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1.1 INTRODUCTION

Generally Co-operation means living, thinking and working together. In its technical sense it denotes a special method of doing business. In its former sense Co-operation existed even before the existence of man. Formation of social groups is the outcome of reflexive co-operation, while the life of ants, bees, wasps, lions etc. provides the best example of instinctive Co-operation.

Co-operation is thus older than the Co-operative movement. Its meaning is varies from thinker to thinker and from one sphere of human activity to other.

In India Co-operative movement support by Government and resulted in all field of life viz, consumer stores, manufacturing Co-operative organization, farmer Co-operative societies, rural and urban Co-operative credit society.

The urban Co-operative credit movement started to meet the needs of the retail small traders, businessman, professional, artisans, self employed person, transport operations, small scale tiny industry and other priority sectors in the urban and semi-urban areas.

The need for urban credit society arises from the fact that joint stock banks are not interested in providing the credit to the urban middle class. This is because it is not advantage of joint stock in developing the business of small loans on account of the high cost of advancing and recovering them and the urban Co-operative credit society system took birth. Thus the urban Co-operative movement started in India. With the objective of catering to the credit requirements of the middle class e.g. The small traders of the businessman, artisan or factory workers, salaried people with a limited fixed income in urban or semi urban areas. Thus the urban Co-operative credit societies are leading societies in Co-operative

society. The urban Co-operative societies are becoming very popular now days by its nature of services rendering to the consumers of the society.

The urban Co-operative credit societies made the remarkable development in the Maharashtra and these societies are playing very important role in the mobilization of deposits. The people of various classes are attracting to credit societies to invest their money under various deposits schemes. These credit societies are spreading their laws of Co-operation towards the people who are in a need of financial requirement, for the urban and semi urban people. The urban credit societies are giving more importance to their demand of money, to loans and advances and security towards their investments.

The “Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta” is one of the leading urban Co-operative Pat Sanstha in Ashta city due to its impressive progress in the urban and semi urban areas.

This Pat Sanstha provides credit facilitating and mobilization of deposits from individual and institution. The people of various categories in the community are attracting to this Pat Sanstha is giving attracting interest rates on deposits to the depositors and therefore the people are attracting to the Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta. The Pat Sanstha is working from 1982 with good reputation in the society a variety of deposits scheme have been introduced by the Pat Sanstha to mobilize the deposits from the people and this bank is one of the progressive Pat Sanstha in Ashta City. The study of which is made by the researcher.

Finance is a scare resource particularly in a country like India which is characterized by poverty unemployment and double digit inflation. Co-operation is one of the economic organization based on certain higher values. It is a voluntary and democratic association of human beings, based on equity of control, opportunity and distribution

and mutuality for promotion of their common interest as producer or consumer.

Co-operatives are voluntary people oriented and self help organization the aim at meeting the human needs through collective action without any exploitation.

The Historical development of Co-Operative movement is studies with reference to the following points.

- 1) Co-operative movement in world.
- 2) Co-operative movement in India
- 3) Co-operative movement in Maharashtra
- 4) Co-operative movement in Sangli

CO-OPERATIVE MOVEMENT IN WORLD

The Co-operative movement was started in Germany in the middle of 19th century at the time the economic condition of Germany were extremely deplorable. Mr. Herrfranz Schulze (1809 to 1885) took the initiative and started introducing various measures of relief Mr. Schulze adopted measures for giving relief to the people who used to live in the urban areas. He had seen the miserable condition of the people with his own eyes. In 1844 he organized a friendly society for relief in sickness. In 1850 he formed the first credit association, two years later, in 1852 Schulze formed a society at delitzsch which was based on Co-Operative principle. He secured capital through the sale of shares he published a book in 1856 which contained the principles of Co-operative.

In 1848, he organized a congress of these banks he was also responsible for securing from Prussia the first co-operative law in 1848 which later on was made applicable to the entire country in 1889. On the basis of this act all co-operative societies were to be organized.

In Brief the co-operative credit movement started in Germany and then in spread over the world.

CO-OPERATIVE MOVEMENT IN INDIA

The co-operative movement in India is one of the large in world. The Sahakar has created a nation. Indian Sahakar Movement has contributed enormously to the nation's wealth, progress and also politics.

Co-operative movement in Indian is not a people's movement but is the result of deliberate policy of the government to uplift the poor and to develop the rural India. With view to save the peasants from the clutches of money lender our policy markers visualized the co-operatives societies. As a result, there has been tremendous growth and development of the co-operative movement in India. Today hundreds of co-operating have been working in the field of agricultural, housing, banking manufacturing etc. There have been varied types of co-operatives societies. The credit co-operative society is one of such varied type of co-operatives. In fact, whole movement started on the credit co-operative lines.

Urban bank, urban credit co-operatives and primary agricultural co-operative societies are the most important feature of co-operative movement in India. They are more than 1000 years old. They occupy prominent place in the agency supplying the credit to the people living in rural, urban and semi-urban areas.

The first co-operative bank started in Baroda on 5th Feb. 1889. The chief promoters Mr. Vitthal Kavethakar draws on inspiration from co-operative credit institution in the Europe continent. Later, Indian government recognized their importance. A separate co-operative

societies Act was passed in 1904 to facilitate credit intuitions. This act was the milestone in the co-operative movement in India.

It aimed at encouraging thrift, habits among the peasant and artisan by seating up co-operation. The co-operative societies were classified as 'Rural and Urban'. There were 0.02 lakh societies with about 1.60 lakh members and working capital of Rs. 6.08 million till 1909-1910 with enactment of this act. There was however no provisions for establishment of non-credit societies. In order to rectify this short coming government passed a two more comprehensive co-operative societies Act in 1912 and 1979, it provides for registration of all types of societies i.e. credit, non-credit and apex federations. Till the independence up to 1946-47 there were 1.41 lakh societies having members of 91.01 lakh and working capital was Rs. 1561.01 lakh.

After independence government of India recognized co-operation as indispensable instrument of planned economic action in democracy combining initiative mutual benefit and social purpose. For this reason various five year plan have envisaged a great deal of scope for the organization of co-operatives.

Royal commission on a agricultural (1928) while evaluating the progress of movement remarked. "If co-operation fails there will fail the best hope of rural India" banking enquiry committee 1931 suggested that, co-operative societies or urban co-operative banks with limited liability will create the necessary atmosphere for up-liftment of urban and rural people. After 1965, the RBI had adopted the policy of giving permission for the spread of urban co-operative in the whole country. In 1984 separate urban co-operative bank department was created in the RBI for regulating the growth and management of these banks.

CO-OPERATIVE MOVEMENT IN MAHARASHTRA

Maharashtra state comes into existence on 1st May, 1960. Maharashtra is one of the most industrially, economically, socially, culturally developed state in India Union. This is equally true in co-operation. Co-operation in Maharashtra has been to the pioneering sector of co-operative movement in India.

Around 50 percent of total Urban Co-operative Banks (UCB) and Urban Co-operative Credit Societies (UCCS) in India are concentrated in two states only i.e. Maharashtra and Gujarat while the share of Maharashtra is around 30 percent. The Gujarat is around 20 percent of total UCBS in India.

The first urban credit co-operative society named Anyonya Sahakari Mandal was established in Baroda city, in Bombay presidency on 5th February 1889 by Mr. V. L. Kavethakar. After passing of co-operative society Act 1904, the co-operative movement in Maharashtra took speeds. In 1919 co-operative becomes state-subject under montage chemsford reforms and provinces were authorized to make their own laws. According to this recommendation Maharashtra government has appointed committee to frame Maharashtra society Act under the chairmanship of G.M Lad & finally recommendation of Lad committee has been incorporated as Maharashtra societies Act 1960.

CO-OPERATIVE MOVEMENT IN SANGLI

The 1st bank 'The State Bank of India' was established in 1893. This led to commercial development of Sangli. Then after in 1927 'District Central Co-operative Bank' is established in 4th Nov. 1935 as a 1st co-operative bank by Mahadevrao Godbole.

Dattajirao Patil (Bapu) Gramin bigrar Nagri Sahakari Patsanstha Ltd., Peth was established in 28th April 1920. Then Grhuhlaxmi Magasvargiy Mahila Agricultural credit co-operative society Ltd.

Nagav established on 8th September 1920 & sumultaneousl Virshaiv Garamin Non-Agricultural credit society on 12th Nov. 1920. After independence number of co-operative credit society was established. The relaxation of registration on co-operative lead to rapid growth of credit co-operative society since 1988 and onwards.

1.2 MEANING AND DEFINITION

CO-OPERATIVE CREDIT SOCIETY

Co-operative credit societies are those which are formed by collecting capital on the basis of co-operative principle in specific area of operation for the economic upliftment of members.

It means co-operative society is an organization or association of economically weak persons. They form the association on the basis of quality. They come together for the promotion of their common economic interest. This co-operative society is self help as well as mutual help. It is a joint enterprise of financially weak and can't stand on their legs. Therefore they come together to overcome disability arising out of want of adequate financial resources and to better their economic conditions. Their intention is not to earn profit institutions by the employees working in specific institutions by the people in urban and rural areas by the woman and by the socio-economically back people coming together. These societies are other than agricultural credit societies.

NEED OF CREDIT CO-OPERATIVE SOCIETIES

The primary agricultural societies provide credit facility to farmers. Credits are also needed by other people like rural/urban, poor/middle class people and therefore are great need for non-agricultural credit societies. Following points show the need for credit co-operative societies.

1. Urban and semi-urban are still in clutches of money lenders.
2. Private, nationalized banks are not interested in providing the economical need of people in urban and semi-urban people and rate of urbanization is very rapid.
3. Nationalized banks do not sanction loan on personal security other people from weaker section have no security other personal security.
4. These societies are essential for the upliftment of weaker section of the society of the society.
5. It is necessary to form a habit of small saving among salary earners.

The co-operative societies are established urban and rural areas with limited capital and limited areas of operation. Though their working activities are limited they occupy an important place in the banking development of our economy so it is necessary and useful to study the working of non-agricultural co-operative credit society.

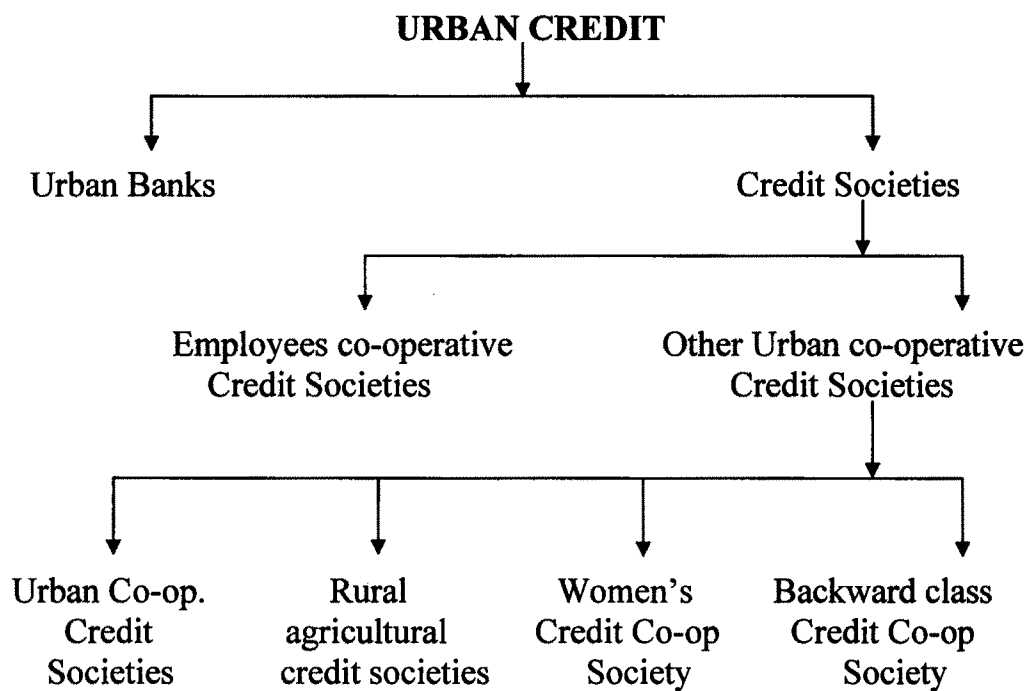
TYPE OF NON-AGRICULTURAL CREDIT CO-OPERATIVE SOCIETIES.

The agricultural finance department of RBI has classified non-agricultural societies as viz.

1. Urban Bank
2. Thrift and credit societies
3. Salary Earners Bank

Out of which second type of societies i.e. thrift and credit societies are considered by researcher for her study.

Chart No. 1.1



From figure no 1.1 it is clear that urban credit is divided into urban banks and credit co-operative societies. Credit co-operative societies again divided into employee's credit co-operative societies and other urban co-operative credit societies again sub divided into, urban co-

operative credit societies. Rural agricultural credit societies women's credit co-operative societies, backward class credit co-operative society.

According to classification given by credit department of RBI the non-agricultural credit have been classified as under.

1) URBAN BANKS

Urban co-operative bank has been defined as one which has been organized for usually repayable by cheques and which carry on normal banking business.

2) CREDIT SOCIETIES

Co-operative credit societies are also formed on the basis of co-operative principals in a specific area to cater deposits and to lend money to needy persons.

i) EMPLOYEES CO-OPERATIVE CREDIT SOCIETY –

The employees working in same undertakings from these societies to increase the habit of saving among the employees and to provide loans to them in their time of needs e. g. mission hospital employees.

ii) OTHER URBAN CO-OPERATIVE CREDIT SOCIETIES –

The people living in urban or rural areas come together and form these societies for their economic upliftment following are sub type of this urban co-operative credit society.

- a) Urban co-operative credit societies – These societies formed by members living in urban and semi urban areas.
- b) Rural Non-agricultural Co-operative Credit Societies – The member living in rural areas established these societies firstly there

is non distinction between rural and non-agricultural in the name of these societies.

- c) Women Co-operative Credit Society- The members of these societies are only women.
- d) Co-operative Credit Societies for backward class people – Socially and economically backward class people establish these societies for their upliftment of economical conditions.

At present following types of credit co-operatives are working in Ashta.

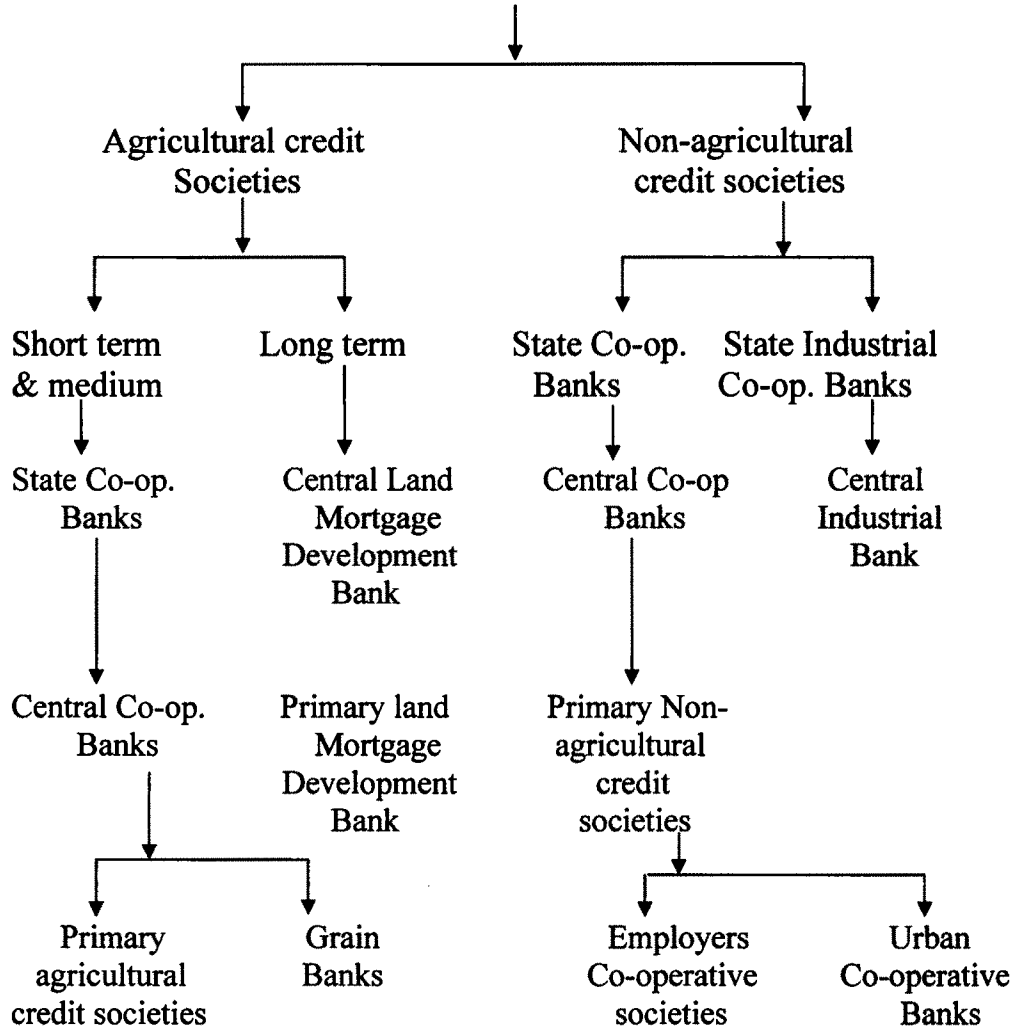
- 1) Rural Non-agricultural co-operative credit societies.
- 2) Urban co-operative credit societies.
- 3) Women co-operative credit societies.

STRUCTURE OF THE CO-OPERATIVE CREDIT

The co-operative credit structure is federal in character, at the base (i.e. the village level) there is primary co-operative credit societies upon which the whole edifice is based. These societies are linked with district central co-operative banks. District central co-operative banks are linked with state co-operative banks apex- co-operative banks and Apex-Bank is closely linked with RBI.

Chart No. 1.2

CO-OPERATIVE CREDIT STRUCTURE



From figure No. it is clear that, Co-operative structure is divided into agricultural credit and non-agricultural credit. Agricultural credit is subdivided into short term credit and long term credit structure of non agricultural credit is divided into state co-operative banks and state Industrial Banks and again both these types divided into central co-operatives and primary credit co-operative societies.

This three tire system also allows a rationalized flow of resources from the metro polition centers to the villages and combines this with fairly low cost of operations.

1.3 STATEMENT OF THE STUDY

It is true that several credit survey committee and banking committee have evaluated the performance of the Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta from time to time and suggested for remedial actions but not much research has been done in the financial management hence it is necessary to conduct studies in the area of management.

This pat sanstha was mainly started for providing the credit needs of the rural sector in general. This pat Sanstha is allocating loans to the members for Business, Housing, Medical and Educational purpose etc and thus played crucial role in life rural people in the Ashta city.

1.4 OBJECTIVES OF THE STUDY

- 1) To study the growth, development and progress of Pat Sanstha.
- 2) To study the financial position of this Pat Sanstha.
- 3) To evaluate the organizational and managerial structure of Pat Sanstha.
- 4) To highlight the functioning and procedure of credit sector wise allocating.
- 5) To examine the NPA and recovery and overdues position of the Pat Sanstha.
- 6) To assess the various financial problems faced by Pat Sanstha and provide tips improving their performance.
- 7) To suggest policy implications for better performance of the Pat Sanstha.

1.5 HYPOTHESIS

- 1) Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta is succeeded in mobilizing rural savings and propagating the spirit of co-operation in rural masses.
- 2) Low recovery rate, affected on the profitability of the Pat Sanstha however. Lokmanya Nagri Sahakari Pat Sanstha has been improving their recovers and controlling the meiance of mounting overdues.
- 3) Increasing Non Performing Asset (NPA) is major problem in financial management.

1.6 RESEARCH DESIGN

The researcher is purposely selected the Lokmanya Nagri Sahakari Pat Sanstha for study because she is welknown and familiar about the Pat Sanstha as well as Geographical area. This research is treated as a case study method and purely based on secondary data and personal discussions with officials involved with working of the Pat Sanstha.

1.7 SCOPE OF STUDY

I have selected “The Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta” for the present study. Study is for 10 years i.e. from 1997 to 2007.

The Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta has been working for last 26 years. This Pat Sanstha is having 10 branches including head office and Indian Gas Vibhag. They are working at Village, taluka and district levels. The head office of the Pat Sanstha is

situated in Ashta. The financial position of the Pat Sanstha is studied for the period for 10 years i.e. 1997 to 2007.

The Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta as the head office and its branches are taken for the purpose of study.

The various techniques of financial analysis viz ratio analysis and trends ratio are used for analysis and interpretation financial statement.

LIMITATION OF THE STUDY

- 1) This study is limited for 10 years from 1997 to 2007.
- 2) The study is limited to The Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta.
- 3) Within the time and money constraints the study has been kept limited.
- 4) Analysis of data has been made with the help of the past records.
- 5) To main limitation of the study is that it is completely dependent on publishes data.
- 6) The study is limited to financial management of the Pat Sanstha.

1.8 METHODOLOGY

For any collection of data is necessary to achieve well defined objectives. Unless collected data is not able to achieve the predetermined objectives.

The data collected can be categorizes

- 1) Primary Data
- 2) Secondary Data

PRIMARY DATA

The primary data are those which are collected fresh and first time and thus happen to be original in character.

In this study the primary data are collected by using the different methods like interviews and discussion with directors, members, chief executive officers, managers and clerks of the bank.

SECONDARY DATA

Secondary data means they are already available i.e. the data which have already been collected and analyzed by someone else secondary data may either be the published or unpublished data.

In this study I have used the following sources of secondary data.

Annual Report of the Pat Sanstha

Balance –Sheet of the Pat Sanstha

1.9 CHAPTER SCHEME

- 1) Introduction and Research Methodology
- 2) Profile of Ashta Lokmanya Nagri Sahakari Pat Sanstha Ltd. Ashta.
- 3) The financial position of Pat Sanstha
- 4) Analytical financial management of co-operative Pat Sanstha.
- 5) Conclusion and Suggestion