

CHAPTER IV

WORKING OF SHRI RAM CO-OPERATIVE URBAN BANK LTD., AND
THE NIPANI URBAN CO-OPERATIVE CREDIT BANK LTD.,

The first urban co-operative bank to be established in Nipani was Shri Ram Co-operative Urban Bank Ltd., (Ram Urban Bank) in 1923. The establishment of this bank was preceded by a meeting of prominent individuals from Nipani in Ram-Mandir. These individuals took a unanimous decision to establish an urban co-operative bank in Nipani to be named as Shri Ram Co-operative Urban Bank Ltd., Nipani, mainly to meet the financial requirements of the people in the area. This was also set-up to encourage thrift, self-help and to inculcate the spirit of co-operation amongst various members in the society at large.

The need for establishing this particular bank can also be attributed to the peculiar conditions existing in Nipani at that time. Nipani was and still is a centre for tobacco (bidi), red-chilly, jaggery and other trades. The city then as now was inhabited by trades people, both small and big and one of their unfulfilled requirement was related to meeting their financial requirements for business purposes. There were some commercial banks in the form of joint stock companies who catered mainly to the needs of the larger business concerns in Nipani. The smaller business people and others had no where else to go except to the money lenders whose practices were highly suspect and usurious. Thus either the common

businessman and the common man had to remain content without any financial assistance or they could mortgage their future prospects with the unscrupulous money lenders.

In order that such practices were curtailed and the general public could get necessary financial resources, the establishment of the urban co-operative banks was absolutely imperative. The eminent residents of Nipani on the Twenty third day of January 1923 established with initial 23 membership and total share capital of Rs. 800

The membership of the bank in the initial year (1923-24) reached a figure of 65 with total share capital standing at Rs. 3,760 and total working capital amounting Rs. 18,872. The membership increased continuously till 1930-31 (161) as did the share capital Rs. 8,180, reserve fund Rs. 3,058 and working capital Rs. 27,186. Between the years 1930-31 and 1933-34, the membership remained stagnant so did the share capital. However, the reserve fund continued to increase and reached Rs. 4,349 level with working capital fluctuating (both ways) to reach a reduced level of Rs. 19,176. There after there was a steady progress in all these areas till today.

The trends in the membership from the year 1980 indicate growing membership right-through 1987 after which it decreased by 8 or 0.37 per cent over the previous year membership. Overall the membership increased from 1,369 in 1980 to 2,175 in 1988 - a growth of 58.29 per cent (Table 4.1). The year-on-year changes in the membership ranged between -1.42 per cent in 1982 (lowest) to 24.83 per cent (highest) in 1984.

Table 4.1**TRENDS IN MEMBERSHIP OF RAM URBAN BANK**

Year	Members	Growth over previous year	
		Absolute	Percentage
1980	1386	392	(40.12)
1981	1480	111	8.11
1982	1459	- 21	- 1.42
1983	1490	31	2.13
1984	1860	370	24.83
1985	1936	76	4.09
1986	2172	236	12.19
1987	2175	3	0.14
1988	2167	- 8	- 0.37

Source : Compiled from Annual Reports of the Bank.

The trends in the share capital of Ram Urban Bank has continued to indicate the continuous growth from Rs. 2.65 lakhs in 1980 to Rs. 7.5 lakhs an increase of Rs. 4.81 lakhs (Table 4.2) -- 181.68 per cent, a 20 per cent average annual growth rate, which is very commendable. However from year-to-year the growth rate in share capital has ranged between 2.37 per cent (lowest) in 1980 and 22 per cent (highest) in 1984. This is mainly because of a substantial increase in the membership of the Ram Bank in year 1984 over 1983 - an increase of 370 members, in per centage terms an increase of 25 per cent.

The share capital of a co-operative^a bank normally indicates the strength of its base. A growth in share capital as a result of an increase in the membership indicates confidence of the people at large in the base of that particular bank. In this sense the Ram Bank appears to have maintained confidence of

the people. In fact there was a decline in the membership by eight in 1988 but the share capital increased by about Rs.58,000.

Table 4.2

TRENDS IN SHARE CAPITAL OF RAM URBAN BANK

(Rupees)

Year	Share Capital	Growth over previous year	
		Absolute	Percentage
1980	2,64,762	5,078	2.37
1981	3,05,410	40,650	15.35
1982	3,40,780	35,370	11.58
1983	3,86,740	45,960	13.49
1984	4,72,600	85,860	22.20
1985	5,36,780	64,180	13.58
1986	6,24,030	87,250	16.25
1987	6,88,180	64,150	10.28
1988	7,45,780	57,600	8.37

Source : Compiled from Annual Reports of the Bank.

The working capital of Ram Bank increased continuously from Rs. 38.34 lakhs in 1980 to Rs. 243.46 lakhs in 1988 (Table 4.3). The yearly growth ranged between 11.93 per cent (lowest) in 1982 and 33.54 per cent in 1986 (highest). The absolute growth in the working capital ranged between Rs. 6.6 lakhs in 1982 and Rs. 52.39 lakhs 1988. The absolute increase in the working capital in nine year period came to Rs. 2,05,11,738 - an increase of 535 per cent, and a yearly average of 59.44 per cent.

The working capital of any organisation is the amount by which its current assets exceed its current liabilities (i.e. $WC = CA - CL$). The magnitude of working capital is a measure of safety factor that exists for the protection of short-term creditors. Working capital may also be viewed as funds available for acquisition of non-current assets as well as to repay

non-current liabilities. Any transactions that results in an increase in working capital is a 'source' of working capital, any transactions that causes a net decrease in working capital is an 'application' of working capital. Some transactions merely change the form of working capital, without altering amount of working capital as such clearly, such items neither constitute a 'source' nor the 'use' of working capital.

Table 4.3

TRENDS IN WORKING CAPITAL OF RAM URBAN BANK

(Rupees)

Year	Working Capital	Growth over previous year	
		Absolute	Percentage
1980	38,33,957	6,86,490	21.81
1981	55,13,419	16,79,462	43.80
1982	61,71,159	6,57,740	11.93
1983	77,36,348	15,65,189	25.36
1984	91,18,945	13,82,597	17.87
1985	1,17,51,054	26,32,109	28.86
1986	1,56,92,734	39,41,680	33.54
1987	1,91,07,149	34,14,415	21.76
1988	2,43,45,695	52,38,546	27.42

Source : Compiled from Annual Reports of the Bank.

Working capital is an alternative measure of the changes in the financial position of the concern. All those transactions which increase or decrease the volume of working capital are included here; where as all such items which do not affect working capital *e.g. payment of current liabilities, purchase of inventories in short-term credit, collection of

receivables, and short-term borrowing, purchases of treasury bills or short-term government securities are excluded. Such transactions constitute a large bulk of the total transactions of a business organisation. Though these items caused change, individual accounts comprising current assets and current assets and current liabilities they do not cause changes in working capital itself. Their exclusion allows the external analyst to focus on the overall impact of events on the current financial position of a firm or an organisation. Therefore the statement of changes in financial position based on changes in working capital position is a useful tool for highlighting the changes that have occurred in financial operations between two balanced sheet dates.

Moreover the concept of working capital is in conformity with normal accrual accounting procedures. Hence a funds flow statement based on the concept of net working capital fits well with the other statements. Above all working capital is also a measure of short-term liquidity of a firm or an organisation. Therefore, an analysis of factors bringing about a change in the amount of net working capital is useful for decision making by share holders, creditors, lenders and management. Thus an increase in current assets causes an increase in working capital to a decrease in current assets causes decreases in working capital, an increase in current liabilities causes a decrease in working capital and a decrease in current liabilities causes an increase in working capital. Thus a transaction which gives rise to a source or use of working capital should affect current account or current liabilities and non-current account simultaneously.

However, if a transaction occurs where either only current accounts are affected working capital is not changed and transaction cannot appear on the funds statement. On the other hand the knowledge of large amount of debt conversion into equity would be very useful for management as well as for outside investors.

The working capital is also some times defined as the difference between non-current assets and non-current liabilities e.g. NCL - equity capital, reference capital, debentures, long-term loans, reserves and surpluses and share-premium and non-current assets are plant and machinery, building and land, patents and other intangibles, goodwill and long-term investments.

The Reserve Bank of India under clause Section 20 of Indian Trusts Act 1882 has included investment in units of the Unit Trust of India as trustee securities. Further it has advised all primary urban co-operative banks with working capital of atleast Rs. 25 crores to invest in government and other trustee securities at least a minimum of 10 per cent of the liquid assets required to be held by them in compliance with the provisions of Section 25 of the Banking Regulation Act, 1949 - as applicable to co-operative societies. Further all the co-operative banks with a working capital of less than Rs. 25 crores are required^{to} comply with these requirements within a period of three months from the date on which their working capital reaches a level of Rs. 25 crores.

The co-operative banks, according to the R B I can invest i.e.

subscribe to or purchase Seven Year National Development Bonds. This may done only for the purpose of availing under Section 54 (E) of the Income Tax Act, the benefit of exemption from capital gains accruing from the transfer of capital assets. The directive prohibits of the co-operative bank from holding, as part of the approved securities (for the purpose of maintenance of Statutory Liquid Ratio under Section 24 of B.R. Act, 1949) in National Rural Development Bonds issued by the Government of India.

The co-operative banks are also prohibited from acquiring such bonds by purchase, transfer or otherwise from any subscriber or holder of the bonds. In addition, the co-operative banks prohibited from granting any loans or advances against the securities of such bonds for a period of three years from the date of subscription or the purchase of such bonds by the borrowers. However, the acquisition of seven year National Development Bonds by the co-operative banks through the borrowers providing these - security against grant of loans or advances to them by the co-operative banks.

The Ram Bank has made investments in the Central and State Governments Securities, in other trustee securities, in shares of co-operative institutions and other similar investments. The total investments varied from year-to-year but hovered around Rs. 1.25 lakhs for most of the years between 1980 and 1988 (Table 4.4). However, in the year 1980 the total investment of the Ram Bank was Rs. 1.62 lakhs - the highest and continued to decline till 1983. For three years 1983 to 1985 the investments remained more or less same and there decreased

for two years and increased substantially to Rs. 1.49 lakhs in 1988. The absolute change in the total investments over the previous year ranged between Rs. - 25,000 and Rs. 26,000. The percentage change in total investment in each year varied between -17 per cent and 21 per cent.

Table 4.4

TRENDS IN INVESTMENT OF RAM URBAN BANK

(Rupees)

Year	Investment	Growth over previous year	
		Absolute	Percentage
1980	1,62,000	6,000	3.85
1981	1,50,000	- 12,000	- 7.41
1982	1,25,000	- 25,000	- 16.67
1983	1,24,000	- 1,000	- 0.80
1984	1,24,000	0	0
1985	1,23,000	- 1,000	- 0.80
1986	1,17,000	- 6,000	- 4.88
1987	1,22,500	5,500	4.70
1988	1,48,500	26,000	21.22

Source : Compiled from Annual Reports of the Bank.

A urban co-operative banks on their incomes through interests, loans and advances. Interest on government securities, dividend on shares, entry fee, discount commission bills etc. Out of the net profits, not less than 25 per cent is carried to the statutory reserves - sums sufficient to pay a dividend not exceeding 6½ per cent on the paid-up share capital and prescribed contribution of the education fund of the institution are set aside. A sum not exceeding two per cent of the paid-up share capital is allotted to build-up a dividend equalisation fund. Some amount is set apart from giving bonus

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to the employees. The balance is transferred to the general reserve fund.

The gross profits of Ram Bank indicates a substantial progress made by the bank over the period under discussion. The working of Ram Bank indicated a continuous growth in gross profits from Rs. 4.33 lakhs in 1980 to Rs. 24.58 lakhs in 1988 (Table 4.5). The growth in gross profit on a year-to-year basis should be lowest figure at Rs. 88,106 in 1980 and grown continuously to Rs. 4.47 lakhs in 1987 and declined slightly in the following year to Rs. 4.43 lakhs. The percentage growth varied from 17.29 per cent in 1983 (lowest) to 36 per cent (highest) in 1982.

In terms of net profits the figure is much lower. In the year 1980 the net profit figure stood at Rs. 1.75 lakhs and continued to grow steadily, except in 1985 and 1986 and reached a figure of Rs. 3.14 lakhs. The year-on-year percentage change in the growth of net profits varied between -4.37 in 1985 to 35 per cent in 1982.

The Ram Bank accepts deposits from the members as well as from non-members. The types of deposits accepted by the Ram Bank includes fixed deposits, saving bank deposits, current deposits and others. The total deposits in the bank amounted to Rs. 28.56 lakhs in 1980 which increased continuously and substantially through out the period to attain a figure of Rs. 211.27 lakhs, in 1988 (Table 4.6). The year-to-year absolute growth in total deposits amounted to Rs. 5.13 lakhs (lowest) in 1980 to Rs. 49.61 lakhs (highest) in 1988. The

Table 4.5

TRENDS IN PROFITS OF RAM URBAN BANK

(Rupees)

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
Gross Profit	432872	579638	789924	926521	1119024	1321934	1568527	2015164	2458213
Growth over previous year	88106	146766	210286	136597	192503	202910	246593	446637	443049
Percentage	25.56	33.90	36.28	17.29	20.78	18.13	18.65	28.47	21.98
Net Profit	175474	230039	310156	336721	363716	347835	201441	286987	314333
Growth over previous year	37517	54565	80117	26565	26995	-15881	-146394	85546	27346
Percentage	27.19	31.10	34.83	8.56	8.08	-4.37	-2.09	42.47	9.53

Source : Compiled from Annual Reports of the Bank.

Table 4.6

TRENDS IN DEPOSITS OF RAM URBAN BANK

(Rupees)

Deposits	Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
A. Fixed deposits		1622007	2376104	3371453	4007139	5106981	6850614	9564690	11731984	14384432
Growth over previous year	Absolute	N.A.	754097	995349	635686	99842	2743633	261470	2267294	2652448
	Percentage	-	46.49	41.89	18.85	2.49	66.80	38.16	23.96	22.61
B. Saving Bank Deposits		1106640	1746819	1465414	1762318	1821043	2252122	3082453	3799669	4928827
Growth over previous year	Absolute	N.A.	640179	281405	296904	58725	431079	830331	717216	1129159
	Percentage	-	57.85	16.11	20.26	3.33	23.67	36.87	23.27	29.72
C. Current Deposits		127514	231151	119822	258463	170667	269226	308299	634003	914399
Growth over previous year	Absolute	N.A.	103637	-111329	138641	-87796	98559	39073	325804	280396
	Percentage	-	81.29	-48.16	115.71	-53.99	57.75	14.51	105.67	44.23
D. Others		-	-	-	-	-	-	-	-	899322
Total Deposits		2856161	4354076	4956689	6027920	7098691	9371962	12955442	16165656	21126980
Growth over previous year	Absolute	512574	1497915	602613	1071231	1070771	2273271	3583480	3210214	496132
	Percentage	21.87	52.45	13.84	21.61	17.76	32.02	38.24	24.78	30.69

Source : Compiled from Annual Reports of the Bank.

N.A. - Not Available.

changes in the total deposits ranged between a minimum of 14 per cent in 1982 and 52 per cent (highest) in 1981. The overall increase in the total deposits over the period amounted to Rs. 182.71 lakhs representing an overall growth of 640 per cent or an average annual growth rate of 71.1 per cent.

The total deposits, as indicated above are made up of fixed deposits, savings bank deposits, current deposits and others. The share of each one of these in the total deposits is indicated in Table 4.7.

Table 4.7

SHARE OF EACH TYPE OF DEPOSIT OF RAM BANK

(Per cent)

Type of Deposit Year	Fixed Deposit	Saving Bank Deposit	Current Deposit	Others	Total Deposits
1980	56.79	38.75	4.46	-	100.00
1981	54.57	40.12	5.31	-	100.00
1982	68.02	29.56	2.42	-	100.00
1983	66.48	29.23	4.29	-	100.00
1984	71.94	25.66	2.40	-	100.00
1985	73.10	24.03	2.87	-	100.00
1986	73.83	23.79	2.38	-	100.00
1987	72.58	23.50	3.92	-	100.00
1988	68.08	23.32	4.32	4.27	100.00

Source : Compiled from the Annual Reports of the Bank.

The share of the fixed deposits was substantially high, but always more than 55 per cent of the total deposits in each year. The minimum share of the fixed deposits in the total deposits was 54.57 per cent in 1981 and the highest was 73.83

per cent in 1986. Following the fixed deposits section was the savings bank account. Its share in the total deposits each year remained about 33 per cent with the highest share being in 1981 at just about 40 per cent. The current deposits played a fairly modest growth in the total deposits of the Ram Bank, its share varying from a minimum of 2.38 per cent in 1986 to a high of 5.31 per cent in 1981.

The Ram Bank, in pursuance of its objectives and social obligations provides advances to its members and depositors. The advances are short loans, cash credit, over draft and bills of exchange, which are made against government and other approved securities, other tangible securities, against land, personal securities etc. It also provides medium-term loans against tangible securities. The total short-term loans against other tangible securities increased from Rs. 9.41 lakhs in 1980 to Rs. 61.02 lakhs in 1988, a whopping increase of Rs. 51.60 lakhs or 548 per cent between 1980 and 1988. The average annual growth rate of the short-term loans against other tangible securities is 61 per cent (Table 4.8). The absolute increase in this type of loans from year-to-year varied Rs. -2.7 lakhs in 1985 (lowest) and Rs. 12.67 lakhs in 1983. The percentage changed in this type of loans for each year was -7 per cent in 1985 to a very high of 69 per cent in 1982.

The Ram Bank also advanced loans against land as securities and it constitutes the second most important type of loan advanced by the Ram Bank. The amount advanced in 1980 was

Table 4.8

TRENDS IN ADVANCES OF RAM BANK

(Rupees)

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
I. Short term loans, cash credit, overdrafts and bills of exchange of which,									
A. Govt. & other approved Securities	-	-	-	-	-	-	-	-	-
B. Other tangible securities.	941461	1148021	1937310	3204213	3947680	3677841	4776246	5896345	6101750
Growth over previous year	-	206560	789289	1266903	743467	-269839	1098405	1120099	205405
Absolute	-	21.94	68.75	65.39	23.20	-6.84	29.87	23.45	3.48
Percentage	-	-	-	-	-	-	-	-	-
C. Loans against land as security	782720	1042066	1285572	1581667	2334737	2685532	3185515	3399708	3394922
Growth over previous year	-	259346	243506	296095	753070	350795	499983	214193	-4786
Absolute	-	33.13	23.37	23.03	47.61	15.03	18.62	6.72	-0.14
Percentage	-	-	-	-	-	-	-	-	-
D. Personal securities	4300	4300	4800	4300	4300	4000	4000	4000	4000
Growth over previous year	-	0	500	-500	0	-300	0	0	0
Absolute	-	0	11.63	-10.42	0	-6.98	0	0	0
Percentage	-	-	-	-	-	-	-	-	-
II. Medium term loans against tangible securities	NA	37390	85515	67875	201946	227831	730976	920955	1194469
Growth over previous year	-	-	48125	-17640	134073	25883	503145	189979	273514
Absolute	-	-	128.71	-20.63	197.53	12.82	220.24	25.99	29.70
Percentage	-	-	-	-	-	-	-	-	-
Total Advances	1728481	2232777	3313197	4858055	6488665	6595204	8696738	10221009	10696141
Growth over previous year	-	-	1080420	1544858	1630610	106539	2101534	1524271	475132
Absolute	-	-	48.38	46.63	33.57	1.64	31.86	17.53	4.65
Percentage	-	-	-	-	-	-	-	-	-

Source : Compiled from the Annual Reports of the Bank.

N.A. - Not Available, * - Does not include medium term-loans.

Rs. 7.83 lakhs which increased substantially to about Rs. 34 lakhs in 1987-88 - an increase of Rs. 26.12 lakhs and 334 per cent over 1980 figure representing an average annual growth rate of 37 per cent. On the year-to-year basis the absolute changes in loans against land as security ranged between Rs.-0.05 lakhs in 1988 and Rs. 7.5 lakhs in 1984 representing changes of -0.14 per cent in 1988 and 48 per cent in 1984.

Loans advanced against personal securities formed an insignificant proportion of the total loans advanced right through the period at about Rs. 4,300 only.

The medium term loans against tangible securities total Rs. 37,390 in 1981 and increased Rs. 11.94 lakhs in 1988. The year-to-year changes in the absolute amount ranged between Rs.-17,640 in 1983 and to Rs. 2.47 lakhs in 1988. In percentage terms year-to-year changes varied between -20.63 per cent in 1983 to 221 per cent in 1986.

The total advances increased from Rs. 17.28 lakhs in 1980 to Rs. 107 lakhs in 1988 - an absolute increase of Rs. 90 lakhs over the period and in percentage terms the increase was 519(per cent) i.e. an average annual growth of 58 per cent. The year-to-year percentage change varied from a minimum of 1.64 in 1985 to 48.38 in 1982.

In absolute terms, the growth in total advances varied between Rs. 21,01,534 in 1986 and Rs. 4,75,132 in 1988. From amongst various types of loans advanced by the Ram Bank, the short-term loans against tangible securities and land almost entirely

exhaust the gamut of loans. The medium term loans constitute, at the most one-tenth (11 per cent) of all the advances from 1980 till 1988 (Table 4.9). The share of medium term loans against tangible securities increased from about 2 per cent of total advances by the Ram Bank in 1981 to 11 per cent in 1988. In fact excepting the three years (1986 - 1988) the share of this category of loans has been less than 4 per cent.

Table 4.9

SHARE OF EACH TYPE OF ADVANCE OF RAM BANK

(per cent)

Year	I. Short Term loans B. Other tangible securities	C. Loans against land as security	D. Personal securities	II. Medium term loans	Total
1980	54.47	45.28	0.25	N. A.	100.00
1981	51.42	46.69	0.19	1.70	100.00
1982	58.48	38.80	0.14	2.58	100.00
1983	65.96	32.56	0.08	1.40	100.00
1984	60.84	35.98	0.07	3.11	100.00
1985	55.77	40.72	0.06	3.45	100.00
1986	54.92	36.63	0.08	8.41	100.00
1987	57.69	33.26	0.04	9.01	100.00
1988	57.05	31.74	0.04	11.17	100.00

Source : Compiled from Annual Reports of the Bank.

N. A. - Not Available.

A very high proportion of total loans have been advanced for short-term purposes - i.e., between 89 per cent and 100 per cent : within the category of short-term loans, those advanced against personal securities constituted a very tiny proportion of total advances - between 0.04 per cent and 0.25 per cent. Thus the Ram Bank's priorities, in terms of loans advances, do

not encourage loans against personal securities.

More than 50 per cent of all loans have been of the short-term category. In fact the share of this type of loans in the total varied - between a minimum of 51 per cent 1981 and a maximum of 66 per cent in 1983. For all other years this share has remained more or less at or above 55 per cent.

The share of loans against land as security declined from 47 per cent in 1981 to 32 per cent in 1988, almost continuously.

The percentage share of loans against other tangible securities in the short-term loans category has been slightly higher than it has been with respect to its share in total loans (Table 4.10). A similar situation must emerge for loans against land as security.

Table 4.10

DISTRIBUTION OF SHORT-TERM LOANS ON THE BASIS OF TYPE OF
SECURITY OF RAM BANK. (Percentages)

Year	Loans against other tangible securities	Loans against Land as security	Loans against personal securi- ties
1980	54.47	45.28	0.25
1981	52.29	47.47	0.20
1982	60.02	39.83	0.15
1983	66.89	33.02	0.09
1984	62.79	37.14	0.07
1985	57.76	42.18	0.06
1986	59.96	40.00	0.04
1987	63.40	36.56	0.04
1988	64.22	35.73	0.05

Source : Compiled from Annual Reports of the Bank.

THE NIPANI URBAN CO-OPERATIVE CREDIT BANK LTD.,

The Urban Co-operative Banks are mainly expected to develop a locality by financing the various constituents in that locality. They are expected to play a two-fold role : deposit mobilisation and its proper utilisation. It is generally expected that each co-operative bank would serve some special purposes/ sections like merchants, traders, employees and so on.

The growth of trade in Nipani, and in fact, the growth of Nipani itself led to an increasing demand for credit. Although the Ram Co-operative Bank tried to meet the people's requirements, the demand was much higher than the Ram Bank could cope with. This situation led to the emergence of a vocal body demanding the setting up of a 'rival' urban co-operative bank. Due to inadequate facilities and limited resources many felt discriminated against. There were delays felt in getting assistance from the existing facilities. In this background, the people of Nipani decided to establish another co-operative bank of their own. The following categories of people came together to establish the Nipani Urban Co-operative Credit Bank Ltd., in 1962 : tobacco merchants, commission agents, traders, small businessmen, small industrialists, agriculturists, vendors, employees etc. Thus the eminents of the locality joined together, in their efforts to establish a co-operative bank. The most active among these people were Shri. G.I. Bagewadi, a noted tobacco trader and Dr. S.S. Panade a noted medical practitioner of the area. Accordingly The Nipani Urban Co-operative Credit Bank Ltd., (Nipani Urban Bank) was established on Sixth October

Nineteen Hundred and Sixty Two. The bank started, no doubt, by incorporating co-operative principles and to fulfill the objectives which were thoughtout initially.

The establishment of the bank emphasised retention of confidence in the banking facilities. This confidence and the dedication of all the members, particularly the founding fathers, helped the growth on the path towards the development and prosperity not only of the bank but also of the members spread over the Nipani area.

The performance of the bank can be analysed by going through its activities like growth in membership, investment, deposits etc. It had an initial membership of only 125 (1962-63), since then the membership has increased to 248 by 1972-73 and 565 by 1980 and stood at 1,808 by 1988. In contrast the Ram Bank's membership was much higher (Chart 4.1). Overall the membership increased by 220 per cent during 1962 and 1988, an average annual growth of 8.46 per cent. The membership of the bank increased contineously from 1980 to 1985, but declined to 1,601 in the year 1986 to finally reach 1,808 during 1988 (higest) (Table 4.11). On a year-to-year basis, the absolute change in the membership over the previous year ranged between -3 lowest in 1986, and 248, highest in 1983. In terms of the percentage growth in membership, the lowest was a negative 0.2 in 1986 and a highest of 62 per cent in 1984.

Trends in Membership

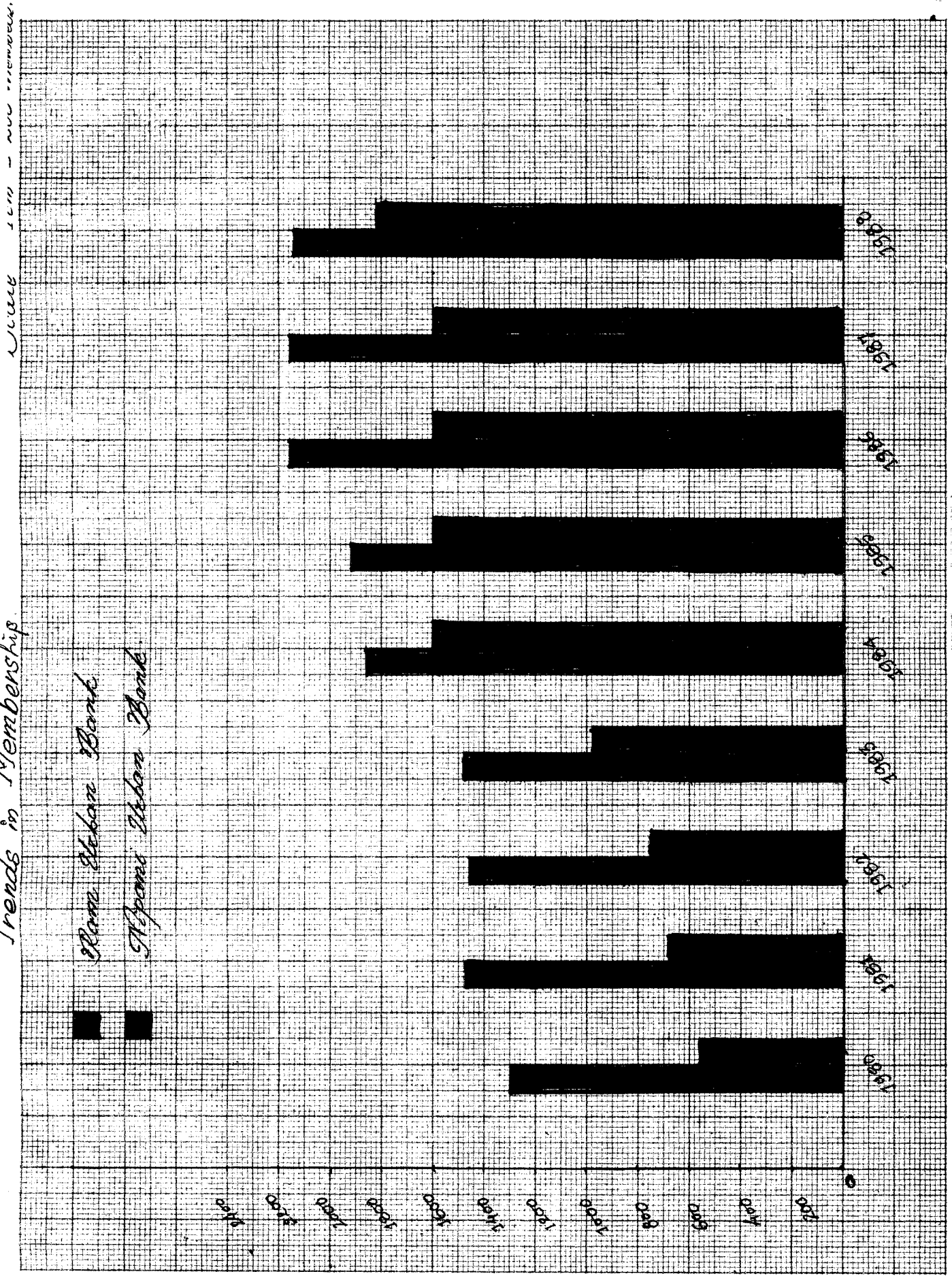


Chart 4.1

Table 4.11

TRENDS IN MEMBERSHIP OF NIPANI URBAN BANK

Year	Members	Growth over previous year	
		Absolute	Percentage
1980	565	152	26.90
1981	676	111	19.65
1982	739	63	9.32
1983	987	248	33.56
1984	1602	615	62.31
1985	1604	2	0.12
1986	1601	-3	-0.19
1987	1611	10	0.62
1988	1808	197	12.23

Source : Compiled from Annual Reports of the Bank.

From a very meagre sum of Rs. 12,500 as its share capital at the bank's inception in 1962, the share capital increased continuously to Rs. 1,58,250 in 1973 - a whopping 1,166 per cent in about ten years. This increased to Rs. 1,89,350 by 1978. By 1980, this share capital had increased to Rs. 2,33,000 and reached Rs. 5,77,600 highest by 1988 (Table 4.12). The year-to-year growth in the share capital has not been either smooth or even. In fact the absolute change in the share capital ranged from a minimum of Rs. 18,000 in 1981 and as high as Rs. 63,200 in 1988. The percentage change in the total share capital varied from a minimum of 6 per cent in 1986 to as high as 29 per cent in 1984. The trends in average share capital, i.e. total share capital each year divided by the total number of members in each year indicate a downward movement from as high as Rs. 419 in 1980 to Rs. 252 in 1984. In the year 1985, this average was Rs. 273 and then declined

Table 4.12**TRENDS IN SHARE CAPITAL OF NIPANI URBAN BANK**

(Rupees)

Year	Share Capital	Growth over previous year	
		Absolute	Percentage
1980	2,33,000	27,800	13.55
1981	2,51,000	18,000	7.73
1982	2,76,150	25,150	10.02
1983	3,12,450	36,300	13.15
1984	4,04,350	91,900	29.41
1985	4,37,800	33,450	8.27
1986	4,65,750	27,950	6.38
1987	5,14,400	48,650	10.45
1988	5,77,600	63,200	12.29

Source : Compiled from Annual Reports of the Bank.

substantially to Rs.210, and to finally recover to rest at Rs.319 in 1988. Despite having a substantial lead, the share capital of the Nipani Urban Bank was not much higher than that of the bank in 1980. Later on; the total share capital of the Ram Bank was much higher, particularly from 1982 onwards (Chart 4.2).

The working capital of the bank was Rs. 1,19,369 during 1978 which increased to Rs. 41,94,203 by 1980. Since then it has increased fairly substantially to Rs. 1,72,42,462 by 1988 i.e. the growth of working capital during 1978 to 1980, and from 1980 to 1988 is 3413.65 per cent and 311.10 per cent respectively (Table 4.13). The year-to-year absolute change in the working capital of the Nipani Urban Bank has varied substantially from a lowest of - Rs. 7,89,360 in 1983 to Rs.38,84,287, the highest in 1988. The percentage growth in

Trends in Share-capital

Scale 1 cm = 100 million

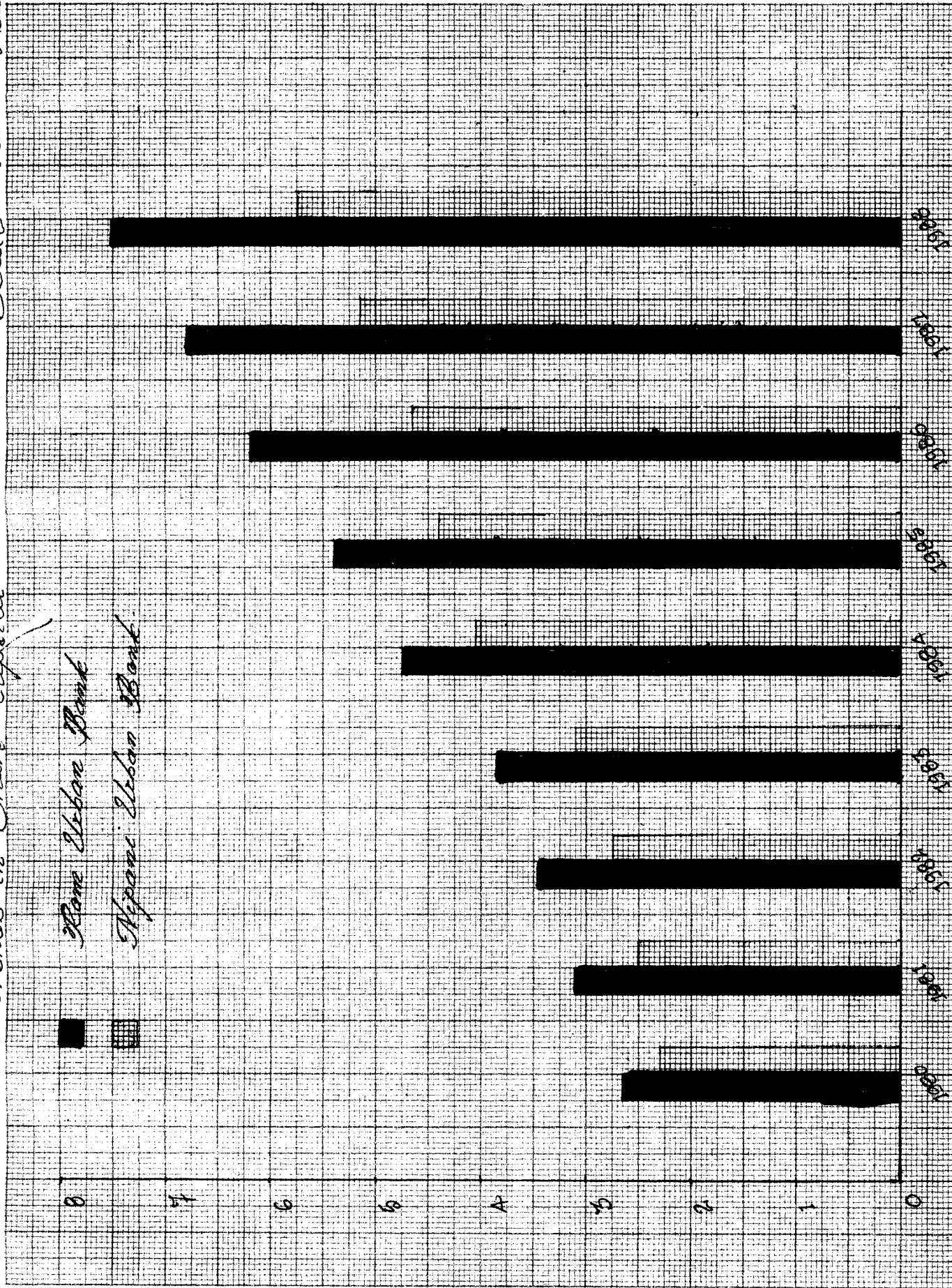


Chart 4.2

Table 4.13**TRENDS IN THE WORKING CAPITAL OF NIPANI URBAN BANK**

(Rupees)

Year	Working Capital	Growth over previous year		
		Absolute	Percentage	
1980	41,94,203	13,64,868	48.24	
1981	44,29,234	2,35,031	5.60	
1982	73,37,294	29,08,060	65.66	
1983	65,47,934	-7,89,360	-10.76	
1984	76,68,514	11,20,580	17.11	
1985	92,83,002	16,14,488	21.05	
1986	1,04,57,287	11,74,285	12.65	
1987	1,33,58,175	29,00,888	27.74	
1988	1,72,42,462	38,84,287	29.08	

Source : Compiled from Annual Reports of the Bank.

working capital, from year-to-year, ranged from 6 in 1981, 66 in 1982. The trends in the working capital in the Ram Bank has been more positive (Chart 4.3).

The total investment made by the Nipani Urban Bank in the period 1980-1988 increased slightly more than ten fold from Rs.2,45,800 in 1980 to Rs. 24,85,000 in 1988 (Table 4.14). The absolute growth in total investment over the previous year ranged between (minus) Rs. 1,68,5000 in 1985 to Rs. 5,76,000 in 1987. These varied between (minus) 12.28 per cent (1985) and 162 per cent in 1980.

The performance, on this head, of the Urban Bank is commendable than that of the Ram Bank during the same period (Chart 4.4). This partially reflected in the results

Trends in Working Capital

Scale 1cm = 5 lakh.

Rs.



Ram Urban Bank



Nepan Urban Bank

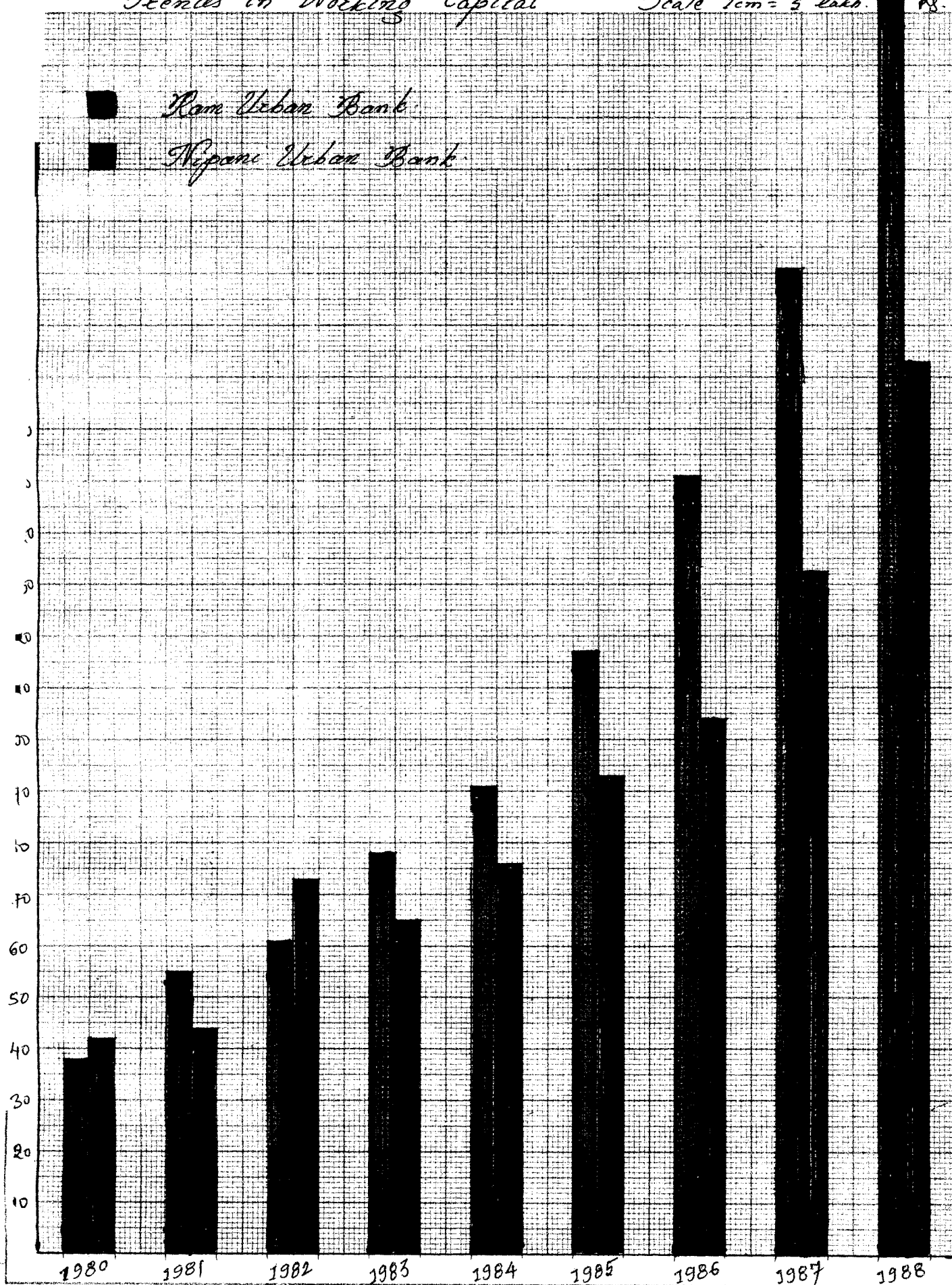


Chart 4.3

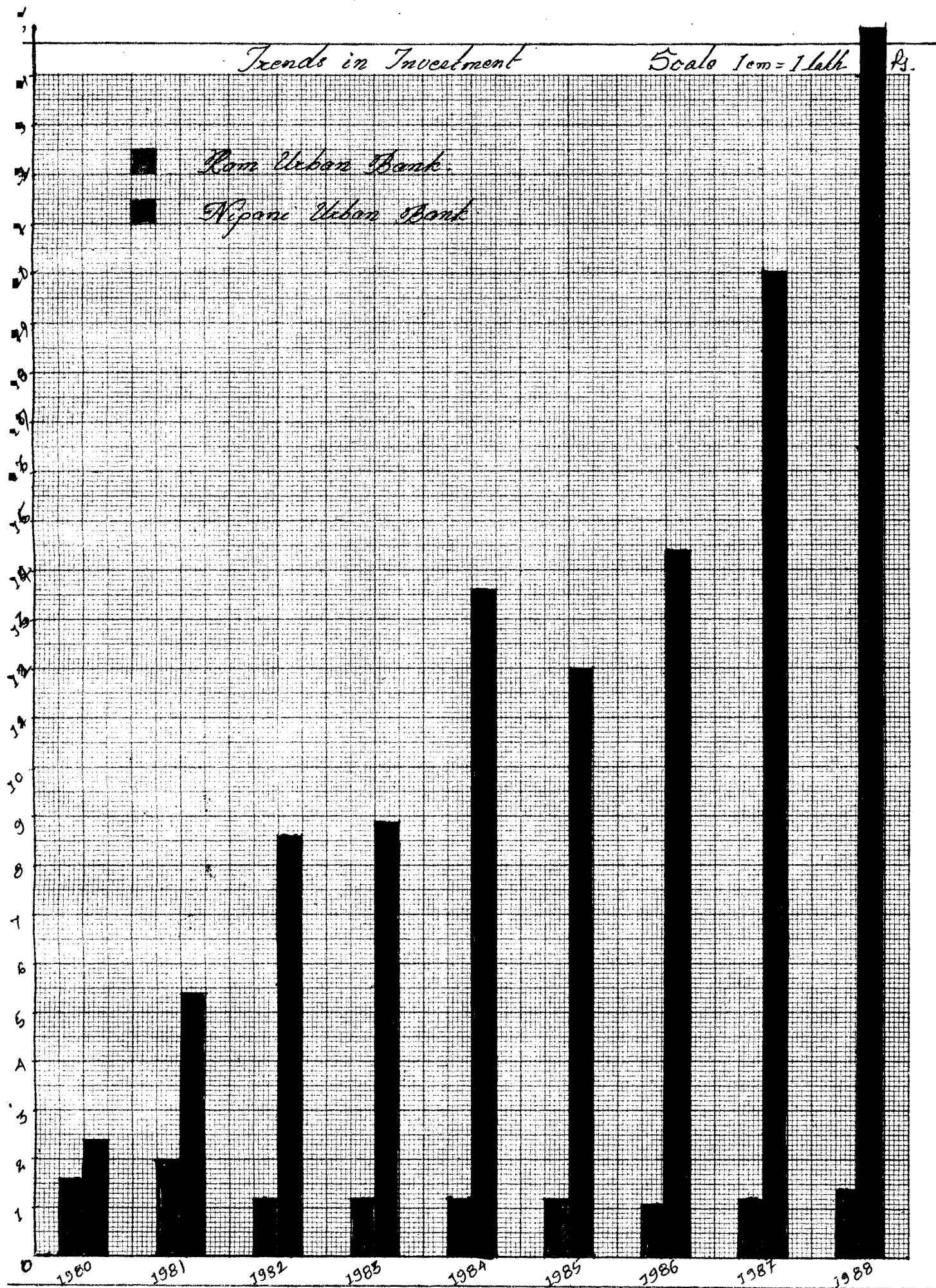


Chart 4.4

Table 4.14**TRENDS IN INVESTMENT OF NIPANI URBAN BANK**

(Rupees)

Year	Investment	Growth over previous year	
		Absolute	Percentage
1980	2,45,800	1,52,300	162.80
1981	5,40,800	2,95,000	120.02
1982	8,61,800	3,21,000	59.36
1983	8,89,800	28,000	3.25
1984	13,72,500	4,82,700	54.25
1985	12,04,000	-1,68,500	-12.28
1986	14,29,000	2,25,000	18.69
1987	20,05,000	5,76,000	40.31
1988	24,85,050	4,80,050	23.94

Source : Compiled from Annual Reports of the Bank.

obtained in terms of the trends in net profits. For the Urban Bank, the net profits increased from Rs. 1,73,029 in 1980 to Rs. 3,25,041 in 1985 and then declined to reach Rs. 3,00,456 in 1988 (Table 4.15), which was more or less the trend witnessed with respect to the working of the Ram Bank. In absolute terms, the net profits varied from a small sum of Rs. 5,181 in 1985 to Rs. 76,651 in 1981. There was however a decline in the net profits over the previous year in 1986 and 1987 (Chart 4.5).

The year-to-year growth in net profits ranged between (minus) 7.22 per cent in 1987 and 48 per cent in 1980. It is worth noting that the trends in the net profits of both the Ram Bank and Nipani Urban Bank were similar. Both had negative growth rates during 1985-87, and there was a sharp fall in the growth

Trends in profit (Net)

Scale 1 cm = 0.25 million

■ Non Urban Bank

■ Urban Bank

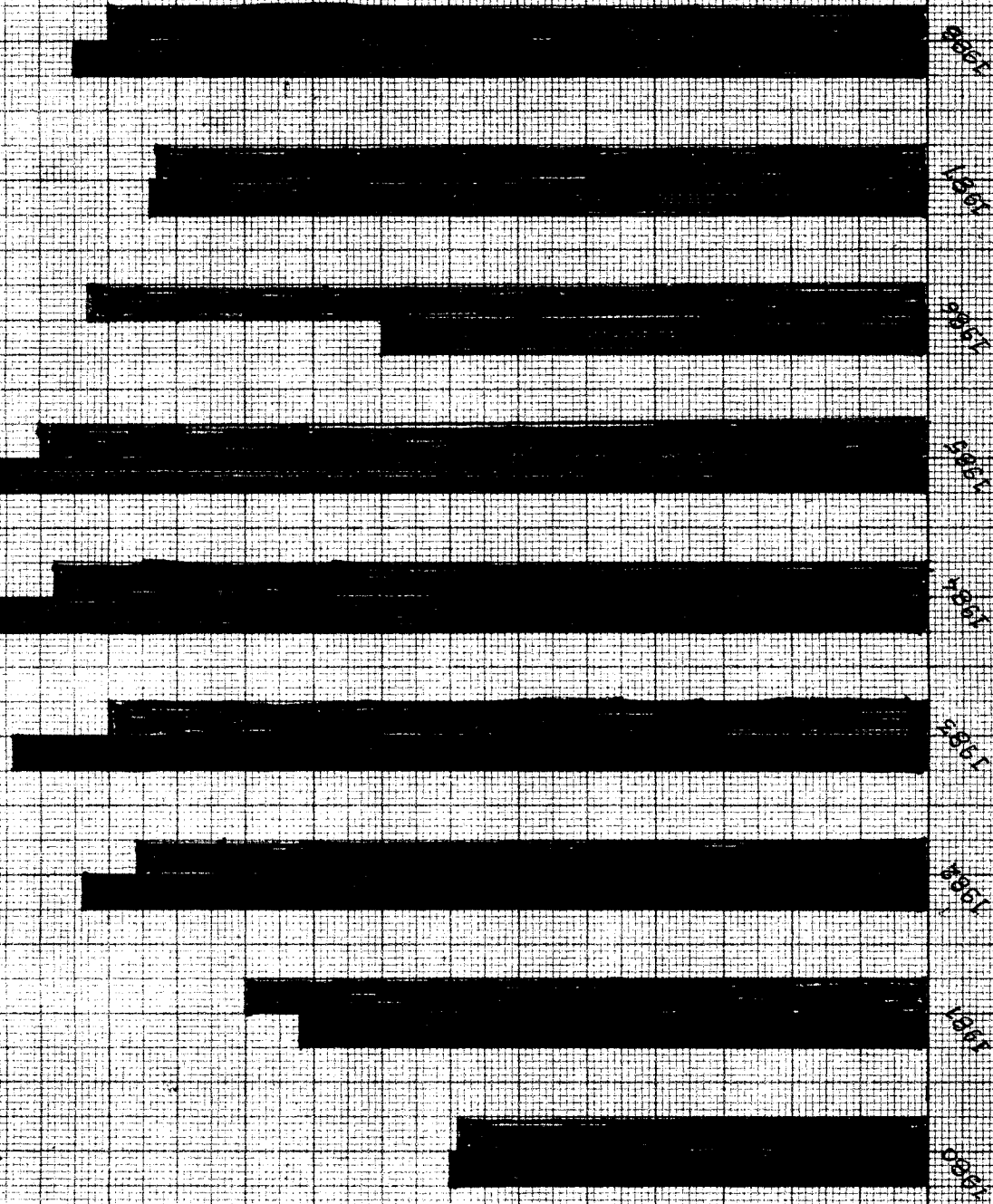


Chart 4.5

rate for both the banks in the year 1983 - from 35 per cent in 1982 to 9 per cent in 1983 for Ram Bank; and from 18 per cent to 2 per cent respectively - Tables 4.5 and 4.15.

Table 4.15

TRENDS IN NET PROFITS OF NIPANI URBAN BANK

(Rupees)

Year	Net Profit	Growth over previous year	
		Absolute	Percentage
1980	1,73,029	56,371	48.32
1981	2,49,680	76,651	44.30
1982	2,93,383	43,703	17.50
1983	3,00,166	6,783	2.31
1984	3,19,860	19,694	6.56
1985	3,25,041	5,181	1.62
1986	3,07,693	-17,348	-5.33
1987	2,85,486	-22,207	-7.22
1988	3,00,456	14,970	5.24

Source : Compiled from Annual Reports of the Bank.

The urban co-operative bank accepts various types of deposits from members and the general public. The types of deposits are (i) fixed (ii) saving (iii) current and (iv) pigmy. The total deposits of the Nipani Urban Bank increased continuously from 1980 to 1988, from Rs. 12,21,027 to Rs. 1,44,00,466 - an increase of 1,055 per cent (Table 4.16). From year-to-year, the absolute change in total deposits ranged between (minus) Rs. 4,06,965 in 1980 and Rs. 35,84,587 in 1988.

Table 4.16
TRENDS IN DEPOSITS OF NIPANI URBAN BANK
(Rupees)

Year		1980	1981	1982	1983	1984	1985	1986	1987	1988
Types of deposits										
A.Fixed deposits		994690	1054025	2484197	3465986	4280352	5543686	6292268	7730035	9998689
Growth over previous year	Absolute	288928	59335	1430172	981789	814366	1263334	748582	1437767	2268654
	Percentage	40.94	5.97	135.69	39.52	23.50	29.51	13.50	22.85	29.35
B.Saving Bank Deposits		105228	1347741	1305992	1421091	1399828	1296805	1531690	2484393	3644830
Growth over previous year	Absolute	-676648	1242513	41749	115099	-21263	-103032	234885	952703	1160437
	Percentage	-86.54	1180.78	3.10	8.81	-1.50	-7.36	18.11	62.20	46.71
C.Current deposits		78097	46239	50024	55750	93093	115719	112678	108398	339238
Growth over previous year	Absolute	-24538	-31858	3785	5726	37343	22626	3041	-4280	230840
	Percentage	-23.91	-40.79	8.19	11.45	66.98	24.30	2.63	-3.80	12.96
D.Pigmy deposits		43012	42023	52019	63062	78517	92928	110544	193053	117709
Growth over previous year	Absolute	5293	-989	9996	11043	15455	14411	17616	82509	-75344
	Percentage	14.03	-2.30	23.79	21.23	24.51	18.35	18.96	74.64	-39.03
Total Deposits		1221027	2490028	3892232	5005889	5851790	7049138	8047180	10515879	14100466
Growth over previous year	Absolute	-406965	1269001	1402204	1113657	845901	1197348	998042	2468699	3584587
	Percentage	-25.00	103.92	50.31	28.61	16.90	20.46	14.16	30.68	38.09

Source : Compiled from Annual Reports of the Bank.

The fixed deposits constituted the major share in the total deposits, followed by Savings Bank Deposits, Current Deposits and Pigmy Deposits, in that order. The fixed deposits increased from Rs. 9.95 lakhs in 1980 to Rs. 99.98 lakhs in 1988 - an increase 905 per cent. The absolute change in the fixed deposits, on year-to-year basis varied between Rs. 59,335 in 1981 and Rs. 23 lakhs in 1988. In percentage terms, these deposits changed from a minimum of 6 per cent in 1981 (over the previous year) to a maximum of 136 per cent in 1982.

The Saving Bank section deposits increased from Rs. 1.05 lakhs in 1980 to Rs. 36.45 lakhs in 1988 - an increase of 3,371 per cent. However, there were greater variations in the total of this type of deposits from year-to-year, with every negative changes in three years. In fact, the highest increase in the total savings bank deposits, in the Nipani Urban Bank, over the previous year was a whopping Rs. 11.60 lakhs in 1988. In percentage terms these changed from (minus) 87 in 1980 to 1,181 the very next year.

The Current Deposits increased from a minimum of Rs. 50,000 in 1982 to Rs. 3.39 lakhs in 1988. In absolute terms, the year-to-year change was to the tune of (minus) Rs. 31,858 in 1981 and Rs. 2.31 lakhs. The year-to-year percentage change varied from (minus) 41 in 1981 to 67 in 1984.

The Pigmy Deposits constitute a relatively meagre sum, from a low of Rs. 43,012 in 1980, the total of such deposits with almost no, interruption to Rs. 1.98 lakhs in 1987. The year-to-year growth ranged from (minus) Rs. 75,344 in 1981 to

Rs. 82,509 in 1987. In percentage these variations were (minus) 39 to 75 in 1988 and 1987 respectively.

The performance of the Ram Bank were marginally better than those of the Nipani Urban Bank (Chart 4.6).

Table 4.17

SHARE OF EACH TYPE OF DEPOSIT OF NIPANI URBAN BANK

(Per cent)

Type of Deposit Year	Fixed Deposit	Savings Bank Deposit	Current Deposit	Others Pigmy Deposit	Total Deposits
1980	81.46	8.62	6.40	3.52	100.00
1981	42.33	54.12	1.86	1.69	100.00
1982	63.82	33.55	1.29	1.34	100.00
1983	69.24	28.39	1.11	1.26	100.00
1984	73.15	23.92	1.59	1.34	100.00
1985	78.64	18.40	1.64	1.32	100.00
1986	78.19	19.04	1.40	1.37	100.00
1987	73.50	23.63	1.03	1.84	100.00
1988	70.91	25.85	2.40	0.84	100.00

Source : Compiled from the Annual Reports of the Bank.

The share of fixed deposits in total in the Nipani Urban Bank almost duplicates the situation existing in the Ram Bank. The most important deposit category has been the fixed deposits, whose share in the total deposits in the Nipani Urban Bank was as high as 81 per cent in 1980 and remained at a minimum level of 69 per cent in 1983 - except for 1981 and 1982, when the levels were 42 per cent and 64 per cent respectively (Table 4.17). The second most important type of deposit has been the Savings Bank Deposits - the share of which ranged between 9 per cent (lowest) in 1980 and 54 per cent (highest) in 1981.

Trends in Total Deposits

Scale 1cm = 10 Lakhs Rs.

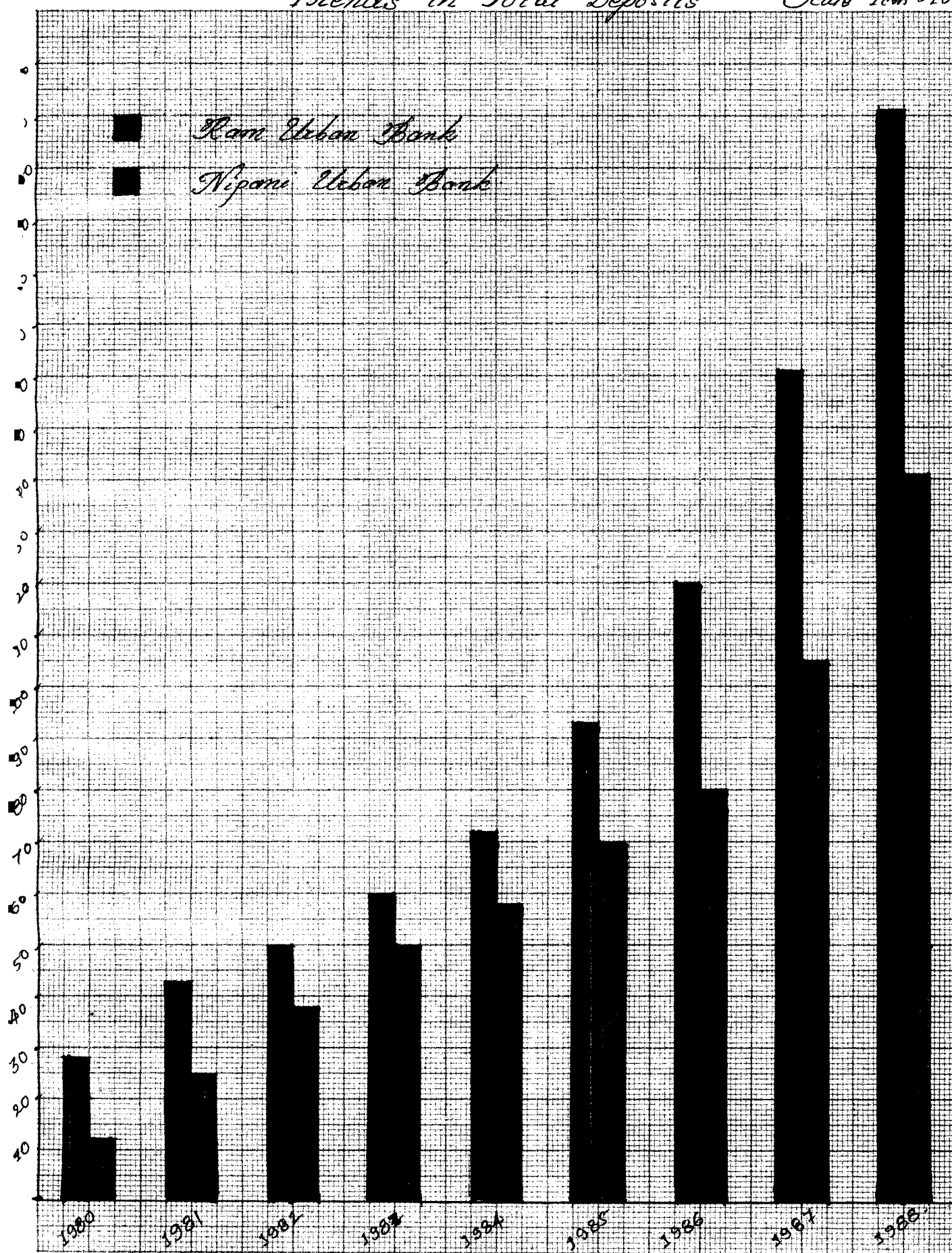


Chart 4.6

On the whole the share of this type of deposits in the total deposits hovered around 25 per cent mark.

The Current and Pigmy Deposits share in the total deposits was very insignificant - ranging 0.84 per cent in 1988 and 1.86 per cent in 1981 - except for 1980, where the share of these two types of deposits individually was much higher.

Urban Bank

The performance of the Nipani/with respect to the total advances was quite commendable as compared that of the Ram Bank (Chart 4.7). In a shorter time span the Nipani Urban Bank has been in a position to advance fairly large amounts of financial resources as indicated by the 'totals' (Table 4.18). The total advances increased from Rs. 22.08 lakhs in 1980 to Rs. 104.57 lakhs in 1988.

The loans advanced by Nipani Urban Bank were against government and other approved securities, other tangible security and personal securities. It must be noted that there are no medium term loans advanced by the Nipani Urban Bank, unlike the Ram Bank. Further, the Nipani Urban Bank has made no advances against - land as security. The advances against government and other approved securities increased almost continuously from a meagre sum of Rs. 48,738 in 1980 to Rs. 9.23 lakhs in 1988 - an increase of about Rs. 8.74 lakhs and in percentage terms an increase of 1,793 per cent over the period. On a year-to-year basis the absolute increase in advance in this category ranged between (minus) Rs. 9,483 in 1988 and Rs. 3.28 lakhs in 1985. This indicates a change of (minus) 1 per cent in 1988 over 1987 and 118 per cent in 1981 over 1980.

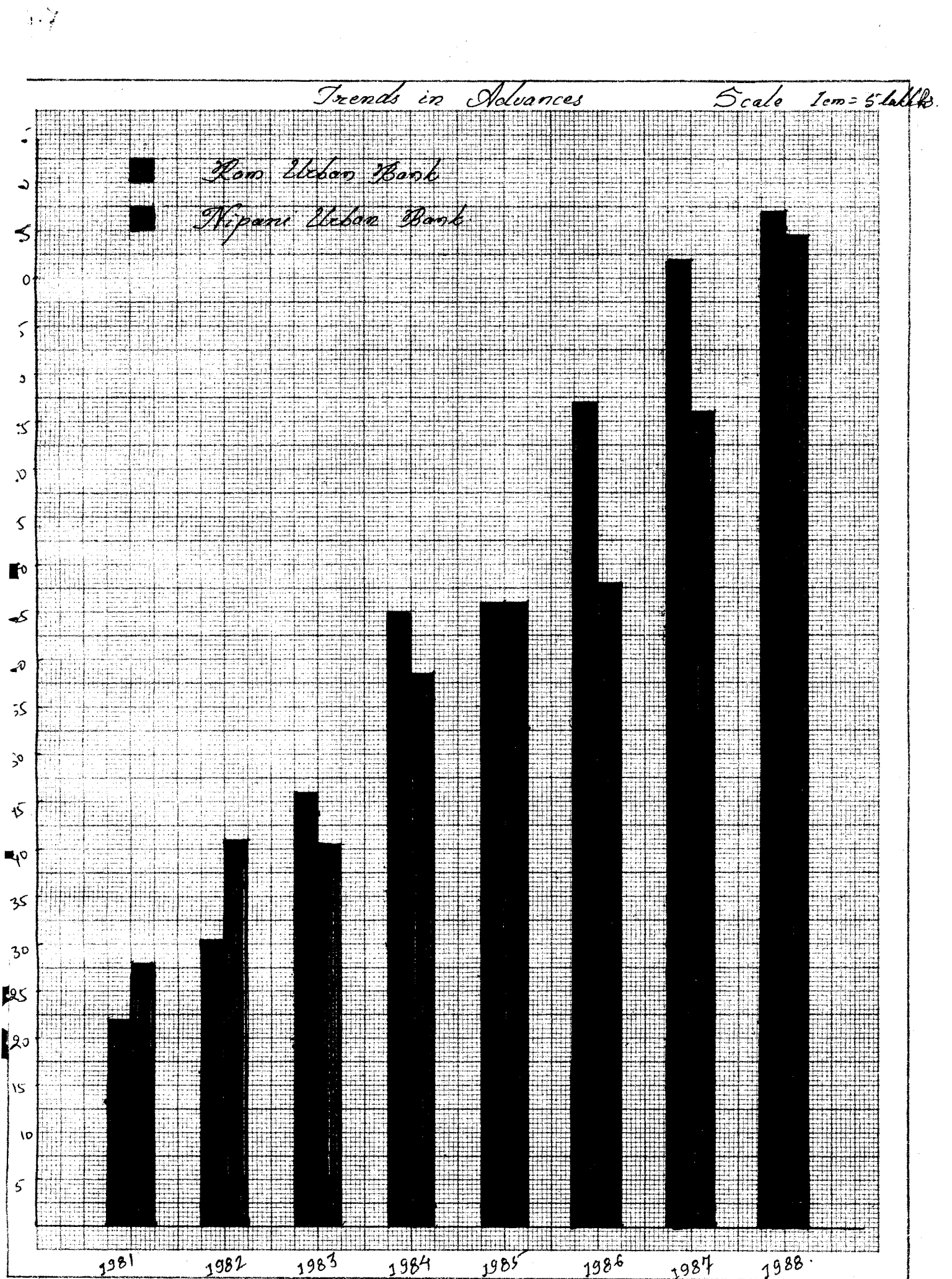


Chart 4.7

Table 4.18
TRENDS IN ADVANCES OF NIPANI URBAN BANK
(Rupees)

Year		1980	1981	1982	1983	1984	1985	1986	1987	1988
Types of Advances										
Short term loans, cash credit, over-drafts & bills discounts of which....										
A. Govt. & other approved securities (deposit loan)		48738	106020	211399	227403	346870	674741	738997	932023	922539
Growth over previous year	Absolute	19318	57282	105379	16004	119467	327871	64256	193026	-9483
	Percentage	65.66	117.53	99.40	7.57	52.54	94.52	9.52	26.12	-1.02
B. Other tangible security		1733631	1938746	3103419	3098366	4062693	4260950	4438362	4899585	6062754
Growth over previous year	Absolute	675651	205075	1164672	-5053	964327	198257	177412	461223	1163169
	Percentage	63.82	11.83	60.07	-0.16	31.12	4.88	4.16	10.39	23.74
C. Personal securities		426149	728850	791716	944692	1393303	1663923	1646817	2740139	3471302
Growth over previous year	Absolute	48852	30270	62866	152976	448611	276020	-17106	1093322	731163
	Percentage	12.95	1.03	8.63	19.32	47.49	19.42	-1.03	66.39	26.68
Total Advances		2207558	2773617	4106536	4270732	5802867	6599614	6824177	8571747	10456596
Growth over previous year	Absolute	742860	566059	1332919	164196	1532135	796747	224563	1747570	1884849
	Percentage	50.72	25.64	48.06	4.00	35.88	13.73	3.40	25.61	21.99

Source : Compiled from Annual Reports of the Bank.

Other tangible security advances constituted the most important type of loans accounting for between 57 per cent and 79 per cent of the total loans made available by the Nipani Urban Bank (Tables 4.18 and 4.19). In absolute terms, the advances in this category increased from Rs. 17.34 lakhs in 1980 to Rs. 60.63 lakhs in 1988. The year-to-year absolute change in advances varied between (minus) Rs. 5,053 in 1983 and Rs. 11.63 lakhs in 1988. In relative terms, the growth of advances ranged between (minus) 0.16 per cent in 1983 and 64 per cent in 1980. There was a fairly volatile and oscillating growth in percentage terms in the other tangible security advances.

Table 4.19

SHARE OF EACH TYPE OF ADVANCES OF NIPANI URBAN BANK

(Per cent)

Year	A. Govt. & Other approved securities (deposit loan)	B. Other tangible security	C. Personal securities	Total
1980	2.22	78.53	19.30	100.00
1981	3.82	69.90	26.28	100.00
1982	5.15	75.57	19.28	100.00
1983	5.32	72.55	22.13	100.00
1984	5.98	70.01	24.01	100.00
1985	10.22	64.56	25.22	100.00
1986	10.83	65.04	24.13	100.00
1987	10.87	57.16	31.97	100.00
1988	8.82	57.98	33.20	100.00

Source : Compiled from the Annual Reports of the Bank.

Unlike the Ram Bank, the Nipani Urban Bank has made very substantial advances against personal securities with the minimum in any year being Rs. 4.26 lakhs in 1980 and the

maximum being Rs. 37.71 lakhs in 1988 - an increase of Rs. 30.45 lakhs in the nine year period indicating an increase of 7,145 per cent. The yearly absolute growth in advances in the personal securities category recorded a minimum of (minus) Rs.17,106 in 1986 and a maximum of Rs. 10.93 lakhs the following year. In percentage terms, however, the changes from year-to-year were not so high - from a negligible figure of (minus) 1.03 per cent in 1986 to 66 per cent in 1987. The share of the advances against personal securities made by the Nipani Urban Bank was fairly high in the total advances made by the Bank. The share of the advances against personal securities increased from a minimum of 19.3 per cent in 1980 and 1982 to 33.2 per cent in 1988. The share of the advances against government approved securities has not been very high, but has made fairly good progress - from a mere 2 per cent in 1980 to 11 per cent in 1987.

The performance of these two banks can be examined from various ratios. The Ram Bank and Nipani Urban Bank appear to have performed more or less evenly, if the working capital to share capital ratio is considered. The working capital per unit of share capital varied from Rs. 14 to Rs. 33 for the Ram Bank and from Rs. 18 to Rs. 30 for the Nipani Urban Bank (Table 4.20).

Table 4.20**WORKING CAPITAL TO SHARE CAPITAL RATIO**

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
Ram Bank	14.48	18.05	18.11	20.00	19.30	21.89	25.15	27.76	32.64
Nipani Urban Bank	18.00	17.65	26.57	20.91	18.97	21.20	22.45	25.97	29.86

Source : Compiled from Annual Reports of the Banks.

The deposits to advances ratio indicates that the Ram Bank has been following more conservative and cautious policy as compared to the Nipani Urban Bank (Table 4.21).

Table 4.21**DEPOSITS TO ADVANCES RATIO**

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
Ram Bank	1.65	1.95	1.50	1.24	1.09	1.42	1.49	1.58	1.97
Nipani Urban Bank	0.55	0.90	0.95	1.17	1.00	1.07	1.18	1.23	1.35

Source : Compiled from Annual Reports of the Banks.

The available data indicate that the Ram Bank's returns on total investment in relation to gross profit are not very substantial - Table 4.22 and has been more or less stable at 0.10.

Table 4.22**GROSS PROFIT TO INVESTMENT RATIO**

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
Ram BANK	0.11	0.10	0.13	0.12	0.12	0.11	0.10	0.10	0.10
Nipani Urban Bank	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A

Source : Compiled from Annual Reports of the Banks.

N.A : Not Available

(The similar data for Nipani Urban Bank are not available).

The figures for investment (excluding working capital) to Gross Profits for each year are slightly higher - Table 4.23.

Table 4.23**RATIO OF NET PROFIT TO TOTAL INVESTMENT**

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988
Ram Bank	0.04	0.04	0.05	0.04	0.04	0.03	0.01	0.01	0.01
Nipani Urban Bank	0.04	0.05	0.04	0.04	0.04	0.03	0.03	0.02	0.02

Source : Compiled from Annual Reports of the Banks.

The ratio of net profits to total investment is indicated in Table 4.23 and the performance of both the Ram Bank and Nipani Urban Bank appears to be on the whole same. Though Nipani Urban Bank appears to have gained a slight edge over the Ram Bank in the latter parts of the period under study.