CHAPTER - VIII

FINDINGS AND RECOMMENDATIONS

A. FINDINGS

A PROFILE OF CENTRAL BANKS

Tamil Nadu with a well-knit three-tier short-term federal credit structure consisted of a State Cooperative Bank at the Apex level, 16 Central Cooperative Banks at District headquarters and 4,802 Primary Credit Societies at village level. The central banks being the middle-tier occupy a crucial and a balancing role in the above structure. There is at least one central bank for each district with the exception of Thanjavur district which has two with a mixed membership of individuals and institutions. The present policy is development of central banks purely consisting of only societies as members. The membership of the banks declined from 19,081 in 1950-51 to 11,670 in 1979-80 due to reorganisation of primary credit societies into viable units. 13 banks had a long and unique record of service ranging from 50 to 75 years, with just 3 banks started after 1954.

The resources of the banks which consisted of share capital, reserves, deposits and borrowings showed a steady increase during the period of study. The banks
had been putting in all possible efforts to augment their resources particularly the deposits. They occupied third place in the country in collecting deposits, in 1979. The amount of deposits held by them was Rs. 8.55 crores by the end of the first plan, which increased to Rs. 201.52 crores in 1980 which formed 45 percent of the total working capital of the banks. The central banks of Coimbatore, Madurai, Salem and Madras were showing better performance in the collection of deposits. The working capital of the banks registered a growth of 423.6 percent in 1979-80 over the 1970-71 level.

With massive State aid and support, financial accommodation from the Apex and commercial banks, the central banks could increase their loan business substantially. They financed not only primary credit societies but also co-operative sugar mills, spinning mills, consumers' stores, marketing societies, milk supply societies, weaver's societies, cottage and small scale industries and other special types of societies functioning within their area of operation. The loan business of the banks rose substantially from Rs. 8314 lakhs in 1970-71 to Rs. 22,179 lakhs in 1979-80. Among the various purposes for which loans and advances were made, the agricultural purposes continued to account for the bulk of (74 percent) of their
advances. Out of 16 banks, only 12 banks have issued loans to weaker sections amounted to Rs. 264.9 lakhs during 1979-80.

The RBI also played a significant role in helping the central banks. The central banks were brought under the control of the Banking Regulation Act in 1965.

At present the democratic administration of the banks stands suspended and all the banks are placed under the control of Special Officers appointed by the State Government since 1976. The inspection and supervision is conducted by the Apex Cooperative Bank and the RBI.

All the central banks in the State are working at profit. The total amount of net profit of the banks stood at Rs. 588 lakhs in 1979-80. More than 6 banks earned profits above Rs. 50 lakhs. The dividend declared by them ranged from 3.75 to 12 percent in 1979-80. Out of 16 banks, 8 were placed under 'A' classification in audit.

MEANS AND MEASURES FOR RESOURCE MOBILISATION

The means consist of internal resources through share capital and reserves with state participation in share capital and external resources through deposits from individuals and institutions and borrowings from Apex Cooperative bank, State Government and commercial banks.
Owned Capital:

The owned capital which consisted of share capital and reserves was showing a declining trend which is not a healthy feature. Its ratio to working capital was as low as 14 to 23 percent between 1970-71 and 1979-80. The State Government's participation in the equity capital of the banks marked a steady rising trend in contrast to member-societies' contributions.

Growth of Deposits:

1) The deposits of central banks grew at a faster rate from Rs. 3,480 lakhs in 1970-71 to Rs. 20,152 lakhs in 1979-80 more than the share capital and reserves put together, representing a significant rise of 479 percent. The average annual growth was 48 percent which was relatively higher than the all India average annual growth of 30 percent but lower than that registered in commercial banks in Tamil Nadu (57.26 percent).

2) Though there had been a significant increase in the total deposits, the deposits held by the central banks constituted as low as 3.8 percent of the state income and 12.3 percent of agricultural income of the state. The percentage of deposits to total working capital constituted 35 to 46 percent. There was an uneven growth of deposits
between banks as 80 percent of the deposits was accounted for by 8 banks in 1979-80.

Ownership of Deposits:

The quantum of deposits held by individuals and institutions other than cooperatives i.e. non-members which is the real indicator of the efforts of the management in resource mobilisation formed 57.6 percent of total deposits. The deposits from individuals registered a highest growth of 725 percent which is three times higher than the All India growth. A declining trend was noticed in the deposits held by cooperatives. Four out of 16 banks did not receive any deposits from local bodies and other institutions.

Variability in Deposits:

An analysis of variability in ownership of deposits indicates low level of variability in respect of deposits held by cooperatives and individuals whereas the variability of deposits held by local bodies and others was found to be markedly higher.

Trends in the Composition of Deposits:

1) The central banks attracted various kinds of deposits like current, savings, fixed, reserve fund and other special types of deposits.
ii) Of all types of deposits, savings deposits showed a continuous increase throughout the decade (1970-71 to 1979-80) and recorded a magnificent increase of 1436 percent which is comparatively 5½ times higher than the All India growth rate of savings deposits. Though its ratio to total deposits constituted only 23 percent in 1979-80, the marked growth in the total savings deposits definitely reflects a rise in the banking habits in the state.

iii) Fixed deposits also registered an appreciable increase of 512.3 percent over a period of ten years. Its ratio to total deposits was as high as 53 percent which is higher than the All India level of 39.4 percent. This marked achievement shows the banks' efforts towards the popularisation of fixed deposit schemes among the people.

iv) Current deposits which should help lower the cost of funds rose by 98.2 percent over the period of ten years and formed hardly 6 to 18 percent of the total deposits. This clearly indicates the banks' failure in attracting a large number of business people and institutional depositors.

Bank-wise Composition of Deposits:

i) An examination of bank-wise composition of deposits
shows that in majority of the banks the ratio of current deposits to total deposits did not exceed 10 percent. The savings deposits also did not find a significant place in all banks as it formed 16.8 to 42.2 percent.

So far as the fixed deposits were concerned there had been uniformly marked increase in all banks. Ten out of 16 banks did fairly well in the collection fixed deposits which exceeded 50 percent of their total deposits. The Salem central bank stood first constituting 63.16 percent followed by Tiruchirapalli (61.7 percent) Kancheepuram (60 percent) and Coimbatore (56.1 percent). It is understandable therefore, that these banks still make earnest efforts to attract substantial fixed deposits.

ii) The significant correlation between total deposits and the three variables namely, strength of affiliated societies, number of branches opened by the banks and the number/variety of banking and other services offered to customers shows that the deposit growth was influenced by these factors.

Cost of Raising Deposits:

In regard to cost of raising deposits, the central banks offered varying rates of interest on different types of deposits which varied from ½ to 10½ percent during 1979-80.

*But what is the average cost of deposit funds?*
Loan Capital

i) The borrowings of the banks rose substantially recording a growth of 483.6 percent which is about 3 times lower than the growth of deposits, yet it is not a healthy feature. The banks raised major part of the loan capital from state cooperative bank which marked a steady rising trend.

ii) The rate of interest charged on loan capital varied from 4.50 to 13.50 percent according to purpose and period of loans.

iii) The correlation analysis indicates that there was positive and significant relationship between borrowings and variables like lending and overdues which means that the borrowings of the banks were influenced by these factors.

iv) It is evident that the working capital of the banks tended to increase year after year which recorded a rise of 423.6 percent in 1979-80 over the 1970-71 level. The rate of growth in working capital was less than the rate of growth of the deposits.

v) It may be observed that the deposits and borrowings alone made significant contributions to the growth of the working capital of the banks.

© But what be orange exists borrowed funds?
Linking of Share Capital with Borrowings and State Partnership in Share capital:

Though the share capital of the banks formed only 7 percent of the total working capital, it marked a rising trend due to linking of share capital with borrowings and state partnership in capital which are the twin principal policies adopted by the banks to build up the internal capital of the banks.

Branch Banking:

i) Branch banking as a strategy adopted by the bank to augment deposits was not impressive as the annual growth rate was only 6.8 percent which was about 2½ times lower than the rate of growth of commercial bank branches in the state at 16.5 percent. The state had 16.19 percent of central bank offices in the country. It is significant that the tempo of branch expansion programme in rural areas particularly in urbanked centres rose from 66 in 1970-71 to 153 in 1979-80 registering an increase of 131.8 percent as against the growth of branches in semi-urban(56 percent) or urban centres (33.9 percent).

ii) The average number of branches per bank worked-out to 22 in 1979-80. The average number of rural branches
worked-out to 10 as against 5 semi-urban and 9 urban/metropolitan branches.

iii) The pace of branch expansion programme had never been uniform in all districts as 56 percent of the branches were opened by 6 banks alone.

iv) The population served per branch was as high as 107 thousands as against 16 thousands per office of commercial banks in the state. The population served by a rural branch of central bank was still larger i.e., 188 thousands in 1979-80.

v) The extent of deposits mobilised by the branches increased significantly between 1975-76 and 1979-80. The deposits held by the branches constituted 63 percent of the total deposits. Corresponding to the growth in number of branches the share of branch deposits also increased but the deposits of branches formed only 1.8 percent of the State income and 5.8 percent of the agricultural income of the state. This confirms that the branches have ample scope for further deposit mobilisation.

vi) It is observed that as many as 165 or 44 percent of the branches had deposits between Rs. 10 and 30 lakhs; and only 14 or 4 percent of the branches had deposits over Rs. 100 lakhs.
vii) A viable branch is usually managed by a qualified and trained manager who was assisted by an accountant, a cashier, one or two clerks and a peon. However, the staff pattern is mostly based on the volume of transactions.

viii) As many as 317 or 86 percent of the branches are still housed in rented buildings and 6 branches had the privilege of having rent free buildings. Presently no managerial subsidy is extended to newly started branches. A branch on an average served 6 to 15 societies within its area of operation.

Promotion of Savings and Banking Habits:

i) To promote savings and banking habits among the people, the common methods and techniques adopted by majority of the banks included: deposit mobilisation campaigns, cooperative week celebration, utilisation of services of primary societies for publicity, offering of gifts like calendars, key chains, ball pens etc., personal contact by bank officials, information/model counters at exhibitions, fairs and railway stations, window displays, advertisements in newspapers, journals, publicity through cinema slides and distribution of leaflets, pamphlets, folders etc.
ii) Mobile banking a new innovation in cooperative banking system to spread the banking message and to tap sources of deposits in widely scattered areas of population was attempted by one of the central banks (i.e., Madras Central Cooperative Bank).

Novel Deposit Schemes:

To attract different classes of depositors, several novel deposit schemes were introduced which included special recurring deposit schemes, cash certificates, daily and mini savings schemes, minor's savings schemes, retirement benefit schemes, marriage and educational savings plan under different names and insurance linked deposit schemes, etc.

Deposit Insurance Scheme:

To strengthen the public confidence and stimulate the growth of deposits the deposit insurance scheme was extended to all central banks from 1st July 1980. Insurance cover is available up to Rs. 30,000. As on 30-6-1980 out of 2,063 thousand deposit accounts with the banks, 91.90 percent of the accounts were fully protected and 63.71 percent of the total deposits enjoyed insurance cover.

\[\text{Which of these can be considered as rural or farmer-oriented deposit schemes?}\]
Provision of Banking and Financial Services:

i) The banks also provided a cluster of banking and financial services to augment deposits and to create a good image of themselves. The basic banking services offered by majority of the banks included: collection of cheques, drafts, bills, hundies, etc., and remittance of funds through drafts, mail and telegraphic transfers. However, some of the ancillary services such as safe custody of deeds and securities, safe deposit vault, collection of interest on securities, debentures, dividend on shares etc. were not available in all banks.

ii) The financial services provided by majority of banks relate to cash credit, short and medium-term loans and advances to affiliated societies and jewel and fixed deposit loans to individual customers.

The banks have also made attempts to mobilise deposits from local bodies and other institutions.

Interest rate served as a technique to mobilise substantial deposits as the banks had a privilege of offering a higher rate of interest on savings and fixed deposits over and above the rate offered by scheduled commercial banks.

For further mobilisation of deposits, the banks fixed targets for each branch. There was no uniform pattern in
fixing targets. In 8 banks target was fixed only for branch managers, field staff, supervisors and executive officers and in 8 banks target was fixed for all employees. However, no target was fixed for directors of the banks.

ENCUMBRANCES TO RESOURCE MOBILISATION

Limited area of operation:
The area of operation of a bank was confined to the boundaries of a district and sometimes in the same district two central banks operated. 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 operated in agriculturally prosperous areas and were, therefore in a better position.

Poor Image:
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 banks in the districts and the apex bank did not come into the picture.

ii) 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 bank. This lowered the status of the central banks to a considerable extent.

iii) 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. As a consequence, they received an inferior status in the eyes of the public and other institutional investors as compared with commercial banks.

iv) As many as 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 the confidence of the potential depositors.

v) The delayed extension of the deposit insurance scheme was another handicap in the central banks' efforts for deposit mobilisation, as the scheme was made applicable to all central banks in the state so late as from 1st July, 1980.

Competition of Commercial Banks:

The central banks suffered a major disability in competing for deposits with commercial banks as they have penetrated into small towns and semi-urban centres or even further to rural areas under the massive branch expansion programmes.
particularly after the nationalisation of the major commercial banks.

Competition 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. The growth of chit funds and Nidhis also hampered the deposit mobilisation efforts of the central banks.

Lack of non-official leadership:

i) There had been no much evidence of the involvement of the leadership of central banks in a drive for deposits. The leaders took neither special interest in deposit mobilisation nor deposited their savings in the central banks. Most of the banks could not secure the services of committed, dynamic, enlightened and experienced leaders during the period of study.

ii) Since 1976 all of the banks were placed under the control of special Officers appointed by the State Government who were drawn from the State department of cooperation lacked in the dynamism and banking experience.
They were not so much efficient or interested to take steps in new directions to improve the bank's position not only in respect of deposit mobilisation but also in other fields.

Poor Branch Banking:

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 in the state. Out of 385 branches only 153 or 39.74 percent of the branches were located in rural areas.

Limited Banking and Financial Services:

The central banks being confined to their dealing 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 trained personnel and legal restrictions, could not make much headway in mobilising deposits on a large scale.

Absence of Competent Staff:

The banks experienced the difficulty of finding out
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.

Lack of Intensive and Systematic Publicity:

i) There had been no evidence of intensive and systematic publicity by the banks. It is proved from the statistical analysis that there was no correlation between total deposits and the number of methods/techniques used for publicity. It appeared that due to paucity of funds the banks did not take any systematic effort. Five out of 16 banks have made some budget allotments upto one percent of the working capital or rupees one lack for publicity. It must be noted that only two banks have advertised their activities in dailies and journals frequently.

iii) Though the bank managers were charged with the responsibility of mobilising substantial deposits they were not provided with any transport vehicles to canvass
deposits. They were also not given adequate powers to hire vehicles or conduct deposit mobilisation campaigns.

Administrative Problems:

The administrative problems included: delayed extension of certain useful measures like extension of deposit insurance scheme, limited financial help from the state Government to open branches, slow process of reorganisation of primary credit societies into economically viable units, indifferent attitude of the Government in the matter of recovery of loans and the ceiling on Governments' contribution to the share capital of the banks, and linking of share capital with borrowings of the affiliated primary societies.

Limited role of the Apex Bank:

i) The Apex bank did not take any constructive measures either in the branch expansion programme of central banks in order to reduce the inter-district disparities or in banking development.

ii) The requirement that all the central banks in the state should put their surplus funds with the apex 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. The apex
bank with its surplus funds took very little effort to
develop the loan business of the central banks.

iii) Under the existing laws and arrangements, the apex
bank has a limited role in the supervision and control
of the central banks which is not a healthy feature. The
control over the central banks is shared among three
different authorities namely the Registrar of Cooperatives,
the RBI and the Apex bank. Thus these constraints
affected the resource mobilisation efforts of the
central banks.

PROCESS AND PROCEDURES FOR RESOURCE UTILISATION

Utilisation of Resources:

The central banks utilised their resources for making
investment in the following broad categories: i) non-
interest earning cash at vault and current account with
apex bank and other approved banks, ii) interest earning
category but clubbed under liquid assets, iii) other
investments and iv) lending of different types of loans
and advances to cooperative institutions and individuals.
Investments in Cash Reserves and Liquid Assets:

i) The central banks are governed by Section 18 and 24 of the Banking Regulation Act. They are legally bound to keep 3 percent and 25 percent in cash reserves and liquid assets respectively of both time and demand deposits. All the banks maintained excess cash reserves and liquid assets over and above the minimum stipulated requirements, which would have been otherwise profitably utilised on productive channels.

ii) Among the various investments in liquid assets by the banks, the highest was in debentures of land development banks and the lowest in other trustee securities. Out of 16 banks, two did not have any investment in Government securities.

The investments made by the banks in other items included land and buildings, vehicles, office equipments and furniture etc.

Lending

i) The lending activities of the banks comprised of short and medium-term loans and advances which included cash credit, over-draft, discounting of bills and loans.
ii) The loans and advances made by the banks rose substantially from Rs. 8.314 lakhs in 1970-71 to Rs. 22.179 lakhs in 1979-80. The average advances per society increased from Rs. 0.59 lakhs to Rs. 2.97 lakhs in 1978-79.

iii) Agricultural sector continued to receive a lion's share (74 percent) till 1975-76, which declined to 40 percent thereafter.

iv) Though short-term advances constituted to form bulk of the total advances of the banks (85.5 percent), a fairly high growth was noticeable in case of medium-term advances.

Purpose-wise Distribution of Loans and Advances:

i) Among the different agricultural purposes of the short-term advances, seasonal agricultural operations accounted for the largest share, constituting 57 to 93 percent between 1970-71 and 1979-80. Among the different non-agricultural purposes, loans for supply of consumer goods formed 56 to 73 percent followed by loans for industrial and consumption purposes.

ii) In case of medium-term loans and advances, conversion loans accounted for the largest amount indicating the poor recovery of short-term loans. The banks also issued
medium-term loans for non-agricultural purposes like purchase of storage bins, setting up of gobar gas plants, purchase of shares in processing and industrial societies.

iii) The volume of loans and advances made during 1979-80 by 8 banks viz., Coimbatore, Rancheepuram, Madras, Madurai, Ramanathapuram, Salem, South Arcot and Vellore accounted for 78 percent of the total loans.

Credit to Weaker Sections:

The loans issued to weaker sections amounted only Rs. 264.9 lakhs which formed as low as 1.35 percent of the loans issued during the year 1979-80.

Shift in Lending:

There was no significant shift in the pattern of short-term advances whereas there was significant shift in the pattern of medium-term advances which indicates that the banks diversified their lending activities as far as the medium-term lending was concerned.

Regional variations in Credit Disbursement:

There was wide variations in the credit disbursal between districts. The per hectare loans issued by the banks in various districts ranged between Rs. 14 and Rs. 312 and per hectare loans outstanding ranged between Rs. 60 and
Rs. 285. In the ranking of districts according to loans issued in 1979-80, Nilgiris stood first with Rs. 312 per hectare of gross cropped area and the lowest being in Tiruchirapalli with Rs. 14.

Factors Influenced Lending:

The lending of the banks was significantly and positively influenced by variables like net area irrigated and working capital, whereas overdues influenced negatively. It was found that a unit increase in working capital and net area irrigated will result in an increase of 0.499 units and 0.0047 units respectively in lending, whereas a unit increase in overdues will result in reduction by 1.71 units in lending.

Elasticity of Funds:

The analysis of the source elasticity of fund use and the deposit elasticity of credit in the central banks shows inefficiency in fund use as there was inconsistency and fluctuation in 'Su'. There was also disproportionate disbursement of loans to deposits and large variance in deposit elasticity ranging between 3.27 during 1969-70 and (-) 0.55 during 1970-71.
Cost of Lending:

The interest rate structure has undergone considerable change over the period of ten years from 1970-71 to 1979-80. During 1979-80 highest interest rate was allowed on advances to industrial purposes (17 percent) and short-term agricultural purposes enjoyed lowest rate of 8 to 9.50 percent.

Projection of Credit Needs:

The aggregate credit needs for 1984-85 and 1989-90 have been projected as Rs. 44,152.88 lakhs and Rs. 57,024.08 lakhs respectively. This indicates that the central banks have greater role to play in meeting the credit needs of various types of cooperatives.

Recovery Performance

1) There had been slackness in recovery of loans resulting in mounting overdues. The position of recoveries appeared better only in two banks viz., Madras and Kanyakumari forming above 60 percent and in 11 banks the recoveries were below the state average (29.3 percent).

ii) Over the period of ten years the overdues registered an abnormal growth of 1,337.79 percent recording an annual growth rate of 133.7 percent which is six times higher than that of the all India annual growth rate (21.87 percent).
iii) Overdues for one year and below, showed a significant increase of 1,553 percent which formed as high as 37 to 79 percent of the total overdues.

iv) The overdues of the banks formed more than two times the owned funds of the central banks. In 13 banks, the owned funds has been engulfed by the overdues.

v) The variability in overdues ranged between 62.10 and 78.58 between the period 1970-71 and 1979-80 which is less than hundred showing less variability in its value.

vi) The overdues of the banks was significantly influenced by net area under irrigation. Statistically other variables viz., intensity of cropping, proportion of agricultural lending, loans lent to weaker sections and number of supervisors employed by the banks did not show any significance at all.

vii) The principal causes for overdues were absence of non-official leadership, absence/lack of linking of credit with marketing, apathy of the management of primary societies, in recovery, delay in organised recovery, Government interference, wilful default and natural calamities.

vii) Realising the magnitude of overdues some measures
had been initiated by the banks at different levels
to effect recovery of the loans which included stabili-
sation arrangements like conversion short-term loans
into medium-term loans, extension of certain concessions
like waiver of penal interest, recovery campaigns,
and coercive actions.

B. RECOMMENDATIONS

1. The internal resources of the banks which consist of
share capital and reserves should be increased substantially
by increasing the face value of shares and by introducing
share linking in reasonable proportions which is essential
for providing borrowing powers, as well as for inculcating
in members a sense of belonging to the institution. The
ratio of linking of share with borrowings should be raised to
10 percent in case of primary credit societies and 7 percent
in case of other type of societies. For augmenting reserves,
however, there are certain limitations, as it is based
on the quantum of net profit earned by the banks.

2. Steps may be taken to convert entire or a part of
dividend payable to member-societies to the respective share
capital account of the societies. It is also possible to
enhance the share capital base of the banks by financing more
and more non-agricultural societies.
3. An important step to be taken to augment the resources by way of deposits is spreading of the saving and banking message in rural areas where banking is practically unknown. The banks should make intensive propaganda to inculcate the savings habit among them. Besides offering such incentives as are likely to make them keep their savings in the banks, the potential depositor in rural area has to be convinced about the comparative advantages of keeping money in the form of bank deposit.

4. The most important organisational step which the central banks have to take to mobilise rural savings is to expand the net work of their branches in rural centres which is at present not wide spread. Despite the progressive increase in commercial bank branches in small centres, the scope of opening central bank branches is yet vast. There are potential centres where from sizable deposits can be tapped. It is necessary for the banks to make a continuous study of the banking needs and the deposit potential of various centres at which they intend to open their branches.

5. The Apex bank should help formulate a master plan for branch expansion programme. The progress in implementing the branch expansion programme should be carefully watched and kept under constant review with a view to accelerating its pace if necessary. Emphasis should be placed, in particular, on the preparatory work which should precede
the opening of a branch, viz., publicity, preliminary contacts, enlisting the support of presidents and members of committees of village societies in the area.

6. In order to reduce the inter-district disparities in banking development and accord priority to the opening of bank branches in all community development block headquarters and other rural growth centres in the state, district-wise plans for branch expansion have to be drawn up by the apex bank in consultation with the central banks.

7. The State Government should also encourage the branch expansion programme of central banks by providing managerial subsidy at least for 5 years in the initial period.

8. The office premises may be developed and modern office arrangements may be introduced for each branch, as these will enhance the prestige of the banks and promote confidence in the depositing public.

9. The banks may consider having their office timings before and after normal office hours to enable the people, particularly the business community in their area to visit the bank at a time convenient to them.

10. The banks should try to open branches operated by women in important urban centres with a view to provide a
feminine atmosphere to attract more lady customers. Frugal housewives, working ladies and career girls provide a great potential for deposit mobilisation as they have reason to save money for children's education, marriage purchase of consumer durables etc.

11. The central cooperative banks as a social banker should reach all classes of people and remote places. Therefore, mobile banking units should be opened in as large number as possible in the state by the central banks in areas with potentialities of growth, where full-fledged branches are not immediately viable. The staff of such branches will have to be more energetic, young with necessary rural bias and aptitude. This is a system worth trying in villages as well as urban areas.

12. The banks have to ensure that the cost of the funds raised by them is kept to the minimum. It is therefore, necessary that the rates offered for different types of deposits while being competitive as compared with those offered by other institutional agencies, are kept as low as possible. The banks should make greater efforts to mobilise those types of deposits which carry a relatively lower rate of interest viz., current and savings deposits by extending different customer services.
13. The banks should take earnest efforts to mobilise deposits from individuals on a large scale which is a real indicator of the efforts in resource mobilisation.

14. To augment adequate deposit resources, the bank should contact frequently local bodies, Government departments, central jails, temples, educational institutions, universities and other quasi-Government institutions and persuade them to deposit their funds in the central banks and their branches.

15. There is need for motivating the personnel so that they earnestly involve themselves in the collection of deposits. A system of fixing targets for deposit mobilisation for every central bank and for each of its branches may be introduced. The branch managers and other officers concerned with the mobilisation of deposits should be actively involved in reaching the targets. There should be a periodical review of the targets fixed and steps should be taken to remove difficulties, if any in attaining the target. Special incentives may be given to those who do exceptionally well in the matter of deposit collection.

16. The banks should also build up their image through honest, efficient, dynamic and democratic leadership. Therefore, the banks should be brought under the democratic
management as soon as possible. The directors should actively involve themselves in the collection of deposits. They should also invest their surplus funds in the central banks. Targets may be fixed for directors and suitable incentives may be given to those who achieve the targets.

17. To project better image among the public a combined effort by the cooperatives in the short-term credit structure will prove to be a success.

18. As the provision of variety of banking and financial services depend on the quality of staff, the banks should lay special emphasis in the recruitment of qualified persons who possess initiative and drive. Creation of common cadres, adequate promotion opportunities, revision of salary of the staff to be on par with other commercial banks are the measures necessary.

19. Depositors expect efficient, quick, polite and personal service. The bank staff at the counter should be adequately trained on these aspects. The responsibility of training them should be entrusted to the Apex Cooperative Bank.

20. Deposit mobilisation campaigns should be organised periodically in all villages, districts and at state level involving the office-bearers, members and officials of the
primary societies, central banks and apex bank, local panchayats, village schools, officials of department of cooperation, voluntary agencies, municipalities, corporations, district collectors, ministers as in Kerala State where it has proved tremendous success.

Attractive gifts may be offered to those who open new accounts.

21. Advertisements have a key role to play in building up of a good image of the central banks. Publicity about the banks' role in the economic development and the services offered by them should be made frequently in leading dailies, journals and students' magazines, radio, exhibitions, cinema slides etc., to create better image about the banks. Effective publicity is also essential, through local meetings, conferences, personal contacts and discussions. The services of the State Cooperative Union and the District Cooperative Unions should be better utilised for publicity.

22. Facilities for safe custody, prompt and sympathetic attention to enquiries, quick remittance facilities, overdraft facilities to individuals and institutions, collection of bills, rent, taxes, payment of insurance premium, subscription, electricity bills, payment of taxes etc., which are
not provided by all the banks should be made available to customers.

23. The central banks should avoid keeping large surplus cash and liquid assets and utilise them in productive channels.

24. Diversification of advancing loans is a matter of importance in the working of central banks. They should adopt a sufficiently broad-based and diversified system of lending suited to the needs of different categories of members. In addition to short and medium term loans advanced to primary credit societies, the quantum of loans and advances to other types of societies like marketing, processing, dairying, poultry and employees' credit societies should be increased considerably. Such diversification will help the banks to increase their income.

25. The central banks like the commercial banks should grant loans and advances to small scale industries, road transport operators, self-employed persons, retail traders, educational purposes and for buying consumer durables. This kind of diversified lending will enable the banks to project a better image among the public and attract more number of customers, and thereby increase their income.
26. Though there is direction from the RBI to earmark 20 percent of their advances in favour of weaker sections, the loans provided to small and marginal farmers, rural artisans and agricultural labourers were very much limited. Therefore, the banks should increase the quantum of loans given to such categories of people.

27. The directors of the primary credit society should play an active and effective role in periodically reviewing the recovery performance of the societies followed by stern measures for recovery against the defaulters and launching of regular collection drives by taking timely coercive action.

28. The interest rate structure of the central banks should be so devised as to provide for interest rate rebate as a reward for prompt repayment of loans on the scheduled dates. For improving recovery performance, the rate of interest should be initially fixed at a somewhat higher level and a rebate of 2 or 3 percent allowed to the borrowers on repayment of dues on schedule without defaults.

29. The tempo of recovery drive should be maintained by the societies throughout the year instead of initiating it towards the close of the year. A well-planned recovery campaign should be launched well ahead of the due dates and the recovery machinery geared up for action at the time of harvest of crops.
30. The central banks should take much interest in implementing the scheme of linking of credit with marketing effectively to ensure prompt recovery of dues. As an inducement the central banks may give a rebate in the interest on a loan repaid by the primary agricultural credit societies through a marketing society.

31. The State Government should help the banks in their recovery drive. It is also the responsibility of the State Government in their developmental role to ensure that there is strict observance of financial discipline by all concerned for sound and sustained growth of the cooperative credit system.