CHAPTER III

DEVELOPMENT OF CO-OPERATIVE CREDIT IN
INDIA, TAMILNADU AND SOUTH ARCOT DISTRICT

3.1. INTRODUCTION

The co-operative system requires voluntary initiation from the socially and economically weaker sections of the society in order to use the available resources for collective welfare. Almost all countries realised its significance and adopted it. However, it has not made the desired progress in many countries. In the early days the needs of the people were very limited and hence the importance of co-operative system was not realised. As time passed and society became more and more complex, it was realised that with out this system no task could be accomplished. Industrial revolution and advancement of science and technology made the need for Co-operation more acute.

Co-operation by its very nature is adoptable in all circumstances in order to meet the growing needs of the people to a desirable extent. The Co-operative Credit Societies Act, 1904 was the first step taken in India in order to institutionalise the credit system in the rural areas of our country. Though the primary credit societies play an important role in providing credit to the agriculturists, the need for an intermediary between the rural credit societies and money market in order to supply short and medium-term finance to the farmers for accelerating agricultural development was realized. As a result, the Co-operative Societies Act of 1912 was passed enabling the formation of the Central Co-operative Organisations which finally ended with the starting of the District Central Co-operative Banks with the primary objective of supplying finance to their member Co-operatives.

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3.2. DEVELOPMENT OF CO-OPERATIVE CREDIT IN INDIA

3.2.1 Pre Independence

Indian society has been following co-operative principles for a very long time. Our joint family system cherishes the principle of mutual assistance and collective cultivation which is the best example of living in co-operation. Under this system the members live and co-operate with each other with mutual appreciation and tolerance. They share incomes as well as expenses collectively. In the words of G.P. Srivastava, "Historically speaking Kula was the first form of co-operative activity that emerged in Indian society. This became the basis of ancient Indian joint family system. Grama Sabhas in ancient India were the co-operative organisations which looked after social, economic and moral development of the village. During the post Vedic era, Sherni, a multifarious organisation, was developed in order to act both as banker and merchant guild and worked on Co-operative basis to look after the welfare of workers, merchants, traders and charitable organisations".

Co-operation in South India was started as a means for raising funds and extending financial assistance to the needy members. Co-operation was started in the form of Chit Funds, Nidhi, Phad System and Gonchi System. Under the Chit Fund System there was a promoter who made some villagers join together and each one contributed a fixed sum of money monthly. At the close of the month all members assembled and took a sum of money monthly. At the close of the month all members assembled and took out a lot in which the lucky one got the money and others some discount. Under the Nidhi System the members contributed a minimum
amount per month to a fund for a period of 84 months and the amount collected was used for giving loans to the deserving and needy members and others at a nominal rate of interest. Under the Phad System, a good number of villagers combined together in order to secure irrigation and other facilities needed for agricultural operation. There was common fund to meet current expenditure and all members had to make equal contribution to the fund. Under this system each member himself cultivated some area with the fund from the system and the net produce was distributed among the members in proportion to the labour put in. At times the land of the non-members was taken on lease and cultivated by the members of the system.

Under the Gonchi System, a head is held responsible for making cultivation a success. The whole area is divided into small manageable areas for cultivation. The net produce is divided among the members in proportion to the labour and resources put in.

The British Government introduced the co-operative system in India in the beginning of the 20th Century as a Credit Co-operative with the primary objective of extending credit facilities to the farmers in adequate measure and at low rate of interest.

The Co-operative Societies Act was passed in 1904 with the provisions to set up Co-operative societies and develop the habit of thrift among the members. The societies should be both rural and urban and loans were to be given to the members against personal security. “The Act provided that any 10 persons with limited income belonging to the same area could form a Co-operative society”. These societies were empowered to raise loans. A Registrar of Co-operative Societies was appointed in each province on order to supervise and control the operations of these Societies.
The Societies in which 4/5 members were agriculturists were named as Rural Societies and the Societies in which 80 percent membership was non-agriculturists were called Urban Co-operative Societies. The liability of the former category was unlimited and that of the latter could be either limited or unlimited. All the profits earned were transferred to the Reserve Fund. All initiatives were taken by the Government with the supply of large finance to these Societies. This trend continued till 1912.

It was found that the functioning of the Co-operative Societies was quite inadequate and needed improvement. As a result, the Co-operative Societies Act of 1912 was enacted. This Act provided for setting up of central agencies and the distribution of profits. The State Governments were authorised to make rules for the running of the Societies. Non Credit Co-operative Societies were also recognised. This rapid developments resulted in setting up new Societies and in an increase in membership and working capital. Edward Maclagan Commission was set up to give concrete recommendations on the working of the Co-operative Societies; but for all practical purposes those recommendations were not cared for and remained unimplemented.

After the end of the First World War in 1919, several post war problems compelled the Government to pay more attention to sectors other than the development of Co-operation. The Government of India Act of 1919 made Co-operation a provincial subject and hence the provinces began to pass Co-operative Societies Act to provide necessary rules for running the Co-operatives. As a result the Co-operative Credit Societies further developed. But in the 1930's there was a great economic depression which affected the normal growth of the societies. The Royal
Commission on Agriculture was set up in 1928 in order to find out the causes for the slow progress of the co-operative movement in India. It observed that Co-operation is the best tool for development of rural India and hence it suggested that both supervision and guidance were the best means to rectify the shortcomings in the functioning of the societies.

The Central Banking Enquiry Committee, 1931 held, “One of the main requisites of agricultural credit should be that the rate charged should be the lowest possible consistent with safety and allowing for management expenses and bad debt insurance”. This system was found necessary in the midst of the peculiarities of agriculture such as uncertainty, low return, high rate of rent and limited scope for employment under which a large number of cultivators could not manage the needed finance without recourse to borrowing. So in order to stimulate the tempo of agricultural production, the farmer must be provided with adequate and timely credit. This could be effectively met only with the help of the Co-operative Organisations.

In 1935 the Government of India Act was passed when the co-operative movement in India was facing a crisis. The Act tried to give solutions to the problems but as the Second World War broke out in 1939 and ended in 1945 there was no further progress in the Co-operative movement. Thereafter much effort was made to introduce new types of Co-operative societies with greater involvement by the Government in order to achieve rapid development in this field. However, the co-operative movement did not provide any remarkable benefit to the farmers during British rule.
3.2.2. Post Independence

"It was felt that the Co-operatives were the tools for bringing economic change in the country. Hence the Five Year Plans identified special role for Co-operatives in the economic development"\(^4\). Though the importance of Co-operatives for the overall growth of the economy and the welfare of the people in the Indian context was realised and certain legislations were enacted even during the British Rule, actual development in the Co-operative Credit movement started only from 1950. Under the constitution of free India, Co-operative Societies and their development were made a state subject. Free India followed the principles of mixed economy in which both the private and the public sectors were expected to work in close co-ordination with each other. It was felt that could be achieved more effectively through Co-operation.

In 1949 the Government of India set up the Rural Banking Enquiry Committee which recommended the expansion of the existing Co-operatives and the formation of Rural Co-operative Banks. The All India Rural Credit Survey Committee set up by the RBI in 1951 insisted that co-operatives should be run with trained personnel and properly educated employees to realise the importance of co-operation, to expand the co-operative work and to follow and develop an integrated system of co-operation with processing, marketing, storage and housing as special fields.

3.2.3. Co-operative Credit During The Five Year Plans

Realising the benefits and feasibility of co-operation, the Government of Independent India laid stress on this from the inception of
five Year Plans. The Government introduced various reforms in the co-operative field, especially in the area of co-operative credit supply, from the First Plan period onwards. Though the steps taken by the Government have fallen short of the target, its progress cannot be ignored.

After Independence, there was a radical change in the Co-operative credit movement in India. In the initial stage of the Co-operative credit movement, the PACBs at the village level raised their own funds through deposits and meagre amount of loan from the Government. However, the PACBs faced much difficulty in meeting the financial requirements of the needy member farmers due to the inadequate financial resources. Again, the Central Co-operative Bank established to supply credit at the district level also faced financial crisis in the beginning. In order to make the DCCBs viable The All India Rural Credit Survey Committee, 1954 suggested reorganising and amalgamating the weak units. The Committee on Co-operative Credit, 1960, declared, "The work of reorganisation of weak Central Banks through amalgamation might be completed as expeditiously as possible so that the progress of Agricultural Credit Co-operatives may not be impeded but, infact, may be accelerated". "The Standing Advisory Committee supported the above view and recommended the amalgamation and reorganisation of Central Co-operative Banks with the aim of having one strong Central Co-operative Bank for a district".

After approving the above recommendations, the Government of India encouraged the amalgamation and reorganisation of the DCCBs started at the fag end of the First Five Year Plan and completed by the end of the Fourth Five Year Plan. The trend in the progress of the Co-operative Credit in India during the Five Year Plans is shown in terms of a consolidated Table:3.1.
### TABLE: 3.1
TREND IN PERFORMANCE OF DCCBs DURING THE FIVE YEAR PLANS

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<thead>
<tr>
<th>FIVE YEAR PLANS</th>
<th>DCCBS Number</th>
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<th>Govt. Contribution (Rs. Crores)</th>
<th>Average per DCCB (Rs. Lakhs)</th>
<th>Total Deposits (Rs. Lakhs)</th>
<th>Average per DCCB (Rs. Lakhs)</th>
<th>Loans and Advances Total (Rs. Crores)</th>
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Figures in the parentheses show the increase in percentage over preceding period.

Source: i) Annual Report of the Ministry of Industry and Civil Supplies, Govt. of India, New Delhi, 1974-75, PP.390-391
iii) Basic Data on Performance of DCCBs 1999-00, National Federation of State Co-operative Banks Ltd., Navi Mumbai.
The co-operative movement did not make any remarkable progress during the First Plan Period. Low membership and lending capacity, absence of savings habit among the members, difficulty in the recovery of loan, inadequate support given by the States to the development of Co-operatives, non-fixation of targets with regard to the number of societies to be set up and the area to be covered, the absence of the Apex Bank to supervise the Co-operatives, the absence of linking loans with increased productions are the main causes for the tardy progress. As a result the operational level of the Co-operatives was much below the expectation of the planners.

The Co-operative Credit movement made rapid progress during the Second Plan Period. A National Co-operative Development and Ware-housing Board was set up in 1956. A Central Ware-housing Corporation was set up in 1957. In order to execute the policy of Co-operatives, a Working Group was set up by the NDC in 1958. “The NDC has laid down broad policy guidelines for multi-term credit and multi-functional service to farmers at single contact point for their accelerated development”\(^{1}\). As a result, some societies were merged, local man power and resources were utilised to the maximum level, special attention was given to crop loans and the societies were made multifunctional. Again in many States, Co-operatives were set up with the help of the SBI. The existing small co-operative societies were strengthened with financial assistance. One strong Central Bank in each district was started. As per the guidelines given by the Government of India, the State Governments developed the Co-operatives in the country with financial assistance.
During the Third Five Year Plan the Government of India and the planners laid much emphasis on Co-operation and its success. Co-operation found a significant place in agriculture, medium and small scale industries and the distribution system. The State Governments gave assistance to each society to build reserve funds against bad debts. Several Working Groups were set up in order to give guide-lines and recommendations for the successful functioning of the Co-operative system. The Central Government set up a Committee on "Taccavi Loan" in order to advance loans through Co-operative societies. Further a Study Group on Co-operatives under Railways and Posts and Telegraphs, and Working Group in Industrial Co-operatives, a Committee on Co-operative Administration, a Study Group on Urban Credit, a Study Group on Transport Co-operatives and a Committee on Co-operative Marketing were set up by the Government of India during 1963 for the overall development through Co-operatives. Further there was development in the non-agricultural credit societies, LDBs and other Co-operatives in the fields of sugar, cotton ginning, paddy husking, rice, oil, fruits and vegetables, farming, irrigation, fisheries, consumers, housing and small scale industries etc. Though the Co-operatives made much head way during this plan period much remained to be done due to the continuance of certain defects in this field.

The Fourth Plan period witnessed further growth in the field of Co-operative Societies. Apex Co-operative Banks were permitted to finance Co-operative Societies directly. All Primary Societies were provided with trained and competent staff. Societies were started in compact areas especially for favour of small areas. More attention was
paid to the rehabilitation of the weak DCCBs. Also, the Co-operative Banks were directed to open more branches in the rural areas. For Sub-marginal farmers, Pilot Projects were initiated and speedy agricultural credit granted. In 1969, a Conference of State Ministers for Co-operation was held at Bangalore. It was suggested that all vested interests in the Co-operatives should be crushed and Co-operative orientation should be given to small farmers. PACBs and Central Banks should be speedily rehabilitated and revitalised. Economically viable holdings should be provided with development capital by LDBs. A complete cadre of technical and managerial staff should be developed with in the shortest possible time. Consumer Co-operatives should be used for holding the price line. The programme of co-operative farming should be encouraged for increased productivity. A close co-ordination between the various sectors of Co-operative movement was essential for the integrated development of the movement. The All India Rural Credit Review Committee, 1969 headed by Venkatapiah recommended the reorganisation of rural credit through the setting up of an Agricultural Credit Board and a Rural Electrification Corporation to help the areas enjoying high agriculture potential. The Committee also stressed the need to ensure timely credit. On the whole, during the plan period, progress made on the Co-operative front was highly commendable.

During the Fifth Plan period the Co-operatives were made viable alternatives for responding to the needs of the peasants, the artisans and the workers on one side and the consumers on the other. Net work of Agricultural Co-operatives as strengthened as it was found essential for agricultural development. More Consumer Co-operatives were established
and existing ones were strengthened. For the purpose of development the Co-operatives in the State were divided into three categories to take care of the supply of the medium and long term loan. For the manufacture of fertilisers on large scale, the Indian Farmers Fertilizers Co-operative Limited was set up. For promoting Inter-State and Export Trade of Farm Products, National Agricultural Co-operative marketing Federation was established. It set up branches in all Port towns and Capital cities. The co-operative way of living was much encouraged which made good progress in achieving the tragets fixed during this plan period.

During the Sixth Plan period the Co-operative movement since 1951 was thoroughly reviewed and the following Four Point Programme was suggested:

1) Strengthen the Primary Village Society in order to function efficiently and effectively to meet the diverse needs of their members;

2) Direct the Co-operatives to ameliorate the economic conditions of the rural poor;

3) Reorient and consolidate the role of the Co-operative Federal Organisations to support a rapidly diversifying and expanding agricultural sector with credit, input supply, marketing and other services;

4) Develop professional manpower and appropriate professional cadres to managerial positions.

As a result of planning and development, the Co-operative structure in the country has grown both in magnitude and direction.
The Seventh Plan Period experienced growth in different sectors viz. agriculture, medium and small industries, trade and distribution through Co-operative system. For this the Government of India took initiative by evolving a broad frame work of policies and provided resources, trained personnel and other infrastructures necessary for growth. During this plan period, the number of PACs decreased due to amalgamations of weaker societies with stronger ones.

During the Eighth Plan Period, the Government of India concentrated much on Co-operative credit through restructuring the organisation and functions of the Co-operative institutions. Special attention was given to supplying credit for the development of the village economy in order to overcome the influences of non-institutional credit supply. The targets fixed in the supply of credit were achieved considerably. Again there was a positive trend in the increase in the number of PACBs in contrast to the adverse trend in the previous plan periods.

During the Ninth Plan Period, the importance of co-operative credit continued to prevail. The planners thought that there was no alternative to the co-operative credit system for meeting the growth demands of our farmers with regard to agricultural development. There was a radical change in the minds of the farmers who felt that the co-operative credit system was the most suitable one. Again, the awareness of the farmers on the advantages of the Co-operative credit system kept them away from the clutches of the money lenders. The number of PACs was continuously increased during this plan period. The co-operative movement spread over the new sectors such as Service Co-operatives, Processing Co-operatives, Housing Co-operatives, Farming Co-operatives, Dairy Co-operatives,
Spinning and Cotton Mills and Co-operative fertiliser units. Dairy, Fertiliser, Credit and Sugar Co-operatives were the most successful sectors. The Dairy Co-operatives proved to be the largest producers of milk and dairy products, as Sugar and Fertiliser Co-operatives made the Country self-sufficient in their respective sectors. India's food grain production increased manifold because of Agricultural Co-operatives. Again, the co-operative movement aimed at covering 99.5% villages through a rural network of Co-operative organisations. Though the co-operative movement could not get its desired success in most of the States, its achievements are remarkable in the State of Maharashtra, Gujarat, Karnataka, Andhra Pradesh and Punjab.

3.2.4. Performance of PACBs on Overall Basis

The performance of the PACBs under the entire plan period is shown in the Table: 3.2.
**TABLE : 3.2**

TREND OF CO-OPERATIVE CREDIT DURING THE FIVE YEAR PLANS

<table>
<thead>
<tr>
<th>FIVE YEAR PLANS</th>
<th>PACBS Numbers</th>
<th>Membership (Lakhs)</th>
<th>Average Membership per society (Numbers)</th>
<th>% of Rural Population Covered</th>
<th>Loans advanced (Rs. Crores)</th>
<th>Short-Term Agricultural loans (Rs. Crores)</th>
<th>% of Overdue to demand</th>
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<td>IX</td>
<td>101545</td>
<td>1084.89</td>
<td>1020</td>
<td>58</td>
<td>27080</td>
<td>21542</td>
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<td>(7.7)</td>
<td>(6.8)</td>
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<td>(7.4)</td>
<td></td>
<td>(126.7)</td>
<td>(130.9)</td>
<td>(-2.6)</td>
</tr>
</tbody>
</table>

Figures in the parantheses show the increase in percentage over preceding period.

Source: Credit and Co-operation Division, Department of Agriculture and Co-operation, Ministry of Agriculture, Government of India, New Delhi, 2002.
Considering the performance under all indicators there is no uniform trend. Number of PACBs declined from the I\textsuperscript{st} plan to the VII\textsuperscript{th} plan and thereafter increased. However, on an average basis the rate of decline in the number of PACBs per plan was to the extent of 5.8%. In the case of the number of membership an increasing trend was apparent from the I\textsuperscript{st} to IX\textsuperscript{th} plan period though there was no uniformity in the rate of increase. On an overall level for the entire plans the average rate of increase in membership was 143.6% per plan. The average membership per society showed an irregular trend with an overall average increasing rate of 215.6% per plan.

So far as the percentage of rural population was concerned there was increasing trend at the absolute level at the overall level there was an irregular increase to the extent of 30.2% in the percentage of rural population covered. Under the loans advanced category there was increasing trend at the absolute level but with irregular increasing rate. However, the average percentage of loans advanced was 5988.7% per plan. So far as the short-term agriculture loan was concerned the increasing trend was experienced at the absolute level but with irregular percentage of increase. For the entire plans, the average increase in short-term agricultural loans advanced per plan was 6882.8%. In the case of loans overdue there was no uniformity found in different plans. However, there was an average percentage of increase per plan at the rate of 12.6%. Hence in all these aspects except in the number of PACBs it was found that though there was no uniformity in the increasing trend, there was increasing average percentage per plan on overall basis. The declining trend found in the number of PACBs from the II\textsuperscript{nd} plan to the VII\textsuperscript{th} plan was due to the
amalgamation of the weaker PACBs with strong PACBs. The trend also showed that during the II\textsuperscript{nd}, VIII\textsuperscript{th} and IX\textsuperscript{th} plan periods the amalgamation operation was not pursued due to the non existense of the amalgamation scheme.

3.2.5. Performance of DCCBS

3.2.5.1. Pre-Independence Period

The passing of the Co-operative Societies Act 1912 paved the way for establishment of DCCBs all over India. The first DCCB was started in October 1905 in Madras as the Madras Central Urban Bank & the second DCCB was started on 1906 in Bombay as the Bombay Central Co-operative Bank. These two banks aimed at financing the societies in all parts of Madras and Bombay Presidencies.

During 1906 to 1918 many DCCBs were started in various parts of the country. The period from 1919-20 to 1929-30 witnessed the improvement of Co-operative Banking system with 3.5 times increase in the number of member societies, 5 times increase in the working capital, more than 5 times increase in the loans advanced and 428% increase in the loans outstanding during the above decade. Though the number of DCCBs increased considerably, their functioning was adversely affected by the great depression of 1930s manifested in the form of declining membership both in member societies and in individual members, decrease in the loan advancement and increase in overdue position. After the Second World War the position was reversed in certain aspects. The number of member societies increased but the number of individual members decreased. The number of banks declined and the loan advancement increased remarkably to the extent of 4.7 times. The amount of overdue increased.
3.2.5.2. Post-Independence Period

From 1946-47 to 1950-51 the number of DCCBs increased by 7.7% and quantum of loans advanced increased by 35.2%. The performance trend of the DCCBs during the Five Year Plans is portrayed in the Table:3.1. The important indicators of performance taken for analysis are the number of members, amount of share capital, the Government contribution, the deposit level, loan amounts and the percentage of overdue on loan outstanding. Each one played its own role in performance of DCCBs during the past nine years. Considering the improvement in the number of DCCBs in different plan periods there was declining trend upto the Fourth Five Year Plan and increasing trend upto Sixth Five Year Plan and thereafter there was no uniform trend. This reflected in the decreasing number of members of the DCCBs. There is a gradual increase in the amount of overdues. However, rate of increase declined. So far as the Government contribution is concerned there was increase in its level with non uniformity in the rate of increase. Among the DCCBs the average amount of share capital increased. The amount of deposit increases during the period of study. However, the rate of increase declined. Loans and advances also increased at the absolute level till the Eighth Plan Period and thereafter a declining trend was experienced. However the rate of increase of the amount of loans and advances fluctuating. The percentage of overdue on loan outstanding increased absolutely till the Seventh Plan Period and after that, it decreased.

A similar trend was seen in the case of percentage of overdue on loan outstanding.
However except in the case of number of DCCBs, increasing rate could be seen in all other aspects when the entire period of Five Year Plans was taken for reckoning. In the case of number DCCBs the declining per plan was 0.59%. In the case of share capital, the average rate of increase per plan was 2821.9%. The average rate of increase per plan of the Government contribution was 3865.8 %. The average share capital per DCCB per plan was 3746.8%. The average rate of increase of deposits per plan was 7625.6%. The average increase in deposits per DCCB per plan was 10133%.

In the case of total loan the average increase per plan was 5520.4% and that of average loan per DCCB per plan was 73438.4%. The average rate of the percentage of overdue on loan outstanding per plan was 10.3%. From all this information it can be concluded that there was tremendous increase in the performance of the DCCB in all the aspects except loan overdue which showed only adverse trend.

3.3. CO-OPERATIVE CREDIT IN TAMILNADU

Tamil Nadu has the honour of having taken the first step towards the introduction of the Co-operative movement. In 1892, the Government of Madras, appointed one of the senior officers, Sir Frederic Nicholson to study the movement of land and agricultural Banks in Europe and to report how far their introduction could be effected in the Madras Presidency, in order to relieve rural indebtedness. His valuable report formed the basis for the Act of 1904. Tamil Nadu can be proud of the fact that the first Co-operative society under the Central Co-operative Urban Bank in the Country was organised at Kancheepuram in the year 1904. The Triplicane Urban Co-operative Society was also registered in 1904 and soon the Urban Co-operative Societies were formed in Coimbatore and Madurai.
The Urban Banks in Tamil Nadu have recorded a steady progress over the years. The first Apex Co-operative Bank in India was started in 1905 in Tamil Nadu. Again, to Tamil Nadu goes the honour of starting the first Co-operative journal also viz. "The Madras Bulletin of Co-operations". Tamil Nadu had many firsts The first Cosumer Store in India, the TUCS was started in Madras in 1904. As far as Co-operative sector is concerned Tamil Nadu has come a long way. The Co-operative movement has spread throughout the State. There is not a single economic activity to which Co-operatives have made their presence in agricultural operations, marketing of agricultural produce, spinning and weaving, housing, fishing, production and distribution of milk etc.

To boost the Co-operative activities and thrift among the people of Tamil Nadu, Madras Provincial Co-operative Union (at present Tamil Nadu Co-operative Union) was registered in 1913. The first printing press in the Co-operative sector was started in Madras around 1919. Primary Milk Co-operative Union (at present Tamil Nadu Milk Co-operative Union) was registered in 1913. Primary Milk Co-operative Society at Ayyanavaram started functioning in the city of Madras since 1927. The famous State Handloom Weaver's Co-operative Society (now Co-optex) was registered during 1935. A separate Act was passed in 1934 to regulate the Land Development Banks. Due to economic recession during 1930 to 1937 many unviable societies were liquidated and some societies amalgamated to strengthen their base. To study the growth and development of Co-operatives in Tamil Nadu, a Committee was appointed under the Chair Person of Thiru. T. Vijayaragavachari who recommended the rehabilitation and consolidation of Co-operative societies. The data were collected for four different periods namely 1919-20, 1929-30, 1936-37 and 1945-46 under the following heads and presented in Table:3.3.
<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particular</th>
<th>1919-20</th>
<th>1929-30</th>
<th>1936-37</th>
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<td></td>
</tr>
<tr>
<td>1</td>
<td>Number of Central Co-operative Banks</td>
<td>N.A</td>
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<td>31</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>CCBS (Nos.)</td>
<td></td>
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<td>3,668</td>
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<td>14,386</td>
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<td></td>
<td></td>
<td></td>
<td>(252.3)</td>
<td>(-13)</td>
<td>(27.19)</td>
</tr>
<tr>
<td>3</td>
<td>Deposits</td>
<td>99.83</td>
<td>550.58</td>
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<td>1226.00</td>
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<td></td>
<td>(451.5)</td>
<td>(-29.5)</td>
<td>(216)</td>
</tr>
<tr>
<td>4</td>
<td>Working capital (Thousands)</td>
<td>115.38</td>
<td>635.26</td>
<td>500.00</td>
<td>1384.00</td>
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<tr>
<td></td>
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<td></td>
<td>(450.6)</td>
<td>(-21.3)</td>
<td>(176.8)</td>
</tr>
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<td>5</td>
<td>Loans and Advances</td>
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<tr>
<td>i)</td>
<td>To Individuals</td>
<td>1.85</td>
<td>30.79</td>
<td>-</td>
<td>31.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1564.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii)</td>
<td>To Societies</td>
<td>66.67</td>
<td>297.3</td>
<td>-</td>
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<tr>
<td>6</td>
<td>Loans are due</td>
<td>200.34</td>
<td>544.11</td>
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<td>(39.7)</td>
<td>(-191.5)</td>
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<tr>
<td>i)</td>
<td>By Individuals</td>
<td>0.81</td>
<td>8.16</td>
<td>-</td>
<td>14.00</td>
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<td>ii)</td>
<td>By Societies</td>
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<td>535.95</td>
<td>-</td>
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<td></td>
<td>(168.6)</td>
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</tr>
<tr>
<td>7</td>
<td>Profit</td>
<td>1.74</td>
<td>11.34</td>
<td>-</td>
<td>27.00</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>(666.7)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Figures in the parantheses show the increase in percentage over preceeding period.)

Source: 1) A. Marjit Singh and A.N. Sadhu, Agricultural Problems in India, Himalaya Publishing House, New Delhi, 1991, PP.312-314 and
In order to study the performance of the CCBs in Madras State during the Pre-Independence Period in terms of the number of CCBs, the number of member societies, deposits, working capital, loans advanced, loans overdue and profit have been given in Table:3.3. In the case of the number of CCBs there was adverse trend successively. The number of member societies were almost the same through out the period. Similar was position in deposits received, working capital, loans advanced and loans overdue. In other cases the performance level was normal. However, there was increasing trend in the case of profit realised. The entire information is clearly given in the Table:3.3.

The Membership of the DCCB consists of primary PACS and Central Government. The PACS constitute the nucleus of the Co-operative movement in the State. “These are primary units at the village level functioning as floodgates through which funds are purveyed directly to the borrowers”\(^{16}\). By March 1999, there was 4585 such societies providing crop loan, short-term loans, for agricultural operations and also providing medium-term loan for subsidiary occupation. Their share capital was Rs.2704.60m. They attract deposits of Rs.21961.7m. There are 23 DCBs with 708 branches and deposit of Rs.48841.7m.\(^{16}\)

The movement has grown like a banyan tree with its roots wide and deep. About 27,000 Co-operative societies of the State under the control of 14 Functional Registrars are fulfilling countless tasks. Each district in Tamil Nadu has one District Central Co-operative Bank, Thanjavur District has the privilege of two DCCB’s to look after its agricultural credit needs. Now Tamil Nadu has one Apex State Co-operative Bank and 23 DCCB’s and 4586 viable PACs.\(^{11}\)
From March 1996 to March 1999 Co-operative Banks provided short-term loan of Rs.2022.51 crores, and medium-term loans of Rs.284.19 crores. The term loans provided from 1996 to 1999 totalled to Rs.609.66 crores. In order to help rural craftsmen and artisans and to start tiny and small industries in rural areas during the period from 1996 to 1999, a sum of Rs.317.19 crores was disbursed. To help the farmers further, Jewel Loan procedures were simplified. The ceiling of Rs.40,000 for Jewel loan was increased to Rs.1,00,000. During the period from 1996 to 1999 a total of Rs.8388 crores was advanced as Jewel loan.  

There are 125 Co-operative Banks in the state with a Capital of Rs.53.67 lakhs. Their lending operation is of the order of more than Rs.1000 crores. The deposits as on 31st March, 1998 amounted to Rs.1502.15 crores. The performance trend of the DCCBs' in Madras State after independence is given in Table:3.4.
### Table: 3.14

**Performance Trend of DCCBS in Madras State—After Independence**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<tr>
<td>I</td>
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<td>292</td>
<td>2.97</td>
<td>1.07</td>
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<td>II</td>
<td>15</td>
<td>330</td>
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<td>1.55</td>
<td>10.12</td>
<td>41.22</td>
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<td>(21.9)</td>
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<td>(-44.0)</td>
<td>(36.3)</td>
<td>(37.0)</td>
<td>(70.3)</td>
<td>55.45</td>
<td>27.96</td>
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<td>15</td>
<td>380</td>
<td>8.62</td>
<td>4.26</td>
<td>19.46</td>
<td>74.26</td>
<td>81.27</td>
<td>(81.1)</td>
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</tr>
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<td>(174.8)</td>
<td>(92.3)</td>
<td>(80.2)</td>
<td>(81.1)</td>
<td>(53.3)</td>
<td>(-8.5)</td>
<td>(385.8)</td>
</tr>
<tr>
<td>IV</td>
<td>16</td>
<td>422</td>
<td>18.44</td>
<td>11.51</td>
<td>67.28</td>
<td>121.64</td>
<td>181.43</td>
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<td>(113.9)</td>
<td>(170.2)</td>
<td>(245.7)</td>
<td>(63.8)</td>
<td>(123.2)</td>
<td>(208.2)</td>
<td>(385.8)</td>
<td>(285.8)</td>
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<td>V</td>
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<td>50.36</td>
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<td>608.41</td>
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<td>(337.5)</td>
<td>(379.3)</td>
<td>(26.4)</td>
<td>(39.6)</td>
<td>(256.1)</td>
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<td>(-23.2)</td>
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<td>(37.0)</td>
<td>(29.2)</td>
<td>(70.1)</td>
<td>(70.1)</td>
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<tr>
<td>VII</td>
<td>17</td>
<td>551</td>
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<td>94.12</td>
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<td>1812.10</td>
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<td>(72.3)</td>
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<td>(171.3)</td>
<td>(993.72)</td>
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<td>663</td>
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<td>(132.5)</td>
<td>(156.0)</td>
<td>(200.3)</td>
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<td>(179.5)</td>
<td>(175.1)</td>
<td>(106.1)</td>
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<tr>
<td>IX</td>
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<td>708</td>
<td>249.94</td>
<td>424.89</td>
<td>4848.17</td>
<td>112.87</td>
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<td>(-10.7)</td>
<td>(20.1)</td>
<td>(42.7)</td>
<td>(49.6)</td>
<td></td>
</tr>
</tbody>
</table>

Figures in the parentheses show the increase in percentage over preceding period.

Source: Compiled from the various issues of the Annual Reports of the Tamil Nadu State Co-operative Bank, Chennai.
3.3.1. Loans to Weaker Sections

The Primary Agricultural Co-operative Bank devotes special attention towards providing assistance to the weaker sections of the People. Out of the short-term loan provided as stipulated by NABARD, 20 percent should be lent to small farmers, viz, those who own 5 acres of dry land or less than 3 acres of wet land. But in Tamil Nadu out of the short-term loans 67 percent and out of the medium-term loans 95 percent have gone to small farmers. From 1996 to 1999 the weaker sections received short-term loans of Rs.1277.34 crores and medium-term loans of Rs.255.82 crores. NABARD issued loans amounted to Rs.9866 crores during the year ending March 1998, of which Tamil Nadu received Rs.1015 crores\(^4\).

3.3.2. Development in the Lives of Adi-Dravidas

Adi Dravida families were encouraged to become members of the Primary Agricultural Co-operative Banks so as the enable them to obtain short-term crop loans and medium-term loans for agriculture and allied activities. The Government provided one hundred rupees grant towards share capital. The Co-operatives have successfully assisted the weaker sections of the society to run their own business like, cattle breeding, sheep rearing, poultry, manufacture of coir, candles, brushes, brooms etc., There have been outstanding achievements in farm finance and consumer protection. In the Co-operative horizon of the country, Tamil Nadu shares the honour of being one of the front line states along with Maharashtra and Gujarat. “It is reported that Rs.255.092 lakhs was spent by the State and Centre by way of grant and 2,25,092 Adi-Dravidas were benefitted. The number of large sized Adi-vasi Multipurpose Primary Co-operative
Societies are 18, their membership is 68,000, paid up share capital is Rs.198 lakhs as on 1996-97. Also there are 36 types of Co-operatives functioning in Tamil Nadu\textsuperscript{15}.

3.3.3. Input Distribution

Tamil Nadu performed well by distributing agricultural inputs such as fertiliser, seeds and insecticides worth Rs.681.26 crores through Co-operatives from 1996 to 1999\textsuperscript{16}.

3.3.4. Marketing Facility for Agricultural Products

With the aim of helping farmers to get reasonably high prices for their products, 144 Marketing Co-operatives serve processing, preservation and marketing of farm products without the intervention of middlemen. These Co-operatives conduct auctions and also directly procure and supply produce to Consumer Societies there by serving as agents between producers and consumers. The Co-operative Marketing Federation procures farm products from Marketing Societies, supplies them to Consumer Societies and also sells to merchants whose market situation is favourable. Form 1996 to 1999 the Co-operative Marketing Federation marketed farm products worth Rs.1113.31 crores\textsuperscript{17}.

3.4. HISTORICAL BACKGROUND OF DISTRICT CENTRAL CO-OPERATIVE BANK

The All India Rural Credit Survey committee recommended the following criteria in the formation of DCCBs.
a) Share Capital and reserve worth of Rs.3 lakhs.
b) Working capital worth of Rs.20 to Rs.25 lakhs and
c) Loan business worth Rs.1 crore per annum.

3.4.1.Norms of DCCBs Recommended by AIRCSC

1. To facilitate the operation of the affiliated PACBs
2. a) Borrowing and lending of many either upon or without security
   b) dealing in bills of exchange, hundies, promisory notes,
      bills of lading, railway receipts, debentures etc.
   c) granting and issuing of letters of credit, travellers cheque etc.
   d) dealing in foreign exchange
   e) the recovery of bonds or valuables on deposits and
   f) providing safe deposit vaults.
3. Carrying on and transacting every kind or guarantee and indemnity
   business.
4. Managing, selling and realising any property of the bank.
5. Acquiring and holding and dealing with any right title or interest
   in and property holding for security for any loan.
6. Undertaking and executing trusts.
7. Undertaking the administration of estates as executor or trustee.
8. Establishing and aiding the establishment of associations,
   institutions, trusts etc.
9. Acquiring and undertaking the whole or part of the business
   of any person or company or Co-operative society.
10. Doing things which are conducive to the promotion and advancement
    of the business of the Co-operative bank.
The Act, 1912 was amended in 1971 with the following norms in the membership and organisational aspects. Membership was open to the Co-operative Societies registered with the concerned DCCB besides the State Government. The functioning of the DCCB was left to the organisation consisting of 1) General Body formed with the PACBs as members 2) Board of Directors 3) Managing Director and 4) Other staff as functionary assistants.

3.5. DCCB OF SOUTH ARCOT

The South Arcot Central Co-operative Bank Limited, No.1844 Cuddalore registered under India Act II of 1912 was registered on 8th April, 1916. It acted as a banker to all Co-operative societies in the whole of South Arcot District. It was authorised to start work on 29-06-1918.

3.5.1. Objectives

1. to collect funds for financing Co-operative Societies registered or deemed to be registered.
2. to develop, assist and co-ordinate the work of the affiliated societies.
3. to recommend the grant of loans to such societies from other societies registered under Act X of 1904 or Act II of 1912.
4. to organise supervising or auditing in order to exercise careful and regular supervision and inspection of the affiliated societies and unions.
5. to settle matters of common interest and also to further their interests in every way.
6. to organise special types of societies for the benefit of unions and societies.
7. to arrange for the supply of stationery, books, forms, furniture etc. if required to the unions or affiliated societies.

8. to arrange for the initial and periodical training for the men in service and non-official workers in the co-operative field.

9. to propagate the principles of co-operation through pamphlets, leaflets, circulars and periodicals form time to time and arranging propagandist tour by paid and honorary lecturers.

10. to arrange for holding periodical co-operative conferences and taking action on the resolutions passed.

11. to arrange for exhibitions of articles on Co-operation

12. to maintain library of co-operatives and related literature.

13. to serve as the recognised exponent on Co-operatives.

14. to start branches in the jurisdiction of the bank with necessary staff and fund for the conduct of business.

15. to promote cottage and small scale industries in the districts.

16. to undertake any work which will promote co-operation.

17. to carry on banking business not repugnant to the provisions of the ACT.

18. to promote family welfare schemes as the State Government among its members and employees.

19. to guarantee the loans advanced or credit granted to any society by the Government, State Bank of India or any other agency within such limits and such terms as may be agreed between the guarantor and the guarantee and charge commission thereon.
3.5.2. Eligibility and Disqualification

Every society within the South Arcot District, the Madras State Co-operative Bank and the State Government and any person legally competent to contract shall be eligible for admission. Also not more than 1,00,000 shares shall be allotted to individual members and the number of ‘A’ class members other than Societies and the State Government shall not exceed 150. ‘B’ class members shall not have the privileges of the ‘A’ class members other than to receive loans by pledging of jewels, produces and by overdraft. ‘A’ class share is worth Rupees 50. Other members are admitted by collecting Rupees 5 as admission fee. ‘B’ class share shall be paid in one lumpsum will not earn any interest or dividend. ‘B’ class shares are not transferable. Every member must take up atleast one share but not more than 100 shares. The board of management is competent to refund any portion of the Share Capital of the State Co-operative Bank or State Government by mutual consent and the full share capital of any individual member. A member expelled by the bank or the society is not eligible for readmission for a period of 2 years from the date of expulsion. Any person adjudicated as a bankrupt or insolvent or sentenced for offence other than political ones on moral delinquency or pardoned offence are not eligible upto 5 Years.

In the event of the the death of the member, the nominated person may succeed to the position if the nomination was signed by the deceased in the presence of atleast two witnesses. Otherwise, the heir or the legal representative of the deceased or the person nominated by such heir or legal representative of the deceased shall be entitled to succeed with in one month of the death if admitted by the board of management.
3.5.3. Composition of Union

The Union shall consist of only societies affiliated (confirmed by the sanction of the Registrar) to it. The capital of the union shall be as many shares as there are societies at the rate of Rupees 100 for each share. The entire sum of Rs.100/- of each share shall be its reserve liability. The liability of each society for the deposits to the Union is restricted to its share capital.

Though a resolution on 10-10-1926, The South Arcot Banking Union was named as the South Arcot District Central Co-operative Bank.

3.5.4. Funds of the Union

The funds of the Union shall consist of 1. Affiliation fees, 2. Fees for registration of delegates, 3. Grants from societies from which loans are obtained for affiliated societies, 4. Miscellaneous items, 5. Contributions from affiliated societies to meet the expenses of the union and 6. The deposits which may be taken by the union under the special orders of the Registrar.

3.5.5. General Body


Every delegate shall hold office for a period of one year. However, the society is competent to remove its delegate at any time. Each member of the general body shall have only one vote. However, the nominees of the State Co-operative Bank and the State Government cannot exercise their
vote in elections. The ultimate authority in all matters relating to the General administration of the Bank shall vest in the General Body. However, the General Body shall not interfere with the action of the board of Management of the Executive Committee.

A meeting of the General Body of the bank shall be convened by the Secretary once a year. The quorum for a meeting shall be 50. All questions before the meeting shall be decided by a majority of votes. When the votes are equal, the Presiding member can cast vote. The matters dealt by the General Body are 1) Adoption of the annual report. 2) Discussion on the Registrar's notes of audit or inspection, 3) Amendment of by-laws and the enactment of new by-laws, 4) The election of members to the board of management and removal of member 5) Appeals from the members, 6) Discussion on the budget, 7) Any other matter affecting the interest of the members and/or the society with the permission of the Chairman.

The Board of Management of the Bank consists of 1) Eight representatives from 8 unions 2) One representative from the non-credit societies 3) Two representatives from individual members 4) One representative of the State Government (nominated by the Registrar of Co-operative Societies).

The defaulter to the society in respect of any loan cannot be a representative. Also a legal practitioner against the bank, a bankrupt or insolvent, non-political offender, person of unsound mind, deafness, mute, leprosy and paid employee of the bank cannot be members.

The members of the board shall hold office for a period of 3 years (beginning on 1st January and ending on 31st December) which can be
extended by the Registrar. Any member can resign by sending a letter to the Secretary of the bank and the resignation takes effect from the date of its acceptance by the Board of Management. The elected members of the Board shall elect a President, Vice-President and the members of the Executive Committee from among themselves. In the absence of the President the Vice-President will preside over the meetings of the General Body or the Board of Management or the Executive Committee. In their absence, a Chairman elected from the members present will preside over the function. As a result of continuous absence for more than 15 days or incapacitated, Vice-President shall function on the delegation of power by the President in an order in writing. The Board of Management appoints a full time paid Secretary to the Bank who shall be the Chief Executive Officer but subordinate to the Executive Committee or the Board of Management. In the absence of the Secretary the Assistant Secretary will perform the functions of the bank. In the absence of the Cashier, the Assistant Cashier will take charge. The cash balance of the bank shall be verified at least once in a month by the Chairman or the others.

The manager will discharge the functions of the Secretary in respect of the banking operations when the Secretary or the Assistant Secretary are absent. The Secretary can sue or be sued on behalf of or against the bank. A sitting fee of Rs.10 is paid to each member of the Board or Committee. If the members reside outside Cuddalore Municipality but within South Arcot District, 1 & 1/2 times First Class Railway fare is given. The Board of Management is the Competent Authority for the entire administration. Meeting of the board shall be convened by the Executive Committee once in a quarter or oftener. As per the request for a meeting in
writing either by 5 members of the Board or by the Registrar, the Executive Committee shall convene a meeting with in a month. The quorum for the meeting shall be 50% of the strength of the Board plus one.

3.5.6. Executive Committee

The President, the Vice-President, the nominees of the State Co-operative Bank and the State Government and three members from the elected members of the Board are the members of the Executive Committee. The Board can delegate power to the Executive Committee. The Board can remove any elected member of the Committee including the President and the Vice-President. The President shall convene the meeting once in a month or oftener. Also, as per the requisition in writing by a minimum of 4 members or the Registrar, the President shall convene the meeting within a week. The quorum of the meeting of the Executive Committee shall be 4. All questions shall be decided by a majority of votes. In case of urgency, the decision will be taken by the members through a circular. However, the business transacted by circulation shall be placed before the next meeting of the Executive Committee. The difference of opinion which may arise in the matter in circulation shall be decided at the subsequent meeting. The entire proceedings of the meeting shall be sent to each member of the Board and the each union within 10 days of the meetings of the Committee. The Executive Committee is to develop, assist and co-ordinate the work of the unions.

3.5.7. Notices for Meeting

It is the duty of the Secretary to send notices for meetings along with an agenda to the members of the General Body or Board of Management or
the Executive Committee. The notices should be sent at least 15 days before the meeting in the case of the General Body, 7 days in the case of Board meeting and 5 days in the case of Committee meeting. If a member including the President or the Vice-President is absent for 3 consecutive meetings of the body, he shall cease to be a member of the body. However, after considering the reply for the reason, the body may reinstate such a member. The reinstatement may be allowed two times, during the term of the committee or the Board. This is not applicable to the nominees.

3.5.8 Funds

The sources of the funds of the Bank are 1) Share subscription, 2) Deposits, 3) Other borrowings, 4) Contributions from other financing banks and societies towards the cost of supervision, collection and audit, 5) Entrance fees and miscellaneous receipts.

The Board receives the deposits or loans from members or other institutions with preference to the Co-operative Societies. The reserve funds of the Co-operative Societies are received as deposits and the interest on it shall not exceed 5% per annum. The ‘A’ class member shall pay an entrance fee of One Rupee per share and a ‘B’ class member 10 paise per share. Also, every transfer of ‘A’ class share shall pay One Rupee per share to the Bank. The by-laws were later amended to enhance the entrance fee for ‘A’ class and ‘B’ class members to Rs.250/- and Rs.5/- respectively.

The funds of the Bank shall be primarily utilised for the purpose of granting loans to Co-operative societies registered or deemed to be registered under Madras Act 53 of 1961. Loans may be granted to the
depositors not exceeding 90% of deposits made. In the case of Fixed Deposits the rate of interest on its loan shall be 1% more than the rate for the deposit made. Jewel loan, housing loan and vehicle loan are also issued to its members and employees.

From the profits of the Bank, a minimum of 20% be transferred to Reserve Fund, 5% to the Reserve for Bad Debts, 15% to the Agricultural Credit Stabilisation Fund, a maximum of 2% (Rs.2500) to the Co-operative Education Fund, 5% for Dividend payment, 10% for Gratuity payment, 7&1/2% for the Common Good Fund to maintain a library of literature on co-operative, agricultural and industrial subjects, Co-operative Propaganda, Promotion of Co-operative industries, education and relief of distress and the surplus funds of the cancelled societies are applied for meeting the expenditure relating to creating public utility services.

3.5.9. Performance

The number of branches increased gradually from 3 in 1964-65 to 41 in 1995-96 before bifurcation and from 22 in 1996-97 to 24 in 1999-2000 in the District Central Co-operative Bank Ltd., Cuddalore after bifurcation with regard to the trend in the number of membership, SADCCB was started with 111 societies and 43 individual members with a share capital of Rs.35000 in 1917-18. The number of societies increased regularly till 1964-65 and decreased in the same pattern till 1979-80 with a revival thereafter till 1991-92 and a decline during 1992-93 and an increase thereafter 1995-96 with a fall in 1996-97 and regular increase till 1999-2000. However, the number of individual members increased from 1917-18 to 1929-30 and thereafter it was fluctuating till 1954-55 with a regular decrease till 1988-89. However, the individual membership was
abolished from 1989-90 onwards. So far as the share capital was concerned, it increased till 1934-35 with a fall during 1939-40. Thereafter it increased each year till 1978-79. During 1979-80 the share capital decreased and then it increased till 1995-96 with a fall in 1996-97 and regular increase till 1999-2000.

There was no uniform trend from 1919-20 to 1934-35. From 1939-40 onwards it increased till 1989-90 with varying rates and continued in the same pattern from 1990-91 to 1995-96 and from 1996-97 to 1999-2000. The overdue of the State Co-operative Bank remained at the same level from 1970-71 to 1986-87.

Loans from State Co-operative Bank, Government loans and loan from NABARD, fluctuated in five consecutive years from 1919-20 to 1972-73 and from 1992-93 onwards till 1999-2000. The above trend could be seen in the case of working capital from 1919-20 till 1965-66. In the case of the loans outstanding to be paid to the bank by the members, there was no uniform trend of either increase of decrease from 1917-18 to 1967-68. No uniformity in the trend was found in the case of net profits earned by the bank from 1919-20 to 1999-2000 but showed a net loss during 1990-91, 1996-97, 1997-98 and 1999-2000. However there was gradual increase in the reserve fund held by the bank in all the years with a fall in the same during 1949-50 and during 1996-97. The fall was due to the bifurcation of the bank on 01-04-1996. The dividend paid fluctuated from 1919-20 to 1999-2000.

The complete details on the above matters are presented in Annexure III.

Integrated Central Co-operative Bank of South Arcot District was bifurcated on 01-04-1996 as DCCB Cuddalore and DCCB Viluppuram under the following conditions:
1. The total assets and liabilities were allocated in the ratio 51:49 to the Viluppuram and Cuddalore DCCBs respectively and as such Rs.39.09 Crores was to be paid by the DCCB, Viluppuram to the DCCB, Cuddalore; 2. Deposits and loan outstanding were shared according to area of operation; 3. The allocation and building ratio was as per the audit report.

It was also decided that 1. for the construction of new Head Office building at Viluppuram, Rs.2. crores were allotted from the General Fund which should be repaid by the DCCB, Viluppuram from the profits generated in 10 equal annual instalments and 2. for the loan outstanding of the DCCB, Viluppuram 14% interest was to be paid to the DCCB, Cuddalore.

3.6. DCCB OF VILUPPURAM

The Viluppuram District Central Co-operative Bank Ltd., No.FV 101 was registered under the Tamilnadu Co-operative Societies Act, 1983 on 01-04-1996. It acts as a banker to all Co-operative Societies in the whole of Viluppuram District with similar objectives as its predecessor the DCCB of South Arcot.

3.6.1. Membership

Every Co-operative Society within the Viluppuram District, the Tamilnadu State Apex Co-operative Bank the State Government and every body of persons established by law and approved by the Government are the members of the Bank. No individual member shall be eligible for admission as a member except as an associate member.

3.6.2. Disqualification

1) An insolvent or adjudicated as insolvent or undischarged insolvent and 2) a person sentenced for any offence involving moral turpitude punishable with imprisonment for a minimum of one year shall not be eligible to become its member.
3.6.3. Allotment of Shares

Every member joining the Central Bank must take at least one Share. Allotment of additional shares to the member societies may be made by the Secretary at the Head Office and the Branch Managers at the branches. Every share certificate shall be under the seal of the Central Bank and bear the signature of the President of Vice-President and Managing Director.

3.6.4. Admission of Associate Member

i) Any person borrowing on the security of Gold jewels, Silverwares, Fixed deposit receipts, Life Insurance policies, Warehouse receipts or

ii) Any depositor seeking cash credit or overdraft facility or

iii) Any person desiring to discount any bill, cheque or other instruments, or

iv) Any person desiring to obtain loans or advances for the purpose of self employment, starting or running small scale or cottage-industry may be admitted as an associate member of the bank through the application to the Managing Director.

An Associate member shall not be eligible for any patronage, rebate, bonus or dividend and is not entitled to participate in the general meeting or in the election to the Board or to become an officer of the Central Bank.

The liability of a member shall be limited to the share capital subscribed by such member. Each society being a member of the Central Bank shall appoint a delegate, who shall cease to be as such when an Administrator or a liquidator is appointed. The General Body is the ultimate authority in all matters relating to general administration and control of the Central Bank. It shall not, however, interfere with the affairs of the Board of Management or the Executive Committee
or the Managing Director in the exercise of the powers conferred on them. A meeting of the General Body of the Central Bank shall be convened in a Co-operative year. The term of office of the elected members of the Board of Management shall be three years.

To facilitate effective functioning of the Central Bank and proper implementation of various co-operative development programmes undertaken by the Central Bank, the Board is empowered to constitute as many Sub-Committees as are necessary consisting of one or more members of the board.

3.6.5. Sources of Funds

1) Share Capital, 2) Deposits, 3) Other borrowings, 4) Enterance fees and miscellaneous receipts, 5) Contribution from Government and Societies and 6) Subsidies and donations.

The value of each share shall be paid in one lumpsum on allotment. The funds of the Central Bank shall primarily be utilised for the purpose of granting loans to Co-operative societies within the district registered under the Tamilnadu Co-operative Societies Act, 1983. Loans may also be granted to depositors on the security of their deposits in the Central Bank subject to the directives of the Reserve Bank of India in force from time to time.

3.6.6. Disposal of the Net Profits

The Central Bank shall allocate out of its net profits:

a) 3% to the co-operative Research and Development Fund Constituted by the Tamilnadu Co-operative Union.
b) 2% to the Co-operative Education fund

c) Not less than 20% to a Reserve Fund

d) 15% to Agricultural Credit Stabilisation Fund

e) 10% to the payment of honorarium to the members of the board including the President and Vice-President of the bank.

f) 14% Dividend on shares to members

g) 10% to one or more of the following funds viz. Business Loss Reserve, Dividend Equalisation Fund, Bad Debts Reserve and Investment Depreciation Reserve.

h) 10% to the common Good Fund (Charitable purpose including relief to the poor, education, medical relief and the advancement of any other object of general public utility)

3.6.7. Performance

The membership trend of the Bank improved from 1996-97 to 1999-2000 with an average rate of increase of 13.6% The increasing trend was also seen in the case of share capital of the Bank. The average rate of increase in the share capital per year was 16.1%. The Reserve Fund increased per year on an average of 9.6%. Finances and other allocations also improved favourably recording 24.7% average rate of increase per year. The deposits also improved in all the four years of the operation of the Bank registering an overall increasing rate of 36.2%.

However, there was no uniform trend in the case of loans received by the Bank for the four years of its performance. There was increasing trend during 1997-98 over 1996 97 and a decreasing trend from 1997-98. Taking the four years of operation of the Bank, there was an average 16.5% decrease in the loans received per year. Even in the field of other liabilities of the bank, there was a
decreasing trend from 1996-97 to 1997-98 and an increasing trend from 1997-98 to 1998-99 and once again falling trend from 1998-99 to 1999-2000. Liabilities showed a decline with an average rate of 4.1%, working capital increased from 1996-97 to 1998-99 and thereafter decreased. However, the overall trend was an average increase of 13.5% per year.

The amount in cash and current account fluctuated with an overall average increasing rate of 19.7% per year. The investment of the Bank showed a favourable trend both at the absolute and the percentage levels. The overall average increase was 33% per year. The loan outstanding showed an increasing trend for the entire period of 4 years from 1996-97 to 1999-2000 recording 11.1% rate of increase per year. There was an increase in the value of assets in 1997-98 and a decrease in 1998-99 and once again an increase over the previous year. The overall average rate of increase per year was 9.4%. The net profit of the bank showed a favourable trend with an average rate of increase of 72.6% per year. The entire details of the various aspects given above are appended in Annexure IV.

SUMMARY

A clear view of the development of the Co-operative credit at the National, State and District levels is essential for getting an insight into the topic of study. So the development of Co-operative credit is recorded in this chapter under the pre-independence, post-independence and plan periods. Similarly the performance of the PACBs and DCCBs of both Cuddalore and Viluppuram districts under various aspects is also recorded in this chapter. This has been much useful in pursuing the research work systematically.
REFERENCES


2. Ibid., P.297.


6. Ibid., PP.11-15


9. MUKHI, H.R., Ibid., PP.77-78.


