



Progress & Problems of Urban Co-Operative Credit Societies in Maharashtra State

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Introduction :-

‘Co-Operation is derived from the Latin word ‘co-operari, “co” means with and “Operari” to work. The word Co-operation indicates the system of the people voluntarily associated working together on terms of equality to eliminate their economic exploitation of middlemen such as money lenders, zamindar, Savkar & Mahajans and to fulfill their common needs in order to make them self reliant. The Principle of Co-operation is humanity. In the word of Dr. Smith Co-operation has been regards as one of the economic miracles of the Last Century. The Rig-veda realized the importance of Co-operation among the people, When it exhorted them ; May you all have common purpose. May your hearts be in unison. May you all be of the same mind, so that you can do work efficiently & well .”¹ The first urban credit society was registered in oct. 1904, at kanjeeavran, in the madras province. Modern Co-operative has developed for over 200 years. Co-operative institutions exist all over the world providing essential services which would otherwise be unattainable.

Objective of the Study :-

Keeping in view the necessity of the efforts for improving the problems of urban Co-operative credit societies in Maharashtra state. The present study endeavors to examine the Economic Problems & Viability of Urban Co-operative credit Societies in Maharashtra with Following Objectives.

- 1) To Study the Progress of the urban Co-operative credit societies in Maharashtra.
- 2) To study the problems faced by the urban Co-operative credit societies in Maharashtra.

Hypothesis of the Study:-

The Progress of urban co-operative credit societies showing increasing trends.

Methodology :-

The present study pertains to Maharashtra and covers a period from 1981 to 2019 it is based on secondary data drawn from Statistical statement relating to operations of urban Co-operative credit societies in Maharashtra published by registrar of Co-operative Societies, Maharashtra State Pune, Various Reference books, Beside tabular analysis, simple annual growth rate, percentage variation were worked out to draw interference.

Urban Co-operative credit Societies in Maharashtra:-

Co- operative Movement spread not only in rural areas but also in urban areas too. It provides loans to the small traders, artisans, self-employment etc. The following table shows the progress of the urban Co-operative credit Societies in Maharashtra.

Table 1.1
Progress of the urban Co-operative Credit Societies in Maharashtra
(Members in thousand & Rupees in Lakh)

Items	1981	1991	2001	2011	2012	2013	2014	2015	2016	2017	2018	2019
Societies	494	952	4784	14277	15745	17202	17857	18349	18392	18778	17278	16357
		48	80.1	66.49	9.32	8.47	3.67	2.68	0.23	2.06	-8.68	-5.63
Members	131	316	2117	6433	6819	7566	8133	8133	10322	10936	11422	12372
		58.84	85.07	67.09	5.66	9.87	6.97	0	21.21	5.61	4.25	7.68
Share capital	107	506	4945	86916	88091	147728	169728	169728	183935	199881	195762	287683
		78.85	89.77	94.31	1.33	40.37	12.96	0	7.72	7.98	-2.1	31.95
Owened Funds	141	668	6504	115869	119367	238015	282804	300264	317796	281066	286352	456752
		78.89	89.73	94.39	2.93	49.85	15.84	5.81	5.52	-13.07	1.85	37.31
Deposits	78	612	12890	399128	516106	723222	727142	1084944	1315900	1403958	1381190	1354282
		87.25	95.25	96.77	22.67	28.54	0.54	32.9	17.55	6.27	-1.65	-1.99
Working Capital	304	1477	26164	587506	775415	1174997	1498568	1498568	2088640	2238744	2326519	2785829
		79.42	94.35	95.55	24.23	34	21.59	0	28.025	6.7	3.77	16.49
Loans Advanced	291	1027	16664	351764	490282	715186	798376	981654	1042294	1051575	1140570	996529
		77.67	93.84	95.26	28.26	31.45	10.42	18.67	5.82	0.88	7.8	-14.45
Loans Overdue	20	78	2399	50705	26534	113755	139289	150217	220335	267660	330500	328244
		74.36	96.75	95.27	-91.09	76.67	18.33	7.27	31.82	17.68	19.01	-0.69
Societies in Profit	372	621	3014	10291	11398	12816	13253	13198	11227	12877	11632	10786
		40.1	79.4	70.71	9.71	11.06	3.3	-0.42	-17.56	12.81	-10.7	-7.84
Amount of Profit	12	42	877	20300	24340	31484	35176	57086	31230	52738	74370	71927
		71.43	95.21	95.68	16.6	22.69	10.5	38.38	-82.79	40.78	29.09	-3.4
Societies in Loss	42	208	1103	3138	3461	4084	6895	4316	4579	5292	5222	5309
		79.81	81.14	64.85	9.33	15.25	40.77	-59.75	5.74	13.47	-1.34	1.67
Amount of Loss	1	8	112	1575	1847	2751	3010	3819	5307	9218	15478	28975
		87.5	92.86	92.89	14.73	32.86	8.6	21.18	28.04	42.43	41.43	45.65

Source : Corporative Movement at a Glance in Maharashtra Office of the Commissioner for Co-operation & Register of Co-operative Societies, Maharashtra State Pune

Table No. 1.1 shows the progress of the urban Co-operative credit societies in Maharashtra state. These societies increased from 494 to 16357 during 1981 to 2019, the growth rate was uneven. Membership increased from 131 thousand to 12,372 thousands in 2019 growth rate was fluctuated. Share capital increased from Rs. 107 Lacks in 1981 to Rs.2,87,683 lacks in 2019, therefore the growth rate was uneven. Owened funds increased From 141 Lacks in 1981 to Rs. 45,6752 lacks in 2019, growth rate was uneven and negative in 2017 (-13.07). Deposits increased from 78 Lacks in 1981 to Rs. 13,54,282 Lacks in 2019, the growth rate was uneven and negative in 2018(-1.65), 2019 (-1.99). Loans advanced increased from Rs. 291 Lacks in 1981 to 11,40,570 Lacks in 2018, growth rate was uneven and negative in 2019 i.e.(-14.45). Loans over dues increased from Rs. 20 Lacks to Rs.3,30,500 in 2018, growth rate was uneven concern to deposits, working capital, and loans over dues. Number of Societies in Profit stand at 372 in 1981 increased up to 12,877 in 2017. Number of



societies in loss stood at 01 in 1981 increased up to 5,309 in 2019. Growth rate showed that the increased in societies in profit & societies in loss therefore, growth rate of societies in loss are quite high regarding to societies in profit. Increase in over dues affects the Profitability of the Societies and Increases the number of loss societies.

The Co-operative Movement is considered to be the most effective non-violent weapon in the hands of the weaker sections of the society to depend themselves against the exploitation by economically strong. In the history of the Co-operative movement in India there are more studies of failures than those of success 1. Needless to say that the required importance was not given to the movement during the British period. The past evidence shows that it was a formality, Just to divert the attention of the people from the national freedom movement 2. The Co-operative Movement totally failed during the British rule. But it is quite surprising that after 62 years of economic planning the movement could not make a considerable progress. If we examine the development of Co-operative activities during the successive five year plans, although the movement has got a quantitative increase in several Co-operative organization. Increase in several Co-operative organization, the major amount of investment made by them has been in the diversification of activities covered by them, but as far as qualitative improvement is concerned the movement could not get success.

However, the following problems & weakness are also responsible for the slow progress of the urban Co-operative credit societies.

1) It is not a “self born” & is not even today, a spirit of mass. However, in abroad, the movement was born at the base level as solution of the problem. It was a mass movement & spirits of the millions of the people. The Consumer Movement of Great Britain & Credit Movement of Germany & Italy, the Dairy movement of Denmark & Co-operative farming of Israel & Russia are Some examples of self – born movements that started from the bottom. The history is provides the evidence that the movements that began from the gross-root-level have achieved their goals. In fact, people have kept tendency to regard the movement as government programme, which was launched for their economic betterment. Today, a large number of societies are organized either by government or with the support of government. Therefore, people do not feel their responsibility & depend upon the government aids & help .Therefore the movement could not get success in India like abroad. In case if the Government withdraws it helping hand from the movement it will become paralysed.

2) “Corruption” & “Red Tapism :-

Various studies reveal that there are several corruption & favoritism in granting of loan, misuses of funds, fake entries of sales etc. are common in Co-operatives. The Management board of the Co-operative societies is often found involve in different types of malpractice. Today they have captured & used the societies as an earning source. They always try to win the election by hook & crook only for their vested interest.

3) Uninspiring & ineffective leadership :-

The seminar on “Co-operative leadership & Management” held at Bankok in 1969 had defined that a leader is person who is able to perceive & define goals clearly



& who would organise & direct efficiently human & other resources & develop a strategy of action for achieving the desired goals 3 but, “there is, by & large paucity of effective leadership at various levels of Co-operative organization. There is a lack of proper understanding about meaning, qualities & functions of leadership among most of the Co-operators & executives of the Co-operatives. 4

It is because the Co-operative leaders are not always elected on the basis of their competence, expertise to Co-operative ideology. Neutrality of Co-operation in respect on caste, creed, religion & politics is just as an empty slogan. Various political parties are directly or indirectly involved in the Co-operative organization. During the election period they often try to support their candidates. Sometimes the ruling party nominates the leader among the Co-operative organizations. After the election when they come into the management board as Director chairman they always create problems. It is because of that they have neither knowledge of modern management & Co-operative principles nor the required dedications for the development of the movement. New class of Co-operative leaders had spring up for when Co-operatives is just like any other economic enterprise because neither he has a real understanding of Co-operative ideology nor does he possess business outlook.” 5 There are a few Co-operators, who possess all the qualities of ideal leadership, but they always remain in the background, like playback singers.6

4) Ineffective & inefficient Supervision :-

The present arrangement for the urban Co-operative societies is defective & unsatisfactory. The credit societies have not educated & supervisory staff. The work load of supervisors is usually excessive with the result that they are unable to perform all the functions required of them. It has, however, also been observed that supervisors mainly confine themselves with the work of preparation of loan applications, disbursement & recovery of loans.7

5) Lack of Co-ordination:-

The prime spirit of this principle is that all Co-operative organization in order to best serve the interest of their members & their communities, Should actively Co-operate in every practical way with other co-operatives at local, national & international level. It has been noticed that there is hardly any Co-ordination & Co-operation among the different Co-operative organizations. Committee on Co-operative credit (1960) Suggested that there Should be a proper Co-ordination between the credit society & the marketing Society for the cash credit recovery. The former should finance members on the condition that their produce is sold through the marketing society. In this manner the loan is timely recovered & problem of over – due may be sorted out of certain extent. But in practice this principle could not be followed by both the societies. Therefore, “if the Co-operative movement is to rise to its full Stature, the several Co-operative institutions Should have a proper Co-ordination.”

6) Unscientific & improper auditing: -

“The audit is an indicator of financial health of Co-operative Society & it is a tool to maintain public image to Co-operation & to assure the state & general public that the movement is proceeding on right lines.”8 But the Co-operative audit is very poor in Maharashtra . In Co-operative societies there are more chances of errors because the accounts are maintained by untrained semi – educated or in experienced



accountant or secretary. If these errors are not detected, they may have far reaching effect on the financial position of the society. On the other hand, it has been observed that some of the officials of the societies are involved in various types of malpractice or corruption but maintain their office record as required. Therefore, a Co-operative auditor is required to rectify such types of errors & guide the person Concerned for future. Besides this the inadequate audit stay is also an important problem of the Co-operatives, thus violating the provision of law, delaying the general body meeting & generally detracting from the efficiency of the Co-operative audit.

7) Absence of loyalty & Neutrality:-

It seems that most of the members are active only for their self interest They do not feel their responsibility towards the society it was found that loans advanced in cash to members were not utilized for the purpose Stipulated, but were channelised to other purposes. The neutrality of the members towards the society indicates that they are not interested in the smooth functioning of the society.

8) Lack of Co-operative Education & Training :-

“No Co-operative activities could be genuine if not motivated & propelled by force of Co-operative education & training”⁹. ICA & various other expert bodies have from time to time suggested & emphasis the importance of Co-operative education & Training necessary for all classes of persons, i.e. officials & non official, leaders etc. in the Co-operative sector.¹⁰ In fact various attempts have been made by the state government for the expansion of the co-operative education program me. Unfortunately, these efforts were limited, to some of the officials of Co-operatives. Over nine decades of Co-operative movement people have been unable to distinguish the terms sahakari and sarkari in rural areas where the sahakari (Co-operative) often used as sarkari (Government). The development of awareness among the members as well as official staff through Co-operative education or training is the basic need of the hour.

9) Dormancy & Defunctness :-

Of a large number of societies is also formidable problem of the Co-operative movement. These Societies simply adorn the records of the Co-operative Department & misguide the movement of dilemma. Every year large number of societies that are registered become either defunct or dormant due to lack of proper guidance, Supervision & financial help. It seems that only those societies survive that are organized by vested interests. Fake & absent membership is still a serious problem of these Societies. But the present state of affairs of the movement poses a big question, & that is whether the Co-operative system will ever succeed in braking the bands of poverty of the helpless people.¹¹

10) Lack of efficient management & qualified staff:-

The lack of proper accounting irregularities of loans advancement as well as recovery, often found in the co-operative societies, is due to lack of efficient management board & employees. It seems that most of societies have come to grief because of gross mismanagement by the management board & Personnel.

11) Lack of awareness & illiteracy:-

Due to this problem the participation of members in the affairs of their co-operatives has been extremely low. Enhancement of participation is solely based on



the awareness & education of members about the role & objectives of their Co-operative institutions. most of the members are far from their own rights infavour of Co-operatives

12) Inadequacy of Funds :-

While urban Co-operative credit society could not make sizable business due to scarcity of funds. Actually these Co-operatives failed to collect large amounts of share capital

13) Difficult & time – Consuming procedures for loans

14) Technology up gradation required for Ex. Competition,ATM, Locker facility, money transfer etc.

15) Competition with other banks. For lowest interest rate for borrowing higher interest rate for depositor

16) Improved customer services by adopting newer technology & quick Services.

17) Professionalization of Management

18) Lacks of Control System:-

- a) Better utilization of fund
- b) Helps in achieving objectives.
- c) Economy in operation
- d) Minimize future uncertainties'
- e) Increase competitive strength
- f) Effective control
- g) Motivation & Co-operation employees

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