Chapter – V

Problems of the Urban Co-operative Societies in Wai Taluka

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5.1 Introduction

After considering important organisational and financial aspects of U.C.C. Societies in Wai Taluka, an attempt is made in this chapter to discuss the problems of these societies; operational problems in general and managerial and financial issues in particular.

U.C.C. Societies face many problems in their day-to-day operations. These problems are interrelated and inter-dependent. These problems vary from society to society depending on the type of society, location of society, management of society and other factors.

5.2 Problem of Competition with Other Banks

Spread of Banking Business in Wai Taluka is remarkable. There are so many brnaches of nationalised, scheduled, commercial, D.C.C., other Co-operative Banks and Primary Societies in Wai Taluka. The U.C.C. societies have to face severe competition with these banks in respect of collecting deposits and advancing loans. If the U.C.C. Societies do not offer better service, the customers will not reach to them.

5.3 Less Attendance in the Meetings

The average percentage of attendance of the members in the Annual General Meeting is very less. This shows the indifferences of the members about their society.

The absentee of the Directors in the meetings of the Board of Directors is also very high. This shows that much of the Directors do not take interest in the overall working of the Society.

5.4 Members of Board of Directors

Board of Directors is the representation of the members. They work on behalf of the members. Following table shows the number of Directors in the Board of Directors in each type of the Society.

Table 5.1

No. of Members in Board of Directors in Urban Co-op. Credit Societies in Wai Taluka

Sr. No.	Type of Societies	No.of Directors in Societies								Total	Percentage
		7	8	9	10	11	12	13	14		
1.	Employees Co-op. Credit Societies	3	1	2	-	1	-	2	-	9	22
2.	Urban Co-op. Credit Societies	-	-	2	2	3	3	2	1	13	33
3.	Rural Co-op. Credit Soc.	-	-	1	1	4	2	6	2	16	40
4.	Women Co-op. Credit Societies	-	-	-	-	2	-	-	-	2	5
	Total	3	1	5	3	9	5	10	3	40	100

From the table 5.1 it is seen that the number of Directors in the Board of Directors lies between 7 to 14.

The number of societies having 11 directors are more. In the Co-operative Societies Act, 1960, it is stated that the number of members in the Board of Directors of U.C.C. Societies should be between 7 and 13.

The Board of Directors should represent all types of members. However, the representative of Economically Backward, Sociall Backward and also the women members is very less. It is an injustice with these members.

5.5 The Staffing Pattern

Today, the number of urban co-op. credit societies has increased on a large scale. Small traders, artisans, middle class people etc. are taking credit from these societies and they are saving their earnings into the various types of deposits in these societies. Thus, these societies are creating their important place in the banking sector of our country.

with the development of these societies, they are in need of employees on large scale. The good service given by the employees, attracts the customers towards any business. Therefore, the staff working in urban co-operative credit societies should be efficient, serviceable and clever. Their behaviour should be affectionate. They should be specialised in the salesmanship. After the assurance of the hearty-service given by the staff, the depositors attract towards these societies. Thus, the success of the urban co-op. credit society depends upon it's efficient staff. [1]

The table 5.2 shows the working hours of various types of staff members in the U.C.C. Society in Wai Taluka.

Table 5.2

Classification of U.C.C. Societies
on the basis of Daily Working Hours

Sr. No.	Daily Working Hours	Types of U.C.C. Societies				Total	Percentage
		Employees	Rural	Urban	Women		
1.	No Fixed Time	6	2	-	-	8	20
2.	Two Hours	-	4	-	-	4	10
3.	Four Hours	-	6	-	-	6	15
4.	Six Hours	3	4	13	2	22	55
	Total	9	16	13	2	40	100

There is no compulsion about the daily working hours to the U.C.C. societies. They can work as and when as per their convenience. However, it is there duty to provide their service as more time as possible.

Out of total 40 societies, 8 societies have no fixed time for their work. Many of them are employees societies because the number of members in these societies are very small and they personally contact to the secretary for their work.

All the urban societies work for full office day because they have to compete with many other societies and banks.

The rural societies work mainly in the morning for two to four hours. Then the officials, staff and members are free for other work in the day such as farming, job or other service.

5.6 Salary Paid to the Staff

The salary paid to the workers in the U.C.C. societies is very low as compared to the work load. Therefore, highly educated and efficient employees do not attract to these societies for jobs.

It is observed that the employees working in the U.C.C. Societies are less educated. They work in these societies on very low salaries and after taking sufficient experience of work they leave these societies and join urban banks or other institutions in expectation of high salaries. Therefore, the rate of labour turnover is high. It requires time for adjustment for new persons in U.C.C. Societies.

5.7 Political Interference in the U.C.C. Societies

Now-a-days political interference in the U.C.C. societies have increased. It increases the corruption and mal-practices. But the picture in Wai Taluka U.C.C. Societies is different. There is not much political interference in them. Most of the members are political indifferent.

The following table 5.3 shows the number of members working on various political posts in Wai Taluka.

Table 5.3

Political Persons as the Members of Urban Co-op. Credit Societies in Wai Taluka in 1993-94

Sr. No.	Name of the Body	Types of U.C.C. Societies				Total	Percentage
		Employees	Rural	Urban	Women		
1	Gram Panchayat	-	26	-	4	30	
2	Municipality	-	-	6	-	6	
3	Panchayat Samiti	-	8	2	-	10	
4	Jilha Parishad	-	4	-	-	4	
5	M.L.A. & M.P.	-	1	-	-	1	
6	Workers of Political Parties	4	15	20	6	45	
	Total	4	54	28	10	96	

Many times the co-operation is joined with the relation of politics. But the impression of politics does not appear in the U.C.C. Societies in Wai Taluka much.

According to Table 5.3 it is clear that in case of rural societies, the number of political memebers is high. It is remarkable that in 8 villages there are two societies each and they are managed by the rival groups in the village.

5.8 Problem of Office Building

Every U.C.C.Society must have proper office place for its day-to-day working. Office is a place where the staff completes its duties and where the customer comes for the transactions. In the office all the documents, Registers and Books of Accounts, stationery is kept to facilitate the functions.

In the U.C.C. Societies the problem of office-place is much intensive as many of the societies have no office building. These societies fulfil their transactions at any place of the convenience of the staff and the members. But it is very important that though very small, but every society must have office building so that it will help to create confidence about the society in members and also it will help to the officials and the staff to carry on their duties efficiently.

Table 5.4 shows nature of office building of U.C.C. Societies in Wai Taluka.

Table 5.4

Nature of Office Building of Urban Co-op.Credit Societies in Wai Taluka in 1993-94.

Sr. No.	Name of the Office Building	Types of U.C.C. Societies				Total	Per-centage
		Employees	Rural	Urban	Women		
1.	Owned Office Building	-	-	-	-	-	0
2.	Office Building on Hire	-	13	8	2	23	57
3.	No owned and no hire	7	-	4	-	11	28
4.	Without Office Building	2	-	4	-	6	15
	Total	9	13	16	2	40	100

According to Table 5.4 it is clear that no single U.C.C. Society in Wai Taluka has its owned office building. 57% of the societies have their office taken on hire. 28% societies are such which have office but they have not to pay hire for it. Many of the employees societies have their office in a small room provided to them at their working place without any hire. Some of the rural societies have their office in the chawdi or temple without any hire.

It is remarkable that 15% societies are such which have no office at all. The working of these societies is done in the house of the secretary and all the registers are kept there. This affects the quality of day-to-day work.

5.9 High Administrative Expenses

The proportion of expenditure of any type of society should be minimum to earn more amount of profit. The expenditure in the U.C.C. Societies in Wai Taluka is quite high as compared to their income. Especially, the amount of sundry expenses in all the society is high as compared to other types of expenditure. The sundry expenses such as meeting expenses, tea and refreshment expenses, guest expenses, travelling expenses, etc. are proportionately high due to mismanagement. These expenses are unproductive.

5.10 Shortage of Capital

It is said that capital is the life-blood of the business. Proper amount of capital is required for the healthy progress of the business. It is important that both over-capitalisation and under-capitalisation is harmful to the business.

In case of U.C.C. Societies in Wai Taluka that they are not succeeded in raising much capital they need. It creates problem for their growth and progress. Most of the U.C.C. Societies in Wai Taluka are financially not viable due to the shortage of capital and funds.

5.11 Problem of Deposit Mobilisation

Increase in the amount of deposits increase the working capital of the business. More the amount of funds, more the amount available for giving loans and advances.

Thus increase in deposits increases the income of the societies indirectly.

But the problem before the U.C.C. Societies is how to atrtact the depositors. Though the rate of interest of deposits are higher than of the banks, the deposits in the societies do not have the protection of Deposit Insurance Scheme. Therefore, people do not dare to keep their deposits in these societies in fear of the unsafety. In some societies, this problem crates due to mismanagement, mis-appropriation and lack of credit worthyness of the office-bearers and directors. This affects the basic objective of such types of societies.

5.12 Complicated Loan-Procedure

The loan-procedure in the U.C.C. Societies is much complicated. The Loan-taker has to cross many obstacles in the process while making the loan sanctioned. Some of the problems in the loan procedure can be stated as follow :

1) The loan-taker has to become the member of the Society irrespective of his desire.
2) He has to pay the entrance fees, contribution to building fund, etc.
3) He has to bring no-dues certificates from all the banks/societies in the region.
4) He has to wait till the meeting of the Board of Directors in which the decision about the loan is to be taken.

5) He has to keep some amount from his loan as the Fixed Deposit in the related Society.

5.13 Problem of Overdues

The loans and advances given to the members must be repaid by them as per the terms in time. It is the duty of the Secretary of the Socieity to keep watch on the recovery of loans. However, many times shortage of rain or due to any other reasons the members can not repay the amount in time. At that time the period for repayment is generally extended.

When the member can not repay his loan, he has to give an application to the Board of Directors. The Board of Directors prepare a statement about this and sends it to the A.R. Office. If there is any guarantor to the loan, then his approval is also taken. Thus, the inability is sanctioned and new period for repaying the amount of loan and interest is decided. However, unfortunately, the repayment is not made even in this increased period.

"The amount of loan which is not repaid even in the increased period is called as the overdues." [2]

Types of the Overdues

1. Freezed Loan :

When the creditor has enough assets, but is not repaying the amount of loan and interest regularly and if this irregularity remains for two to three years, then this type of loan is called as Freezed Loan. In this case the

creditor has more assets than the loan amount so that it is possible him to repay the loan in time.

2. Doubtful Debts :

If the repayment of loan is not done in time and also the repayment of the loan and interest is not done contineously for three years, also the assests and property of the creditor and his guarrantor is less than the amount of loan, then this type of loan is called as 'Doubtful Debt'.

3. Sunked Loan :

When the period of overdues goes more than five years and the amount of repayment is much more than the property of the creditor and his guarantor and also the creditor has no capacity to reapy the amount, this type of loan is called as sunked loan.

Duties of Secretary in Case of Overdues

In fact if the loan is given after deciding right policy and as per rules, its repayment becomes possible in time. Therefore, the Secretary has to be careful while sanctioning the loan. If he remains alert from the beginning, the proportion of overdues can be decreased. Therefore, it is the duty of the Secretary to do enquiry from start in loan cases. If the loans are sanctioned in bad ways for some self-benefit, the overdues are automatically increased.

The notices about the repayment of loans should be given to the creditors time to time. The Secretary has to

use all possible ways for the recovery of overdues. Firstly, he should send letters for the recovery, but if he fails in it, he should issue a notice of fine to the creditor. Also a new loan must not be given to him. Another notice should also be issued to the guarantor of the loan.

Though the amount is not recovered, the list of overdues with the details of their loans and the abstracts of accounts is sent to the Registrar. Then the Registrar gives the Recovery Certificate. After obtaining the Recovery Certificate from the Assistant Registrar, then it is sent to the Revenue Department for execution. Then the recovery is done.

Write-off of the Overdues

When the recovery of loans becomes impossible and the auditor remarks as sunked loan, the Secretary makes sanction the proposal about it in the meeting of Board of Directors and Special General Meetings. Then the amount of overdues and interest is transferred to sunked loan funds. It, in that case, is added to the Reserve Fund and capital of the Society. This process is known as 'Write-off'. For the purpose of write off, the permission of the Registrar is necessary. But in case of the societies having Audit Class 'A' and 'B' there is not need for such permission.

Table 5.2 shows the amount of overdues in the Urban Co-op. Credit Society in Wai Taluka in 1993-94.

Table 5.5

Overdues in Urban Co-op. Credit Societies in Wai Taluka

Sr. No.	Overdues (Percentage)	Types of U.C.C. Societies				Total	Percentage
		Employees	Rural	Urban	Women		
1.	0 to 5 %	4	8	4	1	17	43
2.	5 to 10 %	3	2	2	1	7	18
3.	10 to 15 %	2	1	2	-	5	12
4.	15 to 20 %	-	1	2	-	3	9
5.	More than 20 %	-	1	6	-	7	18
	Total	9	13	16	2	40	100

Table 5.5 reveals that Employees Societies have minimum overdues than other types of societies because the loan-instalments are deducted from the monthly salary of the borrower.

The Urban Societies have also tried to minimise their overdues but the rural societies are facing overdues problem severly. 15 out of 40 U.C.C. Societies have overdues more than 10 percent. this shows that there is no regular system for recovery of loans in Wai Taluka.

5.14 High Cash and Bank Balances

After studying the financial statements of each and every U.C.C. Society in Wai Taluka, the researcher has

observed that the proportion of the amount of cash and Bank balances is high in the amount of total assets.

Though the Cash and Bank balances are kept for safety and liquidity, it is not profitable for the societies. This problem creates due to lack of experienced and qualified staff.

5.15 No Proper Superivision by Co-op. Department

In many of the U.C.C. Societies in Wai Taluka, there is no arrangement of Internal Audit. However, Internal Audit is very necessary for the safety and security of the Society.

The Annual Audit of the Societies is also not done in time. Many of the societies do not rectify the defects shown by the auditor. This is mainly due to the lack of proper supervision and inspection by the co-op. Department.

5.16 Utility and Agency Functions Not Performed

To accept deposits and to advance loans are the two main functions of the banks. Instead of these functions, banks offer some utility and agency services such as transfer of money, safe deposit lockers, etc. for their customers.

Such type of utility and agency functions are not performed by the U.C.C. societies due to lack of proper office building and shortage of capital. Therefore, the customers do not attract towards these societies for keeping deposits or taking loans. Therefore, these societies can not compete with Urban and Commercial banks.

Thus, the Researcher has observed that all these problems of the U.C.C. Societies are interrelated and inter-dependent. One problem creats another problem. Thus, there becomes a chain of problems and ultimately it affects the progress of the societies.

For example, as there are very less salaries to the sfaff, the qualified candidates do not atrtract towards these societies. So less qualified staff works in these societies which affects on the quality of work and there arises work load. The customers do not get good service and they do not satisfy with the service. The recording of the transactions is not properly done for lack of experience and proper guidance.

Secondly, there is groupism in these societies. The Directors try to sanction the loans of such parties which are in their groups. Thus, proper precaution is not taken while distributing the loans. Hence, the loans are not repaid in time and the amount of overdues increases which adversely affects the viability of the Society.

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