

The Birth Of Kerala State Co Operative Bank

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ABSTRACT

The Co operative movement in Kerala has a long history. The main aim or the main idea of co operative movement is the up liftment of downtrodden people in the society. The co operative movement in Kerala like its counterparts is essentially a child of distress. And it is the co operative movement that gave birth to Kerala state cooperative Bank. To provide better facilities to farmers it had walked through several stages. In short the birth of Kerala state co operative Bank is a slow and steady process and it has a fairly long and successful history to speak.

KEY WORDS: Co operative movement, downtrodden people, upliftment.

INTRODUCTION

The Kerala state co operative Bank is a bank which take birth for the redemption of downtrodden people in Kerala especially the farmers. In early days like other parts of India, here also the farmers suffered a lot from the hands of moneylenders. Alarmed with the situation the then Government started a co operative movement in Kerala, with in a short period its vibration reached all parts of human life. The birth and progress of Kerala State Co operative Bank is slow and steady and it has a long successful history to speak.

THE BIRTH OF KSCB

The real history of KSCB start with the enactment of co operative credit society Act of 1902. In Malabar region, from 1909 several co operative Societies started functioning. After that when Government introduced Montague Chemford Reform¹, Co-operative became a state subject. As a result the provinces began to enact Co-operative laws and to register societies. The first one among this is the enactment of cochin co operative societies Act of 1913. In Travancore the attempt to start co operative societies taken with the enactment of Travancore Co-operative Societies Regulation Act of 1914. Through this promision, the Travancore Central Co- operative

Bank became the first registered one. It registered on 23rd November 1915 and started functioning from 1916 itself². Following this, several co operative societies were emerged. During the initial stage the bank had faced severe financial crisis. But it overcome all the problems and marched towards progress and it also win to attract more share holders and customers.

In 1933 KSCB's working capital was 21.97 lakh and the deposit was 19.44 lakh³. As a progressive step in 1948, an ex-officio chairman was appointed as the Registrar of co operative societies and the membership of the individuals were extended on condition that the amount of loans granted to them would not exceed the amount they had deposited. Thus the Travancore Central Co-operative Bank became the federal society of all primary societies.

In cochin, a central co operative Bank was registered on 1918. The day today administration of the bank was rested in the administrative body. This body consisted of seven directors elected by member societies and two Government nominees. But when Travancore and cochin merged together their arise two central banks and they functioned as independent bodies. This created certain issues when Reserve Bank of India decided that, agricultural loans shall be granted only to a single state co operative bank. After a great discussion for the smooth functioning of co operative movement with the support of state Government, the Thiru-Cochi Central Co operative Bank came into existences on 28th January 1954⁴. In this the Travancore Central Co operative Bank was converted as Thiru Chochi Central Co-operative Bank and the cochin central Co operative Bank Continued its functioning as a bank affiliated to Thiru Cochi Central Co operative Bank. After the formation of Kerala State this Central Bank was elevated to the position of State Co operative Bank. Thus here we witnessed the birth of the Kerala State Co operative Bank. At that period it had a capital of 42.9 lakhs, 30.33 lakhs as deposits and loans amounting to Rs.21.33 lakhs. It working area is decided as whole of Kerala state and its members are only co-operative Banks approved by the Registrar of Co operative Societies. Due to the acceptance get from common people the bank opened District Co operative bank for the districts of Kerala. Along with this KSCB also give membership to these DCB's. Now these DCB's and Kerala Government itself are its members and share holders⁵. Form 1958 KSCB became the apex bank distributing loan to farmers through these DCB's. From 1st march 1966 it was brought under the control of Reserve Bank of India and in the same year RBI approved the bank as a scheduled state co operative bank. And it is one of the unique fact that, it is KSCB is the first scheduled. Apex Co-operative Bank in the Co-operative banking sector in the country. It got license for

conduct banking business in 1972 when Sri Thachadi prabhakaran became the president of the Bank. KSCB got 45 cent of land for construct head office from state Government.

The management of the Bank rest in the hands of Board of Directors. They are, one directors form each fourteen DCB's and three Government nominees, the Registrar of Co operative societies, managing director of the bank, and one nomine of NABARD. The main duty of this board of directors are to build a unique strategy, vision and mission to guide the bank and to make scheme for its future developments. These board of directors manages all types of risks including legal, reputational and financial. They also conduct periodic audit of the Bank. The executive committee caries out the instructions and directions of the board of directors. It also has the power to grant membership prepare annual report and budget, to conduct board meetings, grant loans and advances. It also examine the case of defaulters, determine the duration and conditions of the deposits consult general banking transactions KSCB also have three other managing committees. Such as audit committee, the risk managing committee, the asset and liability management committee. Along with this KSCB split its duties into various department of the bank. They are banking department, refinance department, individual lending department, credit recovery and monitoring department planning and development department, personal and estate department, and inspection vigilance and training department. It increases the efficiency and proper working of KSCB.

The Importance of KSCB than other Commercial Banks.

Both the Co Operative Bank and commercial bank are the parallel financial institution of money market in Kerala. They are rendering identical financial functions like deposit mobilisation, provision of remittance facilities, advancing loan like that; Inspite of all these identical functions, there are some unique differences that attract common people towards KSCB. It is consider that the co operative Societies Act of 1904 was the backbone of all Co operative Societies because this Act furnished all instructions regarding their functioning constitution, eligibility of membership, registration, liabilities of members disposal of profit, shares and interests of members, privileges, claims against members, audit, inspection and enquiry, dissolution, exemption from taxation and rule making power⁶. The office of the Co-operative Registrar is the product of this act. Now a days also the Co-operative Societies are functioning according to this law. But commercial banks are governed by Banking Regulation Act of 1949 and they are also subject to company laws. This act supplemented the companies Act of 1956. It

gives the reserve Bank of India the power to license bank, to have regulations over share holders, to supervise the appointment of the board and management, to regulate the operations of the bank like that. The main differences between this acts is Co-operative Societies Act of 1904 was made when common people suffered at the hands of middlemen in and the feudal lords. Because of that, this act gives full support to common folk not profit motive.

Co-operative banks are voluntary association of persons who join together for the welfare of its members. But commercial banks are joint stock companies. They work on general partnership and run by the amount of different share holders, and these share holders can transfer their shares to third parties without any effect to the continued existence of the company⁷. They only give priority to their shares and not to the common good of people without profit no institution can go forward when compare with commercial bank, KSCB is less profit motive. This is because the members of KSCB are District Co operative Banks and the State Government. But in the case of commercial bank its members are private shareholders. So their motive is always to make profit. Due to 1919 Act Co operation is subject matter of state. So it varies according to the needs and life style of people who lives in that area. But commercial banks are functioning according to the policies and laws of RBI. Along with this the quality of services is also equally important for the success of a firm. Their are so many factors which influences the customer directly or indirectly. One of the important among them is the changing pattern of our society. The expectations of the customer whether they are creditor or investor changes according to the changes in the society⁸.

The KSCB as mentioned earlier, it is an institution established solely for the purpose of helping the farmers. But like other fields of business activities, the banking field also have the pressure of competition. So KSCB tried to provide quality service to its customers and also maintains a long term relationship with its customers. This can only possible through redering product quality, relationship quality and service quality. By product quality means the services provided by the bank like loans, deposits and drafts like that should be according to the nessacities of customer. By relationship quality means, the officials of the bank should have through knowledg e about the requirements of customers. All the product of the bank reaches into its customer through the officials. So they must behave properly. If the relationship between the institution and the customers is healthy, it will lead to prolonged substance. We must bear in mind that the attitude and expectations of all customers are not the same. Whenever a customer reaches

a bank, he approaches the bank counter first. They wish to maintain a long term relationship with the bank, if the instructions and treatment received at the counter are satisfactory. The officials at the counter have to keep immense potentiality to communicate the customer. The KSCB is mainly started to redeem the agriculturists from their pathetic situation and free them from the clutches of money lenders. They render service according to the requirements of the locality such as they try to make available seeds and fertilizer free with the help of DCB and the Government. And for farmers it make available to them better market, better training, better technologies. The Co operative Consortium for procurement, processing and marketing of paddy existing in Palakkad District is one of the important example for this. These are one of the unique character of Kerala State Co operative Bank.

CONCLUSIONS

Kerala State Co operative Bank is a Co-operative institution and the backbone of Co-operative movement in Kerala. In 1916, at the time of its inception the Bank's share capital was Rs. 1.00 lakh. But now it have Rs.67873.80 lakh as paid up share capital and Rs. 8946.82 lakh as profit. Being a Co-operative institution it is so difficult to achieve this goals and KSCB won the battle. In other words we can say that it is not only the success of KSCB but the success of Co operative movement in Kerala

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