
CHAPTER - I

INTRODUCTION

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CHAPTER -I

INTRODUCTION

1.1:INTRODUCTION -

Infact co-operation is much older than the man himself. Right from hunting age to the present day to all progress and development of human beings in all spheres, social, economic, religious and political is marked by the sence of thinking working and living together. Therefore, it is rightly said " Man is a Social animal- Co-operation is therefore, the very soul of human existence". In fact our philosophy and religion lend support to co-operative and co-existence. " Co-operation is thus older than the Co-operative movement". Each for all and all for each is the law of human body. Likewise the society must be organised in such as way that each may work for all and all for each" We are living in a Co-op. Society where all collectively work and the all benefits of the collective efforts are shared by all". Nothing has been more contributed to the economic and social welfare of human race than the practice of co-operation only.

Co-operation was introduced in the country as the remedy for rural and urban indebtedness, it has been applied successfully in wide range of

activities such as an offer production, distribution, banking, supply, marketing, housing, processing agency and Insurance". " The Co-operative movement has existed because of its ideas and it is from the persuits of these ideas that its principles and derived and characteristics features determined".

Practically, almost inx all the countries in the world Co-operative activity is one form or the other is found basically every where. Our philosophy and religion supports the existance of co-op.views. Economic activity has a pretty long past in India." Economic pursuits are impossible without the active association of the one's fellow beings in the form of some sort of organisation and concerted action towards pre-determined goāls. Co-operation thus becomes a concomitant of economic activity ". Economic activity as was observed earlier, dates back in India to very ancient times. Naturally therefore, co-operation too.

1.2 : URBAN CO-OPERATIVE BANK -

Meaning -

Urban Co-operative are the banks which are established in urban and semi-urban areas with limited area of operation. In Urban Area there are many peoples

such as labours, small traders, industrialists, and common man who needs finance for various purposes both production and consumption. Generally these peoples do not get finance from commercial bank because they cannot provide adequate security to the commercial bank to get the loan.

To such needy persons, credit is advanced by the Co-operative banks. These needy persons come together by contributing Share capital and establish a co-operative bank which is generally known as Urban Co-operative bank. They get adequate credit from the Urban bank, being the member of the bank. Since the members are known to each other, they can easily get the loans and advances at the time of their needs. These bank also provides many services as like other banks. Such as safety of deposits, discounting of bills, collections and payments etc.

Definition

The Urban Co-operative bank is defined by many authors, committees and study groups. Some important and meaningful definitions are given as under -

Prof. Paul Lambert - " A Co-operative society is an enterprise formed and directed by an association of

users, applying withing itself the rules of democracy and directly intended to serve both its own members & the community as a whole ".

Mr.Herrick - " Co-operation as an act of persons voluntarily united for utilising reciprocally their own forces, resources, or both under their common management to their common profit or loss".

H.Calvert - " A form of organisation where in persons voluntarily associate together as human beings on a basis of equality for the promotion of economic interest of members".

A more comparative and generally acceptable definition according to the committee on Non-Agricultural credit co-operative should include following features.

(Shri,V.P.Varde is the Chairman of this Committee)

- a. Registered under the State Co-operative Societies Act.
- b. Area of Operation Urban or Semi Urban.
- c. Paid-up Share Capital minimum of Rs.50,000.
- d. Provision of banking facilities i.e. accepting deposits from members and non members.
Repayable on demand or otherwise and withdrawal by cheque, draft, order etc.

In the definition given above Rs.50,000 may not be easy of attainment in the smaller unit in Semi-urban areas is the only part of criticism found so far. Except these definition should be universally accepted and worthy of adoption all over the country. No dogmatic restrictions should be laid down as to the size of an urban bank and bank with share capital of Rs. 25,000 could be as sufficient and financially sound.

The report of the survey of the Urban Co-operative bank conducted by the RBI in 1961, considered that the non-agricultural credit society having following features may be classified as urban bank.

- a) A minimum paid-up share capital of Rs.20,000
- b) Provision of banking facilities, withdrawal of the cheques, remittance of funds etc.
- c) Maintenance of fluid resources according to the prescribed standard.

Objectives of Urban Co-operative Bank -

The main objectives of the Urban Co-operative banks are -

- 1) To attract deposits from members and non-members.

- 2) To advance loans to the member.
- 3) To act as the agent for joint purpose of domestic and other requirements of the members.
- 4) To undertake collection of bills accepted for endorsed by members.
- 5) To arrange for safe custody of valuable documents of members.
- 6) To provide other facilities as provided by commercial bank.
- 7) Working and operation policies conducted for the weaker sectors development and for poor and proper as well as personal with particular improvement by all means for them.

After considering the definition of Urban Cooperative Bank, the various functions performed by it are briefly explained in the next para.

1.3: FUNCTIONS OF URBAN CO-OPERATIVE BANK -

It has already been discussed about the definition of the Urban Co-operative Bank, now we shall discuss about the main functions of the urban Cooperative banks. Accepting deposits from member and non-members is the main function of urban co-operative bank. These banks always try to mobilise the deposits to a maximum

by introducing attractive schemes under the directives of Reserve Bank of India. The bank is authorised to pay 1% extra interest on deposits. This helps them in mobilisation of deposits.

Advancing loan on security to the members for various purposes is the another main function of this bank. But, it does not mean that they are only co-operative money lenders. They are social institutions having the responsibility of the raising the standard of the life of their members through growth.

These banks can undertake agency business of buying and selling of securities, debentures and essential consumer goods. These banks can undertake business such as borrowing, drawing, discounting bills of exchanges.

These banks can take other types of business like, issue of travellers' cheque, issue of letter of credit, receiving various types of bonds, services as collection of railway receipts, remittance and payment of insurance premium, collection of salaries, pensions etc. as instructed by the customers.

Thus the main function of urban co-operative bank is to encourage thrift and self-help. These banks are to raise resources such as, capital, reserve,

deposits and borrowings. These banks encourage the saving habit of their members. The fair interest is charged on deposits of members and non-members. These banks finance to their members for the purpose of trade, business, industry, profession, education, marriage, house construction etc. such finance may be provided either by secured loans or by unsecured loans. On these loans fair interest is charged. The loans and advances of these banks are against personal securities and securities such as gold and silver, fixed and other deposits. Government securities, shares, debentures, insurance policies, house etc. The object of loans and advances is not to raise debts of members but to help them to overcome their financial difficulties and to start a new life economically. According to recent National Policy, these banks have to advance 60% of their loans and advances to Priority Sector and 25% of their loans and advances to weaker sectors of the society. For these banks 'Service' is the motto and not profit. These banks offer services to their members at a reasonable cost. These banks have also provided modern banking services. Those are offered by Commercial banks but in the matter of functioning of Urban Co-operative Bank these are few points of difference for industrial units to improve their operational programme.

1.4: URBAN CO-OPERATIVE BANKS IN INDIA -

The development of Urban Cooperative credit society do not receive much attention until 1915, when the MacLagon committee refer to the potantilities for the organisation of such society, as the means of train-ing the upper and middle classes in ordinary banking principles. The failure of local joint stock banks in the country at that time gave an impetus to the growth of Urban Cooperative Credit societies. It was then realised urban credit societies eminantly suitable institutional agencies for collection local savings and provides loan relief to those were in the clutches of money lenders by providing them with financial accom-odation. The number of urban credit co-operative are organised in Bombay and Madras provinces during this period (1919-39) The Urban Cooperative Credit Societies which established in Bombay confined their lending operation to meet the consumption need of their members.

Latter, the economic boom created by the second world war (1939-45) provided stimulas to the growth of Urban Cooperative banks in India. They grew not only in the numbers but also in size. Diversifying their activities considerably. Urban Cooperative credit soci-eties who confined their loaning operation in providing

consumption credit needs, the members were called upon to take up the new avenues such as small businessman and small traders for productive purposes in the context of the hesitancy of commercial banks at that time to meet the credit needs of these classes due to the high cost of surviving of loans.

The Urban usefulness of urban banks in finding artisans, small traders, factory workers, and urban middle classes was recognised by various committees and working groups such as the central banking enquiry committee 1946. The study group of credit co-operative in the non-agricultural sector (1963) and working group of the industrial financing through co-operative banks (1968) more particularly the working groups on industrial finance through co-operative bank (1968) set up by the Reserve Bank of India were of the view that urban banks were quite suitable institution agencies in the co-operative sector to cater for the credit needs of small scale industries run by individuals, firms and joint stock companies.

In pandharpur Town Urban Cooperative Credit Movement started its function in 1912. The first Urban co-operative bank was established in Pandharpur town. The Pandharpur Urban Cooperative bank ltd., Pandharpur is the first co-operative bank. Pandharpur. This bank

gives only loan facilities to the persons or members who lived in the local city and their businesses are established in that city means the working of the Pandharpur Urban bank in limited area. This Bank does not allow the loan facilities to the outsider. It has also celebrated its Golden Jubilee in 1987. This bank has provided cash credit facilities to the productive and non-productive purposes, such as cottage and small scale industries, commercial, educational Agricultural and allied activities, House construction and repairs and other purposes.

Hence, the researcher has selected the Pandharpur Urban Co-operative Bank Ltd., Pandharpur as one of the Urban Co-operative banks in the Pandharpur to make the analytical study of its credit facilities during the period of two years i.e. 1986-87 and 1987-88. So the exact title of the present study is -

"Cash" Credit Facilities of the Pandharpur Urban Co-operative Bank Ltd., Pandharpur " (1986-87 to 1987-88)

1.5 : OBJECTIVE OF THE STUDY -

The main objectives of the present study are-

1. To study in the extent of Cash Credit Sanctioned during the period 1986-87 to 1987-88.
2. To study & examine the utilisation of Cash

credit by the borrowers under this study.

3. To study of the pattern of Cash Credit borrowers.

1.6 : SCOPE OF THE STUDY -

The Pandharpur Urban Co-operative Bank have many branches which are located in all over the Solapur District. The head office is located in the Urban City i.e. in Pandharpur. This bank provided loans only to the Urban People.

The present study is also related with the Cash Credit loans facilities given to the borrowers.

The study is related to two years i.e. 1986-87 and 1987-88. The term Cash Credit includes Short Term loans sanctioned for various purposes.

1.7 : METHODOLOGY -

This study is based on primary data as well as secondary data.

a) Primary Data - The primary data is collected by the researcher from the manager of the bank Board of Directors, loans sanctioned committee and borrowers through questionnaire and personal interviews.

b) Secondary Data - The Secondary data is collected by the researcher from the various text books, journals, various magazines, Annual reports of the Bank and Pamphlets and office record of the Bank.

c) Selection of the Unit - The Pandharpur Urban Co-operative Bank Ltd., Pandharpur is selected for the study.

d) Selection of Period of time - The period of two years i.e. 1986-87 to 1987-88 is selected for the purpose of study.

1.8: SOURCE OF DATA COLLECTION -

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

1. Discussion with the Deputy Manager, Branch Manager, Board of Directors, Loan sanctioned committee and borrowers.
2. Records 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-various books, journals and reports of the Bank.

1.9: LIMITATIONS OF THE STUDY -

Since the study has been undertaken as a part of the fulfillment of requirement of the Degree course of Master of Philosophy in Commerce and management, the researcher has the limited study to the one aspect of the Cash credit facilities of the Pandharpur Urban Co-operative Bank Ltd., Pandharpur. A period of study is also limited i.e. Two years' (1986-87 to 1987-88)

The study is completed on the basis of information supplied by the executive staff of the Bank and selected Borrowers.

The Bank could not provide the list of cash credit borrowers. However the researcher by going around the town, selected some of the borrowers and completed the sample study.

While collecting the data the researcher could not get proper response from the borrowers. Because, some of the selected borrowers were unwilling to answer all questions and supply detailed information. Even executive staff of the bank were not eager to supply the information about Cash Credit facilities.

1.10 : PLAN OF THE STUDY -

The entire study is divided into five chapters.

1. The first chapter deals with introduction of the study, it includes, Introduction, definitions and objectives of the Urban Cooperative Bank, functions of the urban Co-operative Banks Urban Co-operative Banks in India, objective of the study, scope of the study, Research Methodology, source of data collection & Limitation of the study.
2. The second chapter deals with the profile of the Pandharpur Urban Cooperative Bank Ltd., Pandharpur. It includes, Introduction, History of the Bank, objectives of the Bank, Location of the Bank, & Growth of the Bank.
3. The Third Chapter deals with Cash Credit loans of the Pandharpur Urban Co-operative Bank Ltd Pandharpur, it includes, Introduction, Meaning of Cash Credit Cash Credit overdrafts and Loans, Cash credit V/s Loans, Precaution for lending Cash Credit, Lending Procedure of the Pandharpur Urban co-operative Bank Ltd., Pandharpur and purpose for loan sanctioned.
4. The fourth chapter deals with analysis and interpretation of Sample survey.
5. The last chapter deals with summary, conclusion and suggestions.

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