CHAPTER - V

ENCUMBRANCES TO RESOURCE MOBILISATION

Though the central banks have been in the field for fairly long period, they have not made much headway in their resource mobilisation efforts, despite of their adopting several strategies and techniques for better resource mobilisation. These efforts were constrained by several factors such as organisational, structural, financial and administrative. An attempt is made in this chapter to analyse them for a better understanding of the problem of resource mobilisation.

LIMITED AREA OF OPERATION

One of the major difficulties experienced by a central bank was the limited area of operation confined to the boundaries of a district and sometimes in the same district two central banks operated. Thus, the banks which have to operate in economically poor areas because of inadequacy of irrigation facilities and failure of crops were handicapped for no fault of theirs, while others operate in agriculturally prosperous areas and were, therefore, in a better position. This is in contrast to the branches of bigger commercial banks which are free from such limitations.
The short-term credit structure as it exists in the state does not represent a cohesive, well integrated organ in the three-tier hierarchy and has failed to project a unified image of itself. So much so, the image that a central bank projected before the public in its area was its own, and not that of the three-tier structure as a whole or that of the apex bank. The responsibility for deposit mobilisation was left entirely to the central bank in the district and the apex bank did not come into the picture.

It is also observed that the leadership both official and professional of high calibre and managerial competence with a sense of integrity to the extent available at the apex level or to commercial banks in the state were not available to individual central banks. This lowered the status of the central banks to a considerable extent.

Further, the scheduled status that the apex bank enjoyed was not available to central banks even though they were part of the three-tier cooperative banking structure. The central banks are left to themselves to tap deposits for the entire system in competition with commercial banks. As a consequence, the central banks
received an inferior status in the eyes of the public and other institutional investors, as compared with commercial banks.

Besides, as many as 317 or 86 percent of the central bank offices did not have any modern building as in the case of the commercial banks which can hardly inspire confidence of the potential depositors. Mounting overdues, shortage of resources and domination by vested interests, non-availability of all banking and financial services comparable to commercial banks, also affected the image of the banks. Therefore, the central banks could not mobilise deposits to any significant extent, not only from individuals but also from business community or institutions like public bodies, trusts, churches, temples, schools, colleges, universities, welfare associations, clubs, libraries, social organisations, defence establishments, exhibition societies, hostels, music academies, trade unions etc.

DELAYED EXTENSION OF DEPOSIT INSURANCE SCHEME

Safety of funds is the uppermost in the minds of the depositors while they choose a bank to deposit their valuable savings. It is believed that the state-partnership in central banks, nomination of some directors on their board by State Government, strict supervision and
audit by the department of cooperation and strict and regular supervision by the RBI, will inspire confidence in the depositors and assure them that there is no chance of these banks going into liquidation. But for a depositor all these cannot be a substitute for a regular deposit insurance scheme. A depositor expects a real guarantee for his deposits in the event of bank failures. Therefore, allied to the efforts for deposit mobilisation there is the need for extension of the deposit insurance scheme to central banks.

The depositors of central banks who are generally agriculturists and hence men of small means, belonging to middle class who need all the protection of deposit insurance. Though the deposit insurance scheme was launched in the country in 1962 and made applicable to cooperative banks in the country from 1st March 1966, the central banks in Tamil Nadu remained outside the purview of the deposit insurance scheme for a long period. The scheme was made applicable to all central banks in the state so late as from 1st July 1980. Really it is paradoxical that on one hand it was insisted that central banks should tap substantial deposits from public and become self-reliant but on the other hand the central banks were deprived of the benefits of deposit insurance. Thus, the delayed extension of the scheme was a handicap in the way of efforts of central banks for deposit mobilisation.
COMPETITION OF COMMERCIAL BANKS

One major disability experienced by the central banks in the deposit mobilisation was the competition of commercial banks. The commercial banks have penetrated into small towns and semi-urban centres or even further to rural areas under the massive branch expansion programme particularly after the nationalisation of the 14 major scheduled commercial banks in July 1969 and subsequently 4 other banks in 1979. It is observed that the number of commercial bank offices in the state which stood at 1060 in 1969 increased to 2635 in 1978. Of this, the rural branches constituted 879 as against this the branches of central banks increased from 179 to 353 during the same period. Besides extending their branch network into rural and semi-urban areas, commercial banks have opened specialised branches in adopted villages under the village adoption scheme to reach their clientele in rural areas.

Further, the commercial banks with their national outlook, proper location, good appearance, vast resources, necessary expertise, efficient leadership and personal, superior and varied forms of banking and ancillary services, extension of deposit insurance scheme, variety of deposit schemes suited to different sections of the community could win the confidence of the public and
mobilise substantial deposits. Again, their ability to identify the potential depositors and borrowers and granting of varied financial facilities to a significant extent to priority sectors like agriculture and allied activities, small scale industries, middle class people and weaker sections also facilitated them to augment deposits.

A comparison of the deposit position of commercial banks and central banks in Tamil Nadu will demonstrate the inequality between the two in this respect.

It is very clear from the Table - V.1 that the central banks lagged far behind in the matter of deposit mobilisation. In all districts invariably the deposit position was very poor. Even the bigger central banks like Coimbatore, Salem and Madurai could not compete with commercial banks in the same district.

COMPEITION OF NON-BANKING INSTITUTIONS

Competition from the non-banking companies severely affected the efforts of the central banks in deposit mobilisation. Time deposits with the non-banking companies and with firms have come into prominence in recent years in the State. Of these, the most important are the deposits accepted by trading and
<table>
<thead>
<tr>
<th>S.No.</th>
<th>District</th>
<th>Deposits held by Central Bank (1980)</th>
<th>Deposits held by Commercial Banks (1978)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chenglepattu</td>
<td>757</td>
<td>7425</td>
</tr>
<tr>
<td>2</td>
<td>Coimbatore</td>
<td>2818</td>
<td>20687</td>
</tr>
<tr>
<td>3</td>
<td>Dharmapuri</td>
<td>311</td>
<td>1236</td>
</tr>
<tr>
<td>4</td>
<td>Kanyakumari</td>
<td>270</td>
<td>2973</td>
</tr>
<tr>
<td>5</td>
<td>Madras</td>
<td>2073</td>
<td>81055</td>
</tr>
<tr>
<td>6</td>
<td>Madurai</td>
<td>2358</td>
<td>11593</td>
</tr>
<tr>
<td>7</td>
<td>Nilgiris</td>
<td>456</td>
<td>2935</td>
</tr>
<tr>
<td>8</td>
<td>North Arcot</td>
<td>1347</td>
<td>4866</td>
</tr>
<tr>
<td>9</td>
<td>Pudukottai</td>
<td>284</td>
<td>1558</td>
</tr>
<tr>
<td>10</td>
<td>Ramanathapuram</td>
<td>1510</td>
<td>6546</td>
</tr>
<tr>
<td>11</td>
<td>Salem</td>
<td>2673</td>
<td>7957</td>
</tr>
<tr>
<td>12</td>
<td>South Arcot</td>
<td>1513</td>
<td>4332</td>
</tr>
<tr>
<td>13</td>
<td>Thanjavur</td>
<td>1119</td>
<td>9727</td>
</tr>
<tr>
<td>14</td>
<td>Tiruchirapalli</td>
<td>1603</td>
<td>9202</td>
</tr>
<tr>
<td>15</td>
<td>Tirunelveli</td>
<td>860</td>
<td>8513</td>
</tr>
</tbody>
</table>
manufacturing companies. In Tamil Nadu there were 698 financial and non-financial companies forming 12 percent of the total companies in India. The deposits held by them stood at Rs. 9030 lakhs in 1977 as against Rs. 6980 lakhs in 1976 with an increase of 20.5 percent. As a result of general credit strigency, companies attempted to raise funds needed by them directly from the public by offering attractive interest rates varying from 15 to 22 percent per annum.

The growth of chit funds, perhaps the oldest of the indigenous financial institutions in the state also hampered the deposit mobilisation efforts of central banks. A major portion of the total turnover of chit fund business is accounted for by companies in Tamil Nadu. It has been estimated that the current turnover is about Rs. 11000 lakhs per year. There are alternative schemes introduced by various financial institutions, which are superior to chit fund scheme, eg., recurring deposits, monthly income deposit scheme, insurance linked deposit scheme, small savings, provident fund etc. Yet, the chit fund is becoming more and more popular. The popularity of chit fund can be explained by the fact that the subscriber is entitled to borrow from it by offering discount at the auction.
Nidhis, also known as mutual benefit funds or permanent funds are peculiar to Tamil Nadu. These are companies registered under the Indian Companies Act and deal only with their members. The major source of their funds is the deposits. They make advances to their members at reasonable rates of interest usually for purposes like house construction or repairs, marriages, redemption of old debts, meeting medical expenses, etc.

The post office savings bank also play an important role in a big way in mobilising the savings of the people by offering various attractive savings schemes. The postal department has been taking special steps to encourage thrift among the people of small means. The post office savings bank with a wide network of offices mobilised substantial savings in recent years and remained the poor men's banks. The role of these institutions including money lenders and traders in rural areas hampered the deposit mobilisation effort of the central banks.

LACK OF NON-OFFICIAL LEADERSHIP

The non-official leadership plays a crucial role in the sound development of a central bank. It is basic and essential to preserve not only its autonomous character but also its democratic base. A central bank as a banking institution has to develop and maintain a high
standard of efficiency in order to compete with other banking institutions. A bank must therefore, have committed, dynamic and enlightened leadership who can contribute substantially to its growth.

In a central bank the management of the business affairs are vested in the Board of Directors who have to take right initiative, make proposals and give proper directions to achieve the bank's common objectives. In recent years the leaders' active involvement in the affairs of a bank has received increased emphasis as its growth and success to a great extent depend on the degree of initiative and drive possessed by the leaders.

An important factor which has a bearing on the success of a central bank in mobilising deposits is the drive and enthusiasm shown by the non-official leadership. A significant form of active participation of leaders is investment of their savings in the form of deposits. This will create confidence in the minds of the people regarding the safety of their funds with their banks. The leaders' participation in the deposits not merely imply the presence of thrift among them but also signifies a living interest in the development of the banks.

As directors of the central banks represent the primary agricultural credit societies and other types of
societies, they have a close touch with the local population and as such they are expected to play a predominant role in increasing the deposits of the central banks. In this connection the Committee on Cooperative Credit (1960), pointed out that "influential non-official Chairman and Directors can play very useful role in inducing the people to keep their funds with cooperative banks." The Madras Committee (Santhanam) outlined the role of directors in mobilising the deposits as "the directors and officers of the central bank and the managers and the members of the advisory committee of the branches should consider it their duty to attract more clients and deposits." There are individuals in every village who are usually very prominent in the area and their words are honoured by villagers. Convincing such individuals about the merits of depositing money in central banks and their branches can bring a good number of deposit accounts to banks.

It is observed from the study that there had been no much evidence of the involvement of the leadership of central banks in any drive for deposits. The leaders took

neither special interest in deposit mobilisation nor deposited their own savings in the central banks. With a better sense of responsibility and initiative and more organised efforts by virtue of their place in the democratic management of the institution could have mobilised more deposits in their banks. Barring some exceptions, there had been no much evidence of such personal efforts on the part of the directors or any planned campaigns or preparation of special projects for deposit collection by the Board of the central banks.

Further, most of the banks could not secure the services of committed, dynamic and enlightened leaders.

One of the disquieting features of the cooperative credit structure in recent times has been its excessive politicisation. Most of the banks were under the domination of politicians who neither possessed any banking knowledge or experience nor showed living interest in the development of the banks. Another form in which politicisation has manifested itself was the adhoc supersession of elected board of management of the central banks by the Government by means of a special enactment and the appointment of Government officials to manage the affairs of the banks. Thus all the central banks in the state were under supersession and the management of these banks was in the hands of special officers since 1976.
The special officers who were drawn from the state department of cooperation lacked in the dynamism and banking experience. They neither showed efficiency nor willingness to take steps in new directions to improve the banks' position in respect of deposit mobilisation as also in other fields. They mostly concentrated in their routine administrative work and collection of overdues. There has been frequent transfers of the incumbents resulting in lack of continuity in leadership, control and guidance from the top. Thus, absence of dynamic and committed non-official leadership retarded the growth of deposits.

POOR BRANCH BANKING

Savings in a society is not merely the result of the capacity of the people to abstain from spending their entire income, but also determined by the facilities available for the people to save. The existence, therefore, of the institutions which induce these people to save, also play an important role in inculcating the habit of thrift among them. The capacity to save itself can be influenced by the institutions which enhance the willingness of the people to save. Therefore, the most important organisational step which the central banks have to take to mobilise rural savings is to expand the network of their branches in rural areas particularly in unbanked centres.
The Reserve Bank of India, in its Review of the Cooperative Movement (1960-62) suggested that considering the responsibility of central banks to extend their services throughout the district and to mobilise rural savings, a phased programme of opening branches, say at the rate of one at each taluk headquarters is necessary. This is with a view to taking banking facilities to remote areas and to tap rural savings. It was also suggested that the central banks should give priority to backward and unbanked areas in their branch expansion programme.

To encourage the central banks to open more branches, the state Government had been providing managerial subsidy for the first 3 years. Though it is withdrawn for the time-being, loans and subsidies upto Rs. 75,000 is given to a branch for the construction of its own building. Further central banks are allowed to open new branches within their area of operation even without the consent of the RBI which is a legitimate concession. Despite these financial and moral support, the central banks have not made any notable progress in branch expansion programme. On the contrary the commercial banks are well ahead in branch banking and they have opened branches even in small centres. Yet there is vast scope for central banks for opening branches in their area of operation. This could be seen from the
district-wise distribution of offices of central banks and commercial banks which is given in Table - V.2.

It may be observed that the branch expansion programme of central banks was far from satisfactory and lagged far behind when compared to commercial banks. The central banks had only 385 offices including head offices in 1980 as against 2635 commercial bank offices. Out of 385 offices only 153 (or 39.74 percent) of the branches were located in rural areas.

It is pertinent to note that the pace of branch expansion has never been uniform in all districts. Bank-wise growth of branches reveals that branch expansion programme was very poor throughout in case of 5 banks. Out of 369 branches in 1979-80, 211 branches (or 57 percent) were opened by 6 banks alone.

It is disappointing to note that the population served per bank office including head office was as high as 107 thousands in 1979-80 as against 16 thousands (1978) per office of commercial banks. The population served by a rural branch of central banks was still larger i.e., 186 thousands in 1979-80. But it is significant to note that in the state, the per bank coverage registered a steady fall from 175 thousands in 1970-71 to 107 thousands, a pointer to the quick spread of bank offices.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>District</th>
<th>Population in villages '000</th>
<th>Revenue off.</th>
<th>Number of offices (including head office of Central Banks(1978))</th>
<th>Number of offices of Commercial Banks(1980)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chengleput</td>
<td>2908</td>
<td>2246</td>
<td>26</td>
<td>165</td>
</tr>
<tr>
<td>2</td>
<td>Coimbatore</td>
<td>4373</td>
<td>991</td>
<td>36</td>
<td>321</td>
</tr>
<tr>
<td>3</td>
<td>Dharapur</td>
<td>1678</td>
<td>664</td>
<td>9</td>
<td>53</td>
</tr>
<tr>
<td>4</td>
<td>Kanyakumari</td>
<td>1223</td>
<td>81</td>
<td>6</td>
<td>80</td>
</tr>
<tr>
<td>5</td>
<td>Madras</td>
<td>2469</td>
<td>59</td>
<td>18</td>
<td>439</td>
</tr>
<tr>
<td>6</td>
<td>Madurai</td>
<td>3938</td>
<td>1102</td>
<td>43</td>
<td>222</td>
</tr>
<tr>
<td>7</td>
<td>Nilgiris</td>
<td>494</td>
<td>54</td>
<td>5</td>
<td>47</td>
</tr>
<tr>
<td>8</td>
<td>North Arcot</td>
<td>3756</td>
<td>1918</td>
<td>37</td>
<td>165</td>
</tr>
<tr>
<td>9</td>
<td>Pudukottai</td>
<td>947</td>
<td>758</td>
<td>13</td>
<td>49</td>
</tr>
<tr>
<td>10</td>
<td>Ramanathapuram</td>
<td>2860</td>
<td>1574</td>
<td>35</td>
<td>161</td>
</tr>
<tr>
<td>11</td>
<td>Salem</td>
<td>2993</td>
<td>772</td>
<td>35</td>
<td>160</td>
</tr>
<tr>
<td>12</td>
<td>South Arcot</td>
<td>3618</td>
<td>2285</td>
<td>31</td>
<td>166</td>
</tr>
<tr>
<td>13</td>
<td>Thanjavur</td>
<td>3550</td>
<td>2179</td>
<td>36</td>
<td>211</td>
</tr>
<tr>
<td>14</td>
<td>Tiruchirapalli</td>
<td>3192</td>
<td>965</td>
<td>29</td>
<td>167</td>
</tr>
<tr>
<td>15</td>
<td>Tirunelveli</td>
<td>3201</td>
<td>1039</td>
<td>26</td>
<td>228</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>41199</strong></td>
<td><strong>16487</strong></td>
<td><strong>385</strong></td>
<td><strong>2635</strong></td>
</tr>
</tbody>
</table>
It is thus evident that the central banks have only touched the fringe of the rural banking, whereas the branch expansion programme of commercial banks was appreciable even in backward districts. Thus, the failure of the central banks to penetrate the rural areas has also been responsible to a large extent, in mopping up the rural surplus.

The central banks could not make any significant impact in branch expansion programme due to some problems. They were: 1) problem of location in potential centres, ii) non-availability of managerial subsidy; iii) lack of trained and competent personnel; iv) lack of influential non-official leadership; v) lack of suitable buildings in potential centres; vi) low profitability; vii) lack of better transport and communication facilities in villages and viii) lack of initiative from the Apex Bank.

LIMITED BANKING AND FINANCIAL SERVICES

Mobilisation of resources by the central banks involve a wide range of banking and financial services to depositors and borrowers. Banking is highly competitive business and those who offer better and more diversified services have an edge over those whose services are limited. Deposits of a central bank may be the result of the type of services offered. The banks can win the confidence and

In many cases, expansion of branches of banks is considered from the point of need of a service. The primary need will be from deposits mobilisation angle. Does this not require a modified policy?
patronage of the existing as well as prospective depositors—urban or rural—only if they can provide them with banking services attuned to their needs, preferences and conveniences. What is more important in providing these services, the banks have to display a degree of enterprise and spirit of innovation. Efficient, prompt and quick service has also a publicity value and hence will act as an instrument for deposit mobilisation. The customers should be treated courteously which will have an added advantage of attracting more customers.

To increase the savings of the rural people further, their incomes have to be increased through investment. This calls for greater diversification of the banks' lending activities in agricultural and non-agricultural sectors. In addition to the normal financial facilities to member-societies, there must be provision for limited personal loan and overdraft facilities to individual depositors to meet unforeseen requirements.

Available information shows that the central banks under study have not made much headway in providing a wide range of banking* and financial services comparable to those provided by commercial banks in the state. If the income

*See Chapter - IV Table - IV.7.
earned by the central banks by way of commission, brokerage etc., provides any index of the range and volume of ancillary banking services provided by them to their clients, it shows that their performance has been generally very poor. It is observed that the income by way of commission etc., in 1979-80 was 0.29 percent of their total income.

Thus, the banks failed to attract business and trading communities and institutional depositors which is evident from the current deposit position of the banks. In 1970-71 the ratio of current deposits formed only 18 percent which declined to 6 percent in 1979-80.

It may also be observed that except cash credit and term loans to member-societies and jewel and deposit loans to individuals, other types of financial facilities were not available with all banks. Only two banks have provided loans to small scale industries, road transport operators, self-employed persons and retail traders and only 50 percent of the banks provided overdraft facilities to individuals. The central banks being confined to their dealings mainly to member-societies and due to their inability to provide a wide range of banking and financial services to the public for various reasons including lack of trained personnel and legal restrictions, could not make much headway in mobilising deposits on a large scale.

* See Chapter - IV Table - IV.9.

How does this compare with commercial banks?
The banks also did not conduct any surveys to determine the services needed by customers and to probe the banks' image with customers. Its image was judged only from the steady growth of deposits.

**ABSENCE OF COMPETENT STAFF**

A banking institution can operate successfully only if it commands the services of personnel with the requisite skills, aptitude and competence. This was well emphasised by the All India Rural Credit Survey Committee in 1954 under the Integrated Scheme of Rural Credit. Banking being a highly specialised business its development, regulation and control should be taken care of by those who have sufficient experience in banking business or interest in it. The task of mobilising larger resources and the provision of wide range of banking services will also call for staff who are qualified, trained and attuned to methods and procedures appropriate for rural environment and possessing necessary degree of initiative and drive.

An adequate sense of security of service, attractive salary, good working conditions and the availability of promotional opportunities are the vital factors which determine whether a bank can attract the services of competent persons or not. To be able to employ such competent staff a bank should attain sufficient volume of business to create enough profit.
It is primarily the quality of men that ensures efficiency. In the modern competitive conditions, if the banks are to achieve their goals and keep up the highest standards of efficiency, they must be manned with men of competence. As the staff have to play an active role in popularising the banking habit among the people and canvassing deposits, proper orientation and training are vital. Training will, not only increase the working efficiency of the personnel, but will also satisfy the customers through efficient and quick services. The men at the counter should be a real friend and guide and work with a sense of devotion. Thus, the greatest assets of a bank are its men.

The performance of the banks in the new developmental and catalytic roles is inextricably linked with the attitude, training, achievement, motivation and imagination of their personnel. The bank personnel must have also a full perspective of the role of banks in the economy. Only such knowledge will enable them to perform their role properly and effectively. Hence, training is an important means to achieve goals set before banks.

A major difficulty which the central banks experienced in the mobilisation of resources was that of finding dynamic and competent staff. The expertise that is necessary for proper planning, organising, directing and
controlling the banks was not available. The banks could not attract well qualified, dynamic and efficient men due to unattractive scale of pay, lack of incentives and promotion opportunities. In all banks, 50 percent of the vacancies were filled up by direct recruitment and 50 percent by promotion. It appeared that the personnel promoted from lower cadre did not possess necessary skill and dynamism that are wanted to improve the efficiency of the banks.

The procedure for recruitment of key personnel varied from bank to bank. While some banks recruited key personnel like secretary, branch managers etc., directly, others promoted the junior level staff to the higher post. In 3 banks the post of secretary was kept vacant due to non-availability of competent persons. Key personnel like chief executive officers were drawn from the state department of cooperation on foreign service. The branch expansion programme of the banks was/had been to some extent affected due to non-availability of well qualified and trained personnel. In majority of the banks the staff did not show any enthusiasm and drive in the mobilisation of deposits due to lack of incentives.

LACK OF INTENSIVE AND SYSTEMATIC PUBLICITY

Good publicity plays a significant role in mobilising deposits and also in popularising the banking services.
It was assumed that publicity was required only for weaker units of banks which could not attract deposits otherwise. The importance of publicity as a means of deposit mobilisation is now widely recognised in all quarters. The banks have to advertise to attract the potential depositors' attention by emphasising the speciality of their services, their novel features, etc. In other words, publicity has a vital role to play in disseminating information relating to the various services offered by the banks and on the benefits that accrue to the customers and to the society by entrusting their surplus funds with the banks.

In several centres the problem of the banks is to take the banking habit to the rural people. For most villages, the idea of bank deposits as a mode of saving is new. Besides, most of them do not realise the need for saving and hence are not thrifty. The income that they derive from various sources are sometimes spent on unproductive purposes. This could be overcome only by a process of continuous education and enlightenment.

Further, in some areas, the transition from barter to monetized economy is only recently completed but almost everywhere payments and receipts through banks are yet to replace those in cash in any significant measure. The important task of the bank is, therefore, to ensure that an increasing proportion of the monetary transactions
are effected through the banking system. While some progress has been made in big cities and towns, this process has yet to commence in semi-urban and rural centres. The potential depositor in the rural area has to be convinced about the comparative advantage of keeping his surplus resources in the form of bank deposits mainly with reference to the safety of the funds, their liquidity and the profitability.

The first task of the banks is allocation of sufficient funds for publicity as the cost of publicity is very high. The next important task is to decide on the channels or media for carrying the advertising message to the people. A vast majority of rural people being not conversant with written words, advertising techniques in rural areas will have to depend more on audio-visual media. It would be in the fitness of things for the State Cooperative Union and District Cooperative Unions to undertake audio-visual and other kinds of centralised publicity campaigns with an objective to educate the people about banking services to encourage banking habits. A combination of various methods will provide an effective means of getting across the message both to urban and rural people.
Then the banks must make adequate arrangements for publicity. Intensive, systematic and continuous publicity will only create any impact. It is also equally important to assess the effectiveness of publicity through proper surveys and research.

The central banks under study no doubt could make use of some of the media* for publicity. However, there had been no evidence of intensive and systematic publicity by the banks. It is proved from the statistical analysis (see chapter III Table III.11) that there was no correlation between total deposits and the number of methods and techniques used for publicity. The correlation co-efficient was 0.2306 and the 't' value was 0.8866. The correlation was found to be not significant.

It appeared that due to paucity of funds the banks did not take any systematic efforts. Only 5 banks have made some budget allotments up to one percent of the working capital or rupees one lakh for publicity. Further, during Cooperative Week Celebration (which is held once in a year) in most of the banks some arrangements were made to spread the savings and banking habits among the people through the distribution of leaflets, pamphlets, folders etc., door to door canvassing, personal contact and advertisements in newspapers and journals. It is also distressing to note that only two banks have advertised.

* The major types of media used for publicity are discussed in chapter IV - Table 5.
their activities in dailies and journals frequently and
only 3 banks utilised the services of District Cooperative
Unions as a publicity media to popularise banking habit.

Though the branch managers were charged with
the responsibility of mobilising substantial deposits they
were not provided with any transport vehicle to canvass
deposits. They were also not given adequate powers to
hire vehicles or conduct deposit mobilisation campaigns.
Due to above difficulties the banks could not make any
significant impact in the promotion of savings and banking
habits among the people.

ADMINISTRATIVE PROBLEMS

The fact that under the constitution cooperation
is a state subject seems to have adversely affected the
healthy growth of the central banks in the state. Even
useful reforms are delayed considerably because this
depends very much on the administrative convenience of the
State Government. The delayed extension of deposit
insurance scheme to central banks is an example.

Further, the State Government did not show active
interest in helping the central banks to open branches in
rural areas with managerial subsidy. Similarly, the slow
pace at which the Government acted on the question of
reorganisation of primary credit societies into economically
viable units and collection of overdues etc., prove that the urgency felt at the national level in the matter of correcting defective features in the short-term credit structure was not shared by the state.

It also appears that it has not always been adequately realised that where the constituent primary units are neglected from growing into stronger units, the path to the development of the central banks into effective instruments of deposit mobilisation and credit is blocked.

The central banks could not increase their resources to any desired extent by way of share capital as there was a ceiling on Government's contribution to the share capital of the banks and linking of share capital with borrowings of the affiliated primary societies. A change in these policies have to be made only by the State Government.

LIMITED ROLE OF THE APEX BANK

In the federal structure of the cooperative financing system, the Apex Bank is expected to provide a positive leadership in developing the strength and soundness of the system and in sustaining its health. However, there is no discernible evidence to suggest that it has been discharging its responsibilities in this regard. As its own progress, strength and resilience are inextricably linked to the development of the central banks, it should substantially help the central
banks to enable them to emerge as strong institutions. For this purpose they should build up adequate resources particularly by way of deposits. But in this respect the assistance extended by the apex bank was highly restricted.

The apex bank also did not take any constructive measures in the branch expansion programme of central banks in order to reduce the inter-district disparities and in banking development. In fact as the head of the credit structure it must prepare a master plan for branch expansion programme and deposit mobilisation.

The requirement that all the central banks in the state should put their surplus funds with the apex cooperative bank without a corresponding obligation on the part of the apex bank to satisfy their entire credit needs puts the central banks in a disadvantageous position. This requirement concentrates too much power and resources in the hands of the apex bank. But it is found that the bank, with the surplus funds took very little efforts to develop loan business or to improve the position of weaker banks.

Further, under the existing laws and arrangements, control over the central banks is shared among three different authorities. First the Registrar of Cooperative Societies not only audits but inspects the banks under the provisions of the State Cooperative Societies Act. The RBI undertakes inspection in terms of the statutory power vested in it.
under the Banking Regulation Act, 1949. In addition, the Apex Cooperative Bank also inspects the central banks. Thus, the apex bank has a limited role in the supervision and control of the central banks which is not a healthy feature. Matters relating to resource mobilisation, borrowings, loans, management, cost and profitability etc., should be within the purview of the apex bank if a sound development of cooperative banking system is to be ensured in a competitive environment where commercial banks are very effective.

OTHER PROBLEMS

Price stability is also crucial to successful mobilisation of deposits, firstly because it is essential to safeguard the people from exploitation by profiteers; secondly because rise in prices of necessary articles can lead to demand for higher wages to compensate for the reduction in real income which means diminished savings resulting in lower deposits for mobilisation. Thus, the recent inflation was another responsible reason for slow deposit mobilisation. Further, the growing volume of overdies even in areas where there were no widespread crop failures, the genuine natural calamities occurred in some areas, low production etc., adversely affected the efforts of central banks in mobilising resources.

(3) High rate of inflation means high rate of deposit growth. That is Indian experience as elsewhere.
CONCLUSION

Though the banks took earnest efforts to mobilise substantial resources by way of share capital, reserves and deposits, they had to face several problems. They were: i) limited area of operation, ii) poor image, iii) delayed extension of deposit insurance scheme, iv) competition of commercial banks, v) competition of non-banking institutions, vi) absence of non-official leadership, vii) poor branch banking, viii) provision of limited banking services, ix) absence of competent staff, x) lack of intensive and systematic publicity, xi) administrative problems, xii) limited role of the apex bank, xiii) inflation, xiv) mounting overdues and xv) widespread crop failures due to continuous drought. Thus, these constraints affected the resource mobilisation efforts of the central cooperative banks.