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CHAPTER – I
INTRODUCTION

INTRODUCTION:

A modern industrial society cannot be self-financing of entrepreneurs. Some institutional assistance is necessary to mobilize the savings of the community and to make it available to the entrepreneurs. The people, a large majority of whom save in small odd lots, also want an institution which can ensure safety of their funds, together with liquidity. Banks assure this with a further facility that the funds can be drawn back in case of need.

From a broader social angle, banks act as a bridge between the users of capital and those who save but cannot use the funds themselves. The idle resources of community are thus activated and brought to productive use.

In modern times the field of banking has widely expanded and now covers many sectors of the economy. As the need to mobilise saving for investment has grown, bank has developed many faces.

The banking system has capacity to add to the total supply of money by means of credit creation. That is why Crowther has said, “The bank is a dealer in credit and its own and other people.” It is because of an ability to manipulate credit that banks are used extensively as a tool of monetary policy. The through channeling of funds into one or the other direction on a priority basis or extending it to one or the other concessional terms and conditions, influence the flow of funds and thereby the nature of economic development.

In India, the institutions of banking has existed for a long time but previously only individuals or family concern carried on banking. They are called
indigenous bankers and are known as the multans, mahajans, marwaries, or sahukars in different parts of the country. They accept deposits which are not withdrawable by cheque. They make extensive use of hundies for purpose of remittance and extend loans with or without security on varying rates of interest depending on the credit, worthiness of the borrowers. The usual classification of banks apart from indigenous bankers is as follows:

a) Central Bank:-

It is the principal banking and monetary institution of a country and has a monopoly of the note issue. It controls and regulates the activities of other banks. It is usually under government ownership and management and regulates the monitory and credit conditions in the general interests of the economy.

b) Commercial Banks:

They accept deposit from various sources withdrawable generally at short notice. Since their deposits are mainly for a short, they grant loans and advances for a short period to meet the working capital needs of trade and industry.

c) Industrial Banks:

They provide industrial capital by subscribing for shares and debentures of companies. They also grant long term loans to meet the fixed capital needs of the industry.

d) Regional Rural Bank:

These are special types of banks not like the needs particularly of the weaker sections in rural areas because it was felt that the existing institutions have not been able to deliver the goods.
e) Co-operative Bank:

These are organised by the people for their own collective benefit. These encourage thrift through small savings and advance to loan to their members at fair rates of interest. They are registered under the co-operative society’s act.

1.1 HISTORY AND GEOGRAPHY OF MARATHWADA REGION:

The term “Marathwada” has its origin in the word “Mara-hatti-vada (Marhat-vada)”, meaning a region of Maratha community.

Mughal king Muhammad Shah appointed a Turani noble Asaf Jah I as the wazir of Mughal Empire in 1722, but in 1724 he left for the Deccan to start his own kingdom and took the title Nizam-ul-Mulk. Marathwada become a part of Nizam’s domain, which later came to be known as the princely state of Hyderabad outside but under the suzerainty of British India. (“Nizam” became the title of the ruling descendants of Nizam-ul-Mulk.)

On August 15, 1947, British India was partitioned into two independent states, the Union of India and Pakistan, and the Nizam ruling Hyderabad State at that time chose not to merge Hyderabad state into either country. Subsequently, through Operation Polo, a “police action” on September 17, 1948, the Indian army annexed Hyderabad to India.

On November 1, 1956, Marathwada was transferred from Hyderabad state to Bombay state. On May 1, 1960, Bombay state was divided into Maharashtra and Gujarat states, Marathwada becoming a part of the former. Aurangabad was the headquarter of Marathwada it derived its name from Aurangzeb who ruled it for a brief period.
Districts

Eight districts are in this region. They are Aurangabad, Nanded, Latur, Jalna, Beed, Parbhani, Osmanabad, and Hingoli.

Major cities

Aurangabad, Nanded, Latur, Parbhani, Jalna.

Other cities

Beed, Osmanabad, Hingoli, Udgir, Parli, Ambejogai, Vasmat, Degloor, Dharmabad, Majalgaon

Cultural

Marathwada is home to important Hindu, Muslim, Sikh, Buddhist, and Jain monuments. They include Ajanta; Ellora; Shaktipeeth like Mahur, Tuljapur and Ambejogai; and Jyotirlinga like Grishneshwar (Verul), Nagnath (Aundha), and Vaijanath (Parali).

Dnyaneshwar and his siblings Niwruttinath, Sopandev, and Muktabai hailed from Apegaon in Aurangabad District. Eknath hailed from Paithan in the same district. Samarth Ramdas hailed from Jamb in Jalna District, while Namdev hailed from Narsi in Hingoli District.

Siraj Aurangabadi, a great poet of early Urdu literature, and Wali Dakhni, who is often called as the Father of modern Urdu poetry, lived in the city of Aurangabad. Azad Bilgrami, one of the most significant scholar of Arabic, Persian, and Urdu languages in eighteenth century India, was a resident of Aurangabad city. The town of Khuldabad contains the shrines of the most famous and earliest sufi saints of the Dakhan.
Marathwada is in Maharashtra State of India

Urban Co-op. Banks

District Co-op. Banks
The “samadhi” of the tenth guru of Sikhs, Gobind Singh, is located at Huzur Saheb Sachkhand in Nanded.

1.2 CO-OPERATIVE SECTOR IN MARATHWADA REGION:-

Co-operative Movement:

The era of Co-operative Movement in India started with the passing of first Co-operative societies Act in 1904 by the government of India. The idea behind the Co-operative Movement at that stage was defensive and protective of the interests of peasant. It was meant to include the spirit of thrift, self-help and mutual cooperation among the peasant so that they were protected from the appalling condition of heavy indebtedness. A vast number of peasants were then caught in the clutches of unscrupulous money-lenders. The village money-lenders because of the monopolistic position in the sphere of agriculture finance then had held a large number of indebted peasants in a state of bondage which almost amounted to a sort of semi-slavery.

Under the Act of 1904, a number of Co-operative credit societies to be established. The Co-operative credit movement recorded considerable progress after the passing of the Act of 1904.

This was followed by the Co-operative societies Act of 1912. The Act of 1912 recognised, along with Co-operative credit societies, Co-operative societies engaged in other activities.

Although the reforms in the banking sector have been initiated in commercial banks much earlier (beginning 1991-92), the reform process in Co-operatives have taken much longer time in initiation on account of certain
limitations, viz., the need for generating a consensus among the various State Governments which govern and control Co-operative credit institutions and the need to balance the interests of very many diversified groups which control, operate and guide the Co-operatives. However, despite these limitations, a few major reforms have been introduced in the Co-operative credit sector. The policy reforms in the Co-operative credit sector have been outlined and examined by Subrahmanyam (1999). While examining reforms in the Co-operative credit sector, he not only delves into the positive and negative effects of the policy reforms but also suggests some new steps that need to be initiated to truly restructure and bolster the Co-operative credit sector in the country. Earlier, Gadgil (1994) had delved into the future likely impact of financial sector reforms on the formal agricultural credit system. Thus, the economic viability and successful and efficient functioning of Co-operatives have been the raison d'être of a generation of economists, especially in the aftermath of the dawn of liberalization era and consequent changes in the Co-operative movements.

1.2.1 Economic scenario:

The withdrawal of the Government regulations from many spheres of economic and business activities has enabled the use of Co-operatives as an institutional set up for implementing the programmes relating to socio-economic development. The new economic policies are expected to usher in a host of such those favourable conditions as autonomy, freedom with greater accountability and changes in Co-operative laws, that will eventually lead to a gradual freeing of the Co-operatives. The Co-operative sector in the changed economic scenario has
better opportunities for expanding and diversifying its business operations relating
to farm and non-farm activities in agriculture. However, some quarters fear that
unhindered unleashing of market forces will subject the Co-operatives to unequal
competition from the private sector with no patronizing support forthcoming from
the Government for their growth and development. Nonetheless, experts also
concede greater growth opportunities for the non-credit Co-operative
organizations, especially those which are as large in their size and market reach as
any of the private or multinational firms. Insofar as the development of Co-
operatives in new economic environment is concerned, one of the arguments of
Shivamaggi (2000) is not in favour of leaving the Co-operatives alone to face up
the challenges of market forces since they still require government support in their
lending business and deposit mobilization. In fact, the weakness of Co-operative
banking lies at the primary level. In majority of the states neither the deposit
mobilization nor the borrowing membership of PACS is high. For instance, during
1996-97 the borrowing membership was less than a fourth of the total
membership in Uttar Pradesh (20 per cent), Karnataka (17 per cent), Assam (0.20
per cent), and Maharashtra (24 per cent).

Even in Andhra Pradesh, which initiated steps to restructure Co-operatives,
the proportion of borrowing members was only 29 per cent. The average loan
business per primary society was less than Rs.5 lakhs in West Bengal, Orissa, and
Bihar, UP, Maharashtra, AP and Karnataka. Thus, in general, PACS in India have
shown a dismal picture. It is to be noted that while some of the states like Andhra
Pradesh, Kerala, Karnataka, Bihar, Rajasthan, etc. have modified their Co-
operative laws, certain other states like Tamil Nadu, Gujarat and Maharashtra are yet to follow suit and initiate changes in their Co-operative laws (Elumalai, 1999). The need of the hour is to truly restructure Co-operatives throughout the country. This requires rewriting of the Co-operative legislation on the basis of a model law to be enunciated, formulated, and legislated by the Government Of India.

The future course of action should be to enable PACS to transform themselves into full-fledged rural banks in order to cater to all types of productive and investment credits at the village level. Further, the role of Government should be that of a facilitator. The Government should (i) provide incentives and disincentives through financial and other means and establish a primary Co-operative development fund for this purpose; (ii) monitor the societies and check undesirable trends; (iii) audit the societies' accounts to ensure proper financial management; (iv) promote professionalism in the Co-operatives; and (v) encourage a politics-free Co-operative leadership by barring politicians from participation in the management of the Co-operatives (Shivamaggi, 1996, 2000). Yet another suggestion of Shivamaggi (2000) is in favour of drastically cutting down the role of registrar of Co-operatives and redefining this role in accordance with the obtainable situation and standard of operations. The conditions created by the new economic policies such as ushering in of autonomy, freedom with greater accountability and changes in Co-operative laws are certainly steps in the right direction for the growth and gradual freeing of the Co-operative sector. Now, how efficiently and quickly the Co-operatives learn the ropes of market economy and are able to compete with other sectors of the economy will depend on their
inherent competitive strengths, cutting edge technological mite and productive capabilities.

1.2.2 Under State Purview

The constitutional reforms which led to the passing of the Government of India Act in 1919 transferred the subject of “Cooperation” from Government of India to the Provincial Governments. The Government of Bombay passed the first State Co-operative Societies Act in 1925 “which not only gave the movement its size and shape but was a pace setter of Co-operative activities and stressed the basic concept of thrift, self help and mutual aid.” Other States followed. This marked the beginning of the second phase in the history of Co-operative Credit Institutions.

There was the general realization that urban banks have an important role to play in economic construction. This was asserted by a host of committees. The Indian Central Banking Enquiry Committee (1931) felt that urban banks have a duty to help the small business and middle class people. The Mehta-Bhansali Committee (1939) recommended that those societies which had fulfilled the criteria of banking should be allowed to work as banks and recommended an Association for these banks. The Co-operative Planning Committee (1946) went on record to say that urban banks have been the best agencies for small people in whom Joint stock banks are not generally interested. The Rural Banking Enquiry Committee (1950), impressed by the low cost of establishment and operations recommended the establishment of such banks even in places smaller than taluka towns.
The first study of Urban Co-operative Banks was taken up by RBI in the year 1958-59. The Report published in 1961 acknowledged the widespread and financially sound framework of urban co-operative banks; emphasized the need to establish primary urban Co-operative banks in new centers and suggested that State Governments lend active support to their development. In 1963, Varde Committee recommended that such banks should be organised at all Urban Centers with a population of 1 lakh or more and not by any single community or caste. The committee introduced the concept of minimum capital requirement and the criteria of population for defining the urban centre where UCBs were incorporated.

1.2.3 Recent Developments

Over the years, primary (urban) Co-operative banks have registered a significant growth in number, size and volume of business handled. As on 31st March, 2003 there were 2,104 UCBs of which 56 were scheduled banks. About 79 percent of these are located in five states, - Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu. Recently the problems faced by a few large UCBs have highlighted some of the difficulties these banks face and policy endeavours are geared to consolidating and strengthening this sector and improving governance.

1.3 CO-OPERATIVE BANKING IN MARATHWADA REGION:

Brief History of Co-operative Banks:

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary Co-operative banks located in urban and semi-urban areas.
These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centered on communities, localities work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably.

The origins of the urban Co-operative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the Co-operative movement in Britain and the Co-operative credit movement in Germany such societies were set up in India. Co-operative societies are based on the principles of cooperation, mutual help, democratic decision making and open membership. Co-operatives represented a new and alternative approach to organisation as against proprietary firms, partnership firms and joint stock companies which represent the dominant form of commercial organization.

1.3.1 Origin of Co-operative societies:-

The first known mutual aid society in India was probably the ‘Anyonya Sahakari Mandali’ organised in the erstwhile princely State of Baroda in 1889 under the guidance of Vithal Laxman also known as Bhausaheb Kavethekar. Urban co-operative credit societies, in their formative phase came to be organised on a community basis to meet the consumption oriented credit needs of their members. Salary earners’ societies inculcating habits of thrift and self help played a significant role in popularising the movement, especially amongst the middle class as well as organized labour. From its origins then to today, the thrust of
UCBs, historically, has been to mobilise savings from the middle and low income urban groups and purvey credit to their members - many of which belonged to weaker sections.

The enactment of Co-operative Credit Societies Act, 1904, however, gave the real impetus to the movement. The first urban Co-operative credit society was registered in Canjeevaram (Kanjivaram) in the erstwhile Madras province in October, 1904. Amongst the prominent credit societies were the Pioneer Urban in Bombay (November 11, 1905), the No.1 Military Accounts Mutual Help Co-operative Credit Society in Poona (January 9, 1906). Cosmos in Poona (January 18, 1906), Gokak Urban (February 15, 1906) and Belgaum Pioneer (February 23, 1906) in the Belgaum district, the Kanakavli-Math Co-operative Credit Society and the Varavade Weavers' Urban Credit Society (March 13, 1906) in the South Ratnagiri (now Sindhudurg) district. The most prominent amongst the early credit societies was the Bombay Urban Co-operative Credit Society, sponsored by Vithaldas Thackersey and Lallubhai Samaldas established on January 23, 1906.

The Co-operative Credit Societies Act, 1904 was amended in 1912, with a view to broad basing it to enable organisation of non-credit societies. The Maclagan Committee of 1915 was appointed to review their performance and suggest measures for strengthening them. The committee observed that such institutions were eminently suited to cater to the needs of the lower and middle income strata of society and would inculcate the principles of banking amongst the middle classes. The committee also felt that the urban Co-operative credit movement was more viable than agricultural credit societies. The
recommendations of the Committee went a long way in establishing the urban Co-operative credit movement in its own right.

In the present day context, it is of interest to recall that during the banking crisis of 1913-14, when no fewer than 57 joint stock banks collapsed, there was flight of deposits from joint stock banks to Co-operative urban banks. Maclagan Committee chronicled this event thus:

“As a matter of fact, the crisis had a contrary effect, and in most provinces, there was a movement to withdraw deposits from non-Co-operatives and place them in Co-operative institutions, the distinction between two classes of security being well appreciated and a preference being given to the latter owing partly to the local character and publicity of Co-operative institutions but mainly, we think, to the connection of Government with Co-operative movement”.

Overall moderation in the real sector activities was reflected in the evolution of the banking development in 2007-08 non food credit extended by the schedule commercial banks increased by 22.3 percent as compared with 28.5 percent in the previous year. Incremental non food credit deposit ratio for the banking system declined to 72.3 percent from 83.2 percent in 2006-07, 109.3 percent in 2005-06 and 130 percent in 2004-05. Aggregate deposit of schedule commercial banks increased by 22.8 percent during 2007-08 as compared with 23.8 percent in the previous year. Banking systems lendable resources were also augmented substantially by the capital raised through public issues and innovative capital instruments.
The year saw many of the public sector banks bring down lending rates across various segments so as to step up lending to productive sectors, however towards the end of the financial year, there was considerable upward pressure on the interest rates in the face of relatively high inflation and rise in benchmark yields.

Banking is an old as is the authentic history and its origins of banking in ancient Greece, around 2000 B.C. the famous temples were used as depositories for people surplus Funds and these temples acted as the financial agents. But then after public confidence was destroyed the spread of disbelief in the religion. in India the ancient Hindu scriptures refer to the money-Lending activities in the Vedic Period. Banking had become a full-fledge business activity and the business of banking was carried on by members of the vaisha community.

Bank is an institution which trades in Money, establishment for the deposit, custody and issue of Money, as also for making loans and discounts and facilitating the transmission of remittances.

The Nationalization of 14 Major Commercial bank on July 19, 1969 marked a turning point in the history of the banking system in India. The millions of small farmers, artisans, and other self-employed persons, a bank can be a source of credit.

In India 70% of the total population for rural is considered to be as principal instruments of economic development based on social justice, in the scheme of social justice the trust of upliftment of weaker section of communities i.e. small and marginal farmers, artist, craftsmen, labours, women and schedule
casts and schedule tribes and other people living below poverty line was not only giving the top priority but has accepted the ultimate object of the commercial banks.

1.3.2 Credit Facilities

The state of Maharashtra has a long history of personal finance it was the guilt of traders and professionals who did the banking business and historical record tell us that royal personals also went to these guilds the money transaction was done on interest with specific rate. The trade was on par and so the banking business in the late mediaeval period we find prominence of savkar the money lenders who were much powerful. Their malpractices devastated numerous families and British and then Indian govt. has to bring various ordinances in to force to control the vicious practices now the system is very much changed credit facilities have come to the door and large number of institutes in different sectors are involved in the business. The credit coop movement began in the district in the early decades of 20th century but was not developed fill 1948 annexation of Hyderabad state to Indian territory boosted various aspects including coop credit.

As the twentieth century closed and we have moved into the third millennium we can see many developments. And changes taking place around us with all the industries and firms within each industry trying to keep pace with the changes and diverse need of the people for decades together. Marketers have regarded customer as a king and evolved all activities to satisfy him or her concept is gaining more momentum and importance today.
This largely be attributed to the prevailing market situation not only has completion became intense but over and above with the market being flooded with many products the challenge before the marketers is to understand the diversity of consumer behavior and offer goods services according today the company image is built and made known by its customers thus the success of the firm will be determined by how effective it has been in meeting the diverse consumer as unique and offering products and services to suit his or her needs.

Growth trends in the economy remained robust during 2007-08, will support strong fundamentals and effective policy intervention as well as course correction. However, growth in the real sector featured slackened momentum, well dispersed over the four quarters. Growth of real GDP for 2007-08 was placed at 8.7 percent by the central statistical organization in its advance estimates released during February 2008, showing some moderation compared to 9.6 percent growth recorded in 2006-07.

Real GDP originating n agriculture and allied activities is estimated to have risen by 2.6 per cent in 2007-08 lower than 3.8 percent registered in the preceding year food grain production is expected to have increased to an all time high of 227.3 million tones. Real GDP emanating from industry rose by 8.6 percent in FY 08 as compared with 10.6 percent in the previous year. In manufacturing, which contributed 89 percent on incremental industrial production, the growth of output was lower at 9.1 percent than 12.2 percent recorded a year ago. Output of the six key infrastructure industries also registered a lower growth of 5.6 percent during
April to February 2007-08 against 8.7 percent for the previous corresponding period.

Real GDP from the services sector role by 10.6 percent during 2007-08 compared with 11.2 percent in 2006-07. Activity in construction and financing, insurance, real estate and business services sector expanded by 9.6 percent and 11.7 percent respectively, as compared with 12 percent and 13.9 percent in 2006-07. Growth of trade, hotels and restaurants, transport, storage and communication was 12.1 percent in 2007-08, marginally higher than 11.8 percent recorded in 2006-07 thus during 2007-08, almost all segments of the rent economy’s exhibition moderation.

1.4 A ROLE OF MAHARASHTRA STATE CO-OPERATIVE BANKS AND DISTRICT CENTRAL CO-OPERATIVE BANKS IN MARATHWADA REGION:

The central bank got into act after the co-operative bank had its net worth or equity and reserves eroded by piling bad assets. A National Bank for Agriculture and Rural Development (NABARD) audit of the bank’s 2009-10 balance sheet revealed that its net worth turned negative by Rs. 140 crore as it had to set aside money or provide for bad loans.

According to the NABARD report, the bank’s net loss in fiscal 2010 was Rs. 775.98 crore and bad loans Rs. 500 crore, nearly 30% of total’s advances. Nabard executive director Prakash Bakshi confirmed that his organisation had suggested corrective action on MSC by RBI.
“This bank was already under various RBI directions for the last 13 to 14 years, but at the end of March 2010, its net worth became negative by Rs. 140 crore because of the huge provisions the bank had to make on loans given to co-operative sugar factories and co-operative spinning mills,” he said.

Late evening on Friday, RBI dismantled the board and appointed state government’s agriculture secretary Sudhir Goel and planning Secretary Sudhir Shrivastav as administrators.

No small depositors will lose money as the bank is protected under the deposit insurance scheme of the regulator, a RBI official said on condition of anonymity. Under this scheme deposits up to Rs. 100,000 is insured.

“It will take few days for us to streamline bank’s affairs and chalk out the plan for recovery, but our priority will be to maintain utmost transparency in bank’s affairs,” Goel said.

Bakshi of Nabard said the administrators will now review both the loans and recovery processes of the bank.

There is no restriction on the bank accepting fresh deposits or giving back money to depositors, as it has enough investments to pay creditors.

“Liquidity is not an issue with the bank. It has Rs. 14,000 crore of investments in government bonds,” Bakshi said.

The bank had a deposit base of Rs. 18,998 crore in September 2010, according to its website. In March 2010, its net non-performing assets were 7.6% of advances.
Bakshi said bulks of the deposits are from institutions such as other co-operative banks and credit co-operative societies. The development has come as a huge embarrassment for the ruling Nationalist Congress Party (NCP) and state’s deputy chief minister Ajit Pawar, who is controlling bank’s affairs for last decade or so.

Out of 44 directors on the bank board, 25 belong to NCP including Pawar, 14 to Congress and two each from the Bharatiya Janata Party and Peasants and Workers Party and one from Shiv Sena. Pawar did not respond to a text message sent on Saturday.

“The bank has attached some 86 properties including some sugar Co-operatives and Co-operative spinning mills but as most of them belonged to MLAs and ministers of ruling NCP-Congress combine, none of them was sold,” said BJP member of state legislative assembly Devendra Fadanvis, who raised the issue of mismanagement of bank’s affairs in the recently concluded budget session of the state assembly.

Had they been auctioned, it could have fetched the bank Rs. 3,000 crore. Fadanvis also demanded that an expert committee should be appointed to oversee the affairs of bank.

NCP spokesman Jitendra Avad dubbed RBI’s action as “unilateral and unjustified” and said no explanation was sought from bank before the board was superseded. “It is up to members of board whether to challenge RBI’s action in court of law or not,” he said.
Noted political analyst Pratab Asbe, who keeps a close watch on state’s political, social and economic issues, said NCP should share the blame for this as it has most members on the board, but Congress, BJP and Sena also can’t deny their role as they have representatives on board.

Sugar Co-operatives and sugarcane farming will suffer following RBI’s decision as due to bumper sugarcane crop and ban on exports, sugar Co-operatives are already facing liquidity crunch. To remain afloat in the sugar crushing season (September to March), they will require working capital.

Around two million farmers are engaged in sugarcane farming and around one million ha of land is under sugarcane cultivation in Maharashtra, the largest sugar producer in India. The state is expected to produce 9.1 million ton sugar this year, followed by Uttar Pradesh’s 5.9 million ton.

1.4.1 DISTRICT CENTRAL CO-OPERATIVE BANKS IN MARATHWADA:

The District Central Co-operative Bank was established at Marathwada Region in 1958. It has been working as a federal central financing agency catering to the requirements of all the primary credit societies in the district. Since 1962, the Zilla Parishad also transacts its financial business through this bank. There were fifty branches of the bank excluding head office in the district during 1968-69 which rose to 68 in 1971-72. The bank gives assistance to the primary agricultural societies for improving productivity of land. The bank also gives loans to industrial societies for increasing production. The Bank also sanctions working capital to the urban banks. The Bank, thus, has served the
co-operative sector and has helped it to achieve sustained growth over last nine decades.

There are 31 District Central Co-op. Banks in Maharashtra working with primary object to provide credit requirements to Primary Credit societies. The first such secondary level co-operative was registered in Mumbai in 1911 under the Government of India Act, 1904. Since then these Central Banks have laid the firm financial infrastructure for the co-operative movement in Maharashtra. District Central Co-operative Banks operates as the intermediate between State Co-operative Bank and Primary Agricultural Co-operative Societies.

As of March-end 2011, MSC Bank had deposits aggregating Rs 17,428 crore (94 percent of the deposits was held by District Central Co-operative Banks DCCBs — and co-operative societies and the balance 6 per cent by individuals).

The bank had a loan portfolio of Rs 10,478 crore (short-term crop loans: Rs 3,316 crore, refinance to DCCBs: Rs 3,866 crore and loans to co-operative sugar factories: Rs 4,400 crore). Investments in government securities and State Bank deposits/ certificate of deposits (includes investments on behalf of DCCBs) aggregated to Rs 11,986 crore.

Under Section 110 (A) of the Maharashtra State Co-operative Societies Act, 1960, the administrators have five years time to turnaround the fortunes of the bank, said Dr Goel. Besides, making recoveries and improving other key financial parameters, the newly appointed administrators will examine whether
auction of co-operative sugar factories (to recover dues) by the bank was actually at prices that reflected the true market valuation.

"The financial condition of the bank is sound and depositors need not have any concern. The administrative board has been appointed primarily to strengthen the financial condition of the bank and bring professionalism and transparency in its work," Dr Goel said.

The short-term co-operative credit structure in India, comprising 95,633 primary agricultural credit societies at the village level, 370 DCCBs at the intermediate level, and 31 State Co-operative Banks at the apex level, primarily provide short term crop loans and other working capital loans to farmers and rural artisans.

1.5 A ROLE OF URBAN CO-OPERATIVE BANKS IN MARATHWADA REGION:-

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts…). In India co-operative banks are regulated with the RBI and governed by Banking Regulations Act 1949 and Co-operative Societies Act, 1965.
Brief History of Urban Co-operative Banks:

The Bank was formed in 1872 in the city Manchester in UK. The Co-operative banks in INDIA have a history of almost 100 years. The Co-operative banks are an important constituent of the Indian Financial System. Co-operative Banks in India are registered under the Co-operative Societies Act. The Co-operative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965. These banks were conceived as substitutes for money lenders.

The term Urban Co-operative Banks (UCBs), though not formally defined, refers to primary Co-operative banks located in urban and semi-urban areas. These banks, till 1996, were allowed to lend money only for non-agricultural purposes. This distinction does not hold today. These banks were traditionally centred around communities, localities work place groups. They essentially lent to small borrowers and businesses. Today, their scope of operations has widened considerably.

The origins of the urban Co-operative banking movement in India can be traced to the close of nineteenth century when, inspired by the success of the experiments related to the Co-operative movement in Britain and the Co-operative credit movement in Germany such societies were set up in India. Co-operative societies are based on the principles of cooperation, – mutual help, democratic decision making and open membership. Co-operatives represented a new and alternative approach to organisaton as against proprietary firms, partnership firms
and joint stock companies which represent the dominant form of commercial organisation.

Establishments

Co-operative bank performs all the main banking functions of deposit mobilisation, supply of credit and provision of remittance facilities. Co-operative Banks belong to the money market as well as to the capital market. Co-operative Banks provide limited banking products and are functionally specialists in agriculture related products. However, co-operative banks now provide housing loans also. UCBs provide working capital loans and term loans as well.

1.6 RESEARCH METHODOLOGY

This chapter discusses the research design, the population and sample. It also discusses the instruments used in the data collection, the procedure for data collection and the method for data analysis.

The research design, research approach, research strategy, sample collection methods, data collection methods and data analysis are the main constituents of research methodology.

Co-operative Bank is a public sector bank undertaking the Government of India and Maharashtra Government. These banks providing all types of loans throughout the country excluding the metropolitan cities of Mumbai and New Delhi. Generally having area of one district is selected for the study relating to impact of the bank on agricultural sector on Marathwada Region. To have better understanding, qualitative research is found suitable along with a small quantitative study.
1.6.1 THE RESEARCH DESIGN

The research design used is survey design. Research design is the specific data analysis techniques or methods that the researcher intends to use. The survey design involves the collection and analysis of data, and finding out the answers concerning the current status of the subject. Also, it is a study of variables in their natural setting or under usual circumstances. This comprises observation of facts, formulation of hypothesis, collection and classification of data, interpretation of data, formulation of theories, application of facts and predictions. Since human behaviour is difficult and cannot be predicted, it makes the results of the research at times not to be applicable to the population.

1.6.2 SAMPLE AND SAMPLING TECHNIQUE

This study is an empirical study. It is based upon sample survey. The researcher will use strategic convenes sample randomly selected. The following methods have been adopted. There are 08 districts in Marathwada region and every district is having its own District Central Co-operative Bank. Similarly there are Sixty Eight Co-operative Banks in Marathwada region are controlled and governed by Maharashtra state Co-operative Bank. And BR act 1949 under controlled by RBI. The researcher has selected 06 samples of District Central Co-operative Banks, 08 urban Co-operative Banks from Marathwada region.

The convenient sampling procedure was used to select 14 Co-operatives Banks from Marathwada Region for Research Study. The convenient sampling method was used because of the sparsely distribution of the study area.
1.6.3 INSTRUMENT

A questionnaire is the major instrument that was used to collect the data. The questionnaire was used in order to get a standard form of answers or response.

1.6.4 OBJECTIVES OF THE STUDY:

Following are the main objective of the research study

1. To know the benefit get from cooperative banks in Marathwada Region.
2. Role to cooperatives banks play in community.
3. All kinds of Respondents get loan from the cooperatives banks.
4. Impact to cooperative banks in community?
5. To study the deposits, loan & Advance of cooperative Banking in Marathwada after Globalisation.
6. To know the customer & Share holder’s services of cooperative Banks in Marathwada region after Globalisation.
7. To study the NPA in cooperative Banking in Marathwada Region after Globalisation.
8. To study the performance of cooperative Banking in Marathwada region after Globalisation is progressive.

1.6.5 HYPOTHESIS

Our hypothesis is that Co-operative banking is the single most important driving force behind rural Marathwada Community development. The aim of this study is to seek empirical evidence to examine the hypothesis below:

1. Co-operative banking promotes rural development.
2. Urban Co-operative banking develops urban area of small entrepreneurs and middle class peoples.

3. To be increased in deposits, loan & Advance of Co-operative Banking in Marathwada after Globalization.

4. To be increased the customer & Share holder's services of Co-operative Banks in Marathwada region after Globalization.

5. Increase in Infrastructure in Co-operative Banking in Marathwada region after Globalization.

6. To be decreased in NPA in Co-operative Banking in Marathwada Region after Globalization.

7. The Co-operative Banking in Marathwada is successful achievement the objectives after Globalization.

8. Improvement performance of Co-operative Banking in Marathwada region after Globalization is progressive.

1.6.6 Research Approach

Since the purpose is to qualitative approach is found suitable for this study. Additionally to supplement the qualitative approach, small quantitative study was conducted.

1.6.7 Data Collection

DATA COLLECTION PROCEDURE

Thirty questionnaires were used, one for each person or respondent. The questions were read for them to answer. Male and female Bank Managers were
interviewed in the ratio of 1:1. That is, equal chances were given to them in order to get a fair or a balance response from the male and female respondents.

A nearly endless variety of data now exists or can be obtained, but only a few types are relevant to each study objectives. The data was categorized as facts, knowledge, opinions, intentions etc. The present study aims to collect the data on all of the above except intentions. As it is judged that the same is of less value as far as the purpose of research is concerned. The sources of data can be categorized as data collected from primary sources and data collected from secondary sources.

**Primary Data**

Primary data was collected through observation, questionnaires and interviews. Along with filling-up of questionnaire, interviews with customers, staff and officers of Co-operative Bank, their places of work/residence were conducted and that data was selected as a major primary data, since the aim of the research is to study the impact of agricultural services, feedback about various services provided by the bank and their valuable suggestions were sought. The researcher has collected primary data during 2006-07 to 2010-11.

**Secondary Data**

The secondary data will be collected for this study from different sources such as RBI monthly bulletin, NABARD statistical reports, various journals, different annul balance sheets of concern with the banks used as secondary data and more so official published record of Co-operative Banks, in Marathwada region is also used for this purpose. In this study simple statistical tools are used for arriving an inference. The secondary data has been collected from
1.6.8 Data Analysis & Interpretation of Data

After collecting all the data, the analysis started. During data analysis stage, re-arrangement of data, summarisation, calculation of percentage etc was done. The data was analysed with the help of descriptive statistical methods such as ratio, percentage. The results were presented in a graphical form with detailed description and analysed in combination with qualitative data. The method of analysis has been selected on the basis of nature of data collected and the objectives of the research. The data was collected from the primary and secondary sources as given above has been analysed, evaluated and analysed, results have been represented in tabular forum, bar chart and pie diagram to give a clear picture. The data evaluated has been critically examined; findings and conclusions have been offered. Based on the above recommendations have been offered.

Frequencies, percentages, bar graphs, regression analysis and correlation coefficient were used to analyze the data. SPSS software and Microsoft Excel were used for all the analysis.

1.6.9 Sample Size:

The approach to the problems is multidimensional, interdisciplinary and comparative. Accordingly, the study starts from a theoretical discussion of the concept of Co-operative Banks in Marathwada Region and an analytical evolution of the various aspects of Banks structure in order to arrive at the prescriptive synthesis of the various problems facing the consumer after globalization. Hence
it will include both theoretical and practical aspects of Co-operative Banks development.

The present study is based on 14 random samples out of which 01 sample selected of District Co-operative bank in each district except Jalna and Hingoli and 01 sample selected of Urban Co-operative Bank from each district. The present study covers the whole areas of Marathwada Region. For this purpose the study was conducted by employing multistage random sampling techniques survey method.

LIMITATIONS:-

The study covers period of 05 years from 2006-07 to 2010-11. The study of co-operative banking In Marathwada region.

The study covers organizational, financial and operational aspect of District Co-operative Banks in Marathwada Region. The Co-operative Banks constitute an important segment of the Indian Banking system. They have an extensive branch network and reach out to people in remote areas. They have traditionally played an important role in creating banking habits among the lower and middle-income groups and in strengthening the rural credit delivery system.

The credit Co-operatives in Maharashtra have shown slower growth in their membership and institutional financing. On the other hand, a faster growth has been observed outstanding against loan advances. The study has identified several issues that need to be taken cognizance of the revitalize the rural credit delivery system through the Co-operatives. One of this is wide variations in total and crop loan advances across various districts and regions of Marathwada.