

CHAPTER I

INTRODUCTION

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1.1 IDEOLOGY OF COOPERATION

Cooperation means working together. It is a group of instinct in man which makes him to live together, work together and help each other in times of stress and strain. The history of modern civilization is, in fact, the history of cooperation without which the social and economic progress would not be possible. It is said that civilization cannot flourish unless competition is supplanted by cooperation. Economists said that cooperation, not competition, is the password for the future. It would not be wrong to say that cooperation is a happy mean between capitalism and socialism.

Almost every writer has tried to define cooperation in his own way. No single definition explains all the ingredients of cooperative ideology. It is so because cooperative movement has developed in different forms under different social, political and economic environment. A few select definitions follow.

R.Phillips : "The cooperative association is an association of firms or households for business purposes - an economic institution through which economic activity is conducted in the pursuit of economic objectives".¹

G.J.Holyoake : "Cooperation is a voluntary concert with equitable participation and control among all concerned in any enterprise".²

H.Calvert : "Cooperation is a form of organization, wherein persons voluntarily associate together as human beings, on a basis of equality for the promotion of economic interests of themselves".³

Cooperative Planning Committee, 1946 : "Cooperation is a form of organization in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests".⁴

From all the above definitions, it is clear that cooperative society is an association of people. It originates among the weak. It is prompted by a desire to do service to one's fellow beings. 'Each for all and all for each' is the motto of cooperative movement. Following are its salient features:

- 1 It is an association of persons.
2. It is a voluntary organization.
3. It is a democratic organization.
4. Service, not profit, is its main motive.
5. The basis is equality.
6. It is a socio-economic movement.
7. It is a universal movement.

1.2 URBAN COOPERATIVE BANKS

1.2.1 Need

As institutional agencies like commercial banks did not come forward to help the urban middle class and weaker sections, a strong need to organize urban cooperative banks (UCBs) was felt. There are, in urban areas, numerous persons of small means, like traders, merchants, artisans, factory workers, motor and lorry drivers who need finance. To relieve these persons from the grip of moneylenders, UCBs are essential.

Need for UCBs in India is stressed by various Committees from time to time:

- * Maclagan Committee (1915) : Urban credit societies might serve useful purpose in training the upper and middle classes to understand ordinary banking principles.
- * Central Banking Enquiry Committee (1931) : UCBs should be established for the benefit of small traders, small merchants and middle class population.
- * Cooperative Planning Committee (1946): In view of the usefulness of the urban banks to people of small means, they should be organized in all towns.
- * Rural Banking Enquiry Committee (1950): Urban cooperative banks are useful to cater to the credit needs of people residing at urban, semi-urban and taluka places.

- * Report of the Study Group on Credit Cooperatives in the Non-agricultural Sector (1963): Urban cooperative banks mobilize the savings of persons of modest means and help those whom financial distress caused by high living cost and unemployment had driven into the clutches of moneylenders.
- * Banking Commission (1972): Urban cooperative banks are useful to lend to small traders and to collect savings.
- * Madhavdas Committee (1978): In India, there is yet much scope for establishment of urban cooperative banks and hence, should be encouraged.

1.2.2 Importance

- (1) Urban banks help to bring together middle, working classes in urban and semi-urban areas. It develops the habits of saving and self-help.
- (2) Urban banks collect the resources from urban area and the same would be utilized for the development of the area.
- (3) It helps to solve the problem of unemployment as small-scale industries are labour-intensive and self-employments would be created with its support. It helps to contribute to industrial development.
- (4) Middle classes of the society get finance at reasonable rates.

1.2.3 Salient features of UCBs in India:

(1) Definition:

The Varde Committee (1963) described the urban cooperative bank as the financial institution, which

(a) is a credit cooperative registered under the State Cooperative Societies' Act in urban and semi-urban areas;

(b) has a minimum paid-up share-capital of Rs.50,000;

(c) provides banking facilities.

The Banking Regulation Act, 1949, as applied to cooperative credit societies on 1st March, 1956 laid down that all the urban banks having minimum paid-up share capital of Rs.1.0 lakhs will be classified as Primary Cooperative Banks.

(2) Membership

The membership of an UCB is composed of persons living in urban areas such as traders, merchants, salaried and professional classes, factory workers and labours, etc. Conditions of membership are laid down in the bye-laws of each bank. In the banks, there are two classes of members: 'A' Class and 'B' Class. 'A' Class members are the shareholders. 'B' Class members are 'nominal members'.

(3) Area of Operation: The area of operation of an urban cooperative bank is usually a town or city. In metropolitan cities, banks may be permitted to operate throughout

the limits of the metropolitan area. They can establish branches in urban areas.

- (4) Management: Like any other cooperative institution, management of an urban bank vests in a board of directors elected by all the members. The tenure of office varies from State to State.
- (5) Source of Finance: UCBs collect funds for their business from the following sources:
 - (i) paid-up capital and reserves,
 - (ii) deposits from members and non-members, and
 - (iii) borrowed funds.

1.2.4 Functions

- (1) To accept deposits from the public,
- (2) To borrow funds and utilize them for giving loans to needy persons,
- (3) To handle cheques and bills-of-exchange of its customers,
- (4) To encourage thrift, self-help and cooperation among the members,
- (5) To issue letters of credit and traveller's cheques,
- (6) To arrange for the safe custody of valuables,
- (7) It acts as an agent of its customers.

1.3 ROLE OF LEADERSHIP IN PROMOTING COOPERATIVE BANKING

Leadership is the engine of any organization. There can be no movement without leadership. Cooperation is the outcome

of an agitation against the exploitation of weaker sections by the rich classes. The movement got definite shape out of the leadership provided by various cooperators in various countries. The leadership provided by Rochdale pioneers gave birth to successful cooperatives on earth. Cooperation is the group instinct in man. It makes him to live together and help each other.

Every organization or institution needs dynamic leadership for its growth. The following points highlight the role of leader in cooperatives:

(A) Initiator: The leader creates awareness among his followers. When people become aware of their duties, the leader starts to sow the seeds of cooperation. He stimulates the people to find solution for the different problems through cooperatives.

(B) Encourager: The leader sets the tasks before members and motivates them to undertake the works. He explains the broad objectives of the organization. He encourages them to work hard for the attainment of those aims and objectives. All the members do not know their duties and responsibilities. The leader activates them in the affairs of the organization. He keeps close contact with the general body and induces the members to be loyal to the organization. He always encourages the outside people to become members of his organization.

(C) Suggestor: Decision-making is the foremost function of the board of directors. The cooperative leader plays a significant role in the policy-making. He directs the people to take the decision in the light of common needs and problems of its

members. He always sees whether the society has taken right decision or not.

(D) Implementer: Implementation of the policy is also equally important. He has to supervise whether the policies are properly implemented or not. He analyses the details of government policies towards the cooperatives and takes suitable decisions in that light. He trains and educates the members in cooperative principles. An ideal leader sees that there is no political influence over the working of his organization.

The leadership can be compared to a teacher. He participates as a member of classroom group and guides the students. He tries to bring change in their behaviour and assesses what they have learnt. The leader delegates various powers to different persons for achieving the goals. Efficiency of management depends upon the quality of his guidance.

Given these as the necessary requirements of leadership in cooperative banking, it is worthwhile to get empirical evidence as to how in actual practice the leadership functions. This would help in judging how far the reality concurs with the ideals expected of leaders. The present investigation is a step in this direction.

1.4 RESEARCH FRAMEWORK:

1.4.1 Objectives:

The Government recognized the utility of cooperative organizations for relieving rural people from the clutches

of private agencies. Therefore, agricultural credit cooperatives were started almost a century ago. It was soon realized that cooperation is the best solution for townsmen in respect of credit as well as other aspects of his business. The urban middle class also had been under the grip of private financing agencies. Urban cooperative banks were expected to provide relief to such population. Small traders, businessmen, artisans and self-employed people could borrow from such banks and pursue their productive activity. Urban banks not only lend money to urban population but also develop the habit of thrift among the urban middle and lower classes.

Unlike the agricultural credit societies, the government did not take lead for establishment of urban cooperative banks. They were expected to grow on their own. This approach of the government made urban bank to find out their own vanguards. In India, in 1988-89, there were 1,378 urban cooperative banks spread over different States. Maharashtra was in the forefront with 385 out of 1,378 urban banks, constituting nearly 30 per cent of the total banks in India. This can be attributed to the leadership, which came forth from different social stratas. Out of 30 districts, the contribution of Kolhapur district in the development of urban banks is significant. Pune Division had 136 primary urban cooperative banks in 1989-90, out of 378 in the whole of Maharashtra. Of these 136 banks, Kolhapur district had 38, which has presently gone upto 42. Naturally, it should

draw the attention of any researcher to assess the nature of leadership behind this phenomenon.

It is possible to delve deeper only by taking up a microlevel study. Hence, four leading UCBs from Kolhapur city have been chosen to study the following aspects of leadership:

- (1) historical evolution of leadership;
- (2) impact of leadership on the working results of the banks;
- (3) leadership as revealed by the composition of the board of directors from time to time;
- (4) leadership in the high offices of the chairmen and vice-chairmanship; and
- (5) stickiness of the leadership.

1.4.2 Hypothesis

Enlightened leadership of the UCBs has contributed to their rapid growth, but at the same time, the leadership shows traits of stickiness. This hypothesis is reviewed in the context of the available facts about the sampled UCBs in Kolhapur district.

1.4.3 Universe of the study

For the empirical study, the researcher has selected four leading urban cooperative banks of Kolhapur city. In

this context, the banks were ordered according to their deposits in 1990-91. Accordingly the following four banks were selected for detailed study:

- (1) Kolhapur Urban Cooperative Bank Limited,
- (2) Kolhapur Maratha Urban Cooperative Bank Limited,
- (3) Mahaveer Urban Cooperative Bank Limited,
- (4) Veershaiv Urban Cooperative Bank Limited.

In the course of analysis, however, they have been placed according to their year of establishment.

1.4.4 Period of study

It was decided initially that relevant data about leadership in case of all the four banks should be collected for the entire life period of these banks. The researcher could get the same for the sampled banks, excepting Kolhapur Bank. This was the oldest of the four banks, but its data was available from 1950-51 only. Hence, this year was the lower cut-off point for Kolhapur Bank. Terminal year for all the banks was 1990-91.

1.4.5 Sources of data

The investigation is largely based on the data gleaned from the annual reports of the sampled banks. Annual reports for 1990-91 of the rest of the bank in Kolhapur were also used to know the relative position of the 42 UCBs in the district and 15 from Kolhapur city. Reports of the relevant

committees and publications of the Reserve Bank of India also were used.

Attempt was made to generate primary data regarding leadership in the banks of the district. Information regarding pioneers and promoters was collected through a mailed questionnaire to all the 42 banks of the district. Only 33 banks responded. Additionally, personal discussions were held with some directors and office-bearers of the sampled banks.

1.4.6 Analysis of data

The lists of the personnel occupying positions on boards of directors and other high offices were collected, and frequency distribution by persons was noted with reference to the various parameters used. Method of merit-rating too has been employed at places to judge the overall position of each bank and for the sake of inter-bank comparison.

1.5 PLAN OF STUDY

The opening chapter provides a general backdrop, including the methodological aspect. Second chapter casts a glance at the overall scenario of urban cooperative banking at the national and Maharashtra State level as also in Kolhapur district.

Third chapter is devoted, at the outset, to general

discussion on the leadership in cooperatives and then refers to the prominent leaders in UCBs at the national, state, district level.

Chapters 4, 5 and 6 are concerned with the detailed analysis of the leadership in the 4 sampled banks in Kolhapur city. Fourth chapter examines the quality of leadership as manifest through working results with reference to membership, share-capital, working-capital, deposits, loans and net profits.

Chapter 5 takes a look into the composition of the Boards of Directors with reference to various parameters like educational status, occupation, caste, age, etc.

Chapter 6 is entitled 'Stickiness of the Leadership'. In this connection, quantitative data for the directors, vice-chairmen and chairmen have been presented. Stickiness is found to be a peculiarity with all the four banks.

Chapter 7 is concluding one, summarizing broad results.

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