

CHAPTER – I

Introduction :

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1.1 Co-Operation in India

History and growth

Co-operation in India was conceived for the first time at the end of last century. The lot of rural masses trapped in the grip of sahkars and their loans. The joint family system was breaking down. As a result of increase in population and the absence of rapid industrialization, more and more people depended upon agriculture resulting in too much pressure on land. A group of officials of government of India after studying the working of the agriculture Bank of Egypt recommended the Co-operative experiments in India on the similar lines . in 1892, Fredrick Nicholson was appointed by the Madras Government to investigate into the possibility of introducing land and agriculture banks in that province. He in his monumental report recommended "Raiffeisen Model". Simultaneously, Mr. Dupernex of Indian civil service after an intense study of the problem experimented village banks in U.P. and published an interesting book entitled "People Bank For Northern India." On inspection of these two reports the government of India in 1900 appointed a committee under Sir, Edward Law to make proposals in this regard after consulting the government officials of Punjab, U.P. & Bengal, who had already started pioneering Societies on recommendation of this committee. The Co-operative credit Societies Act, 1904 was passed which gave real impetus to the Co-operative movement in India.

Summary of development in the pre-independence period

From the time of inception numerous developments have taken place in respect of Co-operative Societies the most important of those are —

- 1) **Enactment of Co-operative credit Societies Act, 1904** - Which authorized formation of Co-operative credit Societies by ten (10) or more members in a locality for their mutual benefit.
- 2) **Enactment of Co-operative Societies Act of 1912-** Which broadened the spectrum of Co-operative movement in India by permitting the formation of central bank with limited liability. It led to pyramided shape to the Co-operative credit structure in India.
- 3) **Appointment of Maclagan Committee 1914-** To review the working of Co-operative Societies in India. The committee made several important suggestions such as-
 - a) Necessity to inculcate the basic philosophy of Co-operation on the mind of members.
 - b) Careful selection of members of honesty and integrity.
 - c) Lending only to honest and deserving members for productive and essential purpose with close caution of other members on its and use.
 - d) Punctual repayment of loan to be stressed
 - e) Development of the thrift and real Co-operation among members
- 4) **Introduction of Reform Act of 1919** – When Co-operation became provincial subject and was placed under the charge of a minister. Which led to the indiscriminate and unplanned expansion of Societies in India giving rise to the problem of mounting overdoes.
- 5) **Establishment of the Reserve Bank^t of India** – When R.B.I. of was established. It submit a report to the government of India on the improvement of the machinery for dealing with agricultural finance and to maintain a special department for the study of all

questions relating to agriculture credit. The depression in the early thirties of that century and collapse of the movement in some provinces and appointment of special expert & enquiry committees to examine the position of the Co-operative movement

Co-Operative movement in post-independence period

The Socialistic pattern of Society was accepted by the parliament of free and democratic India soon after attending independence in 1947. In 1951 economic planning commenced in India obviously. Co-operation occupied place of pride in free India as instrument of Democratic planning. The major development in the Co-operative field since independence was the appointment of Rural credit survey committee by R.B.I. in 1951, which submitted its Report in 1954. the government has from time to time taken important steps to reorganize and to develop the Co-operative movement in terms of the recommendations of various committees like-

1. Rural Credit Survey Committee 1954
2. The Co-operative planning committee (1946)
3. The vaikunthlal Mehta committee (1960)
4. All India Rural credit Review committee Report (1969)

1.2 Co-operative Credit Structure

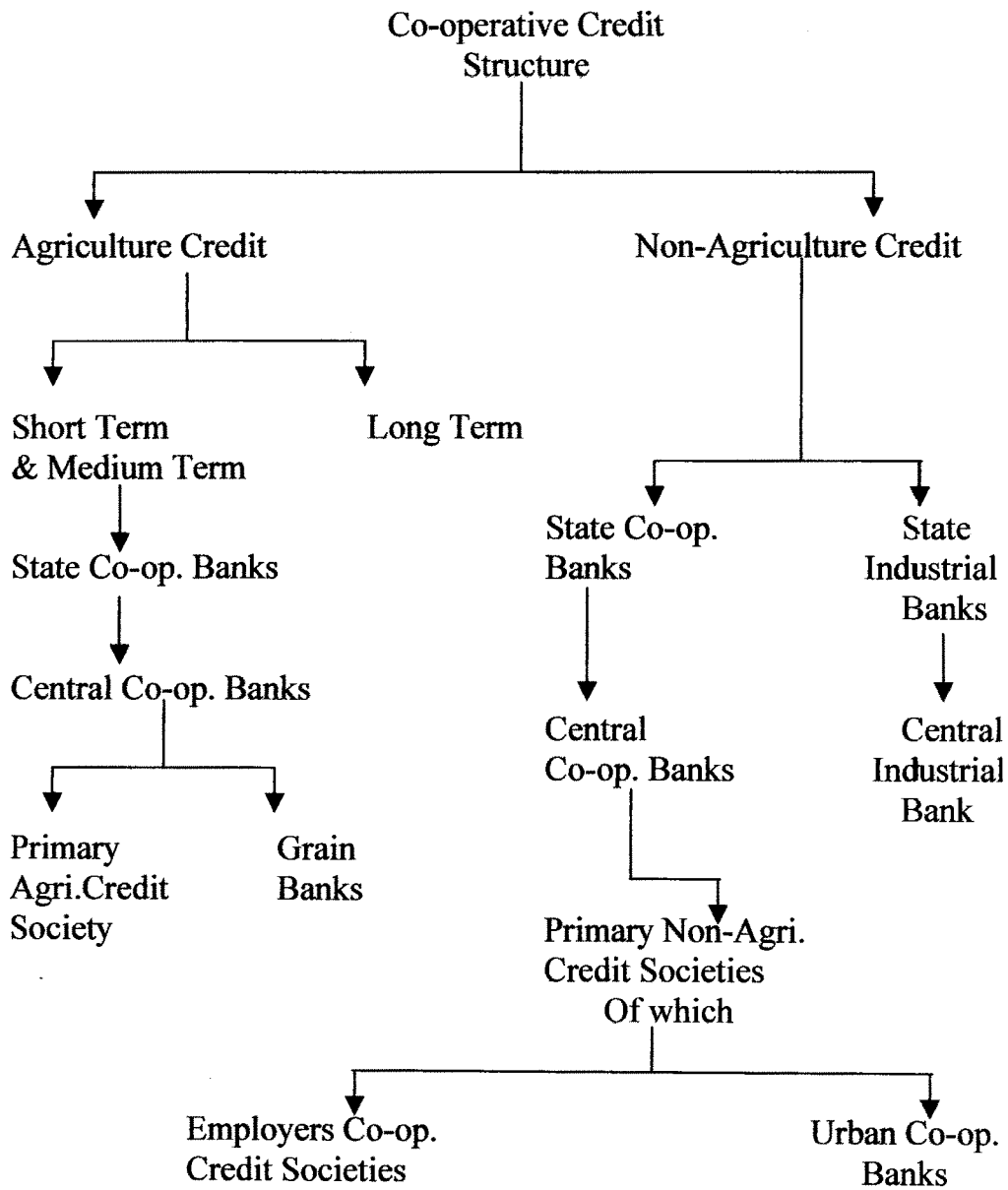
The Co-operative credit structure in India consists of two parts. One engaged in short and medium-term credit and the other in long-term credit.

The former in each state is a three-tier structure. The primary agriculture credit Societies at the village form the base. They federate into central banks, usually at the district level, which in turn federate into an apex bank serving an entire state. The apex or

state Co-operative bank in each state is closely linked with the Reserve Bank of India which provides considerable financial assistance to Co-operative credit structure.

The long-term credit structure is based for the moment on a two-tier structure. At the apex level in each state there is a central land Development Bank while at the bottom there are primary land Development Banks. The apex banks operate through the primary units. The primary unit serves an area of a taluka or district. In some states where the primary units have not come to be developed, the central land development banks operate either through its own branches or through central Co-operative banks. Thus, it will be seen that Co-operative credit structure is a type of pyramid, the broad base of which is represented by the primary societies at the village level. If the borrower in a village needs credits he applies to the central Bank and if the central Bank is in need of the funds, it applies to the apex bank. The Co-operative institutions link the farmers residing in the remote village with the money market of the country. Although these institutions working at different levels, are connected with each other because of the federal structure. In respect of finance and their legal position they enjoy a distinct entity. However, the strength of the chain depends upon the strength of each of the linking units.

The following table will be found useful for understanding the structure of the Co-operative credit organization in the country.



A study group of National credit council presided over by Dr. D.R. Gadgil, "The Co-operative banking system is an integrated one and because of its three tier structure, has been enabled to extend credit to agriculturists, artisans and small men in general. The three-tier system also allows a rationalized flow of resources from the metropolitan centers to the villages and combines this with fairly low costs of operations."

The Co-operative credit Societies are the kernel of the Co-operative movement in India. They are the very foundation stone of the Co-op. credit structure and constitute by far the largest number of Co-op. institution in India. The objects of these Societies show a good deal of variation and to provide credit facilities and to inculcate the habit of thrift & economy among their members. Most of these Societies were originally formed on "Raiffeisen Model."

1.3 Non-Agricultural Credit Co-operation

The Co-operative movement was started in India to ameliorate the condition of rural masses. Could not remain confined to those areas only. It was soon realized that like Germany, non-agricultural credit Societies can also be established in the town areas for the purpose of providing cheaper credit to small traders, employers, artisans and the middle class men. Thus the movement also spread to the urban and Semi-urban areas by and Co-operative Societies were formed by different group of people in these area. So the credit requirements of people residing in urban or Semi-urban areas are met by non-agriculture Societies, such as urban Co-op. banks, salary earners Societies and special types of Societies established for particular communities or persons. All such organization together comprise mainly the "Non-Agricultural credit Societies" group.

The non-agriculture credit Societies, comprising urban Co-operative banks. Employees credit Societies and other Societies. The non-agricultural credit institutions have been able to attract sizeable deposits and they do not depend upon borrowings from the apex banks or other central financing agencies to any appreciable extent.

The first urban credit Society saw the light of the day in 1889. When a mutual aid Society was registered at Baroda. Little attention was, however, paid to the development of the urban credit movement until the Maclagan committee drew attention to its potential. The failure of the Swadeshi Joint Stock Banks created an opportunity for Co-op. banking to develop as a medium for mobilizing the saving of persons of modest means and helping these whom financial distress caused by high living cost and unemployment had driven into the clutches of moneylenders.

Classification of Primary Non-Agriculture Credit Societies.

1) Urban Banks -

Urban Banks play a very important part in catering to the credit needs of individual residing in urban and Semi-urban areas. These people are unable to get loans from joint stock banks and so the urban banks are meeting their working capital requirements to a large extent. These banks accept all kinds of deposits. They are able to get the deposits both from the members as well as non-members. Which reflects the confidence of the investing public in these institutions. Most of the urban banks have introduced modern methods of banking practices. Some urban banks help their member as well as non-members to purchase National plan Loan Banks by purchasing the bonds on their behalf and treating the amount invested as loan granted to them to be

recovered in small monthly installments. The working of the urban Co-op. banks shows that some of them have established a good reputation and standing in their areas and they compete successfully both in the provision of efficient banking services and tapping deposits, with the commercial banks,

2) Employees Credit Societies -

These Societies are essentially organization of salaried employees or wage earners of an institution or persons employed under a common employer or an institution. "The need for Co-op. credit Societies among salaried classes and particularly in the lower income groups cannot be over-emphasized. The pay commission, 1957-59 and the staff welfare Review committee set up by the Ministry of Home Affairs recognized the need as a real one. If the welfare of the employees is to be really of effective, they must be saved from the clutches of unscrupulous creditors by providing alternative honest source of credit."

Trends of progress of Non-Agricultural credit Societies Since the beginning of the first plan.

(Rupees in Crores)

Year	No.of Societies	Membership in Lakhs	Share Capital	Deposits	Working Capital	Loan Advanced
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	718.13	1182.55	910.33
1981-82	22,755	92.81	275.89	409.00	1102.00	770.00

Source – B.S. Mathur P. 223

1.4 Profile of Organization under study

Present study is a case study and case study is usually like as autopsy. A case describes the actual working of a company or business situation at the time it was conducted. A case provides a description of the decision taken in a particular situation. A thorough analysis of the causes of what and where things went wrong, why and what could have been better alternative, would enable one to avoid such decision in one's real business life. The case writer will generally provide feed back to the management upon area requiring improvement or modification.

Shri Darimahakaleshwar Gramin Bigarsheti Sahakari Patsanstha, Shirgaon, Tasgaon. The present study will cover the jurisdiction of this patsanstha. The patsanstha was established in 25th October 1995. The period of Five year 1999-2004 will be covered under the study Shirgaon village is situated in Tasgaon Taluka of Sangli district in Maharashtra State. The Management of the Society vested in the hands of a committee of one (1) directors consisting of 10 members elected by the members of Society. The elected members hold office for a period 3 year. The Chairman of the committee perform such duties assigned to him by the committee. The Secretary is the Chief executive officer of the Society and he exercises the power delegated to him by the committee.

The present study is based mainly on the Secondary data available from the records of the patsanstha. The annual reports are the major source of data. The main objectives of study of this patsanstha is as follow.

- 1) To review the working of Shri. Darimahankaleshwar Gramin Bigar-Sheti Sahakari patsanstha.
- 2) To analyze the overall working and financial limitations of the above patsanstha.

- 3) To assess the role played by the above patsanstha in the economic development of their members and other people.
- 4) To understand the investment portfolio.
- 5) To identify the managerial and financial problem of this patsanstha.