AFTER ASSESSING THE GROWTH of cooperative banking in Punjab, it is relevant to study its organisation and management. In this chapter, therefore, an attempt has been made to give the structure of cooperative banking, its regulation and control by the RBI and the State Government and the organisation and management of the different constituents of the structure—the Apex, the central cooperative banks and the primaries.

THE STRUCTURE

The institutional framework of cooperative banking in Punjab has been evolutionary in nature and changing in pattern throughout the process of its growth. In the initial stages, the primary credit cooperatives were the sole units. They continued to dominate the institutional framework till the establishment of central cooperative banks and banking unions in 1909 and 1910 respectively. Whereas the central cooperative banks were operating at the district level, as they are doing at present, the banking unions had a smaller area of operation. The central cooperative banks were concerned mainly with financial operations, while the banking unions were primarily engaged in the supervision and audit of societies and were a source of moral strength to them. While the central cooperative banks admitted both individuals and societies to their membership, the banking unions were open to societies alone and did not allow individuals to become members. The two-tier set-up consisting of central cooperative banks/banking unions and primary credit cooperatives continued till the establishment of the Punjab
Provincial Cooperative Bank in 1924 at Lahore. With the establishment of the provincial bank, the institutional framework of cooperative banking became three-tiered in character. Again, with the establishment of the Reserve Bank of India in 1935 and the opening of its Agricultural Credit Department in 1936-37, the three-tier structure was linked with the central bank (RBI) of the country. The central cooperative banks and banking unions continued to function as intermediaries between the Provincial Cooperative Bank and the primary credit cooperatives till 1954, when in pursuance of the recommendations of the All-India Rural Credit Survey Committee, the cooperative banking structure was rationalised which led to the elimination of the banking unions and reduction in the number of central cooperative banks.

The present structure of cooperative banking in Punjab, like other parts of the country, is a three-tiered, pyramidal and federal one, composed of the Apex bank (The Punjab State Cooperative Bank) at the top, the central cooperative banks at the intermediate level or district level and the primary credit cooperatives at the base or village level. All the segments of this three-tiered integrated structure are autonomous legal identities, with their own bye-laws and specific functions, operating in their own areas within the framework of the provisions of the Punjab Cooperative Societies Act, 1961. In this three-tier set-up, primary credit cooperatives directly serve their members by accepting deposits, obtaining funds and granting loans, functioning independently but
but under the supervision of the central cooperative banks. Central cooperative banks are federations of primaries and form the body of the structure. They act as central pools, where the surplus resources of the members are brought together, make advances to members and act as coordinators of the primaries in their respective areas of operation. The Apex bank links and coordinates the entire cooperative structure on the one hand and connects the cooperative movement to the national money market on the other. It borrows funds from the RBI, State Bank of India, other commercial banks, the government and the public, and then advances them to the central cooperative banks which in turn, lend to primaries, and they finally advance them to individual borrowers. The following chart shows the institutional framework of cooperative banking in Punjab.

Chart 1

**INSTITUTIONAL FRAMEWORK OF COOPERATIVE BANKING**

**APEX**
(The Punjab State Cooperative Bank)

**BODY**
(The Central Cooperative Banks)

**BASE**
(The Primary Credit Cooperatives)

Agricultural credit/
service cooperatives
(unlimited/limited) Non-agricultural credit cooperatives (limited)
THE REGULATION AND CONTROL

The regulation and control of cooperative banking rests with the RBI and the State Government. The RBI exercises a promotional and regulatory control over the cooperative banking under the Banking Laws (Application to Cooperative Societies) Act 1965, extending the provisions of RBI Act 1934 and Banking Regulation Act, 1949 to state cooperative banks, central cooperative banks and more important primary non-agricultural credit societies, through the Agricultural Credit Department of the Bank (organisation of ACD is given in chart 2). The State Government controls it under the Cooperative Societies Act, 1961, through the Department of Cooperation. The nature and extent of the regulation and control of the RBI and the State Government is outlined hereunder.

In respect of the promotional control, in recent years, there has been a fundamental change in the attitude of the RBI towards agricultural finance. A foreign expert on agricultural credit who visited India remarked that "the RBI has been giving new life and potent leadership to the cooperative credit movement in recent years." The RBI which was reluctant to extend agricultural credit to cooperative banks in 1937, amended by 1955 its statutes to enable it to set up the National Agricultural Credit (Long-term operations) Fund and National Agricultural Credit

---

1 "There has been a very real change in the attitude of the RBI towards rural finance generally and cooperative credit for agriculture in particular." (All-India Rural Credit Survey, General Report, Vol. II, 1954, p. 287).

ORGANISATIONAL SET-UP OF AGRICULTURAL CREDIT DEPARTMENT OF RBI

Head Office
(Bombay)
(under the charge of a chief officer assisted by a joint chief officer)

The Planning, Reorganisation and Publications Division.
(under the charge of a Dy Chief Officer)

The Inspection Dvn.
(under the charge of a Dy Chief Officer)

The Operations Dvn.
(under the charge of a Dy Chief Officer)

The Programme Dvn.
(under the charge of a Dy Chief Officer)

The Administrative Dvn.
(under the charge of a chief officer)

Zonal Offices

Bombay
(Zonal Dy Chief Officer)

Delhi
(Zonal Dy Chief Officer)

Calcutta
(Zonal Dy Chief Officer)

Madras
(Zonal Dy Chief Officer)

Regional Offices
(for each of the states, under the charge of an Assistant Chief Officer)

1 Keeps in touch with the programmes and policies of the State Governments especially of the Cooperative Credit Structure.
2 Overall charge of inspections conducted by Regional offices.
3 Deals with examination and sanction of applications for loans from the State cooperative banks, obtain reports and returns from State and central cooperative banks, attends to remittance facilities.
4 Works in coordination with the Ministry of Food & Agriculture in implementing IADP.
5 Administrative function.
6 Yearly inspection of the state cooperative banks, central cooperative land mortgage banks and the central cooperative banks in the region; Mason offices of ACD, contacts with the Registrar and his staff and with the non-official cooperators in the area.
(Stabilisation) Fund. The NAG (Long-term operations) Fund was established in February, 1956 with an initial sum of Rs 10 crores to make loans and advances to State Governments, for subscribing to the share capital of cooperative credit institutions and the central land mortgage banks, and to state cooperative banks, for fixed periods (between 15 months and 5 years) for agricultural purposes. The total amount to the credit of this fund as on 30th June, 1964 was Rs 86 crores. The NAC (Stabilisation) Fund was established with Rs 1 crore on 30th June 1956, for making loans and advances to the state cooperative banks for fixed periods (between 15 months and 5 years) for the purpose of enabling the banks to pay their dues in time when they were unable to do so owing to drought, famine or other natural calamities. Such loans must be fully guaranteed by the State Governments as to the repayment of the principal and payment of interest.

Prior to the passage of the Banking Laws (Application to Cooperative Societies) Act, 1965, the RBI granted loans, decided lending policies, made inspection, gave expert advice and required the State Cooperative Bank to maintain a minimum cash balance of not less than 2½ per cent and 1 per cent of its demand and time liabilities (with the RBI) respectively. The State Cooperative Bank had to prepare its balance sheet in proper form, submit audit notes and allow the RBI to inspect its books. Besides, weekly returns regarding financial affairs of the State Cooperative Bank, quarterly statements regarding
the position of loans issued and recovered were also required by the RBI. Only such applications were entertained by the RBI as were accompanied by Balance sheet, Trial Balance and the loaning programme of the Apex bank for the next year.

The Banking Laws (Application to Cooperative Societies) Act, 1965, in addition to the regulatory powers of the RBI, has extended its statutory control to cooperative banks. The Act came into force on March 1, 1966. It extends to state cooperative banks, central cooperative banks and the more important primary non-agricultural credit societies (having a paid-up capital and reserves over Rs 1 lac and accepting deposits from the people) the provisions of the RBI Act, 1934 and the Banking Regulation Act, 1949, except those relating to incorporation, management and winding up which continue to be governed by the State Co-operative Societies Acts (in our case the Punjab State Cooperative Act, 1961). All Cooperative banks to which the provisions of the RBI Act have been extended are now eligible to borrow in an emergency from the Bank. The more important among the provisions of the Banking Regulation Act which are applicable to cooperative banks are those in regard to the maintenance of cash reserves, liquid assets, control on advances, inspection and issue of directives. A cooperative bank, other than a scheduled state cooperative bank, has to maintain under section 18 of the Banking Regulation Act, a cash reserve of not less than 3 per cent of its total demand and time liabilities either with itself or in current account with the higher financing agencies.
Under section 24 of the Act, all cooperative banks have to maintain liquid assets of not less than 25 per cent of the time and demand liabilities (excluding borrowing from higher financing agencies), in addition to the minimum cash reserve or balances of 3 per cent with the RBI. Cooperative banks are prohibited by section 20 of the Act from granting unsecured loans and advances to directors, but the RBI may allow primary cooperative banks to grant unsecured loans and advances to their directors on such terms and conditions as approved by it. Section 21 of the Act empowers the RBI to issue directives to banks regarding terms and conditions on which advances and guarantees may be given by them. This section incidentally confers on the RBI the power to extend the various selective credit controls to the operations of cooperative banks. Section 23 of the Act has conferred powers to license the opening of branches so as to bring a proper coordination between branch expansion programmes of commercial banks and cooperative banks. Section 35 of the Act empowers the RBI to inspect the banks and issue directives to them. The RBI may inspect primary cooperative banks either directly or through the state cooperative banks. So far, the RBI was carrying out inspections of the state and central cooperative banks on an informal and voluntary basis. Certain other provisions of the Act which are applicable to cooperative banks provide a continuation of policies and practices followed by cooperative banks under the Cooperative Societies Acts and rules made thereunder or their bye-laws.
So far as central cooperative banks are concerned, they have no direct connection with the RBI except that their functions are now regulated by the Banking Laws (Application to Cooperative Societies) Act, 1965 with effect from March 1, 1966. They are inspected by the RBI periodically for the purpose of fixation of their borrowing limits. The RBI fixes borrowing limits and takes into consideration the maximum credit limits (MCL) of the bank, maximum credit limits (MCL) of the affiliated societies, lending programme, classification of the bank, position of various resources and deposits, non-overdue outstanding loans, standard of banking practices, compliance of audit report and inspection note. The loans granted by the RBI to these banks are received through the Apex bank.

Thus, the promotional and regulatory control of the RBI has changed to direct statutory control over cooperative banking.

Cooperative banking is further governed, controlled, regulated, supervised and guided by the State Government. There is a Minister for Cooperation and under him a Secretary who deals with matters of policy under the direct charge of the Minister. The Secretary who normally deals with policy matters also stands guarantee on behalf of the State Government for loans to cooperative banks from third parties—the RBI and other non-cooperative financial institutions like the State Financial Corporation when so needed. The state machinery further operates through the Department of Cooperation which deals with administration and execution.
of the policies of the Government. The Department contains two wings, administrative and audit, the former is headed by the Registrar and the latter by the Chief Auditor. The Registrar controls and supervises the working of the Department and the Chief Auditor conducts audit and deals with the accounting matters. These two officers are assisted by a number of subordinates in the performance of their functions. The organisational set-up of the Department is given in chart 3. At the headquarters of the Department, the Registrar is assisted by one Deputy Registrar (Planning) who deals with organisational matters and one Assistant Registrar (Banking), who deals with operational matters. Besides, there is one Statistical Officer concerned with the collection and compilation of statistics and an Information Officer entrusted with the work of publicity and propaganda. There are Regional Deputy Registrars, who are assisted by Assistant Registrars (Field), generally at the district level, with their chain of Inspectors and Sub-Inspectors under them. Generally central cooperative banks are inspected and supervised by the Assistant Registrars and the primaries by the Inspectors and Sub-Inspectors. The Chief Auditor

1 'Registrar' means a person appointed to perform the functions of Registrar of cooperative societies. The Government may appoint a person to be the Registrar and may appoint other persons to assist him. (The Punjab Cooperative Societies Act, 1961).
The Chief Auditor was functioning as an independent head till September, 1962 when he ceased to function as such and worked under the Registrar. In 1966, his independent status was revived with the sole function of Audit of Cooperative Societies.

* (At headquarters at Chandigarh)
is responsible for audit and accounting matters of the cooperatives and has a chain of subordinate staff including Audit Officers, Inspectors and Sub-Inspectors.

The Registrar, as stated earlier, is concerned with the registration, general control and regulation of the cooperative banking organisation. He functions as a friend, philosopher and guide of cooperative banking and also as the Brahma (the Creator), the Vishnu (the Nourisher and Controller) and the Mahesh (the Destroyer). A society cannot be born except at the hands of the Registrar, who registers its birth while bringing it into existence by according permission to the associates willing to form a society. After coming into existence, the society is guided and supervised by the Registrar so that it may have a healthy growth and smooth functioning. A different set of bye-laws according to the status and nature of the society (known as model bye-laws) is framed by the Registrar and are accepted by all of them from Apex to the primaries. They can be amended afterwards only with the permission of the Registrar.

---

1 The usual procedure of forming a society is to file an application in the prescribed form with the Registrar along with three copies of the bye-laws duly signed by at least ten persons legally qualified to become members or by a duly authorised person or persons on behalf of the members. On being satisfied, the Registrar issues a certificate of registration under his seal and signature which is the conclusive proof of the incorporation of a cooperative society. (Section 9 of the Panjab Cooperative Societies Act, 1961).
The Registrar enjoys wide powers. In relation to the Apex bank, loans from bankers other than the RBI, State Bank of India and other State Cooperative Banks cannot be obtained by the bank unless such bankers are approved by the Registrar. The Registrar can increase the maximum credit limit (12 times of its owned capital) of the Bank. He is empowered to summon the general meeting of the Bank anytime at his own motion. Arrangements for raising loans and credit can only be made with the sanction of the Registrar. Moreover, the Bank is not free to make rules and regulations for the conduct of its business. Even the manager of the Bank cannot be appointed without his prior permission. There is much dominance of and interference from the Registrar. The interpretation of the rules as done by the Registrar is final and the Bank has to abide by it. Further the inspection and audit are conducted by the Department. The Bank seeks help of the Department in the matter of compliance of its instructions by the central banks and recovery of loans. In relation to central cooperative banks

1 Vide Articles 18, 19, 21, 36, 37 and 47 of the bye-laws of the Punjab State Cooperative Bank. The bankers are to be approved by the Registrar (18); The MCL may be exceeded with the special permission of the Registrar (19); The Registrar at his own motion may summon a general meeting (21); raising loans and credit with his permission (36); to open accounts with other banks (36); framing of regulations and acting as agents for the State Government or Public bodies or of any bank or bankers with the Registrar's sanction (37) and Manager shall be appointed by the Board with the prior approval of the Registrar (47).

2 In fact, the recovery of loans is done by the Department while loans are given by the Bank. The practice differs in Punjab from that of Maharashtra and Delhi where Apex banks themselves recover loans.
the powers of the Registrar are more or less the same as is the case with the Apex bank. They may in brief be termed as regulatory, controlling, supervisory, inspectorial and advisory. According to articles 37, 38, 50 and 56 of the bye-laws, the board of directors has certain powers which can be exercised only with the approval of the Registrar.

The powers of the Registrar, in relation to primary credit cooperatives, extend to the approval of the maximum credit limit (MCL), the limits of deposits, appointment, suspension, dismissal or punishment of employees, and framing subsidiary rules for the conduct of the business.

In addition to the powers mentioned above, certain other powers pertaining to borrowings, transfer of assets and liabilities, supersession of committee, appointment of an arbitrator, cancellation of registration etc. are also enjoyed by the Registrar.

1 These powers are: to establish branch offices at suitable places and to determine their area of operation, to frame and subsequently amend rules for regulating their business and working of the bank, to fix TA of directors (37), to set up local boards (38), to sanction expenditure on cooperative education and training (50). Should any doubt arise with regard to the interpretation of any of these bye-laws the matter shall be referred to the Registrar whose decision shall be final (56).

2 The relevant articles from the bye-laws are given here: The MCL...shall be subject to the approval of Registrar who may reduce it (20). A society shall not receive deposits or loans which exceed the limit fixed in a general meeting without his approval (Rule 43, Cooperative Societies Rules, 1963). The Managing Committee shall have power to appoint, suspend, dismiss or punish employees subject to conditions laid down by Registrar(36). Subsidiary rules for conduct of business shall take effect with the approval of Registrar (37).
ORGANISATION AND MANAGEMENT OF DIFFERENT CONSTITUENTS

After the general organisation of cooperative banking vis-a-vis its regulation and control, we have to study the organisation and management at different levels of the cooperative banking structure.

THE PUNJAB STATE COOPERATIVE BANK

As mentioned earlier, the Punjab Provincial Cooperative Bank was registered at Lahore in 1924 under the Cooperative Societies Act, 1912, with unlimited number of shares of Rs 100 each for carrying on banking and credit business, supervising and controlling interlending, rendering assistance in training of staff, and improving the work and usefulness of cooperatives. After partition, till the establishment of the East Punjab Provincial Cooperative Bank, the Ambala Central Cooperative Bank was authorised under section 2(c) of the RBI Act, 1934, to act as an Apex bank. The new Apex bank was established on 31st August, 1949 at Simla with an authorised share capital of Rs 50 lacs (which was subsequently raised to Rs 2 crores in 1958 on the advice of the RBI) and paid-up capital of Rs 90,200. The share capital of the Bank on 30th June, 1965 stood at Rs 142.88 lacs.

The objects

The object of the Bank is to facilitate the operations of affiliated cooperative societies. In pur-

1 Clause 4 of the bye-laws of the Bank.
suance of this object, the Bank is to serve as a balancing centre for all central cooperative financing institutions and societies in the state, to carry on banking and credit business and in particular to provide credit facilities to the affiliated societies, to receive money on different accounts and to raise or borrow funds, to purchase and sell government promissory notes and other trustee securities to spread cooperative education and training, and to undertake such other activities as are incidental to the attainment of its object.

The Membership

The membership of the Bank is open to cooperative societies, registered within the area of operation (the whole of Punjab State) of the Bank. But on the amalgamation of the PEPSU State Cooperative Bank with this Bank, some individuals, who were the members of that bank, were also taken and allowed to continue. Thus, the membership of the Bank is composed of individuals and insti-

1 Clause 5 of the bye-laws of the Bank.
2 Break-up of membership of the Punjab State Cooperative Bank is given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Govt</th>
<th>Central banks/societies</th>
<th>Primaries</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>1</td>
<td>56</td>
<td>2017</td>
<td>-</td>
</tr>
<tr>
<td>1957</td>
<td>2</td>
<td>55</td>
<td>2621</td>
<td>17</td>
</tr>
<tr>
<td>1961</td>
<td>1</td>
<td>33</td>
<td>2542</td>
<td>6</td>
</tr>
<tr>
<td>1963</td>
<td>1</td>
<td>32</td>
<td>2526</td>
<td>6</td>
</tr>
<tr>
<td>1965</td>
<td>-</td>
<td>-</td>
<td>2511*</td>
<td>1**</td>
</tr>
</tbody>
</table>

* Cooperative societies. ** Individuals and others.

(Source: Department of Cooperation, Punjab and RBI, Statistical Statements relating to the Cooperative Movement in India).
tutions (central and primary cooperative banks and other cooperative societies). The policy in regard to membership is to eliminate all individuals and primary societies and to make it a federal institution by retaining only central cooperative banks and other Apex or central societies as members. The Punjab State Cooperative Land Bank Mortgage and other non-credit societies are also its members.

The Management

The management of the Bank is exercised by the general body, board of directors and the executive committee.

(a) The General Body

The final authority is vested in the general body. The general body is composed of the Registrar or his nominee, representatives of affiliated societies and nominees of the State Cooperative Land Mortgage Bank and of the Punjab Government on the board of directors.

---

1 Section 23 of the Punjab Cooperative Societies Act, 1961.
2 Clause 20 of the bye-laws of the Bank.
3 The Registrar, Cooperative Societies, Punjab, or his nominee shall be an ex-officio member without holding any share or incurring any liability (Clause 5 of the bye-laws of the Bank).
4 The State Government is a participant in the share capital of the Bank, central cooperative banks and some of the primary cooperatives. By virtue of its holding shares at different levels, it nominates representatives on the management.
The general body normally meets once a year. The quorum for the meeting is one-fifth of the total number or fifty, whichever is less. All matters are decided by the majority. One vote is allowed to one member irrespective of the number of shares held by him. Proxy is not allowed. The general body, among other matters, deals with the consideration of the annual report and the statement of accounts and balance sheet, election and removal of the members of the board of directors, consideration of subjects which affect the financial position of the Bank, amendment or repeal or enactment of bye-laws, consideration of audit report and allocation of annual net profits.¹

(b) The Board of Directors

The management of the Bank is entrusted to the directors elected by the general body. The powers and duties of the Board are to observe the enforcement of bye-laws, to admit new members, to make appointments, to represent the Bank on the managing bodies of those institutions in which the Bank is a share-holder, to fix and revise the rates of interest, to grant loans, to invest funds, to facilitate audit and to attend to the working of the Bank in general.

¹ Clause 26 of the bye-laws of the Bank.
The Board is constituted in the following manner:

**Elected Directors** ... ... ... 21
(12 central cooperative banks & 9 primaries)

**Registrar, Cooperative Societies, Punjab** ... 1

**Government nominees** ... ... ... 3
(The Chief Auditor, Cooperative Societies; the Local Agent, State Bank of India; and the Deputy Secretary, Finance, Govt of Punjab)

**Representative of the Punjab State Cooperative Land Mortgage Bank.** ... ... ... 1

The Board of directors is a body of twenty-one elected and five nominated persons with a strength of twenty-six. Of the elected directors, 12 come from the central cooperative banks and 9 from primary societies. For the purpose of representation on the Board, the area of operation of the Bank is divided into three circles and the number of seats are allotted to them. One-third of the directors

---

1 Prior to the passage of the Act of 1961, there were in all 24 directors, including 18 from central and primary societies. One-fourth of the number was nominated by the Government. The constitution was: Registrar and the Chief Auditor (ex-officio), 2, elected directors from central societies 5, one director from each district to represent member societies 13, one director, preferably a leading business man or a banker to be nominated by the Registrar, Directors to represent the State Government 3.

2 The representatives of central banks and primary cooperatives are: Jullundur circle 5 and 3, Ambala 4 and 3, Patiala 3 and 3 respectively.

More importance is being given to the central cooperative banks and that the primary cooperatives are being eliminated gradually from membership and, therefore, from the representation on the Board. The representation of central cooperative banks has increased from 5 to 12 and that of primaries decreased from 13 to 9. There is comparatively lesser official representation on the Board. There can be only 4 government nominees while previously there were six.
retire by rotation every year. The Board is required to meet at least once in three months at a notice of at least seven days. Eleven members form the quorum for the meeting. The members of the Board elect from amongst themselves a President and a Vice-President.

(c) The Executive Committee

An executive committee consisting of 10 members, President, Vice-President, Registrar or his nominee and seven directors, at least one of whom should be a director nominated by the State Government, is elected by the Board to attend to the working of the Bank. There is no managing director but there are sub-committees such as loan and audit committees.

(d) The Manager

There is a manager appointed by the Board to superintend the working of the office of the Bank who is responsible for proper maintenance of accounts and other records and acts on behalf of the Bank in all day to day matters. An accountant and a treasurer assist the manager in the performance of his duties.

CENTRAL COOPERATIVE BANKS

Central Cooperative banks were started as early as 1909. During the course of their development, they were consolidated with a view to making them economically operated and financially viable units. The rationalisation of cooperative banking structure, in pursuance of the recommendations of the All-India Rural Credit Survey Committee in 1954, reduced their number and eliminated the banking unions except the Phagwara Banking Union. There remained only 28 central cooperative banks (in 1965-66) in the state.
The names of existing central cooperative banks and their dates of establishment are given below:

<table>
<thead>
<tr>
<th>Name of bank</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jullundur Central Cooperative Bank Ltd.</td>
<td>11-2-1909</td>
</tr>
<tr>
<td>Gurdaspur Central Cooperative Bank Ltd.</td>
<td>25-10-1909</td>
</tr>
<tr>
<td>Hosangarh Central Cooperative Bank Ltd.</td>
<td>27-7-1910</td>
</tr>
<tr>
<td>Ambala Central Cooperative Bank Ltd.</td>
<td>13-5-1913</td>
</tr>
<tr>
<td>Rohtak Central Cooperative Bank Ltd.</td>
<td>14-1-1914</td>
</tr>
<tr>
<td>Fazilka Central Cooperative Bank Ltd.</td>
<td>12-3-1915</td>
</tr>
<tr>
<td>Sirsa Central Cooperative Bank Ltd.</td>
<td>27-10-1915</td>
</tr>
<tr>
<td>Ludhiana Central Cooperative Bank Ltd.</td>
<td>7-9-1916</td>
</tr>
<tr>
<td>Batala Central Cooperative Bank Ltd.</td>
<td>28-5-1918</td>
</tr>
<tr>
<td>Gurgaon Central Cooperative Bank Ltd.</td>
<td>27-2-1919</td>
</tr>
<tr>
<td>Taran Taran Central Cooperative Bank Ltd.</td>
<td>14-10-1919</td>
</tr>
<tr>
<td>Karnal Central Cooperative Bank Ltd.</td>
<td>28-1-1920</td>
</tr>
<tr>
<td>Kangra Central Cooperative Bank Ltd. (Dharamsala)</td>
<td>17-3-1920</td>
</tr>
<tr>
<td>Moga Central Cooperative Bank Ltd.</td>
<td>15-4-1922</td>
</tr>
<tr>
<td>Bhiwani Central Cooperative Bank Ltd.</td>
<td>11-6-1922</td>
</tr>
<tr>
<td>Amritsar Central Cooperative Bank Ltd.</td>
<td>14-7-1922</td>
</tr>
<tr>
<td>Kapurthala Central Cooperative Bank Ltd.</td>
<td>15-7-1922</td>
</tr>
<tr>
<td>Faridkot Central Cooperative Bank Ltd.</td>
<td>22-9-1922</td>
</tr>
<tr>
<td>Brayna Central Cooperative Bank Ltd. (Rewari)</td>
<td>12-10-1922</td>
</tr>
<tr>
<td>Ferozepur Central Cooperative Bank Ltd.</td>
<td>22-7-1924</td>
</tr>
<tr>
<td>Jogindra Central Cooperative Bank Ltd. (Nalagarh)</td>
<td>20-8-1924</td>
</tr>
<tr>
<td>Hisar (District) Central Cooperative Bank Ltd.</td>
<td>4-2-1926</td>
</tr>
<tr>
<td>Rupar Central Cooperative Bank Ltd.</td>
<td>29-1-1927</td>
</tr>
<tr>
<td>Nawanshahar Central Cooperative Bank Ltd.</td>
<td>23-1-1934</td>
</tr>
<tr>
<td>Shatindra Central Cooperative Bank Ltd.</td>
<td>2-6-1949</td>
</tr>
<tr>
<td>Patiala Central Cooperative Bank Ltd.</td>
<td>28-9-1949</td>
</tr>
<tr>
<td>Sangrur Central Cooperative Bank Ltd.</td>
<td>22-9-1951</td>
</tr>
<tr>
<td>Mahendragarh Central Cooperative Bank Ltd.</td>
<td>6-9-1954</td>
</tr>
</tbody>
</table>

Chronologically, thirteen central cooperative banks were established between 1909 and 1920; ten between 1921 and 1930. During the period 1931-1950 three banks
came into being, while during 1951-60 only two banks were started. An examination of the tenure of these banks shows that most of them are mature, 14 of them fall into the age-group of 41-50 years, 7 have an age above 51, 3 between 31-40 years and 4 between 10-20 years. The Mahendragarh Central Cooperative Bank is the youngest while the Jullundur Central Cooperative Bank is the oldest.

The Branches

In 1965, the number of offices, including the head office, of the central cooperative banks in Punjab was 141. The number of branches of the central cooperative banks are given here for 1965-66:

<table>
<thead>
<tr>
<th>Banks</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sangrur</td>
<td>Barnala, Dhuri, Lehragaga, Malerkotla, Sangrur, Sunam and Tapa.</td>
</tr>
<tr>
<td>Ferozepur</td>
<td>Malout Mandi, Gur Har Sahai and Talwandi Bhai.</td>
</tr>
<tr>
<td>Gurgaon</td>
<td>Nuh, Palwal, Ballabgarh and F.P. Jhirka.</td>
</tr>
<tr>
<td>Sirsa</td>
<td>Mandi Dabwali and Fatehabad.</td>
</tr>
<tr>
<td>Bhatinda</td>
<td>Mansa and Rampura Phul.</td>
</tr>
<tr>
<td>Ambala</td>
<td>Jagadhri, Naraingarh and Sadhaura.</td>
</tr>
<tr>
<td>More</td>
<td>Zira, Nihalsinghwala and Baghapurana.</td>
</tr>
<tr>
<td>Hisar</td>
<td>Hansi, Tohana and Uklana.</td>
</tr>
<tr>
<td>Rupar</td>
<td>Kharar, Chandigarh, Morinda, Chamkaur Saheb and Kurali</td>
</tr>
<tr>
<td>Patiala</td>
<td>Bassi Pathanan, Doraha, Dera Bassi, Nabha, Rajpura, Samana and Sirhind.</td>
</tr>
<tr>
<td>Karnal</td>
<td>Kaithal, Panipat, Thanesar, Ladwa and Sahabad.</td>
</tr>
<tr>
<td>Jullundur</td>
<td>Nakodar, Shahkot, Nurmahal, Goraya, Adampur and Bhogpur.</td>
</tr>
<tr>
<td>Bathala</td>
<td>Dera Baba Nanak and Ghanika Bangar.</td>
</tr>
<tr>
<td>Hoshiarpur</td>
<td>Mahilpur, Rosi, Garshankar, Balachaur, Nurpur Bedi, Nagal-township, Panjawar, Chalet, Pajjodeota, Hariana, Gardhivala, Tanda, Mukerian, Hajpur, Amb. and Dasuya.</td>
</tr>
</tbody>
</table>
banks generally ranged between 2 and 5 but in some cases it went up to 16. For example, the Sangrur bank had 8 branches and Hoshiarpur 16, while the Jullundur bank had 5 branches, Patiala 7, Ambala 3\%, Hissar 2 and Rohtak 4.

**The Area of Operation**

The area of operation of a central cooperative bank generally extends to a district but there are some banks operating at Tehsil level only. For example, in Gurgaon district, one bank is functioning at Rewari besides the Gurgaon Central Cooperative Bank. In Ferozepur district, the Moga Central Cooperative Bank is working for two Tehsils—Moga and Zira. Likewise, in Jullundur district, the Nawanshahar Central Cooperative Bank is also functioning besides the Jullundur Bank.

**The objects**

The objects\(^1\) of the central cooperative banks are to facilitate the operations of the affiliated cooperative societies, to carry on banking and credit business, to provide credit facilities to its members on convenient and easy terms, to encourage thrift and savings amongst its members, to make arrangements for supervision and inspection of its affiliated societies and to undertake measures to spread cooperative education and training. In practice

---

\(^1\) Vide clause 4 of the bye-laws. It may be noted that the central cooperative banks have to adopt the model bye-laws framed by the Registrar of Cooperative Societies and not allowed to deviate from them even slightly. On account of the common bye-laws their organisation and management are identical.
these banks confine only to the banking and credit function. Eighteen\(^1\) of these banks have taken (or agreed to take over) the work of supervision from the Department of Cooperation. With this transfer of power, they have to supervise the primaries and to recommend, grant and recover loans.

The Membership

All the central cooperative banks have mixed membership—both of individuals and cooperative societies\(^2\). Cooperative societies registered within the area of operation of a central cooperative bank are eligible for membership. Also, individuals can acquire membership according to bye-laws.\(^3\) The State Government and the State Cooperative Bank may also acquire membership.\(^4\)

---

\(^1\) They are: Mahendragarh, Sangur, Fazilka, Karnal, Bhatinda, Farodkot, Hissar, Sirsa, Amritsar, Rewari, Ferozepur, Rohtak, Batala, Bhiwani, Rupar, Gurgaon, Gurdaspur and Patiala.

\(^2\) They include agricultural credit/service, non-agricultural credit, marketing, labour and construction, transport, farming, primary consumers' stores, non-agricultural non-credit, cold storage, weavers' societies, housing societies etc. In Jullundur Central Cooperative Bank, for example, the naturewise break-up of membership of societies on 30th June, 1964 was like this: out of 20/4 societies, Marketing 8, Farming 36, Transport 5, Labour and Construction 34, Housing 4, Cold Storage 6, Weavers 212, other non-credit 68, and the remaining were credit societies.

\(^3\) Clause 5(b) states that individuals who are—(i) of good character, (ii) of not less than 18 years of age and (iii) of sound mind are eligible for membership.

\(^4\) Vide clause 6 of the bye-laws.
Since 1958, they have been eliminating individual members in pursuance of the programmes of rationalisation of their organisation. These banks ultimately aim to develop their federal character by having only cooperative societies as their members.

The break-up of the membership of these banks on 30th June, 1965 was—Central societies 9, primary societies 30,858 and individuals and others 3,709. Cooperative societies dominated their membership.

The Management

The management of central cooperative banks is exercised by the general body, the board of directors, the executive committee (and sub-committees), the local board of directors (in case of branches), the managing director or branch secretary, the manager or branch in-charge.

(a) The General Body

The ultimate authority in all matters of administration is vested in the general body. It elects and removes the members of the board of directors, considers the annual report and accounts, disposes of profits, fixes maximum credit limits of the bank, amends the bye-laws, if needed, and transacts any other business considered

1 The dominance of cooperatives in the membership of the central cooperative banks is visible from some of the cases from our survey. In Gurgaon central cooperative Bank, out of the total membership of 1600 in 1965, societies were 1507 and individuals only 93. Similarly, Satinda Central Cooperative Bank had 900 societies and 54 individuals as members; in Mahendragarh also, societies were 652 and individuals 153. The small number of individual members as compared with the societies confirm the policy of giving federal character to central cooperative banks gradually.
necessary. The general body is required to meet at least once a year at a notice of at least 15 days. The quorum of the meeting is one-fifth of the total number of members or fifty, whichever is less. Every member of the general body is to exercise only one vote. Voting by proxy in case of individual members is not allowed. All questions are decided by majority. The chairman has a casting vote. No resolution of the general body removing the members of the board of directors is valid unless it is carried by a majority of two-thirds at the general meeting at which not less than one-half of the members are present.

(b) The Board of Directors

The management of these banks is entrusted to a board of directors. The Board is empowered to observe the application of rules and regulations. It elects a President, a Vice-President and a Managing Director. It can establish branch offices. It is empowered to grant loans, to fix rates of interest and revise them and to set up local boards for the branch offices.

---

1 Vide clause 27 of the bye-laws
2 Clause 22 of the bye-laws
3 Clause 23 of the bye-laws
4 Clause 25 of the bye-laws
5 Clause 28 of the bye-laws
6 Clause 37 of the bye-laws gives powers and duties of the Board.
The board of directors is constituted by the general body. The composition is—two directors are nominated by the State Government or the Punjab State Cooperative Bank, whosoever is the share-holder, one director for every fifty individual share-holders, subject to a maximum of three, at least nine directors from the member societies. On an average, the number of directors normally comes to fourteen for a central cooperative bank. The representation of member societies is significant because at least nine directors are to be essentially elected from them.

1 Clause 30 of the bye-laws.

2 The usual strength of the board of directors was 14, as found during the survey. But in some cases it was less and in others more. For example in Bhatinda and Patiala the number was 13, in Hissar 12, in Ambala 15, in Rohtak 17, and in Hoshiarpur 20. The total number of elected directors was usually between 11 and 17 but in Hissar it was 10, and in Hoshiarpur 18. The number of directors elected from societies ranged between 9 and 15. The number of directors elected from individuals ranged between 1 and 3. The Government nominated in all cases 2 directors. The following figures give further information about the number and nature of directors.

<table>
<thead>
<tr>
<th>Central Cooperative Bank</th>
<th>No. of directors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Elected</td>
</tr>
<tr>
<td></td>
<td>Individuals</td>
</tr>
<tr>
<td>Gurgaon</td>
<td>2</td>
</tr>
<tr>
<td>Bhatinda</td>
<td>1</td>
</tr>
<tr>
<td>Mahendragarh</td>
<td>3</td>
</tr>
<tr>
<td>Moga</td>
<td>3</td>
</tr>
<tr>
<td>Karnal</td>
<td>2</td>
</tr>
</tbody>
</table>
The elected directors are to retire by rotation. One-third of the directors retire annually. For the first two years, the retiring directors are selected by lots. Vacancies caused by retirement are filled up annually. The retiring directors are eligible for re-election. The board of directors may co-opt a member to fill a vacancy occurring during a year till the next general meeting. The President, Vice-President and the Managing director are elected annually from amongst such of its members as are elected representatives of member societies or individual share-holders.

The board of directors has to meet at least once in three months at a notice of at least seven days. One-third of the members form the quorum for the meeting. All matters are decided by majority and the President is empowered to exercise the casting vote in case of equality of votes.

(c) The Executive Committee

All banks have executive committees, but some have some other committees and sub-committees also. In general they have two to four committees and sub-committees. The loan committee is common to all while some have other committees such as appointment, industrial and building sub-committees.

---

1 Clauses 31 and 33 of the bye-laws.

2 For example, Gurgaon has four committees—Executive, Action, Loan and Standing; Bhatinda, four—Executive, Appointment, Loan and Building; Mahendragarh, two—Executive and Loan; Moga, two—Executive and Industrial; Karnal, two—Executive and Loan.
(d) The Local Board of Directors

The board of directors may decide to set up a local board for any or all of the branches of the bank. Such local boards may consist of not more than seven representatives of the societies dealing with the branch duly elected by the shareholders of the areas of branch offices. The local board is subject to the control of the board of directors and has to observe the application of rules, to exercise control and supervision over the employees, to grant loans and to perform such duties and exercise such powers as are entrusted and delegated by the board of directors. In absence of the local board any one of the directors of the bank may be entrusted with the looking after of the branch.

(e) The Managing Director\textsuperscript{2}/Branch Secretary

The managing director is elected by the board of directors and the branch secretary by the local board.

\textsuperscript{1} Vide Clause 38(a) of the bye-laws

\textsuperscript{2} Most of the banks do not have local boards. Amongst the five banks—Gurgaon, Bhatinda, Mahendragarh, Moga and Karnal—none had local board.

\textsuperscript{3} Every bank has a managing director, who is generally a man of political influence and standing. The occupation of some of the managing directors revealed that they were MLAs, lawyers, industrialists, landlords and the like. Instances were found where one person continued for 15 years as managing director. For example, the managing director of the Gurgaon Central Cooperative Bank was a practicing lawyer and MLA, in Bhatinda he was an agriculturist and in Karnal he was an industrialist.
The managing director/branch secretary is entrusted with some work. He has to superintend the working of the office and is responsible for the proper maintenance of accounts. He has to conduct current business and to perform all duties entrusted to him by the Board/local board.

The powers of the managing director and the branch secretary may be delegated to the manager/branch incharge concerned.

(f) The Manager/Branch Incharge

The manager/branch incharge can exercise all or any of the powers given to the managing director/branch

---

1 Clause 44 of the bye-laws reads—"the duties of the Managing Director/Branch secretary shall be: to superintend the working of the office and to be responsible for the proper and punctual maintenance of the accounts.... maintain register of members,...to sanction loans,...... generally to conduct the current business...to perform all duties entrusted to him by the Board."

The managing director is elected by the board of directors and the branch secretary by the local board of directors.

2 The managerial staff in most of the banks was untrained though there was a tendency to get trained persons. In some banks old experienced persons had been working for long. The service of staff was not secure for want of rules and regulations governing their services conditions. Accounting practices were not standardised and differed from bank to bank. The staff in general was untrained. For example, the manager of Gurgaon bank was not trained, so was the manager of Karnal bank. But the managers of Bhatinda, Mahendragarh and Moga were trained. Some instances regarding managerial staff may be taken. In a certain central cooperative bank, the total number of employees including those of branches was 70 but only 10 of them were trained or qualified. Thus, 68 per cent of them were untrained or not qualified. In another bank, the strength of the staff was 45, only 5 of them were qualified. The old manager of a bank was passing cheques by marking the different particulars over them in pencil. An experienced manager reported that the staff under him was not efficient.
secretary subject to their control. They look after the working of their offices and transact the day to day business with the assistance of the subordinate staff such as the accountant, cashier or the treasurer and other persons.

**PRIMARY CREDIT COOPERATIVES**

The primary credit cooperatives have been subject to the changing concept of viability from time to time. Originally, they were organised as thrift and credit societies at the village level, but later on passed through the stage of conversion into large-sized societies. Presently, they have reached a stage where their activities are diversified by their conversion into service cooperatives.

Organisationally, the primary credit cooperatives in the state have been placed in four main classes A, B, C & D.

1 The different classes are explained below:

- **A**: In this class only such societies are included with sufficient resources of their own and are self-dependent, though they may take loans from the central cooperative banks. Their pronotes need not be signed by the Inspector at the time of borrowing from the central cooperative banks. The working capital and membership must be Rs 50,000 and 100 respectively. They do not require any help from the official staff other than the annual audit. There should be no defaulter.

- **B**: The minimum working capital of such a society must be Rs 20,000. The loan application or pronote need not be recommended or signed by the Inspector. It may have a few defaulters.

- **C**: It has a small working capital and owned funds. There may be a large number of defaulters (about one-third) and there may be arrears of both the principal and interest. The pronotes of a C class society must be signed by the Inspector or sub-Inspector for obtaining loans from a central cooperative bank.

- **D**: It is a society which is not considered fit to receive new loan and in which the amount of overdue interest is heavy. In fact it is a bad society which is ordinarily cancelled if it is unable to raise itself to class C within a specified period (generally two years) from the date of its classification. In practice pronotes of all classes are signed by the Inspector.
The break-up of agricultural credit cooperatives on 30th June, 1965 was—A 530, B 3934, C 13189, D 116, unclassified 1459 and under winding up 756. The position of non-agricultural credit cooperatives was—A 54, B 188, C 1310, D 13 and unclassified 458.

The distribution of societies according to age-groups shows that a majority of them were quite young. Out of a sample of 101, 70 societies were 15 years or below, while 8 were quite old with an age between 46 and 35 years, 12 societies were in the age-group of 16-35 and 11 in 36-45.

The area of operation of a society generally extends to one village. 91.9 per cent societies had one village as their area of operation as revealed by the survey data. 3.1 per cent had three villages, 1.9 per cent two villages and 3.1 per cent between 4 and 10 villages as their area of operation.

1 The figures have been collected from the Department of Cooperation Punjab.
2 RBI, Statistical Statements relating to the Cooperative Movement in India, 1964-65.
3 Survey data
4 The area of operation as found during the survey is given below for a sample of 320 societies.

<table>
<thead>
<tr>
<th>Area of operation</th>
<th>No. of village societies (sample 320)</th>
<th>Percentage to total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>294</td>
<td>91.9</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>1.9</td>
</tr>
<tr>
<td>3</td>
<td>10</td>
<td>3.1</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>5-8</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>0.6</td>
</tr>
<tr>
<td>10</td>
<td>2</td>
<td>0.6</td>
</tr>
</tbody>
</table>

There were three common reasons for more than one society in a village—Harijan population, faction and target mindedness.
The main objectives of primary credit cooperatives are to mobilise domestic resources, to encourage thrift and savings and to promote banking habits by accepting deposits and supplying credit. Similarly, the objects of an agricultural service society are accepting of deposits, supply of credit and supply of service.

The membership

Legally, a primary credit cooperative can be registered with an initial membership of 10 persons. However, the minimum number for forming an agricultural credit/service society was raised first to 25 and then to 40 in 1964.

1 The objects in the model bye-laws of a thrift and credit society are given as: to encourage thrift and savings among its members by accepting deposits and offering other suitable facilities, to provide credit facilities to its members on convenient and easy terms and to raise funds for the purpose, to arrange for the purchase and sale of house-hold requirements of members, to undertake measures to spread knowledge of cooperative principles and practices (Clause 4 of the bye-laws).

2 The main objects of an agricultural service cooperative are: to encourage among members the spirit of economy, self-help and mutual cooperation by accepting deposits and providing other facilities, to give short-term and medium loans on easy terms, to procure for members their agricultural requirements like seeds, manure, implements etc. and other production requirements, to arrange for storage and sale of produce and hire of farm implements.

3 "Till recently, a cooperative agricultural credit/service society could be registered with the membership of 25. But the membership condition was raised to 40 by departmental instructions in the early part of the year under report." Department of Cooperation, Punjab, Annual Report, 1964-65.
The average membership of agricultural credit cooperatives for 1964-65 was 90-91\(^1\); for non-agricultural credit it was 68. The total membership for 1964-65 for agricultural and non-agricultural credit cooperatives was 1812 and 149 thousand respectively.

**The Management**

The management of primary credit cooperatives vests in the general body and the managing committee.

(a) **The General Body**

All the members of a primary credit cooperative constitute the general body. The general body meets once a year at a notice of at least fifteen days. The quorum for general meeting is one-third of the total strength or 30, whichever is less. Every member of the society has only one vote and proxies are not allowed at all. The chairman has a casting vote. A member whose share instalment is in arrear is not entitled to vote. The general body exercises the powers of election of managing committee, disposal of profits and consideration of annual reports and fixation of the maximum credit limits of the society and the members.

\(^1\) The figures given by the Department of Cooperation show an average membership of 90, whereas the RBI gives it at 91. According to our survey data 34 per cent of the societies surveyed had a membership below 100 and 66 per cent 100 or above 100, but not exceeding 200. Societies having more than 100 members were generally amalgamated large-sized societies with limited liability.
(b) The Managing Committee

Normally, the managing committee consists of not more than seven members. A person who is incapacitated by law is not allowed to become a member of the committee. The duration of office of a member is one year but a retired member may be re-elected.

A President, Vice-President and Treasurer are elected by the managing committee from amongst its members. All questions are decided by majority. The chairman has a casting vote in case of equality of votes. The powers and duties of the managing committee, normally, are to observe the bye-laws, Rules and Act in all transactions, to maintain true and accurate accounts, to keep a true account of assets and liabilities, to keep a register of members and to look after the working of the society and to carry on its business. The managing committee is empowered to constitute an executive committee and delegate powers to it.

(c) The Secretary

The managing committee usually appoints a secretary who is responsible for the entire executive work of the society. He is elected from amongst the members of the managing committee or is appointed. He is both the manager and clerk of the society.

The management of primaries is prototype. However, the number of members of a managing committee ranges between 5 and 13, the common strength being 7 members.
CONCLUSION

To sum up, the three-tiered institutional framework of cooperative banking is under the supervision and control of the RBI and the State Government. The control of the RBI is promotional, regulatory, inspectional and advisory, while that of the Department of Cooperation is of guidance and supervision. The change in the constitution of the board of directors of the Apex reveals that there is comparatively lesser official representation on the Board and that more representation is being given to the central cooperative banks and societies, while the primaries are being eliminated. The move for de-officialisation is on; the supervision of the primaries is being transferred from the Department to central cooperative banks. Central cooperative banks in Punjab are of mixed type having both individuals and societies as their members and the individuals are being eliminated from the membership. Among the affiliated societies not only credit but also others are included. Nevertheless, agricultural credit societies dominate the membership. The area of operation of a central cooperative bank extends to a district but in some districts more than one banks are in operation. The number of branches generally ranges between 2 and 5 but the maximum number is 16. There is a tendency towards branch expansion. The central cooperative banks have prototype management. The reason
is that the adoption of model bye-laws is obligatory. The common strength of the board of directors is 14 but it varies between 9 and 20. The banks in general have two to four committees and sub-committees. The executive and loan committees are common. Most of the banks do not have local boards. Every bank has a managing director. The primary credit cooperatives are of comparatively small size with a small membership and a smaller area of operation. The management of the primaries is also prototype. The common strength of a managing committee is 7.