CHAPTER III

REVIEW OF LITERATURE

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3.1. Introduction

The review of literature helps in understand the importance background and the present situation related to the subject selected for the research work. Therefore, it is necessary to review all kinds of literature related to the subject matter.

This chapter has been divided into the following two sections.

1) The main recommendation of committees, study Groups and commission related to the Banking sector appointed by central Government, state Government and RBI.

2) The introduction of various Laws passed by central and state Government which affect, regulate and control the day to day working of the Banks.

3.2 Committees, study Groups and commissions.

3.2.1 Introduction

When any problem arises related authority appoints one or many persons to study all the related aspects of that problem. The appointed persons may be in the form of a committee, a working Group or a commission in banking sector also so many committees, study Groups and commissions have been appointed till now to study the problems or matters related to the banking business. They are appointed by whether the central Government or state Government or the Reserve Bank of India.

After studying the related problem, the commission gives its observation as well as the recommendations and suggestions on the issue in this section, the committees relating to the banking industry have been considered. All the committees, study groups and commissions have been classified into two groups i.e. before independence and after independence. They are as follow. The main recommendations relating to the subject have been mentioned here.

3.2.2 Committee, study groups and commissions before independence.

1) Warren Hestings Suggestion, 1773.

In India British started the commercial banking. With the development of commercial banks the use of money and credit – money was also increased. Therefore, a need of strong central bank aroused to manage the currency system in the country. In India the first attempt to establish the central bank was made as per the recommendation of warren Hesting, Governor of Bengal in his letter in 1773. He recommended the establishment of a 'central bank of Bengal and Bihar. The Bank was set up at that time but it could survive for a short period.

2) Sir Fredrick Nicholson's Report, 1894.

In 1882, the Government of madras appointed Sir Frederic Nicholson to probe into the possibility of introducing Land and Agricultural Banks in that province.

In 1887, he has also sent to Germany and other western countries to study the co-operative movement there. He returned in 1893 and presented his Report in 1894 recommending that the co-operative movement should be sponsored by the Government.

In his monumental report, he stated that India must Find its own Raiffeisen (1818- 1888) who could organize and effectively nurture a co-operative movement in the country if the conditions were to be improved.

3) The Chamberlain Commission, 1914.

Inspired by the example of the bank of England, a numbers of proposal were made for the establishment of a central bank in India in the early days of the rule of the East India company without of course, much effect. The proposal took a concrete shape in the report of the chamberlain commission of 1914 where the late Lord Keypes wrote a memorandum advocating the establishment of a state bank of India where constitution and function were also discussed by him in details. Nothing was done during the World War 1. After it was over an Act was passed which amalgamated the three presidency banks and commercial bank was entrusted with certain central banking business, gave occasional loans and advances to other banks and acted as an instrument for the issue of emergency currency during the busy seasons.

3) Maclegan Committee, 1915.

In the beginning of twentieth century. There was no remarkable growth in the number of urban co-operative credit societies. On 8 October 1914, a review committee was established under the chairmanship of Sir Edward D Maclegan. This committee gave the important recommendation about the three- tier structure of co-operative societies and then the situation changed credit societies were started to establish speedily in the urban sector. At that time many Joint Stock banks were closed and due to this, there got an encouragement to start the urban co-operative credit societies. Maclegan committee in its report had expressed the view that these societies can perform their duel part of collecting saving of local people through deposits and fulfilling their financial needs to escape them from the moneylender's trap .this committee clearly started that to teach the importance of general banking principle to the higher and middle class people the urban co-operative credit societies can do the useful task. This committee stated the necessity of establishing district central co-operative banks to help the primary co-operative societies. This committee suggested establishing a state co-operative bank on a state level.

5) *Royal commission on Indian currency and finance (Hilton – young Commission), 1927.*

The Hilton–young commission was appointed in the year 1925 and the commission gave its reports in 1927 with the recommendation that there must be a separate central bank to govern the entire economic activities in India. This commission had apposed the central bank and recommended for the setting up of the 'Reserve bank of India, with concise functions of the Government. The commission had given a detailed report regarding the nature, structure and functions of the proposed central bank. However, the report of this commission did not actually executed in Pursuance of its recommendations, a bill was introduced in the Indian Legislative Assembly in 1927 but the bill was dropped on constitutional grounds.

6) *Central banking Enquiry Committee, 1931.*

In 1930, there arose a great world depression. However, if did not affected on the growth of urban credit societies. At that time a committee was appointed to study the banking business in our country. This committee also studied the urban credit societies. The main recommendations of this committee were as follow.

i) A central bank for the whole country should be immediately created.

ii) Urban banks should provide financial assistance to the small traders, Vendors, small businessmen and middlemen; needy persons just like Commercial banks provide finance to the businessmen and industrialists.

iii) There should be separate Land mortgage Banks on provincial level for each province.

iv) When the Reserve Bank in established the indigenous bankers should be brought into the direct relations with the Reserve Bank and thereby provided with rediscount facilities fronts that institution.

7) *Mehta – Bhansali Committee, 1937.*

This committee was appointed by the Bombay province as per the recommendations of this committee, the rules and regulations of the primary agricultural co-operative credit societies were changed and they were modified.

8) *Nanavati Committee, 1939.*

From the year 1904, the primary credit societies were started in establish only for giving loans to the farmers. The Mehta Bhansali committee and Nanavati committee suggested that the primary societies should not only give loans to the farmers but also give all the necessary facilities in them to develop their farming business. As farmers but also give all the necessary facilities in them to develop their farming business. As per the recommendations of those committees from the year 1939, the primary societies were converted into the 'Various Executory co-operative societies.' Nanavati committee gave the encouragement for the establishment of various Executory co-operative societies. Besides the financial assistance, these types of societies started to collect and send the agricultural goods of farmers to the purchasing and selling co-operative Societies. They also started to provide necessary things to the farmers.

9) ***Preview by RBI 1939-40.***

During the period of world war II, there aroused a great shortage of essential and other commodities in our country. However, at that time only the economic field, on the country, got the days of prosperity. Because for the purpose purchasing the commodities, need for credit supply aroused .Specially, the middle class people wanted these societies and as a result of all this, a great encouragement received for the establishment of the urban co-operative credit societies an urban co-operative bank. The members of these societies and urban co-operative bank gradually increased day by day. There progress can be assessed from the following observation of the Reserve Bank of India made in the preview of the co-operative movement in India 1939 – 40.

"Urban credit societies and urban Banks are the most important features of the urban co-operative movement in India and make up to some extent for the absence of joint stock banking facilities in the smallest towns".

10) ***Royal Commission on monetary and banking system, 1940.***

The quantitative credit control affects all the banks. The weaker Banks are affected severely, but the stronger Banks are not so much affected in the planning period, the quantitative weapons are not effective for the expansion and contraction of the credit of the commercial Banks.

A beginning in respect of selective credit control as made in Australia during 1940 when the Royal commission on monetary and banking system recommended that in regulating credit the common wealth Bank should pay some regard to the distribution by the Banks of the credit among different industries. They did not suggest that the Bank should interfere with the granting of particular advances by trading Banks but "Rather that it should advise as to the general direction of advances.'

11) ***Agricultural Finance Sub- Committee (Gadgil Committee), 1944.***

Gadgil committee of 1944 at first time deeply discussed about the agricultural finance committee stated that if the the rural finance structure were to be the effective and useful the financial needs of the farmers should be given proper weight age.

Gadgil committee suggested that following two importance suggestions.

a) It is essential to establish institutional structure to fulfill the needs of loans of farmers for their function of production, consumption and other social activities.

b) There should be a co-ordination between the short term, medium term and long term loans to the farmers and there should be only one financial institution to provide all these three types of loans.

12) ***Co- operative Planning Committee (Saraiyya Committee), 1945.***

The central Government established the co-operative planning committee in 1945 under the chairmanship of Mr. Ramanlal Saraiyya, the great lender in the field of co-operative movement. The committee stated the importance of the functions of the urban co-operative banks. The committee stated that it is very much expensive to give small loans and to recover them. Therefore, joint stock Banks have no interest at all in giving loans and advance to the small businessmen. On the contrary, the urban co-operative banks have cordial and affectionate relations with the people having lower income. Therefore, such types of urban co-operative bank feel trustworthy form the point of fulfilling the credit requirements of the low-income groups.

The committee has given the essentials of an urban co-operative bank as it should accept current deposits. It should have a paid up capital minimum Rs. 20,000. It should keep the floating capital as per the rules of co-operative Department. It should transferred 1/3 amount of net profit to the reserve fund till the reserve fund equals the paid–up capital and after that 1/4 amount should be transferred.

3.2.3. Committee's Study Groups and Commission After Independence

1) ***Rural Banking Enquiry Committee (P. Das Committee), 1950.***

The Rural Banking Enquiry committee appointed under the chairmanship of Mr. Purushttam Das. That under co-operative banking in the Indian Banking system. This committee expressed its view that under co-operative banks can fulfill the credit requirements of not only urban people but of the rural people also. As these types of Banks and societies have lower administrative expenses, they can perform well in the small section at Taluka level also.

This committee suggested to make the banking facilities available in rural areas and to develop the banking business.

2) ***All India Rural credit Review Committee (Gorwala Committee), 1954.***

In India the financial planning started from the year 1951. The Banks got the almost importance in the financial and industrial development of our country. After the beginning of planning there was tremendous growth in the bank deposits. The Reserve Bank of India appointed a committee to review the rural credit under the chairmanship of Mr. A. D. Gorwala. This committee submitted its important report in the year 1954.

This committee recommended that there should be a Bank just like commercial Bank on all India level to finance the farmers in the rural areas. For this this purposes, the committee suggested the state Bank of India should be established by nationalizing the empirical Bank. As per this recommendation, Government passed the state Bank of India Act founded state Bank of India on 1st July, 1955.

3) 'Finance for private sector' study Committee (Shruffee Committee), 1954.

The finance for private sector suggesting committees stated that 'there should be direct contact between the indigenous bankers and Reserve Bank. There should be attempts for this'. The committee also observed that many of all the indigenous Bankers were not ready only in specialize and concentrate banking business. Therefore, these attempts were not easy and not beneficial too.

Committee recommended the indigenous Bankers should try to perform their business on the modern lines. They should have their organization on of country level and government should release them from the binding of laws.

4) R.B.I survey of Urban co-operative Banks, (1958-59).

In the year 1958-59, R.B.I appointed a study-Group to review the working of urban co-operative Banks. This survey studied about the collection of deposits, investment of funds success or failure of the Banks and the overall working of the Banks. In the survey Report of R.B.I it is clearly stated that urban co-operative Banks should give stress on giving loans and advances which will helpful for the production-function. From the view point of fulfilling credit requirements of the low-income groups in the society. To provide finance to the small- entrepreneurs should be the future direction of development of these Banks. The survey–Report has given its opinion that through there is possibility of increase in loan–demand for the household reasons of the families; these Banks should give maximum importance to give loans which will be helpful to increase the economic capacity and welfare of their members.

5) Study Group on credit co-operatives in the Non- Agricultural sector (V.P. Varde committee), 1963.

The urban co-operative Banks, urban and rural Non-Agricultural co-operatives credit societies and Employed servants co-operatives credit societies are fulfilling the credit requirement of the middlemen. Taking into account this fact the central government appointed 'Study Group on credit co-operatives in the Non- Agricultural sector' in 1963 under the chairmanship of Mr. Vamanrao Varde. This study group studied the working of urban co-operative banks, Employees credit societies and Non-Agricultural credit societies. It was expected from the committee to study these institutions and to give suggestion how they can stand on a strong basis and how they can develop fastly.

The important recommendations of the committee are as follow.

i) The urban Banks can teach the general banking principles to the middlemen and workers in the urban and semi-urban areas through encouraging their habit of savings.

ii) The amount of savings collected by the urban banks can be used for the industrial purposes and hence the economic development of the country can be achieved.

iii) On the background of price-rising, the urban Banks can do the important job of releasing the middlemen from the trap of money–lenders and pathans by giving them loans with lower - rates of interests.

iv) These Banks can be helpful in the industrial development of our nation by giving financial assistance to the artisans and entrepreneurs.

This committee has given detailed suggestions in respect of definition, minimum number of members, area of operation, minimum share capital, elections of the board of directors, and training to the directors, etc. for the urban co-operative Banks.

6) Working Group on Industrial Financing Through co-operative Banks (Damari Group), 1968.

The Reserve Bank of India appointed a working group on Industrial Financing Through co-operative Banks under the chairmanship of ex-deputy governor of R.B.I.Mr.P.N. Damari in the year 1967. This group presented its report on 1968 and gave the recommendations as follow.

i) The urban co-operative Bank should be given preference for their establishment in the areas where the number of small scale and cottage industries is more.

ii) Reserve Bank should sanction the long term loans to the state governments through the National Agricultural credit (Long Term) Fund so that they can have the partnership in the share capital of urban co –operative Banks.

iii) As per the section 17(2) (BB) of the RBI Act 1935, the Reserve Banks of India should extend the approved list of small and cottage industries to refinance at comparatively lower rate of interest . There should be maximum inclusion of these types of business.

iv) To get the benefit of credit Guarantee scheme to the urban co-operative Banks, the Reserve Bank of India should decide proper norms to include the urban Banks in the 'Approved' institutions list. They Damary working group has made detailed suggestions in respect of membership area of operation, share capital, rate of interest, branch expansion of urban Banks specially in respect of rural cottage and small scale industries.

7) A study –Group by National Credit Council, 1969.

The National credit council appointed a study Group in October 1968 under the chairmanship of Dr. D.R.Gadgil in suggests useful recommendations regarding how the commercial Banks can help to decrease the regional inequality and imbalance in India. This study Group was expected to report on "The organizational frame work for the implementation of social objectives."

This study Group presented its report in October 1969. It recommended area approach method in the preparation of plans and programmes for the development of the banking and credit structure. The lead Bank scheme introduced by the Reserve. Bank of India in December 1969 may be said to be the beginning of the implementation of the area approach method.

8) Banking Enquiry and Survey Board, 1969.

In the February month of 1968 the Banking Enquiry and survey Board was appointed by the Reserve Bank of India. This board had been given the task of deciding how an Act can be prepared on all over India level for the rural credit by the commercial Banks in the different states.

The (committee) Board in its report suggested that "the commercial Banks are not well familiar with the rural credit sector. To give more finance to the farmer the legal restrictions on the loan payments in the states should be dismissed .It is necessary to modify the act related particularly to mortgage the land ownership right.

The board also suggested that the commercial Banks should get all these facilities which the co-operative societies get while giving loans to the farmers, because these facilities are ultimately for the farmers.

9) All India Rural credit Review (survey) Valuation committee (B. Vyankapaiyya Committee) 1969

There is a great importance to rural credit in the financial planning of our country Reserve Bank of India appointed 'Rural credit Review Valuation committee' in July, 1966 under the chairmanship of Mr. B. Vyankapaiyya to review how the financial needs of the farmers can maximumely be fulfilled committee submitted its report on 30th July 1969.

The important recommendations of this committee are as follow.

i) To restructure the rural credit department and to establish the Agricultural credit Board there.

ii) To provide the capital- finance for agriculture on a large scale and to provide sufficient credit on time to the farmers through the co-operative Banks. From this point of view the refinance corporation should be reconstructed.

iii) To change their policy and system of commercial Banks in view of supplying agricultural finance.

iv) To fulfill the above objectives Bank should decentralized their rights, and there should be co-ordination in the credit function of commercial and commercial banks.

Due to the above recommendations, the banking business in India got a new turn. This committee has also given the guidelines in respect of the working of state co-operative Banks, District Central Co-operative Banks and Primary Agricultural co-operative credit societies. The committee has tried to development of rural landless farm workers and other weaker sections through the suggestions of creation of development mechanism for them, creation of Regional Rural Banks, establishment of Rural Electricity Board and speedily and vast electrification of rural areas through it, etc.

(10) Committee of Bankers (Nariman Committee), 1969

In August, 1969 the Reserve Bank of India appointed a committee of bankers with Shri. F. K. P. Nariman, as chairman, "to evolve a co-ordinate program for ensuring the setting up of adequate banking facilities in unbank district of the country."

The Nariman committee recommended that "Bank should be allotted specific districts where they would take the lead in surveying the potential of banking development in extending branch expansion and expanding credit facilities". The Reserve Bank of India accepted these principles and evolved Lead Bank Scheme from 1969.

Under this scheme, all the districts in the country have been allocated to 25 banks including state bank and its three private commercial Banks .Almost all parts of India, except Greater Bombay, Kolkatta, Delhi, Chennai, Chandigad and Goa have been brought under the scheme.

(11) Differential Rate of Interest Committee (Hajari Committee), 1970.

The National Banks have been given social and financial objectives. It will not be just full to charge the same rate of interest on loans from both the rich farmers and poor farmers, farm workers. The urban and rural poor should get the loans at comparatively lower rate of interest from the nationalized bank. In 1970, then finance minister suggested in the meeting of Nationalized Bank to charge lower rate of interest on loans given to the poor people for the production purpose and to charge higher rate of interest on loans given to the rich people.

Reserve Bank of India appointed a committee under the chairmanship of Dr.R.K.Hajari in September1970 to study the differential rate interest committee presented its report on 21st may 1971 and made major recommendation to differential rate of interest for the different types of loans and loans takers.

(12) Guidance to the Commercial Banks in View of Agricultural Finance 1970.

On 16th December 1970 the Reserve Bank of India has given guidelines to the commercial banks in respect of rural finance. The guide plan was prepared by the study group of the Rural Credit Department of the Reserve Bank of India.

The main suggestions of this plan are follows -

i) The main object of the agricultural finance is to help the farmers to use the modern scientific method and to turn them in the direction of technical functions.

ii) There should be over all efforts to create the banking habits among farmers.

iii) Each banks branch manager should select their own control sector and should try to develop the agricultural finance business.

iv) The branch manager should collect the basic and technical in formation regarding the agricultural in his sector.

(13) Committee on the Legal and Administrative Problems Arising in Giving Loans for the Agricultural (Talwar Committee), 1971.

A committee was appointed to study the legal and administrative obstacles in giving loans to the farmers in rural areas Mr. R K Talwar then chairman of state bank of India was appointed as chairman of the committee. Committee presented its report in 1971. The main recommendations of this committee are as follow:

i) The landless farm-labourers should get the right to mortgage the land which he cultivates for the purpose of taking loans from the banks.

ii) Those farmers who have no documentary evidence about their partnership in production, their right should be fixed and recorded in the document to enable them to take loans from banks.

iii) The farmers taking loans from the commercial banks should not be charged the stamp duty registration fee and other charges.

iv) Government should appoint an officer to make the banks free from the court matters and proceedings.

(14)Banking law Commission (Saraiya Commission), 1972.

Government of India constituted the banking law commission under the chairmanship of Shri Ramanlal G. Saraiya in 1972. This commission made various recommendations regarding the banking business. Due to these suggestions the banking business in India got a healthy and constructive turn.

The commission insisted on setting up of urban banks which would extend the banking facilities to rural areas and thus revolution rural finance.

According to the commission, the banking entity in rural areas should be essentially co-portative in character and provide a wider range of services than those which were provided by primary agricultural credit societies.

(15)Study Group on the Problems of Overdues (Date Committee), 1974

Reserve bank of India appointed a committee to study the problem of co-operative overdue –loans and to suggest the remedies thereon, under the chairmanship of Dr. C. D. Date, officer of the agriculture credit development of RBI in December 1972.

Date Committee gave the following reasons for the overdues.

i) Improper loan disbursement.

ii) Insuffient supervision on loans and absence of appropriate management

iii) No relation between loan and sale of agricultural goods.

iv) Indifferentness of bank official for recovery of loans.

v) Not to follow the discipline by the banks in financial –matters.

vi) Wrong loan policies.

Date committee has suggested the following remedies to minimize the problems of overdues, except for those which are due to the natural reasons.

i) Bank management should create the atmosphere which helps the repayment of loans on times.

ii) Loans should be given on time and at only the necessary amount

iii) No one should be allowed to delay in repayment without any proper reasons

iv) There should be co-ordination between the repayment of loans and selling of products by the loan-takers.

v) There should be provision of punishment for the willful defaulters.

(16)Working Group to Examine the Question of Setting up of Rural Bank (Narsimham Group), July 1975

On 1st July 1975, the Ministry of Finance, Government of India, constituted working group under the chairmanship of Mr. Narsimham to examine in depth the question of the setting up a new rural bank to cater 10 the credit needs of the rural people. The group submitted its report on 30th July, 1975.

The Government of India accepted the recommendation of the group and promulgated the Regional Rural Banks ordinance in 26th September 1975 for the establishment of regional rural banks. This ordinance was replaced by the regional rural banks Act of 1976. In terms of sub-sections (1) Of section (3) Of the Act, the central government may, by a notification in the official Gazette, establish a regional rural bank, if requested to do so by a sponsoring bank.

Thus, through the recommendations of this working Group the Regional Rural Banks scheme was started.

17) Committee on problems of urban Banks in Maharashtra (Joglekar Committee), 1976.

The number of urban co-operative Banks in Maharashtra is comparatively more than other states. The co-operative movement in Maharashtra is also more advanced than any other state. Hence the problems before this movement are many more as well. The Government of Maharashtra appointed "committee on the problems of urban Banks in Maharashtra". Under the chairmanship of Mr. V. M. Joglekar in December, 1974. Committee presented its report in 1976. The committee has praised the urban co-operative Banks in the following words-

"In Maharashtra the working of urban banks is very much satisfactory. The number of these banks is increasing day by day in the past hardworking social – workers. The increase in the number of member is more than increase in the number of banks. It shows the participation of people in this movement. This same thing is about the deposits. The deposits collected from the non-members are more than the deposits from members. It is an evidence of the Fact that the urban co-operative Banks have been qualified to the trust of the depositors in urban and semi urban areas."

This committee studied various obstacles coming in the way of the progress of the urban co-operative Banks. The recommendations about the main problems are as follow.

i) The restriction on the urban co-operative Banks to collect deposits from Trustees, Municipalities and other cantonment Boards should be removed.

ii) Reserve Banks of India should give the remittance facilities free of charge as least for hundred times under the "Free- Remittance facilities" scheme.

iii) The audit – Fee of the urban co-operative Banks should depended on the working capital and not on the working – load of the bank.

iv) There is a duel- control of Reserve bank and co-operative Registrar on the working of urban co-operative Banks. It should be divided Reserve Bank should have to watch the banking business and the Registrar should have to watch the following of co-operative rulse and regulations by these banks.

18) "Finance supply to very small land holders through co-operative credit societies" survey committee, (Dandekar Committee), 1976.

Government of Maharashtra appointed a committee in August, 1975 under the chairmanship of Dr. V. M. Dandekar, a well known economist and scholar in the field of co-operative credit system. The committee was entrusted co-operative Banks regarding the agricultural finance to small and very small land ower farmers. The important recommendations of the committee are as follow –

i) The definition of the small land holder should be made on the basis of loan qualification depended on the area of crops and crop wise rate of loan.

ii) The small land holders should get their proper share in co-operative loans (minimum 20%)

iii) The small land holder should get consideration in the rate of interest (at 4%)

iv) To protect crop from the nature calamities such as flood famine, inspects etc. there should be insurance for crop-loans also.

19] Committee on payment of khavti loans to weaker sections (Shivraman Committee), 1976.

The central Government appointed a committee to survey and to give guiding suggestions in respect of the need of Khavati loans to the weaker sections of the society .This committee was appointed in March, 1976 and presented its report in April, 1976. Fulfilling Khavti loan means the demand of loans for the in time requirement unproduction loan within the planned reasons. This type of loan is taken for religious functions such as marriage, Birth, Death, medical assistance, education, etc, it is expected that this loan should be immediately available. As per the recommendations of Shivraman committee after the closure of private-money, lending business by law, the responsibility of providing such type of loans goes to the co-operative banks. Khavati loans are given only to the weaker sections of the society.

Shivraman committee recommended that central Government should provide financial assistance to the primary co-operative to stand on a strong basis. The management of the primary co-operative banks should be in the hands of a professional manager (full time salaried officer).

On the basis of the recommendations made by the carafi – card committee of Mr. B. Shivraman a new Banks on national level named as National Bank for Agriculture and rural development (NABARD) was established on 12th July, 1982 for the overall rural development, improvement in Agriculture and development of weaker sectors.

20) Working Group on the problems of the various types of financial Institutions working in the rural areas (Kamat Committee), 1976.

Before the social control of 1968 on the banks, the co-operative development had the monopoly to provide finance to the agricultural sector.

However, after the social control and nationalization of 14 commercial banks in 1969, the policies were designed to participate commercial banks in rural finance with the co- operative credit societies. The Regional rural banks were established for the progress of special regions and sections in rural areas.

In the India villages more than one type of finance institution can provide the credit and financial assistance. All these institutions must act work with mutual understanding and co-operative.

To study the problems arising due to the working of the various types of financial institutions in rural 'areas, the Reserve Bank of India appointed a working group on 4th August, 1976 under the chairmanship of Mr. C. E. Kamat.

The main recommendations of this committee are as follow-

i) The geographical areas of operations of co-operative, commercial and Regional Rural Banks should be fixed instead of diving their working as per the functions.

ii) In financing for the agriculture and related purpose, the co-operative Banks should be given preference because the structure of co-operative societies is proper to reach towards the farmers and their expansion is also on large scale.

iii) The commercial and Regional rural banks should not compare with co-operative banks in rural areas. Instead of that they should support the co-operative societies.

iv) The commercial and and Regional rural banks should help to those rural development programmes for which co-operative banks are not able to give the financial assistance.

21) Regional Rural banks works survey committee (Dantwala Committee), 1978.

The Reserve banks of India appointed a committee to give suggestion regarding the future work expansion after surveying the working of regional rural banks. This committee was appointed in June, 1977 under the chairmanship of Mr.Dantwala. The committee presented its report in 16th February, 1978.

The important recommendations of this committee are as follow –

i) Regional rural banks are very much essential in the present position of insufficient rural credit supply.

ii) The Regional rural banks should be extended in those areas where the co-operative and commercial Bank are week.

iii) Regional rural banks should not compare with the primary co-operative societies working in that area.

iv) This committee also recommended about the area of operation, Branch – expansion, control, relation with proposed Banks , capital, Board of Directors, Loan – Transactions , staffing pattern etc. of the Regional rural banks in view to make them more efficient.

22) Exper Group on Agricultural credit schemes of commercial Banks (Gunwant Desai Committee), 1978.

The Reserve Banks of India appointed a study committee to give suggestion for the commercial Banks to have healthy impact on the rural economy through their loans scheme and to improve the standard of living there. The committee was appointed under the chairmanship of Dr. Gunwant Desai.

The committee submitted its report in 1978. The committee observed that the present agriculture credit scheme for rural development executed by the commercial Banks is very much unsatisfactory.

The main recommendations of this committee are as follow.-

i) The loan scheme should be critically examined at the time of sanctioning of the loans

ii) The Branch – managers should be given right to that they can give loans to the Government agriculture schemes.

iii) The loan application and procedure should be made easy. The number of required documents should be minimum.

iv) The commercial Banks should accept all the suggestions made by Khanna committee regarding the Accounting system of Rural Banks.

23) Committee on urban co-operative Banks (Madhav Das Committee), 1979.

After 1960, the urban co-operative banks were rapidly increasing. However, many obstacles regarding their working and policies were arousing Therefore, to survey the urban co-operative Banks and to suggest remedies to improve their efficiency. Reserve Bank of India appointed this committee in September, 1977 under the chairmanship of Mr. Madahvdas. The main objectives of the committee were to evaluate the working of urban co-operative banks, to decide the future direction of their work, to decide the norms for making the viable etc. The committee presented its report in April, 1979. The main recommendations are as follows.

i) To encourage the establishment of the urban co-operative Banks at small towns like Tahsil places.

ii) The loans should be given for production function and to the small entrepreneurs only.

iii) The efficient urban co-operative credit societies should be converted in to the urban co-operative Banks.

iv) These Banks should give training to their employees.

v) The price of their one share should be Rs. 25/-.

vi) The salaried servant's co-operative credit societies and the urban co-operative credit societies should not accept deposit from the non members.

vii) While giving loans, these Banks should consider the following priority-

a) Small scale and cottage Industry.

b) The schemes providing industries to the educated unemployed youths.

c) Self employed persons.

d) The persons engaged in Transport business on small scale level.

e) Trading industry.

f) Housing loans.

g) Consumers loans.

h) Loans to consumer co-operative credit societies.

(24) *The R.B.I. Study Group on Regional Rural Banks, 1980.*

The Reserve Bank of India appointed a study –Group in 1980 to give recommendations for making the Regional Rural Banks financially sound.

This group has suggested following points to make the Rural Banks Viable.

i) Within six years after the establishment, the number of bankers of this type of Bank should be 70.

ii) Similarly, Loan-transportation should be up to Rs. 8 Crores.

iii) The interest difference of these Banks should be at 5%.

(25) *R.B.I. Study - Group on Loan - Policies of Commercial Banks, 1980.*

It is expected that the commercial Banks should take lead on providing finance to the backward areas and financially weaker, undeveloped units. With the purpose of executing this expectation, the Reserve Bank of India appointed a Study - Group in October, 1980. This group has made some recommendations mainly as follow:-

i) Following should be supposed as priority sectors for providing finance- Agriculture, Agro- base industries, and small scale industries. Credit for the life- necessary objects of weaker sections, credit for their house-construction, finance for the transportation vehicle.

ii) 40% of the total loan – transactions should be done for the priority sector. Out of total loans minimum 16% loans should be given to the other industries in the priority sector.

iii) Out of the total loans given for the agriculture, minimum 50% loans should be given to the poor and small farmers.

26) ***Committee to Review the Working of the Monetary System (Chakravarty Committee, April 1985).***

i) The functioning of the monetary system must necessarily be in consonance with the national development strategy articulated in the successive five years plans.

ii) It essential to ensure that there is no miss match between the responsibility of the Central Bank i.e. the R.B.I. in supervise and control the functioning of the monetary system on the one hand, and its authority to do so on the other.

iii) Facilitating recourse to bill finance is another desirable method of promoting effective use of credit.

iv) It is important also to develop an active secondary market for Treasury Bills by providing suitable support to brokers and dealers and permitting Banks also to avail of their services.

27) ***Working Group on the Money Market (Vaghul Committee, January 1987)***

i) The present interest rate ceiling on the call money fixed by the IBA should be abolished and the call money rates should be left to be determined by market forces.

ii) Inter- Bank transactions in dated securities on a buy - back should be encouraged and interest rates on such transactions should not be subject to interest rate control.

iii) An autonomous public limited company called the Finance House of India should be set up jointly by the R.B.I., the Public sector Banks and the financial institutions to deal in short-term money market instruments.

iv) The Bank and private non-bank financial institutions should be encouraged to private factoring services. A few factoring Divisions should be set up by July 1, 1987.

28) ***Agricultural Credit Review Committee (Khustro Committee), 1989.***

The Reserve Bank of India appointed Agricultural Credit Review Committee of Experts under the chairmanship of well known Economist Dr. A.M. Khustro on 1st August, 1986. This committee was expected to study deeply on subject 'Review and revitalization of primary Agricultural co-operative credit societies'.

The main recommendations of committee are as follow-

i) The weak District Central Co-operative Banks, Regional Rural Banks and state Co-operative Banks should be made strong. So that they can provide finance to these societies to make such business operation plans.

ii) National co-operative Bank should be established on national level to make the mutual co-operation in the business and working of national, state and district level financial and other resources supplying co-operative institutions.

iii) Instead of service Area scheme, the Nationalized Bank should execute the Area Development scheme by co-operating the working of financial institutions in their areas to perform their work more effectively.

iv) More than 75% of Regional Rural Banks were in loss. Therefore, this committee recommended that all the regional Rural Banks should be amalgamated in their respective Parent Nationalized Banks.

v) Co-operative Banks should increase their own funds and they should minimize to take grants from the government.

29) ***High Power Committee on Economic Affairs to Develop the Financial System (Mr. M. Narsimham Committee), 1991.***

In the decades from 1970-71 to 1989-90, the financial system of India was very much developed through the banking business in our country. However, with the speed of this progress their aroused some serious problem, defects and weaknesses in the working of the banking business. It was observed that these limitations and problem became obstacles in the certain of countries efficient and competitive economy. Therefore, to diminish these defects and unrighteous system and to give suggestions for having the Indian economy and banking business more competitive, viable and efficient, Government of India appointed a high power expert committee of nine members. The chairman of their committee was Mr. M. Narsimham, of Administrative staff college of India, Haidrabad.

This high power expert committee presented their report to the finance minister on 16th November, 1991. The committee has made 48 important recommendations some of the main special recommendations are as follow.

i) The reputed Bank should raise their capital through the sale of bonds.

ii) There should not be any restrictions to establish Banks in private sector.

iii) Open and lezis-fair policy should be allowed in respect of giving facilities to the foreign Banks.

iv) The Banking business structure of our country should be of four levels.

a) There should be 3 to 4 big Banks of International nature including (State Bank of India).

b) There should be 8 to 10 Banks at National level performing all types of banking functions.

c) There should be some Banks having region for their area of operation.

d) There should be some Banks giving finance for Agriculture and Rural Development.

v) The duel control of Central Government and Reserve Bank on the banking business should be cancelled.

vi) The recent politicalisation of appointment of the chairman of the Banks should be stopped.

vii) To reduce deficit financing, Liquidity Ratio S.L.R. scale(proportion) should be decreased step by step and it should be brought down to 25% in coming 5 years (Now, this proportion is 40% of current and fixed demand deposit).

viii) The facilities rate of interest policy should be cancelled by banking decision step by step.

ix) Now easy, proper and logical Loan-policy should be accepted.

x) A system should be accepted to prepare correct, true and apparent Balance-sheet.

xi) Special Tribunals should be founded for the recovery of loans, amount received and dues.

xii) Branch permission system should be closed.

xiii) The policy regarding the nationalization of Banks should be cancelled.

xiv) The Reserve Bank should give freedom to the foreign Banks to establish their branches in India.

However it is observed that-

i) Narsimham Committee has totally ignored the co-operative economy while studying the financial system and Banking business in India.

ii) Some recommendations have been applied to the co-operative Banks also without taking them in faith.

iii) It will be lawful to take any further action after taking the co-operative Banks have done better than nationalized commercial Banks in many respects.

(30) ***Committee on Customer Service in Banks (Goiporia Committee), 1991.***

The Reserve Bank of India appointed fifteen-members "Committee on customer service in Banks" under the chairmanship of Mr. M. N. Goiporia then chairmen of State Bank of India. The eminent personalities, Depositors, Loan-takers, staff-representatives, and big authorities in business and industries sector were included in this committee.

Goiporia Committee presented its report in December, 1991. Bank-working time, customer-guidance, problems in cash transactions, provision of nomination for accounts, rate of interest on deposits, pass book, vouchers, safe deposit lockers, Drafts, Bills for collections, cheques, and their problems, Loan-sections, Employee Training, role of Employee and officers, organization, Technique of work and its Modernization, Examination of customer- services etc. have been taken for study some important recommendations in each section of the report are as follows-

i) Machines should be used to count notes where the work load is high. New method of making note-bundles should be followed.

ii) Each Deposit Account must be nominated Nomination should be recorded at the time of filling the application form to open the account.

iii) Separate branches should be opened for lockers services. Reserve Bank should give permission to make the lockers available in extension counters **also.**

iv) Banks Should make sufficient arrangements to give the Demand Drafts to the customers in less time. Banks should starts 'Bank orders' just like 'postal-orders' of Rs.50/-, 100/-, 500/-, 1000/- etc and as period should of about six months. Bank orders should have the duel features of both Travelers' cheque and Draft.

v) Loan must be sanctioned as early as possible. All the employees working in loan section must have up-to date subject knowledge so that they can sanction loans in time. State Government should start moreover centers for Equitable Mortgage.

vi) Each employee should put badge with his full name and photo. There should be change in the working of employees after certain period. Employee training is very much essential in respect of customer services.

vii) After recruitment each employee should get training. Information about modern techniques in banking business should be include the training for clerks and Officers special post training should be started for selected employees and it should include International Banking, Industrial Finance, merchant Banking, etc.

viii) Special rewords should be given to the employee for their best work, so that they can get encouragement for increasing their efficiency.

ix) The employee organization must play a positive role for giving better customer service. Customer service should not be affected due to the quarrels between the employee organizations.

x) The public holidays given to the Banks should be limited to 15 days in all over the country.

xi) Banks working in residential areas should keep open their branches on Sunday also.

xii) There should be special security measures for the safety of employee and customers.

xiii) Certain days in months should be fixed in Banks for giving salary, pension, etc through the Government Departments.

xiv) Annual awards should be given to the excellent branch.

xv) Table showing the duration of time necessary for various works should be shown in the notice board and the employees should keep the accurate time for work.

xvi) Customer service committee should be appointed in the area of each Bank branch. It will help to increase the trust of people in banks.

(31) ***Task Force on Money Market Mutual Funds (MMMFs) (Basu Committee, January 1992).***

i) MMMFs are set up by scheduled commercial Banks and public financial institutions as define under section 4A of companies act, 1956 directly or through their existing mutual funds/subsidiaries engaged in funds management.

ii) The maximum lock in period for investment in MMMFs should be reduced from 3 month to 46 days.

iii) Liquidity consideration is given top priority by the MMMFs while deciding on the types of instruments for investment.

iv) The MMMFs to be set up by Banks, their subsidiaries, public financial institutions and non-bank institutions like the existing mutual funds, be required to comply with the guidelines and directives that may be issued from time to time by the Reserve Bank of India only.

(32) ***Working Group On Non-Banking Financial Companies (A.C. Shah Committee, September 1992).***

i) The approach of the Group revolves round the convocations that a thriving healthy and growing non-banking financial sector in necessary for promoting the growth of an efficient and competitive economy.

ii) The need for bringing NBFCS under the regulatory fram- work arises not only for ensuring their healthy growth but also for improving the efficiency of the credit and monetary policy as well as for including healthy financial discipline among both providers and users of credit.

iii) The group is of the opinion that the function of registration and regulation be undertaken by the proposed High Powered supervisory Board.

iv) The regulatory authority should publish the list of all NBFCS periodically.

v) The Group recommends that the regulatory authority and the self regulating organizations may initiate a public awareness programmed for educating the depositors about the risks associated in placing deposits with various kinds of non-banking financial companies.

(33) ***Committee on Licensing Of New Urban Co-operative Banks, (Maratha Committee), 1992.***

Reserve Bank of India accepted Madhavdas committee Report of 1978 relating to the urban co-operative Banks. Due to the execution of these recommendations, new co-operative Banks were established on large number. However, the urban co-operative Banks raised demands regarding branch expansion, efficiency, viability norms, liscence of Reserve Bank to them, etc. To fix a proper policy by considering these demands. Reserve Bank of India appointed Ten Members committee under the chairmanship of Mr. S. S. Marathe in September, 1991.

The committee presented its report on 18th May, 1992 with total 49 recommendations are as follows.

i) Permission will be given establish many more new Urban co-operative Banks as per the social requirement.

ii) New employee co-operative Banks will not be permitted.

iii) New Urban co-operative Banks will be permitted to establish in underdeveloped areas. Encouragement will be given for that.

iv) Regarding the area of operation there will not be any difference such as Urban and rural area

v) The area of operation for the scheduled urban co-operative Banks will be a whole state R.B.I. permission will continue to be required for the expansion of area of the present operation.

vi) The committee has given the recommendations in detail regarding the Extension counters, migration of office, New Branch Expansion, Role of the state federation, Norms for the efficiency of Banks, etc.

(34) ***Committee for Enquiry in To the Irregularity in Security Bonds Transactions (Janaki Raman Committee), 1992.***

In 1992, Harshad Mehta and his colleagues had made so much commotion in Indian Banking Industry. There fore, a committee was appointed in make enquiry about this matter under the chairmanship of Mr. Janaki Raman, then Deputy Governor of Reserve Bank of India. The committee was told to look into the share scandal and to search for the reasons behind the irregularity in the security dealings.

Committee presented its first Interim Report on June 1992 to the Government. There are suggestions for not arising such matter due to the weakness responsible for share scandal.

(35) ***Committee on Consortium Lendin (J. V. Shetty Committee, August 1993).***

i) The committee recognizes the need in shift in market driven banking from the present practices.

ii) To perform the process of disposal of proposals, Banks should delegate sufficient power to their functions attending consortium meetings.

iii) The lead Bank should have the freedom to sanction additional credit by a pre-determined percentage to meet emergent situations / contingencies.

iv) The lead Bank should be entitled to a fee, say 0.25 percent of the limits per annum to be borne by the borrower, for services rendered.

(36) ***Working Group on Cash Credit System (H. Committee, October 1993).***

i) To ensure proper end use of funds by the borrows, utilization of funds should be strictly monitored on the basis of the quarterly information statements.

ii) In view of the need to boost exports, the existing facility of 100 percent financing at the post shipment stage should continue.

(37)***Application of Busley Committee Recommendations, 1993***

The period after 1990 is of very much importance for the economy and banking business in India because we have accepted the open market and free economy policy since 1990. On the world level Busley Committee Report on behalf of Bank for international settlement suggested the previsions such as Capital Adequacy. Income Recognition, Assets classification etc. These recommendations were made applicable for the Indian Banking business from 1993. The Narsimham Committee, 1991 in its Report has made recommendation for making compulsion to the commercial Banks to keep the capital Adequacy ratio at 8%.

(38) ***Committee to Review IRDP (D. R. Mehta Committee, November 1994)***

i) For doing away with leakages and malpractices, the committee recommends switch over from front end to back end system of subsidy. The benefit of subsidy should also be available to borrowers who prefer to avail themselves of working capital finance.

ii) For improving recovery, Government of India may consider linking of certain percentage of subsidy allocation to recovery performance.

iii) Banks should provide loans under TRDP for acquisition of land.

(39) ***Committee on Technology Issues (W. S. Saraf Committee), December 1994***

i) An institute on banking technology may be setup with the objective of imparting high-level technology training to the bankers. It may be an autonomous institute offering professional level courses.

ii) NIBM may take lead in preparing self learning video material on commonly used banking application technology.

iii) IBA may start a monthly magazine on banking technology.

iv) 'A standing committee on Technology Uses in Banks' should be setup under the aegis of RBI to periodically review the technology status in the banking industry.

(40) ***Expert Group on Foreign Exchange Market (O. P. Sodhani Committee,) June 1995.***

The main recommendations of this committee are as follows-

i) The banks may be permitted to decide open position limits subject to their earmarking capital to the extent of 5 percent of open exposure limit.

ii) Bank should have the freedom to determine the interest rate and maturity period of FCNR (B) Deposit subject to a cap. Being put in place by RBI.

iii) Inter-Bank borrowings should the exempt from statutory preemptions to help the emergence of a rupee from money market and a deep liquid debts/ forex market.

(41) ***Executive Group on the Co-ordination between the Development Financial Institutions and Banks (Khan Committee), 1998.***

In order to go into various issues relating to co-ordinate and harmonise the role and conducting operations of Development Financial Institution and

Banks, the Reserve Bank has set up an executive group under the chairmanship of Mr. S. H. Khan, then chairmen of I.D.B.I.

The Group submitted its full report in May, 1998. As per the announcement in credit policy statement of R.B.I., A "Discussion Paper" is under preparation, which will contain RBI's view on these Group recommendations.

The report of this Group has dealt with a few for reaching charges such as.

i) A gradual move towards Universal Banking.

ii) Seeking the possibility of gainful mergers between sets of Banks and DFIS on commercial considerations.

iii) Speedy implementation of legal reforms to expedite debt recovery.

iv) Consolidation supervision of Banks and DFIS.

v) Gradual reduction of Cash Reserve Ratio.

vi) Pushing out standard Liquidity Ratio.

(42) ***Committee on Financial Reforms, (Narasimham Committee II), 1998.***

As per the next step to the reforming Process, once again a committee was appointed under chairmanship of Mr. M. Narsimham.

This report has brought down the conclusion that the financial institutions seem to follow all the new reform rules just like the burden on their head. Committees suggest that Bank should use these measures for their own survival and progress in the present competitive market.

(43) ***High Power Committee on Urban Co-operative Banks (Sisodia Committee), 1999.***

The major recommendations of the high power committee on urban co-operative Banks are as under-

i) Licensing policy of new units – The regulator should prescribe the twin criteria for entry i.e. a strong start up capital and requisite norms for promoters' eligibility.

ii) Corporate Governance – At least two directors with suitable banking experience or relevant professional background should be present on the board of UCBs.

iii) Branch Licensing policy – The Reserve Bank should extent to the UCBs the same freedom and discipline as is applicable to commercial Banks in opening branches, if an UCB complies with the boar norms relating to the capital adequacy,

provisioning, net NPAs, profitability and priority sector advances.

iv) Extension of Area of operation – New UCBs can extend their area of operation to the entire district of their registration and adjoining districts.

v) Policy on Unlicensed Banks – Under the provisions of section 5 (C C V) of B.R. Act, a primary credit society with paid up capital and reserves of Rs. 1 lakhs and with the main objectives of carrying on banking business automatically secures status of an Urban Bank. The committee, therefore, recommended amendment in the Act to as to prevent such automatic transformation of primary credit societies into UCBs.

iv) Policy on weak / sick Banks – Separate objective criteria based on CRAR, net NPA and history of losses- have been recommended for identification of weak and sick Banks.

3.3 Laws Relating To the Banking Sector.

3.3.1 Introduction

Business may be of any type, it has to follow the rules and regulations of the various Acts related to it. Acts are passed by the Governments to bring discipline in business. Banking business is no exception to it.

There are various types of laws related to the banking business in India which affect, regulate and control the day to day working of banks. The introduction of these laws passed by the central and state Government have been given in the following paragraphs.

3.3.2 Laws before Independence

1) The Negotiable Instrument Act, 1881

Banking business runs primely on cash amount and credit money. The documents which entitle the certain amount can be called as negotiable documents. This documents such a means which help to fulfill the monetary transactions. Thus, the document creates credit money. These include cheque, Bills of Exchange and promissory note. These documents are called Negotiable Instruments in 1881; an act was passed to control the transactions of these instruments. This act has almost important in banking business, because nearly all the banking transactions are related to this act.

In this act the rules regarding the use of negotiable instruments have been given. How this transaction has to be done and which responsibility comes over the person or institution has also been explained in this Act while dealing with customers, Bank has to follow every time the provision of this act.

2) Indian Contract Act, 1882

Different types of relation come in various types of transactions are established between bank and the customers. The setting up of the relations Debtor, Creditor, Trustee, Agent, Guarantor, etc depends upon time to time contracts between both the parties and both them must have to keep their terms. Contract act is an important act in view of taking precautions the time of making of the contracts. The provisions of this act for banking business are useful in many cases such as rights and obligations of Guarantor, Rights and duties of Bank as a trustee in the transaction of safe custody etc.

3) Bankers Books Evidence Act, 1891

If there are some cases in the court relating to the bank transactions, then bank should have to take care their books of account in the court as and when they are required, and thus, there might be possibility of stopping the daily transactions of the Banks.

Therefore, the Bankers book Evidence Act has given the permission and facility to banks to present only true formats and certificate of other necessary matters instead of whole books of accounts.

4) The Indian Stamp Act, (1899) and the Bombay Stamp Act, (1958)

Many times in routine work of banks, they have to deal with the documents such as Promissory Note, Letters of pledge, Letters of credit, Transfer Contracts, etc. In such legal cases, stamps of certain necessary amount have to be such on these documents to make them valid. Thus, the Banks are related to the stamp Act in their daily routine of work.

The Government has executed new increased rates of stamp duty from 15^{th} September, 1996 about amount of stamps to be stock on the documents by the banks. The Bombay stamp act (1958) is applicable to some special documents to Maharashtra state. The rate stamp duty about the some documents are found while in case of some other documents they are dependent on the price of related secured property.

According Bombay Stamp Act (1958) the rate of stamp duty are a follows:-

a) The document having fixed nature of stamp duty viz, promissory note, Dastak Patra, Kararnama, Lawadnama, Tadyod Patra, Mulhtyar Patra etc.

b) The documents requiring stamp duty in proportion to the amount viz hire Purchase Contract, Hypothecation contract, Purchase contract, Exchange Documents, Trust, Security Bond etc

5) Insolvency, Act

Many times banks have proved it right as a creditor in case of insolvency of any defaulter. Therefore, this act also has importance for Banks in loan transactions.

6) Sale OF Goods Act, 1930

Banks gives loans on the pledge of goods. Therefore, if the loan is not returned, then Bank has to sell the pledged goods. At this time bank must take in to account the previsions given in the 'Sales of Goods Act'.

7) Indian Partnership Act, 1932

There are so many partnership firms in our society performing various types of business activities. The 'Partnership Act' is important one for the banks while doing transactions with the partnership firms.

8) Reserve Bank of India Act, 1934

The Reserve Bank of India Act was passed in 1934 and this comes in to existence on 1st April 1935 as a Central Bank of India. This was a mile stone in the history of Indian Banking movements. The R.B.I. performs important functions such as currency regulation, Governments Books, Bankers Bank fixation of rate of bill, working as clearing house, Data collection and Research etc.

3.3.3 Laws after Independence

9) Banking Regulation Act, 1949

From so long time, there was need of separate Act for the regulation of banking business in India. The Banking Regulation Act was passed in 1949 with objective of overall progress in banking sector. Firstly, the name of this act was as 'Banking Companies Act', but from 1st March, 1966 it has been given the present name.

This act is applicable for all types of Banks in the country. This act has almost importance for the control of banking business. The working of bank should be fair and this act helps in giving prestige to the banking business. R.B.I. has been entrusted to give good turn to the banking business through this act. Therefore, confidence was created in the minds of depositors and the economy of the country become stable and able.

The important provisions about establishment of Banks, their functions, organization, management, capital raising, Investment of funds, deposits, loans, statements, Accounting, Distribution of profit, meetings, right of voting, branch permission, Audit report etc have been given in this act.

Rectifications and changes have been made time to time in this act from 1st march 1966 the scope of this act was increased and made applicable to the all types of co-operative banks also for this purpose; Rule 56 has been added newly in this act. However, Rule 10 and rule 17, both in the original act are not applicable to the co-operative Banks.

Bankers Book Evidence Act and The Banking Company (Legal Practioners' lines Accounts) Act, 1949 have also been made applicable to the co-operatives banks.

10) ***State Bank of India Act, 1955***

The development of Indian Banking system was in the hands of some few capitalists. Therefore, to abolish the monopoly and to turn the stream of capital to words the agriculture; the nee of Bank Nationalization was expressed by many experts.

The State Bank of India Act was passed on 8th may 1955 and SBI started functioning from 1st July 1955. There were some State Banks of former princely states in the country. In 1959, State Banks subsidiary Banks Act was passed and nine such banks become the subsidiary Banks of SBI. They all are called as SBI Group Banks.

SBI has a special place in India's Banking business. It works as an agent of RBI where there is no branch of RBI. Like any other commercial Banks it accepts deposits and advances, loans and also performs other utility and agency functions for its customers. To purchase gold and silver, to work as an agent of co-operative Banks to purchase bill drawn for the agriculture purpose, etc are the example of other functions of SBI.

11) ***Indian companies Act, 1956***

Commercial Bank is an institution with limited liability. It has to follow the provisions of companies Act similarly, while making transportation with a limited company, bank has to cheque the documents as per the provisions of this act Therefore, the ordinary knowledge of this act is also essential in the daily transactions of the Banks.

12) ***The Maharashtra State Co-operative Societies Act, 1960 and the Rules (1961).***

All types of co-operative Banks and credit societies have to make their registration to the co-operative department of the respected states. They have to prepare their separate sub-rules. The co-operative banks work according to the principles of co-operative and democracy 'Member' is the main elements of these Banks. The 'General Meeting' of these banks also has almost importance.

The co-operative societies act explains about the working style of these banks. The duties and the responsibilities of the members are stated therein. This act was made applicable from 26th January, 1960 to the whole Maharashtra State.

The organizational structure of the co-operative banks, their registration, their sub-rules, recording of their rectifications, membership, the rights and obligations of the members, Disqualification of membership, the share capital, control of the final transactions, Distribution of profit, collection and disbursement of funds, Elections of directors, The democratic professional management of the Banks, Annual and special General Meeting, The control of Registrar, Appointment of officers, Audit, Inspection (rule 84) , Investigation (rule 78), The disputes between the co-operative banks and related parties, etc.

13) ***Deposit Insurance Corporation, Act 1961***

In 1960, the scheduled commercial banks namely, The Palai Central Bank and The Laxmi Bank were liquidated, the depositors had to loose their deposit amount, and therefore, it was felt very much necessary to take precaution for keeping the trust of people in Banks for the development of banking in country.

To increase the faith of depositors in Banks and also to have safety to their deposits, The 'Deposit Insurance Corporation Act' was passed on 1961 by the Government of India and this corporation is came into extended in January 1962. It was provisioned that the amount each depositor up to Rs.30, 000 would be given protection (up to 30^{th} April, 1993). For this purpose no amount or fees has to be given by depositors the related Bank has to give certain amount of Insurance Premium, the rate of which is very less.

The credit guarantee Corporation was established in 1971 and it was entrusted the responsibility of the working of earlier credit guarantee scheme from 1^{st} July 1993 the Government of India has given protection to the amount up to Rs.1, 00,000 So that the banks should have not to bear loss, if the loans given by banks may have not recovered in time.

The limit of protection amount of deposits has also been increased up to Rs.1, 00,000 from 1993. In July, 1978 both the above mentioned corporations were amalgamated and 'Deposit Insurance and Credit Guarantee Corporation' was established. Thus, working of both Deposit Insurance Scheme and credit Guarantee scheme is seen by this sole corporation.

14) ***National Bank for Agriculture and Rural Development Act, 1981.***

The Craficard Committee 1971 recommended in its final report in 1981 that for integrated rural and small scale industries there should be a separate bank on national level. The Government of India accepted the recommendation and passed the NABARD Act in December, 1982. The Bank come in to existence on 12^{th} July 1982, with the amalgamation of the Agricultural Credit Development of R.B.I., the rural planning and Credit scale and Agricultural Reference and Development Corporation.

NABARD performs all the functions of earlier Agricultural Credit Department of R.B.I. It provides finance to the state co-operative Banks, Regional Banks and other financial institutions for the purpose of refinance for agricultural and rural credit. It gives loans to the state co-operative banks for purchasing the shares of co-operative credit societies. It sets up research and development funds. Also it co-ordinates all the policies and programs of rural credit of central Government, State Government, Board of Rural credit of central government, State government, Board of Rural Industries etc.

Besides the above Acts, following Acts are indirectly related to the Banks and banking business in our country.

15) Income Tax Act, 1961.

16) Civil Procedure Code.

17) Transfer of Property, Act.

18) Bombay Industrial Relation Act, 1946

19) Employees Provident Fund Act, 1952.

20) Payment of Wages Act, 1936.

21) Payment of Bonus Act, 1965.

22) Limitation Act.