Cooperatives all over the world have developed an actual and probable mechanism of pecuniary expansion. The Cooperative Movement in Tamil Nadu has beheld over the decades ample growth in varied areas of economy. There is not a single major sphere of economic activity which has not been touched by Cooperatives. Cooperatives are also foresaw as an instrument for instigating many important dogmas like agricultural credit, urban credit,
market intervention, price support for agricultural commodities through Cooperative Wholesale stores, Public Distribution system etc.,

From a trifling launch, the Cooperative movement in Tamil Nadu has grown in forte over the eons. Opening of a Village Cooperative credit society in Thiroor in Thiruvallore District in 1904 marked the dawn of the Cooperative movement in Tamil Nadu ushering in a new era of services for the people of the state, particularly the agriculturist families. From Agricultural Banks to Marketing societies and Consumer Cooperatives provide service to the people in various economic activities. Cooperatives also run the Public Distribution system which provides relief to each and every family in the state.

**DOCTRINES OF COOPERATION**

**Open membership.** Cooperatives are voluntary organisations; open to all persons able to use their services and willing to accept the errands of membership, without gender, social, racial, political, or religious discrimination.

**Democratic management**

Cooperatives are democratic organisations well-ordered by their members, who actively partake in setting their policies and making decisions. Men and women serving as elected representatives are accountable to membership. In primary cooperatives members have equal voting rights (one member, one vote), and cooperatives at other levels are also organised in a democratic manner.

**Limited interest on capital**

Members underwrite equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common stuff of the cooperative.
Members usually receive limited compensation, if any, on capital subscribed to as a condition of membership. Members allocate surpluses for any of the following purposes:

- evolving their cooperative, conceivably by setting up reserves, part of which at least would be indivisible;

- Promoting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

- Distribution of surplus based on patronage.

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including Governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

**Provision of Co-operative Education and Training**

Cooperatives afford education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of cooperation’s-operation among Cooperatives for the promotion of thrift, self-help and mutual aid among persons with common socio-economic needs. Cooperatives serve their members most effectively and strengthen the cooperative movement by working through local, national, regional, and international structures.

**Concern for Community**
Cooperatives work for the sustainable development of their communities through policies approved by their members.

**ACT, RULES AND BYE-LAWS**

The Co-operative Societies functioning in Tamil Nadu are governed by the following:

- Tamil Nadu Co-operative Societies Act, 1983.
- Bye-laws of the respective Cooperative institutions.

**ADMINISTRATIVE SETUP**

Registrar of Cooperative Societies being the Head of the Department is functioning at Chennai. The Registrar of Cooperative Societies is assisted by Additional Registrars of Cooperative Societies, Joint Registrars of Cooperative Societies and Deputy Registrars of Cooperative Societies working at the Headquarters. A Joint Registrar of Co-operative Societies is in-charge of each region. (Additional Registrar is in charge of Chennai Region). Circle Deputy Registrar of Cooperative Societies is working under their control.

There are twenty nine Regions in the State with a Joint Registrar in charge of each region (District) (the post of Chennai Region was upgraded as regional Additional Registrar of Cooperative Societies i.e. 14.8.2007). The Additional Registrar of Cooperative Societies, Chennai Region in respect of Chennai and the Regional Joint Registrars in respect of other regions are responsible for the proper functioning of the cooperative societies in the district (i.e.,) Cooperative credit institutions, Consumer cooperatives,
Cooperative marketing societies, farming societies and special type of cooperative societies like labour contract societies.

The State has been divided into 63 Circles for the administration of the department. The Circles on the territorial basis are coterminous to Revenue Division. In Chennai city, however there are two circles which are functioning on functional basis, one for credit and the other for non-credit cooperatives. The Circle Deputy Registrars are working under the immediate control of the Regional Joint Registrars. Many of the powers of the Registrar under the Tamil Nadu Cooperative Societies Act, 1983 and the rules framed there under have been delegated to the Circle Deputy Registrars in respect of Primary Cooperatives. The Deputy Registrars attend to the inspection and supervision of all cooperative societies in his circle and discharge all statutory functions relating to the societies, such as enquiry, inspection, arbitration, execution, liquidation etc., A circle Deputy Registrar is assisted by few Cooperative Sub Registrars and a compliment of Senior Inspectors, Junior Inspectors and other Ministerial staff.

AREA UNDER COOPERATIVES

There are Six Apex level Cooperative institutions viz., Tamil Nadu State Apex Cooperative Bank (TNSACB), Tamil Nadu Cooperative State Agriculture and Rural Development Bank (TNCSARDB), Tamil Nadu Cooperative Marketing Federation (TANFED), Tamil Nadu Co-operative Consumer Federation (TNCCF), Tamil Nadu Cooperative Union (TNCU), Tamil Nadu State Federation of Urban Cooperative Banks (TNSFUCB) are functioning with their area of operation extending over the entire state.

The District Central Cooperative Banks, District Cooperative Unions, Cooperative Printing Presses, Cooperative whole sale stores are functioning with area of operation of the respective district. Urban Cooperative Banks are
functioning with area of operation confined to respective urban areas. The area of operation of Co-operative Marketing societies are the respective taluks. Primary Cooperative Agriculture and Rural Development Banks are functioning with area of operation at block and Taluk level. The Primary Agricultural Cooperative Banks and primary Cooperative stores are functioning at Primary level covering villages. Primary Cooperative stores are functioning in villages and its urban centres covering the area of operation specified in their bye-laws.

**Admissibility for membership in a cooperative**

Any person who needs the services of a cooperative, expresses willingness to accept the responsibilities of membership, meets such other conditions as may be specified in the tutelages of the cooperative, and is in a position to use the services, may seek membership and be admitted as a member; provided that the cooperative is in a position to extend its services to the applicant.

Every applicant for membership, and every member of a cooperative must keep each cooperative of which the person is a member, informed of membership in other cooperatives, and it shall be available to a cooperative to refuse admission or remove from membership on grounds, among others, of dual or conflicting membership.

**Exercise of rights**

No member of a cooperative shall exercise the rights of membership, including the right of vote, unless the member has made such payments to the cooperative in respect of membership or has acquired and continues to have such interest in the cooperative, including a minimum use of the services of the cooperative, as may be specified in the articles.
Every year, within twenty days of closure of the previous financial year, the chief executive shall prepare a list of members with the right of vote, and a list of members without the right of vote, valid for the current financial year. The list shall be affixed to the notice board of the cooperative for information of all members, and any member, not satisfied with the specific instances of inclusion or non-inclusion of members in the lists, may appeal to the board within ten days of the affixation of the lists on the notice board, for re-examination of the records, and the board shall, within forty five days of closure of the previous financial year, review the lists, finalise them, and have them affixed to the notice board of the cooperative.

**Voting rights of members**

In primary cooperatives, members shall have equal voting rights (one member, one vote), and in secondary cooperatives, too, members shall have voting rights, on democratic basis, as specified in the articles; provided that a person shall have been a member for at least one full financial year, before being eligible to vote;

- provided that the condition of one year membership shall not apply to the members who join at incorporation or at any time after the incorporation of a cooperative but before the first financial year ending;

- Provided further that the articles of a secondary cooperative may fix an upper limit on the number of votes that a member-cooperative can have.

**General body**

There shall be a general body for every cooperative consisting of all the members of such cooperative:
provided that where the general body of a cooperative decides that the size or spread of its membership requires a representative body for more effective decision making, its articles may provide for a smaller body called representative general body drawn from the members, to be formed in such a democratic manner with such functions and responsibilities and such relationship with members as may be specified in the articles.

(2) Any reference in this Act to the general body shall apply to the representative general body where it exists:

- Provided, however, that the representative general body shall not alter any provision in the articles or take any decisions relating to such subjects as the general body may have explicitly retained for itself.

(3) Subject to the provisions of this Act and the articles of a cooperative, the ultimate power of a cooperative shall vest in the general body of its members:

- Provided that nothing contained in this sub-section shall affect the exercise by the board or any other authority of a cooperative of any power conferred on such board or such other authority by this Act.

(4) Any function or responsibility, falling within the scope of a cooperative as a body corporate, which has not been specifically entrusted by this Act or the articles, to any of the several authorities within the cooperative, may be dealt with by the general body, on a reference by the board of directors.

Roles and responsibilities of general body
(1) The following and such other matters as are considered necessary by the board shall be dealt with by the general body at every annual general meeting:

- action on resolutions of the previous meeting;

- consideration of the long-term plan and budget, when required;

- consideration of the annual operational plan and budget for the current financial year;

- appointment of auditors for the current financial year;

- consideration of the annual report of activities for the previous financial year;

- consideration of the annual audited statements of accounts, and the audit report relating to the previous financial year;

- consideration of the report on deviations, if any, from the approved budget relating to the previous financial year and the appropriate action to be taken;

- disposal of surplus, if any, of previous financial year;

- management of deficit, if any, of previous financial year;

- creation of specific reserves and other funds, when required;

- review of actual utilization of reserves and other funds;

- review of the report on the attendance at meetings by directors;

- review of the use of the cooperative's services by the directors;
✓ review of remuneration paid to any director or member of any committee or internal auditor in connection with his/her duties in that capacity or his/her attendance at related meetings;

✓ review of quantum and percentage of services provided to non-members vis-à-vis services provided to the members;

✓ appeal of a person whose application for membership has been rejected by the board, when required;

✓ appeal of a person who has been expelled from membership by the board, when required;

✓ report of activities and accounts related to member education and board and staff training.

(2) The following and other matters when considered necessary by the board shall be dealt with by the general body at its annual or other general meeting:

✓ election of directors;

✓ amendments to articles;

✓ removal of directors;

✓ elections/appointments to casual vacancies on the board;

✓ removal, and consequent appointment, of auditors;

✓ membership of the cooperative in secondary cooperatives;

✓ partnership with other cooperatives;
amalgamation, division, merger, transfer of assets and liabilities;

dissolution of the cooperative;

Consideration of the registrar's report of inquiry, if any.

board of directors

There shall be an elected board of directors for every cooperative constituted and entrusted with the direction of the affairs of the cooperative in accordance with the provisions of the articles;

provided that in the case of a cooperative newly registered under this Act, the promoters may appoint the first board, for a period not exceeding one year from the date of incorporation, to direct the affairs of the cooperative and to get elections of directors conducted within the period referred to herein; and the first board appointed under the proviso shall cease to function as soon as a regular board has been constituted in accordance with the articles;

provided further that in the case of a cooperative society originally registered under the Cooperative Societies Act and subsequently registered under this Act, the elected members of the board, whose term has not expired at the time of incorporation under this Act, may be deemed to be the first board, for a period not exceeding one year from the date of incorporation under this Act, to direct the affairs of the cooperative and to get elections of directors conducted within the period referred to herein; and the deemed first board under the proviso shall cease to function as soon as a regular board has been constituted in accordance with the articles.
Functions and accountabilities of board

The board may perform functions and discharge responsibilities as specified in and in accordance with the terms, conditions and procedure laid down in the articles; Provided that the following functions and responsibilities shall be those of the board:

✓ To interpret the organisational objectives, to set up specific goals to be achieved towards these objectives, and to make periodic appraisal of operations;

✓ To finalise long term perspective plan, annual plan and budget, and to direct the affairs of the cooperative in accordance with the plan and budget approved by the general body;

✓ To frame, approve and amend policies relating to services, funds, accounts and accountability, and information and reporting systems.

✓ To elect and remove office bearers and specify their roles and responsibilities;

✓ To appoint and remove the chief executive and specify his/her roles and responsibilities;

✓ To make arrangements for the mobilisation of funds;

✓ To authorise acquisition and disposal of immovable property; and

✓ To frame regulations for the appointment of all employees of the cooperative and the scales of pay, allowances and other conditions of service including disciplinary action.
(2) Every director of a cooperative while performing functions and responsibilities shall:

- act honestly and in good faith and in the best interests of the cooperative;
  and

- Exercise such due care, diligence and skill as a reasonably prudent person would exercise in similar circumstances.

(3) Any director who is guilty of misappropriation, breach of trust or any other omission or commission, resulting in loss or shortfall in revenue to the cooperative, shall be personally liable to make good that loss or shortfall, without prejudice to any criminal action to which the director may be liable under law.

Eligibility for directorship in a cooperative

In addition to such other conditions as may be specified in the articles, a member of a cooperative shall be eligible for being chosen as a director of the cooperative, if:

- such member has the right to vote in the affairs of the cooperative; and

- such member has patronised the services of the cooperative during the previous financial year to the extent and in the manner specified in the articles; and

- such member has no interest in any subsisting contract made with or work being done for the cooperative except as otherwise specified in the articles; and

(4) six years have lapsed from the date that such member may have ceased to be a director of the cooperative for reasons of
• non-conduct of general meeting;

• non-conduct of elections to the board;

• non-submission of annual report of activities, audited annual financial statements and/or auditor's report to the general body; or

• Absence from board meetings.

Elections

The conduct of elections of directors to the board and of representatives to the representative general body of a cooperative shall be the responsibility of the incumbent board of the cooperative. Elections shall be conducted, in the manner specified in the articles, before the term of office of the outgoing directors or representatives comes to an end.

All directors on the board shall cease to be directors at the point of time when any task required for the conduct of elections by the articles is not undertaken or completed and the board has not immediately taken necessary steps to continue with the process as required by the articles.

Elections of directors shall normally take place at the annual general meeting. Where a board fails to conduct elections before the expiry of the term of the directors or representatives, or where the process of elections is discontinued or suspended at any stage of the process and the board has not initiated remedial measures, or where there are no directors remaining on the board, the arbitral tribunal, within such time and in such manner as specified in the articles of association, shall appoint a three-member ad-hoc board from among members who are not members of the arbitral tribunal, nor members
of the outgoing board, nor intend to stand as candidates for the elections on hand, for the specific purpose of conducting elections and to perform all functions of the board during the interregnum except those proscribed by the articles.

The term of the ad-hoc board so appointed shall not exceed three months and the ad-hoc board shall cease to function as soon as a regular board is elected in accordance with the articles. Directors shall hold office for the period for which they were elected and the newly elected directors shall assume office at the end of this period. The directors may not be eligible, if so specified in the articles, for re-election.

Where there are vacancies on the board and where there is a quorum, the remaining directors may exercise all the powers of the board or may fill the vacancies by co-option for the remainder of the respective terms. Where there are vacancies on the board and where there is not sufficient number of directors to constitute a quorum for board meetings, the arbitral tribunal shall call a general meeting for the purpose of electing directors to fill the vacancies.

**Freehold of directors**

Where the articles provide for retirement of all directors at once, the tenure of office of all the directors, and, where the articles provide for retirement of directors by rotation, the tenure of office of the individual directors shall be for such period as specified in the articles, not exceeding three years from the date of assumption of office, as specified in the articles.

**Board meetings**

(1) The president of a cooperative may, at any time, call a meeting of the board of directors:
provided, however, that at least four board meetings shall be held in a financial year, and the period between two consecutive board meetings shall not exceed one hundred and twenty days.

(2) The president shall hold a special board meeting within fifteen days of the date of receipt of a requisition from:

- not less than one hundred members or one-tenth of the members, having the right to vote, whichever is less;
- at least one-third of the directors;
- the auditor; or
- The registrar.

Provided that any such requisition shall contain the reasons why the meeting is felt necessary and the proposed agenda, and no subject other than the subjects included in the proposed agenda shall be discussed at the special board meeting.

- The president shall cease to be president at the end of the period within which a board meeting under sub-section (1) or (2) or the articles has to be held if he/she fails to hold such board meeting within the specified period.

- An individual who ceases to be president under sub-section (3) shall not be eligible to hold the office of president for a period of six years from the date of such cessation.

- The quorum for a board meeting shall be as specified in the articles, but shall be more than half of the total number of directors on the board.
➢ The procedure to convene and conduct the board meetings shall be such as specified in the articles.

➢ If a director fails to attend three consecutive board meetings, he/she shall cease to be a director, from the date of the third board meeting

FINANCE

Enlistment of funds

A cooperative may mobilise funds including equity capital, savings, deposits, grants, and loans from its members in such form, to such extent and under such conditions as may be specified in the articles; Provided that the articles may require capital to be contributed by members in proportion to their use of services.

A cooperative may raise funds and other forms of financial support including guarantee from non-members including individuals, banks, other financial and non-financial institutions, and the government, on mutually agreed terms, to such extent and subject to such conditions as may be specified in the articles; Provided that no cooperative other than a cooperative bank as defined in Banking Regulation Act may receive savings or deposits from the general public.

Deployment of funds

1. The funds mobilised by a cooperative shall be for the furtherance of its objectives.
2. Such of its funds as are not needed for use in its business, a cooperative may invest or deposit, outside its business, in any manner specified in section 11(5) of the Income Tax Act, 1961.

Disposal of surplus

(1) Surplus, if any, arising out of the business of a cooperative in a financial year may be used in one or more of the following ways:

✓ towards a deficit cover fund;

✓ to be distributed as surplus refund among its members;

✓ to develop its business;

✓ towards reserves and funds constituted in accordance with the articles;

✓ to provide common services to its members;

✓ to provide rewards or incentives to staff;

✓ towards a non-divisible corpus fund.

Provided that surplus arising out of services provided to non-members may not be distributed amongst members or staff, but may be used for the provision of common services to the community at large, and for encouraging potential members to become members.

(2) Surplus of the previous financial year must be fully allocated at the annual general meeting in which the audited statements of accounts for the previous financial year are presented for the consideration of the general body.
Management of deficit

(1) Deficit, if any, arising out of the business of a cooperative in a financial year, shall be fully settled by debiting a part or all of the deficit to the deficit cover fund, if any, and/or as deficit charge, among its members;

- provided that nothing in this sub-section shall preclude a cooperative from also proceeding against its directors for recovery of amounts contributing to the deficit, where such deficit is the result of deviation from the approved plan and/or budget, and where such deviation does not receive the approval of the general body, or is the result of gross negligence or mismanagement;

- Provided further that where such amounts are recovered, the general body may resolve to credit a part or the entire amount to the deficit cover fund and/or to the account of each member in proportion to the deficit charge levied on him/her in this regard.

(2) No member shall be permitted to withdraw from the membership of the cooperative without paying his/her share towards clearing the deficit, if any.

Operation of special funds

1. A cooperative may, in the interest of its members and towards the fulfilment of its objectives, create reserves and such other funds as are specified in the articles or resolved on by the general body.

2. Funds so created may be used in the business of the cooperative, but at the end of every year, the cooperative shall credit to the account of such fund an annual interest, at not less than the rate paid by scheduled banks on long
term fixed deposits, on that portion of each fund which was not applied for the purpose for which it was created, debiting such interest as operational expenditure.

ACCOUNTABILITY

Accounts, records and documents to be maintained.

(1) Every cooperative shall keep at its registered office, the following accounts, records and documents:

✓ a copy of this Act, with amendments made from time to time;

✓ a copy of its memorandum and articles, with amendments made from time to time;

✓ the minutes books;

✓ account of all sums of money received and expended by the cooperative and their respective purposes;

✓ account of all purchases and sales of goods by the cooperative;

✓ account of the assets and liabilities of the cooperative;

✓ a list of members, their fulfilment of responsibilities over the previous financial year, their eligibility to exercise their rights for the current financial year updated within forty five days of closure of the cooperative's financial year; and

✓ all such other accounts, records and documents as may be required by this Act or other laws and regulations;
Provided that where a cooperative has branch offices, financial statements of accounts relating to such branch office/s, shall be available at the registered office for each quarter, within fifteen days of the end of that quarter.

➢ Every cooperative shall keep open the books of account and other records for inspection by any director during business hours, in accordance with the procedure framed by the Board.

➢ Every cooperative shall make available during its business hours to any member who so requests, copies of this Act, articles, minutes book of the general body, voters' list, audit report in full with audited statements of accounts, and such accounts and records of transactions that relate to that member.

➢ Every cooperative shall preserve its books of accounts relating to a period of at least eight financial years before the current financial year together with supporting records and vouchers.

Audit

A cooperative shall get its accounts audited by a chartered accountant within the meaning of the Chartered Accountants Act, 1949; Provided that where a cooperative’s annual business turnover is less than Rs five lakhs, it may appoint as auditor, any person/s, from within its membership or outside, with such qualifications as are specified in the articles.

It shall be the duty of the board to ensure that annual financial statements are prepared and presented for audit within forty-five days of closure of the cooperative’s financial year. Upon the reasonable demand of the auditor of a cooperative, the chief executive shall arrange to
a. Provide such access to records, documents, books, accounts and vouchers of the cooperative; and

b. Furnish such information and explanations, as are, in the opinion of the auditor, necessary to enable him/her to make the examination and report, and as the chief executive or a present or former director, members, managers, or employees are reasonably able to furnish.

It shall be the duty of the auditor to ensure that audited annual financial statements and his/her accompanying report are furnished to the cooperative within forty five days of the submission of annual financial statements by the board.

The auditor's report to the members of the cooperative shall:

- state whether the auditor has obtained all the information and explanations which to the best of his/her knowledge and belief were necessary for the purpose of his/her audit;

- state whether the cooperative's balance sheet and income and expenditure account dealt with by the report are in agreement with the books of accounts;

- indicate, in the first instance, the basis on which each asset and liability was valued, and make specific mention, thereafter, of any change in the manner in which such valuation was done in the year under examination and its effect on surplus/deficit;
✓ indicate the amount of surplus earned/deficit incurred from provision of services to non-members as distinct from surplus/deficit accruing because of members or in normal course of business;

✓ indicate every deviation of more than five per cent in actual expenses and income from the estimated expenses and income in the approved budget;

✓ specify the advances, gross remuneration and/or honorarium and/or allowances paid and/or value of benefits provided, if any, to any of the office bearers, or directors, or the chief executive, in the financial year under audit;

✓ state whether or not any of the office bearers or directors had become, at any time during the year under review, ineligible under this Act to continue in office as an office bearer or director; and

✓ State whether the decisions on disposal of surplus or assessment of deficit, of the general body, at its previous annual general meeting were implemented correctly and completely or not.

**Returns to be filed with the registrar**

Every year, within thirty days of the holding of the annual general meeting, every cooperative shall file the following returns with the registrar:

- Annual report of activities;
- audited annual statements of accounts with auditor’s report;
- statistical statement indicating name of the cooperative; core services offered by the cooperative to its members; total number of members as on the last day of the year; total liabilities expressed as (i) funds from members, and surpluses, (ii) funds from the
Government, if any, and (iii) funds from other external sources as on the last day of the financial year; quantum in rupees of services provided (i) to members and (ii) to non-members; and surplus/deficit at end of year.

For regulatory purpose UCBs are classified under 2 categories Tier-I and Tier-II. Unit banks and banks having multiple branches within a single district with deposits up to Rs. 100 crores are Tier-I banks. The other banks are classified as Tier-II banks. To determine the deposit base, the fortnightly average of the NDTL reported in the statutory returns in the preceding accounting year may be reckoned so that a stable and reliable basis is adopted. The prudential norms recommended for banks falling under different Tiers are as under:

**Tier I Banks**

**(i) Asset classification norms**

To identify NPAs on the basis of 180 day delinquency norm for three more years commencing March 31 2005 but build up adequate provisions in the BDDR over the next three years such that they would be able to transit to 90 day NPA norm by March 31 2008. Since the 90 day norm for asset classification came into force effective March 31 2004, revised asset classification norm should not result in any write back of provisions and the new norm would be applicable for identification of NPAs in 2005 and onwards.

**(ii) Provisioning norms**

The provisioning norms will be as under for another three years: Substandard : 10% Doubtful (up to one year) : 100% of unsecured portion plus 20% of secured portion
Doubtful (one to three years): 100% of unsecured portion plus 30% of secured portion
Doubtful for more than 3 years: 100% of unsecured portion plus 50% of secured portion
Loss: 100%.

✓ Note:  i) A Substandard account will be classified as doubtful after 18 months.
    o ii) All the above provisioning norms will apply for another 3 years. Consequently implementation of the instructions requiring classification of substandard account into doubtful category after 12 months instead of 18 months and 100 % provisioning for doubtful assets of over 3 years would be deferred by another three years. As such the banks should build up adequate provisions over this period to facilitate smooth transition.

(iii) Norms for Investment

(iii.i) SLR: The minimum SLR holding in Government and other approved securities as a percentage of NDTL for non-scheduled UCBs is presently 15 % for banks with NDTL of over Rs. 25 crores and 10% for the remaining non-scheduled UCBs. It is observed that the smaller banks, particularly those operating in rural, semi-urban centres, find it difficult to make investments in G-Sec due to lack of access to the markets. In order to meet SLR requirements, these banks often have to purchase G-Sec at a price that is higher than prevalent market rates, as they do not have the wherewithal to obtain information on current market price of these securities, like access to PDO-NDS platform.

While efforts will be made to enable access to securities’ market through Primary Dealers, in the interregnum, these banks could be exempted from compulsory investment in G-Sec to the extent of the deposits kept by them in SBI, Associates and Nationalised banks.

(iii.ii) Non-SLR: Present limit of 10% of total investments would continue.
(iv) **Borrowings**: Not to exceed 2% of deposits

(v) **Capital Adequacy**

At present all UCBs are required to comply with 9% CRAR akin to commercial banks. For easier understanding and simplification, it is suggested that CRAR in respect of Tier I banks may be replaced with a Net Owned funds to NDTL ratio. It is proposed that a NDTL to NOF ratio of 15 could be prescribed.

(vi) **Exposure Norms**

10% of capital funds or Rs.40 lakhs, whichever is lower for individual borrower and 20% or Rs.80 lakhs, whichever is lower, for group, would be applicable in order to contain concentration risk for the Tier I banks. Off-Balance sheet exposure not to exceed 2 per cent of NDTL.

(vii) **Sensitive Sector Exposure**

Tier I banks should not be allowed to take any direct exposure to real estate, builders or to the capital market. However, loan for individual housing may still be extended by these banks up to the present limit of Rs.15 lakh per individual borrower.

(viii) **Audit**

Concurrent audit should be compulsory for all banks. Statutory audit should be done using Long Form Audit Report. Statutory audit of banks with deposit base of over Rs 25 crore should be entrusted to chartered accountants.

**TIER - II (All other banks)**
For all banks, other than unit banks with deposits up to Rs.50 crore, all regulations as applicable to commercial banks should be applied. However, for these banks the extant relaxations for UCBs could remain in force for the period already prescribed. Further, facilities and opportunities available to commercial banks should, as far as possible, be also made available to such banks to enable them to grow and compete with commercial banks. Banks that do not comply with the regulations should either reduce their operations to qualify for the relaxed regulations applicable for unit banks with deposits less than Rs.50 crore or may be required to convert into cooperative societies.

Depending on the percentage of CRAR, percentage of NPA, net profit with adequate provision against NPA and maintenance of CRR and SLR as on 31st March of any particular year, the UCBs are classified under 4 grades and graded from I to IV. It is pertinent to note here that banks whose CRAR falls below 4.5% against the prescribed minimum of 9% and net NPA of 15% as on 31st March or net losses for the last three consecutive financial years come under the category of Grade –IV. Table 3.1 depicts the urban cooperative banks functioning in Tamilnadu

<table>
<thead>
<tr>
<th>S.NO</th>
<th>Name of the District</th>
<th>Name of the UCB</th>
<th>Total no of UCB</th>
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<tbody>
<tr>
<td>1</td>
<td>Kancheepuram</td>
<td>1. Big Kancheepuram Coop Town Bank</td>
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<td></td>
<td></td>
<td>2. Chengalpattu Coop.Urban Bank Ltd</td>
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<td>3. Little Kancheepuram Coop Urban Bank</td>
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<td></td>
<td>4. Madurantakam Co-Op Urban Bank Ltd</td>
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<td></td>
<td>Co-Town</td>
<td>Bank Name</td>
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<tr>
<td>2</td>
<td>Tiruvallur</td>
<td>1. Tiruvallur Co-Op Urban Bank Ltd</td>
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<td></td>
<td></td>
<td>2. Chidambaram Coop. Urban Bank</td>
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<td>3. Vriddhachalam Coop Urban Bank</td>
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<td>3</td>
<td>Cuddalore</td>
<td>1. Tindivanam Co-Op Urban Bank Ltd</td>
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<td></td>
<td></td>
<td>2. Tirukoilur Co-Op Urban Bank Ltd</td>
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<td></td>
<td></td>
<td>3. Villupuram Coop Urban Bank Limited</td>
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<td>4</td>
<td>Villupuram</td>
<td>1. Arkonam Co-Op Urban Bank Ltd</td>
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<td>2. Jolarpet Coop Urban Bank Ltd</td>
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<td></td>
<td>3. Pallikonda Coop. Urban Bank Ltd</td>
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<td></td>
<td>4. Ranipet Town Co-Op Bank Ltd</td>
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<td></td>
<td></td>
<td>5. Sholinghur Co-op Urban Bank Ltd</td>
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<td></td>
<td></td>
<td>6. Arcot Co-operative Urban Bank Ltd</td>
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<td></td>
<td></td>
<td>7. Gudiyattam Co-Operative Urban Bank</td>
<td></td>
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<td></td>
<td>8. Tirupattur Urban Co-operative Bank</td>
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<td></td>
<td>9. Vaniyambadi Town Coop bank Ltd</td>
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<td>10. Vellore Coop Town Bank Ltd</td>
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<td>5</td>
<td>Vellore</td>
<td>1. Arni Co-Operative Town Bank Ltd.</td>
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<td>6</td>
<td>Tiruvannamalai</td>
<td>1. Arni Co-Operative Town Bank Ltd.</td>
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<td>Bank Name</td>
<td>Number</td>
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<tr>
<td>1</td>
<td>Ammapet Urban Co-Op Bank Ltd</td>
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<td>2</td>
<td>Attur Town Co-Op Bank Ltd.</td>
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<td>3</td>
<td>Omalur Urban Co-Op Bank Ltd.,</td>
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<tr>
<td>4</td>
<td>Salem Urban Co-op Bank Ltd.</td>
<td>4</td>
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<tr>
<td>5</td>
<td>Sankari Co-op Urban Bank Ltd.</td>
<td>5</td>
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<td>6</td>
<td>Shevapet Urban Coop Bank Ltd.</td>
<td>6</td>
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<td>7</td>
<td>Subramanianagar Coop Urban Bank</td>
<td>7</td>
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<td>8</td>
<td>Tiruvalluvar Town Co-Op. Bank</td>
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<td>9</td>
<td>Velur Coop Urban Bank Ltd</td>
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<tr>
<td>1</td>
<td>B.Komarapalayam Coop Urban Bank</td>
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<tr>
<td>2</td>
<td>Namakkal Coop. Urban Bank Ltd.</td>
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<td>3</td>
<td>Rasipuram Co-Op Urban Bank Ltd.</td>
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<td>4</td>
<td>Tiruchengode Co-Op Urban Bank</td>
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<tr>
<td>1</td>
<td>Dharmapuri Co-op. Town Bank Ltd.</td>
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<tr>
<td>1</td>
<td>Bhavanikudal Coop Urban Bank Ltd</td>
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<td>2</td>
<td>Chennimalai Co-op Urban Bank Ltd</td>
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<tr>
<td>3</td>
<td>Erode Co-operative Urban Bank Ltd.</td>
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<td>4</td>
<td>Gobichettipalyam Co-op Urban Bank</td>
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<td>5</td>
<td>Satyamangalam Coop Urban Bank</td>
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<tr>
<td>1</td>
<td>Coimbatore City Coop. Bank Ltd.</td>
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<tr>
<td>2</td>
<td>Dharapuram Coop Urban Bank Ltd</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Area</td>
<td>Banks</td>
<td>Count</td>
<td></td>
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<tr>
<td>17</td>
<td>Karur</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
|   |   | 7. Tiruchirapalli Hirudayapuram UCB  
|   |   | 8. Varaganeri UCB  
| 18 | Perambalur |   |
|   |   | 1. Perambalur urban coop bank  |
| 19 | Pudukkottai |   |
|   |   | 1. Arantangi Co-Op Town Bank Ltd.  
|   |   | 2. Pudukottai Coop.Town Bank Ltd.  |
| 20 | Madurai |   |
|   |   | 1. Melur Co-Op Urban Bank Ltd  
|   |   | 2. Sholavandan Urban Coop Bank Ltd.  
|   |   | 3. Tirumangalam Co-Op Urban Bank  
|   |   | 4. Usilampatti Coop Urban Bank Ltd  
| 21 | Theni |   |
|   |   | 1. Periyakulam Coop.Urban Bank Ltd.  
|   |   | 2. Uthamapalayam Coop. Urban Bank  |
| 22 | Dindigul |   |
|   |   | 1. Batlagundu Coop Urban Bank Ltd  
|   |   | 2. Dindigul Urban Coop Bank Ltd.,  
|   |   | 4. Palani Coop. Urban Bank Ltd.  |
| 23 | Ramanathapuram |   |
|   |   | 1. Abiramam Co-Op Urban Bank Ltd.  
|   |   | 2. Kamuthi Coop Urban Bank Ltd  
|   |   | 3. Paramakudi Coop Urban Bank Ltd  
|   |   | 4. Ramanathapuram Coop Urban Bank  |
| 24 | Virudhunagar |   |
|   |   | 1. Rajapalayam Co-Op Urban Bank Ltd  
|   |   | 4 |
| 25 | Sivagangai | 2. Sivakasi Co-op Urban Bank Ltd  
3. Srivillipputtur Co-op Urban Bank Ltd.  
4. Virudhunagar Coop Urban Bank Ltd |
| 26 | Tirunelveli | 1. Ilayangudi Coop Urban Bank Ltd.  
2. Karaikudi Coop. Town Bank Ltd.  
1. Ambasamudram UCB  
2. Kallidaikurichi UCB.  
4. Palayamkottai Urban Coop Bank Ltd  
5. Prakasapuram Coop. Urban Bank Ltd.  
6. Tirunelveli Junction UCB  
7. Viravanallur Coop Urban Bank Ltd. |
| 27 | Thoothukkudi | 1. Kovilpatti Co-operative Bank Ltd  
4. Thiruvaikuntam Co-op Urban Bank  
5. Tiruchendoor Co-Op Urban Bank Ltd  
6. Tuticorin Co-Op Bank Ltd.  
7. Tuticorin Melur Co-Op Bank Ltd. |
| 28 | Kanniyakumari | 1. Peoples UCB., Nagarcoil |
All these 120 UCB offered various types of pecuniary service to their respective urban limit. Table 3.2 detailed the scheme of loans, its rate of interest and the official to be contacted for the purpose.

### Table 3.2
**The details of purpose of loan**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Details</th>
<th>Loan Amount</th>
<th>Rate of Interest % p.a</th>
<th>Societies issuing Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td><strong>Purpose of Loan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Short Term (Seasonal Agricultural Operation ) Loans (Crop Loan)</td>
<td>As per scale of finance for Crops</td>
<td>7</td>
<td>(c)</td>
</tr>
<tr>
<td>2</td>
<td>Jewel Loan (Agri)</td>
<td></td>
<td>7</td>
<td>(c)</td>
</tr>
<tr>
<td>3</td>
<td>Jewel Loan General</td>
<td></td>
<td>14</td>
<td>(a) (b) (c) (d)</td>
</tr>
<tr>
<td>4</td>
<td>Produce Pledge Loan</td>
<td></td>
<td>13</td>
<td>(c)</td>
</tr>
<tr>
<td>5</td>
<td>Revamped Micro Credit Loan</td>
<td>Subject to the eligibility of individuals and maximum limit for the purpose</td>
<td>10</td>
<td>(b) (c) (d)</td>
</tr>
<tr>
<td>6</td>
<td>Self Help Groups</td>
<td></td>
<td>10</td>
<td>(b) (c) (d)</td>
</tr>
<tr>
<td>7</td>
<td>Women Entrepreneur</td>
<td>Not exceeding maximum limit for the purpose</td>
<td>14</td>
<td>(b) (c) (d)</td>
</tr>
</tbody>
</table>

Source: compiled from the publication of Deposit insurance and credit guarantee corporation -India
It is observed 14 different types of loans offered purpose and the rate of interest per annum ranges from a minimum of 7 per cent to a maximum of 13 per cent per annum. Further the Special Officer/ Secretary/General Manager/ A.G.M./ Manager/Branch Manager of the Bank/society Concerned is the sanctioning authority of issuing loans.

Demographics of Study Region:

Ramanathapuram District is an administrative district of Tamil Nadu state in southern India. The city of Ramanathapuram is the district headquarters. Ramanathapuram District has four urban cooperative banks. The total population of the study district and the numbers governed by the cooperative are given hereunder.

<table>
<thead>
<tr>
<th>Table 3.3</th>
<th>Study District Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>AREA (Sq. Km)</td>
<td>4175.00</td>
</tr>
<tr>
<td>TOTAL POPULATION</td>
<td>1337560</td>
</tr>
</tbody>
</table>

(*) Subject to the Revision of rate of interest as announced by NABARD/ State Government.

** Source: Tamilnadu cooperative Department

Societies issuing Loans

a) Tamil Nadu State Apex Cooperative Bank
b) District Central Cooperative Bank
c) Primary Agricultural cooperative Bank
d) (d). Urban Cooperative Banks/ Credit Societies
Prelude of study banks

Paramakudi Cooperative Urban Bank

The very hoariest cooperative urban bank of the study district began its service since 1908 and successfully traversed its 105th years of service recently. It has 10507 members with the working capital of 1077.86 lakhs and yields 5.66 lakhs as profit in the on-going year. This bank has the administrative setup of one special officer assisted by one General Manager and are supervising the functionary of two managers, 14 assistants and 3 sub-staff.

Ramanathapuram cooperative urban bank

The jiffly eldest cooperative urban bank of the study borough began its service since 1914 and positively entered into its 100th years of service in this financial year. It has 6864 members with the working capital of 3110.75 lakhs and yields 27.07 lakhs as profit in the on-going year. This bank has the administrative setup of one special officer assisted by one Cooperative auditor and a charted accountant. The other functionaries are one General Manager, one Assistant General Manager, one manager, One Assistant Manager, Three Assistants, two sub-staff, one appraiser and one legal advisor.

Abiramam cooperative urban bank
This cooperative urban bank of the study district instigated its deal since 1945 and continuing to its 67th years of service. It has 4,044 Members with the working capital of 1877.86 lakhs and yields 35.66 lakhs as profit in the on-going year. This bank has the administrative setup of one special officer assisted by one General Manager and is supervising the functionary of one manager, 4 assistants and 2 sub-staff.

Kamuthi Cooperative urban Bank

The Kamuthi cooperative urban bank of the study district initiated its overhaul since 1962 and successfully crossed its 51st years of service recently. It has 5300 members with the working capital of 847.86 lakhs and yields 8.66 lakhs as profit in the on-going year. This bank has the administrative setup of one special officer assisted by one General Manager and are supervising the functionary of 7 assistants and 3 sub-staff.

CHAPTER- IV

FINANCIAL STATUS OF COOPERATIVE URBAN BANKS IN RAMANATHAPURAM DISTRICT: AN OVERVIEW

Appraisal of bank recital is very vital for Bankers due to the want to shield the banking operations beside continuous risks or due to gambling-incentives related to capital market. In addition, there are copious studies on financial interventions and its effect on efficiency of economic growth and also other studies on bank fiascos and its relationship with systemic crisis which reveal the important of performance evaluation. Today, the bank performance has become a desired theme for many stakeholders such as customers, investors and the general public.