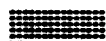


■■■■ CHAPTER NO - 2 ■■■■

URBAN CREDIT CO-OPERATIVE SOCIETIES - A PROFILE

- 2.1 Introduction.
- 2.2 Indian Scenario.
- 2.3 Urban Credit Co-operatives : Origin & Growth.
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CHAPTER NO - 2

URBAN CREDIT CO-OPERATIVE SOCIETIES - A PROFILE

2.1 INTRODUCTION :- GENESIS OF CO-OP. MOVEMENT

Co-operation is a joint or collaborative working together of individuals directed towards a definite goal of achievement and in which there is a common interest of effort and reward. It is generally voluntary and there is always coming together of diverse people working towards a specific goal in the attainment of which all the participants have an equal stake. The principle of co-operation is as old as human society. It is truly the basis of domestic and social life. Co-operation involves reciprocity of behaviour as well as collaboration in working, which may even become an end in itself ! There is no limit to the potential range of co-operation, it is to be found in groups as small as a village community and as large as a league of sovereign nations, in that sense co-operation is a global movement. In fact co-operation has been among the most honoured of values throughout the human history. It is one of the potent instruments to resolve the socio-economic problems of mankind not by resorting to revolution but through a process of mutual and co-operative efforts.

In modern times, co-operation, as a process and means

for the achievement of economic progress, has given a new meaning and direction to the co-operative movement. In the modern technical sense, the genesis of co-operative movement and its applications in the economic field can be traced after the industrial revolutions, that took place in England in 18th century. Co-operation as a philosophy developed as a result against capitalism and irrationality inequality. The co-operative movement Which saw the light of the day in Europe has spread throughout the world today co-operatives are the most important type of voluntary organisations throughout the world.

A country in which the vast majority of population lives below the poverty line, concerted efforts to relieve the teeming millions from such conditions become inevitable. The people trapped in illiteracy and poverty and suffering from extremes of material and social deprivation, makes them weak isolated, valulnerable and powerless. The co-operatives play an important role in influencing the people towards social and economic changes and offer unlimited possibilities of participation in economic resurgence. Co-operative net-work which is essentially a people-oriented and people based movement, would necessarily have to play a crucial role. The establishment and the growth of the co-operatives is, therefore, regarded as one of the important instruments for economic, social and cultural development as well as human

advancement in developing countries including India. As such by now it has spread into several countries round the Globe which is apparent from the following table. 2.1

TABLE NO - 2.1

CO-OPERATIVE MOVEMENT IN VARIOUS COUNTRIES

Sr No. :	Types of Co-Ops.	: Countries

1	: Consumers Co-operatives	: England, Russia & Sweden
2	: Credit Co-operatives	: Germany, Italy, Sweden
	:	: & India.
3	: Marketing Co-operatives	: Canada, U.S.A. &
	:	: Australia.
4	: Land-mortgage credit	: Germany, England & France
5	: Dairy Co-operatives	: Denmark, New Zealand
6	: Farming societies	: Russia, Yugoslavia &
	:	: Palestine.
7	: Housing Societies	: U.S.A., Sweden & Israel
8	: Producers Co-operative	: France, England.
9	: Labour societies	: Italy.
10	: Insurance Co-operatives	: England.
11	: Co-Operative Education	: England.

Source:- 'Co-operative Management - Practices problems & prospectus'.

By Pawan K. Kamra. P.20

2.2 INDIAN SCENARIO:-

In India co-operation has developed and is being developed as a synthesis of a state and non-state action which has acted essentially as a constructive instrument for economic and social development. Towards the end of the last century it was realised that the co-operative way opened the only expedient course to ameliorate the lot of the rural masses trapped in the grip of Sahukar and Rural debt. The officials of the government of India, who had studied the working of agriculture banks of Egypt were strongly of the view that India must give in immediately for co-operative experiments in similar lines. The credit of taking right action in this matter goes to the Government of Madras. Which appointed Sir Frederick Nicholson to probe in-to the possibility of introducing land and agricultural banks in that province. Nicholson's and Duperneux (Indian Civil service) reports came to the notice of the Government of India in 1900 and as a result a strong committee under Sir Edward Law was appointed to make proposals for the consideration of the government. The recommendations of the committee proved the basis of Bill which was passed in-to the law in 1904, as the co-operative credit societies Act, which marked the beginning of the co-operative movement in India. Thus the Indian co-operative movement was born in 1904 to save the agriculturists from the clutches of the unscrupulous money lenders.

Ever since the passing of the Act, the co-operative movement started flourishing and gaining strength from time to time, e.g. In 1906-07 the number of societies was 843 with 90.84 (in thousand) as members which increased to 5321 and 305.06 respectively in the year 1910-11. Though the Indian co-operative movement, has of late, entered practically all the economic fields, it is basically an agricultural credit movement as India being an agricultural country. The co-operative development in India presents a unique phenomenon. After independence the co-operative sector has emerged as a vital segment of the Indian economy. The diversified profile of the movement has made it a unique in the world-an unparallel and unknown in any single country. In terms of its size, operations, and diversifications the achievements of co-operative development in India since 1955-56 onwards is something which can be adjudged as remarkable and significant; as a result of which it is now considered as a emerging sector of the Indian economy. The co-operatives, in India by now have expanded in all the directions both vertically and horizontally.

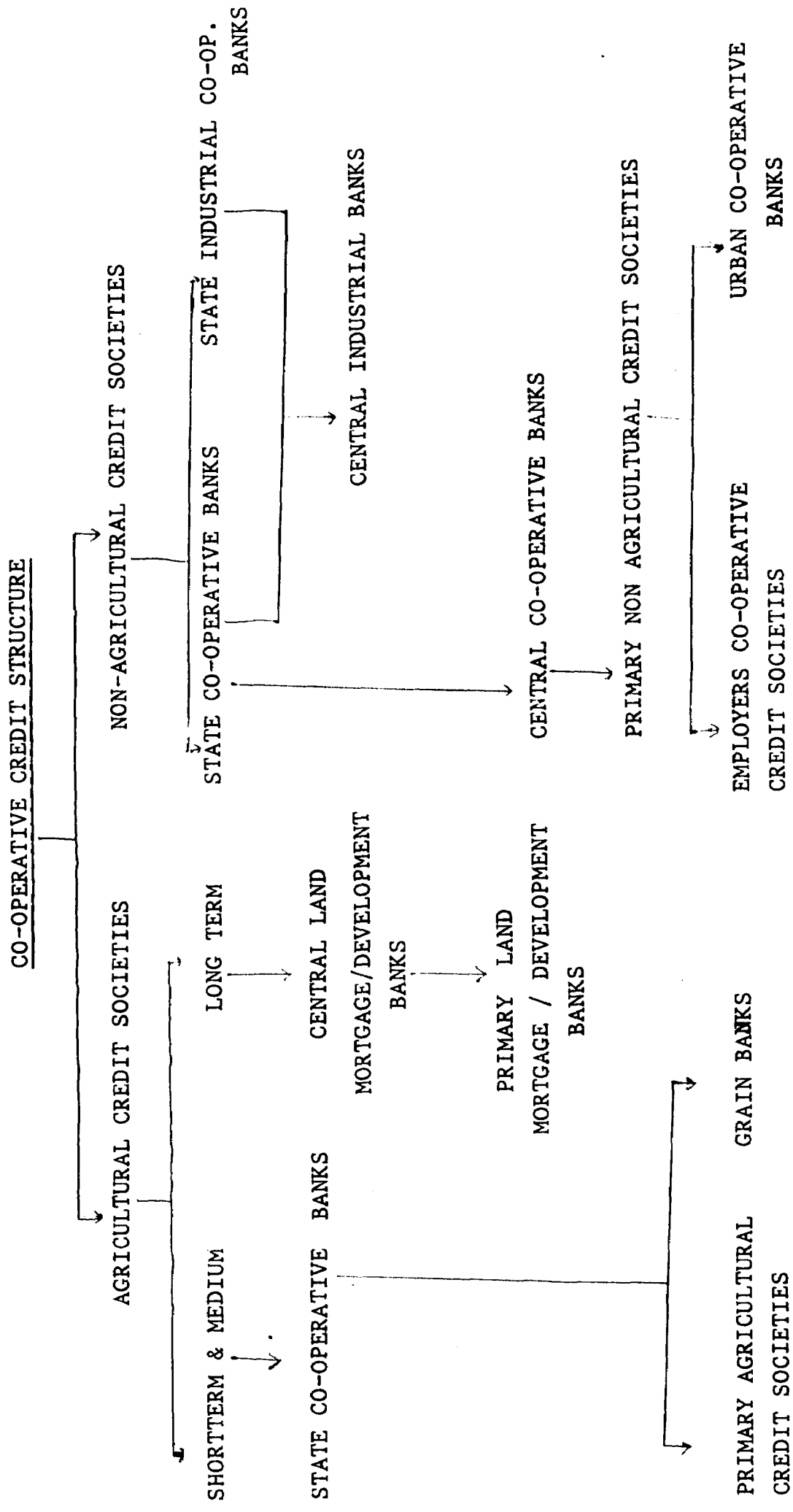
At present there are 3.53 lakh societies with a membership of nearly 16 crore and working capital investment of nearly Rs.70,000 crore. In many of the economic spheres the co-operatives have acquired a commanding position along with public and private sector. The share of co-operatives in agricultural finance comes to nearly 40 percent inspite of their competition with

commercial banks, similarly co-operatives are distributing 30 percent of total fertilisers and accounting for nearly 23 percent of total nitrogenous and phosphatic fertiliser production in the country. In the sphere of value addition, contribution of co-operative sector has also been significant. They are producing 60 percent of total sugar produced in the country, having 21 percent of the total spindleage in the textile industry and accounting for 75 percent of marketing and procurements of food-grains, Jute and Cotton.

In the field of dairying and oil seed processing the co-operative sector has emerged as an important counter-vailing factor for the benefits of producers and consumers. 58 percent of handlumes are in the co-operative sector, accounting for 30 percent of the total textile production in the country. For other village and small scale industries nearly 30,000 artisanal and industrial co-operative societies are working in the country. Similarly in the sphere of consumer protection the co-operatives have contributed noticeably.

2.3 URBAN CREDIT CO-OPERATIVES : ORIGIN AND GROWTH.

The co-operative sector consists of different constituents. At the base of this sector the primary societies which render various types of services. The following chart reveals the co-operative credit structure in India.



The co-operative movement was started in India to ameliorate the conditions of rural masses. However, it was soon realised that co-operation offers a solution to the difficulties encountered not only by the farmers but also by the town's man in respect of credit as well as other aspects of his business and life. The MacLagan committee on co-operation had observed that 'Urban credit societies might serve useful purpose in training the upper and middle classes to understand ordinary banking principles. 'The Central Banking Enquiry Committee' had also recommended that 'the limited liability co-operative societies, generally known as urban bank should be established, Wherever necessary facilities and conditions exists for the benefit of these classes of the population. We do not see any objection to special society for salary earners if these societies are looked upon as thrift societies for correcting and investing the savings of there members'. This has paved the way for the establishment and the development of non-agricultural credit societies. It is also interesting to note that the co-operative movement in the country had started with the establishment of credit co-operative societies i.e. credit co-operative society was the foundation of the co-operative movement in India.

The need for urban co-operative banking as a form of non-agricultural credit society, arises from the fact

that the joint stock banks are not interested in providing credit to the urban middle class this is because it is not advantageous for them in developing the business of small loans at the high cost of advancing and recovery such loans. Secondly such banks are not likely to have full and intimate knowledge of the standing and resources of persons of moderate means. As a result the credit need of urban middle class people remained neglected for a long time. Therefore these people with limited means in urban area had to go to the money lenders and other similar agencies to get loans at exorbitant rate of interest. This was the mere exploitation of the urban middle class people. Money-lenders used to enjoy at the cost of credit plights of these people to combat this and satisfy the credit needs, the middle class people started to come together and help each other and this led to evolution and establishment of the Urban Credit Co-operative Societies.

The urban co-operative credit movement started in India with the chief object of catering to the banking and credit requirements of the urban middle class. i.e. small traders, or business man, artisans, factory workers, in urban and semi-urban areas. The movement is also expected to inculcate the habit of thrift and savings amongst them.

The urban co-operative credit movement originated in Germany when Harman Schultz started, such societies for the benefit of the artisans in the cities. In Italy, the credit of starting such movement goes to Luigi Luzzatti. Encouraged by the success of the urban co-operative credit movement in these countries, the social workers in our country began to think in terms of co-operation as a means of bringing the succour to the middle classes as early as the close of the nineteenth, century. Thus, the origin of the urban credit movement in India can be traced to the close of the 19th century, following the success of such movement in Germany and Italy. During the period 1855 to 1885 some middle class Maharashtrian families settled in the erstwhile Baroda state, started a mutual aid society in Baroda on '5th february 1889' under the guidance of Shri. Vitthal Laxman Kavathekar. Thus the first urban credit society saw the light of the day in 1889 on 5th February. The first urban co-operative credit society was ragistered in October 1904 at Canjeevaram in Madras province, subsequently Bettegiri co-operative credit society in Dharwad district in October 1905 and in December 1905 in Banglore city. Since then the number of urban credit co-operative societies were established with the passing of co-operative credit societies Act 1904 and its subsequent amendment made in 1912 called as co-operative societies Act.

The progress of the urban credit co-operative societies and banks can be assessed from the following observations of RBI made in perview of the co-operative movement in India 1939 - 40.

" Urban credit societies and Banks are the most important features of the urban co-operative movement in India and make up to some extent for the obsence of joint stock banking facilities in the smallest Towns. They occupy a prominent place among the agancies supplying the credit needs of the people residing in urban and semi-urban area.

2.4 PROGRESS AND DEVELOPMENT:-

In the year 1938-39 the number of non-agricultural credit societies in India was 6731 with a membership of 13.14 lacks which increase to 7185 with the membership of 16.39 lacks in 1945-46 this indicates that the progress of the urban co-operative credit institutions was on the whole satisfactory in the initial stages of the movement. This movement got the further momentum since the beginning of the planning era. in our country. The following table shows the trend of the progress of such societies ever since the beginning of the first plan period.

TABLE - 2.2

TRENDS IN PROGRESS OF NON-AGRICULTURAL CREDIT
SOCIETIES, SINCE THE BEGINNING OF THE FIRST PLAN.

							Rs. in crores
Year	No. of	Member	Share	deposits	Working		Lacks
	societies	ship	capital		capital		advanced
		(in lacks)	Rs	Rs	Rs		Rs
1950-51	7810	21.78	12.12	35.05	56.78		47.39
1960-61	11995	45.73	329.70	95.05	150.11		120.37
1965-66	13449	64.84	57.98	176.88	274.70		246.70
1973-74	17536	123.32	135.27	477.20	787.15		781.40
1976-77	20242	128.08	181.79	718.73	1182.53		910.33
1981-82	22755	92.81	275.89	409.00	1102.00		770.00

Source :- " Co-operation in India". - Dr.B.S.Mathur.

P. 223 Ed. 1990.

Thus the above Table reveals the fact that there were 7810 non-agricultural credit societies with a membership of 21.78 lacks and had a share capital of Rs.12.12 crores, deposits of Rs.35.05 crores, working capital Rs. 57 crores and loans advanced by the societies amounted to Rs 47 crores, at the beginning of first five year plan in the country. It may be noticed that the urban credit movement had made considerable progress during the period under review i.e from 1950-51

to 1981-82. As on 30th June 1982 the number of the societies increased to 22755 (All most three times increase during the last thirty years or so) with the membership of 92.81 lacks (all most four times increase), and had share capital of Rs 275.89 crores (nearly 25 times increase), deposits Rs 409 crores (ten times increase), working capital Rs 1102 crores (twenty times increase) and had advanced the loan to the extent of Rs 770 crors (Sixteen times increase).

The latest position of Non-agricultural credit societies in India (including Employees credit and urban banks) is revealed by the following table.

TABLE - 2.3

PRESENT POSITION OF NON-AGRICULTURAL CREDIT
SOCIETIES, AS ON 30TH JUNE 1990,

Sr No	Indicators	No. and amount

1	2	3

1	No. of societies & Banks	30.978
2	Membership (NO.)	1.53 Millions
3	Share Capital (Rs)	6127.4 Millions
4	Government participation(%)	0.6
5	Reserves (Rs)	1877.3 Millions
6	Deposits (Rs)	10336.9 Millions
7	Working Capital (Rs)	28158.2 Millions
8	Loans advanced (S.T +M.T.in Rs	19522.1 Millions

Source :- Indian Co-operative sector at a Glance - 1990,
the background papers of National conference on HRD in
co-operative sector Pune, 1st & 2nd August 1992 P.1.5

A state wise analysis of non-agricultural credit societies for the year 1981-82 shows that Maharashtra had 5480 such societies which was the largest number in any state. In Andhara Pradesh, Gujarat, Karnataka, Panjab, Tamilnadu and Uttar Pradesh the number of such societies was more than 1000 the number of such societies was 27 in Jamu & Kashmir, 755 in Orisa, 155 in Himachal Pradesh 336 in Bihar.

Maharashtra is the leading state in the co-operative movement in India. The co-operative movement is deeply rooted in this state to such an extent that in terms of its size, operations and divarsification, the achivement of the movement is some thing which can be adjudged as remarkable and significant one. Even in the fild of urban credit co-operatives Maharashtra has achived the considerable progress the idea of which can be had from the following tables.

TABLE - 2.5
SALARY EARNERS CO-OPERATIVE SOCIETIES IN
MAHARASHTRA TREND AND PROGRESS

Indicators	: Y	E	A	R	s	
	:1970-71:	1980-81:	1986-87:	1987-88:	1988-89:	1989-90
1	: 2	: 3	: 4	: 5	: 6	: 7
1. No.of Societies (Actual)	: 2220	: 4156	: 5228	: 5470	: 5702	: 5944
2. Membership In thousand)	: 1505	: 1774	: 2394	: 2462	: 2569	: 2635
3. Share Capital (Rs in lacks)	: 3075	:12375	:21684	:23 984	:26 430	:29525
4. Owned Funds (Rs.Lacks)	3595	:15124	:26488	:29203	:32299	:36189
5. Deposits (Rs.in lack)	1740	: 7520	:12199	:13615	:13828	:17141
6. Borrowing Out- standing. (Rs.Lacks):	: 231	: 2027	:11245	:13503	:17712	:20185
7. Working Capital	: 6063	:29773	:61241	:69427	:79500	:89491
8. Loans Advanced	: 4175	:24052	:48586	:52405	:59022	:61464
9. Loans Outstanding	: 3653	:23417	:47856	:53351	:60073	:66762
10.Loans over due	: 61	: 290	: 1063	: 1740	: 2014	: 2555
11. Profit No.of Soc's	: 1791	: 3416	: 4480	: 4590	: 4856	: 5068
Amount (Rs.in lacks):	231	: 940	: 2081	: 2397	: 2785	: 3901
12. Loss No. of Soc.	: 204	: 472	: 492	: 434	: 484	: 488
Amount (Rs. in lacks):	3	: 18	: 96	: 78	: 50	: 61
13.No.of Societies	: 225	: 268	: 256	: 446	: 362	: 428
Without Profit/loss:	:	:	:	:	:	:

Source:-

Co-operative Movement at a Glance in Maharashtra
state 1987 to 1991.

The above two tables clearly indicate the stendy increase in the number of So. and membership of the urban co-operative credit societies (including salary earners societies) over the dicades the progress of such societies is rather slow in the 70's (1971-81) compared to that of in 80's (1981-91).

2.5 CO-OPERATIVE MOVEMENT IN SATARA DISTRICT:-

The co-operative mivement started in this district at the beginning of the present century, whenⁱⁿ 1907 the first agricultural credit society was registered at the village Bothe in Man Taluka, since then there has been considerable growth and development in the co-operative movement in the district. In recent years number of co-operative societies have been established in different economic activities mainly because of dynamic leadership of Late Shri. Y.B. Chavan & Kisan Veer, The idea of which can be had from the following table.

TABLE - 2.6

CO-OPERATIVE MOVEMENT IN THE DISTRICT

Year	No.of Societies	Membership
1	2	3
1965-66 :	1240	252815
1970-71 :	1324	336512
1980-81 :	1963	499635
1990-91 :	3986	1020000

Source:- District Statistical Booklet

Published by- District federation of Co-operative
Satara

The co-operative movement in the district had attained considerable importance during recent years on account of its numerous activities such as extention of agriculture, Credit, reorganisation of processing and marketing of agricultural produce, organisation of subsidiary industries, Formation of unions by producers or suppliers of various comodities etc. The co-operative movement envisages the growth of agricultural co-coperative credit societies, Multipurpose societies land mortgage banks, nonagricultural credit societies such as urban co-operative Banks, Salary earness societies and other urban credit societies and a district central co-operative bank. The following table reveals the trend and progress of salary earness and other urban co-operative societies (Excluding urban banks)

2.6 URBAN CREDIT SOCIETIES STRUCTURE:-

The Urban credit societies, in general are in Shulze-Delitzsch Model and their working capital is mainly derived from deposit and share capital the liability of such societies is limited either to the extent of share capital or to the extent of a guaranteed sum. The profits may be divided after keeping aside the required 25 percent as contribution to the reserve fund. Such societies have a large membership. Credit co-operatives in the urban areas cover a wide field. Which include urban co-operative banks where the deposits are withdrawable and which carry on the normal banking functions, employees credit societies which receive deposits from the members and the non-members and meet the requirements of permanent or semi-permanent salary earners in the particular organisation, and other types of non-agricultural credit societies catering to a particular profession. There are considerable number of women's thrift and credit societies.

The urban co-operative thrift societies can ameliorate the living conditions of the people in urban areas in variety of ways they can organise and bring together middle and working classes in urban and semi-urban areas and thereby inculcate in them the habits of thrifts and selfhelp. These societies by providing credit on reasonable terms to the middle class people can rescue them from the exploitation of money lenders. The

urban credit societies can make a significant contribution to industrial development by extending credit facilities to small entrepreneurs and artisans working in urban and semi-urban areas, They can provide intelligent experienced and effective leadership to the co-operative movement.

Though the urban co-operative credit societies have functioned some-what independently from the main body of the co-operative movement in the country, they have, on the whole, done well. These societies have now reached a stage where they could be thinking more imaginatively in helping the development of other co-operative activities as well. In urban areas the salary earners societies have proved highly success full in large number of Government departments and organisation. They have proved valuable for providing, credit facilities and mobilising savings. Hence urban credit societies including thrift and credit societies, salary earners societies and factory workers co-operative societies, constitute another important segment of the sector of urban credit co-operatives.

According, to the classification given by the agricultural credit department of RBI, the UCCs have been classified in to following types.

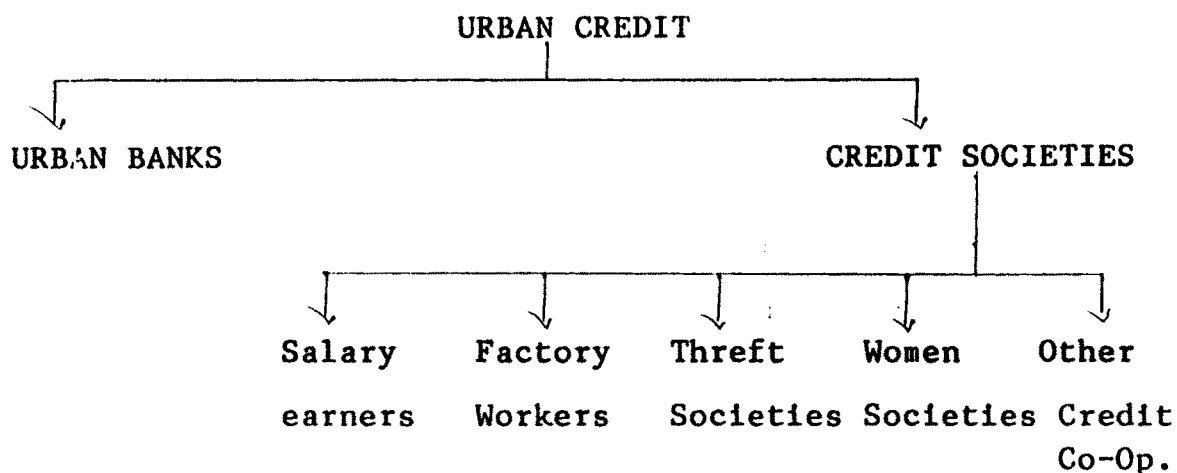
TABLE - 2.7

GROWTH AND DEVELOPMENT OF URBAN CO-OPERATIVE
SOCIETIES (INCLUDING SALARY EARNERS) IN
SATARA DISTRICT

Particulars	Y	E	A	R	S
	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6
1. Societies	222	243	317	400	450
Nos Actual					
2. Membership	101809	109938	143647	177315	194347
Nos Actual					
3. Paid-up Capital	73449	80213	114069	136689	145890
Rs in thousand					
4. Reserve Fund	8519	9562	12335	13123	14290
Rs in thousand					
5. Other Reserves	6847	7482	8268	8592	10261
Rs in thousand					
6. Deposits	59042	78464	95242	129794	1143201
Rs. in thousand					
7. Outsiders Loan	30181	33969	38193	38089	49617
Rs in thousand					
8. Loan's Out- standing Rs.in th.	118635	126810	246716	284046	298486
9. Loans over Due	5166	7339	6884	9425	13361
Rs in thousand					
10. Profit	8019	4867	10803	10253	10961
Rs in thousand					
11. Loss	111	92	177	478	550
Rs in thousand					

Source:- District Statistical Booklet

Published by - District federation of co-operatives
Satara, years 1986-87 to 1990 -91.



2.7 DISTRINCTION BETWEEN URBAN CO-OP. BANK AND OTHER URBAN CREDIT SOCIETIES:-

Though the basic objective of Urban Banks and UCC s is some what the same the differ from each other in their attitude approuch and style of functioning. In the state of Maharashtra all UCC s (including banks) come under the perview of co-operative societies Act 1960 (amended) and Registered under the same Act. However the Urban Banks are more protected and enjoy the public confidence in view of such banks coming under the Banking Regulation Act 1949. On the other hand the other urban credit societies do not come under the B.R. Act. and hence such societies have to function more judiciously and have to be more carefull in their day to day operations to win over the public confidence.

- I) The urban credit societies can not carry on the banking activities like the urban banks, e.g the urban banks accept the deposits which are

withdrawable on demand or otherwise, from both the members and non-members. However UCCs can not carry on such banking activity.

- III) Compare to the urban banks the other UCC s have very limited field and scope for their operations.
- III) The deposit holders can not withdraw their deposits through chaques i.e the cheque facility is not available in UCC s as compared to Urban banks not only that the chaques of the customers (depositors) are also not realised through UCC s.
- IV) The operations of Urban banks are governed and regulated by the RBI guidelines whereas that of UCC s by the state co-operative department as per the provisions of co-operatives Act.
- v) The urban banks are entitled to carry on the banking business only, They can not engage themselves in other commercial and trading activities, where as the UCC s can carry on such activities i.e grain shop. grocery etc.
- VI) As the UCC s include thrift and credit societies such societies accept the deposits under various schemes to attract the savings of the members in order to inculcate in them the habits of treift for this purpose the UCC s have varity of deposit

schemes for e.g. Recurring deposits. 'Shubhamangal Yojana' and so on. where as the urban banks accept the deposits (members & non-members) on current and savings bank accounts. The UCC s also appoint their agents/representatives to collect deposits from the members by visiting their houses i.e Pigmy deposit scheme which is not the practice of urban banks.

- VII) The UCC s may be converted into the urban banks with the prior permission from RBI provided the paid up capital of such societies increase to a particular level fixed by RBI.
- VIII) The Nigotiable Instrument Act, Contract Act, sale of goods Act, Partnership Act, Bankers Book Evidence Act, Stamp Act, Marcantile and company law, and B.R. Act 1949 etc are not applicable to the urban credit co-operatives. Besides such societies are not allowed to make the use of wor-d 'Bank'.

2.8 REGISTRATION OF AN UCC s SOCIETY:-

The General guideline of the co-op. Dept for the registration are :-

- a) Minimum membership - 150
- b) Minimum paid up capital-Rs.15000
- c)Population limit - 15000

2.9 MEMBERSHIP:-

The membership of urban co-operative Banks is composed of the persons living in urban areas, such as traders, marchants salaried and professional classes etc. In the case of other UCC s the membership is composed of the persons living in a particular area/locality, Haweli, Moholla etc coming under the societies working field. The membership also varies according to the nature and types of societies e.g. in factory workers societies the members will be the workers in a factory, in Womans credit societies (Mahila path sansta) Woman living in a particular city, ward etc. will be the members. To become a member every individual has to subscribe for minimum one share of a fixed value.

2.10 OBJECTS AND FUNCTIONS:-

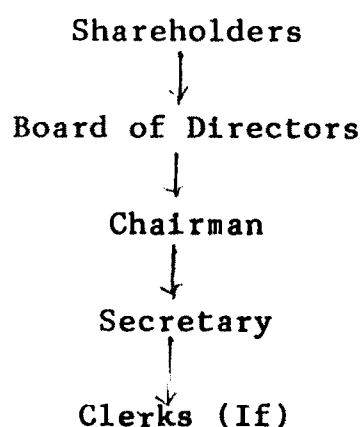
The main objects and function of UCC s are

- I) To attract deposits from members (UCC s) and from members and non-members (urban Banks).
- II) To advance loans to members.
- III) To inclulcate the habit of thrift and self help among the members.
- IV) To rescue the middle class people from the exploitation of money lenders and other unscrupulous agancies.
- V) To meliorate the living conditions of the people in urban & semi urban area's.

- VI) To help members in creating and getting the means of living.
- VII) To invest the money or funds of the society not required for lending.
- VIII) To carry on non-credit functions such as running a consumer store etc.

2.1 MANAGEMENT :-

The supreme control of the society vests in the general body of the shareholders for day-to-day management there is a managing committee or Board of Directors also known as 'Panch committee', whose strength varies from 5 to 12 depending upon the size of the membership. The number of directors may also vary according to the provisions of the by laws of the society. The chairman is the elected member of the board of directors. The organisational pattern of such society is as under.



In a large size UCC s, the board of directors is also assisted by the various sub-committees e.g. Loan

Appraisal committee loan recovery committee etc. In some states on the request of the society the Registrar of co-operative societies nominates persons on the management. However in most cases, such nominees do not always have the time or the interest to look after the working of the society. The 'Study Group' has recommended society or the State Government should nominate the directors.

2.12 SOURCES OF FUNDS:-

The main sources of funds for operations are

- a) Paid up share capital - (owned funds)
- b) Borrowed funds -
- c) Deposits.

Owned funds consists of the share capital provided for by the members. The borrowed fund consist of the loans from the District central co-operative (D.C.C) Bank only, Such Societies cannot raise the loans to meet the credit needs of its members, from the banks - commercial as well as Nationalised. According to the by-laws the maximum limit for raising the loans is to the extent of 10 times of the combined amount of share capital and Reserves Less Losses if any. The deposits are accepted from the members in the form of fixed and savings deposits. The societies have different schemes for attracting and collecting the deposits from its members, including pigmy deposits collected through agents.

2.13 LOAN OPERATIONS:-

The main objective of such societies is to encourage thrift as well as to cater to the credit needs of its members, at reasonable rates of interest. In some societies there is a separate sub-committee for appraising the loan applications, & sanctioning the loans. The amount of loan available to members varies in different societies and in accordance with the provisions of by-laws. It must be said to the credit of such societies, that they provide loans to meet the genuine needs of its members for loans, which may not be otherwise met by other institutions.

Apparently, recovery of loan is the main function of such societies, in case of salary earners society, the recovery may not be the problem as the loans can be recovered by making regular deductions against the salary. In general it has been observed that the recovery of the loans and overdues is the main problem.

2.14 NON-CREDIT/WELFARE ACTIVITIES:-

In addition to providing credit facilities to its members, some of the non-agricultural credit societies also provide other essential commodities and services to its members. e.g. consumer co-operative store. The by-laws of some societies also provides for the under-taking of social welfare work for their members and the families of the members. The study Group has also recommended that, the part of the profits of the credit societies especially

employees societies, should be set aside for specified welfare activities.

2.15 PROBLEMS OF UCC's:-

Irrespective of the tremendous growth and development of UCCs still they have to tackle some inherent problems. The major problems are

1. Inefficient management continues to be the major problem in view of lack of qualified and trained managerial personnel.
2. Today, these societies have grown and developed to large extent, the present size of membership of such societies is hovering around 1.53 millions. These societies have to raise the loans from the D.C.C. Bank to meet the financial/credit needs of its members. However, in view of growing membership it is now becoming very difficult to meet such genuine needs of the members. The D.C.C. Banks are also not in a position to extend the loan facilities on a large scale, to non-agricultural credit co-op. societies, the time has now come to make a special arrangement for meeting the financial needs of such societies.
3. Besides, the D.C.C. Bank extends loan at the rate of 17 percent to 18 percent p.a., which is exceptionally high. Not only the UCCs but the urban banks also find

themselves in the deep waters. They are not even able to maintain liquidity position, in view of high rate of interest at which these societies have to raise the loan's, inability to attract more and more deposits and slow recovery of loan s and overdues.

4. As the DCC Banks do not extend the cash credit facility to such societies they are not able some times to repay the deposits of the members on their demands, which also adversely affects the liquidity position and reputation of the society.
5. One of the most disquieting features in the working of non-agricultural credit societies has been, the raising number of dormant societies.
6. At present these societies are affiliated to the DCC Banks they have no federation at the all India level and state level.
7. In some of the societies the average attendance at the general meeting is very poor and societies are dominated by very few individuals.
8. The deposits of UCC s are not covered under the 'Deposit Insurance Scheme', where as the Urban Banks enjoy such facility, This has also resulted in low deposits level of UCC's.

9. Recovery of loan and overdues continues to be a major headache of such societies, many of the societies do not have the sound credit collection policy, not only that the managing committee has no special powers to exercise for the recovery of the loans from the members. Such as confiscation of the private property and still the managing committee is held responsible for outstanding loans and overdues.
- 10 The societies are also required to keep and held their reserrves and funds with the DCC Bank Yielding a very low return i.e DCC Banks are giving the interest on such amounts at very low rate which also causes imbalance in a working capital position of the society.
- 11 It has also been observed that the audit fees charged for getting the accounts throughly examine and audited, are exceptionally high.

2.16 PROSPECTS OF UCC's:-

Irrespective of the problems, the UCC's have achived a considerable progress especially in Maharashtra. They have emerged on the horizons of our co-operative economy, as the most powerful institutional agency. They have the bright future and prospects. These societies have

vital role to play in urban as well as rural areas. They have become more popular these days, because of their potentiality to meet the genuine credit needs of the urban and semi-urban population. The ever increasing size of membership increasing number of such societies are the indicators of the popularity. In order to ensure the steady growth and development for the better prospects it is necessary to attend to the inherent problems of such societies. There is a dire need at this movement to have the separate independent federation of such societies, at the state and the national level. The federation should also develop and frame the ideal by-laws to be followed by all such societies to bring about the better co-ordination and to ensure the proper functioning of such societies.

