

CHAPTER - III
ORIGINE AND PROGRESS OF DISTRICT CENTRAL
COOPERATIVE BANKS IN INDIA

3.1 Introduction:

The cooperative movement was started in India largely with a view for providing agriculturists funds for agricultural operations at a low rates of interest and protect them from the clutches of moneylenders. The average Indian Agriculturists is the delight tiller of the soil, whose diet is sparse, whose wants are few and whose standard of living is perhaps the lowest in the civilized world. He lives on the margin of subsistence very often he borrows not because he can but because he must. His chronic indebtedness is the result of his poverty. Without removing the factors, which contribute to his chronic poverty, indebtedness cannot be liquidated. The increasing dependence of the population on agriculture, the decline of rural industries which once furnished subsidiary occupation, the oppressive burden of land taxation, the uneconomic system of land tenure, dependence on money lender-cum-trader for the sale of his produce and as a source of credit, and other indisputable economic factors have contributed largely to the ever growing economic ability of the agriculturist and his proverbial poverty. And as the royal commission on agriculture remarked, "The Indian peasant is born in debt, dies in debt and bequeath death". It is this debt which has been the root cause of the degeneration of the peasantry in India. It is here that the cooperative movement can and must come forward to improve the economic conditions of the masses and increase their income and purchasing power¹.

The process of rural development is of vital importance in a developing

country like India, where according to census 2001, near about 72.2 percent population is living in the rural areas. For increasing agricultural production and implementing advanced methods in the agriculture sector, the farmers need adequate credit for stimulating the tempo of agricultural production. It is imperative that the farmers must be provided with essential pre-requisites like fertilizers, improved seeds, irrigation facilities, modern implements, marketing facilities etc. It is quite natural that without adequate and timely credit they would not be able to make use of these essential inputs. The use of greater and better quantity of inputs would mean greater demand for rural credit Mr. Hohn D. Black, professor of Economics, Harvard university has very rightly stated", If we are all concerned about increasing total agricultural output in the shorter period, we must provide credit first and foremost².

Thus the government of India, in 1901 appointed a committee under the chairmanship of sir Edward Low to study the questions of starting cooperative credit societies in India. This committee also recommended the establishment of cooperative societies on the Raiffeisen model. The famine committee of 1901 also recommended the setting up of mutual credit associations. Accordingly the cooperative credit societies Act was passed in 1904. This act provided for the establishment of credit societies both in rural and urban areas, for providing credit facilities at cheap rates to small men living in the same locality. Rural societies were to be organised on the Raiffeisen model while the urban societies were to be established on the Schulze Delitzsch pattern. Provision was also made in the Act for the appointment of registrars in every province. The modern cooperative movement in India, thus may be said to have started with the passing of this Act³, for providing agricultural and non-agricultural credit to rural areas.

The cooperative movement could not achieve much success before independence. After the attainment of independence in 1947, there was marked change in the conception of governmental functions and the idea of the welfare state began to influence all activities of the government. The national endeavour has been to promote repaid and balanced economic development. The nation has accepted the concept of planned economy and to work for a socialistic pattern of society to achieve this objective the cooperative movement has to play an increasingly important role⁴.

3.2 Origin of District Central Cooperative Banks In India:

The Cooperative Societies Act was passed in 1904, there was no provision for the formation of central bank. The sponsors of the cooperative movement expected that the rural credit societies would be able to attract substantial deposits from the members and well to do sections of the village community and their savings would be available to meet the needs of the needy in the villages. It was also contemplated that any deficiency in the funds would be made good by loans from the government. But these expectations of the promoters did not materialize. The isolated and poorly managed societies failed, in the first instance, to tap funds from the more affluent, secondly they could not augment their own capital base by encouraging thrift and self help among their members⁵.

The movement gained popularity, the societies started increasing in number by leaps and bounds. But the financial arrangements envisaged did not yield enough money to meet their growing requirements. The Cooperative Societies Act was, therefore, amended in 1912 with a view to permitting registration of central societies. It may be of interest to note that even before the amendment, some central banks had been established to cater to the financial needs of the primary societies. The first central bank

was registered in Uttar Pradesh in 1906 as a primary society. But the first perfect central bank in the modern sense saw the light of the day in the former central provinces and Berar. In Rajasthan, the first central cooperative bank was started in 1910 at Ajmer⁶.

But there was no provision for formation of central cooperative banks prior to 1912. It was in the year 1912 that an Act, relating to cooperative societies provided for the formation of central cooperative banks. The all India Rural Credit Survey Committee endorsed the views expressed by this Reserve Bank's standing advisory committee on agricultural credit, that there should be only one central bank for each district, but if, however, other conditions, justified, the formation of a bank for a region smaller than a district, there should be no objection to that. In view of the existence of more than one central bank in a district which did not conform to the standard, the committee strongly recommended that schemes of amalgamation must be introduced in all states almost on a compulsory basis and the minimum standards in regard to owned capital and working capital of the district central banks were also agreed to paid up share capital and reserves about Rs.3 lakhs and working capital of Rs.20 to 25 lakhs⁷.

The central bank has passed through several phases of expansion, stagnation and revival from their inception to the dawn of the planning era. Their progresses made during the war period central cooperative banks in many parts of the country were weak and needed rationalization. The all India Rural Credit Survey Committee pointed out that, "The central cooperative banks in most states are extremely unsatisfactory institutions. It is therefore, important to draw up for each state plans for the rationalization and strengthening of central cooperative banks in several of their aspects including financial and the administrative in several stages. However, the

banks have made rapid progress with active support of the government and the Reserve Bank of India and state cooperative bank. Now, they have banker of central cooperative banks and such acts as lender of last resort⁸.

3.3 History of Cooperative Banking In India:

The cooperative history in India may be traced back to year 1904, in which Cooperative Societies Act was passed. There were no provisions for the formation of central bank. The sponsors of the cooperative movement expected that the rural credit societies would be able to attract substantial deposits from the members and well to do section of the village community and their savings would be available to meet the needs of the needy in the village. It was also contemplated that any deficiency in the funds would be made good by loans from the government. But these expectations of the promoters did not materialize. The isolated and poorly managed societies failed, for instance, to tap fund from the more affluent, secondly they could not augment their own capital base by encouraging thrift and self help among their members. As the movement gained in popularity, the societies started increasing in number by leaps and bounds. But the financial arrangements envisaged did not yield enough money to meet their growing requirements. The Cooperative Societies Act was, therefore, amended in 1912 with a view to permitting registration of central societies. It may be of interest to note that even before the amendments, some central banks had been established to cater to the financial needs of the primary societies. First central cooperative bank was started in 1910 at Ajmer. But the revised act stimulated the growth of the central financing agencies and within a few year a large number of such bank were established, the period from 1906 to 1918 may be called the period of origin of the central banks in various parts of the country. The decade from 1919 to 1929, which was roughly to period

between the end of the first war and the onset of the world-depression, was marked by the expansion of cooperative banking system. The number of central cooperative banks increased from 1919-20 to 1929-30 while there members and working capital increased. The war period provided a great fillip to cooperative banking in India. There was a substantial increase in the owned funds and working capital of these banks. The position of the central cooperative banks was a general improvement in financial as a result of war⁹. Therefore the cooperative credit societies in India are very important because they accepted three-tire structure of cooperative credit societies.

3.4 Sources of Rural Credit In India:

There are two sources of rural credit in India¹⁰.

1. Non-Institutional Sources:

Before the planning in India, rural people were dependent for their credit needs on non-institutional sources or private agencies. Non-institutional sources or private sources, include money lenders, commission agents, traders, landlords, relatives. In rural areas, the farmers largely depend upon the moneylenders for their credit requirement. Among all the sources of rural credit, moneylender is the most important and dominants source in the rural areas. According to the all India Rural Credit Survey Committee 1954, the percentage of rural credit provided by the moneylenders was 70 among all the sources of rural credit. But there are many serious defects of non-institutional sources of rural credit.

2. Institutional Sources:

Institutional sources consist of government, commercial banks, cooperative banks and the regional rural banks. The needs for institutions in rural credit areas are due to inadequacy of private agencies to provide credit to agriculture. Moreover private rural credit is exploitative and expensive.

The rural credit co-operative has also played an important role in providing credit to the agricultural sector.

3.5 Central Co-operative Banking And Banks Union:

The original scheme of cooperation provided for organisation of primary agricultural credit societies at the village level with a view to reduce the exploitation of poor peasants by the private money-lenders. It did not contemplate the organisation of federal societies to function as financing agencies for the village primaries, which in most cases could not mobilize adequate financial resources through share capital from members, and thus failed to meet the even increasing demand for agricultural credit by farmers. However, this did not prove to be a healthy and conductive arrangement for primary cooperative societies which did not have any say in the management of such banks except having the relationship of a borrower and lender primaries in surplus areas having excess thrift deposits could not find proper channel for proper utilization of surplus resources to meet the demands of societies in deficit areas. Hence, there was the need for a balancing centre. Having failed to get proper financial support and guidance from appropriate agency, they felt the necessity of having their own arrangements with a right to participate in the shares and the management of their financing agency etc. All problems, facing the primaries the central government passed another cooperative Act of 1912. These act provided for the organisation of higher federal societies. Taking advantage of the new enactment, primary cooperative credit societies in compact areas federated themselves into banking unions and formed central cooperative banks which in view of their financial strength and management competence were expected to mobilize funds from urban areas to village societies most of whom were starting for want of funds. Thus the central cooperative banks as federal institutions

formed, composed and governed by primary societies themselves, came to be organised all over the country¹¹.

3.6 Central Banks:

The district central banks with mixed constitution organised on the lines suggested by the Maclagan committee. These banks consist of societies and individuals both, in which societies are not only assigned certain proportion of the shares but also are given separate representation on the board of directors. The committee further observed that if majority was secured for the societies on the board, the dividends were limited to a reasonable rate and the individuals shareholders were prevented from enjoying an undue advantage; that type of banks would be well suited to the then conditions. But sometime, they recommended for making provisions which should enable the banks by degrees to become more co-operative by diminishing the number of its individual shareholders either by lapse or by redeeming their shares or by confining fresh issues to societies only a great majority of central bank today conform to this pattern. The instance of the committee of direction of the All India Rural Credit Survey the process of gradual elimination of the individual shareholders has been introduced in most of the banks in a bid to make them fully cooperative in character¹².

3.7 Progress of District Central Cooperative Banks In India:

The progress of district central cooperative bank in India has been divided into two periods i.e. first period are 1950-51 to 1989-90, before new economic policy and second period after new economic policy i.e. 1990-91 to 2004-05. These periods are discussed below.

3.7.1 Progress of district central cooperative banks in India before New Economic Policy (1950-51 to 1989-90):

In this period, large changes in India i.e. the advent of planning in

1951 after independence however the situation had changed our national leaders were firmly in favour of a strong cooperative movement as peoples movement to transform the rural economy. Cooperation was not only visualized as a way of life for the people but also a foundation for economic and political democracy. Table No. 3.1 indicates an overall trends of the growth of district central cooperative banks in India. The Table No. 3.1 depicts the following progress of district central cooperative banks in India from 1950-51 to 1989-90.

On the eve of the first five year plan 1950-51, there were 505 district central cooperative banks in India, which decreased up to 349 in 1989-90. The number of district central cooperative banks in India was decreased 69.11 times during the period 1950-51 to 1989-90. The number of district central cooperative banks in India has increased in 1984-85. On an average annual increase of district central cooperative bank was 387 in India an average percentage in growth in number of district central cooperative bank shows negative trends (-4.87 percent) during the period from 1950-51 to 1989-90.

The share capital of district central cooperative banks in India was Rs.04 crores in first five-year plan. It was increased up to Rs.903 crores in 1989-90. The share capital of district central cooperative banks, in India shows the continuous increasing trends during the period from 1950-51 to 1989-90. With an average annual increase in Share capital was Rs.249.63 crores and annual average growth rate in share capital of these banks was 17.31 percent during the period from 1950-51 to 1989-90.

The reserves of district central cooperative banks in India were Rs.04 crores in the starting of first five-year plan, which increased up to Rs.830 lakhs in the 1989-90. The reserves of these banks were continuously raising

Table 3.1

during the period from 1950-51 to 1989-90. On an annual average in reserve of district central cooperative bank was Rs.209.38 crores with an average increasing percentage of growth in reserve was 120.57 during the period before new economic policy.

The owned funds of district central cooperative banks in India were Rs.08 crores in 1950-51, which increased up to Rs.1734 crores in 1989-90. On an annual average in owned funds of these banks was Rs.461.25 crores. With an annual average growth rate in owned funds was 122.09 percent during the period from 1950-51 to 1989-90. The owned funds of these banks has continuously raising trends during the period.

The deposits of district central cooperative banks in India were Rs.38 crores in 1950-51, which increased up to Rs.9338 in 1989-90. The deposits of these banks were continuously raising positive trends during the period 1950-51 to 1989-90. On an average annual increasing in deposits was Rs.2061.25 crores with an average growth in deposits of district central cooperative banks in India was 124.27 percent during the period 1950-51 to 1989-90. It means, district central cooperative banks have created the faith of public in cooperative banking business.

The working capital of district central cooperative banks in India was Rs.55crores in 1950-51, which was increased up to Rs.16542 crores in 1989-90, with an average, annual growth in working capital was 136.25, percent during the study period. The growth in working capital of these banks was continuous and positive raising during the period 1950-51 to 1989-90. The maximum growth was 159.35 percent in 1973-74 and minimum was 69.9 percent in 1955-56 during the period from 1950-51 to 1989-90.

The borrowings of district central cooperative banks in India were

Rs.10 crores in 1950-51, which increased up to Rs.5470 crores in 1989-90. The borrowings of these banks were increased with an average growth rate of 172.90 percent during this period. The growth in borrowing was shown continuous and positive on an average borrowing of this bank was Rs.1182.38 crores during the period from 1950-51 to 1989-90.

The loans and advances of these banks were Rs.34 crores in 1950-51, which increased to Rs.10673 crores in 1989-90 on an average growth in loans and advances was 134.75 percent during the study period. The growth in loans and advances outstanding was continuously increased during this period. The highest growth was 165.53 percent and lowest was 70.59 percent during the period from 1950-51 to 1989-90.

The overdues of district central cooperative bank in India were Rs.3 crores in 1950-51, which increased to Rs.3528 crores in 1989-90. On an average overdues of these bank was Rs.790.88 crores. The overdues of these banks were increased with an average growth rate of 185.29 percent. On an average percentage of overdues to outstanding loans of these banks was only 0.94 percent, which, is good sign of efficient management of district central cooperative banks.

The district central cooperative banks in India was found that a positive growth in all parameters of their growth during 1950-51 to 1989-90. During the period, the share capital, reserve, borrowing, loans & advances, deposits, owned funds and working capital has been shown continuous positive trends during the study period from 1950-51 to 1989-90 and the recovery of district central cooperative banks in India was found satisfactory during the period from 1950-51 to 1989-90.

3.7.2 Growth of District Central Cooperative Banks In India After New Economic Policy (1990-91 to 2004-05):

In this period large changes in India took place. India has accepted new economic policy in 1991 and the agreement established the World Trade Organization (WTO) came into force on January 01.1995, In many ways, the WTO is different from its predecessors, the general agreement on trade and Tariff (GATT). WTO members have to accept all obligations of GATT and other relevant agreements. In this period an attempt is made here to study the trends in growth of district central cooperative banks by taking quantitative and qualitative indicators from 1990-91 to 2004-05. Table No.3.2 reveals the trends in growth of district central cooperative banks in India from 1990-91 to 2004-05. The following inferences can be drawn from the data presented in the table 3.2

1. Number of Banks:

The number of banks has shown quantitative growth, can be measured in number of district central cooperative banks in India from the period of 1990-91 to 2004-05. The overall trends in number of banks were increased during the study period except in 1991-92 and 2002-03. In this year growth in number of banks shows negative trends. The number of district central cooperative banks in India was 353 in 1990-91, which increased, up to 368 in 2004-05. On an average increase was 0.30 percent per annum during the study period. The maximum numbers of district central cooperative banks in India was 1.99 percent in 1993-94 and remaining whole period numbers of district central cooperative banks was found below 1.00 percent with an average 364 district central cooperative banks in India were working during the period.

Table 3.2

2. Share Capital:

The paid up share capital of district central cooperative banks in India was Rs.985 crores in 1990-91, which increased to Rs.4115 crores in 2004-05. The increase in share capital was 4.18 times in 15 years. On an average growth was 10.82 percent and growth in shares capital showed continuously positive during the period from 1990-91 to 2004-05. The increase in share capital was due to increase in membership of district central cooperative banks throughout the period. The maximum increase in growth of this bank was 17.40 percent in 1988-99 and minimum was 5.50 percent in 1993-94 during the study period.

3. Reserve:

In 1990-91, the reserves were Rs.1096 crores, which increased to Rs.12673 crores in 2004-05. On an average annual growth rate of reserve was 23.55 percent. The increase in reserve of this bank was 11.56 times during the study period. The reserve showed continuous rising trend during the study period except 1993-94 and 1997-98. The maximum growth in reserve was (163.97 percent) due to the increase in profit and minimum was (-18.47 percent) due to increase in loss during the study period.

4. Owned Funds:

The owned funds of district central cooperative banks in India were Rs.2081 crores in 1990-91, which increased to Rs.16788 crores in 2004-05. The increase in owned funds of this bank was 8.07 times during the study period. On an average annual growth in owned funds was 17.80 percent. The owned funds of these banks showed continuous positive trend during study period except 1993-94 and 1997-98. The maximum growth in owned funds of these banks was 95.13 percent in 1996-97 due to increase reserve and

minimum was (-9.63 percent) due to decrease reserves during the study period.

5. Deposits:

In 1990-91, the deposits of these banks were Rs.10357 crores, which increased to Rs.80476 crores in 2004-05. The increase in deposits was 7.77 times during the study period, with an annual average growth rate in deposits was 16.00 percent. The increase in deposits showed continuously positive trend during the study period due to faith of public on working of district central cooperative banks in India. The maximum growth rate in deposits of these banks was 31.98 percent in 1996-97 and minimum was 4.79 percent in 2004-05 during the study period.

6. Working capital:

The working capital of district central cooperative banks in India was Rs.17986 crores in 1990-91, which increased to Rs.122633 crores in 2004-05. The working capital of these banks was increased 6.82 times during the study period. With an average annual growth in working capital was 15.12 percent on an average working capital was Rs.63927 crores. The working capital of these banks shows continuous rising trend during the study period. The substantial increase in working capital is an indication of growth in volume of business of district central cooperative banks due to increase in membership, owned funds and deposits during the study period.

7. Borrowings:

In 1990-91, borrowings of district central cooperative banks were Rs.5548 crores which increased to Rs.21557 crores in 2004-05. The borrowing of these banks show continuous rising trend during the study period. On an average growth in borrowing was 10.34 percent during the study period. The highest growth in borrowings of these banks was Rs.24.61

percent in 1994-95 and lowest was Rs.0.48 percent in 1993-94. The percentage of borrowing to working capital of district central cooperative banks in India was 20.11 percent. It means these banks are low dependent upon external source of funds.

7. Loans and Advances:

The loans and advances of district central cooperative banks in India were Rs.12070 crores in 1990-91, which increased to Rs.72090 crores in 2004-05. The loans and advances of these banks were increased 5.97 times during the study period. On an average annual growth in borrowing was 10.34 percent during the study period. The loans and advances of these banks were found continuously rising trends during the study period. With an average loans and advances of this banks was 13.78 percent during the study period. The percentage of overdues to loans and advances was 25.99 percent during the study period. It means the district central cooperative banks in India could not recover the loans and advance during the study period.

8. Overdues:

In end of the years 1990-91, the overdues of district central cooperative banks in India were Rs.3155 crores, which raised to Rs.18025 crores in 2004-05. The amount of overdues increased by 5.71 times. On an average annual growth in overdues of these banks was 13.66 percent during the study period. The growth in overdues shows continuously rising trends except 1998-99 and 2004-05. The percentage of overdues to loans and advances was found more. It was not healthy sign progress of district central cooperative banks in India during the study period from 1990-91 to 2004-05.

3.8 Place of Maharashtra District Central Cooperative Banks on

Indian Scene:

Place of Maharashtra district central cooperative banks on India scenario is shown in table 3.3. The Maharashtra state ranks first in India in terms of almost all performance parameters such as number of branches, number of members, sources of funds i.e. share capital, reserves owned funds, deposits, working capital and uses of funds i.e. cash and banks balance, borrowings and loans and advances.

1. Number of Branches:

The total number of branches of district central cooperative banks in India was 12,858 of these 3748 branches are in Maharashtra. It compares favorably with National average of 643 the number of branches in Maharashtra was 29.15 percent, 10.28 percent in Uttar Pradesh, and 7.97 percent in Gujarat of total branches, these three states have formed near about 50 percent branches. It means Maharashtra state this regard ranks first, Uttar Pradesh is second and Gujarat was third in the formed of number of branches in India.

2. Membership:

The membership of district central cooperative banks in Maharashtra was 114612 in 2005, in absolute terms contributing 5.34 percent of the total membership of all district central cooperative banks in India. The national average of membership was 107294 and Maharashtra had 0.94 times more membership than the National average Maharashtra has sixth rank in membership of district central cooperative banks in India, Andhra Pradesh has first ranks Madhya Pradesh has second rank, Jammu and Kashmir has third rank, Bihar has fourth ranks and Punjab has fifth rank respectively.

Table 3.3

Table 3.3 Contd.

3. Share capital:

Maharashtra ranks first with share capital of Rs.99330 lakhs in absolute terms and contributes towards 24.14 percent of total share capital against national average of Rs.20577 lakhs. Further, Andhra Pradesh ranks second with Rs.61290 lakhs (14.89 percent) and Tamil Nadu ranks third with Rs.43959 lakhs (10.68 percent) of paid up share capital Maharashtra, Andhra Pradesh and Tamil Nadu had near about 50 percent paid up share capital of district central cooperative banks in different states of India.

4. Reserves:

The reserves of district central cooperative banks in Maharashtra were Rs.413201 lakhs in 2005, in absolute terms contributing 32.61 percent of total reserves of all district central cooperative banks in India. The national average of reserves was Rs.63364 lakhs and Maharashtra had 0.15 times more reserves than national average of reserves in 2005. Maharashtra ranks first with Rs.413201 lakhs (32.61 percent), Tamil Nadu ranks second with Rs.139090 lakhs (10.98 percent) Gujarat ranks third with Rs.115445 lakhs (9.11 percent) and Madhya Pradesh ranks fourth with RS.92207 lakhs (7.28 percent) of reserves. These four states had 59.98 percent reserves due to regional imbalanced growth of district central cooperative banks in India.

5. Owned capital:

The total owned capital of district central cooperative banks in Maharashtra was Rs.512531 lakhs in 2005 and sharing 30.53 percent of total owned capital of district central cooperative banks in India. The national average of owned capital was Rs.83942 lakhs, Maharashtra ranks first followed by Tamil Nadu in second place with Rs.180349 lakhs, Andhra Pradesh in Third place with Rs.149646 lakhs and Gujarat in fourth place with Rs.144510 lakhs.

6. Deposits:

The total deposits of district central cooperative banks in India were RS.8049350 lakhs out of which district central cooperative banks in Maharashtra mobilized Rs.2464092 lakhs as against the national average of Rs.402467.50 lakhs. The Maharashtra district central cooperative banks have contributed 30.61 percent of total deposits of district central cooperative banks in India. The Maharashtra ranks first followed by Tamil Nadu with Rs.729769 (9.07 percent) lakhs and Gujarat at third ranks with Rs.649082 lakhs (8.06 percent) These three states have 47.74 percent deposits of total national deposits with district central cooperative banks in India.

7. Borrowings:

The borrowings of district central cooperative banks in Maharashtra were Rs.223748 lakhs as against the national average of Rs.107785.50 lakhs. The Maharashtra district central cooperative banks have contributed 10.38 percent of total borrowings of district central cooperative banks in India. Here again, Andhra Pradesh ranks first followed by Tamil Nadu at second and Maharashtra at third place. It means district central cooperative banks in Maharashtra gave more preference to the internal sources of funds i.e. shares capital reserves and deposits.

8. Working Capital:

The borrowing capital of district central cooperative banks in Maharashtra was Rs.3389132 lakhs, against the national average of Rs.61364.45 lakhs. The district central cooperative banks in Maharashtra shares were 27.64 percent of total working capital. The Maharashtra state ranks first with Rs.3389132 lakhs, Tamil Nadu ranks second with Rs.1167612 lakhs and Gujarat ranks third with Rs.993067 lakhs in working capital of district central cooperative banks in India.

9. Cash and Bank Balance:

The cash and bank balance on 31.3.2005 were Rs.1,31,306 lakhs of district central cooperative banks in Maharashtra region against the national average of Rs.41,500 lakhs in absolute terms. It accounts for 15.82 percent of the cash and bank balance with district central cooperative bank in India. The Maharashtra state ranks second maintained cash and bank balance Rs.131306 lakhs, Haryana ranks first with Rs.137428 lakhs and Kerala ranks third with Rs.123753 lakhs in the maintained of liquidity position.

10. Investment:

The investment of district central cooperative banks in India were Rs.3478322 lakhs out of which district central cooperative banks in Maharashtra was Rs.1199074 lakhs as against the national average of Rs.173916.10 lakhs. The Maharashtra district central cooperative banks have contributed 34.47 percent of total investment of district central cooperative banks in India. Here again Maharashtra ranks second with Rs.1199074 lakhs, Tamil Nadu ranks first with Rs.2791631 lakhs and Gujarat ranks third with Rs.332243 lakhs.

11. Loans and Advances:

The loan and advances as on 31.3.2005 were Rs.1396754 lakhs by district central cooperative banks of Maharashtra against the national average of Rs.326778.90 lakhs in absolute terms. It accounts for 21.37 percent of the total loans and advances outstanding with district central cooperative banks in India. The district central cooperative banks in Maharashtra had 0.23 times more loans and advances than the national average of loans and advances. The Maharashtra state ranks first by lending

Rs.1396754 lakhs, Tamil Nadu ranks second with Rs.887372 lakhs, Punjab ranks fourth Rs.542688 lakhs in lending loans and advances outstanding of total national loans and advances with district central cooperative banks in India. This indicates imbalanced growth in lending loans and advances in India due to imbalanced growth of district central cooperative bank in India.

The district central cooperative banks in Maharashtra ranks first in India in respects of numbers of branches, paid up share capital, reserve funds owned funds, working capital, deposits and loans and advances except the uses of funds in this funds Maharashtra had shown sixth rank in membership, cash and bank balance ranks second, borrowings ranks third & investment ranks second in these respects were not shown in first ranks of Maharashtra. It can be concluded that the there is imbalanced growth of district central cooperative banks in India only three states like Maharashtra, Tamil Nadu Gujarat had more than 50 percent contribution in all respect of district central cooperative banks. The imbalance of progress of district central cooperative banks in India must be balanced by given some incentives for their development in undeveloped areas such as expansion of branches and membership of district central cooperative banks in India.

3.10 Districtwise progress in sources of funds of district central cooperative banks in Maharashtra state.

Districtwise progress in sources of funds of district central cooperative banks in Maharashtra state is shown in Table No.3.4 According to growth of district central cooperative banks in India, Maharashtra state ranks first in the sources of funds. But the progress of district central cooperative banks in Maharashtra was unbalanced. Most of the banks and their branches are found in Western Maharashtra and Kokan region.

1. Number of Offices:

The total number of branches of district central cooperative banks in Maharashtra was 3748 in 2005. Marathwada region has 741 offices, which are 19.77 percent of total offices of Maharashtra state. Ahmednagar district ranks first (290 offices), Jalgaon district ranks second (261), Satara district ranks third (241) and Pune district ranks fourth (238) with respect to number of branches of district central cooperative banks in Maharashtra. Gondia district has lowest number of offices of district central cooperative banks.

2. Membership:

In the case of membership of district central cooperative banks in Maharashtra were 114612 in 31.3.2005, Marathwada region has 14229 Membership which are 12.41 percent of total membership of Maharashtra state. Mumbai district ranks first (11.60 percent) Pune district ranks second (10.17 percent), Kolhapur district ranks third (8.43 percent) and Nasik district ranks fourth (7.46 percent) These four districts have 37.66 percent membership due to district balanced growth of district central cooperative banks in Maharashtra. Gadchiroli district ranks at bottom in case of membership of district central cooperative banks.

3. Share Capital:

The total share capital of district central cooperative banks in Maharashtra was Rs.99330 lakhs in 2005. Of which Marathwada region has Rs.21763 lakhs which are 21.90 percent of total share capital of Maharashtra state. Pune district ranks first with share capital of Rs.9914 lakhs, followed by Kolhapur district (Rs.7460 lakhs), Solapur district ranks third (Rs.6713 lakhs) and Jalgaon district ranks fourth (Rs.6659 lakhs) with respect of share capital of D.C.C. banks. Gadchiroli district is at lowest in the case of share capital.

Table 3.4 Districtwise Progress in Sources of funds of District Central

Cooperative banks in Maharashtra state as on 31.03.2005

(Rs. In lakhs)

Sr. No.	Name of the district central cooperative banks in the state	No. of offices including head office	Membership	Share capital	Reserve
1	Ahmednagar	290	6741	5653	19390
2	Akola	106	2482	2200	9999
3	Amravati	89	2980	2234	12018
4	Aurangabad	146	1628	4429	12429
5	Beed	68	2429	2182	8375
6	Bhandara	33	1179	747	2071
7	Buldhana	118	2679	2340	17719
8	Chandrapur	72	1820	1671	5074
9	Dhulia	113	3715	2253	11325
10	Gadchiroli	28	558	417	3081
11	Gondia	25	803	646	1819
12	Jalna	65	1406	1268	8863
13	Jalgaon	261	6997	6659	28482
14	Kolhapur	207	9665	7460	10099
15	Latur	104	1664	3133	8897
16	Mumbai	40	13296	3994	47393
17	Nagpur	90	2678	2352	22252
18	Nanded	145	2404	2904	29960
19	Nasik	213	8553	6317	16625
20	Osmanabad	101	2253	3957	12062
21	Parbhani	112	2445	3890	17039
22	Pune	238	11656	9914	19650
23	Raigad	50	1626	885	7687
24	Ratnagiri	69	1718	1667	2854
25	Sangli	220	4062	4570	8619
26	Satara	241	2804	3168	12764
27	Sholapur	212	6505	6713	14724
28	Sindhudurg	78	950	711	3013
29	Tahne	76	4373	989	25054
30	Yavatmal	83	1736	3173	6751
31	Wardha	55	807	834	7113
	Total	3748	114612	99330	413201
	Mean	121	3697	3204	13329

Table 3.4 Contd.

Sr. No.	Name of the district central cooperative banks in the state	Owned Funds	Deposits	Borrowings	Working Capital
1	Ahmednagar	25043	181291	4300	219813
2	Akola	12199	57741	811	71741
3	Amravati	14252	34782	510	53295
4	Aurangabad	16858	57752	20308	113610
5	Beed	10557	38313	9986	61449
6	Bhandara	2818	22087	77	30162
7	Buldhana	20059	57351	4622	83687
8	Chandrapur	6745	49807	1376	59459
9	Dhulia	13578	52070	5547	81077
10	Gadchiroli	3498	17879	80	23470
11	Gondia	2465	17322	878	23645
12	Jalna	10131	15648	6398	26110
13	Jalgaon	35141	121396	1387	173460
14	Kolhapur	17559	163010	6127	198032
15	Latur	12030	46895	9220	82304
16	Mumbai	51387	216714	2497	285591
17	Nagpur	24604	82219	409	101751
18	Nanded	32864	56706	18334	113037
19	Nasik	22942	136684	33963	197744
20	Osmanabad	16019	43590	19709	89061
21	Parbhani	20929	43474	3821	70038
22	Pune	29564	256243	24453	326403
23	Raigad	8572	56742	933	70056
24	Ratnagiri	4521	42417	512	51840
25	Sangli	13189	111637	15022	154539
26	Satara	15932	123793	1648	147697
27	Sholapur	21437	126349	27261	180412
28	Sindhudurg	3724	40144	647	46542
29	Tahne	26043	115248	33	146896
30	Yavatmal	9924	46970	2827	66603
31	Wardha	7947	31818	52	39608
	Total	512531	2464092	223748	3389132
	Mean	16533	79487	7218	109327

Source : Basic data on performance of district central cooperative banks, National federation of state cooperative banks Ltd; Mumbai, 2004-05.

4. Reserves:

In the case of reserves, Mumbai district ranks first with Rs.47393 lakhs, Nanded district of Marathwada ranks second (Rs.29960 lakhs) Jalgaon district ranks third (Rs.28482 lakhs) and Thane district ranks fourth (Rs.25054 lakhs). Gondia has lowest position (Rs.1819 lakhs) in the case of reserves of district central cooperative banks.

5. Owned Funds:

The total owned funds of district central cooperative banks in Maharashtra were Rs.512531 lakhs. Of these Rs.119388 lakhs were in Marathwada region. The Marathwada has contribute 23.29 percent in total owned funds of Maharashtra. Mumbai district ranks first (Rs.51387 lakhs) in the total owned funds followed by Jalgaon district (Rs.35141 lakhs), Nanded district ranks third (Rs.32864 lakhs), Pune district ranks fourth (Rs.29564 lakhs) and Thane district ranks fifth (Rs.26043 lakhs) with respect to owned funds of D.C.C. banks. Osmanabad district ranks 14th in case of owned funds.

6. Deposits:

In the case of deposits of district central cooperative banks in Maharashtra were Rs.2464092 lakhs in the year 2004-05; out of which Pune district mobilized Rs.256243 lakhs and ranks first; Mumbai district ranks second with Rs.216714 lakhs, Ahmednagar district ranks third with Rs.181291 lakhs, Kolhapur district ranks fourth (Rs.163010 lakhs) and Solapur district ranks fifth (Rs.126349 lakhs) with respect of deposit mobilization of D.C.C. banks. Among the all district in Marathwada region, Aurangabad district mobilized highest deposits i.e.Rs.57752 lakhs against the state average of Rs.79487 lakhs. It accounts for 2.34 percent of total deposits of Maharashtra state D.C.C. banks and for remaining district of

Marathwada share is negligible as compared to Maharashtra state. Aurangabad district ranks 9th with respect to deposits as on 31.3.2005.

7. Borrowings:

The borrowings of district central cooperative banks in Maharashtra were Rs.223748 lakhs; out of Rs.87776 lakhs in Marathwada region. The Nasik district ranks first with Rs.33963 lakhs, followed by Solapur district Rs.27261 lakhs, Pune district ranks third Rs.24453 lakhs and Aurangabad district in Marathwada ranks fourth Rs.20308 lakhs.

8. Working capital:

In the case of total working capital, the district central cooperative banks in Maharashtra has Rs.3389132 lakhs in 2004-05. On an average working capital of these banks was Rs.109327 lakhs out of them the working capital of Marathwada consist of Rs.555609 lakhs (16.39 percent) in 2004-05. Pune district ranks first Rs.326403 lakhs (9.63 percent) Mumbai district ranks second Rs.285591 lakhs (8.43 percent), Ahmednagar district ranks third Rs.219813 lakhs, (6.49 percent), Kolhapur district ranks fourth Rs.198032 lakhs (5.84 percent) and Nasik district ranks fifth Rs.197744 lakhs (5.83 percent) with respect of working capital of D.C.C. banks. Gadchiroli district has a lowest rank in the case of working capital. Aurangabad district in Marathwada shows eleventh rank in the case of working capital.

3.11 Districtwise progress in uses of funds of district central cooperative banks in Maharashtra:

The Districtwise progress in uses of funds of D.C.C. banks in Maharashtra is shown in the table No.3.5 it is discussed as under:

1. Cash and Bank Balance:

The total cash and bank balance of D.C.C. banks in Maharashtra state were Rs.131303 lakhs in 2004-05. On an average cash balance was Rs.4236 lakhs out of them D.C.C. banks in Marathwada had maintained cash Rs.15159 lakhs (11.55 percent) on 31.3.2005 Nasik district ranks first with Rs.10641 lakhs (8.10 percent), Ahmednagar district ranks second Rs.9952 lakhs (7.58 percent), Pune district ranks third with Rs.9930 lakhs (7.56 percent), Solapur district has fourth rank with Rs.8819 lakhs (6.72 percent), Satara district ranks fifth Rs.7021 lakhs (5.35 percent) and Jalgaon district ranks sixth Rs.7020 lakhs (5.35 percent) with respect of maintaining the cash and bank balances. Nanded district in Marathwada region maintained very low cash and bank balance which was Rs.827 lakhs as compared to all D.C.C. banks in Maharashtra state.

2. Investment :

In the case of Investment in Maharashtra state had Rs.1199074 lakhs on 1.3.2005. The investment in Marathwada region was Rs.72022 lakhs (6.01 percent) out of total investment in Maharashtra state. Mumbai district has first rank Rs.188318 lakhs (15.71 percent), Pune district ranks second Rs.146585 lakhs (12.22 percent), Thane district ranks Third Rs.112798 lakhs (9.41 percent), Ahmednagar district ranks fourth Rs.94228 lakhs (7.86 percent), Satara district ranks fifth Rs.81683 lakhs (6.81 percent), Kolhapur district ranks sixth Rs.65777 lakhs (5.49 percent) and Nasik district ranks seventh Rs.49862 lakhs (4.16 percent) with respect of investment of D.C.C. Banks. Jalna district in Marathwada has recorded lowest investment as compared to all D.C.C. banks in Maharashtra state.

Table No.3.5: Districtwise progress of uses of funds of district central cooperative Banks in Maharashtra State as on 31-03-2005

(Rs. In lakhs)

Sr. No.	Name of District Central cooperative banks in the state	Cash and Bank Balance	Investment	Loans and advances
1	Ahmednagar	9952	94228	29889
2	Akola	3082	23244	20331
3	Amravati	2163	17271	3378
4	Aurangabad	2788	14434	79207
5	Beed	1700	10994	20963
6	Bhandara	1382	16578	5896
7	Buldhana	5854	13660	34809
8	Chandrapur	2309	25218	21903
9	Dhulia	4937	14431	15221
10	Gadchiroli	920	15555	2294
11	Gondia	1042	9884	7418
12	Jalna	936	3881	5413
13	Jalgaon	7020	36668	119190
14	Kolhapur	5871	65177	220127
15	Latur	2970	12861	38501
16	Mumbai	7002	188318	36896
17	Nagpur	3357	47209	23739
18	Nanded	827	11074	16768
19	Nasik	10641	49862	124823
20	Osmanabad	1877	11972	35077
21	Parbhani	4061	6806	7287
22	Pune	9930	146585	116100
23	Raigad	4706	18600	48131
24	Ratnagiri	4246	21171	19739
25	Sangli	4355	49555	90703
26	Satara	7021	81683	65387
27	Sholapur	8819	33429	78444
28	Sindhudurg	1731	20533	42424
29	Tahne	4379	112798	37803
30	Yavatmal	4069	13283	20599
31	Wardha	1356	12112	8294
	Total	131303	1199074	1396754
	Mean	4236	38680	45057

Source : Basic data on performance of district central cooperative banks, National federation of state cooperative banks Ltd; Mumbai, 2004-05.

3. Loans and Advances:

The loans and advances of district central cooperative banks in Maharashtra were Rs.1396754 lakhs out of them Rs.203216 (14.55 percent) lakhs loans disbursement by D.C.C. banks in Marathwada region. On 31.3.2005 Kolhapur district ranks first with Rs.220127 lakhs (15.76 percent) Nasik district ranks second Rs.124823 lakhs (8.94 percent), Jalgaon district ranks third Rs.119190 lakhs (8.53 percent), Pune district ranks fourth Rs.116100 lakhs (8.31 percent), Sangli district ranks fifth Rs.90703 lakhs (6.49 percent) and Aurangabad district in Marathwada ranks sixth Rs.79207 lakhs (5.67 percent) during the year 31.3.2005 with respect of disbursement of loans.

From the above analysis, it can be concluded that the Districtwise growth in sources and uses of funds of district central cooperative banks in Maharashtra with respect to different performance parameters is unbalanced though Maharashtra state has first ranks in almost all performance parameters at national level. The district of western Maharashtra indicates high growth performance in almost all growth performance parameters than other districts of Maharashtra. The district central cooperative banks of Marathwada region have less growth than state level average growth in almost all growth performance parameters as on 31.3.2005.

In the case of total sources and uses of funds, the Aurangabad district central cooperative banks in Marathwada region ranks fourth, Ninth and eleventh with respect to borrowings, deposits and working capital, Osmanabad district central cooperative banks ranks fourteenth with respect of owned funds. Aurangabad, Jalna and Nanded district central cooperative banks ranks were low with respect to uses of funds. It means the growth performance in sources and uses of funds of district central cooperative

banks in Marathwada very low, as compared to the state level performance of district central cooperative banks in Maharashtra. Pune, Mumbai and Nasik district central cooperative banks have shown good performance in sources and uses of funds.

3.12 Origin and Progress of district central cooperative banks in Marathwada Region:

In India, the first Cooperative Societies Act, was passed in 1904 then after origin of cooperative credit movement in Marathwada region can be traced. The Parbhani district central cooperative bank was organized in 1917 in Marathwada region. It was the first district central cooperative bank in Marathwada region. Till 1950, only two district central cooperative banks were working in Marathwada region. In the decade 1950-60, one new cooperative bank was formed in Marathwada region, i.e. Beed district central cooperative bank. In the, 1960-70 and 1970-80, there was no new district central cooperative bank formed in Marathwada region. In the year 1980-90, four new district central cooperative banks were formed in Marathwada. Now, there are seven district central cooperative banks working in Marathwada region because new districts were not formed in Marathwada region.

Table No.3.6 reveals that the progress of district central cooperative banks in Marathwada region from 1990-91 to 2004-05. The parameters used to measure the growth were numbers of banks and their branches. From the data shown in the table No.3.6 the following inference can be drawn.

1. No. of Banks:

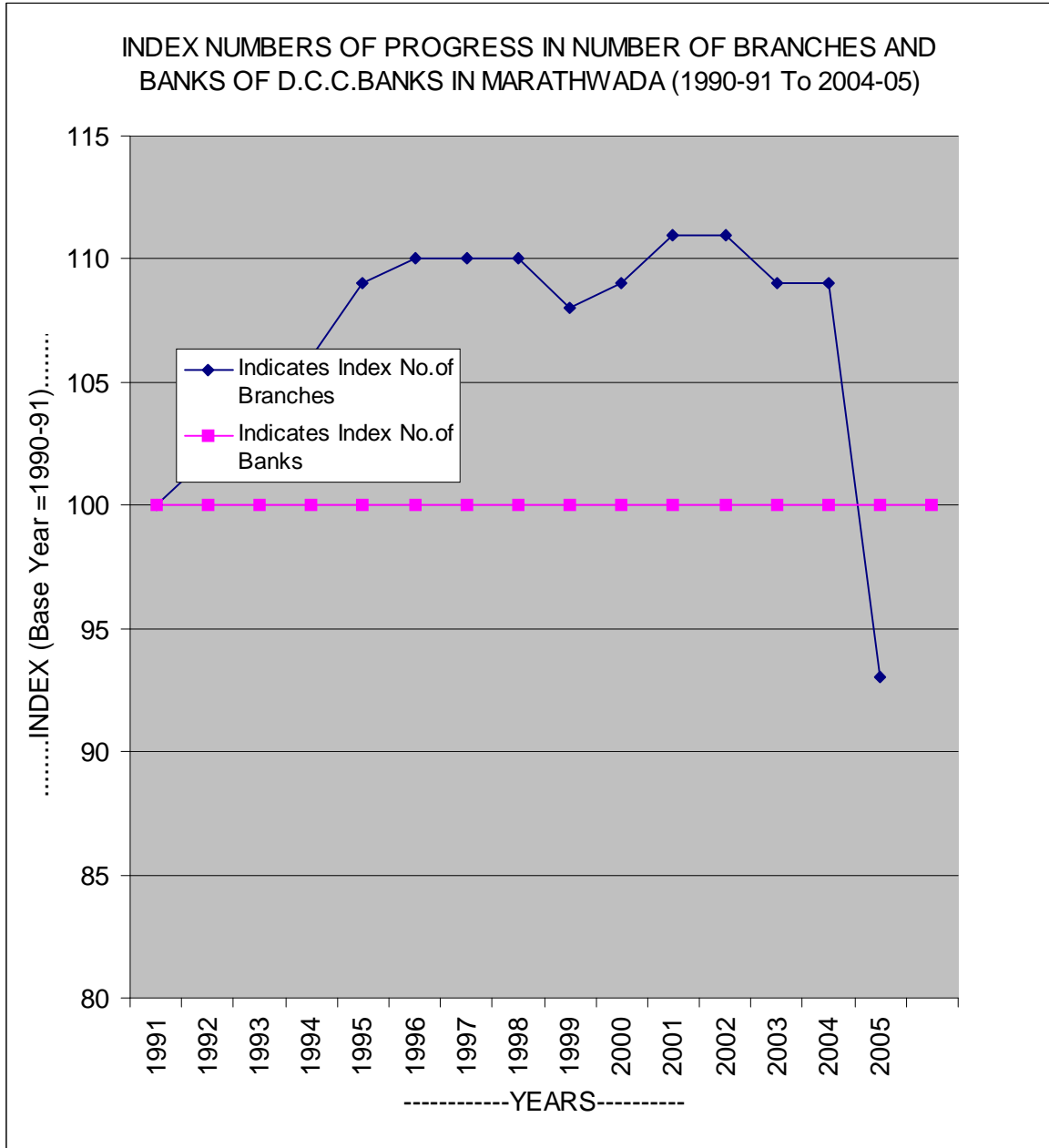
The total number of district central cooperative banks was seven in 1990-91, which remained constant in 2004-05. So, from 1990-91, there are seven district central cooperative banks working in Marathwada, no new

Table No.3.6 Progress of District Central Cooperative banks in
Marathwada Region (1990-91 to 2004-05)

Sr. No.	Year	No. of Banks	Index Number	No. of Branches	Index Number
1	1990-91	07	100	719	100
2	1991-92	07	100	733	102
3	1992-93	07	100	760	106
4	1993-94	07	100	765	106
5	1994-95	07	100	781	109
6	1995-96	07	100	790	110
7	1996-97	07	100	794	110
8	1997-98	07	100	792	110
9	1998-99	07	100	780	108
10	1999-00	07	100	782	109
11	2000-01	07	100	797	111
12	2001-02	07	100	797	111
13	2002-03	07	100	786	109
14	2003-04	07	100	787	109
15	2004-05	07	100	670	93
	Total	105	1500	11533	1603
	Mean	07	100	769	107

Source: Compiled from annual reports of district central cooperative banks in Marathwada Region (1990-91 to 2004-05)

CHART NO. 3A



This chart shows the number of branches and number of banks during 1990-91 to 2004-05. The number of banks are constant since 1991 and the branches of these banks are decreased from 719 in 1991 to 670 in 2005.

banks was formed from 1990-91 to 2004-05, because no new district formed.

2. No. of Branches:

The No. of branches of district central banks in Marathwada region was 719 in 1990-91, which is increase 787 in 2003-04, then decreased to 670 in 2004-05. Due to liberalization of licensing policy of the Reserve Bank of India now a days it is easy to establish branches but still the quantative growth is high and qualitative growth is very low because of cutthroat competition from commercial banks and urban banks, regional rural banks and other financial institutions. In the case of No. of branches there was decrease in 2004-05 because recovery performance was very low of district central cooperative banks in Marathwada region.

The progress of district central cooperative Banks in Marathwada since 1990-91 to 2004-2005 shows in Chart No.3.1. The progress shows with respect to number of banks and number of branches of district central cooperative Banks in Marathwada region. The numbers of banks of these banks were not increased during the study period because the new districts were not formed in Marathwada region. The number of branches of district central cooperative Banks in Marathwada region was the phenomenal increase for the study period of 1990-91 to 2004-05. The highest increase in number of branches of district central cooperative Banks in Marathwada region was in 2000-01 and 2001-02 and decreasing in 2004-05 because the management of district central cooperative Banks in Marathwada gave the trace on quality of branches in Marathwada region.

Conclusion:

The Cooperative Societies Act, was passed in 1904. There was no provisions for the formation of central bank. The sponsors of the cooperative movement expected that the rural credit societies would be able to attract substantial deposits from the members and well to do sections of the village community and their savings would be available to meet the need of the needy in the villages. It was also contemplated that any deficiency in the funds would be made good by loans from the government. But these expectations of the promoters did not materialize. The isolated and poorly managed societies failed, in the first instance, to tap funds from the more affluent, secondly they could not augment their own capital base by encouraging thrift and self-help among their members.

The movement gained in popularity, the societies started increasing in number by leaps and bounds. But the financial arrangement envisaged did not yield enough money to meet their growing requirements. The Cooperative Societies Act was, therefore, amended in 1912 with a view to permitting registration of central societies. It may be of interest to note that even before the amendment, some central banks had been established to cater to the financial needs of the primary societies. The first central bank was registered in Uttar Pradesh in 1906 as a primary society. But the first perfect central bank in the modern sense saw the light of the day in the former central provinces and Berar. In Rajasthan, the first central cooperative bank was started in 1910 at Ajmer.

During 1950-51 to 1989-90, the district central cooperative banks in India showed a continuous positive trend in major sources and uses of funds growth performance during this period, on an average, growth rate was between 17.31 percent to 136.25 percent in case of share capital, reserves,

owned funds, deposits, working capital and advances. It was 172.90 percent in case of borrowing and 185.29 percent in case of overdues. It suggests that the district central cooperative banks in India were unsuccessful in the recovering loans and advances in time and merely depends up on borrowing during 1950-51 to 1989-90. The growth of district central cooperative banks during the 15 years period of 1990-91 to 2004-05 was satisfactory in sources and uses of funds during this period, the growth rate in sources and uses of funds was on an average between 10.82 percent to 23.55 percent. The annual average in sources of borrowing was 10.34 percent and the growth rate of overdues was 13.66 percent, both are less than the average growth rates of previous period of 1950-51 to 1989-90. It means during 1990-91 to 2004-05, these banks were successful to recover loans and advances in time than the previous year of the study. The overall growth performance in sources and uses of funds of D.C.C. banks in India was satisfactory but it was unbalanced. Maharashtra, Tamil Nadu and Gujarat states have more than 50 percent contribution in all respects of D.C.C. banks.

The district central cooperative banks in Maharashtra ranks first in India in respect in sources & uses of funds parameters. In Maharashtra, the growth of D.C.C. banks was also unbalanced. The districts of western Maharashtra indicate high growth in all growth performance in sources and uses of funds parameters than other districts in Maharashtra. The D.C.C. banks in Marathwada show less growth than the state level average growth in sources and uses of funds in growth performance. District central cooperative bank of Pune ranks first in case of sources of share capital. The external sources of deposits and working capital of Pune district also ranks first. In the case of source of funds in reserves and owned funds of Mumbai district ranks first. As a sources of funds in borrowing Nasik district ranks

first. The uses of fund of D.C.C. banks in Maharashtra. In the case of cash and bank balance Nasik district ranks first. Mumbai district ranks first in case of Investment and, in case of loans and advances Kolhapur district has first rank. In case of all sources and uses of funds of D.C.C. banks in Marathwada region has shown low performance. Gadchiroli district central cooperative bank has remained at the bottom in case of sources and uses of funds as on 31.3.2005. Pune, Nasik and Mumbai district central cooperative banks have good performance in sources and uses of funds during 2004-05.

The Parbhani D.C.C. banks organized in 1917 in Marathwada region was the first D.C.C. bank formed in Marathwada region. Till 1950, only two DCC banks were working in Marathwada in the decade 1950-60, one new D.C.C. bank was formed in Marathwada, i.e. Beed D.C.C. bank. In the decade 1960-70 and 1970-80, there was no new D.C.C. bank formed in Marathwada. In the year 1980-90, four new D.C.C. banks were formed in Marathwada. At present seven district central cooperative banks are working in Marathwada region.

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