



PROGRESS OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN INDIA

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ABSTRACT:

The co-operative credit has a three tier structure, namely the state co-operative bank at the top level, the primary agricultural credit co-operative societies at lower level and the district central co-operative banks (DCCBs) at the middle level. The DCCBs play a vital role in the disbursement of co-operative credit. The District Central Co-operative Banks work as an intermediary to link the primary societies with the Apex Bank. They serve balancing center for adjusting the surplus and deficiency of working capital of the primary societies according to Dr. Laud, "The raison d'être for the establishment of district central cooperative banks is that these should be an intermediary agency between the primary credit society with rural bias run by agriculturists having no touch with the money market and the provincial co-operative bank run mainly by city men with urban bias having no close association with the country side.

KEY WORDS: district central co-operative banks (DCCBs) , co-operative credit , central co-operative banks occupy.

INTRODUCTION

The central co-operative banks occupy a position of cardinal importance in the co-operative credit structure. They form an important link between the apex co-operative bank and the primary agricultural credit societies. The success of the co-operative credit movement largely depends on their financial strength.

OBJECTIVES OF THE STUDY

Following are the objectives of research paper

- To know the meaning of district central co-operative banks
- To study the development of district central co-operative banks before independence
- To study the development of district central co-operative banks after independence

METHODOLOGY

In this paper an attempt has been made to study the development of district central co-operative banks in India. The present study is based on secondary data which is collected from various books publications and various reports of the committees.

DEVELOPMENT OF DCCBs BEFORE INDEPENDENCE

When Co-operative Societies Act was passed in 1904 there was no provision for the formation of central banks. As the movement gained popularity, the societies started increasing in number by leaps and bounds. But the financial arrangement envisaged did not yield enough money to meet their growing requirements. The Co-operative Societies Act was, therefore amended in 1912 with a view to permitting registration of central societies. It may be of interest to note that even before the amendment; some central banks had been established to cater to the financial needs of the primary societies. The first central bank was registered in Uttar Pradesh in 1906 as a primary society. But the first perfect central bank in the modern era saw the light of the day in the former central provinces. In Rajasthan, the first central co-operative bank was started in 1910 at Ajmer. The revised act stimulated the growth of the central financing agencies and within a few years a large

number of such banks were established. The period from 1906 to 1918 may be called the period of origin of the central banks in various parts of the country.

However, during the period of depression in the thirties, there was a great setback in their working. There was a significant increase in the overdues of these banks. Their membership both the individual and the societies had also declined. The number of these banks, however, increased from 588 in 1929 to 611 in 1936-37 because of the registration of new banking unions in the former princely states in Uttar Pradesh and Bihar.

It may be thus seen that there was a general improvement in the financial position of the DCCBs as a result of war and they consolidated their position; as compared to their position during depression period.

DEVELOPMENT OF DCCBS ON POST-INDEPENDENCE PERIOD

The National Government after coming into power in 1947, began taking steps for the expansion and reorganization of co-operative movement in general and co-operative credit structure in particulars finding the structure of the central financing agency very weak the Rural Credit Survey Committee in 1954 in their report suggested that each state should draw up plans for the rationalization and strengthening of DCCBs in several of their aspects including financial and administrative, during the first plan period. Therefore, the states began to follow the process of reorganization and amalgamation of the DCCBs. This process was vigorously followed during the second plan also. The basic principle of one DCCB for one district began to be followed in all the states and wherever more than one bank existing in one district, the same was amalgamated so as to form one strong and viable unit. Where a DCCB was serving more than one district, its area was curtailed and new banks were registered in such districts. Their share capital base was also strengthened by Government contribution in large measures. Further, their financial position was also strengthened by government grants and subsidies for varied purposes.

In the sixties, the emphasis was on re-organization of the lending policies of the DCCBs and strengthening of their deposit position. With a view to rationalize the loaning policies of co-operative at all levels, the crop loan system was introduced in 1966. The banks were entrusted with the major responsibility for the successful implementation of the production oriented system of lending for identified agricultural purposes for medium term was introduced in 1968. The state government on the advice of the Government of India approved the state co- operative banks and the DCCBs as being eligible for receiving deposits of local bodies like Gram-Panchayats, Nagar Parishads, Zilla Parishads and Municipalities.

In the seventies emphasis was on the rehabilitation of weak DCCBs, ensuring financing to small farmers through DCCBs and extensive branches expansion to attract deposits.

A plan for rehabilitation of selected weak DCCBs came into force in 1972-73. Under this plan, special finance assistance was made available to weak DCCBs to write off their bad and doubtful debts, accumulated losses and chronic overdues. In 1970 the DCCBs were replaced by commercial banks to finance primary agricultural credit societies directly through a scheme and this scheme has been continue in selected areas to fill the credit gaps Since 1970-71. The DCCBs have been required to finance the small farmers on a large scale by ensuring that their lending to them for seasonal agricultural operations through primaries would not be less than the prescribed minimum proportion of total lendings. The co – operative loan system was revised in 1971 and the medium term loan policy was further liberalized many a times during the seventies. The policy of issuing consumption loans through primaries was introduced in 1976. In order to induce DCCBs to mobilize more deposits and to discourage borrowings from the Reserve Bank of India, a scheme of linking borrowings with deposit mobilization was introduced in 1973. The procedures relating to branch licensing were liberalized and the subsidies for opening of branches were enhanced to facilitate branch expansion. The present position of DCCBs all over India shown in the below table

Position of DCCBs in India
(Rs. in Crores, Membership in Lakhs)

| Sr. No. | Items | 2000-01 | 2005-06 | 2010-11 | 2015-16 | Growth Percent |
|---------|-------------------------------|---------|---------|---------|---------|----------------|
| 1. | Numbers | 370 | 370 | 371 | 371 | 0.27 |
| 2. | Total Branches including H.O. | 12787 | 12991 | 13327 | 14241 | 11.37 |
| 3. | Total Membership | 1986370 | 2267850 | 3145789 | 3208720 | 61.53 |
| 4. | Paid up Capital | 3016 | 4511 | 7255 | 12877 | 326.95 |
| 5. | Total Reserve | 6750 | 14083 | 22920 | 31844 | 371.76 |
| 6. | Total Deposits | 61813 | 86652 | 161309 | 282609 | 361.91 |
| 7. | Working Capital | 89541 | 131242 | 235431 | 406093 | 353.52 |
| 8. | Total Loans Issued | 55780 | 60319 | 137754 | 249376 | 347.07 |
| 9. | Total Overdues | 12762 | 18136 | 29049 | 40315 | 215.90 |
| 10. | Cost of Management | 2660 | 6026 | 5307 | 10136 | 281.05 |

Source: www.nafscob.org

The DCCB's has made progress at India level in terms of membership, capital, reserves, deposits, working capital, and loans issued etc. during the study period. It increased in overdues and cost of management also. Above table shows the position of district central co-operative banks in India. In the year 2000-01 there were 370 DCCBs in India and the number are increased by one to the year 2015-16. Total Branches of the banks were 12787 in 2000-01. It increased to 14241 in the year 2015-16. There are also increased in membership, paid up capital, reserves, deposits, working capital etc. However it has also increased in overdues. The overdues of DCCBs in 2000-01 were Rs. 12762 crores; it increased to Rs. 40315 crores in 2015-16. From the year 2000-01 to 2015-16 the growth of membership was 61.53 per cent, capital 326.95 per cent, reserves 371.076 per cent, deposits 361.91 per cent and working capital 353.52 per cent.

CONCLUSION

The DCCBs play a vital role in the disbursement of co-operative credit. The District Central Co-operative Banks (DCCBs) work as an intermediary to link the primary societies with the Apex Bank. They serve balancing center for adjusting the surplus and deficiency of working capital of the primary societies. There was steady growth in the numbers and membership of DCCBs on the eve of independence. In spite of the progress recorded, the co-operative banking structure become weak. The loan operation of these banks was not satisfactory, as they provided large amount of loans to individual members and did not fulfill credit needs of primary societies. The Government of India, after independence, took steps for expansion and reorganization of co-operative credit structure. The DCCBs came to be regarded as leaders of co-operative movement at the district level.

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