

8. Maharashtra State Co-operative Bank

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8.1 Introduction

India is an agricultural country. The business of agriculture is seasonal in nature. Agriculture sector needs finance for particular period. The structure of Credit Co-operative is of three-tier in Maharashtra. Primary Credit Co-operative Society works at village level, District Central Co-operative Bank works at district level and State Co-operative bank (Apex bank) acts as the federation of all District Central Co-operative Bank and works at State Level.

Maharashtra State Co-operative Bank is the apex bank in Maharashtra state. In this three-tier structure, State Co-operative Bank works at the top most level and hence it is known as the Apex Bank. In 1914 the Maclagan committee had recommended the need of establishment of State co-operative bank. State Co-operative Bank were established to fulfil the loan requirements of primary credit co-operative societies through central co-operative banks and to supervise, control and coordinate their work.

State co-operative bank is the union of all District central co-operative Banks in the state. The State co-operative bank was established on 11th October, 1911 at Mumbai province. For every state there is one apex bank. The head office of Maharashtra State co-operative bank is at Mumbai. State co-operative bank provides loan indirectly to the farmers through District central Co-operative Bank and Primary credit co-operatives.

8.2 Meaning and Definition

- **Meaning:**

The top most co-operative bank of the State which brings about overall and well-balanced development on the agricultural front by extending credit to farmers on the basis of co-operation is known as State co-operative bank. Its primary objective is to facilitate well-balanced development of the States co-operative movement. The bank which acts as the important link between States co-operative movement, Reserve Bank and NABARD is known as State Co-operative Bank.

The top most institution of the State which provides credit to States co-operative societies is known as State Co-operative Bank.

- **Definition:**

- “State Co-operative Bank is known as the apex bank of the State which provides credit supply for developing the State co-operative movement. The top most institution which is entrusted with the task of collection of capital and allocating the funds to different sectors as per requirement so as to eradicate backwardness, promote development and bring about

well-balanced development on the co-operative sector of the entire State is known as State Co-operative Bank”.

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- “Apex Bank refers to that institution whose range of operations is spread over entire State of Maharashtra and its main objective is to protect the main objectives of those institutions who are its members, take care of their amenities and providing them the required services. This institution is also categorized by the Registrar”. **Maharashtra Co-operative Societies Act, 1960.**

8.3 Functions of State Co-operative Bank

State Co-operative Bank functions as the apex bank of all the co-operative banks in the State. Being the bank of all District Central Co-operative Banks, State Co-operative Bank performs following functions:

Functions of State Co-operative Bank

1. Acceptance of deposits	2. Granting loans to co-operative societies
3. Supervision on use of loans	4. Co-ordinate the working of co-operative institutions
5. Connect the co-operative sector with money market	6. Provides banking services
7. Providing loans to rural industries	8. Maintaining balance in credit supply
9. Expansion of branches	10. Provides leadership for co-operative movement

- Acceptance of deposits:** State Co-operative Bank accepts deposits from its members among District central co-operative banks, individual members as well as co-operative societies. The bank also accepts deposits from Zilla Parishad, educational institutions, municipal council, etc. The State co-operative banks accept deposit on large scale and fulfils the requirement of working capital of District Central co-operative banks.
- Granting loans to co-operative societies:** The State co-operative banks are required to provide loans on a large scale to District Central co-operative banks and other co-operative societies in the state. State co-operative bank also provide loan to processing co-operatives, marketing co-operatives, housing co-operatives, industrial co-operatives, etc. The loans is also provided indirectly to the farmers through primary co-operative credit societies.
- Supervision on use of loans:** The state co-operative bank keeps supervision on use of loan provided to the District central co-operative bank, processing co-operative societies and Co-operative industrial societies in the state. After providing loans to co-operative institutions, to avoid misuse of loan and to have a control on the problem of heavy overdues, the State Co-operative Bank gives instructions to them. And if the need arises, then the apex bank undertakes inspection of the member co-operative societies through experts.
- Co-ordinates the working of co-operative institutions:** In the State, there are various types of co-operative institutions like Credit co-operative societies, co-operative banks, consumers co-operative societies, etc. For the development of co-operative movement, there should be coordination among these societies. State co-operative banks has to prepare guiding principles

for co-operative institutions and to see that it is observed from them. Also, it has to prepare policy framework for co-operative institutions and has to ensure that it is followed by them.

5. **Connect the co-operative sector with money market:** Primary credit co-operative societies are working in villages and hence they don't come in contact with the money market. State co-operative bank invests the reserve and surplus funds of District central co-operative banks and other primary credit societies in the money market. The institutions involved in various types of short term and mid-term financial transactions is collectively known as the Money market. The co-operative sector and money market come in contact with each other only through State Co-operative Bank. State Co-operative Bank buys debentures and invests in government schemes. During the times of scarcity of funds, it procures short term loans from the money market and distributes the same to District Central co-operative banks. The State Co-operative bank encashes bills generated through agricultural transactions in the money market. The State co-operative bank establishes contact of credit co-operative society with money market.
6. **Providing banking services:** Co-operative banks are spread all over the state. The State co-operative banks through its network of branches provides various types of banking services to its customers and co-operative societies. The services include clearing the cheque and bills of exchange of co-operative banks, transfer of funds from one branch to the other branch, drawing drafts etc. The State co-operative bank also provides services such as ATM, Net banking, Tele banking, RTGS and NEFT.
7. **Providing loans to rural industries:** The State co-operative banks undertake the task of providing loans for industrialization in rural areas. The development of agriculture leads to rural development. State co-operative banks provide loans to co-operative sugar factories, co-operative spinning mills, agricultural produce processing units, handloom industries and such other co-operative industries. With the objective of bringing about co-operative development of cottage industries and small scale industries in rural areas, State co-operative banks play a major role by buying their share capital to assist them to operate in the initial stages. State co-operative banks perform the task of maintaining balance in the overall development of rural areas.
8. **Maintaining balance in credit supply:** The financial position of all District Central Co-operative Banks in the State is not the same. The amount of share capital and deposits also differ. In certain District Central Co-operative Bank, the demand for loan is low as compared to their share capital and deposits. Whereas in other District Central Co-operative Banks, the demand for loans is higher for agriculture especially during the harvesting season. The funds of those District Central Co-operative Banks who are in surplus are diverted to those District Central Co-operative Banks which are in deficit of funds. Similarly, State co-operative banks also divert the flow of funds to those industries where the demand is higher so as to maintain balance in supply of loans.
9. **Expansion of branches:** The head office of Maharashtra State Co-operative Bank is in Mumbai. The Regional offices and branches of the bank have been opened in various parts of the State. Banking services are being provided through these branches of the bank. The bank performs the function of distribution and recovery of the loans.
10. **Provides leadership for co-operative movement:** Reserve Bank of India functions as the bank of Government of India similarly State Co-operative Bank functions as the bank of the State Government. The implementation of financial policy of Government, provides suitable

directions for the development of co-operative sector in the State and provides suggestions to the State Government for preparing policies relating to development of the State.

The State co-operative bank provides suggestion to the Government with regard to which policies needs to be implemented in which regions of the State. The co-operative development of the State depends upon the development of State co-operative bank.

State co-operative bank being the bank of State government functions to coordinates for consolidation of all co-operative banks. State co-operative bank inspects the banking transactions of District Central Co-operative banks and exercise control on them, guides them and in the three-tier structure of co-operative credit societies functions as an apex bank. The development of the co-operative movement in the state depends on the State co-operative Bank.

8.4 Problems of State Co-operative Bank

The working of State co-operative bank is in whole state. The scope of State co-operative bank is the entire state which creates the problems in working of the bank. Following are the problems of State co-operative bank:

Problems of State Co-operative Bank	
1. Inadequate Capital	2. Inadequate deposit
3. Defective loan supply system	4. Increasing Overdues
5. Improper supervision and control	6. Improper investment
7. Lack of planning	8. Ignorance towards medium-term loan
9. Defective functioning	10. Inefficient management

- Inadequate Capital:** Share capital, deposit, reserve fund collected by the State co-operative bank is inadequate. To meet the requirement of loan in the state, the collected capital is inadequate. Loan is taken regularly from NABARD and State government. In comparison of number of member societies and demand of loan, the capital is inadequate.
- Inadequate deposit:** State co-operative bank has not succeeded in collecting large amount of deposit. According to turn over, the deposits collected by the bank is less. Deposits collected by the general public is minimal.
- Defective loan supply system:** While providing the loan to District central co-operative bank and other co-operative societies their financial stability and capability to repay the loan is not considered and due to political pressure loan is given to certain District central co-operative bank, economical weaker co-operative society. Many a time loan is provided without following the rules and regulations of RBI.
- Increasing Overdues:** The overdues of the State co-operative banks are increasing regularly. Defective loan supply system, ignorance towards proper utilization of loan, less efforts towards recovery of loan, problems in recovery of loan due to political interference due to such reasons overdues are increased. Due to ignorance in recovery of loan, State co-operative bank have come into economical problem.
- Improper supervision and control:** State co-operative bank failed in supervising and controlling the co-operative society. Due to lack of trained staff in state co-operative bank they

cannot supervise and control the working of district central co-operative bank. The number of inspectors are less so inspection is not done properly. Proper attention is not given to whether the mistakes shown in the inspection are rectified or not.

6. **Improper investment:** State co-operative bank do not carefully plan their investment policies. State co-operative banks faces political pressure while investing in the share capital on large scale. Due to which large amount of share capital is blocked. Due to improper investment of funds banks comes in financial problem.
7. **Lack of planning:** State co-operative banks are not planning properly while investing or granting the loans. Due to lack of supply of loan and recovery of loan for a longer period it has badly affected on the development of state.
8. **Ignorance towards medium-term loan:** Loan is provided by NABARD to State co-operative banks. However, most of the time, the bank does not borrow the medium-term loan. Due to which members do not get medium term loan. The bank does not study the loan requirements of the State co-operative bank. Therefore, the debt planning does not succeed.
9. **Defective functioning:** State co-operative bank do not control towards usage of loan as well as recovery of loan on district central co-operative bank. Decisions on supply of loan is taken by the managing committee. Every director tries to provide more and more loan to the co-operative societies in his area. Due to which there is no balanced development in the co-operative sector.
10. **Inefficient management:** The management of state co-operative bank is inefficient. Officers do not have sufficient knowledge of co-operative principles and they are inexperienced and there is political pressure on the staff due to which the management is inefficient. It is expected that state co-operative bank should not provide personal loan. But State co-operative bank are providing personal loan.

8.5 Remedies on problems of State Co-operative Bank

State co-operative bank acts as an important economical channel in the co-operative sector. The working area of the state co-operative bank is the entire state so they face various problems in the working. Following are the remedies on problems of state co-operative bank:

Remedies on problems of State Co-operative Bank

1. Emphasis on capital raising	2. Increasing deposits
3. Proper allocation of loan	4. Emphasis on recovery of loan
5. Effective supervision and control	6. Proper investment
7. Work Planning	8. Improvement in functioning
9. Efficient management	10. Balanced development

1. **Emphasis on capital raising:** State co-operative bank should take efforts in increasing the capital. Shares and debentures should be issued. Deposits should be accepted. To increase the share capital member registration campaign should be taken. If the government will give grant for salary of staff capital will be increased.

2. **Increasing deposits:** State co-operative bank must prepare attractive deposit schemes for persons and societies. Depositor should be given immediate and quick services to increase the deposits. Attractive rate of interest should be given on deposits.
3. **Proper allocation of loan:** State co-operative bank should not come under political influence while granting the loan. Study regarding granting the loan, need of loan, capability to repay the loan, scrutiny of the documents, proper mortgage, etc. while granting the loan. Loan should not be approved in general.
4. **Emphasis on recovery of loan:** While recovery of loan political pressure should not be considered and strict policies must be framed. The district central co-operative bank and other co-operative societies who are in overdues should not get concessions. Legal action must be taken on societies having overdues.
5. **Effective supervision and control:** To keep effective supervision and control, the State co-operative bank should appoint more number of expert trained officers. After auditing all the defects are rectified or not should be checked.
6. **Proper investment:** State co-operative bank should carefully frame the policies of investment. While investing the share capital, reserve fund, deposits of the bank, the financial position, need of development, productivity, etc. should be considered properly.
7. **Work Planning:** State co-operative bank should look at the loan requirements and development of co-operative sector of the District central co-operative bank and other major co-operative societies in the state. Co-operative societies in the district should formulate a credit plan and plan for debt distribution.
8. **Improvement in functioning:** State co-operative bank should plan for credit and should approve the loan after checking economic stability of society, project report, the path to progress the society, etc. The actual loan recovery must be recorded in the records.
9. **Efficient management:** State co-operative bank should appoint efficient expert trained staff, employees and officers for effective working of the society. Training programmes should be arranged for the employees and officers. When required employees should be appointed having the knowledge of computers.
10. **Balanced development:** For the balanced development of co-operative society there must be equal distribution of loan to all district central co-operative bank. Loan cases should be resolved immediately. Time limit should be fixed for sanctioning loan and sanctioned loan should be disbursed immediately. Due to this there will be balanced development of the co-operative sector in the state.

For the development of co-operative sector, the apex bank has a big contribution. The remedies to the problems of the bank's procedure is needed to enhance the future of co-operation. If the apex bank expands its branches and enhance the efficiency of the staff and officers State co-operative bank will be successful in its working.

Comparative Study of Urban co-operative bank, District central co-operative bank and State co-operative bank

Sr. No.	Points	Urban Co-operative bank	District Central co-operative bank	State Co-operative bank
1.	Meaning	The primary credit co-operative banks established in urban and semi urban areas are known as Urban co-operative bank.	The bank which provides loan and keeps control on primary credit co-operatives and other co-operative societies in the district is known as District central co-operative bank.	The bank which provides loan and keeps a control on the working of district central co-operative banks in the state is known as State co-operative bank
2.	Objective	The objective of this bank is to provide loan to the salary earners, small businessmen, artisans, small industrialist, etc.	The objective of this bank is to provide loan to the primary credit co-operatives in the district.	The objective of this bank is to provide loan to district central co-operative banks and processing co-operatives societies in the state.
3.	Membership	Salary earners, small businessmen, middle class, artisans, etc. are the members of this bank.	The membership of the bank is given to primary credit co-operative societies and other co-operative societies in the district.	District central co-operative bank, processing co-operative societies and other state level of co-operative societies in the state are the members of this bank.
4.	Working area	The working area of the urban co-operative bank is limited up to the particular city.	The working area of the district co-operative bank is limited up to the district.	The working area of the state co-operative bank is limited up to the state.
5.	Place in credit structure	Urban co-operative bank works at primary level.	District central co-operative bank works at district level.	State co-operative bank works at state level.
6.	Main function	To accept deposits from public, to provide loan, to provide safe deposit locker facility, to act as a representative, to provide modern banking services are the main functions of this bank.	To accept deposit from the co-operative societies and people, to provide loan, to supervise and control on the working of credit co-operative societies, to act as a leader in district co-operative movement, etc. are the main functions of this bank.	To provide loan to district co-operative banks in the state, maintain balance in the credit supply, keep control on the working of central co-operative bank, leadership of state co-operative movement, to act as a bank of co-operative banks in the state, etc. are the functions of this bank.

8.6 SUMMARY

- The Structure of credit co-operative is three-tier. Primary credit co-operative societies at village level, District central co-operative banks at district level, State co-operative bank at state level. State co-operative bank is an apex bank at state level. After formation of Maclagan committee in the year 1914, this committee in their report submitted in 1915 expressed the importance of state co-operative bank in the state. This bank is at supreme level so it is known as apex bank.
- State co-operative bank means a bank which provides loan to district central co-operative bank and to supervise and control on it.

- **Functions of State co-operative bank**

- | | |
|--|--|
| 1) Acceptance of deposits | 2) Granting loans to co-operative societies |
| 3) Supervision on use of loans | 4) Co-ordinate the working of co-operative societies |
| 5) Connect co-operative sector with money market | 6) Provides banking services |
| 7) Provides loans to rural industries | 8) Maintaining balance in credit supply |
| 9) Expansion of branches | 10) Provides leadership for co-operative movement. |

- **Problems of State Co-operative bank**

1. Inadequate Capital
2. Inadequate deposit
3. Defective loan supply system
4. Increasing Overdues
5. Improper supervision and control
6. Improper investment
7. Lack of planning
8. Ignorance towards medium-term loan
9. Defective functioning
10. Inefficient management

- **Remedies to Problems in State Co-operative bank**

- | | |
|--------------------------------------|---------------------------------|
| 1. Emphasis on capital raising | 2. Increasing deposits |
| 3. Proper allocation of loan | 4. Emphasis on recovery of loan |
| 5. Effective supervision and control | 6. Proper investment |
| 7. Work Planning | 8. Improvement in functioning |
| 9. Efficient management | 10. Balanced development |

8.7 KEY-TERMS

1. **Apex Bank-** Top most bank in the co-operative banking structure.
2. **Personal loan-** Loans given to persons against individual security.
3. **Money market-** The transaction in short term loan between bank and other financial institutions.

8.8 EXERCISE

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

1. State co-operative banks work at _____ level.
a) Taluka b) District c) State
2. State co-operative bank keeps a control on _____.
a) Primary credit co-operatives b) Urban co-operative bank
c) District central co-operative bank
3. The head office of Maharashtra State Co-operative Bank is at _____.
a) Pune b) Mumbai c) Nashik
4. NABARD provides loan to district central co-operative bank through _____ bank.
a) State co-operative b) Rural development c) Urban co-operatives
5. State co-operative banks take the loan from _____.
a) International Bank b) NABARD c) Commercial bank

B) Match the following:

Group 'A'	Group 'B'
a) Apex Bank	1. District central co-operative bank
b) Main problem of State co-operative bank	2. Pune
c) Head office of State co-operative bank	3. 1914
d) Establishment of MacLagan committee	4. State level
e) Members of State co-operative bank	5. Mumbai
	6. District level
	7. 1951
	8. Huge capital
	9. Increasing overdues
	10. Urban co-operative bank

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

1. Apex bank in credit co-operative structure.
2. Member bank of State co-operative bank.
3. The bank providing loan to the State co-operative bank.

4. Bank of District central co-operative banks in the state.
5. The bank controlling and regularizing District central co-operative bank.

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

1. The working area of the State co-operative bank is the entire country.
2. State co-operative banks directly provide loan to the farmers.
3. State co-operative bank is an apex bank.
4. Development of co-operative movement in the state is the responsibility of apex bank.
5. Every state has a one State co-operative bank.

E) Complete the following sentence:

1. State co-operative bank provide loan to _____ bank.
2. The State co-operative bank works at _____ level.
3. The development of co-operative movement in the state is depended on _____ bank.
4. State co-operative bank keeps control on _____ bank.
5. In Maharashtra, the structure of credit co-operative society is _____ tier.

F) Select the correct option:

1.	State Level
2. Members of State co-operative Bank	
3.	MacLagan Committee
4. Problem of State co-operative bank	
5.	Structure of credit co-operative

1914, Three-tier, increasing overdues, state co-operative bank, District central co-operative bank

G) Answer in one sentence:

1. What do you mean by State co-operative bank?
2. What do you mean by balancing credit supply?
3. What is money market?
4. Which type of deposit is accepted by State co-operative bank?
5. What do you mean by defective system of loan distribution?

H) Correct the underlined word and rewrite the sentences:

1. The head office of Maharashtra state co-operative bank is at Pune.
2. State co-operative bank keeps control on Urban co-operative bank.
3. State co-operative bank works at District level.
4. Loan is provided by Urban co-operative bank to district central co-operative bank.
5. District co-operative bank is the apex bank in the state.

Q.2 Explain the following terms:

- | | |
|--------------|------------------|
| 1. Apex bank | 2. Money market |
| 3. Overdues | 4. Personal loan |

Q.3 Application based / Self-opinion question:

1. The development of Co-operative movement in the state depends on Maharashtra state co-operative bank.
2. Due to state co-operative bank there is balance of credit supply in the state.

Q.4 Distinguish between:

1. District central co-operative bank and State co-operative bank
2. Urban co-operative bank and District central co-operative bank.
3. State co-operative bank and Urban co-operative bank.

Q.5 Write short notes:

1. Functions of State co-operative bank.
2. Problems of State co-operative bank.
3. Remedies on problems of State co-operative bank.

Q.6 Give Reasons:

1. State co-operative bank is the apex bank in the structure of credit co-operative.
2. The development of co-operative movement in the state depends on the State co-operative bank.
3. State co-operative bank keeps the control on functioning of District central co-operative bank.
4. State co-operative bank acts as a link between the co-operative sector and money market.
5. Overdues is the serious problem in State co-operative bank.

Q.7 Answer in Short:

1. State the functions of State co-operative bank.
2. State the problems of State co-operative bank.
3. State the remedies on problems of State co-operative bank.

Q.8 Long answers:

1. Explain the remedies on problems of State co-operative bank.
2. State the definition of State co-operative bank and explain its problems.
3. Write the meaning of State co-operative bank and explain its functions.

