5.1.1 The co-operative banks form an important segment of the banking system since they are intended to mobilise the savings of large numbers of people in the urban, middle and lower income groups. These banks are expected to do to the small trader, the small merchant and the middle and lower income group members what the commercial banks do to the big traders and the big industrialists. They are also expected to finance small scale industries and also to provide banking services to its customers. The large joint stock commercial banks are not very much interested in developing the business of small loans on account of the high incidence of cost of services and overhead. It is this gap that the co-operative banks have to fill. This is because the co-operative banks are not as profit oriented as commercial banks.

5.1.2 The study has proved that all Primary Co-operative Banks are not prepared to adopt the principle of purpose oriented lending. Gold loans and mortgage loans constitute more than 50% of the lendings of these banks. Further, no bank has any scheme to make sure that
the loans sanctioned by it are used for the purposes for which they were sanctioned.

5.1.3 All Primary Co-operative Banks other than the 3 Employee's Co-operative banks use the term 'Urban' or 'Town' in their names. But all of them are not situated in urban areas. Yet worse is the fact that many urban centres do not have an Urban-Co-operative bank and are not covered by any of the nearby banks. Further, wide variations are seen in the area of operations and in secondary services offered.

5.1.4 In 5 District Co-operative Banks, the concept of security oriented lending prevails. The net profit ratios of all these banks are not only very low, but for 50% of the banks, the ratio is showing a decreasing trend. The Annual Reports of these banks make it clear that they are not catering to the needs of non-agricultural societies. Besides, the opening of a number of branches to conduct banking business and lending to non members will definitely result in competition among co-operative societies, which is against the basic principles of co-operation.

5.1.5 Therefore it is seen that on account of the uneven distribution of co-operative banks, absence of
uniformity in services and charges, lack of managerial skill and lack of co-operation among co-operatives and also lack of purpose orientation in lending. Co-operative banks have not been able to make much impact on the banking system in the state.

5.1.6 To overcome this, a series of measures by the Government, State Co-operative Bank and District Co-operative Banks are necessary. It should include:

(a) Steps to avoid the uneven distribution of banks either by opening new banks or by extending the area of operations of existing banks.

(b) The State Co-operative Bank and the District Co-operative Banks should reset the rates of interest on lendings to their affiliated banks based on the purpose of such lendings to enable the affiliated banks to satisfy the principle of purpose orientation in lending.

(c) Measures should be taken by the Government and Reserve Bank of India to maintain uniformity in services and charges.

5.2.1 District Co-operative Banks are responsible for the control and co-ordination of activities of the Primary Banks in the districts concerned. But it is seen that,
as on 30.6.1985, the District Co-operative Banks have done nothing for those Primary Banks who are not borrowing from the District Banks. On the other hand, all respondents from the District Co-operative Banks were unanimous that they were basically agricultural societies and a lion's share of the funds and skills are directed in this direction. No District Bank, as on the above date, had a separate cell for the Urban Banks. Besides, none of them had specialists in banking. Even the conferences, seminars etc. were conducted for different types of societies together.

5.2.2 The absence of a separate department in the State Co-operative Bank meant for the Primary Banks coming under the Banking Regulation Act, prevents it from doing anything for the Primary Banks. 9 out of 55 Primary Banks were classified as 'weak banks' and required rehabilitation as on 30.6.1985. Two more banks were placed under observation of the Reserve Bank of India. The present trends in the profits of District Co-operative Banks and the State Co-operative Bank are found unsatisfactory. In many cases there was no steady correlation between average interest paid and average interest received. A low level of operational efficiency was found in all these banks. Qualitative and quantitative inadequacy of staff and management was found to be the major reasons for this.
5.2.3 The Reserve Bank of India regularly inspects the Books of Accounts of these banks and gives directions. But many of the directions remain unsatisfied by a number of banks especially at the primary level. Thus it can be seen that there is an urgent need for more effective attention by the Government and the Reserve Bank of India to utilise the vast potential of this industry. The following recommendations are made in this regard:

(a) A separate Department should be formed under the State Co-operative Bank, for guiding and controlling the Primary Co-operative Banks coming under the regulations of the Banking Regulation Act.

(b) In order to achieve operational efficiency through cost reduction, schemes for merit rating and job evaluation for staff are to be implemented.

(c) The Reserve Bank of India should take serious measures to make sure that the directions given by it are strictly followed by the co-operative banks.

(d) The Employees Co-operative Banks should be excluded from the control of the Banking Regulation Act, as they are not providing membership or credit facilities to the general public. The membership in these banks is restricted to a particular class of employees only. Their lendings do not satisfy the norms for lending fixed by the Reserve Bank.
because they are formed with limited interests, namely, the welfare of a particular class of employees.

5.3.1 Competent management and efficient staff are vital for the successful working of every co-operative bank especially when it has to compete with the commercial banks and private financiers. Of course, it is true, that co-operative banks have the advantage of being able to pay higher rates of interest on deposits and lower rates of interest on advances as compared to commercial banks. The Management of the co-operative banks vest in the General body of the members as far as general policy making is concerned, and in the Board of Directors for day to day administration through the Chief Executive and other staff. But, the study reveals a sorry state of affairs in the composition and working of these bodies.

5.3.2 The General body A vigilant and committed general body of members is a must for giving the proper direction to the functioning of each bank and to review and control the performance. But it is found that the participation of members in general body meeting is generally very poor and very often personal influence has to be exercised by the Chief Executives to constitute the quorum at such meetings. Monetary and non monetary
incentives for attending general body meetings have produced better attendance. Properly educating the members on the importance of the General body could solve this problem and improve relations with customers. The board of Directors has the primary function of directing the working of the bank. They have to see that funds are mobilised and properly utilised and that concerned laws are followed and also that the day to day work is carried on smoothly and efficiently.

5.3.3 The election of members from the general body very often takes place on the basis of politics which is found to have a negative effect on deposit mobilisation. The State Co-operative Bank, all District Co-operative Banks and 53% of Primary banks have government nominees on the board. The majority of the Directors (70%) had education upto S.S.L.C. In a board of directors, better qualified members could have done a better job. The directors do not have any qualifications in banking - nor are workshops or training courses available for training and educating them. All these have affected the working of these banks adversely. Very often Board Meetings could not be held in time for want of quorum. Because of this, lending decisions are delayed causing discontent in members. This state of affairs could be remedied by laying down stipulations regarding minimum educational qualifications, minimum period of continuous and active
co-operation in the functioning of the bank and also by conducting training programmes, seminars and also study tours to efficient banks. These could be organised by the Apex Bank under the directions of the State Co-operative Union or the National Federation of Urban Banks.

5.3.4 The Chief Executive who is the key factor for the efficient working of the bank is very often handicapped by the absence of delegation of power to him by the board of Directors. For the speedy disposal of applications for loans, the Chief Executive may be given the authority to sanction advances up to a limit. There was no uniformity in the staffing pattern. In the banks studied, the number of staff ranged between 8 and 102 and the ratio of officers, clerical staff and non clerical staff showed wide variations. Vacancies are filled only after approval by the Co-operative Department and it is found that delay is caused in appointing staff to fill vacancies. The method of selection of staff is found to be different and unsound in some banks. Besides, it is found that many banks are under staffed mainly due to the fact that the number of staff for each bank has been fixed on a classification based on working capital. In addition, vacancies, resulting from the upgrading of banks from one class to another, were pending for approval by Co-operative Department.
5.3.5  The perquisites and frings benefits in Primary Banks are based on the classification based on working capital. The classification of Primary Banks on the basis of working capital alone and the listing all banks with more than Rs. 50 lakhs working capital under Class I exhibits the lack of imagination on the part of the Co-operative Department. None of the respondents was satisfied with the working of the Department in the state, because of the delay and red-tapism in getting things done through the Department.

5.3.6  In connection with the removal of the manifold problems connected with the operational, managerial and financial efficiency, the following recommendations are made:

(a) The members of Boards of Directors should have prescribed minimum educational qualifications ie., at least the ability to read and write.

(b) To ensure that only those having continued association with the bank alone are present in the board, stipulations regarding minimum period of membership and continuous active co-operation in the functioning of the bank are to be fixed.
(c) The nominees sent to the Board by the Government should be experts in the field.

(d) To improve the working of the banks, there should be continuous programmes like workshops, seminars, training and refresher courses etc. for the staff and members of the Board at periodical intervals, on a compulsory basis.

(e) The Primary Co-operative Banks coming under the Banking Regulation Act should be given a common cadre in the state level and a separate department be formed under the State Co-operative Bank.

(f) The staff requirements of Primary Banks should be met by this department and it should implement schemes of incentives, merit rating and job evaluation of the staff.

(g) The classifications of Primary Banks should not be based on working capital alone as is done now. A more realistic classification should be followed considering the number and volume of deposits and advances accounts, Audit classification, viability, dividend declared and working capital.

(h) The monetary and non monetary benefits to employees should be based on the above classification and uniformity should be maintained by banks falling in the same class.
5.4.1 All Co-operative Societies are characterised by open membership. All individuals residing or employed in the jurisdiction of a Primary Co-operative Bank are eligible for membership unless otherwise disqualified. Similarly, all Primary Co-operative Societies functioning in a district are eligible for membership in the District Co-operative Bank of that district. But the study has revealed that the underlining principle of open or universal membership is yet unknown to many co-operative banks in the state. It is doubtless that, this is a clear violation of the principles of co-operation. The public has to be properly educated about the role, importance and functions of co-operative banks. Similarly, the Co-operative Department of the Government should be more vigilant in this respect. When a complaint in this respect is received, the Joint Registrar or Registrar of Co-operative Societies should conduct immediate enquiries. The guilty should be reasonably punished and the complaint should be positively settled.

5.5.1 A salient feature of Primary Co-operative Banks is that unlike other societies or banks, they are controlled by the Banking Regulation Act and the Co-operative Societies Act. Their transactions are expected to comply with the principles of co-operation and also achieve commercial efficiency. This calls for effective and
prompt supervision by the Department. But the Department, at present, does not have expert personnel suited to the needs of the different types of societies. However, for the development of Primary Banks coming under the Banking Regulation Act, it is suggested that a separate division in the Department be set up.

5.5.2 The conclusions arrived at and the recommendations made are the result of detailed study of the three components of the Co-operative banking system in Kerala and their inter-acting relationships in the background of the dual control exercised on the system by the state government and the Reserve Bank of India. The study has proved all the hypotheses. The recommendations are, in my thinking, realistic and if they are implemented, the Co-operative Banking System in Kerala will be able to realise its enlarged role and achieve commercial efficiency within the ambit of the philosophy of Co-operation and thereby make its role significant in the economic development of the state and also in furthering the practice of Co-operation, fully entrenched in the basic principle of Co-operation "ONE FOR ALL AND ALL FOR ONE", which is the 'Sine qua non' of national solidarity.

SCOPES FOR FURTHER RESEARCH

5.6.1 Owing to limitations on time and other resources, this study had to be restricted to the general conditions
prevailing in the Co-operative Banking system in the state. The study has not gone into the details of working of each bank in such great detail as to arrive at individual diagnosis of its performance. Nor has this study attempted any prognosis at the unit level. No comparison has been drawn with the working of the Co-operative Banking system in other states nor with the working of the commercial banking system. These are some of the lines on which further research could be conducted so that a fuller understanding of the detailed working of Co-operative banks could be arrived at, the defects detected and remedies recommended so that Co-operative banking can be put on a high pedestal from where it could play a more significant role in the economic development of the country as a whole.