

## PRE & POST ERA DEVELOPMENT OF DISTRICT CENTRAL CO-OPERATIVE BANKS IN INDIA

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### Abstract

*Serving as a bridge between State Cooperative Banks and Primary Agricultural Credit Societies, District Central Cooperative Banks (DCCBs) are an essential part of India's cooperative credit system. Their development is indicative of more significant changes in the rural financial architecture of India. This study looks at how DCCBs developed before and after reform, emphasizing structural adjustments, legislative initiatives, performance patterns, and current issues. Prior to the 1960s, when reform was in effect, DCCBs had little funding, shoddy governance, and insufficient outreach, making it difficult for them to compete with informal moneylenders in rural loan markets. Their expansion and operational effectiveness were limited by the lack of competent management and efficient oversight. The post-reform era, especially following the 1960s, significant institutional strengthening was achieved through the creation of regulatory and refinancing support mechanisms, as well as inclusion into the three-tier cooperative credit system. Targeted agricultural lending programs, branch network expansion, policy initiatives, and recapitalization measures all improved DCCBs' reach and significance in rural development. Improved financial intermediation was also facilitated by modernization efforts and the creation of specialist rural financial institutions. Despite these developments, DCCBs still have to deal with issues such as growing nonperforming assets, ineffective governance, political meddling, dual regulatory oversight, and growing competition from commercial banks and microfinance organizations. Although DCCBs have evolved from weak district-level lenders to important rural financial intermediaries, this study contends that enhanced risk management procedures, modernized technology, unified regulations, and better corporate governance are all necessary for their long-term viability. In India's changing financial landscape, it is imperative to strengthen these aspects to make sure DCCBs continue to support balanced rural development, agricultural productivity, and inclusive growth.*

**Keywords:** District central cooperative banks (DCCBs), three-tier cooperative structure, agricultural credit, rural development, financial intermediation, dual regulation, risk management, financial inclusion

### 1. Introduction

Agriculture and related industries have long been the backbone of India's rural economy, making an effective institutional finance system necessary. Rural indebtedness and exploitative informal lending practices gave rise to the cooperative credit movement. Primary Agricultural Credit Societies (PACS) at the village level, District Central Cooperative Banks (DCCBs) at the district level, and State Cooperative Banks (SCBs) at the top level comprise the three-tier short-term cooperative credit structure in this system, with DCCBs acting as the crucial intermediary layer.

DCCBs promote funding for agriculture and rural areas, organize deposits, and lend money to PACS. Their operating performance, regulatory environment, and institutional structure have all changed significantly over time, especially in the wake of the post-1960 financial sector reforms and legislative initiatives. This study looks at how DCCBs have changed over time, with an emphasis on:

1. Conditions and restrictions prior to reform
2. Strengthening of institutions after reform
3. Structural and legislative changes
4. Financial indicators and performance patterns
5. Present-day difficulties
6. Suggestions for sustainable policies

## **2. Objectives of the Study**

The specific objectives of the study are as follows:

To study the development of District Central Cooperative Banks (DCCBs) in India prior to and following financial sector reforms.

To examine how DCCBs are impacted by structural and regulatory changes in the three-tier cooperative credit system.

To assess DCCB performance in terms of financial intermediation, rural development, and agricultural credit delivery.

To determine the main obstacles that DCCBs must overcome, including as dual regulation, governance concerns, and non-performing assets

## **3. Literature Review**

Numerous studies have been conducted on India's cooperative credit system in relation to agricultural development and rural finance. Early research focused on structural flaws such low recovery rates, insufficient capital, and ineffective administration. Subsequent studies concentrated on institutional strengthening initiatives, recapitalization packages, and financial sector reforms. The incorporation of DCCBs into a formalized three-tier framework has been recognized by academics as a watershed in enhancing coordination and refinancing assistance. Improvements in outreach, deposit mobilization, and lending to key sectors are highlighted in post-reform evaluations. Nonetheless, current research highlights enduring issues such as the Reserve Bank of India's (RBI) and state governments' dual regulation, significant non-performing assets (NPAs), and ineffective governance.

In order to maintain the cooperative banking structure in a competitive financial environment, existing literature emphasizes the necessity of modernization, technology integration, and regulatory harmonization.

## **4. Methodology**

This study uses secondary data and a qualitative, historical-analytical research design. The methodology consists of:

### **4.1 Sources of Data**

- Cooperative banking reports from the government
- Reports from reform committees and policy documents
- Cooperative banking institutions' annual reports
- Research publications and scholarly journals
- Regulatory authorities' reports

### **4.2 Framework for Analysis**

The research looks at DCCBs at two different stages:

- Before the 1960s, or the Pre-Reform Era
- Post-Reform Era (1960s and beyond, including the 1990s financial sector reforms and the ensuing modernization initiatives)

Institutional issues, performance metrics, governance procedures, and structural changes are all evaluated through comparative analysis.

### **4.3 Limitations**

- Reliance on secondary data
- Differences across states are not thoroughly examined.
- Standardized financial data over decades is not readily available

## **5. Evolution of DCCBs: Pre-Reform Era**

Before the 1960s, DCCBs had little capital to operate. They had to deal with:

### **5.1 The institution's shortcomings**

- Insufficient mobilization of deposits
- Ineffective loan recovery systems
- Inadequate systems of governance
- Interference from politics

Their limited outreach and cumbersome processes hindered their capacity to compete with informal moneylenders.

### **5.2 Management and Governance Inadequacies**

Operational efficiency was undermined by a lack of competent management and strong control procedures. DCCBs faced:

- Inadequate internal controls
- Limited openness in accounting
- Inadequate PACS oversight

### **5.3 Limited Communication**

There was limited branch expansion, especially in isolated rural areas. A large number of farmers continued to rely on unofficial lending sources.

## **6. Post-Reform Institutional Strengthening**

Cooperative banking saw significant change in the 1960s.

### **6.1 Implementing the Three-Tier Structure**

PACS and State Cooperative Banks formally integrated DCCBs. This made it possible:

- Simplified credit flow
- Improved assistance with refinancing
- Enhanced coordination

### **6.2 Initiatives in Law and Regulation**

Among the notable reforms were:

- Enhancing prudential standards
- The implementation of audit standards
- Facilities for refinancing
- Improvements to regulatory oversight

Cooperative banks were further brought into compliance with commercial banking requirements by financial sector changes in the 1990s.

### **6.3 Modernization and Growth**

Among the post-reform initiatives were:

- Growth of the branch
- Programs for agricultural credit
- Packages for recapitalization
- Core banking solutions and computerization

These programs enhanced the disbursement of loans and the mobilization of deposits.

## **7. Trends in Performance**

### **7.1 Increase in Advances and Deposits**

Decades after reform were marked by:

- A higher level of deposit mobilization
- Growth in lending for agriculture
- Expanding into related fields

### **7.2 Inclusion of Finances**

DCCBs had an important part in:

- Giving small and marginal farmers finance
- Encouragement of self-employment programs in remote areas
- Supporting initiatives for rural development funded by the government

### **7.3 Persistent Weaknesses**

Despite advancements, issues still exist:

- Excessive NPAs

- A lack of adequate capital
- Regional differences

## **8. Current Obstacles**

### **8.1 Growing NPAs (Non-Performing Assets)**

Recovery success has been impacted by political pressures and agricultural loan waivers.

### **8.2 Dual Regulation**

The Reserve Bank of India (RBI) and state governments also regulate DCCBs, which can result in:

- Cross-border jurisdictions
- Statutory burdens
- Decision-making delays

### **8.3 Concerns about Governance**

Among the difficulties are:

- Interference from politics
- Inadequate board supervision
- Inadequate expert management

### **8.4 Competition**

- Competition for DCCBs comes from:
- Commercial banks
- Regional banks in rural areas
- Microfinance establishments
- Fintech lenders

## **9. Policy Suggestions**

To guarantee sustainability:

### **9.1 Making Risk Management Stronger**

- Using modern credit evaluation tools
- Mechanisms for NPA monitoring
- Integration of data analytics

### **9.2 Harmonization of Regulations**

- Simplified structure for supervision
- Less complicated dual control

### **9.3 Modernization of Technology**

- Core banking solutions
- Electronic payment methods
- Access to mobile banking

### **9.4 Governance Reforms**

- Hiring managers with experience
- Election procedures that are transparent
- Board members that are independent

### **9.5 Strengthening of Capital**

- Initiatives for recapitalization
- Promoting the growth of deposits

## **10. Conclusion**

From being feeble district-level organizations, District Central Cooperative Banks have developed into essential parts of India's rural lending network. Their operating capability and outreach have been improved by modernization, recapitalization measures, regulatory improvements, and structural reforms.

However, their long-term viability is still hampered by growing non-performing assets (NPAs), governance issues, political meddling, and dual regulatory scrutiny. To ensure their resilience, it is essential to implement cutting-edge technology, strengthen risk management systems, harmonize legislation, and improve corporate governance. To stay relevant in India's quickly changing financial scene, DCCBs must adjust. In order to promote

agricultural productivity, financial inclusion, and inclusive rural development, a redesigned and technologically advanced cooperative banking system will be essential.

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