CHAPTER II
THEORETICAL VIEW OF CO-OPERATIVE BANKS

Co-operation means working together. The principle is as old as human society. It is truly the basis of domestic and social life. The history of modern civilization is, in fact, the history of co-operation, for without it social and economic progress would have been impossible.

The concept and meaning of co-operation has been given by utopian socialists, religious thinkers, socialists, economists and reformists in their own way. A few notable definitions of co-operation are given below. According to H. CALVERT, “Co-operation is a form of organization, wherein persons voluntarily associate together as human beings, on the basis of equality, for the promotion of their economic interests,”\(^3\) The veteran Co-operator of India defined, “cooperation as a vast movement which promotes voluntary associations of individuals having common needs who combine towards the achievement of common economic ends”.\(^4\)

For a clear understanding of the co-operative ideology, the founding fathers of the co-operative movement laid down some definite principles. Cooperative principles are the guidelines and rules for co-operative enterprises. The success of the co-operative organization depends largely on the application of the principles and guidelines.
One historian of co-operative ideas Prof. G. Mladenatz has classified co-operatives into three main systems viz. The Rochdale system, the Raiffeisen system and the Schultz-Delitzsch system. Among them, the Rochdale Principles are universally applicable. Those principles are (a) Democratic control, (b) Open membership, (c) Limited interest on capital, (d) Patronage dividend, (e) Cash trading, (f) Political and religious neutrality, and (g) Promotion of education. The basic principles of Co-operation can be summarized as follows:

i) Voluntary association

ii) Democratic organization

iii) Self-help through mutual help

iv) Common welfare and

v) A spirit of dedication and service with absolute honesty and unquestionable integrity.

Co-operation is sometimes referred to as a way of life, but it is more a form of economic organization. Its main virtue is joining other people, on a footing of equality, for the promotion of common economic interests of the members of the co-operative society.

**Growth of the Movement**
On the recommendations of the Famine Commission of 1901, a committee under the Chairmanship of Sir Edward Law was constituted to consider the establishment of co-operative societies. The report of the Committee resulted in the Indian Co-operative Societies Act of 1904. The Act was intended to encourage small credit societies to provide reasonable credit for small agriculturists.

**Co-operative Societies Act, 08.02.1913**

This Act gave a great stimulus to the co-operative movement. It legalised many co-operative societies, which had hitherto no legal recognition. Societies were classified accordingly as they were limited and unlimited. This act also recognised non-credit forms of co-operation, such as societies for the purchase of supplies, for sale of produce, insurance and housing. It also recognised three kinds of central societies as distinguished from primary agricultural co-operative bank viz:

(a) Unions consisting of primary societies for mutual control and credit.
(b) Central banks consisting partly of societies and partly of individuals, and
(c) Provincial banks consisting of individuals.
After 08.02.1913, there was a rapid growth not only in the number of co-operative credit societies, but also in non-agricultural credit societies and in their membership in 1914. A committee was appointed under Sir Edward Maclagan to examine the working of the movement and to suggest measures for improvement. The publication of this report was an important landmark in the history of co-operative movement. The committee also found certain glaring defects in the working of the societies:

(1) The illiteracy and ignorance of the masses was responsible for the poor management and supervision of the societies.

(2) Delay was often caused in granting loans to the needy agriculturists, and there was also favoritisms.

According to the Government of India Act of 1919, cooperation became a provincial subject and was administered by Provincial Governments. This Act gave the option of retaining or modifying the existing Act of 08.02.1913 to the Provincial Government. This Act gave great stimulus to the movement. The economic prosperity between 1920 and 1929 also facilitated expansion and there was a rapid increase in the number of societies.
Post-Independence Period: The National Government after 1947 began to take steps for the expansion and revitalization of the movement. In the course of the five year plans, co-operation has become the basis of developmental planning in India. The First Plan said, “It should be the broad aim of the State Policy to establish a system of Co-operative village management”. In the Second Plan, it was stated that “the building up of co-operative sector, as part of the scheme of planned development, is one of the central aims of National Policy”.
Role of Government in Co-operation

State partnership in the share capital of co-operative societies includes (1) Marketing societies (2) Loans to societies, (3) Subsidies and grant, (4) Guarantees, (5) Contribution to Reserve fund, (6) Tax concessions, (7) Legal sanction, (8) Training and education, (9) Help through the RBI and (10) Help through State bank. Apart from this, the movement has got indirect benefits from several institutions set up with the help of the government such as the National Co-operative Development Co-operation, National Co-operative Union, State Co-operative Federation, etc.

The government gave effect to practically all the major recommendations of the Rural Credit Survey in course of time. To review the situation following this and some other matters, the government set up some committees among whom two are very important: (1) Rural Debt and Investment Survey and (2) Rural Credit Review committee. Reports of these committees together with statistical statements relating to the co-operatives movement published annually by the RBI provide valuable information to know the direction in which the movement has gone so far.

Co-operative Credit Structure
Rural indebtedness has long been one of the most pressing problems of India. The burden of this debt has been passed on from generation to generation in as much as the principle and interest went on increasing for most of the debt has been unproductive. According to Henry Wolf, “The country has been in the grip of Mahajans. It is the bond of debt that has shackled agriculture”. In the words of Royal Commission on Agriculture, “A farmer is born in debt, lives in debt; and dies in debt”. Chart 2.1 clearly shows the co-operative credit structure in India. It also gives the number of banks functioning in India in March 2007.

Co-operative Banking in India

The origin of cooperative banking started with the formation of primary agricultural credit societies under the first Cooperative Societies Act of 1904. This was organized in India to remedy the poverty of the small farmers and to save them from the exploitation and clutches of moneylenders. The second Cooperative Societies Act, 08.02.1913, paved the way for the organization of central cooperative banks, since the first Cooperative Societies Act did not deal with central and apex cooperative banks. Since then cooperative banking has made rapid progress in the country.
A cooperative bank is an institution wherein persons economically weak like farmers, petty traders, agricultural laborers, artisans, salaried people, the people of small means, professionals, etc. join together on the basis of equality on democratic basis for the promotion of their economic interest. People join a cooperative bank, obtain loans and invest their surplus funds in the form of deposits. Cooperative banks are expected to provide services to the members and customers. Service is the main motto of these banks.

Reserve Bank of India Act, 1934, defines a state cooperative bank as “a principal cooperative society in a state and the object of which is financing the other cooperatives in the state”. A central cooperative bank is a principal cooperative society in a district and the object of which is financing the other cooperatives in a district. “A primary cooperative bank is a cooperative society at the primary level other than the primary agriculture credit societies and the object of which is financing the individual members in the urban and semi-urban areas”.

Cooperative banks with three tier federal structure provide short-term, and medium-term loans to concentrate mainly in agricultural sector. They are situated in state, district and the village levels respectively. The long-term credit structure consists of state agricultural rural development banks and primary agricultural primary agricultural rural development
banks functioning at the apex, taluk/block levels in India. The urban cooperative banks are situated in urban and semi-urban areas for providing non-agricultural credit.

The Primary Agricultural Credit Societies (PACS) are considered miniature banks or village banks as they are issuing loans to individuals and accepting deposits in the rural areas. Though the PACS are called banks in some of the states like Kerala, Tamilnadu and Puducherry, they are not controlled by the RBI and not brought under the Banking Regulation Act.

District Central Cooperative Banks (DCCBs) provide financial strength to PACS and other member societies at the district level, act as a balancing center for the resources of the PACS, attract local deposits, render banking services and supervise the working and management of affiliated societies.

State Cooperative Banks (SCBs) are working as a pivot at the apex level of three-tier pyramidal structure. This bank acts as bankers’ bank of cooperative credit structure. It provides connecting link between money market. Cooperatives and NABARD act as a financial center of all cooperative banks and other societies in the State. The other functions of the SCBs are sanctioning of short term, medium term and long term
credit, carry out banking business, arrangement of inspection and control of affiliated cooperatives in the State.
CHART-2.1

Co-operative Credit Institutions

Urban Co-operative Banks (1,813)
- Scheduled UCBs (53)
  - Multi State (25)
  - Single State (25)
- Non-Scheduled UCBs (1,760)
  - Multi State (13)
  - Single State (1,747)
  - Single District (1,256)
  - Unit UCB (894)
  - Non-Unit UCB (362)

Rural Co-operative Credit Institutions (1, 07,497)
- Short-Term (1, 06,781)
  - State Co-operative Banks (31)
  - District Central Co-operative
- Long-Term (716)
  - Primary Agricultural Credit Societies (1,06,384)
  - Multi District
  - PCARDBs (696)
  - SCARDBs (20)

SCARDBs: State Co-operative Agriculture and Rural Development Banks
PCARDBs: Primary Co-operative Agriculture and Rural Development Banks
Note: Figures in Parentheses indicates the number of institutions at end march-2007
source: Report on Trend and Progress of Banking in India 2006-07 P.119
The short-term co-operative credit structure in India resembles a pyramid, consisting of agricultural credit societies at the primary level, co-operative central banks at the district level and the state co-operative bank at the apex level. Although, the primary credit co-operatives are the most important institutions in this structure, they cannot play their role effectively unless they are suitably assisted by the pedestal organizations above them. Hence, the primary societies in a specified area are federated into a central society which is called a “Central Bank” or a “Banking Union”. Historically speaking, the term “Central Bank” is used when the central society admits as its members not only primary societies but also individuals. The phrase “Banking Union” is used when membership is confined to society only and individual members are excluded. The present trend, however, is to refer to both these institutions as central banks. The central co-operative banks occupy a position of cardinal importance in the co-operative credit structure. They form a useful link between the primary bank at the base and the apex bank at the top.

Unfortunately the Co-operative Societies Act of 1904 made no provision for the formation of central banks. The result was that although the societies started increasing in number by leaps and bounds, they could
not mobilize large resources to provide finance to their members. The Co-operative Societies Act was therefore amended in 08.02.1913, with a view to permitting registration of central co-operative banks. It may be added here that even before this Act came into force, a few central banks had come to be established. The first central bank was registered in Bargarh of Uttar Pradesh in 1906 as a primary society. But the first perfect central bank in the modern sense was started in former central province of Behar. In Rajasthan, the first central bank was started in 1910 at Ajmer. After the passage of the Act of 08.02.1913, central co-operative banks came to be established on a large scale. The period from 1906 to 1918 may be called the period of origin of the central banks in various parts of the country. The decade from 1919 to 1929 was marked by the expansion of co-operative banking system.

During the period of depression of thirties, there was a great setback in their working. Though the number increased from 588 in 1929-30 to 611 in 1936-37, the membership of individuals declined from 90,000 to 85,000 and that of the societies from 1.01 lakhs to 0.91 lakhs. There was a significant increase in the over-dues of these banks. The war period (1937-46) was the period of rationalization and rehabilitation of the central co-operative banks. Since 1937, the RBI has begun to take interest in the co-operative movement. It recommended that
(i) The central banks should be run more or less as commercial banking system.

(ii) Safety of deposits of the public and primary societies should be properly looked into; this needed cash and liquid assets to be strengthened.

(iii) Central banks should not indulge in making long-term investment and hence long-term loans were discouraged.

But after war and independence period, cooperative banking organizations in many parts of the countries were weak. On the eve of First Five Year Plan, in some of the states like Punjab, Bihar, Orissa, Madhya Pradesh and Hyderabad, there were an excessive number of central banks. In a few states like Rajasthan, area of the central bank extended to more than one district. In fact, the whole structure of the central banking was haphazard in most states; the capital structure was weak, owned resources. Meager, their dependence on Apex Banks rather large, over dues high and doubtful debts were high too. The All India Rural Credit Survey Committee found the central co-operative banks as extremely unsatisfactory institutions. The committee therefore recommended\(^6\) that
1. Each state should draw up plans for the rationalisation and strengthening of the central co-operative banks in several respects including financial and administrative.

2. There should be one central co-operative bank in one district so that its working could be economic.

3. Small central co-operative banks in one district should be merged into one.

4. Where a central co-operative bank was serving in more than one district, its area should be curtailed.

5. Certain minimum standards for the formation of new central co-operative banks and the reorganization of the existing ones should be adhered to viz, paid up share capital and reserves should be Rs.3 lakhs and working capital Rs.20 to 25 lakhs.

6. No central co-operative bank should engage in trading activities.
TABLE 2.1
Progress of District Central Cooperative Banks in India
(Rs.in Crore, ratio in per cent)

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<tr>
<td>Owned Funds</td>
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<td>8470</td>
<td>10428</td>
<td>14141</td>
<td>16836</td>
<td>19131</td>
<td>20164</td>
<td>23449</td>
<td>26180</td>
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<td>57574</td>
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<td>79153</td>
<td>81013</td>
<td>87532</td>
<td>94529</td>
<td>97562</td>
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<tr>
<td>Borrowings</td>
<td>12857</td>
<td>14660</td>
<td>15836</td>
<td>18820</td>
<td>19639</td>
<td>20256</td>
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<td>Working Capital</td>
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<td>77319</td>
<td>80895</td>
<td>99424</td>
<td>108265</td>
<td>114372</td>
<td>126574</td>
<td>146587</td>
<td>168962</td>
<td>18576</td>
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<td>Loans Issued</td>
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<td>46206</td>
<td>44678</td>
<td>55915</td>
<td>59544</td>
<td>58964</td>
<td>55764</td>
<td>79200</td>
<td>89038</td>
<td>91621</td>
</tr>
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<td>Loans Outstanding</td>
<td>36853</td>
<td>43986</td>
<td>47635</td>
<td>59316</td>
<td>64214</td>
<td>67152</td>
<td>72797</td>
<td>75394</td>
<td>78516</td>
<td>82367</td>
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<tr>
<td>Recovery Performance</td>
<td>70</td>
<td>69</td>
<td>69</td>
<td>66</td>
<td>61</td>
<td>62</td>
<td>62</td>
<td>62</td>
<td>63</td>
<td>62</td>
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</table>

Source: Report on Trend and Progress of Banking in India 2005-06
Objects and Functions of the Central Co-operative Banks

All India Rural Credit Survey Committee pointed out that “in many ways, the position of central co-operative banks is of crucial importance in the co-operative credit structure”. The leadership for the co-operative movement necessarily comes through the central co-operative bank. The central banks are responsible for the development of co-operative movement in the district and acts as its friend, philosopher and guide. According to G.M. Laud, “The Raison d’être for the establishment of the district central co-operative banks is that there should be an intermediary agency between the primary credit societies with rural bias run by agriculturists having no touch with the money market and the state co-operative bank run mainly by city men with urban bias and having no close association with the countryside”. The functions of the central co-operative banks may be stated as below:

a. To act as a balancing centre of finance for the primary societies in the district by providing them with funds when they have a shortage and by serving as a clearing house for their funds which are surplus;

b. To encourage thrift and collect savings from members and others;

c. To provide a safe place for investing the reserves of primary societies;
d. To provide other banking facilities to the members;

e. To develop and extend banking facilities in rural areas;

f. To supervise the working of the affiliated primary societies and to train their members in the principles of co-operation.

g. To develop the co-operative movement in the district on sound lines.

Besides these, most of the central co-operative banks do other banking businesses such as accepting of deposits of various types from the public, collecting bills, cheques, hundis, dividend warrants, and railway receipts, issuing drafts and hundis, safe custody of valuables, purchase and sale of securities and advancing loans to individual members against fixed deposit receipts, government paper, gold, silver and agricultural produce.

**Size and Area of Operation**

The area of operation of a central co-operative bank varies widely from a taluk, district, thasils in some states to a district or several taluks or thasilthors in other states. The Maclagan Committee had recommended that a central bank should cover as large an area as was compatible with convenience and efficiency. It might be expected to deal ordinarily with at least 200 to 250 societies. Formerly the area of operation of many
central banks was so small that they could not work as an economic unit. The All India Rural Credit committee was in agreement with the opinion expressed by the Reserve Bank’s Standing Advisory Committee on Agricultural Credit that “ordinarily there should be only one central bank for each district, in order that the working of the banks may be economic”. If a central bank could function efficiently even in a smaller region than a district, there was no harm in establishing the same.

**Membership of the Bank**

The membership of the central co-operative bank generally consists of primary societies within the area of operation of the bank and the individuals. The desirability of individual membership has been the subject of debate among experts. The Maclagan Committee favoured central banks of pure type without individual membership while the Central Banking Enquiry Commission did not recommend the exclusion of individual members. The Madras Committee recommended the elimination of individual shareholders from the constitution of central bank. The All India Rural Credit Survey Committee approved the admission of individual agriculturists as members as a purely transitional arrangement pending establishment of co-operative societies in the area concerned. The Mehta Committee on co-operative credit did not recommend any “special attempts” for enrolling more individual
members. The latest trend seems to be to have only a small number of individual members of the central co-operative banks to primary societies.

**Branch Banking by Central Co-operative Banks**

The Rural Credit survey Committee recommended that “the co-operative financing agency at the headquarters should have branches at some intermediate level between the village and the district headquarters”. The Mehta Committee suggested that co-operative banks must take up the question of opening branches in suitable centres with a view to augmenting their deposits. The review of the co-operative movement 1960-62, the Report of the Committee on Takkavi loans, the action programme prepared by the Ministry of Food, Agriculture, Community Development and Co-operation and sent to the state Governments in 1964, the Working Group on co-operation for the Fifth Plan and Third Madras Committee (Santhanam) on co-operation in its report of 1969 strongly favoured the branch banking as an essential pre-requisite for mobilization of deposits.

In most of the states an expanded programme of branch banking has been followed. The number of branches of the central co-operative banks moved from 759 in 1950-51 to 13725 in 2006-07. Branch banking
has been vigorously pursued in Maharashtra, M.P., U.P., Gujarat, Karnataka, Orissa, Punjab and West Bengal. Though the progress has not been substantial, the number of branches has considerably increased in all the states in recent years and has placed the central co-operative banks in a better position than ever before to raise large deposit resources. The All India Rural Credit Review Committee underlined the need for the RBI helping co-operative banks in drawing up a master plan for branch expansion in order that they would be in a position to mobilize local savings and provide banking services in rural areas.

Central Co-operative Banks in Tamil Nadu

On the basis of the national lines, Tamil Nadu also needs an intermediate agency in the co-operative credit structure to act as a balancing centre between the primary credit societies at the base and the Apex Bank at the top, to attract deposits from towns and employ them profitably in financing the village.

The Madras Central Urban Bank was the first Bank of its kind and was registered on 19-10-1905. The object of the bank was to find money to finance societies in all parts of the Madras Presidency. It consisted only of individual members and its constitution was very similar to that of a joint stock bank. Under its By-Laws it could lend only to co-operative
societies. It found sample resources to meet the requirements of all societies and successfully fulfill its objects.

With the increase in the number of societies in the mofussil, the need was felt for more financing banks which were more accessible to societies than the Central Urban Bank situated in Madras. Further, the bank could not tap the resources and make them available to the societies in the area. Central Co-operative Banks with jurisdiction confined to revenue districts were formed in the district headquarters at Salem and Thiruchirapalli to begin with. In 1904, the Salem District Co-operative Bank and Thiruchirapalli District Central Co-operative Bank were established. Two more Central Banks were formed in Coimbatore and Teni, now in Andhra Pradesh in 1911. These banks were identical in principle and working with the Madras Central Urban Bank but their area of operations was confined to the respective revenue district. Membership in these banks was restricted to individuals residing in such districts.

**Area of Operations of Central Banks in the State**

In Tamil Nadu, the area of operation of a central bank usually covers a revenue district. Some years ago, there was much discussion regarding the proper area of operation. Some have proposed the splitting
up of the district central banks into smaller banking unions on the ground that when there is only one central bank for each revenue district, the work of the central bank becomes un-wieldy. The division of the central banks at Salem, Coimbatore and Madurai into two banks with the area of each bank being the same as the present Development Council’s has been accepted by the Government. The Narayanaswami Pillai Committee on co-operation (1955-56) also favoured the splitting up of big central banks into two banks. At present there is only one district in Tamil Nadu viz. Thanjavur district having two central co-operative banks, i.e., Kumbakonam Central Co-operative Bank Ltd., and Thanjavur Central Co-operative Bank Ltd.
Central Body and Board of Management

The General Body is the Ultimate authority in all matters relating to the administration of the central banks. This body is composed of (i) Members of the Board of Management, (ii) Individual members and (iii) Delegates representing societies. The following matters are dealt with by the General Body: (a) Adoption of the annual administration report, (b) Consideration of the Registrar’s Notes of audit or inspection, (c) Amendments, repeal or enactment of bylaws, (d) Election of members to the Board of Management and the removal of any member thereof, and (e) Appeals from members against the orders of the Board of Management.

The management of the bank is vested with the Board of Management. The board consists of representatives of share holding societies represented through local unions. The term of a member of the Board is generally three years. The by-laws of the banks provide that a proportion of the members shall retire each year on such date as may be specified. As the Board of Management meets only periodically, an executive committee consisting of the president, vice-president and some members of the Board is elected by the Board of Executive Committee assisted by technically qualified staff consisting of a paid Secretary, Manager, Clerks, etc.
Position of Owned Fund

Under the third Five Year Plan for Tamil Nadu, it was decided to increase the quantum of agricultural credit provided by the co-operative central banks to Rs.50 crores, at the end of the plan. It might be difficult to meet full the demand for the production credit unless the resources like share capital, reserves, deposits and borrowing are doubled. In fact the size of ‘Owned Funds’ determines the maximum borrowing power of the central bank and the amount of concessional finance from the RBI. The RBI has defined the term ‘Owned Funds’ as the sum total of the paid-up capital and Statutory Reserve Fund. Mehta Committee on co-operative credit extended the scope of the term ‘Owned Funds’ to include other funds of permanent nature created out of profits such as building fund, stabilisation fund, sinking fund for debentures other than in Central Land Mortgage Banks”. This liberalised definition was of great help to central co-operative banks in Tamil Nadu. As this new definition of ‘Owned Funds’ has been accepted by the RBI, the maximum borrowing power at 15 times and 20 times of the ‘Owned Funds’ of central and Apex Bank respectively would be adequate for the growing credit requirements under the Fifth and Sixth Five Year Plans.

Mobilization of Internal Resources and Government Guarantee.
In the three tier credit structure, central co-operative banks in Tamil Nadu are faring well in mobilizing internal resources. During the period of Fourth, Fifth and Sixth Five Year Plans also, the urgency of mobilizing huge volume of internal resources was felt. This programme of mobilization of internal resources was undertaken in two ways.

1) By increasing through planned efforts the share capital of the primary, central and apex institutions.

2) By intensifying the drive for the collection of deposits. In order to active the targets set both with respect to share capital and deposit, certain concrete measures had been adopted during the Fourth and Fifth Plan periods.

a) At the level of the primary society, the members were persuaded to contribute up to a maximum of 20 percent of the loans as share capital.

b) The linking of borrowing by primary societies to their shares enhanced the share capital of central banks, in our state. The Government of India recommended this ratio to be 1:10.

c) In so far as mobilization of deposits is concerned, effective publicity methods were adopted. The rate of interest for the deposits was increased from 1/2 percent to 1 percent in the case of
current deposits, 2 to 3 percent in the case of savings deposits and 4 to 6 percent in the case of fixed and recurring deposits. They attract deposits from individuals, institutions and co-operative societies. The impressive branch banking in our state paved the way for augmenting the deposits. In June 1966, the Central Ministry of Finance recognised the central co-operative banks as agencies to receive deposits from local bodies, statutory authorities, societies, universities and institutes of technology. As a result, the deposits of central co-operative banks in Tamil Nadu increased. The average deposits per bank in Tamil Nadu increased in June 1972 was 251 lakhs as against Rs.177 lakhs on June 1970. The government guarantee for the fixed deposits of the central banks also helped the mobilisation of deposits. In the new Act of 1961, there was a provision to give state guarantee to central co-operative banks in respect to their deposits.

Branch Expansion of Central Co-operative Banks in Tamil Nadu

Another method for augmenting the internal resources of the central co-operative banks is to secure more local deposits by the opening of branches. The survey committee, the Mehta Committee, the Committee on Takkavi Loans, the Santhanam Committee on co-operation and the working group on co-operation for the Fifth Plan strongly
favoured the branch banking. Five central banks in Tamil Nadu which have opened branches in seven places have secured deposits amounting to nearly Rs.30 lakhs in 1962. The experience of other progressive states like Maharashtra and Gujarat had also served as an eye opener to the central banks in Tamil Nadu in the potentialities of the branches as feeder lines for deposits. The Mehta Committee has also recommended that the central banks should open branches in suitable areas. Hence, the central banks in our state have opened branches in many suitable places in their area of operation in a phased manner.

**Progress of Central Co-operative Banks in Tamil Nadu**

There are 23 Central Co-operative Banks in Tamil Nadu at the rate of one per district except Thanjavur District which has two Central Banks with jurisdiction extending over certain Taluks of the district. The central banks continued their efforts to take banking to rural areas as well as to semi-urban areas. However, the progress of branch expansion in Tamil Nadu was slow. The average share capital per central bank was the second highest in Tamil Nadu, Gujarat being the first. The total deposit of the central banks in our state was appreciable. But they continued to really heavily on borrowings. The total volume of loans and advances made by them increased and the volume of loans outstanding also increased. Regarding the position of overdues, it may be pointed out that
overdues of the central banks in Tamil Nadu were the lowest in the whole country. But now it has increased gradually. The overall progress and position of central co-operative banks in Tamil Nadu is shown in the table 2.2.
TABLE 2.2
Financial Particulars of The District Central Cooperative Banks in Tamilnadu (As on 31.03.2008)
(Rs.in Crores)

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<th>Sl. No.</th>
<th>NAME OF THE DCCB</th>
<th>No. of Branches</th>
<th>No.of PACBs</th>
<th>Share Capital</th>
<th>Reserves</th>
<th>Deposits</th>
<th>Borrowings</th>
<th>Loans &amp; Advances O/s</th>
<th>Investments</th>
<th>Working Capital</th>
<th>Profit (+)/ Loss (-)</th>
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<td>1</td>
<td>Chennai</td>
<td>63</td>
<td>-</td>
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<td>Source: Compiled from annual reports and records of the TNSC Bank Ltd.</td>
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<td>222.27</td>
<td>75.61</td>
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<td><strong>Total</strong></td>
<td><strong>726</strong></td>
<td><strong>4515</strong></td>
<td><strong>1140.34</strong></td>
<td><strong>1970.73</strong></td>
<td><strong>8975.48</strong></td>
<td><strong>1992.57</strong></td>
<td><strong>10989.58</strong></td>
<td><strong>2850.78</strong></td>
<td><strong>14742.57</strong></td>
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</table>
Origin and Growth of the Kumbakonam Central Co-operative Bank Ltd.

According to By-Law 1 of the Bank, the Central Co-operative Bank Ltd, Kumbakonam, was registered and established on 08.02.1913 as a limited liability society under the Act of 08.02.1913 (D.R’s Rc.16359/73 dt. 31.10.73). Its registered office is at Kumbakonam.

Objectives of the KCCB

In addition to the general objectives of a Central Co-operative Bank mentioned in Chapter-II previously, the By-Law No.1 of the Central Co-operative Bank Ltd., Kumbakonam, herein after called the KCCB or the Bank furnished the following objectives:

1. To collect funds for financing co-operative societies registered under Act II of 08.02.1913 (India) or Madras Act VI of 1932.

2. To develop, assist and co-ordinate the work of affiliated supervising unions and secure for them financial help whenever necessary and to arrange for the supervision of societies not affiliated to any supervising union and for inspection of all societies and union.

3. To organise special type of societies in cases where this is not undertaken by the unions.
4. To arrange for holding periodical co-operative conferences and for taking necessary action on the resolution passed at such conference.

5. To serve as the recognised exponent of non-official co-operative opinion in the area.

6. To take the surplus funds of liquidated societies.

7. To promote cottage industries in the district.

8. To undertake such other works as will promote the cause of co-operation and

9. (DR’S R.C. 1065/77 C. dt.22.6.77) To guarantee the loans and advances or credit granted to any affiliated society by the Government, State Bank of India or any other agency within such limits and such terms as may be agreed to between the guarantor and guarantee and charge commission thereon.

The Bank may also carry on general business of banking not repugnant to the provisions of the co-operative societies Act and the rules framed thereunder.

**Organisation of the KCCB**
The organization of the KCCB consists of two wings, deliberative and executive. The deliberative wing consists of the General Body, the Board of Management and the Chairman. The executive wing at the headquarters is further divided into two: the Banking Wing and Administrative Wing. The chart-I gives a clear picture of the organisation of the KCCB.

The General Body is the highest authority in all matters relating to the policy and administration of the KCCB. It meets at least once in a cooperative year. The day-to-day administration of the KCCB is entrusted to the Board of Management. It decides policies and supervises their implementation. The chairman who is the political head of the KCCB is the most important functionary. He, apart from presiding over the meeting of the General Body and the Board, exercises general control and supervision over the affairs of the KCCB.

The Banking Wing on the executive side deals with all banking functions like any other commercial bank. It is headed by the Secretary who is assisted in his duties by an Assistant Secretary. The wing is divided into five sections each under the control of an independent manager viz. Manager Banking, Manager Central Office, Manager Accounts, Manager Loans and Advances, and Manager Branches. These five managers are assisted by
many clerks, accountants and cashiers. The administrative wing deals with the general administration, supervision and control. It is responsible for the recovery of loans advanced by the bank. Its other functions include all those matters connected with the board and its committees like the preparation and circulation of agenda, maintenance of minutes book, etc. It is headed by the Chief Executive Officer, who is assisted in his duties by the Development Officer or Liaison Officer. These two heads are assisted by the Manager Administration. This wing is divided into about 17 sections viz. establishment, plans and schemes, loans, paid-secretary, advances and recovery, inward and onward, fair copy, statistical section, societies, supervisors circles, execution and liquidation, legal reviews, despatch records, typing, provident fund, etc.

The branch organizations at the taluk and village level constitute an important link between the KCCB and the primary agricultural co-operative bank. Its main functions are to create the habit of savings among the people: mobilize deposits, scrutinise loan applications and recover the loans in its area of operations. The branch is headed by the Branch Manager who is assisted in his duties by one cashier and one or more clerks. Larger branches have one accountant in addition to cashier and clerks. Both secretary and the Chief Executive officer exercise control over the branches. The total
number of branches and the number affiliated societies are clearly shown in
the table 2.3.
## TABLE 2.3
Branchwise Registration and Number of Affiliated Societies

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of Branches</th>
<th>District</th>
<th>Date of Registration and Commencement</th>
<th>Number of Societies Affiliated</th>
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<td>Head Office</td>
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<td>08.02.1913</td>
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<td>Tanjore</td>
<td>27.09.1969</td>
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<td>Ammapet</td>
<td>Tanjore</td>
<td>06.08.1971</td>
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<td>Nagai</td>
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<td>Koradachery</td>
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<td>Kumbakonam Town</td>
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<td>Vedaranayam</td>
<td>Nagai</td>
<td>25.08.1971</td>
<td>36</td>
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</table>

**Source:** The Official records of The Kumbakonam Central Co-operative Bank
**Functions of the KCCB**

The by-law 3 deals with the share capital of the KCCB. The share capital of the bank shall for the present be (2001-2002) Rs.1326/- lakhs made up of 13, 25,75,950 `A` -class share 50/- each and `B` -class share of Rs.10/- each. The `B` class shareholders shall be eligible only for obtaining loan.

As per the by-law No.4, any person over 18 years of age, and of sound mind residing within the state of Tamil Nadu and every co-operative society within the area of operation of the Bank, the Tamil Nadu State Co-operative Bank and the State government, shall be eligible for admission provided that not more than 1500 ‘A’ class shares shall at any time be allotted to individuals. Every member joining the bank must take up at least one share but no individual member may at any time hold more than twenty shares and at no times shall the members of individual ‘A’ class shareholder exceed the number of share owning society members.

The bank ordinarily obtains funds from the following sources:

1. Share subscription
2. Deposits
3. Miscellaneous fees
4. Other borrowings
The value of each `A` class share of Rs.50/- and `B` class share of Rs.10/- is payable in full with the application for allotment. The Board of Management receive deposits either from members or others on such terms as per the directives of RBI issued from time to time.

The by-law 15(a) to 15(g) deals with loans, conditions of the loans, securities for the loan of share capital ratio of the loan, and the procedures for applying loan. Granting of loan and repayment of loan are dealt with by the by-law No.16. The by-law No.17(a),(b) and (c) deals with the rate of interest charged by the Central Bank of loans to credit societies, non-credit societies and other types of societies. The By-Law No.27 (a) to 2(i) deals with the manner of disposal of the net profits of the bank.

According to the By-Law No.32, the KCCB prepares annually in such form as is prescribed by the Registrar,

a) A statement showing the receipts and disbursements for the years.
b) A profit and loss account.
c) A balance sheet.
d) An evaluation report and
e) Such other statements as prescribed by the Registrar.
The District Profile

For a proper understanding of the working of the KCCB, it is necessary to know the ecology and economic conditions of the Integrated Thanjavur district in which the bank is established. Integrated Thanjavur district, being the rice bowl of Tamil Nadu with a vast area of wet lands, lies in the east coast of the Tamil Nadu state between 9° 50’ and 11° 25’ of the northern latitude and 78° 45’ and 79° 50 of the eastern longitude. The total area of the district is 9735.00 square kilometers with a population of 40,63,545 of which 20,43,724 are males and 20,19,821 are females. This district consists of 6 revenue divisions, 20 taluks, 103 firkas and 34 community development blocks. There are 2,172 revenue villages. Thanjavur district is surrounded by South Arcot District in the north, Thiruchirappalli District in the west, Ramanathapuram District in the south and the Bay of Bengal in the east.

River cauvery gives a great fillip to the agricultural sector of the district. It accounts for the high fertility of the soil and irrigates more than 15 lac acres of land. Paddy is the principal food crop and as much as 14 lakh acres has been brought under the cultivation of this crop. The total area of wet lands in the District is 8.76 lakh acres and dry lands, 2.45 lakh acres, With regard to area of cultivation, the average varies from season to season and crop to crop.
Thanjavur is primarily a unilingual district because Tamil is spoken by more than eighth-tenths of the population. The principal religious groups in the district are Hindus, Muslims and Christians. Hindus are again subdivided into various castes like Kallars, Thevars, Agamudaiyars, Vanniyars, Vellalar, Brahmins, Mudaliars, Nadars, Naidu, Chettiars, Yadavas, Sourashtras, Scheduled Castes, etc. The principal occupation of a majority of the people is agriculture. Both food grains and commercial crops are cultivated in this district. The important crops are paddy, sugarcane, groundnut, banana, tobacco, cotton, coconut, betel, etc. Others are engaged either in industries, trade and commerce or in the occupation, taken by the traditional castes like tailoring, weaving, hair cutting, making of gold ornaments, etc. Handloom industry and the silk industry of this district earn a good name for it is the whole of Tamil Nadu.

It is evident from the foregoing account that Thanjavur district is heavily dependent on agriculture which requires credit from both institutional and non-institutional sources. The Kumbakonam Central Co-operative Bank was established on 08.02.1913 at Kumbakonam with the sole aim of providing finance to the agricultural sector. Initially the entire Thanjavur district was covered by this bank. Later, Thanjavur Central Co-operative Bank was established in 1920 and to cover 15 taluks
in the district. After bifurcation of this district, the KCCB covers 19 taluks in the districts of east Thanjavur, Thiruvarur and Nagapattinam.
THANJAVUR, THIRUVARUR AND NAGAPATTINAM DISTRICT
Area of the study

The area of the study can be discussed under two heads. One is the empirical area of the study and the other is the geographical area of the study.

Regarding the empirical area of the study, it may be pointed that just like the other Central Banks in India, the Central Co-operative Banks in Tamil Nadu discharge similar functions. Of the 23 Central Co-operative Banks in the state of Tamil Nadu, the Kumbakonam Central Co-operative Bank is one of the oldest and biggest central banks. It was established on 08.02.1913 to cater to the credit needs of the entire district.

This bank is doing a tremendous work in the provision of agricultural credit. It won many awards from the Government of Tamil Nadu and the Tamil Nadu Co-operative Union for establishing itself as the best bank in the provision of rural credit and the recovery of loans outstanding among all the central banks in the State. Thanjavur district is the granary of Tamil Nadu due to the flowing of Cauvery river. Agriculture is the major occupation of the people of this district. The KCCB covers a major area of this district and is mainly responsible for the green revolution in this district. Inspite of the strategic position of the KCCB in the rural credit distribution of the Thanjavur district, not
analytical study of its working has so far been made. This study therefore aims at analysing and examining the working of the KCCB in a detailed manner. It focuses its attention on the nature and working of the KCCB. The geographical area of the present study is clearly indicated in the district map.

References:

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