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Urban Cooperative Credit Societies in Maharashtra: Problems and Solutions

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Abstract

Urban Cooperative Credit Societies (UCCSs) play a vital role in providing financial assistance to middle-income earners in urban and semi-urban areas of Maharashtra. Despite their contribution to financial inclusion, these societies face numerous operational and structural challenges. This research paper discusses the origin, growth, and significance of UCCSs in Maharashtra, highlights the problems affecting their performance, and provides feasible suggestions for improving their efficiency and relevance in the modern financial ecosystem.

Introduction

Cooperative movement is a predominant form of business organisation and it is started in India to fulfill the credit needs of the rural masses. However, it was soon realised that urban cooperative societies can also be realized in urban areas to provide cheaper credit to small traders, artisans,salary earners etc. Thus, the movement spread in the urban and semi urban area also and formed by different groups of people in these areas. So, that the credit requirements of people residing in urban and semi urban areas could be met by urban cooperative societies. The objectives of urban Cooperative credit societies are to cater the credit needs on reasonable terms to the middle classes and rescue them from the exploitation of money lenders and to inculcate in them the habit of thrift and self-help and ni acquaintance them with the elements of ordinary banking principles.

Objectives of the Study:

Following are the objectives of the research paper
To study the need of urban cooperative credit societies.
To study the origin of urban cooperative credit societies in Maharashtra.
To study the problems of urban cooperative credit societies in Maharashtra.
To give the necessary suggestions for improve the working conditions of urban cooperative credit societies.

Research Methodology

For the purpose of study primary and secondary data has been used. Primary data has been collected through questionnaire and observations. Secondary data has been collected from various reports on cooperative credit societies of the various years and suitable statistical tools have been used for the study.

Need of Urban Cooperative Credit Societies

The members of rural areas generally have their lands, houses and cattle and such other property to offer security for loan. The people who live in small villages know each other. They are willing to shoulder the burden of loan on each other because of their intimate knowledge of one another and their personal contact. On the contrary, in urban areas, fewer persons own immovable property and being scattered over in a longer area have not their personal contact and intimate knowledge of one other. Hence, in urban and semi urban areas, the economic conditions of majority of middle classes was somewhat worse than rural masses. The need of urban Cooperative banking in the form of non-agricultural cooperative societies mainly arises from the fact, that nationalised and commercial banks were not interested in providing credit to these people, because it was not advantageous for them in developing the business of small loans at far high cost of advancing and recovery of such loons. Secondly such banks were not likely to have full and intimate knowledge about their credit worthiness. As a result, the credit needs of middle-class people remained neglected for a long time. Therefore, these people with limited means in urban areas had to go to the money lenders and other similar agencies to get loans at an excessive rate of interest. The solution of this problem was found in the urban Cooperative credit societies.

Origin of Urban Cooperative Credit Societies In Maharashtra

The first urban cooperative credit society in India was established in 10 Baroda state on 5th February 1889 by some middle class Maharashtrian family under the guidance and inspiration of Shri Vitthal Lakshman kavathekar. In Maharashtra cooperative movement took speed only after passing of the Cooperative credit Societies Act 1904. The

Betegiri urban cooperative credit society in Dharwad district was the first society to be registered in the Bombay presidency in October 1905. The progress of urban cooperative credit societies in Maharashtra has been very much impressive after the establishment of Maharashtra state on 1st May 1960, due to proper planning and guidance of vainkutbhai Mehta, Dhananjayrao Gadgil, Vithalrao vikhe Patil, Tatya Saheb mohite, Yashvantrao Chavan, Tatya Saheb Kore Vasant Dada Patil and other the leaders in the cooperative field in Maharashtra. The urban Cooperative credit movement has become an effective instrument for the economic development of the urban people, particularly in western and southern Maharashtra consisting of Ahmednagar, Pune, Satara, Sangli and Kolhapur district.

Problems of Urban Cooperative Credit Societies In Maharashtra

The following problems are facing by the urban cooperative credit societies in Maharashtra

1) poor performance in recovery of loans
2) lack of proper security for loans.
3) Lack of confidence in the management of urban cooperative credit societies.
4) Absence of professionalisation in urban cooperative credit societies in Maharashtra.
5) Financial indiscipline.
6) Huge expenses on administration
7) Lack of training and education to the employees and board of directors of urban cooperative credit societies
8) Competition with other financial institutions
9) Political interference.
10) Insufficient government mechanism in controlling the functions of urban cooperative credit societies etc.

Suggestions For Improve the Working Conditions Of Urban Cooperative Credit Societies

Following are the certain suggestions which will help to improve the working conditions of urban cooperative credit societies in Maharashtra.

1) Recovery System:

The Cooperative credit institutions should constitute a joint recovery committee at taluka or district level. Recovery cases which individual Cooperative credit society fail to handle effectively should be transferred to this committee and the cost of this committee should be born by the urban cooperative produce societies on pro rata basis of number borrowers and amount involved.

2) Scrutiny of Borrowing Proposals:

The federation of urban cooperative societies at taluka or district level should constitute a scrutiny committee comprising a chartered accountant, a leading engineer, a leading lawyer and one of the chairmen and one of the secretary of the urban cooperative societies by rotation among largest urban cooperative societies. This committee should made scrutiny of borrowing proposals and advise to a particular urban cooperative credit society about the loan proposals.

3) Deposit Mobilization:

The directors of urban co-operative credit societies, individually and collectively must possess a character profile that can create and sustain confidence of the customer regarding its repayment capacity or in simple terms about the liquidity of the urban cooperative credit society considering there rural social operating environment. It is the confidence of the board of directors including of the secretary, which may induce them to offer deposit. So greater deposit mobilization will cause greater volume of loans, more investments and greater income.

4) Management of N.P. A.:

The N. P. A. position of majority of the urban cooperative credit societies in Maharashtra is not as per the performance norms set by the Cooperative Department of Government. To minimise the N. P.A. incidence, loan should not be given to the member without proper scrutiny. The management of urban cooperative credit societies should educate the members about its objectives and government norms by conducting meeting and conference. In addition to this there should be proper supervision on utilisation of loans and advances

5) Better use of Staff:

The management of urban cooperative credit societies should use their staff in proper manner by motivating and giving them guidelines, training, incentives etc. The management of urban cooperative credit societies should periodically rotate the staff in different works so that all members of the staff acquire basic knowledge to deal with any kind of situation where staff adjustment is required.

6) Customer Services:

The urban cooperative credit societies are service organizations and are expected to provide proper and better service to their members and customers more effectively. The satisfaction of customer depends upon the quality of service rendered by the urban Cooperative credit societies. The quality of service depends upon speed, respect, values and integrity in service. Members of the urban co-ordictory credit societies are not satisfied with service rendered by urban co-operative credit societies. So, employees of urban cooperative credit societies should be given a periodical orientation in respect of customer services.

7) Other Remedies:

In addition to the above the following suggestions require attention for the efficient working of urban cooperative credit societies.

a) Participation of social workers and local NGOs in recovery efforts of urban cooperative credit societies.
b) it is necessary to appoint appropriately qualified secretaries through the rigorous methods of recruitment involving wide public advertisement and selection through a properly constituted selection committee.
c) It is now necessary to set certain minimum qualification for being appointed or elected as directors of urban cooperative credit societies. This method includes minimum education, professional experience, economics status and social standing.
d) It has practically and morally necessary to have a representative of depositors on the board of directors.

Conclusion

Considering the need for micro finance in trade, professionals and consumption finance and the limitation of the conventional banking system to cover the smallest settlement in terms of deposit mobilisations on financing a better re-organised non-agricultural cooperative credit system will continue to be highly relevant and socially justified.

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