CHAPTER - II
CHAPTER-II

CO-OPERATION – PROGRESS AND PERSPECTIVES

Co-operation has a particular approach to the problem of economic life with two germinal ideas, association in its emphasis on social welfare. Co-operation approaches mass, never disassociated from the social and moral aspect. Thus co-operative thought has broken new ground in the traditional social thought in which, as professor F.H Knight has observed, “Individualism, has been seriously overstressed to the neglect of the social side of mind, of thinking and the appreciate and moral life”. Co-operation does not look upon man as an economic man of the classical school of economics. The emphasis is laid always on human values. Co-operation press the so-called market values in a wider and more human setting. Thus the co-operative thought conforms to the latest trend in economics. The problem of economic progress in fact is the development of human character.

Prof. Alfred Marshall emphasized this aspect long ago, when he defined economics, as "Thus it is on the one side a study of wealth and on the other, a more important side, a part of study of man"\textsuperscript{12}. From this point of view Co-operative ideology has a great significance.

Co-operation is a practical economic system of transacting business based on all that in human nature. It is a happy golden mean between capitalism and socialism. While pressing the instinct of self-interest, it organize on a higher plan the basis of collective effort. On the one hand it applies a great brake on all anti-social ills such as greed and selfishness on the other, it avoids the tendency to drab uniformity, regimentation and bureaucratization.

Co-operation stands for distributed justice and recognizes the claim in the distribution of wealth of all concerned in the making of the profits. Capitalism grabs the profit for the capitalists, communism recognizes no capitalist class and subjects the whole nation to regimentation under state capital with a bureaucracy in changes, harder to control or influence than any capitalist or set of capitalist. It is a system which works in such a way that while each agent of production receives the basic minimum as his right the surplus profit is distributed
proportionately between capital, labour, land which in unique and among the consumers.

Co-operation properly understand means working together towards a common end. This working together must be for the mutual benefit and not to satisfy any sense of patronage. In the words of Dr. Fauguet, “The primary aim of the co-operative society or institution is to improve the economic situations of its members, buy by virtue of its methods and of the equalities which it demands of develop in the member, it achieves a high aim. The goal of co-operation is to develop men-men imbued with the spirit of self-help and mutual aid, in order that individually they may rise to a full personal life and collecting to a full social life”.\textsuperscript{13} This approach is wanting in the present organization of societies.

The standard of the indicated by co-operation would necessarily be comparatively simpler than standard of living that is possible to a special few under condition of competition living. But it is perfectly certain that average structure in co-operative will give to every individual reasonable share in the production of the nation while competitive economy promises all goods thing to the strongest.

\textsuperscript{13}Ibid, P-85
CO-OPERATION AND SOCIALISM:

The co-operative movement and the socialist movement originated as a result against the rise of the capitalist system. In fact, some of the fundamental principles of co-operation and socialism are the same. Both the system emphasise human and social welfare and aim at the abolition of the profit economy. The keynote of both co-operation and socialism is to ponder to individual great. The fundamental theory of both rests on an economic theory of collective action as opposed to individualism or capitalism. Thus co-operation and socialism are closely allied.

CO-OPERATION AND COMMUNISM

Like socialism, communism as an economic system could vest the ownership and control of all capital consumption goods in the state. There would be neither ownership of private business. The aim is not private gain but the service to the community at the lowest cost. But the methods adopted under communism to achieve these objective are entirely different from socialism. Under socialism, the ownership and control of the economy is acquired gradually and through legislation. They are more or less evolutionary in their methods. But the methods
adopted under communism are entirely revolutionary. They believe in radical changes. The appeal of communism is to par discounted, to pull down the rich and capitalistic class from their dignified and, secured position and to take up the means of production in their own hands.

Thus there are some fundamental difference between co-operation and communism. Co-operation is an organization of the poor and week persons to raise themselves to a dignified position in the society by means of self-help and mutual help. Co-operation does not depend upon state help. It is mainly based on Voluntary association and voluntary aid. Its methods are evolutionary, while communism is revolutionary. Radical changes have no place in a co-operative organization and communism but the methods are entirely different. Of the two communism wants to do so by abolishing private property and capital itself but it is not so under co-operation. Under it private property and capital are to exist, but capital is not given the power to retain the control of the co-operative organizations. It is a liberal movement, idealistic in its objectives and practical in its application.
There is no sphere of economic activity to which the principles of co-operation cannot be applied. Co-operation has always been the child of necessity and has developed in different countries along different lines.

The co-operatives has a harmonising power to restore the conflict of interest, which underlie most of our present day social problem. Co-operation generates centripetal forces and brings individual system, which creates centrifugal forces and sets man against man.

Co-operation moderates the extremes of capitalism, socialism and fascism and occupies in many respectable middle position, it is neither conservative nor radical, but a liberal movement, idealistic in its objectives and practical in its solution.

Co-operation is a vast movement, which promotes voluntary association of individual who strive after the achievement of common economic ends they have in view and who bring in this combination a moral effort and progressively developing realization of their moral obligation.

Co-operation provides an answer to many of the problems facing our country today.
ORIGIN OF CO-OPERATION

The poor farmers of Germany under the guidance of Raiffeisen combined into co-operative societies to obtain cheap credit thus originated the co-operative credit movement. When with the spread of industrialism and the markets, and the farmers found themselves more and more at the mercy of the increasingly long chain of middlemen, they were forced by the logic of circumstances to combine together for self-preservation. This led to the emergence of agriculture co-operation in Europe, in various forms, such as societies for the purpose of raw material and implements required for the cultivation, societies such as the co-operative creameries in Denmark to take the processing of agriculture products, co-operative association for leasing and cultivating land for the improvement of livestock for mutual insurance against agricultural risks etc., while in the new countries like Canada and U.S.A with immense distances and production for foreign market have tended to concentrate on co-operative marketing. In our own country we have developed co-operative credit on the lines of Raiffeisen and Schulze- Delitzsch of Germany.
As credit societies, agriculture and non-agriculture have been upon the Raffeisen and Schulze-Delitzsch type developed in Germany, we may have to describe the main feature of each of them.

**RAIFFEISEN SOCIETY**

The Raiffeisen type of society was first evolved by Von Raiffeisen, the Burgo matters of Weyerbush, in 1862 to the farmers from the rapacious moneylenders. These societies are mainly agricultural societies. The objects kept in view were to give the farmers a bank at his own door, to combine the Bank and shop in one to devise a form of securing within his reach to encourage his thrift by accepting his deposits, however small the amount may be to benefit him educationally as well as materially in other words "to emancipate, rather than enslave him".  

14. Ibid, P-88
THE CHIEF FEATURES OF THE RAFFEISEN BANK

ARE AS FOLLOWS

1. Limitation of area so as to secure mutual knowledge on the part of the member.

2. The shares are of a very small value.

3. A permanent indivisible reserve fund is kept.

4. The liability of the member is unlimited.

5. The loans are given only for the productive or provident purpose their expenditure being carefully supervised.

6. The loan are given only to the members.

7. The credit is given for relatively long periods, say one to three years with facilities for repayment by installments.

8. The determination every year, by the member of each society at the general meeting of the maximum credit that may be held by the sureties, and when advanced on current account are insisted at least every half year.

9. In this type of organization there is a complete absence of profit seeking, dividends are not usually paid and if at all they are paid they are limited by a maximum to the rate interest paid by borrowers for the loans.
10. The office holders are paid for their service except the secretary or the accountant who receives a small honorarium and expenses are kept as low as possible.

11. Provision is also made by the society for the purchase of agricultural requisites for sale to member and procuring of the agricultural machines and implement for letting on hire.

12. The promotion of moral as well as the material advancement of the members.

Each society has for its control and administration, a general meeting of Board of Directors and a council of supervision. A general meeting fixes the rate of interest which are to be charged and elects the other two bodies and passes annual statement of the society transactions. The managing committee admits or rejects members and decide all matters of management. The executive officer carries out general control and makes a quarterly examination of the financial position of the society, the valuation of each loan the solvency of the borrowers and the sureties.
The society pays 3 to 4 per cent interest on deposits and charges 4 to 5 per cent on loans. These rates, it is understood, have slightly been increased after the war. Deposits are received by the society from members as well as non-members and thus it acts as village banker. The societies are therefore known as "Savings and Loan Bank".

The societies are carefully supervised and audited by the Inspector of the Raiffeisen union with its headquarters at Nellwied the Central Banks of Raiffesien having its headquarters at the same place acts as the financing and balancing center. Both the unions and central banks have regional branches.

SCHULZE DELITESCH BANKS

Schulze-Delitesch town banks were organized by Schulze of Delitesch the about same time since Raiffeisen started his village bank. These banks are mainly urban. These banks were formed for the purpose of furnishing credit to small traders, employers, artisans, and the middle class man in towns but generally large holders also borrow from them. Their main features are as follows:
1. The shares are high in value ranging from 5 to 15 each and sometimes even reaching to 50 but the amount are payable by small installments and thus serve the object of compulsory saving.

2. There is no individual reason found though there is the usual reserve fund building carrying to it a portion of the annual profit to the extent of 20 per cent.

3. The area of the bank is not narrowly limited.

4. The loan are usually made for a term of three months but are subject to renewal and are generally repaid in lumpsum.

5. The dividends are sufficiently high there being no limitation on the rate.

6. Regular banking offices are maintained with at least two or three permanent paid officers who form the board or committee of management.

7. The council of supervision meets almost every week and its members receive remuneration.

8. The Banks confine themselves to pure banking business.

9. Loan are granted for productive purpose only but the purpose is not very closely scrutinized.

10. The application of the amount of loan is not supervised.
11. There is no personal relationship on mutual touch among the members the number members of several banks being counted in thousands, some having more than 10,000 members with an annual turnover of L 20 millions.

12. The rate of interest on loan is sufficiently high. It is said that the earlier banks charged interest as high rate as 12 to 15 per cent later on reduced it to 8 per cent and further on to 5-6 per cent.

13. Loan are made either in cash or credit, the limit of credit being fixed within which the borrower can draw as his needs arises, or a lump sum is advanced against a promise or bill of exchange, the later form being more common as it allows the bank to secure funds when required from commercial bank by rediscount of the bills.

14. These societies are of generally unlimited liability, because at the time when they were first founded, limited liability was not allowed by law, later on societies were formed of limited liability.

The societies are controlled by the general meeting administration by a Board of Management of 2-3 persons who are paid and supervised by a council of supervision. Further, inspector conducts supervision and credit. No central has been established for these societies but a central
committee equalizes the surplus and deposits of different societies. Later on arrangement were made with commercial banks for this purpose.

**SCHULZE DELITESCH AND RAIFEISEN SOCIETIES**

Both provided cheap capital for those who were deprived from it by enormous cost and were exploited by money-lenders.

Both encouraged thrift as the basis of credit. But schulze-Delitesch fostered thrift by rewarding it with dividends, which place the interest of the borrowers in opposition to that of lenders. Raiffesien placed the of the borrowers first and allowed no individuals and thus preserved intact the co-operative idea of mutual help. Raiffeison aimed not merely at material benefits of association, but its moral and result and the general and social welfare of the members.

**Luzzati bank**

These banks were funded by login Luzzati in Italy at Milan in 1866. They are also known as the People’s Bank (Banche Popobri) and are wide-spread. Their chief features are:
1. They have limited liability with share of small value. Share can be issued at a premium with increase in the amount of accumulated reserves.

2. They depend on borrowing in the form of deposits. Rate of interest is bit higher than that paid by the post offices.

3. Their membership consists of different type people of varying means.

4. Reserve Fund is created out of contributions to the extent of 20 to 25 per cent from net profit.

5. Dividends are declared only up to a fixed rate.

6. They are managed by a honorary committee and a paid manager. Meeting are held every fortnight.

7. Loan are usually granted for longer periods against personal securities and shares.

**Woolenbuge bank or Casses rural**

Rural banks, known as Woolenburg Banks, were started in rural areas in 1883 by Dr. Woolenburg for small farmers.

1. Most of the banks have no share capital and shares are of small value.
2. They grant short-term renewable credit usually at the rate of 6 per cent.

3. An individual reserve funds is created out the entire profit.

4. Inter-lending between urban banks and rural society are remitted.

5. Loans are granted within limits prescribed by the general meeting and at rates approved by it.

CO-OPERATION IN INDIA

The principle of co-operation are not in any way new to India. Co-operation has been known and practiced in this country in various froms since ancient times. The joint family system, which is very old and exists till today, is one instance of indigenous co-operation. Under the system, the land is owned and cultivated in common, while all adult members have to share the duties of the family engaged in occupation other than agriculture. Member of the family live in a common house and the household expenses are met from the income of the joint property. The institution is based on a feeling of brotherhood and mutual help.
Another from co-operation is the Panchayat, which is based on the principle of community self-help. Although the system has fallen somewhat into decay Panchayat are still common and in all states they have been received. The main functions of this organization are to deal with the question relating to the economic and social welfare of the community. Disputes among the members are also referred to them for decision. The decision of the panchyat is enforced under the penalty of social boycott.

Then there are chit funds commonly found in south India, which are based on the principles of mutual association. Under this system a number of person join together and each member agrees to pay every month for a specified period fixed sum. Every month when subscription are realized, lots are drawn and the person drawing the lot is paid the total monthly subscription. The whole system of the chit funds depends upon mutual confidence and honest dealing which are the main essentials of co-operation.

"The Nidhis and chit-funds may be considered to be the precursor of the co-operative institution and joint stock banks in India." 15.

The fund system in Vidharbha, the “Phad” system in Kolphapur and the “Gouchi” system in Andhra can be cited as example of some kind of organized efforts of mutual help and co-operation”

It is thus clear that India provides a natural soil for the development of co-operative institution. Although co-operative movement was officially set up in 1904, yet it has made much headway up till now. All these 62 years have been spent by the Department of co-operation, helped vigorously by a large army of honorary worker in raising the co-operative credit structure from the primaries to the central financing agencies and hence to state Apex Bank. But co-operation has not shown any marked improvement and has been a subsidiary means of second-rate importance, a side game looked favorably upon by government but distrusted by the urban intelligentsia who saw nothing goods in government practically for the movement. Weeded to capitalism, they have not understood and even yet they do not understood what great ideas are at the back of the co-operative movement, and how starting as an instrument for the improvement of the economic conditions of a certain set of people. The co-operative principle is a capital of being raised to the dignity of an “ism”, forming the basis of the whole economic structure of the society of the country.
It is time that co-operative principle is recognized in India, not merely for the societies registered under the co-operative societies Act, but under the Indian companies Act too, so that in no industry, large or small shall profit be appropriated by any one section of the people or even by the state, but shall be distributed equitably amongst all concerned. It is only when co-operative ceases to be a side and a sectional movement and is raised to the dignity of a great national principle it is only when a country adopts that just and equitable manner of production and distributions that a new era of peace will drawn, there no classicism or regimentation shall offend against the great principle of universal brotherhood.

The Indian co-operation union seminar conducted in New Delhi in 1959, stressed that, “Co-operation movement will have to draw (in India) many and more upon our indigenous traditions and to do away with a large part of its alien at line”. It also observed that, “It is well known that Indian society has experimented with a variety of co-operation principle and forms. In fact, the history of the Indian village community is an unbroken record of co-operative aspirations and achievement. It will be certainly worth while to investigate and evaluate this traditional form as well as principles underlying them”16.

16. Ibid, P-99
The following table shows the regional progress of Co-operative movement in different continents.

The regional progress of co-operative movement in different continents

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of societies in thousand</th>
<th>Membership in thousands</th>
<th>Percentage to population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>112.6</td>
<td>77519.8</td>
<td>15.80</td>
</tr>
<tr>
<td>America</td>
<td>18.5</td>
<td>12599.7</td>
<td>4.93</td>
</tr>
<tr>
<td>Asia</td>
<td>245.6</td>
<td>26243.6</td>
<td>4.97</td>
</tr>
<tr>
<td>Oceana (including Austraila &amp; NZ)</td>
<td>0.6</td>
<td>43.1</td>
<td>4.96</td>
</tr>
<tr>
<td>Africa</td>
<td>6.8</td>
<td>73.5</td>
<td>9.10</td>
</tr>
<tr>
<td>Rounded off</td>
<td>378.01</td>
<td>116917.7</td>
<td>8.84</td>
</tr>
<tr>
<td>World Total</td>
<td>378.42</td>
<td>116918.0</td>
<td>8.84</td>
</tr>
</tbody>
</table>

GEOPHAPHICAL DISTRIBUTION OF CO-OPERATIVE ORGANIZATION

It is interesting to note although modern co-operation started in Europe it has spread throughout the world. "Co-operation" Dr. Fraquet writes, "is perhaps more a form of organization. It is not only in European countries that co-operative institutions developed, and in such
places as in North and south America, Australia, and New Zealand, whose languages and population make them as it were, extension of these countries but also in countries of other races and with a different culture." about two thirds of all co-operative societies and co-operatives in the world are to be found in countries outside Europe.

1. Industrial Co-operation which composed both consumer and producer's Co-operation, and
2. Agriculture co-operation, which covered all the activities pertaining to the farmer profession.

Later on it began to be classified as agricultural and non-agricultural and rural and urban. But none of this classification was satisfactory as they to co-operation and on the functions the societies perform or purpose for which they are formed. Hence the international institute of agriculture, Rome has adopted the following classification according to the purpose or the functions of the societies 1. Credit 2. Production and sale 3. Purchase and Sale.

The first division, i.e Resource, comprises societies formed to procure for their member the resource necessary for their members. The resource may be provided in cash as in the case of credit societies or in kind as manure and implement and even provided for the set-up of the sale societies. The second class i.e, production covers industrial production, collective farming and labourer's societies. The third division is the consumer in which housing societies are included. This classification is faulty, as it is not based on the main function of societies.

**Classification of co-operation by Dr.C.R. Fay is as follows**

i. Co-operative Bank

ii. Agricultural Societies

iii. Worker's Co-operative Societies and

iv. Co-operative Stores.

Though this is an important on the older classification it is not sufficiently comprehensive and there is considerable overlapping. It also does not include the housing societies and the Insurance Societies, which have now important place in the co-operative development in the world.
In India the Reserve Bank has made the following classification

(a) 1. Credit Societies,
   2. Purchase and purchase and sales societies
   3. Production societies
   4. Production and Sales Societies
   5. Others.

(b) Land Mortgage Banks

(c) Non- Agricultural Societies,
   1. Credit Societies
   2. Purchase and Purchase and sale Societies
   3. Production Societies
   4. Production and Sales Societies
   5. Others

(d) Insurance Societies
   1. Ordinary and
   2. Cattle

However, it is difficult to give any exact classification of the different kinds of co-operative societies. A classification to be perfect should be accurate and not overlapping and should clearly indicate the function and purpose of each class. But such a classification is rendered
difficult because a society which is originally interested to perform one function is also made to perform other function due to changed circumstances. Whatever may be the difficulties, a classification is desirable in the interest of the movement itself. A classification according to their main functions seems to be the right approach.

Four major categories of co-operative societies can be distinguished, the first three of which have grown up chiefly in urban or industrial undertaking, while the fourth has developed in a rural environment.

Four major categories of co-operative societies can be distinguished, the first three of which have grown up chiefly in urban or industrial undertaking, while the fourth has developed in a rural environment.

i. Consumer co-operative which cater for their member's needs in food stuffs, clothing, household goods, etc., These have been developed more in U.S.S.R England, Ceylon, Denmark, Finland, Sweden and Switzerland.
ii. Housing co-operative some of which build house which they later on sell to their members, while other (housing credit co-operative) made the necessary loans available to their members for the purchase or construction of house these are mostly developed in U.S.A England and Wales, Sweden and Netherland.

iii. Co-operative for non-agricultural occupational interest; i.e urban credit co-operative, Fisherman’s co-operative etc. These are mostly developed in U.S.S.R, great Britain, France Spain, Italy, Czechoslovakia and Yugoslavia.

iv. Agriculture Co-operative: Co-operative societies for credit purchasing (fertilizer, seed, fodder, farm equipment), marketing and a host of co-operative societies performing miscellaneous, services (insurance, irrigation, farming, etc.,) These are mostly developed in Demark, Switzerland, U.S.A Canada, Nether land, Australia and New Zealand.
Three important conclusions can be drawn from the above:-

1. The co-operative institution has become part of the scheme of things in countries in which geographical, history, economic and social conditions, from of government, wages, living levels and cultural development differ widely.

2. The part played by co-operative institution has been continually increasing and is considerable importance in a fairly large number of countries.

3. Those who join the co-operative movement today or in future are entering a movement of impressive size, strengthened by long and varied experience and unities by a whole network of bonds of national and of international solidarity as well.¹⁸

Strengths, Weaknesses, opportunities, Threats (SWOT)

I. STRENGTHS

1. Self-reliance

The urban co-operative banking sector is a sector of Indian co-operative movement. These institutions have laid a strong resource base. They have become successful on attracting deposits and have built sizable reserve. They are operating their business with their own resource. It is a
matter of pride that urban co-operative banks do not depend upon external financial agency like government for their survival. In fact, in some regions, "Surplus Fund" is a serious problem that the urban co-operative banks are facing.

Other major sectors of our co-operative movement are putting up a show in term of business performance with certain exception. Agricultural credit co-operative except in some parts of the country are in bad shape. They are totally depended upon government and refinancing agencies for their existence; marketing co-operative too are not well. The consumer co-operative sector is loosing its image. When all the major sector of Indian Co-operative movement are at a cross-road it is urban co-operative banks that have proved to be successful business institution in co-operative sector. This is really an achievement of urban co-operative banks.

2. Educated Members

The blood and bone of co-operative institution are its members. It is the members who can make or make the organization. A particular charter of co-operative organization is that there is no "Sleeping partnership" in it. What this "Sleeping partnership" concept implies is that members must actively participate in the business of their society. This is the basic cardinal business principle.

However, the effective participation of members in co-operative society depend upon the realization of their rights and responsibilities. Fortunately, the members of urban co-operative banks are educated people. They are aware of their responsibilities. This active involvement of members has also kept management of these institutions quite alert.

Therefore, educated membership is a pre-requisite condition for the success of the democratic character of the co-operative society. It is because of this that member education is one of the basic principles of co-operation. Here again, urban co-operative banks are blessed with this factor. Educated membership is a rate factor that one finds in our co-operative institutions.
3. **Intimate knowledge of customer**

Urban co-operative banks are small organizations. That is why they are local in character. They are basically localized institutions operating in a compact area. Therefore, they know people closely in their locality. Board of direction and the manager of urban co-operative banks have intimate knowledge about the person his family and economic background. They also know closely his character and integrity. This has become a great asset of an urban cooperative bank.

However, in case of commercial banks this does not happen. The manager of a commercial bank in an area, urban or semi-urban is a foreigner. He may not belong to the local area. He may not know socio-economic background of the people. He may not know the local language. This is a great weakness with which a manager of a commercial bank suffers. This intimate knowledge and the class information about the people and the area is a source of strength of urban co-operative bank.
4. Service motivated

Being co-operative organization, the urban co-operative bank is service motivated. A person who feels that a particular service is not available in the market becomes a member of a co-operative society or the person may not be happy with the quality and price of the service when it is available in the market. Therefore, he is attracted to a co-operative organization to get a better quality service, at a competitive price. The very objective of a co-operative society is to provide service to its members and that is for what the urban co-operative banks stand. The urban co-operative banks exist for their members. Therefore, all their activities are motivated to provide maximum services on attractive terms. The service is the main dynamic force and guiding philosophy in urban co-operative banks. It is not the profit that matters much in a co-operative bank. Of course, the co-operative banks have a comfortable surplus to meet the requirement of a business organization.

II. WEAKNESSES

1. Closed Clause

It is very often observed that the urban co-operative banks are losing the secular character. One of the basic co-operative principle is the
membership should be shall not be denied on the basis of caste, religion, community or colour of the skin of a person.

But it is said that instances exist where urban co-operative banks are operating with defined basis toward a particular caste, community or religion. This is reflected even in the names of many urban co-operative banks. The reserve Banks of India and the government have brought this to the notice of all such urban co-operative bank and asked them to be secular in outlook. But in spite of this still we have urban co-operative banks that have communal flavour, religious colour, and caste character. Therefore it is high time that such urban co-operative banks must rise to the occasion and operate on secular basis. Membership or the employment should not be refused on the basis of caste, religion or community.

2. Faulty Advances

The constant criticism, on urban co-operative banks that exits from the very beginning is that are observed with security. Their lending operators are based mainly on security. That may be the reason why they are being called "Gold loan banks". The socio-economic situation in the country is fast changing. The urban co-operative banks should not
merely be a money lending organization. It is required to be progressive institution to help the socio-economic development in the country. It has a social obligation. The bank must help the poor in improving their economic conditions. While financing a scheme what is important is the integrity of the person for whom the loan it to be sanctioned and economic viability and the technical feasibility of his project. If he is a man of great integrity and if his project is a bankable proposition, loans should not be stopped only because the person does not have security to provide.

However, in spite of repeated reminder the urban co-operative banks still continue to exist with this weakness. The management of the bank do not change their attitude and become progressive they would tend to become socially irrelevant organization in future. Another disturbing feature of lending operation in urban co-operative banks is the tendency of undue concentration of advances in the hands of few directors and their relations. Large amount of advance gone to vested interest group. In such cases even basic banking principle are not observed.
It is further noted many urban co-operative banks are not coming forward to avail the concessional refinance facilities offered by Reserve Bank of India for financing small-scale industries. This unique opportunity is made available only to urban co-operative banks. This indicates that they want to stick their traditional lending operations.

3. Missing Management culture

Banking is becoming more complex and sophisticated acting. The environment is becoming more competitive in character. Therefore, the urban co-operative banks must be well versed in the banking business. They should possess adequate and up to date knowledge about their business. He must know his business to make his institution successful one.

However in many urban co-operative banks the professional manager in such organization is found to be incompetent, and does not have professional training. As a result he has become a hindrance for the development of banks. Therefore the urgent need is such urban co-operative banks is to bring well qualified, co-operative banks is to bring well qualified competent man and give him a free hand in business operation of the banks. Further, no scientific criteria are adopted in
recruiting the staff, merit and competence are hardly considered in recruitments and some other irrational criteria influence the selection.

4. Lack of planning

It is very unfortunate that a very few urban co-operative bank have a perspective plan of their own. Most of the banks do not have a systematic planning for their future development. Therefore, no short term plan and long term exist in these institution. In the absence of a perspective plan an institution tends to go off track many times and would miss its purpose. Again because and it comes know it when it is too late.

The management must have a definite plan in different areas of its working like deposit mobilization, advances personnel etc. Even at marco level urban co-operative sector as a whole at the national level has not developed a perspective plan. Thus both at mirco and Marco level, there is no planned approach for the development of this sector. It must also be pointed out that national level federation of urban co-operative banks and the state level federations do not have adequate funds to design such a plan. Still in many states, there is no state level apex body for urban so-operative sector and where it exist, it is not strong.
III OPPORTUNITIES

1. Strict Financial Discipline

The urban co-operative banks can overcome many problem if strict financial discipline is maintained in their operations. Therefore, the banks should make judicious use of their resources like men, money, building etc., A man without look even for an hour would add to the cost. Therefore, the management should be careful enough to see that all the resources are used at the optimum level.

Management of these banks must productively conscious. They must try hard to maximize the productivity of resources so as to achieve high productivity and efficiency of their resource.

2. Applications of Modern Management Concepts and Techniques

Another opportunity which the urban co-operative banks can utilize to be better organization is the application of modern management concepts and techniques in their operation. Unfortunately today the activities and the operations of the banks are carried on in traditional and conservative style. Authority in the organization is centralized. There is no decentralization or delegation in the bank. The manager does not have
the minimum authority to be effective chief executive and the board of
director controls him. The board members are found interfering in day-
to-day business of the bank. This has resulted in reducing the manager to
a non-entity. He is not involved in decision making process. He has only
responsibility without any authority.

The success of an urban co-operative bank essentially depends
upon the committed board of management competent chief executive ad
key personnel. The board must confine itself with planning, development
strategies and designing the policies to achieve the objective. They
should leave the day-to-day operations to the chief executives and his
team. Another area where board should stick to scientific criteria is the
recruitment to personnel. Here the only objective should be to get the
meritorious conditions. This only will ensure the better productivity and
operational efficiency of the bank.

3. Adopting Bank Marketing

Time has come that the urban co-operative banks realize the
importance of the bank marketing and make efforts for its systematic
introduction. Bank marketing is the design and delivery of customer
oriented services worked out the by keeping in view the objective of the
bank and environment constraint. Bank marketing concept is customer oriented.

The services offered by banks are to be worked out so as to fulfill the needs of the customers. Traditionally, the urban co-operative banks are accustomed to think in terms of what they can offer and not what the customer want. However, bank-marketing concept requires to satisfy the needs of the customers. There is ample scope for urban co-operative banks to design different schemes to fulfill the needs and requirements of customers. Accepting bank marketing concept and its sincerity will make the urban co-operative banks more effective and relevant. This would also necessitate the urban co-operative banks to diversify their loans and advances. Their advances must be production oriented. The very purpose of priority sectors concept is to make the urban co-operative banks go for non-traditional lending. The question is how far the urban co-operative banks can convert this obligation into an opportunity to grow.
IV. THREATS

Resistance to Change:

For a long time the urban co-operative banks are subject to criticism that they are very co-operative and rigid organization. The management of the bank have not responded to the changing environment in which they are working. However, this resistance on the part of the management of urban co-operative banks will make them totally irrelevant in the present socio-economic situation. The business environment which constitute social economic and political factors is fast changing. Hence the banks must change according to the needs of the time. In the next decades to come four fundamental development will have a great influence on the social values and systems and consequently on the business system and management practices. These development are (i) a social economy (ii) a socially concerned humanistic society and (iii) A fast changing social system.

The urban co-operative banks must realize these characteristics of the environment in which they are going to function in future. The banks will have to play role of "Change and change setting leadership". The most important internal stimuli for changes is the desire and vitality to
grow. And the external stimuli comes from changing social, economic characteristics of environment.

1. Regulatory frame

In future the urban co-operative banks will be subject to more controls by the RBI and the state government. The urban co-operative banks will have to operate under more regulations and controls.

Co-operative societies acts in the states are brining more pressures on the management of the urban co-operative banks. This would tell upon what democratic and co-operatives are experiencing and that many directives of RBI are not conductive to the healthy development of banks in future. This has expressed on many platform by the urban co-operative banks. Many times the dual control of urban co-operative banks by RBI and the state Government has led to completion. There should be clarity of understanding between RBI and state government so far as their relation with urban co-operative banks is concerned. This is very necessary in the interest of these organization.
2. Increasing over Dues

It is wroth noting that recovery of loan in urban co-operative bank is satisfactory. For this, the credit goes to the management of urban co-operative banks. The efforts of the banks in timely recovery of their loans need the appreciation. However, there is an increasing tendency of over dues in many urban co-operative banks. In many big urban co-operative banks over due have gone to even more than 30 per cent. This is very dangerous trend. This tendency must immediately be stopped. Otherwise this tendency of increasing over dues would land urban co-operative banks in trouble soon. The management of such banks realize that the increasing over dues will threaten their future growth.

3. Weak-Non-Viable Units

One of the serious problems of urban co-operative is the existence of large number of weak and uneconomic units. The working of these weak banks is characterized by mismanagement, wrong advances, and heavy over dues and erosion of assets.

Quite a number of urban co-operative banks in urban semi-urban areas have not reached the norms of viability. They are operating far below the norms of viability in term of membership, deposits, working
capital reserves and loan business. Though many of such non-viable banks are quite old they still continues to be non-viable. This is another disturbing phenomenon. The management of non-viable units must make sincere efforts to see that their units become viable institutions. What they need is an innovative leadership. They need a leadership with a vision and imagination. There are going to play a vital role in our economy.\textsuperscript{19}

THE STRUCTURE OF CO-OPERATIVE BANKING SYSTEM IN INDIA:

The co-operative banking system in India is federal in structure. It has a pyramid type of three-their structure constituted by:

\begin{itemize}
\item \textit{Patil.M.B “Development Banking and urban Co-operative Bank” Rainbow Publication, Comibatore.}
\end{itemize}

\textsuperscript{19}
1. Primary credit Societies (PCS)

2. Central Co-operative Banks (CCBS)

3. State Co-operative Banks (SCBS)

In each state there is state co-operative banks at the apex level. In each district there is a central co-operative bank and at the level are primary credit societies.

State Co-operative

Bank (Apex)

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Central Development Bank

(District Level)

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Primary Agricultural Credit Societies

(Villages, Towns, Cities)

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Chat 2 provides in a nutshell an idea of the co-operative banking system in India
Co-operative Banking system in India

State Co-operative Banks (Apex)

Central Co-operative Banks (District)

Agricultural Credit

Primary Agricultural Credit Societies
Farmer's Service Societies
Grain Banks

Non-agricultural Credit

Urban Co-operative Banks
Employees Co-operative Credit Societies

These co-operative provide short term and medium-term credit. There are agricultural and non-agriculture credit societies. There primary agricultural credit societies functioning in village. There are urban banks other non-agricultural credit societies functioning in towns and cities. In addition there are farmer’s service societies and grain banks. For providing long-term agricultural credit there are primary and central land development banks.
PRIMARY AGRICULTURAL CREDIT SOCIETIES

Primary agricultural credit societies lie at the root of the co-operative credit structure of the country. They are at local or base lend. In rural areas, there are primary Agricultural credit societies (PACS) which cater to the short and medium term credit needs of the farmers. They directly deal with the farmers.

The PACs are generally organized on the Raiffeisen model. Their members have unlimited liability. The members contribute to their share capital. The Member of the managing committee elect the president or chairman, secretary and other members of the managing committee all of them work on an honorary basis.

The PACs raise their funds by way of share capital, membership fees, deposits of member and non-members, and loans from the district central co-operative bank and the government.

The PACs grant short-term and medium term loans only to their members against the personal security and mortgage security. The rates of interest charged by them vary from state to state. They deposit their reserve funds with the District Central Co-operative Banks (DCCB)
PROGRESS OF PACs

The PACs occupy a strategic position in the co-operative credit structure of the rural economy. In 1951-52, there were 1.08 lakhs PACs. Their number increased to 2.12 lakhs in 1960-61. However due to the reorganization programmes in various state, their number declined to 91,749 in 1985. At the end of June 1986, their number has increased to 92,430 in 1985. In July 1991, the number declined to 88,000. It increased to 91,000 in 1993-94.

The membership deposits of PACs increased from Rs.314 crores in 1981-82 (July-June) to Rs.1349 crores (July-June). Their total loans outstanding have also gone up from Rs2966 crores in 1981-82 to Rs.4181 crores in 1990-91. In 1990-91 the total over due of the PACs were to the tune of Rs.2784 crores. In 1993-94, the loan over due amounted to Rs.3874 crores.

SHORTFALLS OF PACs

Though the PACs have made remarkable progress in the area of rural finance their shortfalls may be enlisted as under:

1. They have failed to adequately fulfill the credit needs of the small farmers and tenants.
2. A large number of them lacked potential viability.

3. The banking commission (1972) observes that PACs neither provided credit for all productive activities of the farmers nor fulfilled their credit needs adequately.

The National Bank for Agricultural and Rural Development (NABARD) has recently stressed the need for a time bound programme for improving the content of services rendered by the PACs. It has been suggested that the PACs should 1. Provide diversified credit facilities to their members. 2. Extend marketing facilities, and 3. Mobilize rural deposit.

REORGANIZATION OF PACs:

The Government and the RBI are keen on strengthening and developing the co-operative structure of the country on a sound footing. Eventually the reorganization program of the Primary Agricultural credit Societies (PACS) has been undertaken since mid seventies.

The process of reorganization as per liability norms laid down in 1976 has been complied in most of the states, except Gujarat, Jammu Kashmir and Maharastra. Nevertheless, a large number of societies continue to have their age old defects, such as low borrowing
membership, low business turnover and high lend of over dues resulting in accumulation of losses and many of them continue to be non-viable.

In 1976, the viability norm was fixed as Rs.2 lakhs. It is no longer appropriate under the present situation of high interest rates high wages and large over dues. Hence, an upward revision of them viability norm for PACs is urgently needed.

Recently, the NABARD has circulated detailed guidelines to all state government stressing the need for a time-bound program of improving the quality and range of services rendered by the institution. The state Government had been advised to select 10-15 societies in each district for their intensive development by 1982-83 and to gradually extend the scheme to all the societies by march 1985. It is gratifying to note that by the end of June 1987, 4825 PACs in 18 states and union territories were selected for intensive development and a sizable progress has been reported in the matter of membership drive, deposit mobilization, expansion of loan business and non credit activities.
CENTRAL CO-OPERATIVE BANK

The central Co-operative Banks are federation of primary credit societies belonging to a specific district. The Central co-operative Bank (CCB) are of two types. 1. Pure 2. Mixed. A pure CCB confines its membership to co-operative organization only. It is called the “Banking Union”. A Mixed CCB are found in the state of Assam Andhra Pradesh Tamil Nadu, Mysore and others.

The CCBs Manager their funds from sources like share capital deposits, loan from state co-operative banks and other commercial banks.

Function

The major functions of the CCBs are

1. They finance the primary credit societies by furnishing credit to the primary societies. CCBs serve as an important link of the country.
2. They accept deposit from the public.
3. They grant credit to their customer on the security of first class guilt edged securities, gold etc.,
4. They provide remittance facilities
5. They act as balancing center by shifting the excess funds of a surplus primary society to the deficit ones.
6. They keep watch their debtor primary societies working and progress of recovery of loans.

PROGRESS OF CCB

In 1981-82 (June-July) there were 338 central co-operative banks with an aggregate working capital of over Rs.5327 crores of which deposit amounted to Rs.16521 crores.

In 1993-94, CCB loans outstanding were of the order of Rs.17758 crores of which 22 per cent was loans over due.

Defects of CCB:
The following are the major defects the of the CCB :-

1. They violate the principle of co-operative by working on the lines of commercial banks.

2. They do not appoint experts to examine the credit-worthiness of the primary societies. Hence there have been problem of recovery and over dues.

3. They combine financing and supervision work together. As a result supervising work has been a failure in many cases.

4. Some CCBs have been utilizing their reserve funds as working capital. This is not very sound practice.
5. Mixed CCB violate the very purpose of federation of the primary societies.

6. The CCBs charge very high interest rates to meet their high administration costs of small and uneconomic units.

7. Recovery by CCBs are financially and organizationally weak.

To rehabilitate the weak CCBs the Government of India formulated a scheme called the central sector Plan in 1972. Under the scheme selected CCBs were to be provided financial assistance for writing off bad debts. But the operation of the scheme failed to bring about the desired results for two reasons.

(i) Nobody including the concerned CCBs took the program seriously.

(ii) There was no effective functioning of the state and district level committees constituted for monitoring the programme.

State Co-operative Banks

The state co-operative Banks (SCBs) are farmed by federating all District Central Co-operative Banks in a particular state. The SCB is the apex bank of co-operative sector in the state.
The SCB raises its by way of share capital (subscribed to by the affiliated CCBs deposits from the public, surplus funds of the affiliated CCBs reserve funds, loan from the State Bank of India, other commercial banks, and inter-bank borrowing. They are also supported by the Reserve Bank. Anywhere between 50.90 per cent of the working capital of the SCBs are contributed by the Reserve Bank.

**Functions of SCBs**

The following are the major functions of the SCBs:

1. They furnish loans to the central co-operative banks in order to enable them to help in promoting the lending activities of the primary credit societies. The SCBs thus serve as the final link between the money market and the co-operative sectors.

2. They act as a balancing center by balancing excesses and defined in the resource of Central co-operative Banks.

3. In the absence of a district co-operative bank in a state the SCB may give direct financial assistance to the primary credit societies.

4. They have no power to supervise or control the activities of the affiliated CCBs.

5. A SCB serve as a leader of co-operative movement in a state.
6. As a bank a SCB is expected to mobilize and create deposit for the benefit of co-operative credit movement and provide the essential banking services.

**Defects**

SCB also have the same defects of the CCB. The following are the major defects of SCB.

1. They mix up commercial banking activities with co-operative banking
2. They have insufficient share capital
3. They Utilize their reserve funds as working capital
4. Some SCBs are not pure federation as they permit individual membership along with affiliation to the CCBs.

**PROGRESS**

During the year 1980-81 there were 27 state Co-operative Banks with an aggregate membership of 12,706 CCBs and primary Societies and 12,731 individual. Their aggregate working capital amounted to Rs.27496. Crores.
In June 1991 there were 28 SCBs and their deposits amounted to Rs.6128 crores. This totals loans outstanding were of the order of Rs.9660 crores. However their loans over dues account for 18 per cent. In 1993-94 their deposit amounted to amounted to Rs.11305 crores and loan outstanding Rs.9801 crores.

PROGRAM OF REHABILITATION CCB/SCB

The program for the rehabilitation of weak CCB/SCB was also chalked out and implemented. By June 1986, 8 SCBs and 173 CCBs were brought under the program of rehabilitation.

As per the recommendations of the Committee on Agricultural Productivity in Eastern India, the following important measures have been introduced by the Reserve Bank.

1. The security norms for lending by co-operative banks were brought on par with those of commercial banks for term loans to avoid ambiguity.

2. Banks were advised to external concessions such as rescheduling of installment of loan and waiver of penalty to borrower of term loans affected by genuine hardships.
3. The existing stipulation of providing fresh finance by primary agricultural co-operative society to small or marginal farmers, defaulters whose do not exceed 10 percent of their eligibility under short term agricultural loans, has been liberalized to 20 per cent for next 3 years.

4. The Registrars of co-operative societies in Bihar, Orissa, Eastern Uttar Pradesh and west Bengal were advised to make necessary arrangement for introduction of cash credit system in lieu of short-term agricultural loans on a trial basis in selected primary agricultural loans on a trial basis in selected primary agricultural co-operative society.

**URBAN CO-OPERATIVE BANKS**

Urban co-operative banks usually meet the needs of specific types or group of member pertaining to a certain trade, profession, community or even locality.

Urban Co-operative banks are also called primary Co-operative Banks (PCBs) by the Reserve Bank. The Reserve Bank of India defines PCBs as “Small sized Co-operatively organized banking units which operate in metropolitan, urban and Semi-urban center to cater mainly to
the needs of small borrowers Viz., owners of small scale industrial units retail traders, professional and salaried classes”.

The Reserve Bank grants banking license to existing/new banks and branches. The Urban Banks Department established in the Reserve Bank in 1984, monitors and regulates the growth of primary Co-operative Banks.

The number of Urban Co-operative Banks as the end of March 1995 stood at 1431 including 91 Salary Earners Societies.

The aggregate deposits of the urban co-operative Banks have increased from Rs. 3255 crores at the end of June 1985 to Rs. 19771 crores at the end of March 1995, and the loan outstanding was Rs. 14520 crores.

A scheme called “Small Loans (Co-operative Banks) Guarantee Scheme, 1984” has been introduced from July 1st 1984 to provide guarantee cover to primary (urban) Co-operative Banks to facilitate their lending to retail traders, small business and professional, single transport operates and self-employed persons. When the eligible banks join the scheme by paying guarantee fees the guarantee cover is automatically extended to it. However, out of 560 Primary Co-operative Banks invited
to join the scheme, only 28 banks have completed all the formalities and have been admitted till the end of June 1985.

The standing Advisory Committee for Urban Co-operative Banks in its sixth meeting held in February 1987, recommended that Urban Co-operative Banks be allowed to grant loan for purchase of consumer durable articles such as television sets, refrigerators, two wheelers etc., to individual who are not their regular members by admitting such borrowers as nominal members. It has also been suggested that the scheduled co-operative Banks should devote more attention to create a sound development and healthy growth of Urban Co-operative banks.

**LAND DEVELOPMENT BANKS**

Indian farmers need three types of Credit, Viz., short-term medium term and long-term. Their short-term and medium-term credit requirement are fulfilled by the co-operative banking institution like primary Agricultural co-operatives, Central Co-operative Banks, and State Co-operative Banks.
Farmers have to borrow also for the long-term (for a period 5 years to 20 years) for buying equipment like pump sets, tractors etc., and for the other development purpose, such of a tank or tube-well or buying additional lands. Thus, a need for a special kind of institution to provide long-term finance to the Indian agriculturists was earnestly felt consequently, Land Development Banks came into existence.

Initially, the land development banks were instituted in the form of Co-operate Lang Mortgage Banks. The first co-operative Land Mortgage Bank was established at Jhind in Punjab in 1920. However, it did not function well. A real beginning was made by the establishment of the central Land Mortgage Bank in Madras in 1929. Later on, the movement spread to many other States.

The Land Mortgage Banks grant long term loans to the farmers against the mortgage of Land as security. Since 1996-67 the Land Mortgage Banks are renamed as Land Development Banks.

Organization And Structure of Land Development Banks

The Land Development Banks (LDBs) are essentially co-operative institutions. All the Land Development Banks are registered under the co-operative Societies Act. In a strict sense however, they are
semi-co-operative. In fact, they have limited liability. Further, unlike other co-operative Land Development Banks do not personal involvement in their functioning.

The working capital of Land Development Banks are raised from share Capital, Deposits and Debentures, and Borrowing from the State Bank of India, Commercial Banks and the state co-operative Banks. However, a large part of their funds is raised through long-term debentures. The debenture can be issued only by the Central Land Development Banks and by the primary Land Development Bank.

**Growth and Development of Urban Co-operative Banks**

The economic depression of 1930s severely affected the agricultural credit societies more than the urban credit co-operative. "Their progress (Urban Societies) has been steady with no ups and downs as has been the case with agricultural credit societies and down as has been the case with agricultural credit societies and though the war period witnessed boom in agricultural prices, the pace of expansion in urban credit was greater than in agricultural credit societies. At the end of 1945-46 it amounted to Rs.38.22 crores compared to Rs.25.89 crores agricultural credit societies."
Upto the year 1938 all the urban banks were included in the list of non-agricultural credit societies. There was practically no difference seen between an urban bank in Madras, if it had Rs.20000 as working capital and maintain fluid resources according to a standard prescribed by the registrar, while in Bombay an urban credit society could be styled as an urban bank up to 1938 if it had Rs.50000 as working capital but since 1938 if it had Rs.50000 as working capital but since 1938, it was only those urban credit societies which did banking business as defined by section 277 (b) of the Indian Companies Act then in force and had a paid-up share capital of not less than Rs.20000 that were allowed to call as "Banks". This sort of confusion led to the inadequacy of the data on urban banks.

The following figures relating to the urban banks in India were collected from the Review of Co-operative movement in India published by the RBI since 1942-44. The number of urban banks decreased from 1308 in 1945-46 to 1060 in 1947-48. The membership of the banks increase from 6.55 lakhs to 6.98 lakhs. The owned capital and working capital has increase from 5.32 crores to Rs.23.43 crores in 1945-46 to Rs.5.64 crores and Rs.26.9 crores respectively. Loans advanced during 1947-48 stood at Rs.822 crores as against Rs.5.94 crores in 1945-46. The
percentage of overdues to total loans outstanding was 68 in 1947-48 as compared to 10.8 in 1945-46 and 5.3 in 1946-47.

The number of Banks had increased by more than a hundred from 815 in 1948-49 to 916 in 1949-50. In the same period the membership had gone from 5.35 lakhs to 5.94 lakhs. The owned funds showed a good rise from 4.48 crores to Rs.5.07 crores. The working capital had risen by over Rs.2 crores to 22.26 crores in 1948-49 to 24.37 crores in 1949-50. Loan outstanding increased from Rs.11.66 crores to Rs.11.19 crores.

In the year 1950-51 there were 894 urban and the number increased to 930 in 1951-52. The membership rose from 6.4 lakhs in 1950-51 to 6.7 lakhs in 1951-52, owned funds increased from Rs.5.29 crores to Rs.5.78 crores. Deposit decreased from Rs.19.69 crores to Rs.15.37 crores.

The number of urban banks decreased from 930 in 1951-52 to 716 in 1953-54. This decrease was mainly on account of the fact that during the year prior to 1953-54 separate details regarding urban bank alone were not available in respect of one or two states including those other non-agricultural credit societies also. In spite of the decline in this
number the membership increased by nearly two lakhs during this period and owned funds rose by Rs.1.30 crores. Deposits rose from Rs.1957 crores in 1951-52 to 21.21 crores in 1952-53. Loan outstanding moved from Rs.15.37 crores in 1951-52 to 19.55 crores in 1953-54. The number of banks increased from 1469 in 1954-55 it 1585 in 1955-56. Their owned funds and deposits increased from Rs.7.87 crores and Rs.28.85 crores to 8.71 crores and Rs.32.39 crores respectively.

Comparing the year 1955-56 the number of banks decreased from 1585 to 762 in 1956-57 and 826 in 1957-58. This was because Mysore which had reported 685 banks in 1955-56 had not furnished figures for next period. During 1957-58 deposits forming more than 50 per cent of the total deposits were held by non-members. The percentage of owned funds and deposits to working capital worked out to 62 per cent.

The number of bank increased from 826 in 1957-58 to 1242 in 1959-60. During 1959-60 they had a membership of 18 lakhs and deposits amounted to Rs.6070 crores of which those from non-members were Rs.27.07 crores. Loan outstanding were Rs.57.89 crores.
As on 1965-66 there were 936 urban bank with a membership of 19.14 lakhs out of aggregated working capital of Rs.100.6 crores in 1965-66, their owned fund and deposit together amounted to Rs.94.9 crores i.e., 94.5 per cent of their working capital. Deposits alone were of the order of Rs.76.6 crores forming 75.5 per cent of latter loan outstanding were Rs.66.9 crores.

During 1967-68 there were 1127 urban bank with a total membership of 2.7 million. Total loan outstanding were Rs.928 crores of which Rs.587 crores represented short-term loan and 34.1 crores were medium-term loan. With the coming in to force of the banking regulation Act, 1949 (as applicable to co-operative) from March 1966, urban bank with paid-up capital and reserves of Rs.1 lakhs and above were classified as “primary co-operative bank”. The number of such bank coming under the preview of the Act was 604 during the period. As on 1969-70 there were 1129 urban bank with a membership of 29.3 lakhs. Their deposit and loan outstanding were Rs.140.63 crores and 114.86 crores respectively.
During 1971-72 there were 1113 urban bank having a total membership of Rs.32.75 lakhs. Deposit were Rs.213.35 crores and loan outstanding were Rs.174.61 crores the number of primary banks increased from 664 in 1969-70 to 756 in 1971-72. During this period the Reserve Bank granted license to open 137 branches as against 71 branches during 1968-70. During 1975-76 there were 1369 urban bank with a total membership of Rs.55.18 lakhs.

TAMILNADU STATE APEX CO-OPERATIVE BANK 1994-95

(APIRL –MARCH)

Large scale credit support to agricultural and non-agricultural activities in the state is provided by the Tamil Nadu State Apex Co-operative Bank. The central co-operative banks are the functionary at the district level. The number of state co-operative bank offices function in the state during 1994-95 were 41 against 38 in the pervious year. The share capital of the bank at the end of March 1995 amounting to Rs.1153.04 lakhs, co-operative accounting to Rs.10225.89 lakhs during 1994-94 cover “Starting Reserve “ (32.7 percentage) and other resources (17.8 percentage). Aggregate deposit of this apex institution as on 31 March 1995 was Rs.76028.5 lakhs, of which more than 65 percent came from co-operative. Current, saving and fixed deposits are accepted and
the aggregate deposit of the bank had risen to Rs.760.29 crores in 1994-95 against Rs.661.21 crores, by 15.0 percent. The borrowing made by the banks from NABARD and state Co-operative Bank more than doubled to the tune of Rs.787.62 crores from Rs.354.79 crores in the previous years. Working capital of this State Apex Institution stood at Rs.1726.33 crores as on 31 March 1995.

TAMILNADU INDUSTRIAL CO-OPERATIVE BANK 1994-95 APRIL TO MARCH

Industrial co-operative societies and other small entrepreneurs in the state are being financed by the Tamil Nadu Industrial Co-operative Bank. The 16 branches of the bank extended their facilities to their members numbering 467 as on 31 March 1995. During the year 1994-95 the share capital of the bank show a 10.4 percent increase. With their significantly higher (42.7 percent) growth witnessed in the review year the total deposit had risen to Rs.2326.06 lakhs in 1994-95 from Rs.1630.23 lakhs in 1993-94. Nearly 80 percent of the bank’s borrowings had from the Coir Development Co-operation (TABCEDCO) refinance alone.
URBAN CO-OPERATIVE BANK IN TAMIL NADU

The state of Tamil Nadu, which was formerly called as Madras province, takes pride in initiating the co-operative movement in this country in the sense that it was Sir Fredrick Nicholson, a Madras civil servant, took the initiative to introduce movement. During 1892 Sir Fredrick Nicholson was placed on special duty by the Madras government for the purpose of enquiring the possibility of introducing into the Madras Presidency a system of agriculture or other land bank. Mr. Nicholson’s report was reviewed on 1899 by Madras government which thought that if a few rural banks were started on Raiffesion line and their working watched for a few year, they might then be in a position to make recommendations. On receipt of Mr. Nicholson’s report by Government of India the opinion of local governments were invited. Their answers were considered in June 1901 by a committee under the presidency of Sir Edward Law. It was due to the efforts of this committee discussions were referred to the local Government. In the meantime, the member recommended the introduction of mutual credit associations. On construction of their recommendations the need for a special legislation was felt by the Government of India and Co-operative credit Act of 1901 was passed.
The State of Madras has a strong root for the growth of urban credit movement. The Madras committee on co-operation said that "The Madras Presidency for many years, Nidhis or indigenous financing association had been in existence in the towns".21

The first urban co-operative bank in Tamil Nadu was registered in Kanjeevaram in the Chinglepect district of Madras Presidency on October 1904. As on June 1915, 103 non-agricultural credit societies were registered with a total membership of over 22,000 and a total working capital of Rs.15 lakhs. As on June 1939 there were 10,926 agricultural credit societies and 1,131 non-agricultural credit societies functioning in the state.

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The Madras Committee on Co-operation laid strong emphasis for the organization of non-agricultural credit did not prevent a recognition of the fact that the interests of the smaller artisans, traders, storekeepers, industrial employees and others in towns should be product and facilities provided for reasonable credit to them as well. The money lender exerts to the same bareful influence over this urban clients as the village sowcar dose over the ryots ,and a suitable machinery is necessary to provide relief to these classes”22.

The committee advised the government to devote special attention towards urban banks by way of distinguishing them from other societies. The committee felt that,”it will make for clearness if urban bank as such as bank dealing in current account or atany rate banks which accept deposits generally and which, under the rules are required to maintain fluid resources, are dealt with separately in the development statistics and reports as distinct from other type of credit societies intended for employees or others”

22.Ibid. P-30
There were 184 urban banks in 1945-46 and the membership rise to 210 in 1947-48. Membership increased from 1.45 lakhs in 1945-46 to 1.84 in 1947-48. Owned funds and working capital increased from Rs.0.87 crores and Rs.3.61 crores in 1945-46 to Rs.1.07 crores and Rs.5.75 crores in 1945-46 to Rs.3.23 crores in 1947-48.

In 1965-66 there were 165 urban banks with a membership of 5.3 lakhs. Their deposits and working capital were Rs.11.21 crores and 15.77 crores. During 1967-68 the number of urban banks had further declined to 140 during 1969-70. Their membership and deposits were 9.78 lakhs and Rs.14.05 crores loans outstanding were Rs.18.62 crores. During 1971-72 there were 136 urban banks with a membership of 9.9 lakhs. Their deposits and loans outstanding were Rs.17.20 crores and Rs.16.65 crores respectively.

**IMPORTANCE AND ROLE OF URBAN CO-OPERATIVE BANK**

As institutional agencies like commercial banks did not come forward to help the urban middle class and weaker sections, it was felt to organize urban co-operative banks. This was aptly pointed out by the co-operative planning committee as follows, “Joint stock banks are not interest in developing the business of small loans because the cost of advancing and receiving them is high. Further, as joint stock banks are
not likely to have under ordinary circumstances full and intimate knowledge of the standing and resources of persons of moderate means, they will not advance loans on personal security. On the other hand, there are in urban areas, numerous of small means, like traders, merchant, artisans factory, cookers, street bankers, motor and lorry divers, who resort to money lenders and similar agencies for small loans and obtain them at high rates of interest. Ex-servicemen like technicians, etc., will also require credit for setting up their own business in small workshop. Co-operative urban banks qualify by establishing personal and intimate relationship with people of this class as the most suitable agencies for agencies for serving their credit needs”.

As the urban middle class have been urban the grip moneylender, agencies like urban co-operative banks can give relief to such population. Small trader, business artisans and self-employed people can also improve their income by means of getting loans for production purpose. Unemployment in urban areas could be introduced by means of encouraging self-employment scheme. The urban banks are ideal agencies for such purpose. As they keep close contact with them, it is possible to supervise the utilization of loans.
Another area left out is the encouragement of small-scale industries. The role of the urban bank is encouraging as such industries is very responsible and their need is felt very much. The criticism that urban banks are lending for consumption purpose would be nullified by investing part of their money on small-scale industries.

Urban banks do good to the society not only by means of lending population but also by means of encouraging the urban middle and lower class to save money. As they may not like to keep deposits accounts with other banks for their small accounts they can have deposits accounts they can have deposits with their urban banks.

The Varde Committee has pointed out the following role to be played by urban banks:

1. First and foremost, they can organize and bring together middle and working classes in urban and semi-urban areas and inculcate in them the habits and self-help and acquaint them with the element of ordinary principles.

2. The mobilization of saving by urban co-operative banks and the consequent drawing of urban resources into funds to finance the rural, industrial and other functional co-operative, can contribute to general development.
3. By providing credit on resources terms to the middle classes, they can rescue them from the exploitation of money-lender and other unscrupulous agencies, which is particularly important in the context of rising prices and cost of living. This has consequent efforts also on non-co-operative lending.

4. By financing individual industrialist and artisans working in urban areas, they can make a significant contribution to industrial development.

5. They can make certain essential banking facilities such as remittance of funds etc., available in areas which may not be considered suitable for commercial banking and the persons who may not able get such facilities from commercial banks.

6. They can provide intelligent, experience and active leadership to the co-operative movement including the Central and Apex Co-operative banks, which in view of their federal character, draw their directs from member institutions.

HINDRANCES IN THE DEVELOPMENT OF CO-OPERATIVE

Unless there is a proper zeal and enthusiasm in the organizers of the movement, its achievement are subject server limitations.
1. The members are mostly uneducated which is a great hindrance in the path of the growth of the co-operative movement. They are unable to pick up its aims objectives and the principle governing such an organization. Any such activity is taken up on a small scale and it is only gradually that its beneficial results are visible to the member. But because of their ignorance the members expect an over night change in their economic and social status, and it the absence of any such accomplishment, the members become indifferent and disloyal to the organization. Such a thinking on the part of the members can be set alright only by making them understood its ideas, methods and objectives by a vigorous propaganda and publicity. Its success depends therefore, on proper leadership, which may convince the members to have patience and put in the best of their efforts to lead the movement to achieve its goal. Piecemeal efforts and a passing interest in the movement cannot win the belief and faith of the members in the movement. Selfless devotion with no personal aims is therefore needed to make loyal and faithful to the society.

2. Finding of proper leader is another barrier in the growth of the movement. Further the movement also suffer because of the inertia of the masses who rely on god for their ill fate and have no stimulus for economic improvement by their own efforts in an organized manner.
This attitude can be changed only by education and propaganda so that light for new hope is kindled in their hearts.

3. The progress of the movement is also handicapped due to differences of caste, creed and religion amongst the members. It is necessary to avoid any such feelings among the members so that the movement may prosper.

4. Further, haphazard growth of the movement is on itself great barrier in its progress. A cautious and well planned policy is needed to check the movement from falling on to pitfalls and other mishaps. Shortage of finances in the societies put a great strain in the efficient working sound progress of the movement.25.