

**REPORT OF THE STUDY TEAM ON
THE TWO-TIER CO-OPERATIVE CREDIT
STRUCTURE IN KERALA**



RESERVE BANK OF INDIA

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RESERVE BANK OF INDIA
AGRICULTURAL CREDIT DEPARTMENT
BOMBAY

First published December 1973

Published by Dr C. D. Datey for the Reserve Bank of India, Agricultural Credit Department, Bombay and printed by G. G. Pathare at the Popular Press (Bom.) Private Ltd., 35C, Tardeo Road, Bombay 400 034.

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INTRODUCTION

THE Minister for Health and Co-operation, Government of Kerala, had suggested to the Reserve Bank of India, in his letter dated 3 November 1972, that a study might be made of the role of the intermediate level credit institutions in Kerala with a view to ascertaining any weaknesses in their working so that remedial measures might be applied in time. This suggestion was accepted by the Reserve Bank and accordingly a Study Team was appointed on 7 December 1972 to examine how effectively the co-operative central banks in the state were functioning as supporting credit institutions and whether their retention in the credit structure as independent financing units was justified in the light of their performance. The Team comprised the following members:

Dr C. D. Datey Executive Director Reserve Bank of India	Chairman
Shri B. V. K. Menon President Kerala State Co-operative Bank	Member
Shri M. S. Menon Director Palghat District Central Co-operative Bank	Member
Shri K. S. Bawa Joint Secretary Ministry of Agriculture Department of Co-operation Government of India	Member
Shri P. G. Muralidharan Secretary Agriculture and Co-operation Department Government of Kerala	Member
Shri T. R. Sankara Pillai Registrar of Co-operative Societies Kerala	Member
Dr M. V. Hate Joint Chief Officer Agricultural Credit Department Reserve Bank of India	Member-Secretary

Shri R. Srinivasan, Deputy Secretary and Shri K. S. Mathew, Under-Secretary, Ministry of Agriculture, Department of Co-operation, Government of India, attended the meetings of the Team on behalf of Shri Bawa. On Shri Muralidharan, Secretary to the Government of Kerala handing over charge of duties in the Co-operation Department to Shri S. Ananthkrishnan, Agricultural Production Commissioner, the latter also attended three of the meetings of the Team as a special invitee.

TERMS OF REFERENCE

2. The terms of reference to the Study Team were as under:
 - (i) To study the financial position and organizational arrangements in the central co-operative banks in the state.
 - (ii) To examine whether there is justification for continuing the intermediate level institutions of the three-tier structure of co-operative credit in the state.
 - (iii) To examine whether in any particular district it will be advantageous to eliminate the central co-operative bank if such a step is not considered advisable or necessary for the state as a whole and in that case suggest the steps necessary to enable the state co-operative bank to take the place of the central bank and to discharge the responsibility more effectively and efficiently than the latter.
 - (iv) To examine whether in any particular district while the central co-operative bank may be ready to finance societies in certain areas, the state co-operative bank may come in as a temporary measure to finance the societies directly to fill the credit gaps.
 - (v) To make any other recommendations which are incidental to the above terms of reference.
3. The Team held three meetings in Trivandrum and also visited six central co-operative banks viz., Alleppey, Ernakulam, Malabar, Malappuram, Palghat and Trichur during February and March 1973 and also had discussions with the Administrator, Cannanore Bank. In the first meeting of the Team held on 21 December

1972, the proformas for collection of data suggested by the Member-Secretary were finalized and the state and central co-operative banks as well as the Agriculture and Co-operation Departments of the state government were requested to furnish the required data. The Regional Office of the Reserve Bank's Agricultural Credit Department in Trivandrum followed up the matter and obtained the data. During the visits to the central banks, the Team studied the working of the central co-operative banks and also held discussions with the boards of directors on their role and, in the case of the Cannanore Central Bank, with the Administrator. Discussions were also held on 26 April 1973 with the board of directors of the Kerala State Co-operative Bank and their views sought on the terms of reference. The report was finalized and signed by the members at the fourth meeting held in Bombay on 17 August 1973.

4. The report is divided into five chapters:

Chapter I Expert opinion on the co-operative credit structure.

Chapter II Working of the three-tier co-operative credit structure in the state.

Chapter III Implications of the two-tier credit structure.

Chapter IV Justification for and the performance of the central co-operative banks.

Chapter V Summary of recommendations.

ACKNOWLEDGEMENT

5. We are grateful to the state and central co-operative banks and to the state government for furnishing detailed particulars about the working of the co-operative credit institutions especially the central banks in the state. We highly appreciate the hard work put in by the officers and staff of the Regional Office of the Reserve Bank's Agricultural Credit Department at Trivandrum in the collection and processing of required data and in the preparation of preliminary district-wise notes. Our thanks are also due to the officers and staff of the Special Studies Division in the Central Agricultural Credit Department, Reserve Bank of India, for assisting the Team in the preparation of the various

notes for its meetings. Special mention is necessary in this connexion of Shri R. Sundaravaradan, Assistant Chief Officer, who rendered very valuable services in the compilation of the material required for the study and in the preparation of the report. The rest of us should like to place on record their sincere appreciation of the help and co-operation given to us by our Member-Secretary Dr M. V. Hate both in our deliberations and in the drafting of the report and for his able guidance of the work of the Secretariat of the Team.

CHAPTER I

EXPERT OPINION ON THE CO-OPERATIVE CREDIT STRUCTURE

1.1 WHEN the organization and registration of primary agricultural credit societies was started in the country at the beginning of the century, it was not contemplated that they would federate themselves into central financing agencies. Some of the larger urban banks, however, assumed the position of, and acted as, central financing agencies. With the passing of the Co-operative Societies Act of 1912, central co-operative banks came to be set up. In some cases these banks served the bulk of the societies in a province and dealt with them either directly or through the medium of guaranteeing unions of societies. In others the central banks served smaller areas such as a district or part of a district and when in need of funds had recourse to one another or to a provincial co-operative bank.

VIEWS OF COMMITTEES

Maclagan Committee

1.2 The Committee on Co-operation in India, 1915 (Maclagan Committee) envisaged that the co-operative edifice in each province should ordinarily consist of primary societies financed and supervised by central co-operative banks, the latter covering an area not exceeding a district and serving 200-250 societies. At the provincial level, the Committee wanted in each of the major provinces, an apex bank which would co-ordinate and control the working of central banks, act as a balancing centre, forecast and arrange for the credit requirements and be the financial head of the co-operative credit organization for the whole province. In regard to the possibility of substituting the central banks by branches of provincial banks, the Committee observed as under:

It has not infrequently been suggested that where there is an apex or provincial bank, the central banks might with advantage be converted into branches of it. It is contended that the concentration of banking skill and experience and the aggregation of funds and accounts in one place would entail a saving in management and that central banks would then be regarded simply as machines for taking in and giving

out money under the directions of the provincial board, and could be left in-charge of managers on comparatively low pay. There is some doubt, however, as to the possibility of carrying on the work through a low-paid local manager and there is also the consideration that such a change would involve the loss of a good deal of service now done gratuitously. Even if it be admitted that there will be an economy in management, there are still further objections to be considered. A central bank gives an opening whereby the middle classes can interest themselves in the movement, and even though local committees were organized to supervise the branches, it is probable that local enthusiasts would work with a keener sense of responsibility and zeal for their own independent bank than for a branch of the provincial bank. If a manager on high pay were found to be necessary, it would be some time before the provincial bank's business would be on a large enough scale to permit of his maintenance, and difficulties might be experienced on account of the want of energy on the part of a branch committee in obtaining repayments and deposits or in enquiring into loan applications. Indeed in cases where there is no system of subordinate Unions, it is difficult to see how a central bank could be dispensed with. Our conclusion, therefore, is that although there is no reason why branches should not be established in preference to central banks in places where Unions have been developed, local conditions should always be well weighed before this step is taken, and we imagine that in most cases it will for some time to come be the cheaper and more efficient course to adhere to the system of independent central banks. (page 72)

Rural Credit Survey Committee

1.3 As for the co-operative credit agency more appropriate at the district level—whether it be a branch of the state co-operative bank or a central co-operative bank—the All-India Rural Credit Survey Committee (1954) appointed by the Reserve Bank was in agreement with the view expressed by the Reserve Bank's Standing Advisory Committee on Agricultural Credit that "other things being equal—in regard to finance, local support, administrative efficiency, etc., the establishment of a central bank should be preferred to that of a branch of the state co-operative bank. In areas which are relatively undeveloped in the economic and co-operative aspects, the proper course is likely in many cases to be to establish branches of the apex bank with such financial assistance from the state government as may be necessary. In such instances, the policy should be that of eventually replacing the branch by a fullfledged central bank." (page 444). The Committee also considered the question whether it was necessary to have central banks at all in states which were relatively small in size and suggested that in such states the state co-operative

bank could deal direct with primary agricultural credit societies at the rural base.

1.4 The Committee aimed at strengthening and reorganization of the credit co-operatives on the basis of state partnership. At the state level, the emphasis was on the apex bank developing into a truly federal and strong institution belonging to the central co-operative banks in the state. At the central bank level, the need was one of rationalization with a view to having generally one bank per district which would function as an economic unit. At the primary level, the organization of a large-sized society was recommended which, besides being viable, would render the more important services expected of it to a larger number of producers in its area. These recommendations formed the basis of policy and effort in the reorganization of the co-operative credit structure in the country so as to conform to the pattern of the three-tier system.

Informal Group

1.5 Referring to some doubts expressed as to the need for a three-tier structure and to the suggestions made from time to time for eliminating one or the other of the intermediary units, the Informal Group on Institutional Arrangements for Agricultural Credit, 1964, also appointed by the Reserve Bank, observed:

As for the central co-operative banks, these are federal organizations of primary co-operative societies and function as bankers and advisory and supervisory agencies at the district level. Many of these banks have operated as important means of raising sizeable resources from the urban depositors. The assessment of the creditworthiness and needs of the societies, the determination of the terms and conditions governing the loans provided to them and other technical aspects of agricultural credit are all such as to call for a close relationship between the lender and the rural borrower. This kind of personal contact, experience and local knowledge can be best found only in a body like the board of directors of the central co-operative banks, who are able to appreciate better than any paid staff, the real problems arising from local conditions. Experience in more than one state has shown that, from the point of view of fulfilling these various functions and providing leadership to the movement at the district level, the branches of an apex co-operative bank can only be poor substitutes for the district central co-operative banks and, in most cases, the former have been replaced by the latter. (page 54)

The cost of retailing credit in the conditions of the large number of villages over which small producers are spread is inescapable and must be covered by the margin included in the rate charged on lending though every effort has to be made to keep it to the minimum. In fact local organizations built up into a federal structure provide the most economical way of keeping down the servicing cost of small loans. It is by improved operational efficiency, on the one hand, and increasing turnover, on the other, that these costs and margins may be expected to be brought down to reasonable levels, over the years, even where they may be considered to be excessive today. As the dispensation of agricultural credit is a fairly complicated and risk laden business, provision has to be made for cushions and reserves at different levels. In this connexion, it may also be mentioned that the three-tier pattern of the co-operative credit structure has been adopted and worked successfully in a country like Japan where also agriculture is characterised by small holdings. (page 55)

1.6 Thus although the Group recommended the setting up of Agricultural Credit Corporations in the areas of relative inadequacy (which excluded Kerala), it is relevant to note that this was only a transitional arrangement and that for dispensing agricultural credit, the Group held the view that, "there was no alternative to the co-operative agency and that for successful working it should take the form of a three-tier federal organization". (page 55)

1.7 The Group classified the states, according to the progress and performance of co-operative credit, into three categories viz., (i) states of relative success; (ii) states where performance was not unsatisfactory; and (iii) those of relative inadequacy. Kerala was identified, among other states, as one falling under the second category. In regard to the states in this category, the Group recommended speedy completion of reorganization, elimination of individual financing by central banks and transfer of the responsibility for supervision to the central banks. The problems of each of the states were also required to be individually examined and appropriate remedial action taken. As for Kerala in particular, the main factors mentioned in the Group's Report for the relatively limited performance of co-operative credit in terms of coverage and lending were: (i) insistence on mortgage security and lack of orientation of credit policies to production needs; (ii) paucity of resources with co-operative banks; (iii) overlapping membership and jurisdiction at the primary level; and (iv) the relatively small size of holdings and low proportion of cultivators to rural population.

Rural Credit Review Committee

1.8 The policy and progress in regard to the reorganization of the co-operative credit structure which was reviewed by the All-India Rural Credit Review Committee, 1969, appointed by the Reserve Bank observed that the three-tier system had come to stay. However, so far as the areas of retarded growth were concerned, the Committee recommended by-passing one of the tiers as under:

Where a central bank is virtually inoperative and therefore unable to finance the agricultural credit societies affiliated to it, the apex bank may establish a branch and finance the creditworthy societies till the central bank is reorganized on the basis of steps suggested elsewhere in the Report. Similarly, in areas where the agricultural credit societies are dormant and their reactivation or liquidation is proceeding slowly, the central co-operative bank may finance cultivators direct through the nearest branch so as to ensure the flow of credit to deserving societies and their non-defaulter or new members. These measures, however, should only be transitional expedients. (page 978)

1.9 The Committee which also reviewed the performance of co-operative credit on a state-wise basis classified the states into categories, based on major indicators such as coverage of rural population, extent of resources mobilized, credit provided, recovery of loans, etc., which stand out on the one hand as areas of significant achievement viz., Gujarat, Maharashtra and Punjab and on the other hand, areas of retarded growth viz., Assam, Bihar, Orissa, Jammu and Kashmir, Rajasthan and West Bengal. The remaining states including Kerala occupied somewhat an intermediate position. The Committee, however, observed that certain factors in Kerala were favourable for the development of institutional type of agricultural credit. With good rainfall practically throughout the year from both the monsoons and hardly any area susceptible to famine, it has a variety of crops including the remunerative plantation crops and fruit orchards. A few other factors congenial to the growth of co-operatives are the predominance of cultivators with small holdings and the high rate of literacy. The traditional familiarity of the rural population with banking habits has also been cited as an advantage. Viewing the record of co-operatives against this background, the Committee commended its progress in deposit mobilisation. It, however, pointed out certain factors such as the limited coverage of

co-operative membership, low proportion of borrowing members, poor level of advance per member, the rising overdues at least in certain areas and the traditional bias, both at the central and primary levels, in favour of financing non-agricultural and often unproductive purposes, as retarding the smooth flow and steady expansion of agricultural credit in the state. In regard to the units at the primary level, the Committee noted the overlapping jurisdiction of primary credit societies and the slow progress in achieving viability.

Banking Commission

1.10 On the three-tier co-operative credit structure, the Banking Commission, 1972, has observed as under:

Wherever weak central banks exist, the co-operative structure should be re-organized. This can be done in the following manner:

- (i) In those states where all the district central banks are weak, it will be better to reorganize the structure so as to have only branches of the apex bank.
- (ii) In those states where there is a small number of strong central banks and a large number of weak banks, the apex bank should open branches in places where the weak central banks exist at present.
- (iii) In a state where the majority of the district central co-operative banks are strong, it is not advisable to disturb the existing structure. In such cases, the weak banks which form the minority, may be converted into branches of apex bank till such time as they are transformed into strong viable banks.
- (iv) However, in states where both the apex and district central co-operative banks are strong, the present structure may be allowed to continue. (page 586)

The Commission which also examined certain aspects of costs and profitability of the state and central co-operative banks was of the view that "to the extent there is duplication of capital and paper work for the same amount of borrowings as well as in maintenance of cash reserves and liquid assets at the apex and central co-operative bank levels, the two-tier system of co-operative banking seems to add to the cost of operating the system.*" (page 292)

*The reference is to the state and central co-operative banks.

Study Team on West Bengal

1.11 The Study Team on Co-operative Agricultural Credit Institutions in West Bengal, 1972, which examined the position in regard to West Bengal State recommended the amalgamation of weak and inefficient central banks with another working in the same district or with the state co-operative bank itself. The deciding considerations were that the central banks concerned did not either satisfy the requirements of Section 11 of the Banking Regulation Act or had overdues exceeding 80 per cent of the demand and as such were unlikely to lend any support to the agricultural programmes in their areas. Certain areas which were served inadequately by weak central co-operative banks were identified and recommended for financing by commercial banks through good working primary agricultural credit societies or newly organized agricultural banks. In all the districts or areas where the state co-operative bank or the commercial banks would finance societies directly it would mean the elimination of the intermediary unit, viz., the central co-operative bank. As for the central banks themselves which were to go out of existence, it would be pertinent to note that the Team had recommended not liquidation, but amalgamation. The apex bank or the neighbouring central bank would take over the "not readily realizable assets" of the weak central bank on a "collection basis" and as such it would not have to bear any financial burden on account of the taking over of such assets.

Steps in other States

1.12 In regard to Assam which was another state identified by the Informal Group as well as the Review Committee as one of retarded growth in the sphere of co-operative credit, the Reserve Bank had suggested a scheme which envisaged the state co-operative bank itself financing credit societies directly. The apex bank in the state had a good branch network comprising about 20 branches. All the central co-operative banks being D class banks were not eligible for any financial accommodation from the Reserve Bank. Measures for their rehabilitation, though drawn up, would in any case be a long drawn out process to fructify. It is not, however, the intention that the central co-operative banks would be altogether eliminated but only

by-passed temporarily. The expediency is in the larger interest of ensuring adequate credit support to the agricultural programmes.

Working Group on Co-operation

1.13 In regard to organizational arrangements during the Fifth Plan, the Working Group on Co-operation for the Formulation of Fifth Five Year Plan Proposals has observed as under:

While the existing three-tier structure of co-operative credit institutions may be continued in the larger states it would be desirable to try a two-tier structure in some of the smaller states. The central co-operative banks which now form the middle-tier could in such cases be amalgamated with the state co-operative bank and converted into its branches. The two-tier structure is already in operation in some of the small states like Himachal Pradesh, Meghalaya, Manipur, Tripura, etc. Other states where this could be tried during the Fifth Plan are Haryana, Kerala, and Assam. One advantage of the two-tier structure would be presentation of a better image of the resources and capabilities of the co-operative banking system to the public for attracting deposits. The two-tier structure will automatically operate in districts where the weak central banks are amalgamated with the apex banks. (page 62)

1.14 In fine, ever since the Maclagan Committee, various expert committees that examined the question have favoured the continuance of the three-tier system, although some of these committees did suggest the elimination of the central banks either temporarily or even permanently if they failed to perform the functions expected of them especially in the matter of extending adequate credit support to the agricultural programmes in their areas.

PROGRESS OF REORGANIZATION

1.15 In the early fifties, there were at least a few states in which no state co-operative bank existed and there were others in which, though in existence, the banks were not functioning satisfactorily. The first step which the Reserve Bank took was to get the state co-operative banks established or reorganized in all the states and suitably strengthened with share capital contribution by the respective state governments from out of the financial accommodation provided from the Reserve Bank's National Agricultural Credit (Long-term Operations) Fund. Similarly, at the level of central banks there were many districts with more than one

central bank, but considerations of viability required that each district should have only one such institution. The Reserve Bank in collaboration with the state governments drew up time-bound programmes of amalgamation. In some cases, reorganization also took the shape of splitting up of central banks or establishment of branches of the state co-operative bank and their eventual conversion into full-fledged central banks in order to conform to the pattern, by and large, of one central bank for one district which has been the aim of policy. The process of reorganization was accelerated during the sixties, occasionally by applying financial sanctions. In fact, state partnership recommended by the Rural Credit Survey Committee was used as a lever to bring about the needed reorganization at all the levels.

1.16 As a result of years of effort, to quote the Rural Credit Review Committee, 1969 the country does now have a structure which has been widely accepted. Every state has a state co-operative bank. The reorganization of central banks on a district basis has almost been completed all over the country and nearly two-thirds of them (228 out of 341 banks as at the end of June 1971) have attained a loan business of Rs 100 lakhs which is the accepted standard of viability.

1.17 The first central co-operative bank to be set up in the former Travancore State was the Trivandrum Central Co-operative Bank Ltd. Registered in 1915, this bank was functioning as a financing institution for the co-operative societies and individuals in Trivandrum District. On the recommendation of the Special Advisory Committee appointed by the then Government to go into the question of rehabilitation of the co-operative movement in general and the reconstruction of this bank in particular, the bank was converted in 1943 into the Travancore Central Co-operative Bank Limited with the object of financing only co-operative institutions in the entire Travancore State. Then in 1949 the two states of Travancore and Cochin were integrated into one state and there were two central banks in the new state viz., Travancore Central Co-operative Bank and the Cochin Central Co-operative Bank each respectively serving the Travancore and Cochin areas. The question of having a single state co-operative bank in the state came up before the conference of representatives of the state government, co-operative banks and the Reserve Bank. On the basis of the decision taken at this conference, the

Travancore-Cochin State Co-operative Bank was formed in January 1954 by converting the Travancore Central Co-operative Bank into a state co-operative bank while the Cochin Central Co-operative Bank functioned as an affiliated central bank. Again, with the reorganization of the states in 1956, the Travancore-Cochin State Co-operative Bank was reconstituted as the Kerala State Co-operative Bank, with one more central bank viz., Malabar District Central Co-operative Bank affiliated to it. It was around this time that action was taken to stop further admission of individuals as members of the apex bank.

1.18 Following the recommendations of the Rural Credit Survey Committee (1954), the state co-operative bank commenced establishing branches as a preliminary step to the establishment of central banks in all districts of the state in Travancore area. A branch of the bank was established for each of the three districts of Quilon, Alleppey and Kottayam. Eventually, these branches were converted into central co-operative banks and a separate central bank was also established for the Trivandrum District. With the formation of some more districts in the Malabar and Cochin areas by trifurcation of Malabar District in 1963 and bifurcation of Trichur District in 1961, three more central banks viz., Ernakulam, Palghat and Cannanore came into existence, besides the residuary banks of Trichur and Malabar. Another central bank was organized with the formation of Malappuram District in 1970. A new district viz., Idikki was formed in January 1972 and a new central bank exclusively for this district was registered in January 1973 but was to commence business.* As on 30 June 1973, there were 10 central co-operative banks at the rate of one for each district in the state, except for Idikki District which was served partly by the Ernakulam Central Bank and partly by the Kottayam Central Bank.

*It is understood that the bank has since commenced business.

CHAPTER II

WORKING OF THE THREE-TIER CO-OPERATIVE CREDIT STRUCTURE

2.1 THE co-operative credit structure in the state consisting of the Kerala State Co-operative Bank at the apex level, ten central co-operative banks at the district level and 2039 primary agricultural credit societies at the village level as on 30 June 1972 is purely a federal one, as the membership of the apex bank is confined to central banks and that of the latter to primary societies. This pure form of federal structure has been brought about over the years in pursuance of the policy laid down by the state government, the Government of India, and the Reserve Bank of India with the willing co-operation of the institutions concerned. We give in the following paragraphs an account of the financial position and working of the institutions at each of the three levels.

KERALA STATE CO-OPERATIVE BANK

2.2 The Kerala State Co-operative Bank is a federation of all the central banks and serves as an apex financing institution in the state. The bank was included in the Second Schedule to the Reserve Bank of India Act 1934 in July 1966 and was issued a licence to carry on the business of banking under Section 22 of the Banking Regulation Act 1949 in April 1972. A statement showing the progress made by the bank over the years is given in Annexure I and a detailed account of the bank is given in Appendix I. The more important financial particulars of the bank are recorded as under:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
Share capital	114	139	154
Reserves	95	122	142
Owned funds	209	261	296
Deposits	402	427	577
Borrowings	1053	1506	1621
Working capital	1658	2188	2487
Investments	111	154	227
Loans issued	1752	2344	2610
Loans outstanding	1511	1967	2209
Net profit	15	22	28

2.3 The bank has been making rapid progress ever since its reorganization as an apex level institution, both in the matter of building up of internal resources and in the dispensation of credit. The owned funds of the bank as on 30 June 1972, which included a substantial contribution by the government to the share capital to the extent of Rs 38 lakhs and financial assistance of Rs 56 lakhs to the stabilization fund under the centrally sponsored scheme, formed 12 per cent of the working capital.

Deposits and Borrowings

2.4 The deposits of the bank which increased from Rs 402 lakhs to Rs 577 lakhs i.e., by about 44 per cent in two years, constituted 23 per cent of the working capital as on 30-6-72. The significant factors in the composition of deposits are that firstly, the deposits from sources other than co-operatives at Rs 73 lakhs formed only 13 per cent of the total deposits. In other words, the deposits from co-operatives formed by far the bulk of the total deposits. Secondly, the fixed and other term deposits accounted for more than 85 per cent of the total deposits.

2.5 The bank accepts all types of deposits and it has been recognized by the Government of Kerala for receiving deposits of municipal corporations, local bodies, *panchayats*, etc. It also provides facilities for remittances of funds, collection of bills and safe deposit lockers for its constituents. It had opened its first branch in May 1972 and the second in April 1973, both in Trivandrum City. The bank also offers competitive rates of interest on deposits, viz., $\frac{1}{2}$ per cent on current deposits, $4\frac{1}{2}$ per cent on savings deposits and $5\frac{1}{4}$ per cent to $7\frac{3}{4}$ per cent on fixed deposits depending on the term of such deposits.

2.6 The borrowings from outside financing agencies such as the Reserve Bank of India, the State Bank of India and the State Bank of Travancore at about Rs 1621 lakhs as on 30-6-72 formed about 65 per cent of the working capital and this is indicative of the extent of the bank's dependence on outside funds. The average proportion of the total deposits to working capital (average for the six quarters ended 30-6-72) worked out to 18 per cent and of the current deposits to the total deposits to 16 per cent. The average interest cost of deposits worked out

to 5 per cent and the average borrowing rate (inclusive of deposits) to 4.5 per cent.

Loans and Advances

2.7 The loans and advances of the bank have increased considerably. Besides the central co-operative banks which are its members, the bank finances certain other apex level institutions such as the state handloom weavers society, the state marketing federation, the state consumers federation, etc. As on 30-6-72, the total loans and advances stood at Rs 2209 lakhs forming 89 per cent of the working capital. The break-up of loans and advances made during the last three years is given below:

Type of loan	Rs Lakhs					
	1969-70		1970-71		1971-2	
	Issued	Out-standing	Issued	Out-standing	Issued	Out-standing
Short-term (agricultural)	1179	1048	1625	1373	1947	1581
Medium-term (agricultural)	41	129	59	108	28	80
Others	532	334	660	486	635	548
Total	1752	1511	2344	1967	2610	2209

As could be expected, the loans and advances for agricultural purposes accounted for a substantial portion of the bank's total advances.

2.8 The overdues of the bank which amounted to Rs 13 lakhs as on 30-6-70 had come down to Rs 11 lakhs as on 30-6-72. The overdues formed 0.5 per cent of the outstanding loans. Nearly 70 per cent of the overdues (Rs 7.60 lakhs) were for less than one year. None of the central banks had defaulted to the apex bank. The overdues were against other indebted institutions. The bank had not so far had any occasion to sanction conversion loans out of its stabilization fund to the central co-operative banks.

Management of Funds

2.9 The bank had been maintaining heavy surpluses under cash

reserve and liquid assets. Such surpluses ranged from Rs 0.24 lakh to Rs 39.64 lakhs during the year 1971-2. The average excess cash reserve or liquid assets whichever was less in 1971-2 was of the order of Rs 9.18 lakhs. If the excess over the optimum level only is reckoned, it was Rs 4.35 lakhs. The loss of income, if worked out on the assumption that the apex bank could have repaid the short-term borrowings from the Reserve Bank which carried interest at 4 per cent per annum would be Rs 0.17 lakh. Besides, the bank has also been maintaining deposits with commercial banks and the average of such deposits was of the order of Rs 2.95 lakhs.

Profitability

2.10 The average lending rate of the bank worked out to 5.6 per cent as against the average borrowing rate of 4.5 per cent, leaving a margin of 1.1 per cent. The bank has been working at a profit for many years. An analysis of the profit and loss account for the last 3 years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
Interest on Loans	65	84	117
Other Income	8	12	16
Gross Income	73	96	133
Interest on Deposits	13	16	21
Interest on Borrowings	38	49	75
Cost of Management	4	4	5
Other Expenditure	4	4	4
Total Expenditure	59	73	105
Net Profit	15	22	28
Percentage of Gross Income to Working Capital	4.5	4.4	5.4
Percentage of Cost of Management to Gross Income	5.3	4.1	3.4
Percentage of Cost of Management to Working Capital	0.2	0.2	0.2
Percentage of Net Profit to Working Capital	0.9	1.0	1.1

The bank had declared a dividend of 5½ per cent for 1969-70 and 6 per cent each for the years 1970-71 and 1971-2.

Management

2.11 The board of directors of the bank consists of one representative from each of the 10 central banks, two nominees of the state government and the Registrar of Co-operative Societies (ex-officio). The bank has also constituted an executive committee consisting of the president, the vice-president, four other elected directors and the Registrar of Co-operative Societies. The sitting fees and travelling allowances paid to the members of the board and executive committee during the years 1969-70, 1970-71 and 1971-2 amounted to Rs 0.41 lakh, Rs 0.29 lakh and Rs 0.33 lakh respectively and formed 0.6 per cent, 0.3 per cent and 0.2 per cent of the gross income.

Administration and Supervision

2.12 The present secretary of the bank who is the chief executive officer is an officer of the Reserve Bank of India on deputation with the bank since 1970 and is responsible for its day-to-day administration. The secretary is assisted by a deputy secretary, an assistant secretary, a manager, a chief accountant and 7 development officers. Supervision over the central banks is done through its development officers. The bank convenes periodically meetings and conferences of directors and chief executives of central banks for discussing the problems connected with their working. It had also taken the initiative in organizing a job-oriented training course for the staff of the central banks in May 1972. It also makes available the services of its officers to serve as chief executives of central banks. The secretary of the Trichur Central Bank, for instance, is an officer of the apex bank on deputation with the former.

2.13 The pay scales and allowances of the bank's personnel are generally higher than those in the corresponding cadre of the district central banks. A statement showing the comparative position is given in Annexure II. It will be noted that in the senior and intermediate levels of personnel, the difference is wider as compared to the junior level and clerical cadres.

CENTRAL CO-OPERATIVE BANKS

2.14 As is the case with the state co-operative bank, the central

co-operative banks have also made good progress though in varying degrees in almost all spheres of activity. As noted earlier, there were ten central co-operative banks as on 30 June 1973 serving 11 districts. A note on the financial position and working of each of the ten banks is given in Appendix II to this report. The more important financial particulars of the banks are given in Annexure III. The owned funds of the banks increased from Rs 525 lakhs to Rs 806 lakhs i.e. by about 54 per cent during two years ended 30 June 1972. Similarly, the working capital recorded an increase from Rs 3492 lakhs to Rs 4905 lakhs i.e. by about 40 per cent. The working capital of the banks ranged from Rs 303 lakhs (Trivandrum) to Rs 724 lakhs (Trichur) and the loans issued between Rs 260 lakhs (Malabar) and Rs 840 lakhs (Palghat). The aggregate of the loans outstanding increased, likewise, from Rs 2789 lakhs to Rs 4056 lakhs i.e. by about 45 per cent. The range of loans outstanding at the end of 30 June 1972 was between Rs 257 lakhs (Trivandrum) and Rs 611 lakhs (Trichur). All the banks satisfied the broad criteria of viability viz., loan business of Rs 100 lakhs and working capital of Rs 120 lakhs.

Deposits

2.15 The deposits of the banks which stood at Rs 1395 lakhs as on 30 June 1970 increased to Rs 1944 lakhs as on 30 June 1972 i.e. by about 47 per cent as against the all-India increase of 25 per cent. The average deposits per bank worked out to Rs 194 lakhs as against the all-India average of Rs 129 lakhs (for 1970-71). The deposits of the Malappuram and Trivandrum Central Banks were less than Rs 100 lakhs each, those of the Cannanore and Palghat Banks between Rs 100 lakhs and Rs 200 lakhs and of each of the remaining banks exceeded Rs 200 lakhs.

2.16 A statement showing the position of deposits source-wise and type-wise is given in Annexure IV. For the state as a whole, the deposits from sources other than societies at Rs 1111 lakhs formed 57 per cent of the total deposits of Rs 1944 lakhs. This proportion was slightly lower than the all-India average of 60 per cent (in 1970-71). Type-wise, the current deposits at Rs 260 lakhs formed 13 per cent of the total deposits of central banks in the state as against the all-India average of 22 per cent (in 1970-71).

2.17 In the case of the following banks the deposits from societies were more than 50 per cent of their total deposits:

Name of the Bank	Percentage of Societies' Deposits to Total
Cannanore	54
Kottayam	51
Palghat	54
Trivandrum	53

Current deposits formed less than 13 per cent of the total deposits (which is the average for the state) in the following 4 banks:

Name of the Bank	Percentage of Current Deposits to Total
Alleppey	10.5
Ernakulam	10.2
Malabar (Kozhikode)	8.0
Malappuram	11.8

2.18 The central banks in all were having 85 branches as against 188 centres and towns with a population of 10,000 and above in the state. The number of branches ranged from 6 to 15. The average deposits per branch worked out to Rs 24 lakhs (excluding head office) and population covered per bank or branch 2 lakhs. The table on page 22 gives the number of branches of each central bank in relation to population centres, the size of deposits per branch and population covered as compared with commercial banks operating in the area. We are aware that the better coverage per branch shown by the commercial banks might in part be due to our taking all the commercial banks operating in the area for the purpose (as against one district co-operative bank) and also that there could be some concentration of commercial banks' branches in urban and semi-urban areas, while the district co-operative banks' branches would be more evenly spaced out. Furthermore, account also has to be taken of the substantial deposits (amounting to Rs 1067 lakhs at the end of June 1972) of primary agricultural credit societies

which form an integral part of the co-operative credit organization. But even allowing for all these, the performance of the central co-operative banks in branch banking and in the mobilization of deposits does not compare favourably with that of the commercial banks in the state.

District	No. of Centres with Population 5000 and above @	No. of Branches of Central Bank	Average per Branch of a Central Bank		Average per Branch of a Commercial Bank	
			Deposit (Rs lakhs)	Population (000)	Deposit (Rs lakhs)	Population (000)
Alleppey	28	12	18	164	28	27
Cannanore	13	8	21	260	18	26
Ernakulam	12	10	27	202	35	12
Kottayam	86	7	33	191	23	18
Kozhikode	24	6	51	348	23	29
Malappuram	16	6	16	248	9	43
Palghat	15	6	31	240	35	20
Quilon	34	15	17	186	23	33
Trichur	18	8	29	236	21	14
Trivandrum	10	7	11	270	46	24
State average			24	220	27*	22*

@ As furnished by central banks.

* Including branches in Idikki District.

2.19 Only four banks viz., Kottayam, Malappuram, Quilon and Trivandrum had fixed certain targets for branch expansion in 1973-4. The Kottayam and Trivandrum banks had planned for future expansion up to 1976-7 and the rest of the banks were yet to draw their programmes. More than 50 per cent of the centres with a population of 5000 and above were not having any branches of a central bank in the districts of Alleppey, Kottayam, Kozhikode, Malappuram, Palghat, Quilon and Trichur.

Loans and Advances

2.20 The aggregate of the loans issued by the central banks for various purposes had increased from Rs 4267 lakhs to Rs 5227 lakhs during the three years ended 1971-2. The outstanding loans increased from Rs 2789 lakhs to Rs 4056 lakhs during the same period. Of the outstanding loans as at the end of 30 June

1972 at Rs 4056 lakhs, those for agricultural purposes were Rs 2967 lakhs. Of this, Rs 2694 lakhs were for short-term purposes and the balance of Rs 273 lakhs for medium-term purposes. For the state as a whole, the agricultural loans constituted 74 per cent of the total outstanding loans. The bank-wise position may be seen in Annexure V. In the case of the following banks, however, the outstandings under loans for non-agricultural purposes including unproductive advances formed more than 30 per cent of the total outstandings:

Name of the bank	Loans outstanding	Non-agricultural loans	Rs Lakhs
			Percentage of column 3 to column 2
(1)	(2)	(3)	(4)
Malabar	554	204	37
Palghat	239	111	37
Trivandrum	257	111	43

2.21 As for production credit for agriculture, the central co-operative banks have issued short-term loans to the extent of about Rs 24 crores during the year 1971-2. The performance of the central banks when compared to the estimated credit requirements of members of societies was far from satisfactory. The total cash outlay on agricultural production is estimated at about Rs 254 crores for the gross cropped area of about 29 lakh hectares in the state. The district-wise break-up of the estimate is given in Annexure VI. This estimate has been worked out on the basis of representative scales of finance per hectare at Rs 825 for paddy, Rs 1,750 for coconut, Rs 1,000 for tapioca, Rs 2,500 for banana and Rs 313 for other crops, which broadly correspond to the averages of the scales of finance adopted by the central banks as may be seen from the details given in Annexure VII. It is assumed that 75 per cent of the total cash outlay of Rs 254 crores, i.e. Rs 190 crores will have to be borrowed by the cultivators, the balance being met out of their own resources and that 60 per cent of such borrowings, i.e. Rs 114 crores will be from the co-operatives. In other words, about 45 per cent of the total cash outlay on agricultural production, may be taken to represent the credit needs of members of primary agricultural credit societies. The share of the societies

and the central banks in the total borrowings of members for short-term agricultural purposes in 1971-2 was in the ratio of 1 : 9 as the primaries had advanced Rs 2.50 crores out of their own resources in addition to Rs 24 crores borrowed from central banks. Assuming the same proportion, the central banks may be expected to provide credit support to the societies up to about 90 per cent of the estimated credit needs of members, i.e. Rs 102 crores, as may be seen from column 7 of Annexure VI. The central banks had actually advanced as mentioned earlier Rs 24 crores which formed 21 per cent of the members' credit requirements.

2.22 The individual performance of the central banks shows wide variations. Bank-wise, the credit gap was substantial in almost all the districts. It may be seen from Annexure VII that in the case of many banks viz., Cannanore, Kottayam, Malabar, Malappuram, Palghat, Quilon and Trivandrum, the credit supplied was even less than the state average of 21 per cent of the estimated credit needs of members. Even within a district, a majority of blocks and major crops have been either nominally financed or totally neglected. The block-wise position of credit gaps, details of which are given in Annexure VIII, is as under:

District	Total No. of Blocks	No. of blocks with credit gaps		
		Below 25%	Between 25%-50%	Above 50%
Alleppey	17	1	3	13
Cannanore	12	1	3	8
Ernakulam	17	4	1	12
Kottayam	14	1	1	12
Kozhikode	14	-	1	13
Malappuram	13	3	-	10
Palghat	11	-	1	10
Quilon	17	-	3	14
Trichur	17	3	7	7
Trivandrum	12	-	-	12
Total	144	13	20	111

In all the central banks excepting Cannanore, Ernakulam and Trichur, the credit gaps were over 50 per cent of their share of the estimated credit needs of members in more than 75 per cent of the blocks in the district.

2.23 Concentration of finance for certain crops like banana and arecanut etc., was very conspicuous by the neglect of finance for paddy which was a major crop in most of the districts as under:

Crop	Gross cropped area (lakh hectares)	Percentage to the cropped area	Loans advanced (Rs. lakhs)	Percentage to the loans advanced	Eligibility as per scales of finance (percentage to the loans)
(1)	(2)	(3)	(4)	(5)	(6)
Paddy	8.75	30	299	13	27
Banana	0.49	2	487	20	4
Tapioca	2.93	10	508	21	9
Coconut	7.19	24	491	21	37
Arecanut	0.86	3	245	10	5
Other crops	9.19	31	370	15	18
All crops	29.41	100	2400	100	100

Even assuming that for a given area, the credit requirements of a crop would be more if the scale of finance is higher than that for another crop, it would be seen from column 6 of the table that certain crops like banana, tapioca, and arecanut had received credit highly disproportionate to their eligibility. A statement showing the area under major crops and the finance provided by each of the central banks is given in Annexure IX. As observed later in Chapter IV, the distortion in the distribution of credit to certain crops was considerable in the case of some banks.

2.24 The overdues of the banks have been rapidly increasing in recent years i.e. from Rs 488 lakhs forming 24 per cent of demand as on 30 June 1970 to Rs 865 lakhs forming 30 per cent of the demand as on 30 June 1972 as may be seen from the data given in Annexure X. Bank-wise, the range of overdues as compared to the demand was as under:

Name of the Bank	Level of Overdues
Alleppey, Ernakulam, Trichur and Trivandrum	Up to 20% of demand
Cannanore, Kottayam, Malappuram, Palghat and Quilon	Between 20-40%
Malabar (Kozhikode)	Above 40%

The overdues over one year at about Rs 388 lakhs formed about 45 per cent of the total overdues.

Management of Funds

2.25 Almost all the banks have been maintaining heavy surpluses under cash reserve and liquid assets. During the 12 months ended June 1972 the average excess of cash reserve or liquid assets (whichever was less) ranged from Rs 2.41 lakhs (Trivandrum Central Bank) to Rs 10.09 lakhs (Trichur Central Bank). The average was more than Rs 5 lakhs in the case of Alleppey, Cannanore, Ernakulam, Kottayam, Palghat, Quilon and Trichur Central Banks (Annexure XI).

2.26 As on 29 June 1972 the banks were required to maintain only Rs 57 lakhs as cash reserve (at 3 per cent of the time and demand liabilities of Rs 1910 lakhs) and liquid assets of Rs 477 lakhs (at 25 per cent of the time and demand liabilities). As against this, the banks actually maintained Rs 634 lakhs, the excess being Rs 157 lakhs in liquid assets (including Rs 151 lakhs maintained as surplus by way of cash reserve).

Profits

2.27 A statement showing the profits made and dividend declared during the three years ended in 1971-2 is given in Annexure XII. It will be seen that the profits earned by the majority of the banks are going down. The profits of the Malabar and Trivandrum Central Banks have in fact declined from year to year. The Malabar, Malappuram and Trivandrum Central Banks earned nominal profits in 1971-2.

2.28 As for payment of dividend on share capital, it is observed that no bank paid dividend of even 4 per cent for any of the 3 years ended 1971-2. In fact, no dividend was declared by 4 banks viz., Kottayam, Malappuram, Quilon and Trivandrum Central Banks for the year 1971-2. The Alleppey Bank declared only 2 per cent and the remaining banks were yet to declare any dividend for the year 1971-2. All the central banks have been classified as B class in audit for the year 1971-2 excepting Alleppey and Trichur classified as A class banks and Malappuram which was a new bank.

PRIMARY AGRICULTURAL CREDIT SOCIETIES

2.29 A statement showing the overall position of the primary agricultural credit societies is given in Annexure XIII. There were 2039 primary societies in the state as on 30 June 1972 of which 224 i.e. 11 per cent were dormant. The societies have covered almost 100 per cent of the villages in the state. The membership was 17.57 lakhs forming about 44 per cent of the rural families. The borrowing members at 6.95 lakhs formed about 40 per cent of the total membership but only 17 per cent of the rural families.

Financial Particulars

2.30 The important financial particulars about the societies for the last 3 years were as under:

	Rs Lakhs		
	1969-70	1970-71	1971-2
No. of societies	2160	2134	2039
Paid-up capital	794	943	1124
Owned funds	1070	1251	1492
Deposits	879	938	1067
Borrowings	2227	2653	3318
Loans issued	2579	3013	3585
Loans outstanding	2979	3611	4287
Overdues	714	1071	1283

2.31 Certain features in the working of the primary credit societies in the state are very striking. Firstly, the societies are fairly large-sized, in the sense that the average membership per society at 862 was far higher than the all-India average of 193 for 1970-71. Similarly, the average share capital per society at about Rs 55,125 was more than 4 times the all-India average of Rs 13,000. The loans issued per society were even much higher at Rs 1.76 lakhs as against Rs 0.36 lakh for the country as a whole. Secondly, the primary credit societies have been successful in deposit mobilization. Their deposits increased from Rs 879 lakhs in 1969-70 to Rs 938 lakhs in 1970-71 and further to Rs 1067 lakhs in 1971-2. The deposits formed nearly 15 per cent of the total deposits of primary agricultural credit societies

in the country as a whole. The average of deposits per society at Rs 52,370 was the highest in the country, the all-India average being only Rs 4,300. Even expressed as the average deposit per member, it was Rs 61 as against the all-India average of Rs 22. Thirdly, the primary credit societies have been advancing loans to a substantial extent for purposes other than agricultural. The purposewise classification of the loans issued during 1971-2 indicates that of the total short-term loans of Rs 3110 lakhs, Rs 497 lakhs i.e. about 16 per cent were for consumption and other non-agricultural purposes. The all-India average was less than 10 per cent.

2.32 During the year 1971-2, 1013 societies or about 50 per cent of the total had worked at profit, the aggregate of the profits being Rs 115 lakhs whereas 980 societies worked at loss aggregating Rs 109 lakhs. The remaining 46 societies had neither profits nor loss. Of the total number of societies, 1508 were having full-time paid secretaries and 114 were having part-time secretaries and the remaining 373 societies were having honorary secretaries. This position compares very favourably with the all-India position, only about one third of the total number of primary credit societies in the country having full-time paid secretaries in 1970-71. The reorganization of societies especially with a view to eliminating the overlapping jurisdiction was in progress. As on 30 June 1972 there were 515 societies with overlapping jurisdiction. About 249 societies were being either liquidated or amalgamated.

CHAPTER III

IMPLICATIONS OF A TWO-TIER CREDIT STRUCTURE

3.1 WE are required to examine whether it will be advantageous to eliminate the central co-operative bank either for the state as a whole or for any particular district in the state. In considering this issue, it will be relevant to examine the implications of a two-tier credit structure in matters relating to cost, profitability, management of funds and maintenance of liquid assets. The likely advantages of the two-tier system are that the state co-operative bank with larger resources and business consequent on the integration of central co-operative banks with it, will be able to (i) project a better image of itself before the depositing public than the existing Kerala State Co-operative Bank; (ii) pay higher rate of dividend on the share capital subscribed by its member-institutions which will be primary societies; (iii) manage its funds better by avoiding undue surpluses under liquid assets; and (iv) save the expenditure incurred on boards of directors (of central banks). The disadvantages which incidentally can be interpreted as the advantages of the existing three-tier system are that (i) the state co-operative bank may have to incur certain additional expenditure on establishment; (ii) a smaller part of the deposit liabilities only will be available for lending as compared to that under the three-tier structure; and (iii) local involvement will not be possible in projecting the demand for, and ensuring the supply of, credit and other services. These aspects are examined in the following paragraphs.

MERITS OF TWO-TIER STRUCTURE

3.2 To eliminate the central banks, the state co-operative bank will have to take over all their assets and liabilities. Assuming theoretically that such an amalgamation takes place, an integrated balance sheet emerging out of integration of all the existing central banks with the state co-operative bank is presented in Annexure XIV and the major indicators of the financial strength of the integrated institution are given in Annexure XV. In preparing this balance sheet, the assets of the central banks with the state co-operative bank have been set off against the corresponding

liabilities of the latter and only the net position is taken into account. Similarly, the liabilities of the central banks have been set off against the assets of the apex bank, if any. Thus, for instance, the share capital of the integrated institution represents the sum total of the share capital of the state and central banks *less* the shares held by the central banks in the state co-operative bank. The deposits consist of the sum total of those of the state and central banks *less* the deposits of the latter with the former. The bank balances of the integrated institution represent the sum total of the balances of the state and central banks *less* the balances of the central banks with the state co-operative bank. Moreover, no additions or savings in the expenditure as at present have been assumed.

Image of the Institution

3.3 The balance sheet presents a better picture of the integrated state co-operative bank as compared to that of the Kerala State Co-operative Bank in that it will be a very big institution commanding large resources of its own. The owned funds of the integrated institution at Rs 9.80 crores form about 20 per cent of its working capital, which is far above the corresponding percentage of 12 of the Kerala State Co-operative Bank. The deposits at Rs 21.35 crores on the other hand form about 43 per cent of the working capital as against 22 per cent. The borrowings of the integrated institution will come down considerably to about 33 per cent of the working capital as against 63 per cent of the existing state co-operative bank and the percentage of borrowings to loans and advances will come down from 73 to 40 per cent. The integrated institution will be comparable to any regional commercial bank in the size of its business and will have its own resources to the extent of two-thirds of the working capital because of resources already available with the movement and will depend on borrowings from the Reserve Bank of India for only about one-third of its needs. The advantage accruing to the state co-operative bank in a two-tier structure will be one of size which may enable it to present a better image to the public. This, however, is not an unmixed blessing. The Banking Regulation Act requires a co-operative bank to exhibit in its published balance sheet the overdues against its members. The overdues of the existing Kerala State Co-operative Bank at Rs 11 lakhs form an insignificant portion viz., 0.5 per cent of the outstanding loans. The inte-

grated balance sheet would present a different picture. In the absence of central banks, which presently serve as a buffer to absorb the high level of overdues at the primary level, the state co-operative bank under the two-tier system will have to bear the brunt of the whole burden. The integrated balance sheet will show overdues of the order of about Rs 854 lakhs forming over 20 per cent of the outstanding loans. Thus despite its size, the state co-operative bank under the two-tier system may not command the same degree of confidence of the depositors and other creditors if they take into account the level of the overdues.

Return on Share Capital

3.4 The primary societies which will be holding shares in the state co-operative bank can get a better return on their investments. The percentage of net profits of the integrated institution to the gross income at 12 is higher than that of any of the individual central banks (Annexure XV). The net profits to working capital at 0.8 per cent also show an improved position over all the central banks. The cost of establishment of the integrated bank, however, goes up from 0.2 to 1.5 per cent of the working capital and is close to the average of the central banks because there would hardly be any savings in the various expenses that are presently being incurred by central banks in the matter of either servicing of deposits or of loans and the savings in sitting fees, etc., paid to the directors of central co-operative banks, as discussed later, are somewhat nominal. The net profits of the Kerala State Co-operative Bank for the year 1971-2 amounted to Rs 28 lakhs forming 18 per cent of its paid-up share capital of Rs 154 lakhs. This amount is not available presently to the central banks. With integration, the net profits will go up to Rs 41 lakhs forming 6 per cent of the paid-up share capital of Rs 704 lakhs of the integrated institution. Even allowing for about 40 per cent of the net profits for appropriation towards the statutory reserve, the Agricultural Credit Stabilization Fund and other reserves, the balance of net profits at Rs 24 lakhs should enable the integrated institution to pay a dividend of 3-4 per cent. Three central banks viz., Cannanore, Kottayam and Trivandrum had not declared any dividend while four others viz., Alleppey, Ernakulam, Malabar and Quilon had declared a dividend of 2 per cent or less in 1970-71. The integration will make it possible to declare a higher dividend on the paid-up

capital held by primary societies.

3.5 It will not be necessary to bring about integration of the central banks to pass on the benefit of the higher income to primary societies. This can be done by the state co-operative bank charging a lower rate of interest to central banks so that the profits of the latter will be higher, if the banks in turn do not reduce their own lending rates. This will enable them to declare a higher rate of dividend which has the effect of lowering the rate on their borrowings from the central banks. The benefit of a lower rate of interest by the state co-operative bank will be uniformly spread over all the central banks so that the share of those which are at present not earning any profits or very small profits will not increase substantially to enable them to declare a reasonable dividend. If all the central banks were to declare a uniform dividend, the state co-operative bank can enable them to do so by granting rebate on interest paid in such a way that banks which have made no profits at all are granted the highest rebate and those which have declared a dividend of 3.5 per cent or more none at all. But then this will amount to putting a premium on inefficient or bad management and cannot be encouraged. The benefit of a higher dividend on share capital and a lower rate of interest on loans can be enjoyed by the primary societies all over the state only under integration of all the central co-operative banks into one unit and not when the latter are independently managed separate legal entities.

3.6 The net profits of all the central banks put together amounted to Rs 12.34 lakhs for the year 1971-2. Assuming that 40 per cent of these are appropriated towards the statutory reserve, Agricultural Credit Stabilization Fund and other funds and reserves, the balance available for distribution as dividend among societies will be Rs 7.40 lakhs only. The short-term and medium-term loan outstandings of the primary credit societies against their members were about Rs 43 crores in 1971-2. In that case the benefit of the dividend that could be passed on by the societies to their membership will form 0.17 per cent of the outstanding loans against them. In paragraph 3.4 it has been mentioned that the integrated state co-operative bank will have Rs 24 lakhs for distribution as dividend after providing for the reserves and funds. This will form 0.56 per cent of the outstanding loans of Rs 43 crores. In other words, the higher return should enable the

societies to even reduce the rate of interest on the short-term and medium-term loans by 0.50 per cent. It is true that the rate of interest charged by societies on short-term loans in Kerala is one of the lowest in the country viz., 8 $\frac{3}{4}$ per cent (before the rise in the Bank Rate to 7 per cent from 31 May 1973). But that does not mean that it might not be reduced further. Even if there is no reduction, there is a net benefit to the state co-operative bank in the form of larger appropriations to reserves and to the societies in the form of higher dividend which they may utilize for directly reducing the rate of interest on their advances to members or indirectly by declaring a higher rate of dividend on the shares held by members.

Management of Funds

3.7 Another advantage of integration possibly is that the state co-operative bank will be able to maximize its income by better management of funds. Almost all the central banks in the state have been maintaining heavy surpluses in cash reserve and liquid assets, over and above the 'optimum' level.* These surpluses when held especially in the form of cash reserve earn no return and consequently the banks suffer loss of income. As on 29 June 1972 the surpluses in liquid assets of the central banks aggregated Rs 157 lakhs including the excess in cash reserve of Rs 151 lakhs (Annexure XVI). The surplus in liquid assets over the optimum level as on this date was Rs 61 lakhs. The average of such surpluses over the optimum level for the twelve months ended June 1972 was the highest at Rs 3.52 lakhs in the case of Cannanore Central Bank. In three other banks viz., Ernakulam, Kottayam, and Trichur the average surplus was over Rs 2 lakhs in each case. The excess maintained by all the central banks on an average for twelve months ended June 1972 aggregated Rs 20 lakhs as shown in Annexure XVII. The central banks could have avoided these surpluses by utilizing the funds in repaying the borrowings from the state co-operative bank, which

* In addition to the statutory requirement of cash reserve and liquid assets at 28 per cent of time and demand liabilities, maintenance of an excess of 20 per cent of this requirement is considered as the optimum level. This would work out to 33.6 per cent or say 34 per cent of the total time and demand liabilities. Of this 34 per cent, optimum level for cash reserve is 6 per cent.

carried interest at 4½ per cent per annum. The loss of income calculated on this basis works out to about Rs 1 lakh. Besides, some of the banks were also maintaining heavy balances with commercial banks which were not reckoned for liquid assets. The average of such balances was Rs 1.59 lakhs in the case of Ernakulam Bank and Rs 4.35 lakhs in that of the Palghat Bank. Although the investments with commercial banks might not mean loss of income, the funds could have been better used in loans and advances which should claim priority.

3.8 While the elimination of central banks could possibly bring about unified control, adoption of uniform policies and procedures etc., so as to ensure proper management of funds, it has to be admitted that even a centralized administration can at the most keep the surpluses to the minimum and cannot altogether eliminate them. Management of funds in so far as it relates to the compliance with the requirements of the Banking Regulation Act is a responsibility of the chief executive officer of the central bank. The board of directors cannot normally be expected to know the technical niceties involved in this respect. If, therefore, the chief executive of a central bank is a qualified and competent person well-versed with banking techniques, the surpluses can be largely avoided. It may, therefore, be contended that the existence of large surpluses in cash reserves or liquid assets cannot be regarded as inevitable or inherent in the system, but can be avoided if there are competent executives in each of the central banks. The remedy in our view, therefore, lies in giving proper training to the chief executive officers and other key personnel of the central banks in these matters. In this context in particular we would suggest the creation and maintenance of a common cadre of highly qualified and well trained senior personnel for the central co-operative banks, by the state co-operative bank. It will be advantageous if the state co-operative bank, in collaboration with the Reserve Bank of India, arranges periodic refresher courses for the benefit of those who are already in service of the central banks so that they are conversant with the latest policies and procedures governing the banks.

Expenditure on Boards of Directors

3.9 There will be no need for boards of directors as under the two-tier structure the central banks will be replaced by branches

of the state co-operative bank. It can be claimed that the expenditure incurred in respect of sitting fees, travelling and halting allowances etc., to the directors may be saved. Though there is some truth in this, we do not consider that there could be a material addition to the profits of banks if only the expenditure on the directors is avoided. The central co-operative banks have been incurring an expenditure ranging from Rs 0.12 lakh to Rs 0.31 lakh by way of sitting fees etc., to their directors. On an average, this works out to about Rs 0.18 lakh per bank. This could no doubt be expected as a saving if the central banks are abolished. However, the need for some sort of advisory committees for the branches of the integrated institution will still remain. Even assuming one advisory committee for each of the 10 districts, the integrated institution will have to incur certain expenditure by way of sitting fees, travelling allowances, etc., to the members of such committees. The net savings could, therefore, be taken only at about 50 per cent of this expenditure which in our view is not very significant in the context of the overall establishment costs. The expenditure wherever found to be unduly high i.e. forming more than 0.5 per cent of gross income, as, for example, in the case of Kottayam, Malappuram, Trichur and Trivandrum Central Banks, can be reduced further by regulating the meetings of the boards and executive committee once or twice a month to sanction loans and advances and to discuss primarily policy matters. In general, all matters relating to staff excepting those specifically reserved for the board or the committees under the service rules approved by the Registrar should be left to be disposed of by the chief executive of the bank. This may necessitate delegation of certain powers to the chief executive, which the board or committees may be enjoying at present.

DISADVANTAGES OF TWO-TIER STRUCTURE

3.10 The integrated institution may have to incur certain additional expenditure which might add to its servicing cost. Firstly, it will have a large number of branches to perform the functions of the existing central banks and this may lead to a variety of inter-branch transactions, reconciliation, etc., which both in volume and frequency will be fairly heavy. Additional staff may be required at the head office for this purpose. Secondly, the integrated institution may have to open a few more divisional

offices for the overall supervision and inspection of the branches. Finally, it may have to raise the scales of pay of the staff of central co-operative banks who will be employed at its branches so as to bring them on a par with those of the state co-operative bank.

Expenditure on Staff

3.11 The expenditure on staff could, however, be minimised if the new institution adopts different scales of pay and allowances depending upon the centres of work. The commercial banks offer different salaries depending upon places of work—lower pay for the staff in B or C class centres as compared to A class centres. The new institution can perhaps take over the staff of the central banks as per their existing terms and conditions of service which will mean that it need not have to incur any extra expenditure. But the possibility of the staff getting higher scales of pay, if not strictly on a uniform basis, cannot altogether be ruled out. We observe that a committee constituted by the state government to go into the wage-structure and service conditions of the employees of district co-operative banks has recommended scales of pay which are closer to the scales of pay for the corresponding cadres in the state co-operative bank. We feel that sooner or later the scales of pay and emoluments of the staff employed in the integrated unit will be uniform so that the establishment expenditure even on the existing complement of staff in the central co-operative banks will increase to some extent.

Maintenance of Liquid Assets

3.12 We have referred to earlier an observation of the Banking Commission about the possible savings in cost on account of some duplication in the maintenance of cash reserve and liquid assets at the apex bank and central bank levels. This is not borne out by facts. These institutions need maintain in the aggregate a smaller percentage of liquid assets than what the state co-operative bank in the two-tier structure will be required to maintain. When the provisions of the Banking Regulation Act were extended to the co-operative banks in the country in 1966, the federal character of the co-operative credit structure and its implications were duly recognized and accordingly, the deposits maintained with the higher financing agencies within the structure were allowed to be reckoned as cash reserve and liquid assets. A central co-operative

bank can reckon, for example, its current balances with the state co-operative bank as cash reserve and other deposits as liquid assets. This is an advantage accruing to the co-operative banks as compared to, say, commercial banks in so far as they (i.e. the state and central co-operative banks taken together) need maintain in the aggregate outside the movement a percentage of liquid assets which will be less than what will otherwise be the case.

3.13 This will be clear from the theoretical position worked out below. The assumptions are (i) the central banks have time and demand liabilities of Rs 100 (ii) in order to comply with the provisions of the Banking Regulation Act, they will maintain cash reserve of Rs 3 in cash and liquid assets of Rs 25 fully by way of deposits with the state co-operative bank; and (iii) the state co-operative bank has no other time and demand liabilities. At the central bank level, therefore, Rs 72 will be available for lending. As against the deposits of Rs 25 with the state co-operative bank the latter will have to maintain cash reserve and liquid assets of Rs 7 at 28 per cent. The balance of Rs 18 will be available for lending at the level of the state co-operative bank. Thus out of the net deposits of Rs 100 in the movement, Rs 90 (Rs 72 at the central bank level and Rs 18 at the state co-operative bank level) i.e. 90 per cent will be available for lending under the three-tier structure. Even assuming that the central banks maintain the liquid assets at 25 per cent of the time and demand liabilities in the form/manner advised by the Reserve Bank i.e. by way of cash and bank balances at 3 per cent, other deposits with the state co-operative bank at 11 per cent, and in approved securities another 11 per cent, the deposits of central banks with the apex bank will be reduced to Rs 14 and the balance of Rs 11 will be held in the form of approved securities. Towards the deposit liabilities of Rs 14, the state co-operative bank will maintain cash reserve and liquid assets of Rs 3.92 (at 28 per cent) and Rs 10.08 will be available for lending. Even then out of the net deposits of Rs 100 in the movement, Rs 82.08 (Rs 72 at the central bank level and Rs 10.08 at the apex bank level) or 82 per cent will be available for lending. On the other hand, under the two-tier structure, the deposits of state co-operative bank will be Rs 100 and after maintaining the cash reserve and liquid assets at Rs 28, only Rs 72 (or 72 per cent) will be available for lending. Thus while under the three-tier system

82 to 90 per cent of the deposits were available for lending, only 72 per cent are available for the purpose under the two-tier system.

3.14 The actual position was that as on the last Friday, 29 June 1972, the time and demand liabilities of the central banks aggregated Rs 1910 lakhs and those of the state co-operative bank amounted to Rs 608 lakhs inclusive of the deposits of the central banks at Rs 370 lakhs. The cash reserve and liquid assets to be maintained by the central banks and the state co-operative bank are shown in Annexure XVIII. The position assuming that the central banks and the apex bank are merged, is also indicated in the annexure. It will be seen therefrom that the central banks will have to maintain cash reserve of Rs 57 lakhs at 3 per cent and liquid assets of Rs 477 lakhs at 25 per cent. The state co-operative bank on the other hand will have to maintain cash reserve of Rs 18 lakhs at 3 per cent and liquid assets of Rs 152 lakhs at 25 per cent.

3.15 Under the three-tier structure, therefore, only Rs 334 lakhs out of the gross time and demand liabilities of Rs 2518 lakhs (Rs 1910 lakhs + Rs 608 lakhs) will have to be in liquid form which cannot be used for any other purposes or will be kept outside the movement, as shown below:

	Rs Lakhs
<i>Apex Bank</i>	
Cash Reserve with the Reserve Bank	18
Cash and Bank Balances	18
Investments in Approved Securities	134
<i>Central Banks</i>	
Cash Reserve	57
Investments in Approved Securities	107
Total	334

This will form about 15 per cent of the total net liabilities of Rs. 2148 lakhs of the movement as a whole. The balance of Rs 1814 lakhs i.e. 85 per cent of the net liabilities can be taken as resources available for lending. This situation is rendered possible because the central banks are keeping Rs 370 lakhs

(i.e. 19 per cent of their time and demand liabilities) as deposits with the state co-operative bank which while being reckoned as cash reserve and liquid assets of the central banks, are available to the state co-operative bank for lending to the extent of 72 per cent i.e. Rs 266 lakhs.

3.16 In the integrated position, on the other hand, a greater part of the time and demand liabilities of the state co-operative bank will have to be maintained in cash or outside the movement and as a consequence a reduced amount only will be available for loans. The position of the integrated bank in regard to the maintenance of liquid funds for the time and demand liabilities of the order of Rs 2148 lakhs, the details of which are given in Annexure XVIII, will be as under:

	Rs Lakhs
Cash Reserve with the Reserve Bank (3%)	64
Cash and Balances with Notified Banks (3%)	64
Investments in Approved Securities (22%)	473
Total	601

In this case, no part of the statutory requirement of 28 per cent (Rs 601 lakhs) is available for lending. Thus, only the balance of 72 per cent of the time and demand liabilities (Rs 2148 lakhs) can be reckoned as available for lending as against 85 per cent available for the purpose under the three-tier structure.

3.17 Assuming that the central banks maintained liquid assets in the manner advised by the Reserve Bank of India, the deposits of the central banks with the apex bank will be Rs 267 lakhs and their investments in approved securities will be Rs 210 lakhs (Annexure XIX). The time and demand liabilities of the state co-operative bank will, therefore, be Rs 505 lakhs instead of Rs 608 lakhs. Correspondingly, only Rs 1740 lakhs will be available for lending which will even then be 81 per cent of the net time and demand liabilities. On an average, therefore, on the basis of the existing deposits position of the central banks a sum of about Rs 3 crores will not be available to the co-operative banking structure in its loan business if the banks were integrated to form one unit. The loss at 2½ per cent representing the dif-

ference between the rate of interest to societies (7½ per cent) and the rate of return on the liquid assets invested in Government and other trustee securities (5½ per cent) will amount to Rs 7.50 lakhs. Therefore, from the point of view of making larger use of the time and demand liabilities for lending, the three-tier credit structure has a specific advantage over the two-tier structure.

3.18 There may be some amount of duplication in the maintenance of relative books and registers, preparation of returns, etc., at these two levels. But we do not consider that there would be any worthwhile savings in terms of cost, as even if there were no central banks, the branches of the state co-operative bank will have to keep these records to keep a daily watch on the liquidity position and submit the returns to the head office instead of the central banks as at present submitting them to the Reserve Bank.

Local Involvement

3.19 The absence of local involvement in assisting the institutions in the proper assessment of credit needs, raising of resources, recovery of loans, etc., is a disadvantage in the two-tier system. The central banks can claim the services of directors on the boards of management, who represent various interests in the areas served by the banks to raise resources etc. The ensuing chapter deals with this aspect.

SUMMING UP

3.20 From the foregoing account, it seems that the establishment of one unit by integrating the central co-operative banks with the state co-operative bank will enable that unit to present a better image of itself to the depositing public because the owned funds, deposits, loans and advances and the working capital of the unit will be comparable to that of a medium-sized commercial bank. but, at the same time, it will carry on its balance sheet the burden of higher overdues which may, to some extent, tarnish its image. The unit will be in a position to declare a higher rate of dividend than most central banks in the state. This will help reduce the cost of borrowing to the societies directly or indirectly. We have to set off against these advantages the possible increase in the cost of establishment and the loss that will arise from having to main-

tain a higher percentage of liquid assets. Taking all these aspects into account, the two-tier structure may be able to reduce the cost of funds to primary societies by not more than 0.25 per cent. We feel that such a nominal reduction in the rate of interest charged to the ultimate borrower should not be the deciding factor on the question whether the central bank could be done away with. We consider that there are certain other factors which are far more important and which may, despite the possibilities of a reduction in the rate of interest, justify the continuance of the units at the intermediate level.

CHAPTER IV

JUSTIFICATION FOR AND THE PERFORMANCE OF CENTRAL CO-OPERATIVE BANKS

4.1 WE propose to consider in this Chapter the factors that may justify the need for a central bank and the performance of the central banks in Kerala in the light of these factors which emanate from the autonomous and democratic character of the institutions and enable the board of directors to play a positive role in their working.

Advantages of a Middle Tier

4.2 There are, in our view, three major considerations in favour of the central banks which being district level organizations and consisting largely of elected representatives of affiliated societies, could lend support in a variety of ways to the growth of the co-operative credit movement and to the development of agriculture. These are:

- (i) Firstly, non-official directors by virtue of their local standing and influence could help the central bank in deposit mobilization.
- (ii) Secondly, the non-officials would also be in a position, by virtue of their local knowledge and interest, to appreciate and assess, according to priority, the demand for production credit in their areas and also take the steps necessary to meet the demand effectively.
- (iii) Thirdly, for the same reasons, they would be in a better position not only to ensure the end-use of credit but also exert pressure and see to the recovery of loans on the due dates.

Briefly it is thought that a central co-operative bank organized as an independent democratic unit for a district and functioning close to the primaries which are its constituents and with intimate mutual ties both as regards membership and working will have an edge over a state co-operative bank operating through bureaucratically controlled district branches in matters particularly of resource mobilization, responsiveness to local needs and recovery of loans. In our view these three aspects of its working are basic

and fundamental and constitute the main justification for the continued existence of a central co-operative bank as an independent democratic institution at this level of the structure.

PERFORMANCE OF CENTRAL BANKS

4.3 During the visits to some of the central co-operative banks we tried particularly to assess the actual performance of the central banks and the role of the boards of directors in the light of these basic tests justifying the three-tier system and we give in the following paragraphs an account of the position obtaining in respect of each of these three aspects.

Deposit Mobilization

4.4 Ever since the inception of co-operative movement and the organization of co-operative banking structure, the need for collection of deposits had not received the same urgent consideration as disbursement of credit. The emphasis was more on share capital than on deposits and the mechanism, as it developed, of linking the share capital to borrowings though it served a specific purpose also tended to relegate deposit collection to the background. With the Reserve Bank financing agriculture in a big way at concessional rates of interest, the incentive for raising deposits by co-operatives particularly at the level of central banks became further weakened. The central banks, therefore, began to use their deposits increasingly for non-agricultural purposes as it gave them a wider margin, relying on the Reserve Bank's concessional finance for meeting a bulk of their agricultural credit requirements. The Reserve Bank had, however, all along impressed on the central banks the need to mobilize deposits and reduce their dependence on borrowed funds. The stipulations such as non-overdue cover for the borrowings from the Reserve Bank and minimum involvement in agricultural loans out of the banks' own resources were intended to achieve this end.

4.5 We are not sure that these lessons have gone home and the managements of the banks have made the desired efforts in this direction. The performance of the central banks in the state, no doubt, compares favourably with that in the rest of the country. As against the all-India average growth rate in deposits of 12 per cent, the central banks in the state have recorded an average

annual increase of 20 per cent during the two years ended 1971-2. Excepting Malappuram Central Bank which was formed only in 1970 and the Trivandrum Central Bank, the banks had deposits of more than Rs 1 crore each as at the end of June 1972. This, however, is no matter for complacency if one considers the potential and the growth of deposits of commercial banks in the state which was about 25 per cent during the period. Individually, also, the performance of the central banks varies widely from bank to bank. In the case of the Trichur and Trivandrum Central Banks, the increase was much less than the state average. There were more than 150 centres with a population of 5000 and above which were not served by any branches of the central banks. In the districts of Cannanore, Calicut and Trivandrum, the population served per branch was even higher than 2½ lakhs. The quantum of deposits held by individuals is the real indicator of the efforts of the management in resource mobilization. In the case of Cannanore, Ernakulam, Kottayam, Palghat, Quilon, Trivandrum and Trichur Central Banks the percentage of deposits from individuals to the total deposits had actually declined during the last two years. The deposits of individuals were less than even 50 per cent of the total deposits in Cannanore, Kottayam, Palghat and Trivandrum Central Banks. Current deposits which should help lower the cost of funds formed hardly 15 per cent of the total deposits in the case of all banks excepting Cannanore, Kottayam and Trivandrum.

4.6 We had long discussions on this subject with the directors of the central banks visited by us and it was quite clear to us that not all directors, individually and as a body, had come to realize in equal measure the imperative need to make every possible effort to tap deposits. Apart from historical reasons for the inertia displayed so long by the banks' managements in deposit mobilization, certain factors which stood in the way of a more rapid growth were pointed out to us during the discussions. The delay in the extension of deposit insurance cover to deposits of co-operative banks was cited as a major setback. It was also pointed out that unlike commercial banks the co-operative banks were not scheduled banks which to some extent lowered their status in the eyes of the depositing public. Another reason alleged for the slow growth of deposits particularly in recent years was the competition from the commercial banks which have made a

vigorous thrust in rural areas, especially after nationalization. The commercial banks may be in a better and stronger position to provide a wider range of facilities and services to the depositing public but the co-operatives also can take greater initiative in doing so and besides it should not be forgotten that they enjoy certain advantages over commercial banks which, if properly stressed, could bring them more deposits. The directors with their local leadership and influence and intimate connexion with rural business should be able to attract rural savings in a larger measure.

4.7 What we felt during the discussions was that the directors of central banks were not, by and large, as much alive to these possibilities, or to the need of their direct participation in these endeavours, as they should have been. They appeared to be content with showing the large deposits that the primary credit societies, of which they were also directors, were able to collect. It is creditable that the primary societies in the state have the highest average for deposits in the country. But this should not have deterred them from canvassing deposits for the central banks because the clientele of the two would be to some extent different and the central bank would be able to offer certain facilities and services which the primaries cannot give. We are led to believe that with a better sense of personal responsibility and initiative and with more organized effort, the directors, by virtue of their place in the democratic management of the institution, could have mobilized more deposits in their banks than now. Barring some commendable exceptions, we did not come across much evidence of such personal effort on the part of the directors or any planned campaign or preparation of special projects for deposit collection by the boards of the central banks. There was an inclination to take shelter under the alleged fear that the new branches, if opened, might prove uneconomic especially as the government subsidy that used to be given for such purposes had been withdrawn. We feel, however, that despite all these, there is considerable scope for expansion of activities in the field of deposit mobilization if the directors bestir themselves in the task and take up the work in a more earnest manner befitting their role as leaders of democratic institutions. We have noted that very recently, some awareness to this need has come to be felt by the directors following the Reserve Bank's decision for linking interest

cost with the deposits mobilized and used in agricultural loans with effect from 1 July 1973, and the state government's Treasury Savings Banks Scheme introduced from 1 February 1973. The scheme is for accepting savings and fixed deposits at competitive rates of interest from individuals and institutions, which is very likely to wean away certain categories of deposits like abkari (excise), chitty securities, toddy tappers deposits, etc., which normally and hitherto found their way to the co-operatives.

Credit Support for Agriculture

4.8 We have given in Chapter II an account of the performance of the central banks in the dispensation of credit for agricultural production etc. We have seen that the central banks in the state advanced short-term agricultural production loans of Rs 24 crores in 1971-2. The per hectare advance for the state as a whole at the level of central banks was Rs 77. In the case of all the banks excepting Trichur, Ernakulam and Alleppey the per hectare advance was less than the state average, the lowest being that of Trivandrum at Rs 48. The performance of the central banks has to be judged with reference to the extent of the credit gaps region-wise and crop-wise in each of the districts served by them.

4.9 As for area-wise credit gaps we found that more than three-fourths of the total number of blocks in the state i.e. 111 out of 144, were not being adequately financed by the concerned

Name of the district	Total No. of blocks	No. of blocks with credit gap above 50 per cent
1. Alleppey	17	13
2. Cannanore	12	8
3. Ernakulam	17	12
4. Kottayam	14	12
5. Kozhikode	14	13
6. Malappuram	13	10
7. Palghat	11	10
8. Quilon	17	14
9. Trichur	17	7
10. Trivandrum	12	12
Total	144	111

central banks. The table on page 46 sums up the district-wise position of the number of blocks where the credit gap is more than even 50 per cent of the estimated credit requirements to be met by the central banks. Thus, more than 75 per cent of the blocks in the state were much neglected. Of all the central banks in the state the Trichur Bank has the smallest number of blocks with more than 50 per cent gap. But this may be considered as more apparent than real when account is taken of the relatively higher scales of finance obtaining in that bank and also of the disproportionate accommodation provided by it for certain crops like arecanut.

4.10 As for financing of different crops grown in the districts, it was observed that certain crops like banana, tapioca, arecanut and coconut were being financed very much out of proportion to the area under these crops. We have referred to in this connexion in Chapter II, a statement (Annexure IX) showing the cropped area, the accommodation provided for different crops by each of the central banks and the eligibility of such crops for loans as per scales of finance. It may be seen from the statement that the entire accommodation from the Trivandrum Central Bank during the year 1971-2 was given for tapioca which accounted for only 29 per cent of the area under cultivation as against the eligibility for this crop at only 32 per cent of the loans as per scales of finance. Paddy which accounted for 16 per cent and coconut 32 per cent of the cropped area (the eligibility being 42 per cent) did not receive any finance at all. The Ernakulam Central Bank advanced 45 per cent of its loans to banana which was cultivated only in 1.2 per cent of the cropped area. Granting that the credit requirements of banana will be more as the scale of finance for this is higher, it could claim at the most only 4 per cent of the loans. On the other hand, paddy which was grown in about 34 per cent of the cropped area and which could claim 29 per cent of the loans had actually received finance for less than 2 per cent. Similarly, in the case of the Trichur Central Bank the advances for paddy formed only 9 per cent of the total advances although paddy was the principal crop of the district accounting for 45 per cent of the cropped area and eligible for 38 per cent of the loans. More than 25 per cent of its advances were for arecanut which was grown in only 5 per cent of the area and could claim only 8 per cent of the loans. The Kottayam Central Bank had

advanced 57 per cent of its loans for banana as against the eligibility of this crop at just 5 per cent only. In the case of Palghat Central Bank, tapioca was cultivated in 3 per cent of the cropped area but the bank had advanced 20 per cent of its loans for this crop. The entitlement of this crop for loans in relation to the scale of finance would be about 4 per cent only. The Malabar Central Bank provided 35 per cent of its advances for banana which was cultivated in less than 2 per cent of the cropped area of the district. This crop could claim at the most only 4 per cent of the total advances. Paddy on the other hand accounting for 24 per cent of the cropped area received less than 2 per cent of the advances. In Cannanore, tapioca had received 32 per cent of the advances as against less than 2 per cent it would be entitled to as per the scale of finance. Paddy which was the principal crop received only 11 per cent of the advances as against its eligibility for 28 per cent. Thus it would be seen that certain crops like banana, arecanut, tapioca, etc. had received much more finance than they were eligible for and obviously at the expense of certain other crops like paddy.

4.11 Further, in the case of Ernakulam and Kottayam Central Banks the over-financing was very much in excess of the credit requirements for the cropped area in the respective districts for certain crops. Even assuming that 40 per cent of the cropped area under banana belonged to members of societies, the Ernakulam Central Bank should have advanced as per its scales of finance only Rs 48 lakhs for this crop. As against this, the actual advances for the crop amounted to Rs 131 lakhs. The excess financing, therefore, is of the order of Rs 83 lakhs. Assuming that the area involved in excess finance would be the quotient of this amount divided by the scale of finance for banana, it would work out to 2228 hectares. Assuming further that this area was financed say for paddy at the scale of finance applicable to this crop, the quantum of loans involved would only be Rs 21 lakhs. Obviously the excess finance of Rs 62 lakhs should be treated as advances used for purposes other than agriculture. Thus, of Rs 131 lakhs shown as advance for banana, only Rs 69 lakhs (Rs 48 lakhs for banana and Rs 21 lakhs for paddy) can be taken as the amount actually provided for agricultural purposes. While assessing the credit support provided by the central bank, we have to reckon only this amount. For this reason a sum of Rs 62

lakhs in the case of the Ernakulam Central Bank and Rs 49 lakhs in the case of the Kottayam Central Bank may have to be deducted from their total advances so as to compare only the advances that could be legitimately considered as having been made for agricultural purposes with the estimated credit needs expected to be met by them. It would be seen from the figures given in Annexure VI that the credit gap if reckoned on this basis, widens from 75 per cent to 78 per cent in the case of the Ernakulam Central Bank and from 77 per cent to 80 per cent in the case of the Kottayam Central Bank.

4.12 When this matter was discussed with the directors of the central co-operative banks during the course of our visits, the explanation given by them was that borrowers received financial accommodation for growing such crops as banana, arecanut etc., but applied a portion of it for growing paddy which is the major crop in most of the districts and that this had been done by the borrowers with a view to taking advantage of the higher scales of finance which these crops attracted as compared to paddy. There is no evidence, however, to support their contention in the credit limit statements. Even granting that this is so, this has resulted in the borrowers receiving finance much more than their requirements for agricultural operations. If accommodation is provided strictly on the basis of actual cropped area and specific crops grown, the central co-operative banks would have been able to provide credit facilities to a larger number of members of societies who had not borrowed at all and who had been newly admitted as members.

4.13 It appeared to us that the boards of directors of most of the central banks did not show sufficient awareness to the growing regional imbalances in the provision of credit and also to the financing of certain crops on a disproportionate scale at the expense of certain other, perhaps, more essential crops. Apart from the insufficient awareness on the part of the directors to the purposive and meaningful distribution of the scarce resources, the reason for this complacency could possibly be traced to the absence of directors on the boards of central banks in adequate number to represent the primary agricultural credit societies. In the case of the Trichur Central Bank, none of the directors represented agricultural credit societies. In five other banks viz.,

Alleppey, Kottayam, Malabar, Quilon and Trivandrum, the number of directors representing agricultural credit societies was less than the number representing the other types of societies. It was, therefore, likely that the directors representing either other category of societies or other interests did not pay the required attention to the development of agricultural credit and also did not mind a good part of the advances being utilized for non-agricultural purposes when there was ample scope for issuing loans for agricultural purposes. We are convinced that the interests of the primary agricultural credit societies could be well served if such societies are better represented on the boards of management of central banks.

4.14 The by-laws of the central co-operative banks provide for representation on the boards on a taluka-wise basis. The by-laws of the Trivandrum District Co-operative Bank, for instance, provide for two directors representing societies in each taluka to be elected at a meeting of the general body, one director to be nominated by the Kerala State Co-operative Bank and two directors to be nominated by the Registrar of Co-operative Societies. The provisions in the by-laws of other central banks are similar. It will be noted that directors elected by the general body need not necessarily be delegates of primary agricultural credit societies. Normally, representation is given with reference to certain important category of societies affiliated to a bank and primary agricultural credit societies get a greater representation than the other category of societies. This is so because the central co-operative bank really speaking is a federal body largely of primary agricultural credit societies and mainly concerned with the provision of agricultural credit. Then only it is possible for the primary agricultural credit societies to have a greater say in the management of the affairs of the central bank. The by-laws of the central banks need to be amended to provide for adequate representation on their boards to primary agricultural credit societies. The inadequacies of agricultural credit partly stem from insufficient knowledge and awareness of agricultural finance, policies and operating techniques on the part of directors of the central banks. To remedy this deficiency it would be advisable for the state co-operative bank in collaboration with the state co-operative union and the central banks to hold periodical seminars for bank directors at convenient regional centres.

Recovery of Loans

4.15 In the matter of recovery of loans also the central banks did not seem to have made serious and concerted efforts. Firstly, the percentage of overdues to demand of the central banks recorded an increase from 20 to 27 during the two year period ending 1971-2. In the case of six central banks viz., Cannanore, Kottayam, Malabar, Malappuram, Palghat and Quilon, the percentage of overdues to demand for the year 1971-2 was higher than 20, the highest being that of the Malabar Central Bank at 52. A bank-wise account in this regard may be seen in Annexure X. Secondly, the recoveries effected in some banks were to some extent by book adjustment. Again, the position of recoveries appeared better because of irregular extensions. The Ernakulam, Trichur, Malappuram, Malabar and Trivandrum Central Banks were some of these falling in this category. Lastly, barring some banks, the repayment performance from the societies was not generally being periodically reviewed by the boards of directors followed by stern measures for recovery against the defaulters and the banks had not seen to the launching of regular collection drives and timely coercive action.

CENTRAL BANKS: NEED FOR DYNAMIC ROLE

4.16 In the foregoing study we have endeavoured to make a careful assessment of the role of the central co-operative banks in the hierarchy of the co-operative credit structure in the state. Our main standpoint is that a central bank, as the federal head of the primaries in the district, has a special responsibility to keep the credit system in efficient working order and meet the credit needs of agriculture as fully and promptly as the situation demands. To the extent it has succeeded in meeting this demand by raising the necessary resources for the purpose and channelling these resources so as to ensure an even and adequate spread of credit over the different areas and crops of the region, we would consider that the bank has justified its existence. By the same token, if there are serious shortfalls in this direction, we would conclude that the central bank is not properly geared for its role in the co-operative credit structure. Our findings show that in a substantial number of blocks in the state the credit gap exceeds 50 per cent of the requirements of the members of societies in the area, and there are many banks where there exists a maldistribu-

tion of funds as between the different crops, leading to heavy over-financing of some and underfinancing of others, particularly paddy. This would naturally call for drastic action at all levels of operation, and particularly at the level of the central bank because in the planning and allocation of funds for agriculture, the role of the district level institution is more vital, as individual primary societies are generally not sufficiently equipped to plan for themselves and the state level institution is far too removed from the primaries to effectively respond to their needs. If a central bank fails to fulfil this task and credit distribution becomes as a result both inadequate and lop-sided, there is no alternative except for the state level institution to step in and by suitable organizational adjustments take over the work of that central bank.

4.17 We are not inclined to recommend such a drastic step for the following reasons. Although the present role of the directors has largely belied the hopes of the Maclagan Committee, viz., "local enthusiasts would work with a keener sense of responsibility and zeal for their own independent bank than for a branch of the provincial bank", we feel that the shortcomings in their role are remediable factors and a greater involvement can be brought about by a better understanding and appreciation of the role expected of them. An increasing awareness of the need for self involvement in deposit mobilization is now growing in them. Our enquiry about the credit gaps had also brought about a sense of realization on their part about the existing inadequacies and the need for early rectification. In the circumstances, it would be reasonable to expect that given some time and opportunity, the boards of directors would rouse themselves in the directions indicated and fulfil their obligations. Besides, our discussions with the board of directors of the Kerala State Co-operative Bank and our study of its organizational pattern has also revealed the limitations of that bank stepping in immediately to fill in the credit gaps in such a large number of blocks in the state, if called upon to do so. The bank has not built up a cadre for its own purpose and will have the problem of finding competent personnel for management of its branches in the districts.

Action Programme By Each Central Bank

4.18 It is for these reasons that we feel that the central banks

should be given some time to address themselves earnestly to the task of rectifying the position. As a part of its endeavour, we suggest that each central bank should institute a study to assess more precisely than we have been able to do the block by block credit needs of agriculture, initiate action to meet them by enlarging the membership of the primary credit societies and by meeting the demands of the existing members adequately and according to their cropping pattern and finally review the achievements made block-wise every year so that correctives are applied immediately to ensure that the existing imbalances are remedied and no new ones develop.

FURTHER REVIEW

4.19 We recommend further that after a period of 5 years i.e. 1977-8, the position in each central bank should be reviewed by another Study Team to find out the progress made by the banks in meeting the credit gaps prevailing in each block at present. We feel that a central bank should by then meet at least 50 per cent of its share of the credit requirements of members (which in other words would be equal to only 45 per cent of the estimated credit needs of the members), estimated with reference to the scales of finance obtaining in 1977-8, in at least 75 per cent of the blocks in the district, while in the remaining 25 per cent of the blocks the same level of credit support to the societies as in 1971-2 should be maintained. At the same time, the central co-operative bank should ensure that the maldistribution of funds as between different crops is eliminated and the qualitative aspects of lending which have been commented on by us are not sacrificed in the process of achieving the suggested levels of lending.

4.20 It is our estimate that for complying with the above requirement the central co-operative banks may have to step up their short-term agricultural loans from Rs 24 crores in 1971-2 to about Rs 44 crores in 1977-8. Even assuming that the societies would, as in 1971-2, meet 10 per cent of the total loans i.e. about Rs 5 crores out of their own resources, the total loans to members by 1977-8 would be about Rs 49 crores. The table on page 54 indicates the district-wise break-up of the estimate of Rs 49 crores, as also the shares of the central banks and the societies.

Rs Lakhs

District/ Bank	Loans in 1971- 2 by cen- tral bank	Loans of central bank in 25 per cent blocks at 1971-2 level @	Loans in the re- maining 75 per cent blocks at the recom- mended level*	Total loans of central bank (col. 3+ col. 4)	Loans by so- cieties	Grand total for the dis- trict (col. 5+ col. 6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Alleppey	225	56	345	401	45	446
Cannanore	250	63	450	513	57	570
Ernakulam	291	73	325	398	44	442
Kottayam	250	63	385	448	50	498
Malabar (Kozhikode)	155	39	430	469	52	521
Malappuram	168	42	330	372	41	413
Palghat	173	43	375	418	46	464
Quilon	256	64	426	490	54	544
Trichur	500	125	392	517	57	574
Trivandrum	118	30	356	386	43	429
Total	2386	598	3814	4412	489	4901

@ One-fourth of the advances of the bank in 1971-2, as in column 8 of Annexure VI.

* Three-fourths of 50 per cent of the central bank's share of credit requirements as in column 7 of Annexure VI.

It is possible that in a block or district some societies are able to meet a greater part of the credit needs out of their own resources than the estimated 10 per cent while others may be in need of larger assistance from the central co-operative banks, in attaining the total level of advances in 1977-8. We, therefore, suggest that the share of a central bank may, if necessary, be reduced correspondingly if the primary credit societies in its area exceed their share of the total estimated loans. Similarly, the central bank should make good the deficit, if any, in the share of the primaries so that the recommended level of advances for the district as a whole is reached by 1977-8.

4.21 The estimate of Rs 49 crores has, however, been worked out with reference to the existing representative scales of finance

and the cropped area as indicated in para 2.21. It is likely that both the scales of finance and area under the different crops will undergo a change in course of time. It is needless to say that for assessing the performance of the banks in regard to the attainment of the recommended levels of lending *vis-a-vis* the estimate of credit requirements of members of societies, the scales of finance obtaining in 1977-8 and the actual cropped area in that year will be relevant.

AMALGAMATION

4.22 If the review reveals that the central banks have not met the credit requirements and also rectified the maldistribution in the financing of different crops in the manner indicated by us and that the situation is in large parts attributable to the deficiencies in the working of the central bank and the role of the board of directors and not due to the failure or inadequacies of the infrastructure e.g., natural calamities like famine and drought, shortages of fertilizers and other supplies which could be considered factors beyond its control, the recalcitrant central bank, should be summarily amalgamated with the state co-operative bank and the latter should, with such strengthening of its infrastructure as may be necessary for the purpose, take up direct financing of the primaries in the district. Our recommendation for a review is related basically to the criterion of credit gap because for increasing their advances, the banks will have to necessarily augment their resources, ensure proper deployment thereof and also improve recovery. Credit targets can be achieved only if resources are adequate for lending and defaults are within reasonable limits.

CENTRAL BANKS: NEED TO COME UP TO EXPECTATIONS

4.23 We would like to make it clear that the introduction of the two-tier system of co-operative credit in the state will largely depend upon the performance of the central co-operative banks in the next 5 years. If they come up to the levels of lending indicated above without sacrificing the qualitative aspects in the context of norms spelt out by us, the central banks would have justified their existence and we see no reason why the existing three-tier pattern should not be continued.

CHAPTER V

SUMMARY OF RECOMMENDATIONS

5.1 **STEPS** should be taken to increase the income earning capacity of the central co-operative banks which are not presently able to declare a reasonable dividend on their share capital. Among the measures that could be considered in this regard are (i) control over the expenditure on establishment; (ii) profitable use of funds; (iii) a reduction in the rate of interest charged by the state co-operative bank (say $\frac{1}{4}\%$) with a view to increasing the margin available to central banks*; and (iv) better mobilization of deposits.

5.2 Management of funds in so far as it relates to compliance with the requirements of the Banking Regulation Act is the responsibility of the chief executive officer of the central bank. The large surpluses in liquid assets, even over the optimum level, noticed in the working of the central banks can be avoided if the chief executive is a qualified and competent person well-versed in banking techniques. Suitable training in these matters to the chief executive and other key personnel of the central banks would be necessary. In this connexion, the creation and maintenance of a common cadre of qualified and well trained/senior personnel for the central banks, by the state co-operative bank, is recommended. It will be advantageous if the Kerala State Co-operative Bank in collaboration with the Reserve Bank of India arranges periodic refresher courses for the benefit of those who are already in the service of the central banks so that they are conversant with the latest policies and procedures governing the banks.

* It is understood that the Kerala State Co-operative Bank had reduced the rate of interest by $\frac{1}{4}\%$ with effect from 1-7-73 but the benefit was meant to increase the margin available to the primaries.

5.3 The expenditure incurred by some central banks by way of sitting fees, travelling and halting allowances, etc., to their directors, wherever found to be unduly high i.e. forming more than 0.5 per cent of the gross income, can be reduced by regulating the meetings of the board and executive committee. Normally, it should be adequate if the board meets once a quarter and the executive committee once or twice a month to sanction loans and advances and to discuss primarily policy matters. In general, all matters relating to staff excepting those specifically reserved for the board or the committee under the service rules approved by the Registrar, should be left to be disposed of by the chief executive of the bank. This may necessitate delegation of certain powers to the chief executive, which the board or committee may be enjoying at present.

5.4 A substantial portion of the liquid assets of central banks is available to the state co-operative bank for lending. Eighty-five per cent of the time and deposit liabilities of the state and central co-operative banks as on 29 June 1972 was available for lending whereas under the two-tier system, only 72 per cent would be available for the purpose. Hence from the point of view of making use of the deposit liabilities for loans and advances, the three-tier credit structure has a specific advantage over the two-tier structure.

5.5 An advantage accruing to the two-tier credit structure following the integration of the central co-operative banks with the state co-operative bank would be to present a better image of the integrated institution in the eyes of the public but this may be to some extent affected as its balance sheet will reflect the whole of the overdues against primary societies. The other advantage of a nominal reduction in the rate of interest charged to the ultimate borrower, as a result of the integration, should not be the deciding factor on the question whether central banks should be done away with. The disadvantages of the three-tier structure relating to return on share capital, expenditure on board of directors and management of funds etc., are of a remediable nature as far as the working of central banks is concerned.

5.6 There is need for an earnest and positive effort on the part

of the directors to involve themselves in the collection of deposits, a responsibility deriving from the democratic nature of the management of central banks. There should be a planned programme for mobilization of deposits. There is also need for collecting deposits from individuals on a larger scale, which is a real indicator of the efforts in resource mobilization. Greater importance should be given to resource mobilization in the form of current deposits which will enable the central banks to reduce the average cost of funds. The banks should also programme for opening more branches with special attention to unbanked and inadequately served areas.

5.7 The boards of directors have a positive role to play in ensuring the supply of adequate credit for agriculture. The credit support extended by all the central banks put together was only Rs 24 crores in 1971-2 as against the estimated credit requirements of members of societies at Rs 114 crores. In more than three-fourths of the number of blocks in the state the credit gap was above 50 per cent of the requirements. Apart from the need for steps to correct the regional imbalances in the provision of credit, the directors should ensure that the maldistribution of funds as between different crops which has led to overfinancing of certain crops and under-financing of others, is rectified. It would be advisable for the state co-operative bank in collaboration with the state co-operative union and the central banks to hold periodical seminars for the bank directors at convenient regional centres so that they become well acquainted with the policies and procedures of agricultural finance and other related matters.

5.8 The directors on the boards of central banks are elected on a taluka-wise basis to represent societies in the area. In many cases the boards were not adequately representative of the interests of the primary agricultural credit societies and did not pay the required attention to the development of agricultural credit. The primary agricultural credit societies should have a greater say in the management of the affairs of the central banks. The by-laws of the central banks may be amended to provide for adequate representation on their boards to the primary agricultural credit societies.

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

5.10 A period of 5 years should be allowed to the central co-operative banks for improving their working in matters such as deposit mobilization, lending for agriculture and recovery of loans. Each central bank should institute a study to assess precisely, block by block, the credit needs of agriculture, initiate action to meet them by enlarging the membership of the primary credit societies and by meeting the demands of the existing members adequately and according to their cropping pattern and finally review the achievements made block-wise every year so that correctives are applied immediately to ensure that the existing imbalances are remedied and no new ones develop.

5.11 A review of the entire position may be made at the end of 1977-8 by another Study Team to find out the progress made by the banks in meeting the credit gaps. Each central bank should meet by 1977-8, at least 50 per cent of its share of the estimated credit requirements of members of societies for the cropped area with reference to the scales of finance in vogue at that time in 75 per cent of the blocks in the district and at the same time maintain in the remaining 25 per cent of the blocks at least the same level of lending as in 1971-2. It is estimated that for complying with these requirements the central banks would have to step up their short-term agricultural loans to about Rs 44 crores. The share of the central banks, on a district-wise basis, would be reduced or increased correspondingly if the primary agricultural credit societies exceeded or fell short of their share of the total loans estimated for the state as a whole at about Rs 5 crores. In short the central banks and the societies should together step up their loans from Rs 26.5 crores in 1971-2 to Rs 49 crores in 1977-8. If the review revealed that a central bank had not attained the suggested levels of advances and had not eliminated the maldistribution of funds as between different crops and that the failure could largely be attributed to the

deficiencies in its own working and not to certain factors which could be considered extraneous and beyond its control, it may be amalgamated with the state co-operative bank and the latter may itself take up the financing of primary societies in the concerned district. It should also be ensured at the time of review that the recommended levels of lendings are achieved without sacrificing the qualitative aspects of such lendings.

Chairman: C. D. Datey

Members: B. V. K. Menon, M. S. Menon, K. S. Bawa,
P. G. Muralidharan, T. R. Sankara Pillai

Member-Secretary: M. V. Hate

Bombay
17 August 1973

ANNEXURE I

Financial Particulars of the Kerala State Co-operative Bank

	Rupees Lakhs		
	30-6-70	30-6-71	30-6-72
Share Capital	114	139	154
Reserves	95	122	142
Owned funds	209	261	296
Percentage to working capital	13	12	12
Deposits:			
Total	402	427	577
Current	80	63	58
Others	322	364	519
From:			
Co-operatives	370	391	504
Others	32	36	73
Percentage of deposits from co-operatives to total deposits	92	92	87
Borrowings	1053	1506	1621
Working capital	1658	2188	2487
Investments	111	154	227
Loans issued:			
Total	1752	2344	2610
Short-term agricultural	1179	1625	1947
Medium-term agricultural	41	59	28
Others	532	660	635
Loans outstanding:			
Total	1511	1967	2209
Short-term agricultural	1048	1373	1581
Medium-term agricultural	129	108	80
Others	334	486	548
Overdues:			
Total	13	13	11
Over three years	4	4	4
Percentage of overdues to total outstandings	0.9	0.7	0.5
Profit	15	22	28
Percentage of profit to working capital	0.9	1.0	1.1
Dividend declared (per cent)	5½	6	6

A N N E X U R E II

Comparative Position of Scales of Pay in the State and Central Co-operative Banks

<i>State Co-operative Bank</i>		<i>Central Co-operative Banks</i>		
Designation	Scale of pay	Designation	Scale of pay	
			Lowest	Highest
Chief Executive Officer (Secretary)	No scale fixed	Chief Executive Officer (Secretary/General Manager/Manager)	400-750	550-1100
Deputy Secretary	550-1000	Assistant Secretary/Deputy General Mana- ger/Head Office Manager	300-600	400- 800
Manager/Development Officer	450- 900	Executive Officer/Chief Accounts Officer/ Development Officer/Inspector of	250-500	350- 750
Chief Accountant/Chief Cashier	350- 700	Branches		
Assistant Development Officer/ Accounts Officer	310- 620	Branch Manager/Marketing Officer/Chief Accountant/Statistical Officer/ Superintendent	200-400	250- 660
Senior Assistant	255- 500	Chief Cashier/Accountant/Head Clerk/ Special Inspector/Section Officer	150-300	175- 600
Junior Assistant/Cashier	190- 400	Senior Inspector/Senior Clerk	120-280	165- 460
Clerk	130- 300	Junior Accountant/Junior Inspector	100-270	110- 400
Peon/Watchman etc.	110- 215	Assistant Cashier/Clerk	80-250	90- 300
		Peon/Watchman etc.	60-130	80- 230

A N N E X U R E III

*Important Financial Particulars of Central Co-operative Banks for the Years
1969-70 to 1971-2*

Rupees Lakhs

Sr. No.	Name of the bank	No. of branches excluding H.O.			Owned funds								
					Share capital			Reserves			Total		
		30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
1	2	3a	3b	3c	4a	4b	4c	5a	5b	5c	6a	6b	6c
1	Alleppey	9	12	12	43.67	54.88	61.20	12.74	14.88	16.51	56.41	69.76	77.71
2	Cannanore	7	8	8	41.00	44.66	72.29	10.54	11.86	13.63	51.54	56.52	85.92
3	Ernakulam	8	9	10	41.71	52.39	77.27	9.40	10.62	14.98	51.11	63.01	92.25
4	Kottayam	5	7	7	37.41	41.50	63.21	7.92	9.19	9.57	45.33	50.69	72.78
5	Malabar	6	5	6	70.12	64.60	65.12	20.10	17.80	19.01	90.22	82.40	84.13
6	Malappuram*	4	6	6	32.40	38.50	48.48	6.41	7.13	7.70	38.81	45.63	56.18
7	Palghat	7	6	6	52.29	43.53	54.96	13.72	14.63	15.27	66.01	58.16	70.23
8	Quilon	8	8	15	47.70	61.91	89.55	10.55	12.81	15.33	58.25	74.72	104.88
9	Trichur	8	8	8	58.78	67.40	90.11	16.35	19.15	20.81	75.13	86.55	110.92
10	Trivandrum	7	7	7	25.45	30.89	44.61	5.58	6.06	6.61	31.03	36.95	51.22
Total		65	76	85	418.13	500.26	666.80	106.90	124.13	139.42	525.03	624.39	806.22

*Position as on 30-6-70 relates to 1-7-70 (date of starting the bank) hence figures shown are not included in the totals.

Sr. No.	Loans issued during the year			Loans Outstanding			Overdues		
	1969-70	1970-71	1971-2	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
	10a	10b	10c	11a	11b	11c	12a	12b	12c
1	325.92	322.87	457.54	236.61	285.82	310.30	55.98	107.66	80.32
2	415.18	544.66	689.06	247.17	295.05	411.13	50.28	67.45	57.34
3	539.75	545.35	749.91	273.50	392.81	490.52	21.36	28.88	65.01
4	308.48	409.07	422.66	206.91	257.37	362.96	47.15	51.20	85.08
5	322.86	361.96	259.99	534.29	543.49	553.76	133.36	103.89	212.90
6	—	403.86	543.09	201.56	225.39	265.24	36.24	50.38	53.92
7	1233.48	823.89	840.92	316.10	259.85	299.15	23.09	52.07	60.07
8	512.13	409.47	458.08	381.90	414.76	494.36	39.48	121.98	134.92
9	388.63	366.39	536.34	441.75	501.29	611.08	51.20	99.03	70.42
10	220.41	238.96	269.57	150.51	213.97	257.08	30.37	30.79	44.68
Total	4266.84	4426.48	5227.16	2788.74	3389.80	4055.58	452.27	713.33	864.66

Sr. No.	Deposits			Borrowings			Working capital		
	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
	7a	7b	7c	8a	8b	8c	9a	9b	9c
1	128.60	162.84	219.21	116.97	132.96	117.66	302.07	358.76	406.47
2	115.79	118.81	165.58	123.19	167.31	201.25	416.27	468.24	466.49
3	184.43	194.97	267.00	118.72	215.55	275.18	348.48	467.76	627.20
4	152.14	158.55	230.56	80.64	129.49	162.95	273.64	331.34	462.53
5	279.44	253.07	256.14	261.00	286.10	317.16	630.48	620.04	657.56
6	58.91	75.08	98.46	133.26	142.96	145.34	234.08	267.32	304.34
7	164.04	144.73	187.29	135.71	133.33	110.74	382.72	347.47	385.27
8	143.52	155.70	208.48	241.70	265.39	282.63	420.50	470.30	568.33
9	168.41	187.07	232.74	295.25	314.36	367.65	534.70	581.16	724.07
10	58.65	62.98	78.86	85.25	141.44	169.52	183.03	252.51	302.96
Total	1395.02	1513.80	1944.32	1458.43	1928.89	2150.08	3491.89	4164.90	4905.22

Sr. No.	Others			Percentage of current deposits to total deposits			Percentage of individual deposits to total deposits			Percentage increase in deposits as on	
	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-71	30-6-72
	7a	7b	7c	8a	8b	8c	9a	9b	9c	10a	10b
1	119.74	138.56	196.00	6.9	14.9	10.5	51.4	54.0	63.1	26.6	34.6
2	93.74	97.84	135.11	19.0	17.7	18.4	47.4	49.7	45.8	2.6	39.4
3	169.47	171.70	239.75	8.1	11.9	10.2	59.4	52.5	58.5	5.7	36.9
4	127.63	129.35	185.85	16.1	18.4	19.4	54.3	47.3	48.7	4.2	45.5
5	243.43	220.88	235.77	12.9	12.7	8.0	66.2	69.4	69.8	—	1.2
6	—	60.90	86.88	—	18.9	11.8	—	45.1	53.6	—	31.1
7	146.19	127.59	160.16	10.9	11.8	14.5	50.4	50.1	46.3	—	29.4
8	123.56	134.31	176.56	13.9	13.8	15.3	71.4	69.0	69.6	8.5	33.9
9	149.36	173.77	203.24	11.3	7.1	12.7	56.7	58.3	54.9	11.1	24.4
10	47.97	51.71	65.30	18.2	17.9	17.2	48.9	44.6	47.1	7.4	25.2
Total	1221.09	1306.61	1684.62	12.5	13.7	13.4	57.9	56.2	57.1	8.5	28.4

ANNEXURE IV

66

Deposits of Central Co-operative Banks for the Years 1969-70 to 1971-2

Sr. No.	Name of the bank	Rupees Lakhs											
		Individuals			Societies			Total			Current		
		30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
1	2	3a	3b	3c	4a	4b	4c	5a	5b	5c	6a	6b	6c
1	Alleppey	66.10	88.00	138.46	62.50	74.84	80.75	128.60	162.84	219.21	8.86	24.28	23.21
2	Cannanore	54.88	59.10	75.85	60.91	59.71	89.73	115.79	118.81	165.58	22.05	20.97	30.47
3	Ernakulam	109.61	102.39	156.19	74.82	92.58	110.81	184.43	194.97	267.00	14.96	23.27	27.25
4	Kottayam	82.58	74.93	112.23	69.56	83.62	118.33	152.14	158.55	230.56	24.51	29.20	44.71
5	Malabar	184.97	175.57	178.78	94.47	77.50	77.36	279.44	253.07	256.14	36.01	32.19	20.37
6	Malappuram	—	33.86	52.74	—	41.22	45.72	—	75.08	98.46	—	14.18	11.58
7	Palghat	82.31	72.58	86.63	81.73	72.15	100.66	164.04	144.73	187.29	17.85	17.14	27.13
8	Quilon	102.50	107.47	145.13	41.02	48.23	63.35	143.52	155.70	208.48	19.96	21.39	31.92
9	Trichur	95.44	109.00	127.88	72.97	78.07	104.86	168.41	187.07	232.74	19.05	13.30	29.50
10	Trivandrum	28.67	28.11	37.17	29.98	34.87	41.69	58.65	62.98	78.86	10.68	11.27	13.56
Total		807.06	851.01	1111.06	587.96	662.79	833.26	1395.02	1513.80	1944.32	173.93	207.19	259.70

Sr. No.	Other purposes			Total			Percentage of loans for agricultural purposes to total loans outstanding		
	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
	6a	6b	6c	7a	7b	7c	8a	8b	8c
1	61.58	76.81	100.03	236.61	285.82	310.30	74.0	73.1	67.8
2	75.33	94.87	103.05	247.17	295.05	411.13	69.5	67.8	74.9
3	78.60	93.02	106.98	273.50	392.81	490.52	71.3	76.3	78.2
4	53.94	60.14	70.03	206.91	257.37	362.96	73.9	76.6	80.7
5	150.74	192.02	203.55	534.29	543.49	553.76	71.8	64.7	63.2
6	49.65	50.80	48.93	201.56	225.39	265.24	75.4	77.5	81.6
7	135.18	111.90	110.62	316.10	259.85	299.15	57.2	56.9	63.0
8	106.86	105.37	112.64	381.90	414.76	494.36	72.0	74.6	77.2
9	111.60	117.65	122.32	441.75	501.29	611.08	74.7	76.5	80.0
10	86.37	92.37	110.76	150.51	213.97	257.08	42.6	56.8	56.9
Total	860.20	995.05	1088.91	2788.74	3389.80	4055.58	69.2	70.6	73.1

ANNEXURE V

68

*Outstanding Loans and Advances of Central Co-operative Banks for the years
1969-70 to 1971-2*

Rupees Lakhs

Sr. No.	Name of the bank	Short-term Agricultural			Medium-term Agricultural			Total Agricultural		
		30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
1	2	3a	3b	3c	4a	4b	4c	5a	5b	5c
1	Alleppey	153.55	183.38	180.12	21.48	25.63	30.15	175.03	209.01	210.27
2	Cannanore	164.12	195.97	275.91	7.72	4.21	32.17	171.84	200.18	308.08
3	Ernakulam	158.99	263.67	317.75	35.91	36.12	65.79	194.90	299.79	383.54
4	Kottayam	126.83	184.90	279.25	26.14	12.33	13.68	152.97	197.23	292.93
5	Malabar	321.20	323.48	332.88	62.35	27.99	17.33	383.55	351.47	350.21
6	Malappuram*	124.29	158.54	209.01	27.62	16.05	7.30	151.91	174.59	216.31
7	Palghat	142.82	127.07	166.11	38.10	20.88	22.42	180.92	147.95	188.53
8	Quilon	216.86	263.49	332.42	58.18	45.90	49.30	275.04	309.39	381.72
9	Trichur	303.98	349.37	454.63	26.17	34.17	34.13	330.15	383.54	488.76
10	Trivandrum	61.05	119.43	144.93	3.09	2.17	1.39	64.14	121.60	146.32
Total		1649.40	2169.30	2693.01	279.14	225.45	273.66	1928.54	2394.75	2966.67

* Position as on 30-6-70 actually relates to 1-7-70 on which date the bank came into existence.

ANNEXURE VII

Scales of Finance per Hectare for Major Crops Adopted by the Central Banks

Sr. No.	Bank	Major crops					Other crops			
		Paddy ordy.	Coconut	Arecanut	Tapioca	Banana	Pepper	Ginger	Coffee	Rubber
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1.	Alleppey	1,000	1,800	1,688	1,063	3,750	1,750	—	—	—
2.	Cannanore	1,063	1,250	1,938	750	2,500	1,000	1,500	1,500	750
3.	Ernakulam	950	1,800	2,625	1,063	3,750	625	1,750	—	1,125
4.	Kottayam	750	1,650	2,250	1,075	3,125	625	1,750	—	1,000
5.	Malabar	875	1,800	1,750	1,000	3,125	1,125	1,625	1,750	—
6.	Malappuram	850	1,200	1,563	1,000	1,625	1,125	1,750	—	—
7.	Palghat	825	1,600	1,750	1,125	2,500	1,000	875	—	1,375
8.	Quilon	750	1,800	2,250	875	2,500	—	1,650	—	1,250
9.	Trichur	813	2,500	2,250	1,075	5,000	—	1,450	—	100
10.	Trivandrum	700	1,200	750	1,000	1,125	750	—	—	—
Average		858	1,660	1,880	1,000	2,900	1,000	1,545	1,625	933
Scales adopted for working out cash outlay		825	1,750	2,125	1,000	2,500		313@		

@ For all other crops.

ANNEXURE VI
District-wise Position of Cropped Area, Estimated Cash Outlay, Credit Needs of Members, Credit Gap, etc.

Sr. No.	District	Gross cropped area (hectares)	Cash outlay as per scales recommended by the Agriculture Department	Cash outlay on the basis of scales of finance adopted by central banks	Credit requirements of members @ 45 per cent of col. 5	Credit requirements to be met by central banks @ 90 per cent of col. 6 or about 40 per cent of col. 5	Short-term production loans issued by central banks to societies during 1971-2	Rupees Lakhs	
								Credit gap (col. 7—col. 8)	Percentage of col. 9 to col. 7
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1.	Alleppey	2,32,156	2,755	2,300	1,035	920	225	697	75.8
2.	Cannanore	3,66,205	2,956	3,005	1,350	1,200	250	970	80.8
3.	Ernakulam	2,76,881	950	2,145	965	860	291	647	75.2
4.	Kottayam	3,72,059	1,596	2,560	1,150	1,025	250	788	76.9
							(238)	(670)	(77.9)
							(216)	(819)	(79.9)
5.	Kozhikode	2,71,368	3,486	2,860	1,285	1,145	155	990	86.5
6.	Malappuram	2,52,557	2,198	2,200	990	880	168	722	82.0
7.	Palghat	3,31,299	1,958	2,470	1,110	990	173	817	82.5
8.	Quilon	3,41,281	2,678	2,870	1,290	1,150	256	894	77.7
9.	Trichur	2,54,637	2,060	2,615	1,180	1,045	500	554	53.0
10.	Trivandrum	2,42,996	2,021	2,370	1,065	950	118	832	87.6
Total		29,41,439	22,658	25,395	11,420	10,165	2,386	7,911	77.8

N. B.: Figures in brackets indicate the position after adjusting distortion in credit supply

	1.	2	3.	4.	5.	6.	7.	8.	9.
12. Kulanada		1,685	7,892	9,577	89	36	5	31	86.1
13. Muthukulam		391	5,684	6,075	125	50	34	16	32.0
14. Bharanikav		—	6,900	6,900	124	50	3	47	94.0
15. Champakulam		12,301	1,428	13,729	165	66	45	21	31.9
16. Thycattusseri		3,926	2,914	6,840	87	34	4	30	88.2
17. Aryad		250	3,455	3,705	55	22	1	21	95.5
Area sown more than once		76,203	—	76,203	476	190	—	190	100.0
Total		121,870	110,286	232,156	2,300	920	225	696	75.8
<i>Cannanore</i>									
1. Manantoddy		481	8,391	8,872	49	19	39	—	—
2. Kuthuparamba		930	7,938	8,868	184	74	40	34	45.9
3. Tellicherry		822	7,301	8,123	183	73	4	69	94.5
4. Edakkad		620	9,316	9,936	134	53	2	51	96.2
5. Cannanore		430	8,384	8,814	50	20	12	8	40.0
6. Irikkur		290	13,726	14,016	90	36	24	12	33.3
7. Taliparamba		921	20,113	21,034	235	94	39	55	58.5
8. Payyannur		680	16,620	17,300	187	75	19	56	74.7
9. Kanhangad		638	17,793	18,431	196	78	23	55	70.5
10. Nileswar		990	18,890	19,880	163	65	24	41	63.1
11. Kasargod		730	9,918	10,648	120	48	10	38	79.2
12. Manjeswar		843	11,485	12,328	114	45	14	31	68.9
Area sown more than once		207,955	—	2,07,955	1300	520	—	520	100.0
Total		216,330	149,875	3,66,205	3005	1200	250	970	80.8

ANNEXURE VIII
Block-wise Particulars of Cropped Area, Estimated Cash Outlay, Central Banks' Share of Credit Requirements, Credit Gap etc.

Rupees Lakhs

Sr. No.	District/Block	Cropped area (in hectares)			Cash outlay on the basis of scales of finance adopted by central banks	Central bank's share of credit requirements of members (about 40 per cent of col. 5)	Short-term production loans issued by central banks to societies during 1971-2	Credit gap (col. 6—col. 7)	Percentage of col. 8 to col. 6
		Irrigated	Unirrigated	Total					
1.		2.	3.	4.	5.	6.	7.	8.	9.
	<i>Alleppey</i>								
1.	Ambalapuzha	3,008	3,642	6,650	90	36	3	33	91.7
2.	Haripad	3,000	9,259	12,259	144	58	32	26	44.8
3.	Koipuram	440	10,176	10,616	82	33	1	32	97.0
4.	Veliyanad	—	12,691	12,691	111	44	45	—	—
5.	Mallappalli	1,706	10,947	12,680	138	55	8	47	85.4
6.	Pattanakad	3,777	6,202	9,979	127	51	10	41	80.4
7.	Kanjikuzhi	5,668	2,316	7,984	110	44	7	37	84.1
8.	Pulikizh	2,200	6,720	8,920	87	35	5	30	85.7
9.	Chengannur	3,915	5,235	9,150	102	41	6	35	85.3
10.	Mavelikara	1,650	6,920	8,570	113	45	11	34	75.6
11.	Pandalam	1,750	7,878	9,628	75	30	5	25	83.3

1.	2	3.	4.	5.	6.	7.	8.	9.
14. Parakadav	3,623	831	4,454	58	23	14 (12)	9 (11)	39.1 (47.8)
15. Vadavukode	8,496	2,688	11,184	108	43	10 (8)	33 (35)	76.7 (81.4)
16. Palluruthy	—	3,958	3,958	53	21	—	21	100.0
17. Vypeen	—	5,285	5,285	75	30	—	30	100.0
Area sown more than once	57,843	—	57,843	362	145	—	145	100.0
Total	133,959	142,922	276,881	2145	860	291 (238)	647 (670)	75.2 (77.9)
<i>Kottayam</i>								
1. Pallom	8,000	12,840	20,840	197	79	13 (12)	66 (67)	83.5 (84.8)
2. Ettumanoor	7,500	32,500	40,000	243	97	10 (9)	87 (88)	89.7 (90.7)
3. Pampady	5,420	27,402	32,822	202	81	6 (5)	75 (76)	92.6 (93.8)
4. Kanjirapally	—	42,860	42,860	328	131	27 (24)	104 (107)	79.4 (81.7)
5. Madappally	3,452	17,492	20,944	9	4	17 (14)	—	—
6. Vazhoor	1,000	20,000	21,000	240	96	13 (11)	83 (85)	86.4 (88.5)

1	2.	3.	4.	5.	6.	7.	8.	9.
<i>Ernakulam</i>								
1. Kothamangalam	2,160	12,300	14,460	41	16	48 (39)	—	—
2. Moovattupuzha	3,750	14,600	18,350	44	18	33 (27)	—	—
3. Pambakuda	2,150	9,200	11,350	39	16	25 (20)	—	—
4. Mulanthuruthi	4,198	4,580	8,778	103	41	5 (4)	36 (37)	87.8 (90.2)
5. Elamdesam	—	29,310	29,310	221	88	51 (42)	37 (46)	42.0 (52.3)
6. Thodupuzha	—	13,000	13,000	84	34	56 (46)	—	—
7. Ankamali	37,247	12,620	49,867	354	142	20 (17)	122 (125)	85.9 (88.0)
8. Vytila	—	2,531	2,531	34	14	1 (1)	13 (13)	92.9 (92.9)
9. Edapilly	700	7,186	7,886	71	28	—	28	100.0
10. Kuvappadi	8,800	3,340	12,140	96	39	12 (9)	27 (30)	69.2 (76.9)
11. Parur	—	9,642	9,642	164	66	—	66	100.0
12. Vazhakulam	2,227	10,875	13,102	196	79	12 (10)	67 (69)	84.8 (87.3)
13. Alangadu	2,765	976	3,741	42	17	4 (3)	13 (14)	76.5 (82.4)

Figures in brackets indicate the position after adjusting distortions in credit supply

1.	2	3.	4.	5.	6.	7.	8.	9.
7. Kaduthuruthy	4,688	8,004	12,692	115	46	11 (9)	35 (37)	76.1 (80.4)
8. Vaikom	4,000	7,000	11,000	142	57	9 (8)	48 (49)	84.2 (86.0)
9. Lalam	640	16,000	16,640	187	75	27 (24)	48 (51)	64.0 (68.0)
10. Uzhavoor	1,000	7,468	8,468	130	52	37 (32)	15 (20)	28.8 (38.5)
11. Erattupetta	500	18,000	18,500	206	82	19 (16)	63 (66)	76.8 (80.5)
12. Azhuta	—	39,932	39,932	166	67	27 (23)	40 (44)	59.7 (65.7)
13. Udumbanchola	—	34,336	34,336	162	65	29 (25)	36 (40)	55.4 (61.5)
14. Devicolam	—	33,876	33,876	120	48	5 (4)	43 (44)	89.6 (91.7)
Area sown more than once	18,149	—	18,149	113	45	—	45	100.0
Total	54,349	3,17,710	3,72,059	2,560	1,025	250 (216)	788 (819)	76.9 (79.9)
<i>Kozhikode</i>								
1. Melady	68	7,554	7,622	52	21	2	19	90.5
2. Koduvally	450	23,590	24,040	284	114	5	109	95.6
3. Thuneri	—	23,361	23,361	361	144	13	131	91.0

	1.	2.	3.	4.	5.	6.	7.	8.	9.
4. Kunnamangalam	243	43,103	43,346	419	168	22	146	86.9	
5. Badagara	5	4,789	4,794	66	26	8	18	69.2	
6. Balussery	150	21,490	21,640	282	113	8	105	92.9	
7. Sultan's Battery	—	24,497	24,497	167	67	44	23	34.3	
8. Kalpetta	—	22,144	22,144	102	41	8	33	80.5	
9. Panthalayini	8	5,093	5,101	73	29	4	25	86.2	
10. Kunnummal	8	15,819	15,827	240	96	14	82	85.4	
11. Chevayr	45	6,592	6,637	87	35	6	29	82.8	
12. Thodannur	144	9,372	9,516	133	53	2	51	96.2	
13. Kozhikode	92	10,546	10,638	264	106	14	92	86.8	
14. Perambra	317	23,592	23,909	153	61	5	56	91.8	
Area sown more than once	28,296	—	28,296	177	71	—	71	100.0	
Total	29,827	2,41,541	2,71,368	2,860	1,145	155	990	86.5	
<i>Malappuram</i>									
1. Andathode	1,888	3,323	5,211	66	26	9	17	65.4	
2. Ponnani	2,635	5,202	7,837	112	45	4	41	91.1	
3. Perintalmanna	2,285	7,712	9,997	83	33	37	—	—	
4. Mankada	2,960	12,567	15,527	124	50	38	12	24.0	
5. Tanur	2,125	6,932	9,057	121	49	9	40	81.6	
6. Tirur	2,040	5,954	7,994	121	48	9	39	81.3	
7. Tirurangadi	950	3,976	4,926	58	23	5	18	78.3	
8. Kuttipuram	2,265	6,573	8,838	115	46	8	38	82.6	

1.	2.	3.	4.	5.	6.	7.	8.	9.
<i>Quilon</i>								
1. Mukhathala	54	5,714	5,768	72	29	9	20	68.9
2. Chittumala	100	9,926	10,026	137	55	11	44	80.0
3. Ithikara	267	13,762	14,029	282	113	33	80	70.8
4. Vettikavala	2,784	13,000	15,784	169	67	13	54	80.6
5. Kottarakara	1,305	12,053	13,358	131	52	13	39	75.0
6. Anchalummoodu	—	3,642	3,642	59	24	15	9	37.5
7. Sasthamkotta	195	18,037	18,232	154	62	18	44	71.0
8. Ochira	—	8,068	8,068	72	29	11	18	62.1
9. Karunagappalli	—	10,196	10,196	114	46	11	35	76.1
10. Chavara	—	4,913	4,913	70	28	13	15	53.6
11. Parakkodue	3,299	13,195	16,494	127	51	16	35	68.0
12. Ranni	35	21,175	21,210	134	54	13	41	75.9
13. Elanthur	120	11,503	11,623	107	43	8	35	81.4
14. Konni	195	15,305	15,500	123	49	28	21	42.9
15. Pathanapuram	450	13,084	13,534	67	27	17	10	37.0
16. Anchal	90	21,049	21,139	160	64	13	51	79.7
17. Chadayamangalam	2,100	11,360	13,460	115	46	14	32	69.6
Area sown more than once	1,24,305	—	1,24,305	777	311	—	311	100.0
Total!	1,35,299	2,05,982	3,41,281	2,870	1,150	256	894	77.7

1.	2.	3.	4.	5.	6.	7.	8.	9.
9. Vengara	1,800	5,643	7,443	85	34	8	26	76.5
10. Malappuram	1,950	9,340	11,290	131	52	11	41	78.8
11. Manjeri	2,250	5,924	8,174	10	4	10	—	—
12. Kondotty	2,870	12,750	15,620	262	105	7	98	93.3
13. Wandoor	4,185	14,775	18,960	153	61	13	48	78.7
Area sown more than once	1,21,683	—	1,21,683	759	304	—	304	100.0
Total	1,51,886	1,00,671	2,52,557	2,200	880	168	722	82.0
<i>Palghat</i>								
1. Kollengod	8,272	19,909	28,181	233	93	17	76	81.7
2. Pattambi	3,000	13,349	16,349	148	59	12	47	79.7
3. Chittur	10,770	9,748	20,518	149	60	22	38	63.3
4. Alathur	10,054	7,604	17,658	107	43	23	20	46.5
5. Mannarghat	467	14,643	15,110	174	70	27	43	61.4
6. Trithala	2,050	6,938	8,988	113	45	16	29	64.4
7. Coyalmannan	11,612	1,974	13,586	105	42	19	23	54.8
8. Ottappalam	1,016	13,346	14,362	126	51	14	37	72.5
9. Srikrishnapuram	391	19,495	19,886	164	66	4	62	93.9
10. Palghat	11,490	8,285	19,775	163	65	14	51	78.5
11. Nemmara	3,000	500	3,500	29	12	5	7	58.3
Area sown more than once	1,53,386	—	1,53,386	959	384	—	384	100.0
Total	2,15,508	1,15,791	3,31,299	2,470	990	173	817	82.5

1.	2.	3.	4.	5.	6.	7.	8.	9.
<i>Trivandrum</i>	3,050	15,852	18,902	169	68	16	52	76.5
1. Nedumangad	3,150	19,652	22,802	206	83	7	76	91.5
2. Vellanad	3,350	20,557	23,907	220	88	7	81	92.0
3. Vamanapuram	2,804	15,553	18,357	204	82	2	80	97.6
4. Trivandrum rural	2,950	14,252	17,202	181	72	6	66	91.7
5. Kazhakuttom	3,550	15,922	19,472	213	85	9	76	89.4
6. Chirayinkil	2,850	14,552	17,402	177	71	10	61	85.9
7. Varkala	3,760	17,459	21,219	209	84	13	71	84.5
8. Kilimanoor	3,750	14,927	18,677	176	70	14	56	80.0
9. Nemom	3,675	15,952	19,627	176	71	11	60	84.5
10. Perumkadavila	3,250	16,177	19,427	202	81	3	78	96.3
11. Parassala	3,350	15,577	18,927	193	77	20	57	74.0
12. Athiyanoor								
Area sown more than once	7,075	—	7,075	44	18	—	18	100.0
Total	46,564	196,432	242,996	2370	950	118	832	87.6
Net sown area in the state	501,688	1644,856	2146,544	20428	8177	2386	5923	72.4
Area sown more than once in the state	794,895	—	794,895	4967	1988	—	1988	100.0
Total for the state	1296,583	1644,856	2941,439	25395	10165	2386	7911	77.8

N. B.: The cash outlay for the area sown more than once has been worked out on the basis of Rs 625 per hectare as the cropwise breakup of the area was not available.

1.	2.	3.	4.	5.	6.	7.	8.	9.
<i>Trichur</i>								
1. Chavakkad	4,256	1,418	5,674	72	29	15	14	48.3
2. Thalikulam	8,430	2,809	11,239	124	50	20	30	60.0
3. Mathilakom	5,392	1,797	7,189	98	39	13	26	66.7
4. Mullassery	6,371	2,124	8,495	88	35	16	19	54.3
5. Kodungalloor	3,834	1,277	5,111	80	32	5	27	84.4
6. Iringalakuda	8,438	2,812	11,250	98	39	20	19	48.7
7. Chalakudi	12,645	4,214	16,859	156	62	56	6	9.7
8. Kodagara	17,894	5,964	23,858	146	58	62	—	—
9. Mala	12,362	4,120	16,482	170	68	42	26	38.2
10. Vellangallur	8,917	2,972	11,889	144	58	24	34	58.6
11. Vadakkancherry	30,473	10,157	40,630	582	233	54	179	76.8
12. Pazhayannur	18,684	6,218	24,872	159	63	32	31	49.2
13. Chevannur	6,299	2,091	8,390	80	32	37	—	—
14. Puzhakal	9,530	3,176	12,706	118	47	27	20	42.6
15. Cherpu	9,552	3,184	12,736	105	42	25	17	40.5
16. Ollukkara	21,492	7,163	28,655	299	120	30	90	75.0
17. Anthikad	6,452	2,150	8,602	96	38	22	16	42.1
Total	190,991	63,646	254,637	2615	1045	500	554	53.0

Crop	ERNAKULAM					KOTTAYAM				
	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e
Paddy	93691	33.8	4.93	1.7	29.3	50033	13.4	17.89	7.2	12.5
Coconut	64687	23.4	104.63	36.0	34.1	74839	20.1	3.37	1.3	31.1
Tapioca	14500	5.2	5.78	2.0	4.8	37120	10.0	61.74	24.7	10.1
Arecanut	9223	3.3	41.87	14.4	7.0	5149	1.4	—	—	2.9
Banana	3204	1.2	131.59	45.2	3.6	6316	1.7	143.81	57.5	5.0
Rubber	26459	9.5	0.03	0.01	8.7	55444	14.9	1.42	0.6	14.0
Pepper	7940	2.9	—	—	1.5	16858	4.5	—	—	2.6
Others	57177	20.7	2.09	0.7	11.0	126300	34.0	21.87	8.7	21.8
Total	276881	100.0	290.92	100.0	100.0	372059	100.0	250.10	100.0	100.0

Crop	MALABAR					MALAPPURAM				
	6a	6b	6c	6d	6e	7a	7b	7c	7d	7e
Paddy	65087	24.0	2.57	1.7	19.5	92897	36.8	13.21	7.9	37.1
Coconut	92797	34.2	26.34	17.0	47.9	64230	25.4	38.30	22.8	32.0
Tapioca	11381	4.2	18.97	12.2	3.3	24141	9.6	70.91	42.3	10.1
Arecanut	8106	3.0	3.38	2.2	4.1	14435	5.7	21.92	13.0	9.3
Banana	4668	1.7	54.55	35.1	4.1	3184	1.3	19.84	11.9	2.2
Rubber	19803	7.3	—	—	2.4	9522	3.8	—	—	2.0
Pepper	18016	6.6	1.24	0.8	5.8	3250	1.3	0.01	—	1.5
Others	57510	19.0	47.98	31.0	12.9	40898	16.1	3.53	2.1	5.8
Total	271368	100.0	155.03	100.0	100.0	252557	100.0	167.72	100.0	100.0

ANNEXURE IX

Area under Major Crops in the Districts, Loans issued by the Central Co-operative Banks and the Eligibility as per Scales of Finance

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Rupees Lakhs										
ALLEPPEY						CANNANORE				
Crop	Gross cropped area (in hectares)	Percentage to area	Loans issued	Percentage to loans	Eligibility as per scales of finance (percentage to loans)	Gross cropped area (in hectares)	Percentage to area	Loans issued	Percentage to loans	Eligibility as per scales of finance (percentage to loans)
1	2a	2b	2c	2d	2e	3a	3b	3c	3d	3e
Paddy	85162	36.7	99.17	44.0	28.8	98692	26.9	27.11	10.9	28.5
Coconut	81962	35.3	103.91	46.2	49.9	93235	25.6	18.58	7.4	31.9
Tapioca	19715	8.5	10.81	4.8	7.1	7136	1.9	79.56	31.9	1.4
Arecanut	4560	2.0	0.48	0.2	2.7	14022	3.8	34.07	13.7	7.3
Banana	3287	1.4	0.72	0.3	4.1	7462	2.0	6.57	2.6	5.0
Rubber	3584	1.5	—	—	1.2	15079	4.1	—	—	3.1
Pepper	1504	0.6	0.12	0.1	0.8	51590	14.1	19.45	7.8	14.1
Others	32382	14.0	9.87	4.4	5.4	78989	21.6	64.08	25.7	8.7
Total	232156	100.0	225.08	100.0	100.0	366205	100.0	249.42	100.0	100.0

Crop	PALGHAT					QUILON				
	8a	8b	8c*	8d	8e	9a	9b	9c	9d	9e
Paddy	182621	55.1	87.17	46.2	61.3	51884	15.2	0.46	0.2	10.1
Coconut	23498	7.1	5.09	2.7	13.3	92512	27.0	115.28	45.1	43.0
Tapioca	10248	3.1	38.64	20.5	4.1	90965	26.6	70.66	27.7	21.6
Areca nut	3646	1.1	14.14	7.5	2.1	8408	2.5	2.43	1.0	5.0
Banana	5180	1.6	26.90	14.3	4.7	6053	1.8	40.35	15.8	4.0
Rubber	3038	0.9	0.08	0.04	1.4	30888	9.0	0.81	0.3	9.1
Pepper	1625	0.5	0.01	0.005	0.6	5783	1.7	1.05	0.4	0.9
Others	101443	30.6	16.70	8.8	12.5	54788	16.2	24.47	9.5	6.3
Total	331299	100.0	188.73	100.0	100.0	341281	100.0	255.51	100.0	100.0
* Loans issued for the crop-year 1972-3										
Crop	TRICHUR					TRIVANDRUM				
	10a	10b	10c	10d	10e	11a	11b	11c	11d	11e
Paddy	115267	45.3	46.03	9.2	38.0	39496	16.3	—	—	12.7
Coconut	54861	21.5	75.49	15.1	37.6	76515	31.5	—	—	42.2
Tapioca	8262	3.2	32.79	6.6	2.5	70084	28.8	117.76	100.0	32.2
Areca nut	13261	5.2	126.68	25.3	8.2	5008	2.1	—	—	1.8
Banana	5664	2.2	62.88	12.6	7.8	3741	1.5	—	—	1.9
Rubber	8402	3.3	0.11	0.02	2.3	7040	2.9	—	—	2.4
Pepper	745	0.3	—	—	—	10333	4.3	—	—	3.6
Others	48175	19.0	156.22	32.2	3.6	30779	12.6	—	—	3.2
Total	254637	100.0	500.20	100.0	100.0	242996	100.0	117.76	100.0	100.0

Crop	STATE				
	Gross cropped area (in hectares)	Percentage to area	Loans issued	Percentage to loans	Eligibility as per scales of finance (percentage to loans)
	12a	12b	12c	12d	12e
Paddy	874830	29.7	298.54	12.5	27.4
Coconut	719136	24.4	490.99	20.5	37.2
Tapioca	293552	10.0	507.62	21.1	8.9
Arecanut	85818	2.9	244.97	10.2	5.2
Banana	48759	1.7	487.21	20.3	4.4
Rubber	179259	6.1	2.45	0.1	4.0
Pepper	117644	4.0	21.88	0.9	3.3
Others	622441	21.2	346.79	14.4	9.6
Total	2941439	100.0	2400.45	100.0	100.0

ANNEXURE XI

*Excess of Cash Reserve or Liquid Assets whichever was less maintained by Central Banks
over a period of 12 months ended June 1972*

Rupees Lakhs

Sr. No.	Bank	1971						1972						Average for 12 months
		July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	
1.	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Alleppey	2.46	1.12	1.06	7.90	4.21	3.04	1.39	3.01	4.43	9.56	4.14	24.18	5.54
2.	Cannanore	12.63	2.32	4.87	8.98	8.16	7.91	12.17	12.78	16.62	5.49	-	-	7.66
3.	Ernakulam	0.26	8.33	3.34	5.04	10.41	8.97	10.58	15.74	5.03	15.46	7.65	25.92	9.73
4.	Kottayam	5.78	8.68	2.46	2.90	4.87	5.08	7.58	7.01	16.27	9.34	7.99	21.80	8.31
5.	Malabar	-	-	-	0.71	3.64	2.77	8.51	6.69	9.42	7.98	4.73	6.63	4.26
6.	Malappuram	6.92	3.44	2.81	5.52	3.94	2.08	7.59	5.72	1.25	2.16	3.15	-	3.71
7.	Palghat	9.75	5.44	9.71	7.92	2.01	11.43	7.19	8.20	8.63	4.75	1.92	4.26	6.77
8.	Quilon	2.68	3.47	3.28	0.99	1.74	0.31	2.43	5.93	12.57	9.78	13.17	26.76	6.93
9.	Trichur	6.84	11.12	4.91	6.26	4.07	4.50	7.52	10.83	24.00	17.62	3.15	20.21	10.09
10.	Trivandrum	1.11	0.80	3.31	0.14	-	1.36	1.40	3.51	7.05	-	3.89	6.40	2.41
Total		48.43	44.72	35.75	46.36	43.05	47.45	66.36	79.42	105.27	82.14	49.79	139.16	65.41

ANNEXURE X

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Overdues of Central Co-operative Banks during the Years 1969-70 to 1971-2

Rupees Lakhs

Sr. No.	Name of the bank	Overdues			Percentage to outstandings			Percentage to demand		
		30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
1	2	3a	3b	3c	4a	4b	4c	5a	5b	5c
1	Alleppey	55.98	107.66	80.32	24.5	37.6	26.1	22.8	26.7	18.8
2	Cannanore	50.28	67.45	57.34	20.2	22.9	13.8	25.4	29.5	23.0
3	Ernakulam	21.36	28.88	65.01	7.8	7.4	13.2	12.0	13.8	19.4
4	Kottayam	47.15	51.20	85.08	22.8	19.9	23.4	15.1	16.1	24.7
5	Malabar	133.36	103.89	212.90	25.0	18.7	38.5	33.5	31.5	51.9
6	Malappuram	36.24@	50.38	53.92	18.0	22.4	20.4	—	29.4	28.8
7	Palghat	23.09	52.07	60.07	7.3	20.0	20.0	13.5	32.8	21.0
8	Quilon	39.48	121.98	134.92	10.3	29.4	27.1	18.5	40.2	29.5
9	Trichur	51.20	99.03	70.42	14.4	24.1	14.8	14.1	24.0	15.7
10	Trivandrum	30.37	30.79	44.68	20.1	14.4	17.5	36.2	26.7	18.8
Total		452.27	713.33	864.66	16.2	21.4	21.3	20.4	26.9	26.8

@ relates to 1-7-70.

ANNEXURE XII

Profits and Dividends Declared by Central Co-operative Banks during the years 1969-70 to 1971-2

Rupees Lakhs

Sr. No.	Name of the bank	Profits			Dividend declared (%)		
		30-6-70	30-6-71	30-6-72	30-6-70	30-6-71	30-6-72
1	2	3a	3b	3c	4a	4b	4c
1.	Alleppey	2.52	2.71	2.85	2.75	2.00	2.00
2.	Cannanore	0.71	0.09	0.08	1.00	Nil	Not yet declared
3.	Ernakulam	0.12	1.66	1.93	Nil	1.00	Not yet declared
4.	Kottayam	1.34	-	2.07	1.50	Nil	Nil
5.	Malabar	1.67	1.47	0.01	1.00	1.00	Not yet declared
6.	Malappuram	-	0.01	0.01	-	-	Nil
7.	Palghat	2.21	1.55	1.67	1.00	2.50	Not yet declared
8.	Quilon	1.29	1.86	0.91	1.50	1.50	Nil
9.	Trichur	2.19	4.09	2.80	2.00	3.50	Not yet declared
10.	Trivandrum	0.14	0.01	0.01	Nil	Nil	Nil
Total		12.19	13.45	12.34			

ANNEXURE XIII
Progress of Primary Agricultural Credit Societies

	Rupees Lakhs		
	1969-70	1970-71	1971-2
1. No. of societies	2,160	2,134	2,039
2. Of which dormant	297	262	224
3. No. of villages in the state	1,573	1,635	1,445
4. Of which served by societies	1,570	1,632	1,441
% of villages covered	99.7	99.7	99.7
% of rural population covered by societies	44.8	47.6	44.0
5. Membership (in thousands)	1,536	1,695	1,757
6. No. of borrowing members (in thousands)	594	678	695
% of borrowing membership to total membership	38.7	40.0	39.6
% of borrowing members to rural families	17.3	19.0	16.8
7. Paid-up capital	795	943	1,124
8. Owned funds	1,070	1,251	1,492
9. Deposits	879	938	1,067
10. Borrowings	2,227	2,653	3,318
11. Loans issued (total)	2,577	3,013	3,585
Short-term	2,112	2,627	3,070
Medium-term	465	386	515
12. Loans outstanding (total)	2,979	3,611	4,287
Short-term	2,232	2,868	3,460
Medium-term	747	743	827
13. Overdues	714	1,071	1,283
% of overdues to outstandings	24.0	29.7	29.9
<i>Averages</i>			
Membership per society	711 (183)	794 (193)	862
Share capital per society (Rs)	36,812 (11,598)	44,201 (12,796)	55,125
per member (Rs)	52 (63)	56 (66)	64
Deposits per society (Rs)	40,681 (3,852)	43,978 (4,320)	52,330
per member (Rs)	57 (21)	55 (22)	61
Loans issued per society (Rs)	1,19,390 (33,196)	1,41,185 (35,942)	1,75,821
per borrowing member (Rs)	433 (460)	444 (514)	516

Note: Figures in bracket indicate all-India averages

	III. <i>Principal/Subsidiary State Partnership Fund</i>	B/F.		979.83
167.88	1. Primary agricultural credit societies	..	167.88	
209.75	2. Other societies .. ..	..	5.40	173.28
<u>377.63</u>				
	IV. <i>Deposits and other Accounts</i>			
398.69	1. Fixed Deposits		1,304.35	
10.02	2. Savings Bank Deposits		438.01	
57.85	3. Current Deposits		266.62	
110.46	4. Money at call and short notice		126.41	2,135.39
<u>577.02</u>				
	V. <i>Borrowings</i>			
	1. From Reserve Bank of India			
1,510.02	(a) Short-term		1,510.02	
45.48	(b) Medium-term		45.48	
<u>1,555.50</u>			<u>1,555.50</u>	
5.94	2. From S.B.I./S.B.T.		20.43	
	3. From State Government			
7.17	(a) Short-term		17.02	
4.28	(b) Long-term		4.28	
48.00	4. From other sources		58.00	1,655.23
<u>1,620.89</u>				
		C/O.		<u>4,943.73</u>

ANNEXURE XIV

Integrated Balance Sheet of State and Central Co-operative Banks in Kerala as on 30 June 1972

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Rupees Lakhs

Existing position of State Co-operative Bank	<i>Liabilities</i>	Integrated position	
	<i>I. Paid-up share capital</i>		
116.36	1. Co-operative institutions	457.44	
38.00	2. State Government ..	247.35	704.79
154.36			
	<i>II. Reserve Fund and other Reserves</i>		
32.28	1. Statutory Reserve Fund ..	75.70	
78.88	2. Agricultural Credit Stabilization Fund	91.43	
6.00	3. Building Fund	27.66	
0.25	4. Dividend Equalization Fund ..	0.60	
—	5. Special Bad Debt Reserve ..	6.23	
18.18	6. Bad and Doubtful Debts Reserve	48.75	
4.50	7. Investment Depreciation Reserve	7.20	
1.46	8. Other Funds and Reserves ..	17.47	275.04
141.55			C/O. 979.83

Rupees Lakhs

Existing position of State Co-operative Bank	<i>Assets</i>	Integrated position
110.82	I. Cash in hand and balances in Current Account with banks	292.83
0.70	II. Other balances with banks	0.97
25.00	III. Money at call and short notice	25.00
	IV. <i>Investments</i>	
125.89	1. Government securities	239.46
100.31	2. Other Trustee securities	158.95
1.04	3. Shares in co-operative institutions	2.21
—	4. Other investments	0.04
<u>227.24</u>		<u>400.66</u>
	V. <i>Investment out of State Partnership Fund</i>	
167.88	1. Primary agricultural credit societies	164.35
209.75	2. Others	5.40
<u>377.63</u>	C/O.	<u>169.75</u>
		<u>889.21</u>

				B/F.	4,943.73	
2.71	VI. Bills receivable (as per contra)	..	..	..	20.80	
—	VII. Branch Adjustments	..	..	..	2.09	
0.92	VIII. Overdue Interest Reserve	..	..	..	22.97	
9.23	IX. Interest payable	..	..	..	46.38	
	X. <i>Other Liabilities</i>					
4.42	1. Unclaimed dividend	..			5.05	
0.35	2. Bills payable	..	..		6.53	
—	3. Co-operative education fund				0.51	
61.13	4. Suspense	..			110.09	
1.17	5. Sundries	..			16.58	138.76
<u>67.07</u>						
	XI. <i>Profit and Loss</i>					
—	1. Previous balance	..			2.33	
28.36	2. Profit for the year	..			40.71	43.04
<u>2,979.84</u>				Total		<u>5,217.77</u>

*Integrated Profit and Loss Account of State and Central Co-operative Banks in Kerala for
the year ended 30 June 1972*

Rupees Lakhs

Existing position of State Co-operative Bank	Expenditure	Integrat- ed posi- tion	Existing position of State Co-operative Bank	Income	Integrat- ed posi- tion
96.09	1. Interest on Deposits and Borrowings	160.40	129.22	1. Interest and Discount	300.11
4.50	2. Salary, Allowances and Provident Fund	72.51	0.17	2. Commission, Exchange and Brokerage	2.68
0.33	3. Directors' and Local Committee Members' Fees and Allowances	1.93	0.76	3. Subsidies and Donations	3.14
0.23	4. Rent, Taxes, Insurance, Lighting etc.	4.46	—	4. Income from Non-banking Assets	0.50
0.03	5. Law charges	0.23	2.19	5. Overdue Interest Reserve	8.58
0.16	6. Postage, Telegram and Telephone charges	2.10	0.80	6. Other Receipts	21.07
0.12	7. Cost of Audit	1.19			
0.65	8. Depreciation and Repairs to Property	3.92			
0.34	9. Stationery, Printing and Advertisement	3.74			
—	10. Loss from sale of or dealing with Non-banking Assets	0.36			
2.33	11. Other Expenditure	44.53			
28.36	12. Balance of Profit	40.71			
<u>133.14</u>	Total	<u>336.08</u>	<u>133.14</u>	Total	<u>336.08</u>

								B/F.	889.21	
	VI.	<i>Advances</i>								
1,988.09		1.	Short-term, cash credits, etc.	..	..	..	..	3,506.71		
166.83		2.	Medium-term	..	..	..	..	577.02		
53.73		3.	Long-term	..	..	..	..	64.79		
<u>2,208.65</u>	11.00		Of which overdue					<u>854.00</u>	<u>4,148.52</u>	
8.79	VII.	Interest receivable	..	..	..	..	..		53.23	
2.71	VIII.	Bills receivable (as per contra)	..	..	..	..	..		20.80	
—	IX.	Branch Adjustments	..	..	..	..	..		—
5.38	X.	Premises less depreciation	..	..	..	..	..		38.44	
1.24	XI.	Furniture and fixtures less depreciation	..	..	..	..	..		11.80	
	XII.	<i>Other Assets</i>								
0.16		1.	Vehicles less depreciation	..	..	..	..	1.44		
—		2.	Library	..	..	..	..	0.02		
10.07		3.	Suspense	..	..	..	..	33.09		
1.45		4.	Sundries	..	..	..	..	20.26	54.81	
<u>11.68</u>										
—	XIII.	Non-banking assets	..	..					<u>0.96</u>	
<u>2,979.84</u>								Total	<u>5,217.77</u>	

	1	2	3	4	5	6	7	8	9	10	11	12	13
% of current deposits to total deposits		10.6	18.4	10.2	19.4	8.0	11.8	14.5	15.3	12.7	17.5	10.1	12.5
% of fixed deposits to total deposits		55.3	60.4	53.3	62.3	77.6	76.4	63.0	44.0	67.6	49.8	69.1	61.1
% of investments to total deposits		14.2	17.2	12.5	10.7	15.4	16.0	13.1	19.8	12.7	14.7	39.4	18.8
% of loans and advances to working capital		76.3	88.1	78.2	78.5	84.2	87.2	77.6	87.0	84.4	84.8	85.2	83.4
% of borrowings to loans and advances		37.9	49.0	56.1	47.6	57.3	54.4	37.0	57.2	60.2	65.9	73.4	39.9
Gross Income		30.87	31.04	37.04	27.52	49.36	20.51	0.48	37.75	46.11	20.83	133.14	336.08
Interest on deposits and borrowings		15.69	16.44	22.57	13.88	32.73	12.81	16.26	22.12	28.47	11.91	96.09	160.40
Cost of establishment		6.36	8.39	5.56	4.77	8.79	5.32	7.67	7.71	7.75	5.69	4.50	72.51
Sitting fees etc.		0.15	0.01	0.16	0.20	0.15	0.12	0.16	0.20	0.31	0.14	0.33	1.93
Other expenditure		5.82	6.12	6.82	6.59	7.68	2.25	4.72	6.81	6.78	3.18	3.86	60.53
% of gross income to working capital		7.6	6.6	5.9	5.9	7.5	6.7	7.9	6.6	6.4	6.9	5.1	6.8

ANNEXURE XV

The Principal Ratios in respect of the State and Central Co-operative Banks and the Integrated Institution as on 30-6-1972

Rupees Lakhs

	Alleppey	Cannanore	Ernakulam	Kottayam	Malabar	Malappuram	Palghat	Quilon	Trichur	Trivandrum	K.S.C.B.	Integrated position
1	2	3	4	5	6	7	8	9	10	11	12	13
Owned funds	77.71	85.92	92.25	72.78	84.13	56.18	70.23	104.88	110.92	51.22	295.91	979.83
Deposits	219.21	165.58	267.00	230.56	256.14	98.46	187.29	208.47	232.74	78.86	577.02	2135.39
Borrowings	117.66	201.25	275.18	162.95	317.16	145.34	110.74	282.63	367.65	169.52	1620.89	1655.53
Working capital	406.47	466.49	627.20	462.53	657.56	304.34	385.27	568.33	724.07	302.96	2592.88	4975.54
Investments	31.07	28.55	33.33	24.58	39.46	15.73	24.60	47.27	29.63	11.56	227.24	400.66
Loans and advances	310.30	411.13	490.52	362.96	553.76	265.24	299.15	494.36	611.08	257.08	2208.65	4148.52
Net profit	2.85	0.08	1.93	2.07	0.01	0.01	1.67	0.91	2.80	0.01	28.36	40.71
% of owned funds to deposits	35.5	51.9	34.6	31.6	32.8	57.1	37.5	50.3	47.5	64.8	51.3	45.9
% of owned funds to working capital	19.1	17.7	14.7	15.7	12.9	18.5	18.2	18.4	15.3	16.9	11.5	19.7
% of deposits to working capital	53.9	35.5	42.6	49.8	38.8	32.4	48.6	36.7	32.2	26.0	22.3	42.9
% of borrowings to working capital	28.9	43.1	43.9	35.2	48.2	47.7	28.7	49.7	50.8	56.0	62.5	33.3

ANNEXURE XVI

Position of Cash Reserve and Liquid Assets Maintained by Central Banks as on 30-6-72

Rupees Lakhs

Sr. No.	Name of the bank	Total demand and time liabilities	Cash reserve required to be maintained	Cash reserve actually maintained	Excess cash reserve maintained	Liquid assets required to be maintained	Liquid assets actually maintained	Excess/ deficit liquid assets maintained	Excess/ deficit in liquid assets over the optimum level
1	2	3	4	5	6	7	8	9	10
1.	Alleppey	215.29	6.46	30.64	24.18	53.82	84.12	30.30	19.54
2.	Cannanore	154.59	4.64	9.58	4.94	38.65	29.67	(—) 8.98	(—) 16.71
3.	Ernakulam	262.98	7.89	33.81	25.92	65.75	113.50	47.75	34.60
4.	Kottayam	231.21	6.94	28.74	21.80	57.80	79.82	22.02	10.46
5.	Malabar	250.97	7.53	14.16	6.63	62.74	69.55	6.81	(—) 5.74
6.	Malappuram	92.40	2.77	6.96	4.19	23.10	20.90	(—) 2.20	(—) 6.82
7.	Palghat	182.62	5.48	12.64	7.16	45.66	49.92	4.26	(—) 4.87
8.	Quilon	218.25	6.55	35.68	29.13	54.56	81.32	26.76	15.85
9.	Trichur	223.82	6.71	26.92	20.21	55.96	76.43	20.47	9.28
10.	Trivandrum	77.61	2.33	8.73	6.40	19.40	29.10	9.70	5.82
Total		1,909.74	57.30	207.86	150.56	477.44	634.33	156.89	61.41

1	2	3	4	5	6	7	8	9	10	11	12	13
% of interest paid to gross income	50.8	53.0	60.9	50.4	66.3	62.5	53.3	58.7	61.7	57.2	72.2	47.7
% of cost of establishment to gross income	20.6	27.0	15.0	17.3	17.8	25.9	25.2	20.4	16.8	27.3	3.4	21.6
% of sitting fees, etc. to gross income	0.5	—	0.4	0.7	0.3	0.6	0.5	0.5	0.7	0.7	0.2	0.6
% of other expenditure to gross income	18.9	19.7	18.5	24.0	15.6	11.0	15.5	18.0	14.7	14.7	2.9	18.0
% of net profit to gross income	9.2	0.3	5.2	7.6	—	—	5.5	2.4	6.1	0.1	21.3	12.1
% of interest paid to working capital	3.9	3.5	3.6	3.0	5.0	4.2	4.2	3.9	3.9	3.9	3.7	3.2
% of cost of establishment to working capital	1.6	1.8	0.9	1.0	1.3	1.8	2.0	1.4	1.1	1.9	0.2	1.5
% of sitting fees, etc. to working capital	0.04	—	0.03	0.04	0.02	0.04	0.1	0.04	0.04	0.04	0.01	0.04
% of other expenditure to working capital	1.4	1.3	1.1	1.5	1.2	0.7	1.3	1.1	1.0	1.1	0.1	1.3
% of net profit to working capital	0.7	0.02	0.3	0.4	0.002	0.003	0.4	0.2	0.4	0.003	1.1	0.8

ANNEXURE XVIII

Cash Reserve and Liquid Assets under the three-tier/two-tier systems—Amount available for lending with reference to actual deposits of Central Banks with the State Co-operative Bank as on 29 June 1972

	Rupees Lakhs						
				Three-tier system		Two-tier System	
				Central banks	State co-operative bank	Net position	Integrated bank
Time and demand liabilities			1,910	608	2,148	2,148	
Cash reserve required @ 3%			57	18	—	64	
Cash reserve maintained			57	18	75	64	
Liquid assets required to be maintained @ 25%			477	152	—	537	
Liquid assets maintained							
(a) Balances with notified banks or cash			—	18	18	64	
(b) Deposits with State co-operative bank (actually maintained)			370	—	—	—	
(c) Approved securities (balance that need be maintained)			107	134	241	473	
Of the time and demand liabilities, funds							
(i) Not available for lending			534	170	334	601	
(ii) Available for lending			1,376	438	1,814	1,547	

Assumptions

Central Banks

Liquid assets maintained at 25% by way of:

(a) Deposits with the apex bank at actuals as on 29-6-1972

(b) Balance in approved securities

State Co-operative Bank

Liquid assets maintained at 25% by way of:

(a) Cash and balances in current account with notified banks at 3%

(b) Investment in approved securities at 25%

ANNEXURE XVII

Average Excess of Cash Reserve or Liquid Assets maintained by the Central Banks during the 12 months in 1971-2

		Rupees Lakhs					
Sr. No.	Bank	Average excess of cash reserve or liquid assets (whichever was less) maintained during 1971-2	Average excess of cash reserve over the optimum level	Average excess of liquid assets over the optimum level	Average excess over the optimum level in cash reserve or liquid assets (whichever was less)	Loss of income	Average deposits with the commercial banks not reckoned towards liquid assets
1	2	3	4	5	6	7	8
1.	Alleppey	5.54	2.36	2.28	1.84	0.09	0.06
2.	Cannanore	7.66	7.83	3.52	3.52	0.17	0.35
3.	Ernakulam	9.73	7.19	4.00	2.62	0.12	1.59
4.	Kottayam	8.31	4.89	4.79	2.79	0.13	—
5.	Malabar	4.26	0.32	0.81	0.16	0.01	0.55
6.	Malappuram	3.71	2.99	2.22	1.56	0.07	0.62
7.	Palghat	6.77	3.29	7.32	1.78	0.08	4.35
8.	Quilon	6.93	5.31	1.84	1.84	0.09	—
9.	Trichur	10.09	7.73	3.07	3.07	0.14	—
10.	Trivandrum	2.41	2.68	0.94	0.80	0.04	—
Total		65.41	44.59	30.79	19.98	0.94	7.52

ANNEXURE XIX

*Cash Reserve and Liquid Assets required to be maintained on certain assumptions**

Rupees Lakhs

	Three-tier system			Two-tier system
	Central banks	State co-operative bank	Net position	Integrated bank
Time and demand liabilities	1,910	505	2,148	2,148
Cash reserve required at 3%	57	15	72	64
Cash reserve maintained	57	15	72	64
Liquid assets required @ 25%	477	126	—	537
Liquid assets maintained				
(i) C/a with State co-operative bank/notified bank or cash	57	15	15	64
(ii) Deposits with State co-operative bank	210	—	—	—
(iii) Approved securities	210	111	321	473
Of the time and demand liabilities, funds				
(i) Not available for lending	534	141	408	601
(ii) Available for lending	1,376	364	1,740	1,547

*Assumptions

Central Banks

Liquid assets maintained at 25% in the following form as advised by Reserve Bank of India

(a) Deposits in current account with the apex bank @ 3%

(b) Other deposits with the apex bank @ 11%

(c) Investment in approved securities @ 11%

State Co-operative Bank

(i) Total demand and time liabilities reduced to the extent of Rs 103 lakhs as deposits of central banks are assumed at Rs 267 lakhs instead of Rs 370 lakhs (actual deposits as on 29-6-72).

(ii) Liquid assets maintained at 25% in the following form:

(a) 3% maintained in the form of cash and current account with the notified banks.

(b) 22% maintained in Government and other trustee securities.

APPENDIX I

THE KERALA STATE CO-OPERATIVE BANK

1. The Trivandrum Central Co-operative Bank, the first society to be organized under the Travancore Co-operative Societies Act, was registered on 23 November 1915 with a capital of Rs 1.00 lakh consisting of 1000 shares of Rs 100 each of which 500 shares were reserved for primary societies. The management was to be in the hands of individuals to begin with, but provision was made in the by-laws for securing majority in the managing board to representatives of societies when they exceeded a fixed number. The establishment of the bank was the first step in the building up of the co-operative financial structure in the state. To enable the bank to function without any financial difficulties, the government advanced to it a loan of Rs 50,000 repayable in four equal annual instalments.
2. The bank registered more or less a steady progress in all spheres of its working during the first 18 years of its existence. There was then a set-back in its working from 1934 due to the severe economic depression of the thirties resulting in an accumulation of arrears under loans issued to societies as also to individuals. During the year 1942, the Government of Travancore appointed a special Advisory Committee with a view to formulating measures for the reconstruction of the central co-operative bank and for the rehabilitation of the Co-operative Movement in the state in general. Two of the most important recommendations of the Committee were that (1) the activities of the bank should be confined to the financing of primary societies and that the bank should, as a matter of policy, gradually eliminate the individual members from its rolls, and (2) the Registrar of Co-operative Societies should be the Ex-officio chairman of the Bank with powers of veto. These recommendations were accepted by the government and the bank and the Registrar of Co-operative Societies assumed chairmanship of the bank on 25 August 1943.
3. In keeping with its changed status, the by-laws of the bank were also amended and the bank came to be known as the Travancore Central Co-operative Bank. The Registrar of Co-operative Societies continued to be the chairman of the bank for over nine years. When in the wake of independence, the two states of Travancore and Cochin were integrated into one state in 1949, there were two central co-operative banks for the new state—the Travancore Central Co-operative Bank and the Cochin Central Co-operative Bank for the Travancore and Cochin areas respectively. In 1952 the government ordered the discontinuance of the Registrar of Co-operative Societies as the ex-officio chairman of the bank and the late Shri G. Parameswaran Pillai was elected as the first non-official President of the Travancore Central Co-operative Bank on 25 October, 1952.
4. For nearly half a decade after the integration of the two states of

Travancore and Cochin, the Travancore Central Co-operative Bank and the Cochin Central Co-operative Bank continued to function as independent units for the respective areas of the erstwhile states. The question of forming a state co-operative bank was soon taken up in right earnest, since the agricultural credit offered by the Reserve Bank of India at concessional rate of interest could be extended to farmers in the state only through a state co-operative bank. So the Travancore Central Co-operative Bank was converted into the Travancore-Cochin State Co-operative Bank on 29 January 1954, with the approval of the state government and under the advice and guidance of the Reserve Bank of India. Thereafter, the Travancore-Cochin State Co-operative Bank financed societies through the Cochin Central Co-operative Bank in the Cochin area, whereas in the Travancore area, it financed the societies directly.

5. Simultaneously with the reorganisation of states in 1956, the reorganisation of the state co-operative bank was also taken up and the Travancore-Cochin State Co-operative Bank was again converted into the Kerala State Co-operative Bank with effect from 1 November 1956. The Malabar Co-operative Central Bank which was till then affiliated to the Madras State Co-operative Bank became affiliated to this bank on that date. The bank has since been functioning as the apex bank for the state of Kerala.

6. Thereafter, in consonance with the scheme of the Second Five Year Plan, the state co-operative bank commenced opening of branches as a step preliminary to the establishment of central co-operative banks in all the districts in the erstwhile Travancore area. Thus branches of the bank were established at the headquarters of each of the district of Kottayam, Alleppey and Quilon in the Travancore area. These branches were later converted into independent district co-operative banks. A separate district co-operative bank was also simultaneously organised for the Trivandrum District. All the four district co-operative banks commenced business from 1 September 1958. The Malabar Central Co-operative Bank continued to function through its branches in the district of Kozhikode, Palghat and Cannanore. The re-alignment of the revenue divisions by the state government saw the birth of the new district of Ernakulam in 1961 followed by Cannanore, Kozhikode and Palghat districts in 1963 carved out of the old Malabar District and Malappuram District in 1969 by taking some areas from Malabar and Palghat Districts.

7. With the active association of the state co-operative bank, new central co-operative banks were organized to serve the societies in the new districts and at present the bank is a federation, pure and simple, of the ten district co-operative banks operating in the state. In January, 1972 one more district namely Idikki was formed ceding certain taluks from the Ernakulam and Kottayam Districts. For serving the societies in the new district, a separate central co-operative bank has been registered in January 1973. The bank is expected to commence business from 1 July 1973. Pending this, the district is being served by the central co-operative banks at Ernakulam and Kottayam.

8. As in the majority of the states in the country, this state has a three-tier structure of co-operative credit comprising about 1900 primary agricultural credit societies at the village level, ten central co-operative banks

at the district level and the state co-operative bank at the state level. All the district co-operative banks are affiliated to the state co-operative bank in which they hold the major part of the shares. The bank is the chief financing agency and the balancing centre of resources of the entire agricultural short-term co-operative credit structure in the state.

Membership

9. Membership of the bank is open only to the central co-operative banks and the state government. This is in line with the definition of an 'apex society' given in the Kerala Co-operative Societies Act 1969. An apex society has been defined in the Act as "a society having the whole of the state as its area of operation and having as its members only other societies with similar objects and are declared as such by the Registrar of Co-operative Societies". At present the bank has eleven members on its rolls, ten district co-operative banks and the Government of Kerala.

10. The Board of Management of the bank consists of ten representatives of central co-operative banks at the rate of one nominee from each central co-operative bank, two nominees of the Government of Kerala of whom one is a non-official and the Registrar of Co-operative Societies (Ex-Officio). The two government nominees at present are the Agricultural Production Commissioner and Shri B. V. K. Menon (non-official). Subject to the control by the board of directors, the management of the bank vests in an executive committee consisting of the President, Vice-President, Registrar of Co-operative Societies and four directors representing the central co-operative banks elected from among the members of the board. The strength of the committee was only five till 5-2-1972. No other committee has been constituted by the board.

Functions of Board

11. Subject to such directions as the General Body may give from time to time the entire management of the bank is vested in the board of directors. The board is competent to exercise such powers as may become necessary or proper for the management of the affairs of the bank and for carrying out the bank's objectives and for securing and furthering its interests subject to the provisions of the Kerala Co-operative Societies Act and Rules framed thereunder as also of the by-laws of the bank. Subject to the control of the board, the executive management of the bank is vested in an executive committee which is to carry out the directions and instructions of the board and to do all other acts which are necessary for the management of the bank and which have not been reserved to the board or expressly conferred on the President or the Secretary by the by-laws of the bank. It may be stated that ordinarily the board of directors attend only to matters of broad policy leaving the important decisions relating to the bank's working such as appointments and promotions, sanctioning of loans, investment of surplus funds, etc., to be taken by the executive committee.

Leadership

12. For the formulation of State's Five Year plans, a Planning Board has been constituted by the state government and the steering groups/task forces formed by the Planning Board study all aspects of development in the various sectors of the state's economy and make suggestions regarding the strategy to be adopted, and the programmes to be undertaken during the plan period in each sub-section. Programmes for development of co-operative sector are also drawn up by such a task force in which the bank is represented. In view of the diversification and complexity of activities of different types of co-operatives and paucity of resources at the disposal of the bank, it has not been possible for it to involve itself in planning and implementation of various schemes for the development of the credit structure as a whole embracing all types of co-operative activities in any big way. The bank's involvement is largely confined to the implementation of schemes formulated for financing agricultural production and expansion of loaning activities for improving agricultural production and other connected land development programmes and also for the development of ancillary services like supply of inputs, assistance in marketing of crops, consumer sector etc.

13. The primary agricultural credit societies, district/central co-operative banks and the state co-operative bank mobilize resources of their own by way of share capital and deposits besides borrowings from the next higher agencies for meeting the production and other credit requirements of their members. No leadership as such has hitherto been given by the bank to its borrowing units in their efforts for deposit mobilization except to circularise among them certain schemes for deposit mobilisation adopted by the commercial banks. The bank has recently impressed upon the district banks the need for opening new branches in unbanked areas and has agreed to provide them as an incentive measure, assistance for meeting part of their establishment cost in opening new offices on a tapering basis during the first three years. The bank has also very recently decided to institute a rolling trophy to be presented to that central co-operative bank which mobilizes maximum deposits from individuals during a particular year.

14. The state co-operative bank itself had only one banking office at Trivandrum till May 1972. The bank has since realised that unless it also resorts to branch opening it cannot mobilise adequate deposit resources and its prestige as a banking institution cannot be enhanced. Accordingly the bank has opened two branches in the city and expects to open at least two more branches as soon as possible.

15. The bank provides short-term agricultural production credit and medium-term agricultural development credit to the farmers through the district/central co-operative banks and their affiliated primary agricultural credit societies. As on 31-3-1973 such advances aggregated Rs 18.61 crores of which Rs 2.51 crores were out of the bank's own resources. In the co-operative industrial sector only the handloom societies have been provided production and marketing credit out of assistance provided by the Reserve Bank of India. Other industrial societies have so far been

left out because of their organisational and financial weaknesses etc. The bank has provided credit to co-operative consumers stores organised under the Central Government Scheme through the district banks, the aggregate amount outstanding on 31-3-1973 being Rs 119.36 lakhs. At the apex level credit facilities are being extended to the Kerala State Marketing Federation, State Consumers' Federation, State Handloom Weavers' Society and also interim accommodation to the State Land Mortgage Bank. The bank is also providing letter of credit facilities to the State Marketing Federation to an unlimited extent for purchase and distribution of chemical fertilisers. So far the apex bank has not provided any limits to big industrial processing ventures like sugar factories etc. A recent development relates to the decision of the bank to sponsor schemes for providing block capital assistance to processing units set up by co-operative marketing societies in the state with refinance from the NCDC under the Central Sector Schemes for setting up processing units. In terms of this decision the apex bank has already recommended to the NCDC two schemes for rubber processing involving block capital investment aggregating Rs 30.23 lakhs.

16. The bank has started undertaking the task of supplementing government developmental efforts designed to improve the lot of the economically poorer sections of the community by financing certain special schemes. A comprehensive scheme for development of fisheries in Kozhikode District, drawn up by the government in consultation with the Agricultural Refinance Corporation involving a total capital outlay of Rs 75.20 lakhs and the provision of 50 mechanised boats with necessary implements, construction of an ice plant and cold storage facilities. Construction of a workshop for repairing boats and provision of insulated vans for transporting fish is the first in the series of the schemes taken up for financing by the bank in 1970-71. The bank has also decided to take up financing of two more schemes of similar type, one in the Vypeen island of Ernakulam District and the other in the Anjengo area of the Trivandrum District, involving a total capital outlay of Rs 128.90 lakhs. The bank has also sanctioned a scheme for the development of poultry in certain parts of Cannanore District involving an outlay of Rs 30.00 lakhs with refinance facility from the Agricultural Refinance Corporation, but the implementation of the scheme has not yet commenced due to certain administrative and technical reasons. The bank has also provided financial assistance to the extent of Rs 10.00 lakhs for implementing a scheme drawn up by the state government to rehabilitate thousands of beedi workers in Cannanore District who were thrown out of employment on the closure of some of the private sector beedi making units in the district. The scheme has made good progress and about 6000 beedi workers find employment under the scheme. The bank is also providing credit facilities to the State Consumers' Federation for the procurement and distribution of coarse variety of cloth through the district wholesale stores under a scheme formulated by the state government. All these efforts have resulted in recording considerable progress in the expansion of both agricultural and non-agricultural credit activities of the bank.

17. The bank has not so far made any efforts to build up common cadres

of personnel for the benefit of the credit structure in the state. A few years back a committee was appointed by the state government to examine the need for formulation of common cadres for the middle and lower level institution. The report submitted by the committee is understood to be under the consideration of the state government. The state co-operative bank has, however, provided the services of one of its senior officers as secretary to the Trichur District Co-operative Bank on deputation basis. An officer of the Reserve Bank has been functioning as the chief executive officer of the bank since 1970.

18. The bank convenes periodically conferences of the representatives of the district/central co-operative banks and state department to discuss common problems and to find out solutions. The last such conference was held in October 1972. Apart from this the chief executive of the bank holds periodic meetings with the chief executives of the district co-operative banks to discuss common problems and difficulties and to secure their co-operation in implementing the bank's decisions on matters of policy. The bank's President and/or Secretary are represented on several state level committees constituted by the government. Progress relating to implementation of various schemes is reviewed in these meetings. Meetings at government level are also held at the initiative of the state co-operative bank to secure the co-operation of the state government in the fulfilment of its role.

19. In order to tone up the financial and administrative efficiency of the member banks, the officers of the bank undertake periodical inspection of these banks. For this purpose, the bank established a Regional Development Office at Calicut under the charge of a senior officer, covering 5 district/central co-operative banks in the northern region. The bank has at present no plan to expand the role of the Regional Office at Calicut or to establish another office as from the point of view of proximity it is stated that the other banks can be taken care of by the Head Office itself without establishing another Regional Office for the purpose. Apart from periodical and detailed inspections of banks and apex societies financed, short period visits to the institutions are also being undertaken by the bank's officers to study the important aspects of their working.

20. Thus the bank has adopted progressive policies which has resulted in the expansion of its activities by and large on proper lines. There is, however, further scope for resource mobilisation and stepping up of business with a wider coverage in the context of increasing demands of the institutions.

APPENDIX II

NOTES ON FINANCIAL POSITION AND WORKING OF CENTRAL CO-OPERATIVE BANKS IN KERALA

Alleppey District Co-operative Bank

Cannanore District Co-operative Central Bank

Ernakulam District Co-operative Bank

Kottayam District Co-operative Bank

Malabar Co-operative Central Bank

Malappuram District Co-operative Bank

Palghat Co-operative Central Bank

Quilon District Co-operative Bank

Trichur District Co-operative Bank

Trivandrum District Co-operative Bank

ALLEPPEY DISTRICT CO-OPERATIVE BANK

1. Alleppey District is bounded on the north and northeast by the Ernakulam and Kottayam Districts respectively, on the east and on the south by the Quilon District and on the west by the Arabian sea. It covers an area of 1885 square kilometres which entirely lies in the lowland and midland regions. The lowland consists of the flat sandy and alluvial strip along the sea coast intercepted by lagoons, rivers and canals. The midland region is 25 to 250 feet above sea level with luxuriant vegetation.
2. There are 17 blocks, 99 villages and 8 towns in the district. For administrative convenience the district has been divided into 8 taluks. The population of the district as per 1971 census was 21.18 lakhs, of which 17.59 lakhs or 83 per cent was rural. The density of population at 1124 persons per square kilometre is the highest in the state. There were 95,554 cultivators and 1,82,087 agricultural labourers in the district.
3. The district gets the benefit of the south-west and north-east monsoons, the former during June-August and the latter during October-November. There are 3 rivers passing through the district namely Manimala, Pamba and Achencoil which drain into the Vembanad lake. When the water level in this lake rises, the neighbouring area which is known as "Kuttanad" (the rice bowl of Kerala) gets submerged under water. Dewatering and bunding on a large scale has to be resorted to before cultivating the Kuttanad lands.
4. The district has several back water strips consisting of the Vembanad lake, innumerable canals connecting the rivers and various parts of the lake and also inter-connecting the Kayamkulam lake. These backwater canals serve as navigable waterways.
5. There are two major irrigation schemes in the district viz., the Thanneermukkom and Pamba river valley projects. The total irrigated lands (including dewatered area in Kuttanad) in the district is estimated at 62,000 acres i.e. about 15 per cent of the total sown area at 3,90,581 acres. The various types of irrigation facilities employed are: (i) construction of large field canals; (ii) reclamation of kayal lands; (iii) culling of small canals connecting rivers; (iv) lift irrigation. In view of the existence of innumerable water links there are no deep wells in the district and shortage of water is seldom felt.
6. The important crops raised in the district are paddy, coconut, banana and tapioca. Paddy is the principal food crop covering about 37 per cent (85,162 hectares) of the total cropped area. Tapioca is the next important food crop grown in the district. The district produces about 330 lakh tonnes of tapioca and covers about 9 per cent of the total area under this crop in the State.
7. The district had been selected for implementation of the Intensive Agricultural District Programme. All the 17 blocks have been covered

by the programme and the progress has been impressive. Most of the cultivators have adopted the high yielding varieties of seeds.

8. Recently, the Government of Kerala has introduced the 'Ela programme' of paddy (cultivation on large scale in contiguous areas) in the district. In Kuttanad area where the land is submerged under water the government has, with the help of the Agricultural Refinance Corporation, taken up intensive area cultivation after providing extensive bunds and dewatering arrangements.

9. There is an agricultural research station at Kayamkulam, 3 seed farms which produce foundation seeds required to multiply the high yielding strains of paddy and a coconut nursery at Mavelikkara. There is also a plant protection and control of pest and plant disease programme covering a target of 3.11 lakh acres. Sugarcane and pepper are the other types of crops grown but not on an extensive scale.

10. The agricultural holding per cultivating household in the district is 1.73 acres as against the state average of 2 acres. The per capita agricultural holding of the district in the rural area is only 26 cents as against the state average of 33 cents. Even though 62.43 per cent of the total cropped area in the district is under food crops, the low fertility of kayal lands is the main reason for the low rate of production of food crops in the district. There is, however, a growing awareness among the farmers about the efficacy of introducing improved and sophisticated techniques in farm operations. Agricultural labour nevertheless shuns mechanisation. Hence tractors are not popular. Cultivators of paddy in Kuttanad area particularly are fertiliser conscious.

11. The total area of the district is 461,568 acres of which 390,581 acres are cultivated and 157,743 acres are sown more than once. Thus the gross cropped area is 548,324 acres. Multi-cropping is practised depending upon the availability of water supply. Out of the total cropped area, 1067,706 acres are irrigated paddy lands.

12. The Alleppey District Co-operative Bank was registered on 31 July 1958 and commenced functioning from 1 September 1958. Prior to its formation, the credit needs of the agricultural credit societies in the district were directly met by a branch of the erstwhile Travancore-Cochin State Co-operative Bank. Pursuant to the recommendation of the Rural Credit Survey Committee, the branch of the apex bank was converted into a full-fledged central co-operative bank for the Alleppey District in 1958.

13. The progress registered by the bank is indicated on page 112.

14. The paid-up share capital of the bank increased from Rs 43.67 lakhs as on 30-6-1970 to Rs 61.20 lakhs as on 30-6-72. Of the increase of Rs 17.53 lakhs, Rs 6.00 lakhs were by way of share capital contribution from the government.

15. The deposits of the bank registered a steady increase from Rs 128.60 lakhs as on 30-6-1970 to Rs 219.21 lakhs by 30-6-72. As on 30-6-72 the deposits of societies at Rs 80.75 lakhs constituted 37 per cent of the total deposits at Rs 219.21 lakhs. The current deposits of individuals at Rs 10.53 lakhs as on 30-6-71 declined to Rs 4.23 lakhs as on 30-6-72.

Particulars	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
Paid-up share capital	43.67	54.88	61.20
of which Government's	10.30	16.30	16.30
Reserves	12.74	14.88	16.51
Owened funds	56.41	69.76	77.71
Total deposits	128.60	162.84	219.21
Borrowings	116.97	132.96	117.66
Working capital	302.07	358.76	406.47
Loans issued			
Short-term agricultural	180.91	188.93	225.08
Medium-term agricultural	6.06	15.76	15.17
Others	138.95	118.18	217.29
Total	325.92	322.87	457.54
Loans outstanding			
Short-term agricultural	153.55	183.38	180.12
Medium-term agricultural	21.48	25.63	30.15
Others	61.58	76.81	100.03
Total	236.61	285.82	310.30
Net Profit	2.52	2.71	2.85

The current deposits at Rs 24.28 lakhs which formed about 15 per cent of the total deposits on 30-6-71 declined to 11 per cent on 30-6-72. The savings and fixed deposits had registered a marked increase.

16. The position of deposits from societies as compared to total deposits is indicated below:

	Rs Lakhs		
	1969-70	1970-71	1971-72
1. Total deposits	128.60	162.84	219.21
2. Deposits from societies	62.50	74.84	80.75
3. Proportion of (2) to (1)	48.6%	46%	36.8%

17. The bank had achieved the target of Rs 150 lakhs for deposit mobilisation fixed by the Registrar of Co-operative Societies for the year 1971-2. The deposit target for 1972-3 has been fixed at Rs 250.00 lakhs.

18. The bank opened its first branch at Chengannur in 1962. Thereafter, it opened 4 more branches one each at Shertalai (1964), Haripad (1965), Mavelikkara (1966) and Tiruvalla (1966), all being taluk head-quarters. As on 30-6-1972, the bank had 12 branches (excluding head office).

19. There are 28 centres in the district with a population of 5000 and above. As against this the bank has 12 branches of which 10 are located in towns having a population of over 1 lakh and two in towns having population of between 10,000 and 1 lakh. The bank had no branch expansion programme on hand. In the matter of deposit mobilisation barring the branches at Alleppey, Shertalai, Chengannur, Tiruvalla and

Mavelikkara, the performance of the other branches was none too satisfactory. Evidently most of the branches function only as loaning centres. The bank fixes annual deposit targets for each branch and performance is watched by the head office. All the branches except Mavelikkara had achieved the targets fixed by the bank for 30 June 1972 and all the branches in existence for more than 3 years had collected deposits exceeding Rs 5 lakhs each. All the branches were working at profit.

20. The deposit potential in the area is vast and the bank will be able to mobilise more deposits only if all the branches of the bank made earnest efforts and rendered adequate and efficient services to their customers. At present the bank arranged for remittance of funds and collection of bills and cheques on behalf of customers. Safe deposit lockers were also provided at the Alleppey branch.

21. The outstanding borrowings of the bank from the Kerala State Co-operative Bank as on 30-6-72 for seasonal agricultural operations and marketing of crops and other purposes stood at Rs 117.66 lakhs as compared to Rs 132.96 lakhs and Rs 116.97 lakhs as on 30-6-71 and 30-6-70 respectively. The total borrowings of the bank as on 30-6-72 constituted 38 per cent of its loans and advances as against 46 per cent and 49 per cent as on 30-6-71 and 30-6-70 respectively.

22. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past 3 years is given below:

	1969-70	1970-71	Rs Lakhs
			1971-2 (29-6-72)
1. Total deposits	128.60	162.84	219.21
2. Current deposits	8.86	24.28	23.21
3. Borrowings	116.97	132.96	117.66
4. Working capital	302.07	358.76	406.47
5. Percentage of (1) to (4)	42.6	45.4	53.9
6. Percentage of (2) to (1)	6.9	14.9	10.5
7. Percentage of (3) to (4)	38.7	37.1	28.9

The average proportion of deposits to working capital during the last 3 years worked out to 47 per cent while current deposits formed 11 per cent of the total deposits on an average. The proportion of current deposits to total deposits was low as the bulk of the bank's deposits was raised in the form of fixed deposits.

23. Whereas the average cost of deposits worked out to 5.1 per cent (average of 5 quarters), the average cost of borrowings was 4.8 per cent. The increased cost of deposits is mainly due to the higher proportion of long term deposits at higher rates of interest and the low proportion of current deposits.

24. The ratio of the bank's borrowings to working capital for the past three years worked out to 35 per cent. The average cost of borrowings

worked out to 4.8 per cent as against the average total borrowing rate (including deposits) of 5 per cent.

25. The average ratios of cash reserves, investments as well as liquid assets to total deposits and total assets during the five quarters ending 30 September 1972 are indicated below:

(a) Cash reserve to total deposits	8.6
(b) Investments to total deposits	37.3
(c) Liquid assets to total deposits	45.9
(d) Cash reserve to total assets	3.7
(e) Investment to total assets	15.0
(f) Liquid assets to total assets	18.8

The bank had not defaulted in the maintenance of adequate cash reserve and liquid assets as prescribed under the Banking Regulation Act, 1949. It was, however, maintaining heavy surplus in cash reserve over and above the optimum requirements. Such surpluses maintained during 1971-2 ranged from Rs 0.11 lakh in August 1971 to Rs 17.44 lakhs in April 1972. Difficulties in making remittances of small denomination notes to the branches of local commercial banks and absence of facilities for transfer of funds at some of the centres at which branches were situated were reportedly main reasons for the accumulation of excessive cash reserve.

26. There was a significant increase in the short-term agricultural loans advanced by the bank during 1971-2 at Rs 225.08 lakhs compared to Rs 188.93 lakhs and Rs 180.91 lakhs during 1970-71 and 1969-70 respectively. At the same time, a significant increase in non-agricultural loans from Rs 138.95 lakhs during 1969-70 to Rs 217.29 lakhs during 1971-2 was also noticed. The proportion of agricultural and non-agricultural loans outstanding to total loans in the last 3 years was as under:

	30-6-70	30-6-71	30-6-72
Short-term (agricultural)	65	64	58
Medium-term (agricultural)	9	9	10
Others	26	27	32

27. The proportion of loans and advances to working capital as on 30-6-70, 30-6-71 and 30-6-72 worked out to 78 per cent, 80 per cent and 76 per cent respectively.

28. The average lending rate of the bank was 7.2 per cent whereas the borrowing rate was 5 per cent. Thus the margin available to the bank was 2.2 per cent.

29. The bank has adopted the crop loan system in all its essential aspects. The financing of crops was as follows:

Name of the crop	Cropped area (lakh-hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (Percentage to loans)
1	2	3	4	5	6
Paddy	0.85	37	99	44	29
Coconut	0.82	35	104	46	50
Tapioca	0.20	9	11	5	7
Sugarcane	0.04	2	10	4	3
All crops	2.32	100	225	100	100

30. The medium-term loans issued by the bank were mostly for non-identifiable purposes and for a uniform period of 3 years.

31. Linking of credit with marketing was absent in the real sense of the term, except in areas where procurement operations were undertaken on behalf of the Government. One of the marketing societies has been appointed as procurement agent by the government and recoveries of production loans were being made from out of the proceeds paid for procured paddy. The bank is also effecting some recoveries through the 'kettuthengu' system.

32. The overdues position of the bank at the end of the last 3 years is given below:

Rs Lakhs					
1969-70		1970-71		1971-2	
Amount	% to demand	Amount	% to demand	Amount	% to demand
55.98	22.8	107.66	26.7	80.32	18.8

The overdues in respect of societies in the area of Kayamkulam, Mavelikkara, Alleppey, Champakulam and Pulincunnu branches were heavy. The increasing trend in the overdues was mainly attributed to the fall in prices of commodities and inadequacy of staff to attend to issue of awards and execution of decrees. The number of stay orders issued by the department in execution proceedings was another factor that stood in the way of recovery of dues. However, during 1971-2 the bank has been able to make some progress in the matter of recoveries through procurement operations which has brought down its overdues. The bank had filed fresh arbitration cases involving Rs 2.60 lakhs and 1118 awards involving Rs 7.80 lakhs were under execution. The overdues from primary agricultural credit societies over 3 years stood at Rs 4.34 lakhs, between

1 and 3 years at Rs 27.14 lakhs and upto one year at Rs 33.67 lakhs. Overdues for over three years had increased from 1.70 lakhs as on 30-6-70 to Rs 4.34 lakhs as on 30-6-72. The bank had not so far sanctioned any conversion loans.

33. As against the estimated bad debts of Rs 4.33 lakhs as on 30-6-72, the bank's bad debt reserve amounted to Rs 4.29 lakhs.

34. The bank had earned net profits of Rs 2.52 lakhs, Rs 2.71 lakhs and Rs 2.85 lakhs during the years ended 30-6-70, 30-6-71 and 30-6-72 respectively. It had declared a dividend of 2½ per cent, 2 per cent and 2 per cent for the years 1969-70, 1970-71 and 1971-2 respectively. The proportion of cost of management to gross income for these years worked out to 24.2 per cent, 22.4 per cent and 20.6 per cent and 2.4 per cent, 1.5 per cent and 1.6 per cent respectively in relation to working capital.

35. The board of directors consisted of 10 members, of whom seven were elected and 3 nominated by the department and the apex bank. Each of the seven elected members represented a taluka and a society also. There was, however, no provision in the by-laws of the bank regarding representation of particular types of societies. As on 31-12-72 the effective strength of the board was only 7. Of these 7 members, only one member was the representative of a primary agricultural credit society. The board met at least once a month and the executive committee met twice a month. The board members attended the conferences convened by the Department. Both the board and executive committee evinced fair interest in the day to day functioning and progress of the bank and periodically reviewed the position regarding overdues, deposit mobilisation etc. The board also discussed matters regarding the reorganisation/revitalisation of societies and suggested further steps to be taken in the matter.

36. The total sitting fees etc. paid to the directors during the past three years ended 1971-2 amounted to Rs 11,070, Rs 14,027 and Rs 15,286 respectively and formed 1.1 per cent, 1.1 per cent and 0.5 per cent of gross income and 4.4 per cent, 5.2 per cent and 5.4 per cent of the net profit.

37. The day-to-day administration of the bank is vested in the General Manager who is assisted by a Deputy General Manager, an Executive Officer, an Inspector of Branches, two Superintendents, a Chief Accountant, a Marketing Officer and Branch Managers. Most of the key personnel had received co-operative training. There are 23 inspectors entrusted with the supervision of 254 indebted societies and each inspector was in charge of 11 societies. The tour diaries of the inspectors and their visit notes were subjected to scrutiny at the head office by the Executive Officer. Though each society was to be inspected in detail once a month, this was not being done regularly. The head office kept a watch over the receipt of the disbursement/utilisation statements sent by the inspectors and also reports on progress of recovery.

38. The pay and allowances of the key personnel and staff of the central bank were lower than those paid by the apex bank.

Primary Agricultural Credit Societies

39. Particulars regarding the number of primary agricultural credit societies in the district and those financed by the bank during the past three co-operative years are furnished below:

Year	No. of Agricultural credit societies	No. of societies financed by the bank	No. of societies indebted to the bank	No. of societies which defaulted to the bank
1	2	3	4	5
1969-70	320	175	257	86
1970-71	317	178	259	104
1971-72	315	188	254	92

40. Though there were 315 agricultural credit societies in the district, only 254 were indebted to the bank. There was no perceptible progress in regard to removal of overlapping jurisdiction. As on 30-6-72 there were 62 societies of which 11 were to be liquidated, 32 to be amalgamated, 14 to be delimited, and 5 to be converted. Of the 315 societies in the district, 22 were dormant. The societies had a membership of 2.11 lakhs and covered 60 per cent of the rural population. Of the total membership of 2.11 lakhs, the number of borrowers was 67,000 only. The total owned funds of the societies aggregated Rs 175 lakhs, Rs 139 lakhs by way of share capital and Rs 36 lakhs by way of reserves. The deposits of the societies amounted to Rs 59 lakhs of which Rs 58 lakhs were from members. During 1971-2, the societies issued short and medium term loans aggregating Rs 288 lakhs. As on 30-6-72, the total outstandings of societies stood at Rs 352 lakhs of which Rs 130 lakhs or 37 per cent were overdue.

CANNANORE DISTRICT CO-OPERATIVE CENTRAL BANK

1. The Cannanore District is bounded on the north and east and by the Mysore State, on the south by the Kozhikode District and on the west by the Arabian Sea. It has an area of 5705 sq. km. and is administratively divided into 6 taluks consisting of 12 blocks and 188 villages. According to 1971 census it had a population of 23.62 lakhs of which 20.37 lakhs or 86 per cent was rural. The density of population worked out to 414 persons per sq. km.

2. The district can be broadly divided into three natural regions—the lowland consisting of the coastal strip on the western border, the high land consisting of the hilly region of the Western Ghats and the midland sandwiched between the other two regions. The district has a hot and humid climate and receives an annual rainfall of 3438 mm.

3. There are twenty rivers flowing through the district, the more important being Chandragiri, Karingote, Kuppam and Valapattanam. There is no major irrigation project in the district. The minor irrigation schemes include small bunds, diversion works, tanks, vented dams, cross bars, canals etc. The irrigational facilities are inadequate as the irrigated area at 25,920 hectares formed only 8.72 per cent of the net sown area. Out of the total geographical area of 576,661 hectares, the total cropped area was 366,205 hectares of which 70,697 hectares were sown more than once.

4. The major crops grown in the district were paddy, coconut, pepper, cashewnut, rubber, arecanut and tapioca. The area under cultivation of these crops is shown below:

Sr. No.	Crop	Area cultivated (in hectares)
1.	Paddy	98692
2.	Coconut	93235
3.	Pepper	51590
4.	Cashewnut	40361
5.	Rubber	15079
6.	Arecanut	14022
7.	Tapioca	7136

5. There were 130,456 cultivators and 240,491 agricultural labourers in the district. The following table shows the distribution of operational holdings according to size:

Size of operational holdings	No. of holdings (in 000)	Percentage to total
Below 1 acre	106.2	42.2
1—2.5 acres	74.3	29.5
2.5—5 acres	37.1	14.7
5—10 acres	21.0	8.4
10—15 acres	7.4	2.9
15—20 acres	2.1	0.8
20—25 acres	1.6	0.6
25 acres and above	2.3	0.9
Total	252.0	100.0

6. The High-Yielding Varieties Programme is being implemented in the district. The targets and achievements in 1971-2 are furnished below:

	In hectares	
	Target	Achievement
Virippu I crop (Kharif)	16200	11388
Virippu II crop (Rabi)	20250	15901
Punja III crop	400	822
	<u>36850</u>	<u>28111</u>

The district has been selected for implementation of SFDA/MFAL projects. The Small Farmers Development Agency was registered on 12 April 1971. As on 31 March 1972, 22,257 small farmers had been identified. The total financial requirements under the SFDA/MFAL schemes to be met by 1973-4 are estimated at Rs 1871 lakhs.

7. The Cannanore District Co-operative Bank was registered on 22 May 1963. Prior to its formation, the district was served by a branch of the Malabar Co-operative Central Bank. Consequent on the trifurcation of the Malabar area into Kozhikode, Cannanore and Palghat Districts, separate central banks were organised for the Cannanore and Palghat Districts by division of the Malabar Co-operative Central Bank.

8. The progress registered by the bank during the last three years ended 1971-2 is indicated below:

Particulars	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Paid-up share capital	41.00	44.66	72.29
Of which Government contribution	10.25	10.25	25.25
2. Reserve and other funds	10.54	11.86	13.63
3. Owned funds	51.54	56.52	85.92
4. Deposits	115.79	118.81	165.58
5. Borrowings	123.19	167.31	201.25
6. Working capital	416.27	468.24	466.49
7. Loans issued during the year			
Total	415.18	544.66	689.06
Short-term (agricultural)	162.88	195.72	272.84
Medium-term (agricultural)	1.67	3.10	30.44
Others	250.63	345.84	385.78
8. Loans outstanding			
Total	247.17	295.05	411.13
Short-term (agricultural)	164.12	195.97	275.91
Medium-term (agricultural)	7.72	4.21	32.17
Others	75.33	94.87	103.05
9. Net profit	0.71	0.09	0.08

9. The paid-up share capital of the bank rose from Rs 41.00 lakhs as on 30 June 1970 to Rs 72.29 lakhs as on 30 June 1972 mainly due to the contribution of Rs 15 lakhs received from the SFDA. The owned funds of the bank at Rs 85.92 lakhs as on 30 June 1972 constituted 18 per cent of its working capital.

10. The total deposits held by the bank increased by Rs 3.02 lakhs or 2.6 per cent during 1970-71 and by Rs 46.77 lakhs or 39 per cent during 1971-2. The increase was more marked in the case of fixed deposits held by societies which rose by Rs 20.84 lakhs during 1971-2. In this connection it may be noted that the bank was allowing societies to credit the loans drawn by them to their deposit accounts with the bank. This inflated the deposits from societies which was not either in the interest of the bank or the societies. In the case of the bank it had to maintain liquid assets to cover the deposit liabilities while the societies had to pay avoidable interest on the loan amounts. Deposits from sources other than co-operatives rose by Rs 4.22 lakhs or 8 per cent and by Rs 16.75 lakhs or 28 per cent during the respective years. As on 30 June 1972, such deposits accounted for Rs 75.85 lakhs or 46 per cent of the total deposits. The current deposits which were at Rs 22.05 lakhs as on 30-6-70 had declined to Rs 20.97 lakhs as on 30-6-71 and this was mainly on account of fall in current deposits from individuals. The total current deposits as on 30-6-72 increased to Rs 30.47 lakhs and formed 18 per cent of the total deposits. The bulk of the deposits held by the bank was in the form of fixed deposits which as on 30 June 1972 constituted 60 per cent of the total deposits.

11. There are 13 centres in the district having population of 5000 and above. As against this the bank had eight branches and all of them were located at centres having a population above one lakh. It had no branch expansion programme on hand. For 1971-2, the bank had fixed a deposit target of Rs 2 lakhs for each branch except Cannanore for which a target of Rs 5 lakhs had been fixed. The branch-wise deposit position as on 30 June 1972 was as under:

Sr. No.	Name of the Branch	Amount Rs Lakhs
1.	Cannanore	85.36
2.	Kanhangad	19.49
3.	Tellicherry	10.86
4.	Kasargod	23.40
5.	Kuthuparamba	8.05
6.	Mananthody	5.97
7.	Iritty	1.95
8.	Payyanur	3.83

The Iritty branch which was in existence for over three years had collected deposits of less than Rs 2 lakhs.

12. The bank transacted the normal banking business and provided facilities like collection of salary bills, discounting of bills of societies

etc. It had also introduced a recurring deposit scheme and was contemplating to extend limited overdraft facilities to long-standing customers. A deposit target of Rs 130 lakhs fixed for 1971-2 has been exceeded while the target for 1972-3 was fixed at Rs 190 lakhs.

13. The total borrowings of the bank from the apex bank which stood at Rs 123.19 lakhs as on 30 June 1970 increased to Rs 201.25 lakhs as on 30 June 1972. It also had received a loan of Rs 10 lakhs from the SFDA, Cannanore. The bank was sanctioned a short-term credit limit of Rs 150 lakhs by the Reserve Bank of India for financing seasonal agricultural operations during 1971-2 and the limit was fully utilised. For the year 1972-3, it has been sanctioned a limit of Rs 180 lakhs. The bank did not strictly observe the prescribed financial discipline in its operations on the credit limit. There was no correlation in the borrowings and advances on the one hand and repayments and recoveries on the other hand.

14. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past three years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	115.79	118.81	165.58
2. Current deposits	22.05	20.97	30.47
3. Borrowings	123.19	167.31	201.25
4. Working capital	416.27	468.24	466.49
5. Percentage of 1 to 4	27.8	25.4	35.5
6. Percentage of 2 to 1	19.0	17.7	18.4
7. Percentage of 3 to 4	29.6	35.7	43.1

15. The average proportion of deposits to working capital during the last 3 years worked out to 30 per cent while current deposits formed 18 per cent of the total deposits on an average. The average deposits from societies formed 52.4 per cent of the total deposits during the past three years. The interest cost of the deposits worked out to 4.7 per cent. The bulk of the deposits represented fixed deposits on which the interest charges payable were relatively higher.

16. Borrowings formed 36 per cent of the working capital of the bank on an average during the last 3 years. The average cost of such borrowings worked out to 5.4 per cent as against the average total borrowing rate (including deposits) at 5.1 per cent.

17. The bank was maintaining surplus cash reserve throughout the period July 1971 to August 1972 and such surpluses ranged from Rs 2.71 lakhs to 27.85 lakhs. It however defaulted in the maintenance of liquid assets as prescribed under Section 24 of the Banking Regulation Act, 1949 during June-July 1971 and almost continuously from May to September 1972, the deficits ranging from Rs 0.16 lakh to Rs 13.92 lakhs. The

average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserve to total deposits	12.0
(b) Investments to total deposits	26.8
(c) Cash reserve to total assets	3.9
(d) Investments to total assets	8.4

The average excess of cash reserve/liquid assets over the optimum level for the year 1971-2 worked out to Rs 3.52 lakhs per month. If this excess was utilized for repayment of borrowings the bank would have saved by way of interest Rs 0.17 lakhs.

18. The bank's short-term advances for agricultural purposes have been showing an upward trend mainly because of the increased lendings to small farmers identified by the Small Farmers Development Agency.

19. Medium-term agricultural loans have also registered a sharp increase from Rs 1.67 lakhs during 1969-70 to Rs 30.44 lakhs during 1971-2 on account of the schemes drawn up under the SFDA/MFAL projects relating to minor irrigation and dairy and poultry development. The proportion of agricultural and non-agricultural loans outstanding to total loans during the last 3 years was as under:

	30-6-70	30-6-71	30-6-72
Short-term (agricultural)	67	66	67
Medium-term (agricultural)	3	1	8
Others	30	33	25

The crop-wise break-up of short-term loans issued in 1971-2 and area under respective crops are given below:

Name of the crop	Cropped area (lakh hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (percentage to loans)
1	2	3	4	5	6
1. Paddy	0.99	27	27.11	11	29
2. Coconut	0.93	26	18.58	7	32
3. Tapioca	0.07	2	79.56	32	1
4. Pepper	0.52	14	19.45	8	14
5. Arecanut	0.14	4	34.07	14	7
6. Coffee	0.05	1	29.49	12	2
7. Ginger	0.004	0.1	34.11	14	0.1
All crops	3.66	100	249.42	100	100

It will be seen from the above table that some of the non-food crops

such as ginger, arecanut, coffee and tapioca receive finance much disproportionate to their area under cultivation.

20. The proportion of total loans and advances to working capital as at the end of the last 3 years is shown below:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total loans and advances	247.17	295.05	411.13
2. Working capital	416.27	468.24	466.49
3. Proportion of 1 to 2	59.4%	63%	88%

21. The average lending rate of the bank worked out to 7 per cent as against the average borrowing rate of 5.1 per cent leaving a margin of 1.9 per cent.

22. The overdues position of the bank as at the end of the last three co-operative years is shown below:

Type of loans	Rs Lakhs		
	Amount of overdues		
	30-6-1970	30-6-1971	30-6-1972
Short-term agricultural	40.65	59.15	54.40
Medium-term agricultural	3.10	1.82	0.98
Others	6.53	6.48	1.96
Total	50.28	67.45	57.34
Percentage of overdues to demand	25.4	29.5	23

The bank and the societies were found to be resorting to questionable methods for camouflaging the real overdues position.

23. The period-wise break-up of overdues against primary agricultural credit societies as at the end of the last three co-operative years is furnished below:

Period	Rs Lakhs		
	1969-70	1970-71	1971-2
Upto one year	26.63	42.56	36.96
Between one and three years	15.28	13.81	13.13
Above three years	1.84	4.19	4.11
Total	43.75	60.56	54.20

24. The bank worked at profit during the last 3 years. The proportion of cost of management to gross income and to working capital and of net profit to working capital are indicated on page 124.

Rs Lakhs

	1969-70	1970-71	1971-2
1. Net profit	0.71	0.09	0.08
2. Cost of management	5.94	6.58	8.39
3. Gross income	20.04	22.91	31.04
4. Working capital	416.27	468.24	466.49
5. Percentage of 2 to 3	29.6	28.7	27.0
6. Percentage of 2 to 4	1.4	1.4	1.8
7. Percentage of 1 to 4	0.2	0.02	0.02

The bank had declared a dividend of 1 per cent for the year 1969-70 and thereafter no dividend has been declared.

25. The bank is under the charge of an Administrator from 13 September 1971 who also functions as the District Deputy Registrar of Co-operative Societies. Obviously, he is not able to give full-time attention to the bank's affairs.

26. The chief executive of the bank is the Secretary who is assisted by a Manager, an Executive Officer, a Marketing Officer, a Superintendent and an Accountant at head office and a complement of Branch Managers. The field staff consisted of 6 supervisors and 20 inspectors. Each inspector had a charge of 9 societies on an average while each supervisor was in charge of 5 societies in addition to exercising supervision over the duties performed by the inspectors under his control. According to the existing instructions each society was required to be inspected by the inspector at least once in six months. These instructions were seldom adhered to. During 1971-2, out of 272 societies required to be inspected only 70 societies had been inspected. The quality of supervision exercised by the field staff over affiliated societies left considerable room for improvement. The scales of pay and allowances of the key personnel of the bank were generally lower than those of the apex bank.

Primary Agricultural Credit Societies

27. The data in regard to number of primary agricultural societies in the district, financing thereof by the bank etc. during the last three years are given below:

Year	No. of primary agricultural credit societies in the district	Number of societies financed by the bank	Number of societies indebted to the bank	No. of societies in default to the bank
1969-70	219	202	219	131
1970-71	221	203	221	154
1971-2	230	191	223	142

28. As on 30 June 1972, there were 230 primary agricultural credit societies in the district of which 13 were dormant. The societies had a membership of 2.38 lakhs which covered 49 per cent of rural population. The total owned funds of the societies amounted to Rs. 166 lakhs—Rs 128 lakhs by way of share capital and Rs 38 lakhs by way of reserves. The state government had contributed Rs 31 lakhs to the share capital of 169 societies and all but one had appointed full-time paid secretaries. Deposits of the societies aggregated Rs 169 lakhs of which only Rs 3 lakhs were from members. During 1971-2, the societies issued short-term and medium-term loans to the extent of Rs 507 lakhs and as on 30 June 1972, the total outstandings stood at Rs 472 lakhs of which Rs 136 lakhs or 29 per cent were overdue.

29. As on 30 June 1972, there were 6 societies having overlapping jurisdiction of which 4 were proposed to be amalgamated and 2 to be delimited. Under the reorganization programme, it is envisaged that 186 viable/potentially viable societies will emerge ultimately. The progress in regard to implementation of the programme has been rather slow.

ERNAKULAM DISTRICT CO-OPERATIVE BANK

1. The Ernakulam District is bounded on the north by the Trichur District, on the south by the Kottayam and Alleppey Districts, on east by the Kottayam District and on the west by Arabian Sea. It covers an area of 3270 sq. kms. and extends over 78 kms. from east to west and 53 kms. from north to south.

2. The district can broadly be divided into three regions—the highland consisting of hills and dense forests, the midland comprising plains and the lowland covering the sea-coast. The coastline stretches over 48 kms. and is indented by numerous backwaters and lagoons.

3. The density of population per sq. km. is 727 persons and the district ranked third in this respect in the state. All the villages in the district had a population exceeding 5000. According to 1971 census, the district had a population of 23.77 lakhs of which 17.21 lakhs or 72.4 per cent was rural.

4. The principal rivers flowing through the district are Periyar, Muvattupuzha and Chalakudy. The vast potentialities of the Periyar and Muvattupuzha rivers for power generation and irrigation have been partly tapped through projects located at Pallivasal, Kundara Mattupetty, Sengulam, Narimangalam and Panniyar. The backwaters which are an unique feature of the district serve as navigable waterways. The rainfall is heaviest during the South-West monsoon (June to September). Normally, there are about 140 rainy days in a year and the average annual rainfall is about 3430 mm.

5. Agriculture is the mainstay of the economy of the district. The total cropped area of the district is estimated at 2.77 lakh hectares of which 0.63 lakh hectares are sown more than once.

6. The table on page 126 shows the area under principal crops:

<i>Crop</i>	<i>Area (in hectares)</i>
Paddy	93691
Coconut	64687
Rubber	26459
Tapioca	14500
Cashew	6618
Pepper	7940
Arecanut	9223
Banana & Plantains	3204

Normally, two crops of paddy are grown by the cultivators and in areas where lift irrigation is available even three crops are raised in a year. Coconut is the most important cash crop. Banana which requires a humid climate and perennial irrigation is extensively grown in the plains. Pepper and ginger are cultivated in the high and midland areas. 7. There are about 1 lakh cultivators and 1.49 lakhs agricultural labourers in the district. The majority of the cultivators hold lands less than 1 acre. The following table shows the distribution of land holdings in the district according to size.

Size of holding	Percentage of cultivators	
	As owners	As tenants
Less than 1 acre	49.60	39.28
1 acre to 2.4 acres	32.55	37.75
2.5 acres to 4.9 acres	11.79	16.15
5 acres to 7.4 acres	3.64	4.22
7.5 acres to 9.9 acres	0.91	1.15
10 acres and above	1.51	1.45

8. The district is covered by the Intensive Agricultural Area Programme. The targets and achievements in regard to the High-Yielding Varieties Programme for paddy are shown below:

	(Area in hectares)		
	<u>I crop</u>	<u>II crop</u>	<u>III crop</u>
1970-71			
Target	16000	18000	32000
Achievement	20117	19353	5182
1971-72			
Target	22000	24000	2830
Achievement	22838	20073	8603

The state government had launched in September 1971 the 'Ela' programme (i.e. intensive cultivation of paddy in contiguous areas) in selected blocks covering an area of 2600 acres. Each such development

unit is stated to have a minimum acreage of 500 acres. Besides a multi-cropping project was also under implementation in the Angamali block.

9. Prior to 1960, the district was served by the Ernakulam branch of the Trichur District Co-operative Bank. With the formation of the Ernakulam District in 1960 by carving out 5 taluks from the Kottayam District and 2 taluks from the Trichur District, a new district co-operative bank was registered to serve the entire district consisting of 7 taluks, 17 blocks, and 113 villages. A new co-operative bank has been organised for the recently formed Idikki District and the area of operation of the Ernakulam bank will be delimited.

10. The progress made by the bank since its inception in the last three co-operative years is indicated below:

Particulars	Rs Lakhs		
	1969-70	1970-71	1971-2
Share capital	41.71	52.39	77.27
Of which from State Government	9.25	9.25	24.25
Owned funds	51.11	63.01	92.25
Deposits	184.43	194.97	267.00
Borrowings	118.72	215.55	275.18
Working capital	348.48	467.76	627.20
Loans issued: Total	539.75	545.35	749.91
Short-term (agrl.)	166.65	260.46	290.92
Medium-term (agrl.)	16.54	16.54	48.97
Others	356.56	268.35	410.02
Loans outstanding:			
Total	273.50	392.81	490.52
Short-term (agrl.)	158.99	263.67	317.75
Medium-term (agrl.)	35.91	36.12	65.79
Others	78.60	93.02	106.98
Net Profit	0.12	1.66	1.93

11. The paid-up capital of the bank rose from Rs 41.71 lakhs as on 30-6-70 to Rs 77.27 lakhs as on 30-6-72. Of the increase of Rs 35.56 lakhs 43 per cent increase is by way of share capital contribution by state government to the tune of Rs 15 lakhs. The reserves of the bank have shown a nominal increase of Rs 5.58 lakhs during the period.

12. The deposits of the bank increased from Rs 184.43 lakhs as on 30-6-70 to Rs 267.00 lakhs as on 30-6-72. The average annual deposit growth rate was 21 per cent. Deposits from sources other than co-operatives accounted for Rs 156.19 lakhs or 58 per cent of the total deposits as on 30-6-72.

13. The deposits from individuals at Rs 109.61 lakhs, 102.39 lakhs and Rs 156.19 lakhs as on 30-6-70, 30-6-71 and 30-6-72 formed 59 per cent, 53 per cent and 58 per cent respectively of the total deposits. The current deposits increased from Rs 14.96 lakhs as on 30-6-70 to Rs 27.25 lakhs as on 30-6-72 and formed 10 per cent of the total deposits. The current deposits from individuals were negligible i.e. Rs 2.17 lakhs as on 30-6-72.

14. There were 12 centres in the district having population of 5000 and above. However, according to the Lead Bank Survey report there were about 76 villages having population more than 5000 which were unbanked. The bank has 10 branches which are located in towns having a population exceeding 5000. There was thus scope for the bank to open more branches and the bank has a proposal to open 7 branches in next three years.

15. The deposits collected by the bank's branches as at the end of the last three co-operative years are indicated below:

Branch	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. H. O. Ernakulam (R. F. deposits of societies)	64.95	7.75	9.78
2. Muvattupuzha	28.67	25.67	27.31
3. Alwaye	24.19	21.97	21.43
4. Todupuzha	21.05	23.09	23.19
5. Cochin	15.60	23.06	23.68
6. Parur	16.35	16.38	28.13
7. Perumbavoor	7.10	8.48	9.61
8. Ernakulam	6.52	68.57	113.14
9. Kothamangalam			8.45
10. Kaladi			0.86
11. Tripunithura			1.42
	<u>184.43</u>	<u>194.97</u>	<u>267.00</u>

The deposits of Muvattupuzha and Alwaye branches had come down during the period whereas increase was nominal in the case of Todupuzha branch.

16. The bank had recently started providing limited overdraft facilities to its long-standing and valued customers to the extent of Rs 5000 with a view to attracting more deposits. Other services rendered by the bank were (a) collection of cheques and bills (b) discounting of government cheques and bills, cheques and bills of local bodies, statutory bodies like Electricity Board, State Transport Corporation, Rubber Board, State Trading Corporation, etc. (c) collection of pension bills and (d) issue of drafts.

17. For 1971-2, the Department had fixed a deposit target of Rs 200 lakhs which had been exceeded. The target fixed for 1972-3 is Rs 300 lakhs.

18. The bank resorted to borrowings only from the apex bank. The total borrowings which as on 30-6-70 stood at Rs 118.72 lakhs increased to Rs 275.18 lakhs as on 30-6-72. The proportion of deposits and borrowings to working capital as on 30-6-72 worked out to 43 per cent and 44 per cent as against 53 per cent and 34 per cent as on 30-6-70 respectively.

19. The proportion of deposits to working capital, current deposits to

total deposits and borrowings to working capital for the past 3 years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	184.43	194.97	267.00
2. Current deposits	14.96	23.27	27.25
3. Borrowings	118.72	215.55	275.18
4. Working capital	348.48	467.76	627.20
5. Percentage of 1 to 4	52.9	41.7	42.6
6. Percentage of 2 to 1	8.1	11.9	10.2
7. Percentage of 3 to 4	34.0	46.1	43.9

The average proportion of deposits to working capital during the last 3 years worked out to 45.7 per cent while current deposits formed 10 per cent of the total deposits on an average. The proportion of current deposits to total deposits was low as the bulk of the bank's deposits was raised in the form of fixed deposits. The average deposits from societies formed 43 per cent of the total deposits during the past 3 years. The average interest cost of the deposits worked out to 5.1 per cent and was less than the average borrowing rate of the bank at 5.4 per cent as on 30-6-72 mainly because of the high proportion of fixed excise deposits received by the bank at lower rates of interest for longer periods. The bulk of the deposits represented fixed deposits on which the rate of interest paid was relatively higher.

20. Borrowings formed 43 per cent of the working capital on an average during the last 3 years. The average cost of such borrowings for the last 5 quarters (September 1971 to June 1972) worked out to 5.4 per cent as against the average total borrowing rate (including deposits) at 5.2 per cent for the same period.

21. The bank was not exercising a proper watch over its resources position inasmuch as it issued loans even though there were deficits in liquid assets. The average ratios of cash reserve, investments as well as liquid assets to the total deposits and to the total assets during the five quarters ending September 1972 are indicated below:

(a) Cash reserve to total deposits	9.5
(b) Investments to total deposits	32.5
(c) Liquid assets to total deposits	41.8
(d) Cash reserve to total assets	3.7
(e) Investments to total assets	12.6
(f) Liquid assets to total assets	16.3

The bank maintained cash reserve far in excess of the optimum level for a fairly long period. It did not, however, generally maintain heavy surpluses in liquid assets in excess of the optimum requirements. It defaulted in the maintenance of minimum liquid assets on nine occasions during 1971 and such deficits ranged from Rs 0.53 lakh to Rs 2.13 lakhs.

22. As against the issue of Rs 166.65 lakhs by way of short-term agricultural loans and Rs 16.54 lakhs by way of medium-term agricultural loans during 1969-70, the bank's advances increased to Rs 290.92 lakhs and

Rs 48.97 lakhs respectively during 1971-2. The financial accommodation to weavers societies had also increased from Rs 18.93 lakhs to Rs 38.61 lakhs during the same period.

23. During 1970-71 short-term agricultural loans increased by Rs 93.81 lakhs while the increase was only Rs 30.46 lakhs during 1971-2. Thus the fresh flow of agricultural credit during 1971-2 was comparatively limited. Issue of non-agricultural loans during 1971-2 was heavy as compared to the previous two years. The total non-agricultural loans issued during 1971-2 exceeded 50 per cent of the total loans issued during that year at Rs 749.91 lakhs. Medium-term loans for non-agricultural purposes (ordinary loans) were granted by the bank mainly to salary earners societies to enable the latter to issue loans to their members. During 1971-2 such medium-term non-agricultural loans advanced by the bank amounted to Rs 22.75 lakhs or 32 per cent of the total medium-term loans issued by the bank during that year. The proportion of outstanding agricultural and non-agricultural loans to total loans during the last three years was as under:

	30-6-1970	30-6-1971	30-6-1972
Short-term (agricultural)	58	67	65
Medium-term (agricultural)	14	8	13
Others	28	25	22

24. The credit limits to societies were being sanctioned with reference to the performance in the previous year and not with reference to the cropwise limits applied for by them. No seasonality was observed in the issue of loans for coconut, areacanut, banana and tapioca. In the case of banana particularly, loans were issued throughout the year. Further, the bulk of the bank's advances had gone for financing the cultivation of banana and coconut though paddy was the principal crop grown in the district. In view of the higher scale of finance for banana, the borrowers had shown fictitious acreages under banana cultivation with a view to obtaining maximum finance. The cropwise production loans issued during 1971-2 and the acreage under cultivation under different crops is given below:

Name of the crop	Cropped area (lakh hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (percentage to loans)
Banana	0.03	1	131.59	45	4
Areacanut	0.09	3	41.87	14	7
Tapioca	0.14	5	5.78	2	5
Coconut	0.65	23	104.63	35	34
Paddy	0.94	34	4.93	2	29
All crops	2.76	100	293.27	100	100

25. The proportion of total loans and advances to working capital as at the end of the last 3 years and as on 29 December 1972 was as under:

	30-6-70	30-6-71	30-6-72	Rs Lakhs 29-12-72
1. Total loans and advances	273.50	392.81	490.52	311.54
2. Working capital	348.48	467.76	627.20	612.26
3. Proportion of 1 to 2	78.4	84.0	78.2	50.9

26. The average lending rate of the bank worked out to 7 per cent as against the average total borrowing rate of 5.2 per cent leaving a margin of 1.8 per cent.

27. The overdues position of the bank as at the end of the last three co-operative years is shown below:

Type of loan	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
Short-term agricultural	14.56	20.14	48.71
Medium-term agricultural	2.46	3.12	3.81
Others	4.34	5.62	12.49
	<u>21.36</u>	<u>28.88</u>	<u>65.01</u>
Percentage of overdues to demand	12.0	13.8	19.4
Total loans outstanding	273.50	392.81	490.52
Percentage of overdues to outstanding	7.8	7.4	13.3

28. The period-wise break-up of overdues against primary credit societies as at the end of the last three co-operative years is furnished below:

	1969-70				Rs Lakhs 1970-71			
	S.T.	M.T.	Oth-ers	To-tal	S.T.	M.T.	Oth-ers	To-tal
Upto one year	6.27	0.33	0.16	6.76	10.19	1.60	0.65	12.44
Between one and three years	5.01	0.25	1.23	6.49	6.65	0.07	0.70	7.42
Above three years	3.28	1.88	0.66	5.82	3.30	1.45	0.78	5.53
	1971-2							
	S.T.	M.T.	Others	Total				
	37.39	1.71	4.83	43.93				
	8.00	0.89	0.99	9.88				
	3.32	1.21	0.98	5.51				

The overdues were particularly concentrated in certain areas of operation of branches, viz., Muvattupuzha, Kothamangalam and Alwaye.

29. This heavy overdue position, however, had not affected the credit flow in these areas as the societies were reported to have resorted to book adjustments.

30. Further the bank had permitted certain relaxations particularly in the matter of overdues in terms of which even societies whose overdues at member level and bank level exceeded 75 per cent and 50 per cent respectively were allowed fresh finance. Though in terms of instructions from the Department the bank had to ensure, before issue of fresh finance to such societies, that the societies had filed arbitration cases against all defaulting members the stipulation was very seldom adhered to. In effect such fresh loans were misused by the societies to repay their earlier overdues.

31. The bank did not take effective action against defaulting societies apart from assisting them in the collection of overdues from members through departmental sale officers. The overdues over three years stood at Rs 5 lakhs and did not show any reduction during the past 3 years.

32. The bank worked at profit during the last 3 years. The net profit earned as well as the proportion of the cost of management to gross income and to working capital are indicated below:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Net prprofit	0.12	1.66	1.93
2. Cost of management	4.86	5.46	5.56
3. Gross income	19.56	26.50	37.04
4. Working capital	348.48	467.76	627.20
5. Proportion of 2 to 3	24.8	20.6	15
6. Proportion of 2 to 4	1.4	1.2	0.9

The bank had declared a dividend of 1 per cent for the year 1970-71. For 1969-70, no dividend was declared and for 1971-2 the bank was yet to make the profit appropriations.

33. The board of directors of the bank consisted of 10 members of whom 7 were elected, 2 nominated by the Department and one by the apex bank. Of the 7 elected members 5 were representatives of primary agricultural credit societies, one of marketing societies and one of other societies. The board met at least once a month. The subjects discussed were mostly of a routine nature like ratification of allotment of additional shares to societies, consideration of communications received from the Reserve Bank of India/Registrar of Co-operative Societies, inspection and audit reports on the bank and its balance sheet, staff matters, etc. The board seldom reviewed the progress of the bank in deposit mobilisation, investments and collection of overdues. No seminars/conferences were sponsored or attended by the bank's directors except those convened by the Registrar of Co-operative Societies.

34. The executive committee consisted of 5 members of the board including

President, Vice-President and Apex Bank nominee. The committee met once a week. It was attending mostly to business relating to sanction of loans, staff matters, etc.

35. The sitting fees and travelling allowance paid by the bank to its board and executive committee members during the years 1969-70 to 1971-2 amounted to Rs 13,357, Rs 15,136 and Rs 16,295 respectively and formed 0.7, 0.6 and 0.4 per cent in relation to gross income and 108.6, 9.1 and 8.4 per cent in relation to net profit.

36. The chief executive of the bank was the General Manager assisted by a Deputy General Manager, an Executive Officer, a Marketing Officer and ten Branch Managers. The strength of the supervisory staff called inspectors was 16 and each inspector was in charge of 16 societies on an average. The quality of supervision exercised by the bank inspectors left considerable room for improvement and in many cases monthly inspection of societies was in arrears. The bank did not exercise any effective control over its field staff. The Executive Officer of the bank was attending to office work and seldom undertook tours. The tour programmes, fortnightly diaries, scrutiny notes, etc., submitted by the inspectors to the Head Office through the concerned branches were not given proper attention by the head office.

37. The scales of pay and allowances of the key personnel, supervisors and branch managers of the central bank did not compare favourably with those of the apex bank officers of equivalent rank.

Primary Agricultural Credit Societies

38. The particulars such as the number of primary agricultural credit societies in the district, those financed by the bank, etc., during the past three co-operative years and loans outstanding etc., are furnished below:

Year	No. of societies	No. of societies financed by the bank	No. of societies indebted to the bank	No. of societies defaulted to the bank
1969-70	245	163	163	53
1970-71	256	197	163	62
1971-2	256	197	166	125

39. The bank did not play any effective role in organizing/reorganizing primary agricultural credit societies. Out of 256 societies in the district only 197 were financed by the bank and 166 were indebted and the number of societies in default had increased from 53 as on 30-6-70 to 62 as on 30-6-71 and to 125 as on 30-6-72. 83 societies were having overlapping jurisdiction.

40. The societies had a membership of 1.48 lakhs and covered 85 per cent of the rural population in the district. Of the total membership

of 1.48 lakhs, the number of borrowing members was 67,000 only. As on 30-6-72, owned funds of the societies were Rs 170 lakhs, Rs 134 lakhs by way of share capital and Rs 36 lakhs by way of reserves. Deposits of the societies aggregated Rs 130 lakhs, Rs 104 lakhs being from members. During 1971-2, the societies had issued short and medium-term loans to the extent of Rs 465 lakhs. The total loans outstanding of societies amounted to Rs 538 lakhs as on 30-6-72. Of the total outstandings, Rs 98 lakhs or 18 percent were overdue.

41. The position in regard to reorganisation of societies as on 30-6-72 is indicated below:

Societies without overlapping jurisdiction	134
Societies with overlapping jurisdiction	83
Societies to be liquidated	18
Societies to be amalgamed	7
Societies to be delimited	30
Societies to be tackled	18
Societies to be converted	10

KOTTAYAM DISTRICT CO-OPERATIVE BANK

1. The Kottayam District is bounded on the north by the Ernakulam and Trichur Districts, on the east by the Western Ghats and the Madurai, Ramanathapuram and Tirunelveli Districts of Tamil Nadu, on the south by the Quilon and Alleppey Districts and on the west by the Alleppey District. It covers an area of nearly 6360 sq. kms. and according to 1971 census, it had a population of 20.82 lakhs of which 18.69 lakhs or 89.8 per cent was rural. The density of population worked out to 326 persons per sq. km. The new district of Idikki was formed on 26 January 1972 by carving out certain portions of the Kottayam and Ernakulam Districts. The Kottayam District, at present, has 5 talukas comprising 11 blocks and 74 villages.

2. The district may be broadly divided into three natural regions viz., (i) highland (ii) midland and (iii) lowland. The high land consists of mountainous tracts covered by thick evergreen forests on the eastern side of the district. The undulating countryside lying between 25 and 250 feet above the mean sea level constitutes the midland. The lowland consists of the narrow western strip with an altitude up to 25 feet above the mean sea level.

3. There are four important rivers flowing through the district viz., Periyar, Meenachil, Manimala and Pamba. In the western portions of Kottayam, Meenachil, Chenganacherry and in the entire Vaikom taluks there are navigable waterways. The district receives a normal annual rainfall of 2994.5 mm. (

4. Out of the total geographical area of 6.26 lakh hectares, 3.22 lakh hectares were under cultivation and 0.50 lakh hectare were sown more than once. The principal crops grown in the district are, coconut, rubber,

paddy, cardamom, tapioca and tea. The following table shows the area under cultivation of the main crops:

<i>Crop</i>	<i>Area (in hectares)</i>
Coconut	74,839
Rubber	55,444
Paddy	50,033
Cardamom	43,093
Tapioca	37,120
Tea	27,212
Plantain	6,316

The Kottayam District has virtual monopoly in regard to tea production in the state and 50 per cent of Kerala's production of rubber comes from this district. There are no special agricultural programmes in the district except 'Ela'* which has been launched since July 1971 in selected Panchayats for intensive cultivation of paddy in contiguous areas not exceeding 500 acres.

5. There are 1.50 lakh cultivators and 1.60 lakh agricultural labourers in the district. The following table shows the distribution of operational holdings in the district according to size:

Size of operational holdings	No. of holdings (in 000)	Percentage to total
Less than 1 acre	97.6	46.3
1 acre to 2.5 acres	49.1	23.2
2.5 acres to 5 acres	24.8	11.8
5 acres to 10 acres	25.4	12.0
10 acres to 15 acres	7.3	3.5
15 acres to 20 acres	2.3	1.1
20 acres and above	4.5	2.1
Total	211.0	100.0

6. The bank was registered on 31 July 1958 and started functioning from 1 September 1958. The bank started with a membership of 251 societies and 5 individuals and a total paid-up share capital of Rs 2.38 lakhs. In 1961, when a separate district co-operative bank was formed for Ernakulam, 106 societies in 5 taluks till then affiliated to the Kottayam District Co-operative Bank were transferred to the Ernakulam Bank.

7. The progress achieved by the bank during the last three co-operative years ended 1971-2 is indicated on page 136. The paid-up share capital of the bank increased by Rs 4.09 lakhs during 1970-71 and by Rs 21.71 lakhs during 1971-2. The state government had contributed an additional

*It is a type of intensive cultivation of paddy in select compact areas by having certain common arrangements for inputs etc.

amount of Rs 10 lakhs in 1971-2 raising its share capital contribution to Rs 21.50 lakhs. The owned funds of the bank as on 30-6-72 amounted to Rs 72.78 lakhs and constituted 16 per cent of its working capital.

Particulars	Rs. Lakhs		
	30-6-1970	30-6-1971	30-6-1972
1. Paid-up share capital	37.41	41.50	63.21
Of which from Government	11.50	11.50	21.50
2. Reserves and other funds	7.92	9.19	9.57
3. Total owned funds	45.33	50.69	72.78
4. Deposits	152.14	158.55	230.56
5. Borrowings	80.64	129.49	162.95
6. Working capital	273.64	331.34	462.53
7. Loans issued			
Total	308.48	409.07	422.66
Short-term (agricultural)	123.82	178.48	273.06
Medium-term (agricultural)	—	0.25	11.71
Others	184.66	230.34	137.89
8. Loans outstanding			
Total	206.91	257.37	362.96
Short-term (agricultural)	126.83	184.90	279.25
Medium-term (agricultural)	26.14	12.33	13.68
Others	53.94	60.14	70.03
9. Net profit	1.34	—	2.07

8. The total deposits held by the bank increased by Rs 6.41 lakhs or 4 per cent during 1970-71 and by Rs 72.01 lakhs or 45 per cent during 1971-2. Deposits from sources other than co-operative fell by Rs 7.65 lakhs or 9 per cent and increased by Rs 37.30 lakhs or 50 per cent during the respective years. Such deposits accounted for Rs 112.23 lakhs or 49 per cent of the total deposits as on 30-6-72. The proportion of deposits from individuals to the total deposits in the last 3 years was as under:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total deposits	152.14	158.55	230.56
2. Deposits from individuals	82.58	74.93	112.23
3. Percentage of 2 to 1	54	47	49

9. The current deposits which were at Rs 24.51 lakhs as on 30-6-70 increased to Rs 44.71 lakhs as on 30-6-72. The percentage of current deposits to total as on 30-6-70, 30-6-71 and 30-6-72 was 16, 18 and 19 respectively. The increase in current deposits from societies compared to that of individuals was more pronounced. The current deposits from individuals increased from Rs 8.39 lakhs as on 30-6-70 to Rs 11.06 lakhs as on 30-6-72, while in the case of societies corresponding figures were Rs 16.12 lakhs and Rs 33.65 lakhs respectively. The increase in deposits was more pronounced in the case of fixed deposits. As on 30-6-72 fixed deposits formed 63 per cent of the total deposits. In order to mobilise

more deposits, the bank had opened during November 1971 a morning and evening counter.

10. There were 86 centres with a population of 5000 and above. As against this, the bank had 7 branches all at places having a population above 10,000. According to the Lead Bank Survey Report there are about 19 unbanked centres with good deposits potential. The bank has a programme to open 35 branches in the next 5 years. The position of deposits collected by the bank's branches as on 30-6-72 is indicated below:

Name of the branch	Amount (Rs Lakhs)
1. Head Office (Banking Section)	150.39
2. Palai	29.21
3. Kanjirapally	15.66
4. Changanacherry	8.01
5. Vaikom	16.42
6. Kattappana	3.27
7. Adimali	2.48
8. Munnar	5.13

The Kattappana branch which has been in existence for more than 3 years had collected deposits of less than Rs 4 lakhs. No deposit targets were fixed for the branches.

11. For the year 1971-2, the Department had fixed a deposit target of Rs 160 lakhs for the bank, which had been exceeded. The target fixed for 1972-3 is Rs 270 lakhs.

12. The total borrowings which as on 30-6-70 stood at Rs 80.64 lakhs rose to Rs 162.95 lakhs as on 30-6-72. The bank was sanctioned a short-term credit limit of Rs 160 lakhs (Rs 150 lakhs by Reserve Bank of India and Rs 10 lakhs from apex bank's own funds) for financing seasonal agricultural operations during 1971-2 and it had utilised the limit in full. For the year 1972-3 it has been sanctioned a limit of Rs 180 lakhs by the Reserve Bank. The bank was not prompt in passing on the recoveries effected from societies to the apex bank. During the half-year ended June 1972, as against recoveries amounting to Rs 111.06 lakhs, it had remitted only Rs 68 lakhs to the apex bank.

13. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past 3 years is given below:

	Rs. Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	152.14	158.55	230.56
2. Current deposits	24.51	29.20	44.71
3. Borrowings	80.64	129.49	162.95
4. Working capital	273.64	331.34	462.53
5. Percentage of 1 to 4	55.6	47.9	49.8
6. Percentage of 2 to 1	16.1	18.4	19.4
7. Percentage of 3 to 4	29.5	39.1	35.2

14. The average proportion of deposits to working capital during the last 3 years worked out to 51 per cent while current deposits formed

18 per cent of the total deposits on an average. The proportion of current deposits to total deposits was low as the bulk of the bank's deposits was raised in the form of fixed deposits. The average deposits from societies formed 50 per cent of the total deposits during the past 3 years. The interest cost of the deposits worked out to 4.3 per cent.

15. Borrowings from the higher financing agencies formed 35 per cent of the working capital on an average during the last 3 years. The average cost of such borrowings worked out to 4.9 per cent as against the average total borrowing rate (including deposits) at 4.7 per cent.

16. The bank maintained adequate cash reserve and liquid assets as prescribed under the Banking Regulation Act. It was, however, observed that during the year 1971-2, the bank maintained heavy surpluses in cash reserve over and above the optimum level. Such surpluses ranged from Rs 52 to Rs 1486 thousands. The average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserve to total deposits	21.7
(b) Investments to total deposits	11.5
(c) Cash reserve to total assets	12.1
(d) Investments to total assets	6.5

17. During 1970-71, the bank's short-term agricultural lendings increased by Rs 54.66 lakhs or 44 per cent while during 1971-2 such increase was of the order of Rs 94.58 lakhs or 53 per cent. Expressed as a percentage of total advances the agricultural lendings of the bank constituted 40.1 during 1969-70, 43.7 during 1970-71 and 67.4 during 1971-2. The proportion of the bank's outstanding agricultural and non-agricultural loans to total loans in the last 3 years was as under:

	30-6-70	30-6-71	30-6-72
Short-term (agricultural)	61	72	77
Medium-term (agricultural)	13	5	4
Others	26	23	19

18. The crop-wise break-up of short-term loans issued by the bank during 1971-2 is indicated below:

Crop	Cropped area (in hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (percentage to loans)
Paddy	50033	13	17.89	7	13
Tapioca	37120	10	61.74	25	10
Banana and Plantains	6316	2	143.81	58	5
Ginger	3729	1	21.87	9	2
Coconut	74839	20	3.37	1	31
All crops	372059	100	250.10	100	100

It will be seen from the above position that although banana crop covers only 2 per cent of the cropped area, the percentage of loans issued for it is 58, whereas on the basis of scales of finance it would be eligible for only 5 per cent of the total loans. This would give rise to the doubt that the scale of finance for banana crop being on the high side the borrowers might be showing fictitious crops to draw more finance.

19. The proportion of total loans and advances to working capital as at the end of the last 3 years was as under:

	Rs. Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total loans and advances	206.91	257.37	362.96
2. Working capital	273.64	331.34	462.53
3. Proportion of 1 to 2	75.6	77.7	78.5

Average proportion: 77.3

20. The average lending rate of the bank worked out to 7.1 per cent as against the average borrowing rate of 4.7 per cent leaving a margin of 2.4 per cent.

21. The overdues position of the bank as at the end of the last three co-operative years is shown below:

Type of loans	Rs. Lakhs		
	30-6-70	30-6-71	30-6-72
Short-term agricultural	17.08	23.89	59.35
Medium-term agricultural	3.61	4.63	2.96
Others	26.46	22.68	22.77
Total	47.15	51.20	85.08
Percentage of overdues to demand	15.1	16.1	24.7

The percentage of overdues was on the increase.

22. The overdues against primary agricultural credit societies as at the end of the last three years and their period-wise break-up are indicated below:

Period	Rs. Lakhs		
	1969-70	1970-71	1971-2
Upto one year	14.40	18.80	51.43
Between one and three years	1.19	5.44	7.56
Above three years	5.70	5.47	4.53
Total	21.29	29.71	63.52

23. The bank worked at profit during the last three years, though the profit for the year 1970-71 was nominal (Rs 461/-). The net profits earned as well as the proportion of the cost of management to gross income and to working capital are indicated below:

	Rs. Lakhs		
	1969-70	1970-71	1971-2
1. Gross Income	14.63	18.64	27.52
2. Cost of management	3.70	3.90	4.77
3. Working capital	273.64	331.34	462.53
4. Net profit	1.34	—	2.07
5. Percentage of 1 to 3	5.3	5.6	5.9
6. Percentage of 2 to 3	1.4	1.2	1.0
7. Percentage of 2 to 1	25.3	20.9	17.3
8. Percentage of 4 to 3	0.5	—	0.4

The bank had declared a small dividend of 1½ per cent for the year 1969-70 but could not declare any dividend for the year 1970-71 as the net profit was nominal. The profits for 1971-2 had not yet been appropriated.

24. The board of directors of the bank consisted of 14 members of whom 11 were elected, 2 nominated by the government and one by the apex bank. There were 4 representatives of the primary agricultural credit societies on the board. The board met on 15 occasions during 1971-2 and the subjects discussed in such meetings related to raising and investment of funds, consideration of communications received from the Reserve Bank of India/Registrar of Co-operative Societies, inspection and audit reports on the bank and its balance sheet, staff matters, etc. The board was also reviewing the progress of the bank in deposit mobilisation and in the collection of overdues.

25. The executive committee consisted of 5 members including the President, Vice-President and three other directors. The committee met 15 times during 1971-2. It was attending to business relating to admission of members, allotment of shares, sanction of loans and cash credits, review of arrears position etc.

26. The sitting fees and travelling allowances paid by the bank to its board and executive committee members during the years 1969-70, 1970-71 and 1971-2 amounted to Rs 12,000, Rs 19,000 and Rs 20,000 respectively and formed 0.8 per cent, 1 per cent and 0.7 per cent in relation to gross income.

27. The chief executive of the bank is the Manager. He is assisted by 2 Executive Officers, 3 Development Officers, an Inspector of Branches, a Chief Accountant and a complement of Branch Managers. The field staff of the bank consisted of 17 inspectors and on an average each inspector had a charge of 13 societies. The scales of pay and allowances of the key personnel of the bank were generally lower than those paid by the apex bank.

Primary Agricultural Credit Societies

28. The number of primary agricultural credit societies in the district, societies financed by the bank etc., during the last three co-operative years are given below. A large number of societies was not indebted to the bank.

Year	Rs. Lakhs		
	Total No. of primary agricultural credit societies in the district	No. of societies indebted to the bank	No. of societies in default to the bank
1969-70	258	169	77
1970-71	271	183	92
1971-2	265	186	96

29. As on 30-6-72, there were 265 primary agricultural credit societies in the district of which 37 were dormant. Under the programme of reorganisation, it was proposed to amalgamate 25 societies, liquidate 26 societies and reorganize 26 societies. Besides, there were 59 societies which had overlapping jurisdiction of which 32 were proposed to be liquidated, 15 to be amalgamated, 7 to be delimited and 5 to be tackled.

30. As on 30-6-72, the primary agricultural credit societies had a membership of 2.09 lakhs of which 1.18 lakhs were borrowing members. Owned funds and deposits of the societies amounted to Rs 179 lakhs and Rs 166 lakhs respectively. The short and medium-term loans issued during the year 1971-2 aggregated Rs 449 lakhs and as on 30-6-72, total loans outstanding against members stood at Rs 448 lakhs of which Rs 68 lakhs or 15 per cent were overdue.

MALABAR CO-OPERATIVE CENTRAL BANK; DISTRICT KOZHIKODE

1. Consequent on the reorganisation of states in November 1956, the erstwhile Malabar District of Madras State was annexed to the new State of Kerala. For administrative convenience, this district was subsequently trifurcated into Kozhikode, Cannanore and Palghat Districts. The Kozhikode District came into existence on 1 January 1957 and comprised five taluks viz. Badagara, Quilandy, Kozhikode, Ernad and Tirur. Subsequently, the South Wynad taluk which formed a part of Cannanore District was added to it but two of its taluks viz., Ernad and Tirur were transferred to the Malappuram District which was formed in 1969. Thus the Kozhikode District now consists of 4 taluks, 14 blocks, 83 panchayats and 120 villages and has an area of 3729 sq. kms. It is bounded on the north by the Cannanore District and the Mysore State, on the east by the Mysore State and Nilgiris, on the south by the Malappuram District and on the west by the Arabian Sea. According to 1971 Census it had a population of 20.77 lakhs of which 15.16 lakhs or 73 per cent was rural.

The density of population worked out to 557 persons per sq. km.

2. The district can broadly be divided into three regions—coastal, midland and mountainous regions. The coastal region forms only a narrow strip of land lying up to 25 feet above the mean sea level. The midland region lying between 25 feet and 250 feet above the mean sea level with hills and lakes occupies the major portion of the district. The mountainous region lying 250 feet above the mean sea level consists of hills and woods intersected by extensive valleys. The district has a natural harbour at Beypore and the sea board is 51 miles long.

3. There are seven important rivers flowing through the district apart from two main lakes, one in Badagara taluk and the other in South Wynad. The low lying areas of the district are susceptible to flood every year during heavy monsoons. The district receives an annual normal rainfall of 3461 mm. Cultivation is generally dependent on monsoons. Recently a major irrigation project viz., Kuttiyadi has been commissioned in part and it is expected, on completion, to irrigate an area of 36000 acres.

4. Out of the total geographical area of 9.17 lakh acres, the area under cultivation was 2.71 lakh acres of which 0.40 lakh acres were sown more than once. The principal crops grown in the district are coconut, paddy, tapioca, rubber, pepper, arecanut, coffee and tea. The area covered by each of these crops is indicated below:

Name of the crop	Area (in hectares)	Percentage to total cropped area
Coconut	92797	34
Paddy	65087	24
Tapioca	11381	4
Rubber	19803	7
Pepper	18016	7
Arecanut	8106	3
Coffee	20550	8
Tea	3867	1

5. There were 81131 cultivators and 1.46 lakh agricultural labourers in the district. The following table shows the size-wise distribution of operational holdings in the district.

Size of operational holdings	No. of holdings (in 000)
Less than 1 acre	35
Between 1 and 3 acres	34
Between 3 and 5 acres	11
Between 5 and 10 acres	10
Between 10 and 15 acres	6
Above 15 acres	4
Total	100

6. The district was covered by the Intensive Agricultural Areas Programme, which was introduced in the year 1965-6 in 6 blocks. The state government had also launched the 'Ela'* programme in four units in the district.

7. The Malabar Co-operative Central Bank was registered on 3-12-1917 and originally covered the entire Malabar area of the former Madras State. Consequent on the reorganisation of states and the splitting up of the Malabar District into three districts of Cannanore, Kozhikode and Palghat, the central bank was trifurcated and the Cannanore and Palghat district central banks were formed with effect from 1-7-1963. Thereafter, the area of operation of the Malabar Central Bank was confined to the Kozhikode District. With the establishment of the Malappuram District Co-operative Bank with effect from 1-7-1970, the bank's jurisdiction was further reduced by the transfer of two taluks to the Malappuram District. The bank at present serves four taluks viz., Kozhikode, Badagara, Quilandy and South Wynad.

8. The progress achieved by the bank during the last three co-operative years ended 1971-2 is indicated below:

Particulars	Rs. Lakhs		
	1-7-70	30-6-71	30-6-72
1. Paid-up share capital	54.86	64.60	65.12
of which from State Government	8.61	8.61	8.61
2. Reserves and other funds	15.94	17.80	19.01
3. Total owned funds	70.80	82.40	84.13
4. Deposits	245.10	253.07	256.14
5. Borrowings	213.57	286.10	317.16
6. Working capital	529.47	620.04	657.56
7. Loans issued			
Total		361.96	259.99
Short-term (agricultural)		245.41	175.14
Medium-term („)		0.60	0.22
Others		115.95	84.63
8. Loans outstanding			
Total	428.41	543.49	553.76
Short-term (agricultural)		323.48	332.88
Medium-term („)		27.99	17.33
Others		192.02	203.55
9. Net profit		1.47	0.01

The paid-up capital of the bank rose by Rs 9.74 lakhs during 1970-71 and by Rs 0.52 lakh during 1971-2. The increase was accounted for by the additional shares taken by the affiliated societies. The owned funds of the bank as on 30-6-72 at Rs 84.13 lakhs constituted 13 per cent of the working capital.

* It is a type of intensive cultivation of paddy in select compact areas by having certain common arrangements for agricultural supplies etc.

9. Deposits of the bank increased from Rs 245.10 lakhs as on 1-7-70 to Rs 256.14 lakhs as on 30-6-72. The average annual deposit growth rate was only 2 per cent. Deposits from sources other than co-operatives increased by Rs. 10.90 lakhs or 7 per cent during 1970-71 and by Rs 3.21 lakhs or 2 per cent during 1971-2. Such deposits accounted for Rs 178.78 lakhs or 70 per cent of the total deposits as on 30-6-72. The bulk of the deposits held by the bank was in the form of fixed deposits which as on 30-6-72 constituted 80 per cent of the total deposits. The current deposits of the bank which were at Rs 36.01 lakhs on 30-6-70 declined to Rs 20.37 lakhs as on 30-6-72 forming 8 per cent of the total deposits. The current deposits from societies declined by Rs 5 lakhs while from sources other than societies the fall was of the order of Rs 10 lakhs.

10. The bank undertook the issue of demand drafts and collection of cheques. It also provided safe deposit lockers facilities and had introduced the scheme of cash certificates from June 1972. The bank was contemplating to extend overdraft and discounting facilities to its long-standing customers.

11. As on 30-6-72, the bank had five branches. Of these, four were located in centres with population above 1 lakh and one served a population between 10 thousand and one lakh. The bank has opened a morning/evening counter at the Calicut branch. Though the bank had opened a branch in each taluk, there were still several centres in the district having population of over 10,000 not covered by the bank's branches. The number of unbanked centres in the district was about nine. No information in regard to branch expansion programme, if any, was available.

12. The position of deposits collected by the bank's branches as at the end of June 1972 is indicated below:

<u>Name of the branch</u>	<u>Rs. Lakhs Deposits</u>
Calicut	216.57
Kalpetta	14.24
Badagara	12.17
Quilandy	9.81
Koduvally	1.92
Head Office	1.43
	<hr/> 256.14 <hr/>

13. For 1971-2, the Department had fixed a deposit target of Rs 260.00 lakhs, which the bank failed to achieve. The deposit target fixed for 1972-3 is Rs 330 lakhs.

14. The total borrowings of the bank which stood at Rs 213.57 lakhs as on 1-7-70 increased to Rs 317.16 lakhs as on 30-6-72. The bank was sanctioned a short-term credit limit of Rs 200 lakhs by the Reserve Bank for financing seasonal agricultural operations during 1971-2 and it had utilised the limit in full. A similar limit had been sanctioned for the

year 1972-3. Though the Reserve Bank had sanctioned to the bank medium-term credit limit of Rs 10.00 lakhs and Rs 2.50 lakhs for 1970-71 and 1971-2 respectively, the bank had not availed itself of these limits. For 1973 a medium-term credit limit of Rs 2.50 lakhs has been sanctioned to the bank. The bank had not been observing the prescribed financial discipline in its operations on the short-term credit limit. There was no reasonable correlation between the recoveries from and advances to societies on the one hand and repayments to and drawals from the apex bank on the other.

15. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past 3 years is given below:

	Rs Lakhs		
	As on 1-7-70	1970-71	1971-2
1. Total deposits	245.10	253.07	256.14
2. Current deposits	35.77	32.19	20.37
3. Borrowings	213.57	286.10	317.16
4. Working capital	529.47	620.04	657.56
5. Percentage of 1 to 4	46.3	40.8	38.8
6. Percentage of 2 to 1	14.6	12.7	8.0
7. Percentage of 3 to 4	40.3	46.1	48.2

16. The average proportion of deposits to working capital during the last 3 years worked out to 42 per cent while current deposits formed 12 per cent of the total deposits on an average. The proportion of current deposits to total deposits was low as the bulk of the bank's deposits was in the form of fixed deposits. The average deposits from societies formed 31 per cent of the total deposits during the past three years. The interest cost of the deposits worked out to 5.8 per cent.

17. Borrowings formed 45 per cent of the working capital on an average during the last three years. The average cost of such borrowings worked out to 6 per cent as against the average total borrowing rate (including deposits) at 5.9 per cent.

18. The bank failed to maintain adequate cash reserve and liquid assets during July to October 1971. Despite these defaults, the bank continued to issue fresh loans during the period. The average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserve to total deposits	5.5
(b) Investments to total deposits	33.9
(c) Cash reserve to total assets	2.0
(d) Investments to total assets	12.5

19. The short-term agricultural advances during 1971-2 registered a sharp decline on account of the larger number of defaulting societies. As on 30-6-72, the short-term agricultural loans to small and economically weak farmers stood at Rs 184.28 lakhs and formed 55 per cent of the total

outstanding short-term agricultural loans. The proportion of outstanding agricultural and non-agricultural loans to total loans during the last two years was as under:

	<u>30-6-71</u>	<u>30-6-72</u>
Short-term (agricultural)	59	60
Medium-term (agricultural)	6	3
Others	35	37

The particulars regarding crop-wise acreage and loans issued in 1971-2 are given below:

Name of the crop	Cropped area (Lakh hectares)	Percent-age to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percent-age to loans	Eligibility as per scales of finance (percentage to loans)
Paddy	0.65	24	2.57	2	20
Coconut	0.93	34	26.34	17	48
Tapioca	0.11	4	18.97	12	3
Banana	0.05	2	54.55	35	4
Coffee	0.21	8	47.91	31	10
All crops	2.71	100	155.03	100	100

It will be seen from the above table that compared to the area under cultivation under cash crops the quantum of finance is much higher. In the case of banana crop while the area under cultivation is hardly 2 per cent of the total cropped area, the percentage of loans issued was 35. 20. The proportion of total loans and advances to working capital as at the end of the last 3 years was as indicated below:

	Rs Lakhs		
	<u>1-7-70</u>	<u>30-6-71</u>	<u>30-6-72</u>
1. Total loans and advances	428.41	543.49	553.76
2. Working capital	529.47	620.04	657.56
3. Percentage of 1 to 2	81	88	84

21. The average lending rate of the bank worked out to 7.5 per cent against the average borrowing rate of 5.9 per cent, leaving a margin of 1.6 per cent.

22. The overdues position of the bank as at the end of the last two co-operative years is as follows:

Type of loans	Rs Lakhs	
	Amount of overdues	
	30-6-71	30-6-72
Short-term agricultural	90.97	183.30
Medium-term agricultural	9.27	12.33
Others	3.65	17.27
Total	103.89	212.90
Percentage of overdues to demand	31.5	51.9

23. The period-wise break-up of overdues against primary agricultural credit societies as at the end of the last three years is furnished below:

Period	Rs Lakhs		
	1969-70	1970-71	1971-2
Up to one year	106.37	52.61	130.01
Between one and three years	23.13	47.50	54.96
Above three years	2.32	3.50	19.72
Total:	131.82	103.61	204.69

Although the bank and societies were reported to have resorted to book adjustments the overdues showed an upward trend. As on 30-6-72, 2050 arbitration references involving Rs 17.69 lakhs and 4674 execution petitions involving Rs 45.19 lakhs were pending with the Department. The bank had two sale officers.

24. The bank worked at profit during the last three years. The net profits earned as well as the proportion of the cost of management to gross income and to working capital are indicated below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Gross income	40.16	39.80	49.36
2. Cost of management	8.90	8.35	8.79
3. Working capital	630.48	620.04	657.56
4. Net profit	1.67	1.47	0.01
5. Percentage of 1 to 3	6.2	6.3	7.5
6. Percentage of 2 to 3	1.4	1.3	1.3
7. Percentage of 2 to 1	22.2	21.0	17.8
8. Percentage of 4 to 3	0.3	0.2	0.002

The bank had declared a dividend of 1 per cent for each of the years 1969-70 and 1970-71. The profit for 1971-2 had not yet been appropriated.

25. The board of directors of the bank consisted of 11 members of whom 8 were elected (two from each taluk), 2 nominated by the government and one by the apex bank. Of the elected members, 3 members

represented agricultural credit societies. The representation was on a territorial basis and not according to types of societies. During 1971-2 the board met on 12 occasions. The subjects discussed in such meetings related to consideration of inspection and audit reports on the bank and its balance sheet, staff matters, etc.

26. The executive committee of the bank consisted of five members including the President and the Vice-President. The committee met 32 times during 1971-2. It was attending to business relating to admission of members, allotment of shares, sanction of loans and cash credits, consideration of resources and liquid assets position, etc.

27. The sitting fees and travelling allowance paid by the bank to its board and executive committee members during 1969-70, 1970-71 and 1971-2 amounted to Rs 13,795, Rs 15,838 and Rs 14,594 respectively and formed 0.3, 0.4 and 0.3 per cent in relation to gross income.

28. The chief executive of the bank is the Secretary. He is assisted by an Assistant Secretary, a Marketing Officer, a Head Office Manager, an Executive Officer and a complement of Branch Managers. All the key-personnel had received training in banking and co-operation. The field staff consisted of 25 supervisors/inspectors and each had a charge of 5 societies on an average. Though each society was required to be inspected once in a half year, this schedule was never adhered to.

29. The scales of pay and allowances of the key-personnel of the bank were generally lower than those of the apex bank.

Primary Agricultural Credit Societies

30. The particulars regarding the number of primary agricultural credit societies in the district, financing thereof by the bank etc., during the last three years are given below:

Year	Total number of primary agricultural credit societies in the district	No. of societies financed during the year	No. of societies indebted to the bank	No. of defaulting societies
1969-70	135	104	121	80
1970-71	135	105	118	75
1971-2	138	94	120	102

31. As on 30 June 1972, there were 138 primary agricultural credit societies in the district having a membership of 1.84 lakhs which covered 42 per cent of the rural population. Nineteen societies were dormant. The borrowing membership stood at 59,000 and formed 32 per cent of the total membership. The owned funds of the societies amounted to Rs. 180 lakhs and the deposits aggregated Rs 117 lakhs. During 1971-2 the societies issued short-term and medium-term loans to the extent of

Rs 232 lakhs and Rs 10 lakhs respectively. As on 30-6-72, the total loans outstanding against members stood at Rs 538 lakhs of which Rs 299 lakhs or 56 per cent were overdue. Hundred and eighteen societies had appointed full-time paid secretaries.

32. There were 98 societies which had overlapping jurisdiction. For the removal of overlapping jurisdiction, 12 societies were proposed to be liquidated, 5 to be amalgamated, 30 to be delimited and 51 to be tackled.

MALAPPURAM DISTRICT CO-OPERATIVE BANK

1. The Malappuram District is bounded on the north by the Kozhikode District and Nilgiris District of Tamil Nadu, on the east by the Nilgiris District and Palghat District, on the south by the Palghat and Trichur Districts and on the west by the Arabian Sea. It covers an area of 3638 square kilometres and comprises 4 taluks, 13 blocks, 92 panchayats and 132 revenue villages. According to 1971 census, it had a population of 18.55 lakhs of which 17.31 lakhs or 93 per cent was rural. The density of population worked out to 510 persons per square kilometre.

2. The district can be broadly divided into three regions viz., the lowland (coastal strip), the midland and the mountainous highland. The important rivers flowing through the district are Chaliyar or Beypore, Kadalundi and Bharathapuzha or Ponnani. The district receives a normal annual rainfall of 2127.4 mm.

3. Out of the total geographical area of 3.60 lakh hectares 1.90 lakh hectares were cultivated of which 0.63 lakh hectares were sown more than once. The principal crops grown in the district are paddy, coconut and tapioca. The following table shows the area under cultivation of the main crops.

Crop	Area (in hectares)	Percentage to total cropped area
Paddy	92897	37
Coconut	64230	25
Tapioca	24141	10
Arecanut	14435	6
Cashew	14042	5
Rubber	9522	4
Ginger	1855	1
Pepper and others	31435	12

4. Agriculture is the main occupation in the district. There were 94,283 cultivators and 1.94 lakh agricultural labourers in the district.

5. The state government had launched the 'Ela' programme in four units each comprising not less than 500 acres. A striking feature of the district is the 'kole' cultivation of paddy in about 1750 hectares in Ponnani taluk, where there are chances of crop failure on account of inflow of saline water or early start of the monsoon.

6. The Malappuram District was formed on 16 June 1969 by transferring 4 blocks from the Palghat District and 9 blocks from the Kozhikode

District. The Malappuram District Co-operative Bank was registered on 16-3-70 and started functioning from 1 July 1970 by taking over the assets and liabilities of societies in Ernad and Tirur taluks from the Malabar Co-operative Central Bank and in Ponnani and Perinthalmanna from the Palghat Co-operative Central Bank as per the scheme drawn up by the Co-operative Department.

7. The progress made by the bank during the last three co-operative years ended 1971-2 is indicated below:

Particulars	Rs Lakhs		
	1-7-70	1970-71	1971-72
1. Paid-up share capital	32.40	38.50	48.48
Of which from State Government	8.74	10.74	15.74
2. Reserves and other funds	6.41	7.13	7.70
3. Owned funds	38.81	45.63	56.18
4. Deposits	58.91	75.08	98.46
5. Borrowings	133.26	142.96	145.34
6. Working capital	234.08	267.32	304.34
7. Loans issued—			
Total	—	403.86	543.09
Short-term (agricultural)	—	149.21	326.44
Medium-term (agricultural)	—	11.92	1.60
Others	—	242.73	215.05
8. Loans outstanding—Total	—	225.39	265.24
Short-term (agricultural)	—	158.54	209.01
Medium-term (agricultural)	—	16.05	7.30
Others	—	50.80	48.93
9. Net profit	—	0.01	0.01

The paid-up capital of the bank rose from Rs 32.40 lakhs as on 1-7-70 to Rs 48.48 lakhs by 30-6-72. The increase was mainly due to the share capital contribution by the state government to the extent of Rs 7 lakhs. The owned funds of the bank as on 30-6-72 at Rs 56.18 lakhs formed 19 per cent of the working capital.

8. The deposit growth as at the end of 1970-71 and 1971-72 is indicated below:

	Rs Lakhs		
	1-7-70	30-6-71	30-6-72
1. Total deposits	58.91	75.08	98.46
2. Increase over the previous year	—	16.17	23.38
3. Rate of growth (%)	—	27.4	31.1
4. Deposits from sources other than co-operatives	31.29	33.86	52.74
5. Percentage of 4 to 1	53.1	45.1	53.6
6. Increase over the previous year	—	2.57	18.88
7. Rate of growth (%)	—	8.2	55.7

The industrial backwardness of the district coupled with the aversion to collect interest on religious grounds on the part of a particular community are the main impediments in the way of mobilisation of more deposits.

9. The bulk of the bank's deposits was held in the form of fixed deposits. As on 30-6-72, such deposits formed 76 per cent of the total deposits. The bank's current deposits at Rs 14.18 lakhs as on 30-6-71 declined to Rs 11.58 lakhs as on 30-6-72. In terms of percentage these deposits declined from 19 to 12.

10. The bank started functioning from 1 July 1970 by taking over the two branches of the Malabar Co-operative Central Bank at Manjeri and Tirur and the two branches of the Palghat Co-operative Central Bank at Perintalmanna and Ponnani. Since then the bank had opened two more branches, one at Malappuram and the other at Nilambur. Thus the bank had in all six branches as on 30-6-72. There are 16 centres in the district with a population of 5000 and above. According to the Lead Bank's Survey Report there were 2 unbanked and 11 underbanked areas in the district. The bank had a programme to open 3 branches in the next two years.

11. The position of deposits collected by the bank's branches as on 30-6-72 is indicated below:

Rs Lakhs				
Name of the branch	Date of opening	Deposits from co-operative societies	Deposits from individuals and others	Total
Manjeri	1-7-70	7.24	14.40	21.64
Perintalmanna	-do-	12.35	5.60	17.95
Ponnani	-do-	7.06	5.45	12.51
Tirur	-do-	9.76	6.64	16.40
Malappuram	21-10-70	6.72	19.24	25.96
Nilambur	20-5-71	2.59	0.91	3.50
Head Office	1-7-70	—	0.50	0.50
Total		45.72	52.74	98.46

12. The Registrar of Co-operative Societies had fixed a deposit target of Rs 90 lakhs for 1971-2 which was exceeded by the bank. For 1972-3, a deposit target of Rs 125 lakhs had been fixed.

13. The borrowings of the bank from the apex bank rose from Rs 133.26 lakhs as on 1-7-70 to Rs 145.34 lakhs as on 30-6-72. The bank was sanctioned a short-term credit limit of Rs 125 lakhs by the Reserve Bank for financing seasonal agricultural operations during 1971-2 and it had utilised the limit almost fully. For the year 1972-3, the bank had been sanctioned a credit limit of Rs 140 lakhs. The bank was not observing the financial discipline in its operations on the credit limit. It was not passing on recoveries from societies promptly and in full. It issued loans to societies at the cost of its liquid assets.

14. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past two years is given below:

	Rs Lakhs	
	1970-71	1971-2
1. Total deposits	75.08	98.46
2. Current deposits	14.18	11.58
3. Borrowings	142.96	145.34
4. Working capital	267.32	304.34
5. Percentage of 1 to 4	28.1	32.4
6. Percentage of 2 to 1	18.9	11.8
7. Percentage of 3 to 4	53.5	47.7

15. The average proportion of deposits to working capital during the last two years worked out to 30 per cent while current deposits formed 15 per cent of the total deposits on an average. The average deposits from societies formed 49 per cent of the total deposits during the past two years. The interest cost of the deposits worked out to 6 per cent.

16. Borrowings from the higher financing agencies formed 51 per cent of the working capital on an average during the last two years. The average cost of such borrowings worked out to 5.6 per cent as against the average total borrowing rate (including deposits) at 5.8 per cent.

17. The bank maintained adequate cash reserve as prescribed under the Banking Regulation Act but the surplus in cash reserve over and above the optimum requirements ranged from Rs 0.03 lakh to Rs 5.74 lakhs during 1971-2. The bank defaulted in the maintenance of liquid assets on 4 Fridays during 1971-2, the deficits ranging from Rs 0.01 lakh to Rs 2.20 lakhs. The average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserves to total deposits	6.7
(b) Investments to total deposits	8.9
(c) Cash reserve to total assets	1.9
(d) Investments to total assets	2.5

18. The bank's short-term agricultural advances during 1971-2 increased to Rs 326 lakhs as against Rs 149 lakhs in 1970-71. The bank's loans for non-agricultural purposes are also high. In 1971-2 its loans for non-agricultural purposes were of the order of Rs 215 lakhs as against Rs 243 lakhs in 1970-71. The proportion of outstanding agricultural and non-agricultural loans to total loans in the last two years was as under:

	30-6-71	30-6-72
Short-term (agricultural)	70	79
Medium-term (agricultural)	7	3
Others	23	18

The crop-wise break-up of short-term loans issued in 1971-2 and the area under cultivation in respect of these crops are given below:

Name of the crop	Cropped area (lakh hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (Percentage to loans)
1	2	3	4	5	6
Paddy	0.93	37	13.21	8	37
Coconut	0.64	25	38.30	23	32
Tapioca	0.24	10	70.91	42	10
Arecanut	0.14	6	21.92	13	9
Banana	0.03	1	19.84	12	2
All crops	2.53	100	167.72	100	100

Compared to the area under cultivation banana and tapioca crops received larger finance.

19. The proportion of total loans and advances to working capital as at the end of the last 2 years was as indicated below:

	Rs Lakhs	
	30-6-71	30-6-72
1. Total loans and advances	225.39	265.24
2. Working capital	267.32	304.34
3. Proportion of 1 to 2	84.3	87.2

20. The average lending rate of the bank worked out to 7.2 per cent as against the average borrowing rate of 5.8 per cent leaving a margin of 1.4 per cent.

21. The overdues position of the bank as at the end of the last two co-operative years is shown below:

	Rs Lakhs	
Type of loans	30-6-71	30-6-72
Short-term agricultural	45.32	50.14
Medium-term agricultural	4.15	3.54
Others	0.91	0.24
Total	50.38	53.92
Percentage of overdues to demand	29	29

22. The period-wise break-up of overdues against primary agricultural credit societies as at the end of the last two years is furnished below:

Period	Rs Lakhs	
	1970-71	1971-2
Up to one year	42.21	37.05
Between one and three years	7.37	13.99
Above three years	0.80	2.88
Total	50.38	53.92

23. In spite of the fact that the societies had resorted to transactions suggestive of book adjustments, the overdues were increasing. The bank was reviewing the overdues position every month. It had the services of a sale officer for effecting the execution of decrees obtained from the Department. The bank was convening taluk level/branch level conferences of primary societies and field staff every year to chalk out the programme for recovery of overdues.

24. The bank worked at profit during the last two years. An analysis of the profit and loss account is given below:

	Rs Lakhs	
	1970-71	1971-2
1. Gross income	17.79	20.51
2. Cost of Management	4.79	5.32
3. Working capital	267.32	304.34
4. Net Profit	0.01	0.01
5. Percentage of 1 to 3	6.7	6.7
6. Percentage of 2 to 3	1.8	1.8
7. Percentage of 2 to 1	26.9	25.9
8. Percentage of 4 to 3	0.004	0.003

The bank had not declared any dividend for the year 1970-71 and the profit for 1971-2 had not yet been appropriated.

25. The board of directors of the bank consisted of 11 members of whom 8 were nominated by the government representing societies in each taluk in the district, two were representatives of government and 1 of the apex bank. Of these 11 directors, 6 represented agricultural credit societies.

26. The board met 13 times in 1971-2 and considered matters pertaining to staff, rates of interest on advances from the bank's own funds, inspection reports on the bank received from the Co-operative Department, the apex bank and the Reserve Bank of India and reviewed the monthly position of overdues and resources.

27. The bank's executive committee consisted of the President, the vice-president, one nominee of the government on the board and two

other directors. It met 15 times in the year 1971-2. It was attending to business relating to posting and transfer of staff, sanction of loans and cash credits, ratification of (i) fixed deposits accepted by branch managers, (ii) loans issued on the security of fixed deposits and (iii) contingent expenditure incurred by branches and head office.

28. The sitting fees and travelling allowances paid by the bank to its board and executive committee members during the year ended 1971-2 were as follows:

	Rs Lakhs	
	1970-71	1971-2
Amount of sitting fees and allowances paid	0.11	0.12
Percentage to gross income	0.6	0.6
Percentage to working capital	0.04	0.04

29. The chief executive of the bank is a Secretary. He is assisted by an Assistant Secretary, an Executive Officer, a Marketing Officer and a complement of branch managers. All the staff members were trained. The field staff of the bank consisted of 15 inspectors, each having a charge of 7 societies on an average. As against 124 inspections of societies due for the year 1970-71 only 78 inspections had been conducted.

30. The scales of pay and allowances of the key personnel of the bank were generally lower than those of the apex bank.

Primary Agricultural Credit Societies

31. The particulars such as the number of primary agricultural societies in the district, those financed by the bank etc. during the last two co-operative years, are given below:

Co-operative year	No. of societies	No. of societies financed by the bank	No. of societies indebted to the bank	No. of defaulting societies
1970-71	113	109	113	58
1971-2	116	110	113	45

32. As on 30 June 1972 there were 116 primary agricultural credit societies having a membership of 1.25 lakhs which covered 40 per cent of rural population. The number of borrowing members stood at 70,351 and formed 57 per cent of the total membership. Owned funds and deposits of the societies stood at Rs 79 lakhs and Rs 68 lakhs respectively. During 1971-2 the societies issued short-term and medium-term loans to the extent of Rs 196 lakhs and Rs 3 lakhs respectively. The total loans outstanding against members stood at Rs 295 lakhs of which Rs 90 lakhs

or 31 per cent were overdue. Of the 116 societies, 102 had appointed full-time paid secretaries.

33. As on 30-6-72, there were 5 societies having overlapping jurisdiction of which 3 were proposed to be liquidated and 2 to be amalgamated.

PALGHAT CO-OPERATIVE CENTRAL BANK

1. In 1963 the Malabar District was divided into three districts viz., Cannanore, Kozhikode and Palghat. Consequent on the formation of Malappuram District in September 1969 certain areas in Palghat District (a major portion of Ponnani and Perinthalmanna taluks) were ceded to the Malappuram District. The present Palghat District has an area of 4396 sq. k.m. and consists of two revenue divisions subdivided into 5 taluks. According to 1971 census it had a total population of 16.83 lakhs of which 14.69 lakhs or 87 per cent was rural.

2. The district is bounded on the north, north west and west by Malappuram District, on the east by Coimbatore District of Tamil Nadu and on the south and south east by Trichur District. It has broadly two natural regions viz., high land and midland. The high land areas consist of the Nelliampathy hills in Chittur taluk and the Attappady hill region of the Mannarghat taluk which are largely inhabited by tribals.

3. The district has three types of soil laterite, forest and black soil. The laterite soil found in Ottappalam, Alathur and Chittur taluks provides excellent building material (bricks). Black soil which is good for growing cotton is found on the eastern side of Chittur taluk and forest soil in Mannarghat and Palghat. Undeveloped soft laterite with good rain provides a fertile soil for growth of paddy.

4. The district gets rains from the south west monsoon during June to September and north east monsoon from October to November. The weather for the rest of the months is generally dry. The average rainfall of the district is about 2056 mm.

5. The "Bharathapuzha" or otherwise known as Ponnani river with its tributaries spread over the district provide irrigational facilities for the district. The main tributaries are Malampuzha, Walayar, Mangalam, Meenakara, Challiar, Pothundi, and Kanjirapuzha. The district has several irrigation projects the major ones being Malampuzha, Mangalam, and Walayar.

6. The main source of livelihood in the district is agriculture. The district accounts for one-seventh of the total cropped area of the Kerala State. Out of the total geographical area of 449740 hectares of the district 276564 hectares or 60 per cent are sown of which 107066 hectares are sown more than once. Thus the gross cropped area is estimated at 383630 hectares. About 46000 hectares are irrigated. Food grains account for 60 per cent, non-food crops for 15 per cent and sugarcane for 25 per cent of the total cropped area. Paddy is the principal food crop. For this reason an Agriculture Research Station was established in Pattambi in 1927. Palghat District represents the granary of Kerala State as it stands foremost in the production of paddy. Generally two

crops are grown in the district and in certain areas even three crops are raised. The first and second crops are rain fed and the third crop is irrigated. The third crop is grown generally in Chittur taluk. The other crops grown are groundnut, cotton, and sugarcane.

7. Palghat is one of the two districts brought under Intensive Agricultural District Programme in the state. After the introduction of this programme several single crop lands have been turned into double crop lands and barren and uncultivated lands into cultivable lands. Mechanization of agriculture has also become comparatively popular in the district. It is estimated that there are about 500 tractors and power tillers in the district and 2220 pumptsets installed as early as in 1969.

8. The Palghat Central Co-operative Bank was registered on 24-5-1963 and it commenced functioning from 1-7-1963. Prior to its formation, the district was served by a branch of the Malabar Co-operative Central Bank. The bank had on its roll 308 members as on 30-6-1964 but this has been reduced to 217 as on 30-6-1971 partly due to transfer of 59 societies to Malappuram bank. The progress made by the bank during the last 3 years ended 30-6-1972 in various spheres is indicated below:

Particulars	Rs Lakhs		
	1969-70	1970-71	1971-2
Share capital	52.29	43.53	54.96
Reserves	13.72	14.63	15.27
Owened funds	66.01	58.16	70.23
Deposits	164.04	144.73	187.29
Borrowings	135.71	133.33	110.74
Short-term agricultural loans (outstanding)	142.82	127.07	166.11
Medium-term agricultural loans (outstanding)	38.10	20.88	22.42
Non-agricultural loans	135.18	111.90	110.62
Net profit	2.21	1.55	1.67

9. The total deposits of the bank at the end of the three co-operative years ended 1971-2 were Rs 164.04 lakhs, Rs 144.73 lakhs and Rs 187.29 lakhs. Though there was some reduction in the total deposits during 1970-71 as compared to the previous year on account of the transfer of a portion of deposits to Malappuram Bank, the bank could collect during 1971-2 additional deposits of Rs 42.56 lakhs of which only Rs 14.05 lakhs were deposits from individuals and institutions. The increase in fixed deposits (Abkari deposits) and current deposits from societies mainly accounted for this increase. The deposits from individuals at Rs 82.31 lakhs, Rs 72.58 lakhs and Rs 86.63 lakhs as on 30-6-1970, 30-6-1971 and 30-6-1972 formed 50, 50 and 46 per cent respectively of the total deposits. The total current deposits at Rs 27.13 lakhs as on 30-6-1972

formed 14 per cent of the total deposits. The composition of deposits of societies as at the end of last three years was as under:

Deposits of societies	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
Current	16.50	14.96	24.83
Savings	9.02	7.14	12.39
Fixed	56.21	50.05	63.44
	81.73	72.15	100.66
Total deposits	164.04	144.73	187.29
% of deposits from societies to total deposits	49.8	49.9	53.7

A part of the deposits under current and savings represented loans drawn from the bank and credited to the deposit accounts. The average interest cost of deposits and borrowings worked out to 5.8 per cent and 4.7 per cent respectively. The average cost of deposits was more for the reason that the proportion of fixed deposits at higher interest rate was comparatively larger than either current or savings deposits.

10. As on 30 June 1972, the bank had 6 branches, the last branch opened being at Pattambi on 12-11-70. The bank has opened a branch at Kollengode during 1972-3 and one also at Palghat. In addition to these branches, the bank had a pay office at Chittur taluk where the deposit potential was reported to be high. There are in all 15 centres/towns in the district with population of more than 5000. The bank was yet to formulate firm proposals for branch expansion. The branchwise position of deposits as on 31 March 1972 is furnished below:

Name of the branch	Rs Lakhs	
	Societies	Others
1. Palghat	43.04	52.55
2. Chittur	11.90	7.05
3. Ottappalam	20.46	14.41
4. Alathur	7.38	3.30
5. Mannarghat	1.48	2.49
6. Pattambi	2.41	1.32
	86.67	81.12

11. The borrowings of the bank during the last three co-operative years stood at Rs 135.71 lakhs, Rs 133.33 lakhs and Rs 110.74 lakhs including loans from Government for financing of procurement operation. The borrowings from apex bank for short-term agricultural purposes etc., stood at Rs 107.71 lakhs, Rs 94.33 lakhs and Rs 101.04 lakhs at the end of

the last 3 years. The proportion of borrowings to working capital as on 30-6-1970, 30-6-1971 and 30-6-1972 worked out to 36 per cent, 38 per cent and 29 per cent respectively.

12. The bank was maintaining heavy surpluses in cash reserve. During October 1970 to March 1972 such surpluses over the optimum requirements ranged between Rs 0.77 lakh and Rs 18.32 lakhs. The heavy surplus was mainly due to drawal of loans from Government for procurement operations and retention of the same till drawals were made by the concerned societies. The surplus also occurred when recoveries came in from societies. The bank had to hold such recoveries because the local State Bank of India in which repayments to government were to be credited, accepted such remittances only on three specified days in a week. The bank had defaulted in maintenance of liquid assets on certain dates during February 1971 and October 1971.

13. The average ratios of cash reserve, investments and liquid assets to total deposits and total assets during the five quarters ending 30 September 1972 are indicated below:

(a) Cash reserves to deposits	9.7
(b) Investments to deposits	34.1
(c) Liquid assets to deposits	43.8
(d) Cash reserves to total assets	4.1
(e) Investments to total assets	14.4
(f) Liquid assets to total assets	18.5

14. As against Rs 148.93 lakhs issued by way of short-term agricultural loans during 1969-70 the advances during 1970-71 and 1971-2 had increased to Rs 164.08 lakhs and Rs 173.05 lakhs. One of the limiting factors in the way of expansion of credit was reported to be that the majority of the agriculturists in the district were affluent and most of them financed their agricultural operations out of their own resources. A major portion of the bank's loan portfolio consists of non-agricultural cash credit advances. During 1971-2 the bank issued Rs 615.25 lakhs by way of cash credits and overdrafts and issue of gold loans to societies.

15. Particulars such as the number of primary agricultural credit societies in the district, those financed by the bank, loans issued for various purposes during the past three co-operative years and the loans outstanding are furnished below:

Year	No. of societies	Rs Lakhs		
		No. of societies financed by the bank	No. of societies indebted to the bank	No. of societies defaulting to the bank
1.	2.	3.	4.	5.
1969-70	151	113	118	42
1970-71	108	87	89	35
1971-2	105	85	87	25

Loans issued				Loans outstanding			
S.T. Agrl. 6a	M.T. Agrl. 6b	Others 6c	Total 6d	S.T. Agrl. 7a	M.T. Agrl. 7b	Others Agrl. 7c	Total Agrl. 7d
148.93	16.82	1067.73	1233.48	142.82	38.10	135.18	316.10
164.08	8.20	651.61	823.89	127.07	20.88	111.90	259.85
173.05	10.24	657.63	840.92	166.11	22.42	110.62	299.15

The reduction in the number of societies in 1970-71 was almost entirely due to the transfer of business to the Malappuram central bank. The short-term agricultural loans issued by the bank increased, however, only nominally from Rs 164 lakhs during 1970-71 to Rs 173 lakhs during 1971-2. The total increase in the credit flow during the period aggregate only Rs 17 lakhs. The bank's non-agricultural advances portfolio was sizeable as compared to other types of loans. The loans for non-agricultural purposes outstanding as on 30 June 1972 at Rs 111 lakhs formed 37 per cent of the total loans outstanding on that date. The cropwise break-up of the area under cultivation and the short-term loans issued for major crops are given below:

Name of the crop	Cropped area (lakh hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (percentage to loans)
1.	2.	3.	4.	5.	6.
Paddy	1.83	55	87	46	61
Coconut	0.23	7	5	3	13
Tapioca	0.10	3	39	21	4
Arecanut	0.04	1	14	8	2
Banana	0.05	2	27	14	5
All crops	3.31	100	189	100	100

It may be observed from the above table that tapioca, arecanut and banana received disproportionately high finance as compared to the area under these crops.

16. The overdue position of the bank under agricultural loans was showing a progressively increasing trend. The total overdue as at the end of the last three co-operative years were as follows:

Type of loan	Rs Lakhs		
	1969-70	1970-71	1971-2
Short-term agricultural	17.32	30.55	35.70
Medium-term agricultural	4.49	4.08	5.33
Others	1.28	17.44	19.04
	<u>23.09</u>	<u>52.07</u>	<u>60.07</u>

The percentage of overdues to demand and to outstanding loans during these years was as under:

	1969-70	1970-71	1971-2
Percentage of overdues to demand	13.5	32.8	21.0
Percentage of overdues to outstandings	7.3	20.0	20.1

17. The period-wise classification of overdue loans from primary agricultural credit societies as at the end of last three co-operative years was as under:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
(a) Up to 1 year	21.19	32.56	21.61
(b) Between 1 and 3 years	1.32	2.54	19.63
(c) Above 3 years	Nil	0.09	0.30

Overdues between one and three years have shown a steep increase during 1971-2, whereas overdues above three years have shown a marginal increase.

18. The average proportion of the deposits to working capital, borrowings to working capital and current deposits to the total deposits during the last 3 years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	164.04	144.73	187.29
2. Current deposits	17.85	17.14	27.13
3. Borrowings	135.71	133.33	110.74
4. Working capital	382.72	347.47	385.27
5. Proportion of 1 to 4	42.9	41.7	48.6
6. Proportion of 2 to 1	10.9	11.8	14.5
7. Proportion of 3 to 4	35.5	38.4	28.7

The average proportion of deposits to working capital (average of 3 years) works out to 43.3 per cent and the average proportion of borrowings to working capital works out to 34.2 per cent.

19. The proportion of loans and advances to working capital as at the end of last three co-operative years were as under:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total loans and advances	316.10	259.85	299.15
2. Working capital	382.72	347.47	385.27
3. Percentage of 1 to 2	82.6	74.8	77.6

The average lending rate of the bank worked out to 7.1 per cent as against the average borrowing rate of 5.2 per cent leaving a margin of 1.9 per cent to the bank.

20. The proportion of cost of management to gross income for the past 3 years worked out to 18.5 per cent, 18.7 per cent and 25.2 per cent respectively and to 1.4 per cent, 1.4 per cent and 2.0 per cent respectively in relation to working capital.

21. The bank had earned net profits of Rs 2.21 lakhs, Rs 1.55 lakhs and Rs 1.67 lakhs during 1969-70, 1970-71 and 1971-2 and had declared a dividend of 1 per cent for 1969-70 and 2½ per cent for 1970-71. Dividend for 1971-2 is yet to be declared.

22. The management of the bank is vested in a board of directors consisting of 9 members of whom six are elected, two are government nominees and one is a representative of the apex bank. Four of the elected directors were delegates of primary agricultural credit societies. Each of the elected member represents a taluk. The executive committee which consists of 5 members has been authorised by the board to attend to certain items of business of the bank. The board has met at least once a month and the executive committee was meeting once a week. The board/executive committee members had taken part in the meetings convened by the Registrar/central bank/apex bank. The board generally discussed about the financial position of the bank, periodically reviewed the overdues position and the investments and deposit portfolios. The executive committee also evinced fair interest in the proper functioning of the bank. None of the directors were defaulters to societies nor did they represent societies in default to the bank.

23. The details of sitting fees etc., paid to the directors during the last 3 years are furnished below:

	1969-70	1970-71	1971-2
Sitting fees and T.A.	Rs 13,653	Rs 14,062	Rs 16,091
Percentage to gross income	1.1	1.3	1.3
Percentage to net profit	6.3	9.0	9.6

24. The key personnel of the bank consisted of a General Manager who was assisted by an Assistant Manager, 2 Executive Officers, one Marketing Officer, one internal auditor and 10 officials in the grade of Branch Managers. Most of these officials were co-operatively trained. The scales of pay etc., of the key personnel and supervisors of central bank are lower than those paid by the apex bank.

25. For supervision of 105 service and other societies in the district and 30 weavers societies the sanctioned strength of the field staff was 9 senior inspectors and 11 bank inspectors. Of these, only 15 were in position as on 30-6-72. Two senior inspectors were in charge of 30 weavers' societies. The rest of the societies had to be supervised by 7 senior inspectors and 11 inspectors. Each inspector in position had a charge of 8 societies on an average, which was reasonable. The tour programmes of inspectors were approved by the Executive Officer at Head Office and the tour diaries were periodically scrutinised by him. The visit notes of the inspectors were also scrutinised by the Executive Officer. The disbursement/utilisation statements sent by the inspectors were also examined at the Head Office and discrepancies pointed out for rectification/clarification.

Primary Agricultural Credit Societies

26. Of the total number of societies at 105 in the district, the bank had financed 85 societies during 1971-2 of which 25 were defaulters. Except granting relaxations in the matter of issuing fresh finance to such societies neither the department nor the bank has taken any perceptible steps either to find out the reasons for their defective working or to remedy the defects. As on 30-6-72 there were 28 societies of which 3 were to be liquidated, 9 to be amalgamated, 12 to be delimited, 3 to be tackled and one to be converted.

27. As on 30 June 1972, there were 113 societies in the district, of which 15 were dormant. Membership of the societies at 1.30 lakhs covered only 35 per cent of the rural population. The number of borrowing members stood at 70,000. The share capital and reserves of the societies aggregated Rs 67 lakhs and Rs 71 lakhs respectively. The deposits of societies amounted to Rs 189 lakhs, Rs 128 lakhs being members' deposit. During 1971-2, the societies issued short-term and medium-term loans to the extent of Rs 411 lakhs and Rs 40 lakhs respectively. As on 30 June 1972, Rs 427 lakhs were outstanding against the members of which Rs 177 lakhs or 27 per cent were overdue. Of the 113 societies, 95 societies had appointed full-time paid secretaries.

QUILON DISTRICT CO-OPERATIVE BANK

1. The Quilon District is bounded on the north by the Alleppey and Kottayam Districts, on the south by the Trivandrum District, on the east by the Tirunelveli District of Tamil Nadu and on the west by the Arabian Sea. It has an area of 4619 sq. kms. and is administratively divided into 6 taluks consisting of 17 blocks and 99 revenue villages. According

to 1971 census, it had a population of 24.06 lakhs of which 22.17 lakhs or 92 per cent was rural. The density of population worked out to 521 persons per sq. km.

2. Topographically, the district may be broadly divided into three natural regions—the lowland bordering the sea coast, the midland consisting of the undulating terrain of low hills and valleys and the forest clad highlands. The district has a tropical humid climate and an average rainfall of 2389.8 mm. The main rivers flowing through the district are Achankoil, Ithikara, Kallada, and Pamba. There are 2 major irrigation projects viz., Kallada and Pamba under execution. The main sources of irrigation consist of natural streams, channels and rainfed tanks which together irrigated 48,773 hectares. Thus the major portion of lands under cultivation depended solely upon rainfall.

3. Out of the total geographical area of 4.69 lakh hectares, about 2.11 lakh hectares or 45 per cent was covered by forests. The total cropped area was 3.41 lakh hectares of which 1.27 lakh hectares or 36 per cent was sown more than once. Food crops accounted for 2.20 lakh hectares or 62 per cent of the gross cropped area. The major crops grown in the district were tapioca, coconut, paddy, rubber and cashewnut. The area under cultivation of these crops is indicated below:

Crop	Area (in hectares)	Percentage to gross cropped area
Tapioca	90965	27
Coconut	92512	27
Paddy	51884	15
Rubber	30888	9
Cashewnut	9153	3
Arecanut	8408	2
Banana and plaintains	6053	2

4. Agriculture is the mainstay of the economy of the district. There were 1.85 lakh cultivators and 1.35 lakh agricultural labourers in the district. The following table shows the distribution of operational holdings according to size:

Size of operational holdings	No. of holdings (in 000)	Percentage to total
Below 1 acre	195.2	57.4
1 acre to 2.5 acres	91.0	26.8
2.5 acres to 5 acres	29.6	8.7
5 acres to 10 acres	19.9	5.9
Above 10 acres	4.1	1.2
Total	339.8	100.0

5. Quilon is one of the two districts in the state selected for implementation of the SFDA/MFAL projects. The Small Farmers Development Agency was registered in September 1970. The total financial requirements under the SFDA/MFAL schemes for the period ending 1973-4 have been estimated at Rs 2094.30 lakhs—Rs 1819.03 lakhs by way of short-term loans, Rs 243.27 lakhs by way of medium-term loans and Rs 32 lakhs by way of long-term loans.

6. Prior to 1958, the district was served by a branch of the State Co-operative Bank which was converted into a full-fledged district central co-operative bank on 1 September 1958.

7. The progress made by the bank during the last three years ended 1971-2 is indicated below:

Particulars	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Paid-up share capital	47.70	61.91	89.55
Of which from the State Government	6.70	13.70	33.70
2. Reserves and other funds	10.55	12.81	15.33
3. Total owned funds	58.25	74.72	104.88
4. Deposits	143.52	155.70	208.48
5. Borrowings	241.70	265.39	282.63
6. Working capital	420.50	470.30	568.33
7. Loans issued			
Total	512.13	409.47	458.08
Short-term (Agrl.)	195.15	177.02	257.71
Medium-term (Agrl.)	58.18	5.65	20.38
Others	258.80	226.80	179.99
8. Loans outstanding			
Total	381.90	414.76	494.36
Short-term (Agrl.)	216.86	263.49	332.42
Medium-term (Agrl.)	58.18	45.90	49.30
Others	106.86	105.37	112.64
9. Net profit	1.29	1.86	0.91

The paid-up share capital of the bank increased by Rs 14.21 lakhs or 30 per cent during 1970-71 and by Rs 27.64 lakhs or 45 per cent during 1971-2. The bank's share capital had increased by Rs 41.85 lakhs during the period 30-6-1970 to 30-6-1972. This increase was mainly due to the state government's contribution of Rs 27 lakhs to the share capital in 1970-71 and 1971-2. This included a sum of Rs 3 lakhs received from the Small Farmers Development Agency, Quilon. The owned funds of the bank formed 18 per cent of the working capital as on 30-6-1972.

8. The bank's deposits increased from Rs 143.52 lakhs as on 30-6-1970 to Rs 208.48 lakhs as on 30-6-1972. The classification of deposits according to source is indicated on page 166.

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	143.52	155.70	208.48
2. Increase over the previous year	23.22	12.18	52.78
3. Rate of growth (percentage)	18.9	8.5	33.9
4. Deposits from co-operative sources	41.02	48.23	63.35
5. Increase over the previous year	1.82	7.21	15.12
6. Deposits from non-co-operative sources	102.50	107.47	145.13
7. Increase over the previous year	21.40	4.97	37.66
8. Proportion of 6 to 1	71%	69%	69%

9. The increase in the total deposits of the bank as on 30-6-1972 was more pronounced in the case of savings deposits held from individuals and other sources. Type-wise, fixed deposits accounted for 44 per cent of the total deposits followed by savings deposits (41 per cent) and current deposits (15 per cent). As on 30-6-1970 and 30-6-1971 the current deposits formed 14 per cent of the total deposits.

10. The bank had 12 branches of which 11 were located at places having a population between 10,000 and 1 lakh and one at a centre with a population of over 1 lakh. The Lead Bank's Survey Report had identified 9 unbanked centres in the district. The bank intended to open 9 branches in 1972-3 and 1973-4. The performance of the branches in the matter of mobilization of deposits was reviewed by the bank's management on a quarterly basis. The deposits collected by branches on 30-6-1972 are indicated below:

Name of the branch		Rs Lakhs
		Amount
1	Adoor	14.20
2	Pathanamthitta	19.91
3	Quilon	97.86
4	Kottarakkara	15.02
5	Punalur	11.59
6	Karunagappally	15.50
7	Sasthamcotta	7.31
8	Kundara	5.97
9	Chathanoor	4.36
10	Anchal	3.31
11	Ranni	3.30
12	Chavara	2.22

11. For the year 1971-2, the Department had fixed a target of Rs 175 lakhs which had been exceeded. The deposit target fixed for 1972-3 was Rs 225 lakhs.

12. The bank was sanctioned a short-term credit limit of Rs 200 lakhs by the Reserve Bank for financing seasonal agricultural operations during 1971-2. The maximum outstandings under the limit stood at Rs 199.68 lakhs. For the year 1972-3, the bank has been sanctioned a limit of Rs 290 lakhs. It defaulted in the maintenance of adequate non-overdue cover for its borrowings from the Reserve Bank from September to November 1971. There was no reasonable correlation between the recoveries from and advances to societies on the one hand and repayments to and draws from the apex bank on the other.

13. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past 3 years is given below:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total deposits	143.52	155.70	208.48
2. Current deposits	19.96	21.39	31.92
3. Borrowings	241.70	265.39	282.63
4. Working capital	420.50	470.30	568.33
5. Percentage of 1 to 4	34.1	33.1	36.7
6. Percentage of 2 to 1	13.9	13.8	15.3
7. Percentage of 3 to 4	57.5	56.4	49.7

14. The average proportion of deposits to working capital during the last 3 years worked out to about 35 per cent while current deposits formed 14 per cent of the total deposits on an average. The interest cost of the deposits worked out to 4.7 per cent. Borrowings formed about 55 per cent of the working capital on an average during the last 3 years. The average cost of such borrowings worked out to 5.5 per cent as against the average total borrowing rate (including deposits) at 5.2 per cent.

15. The bank maintained adequate cash reserve as prescribed under the Banking Regulation Act, 1949. During the year 1971-2 it retained excessive cash reserve over and above the optimum level ranging from Rs 0.32 lakh to Rs 22.58 lakhs. The bank defaulted under Section 24 of the Banking Regulation Act on several days during the months of July 1970, November 1970, May and June 1971 and August 1971 to January 1972, the deficits ranging between Rs 0.03 lakh and Rs 5.25 lakhs. It did not, however, keep large and continuous surpluses in liquid assets. The average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserve to total deposits	16.3
(b) Investments to total deposits	24.7
(c) Cash reserve to total assets	5.2
(d) Investments to total assets	7.9

16. The bank's short-term agricultural advances had come down from Rs 195 lakhs in 1969-70 to Rs 177 lakhs in 1970-71. This was reportedly

due to increase in the number of defaulting societies. The advances during 1971-2 however registered an upward trend and the loans issued were of the order of Rs 257.71 lakhs. The proportion of the bank's outstanding agricultural and non-agricultural loans in the last 3 years was as under:

	30-6-70	30-6-71	30-6-72
Short-term (agricultural)	57	64	67
Medium-term (agricultural)	15	11	10
Others	28	25	23

17. The proportion of total loans and advances to working capital as at the end of the last 3 years is indicated below:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total loans and advances	381.90	414.76	494.36
2. Working capital	420.50	470.30	568.33
3. Percentage of 1 to 2	90.8	88.2	87.0

18. The average lending rate of the bank worked out to 7 per cent as against the average borrowing rate of 5.2 per cent leaving a margin of 1.8 per cent.

19. The crop-wise break-up of loans issued by the bank during 1971-2 is given below:

Crop	Cropped area (in lakh hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (Percentage to loans)
1	2	3	4	5	6
Paddy	0.52	15	0.46	0.2	10
Coconut	0.93	27	115.28	45	43
Tapioca	0.91	27	70.66	28	22
Rubber	0.31	9	0.81	0.3	9
Banana and Plantains	0.06	2	40.35	16	4
Ginger	0.002	0.1	18.75	7	0.1
All crops	3.41	100.0	255.51	100.0	100.0

It will be seen from the table above that cash crops like banana get more finance compared to the area under cultivation.

20. The overdues position of the bank as at the end of the last three co-operative years is shown below:

Type of loan	Rs Lakhs		
	Amount of overdues		
	30-6-70	30-6-71	30-6-72
Short-term agricultural	24.86	92.30	83.86
Medium-term agricultural	4.53	13.18	16.08
Others	10.09	16.50	34.98
Total	39.48	121.98	134.92
Percentage of overdues to demand	18.5	40.2	29.5

21. The overdues against primary agricultural credit societies as at the end of the last three years and their period-wise break-up are indicated below:

Period	Rs Lakhs		
	1969-70	1970-71	1971-2
Up to one year	8.29	86.59	51.82
Between one and three years	17.47	15.11	41.94
Above three years	6.59	9.80	12.46
	32.35	111.50	106.22

There were transactions suggestive of book adjustment at the society level. In spite of this the overdues have shown an upward trend. The bank had also discontinued preparing normal credit limit statements and sanctioned limits on an *ad hoc* basis with reference to previous year's performance. As on 30-6-1972, there were 456 arbitration references involving Rs 5.88 lakhs pending disposal with the Department.

22. The bank worked at profit during the last three years. An analysis of the profit and loss account for these years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Gross income	25.72	31.93	37.75
2. Cost of management	5.82	6.46	7.71
3. Net profit	1.29	1.86	0.91
4. Working capital	420.50	470.30	568.33
5. Percentage of 1 to 4	6.1	6.8	6.6
6. Percentage of 2 to 1	22.6	20.2	20.4
7. Percentage of 2 to 4	1.4	1.4	1.4
8. Percentage of 3 to 4	0.3	0.4	0.2

The bank had declared a dividend of 1½ per cent for each of the years 1969-70 and 1970-71. The net profit for the year 1971-2, which showed a sudden drop, has not yet been appropriated.

23. The board of directors of the bank consisted of 11 members of whom 8 were elected, 2 nominated by the government and one by the apex bank. As on 31-12-72 there were 10 directors of which 3 represented primary agricultural credit societies. The board met on 13 occasions during 1971-2 and the subjects discussed in such meetings related to raising and investment of funds, consideration of communications received from Reserve Bank of India/Registrar of Co-operative Societies, inspection and audit reports on the bank and its balance sheet, staff matters, etc. The board was also reviewing the progress of the bank in deposit mobilisation and in recovery of overdues.

24. The bank's executive committee consisted of 5 members including the President, the Vice-President, the nominee of the apex bank and two other directors. The committee met 51 times during 1971-2 and attended to business relating to admission of members, allotment of shares, sanction of loans and cash credits, review of arrears position, etc.

25. The sitting fees and travelling allowances paid by the bank to its board and executive committee members during the years 1969-70, 1970-71 and 1971-2 amounted to Rs 0.08 lakh, Rs 0.13 lakh and Rs 0.20 lakh respectively and formed 0.3 per cent, 0.4 per cent and 0.5 per cent in relation to gross income.

26. The General Manager is the chief executive of the bank. He is assisted by a Deputy Manager, an Inspector of Branches, a Chief Accountant, 3 Executive Officers, one Marketing Officer, 3 Superintendents and 14 officers of the rank of Branch Managers. Except 2 Superintendents and one Branch Manager, the other key personnel were trained. The field staff of the bank consisted of 21 inspectors and each inspector had a charge of 11 societies on an average. Though each society was required to be inspected once in six months, this schedule was not adhered to. There was no system of scrutiny and follow-up action on the tour diaries submitted by the inspectors.

27. The scales of pay and allowances of the key personnel of the bank were generally lower than those of the apex bank.

Primary Agricultural Credit Societies

28. The data regarding number of societies in the district, financing thereof by the bank etc., during the last three co-operative years are given below:

Year	No. of primary agricultural credit societies	No. of societies financed by the bank	No. of societies indebted to the bank	No. of societies in default to the bank
1969-70	212	140	176	43
1970-71	212	129	176	111
1971-2	223	159	182	98

29. As on 30 June 1972, there were 223 primary agricultural credit societies in the district of which 40 were dormant. All the villages in the district were covered by co-operatives. The societies had a total membership of 2.13 lakhs which covered about 55 per cent of the rural families. Borrowing members numbered 1.41 lakhs and formed 60 per cent of the total membership. The paid-up capital of the societies as on 30-6-72 stood at Rs 138 lakhs of which a sum of Rs 25 lakhs was contributed by the state government to the share capital of 172 societies. Deposits of the societies amounted to Rs 50 lakhs, Rs 49 lakhs being deposits of members. During 1971-2, the societies issued loans to the extent of Rs 289 lakhs of which Rs 254 lakhs represented short-term agricultural loans and Rs 30 lakhs medium-term agricultural loans. As on 30-6-72, the total loans outstanding stood at Rs 447 lakhs of which Rs 146 lakhs or 33 per cent were overdue.

30. Under the reorganization programme it was expected that 199 viable societies would emerge by the end of June 1972 against which the actual achievement has been only 183. As at the end of June 1972, there were 94 societies having overlapping jurisdiction of which 43 were proposed to be liquidated, 10 to be amalgamated, 27 to be delimited, 9 to be tackled and 5 to be converted.

TRICHUR DISTRICT CO-OPERATIVE BANK

1. The Trichur District is bounded on the north by the Malappuram and Palghat Districts, on the south by the Ernakulam and Kottayam Districts, on the east by the Palghat and Coimbatore Districts and on the west by the Arabian Sea. It covers an area of 3032 sq. kms. comprising 5 taluks and according to 1971 census, it had a population of 21.26 lakhs of which 18.76 lakhs or 88.2 per cent was rural. The density of population worked out to 701 persons per sq. km.

2. The district is broadly divided into three well-defined natural regions viz., (1) highland (2) the midland and (3) lowland. The highlands are on the eastern side and have extensive ravines, dense forests and jungles. The midlands lie westwards of the highlands and consist mostly of plains. The rivers found in this area serve as the veins of irrigation and as a means of transport. The lowlands lie between the midland and the sea covering a long narrow stretch of land most of which is 25 feet below the mean sea level. This sea board is low and generally swampy and is in several parts liable to be flooded during monsoon.

3. The district lies between two longest rivers in the state viz., Bharathapuzha on the north and Periyar in the south. The other important rivers are Chalakudi and Karuvannur which have been harnessed by the construction of two dams viz., Peechi and Thumpoor-moozhi. There is a chain of lagoons and backwaters which serve as navigable waterways. The annual normal rainfall for the district is 3159.4 mm. which is mostly received from the south-west monsoon. Out of the total geographical area of 2.94 lakh hectares 1.48 lakh hectares were under cultivation and 0.98 lakh hectares were sown more than once.

4. The following table shows the area under cultivation of the main crops:

Crop	Area (in hectares)
Paddy	115267
Coconut	54861
Arecanut	13261
Rubber	8402
Tapioca	8262
Cashew	8056
Banana and plantains	5664

The principal crops of the district are paddy, coconut, arecanut and cashewnut. A striking feature in agricultural operation in the district is 'Kole' cultivation under which extensive low level lakes are artificially reclaimed and bunded for cultivation of paddy.

5. There are 85,137 cultivators and 2.03 lakhs of agricultural labourers in the district. The average size of holding is around one acre. The following table shows the distribution of operational holdings in the district according to size:

Size of operational holdings	No. of holdings (in 000)	Percentage to total
Less than 1 acre	109.2	59.2
1 acre to 2.5 acres	29.9	16.2
2.5 acres to 5 acres	22.0	11.9
5 acres to 10 acres	15.3	8.3
10 acres to 15 acres	3.6	2.0
15 acres to 20 acres	1.7	0.9
20 acres and above	2.7	1.5
	184.4	100.0

6. The district was covered by the 'Intensive Agricultural Areas Programme'. The State Government had also launched in September/October 1971 the 'Ela' programme in four units each comprising of not less than 500 acres. There are five seed paddy farms in the district. The Japanese method of cultivation of paddy was also introduced in 38,925.28 acres.

7. The bank which is the oldest central co-operative bank in the state celebrated its golden jubilee in 1969. It was registered in 1918 and functioned as the central financing agency for the erstwhile Cochin State, with primary societies as members. In 1954, after the formation of the Travancore-Cochin State, this bank was affiliated to the Travancore Central

Co-operative Bank which was reconstituted as the State Co-operative Bank. After the formation of the Ernakulam District the name of the bank was changed into Trichur District Co-operative Bank.

8. The progress made by the central bank during the last three co-operative years ended 1971-2 is indicated below:

Particulars	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Paid-up share capital	58.78	67.40	90.11
Of which from Government	8.90	10.00	22.00
2. Reserve and other funds	16.35	19.15	20.81
3. Total owned funds	75.13	86.55	110.92
4. Deposits	168.41	187.07	232.74
5. Borrowings	295.25	314.36	367.65
6. Working capital	534.70	581.16	724.07
7. Loans issued during the year			
Total	388.63	366.39	536.34
Short-term agricultural	347.98	327.01	500.21
Medium-term agricultural	14.90	20.92	12.84
Others	25.75	18.46	23.29
8. Loans outstanding at the end of the year			
Total	441.75	501.29	611.08
Medium-term agricultural	303.98	349.37	454.63
Short-term agricultural	26.17	34.17	34.13
Others	111.60	117.75	122.32
9. Net profit	2.19	4.09	2.80

9. The paid-up capital of the bank rose from Rs 58.78 lakhs as on 30-6-70 to Rs 90.11 lakhs as on 30-6-72. Of the increase of Rs 31.33 lakhs the state government's share capital contribution was of the order of Rs 13.10 lakhs. The reserves of the bank have shown a nominal increase of Rs 4.46 lakhs during the period.

10. Deposits of the bank increased from Rs 168.41 lakhs as on 30-6-70 to Rs 232.74 lakhs as on 30-6-72. Average annual deposit growth rate was 18 per cent. Deposits from sources other than co-operatives accounted for Rs 127.88 lakhs or about 55 per cent of the total deposits as on 30-6-72. Although the deposits from individuals increased from Rs 95.44 lakhs as on 30-6-70 to Rs 127.88 lakhs as on 30-6-72 their percentage to total deposits declined from 57 to 55.

11. The increase in deposits was more marked in the case of fixed deposits. As on 30-6-72 the fixed deposits formed 67.6 per cent of the total deposits. The current deposits which were at Rs 19.05 lakhs as on 30-6-70 had declined to Rs 13.30 lakhs as on 30-6-71 but increased to Rs 29.50 lakhs as on 30-6-72. The percentage of current deposits to total deposits as on 30-6-70 and 30-6-72 was 11 and 12 respectively.

12. The bank was contemplating to extend overdraft and discounting

facilities to its long-standing customers and to issue cash certificates. The bank had introduced the recurring deposits scheme from 2-1-73. The bank was also rendering services like (i) collection of cheques and bills and (ii) issue of drafts.

13. The Department had fixed a deposit target of Rs 180 lakhs for the year 1971-2 which had been exceeded. The target fixed for 1972-3 is Rs 275 lakhs.

14. There were 18 centres in the district with a population of 5000 and above. As against this, the bank had 9 branches. It proposes to open 14 branches in the next four years. The position of deposits collected by the bank's branches as at the end of August 1972 is indicated below:

Name of the branch	Rs Lakhs Amount of deposit
1. Trichur	114.71
2. Kunnankulam	14.45
3. Kodungallur	15.31
4. Irinjalakuda	15.04
5. Chalakudy	10.09
6. Tripayar	8.20
7. Wadakkanchery	5.16
8. Chelakkara	1.91
9. Head Office	14.41
	199.28

The bank had fixed deposit targets for the branches and the achievements were being periodically reviewed by the board/executive committee.

15. The total borrowings which as on 30-6-70 stood at Rs 295.25 lakhs increased to Rs 367.65 lakhs as on 30-6-72. The proportion of deposits and borrowings to working capital as on 30-6-72 worked out to 32.2 per cent and 50.6 per cent respectively.

16. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past 3 years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	168.41	187.07	232.74
2. Current deposits	19.05	13.30	29.50
3. Borrowings	295.25	314.36	367.65
4. Working capital	534.70	581.16	724.07
5. Percentage of 1 to 4	31.5	32.2	32.2
6. Percentage of 2 to 1	11.3	7.1	12.7
7. Percentage of 3 to 4	55.2	54.1	50.6

The average proportion of deposits to working capital during the last 3 years worked out to 32 per cent while current deposits formed 10.4 per cent of the total deposits on an average. The proportion of current deposits to total deposits was low as the bulk of the bank's deposits was raised in the form of fixed deposits. The average deposits from societies formed 43.4 per cent of the total deposits during the past 3 years. The interest cost of the deposits worked out to 5.3 per cent. The average cost of deposits would have been lower if current deposits formed a sizeable proportion of the bank's total deposits. The bulk of the deposits represented fixed deposits on which the rate of interest paid was relatively higher.

17. The major portion of the bank's working capital was derived from borrowings from the higher financing agency. Borrowings formed 53.2 per cent of the working capital on an average during the last 3 years. The average cost of such borrowings worked out to 5.4 per cent as against the average total borrowing rate (including deposits) at 5.3 per cent.

18. The bank maintained adequate cash reserve and liquid assets as prescribed under the Banking Regulation Act. It did not maintain continuous surpluses in liquid assets though during the period January 1972 to June 1972 there were continuous surpluses in cash reserve over and above the optimum level. The average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserve to total deposits	23.1
(b) Investments to total deposits	20.7
(c) Cash reserve to total assets	6.6
(d) Investments to total assets	6.0

19. As against Rs 347.98 lakhs issued by way of short-term agricultural loans during 1969-70 such advances increased to Rs 500.21 lakhs during 1971-2 but medium-term agricultural loans declined from Rs 14.90 lakhs to Rs 12.84 lakhs during the same period. The proportion of agricultural and non-agricultural loans outstanding on the last 3 co-operative years was as under:

Type of loan	30-6-70	30-6-71	30-6-72
Short-term agricultural	70	70	74
Medium-term agricultural	5	6	6
Others	25	24	20

The distribution of short-term loans issued in 1971-2 crop-wise is given on page 176. Although paddy is important crop and covered 45 per cent of the cropped area the percentage of loans issued was only 9. As against this, arecanut crop which covered only 5 per cent of the cropped area received 25 per cent of the loans issued.

Crop	Cropped area (lakh hectares)	Percentage to cropped area	Loans issued in 1971-2 (Rs lakhs)	Percentage to loans	Eligibility as per scales of finance (Percentage to loans)
1	2	3	4	5	6
Paddy	1.15	45	46.03	9	38
Coconut	0.55	22	75.49	15	38
Tapioca	0.08	3.4	32.79	7	3
Arecanut	0.13	5.4	126.68	25	8
Banana & Plantains	0.06	2.3	62.88	13	8
Total	2.46	100.0	348.16	100	100

20. The proportion of total loans and advances to working capital as at the end of the last 3 years was as indicated below:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total loans and advances	441.75	501.29	611.08
2. Working capital	534.70	581.16	724.07
3. Proportion of 1 to 2	82.6	86.3	84.4

21. The average lending rate of the bank worked out to 7.2 per cent as against the average borrowing rate of 5.3 per cent leaving a margin of 1.9 per cent.

22. The overdues position of the bank as at the end of the last three co-operative years is shown below:

	Rs Lakhs		
Type of loan	Amount of overdues		
	30-6-70	30-6-71	30-6-72
Short-term agricultural	43.51	84.99	66.64
Medium-term agricultural	1.06	7.25	1.93
Others	6.63	6.79	1.85
	51.20	99.03	70.42
Percentage of overdues to demand	14.1	24.0	15.7

23. The period-wise break-up of overdues against primary credit societies as at the end of the last three co-operative years is furnished below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
Up to one year	32.48	75.26	44.96
Between one and three years	17.71	22.13	24.79
Above three years	0.90	0.97	0.66
Total	51.09	98.36	70.41

The bank and the societies were found to be resorting to methods like book adjustments for camouflaging the real position of overdues.

24. The particulars of land holdings, crops grown etc., furnished in the normal credit limit statements were not verified either by the committee members of the societies or by the field staff of the bank. The land registers were maintained only in respect of borrowing members of the societies and even these particulars were not verified with reference to the revenue records. The bank had financed societies in default in disregard of the standards laid down by the Registrar of Co-operative Societies in this regard. With a view to concealing its overdues, the bank had granted irregular extensions of due dates of loans and renewed cash credit and overdraft accounts of some of the marketing and motor transport societies.

25. The estimated erosion/depreciation in the value of the assets of the bank amounted to Rs 18.42 lakhs as on 30-6-72 while it had a bad and doubtful debts reserve and overdue interest provision aggregating Rs 6.44 lakhs only.

26. The bank worked at profit during the last 3 years. The net profit earned, as well as the proportion of the cost of management to gross income and to working capital are indicated below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Net profit	2.19	4.09	2.80
2. Cost of management	6.36	6.53	7.75
3. Gross income	29.40	36.00	46.11
4. Working capital	534.70	581.16	724.07
5. Proportion of 2 to 3	21.6	18.1	16.8
6. Proportion of 2 to 4	1.2	1.1	1.1

The bank had declared a dividend of 2 per cent for the year 1969-70 and 3½ per cent for 1970-71. The profits for 1971-2 had not yet been appropriated.

27. The board of directors of the bank consisted of 11 members of whom 8 were elected, 2 nominated by the government and one by the apex bank. There was no representation of primary agricultural credit societies on the board. The President of the bank was a government nominee. The board met regularly and the subjects discussed in such meetings related to raising and investment of funds, consideration of

communications received from Reserve Bank of India/Registrar of Co-operative Societies, inspection and audit reports on the bank and its balance sheet, staff matters, etc. The board was also reviewing the progress of the bank in deposit mobilisation and in collection of overdues. The bank was convening taluk level conferences for explaining the loan policies and suggesting measures for tapping deposits.

28. The executive committee consisted of 5 members of the board including the President, the Vice-President and three other directors. The committee met frequently. It was attending to business relating to admission of members, allotment of shares, sanction of loans and cash credits, review of arrears position, etc.

29. The sitting fees and travelling allowances paid by the bank to its board and executive committee members during the years 1969-70 to 1971-2 amounted to Rs 11,902, Rs 24,348 and Rs 30,777 respectively and formed 0.4 per cent, 0.7 per cent and 0.7 per cent in relation to gross income and 5.4 per cent, 5.9 per cent and 6.2 per cent in relation to net profit.

30. The chief executive of the bank is the Secretary. He is assisted by an Assistant Secretary, a Development-cum-Marketing Officer, a Chief Accounts Officer and Branch Managers. The field staff of the bank consisted of 26 inspectors and 5 circle inspectors. Each inspector had a charge of 8 societies on an average. Though each society was required to be inspected at least once a quarter this schedule was never adhered to. During 1971-2, out of 179 borrowing societies only 30 had been inspected and that too once. The bank did not exercise effective control over its field staff.

31. The scales of pay and allowances of the key personnel, supervisors and branch managers of the central bank were generally lower than those paid by the apex bank.

Primary Agricultural Credit Societies

32. The particulars such as the number of primary agricultural credit societies in the district, those financed by the bank during the past three co-operative years are furnished below:

Year	No. of primary agricultural credit societies	No. of societies indebted to the bank	No. of societies in default to the bank
1969-70	216	164	37
1970-71	216	163	68
1971-2	213	177	42

33. As on 1 July 1971 there were 216 agricultural credit societies in the district of which 136 were viable, 67 were potentially viable and 10 were dormant. It was proposed to amalgamate 20 societies, liquidate 18 societies and reorganize 32 societies. The target for 1971-2 was to amalgamate 9 societies, liquidate 10 societies and to reorganize 9 societies. However, during that year only 5 societies had been liquidated, 1 amalgamated and 1 reorganized. As at the end of June 1972, there were 213

societies of which 137 were viable, 61 potentially viable and 8 were dormant. The progress in the reorganization programme was thus slow. There were 61 societies which had overlapping jurisdiction. For the removal of such overlapping jurisdiction 12 societies were proposed to be liquidated, 20 to be amalgamated, 16 to be delimited, 8 to be tackled and 5 to be converted. As on 30 June 1972, the primary agricultural credit societies had a membership of 1.86 lakhs and covered 44 per cent of the rural population. The borrowing membership stood at 90,000. The owned funds and deposits of the societies stood at Rs 176 lakhs and Rs 105 lakhs respectively as on 30-6-72. During 1971-2 the societies issued short-term and medium-term loans to the extent of Rs 444 lakhs and Rs 121 lakhs respectively. As on 30 June 1972, the loans outstanding against members stood at Rs 602 lakhs of which Rs 155 lakhs were overdue. One hundred and four societies had appointed full time paid secretaries.

TRIVANDRUM DISTRICT CO-OPERATIVE BANK

1. The Trivandrum District is bounded on the north by the Quilon District, on the east and south by the Tirunelveli District and the Kanyakumari District respectively of Tamil Nadu and on the west by the Arabian Sea. It covers an area of 2193 sq. kms. and comprises 4 taluks, 12 blocks, 74 panchayats and 94 revenue villages. According to 1971 census, it had a population of 21.93 lakhs of which 16.21 lakhs or 73.9 per cent was rural. Trivandrum is the second most populous district of the state with a density of population for 1000 persons per sq. km.

2. The district may be broadly divided into three natural regions viz., (i) mountainous highland, (ii) flat coastal strip (lowland) and (iii) the midland consisting of undulating terrain. Three important rivers namely Vamanapuram, Karamana and Neyyattinkara are flowing through the district. There are also backwaters which serve as navigable waterways. The district receives a normal annual rainfall of 2154.6 mm.

3. Out of the total geographical area of 2.16 lakh hectares, 1.52 lakh hectares were cultivated of which 0.84 lakh hectares were sown more than once. The principal crops of the district are coconut, tapioca, paddy and pepper. The following table shows the area under cultivation of the main crops:

Crop	Area (000 hectares)	Percentage to total cropped area
Coconut	76.5	31.5
Tapioca	70.1	28.8
Paddy	39.5	16.3
Pepper	10.3	4.3
Rubber	7.0	2.9
Areca nut	5.1	2.1
Cashewnut	4.6	1.9

4. There were 88,308 cultivators and 1.87 lakh agricultural labourers in the district. The following table shows the distribution of operational holdings in the district according to size.

Size of operational holdings	No. of holdings (in 000)	Percentage to total
Less than 1 acre	167.0	66.6
1 acre to 2.5 acres	56.6	22.6
2.5 acres to 5 acres	15.2	6.1
5 acres to 10 acres	8.8	3.5
10 acres to 15 acres	2.9	1.2
15 acres and above	0.2	—
Total:	250.7	100.0

5. The state government had launched the "Ela"* programme in four units each comprising of not less than 500 acres.

6. The bank was registered on 1 August 1958 and started functioning from 12 August 1958. Prior to its formation, the credit needs of the district were being met by the erstwhile Travancore Central Co-operative Bank subsequently reorganised as the Travancore-Cochin State Co-operative Bank. Originally the membership of the bank consisted of primary societies, the Kerala State Co-operative Bank and individuals. With the enforcement of the Kerala State Co-operative Societies Act 21 of 1969 on 15-5-69 the membership is confined to primary societies only.

7. The progress registered by the bank during the last three co-operative years ended 1971-2 is indicated below:

Particulars	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Paid-up capital	25.45	30.89	44.61
Of which from State Govt.	8.00	8.00	18.00
2. Reserve and other funds	5.58	6.06	6.61
3. Total owned funds	31.03	36.95	51.22
4. Deposits	58.65	62.98	78.86
5. Borrowings	85.25	141.44	169.52
6. Working capital	183.08	252.51	302.96
7. Loans issued during the year			
Total	220.41	238.96	269.57
Short-term agricultural	45.83	119.43	117.76
Medium-term agricultural	1.94	0.54	—
Others	172.64	118.99	151.81
8. Loans outstanding			
Total	150.51	213.97	257.08
Short-term agricultural	61.05	119.43	144.93
Medium-term agricultural	3.09	2.17	1.39
Others	86.37	92.37	110.76
9. Net profit	0.14	0.01	0.01

*It is a type of intensive cultivation of paddy in select compact areas by having certain common arrangements for agricultural supplies etc.

The paid-up capital of the bank rose from Rs 25.45 lakhs as on 30-6-1970 to Rs 44.61 lakhs as on 30-6-72. The increase was mainly due to the share capital contribution to the extent of Rs 10 lakhs by the state government in the year 1971-2. The owned funds of the bank as on 30-6-72 at Rs. 51.22 lakhs formed 17 per cent of the working capital.

8. The progress of deposits as at the end of the last three years ended 1971-2 is indicated below:

Rs Lakhs							
Total deposits as at the end of June			Of which, deposits from individuals as at the end of June			Increase (+)/decrease (—) in total deposits during	
1970	1971	1972	1970	1971	1972	1970-71 (Col. 2-1)	1971-2 (Col. 3-2)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
58.65	62.98	78.86	28.67	28.11	37.17	+4.33	+15.88

Percentage of Col. (7)/ Col. (8) to Col. (1)/Col. (2)	
1970-71	1971-2
(9)	(10)
7	25

The percentage of deposits from individuals to total deposits as on 30-6-70, 30-6-71, and 30-6-72 was 44, 44 and 45 respectively.

9. The bank's current deposits which were at Rs 10.68 lakhs on 30-6-70 increased to Rs 13.56 lakhs on 30-6-72. The bulk of the current deposits was from the societies. The percentage of current deposits to total deposits during the three year period was around 18. As on 30-6-72 the fixed deposits formed 50 per cent of the total deposits.

10. The bank was providing facilities such as issue of drafts and collection of cheques and bills. It had opened a morning and evening counter at its Trivandrum branch and was contemplating to extend over-draft and discounting facilities to its long-standing customers.

11. There are 10 centres in the district having population of 5,000 and above. As per the Lead Bank's Survey Report there were 11 unbanked growth centres in the district. As against this the bank had 7 branches and has plans to open 12 branches in the next 5 years. At present all its branches were in places where the population was between 10 thousand and one lakh or above one lakh. The bank had fixed deposit targets for the branches and the achievements were being periodically reviewed by the board/executive committee.

12. The position of deposits collected by the bank's branches as on 30-6-72 is given below:

Name of the branch	Amount (Rs lakhs)
Attingal	10.95
Neyyattinkara	8.19
Nedumangad	4.45
Kilimanoor	3.75
Trivandrum	46.96
Kattakada	2.55
Vizhinjam	2.01
	78.86

The Registrar of Co-operative Societies had fixed a deposits target of Rs 85 lakhs for 1971-2. The bank failed to achieve the target. For 1972-3, the deposit target fixed was Rs 120 lakhs.

13. The total borrowings of the bank rose from Rs 85.25 lakhs as on 30-6-70 to Rs 169.52 lakhs as on 30-6-1972. The bank was sanctioned a short-term credit limit of Rs 100 lakhs by the Reserve Bank for financing seasonal agricultural operations during 1971-2 and it had utilised the limit in full. For the year 1972-3 the bank had been sanctioned a credit limit of Rs 140 lakhs.

14. The proportion of deposits to working capital, current deposits to total deposits and borrowings to working capital for the past 3 years is given below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Total deposits	58.65	62.98	78.86
2. Current deposits	10.68	11.27	13.56
3. Borrowings	85.25	141.44	169.52
4. Working capital	183.08	252.51	302.96
5. Percentage of 1 to 4	32.0	24.9	26.0
6. Percentage of 2 to 1	18.2	17.9	17.2
7. Percentage of 3 to 4	46.6	56.0	56.0

15. The average proportion of deposits to working capital during the last 3 years worked out to 28 per cent while current deposits formed 18 per cent of the total deposits on an average. The average deposits from societies formed 53 per cent of the total deposits during the past 3 years. The interest cost of the deposits worked out to 5.1 per cent. The bulk of the bank's deposit represented fixed deposits on which the rate of interest paid was relatively higher.

16. Borrowings from the higher financing agency formed 53 per cent of the working capital on an average during the last 3 years. The average cost of such borrowings worked out to 5.7 per cent as against the average total borrowing rate (including deposits) at 5.6 per cent.

17. The bank issued short-term loans only for financing the cultivation of tapioca. There was a decline in the bank's short-term agricultural lendings during 1971-2 which was reported to be on account of the comparatively larger number of societies in default. The bank's loans for medium-term agricultural purposes were negligible and had declined from Rs 3.09 lakhs as on 30-6-70 to Rs 1.39 lakhs as on 30-6-72. In 1971-2 it did not issue any medium-term (agricultural) loans. The bank's loans for non-agricultural purposes are almost equal to or more than the production loans. The proportion of outstanding agricultural and non-agricultural loans during the last 3 years was as under:

	30-6-70	30-6-71	30-6-72
Short-term agricultural	41	56	56
Medium-term agricultural	2	1	1
Others	57	43	43

18. The proportion of total loans and advances to working capital as at the end of the last 3 years was as indicated below:

	Rs Lakhs		
	30-6-70	30-6-71	30-6-72
1. Total loans and advances	150.51	213.97	257.08
2. Working capital	183.08	252.51	302.96
3. Proportion of 1 to 2	82.2	84.7	84.8

19. The average lending rate of the bank worked out to 7.4 per cent as against the average borrowing rate of 5.6 per cent leaving a margin of 1.8 per cent.

20. The overdues position of the bank as at the end of the last three co-operative years is shown below:

	Rs Lakhs		
Type of loans	30-6-1970	30-6-1971	30-6-1972
Short-term agricultural	15.41	14.09	29.94
Medium-term agricultural	1.12	0.36	0.44
Others	12.84	16.34	14.30
Total	30.37	30.79	44.68
Percentage of overdues to demand	36.2	26.7	18.8

21. The period-wise break-up of overdues against primary agricultural credit societies as at the end of the last three co-operative years is furnished below:

Period	Rs Lakhs		
	1969-70	1970-71	1971-2
Up to one year	9.01	9.14	24.94
Between one and three years	4.48	4.66	4.50
Above three years	11.16	9.70	10.31
Total	24.65	23.50	39.75

22. There were transactions suggestive of book adjustment both at the bank and societies level. Despite this the overdues were showing an upward trend. The bank was reviewing the overdues position every month. Two sale officers are attached to the bank one of whom is attending to the execution of awards obtained by the societies against defaulting members and the other to the work at the Head Office.

23. The bank maintained adequate cash reserve as prescribed under the Banking Regulation Act but the surpluses in cash reserve over and above the optimum requirements ranged from Rs 0.29 lakh to Rs 14.07 lakhs during 1971-2. The bank defaulted in the maintenance of liquid assets on three Fridays during 1971-2, the deficits ranging from Rs 0.16 lakh to Rs 0.97 lakh. Generally it did not maintain large and continuous surpluses in liquid assets over and above the optimum requirements. The average ratios of cash reserve/investments to total deposits/total assets are indicated below:

(a) Cash reserve to total deposits	11.4
(b) Investments to total deposits	40.4
(c) Cash reserve to total assets	3.1
(d) Investments to total assets	11.0

24. The bank worked at profit during the last 3 years. The net profit earned, as well as the proportion of gross income to working capital, cost of management to working capital, etc., are furnished below:

	Rs Lakhs		
	1969-70	1970-71	1971-2
1. Gross income	12.66	15.71	20.83
2. Cost of management	4.13	4.94	5.69
3. Working capital	183.08	252.51	302.96
4. Net profit	0.14	0.01	0.01
5. Percentage of 1 to 3	6.9	6.2	6.6
6. Percentage of 2 to 3	2.3	2.0	1.9
7. Percentage of 2 to 1	32.6	31.9	27.3
8. Percentage of 4 to 3	0.08	0.004	0.003

The bank had not declared any dividend for the year 1969-70 and 1970-71 and the profit for 1971-2 had not yet been appropriated.

25. The board of directors of the bank consisted of 11 members of whom 8 were elected, 2 nominated by the government and one by the apex bank. One of the directors had resigned owing to personal reasons. Only one of the elected directors was a delegate of an agricultural credit society.

26. The board met 23 times during 1971-2 and the subjects discussed in such meetings related to raising and investment of funds, consideration of communications received from Reserve Bank of India/Registrar of Co-operative Societies, inspection and audit reports on the bank and its balance sheet, staff matters, etc. The Board was also reviewing the progress in deposit mobilisation and in collection of overdues and pursuing the monthly receipt and payment account. The bank was convening taluk level conferences and branch-wise conferences for explaining the loan policies and suggesting measures for mobilizing deposits.

27. The executive committee of the bank consisted of 5 members. The committee met 10 times during 1971-2. It was attending to business relating to admission of new members, sanction of loans and cash credits and extension of period of overdraft and cash credit limits.

28. The sitting fees and travelling allowances paid by the bank to its board and executive committee members during the three years ended 1971-2 were as follows:

	Rs Lakhs		
	1969-70	1970-71	1971-2
Amount of sitting fees and travelling allowances paid	0.03	0.14	0.14
Percentage to gross income	0.2	0.9	0.7
Percentage to working capital	0.02	0.06	0.04

29. The chief executive of the bank is the General Manager. He is assisted by an Executive Officer and a Marketing Officer and a complement of Branch Managers. All the staff members were trained. The field staff of the bank consisted of 17 inspectors. Each inspector had a charge of 8 societies on an average. Although the Head Office had instructed the inspectors to conduct detailed inspection of two societies each month and also to pay visits to 20 societies this was not strictly complied with. The scales of pay and allowances of the key-personnel of the bank were generally lower than those of the apex bank.

Primary Agricultural Credit Societies

30. The data regarding number of primary agricultural credit societies

in the district, financing thereof by the bank etc., during the last three co-operative years are given below:

Year	No. of primary agricultural credit societies	No. of societies financed by the bank	No. of societies indebted to the bank	No. of defaulting societies
1969-70	126	63	94	63
1970-71	127	74	98	54
1971-2	142	70	106	73

A large number of societies were not financed by the bank.

31. As on 30 June 1972, there were 142 primary agricultural credit societies in the district of which 17 were dormant. They had a membership of 1.13 lakhs and covered 32 per cent of the rural population. The number of borrowing members stood at 29,000 and formed 25 per cent of the total membership. Owned funds of the societies stood at Rs 67 lakhs, Rs 53 lakhs by way of paid-up share capital and Rs 14 lakhs by way of reserves. Deposits of the societies amounted to Rs 15 lakhs only. During 1971-2, the societies had issued loans to the extent of Rs 126 lakhs under short-term loans and Rs 3 lakhs under medium-term. As on 30 June 1972, the total loans outstanding stood at Rs 168 lakhs of which Rs 44 lakhs or 26 per cent were overdue. 116 societies had appointed full-time secretaries.

32. There were 19 societies as on 30 June 1972, having overlapping jurisdiction of which 4 were proposed to be liquidated, 7 to be amalgamated, 3 to be delimited and 5 to be tackled.