

7. District Central Co-operative Bank

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7.1 Introduction

In India co-operative movement was started with the first Indian Co-operative Act of 1904. Previously farmers were under the burden of loan. He was under the debt of moneylender. The moneylender were exploiting farmers. So, there was provision to establish the credit co-operative society in the co-operative act, 1904.

It was expected that co-operatives would be able to attract the deposits from the members and non-members but the expectation did not fulfill. Credit co-operative societies were not successful in increasing the capital and supply of loan to the farmers.

Taking into consideration the defects of first act 1904, the second co-operative act was made more comprehensive. By passing second act 1912, provision were made to establish co-operative society in all sectors. District Central Co-operative Bank came into existence due to provision of second co-operative act, 1912.

The government has appointed committee under the chairmanship of Sir E. D. Maclagan in the year 1914 to review the progress of the co-operative Movement in India. This committee submitted the report to the government. The committee made valuable suggestions for the improvement of the co-operative movement.

Maclagan committee recommended for the establishment of District Central Co-operative Bank. District Co-operative Bank act as a link between the State Co-operative Bank and Primary Credit Co-operative Societies at village level. Working area of this bank is restricted upto the district. District Central Co-operative Bank is a member of State Co-operative Bank. In Maharashtra the First District Central Co-operative Bank was established in Akola.

7.2 Meaning and Definition

➤ **Meaning:**

The bank which acts as a link between State Co-operative Bank and Primary Credit Co-operative Society is known as District District Central Co-operative Bank. The union formed by the all Primary credit co-operative society in the district is known as Central co-operative bank.

➤ **Definition:**

“District Central Co-operative Bank is the bank which is established at district level, which provides finance to all the co-operative societies in the district and conduct the activities and provide banking services according to the provisions of the co-operative act and banking act.

“ -Maharashtra co-operative societies act 1960 (sec. 6)

“A District Central Co-operative Bank means, a bank collecting co-operative fund from district and using for financing to primary credit co-operative and co-operatives. This bank is not Primary urban co-operative Bank”.

-Shri. J. P. Niyogi

7.3 Functions of District Central Co-operative Bank

District Central Co-operative Bank provides finance to Primary credit co-operative societies and other co-operative societies and collect deposits for the same. District Central Co-operative Bank acts as a link between the primary credit co-operative society and State Co-operative Bank and performs following functions:

Functions of District Central Co-operative Bank

1. Accepting Deposits	2. Lending loan
3. Bank of co-operative societies in the district	4. Bank of state government
5. Expansion of new branches	6. Leading the District co-operative movement
7. Loan on security	8. To control, supervise and guide
9. To maintain balance in credit supply of the district	10. Consumer Services

- 1. Accepting deposits:** The branches of District Central Co-operative bank are spread at village level so various deposits are collected from the people which inculcates habit of saving among the people. Various types of deposits are accepted like current deposit, saving deposit, fixed deposit and recurring deposit etc.
- 2. Lending loan:** The District Central Co-operative Bank provide loan to the member primary credit co-operative societies in the district. Seasonal loan is provided to the agriculture credit co-operative society in the district. Crop loan is provided for a period of 1 to 15 months which is known as short term loan. The medium-term loan for a period of 1 year to 5 years is provided for construction of well, purchase of agricultural equipment, etc. Such loan is provided by NABARD. Due to lack of finance this co-operative bank cannot provide loan of 5 to 25 years. As working area is limited up to district the deposits and share capital are less. District central co-operative bank provides short term loan and medium-term loan.
- 3. Bank of co-operative societies in the district:** District Central Co-operative Bank act as a banker of all co-operative societies in the district. As bank of co-operative societies in the state functions for keeping the deposits of co-operative safe, transfer of money, accepting cheque, clearing cheque, providing overdraft facility. Such services are provided and to keep reserve funds safely. Such functions are conducted by district central co-operative bank.
- 4. Bank of state government:** At the district level this Bank works as a Banker of state government. Educational institution, Zilla Parishad, Panchayat Samiti, Gram Panchayat, co-operative societies etc societies have account in this bank. All the financial transactions of co-operative sector are conducted through this bank. Various policies of the government for rural development is done by Zilla Parishad. So, it acts as a bank of State Co-operative Bank at district level.
- 5. Expansion of new branches:** The head office of the District Central Co-operative Bank is situated at the district headquarters. It is important to have a branch of District Central Co-operative Bank for proper coordination among the co-operative societies in the district. In the same way it is important to provide banking services at village level. So, it important to open new branches in the district.

6. **Leading the District co-operative movement:** District Central Co-operative bank functions to contact with all the co-operative societies within the district. For that, guidance is provided for the formation of co-operative society in the district. This Bank distribute the loan received from State Co-operative bank to Primary credit co-operative societies in the district. To provide guidance and control on co-operative movement in the district, to accelerate the working, enhancement and to maintain the balance in the development such functions are performed.
7. **Loan on security:** The District Central Co-operative Bank provide loan to the public by accepting gold and silver ornaments as security. This bank provide loan to the marketing co-operative society on the stock of goods with them. This bank also provide loan to spinning mills, co-operative sugar factory, etc. against the security of produce with them.
8. **To control, supervise and guide:** This bank keep control over the working, supervise their transaction and to keep control over the use of loan and provide guidance to the member society for achieving their objective, etc. functions are performed by the District Central Co-operative Bank.
9. **To maintain balance in credit supply of the district:** All the primary credit co-operative has an account and deposit in this bank. This bank collects the deposit from the financial stable co-operative society and lend the loan to financially weak co-operative society which maintains balance in credit supply.
10. **Consumer Services:** Common people keep deposits in this bank. This Bank provide loan to the customers, transfer of money, locker facility, clearance of cheque, payment of electricity bill and insurance premium. Services are provided like credit card, smart card, debit card, green card, ATM card, RTGS, NEFT, IMPS such functions are provided by the bank.

After studying about the financial condition District Central Co-operative Bank submit the report to the State government. Due to which the State government can plan the policies for the farmers and financially weak people and declared those policies. The working of those policy is done by this bank. The development of the district depends upon the District Central Co-operative Bank.

Activity:

- 1) Visit the branch of District central co-operative bank and prepare a report on its day-to-day working.

7.4 Problems of District Central Co-operative Bank

When any particular co-operative society works on large scale it has to face certain problems. District Central Co-operative Bank works on district level, so they face following problems:

Problems of District Central Co-operative Bank	
1. Limited Capital	2. Defective loan distribution system
3. Delay in sanction of loan	4. Increasing Overdues
5. Inefficient management	6. Insufficient deposits
7. Higher rate of interest on loan	8. Political interference
9. Improper supervision and control	10. Unbalanced development

1. **Limited capital:** In district Central Co-operative Bank deposits are not collected on large scale. Due to increase in the members and number of primary credit co-operative societies and other co-operative societies, the bank cannot fulfill the demand of loan. Due to Limited capital, loan cannot be provided as per the demand.
2. **Defective loan distribution system:** Due to lack of planning while granting the loan the financial stability, capability to repay the loan, project report, progress of the society, etc. such information is not checked properly. After the submission of prescribed application form the loan is immediately sanctioned which results in overdues of loan.
3. **Delay in sanction of loan:** For sanctioning the loan management committee takes lot of time. The loan system is complicated. Due to delay in sanction of loan, the loan is not given when it is actually required. Due to which farmers take the loan from the money lenders. After receiving the application of loans by the District Central Co-operative Bank, long period is taken for scrutiny and sanction of loan by Managing committee.
4. **Increasing Overdues:** Due to lack of planning, defective loan distribution system, sanction of personal loan, etc. there is increasing overdues in the District Central Co-operative Bank. Political interference is seen while recovery of loan. Due to which overdues are increased. In the same way, the member society do not repay the loan installment in time. Which results in serious problem of overdues.
5. **Inefficient management:** The management of District Central Co-operative Bank is inefficient. Inefficient persons are appointed in the Managing committee, the staff is untrained, there is partiality in appointment of staff and employees, lack of knowledge and experience of office bearers, political pressure on employees, employees do not have the knowledge of co-operative principles and working so there is inefficient management.
6. **Insufficient deposits:** District central co-operative bank do not keep attractive deposits. Attractive rate of interest is not given. Efforts are not taken for collecting personal deposits. So, capital fund is not increased.
7. **Higher rate of interest on loan:** The rate of interest on loan charge by these co-operative banks are higher as compared to commercial bank. In the same way while acquiring the loan certain amount is deducted and kept as deposit for investment purpose. Due to which members and non-members do not demand for loan from this bank.
8. **Political interference:** There is political interference in co-operative movement through various ways which has created an adverse effect. For approval and recovery of loan there is political pressure. Co-operative movement is affected because of the entry of politics, groupism, personal interest, power politics which affect the growth of District Central Co-operative banking.
9. **Improper supervision and control:** The District Central Co-operative Bank do not have sufficient staff to supervise and control over the primary credit co-operative society, its working and control on utilization of loan. Due to which there is improper supervision and control.
10. **Unbalanced development:** The District Central Co-operative Bank do not keep a balance while granting loan to primary credit co-operative societies in the district. Due to political interference some societies in the district get more loan while other societies get inadequate loan. So, balanced development is not achieved in the district.

To check the technical side of the projects, expert officers are not available in District Central co-operative bank. Due to untrained staff they are not able to use modern computer technology. So, the working of the bank becomes inefficient.

Activity:

- 2) Inefficient management is the main problem for the progress of District Central Co-operative Bank. Discuss.

7.5 Remedies on problems of District central co-operative bank

District Central Co-operative Bank acts as a money channel in the agricultural and rural industries of the district. In the same way, this bank provide loan and keeps control on the primary credit co-operative societies and other co-operative societies in the district. While doing these functions if following remedies are applied then this bank will be successful in its work:

Remedies on Problems of District Central Co-operative Bank

1. Increase in capital	2. Ease in sanction of loan
3. Sanctioning of loan without delay	4. Recovery of overdues
5. Efficient management	6. To increase the deposit
7. Less interest on loan	8. Away from political pressure
9. Effective supervision and control	10. Balanced development

- 1. Increase in capital:** District Central Co-operative Bank should take efforts to increase the capital. Shares and debentures should be issued. Members registration campaign should be taken to increase share capital.
- 2. Ease in sanction of loan:** While sanctioning the loan the District central co-operative bank should not provide loan under political interference, influence, general approval to loans, etc. The loan must be granted according to need of loan, repayment capacity of loan, fulfillment of documents, proper security, etc. after studying this factors loan should be approved.
- 3. Sanctioning of loan without delay:** District co-operative bank should sanction the loan without any delay. The period for sanction of loan should be fixed. The loan approved by the bank should be given immediately.
- 4. Recovery of overdues:** While recovering the overdues political pressure should not be considered and speed should be increased to recover the loan from society and people. Recovery of loan should be done by legal ways without considering the political pressure.
- 5. Efficient management:** Training must be given to all the directors, office bearers, staff, employees to increase their efficiency which will result in efficient management. For effective management scientific and professional training must be given to the managing committee.
- 6. To increase the deposit:** It is necessary to increase the deposits of the bank, for that deposit should be collected from producer, businessmen, social and educational institutions, etc. Similarly, to increase deposit various attractive deposit schemes must be introduced.
- 7. Less interest on loan:** District central co-operative bank should charge less rate of interest on loan as compared to commercial bank. Unnecessary deductions must not be made from loan amount.
- 8. Away from political pressure:** Political pressure should not be allowed in the day-to-day functioning of the bank. Bank should not be influenced by political pressure but loan should be granted to needy and capable societies. While granting the loan banking principles, RBI and co-operative department instructions must be followed.
- 9. Effective supervision and control:** Bank should increase the number of investigating officers to keep an effective supervision and control on working and use of loan of primary credit co-operative societies in the district.

- 10. Balanced development:** For balance development of co-operative societies in the district, the District central co-operative bank should supply proper loan in all the areas of the district.

District central co-operative bank should adopt modern technology for expansion of branches in banking sector. So modern services should be provided. Due to which banking services will be provided in rural sector and balanced development of co-operative sector will be done in the district.

Activity:

- 3) Visit the District Central Co-operative Bank in your locality and know the problems in working of this bank and suggest remedies on it.

7.6 SUMMARY

- In India there is three-tier structure of credit supply. In this structure the District Central Co-operative Bank is at central place. So, it is known as District central co-operative bank. District co-operative bank is located in each district of the state.
- Primary credit co-operative societies in the district come together and form a Central society. Such central society is known as co-operative bank or Banking union. District Central Co-operative Bank is the bank which provides loan and supervise and control primary credit co-operative societies in the district.
- District central co-operative bank means which is not an urban co-operative bank but collects deposits for providing the loan to other co-operative banks.
- **Functions of District central co-operative bank:**
 1. Accepting deposits
 2. Lending loan
 3. Bank of co-operative societies in the district
 4. Bank of state government
 5. Expansion of new branches
 6. Leading the District co-operative movement
 7. Loan on security
 8. To control, supervise and guide
 9. To maintain balance in credit supply of the district
 10. Consumer Services
- **Problems of District central co-operative Bank:**
 1. Limited capital
 2. Defective loan distribution system
 3. Delay in sanction of loan
 4. Increasing Overdues
 5. Inefficient management
 6. Insufficient deposits

7. Higher rate of interest on loan
8. Political interference
9. Improper supervision and control
10. Unbalanced development

• **Remedies over the problems of District central co-operative Bank:**

1. Increase in capital
2. Ease in sanction of loan
3. Sanctioning of loan without delay
4. Recovery of overdues
5. Efficient management
6. To increase the deposit
7. Less interest on loan
8. Away from political pressure
9. Effective supervision and control
10. Balanced development

7.7 KEY-TERMS

1. **Short term loan:** Loan for a period of 3 to 15 months.
2. **Medium term loan:** Loan for a period of 1 to 5 years.
3. **Long term loan:** Loan for a period of 5 to 25 years.
4. **NABARD:** National Agriculture and Rural Development Bank.
5. **NEFT:** National Electronic Fund Transfer System.
6. **RTGS:** Real Time Gross Settlement

7.8 EXERCISE

Q.1 A) Select the proper option from the options given below and rewrite the sentences.

1. The working of District central co-operative bank is restricted up to _____.
a) State b) District c) Taluka
2. In India _____ tier structure of credit co-operative is in existence.
a) Three b) Four c) Two
3. District central co-operative bank act as a link between the state co-operative bank and _____.
a) Primary credit co-operative society b) Credit co-operatives c) Rural bank
4. District central co-operative bank works as a bank of _____.
a) State co-operative bank b) District co-operative bank c) Urban co-operative bank

5. District central co-operative bank are the members of _____ bank.
 a) Urban co-operative b) State co-operative c) Rural co-operative

B) Match the following:

Group 'A'	Group 'B'
a. Maclagan committee report	1. Inefficient management
b. Trained staff	2. Dividend
c. District central co-operative bank	3. Three-tier
d. Deposits	4. 1915
e. Structure of credit co-operative	5. State level
	6. Four-tier
	7. District level
	8. Interest
	9. 1951
	10. Efficient management

C) Write a word or a phrase or a term which can substitute each one of the Following:

- Co-operative bank working a district level.
- Link between the state co-operative bank and credit co-operative society
- Bank acting as a bank of all co-operative societies in the district.
- Loan provided for a period of one to five years by District central co-operative bank.
- The unrecoverable loan installments of District Central Co-operative Bank.

D) State whether the following statement are True or False:

- District central co-operative bank act as a money channel for district level.
- Overdoes are increasing in District central co-operative bank
- District central co-operative bank keeps a control and supervision on the working of primary credit co-operatives.
- The first District central co-operative bank is established in Amravati.
- District central co-operative bank works at state level.

E) Complete the following sentence:

- District central co-operative bank is formed on the recommendation of _____ committee.
- The working area of the District central co-operative bank is limited up to _____.
- The _____ bank is known as the bank of all co-operative societies in district.
- District central co-operative bank provide _____ term loan.
- District central co-operative bank works at _____ level.

F) Select the correct option:

1. Working area of District Central Co-operative Bank	
2.	Establishment of Maclagan committee
3. Structure of credit co-operative society	
4.	Loan for 3 to 15 months
5. National Agricultural and Rural Development Bank	

1914, District level, NABARD, Three-tier, Short-term loan.

G) Answer in one sentence:

1. What is District central co-operative bank?
2. Which services are provided by the District central co-operative bank to the customers?
3. On whom District central co-operative bank keeps the supervision and control?
4. District central co-operative bank provide which term loan?
5. Under Who's recommendation District central co-operative bank came in to existence?

H) Correct the underlined word and rewrite the sentences:

1. The first District central co-operative bank is established in Ahmednagar in Maharashtra.
2. District central co-operative bank came into existence by the Saraya committee.
3. District central co-operative bank provides Long term loans.
4. State Co-operative Bank keeps a control over the primary credit co-operatives.
5. Primary credit co-operatives get the loan from rural and national development bank.

I) Find the odd one:

1. (a) District central co-operative Bank (b) Urban co-operative bank
(c) State co-operative Bank (d) Reserve Bank
2. (a) Accepting deposits (b) Sanction of loan
(c) Increasing overdues (d) A.T.M facility

J) Arrange in proper order:

1. (a) Providing Loan (b) Recovery of loan (c) Application for loan

Q.2 Explain the following terms:

1. District central co-operative bank
2. NABARD
3. Short term loan

Q.3 Application based / Self-opinion questions:

1. The development of co-operative movement of district depends on District central co-operative bank.
2. Raising overdues is the serious problem of district central co-operative bank.

Q.4 Distinguish between:

1. Urban Co-operative Bank and District Central Co-operative Bank.

Q.5 Write short notes:

1. Functions of District central co-operative bank.
2. Remedies towards the problems in District central co-operative Bank.
3. Problems of District central co-operative Bank.

Q.6 Give Reasons:

1. The development of Co-operative movement in district depends on District Central Co-operative Bank.
2. District central co-operative Bank provides short-term and medium-term loan.
3. Increasing overdues is the serious problem of District central co-operative Bank.
4. District Central Co-operative Bank leads co-operative movement in the district.
5. Inefficient management is observed in District central co-operative Bank.

Q.7 Answer in Short:

1. Explain the functions of District central co-operative Bank.
2. Write the remedies towards the problems of the District central co-operative Bank.
3. Explain the problems of District central co-operative Bank.

Q.8. Long answers:

1. Explain the problems of District Central Co-operative Bank.
2. What do you mean by District central co-operative Bank? and explain its function.
3. Explain remedies towards the problems of District central co-operative Bank.

