

# A Comprehensive Review of Cooperative Credit Societies: Their Role and Challenges in Pune District

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**Abstract:** *This paper provides a comprehensive review of the role and challenges faced by cooperative credit societies in Pune district. By examining existing literature, the study aims to understand their operational mechanisms, benefits, and obstacles. The review identifies significant trends and research gaps, offering recommendations for future research and policy implications. Cooperative credit societies contribute significantly to financial inclusion by providing access to credit for individuals who may not qualify for traditional bank loans. The societies also play a crucial role in community development by supporting local businesses, funding education, and health initiatives, and promoting savings among members.*

**Key Words:** *Coopérative Crédit Sociétés, Loan, Community Développements, Financial Inclusion, Crédit Provision.*

## 1. INTRODUCTION:

Urban Cooperative Credit Societies (UCCS) have been integral to urban financial systems, primarily focused on providing credit and other financial services to their members. They were designed to meet the financial needs of the urban middle and lower-middle classes, especially those engaged in informal work and small businesses. These societies function based on cooperative principles, including democratic governance and mutual financial support, making them popular in urban areas with underbanked populations. Cooperative credit societies play a vital role in the financial inclusion and economic development of urban areas. In Pune district, these societies serve as crucial financial institutions that provide affordable credit to their members, promoting self-reliance and economic stability. The cooperative movement in India has a long history, beginning in the late 19th century, aimed at addressing the credit needs of the underserved population.

## 2. LITERATURE REVIEW:

Chauhan, R. (2019). "The Evolution of Urban Cooperative Credit Societies in India". This study explores the historical background and evolution of UCCS in India. It highlights how UCCS have played a role in the financial inclusion of marginalized urban populations. The article traces the origin of urban cooperative societies to the early 20th century, following the success of rural cooperatives. The cooperative movement was institutionalized with the Cooperative Societies Act of 1904, and later the Maharashtra Cooperative Societies Act of 1960, which provided legal frameworks for urban credit societies to operate.

Rao, M. K. (2017). "Growth of Urban Cooperative Banks in India: A Historical Perspective". This paper focuses on the growth and development of urban cooperative banks (UCBs) as key financial institutions for the urban poor and middle class. Although not focused exclusively on UCCS, it provides insight into the broader cooperative banking movement, noting that many UCBs grew out of smaller urban cooperative societies that began by offering credit to their members.

Nair, A. (2017). "Urban Cooperative Societies and Financial Inclusion: The Untapped Potential". This article examines the role of UCCS in promoting financial inclusion in urban areas. Nair emphasizes that UCCS cater to underserved sections of society, such as informal sector workers and small entrepreneurs, who often lack access to formal banking channels. The study also suggests that UCCS play a critical role in reducing reliance on informal moneylenders in urban slums and low-income neighborhoods.

Sharma, S., & Mishra, P. (2020). "Empowering MSMEs through Urban Cooperative Credit Societies: A Case Study". Sharma and Mishra explore how UCCS have supported micro, small, and medium enterprises (MSMEs) in urban regions. Their research highlights that these societies offer a range of financial services, including credit, savings, and investment schemes tailored to the needs of small businesses. By providing accessible working capital and flexible loan conditions, UCCS help MSMEs maintain operations and expand in competitive urban markets.

Chaudhary, P. (2019). "Urban Cooperative Credit Societies: A Catalyst for Inclusive Growth" This paper delves into how UCCS promote savings and investment among urban low-income groups. Chaudhary suggests that UCCS are key facilitators of financial literacy and wealth-building in marginalized communities, offering savings accounts and investment options that are both accessible and affordable. The study highlights their community-centered approach to banking, which contrasts with the more impersonal nature of commercial banks.

Bhattacharya, R. (2019). "Governance and Management in Urban Cooperative Societies: The Problem of Political Interference". Bhattacharya's work addresses one of the most persistent challenges faced by UCCS: governance and management issues. The study reveals that political interference and a lack of professional expertise often hamper the efficient functioning of these societies. It emphasizes the need for professional management and the development of governance frameworks that reduce political influence and enhance accountability.

Pillai, A. (2020). "Dual Regulatory Framework of Cooperative Credit Societies: A Double-Edged Sword". Pillai discusses the challenges posed by the dual regulatory structure of UCCS in India, which are governed by both the Registrar of Cooperative Societies and the Reserve Bank of India (RBI). The paper suggests that this bifurcated oversight often leads to delays in decision-making and inefficiencies, and calls for a unified regulatory framework to streamline governance and supervision.

Pandey, S. (2018). "Financial Constraints in Urban Cooperative Credit Societies: The Challenge of Capital Adequacy". Pandey's research identifies financial constraints as a major challenge for UCCS. He points out that most UCCS have limited capital bases and struggle to maintain capital adequacy, which restricts their ability to lend large sums or compete with commercial banks. The study calls for regulatory reforms that would allow UCCS to raise additional capital and expand their lending capabilities.

Desai, V. (2021). "Technological Challenges for Urban Cooperative Credit Societies in India". Desai discusses how UCCS have lagged behind in adopting modern financial technologies, which has affected their ability to compete with commercial banks and digital finance companies. The lack of investment in technology, such as mobile banking apps and digital payment solutions, has limited the societies' ability to attract younger, tech-savvy customers. Desai recommends a focused investment in technology infrastructure to ensure UCCS remain competitive.

Kulkarni, R. (2020). "Non-Performing Assets in Urban Cooperative Credit Societies: Causes and Solutions". Kulkarni's study explores the growing problem of non-performing assets (NPAs) in UCCS, particularly those with a high exposure to the MSME sector. The research indicates that many UCCS lack robust risk management frameworks, leading to high default rates. Kulkarni suggests that UCCS should implement better credit appraisal mechanisms and loan recovery strategies to reduce NPAs and improve financial sustainability.

Patel, J. (2021). "Urban Cooperative Credit Societies versus Commercial Banks: A Comparative Study". Patel's study compares UCCS with commercial banks in terms of service delivery, financial performance, and customer satisfaction. The study finds that while commercial banks have the advantage of scale, UCCS are better at offering personalized services and addressing the specific needs of small businesses and low-income households. The research concludes that UCCS need to improve their technological capabilities and governance to remain competitive.

### 3. OBJECTIVES / AIMS:

The primary objective of this literature review is to examine the functioning, benefits, and challenges of cooperative credit societies in Pune district. The study aims to identify key trends and gaps in the existing literature to provide a foundation for future research. Specifically, this review seeks to:

- Analyse the operational mechanisms of cooperative credit societies.
- Assess the benefits these societies provide to their members.
- Identify the challenges faced by these societies.
- Suggest areas for future research and Policy improvements.

### 4. RESEARCH METHOD:

#### 4.1 Literature Search Strategy:

The literature search was conducted using databases such as Google Scholar, JSTOR, and PubMed. Keywords like "cooperative credit societies," "Pune district," "financial inclusion," "urban cooperative banks," and "credit provision" were used to locate relevant studies. The search was refined by including studies focused on urban cooperative credit societies in India, particularly in the Pune district.

#### 4.2 Inclusion and Exclusion Criteria :

Inclusion criteria included peer-reviewed articles, reports, and studies focusing on cooperative credit societies in Pune district published in the last 20 years. Studies that provided comprehensive data on operational mechanisms,

benefits, and challenges were included. Exclusion criteria were articles not available in English, studies focusing on regions outside Pune district, and articles not providing empirical data.

#### **4.3 Data Extraction and Synthesis :**

Data were extracted from selected studies and synthesized thematically to identify common themes and trends. Key findings were categorized under relevant headings for detailed analysis. The synthesis involved qualitative analysis to interpret the data and quantitative analysis where applicable.

#### **5. FINDINGS:**

##### Summary of Key Findings

Cooperative credit societies in Pune district play a pivotal role in financial inclusion and community development. However, they face significant challenges related to financial stability and regulatory compliance. The societies' community-centric approach and democratic governance model are their strengths, but financial and regulatory challenges need to be addressed to ensure their sustainability.

#### **6. DISCUSSION:**

##### Thematic Review

##### Theme 1: Operational Mechanisms of Cooperative Credit Societies

###### 1 Membership and Governance

Studies indicate that cooperative credit societies in Pune are member-driven organizations, with governance structures that ensure member participation and transparency. Membership eligibility, rights, and responsibilities are well-defined to promote inclusivity and accountability. According to Patil (2015), these societies operate on democratic principles, where each member has a vote in the decision-making process. Governance is typically overseen by a board of directors elected by the members.

###### 2 Credit Provision Processes

The credit provision processes involve rigorous screening of loan applications, ensuring that members meet the eligibility criteria. Loan disbursement is based on the member's creditworthiness and the purpose of the loan, with a focus on minimizing default risks. Kale (2018) describes a multi-step process that includes initial application, documentation verification, creditworthiness assessment, and final approval by the board.

##### Theme 2: Benefits to Members

###### 1 Financial Inclusion

Cooperative credit societies contribute significantly to financial inclusion by providing access to credit for individuals who may not qualify for traditional bank loans. This promotes economic self-reliance and poverty reduction. Deshmukh (2016) highlights that these societies offer lower interest rates and flexible repayment options, making credit more accessible to low-income individuals.

###### 2 Community Development

The societies also play a crucial role in community development by supporting local businesses, funding education, and health initiatives, and promoting savings among members. Joshi (2017) points out that cooperative credit societies reinvest their profits back into the community, supporting various development projects and improving the overall quality of life for their members.

##### Theme 3: Operational Challenges

###### 1 Financial Stability

One of the major challenges faced by cooperative credit societies is maintaining financial stability. Studies show that these societies often struggle with limited capital and high default rates, impacting their sustainability. Kulkarni (2019) notes that the lack of sufficient collateral and credit history of borrowers increases the risk of defaults, making it difficult for societies to sustain their operations.

###### 2 Regulatory Compliance

Compliance with regulatory requirements is another significant challenge. Societies must adhere to stringent guidelines set by regulatory authorities, which can be resource-intensive and complex. Shinde (2020) explains that frequent changes in regulatory policies and the need for extensive documentation can burden these societies, diverting resources away from their primary functions.

##### Critical Analysis

###### 1 Strengths and Weaknesses

The reviewed literature highlights the strengths of cooperative credit societies in promoting financial inclusion and community development. However, weaknesses such as financial instability and regulatory challenges persist. The societies' strength lies in their community-focused approach and ability to provide credit to underserved populations. However, their financial sustainability is often threatened by high default rates and limited access to external funding.

#### 2 Research Gaps

There is a lack of comprehensive studies on the long-term impact of cooperative credit societies on the local economy and their role in digital financial services. Future research should address these gaps to provide a more holistic understanding. Additionally, there is limited data on the effectiveness of various governance models in improving operational efficiency and member satisfaction.

### 7. CONCLUSION:

#### Implications for Practice and Policy

Policymakers should consider providing financial support and training to strengthen the operational capabilities of these societies. Additionally, simplifying regulatory requirements could help these societies operate more efficiently. Financial support in the form of grants or low-interest loans can help societies manage their capital needs, while training programs can improve governance and operational efficiency.

### 8. RECOMMENDATIONS:

Future research should focus on the impact of digitalization on cooperative credit societies and their role in the broader financial ecosystem. Longitudinal studies could provide insights into their long-term sustainability and economic impact. Research on innovative credit assessment models and risk management practices can also contribute to improving the financial stability of these societies.

#### Trends and Future Directions

Recent trends indicate a shift towards digitalization in credit provision and member services. Future research should explore the potential of digital technologies to enhance the efficiency and reach of cooperative credit societies. The adoption of digital tools can streamline processes, reduce operational costs, and improve accessibility for members.

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