area. Although Commercial banks attracts all types of deposits but their resources mainly drawn from current deposits these are repayable on demand. So they give more importance to the liquidity of their investments and as such they specialize in satisfying the short term credit needs of the business rather than the long term. In 21st century it is hard to get a
precise definition of a commercial bank. The banking regulation Act 1949 of India describes banking as “It means accepting, for the purpose of lending or investment, of deposits of money from the public repayable on demand or otherwise, and withdrawals by cheques, draft, pay order or otherwise”.

While taking into the functional area of these banks, two essential functions suddenly come to the mind. One is borrowing of money where bank receives all kind of deposits. Deposits may be received on current account whereby the banker incurs the obligation to repay the money on demand. Interest is not payable on current account deposits. When deposits are received on savings bank account, the bank also undertakes the obligation to repay them on demand. Interest is usually allowed in savings bank deposits. On the contrary lending of money is the second most valuable function of these banks. Besides these function commercial banks provides the service by issuing letter of credit, travelers cheques, safe custody facility, night safes, credit cards, debit cards, Electronic fund transfer service and also overseas trading services.

1.4C. Private Sector Banks

Private sector banks are owned by individuals or corporations and not by the government or cooperative societies fall in this category. With the globalization of Indian economy and starting of the process of financial sector reforms, the private sector banks have started emerging again and will play an important role in the coming years.

1.4D. Public Sector Banks

Public sector banks dominate commercial banking scenario in India. The government of India entered commercial banking when it took over the imperial bank of India in the
year 1955 and converted it into the state bank of India on 1st January 1955. Now state bank of India has seven subsidiary banks. These banks are collectively known as State bank of Groups. It is notable that the state bank of India at no stage was wholly owned by the government of India. These banks have been setup with the objective of providing credit and other facilities for agriculture and other productive activities in rural areas. These banks are public sector banks as 50% of their capital is provided by the central government, 15% by the concerned state government and the balance 35% sponsoring public sector commercial banks. Public sector commercial banking scene is also undergoing change. Beginning with oriental bank of commerce more and more banks will be going public by making public issue of capital. The government of India does not want to contribute more to the capital of commercial bank. Therefore public sector banks raise its capital by making public issue.

1.4E. Foreign Banks

These banks are registered or incorporated outside India and have their head offices located outside India. But they have an office or branch in India. These banks have their presence from the British period. With the change in the banking policy in post 1993 period, the number of foreign banks increased. The globalization of Indian economy will encourage the presence of more foreign banks. Earlier these banks were known as Exchange banks. In the early part of Indian banking history these banks used to yield great influence in the Indian money market.

1.4F. Regional Rural Banks (RRBs)

These banks are the prime investor which supplements the efforts of the cooperative and commercial banks in catering the credit requirement of rural area. Though the rural
banking system in India was came into action in early years but the rural banks have been set up in India in the year October 1975 under the Regional Rural Bank Act, 1976. At present there are 86 regional rural banks functioning in 640 districts all over India. As India is an agrarian economy the growth of the rural sector and the promotion of agriculture sector would give the economy a boost. The distinct feature of regional rural bank is that though it is a separate body corporate with perceptual succession and a common seal. It is very closely linked with the commercial bank and specifies the local limits within which it shall establish its branches and agencies.

RRBs have been contemplated as an institute to combine the rural touch and local feel, a familiarity with local problems and attitudinal identification with the rural economy which the cooperatives possess in large degree, with the modern business organization, commercial discipline, ability to mobilize resources and access to the central money markets which the commercial banks have. In simple words, these institutions are intended to be locally based, rural oriented and commercially organized.

1.4G. Cooperative Banks

Besides the commercial banks there exist in India the other set of banking is known as Cooperative credit institutions. The cooperative bank has been set up under the various cooperative societies Acts enacted by the state governments. Hence, state government regulates and monitors these banks. In India urban cooperative banks caters to fulfill the need and requirement of urban lively hood whereas state cooperative are serving to rural people for the betterment of the rural economy.
1.4H. State Cooperative Banks

The rural credit cooperative banks are mainly giving emphasis to cater credit services in the rural area. These banks have been playing an important role to strengthen the rural economy by fulfilling the needs of the people. Scheduled rural cooperative banks are divided into two categories as per the time period of providing credit assistance.

1.4I. Urban Cooperative Banks

These banks are the primarily a cooperative bank which is registered under the guidance of the local state government. The basic functions of these banks are to provide the financial assistance to their members. The primary difference in between the urban cooperative bank and rural cooperative bank is the area of operation. These banks are providing their services basically in urban and semi urban areas. In the beginning years these banks were only providing the funding to the non agricultural sector in urban and semi urban areas but the same function is not practicing today. Now a day these banks are providing financial assistance to non agricultural as well as agricultural sector also.

1.4J. Non Scheduled Banks

Non scheduled banks are those banks which are not included in the second schedule of the RBI Act. They are not entitled to enjoy the facilities which the schedule banks enjoy. Presently non scheduled banks have almost disappeared from the Indian baking scenario. More over these banks lose its faith, so nobody would like to put money in an unscheduled bank.
1.5. Cooperative Banking System in India

The cooperatives are regulated and guided by reserve bank of India. Cooperative banks are governed by banking regulation Act, 1949 and the banking laws cooperative society Act 1965. In fact, cooperative societies may be credit societies on noncredit societies. The cooperative banks in India started functioning almost a century ago. The cooperative bank is an important constituent of the Indian financial system which greatly helps to strengthen the financial system of the nation. Cooperative banks finance the rural area under farming, cattle, milk, hatchery and personal finance also whereas in case of urban financing they finance for self employment, industries, small scale units, home finance, consumer finance and personal finance. According to the National Federation of Urban Cooperative banks and credit societies (NAFCUB), the total deposit and lending of the cooperative banks is much more than many old and new private sector banks. This exponential growth is attributed mainly to their much better local reach, personal interaction with customers and ability to catch the nerve of the local client. The rural credit survey committee after comprehensive enquiry into problems of rural credit, after a detailed examination of the entire issue including social ethics of rural society, stated in its conclusion that cooperation has failed, but cooperation must succeed.

1.5 A. Structural Diagram of Cooperative Banking System in India

Though in India there are number of banks such as private sector banks, public sector banks, RRBs as well as other funding agencies are providing financial assistance and other assistance related to finance to the common man but still cooperative credit institutions are playing an important role for the participation of root level saving into
the Indian economy. This chart will give a brief idea about the cooperative credit structure in India.

**Chart-1.2: Cooperative banking Structure in India**

**Source:** RBI Bulletin

**1.6. Objectives of Cooperative Banking System in India**

- To serve as a state co-operative bank and as a balancing center in the state for registered co-operative societies
- To raise funds by way of deposits, loans, grants, donations, subscriptions, subsidies etc. for financing the members by way of loans, cash credits, over-drafts and advances
- To develop, assist and co-ordinate the member district central cooperative banks and other co-operative societies and secure financial assistance for them
✓ To arrange/hold periodical co-operative conferences of the district central cooperative banks and other members of the bank and to take action for the growth & development of the co-operative credit movement
✓ To participate in financing co-operative and other institutions who are members of the bank, directly or through consortium of bankers
✓ To participate in the schematic lending and to provide loans for which refinance facility is available with term lending institutions
✓ To arrange for the inspection and supervision of the affiliated DCCBs and other co-operative societies and guide them in their working
✓ To carry on general business of banking and other banking activities to the members and customers
✓ To purchase, acquire or raise or otherwise obtain moveable or immoveable property for the own use of the bank and also to dispose them of when not required
✓ To take measures to help co-operative education
✓ To promote and undertake co-operative research and co-operative development
✓ To manage, sell or release any property which may come into the possession of the bank in satisfaction of or part satisfaction of any of its claims
✓ To do such other things as are incidental or conducive to the promotion and advancement of the business of the bank

In Indian economy there are different types of cooperative credit societies are operating. These are cooperative credit structure in rural area and second one is dealing with both agricultural and non agricultural financing. At the top there is an apex body called State cooperative bank, in the middle there are district cooperative banks or
central cooperative banks and the gross root level there are primary agriculture credit societies

1.7. State cooperatives banks operating in India

These banks are at the apex of the three tier cooperative structure dispensing mainly short and medium term credit. List of state cooperatives operating in the country are as follows:

 ✓ **The Andaman Nicobar State Cooperative Bank Ltd.**

The Andaman Nicobar state cooperative bank is the apex bank of the two tier cooperative credit structure with primary agricultural credit society at grass root level. It was registered in 6th January 1965 where as the bank was established on 31st march 1966. But the cooperative movement in this area dates back to 1926 when the cooperative society rules were framed under the cooperative society Act 1912. The primary objectives of the bank is to promote thrift and credit to the primary agricultural credit society as well as to the individuals. These days’ 29 primary agricultural cooperatives are operating throughout the union territory.

 ✓ **The Andhra Pradesh State Cooperative Bank Ltd.**

The primary motto of this bank is agricultural and rural development through the cooperatives. This is the apex body of the three tier cooperative structure of the state. 22 district central cooperatives having 557 branches and 2748 primary agricultural credit societies are affiliated to this bank.

 ✓ **The Arunachal Pradesh state cooperative apex bank Ltd.**

This cooperative bank plays a vital role for the socio economic development of the state. The cooperative movement was started in 1958 apart from that the
bank gives importance to enhancement of credit facility to agricultural
development of the state.

✓ **The Assam Cooperative Apex Bank Ltd.**

The cooperative movement in Assam was started in 1904, and passed through
several phases of development but has not yet achieved its desired goal. Since
the economy of Assam is predominantly rural in character an extensive network
of sound and viable cooperative can help tremendously in achieving the much
needed economic growth and social change of the state. The Assam state
cooperaive apex bank which was started functioning from the year 1948 as a
pioneer cooperative institution in channelizing credit for agriculture operation
for the development of rural economy and financing other urban business too at
industrial activities through cooperative channel in the state.

✓ **The Bihar state cooperative bank Ltd.**

The bank was registered in the name of Bihar and Odisha Provincial
cooperative bank on 16th march 1914 under the cooperative society Act II of
1912.Initially the operational area of the bank was Odisha and Bihar bur after
the separation of Odisha in the year of 1936-37, confined to its operational area
in Bihar the name of the bank was changed to Bihar State Cooperative bank ltd.
The objectives of the bank are to promote cooperative bank in Bihar, credit to
cooperaive societies and balancing centre in cooperative credit structure of the
state. Now a day’s 14 branches and 30 district central cooperative banks are
functioning under the umbrella of this bank.

✓ **The Chandigarh state cooperative bank Ltd.**

The Chandigarh state cooperative bank was registered on 2nd November 1966
under the Punjab Cooperative society Act 1961. The area of operation of the
bank with 13 branch offices is in the union territory of Chandigarh. The bank is providing finance for diaries, loans to traders for commercial activity, personal loan for household articles, consumer durable loans, loans for purchase of vehicles, loans for purchase or construction of houses and also for its renovation. Education loan for higher studies are also proved by the banks. All the branches of the banks including main branch has computerized and open for seven days in the week for all business transaction to members and non members also.

- **The Delhi State Cooperative Bank Ltd.**

The cooperative movement in Delhi started like other States and union territories of India with the organization/registration of agricultural credit cooperatives in rural areas. Subsequently, the cooperative movement has made significant progress in the fields of urban credit, housing, industrial, consumer stores etc. The Delhi state cooperative bank is the apex bank in the State cooperative's hierarchy. With a working capital of Rs 1000 Crores, the bank has 40 branches in and around Delhi and services over 80,000 customers.

- **The Goa State Cooperative Bank Ltd.**

On the Seventh day of November 1963 this bank was came in to existence to provide the service in the form of an apex institute cooperatives in the union territory of Goa, Daman and Diu. The basic reason behind the set up of this bank is to control and guide the cooperative credit system of the region. This bank basically provides credit assistance to agricultural sector, farming, fishery, consumer durable goods and also loans against precious stones and metals. It is providing financial as well as consulting assistance to the primary units of cooperatives of the union territory.
✓ The Gujarat State Cooperative Bank Ltd.

This is the apex bank in cooperative credit structure on the state of Gujarat. This bank provides finance to farmer, wavers, to establish business, education as well as for the development of rural economy. In the three tier system of cooperative banking of the state primary agricultural cooperative societies are providing services to fulfill the needs at the root level of the society where are in the intermediary central cooperative banks are operating.

✓ The Haryana State Cooperative Apex Bank Ltd. (HARCO Bank)

Now days the banks having 13 branches and 2 extension counters operating throughout the state at apex level, in district level there are 19 district central cooperative banks having 494 branches. Here in the state in grass root level 634 Primary agriculture units catering financial service to 30 lakhs members after a steady start on November 1966. It provides financial assistance to farmers, rural artisans, agricultural labour and entrepreneurs. The common name of this bank is HARCO bank.

✓ Himachal Pradesh State Cooperative Bank Ltd.

On 15th march 1954 this bank came into function after registered on August 1953 in the amalgamation of three cooperative banks namely Mahasu Central Cooperative bank, Chamba Central Cooperative Bank and Mandi Central Cooperative Bank. These three banks were providing credit service to rural people in pre independence period. This bank is serving the people of the state through 190 branches and extension counters which covers 94% of the geographical area. This bank provides credit facilities to agriculture, rural development, tourism and also for consumer needs.
Jammu and Kashmir State Cooperative Bank Ltd.

This bank was established in the year 1917 as Srinagar central cooperative bank for Srinagar and Leh district. In 1954 this bank received the status of the Apex bank in cooperative sector and registered as Jammu and Kashmir state cooperative bank ltd. Like other states in the state of Jammu and Kashmir have three tier cooperative credit structures. 17 branches both in rural as well as urban area are providing credit facility to its members.

The Karnataka State Cooperative Apex Bank Ltd.

The bank was registered in the name of Mysore provincial cooperative bank ltd on 10th November 1915 under the Mysore cooperative society Act 1905. Then the bank was not the apex body for cooperative banks. Bangalore central cooperative bank limited also financing the cooperative at that time which was also registered in 1905, then after 15th September 1925 the Mysore provincial cooperative bank converted into the Karnataka state cooperative apex bank ltd with the prior intervention of Govt. of India as well as the state govt. It caters services to farmer, wavers and cooperatives.

The Kerala State Cooperative Bank Ltd.

The starting of cooperative movement in Kerala way backs to twentieth century. In 1915 the first cooperative society named the Trivandrum central cooperative bank was registered under the Trivandrum central cooperative Act 1914. The bank started functioning on 18th January 1916 having a initial share capital of Rs. 100000/-. In 1943 the bank was converted into the Travancore Central cooperative bank to operate the entire state. After independence the bank was recognized as the state cooperative bank for Travancore in Cochin State. After the formation of Cochin in 1956 this bank elevated the position of Kerala state
cooperative bank. This bank retained the apex bank position in the cooperative credit structure of the state under which 14 district central cooperative banks are functioning. This bank is the first scheduled apex cooperative bank in the cooperative banking sector in the country.

✓ **The Madhya Pradesh Rajya Sahakari Bank Maryadit**

Having an aim to provide finance in the field of agriculture Madhya Pradesh state cooperative bank was established on 2\textsuperscript{nd} April 1912 with an initial capital of Rs. 5.00 Lakhs. In the year 1956, this bank has been divided and came into existence in the name of Mahakausal Cooperative bank with affiliation to 14 district banks. After the formation of new Madhya Pradesh State on 1\textsuperscript{st} November 1956 this bank renamed as Madhya Pradesh Rajya Sahakari bank Maryadit expanding their working with 56 district central cooperative banks. Again in the formation of new Chhattisgarh state on November 2000 seven district central cooperative banks has transferred to the new state and now 38 district central cooperative banks are operating under the name of the Madhya Pradesh State cooperative bank.

✓ **Maharashtra State Cooperative Bank Ltd.**

As an apex cooperative credit institution it caters services to entire 31 district central cooperative bank. The objective of the bank is to provide services of credit to agriculture, to establish business, small industries as well as for the development of agriculture works. Three tier cooperative credit structures is functioning over the state as primary agricultural cooperative societies are the root level players and district central cooperative banks are in the intermediary stage in between apex body and root level player of the state.
 Manipur State Cooperative Bank Ltd.

As an apex cooperative credit institution the bank caters services to entire state. The objective of the bank is to provide services of credit to agriculture, to establish business, small industries as well as for the development of agriculture works. Three tier cooperative credit structures is function over the state as primary agricultural cooperative societies are the root level players and district central cooperative banks are in the intermediary stage in between apex body and root level player of the state.

 The Meghalaya Cooperative Apex Bank Ltd.

In 16th February 1971 by the sponsorship of Meghalaya state government this bank came into existence. In the initial years it was commenced its business with two branches and now a days it has 43 branches that give service to rural people for socio economic development. The bank also received Best Performance Award in 1996-97 and Special Award in 2005-06 from NABARD. The primary objective of the bank is to provide financial support to Self help group as well as agricultural purposes.

 Mizoram Cooperative Apex Bank Ltd.

Mizoram state cooperative bank is the apex cooperative credit institution that caters services to entire state. The objective of the bank is to provide services of credit to agriculture, to establish business, small industries as well as for the development of agriculture works. Three tier cooperative credit structures is functioning over the state as primary agricultural cooperative societies are the root level players and district central cooperative banks are in the intermediary stage in between apex body and root level player of the state.
Nagaland State Cooperative Bank Ltd.

The Nagaland state cooperative bank was registered in the year 4th November 1966 and it was commenced business on 21st April 1967. It is the apex body of the state in cooperative credit agency. The primary aim of the bank is to provide credit to all affiliated bodies and provide financial assistance for agro based rural development of the state.

Odisha State Cooperative Bank Ltd.

Though the cooperative movement was started in the state of Odisha a century ago but as an apex body in the three tier system of credit cooperative institution the Odisha state cooperative bank was came into existence in the year 1948. The primary objective of the bank is to fulfill the financial benefit and support for the farmer member as well as the weavers of the bank. The bank provides financial support for the development of agricultural land, processing units and also for the development related to agricultural aspects. Besides that it also looks after the financial and performance of the cooperative system of the state as it is the apex body.

Pondicherry State Cooperative Bank Ltd.

The Pondicherry state cooperative bank ltd was registered as a cooperative society on 10th October 1958 and started its operation on 30th October 1958. Before the bank came into existence Pondicherry region availed the credit facility from other district central cooperative banks like South Arcot district central cooperative bank and Tellicherry cooperative bank. Having an initial share capital of Rs. 6,63,000/- and working capital of Rs. 11,77,000/- the bank was commenced its business.
Punjab State Cooperative Bank Ltd.

This is the apex bank in the state of Punjab in cooperative credit system. On 31st August 1949 the bank was came into operation with the head office at Simla. Then the head office was shifted two times to Jalandhar and Chandigarh on 1951 and 1963 respectively. It has 19 branches and 1 extension counters along with 20 district central cooperative banks operated throughout the state. Out of 804 DCC banks most of the branches are operating in the rural area of the state.

Rajasthan State Cooperative Bank Ltd.

On 14th October 1953 the bank was came into operation. It is operating with 5 branches in different region of the state along with 8 local branches at Jaipur. At district level 29 DCCBs having 409 branches are covering services for 33 district of the state. Similarly 5389 Primary Units are providing services covering the entire geographical territory of the state.

Sikkim State Cooperative Bank Ltd.

The bank was set up in the year 1999 with the objective to serve as a balancing centre for all cooperative societies in the state and to raise deposits and share capital for giving loans to member cooperatives and other individuals for viable projects and schemes in farms and non farm sector. It is popularly known as SISCO in the state.

The Tamil Nadu State Apex Cooperative Bank Ltd.

This bank was registered on 23rd November 1905 and started functioning on 26th November 1905 as an urban cooperative bank. This bank has completed 106 year of its existence in Tamilnadu. This cooperative institution is functioning under two categories such as long term cooperative credit institution and short term cooperative credit institutions. It caters credit facilities to
farmers, wavers of Tamilnadu, district central cooperative units, primary cooperative units

✓ The Tripura State Cooperative Bank Ltd.

With a head office at Agartala, the Tripura state cooperative bank ltd was established 21st January 1957 under the Tripura state cooperative society Act 1358(Act VI of 1358 T. E.). The bank started its operation with three branches namely Agartala, Dharma Nagar and Udaipur Branch, now it has crossed 39 branches and extension counters all over the state. The bank caters service for rural and social development of the state. It gives emphasis on services to tenant farmers through farms club.

✓ The Uttar Pradesh Cooperative Bank Ltd.

The Uttar Pradesh cooperative bank limited is the apex body of the three tier cooperative credit system of the state of Uttar Pradesh. It primarily provides financial assistance to district cooperatives and it act as a key bank in keeping the cooperative system viable throughout the state. The objective of this bank is to provide credit facilities to farmers, wavers, fisherman, primary agricultural cooperative societies and for the development of a tourism also.

✓ The West Bengal State Cooperative Bank Ltd.

The West Bengal state cooperative bank ltd was registered in the name of Bengal provincial co-op federation ltd in 1918 and the current name came into existence in the year of 1967. The main goal of the bank is to develop a close relation with DCCB and PACS. The primary objective of the bank is to meet the social needs.
✓ **The Chhattisgarh Rajya Sahakari bank Maryadit**

   After the reformation of the state the bank was formed on the date 30\textsuperscript{th} October 2000. At the time of formation of bank only 3 branches such Raipur, Bilaspur and Bhilai caters services to the state. At present 5 branches are in operation. To enhance the level of lives of farmer and the local citizen of the state, they are providing the facilities so that they may increase their income and agricultural productivity.

✓ **The Uttaranchal Rajya Sahakari Bank Ltd.**

   This is the apex body of the state for cooperative credit system. Having an aim to cater the financial services to its members it was come into existence. It provides services in the geographical area of Uttaranchal to strengthen the credit system, increase the living standard of farmer and also to keep coordination among its member bodies.

1.8. **Cooperative Credit System in Odisha**

   In Odisha the cooperative credit structure is functioning as a three tier banking structure. To cater the banking services these banks play an important role as it has spread its branches round the corner of the state. In the three tier banking system Odisha state cooperative bank is operating as the apex body of the state for cooperative institutes. One the other hand in the middle district central cooperatives acts as a mediary in between the apex body and the Primary agricultural cooperative societies. Primary agricultural cooperative societies are functioning in the root level of the cooperative structure in Odisha. The cooperative movement was started in the state of Odisha a century ago but as an apex body in the three tier system of credit cooperative institution the Odisha state cooperative bank was came into existence in the year 1948. The primary objective of the bank is to fulfill the financial benefit and support for
the farmer member as well as the weaver members of the bank. The bank provides financial support for the development of agricultural land, processing units and also for the development related to agricultural aspects. Besides that it also looks after the financial and performance of the cooperative system of the state. In the state three tires cooperative structure is functioning to provide service to its members.

1.9. Cooperative Credit Structure in Odisha

In Odisha though the cooperative credit movement was started a century ago but still it is not touching the up to mark performance in the state of Odisha basically to reach in the bottom level of the cluster. It the operational chart of Cooperative credit structure of Cooperative banks operating in Odisha.

**Chart-1.3: Cooperative Credit Structure in Odisha**

Source: The Odisha state cooperative bank report
1.9 A. The Odisha State Cooperative Bank Limited

In the year 1948 this bank was came in to existence as the apex body in the cooperative credit structure in the state of Odisha. In an initial share capital of Rs. 1,76,000/- and with Rs. 25,50,000/- borrowings the bank was started its operation. Now 17 district central cooperative banks with 318 branches, 2700 primary agricultural cooperative societies and 14 branches of the Odisha state cooperative bank is providing services throughout the state.

1.9B. Mission of Odisha State Cooperative Bank Limited

The mission of the Odisha state cooperative bank are capacity building of PACs, DCCBs and OSCB limited through quality and need based training so as to make them organizationally vibrant, efficient and financial sound on sustainable basis so that they can dispense rural credit for the growth and development of rural people as well as rural areas. For this Bhubaneswar agricultural cooperative staff training institute established in 1985, which is the Odisha state cooperative banks own training institute for the three tier short term cooperative credit structure in the state of Odisha. This institute has been playing a catalytic role to improve financial literacy of employees of cooperative banking sector in Odisha. As the apex short term cooperative credit institution, Odisha state cooperative bank owes the responsibility of institutional development of PACs, DCCBs through training and capacity building. This institute caters to the training needs of the functionaries in the field of Economics, Finance, Project appraisal, Behavioral Sciences, banking law and practices, cooperative law and practices, management and organizational development. Over the Year Agricultural cooperative staff training institute has developed expertise in imparting and facilitating quality training and conducting on-location programmes.
The institute trains about 1500 personnel of cooperative banks and primary agricultural cooperative societies through in-house and on-location programmes on an approximately. The training methodology used by the institute is participatory case study based and field oriented. It under takes specialist courses and open up its courses even to non-employees i.e. board of directors of PACs and DCCBs. This institute has also marketed its products by conducting six programmes for leaders and members of self help groups who plays significant role in poverty alleviation and rural development. Similarly ‘Samabaya Package’ a computer training programme has been taken up to familiarize with fundamentals of computer by the staff of district central cooperative banks to operate and understand IT related issues.

1.9C. Objectives of Odisha State Cooperative Bank

✓ To assist the farmer members of the PACs financially and also to ensure proper care of time frame on reimbursement of the credit amount.

✓ To enhance the marketability of the farm product produced by the farmer members.

✓ To give emphasis on creation employment opportunity in the form of setting of MSMEs in agricultural sector.

✓ To assist financially to the petty traders and youths to set up business activities in the state.

✓ To give special care for tenant farmer as well as agricultural labors by supporting financially.

✓ To give proper rewards to those farmer member those are make their repayment as per the banks guidelines.

✓ To support the state government to achieve their agriculture and allied sector needs.
1.10. District Central Cooperative Banks of Odisha

These banks are the middle level intermediary banks in cooperative credit structure of Odisha. These banks act as a bridge for communication of all banking aspects in between Odisha state cooperative bank the apex body of the state in cooperative credit structure and Primary credit cooperative societies. There are 17 district central cooperatives banks operating in various parts of Odisha to cater the cooperative banking services in the state. In the three tier system of rural credit system of cooperative banks, District Central cooperative bank is the meddle stem of the channel. It keeps the linkage in between root level units and apex body of this system. The main objective of the bank is to create and develop root level units of the bank. It also functions to render financial assistance to small traders, to develop small scale units for employment opportunity.

1.10A. The Anugul United Central Cooperative Bank Ltd.

On the eighth day of October 1956 this bank was set to render services in the district if Anugul and Dhenkanal but previously there two banks were operating in this area namely Athamalik CC bank and Anugul CC Bank. These two banks were merged and the Anugul United CC Bank came into operation.

1.10B. The Aska Co-operative Central Bank Ltd.

On 19th day of December 1918 the bank named Aska cooperative central bank came to Operation in the district of Ganjam. The head office is registered in Aska of the district. Basically this bank provides funding to tenant farm members, agricultural labors, marginal farmers for the development of agro activities in the operational area
1.10C. Balasore Central Cooperative Bank Ltd.

On the 1917 as report said the bank was came into operation in the revenue district of Balasore, which was under the governance of Bengal provinces. It was given priority for lending to agricultural sector through assisting the farmer in the way of finance for land development, seed procurement, establishment of small agro business, plantation of flowers as well as fruits and nuts.

1.10D. The Banki Central Cooperative Bank Ltd.

It is the oldest central cooperative credit institution in the state which was started its operation on 20th day of November 1910. It was started its operation with a initial capital of Rs. 1000/-. It was initially operated with fifty members from three village credit cooperative society of Banki.

1.10E. The Berhampur Central cooperative Bank Ltd.

In the year 1917 when the area was under Madras Presidency the bank came in to operation in this area when it was in Andhra Pradesh. Now it is providing services to the entire district of Gajapati and Eleven blocks of Ganjam. This bank won “Best Performance award” consecutively from 1995-1999 from NABARD and a cash reward of Rs. 23,00,000/- and by the department of audit the bank was ranked as “A” for last 12 years consecutively.

1.10F. The Bhawanipatana Central Cooperative Bank Ltd.

On 16th day of January 1950 as a clause of limited liability the bank was came into operation in the revenue district of Kalahandi and Nuapada. The bank is providing services with 11 branches in Kalahandi district and 4 branches in Nuapada district of
Odisha. 77 PACs is operating in Kalahandi district where as in case of Nuapada the number is quite more it is 107. Through this service counters, the bank is providing services to its members throughout the area.

1.10G. The Bolangir District Central Cooperative Bank Ltd.

This bank was set up after the amalgamation of two central cooperatives operating in the district of Subarnapore and Bolangir on 4th of July 1956. Before that Bolangir CC bank was rendering services in the Bolangir district and Sonepore was providing services in Sonepore district and both were registered in the year 1934 and 1949 respectively. There are twenty two branches of the bank is operating both the districts where as 157 PACs are operating in Bolangir district and 64 PACs are operating Sonepore district of the state. The basic aim of the bank is to provide financial assistance to the farmers, agricultural business man, and small trades throughout the area under operation.

1.10H. The Boudh Central Cooperative Bank Ltd.

To provide the financial assistance to entire Phulbani district this bank was came into operation on 16th of June 1955. In the current time it is rendering the assistance to its members of both Boudh and Kandhamal District of Odisha. Including two Mahila branches the bank is rendering services on 12 branches throughout its operational region. There are 66 PACs are operating under the bank. The facility like Rs. 20 per annum to claim an accidental benefit of Rs. 50,000/- was a big asset for the popularization of the bank now days. The bank also issues demand drafts with mutual agreement with OSCB throughout the state and ICICI bank for all over the country.
1.10 I. The Cuttack Central Cooperative Bank Ltd.

Established in the year 1956 in the shape of amalgamation of Jajpur Co-operative Bank, Kendrapara Co-operative Bank, Kujanga Co-operative Bank, the bank is functioning since 05.10.1956 and successfully continuing since last 54 years. The area of operation covers Kendrapara, Cuttack, Jajpur and Jagatsinghpur districts carrying credit business with members belonging to 36 blocks through its 38 branches, 468 Service Co-operative Societies, and other non-agriculture co-operative societies.

1.10J. The Keonjhar Central Cooperative Bank Ltd.

On 20\textsuperscript{th} April 1982 the bank had got the license from reserve bank of India to set up the cooperative banking business in the entire revenue district of Keonjhar. Before that it was operated under Bihar and Odisha. Cooperative Society Act with the registration number 69/BL dated 18\textsuperscript{th} April 1950. The bank is providing its services to its members through 13 branches and with 42 PACs. It is providing farm credit, agro credit, small trading purposes, youth employment as well as to setup MSMEs.

1.10K. The Khordha Central Cooperative Bank Ltd.

On the 22\textsuperscript{nd} March 1912 the bank was came in to operation in the district head office at Khordha. It provides its services to Khordha, Puri and Nayagarh district of Odisha. Basically it provides lending for agricultural activities of that area.

1.10L. The Koraput Central Cooperative Bank Ltd.

On 5th April 1950 the bank was started its operation in Nabarangapur as its head office and later on it has shifted its head office to Jeypur. It is providing its service in the revenue district of Rayagada, Malakangiri, Koraput and Nabarangapur. Through 17
branches and 55 PACs are operating to provide the assistance to its members throughout its service area. Basically it provides financial assistance for agricultural farmer, tenant farmer, for household expenditure as well as for starting up small enterprises.

1.10M. Mayurbhanja Central Cooperative Bank Ltd.

This bank was came into operation on 25th July 1951, after getting its license on last day of January 1951. It is assisting the members on various ways such as farm loan, agro loan, commodity loan, education loan, MSME Loan and for other allied sectors. Now a day it has 15 branches and 52 LAMPs operating under it. The head office is situated at Baripada.

1.10N. The Nayagarh Central Cooperative Bank Ltd.

On 30th March 1949 the bank came into existence in the name of “The Nayagarh CCB.” Before that it was operating in the name of “The State Bank of Nayagarh which was registered under the Bihar-Odisha cooperative Act. Initially the basic aim of the bank was to render services to rural people. The head office is situated at Nayagarh and is providing services throughout the district besides some parts of Ranapur. 12 branches and 142 PACs are providing services to its members in its operating area. Now it is providing financial assistance to rural as well as urban people.

1.10O. The Sambalpur District Cooperative Central Bank Ltd.

The bank is providing services in four districts in the state of Odisha. These districts are Sambalpur, Baragada, Jharsuguda and Deogada. On 26th day of June 1956 the bank was came into existence.
1.10P. The Sundargarh District Central Cooperative Bank Ltd.

On 1st June 1955 this bank came into operation. It provides service in the entire revenue district of Sundargarh. This bank is providing financial support for agriculture, education, empowerment and small trades. Basically it has given emphasis for priority sector lending. There are number of Primary agricultural units as well as members society exist to service the financial assistance throughout the region.

1.10Q. The United Puri Nimapada Central Cooperative Bank Ltd.

On 28th day of November 1956 the bank was set up at Puri as its head office to cater the service in the entire district of Puri. It is providing financial support to farmers basically.

1.11. Primary Agriculture Cooperative Society

Primary agriculture Cooperative society is functioning in the grass root level of the cooperative credit structure. It implements directly the policy as it is functioning in the lower level. These banks are the prime mover of the cooperative movement as it speared a wide area of geographical territory. The basic objectives of these units are to render timely and perfect assistance to members. The operational areas of these units are limited with a pre fixed geographical surroundings.

1.11A. Primary Weavers Cooperative Society

Weaver Cooperative society is functioning in the grass root level of the cooperative credit structure. It implements directly the policy as it is functioning in the lower level. These banks are the prime mover of the cooperative movement as it speared a wide area of geographical territory. The basic objectives of these units are to render timely
and perfect assistance to member weavers. The operational areas of these units are limited with a pre fixed geographical surroundings.

1.12. Share Cropper

Share cropper is defined as the farmers those do not have own piece of land for cultivation but they bring the land of land lord’s on the basis of tenant or rent. Though the person who have taken the land on rent basis have incurred all the expenses for cultivation but after the end of the harvesting season the earnings divided in between then 50-50 basis. But the expenses purely paid by the share croppers. Till today there is no specific guideline for these categories of farmers in Odisha.

1.13. Non-Performing Assets (NPAs)

The banking sector is based on strong foundation of intermediation process- mobilizing resources and optimum use/deployment of same thereby earning a spread which we call profit. Banks should always continue to be sound and stable and enjoy the trust of the public for the efficient discharge of this intermediation functions. With the introduction of norms of income recognition and asset classification in the banking sector in India, management of nonperforming assets has emerged as one of the major challenges facing banks. When an asset stops to create revenue for any bank then the asset is treated as NPA. That generation of revenue may be in terms of interest or it may the repayment of capital. An asset became NPA if;

- In case of term loan if the interest or principal amount or both are not paid for a period of 90 days or more, then it will treat as an NPA.
- In case of cash credit or overdraft if the account is not operated for 90days or more then it will treat as NPA.
✓ In case of bill purchased and discounted if it remain unpaid for 90days or more will count as an NPA.

✓ For agricultural purpose if the interest or principal or both are unpaid for two harvesting season then it will treat as NPA. This two harvesting season is not more than for 30 months.

✓ Any amounts which have to receive, is remain unpaid for 90days or more will treated as an NPA.

### Table – 1.1: Classification of Nonperforming Assets

<table>
<thead>
<tr>
<th>Substandard assets</th>
<th>Doubtful assets</th>
<th>Loss assets</th>
<th>Standard assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>If any account treated as nonperforming for 12 months then it is popularized as substandard Asset.</td>
<td>If any account treated as nonperforming for more than 12 month then it is known as Doubtful asset.</td>
<td>This asset is identified by bank or RBI or any auditors.</td>
<td>This account does not have any problem regarding on repayment of dues but it carries only the business risk.</td>
</tr>
</tbody>
</table>

**Source:** RBI Bulletin

### 1.14. Provisioning for Non-Performing Assets (NPAs)

In the light of Narasimhan Committee recommendations, from time to time, the Reserve Bank of India (RBI) has issued the guidelines in respect of recognition of NPAs, and their classification and provisioning. The following are the RBI guidelines for the provisions of NPAs.
1.14A. Standard Assets

The banks have been advised to make a general provision for standard assets at the following rates:

- Direct advances to agricultural and SME sectors at 0.25 percent
- All other advances at 0.40 percent.

**Chart – 1.4: RBI’s Guideline for NPA Recognition**

<table>
<thead>
<tr>
<th>Loans &amp; Advances</th>
<th>Applicable from 31st March'01</th>
<th>Applicable From 31st March '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Loans</td>
<td>180 Days</td>
<td>90 Days</td>
</tr>
<tr>
<td>Over draft</td>
<td>Remain Out of Order</td>
<td>Remain Out of order</td>
</tr>
<tr>
<td>Bill Purchased &amp; Discounted</td>
<td>180 Days</td>
<td>90 Days</td>
</tr>
<tr>
<td>Agriculture Loan</td>
<td>Two Harvesting Season not more than 30 Months</td>
<td>Two Harvesting Season not more than 30 Months</td>
</tr>
<tr>
<td>Other Accounts</td>
<td>180 Days</td>
<td>90 days</td>
</tr>
</tbody>
</table>

**Sources:** RBI Bulletin

1.14B. Sub-standard Assets

A general provision of 10 percent of net outstanding should be made without making any allowance for Export Credit Guarantee Corporation (ECGC) guarantee cover and securities available. The ‘unsecured exposures’ which are identified as sub-standard
would attract additional provision of 10 percent, i.e. a total 20 percent on the outstanding balance.

1.14C. Doubtful Assets

Provisions should be made for 100 percent of the extent to which the advance is not covered by the realizable value of the security to which the bank has a valid resource and the realizable value is estimated on a realistic basis. With regard to the secured portion, the provision is to be made as specified below:

![Chart -1.5: Non- Performing Assets Provisioning](chart)

<table>
<thead>
<tr>
<th>Doubtful Status</th>
<th>Percentage Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 1 Year</td>
<td>20%</td>
</tr>
<tr>
<td>1 Year to 3 Year</td>
<td>30%</td>
</tr>
<tr>
<td>More than 3 Year</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: RBI Bulletin

1.14D. Loss –Making Assets

It is advised by RBI to the banks that in case where loss assets are more than two years old (in the books of bank without legal action being initiated), the banks should submit a review note to their management committee/ boards of directors giving specific reasons as to why steps have not been taken for the recovery. These assets should be
written off. If they are permitted to remain in the books for any reason, 100 percent should be provided for.

Generally banks have retirement benefits namely Provident Fund, Gratuity. Now banks have pension schemes also. Most of the banks have set up recognized Gratuity Pension Fund to fund the relative liability. In April, 1992, RBI had advised that any bank, which had not set up such fund to estimate such liabilities on archival basis and make full provision for that purpose. Technically, the standard assets are performing assets. The remaining categories of sub-standard, doubtful and less assets are NPAs. According to RBI direction, all the banks are required to maintain NPAs –both on gross and net basis.

1.15. Stress of NPAs

The rising level of NPAs is the cause of great concern for the management of banks. Bank whose NPAs level is higher, are more under stress. The Reserve Bank of India, time to time issue the guidelines to the banks to bring down the level of net NPAs to zero or at least to the bare minimum. There are few banks whose NPAs level is zero and their great concern is to ensure that they are able to maintain it, and there are no fresh slippages of bad accounts in future. The executives at all levels are allotted the targets for recoveries and arresting the fresh slippages according to their grades and they are taken to task if the targets are allotted, are not achieved. This has built up a tremendous amount of pressures on them, particularly on the branch managers who are the direct functionaries in the field. Till a couple of years back, due to the extreme pressures on them from all sides like from head office, regional office, different types of audits/auditors, local government bodies/offices, day- to -day customers, daily mails & telephone calls, problems of their own employees, sometimes to comply with the
requirements of other branches etc. particularly during the time of quarterly financial closing, it used to be a common saying in the banking circle that the moment you join the banking service, your life is reduced by 10 years. However, now the day have been changed, the peoples’ mindset is changing because of hyper competitive environment all round and they started believing that multi-tasking is the way of life and you have to go along. Researchers argue that the stress is not always bad for individuals. It is an inevitable element of human life, which may have a positive or negative impact on one’s life. It depends on, how one takes the pressure of work. Whereas high amounts of stress lead to hypertension, too little of it leads to indifference or loss of interest in the job. An optional level of stress is always necessary to keep one going and energies people in organizations. One should try to see the stress as something one can cope with rather than something that empowers one. Our goal is therefore, not to eliminate the stress but to learn, how to manage and use it to help the individuals.

Table 1.2: Banking Composition as on date

<table>
<thead>
<tr>
<th>Name of the Banks</th>
<th>Number of Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nationalized Banks</td>
<td>26</td>
</tr>
<tr>
<td>Private Banks</td>
<td>15</td>
</tr>
<tr>
<td>Foreign Banks</td>
<td>31</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>86</td>
</tr>
<tr>
<td>Local Area Banks</td>
<td>04</td>
</tr>
<tr>
<td>Urban Cooperative Banks</td>
<td>1,721</td>
</tr>
<tr>
<td>State Cooperative Bank</td>
<td>31</td>
</tr>
<tr>
<td>District Cooperative Banks</td>
<td>371</td>
</tr>
<tr>
<td>Total</td>
<td>2,285</td>
</tr>
</tbody>
</table>

Source: RBI
References:


2. Govt. of India, Department of Revenue and Banking, Report of Expert Committee on Consumption Credit (Chairman, B. Sivaraman), New Delhi, April 1976, Chapter.6


4. RBI, All India Rural Credit Survey, Vol.II, op.cit, chapters VIII and IX.


8. Govt. of India, Report on National Commission on Agriculture, New Delhi, 1976, Part XII, Para 55.7.11


