

# **CHAPTER : I**

## **Conceptual Framework and Research Methodology**

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## Chapter : 1

# CONCEPTUAL FRAMEWORK AND RESEARCH METHODOLOGY

### 1.1 Introduction :

The term co-operation is derived from the Latin word 'co-operari', 'co' means 'with' and 'operari' means 'to work, Co-operation thus means 'working together for a common purpose.'

The term co-operative society is defined as "An association of a number of persons for a common benefit especially in carrying on some branch of trade or industry, the profit being shared, as dividend among the members of it, thus, co-operation is a joint or collective action of people directed towards some specified goals in which there is a common interest with hope of getting some rewards."

Co-operation has no limitations; the principle of co-operation is as old as the human society. It is truly the basis of individual and social life. Co-operative effort is ultimately the spirit in human being which enables him to live together, work together and share the fortunes and misfortunes together. The social and economic progress of mankind would not have been possible in the absence of co-operation.

### 1.2 Definition of Co-operation :

Some important definitions of Co-operation are given below.

- 1) **H. Calvret** : " A form of organization where in the persons voluntarily associate together as human beings on a basis of

equality, for the promotion of economic interest of themselves.”

2) **Prof. Paul Lambert :**

“A co-operative society is an enterprise formed and directed by an association of users applying itself the rules of democracy and directly intended to serve both it’s own members and the community as a whole.”

3) **Co-operation Planning Committee :**

“Co-operation is a form of organization in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests.”

### **1.3 The Principles of Co-operation :**

The principles of co-operation are stated below.

**A) Rochdale Principles :**

- 1) Voluntary and open membership.
- 2) Democratic control by “one member one vote.”
- 3) Division of the surplus in proportion to patronage.
- 4) Limited interest on capital.
- 5) Political and religious neutrality
- 6) Cash trading .
- 7) Promotion of education .

**B) Raiffeisen Principles :**

- 1) Self-help without exclusion of state help provided co-operation independence is preserved.
- 2) Limited area.
- 3) Allocation of the entire surplus to indivisible reserves.

- 4) Membership without subscription of shares.
- 5) Unlimited liability of members.
- 6) Limitation of the business to members only.
- 7) Voluntary work by board members.

**C) Schulze Delitzsch Principles :**

- 1) Self-help with exclusion of any outside help i.e. private or public sources.
- 2) Large territory of operation.
- 3) Division of the surplus in proportion to operations.
- 4) High interest on shares to attract large subscription of shares.
- 5) Limited liability of members (originally unlimited)
- 6) Business specialization.
- 7) Allocation of 10 percent of the surplus to reserves.

**1.4 History of Co-operation :**

“England has a long history of co-operation. The first co-operative organization was started in England in 1844 at a small town named Roshdale.. This organization was formed by 28 weavers and from this movement a new concept of co-operation was emerged in the world. Later on it was accepted all over the world. The urban co-operative credit society movement was originated from Germany where Terman Schultz started such societies for the benefit of artisans. In Itally, the credit of starting such societies goes to Luigi Luzzatti. The co-operative movement which saw the light of the day in Europe has spread through the world.”

## **1.5 Co-operative Movement in Different Countries:**

“The co-operative movement which began in England in 1844, and gradually spread in other countries of the world.

In Germany the “poor people’s committee” was established for the poor people by Raiffeisen in 1849. He also established the first patsanstha at his native place in 1850

Denmark has introduced herself as a “Co-operative Denmark” in the world. Denmark is famous for “Co-operative agriculture” as well as Dairy projects. In 1886, the consumers’ co-operative society was established and in 1882, The dairy project was started co-operative basis in Denmark. The dairy project was started in a town named Hezding.

Russia, truly was on the way of development after 1905 the war and 1917’s Russia revolution. The first consumer’s co-operative society was established in Russia in 1865.

The important year in the history of China for political and economical development was the year of 1918 in which China reached on it’s highest development process in political and economical field with the efforts of Dr. Sen, The first “Shanghai National Co-operative saving Bank” was established in 1919.

Israel in past was known as by ‘Palestine’. The service co-operative society was established for consumers, labourer and producers in Palestine in 1910.

The Consumers’ Co-operative society was established for the first time in Japan in 1879”

The different types of co-operative credit societies are working and are spread in the various parts of the world and some

countries are famous in co-operative societies. Table No. 1.1 shows of countries and the type of co-operative development, there in

**Table No.1.1**  
**Co-operative movement in various countries.**

<b>Sr.No.</b>	<b>Types of co-operative</b>	<b>Countries</b>
1	Consumers co-operative	England, Russia & Sweden
2	Credit co-operative	Germany, Italy, Sweden, India.
3	Marketing co-operative	Canada, U.S.A., Australia
4	Land mortgage credit	Germany, England, France
5	Dairy co-operative	Denmark, New Zealand
6	Framing 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-operative	England
11	Co-operative Education	England

Source : “Co-operative Management- Practices, Problems & Prospectus”, By Pawan K. Kamra, P. 20

Table No. 1.1 indicates that the consumers co-operative societies were started in England, Russia and Sweden. The countries like India, Germany, Italy and Sweden are more active in credit Co-operative societies.

Marketing Co-operative movement was started specially in Canada, U.S.A. and Australia where as the land mortgage credit

societies were started in Germany, England and in France. The Dairy Co-operative societies were started in Denmark, Newziland and recently in India. Russia, Yugoslavia, Palestine these countries started farming co-operative societies and on the other hand U.S.A., Sweden and Israel started housing societies, producers Co-operative societies were generally started in France and England. The Insurance co-operatives were started in England.

### **1.6 Co-operative Movement in India :**

Co-operative movement in India has a long history. In India the first urban credit society saw the light of the day in 1889 when a mutual aid society was registered at Baroda and the founder was Prof. Praladh Laxman Kavthekar.

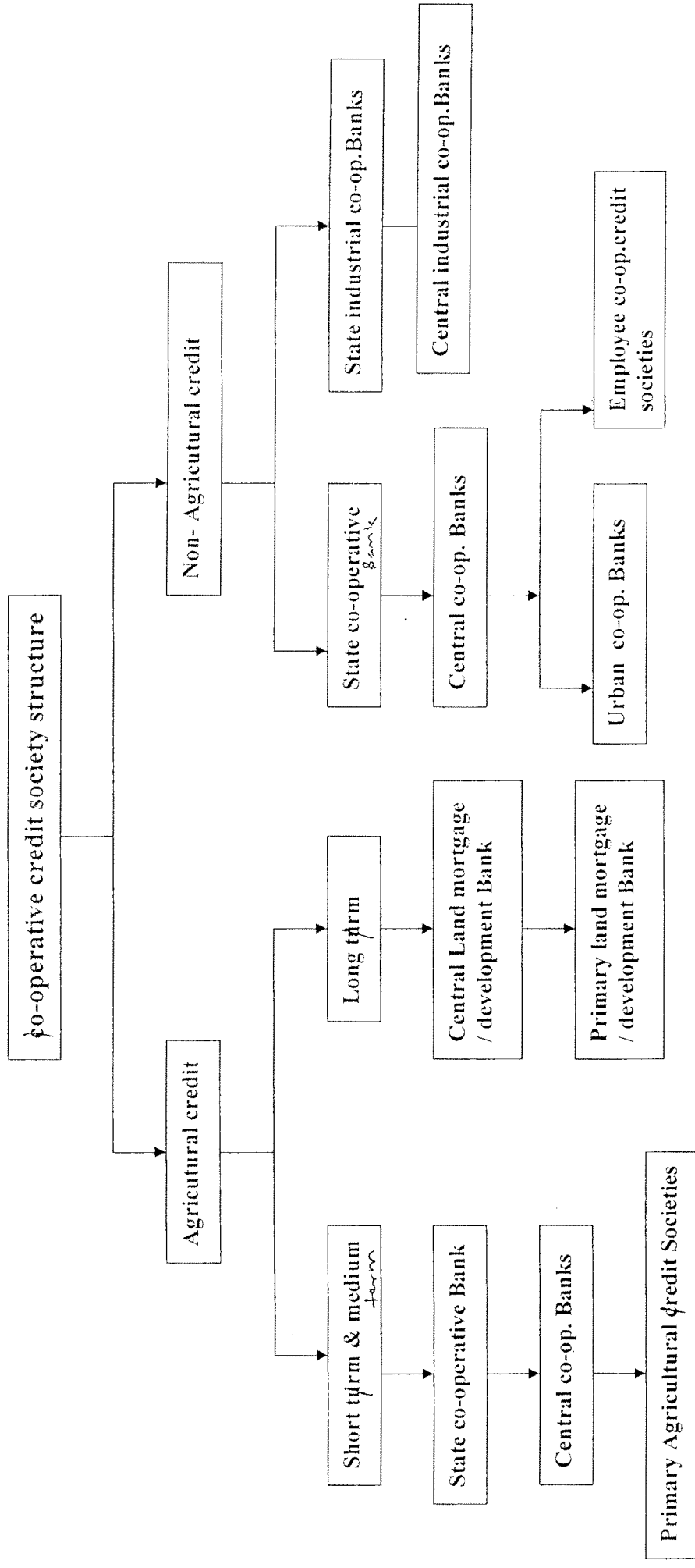
In India Co-operation was conceived for the first time at the end of last century as a remedy to liberate the down-trodden farmers from the grip of vicious circle of poverty. A group of officials of Govt. of India after studying the working of the Agricultural Bank of Egypt recommended the co-operative experiments in India on the similar lines. In 1882 the Govt. of Madras province deputed Sir Fredrick Nicholson to investigate into the possibility of introducing land and agricultural banks in that province. He in his monumental report recommended Raiffeison model. Simultaneously Mr. Dupenex of Indian Civil Service after an intense study of the problem, experimented village banks in U.P. and published an interesting book entitled. "Peoples Banks in North India." On inspection of these two reports the Govt. of India in 1900 appointed a committee under Sir Edward Law to make proposals in this regard after consulting the govt. officials of Punjab, U.P. and Bengal who had already started

pioneering societies. On recommendations of this committee the Co-operative Credit Societies Act, 1904 was passed which gave real impetus to the co-operative movement in India.

The co-operative credit structure in India, so far as rural agricultural finance is concerned, is divided into two parts; one engaged in the provision of short term and medium term credit and the other in long term credit, co-operative credit societies are working with the support of district bank and the district bank is working with the support of state co-operative bank, state co-operative bank in each state is closely linked with the Reserve Bank of India and National Bank for Agricultural and Rural Development which provides considerable finance to co-operative credit structure.



## Co-operative Credit Society Structure



Sources : Problems & Prospects of Co-operative movement Books, published by Shivaji University, Kolhapur,  
 Commerce & Management Department

## 1.7 Co-operative Movement in Maharashtra :

Maharashtra has witnessed to Co-operative movement since 19<sup>th</sup> century. The co-operative movement was started in India as a result of the economic distress during the latter part of the 19<sup>th</sup> century. In 1904 the Co-operative Credit Societies Act was passed to encourage thrift and spirit of co-operation among agriculturists, artisans and persons of limited resources.

Maharashtra is one of the leading states in this field. The Govt. of Maharashtra took keen interest in the co-operative movement by contributing to share capital and granting loans and subsidies.

In Maharashtra the co-operative movement developed from 1950. The first co-operative sugar mill in India was established in Pravaranagar –Loni (Dist : Ahmednagar) and at the time of 1960 were 13 Co-operative sugar mills in Maharashtra.

The great people who supported to Co-operation in Maharashtra, included Vaikunthbhai Mehata, D.G.Karve, Vitthalrao Vikhe Patil, Dhananjayrao Gadagil, Yeshwantrao Chavan, Vasantdada Patil, Ratnappa Kumbhar, Tatyasaheb Kore etc. With the support of the Act 1960 and the devotion of above mentioned leading personalities, Maharashtra is now one of the leading states in India in Co-operative societies.

Co-operative credit society is an important form of institutional credit. In Maharashtra various types of co-operative banks and co-operative credit societies are established for the purpose of meeting the credit requirements of people belonging to lower and middle income groups. The development of co-operative credit societies have changed the economic and social life of the people

## **1.8 Co-operative Movement in Kolhapur District :**

Kolhapur district is a well developed in the co-operatives from 1912 and the credit goes to Chhatrapati Shahu Maharaj. Shahu Maharaj was the first King in India who implemented the Indian Co-operative Societies Act 1912 in Kolhapur Sansthan and thus today Kolhapur is a well developed in co-operative movement .

In Kolhapur sansthan the first co-operative society was established on 24<sup>th</sup> May 1913, named “The Kolhapur Urban Co-operative Credit Ltd.” (Kolhapur Urban Patsanstha). Ther after in 1936 this Patsanstha was converted to in “The Kolhapur Urban Co-operative Bank Ltd”. On 17<sup>th</sup> October 1915, the leading leader Shreepatrao Shinde established “Balbhim Patsanstha” and there after on 9<sup>th</sup> August 1946 this pathsanstha was converted into “Shree Balbhim Co-operative Bank Ltd.”

On 24<sup>th</sup> March 1927 there was established “Shree Shahu Co-operative Credit Society Unlimited. (Shahu Patsanstha) and this patsanstha was converted into “Shree Shahu Co-operative Bank Ltd.” on 4<sup>th</sup> Nov.1959.

The king Chhatrapati Shahu Maharaj opened the doors of co-operative development under the control of Shree Dhondo Krishnaji Marathe in Kolhapur.

The devotional support of Bhaskarrao Jadhav to the co-operative movement in Kolhapur was very important and praise-worthy and because of his devotional support, today the co-operative movement has bore fruits in all sectors in the Kolhapur district.

## 1.9 Employee Credit Societies at National Level.

The co-operative credit societies have a lion share in institutional credit in India. The main purpose of establishment of this institution is to fulfill the credit requirement of people belonging to lower and middle income groups. This has played a vital role in the development of rural and urban economy in India.

The following table shows the position of non agricultural co-operative credit societies.

**Table No. 1.2**

### **Non-agricultural credit co-operatives (primary)**

Non-agricultural credit co-operative societies (including employees credit societies and urban banks)

( Rs. in Million )

<b>Sr.No.</b>	<b>Particulars</b>	<b>1999 - 2000</b>	<b>2001 - 2002</b>
1	No.of societies	47,491	47479
2	Membership (Million)	2,24,488	22.3771
3	% of SC members	N.A.	N.A.
4	% of ST members	N.A.	N.A.
5	Share capital	Rs.29226.7	RS.29665.0
6	Govt. participation in share capital	1.02 %	1.01%
7	Reserves	Rs.5959.4	Rs.6077.3
8	Deposits	Rs.60611.0	Rs.70316.3
9	Working capital	Rs.134364.6	Rs.140065.1
10	Loans advanced	Rs.84893.2	Rs.105189.3
11	Demand during the year	Rs.45958.5	Rs.45756.1
12	Overdues	Rs.10834.0	Rs.11132.4
13	% of overdues to demand	26.6 %	24.3 %
14	No.of banks making profit (%)	65.8%	66.1 %

Source : Member banks, NAFCUB, NABARD

**PERFORMANCE OF NON-AGRICULTURAL CREDIT SOCIETIES  
FOR THE YEAR 2000/1 2002**

S.No.	(Membership in Actual)	No. of Branches	Membership	Share Capital	Working Capital	Reserves	Deposits	(Value Rs. in lakhs)	
								Loans Advanced	Borrowings
01	URBAN	3761	2380000	5882.00	55792.00	4621.00	31775.00	41327.00	16845.00
02	A.P. *	5	1000	8.88	28.00	2.00	23.00	11.00	0.00
03	ARUNACHAL *	797	0	0.00	0.00	0.00	0.00	0.00	0.00
04	ASSAM ***	652	413000	1053.00	8298.00	602.00	5311.00	1088.00	1326.00
05	BIHAR ***	4313	2000000	8836.00	52478.00	2875.00	25512.00	27135.00	4033.00
06	GUJARAT **	875	185031	1872.84	24955.53	124.00	16409.73	22456.38	2540.00
07	HARYANA **	381	42915	867.45	7903.49	361.75	3250.67	4463.70	2533.48
08	H.P. *	0	0	0.00	0.00	0.00	0.00	0.00	0.00
09	J & K	2528	1434189	19537.77	28601.28	9424.96	80005.65	81730.21	7693.11
10	KARNATAKA	1017	1032710	7698.82	63200.04	2334.27	34319.97	30230.28	11721.09
11	KERALA *	887	335000	1050.00	6551.00	576.00	3051.00	3232.00	591.00
12	M.P. ***	20405	8861936	216356.00	939076.00	29420.00	317177.00	524409.00	111756.00
13	MAHARASHTRA	58	17407	167.00	1690.73	78.00	1173.34	1315.48	61.00
14	MEGHALAYA	129	23000	76.00	1349.00	31.00	1100.00	450.00	87.00
15	MANIPUR ***	--	0	447.00	0.00	0.00	0.00	0.00	0.00
16	MIZORAM ***	14	335000	0.00	0.00	0.00	0.00	0.00	0.00
17	NAGALAND ***	696	227000	3192.00	40956.00	746.00	12400.00	26371.00	7770.00
18	ORISSA *	761	138287	2169.21	38074.49	154.90	29608.39	202724.61	102.04
19	PUNJAB	603	80402	335.00	2136.00	77.00	1114.00	1017.00	139.00
20	RAJASTHAN ***	0	0	0.00	0.00	0.00	0.00	0.00	0.00
21	SIKKIM	1798	1032453	16971.32	67415.00	5865.00	30949.00	51273.00	1375.09
22	T.N. ***	16	3983	45.67	456.21	22.73	190.26	251.75	26.14
23	TRIPURA	1663	684000	1554.00	7480.00	398.00	4165.00	1927.00	1362.00
24	U.P. ***	4599	1950000	4035.00	26169.00	1535.00	14025.00	10371.00	6574.00
25	W.BENGAL ***	19	1000	4.00	17.00	4.00	7.00	29.00	3.00
26	ANDAMAN & N. Is. ***	1042	462160	1190.45	2493.00	0.00	82508.86	0.00	0.00
27	DELHI *	0	0	0.00	0.00	0.00	0.00	0.00	0.00
28	GOA, DAMAN & DIU	--	0	0.00	0.00	0.00	0.00	0.00	0.00
29	LAKSHDWEEP	68	28700	596.84	2979.67	186.96	1467.80	3081.88	962.80
30	PONDICHERY *	0	0	0.00	0.00	0.00	0.00	0.00	0.00
31	CHANDIGARH	22	4160	190.00	406.80	21.60	--	388.45	82.76
32	DADAR & N.H. **	364	201242	2493.77	22117.05	1308.44	7619.47	13581.24	3373.71
33	GOA	6	2539	20.00	28.00	4.00	0.04	30.00	--
34	DAMAN & DIU ***	47479	2237134	296650.02	1400651.29	6073.61	703163.18	1054893.93	189957.22
	TOTAL								

Source: 2000-2001, \*\* 1999-2000, \*\*\* 1998-1999

Note: \* 2000-2001, \*\* 1999-2000, \*\*\* 1998-1999

1 Million = 10 Lakhs

Table 1.3 shows the exact position of co-operative societies in 33 states of our country. Maharashtra is the leading state in co-operatives compared to the other states. West Bengal stands second in co-operative development. The states such as Jammu and Kashmir, Sikkhim, Goa and Chandigarh, are far away from the co-operative development.

### **1.10 Employee Credit Societies in Maharashtra :**

In Maharashtra the co-operative movement is well developed from 1960. In addition to co-operative banks many urban co-operative societies are established.

Co-operative movement is one of the most effective movements Maharashtra has experienced. It began in the last decades of 19<sup>th</sup> century. It caught momentum in 20<sup>th</sup> century. Now the co-operative movement in Maharashtra is one of the best movement and social action for common people.

In Maharashtra employee co-operative credit societies are established by the, primary teachers, college teachers and employees of other organizations. The number of co-operative credit societies in Maharashtra as on 31<sup>st</sup> March 2005 was 17,857 including 7163 employee credit societies.

Kolhapur has a long history of co-operative movement. The co-operative societies were started from 1912. On 31<sup>st</sup> March 2005, there were 22 co-operative sugar mills and 39 co-operative cotton mills in Kolhapur district

### **1.11 Employee Credit Societies in Kolhapur District:**

The total number of co-operatives credit societies in Kolhapur district as on 31<sup>st</sup> March 2005 was 2505 including 327 employee credit societies. Employees of different institutions have formed co-operative societies for meeting their credit requirement. Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Maryadit Kolhapur is established by the backward caste employees of the Maharashtra State Electricity Board. Generally the people belonging to backward castes are socially and economically weak and their credit requirements are not adequately fulfilled. The main aim of their credit society is to improve the economic condition of the backward caste people by inculcating the saving habit and providing loans at reasonable rate. The present study is the study of financial position and performance of this society.

### **1.12 Statement of Problem :**

The statement of problem of present study is A Critical Study of Financial Performance of Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha.

### **1.13 Objectives of the Study :**

The main objectives of this study are as follows

- 1) To understand the role played by urban co-operative societies in India.
- 2) To study the growth of Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Maryadit Kolhapur.

- 3) To analyse the financial performance of Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Maryadit Kolpaur, with help of financial ratios.
- 4) To identify the financial problems faced by the Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Maryadit Kolhapur.
- 5) To suggest a few measures for improvement of Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Maryadit Kolhapur.

#### **1.14 Scope of the Study :**

This study is concerned with financial performance of one unit viz Kolhapur Zilla Magasvargiya Vidut Karmachari Sahakari Patsanstha Marayadit, Kolhapur. For this purpose data for the five years from 2000 to 2005 is taken in to consideration.

#### **1.15 Research Methodology :**

##### **Collecting and processing of data :**

The present study is mainly based on the secondary data available from the annual reports of the society. In addition to the records available in the society, the further details are collected by administering a questionnaire to select borrowers of the society. The researcher met the officials of the society and discussed the issue with them. After collection of the data as above, the data was classified in such way that the analysis of the profitability was possible.

The technique of ratio analysis is used to understand the profitability and financial position over the period of time and changes there in.



### **1.16 Limitations of the Study :**

The study is undertaken as a part of the fulfillment of the requirement of the degree of Master of Philosophy in commerce and management.

The major limitations of the study are as follows:

1. The present study is limited to one society only.
2. Due to the time constraint scope of study is restricted to a period of five years from 2000 to 2005.
3. The researcher depends mainly on the secondary data.

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