

CHAPTER - IV

ANALYSIS OF INCOME,
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Income earned by a bank must be adequate to cover its expenditure. Moreover, it should leave a certain amount of surplus to pay a reasonable return on capital. Thus ability to earn profit is a basic requirement. The profit can be earned by increasing the level of transaction comprising, deposits, loans and advances, etc. with a given level of establishment and management expenditure. Similarly, profit can be made by keeping the establishment and management expenditure low with a given level of transactions. The capacity to earn profit is one of the criteria for evaluating the performance of a Bank.

Income of Mahila Co-operative Bank, Kolhapur comprises various items given below :

- 1) Interest from loans and deposits.
- 2) Commission, discount and agency charges.
- 3) Locker Rent.
- 4) Service Charges.
- 5) Other Receipts.

Table 4.1Expenditure, Income and Profit

| Year | Expenditure in Rs. | Income in Rs. | Profit/Loss in Rs. |
|---------|-------------------------|------------------------|-----------------------------|
| 1975-76 | 26970.76 (100.00) | 22197.5 (100.00) | (-) 4773.26 - |
| 1976-77 | 37409.59 (138.70) | 36115.35 (162.70) | (-) 1294.24 - |
| 1977-78 | 73865.91 (273.87) | 75101.46 (388.33) | (+) 1235.55 (1 (100.00) |
| 1978-79 | 111294.95 (412.65) | 113613.55 (511.83) | (+) 2318.60 (187.65) |
| 1979-80 | 170726.99 (633.00) | 192122.10 (865.51) | (+) 21395.11 (1731.62) |
| 1980-81 | 276348.84 (1024.62) | 297248.08 (1339.10) | (+) 20899.24 (1691.49) |
| 1981-82 | 394329.52 (1462.06) | 486611.42 (2192.19) | (+) 92281.90 (7468.89) |
| 1982-83 | 541681.87 (2008.40) | 686229.25 (3091.47) | (+) 144547.38 (11699.03) |
| 1983-84 | 768042.95 (2847.68) | 783744.58 (3530.77) | (+) 15701.63 (1270.82) |
| 1984-85 | 1131975.41 (4197.16) | 1031421.2 (4646.56) | (-) 100554.12 - |

Income from all sources exhibited an upward trend in that it persistently increased from Rs. 22197 to Rs. 1031421 during the period from 1975-76 to 1984-85. Consequently, its growth index rose from 100 to 4646 during the same period (Table 4.1).

In case of income, it appears that it rapidly increased by more than 46 times during the same period. Income of Mahila Co-operative Bank mainly depends upon two factors : (i) Level of total loans supplied by it and (ii) Level of investment. During the period from 1975-76 to 1983-84, level of investment increased from Rs. 0.1 lakh to Rs. 14.77 lakhs. Similarly, level of total loans and its growth index rose respectively from Rs. 1.53 lakhs to Rs. 54.25 lakhs and from 100.00 to 3733.29 during the same period. Therefore, owing to rapid increase in level of loans and advances by more than 37 times, income of the Mahila Co-operative Bank rose by more than 46 times.

Income pattern of Mahila Co-operative Bank is presented in Table No. 4.2. The Table 4.2 reveals following points :

Table 4.2Income Pattern

| Item | 1974-75 | 1980-81 | 1984-85 |
|--|---------------------|-----------------------|-----------------------|
| 1) Interest from Loans and deposits | 9991.14 (99.94) | 282980.50 (95.20) | 994727.54 (96.44) |
| 2) Commission, dis- count and Agency charges | 4.95 (0.04) | 6683.23 (2.24) | 2962.84 (0.28) |
| 3) Locker Rent | - | - | 490.00 (0.047) |
| 4) Service Charges | - | 3377 (1.13) | 4646.5 (0.45) |
| 5) Other Receipts | 1.00 (0.01) | 4207.35 (1.41) | 28594.4 (2.77) |
| Total : | 9997.09 (100.00) | 297248.08 (100.00) | 1031421.2 (100.00) |

1) Interest from loans and deposits was the main source of income for Mahila Co-operative Bank Ltd., Kolhapur. Income interest on loans and deposit continuously increased from Rs. 9991 to Rs. 994727 during the period from 1974-75 to 1984-85. Although the proportion of income derived from interest to total income declined from 99.94 per cent in 1974-75 to 95.20 percent in 1980-81, it still remained above 95 percent. In subsequent period it continued to remain above 95 percent. Above analysis implies that interest from loans and deposits continued to remain a major source of income in as much as it constituted more than 95 percent of total income during entire period.

2) Income from commission, discount and agency charges formed a small part of total income as its proportion to total income accounted for less than 3 percent. In fact, the proportion remained less than 1 percent in the year 1974-75 and 1984-85.

3) Income from locker rent was nil in 1974-75 and 1980-81. It amounted to only Rs. 490 in the year 1984-85 forming merely 0.04% of the total income.

4) Income from service charges increased from Rs.3377 in 1980-81 to Rs. 4646 in 1984-85. However its proportion to total income declined from 1.13% in 1980-81 to 0.45% in 1984-85 owing to the fact that income from service charges did not increase at the rate at which total income rose.

5) Income from other receipts was negligible in 1974-75 amounting to Rs. 1 only. However it continuously increased to Rs. 28594 in 1984-85, its proportion to total income continued to increase from merely 0.01% in 1974-75 to 2.77% in 1984-85.

Expenditure :

Expenditure of Mahila Co-operative Bank amounted to Rs. 26,970 in 1975-76. It showed an upward trend during the period 1975-76 to 1984-85 in as much as it continuously rose from Rs. 26770 in 1975-76 to Rs. 1131975 in 1984-85 (Table 4.1). The growth index of expenditure also exhibited an upward trend in that it persistently rose from 100.00 to 4197 during the same period.

Important feature of expenditure is that expenditure and its growth index rose rapidly by about 42 times during the period (Table 4.1).

Table 4.3

Expenditure Pattern

| Item | 1974-75 | 1980-81 | 1984-85 |
|---------------------------------------|----------------------|-----------------------|------------------------|
| 1) Interest on Deposits and Loans | 3918.55 (15.12) | 129902.45 (47.00) | 626107.58 (55.31) |
| 2) Salary Fund and Provident Fund | 10543.35 (40.70) | 58726.50 (21.25) | 207125.04 (18.29) |
| 3) Expenditure on fees and allowances | 121.38 (0.46) | 810.00 (0.29) | 1430.00 (0.12) |
| 4) Rent, Tax and Electricity charges | 1902.18 (7.34) | 6776.00 (2.45) | 44173.96 (3.90) |
| 5) Post, Telephone and Telegram etc. | 71.80 (0.27) | 6902.40 (2.49) | 5731.80 (0.50) |
| 6) Audit fee | 200.00 (0.77) | 2039.40 (0.73) | 7515.05 (0.66) |
| 7) Depreciation and Repairs | 716.70 (2.76) | 940.00 (0.34) | 9432.60 (0.83) |
| 8) Printing and Advertisement | 7143.30 (27.57) | 10206.00 (3.69) | 46852.84 (4.13) |
| 9) Legal Expenses | 600.00 (2.31) | 45.90 (0.01) | 1149.50 (0.10) |
| 10) Other Expenditure | 687.72 (2.65) | 60000.09 (21.71) | 182456.64 (16.11) |
| Total : | 25904.38 (100.00) | 276348.84 (100.00) | 1131975.41 (100.00) |

Expenditure pattern is shown in the table 4.3

Mahila Co-operative Bank incurred expenditure on various items such as interest on deposits and loans, salary fund and provident fund, fees and allowances, rent, taxes and electricity charges, post and telegram, audit, printing and advertisement etc.

Expenditure pattern reveals following points :

1) Expenditure paid on interest on deposits and loans amounted to Rs. 3918.55 in 1974-75. It increased rapidly to Rs. 626107 in 1984-85. It constituted a sizeable part of total expenditure in the years 1980-81 and 1984-85 in as much as its proportion to total expenditure was respectively 47 percent and 55.31 percent. This implies that during recent period. Amount of interest on deposit rose rapidly owing to the fact that total deposits of Mahila Bank rapidly increased by more than 47 times. Naturally amount of interest paid on deposit rose rapidly.

2) Salary fund and provident formed a larger part of total expenditure in 1974-75 as compared to other items. It accounted for 40.70 percent of total expenditure during the same year. Salary fund and Provident Fund rose from Rs. 10543 in 1974-75 to Rs. 207125 in 1984-85. However, its

proportion to total expenditure rapidly declined from 40.7 percent in 1974-75 to 18.29 percent in 1984-85 owing to the fact that it did not increase at the rate at which total expenditure rose.

3) Fees and allowances increased from Rs. 121 in 1974-75 to Rs. 1430 in 1984-85. However, it (this item) constituted a negligible part of total expenditure accounting for less than 0.5 percent in all years.

4) Rent, tax and electricity charges exhibited an upward trend in that this item increased from Rs. 1903 in 1974-75 to Rs. 44174 in 1984-85. However, this item formed a small part of total expenditure accounting for less than 8 percent. The proportion of this item to total expenditure rapidly declined from 7.34 percent in 1974-75 to merely 2.45 percent in 1980-81 and then slightly rose to 3.9 percent in 1984-85.

5) Post, telegram and telephone charges amounted to Rs. 72 in 1974-75 forming 0.27 percent of total expenditure. However, amount of this item and its proportion to total expenditure rapidly rose respectively to Rs. 6902 and 2.49 percent in 1980-81, during 1984-85, this item and its

proportion to total expenditure declined respectively to Rs. 5731 and 0.5 percent.

6) Although absolute amount of audit fee increased rapidly from Rs. 200 in 1974-75 to Rs. 7575 in 1984-85, its proportion to total expenditure continued to remain less than 1 percent during the period under review.

7) Depreciation and repairing charges amounted to Rs. 717 in 1974-75 forming a small part of 2.76 percent of total expenditure. However, its proportion to total declined below 1 percent in years 1980-81 and 1984-85.

8) Printing and advertisement charges constituted a considerable portion of total expenditure accounting for 27.57 percent in 1974-75 owing to fact that it was necessary for Bank to spend more amount on printing and advertisement during initial period of its establishment. The proportion of this item to total expenditure rapidly declined to 3.69 percent in 1980-81 and then slightly increased to 4.13 percent in 1984-85.

9) Amount of legal expenditure was insignificant in the years 1980-81 and 1984-85 as its proportion to total expenditure remained for below 1 percent.

10) Other expenditure comprizes meeting expenditure, paper and library expenditure, staff training fees, election expenditure, peon uniform expenditure, hospitability expenditure, incidence iexpenditure, education fund, general body meeting etc. other expenditure increased rapidly from Rs. 688 in 1974-75 to Rs. 182457 in 1984-85. Its proportion to total expenditure rose from 2.65 percent to 16.11 percent during the same year.

Profit :

The gap or difference between income and expenditure may be referred to as profit or loss. So long as income exceeds expenditure, profit is accrued to a bank. On the contrary loss is incurred if expenditure is greater than income.

During the initial period of its establishment, Mahila Co-operative Bank incurred losses owing to low level of transactions. It continued incurring losses upto the year 1976-77 (Table 4.1).

During the period 1977-78 to 1983-84, Mahila Co-operative Bank earned profits.

Profit exhibited two features :

- 1) Profit of Mahila Bank continuously increased from Rs. 1236 in 1977-78 to Rs. 1.44 lakhs in 1982-83.
- 2) Profit rose rapidly as its growth index increased from 100 in 1977-78 to 11699 in 1982-83.

However, profit started declining in subsequent period. In fact Mahila Bank incurred losses to the extent of Rs. 1 lakh in 1984-85 (Table 4.1). In the year 1984-85, rate of increase in expenditure exceeded the rate of growth of income which, in turn, resulted in incurring loss for Mahila Co-operative Bank. Large amount of interest on deposit and loans, salary fund and provident fund, other expenditure were the dominant factors causing total expenditure to increase at a rapid rate during the year 1984-85. Naturally owing to increase in total expenditure, Mahila Co-operative Bank, Kolhapur incurred loss to the extent of Rs. 1 lakh in 1984-85.