A STUDY ON EVOLUTION OF COOPERATIVE BANKS IN THANJAVOUR DISTRICT

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Abstract

It is a well known fact that for any nation, banking system plays a vital role in the development of its sound economy. India is not an exception. Bankers are the identified custodians of the liquid capital of the country mobilized in the form of savings. Bankers are trustees of the surplus balances of the subjects of the country. The onerous duty of the banks lies in stimulating and mobilizing the economic surplus of the country. A well knit banking system secures a good foundation for a nation's agricultural and industrial growth. The intermediary role played by the bankers in mobilizing the savings and utilizing them for the developmental activities ensures an uninterrupted integrated economic progress. India's economic progress is twined with the progress of its vast rural and semi-urban areas, as it is rightly felt and pronounced by illuminated leaders that India lives in its villages. This article makes an attempt to study about evolution of co-operative banks in Thanjavour district in Tamilnadu.

1.1 Introduction

Banks, naturally, occupy a prominent place in the Nation's egalitarian vision because of their unparalleled outreach and resources in terms of network, manpower, expertise and experience. The banking sector's crucial role at times of major shifts in economic policy has been amply demonstrated in the past. Centuries of the banking evolution in India and elsewhere have seen umpteen falls and rise. Throughout its evolution, banking has proved to be an indispensable part of the Nation's economy. It is evident from the history of banking in India that banking has grown along with the growth of civilization, culture and economy of the Nation. Banking throughout its history has been dynamic and gradually developed adapting to the changes of the time. Although, in recent years, the history of banking has begun to receive attention, thanks to research workers in this field, it is not necessary, for our purposes, to give any detailed description of the banking system, which served this country before the advent of modern economy. However, banking in those days must have meant largely money lending, financing kings and their wars, though certain rudiments of modern banking functions were not unknown to the then bankers (Tannan, 1991, 9). Thus in olden days, certain identified section of people of the society was doing the banking as their hereditary business. They were providing credit for productive and trading activities against tangible securities. Though, the indigenous bankers were helping the capital formation in the Indian economy, many of them were ruthless and usurious. Usury and profiteering constantly affected the poor sections of the society that covers a large percentage of Indian population. As an alternative to usury and to help mutually among themselves, people voluntarily came together to form cooperative institutions. Thus co-operation as a form of business organization owes its origin to poverty and economic distress.

The cooperative system world over had emerged with a distinct objective, namely, to safeguard the interest of its members and provide financial assistance to those who were unable to get financial help from other institutions (Shamim Kazim, 2001, 9). The cooperative organizations began with consumer cooperatives and cooperative credit societies. The movement later on spread to other fields of economic activities including banking.

After independence, India adopted a socialistic pattern of society as its goal. This means, in non-technical language, a society with wealth distributed as equitably as possible without making the country a totalitarian state. The goal is purported to be achieved through democratic processes. With this aim in view, a mixed pattern of planning is evolved (Tannan, 1991, 119).

In a mixed economy, the public and private sectors have been allowed to function independently of each other while the cooperative sector has been identified as a peoples' movement. The public sector is wholly owned and controlled by the government. The private sector is regulated through a system of regulations, licenses, controls and legislative acts. The cooperative sector has also been regulated through Reserve Bank of India and respective state government, even though it has emerged as a democratic 'Native Sector' of the people, by the people and for the people. The political and financial integration of the independent India has favoured planned growth in agriculture, industries and infrastructure. The economic activities have become vibrant and duly streamlined through a regulated banking system under all the three sectors viz., Public, Private and Cooperative sectors. The banks under public and private sector are generally termed as commercial banks as they are profit motive whereas cooperative banks are service oriented and function under cooperative principles.

2.2 Indian Banking Scenario

It is a well known fact that for any nation, banking system plays a vital role in the development of its sound economy. India is not an exception. Bankers are the identified custodians of the liquid capital of the country mobilized in the form of savings. Bankers are trustees of the surplus balances of the subjects of the country. The onerous duty of the banks lies in stimulating and mobilizing the economic surplus of the country. A well knit banking system secures a good foundation for a nation's agricultural and industrial growth. The intermediary role played by the bankers in mobilizing the savings and utilizing them for the developmental activities ensures an uninterrupted integrated economic progress. India's economic progress is twined with the progress of its vast rural and semi-urban areas, as it is rightly felt and pronounced by illuminated leaders that India lives in its villages.

Cooperative banks play their vital role in promoting development and growth, especially in the context of planning and breaking the vicious cycle of poverty in rural and semi-urban areas. In India, Cooperative banks have played big role in Indian economy. Cooperatives made easy to fund the poor farmers and other rural areas that is three fourth in India (Archit B. Panchal, 2005). Thus the role played by the cooperative banks in building a strong nation is further appreciated by the quote from the writings of Pandit Jawaharlal Nehru, the architect of independent India, that, "There are three essentials for an Indian village viz., a Cooperative, a Panchayat and a School; the Panchayat to deal with the political affairs of the village, the cooperative in economic affairs and the school in educations, with these things, we can build our country in a strong foundation".

2.2.1 Pre-Reform Period Developments

The Indian Banking System as a whole including cooperative banks have undergone many changes to suit the various phases of growth in the economy and growth of population.

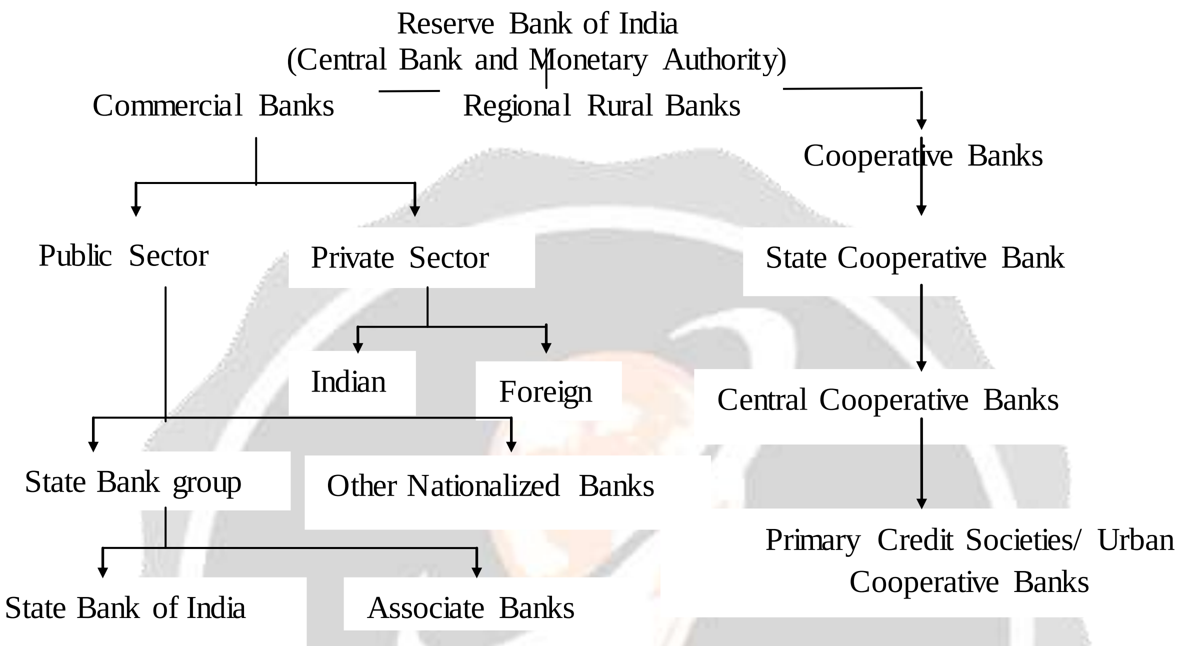
Various milestones in the path of progress of a consolidated banking industry in India are:

- Emergence of India's Central Bank, The Reserve Bank of India in 1935 as a result of the recommendation of Royal Commission on Indian Currency and Finance.
- Promulgation of Banking Regulation act, 1949 to consolidate and amend the laws relating to banking companies. (Banking Companies Act 1949 was renamed as Banking Regulation act w.e.f. 01.03.1966)
- The constitution of State Bank of India in 1955, converting the Imperial Bank of India which was formed earlier through an amalgamation of the three Presidency Banks (Bombay, Calcutta and Madras).
- Formation of State Bank's subsidiary Banks representing seven princely states in India in 1959 through State Bank of India (Subsidiary Banks) act of 1959.
- Amendments of the Banking laws (as applicable to Cooperative societies) Act in 1965.
- Establishment of Industrial Development Bank of India in 1964 as per IDBI Act 1964.
- Nationalization of major commercial Banks in 1969 and 1980 under the Banking Companies (acquisition and transfer of undertaking) Act 1970 and 1980.
- Formation of National Bank for Agricultural and Rural Development (NABARD) in 1982 under the NABARD Act 1981.
- Setting up of Export-Import Bank of India (EXIM Bank) in 1982 as per EXIM Bank Act 1981.
- Establishment of Regional Rural Banks in 1987 under the provisions of Regional Rural Banks Act 1976 and as amended in 1987.

- Opening of National Housing Bank in 1987 as per National Housing Bank Act 1987.

The various phases of growth in Indian Banking have consolidated Indian Banking under Public sector, Private sector and Cooperative sector. A few foreign banks have been allowed to open their branches in India to facilitate international business and currency transactions.

Fig. 2.1 **Consolidated Indian Banking System**



Source: *Sundaram K.P.M and Varshney S.P.N., 2004, "Banking Theory, Law and Practice", Sultan Chand & Sons, New Delhi, 1.*

2.2.2 Post-Reform Period Developments

In 1991, the Government of India has set up a committee under the Chairmanship of Mr. Narasimham to make an assessment of the banking sector. The report of this committee contained recommendations that formed the basis of the reforms initiated in 1991. The banking sector reforms had the following objectives:

- Improving the macro-economic policy framework within which banks operate.
- Introducing prudential norms.
- Improving the financial health and competitive position of banks.
- Building the financial infrastructure relating to supervision, audit technology and legal framework, and
- Improving the level of managerial competence and quality of human resources (ICRA Ltd., 2002).

Thus the financial sector reforms, which include banking sector reforms, set in motion in 1991 have greatly changed the face of Indian Banking. The banking industry has moved gradually from a regulated environment to a deregulated market economy. The market developments kindled by liberalization and globalization have resulted in changes in the intermediation role of banks. The pace of transformation has been more significant in recent times with technology acting as a catalyst. While the banking system has done fairly well in adjusting to the new market dynamics, greater challenges lie ahead. Banks have to cope with the challenges posed by technological innovations. Banks need to prepare for the changes and cope up with the challenges. The important developments are:

1991

- First Narasimham committee report on Financial Sector reforms.

1992

- Introduction of Risk Weighted Capital adequacy norms and prudential norms.
- The SHG-bank linkage project was launched by NABARD as a pilot project.

1993

- Deregulation of interest rates, prudential norms for maximum Non Performing Assets.
- Debt Recovery Tribunal (DRT) was set up under the Recovery of Debts due to Banks and Financial Institutions Act 1993.

1994

- Introduction of Banking Ombudsman Scheme.
- An independent Board for Financial Supervision (BFS) under the RBI was constituted in Nov. 1994.

1995

- Concept of Local Area Banks (LAB) introduced.
- A broad framework for negotiated settlements for old and unresolved NPAs was put in place by RBI/Govt. of India in July 1995.

1996

- First shared payment network system and conditional autonomy to Public Sector Banks was initiated.

1997

- Second Narasimham Committee report on Banking Sector reforms.

1998

- Guidelines on Risk Management were issued by RBI.

1999

- Insurance Regulatory and Development Authority (IRDA) Act 1999.
- Specific guidelines were issued by RBI in May 1999 to Public Sector Banks for One-Time Settlements (OTS) of NPAs of Small Scale Industries.

2000

- Provisioning requirements of minimum 0.25% were introduced for standard assets in 1st April, 2000.
- The minimum Capital Adequacy Ratio (CAR) was raised to 9% (from 8%) on the recommendation of the committee on Banking Sector Reforms w.e.f. 31st March 2000.
- Indian Parliament enacted a comprehensive Information Technology Bill which received the President's ascent on 9th June 2000. (I.T. Act 2000)

2001

- RBI tightened the NPA norms by removing the 'past due' concept. As such NPAs well recognized 30 days earlier.
- Govt. of India introduced the competition Bill 2001 to do away with the Monopolies and Restrictive Trade Practices (MRTP) Act 1969.
- RBI issued detailed guidelines on 23rd August 2001 for implementation of Corporate Debt Restructuring (CDR) scheme by Financial Institutions and Banks.

2002

- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI Act. 2002)

2003

- RBI advised banks to adopt integrated risk management systems on 29th January 2003.
- Pension Fund Regulatory and Development Authority (PFRDA) was established.

2004

- The period of classification for NPA was shortened from 180 days to 90 days from the year ending 31st March 2004.
- Govt. appointed a committee under the chairmanship of Prof. A. Vaidyanathan for the revival of ailing cooperative sector.

- RTGS – Real Time Gross Settlement was established by RBI for quick transfer of funds.

2005

- IRDA issued guidelines on 14th July 2005 for insurers appointing corporate agents.
- RBI formulated a draft vision document and placed it in the public domain in March 2005 to regulate governance of Urban Cooperative Banks.
- RBI constituted State Level Task Force for Cooperative Urban Banks (TAFCUB).

2006

- The Micro Small and Medium Enterprises Development (MSMED) Act 2006 was passed and came into force from 2nd October 2006.

- RBI appointed a Technical working group headed by S.C. Gupta, the then legal advisor to RBI in May 2006 to study on the role of money lenders in the rural credit delivery system.

2007

- RBI announced in October 2007 that RRBs and State/Central cooperative banks to disclose their Capital to Risk weighted Assets Ratio (CRAR) as on 31st March 2008 in their balance sheets.

2008

- On 6th August 2008, the RBI and SEBI issued operational guidelines for trading in currency derivative markets.

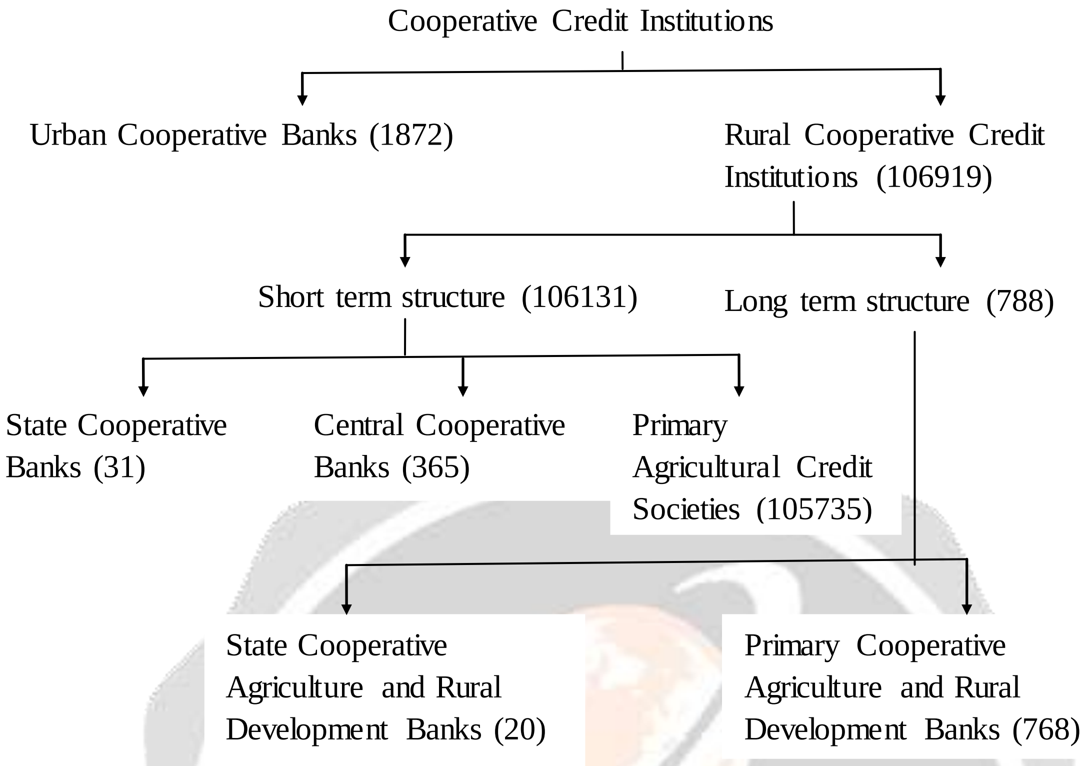
2.3 Cooperative Banks in India

While commercial banks cater to the requirements of the highly organized industries and commercial undertakings and organizations, the cooperative banks in India, as elsewhere, provide banking facilities to the highly disorganized agricultural sector of the country’s economy (Hajela, 1994).

The cooperative banks are institutions established with the principles of co-operation. The objective of such organization is to facilitate rural credit and to promote thrift and self help among the economically weaker sections of the society. Cooperative banks in India have come a long way since the enactment of the Agricultural Credit Cooperative Societies Act, 1904. The century old cooperative banking structure is viewed as an important institution of banking, having an access to the rural masses and those who are engaged in unorganized productive activities. Thus this cooperative banking serves as a vehicle for democratization of the Indian financial system.

The cooperative banking structure in India comprises Urban Cooperative Banks and Rural Cooperative Credit Institutions. Urban Cooperative Banks consists of a single tier viz., primary cooperative banks, commonly referred to as Urban Cooperative Banks (UCBs). The rural cooperative structure has traditionally been bifurcated into two parallel wings viz., short term credit institution and long term credit institution. Short term cooperative credit institutions have a federal three tier structure consisting of a large number of Primary Agricultural Credit Societies (PACS) at the grass root level (now called as Primary Agricultural Cooperative Banks), Central Cooperative Banks (CCBs) at the district level and State Cooperative Banks (SCBs) at the state level. The long term cooperative credit structure has two tiers, viz., State Cooperative Agriculture and Rural Development Banks (SCARDBs) at the State level and Primary Cooperative Agricultural and Rural Development Banks (PCARDBs) at the taluk level.

Fig. 2.2 **Structure of Cooperative Credit Institutions**



Note: *Figures in parenthesis indicate the number of institutions at the end march 2005 for Urban Cooperative Banks and at end march 2004 for Rural Cooperative Credit Institution.*

Source: *Reserve Bank of India, 2005, Report on Trend and Progress of banking in India, 2004-05. Chap. IV – Developments in cooperative banking, 108.*

2.3 Urban Cooperative Banks

The Urban Cooperative Banks have been working as a separate entity in the Indian financial system and have been performing their role in urban and semi-urban areas. "The functions of UCBs in India are governed by the Banking Regulation Act, 1949. The Banking Regulation Act was not applicable to UCBs till March 1966. It was made applicable to them with the ultimate object of protecting customers' interest as large amounts of deposits were at stake (Shamim Kazim, 2001, 12). Sec. 6 of Banking Regulation Act, 1949 permits UCBs to undertake certain special functions which are uncommon to other cooperative banks in India. UCBs mobilize savings from the middle and low income groups and provide credit to small borrowers, including weaker sections of the society.

2.4.1Objectives

The principal objects of the Urban Cooperative Banks are:

- To mobilize resources by way of deposits from members and non-members.
- To grant loans to members for various productive and consumption purposes.
- To offer various banking services such as collection of bills, cheques, drafts etc. accepted from the members
- To keep the valuables of the members under safe custody and
- To offer all other banking facilities normally provided by commercial banks.

The most significant development relating to urban cooperative banks has been the extension to cooperative banks of certain provisions of the Banking Regulation Act 1949, from 1st March 1966.

Accordingly, every urban cooperative bank existing as on 1st March 1966 or a new urban cooperative bank organized thereafter was required to apply to the Reserve Bank for a license to carry on or commence banking business. The statutory power of inspection of UCBs was also vested in the Reserve Bank, which could exercise it either directly or through the concerned state cooperative bank. Powers in regard to incorporation, management and winding up continued to be governed by the State Cooperative Societies Act concerned.

2.4.2 RBI Control and Inspection

The Urban Cooperative Banks are governed by the following enactments:

- The State Cooperative Societies Act and Rules,
- The Banking Regulation Act (as applicable to cooperative banks),
- The by-laws of the banks,
- Directives issued by the RBI from time to time
- Multi unit cooperative societies Act is applicable where the bank is having its branches in more than one state.
- The RBI exercises the monetary discipline over the urban banks in the following manner:
    - Statutory liquidity under section 18 and 24 of the Banking Regulation Act.
    - Annual Inspections of the banks under sections 35 and
    - Issue of directives.

2.4.3 Reforms in UCBs

The UCBs being an integral part of financial system, RBI has brought in a series of reforms in it. RBI has accepted the recommendations of the HPC on UCBs (1999) and implemented them. The HPC has focused on the vital issues of UCBs viz., licensing policy, failure of weak banks and dealing with their rehabilitation, application of capital adequacy norms, resolution of conflicts arising out of dual control over UCBs etc. Among the issues, much progress has not been made on dual control which necessitates legislative changes in state and central acts. However, the other issues have been addressed by RBI and in a phased manner the prudential norms have been implemented. RBI has taken measures to identify weak banks. The process has been taken up very cautiously so as to avoid panic in the society. Level of capital, history of losses and size of NPAs are some of the factors which weigh in taking the decision on closure. Further, closure of unviable branches, getting additional capital, speedy recovery of NPAs, possibility of merger with well managed bank, possibility of rehabilitation with the help of the state government, etc., are the various options explored before the decision of closure of weak banks is taken. .

The RBI has announced the above prudential norms for the purpose of streamlining the functions of the urban cooperative banks and making them competitive in the liberalized environment. Failure of cooperative banks will dilute the confidence of people towards co-operation. Therefore, the regulations and guidelines should be framed in such a way to avoid any mismanagement or irregularities in day-to-day functioning of urban cooperative banks. The RBI has taken right steps to strengthen the financial discipline in cooperative banks by implementing the reforms.

2.5 NATIONAL LEVEL PERFORMANCE INDICATORS OF UCBs

Table 2.1 **LIABILITIES AND ASSETS OF URBAN COOPERATIVE BANKS as at the end of March 2010**

(Rs. in Crores)

Liabilities	
1. Capital	3884
2. Reserves	10867
3. Deposits	120983
4. Borrowings	2602
5. Other Liabilities	21515
Total Liabilities	**159851**
Assets	
1. Cash in Hand	1639
2. Balances with Banks	9806

3.	Money at Call and Short Notice	1859
4.	Investments	47316
5.	Loans and Advances	78660
6.	Other Assets	20571
	Total Assets	**159851**

Source: *All India Cooperative Bank Employees' Federation, 2012, Glimpses on Urban Cooperative Banks 5th Conference, 17-19 Feb. 2012, Ahmedabad, 9.*

The business operations of the Urban Cooperative Banks have increased at a lower rate of 5.9% during 2009-10 while the growth in commercial Banks is at 24.8% during the same period. The composition of the Assets and Liabilities has not undergone big changes in the year 2010 in comparison with the position in the year 2008. Deposits accounted for 75.7% of the total resources of Urban Cooperative Banks. There has been an increase in terms of percentage in respect to borrowings. Even though the comparison with previous years, the financial performance of the UCBs is on the increase, it hardly provides a big sense of satisfaction (All India Cooperative Bank Employees' Federation, 2012).

2.5.1 National level performance of UCBs on Deposits Mobilization

Deposits which form part of the borrowed funds are the main source of funds for the urban banks. Unlike other cooperative institutions urban banks depend very little on other agencies for their resources. This is due to the fact that they are able to attract adequate deposits that being one of the main objectives of urban banks. Urban banks accept fixed deposits, current deposits, recurring deposits, saving, thrift deposits, etc., In addition to these in states like Tamil Nadu they had introduced, day deposit schemes. One of the reasons for their able way of attracting deposits is that urban banks are allowed to pay one percent more than other banks for their deposits. Though they are not able to provide all modern banking facilities like commercial banks they inculcate banking habits among ordinary people.

Table 2.2 **DISTRIBUTION OF THE URBAN COOPERATIVE BANKS BY DEPOSIT-SIZE (end of March 2010)**

Sl.No.	Deposits (Rs. in Crores)	No. of Urban Banks	Amount (Rs. in Crores)	Share in the total deposits (%)
1	Over 1000	15	32748	27.1
2	500-1000	17	11897	9.8
3	250-500	45	16152	13.4
4	100-250	143	22042	18.1
5	50-100	206	14948	12.4
6	25-50	315	11283	9.3
7	10-25	446	8198	6.8
8	Less than 10	626	3715	3.1

Total	**1813**	**120983**	**100.0**

Source: *All India Cooperative Bank Employees' Federation, 2012, Glimpses on Urban Cooperative Banks 5th Conference 17-19 Feb. 2012 Ahmedabad, 18.*

2.5.2 National level performance of UCBs on Borrowings

Borrowings of urban cooperative banks from other financing agencies are almost negligible as compared to those of agricultural credit societies. The urban banks generally borrow from central cooperative banks, while a few borrow from the apex banks. Urban banks, as primary units, are members of the CCBs. They are expected to borrow from the CCBs if they are not able to meet their demands out of their own resources. But their borrowings from CCBs are very negligible. The CCBs are also reluctant to give loans to the urban banks, because they are heavily committed to the PACBs.

2.5.3 National level performance of UCBs in Priority Sector Lending

Table 2.3 **PERFORMANCE IN PRIORITY SECTOR LENDING**
(end of March 2010)

(Rs. in Crores)

Segment	Priority Sector		Weaker Sections	
	Amount	Share in Total advances (%)	Amount	Share in Total advances (%)
Agriculture and Allied Activities	2190	2.8	1010	1.3
Cottage and Small Scale Industries	12125	15.4	1397	1.8
Road and Water Transport Operators	2147	2.7	497	0.6
Private Retail Trade (Essential Commodities)	2034	2.6	761	1.0
Retail Trade (Others)	4699	6.0	1069	1.3
Small Business Enterprises	6079	7.7	1698	2.2
Professional and Self Employed	2685	3.4	927	1.2
Educational Loans	628	0.8	232	0.3
Housing Loans	10247	13.0	3092	3.9
Consumption Loans	1169	1.5	709	0.9
Software Industries	55	0.1	7	0.0
Total	**44058**	**56.0**	**11399**	**14.5**

Source: *All India Cooperative Bank Employees' Federation, 2012, Glimpses on Urban Cooperative Banks 5th Conference 17-19 Feb. 2012 Ahmedabad, 20-21.*

2.5.4 National level performance of UCBs in Investments

The urban cooperative banks generally invest their surplus-money in government and other trustee securities. Also they keep deposits with cooperative and other financing agencies.

Table 2.4 **INVESTMENTS BY URBAN COOPERATIVE BANKS**
(end of March 2010)

(Rs. in Crores)

Item	Amount	Percentage
Total Investments	**47316**	**100**
SLR Investments	**44060**	**93.1**

Central Government Securities	28153	59.5
State Government Securities	3534	7.5
Other approved securities	830	1.7
Term deposits with StCBs	4932	10.4
Term deposits with DCCBs	6601	14.0
Non-SLR Investments	**3256**	**6.9**

Source: *All India Cooperative Bank Employees' Federation, 2012, Glimpses on Urban Cooperative Banks 5th Conference 17-19 Feb. 2012 Ahmedabad, 21-22.*

2.5.5 Financial Performance of UCBs

- Urban Cooperative Banks comprise a number of institutions with varied nature of business. Primary Urban Cooperative Banks account for 4.4% of the deposits and 3.9% of the Advances of the banking system.
- Urban Cooperative Banks have 50 million depositors and 7.1 million borrowers.
- There is a rise in the deposits during 2010-2011. There is an increase of 6.1% increase in deposits over 2008-09 (All India Cooperative Bank Employees' Federation, 2012)

Various entities in the Urban Cooperative Banking sector display a high degree of heterogeneity in terms of deposits and assets base, area of operation and nature of business. In view of its importance, it is imperative that the sector emerges as a sound and healthy net work of jointly owned, democratically controlled and professionally managed institutions. UCBs have grown rapidly since the early 1990s. During the phase of rapid expansion, however, the sector showed certain weaknesses arising out of lack of sound cooperative governance, unethical lending, comparatively high level of loan defaults, and inability to operate in a liberalized and competitive environment. The Reserve Bank, therefore, regulated the UCBs with appropriate application of prudential norms and supervision to safeguard the interests of depositors. The Reserve Bank initiated several regulatory measures during 2004-05 to ensure the growth of UCBs along sound lines (Reserve Bank of India, 2005, 109-110).

2.6 PROFILE OF SELECTED UCBs

2.6.1 Nicholson Cooperative Town Bank Ltd.

The Nicholson Cooperative Credit Society, Thanjavur was registered on February 09, 1905 under section 6 (2) of Indian Cooperative Credit Societies Act 1904 and started its function in a single room of the Clock Tower, Thanjavur on February15, 1905 with registration No.8.

The society was named after venerable father of Cooperation, Sir Fredrick Nicholson who made a detailed study of the methods of Cooperation in foreign countries and recommended its introduction in India. The founder President of the society is Rao Bhahadur Swaminatha Vijaya Thevar, Zamindar of Papanadu who adorned the Chairmanship for 20 years continuously. The subsequent Presidents as well as directors devoted to the growth of the society. They are responsible for its present day position as Nicholson Cooperative Town Bank Ltd. Growing along with the Cooperative Movement, the Nicholson Cooperative Town Bank Ltd., has completed 100 years of yeomen service to the public of Thanjavur Town.

Started with a membership of about 180, paid up share capital of Rs. 6,375, deposit of Rs. 1,350 and loan outstanding Rs. 7,000, the bank has made remarkable progress. As on October 31, 2004 the membership has grown to 26305, the paid up share capital swelled to Rs. 71.55 lakhs, the total deposits increased to Rs. 2,994.87 lakhs and the loan outstanding arose to Rs. 1,637.89 lakhs.

The bank has been working within the preview of the Banking Regulation Act, 1949 (as applicable to Cooperative Societies) and necessary license has been issued by Reserve Bank of India for continuing banking business. Further, the bank has been registered as an "insured bank" in term of section 13-A of the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act 1961.

At present the bank is managed by Special Officer appointed by the State Government. The bank transacts all kinds of banking business in its own building situated in the business part of the town. The bank has opened its branch at Yagappa Nagar, Thanjavur on December 12, 1997 with the permission of the Reserve Bank of India.

2.6.2 Karanthattangudi Dravidian Cooperative Urban Bank Ltd.

The Karanthattangudi Dravidian Cooperative Urban Bank Ltd., No. E.197/3523 is registered as a Cooperative Society under the Cooperative Societies Act of 1912 - Act II of 1912. Its address shall be: No.1658, Gandhiji Road, Karanthattangudi, Karanthattangudi Post, Thanjavur Taluk in the Thanjavur District. It was classified under Non-agricultural credit society and was registered on March 15, 1919. It started its business on April 14, 1919 with only 25 members and Rs. 310 as the paid-up share capital. Thiru Appasamy Vandaiyar, a landlord, took the initiative to start the KDCUB Ltd., in 1919. He was the first president of the bank and the first secretary of the bank was Thiru Umamaheswaranar pillai. Loans are granted to members on the security of immovable property situated in the registration sub districts of Thanjavur and Karanthattangudi.

The Objects of the bank shall be:

- To borrow funds from members or others to be utilized for loans to members for useful purposes.
- Generally to encourage thrift, self help and co-operation among the members.
- To raise a common good fund for promoting the education of Dravidian boys and girls.
- To issue cheques on and collect cheques, drafts through cooperative Banks with which this bank may have accounts.

The authorized share capital of the bank is Rs. 9.55 lakhs, which consists of 10113 “A” class members whose share is Rs.25 each.

The maximum borrowing power of the bank shall not exceed 15 times the paid-up share capital and reserve fund. Individuals are admitted as members of the bank after proper scrutiny of their application and approval of the board of directors. The liability of the members is limited only to their share holdings in the bank.

The administration of the bank is vested in the hands of Board of Directors consisting of 12 Members elected by the members. The Directors have to elect, one among them as chairman to look after the day-to-day administration of the bank. There are 15 employees working in the bank. The Board of Directors and the employees are under the direct control and guidance of Managing Director.

Periodical inspections are undertaken by cooperative department, in addition to the statutory inspection of the RBI. The bank has been classified as “A” class bank for audit purposes. The department of co-operation of Government of Tamil Nadu deputed two cooperative sub-registrars for the purpose of auditing the accounts of the bank.

2.6.3 Pattukkottai Cooperative Urban Bank Ltd.

Pattukkottai Cooperative Urban bank Ltd. No.2344, Pattukkottai classified under non agriculture credit society, was registered on November 5, 1917 and started it business on the same day. Duraimanickam Pillai took the initiative to start the credit society in Pattukkottai.

Pattukkottai Cooperative Urban Bank started in the year 1917 had a humble beginning as a non-agriculture credit society. Slowly but steadily the society stretched its arms widely, became an Urban Cooperative Bank and covered almost all fields of banking and served all sector of the public in urban, semi-urban and rural areas in and around Pattukkottai town.

Loans are granted to members on the security of their immovable property and on the pledge of gold jewels. The bank provides loan to micro, small and medium enterprises in its service area.

PCUB has the following objectives:

- Mobilizing deposits from members as well as non-members.
- Providing loans to members.
- Undertaking collection of bills accepted or endorsed by members and other banking functions.
- Arranging for the safe custody of valuable documents of members.

The management of PCUB is democratic, being based on the principle of one man One vote. The management of cooperative society vests in the general body comprising of all the members. The general body generally meets once in a year. The management of this PCUB is just like any other cooperative institution. The members can meet together, discuss and decide upon the various matters concerning the PCUB. For day-to-day management, there is a managing committee. It consists of five to nine members including President, Secretary and Treasurer. Each member of the managing committee takes upon himself the responsibility of looking after at least one particular function of the PCUB. For instance, one member s hould be in charge of deposits, second may look after advances while the third may be in charge of establishment and so on.

At present all cooperative institutions in Tamil Nadu including the PCUB are under the control and supervision of the respective special officers. In other words, the Board Management in cooperatives has been superseded by the Tamil Nadu Government and accordingly the PCUB is also under the special officers' control since 25.5.2001.

2.7 Conclusion

The evolution of cooperative banks in the background of the development of banking in India has been seen in their chapter. The cooperative banks in the form of societies were existing in India even before the dawn of professional commercial banks. The cooperative banks were identified as banks for agriculture and rural industries as they were operating mostly in villages and their clientele were from economically and socially backward society of India. The volume of business, wide varieties of financial products, higher level of profitability, legislative support for inland and off shore banking, access to the public for raising capital, etc have enabled the commercial banks to grow fast. In case of cooperative banks, several hurdles, viz., weak capital structure, limited area of operation (district/state), dual control (central/state government), non-focus on profitability (focus on mutual service), lack of professionalism, etc, have proved to be the stumbling blocks for their growth.

Financial sector reforms and the subsequent developments in banking in India have not spared cooperative banks. RBI has identified cooperative banks as a vital segment of Indian Banking that facilitates the development of rural economy and hence takes several steps to strengthen the cooperative sector. Among the cooperative sector, Urban Cooperative Banks receive special attention of RBI as they are fast in adapting to the changes when compared to other banks in cooperative sector. Many UCBs in India are now operating successfully undertaking most of the banking activities of commercial banks. Consolidation of these banks will emerge as a strong banking sector in India.

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