

C H A P T E R - 3

NEED FOR AGRICULTURAL CREDIT AND CO-OPERATIVES

- 3.1 INTRODUCTION
- 3.2 CO-OPERATIVE BANKING-DEFINITION, OBJECTIVES
AND FUNCTIONS
- 3.3. GROWTH AND STRUCTURE OF CO-OPERATIVE MOVEMENT
CO-OPERATION BEFORE INDEPENDENCE
- 3.4 CO-OPERATION AFTER INDEPENDENCE
- 3.5 CO-OPERATIVE CREDIT STRUCTURE IN INDIA
- 3.6 CO-OPERATIVE AND AGRICULTURAL CREDIT
- 3.7 APEX CO-OPERATIVE BANKS
- 3.8 DISTRICT CENTRAL CO-OPERATIVE BANKS
- 3.9 D.C.C. BANKS IN MAHARASHTRA STATE

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C H A P T E R - 3NEED FOR AGRICULTURAL CREDIT AND CO-OPERATIVESCO-OPERATION :3.1 INTRODUCTION :

Co-operation means working together. The principle of co-operation is as old as human society. The history of modern civilisation is in fact, the history of co-operation for without it social & economic progress would have been impossible. The Industrial Revolution gave to capitalism which resulted in pauperism - a class of proletariats, mere attendants on machine propertyless, moneyless and homeless. Co-operation as a new philosophy, therefore developed as a result against capitalism and irrational inequality. Although the ideas of the co-operative movement are basically the same all over the world, its form and content varies from country to country. Everywhere however it originated as a defensive bulwork against exploration of the weak by those in a stronger economic position.

2. DEFINITIONS OF CO-OPERATION :

Co-operation movement was born out of adversity. The circumstances which gave rise to adversity have however been different at different places. The movement therefore

assumed diverse shapes commensurate with the environments which gave birth to it. It is thus difficult to search out a clear-cut definition of co-operation.

(i) Mr. C.R.Fay :

"A Co-operative society is an association for the purpose of joint trading, originating among the weak, and conducted always in an unselfish spirit on such terms that all who are prepared to assume the duties of membership may share in its rewards in proportion to the degree in which they make use of their association".

(ii) Dr. R. Philips :

"The Co-operative association is an association of firms or households for business purposes an economic institution through which economic activity is conducted in the pursuit of common objectives".

(iii) Prof. Paul Lambert :

"A Co-operative society is an enterprise formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole".

(iv) V. L. Mehta :

"Co-operation is only one aspect of a vast movement which promotes voluntary associations of individuals having common needs who combine towards the achievement of common economic needs".

(v) Indian Co-operative Societies Act-1912 :

"The Act has not given any definition of co-operation. Section 4 (c) considers a Co-operative society as ' a society which has its object the promotion of the economic interested of its members in accordance with co-operative principles".

Rochale Co-operatives were the proneers of the Co-operative principles. Their principles have inspired the Co-operative movement throughout the world. On the basis of their ideas the fundamental principles of Co-operation are given below :

1. Voluntary Association or open membership.
2. Democratice codntrol.
3. Distribution of Surpluses.
4. Limited interest on capital.
5. Co-operative Education.
6. Principles of Growth.

Co-operative banks are guided by these principles.
Let us see what is Co-operative Banking.

**3.2. CO-OPERATIVE BANKING-DEFINITION, OBJECTIVES
AND FUNCTIONS :**

Banking may be defined as the Agency for the purpose of lending or investment of deposits of money from public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise.

The business of the Banks can be mainly divided
as -

1. Borrowings.
2. Lending.
3. Agency Services.
4. General utility services.

A Co-operative Bank is one which performs the above functions on a Co-operative Basis.

DEFINITIONS :

1. According to Henry Wolf - "Co-operative Banking is an agency which is in a position to deal with the

small man on his own terms accepting the security he has and without drawing the protection of the rich".

2. "Co-operative Bank means a society which is doing the business of banking as defined in clause (b) of Sub-Section Act-1949 (10 of 1949) and includes any society which is functioning or is to function as a Land Development Bank under Chapter XI" n>
3. "A Co-operative Bank has been defined by Devine as a mutual society formed, composed and governed by working people themselves for encouraging regular savings or granting small loans on easy terms of interest and repayment". v^

From the above definitions it is clear that the Co-operative Banking is an institution which works on co-operative basis to cater to the needs of small men.

OBJECTIVES OF CO-OPERATIVE BANKING :

1. To provide credit at cheaper rate.
2. To develop banking habits.
3. Helping in the realisation of the ideal of better business and better living.
4. Encouragement of savings and thrift.

5. To help weaker section of the community.
6. Service is the main motto.
7. To help the other societies wuch as processing, marketing, consumers etc..

FUNCTIONS OF CO-OPERATIVE BANKS :

According to the section 6 of the Banking Regulation Act-1949, Co-operative bank can undertake the following functions.

- a) The borrowing, raising or taking up of money, the lending or advancing of money with or without security, purchase of bills etc.
- b) Acting as agents for an government or local authority or any other person or persons.
- c) Contracting for public and private loans and negotiations and issuing the same.
- d) The effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private or state.
- e) Carrying on and transacting every kind of guarantee and indemnity business.

- f) Managing, Selling and realising any property which may come into the possession of the co-operative bank in satisfaction or part satisfaction of its claims.
- g) Undertaking and executing trusts.
- h) Undertaking the administration of estates as executor, trustee or otherwise.
- i) Establishing and supporting or aiding in the establishment and support of association, institution, funds, trusts and conveniences, calculated to benefit employees or ex-employees of the co-operative bank or the dependents or connections of such persons.
- j) Selling, improving, managing, developing, exchanging leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the co-operative Bank.
- k) The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the co-operative bank.

- l) Acquiring and undertaking the whole or any part of the business of any person or company or co-operative Society.
- m) Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the co-operative Bank.

CO-OPERATION, CAPITALISM AND SOCIALISM :

Capitalistic economy is an economic system of organisation in which business and industries are organised and carried on for profit by Pvt. enterprises with a minimum Govt. interference.

Socialism is a Socio-economic system in which means of production, are owned by the state, In Socialistic Society the state owns, operates and distributes the productive resource of the community on the basis of equal rights.

Co-operation is neither capitalism, nor Socialism or communism or facism. It differs from any of these alternative systems to some extent it resembles with the capitalism of with socialism also. However it differs from in many respects. Co-operation moderates or dilutes the extremities of both the above systems. It is neither conservative nor radical but it is liberal, idealistic

movement. It stands for individual rights based on justice, equity and fair deal between man of man, which aims to prevent any sort of exploitation. Socialism, Capitalism, Communism suggest extremes in one way or the other, but Co-operative way is always middle way between laissez faire, liberalism and rigid planning on compulsory basis. It is an ideal synthesis between individual freedom and state control.

Late Mr. V.S. Bhide, Ex Registrar of Bombay State writes "co-operation represents a happy mean between the forces of extreme individualism on one hand & extreme Socialism on the other hand".

3.3 GROWTH AND STRUCTURE OF CO-OP. MOVEMENT CO-OPERATION BEFORE INDEPENDENCE -- INDIA.

Co-operative movement in India was introduced as a state policy and owes its origin to the enactment of the Co-operative Societies Act-1904. During the last more than 80 years of its existence the movement has passed through various stages of development and has seen many ups and downs. Co-operation before independence can broadly be divided into five stages.

I. First Stage : (1904 to 1912) Early Stage of Develop.

The first stage was essentially an experimental one.

The Act of 1904, provided for the origination of primary credit societies and stress was laid on the promotion of agricultural credit only. The credit of organising the first Central Co-operative Bank in Bombay, in 1911, goes to Mr. Jain Bhai Samaldas. This Bank was got registered by an agreement between the promoters of the Govt. under the Govt. of India Act - 1904.

Following table indicates the growth of the Co-op. credit societies in India during this period.

Table - No. 1.1

Progress of Co-operative movement from 1906 to 1911

Year	No. of Societies	No. of Members (in thousand)	Working Capital (Rs. in Lakhs)
1906-07	843	90.84	23.72
1907-08	1,357	149.16	44.14
1908-09	1,963	180.34	82.32
1909-10	3,428	224.40	124.68
1910-11	5,321	305.06	203.05

Source :- Report of the committee on Co-op. in India (1912) P.4

'Co-operation in India' by Dr. B.S. Mathur
Ed. 1988, P.55

It may be seen from the figures that the credit societies made significant progress during the initial stages.

II. Second Stage :- (1912 to 1919) Period of Hurried expansion.

The Act of 1904 was found insufficient to cope with the expanding movement. e.g. It didn't allow central and non-credit societies to be organised. A new Act was therefore passed in 1912, which removed the defects of the Act of 1904. The new Act give a fresh impetus of the growth of the co-operative movement. The No. of societies, their membership increased steadily.

T a b l e N o. 1.2

Progress of Co-op. Movement from 1911 to 1919

Year	Societies	Membership in lakhs	Working Cap. Rs. in lakhs
1911-12	8177	4.7	335.7
1917-18	25192	10.9	760.09

Source :- 'Co-operation in India' by Dr. Mathur P.56 Ed.88

By the end of 1917-18, there were 23741 agricultural societies and 1,451 non-agricultural. The membership of these societies was 8.5 lakhs and 2.04 lakhs respectively.

III. The Third Stage :- (1919 to 1929) Period of
unplanned expansion :

With the introduction of Reforms Act of 1919, Co-operation became a provincial subject and was placed under the charge of a Minister. During the early years co-operation made rapid progress in various states. Bombay gave a lead in this regard & passed a new Act in 1925. It was followed by Madras, Bihar, Orissa and Bengal which passed their own Acts during the later years.

T a b l e - 1.3

Progress of Co-operative Movement from 1919 to 1929

Year	No. of Societies in thousands	Membership in lakhs	Working Capital Rs. in crores
1920	28.4	11.3	15
1929	94	37	75

Source :- Theory history & Practice of co-op. by R.D. Bedi
P.182 - 1983.

The No. of membership of agricultural credit societies increased three-times while their working capital moved up four-fold. The progress in non-credit societies increased to 9.761 in 1929 while the

membership moved to 9.92 lakhs recording about a four-fold increase in both the cases.

IV. Fourth Stage 1929 to 1939 Period of Consolidation of
Recognisation :

In 1929, the world economic depression set in and gave the movement a great shock owing to the large percentage of credit societies funds with the movement were a fall in prices (particularly of agricultural commodities), the economic condition and repaying capacity was adversely affected. The proportion of overdues to loan outstanding which was only 20% in 1928 rose to 40% in 1932. Liquidation of societies and recoveries through the process of law were carried out to the great disrepute of the movement. The No. of agricultural credit societies fell from 23,512 in 1931 to 92,226 in 1933-34, recording a fall as about 13%. The amount of overdues in case of agricultural credit societies fell from 13.00 crores in 1933 to Rs. 11.36 crores in 1937. While the percentage of overdues to loan outstanding fell from 47 to 43 during the same period.

A significant highlight of this period was the establishment of the R.B.I. in 1935. The Agricultural credit dept. was also set up simultaneously to study agricultural credit problems and give financial accommodation to co-operative credit structure.

V. Fifth Stage :- 1939 to 1947 Period of Recovery.

From 1939, onwards prices began to rise as a result of which the movement got a good fillip.

T a b l e - 1.4

Progress of Co-operative Movement from 1939 to 1946

Year	No. of Societies in thousand	Membership in lakhs	Working Capital Rs. in crores
1938-39	122	53.7	106.47
1942-43	146	69.1	121.14
1945-46	172	91.6	164.00

Source :- Review of the Co-op. movement in India-1939, P-3.
Co-op. in India by Dr. Mathur, P-60.

As a result of high prices overdues fell by Demand for further loan also decreased greatly Deposits in primary societies also increased from Rs. 25 crores in 1940 to 54 crores in 1946.

An important landmark of this period was the setting up of the co-operative planning committee which drew up plans for the development of co-operation in various spheres. It fixed targets of bringing 50% of villages and 30% of population into the fold of co-operation in 10 years period, and marketing 25% of agricultural marketable surplus through co-operative marketing societ

3.4 CO-OPERATION AFTER INDEPENDENCE :

The attainment of independence in 1947, and the consequent establishment of national Govt. in the country came in as a fountain of inspiration for the co-operative movement also. In order to make the best use of its scarce resources, the country decided to build up its economic base in a planned way. The co-operation has been assigned an important role in the country's plans.

I. The First Year Plan :

In the first five year plan special targets for the promotion & development of co-operative movement were fixed and efforts were made to achieve them.

T a b l e - 1.5

Progress of the Co-operative Movement during the First Plan Period :

	1950-51	1955-56
1. No. of primary agricultural credit Societies.	1,15,462	1,59,939
2. Membership (in lakhs)	51.54	77.91
3. Average membership per society	45	49
4. % of Rural population served	10.3	15.6
5. Loan Issues (Rs. in crores)	22.90	50.16
6. Average Loan per member	45	64
7. Av. Share Capital per Society	727	1,051

Contd... Table - 1.5

	1950-51	1955-56
8. Av. Working capital (Rs.)	3,547	4,946
9. Av. Deposits per Society	391	441
10. % of Overdues outstanding	21	25

Source :- Co-operation in India by Dr. Mathur- P.66-1988.

From the above figures it may be seen that by the end of June-1956 about 15.6% of the rural population had come within the Co-operative sector. The amount of loans issued more than doubled, while the Number and membership of the Societies showed an increase of 32% and 51% respectively.

II. Second Five Year Plan :

The second five year plan set before itself the broad objective of evolving a socialistic pattern of society. During the plan period, the Co-operative movement was no more confined to credit societies alone, but it was widely extended to marketing, warehousing, buffer-stocks etc. A comprehensive programme of training of officials of the Co-operative department was also put into operation.

Table - 1.6Progress of Co-operation During the Second five Year Plan

	1955-56	1960-61
1. No. of Societies (in lakhs)	2.40	3.32
2. Membership (in lakhs)	176	342
3. Share Capital (in crores)	77	221
4. Working Capital (in crores)	469	1312
5. Loans advanced by primary Societies (in crores)	50	203
6. % of population covered	12	24
7. Average Deposits per society	441	688

Source:- Co-operation in India by Dr. Mathur P-70, 1988

III. The Third Five Year Plan :

• During the Third Plan also the co-operative movement was recorded a crucial role in implementing the schemes of economic development. The Third plan regarded Co-operation as one of the principal means for bringing about changes of a fundamental nature. It provided Rs. 80 crores for the development of Co-operation as against Rs. 34 crores in Second Plan.

Table - 1.7Position of Co-operation during The Third Plan

	1965-66
No. of Societies (in lakhs)	3.46
Membership (in crores)	5
Working Capital (Rs. in crores)	2,800
% of Villages Covered	92
Loans advanced by primary Societies (Rs. in crores)	427
<u>Land Development Banks :</u>	
Number	673
Membership (in millinons)	1.8
W. Capital (in crores)	137
Loans issued (Rs. in crores)	41
<u>Marketing Societies :</u>	
Number	3,198
Membership (in lakhs)	1.40
Share Capital (Rs. in crores)	18.7
Deposits (Rs. in crores)	5.7
<u>Processing Societies :</u>	
Number	922.0
<u>Industrial Societies :</u>	
Number	47,897
Membership (in lakhs)	25
<u>Other :</u>	
Farming Societies - Number	5077

	1965-66
Irrigation	1.558
Fisheries	3358
Consumers	13070
Housing	11.758
<u>Non-Agricultural Credit Societies :</u>	
Number	13449
Membership (in millions)	6.5
Working Capital (Rs. in crores)	275
Deposits (Rs. in crores)	177
Loans Advanced (Rs. in crores)	270
<u>Primary Credit Societies :</u>	
Number (in lakhs)	1.92
Membership (in millions)	27.2
Working Capital (rs. in crores)	546
Deposits (Rs. in crores)	35.3
Loans advanced (Rs. in crores)	427

Source :- Co-operation in India by Dr. Mathur 1988 ed.

IV. Fourth Five Year Plan

The performance of the Co-operative movement during the fourth Plan presents a mixed picture.

Table - 1.8Position of Co-operation during The Fourth Plan

	1972-73
Number of Societies (in lakhs)	3.3
Membership (in lakhs)	678
Share Capital (in crores)	1051
Working Capital (in crores)	8585

V. The Fifth Five Years Plan :

The major objectives of national policy during the Fifth Plan were the building up of a strong and viable co-operative sector with special emphasis on the needs of the peasants, the workers and consumers. Main target of and achievements during the Fifth Plan were.

Table - 1.9Targets and Progress of Co-operative Movement During the Fifth Five Year Plan :

	1973-74	Target	Actual 1978-79
1. Short-term Advances by Agricultural Credit Societies (Rs. in crores)	700	1.200	1.262
2. Medium-term Credit	200	350	753
3. Long-term credit	1,100	1,500	1,095

Contd... Table-1.9

	1973-74	Target	Actual 1978-79
4. Agricultural produce marketed (Rs. in crores)	1.100	1.600	1.334
5. Co-operative processing units	1,500	1,900	1,900
6. Fertilisers distributed (Rs. in crores)	300	1.000	900
7. Seeds, pesticides of Agri. machinery (Rs. in crores)	100	200	115
8. Co-operative storage capacity (lakh tons)	33	50	45
9. Consumer goods distributed (Rs. in crores)	380	1,200	1,250

Source :- Co-operation in Indai by Mr. Mathur 1988 Ed.

VI. Sixth Five Year Plan :

Strategy for the sixth plan is to strengthen and consolidate the co-operatives at the primary as well as the secondary levels of to develop professional cadres to man managerial positions in co-operatives. The plan envisages the strengthening of primary credit societies

so that they are able to effectively serve as multi-purpose units catering to the diverse needs of members.

T a b l e - 1.10

Targets and Position of Co-operative Movement

	<u>Target</u> (Rs. in crores)	<u>Actual</u>
1. Short-term loans distributed	2,500	2,500
2. Medium-term loans	240	250
3. Long-term loans	555	550
4. Agricultural produce marketed-Rs.	2,500	2,700
5. Fertilisers distributed-Rs.	1,600	1,500
6. Consumer goods sold		
Rural area	2,000	1,400
Urban area	1,600	1,400
7. <u>Processing units</u> (Numbers)		
Sugar factories	185	185
Spinning mills	80	90
Cold houses (freezing)	275	285

The significant factor was in 1982, NABARD was established. By the end of 1985 the total No. of primary Credit

Societies were 94089, having membership of 63.5 millions
Total Advances made by these Co-operatives were Rs. 2568
crores.

VII. Seventh five Year Plan :

Strategy for the seventh plan is to strengthen the training programme for co-operative societies develop the co-operation in the north area of the country, to provide services to the rural weaker section.

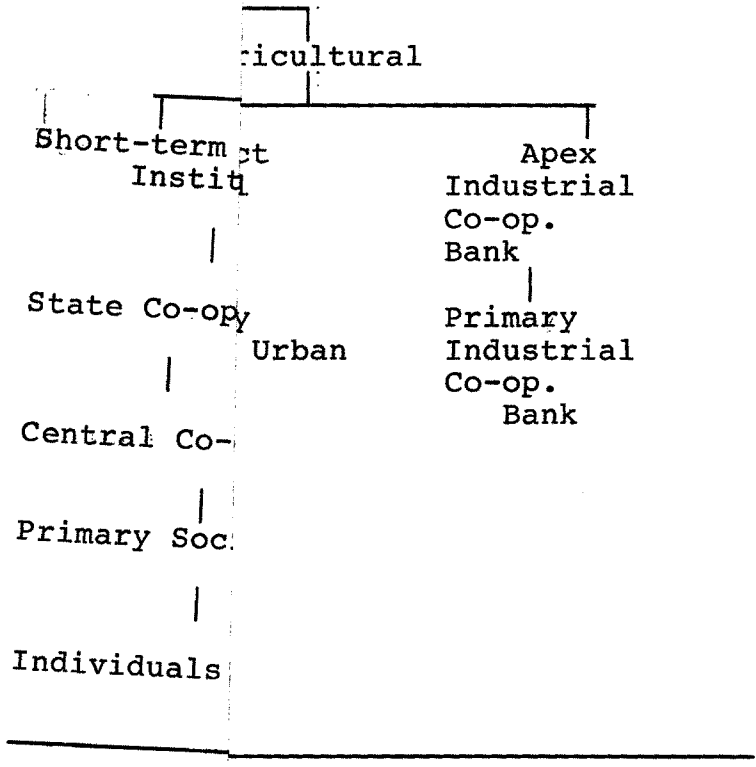
T a b l e - 1.11

Targets of Seventh Five Year Plan

	1990
Short-term loans (Rs. in crores)	5,540
Medium-term loans	500
Long-term loans	1,030
Agricultural produce marketed	2,500
Fertilisers distributed	3,400
Consumer goods sold	
Rural Area	3,500
Urban Area	3,500
Sugar factories No.(new)	35
Spinning mills	40

✓ **3.5** **CO-OPERATIVE CREDIT STRUCTURE IN INDIA :**

A Co-operative Bank is a three tier structure offering short & medium term credit. This allows a nationalised flow of resources from the metropolitan centres to villages & combines this with a fairly low cost of operations.



Source :- Ch

At present, after the introduction of NABARD Staff Co-op. Banks started to provide long-term credit facilities to DCC Banks. In turn they supply the same to Primary Agricultural Credit Societies. In many states, Central Co-op. Land Development Banks, have their branches all over the staff.

3.6 CO-OPERATION AND AGRICULTURAL CREDIT :

Agriculture is an important industry and like other Industries it also requires capital. Due to the peculiarities of agriculture, specially its un-certainties, its small unit production, low returns high rates of rent, limited scope for expansion a large proportion of cultivators cannot manage from one harvest to another without resource to borrowings. The importance of credit for agriculture has assumed added significance in India in view of the pivotal position agriculture occupies in the National economy. Agriculture provides employment to 60% of the population, contributes about 37% of our national wealth and accounts for about 26% of the total export earnings. Hence an efficient and developing agriculture is now considered to be a major factor in accelerating the pace of economic development. For stimulating the tempo of agricultural production it is imperative that the farmers must be provided with essential pre-requisites like fertilisers, improved seeds irrigation facilities, modern implements, etc. It is quite patent that without adequate and timely credit

they would not be able to make use of these essential inputs. The Co-operative form of organisations are considered best for providing credit to the farmers, because they satisfy all the imp. criteria of sound agricultural credit. The Co-operative organisation satisfy the basic conditions of proximity as they can have intimate knowledge of the character and abilities of their members. They can supervise the use of credit and see that members employ the money obtained by them for improving the productivity of land. The credit provided by these societies is also cheap, as they can have very low cost of administration.

Classification of Credit :

Credit can be classified period-wise, purpose-wise, creditor-wise and security-wise. According to the term of period, credit is classified as short-term, medium-term and long-term.

Short-term Credit :

It is given for seasonal agricultural operations directed towards raising of crop on land. These are generally made for 12 months. They are given for purchasing seeds, manure & fertilisers or for meeting labour charges.

Medium-term Credit :

The M. T. loans are given for a period ranging from over 12 months to 5 years for purchases such as reclamations of land, building, purchases of live stock, machinery etc.

Long-term Credit :

It is given for a period ranging between 5 to 20 years for purposes such as the redemption of land, liquidation of debt purchases of tractors, land etc.

The short-term Co-operative credit has a sort of federal structure, a three storied organisation. In every state this structure consists of the following societies.

Chart - 4Short-term Co-op. Credit structure

National Bank for Agricultural & Rural Development

Apex or State Co-operative Banks

Central Co-operative Bank at district level

Primary Credit Society at the village level

(A) Primary Agricultural Co-op. Credit Societies :

A primary agricultural co-op. credit society is supposed to be an association of borrowers and non-borrowers who residing in a locality know one another and take interest in one another's affairs. Membership of the society is open to any person in the locality. The area of operation of a primary agricultural co-op. society is supposed to be restricted to a compact area preferably a village or a group of small villages.

The primary Co-op. societies are generally affiliated to District Central Co-operative Banks. The District Central co-operative Banks are affiliated to the Apex Bank in each state namely Apex State Co-operative Bank. The main objects of primary societies are to create habit of saving and accelerate the rate of capital formation.

3.7 APEX CO-OPERATIVE BANKS :

Apex co-operative Banks were established at the provincial level with the chief object of Co-ordinating the work of central banks of linking up the Co-operative credit organisation with the general money market and R.B.I. They are expected to act as a clearing house for capital, what is envisaged is that money should flow from the apex bank to the central banks and from central banks to the rural Societies and from them to the individual borrower. The underlying

idea of this financial distributory system is that the resources of the society should be made available to thousands of small cultivators. It is the head of the co-operative movement in the state and is expected to play a positive role with regard to Co-operative credit system.

3.8 DISTRICT CENTRAL CO-OPERATIVE BANKS :

Primary Co-operative credit societies in a particular area, generally a district, federate and form a District Central co-operative Bank. Generally the D.C.C. Bank is located at the headquarters of the district. Some D.C.C. Banks have branches in some towns in the particular district.

The D.C.C. Banks are of two types. In one type of D.C.C. Banks, the membership (i.e. federating members) is confined to primary societies only. This type is therefore known as 'Banking union'.

In case of the second type of the D.C.C. Banks, there is mixed membership, consisting of both primary societies and individuals possessing some financial status or influence or some special business capacity or experience in the field of Co-operative Banking. The presence of some of these individuals in the D.C.C. Banks and thus on their boards of mgt. is

deemed necessary as the organisation and working of D.C.C. Banks is supposed to be complex and the representatives of primary societies on the board of mgt. of D.C.C. Banks may not have the necessary ability and experience required to run the D.C.C. Banks efficiently and thus inspire confidence in the minds of the public. As the representatives of primary societies on the boards of mgt. gain experience of management and begin to inspire confidence in the public, individual shareholders may cease to be the members of the D.C.C. Banks which may then be made up of only the federating primary societies.

OBJECTIVES AND FUNCTIONS OF DISTRICT CENTRAL CO-OPERATIVE BANK :

A District Central co-operative Bank is the dealer of money which provides finance to the co-operative societies and credit for agricultural production to the farmers at cheaper rate of interest & also serve as a media for collecting savings of the rural mass by mobilising the deposits. The main function of the D.C.C. Banks is to lend money to thick affiliated primary societies. Other objects are ;

1. To Act as Central Financing Agency :

The Central co-operative Bank acts as a central financing Agency for primary credit societies in the district and main business of this bank is to finance

short-term and medium-term credit requirement of agriculturists of poverty stricken people.

2. Rural Economic Development :

Growth of nation depends upon the well-being of all its people and therefore attention has been given to the economic development of our countrymen who are the victim of poverty. The development of these people is the prime function of all schemes & programmes of Credit Co-operatives are used for the development of such people of the Govt. has also tried to channelise all aids through co-operatives. Co-op. Bank has shouldered the responsibility to successfully implement these rural development schemes viz, Small Development Agency, Integrated Area Development programme, central co-op. Bank has to play an imp. role in all these schemes with the attainment of the object of upliftment of the weaker of poverty stricken people.

3. To Act as Balancing Centre :

The most imp. function of this bank is to maintain bal. of surplus funds of co-operative organisations within the district to meet the credit requirements of agricultural & non-agricultural co-operative Institutions in the Dept. This bank also gives loan against gold & silver to the individuals as per rules & regulations laid down by R.B.I. from time to time.

4. Deposit Mobilisation :

The Co-operative Banks are expected to develop the habit of self-help among the rural population as the development of resources depends upon savings made & invested in the banks by the community. this bank has made continuous efforts for increasing deposits.

In a nutshell the objectives of central co-op. Bank is to uplift the std. of living of its members & in turn effect the rural develop. of as such add up to the national wealth by mobilising rural savings.

5. To provide normal banking facilities :

Besides providing loan the D.C.C. Banks also provide certain normal facilities to members such as acceptance of deposits, remittance of funds, collection of cheques etc. In some states they are responsible for supervision and inspection of primary societies.

6. To develop the Co-operative movement in the district on sound lines and to act as friend, philosopher and guide.

7. To supervise, guide and control the working of member societies.

HISTORICAL RETROSPECT OF D.C.C. BANKS

I. Position before Independence :

When the Co-operative Societies Act was passed in 1904 there was no provision for the formation of the Central Banks. As the movement gained in popularity, the societies started increasing in number by leaps & bounds. But the financial arrangements 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. But 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 U.P. in 1906 as primary society. But the first perfect central Bank in the modern sense came into the light of the day in the former Central provinces and Bihar. In Rajasthan, the first Central Co-operative Bank was started in 1910 in Ajmer. The period from 1906 to 1918 may be called the period of origin of the Central Banks in various parts of the country.

The decade from 1919 to 1929, which was roughly the period between the end of the first world war and the onset of the world depression, was marked by the expansion of Co-operative Banking system. The No. of central Co-operative

Banks increased from 233 in 1919-26 to 588 in 1929-30 while their membership increased from 1.22 lakhs to 1.91 lakhs. The total working capital moved from Rs. 6.43 crores to Rs. 30.90 crores.

The onslaught of depression in the thirties adversely affected the working of the Central Co-operative Banks. There was a significant increase in the overdues of these banks. There was also a decline in membership. The membership was declined from .90 lakhs in 1929-30, 20.85 lakhs in 1936-37 while that of the societies from 1.10 lakhs to 0.91 lakhs. The No. of these banks however increased to 611 in 1936 & because of the registration of new banking unions in the former princely states in U.P. and Bihar. The war period provided a great fillip to co-operative Banking in India.

Foll. table shows the progress of these banks from 1938 to 1946.

T a b l e - 1.12
Operations of Central Co-operative Banks

	Rs. in crores.	
	1938-39	1945-46
1. No. of Central co-op. Banks	594	601
2. Membership in lakhs	1.77	1.98
3. Owned funds	6.65	8.45
4. Deposits	18.34	32.66
5. Working capital	29.32	45.07
6. Profit or loss (I)	+ .39	+ .45
7. Advances	10.51	.37
8. Repayment	10.26	41.97

Source :- Co-operation in India by Dr. Mathur - 1988 Ed.

Thus it may be seen that there was a general improvement in the financial position of the central Co-operative banks as a result of war. But in spite of the progress recorded during the war period, co-operative Banking organisation in many parts of the country was weak and needed considerable nationalisation at the time of the launching of the first five year plan. In some of the states like Bihar, Punjab, M.P., there was an excessive number of central Banks. The result was that the average No. of primary societies

affiliated to each central bank was often too small to admit adequate business. The Rural Credit Survey Committee found the D.C.C. Banks as extremely unsatisfactory institutions.

II. Position After Independence :

The Rural Credit Survey Committee suggested that each state should draw up plans for the nationalisation and strengthening of D.C.C. Banks in several of their aspects including financial and administrative. During the first five year plan period, the states began to follow the process of re-organisation and amalgamation of the D.C.C. Banks. This process was also followed in the second plan also. The basic principle of one Central bank for each district began to be followed in all the states. Where a central bank was serving more than one district its area was curtailed and new banks were registered in such district, on the other hand, wherever more than one bank existed in one dist., the same was amalgamated so as to form one strong unit. As a result, the No. of Central banks fell from 1950-51 to 1961.

Rs. in crores.

Particular	Rs. in crores.	
	1980-81	1982-83
1. Number of Central	337	340
2. Owned Funds	669	825
3. Deposits	2423	3184
4. Working Capital	4572	6241
5. Loans Issued (in	3211	4508
6. Loans	2987	4305
7. Loans outstanding	940	1330

Source :- 1.2 & 3 - Co-

- R.F

It may be seen that there has been an all-round development of the D.C.C. Banks. The progress has been most significant as regards the amount of working capital, deposits, owned capital etc. while the above features give us encouraging picture of the D.C.C. Banks, one distressing feature has been the increasing overdues, which shows nearabout 33% of the loans issued in 1983.

3.9 D C C. BANKS IN MAHARASHTRA STATE :

T a b l e - 1.14

Progress of D.C.C. Banks in Maharashtra

Particulars	Rs. in lakhs.		
	1971	1981	1983
1. No. of Central Banks	25	26	26
2. No. of Branches	877	1,703	2,000
3. Membership	55	62	63
Societies	30	36	40
Individual	25	26	23
4. Share Capital	2,515	4,563	5,753
5. Working Capital	23,637	83,526	1,21,227
6. Deposits	11,123	58,814	81,625
7. Loans Advanced in that year	37,072	1,29,585	2,41,149
8. % of overdues	25	29.2	21.4
9. Profit	146	376	636

Source :- Co-operative Movement in Maharashtra 1984
by State Govt.

Types of D.C.C. Banks :

The Central Co-op. Banks can be classified under three heads according to their constitution -

1. Banks whose membership is confined to individuals
2. Banks whose membership is confined to societies
3. Banks which include both individuals and societies among their members.

Out of the above three, the third type is considered to be better as it provides a combination of both rural and urban population. In such a bank, management vests in a board of Directors elected from both the societies as well as individuals. A large majority of the D.C.C. Banks in India are of this type.

Size and Area of Operation of D.C.C. Banks :

For the efficient functioning of a D.C.C. Bank it is imperative that its area of operation should be such that it may have sufficient business turnover so as to employ the necessary staff, meet the overheads build up a strong reserve fund. Also it should not become so unwieldy that it may not be able to supervise and co-ordinate the work of primaries. The Rural credit survey committee was in agreement with the opinion that, ordinarily these should be only one central bank for each dist. If however, in a particular area

financial and other conditions justify the formation of a bank for a region smaller than a dist. there should be no objection to this. This from of for the area of operation is suitable from the view point of enabling the bank to become a strong and powerful unit and discharging its responsibilities towards the lower tiers in the co-operative credit structure efficiently and economically.

Membership:

The membership of the D.C.C. Banks generally consists of primary societies registered within the area of operation of operation of the banks and individuals. The desirability of individual membership has been a subject of debate among exports. The latest trend seems to be to have only a small number of individual membership of the Central Co-operative banks to primary societies.

Management :

The mgt. of the D.C.C. Banks generally vests in a Board of Directors consisting of 12 to 15 members. The Director should be well-without the capacity of any professional man. The D.C.C. bank can't function as a progressive and efficient institution unless of can cammand the services of competent personnel both at its H.O. and in the field.

The representatives of the societies may dominate the board and may be able to shape the policies of the central banks in the benefit of affiliated primary societies. In most of the newly started central banks in few cases on the older ones also, govt. officials were found to be Chairman of the Board. On account of pressure from the top, non-officials have been nominated on the board of some of the central Banks in many states. In some cases, however the choice has not been happy. Lately some of the banks have come under the domination of politicians.