

CHAPTER II

PROFILE OF BALBHIM BANK AND METHODOLOGY

In this chapter are discussed (A) Profile of Balbhim Bank and (B) Methodology.

(A) Profile of Balbhim Bank

1) Establishment

Shri Balbhim Co-operative Bank Ltd., Kolhapur (henceforth called "Balbhim Bank") was established at Kolhapur in the year 1915. The main source of spirit behind the establishment of Balbhim Bank was late Shri Shripatrao Shinde (Editor, "Vijayi Maratha"). The registered address of Balbhim Bank is Shivaji Peth, Ubha Maruti Chowk, Kolhapur.

2) Branch Expansion

As per the provisions contained in the bye-laws of Balbhim Bank, its area of operation shall be Kolhapur Municipal area. In addition to the main or head office, Balbhim Bank has opened four branches as follows -

S.No.	Name of Branch	Date of opening
1.	Timber Market	19-10-1978
2.	Phulewadi	22-10-1982
3.	Sadar Bazar, Kadamwadi	17-10-1984
4.	Kshirsagar Chowk	31-8-1985.

3) Objectives

The objectives of Balbhim Bank may be classified under two broad outlines such as :

- A) Objectives relating to banking functions.
- B) General objectives.

A) Objectives relating to banking functions

- 1) To receive money on current, savings, fixed and recurring deposits.
- 2) To receive for safe custody securities, ornaments and other valuables.
- 3) To buy and sell securities of the Government of Maharashtra or Indian Government.
- 4) To draw, accept, endorse, buy, sell and negotiate inland bill of exchange.

B) General Objectives

- 1) To act as an agent for Government of Maharashtra for the purpose of distribution of industrial and other loans granted to small, medium and cottage industries, retailers etc.
- 2) To act as an agent for Reserve Bank of India or any other bank.
- 3) To acquire land and household properties in satisfaction of claims and hold properties for the purpose of building etc. for office and godown purpose.

4) Membership

The membership of Balbhim Bank is composed of persons living in Kolhapur area. Members consist of persons coming from trading community, professional people, salaried people and other people with small means. The conditions relating to the membership of Bank are laid down in the law. By law is meant the Maharashtra Co-operative Societies Act, 1960, the rules made thereunder and the byelaws of the bank. There are two types of members in the Bank such as Regular and Nominal. The Regular members are those members who have subscribed to the share capital of the Bank and take advantage of various banking facilities (including loans) provided by the Bank. They have the voting rights and they elect from amongst themselves the board of directors. Nominal members are those members who pay a very nominal amount (say Re. One) to become nominal member. They do not have voting rights. They cannot borrow from the bank.

Board of Directors

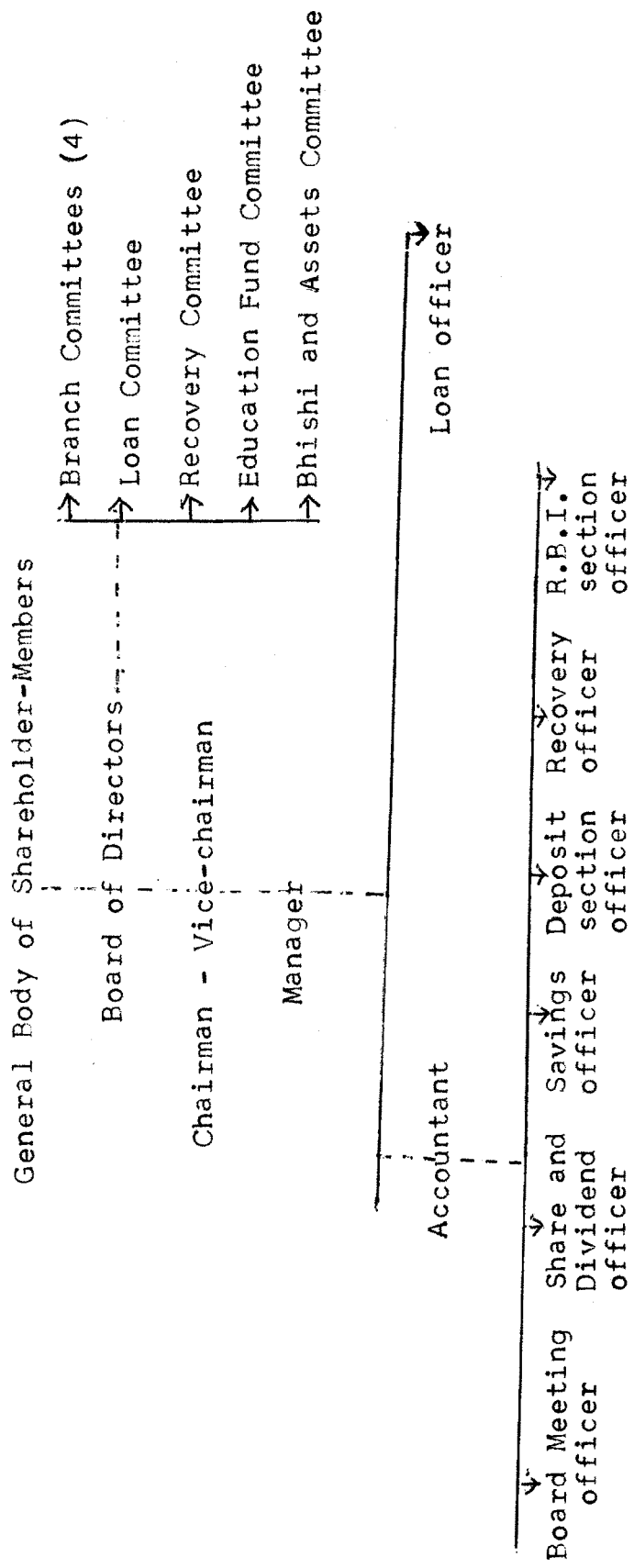
The entire administration and management of the Bank vests in the board of directors, who are elected by the general body consisting of all the members. The final authority in all matters rests with the general body. Board of directors elect, from amongst themselves, a chairman and a vice-chairman who hold the office normally for a period of one year. Normally two meetings of the board are held in a month at the bank office. Decisions

like sanction of loans, finalisation of accounts, legal proceedings etc. are taken in the meetings of the board of directors. There are following committees formed by the board of directors to facilitate day to day working of the Bank.

- i) Timber Market Branch Committee
- ii) Phulewadi Branch Committee
- iii) Sadarbazar (Kadamwadi) Branch Committee
- iv) Kshirsagar Chowk Branch Committee
- v) Loan Committee
- vi) Recovery Committee
- vii) Education Fund Committee
- viii) Bhishi and Assets Committee

5) Organisation Structure

Following is the organisation chart of Balbhim Bank.



Manager acts as the Chief Executive Officer of the Bank and also as the Secretary of the Board. Accountant works under him and he is concerned with recording proceedings of the various meetings of the board and the committees and taking action on the decisions taken, matters connected with issue and transfer of shares, payment of dividend as decided at the general body meeting, supervising and collection of deposits and keeping accounts thereof, recovery of loans, submitting various statements to (i) the Reserve Bank of India, (ii) the Co-operative Department and (iii) the State Co-operative Urban Banks' Federation, preparing interim and final financial statements and putting them before the manager for the purpose of their submission to the board for final approval. Accountant is assisted by various sectional officers in performance of the above listed duties. These sectional officers are shown in the organisation chart.

Loan officer is concerned with scrutinising the loan applications and putting them before the manager for their further submission to the board/Loan Committee for final sanction.

Organisation obtained at the four branches is very simple to understand. Branch Manager is responsible for all the activities at a branch level. He is assisted by an accountant.

6) Operational Aspects

A) Mobilising Deposits

Balbhim Bank accepts current deposits, savings deposits and

fixed deposits for different periods ranging from 15 days to the maximum of ten years. Bank has accepted the following types of deposits also.

- 1) Recurring Deposit
- 2) Bachat Nidhi Deposit
- 3) Compulsory Bhashi Deposit
- 4) Shubh Mangal Deposit

To promote the habit of savings in middle class people is the main purpose behind having various types of deposits. Deposits form the main source of finance of Balbhim Bank.

Sanction and Disbursement of Loans

Balbhim Bank sanctions loans or cash credit facility to their members against mortgage of unencumbered immovable property, or on the surety of one or more persons or on hypothecation of agriculture produce, industrial goods, gold and silver ornaments, Government securities or on the security of fixed deposits certificates and national savings certificates.

Bank sanctions loans for the following purposes :

- 1) Cottage and small scale Industries
- 2) Retail Trade
- 3) Educational
- 4) Agricultural
- 5) House construction and House Repairs
- 6) Other purposes.

7) Overall Performance

Overall performance of Balbhim Bank over a period of 10 years under study can be seen with the help of Table 2.1 given below.

Table No. 2.1

Statement showing the Progress made by Balbhim Bank during the period 1976-77 to 1985-86.

S.No. Particulars	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
1. No. of Members	5454	6295	6932	7140	8400	8898	9941	10800	11527	13262
2. Paid up share capital (Rs. in lakhs)	6.73	8.95	9.85	9.83	11.24	15.53	21.61	28.53	36.84	47.00
3. Reserves and Surplus (Rs. lakhs)	10.74	12.04	13.61	15.50	18.46	20.69	23.04	26.31	28.65	32.54
4. Owned Funds (Rs. lakhs)	17.43	20.99	23.46	25.33	29.70	36.22	44.65	54.84	65.49	79.54
5. Deposits (Rs. lakhs)	76.14	83.29	104.35	132.14	171.61	208.29	255.68	303.57	392.64	482.62
6. Other Liabilities (Rs. lakhs)	4.93	5.35	5.61	8.18	11.30	12.84	15.90	19.68	26.25	29.14
7. Borrowings (Rs. lakhs)	81.07	88.64	109.96	140.32	182.91	221.13	271.58	323.25	418.89	511.76
8. Total Assets (Rs. lakhs)	102.34	114.56	139.16	172.19	220.62	260.82	320.36	383.45	488.46	599.81
9. Out of the Assets Loans outstanding (Rs. lakhs)	68.88	75.34	94.05	121.51	150.52	183.18	222.20	270.30	344.34	422.58
10. Profit (Loss) made (Rs. lakhs)	1.43	1.57	1.97	2.26	2.54	3.33	3.92	5.03	4.08	8.51
11. Dividend (%)	12	12	12	12	12	12	12	12	12	12
12. Audit Classification	A	A	A	A	A	A	A	A	A	A

Source - Office records of Balbhim Bank.

Table No. 2.1 shows progress of the Bank with respect to different indicators over the period of 10 years.

1) The membership of Balbhim Bank and the paid up capital have increased by more than three times during the period of 10 years of study.

2) The Bank has not taken any loan from any other financial agency during the period of 10 years of study.

3) The Bank has mobilised deposits more than six times during the period of 10 years of study i.e. Rs.76.14 lakhs in the year 1976-77 to Rs.482.62 lakhs in the year 1985-86.

4) The Bank had disbursed total loans of Rs.68.88 lakhs in the year 1976-77. The figure of loan disbursement increased to Rs.422.58 lakhs in the year 1985-86.

5) The Bank has consistently achieved net profit which is a good sign of high performance of the Bank. It has paid the maximum permissible dividend of 12 % during each of the ten years under study. Its audit classification has been 'A' throughout this period.

(B) Methodology

Methodology to be adopted for this study includes collection of data from Balbhim Bank for the purpose of studying Bank's operations, policies formulated, changes made therein and procedural aspects so as to achieve the following objectives.

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Objectives of the Study

- 1) To study loans and advances made by the Bank for a period of 10 years starting from 1976-77 and ending with 1985-86.
- 2) To study the lending policies formulated and procedures followed in respect of loans and advances made to the members.
- 3) To suggest improvements, if any, in the Bank's lending policy and the procedures followed.

Scope of the Study

As indicated above, this study is concerned with the loans and advances made by Balbhim Bank. The loans and advances of the Bank have been studied for a period of ten years i.e. 1976-77 to 1985-86, both years inclusive. Bank disbursed total loans amounting to Rs.420.64 lakhs in the year 1985-86 to its members for various purposes for which urban co-operative banks normally advance loans. So it was thought appropriate to study loans and advances made by Balbhim Bank during the recent 10 years.

Methods of Data Collection

Primary data regarding the loans and advances made by the Bank have been collected mainly with the help of following records/methods :

- 1) Records at Balbhim Bank, including its published Annual Reports and unpublished records like files kept, statements and notes prepared from time to time at the time of sanctioning loans.

2) Books and periodicals published, containing material concerning information about loans and advances of urban co-operative banks.

3) Discussions with the officers of the Bank has helped the author in understanding the policy matters and procedures of financing. The Loan Department of the Bank gave all statements and figures relating to loans and advances. Discussions with the Loan Officer of Balbhim Bank helped the author to get an insight into the loan sanctioning procedure.

Chapter Scheme

Chapter scheme of the dissertation is as follows :

<u>CHAPTER NO.</u>	<u>CONTENTS</u>
I	<p><u>Evolution of Urban Co-operative Banks</u></p> <p>This chapter contains (A) Historical development, (B) Meaning, Objectives and Pattern of Loaning by Urban Co-operative Banks and (C) Position of Urban Co-operative Banks in India at national level and at the level of State of Maharashtra during recent years.</p>
II	<p><u>Profile of Balbhim Bank and Methodology</u></p> <p>This chapter contains (A) Profile of Balbhim Bank and (B) Methodology to be adopted for this study.</p>

CHAPTER NO.CONTENTS

III

Loans and Advances of Balbhim Bank

This chapter contains loans and advances of Bank during 10 years i.e. 1976-77 to 1985-86, purposewise and securitywise loan disbursement, loan recovery and loan outstanding during the ten year period. Procedural aspects regarding sanctioning of loans, utilisation and recovery of loans are also discussed.

IV

Evaluation of Lending Policies and Practices of Balbhim Bank

In this chapter discussed the evaluation of policies and practices of Balbhim Bank in connection with loans and advances.

V

Summary and Conclusions.

Limitations of the Study

This study covers only one aspect of Balbhim Bank's operations i.e. loans and advances. The study of loans and advances of the Bank is considered for a period of 10 years. Therefore, the findings of the study may not be directly applicable in case of other banks for the following reasons.

i) Different financial strengths e.g. depositwise;

- ii) Different environmental factors e.g. bank operating in a semi-urban area and the one operating in a metropolitan city;
- iii) Management's attitudes and capabilities e.g. management may take a traditional approach to financing, management may be professional in attitude, and
- iv) Composition of members e.g. majority of members may be salaried people or traders.