Chapter 1

INTRODUCTION

MEANING AND DEFINITION OF CO-OPERATION

Co-operation means working together for same end. The principle of Co-operation is as old as human society. It is truly the basis of domestic and social life. The word Co-operation is very much familiar to a common man. For him Co-operation is simply working together in any sphere of human activity. The genesis of Co-operation movement and its application in the economic field can be traced after the industrial revolution which took place in England during the second half of the eighteenth and the first half of nineteenth century. Co-operation is understood today as an economic system. It was born as a peaceful reaction against the mercantile economy and the effects of industrial revolution, which had resulted in the concentration of wealth mass poverty and degradation.

The concept and meaning of Co-operation has been given by different authority, socialist, religious thinkers, sociologists, economists and reformists in their own way in the context of the circumstances prevalent in their respective countries.

Dr. C.R. Fay describes the Co-operative society as "association for purposes of joint training, joint trading originally among the week and conducted always in an unselfish spirit on such term that all who are prepared to assume the duties of membership may share it reward in proportion to the degree in which they make use of the organization." According to Prof. Seligmen "co-operation in its technical sense means the abandonment of competition in distribution and production and the elimination of middlemen of all kinds."
According to Dr. R. Philips, “The Co-operative association is an association of firms or households for business purposes and an economic institution through which economic activity is conducted in the pursuit of economic objectives.”

In the words of Mr. H Calvert, “Co-operation is a form of organization wherein the persons voluntarily associate together as human beings on basis of quality, for the promotion of economic interests of themselves.”

Mr. Talmaki has defined a Co-operative society as “an association of the weak who gather together for a common economic need and try to lift themselves and others out of weakness into strength, through a business organization, conducted for the common benefit of all who joint it.”

The Maclagan Committee on Co-operation defines Co-operation in these words, “The theory of Co-operation is, very briefly, that an isolated and powerless man can, by association with others and by moral development himself to the fullest extent of his natural abilities. By the Union of force, material advancement is secured and by united action self-reliance is fostered, and it is form the inter-action of these influence that it is hoped to attain the affective realization of the higher and more prosperous standard of life which has been characterized as “better business,” better farming, better living.”

Genesis of urban cooperative credit movement can be traced from the same underlining strand of thinking as expressed by Maclagan Committee.

The Co-operative society Act of 1904 was passed as per the recommendations of Sir Edward Law Committee which was appointed on the basis of the report of Sir Fredrick Nicholson, who was commissioned to study the theory and practice of agricultural land banks in Europe by Government of India. Report of Sir Edward Law
was instrumental in realising that cooperative movement would not really advance without a special legislation. However, the urban cooperative credit movement did not receive the impetus till the Maclagan Committee recognised its importance as seen from the fact that urban cooperative credit societies (602) constituted a meager 4.4% of the 13745 agricultural credit societies. The following twin factors might have inhibited the growth of urban cooperative credit societies.

a) There was a deliberate and selective emphasis on the spread of agricultural credit movement by Government of India. "In introducing the cooperative credit movement into India, the Government of India ordered that establishment of societies among the agricultural classes should be the first care of local governments. The agricultural problem is more difficult to deal with than industrial problem, and it is necessary that effort should be concentrated."

(b) The second reason, perhaps, was due to low level of urbanization. Despite the above, Maclagan committee strongly felt that "urban credit societies might serve a useful purpose in training the upper and middle urban classes to understand ordinary banking principles.

Urban Co-operative banks also referred to as primary Co-operative banks, play an important role in meeting the growing credit needs of urban and semi-urban areas of the country. They mobilize savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society. These banks in India are financial cooperatives akin to credit unions found abroad, except that they can also accept deposits from non-members and form a part of the payments systems.
Finance is the backbone of any business. Being an agricultural economy, agricultural co-operatives dominate the co-operative sector in our country. It does not mean that non-agricultural co-operatives have lagged behind. Though Government did not take adequate steps to organize and strengthen the non-agriculture credit societies, they have grown voluntarily with initiatives provided by urban leadership. The growth and development of commercial co-operative banks are confined to few states like Maharashtra, Gujarat, Karnataka, West Bengal and Tamil Nadu. They are keen in doing silent social and economic reconstruction by helping the urban community through the provision of financial assistance and banking facilities.

**ORIGIN OF CO-OPERATIVE:**

The term “Co-operation” is derived from the Latin Co-operari. “Co” means ‘with’ and “operari” means ‘to work’ in simple words, Co-operation means working together with others for common purpose. Therefore Co-operation is from of organization where a person voluntarily associates together as a human being of the basis of equally, for the promotion of economic interest of themselves. It means the system of people voluntarily associated, working together on terms of equality to eliminate their economic exploitation by middlemen such as Moneylender, Zamindars and Mahajans, in respect of any economic need. The object of co-operating in this way is the economic and social betterment of persons who so co-operate. Co-operation helps these (weaker) persons to escape from such exploitation and enable them to become their own lenders or merchants or employers or traders, it helps them to gain the advantage of large-scale operation, while maintaining their independence.

The principle of ‘Co-operation’ is as old as humanity. From the most primitive to the most sophisticated community, throughout the world, we come across some from or
the other of Co-operation among the people living in a particular area or region, be it for some agricultural operations or for some social, economic or political activity. Now it is acknowledge on all the hands that civilization cannot flourish unless competition is supplemented by Co-operation. Human beings have developed out of group life and hence naturally respond to group and social stimuli. Thus Co-operative spirit is intrinsic in human beings. “Co-operation, not competition is the password for the future” even economists have found Co-operation far superior to competition.

In the primitive societies the germs of Co-operation could be observed in religious institution and traditional customs. The working of these customs and institution throw light on the instinct and tradition of mutual assistance, joint action, joint possession and joint management which are found in the thinking and in life of the people in all ages and all countries. In India the principle of Co-operation has been practice from time immemorial. The villages have throughout the ages work together on and informal Co-operative basis with regards to their religious, social and cultural life. The corporate element in the community life in India was represented by the joint family system.

The ancient Indian scripture Ring-Veda realized the importance of Co-operation among the people, when it exhorted them.

"May you all have common purpose.

May your hearts be in unison.

May you all be of the same mind.

So that you can work well efficiently."

The Arthashastra of Kautilya provides, “whoever stay from any kind of Co-operative undertaking shall send his servant to carry on the work shall have a share in the expenditure ‘but none in the profits.’"
The religious institution and traditional customs threw light on the instinct and tradition mutual assistance, joint action, joint possession and joint management which are found in the thinking and in the life of the people in all ages and in all countries.

**Sociological views:**

Few people are in opinion that Co-operation is primarily a sociological concept. According to Dr. C.C. Taylor that two basic sociological ideas were involved in Co-operation, (a) That people crave personal relationships rather than impersonal relationships involved in modern business dealing; (b) The other basic idea seems to be that people are motivated by a device to join with others in a mutual effort and to live in peace rather than to complete each other.

**Religious and ethical view:**

Co-operation is as old as Vedas and Upanishads as quoted below.

May God protect us both (the teacher and the taught). May God fosters us both. May God provide us both the power of knowledge. May God make our learning brilliant? Let us not harbor malice towards each other.

Let us move together, let us discuss affectionately. Let us understand each other in true sense. Let us properly and than receive our entitlement as had been the case with our forefathers and God.

Some people of the church i.e. pop and monks thought that Co-operation is Christianity applies to the business, that it is not merely a way of life but, “Heaven realized on earth”. Usually involved in such assertion is the idea that selfishness finding expression through profit motive in unchristian and that Co-operation is the embodiment of unselfishness and service to humanity.
IMPORTANT FEATURES OF CO-OPERATION:

The definition of a Co-operative society has varied according to time, place and person, resulting in divergent views. The Co-operative movement has grown through an evolutionary process and has undergone changes with time. Co-operation, which was formerly an abstract concept, has now developed into an institution. The definitions help us to understand the features of Co-operation. Based on the above definitions, the attributes of Co-operation may now be derived. The Following are chief features of Co-operatives enterprise:-

1 - An Association of Persons

A Co-operative society comes into existence when a group of individuals joins hands and form an association. It is a union of individuals, usually of meager resources; and a Co-operative society emerges in conditions of adversity. Here the binding force among the individuals is the similarity of economic difficulties with which they are all confronted. It is, therefore, an association of individuals rather than of capacities. This does not mean that there is a total absence of capital in the operations of a Co-operative society. Capital is there, but it is assigned a minor role, while people hold the primary position. This is a peculiar feature of a Co-operative society, which differentiates it from other economic organizations.¹

2- An Enterprise

Though a Co-operative lays stress on ethical standards, it is basically an enterprise. The society is run on business principles to ensure economic benefits it's for members, apart from social and educational gains. Members manage the Co-operative

organization collectively at their own cost, and share jointly in the gains, whether positive or negative.

3- Voluntary Association

A Co-operative society is formed without bringing pressure to bear on any person. It is a voluntary association. An individual is free to join the society and resign from his membership of the society at his will and discretion. It extends to people an opportunity to become members of a Co-operative society only after developing firm convictions about the principles and benefits of Co-operative organization. According to Mr. Bedi, "A voluntary association enlarges the freedom of individuals, provides incentive of work, and develops imitative. "But a certain degree of compulsion is justified in under developed countries, where a large number of people are illiterate and poor, and are unable to understand the relationship between their membership of the Co-operative society and the solution of their economic problems.

The main aim of a Co-operative society is to serve its member rather than to earn profits. This does not mean that the profit motive does not operate in the functioning of the Co-operative organization. A minimum amount of profit is necessary even for a Co-operative to ensure that its services for its members and brings home to them the knowledge that it works for their well-being. In the context of a Co-operative society, the profit motive is subsidiary to the service motive.

The affairs of a Co-operative society are handled in a democratic manner. In its working, every member has one vote, which is the essential principle of democracy. Despite their large number of shares, the members will have to be contented with only one vote. This indicates that under Co-operation, capital does not get any special
treatment over human beings. This safeguards the self-respect of members and lead to greater willingness on their part to work hard.\(^2\)

4-Equality

All the members of the Co-operative society are treated on considerations of equality, for Co-operation is possible only among equals. No discrimination among members is made on grounds religious faith, political ideology, economic status, educational qualification, etc. All have equal access to the services made available by the society. In an environment of equality, members feel free. And the feeling of inferiority is completely removed.

5-Norms of Social Justice

Co-operative societies have been evolved to do away with the evil consequences of capitalism. The procedure involved in the distribution of surplus is therefore something different from that in other private concerns. The surplus of the society is distributed among the members on the basis of the volume of their transactions with the society. This type of distribution helps the Co-operative to secure social justice.

6-A Part of Socio-Economic Movement

The Co-operative movement is viewed as a constituent part of the overall socio-economic movement of the country. Though not specifically aiming at it, the working of Co-operative societies tends to bring about social and economic changes in the economy. It is capable of reforming and restructuring society by peaceful means. According to Mr. V. L. Mehta, “The Co-operative movement claims to be the principle means of bringing about, in a peaceful manner, a social change of a fundamental nature, ushering in a social

\(^2\) Ibid p.12
order which is in exploitative, egalitarian and tolerant, that harmonizes the dignity of the individual with the well-being of the community.”

7- It is a universal movement. It is found in all the countries of the world.

8- It is a movement whose watchword is action.

9- It is an autonomous body based on the principle of democracy.

OBJECTIVE OF CO-OPERATION

Every Co-operative society comes into existence for the fulfillment of certain specific objectives, which may be termed as its immediate aims. The immediate aims differ from one Co-operative another, while the long-run objectives of all the Co-operative societies, irrespective of whether they are the primary, secondary sector, are the same. These long-run objectives may be called the general objectives or the basic objectives of the society.

1- Elimination of middlemen

The first objective of a Co-operative society is to remove the middlemen present in different fields, who take away the gains that should have gone to the real beneficiaries. Consumer Co-operatives came to be established to remove the wholesalers and retailers who came in between the producers and consumers. To save the farmers from the stranglehold of landlords, who act as middlemen in farming activities, Co-operative farming societies came to be formed.

2- Raising Economic Status of the Poor

The most basic objective of a Co-operative society is to raise the standard of living of the poor who were, in the past, exploited by the capitalists. Poor people do from an association to undertake business independently and get the rewards of their work
without being harassed or ill treatment by their employers. The economic consideration is the primary consideration in all human activity. An effort to raise the economic status of individuals has far-reaching effects on their social and cultural life.

3- Removal of the Evils of Capitalism

The basic cause of all the evils of capitalism is the profit motive. The nature of money is such that the more you acquire it, the greater is the desire to have more of it. This leads to exploitation, class struggle, economic inequality, unfair completion, etc. These evils adversely affected the interests of workers and gave birth to the Co-operative movement. Therefore, the aim of Co-operation is to restrict the amount of profit and provide better services to its members.

4- Raising Moral Standards of its Members

The combination of business with ethics is a novel feature of a Co-operative society, the outcome of which is the conduct of business activities with honesty and truthfulness. The Co-operative is not bothered about merely the economic life of individuals, but attempts to improve the quality of life by instilling virtuous qualities in them. In the world, we have both good and evil. Good is always difficult to practice, while evil is attractive and bribes people with quick advantages. But ultimately, it is good which leads to long lasting happiness. Thus, the Co-operative movement wishes to direct human life towards goodness by raising their moral standards. Hall says, “Co-operation seeks to establish in business a region of truth and justice. It follows the Bluebird, but instead of seeking in the Fortunate Island, it shuts it up in a shop.”

5- Increasing the Prosperity of the whole Community

Another objective of Co-operation is to create among members a sense of the community.

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3 Ibid p.13
It believes in making persons deviate from the individualistic attitude and take a broader view of life. Co-operation stresses the fact that individuals will prosper along with the prosperity of the community so that there is no room for ill-will on the part of any individual. A Co-operative society aims at bringing about the welfare of not a particular individual but of the whole community. The community feeling fosters the bond of Co-operation.

Hence, Co-operation and community life go hand in hand, resulting in the betterment of the community and of the individual.

6- Abolition of Social Inequalities

The term social inequality refers to a social concept. A few people enjoy certain privileges because they are considered to be great on the basis of their wealth, while others are denied the same privileges and are treated with contempt because their resources are inadequate or meager. The feeling of “high” or “low” acts as a cause of social tensions, the removal of which is the goal of the Co-operative movement. Here, members are guaranteed equal rights and opportunities, and there is no possibility of anybody’s interests being hurt.

7- Neutrality in Religion and Politics

As far as possible, a Co-operative remains aloof from political parties and religious groups. The separate and distinctive identity of the Co-operative society is lost if it aligns itself with political parties and religious groups, for this alignment is likely to be detrimental to the interests of its members. A Co-operative society has to be natural between religion and politics, in which case, there would be no probability that the member’s welfare would be neglected.
8- Development of Corporate Life

A Co-operative aims at providing a corporate life to the weaker sections by following the watch words, "each for all and all for each." It has no faith in the natural law of "the survival of the fittest," for it seeks to transform the weak into the strong and make them fit for a better life. The ultimate objective of Co-operation is "Co-operative commonwealth," where the whole economy is regulated and controlled by the Co-operatives. In this connection, the International Co-operative Alliance observes. "The present day system of private enterprise, based on competition, should be replaced with a Co-operative system supporting the interests of the whole community and based on the principle of mutual self help. "If this concept of the Co-operative commonwealth is realized, the mutuality among individuals, fraternity among associations and harmony among nations," are likely to develop.

CO-OPERATIVE PRINCIPLES

How, then, can we know what it means to be a cooperative? The International Cooperative Alliance (ICA) defines it as: Cooperatives and the Millennium Development Goals. An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

This definition emphasizes that cooperatives are independent of government and not owned by anyone other than the members. They are associations of persons, which can mean individual people but also 'legal persons' organizations that may themselves have members. They are united voluntarily, and so people should be free to join or leave. This means that village or neighborhood associations that include all people in an area, whether or not they want to be members, are not really cooperatives.
Cooperatives are designed to meet their members' needs; philanthropic organizations that are set up primarily to meet the needs of others are not Co-operatives. Nor can a cooperative be diverted into meeting needs that have not been sanctioned by the members, without it ceasing to be a cooperative. They are distinguished from shareholding firms by their democratic nature, with voting rights being assigned by person rather than by size of shareholding. In this sense they are 'not for profit', but they do produce surpluses that can be distributed to their members in the form of a patronage refund. 4

The principles on which they are based reinforce this definition. Cooperatives have: voluntary and open membership; democratic member control; economic participation on the basis of membership rather than size of investment; autonomy and independence. Because they are member owned businesses they need to make a commitment to the education and training of their members, and because they share similar values they are expected to cooperate with each other. Finally, though they exist primarily for the benefit of their members, they also have responsibilities to the wider community.

Cooperative endeavour is not an alien phenomenon to India. Kautilya, in his Arthashastra described, "Guilds of workmen as well as those who carry on any cooperative work shall divide their earnings either equally, or as agreed upon among themselves." The Cooperative Credit Movement in modern India, curiously, is a state initiated movement. The then State regime, though it had a non benign political dispensation towards native subjects, had taken a lead to create an institutional credit structure essentially to cater to the needs of farmers and lower income groups. It is further

4 D. G. Karve. Co-operative Principles and Substances, 1968 p.3
interesting to note that cooperative initiative so taken was perhaps the first ever attempt at micro credit dispensation in India. Briefly outlining the theory of Cooperation, the Report of Maclagan Committee on Cooperation, the seminal document on cooperative credit movement in India, graphically describes:

"... that an isolated and powerless individual can, by association with others and by moral development and mutual support obtain in his own degree the material advantages available to wealthy or powerful persons, and thereby develop himself to the fullest extent of his natural abilities. By the union of forces material advancement is secured, and by united action self reliance is fostered, and it is from the interaction of these influences that it is hoped to attain the effective realisation of the higher and more prosperous standard of life which has been characterised as better business, better farming and better living".

Genesis of urban cooperative credit movement can be traced from the same underlining strand of thinking as expressed by Maclagan Committee.

The Co-operative society Act of 1904 was passed as per the recommendations of Sir Edward Law Committee which was appointed on the basis of the report of Sir Fredrick Nicholson, who was commissioned to study the theory and practice of agricultural land banks in Europe by Government of India. Report of Sir Edward Law was instrumental in realising that cooperative movement would not really advance without a special legislation. However, the urban cooperative credit movement did not receive the impetus till the Maclagan Committee recognised its importance as seen from the fact that urban cooperative credit societies (602) constituted a meager 4.4% of the
13745 agricultural credit societies. The following twin factors might have inhibited the growth of urban cooperative credit societies.5

a) There was a deliberate and selective emphasis on the spread of agricultural credit movement by Government of India. "In introducing the cooperative credit movement into India, the Government of India ordered that establishment of societies among the agricultural classes should be the first care of local governments. The agricultural problem is more difficult to deal with than industrial problem, and it is necessary that effort should be concentrated."

(b) The second reason, perhaps, was due to low level of urbanization.

Despite the above, Maclagan committee strongly felt that "urban credit societies might serve a useful purpose in training the upper and middle urban classes to understand ordinary banking principles

KEY CONCEPTS

Definition co-operative bank:

Before proceeding to the main subject, definition of an Urban Co-operative Bank may be considered. The definition of the Urban Bank has changed from time to time. Initially, most of these banks had started their career purely as credit societies and later got converted into Urban Banks. (Apart from legal status, practically there was no difference between an Urban Credit Bank). As a credit society, they were advancing loans mainly against the security of tangible assets like gold and silver or against

5 Quoted by “The Committee on Co-operation in India 1915” p.12

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mortgage of houses. The Act did not permit them to undertake regular banking business. It was only after the recommendations of the Mehta-Bhansali Committee (an Enquiry Committee appointed by the Government of Bombay in 1937) that these societies were permitted to undertake regular banking business. According to the Committee’s recommendations, the use of the word ‘Bank’ was restricted to societies which did banking business as defined in Section 277 (f) of the Indian Companies Act, 1913 and had paid up share capital of not less than Rs.20,000/-.

As regards definition of the urban bank, there is a lack of uniformity. Viz., in Madras province, Urban Credit Societies accepting deposits on current account and maintaining fluid resources according to the standards prescribed by the Registrar of the Co-operative Societies were defined as Urban Co-operative Banks. In Bombay Province, all Urban Credit Societies could be styled as Urban Banks up to 1938, if they had each Rs. 50,000/- as working capital. But since 1938, it is only those Urban Credit Societies having a paid up share capital of Rs.20,000/- and over, and which do banking business as defined by Section 277 (f) of the Indian Companies Act 1913, or Section 5 (i) (b) of the Banking Regulation Act 1949, and accept deposits money on current account or otherwise, subject to withdrawal by means of cheques, drafts or order can use the word ‘Bank’ in their nomenclature and they are asked to amend their byelaws accordingly. In some states, the salary earners societies, the mill hands societies and other communal credit societies are also classified as Urban Banks.

According to the Co-operative Planning Committee (1946), Urban Banks receiving deposits on current account should have (i) a paid up share capital of Rs.20,000/- in minimum, (ii) maintain fluid resources on the scale prescribed by the
Registrar of Co-operative Societies; and (iii) carry to the reserve fund at least one-third of their net profits till it equals the paid up share capital and thereafter at least one-fourth of the net profits. The reserve fund should be invested in gilt edged securities and should not be used for the business of the Bank.

The important provision regarding the Urban Banks is given in the Banking Laws (applicable to co-operative societies, with effect from March, 1, 1966). This Act seeks to extend certain provisions of the Reserve Bank of India Act, 1934, and The Banking Regulation Act, 1949, to Co-operative banks. This Act has definition an Urban Bank as a 'Primary Co-operative Bank, a Co-operative society other than a primary agricultural credit society, (i) the primary object or principle business of which is the transaction of banking business (ii) the paid up share capital and reserves of which are not less than Rs.1 lakh and (iii) the bye-laws of which do not permit admission of any other Co-operative society as a member'.

Banking business has been defined under Section 5 (b) as accepting for the purpose of leading or investment, deposits of money from the public, repayable on demand or otherwise and withdraw able by cheques, draft, and order or otherwise.

The above Act is also applicable to salary earners societies having paid up share capital and reserve of Rs. 1 lakh or more and the bye-laws of which provide for acceptance of deposits from non-members. Act the same time, there are some primary credit societies which are allowed to call themselves as banks, but are kept outside the control of the Reserve Bank of India until their paid up share capital and reserves shall be Rs. 1 lakh or more.

In this thesis, instead of using legal term 'Primary Co-operative Bank', most popular term 'Urban Co-operative Bank' is used.
The commercial co-operative banks lend money for various purposes, which can be broadly classified mainly in three groups, namely:

1. Loan for production,
2. Loan for business,
3. Loan for better living.

It means that the urban co-operative banks are lending money both for productive and consumption purposes. Thus they lend for small scale industries, self employed persons and businessmen, as also for consumption purposes of the members. The Reserve bank of India has assumed control over the urban co-operative banks since March 1966. Urban banks are also eligible to make available the facilities like ‘credit guarantee scheme’ and refinance facilities to lend small scale and cottage industries. Though the commercial co-operative banks are relatively more self reliant as to their resources, they are now in need of finance to lend to small scale industries as expected. Hence the above facilities are being provided by the Reserve bank of India to the commercial co-operative banks. These banks are also helping the weaker sections by providing loans for various purposes.

This project has been undertaken to study the financing policies and procedures of the co-operative banks with special reference MAMCO bank of Malegaon, and to know how far they have helped various sectors of the community. Special attention is given to the financing to power loom industry.

Definition of the concept “weaker section”

The definition of weaker section in priority sectors broadly corresponds to the beneficiaries under the 20-Point Economic Programme aimed at improving the standard of living of the weaker sections of the society.
1. All advances up to the limits specified under the priority sector, granted to Scheduled Castes (SC), Scheduled Tribes (ST) and Women.

2. Advances not exceeding Rs. 50,000/- under categories different to all beneficiaries.

3. Advances to road and water transport operators up to Rs. 50,000/- for purchase of cycle rickshaws, auto rickshaws, small boats, etc. as also for repairs and replacement of spare parts.

4. In respect of education loans, advances granted to persons having monthly income not exceeding Rs. 2,000/-. 

5. Assistance granted to any governmental agency for the purpose of construction of houses exclusively for the benefit of SC/STs, where the loan component does not exceed Rs. 5.00 lakh per unit and all advances for slum clearance and rehabilitation of slum dwellers would continue to be classified as weaker section advances.

6. Besides the governmental agencies assistance given to non-governmental agencies, approved by NHB for the purpose of refinance (Housing Loan) to weaker section, will also be eligible for all the categories of borrowers as applicable to governmental agencies as priority sector advances as well as weaker section advances.
RESEARCH METHODOLOGY

Purpose of the study:

These day’s banks play an important role in financing for different purpose of life. And Co-operative banks are playing a very important role in financing small businesses. They provide credit facilities to its members and having their own by laws they can control better in credit collection. This movement was started in early 1900 century and a tremendous growth is observed. Now days it is very important to investigate the working of these co operative banks.

This movement was started in Maharashtra in 1905, and it observed a very rapid growth. Initially most of these banks had started their business purely as credit societies and later got converted into urban banks. (Apart from legal status, practically there was no difference between an Urban Bank and Urban Credit society). The development of any business depends upon adequate finance mobilization in time and their proper optimum utilization. In view of this author felt that there is need for an in depth analysis of financing policies and procedures of co-operative banks in Malegaon which is of course a tremendous task. Hence we have opted for special reference to Malegaon city’s MAMCO bank, with a broad perspective of co-operative banks.

This project has been undertaken to study the financing policies and procedures of the MAMCO bank and to know how far they have helped various sections or sectors of the community. Special attention is given to the financing aspects of the weaker section. The purpose of the study is given in the following points:

1. The main object of this thesis is to study the policies, procedures and problems of the co-operative banks in Malegaon.
2. To study the resources and its mobilization (utilization) by the co-operative banks in Malegaon with special reference to MAMCO bank.

3. To ascertain the requirements of finance by weaker section and its provision by Co-operative banks.

4. The role of RBI in growth and development of co-operative banks.

5. To study the organization and management of these Co-operative banks in utilizing the resources.

6. To analyze the extent to which the loans for different purpose are given, amount of loans given, period of loaning, securities offered, rate of interest etc. in general and in particular reference to MAMCO Bank.

7. To locate the causes of overdue loans and suggest some measures in this respect.

Objectives:

The urban co-operative banks lend money for various purposes which can be broadly classified under three groups, namely, loans for better production, loans for better business and loans for better living. It means that the urban co-operative banks are lending money both for productive and consumption purposes. Thus they lend for small-scale business as also for consumption purposes. Thus they lend for small scale industries, self-employed persons and businessmen, as also for consumption purposes of the members. The reserve bank of India has assumed control over the urban co-operative banks since March 1966. The co-operative are also eligible to avail of the facilities, like credit guarantee scheme and refinance facilities to lend small scale and cottage industries. Thus the urban banks are also helping the weaker section by providing loans for various purposes.
The specific objectives of the study are as follows:

1. The basic objective of this thesis is to study the basic concepts of co-operative banking system, its meaning and principles.

2. The goal of this thesis is to study the different criteria of co-operative banks, its origin and development of co-operative banks in India, Maharashtra and Malegaon.

3. To study the organization and management of these Co-operative banks in utilizing the resources.

4. The main object of this thesis is to study the policies, procedures and problems of the co-operative banks in Malegaon.

5. To study whether the customers (weaker and Non Weaker sections) of the MAMCO bank are satisfied with baking services offered by MAMCO bank or not.

6. To study the resources and its mobilization (utilization) by the co-operative banks in Malegaon with special reference to MAMCO bank.

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9. The role of RBI in growth and development of co-operative banks.

10. To locate the causes of overdue loans and suggest some measures in this respect.
Hypotheses:

The Four assumptions for this study are as under:

1. Whether resources of MAMCO bank and its mobilization (Utilization) are made in sound way or not?

2. Whether MAMCO bank offer variety of Loan to its customer as per their different requirement or not?

3. Whether the customers (weaker and Non Weaker sections) of the MAMCO bank are satisfied with baking services offered by MAMCO bank or not?

4. Whether the Organization and management of MAMCO bank is functioning properly or not?

Research methodology of the study:

In the course of study, four methods were used.

1- Questionnaires.

2- Field visits.

3- Personal Interviews.

4- Library.

This study is an empirical research based on survey method. In the beginning of the study, questionnaire method was adopted to collect the required information. Questionnaires were sent by reply-paid to the sample banks and to the members. But very poor response was received from them. Attempt was also made by dispatching the questionnaires through the office of the Districts Registrar of Co-operative Societies, Pune, along with the covering letter. But not a single bank replied and therefore, this method was abandoned.
With a view to secure required information and the knowledge of the working of the urban co-operative banks, field visits were undertaken. In the field visits, 10 co-operative banks in different area of Malegaon city were visited.

Data regarding the financial, organization and management and other aspect of the Co-operative banks were collected from byelaws, minute’s books, annual records and audit reports. Details of socio-economics characteristics, saving habits, benefits derived from loans, and participation in democratic control of the selected weaker section and non-weaker section members of urban banks were collected by personal interview.

Two schedules were prepared to collect information, they were:

1. Schedules for Co-operative banks
2. Interview schedule for weaker and non weaker section members.

Both schedules were pre-tested, revised and finalized. The period covered by the study was ten years from 1995 to 2004. Data relating to financial aspect were collected for the above ten years. Same interview schedule was to interview both weaker and non weaker section sample members.

To refer the books, journals, reports and other published materials, for the study of meaning, definition, principle, growth and development of co-operative banks, library method was used. Library facilities of M S. G College and City College were made use of.

**Sampling and Design:**

For conducting sample survey the respondents covered are presented below:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Class of Respondents</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Officers of the Banks (one officer from each Bank)</td>
<td>10</td>
</tr>
</tbody>
</table>
02  Officers of the RBI & Government  10

03  Beneficiaries (The members are taken from each 13 selected group of loans disbursed, 10 members were selected (5 weaker sections members and 5 non weaker section members). Thus totally 130 members were selected from the 13 selected group of loans disbursed.)  130

**Method of Data Collection**

The data shall be collected from primary as well as secondary sources.

**Primary data:**

Primary data shall be collected by canvassing two different questionnaires for two categories of respondent. The questionnaires shall be designed as per the objectives of the study.

**Secondary data:**

Similarly the secondary data collected from Annual reports of the MAMCO bank Ltd. Reserve banks reports other various reports, publication of Government and data from authentic sources and other statistics available on the subject shall also be complied as per the objectives of the study.

**Coverage of the study**

The study covers all Co-operative banks for comparison with MAMCO Banks working. However the main emphasis is given on the data of MAMCO Bank.
Period:

The financial years, 1995 to 2004, have been taken for the purpose of the study. So the financial data for at least ten years has been taken into consideration for testing the hypotheses.

Limitations and difficulties:

The non-availability and scarcity of books and printed material relevant to the subject under study was the main difficulty. It is for this reason that a substantial part of the data was collected during field visits. Even during the course of visits, some urban co-operative departments, by and large, have shown unwillingness to disclose any information. The Reserve Banks of India (Statistics Section – Warali) collects important data on banking regularly. But the Executives did not make available an unpublished data with them on the ground that it was confidential and for the sake of their own use only and told to use published data which could be available from the various reports published by the bank.

Collection of data at the bank level was also very difficult due to the unwillingness and lack of co-operative attitude on the part of bank executives and also the limitations of time and resources for an individual research worker. The methods of maintaining books of accounts and records were also different from bank to bank. This made comparative analysis of information difficult. Though the annual reports were available from the sample banks, they contain only information of general nature, which was not very useful. Had the data available from all the sources, this study would have served very useful purpose to analyse different aspects related to industrial financing. At the same time, I should acknowledge, with gratitude, the assistance and all possible help
extended by the executives of some banks, office of the District Registrars of Co-operate Societies and the Maharashtra State Co-operative Banks' Association, Mumbai.

The collection of data from the small-scale industrialists was also difficult because it involved an additional task of creating a confidence in their minds. However, the small scale industrialists, by and large, gave full response and good co-operation in this respect. Their frank opinions and suggestions on the subject under review were found very valuable and useful for the purpose of study.

Steps of the methodology of present study:

This study is confined to Co-operative banks in Malegaon. A Two stage sampling design was planned for the study. One stage was the selection of urban banks and other stage was the selection of members.

In selecting the co-operative banks, all the co-operative banks in Malegaon city were visited, and basic data about share capital, loans deposits and profit and investments for the year ended 31-3-2003 and 31-3-2004 was collected. Only two years data was collected for other than MAMCO bank for comparison of working of the MAMCO bank with other bank. As the topic for study is MAMCO the Main emphasis is given on the data of MAMCO bank.

As far as the selection of members was concerned, sample random sampling technique was used. The members are taken from each group of deposit from each bank 10 members were selected (5 weaker sections members and 5 non weaker section members). Thus totally 130 members were selected from the 13 urban banks.

Questionnaire designed for the study:

Two Questionnaires were prepared to collect information, they were:

1. Questionnaire for Co-operative banks
2. Questionnaire for weaker and non weaker section members.

1. Questionnaire for Co-operative banks:

Under this questionnaire 24 question were kept to check the basic objectives of other bank as well as sample bank. In case of other bank only basic information of Share capital, Deposits, Loans, Investment, Members and Profit is asked. But in case of MAMCO banks detail information is gathered through this questionnaire which is given for reference in Annexure at the end of this thesis.

2. Questionnaire for weaker and non weaker section members:

Under this questionnaire 26 questions were kept to check the personal responses of members both from weaker and non weaker section who obtained loan from MAMCO bank was checked.

Both schedules were pre-tested, revised and finalized. The period covered by the study was ten years from 1995 to 2004. Data relating to financial aspect were collected for the above ten years. Same interview schedule was to interview both weaker and non weaker section sample members.

Method of data analysis

The collected data has been analyzed by using the Microsoft Excel for showing the figures and for hypotheses examination, the researcher will use the average calculation and increase decrease trends by using formula. The researcher will establish his results and recommendations, according to the analysis and results of the questionnaires and interview according to the scientific statistical and general acceptable standards of the samples.

Chapter Outline:

For the sake of convenient presentation, the thesis has been divided into nine chapters.
In the first chapter Introduction, the Introduction, definition, features, objectives & basic principles of Co-operation and Co-operative bank is discussed. Research methodology, purpose, objective, hypothesis, limitations and chapter outline of the study is discussed.

The second chapter Critical study of the Growth and developments of cooperative banks, in this growth & development of the Co-operative banks in India and Maharashtra and Malegaon has been covered.

The Third chapter deals with Organization and Management of cooperative banks, the basic of organization and management for a bank, the Staffing pattern of Co-operative banks & Branches are discussed.

Resource Utilization, resources of bank means share capital, reserves, borrowings etc, and its utilization means loans and advances, investments of sample bank i.e. MAMACO bank are critically analyzed in chapter fourth.

Chapter fifth deals in Loan operation of cooperative banks, which is entirely devoted for the critical study of the sample, bank i.e. MAMCO bank. Analysis and interpretation of data collected from the sample bank of Loans has been presented in this chapter.

Chapter sixth discusses the analysis of Need and Sources of Credit. This chapter deals with sources of borrowings of the respondents. Agency providing credit, credit need met by the bank nature of the utilization of the loans.

Chapter seventh covers the Reserve bank of India in Promotion and Development of Co-operative banks. Deals with Reserve Bank of India as central bank controlling all other banks in India including UCB the chapter further elaborates.
government policy related development of UCB. This chapter also includes the study of various committee forms by RBI for UCB.

Chapter eight is concluding chapter which provides Summary of Findings & Conclusions and testing of the hypothesis is done in this chapter.

Chapter Nine contains Suggestions and recommendations Appendices and bibliography appeared at the end of the thesis.