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CHAPTER – III

CO-OPERATIVE BANKS IN KERALA –AN OVERVIEW

In Kerala, the Co-operative movement has spread its wings in almost all walks of life. The spread and growth of co-operatives in different sectors were nurtured under development plans with government initiative and government finance.

The word “Co-Operation” is derived from the Latin word ‘Co-operaie’, which means ‘work together’. In the ordinary sense, co-operation means ‘working together jointly’. The term co-operation implies a common endeavor with a common end. Those who join together should have some economic aim, which they cannot normally achieve by individual isolated action. Union is ‘strength’ and hence they associate together to achieve the common end through self-help and mutual help. They are guided by the principle “each for all and all for each”

Co-operation - A product of the civilized society.

In the primitive societies, the germs of co-operation could be observed in religious institutions and traditional customs. The working of these customs and institutions throw light on the instinct and tradition of mutual assistance, joint action, joint possession and joint management which are found in the thinking and in the life of the people in all ages and in all countries. In India, for instance, the principles of co-operation have been practiced from times immemorial. The spirit of village communities in India was almost entirely co-operative. The villagers have through out the ages worked together on an informal co-operative basis with regard to their religious, social and cultural life. The co-operative element in the community life in India was represented by joint family system. The ‘Arthasastra’ of ‘ Kaudilya’ provides “whoever stays away from any kind of co-operative undertaking shall send his servants to carry on the work, shall have a share in the expenditure but none in the profits”.

Co-operation as is understood today, as an economic system, was born as a peaceful reaction against the mercantile economy and Industrial Revolution which had resulted in the concentration of wealth, mass poverty and degradation; in a
word, “decay of men”. Co-operation was conceived as the answer to the injustice of capitalism and was developed as its antidote. Poorer men saw in it a price advantage, economists a new incentive to efficiency, and the utopian socialists a method of developing a complete new society. “The herd found that by showing a common front they were a match for the economic carnivores”.

**Definitions of Co-operation**

The term co-operation, as generally understood today, is a term, which like philosophy and religion defies exact definition and description. The concept and meaning of co-operation has been given by utopian socialists, religious thinkers, sociologists, economists and reformists in their own way in their respective countries. Some of the important definitions of co-operation are given below:

According to C.R. Fay “a co-operative society is an association for the purpose of joint trading, originating among the weak, and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership may share in its rewards, in proportion to the degree in which they make use of their association”.

Sir Horace Plunkett’s definition of co-operation is “Self-help made effective by organization”. He summed up the theory and practice of co-operation in three famous maxims; “Better Farming, Better Business and Better Living”. This definition reflects the spirit of co-operative enterprises. It however, lays over-emphasis on the principle of self-help; which is no doubt an important principle of co-operation but the only one.

Mr. Henry Calvert, an authority of Indian co-operation, defined co-operation as “a form of organization, where in persons voluntarily associate together as human beings, on the basis of equality, for the promotion of economic interests of them selves”. The essentials of this definition are:-

1. A co-operative society is a voluntary form of organization.
2. It is an association of human beings.
3. It is organized on the basis of equality and
4. Its objective is the economic interest of members.
Calvert’s definition is most widely quoted and is generally accepted as the best definition of co-operation, but its main weakness is that it does not recognize co-operative organizations for the promotion of interests other than economic. Again a co-operative society is not entirely formed for the promotion of the economic interests of the members only.

**The Indian Co-operative Societies Act of 1912** has not given any definition of co-operation. Section 4(c) considers a co-operative society as “a society which has the object, the promotion of the economic interests of its members in accordance with co-operative principles”.

**Principles of Co-operation**

Co-operative principles are a set of rules, which govern the life and activities of co-operative enterprises. These principles are introduced by Rochdale Pioneers called Rochdale Principles, F.W. Raiffeisen called Raiffeisen Principles, Schulze called Schulze Delitzsch Principles and ICA called Principles of International Co-operative Alliance.

**Rochdale Principles.**

**Rochdale Pioneers** formed societies in England. Rochdale principles were the dynamic movement in the field of co-operation, which spread out in the whole world. They are called ‘Pioneers’ because they founded the first permanent successful co-operative wholesale society, which got dignity and glory. They embodied the following principles:-

1. Open membership.
2. Democratic control
3. Dividend in proportion to purchases.
4. Limited interest on share capital.
5. No credit to be allowed.
6. Pure and unadulterated goods to be supplied.
7. Portion of the profits to be set aside for education.
8. No religious or political interference involved in co-operation and
9. Services are rewarded.
Raiffeisen Principles

F. W Raiffeisen is one of the pioneers of the co-operative credit societies in Germany. He established a full-fledged co-operative credit society for agriculturists. It was he who firstly used the phrase “each for all and all for each”\(^8\). The main principles underlying his system of societies are as follows:-

1. The society has a limited area of operation and is worked in rural areas
2. Membership without subscription of shares.
3. Allocation of the entire surplus to individual reserve.
4. Unlimited liability of members
5. Value of share was very low.
6. The loans granted only for productive purposes.
7. Security of loan was only personal surety.
8. Voluntary work of management
9. Membership was open to farmers.
10. The society is also aimed at moral well being of the members.

Sehulze – Delitzch Principles

Sehulze was primarily a judge, but he turned in to a social worker. In 1849 he organized a friendly society to help the poor people of Delitzch.\(^9\) Then he set up credit societies, which are considered as the basis for the co-operative credit movement in Germany. The principles of ‘Schulze banks’ are as follows

1. They are worked in urban areas
2. They are operated in a large territory
3. They have limited liability
4. Duration of loan was comparatively short with high rate of interest
5. Security of loan was tangible assets
6. Highly paid management
7. The societies are aimed at material well being of people
8. They are working with the principle of self-help
9. Specialization of business
(10) The service is based on co-operation of members
(11) 10% of the surplus should be kept as reserve for co-operative development

**International Co-operative Alliance [ICA]**

A confederation of co-operative organization of the world was established in London in 1895 called *International Co-operative Alliance*. Primarily about two hundred and thirty co-operative societies in eighty two nations were affiliated to this institution and about six hundred and sixty two million members are served by this institution. A committee was set up by the institution in 1937, which laid down the basic principles of co-operation and is being followed by almost all countries in the world.

The management of ICA is vested in the congress consisting of delegates of the affiliated organizations. It elects an executive committee to administer the day-to-day affairs of the alliance. National Co-operative Union of India (NCUI), the highest co-operative non-official body in India, is an affiliate of the ICA. The main object of the ICA is to spread co-operative principles and practices among co-operative organizations all over the world. It also renders the necessary help and guidance for the exchange of co-operative experience among the member institutions.

**Principles introduced by ICA**

In 1937, ICA appointed a committee, which laid down the basic principles of co-operation and are being followed by almost all countries in the world. Rochdale principles became the basis for the ICA principles. ICA revised the principles in 1995, which are as follows\(^ {10} \): - Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Co-operation among Co-operatives, Concern for Community etc.
**Benefits of Co-operation**

**a) Economic Benefits:**

From the economic point of view, co-operatives are engaged in securing for their members services of various kinds at low costs. Co-operation is also playing an important role in checking monopolistic tendencies. The following is the list of economic advantages of co-operative organizations: Equitable Distribution of Wealth, Challenge Monopolies, Avoiding Middlemen, Provide Quality Goods, Better Standard of Living, Employment Stability etc.

**b) Social Benefits**

Co-operation offers not only economic benefits to members but also confers a number of social benefits to the society. This is so because the object of co-operation is to transform the member’s condition in such a way that he makes his social life richer and happier. The well-known authority on co-operation Dr. Fauquet has stated “the ultimate aim of co-operation is to develop men-men imbued with the spirit of self-help and mutual aid in order that individually they may rise to a full personal life and collectively to a full social life”. It is the claims of the co-operators that it can be the principal means of bringing about, in a peaceful manner social change of a fundamental nature, ushering in a social order, non-exploitative, equalitarian; tolerant that harmonizes the dignity of individual with the well being of the community.

The social purposes of co-operation are more diverse than economic purposes. They may be to provide a unique education in democracy, responsibility and toleration; to train for political power; to evolve an industrial relationship in which the element of authority is much more evenly distributed than in private business; to preserve the strong friendly or family spirit and a sense of pride and power which is impersonal; to encourage a general advance rather than the advance of particular individuals, to prevent underemployment; to secure moral as well as physical satisfaction of pure quality, good weight, honest measure, fair dealings in trade or to achieve better physical and mental health. The
distinguishing characteristic and social features of co-operative societies may in many circumstances make these essential, to the achievement of their purposes.

“The co-operative movement is an exercise in fellowship, which seeks to end the exploitation of man by man”\textsuperscript{11}. The movement teaches man and woman to rise above their own interest and think in terms of the general good.

**Co-operative Week**

ICA proposed to celebrate the International Co-operative Day on the 1\textsuperscript{st} Saturday of July every year. But in India, it is celebrated for a week. It was decided to celebrate the co-operative week from 14\textsuperscript{th} November every year, since it being the birthday of the first prime minister of our country Jawaharlal Nehru, who was an ardent promoter of co-operation in India.

**Co-operative Flag**

ICA designed a co-operative flag and presented to the world. The flag has seven rainbow colors. The executive committee of ICA agreed the suggestion of Mr. Charles Gide, a French co-operator and adopted a spectrum of seven colours. The seven colors represent prosperity, harmony, peace, and welfare of the people.\textsuperscript{12}

**Co-operative Movement in India**

Co-operative movement in India celebrated its 100-year jubilee in 2004. It was in 1904, the first Co-operative Societies Act was passed in India, which marked the beginning of co-operative movement in India. The co-operative movement was introduced in India with the chief object of making a break-through in the stagnation of the poorer classes, especially the vast majority of agriculturists who were groaning under the heavy weight of indebtedness. It was the bond of debt, which was largely responsible for the deteriorating stage of agriculture and the poverty of the masses. Many of the farmers were literally born in debt, lived in debt and died in debt, passing on their burdens to those who followed. The advent of British rule in India marked some further deterioration in the economic conditions of the farmers.
Nicholson’s Report

In 1892, Govt. of Madras deputed Sir Federic Nicholson to probe into the possibility of forming co-operation in India. In 1899, he submitted his report and recommended to form agricultural credit societies in village level on the pattern of Raiffeisen credit societies of Germany. Subsequently the Farming Commission Report came out in 1901. The commission also recommended the starting of co-operative credit societies to tackle the problems of rural indebtedness. As a result, the first co-operative legislation named ‘Co-operative Credit Societies Act 1904’ was passed. In order to rectify the defects of the Act another legislation named ‘Co-operative Societies Act of 1912’ was passed.

Co-operative Legislation entered its revolutionary phase with the constitutional reforms under Govt. of India Act of 1919, where in co-operation became a provincial subject. Thus, provinces got powers to make co-operative laws in their respective areas. Firstly, Bombay province enacted its Co-operative Societies Act in 1925. Madras province followed suit and passed their Act in 1932. Central Govt. also passed a Multi-Unit Act in 1942 so as to regulate the working of the societies whose area of operation is extended to more than one province. This Act was replaced by the Multi State Co-operative Act in 1984.

In 1928, Royal Commission on Agriculture was set up to find out the need of agricultural credit societies in India. Before independence, co-operation in India was only a credit oriented agricultural based movement and it was not a popular movement. It had no planned growth.

After independence, Govt. of India realized that co-operatives were the only way out to solve many problems faced by agriculturists. In addition to agricultural credit societies consumer stores were opened. In 1949 the Govt. of India set up the Rural Banking Enquiry Committee, which recommended that the existing co-operatives should be expanded.

In 1951, Rural Credit Survey Committee was set up by the Reserve Bank of India. It mainly recommended the need of trained personnel in the organization and also to introduce integrated schemes of rural credit.
In 1959, Committee on Co-operative Credit was set up. It suggested to increase the membership of the co-operative societies.

In 1965, R.N. Mirdha Committee on Co-operation submitted its report and recommended to set up a National Co-operative Bank and to give more Co-operative training and education to people.

All India Rural Credit Review Committee was set up in 1969, which recommended providing timely credit to the societies. Another progress in co-operative movement was the setting up of NABARD in 1982 to provide credit for the promotion of agricultural, small-scale industries and handicrafts and other activities in connection with the rural development. The statutory duties of RBI under Banking Regulation Act with regard to State Co-operative Banks and District Co-operative Banks are entrusted to NABARD.\(^\text{13}\)

Co-operation in India is considered as an instrument of democratic planning. The governments, both Central and State, co-ordinate its efforts along with societies in development. State also provides financial assistance and guidance to spread the system of co-operation in all walks of life.
### Co-operative scenario in India – An Overview

**Figure 3-1**  
Structure of Co-operative Credit Institutions in India as on March 2005

![Diagram of Co-operative Credit Institutions in India as of March 2005](attachment://diagram.png)

<table>
<thead>
<tr>
<th>Urban Co-operative Banks (1,872)</th>
<th>Rural Co-operative Credit Institutions (1,06,919)</th>
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<td><strong>Long-Term Structure</strong></td>
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<tr>
<td>(1,06,131)</td>
<td>(788)</td>
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<tr>
<td>State Co-operative Banks (31)</td>
<td>Central Co-operative Banks (365)</td>
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<td></td>
<td>Primary Agricultural Credit Societies (1,05,735)</td>
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<td>State Co-operative Agriculture and Rural Development banks (20)</td>
<td>Primary Co-operative Agriculture and Rural Development banks (768)</td>
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Source: Report on Trend and Progress of Banking in India, 2004-05, p108  
Note: Figures in the parentheses indicate the number of institutions at the end of March 2005.

As is clear from Table 3-1 the co-operative banking structure in India comprises urban co-operative banks and rural co-operative institutions. Urban co-operative banks consist of a single tier, viz, primary co-operative banks, commonly referred to as Urban Co-operative Banks (UCBs). The rural co-operative credit structure has traditionally been bifurcated into two parallel wings, viz, short-term and long-term. Short-term co-operative credit institutions have a federal three-tier structure consisting of a large number of Primary Agricultural Credit Societies (PACS) at the grass-root level, Central Co-operative Banks (CCBs) at the district
level and State Co-operative Banks (StCBs) at the state/apex level. The long-term rural co-operative structure has two tiers, viz, State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the state level and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the taluka/tehsil level.
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<td></td>
<td>Loans issued</td>
<td>5817</td>
<td>NA</td>
<td>1735</td>
<td>1819</td>
<td>1865</td>
<td>2045</td>
<td>2151</td>
<td>2200</td>
<td>2517</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loans outstanding</td>
<td>1452</td>
<td>1415</td>
<td>6778</td>
<td>7611</td>
<td>8532</td>
<td>10005</td>
<td>10809</td>
<td>11209</td>
<td>11877</td>
</tr>
</tbody>
</table>
Co-operative Movement in Kerala

Co-operative Movement in Kerala started even before the formation of Kerala state. There were three administrative units in the erstwhile Kerala—viz, Travancore, Cochin and Malabar. In 1949, Travancore and Cochin merged into a single state known as Travancore-Cochin State. Kerala state was formed in 1956 by merging all the three units.

Co-operative Movement in Travancore

In Travancore the first co-operative society registered under the Travancore Co-operative Societies Act, 1914 was Trivandrum Central Co-operative Bank. Then it was formed as the present Kerala State Co-operative Bank. A Central Bank was also formed for financing primary co-operative credit societies. The societies were registered with unlimited liability. But recovery of loans became a problem and a number of societies were liquidated because of excess liability over assets. Then the liability of the societies was changed into ‘limited’ from 1918 onwards. Land Mortgage Bank was formed in 1932 to provide long-term loans for a period of 10 to 20 years on the security of land. In 1963 it was renamed as Land Development Bank.

Co-operative Movement in Cochin

The Cochin Co-operative Societies Act was enacted in 1913. The first co-operative society registered under this Act was ‘Advanced Co-operative Society’. It was a credit society with unlimited liability. The Cochin Central Co-operative Bank was formed in 1918; it was based on British co-operative movement. The long term loans were supplied by Cochin Central Co-operative and Mortgage Bank. The area of operation was limited to Cochin.

Co-operative Movement in Malabar

Malabar district and Kasrgod Taluk was governed by Madras Co-operative Societies Act of 1932. In Malabar, there were producers and consumers co-operative societies having large share capital. The Malabar Co-operative Central
Bank registered in 1917 at Calicut rendered much service in providing loans to primary co-operatives

**Travancore-Cochin Co-operative Societies Act of 1951**

Travancore-Cochin state came into existence in 1949. It was found necessary to have a uniform co-operative law applicable in the entire Travancore-Cochin area. In 1951, Travancore-Cochin Co-operative Societies Act was passed. This Act was in force till Kerala Co-operative Societies Act came into force in 1969.

**Kerala Co-operative Societies Act of 1969**

All states in India have its own Acts on Co-operation. All laws are written on the basis of Indian Co-operative Societies Act 1904 and 1912. When Travancore, Kochi and Malabar were integrated to form the kerala state, a common co-operative Law became inevitable. Accordingly, The Kerala Co-operative Societies Act came into existence on 15th May 1969. Thereafter, the Co-operative Act in Kerala was revised and modified on various stages.

**Composition of Co-operative Societies in Kerala-An Overview**

**Table 3 -2**

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Type of Societies.</th>
<th>Total No</th>
<th>Functional No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Credit Co-operatives</td>
<td>3148</td>
<td>2920</td>
</tr>
<tr>
<td>2.</td>
<td>Marketing Co-operatives</td>
<td>531</td>
<td>275</td>
</tr>
<tr>
<td>3.</td>
<td>Consumer Co-operatives</td>
<td>754</td>
<td>274</td>
</tr>
<tr>
<td>4.</td>
<td>Processing Co-operatives</td>
<td>37</td>
<td>19</td>
</tr>
<tr>
<td>5.</td>
<td>Housing Co-operatives</td>
<td>269</td>
<td>281</td>
</tr>
<tr>
<td>6.</td>
<td>SC/ST Co-operatives</td>
<td>801</td>
<td>566</td>
</tr>
<tr>
<td>7.</td>
<td>Health Societies</td>
<td>175</td>
<td>96</td>
</tr>
<tr>
<td>8.</td>
<td>Women Co-operatives</td>
<td>889</td>
<td>688</td>
</tr>
<tr>
<td>9.</td>
<td>Other Co-operatives (Miscellaneous)</td>
<td>6098</td>
<td>5146</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>12802</strong></td>
<td><strong>10770</strong></td>
</tr>
</tbody>
</table>

As is clearly shown in able 3 -2 there are 12802 co-operatives falling under nine categories, under the control of the Registrar of co-operative societies as on 31 March 2006. Out of that only 10632 are functional.

**Structure of Co-operative Societies**

The co-operative societies are divided into various classes according to their formation. It is broadly classified into two:

1. Credit co-operative societies and
2. Non-credit co-operative societies.

![Figure 3-2](image)

*Figure showing Co-operative Credit Societies in Kerala*

- Agriculture credit Societies
- Non agriculture credit societies
  - Short term
  - Medium term
  - Long term
  - State co-operative Bank
  - Central Land Development bank
  - Urban bank
  - Employees co-operative Societies
  - District co-operative Bank
  - Primary land Development banks
  - Village co-operative Societies

Source: M.P Sasidharan Nair, A Text Book on Co-operation, S.B. Publications, Kozhencherry, 2002: p50
Primary Credit Societies

The organization of primary agricultural credit societies dates back to 1904 when the Indian Co-operative society’s Act was passed. These societies were formed to provide cheap credit to the agriculturists with a view to make them free from the clutches of moneylenders. The primary agricultural credit society is the foundation stone on which the whole co-operative edifice is built.

These societies were intended to promote the economic interests of its members especially, the poor in accordance with co-operative principles. It has to
achieve its aim by promoting savings among members, providing loans, supplying agricultural implements and certain essential domestic requirements and arranging for the marketing of their agricultural products. These societies are also called Rural Banks. As on March 2006, there were 1587 primary agricultural credit societies in Kerala out of which 1565 are functional, 22 are dormant and 26 are under liquidation. Out of 1565 functional PACS 828 societies were on loss and 721 were on profit.15

**Central Co-operative Banks**

The Central Co-operative banks were set up as a link between Primary Co-operative Societies and the State Co-operative Bank. For providing medium term agricultural credit, the Central Co-operative Bank plays a vital role. All India Rural Credit Survey Committee recommended that there should be only one Central Bank in a district, so it is also called District Co-operative Banks (DCB). At the end of March 2005 there were 365 Central Co-operative Banks in India whereas in Kerala there were 14 Central Co-operatives Banks.16 Membership of a Central Co-operative Bank generally consists of primary co-operative credit societies and other types of primary societies working in the area of its operation. The government may also become member of a Central Co-operative Bank by taking shares.

**State Co-operative Bank**

The State Co-operative Bank stand at the top of the co-operative credit structure in the state. It is an apex co-operative society. The State Co-operative Bank is expected to co-ordinate and control the working of the District Co-operative Banks in the state. It is a financing bank of the Central co-operative Banks in the state and stands for the overall development of the co-operative credit movement in the state. The state co-operative bank is a connecting link between NABARD and the co-operative credit institutions in the state. It is also a connecting link between the state government and the co-operative credit movement.
At the end of March 2005 there were 31 State Co-operative Banks in India. In Kerala, this bank was originally registered as ‘Trivandrum Central Co-operative Bank’ in 1915 under the Travancore Central Co-operative Societies Act 1914. It was converted into Kerala State co-operative Bank and functions as the Apex Bank with effect from 1st January 1956. The membership of a state Co-operative Bank is open to all Central Co-operative Banks, and State Government. State level co-operative federations may also be admitted as members.

**Primary Co-operative Agricultural and Rural Development Banks.**

**PCARDB** (Land Development Banks)

A Primary Agricultural and Rural Development Bank is a co-operative institution advancing long term loans to the agriculturists who were members, on the security of landed assets. Before 1963 they were known as Land mortgage banks. It has a two-tier structure - Primary Land Development Banks in each subdivision and State Co-operative Land Development Bank at the State level. In Kerala, they are called Primary Co-operative Agricultural and Rural Development Bank (PCARDB) and State Co-operative Agricultural and Rural Development Bank (SCARDB) respectively.

In Kerala, there are 46 Primary Agricultural and Rural Development Banks at the end March 2005. The duration of long term loan is usually 5 to 15 years. The long term loans are granted for making permanent improvement of land. The purpose of long term loans includes reclamation of land, purchase of agricultural machinery etc.

**Kerala State Co-operative Agricultural and Rural Development Bank**

**SCARDB.** (Central Land Development Bank)

The Kerala State Co-operative Agricultural and Rural Development Bank is a federation of agricultural development banks in the state. It is an Apex Bank and also the financing bank of the Primary Development Banks. The main aim of the bank is to raise long term funds by the issue of debentures and to finance Primary Agricultural Development Banks affiliated to it. The policy of the government is to
establish one State Agricultural Development Bank for every state. The area of operation of the bank extends to the whole of the state. The membership of the bank is open to all Primary Agricultural Development Banks in the state. Apart from these, the State Government and the Kerala State Electricity Board have also become members in the bank.

**Non-Agricultural Credit Societies**

Credit is needed not only by rural agriculturists, but also by all urban poor also. They may be labourers or workers having fixed income. For meeting their financial requirements, Co-operative Non-agricultural Credit Societies are formed. Co-operative Urban Banks and Employee’s Credit Societies come under non-agricultural credit societies.

**Urban Co-operative Banks**

Urban Co-operative Banks are primary credit societies working in the urban areas. Non-agriculturists such as small merchants, traders, artisans, wage earners and professionals are admitted as members. An Urban Bank provides short term and medium term loans to its members for non-agricultural purposes. They also accept deposits of various types and work in the style of commercial banks. The Reserve Bank has the right to inspect and supervise these banks as they come under the purview of the Banking Regulation Act of 1949.

The area of operation of an Urban Bank will be specified in the bye-laws of the bank. Usually the area is restricted to a town, municipality, corporation or Taluk.

**Employee’s Co-operative Credit Societies**

Employee’s Co-operative Credit Societies also belong to the category of non-agricultural credit societies. They are organized among the salaried employees of government departments and semi-government institutions. Separate employee’s credit societies are organized for separate categories of workers. Thus, there are credit societies for railway workers, post and telegram employees, bank employees, teachers and so on.
The main object of such societies is to promote thrift and savings among employees and to provide credit to the members. The loans advanced to the members are deducted from their monthly salary. Hence there is no problem of over dues in these type societies. Most of the employee’s credit societies are financially sound and well managed. They are able to raise sizeable amount of deposits from the members and non-members.

Non-Credit Societies

Non-credit Societies are such societies, which provide social services like farming, irrigation, marketing, processing, supply of goods etc. At the dawn of co-operative movement, co-operative credit societies were established, as they were needed most. But gradually the need for non-credit co-operative societies was deeply felt.

In India, the non-credit societies may be classified in to agricultural non-credit societies and non-agricultural non-credit societies. Agricultural non-credit societies include marketing societies, agriculture or group farming societies, agricultural processing societies etc.

Non-agricultural non-credit societies include consumer’s co-operative societies, industrial co-operative societies, fish processing societies and miscellaneous societies such as co-operative press, labour contract co-operative societies, beedi workers co-operative societies, co-operative hospitals, social service societies etc.

National Level Co-operative Organizations

1. National Co-operative Union of India (NCUI)

In 1960 the government of India constituted a study team to suggest measures for effective progress of co-operative movement. Accordingly the responsibility for training was transferred to National Co-operative Union of India. The main function of Co-operative union is to formulate plans and to organize the training of personnel employed in co-operative institutions and departments and to conduct research and studies in co-operation.
In Kerala, the State Co-operative Union conducts co-operative education and training. Kerala State Co-operative Union has established colleges for co-operation at different centers in Thiruvananthapuram, Kottarakkara, Kottayam, Palakkadu, Thrissur etc. They conduct JDC (junior Diploma Course in Co-operation) and HDC (Higher Diploma Course in Co-operation) and award certificates to successful candidates.

2. National Co-operative Development Corporation (NCDC)

The NCDC was established in 1963 by the government by a special Act. The NCDC is the successor of the National Co-operative Development and Warehousing Board, set up by the Central Government in 1956. NCDC is engaged mainly in the planning and promotion of co-operative production, marketing, processing, and storage and also the export and import of agricultural commodities and notified commodities. NCDC gives special care in developing co-operatives of tribal and other weaker sections. It also assists the state government in strengthening the co-operative administration.

3. National Agricultural Marketing Federation (NAFED)

All the state co-operative marketing federations are affiliated to the national level federation i.e. National Agricultural Marketing Federation. It was set up in 1958 with an object to develop business of marketing societies and to suggest useful services to its members.

4. National Co-operative Consumer Federation (NCCF)

All the state level Consumer’s Co-operative Federations are affiliated to the National Level institute called NCCF. National Federation was set up by the government of India and the National Co-operative Union of India. The federation assists and facilitates the working of consumer’s co-operatives in the country.

5. National Federation of Industrial Co-operatives (NAFICs)

The federation was registered in 1966. Its chief objective is to assist the Industrial Co-operatives by making a study of their problems and formulating and implementing programmes for their development. It helps to import, purchase and
distribute materials, components and parts and equipments to Industrial Co-operatives. It also helps the societies in marketing of their products in domestic as well as foreign markets.

**Co-operative Societies and Self-Help Groups**

Even though co-operatives are said to be the representative of common man, most of these societies are always under the control of permanent leadership. Majority of the ordinary members are denied the opportunity of being in the management of a co-operative. The most conceptual and practical way of solving this problem is the promotion of self-help groups.

**Self Help Groups (SHGs)**

An important development in the state under peoples planning programme is the rapid growth of Self Help Groups. (SHGs) SHG is defined as “a small, economically homogeneous and cohesive group of poor people who voluntarily come together to save small amounts, mutually agreeing to contribute to a common fund, to meet their emergency needs on mutual help basis, to have collective decision making, to provide collateral free loans and get collective bank loans for productive and profitable work”. They have been promoted by “Ayalkootams” and “Gramasabhas”, the products of local level planning.

There will be 20-50 members in each SHG. They undertake activities and ventures having local source of raw materials and market and work with participation of members in ownership, management, labour, and marketing. A large number of such ventures have been promoted in the areas of group farming such as growing of flower plants, herbals, business ventures including restaurants, food products, garment making, handicrafts etc.

It is seen that three types of SHGs have been developed. First kind of them are the groups organized as projects of local bodies. They are mainly organized with financial assistance of local bodies. The next type of SHGs are initiated by financial institutions or other organizations and then integrated with the plan projects of local bodies. The third type of SHGs are organized and promoted by
“Ayalkootams”. They are organized to undertake some sort of manufacturing or agricultural activities. Their initial source of funds will be generated from own savings and supplemented by assistance of Local Bodies. These types of SHGs are found more sustainable since there is real initiation and motivation from the part of members.

The formation of self-help groups by co-operative societies began in 1997. Co-operative societies are exempted from clause 59 (1) of the Kerala state co-operative Act in order to provide loans to self-help groups. Agricultural crops of self-help groups are to be brought under the master insurance scheme of District Co-operative Banks. In Kerala, under Co-operative sector, the SHG scheme is implemented through PACS.

The SHG scheme has made stupendous progress, and as on March 2006 the number of SHG links with banks has neared a million and the bank loans to SHG has crossed Rs.2500 crores. The SHG scheme has been a catalyst in improving the income and standard of living of poor and could inculcate the habit of saving and thrift. This system can help financial inclusion to reach greater heights in coming years.
Table 3-3
Table Showing Progress of Self Help Group Scheme in Kerala as on 31-3-2006

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Sl No</th>
<th>District</th>
<th>No of Societies</th>
<th>Groups</th>
<th>Members</th>
<th>Share Capital Mobilized</th>
<th>Deposits</th>
<th>Loans Issued to groups</th>
<th>Repaid</th>
<th>Outstanding</th>
<th>Overdues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trivandrum</td>
<td>41</td>
<td>2225</td>
<td>44500</td>
<td>5.75</td>
<td>24.00</td>
<td>623.00</td>
<td>170.00</td>
<td>406.00</td>
<td>83.49</td>
</tr>
<tr>
<td>2</td>
<td>Kollam</td>
<td>64</td>
<td>1874</td>
<td>32944</td>
<td>100.96</td>
<td>83.39</td>
<td>917.28</td>
<td>457.97</td>
<td>459.21</td>
<td>29.91</td>
</tr>
<tr>
<td>3</td>
<td>Kottayam</td>
<td>41</td>
<td>1453</td>
<td>20968</td>
<td>94.32</td>
<td>53.61</td>
<td>405.79</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>4</td>
<td>Pathanamthitta</td>
<td>34</td>
<td>467</td>
<td>NA</td>
<td>2.26</td>
<td>26.38</td>
<td>393.85</td>
<td>289.51</td>
<td>104.34</td>
<td>2.14</td>
</tr>
<tr>
<td>5</td>
<td>Idukki</td>
<td>69</td>
<td>9937</td>
<td>NA</td>
<td>436.45</td>
<td>652.78</td>
<td>1146.38</td>
<td>624.82</td>
<td>521.56</td>
<td>2.92</td>
</tr>
<tr>
<td>6</td>
<td>Alapuzha</td>
<td>94</td>
<td>4925</td>
<td>72597</td>
<td>75.16</td>
<td>769.61</td>
<td>3754.47</td>
<td>1825.67</td>
<td>1928.79</td>
<td>9.00</td>
</tr>
<tr>
<td>7</td>
<td>Ernakulam</td>
<td>47</td>
<td>485</td>
<td>NA</td>
<td>4.09</td>
<td>65.70</td>
<td>2483.43</td>
<td>183.33</td>
<td>169.04</td>
<td>29.83</td>
</tr>
<tr>
<td>8</td>
<td>Thrissur</td>
<td>120</td>
<td>15587</td>
<td>NA</td>
<td>4.00</td>
<td>207.17</td>
<td>947.20</td>
<td>352.90</td>
<td>529.29</td>
<td>7.38</td>
</tr>
<tr>
<td>9</td>
<td>Palakkad</td>
<td>56</td>
<td>407</td>
<td>NA</td>
<td>10.75</td>
<td>24.01</td>
<td>128.72</td>
<td>62.68</td>
<td>1253.82</td>
<td>40.49</td>
</tr>
<tr>
<td>10</td>
<td>Malappuram</td>
<td>51</td>
<td>468</td>
<td>81138</td>
<td>141</td>
<td>21.97</td>
<td>209.84</td>
<td>17.18</td>
<td>96.35</td>
<td>35.00</td>
</tr>
<tr>
<td>11</td>
<td>Kozhikkode</td>
<td>36</td>
<td>284</td>
<td>NA</td>
<td>9.74</td>
<td>48.15</td>
<td>120.69</td>
<td>57.33</td>
<td>153.44</td>
<td>4.61</td>
</tr>
<tr>
<td>12</td>
<td>Wayanad</td>
<td>26</td>
<td>5047</td>
<td>81132</td>
<td>95.25</td>
<td>384.39</td>
<td>727.98</td>
<td>381.45</td>
<td>444.57</td>
<td>2.07</td>
</tr>
<tr>
<td>13</td>
<td>Kannur</td>
<td>47</td>
<td>204</td>
<td>4952</td>
<td>6.12</td>
<td>32.61</td>
<td>875.65</td>
<td>502.20</td>
<td>353.80</td>
<td>76.94</td>
</tr>
<tr>
<td>14</td>
<td>Kasargod</td>
<td>27</td>
<td>92</td>
<td>479</td>
<td>0.44</td>
<td>4.21</td>
<td>77.79</td>
<td>47.75</td>
<td>29.60</td>
<td>29.93</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>753</td>
<td>43455</td>
<td>264423</td>
<td>846.70</td>
<td>2397.98</td>
<td>12812.07</td>
<td>4972.79</td>
<td>5514.91</td>
<td>353.71</td>
</tr>
</tbody>
</table>

Kudumbasree Projects

Kudumbasree is a poverty eradication project officially launched in the state in May 1988. The state Government and NABARD jointly implemented this project through local bodies. The project emphasizes the empowerment of women through their co-operation and mobilization of their small savings and utilization of their savings for starting micro enterprises. The Neighbour Hood Groups (NHG) will collect small savings from its members and act as an informal rural bank. It also acts as a rural marketing network for marketing their own products and products of other NHGs. There is a three-tier system for the implementation of the project at the bottom level there are NHGs formed by 15-40 adult women, one member each from a risk family, in the middle level there are Area Development Societies (ADS), the association of NHGs of one or more wards and Community Development Societies (CDS) formed at panchayat or municipality level for co-coordinating the activities of Area Development Societies. The local governments provide training and assistance for the formation of societies and to start enterprises. The Kudumbasree project is expected to be a new convergence in the agenda of women empowerment, as it provides for gender budgeting, monitoring and auditing.

Micro Credit

Micro Credit can be defined as provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas with the sole aim to enable them to raise their income level and standard of living through Self Help Groups.
References:
5. Dr. Mathur B.S “Co-operation in India” P. 7.
7. Dr. Mathur B.S “Co-operation in India” P. 11.
9. Schulze, Promoter of first co-operative loan society in Germany.
13. Ibid, p34-36