CHAPTER – I

INTRODUCTION

A Co-operative organisation is a form of economic organisation, in which persons wilfully and voluntarily pool their resources on the basis of equality of advancement of their economic interests. The user-owners are known as members. They derive two kinds of benefit from the Co-operative. First, the members can receive more and better service from Co-operatives, if they use it more. Second, profits are distributed to the members. It functions on the basis of certain conditions or principles, which the participants agree to observe. Some definitions given by prominent Co-operative leaders all over the world have been quoted below:

According to International Co-operative Alliance, "a Co-operative is an autonomous association of persons united voluntarily to meet their common, economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise"\(^1\)

According to the Co-operative Planning Committee (1946), "Co-operation is the form of organisation, in which persons voluntarily associate together on the basis of equality for the promotion of their economic interests"\(^2\). Those, who come together have a common economic aim, which they cannot achieve by individual, isolated action because of the weakness of the economic

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condition of a large majority of them. This element of individual weakness is
overcome by the pooling of their resources by making self-help effective
through mutual aid and by strengthening the bonds of moral solidarity between
them.

Dr. R. Philipss: “The Co-operative Association is an association of
firms or households for business purposes, an economic institution, through
which economic activity is conducted to achieve the economic objectives”

From the above definitions, it can be said that, there is no common
definition for the “Co-operative”. The fact is that, Co-operatives in their nature
are neither capitalistic nor socialistic, but are neutral between the two and their
main aim is to further the economic interest of its members. It can serve various
aims and cater to the needs of politically, socially and religiously divergent
people at one and the same time.

PRINCIPLES OF CO-OPERATIVE

Co-operative principles are concrete realities and not mere abstractions.
They are just a code of conduct for a Co-operative organization, the practice of
which may change according to the local conditions. Broadly speaking, there
have been three types of Co-operative systems, which are based more or less on
the same principles, but which differ from each other in the mode of operation.
These three systems are the Rockdale system, the Raiffeisen system and the
Schulze- Delitzsch system, concerned with the consumers, farmers and the

traders respectively. Principles laid down by Rockdale pioneers have been commonly adopted all over the world. They are democratic control, open membership, limited interest on capital, patronage dividend, cash trading, political and religious neutrality and promotion of education. With the spread of Co-operative Movement the need was felt for adopting new procedures in the Co-operative sector. Consequently, international Co-operative alliance provided the following principles

**Voluntary & Open Membership:** Co-operation is a voluntary association. There is no insistence at all either to fall in or to fall out. No one is compelled to join nor its membership closed afterwards. It also allows full freedom to leave the institution.

**Self help and Mutual help:** It implies that the members work for mutual benefit. The benefit arising out of the collective effort is available to all members. “Each for all and all for each” is the motto of Co-operative activities.

**Democratic Control:** According to this principle, every member needs to be treated equally ad every member has equal voting rights. The differences of wealth, caste, colour, or creed do not affect the status of individual members.

**Limited Interest on Capital and Patronage Rebate:** According to this principle, the excess income earned is divided between the allocations made to the reserve fund and distribution made to the members, which is limited from four to eight percent from country to country.
**Political and Religious Neutrality:** According to this principle, Co-operative Society keeps itself aloof from all racial religious and political controversies and partition attitudes/unity is considered to be the fundamental force behind the Co-operative organization.

**Principle of Publicity:** The Co-operative organizations do not believe in maintaining secrecy about its working and progress. It lays open before the public all the facts.

After discussing the definition and the principles of Co-operatives, efforts are taken to trace the history of Co-operative Movement from International, National and Religious perspectives.

**Co-operative Movement – An International Perspective**

Though Co-operation has been an essence of human society ever since it evolved, the real Co-operative Movement can be credited to the Rochdale Pioneers. They made their first aim to establish Co-operatives, where the members would not only be their own merchants but also their own producers and their own employees. They had established the first Co-operative Consumer Store in North England. Thereafter many great thinkers, far-sighted men and visionaries were applying this concept to find practical solutions to the new problems and to work out better systems of social organisation and as a result of it, the concept was growing slowly.
Co-operative Movement – National Perspective

In India, the Co-operative Movement was initiated by the Government. This section provides a brief review of the evolution of Co-operatives in general, and of Credit Co-operatives in particular, over the past century. The Co-operative Movement in India owes its origin to agriculture and allied sectors. It was basically organised against the exploitation of unscrupulous money-lenders to liberate the farming community from the web of poverty and indebtedness. Initially, the Government of India took a number of measures to develop the conditions of the farming sector and to check the growing influence of the money-lenders, but success could not be achieved. Immediately at that juncture, the Co-operative Movement had become well recognised in Europe and gained significant success. Influenced by the Co-operative Movement and realizing its need for liberating the Indian farmers from the overwhelming burden of debt and the domination of money-lenders, the Indian officials conceived the idea of promoting Credit Co-operatives in the country in 1892. And as such, the Madras Government promoted Co-operative Credit Societies in the light of Raiffeisen model credit societies on the basis of recommendation of Sir Fredrick Nicholson with the remark “find Raiffeisen” in 1899. Accordingly, the passage of the Co-operative Credit Societies Act in 1904 and the enactment of a more comprehensive Co-operative Societies Act in 1912 marked the beginning of a Government policy of active encouragement and promotion of Co-operatives. As the next step, the researcher discusses the history of Co-operative Movement at the regional level in the ensuing paragraph.
Co-operative Movement – Regional (Tamil Nadu) Perspective

The Co-operative Movement in Tamil Nadu has over the decades witnessed substantial growth in diverse areas. Opening of a village Co-operative Credit Society in Thiroor in Thiruvallore District in 1904 marked the advent of the Co-operative Movement in Tamil Nadu ushering in a new era of services for the people of the state, particularly the agriculturist families. Co-operatives are also envisaged as an instrument for implementing many important policies like urban credit, market intervention, price support for agricultural commodities through public distribution system etc.,

The history of many Co-operative banks can be traced to the financial exclusion faced by many sections of the population in the 19th century. With the industrial revolution in full swing, the emerging financial service sector was primarily focused on wealthy individuals and large enterprises found in urban areas. The rural population in particular, farmers, small businesses and the communities they supported, were effectively excluded from financial services.

Co-operative Banks proved the ideal solution to correct this market failure. Founded in the local areas under the principles of solidarity and democracy, these institutions were specifically created to fill the vacuum and provide financial services to the population that had no banking services. The first Co-operative was formed in 1872 as the loan and deposit department of Manchester’s Co-operative Wholesale, becoming the Co-operative Wholesale Society (CWS) Bank, four years later. However, only in 1975, the bank became the first new member of the committee of London clearing banks for 40 years and thus able to issue its own cheques.
Co-operative banks – National and Regional perspective

In the early 19th century, the accessibility of credit in India, more particularly in rural areas was not in existence. There was no organised institutional credit for agricultural and related activities. People in the rural areas largely depended on moneylenders, who lent money at very high rates of interest. Thus, with the aim of providing an alternative to exploitation by moneylenders, the first known Co-operative Bank Ltd in India namely ‘AnyonyaSahakariMandali’ was established in the city of Vadodara (formerly known as Baroda) in Gujarat in 1889. However, the real impetus to the Co-operative Bank Movement was given only by the enactment of Co-operative Credit Societies Act, 1904. The first Town Co-operative Bank (PeriyaKancheepuram Town Co-operative Bank) was established in Kancheepuram in Tamil Nadu in the year 1904.

Significance of Co-operatives

Economic development involves not nearly economic change but also social and institutional changes. It fulfils the aspirations of the people as well as national objectives. For more than a decade, the development process has been associated with the challenges of persistent poverty, unemployment, degradation, paucity of natural resources and so on. In recent years, economic development has also been linked with social progress. Accelerated economic growth brings with it social progress that is, increase in mass well-being, expansion of employment and reduction in income disparities.
The Indian Constitution, which came into force in January 1950, set forth the following directive principles of state policy.

The state shall try to promote the welfare of the people by securing and protecting as effectively as it may be possible as a social order, in which justice, social, economic and political shall inform all the institutions of national life. Further that, the state in particular directs its policy towards the citizens; men and women equally have the right to an adequate means of livelihood; the ownership and control of material resources of the community are so distributed as best to sub-serve the common food and the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

In pursuance of these directive principles, the Planning Commission had drawn up so far nine five year plans from 1951-56 to 1997-2002. All the nine Five Year Plans emphasised

- An increase in the standard of living of the people through increased production

- Achieving self-sufficiency in food grains through an increase in agricultural production

- A large expansion of employment opportunities

- Ensuring social justice to weaker sections and preventing concentration of economic power
• The removal of poverty

• The promotion of efficiency in the use of resources and improved productivity

• Alleviation of poverty and a reduction in inter-class, inter-regional and rural-urban disparities and

• Attainment of self-sufficiency in food, education, health, nutrition, sanitation and housing.

Co-operative sector plays a very important role in fulfilling the directive principles and the objectives of Five Year Plans. The Co-operative sector seeks to remedy the economic inequality and evils of concentration of income and wealth and thereby to prevent the exploitation of the weaker sections by the stronger.

Co-operation is a noble ideology and it aims at establishing a just civilised society. It lays the road to peace and abundance of wealth, both material and moral for all the citizens.

The Co-operative policy evolved by former Indian Prime Minister P.V.NarasimhaRao, envisages that, the Co-operative should be promoted as instruments to harness and develop peoples’ creative power, for decentralized economic development in order to maximise the productivity. The Co-operatives should also be encouraged to grow as self-reliant grass roots of democracy institutions, owned, managed and controlled by members for their
economic and social betterment. The Co-operatives should give preference to agro-processing, cottage industries, marketing and exports of agricultural commodities to emerge as principal sources of income for the small scale industry, retail distribution, housing and so on. Since Independence, the Co-operative sector has made progress especially in the fields of agricultural produce, supply of farm inputs and distribution of consumer goods.

The contribution of agriculture to gross domestic product during the fifties was over 50 per cent and the share in employment was more than 70 per cent. But, this contribution had been declining steadily from 38 per cent in 1980 to 29 per cent in 1995. At the same time, contribution of the industrial sector had increased from 26 to 29 per cent and service sector had increased from 36 to 42 per cent. Still, 64 per cent of the population continue to depend on agriculture. The Banking system must respond quickly and appropriately to the credit and promotional needs of the farmers, rural artisans, women and other segments of the rural poor.

The Banking system in India governs the savings of the people and makes them available for the development of rural sector. The banking system in Germany and Japan has close links with industrial and agricultural sectors, which is an important element in the rapid development of these countries.

Co-operative Banking System in India

The whole banking system in India is controlled by the Reserve Bank of India. In the banking system, there are 20 nationalised commercial banks, 8
belonging to the State Bank group, a vast net work of Co-operative banks at State, District and Block levels and various development banks, in addition to private banks.

A co-operative bank is a financial entity which belongs to its members, who are at the same time owners and customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community share a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts etc.). Co-operative banks differ from stockholder banks by their organization, their goals, their values and their governance. In most countries, they are supervised and controlled by banking authorities and have to respect prudential banking regulations, which put them at a level playing field with stockholder banks. This control and supervision can be implemented directly by state entities or delegated to a co-operative federation or central body. Co-operative banking institutions take deposits and lend money in most parts of the world. Co-operative banking, includes retail banking, as carried out by credit unions, mutual savings and loan associations, building societies and co-operatives, as well as commercial banking services provided by manual organizations (such as co-operative federations) to co-operative businesses. The structure of commercial banking is of branch-banking type; while the co-operative banking structure is a three tier federal one.
o A State Co-operative Bank works at the apex level (ie. works at state level).

o The Central Co-operative Bank works at the Intermediate Level.
   (ie. District Co-operative Banks Ltd. work at district level)

o Primary co-operative credit societies at base level (at village level).

o Even if co-operative banks organizational rules can vary according to their respective national legislations, co-operative banks share common features as follows:

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

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

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

Co-operative banks are deeply rooted inside local areas and communities. They are involved in local development and contribute to the sustainable development of their communities, as their members and management board usually belong to the communities in which they exercise their activities. By increasing banking access in areas or markets where other banks are not present, co-operative banks reduce banking exclusion and foster the economic ability of millions of people. They play an influential role in the economic growth and increase the efficiency of the international financial system. Their specific form of enterprise, relying on the above-mentioned principles of organization, has proved successful both in developed and developing countries.

**History of co-operative banks in India**

The history of cooperative banks goes back to the year 1904. In 1904, the Co-operative Credit Society Act was enacted to encourage co-operative movement in India. But the development of cooperative banks from 1904 to 1951 was the most disappointing one. The first phase of co-operative bank development was the formation and regulation of cooperative society. The constitutional reforms which led to the passing of the Government of India Act in 1919 transferred the subject of “Cooperation” from Government of India to
the Provincial Governments. The Government of Bombay passed the first State Cooperative Societies Act in 1925 "which not only gave the movement, its size and shape but was a pacesetter of co-operative activities. The Act stressed the basic concept of thrift, self help and mutual aid." This marked the beginning of the second phase in the history of Co-operative Credit Institutions.

There was the general realization that urban banks have an important role to play in economic construction. This was asserted by a host of committees. The Indian Central Banking Enquiry Committee (1931) felt that urban banks have a duty to help the small business and middle class people. The Mehta-Bhansali Committee (1939) recommended that those societies which had fulfilled the criteria of banking should be allowed to work as banks and recommended an Association for these banks. The Co-operative Planning Committee (1946) went on record to say that urban banks have been the best agencies for small people in whom Joint Stock Banks are not generally interested. The Rural Banking Enquiry Committee (1950), impressed by the low cost of establishment and operations recommended the establishment of such banks even in places smaller than taluk towns. The real development of co-operative banks took place only after the recommendations of All India Rural Credit Survey Committee (AIRCSC), which were made with the view to expediting fasten the growth of co-operative banks.
Types of Co-operative Banks

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

Primary Co-operative Credit Society

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

Central Co-operative Banks

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

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

**Land Development Banks**

The Land Development banks are organized in three tiers namely; state, central, and primary levels they meet the long-term credit requirements of the farmers for developmental purposes. The State Land Development Banks oversee the primary land development banks situated in the districts and tehsil areas in the state. They are governed both by the state government and Reserve Bank of India. Recently, the supervision of land development banks has been assumed by National Bank for Agriculture and Rural development (NABARD). The sources of funds for these banks are the debentures subscribed by both central and state governments. These banks do not accept deposits from the general public.\(^4\)

**Urban Co-operative Banks**

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-

\(^4\) [http://www.nabard.org/introduction.asp](http://www.nabard.org/introduction.asp)
agricultural purposes. But does it not hold today. These banks were traditionally centered on communities, localities, work place groups. They originally lent to small borrowers and businesses. Today, their scope of operations has widened considerably. The origins of the urban co-operative banking movement in India can be traced to the close end of nineteenth century. Inspired by the success of the experiments related to the cooperative movement in Britain and Germany, similar societies were set up in India. Cooperatives represented a new and alternative approach to organization as against proprietary firms, partnership firms and joint stock companies, which represent the dominant form of commercial organization. The Co-operative Banks mainly rely upon deposits from members and non-members and in case of need, they get finance from either the district central co-operative bank to which they are affiliated or from the apex co-operative bank if they work in big cities where the apex bank has its Head Office. They provide credit to small scale industrialists, salaried employees, and other urban and semi-urban residents.5

**Functions of co-operative banks**

Co-operative banks also perform the basic functions of banking, but they differ from commercial banks in the following respects6

- Commercial banks are joint-stock companies under the Companies’ Act of 1956, or public sector bank under a separate act of a parliament whereas co-operative banks were established under the Co-operative Society’s Acts of different states.

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- Commercial bank structure is branch banking structure, whereas co-operative banks have a three tier setup, with state co-operative bank at apex level, central / district co-operative bank at district level, and primary co-operative societies at rural level.

- Only some of the sections of the Banking Regulation Act of 1949 (fully applicable to commercial banks), are applicable to co-operative banks, resulting only in partial control by RBI of co-operative banks and Co-operative banks function on the principle of cooperation and not entirely on commercial parameters.

**Structure of Co-operative Banks**

India's Co-operative banking structure consists of two main segments, namely, agricultural and non-agricultural credit. There are two different structures in the case of agricultural credit- one for short and medium term credit and the other for long term credit. The Co-operative Credit structure for short and medium terms is a three tier one with primary agricultural credit societies at the base level, the Central Co-operative bank at the District level, and State Co-operative bank at the Apex level. Though the primary objective of the bank is to perform the agricultural banking services only, it performs even the non-agricultural banking services also.

Though the researcher has undertaken his study only in Tamil Nadu State Apex Co-operative Bank, he has made an attempt to present the review of literatures relevant to all kinds of Co-operative banks in India.
This chapter is classified into 4 categories: Central Co-operative banks, State Apex Co-operative banks, other kinds of Co-operative banks and Customer Relationship Management, as the researcher has made an attempt to study the CRM in the Tamil Nadu State Apex Co-operative banks in Chennai.

**Classification of Co-operative Banks**

The Co-operative System in India can be classified into two types namely, Credit and Non-credit Co-operatives. The Credit Co-operative has a three tier structure for the distribution of Rural Credit with Primary Agricultural Credit Co-operatives at the village level, District Central Co-operative Banks at the District level and State Co-operative Banks at the State level. The urban areas are served by urban Credit Co-operatives. The Non-Credit Co-operatives include Producers’ Societies, Consumer Co-operatives and others like Housing, Transport, Insurance, Labour, Farming Co-operatives etc.,

Since the researcher has taken up the study of Tamil Nadu State Apex Co-operative Banks with reference to the Chennai Branch, he has made a detailed discussion of the TNSC Banks in the subsequent paragraphs.

**ORIGIN AND STAGE OF TNSC BANK**

To trace the course of a river from its source, even if only on a map, can be a fascinating occupation; to follow the germination of an idea from its conception to the point at which it emerges in practical form can also be an interesting exercise. The establishment of TNSC Bank in 1905 was not a
chance event, neither was it the result of a mammoth deal brought off at a single stroke. It was rather the fulfilment of a long cherished idea which developed and took shape over a period of years, motivated step by step by a single mastermind like Sir P Rajagopalachariar, who was the first Registrar of Cooperative Societies in the old Madras Presidency. The idea of organizing a bank for financing Cooperative Credit Societies emanated from him.

In this grand mission, the man who guided him was DewanBahadur S SubramaniaIyer (1842-1922). It was a brilliant and original idea because the Cooperative Societies Act X of 1904 which became law on 25 March, 1904, whether by design or oversight, merely contemplated the establishment of Primary Societies which were expected to finance themselves. It was Sir V C Desikachariar, the first Secretary of the Madras Central Urban Bank Limited who gave a practical shape to the proposals formulated by the first Registrar of Cooperative Societies, Sir P.Rajagopalachariar

On 16 September, 1905, 17 gentlemen sent a letter of application to the Registrar of Cooperative Societies for the registration of the Madras Central Urban Bank Limited under the Cooperatives Act X of 1904. This galaxy included DewanBahadurHon’ble Justice S SubramaniaIyar, Hon’ble Sir V C Desikachariar, Hon’ble V KrishnaswamiIyar, Hon’ble Justice P R SundaraIayar, and Hon’ble P. ThyagarajaChettiar.

The Bank started functioning on 26 November, 1905. The First General Meeting of the Members of the Bank was held at “Devonshire House”, the palatial residence of Dewan Bahadur Subramania Aiyar (later Hon. Justice Sir S. Subramania Aiyar) on 26 November, 1905—the very first day on which the Bank commenced its business. The Initial Authorised Share Capital was ₹ 25,000/- divided into 50 shares of ₹ 500 each. The first loan of the bank was disbursed to No. 21 Big Kancheepuram Urban Weavers Union on 14.2.1906. The first Fixed Deposit was received on 14.3.1906. The Bank’s first accounting year ended on 31.3.1906 with a net profit of ₹ 20 - 9 annas - 0 paisa.

In the First Stage (1905-1917) the Shareholding in the Bank was confined entirely to individuals. By the end of December, 1911, the Bank had become well established and its foundation was well laid. The Working Capital of the Bank then stood at ₹ 16 lakh. In March 1910, the Authorised Share Capital of the Bank was raised to ₹ 1 lakh, comprising 1000 ordinary shares of ₹ 100 each. From 1905 to 1911, loans aggregating over ₹ 29 lakh were disbursed to Primary Cooperative Societies. On 1 July, 1911, a Department for Current Accounts was opened. Until then only Fixed Deposits were accepted by
the Bank. Some outstanding developments took place in 1909-10. Salem District Urban Bank was registered on 25 January, 1909, Cooperative Supervising Union at Utramerur was registered on 5 August, 1910, and Coimbatore District Urban Bank was registered on 16 September, 1910.

In the Second Stage (1917-1920) pursuant to the Report by Maclogan Committee on Cooperation, the General Body of the Bank decided on 31.3.1917 to admit Cooperative Societies as Shareholders of the Bank. Prudential and Savings Deposits were accepted by the Bank for the first time in 1917.

In the Third Stage (1920-30) the Madras Central Urban Bank emerged as a real Federation of Central Cooperative Banks, styled as the “Madras Provincial Cooperative Bank Limited”. The response from the Primary Cooperative Societies to avail themselves of the offer of admission to the Membership of the Bank was not adequate. Taking note of this fact, Hemingway, the Registrar of Cooperative Societies in 1919, proposed a new scheme of a far-reaching character for federating the Central Banks into a higher Central Organization of their own. In short, his proposal was to convert the Madras Central Urban Bank into a real Provincial Apex Bank. From 1 July, 1920, Central Cooperative Banks alone were admitted as shareholders of the Bank. The Bank moved to its own premises at Luz Church Road on 1st February, 1921. The Bank’s First Branch in Chennai City Was Opened On 17.2.1921 at Armenian Street in Georgetown.
In the Fourth Stage (1930-1956) the Madras Central Urban Bank underwent a great structural transformation. The Silver Jubilee of the Bank was celebrated in a grand manner on 20 July 1931. By a Resolution passed at the General Body Meeting of the Bank held on 18th June 1931, the name of the Bank was changed as “The Madras Provincial Co-Operative Bank Limited”. On 1st October 1937, the Head Office of the Bank moved into the “College House” building (the very site where the Head Office of the Bank is now functioning) and the Town Branch on Armenian Street, was merged with the Head Office. The old Head Office of the Bank at Mylapore was converted into a Branch. During the period from 1937-1940, the Bank opened 3 New Branches in very important localities of Madras City – Mylapore, Egmore and Triplicane.

In the Fifth Stage (1956-1970), the Government of Tamil Nadu became a share-holder of the Bank on 27.3.1957 in pursuance to the recommendations of the All India Rural Credit Survey Committee of the Reserve Bank of India. Consequent on the re-naming of our State as Tamil Nadu in 1970, the name of the Bank was also changed as “The Tamil Nadu State Co-operative Bank Limited”.

After 1960-61, The Tamil Nadu State Co-operative Bank entered the field of industrial finance. Innumerable Co-operative Spinning Mills and Co-operative Sugar Mills were financed by the Bank by way of Working Capital Loans, Term Loans, Bridge Loans etc. The norms and the standards set and enforced by TNSC Bank for industrial financing in these sectors became ‘the model’ for the rest of the country.
In the Sixth Stage (1970-1976) we notice that the Tamil Nadu Cooperative Societies Act was amended with effect from 17th October 1970, to provide representation to the ‘weaker sections’ of the society in the Board of Management of the Bank. For the first time, a Special Officer of the Bank with power to exercise any or all of the functions of the Board of Management was appointed under the Tamilnadu Cooperative Societies (Appointment of Special Officers) Act, 1976 on 10 June, 1976. Thiru M. Ahmed, I.A.S. was appointed Special Officer.

In the Seventh Stage (1976-1980), the Special Officer of the Bank was also assigned the duties of the Managing Director of the Bank and thus he became Special Officer and Managing Director of the Bank. In 1987-1989, the TNSC Bank started financing as National Consumers Cooperative Federation, a national level organisation. The Ninth Stage (1987-1998) saw the TNSC Bank focus on Training and Human Resource Development.

Progress is a permanent movement and not a temporary condition; a continuing journey and not a static harbour. TNSC Bank is no exception to this rule. On 26.11.2007 this great Bank completed 102 years of useful service to the farmers and weavers of Tamil Nadu by extending the required credit in the manner and measure required through the various Co-operative Institutions like the District Central Cooperative Banks, Primary Agricultural Cooperative Banks and Primary Weavers Cooperative Societies. As a Commercial Bank, the TNSC Bank today is known for the outstanding quality of its personalized
customer service in all its Branches in Chennai City. The Bank Officers and staff have succeeded in creating a climate of friendliness and goodwill towards all customers in every Branch, making every aspect of banking transaction a joyous and happy adventure.

The Tamil Nadu State Apex Co-operative Bank Ltd. Chennai

The Cooperative Banks functioning in Tamil Nadu are fulfilling the credit requirements of the farmers, weavers, rural artisans and, consumers of urban areas. These institutions are known as Cooperative Credit Institutions. The Cooperative Institutions and functioning under two categories. Long-term Cooperative, Credit institutions, short-term Cooperative, credit institutions. The Cooperative, credit institutions functioning under short-term credit structure are of three-tier in nature. At the grass root level, the Primary Agricultural Cooperative. Banks (PACBs) are functioning at village level. At the district level, the Central Cooperative Banks (CCBs) are functioning with the headquarters at district capital and their branches in various places of the districts concerned. At the apex level, the Tamil Nadu State Apex Cooperative. Bank Ltd., (TNSC Bank) is functioning at Chennai which co-ordinates the entire short-term Cooperative credit structure.

The Tamil Nadu State Apex Co-operative Bank Ltd., commenced its business during November 1905 as an Urban Cooperative Bank. It was subsequently changed into a District Central Cooperative Bank during July 1920. At present, the Bank is functioning at Chennai with 44 branches, an
Extension Counter and H.O. TNSC Bank is guiding the Dist. Central Cooperative Banks / Primary Agricultural Cooperative. Banks in their functioning and it is playing a major role in the Cooperative Movement of Tamil Nadu.

TNSC Bank was formed in the year in which the Cooperative movement of Tamil Nadu was formed. As such, the Bank has been serving the people of Tamil Nadu for a centenary for their economic development. As far as Indian Cooperative movement is concerned, the Bank has commenced its business in the very next year of the formation of Cooperative movement in India. TNSC Bank is the first ever State Cooperative Bank having the credit of celebrating the centenary.

TNSC Bank has got the licence of Reserve Bank of India to carry on the banking business. TNSC Bank is a Scheduled Cooperative Bank and has been listed under the Second Schedule of RBI Act. Eminent Co-operators have contributed to the growth and development of the TNSC Bank.\footnote{7}{www.TNSC.com}

Deposit Insurance and Credit Guarantee Corporation (DICGC) is an insured coop. bank as per DICGC Act. TNSC Bank has got the privilege of having its share capital by the Government of Tamil Nadu. TNSC Bank has been under close supervision and monitoring by the higher financing agencies, viz., RBI, NABARD. Periodical inspection and supervision are done by NABARD as per RBI guidelines.
Old in Tradition and Young in Outlook

TNSC Bank, the Apex Co-operative Bank and the main purveyor of agricultural credit in Tamil Nadu, has completed 99 years of useful and purposeful existence. TNSC Bank is old in tradition but young and dynamic in outlook and action.

Ambition

The ambition of the TNSC Bank is to lead the people and the nation to prosperity, by extending its areas of operation and activities to cover all facets of economic spheres and integrated rural development.

Leader of Co-operative Credit Movement

TNSC Bank has been the Leader of the Co-operative Credit Movement in Tamil Nadu for over a century.

First State Coop Bank to Celebrate Centenary Year

TNSC Bank was the 18th Co-operative Society to be registered in the erstwhile Madras Presidency as "The Madras Central Urban Bank" and this Bank was the first "Central Co-operative Bank" to be established in India.

Commencement of Business

It was Sir V.C. Desikachariar, Kt. who gave shape to the proposals formulated by Sir P. Rajagopalachariar, the first Registrar of Co-operative Societies. Sir V.C. Desikachariar, Kt. along with 17 eminent personalities sent and application to the Registrar of Co-operative Credit Societies for the

Initial Authorized Share Capital

The initial authorized Share Capital was ₹25000/- divided into 50 shares of ₹500/- each. The 17 pioneers held one share each, 10 other new members held 11 more shares. The first call of ₹50/- per share, was made on 26.11.1905. With the addition of 2 more such calls, the paid-up Share Capital @ ₹150/- per share, aggregated ₹ 4200/- as on 31.3.1906.

First Loan

The first loan was disbursed to No.21 Big Kancheepuram Urban Weavers' Union on 14.2.1906. The first fixed deposit was received on 14.3.1906. The Bank's first accounting year ended on 31.3.1906 with a net profit of ₹20-9-0.

The Shareholding in the Bank was confined entirely to individuals. All the 50 shares originally floated were fully subscribed prior to 30.6.1908. 50 new shares were floated in 1908-09 which again was fully subscribed in no time.

Towards the close of December 1911, the Bank had become well established and its foundation well laid. The working capital of the Bank then stood at ₹16 lakhs. Loans aggregating over ₹ 29 lakhs were disbursed to Primary Societies since inception of the Bank.
Raising of Share Capital

In March 1910, the authorized Share Capital of the Bank was raised to ₹1.00 Lakh, comprising 1000 ordinary shares of ₹100/- each.

Again in October 1911, 1000 further shares of ₹100/- each were floated at a premium of 10%. The shares were over subscribed by six times.

In the year 1912, the Bank doubled its Paid-up Share Capital to ₹2.00 Lakhs the maximum amount allowed under the bylaws. In 1916, the Working Capital was 2.5 times what it was in 1911.

Dividend and Bonus

The Bank declared a dividend of 10% plus bonus of 2% per share out of its profits for the year ended 30.6.1911.

Formation of District Urban Banks

Some developments in Co-operative Organisations of outstanding nature took place in 1909-1910. Co-operative Supervising Union at Uttaramellur was registered on 5.8.1910, Salem District Urban Bank on 25.1.1909, Tiruchirapalli District Urban Bank on 25.3.1909 and Coimbatore District Urban Bank on 16.9.1910. The membership of these Banks was also confined to individuals only.

The District Central Coop. Banks were financed by this Bank from 1912-1913 along with the Primary Societies directly.

Sir V.C. Desikachariar, the Founder-Secretary of the Bank relinquished his post in December 1911.
Admission of Cooperative Societies

Pursuant to the report by Maclogan Committee on Cooperation, the General Body of the Bank decided on 31.3.1917 to admit Cooperative Societies as shareholders of the Bank.

Between April, 1917 and June, 1920, 60 primary Societies and 24 Central Cooperative. Banks took shares in TNSC Bank. Out of fresh share capital of about ₹1.50 lakhs exclusively allotted to Cooperative Societies in this period, they contributed only a sum of ₹14620/-. The response from Primary Societies was thus discouraging and therefore, the idea of bringing them into this Bank was abandoned.

Own Plot

A plot of 12 grounds in Luz Church Road, Mylapore, Chennai, was purchased by the Bank from out of its Building fund during 1918-1919 and the construction of the Bank's own building began with an advance of ₹25,000/- from the General Funds of the Bank, to be recouped in 10 annual installments from out of the net profits of the Bank.

Conditions for admission of cooperative societies

The existing shares (all of which were then held by individuals) be converted into Preference Shares, carrying a preferential right to dividend at 9 per cent and to the capital in the event of liquidation.
Surplus profits, if any, after providing for contributions to Reserve Fund, Dividend and Building Fund, maybe utilized with the sanction of the Registrar of Coop. Societies in the extinction of individuals' shares by paying off ₹160 per share as against the face value of ₹100 per share.

The sum of ₹25,000/- then standing to the credit of the Dividend Equalisation Fund should be reserved for the exclusive benefit of the preference shareholders to be drawn upon, should the annual profits be insufficient to pay in full dividend at 9 percent.

New ordinary share capital be created; such capital to be issued at par to coop. Societies only. The maximum of the ordinary share capital then created was fixed at ₹4.00 lakhs. The preferential share capital held by individuals on that date stood at ₹2.00 lakhs.

The "Advance" rate should not be reduced without the sanction of the Government who will not sanction such reduction, if it is likely to affect prejudicially the preference shareholders, and three out of the nine seats on the Board would be reserved to Cooperative Societies. The relative bylaws were suitably amended and on 1.4.1917, the new constitution came into effect.

The financial growth of the Bank is in a commendable position. They are as follows.
**SHARE CAPITAL**

<table>
<thead>
<tr>
<th>A</th>
<th>Authorised Share Capital</th>
<th>₹100.00 crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Share Capital held by DCCBS</td>
<td>₹53.22 crores</td>
</tr>
<tr>
<td>C</td>
<td>By the State Government</td>
<td>₹0.26 crores</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>₹153.48 crores</strong></td>
</tr>
</tbody>
</table>

**RESERVES**

The Bank has total reserves of ₹467.58 crores as on 31.3.2010. The statutory reserve constitutes ₹151.32 crores. The growth of reserves is given in the following table:

<table>
<thead>
<tr>
<th>As on</th>
<th>Amount (₹ in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.06.1980</td>
<td>17.58</td>
</tr>
<tr>
<td>30.06.1990</td>
<td>49.90</td>
</tr>
<tr>
<td>31.03.1995</td>
<td>102.26</td>
</tr>
<tr>
<td>31.03.2005</td>
<td>439.14</td>
</tr>
<tr>
<td>31.03.2010</td>
<td>467.58</td>
</tr>
</tbody>
</table>

**DEPOSITS**

On deposit mobilisation front, the Bank has achieved much. The Apex Bank has mobilised a sum of ₹5901.83 crores as on 31.03.2010. The growth of deposits is shown in the following table:
<table>
<thead>
<tr>
<th>As on</th>
<th>Amount (₽ in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.06.1980</td>
<td>130.30</td>
</tr>
<tr>
<td>30.06.1990</td>
<td>387.24</td>
</tr>
<tr>
<td>31.03.1995</td>
<td>760.29</td>
</tr>
<tr>
<td>31.03.2005</td>
<td>3053.29</td>
</tr>
<tr>
<td>31.03.2006</td>
<td>5901.83</td>
</tr>
</tbody>
</table>

The Bank has been extending the facility of NRO/NRE accounts at 7 of its branches.

**BORROWINGS**

The Apex Bank is getting refinance assistance by way of borrowings from National Bank for Agriculture and Rural Development (NABARD) for extending credit facilities to the farmers for short-term agricultural operations, and medium-term loans through DCCBs, weavers finance through the DCCBs / Co-optex, from Small Industries Development Bank of India (SIDBI) for extending credit facilities for small scale industries, National Cooperative Bank. Development Corporation (NCDC) and from National Handicapped Finance Development Corporation (NHFDC) for financing for the development of physically challenged persons through DCCBs. The total borrowings of the Bank as on 31.3.2010 was ₦896.21 crores.
INVESTMENTS

The Bank has to make investments in Government approved securities for the statutory liquidity ratio (SLR) purposes. The Bank has been investing its funds in the Central Government / State Government's approved securities. As on 31.3.2006, the Bank has total investments of ₹1105.36 crores. The Bank has a separate Treasury Section to deal with treasury operations on its behalf as well as its affiliates, viz., DCCBs and Urban Co-operative Banks.

ADVANCES

Through DCCBs, TNSC Bank has been extending credit facilities to the PACBs for short-term / medium-term agricultural purposes. Depending upon the needs of the farmers the Bank has been extending advances up to ₹1000 crores per year. Further, the Bank has been extending credit facilities through the above channel for the allied activities of farmers like purchasing mulch animals, sheep rearing, poultry farming, bullock carts, sericulture at less interest rates. The Bank has been extending credit facility to the DCCBs for extending loans directly by them to small industries and Urban Cooperative Banks from the refinance facility availed from SIDBI.

The Bank has been extending cash credit limits for financing Cooperative Sugar Mills, Cooperative Spinning Mills, Cooperative Wholesale Stores, and other Cooperative institutions.

The availability of jewel loans in rural and urban areas has been increasing year after year. In order to meet these credit needs, the Bank has been extending refinance facility to the DCCBs for issuing jewel loans directly by them and also through PACBs.
The Apex Cooperative Institutions functioning at Chennai are getting credit facilities from the Bank.

Out of the refinance availed by the Bank from NHFDC, the Bank has been extending finance to the DCCBs for issuing loans to physically challenged persons.

The Bank has been extending various loans to individuals directly through the Branches and H.O. at Chennai. Further, the Bank has been extending jewel loan facility at lower interest rate to the middle-income group people. The Bank has also been extending Computer Loan, Education Loan, Building Mortgage Loan, Housing Loan, Rain Water Harvesting Loans, Home Needs Loan, Loans against Securities, through the Branches and H.O.

**WORKING FUNDS**

The working fund of the Bank has been increasing year after year. As on 31.3.2006, the working funds of the Bank was ₹5068.43 crores. The growth of working funds of the Bank can be seen from the following table:

<table>
<thead>
<tr>
<th>As on</th>
<th>Amount (₹ in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.06.1980</td>
<td>194.51</td>
</tr>
<tr>
<td>30.06.1990</td>
<td>789.33</td>
</tr>
<tr>
<td>31.03.1995</td>
<td>1726.33</td>
</tr>
<tr>
<td>31.03.2005</td>
<td>4788.75</td>
</tr>
<tr>
<td>31.03.2010</td>
<td>7691.96</td>
</tr>
</tbody>
</table>
AFFILIATES DEVELOPMENT PROGRAMME

The Apex Bank, having in mind the leadership role to be played in relation to the DCCBs and PACBs, is making grants every year from out of its profits for creation of various infrastructure facilities at the DCCB level. A programme called "Affiliates Development Programme" started in the year 1990-91 is being implemented by providing computers, plain paper copier machines, fax machines, vehicles (jeeps) to the DCCBs in order to improve their performance.

The Apex Bank is also extending such facilities to the PACBs in the State by providing financial assistance for purchase of jewel safe boxes, putting up modern counters, etc. A Deposit Guarantee Scheme is being implemented by the Apex Bank. The premium for this Scheme has been shared by the Apex Bank, Dist. Central Coop. Banks and PACBs. This Scheme has been implemented every year and the affiliates are getting benefit out of it.

New membership of the Bank was confined to the Central Co-operative Banks only. The Primary Co-operative Societies were completely eliminated from the membership of the Bank and a few individuals were left with only one preference share each.

Federation of Central Cooperative Banks

During this period, the Madras Central Urban Bank emerged as a real Federation of Central Coop. Banks, styled as the "Madras Provincial Co-operative Bank Ltd."
The response from the Primary Coop. Societies to avail themselves of the offer of admission to the membership of the Bank was not adequate. Hence, from 1st July, 1920, Central Coop. Banks alone were admitted as the shareholders of the Bank.

Audit

The audit of the accounts of the Bank was done by a private auditor appointed by the General Body of the Bank since June, 1918.

Recovery of Agricultural Loans

The practice of recovery of agricultural loans advanced by co-operatives as arrears of land revenue, came into vogue in 1919-1920 by passing of an Act by the Legislative Council.

Board of Management

In 1920-1921 with the increase in the number of Central Coop. Banks, direct lending by Apex Bank to Primary Societies was reduced and also the indebtedness of Primary Societies to the Apex Bank was also considerably reduced. From 1.7.1920, the Bank having been transformed into a Provincial Coop. Bank, the Board of Management had to be reconstituted on an entirely new basis. Every shareholding Central Bank was allotted a representative to the Board of Management and the Preference Shareholders elected from among themselves 12 members to represent them on the Board, thus the Board of Management consisted of representatives of Central Coop. Banks and individual shareholders, the former preponderating in number.
Constitutional Change

Due to lack of adequate response from the Primary Coop. Societies to avail themselves of the offer of admission to the membership of the Bank, Mr. Hemingway who was the Registrar in 1919, outlined a new scheme - a constitutional change in the set-up of the Bank of a far reaching character - for federating the Central Banks into a higher central organization of their own; in other words, to convert the Madras Central Urban Bank into a real Provincial Apex Bank. From 1st July, 1920, Central Coop. Banks alone were admitted as the shareholders of the Bank. Consistent with the policy of placing the Bank on the footing of a true financing agency and balancing center for the Central Banks and affording the latter decisive voice in its management, the redemption of the Preference Shares was started in 1923 and continued until each individual shareholder had only on preference share of the face value of ₹100 and redemption value of ₹160/- in the Bank. In order to secure an absolutely predominant voice to the Central Banks, votes at the General Body were taken on the basis of the number of shares held by the members. The Bank thus became practically a federation of Central Cooperative Banks, owned by them.

Scheme for Rectification and Consolidation of Primary Societies

During 1930-1931, the Bank embarked on a scheme for rectification and consolidation of Primary Societies through the Central Cooperative. Banks, in view of the heavy overdue in the societies and the deterioration in the working of many of them. As per the scheme, Central Cooperative. Banks were
subsidized for carrying on the overhaul work to the extent of ₹28,787.50. To review the progress of work done by the Central Banks and to co-ordinate their activities, an administrative section was set up by the Bank under the special charge of the Vice-President of the Bank to prepare brief reviews on the progress reports from Central Banks for the benefit of the Executive Committee of the Bank.

**Benefit to Agriculture And Agriculturists**

During the first 25 years of working, this Bank had lent to primary societies and Central Coop. Banks a sum over ₹5.50 crores. But for the Coop. Organization, this vast sum of money would not have found its way into rural parts to the benefit of agriculture and agriculturists. In 1930-1931, in agricultural credit societies the working capital deployed was to the tune of ₹ 6.50 crores, of which the involvement of the Apex and the Central Cooperative. Banks was as much as ₹5.00 crores.

**Slash Downing Interest Rates on Deposits**

**The Tamil Nadu State Co-operative Bank Ltd.**

The Government of Tamil Nadu became a shareholder of the Bank on 27.3.1957 and was represented on the Board of Management of the Bank, pursuant to the recommendations of the All India Rural Credit Survey Committee of the Reserve Bank of India. Consequent on the renaming of our State as Tamil Nadu in the year 1970, the name of our Bank was also changed as "The Tamil Nadu State Co-operative Bank Ltd."
State Government Representatives on Board

Pursuant to the recommendations of the All India Rural Credit Survey Committee and to achieve the target of ₹15.00 crores for issue of Cooperative rural credit, State participation in the working capital of Cooperative Societies was considered necessary. The Government of Tamil Nadu became a shareholder of the Bank on 27.3.1957 and nominated three representatives of the Government on the Board of Management of the Bank.

Integrated Scheme of Rural Credit

An integrated scheme of rural credit was drawn up by the Registrar of Cooperative Societies which contemplated that 21% of the credit needs of the cultivators must be met by Co-operatives by the end of the second five year plan. To meet the anticipated demand from the Central Cooperative Banks, the share capital of the Bank was raised to ₹1.00 crore in 1956-1957 and the maximum shareholdings per Central Coop. Bank was also raised to ₹2.00 lakhs under the integrated credit scheme, provision was also made for building up "Agricultural Credit Stabilisation Fund" and the statutory dividend on Government share capital in excess of certain agreed rates, would be carried to this Fund.

Appointment of Managing Director

As per the Tamil Nadu Co-operative Societies' Act and with effect from 17th October 1970, the Board of Management of the Bank was broad-based, providing for representation to the weaker sections of the community, women, backward community, small farmers, etc.
The Co-operative Societies' Act was further amended in July 1973, providing for the appointment of a Managing Director for the Bank, by the State Government of Tamil Nadu, who will be the Chief Executive of the Bank and also be a member of the Board of Management. Representation to preference shareholders of the Bank on the Board of Management of the Bank was withdrawn.

The Managing Director shall be an Officer on deputation drawn from the RBI in the rank of the not less than an Assistant Chief Officer of the Agricultural Credit Department or an Officer from the Indian Administrative Service or an Officer not below the rank of a Joint Registrar of Cooperative Societies in the Cooperative Department of the State Government. The post of Secretary of the Bank was abolished on 1.7.1973.

**Incentives for opening new branches**

The Bank introduced the scheme of incentives of ₹41,250/- to the CCBs for opening new branches.

**Amendment to Tamil Nadu Cooperative Societies Act**

Towards the end of 1970, the State Government revised the administrative set-up of the State and the CCBs, with the object of providing credit facilities to small farmers and make the Managements broad based, providing for representations to the weaker sections, women, backward community, small farmers, etc., with the amendments to the relevant sections of the Tamil Nadu Cooperative Societies Act.
Special Officer and Managing Director

In January 1977, the Special Officer of the Bank who was all along discharging the duties of the Board of Management and Chairman of the Bank, was also assigned the duties of the Managing Director of the Bank and was designated as Special Officer and Managing Director of the Bank.

Refinance limits to the Central Coop. Banks

In 1976-1977, to meet the ever increasing demand for loans against gold ornaments, especially from the weaker sections of the community, the Apex Bank sanctioned refinance limits to the Central Cooperative. Banks for lending direct or through agricultural credit societies/Urban Banks, etc. The Apex Bank itself, for the first time, introduced jewel loan business in a few of its branches.

Loans to self-employed persons and artisans

The Bank's programme of issuing loans to self-employed persons and artisans through its branches was inaugurated by His Excellency the Governor of Tamil Nadu at a colourful function on 30.12.1976.

Crop Verification

During 1977-1978, the Bank introduced Crop Verification Register at the Society-level to ensure proper utilization of short-term agricultural loans issued to farmers during the year.

With a view to making the inspection of CCBs and their affiliated Societies more purposeful and efficient and also to directly involving itself in
crop verification to the possible extent, the Apex Bank opened two Regional Offices at Madras and Madurai and in March 1980, added one more Regional Office at Salem.

**Consumer Loans**

The scheme was introduced in March 1980 for purchase of consumer durables like T.V. sets, radio, refrigerators, etc., and this satisfied the long felt needs of the depositors and helped in a long way in meeting the competition from commercial banks in the matter of deposit mobilization.

**Financing to National Consumers' Cooperative Federation Ltd.**

For the first time, since November 1980, the Tamil Nadu State Cooperative Bank has started financing National Consumers' Cooperative Federation, a national level organization. This finance is intended to help the operations of the Southern Regional Office of NCCF in maintaining the public distribution system active. The assistance has been given in the form of "Bill purchase facility" to the extent of ₹30.00 lakhs and "Cash credit facility" to the extent of ₹170.00 lakhs.

**Salary Loan**

As the profit of the Bank was a low decline, it has been decided to give a boost to Salary Loan. The Salary Loans were issued to various organizations.
Training College

At the instance of NCDC, TNSC Bank opened the Training Institute in a rental building at Adyar in the year 1989. Subsequently, in the year 1992, the Training College was shifted to the Bank's own building at Madhavaram Milk Colony, Chennai.

It organized Trainers’ Training Meet at our Training College in a grand manner during 1996.

Settlement


Regional Office

It was decided to strengthen the Inspection Department of the Bank and to close down the Regional Office of the Bank.

Elected Board

After a long time, elections to Co-operatives were held and duly elected representatives took charge as the Management of the Bank.

Foreign Travel

The Board of Management and the Executive of the Bank have undertaken foreign travel and also undergone training on foreign soil.
Surplus Funds

For the second time in the annals of our Bank's history, it faced a situation of surplus funds without any avenue for lending.

Creation of New Sections

a) Urban Banks

b) Human Resources Development

c) Organisation & Methods

d) Women Entrepreneur Development Section

e) Development Action Plan

f) Computer

g) Treasury

Computerisation

The Bank has taken strong note of the need for computerization of the Bank and serious efforts were taken.

Deposit Manual

The Bank brought out a Deposit Manual during the year 1997.

90th Year Celebration

To commemorate the 90th year of our Bank, a beautiful wrist watch was presented to each and every member of the staff of the Bank working in our Bank as well as for the retired staff member.
National Seminar

In collaboration with the University of Madras, a National Seminar was organised.

Contribution for social cause

TNSC Bank has contributed to various social causes from time to time from Common Good Fund.

As the study includes even the Customer Relationship Management of the Bank, the Researcher also has made an attempt to make a detailed study of the CRM of the TNSC Bank, Chennai. The following paragraphs describes about the CRM.

CUSTOMER RELATIONSHIP MANAGEMENT

In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to adjust the product-mix and undertake rapid changes in their processes and operations to remain competitive. The deepening of technology has facilitated better tracking and fulfilment of commitments, multiple delivery channels for customers and faster resolution of miscoordinations. Unlike in the past, the banks today are market-driven and market-responsive. The top concern in the mind of every bank's CEO is increasing or at least maintaining the market share in every line of business
against the backdrop of heightened competition. With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less "loyal" to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. To address the challenge of retention of customers, there have been active efforts in the banking circles to switch over to customer-centric business model. The success of such a model depends upon the approach adopted by banks with respect to customer data management and customer relationship management.

Over the years, Indian banks have expanded to cover a large geographic & functional area to meet the developmental needs. They have been managing a world of information about customers - their profiles, location, etc. They have a close relationship with their customers and a good knowledge of their needs, and cash positions. Though this offers them a unique advantage, they face a fundamental problem. During the period of planned economic development, the bank products were bought in India and not sold. What our banks, especially those in the public sector, lack is the marketing attitude. Marketing is a customer-oriented operation. What is needed is the effort on their part to improve their service image and exploit their large customer information base effectively to communicate product availability. Achieving customer focus requires leveraging existing customer information to gain a deeper insight into the relationship a customer has with the institution, and improving customer service-related processes so that the services are quick, error free and convenient for the customer.
Furthermore, banks need to have very strong in-house research and market intelligence units in order to face the future challenges of competition, especially customer retention. Marketing is a question of demand (customers) and supply (financial products & services, customer services through various delivery channels). Both demand and supply have to be understood in the context of geographic locations and competitor analysis to undertake focused marketing (advertising) efforts. Focusing on region-specific campaigns rather than national media campaigns would be a better strategy for a diverse country like India.

Customer-centricity also implies increasing investment in technology. Throughout much of the last decade, banks world-over have re-engineered their organizations to improve efficiency and move customers to lower cost, automated channels, such as ATMs and online banking. However, to maximize the value of this resource, our banks need to transform their branches from transaction processing centers into customer-centric service center. This transformation would help them achieve bottom line business benefits by retaining the most profitable customer Branches could also be used to inform and educate customers about other more efficient channels, to advise on and sell new financial instruments like consumer loans, insurance products, mutual fund products, etc. There is a growing realization among Indian banks that it no longer pays to have a "transaction-based" operating model. There are active efforts to develop a relationship-oriented model of operations focusing on customer-centric services. The biggest challenge our banks face today is to
establish customer intimacy without which all other efforts towards operational excellence are meaningless. The banks need to ensure through their services that the customers come back to them. This is because a major chunk of income for most of the banks comes from existing customers, rather than from new customers.

Customer relationship management (CRM) solutions, if implemented and integrated correctly, can help significantly in improving customer satisfaction levels. Data warehousing can help in providing better transaction experiences for customers over different transaction channels. This is because data warehousing helps bring all the transactions coming from different channels under the same roof. Data mining helps banks analyze and measure customer transaction patterns and behaviour. This can help a lot in improving service levels and finding new business opportunities. It must be noted, however, that customer-centric banking also involves many risks. The banking industry world over is being thrust into a wild new world of privacy controversy. The banks need to set up serious governance systems for privacy risk management. It must be remembered that customer privacy issues threaten to compromise the use of information technology which is at the very center of customer relationship management. The critical issue for banks is that they will not be able to safeguard customer privacy completely without undermining the most exciting innovations in banking. These innovations promise huge benefits, both for customers and providers. But to capture them, financial services companies and their customers will have to make some critical trade-offs. When the stakes are so high, nothing can be left to chance, which is why banks
must immediately begin developing comprehensive approaches to the privacy issue. Traditionally, few people changed their banks unless serious problems occurred. In the past there was, to certain extent, a committed, often inherited relationship between a customer and his/her bank. The philosophy, culture and organization of financial institutions were grounded in this assumption and reflected in their marketing policies, which were product and transaction-oriented, reactionary, focused on discrete rather than continuous activities. Today, financial institutions can no longer rely on these committed relationships or established marketing techniques to attract and retain customers. As markets break down into heterogeneous segments, a more precisely targeted marketing technique is required, which creates a dialogue with smaller groups of customers and identifies individual needs. Also, before the Internet revolution, consumers largely selected their banks based on how convenient the location of bank branches was to their homes or offices. With the advent of new technologies in the business of bank, such as Internet banking and ATMs, now customers can freely chose any bank for their transactions. Thus, the customer base of banks has increased, and so has the choices of bank branches was to their homes or offices. With the advent of new technologies in the business of bank, such as Internet banking and ATMs, now customers can freely chose any bank for their transactions. Thus, the customer base of banks has increased, and so has the choices of bank branches was to their homes or offices. With the advent of new technologies in the business of bank, such as Internet banking and ATMs, now customers can freely choose any bank for their transactions.
CHAPTER SCHEME OF THE STUDY

- The study has been divided into seven chapters.
- The first chapter is the introduction it deals with the Co-operative Banks and Tamil Nadu State Apex Co-operative Bank and its origin, development, the customer Relationship Management and its importance.
- The second chapter shows a review of literature of the study.
- The third chapter highlights the importance of the study, statement of the problem, objectives of the study, methods of data collection, sampling technique, hypothesis and the limitations of the study.
- The fourth chapter analyses the impact of customer relationship management in TNSC Bank.
- The Fifth chapter examines the financial performance and the operational efficiency of TNSC Bank.
- The sixth chapter deals with analysis and interpretation of profitability of TNSC Bank.
- The seventh chapter contains the summary, findings, suggestions and conclusion of the study.