

C H A P T E R-II
HISTORICAL BACKGROUND OF PRIMARY
TEACHER'S CO-OPERATIVE BANK LTD., SATARA

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CHAPTER II

HISTORICAL BACKGROUND OF PRIMARY TEACHER'S

CO-OP BANK LTD., SATARA.

A GENERAL BACKGROUND OF URBAN CO-OPERATIVE BANKS.

2.1 INTRODUCTION :

Development and progress of human being in all Spheres, Social, economic, religious and political is marked by the sense of thinking, working and living together. Therefore, it is said that, "Man is a social animal". Co-operation is something more than a series of activities organised on Co-op. lines. Basically its purpose is to evolve a scheme of Co-op. community organisation which touches upon all aspects of life within the rural and urban economy. These organisations are playing a major role in economic progress of weaker sections of the society. Now a days co-operation has been applied in a wide range of activities, such as production, distribution, supply marketing, housing, banking and insurance. Besides there are several consumer's Co-operatives who protect the interest of the consumers.

2.2 "HISTORICAL DEVELOPMENT OF URBAN CO-OPERATIVE BANKS".

The historical development of the urban co-op. credit movement is studied with reference to the following points :

1. Urban co-op. credit movement in the world.

2. Urban co-op. Banks in India.
3. Urban co-op. Banks in Maharashtra.
4. Urban co-op. Banks in Satara District.

2.2.1 URBAN CO-OPERATIVE CREDIT MOVEMENT IN THE WORLD :

The co-op. credit movement was started in Germany in the middle of 19th century. At that time, the economic conditions of Germany were extremely deplorable. Mr. Herr Franz Schulze (1809 to 1885) took the initiative and started introducing various measures of relief. Mr. Schulze adopted measures for giving relief to the people who used to live in the urban areas. He had seen the miserable condition of the people with his own eyes. In 1849, he organised a friendly society for relief in sickness. In 1850, he formed the first credit association. Two years later, in 1852 Schulze formed a society at Delitzsch which was based on co-op. principles. He secured capital through the sale of shares. He published a book in 1856 which contained the principles of co operative banking as formulated by him. The number of banks were started by him. In 1859, he organised a congress of these banks. He was also responsible for securing from Prussia the first Co-op. Law in 1867, which latter on was made applicable to the entire country in 1889. On the basis of this Act all co operative Societies were to be organised.

In brief, the urban Co-op. Credit movement started

in Germany and then it spread over the world.

2.2.2 URBAN CO-OP BANKS IN INDIA :

The first urban co-op. bank was started in the princely state of Baroda on 5th february, 1889. The promoter, Mr. Vithal Lakshman Kavthekar, drew inspiration from successful urban co-op. credit institutions in the European Continent. Later, India Government recognised their importance. A separate co op. credit Societies Act was passed in 1904 to facilitate credit institutions. In Madras, the first such society was registered in October 1904 at Conjeevaram. The Betegiri Co-op. Credit Society in Dharwar District was then registered in Bombay in October, 1905. Then in Mysore State, The Bangalore City Co-op. Credit Society was registered in December, 1905. But little attention was paid to the development of urban co-operative before the Maclagan Committee (1915).

This Committee expressed its opinion on co operation that "Urban Credit Societies might serve a useful purpose in training the upper and middle urban classes in understanding ordinary banking principles". The failure of the Swadeshi Joints Stock Banks in the Country at that time created an opportunity for Co op. Banking for mobilising the savings of persons of modest means and helping those whom financial distress caused by high living cost and unemployment

had driven in to the clutches of money lenders.

Later the economic boom created favourable conditions for the growth of urban banks in India. The usefulness of urban banks in financing artisans, small traders, factory workers and urban middle classes was recognised by various committees. In 1984, a separate Urban Co-op. Banks department was created in the Reserve Bank of India, for regulating the growth and management of these banks.

From time to time, many expert Committees were appointed and legislative measures were taken to consolidate the development and growth of Urban Co-op. Banks. Thus in 1966, the Banking Regulation Act of 1949 was made applicable to Urban Co-op. Banks.

It is clearly seen that the spread of Urban Co-op. Bank is not uniform in all the states. Most of the Banks (nearly 60 per cent) are concentrated in Maharashtra, Gujrat, Karnataka and Tamil Nadu. Even in Maharashtra, these are mainly located in Western regions. This unbalanced development has been mainly due to lack of initiative on the part of Co-op. leadership and the State Co-operative departments.

2.2.3 URBAN CO-OPERATIVE BANKS IN MAHARASHTRA

Co-operation in Maharashtra has been to the pioneering sector of the co-operative movement in India. The first urban co-op. credit society named "Anyonya Sahakari Mandali " was established in Baroda

city on 5th February, 1889, under the guidance of Mr. Vithal Lakshman Kavathekar in middle class Maharashtrian family. Twenty one Maharashtrians became founder members with a subscription Rs.2/ per month. It was a mutual aid society of subscribing members.

After the passing of Co-op. Societies Act 1904, the co-operative movement in Maharashtra took speeds. No.1 Defence Accounts Co-operative Bank Ltd., Pune, was the first Urban Co-op. Bank in Maharashtra formed by the employees of the defence department on 9th January, 1906. The second Urban Co-op. Bank was formed in Maharashtra in Pune under the title "Cosmos Co-op. Bank Ltd., Pune, on 8th January, 1906. The third Urban Co-op. Bank was formed in Sholapur district at Barshi under title "Barshi Central Urban Bank Ltd., Barshi" on 24th April, 1906. The fourth urban co-op. bank was started in Bombay on 27th December, 1906, viz. "The Shamrao Vithal Co-op. Bank, initiated by Rao Bahadur S.S. Talmaki.

During the period of 1906 to 1915, 11 Urban Co-op. Banks were established in the six districts of Maharashtra. Their brakeup was : Bombay 2, Pune 3, Kolhapur 2, Nagpur 2, Sholapur 1, and Dhule 1. This number started increasing from 1915. The recommendations and reports of the MacLagan Committee 1915, Central Banking Enquiry Committee 1931, Reserve Bank of India in their review of co-op. movement in

India 1939-1940, Co-operative Planning Committee 1946, Varde Committee 1963, Madhavadas Committee 1979, Hate Committee 1981 etc. created favourable circumstances for the development of Co-op. Banking activity.

In Maharashtra, the progress of Urban Co-op. Banks has been very much impressive due to their proper planning and direction. There were nearly 400 urban co-op. banks in Maharashtra in 1993. Also there is a rapid progress in respect of number of members, share capital, deposits, working capital and loans and advances.

2.2 . 4. URBAN CO-OP BANKS IN SATARA DISTRICT.

In Satara District, Urban Co-op. movement started in 1917. The first Urban Co-op. Bank was established at Karad city of Satara District on 24th January 1917 named as "Karad Urban Co-op. Bank Ltd., Karad". The Urban Co-op. banks in Satara district have made rapid progress with satisfactory results. By the end of the year 1994, there were 17 urban co-op. banks in Satara district.

2.3 NEED OF URBAN CO-OP. BANKS :

The need for Urban Co-op. Banking arises from the fact that Central Co-op. Banks, State Co-op. Banks, Co-op. land mortgage Banks and Agricultural Credit Societies are not interested in providing credit to the urban middle class viz. the employees in Govt. departments, private organisations, local bodies,

small traders and the artisans. None of these come under the purview of Commercial Banks because they do not satisfy the standard followed by Commercial Banks for the purpose of financing. Again these agencies are purely private and not guided by any code of conduct. Hence they charge exorbitant rate of interest and exploit the urban people. so the problem was to have an agency which will replace the private credit on easy terms of interest and repayment. The Urban Co-op. Banks advance loans mostly to such needy persons.

2.4 DEFINITIONS OF URBAN CO-OP. BANK :

Urban co-op. Banks are the banks which are established in urban and semi urban areas with limited area of operation. The urban co-op. bank is defined by many authorities committees and study groups. some important and meaningful definitions are given as follows :

According to the Study Group on credit co operatives in the non-agricultural sectors, "any credit organisation which is registered under the State Co-op. Societies Act, which has a minimum paid up capital of Rs.50,000 which provides banking facilities to its members and customers in urban and semi-urban areas can be considered as an urban co-op. bank".

The following features can be given with the help of the definition. :

- 1 The registration of the Bank is under the State Co-op. Societies Act.
- 2 The area of operation is urban or semi-urban.
- 3 The minimum paid up capital is Rs.50,000.
- 4 A provision of banking facilities such as accepting deposits from members and non members, advancing loans and operating fixed deposits, savings and current a/cs.

In the year 1975 the Reserve Bank took decision for the purpose strengthening the urban banks and advised to the Registrar Co-operatives not to register new urban bank without a minimum paid up capital of Rs. One lakh. And now urban bank or primary co-operative bank can be defined as a Co-operative Society, other than primary agricultural society, with the following characteristics.

- 1 Its primary object is to do banking business.
- 2 Its paid up capital and reserves are not less than rupees one lakh.
- 3 Its byelaws do not permit admission of any other Co-op. Society as a member except when a co-operative bank contributes to its share capital with the help of funds provided by the State.

2.5 OBJECTIVES/FUNCTIONS OF URBAN CO OP. BANKS :

The main objectives of the Urban Co op. Banks are as follows :

- 1 To attract deposits from members as well as non members.
- 2 To advance loans to the members.
- 3 Give assistance for the purchase of domestic and other requirements of the members.
- 4 Provide banking services to the members & depositors.
- 5 Arranging for the safe custody of valuable documents of members.

2.6 MAIN INCOME SOURCES :

The main income sources of the Urban Bank are as follows :

- 1 Interest on loans and advances.
- 2 Interest on Govt. and other securities.
- 3 Dividend on shares held in other co op. institutions
- 4 Commission from agency services, and collection of bills.
- 5 Entrance fees.
- 6 Interest on deposits with other banks.
- 7 Discount, commission on bills and cheques discounted

**B PROFILE OF THE PRIMARY TEACHER'S CO-OPERATIVE
BANK LTD., SATARA.**

2.7 Geographical Background of Satara Town :

The Satara city is located at the foothills of the Sahyadris. It is located at 17° 40' north latitude and 78° 50' east longitude. The Satara district has an area of 4022.59 miles, with 15 towns and 1152 villages. It has 11 talukas. One of the main features of Satara district is that Satara is a leading district in politics, since before and after independence. The town Satara is situated on the Pune Bangalore road. It is surrounded by the Pune district on the north side, Sholapur district on east side, Sangli district to its south side, Ratnagiri district to its west side and Raigad district to its north west side.

2.8 ORIGIN AND HISTORY OF THE BANK :

After the first World War, there was a boom period. At that time, primary teachers were getting Rs.15.00 as salary per month. This much salary was not adequate for them and hence they had to suffer from the financial difficulties. They had to take loans at high rate of interest from the money lenders. Therefore, primary teachers realised that co op. movement was the only solution to overcome their problems of exploitation by the money lenders.

The sincere efforts of primary teachers late Shri

Krishnarao Bhaurao Babar, late Smt. Asarabai Badsal and thirteen other teachers promoted and established "The Satara Zillah Local Board Prathmik Shikshak Society Ltd." on 21st October 1924, at Masur Taluka, Karad. The first meeting of this society was held on 21st October 1924 at Masur in Karad Taluka under the Chairmanship of Shri Dixit, Inspector of Satara. About 500 primary teachers were present for the meeting. In that meeting the members elected the first Managing Committee as follows :

- | | |
|------------------------|---------------|
| 1) Shri R.S. Chuneekar | Chairman |
| 2) Shri Moghemastar | Vice Chairman |
| 3) Shri M.S. Kulkarni | Secretary |

Initially, there were only 225 members in the society and capital was just Rs.786.

The office of the society started functioning in 1932 at Satara. In 1948, the society was converted into a Primary Teacher's Co op. Bank. The idea was to provide banking facilities to the primary teachers of all talukas of Old Satara district. There was some conflict between the members from the north & south district. As a result the Directors and members decided to split the bank into two parts, namely South Section and North Section. A resolution to this effect was passed in the Annual General Meeting which was held at Wai in the year 1948. For the purpose of

splitting up arbitrators were appointed. That time the financial position of the bank was as follows :

Share Capital	Rs.2,20,360
Reserve Fund	Rs.31,228
Loans & Advances	Rs.3,14,415
Subscription	Rs.2,265
No. of members	2,265

South and the North sections were recognized from 17th April 1948. Out of the above, share of the North section was as follows :

Share Capital	Rs.1,28,510
Reserve Fund	Rs.13,276
Loans and Advances	Rs.1,41,616
Subscription	Rs.5,813
No. of members	890

Shri M.S. Kulkarni was elected as a Chairman of the Bank for the North section. A proposal for the erection of the bank building and Shikshak Bhavan was approved in the Annual General Meeting held in the year 1971-72. Bank building was constructed during the Chairmanship of Shri B.G. Naik and Shri S.K. Gadave.

Since its inception the bank has been playing an important role for the last 47 years. The Bank has 10 branches in addition to the Head Office at Satara. The bank has made significant progress and the financial position of the bank in the year 1993-94 was as follows :

Share Capital	Rs.2,15,30,080
Reserve Fund	Rs.98,82,475
Loans and advances	Rs.23,46,86,271
Deposits	Rs.20,21,44,153
No. of members	7,104

2.9 OBJECTIVES OF THE BANK :

As per the Bye-Laws of the Bank, the main objectives of the Bank are as follows :

1. To inculcate in members, habits of economy and co-operativeness.
2. To accept deposits from the members and non-members under various deposits schemes and advance loans to them and to make investments.
3. To see that the working of the Bank is as per Banking Regulation Act 1949, Section 6(i).
4. To expand operations by opening the branches in its area with the permission of the Co-operative Departments and the Reserve Bank.
5. To do banking business with the approval of the Registrar for Co-op. and Govt. Officials.
6. Providing finance and guidance to the small scale entrepreneurs and help them in establishing their own business.
7. To give long term loans to the individuals and Co op. institutes dealing in consumer goods.
8. To do any banking business with a view to achieve objectives of the Bank.

2.10 LOCATION OF THE BANK :

The Primary Teacher's Co-op. Bank Ltd., Satara is located in the Satara town at the Powai Naka, Satara. This place was purchased by the Bank from Late Shri B. Karandikar. The location where the bank has started its banking business is the heart of the Satara town. This place is a Trade Centre. Agricultural and vegetable market are very close to the bank.

The Bank is having one Head Office and ten branches. There are some Commercial Banks, Co-op. Banks and Co op. Credit Societies around the bank. In spite of severe competition "The Primary Teacher's Co-operative Bank Ltd., Satara has been still one of the most popular banks in the district.

2.11 ORGANISATION STRUCTURE OF THE BANK :

The organisational set up of any organisation depends upon the functions it is required to perform and objectives it desires to achieve. In the Primary Teacher's Co-op. Bank Ltd., Satara, there are three levels of management, each having a distinct existence, well defined responsibilities and functions. At the apex is the top management which comprises Share holders, Board of Directors and the Chairman. The shareholders are the owners of the bank. The Board of Directors are the representatives of the shareholders and the entire administration is

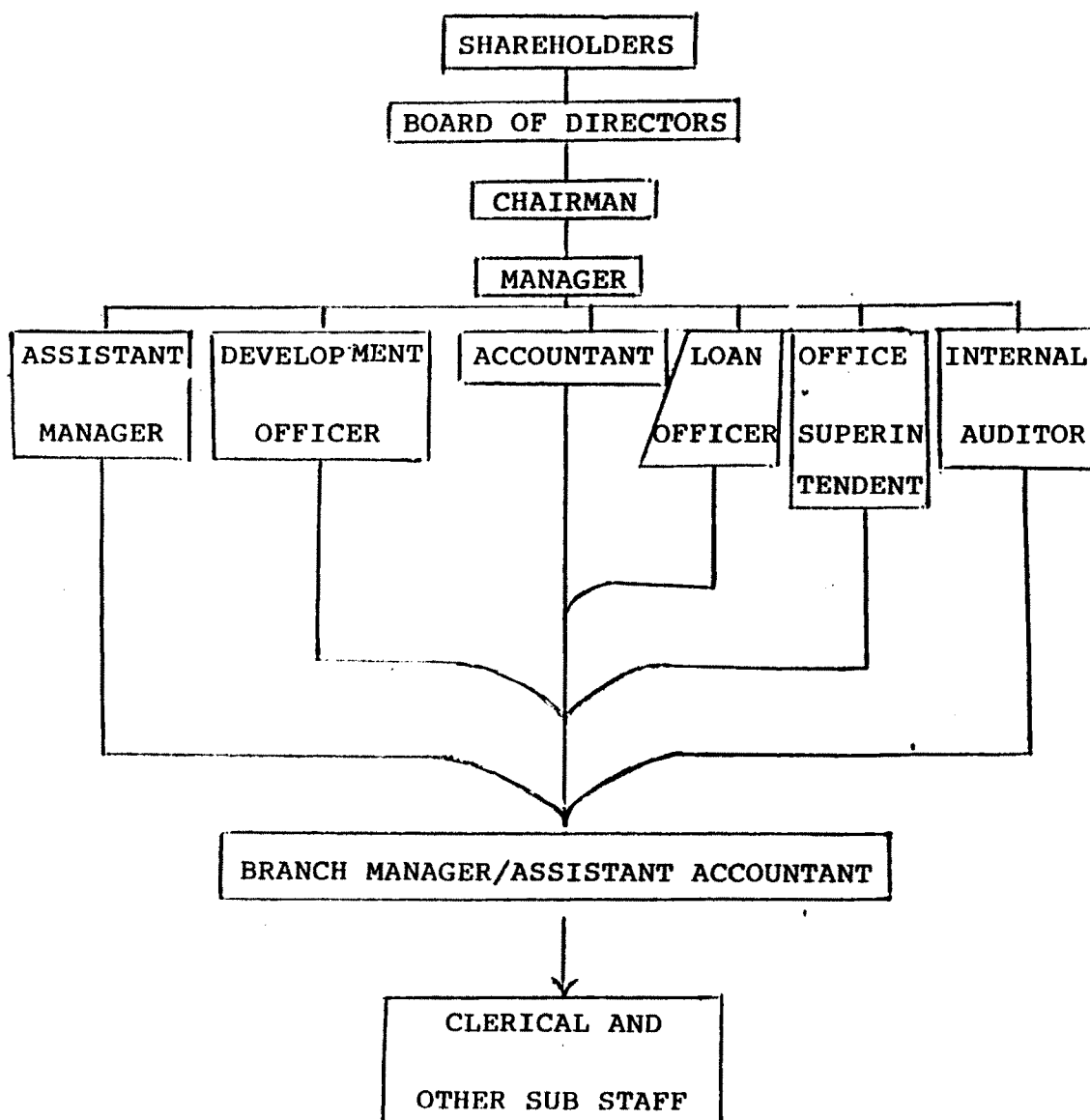


vested in a Board of Directors. They are responsible to the shareholders for framing policies of the bank. As regards administration, the Chairman is the top authority of the bank. The Manager, Branch Manager, Departmental Heads have to work under his guidance and supervision. The decisions are taken in the Board of Director's meetings and execution of these decisions is made by the Chairman through the Manager.

The Manager is the Chief Executive of the bank. He has to keep informed about the important developments of the bank to the Board of Directors. All the branch Managers and departmental Heads are sub ordinate to him. He executes the decisions with the help of departmental heads and branch managers. He maintains harmonious relationship between the staff, the Chairman and the Board of Directors.

The following is the chart showing the organisation set up of The Primary Teacher's Co-op. Bank Ltd., Satara.

ORGANISATION CHART OF THE BANK



There are about 6 subordinate officers who have to report to the manager. All these subordinates are assisted by Branch Managers and Assistant Accountants and also the clerical staff working at the bottom level of the organisation.

2.12 GROWTH OF THE BANK :

The growth of 'The Primary Teacher's Co-op. Bank Ltd., Satara can be studied as follows :

1.A MEMBERSHIP :

Membership of the bank can be divided as 'Regular Members and Nominal Members'. A person who intends to become a Regular Member must be a Primary Teacher working in any taluka of Satara district except Karad and Patan. Such a Primary Teacher desiring to become a regular member of the bank is required to submit a prescribed application form duly attested by witness together with entrance fees.

The following table shows the growth in regular membership over the period of last 10 years i.e. from 1984/85 to 1993/94

TABLE 2.1
TABLE SHOWING 'MEMBERSHIP' OF THE BANK

YEAR	NO. OF REGULAR MEMBERS
1985	5,392
1986	5,435
1987	5,411
1988	5,381
1989	6,254
1990	6,482
1991	6,549
1992	6,610
1993	6,766
1994	7,104

SOURCE : Annual Reports of the Bank.

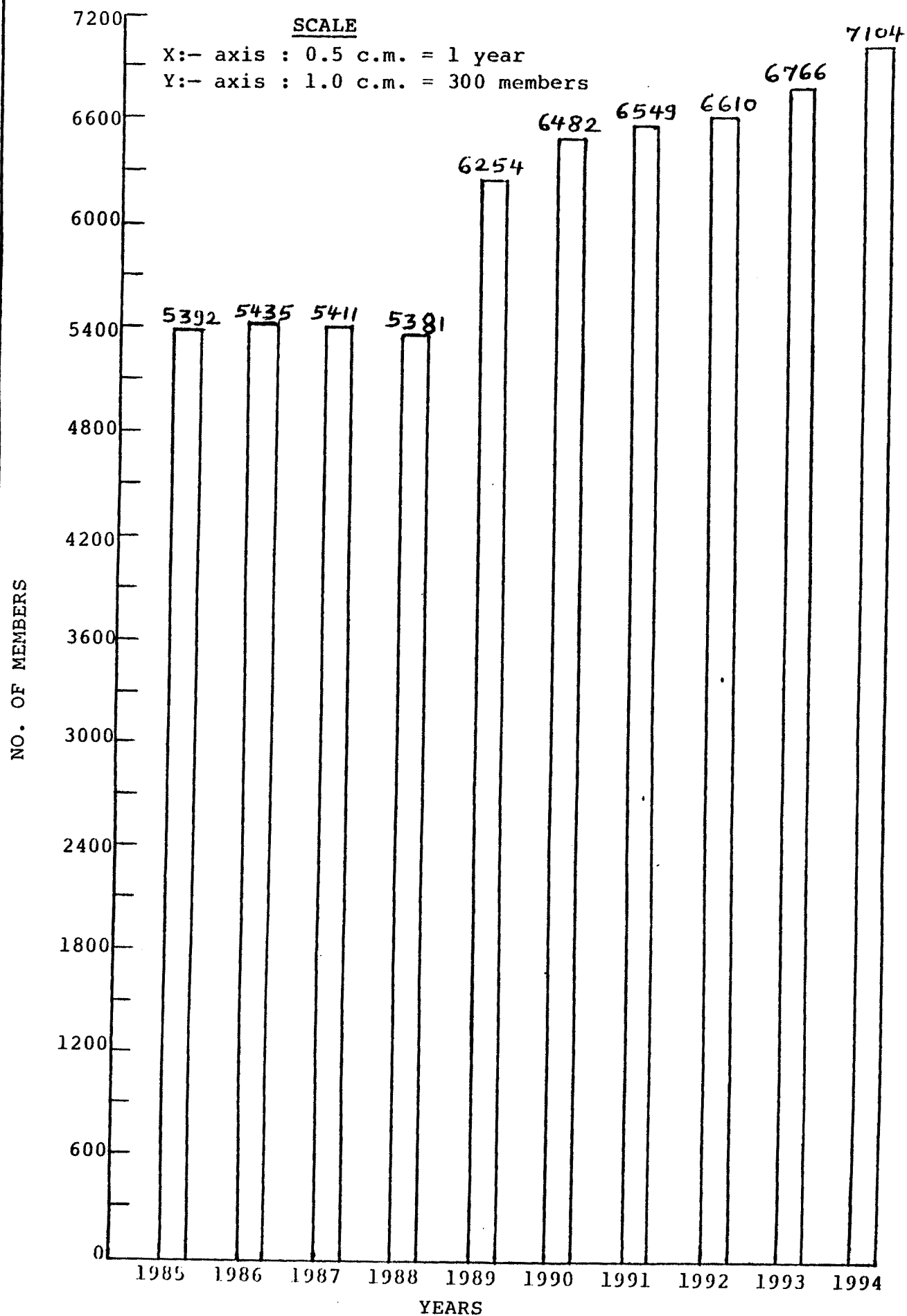
The above table shows that there is a overall increase in membership. It tells us that the bank has been becoming popular day by day due to its remarkable progress. The nominal membership is given for a particular purpose and therefore, the strength of nominal members has always been variable.

Let us draw a graph showing the regular membership of the bank.

2.1 :- GRAPH SHOWING THE MEMBERSHIP OF

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THE BANK FOR THE PERIOD 1985 TO 1994



1.B BRANCHWISE MEMBERSHIP OF THE BANK :

As on 31st March 1994, the branchwise membership of the bank was as follows :

TABLE NO. 2.2

TABLE SHOWING BRANCHWISE MEMBERSHIP OF THE BANK
AS ON 31st MARCH 1994.

Branches	No. of members
Satara	1893
Wadooj	927
Wai	712
Phaltan	1046
Dahiwadi	435
Koregaon	598
Medha	404
Mahabaleshwar	172
Khandala	388
Mhaswad	288
Rahimatpur	241
Total	7104

SOURCE : Annual reports of the Bank.

1.C TALUKAWISE MEMBERSHIP OF THE BANK :

It is not that all the primary teachers in the district are the regular members of the bank. In order to know the talukawise membership of the Primary Teachers Co-op. Bank Ltd., Satara, the following table is given :

TABLE NO. 2.3

TABLE SHOWING TALUKAWISE 'MEMBERSHIP' OF THE BANK
FOR THE YEAR 1994
(Excluding Karad & Patan Talukas)

TALUKA	NO. OF REGULAR MEMBERS
Satara	1893
Khatav	927
Wai	712
Phaltan	1046
Koregaon	839
Jaoli	404
Mahabaleshwar	172
Khandala	388
Man	723
Total	7104

SOURCE : Office Record of the Bank.

The above table shows that there were about 7,104 regular members of the Bank during 1993-94. The primary teachers from Karad & Patan Talukas are not the members of the Bank except these two talukas, the total number of teachers is approximately 10,000 in Satara District. It means that nearly 71% the primary teachers are the regular members of the Bank.

2. SHARE CAPITAL

The financial position of any co-op. bank depend upon its ability to raise the Share Capital and attract the deposits from members and non-members. It is therefore, expected that the primary teachers should contribute regularly to the Share Capital of the Bank.

TABLE 2.4
TABLE SHOWING THE POSITION OF AUTHORISED AND
PAID UP CAPITAL OF THE BANK
(Rs. in Lakhs)

Year	Authorised Capital Rs.	Paid up Capital Rs.	% Increase
1985	100	72.45	9.25
1986	100	80.90	11.67
1987	100	89.13	10.17
1988	100	99.18	11.28
1989	150	107.15	8.04
1990	150	129.73	21.07
1991	150	154.79	19.32
1992	250	165.50	6.92
1993	250	182.32	10.17
1994	250	215.30	18.09

SOURCE : Annual Reports of the Bank.

The above table shows that authorised capital of the bank increased from Rs.1,00,00,000 to Rs.1,50,00,000 and then from Rs.1,50,00,000 to Rs.2,50,00,000 during the period under study. Its authorised capital since 1992 is Rs.2.5 Crores representing 25,00,000 shares of Rs.10.00 each.

The paid up capital of the Bank has also increased from Rs.72,44,530 in the year 1985 to Rs.2,15,30,080 in the year 1994. It recorded near about 3 fold increase within a period of 10 years.

The percentage increase in paid up capital has been calculated taking previous year as the base.

3. RESERVE FUND AND OTHER RESERVES :

Creation and maintainance of the reserve fund is essential to meet the growing financial needs of the business. Other reserves include building fund, dividend equalisation fund, reserve for doubtful debts, gratuity equalisation fund and the staff welfare fund.

TABLE 2.5
TABLE SHOWING POSITION OF RESERVE FUND AND
OTHER RESERVES OF THE BANK
 (Rs. in lakhs)

Year	Reserve fund and other Reserves	Percentage of increase in reserves & other reserve funds
1985	11.29	13.13
1986	12.93	14.53
1987	16.11	24.59
1988	20.04	24.39
1989	25.40	26.75
1990	32.62	28.43
1991	40.56	24.34
1992	51.71	27.49
1993	66.25	28.12
1994	98.82	49.16

SOURCE : Annual reports of the Bank.

The percentage increase in reserves and other reserve funds have been calculated taking previous year as the base.

The above table clearly shows that reserve fund and other reserves increased from Rs.11.29 lakhs in 1985 to Rs.98.82 lakhs in 1994. It means within a period of 10 years under review it increased by 9 times.

While building up various reserves and funds, the bank has followed directives issued by the R.B.I. and the bye laws of the bank.

4. DEPOSITS :

Accepting deposits is one of the main functions of the bank. So the bank has been concentrating on collecting maximum deposits by launching new branches and introducing attractive schemes for the depositors.

TABLE NO. 2.6

TABLE SHOWING THE GROWTH IN DEPOSITS OF THE BANK

(Rs. in lakhs)

Year	Amount of Deposits Rs.	Percentage of increase in deposits
1985	357.73	35.02
1986	475.79	33.00
1987	606.55	27.48
1988	747.16	23.18
1989	916.41	22.65
1990	1136.19	23.98
1991	1361.90	19.87
1992	1471.13	8.02
1993	1706.19	15.98
1994	2021.44	18.48

SOURCE : Annual Reports of the Bank.

The percentage increase in deposits has been calculated taking previous year as the base.

Above table shows that total deposits increased from Rs.357.73 lakhs in 1985 to Rs.2021.44 lakhs in 1994. They recorded near about 6 fold increase within a period of 10 years. Except during the year 1992, the rate of growth has been reasonably well.

5. LOANS AND ADVANCES :

This is one more and the important function of the bank. According to the bye laws of the bank, it can advance loans to its regular and nominal members for productive and non productive purposes.

TABLE NO. 2.7

TABLE SHOWING LOANS AND ADVANCES OF THE BANK

(Rs. in lakhs)

Year	Amount of loans and Advances Rs.	Percentage of increase in loans and advances
1985	442.20	15.76
1986	557.15	26.00
1987	715.02	28.34
1988	898.21	25.62
1989	1095.32	21.94
1990	1430.48	30.60
1991	1781.38	24.53
1992	1850.90	3.90
1993	2053.17	10.93
1994	2346.86	14.30

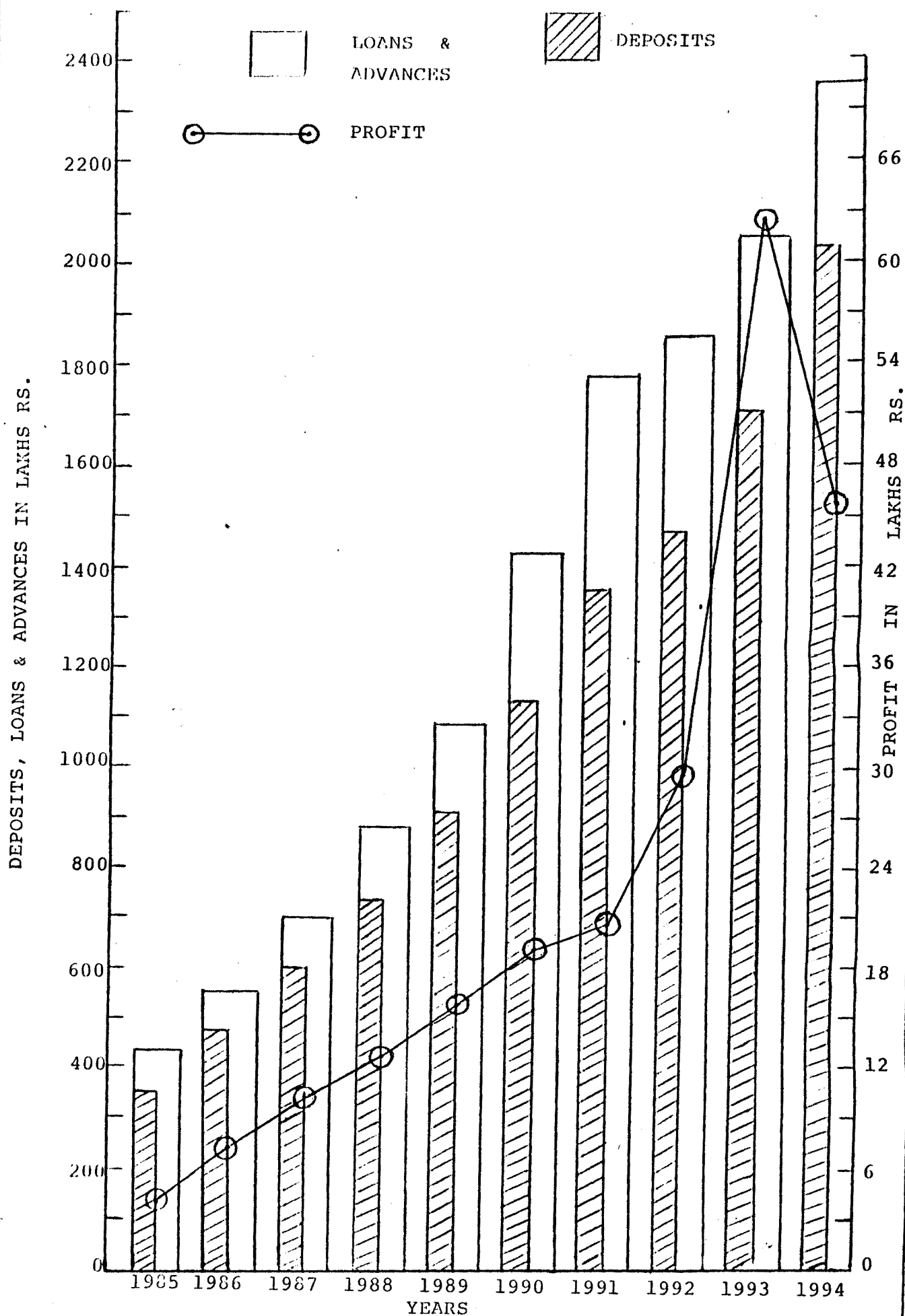
SOURCE : Annual Reports of The Bank.

The above table tells us that loans and advances of the bank increased from Rs.442.20 lakhs in 1985 to Rs.2346.86 lakhs in 1994. They recorded near about 5 fold increase within a period of 10 years.

Let us draw a graph showing financial position of the bank.

2.2 : GRAPH SHOWING THE FINANCIL POSITION OF THE
BANK DURING THE PERIOD 1985 TO 1994

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6. CREDIT DEPOSIT RATIO :

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While studying banking business of The Primary Teacher's Co op. Bank Ltd., it becomes necessary to consider credit deposit ratio.

TABLE 2.8

TABLE SHOWING THE POSITION OF CREDIT DEPOSIT
RATIO OF THE BANK
(Rs.in lakhs)

Year	Deposits Rs.	Loans Rs.	Credit Deposit ratio (%)
1985	357.73	442.20	123.61
1990	1,136.19	1,430.48	125.90
1994	2,021.44	2,346.86	116.10

SOURCE : Annual Reports of the Bank.

The credit deposit ratio is calculated by dividing loans and advances by the amount of deposits.

Above table clearly shows that credit deposit ratio of the bank in the year 1985 was 123.61 %. During the year 1990 bank has increased it up to 125.90 %, and in the year 1994 the credit deposit ratio has been brought down to 116.10%.

7. INVESTMENTS :

The investments of the bank include Central Govt. Securities, Shares of the other institutions and the Fixed Deposits with Central, State, district Co-op. Banks.

TABLE 2.9

TABLE SHOWING THE INVESTMENT POSITION OF THE BANK
(Rs. in lakhs)

Year	Amount of Investments Rs.	Percentage increase in Investments
1985	85.30	34.59
1986	108.90	27.67
1987	130.87	20.17
1988	162.29	24.01
1989	194.81	20.04
1990	241.96	24.20
1991	297.26	22.86
1992	327.21	10.08
1993	366.42	11.98
1994	432.37	18.00

SOURCE: : Annual reports of the bank.

The percentage increase in investment has been calculated taking previous year as the base.

The table clearly shows that total investments of the bank increased from Rs.85.30 lakhs in 1985 to Rs.432.37 lakhs in 1994. They recorded 5 times increase during a period of 10 years.

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8. WORKING CAPITAL

CONCEPT OF WORKING CAPITAL :

There are two concepts of Working Capital :

- I Gross Working Capital : It refers to the firm's investment in total current or circulating assets.
- II Net Working Capital : The term 'Net Working Capital' has been defined in two different ways :
 1. It is the excess of current assets over current liabilities. This is, as a matter of fact, the most commonly accepted definition.
 2. It is that portion of a firm's current assets which is financed by long term funds.

NEED FOR WORKING CAPITAL

The basic objectives of financial management is to maximise shareholders wealth. This is possible only when the Company earns sufficient profits. The amount of such profit largely depends upon the magnitude of sales. However, sales do not convert into cash instantaneously. There is always a time gap between the Sale of goods and receipt of cash. Working Capital is required for this period in order to sustain the Sales activity. In case adequate Working Capital is not available for a Company will not be in a position to sustain the Sales. Since it may not be in a position to purchase raw materials, pay wages and other expenses to be incurred for manufacturing the goods to be sold.

ADEQUACY OF WORKING CAPITAL :

A firm must have adequate working capital, i.e. as much as needed by the firm. It should neither be excessive nor inadequate. Both situations are dangerous. Excessive working capital means the firm has idle funds which earn no profits for the firm. Inadequate working capital means the firm does not have sufficient funds for running its operations which ultimately result in production interruptions and lowering down the profitability.

It will be interesting to understand relationship between working capital , risk and return. It is generally accepted that higher levels of working capital decrease the risk and decrease the profitability too. While lower levels of working capital increase the risk but have the potentiality of increasing profitability also.

MANAGEMENT OF WORKING CAPITAL :

Working capital management is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the interrelationships that exist between them.

The basic objective of working capital management is to manage the firms current assets and current liabilities in such a way that the satisfactory level of working capital is maintained. i.e. it is neither inadequate nor excessive. The current assets should be sufficient enough to cover current liabilities in order to maintain a resonable safety margin. Moreover, different components of working capital are to be properly balanced. In the absence of such a



situation, the Financial position in respect of the firm's liquidity may not be satisfactory in spite of satisfactory liquidity ratio.

Working Capital Management policies have a great effect on firm's profitability, liquidity and its structural health. A financial manager should, therefore, chalk out appropriate Working Capital so as to ensure higher profitability, proper liquidity and sound structural health of the organisation.

Here 'Working Capital' is used to denote the total current assets. The following table shows the position of Working Capital of the Bank during the period under study :

TABLE 2.10

TABLE SHOWING THE WORKING CAPITAL POSITION

(Rs. in lakhs)		
YEAR	Working Capital	Percentage of increase in Working Capital
1985	208.53	35.85
1986	346.32	66.08
1987	434.84	25.56
1988	544.98	25.33
1989	677.33	24.28
1990	873.05	28.90
1991	998.93	14.42
1992	1054.26	5.54
1993	1224.05	16.11
1994	1298.62	6.09

SOURCE : Annual Reports of the bank.

This table shows that the amount of Working Capital increased from Rs.208.53 lakhs in 1985 to Rs.1298.62 lakhs in 1994. It recorded 6 times increase during the period of 10 years. Table 2.10 shows the percentage of increase in Working Capital per year taking previous year as the base.

9. PROFITS :

The surplus between income and expenditure is considered as profit of the Bank. This profit is an indicator of efficiency and very much essential for the future development of the bank.

TABLE 2.11

TABLE SHOWING THE PROFITS OF THE BANK

(Rs. in lakhs)		
Year	Amount of Net Profit Rs.	Percentage of increase in Net Profit
1985	4.23	18.49
1986	7.37	74.23
1987	10.39	40.98
1988	12.73	22.52
1989	16.00	25.69
1990	19.30	20.63
1991	20.77	7.62
1992	29.58	42.42
1993	62.45	111.12
1994	45.65	-26.90

SOURCE : Annual Reports of the bank.

The above table shows that the profit increased from Rs.4.23 lakhs in 1985 to Rs.62.45 lakhs in 1993. But they

decreased to Rs.45.65 lakhs in 1994. On average there was near about 15 times increase in the net profit within a period of 9 years i.e. from 1985 to 1993.

10. DIVIDEND DISTRIBUTION :

TABLE 2.12

TABLE SHOWING DIVIDEND DISTRIBUTION

Year	Rate of Dividend	Percentage of increase in Rate of Dividend
1985	4.5	25.00
1986	7.0	55.56
1987	9.0	28.57
1988	9.5	5.56
1989	10.0	5.26
1990	10.5	5.00
1991	10.5	—
1992	12.0	14.29
1993	20.0	66.67
1994	12.0	— 40.00

SOURCE : Annual Reports of the bank.

Above table shows that rate of dividend was increasing from the year 1985 to 1993 because net profit was also increasing from the year 1985 to 1993. In 1993 the net profit significantly increased at the rate of 111.12%. Therefore the bank was in a position to declare 20% dividend. But during the subsequent year i.e.1994, Net Profits decreased by Rs.16.80 lakhs. Hence the bank had to reduce the rate of dividend to 12%.

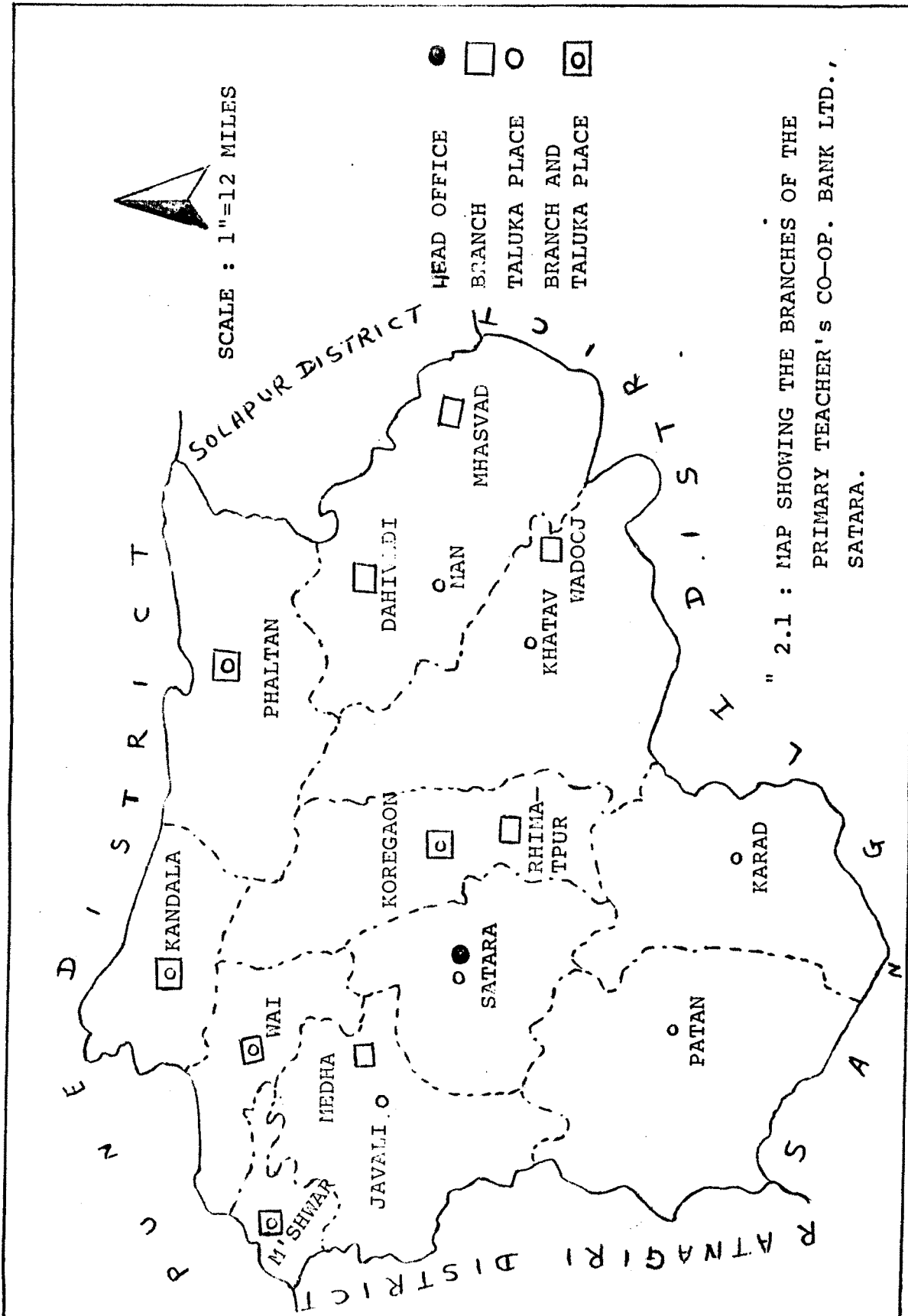
11. BRANCH EXPANSION OF THE BANK :

The bank was established in 1948 at Satara. Till 1974, the bank had no branches in Satara district or outside its area. All the members and depositors had to come to Satara, for banking transactins. They had to waste their time & money. In order to overcome these difficulties, the bank opened its three branches at Wadooj, Wai & Phaltan in the year 1974. Because of the initial establishment expenditure of these branches was increased and profits of the bank came down. Thereafter the bank opened three more branches at Koregaon, Dahiwadi and Medha in the month of March, 1982. Again in May 1984, the bank opened its seventh branch at Mahabaleshwar and 8th branch at Khandala in the month of July 1984. In September 1988 the bank opened its 9th branch at Mhaswad and finally it launched its 10th branch at Rahimatpur on 15th April 1990.

TABLE NO. 2.13
TABLE SHOWING TAHSIL WISE NO. OF BRANCHES
OF THE BANK

Taluka	No. of Branches	Place of Branches	Month&Year of establishment
Satara	Head Office	Satara	April, 1948
Khatav	1	Wadooj	Oct, 1974
Wai	1	Wai	Nov, 1974
Phaltan	1	Phaltan	Dec, 1974
Koregaon	2	Koregaon	March, 1982
		Rahimatpur	April, 1990
Javli	1	Medha	March, 1982
Man	2	Dahiwadi	March, 1982
		Mhaswad	Sept, 1988
Mahabaleshwar	1	Mahabaleshwar	May, 1984
Khandala	1	Khandala	July, 1984
Total	<u>10</u>		

Let us draw a map showing the branches of The Primary Teacher's Co op. Bank Ltd., Satara.



12. PROGRESS OF THE BRANCHES :

On the basis of size of membership, I have selected three branches for the study, with the help of random sampling. Within them, one branch selected has membership up to 500, the other has membership between 500 to 1000, and the 3rd one is having membership between 1,000 to 1,500.

I. RAHIMATPUR BRANCH

TABLE 2.14

TABLE SHOWING THE POSITION OF MEMBERSHIP, DEPOSITS,
LOANS AND PROFIT OF RAHIMATPUR BRANCH

(Rs. in lakhs)

Year	No. of members	Deposits Rs.	Loans & Advances Rs.	Profit Rs.
1992	234	54.65	65.05	1.24
1993	227	72.79	75.33	2.07
1994	241	103.88	90.23	2.10

SOURCE : Office record of the Bank.

Above table shows that deposit of Rahimatpur Branch increased from Rs.54.65 lakhs to Rs.103.88 lakhs, loans from Rs.65.05 lakhs to Rs.90.23 lakhs and profit also increased from Rs.1.24 lakhs to Rs.2.10 lakhs within a small period of 3 years i.e.1992 to 1994.

II. WAI BRANCH

TABLE 2.15

TABLE SHOWING THE POSITION OF MEMBERSHIP, DEPOSITS, LOANS,
AND PROFITS OF WAI BRANCH

(Rs. in lakhs)

Year	No. of members	Deposits Rs.	Loans & Advances Rs.	Profit Rs.
1992	647	132.65	127.69	5.00
1993	675	150.68	147.33	4.95
1994	712	166.73	180.58	4.01

SOURCE : Office record of the bank.

Above table shows that the no. of members of Wai Branch increased year by year. Deposits of Wai Branch increased from Rs.132.65 lakhs to Rs.166.73 lakhs, loans from Rs.127.69 lakhs to Rs.180.58 lakhs. But in spite of the increase in business the profit decreased from Rs.5 lakhs to Rs.4.01 lakhs during the 1994 as compared to 1992.

III. PHALTAN BRANCH :

TABLE 2.16

TABLE SHOWING THE POSITION OF MEMBERSHIP, DEPOSITS, LOANS,
AND PROFITS OF PHALTAN BRANCH

(Rs. in lakhs)

Year	No. of members	Deposits Rs.	Loans & Advances Rs.	Profit Rs.
1992	913	153.42	205.03	4.59
1993	989	171.56	247.53	3.95
1994	1,046	208.98	306.08	4.57

SOURCE : Office record of the Bank.

This table reveals that the membership has increased from 913 in 1992 to 1,046 in 1994. Deposits have also increased from Rs.153.42 lakhs to Rs.208.98 lakhs, and the loans from Rs.205.03 lakhs to Rs.306.08 lakhs during the period of 3 years. But profits have decreased from Rs.4.59 lakhs in 1992 to Rs.3.95 lakhs in 1993 and again slightly increased to Rs.4.57 in 1994.