CHAPTER II
PROGRESS OF CO-OPERATIVE BANKING IN INDIA,
TAMIL NADU AND SALEM DISTRICT

1 INTRODUCTION

Banking system occupies an important place in the nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in the country. Though in India, the money market is still characterised by the existence of both the organised and unorganised segments, institutions in the organised money market have grown significantly and are playing an increasingly important role. The Unorganised sector comprising the money lenders and indigenous bankers, cater to the credit needs of a large number of persons especially in the countryside. Indian farmers need short term, medium term and long term loans according to their varying requirements. Primary Agricultural Co-operative Banks aim to meet the short term and medium term financial needs of the farmers. These primaries get funds from the central co-operative banks at the district level. Industrial Co-operative Banks fulfill the necessary requirements of industrial personnel who were completely isolated from the lending programmes of other co-operative banks. Land Development Banks supply long term finance to agriculturists. Urban Co-operative Banks supply loans for short periods to meet the working capital requirements of small scale industries, petty traders, artisans and craftsmen in
towards and cities. They also grant jewel loans to enable the members meet expenditure in social and religious functions. Employees Credit Societies extend financial assistance to the members consisting of salary earners and weaker sections of the society. Above all The Tamil Nadu State Co-operative Bank co-ordinates the co-operative lending activities in the state. A sketch about the working of all type of co-operative banks at the country level, state level and Salem District is given below.

2 PROGRESS OF CO-OPERATIVE BANKING IN INDIA

2.1 STATE CO-OPERATIVE BANK

The financial structure of the Co-operative movement in India has been federal in character from the very inception of the movement. This federal character was recommended as early as in 1914 by the Maclagan Committee. It was soon realised that just as the primary societies required a central agency for supplying their demands, so the central banks also required as apex agency to cater to their needs and control and co-ordinate their activities. The apex co-operative bank was therefore established at the provincial level with the chief object of co-ordinating the operations of central banks and linking the co-operatives credit organisation with the general money market and the Reserve Bank of India. They occupy a pivotal position in the three tier co-operative
structure in India. They are the chief agencies for financing the co-operative movement. They operate at the state level and are situated in the capital cities of the states. They assume a key role in the co-operative structure because it is only through them that the Reserve Bank provides finance to agriculturists. They are of significance not only for mobilising the financial resources needed by the movement but also for deploying them appropriately among the various sections of the movement.

2.1.1 EVOLUTION

In 1950-51, the position of the State Co-operative Banks were by and large, far from satisfactory. They required continuous re-organisation both financial and administrative. In order to improve their working, the Reserve Bank of India convened a conference in 1956. It was agreed that there should be only one apex bank in each state and no apex should serve more than one state. The conference also drew up a time schedule for the implementation of the scheme of division or amalgamation as the case may be. A scheme for amalgamation or division of these banks was drawn by Government of India and active steps are being taken by the state governments to implement it. In 1961-62, the branches of the apex banks served only as deposit collection centres. The Rural Credit Review Committee has recommended that in areas where a central co-operative bank is virtually in-operative and therefore unable to finance the agricultural credit societies affiliated to
it, the apex bank may establish a branch and finance the credit societies till the central bank is organised. Membership of these apex banks comprises central co-operative banks, primary co-operative societies and also all the district level co-operative societies. The individuals responsible for the promotion of the state co-operative banks were permitted to continue in the general body as well as in the board of these apex banks. These individuals began to dominate the affairs of these banks. The All India Rural Credit Survey Committee recommended the members of State Co-operative Banks should be open to all Central Banks and such other co-operative credit institutions having direct dealing with it.

2.1.2 FUNDS

The working capital of these banks consists of share capital, reserve fund, deposits from members and borrowings and the direct state contribution. They also receive surplus funds of affiliated District Central Co-operative Banks, short term loan, overdraft and cash credit from the State Bank of India and substantial part of funds from the Reserve Bank. The Reserve Bank of India's Rural Credit Survey Committee had recommended that the State Government should not hold less than 5% of the share capital of these apex banks. The Maclagan Committee tentatively recommended that State Co-operative Banks are required to keep liquid assets to cover half of the total fixed deposits falling due for repayment within four months, or one third if the apex banks maintained the liquid resources of all Central Banks. The importance
of owned funds is considerably great as they serve a margin of security for the creditors and as a caution against overdues. The Mehta Committee on Co-operation strongly urged the necessity of building up of a strong capital structure at the higher level. Rural Credit Survey Committee had recommended that agricultural credit stabilisation funds should be constituted by the Reserve Bank at the national level and in the co-operative credit institutions at different levels so that short term loans for agricultural purposes could be converted into medium term loans, if repayment became difficult on account of finance, drought etc. NABARD provides short term credit limits for seasonal agricultural operations to apex banks at $\frac{1}{4}$% below the Bank Rate. Credit limits to state co-operative banks for agricultural operations against government and other trustee securities, are sanctioned at 2% below the Bank Rate. NABARD provides credit for financing the production and marketing activities of weavers societies at $\frac{1}{4}$% below the Bank Rate. The limits sanctioned may be grouped (i) against government guarantee (ii) against security offered by co-operatives themselves, both on co-operative paper and trustee securities. Two important amendments to the Reserve Bank of India Act had considerable effect on the working of the apex banks sec 17(2)(a) places state co-operative bank on the same footing as the scheduled banks in respect of the purchases, sale or rediscount of bills of exchange and promissory notes arising out of bonafide commercial and trade
transactions and Sec 17(2) increases the maximum period for which accommodation could be made available by the bank for financing of seasonal agricultural operations and marketing of crops from 9 months to 15 months. These amendments have tended to increase the amount of borrowings from the Reserve Bank, thereby augmenting the total available co-operative short term credit to agriculture. Besides providing financial accommodation, NABARD is the banker to the State Co-operative Banks. These banks must maintain with the Reserve Bank of India cash balances representing a certain ratio of demand and time liability on par with any scheduled bank. Free remittance facilities are extended to the State Co-operative Banks and also the Central Co-operative Banks and treating them as branches of State Co-operative Banks.

2.1.3 LENDING

These Banks do not lend funds directly to the primary co-operative societies but lend funds to the central co-operative banks of the districts. In case a district had no central co-operative bank, it lends directly to primary societies in such a district. It has no power of supervision and control over the affiliated central co-operative banks excepting the conditions imposed by the Apex Bank, while granting loans. These state co-operative banks advance loans to the affiliated central co-operative banks and to primary societies through its branches. Rural Credit Survey Committee recommended that
the demand for agricultural credit should receive first priority; financing of trades, merchants and other individuals should be curtailed, if necessary by stages, but as speedly as possible and eventually given up. Loans to individuals should be given only to a very limited extent against their fixed deposits in the bank. The rate of interest charged by the State Co-operative Banks for short term agricultural purposes ranged between 7½ to 12%.

2.1.4 MANAGEMENT

The main authority of the State Co-operative Bank rests in the General Body. This body generally meets once a year and has three main items of business—receive and approve a report of the year's work, accompanied by a financial statement; decide how any surplus on the year's work shall be used and elect a Board of Directors. The general business of the apex bank is conducted by the Board of Directors. The constitution of the Board shows considerable variation in many states. Among the employees of the banks, the executive head, called the General Manager, occupies an important position. The Chief Executive Officer must be a good banker and must have an understanding of the co-operative methods and be able to maintain good relations with the members and the public. All India Rural Credit Committee 1969 has recommended that the Chief Executive Officer of the State Co-operative Banks should be carefully selected from the view point of the respon-
sibilities which will devolve on it in connection with the reorganisation of co-operative credit in the State. These Banks act as Bankers.—Bank to the central banks in the districts. They grant subsidies to the central banks for the development of co-operative activities. They act as an investment agency for the affiliated central banks. They attract funds for the movement at the lower rates and from a wider area than is possible for the central banks and invest the surplus funds of the central banks in the commercial markets. Like commercial banks, they conduct the usual banking functions for their customers.

2.1.5. PROGRESS

The number of the branches and share capital of the State Co-operative banks in our country were 14 and Rs.1.35 crores\(^1\) in the year 1950-51, increased to 27\(^2\) and Rs.21.26 crores\(^3\) in 1961-62 respectively. The membership of these banks consists of 12,666 co-operative societies and 8266 individuals. This increased to 21,515 societies and 7069 individual members during the period from 1950-51 to 1961-62\(^4\). The amount of working capital and the borrowings made by these banks from Reserve Bank of India increased from Rs.30.45 crores\(^5\) and Rs.5.4 crores\(^6\) in 1950-51 to Rs.221.65 crores and Rs.125.32 crores in 1960-61 respectively.\(^7\) During the same period the loans sanctioned and the outstanding loans
increased to Rs.256.29 crores and Rs.167 crores from Rs.42 crores and Rs.18 crores respectively. But the amount of owned funds has shown remarkable increase from Rs.2.36 crores to Rs.24 crores during the same period. The percentage of owned funds increased from 7.8% to 10.6% working capital. The overdues on the loans sanctioned was Rs.7 crores in 1960-61 as against Rs.2 crores in 1950-51.

The collection of deposits amounted to Rs.81.44 crores in 1961-62 increased to Rs.279 crores in 1970-71 and further Rs.835 crores in 1976-77. During the same period the amount of loans outstanding was recorded at Rs.196.51 crores, Rs.534 crores and Rs.1088 crores respectively. Loans were sanctioned to the tune of Rs.1962.31 crores in 1976-77 as against Rs.748 crores in 1970-71 more than doubled.

Working capital of the apex banks showed considerable increase at Rs.1525.39 crores in 1976-77 as against Rs.1186.53 crores in 1974-75 whereas borrowings made from the Reserve Bank decreased to Rs.375 crores from Rs.377 crores respectively during the same period. Due to the process of reorganisation and amalgamation, the number of apex banks increased to 26 only in 1978-79. But the number of the branches of the State Cooperative bank raised from 80 in 1961-62 to 277 in 1981-82.

The Working capital and deposits stood at Rs.9523.36 crores and Rs.5277.19 crores in 1989-90 as against Rs.5464.83 crores
and Rs.3380.99 crores in 1985-86 respectively. There has been a phenomenal increase in the amount of loans operation of this bank between 1985-86 to 1989-90. In this period the loans advanced increased from Rs.3788.26 crores to Rs.6062.12 crores registering a growth of 60%. The number of the branches including the head office increased to 493 in 1988-89 from 421 in 1985-86. The total number of membership consists of 13020 Co-operative societies and 17517 individuals in 1981-82 increased to 19935 co-operative societies and 38617 individuals in 1989-90. They have sanctioned loans and advances amounting to Rs.10266.8 crores as on 30th June 1990.

2.2 CENTRAL CO-OPERATIVE BANK

Central Co-operative Banks were established to cater to the financial needs of the primary co-operative credit societies. They were originally organised with societies and individuals as members. It was thought that association of individuals with the banks improves the banks' prestige for inspiring confidence in the minds of the investing public. It helps resource mobilisation and provides opportunity for selection of some eminent persons with expert knowledge of co-operation or banking as directors. The Co-operative Societies Act was amended in 1912 with a view to permitting registration of central societies. The first central bank was registered in Uttar Pradesh in 1906 as a primary society. In the modern sense, the first central co-operative bank was started
at Ajmer in 1910. The period from 1906-18 may be called the period of origin of the central banks in various parts of the country. It was suggested as back as in 1915 that these banks should become pure federal organisations gradually reducing the individual shareholders.

The central banks have passed through from several phases of expansion, setback, stagnation and revival from their inception to the dawn of planning era. In many parts of the country co-operative organisation was week and required considerable rationalisation at the time of launching the first five year plan. There was an excessive number of central banks and banking unions and so the average number of primary societies affiliated to each central bank was often to small to admit of adequate business. The capital structure of the central banks in large number of states was very weak. the percentage of overdues was light in many states. The average share capital per central bank was less than Rs.50000/- in 12 states. So the states began to follow the process of re-organisation and amalgamation of the central co-operative banks during I and II five year plan periods. They were reorganised through the process of amalgamation, following the policy of 'one central bank for one district'. However, it was agreed that more than one central bank in the same district may be allowed to continue, provided they are viable. A number of committees were organised to sugges the ways for strengthening the working of central banks.
In 1915, the Maclagan Committee classified the central co-operative banks according to their constitution. They were grouped as those with

(i) Membership of purely individuals
(ii) Membership of purely primary credit societies
(iii) Membership of individuals and the societies. This type is called as mixed type and majority of the central co-operative banks come under this category. It recommended elimination of individuals from the central banks to avoid domination, which is against the principles of co-operation; the size of the bank should be determined according to the convenience and efficiency.

In 1955-56, the Committee on Co-operation observed that the individuals need not be eliminated and their services should be utilised to gain confidence of the public. But the Mehta Committee on Co-operation Credit (1960) did not recommend any special attempts for enrolling more individual members. It also suggested that the primary credit societies should be required to contribute to the share capital of central co-operative bank at the rate of $1/20$ of their borrowings; central co-operative banks should assume the responsibility for supervision of primary societies in the context of expanding credit envisaged through the co-operatives; the central banks should be made eligible for the deposits of funds of quasi government institutions and they should make earnest efforts to secure such deposits.
The All India Rural Credit Survey Committee suggested that as the central financing agency at the headquarters, the central banks should have branches at some intermediate level between the villages and the district headquarters. They approved the admission of individual agriculturists as members and purely transitional arrangement pending establishment of co-operative societies in area concerned; prescribed the minimum requirements for viability of a central bank as a minimum of Rs.3 lakhs of share capital and reserves and working capital of Rs.20 to 25 lakhs.

The All India Credit Review Committee suggested that the Central Co-operative Banks may finance the non-defaulter members of the societies directly through its nearest branch; they should exercise the utmost vigilance to take all possible measures for avoiding book adjustments; recommended provisions disqualifying defaulters and representatives of defaulting societies from continuing on the board of directors should be incorporated in the Acts and Rules in the states; the central bank should anticipate its staff requirement and take steps in advance for recruitment and training.

Standing Advisory Committee on Agricultural Credit of Reserve Bank of India recommended one central co-operative bank for each district and if other central considerations were favourable, a bank may be started covering even lesser
than a district. It also prescribed a note for the adoption of uniform system of audit for central bank and was placed before the Auxiliary conference on Administration of the Indian Co-operative Congress and was accepted.

The share capital base was also strengthened by government contribution in large measures. In 1966, the Crop Loan system was introduced to rationalise the loaning policies of co-operatives at all levels and the central banks were entrusted with the responsibility of implementation of this system. In the seventies, the emphasis was on the rehabilitation of weak central banks, central banks ensuring financing of small farmers, their extensive branch expansion to attract deposits, diversification of their loaning business and re-organisation of primary agricultural credit societies into viable units. Activation of the working of the primary societies is the sole responsibility of the central banks. They are expected to discharge certain duties and leading role in the growth and development of the co-operative movement.

The number and membership of central co-operative banks increased from 223 and 1.22 lakhs in 1919-20 to 588 and 1.91 lakhs respectively in 1929-30. During the same period the total working capital increased to Rs.30.90 crores from Rs.6.43 crores. Due to the significant increase in the overdues of these banks, the membership of individuals declined
from 0.90 lakhs in 1929-30 to 0.85 lakhs in 1936-37 and the societies from 1.101 lakhs to 0.91 lakhs. The principle of one central bank for each district began to be followed in all the stages. So the number of central banks fell from 505 in 1950-51 to 380 in 1960-61 and further to 346 in 1965-66. But the amount of loans and advances issued by them increased from Rs.81.83 crores to Rs.354 crores and further to Rs.554 crores respectively during the same period. The membership and Working Capital increased from 2.07 lakhs and Rs.56.37 crores to 3.62 lakhs and Rs.583.52 crores respectively during the period from 1950-51 to 1965-66. The amount of overdues were only Rs.3 crores in 1950-51 rising to Rs.27 crores in 1960-61 registering a growth rate of nine times. In the same period the amount of loans and advances outstanding increased from Rs.34 crores to Rs.220 crores.

The membership of central co-operative banks consists of 2.35 lakhs societies and 0.76 lakhs individuals in 1969-70 declined to 2.30 lakhs societies and 0.68 lakhs individuals respectively in 1975-76. Because fresh admission of individual members has been stopped. The deposits of these banks stood at Rs.984.9 crores in 1976 as against Rs.110.6 crores in 1961 registering a growth of 7.9 times. The loans and advances outstanding and their overdues increased from Rs.813 crores and Rs.274 crores in 1970-71 to Rs.1628 crores and Rs.460 crores in 1975-76.
The working capital and the amount of loans and advances sanctioned increased to Rs.7926 crores and Rs.6476 crores in 1984-85 from Rs.2047 crores and Rs.1722 crores in 1975-76 respectively. During the same period the number of branches of co-operative banks increased from 344 to 350.

The amount of deposits and loans and advances outstanding stood at Rs.9338 crores and Rs.10685 crores as on 30th June 1990 as against Rs.4322 crores and Rs.5075 crores as on 30th June 1985. On 30th June 1990, there were 352 branches having the membership of 1.05 lakhs individuals and 2.64 lakhs societies with Rs.16766 crores as working capital.

2.3 PRIMARY AGRICULTURAL CO-OPERATIVE BANK

The organisation of Primary Agricultural Co-operative Societies dates back to 1904 when the first Co-operative Societies Act was passed. These societies were started with the object of providing cheap credit to the agriculturists. Formerly one society for one village was the usual rule and the minimum and the maximum membership was 10, and 100 respectively. The N.D.C. Resolution of 9th November 1958, laid down the pattern of organisation at the primary level, a society for each village. If the villages are small, two or more of them can, with the consent of the communities concerned, be combined together to form one society provided the population covered does not exceed 1000. The Committee on Co-operative Credit suggested that the maximum number of families
that should be covered by a primary credit society should be 600 families or about 3000 population. The All India Rural Credit Review Committee has recommended that an agricultural credit society may be permitted to cover a population of more than 300 and that, in fact, no limit be set in this regard. Membership is open to any person in the locality, provided his membership is approved by fellow members. While admitting a new person, his character regardless of caste and creed is taken into account. Thus people of varying status and standing are brought into close association with one another. This is supposed to foster the spirit of co-operation and mutual-help among members. Some protection is there in the societies against the untrustworthy individuals or wilful defaulters. In our country primary societies are classified into two types as limited liability primary societies and other with unlimited liability. The Maclagan Committee and the Agricultural Finance Sub Committee favoured unlimited liability of the primary agricultural societies. Saraiya Committee advocated that the unlimited liability has not been very helpful to the progress of the co-operative credit. In the words of the Report of the Co-operative Planning Committee, responsible persons were kept off the movement and also unlimited liability was largely illusory as long as there was no bar on the alienation of property by members. All India Rural Credit Review Committee has pointed out that unlimited liability operates as a constraint on the willingness of the society to liberalise its loan policies to admit new
members and to extend its area of operation. Rural Credit Survey Committee advocated the formation of large sized societies with limited liability. During the first three years of second five year plan, 8000 such societies were organised. But they were stopped from being organised further on the basis of N D C Resolution of November 1958. It said that co-operatives should be organised on the basis of the village community as the primary unit to develop co-operation as a people's movement. Now the trend seems to be towards the organisation of primary agricultural co-operative societies with limited liability or conversion of the existing unlimited liability societies into limited liability societies.

2.3.1 FUNDS

These societies have collected funds from two ways namely internal sources and external sources. The former includes the funds raised from the members of the societies namely share capital, entrance fees and reserve funds and deposits from members. The latter includes deposits from non members, loans from the co-operative central financing organisation and government. Share capital provides an important share of the working capital of these societies. The Committee on Co-operative Credit has suggested that the contribution to the share capital by the Government should range from Rs.1000 to Rs.10000 on a marketing basis. The contribution to be made by the Government to the share capital of
a society is ordinary limited to Rs.5000. In the case of very large villages and those selected for rapid increase in agricultural credit or in the case of backward areas, the Government contribution may go up to Rs.10000. The entrance fees provide only a very small proportion of the working capital and serve only to cover the preliminary expenses. The habit of thrift is encouraged in rural areas and deposits are properly mobilised for investment purposes by the primary societies. Depositors are naturally cautious about the manner in which the activities of the society are carried on. This would compel the society to act in a responsible way in the matters of giving loans to agriculturists and their repayment. The maximum power of borrowing of an unlimited liability society from the central co-operative bank is usually fixed at one eight of the total net assets of its members. In a limited liability society, the total outside borrowings including deposits are generally restricted to eight times the owned funds comprising paid up capital and the reserve fund.

2.3.2 LOANS

The Central Banking Committee recommended that the Central Co-operative Banks should give loans to primary agricultural societies to the extent of the reserve fund deposited by them with the banks, at concessional rates. The primary agricultural societies are required to carry over atleast
25% of their net profit to the reserve fund. This reserve fund may either be invested in the central bank or it may be used by the society itself for advancing loans to its members. Only members of a primary agricultural co-operative society can borrow from the society and the amount they can borrow is fixed as a definite proportion which is generally one-half of their individual assets. The actual loan given is within the limit fixed by the board of the co-operative society and depends upon the object for which the loan is taken as also the repaying capacity. In this book "Co-operative Finance" V.L. Mehta stated that the period of loan is determined mainly by the possibility of repayment out of the income derived from its use or the resulted savings and 18 months should be the maximum period for short term loans and 5 to 10 years for medium term loans. As regards medium term loans, the Committee on Co-operative Credit recommended that loans upto Rs.500 might be given on the basis of sureties and for loans exceeding Rs.1000/-, mortgage on land has been the desirable security. It recommended that short term loans should be advanced on the basis of sureties and repaying capacity of the borrowers. Sri V.L.Mehta suggested that the rate of interest on the loans charged should be the lowest possible, consistent with safety and allowing for management expenses and bad debt insurance. The Godgil Committee opined that where Co-operative societies lending rates were high, the
government should subsidise them. The rate of interest charged by primary agricultural co-operative societies to its borrowers vary generally from 8% to 9%.

In most parts of the country, landed property is commonly insisted upon as the security for co-operative production credit, though loans are also given on the security of moveable property and against the personal security of one or more members. Now the emphasis is being placed on the repaying capacity of the cultivators and the production proposed to be taken by them as the basis for credit. Loans for higher amounts need security in the form of mortgage of land. The working of the co-operative movement in India shows that punctuality in the repayment of loans has been conspicuous by its absence. The amount of overdues shows that all the five principles of co-operation have not been put into practice so that a very large percentage of loans remained as outstanding. Ineffective supervision over the utilisation of loan and lack of proper scrutiny of the objects of loans and the repaying capacity are some of the causes for the overdues.

2.3.3 MANAGEMENT

The management is vested in (a) General body - the supreme management of the society is entrusted with this and
consists all the members of the society; elects annually the
president or chairman and secretary and other members of
management who all work in an honorary capacity. (b) Managing
Committee consisting of 5 to 9 members. The office bearers
of a society consists of a President, a Secretary and a
Treasurer. Each member has only one vote for the purpose
of electing officials irrespective of the number of shares
the member holds. This ensures democratic management control
of the primary society. The president is normally the chairman
of all meetings of the society and its committees, and in
case of equality of votes, has a casting vote in addition
to his vote as a member. All the office bearers usually
render honorary service, except that an honorarium out of
profits may be paid to the president or the secretary in
certain cases.

These societies help in formulating and implementing
a plan for agricultural production for the village and under-
take such educative, advisory and welfare functions as the
members might be willing to take up. Committee on Co-operative
Credit 1963 recommended that these societies should associate
themselves with programmes of production; supervise use of
loans especially medium term loans; attract local savings
to the maximum possible extent not only for the share capital
but also as fixed deposits and lend adequately to all agricul-
tural producers. They also play in the distribution of agri-
cultural requisites and consumer articles like sugar, kerosene
etc., against cash or loans sanctioned to them after getting indents from its members or after assessing their established needs. All India Rural Credit Review Committee recommended that a reorganisation programme of primary agricultural societies should be undertaken with a view of making primary societies strong and viable units, through compulsory amalgamation of smaller and financially weaker primary societies. This programme was introduced by the Government and Reserve Bank of India to reorganise and revitalise the primary agricultural credit co-operative societies. The process of reorganisation of primary societies was completed in Kerala, Tamil Nadu and Orissa. So the number of societies had come down from 2.12 lakhs in 1960-61 to 0.92 lakhs in 1987-88. These co-operative societies cover almost the entire country. Membership is only 45% of the rural families; agriculturists and rural artisans constituted only 10% of the total membership. The weaker sections of the rural community are not still adequately represented in the membership roll.

2.3.4 PROGRESS

Primary Agricultural Co-operative Societies were started with the object of providing cheap credit to the agriculturists in order to free the poor from the clutches of the rapacious money-lenders. Till 1951-52, the money-lenders
were providing nearly 70% of the requirements of the farmers. The share of money-lenders in rural credit had come down to 49% in 1961-62 and 25% in 1981-82. Agricultural Co-operative Credit Societies provide about 33% of the requirements of the farmers in 1961-62 as against 3% in 1951-52. The number of societies increased from 119300 in 1948-49 to 237400 in 1961-62 registering a growth of 98.9%. The share capital of these societies has increased from Rs.761 lakhs in 1950-51 to Rs.6764 lakhs in 1961-62 and further to Rs.8015 lakhs in 1962-63. The percentage of overdues to loan outstandings increased from 22% in 1950-51 to 25% in 1955-56. The owned funds and borrowed capital in terms of percentage of working capital increased from 42% and 45% in 1950-51 to 27% and 67% in 1960-61 because these societies depend upon mostly external resources. At the end of 1962-63 the all India percentage of rural households covered was 30.6% as against 18.5% in 1957-58. Loans advanced by these societies has increased from Rs.2,290 lakhs in 1950-51 to Rs.22,831 lakhs in 1961-62 and further to Rs.25190 lakhs in 1962-63. Working Capital increased from Rs.40.96 crores in 1950-51 to Rs.79.10 crores in 1955-56 and further to Rs.273.92 crores in 1960-61 respectively. During the same period the average membership of agricultural credit societies was 45, 49 and 90 respectively in the years 1950-51, 1955-56 and 1960-61. The percentage of limited liability societies to total increased from 27 in 1950-51 to 41 in 1955-56 and further to 60 in 1960-61 respectively.
In 1976-77 the number of societies decreased to 1.23 lakhs with membership of 448.32 lakhs from 1.61 lakhs societies and 310 lakhs members from 1970-71. During the period the steps for reorganising and consolidating the primary agricultural societies were taken by the government. The share capital and the working capital increased from Rs.271.06 crores and Rs.1580.27 crores in 1973-74 to Rs.327.31 crores and Rs.1989.70 crores respectively in 1975-76. The percentage of overdues to loans outstandings increased from 29% in 1965-66 to 42% in 1973-74. The owned capital and borrowing capital in terms of percentage to working capital decreased from 27% and 67% in 1967-68 to 23% and 60% in 1973-74 respectively, because these societies depend mostly on borrowings from central agencies. In 1976-77, the co-operative credit societies covered 48% of rural population. Loans advanced by the societies increased to Rs.1202.68 crores in 1976-77 from Rs.900.68 crores in 1974-75. The average membership of agricultural societies increased to 227 in 1973-74 which was about 3 times the average of the year 1960-61. The percentage of limited liability societies to total increased from 70 in 1965-66 to 77 in 1973-74.

Till the year 1978-79, primary non-agricultural credit societies were also mentioned in the classification of primary co-operative banks. Therefore the data relating to primary co-operative banks showed a decline in the year 1979-80. In 1979-80, there were 1189 primary co-operative
banks with membership of 60.63 lakhs individuals but increased to 1321 and 111.11 lakhs in the year 1986-87. On 30th June 1990, therefore 1405 primary co-operative banks having the paid up capital and working capital of Rs.390.69 crores and Rs.10216.45 crores respectively. They have enrolled a membership of 134 lakhs individuals on the same date.

2.4 PRIMARY CO-OPERATIVE BANK

From 1979-80 these banks originated separately as a division from the primary non-agricultural credit societies. They are Urban Co-operative Banks and Employees Credit Societies. Among the Non-agricultural Credit Societies, Urban Co-operative Banks occupy an important place. They cater to the credit needs of people residing in urban areas. The area of an urban co-operative bank is usually restricted by its bye-laws to a municipal area or a town. Their membership is composed of persons living in urban areas, such as traders, merchants, salaried and professional classes. Its management vests in a board of directors, who are elected by the general body consisting of all the members. The final authority in all matters rests with the general body. Their sources of funds consist of their owned funds and borrowed funds. Owned funds consist of paid up share capital and accumulated reserves. Borrowed funds consists of deposits from members and non-members and borrowings from the co-operative banks. They grant cash credits to their members against the pledges of agricultural produce, industrial goods, gold. Government
securities or on the security of fixed deposits and insurance policies or on the surety of one or more members. They generally invest their surplus money in government and other trustee securities and fixed and other deposits with co-operative and other financing agencies. Like Commercial Banks, they provide all kinds of banking facilities to their customers.

There were 1331 primary Co-operative Urban Banks with a membership of 74.8 lakhs in 1984-85, increased to 1405 and 133.7 lakhs in 1990-91 respectively. The deposits and working capital increased to Rs.6431 crores and Rs.10217 crores from Rs.3255 crores and Rs.2380 crores respectively registering a growth of about 2 and 4 times. Besides, their total paidup capital and borrowings increased from Rs.142 crores and Rs.210 crores in 1984-85 to Rs.391 crores and Rs.499 crores in 1990-91 respectively.

Employees Credit Societies have been organised for different categories of workers. Even in the same undertaking there are credit societies for each department or section. The size of an employees co-operative credit society varies from state to state because it depends on the size of the institution whose employees it serves. The supreme control of the societies vests in the general body of the shareholders. For day to day management, there is a managing committee or a board of directors whose strength varies from 5 to 12 depending upon the total membership. The working capital of the
societies consists of owned funds and borrowings. Thrift Deposits are collected compulsorily from members at 5% of their basic pay. The amount can be utilised for the purposes provided for in the bye-laws by the members. Interest on thrift deposits has been permitted upto 12% per annum. They are educative in their operations as they inculcate in the minds of the members, the habit of thrift and saving. The loan amount available to a member is restricted to a certain multiple of the pay of him and the share capital contributed by him in subject to a ceiling. They also provide active leadership of the co-operative movement. As on 30th June 1982, there were 18072 Employees Credit Societies with a membership of 74.9 lakhs. Their owned funds, deposits and working capital amounted to Rs.318 crores, Rs.35 crores and Rs.922 crores respectively. During 1981-82, these societies advanced short term loans of Rs.268 crores and medium term loans of Rs.399 crores.

2.5 INDUSTRIAL CO-OPERATIVE BANK

The demand for the organisation of a separate central industrial co-operative banks grew partly out of lack of initiative or in some instances out of an apathetic or enlightened attitude, on the part of co-operative financing agencies and partly out of a sense of frustration in industrial co-operative societies arising from the fact that only a small
number of them could hope to state a claim on the resource of the central co-operative banks. The Standing Advisory Committee on Rural and Co-operative Credit constituted by the Reserve Bank of India has also stated that the organisation of new industrial co-operative banks would be justified if (1) The existing central co-operative banks were weak and unable to meet the credit needs of industrial co-operative societies in their area and (2) there was a sufficient number of industrial co-operative societies of varied character in the area. In regard to the industrial co-operative banks, the conditions to be satisfied by them to be eligible for sanction of credit limit from the Reserve Bank as well as for grant of licence were that (1) They should operate in continuous and compact areas. (2) Individual membership as well as financing was gradually reduced and that they dealt mainly with societies and (3) they did not undertake any non-banking business.

They have enrolled only the industrial societies in their concerned jurisdiction and completely neglected or excluded the admission of individuals in their banks as members. The amount of deposits mobilised by them increased tremendously in the past five years as they allow ½ more interest on their deposits than allowed by nationalised banks. Each state has an apex bank at the state head quarters and opened its branches in minimum number covering two or three districts. Their
priority goes to granting loans and advances to primary industrial co-operative societies. Recently orders were issued to include the individuals into the membership of these banks. They help industrial activity by financing large corporations and complement the services offered by other financial institutions. Loans and advances are granted only to individual members and member societies for such purpose only as may be specified from time to time by the Government or Reserve Bank. Any loan or advance granted to a member shall at no time exceed 20 times the paidup share capital of the member to his credit in the bank.

Clean Cash Credit is given for a period of six months to the societies newly formed without stock for guarantee purpose. Key loans are sanctioned seasonally to the societies to procure raw materials necessary for production in the year as a whole but available only in seasons. The time span between the sanctioning of the government loan and the delivery of the goods required for business purposes from the godowns of the traders, demands the societies to get Bridge loans from these banks for timely settlement. They also borrow loans from the State Bank of India and State Government. They also avail the refinance facilities for the loans sanctioned under the scheme of NABARD. They usually invest their funds in the securities of central and state government, and shares in co-operative institutions and in other trust securities. They also offer short term, medium term and long term
loans to the member societies. Cash credit and deposit loans are sanctioned to members.

There were 27 Industrial Co-operative Banks with a membership 25000 individuals in the year 1970-71 as against 29 banks and 20,000 individuals in 1965-66. In the same period they sanctioned loans for Rs.17.3 crores and Rs.14.7 crores registering a fall 15% where as the working capital increased from Rs.8.9 crores to Rs.18.7 crores respectively. The amount of overdues on loans sanctioned and their outstanding loans increased to Rs.3 crores and Rs.14 crores in 1970-71 from Rs.1.3 crores and Rs.7 crores respectively in 1965-66.

In 1984-85, the number of co-operative banks and membership stood at 7 and 23,000 as against 10 and 35,000 in 1975-76. During the same period the amount of loans sanctioned and their outstandings increased to Rs.62 crores and Rs.39 crores in 1984-85 as against Rs.21.4 crores and Rs.18 crores respectively in 1975-76. The working capital and the overdues on the loans sanctioned increased from Rs.19.6 crores and Rs.3.8 crores in 1975-76 to Rs.74 crores and Rs.9 crores in 1984-85 respectively.

In 1989-90, the membership of industrial co-operative banks increased to 79,000 from 22,000 in 1986-87, where as the deposits collected increased from Rs.63 crores to Rs.95 crores showing an increase of 49.2%. The working capital of the banks stood at Rs.133 crores in 1989-90 as against Rs.86 crores in 1986-87 registering a growth of
the amount of owned funds maintained by the banks increased from Rs.11 crores\textsuperscript{72} in 1984-85 to Rs.13 crores in 1986-87, registering an increase of 18\%. In 1986-87, these banks sanctioned loans for Rs.59 crores and their outstandings and overdues were recorded as Rs.49 crores and Rs.9 crores respectively.\textsuperscript{73}
2.6 LAND DEVELOPMENT BANK

Land Development Banks, formerly Land Mortgage Banks, were organised for the purpose of providing long term credit to farmers against the mortgage of land. They can be organised as a co-operative bank, commercial or quasi co-operative bank. In India, they are organised on co-operative basis. As individuals are also members of such banks, they are quasi co-operative in nature. The progress of land development banking has been very slow and also uneven. During the Great Depression, land development banking received some stimulus as agricultural prices fell considerably and the agriculturists needed assistance. But with the starting of Second World War in 1939, conditions changed. The agriculturists experienced a great measure of prosperity and were in a position to repay their debts to the land development banks. After Independence, land development banks have been enjoying a greater degree of prosperity, though confined to only a few States viz. Tamil Nadu, Andhra Pradesh and Karnataka. In India, the long term credit structure consists ordinarily of the State or central land development banks and primary land development banks. In some states, in the place of primary land development banks there are branches of central land development banks which act as agents for financing individual members. While the organisation of central land development banks is the same throughout the country except in Madhya Pradesh, the State Co-operative Bank functions as central land development bank through a separate land development banking department.
In some states like Jammu Kashmir and Uttar Pradesh, the structure is unitary i.e. there are apex land development banks which operate directly through their own branches at the district level.

They obtain funds from the share capital, reserves, deposits and issue of bonds or debentures. However the last is the most important source of funds. Debentures are long term loans which are issued by central land development banks, carrying fixed rate of interest. These debentures are guaranteed by state governments, in respect of payment of interest and repayment of principal. These debentures are subscribed by the central and state governments, commercial banks, Life Insurance Corporation of India and other land development banks as a measure of mutual support. Since they generally grant loans which run for several years, strict rules are laid down with regard to the security against which they can advance loans. Generally these banks restrict their loans to first mortgage of agricultural property, though in a few cases they may advance loans against the security of second mortgage as well. Again, they generally lend upto 50% of the value of land. In order to assess the value of land against which they lend, they employ persons with expert knowledge in the valuation of land and who were conversant with local conditions. While granting loans the banks consider not only the value of the security of land but also examine the repaying capacity of the applicants. They are able to lend at fairly low rates of interest and enable the needy farmers to secure funds for long periods. Since 1957, these
banks have been floating rural debentures for periods up to 7 years which are subscribed by farmers, panchayats and by the Reserve Bank of India. They meet the requirements of the farmers for development purposes viz. provision of equipment like pump-sets, tractors and machinery and improvement in the form of levelling, building, reclamation of land, fencing, sinking of new wells and repair of old wells. Loans are also granted on the security of mortgage of immovable property of the farmers. These banks have availed of the refinancing facilities provided by NABARD in respect of the term loans granted by them for the schemes of agricultural development. They also secure short term accommodation from the State Governments, Commercial Banks and State Co-operative Banks. Borrowers of these banks are required to subscribe to the share capital at an amount equal to 5% of the borrowings. At one time, the redemption of old debts was the most important and, in a sense, the only purpose for which the farmers approached the land development banks. In recent years, however, farmers have been borrowing from these banks mainly for the purpose of land improvement and development including sinking of wells (56 percent) and purchase of agricultural marketing (30 percent). In fact the Reserve Bank insists on land development banks issuing at least 90% of their total loans for productive purposes, of which 70% should be for easily identifiable purposes. Land development banks
failed to give enough attention to buildup the man power, capable of shouldering the increasing volume of business and to face the emerging challenges. So mounting overdues in the case of land development banks have crippled the structure badly in recent years. Overdues are rising continuously crossing the containable limit. In the nine year period, 1978-87 loans outstanding increased from Rs.1276 crores to Rs.2500 crores respectively for all types of land development banks in the country as a whole.  

Diversification of loans to certain non-traditional purpose of agricultural development and for non-land based investment activities has to take place with increasing pace if the land development banks have to expand their loaning business. For the success of their diversification, the banks have to change the traditional norms of landed security against loans, to the forms of securities like hypothecation of assets, charge on land, government guarantee, personal surety etc. provided investment proposals and otherwise viable.

In the past, the Indian peasant looked upon agriculture as a mode of living and not as an industry. However, this way of thinking is gradually but surely changing. Land is being looked upon as a national asset to be exploited in the best possible manner, so that land may yield the maximum of output and the nation may get the necessary amount of food
for its growing population and raw materials for its growing industries. There is a good scope for financing agro-processing industries and rural and cottage industries which have sofar remained outside the purview of land development banks operations. The Integrated Rural Development Programme now covers the entire country to improve the rural economy and institutional agencies including land development banks, are involved effectively to support various productive activities which besides supplementing the income of the people, result in increasing employment potential areas.

2.6.1 CENTRAL LAND DEVELOPMENT BANK

There were 16 Central land development banks in 1959-60 as against 5 in 1950-51. Membership of these banks consists of 698 primary land development banks and 2.74 lakhs individuals in 1960-61 as against 398 primary banks and 0.09 lakhs individuals in 1950-51. The working capital and paid up share capital of these banks increased from Rs.7.72 crores and Rs.0.31 crores to Rs.47.60 crores and Rs.4.33 crores respectively during the same period. They have advanced loans for Rs.1 crores in 1950-51. The amount increased to Rs.12 crores in 1960-61. They have issued debentures for a value of Rs.146.7 crores in 1973-74 as against Rs.10.62 crores in 1960-61. There was no increase in the number of Central land development banks between 1972 and 1982. 2706 primary banks and societies and 30 lakhs individuals constituted the membership of these banks in 1973-74 increased to
4372 societies and banks and 29.01 lakhs individuals in 1981-82 respectively. During the same period the amount of working capital increased from Rs.1368 crores to Rs.2749 crores registering an increase of Rs.1381 crores. They have sanctioned loans for Rs.249 crores in 1976-77 as against Rs.168 crores in 1972-72 registering a growth of 48.2%. The working capital of these banks increased from Rs.3360 crores in 1984-85 to Rs.4046 crores in 1986-87 and further to Rs.4793 crores in 1989-90. During the same period the membership of the individuals increased from 31.25 lakhs to 40.6 lakhs. Debenture Issue of these banks was recorded at Rs.428 crores in 1984-85 as against Rs.340.17 crores in 1981-82, registering a growth of 25.8%. Between 1975 and 1986, the volume of the loan operations increased two times. The total amount of loans advanced stood at Rs.205 crores in 1975-76 and increased to Rs.555 crores in 1986-87. At the same time the amount of overdues increased from Rs.64 crores to Rs.358 crores during the same period.

2.6.2 PRIMARY LAND DEVELOPMENT BANKS

Towards the middle of 1939, there were 226 land development banks with membership of 80,000 at primary level. Since then the number and membership of primary land development banks increased from 289 and 2.14 lakhs individuals in 1951-52 to 536 and 8.5 lakhs respectively in 1961-62. The amount of working capital and the volume of the loans issued
to the members increased to Rs.137 crores and Rs.41 crores in 1965-66 as against Rs.7 crores and Rs.1 crores in 1950-51 respectively. The outstanding loans and overdues on the loans sanctioned increased from Rs.25 crores and Rs.1 crores in 1960-61 to Rs.124 crores and Rs.4 crores in 1965 showing an increase of five and four-fold respectively. Between 1971-72 and 1975-76, the working capital and the number of branches increased from Rs.618 crores and 870 to Rs.704 crores and 890. During the same period the overdues on the loans sanctioned and the membership of these primary banks increased from Rs.18 crores and 39.06 lakhs to Rs.32 crores and 46.38 lakhs respectively. Loans and advances issued stood at Rs.113 crores in 1969-70 and increased to Rs.136 crores in 1975-76 where as loans outstanding were recorded at Rs.367 crores and Rs.577 crores during the same period respectively. 95 Share capital of these banks increased from Rs.0.52 crores in 1950-51 to Rs.1.97 crores in 1960-61 and further to 67.76 crores in 1976-77. 96 The number of branches and the membership stood at 899 and 82 lakhs in 1986-87 as against 880 and 70 lakhs in 1981-82 respectively. The amount of loans issued and their overdues increased from Rs.260 crores and Rs.105 crores in 1981-82 to Rs.348 crores and Rs.191 crores in 1986-87 recording a growth of 34% and 82% respectively. 99 The working capital increased from Rs.1361 crores in 1981-82 to Rs.2332 crores in 1986-87, registering a growth of 71.3%. 101
3 PROGRESS OF CO-OPERATIVE BANKING IN TAMIL NADU

3.1 TAMIL NADU STATE CO-OPERATIVE BANK

Tamil Nadu State Co-operative Bank formed in 1905, is the apex institution for all types of co-operatives in Tamil Nadu. It is catering to the needs of the public through its network of 38 branches situated in and around Madras City. It is formed by federating the District Central Co-operative Banks in the State. It acts as a clearing house for the capital pool and the resources and for canalising the surplus of one locality to meet the deficiency of another to the advantage of the State as a whole. The power of raising capital in the shape of receiving deposits and taking loans is regulated by the Co-operative laws of this State. It receives loans and advances from NABARD to grant short and medium term loans to agriculturists. It also finances the processing, storage, marketing and transportation and consumer activities within the State. It avails overdraft facilities from the State Bank of India against Government securities at a concessional rate of interest. It co-ordinates the working of co-operative, central and urban banks in our State in such matters as the borrowing and lending rates, the rates for collection of various documents, besides advising the banks generally in regard to the efficient conduct of their business.

The number of branches of the State Co-operative Banks and the amount of their share capital stood at 23 and Rs.4.49 crores in 1975-76 as against 13 and Rs.3.54 crores
1970-71 registering a growth of 84.6% and 26.8% respectively. During the same period this bank and its branches collected deposits amounting to Rs.15.74 crores in 1970-71 and Rs.39.88 crores in 1975-76 where as the working capital increased from Rs.42.62 crores to Rs.99.83 crores. They have maintained Agricultural Credit Stabilisation Fund amounting to Rs.2.51 crores in 1970-71. This amount increased to Rs.3.82 crores in 1975-76 and further to Rs.11.39 crores in 1980-81. They have granted loans and advances for Rs.35.29 crores, Rs.80.97 crores and further to Rs.109.73 crores during the same period respectively. The outstanding borrowings of the Bank increased from Rs.18.19 crores in 1970-71 to Rs.46.05 crores in 1975-76 and further to Rs.23.82 crores in 1980-81. The amount of share capital and the deposits collected by the Bank increased to Rs.5.45 crores and Rs.201.91 crores in 1985-86 from Rs.5.02 crores and Rs.170.57 crores in 1980-81 respectively registering a growth of 8.6% and 18.4%. The working capital of this Bank increased from Rs.228.29 crores in 1980-81 to Rs.403.47 crores in 1985-86 registering a growth of 76.7%. The number of branches and the amount maintained in Agricultural Credit Stabilisation Fund increased to 38 and Rs.23.16 crores in 1990-91 from 34 and Rs.16.50 crores in 1985-86 respectively. The advances and borrowings stood at Rs.794.51 crores and Rs.476.32 crores in 1990-91 as against Rs.322.58 crores and Rs.142.44 crores in 1985-86 registering a growth of 1.5 times and 2.4 times respectively. Investments
made by the Bank increased from Rs.62.16 crores in 1985-86 to Rs.134.56 crores in 1990-91, whereas reserve fund increased from Rs.14.52 crores to Rs.26.61 crores during the same period respectively. The number of employees of the bank increased from 291 in 1970-71 to 486 in 1981-82 and further to 762 in 1990-91. During 1989-90 the bank had paid dividend at the rate of 14% to the ordinary share holders as against 5% in 1970-71.

3.2 CENTRAL CO-OPERATIVE BANK

Central bank is very much needed to help the primary agricultural societies to meet their credit requirements of the rural masses. As the primary agricultural societies are not self reliant in financial resources, they are entirely depending upon the central bank. Besides primary co-operative societies are not equipped well to raise the resources by way of deposits. Central Co-operative Bank occupies a unique place in the three-tier credit system, providing a link between the lower and higher units. The problem of lower units are conveyed to the higher units and the solutions and suggestions offered by the higher units are transmitted to the lower units. These banks are stronger in terms of financial, organisational and managerial aspects. They employ the largest number of employees and command good respect in the money market. These banks are the organised units and have created stability and viability. The managerial competence attained by some of
the central banks is comparable to that of Commercial Banks. They have enough background and infrastructure to mobilise the needed resources. In the year 1968, the Santharam Committee appointed by the Government of Madras recommended that the individuals should be eliminated. Accordingly, no individual is admitted as member of the central Co-operative bank at present.

The average deposit per bank in Tamil Nadu on June 1970 was Rs.177 lakhs. It increased to Rs.250 lakhs in 1972. There were 474 branches of central co-operative banks functioning in Tamil Nadu in the year 1984-85. The number increased to 478 in 1985-86 covering 20 districts of the State. In the same period the share capital and deposits of these banks increased from Rs.40.95 crores and Rs.431 crores to Rs.45 crores and Rs.510 crores respectively. The loans and advances sanctioned stood at Rs.677 crores in 1986 as against Rs.572 crores in 1985 registering a growth rate of 18%. During the same period the total investment of the banks in government securities and other approved trust securities were Rs.143 crores and Rs.120 crores respectively registering a growth of 20%. The amount of borrowings of these banks as on 30th June 1986 was Rs.239 crores as against Rs.205 crores as on 30th June 1985. During this period, the working capital of the Central Banks has shown considerable increase from Rs.785 crores to Rs.918 crores. The proportion of share capital to working capital declined from 5.2% in 1984-85 to 4.9% in
1985-86. In the same period the deposits constituted 55% of the working capital in 1984-85 and 55.5% in 1985-86.

The number of branches of Co-operative Central banks in our State was 531 in 1987-88 as against 526 in 1986-87. In the same period the share capital and deposits increased to Rs.59 crores and Rs.698 crores from Rs.49 crores and Rs.604 crores registering a growth rate of 18% and 16% respectively. The average deposit per bank increased from Rs.91 lakhs in 1984-85 to Rs.115 lakhs in 1987-88. The amount of loans sanctioned and the outstanding borrowings increased from Rs.727 crores and Rs.228 crores in 1986-87 to Rs.959 crores and Rs.367 crores in 1987-88 registering a growth of 30.5% and 60% respectively. In the same period the total investments and the working capital increased from Rs.181 crores and Rs.1034 crores to Rs.204 crores and Rs.1297 crores respectively. The working capital recorded a growth of 25.5%. The share capital constituted 4.8% of the working capital in 1986-87. The percentage decreased to 4.5% in 1987-88. But the ratio of deposits to working capital marginally declined from 58.4% to 53.8% during the same period. There were 551 branches in 1989-90 as against 539 in 1988-89 with a remarkable increase of 12 branches in this state. The deposits increased from Rs.807 crores in 1988-89 to Rs.987 crores in 1989-90 registering a growth of 22.3%. The deposits have contributed 53% of the working capital and 54.5% in 1988-89 and 1989-90 respectively. The share capital and loans out-
standings increased from Rs.68 crores and Rs.1115 crores to Rs.78 crores and Rs.1330 crores during the same period respectively. In this period, the proportion of the share capital to working capital reduced from 4.5% to 4.3%. The working capital was recorded at Rs.1812 crores as on 30th June 1990 as against Rs.1519 crores as on 30th June 1989 respectively registering a growth of 19%. The borrowings more than doubled during this period because the amount increased from Rs.421 crores in 1988-89 to Rs.987 crores in 1989-90. The investments amounted to Rs.303 crores in 1989-90 as compared to Rs.239 crores in 1988-89 recording an increase of about 26%. As on 30th June 1990, there were 67.8 lakhs borrowers, consisting of accounting for 36 lakhs individuals and 31.81 lakhs societies for 53% and 47% respectively. In weaker sections, 26 lakhs individuals and 24 lakhs societies constituting 51% and 49% of the total borrowers, were benefitted by these central banks. Average deposit per bank increased from Rs.150 lakhs in 1988-89 to Rs.179 lakhs in 1989-90.

3.3 PRIMARY AGRICULTURAL CO-OPERATIVE BANK

The Primary Agricultural Co-operative Banks constitute the base for short term and medium term credit structure. They are providing short term credit for seasonal agricultural operations and medium term credit for undertaking subsidiary activities allied to agriculture. They are involving themselves in deposit mobilisation in a big way and diversifying their lending besides minimising dependence on funds from
higher financing agency. With a view to attract deposits from rural public, they have been permitted to offer interest at 1.5% more than that offered by commercial banks on similar deposits. They also undertake subsidiary occupation like sheep-breeding, dairying, poultry etc. Loans are advanced not only for the current cultivation and living expenses but also for occasional social expenditure. They have a prior claimment only to that of the government over other creditors of the members in the matters of enforcing the outstanding demands on their members for loans given to them by the banks. They are intended to promote the economic interests of their members in accordance with the co-operative principles and this aim is achieved by activities in different directions, promoting savings among members, providing loans to them, supplying them with agricultural requisites and domestic requirements and arranging for marketing agricultural produces.

In 1962-63, there has been a substantial increase in the number of villages and the proportion of rural population covered by the primary agricultural co-operative societies of Tamil Nadu. In that year, the average membership per co-operative agricultural credit society was 352 and the proportion of villages covered to the total was 100%. The percentage of coverage of rural households in Tamil Nadu was the highest in our country at 80.4% as against the whole country at 30.6%. During the same year, average share capital per member in Tamil Nadu was Rs.17 as against the whole country Rs.35.4.
In 1975-76, they have recorded notable progress because they have covered more than 50% of the rural population. In 1981-82, the proportion of rural population served by this Bank was 69% and the proportion of membership to cultivator households was more than 83%. We have the highest proportion of primary agricultural co-operative banks in our country in 1981-82. There are 4736 primary agricultural banks in 1981-82 as against 4785 in 1979-80 recording a fall of 39 banks, due to the compulsory amalgamation of smaller and financially weaker primary agricultural societies as per the recommendation made by the All India Credit Review Committee for reorganising them. As on 30th June 1991, Tamil Nadu has 4655 co-operative agricultural banks and they have sanctioned loans for Rs.312.21 crores as against Rs.205 crores in 1988-89. In 1990-91 only 3002 primary agricultural co-operative banks were engaged in sanctioning jewel loans amounted to Rs.91 crores.

3.4 PRIMARY CO-OPERATIVE BANK

Urban Co-operative Banks are truly democratic organisations managed by elected representatives from amongst the members, who are drawn from middle and lower classes. They do not depend upon higher financial agencies for their resources; but mobilise their own resources based on their owned funds and deposits mobilised by them. They are rightly described as "resources bank" and constitute a self reliant segment of the Co-operatives. In Tamil Nadu, Urban Co-operative Banks
were established and started functioning as early as 1905 and they are the oldest institutions among the co-operatives in our state. The Madras Central Urban Bank was the first bank registered on 19th October 1905 and after passing co-operative Act II of 1912, it got the legal status. Our state has 133 co-operative urban banks in 1990-91 as against 125 in 1988-89. During the same period their loans and advances increased from Rs.312.21 crores in 1988-89 to Rs.398.18 crores in 1990-91 registering a growth of 27.5%. Their deposits rose from Rs.315.68 crores to Rs.452.27 crores during the same period registering a growth of 43.3%. In our state, out of 133 Urban banks, only 101 urban banks are included in the State Drafts Scheme monitored by the Tamil Nadu State Co-operative Bank.

Employees Co-operative Credit Societies discharge the most useful service to the salaried classes in the State serving special attention. They encourage thrift, self-help and co-operation amongst the members and attract deposits from the members and non-members. They lend money to members at reasonable rate of interest and invest money or funds of the society not required for lending. Some societies carry on non-credit functions, such as running a consumer stores etc. Our state has 1632 societies mobilising deposits amounting to Rs.1946 crores and share capital Rs.76.86 crores as on 30th November 1991 respectively.
Tamil Nadu Industrial Co-operative Bank is the apex institution of the industrial co-operative credit structure in Tamil Nadu, having branches in 11 areas. It was actually a unit of Tamil Nadu State Co-operative bank till the year 1961. Mr. Venkataraman, the then Industrial Minister of Tamil Nadu was responsible for the separation of Apex Industrial co-operative bank from the State Co-operative Bank on 13th June 1961. It started functioning in 1962. Between 1962-75, the members of the State co-operative bank were eligible to get loan facilities from Industrial Co-operative Bank. In 1962, the number of individuals were 61. The number of individuals declined to 20 in 1975-76. Steps were taken by the industrial co-operative banks to minimise the number of individual members and gradually exclude them from the bank transactions. This was mainly due to the 16 defaulters out of 20 individuals put the banks in crisis and still their accounts are yet to be settled. Only industrial co-operative societies are eligible to become members of the Bank now. In 1976, Special Officer of the Tamil Nadu Industrial Co-operative Bank got orders from the Government prohibiting the admission of individuals as members. Now recently directives and instructions are given by the Government of State and Central to admit individuals as members. These proposals have not yet received due importance by the branches of industrial co-operative bank of Tamil Nadu. NABARD grants
small scale industries finance from Rs.35000/- to Rs.5 lakhs to the units started by the co-operatives from 1990 onwards. The loans sanctioned by the industrial co-operative banks would be covered by the refinance scheme of NABARD. It had stated two conditions that there should be only one bank for industrial co-operatives and loans to individuals should be excluded. On 14th June 1976, Tamil Nadu Government dissolved the Management Committee. From that onwards, Industrial Co-operative banks is managed and administered by a Special Officer appointed by the government of Tamil Nadu.

The Tamil Nadu Industrial Co-operative Bank gets cash credit from State Bank of India and Tamil Nadu State Co-operative Bank and loans from State Government and Reserve Bank of India and grants from NABARD for its various schemes in our State. They have mobilised a large amount of deposits from individuals and societies as they grant ¼% higher interest on all the deposits more than that given by nationalised banks. This Bank usually invests large amounts in the securities of central or state governments and small amounts in the share of co-operative institutions. They grant various types of loans and advances like the commercial banks in our country. But housing loans are given by this bank to its staff is a unique feature of the loaning system in Tamil Nadu.

In 1964-65, the share capital of the Tamil Nadu Industrial Co-operative Bank was Rs.25.45 lakhs contributed by Government of Tamil Nadu and individual members for Rs.12.80
lakhs and Rs.12.65 lakhs respectively. It has opened four branches and increased its share capital to Rs.52.04 lakhs in 1974-75. The amount of the reserve fund and deposits increased from Rs.0.34 lakhs and Rs.18.36 lakhs in 1964-65 to 6.16 lakhs and Rs.132 lakhs in 1974-75 respectively. During the same period they have sanctioned loans and advances for Rs.25 lakhs and Rs.202 lakhs and earned profit of Rs.1.4 lakhs and Rs.2.43 lakhs respectively. The amount of borrowings made by the bank and reserve for bad and doubtful debts stood at Rs.32 lakhs and Rs.10.07 lakhs in 1974-75 as against Rs.57 lakhs and Rs.3.54 lakhs in 1969-70 respectively. There were 506 members with paidup share capital of Rs.275.13 lakhs in 1986-87 as against 499 and Rs.206.46 lakhs in 1984-85 respectively. The investment of Government of Tamil Nadu in the share capital was Rs.118.30 lakhs and Rs.193.30 lakhs during the same period respectively. The amount standing to the credit of reserve fund in 1986-87 was Rs.51 lakhs as against Rs.35.48 lakhs in 1984-85. Deposits of this bank increased from Rs.323.28 lakhs in 1984-85 to Rs.442.17 lakhs in 1986-87. During the same period, borrowings declined from Rs.165.15 lakhs to Rs.25.54 lakhs. The Bank has earned a net profit of Rs.13.69 lakhs after providing a sum of Rs.63.94 lakhs towards reserve for bad debts in 1984-85. Net profit increased to Rs.44.90 lakhs and provision to Rs.102.09 lakhs in 1986-87. In 1986-87 this bank invested Rs.212.25 lakhs as against Rs.134.59 lakhs in 1984-85. The working capital increased
from Rs.913.47 lakhs to Rs.1040.48 lakhs during the same period registering a growth of 13.9%. The percentage of overdues to demand works out to 30.70% under principal and 19.72% under interest in 1986-87 as against 9.6% and 41% respectively in 1984-85. Between 1984-85 and 1986-87 the number of the branches increased from 5 to 7. A scheme for the benefit of weaker section such as Scheduled Castes and Scheduled Tribes was launched by this Bank on 30th June 1986. 14 Industrial co-operative operating under this scheme consisting of the members belonging to weaker sections of adidravidas, scheduled castes and scheduled tribes, received loans worth Rs.4.70 lakhs at concessional interest rates. 49 Industrial co-operative societies with outstanding loans of Rs.84.84 lakhs were dissolved in 1986-87 as against 34 and Rs.49.45 lakhs respectively in 1984-85. The outstanding loans granted to Auto-Rickshaw societies was Rs.84.32 lakhs in 1986-87 as against Rs.116.73 lakhs in 1984-85.

The amount of the share capital and working capital increased from Rs.308.36 lakhs and Rs.1265.81 lakhs in 1988-89 to Rs.326.81 lakhs and Rs.1668.73 lakhs in 1990-91 showing a growth of 6.07% and 31.8% respectively. The amount standing to the credit of Reserve fund showed a considerable increase from Rs.62.57 lakhs to Rs.89.84 lakhs in the same period. In 1988-89, the deposits and borrowings stood at Rs.754.95 lakhs and Rs.21.12 lakhs and increased to Rs.811.09 lakhs
and Rs.42.54 lakhs respectively in 1990-91. The net profit and the investments decreased from Rs.49.96 lakhs and Rs.628.53 lakhs in 1988-89 to Rs.23.84 lakhs and Rs.418.17 lakhs respectively in 1990-91. They have sanctioned loans and advances for Rs.1125.14 lakhs in 1990-91 as against Rs.734.96 lakhs in 1989-90 registering a growth of 53% whereas bad debts reserve rose from Rs.126.90 lakhs to Rs.207.21 lakhs during the same period. The percentage of overdues to demand works-out to 74.89% under principal and 14.46% under interest in 1990-91 as against 63.3% and 23.3% respectively in 1989-90. In 1989-90, the number of dissolved industrial co-operative societies was 93 and loans outstanding for them were recorded at Rs.148.19 lakhs as against 93 societies with Rs.147.8 lakhs respectively in 1990-91. As on 30-06-1991, NABARD granted funds to the tune of Rs.42.56 lakhs under refinance scheme to eight approved districts in Tamil Nadu for financing industrial co-operative societies located in them, the amount of loans outstanding sanctioned to the Auto Rickshaw societies increased from Rs.64.93 lakhs in 1989-90 to 88.75 lakhs in 1990-91.

3.6 TAMILNADU STATE CO-OPERATIVE LAND DEVELOPMENT BANK

The long term credit requirements of the agricultural sector in Tamil Nadu are met by another type of co-operative institution known as Land Development Banks. In our state, the structure of these banks is in a two-tier setup. At the
state level, there is a State co-operative Land Development Bank with its branches at the district level. There are Primary Land Development Banks at the taluk level. The apex bank raises their resources by floating debentures in the market. This Tamil Nadu State Co-operative Land Development Bank was started on 12th December 1929 at Madras. The head office and its branches sanction loans against the security of agricultural properties for agricultural operations and improvement of land. They are the Chief Financial Agency of primary land development banks operating in the concerned districts. They receive loans from NABARD at the interest rate of 6.5%. Their lending rate to primary banks in 7.5%, in turn the lending rate of the primaries to borrowers is 10%. The membership of this Bank consists of Tamil Nadu Government, 183 primary Co-operative Land Development Banks, Tamil Nadu Electricity Board, State Farm Corporation and 86 individuals totalling 272 in all. They also grant advances to the landless agricultural labourers under the guarantee of Tamil Nadu Government. In our State, there are 18 District branches of State Co-operative Land Development Bank and 181 Primary Land Development Banks. They grant loans to Integrated Rural Development Programme, Farm Mechanisation Schemes, Non Farm Activities, Farmers Forum, Rural Housing, Minor Irrigation Activities, and other developmental activities. The State Co-operative Land Development Bank of the South Arcot District stood first in collection of the advances granted and 15 branches of the apex bank collected more than 60% of their
dues in 1990-91. In March 1992, unlimited lending facility is sanctioned to 74 primary banks in our State by the apex bank. But 2311 borrowers sold their lands mortgaged with the development banks and their dues amounted to Rs.146.85 lakhs. There are 140 Farmers Forum functioning in our State.

The paidup share capital of State Co-operative Land Development Bank and its branches stood at Rs.2151.40 lakhs in 1988-89 as against Rs.715.06 lakhs in 1987-88. During the same period, the advances granted to primary banks and landless agricultural labourers declined to Rs.2749 lakhs and Rs.56.87 lakhs in 1988-89 from Rs.2886 lakhs and Rs.98.31 lakhs in 1987-88 registering a decrease of 4.7% and 42% respectively. The value of the debentures issued and the total value of debentures in circulation increased from Rs.1920.87 lakhs and Rs.12655.51 lakhs in 1987-88 to Rs.3210.44 lakhs and Rs.13049.45 lakhs in 1988-89 respectively. The total amount of overdues on the loans sanctioned and Agricultural Stabilisation Fund stood at Rs.6434.19 lakhs and Rs.767.18 lakhs in 1988-89 as against Rs.5238.09 lakhs and Rs.723.75 lakhs in 1987-88. They have maintained statutory and other reserves at Rs.5397.55 lakhs in 1987-88 and Rs.5601.93 lakhs in 1988-89. The percentage of overdues to demand on the loans sanctioned for the branches of State Land Development and primary Banks increased from 79.6% and 72.2% in 1987-88 to 83.3% and 78.3% respectively. These banks earned a profit of Rs.97.52 lakhs in 1987-88 and incurred loss of Rs.243.17 lakhs in 1988-89.
The paid up share capital and advances granted to primary banks increased from Rs.2186.46 lakhs and Rs.2743 lakhs in 1989-90 to 2207.17 lakhs and Rs.3004 lakhs in 1990-91 registering a growth of 0.9% and 9.5% respectively. The value of debentures issued and the total debentures in circulation, rose to Rs.2981.44 lakhs and Rs.15770.84 lakhs in 1990-91 from Rs.2523.27 lakhs and Rs.14206.32 lakhs in 1989-90 registering an increase 18.2% and 11% respectively. Advances granted to landless agricultural labourers and the amount of agricultural stabilisation fund increased from Rs.26.55 lakhs and Rs.801.70 lakhs in 1989-90 to Rs.51.06 lakhs and Rs.849.80 lakhs in 1990-91. The total overdues of these banks decreased from Rs.8760.78 lakhs in 1989-90 to Rs.6626.34 lakhs in 1990-91. In the same period the amount of statutory and other reserves declined from Rs.4621.95 lakhs to Rs.4426.30 lakhs respectively. At the State level, the percentage of overdues to demand stood at 64% in 1990-91 as against 80.9% in 1989-90 where as the percentage of overdues to demand at the primary level decreased to 54.8% from 88.1% respectively. These banks earned a profit of Rs.1062.08 lakhs in 1990-91 as against Rs.865.86 lakhs in 1989-90 registering a growth of 22.7%. The target for 1991-92 was fixed at Rs.3200 lakhs for the loans schemes undertaken by these banks, but the amount of loans sanctioned was Rs.2794.10 lakhs upto January 1992.
4 PROGRESS OF CO-OPERATIVE BANKING IN SALEM DISTRICT

4.1 PRIMARY AGRICULTURAL CO-OPERATIVE SOCIETY

The Primary Agricultural Co-operative Society is the basic unit of the co-operative credit organisation of the district. Because it is on the foundation of this, basic unit established at the village level that the entire foundation of the co-operative credit structure is erected, and secondly, because, it is this primary credit society which comes in direct contact with agriculturists giving them loans and collecting repayments of loans given. They have a restricted area of operation to ensure the co-operative safeguards of mutual supervision and watchfulness. Any ten persons can apply for the registration of an agricultural credit society. Collection of share capital from the members is a goodway of promoting a thrift among them. Deposits raised locally have always been considered as an ideal method for raising capital required by the co-operative societies. Loans are given not only for productive purposes but also for unproductive purposes in order to free the agriculturists from the clutches of money-lenders. At present, the agricultural credit societies advance 2 types of loans (1) Short term loans for a period of 12 months to meet the seasonal cultivation requirements of the agriculturists (2) Medium term loans' from one to three years for purchase of bullocks, pump sets and other improved agricultural implements. If there genuine reasons for non-payment of loans such as failures of crop or death
of cattle due to epidemic, the period of repayment is generally appropriately extended and no undue pressure is applied on the debtors to make repayment on time. The management of a primary credit society is democratic, being based on the principle of one man one vote. The main functions of credit societies are to provide short term and medium term credit, supply of agricultural and other requisites and the marketing of products. The society is also expected to inculcate the habits of thrift and savings amongst the members. They help in collecting rural savings for National Development. The Salem District has 375 primary agricultural co-operative banks in 1985-86. The number increased to 378 in 1987-88. These Banks increased their membership and share capital from 7.37 lakhs and Rs.852 lakhs in 1989-90 to 8.71 lakhs and Rs.1941 in 1990-91 respectively. During the same period the deposits and the borrowing capital increased from Rs.56 crores and Rs.156 crores to Rs.66 crores and Rs.178 crores respectively. They have sanctioned loans and advances for Rs.239 crores as on 30th June 1991.

4.2 PRIMARY CO-OPERATIVE BANK

Urban Co-operative Banks in the Salem District are catering to the economic needs of people of small means in the urban and semi-urban areas. There are 12 Urban banks functioning in the district of which some of them are having branches also. They are mainly concentrating on financing short term loans and term loan facilities to small traders.
businessmen, village artisan, self employed person etc. Jewel is the common asset among all sections of the people. They have mobilised deposits amounting to Rs.99.5 crores and sanctioned loans for Rs.81.6 crores in 1991-92 as against Rs.74.8 crores and Rs.60.3 crores in 1990-91 registering a growth of 33% and 35% respectively. On 30th June 1991, the urban banks in the district showed their membership at 3.82 lakhs, borrowings for Rs.931.96 lakhs and working capital Rs.8516.71 and share capital Rs.317.25 lakhs. They also borrowed Rs.115 lakhs from central bank for the purpose of issuing jewel loans to their customers.

This District has 122 Employees Credit Societies providing for the undertaking of welfare work for their members and the families of the members along with the sanctioning of loans at reasonable rates of interest. On June 1991, these 122 societies have a membership of 0.77 lakhs. Their deposits amounted to Rs.949.57 lakhs while their working capital was equal to Rs.262 crores. Their share capital was Rs.497.71 lakhs and the issued medium term loan amounting to Rs.4537.3 lakhs.

4.3 INDUSTRIAL CO-OPERATIVE BANK

Tamil Nadu Industrial Co-operative Bank opened its branch at Salem on 13th March 1987 to cater to the needs of industrial co-operative societies located in Salem, Periyar and Dharmapuri Districts. Its loan operations are confined only to cash credits to the industrial co-operatives in its
jurisdiction. It collects the term loans granted and inspects the working and repayment mode of the financial operations of the member societies. Industrial co-operative societies of Sago, Steel furniture, metals and coir received prime importance for loan transactions followed by auto and taxi finance. The amount of deposits of this bank increased tremendously as they allow $\frac{1}{4}$% higher interest on the deposits than that allowed by nationalised banks. For the societies constituted by weaker sections consisting of 51% membership from scheduled castes and scheduled tribes, the interest rate of the loans was charged at 8% only where as all the others are charged 19% p.a. This bank has received from the government the instructions to grant loan facilities to individuals, recently. But this branch has not yet commenced its financial operation for individual members. Loans sanctioned are confined only to industrial co-operatives. NABARD refinance facilities to the loans sanctioned to the industrial co-operative societies are not applicable to this district. Because Salem region covering Salem Periyar and Dharmapuri does not come under the eight selected districts selected for this scheme in Tamil Nadu.

This bank sanctioned cash credit and term loans to the tune of Rs.86.45 lakhs and Rs.6.17 lakhs in 1986-87 and increased to Rs.291.95 lakhs and Rs.89.99 lakhs respectively in 1987-88. During the same period the outstanding amount of term loans sanctioned to industrial co-operative societies increased from Rs.6.17 lakhs to Rs.88.02 lakhs whereas cash
credit outstanding stood at Rs.32.50 lakhs and Rs.146 lakhs respectively. In 1987-88, the term loans had overdues amounting to Rs.0.83 lakhs in principal and Rs.0.54 lakhs in interest. The deposits of this bank declined to Rs.23.58 lakhs in 1987-88 from Rs.38.98 lakhs in 1986-87 registering a fall of 40%. The number of industrial co-operative societies benefitted was 17 in 1986-87 increased to 19 in 1987-88.

Cash credit and term loans were sanctioned for Rs.449.10 lakhs and Rs.9.03 lakhs in 1989-90 as against 299.15 lakhs and Rs.9.03 lakhs in 1988-89 registering a growth of 50% only in cash credit. The outstanding amount of cash credits and term loans were at Rs.41.90 lakhs and Rs.6.12 lakhs in 1988-89 and increased to Rs.40.42 lakhs and Rs.7.64 lakhs in 1989-90 respectively. Overdues amounted for principal Rs.0.30 lakhs and interest Rs.0.13 lakhs in term loans sanctioned to 5 industrial co-operative societies in 1988-89 increased to Rs.0.70 lakhs and Rs.1.40 lakhs respectively in the year 1989-90. The Deposits increased from Rs.278.69 lakhs in 1988-89 to Rs.357 lakhs in 1989-90 registering a growth of 28.1%. Cash credits sanctioned and their outstandings amounted to Rs.4.55 lakhs and Rs.227.92 lakhs in 1991-92 as against Rs.4.30 lakhs and Rs.217.98 lakhs in 1990-91 respectively. During the same period the term loans sanctioned and their outstandings increased from Rs.5.52 lakhs and Rs.5 lakhs to Rs.8.60 lakhs and Rs.5.22 lakhs respectively.
4.4 LAND DEVELOPMENT BANK

Tamil Nadu State Co-operative Land Development Bank has a branch at Salem for the District. There are 13 primary land development banks associated with every taluk in this district. First primary land development bank was started on 14th June 1932 at Velur. The primary banks have covered 973 villages out of 1023 villages in the year 1990-91 and attempts are made to cover the remaining villages also soon. The Salem Primary Land Development Bank covers the maximum of 241 villages out of 273 villages followed by the other branches. The number of the borrowers covered by all the primary banks increased from 44 in the year 1986-87 to 47 in 1988-89 out of the total 70. The share capital of this bank stood at Rs.146.37 lakhs and Rs.154.82 lakhs during the same period respectively. The amount of the borrowings made by the primary banks from the State co-operative Land Development Bank under the normal scheme was Rs.560.80 lakhs in 1986-87 and Rs.499.30 lakhs in 1988-89. The working capital increased from Rs.1573.12 lakhs in 1986-87 to Rs.1882.98 lakhs in 1989-90, with a growth rate of 19.7% whereas owned funds from Rs.327.74 lakhs to Rs.339.06 lakhs during the same period. They have sanctioned loans under the normal scheme for Rs.26.76 lakhs out of the total Rs.181.85 lakhs in 1986-87 increased to Rs.180.90 lakhs out of Rs.190.32 lakhs respectively in 1988-89. The outstanding loans amounted to Rs.1512.09 lakhs
in 1988-89 as against Rs.1276.69 lakhs in 1986-87. This shows an increase of 18.5%. During the same period outstanding loans decreased to Rs.498.41 lakhs from Rs.547.51 lakhs. In 1986-87, the primary banks have invested in the shares of State Co-operative Land Development Bank and other co-operative institutions and the Government securities for Rs.73.81 lakhs and Rs.15.88 lakhs in 1986-87 increased to Rs.74.76 lakhs and Rs.19.36 lakhs respectively in 1988-89. Two branches of primary land development bank earned profit in 1986-87 reduced to Attur Branch only in 1988-89 on account of their overdues and failure to increase prospective borrowers.

The membership and the paidup share capital increased from 33071 and Rs.159.50 lakhs in 1989-90 to 61824 and Rs.165.62 lakhs in 1990-91. In the same period the working capital and the owned funds recorded at Rs.1981.63 lakhs and Rs.315.95 lakhs in 1990-91 and Rs.1852.19 lakhs and Rs.371.27 lakhs respectively in 1989-90. They have borrowed under Normal Scheme from State Land Development Bank Rs.436.10 lakhs in 1989-90. The amount declined to Rs.363.45 lakhs in 1990-91 registering a decrease of 16.7%. They have sanctioned loans for Normal Scheme to the tune of Rs.35.86 lakhs out of the total Rs.437.04 lakhs in 1990-91 as against Rs.21.27 lakhs out of Rs.245.70 lakhs in 1989-90. The loan outstanding stood at Rs.1676.36 lakhs in 1990-91 as against Rs.1622.24 lakhs
in 1989-90 registering a growth of 3.4%, out of which the normal schemes accounted for Rs.389.88 lakhs and Rs.363.82 lakhs respectively. These banks have invested in Government securities Rs.14.79 lakhs in 1989-90 and Rs.14.58 lakhs in 1990-91. Their investments in the shares of State Land Development Bank and other co-operative institutions were Rs.74.29 lakhs and Rs.70.75 lakhs respectively during the same period. The total number of members of the primary banks increased tremendously in the last 5 years, particularly from 70 in 1986-87 to 95,987 in 1990-91. In the same duration the amount of borrowings increased from Rs.1,391.60 lakhs to 1,730.63 lakhs for these banks. The Reserve fund showed a balance of Rs.55.84 lakhs in 1990-91 as against Rs.49.32 lakhs in 1986-87 registering a growth of 19.3%. All the primary land development banks in Salem District incurred only losses in 1990-91 except the Attur branch which requires some remedial steps for improvement. Under NABARD Scheme, 2,672 small farmers and 1,192 other farmers received loans as on 31 March 1991 whereas their loans outstanding stood at Rs.89.76 lakhs and Rs.40.45 lakhs respectively for them.
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