
CHAPTER - I

INTRODUCTION

CHAPTER - I

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1.1. A PRELUDE :

Co-operative, literally means joint action; and in a general sense, the term is applied to any field of activity, where people work, not in isolation, but in combination for a common end. The essence of Co-operative is the spirit of team work, so remarkably exemplified in the ancient Joint Hindu Family System, where the members earned, spend and work together,. The faculty to act jointly is inherent in man and co-operation, therefore, as a law of life, is as old as civilization itself. However, in the more restricted economic sense, it may conveniently be defined as a system of organised work, in which people voluntarily associated on the basis of equality and act in harmony for mutual economic benefit.¹

Co-operative movement first started in England, has shown light to the whole world. Twenty Eight Weavers, on August, 15th 1844, started " The Rochdale Equitable Pioneer's Society " registered under the Friendly Societies Act. The pooling of individual activity for social, moral and economic ends, which is envisaged in co-operation, can assume, many forms and have many purposes, it's chief aim however, being the pursuit of certain common economic interest. Naturally, therefore, the co-operative activity assumed different forms in different countries. In England, we find predominantly a consumer's co-operative movement; in Italy the labour contract co-operatives; in the USA and Canada the marketing societies; in France the producer's co-operative societies;

in Germany they started with the rural credit associations under the leadership of Raifessein.

Germany is the birth place of co-operative Credit Movement in the world, both in rural and urban credit sphere, Raifessein, who was govt. employee, after his retirement engaged in rural credit co-operative society. In urban credit section, Schulze initiated in forming friendly society of shoemakers in 1849, with the object of making purchase of raw-material in bulk and supplying it to members. In 1850 he founded his first credit society in his native town.

In India, the inspiration for the co-operative movement came largely from Germany. The co-operative movement in India was introduced with the chief object of making a break-through in the stagnation of the poor classes, especially the vast majority of agriculturists, who were groaning under the heavy weight of indebtedness. Many of the farmers were literally, born in debt; lived in debt and died in debt, passing on their burdens to those who followed. It was on this background, co-operative movement began in India. The characteristic feature of Indian co-operative movement is that, it is a credit oriented movement.

It was on this background, the first Urban Co-operative Society was established in India, which is known as 'ANNYONA SAHAKARI MANDLI CO-OPERATIVE BANK' located in Badoda (Gujrat State), on 5th Feb., 1889. This society was

established by middle class marathi people. It is still functioning.

In 1892 Mr. Fredrick Nicholson, who was sent to Europe, to study the working of agricultural bank and suggest measures for the introduction of co-operative movement in India. In 1895 he advocated the formation of co-operative credit societies in India on Raifessein model. " Find Raifessein " was his slogan for solving the rural credit problems. And Schulze model was advocated for urban credit. In 1901 govt. of India appointed a committee to study the problems in the establishment of co-operative credit societies. According to the recommendation of the committee and as a result of Mr. Fredric Nicholson's and other's efforts, the first Co-operative Credit Societies Act was passed in 1904. This act provides establishment of credit societies both in rural and urban areas for providing credit facilities at cheaper rates to common men. Thus the Act recognised the need of Urban Co-operative Banks along with the rural credit co-operatives. Rural Societies were to be organised on the Raifessein model, while the urban societies were to be established on the pattern of Herman Schulze. Provision was also made in the Act for the appointment of Registrar in every provinance. The modern co-operative movement in India, thus may be said to have started with the passing of this Act. The object of this Act, as stated in the preamble was to encourage thrift, self-help and co-operation amongst the agriculturists,

artisans and persons of limited means.

Among these divergent economic systems co-operation acts as a balancing factor. It is said to be a double-edged ~~axe~~ which strike at the same time, at the dead abstraction of the socialistic state and at the sterility of individualism. A co-operative society enables the members to put in their best to attain a higher standard of living for themselves without, in any way, exploiting others. In a co-operative setup none of the factors of production is allowed to get an upper hand over the others. In a co-operative society, we find a complete amalgamation of interest of workers and their employers and of consumers and producers. This harmonisation of interest leads to mutually beneficial policies. Co-operatives are in a better position than public and private enterprises to listen to their customers and find out their needs.

1.2. CO-OPERATIVE CREDIT : GROWTH AND STRUCTURE :

A co-operative institution is a socio-economic organisation based on the principles of voluntary and democratic participation of the people. In this principles and Philosophy it also blends, cultural, moral and ethical norms, trying to create such an environment, where to have an allround upliftment, all types of co-operation and assimilation among the people is made possible.²

Co-operation besides, bestowing economic advantages, lays special stress on character building, encourages social

and moral reforms and fasters a spirit of brotherhood amongst the members co-operation, as such, therefore is clearly distinguishable from profit-making undertaking of the Joint stock type, whether in the private or public sector, where the element of selfishness dominates. The importance of co-operative movement is given in the statement by Pandit Jawaharlal Nehru as, " we value individual freedom, but at the same time a balance has to be found between preserving individual freedom and getting away from the clutches of an acquisitive society. The co-operative movement seems to offer a Philosophy, a method of approach, which aims at this kind of social pattern."

Co-operative movement in India was started with a rural bias and credit stance. Although co-operatives have been started in various areas and activities, the mainstay of co-operatives is still co-operative credit, even after the tremendous thrust of organising and developing co-operatives in large number. The co-operative credit societies easily outnumber the other types and classes of co-operatives, these being (Credit Co-operative Societies) more than 2/3 of the total number of co-operatives in India.³

The co-operative activity assumed different forms in different countries, as per the needs of their communities. The nature and the form of the societies depending upon the soil; where they born and grow, fulfilling the local needs of their communities and conditions. And as we have stated earlier the co-operative movement in India is

originated as a credit movement, caused by the rural indebtedness in the country. Today the movement has spread both vertically and horizontally. At the end of 30th June, 1987, about 1466 lakhs members were belonging to 3,41,622 societies of various types. Maharashtra share about more than 1/4 of the total performance of co-operative movement. (see Table 1.1)

The co-operative credit structure is pyramidal and federal in character (see chart 1.1.). A study group of National Credit Council presided over by Mr.D.R.Gadgil had stated; " The co-operative credit banking system is an integrated one and because of it's three tier structure, has been enabled to extend credit to agriculturists, artisans and small men in general. The three tier system also allows a rationalised flow of resources from metropolitan centres to the villages and combines this with fairly low costs of operations."

✓ 1.3. CO-OPERATIVE CREDIT MOVEMENT IN MAHARASHTRA :

The co-operative credit movement in Maharashtra was urged due to the drought conditions prevailing during the end of the 19th century. The drought compelled the farmers to borrow from haves. So, the indebtedness provoked the farmers of village Supa (near Poona) and the deccan riot began. The land bank, people's banks were then urged by few leaders and economists of the country. At last with efforts of Ranade, Lallubhai Samaldas, Nicholson, Wedderburn, the bill of 1901 was passed on 1904 as a Co-operative Societies

Comparative position of Co-operative Societies between Maharashtra & India.

(Ref :- End of June, 1987)

Sr.No.	Items	Maharashtra			India		
		A	B	C	A	B	C
1.	No.of Societies	26,139 (22.00)	57,321 (25.72)	83,460 (24.43)	1,18,801	2,22,821	3,41,622
2.	Membership (in lakhs)	142 (12.89)	69 (18.90)	211 (14.39)	1,101	365	1,466
3.	Paid up capital (Rs.in crore)	753 (27.43)	433 (25.77)	1,186 (26.79)	2,746	1,680	4,426
	a) of which from Govt.	22 (5.41)	232	254	406	NA	NA
4.	Working Capital (Rs.in crores)	9,319 (24.71)	3,501 (35.55)	12,820 (26.95)	37,705	9,847	47,552

Note : 1) A = All credit societies. 2) B = All Non Credit Societies.
 3) C = ~~XXXXXXXXXXXX~~ 4) The data in parenthesis indicate the
 Total Societies (A + B) % to the figures for India.
 Source : Co-operative Movement At a Glance in Maharashtra-1988.

✓ Act. And thus the co-operative movement began in India.

In Maharashtra on 8th May, 1905, the first Rural Co-operative Credit Society was established at Kanginhal (Dharwar Dist. of earlier Bombay presidency). Soon after this, on 18th Oct., 1905, the first Urban Co-operative Credit Society was established at Betgeri (Dharwar Dist. of earlier Bombay presidency), with the leadership of Reverend Cannon Rivington.

The Co-operative movement in Maharashtra has been playing an important role to bring in the socio-economic change on rural and urban areas. Particularly commercial banks and co-operative credit societies have got more importance in respect of giving maximum loans and advances to the businessmen, traders, to the weaker section and lower income group people, to change their socio-economic aspect. Co-operation in Maharashtra has been the pioneering sector of the co-operative movement in the country, it has remained in the forefront since its inception. It has always been a source of inspiration to similar movements elsewhere in the country. In structure and organization, it has been emulated as a model by Co-operatives in several states.

The growth of co-operative movement in Maharashtra is shown in table No.1.2 and table No.1.3. Table No.1.2 reveals the fact that, since the creation of Maharashtra state the number of agricultural credit societies is declining while the number of non-agricultural credit

societies is growing. The number of credit societies is heighest, in comparision with other types of societies. But the membership of all co-operative societies is growing. In 1961, only 4,191 thousands were the members of co-operative societies which raised to 21,000 thousands in 1986-87. The working capital of non-agricultural credit societies is atmost in comparision with all other co-operative societies. The total working capital of co-operatives in 1961 was only Rs.29,096 lakhs; while the same gone upto Rs.12,50,000 lakhs in 1986-87.

The credit disbursment by agricultural credit in total credit disbursment was only 15.76% (excluding apex and central) in 1961, which declined to 4.33% in 1986-87, while credit disbursment of non-agricultural credit was about 17.42% in 1961; the same has raised by 35.78% in 1986-87. So, the significant role of non-agricultural credit is seen.

The percentage of out standing of agricultural and non-agricultural societies in 1961 were 39.76% and 26.45% respectively. While the same have declined and raised to 12.23% and 40.78% respectively in 1986-87.

The annual compound growth rate of total turnover of all co-operative societies between 1961 to 1987 is 5.44%. The productive enterprises share 53.45% in total turnover during 1986-87, which is only 0.47% in non-agricultural credit societies (see table 1.3.).

Sr. No.	TYPE	1960-61	1965-66	1970-71	1975-76+	1980-81+	1983-84+	1985-86+	1986-87
		2.	3.	4.	5.	6.	7.	8.	9.

I No. of Co-operative Societies

1. Agril, & Non-Agril, Credit-apex & Central	39	29	29	29	30	31	33	34	35	35
2. Agricultural Credit*	21,400	20,861	20,426	20,130	20,130	18,577	18,521	18,531	18,458	18,454
3. Non-Agricultural Credit	1,630	2,255	2,964	3,863	3,863	5,474	6,359	6,690	7,112	7,650
4. Marketing	344	419	410	400	400	423	501	583	655	699
5. Productive enterprises	4,306	6,506	6,810	9,553	9,553	14,327	17,757	19,504	21,148	22,479
6. Others	3,846	7,337	11,964	15,683	15,683	21,915	27,949	30,018	31,883	34,143
TOTAL	31,565	37,407	42,603	49,659	49,659	60,747	71,130	75,360	79,291	83,460

II. No. of Members (000)

1. Agril & Non-Agril Credit-apex & Central	76	67	70	70	951	1,014	1,245	934	1,065	1,102
2. Agricultural Credit	2,170	3,360	3,794	4,447	4,447	5,416	5,935	6,157	6,327	6,518
3. Non-Agricultural Credit	1,087	1,779	2,488	3,143	3,143	3,759	5,110	5,464	6,169	6,530
4. Marketing	141	219	282	351	351	471	558	585	624	633
5. Productive enterprises	323	622	959	1,396	1,396	2,124	2,744	2,671	3,037	3,150
6. Others	394	739	1,038	1,341	1,341	1,999	2,666	8,082	2,919	3,067
TOTAL	4,191	6,786	8,581	11,629	11,629	14,783	18,258	23,893	20,141	21,000

III. Working Capital (Rs. in lakh)

1. Agril & Non-Agril Credit-apex & Central	11,907	29,331	61,317	1,10,409	1,10,409	1,83,052	2,99,382	3,47,470	3,99,218	4,59,355
2. Agricultural Credit	5,812	17,500	34,329	31,549	31,549	52,746	73,574	81,672	89,328	97,545
3. Non-Agricultural Credit	4,593	8,031	16,806	34,405	34,405	1,20,881	2,04,531	2,52,372	3,15,985	3,84,000
4. Marketing	592	2,683	3,910	13,551	13,551	18,822	20,350	27,057	26,149	27,600
5. Productive enterprises	4,132	8,764	21,920	60,203	60,203	1,02,945	1,71,556	1,62,652	1,74,142	1,85,000
6. Others	2,060	4,866	10,749	28,728	28,728	42,591	62,965	68,454	79,915	96,500
TOTAL	29,096	71,175	1,49,031	2,78,845	2,78,845	5,21,037	8,32,358	9,34,677	10,84,737	12,50,000

1.4. ROLE OF NON-AGRICULTURAL CO-OPERATIVE CREDIT :

As stated earlier the role of non-agricultural credit is immense. With a spread and growth of urban area, the urban credit societies and urban banks are also growing. Particularly since independence, the urban banks are developing very fast; which indicates the need of the urban people.

There were only 776 urban banks in 1949-50, the number increased to 1310 in 1983-84. If we compare the India's performance of only urban banks with that of Maharashtra, the picture shows the significant role of urban credit in Maharashtra. (see table No.1.4.)

URBAN CO-OPERATIVE BANKS AS ON 31-3-1987 (Table No.1.4.)

Index No.	Item 1.	India 2.	Mahara- shtra 3.	Percentage of Col.3 to2 4.
1.	No.of banks	1363	384	28
2.	Deposits	4472	2157	48
3.	Advances	3678	1694	46
4.	Branches	3064	1317	43
5.	No.of branches transacting foreign exchange.	2	2	100
6.	No.of banks, where a foreigner can deposit	28	18	65
7.	Recently issued licenses	894	293	32
8.	No.of banks to whom branches are allowed to open	361 (321)*	173 (200)*	
9.	No.of banks whose deposits are above 5 crs.	100	48	48

Source : P.D.Oza- Deputy Governer, RBI, a speech delivered on Urban Banks(20-11-87)

Note : * No.of branches.

PROGRESS OF NON-AGRICULTURAL CO-OPERATIVE CREDIT MOVEMENT IN MAHARASHTRA.

Index No.	Type	1060-61	1965-66	1970-71	1975-76	1980-81	1983-84	1984-85	1985-86	1986-87
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
01.	Number of Societies	1630	2255	2964	3863	5474	6359	6690	7112	7650
		(5.16)	(6.02)	(6.95)	(7.77)	(9.01)	(8.93)	(8.87)	(8.96)	(9.16)
02.	Number of Members(000)	1987	1779	2438	3143	3759	5110	5464	6169	6530
		(25.93)	(26.21)	(28.41)	(27.02)	(25.42)	(27.98)	(22.86)	(30.62)	(31.09)
03.	Working Capital (Rs. in lakh)	4593	8031	16806	34405	120881	204531	252372	315985	384000
		(15.78)	(11.28)	(11.27)	(12.33)	(23.20)	(24.57)	(27.00)	(29.13)	(30.72)
04.	Advances (Rs. in lakh)	4703	8550	20443	35557	112948	181242	222526	347448	396400
		(17.41)	(13.75)	(18.60)	(14.51)	(24.51)	(28.48)	(28.28)	(35.50)	(35.78)
05.	Out-standing loans (Rs. in lakh)	3185	5806	10506	19478	73089	121907	149690	185402	240050
		(26.44)	(12.97)	(11.89)	(16.63)	(31.62)	(33.66)	(35.42)	(36.12)	(40.77)
06.	Turnover Value of produced goods sold (Rs. in lakh)	247	258	306	455	977	1461	1664	1793	1850
		(2.30)	(0.91)	(0.57)	(0.30)	(0.41)	(0.51)	(0.59)	(0.48)	(0.47)

Note : 1) The figures for 1985-86 are revised and those for 1986-87 are provisional.

2) The figures in the brackets shows the percentage of Non-Agril.Co-operative Credit Societies to the total.

The deposits with urban banks in 1949-50 were only 18 crores, which increased to 2656.55 crores in 1983-84. The working capital also raised to 13 crores to 2102 crores during the same period.

The performance of non-agricultural co-operative credit in Maharashtra has been shown in table 1.5. The progress of non-agricultural societies in all respect is seen in comparison with the rest of co-operative societies.

The urban co-operative credit movement in India, started with the chief object of catering to the banking and credit requirements of the urban middle class e.g. small traders, businessmen, artisans, factory workers, and the salaried people with a limited income etc. Thus the people found out the modest means to get away from the clutches of the money lenders. The movement initially was also expected to inculcate the habit of thrift and saving amongst them.

Credit needs, to tide over difficulties are not confined to rural population alone, middle class families and men of limited means in urban areas are also in need of credit to meet their social and cultural expenses. Unlike the rural population these people can not show any tangible securities like land. Naturally, their borrowing power and the repaying capacity are limited to a small extent. Eventhough the commercial banks and other financial

agencies have confined their operations to the urban areas, these middle class and weaker sections were not benefited.⁴

Urban co-operative credit system may be divided into three categories :

1. Urban co-operative Banks (including scheduled banks and primary urban co-operative banks.)
2. Salary Earner's Co-operative Credit Societies.
- ✓3. Urban Co-operative Credit Societies.

The urban co-operative credit movement originated in Germany when Hermann Schulze started such society for the benefit of artisans in the cities. In Italy the credit of starting such societies goes to Luigi Luzzatti. Encouraged by the success of the urban co-operative institutions in foreign countries, social workers in India began to think in terms of co-operative as a means of bringing succour to the middle classes as early as the close of 19th century. However little attention was paid to the development of the urban co-operative credit movement until the Maclagan Committee drew attention to the potential. In early days there is no considerable growth seen in the field of urban co-operative credit. The Maclagan Committee on co-operation set up in the year 1915 recommended some important policies regarding the three-tier system of co-operative societies. And then after, the work of establishing co-operative societies is growing rapidly. Another reason for the growth of co-operative societies in that period was that, at that time many of the joint stock companies were liquidated,

which encourages the establishment of co-operative credit societies. In the review published by R.B.I., it is pointed out that, " Urban Co-operative Credit Societies and Banks are the most important features of the urban co-operative movement in India and make up to some extent for the absense of joint stock banking facilities in the small towns.⁵

1.4.1. URBAN CO-OPERATIVE BANKS :

Urban Co-operative Banks were started in India to extend credit facilities to the middle class and lower income groups, residing in urban areas. Urban co-operative banks are the banks of small means and are managed by their representatives on democratic principles according to the provisions under the central and state enactments applicable to them and their bye-laws for acheiving their member's economic betterment i.e. the trinity of co-operative objectives- better living, better business and better production. Another special feature of the urban banks is that they have dual control of two authorities i.e.R.B.I. and the Registrar, of co-operative societies, as per provisions of the Banking Regulation Act 1949 (as applicable to co-operative societies) and the Co-operative Societies Act of the state Govt. in which the urban co-operative bank is registered. This is due to the provisions in the constitution of India according to which the subject of banking is in the Central list and co-operative is in the State list. Because of co-operative character, compact

area of operation, democratic management, local feel and personalised service, urban co-operative banks have been found eminently suitable to serve people of small means. Urban Co-operative Banks have immense potentialities for development, the most important being in the direction of mobilization of savings and drawing of urban resources into apex and central co-operative banks, which are very much in need of funds.⁶

Urban banks, since their inception three major objectives i.e. 1) Promotion of thrift and mobilization of resources from the area of their operation 2) Provision of credit mainly to small borrowers 3) Provision of banking and other subsidiary services have been constituted to achieve, ^{there has} however been seen, change from their original role of catering to middle and lower income groups mainly for finance of trade and consumption expenditure, Urban co-operative banks are now called upon to provide credit for productive purposes with a need based approach (as against security-oriented approach adopted in the past) with special emphasis on credit to priority sector and weaker sections of the society, in consonance with national objectives and plan priorities.⁷ The R.B.I. directed Urban Co-operative banks vide its letter dated 9th Sep., 1983, to achieve the target of 60% of the total advances for priority sector lendings by 30th June, 1985 and that out of the total priority sector advances at least 25% (or 15% of the total loans and advances outstandings) should be to

the weaker sections of the society by 30th June, 1985.

In the year 1963, Report of the Working Group on Non-Agricultural Co-operatives was published, which is known as Varde Committee Report, stated that " A uniform definition of urban co-operative bank should be adopted so as to facilitate implementation of a national policy of the development of such institutions. An urban co-operative bank should be constructed to mean, a credit co-operative society registered in an urban or semi-urban area with a minimum share capital of Rs.50,000/- and carrying on normal banking business including acceptance of deposits from members and non-members for the purpose of lending or investment and repayable demand or maturity and withdrawable by cheques, drafts, pay orders etc." Each state should assess the scope for establishment of such banks in new townships, municipal area or taluka having a population of a lakh or over. Big cities may have more than one such bank according to the needs of the population. Naturally Its' area of operation should be confined to the municipal limit of the town or city but in exceptional cases it may extend It's operations to the surrounding rural or semi-urban areas with permission of The Registrar.

However, the statistical evidence shows that, there is unbalanced growth of urban co-operative banks in India. The leading states are Maharashtra, Gujrat, Karnataka and Tamilnadu, which covers 2/3 of the urban co-operative

TABLE NO. 1.6.

: 19-A :

URBAN CO-OPERATIVE BANKS :

Index No.	ITEM	1961	1971	1981	1985	1986*
01.	Banks	149	250	355	356	352
02.	Membership	433	802	1,429	2,366	2,500
03.	Share Capital	294	1,102	3,084	5,633	7,000
04.	Owned funds	511	1,710	7,007	15,871	21,000
05.	Borrowings Outstanding	NA	474	1,327	4,501	5,500
06.	Deposits	1,243	8,798	62,339	1,46,475	1,56,000
07.	Working Capital	NA	11,823	82,639	1,82,659	2,10,000
08.	Loans advanced(Gross)	NA	15,978	83,602	1,24,888	1,40,000
09.	Loans outstanding	1,671	6,664	44,254	96,837	1,20,000
10.	Loans overdue	133	384	3,690	9,425	10,500
11.	Banks in profit	NA	229	316	323	330
12.	Amount of profit	25	160	1,046	2,183	3,000
13.	Banks in loss	NA	15	7	24	15
14.	Amount of loss	NA	1	3	39	45

Note : 1) Rs. in lakhs 2) Members in thousands 3) NA = Not available
4) * provisional

Source : Co-operative Movement at a Glance in Maharashtra State-1986.

TABLE NO. 1.7.

PURPOSEWISE CLASSIFICATION OF LOANS ISSUED BY URBAN CO-OPERATIVE BANKS* DURING 84-85.

Type of loans	Small scale industries	Trade and Commerce	Construction & repair to properties	Agricultural purpose loans	Consumption	Others	Total
a) Short Term	10,44,7 (11.56)	37,660 (41.68)	2,602 (2.88)	1,140 (1.26)	8,456 (9.36)	30,029 (33.24)	90,334 (100)
b) Medium & Long Term	5,537 (11.75)	10,844 (23.01)	2,892 (6.13)	259 (0.54)	7,532 (15.98)	20,048 (42.55)	47,112 (100)
Total	15,984 (11.62)	48,504 (35.28)	5,494 (3.99)	1,399 (1.01)	15,988 (11.63)	50,077 (36.43)	1,37,446 (100)

Note : * Urban Banks and Employee's Credit Societies coming under purview of Banking Regulation Act, 1949.

- 2) Consumption loans include loans for the purposes like medical expenses, educational needs, marriage/religious ceremonies, general consumption purposes etc.
- 3) Others include purposes like repayment of prior debts etc.
- 4) Amount in lakh Rs.
- 5) Figures in the parenthesis indicates % to the total.

Source : Co-operative Movement At A Glance In Maharashtra State-1986.

banking in India.

The progress of Urban Co-operative Banks in Maharashtra is depicted in Table 1.6. The purposewise classification of loans issued by urban co-operative banks is noted in Table No.1.7. The short term credit issued by urban banks and employees credit societies was 41.68% to trade and commerce in 1984-85. While the long term credit issued by these banks and societies to the same purpose was 35.28% in total disbursement during the same period.

1.4.2. SALARY EARNER'S CO-OPERATIVE CREDIT SOCIETIES :

The Salary earners society is an organization of salary earners working in a particular area or a business house for mutual help and co-operation to meet their common economic requirements like depositing their surplus money, receiving loans etc. The man with limited means and fixed income in the urban areas would be driven to money lenders or similar agencies to obtain loans at exorbitant rate of interest. In this connection the observations of W.K.H. Campbell are significant. He says that, " A very little investigation of the conditions of the salary earning class is frequently enough to reveal that, when sudden emergencies arise, which makes an unexpected demand on their fixed salaries, they have to borrow, that they do so on most unfavourable terms and that, as a class, they are heavily, and in most cases, hopelessly involved.⁸ In such a circumstances the salary earners co-operative credit society can play vital role in the credit supply to the

fixed income people; the salary earners.

A Study Group on Credit Co-operative in non-agricultural sector was set up in May, 1963. It recommended about the salary earner's co-operative credit society, that, by the end of Fourth Plan, all offices having 50 employee or more should have such a society. Salary Earner's Co-operative Credit Society should introduce a compulsory deposit scheme under which agreed amounts may be deducted from the salaries of members. Such deposits may be withdrawn on death of the member or on their leaving service. Govt. should not nominate any directors on the managing committees of such societies. Salary Earner's co-operative credit society should confine their activity to thrift and credit only.

The important thing to point out here that the recovery of loans in these societies is assured with the extention of the R.B.I's statutory control over co-operative banks, many of these societies were classified as primary banks, as they were accepting deposits from the non-members. However these salary earner's co-operative credit societies are working efficiently, without having much problems.

The performance of salary earner's co-operative Credit Societies in Maharashtra has been stated in Table 1.8. One significant feature of these societies is that the ratio of overdues to the loans outstanding is only 1.16% in 1986 which is 8.75% and 8.11% in case of urban co-operative banks and other urban co-operative credit societies respectively during the same period.

TABLE NO.1.8.SALARY EARNER'S CREDIT SOCIETIES

Index No.	Item	1971	1981	1985	1986*
1.	Societies	2,220	4,187	4,888	5,054
2.	Membership	1,505	2,014	2,484	2,560
3.	Share capital	3,075	13,903	21,194	25,000
4.	Owned Funds	3,421	16,917	26,404	28,500
5.	Deposits	1,740	11,414	21,309	26,000
6.	Borrowings outstanding	231	2,527	7,268	8,300
7.	Working Capital	6,063	36,764	65,559	75,500
8.	Loans advanced	4,175	28,318	48,361	58,000
9.	Loans outstanding	3,652	27,805	50,033	60,000
10.	Loans overdues	61	365	651	700
11.	Societies in profit	1,791	3,446	4,265	4,400
12.	Amount of profit	231	1,087	1,848	2,000
13.	Societies in loss	204	473	404	450
14.	Amount of loss	3	21	21	25

Note : 1) Rs. in lakhs.

2) Members in thousands.

3) * Provisional

Source : Co-operative Movement At A Glance In
Maharashtra State - 1986.



✓1.4.3. URBAN CO-OPERATIVE CREDIT SOCIETIES :

As we have seen earlier, the first co-operative credit society was established in India is known as 'Annyona Sahakari Mandli Co-operative Bank' located in Badoda (Gujrat State), on 5th Feb. 1889, by middle class marathi people. Today we have seen that there is considerable progress in the field of urban co-operative credit societies. "Urban Co-operative Credit Societies occupy a prominent place among the agencies supplying the credit needs of the people, residing in urban areas. They advances loans mostly to the small traders, artisans and salary earner's on personal security as well as against gold, silver and produces.⁹ In the year 1915, the MacLagan Committee on co-operation had been setup which had emphasises more on the importance of urban co-operative credit societies. It has given some statements in the report regarding the importance of urban co-operative credit societies. One of them is, 'We think that Urban Co-operative Credit Societies might serve a useful purpose in training the upper and middle classes to understand ordinary banking principles".¹⁰

As we have seen that, the origination of co-operative movement in India is of credit oriented. However other types of co-operative institutions have also grown with credit societies. But the credit societies have grown faster since the inception of movement. MacLagan Committee stated that "Credit societies with their simple organization and methods of

management afforded the easiest field in which the principle of co-operation could be learnt and practised, and ~~which~~ were therefore pressed forward.¹¹ Co-operative credit society represents a democratic form of organization. Co-operative credit societies were formed for encouraging self help, thrift and for increasing the habit of saving among the members.

One of the most important object of organizing co-operative credit societies in our country is to provide cheap, timely, adequate and facile credit to the members of the society. Primarily Co-operatives were expected to depend upon deposits of non-members for meeting the credit requirement of the members. But after the enactment of the Co-operative Societies Act of 1912, the financing banks were came into existance and primaries got much relief.¹² The Urban Co-operative Credit Societies are started to serve small man from the clutches of money lenders who were charging high rate of interest. Savings of members are mobilized by such societies, which are utilised mainly for granting loans to their members for meeting their credit needs such as redemption of debts and consumption expenditure and also for educational, medical, housing, trade purposes etc. Co-operative credit societies were formed in rural as well as urban areas predominantly for the benefit of poor man. Co-operative credit society however can not accept deposits from the non-members. But when the size of the society become large, it aspires to become urban bank to serve a wider section of the people and consequently to enlarge its operations. Such type of Urban

Co-operative Credit Societies are categorised into the other Urban Co-operative Credit Societies in Maharashtra.

TABLE NO.1.9.

OTHER URBAN CREDIT SOCIETIES.

Index No.	Item	1961	1971	1981	1985	1986*
1.	Societies	1,481	494	952	1,446	1,706
2.	Membership	654	131	316	657	850
3.	Share capital	1,065	107	506	1,038	1,100
4.	Owned Funds	1,265	141	668	1,377	1,450
5.	Deposits	1,412	78	612	1,770	2,000
6.	Borrowings outstandings	NA	25	56	240	250
7.	Working Capital	NA	304	1,477	4,153	5,500
8.	Loans advanced	NA	291	1,027	2,927	3,550
9.	Loans outstanding	1,513	189	1,029	2,819	3,450
10.	Loans overdue	58	20	78	230	280
11.	Societies in Profit	NA	372	621	936	1,050
12.	Amount of Profit	72	12	42	149	160
13.	Societies in loss	NA	42	208	472	650
14.	Amount of loss	1	1	8	29	40

Note :- (1) Rs. in lakhs
 (2) Members in thousands
 (3) NA = Not available
 (4) * Provisional
 (5) Figures for the year 1986 are inclusive of salary earner's co-operative societies.

Source :- Co-operative Movement At A Glance In Maharashtra - 1986.

whose number is growing slowly since 1961, in Maharashtra. These societies are mainly operating in a very small operational area, and these are dependent on District Co-operative Bank's assistance. The growth of urban co-operative credit societies is stated in Table No.1.9. Though the number is growing, the loss making societies are growing with an amount of loss of rupees 1 lakh in 1961, continued in 1971, which increased to 8 lakhs in 1981, 29 lakhs in 1985 and 40 lakhs in 1986. The per society loss also goes on increasing since 1971, that is per society loss in 1971 was Rs.2,380.95, which increased to Rs.3,846.15 in 1981, Rs.6,144.06 in 1985 and Rs.6153.84 in 1986. However the profit making societies are also increasing continuously. The per society profit in 1971 was Rs.2,225.80, which jumped to Rs.6,763.28 in 1981. This again jumped to Rs.15,918.80 and in 1986 the per society profit was about Rs.15,238.09. This shows that, on an aggregate level the profits are overcoming the losses since 1961. However one must not neglect the growing overdues of urban societies. Now-a-days, particularly, since two-three years the number of urban co-operative societies are growing tremendously. The critics on this growing number remarked that, about 50% of societies are not functioning today.

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