CHAPTER IV
CO-OPERATIVE CREDIT STRUCTURE AND ECCS

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CHAPTER IV
CO-OPERATIVE CREDIT STRUCTURE AND ECCS

4.1 INTRODUCTION:

In India there are various kinds of co-operative institution. The credit organizations are the most important, not to be established but also because it is their strength and financial stability that made it possible for other forms of co-operation to be introduced successfully. There are two types of credit organizations i.e. the short term and the medium term credit institutions. The short and medium term loans are disbursed by ordinary credit societies, the long-term loans are lent by the Land Development Banks.

The Co-operative Banking structure is pyramidal or federal in character. At the base, that is, at the village level, there is a primary credit society upon which the whole edifice of the Co-operative Credit is based. These societies are federated at the district level, into a central society called the central Co-operative bank. At the state level, the district banks are federated into an apex bank. The Apex or state Co-operative bank in its turn is closely linked with the Reserve Bank of India, which provides a considerable financial assistance to the Co-operative Credit structure.

This is set up in regard to the short term financing. The Urban Co-operatives, however, do not exactly fit into this federal structure. The long-term credit structure at the moment consists of two tiers; they are the primary land mortgage banks at the base and the central land mortgage banks at the top. In some states, the central land development banks operate through their branches. There are, in additional, a few industrial banks operating at the state or district level. In India the short-term credit structure is organized in three tiers and two tiers systems in 16 and 12 states respectively. However, Andhra Pradesh has a mixed structure. It is a merit of this set-up that, though the institutions at the different levels are connected with each other by the bond of affiliation, they are, in financial and legal terms, distinct entities, each serving a
set of specific purposes which justifies its existence as an independent unit. When these institutions come together, they constitute effective machinery, functioning as balancing centers in the co-operative movement and supplementing the internal financial resources by borrowing from outside. Accordingly, they assist in supplying agricultural credit in the volume required, supervising its use and effecting its recovery on due dates. At the same time, the fact that the structure is federal in character and that the institutions at the different level are the independent legal entities also implies that the strength of the chain depends upon the strength of each of the links. A chart brings out the structure of the Co-operative credit in India consists of three tiers: 4.2 LAYOUT OF CO-OPERATIVE CREDIT STRUCTURE:

![Co-operative Credit Structure Diagram]

4.2 LAYOUT OF CO-OPERATIVE CREDIT STRUCTURE:
The history of co-operative credit is very old in India. In fact, the co-operative movement was initiated in 1904 through the establishment of co-operative credit societies. These societies were organized to relieve the indebtedness of people and promote thrift. The origin of employee's credit co-operative societies is based on this principle only. The co-operative credit institutions in India have been organized into the short-term and the long-term structures.

The Employees' co-operative Credit Societies generally advance loans for non-productive purposes or consumption loans advanced to the employees'. The repaying capacity of the individual has taken into account while advancing such loans. The CCB are of two types: The Co-operative Banking Union and The Mixed Central Co-operative Banks. The Membership of the former is open only to co-operative societies, while membership of the latter is open to both, individuals and co-operative societies. The chief task of the Central Co-operative Banks is to advance loans to the ECCS in times of need so that they can fulfill the requirements of employees'. The SCB in turn, advances loans to the CCB in order to augment their capacity to provide loans to the ECCS as the local organizational level. Employee's co-operative societies group is third type in non-agricultural co-operative credit structure. It also co-ordinates and regulates the working CCB. It also provides the link between the Reserve Bank of India and the money market on the one hand lower levels of co-operative structure on the other.

"In a democratic form of Government with the object of establishing a Socialistic pattern of Society, Co-operative has a distinctive philosophy which will help to achieve our goal. In reality, "Co-operation is a key to country's prosperity", with these words, Shri. Jawaharlal Nehru the late Prime Minister of India, inaugurated the Golden Jubilee celebrations of the Maharashtra State Co-operative Bank, the Premier co-operative institution of the nation. These
remarks are equally applicable to the Employees’ Credit Co-operative Credit Societies. The question is whether the societies as the grass root level have been able to keep up with the said ‘distinctive philosophy’ as referred here.

The Co-operation as a firm of economic organization, whether it relates to production or distribution or consumption, has become very important today in the context of the dissatisfaction that people feel about the working not only of private sector organizations but also of public sector organizations. V.K.R.V. Rao, the Director of Institute of Social & Economic Development, has rightly observed, "In India co-operation has mainly taken the form of credit and even here, the co-operative movement has not been able to raise from its own members the funds it requires for its operation. I think therefore some serious thoughts should be given to the reason why co-operative movement has failed to answer the challenges of functioning as the most favored alternative both to the private sector enterprise and the public sector enterprise".

These remarks of V.K.R.V. Rao are equally applicable to Employees’ Co-operative Credit Societies. These societies have to work and sustain under a highly competitive situation under the trends of privatization, liberalization and globalization. The issues related with this are concerned with the problems of management and control of the Employees’ Co-operative Societies. It would not be out of place at the out set to summarize the various problems of co-operative societies in general and the Employees’ Credit Co-operative Credit Societies in particular.

A study Group of the National Credit Council presided over by Dr. D.R. Gadgil has stated: “The Co-operative banking system is an integrated one, because of its three-tier structure. It has enabled to extend credit to agriculturists, artisans and common people in general. The three-tier system also allows a rationalized flow of resources from the metropolitan centers to the villages and combines this with fairly low costs of operations.”
4.3 CO-OPERATIVE CREDIT IN MAHARASHTRA:

Co-operative credit in Maharashtra has its origin in the early period of the 19th century. Maharashtra is considered as the prominent state for the co-operative credit movement. The co-operative credit movement in Maharashtra has played a significant role in the social and economic development of the state.

The first co-operative act was passed in 1904 in India i.e. Agricultural Credit Co-operative societies Act. In 1906, the first primary Agriculture society was formed at Bodhwad of Jalgaon district in Maharashtra. Thereafter, other agricultural credit societies at village level, co-operative Banks at Taluka and district level were started.

"Cosmos" is the first Urban Co-operative Bank which was formed in 1906 at Pune. The Maharashtra state co-operative Bank was established in 1911. After the decentralization of co-operative sector, The Maharashtra State Co-operative Societies Act, 1960 was enforced considering the Co-operative credits and movement in Maharashtra. The state has well spread banking network. There are 6.2 public sector bank branches per lakhs population. 38 commercial Banks, 8 Regional Rural Bank; One state Co-operative Bank and 31 affiliated District Central Co-operative Banks with 5484 rural and 1654 semi urban branches, 21184 primary agricultural credit societies and 7211 Employees’ credit Co-operative societies are functioning in state as on 31 March, 2007 has been providing banking facility in the state.

In India, the short-term credit structure is organized in three tiers and two tiers system in 16 and 12 states respectively. However, Andhra Pradesh has a mixed structure. The short co-operative credit structure is based on a three-tier structure, except the States in the northeast region. At the lowest tier are the employees’ credit co-operative credit societies. These are organized at the local organizational level. At the second tier are the District Central Co-operative
Banks (DCCBs) organized at the district level. At the third and uppermost tier is the State Co-operative Banks (SCB) organized at the state level.

4.4 MAHARASHTRA STATE CO-OPERATIVE BANK:

The MSC Bank Acts as a watchdog of the co-operative banking structure in the state. The MSC Bank operates through its head office in Mumbai, Administrative office in Vashi. The MSC Bank has four regional and eight divisional offices in the state. Besides, the bank has developed a network of 53 Branches. Dr.R.D.Bedi has rightly pointed out that apex bank is a mouthpiece of the movement and affects a liaison between the co-operative movement and the money market.\(^3\)

The MSC Bank was formed in 1911, which has become the biggest co-operative Bank in India. The MSC Bank is the principal co-operative society in the state having the primary objective to finance co-operative societies in the state.\(^4\)

The Maharashtra State Co-operative Bank is the federation of District Central Co-operative Bank in the state that is also known as apex Bank. The term "Apex" appeared for the first time in report of the Maclegan Committee issued in 1915.\(^5\)

With the establishment of Central Bank, It was found that certain banks were not able to secure a sufficient capital from the money market to fulfill the needs of their constituent societies, more ever, the central bank also required to be supervised by some head institution. The Maclegan Committee (1914) strongly advised for such apex institution in each major province. The opinion of Maclegan Committee that apex Bank will coordinate and control the working of Central Bank, forecast and arrange for the provincial requirement as a whole, and be the financial co-operative center of the Province.\(^6\)

It is federal and apex body for the District Co-operative banks and Urban Co-operative Banks and acts as a balancing center for the co-operative institutions in the Maharashtra. It also undertakes Banking Companies Act.
1949 and extends the financial and managerial assistance to the District Co-operative Banks and Urban Co-operative Banks. The MSC Bank operates through its head office in Vashi, (Navi Mumbai) four regional and eight divisional offices in the state. The functions and objectives of MSC Bank are as follows:

**Functions of MSC Bank:**

1) It acts as banker’s bank to the central bank in district.

2) It forms the connecting link between the money market and co-operative movement.

3) It ensures coordination of banking policy as between the different co-operative banks.

4) It formulates and executes uniform credit policies for the co-operative movement in Maharashtra.

5) It controls and guides the activities of central bank through regular inspection.

6) It participates in equity capital of district Co-operative Bank. Urban co-operative Bank and others co-operative societies.

7) It performs all banking business to their members and public.
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<td>Deposit</td>
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<td>1123823</td>
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<td>1363542</td>
<td>1407391</td>
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<td>403715</td>
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<td>1874191</td>
<td>2108179</td>
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<td>777303</td>
<td>812108</td>
<td>678564</td>
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<td>127799</td>
<td>137280</td>
<td>147165</td>
<td>124341</td>
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<td>Percentage of Overdues to outstanding</td>
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<td>5</td>
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<td>0</td>
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<td></td>
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<td>2145</td>
<td>6590</td>
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**Source**: Economic survey of Maharashtra 2003-2007

**Notes**: 1) All figures in amount columns are for the financial Year ending on 31st March

2) Growth percentage are calculated over previous figure.
Chart No.4.01 Financial Position of MSC Bank in Maharashtra
The table No.4.01 reveals that during the year 2002-03 the number of branches of the MSC Bank was 53, which remained constant during the study period. The total membership of the MSC Bank was 40000, which increased to 61,000 in the year 2006-07. During the study period 21,000 members were enrolled. The Membership was increased by 52.50 %. The performance of any organization depends upon the strength of its membership. If the membership is larger, then better will be its share capital, working capital, profit etc.

The share capital of MSC Bank during the year 2002-03 was Rs.18691 lakhs, which was increased to Rs.26535lakhs in the year 2006-07. The average share capital for the period under study remained to be Rs. 21978.40 lakhs. The share capital was increased by 41.97% during the study period. It seems that though the membership increased (52.30%), the share capital did not increase (41.91%) that much as the number of members increased.

The total of share capital, reserve and surplus is known as the internal equities of the MSC Bank .It shows the financial soundness of the capital structure of the MSC Bank. The owned fund of MSC Bank was Rs. 117028 lakhs in the year 2002-03 and was increased to Rs 279279 lakhs in the year 2006-07. The average internal equities for the period under study remained to be Rs. 197582.00 lakhs. The owned fund was increased by 138.34 % during the study period. The owned fund had been continuously increasing during the period under study.

The MSC Bank accepts the deposits from the members as well as the public. The deposit of MSC Bank was Rs. 1019747 lakhs in the year 2002-03 and it was increased to Rs. 1407391 lakhs in the year 2006-07. The average deposit for the period under study was Rs. 1250981.20 lakhs. The deposit of MSC Bank was increased by 38.01 % during the study period.

The total borrowing of MSC Bank during the year 2002-03 was Rs. 130876 lakhs, which was increased to Rs. 403715 lakhs in the year 2006-07. The average loan outstanding for the study period was Rs. 191369.00 lakhs. The outstanding loan was increased by 208.47% during the study period.

The total investment of MSC Bank during the year 2002-03 was Rs.49792 lakhs, which was increased to Rs.92629 lakhs in the year 2006-07. The investment was increased by 86.03% during the study period. The average investment for the study period was Rs.83427 lakhs.
The working capital of the MSC Bank during the year 2002-03 was Rs. 1399905 lakhs, which was increased to Rs. 2108179 lakhs in the year 2006-07. The working capital was increased by 50.59% as compared to the year 2002-03. The average working capital for the study period was recorded as Rs. 1742247.80 lakhs.

The loan overdue of MSC Bank was Rs. 99746 lakhs (11.30%) in the year 2002-03 and which was increased to Rs. 124341 lakhs (12.42%) in the year 2006-07. The loan overdue was increased by 24.66% during the study period. The average overdue during the study period was Rs. 127266.20 lakhs (15.05%). It indicates that the recovery of the loan was not good.

The excess of income over expenditure is known as the net profit. The net profit of the MSC Bank was Rs. 1068 lakhs in the year 2002-03 and which was decreased to Rs. 2145 lakhs in the year 2006-07. The net profit was increased by 100.84% during the study period. The average net profit during the study period was Rs. 6590 lakhs. The dividend declared by the MSC Bank was 7% in the year 2003-04 and 5% in the year 2004-05 during study period except the remaining years.

The MSC Bank shows a sign of continuous progress and development in the study period. It indicates the best performance of the MSC Bank. The above table shows that there was a growth in membership, share capital, reserve fund, investment, deposit, working capital and net profit. There was also an increase in the loan overdue that indicates a bad recovery of the loan. That was against the development of the MSC Bank.

**4.5 DISTRICT CENTRAL CO-OPERATIVE BANK**

The District Central Co-operative Bank is a federal society of all primary societies in the district. The Bank provides the financial accommodation to village primary societies that require finance for providing it further to their members. In this way DCC Bank fulfills the needs of its member's societies.

The DCC Bank functions through its branches located in all parts of the district. These branches play an important role in implementing all policies and programmes decided by DCC Bank. Therefore, functioning of these branches has their own importance. The Branches of the DCC Bank work in accordance with the organizational setup created for their working.
In the above three tier credit system, the ECCS derives their financial strength from the DCC Bank. The DCC Bank fulfills the financial requirement of the ECCS. The Maharashtra State Co-operative Societies Act 1960, Section 70 mentions that every co-operative society has to maintain its Account in the DCC Bank. All surplus money and deficit of working capital are balanced by the DCC Bank. The DCC Bank is linked with the MSC Bank.

The success of the co-operative credit movement depends on their strength. The main objective of the DCC Bank is to arrange the supply of finance as per the requirements of the constituents. The DCC Bank plays a vital role in the sector of the co-operative credit. Since the ECCS are not able to meet the credit requirements of their members, they take the financial help from the DCC Bank with a regular flow of credit. The DCC Bank is affiliated to the MSC Bank. The ECCS are affiliated to the DCC Bank. The primary credit society is at the base level of co-operative credit structure. The ECCS is one of the types of the primary credit society. Basically, the DCC Bank performs pure banking and Agency banking functions. In addition to these functions the DCC Bank plays a crucial role for the ECCS.

4.5.1 Function carried by the DCC Bank for the ECCS:

The following functions are carried by the DCC Bank for the ECCS:

A. To meet the credit requirements.

B. To manage the financial supply according to the policy as per the requirements.

C. To provide a leadership by maintaining a close contact with the affiliated ECCS.

D. To supervise and inspect the affiliated ECCS.

E. To provide a safe place for investment of the resources of the ECCS.

F. To undertake commercial banking business for the ECCS.
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**Source:** Economic survey of Maharashtra 2003-2007

**Notes:**
1. All figures in amount columns are for the financial Year ending on 31st March
2. Growth percentage are calculated over previous figure.
Chart No.4.02 Financial Position of DCC Banks in Maharashtra
The Table No.4.02 reveals that during the year 2002-03 the number of DCC Banks in Maharashtra was 30 which increased to 31 in the year 2006-07. The number of DCC Banks in Maharashtra was increased by 3.33% during the study period. The number of branches of the DCC Bank during the year 2002-03 was 3807, which was decreased to 3646. The average number of branches of the DCC Bank for the period under study remained to be 3746. It was decreased by 4.23% during the study period.

The total membership of the DCC Bank was 1.21 lakhs, which was increased to 1.31 lakhs in the year 2006-07. During the study period 10,000 members were enrolled. The average membership for the period under study remained to be 1.24 lakhs. The Membership was increased by 8.26 % during the study period.

The share capital of the DCC Bank during the year 2002-03 was Rs. 86591 lakhs, which was increased to Rs. 118441 lakhs in the year 2006-07. The average share capital for the period under study remained to be Rs. 101473.60 lakhs. The share capital was increased by 36.78% during the study period.

The total of share capital, reserve and surplus is known as the internal equities of the DCC Bank. It shows the financial soundness of the DCC Bank. The owned fund of DCC Bank was Rs. 393927 lakhs in the year 2002-03 and was increased to Rs 632221 lakhs in the year 2006-07. The average internal equities for the period under study remained to be Rs. 632221 lakhs. The owned fund increased by 60.49 % during the study period. The owned fund of the DCC Bank had been continuously increasing during the period under study.

The DCC Bank accepts the deposit from the members and the public. The deposit of the DCC Bank was Rs. 2142020 lakhs in the year 2002-03 and it was increased to Rs. 2765725 lakhs in the year 2006-07. The average deposit for the period under study was Rs. 2483792.00 lakhs. The deposit of DCC Bank was increased by 29.12 % during the study period.

The borrowing of DCC Bank during the year 2002-03 was Rs. 267556 lakhs, which was increased to Rs. 451403 lakhs in the year 2006-07. The average loan outstanding for the study period was Rs. 287874.20 lakhs. The outstanding loan was increased by 68.71% during the study period.

The working capital of the DCC Bank during the year 2002-03 was Rs. 2990487 lakhs, which was increased to Rs. 4070177 lakhs in the year 2006-07. The average working capital for the study period was recorded as Rs. 3501862.80 lakhs. The working capital was increased by 36.10% as compared to the year 2002-03.
The loan overdue of the DCC Bank was Rs. 377632 lakhs (23.60%) in the year 2002-03 and which was increased to Rs. 553423 lakhs (24.80%) in the year 2006-07. The average overdue during the study period was Rs. 489844.20 lakhs. (27.02 %). It indicates that the recovery of loan was not good. The loan overdue increased by 46.55 % during the study period.

The net profit is represented by the total income minus the total expenses. Out of 31 Branches, 16 branches of the DCC Bank were in profit and the remaining ones in losses. The same situation was maintained continuously during the period under study.

The DCC Bank shows the signs of progress in the study period. It indicates a satisfactory performance of the DCC Bank. The above table shows that there was a growth in membership, Branches, share capital, reserve fund, deposit, and working capital. There was also an increase in the loan overdue that indicates a bad recovery of the loan. That was against the development of the DCC Bank.

4.6 THE AHMEDNAGAR DISTRICT CENTRAL CO-OPERATIVE BANK:

The ADCC Bank works to meet the requirements of the credit of the ECCS in Ahmednagar district. The ADCC Bank controls the finance and guidance to the affiliated ECCS. Every ECCS needs to obtain a pre-sanction for the expenses from the ADCC Bank. The cash credit is used only for loan purpose. It does not use the cash credit for administrative expenses. If it is found, then the cash credit facility of the concerned ECCS is discontinued. The following are the objectives for the development of ECCS in Ahmednagar district.

a. To contribute in the share capital as per the MSC Act, 1960.

b. To make available the required finance.
c. To generate a common banking business.
d. To supervise and inspect the affiliated ECCS.
e. To assist for getting the Cash credit facility.
f. To provide clean cash credit facility to ECCS.
g. To help for the financial development.
h. To provide a safe place for investment of excessive fund.
i. To make the guidelines for the implementation of co-operative principles.
j. To help the ECCS for their recovery of loan overdue in some extend.
k. To examine the books of Accounts of the affiliated ECCS and to give a report.
b) To verify proper utilization of clean cash credit provided to affiliate ECCS.
c) To assist to the Registrar of Co-operative Society at the time of liquidation of any affiliated ECCS.
Table No.4.03 Financial position of ADCC Bank, Ahmednagar

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>2002-03 (Base Year)</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Gross Average</th>
<th>Chang in % to 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of Members</td>
<td>5400</td>
<td>5541 (2.61)</td>
<td>5619 (1.4)</td>
<td>5665 (0.81)</td>
<td>5687 (0.39)</td>
<td>5582.4</td>
<td>5.31</td>
</tr>
<tr>
<td>1</td>
<td>Share Capital</td>
<td>4908</td>
<td>5525 (12.57)</td>
<td>5652 (2.29)</td>
<td>5936 (5.02)</td>
<td>6691 (12.71)</td>
<td>5742.4</td>
<td>36.33</td>
</tr>
<tr>
<td>2</td>
<td>Reserve &amp; other Fund</td>
<td>13803</td>
<td>17153 (24.27)</td>
<td>19389 (13.03)</td>
<td>21132 (8.98)</td>
<td>21991 (4.06)</td>
<td>18694</td>
<td>59.32</td>
</tr>
<tr>
<td>3</td>
<td>Deposits</td>
<td>161423</td>
<td>184724 (3.76)</td>
<td>181290 (-1.85)</td>
<td>197602 (8.99)</td>
<td>211393 (6.97)</td>
<td>18726 6</td>
<td>30.96</td>
</tr>
<tr>
<td>4</td>
<td>Borrowing</td>
<td>6289</td>
<td>5546 (-11.81)</td>
<td>4299 (-22.48)</td>
<td>10198 (137.21)</td>
<td>26549 (160.33)</td>
<td>10576</td>
<td>322.15</td>
</tr>
<tr>
<td>5</td>
<td>Investment</td>
<td>49792</td>
<td>81303 (63.28)</td>
<td>94288 (15.97)</td>
<td>99124 (5.12)</td>
<td>92629 (-6.55)</td>
<td>83427</td>
<td>86.03</td>
</tr>
<tr>
<td>6</td>
<td>Loans &amp; Advances</td>
<td>137973</td>
<td>129648 (-6.03)</td>
<td>108687 (-16.16)</td>
<td>128166 (17.92)</td>
<td>169660 (32.37)</td>
<td>13482 7</td>
<td>22.97</td>
</tr>
<tr>
<td>7</td>
<td>Net Profit</td>
<td>1234</td>
<td>930 (-23.9)</td>
<td>968 (3.08)</td>
<td>1165 (20.35)</td>
<td>1232 (5.75)</td>
<td>1107.0 6</td>
<td>-0.16</td>
</tr>
<tr>
<td>8</td>
<td>Working Capital</td>
<td>201319</td>
<td>225495 (12.01)</td>
<td>220612 (-2.16)</td>
<td>244108 (-1.03)</td>
<td>279964 (14.68)</td>
<td>23430 0</td>
<td>39.06</td>
</tr>
<tr>
<td>9</td>
<td>No. of Branches</td>
<td>279</td>
<td>289 (3.58)</td>
<td>289 (0.00)</td>
<td>286 (0.00)</td>
<td>282 (-1.39)</td>
<td>285</td>
<td>1.08</td>
</tr>
<tr>
<td>10</td>
<td>Rate of Dividend</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Audit Class</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Notes - 1) All figures in amount columns are for the financial Year ending on 31st March.
2) Growth percentage are calculated over previous figure.
The Table No. 4.03 reveals that during the year 2002-03, the total membership of the ADCC Bank was 5,400, which was increased to 5687 in the year 2006-07. During the study period 287 members were enrolled. The Membership was increased by 5.31%. The performance of any organization depends upon the strength of its membership. If the membership is larger, better becomes its share capital, working capital, profit etc.

The share capital of the ADCC Bank during the year 2002-03 was Rs.4908 lakhs, which was increased to Rs.6691 lakhs in the year 2006-07. The average share capital for the period under study remained to be Rs.5742.4 lakhs. The share capital was increased by 36.33% during the study period. The share capital of the ADCC Bank was increased by 36.33% during the period as compared to the membership percentage i.e. 5.31%.
The reserve funds of the ADCC Bank were satisfactory, which were Rs.13803 lakhs during the year 2002-03, which were increased to Rs.21991 lakhs in the year 2006-07. The average reserve funds for the period under study remained to be Rs.18694 lakhs. The reserve funds were increased by 59.32% during the study period.

The ADCC Bank accepts deposit from the members and the public. The deposit of the ADCC Bank was Rs.161423 lakhs in the year 2002-03 and it was increased to Rs.211393 lakhs in the year 2006-07. The average deposit for the period under study was Rs.187286 lakhs. The deposit of the ADCC Bank was increased by 30.96% during the study period.

The loan and Advances of ADCC Bank during the year 2002-03 were Rs.137973 lakhs, which were increased to Rs.169660 lakhs in the year 2006-07. The average loan outstanding for the study period was Rs.134827 lakhs. The outstanding loan was increased by 22.97% during the study period.

The total investment of the ADCC Bank during the year 2002-03 was Rs.49792 lakhs, which was increased to Rs.92629 lakhs in the year 2006-07. The investment was increased by 86.03% during the study period. The average investment for the study period was Rs.83427 lakhs.

The total borrowing of the ADCC Bank during the year 2002-03 was Rs.6289 Lakhs and it was increased to Rs.26549 lakhs in the year 2006-07. The average borrowed for the study period was Rs.10576 lakhs. The loan and advances of the ADCC Bank were increased by 322.15% during the study period.

The working capital of the ADCC Bank during the year 2002-03 was Rs.201319 lakhs, which was increased to Rs.279964 lakhs in the year 2006-07. The working capital was increased by 39.06% compared to the year
2002-03. The average working capital recorded as Rs.234300 lakhs for the study period.

The excess of income over expenditure is known as the net profit. The net profit of the ADCC Bank was Rs.1234 lakhs in the year 2002-03 and which decreased to Rs.1232 lakhs in the year 2006-07. The net profit was decreased by 0.16 % during the study period. The average net profit during the study period was Rs1107 lakhs. The highest dividend declared by the ADCC Bank was 12 % in year 2002-03 and the lowest dividend of 9 % in during study period.

The ADCC Bank shows the continuous sign of progress and development in the study period. The ADCC Bank got 'A' class of Audit every year. It indicates the best performance of the bank. This performing parameters show that there was a growth in membership, share capital, reserve fund, investment deposit, and loans and advances; but there was a decrease in the net profit. The Bank is financially sound, having sufficient working capital, strong asset base capacity to suffer losses, has built up sufficient reserve, negligible dues and is efficiently administered and managed.

4.7 THE PROCEDURE FOR THE CASH CREDIT FACILITY:

The Cash credit facility is usually advanced by the ADCC Bank through its branches at various taluka, towns and villages. The authorities of co-operative departments insist on using the cash credit facility only from the ADCC Bank. The ECCS have no other alternative for borrowing facility.

The following procedure is adopted by the ADCC Bank for providing the cash credit facility to ECCS.

a) Firstly, an application has to be made along with the necessary documents.

b) Then either a Bank officer or an inspector visits the society and inquire into the financial soundness of the concerned ECCS.
c) After making a satisfactory opinion about the need and the financial soundness of the ECCS, the inspection team reports to the head office of the ADCC Bank to sanction such a cash credit facility.

d) The Board of director of the ADCC bank approves such a credit facility at some certain conditions or without any condition in its meeting.

e) In the beginning the cash credit facility is limited. After getting a satisfactory report about the repayment and other formalities to be completed, the credit facility is liberalized.

f) There are usual agreement and bond to be given by the concerned ECCS to bank about the repayment and other formal requirements.

g) Usually, the ADCC Banks deduct 10% amount from the cash credit towards share capital of the ADCC bank & pays a dividend at a normal rate on the share capital.

h) The ECCS borrow cash credit at 14% p.a. interest rate from the ADCC Bank. The ADCC Bank, however, pays dividend on the amount of share capital at 9 to 10%. Therefore, the effective rate of borrowing naturally increases.

i) The rate of interest of cash credit is 14% p.a., charged by the ADCC Bank. This is much higher and probably a commercial rate but it is contradictory to the objective of ECCS.

j) The Branch staff of the ADCC Bank supervises the use of the Cash Credit by ECCS.

k) The ECCS have to file a monthly financial statement to the ADCC bank.

l) The branches are strictly instructed not to allow any other type of expense by the cash credit borrowing of the ECCS.

m) Quarterly inspections and visits of branch staff and Taluka inspector are conducted to make sure that whether the funds are properly used or not.

n) Cash credit facility is granted for a period of only one year and has to be renewed every year on the request of the ECCS.
4.8 DEFECTS IN CASH CREDIT FACILITY:-

1. The ADCC Bank should keep 10% amount of cash credit in the form of deposit instead of shares. This will enable the ECCS to get interest on the deposit.

2. It is suggested that the cash credit facility to salary earners societies should be deemed as a priority sector advance and a rate of interest should also be concessional.

3. The Established and disciplined societies should be exempted from the strict supervision and control of the ADCC Bank.

4. A Liberal attitude should be taken in respect of expenses of the concerned ECCS.

4.9 THE ADCC BANK & THE ECCS IN AHMEDNAGAR DISTRICT:

The ECCS is the primary level of co-operative credit society. It connects the co-operative credit structures. The following table shows the relationship between the ADCC Bank and the ECCS in Ahmednagar district.
Table No.4.04 Relation between ADCC Bank and ECCS in Ahmednagar District

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Items</th>
<th>(Fig. in Lakhs) Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>No. of ECCS affiliated to ADCC</td>
<td>121</td>
</tr>
<tr>
<td>2</td>
<td>Sanctioned clean cash credit to ECCS</td>
<td>22198</td>
</tr>
<tr>
<td>3</td>
<td>Loan outstanding from ECCS</td>
<td>17280</td>
</tr>
<tr>
<td>4</td>
<td>Loan overdues from ECCS</td>
<td>83</td>
</tr>
<tr>
<td>5</td>
<td>No. Of ECCS in overdues</td>
<td>03</td>
</tr>
<tr>
<td>6</td>
<td>Rate of cash credit</td>
<td>13%</td>
</tr>
<tr>
<td>7</td>
<td>Contribution made in ADCC Bank as share capital</td>
<td>2375</td>
</tr>
</tbody>
</table>

Source: Annual Report of ADCC Bank Ltd. Ahmednagar

The ECCS is the internal part of the co-operative structure. The table No.4.04 shows the relationship between the ECCS and the ADCC Bank. It has been observed that the number of ECCS affiliated to ADCC was 121 in the year 2006-07. In Ahmednagar district the registered ECCS are 215 as on 31st March, 2007. Out of them 121 ECCS (56.08%) are affiliated to ADCC Bank, Ahmednagar. It indicates that most of the ECCS are becoming self-sufficient. The clean cash credit limit sanctioned to the affiliated ECCS was Rs.22198 lakhs and out of that Rs.17, 280 lakhs was actually outstanding. In the year 2006-07 the amount of loan overdues from the affiliated ECCSs to ADCC was Rs.83 lakhs. The same was overdues to three ECCSs (1.39%). It shows that the loan overdue from the affiliated ECCS was 0.48% of loan outstanding. It
reveals a good recovery position of the affiliated ECCS. The rate of interest of clean cash credit to the affiliated ECCS was 14% p.a. during the year 2006-07.

The affiliated ECCS contributed the share capital of Rs. 2375 lakhs to the ADCC Bank in the year 2006-07. The share in the capital of ADCC Bank was 13.74% compared to loan outstanding of ECCS. As per The Maharashtra Co-operative Societies Act 1960, every co-operative society has to invest its reserve fund and excess fund in the ADCC Bank. Thus, the DCC Bank plays an important role in the credit co-operative movement. The ADCC Bank has several objectives.

The main objective is to finance to all co-operative societies in general and the ECCS in particular to fulfill the needs of the ECCS. The following objectives are met by the ADCC bank for the ECCS:

1. To provide the finance to the affiliated ECCS to fulfill their own objectives.
2. To provide the Banking facility.
3. To make available the finance for the credit requirements.
4. To give the guidelines for encouragement and development.
5. To supervise and inspect the affiliated ECCS.
6. To provide the required cash credit.
7. To verify the proper utilization of loan provided to ECCS.
8. To verify the proper implementation of rules and regulations laid by the co-operative act.
9. To examine and verify the Records and the final Accounts of the affiliated ECCS.

The financial operation depends upon the co-operative credit structure in general and the ADCC Bank in particular.

This chapter is devoted to the co-operative credit structure and the ECCS. The researcher has presented an analytic picture of the controlling structure that regulates the employees’ credit co-operating credit societies.
References:


3. Dr. R.D. Bedi (1966) Theory, History and practice of co-operation, international publishing House, Meerut p. 274


