

## WORKINGS OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN INDIA

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### **Abstract**

*Co-operative Play an important role in the socio-economic development of rural masses. The District central co-operative banks are generally located at the district head quarters in the state. It is the middle tier between state co-operative banks and primary agriculture co-operative banks. The DCCB are provided the loans and advances and financing the PACBs , individual and other co-operative societies from their own resources and also by availing credit from the state co-operative banks and NABARD through the apex bank for forming and non-forming sectors.*

### **Introduction**

Co-operative Play an important role in the socio - economic development of rural Masses. The Co-operative movement has completed a century. It has deeply penetrated in to the rural economy. The movement started with the enactment of first Co-operative credit societies Act, 1904. The district central co-operative Bank, are generally located at the District Head quarters in the state. The banking regulation Act of Reserve bank of India governs these banks. They have branches located in the rural areas. The major port folios of these banks include current and saving deposit, term deposits, borrowings from national Banks, Apex bank, Government, collect deposits from co-operative societies and individuals. The loan advanced is composed of short term, medium term and long term loans.

The role of District central co-operative banks credit delivery systems is significant in economic development, especially for the development of agriculture and rural areas. Here the District central co-operative banks being the middle tier between State co-operative bank and primary Agriculture co-operative banks, occupy a position of strategic importance. They act as balancing centers and provide funds to the primary Agriculture co-operative banks in the Districts when they face shortage by diverting surplus funds of the urban areas.

They not only finance the primary Agricultural co-operative banks affiliated to them, also supervise and guide the working of all the member societies in the District. Above all they lead the co-operative moment in the respective district.

### **Origin and Development**

When the first co-operative credit societies Act, was passed in 1904, there was no Provision for the formation of DCCBs. But the Act, 1912 permitted the organization of higher level federal societies. Before passing this act of 1912, some central co-operative banks had been established to cater to the financial needs of the primary societies. They were registered as PACs but were working as central co-operative banks. However with the Passing of the co-operative Societies Act in 1912, DCCBs came to be established on a large scale in the country. The period from 1906 to 1918 may be called as the period of origin of the District Central Co-operative Banks in the Country.

The madras central urban bank was the first bank, registered on 19-10-1905 and the Bombay central co-operative Bank was registered in the year 1906. Later the Ajmer central co-operative Bank was started in 1910. The numbers of central co-operative banks in India during 2005-06 was 370 it is increased to 372 banks during 2009-10.

### **Membership**

Though the District central co-operative banks were organized mainly for financing Primary Agriculture co-operative banks, and other types of societies like weavers co-operative societies, milk producer's co-operative societies, consumer co-operative wholesale stores, marketing co-operative societies, processing co-operative societies etc., were also admitted as members in District central co-operative societies. They acted as central financing agencies for such societies. In these banks, individuals were also admitted as members. In India, during 2009-10 District central co-operative banks having the membership position increased to 39, 75,660 members, consisting of 9, 73,624 co-operative societies and 30, 02,036 individual members. During 2005-06 total member of the bank 2, 22, 67,850 of which 4.74,758 co-operative societies and 17,93,092 individual members.

### **Working Capital**

The sources of working capital of DCCBs consisted of share capital, Entrance fees, Reserve fund, owned fund, other funds, deposits from co-operatives, individuals, local bodies and other institutions, Investments and borrowings from state co-operative bank, NABARD and state Government. The working capital position of the banks during 2005-06 was Rs. 1.23 Crores. It is increased to Rs.1.96 Crores during 2009-10.

### **Loans and Advances**

All the DCCBs are financing the PACBs from their own resources and also by availing credit from the National Bank for Agricultural and Rural Development (NABARD) through the apex bank for Agricultural and Non- agricultural purposes. They also extended credit facilities to Primary Handloom weaver's co-operatives societies, spinning mills, co-operative sugar mills and other co-operative Institutions at the district level by availing credit from the NABARD through the apex banks. These banks also sanction Loans for Non-agricultural purposes such as purchase of Lorries and buses, bulldozers, earthmovers, construction purpose, establishment of clinic/service centers by Doctors/Engineers and educational loans for pursuing professional courses. DCCBs entire credit Portfolio may be divided in two broad categories viz., on lending and direct lending.

### **Term loan**

The Primary function of DCCBs should normally be financing the member societies through on lending for short, term (ST), medium term (MT) and long –term ((LT) loans for agricultural and Non- agricultural purpose. The Total term loan offered by banks during 2005-06 was Rs. 69.31 lacks. It is increased to Rs. 1.10 Crores during 2009-10.

### **Direct lending**

The District central co-operative Bank is financing individual members through its branches is called direct lending. They are loans against fixed deposit, life Insurance Policies, Pledge of gold, silver ornaments etc., for the purchase of consumer durables and for other purposes. It may also, provide cash credit facility to the businessmen traders against collaterals, Pledge or Hypothecation, temporary overdraft facility to the individuals.

DCCBs are having their own branches in the concerned districts. Direct lending is disbursed to these branches for Non-agricultural and other purpose like jewel loan, Non- farm sector loan, SSI loan, housing loan, Petty traders loan, consumer loan, micro credit loan, loan to working women, loan to women entrepreneur etc.,

### **Recovery of loan**

The efficiency of a banking institution as a financial intermediary depends to a great extent on timely recovery of loans. Poor recovery performance was one of the major weaknesses and affected recycling of loans. High level of overdue had affected the ability of DCCBs in many cases to avail adequate refinance from higher financing agencies. The recovery of loan is based upon the demand made by the bank collect loan during 2005-06 to 2009-10., the demand is increased from 57.22 lakhs to 88.89 lakhs. When the banks increased its demand to collect loan, the recovery of loan amount is also increased from Rs. 39.09 lakhs to Rs.65.13 lakhs .

### **Causes of overdue- Borrower's views**

Based on the causes of over dues the borrowers are grouped into two categories namely the genuine defaulters and willful defaulters. The genuine defaulters are those borrowers who failed to repay their dues due to the impact of uncontrollable factors like floods, earthquakes, droughts, crop failure heavy expenditure on social ceremonies. The willful defaulters are those borrowers who are financially sound, but they don't have the attitude to repay the loan amount. The amount of overdue during 2005-06 it was Rs.18.13 lakhs. It is decreased to Rs 23.76 lakhs during 2009-10. It is positive trend of during the study period.

### **Conclusion**

However, from the above analysis of view it was found that right from the origin of DCCBs in India, Government of India, RBI, NABARD and state Government took several measures for streamlining as well as strengthening the DCCBs. But still, the problem of poor recovery had been continuing. Consequently the Problem of NPA. Any financial institution including DCCB carries on business out of fund, which are collected as deposits borrowings from higher has financing agencies. These funds are lent as credit to member societies and individual members through on lending and direct lending. There should be a regular recycling of these funds. This recycling will take place is the recoveries come back to the banks as per the time frame fixed for their recovery.

Lack of recovery would affect the overall liquidity of the institution and in due course the solvency of the institution itself would be in question. Thus, the efficiency of banking institutions as a financial intermediary depends to a great extent on timely recovery of loans.

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