Financial institutions occupy a very important place in the national economy of any country today. Though themselves a product of industrial development and growth of trade, they provide a solid base for the development of industry, commerce and agriculture in modern times. They provide also an outlet for the short-term funds of commercial banks and facilitate the control of the central bank on the national economy. Due to its increased responsibilities, the dependence of the State on financial institution has very much increased. In fact, financial institutions have become an essential ingredient of the modern economic system and as much useful to the state as to private business. Keeping this fact in view, Government of India has taken active and keen interest in developing institutional infrastructure for providing finance to various sectors of economic activity.

There are various types of financial institutions in India which cater to the needs of different sectors of our economy. Of these, Co-operative and Commercial Banks are the two important segments engaged actively in providing financial assistance to general commercial and rural activities of the country.
Co-operative Banking which provides short-term and medium-term financial needs of trade and business is a subject that has assumed increased importance in India in recent years especially in rural areas. This is as it should be because nearly 68 per cent of the country's population lives in 5.67 lacs villages, and the contribution of agriculture to national income is about 45 per cent and, therefore, economic development and progress of India really means reconstruction and resurgence of the rural communities of the country. Co-operative Banking plays a pivotal role in the reconstruction and development of rural economy in particular and of the economy of the entire country in general.

When India achieved independence, commercial banks were operating under the control of private sector and they were primarily concerned with the needs of urban sector, providing short-term and medium-term loan for commercial and trading activities. During plan period, there has been a lot of change in there number, size, nature of work and area of operation. They made a phenomenal progress, especially after the nationalisation of the Imperial Bank of India in 1955, fourteen major commercial banks in 1969 and six commercial banks in 1980. Out of the 44,521 branches of commercial banks by the end of March 1984 nearly 55 per cent are in rural areas, and a large proportion of these is in hitherto unbanked area.
In this context, I thought it worthwhile to make a study of these two different sectors of banking and was prompted to undertake a research project on "A Comparative Study of the Working of Co-operative and Nationalised Financing Institutions of Aligarh District" for Ph.D. in the faculty of Commerce in Aligarh Muslim University under the supervision and guidance of Prof. Seminuddin.

Objects And Significance of The Study

The primary aim of the present Study is to assess the aggregate contribution of different types of financial intermediaries, and particularly of commercial and co-operative banks, in the vital process of economic growth in Aligarh District viz., in the mobilisation and promotion of savings, in meeting the credit needs of the different sectors of the economy, particularly the priority sectors, and in raising the overall levels of income, output and employment. In this context, we have not merely reviewed the overall growth and their quantitative performance but have evaluated critically their qualitative functional performance also. A study of the impact of the policy/structural/institutional changes introduced during the last fifteen years in the socio-economic fields. On the adaptability of banking and other financial institutions from the standpoint of growth requirements has also been made.
Scope of the Study

The scope of this Study is confined to the working of Aligarh Zila Sahakari Bank Limited, Aligarh (District Co-operative Bank) and Nationalised Commercial Banks of Aligarh District. However, Canara Bank will be the main theme of Study for the purpose of comparison, because the bank being a lead bank of the District, has been assigned a leading role in fulfilling the credit requirement of the district. It may be mentioned here that Aligarh district is located at the extreme northern part of Agra Division at a distance of 86 kilometers from Agra. For the purpose of Administration, the district has been divided into six Tehsils and seventeen blocks. The Tehsils are Koil, Khair, Iglas, Mathras, Sikandra Rao and Atrouli. The total number of villages in the district is 1769 of which 1717 are inhabited and the remaining 52 are uninhabited. The population of this district according to the census of 1931 is 25.64 lacs. Nearly 82 per cent of the total population of the district lives in rural areas and 68 per cent of the work force in the district is engaged in agricultural activities.

Period of the Study

This study covers the period of fifteen years beginning from 1969 to 1984. This period was selected obviously because it has been the period of rapid and allround development in the structure of Indian Banking. Two steps for major
nationalisation - one of fourteen banks in 1969 and the other of six banks in 1980 - were taken during this period. Efforts were also made to reorganise and strengthen the co-operative banking structure in the country during this period.

Methods of Approach and Data Collection Analysis

Various methods for data collection and analysis have been used for completing this Study. For collecting basic statistics, we have largely relied on various publications of the Reserve Bank of India and several other financial institutions, government/semi-government agencies and the research output of individual researchers connected with different segments of our Study. The annual, monthly and several ad hoc publications of the Reserve Bank of India as well as the Annual Reports, Surveys, Brochures, Special Notes, Conference Papers, etc., supplied by various commercial banks and district co-operative bank functioning in sectors such as, industry, agriculture, priority sector and differential interest rate scheme were used. Intensive use was made of the Report of the Canara Bank and District Co-operative Bank Aligarh. Information which was not available in such publications was collected by means of personal visits.

The researcher held valuable discussions bearing on important problems and issues with different senior executives of banks and financial institutions. He had also the rare
privilege of either exchanging views with some of the top ranking academic-economists or drawing direct impetus and inspiration from the learned articles and books of some of them.

To complete this study a few local banks were surveyed with a view to assessing the impact of Social Control and of lead bank scheme and the findings were based on the research papers which have since been published in some reputed magazines and periodicals, notable among which are the Southern Economist, the Banker, the Yojna, the Financial Express, The Economic Times. Important conclusions drawn from these studies have been incorporated in the thesis at appropriate places.

It would not be out of place to mention here that I could not rely much on primary studies for two reasons. Firstly, the coverage of such field studies open to an individual researcher is always limited. Secondly, the usefulness of the scanty primary data thus collected is necessarily limited.

**CONTENTS**

The present work has been divided into six Chapters. The first Chapter introduces the subject—matter of the Study by examining the theoretical relationship between different financial institutions. While bringing out this relationship, the various stages connected with the functional links of financial institutions associated with such a process have been explained. The Chapter also includes a brief discussion of the
history of growth and the structure of financial institutions in India.

The Second Chapter is devoted to a discussion of co-operative banking in India. It gives the history of co-operative banking since the first Act was passed in 1904 to the developments upto the end of the sixth five year plan. The structure of co-operative banking in India and the principles of co-operation have also been discussed in this chapter.

The role played by the Reserve Bank of India, State Bank of India and twenty nationalised commercial banks in our country's progress forms the theme of the third Chapter. Their contribution to the economic growth of our country has been critically examined in the light of their regulatory and promotional responsibilities.

A micro-assessment of the role of Aligarh Zila Sahakari Bank Limited, Aligarh is presented in the fourth Chapter. The role of this bank has been found equally important so far as its contribution to the mobilisation of savings and meeting of the credit needs of certain sectors of our economy is concerned. In view of its increasing importance, several workable suggestions have also been offered.

The next Chapter examines the activities of Canara Bank and of other nationalised and non-nationalised banks of Aligarh District. An integrated view of the total credit
supplied to the strategic growth sectors of the economy, namely, agriculture, industries, priority sector and differential interest rate scheme has been presented in this Chapter along with comparative tables.

The major findings and recommendations emerging from this Study are summarised in the concluding Chapter.

It is hoped that the conclusions will prove beneficial to the successful and purposeful working of these two important sectors of banking in Aligarh district.