

Chapter

III

CHAPTER - III

PROFILE OF THE BANK ORGANISATION

A PEEP INTO THE URBAN CO-OPERATIVE BANKS

An attempt is made in this chapter to give an overview of the urban co-operative banks, to serve as a suitable background for understanding the role of Vikas Co-operative Bank Ltd.

The urban co-operative credit movement originated in Germany, when Herman Schultze, started such societies for the benefit of artisans in the cities. In Italy the credit of starting such societies goes to Luigi Luzzatti. Encouraged by the success of the urban credit institutions in these countries social workers in India began to think in terms of co-operation as a means of providing help to the middle classes as early as the close of the 19th century.

The first urban co-operative society saw the light of the day in 1889, when a mutual aid society was registered at Baroda. Little attention was, however, paid to the development of urban credit movement until the MacLagan Committee drew attention to its potential. The failure of the Swadeshi joint stock banks created an opportunity for co-operative banking to develop as a medium for mobilising the savings of persons of modest means and helping those, whom financial distress caused by high living costs and unemployment had driven into the clutches of moneylenders.(1)

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The inter-war period did not affect the urban credit movement as adversely as it affected the agricultural credit movement. This might be due to the fact that during the depression the fall in urban incomes was not as steep as the fall in rural incomes. Another contributory factor to the stability of the movement in urban areas was the comparatively high standard of managerial efficiency available in urban areas which urban co-operatives could afford on account of their larger resources.

Urban credit societies and banks are the most important feature of the urban co-operative movement in India, and make up to some extent for the absence of joint stock banking facilities in the smaller towns. Urban co-operative banks occupy a prominent place among the agencies supplying the credit needs of people residing in urban areas.

TYPES OF CREDIT CO-OPERATIVE SOCIETIES(2)

According to the classification given by the Agricultural Credit Department of the Reserve Bank of India, the non-agricultural credit societies have been classified into three types.

1) Urban Banks :-

An urban co-operative bank has been defined as one which has been organised for accepting deposits from the public which are usually repayable by cheques and which carry on normal banking business.

2) Salary Earners Society :-

A Salary earners society is an organisation of salary earners working in a particular area or a business house for mutual help and co-operation to meet their common economic requirements like depositing their surplus money, receiving loans etc.

3) Thrift and Credit Societies :-

The third category of societies cover thrift and credit societies organised among the artisans, small traders, factory workers and other salaried persons with limited income in urban and sub-urban areas.

Among the non-agricultural credit societies urban co-operative banks occupy an important place. The Study Group on Credit Co-operatives in the Non-Agricultural sector has recommended that urban co-operative bank possesses the following main features :

- a) a credit co-operative registered under the State Co-operative Societies Act in urban or semi-urban areas,
- b) a minimum paid-up capital of Rs. 50,000 and
- c) provision of banking facilities e.g. accepting for the purpose of lending or investment of deposits from members and non-members repayable on demand or otherwise, and withdrawal by cheque, draft, order etc.

ABOUT THE VIKAS CO-OPERATIVE BANK LTD.

Vikas Co-operative Bank is a leading bank in co-operative sector in Solapur. The bank established in the

year 1979; bearing registration number SUR/BNK/170/79 Dt. 26/10/1979. The bank started its business after receiving licence on 11/04/1980.

The bank started with the Authorised Share Capital of Rs.5,00,000/-

Area of Operation :-

The area of operation of the Bank shall be confined to the geographical limits of the revenue-Taluka of North Solapur Taluka including Solapur City.

Objects and Functions :-

The main objects and functions of the Vikas Co-operative Bank Limited, Solapur, are as follows :

- 1) To attract deposits from members as well as non-members.
- 2) To advance loans to members.
- 3) To act as the agent for the joint purchase of domestic and other requirements of the members.
- 4) To undertake collection of bills, accepted or endorsed by members.
- 5) To arrange for the safe custody of valuable documents of members.
- 6) To provide other facilities as provided by commercial banks.
- 7) To provide cash credit facilities, overdraft facilities, Hire purchase loans, etc.
- 8) To provide Housing loans, loans for educational provisions.

9) To provide loans on the security of fixed deposit receipts, also on recurring deposits etc.

10) To provide overdraft facilities on fixed deposit receipts etc.

Membership -

The membership of Vikas Co-operative Bank is composed of persons living in Solapur city. Majority of members are small traders, merchants, factory owners, salaried and professional classes etc. The conditions relating to the membership of this bank are laid-down in their by-laws.

Reserve and other funds -

The bank provides for the following reserves and other funds.

- 1] Reserve fund
- 2] Building fund
- 3] Dividend & Bonus Equalisation fund
- 4] Bad and doubtful debts funds
- 5] Charitable fund
- 6] Gratuity fund
- 7] Employees & Share holders welfare fund
- 8] Development fund

The above funds & their provision clearly indicates that the bank is very careful about the different aspects of customer, member, share holders' welfare is considered.

Management -

Like any other co-operative banking institution the management of Vikas Co-operative Bank Ltd. is vested in a Board of Directors, who are elected by the general body consisting of all the members. The final authority in all matters rests with the general body but the actual conduct of the affairs of the bank rests with the Board of Directors of the bank.

The bank made amendment to its by-laws regarding the composition of the Board of Directors. This is the result of the amendment suggested in conformity with the provisions made in Maharashtra Co-operative Societies Act 1960. The amendment is with regard to inclusion of women members in the Board of Directors. The wording in the by-laws is as under -

" There shall be reserved seats for women on the Board of Directors of the bank to represent the women members in the following manner. Namely,

- a) One seat on the Board of Directors consisting of not more than 9(nine) members of the Board.
- b) Two seats on the Board of Directors consisting of 10 to 19 members of the Board and
- c) Three seats on the Board consisting of 20 or more Board members.

The composition of Board of Directors of the Bank is in conformity with the rules & regulations of the Co-operative Act. It means, the Board of Directors consists one member

from weaker section of the society and one member as a representative of the employees.

As the management of co-operative bank is intricate, it is necessary that services of competent persons who are well versed in the banking principles should be enlisted on the Board and the day-to-day management should be conducted by trained & efficient staff.

Resources -

The sources of finance of the Vikas Co-operative Bank Ltd; consists of paid-up share capital and the accumulated reserves created out of appropriations from profits. Borrowed funds consist mainly of the different types of deposits received from members and non-members as well as borrowings from Central Co-operatives Banks.

The face value of the share issued by the bank is fixed at Rs.25/- per share. This would enable people of small means to contribute towards share capital and become members of the bank. The by-laws provide that every borrowing member is normally must contribute to the share-capital in a definite proportion, which is normally ten per cent (10%) of the amount borrowed in case of personal loans.

Deposits -

Deposits constitute one of the most important source of the bank. The bank have succeeded in attracting deposits from non-members also because of the growing public confidence in the working of bank. This bank generally

accept current deposits, savings deposits, fixed deposits for different periods ranging from forty-six days to about five years. By and large, fixed deposits form the major portion of the deposits collected by them.

Borrowings -

The Vikas co-operative Bank borrowed only from District Industrial Co-operative Bank. Borrowings from other financing agencies are almost negligible.

Loan Operations -

Loan operations of Vikas Co-operative Bank Ltd., consist of granting fixed loans or cash credit loans to their members against mortgage of unencumbered immovable property or on the surety of one or more persons who are also members or on the pledge of agricultural produce, industrial goods, gold and silver ornaments, government securities, or on the security of fixed deposits and insurance policies.

A member is usually eligible for loans against personal security upto 5 to 10 times the share capital paid by him. If a member is a salary earner, he is generally eligible for a loan not exceeding 4 times his monthly salary.

Banking and other facilities -

Apart from advancing loans to its members, Vikas Co-operative Bank Ltd., provide them with various other banking facilities. Bank provides the facility of withdrawal of deposits by cheques and arrange for the remittance of funds

from one centre to another. Bank also collects money due to their customers such as pay and pensions of government servants and local bodies and undertake regular payments of insurance premia, rent, taxes, etc. Bills discounting facilities are also provided by the Bank.

Investments -

The Vikas Co-operative Bank Ltd; invest their surplus money in government and other trust securities and fixed and other deposits with co-operative and other financing agencies. The bank invests, in the form of shares, in State & Industrial Bank, District Central and Industrial Bank, State Bank of India, Post offices etc.

Welfare Amenities -

The Bank provides all the required welfare facilities to its employees. The Bank provides tea at the workspot twice in a day.

Arts and Sports Clubs are functioning to meet the recreational needs of the staff. The art club is running a library also.

As per the Employees Providend Fund Act, providend fund accounts for the staff are maintained with the Bank.

Reference -

1. Report of Study Group on Credit Co-operation in Non-agricultural Sector 1963, p.5
2. Co-operation in India - Dr. B.S. Mathur, 1960, p.256