



## Performance of District Cooperative Central Bank Ltd., Vizianagaram

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### Abstract

The Co-operative Central Bank (No.1764) at Vizianagaram hereinafter called 'The Bank', is one of the Oldest Central Co-operative Banks in India. It was established on 6<sup>th</sup> November 1916, i.e., within four years of the passing of the Amended Co-operative Credit Societies Act of 1912. This Bank was established to cater to the needs of the primary societies in the erstwhile Visakhapatnam District, (from Payakaraopeta to Berhampur) of the erstwhile Madras State, with its Headquarters at the Vizianagaram City. The Visakhapatnam District was very vast and unwieldy; as such, the Central Bank could not effectively cover the entire District with its operations. However, it could extend its operations only in the southern part of the District, as the people in these parts identify themselves with the Bank's Operations. But the northern part of the District was not covered. Another Co-operative Central Bank with its Headquarters in Srikakulam was established on 31-12-1936 to serve the primary societies on the northern parts of the Visakhapatnam District, which were not covered by the Central Bank at Vizianagaram. Thus, there were two Central Banks operating over the entire Visakhapatnam District. The Central Bank at Vizianagaram continued to serve those parts which were covered by its operations previously, viz., the entire visakhapatnam District and five of Srikakulam District, as the societies in these five taluks opted to be with the Bank.

**Key words:** Credit Societies, primary societies, Central Banks

### Introduction

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there were two Central Banks operating over the entire Visakhapatnam District. The District was bifurcated on 15-8-1950 into two Districts, namely, Visakhapatnam and Srikakulam Districts. The northern parts have gone to Srikakulam District. However, the area of operations of these Banks were not affected. The District was bifurcated on 15-8-1950 into two Districts, namely, Visakhapatnam and Srikakulam Districts. The northern parts have gone to Srikakulam District. However, the area of operations of these Banks were not affected.

A separate Vizianagaram District was formed on 1-6-1979 (vide G.O. Ms. No. 700 Rev. (v) dt. 18.5.1979), by merging some taluks of the southern region of Srikakulam District and some taluks on the northern part of Visakhapatnam District. Even then, the Central Bank at Vizianagaram continued to serve the newly formed Vizianagaram and Visakhapatnam Districts. Later, the Government wanted to implement the principle of "One Co-operative Central Bank for one Revenue District"<sup>2</sup>. Consequently, a separate Central Bank for the Visakhapatnam District was registered on 4-11-1981. The process of trifurcation was effected on 9-11-1981. The entire business, share capital, Reserves and other Liabilities and Assets covering the Visakhapatnam District were handed over to the Co-operative Central Bank of Visakhapatnam District. At the same time, the societies under the control of Palakonda and Rajam Branches (along with these branches) and part of Cheepurupalli were handed over to the Co-operative Central Bank of Srikakulam District.

Accordingly, the Co-operative Central Banks operating with overlapping jurisdiction were restricted to revenue district and CCBs operating more than one within the District were amalgamated with CCB at the Revenue District Headquarters. Consequently, the number of CCBs came down from 27 to 22. From 15-4-1987, for 23 Districts in the State, as there is only one Central Bank for both the Hyderabad and Rangareddy Districts jointly.

However, the societies under the control of Bobbili and Parvathipuram Branches and part of Cheepurupalli, which came under the newly formed Vizianagaram District are now under the control of this Bank. Now, this esteemed Bank controls the societies in the entire Vizianagaram Revenue District, with its age-old Headquarters at Vizianagaram City. Thus, the FIRST PHASE of the Bank for an uninterrupted period of 65 years (from 1916 to 1981) ended with the TRIFURCATION of the Bank on 9-11-1981.

Consequent on the reorganisation of Co-operative Credit delivery and marketing system in Andhra Pradesh, the erstwhile 197 Primary Agricultural Credit Societies of the Bank were reorganised into 155 PACS under the "single window Co-operative Credit Delivery system in April 1987, by bringing about the Amendments to the Andhra Pradesh Co-operative Societies Act of 1964<sup>3</sup>.

The scheme also envisaged integration of Short-Term and Long-Term Credit along with marketing and allied services at Primary Agricultural Credit Societies level and the assets and liabilities of Primary Agricultural Development Banks and Primary Marketing Co-



operative Societies and Andhra Pradesh Co-operative Central Land Development Bank got merged with those of the District Co-operative Central Banks, the District Co-operative Marketing Societies and Andhra Pradesh State Co-operative Bank, respectively.

Accordingly, the APCS Rules of 1964 were also amended. According to Sec. 11(1) of APCS Laws (Amendment) Act 1987, the PADBs registered under the Principal Act shall stand abolished from the date of the notification of the State Government. The Government issued a G.O.Ms.No.178 (Coop.IV) Department, dt.31-3-1987, enforcing the provisions of Sec.11 of the said Act. Accordingly, all the 218 PADBs stand abolished on 1-4-1987 and their assets and liabilities were transferred to the 22 Co-operative Central Banks of the District concerned.

Thus, the SECOND PHASE of SEVEN Years (from 1981 to 1987) ended with the merger of Primary Agricultural Development Banks with the Central Bank. Now, the new name of the Bank is "The District Co-operative Central Bank Limited" (DCCB), Vizianagaram<sup>4</sup>.

The area of operations of the Bank extends to the entire revenue district of Vizianagaram, covering 34 revenue mandals. The Bank is having a network of 16 branches as on 31-3-2013 spread over in the entire district. The names of the branches and dates of opening of the branches are as follows: (1) Vizianagaram (6-11-1916); (ii) Bobbili (4-10-1961); (iii) Cheepurupalli (8-3-1968); (iv) S.Kota (8-3-1968); (v) Parvathipuram (5-4-1971); (vi) Gajapathinagaram (9-1-1975); (vii) Salur

(25-4-1975); (viii) Garividi (11-8-1975); (ix) Chilakalapalli (12-6-1978); (x) Terlam(25-2-1983), (xi) Kottavalasa(15-10-1984); (xii) Gantyada (14-2-1990). (xiii) Thotapalli (18-1-1992) (xiv) Nellimarla (26-6-1994); (xv) Seethanagaram (26-5-1995); (xvi) Poosapatirega (7-11-1997).

The principal objective of the Bank is to act as a balancing Centre to Channelise the funds to deficit areas by tapping the required funds from surplus areas and from external sources. The detailed objectives of the Bank are provided hereunder<sup>5</sup>.

(i) Primarily, to finance the Primary Agricultural Credit Societies (PACS) registered or deemed to have been registered under the A.P. Co-operative Societies Act 7 of 1964;

(ii) Secondly, to finance all other Co-operative Societies in the District.

(iii) To service members of erstwhile PADBS including disbursement of second and subsequent instalments of loans directly to such members, and recovery of such loans of members till they are cleared and arrange for issue of fresh long-term loans through PACS.

(iv) To finance individuals, firms, companies, corporations etc., by admitting them as 'B' class members for purposes approved by higher financing agencies from time to time, either individually or jointly with other financing institutions.



(v) To raise funds by way of deposits, loans, cash credits, over-drafts and advances from the Apex Bank, the government and other financing agencies.

(vi) To open regional offices, branches or sub-offices with the prior permission of the Registrar both for Banking purposes as well as issue and recovery of S.T., M.T. and L.T. loans.

(vii) To Guarantee the loans and advances to be made to member societies by any other Agency.

(viii) To advise, develop, assist and co-ordinate and supervise and inspect the functioning of the PACS and also to assist and supervise the functioning of other affiliated and indebted societies

### **ORGANISATION STRUCTURE OF THE BANK**

The organisation structure consists of two important wings, viz., deliberative wing and executive wing. The deliberative wing is responsible for making policy decisions regarding various aspects of the Bank and the executive wing is responsible for their implementation. Deliberative wing consists of the General Body, the Board of Management and the President, whereas the executive wing comprises paid servants. The General Manager is the head of the executive wing, whereas the President is the representative of the deliberative wing. A fair co-ordination between both the wings enables the Bank to serve the members in an effective manner.

The Bank has a network of 16 Branches in different places to cover its entire area

of jurisdiction. For administrative convenience, over a period, the Bank has divided its jurisdiction into certain segments establishing a branch in each segment. Till 1971, there were only 13 Branches to provide financial assistance to agriculturists in the entire Visakhapatnam District and some parts of Srikakulam District. At the time of the trifurcation of the Bank, in the year 1981, there were 25 Branches, of which, 13 Branches were located in Vizianagaram District and only 2 Branches were situated in Srikakulam District. In the year 1981-82, the composite Bank was trifurcated, as a result of which, there were only 11 Branches in the jurisdiction of the Bank and later nine other branches were established. It indicates that the Bank is slowly decentralising its activities so as to provide efficient services to its members. Thus, as on 31-3-2013 there are 16 Branches in the jurisdiction of the Bank and the Head Office has been acting as the Co-ordinating wing. Every Branch is managed by a Branch Manager, who is responsible to execute the decisions of the deliberative wing and directives of higher level executive staff in the area of the Branch. In order to facilitate easy supervision and control over the affairs of affiliated societies, the societies allocated to Branches have been classified into "Circles" and for every "circle" a supervisor is made incharge for ensuring effective supervision over the affairs of societies. The supervisors are treated as part of the field staff and they are under the control of the Branches<sup>6</sup>.

The strength of the executive wing in the Head Office and in the Branches is relative to the cost of establishment, which does not exceed 30 per cent of the gross income or 2 per cent of the working capital<sup>7</sup>.



The Table 1 reveals the following:

i) There has been a substantial increase in the number of branch offices from 15 in 2010-11 to 16 in 2012-13, indicating thereby an increase of about .06 times, which is a healthy sign as it indicates wide coverage of areas under the co-operative fold.

ii) The membership of the societies has decreased from 5,87,907.00 in 2010-11 to 5,33,186.00 in 2011-12 and subsequently increased to 5,72,250.00 in 2012-13. The decrease was higher on account of the re-organisation of primary societies into viable units.

TABLE NO-1: WORKING OF DISTRICT CO-OPERATIVE CENTRAL BANK LTD.VIZIANAGARAM

S.N O.	ITEM	UNIT	2010-11	2011-12	2012-13
1	2	3	4	5	6
1	BANK BRANCHES	NUMBER	15	16	16
2	SOCIETIES	NUMBER	95	95	95
3	MEMBERSHIP	NUMBER	5,87,907.0	5,33,186.00	5,72,250.00
4	SHARE CAPITAL	Rs.in Lakhs	5701.47	6000.55	6286.12
5	STATUTORY AND RESERVE FUND	Rs.in Lakhs	1517.26	700.64	694.60
6	DEPOSITS	Rs.in Lakhs	3651.13	3871.17	4611.95
7	BORROWINGS	Rs.in Lakhs	15720.26	19221.99	22313.61
8	WORKING CAPITAL	Rs.in Lakhs	22600.70	28021.14	32006.66
9	LOANS(Agriculture				
	a)Advances	Rs.in Lakhs	14928.02	25746.54	29269.79
	b)Recoveries	Rs.in Lakhs	11502.30	18680.53	25155.62
	c)Outstanding	Rs.in Lakhs	13233.27	22378.21	26440.38
	Overdues	Rs.in Lakhs	3469.07	3204.27	1706.96

SOURCE:ANNUAL REPORTS OF DCCB,VZM FROM 2010-11 TO 2012-13

iii)

The Share capital of the DCCB has increased substantially from Rs.5701.47 lakhs in 2010-11 to Rs.6000.55 lakhs in 2011-12, and further increased to Rs.6286.32 lakhs in 2012-13.

iv) The deposits have increased from Rs.3651.13 lakhs in 2010-11 to Rs.4611.95 lakhs in 2012-13, indicating

thereby an increase of about 21 per cent. The average deposits per branch has increased from Rs.243.40 lakhs in 2010-11 to Rs.288.24 lakhs in 2012-13, recording thus a substantial growth. The growth was higher on account of the increased number of branches on one side as well as disbursement of loans through cheque system of



payment by crediting loan amounts to savings accounts of loanees.

v) The borrowings have increased from Rs.15,720.26 lakhs in 2010-11 to Rs.19221.99 lakhs in 2012-13, indicating thereby an increase of about 18 per cent. The deposits have increased at a higher rate (21 per cent) compared to borrowings (18 per cent).

vi) The working capital has increased from Rs.22600.70 lakhs in 2010-11 to Rs.28021.14 lakhs in 2011-12 and subsequently increased to Rs.32006.66 lakhs in 2012-13, that indicates an increase of about 29 per cent.

vii) There has been an increase of about 49 per cent in advances showing an increase from Rs.14,928.02 lakhs in 2010-11 to Rs.25,746.54 lakhs in 2011-12 and further to Rs.29,269.79 lakhs in 2012-13. The average advances per branch has gone up from Rs.995.20 lakhs in 2010-11 to Rs.1829.30 lakhs in 2012-13. Though the advances recorded a substantial growth, they were not commensurate with the increase in either deposits, borrowing or working capital on account of increased overdues and non-maintenance of financial disciplines of the RBI / NABARD.

viii) The percentage of overdues to outstandings has decreased from 26.2 in 2010-11 to 14.3 in 2011-12, In the subsequent year 2012-13, it has come down to 6.45. It indicates that the performance of Bank is positive.

#### SUMMARY AND SUGGESTIONS

1. (i) The Bank has been collecting share capital at a uniform rate of 10 per cent of borrowings from all the loanees

irrespective of their socio-economic background.

(ii) Non-issue of share certificates, non-declaration of dividends on share-capital, denial of immediate repayment of share-capital after withdrawal of membership etc. were the common practices noticed in the mobilisation of share-capital, which is a back-door method.

2. Periodical appropriations were not made to statutory reserves due to delay in convening of General Body Meetings and also due to losses incurred by the Bank.

3. (i) No systematic approach was followed in deciding targets of deposit collection either for the Branches or for the individuals. The performance of the staff in respect of target attainment was not up to the mark.

(ii) In spite of the instructions issued by the Government for depositing a part of the funds of local institutions with DCCBs, many institutions such as aided colleges, schools and Mandal parishads etc. have not deposited their amounts with the Bank on account of lack of persuasion by the officials and non-officials of the Bank.

(iii) Customer service was not up to the mark as facilities like collection of cheques, issue of drafts were not available in Branches. (iv) Though there has been 9-fold increase in deposits, its share in working capital remained more or less the same.

4. Though there has been increase in utilization of borrowing power, the Bank has failed to utilize it fully.



1. The Bank should adapt new technology and all operations of the Bank should be computerised.

2. Adequate representation has to be given to the 'B' group members which will help in enlarging their share in all dimensions of the activities of the DCCB. This enlarged role shall contribute to the growth of Non-agricultural Societies. At present, most institutions of the Cooperative Credit Structure restrict membership, with full voting rights to borrowers. Depositors are categorized as nominal members without voting rights, or are not given any membership status. This is not only inconsistent with cooperative principles and democratic functioning. It is also logically inconsistent, as those whose money is intermediated have no say in the management of their own money. It is, therefore essential that all users – depositors and borrowers – be made full members with equal voting rights. This is also essential to strengthen the mechanisms of internal supervision and enforcement of credit discipline.

3. Periodical special Gramasabha meetings have to be arranged by the higher cadre of the bank staff with the coordination of other Govt. departments, particularly when the

Management is an elected one, to effectively review about sanction and distribution of loans to genuine eligible numbers, the recovery of overdue loans, coverage and execution of legal action against defaulters, deposit mobilization and supervision over working of Societies etc.

4. The number of dormant and non-viable societies is likely to be large, they are to be liquidated through merger with nearby healthy societies. The PACS should be given operational freedom to maintain their own offices with banking functions.

#### References

By virtue of the powers vested in the RCS M/s 15(A) (1) (e) of the APCS Act read with Act No.1 of 1987, notifications were issued on 15-4-1987.

The Andhra Pradesh Co-operative Societies (Amendment) Act of 1987 was passed in the Assembly on 8-1-1987 and published in A.P. Gazette on 9-1-1987.

Circular of the RCS, AP Hyderabad. Rc.No.5199/79-CI(a), dt. 28-12-1979.

Registrar's Circular No.108915/75-CI(a) dt. 26-11-1977.