

CHAPTER - II

PROFILE OF LAXMI BANK

CHAPTER - I I
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Historical Background:

As seen earlier, Laxmi Bank is the first of its kind in India. The background of its establishment was as follows.

Some ladies from different folds of the society who had a genuine desire for social service, especially for upliftment of women, visited towns and villages like Sangli, Miraj, Tasgaon, Ankalkhop, Ashta, Islampur, Kavalapur, Digraj, etc., for collection of initial share capital required. While collecting the share capital in the beginning, these women found that people were doubtful about the success of the venture. The common man was hesitant in purchasing the shares of this Bank. In our society, women do not have economic freedom and hence, it was natural to find difficulties in collecting the share capital. However, in a short period, the required share capital was collected and on 20th December 1971, Shri Laxmi Mahila Sahakari Bank was founded.

The mission of Shri Laxmi Mahila Sahakari Bank Limited, Sangli (henceforth called "Laxmi Bank") was to help women in the society, particularly those who were economically weak, so as to enable them to be economically

better off and if possible, to enable them to stand on their own feet.

To translate this mission into actual practice, Laxmi Bank has kept before it the following objectives:

1. To develop the habit of thrift, self-sufficiency and cooperative mind among the women members;
2. To collect the money which remains unused in the purse of the woman-members;
3. To accept deposits for lending or investment of funds;
4. To grant credit facilities to the women for improving their financial position under various schemes;
5. To lend or advance money, either with or without security, for running cottage and small-scale industries;
6. To accept all kinds of bonds, debentures, promissory notes and depositors' valuables for safe custody;
7. To provide facilities of safe deposit vaults;
8. To engage in drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills-of-exchange, hundis, promissory notes, coupons, drafts, bills-of-lading, railway-receipts, warrants, debentures, certificates and other instruments and securities, whether transferrable or negotiable or not;
9. To grant and issue letters-of-credit, travellers' cheques and circular notes;

10. To grant loans to the woman-members to meet their domestic difficulties.

Organization and Management:

Laxmi Bank is established in Sangli. There are three branches of the Bank, viz. Islampur, Miraj and Shantiniketan Extension Counter. Any woman in the Sangli district can become a member of this Bank. Any women's organization registered under Bombay Public Trust Act in Sangli district can also become a member of the Bank. Each member has a right to give one vote as per the principle of cooperation.

The General Meeting of the Bank is held once in a year. Generally, it is held before 14th November every year. The working of the Bank is controlled by a Board of Directors consisting of 16 Directors. The Board of Directors is elected from amongst the share-holders. The period of office of Board of Directors is 5 years. The Board has a Chairman and a Vice-Chairman, both of whom are elected for a period of three years.

The first meeting of the Board of Directors is held within 30 days of the General Meeting. If such type of meeting is not held, the Registrar of Cooperative Societies takes initiative and calls such a meeting. The Chairman, and in his absence Vice-Chairman, presides over all the meetings of the Bank.

For smooth working of Laxmi Bank, the following three sub-committees are formed:

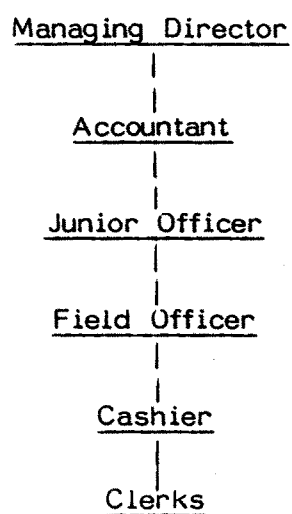
- i. Loan Committee,
- ii. Staff Committee,
- iii. Building Committee.

There is also a Branch Committee. The meetings of Sub-Committees are held once in a month. In the meeting of the Loan Committee, loans are sanctioned as per the recommendations of the Managing Director.

The Staff Committee takes necessary action in connection with appointment of staff, fixation of their salary and redressal of their grievances, if any.

Organization Structure:

The organization chart that follows gives an understanding about the organization structure in Laxmi Bank:



A brief description of the authority and responsibilities attached to the above position follows:

1. Managing Director:

Managing Director is a full-time employee of the Bank and ex-officio member of the Board of Directors. He is also the Chief Executive Officer of the Bank. In that capacity, he is responsible for conducting the banking business as per the provisions contained in the law. As an ex-officio member of the Board and also being the Chief Executive Officer, he is expected to help the Board in formulation and implementation of policies, plan and control the banking business done through various offices/branches, put up the loan applications before the Board for sanction or sanction them, if within his powers, carry out the deposit mobilization plans and other development activities, conduct various meetings and execute the decisions taken therein, do all the necessary things connected with personnel, etc. He is delegated with authority as per the decisions taken by the Board from time to time.

2. Accountant:

He maintains the necessary books of accounts. He prepares the balance sheet and profit and loss account in the prescribed form. Cheques, demand drafts and other documents are also checked by the Accountant. He is further responsible for maintenance of records.

3. Junior Officer:

In a branch, he works as Branch Manager. He is responsible for all the banking activities in the concerned branch. He is required to look after all the development activities of the branch. He is also expected to attend all the meetings of the Branch Committee.

4. Field Officer:

Field officer looks after the entire process of loan sanction. He is responsible for the smooth and efficient working of the loan section.

5. Cashier:

He accepts and gives money from and to the customers. He is responsible for handling of cash, accounting for the cash in his custody and maintaining the necessary books of account of cash transactions.

6. Clerk:

A clerk is normally assigned the daily routine work and is supposed to work as per the directions of his superior officer.

Business of the Bank:

The main function of any bank is to accept deposits and grant loans to needy members. As such, Laxmi Bank also collects various types of deposits and grants loans to woman-members.

Collection of Deposits:

Laxmi Bank collects the following types of deposits:

1. Current Deposits,
2. Savings Deposits,
3. Fixed Deposits,
4. Recurring Deposits.

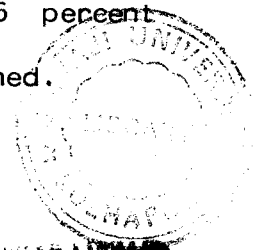
Besides these, Laxmi Samruddhi, Laxmi Saving Deposit Scheme, Pension Deposit Scheme, Dam-Duppat Deposit, Dam-Tippat Deposit, Cash Certificate Deposits, etc., are the various deposit schemes formulated and implemented by the Bank.

Granting Loans:

Laxmi Bank is distributing loans for various purposes. The Bank gives credit facilities to poor and needy women to meet their domestic difficulties and running their small industries, businesses or cottage industries. The purposes for which a loan can be granted are discussed below:

i. Agriculture and allied activities:

Laxmi Bank grants loans for purchasing of cows and buffaloes for dairying and for poultry farming. The maximum limit for this type of loan is Rs.1,25,000. The rate of interest varies between 14 to 16 percent per annum, according to the amount of loan sanctioned.



2. Small-scale industries:

Laxmi Bank also grants loans to small-scale industries such as shoe-making, book-binding, printing presses, pottery-making, etc. The maximum limit for this type of loan is Rs.5,00,000. The rate of interest varies between 12 and 17 percent per annum. More the loan amount, higher is the rate of interest on such a loan.

3. Vehicle purchase:

Laxmi Bank grants loans for the purchase of vehicles like bicycle, autorickshaw, motor-van, tempo trucks, etc. For this purpose, Laxmi Bank gives maximum loan of Rs.2,00,000. The rate of interest varies between 14 and 16 percent per annum, according to the amount of the loan sanctioned.

4. Trading activities:

Laxmi Bank provides credit facilities to cloth shops, stationery merchants, watch dealers, etc. The maximum limit of loan for this type of loan is Rs.6,00,000. The rate of interest varies between 14 and 17 percent per annum on the basis of the amount of loan sanctioned.

5. Cottage industries:

Laxmi Bank also grants loans to the cottage industries, such as hotel, press, automobile workshop, etc. The maximum limit of loan for this type is Rs.2,50,000. The rate of interest is 13.5 percent per annum.

6. Self-employment:

Laxmi Bank provides loans to self-employed persons. Rs.2,50,000 is the maximum limit for this type of loan and the rate of interest is 16.5 percent per annum.

7. Education:

Laxmi Bank gives loans for completion of the education of members' children. The maximum limit for this type of loans is Rs.15,000. The rate of interest is 15.5 percent per annum.

8. Construction:

The bank gives loans for purchase of plot of land, construction of building, repairing the building, etc. Rs.1,25,000 is the maximum limit for this type of loan. The rate of interest varies between 12.5 and 16 percent per annum, according to the loan amount sanctioned.

9. Domestic purposes:

Laxmi Bank gives loans for purchasing refrigerators, television sets, electric fans, steel cupboards, etc. The maximum limit for this type of loan is Rs.10,000 and the rate of interest is 16.5 percent per annum.

Documentation and loan disbursement:

A loan is normally disbursed on compliance of conditions and execution of necessary documents, viz. promissory note, a continuing guarantee letter, mortgage deed, bonds, etc.

Utilization of Loan:

If a vehicle is purchased with the help of the Bank loan, the vehicle is hypothecated to the Bank. For supervision of utilization of the loan, the supervisor checks the stocks of goods, stationery, etc., with the book balances. He is concerned with whether the loan amount is used for the purpose for which the loan is taken.

Recovery of Loan:

Recovery of loan is a function that starts immediately on disbursement of loan. The borrower has to pay the instalment consisting of principal and interest thereon on the stipulated date.

In practice, recovery of the loan is classified into the following two types: (a) current recovery, and (b) overdues recovery.

Recovery of current dues is 'current recovery', which is done by the bank staff. For recovery of overdues, the Bank has to follow the procedure laid down under the provisions contained in the cooperatives law and recover the dues through the Special Recovery Officers.

Progress of Laxmi Bank:

Progress of Laxmi Bank for the last 19 years may be seen from the following Table 2.1.

Table 2.1
Progress of Laxmi Bank

Year (June-end)	Number of Members	Share capital	Reserve & other funds	Deposits	Total work ing capital	Loans and advances	(Rs. in lakhs)	
							Profit	
1972	1.6	1.16	0.02	0.22	1.42	0.26	(0.06)	
1976	4.0	2.82	0.23	8.91	12.69	8.87	0.24	
1981	5.1	4.93	2.79	33.48	48.61	30.00	1.03	
1986	5.5	6.95	12.07	131.78	150.57	93.47	1.83	
1987	5.6	7.34	14.44	161.00	190.10	116.23	1.88	
1988	5.2	7.76	16.91	203.43	236.46	131.89	1.90	
1989	6.0	8.82	19.38	226.72	264.29	171.45	1.14	
1990	6.5	9.64	21.42	276.00	320.24	192.10	1.78	

Source: Compiled from Annual Reports of Laxmi Bank.

Over the period of nineteen years under study, the percentage-wise growth of Laxmi Bank was as follows:

<u>Items</u>	<u>Growth</u>
Number of members	306.25%
Share capital	731.03%
Reserves and surplus	1,07,000.00%
Deposits	1,25,354.00%
Loans and advances	73,784.62%

On the whole, Laxmi Bank seems to have made a lot of progress, particularly in the area of deposits and loans and advances upto the end of June, 1990.

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