

# **CHAPTER –I**

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# CHAPTER – I

## INTRODUCTION

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### INTRODUCTION:-

#### 1.1 Co-operation:-

“Without Character there is no Co-operation”

-Gandhiji

The concept of Co-operation is not of recent origin. It began with Adam and Eve. The word “Co-operation” was derived from the Latin word ‘Cooperare’ which means ‘working together for a common cause’ the Co-operation movement is the movement for the people, by the people and of the people. The Co-operation is the channel through which progress and prosperity of the people can be enhanced. The birth of Co-operative movement in India was in 1904. A Century had completed now. But the growth of Co-operative in India still unequal. The Co-operative movement in India is largest in the world. IN 2002 there were 5,45,354 lakhs Co-operatives functioning at all levels 2,36,226 Million of Membership with share capital of Rs.1,98,542.50 million, covering 100 per cent villages and 75 per cent rural house holds with the deposit of Rs.17,75,211.30 million. The Co-operative have now emerged as a vital segment of the economy in our country.

Co-operation has been envisaged as a golden mean between capitalism and socialism. Co-operation is backbone of economic activity and social progress, Co-operation plainly speaking is then the act of working or

operating together co-operation is the very basic of human civilization. The interdependence and mutual help among human beings have been the essentials of social life. History tells us that man cannot successfully live by himself and for himself alone. He is dependent on others. The motive of association is important to human society. Co-operation is the basic and essence of human life.

Co-operatives movement in England, the first Co-operative society started in England the year 1844 by the 28 weavers. These 28 weavers saved one pound each in full on year and in 1844 started 'The Rochdale Equitable Pioneer's Society' registered under the friendly society Act.

Germany is the first country to apply the principle of Co-operation in the field of credit. The Co-operative credit movement was started in Germany in the 19<sup>th</sup> century.

Co-operatives in India started with the enactment of the 1904 Co-operative Act. In India thanks to British legacy, the Co-operative form of organization was born in 1904 consequent upon the enactment of the Co-operative Credit Societies Act. Subsequently, a more comprehensive act, the Co-operative Societies Act, was enacted in 1912. This Act provided, inter alia, for the creation of the post of Registrar of Co-operative Societies, Registrar of Co-operative societies for various purposes, and audit. Under the montaquehelmsfort Reforms effected in 1919, Co-operation became a Provincial Subject and the provinces were authorized to make their own Co-operative laws. Under the Government of India Act, 1935

“Co-operative Societies” were treated as a state subject in order to facilitate the establishment of Co-operatives having membership from more than one province, the Government of India enacted the Multi unit Co-operative Societies Act. 1942, Later a more comprehensive Central Legislation, the Multi-State Co-operative Societies Act 1984, was enacted by Parliament with a view to consolidate different laws governing the same types of Co-operatives societies.

After India attained Independence in August 1947, Co-operatives assumed greater significance as an instrument of socio-economic development and became an integral part of India's Five Years Plans. The all India Rural Credit Survey Committee Report, 1954 recommended an integrated approach to Co-operative credit & emphasized the need for viable credit Co-operative societies by enlarging their area of operation, encouraging rural saving and diversifying their business. The committee also recommended that the Government should contribute to share capital of the Co-operatives. In 1958 the National Development Council (NDC) adopted a Resolution on National Policy on Co-operatives subsequently, in January 1959, the Working Group on Co-operative Policy set up by the ministry of food and agriculture, Government of India, recommended a blueprint for implementing the NDC's Resolution. The Government of India has single provided massive financial, technical and administrative support to Co-operatives both directly and indirectly through State Governments.

The dairy Co-operatives of Gujarat and sugar Co-operatives of Maharashtra are good examples of Co-operatives that can promote and sustain rural development.

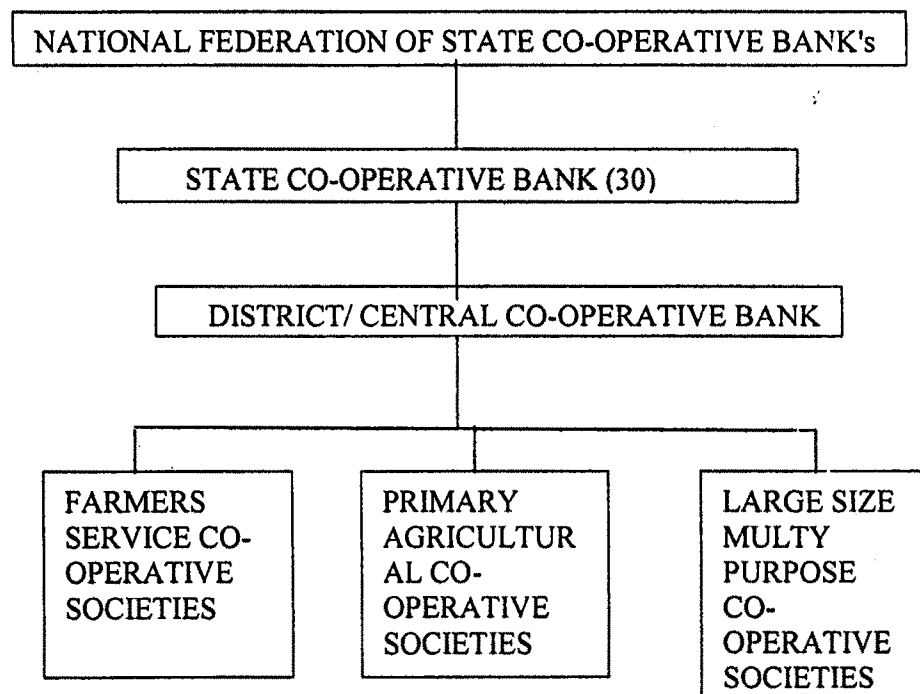
The Credit Structure of Co-operative Banks, namely productive credit, Investment credit and Urban credit given below.

**Chart No.1.1**

**Credit Structure of Co-operative Banks**

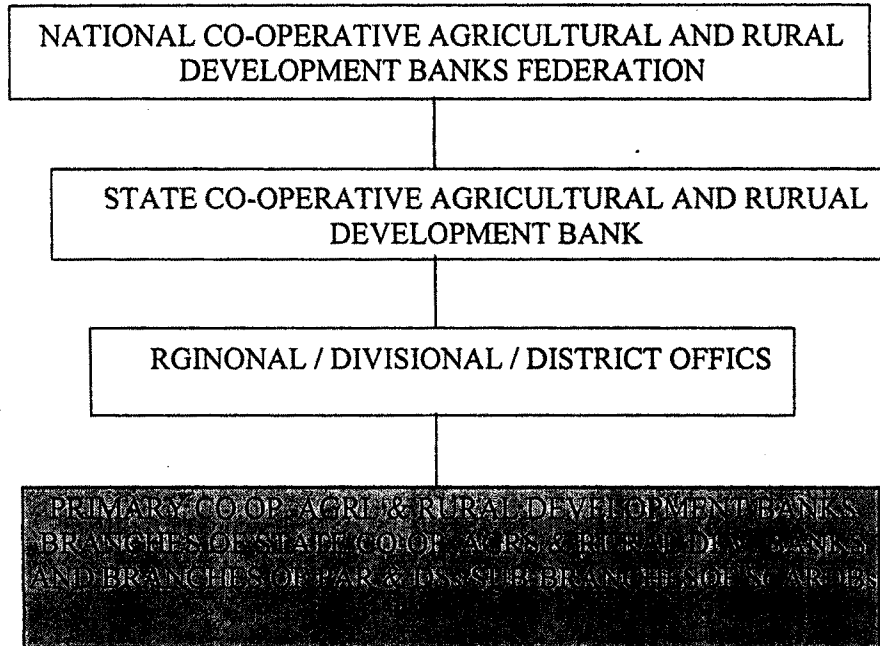
**Agricultural Credit Co-operatives**

(Production Credit)



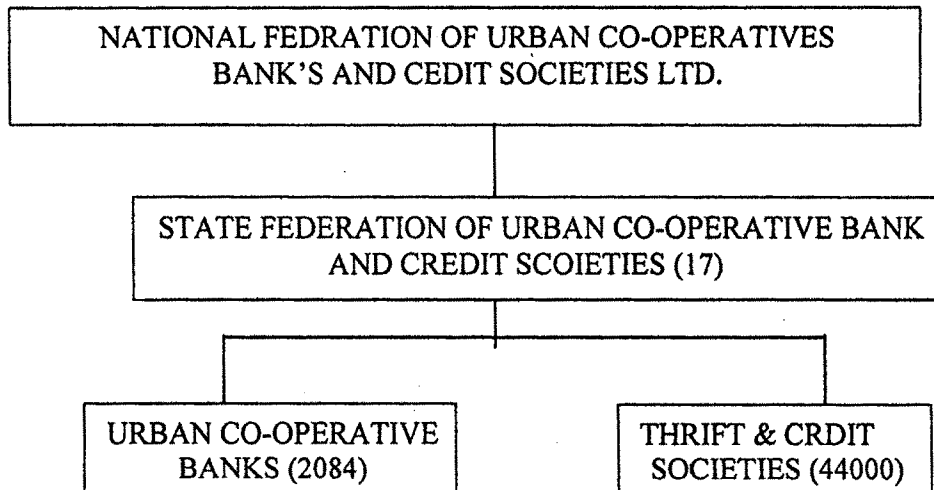
## Agricultural Credit Co-operatives

(Investment Credit)



## Agricultural Credit Co-operatives

(Urban Credit Co-operatives)



## **1.2. URBAN CO-OPERATIVE BANK'S:-**

The Urban Co-operative banks cater primarily to the needs of lower and middle income class people, residing in urban, semi urban and metropolitan centers to rescue them from the clutches of money lenders and also they have inculcate a habit of thrift and savings in them. Inspired by the success of Urban Co-operative Credit Movement in Germany and Italy, some middle class Maharashtrian families settled in the erstwhile Baroda ( now in Gujrat State ) started a mutual and society named "Annyonya Sahakari Mandali" on 5<sup>th</sup> February, 1889, under the guidance of Late Shri. V.L. Kavathekar. The enactment of Co-operative Credit Societies Act 1904 and the extension of B.R. Act in 1966 gave the real impetus to the movement. The first urban Co-operative credit society was set up at Canjeevaram town in Madras province in October, 1904. Subsequently, "The Betegiri Co-operative Credit Society" in Dharwar District in the undivided Bombay Province and "The Bangalore City Co-operative Credit Society" in the erstwhile Mysore state was registered in October 1905 and December 1905 respectively. After passing the Co-operative society Act, 1912 the Co-operatives were organized at a fast rate. However, the Urban Co-operative movement did not receive the impetus till Maclagan Committee (1915) recognized it's importance as seen from the fact that Urban Co-operative societies (602) constituted a meagre (4.4%) of agricultural credit societies (13745). The seed of Urban Co-operative movement was shown by the Mclagan Committee.

Urban Co-operative banks are a source of hope to urban middle class people with small means sheltered Urban Co-operative bank's, conceived as small man's banks, mobilize deposits from the low and middle income groups and use these resources for the economic benefit of the smaller people in their areas of operation. The special characteristics of these banks are compactness of their areas, local feel and familiarity, Co-operative character, domestic management and mutual knowledge of membership enabling close supervision and prompt recovery of credit.

Urban Co-operative banks are more akin to commercial banks in their operations. The term 'Urban Co-operative Bank' has not been uniformly defined. In most States, no clear definition of an Urban co-operative bank has been made. In the Maharashtra, however, only those Urban Credit Societies are allowed to use the word Banks, in their names which do banking business as defined in Section 277F of the Indian Companies Act, 1913 or Section 5(b) of the Banking Regulation Act, 1949 and have a paid-up Share Capital of not less than Rs.20,000.

#### **DEFINITION OF URBAN CO-OPERATIVE BANK:-**

The Urban Co-operative Banks occupy a significant place in the Urban Co-operative credit movement. They advance loans mainly to small traders, under poverty line below, artisans and salary earners on personal security as well as against gold and silver ornaments etc.



Urban Co-operative bank defined as:-

- A) According to the Co-operative Planning Committee (1946), Urban bank receiving deposits on current account should have -
- a) A paid-up Share capital of at least Rs. 20000.
  - b) Maintain fluid resources on the scale prescribed by the Registrar of Co-operative Societies.
  - c) Carry to the reserve fund at least one third of their net profit till it equals the paid-up share capital and thereafter at least one fourth of the Net Profits. The reserve fund should be invested in gilt edged securities or deposited in bank approved by the Registrar and should not be used for the business of the Bank.
- B) Recording the need for adoption of a uniform definition of Urban bank in the context of the ability of the institution to employ qualified, trained and experienced staff, the study group on credit Co-operative in the non agricultural sector, appointed by the Government of India under the Chairmanship of Late Shri V. P. Varde in 1963, suggested creation norms. The group recommended that a Co-operative Societies Act urban and semi urban areas having a minimum paid-up Share Capital of Rs.50,000 and under taking the provision of banking facilities could be termed as on Urban Co-operative Bank.

Provision of the Reserve Bank of India Act, 1934 and Banking Regulation Act, 1949 to Co-operative Banks from 1<sup>st</sup> March 1966 an Urban Banks called a Primary Co-operative bank and defined as Co-operative society other than a Primary Agricultural Credit Society the primary object of transaction of banking business the paid up Share Capital and reserves of which are not less than Rs.1 lakhs.

### **1.3 FUNCTIONS OF THE URBAN CO-OPERATIVE BANKS:-**

The important function of the Urban Co-operative banks are as follows :

- a) To attract deposits from members as well as non members,
- b) To advance loans to members,
- c) To undertake collection of bills, accepted by members,
- d) To provide other facilities as provided by the commercial banks and
- e) To arrange for safe custody of valuable documents of members.

#### **1.4 OBJECTIVES OF THE STUDY :**

The present study is undertaken with the following objectives:

- 1) To Study the procedure of giving “LOANS AND ADVANCES OF THE KOLHAPUR URBAN CO-OPERATIVE BANK, LTD., KOLHAPUR”.
- 2) To Study the trends of Loans and Advances of the Kolhapur Urban Co-operative Bank, Kolhapur.
- 3) To analysis and examine the Loans and Advances sanctioned and distributed by the Bank for various purposes.
- 4) To analysis and Interpretation of sample survey.
- 5) To offer such meaningful Suggestion and Conclusions.

#### **1.5 SCOPE OF THE STUDY :**

The present study “A study of Loans and Advances of the Kolhapur Urban Co-operative Bank Ltd., Kolhapur” The study deals with work done by Kolhapur Urban Co-operative Bank Ltd., Kolhapur in it's area of operation and its 9 branches (including main office). However this study covers only a period of five yeas (2001-02 to 2005-06) the functioning of Kolhapur Urban Co-operative Bank Ltd., Kolhapur.

## **1.6 RESEARCH METHODOLOGY:-**

For the purpose of collection of information for present study the following methods are used:-

### **1) Primary Data:-**

For the purpose of primary data interview questionnaires will be prepared to collect information from the selected borrowers.

### **2) Secondary Data:-**

The secondary data has been collected from published work in the said subject, records of the Kolhapur Bank and discussion with Bank authorities.

### **3) Selection of the Unit:-**

The Kolhapur Urban Co-operative Bank Ltd., Kolhapur is selected for the research

### **4) Selection of period of time:-**

The period of five year (2001-2002 to 2005-2006) is selected for the research.

### **5) Selection of sample of Borrowers:-**

The Researcher select appropriate of borrowers for the purpose of Interview.

## **1.7 SOURCES OF DATA COLLECTION :**

The data required for the study are collected from the following various sources :-

- 1) Discussion with the Deputy Manager, Branch Manager, Board of Directors and Loan Sanction Committee.
- 2) Record at Head Office and Branches of the Bank.
- 3) Annual Reports of the Bank.
- 4) Various pamphlets on Loans and Advances of the bank
- 5) Questionnaire prepared for the Borrowers.
- 6) Library visited  
Barr. Balasaheb Khardekar Library, Shivaji University, Kolhapur: Various books, journals and respects on the banking.

## **1.8. LIMITATIONS OF THE STUDY:-**

Since the study undertaken as a part of the fulfillment of the requirements of the Degree Course of the Master of Philosophy in Commerce and Management, the researcher has limited the study to the one aspect of the working of Loans and Advances of the Kolhapur Urban Co-operative Bank Ltd., Kolhapur. The period of the study is also limited to five year i.e. 2001-2002 to 2005-2006 and the dissertation is required to submitted to the University within prescribed period of time.

The study is completed on the basis of information supplied by the executive staff of the bank and borrowers. But, some borrowers were unwilling to answer all questions and supply the detailed information.

### **1.9 PLAN OF THE STUDY :-**

The entire study is divided into five Chapters:

- 1) The first chapter deals with introduction of the study. It includes the objectives scope, limitations of the study and methodology adopted for the study.
- 2) The second chapter deals with profile of the Kolhapur Urban Co-operative Bank Ltd., Kolhapur.
- 3) The third chapter deals with analysis of Loans and Advances of the Bank. It includes purposes for Loan sanctioned types of loans and advances trend of loans and overdue, security-wise loans and advances and amount-wise loans and advances.
- 4) The fourth Chapter deals with analysis and interpretation of sample survey in respect of some purpose-wise loans.
- 5) The last chapter deals with findings and suggestions.