

## International Journal of Agriculture Extension and Social Development

Volume 8; SP-Issue 1; January 2025; Page No. 76-80

Received: 06-10-2024  
Accepted: 13-11-2024

Indexed Journal  
Peer Reviewed Journal

### Growth and status of DCC banks in Chhattisgarh

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DOI: <https://doi.org/10.33545/26180723.2025.v8.i1Sb.1549>

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#### Abstract

Cooperatives, as people's institutions, have a long history in India and are considered an instrument of economic development. They were the first official organizations to deliver credit to rural India, helping farmers achieve their output demands and raising farm productivity. Cooperative credit banks offer various benefits, including providing a different source of finance for rural clients, lessening the dominance of private moneylenders, preventing moneylenders from harming farmers, encouraging savings and taking out loans from official financial institutions, and assisting in the introduction of improved post-harvest management, marketing, and production techniques for agricultural products. Cooperative societies have effectively bridged the gap between traditional banking institutions and rural populations, contributing to overall economic growth and development. As cooperative banking continues to expand its reach and impact, it is crucial for policymakers to recognize and support the unique role these institutions play in fostering sustainable development.

**Keywords:** Cooperative banks, DCC banks, rural development, economic growth

#### Introduction

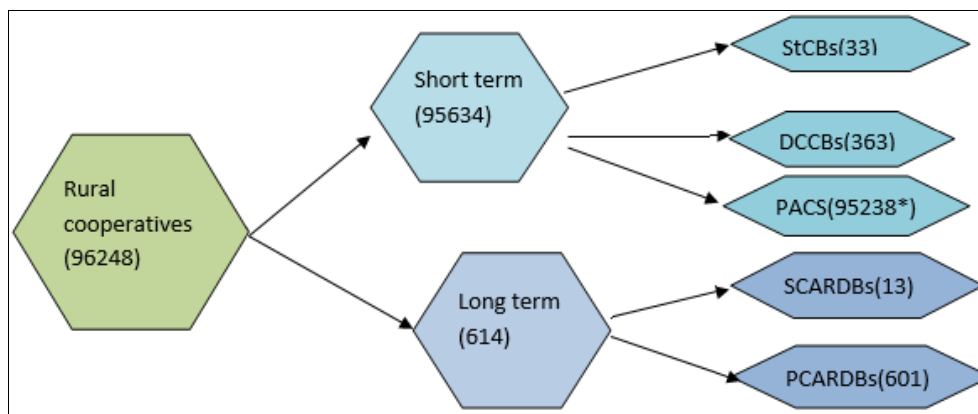
India has 800,203 cooperative societies, with Chhattisgarh having the largest number. These institutions, established to provide credit to farmers, artisans, and low-income individuals in rural areas, operate under mutual aid, self-help, and cooperation. They support rural enterprises, raise farmer incomes, and promote inclusive growth. Cooperative banks are part of two structures: the Long Term Cooperative Credit Structure (LTCCS) and the Short Term Cooperative Credit Structure (STCCS). The STCCS offers short-term crop loans and working capital loans, while the LTCCS provides medium and long-term loans for investments in agriculture, rural industries, and housing.

At the state level, the State Cooperative Bank is the highest-ranking ST cooperative bank, serving as a conduit between District Central Cooperative Banks, the Reserve Bank of India (RBI), and the National Bank for Agriculture and Rural Development (NABARD). Share capital, deposits, borrowings, and loans outstanding are the primary sources of funding for cooperative banks. Over the last decade, the performance of District Central Cooperative Banks (DCCBs) and Primary Agriculture Cooperative Societies (PACS) has significantly improved, reflecting positive trends in the cooperative banking sector.

#### An overview of the Cooperative sector

Cooperative banks are established, like other banks, by issuing loans, taking deposits, and raising money through the sale of shares. Millions of farmers, craftspeople,

carpenters, and other rural workers are significantly impacted by them. These institutions are distinct in their clientele, structure, and method of granting credit. They operate under the tenets of mutual aid, self-help, and cooperation. They were established primarily to give farmers, the impoverished, and other low-income people residing in rural areas access to credit. Cooperative banks, in contrast to commercial banks, actively support rural enterprise, raise farmer incomes, and promote inclusive growth. The two different structures that the cooperative institutions are usually a part of are called the Long Term Cooperative Credit Structure (LTCCS) and the Short Term Cooperative Credit Structure (STCCS). The STCCS mainly offers short-term crop loans and other working capital loans to farmers, carpenters, artisans, and other professionals. It is made up of primary agricultural credit societies (PACS) at the village level, Central Cooperative Banks (CCBs) at the district level, and the State Cooperative Bank (StCB) at the state level. Lately, the ST cooperatives have also been offering long-term financing for rural sector investments. The LTCCS, comprising the State Cooperative Agriculture and Rural Development Bank (SCARDB) at the State level and the Primary Cooperative Agriculture and Rural Development Bank (PCARDBs) at the taluk/village level, has been providing medium and long term loans for making investments in agriculture, rural industries, and housing. As on 31 March 2019, there were a total of 96,248 rural cooperatives in the country



**Fig 1:** Structure of Rural Co-operative Credit Institutions in India (As on 31 March 2019) \*As on 31 March 2018 Source: Annual Report 2019-20, NABARD Growth of the cooperative banks

### Importance of Rural Credit Cooperatives

The cooperatives as people's institutions have a long legacy and a rich tradition in India. They are considered as an instrument of economic development combining the advantages of private ownership of public good. They were the first official organisations to be created with the purpose of delivering credit to rural India, and they have been a vital tool in helping farmers achieve their output demands. They contribute to raising farm productivity and output in the process. As a result, cooperatives play a significant role in the Indian financial system. Many believe that cooperation is the best hope for rural India because of the sector's increasing significance, especially in rural areas. The following are some of the many benefits that cooperative credit banks offer:

- A different source of finance for rural clients
- It also contributes to lessening the dominance of private moneylenders
- Prevents moneylenders from harming farmers and

others.

- Encourages farmers and other rural residents to save money and take out loans from official financial institutions.
- Assist in the introduction of improved post-harvest management, marketing, and production techniques for agricultural products.

At the state level, the State Cooperative Bank is the highest ranking ST cooperative bank. It serves as a conduit between the District Central Cooperative Banks, the Reserve Bank of India (RBI), and the National Bank for Agriculture and Rural Development (NABARD). Share capital, deposits, loans, and overdrafts are the primary sources of funding for cooperative banks. PACS and DCC Banks receive loans from the StCBs. Table 1 presents the growth of the cooperative banks in terms of select parameters such as owned fund, deposits, borrowings and loan outstanding of StCBs, DCCB and PACS. The table shows the

**Table 1:** Decadal growth of an average cooperative bank/society in Chhattisgarh (Rs. lakh)

Year	Share capital	Deposits	Borrowings	Loans/Advances	Loan outstanding	Overdue to Demand (%)
<b>State Cooperative Banks (StCBs)</b>						
2013-14	11288	220607	80624	121135	140897	5.51
2022-23	18663	596505	133213	332626	375740	8.03
% Increase	165.33	270.39	165.23	274.59	266.68	--
<b>District Central Cooperative Banks (DCCBs)</b>						
2013-14	22425	440736	66592	330479	181561	27.55
2022-23	61520	1510156	237637	605897	329345	23.63
% Increase	274.34	342.64	356.86	183.34	181.40	--
<b>Primary Agriculture Cooperative Societies (PACS)</b>						
2013-14	49984	41331	123885	202432	115440	20.64
2022-23	62834	26828	385337	628938	165009	98.47
% Increase	125.71	64.91	311.04	310.69	142.94	--

**Source:** Basic Data on StCBs, DCCBs and PACS, Various Issues from NABSCOB website <sup>[1, 2, 3]</sup>

The table shows the average position of StCBs, DCCBs and PACS in two different years. It can be observed from the table that share capital of the StCBs, DCCBs and PACS increased by 165.33 percent, 274.34 percent and 125.71 percent respectively from 2013-14 to 2022-23. The overdue to demand position of DCCBs in 2022-23 was lower than that in 2013-14. But to demand position of StCBs and PACS in 2013-14 was lower than that in 2022-23. Over a period of the last 10 years, the deposits, borrowings, loans & advances and loan outstanding position of the cooperative

banks improved. The data provided shows a significant increase in the performance of District Central Cooperative Banks (DCCBs) and Primary Agriculture Cooperative Societies (PACS) from 2013-14 to 2022-23. This growth reflects positive trends in the cooperative banking sector. It is evident that there has been a substantial improvement in the financial metrics of these cooperative institutions over the years, indicating a positive trajectory for the cooperative banking sector.

The Cooperative societies by sector have been able to

effectively bridge the gap between traditional banking institutions and rural populations, ultimately contributing to the overall economic growth and development of these communities. As cooperative banking continues to expand its reach and impact, it is crucial for policymakers to recognise and support the unique role that these institutions play in fostering sustainable development. They play a vital role in providing access to financial services and promoting financial inclusion for underserved populations. The number of cooperative societies is growing rapidly worldwide, highlighting the importance of their contribution to

economic growth and poverty reduction.

The number of cooperative societies in all India is 800203 out of which Chhattisgarh has 9171 super societies. An aggregate member in Chhattisgarh is 4731974 in 2023. Apart from this, percentage of cooperative members as total estimated population in Chhattisgarh is 15.7. Madhya Pradesh leads with the highest number of cooperatives in all India which is 222069.

Table All India cooperatives, Aggregate members and cooperative members as percentage of total estimated population.

State/UT	No. of cooperatives	Aggregate members	Cooperative members as percentage of total estimated population
Andaman & Nicobar Islands	2,215	144,584	35.9
Andhra Pradesh	17,803	9,597,143	18.1
Arunachal Pradesh	1,197	89,545	5.7
Assam	11,148	4,318,231	12.1
Bihar	26,640	15,998,540	12.6
Chandigarh	476	49,721	4.0
Chhattisgarh	9,171	4,731,974	15.7
Delhi	5,943	1,569,276	7.3
Goa	5,439	1,578,643	100.2
Gujarat	81,432	16,873,870	23.6
Haryana	32,466	5,464,638	18.1
Himachal Pradesh	5,140	1,825,892	24.4
Jammu & Kashmir	8,778	896,054	6.6
Jharkhand	11,455	2,093,817	5.3
Karnataka	44,854	33,501,183	49.5
Kerala	6,103	27,325,326	76.4
Ladakh	260	25,197	8.4
Lakshadweep	35	84,393	122.3
Madhya Pradesh	51,787	13,443,329	15.5
Maharashtra	222,069	57,973,552	45.9
Manipur	11,256	829,340	25.7
Meghalaya	2,656	240,205	7.2
Mizoram	1,229	49,466	4.0
Nagaland	8,118	310,933	13.9
Odisha	7,578	8,709,507	18.8
Puducherry	458	463,802	33.7
Punjab	19,061	3,434,928	11.2
Rajasthan	35,942	11,075,332	13.7
Sikkim	3,793	116,193	16.9
Tamil Nadu	21,833	23,934,636	31.1
Telangana	60,112	14,300,725	37.5
Dadra & Nagar Haveli and Daman & Diu	530	46,633	7.2
Tripura	3,142	511,559	12.3
Uttar Pradesh	43,558	18,478,449	7.8
Uttarakhand	5,318	1,601,973	13.8
West Bengal	31,208	9,591,686	9.7
<b>Total</b>	<b>800,203</b>	<b>291,280,275</b>	<b>21.0</b>

**Note:** Data on aggregate members may include membership of an individual in multiple societies.

**Source:** No. of cooperatives and membership data sourced from National Cooperative Database 2023, Ministry of Cooperation, Government of India. <https://cooperatives.gov.in/en>.

## Methods

There are 6 DCC Banks in Chhattisgarh. The study was based on secondary data. Data Collection For studying the current status and growth of the cooperative banks in India and the state of Chhattisgarh, information on various aspects of banking such as share capital, owned fund, reserve fund, working capital, deposits, borrowings, loans & advances, loan outstanding, profits & loss and non-performing assets were collected from the Annual Reports of National Federation for State Cooperative Banks (NAFSCOB), Annual Reports of National Bank for Agriculture and Rural Development (NABARD), Annual Reports of Chhattisgarh State Cooperative Banks (CGSCB) and other publication on cooperative banks. Further, to study the growth and viability of Raipur DCC Bank, relevant information were collected for the last 10 years from 2013-14 to 2022-23.

Approach followed Collected information was tabulated, compiled, analysed and presented in tabular forms. Select methods such as Trend, Compound Annual Growth Rates (CAGRs) and maxima minima mean etc. Software Used MS Excel was used for the analysis of data. Methods used for the analysis Trend analysis

Trend analysis evaluates the financial performance of a company or bank over a period of time. Based on the performance of the bank in past and present, the trend lines tried to predict the future. The goal of the trend analysis was to calculate and analyze the percentage change of the variables from one point of time to the next. In the present case, the period was in terms of year. Based on the information for the last ten years, trend lines of some of the important parameters such as owned fund, deposits, borrowings, loans & advances, operating income, expenditure and income, non-performing assets and net profit were attempted<sup>[4]</sup>.

Annual growth rate Generally, exponential trend function is preferred over Compound Annual Growth Rate (CAGR) to calculate the annual growth rate, because the former considers the values of all the years and the later considers only the ending value and starting value. Therefore, in the present case, exponential trend function was used, which takes into consideration the values of all the years. For getting the CAGR, excel function was used<sup>[4]</sup>. The formula used for the same is as given below:

$$y = a \times (1 + r)^t \text{ Or, } y = a \cdot b^t,$$

Where,  $b = 1 + r$ ,  $y$  = Amount after growth  
 $a$  = Initial value,  $b$  = Growth factor,  
 $t$  = Time (Years),  $r$  = Annual growth rate

## Status of the DCC Banks

Chhattisgarh vis-à-vis All India the DCC Banks, by providing production and investment credit, maximise farmers' welfare and thus promote financial inclusion at the grass root level. The DCC Banks are the federations of PACS in the districts and are linked with higher financial institutions such as Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD). They get membership from the affiliated primary societies and the individuals. The funds of the DCC Banks consist of share capital, deposits, loans and overdrafts from State Co-operative Banks. They provide finance to

member societies within the limits of their borrowing capacity. There are 6 DCC Banks in Chhattisgarh. At the aggregate level, the share capital, net worth and investments of the DCC Banks in Chhattisgarh increased by more than 10 percent per year during the last five years. On an average, there were 127981 members in a DCC Bank in Chhattisgarh as against 2652769 members at All India level. As a result of the low membership, the share capital, reserve fund, deposits, borrowings and investments of the DCC Banks in Chhattisgarh were lower than those at All India level. As on 31 March 2023, on an average, there were 123 employees working in a DCC Bank in Chhattisgarh against 16102 employees at All India level. Table 2 presents the details of the salient features of the DCC Banks in Chhattisgarh and at All India level as on 31 March 2023.

**Table 2:** Select parameters of the DCC Banks in India and Chhattisgarh as on 31 March 2023 at All India vis-à-vis Chhattisgarh (Rs. Lakh)

Particulars	All India	Chhattisgarh	% of All India
No. of DCC Banks	351	6	1.71
No. of Members	2652769	127981	4.82
Share capital	967702	18663	1.93
Reserve Fund	2302705	56158	2.44
Deposits	25217222	596505	2.37
Borrowings	14978114	133213	0.89
Investment	14588216	141127	0.97
No of Employees	16102	123	0.76

**Source:** Basic Data on DCC Banks 2022-23, NABSCOB website<sup>[2]</sup>

## Growth & Status of DCC Banks in Chhattisgarh

Table 3 presents key parameters of the DCC Banks of Chhattisgarh as on 31 March of different years during the last five years. When the growth rate in deposits was 0 percent per year, the growth rate in loans and advances was -35 percent. Investment of these banks increased from Rs.3297.53 crore in 2015 to Rs.1411.27 crore in 2023 at an annual rate of -19 percent. Further, the net profit of the total 6 DCC Banks in Chhattisgarh was Rs.37.49 crore as on 31 March 2023. A negative Compound Annual Growth Rate Indicates that an investments value has declined over a period of time.

**Table 3:** Key financial indicators of the DCC Banks in Chhattisgarh as on 31 March of the year (Rs. Lakh)

Parameters	2019	2020	2021	2022	2023	CAGR-%
Paid up capital	14920	15151	15957	16049	18663	6%
Reserves	11848	34744	38803	47303	56158	48%
Deposits	587792	609913	554914	595418	596505	0%
Advances	1882234	187187	235829	316496	332626	-35%
Investments	329753	494577	135871	135183	141127	-19%
Net Profit(+)/loss(-)	905	2582	2897	3374	3749	43%

**Source:** Basic Data on performance State Cooperative Bank:- NASCOB Website<sup>[1]</sup>

## Conclusion & suggestion

This data highlights the importance and effectiveness of cooperative societies in supporting agricultural activities and rural development. The data shows that cooperative banks and societies have been successful in enhancing



financial inclusion and providing essential banking services to rural communities. This progress is a testament to the resilience and adaptability of the cooperative banking sector in meeting the needs of farmers and small-scale entrepreneurs.

In the present day banking, advancement of technology and digitization of banking has the ability to reduce risk, improve efficiency and offer better services to customers. It allows customers to withdraw money, transfer money, apply for bank loan and make payments online on their smart phones. With the advancement of technology, demand for easy and sophisticated banking facility has been on the rise. The digitization journey has already started. Many banks have already been working in a technology-driven environment. Therefore, only branch-led financial services may not be enough in retaining the client base. Customers have also started demanding access to sophisticated products and services through multiple channels like the telephone, Internet, cellular phones and the ATM. In a bid to remain relevant, the cooperative banks need to embargo technology, which would empower them in terms of customers and business.

As the customers have been banking with them for generations, the way they know their customers, nobody else knows. To retain the client base, increase business, reduce transaction cost, provide prompt & error-free services, win customers' trust & confidence and above all, to remain at par with other stakeholders in the financial market, they must adopt technology at a fast pace. By doing so, they can also attract young customers. A considerable number of cooperative banks have also increased their computerization base by adding Any Branch Banking, Tele-Banking and ATM interface wherever required. This has facilitated the banks to provide efficient and effective customer services and has resulted in economizing on the costs per transaction.

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