CHAPTER III

CO-OPERATIVE BANKS AND THEIR ROLE IN INDIA

3.1 Introduction

The concept of cooperation is as old as mankind and it forms the basis for domestic and social life. The cooperation is nothing but group instinct in human which enable one to live with others, work with others and help each other in times of stress and strain. Without cooperation, the social and economic progress would not be possible. It is impossible for any civilization to flourish unless the cooperation supplements the competition in human society, if any. This is because human beings have developed out of group life and therefore naturally respond to group and social stimuli. So, the co-operative spirit is innate and intrinsic in human beings.

In the modern technical sense, the birth of co-operative movement and its applications in the economic field was traced after the Industrial Revolution in England during the second half of the 18th and first half of 19th century. The cooperation, understood as an economic system today, was born as a peaceful reaction against the mercantile economy and industrial revolution. Now the cooperation occupies a position of primary importance as a form of business organization in almost all the countries in the world.
The cooperation, which means living, thinking and working together to achieve a common goal through co-operative principles, envisages a group of persons with one or more common economic needs, voluntarily agreeing to pool their resources both human and material and use them for mutual benefit, through an enterprise / organization managed by the group itself in democratic lines. Subsequently, any organization formed by a group of persons to work together to accomplish the objectives for which it is formed through the co-operative principles is called a co-operative society.

3.2 Co-operative Movement in the World

The co-operative movement began in Europe in the 19th century, primarily in Britain and France, although ‘The Shore Porters Society’, claims to be one of the world's first co-operatives. The first documented consumer co-operative was founded in 1769 in a barely furnished cottage in Fenwick, East Ayrshire, when local weavers manhandled a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount, forming the Fenwick Weavers' Society. In the decades that

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1 The Shore Porters Society is a removals, haulage and storage company based in Aberdeen, Scotland, established in 1498. The Society also operates under the trading name of Rumsey & Son from Richmond-upon-Thames, which was originally a family business founded in 1921. The Shore Porters Society acquired the firm in 1992 as a domestic remover in Southwest London.
followed, several co-operatives or co-operative societies formed including Lennoxtown Friendly Victualling Society, founded in 1812. It was not until 1844 when the Rochdale Society of Equitable Pioneers established the ‘Rochdale Principles’ on which they ran their co-operative, that the basis for development and growth of the modern co-operative movement was established.

Over the course of the industrial revolution in the mid of 19th century, many farmers and small craft businesses found themselves in financially desperate straits in Germany. This development was closely linked to the negative effects of the introduction of free trade during that time. During the reform, new structures came about which were supposed to make the division of property more favourable to the ‘small’ people. The reality, however, was that the situation of farmers got noticeably worse. They were burdened by having to pay off their former lords and were inexperienced in the independent management of a business. They got into deeper and deeper debt and often lost their livelihood. In this scenario, in 1847, Friedrich Wilhelm Raiffeisen created the first aid association in Weyerbusch (Westerwald) to support the poverty-stricken rural population. Finally, in 1864 he founded the “Heddesdorf Loan Society”, which is now seen as the first co-operative of the Raiffeisen tradition.

In the decades that followed, the co-operative idea spread throughout Germany and Europe. Numerous households and businesses joined forces
according to the principles of Raiffeisen. In order to provide greater support for their members, the local primary co-operatives founded regional and national centres. These gave rise to today’s regional centres, national centres and special institutes. As early as the 1870s the co-operatives organised themselves into federations in order to offer the individual local co-operative more professional advice and assistance.

The Co-operative Group formed gradually over 140 years from the merger of many independent retail societies, and their wholesale societies and federations. In 1863, the North of England Co-operative Society was launched by 300 individual co-ops across Yorkshire and Lancashire. By 1872, it had become known as the Co-operative Wholesale Society (CWS). Through the 20th century, smaller societies merged with CWS, such as the Scottish Co-operative Wholesale Society (1973) and the South Suburban Co-operative Society (1984).

By the 1990s, CWS's share in the market had declined considerably and many came to doubt the viability of co-operative model. CWS sold its factories to Andrew Regan in 1994. Regan returned in 1997 with a £1.2 billion bid for CWS. There were allegations of "carpet-bagging" - new members who joined simply to make money from the sale - and more seriously fraud and commercial leaks. After a lengthy battle, Regan's bid was seen off and two senior CWS executives were dismissed and imprisoned for fraud. Regan was cleared of charges. The episode recharged
CWS and its membership base. Tony Blair's Co-operative Commission, chaired by John Monks, made major recommendations for the co-operative movement, including the organization and marketing of the retail societies. It was in this climate that, in 2000, CWS merged with the UK's second largest society, Co-operative Retail Services.

Co-operative communities are now widespread with one of the largest and most successful examples being the Mondragón Co-operative Corporation in the Basque country of Spain. Co-operatives were also successful in Yugoslavia under Tito where Workers' Councils gained a significant role in management. In many European countries, co-operative institutions have a predominant market share in the retail banking and insurance businesses.

In the UK, co-operatives formed the Co-operative Party in the early 20th century to represent members of co-ops in Parliament. The Co-operative Party now has a permanent electoral pact with the Labour Party, and some Labour MPs are Co-operative Party members. UK co-operatives retain a significant market share in food retail, insurance, banking, funeral services, and the travel industry in many parts of the country. Denmark has had a strong co-operative movement. In Colorado, the Meadowlark co-operative administers the only private free land program in the United States, providing many services to its members who buy and sell together. In
the United States there are over 29,000 co-operatives employing 2 million people with over $652 billion in annual revenue\(^2\).

### 3.3 Co-operative Movement in India

The co-operative movement in India is century old. The movement was started in India with a view to encourage and promote thrift and mutual help for the development of persons of small means such as agriculturists, artisans and other segments of the society. It was also aimed at concentrating the efforts in releasing the exploited classes out of the clutches of the money lenders. During British rule, based on the recommendations of Sir Frederick Nicholson (1899) and Sir Edward Law (1901), the Co-operative Credit Societies Act was passed in 1904, paving the way for the establishment of co-operative credit societies in rural and urban areas. Under this Act, only primary credit societies were permitted to register and non-credit and federal organisations of primary co-operative credit societies were left out.

The first urban co-operative credit society was registered in October 1904 at Kanjeeipuram now in Tamil Nadu State. In October and December 1905, Betegiri Co-operative Credit Society in Dharwar District and the Bangalore city co-operative credit society, both in Karnataka State were registered. The introduction of the Co-operative Credit Societies Act 1904, for providing credit to farmers marked the beginning of the

\(^2\)http://en.wikipedia.org/wiki/History_of_the_co-operative_movement
institutionalization of co-operative Banking in India. This Act was amended
in 1912 to facilitate the establishment of central co-operative banks at the
district level, thereby giving it a three tier federal character.

The Co-operative Societies Act of 1912 recognized the formation of
non-credit societies and the central co-operative organizations / federations.
This Act paved the way for the organisation of central co-operative banks
throughout the country. But the provisions of 1912 Act were inadequate to
meet the requirements of those states where co-operative movement had
made considerable progress. Bombay, the pioneers in this regard passed a
new Act, viz., the Bombay Co-operative Societies Act, 1925 for serving the
many sided development of the state. Later on, Madras, Bihar and Bengal
passed their own Acts in 1932, 1935 and 1940 respectively. The state
patronage to the co-operative movement continued even after 1947, the year
in which India attained freedom. The independent India accepted the concept
of planned economy and co-operative organizations were assigned an
important role.

The policy of the Government towards the co-operative movement
was guided by the recommendations of the Saraiya Committee\(^3\) (1948),
which stated that .the co-operative society has an important role to play as
the most suitable medium for the democratization of economic planning.

February, Government of India, New Delhi.
Various expert committees, which examined the problem of rural credit subsequently, have come to the same conclusion, without exception, that in the Indian context, there is no alternative from the point of view of structural appropriateness, to co-operatives at the village level. The Rural Credit Survey Committee⁴ (1954), the first comprehensive enquiry into problems of rural credit, after a detailed examination of the entire gamut of issues including the social ethos of rural society, summed up its findings in the celebrated dictum that cooperation has failed, but cooperation must succeed.

Since 1950s, the co-operatives in India have made remarkable progress in the various segments of Indian economy. During the last century, the co-operative movement has entered several sectors like credit, banking, production, processing, distribution/marketing, housing, warehousing, irrigation, transport, textiles and even industries. In fact, dairy and sugar co-operatives have made India a major nation in the world with regard to milk and sugar production. Today, India can claim to have the largest network of co-operatives in the world numbering more than half a million, with a membership of more than 200 million.

After independence, for the first 3 years i.e. up to 1949, no significant development could be made. It was mainly due to the problem created by

⁴ Reserve Bank of India (RBI), (1954). “All India Rural Credit Survey”, report of the Committee of Direction of the All India Rural Credit Survey, Bombay.
partition and absence of concrete programme for national re-organisation. However, the leaders of free India could the importance of co-operative movement for a successful democracy importance was given to strengthen co-operative structure of country and various provisions were made through different Five Year Plan.

The First Plan also recommended for training of personnel's and setting up of Co-operative Marketing Societies. The Second Plan laid down proposals for extending co-operative activity into various fields. It gave special emphasis on the warehousing co-operatives at the State and Central level. The Third Plan brought still new areas under Co-operative societies. The co-operative society for sugarcane, cotton, spinning, milk supply was proposed. Some concrete steps were taken to train the personnel's. The co-operative training College at Pune and many regional centers were established to train the workers. The Fourth Plan emphasised for consolidation of co-operative system. The new programme for high yielding crops was started. Different credit societies were organised to serve these programmes.

The Fifth Plan made special provisions for improvement of Central Banks and no viable primary agricultural societies, reorganising marketing as well as consumer societies. It also recommended for establishment of Farmer’s Service Societies. The Sixth Plan laid down a point programme
for co-operative societies. It aimed at transforming the primary village societies to multipurpose societies:

1) To reconstruct the policies and of co-operative so that it can bring about economic development of people

2) To extend co-operative activities to the fields of food processing, poultry farming, dairy farming, fishery and many other related fields

3) To give necessary training and guidance for developing skilled efficient personnel's.

The Seventh Plan has also given more importance on the growth and expansion of co-operative societies to ensure public participation to achieve its main objective i.e. the movement towards social justice has to be faster and there must be a sharper focus on employment and poverty alleviation.

3.4 Co-operative Banks

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community of sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc.). Co-
operative banks differ from stockholders bank by their organization, their
goals, their values and their governance. In most countries, they are
supervised and controlled by banking authorities and have to respect
prudential banking regulations, which put them at a level playing field with
stockholders banks. Depending on countries, this control and supervision
can be implemented directly by state entities or delegated to a co-operative
federation or central body. All the co-operative banks share common
features as described below.

**Customer-Owned Entities:** In a co-operative bank, the needs of the
customers meet the needs of owners, as co-operative bank members are both
i.e., customer and owner. As a consequence, the first aim of the co-
operative bank is not to maximize the profit but to provide the best possible
products and services to its members. Some co-operative banks only operate
with their members but most of them also admit non-member clients to
benefit from their banking and financial services.

**Democratic Member Control:** Co-operative banks are owned and
controlled by the members, who democratically elect the board of the
directors. Members usually have equal voting rights, according to the co-
operative principle of “one person, one vote”.

**Profit Allocation:** In a co-operative bank, a significant part of the
yearly profit, benefits or surplus is usually allocated to constitute reserves.
A part of this profit can also be distributed to the co-operative members, with legal and statutory limitations in most cases. Profit is usually allocated to members either through patronage dividend, which is related to the use of co-operative products and services by each member, or through an interest or a dividend, which is related to the number of shares subscribed by each member.

3.5 Co-operative Banking in India

The co-operative banks in India have a history of almost 100 years. The co-operative banks are an important constituent of the Indian Financial System, judging by their role assigned to them, the expectations they are supposed to fulfill, their number, and the number of offices they operate. The co-operative movement was originated in the west, but the important that such bank have assumed in India is rarely paralleled anywhere else in the world. Their role in rural financing continues to be important event today, and their business in urban areas also has increased phenomenally in recent years mainly due to the sharp increase in the number of primary co-operative banks. Co-operative banks in India are registered under the Co-operative Societies Act. The co-operative banks are also regulated by the Reserve Bank of India (RBI) and governed by Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1955.
Establishment of Co-operative Banks in India

The co-operative banks in India are well established financial service organization. The first legislation on cooperation was passed in 1904. In 1914, the Maclagen Committee envisaged a three tier structure of co-operative banking, viz., Primary Agricultural Credit Services (PACs) at the grass root level, Central Co-operative Banks at the district level and State Co-operative Banks at State level or Apex level. The first urban co-operative bank in India was formed nearly 100 years back in Baroda.

The co-operative banks arrived in India in the beginning of 20th Century as an official effort to create a new type of institution based on the principles of co-operative organization and management, suitable for problems peculiar to Indian conditions. These banks were conceived as substitutes for money lenders, to provide timely and adequate short-term and long-term institutional credit at reasonable rates of interest.

In the formative stage, Co-operative banks were urban co-operative societies run on community basis and their lending activities were restricted to meeting credit requirements of their members. The concept of Urban Co-operative Bank was first spelt out by Mehta Bhansali Committee in 1939 which defined on Urban Co-operative Bank. Provisions of Section 5 (CCV) of Banking Regulations Act, 1949 (as applicable to Co-operative Societies) defined an Urban Co-operative Bank as a Primary Co-operative Bank other than a Primary Co-operative Society was made applicable in 1966.
The co-operative banking structure in India is bifurcated into Short-term structure and Long-term structure. While the short-term structure is three tier structures, long-term co-operative banking structure is the two tier structures as mentioned below:

**Short-Term Co-operative Bank Structure**
- A State Co-operative Bank works at the apex level (i.e. works at state level).
- The Central Co-operative Bank works at the Intermediate Level (i.e., District Co-operative Banks Ltd. works at district level)
- Primary co-operative credit societies at base level (At village level)

**Long-Term Co-operative Bank Structure**
- State Co-operative Agriculture and Rural Development Banks (SCARDBs) at the apex level.
- Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) at the district level or block level.

**Role of Co-operative Banks in India**

The co-operative banks in India play an important role even today in rural financing. The businesses of co-operative banks in the urban areas also
have increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks. The co-operative banks are expected to perform some duties, namely, extend all types of credit facilities to customers in cash and kind, advance consumption loans, extend banking facilities in rural areas, mobilize deposits, supervise the use of loans etc. The needs of co-operative bank are different.

Co-operative banks in India finance rural areas under:

- Farming
- Cattle
- Milk
- Hatchery
- Personal finance

Co-operative banks in India finance urban areas under:

- Self-employment
- Industries
- Small scale units
- Home finance
- Consumer finance
- Personal finance

### 3.6 Types & Function of Co-operative Banks, India

The co-operative banks are small-sized units which operate both in urban and non-urban centers. They finance small borrowers in industrial and trade sectors besides professional and salary classes. Regulated by the
Reserve Bank of India, they are governed by the Banking Regulations Act 1949 and banking laws (co-operative societies) act, 1965. The co-operative banking structure in India is divided into following 5 categories:

**Primary Co-operative Credit Society**

The primary co-operative credit society is an association of borrowers and non-borrowers residing in a particular locality. The funds of the society are derived from the share capital and deposits of members and loans from central co-operative banks. The borrowing powers of the members as well as of the society are fixed. The loans are given to members for the purchase of cattle, fodder, fertilizers and pesticides.

**Central Co-operative Banks**

These are the federations of primary credit societies in a district and are of two types—those having a membership of primary societies only and those having a membership of societies as well as individuals. The funds of the bank consist of share capital, deposits, loans and overdrafts from state co-operative banks and joint stocks. These banks provide finance to member societies within the limits of the borrowing capacity of societies. They also conduct all the business of a joint stock bank.

**State Co-operative Banks**

The state co-operative bank is a federation of central co-operative bank and acts as a watchdog of the co-operative banking structure in the
state. Its funds are obtained from share capital, deposits, loans and overdrafts from the Reserve Bank of India. The state co-operative banks lend money to central co-operative banks and primary societies and not directly to the farmers.

**Land Development Banks**

The Land development banks are organized in 3 tiers namely: state, central, and primary level and they meet the long term credit requirements of the farmers for developmental purposes. The state land development banks oversee, the primary land development banks situated in the districts and tehsil areas in the state. They are governed both by the state government and Reserve Bank of India. Recently, the supervision of land development banks has been assumed by National Bank for Agriculture and Rural development (NABARD). The sources of funds for these banks are the debentures subscribed by both central and state government. These banks do not accept deposits from the general public.

**Urban Co-operative Banks**

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities, work place groups.
They essentially lend to small borrowers and businesses. Today, their scope of operations has widened considerably.

The origins of the urban co-operative banking movement in India can be traced to the close of nineteenth century. Inspired by the success of the experiments related to the co-operative movement in Britain and the co-operative credit movement in Germany, such societies were set up in India. Co-operative societies are based on the principles of cooperation, mutual help, democratic decision making, and open membership. Co-operatives represented a new and alternative approach to organization as against proprietary firms, partnership firms, and joint stock companies which represent the dominant form of commercial organization. They mainly rely upon deposits from members and non-members and in case of need, they get finance from either the District central co-operative bank to which they are affiliated or from the Apex co-operative bank if they work in big cities where the apex bank has its Head Office. They provide credit to small scale industrialists, salaried employees, and other urban and semi-urban residents.

Functions of Co-operative Banks

Co-operative banks also perform the basic banking functions of banking but they differ from commercial banks in the following respects

1) Commercial banks are joint-stock companies under the companies’ act of 1956, or public sector bank under a separate act of a parliament
whereas co-operative banks were established under the co-operative societies acts of different states.

2) Commercial bank structure is branch banking structure whereas Co-operative banks have a three tupe setup, with State Co-operative Bank at Apex level, Central / District Co-operative Bank at district level, and Primary Co-operative Societies at rural level.

3) Only some of the sections of Banking Regulation Act of 1949 (fully applicable to commercial banks), are applicable to co-operative banks, resulting only in partial control by RBI of co-operative banks and

4) Co-operative banks function on the principle of cooperation and not entirely on commercial parameters.

3.7 Credit Structure of Co-operative Banking in India

India's co-operative banking structure consists of two main segments, viz., agricultural and non-agricultural credit. There are two separate structures in the case of agricultural credit - one for short and medium term credit and the other for long term credit. The co-operative credit structure for short and medium terms is a three tier, one with primary agricultural credit societies at the base level, the central co-operative bank at the district level and state co-operative bank at the apex level. Over and above these
institutions, grain banks are actively functioning as primary societies in certain states. Though the organisation of central and state co-operative banks was mainly for the benefit of the agricultural credit sector, they serve non-agricultural societies too.

**Primary Agricultural Credit Societies**

Primary Agricultural Credit Societies (PACS) are the foundation of the co-operative credit structure and form the largest number of co-operative institutions in India. Most of these societies have been organised mainly to provide credit facilities and to inculcate the habit of thrift and economy among their members.

The share capital of a society is divided into units, called shares, contributed by the members. The most important source of finance of PACS is members' deposits. Borrowings constitute the most important element of their working capital. The criteria for borrowings differ from state to state according to their liability. Punctuality in the repayment of loans has hardly been observed by the members with the result that there has been a steep rise in the amount of overdues all over the country.

In India, PACS are passing through an era of crisis. Increasing incidence of non-viability is one of the major setbacks. PACS have made little progress in attracting deposits. In majority of the cases, the deposits were collected through book adjustments by carving certain portion of loan
amount. The repaying capacity of the PACS has been dwindled considerably, resulting mounted overdues in the loan outstanding against members. Along with the increasing volume of business the number of PACS running into loss and the amount of loss has increased considerably over the years.

The important reasons for this situation are: existence of non-viable and dormant societies, uneven growth of agricultural credit movement, inadequacy of the quantum of loan supplied by them, defective loan policies, delay in loan disbursement, inadequate supervision and defective audit, no linking of credit with marketing, high overdues, ineffective management, neglect of small farmers and domination of vested interests.

**District Central Co-operative Banks**

District Central Co-operative Banks (DCCBs) occupy the middle level position in the three tier co-operative credit structure of the country. In the beginning of the formation of PACSs, they could not function effectively without gaining financial support from an outside agency. The formation of DCCBs was thus a felt need for mutual help. The Co-operative Societies Act of 1912 permitted the registration of DCCBs. Even before the enactment of this Act, some DCCBs were established to cater to the needs of primary societies. In 1906, forerunner of the first DCCB was established as a primary society in Uttar Pradesh. At Ajmer in Rajasthan the first DCCB was
established in 1910. But the first full-fledged DCCB as per the provisions of the Act of 1912 was started in Jabalpur District of the Central Province.

The DCCBs are formed mainly with the objective of meeting the credit requirements of member societies. As an institution for helping the societies in times of need, they finance agricultural credit societies for production purposes, marketing societies for marketing operations, industrial societies for supply operations and other societies for working expenses. In short, the major objectives of the DCCBs are to provide loans to affiliated societies, to act as a balancing centre of finance for primary societies, to arrange for the supervision and control of the affiliated societies, to raise deposits from members and non-members, to convene conferences of the member societies and also prescribe uniform procedure for the working of primary societies, to open branches of the bank at important places with the permission of the Registrar of Co-operative Societies and to maintain and utilise state partnership. Generally, the area of operation of a DCCB is limited to one district.

**State Co-operative Banks in India**

The State Co-operative Banks (SCBs) or the Apex Banks occupy a crucial position in the three tier co-operative credit structure in India. These Apex Banks or State Co-operative Banks are formed by federating DCCBs in each state. The Apex Banks assume a key-position in the co-operative credit structure because the financial assistance from RBI and the National
Bank for Agriculture and Rural Development are invariably routed through them.

3.8 Co-operative Banks in Pondicherry

In Pondicherry, banking on modern lines started only in 1875 when the Banque de l’Indo Chine (Indo-China Bank) was established. When the Banking-Companies Act 1949 and the Foreign Exchange Regulation Act 1947 were extended to Pondicherry in 1954, the withdrawal of the Indochina Bank in March 1953 paved the way for the establishment of Indian Banks. The co-operative movements have taken very deep roots in Union Territory of Pondicherry since 1953. The co-operative sector to-day has emerged as one of the vital instruments of Socio-Economic regeneration. It upholds the principle of “all for each and each for all”.

The Pondicherry State Co-operative Bank Ltd. was registered as a Co-op. Society on 10th October 1958 and started functioning on 30th October 1958. Before existence of the Pondicherry State Co-operative Bank, the societies in Pondicherry region have availed the credit facilities from the South Arcot District Central Co-operative Bank, the societies in Karaikal region from the Kumbakonam District Central Co-operative Bank, the societies in Mahe region from the Tellicherry Co-operative Bank and the societies in Yanam region from Kakinada Central Co-operative Bank. The Pondicherry State Co-operative Bank has started its business with a Share
Capital of Rs.6.73 lakhs and a Working Capital of Rs.11.77 lakhs. The Bank has achieved tremendous progress in all fields during the period of 48 years. Presently the Pondicherry State Coop. Bank is functioning with its 20 branches and one extension counter in the entire Union Territory of Pondicherry.

The Bank obtains the funds by way of share capital from the members mainly from the affiliated societies and also from the State Government, increasing the reserve, mobilization of deposits from individuals and institutions and by borrowing loans from NABARD and State Government. The primary objectives of the banks are rendering services to its customers / members / member-institutions by providing following various types of loans to the societies / individuals as detailed below:

1) Short term (agriculture)
2) Medium term (agriculture)
3) Short term loan (others)
4) Medium term loan (others)
5) Long Term loan (others)
6) Cash credit to Weavers Coop. Societies
7) Cash credit to Consumer Co-operatives
8) Cash credit to others
9) Medium term loan to Salary Earners Coop. Societies
10) Jewel loan for agricultural purposes
11) Jewel loan for non-agriculture purposes.
12) Non-farm sector loans to individuals
13) Loans to customers
14) Cash credit loans & Medium Term loan to Sugar Mills & Spinning Mills
15) Cash credit/medium term loans to consumer stores

Under the area of banking the Pondicherry State Coop. Bank is also extending its services to the customers through its branches. The bank services extended to Individuals and Institutions are as follows.

1) Locker facilities
2) Issue of Demand Drafts
3) Additional interest of 0.5% to senior citizens
4) Savings Bank and current account facilities
5) Jewel loan facilities
6) House Mortgage loan
7) Overdraft to individuals and executions
8) Small scale industries finance
9) Consumer durable loans
10) Self help group finance

Apart from the above, the Pondicherry State Coop. Bank is also implementing welfare schemes to farmers as well as to the members which are as follows.
a) Loans through DRDA (SGSY)
b) Loans through B.C. Corporation
c) Loans through PADCO
d) Milch loans to members under subsidy scheme
e) Comprehensive crop insurance scheme to farmers
f) Personal accident insurance scheme to the KCC card holders.
g) Loans to Self-Help Groups.

Agriculture is one of the main sectors of economic activity in the Union Territory. For helping to the credit of agriculturist these Primary Agricultural Credit Societies started. These societies operate at the village level and maintain direct contact with formers. They are now called as Primary Agricultural Co-operative banks. They mostly give short term credit to farmers over the years. There are 27 PACBs in Pondicherry state. 24 PACBs are in Pondicherry region and 3 PACBs in Karaikal region. The following PACBs are in Pondicherry region: Karaiyamputthur, Koodapakkam, Ariyankuppam, Seliamedu, Kodathur, Thimma Nayakkan Palayam, Kirumampakkam, Sanniyasikuppam, Murunga Pakkam, Mannadipet, Koonichempet, Keezhagraharam, Muthirapalayam, Korkadu, Kalapet, Suthukeny, Embalam, Thavalakuppam, Katterikuppam, Puranasingapalayam, Mangalam, Molapakkam, Ariyur, Karikalampakkam. There are three PACBs in Karaikal region, viz., Varichikudi,
Thirumalairayan pattinam, and Karaikovilpathu. The organizational structure of State co-operative banks is diagrammatically shown below:

The progresses of co-operative societies in Pondicherry during last decades are provided figuratively from Table 3.1 to 3.5. Table 3.1 presents
the year-wise distribution of co-operative societies in Union Territory of Pondicherry.

Table 3.1

Year-wise Distribution of Co-operative Societies in Pondicherry State

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<th>Non-Credit Societies</th>
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<tr>
<td>2010-11</td>
<td>135</td>
<td>389</td>
<td>524</td>
</tr>
<tr>
<td>Mean</td>
<td>133</td>
<td>371</td>
<td>503</td>
</tr>
<tr>
<td>SD</td>
<td>2</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>CV</td>
<td>1.56</td>
<td>3.32</td>
<td>2.76</td>
</tr>
<tr>
<td>CAGR</td>
<td>0.40</td>
<td>1.07</td>
<td>0.89</td>
</tr>
<tr>
<td>LGR</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

SD – Standard Deviation, CV – Coefficient of Variation; CAGR – Compounded Annualized Growth Rate; LGR – Linear Growth Rate
Source: Registrar of co-operatives, Pondicherry

The number of credit societies, 131 in 2001-02, stood at 135 in 2010-11, whereas the number of non-credit societies increased from 351 in 2001-02 to 389 in 2010-11. The rate of growth in credit and non-credit societies was 0.40 per cent and 1.07 per cent when compounded annually whereas it was 1 and 4 in absolute value on an average every year respectively. Altogether, the total number of co-operative societies, which was 482 in
2010-11 increased to 524 in 2010-11 at CAGR of 2.76 per cent and LGR of 4 societies every year.

Table 3.2

Year-wise and Co-operative Bank / Credit Society wise Distribution of Membership in Pondicherry State

<table>
<thead>
<tr>
<th>Year</th>
<th>State Co-operative Bank</th>
<th>Central Land Development Bank</th>
<th>PACB &amp; PACS</th>
<th>Co-operative Urban Bank</th>
<th>Employee Credit Society</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>253</td>
<td>7755</td>
<td>67378</td>
<td>18718</td>
<td>39666</td>
<td>133770</td>
</tr>
<tr>
<td>2002-03</td>
<td>256</td>
<td>4600</td>
<td>68815</td>
<td>20416</td>
<td>40100</td>
<td>134187</td>
</tr>
<tr>
<td>2003-04</td>
<td>259</td>
<td>7800</td>
<td>69011</td>
<td>20982</td>
<td>37684</td>
<td>135736</td>
</tr>
<tr>
<td>2004-05</td>
<td>268</td>
<td>11133</td>
<td>69795</td>
<td>22028</td>
<td>34603</td>
<td>137827</td>
</tr>
<tr>
<td>2005-06</td>
<td>280</td>
<td>12208</td>
<td>76225</td>
<td>22494</td>
<td>35536</td>
<td>146743</td>
</tr>
<tr>
<td>2006-07</td>
<td>282</td>
<td>3173</td>
<td>82051</td>
<td>22996</td>
<td>36401</td>
<td>144903</td>
</tr>
<tr>
<td>2007-08</td>
<td>284</td>
<td>13843</td>
<td>91175</td>
<td>23197</td>
<td>37029</td>
<td>165528</td>
</tr>
<tr>
<td>2008-09</td>
<td>288</td>
<td>14519</td>
<td>108210</td>
<td>23346</td>
<td>37254</td>
<td>183617</td>
</tr>
<tr>
<td>2009-10</td>
<td>288</td>
<td>15012</td>
<td>108712</td>
<td>23374</td>
<td>37516</td>
<td>184902</td>
</tr>
<tr>
<td>2010-11</td>
<td>298</td>
<td>15247</td>
<td>110717</td>
<td>24684</td>
<td>35922</td>
<td>186869</td>
</tr>
</tbody>
</table>

|          | Mean        | 276         | 10529       | 85209                   | 22224                   | 37171    | 155408   |
|          | SD          | 16          | 4433        | 18089                   | 1745                    | 1720     | 22504    |
|          | CV          | 5.64        | 42.10       | 21.23                   | 7.85                    | 4.63     | 14.48    |
|          | CAGR        | 1.84        | 10.70       | 6.76                    | 2.55                    | -0.72    | 4.52     |
|          | LGR         | 5           | 1049        | 5668                    | 547                     | -278     | 6991     |

SD – Standard Deviation, CV – Coefficient of Variation;
CAGR – Compounded Annualized Growth Rate; LGR – Linear Growth Rate
Source: Registrar of co-operatives, Pondicherry.

The membership in State co-operative banks, Central land development banks, Primary agricultural co-operative banks (PACBs) & Primary agricultural co-operative societies (PACSs), Co-operative urban banks and Employee credit societies, 253, 7755, 67378 and 18718 in
2001-01 increased to 298, 15247, 110717 and 24684 in 2010-11 respectively (Table 3.2).

Table 3.3

<table>
<thead>
<tr>
<th>Year</th>
<th>State Co-operative Bank</th>
<th>Central Land Development Bank</th>
<th>PACB &amp; PACS</th>
<th>Co-operative Urban Bank</th>
<th>Employee Credit Society</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>474.82</td>
<td>197.45</td>
<td>897.53</td>
<td>254.12</td>
<td>1055.42</td>
<td>2879.34</td>
</tr>
<tr>
<td>2002-03</td>
<td>558.36</td>
<td>212.22</td>
<td>905.10</td>
<td>328.24</td>
<td>1120.11</td>
<td>3124.03</td>
</tr>
<tr>
<td>2003-04</td>
<td>549.08</td>
<td>124.32</td>
<td>321.16</td>
<td>383.32</td>
<td>1491.84</td>
<td>2869.72</td>
</tr>
<tr>
<td>2004-05</td>
<td>521.72</td>
<td>57.82</td>
<td>198.37</td>
<td>436.26</td>
<td>1714.83</td>
<td>2929.00</td>
</tr>
<tr>
<td>2005-06</td>
<td>670.24</td>
<td>58.36</td>
<td>255.10</td>
<td>482.35</td>
<td>1987.59</td>
<td>3453.64</td>
</tr>
<tr>
<td>2006-07</td>
<td>753.74</td>
<td>60.83</td>
<td>292.98</td>
<td>518.17</td>
<td>2237.43</td>
<td>3863.15</td>
</tr>
<tr>
<td>2007-08</td>
<td>855.18</td>
<td>61.91</td>
<td>293.39</td>
<td>530.16</td>
<td>2476.23</td>
<td>4216.87</td>
</tr>
<tr>
<td>2008-09</td>
<td>969.46</td>
<td>62.75</td>
<td>332.48</td>
<td>534.04</td>
<td>2715.17</td>
<td>4613.90</td>
</tr>
<tr>
<td>2009-10</td>
<td>1052.47</td>
<td>62.74</td>
<td>406.87</td>
<td>526.02</td>
<td>3054.57</td>
<td>5102.67</td>
</tr>
<tr>
<td>2010-11</td>
<td>1077.35</td>
<td>62.74</td>
<td>418.62</td>
<td>532.12</td>
<td>3256.45</td>
<td>5347.28</td>
</tr>
<tr>
<td>Mean</td>
<td>748.24</td>
<td>96.11</td>
<td>432.16</td>
<td>452.48</td>
<td>2110.96</td>
<td>3839.96</td>
</tr>
<tr>
<td>SD</td>
<td>228.31</td>
<td>60.73</td>
<td>255.59</td>
<td>99.71</td>
<td>772.33</td>
<td>940.68</td>
</tr>
<tr>
<td>CV</td>
<td>30.51</td>
<td>63.18</td>
<td>59.14</td>
<td>22.04</td>
<td>36.59</td>
<td>24.50</td>
</tr>
<tr>
<td>CAGR</td>
<td>10.35</td>
<td>-12.49</td>
<td>-6.44</td>
<td>7.72</td>
<td>13.83</td>
<td>7.93</td>
</tr>
<tr>
<td>LGR</td>
<td>73.14</td>
<td>-15.47</td>
<td>-44.96</td>
<td>30.05</td>
<td>254.55</td>
<td>297.31</td>
</tr>
</tbody>
</table>

SD – Standard Deviation, CV – Coefficient of Variation; CAGR – Compounded Annualized Growth Rate; LGR – Linear Growth Rate
Source: Registrar of co-operatives, Pondicherry.

The total paid up share capital of State Co-operative Banks, Co-operative Urban Banks and Employee credit societies increased on an average of CAGR of 10.35 per cent, 7.72 per cent and 13.83 per cent
respectively. From coefficient of variation, it is understood that there is consistency in the trend. On the other hand, there was a decline in total paid up share capital of Central land development bank and PACBs / PACSs on an average at of CAGR of 12.49, 6.44 per annum respectively (Table 3.3).

Table 3.4

<table>
<thead>
<tr>
<th>Year</th>
<th>State Co-operative Bank</th>
<th>Central Land Development Bank</th>
<th>PACB &amp; PACS</th>
<th>Co-operative Urban Bank</th>
<th>Employee Credit Society</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>187.84</td>
<td>130.00</td>
<td>268.44</td>
<td>-</td>
<td>-</td>
<td>586.28</td>
</tr>
<tr>
<td>2002-03</td>
<td>187.84</td>
<td>217.45</td>
<td>336.44</td>
<td>-</td>
<td>-</td>
<td>741.73</td>
</tr>
<tr>
<td>2003-04</td>
<td>187.84</td>
<td>196.60</td>
<td>379.44</td>
<td>-</td>
<td>-</td>
<td>763.88</td>
</tr>
<tr>
<td>2004-05</td>
<td>187.84</td>
<td>175.00</td>
<td>437.61</td>
<td>-</td>
<td>-</td>
<td>800.45</td>
</tr>
<tr>
<td>2005-06</td>
<td>187.84</td>
<td>195.00</td>
<td>473.37</td>
<td>-</td>
<td>-</td>
<td>856.21</td>
</tr>
<tr>
<td>2006-07</td>
<td>187.84</td>
<td>245.00</td>
<td>675.57</td>
<td>-</td>
<td>-</td>
<td>1108.41</td>
</tr>
<tr>
<td>2007-08</td>
<td>187.84</td>
<td>255.00</td>
<td>602.89</td>
<td>-</td>
<td>-</td>
<td>1045.73</td>
</tr>
<tr>
<td>2008-09</td>
<td>187.84</td>
<td>259.90</td>
<td>640.08</td>
<td>-</td>
<td>-</td>
<td>1087.82</td>
</tr>
<tr>
<td>2009-10</td>
<td>187.84</td>
<td>269.90</td>
<td>665.05</td>
<td>-</td>
<td>-</td>
<td>1122.79</td>
</tr>
<tr>
<td>2010-11</td>
<td>187.84</td>
<td>288.80</td>
<td>762.84</td>
<td>-</td>
<td>-</td>
<td>1237.48</td>
</tr>
<tr>
<td>Mean</td>
<td>187.84</td>
<td>223.26</td>
<td>524.17</td>
<td>-</td>
<td>-</td>
<td>935.08</td>
</tr>
<tr>
<td>SD</td>
<td>0.00</td>
<td>49.29</td>
<td>167.01</td>
<td>-</td>
<td>-</td>
<td>212.13</td>
</tr>
<tr>
<td>CV</td>
<td>0.00</td>
<td>22.08</td>
<td>31.86</td>
<td>-</td>
<td>-</td>
<td>22.69</td>
</tr>
<tr>
<td>CAGR</td>
<td>0.00</td>
<td>7.19</td>
<td>11.59</td>
<td>-</td>
<td>-</td>
<td>7.84</td>
</tr>
<tr>
<td>LGR</td>
<td>0.00</td>
<td>14.56</td>
<td>53.04</td>
<td>-</td>
<td>-</td>
<td>67.49</td>
</tr>
</tbody>
</table>

SD – Standard Deviation, CV – Coefficient of Variation; CAGR – Compounded Annualized Growth Rate; LGR – Linear Growth Rate Source: Registrar of co-operatives, Pondicherry.

The government share capital was Rs.187.84 lakhs and remained at the same level throughout the period from 2001-02 to 2010-11. However,
the Government’s share in paid up capital of Central land co-operative banks, Rs.130.00 lakhs in 2001-02, increased to Rs.288.80 lakhs in 2010-11 at CAGR of 7.19 per cent and LGR of Rs.14.56 lakhs on an average every year. The government’s share in paid up capital of PACBs / PACSs also exhibited a positive trend during the period (Table 3.4).

Table 3.5

Year-wise and Co-operative Bank / Credit Society wise Distribution of Working Capital in Pondicherry State

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Co-operative Bank</th>
<th>Central Land Development Bank</th>
<th>PACB &amp; PACS</th>
<th>Co-operative Urban Bank</th>
<th>Employee Credit Society</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>1750.86</td>
<td>988.95</td>
<td>5012.64</td>
<td>5908.70</td>
<td>6888.57</td>
<td>20549.72</td>
</tr>
<tr>
<td>2002-03</td>
<td>19717.00</td>
<td>212.22</td>
<td>5413.20</td>
<td>7036.84</td>
<td>6945.50</td>
<td>39324.26</td>
</tr>
<tr>
<td>2003-04</td>
<td>21020.15</td>
<td>368.24</td>
<td>5784.28</td>
<td>7891.33</td>
<td>8014.65</td>
<td>43078.65</td>
</tr>
<tr>
<td>2004-05</td>
<td>23660.20</td>
<td>524.68</td>
<td>6493.72</td>
<td>8719.29</td>
<td>10675.60</td>
<td>50073.49</td>
</tr>
<tr>
<td>2005-06</td>
<td>24331.83</td>
<td>1933.46</td>
<td>5482.51</td>
<td>9280.48</td>
<td>10689.18</td>
<td>51717.46</td>
</tr>
<tr>
<td>2006-07</td>
<td>30987.82</td>
<td>1502.45</td>
<td>12438.56</td>
<td>10144.00</td>
<td>16134.13</td>
<td>71206.96</td>
</tr>
<tr>
<td>2007-08</td>
<td>35990.56</td>
<td>1728.59</td>
<td>10940.09</td>
<td>11189.87</td>
<td>22211.96</td>
<td>82061.07</td>
</tr>
<tr>
<td>2008-09</td>
<td>41384.70</td>
<td>1708.41</td>
<td>11161.15</td>
<td>12676.42</td>
<td>16318.92</td>
<td>83249.60</td>
</tr>
<tr>
<td>2009-10</td>
<td>44350.07</td>
<td>1708.85</td>
<td>15201.40</td>
<td>13617.85</td>
<td>23952.26</td>
<td>98830.43</td>
</tr>
<tr>
<td>2010-11</td>
<td>49743.83</td>
<td>2108.43</td>
<td>14846.56</td>
<td>14255.29</td>
<td>24389.10</td>
<td>105343.21</td>
</tr>
<tr>
<td>Mean</td>
<td>29293.70</td>
<td>1278.43</td>
<td>9277.41</td>
<td>10072.01</td>
<td>14621.99</td>
<td>64543.49</td>
</tr>
<tr>
<td>SD</td>
<td>14196.80</td>
<td>695.87</td>
<td>4080.95</td>
<td>2825.83</td>
<td>6981.37</td>
<td>27783.86</td>
</tr>
<tr>
<td>CV</td>
<td>48.46</td>
<td>54.43</td>
<td>43.99</td>
<td>28.06</td>
<td>47.75</td>
<td>43.05</td>
</tr>
<tr>
<td>CAGR</td>
<td>27.96</td>
<td>21.71</td>
<td>14.73</td>
<td>10.02</td>
<td>17.22</td>
<td>17.25</td>
</tr>
<tr>
<td>LGR</td>
<td>4544.47</td>
<td>184.44</td>
<td>1237.59</td>
<td>929.62</td>
<td>2170.47</td>
<td>9066.62</td>
</tr>
</tbody>
</table>

SD – Standard Deviation, CV – Coefficient of Variation;
CAGR – Compounded Annualized Growth Rate; LGR – Linear Growth Rate
Source: Registrar of co-operatives, Pondicherry.
The working capital of all co-operative bank and credit societies exhibited a positive growth during the years from 2001-02 to 2010-11 (Table 3.5).

3.9 Chapter Summary

The concept of cooperation and co-operative movement is discussed in this chapter. The co-operative movements in the world and in India have grown well. It is clear that, though the first documented consumer co-operative was founded in 1769 in a barely furnished cottage in Fenwick, East Ayrshire, the co-operative movement in India is century old. Despite the Co-operative Credit Societies Act was passed in 1904 based on the recommendations of Sir Frederick Nicholson (1899) and Sir Edward Law (1901), paving the way for the establishment of co-operative credit societies in rural and urban areas, during British rule, the co-operatives in India have made remarkable progress in the various segments of Indian economy only after 1950s. In order to facilitate rural financing, the co-operative banks were started in India during 1950s. These banks are until now regulated by Reserve Bank of India (RBI) and governed by Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1955.

In Pondicherry, the co-operative movements have taken deep roots in Union Territory of Pondicherry since 1953. The Pondicherry State Co-operative Bank Ltd. was registered as a Co-op. Society on 10th October
1958 and started functioning on 30th October 1958. For helping the agriculturalist to provide credit through these Primary Agricultural Credit Societies were started. These societies operate at the village level and maintain direct contact with farmers. They are now called as Primary Agricultural Co-operative banks. They mostly give short term credit to farmers over the years. There are 27 PACBs in Pondicherry state. 24 PACBs are in Pondicherry region and 3 PACBs in Karaikal region. There was a positive growth in co-operative societies in Union Territory of Pondicherry during the period 10 years from 2001-02 to 2010-11. A positive growth in membership and working capital of State Co-operative Banks, Central Land Development Banks, PACBs / PACSs, Co-operative urban banks and Employee credit societies were visible during these years.