



CHALLENGES BEFORE NON-AGRICULTURAL CO-OPERATIVE CREDIT SOCIETIES IN INDIA

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ABSTRACT :

The co-operative movement in Maharashtra has played a significant role in the social and economic development of the state. We have seen that the development of NACC societies from last 50 years.

KEYWORDS : *co-operative movement , social and economic development.*

Credit Co-Operative Society



INTRODUCTION

By a resolution of Maharashtra Govt. from 22/12/2005, agriculture sector has been opened for credit business to NACC societies from this point of view the scope of business of NACC societies has spread however in the post globalization, liberalization, one side severe competition is increasing and on the other side central Govt. has withdrawn its protective support, selfish view of management NACC societies face various problems.

OBJECTIVES OF THE PAPER :

- 1) To study the various problems of NACC societies.
- 2) To give the remedies on problems of NACC societies

METHODOLOGY :

Present study is depends upon primary and secondary data. The secondary data have been collected from various NACC societies and Co-operative movement at a glance in Maharashtra 2008.

PROBLEMS OF NACC SOCIETIES :

After analyzing the various important general human and financial aspects of NACC societies in Maharashtra and attempt has been made to discuss the problem of NACC societies. These problems faced by the NACC societies in their day-to-day working. These problems are vary from society to society dependent, management of society, location of society and various other factors. These problems are inter dependent and inter related with each other out of these some important problems faced by the NACC societies are discussed as follows.

1. Lack of Effective Management.

It is observed that, the non-agricultural co-operative credit Societies has the lack of effective management. The majority societies are appointing their directors on the basis from their social status and

relation with chairman. So the directors as well as members do not take sufficient interest in the working of their societies. In some of the societies annual General Meetings, Monthly Meetings are not held regularly and societies are also dominated by a few individuals.

2. Lack of Professional Approach.

It is observed that, the non-agricultural co-operative credit Societies has the lack of professional approach because the majority societies are appointing their Manager and other staff on the basis of relation and good faith of chairman. Though these employees are familiar of nature and banking activities of the societies, but new trend and experiments are not implemented in the society. These societies are lacking behind the modern activities and services. New type of services such as Home Banking, Credit Card, Debit Card, ATM, etc is not provided by these societies. These societies are not made effective advertisement, various schemes of deposits mobilization and loans and advances are not introduced. These societies are doing traditional activities and services. Therefore the customers are not easily approach to the societies and they prefer another way.

3. Unbalanced Membership.

In every non-agricultural co-operative credit Society the proportion of male members is very high as compared to female members. The percentage of male members in all the societies is more than female members. It is also seen that the average number of female members per employee society is very less as compare with the other co-operative societies. In short it is clear that the participation of female in non-agricultural co-operative credit Societies is very less in Maharashtra.

4. Lack of Active Participation of the Members.

The participation of member is necessary to establishment of any type of organization. Therefore the members should participate in all the activities related to their society. They should ask about the each and every conditions and problems before the society. But it is seen that majority of the members are remain indifferent about the day-to-day operations of the society. The average percentage of attendance of the members in the Annual General Meeting is very less. It was affected adversely on the policy formation of the co-operative society because the decision taken does not become representative of all the members. Therefore for the better policy formation in the society the active participation of members is must.

5. Interference of Directors in Day-To-Day Working.

The Board of members of the societies is taking active participation in day-to-day working of the society. Day-by-days the interference in the NACC societies have increased. Interfere in the NACC societies working are beneficial in some activities, like deposit mobilization, control over employees, etc. But majority of the staff are reluctant about interfere of the board of members. Some activity of the societies are directly affected such as, the recommendation of the board members for appointment of specific employee. It can be possible that, such employee may low qualified and less efficient and after getting job such employee is not doing the job efficiently. It is also possible that, he may not obey the order of superior. Hence the management of the societies loses its control. Thus the working of these societies has been adversely affected by the domination of vested interests in these societies. Board of members is using these societies to perpetuate their hold on the other people.

6. Lack of Effective Salary.

Each and every non-agricultural co-operative credit Society pay the salary to his employees is very low. Therefore well educated and efficient employees do not joined these societies for jobs. It is observed that in these societies, the employees are working on very low salary. So after getting sufficient experience of work, they leave the job of these societies and join in any other institutions of high salaries. So the rate of labour turnover is very high in non-agricultural co-operative credit Societies.

7. Inadequate Capital.

One of the most important problems in Non-Agricultural co-operative credit Societies has been that they have suffering with poor and inadequate capital. Adequate amount of capital is necessary for the better progress of the NACC Societies. Sufficient amount of various types of capital and reserves are necessary at the time of financial crisis. But due to the poor and inadequate capital base they can not stand property, so the rate of development of NACC society becomes very slow.

8. Problem of Deposit Mobilisation.

The non-agricultural co-operative credit Societies are facing the problems to mobilize of deposits due to the increased competition in the banking sector. There are various reasons, such as NACC Societies have to compare with Nationalized Banks, Financial Institutions and Urban co-operative Banks.

In general, the persons who have surplus fund prefer the security of their amount in Nationalised Banks and Urban Co-operative Banks. Through the rate of interest of deposits are higher than the banks, but the deposits in the NACC Societies do not have the security of Deposit Insurance Scheme. Therefore, people do not like to keep their deposits in NACC societies in fear of unsafety, considering all these things, the person who has a surplus fund, at last ready to deposit in the NACC Societies. Hence the NACC societies are facing the problem of deposit mobilization.

9. Contradictory Interest Policy.

The NACC Societies are facing the problem of deposit mobilisation. So they are giving more interest on the deposits. A few people are thinking about more interest are deposited their amount in the NACC Societies. Thus the NACC Societies should have to pay more interest rate on deposits compare to Nationalised Banks and other Co-operative Banks. Therefore at the time of advancing loans they charge higher rate of interest on loan as compare to Nationalised Banks and other Co-operative Banks. So due to the more rate of Interest on loan these societies do not attract the customers for taking the loan, In this situation the customers are depositing their amount in NACC Societies and taking the loans from Nationalised and Other Co-operative Banks. Hence there is controversy on the part of customers behaviour made various difficulties in the day-to-day operations of the NACC Societies.

10. Problem of Overdues.

It is observed that the overdues of the non-agricultural co-operative credit Societies are increasing. There are various reasons behind it, but the real reason is that the loans and advances given to the members have not been repaid within time. It is the duty of society manager and secretary to recover the loans.

In some times the Directors are taking the loans from society on the name of their relatives, and then the employee of society can't do anything against the recovery of loans. These various types of loans are not recovered in particular period that loans accounts are going to overdues accounts. The hugh amount of overdues have created a question of NPAs. The problem of overdues is not found in case of employees co-operative credit societies, but other co-operative credit societies have suffered the problem of overdues.

11. Defective Loan Procedure.

In some cases the Directors of the NACC Societies are taking the advances from the societies and even they have given the loan to their relatives also, and taking the undue financial advantage. Such account remains NPA / Overdues account throughout the accounting period. The society is suffering interest loss and some times there is a possibility of bad-debts. If the directors of the society do such type of malpractice activity, there is a possibility of Societies liquidation.

12. Problem of Competition.

The movement of banking business in Maharashtra is very good. So there are so many types of branches of Nationalised, Commercial, District central co-operative banks in Maharashtra. The non-agricultural co-operative credit societies have to face big competition with these banks in respect of every day-to-day operation. If these societies do not offer better service the customers will not be attracted to them. So these societies have to face various difficulties in their working.

13. Lack of Proper Training.

In non-agricultural co-operative credit societies the newly appointed staffs are educationally unqualified and untrained. The efficiency of employee was increased if they have been properly trained. For that purpose the various types of training such as Management Training, Computer Training etc. have to be given to the employees in the co-operative societies.

It is observed that there is a shortage of trained employees in the societies, there is also the absence of training facilities to train the officers and employees particularly in the rural societies. Hence the employee of the co-operative societies is not getting through knowledge of banking transactions. So the absence of training reduces the efficiency and skill of the employees. Hence it affects ultimately the profitability and development of NACC Societies.

14. Lack of Proper Supervision and Audit.

It is observed that the majority of non-agricultural co-operative credit societies there is no arrangement of internal audit. But the internal audit is very important for the effective control of all over the society. Due to the lack of effective internal audit various societies do not rectify the defects shown by the Auditor. In various Societies the Annual Audit is also not done in time, because of the lack of proper supervision. So this ineffective supervision create number of problems before the societies in the day-to-day operations.

Thus it is observed that the most of non-agricultural co-operative credit societies are faced the problem due to the Directors, Members and unqualified employees, because of the lack of professional approach the groupism is increased in various societies, so the proper precaution is not taken while sanctioning the loans. Hence loans are not repaid in time and the amount of overdues increases, which adversely affect the working of the society. It means all these problems of non-agricultural co-operative credit societies are interrelated and inter-dependent. So one problem creates another problem and lastly the chain of problems become very wide and ultimately it affects the development and viability of the society.

CONCLUSION

The state of Maharashtra is considered as one of the leading state of our country which tested sweet fruits of co-operative movement. NACC societies are also one of the most important part of the co-operative movement, which played significant role in the social and economic development of the state from 1971 to 2001 NACC societies have achieved remarkable success But after 2001 due to modern technology, autonomy in business, Global competition, withdrawal of central Govt. Support management attitude the picture of NACC societies has changed. Therefore increasing overdue decreasing, profitability, increasing losses and No. of societies are taken place after 2001. In this critical position NACC societies shall do some introspection and develop new co-operative approaches and new strategies to reposition themselves in the new economic scenario, also they should restructure their business policy and strategies to face the competitions from private banking, Nationalized Banking and other co-operative Banking. For the purpose they should reframe their business activities in terms of buying and selling policies, changing view of the directors, qualified staff, involvement of the members and the efficiency of the societies. Otherwise, survival of NACC societies will be become more and more difficult.

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* **Note : NACC = Non Agricultural Co-Operative Credit**