CHAPTER IV

Financial Aspects of U.C.C. Societies in Wai Taluka

4.1 Introduction

4.2 Finance of the U.C.C. Societies

4.3 Assets and Properties of the U.C.C. Societies in Wai Taluka

4.4 Capital and Liabilities of U.C.C. Societies in Wai Taluka

4.5 Sources of Income of U.C.C. Societies of Wai Taluka

4.6 Items of Expnditure of U.C.C. Societies in Wai Taluka

4.7 Capital Formation in U.C.C. Societies

4.7.1 Meaning of Capital
4.7.2 Ways of Formation of Capital

4.8 Deposit Mobilisation in U.C.C. Societies in Wai Taluka

4.8.1 Meaning
4.8.2 Types of Deposits

4.9 Loans and Advances Sanctioned by U.C.C. Societies in Wai Taluka

4.9.1 Introdcution
4.9.2 Procedure of Sanctioning Loans

4.10 Audit in U.C.C. Societies in Wai Taluka

4.10.1 Introduction
4.10.2 Objects of Co-operative Audit
4.10.3 Kinds of Co-operative Audit
4.10.4 Audit of U.C.C. Societies in Wai Taluka
4.10.5 Audit Classification
4.10.6 Audit Rectification Report

4.11 Dividend Payment in U.C.C. Societies in Wai Taluka

4.1 Introduction

The purpose of this chapter is to present the information regarding financial aspects of urban co-op. credit societies in Wai Taluka and analyse the same to determine feasibility and financial viability of these societies. For this purpose the chapter is divided into three sections: viz. Finance of Urban Co-op. Credit Societies, Assets and liabilities of urban co-op. credit societies and other financial aspects of urban co-op. credit societies.

4.2 Finance of Urban Co-op. Credit Societies

Finance is the most essential thing for the success of urban co-op. credit societies. these societies are built on the strong foundation of the finance. Without finance these societies would be lifeless. The viability of urban co-op. credit societies mostly depends on availability of finance.

Finance is required in these societies mainly for recurring and non-recurring expenditure. Recurring expenditure represents money required to meet running expenses of urban co-op. credit societies e.g. salary of clerical and other staff, rent, printing and stationery, postage and telephone, electricity charges, interest paid, audit fee, etc. Non-recurring expenditure includes money invested in furniture, machinery, dead stock, books and journals, etc.

4.3 Assets and Properties of Urban Co-operative Credit Societies in Wai Taluka

Urban Co-op. Credit society is a financial and co-operative institution and therefore its assets and properties includes the assets mainly in the monetary forms. The assets and properties are divided into six categories as shown in Chart 4.1.

Chart 4.1

Classification of Assets of Urban Co-op. Credit Societies

Sr. No.	Category		Types of Assets
1.	Cash and Bank Balances	a	Cash in hand
		b	Cash at Banks
2.	Investments & Deposits	a	Investment in shares
		b	Investment in Fixed Deposits
		c	Investment in other Deposits
		d	Kisan Vikas Patra
		e	Telephone Deposits
		f	Electricity Deposits
		g	M.S.E.B. Deposits
3.	Permanent Assets	a	Dead stock
		b	Furniture
		c	Library
		d	Stock of stationery
4.	Loans and Advances Given	a	Member Loans
		b	Immediate Loans
		c	Hypothication Loans
		d	Medium term security loans
		e	Deposit Security Loans.
5.	Outstanding Incomes	a	Interest receivable on Member Loans
		b	Interest Receivable on Investments and Deposits
		c	Stationery Advance
		d	Loan-advance
		e	Other incomes receivable
6.	Accumulated Losses	a	Opening Balance
		b	Loss of the Current Year

Table 4.1

Classification of Assets in U.C.C. Societies in Wai Taluka

Sr. No.	Types of Assets	Types of Societies				Total	Percentage
		Employees	Rural	Urban	Women		
1.	Cash in hand	2,416	60,837	2,18,793	2,016	2,84,062	3
2.	Cash at Bank	2,02,102	9,41,413	18,46,635	48,635	30,38,785	39
3.	Investment	17,65,502	5,57,154	11,05,786	1,53,800	35,82,242	46
4.	Dead stock, Furniture, Library & Stationery	55,293	2,05,702	6,31,679	37,227	9,29,901	12
	Total	20,25,313	17,65,106	38,02,893	2,41,678	78,34,990	100

4.4 Capital and Liabilities of Urban Co-operative Credit Societies

Sale of shares is a very popular and easy way to collect capital for any financial or her institution. Therefore, all the co-operative credit societies have collected their capital through the sale of shares.

Reserves and other funds occupy an important place in financial stability of any institution. Reserves are created as a safeguard to face financial crises that may arise in the future. Thus, the financial viability of any unit depends upon the reserves it has created and accumulated.

The table 4.3 shows that it is natural that investment is an important and major item of assets of U.C.C. Socieites, as it covers 46% of total assets. The percentage of dead stock, furniture and stationery is only 12. Though co-operative credit society should maintain proper balance between liquidity and profitability, the percentage of cash at Bank is proportionately high.

The urban co-op. credit societies collect many types of deposits from the members and other people. Deposits collected from the people are considered as the liability of the societies because they have to be returned to their owner as an when they demand.

Other liabilities of the urban co-op. credit societies include the dividend payable, insurance for loans and provisions for outstanding expenses which are to be

payable. Capital and liabilities are classified into six groups as shown in Chart 4.2.

Chart 4.2

Classification of Capital & Liabilities of Urban Co-op. Credit Societies

Sr.No.	Category		Types of Liabilities
1.	Capital	a	Authorised Capital
		b	Paid up Capital
		c	Share Deposit (Anamat)
2	Funds	a	Reserve Fund
		b	Building Fund
		c	Dividend Equilisation fund
		d	Reserve for Bad & doubtful Debts.
		e	Education Fund
		f	Charity Fund
3	Deposits	a	Current Deposits
		b	Saving Deposits
		c	Fixed Deposits
		d	Recurring Deposits
4	Accumulated Interests payable	a	Recurring Deposits
		b	Daily Deposits payable interest
		c	Recurring Deposit payable interest
5	Current Liabilities & Provisions	a	Insurance of Loan-takers
		b	Dividend
		c	Provision for Education Fund
		d	Agents Deposit payable
		e	Provision for Employee Bonus
		f	Provision for salary
		g	Provision for Daily Commission
		h	Provision for office rent
		i	Provision for Audit fees
6	Accumulated Profits	a	Opening Balance
		b	Profit of the current year

Table 4.2

Authorised and Paid Up Share Capital in U.C.C. Societies

Sr. No.	Particulars	Types of Societies				Total	Percentage
		Employees	Rural	Urban	Women		
1.	Authorised Share Capital	1,92,00,000	72,00,000	95,00,000	10,00,000	3,69,00,000	100
2.	Paid up Share Capital	1,27,49,620	22,28,075	38,61,555	5,17,850	1,93,57,000	52

Table 4.3

Classification of Funds in Urban Co-op. Credit Societies in Wai Taluka

Sr. No.	Particulars	Types of Urban Co-op. Credit Socities				Total	Percentage
		Employees	Rural	Urban	Women		
1	Reserve Fund	15,38,979	1,29,091	1,35,195	19,592	18,22,857	56
2	Building Fund	2,14,905	1,43,887	7,51,291	41,482	11,51,565	35
3	Depreciation Fund	-	1,330	9,030	5,347	15,707	0.5
4	Dividend Equilisation Fund	1,05,693	9,921	15,271	3,114	1,33,999	4.0
5	Doubtful & Bad Debts Fund	91,463	17,744	27,426	6,227	1,42,860	4.0
6	Education Fund	-	1,155	3,000	-	4,155	0.5
	Total	19,51,040	3,03,128	9,41,213	75,762	32,71,143	100.0

From the table 4.2 it is clear that 52% of the authorised capital have been paid up. As the employees socoeties are older than other societies, they have more paid up capital.

Though the Rural Societies are more in numbers, their paid up capital is comparatively low as they are established later.

Table 4.3 shows various types of funds available in U.C.C.Societies in Wai Taluka.

Out of total funds, the Reserve Fund is very important and useful at the time of difficulty. Its proportion is 56%

Many societies have not raised the Depreciation Fund so its proportion is 0.5% only. It creates problem at the time of replacement of fixed assets.

4.5 Sources of Income

Urban Co-op. Credit Societies are established to earn profit. However, it is not the sole and main aim of any co-operative unit. They are established mainly for service-motive and profit gets the secondary place. Table 4.4 shows classification of U.C.C. Societies earning profits and suffering losses.

Table 4.4

Classification of U.C.C. Societies earning profits and suffering losses

Sr. No.	Types of Societies	No.of Societies having Profit	No.of Societies having Loss	Total No. of Societies	Total Amount of Profit	Total Amount of Loss
1.	Employees	9	-	9	18,37,231	-
2.	Rural	13	3	16	3,33,425	57,000
3.	Urban	11	2	13	7,38,087	38,657
4.	Women	2	-	2	59,986	-
	Total	35	5	40	29,68,729	95,657

The urban co-operative credit societies earn income mainly from the interest received on loans and investments. The other sources of income of these societies are sale of loan forms, Notice fee, Recovery expenses incurred, dividend received, the Court fee received, etc. Primary data regarding the sources of income of 33 urban co-op. credit societies in Wai taluka is presented in Table 4.5.

4.6 Items of Expenditure

The Urban Co-op. Credit Societies have to incur expenditure on various items. This expenditure is daily as well as monthly in nature.

The expenses of urban co-operative credit societies classified into groups as shown in Chart 4.3.

Chart 4.3

Classification of expenses of U.C.C. Societies

Sr.No.	Category		Type of Expenses
1.	Interest paid on Deposits	a	Interest paid on Deposits
		b	Interest paid on Loans
		c	Recovery Expenses
2.	Salaries and Allowances	a	Salary paid to staff
		b	Bonus to staff
		c	Dividend paid
		d	Bhatta to officers & staff
		e	Agent Commission
3.	Printing & Stationery	a	Printing & Stationery
		b	Printing of Annual Reports
		c	Typing & zerox
		d	Paper bill
4.	Office Rent and Maintenance	a	Office Rent
		b	Repairs and Maintenance
		c	Rates and Taxes
5.	Audit fees	a	Audit fee
		b	Court fee
		c	Notice fee
6.	Postage and Telephone	a	Postage and Telegram
		b	Telephone charges
7.	Depreciation and other Funds	a	Depreciation on buildings
		b	Depreciation on furniture
		c	Provident Fund contribution
		d	Education Fund
		e	Dead stock
8.	Travelling Expenses	a	Travelling Allowance
		b	Transport charges
9.	Meeting Expenses	a	Monthly Meeting Expenses
		b	Annual meeting expenses
		c	Federation contribution
		d	Election expenses
		e	Contratuation expenses
10.	Other Expenses	a	Advertisement
		b	Social help
		c	Sundry expenses

Table 4.5

Sources of Incomes of Urban Co-operative. Credit Societies in Wai Taluka

Sr. No.	Types of Societies	Interest Received on Loans & Advan.	Interest Received on investments	Fine Interest	Dividend Received	Notice Fees	Sale of Forms & other stnry.	Commission Received	Members Subscription	Other Incomes
1.	Employees	24,91,137	1,14,000	185	46,222	-	2,549	-	-	1,925
2.	Rural	8,05,286	61,091	41,158	235	11,128	9,471	5,702	-	25,533
3.	Urban	38,26,951	1,01,645	6,003	46	905	14,753	63,755	710	35,907
4.	Women	2,42,611	19,621	-	-	804	2,130	16,720	-	4,878
	Total	73,65,985	2,96,357	47,346	46,503	12,837	28,903	85,727	710	68,243

Table 4.6

Items of Expenditure of Urban Co-op. Credit Societies in Wai Taluka

Sr. No.	Type of Societies	Interest paid on Deposits	Salary commission & Allowances paid	Printing and Stationery	Office Rent & Maintenance	Audit fees	Postage, Telegram & Telephone	Depreciation and other funds	Travelling Expenses	Meeting expenses	Other expenses
1.	Employees	5,26,461	1,26,751	23,292	-	29,201	1,163	6,036	2,166	15,544	45,635
2.	Rural	2,11,734	2,25,970	77,100	19,215	18,815	7,568	17,195	2,741	15,026	39,247
3.	Urban	16,76,167	8,48,402	2,34,683	1,16,289	44,262	39,186	61,929	27,200	29,347	1,25,903
4.	Women	78,546	91,845	25,270	4,184	3,541	3,918	3,940	1,166	4,644	9,736
	Total	24,92,908	12,92,968	3,60,795	1,39,688	95,819	51,835	89,103	33,273	64,561	2,20,521

4.7 Capital Formation in Urban Co-op. Credit Societies

4.7.1 Meaning of Capital

In the life of common man the money has very importance because without money many of his transactions are not possible. Money has also the important place in the life of society. Because the daily and future transactions of the society are depended on the capital of the society i.e. money. [1]

It is difficult to define capital. However, the amount invested in any business at the beginning is the capital. Many terms relating to capital are as follow with their meanings -

(a) Authorised Capital - According to Bye-laws of the society, it can raise maximum capital upto a certain limit. This maximum amount of capital is known as Authorised Capital.

(b) Issued Capital. The amount of capital which the society has decided to sell is known as Issued Capital.

(c) Paid up capital - The amount of capital actually collected with the society is known as Paid up Capital.

(d) Working Capital - The amount of capital required for daily expenditure is known as Working Capital.

The co-operative society is established for the financial transactions therefore it also requires capital. However, capital is not end but it is a mean for any co-operative society.

While formation of capital, the society has to think about amount of capital required. Because capital is raised according to the needs of the society. Therefore, the members who wish to establish any society, has to make a plan of capital requirement. Thus, the capital should be raised through planning.

4.7.2 Ways of Formation of Capital :

To raise capital has an utmost importance in the life of society. The co-operative societies raise their capital mainly through the following ways :

1) By selling the shares
2) By raising the Debentures
3) By taking loan-amounts
4) Govt. Partnership
5) By accepting Deposits
6) By increase in the funds.

1) Sale of Shares

Open membership is one of the most important principle of co-operative societies. Therefore, to increase the membership by selling share and thus increasing capital is possible for the co-operative societies. Benefits of this method can be as follow -

1) The society gets new members
2) The society can get new leadership
3) Dominance of particular group can be reduced
4) It is beneficial to increase membership for the democratic developments
5) It increases the capital of the society.

While selling the shares the urban co-operative societies take some amount as an Entrance fee and Building fund with the amount of shares. However, the amount through

this way is not very big and hence it is not beneficial on large scale.

2) Sale of Debentures

Public confidence is essential to use this method. If the society has goodwill, it is possible to it by increase the capital through the way of selling Debentures. The society can issue the property as a security for the Debentures. This way is used for increasing, specially, the working capital of the society. The society has to take the responsibility of repaying the amount taken as loan on a particular date. Therefore, it is beneficial for the society to raise the separate fund for it. Through this way the working of the society is increased.

3) Capital Through Loans

When the scope of the co-operative society is increased, it requires working capital on large scale. To fulfil this need it requires the loaned amount.

Working capital is the amount required for purchasing raw materials, day-to-day expenditure, payment of tax, etc. Large scale societies require the working capital on large scale.

4) Govt. Partnership

There are special provisions in the co-operative Act regarding the state-partnership in the Capital. Accordingly the restrictions about the share-capital is to be kept. Section 50 to 60 have the details about it that the directors have to face conditions about it and other. The liability

regarding the particular shares is limited. If this way is applied, the control of the State Government increases.

5. Accepting Deposits

Many scholars of the co-operative movement has expressed their opinion that the co-operative societies should increase their capital through the deposits. There is no restriction that the depositors must be the members.

For getting the deposits on large scale from the public, it is very essential that confidence about the society must be created in their minds. Besides this the rate of interest, safety of the amount, period and the other transactions of the society are the factors which the depositors take into consideration while depositing their amount in the society.

While accepting the deposits, the Board of Directors and the staff should think about following matters

1) How much amount is needed by the society?
2) Whether they have the capacity to maintain increased transactions?
3) Not to mis-direct the depositors while accepting the deposits from them.
4) To think carefully about the future plans of the society.
5) To think about the financial position of the society to repay the deposit with interest after due period to the depositors.
6) To accept the responsibility to make progress of the society by utilising the increase in the working capital of the society.

Types of Deposits

1) Current Deposits - The Depositors can withdraw the amount and put it in A/c many times as per his need. The rate of interest is comparatively low on these deposits.
2) Saving Deposits - The Depositors can put the amount into the A/c many times but he can withdraw it only twice in week. The rate of interest is comparatively medium.
3) Fixe Deposits - These deposits are for certain period i.e. one year, two years, etc. The amount can be withdrawn after that period only. The rate of interest is high because the society can use this money for more time.
4) Recurring Deposits - When the depositers put the money regularly in some certain period of time i.e. daily or per month. These are called as Recurring Deposits. These are very useful for daily wage earners and salaried persons.

Attempts for increasing the Deposits

The society should try to mobilise the deposits through the following way -

1) To make advertisement in local news papers about the society and its attractive deposit schemes.
2) To make public contact at the fairs or through meetings and
3) Board of Directors and the Agents should give the information about the deposits to the public on their own.

4) Not to misguide the public by giving them unfactual and false information because the trust in the society vanishes after some period due to this.
5) To prepare the schemes for the welfare of the members and the public and tell them in such a manner as they would be able to understand its importance.

Responsibility of the Secretary in case of the Deposits

1) He should see that the accounts are kept properly and the recording of the transactions is made on time.
2) All the transactions should be done according to the Bye-laws of the Society.
3) In the Deposit Ledger all the necessary information such as the date of the transaction, amount of the deposits, date of repayment of the deposit, balance, rate of interest, etc. should be recorded properly.
4) The amount of deposit should be repaid after due period in time. Therefore, the secretary should make provision about it before time.
5) The secretary should behave heartedly with the depositors.

6) Raising Funds

The co-operative societies can form capital through this way also. The amount of Reserve Fund means the amount separated from the profit of the society.When the amount of Reserve fund increases, the necessity of outside loans is reduced. At the same time the society has not to give any

interest on this amount. Therefore, money of the society is saved from the point of self-reliance, this is a very good way. Increase in the Reserve Fund helps to achieve the financial stability of the society. Section 66 of the Co-operative Societies Act describes the details about the Reserve Fund of the Society.

Besides Reserve Fund, other funds such as Building funds, staff welfare funds, etc. are also be raised.

Apart from these funds, society can form its capital by accepting the donations. But it is necessary to see that there will not be any dominance by the doners in the society. Therefore, the society must take much precautions while accepting the donations.

4.8 Deposit Mobilisation in U.C.C. Societies in Wai Taluka

4.8.1 Meaning :

Deposits are the mainstay of the urban co-operatives credit societies and they constitute the life blood of these societies. [2] With the help of this source the societies can meet the needs of their members. The working capital of these societies involves deposits in lion's share.

The main aim of the urban co-op. credit society is to mobilise adequate deposit resources by introducing attractive deposit schemes. To attract deposits, these societies have to create a desire in the minds of the people to save and also the confidence in their minds about the safety of their deposits. Thus, the proportion of deposit

mobilisation depends on the following points -

1. Goodwill of the Urban Co-operative Credit Society.
2. Confidence about the safety of the deposits.
3. Quality of service given by the staff.
4. Rate of interest on the deposits.

4.8.2 Types of Deposits

1. Current Deposits
2. Savings Deposits
3. Fixed Deposits -
   (a) 46 days to 1 year
   (b) 1 year to 2 years
   (c) 2 years to 3 years
   (d) Dam Duppat Yojana (Money Double Scheme)
4. Recurring Deposits -
   (a) Daily Saving Deposit Scheme
   (b) Monthly Saving Deposit Scheme

(a) Current Deposits

The current deposit scheme is not used in all the urban co-op. credit societies in Wai Taluka. Because this type of account is not useful for a common man but it is very useful to the businessmen and traders which have many daily monetary transactions.

In this type of account any competent person can open current account with the bank. Generally, a current account can be opened by depositing minimum amount of Rs.100. After opening the current account, the societies supply to

the depositor a pass book, pay inslip and also a cheque book on demand to enable him to operate an account. A depositor can withdraw amount at any number of times on every working day. Hence, the societies give very low rate of interest on this account.

(b) Savings Deposits

The savings accounts are mainly for the benefit of non-trading customers having almost some capacity for saving. Generally middle class people and small traders open such accounts [3].

The main intention of such account is to develop the habit of thrift and saving among such fixed income people. Generally about 6% rates of interest is allowed on Saving Deposits. Depositors are allowed to withdraw the amount twice a week. Withdrawal forms or cheques may be used for withdrawal or payment of money. Interest is allowed on the minimum balance from 10th till the last day of the month.

(c) Recurring Deposits

This type of deposits have been introduced for the people who earn a fixed income in certain period. Under this scheme, depositor has to deposit fixed amount in his account for the specific period. After that fixed period is over, the depositor gets the amount deposited plus interest.

The depositor is allowed to close his account before maturity but he is entitled to a less rate of interest depending on the period for which the deposit has been kept.

Table 4.7

Classification of Deposits in Urban Co-op. Credit Societies in Wai Taluka

Sr. No.	Type of Deposit A/c	Types of Urban Co-op. Credit Socities				Total	Percentage
		Employees	Rural	Urban	Women		
1	Current Account	-	-	30,527	-		1
2	Savings Account	700	2,10,888	14,07,320	51,173	16,70,081	7
3	F.D. Account	9,16,100	8,10,012	92,36,339	82,050	1,10,44,501	49
4	Dam Dup. Account	3,85,500	3,60,850	15,78,825	4,13,080	27,38,255	12
5	Non-return D.A/c	43,450	609	-	11,600	55,659	1
6	Daily R.Deposit	-	3,37,886	56,59,593	3,20,279	63,17,758	27
7	Monthly R. A/c	67,950	34,760	3,60,642	2,23,449	6,86,801	3
	Total	14,13,700	17,55,005	1,82,73,246	11,01,631	2,25,43,582	100

(d) Fixed Deposits

Fixed Deposits are the deposits received for a fixed period. Depositors can not withdraw such amount before maturity. This deposit scheme is very sueful for creation of credit. To collect maximum fixed deposits, the U.C.C. societies have to provide various facilities and attractive rate of interest on such deposits.

The table 4.7 shows the amount of various deposits in the U.C.C. Societies in Wai Taluka.

From the table 4.7 it is clear that opening of current accounts in U.C.C. Societies are not popular due to low rate of interest. Only 2 societies have have kept the Current Account.

The amount of fixed deposit is more than other deposits. There is no daily Recurring Deposit in Employees Societies. But in other types the amount in daily deposit is comparatively high.

4.9 Loans and Advances Sanctioned by Urban Co-operative Credit Societies

4.9.1 Introduction

Urban Co-operative Credit Societies accept various types of deposits and it has to pay interest on such deposits. Unless they invest these funds profitably, they will fail to satisfy the interest of the investors. One of the most important ways of investing funds is giving loans and advances. Thus advancing loans to needy people residing

in urban and rural areas is one of the important functions of the urban co-operative credit societies. These societies provide loans to their members for better business and improving standards of living.

4.9.2 Procedure of Sanctioning Loans of the Urban Co-operative Credit Societies

It is necessary to have sound loan policy for every U.C.C. Societies. The lending policy and procedure of the U.C.C. Societies are laid down in the bye-laws of the societies which are formulated in accordance with the directives of the co-operative department.

The U.C.C. Societies have to consider the principles of safety, liquidity and profitability. Purpose and suitability have to be observed while lending money.

The U.C.C. Society has to take various documents for securities of loans. The Society also has to keep various registers and books in respect of this. The documents, registers and books required in various types of loans and advances are as follow:

(1) Fixed and Recurring Deposits Security Loans.

(a) Documents - (1) Application with deposit receipt signed by all, (2) Demand Promissory Note, (3) Letter of continuity, (4) Ownership right letter of Bank, (5) Right resignation letter in case of third part receipt and letter for taking loan, (6) Letter of right

to recover the amount of deposits for loans after the expiry of the term. (7) Statement of parents about telling that the loan is for the welfare of the minors.

(b) Registers - (1) Loan Ledger (2) Deposit Receipt Repayment Date Register.

(2) Loan on the ornaments of Gold and Silver.

(a) Documents - (1) Demand Promissory Note, (2) Agreement of ornament hypothication, (3) Statement of applicant about the ownership of ornament, (4) Valuation Certificate from the jeweller, (5) Letter of Right from the applicant about giving the ornamnts to third party and then its receipt.

(b) Books and Registers - (1) Loan Ledger, (2) Gold Silver ornament hypothecation Registers.

(3) Loans on the Security of Land & Building

(a) Documents - (1) Demand or Time Promissary Notes, (2) Letter of hypothication, (3) Memorandum of title deeds, (4) Original Documents about lease property, (5) Statement on the stamp paper about the self-ownership of the property, (6) Argument of the legal advisor, (7) Property valuation Report, (8) Lease Certificates (9) Assurance letter of the Debtor about the payment of property tax, rent, insurance premium etc.. (10) Insurance policy.

(b) Books & Registers - (1) Loan-ledger, (2) Property Record Register, (3) Insurance Policy Register.

Table 4.8

Classification of Loans in Urban Co-op. Credit Societies in Wai Taluka

Sr. No.	Types of Loans	Types of Urban Co-op. Credit Socities				Total	Percentage
		Employees	Rural	Urban	Women		
1	General Loans	1,34,24,719	12,58,378	31,59,267	14,15,716	1,92,57,500	56
2	Immediate Loans	7,98,454	31,436	1,60,572	-	9,90,462	3
3	Hypothesis	41,08,140	68,54,132	3,31,058	44,799	1,13,38,129	33
4	F.D.Deposit Loans	-	8,90,471	5,80,381	33,300	15,04,152	5
5	Daily Deposit Security Loans	-	3,43,115	81,943	7,210	4,32,268	2
6	Monthly Dep. R.Se.Loans	-	11,662	8,900	2,600	23,162	1
	Total	1,83,30,773	93,89,154	43,22,121	15,03,625	3,35,45,673	100

(4) Loans on Guarantee

(a) Documents - (1) Demand Promissory Note, (2) Letter of creating lease on the property of the applicant (3) Agreement about the Guarantee, (4) Continuity letter, (5) Report of loans already taken, (6) In case of servant's loan, letter of right for transferring the amount of salary.

(b) Books & Registers - (1) Debit-Ledger (2) Responsibility Register about Guarantee, (3) Document Register.

From the table 4.8 it is clear that the general loans are given by all types of U.C.C. Societies on large scale because it covers 56% of the total loans given.

In Employees Societies, the loans on fixed deposits are not given because gnerally, they do not accept deposits.

4.10 Audit in U.C.C. Societies in Wai Taluka

4.10.1 Introduction

Audit means a systematic examination of the final entries of a business which enables the auditor to satisfy himself whether or not the balance-sheet exhibits true and the correct record of an enterprise. It reflects an exact condition of the business. It includes skillful scrutiny of the books of accounts also.

Co-operative audit means an examination of accounts and also an enquiry of activities promoting the economic welfare of its members through the satisfaction of their

needs. The Bombay Act VII of 1925 defines 'Audit does the valuation of the assets and liabilities of the society and verifies cash-balances and securities'.

Co-operative Audit is as old as the co-operative movement. The importance of co-operative audit was duly realised even in the earliest stages of co-operation and proved so valuable that German Co-op. Act of 1889 made audit statutory for the co-operatives. In fact, F.W. Raiffeisen, the founder of the rural movement was also its first auditor [4].

For the healthy and sound growth of the co-operative movement it is highly imperative that there should be provision for adequate and systematic audit, as the members of the most of the co-operative societies are illiterate and ignorant.

Co-operative Audit has been defined as not only an examination of accounts, but also an enquiry into the affairs of the society in order to ascertain the correctness of accounts and the extent to which the activities of the society were useful in promoting the economic welfare of its members through the satisfaction of their needs in accordance with the principles of co-operation.

4.10.2 Objects of Co-operative Audit

1. To check whether the profit & loss accounts and the balance sheet are properly prepared and whether they represent a correct financial picture.
2. To detect real position and any fraud or error etc.

3. To prevent misuse of funds.
4. To ascertain whether the society carried business really on co-operative lines.

The Mirdha Committee on Co-operation considers it of the utmost importance that co-operative audit should also embrace a scrutiny as to how far the activities of a society conform to co-operative principles and to what extent the benefits of a society have accrued to the weaker or smaller among its members.

The Maclagan Committee (1915) emphasizes on constant and vigilant scrutiny of accounts and examinations of the general management through the Registrar's office.

4.10.3 Kinds of Co-operative Audit

There are mainly two types of co-operative Audit which are as follows -

1) Financial (Basic) Audit - This ascertains whether the transactions were fair and honest.
2) Methods Audit - This type checks the procedural and administrative arrangements. This is very much useful to check complicated activities like consumer service, industrial production, manpower utilization, cost per unit of goods and service given.

In India, in 1963, the Committee on co-operation prescribed other 4 types of audit -

(a) Concurrent Audit - It means continuous, monthly basis audit. This type of audit is meant for big banks and

big co-operative societies.

(b) Interim audit - It is conducted in between two final audits.

(c) Final audit - It is the annual audit relating to the closing of accounts of the particular year.

(d) Test Audit - It is the audit conducted by a senior auditor. In this audit only important items and not all the matters are audited.

The Committee on Co-operative Administration (1963) examined the question of norms for appointment of audit staff. The committee has suggested the scale as minimum that should be adopted for appointment of staff for audit of primary societies as shown in Chart 4.4.

Chart 4.4

Norms for Appointment of Audit Staff

Sr. No.	Types of Societies	No.of Societies per auditor	Category of staff to be entrusted with audit
1.	Employees Co-op. Credit Societies and urban banks	25	Senior Auditor
2.	Other Urban Co-op. Credit Societies of artisans, etc.	40	Junior Auditor

4.10.4 Audit of Urban Co-op. Credit Societies in Wai Taluka

Every urban co-op. credit society in Wai taluka has to conduct its audit. The audits are of two types -

1. Final Audit - Every society has to conduct final audit at the end of its financial year. This final Audit is conducted by the Chartered Accountant or Special Certified Auditor. The Report of this audit has to be presented in the Annual General Meeting of the Society. In that meeting all the members discuss on this report.
2. Departmental audit - This audit is conducted by the Auditors appointed by the Co-operative Development. The period of this type of audit is for two or three years. In this type, the auditor checks that the society has conducted its final audit every year and the overall working of this society is as per the provisions of the co-operative acts. The auditor presents his report to the co-operative department.

4.10.5 Audit Classification

After the audit of urban co-op. credit society is finished the auditor allots the audit-class to the respective society. The co-operative societies are classified as A,B,C and D class societies from the audit point fo view. The audit class of any society depends upon the financial position of the society. The auditor checks that the society has kept the day to day and uptodate recordings of its transactions. Also checks that the assets shown in the Balance Sheet are present in the society to their respected values. He checks the amount of deposits and loans and advances. He sees that the overdues of the society is more or less. After considering

all these factors he allots the Audit class to the respected society on the basis of his observations he has made about that society. Normally, a Society getting Audit Class 'A' must have its overdues less than 10%.

In West Bengal the Panels of outside auditors and retired officers check the accounts and allot the class. In Madras District Officer issues an audit certificate and gives the class. In Gujrat approved auditors do this work.

After the completion of audit, an audit class is given to urban co-operative credit societies in the classes of 'A', 'B', 'C' or 'D'. The meaning of these classes is as follows -

(1) A - Excellent

(2) B - Good, Medium quality

(3) C - General, lower quality

(4) D - Bad quality

These classes are given as per the guidelines decided by the Co-operative Registrars. While giving the class the life force of the co-operative society, efficiency in the working, economic stability, staff, internal control, overdues, management skill, upto date and neatness in the Accounts, Satisfactory rectification of early reports, etc. matters are taken into account. For getting Audit Class 'A', the Urban Co-operative Credit Societies have to keep high standard of their work.

The use of the Audit class is to get refinance facilities from R.B.I. and to get long term loan for share capital, to be eligible for accepting deposits from local institutes, to be eligible for giving guarantee, etc.

4.10.6 Audit Rectification Report

The defects or errors shown in the Audit or instructions are to be executed immediately and it is important to see that those errors will not occur again. The annual audit report with rectifications should be put before the Board of Directors in the Annual General meeting. Therefore, the urban co-op. credit societies should rectify the defects immediately shown in the Audit Report. [3]

The table 4.9 shows U.C.C. Societies in Wai Taluka according to Audit Class in the year 1993-94.

Table 4.9

Classification of Urban Co-op. Credit Societies in Wai Taluka according to Audit Class

Sr. No.	Audit	Employees co-op. Credit Societies	Urban co-op. Credit Soc.	Rural Non-Agri.Co-op. Credit Societies	Women Co-op. Credit Soc.	Total	Per-cen-tage
1	A	8	2	3	1	14	35
2	B	1	8	7	1	17	43
3	C	-	2	4	-	6	15
4	D	-	1	2	-	3	7
	Total	9	13	16	2	40	100

From the table 4.9 it is clear that the number of U.C.C. Societies having Audit Class 'B' is more. There are 09 societies having C and D Audit Class. Nearly 25% of the total U.C.C. Societies in Wai Taluka not financially viable due to reasons such as lack of owned office building, incompetent officials, directors and staff, and negligence of rules and regulations led by the Co-op. Department, inability of collecting deposits etc.

Table 4.11 shows the number of U.C.C. Societies in Wai Taluka with the percentage of dividend declared by them.

Table 4.10

Dividend Payment in Urban Co-op. Credit Societies in Wai Taluka in 1993-94.

Sr. No.	Dividend Payment (Percentage)	Types of Co-op.Credit Soc. Employees	Urban	Rural	Women	Total	Percentage
1	No Dividend	2	9	12	1	24	60
2	1% to 5%	2	-	3	-	5	12
3	6% to 10%	3	2	1	1	7	18
4	11% to 15%	2	2	-	-	4	10
5	16% to 20%	-	-	-	-	-	0
	Total	9	13	16	2	40	100

Source : Annual Report

It is clear that 60% of the total U.C.C. Societies are not giving any dividend to their members.

Generally 12% dividend is allowed. However, there are 8 societies which allowed dividend of more than 12% to their members.

References

1. Sou. Ghanekar Vidya
   Sahakari Sansthancha Karbhar (Marathi).
   Thokal Prakashan, 1977, Page 1.
2. Manual for Urban Co-op. Bank.
   Reserve Bank of India, Bombay, 1984, Page 20.
3. Radhaswami M.
   Practical Banking, S.Chand and Company ltd.,
   New Delhi, 1983, Page 63.
4. Prof. Kulkarni S.K.
   Co-operation, Phadke Prakashan, Kolhaour,
   1990, Page 121.
5. Barde S.D.
   Nagari Sahakari Banka (Marathi),
   Majestic Prakashan, Pune, 1987, Page 134.