

## KERALA STATE CO-OPERATIVE BANK - A PROFILE

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### **ABSTRACT**

*The institution of cooperation has a long history to speak. It is an instinct in man to work together, line together and grow together. This 'togetherness' built family, society, district and nation. this togetherness is the mother of all civilisations. Also this togetherness is the backbone of all the cooperative endeavours. There are many cooperative institutions in all over and this led to the formation of apex institutions like, the State Co-operative Bank, The State Agricultural and Rural Development Bank, the Urban Bank. The Co-operative movement in Kerala like its counterparts is essentially a child of distress. It focused its attention mainly on the problems of farmers.<sup>1</sup> Because they were severely under the clutches of money lenders and the co-operative movement played a vital role in releasing these people from money lenders who extracted heavy interest and treated them like slaves.*

**KEYWORDS:** *Togetherness is the Mother of All Civilisations, Clutches of Money Lenders*

### **INTRODUCTION**

The formation of the Kerala State Cooperative Bank dates long before the attainment of independence. In 1914, the then Maharaja of Travancore, His Highness Moolam Thirunal Ramavarma by his proclamation introduced the 'Travancore Cooperative Societies Regulation Act'. It was one of the historic proclamations which changed the phase of the state. As per the Act, the first cooperative society was registered in the year 1915. It was the Travancore central Cooperative Bank. And the bank started functioning on 18th January 1916 with a share capital of Rs.1.00 lakh consisting of 1000 shares of Rs.100 each.<sup>2</sup> Its working area included whole old state of Travancore. It started its business with the special loan of Rs.50,000 sanctioned by the Government. This was followed by the emergence of many cooperative societies in villages and town. The bank with its continuous effort overcomes its financial crisis. By 1933 bank's working capital became Rs.21.97 lakhs and deposit Rs.19.44 lakhs.<sup>3</sup> But the financial crisis of 1930 adversely affected the banks performance.

To find out a solution the Government appointed Advisory committee in 1942 and it put forward certain solutions and restrictions to the bank. It recommended that, the service of the bank should be limited in granting loans only to the needful regional co-operative societies, granting membership to the individuals in the bank should gradually

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<sup>1</sup> Raj, K.N.& Tharakan, M., *Agrarian Reforms in Kerala and its Impact on Rural Economy : A Preliminary Assesment*, New York, 1983, P.120

<sup>2</sup> *Annual Report*, Kerala State Co-operative Bank, Thiruvananthapuram, 1920, P4

<sup>3</sup> *Annual Report*, Kerala State Co-operative Bank, Thiruvananthapuram, 2000, P.5

stop, the Registrar of co-operative should be appointed as the ex-officio chairman of the bank with veto power.<sup>4</sup>With this the Travancore Central Co-operative Bank became the federal society of all the primary societies.

Meanwhile in Cochin, when Sri. Rajagopalachari was the Diwan the co-operative movement gained a great patronage. Here the enactment of Cochin co-operative societies Act 1913 gave a tremendous impact on the society. Among them one of the important factor which we have to notice that, Under the shade of this act, many primary societies arised in Cochin princely state before the formation of a central organisation. There the necessity of a central financing agency felt only two to three year after the functioning of these primary societies. By realising the situation Sri.P. Gayatrinarath Iyer, the first Registrar of the state called a general meeting of the representatives of primary societies.<sup>5</sup> On the basis of the decision taken by the general meeting, the Cochin central Co-operative Bank was registered on 29-6-1918 and started functioning from 19-11-1918.<sup>6</sup>The membership of the bank was limited to the elected representatives of the primary co-operative societies only.

During 1949 the two major princely states ie, Travancore and Cochin merged into one another and became the state of Thiru-Cochi. But now their had two central bank functioning in the state. In 1952, the Government passed an order that the Registrar of co-operative societies need not continue to function as an ex-officio chairman and for the first time in the history of banking, an unofficial chairman was appointed in that place.<sup>7</sup> And it was Mr.G.Parameswaran Pillai who became the first unofficial chairman and continued in that status from 1952 to 1962. The necessity of a single state co-operative bank emerged when the Reserve Bank of India proclaimed that agricultural loans shall be granted only to a single state co-operative bank. After a great discussion and meeting, with the consent of two central co-operative banks, the Thiruvananthapuram Central Co-operative Bank was converted as Thiru-Cochi state co-operative bank, and the Cochin Central Co-operative Bank continued to function as a bank affiliated to the Thiru-Cochi state co-operative bank.<sup>8</sup>

After 1956, when Kerala state was organised on linguistic basic including the area of Kasarcodde, Malabar and Cochi, the Thiru-Cochin state co-operative bank was renamed as Kerala state co-operative bank.<sup>9</sup>It considered as the Apex Co-operative Bank having jurisdiction over the whole state of Kerala.<sup>10</sup> At that time it had the capital amount of Rs. 42.9 lakhs, Rs.30.33 lakhs as deposit and loan amounting Rs.21.66 lakhs. And the bank start its working from 1956 itself. During this period its member were the primary societies of same characteristics. With in a short span as per the recommendation of rural credit survey committee, for the good working of Kerala state co-operative bank, new branches were opened in each district. At first step branches were opened in Alappuzha, Kollam and Kottayam and in later it was spread to other districts also. They also started a branch at Thiruvananthapuram. Through this the bank got great acceptance from the part of common folk. But there arise a small problem that, in each district of Kerala we could

<sup>4</sup> Madusoodanan Pillai, S., *Sohakarana Prasathnam Keralathil(m)*, Kottayam, 1986, P.370

<sup>5</sup> Ramakrishna, Y., *Management of Cooperatives in Kerala*, Bombay, 2003, P4

<sup>6</sup> Dwivedi, R., *Hundred Years of Co-operative Movement in India*, Vol.1, New Delhi, 2005 P.70

<sup>7</sup> Padmanabhamenon, *Sahakarana Sangangalude Ghatanayum Pravarthanavum (mal.)* Kerala Bhasha Institute, Thiruvananthapuram, 1984, PP.31-32

<sup>8</sup> Narayana Pillai,R., *Sahakaranam (mal.)* State Institute of Language, Thiruvananthapuram, 1990, P.54

<sup>9</sup> Pillai, B.P., *Ther Kerala State Cooperative Bank - A Brief History*, Agricultural Cooperative Staff Training Institute of Kerala State Cooperative Bank, Thirvananthapuram, 2004, P.43

<sup>10</sup> Achuthan Kutty, *Cooperatives in Kerala*, Ernakulam, 1980, P.15

visualise diversity in nature. Whether it is in the field of landslide, climate, or livelihood of the people. For example, Ernakulam is considered as a district of industrial area. The main occupation of people here are business and the standard of living of the people are very high. Alappuzha is the neighbouring district of Ernakulam but it is mainly known for its paddy cultivation and coir industry. So of course the necessities of the people living in these two districts are diverse in nature. Here the only one apex bank can't handle the necessities of all the districts equally. So there arise a demand for a cooperative bank for each district which can govern or decide their policies independently. By considering this demand, Kerala state co-operative Bank converted its branches as District co-operative Bank with their own governing power and these District cooperative banks become the members and share holders of the Bank. From here the Kerala State Cooperative Bank takes a federal character, ie, the Kerala state Cooperative Bank in apex level, District Co-operative Banks in district level and primary Cooperative Banks in third level. The members of District Cooperative Banks are primary co-operative Societies. Simultaneously Kerala State Co-operative Bank also started to establish new branches in all the districts of the state. Now this bank have twenty branches all over Kerala except Kottayam and Kasarcode districts. The branches of Kerala State Cooperative Bank are,

- Head office, Branch
- Medical College Branch
- Statue Branch
- Peroorkada Branch
- Karamana Branch
- Vazhuthacaud Branch
- Poojappura Branch
- Kaithamukku Branch
- Overbridge Branch
- Kollam Branch
- Pathanamthitta Branch
- Ernakulam Branch
- Thrissur Branch
- Alappuzha Branch
- Palakkadu Branch
- Idukki Branch
- Kozhikode Branch
- Kannur Branch

- Malappuram Branch
- Wayanad Branch

From 1<sup>st</sup> March onwards the bank was brought under the control of Reserve Bank of India. In July 1966 the Reserve Bank, as per the rules of second Schedule RBI Act approved the bank as a scheduled state cooperative bank. One of the unique fact prevalent here is that, the Kerala Sate Cooperative Bank is the first scheduled apex cooperative bank in the cooperative banking sector in India<sup>11</sup>. In 1972 it was also given approval for engaging banking business from RBI. In 1987 it constructed fourteen storied building near Palayam in Thiruvananthapuram and named it as 'COBANK TOWER' and the Head office Branch is also working in this building.

The success of every firm is in the hands of its administrative body. From the beginning itself the bank kept a unique administrative setup and became a model for all the cooperative endeavours in the country. The management of the Kerala state cooperative Bank mainly rest in the hands of three administrative bodies. Among them the first one is general body. They are the supreme authority of the bank. The management of the bank is vested upon the board of directors who are subject to the control of the General Body. And it includes The representatives of all the District Co-operative Banks and one representative of Government.<sup>12</sup> The next important managing body is the Board of Directors. It consist, one director each from the District co-operative Bank, the Registrar of Co-operative Societies, five nominees of state Government, managing director of Kerala State Co-operative Bank, and one nominee of NABARD regional office of Thiruvananthapuram. Banks administration and management is vested in the hands of director board and they used to conduct board meeting once in three months, and take decisions unanimously for the good working of the bank<sup>13</sup>. The next and third administrative body is the Executive commit-tee. It carry out the directions and instructions of the board. The Executive committee consist nine members. They are, the president, Vice President and Managing Director of Kerala State Co-operative Bank, the registrar of co-operative societies and finally the five directors elected by the board member from among themselves. The meetings of the executive committee conduct once in a month and it is subject to the instructions given by the administrative body. And it has the power to sanction loan and advances. For better preferment's of Bank here also have three other committees also. Among them one is Audit Commit-tee. The basic duty of this committee is to conduct audit properly and keep financial statement up to date. The second one is Risk Management Committee. The main function of this committee is to identify, asses and give controlling measures, if their arise any type of risk in capital or profit, or liabilities risk in the proper performance of the bank. These risk can be arise from the part of liabilities, non performing assets like that. The third one is the Asset liability committee. It is this committee decide the business strategy of the bank and also they prepare the bank's balance sheet annually, fix the incremental assets and liabilities.<sup>14</sup> In short in every firm they should have a proper auditing system and also they should have a current awareness about their capital and liabilities. Then they have a knowledge about what should became a risk upon their business and can find out a solution for avoid it. The Kerala State Cooperative Bank, maintains a proper auditing system and make a proper asses upon the liabilities and risk by appoint-ing certain

<sup>11</sup> Annual Report, Kerala State Co-operative Bank, Thiruvananthapuram, 1957, P.5

<sup>12</sup> Viswam, *Research in Co-operation - A Review*, National Enstitute of Co-operative Management, Indian Council of Social Science Research, New Delhi, 1981, P.420

<sup>13</sup> *Annual Report*, Kerala State Co-operative Bank, Thiruvananthapuram 1957, P.12

<sup>14</sup> Pillai, B.P., *Opcite*, P63

committees. By this we came to know that, Kerala State Co-operative Bank follows a peculiar setup of administration for its success in banking career.

Another important and unavoidable part of Kerala State Co-operative Bank is its human resource. The hierarchical order in the bank is Managing Director, Chief General Manager, General Manager, Deputy General Managers, Senior Manager, Managers, Account Officers, Business Development Officers, Loan Recovery Officers and assistants with necessary supporting staff. The total staff strength of the bank at present is 420.<sup>15</sup> Without true and up to date knowledge about the matter no one can work properly. Keeping it in mind the Bank conducts special seminars and meetings for its employees. And also it conduct different type of training programmes sponsored by Agricultural Co-operative staff Training Institute, Banker's Institute for Rural Development, Vaikunth Mehta National Institute for Co-operative Management, Reserve Bank of India, and National Institute of Personnel Management. For administrative convenience the responsibility and activities of the bank are divided among eight of its departments and each are headed by a Deputy General Manager. They are Banking Department, Refinance Department, Individual Leadings Department, Credit Recovery and Monitoring Department, Planning and Development Department, Personnel and Estates Development Department, Inspection, Vigilance and Training Department and Information Technology Department. All the activities of the bank are done through these departments and this helps the bank to work correctly and orderly.

Another important factor which we have to notice is about the benefits. That means what the society get from this bank ? If the society is beneficiary we can say that, this bank is a great success and a gift to common people. The main banking services which Kerala State Co-operative Bank rendered to society are, loan for house maintenance or renovation work, consumer or samridhi loan, loan for going abroad, vehicle loan, cash credit or over draft, term loan for industries, cobank housing loan, mortgage loan, cobank vyapar loan, education loan, loan for educational institutions like CAPE, and other cooperative institutions, gold loan, loan for purchase of land for the construction of house. It also grant loans to apex institutions like consumerfed, handloom, rubber mark, surabhi<sup>16</sup>. By giving importance to agriculturalist it gives special crop loan, loan for receipt of ware house and loan for farm mechanisation. Apart from these, Kerala State Cooperative Bank also grant loans to Districts Cooperative Banks at the time of emergency, through this these District Co-operative Bank can render their services to needy peoples without any interruption. It also accept fixed and other types of deposits from District Co-operative Banks, other institutions, and also from individuals. In other words the Kerala State Co-operative Bank acts three role in our society. The first one is it act as a leader of co-operative credit structure. That means it is the apex bank of the credit co-operatives in Kerala.

It guides, supervise, co ordinates and control all the District Co-operative Banks, and through these District Co-operative Banks, to 1587 primary Agricultural Co-operative Societies in the state. The next is the role of lender. It act as a central financing agent to District Co-operative Bank. It also redistribute the aids given by institutions like state Government, NABARD, NABSCOB and RBI among these DCB's. The Kerala State Co-operative Banks also act as a central balancing centre to absorb surplus funds of District Co-operative Banks, Primary Agricultural Co-operative societies and other co-operative Institutions in the way of deposits. It also plays the role as retail banker. That means

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<sup>15</sup> Report of the Administration in erala State Co-operative Bank, NAFSCOB, Thiruvananthapuram, 1998, P.46

<sup>16</sup> Ibid., P.71

Kerala State Co-operative Bank perform banking functions as per the banking regulation act. So the bank is doing banking functions of accepting deposits and lending loans through its branches. Through this, each and every persons in the society can get financial assistance and can make their life better. As a gift to its customers Kerala State Co-operative Banks follows its own customer policy.<sup>17</sup> It include the basic rights of the customers. The policy applies to all products and services offered by the banks whether provided by the counter or over phone, by post, through interactive electronic devices, on internet or by any other method. This policy provides certain rights to its customers. Such as, the right to fair treatment. That means no discrimination made on the ground of gender, age, religion, caste and physical ability. The second one is the right to honest dealings. Which means the responsible officer should disclose all the details of the product with the customer. For example, the terms and conditions, the responsibilities of the creditor, the associated risk like that. The third one is the right to suitability. The product should be appropriate to the needs of the customer and based on an assessment of the customers financial circum-stances. The fourth right to the customers is the right to privacy. That means the customers personel information should be kept confidential. The fifth right is the right to grievances redress and compensation. It means that the customer have full right to get compensation if their arose any type of grievances in the part of bank. From this we can understand that Kerala State Co-operative Bank gives special attention and importance to its customers. We can prove this by the fact that, in 2012 Kerala State Co-operative Bank sanctioned Rs.307670.87 lakh as loans and advances and in 2017 it is Rs.4,62,218.19 lakhs.<sup>18</sup> That means the profit of the bank increases and it further appeals more people.

In short, in 1916, at the time of its inception the Bank's share capital was Rs.1.00 lakh. Progress of the bank over the decades was a tremendous change and at present Kerala State Co-operative Bank enjoying a prestigious position in the cooperative banking sector in the country with Rs.67873.80 lakh as paid up share capital and Rs.8946.82 lakh as profit. Being a co-operative institution it is a great honour and success to the bank.

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<sup>17</sup> Report from RBI, Thruvananthapuram, 2002 P.17

<sup>18</sup> Prabhakaran Nair, V., *Sahakarana Banking Sthapanangal (m)*, State Institute of Languages, Thiruvananthapuram, 2015, P.49

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