CHAPTER I

INTRODUCTION AND DESIGN

OF THE STUDY
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MEANING OF CO-OPERATION

The work 'Co-operation' is originated from the Latin word 'Co-operative' which means working together for a common cause. In other words, it means co-operating with each other for mutual benefit. Co-operation aims at economic and social betterment of persons who join together for common causes. It is an association of persons who have common aims to undertake certain common activities beneficial to everyone. It also aims to promote peace and unity among members, fellow co-operators. Co-operative Society is to satisfy the needs of its every member by self-help and mutual help. Co-operators and economists consider co-operation as better means for the development of nation as a whole.

DEFINITIONS OF CO-OPERATION:

According to calvert, "Co-operation is a form of organization wherein persons voluntarily associate together as human beings on the basis of equality, for the promotion of the economic interests of themselves".

According to C.R.Fay, "Co-operation is an association for the purpose of joint trading among the weak and conducted always in an un-selfish spirit on such terms that all who are prepared to assume the duties of membership
may share its rewards in proportion to the degree in which they make use of their association”.

PRINCIPLES OF CO-OPERATION

The modern principles of co-operation have passed through several stages. The first co-operative society formed in the year 1844 by Rochdale pioneers in England had the aims of Democratic Control, open membership, limited interest on capital, patronage dividend, cash trade, sale of pure and unadulterated goods, education of the members and Political and Religious Neutrality as their principles.

Later in 1934, the International Co-operative Alliance (ICA) Committee framed certain co-operative principles. They were open membership, democratic control, distribution of surplus to the member in proportion to their transaction, limited interest on capital, political and religious neutrality, cash trading and promotion of education.

The principles, which are currently being followed by the world co-operative movement, were approved by the 23rd ICA Congress held at Vienna during 1965-66. They are, voluntary and open membership, democratic control, limited interest on capital, equitable division of surplus, co-operative education and co-operation among co-operatives. These principles are essential to genuine and effective co-operatives practice both
at the present time and in future as far as that can be foreseen. The ICA Commission on co-operative principles described thus, "those practices which are essential, that is absolutely indispensable to the achievement of the co-operative is purpose”.

PRINCIPLES OF CO-OPERATION

An analysis of above definitions will reveal the following features of co-operative organisation.

1. Voluntary Association: Co-operative organisation is a voluntary association of persons, in the sense that people can become its members and they can leave at their own will and without any coercion or intimidation.

2. Open Membership: The membership of the Co-operative Society is open to all irrespective of caste, creed, religion, race, sex, colour, etc. Everybody is given an equal opportunity to become a member. However, membership may be restricted to a homogeneous group in some cases.

3. Democratic Control:

The management of a Co-operative Society is entrusted to a managing committee elected by members on the basis of ‘one-member-one-vote’ irrespective of the number of shares held by any member.
4. **Service Motive:** The basic aim of co-operative organisation is to render service to its members in particular and to the society in general. Service above self is the spirit of co-operative. There is an emphasis on the material and moral uplift of members.

5. **Compulsory Registration:** No association of persons can use the word co-operative in its name without being registered under the Co-operative Societies Act, 1912 or under the Co-operative Societies Act of a State Government.

6. **Separate Legal Entity:** After registration a co-operative enterprise becomes a body corporate independent of its members. It is entirely distinct from its members.

7. **Finance:** The capital of a co-operative enterprise is provided by its members by purchasing shares. One member cannot subscribe to more than 10% of the capital share capital Rs.10000 whichever is higher. Shares are not transferable but they can be surrendered to the organisation.

8. **Equitable disposal of surplus:** The trading surplus earned by a Co-operative Society is utilized for several purposes. A fixed rate of dividend not exceeding 10 per cent can be paid on the capital one-fourth of the profits
is to be transferred to general reserves as per the law. A portion of the surplus, not exceeding 10 per cent may be utilized for the general welfare of the locality in which the society is functioning.

9. **Government Control:** The activities of a Co-operative Society are regulated by the State even though is voluntary in character. Government conducts periodic inspections of the audited accounts and affairs of the society. A Co-operative Society has to submit annual reports and accounts to the Registrar of Societies.

10. **Spread of Co-operative movement in India:**

   In 1894 Sir Frederick Dicholson was deputed from India by the Government to study the co-operative movement in European Countries. He recommended starting co-operatives on “Ratiffeisen Model”. Thus, co-operation was accepted in India. The Co-operative movement in India has not yet crossed hundred years of its origin.

   The enactment of Indian Co-operative Credit Societies Act 1904, paved the way for the co-operatives as an economic form of organization. As per this Act only credit societies were allowed to be registered in India. However the subsequent act passed in the year 1912 enabled the formation of non-credit co-operatives also.
The montague-chelmsford for Reform of 1919 transferred the subject co-operation from 'Central List', to 'State List'. This transfer facilitated the States to enact their own Co-operative Societies Act in accordance with their own requirements and convenience without affecting the unique character co-operatives. Each State began to have own Co-operative Societies Act which controls the co-operatives of a particular State. Thus, Indian Co-operative movement became an official movement and was considered as a policy of the Government.

The spread of co-operative movement in India was slow but encouraging until independence in the year 1947.

After independence, particularly after 1950, many committees and commissions were appointed to study and review the co-operatives and to suggest suitable measures to spread the co-operative movement on a large scale covering all economic sectors. Among those committees, the All India Rural Credit Survey Committee (1951-54), the All India Rural Credit Review Committee (1966) and the Committee on the Agricultural Finance and Institutional Credit for Rural Development (1980) were worth mentioning.

These committees, while reviewing the performance of the co-operatives, invariably found that the co-operative movement did not achieve
the desired results and in certain areas it failed. However, the committees reiterated that as the co-operatives are the only tools for the uplift of the have-nots, co-operatives should succeed in their goals. The committees recommended new ideas for the successful functioning of co-operatives. They are; State’s participation in the co-operatives, establishment of State Bank of India, National Co-operative Development Corporation and National Bank for Agricultural and Rural Development, Federations at State and National Levels, maintaining and operation of National Agricultural Credit (Long-term) and (Stabilization) Funds, etc.,

Now, the movement has its own clear cut network throughout the country. There have been different sectoral heads formed within the movement such as credit, banking, consumer, marketing, housing, industrial, production and supply and so on. The co-operatives are serving the entire nation neglecting none and no area.

In India, the Co-operative Banks play a unique role in the banking system. The Co-operative Banks create the habit of thrift among the poor people by way of borrowing from the public by accepting various types of deposits. Therefore it is more useful to study “A study of house loans appraisal of Salem Urban Co-operative Bank Ltd., Salem-1”.
Today, co-operatives are the most important type of voluntary organization throughout the world. "Co-operatives have helped to rationalize distribution pattern, increase purchasing power and promote consumer protection narrow the housing gab. They have contributed to the modernization of small scale production in agricultural, fisheries, handicrafts and industry. In a wider sense, co-operative growth has thus become an effective stimulant to economic growth”.

**CLASSIFICATION OF CO-OPERATIVES:**

Co-operative Societies are classified into the following three main groups:

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<tr>
<th>Co-operative/Societies</th>
<th>Marketing Co-operatives</th>
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<td>C. Transport, D. Education</td>
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<td>E. Health</td>
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OTHER CLASSIFICATION:

- Resource Societies
- Production Societies
- Consumer Societies

In the first group, it includes all those societies which extend a helping hand to the members in their individual enterprise by providing for their resources of various kind like seeds, manure, implements on credit.

In the second group, societies which undertake collective production are included.

In the last group all kinds of consumer's stores and housing societies are included.

URBAN CO-OPERATIVE BANK:

MEANING:

Urban Co-operative Bank is a bank which operates its banking business within the limit of Urban and Semi-urban of the town or city, subject to the provision of Indian Co-operative Societies Act and under the control of District Co-operative Bank.

Urban Co-operative Banks occupy an important place. They cater to the credit needs of people residing in urban areas. They advance loans mostly to the small traders, artisans and salary earners on personal security
as well as against gold, silver and produce. They accept deposits of various
types and thereby afford facilities for investment to persons of small means.
Like the Commercial Banks and Central Banks, many of them provide
banking facilities of various kinds to their members and customers.

The study group on credit co-operatives in the Non-agricultural sector
has recommended that the definition of an Urban Co-operative Bank should
include the following features.

a) A Credit Co-operative Registered under the State Co-operative
   Societies Act in Urban or Semi-Urban Areas:

b) A minimum paid-up capital of Rs.50000; and

c) Provision of banking facilities, e.g., accepting for the purpose of
   lending or investment of deposits from members and non-members
   repayable on demand or otherwise, and withdrawal by cheque, draft,
   order, etc.
CO-OPERATIVE STRUCTURE

Co-operative structure is a two dimensional three tire structure. In every state this structure consists of the State Co-operative Banks at the apex or top level. Central Co-operative Banks at the district level. Primary Credit Societies at the village level. Town Co-operative Banks at the Urban Level.

Banking facilities are indispensable for economic development. The modern banking system routes the surplus funds of the community into the most productive channels. It provides facilities for the transfer of funds from one part of country to another part and from one country to another country. Moreover the development of industry and trade in country will be impossible without the services of banks.
FUNCTIONS OF CO-OPERATIVE BANK:

According to the section 6 of the Banking Regulations Act (as applicable to Co-operatives) a Co-operative Bank can undertake the following functions.

In addition to the business of banking a co-operative bank may engage in any one or more of the following forms of business namely:

A. The borrowing, raising or taking up of money, the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting the dealings in bills of exchanges, hundies, promissory note, coupons, drafts, bills of lading, railway receipts, warrants debentures, certificates scripts and other instruments and securities whether transferable of negotiable or not; the granting and issuing of letters of credit, travelers cheques and circular notes; the buying and selling of foreign exchange, the buying, selling and dealing in bullion and specific, including foreign bank notes, the acquiring holding, issuing on commission, under writing and dealing the stock, funds, shares, debenture, debenture stock, bonds obligations; securities, and investments of all kings, the purchasing and selling of bonds, scripts or other forms of securities on behalf constituents or others, the negotiating of loans and advances the receiving of all kinds of bonds, scripts or valuables on deposit
or for safe custody or otherwise, the providing of safe deposit values; the collecting and transmitting of money and securities.

B. Acting as agents for any government or local authority or any other person or persons; the carrying on of agency business of any descriptions includes the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers.

C. Contracting for public and private loans and negotiating and issuing the same.

D. The effecting, insuring, guaranteeing, under writing participating in managing in managing and the carrying out of any issue, public or private of State, Municipal or other loans or of shares, stock, debentures or debenture stock of any company, Co-operative Society, Corporation or Association and the lending of money for the purpose of any such issue.

E. Carrying on and transacting every kind of guarantee and indemnity business.

F. Managing, Selling and realizing and property or any right, title or interest in any such property which may from the security or part of the security for any loans or advances or which may be connected with any such security.
G. Managing, selling and realizing any property which may come into the possession of the Co-operative Bank in satisfaction or part satisfaction of its claims.

H. Undertaking and Executing Trusts.

I. Undertaking the administration of Estates as Executor Trustee or otherwise.

J. Establishing and Supporting or Aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the co-operative bank or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;

K. The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the operative bank.

L. Selling, Improving, Managing, Developing, Exchanging, Leasing, Mortgaging, Disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the Co-operative Bank.
M. Acquiring and undertaking the whole or any part of the business of any person or company or Co-operative Society; when such business is of a nature enumerated or described in this sub-section.

N. Doing all such other things as are incidental or conductive to the promotion or advancement of the business of the Co-operative Bank.

O. Any other form of business which the Central Government by notification in the Official Gazette, specifies a form of business in which it is lawful for a Co-operative Bank to engage.

OBJECTIVES OF THE STUDY:

The study is based on the following objectives:

1. To study about the origin and growth of the Salem Urban Co-operative Bank Limited, Salem-1.

2. To study about the overall performance of the Salem Urban Co-operative Bank Limited, Salem-1.

3. To study about the House Loans to its staff given by Salem Urban Co-operative Bank Limited, Salem-1.

4. To study about the House Loans to its members given by Salem Urban Co-operative Bank Limited, Salem-1.

5. To find out the problems faced by the Salem Urban Co-operative Bank especially in granting the House Loans.
6. To give suggestions for the further improvement of the Salem Urban Co-operative Bank Limited, Salem-1 with regard to House Loans Schemes.

SCOPE OF THE STUDY:

The main scope of the study is to analyze the House Mortgage Loans and House Construction Loans granted by the Salem Urban Co-operative Bank Limited, Salem-1. and its Branches for the past 5 years 2000-2001 to 2004-2005.

PERIOD OF STUDY:

Latest 5 years data (i.e.) from 2000-2001 to 2004-2005, was taken for the study about the House Loans of Salem Urban Co-operative Bank Limited, Salem-1.

METHODOLOGY:

Only the secondary data are collected and used for analysis and interpretation of data. The secondary data consists Annual Reports, Records and Printed materials of Salem Urban Co-operative Bank Limited, Salem -1. Primary data are not considered for this study.
TOOLS USED:

Percentage of changes and trend ratios are adopted to know the changes in the house loan amount given by Salem Urban Co-operative Bank Limited, Salem -1.

AREA OF THE STUDY:

The study is confined only to the Salem Urban Co-operative Bank Limited, Salem-1 and its Branches located in the Salem City. Now it has 14 branches in and around Salem city.

LIMITATIONS OF THE STUDY:

The following are the limitations of the study.

i) Only latest five years data are taken for this study. i.e 2000-01 to 2004-05.

ii) Only the secondary data are used for this study.

iii) The sources of data consist of Annual Reports, Records and also printed material of Salem Urban Co-operative Bank Limited, Salem-1.

iv) The information's given by Salem Urban Co-operative Bank Limited, Salem-1 are taken as authentic.

v) The study was done by the researcher within a short period.
CHAPTERISATION SCHEME:

The study is organized into Five Chapters

First Chapter: It deals with introduction, meaning and functions of Urban Co-operative Bank, Objectives of the study, Period of study, Scope of study Area of the study, Limitations of study and Scheme of chapterisation.

Second Chapter: It deals with profile of the Salem Urban Co-operative Bank Limited, Salem-1 and organizational structure.

Third Chapter: It deals with performance Evaluation of the Salem Urban Co-operative Bank Limited, Salem-1 include house loans schemes.

Fourth Chapter: An analysis about the House Mortgage Loan and House Construction Loan of Salem Urban Co-operative Bank Limited, Salem-1.

Fifth Chapter: It deals with main findings of the study and suggestions, conclusion to improve the performance and house loans schemes of Salem Urban Co-operative Bank Limited, Salem-1.