

CHAPTER IV
HISTORY AND DEVELOPMENT
OF URBAN CO-OPERATIVE
CREDIT SOCIETIES

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HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES

4.1 INTRODUCTION

Progress and development of human being in all spheres, social, economical, religious and political is marked by the sense of thinking, working and living together. Therefore, it is said that, 'man is a social animal'. Co-operation is something more than a series of activities organized on co-operative lines. Basically, its purpose is to evolve a scheme of co-operative community organization which touches upon all aspects of life within the rural and urban economy. These organisations are playing major role in the economic progress of weaker section of the society. Today Co-operation has been applied in a wide range of activities such as production, distribution, supply, marketing, housing, banking and insurance. Besides there are several consumers co-operatives who protects the interest of the consumers.

The purpose of this chapter is to study the history and development of urban co-operative credit societies in India and in Maharashtra in general and the history and development of urban co-operative credit societies in Satara district and in Wai taluka in particular. For this purpose, the topic is divided into the following parts –

- 1 History and development of urban co-operative credit societies in the world.
- 2 History and development of urban co-operative credit societies in India.
- 3 History and development of urban co-operative credit societies in Maharashtra.
- 4 History and development of urban co-operative credit societies in Satara district.
- 5 History and development of urban co-operative credit societies in Wai taluka.

4.2 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN THE WORLD

The co-operative credit movement was started in Germany in the middle of in the middle of 19th century. At that time the economic condition of Germany was extremely deplorable. Herr Franz Schulze (1809-1885) took the initiative and started introducing various measures of relief. Schulze adopted the near measure for giving relief to the people who were living in the urban areas. He had seen the miserable condition of the people with his own legal eyes. In 1849, he organized a friendly society for relief in sickness. In 1850 he formed the first credit association. Two years latter, in 1852 he formed a society at Dielitzsch which was based on co-operative principles. He obtained secured capital through the sale of shares. He published a book in 1856 which contained the principles of co-operative banking as formulated by him. A large numbers of banks were started by him. In 1859, he organized a congress of these banks. He was also responsible for securing from Prussia the first co-operative law in 1867, which latter on was made applicable to the entire country in 1896. According to this law all co-operative societies were to be organized.

Schulze insisted that a man joined a society must take up at least one share at a high figure. These associations were known also as 'People's Bank' which undertook all activities of urban banking and commanded naturally more capital.

In brief, the urban co-operative credit movement was started in Germany and then it spread all over the world.

4.3 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN INDIA

The co-operative credit movement was started in India to ameliorate the conditions of the rural masses. However, it was soon realized that Co-operation offers a solution to the difficulties encountered not only by the agriculturists but also by the townsman in respect of credit as well as other aspects of his business and life.

The urban co-operative credit movement originated in Germany when Herr Schultz started such societies 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 institutions in these countries, the social workers in India began to think in terms of co-operation as a means of bringing succor to the middle classes as early as the close of the 19th century.

The first urban co-operative credit society saw the light of the day in 1889 when a mutual aid society was registered in the princely state of Baroda. The promoter, Mr. Vithal Lakshman Kavthekar, drew inspiration from successful urban co-operative credit institutions in European continent. Then on 5th February, 1889 he established 'The Anyonya Sahakari Mandali' in Baroda with his colleagues.

When the Indian Government recognized the importance of co-operative credit, a separate Co-operative Credit Society's Act was passed in 1904 to facilitate credit institutions. In Madras, the first such society was registered in October 1904 at Canjeevaram. The Betegiri co-operative credit society in Dharwar District was the first such society to be registered in Bombay in October 1905. Then in Mysore, the Bangalor city co-operative credit society was registered in December, 1905. However, little attention was paid to the development of urban credit movement until the Maclagan Committee drew attention to its potential.

The failure of the Swadesi Joint Stock Banks in the country at the time created an opportunity for co-operative banking to mobilize the savings of persons of modest means and helping those whom financial distress caused by high cost and unemployment had driven into the clutches of money lenders.

The inter-war period did not affect the urban credit movement as adversely as it affected the agricultural credit movement. This might be due to the fact that during the depression the fall in urban incomes was not as steep as the fall in rural incomes. Another contributing factor to the stability of the movement in the urban areas was the comparatively high standard of the managerial efficiency available in urban areas which urban co-operatives could afford on account of their larger resources.

Progress During the Second World War

The conditions arising out of the Second World War provided a great stimulus to the urban credit movement. It attracted larger membership and deposits on account of the rise in money incomes. During the war period urban credit societies had surplus resources, most of which they had to invest in Government Securities.

Some of these institutions were also used during war time to distribute foodstuff and other essential articles at controlled prices. The progress of urban co-operative credit societies was on the whole quite satisfactory as can be seen from table 4.1

Table 4.1
Urban Co-operative Credit Societies in India During the Second War
(Amounts in lakhs Rupees)

Year	No. of Societies	Members (in lakhs)	Owned Capital	Deposits	Working Capital	Loans & Advances
1938-39	6,731	13.14	828.52	1,525.73	2,366.37	1441.66
1945-46	7,185	16.39	1,169.22	2,662.80	3832.02	2051.32

(Source – Mukhi H. R. co-operation in India)

It can be observed that while the number and membership of societies had increased only to a small extent, the financial operations of these societies had made considerable progress. The Deposits of these societies have increased by 74.6 per cent during this period.

Progress After Independence

A good progress was made by these societies even after independence. Indian Government accepted the policy of socialist democracy from the beginning. It was decided that the economic development should be achieved through planning. Therefore, Five Years plans were designed for the overall progress of urban co-operative credit societies in the various plans.

Table 4.2
Progress of Urban Co-operative Credit Societies in India from the first plan
 (Amounts in lakhs Rupees)

Year	No. of Societies	Members (in lakhs)	Share Capital	Deposits	Working Capital	Loans & Advances
1950-51	7,810	21.78	12.12	35.05	56.78	47.39
1960-61	11,995	45.73	329.70	95.05	150.11	120.37
1965-66	13,449	64.84	57.98	176.88	274.70	246.70
1973-74	17,536	123.32	135.27	477.20	787.15	781.40
1976-77	20,242	128.08	181.79	718.73	1,182.53	910.33
1981-82	22,755	92.81	275.89	409.00	1,102.00	770.00

(Source – Mukhi H. R. co-operation in India)

4.4 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN MAHARASHTRA

Maharashtra state came into existence on 1st May, 1960. Maharashtra is one of the industrially, economically, socially and culturally developed state in Indian union. This is equally true in the field of co-operation. Maharashtra has witnessed rapid progress in various sectors, like agriculture and industry. Technological advancement has resulted in greater efficiency and improving life styles. After the reorganization of the states, 13 Districts which were formerly part of the old Mumbai State become a part of the new Maharashtra State and this part came to be known as Western Maharashtra. The other two parts are known as Marathwada and Vidarbha.

Maharashtra state is divided into six administrative divisions. There are 35 Districts, 353 Tahsils and around 378 towns. The Maharashtra State has geographical area of 3,07,713 sq. Km.

The population of Maharashtra as per the Population Censuses-2001 was 96,879,247 contributing 9.4 per cent of the total population (102.86 crore) of India. The projected population of the Maharashtra State as on 1st March 2007 is about

10.55 crore. In respect of population, Maharashtra is the second largest state in India after Uttar Pradesh. According to 2001 census, there are 922 female per 1000 males in Maharashtra.

Maharashtra is recognised as a land of co-operation as here are various types of so many co-operative societies existed in the State. The leader of Maharashtra, late Vasantdada Patil, Vasantao Naik and Yashwantrao Chavan made great efforts for the spreading of co-operative movement in our society and the co-operative movement becomes movement of people.

Before 1960, the region of Maharashtra used to call as 'Bombay Presidency'. Vidarbha and Marathwada were not included in Bombay Presidency but some part of Gujrat and Karnataka were included in it.

Co-operation in Bombay Presidency or now Maharashtra has been to the pioneering sector of the co-operative movement in India. The first urban co-operative credit society named "Anyonya Sahakari Mandali" was established in Baroda city (in Bombay Presidency) on 5th Feb 1889, under the guidance of Mr. Vithal Laxaman Kavatheker in the middle class Maharashtrian family. Twenty one Maharashtrian become the founder members with a subscription of Rs. 2/- per month. It was a mutual aid society of subscribing members.

After passing the Co-operative societies Act, 1904, the co-operative credit movement in Maharashtra has started with speed. The Betegiri Co-operative Credit Society in Dharwar District was the first such society to be registered in Bombay Presidency in October, 1905.

From the establishment of Maharashtra State on 1st May, 1960, the progress of urban co-operative credit societies in this state has been very much impressive due to the proper planning and directions of the scholars in co-operative field and also due to general unselfish workers in this movement.

The following table shows the increase in number of urban co-operative credit societies in Maharashtra.

Table 4.3
Growth of Urban Co-operative Credit Societies in Maharashtra

Particulars (Items)	1961	1971	1981	1991	2001	2006
No. of Societies	1,630	2,964	5,474	11,291	22,014	26,189
No. of Members (in Lakhs)	10.87	24.38	37.59	93.02	184.67	195.31
Working Capital (In lakh Rs.)	4,593	16,806	1,20,881	7,50,784	66,88,685	1,02,56,497
Advances (In lakh Rs.)	4,703	20,443	1,12,948	5,17,816	39,26,791	60,21,519
Outstanding loans (In lakh Rs.)	3,185	10,506	73,089	4,59,440	35,90,811	58,94,300

(Source – Economic Survey of Maharashtra, 2006-07. website of Maharashtra Govt)

From the table 4.3, it is seen that in 1961 there were 1,630 urban co-operative credit societies in Maharashtra. After 40 years in 2001 this number increased to 22,014 it means in these 40 years urban co-operative credit societies increased by 20,384 and after five years the number increased to 25,189. Thus, in last 45 years, the increase in urban co-operative credit societies is nearly 16.08 times.

Similarly, there is tremendous increase in number of member of these societies. From 10.87 lakhs in 1961, it raised to 195.31 lakhs in 2006. This increase is about 1696.78% in last 45 years.

It is remarkable that in the each decade shows twice growth in number of urban co-operative credit societies. On the other hand working capital and advances increased more rapidly than numbers of society and numbers of members.

4.5 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN SATARA DISTRICT

4.5.1 PROFILE OF SATARA DISTRICT.

The Satara District is situated partly in the Krishna river basin and partly in the Basin of Bhima River. The Tahasils of Khandala, Phatan and Man are situated in the Bhima river basin, while the rest of the tahasils are situated in the upper Krishna basin. The Satara District is surrounded by the Pune District on the North, by the Solapur District on East, by the Sangli and Kolhapur District on the south, and by

the District of Ratnagiri and Raigad on the West. The region of Satara district lies at the north of the equator between 17° 5' to 18° 11' north latitude and 73° 33' to 74° 54' east longitude. The Satara District has an area of 10,492 sq. km. out of which the area of 2,288 sq. km. is located in urban and 8,204 sq. km. in rural area. Thus it can be termed as mainly a rural area. Thus it can be termed as mainly a rural district. Mahabaleshwar and Panchgani are important hill stations in the district. The district is divided into three natural regions –

- a) The hilly area, where there is heavy rainfall and people live hard life in hilly tracks. This is known as the Western Zone, which comprises talukas of Patan, Javli, Mahabaleshwar and Wai.
- b) The area of Krishna river basin which has black alluvial soil and people live comfortable life. This is known as the Central Zone, which consists of the talukas Karad, Satara and Koregaon.
- c) The third is arid area, where there is very small rain fall, which is situated to the east of the district. It is called the Eastern Zone which consists of the talukas of Khandala, Phaltan, Man, and Khatav.

The total population of Satara district is 27,96,609 as per 2001 census. The percentage of literacy to the total population is 78.52 %. In Satara district, there are 11 talukas, 8 Nagar Palikas, 1487 Grampanchayats.

4.5.2 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN SATARA DISTRICT.

The region of western Maharashtra is called as the co-operative belt. The Satara district lies in western Maharashtra and it is one of the leading districts in co-operative movement.

The co-operative movement in Satara district was started in the first decade of the 20th century. The first Agricultural Credit Society was registered at the village Bodhe in Man talukain in year 1907. The next co-operative society registered in Satara district is 'The Songaon Vividha Karykari Sahakari Society Ltd., Songaon, taluka Satara'. It also was the agricultural co-operative credit society.

Then after three year, in Satara city the first urban co-operative credit society was established. It was 'The Satara Ekvichar Mandal Sahakari Patasanstha Maryadit, Satara'. This first urban co-operative credit society registered on 29-6-1910 and its Registration No. was 228.

In 1921, 'The Wai Taluka Co-operative Credit Society' was established in Wai city. This is said to be the second urban co-operative credit society in Satara district. This society made a tremendous progress and after 10 years, it was converted in 'Wai Urban Bank' in 1931.

The Gujrathi Urban Co-operative Credit Society' was established in Satara city in 1924. This is the third urban co-operative credit society in the district.

Than another societies were established in other places in Satara district. But the real growth of urban co-operative credit societies in Satara district is in last 20 years.

The table 4.5 shows the present position of urban co-operative credit societies in Satara district in the year 1982-83 to 1995-96.

Table 4.4
Urban Co-operative Credit Societies in Satara district
 (Amounts in Rupees)

Sr. No.	Particulars (Items)	Years	
		1982-83	1995-96
1	Total No. of Societies	140	721
2	Total No. of Members	52,020	3,41,781
3	Paid up capital (In thousand Rs.)	34,588	3,70,986
4	Reserve Fund	3,306	65,309
5	Other Funds	21,165	27,335
6	Deposits	16,207	8,50,499
7	External Loans	8,842	68,774
8	Loans to Recover	62,055	11,62,111
9	Arrears	2,107	1,04,927
10	Profit	5,127	49,124
11	Loss	106	-

(Source – The District Gazetteers Satara., 1999.)

From table 4.5 it is clear that there is an increase of 581 new societies in 13 years and the increase in members for the same period is 2,89,761.

Reserve fund is increased faster than other funds. Deposits in this period are increased by 8,34,292 which shows a substantial increase in deposits. While external loans raised slowly as compared to Deposits.

4.6 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN WAI TALUKA

4.6.1 GEOGRAPHICAL BACKGROUND OF WAI TALUKA.

Wai taluka is an ancient and well-known taluka in the Satara district. The region of Wai taluka lies at the north of the equator between 17° 45' to 18° 5' north latitude and 73° 35' to 74° 5' east longitude. Territorially, Wai taluka has district Pune to its north-west, taluka Khandala to its northwest, taluka Koregaon to its east, taluka Satara to its south-east, taluka Jawali to its south, taluka Mahabaleshwar to its south-west and district Raigad to its west.

Administratively Wai taluka is divided into 153 villages and Wai is taluka headquarter, market place and educational center. There are 99 Grampanchayats in Wai taluka. Wai taluka locates in north-western part of the Satara district. Geographical area of Wai taluka is 59,810.96 hectares of the total area of Satara district.

According to 2001 census, the total population of Wai Taluka is 1,89,376 and population of Wai city is 31,110. Over 60 percent of the population of this taluka is engaged in agricultural sector.

The Wai taluka can be climatically, classified into two zones –

- a. Western Zone – This is the wet and humid climatic area with steep slopes and narrow valleys covered by dense forest. The area receives 145' rainfall.
- b. Eastern Zone – This is a dry climatic zone receiving 25' and less rainfall.

From socio-economic point of view the Wai taluka is rural; the main industry being agriculture, geographically, it is in the basin of river Krishna and the terrain is hilly. Yet the taluka is fairly modernized in terms of amenities like roads, electricity, drinking water, education and primary health. The Dhom dam built on the river Krishna in 1976 has assured the water supply to the farms and therefore, the agricultural production is comparatively high. In addition, the M. I. D. C. has started its units in Wai taluka. Therefore, the industrial production in this taluka is gradually increasing and the employment opportunities to the youths in this taluka are also increased.

4.6.2 HISTORY AND DEVELOPMENT OF URBAN CO-OPERATIVE CREDIT SOCIETIES IN WAI TALUKA.

Maharashtra is called as 'Land of Co-operation' in India. Especially the western region of Maharashtra is famous for the large number of various co-operative societies working in there. Satara district is situated in this western region and Wai is one of the 11 tahsils in Satara district.

The first urban co-operative credit society in Wai taluka is 'Wai Taluka co-operative credit society' which was established in 1921 and it was converted into urban co-operative bank in 193. Then after 40 years, in 1961 another society was established. It was employees co-operative credit society. Today there are around 60 urban co-operative societies in Wai taluka, out of which 22 urban co-operative credit societies are working in Wai city.

In Wai city the first urban co-operative credit society is 'The Wai Taluka Traders co-operative Credit Society' was established in 1920. However, before that there was a co-operative society of Namdeo Shimpi Samaj Wai, but it was closed very soon.

After some years so many co-operative credit societies were established in the various villages in Wai taluka. They were established by late Anandrao Dudhe, late Pundalikrao Haibatro, late Ganpatrao Pisal, etc. late Anandrao Dudhe was the chairman of Wai Taluka Local Board and member of Satara District Local Board. From 1927 he established 'The Wai Taluka Farmers Association.' He performed the basic functions such as to organize the farmers and arrange the co-operative conferences. He also helped to organize farmer exhibitions, and to establish supervising unions etc.

In 1931, late Narayanrao Chavan and his colleagues founded 'The Wai Co-operative Credit Societies.' Afterwards Mr. Dadasaheb Jagtap (Ex M. L. A.) increased the scope of co-operative by starting 'Wai Taluka Kharedi Vikri Society'. Late Dnyanoba Gopal Jamadade started 'The Bhadreshwar Water supply co-operative Society and thus water supply was started for farming. Mr. Rambhau Merukar started 'The Village industries Co-operative Society'. Now-a-days various types of co-operative societies are working in Wai taluka.

The First Urban Co-operative Credit Society in Wai Taluka

Wai taluka is the backward region in the field of business and industry. Retail traders and money-lenders were only the old intermediary in the financial

transactions. There was not a single institution performing monetary transactions. Therefore, people had to demand upon the money lenders and Saraphs at the time of their need. The small traders also needed the fiscal help many times. Therefore, there was the need of an institution giving financial help.

In 1921, the co-operative movement was spreading in Maharashtra. At that time late Chunilal Gandhi, late Konso Keshav Damale, and late Dattatray Khanderao Wakade established 'The Wai Taluka Traders Co-operative Credit Society' on 3rd June 1921. At that time the society had the capital of only clerk was looking all the transactions.

At first this society was not performing the banking transactions but further in 1931 it started all the banking transactions as per requirement and in 1931 it became 'Wai Urban co-operative Bank Ltd'. At that time its financial position was as follows

Table 4.5
Financial position of Wai urban co-operative bank in year 1931

Sr. No.	Particulars (Items)	Amounts Rs.
1	Working Capital	46,995
2	Share Capital	11,350
3	Reserve Fund	4,659
4	Deposits	27,766
5.	Numbers of Members	74

Thereafter the bank has made a great progress. Now it has 15 branches including head office. Following table shows the financial position of bank as on 31st March 2008.

Table 4.6
Financial position of Wai Urban Co-operative Bank
As on 31st March 2008

Sr. No.	Particulars (Items)	Amounts Rs.
1	Shareholders (Members)	8986
2	Paid-up Capital	3,92,66,850.00
3	Reserve Funds	16,27,79,382,.08
4	Deposits	174,07,65,253.59
5	Loans & Advances	115,16,20,517.28
6	Overdue Ratio	8.25 %
7	Investments	68,71,84,054.91
8	Profit	93,83,521.90
9	Working Capital	197,35,85,000.00
10	Employees	108

Than for long years, nearly about 40 years there was not any type of urban co-operative credit society in Wai taluka till 1961.

Then Pay Commission of 1957 and the Worker Welfare Revolution Committee suggested establishing the Employees Co-operative credit societies as a part of workers welfare.

As a result of these recommendations, Employees Co-operative Credit Societies were established in many places. In Wai taluka the first Employees co-operative credit society was established in 1961 namely 'Wai Taluka Group Secretary Co-operative Credit Society, Wai.' In 1972, the third urban co-operative credit society was established and it was 'Satara Sahakari Sakhar Karkhana Kamgar Co-operative Credit Society'. From 1972 to 1983, 10 urban co-operative credit societies were established. On 31st March 2007 there are 62 urban co-operative credit societies are working in Wai taluka, while 24 urban co-operative credit societies are working in Wai city, while other 38 co-operative credit societies located in 99 villages in Wai taluka.