

C H A P T E R - II

:: THE GROWTH OF SHRI WARANA CO-OPERATIVE BANK ::

2.1 In this chapter we review the progress of the Shri Warana co-operative Bank Ltd. over a period of last 20 years, that is 1965-1966 to 1984-1985. This assesment will be done on the basis of certain ascepted indicators of development of a Bank which relate to the changes in the own capital, the changes in reserve fund, the changes in membership, the audit class, deposit mobilisation, loans given, investments, gross income, total expenditure, net profit, working capital and the dividend. For this assesment stastical information regarding all these variables will be given for the entire period under study. However, the degree of change will be measured with reference to four periodd of five years each. In this connection the concept of annual average growth rate will be used.

2.2 Audit Class :

Excepting the year 1966-1967 the Bank has been given audit class A by the co-operative department. ^{During} 1966-1967 the audit class given was B-in the first year comprising only a period of three months, the Bank was not given any audit class. It is important to note that consistently for a period of 18 years, the Bank has been given audit class A

which is a general indicator of the continued health and progress of the Bank. The practise of the co-operative department in allotting a particular audit class to a co-operative enterprise is based on some broad indicators of the functioning of the said enterprise. It is mainly related to satisfactory performance in respect of cash reserve, proper record keeping according to legal provisions, proportionate and similar changes in deposits and loans, proper control of branches, minimisation of over-dues and over-all soundness reflected in the balance sheet of the Bank. If the aggregate of marks allotted in these respects exceeds 65%. A class is awarded, if marks are between 50 to 65% -B class is awarded, and below 50% marks indicates C class.

2.3 Membership :

The membership of the Bank comprises, A class membership and B class membership. Members under A class belong to the individual category of legal share holders of the Bank who can by right receive a share certificate, receive dividend, receive audited accounts and annual reports of the Bank and attend, participate and vote in the general meeting or the special general meeting of the Bank.

The B class members are the nominal members of the Bank who can borrow from the Bank only for temporary period against certain specified securities and on the payment Rs. 5 as non

refundable entrance fee. The nominal members, that is B category members are not given the rights given to the A category members which we have stated above. The employees of the Bank as per the provision of the bye-laws of the Bank can become nominal membership of the Bank. Only two collective entities that is the Maharashtra State Co-operative Bank Ltd. Bombay and District Central Co-operative Bank Ltd. Kolhapur can become the members of the Bank. No other Co-operative societiy is eligible to become the member of the Bank.

2.3.1 Growth of Membership :

In table No. 2.1 we present the growth of membership of Shri Warana Co-operative Bank Ltd.

Table No. 2.1

Growth of Membership

Year (30th June)	A Class Members	B Class Members	Annual % increase in A Class membership	Annual % increase in B Class Membership
1966	859	02	-	-
1967	920	87	7.10	4250.00
1968	987	162	7.28	86.20
1969	1249	580	26.54	258.02
1970	1251	1342	0.16	131.37
1971	1250	1669	→ 0.08	24.36
1972	1362	1944	8.96	16.47
1973	1412	3088	3.67	58.84
1974	1473	3871	4.32	25.35
1975	1414	4442	→ 4.01	14.23
1976	1416	6073	0.14	37.33
1977	1420	7253	0.28	19.43
1978	1440	8873	1.40	22.33
1979	1625	11497	12.84	29.57
1980	2191	13460	34.83	17.07
1981	2474	14936	12.91	10.96
1982	2598	16877	5.01	12.99
1983	2738	17975	5.38	6.50
1984	3122	18924	14.02	5.27
1985	3834	19808	22.80	4.67

Source : Annual reports of Shri Warana Sahakari Bank Ltd.

Table No. 2.1 gives information regarding growth of membership of both A class and B class. On the basis of this data we can make following observations :

- 1) Both A and B class membership shows a continuous increase over the entire period under study. In case of A class membership there are only two years 1970-1971 and 1974-1975 which show negligible decrease in membership.
- 2) Comparatively speaking the growth rate of A class membership is very slow whereas the growth rate of B class membership is significantly large. In case of A class membership the average annual growth rate is 8.68% whereas the same rate for B class membership is 310.6%. If we consider intermediate periods of 5 years each the annual average growth rate during 1980-1985 period in case of A class membership the annual average growth rate is 12.02% whereas in case B class membership it is only 8.07%. However, the picture is quite different if we take in to consideration the earlier three periods of five years each then the growth rate of B class of membership is significantly larger than the growth rate of A class membership. From this it can be inferred that upto 1980 the growth of B class membership was more important in enabling the Bank to provide loans to the borrowers on the guarantee of increased number of nominal members. Subsequently the B class membership went on decreasing as mutual guarantee must have become more frequent due to increased number of A class member.

- 3) According to the rules, a nominal member(B class) is registered only on the payment of a fee of Rs. 5/- . Considering this we have to admit that the addition to the reserve fund of the bank from fees of the nominal members can not be considered as negligible.
- 4) It is heartening to note that the annual average growth rate of A class membership ^{as} accelerated in recent five year period.

2.4 Owned Capital :

The owned capital comprises share capital, reserve fund and other funds. According to the bye-law number 44 of the Bank. The Bank is required to appropriate atleast 25% of the net profits to the reserve fund. To this reserve fund all types of admission fees, enterance fees, nominal membership fees, the amount of forfeited shares and dividend, penal interest as also donations are carried to. The bank is also empowered to create building fund (or any other specific fund) to which a part of the net profits of the Bank can be carried in to by the recommendation of the Board of directors approved by the general body. It is thus clear that owned capital of the bank is the basic foundation of the financial strength of the Bank. The growth of share capital offcourse constitutes the major source of this strength. Similarly the growth of

the reserve fund along with other funds is a positive indicator of the self-generated strength of the bank because continuous growth of reserve fund shows the business success of the bank. More-over, the growth of other funds indicates the increasing capacity of the bank to under-take expansion activities as also some of the approved social welfare activities like financing partially, educational, cultural and other social activities useful for rural development. In table No. 2.2 data regarding owned capital of the bank is given for the entire period of the study. On the basis of data given in table No. 2.2, we can make following observations.

2.4.1 Initially the authorised capital of the bank was determined to be Rs. 30,00,00 of 1,20,000 shares of Rs. 25 each. Of this an amount of Rs. 1,42,500 was raised in the 1st year of the bank. By the end of the year 1985 the amount of the share capital raised ^{by} of the bank stands at Rs. 15,80,000. In other words, the annual average growth rate of share capital turns out to be 11.25%. In the first five years the annual average growth rate of share capital was quite large (31.21%) which however dropped to 2.49% in period ?

*Was the authorized
capital raised also?*

Table No. 2.2

Year (30th June)	Owned Capital					Annual % increase in				
	Share Capital 2	Reserve Fund 3	Other Fund 4	Total Capital 5		2	3	4	5	
1966	142500	4305	-	146805		-	-	-	-	-
1967	180200	5050	-	185250		26.45	17.30	00.00	16.18	
1968	207400	9533	3150	220083		15.097	88.77	215.00	18.80	
1969	308600	26399	19005	354004		48.79	176.92	503.33	60.85	
1970	415100	57215	71845	544160		34.517	116.73	278.03	53.71	
1971	417400	110235	140726	668361		00.55	92.66	95.87	22.82	
1972	440300	156482	194294	791076		05.48	41.95	38.06	18.36	
1973	450200	201245	266830	918275		02.247	28.60	37.33	16.07	
1974	477900	248551	327780	1054231		06.157	23.50	22.84	14.80	
1975	473000	296841	411452	1181293		01.93	19.42	25.52	12.05	
1976	480400	369861	513727	1363988		01.56	24.59	24.85	15.86	
1977	487300	452150	668250	1607700		01.43	22.24	30.07	17.86	
1978	991700	531970	846200	1869870		00.90	17.65	26.62	16.30	
1979	526600	643930	1159070	2329600		07.09	21.04	36.97	24.58	
1980	1086225	780900	1618400	3485525		6.27	21.27	39.62	49.61	
1981	1232025	1112500	2103600	4448125		13.34	42.46	29.98	27.61	
1982	1262150	1410285	2897385	5569820		02.44	26.76	37.73	25.21	
1983	1309175	1686905	3850880	6846960		03.72	19.61	32.90	22.92	
1984	1398600	1994860	4707510	8100970		6.83	18.25	22.24	18.31	
1985	1580000	2524023	5504854	9608877		12.97	26.52	16.93	18.61	

Source : Annual reports of Shri Warana/Bank Ltd. Sahakari

1970-1975 and 3.45% in the period 1975-1980. It is quite satisfactory to note that this rate has again picked up significantly (7.86%) in the period of 1980-1985.

2.4.2 Reserve Fund :

Reserve fund of the Bank in the year 1965-1966 stood at Rs. 4305/-. In the year 1984-1985 the reserve fund of the bank increased to Rs. 25,24,023. In other words, the annual average growth rate of reserve fund was 27.30% for the entire period. However, it is clear that in the initial five year period the growth rate of reserve fund was 91.93% which came down to 41.22% in the period 1970-1975 which further declined to 21.35%. However, in the period 1980-1985 it is satisfactory to note that this growth rate has again picked up to 26.72%. Particularly after 1970 the additions to the reserve fund have accelerated significantly. Moreover from the year 1976-1977 the size of the reserve fund(excepting the year 1979-1980) has outstripped the size of the share capital. The average ratio of reserve fund to share capital for the last three years is 1.43 to this again can be considered as a proof of the increasing financial strength of the bank.

2.4.3 Other Funds :

For the first two years the bank did not have other funds. However, in subsequent 18 years the other fund went on

accumulating and in the year 1984-1985 the other funds were a large amount of Rs. 55,04,854. If we consider the period from 1974-1975 to 1984-1985 the annual average growth rate of 123.79% is revealed in case of other funds. This fastly accelerated growth in the other funds clearly shows the ability of the bank, generated by successful performance, to contribute to the construction of buildings and other premises which are the tangible assets of the bank and also its potential capacity to assist the rural development in its educational, cultural and social development. It is also important to note that the other funds have consistently (from the year 1970 onwards) out-stripped the size of the reserve fund of the bank.

2.4.4 The Total Owned Capital :

The total owned capital of the bank increased from Rs. 14,6805 to Rs. 96,08,877 in 20 years under study. In other words, we can say that a bank which was established with an authorised capital of only Rs. 30,00,000 has within a span of 20 years riched a position of having almost an amount of Rs. 1 crore in the form of owned capital. In this respect also it is seen that the growth of total owned capital of the bank in the initial five years period was at a rate of 39.88%. In the period 1970-1975 this rate came down to 16.82%. In the period 1975-1980 it again increased to 24.76% which in the final period came down slightly to 22.53%.

Pl. check p. no. 22 where it is shown as Rs. 3,00,000.

On the whole, we can say that the basic financial strength of the bank has shown a vigorous growth during the last 20 years which indicates increasingly successful performance of the bank.

2.5 Deposits of The Bank :

Apart from the basic financial strength of the bank in the form of owned capital, we have to look at the deposit business of the bank from which the bank derives its dynamic, day to day effective strength to carry out its banking activities. Theoretically speaking, it is the deposits on the basis of which the lending capacity of the bank flows. Broadly we can say that larger deposits enable the bank to go in for large lending business. Ofcourse along with deposits, secondary factors like legal liquidity ratio also determine the lending business of the bank. Similarly, the proportions of various types of deposits also determine the ability of the bank to make loans/advances. The lending capacity of the bank will be greater if the size of savings and time deposits is relatively larger and grows at a relatively faster rate than that of demand deposits. It, therefore, is necessary to examine the deposit business of the bank in a critical manner.

Table No. 2.3 gives the over all picture regarding the growth of deposits of the bank for the entire period under study.

Table No. 2.3

Deposits

Year (30th June)	Deposits (₹).	Annual Average % increased
1966	95978	-
1967	496196	416.98
1968	1419609	186.09
1969	3582540	152.36
1970	3654279	002.00
1971	3807537	004.19
1972	6367780	067.24
1973	5414248	- 014.98
1974	5580248	003.06
1975	8062179	044.47
1976	8914742	010.57
1977	11660270	030.46
1978	15576390	033.92
1979	20250300	030.00
1980	34035800	068.07
1981	42605000	025.17
1982	45385600	006.52
1983	51064960	012.51
1984	66009770	029.26
1985	81801030	023.92

Source : Annual reports of Shri Warana Sahakari
Bank Ltd.

2.5.1 In the first year of the functioning of the bank (1965-1966) the bank collected deposits of Rs. 95,978. In the Year 1984-1985 the total quantum of the deposits of the bank was Rs. 8,18,01030. If we divide the total period in the four subperiods we get the following picture.

In the first five year period the deposits increased at a rate of 189.35% annual average. In the period 1970-1975 however, the growth of deposits was only at the rate of 20.79%. In the subsequent period the deposits increased at an annual average rate of 34.60%. In the final period 1980-1985, the average annual growth rate of deposits was 19.47%. In other words we can say that period as a whole the annual average growth rate of deposits is 66.05% which is quite satisfactory. However this is the effect of very high level of annual percentage increase in deposits experienced during the last three years.

2.5.2 A close examination of annual percentage increases in the deposits of the bank for all the years of the study reveals some interesting points.

- A) During the year 1972-1973 there was^a substantial decrease in the deposits of the bank. (14.98%).
- B) After the first four years of vigorous growth in deposits there seems to have been a sudden fall in the growth of deposits (1969-1970). After which, preceding to the

negative change, there is again a significant percentage increase in deposits (1971-1972).

C) If we consider the period from 1975-1985 the annual average growth rate of the deposits of the bank turns out to be 27.04% which can be accepted as a fairly good indicator of the growth rate of the deposits of the bank in the long run.

D) The most significant fact is that rural cooperative bank with a history of only 20 years has attained such a position in which it can attract deposits to the tune of Rs. 8 crores and above. This may be due to the efficient performance of the bank, special deposit mobilisation efforts of the bank, local affinity of the people for the bank coupled with the general economic prosperity of the area in which the bank is functioning.

2.5.3 Composition of the Deposits of the Bank :

In table No. 2.3 we give data regarding the composition of deposits of the bank for 1968-69, 1973-1974, 1978-1979, and 1983-1984 the deposit structure of the bank comprises following major groups.

A) Time Deposits :

Under this come deposits from individuals, compulsory deposits from members, deposits from K.D.C.C. and deposits from other societies as also the provident fund of

Table No. 2.3.1

Composition of Deposits (Rs.)

Types of Deposits	1968-1969	1973-1974	1978-1979	1983-1984
A) <u>Time Deposit</u>	1144624.20	2969580.75	11302515.82	50882096.02
i) Deposit from Individual	940600.00	2788230.75	11070015.82	(i + ii + iii + iv) 49507214.37
ii) Compulsary Deposit from members	73975.35	-	-	-
iii) Deposit from K.D.C.C.	127350.00	181350.00	232500.00	1374881.65
iv) Deposit from other Societies	-	-	-	-
v) Provident fund from employees	2698.85	-	-	-
B) <u>Saving Deposits</u>	2347849.49	1906701.54	7523402.01	12468296.13
i) Deposits from individual	2335077.71	1892022.43	7380951.54	(i + ii) 12371176.51
ii) Deposits from K.D.C.C.	-	-	-	-
iii) Deposit from other societies	12771.78	14679.17	142450.47	97119.62
Contd				

Contd Table No. 2.3.1

1	2	3	4	5
C) <u>Current Deposits</u>	90066.32	549390.66	937889.02	2159374.34
i) Deposits from individual	83702.65	196460.10	382224.94	1734096.72
ii) Deposits from K.D.C.C.	-	-	-	-
iii) Deposits from other societies	6363.67	352930.56	555664.08	425277.62
D) <u>Call Deposits</u>	-	154575.00	486500.00	500000.00
Total A + B + C + D	3582540.01	5580247.95	202503.06	66009766.49

Source : Complied from Annual reports of Shri. Warana Sahakari Bank Ltd.

the employees :

B) Savings Deposits :

Under which are included deposits from individuals, deposits from K.D.C.C. and deposits from other cooperative societies.

C) Current Deposits :

Current deposit also comprise deposits from individuals, deposits from K.D.C.C. and deposits from other cooperative societies.

D) Call Deposits :

A) We first discuss the annual average growth rate of deposits belonging to the various categories. In the year 1968-1969, the total amount of time deposits was Rs. 1144624.25 which increased to Rs. 50882096.02 during the five year period 1969-1974. The time deposits increased at an annual average growth rate of 31.88% during the five year period 1974-1979 this rate of growth was 68.20% which still further increased to 70.03% per year in the period 1979-1984. More importantly the bulk of the growth of the time deposits is contributed by deposits from individuals. It is seen that the other time deposits come from other cooperative societies. However, more than 90% of the time deposits come from individuals. Similarly the growth of the time deposits is also mainly due to the growth in deposits from individuals.

B) In case of saving deposits, it is surprising to note that there was a decrease at an annual average rate of 3.75% in the period 1969-1974. This can be explained mainly with reference to the severe drought conditions in those years. However, it is seen that in the subsequent five year period 1974-1979 the savings deposits increased at an annual average growth rate of 58.91%. This rate of increase in the period 1979-1984 came down to 33.14% per year which can not be considered unsatisfactory. The composition of savings deposits is mainly in the form of deposits from individuals and deposits from other societies. However, for all the years under study in this table it is seen that more than 99% of the savings deposits come from individuals. In the year 1968-1969 the saving deposits were Rs. 2347849 which increased to Rs. 12468296 in 1984-1985 which gives us an increase of more than five times within a span of 15 years.

C) Current Deposits :

Current deposits of the bank comprise mainly deposits from individuals and deposits from other cooperative societies. In the year 1968-1969 the current deposits from individuals were Rs. 83702.65 which increase^d to Rs. 1734096 in the year 1983-1984. The growth of current deposits from other societies, just as in case of saving deposits, is not significant as a proportion of total current deposits. In the initial period of 1969-1974

the annual growth rate of current deposits is found to be 102% which came down ~~of~~ drastically in the period 1974-1979 to 14.14%. This growth rate improved considerably (26.04%) in the period 1979-1984.

D) The call Deposit :

The call deposit business of the bank seems to be a minor part of the operations of the bank. In the year 1973-1974 the call deposits of the bank were Rs. 154575 which increased to Rs. 500000 in the year 1983-1984.

On the whole the total deposits of the bank increased at an annual average growth rate of 116%. The growth of deposits seems to be more vigorous after 1973. If we consider the above figures the percentage composition of deposits of bank can be given as under :

Table No. 2.3.2

Composition of Deposits

Item	1968-1969	1973-1974	1975-1979	1983-1984
Time D	31.95%	53.21%	55.81%	77.08%
Savings D	65.53%	34.16%	37.15%	18.88%
Current D	2.51%	9.8%	4.63%	3.27%
Call Deposit	-	2.7%	2.40%	0.75%

Source : Compiled from Annual Reports of Shri. Warana Sahakari Bank Ltd.

From this table it is evident that in the initial period the bank deposits were accounted ~~for~~ mainly by saving deposits. However, in the subsequent period, the role of time deposits became more and more dominant and the relative position of saving, deposits went on declining. Similarly, the compositional significance of current deposits and call deposits shows a declining trend. The over whelming growth of time deposits can be considered as a positive indicator^a of the increasing ability of the bank to make advances. At the same time it shows the confidence of the people in the bank. Similarly, it is an indicator of increasing ability of the local population to save for the longer periods which again can be considered as a source of investible funds for the rural development. We therefore can conclude that on deposit front the bank has given quite a satisfactory performance.

1. What about the deposit rates offered by the bank from time to time?
2. Do not the rates affect various deposits?

2.6 Investment :

We discuss below the growth and pattern of investments of Shri. Warana co-operative Bank Ltd. for the period under study.

2.6.1 Growth of Investments :

Table No. 2.4 (colom No. 2) gives investment figures of the bank as on 30th June of each year under study. Similarly column 3 of the same table gives information regarding annual average increase in the investment of the bank. In the first year of the working of the bank. it had no investments. In the year 1966-1967 and 1967-1968 the investments of the bank remained constant at Rs. 25,250 only. However, in the year 1968-1969 the investments show a tremendous increase (Rs. 1919064). In the next two years again there was a fall in the investments which however, was more than cancelled. In the year 1971-1972 when the investment showed an annual increase of almost 125%. In the rest of the period it was only during 1972-1973 and 1979-1980 that there was some decrease in the investments of the bank. In all other years the investments show annual increase ranging between 2% to 38%. In the year 1968-1969 when the investments became significant, large (Rs. 1919064); they increased to Rs. 18262345 in the year 1984-1985. Of the four five year periods under

Table No. 2.4

Investments

Year (30th June)	Investments	Annual Average % increase
1966	-	00.00
1967	25250	00.00
1968	25250	00.00
1969	1919064	7500.25
1970	1709047	- 10.95
1971	1477003	- 13.58
1972	3239335	119.31
1973	3178766	— 1.87
1974	3259858	02.55
1975	3690736	13.21
1976	4533882	22.84
1977	5781200	27.51
1978	8449530	46.15
1979	11184530	32.36
1980	7224600	- 35.40
1981	9933000	37.48
1982	11398900	14.75
1983	12054035	05.74
1984	16159045	34.05
1985	18262345	13.01

Source : Annual reports of Shri. Warana Sahakari
Bank Ltd.

study, the annual average rate of growth of investments, on the average turns out to be 390.37%. However, considering the first five year period as abnormal; we can say that the annual average rate of growth of investments turns out to be 53.22%. It should however be noted that annual rate of growth of investments has gradually shown a stabilising trend around 20% after the year 1970-1971. Another important thing to be noted is that there have been significant ups and downs in the rate of growth of investments.

2.6.2 Pattern of Investment :

We discuss below the pattern of investment of the bank with reference to your specific years that is 1968-1969, 1973-74, 1978-1979, and 1983-1984. From table No. 2.4.1 it is seen that the investments of the bank are accounted for by other investments, to the extent of 98% to 99%. in all the years for which calculations were made,. Investments in the form of Govt. securities, other trust securities and shares of other cooperatives account for less than 2% in all the years under consideration. It is important to note that the growth of investments is almost entirely due to the growth in other investment of the bank. It is seen that during 1969-1970 the other

Table No. 2.4.1

Pattern of Investment

Type of Investment	1968-1969	%	1973-1974	%	1978-1979	%	1983-1984	%
	Rs.		Rs.		Rs.		Rs.	
A) Central & State Govt. Securities face value.	-	-	10000	0.30	40130	0.77	80130	0.49
B) Other trust Securities	-	-	-	-	9800	0.18	-	-
C) Shares of the other cooperatives	35050	1.82	31250	0.95	37500	0.72	37500	0.23
D) Other Investments	1884013	98.17	3218607	98.73	5075100	98.30	16041415	99.27
Total	1919063	100.00	3259852	100.00	5162530	100.00	16159045	100.00

Source : Prepared on the basis of annual reports of Shri. Warana Sahakari Bank Ltd.

no adjustment

decimal figures should be adjusted to 5 decimal places

should be adjusted

Table No. 2.4.2

Composition of Other Investments

Other Investments	1978-1979	%	1983-1984	%
1) Warana Post Office Time Deposits (Gratuity fund) Investment.	7000	0.13	73000	00.45
2) M.S.C. Bank Ltd. Time Deposits Bombay.	442950	8.72	330000	2.05
3) K.D.C.C. Bank Ltd. Time Deposits (A + B + C + D + E + F)	4629150	91.13	15638415	97.48
A) Reserve fund Investment	641500	12.64	1991100	12.41
B) Dividend Equalization fund Investment	59000	1.16	157160	0.97
C) Bad debts & Suspensive loan fund	322200	6.34	1363385	8.49
D) Education & Social welfare fund	29950	0.59	276270	1.72
E) Gratuity fund	33500	0.66	50500	0.31
F) Other Time Deposits	3539000	69.73	11800000	73.55
Total	5075100	100.00	16041415	100.00

Source : Prepared on the basis of annual reports of Warana Sahakari Bank Ltd.

investments increased at an annual average growth rate of 14.16%. In the period 1974-1979 this rate of growth was 11.53%. This rate of growth increased significantly during the period 1979-1984 when it was 43.2% per year. It is therefore essential to examine the composition of other investments. We do this with reference to years 1978-1979 and 1983-1984 when the data given in the annual reports of the bank are perfectly comparable. The relevant data is given in table 2.4.2 on page No. 40. It is seen from this table that the other investments of the bank comprise mainly of three elements that is post office time deposits meant for gratuity fund, Maharashtra State co-operative bank time deposits and Kolhapur District Central cooperative bank time deposits. It is very clear that time deposits kept by the bank with Kolhapur District central cooperative bank constitute the largest single element accounting for 91.13% in the year 1978-1979 and 97.48% in the year 1983-1984.

Shri Warana Sahakari Bank Ltd. keeps a large amount of its various funds with the K.D.C.C. bank along with other time deposits. These various funds are :

Reserve fund, Dividend ranalization fund, Bad Debt and suspensive Loan Fund, Education fund and other deposits. It is again interesting to note that other time deposits account for the bulk of these investments, being 69.43% in the year 1978-1979 and 73.55% in the year 1983-1984. It is however

*You have not discussed the rate of
earnings from various type of
investment?*

difficult to elaborate in detail the nature of these other time deposits from the information given in the annual reports of the bank. In discussing the investments of the bank we have not taken in to consideration cash balances and call deposits with other banks.

Loans.

2.7 In this part of analysis we discuss the growth and pattern of loans advanced by Shri Warana Sahakari Bank Ltd. Table No. 2.5 gives the amounts of Loans out-standing as on 30th June of the respective years. These figures are taken from the progress chart given by the bank, in the annual reports. In the period 1966-1967 there was an abnormal increase in the loans given (by 1146.72%). In the year 1967-1968 the growth of loans was only by 35.55% which again showed an increase of 123.32% in the year 1968-1969. In all the

Table No. 2.5

<u>Loans</u>		
Year (30th June)	Loans	Annual Average % increase.
1966	49385	-
1967	615697	1146.72
1968	834608	035. 55
1969	1863851	123.32
1970	3015534	061.79
1971	3028334	00.42
1972	2924643	- 03.42
1973	3484140	19.13
1974	4332656	24.35
1975	4485077	09.51
1976	5092788	13.34
1977	5949860	16.82
1978	7950910	33.63
1979	10433000	31.21
1980	15340400	47.03
1981	16228200	05.78
1982	30402130	87.34
1983	31493650	03.59
1984	40054950	27.18
1985	56293041	40.78

Source : Annual reports of Shri. Warana Sahakari
Bank Ltd.

the subsequent years, the annual increase in loans was less than 100% ranging between 3% to 87%. Only in the year 1971-1972 the loans advanced show a slight decrease of 3.42%. If we divide the total period in to four sub periods five years each we get the following picture. In the first period the loans increased at the annual average growth rate of 341.84%. In the second period this growth rate decreased significantly to 8.79% per year. However, in the third period the loans increased at an annual average growth rate of 28.44% and in the final period by 32.93%. The loans of the Bank were Rs. 49385 in the year 1965-1966 which increased to Rs. 3015534 in the year 1969-1970. In the subsequent period the growth of loans was gradual and in the year 1984-1985 the loans amounted to Rs. 56293041.

It is universally accepted that interest on loans constitutes the major source of income for the bank. It is for this reason that we have to consider the growth of loans as an indicator of income generating activities of the bank. Theoretically speaking it is generally stated that interest income on short term loan on a pro-rata basis will be smaller than interest income on medium term loans. Similarly interest income on medium term loans will be on a pro-rata basis will be smaller than that from long term loans. However, in view of the fact that the banks have to maintain a stringent condition of relatively large statutory ^{Liquidity} ratio. It

can be deduced that relative shares of interest income from short term loans will be larger than interest income medium term loans, the latter being larger than the interest income from long term loans. We examine below for this purpose the composition of loans of the bank from the years 1968-1969, 1973-1974, 1978-1979 and 1983-1984. The relevant data is given in table No. 2.5.1. Upto the year 1976-1977 the bank didnot advance long term loans. Subsequently, however, the bank has started giving long term loans on securities given by the borrowers and individual security, Government securities were not involved in the long term loans. In the year 1978-1979 the long term loans amounted to Rs. 72395.70 constituting 0.68% of the total loans. This figure increased to Rs. 365631.80 constituting 0.96% of the total loans. If we look at the

Table No. 2.5.1

Composition of Loans

Item	1968-1969 in Rs.	1973-1974 in Rs.	1978-1979 in Rs.	1983-1984 in Rs.
1) Short term Loans (A + B +C)	1657857.69 (88.94)	2691629.40 (62.72)	5910981.63 (55.80)	21488776.03 (53.64)
a) On Govt.& other approved Securities	-	-	909.65	-
b) Other securities	-	-	2988875.66	-
c) On indivi- dual securities	-	-	2921196.32	-
2) Medium term Loans (a + B + c)	205993.75 (11.10)	1641026.23 (37.87)	4608653.34 (43.51)	18180543.31 (45.38)
a) On the security of Govt. trust bonds	-	-	-	-
b) On other securities	-	-	4336932.12	18032181.78
c) An indivi- dual securities	-	-	271721.22	148461.83
3) Long term Loan (a + b + c)	-	-	72395.70 (0.68)	-
a) On the securities of Govt. trust bond	-	-	-	-
b) Other securi.	-	-	38670.70	302855.00
c) On individual Sec.-	-	-	33925.00	82776 .80
Total (1 + 2 + 3)	1863851.40 (100.00)	4332655.60 (100.00)	10592031 (100.00)	40054951.00 (1000.00)

Note: Figures in the brackets express % to grand total.

Source: Adopted from annual reports of Shri Warana Sahakari
Bank Ltd.

relative shares of long term and medium term loans for the years under study; we can make following observations. :

- 1) Initially the share of short term loans was 88.94% which gradually decreased to 53.64%.
- 2) The share of medium term loans was initially 11.10% which gradually increased to 45.38% in the year 1983-1984.
- 3) However, for all the years under study the share of short term loans has been greater than the share of long term loans in the total loans given by the bank.
- 4) In absolute terms, the growth of short term loans and medium loans is quite impressive over the period.

We can finally say that the income of the bank in the form of interest comes mainly from short-term loans followed by medium term loans.

2.8 Working capital :

Table No. 2.6 gives information regarding working capital of the bank for all the years under study. The working capital here means the total of the amounts under all types of capital, various reserve funds, various types of deposits, various types of borrowings, bills accepted for collection, provision for over-due interest and interest payable on



Table No. 2.6

Working Capital

Year (30th June)	Working Capital	Annual Average % Increased.
1966	246141	225.28
1967	800663	114.24
1968	1715399	140.91
1969	4132594	26.48
1970	5227192	26.48
1971	4997712	- 04.40
1972	7486031	49.78
1973	7793995	04.11
1974	8423259	08.07
1975	9826769	16.66
1976	10961894	11.55
1977	13878080	26.60
1978	18302250	31.87
1979	23616440	29.03
1980	39417700	66.90
1981	49751100	00.06
1982	53232980	006.99
1983	60869080	14.34
1984	77232195	27.53
1985	95115250	22.52

Source : Annual reports of Shri Warana Sahakari Bank Ltd.

deposits as also other dues and balance of the last year. The growth of working capital indicates the increasing loans and investment capacity of the bank on which depends income earning capacity of the bank. The working capital of the bank was Rs. 296141 in the year 1966 which increased to Rs. 5227192 in the year 1970. In the subsequent period it has shown continuous increase. However, the rate of growth has not been stable. It shows wide fluctuations. However, from 1982 onwards the growth of working capital seems to be quite satisfactory. In the first five year period the annual average growth of working capital was at a rate of 126.72%. In the next five year period this rate of growth decreased to 14.84%. However, it again became 43.19% per year in the period 1975-80. It once again decreased to a rate of growth of 14.20% per year. As we have already examined the composition of various parts of the working capital we do not go in to the constituent causes of the growth of working capital.

2.9 Deposit Classification :

Shri Warana Sahakari Bank Ltd. Warananagar is a pioneering rural cooperative bank. As such it becomes

Table No 2.6

Classification of Deposits

Sr.No.	Amount of Deposit	No of Accounts	Amount in Thousand Rs.	Average deposit Rs.
1	1 to 500	29308	2837	97
2	501 to 1000	1829	1364	746
3	1001 to 3000	2740	4442	1621
4	3001 to 5000	881	3613	4101
5	5001 to 10000	1069	7268	6799
6	10001 to 25000	710	10759	15154
7	25001 to 50000	148	5084	34351
8	50001 to 100000	53	3225	60849
9	100000 to onwards	31	12473	402355
Total		36769	51065	

Source : Annual report of Shri Warana Sahakari
Bank Ltd. 1982-1983 P. No. 12.

necessary to examine the classification of the deposits mobilised by the Bank according to the number of accounts in a particular range of deposit amount. Our contention is that if the deposit accounts are predominantly in the lower range of deposit amount with larger number of accounts then naturally we can say that the bank has succeeded in reaching the weakest class of the society and thus making its base as broad as possible. Table No. 2.6 gives the relevant data as on 30-6-1983. From this table it is clearly seen that almost 80% of the deposits are in the range of Rs. 1 to 500 with an average of Rs. 97 accounting for 5.55% of the total deposits. On the other hand 08% of the deposits are above Rs. 1 lakh with an average deposit of Rs. 402355. These deposits account for 24.42% of the total amount of deposits. Another important group is that of accounts between Rs. 5000 to 10000. The number of accounts in this range is 1069 which accounts for 2.90% of the total accounts with an average amount of deposits of Rs. 15154. This group accounts for 21.06% of the total amount of deposits. It is to be noted that number of accounts with deposits less than Rs. 5000 each is 34758 which is almost 95% of the total accounts, constituting almost 24% of the total amount of deposits. It is however, clear that accounts above 5000 upto 25000 constitute the backbone of deposit business of the bank. The number of such accounts is 1779 accounting for almost 39% the total deposits. On the basis

of this analysis we can say that the bank has been successful in inducing the people with low income to become depositors, how-so-ever meagre the amount. This deposit membership identifies the bank with the rural masses. Similarly the bank has effectively reached the higher income group of the people of the rural area and successfully mobilised the savings potential of the rural reach.

Table No. 2.7

✓ Classifications of Loans

Sr. No.	Loan Amount	No of Accounts	Amount in Thousand	Percentage
1	1 to 500	1990	980	3.11
2	501 to 1000	1308	955	3.03
3	1001 to 5000	4275	11256	35.74
A		7573	13191	41.88
1	5001 to 25000	932	7868	25.30
2	25001 to 50000	169	2249	7.14
3	50001 to 1 lakh	32	2592	8.24
4	1 lakh to onwards	31	5494	17.44
B		1164	18303	58.12
Total A + B		8737	31494	100.00

Source : Annual report of Shri Warana Sahakari Bank Ltd.
1982-1983 P. No. 12.

2.10 Classification of Loans :

As in case of deposits a rural cooperative bank should, perhaps in a more pronounced way show a greater affinity for the weaker sections of the society in its loan business. It is of course true that to be productively used a larger proportion of loans should go to those classes of the society who can use the loans for productive purposes, generating a larger flow of income because it is only these people who are less vulnerable to unproductive use of loans as they are in a position to meet their consumption needs on their own. Table No. 2.7 gives relevant data regarding classification of loans by the range of loan amount, the number of accounts in the range and the total amount of loans in the range. It is clearly seen from the table that about 86% of the loan accounts are below Rs. 5000. of this group 56% of the accounts fall in the range of Rs. 1001 to 5000. 10% of the total loans accounts fall in the range of Rs. 5001 to 25000 accounting for 25.30% of the total loans similarly, 35.14% of the total loans have gone to the borrowers in the range of Rs. 1001 to 5000. In other words 61.04% of the total loans fall within the range of loan amount of Rs. 1001 to 25000. We can thus say that a significantly large proportion of loans has gone to the section of borrowers who can use the loans mainly for productive purposes.