

CHAPTER – II

HISTORICAL BACKGROUND AND DEVELOPMENT OF BANK

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CHAPTER – II

HISTORICAL BACKGROUND AND DEVELOPMENT OF BANK

2.1. Introduction :-

The co-operative movement in India has been a growth of a little over half a century and is largely dependent for its origin as well as development on the government. Even before 1904, the government was not unaware of the difficulties which the peasants and farmers were facing in borrowings funds and was anxious to ease the situation.

2.2. Co-operative movement :-

The co-operative credit societies act was passed on the 25th march 1904. The act of 1904 provided for the registration of the primary credit societies only. The co-operative movement entered into third stage in 1914. When the government of India appointed a committee under **sir Edward Maclagan** to examine co-operative movement improvement. On the passing of the Government of India act of 1919, co-operation became a provincial subject and was administered by provincial governments. This act gave the option of retaining or modifying the existing act of 1912 to the provincial governments.

Co-operative organizations are playing a major role in economic progress of weather 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 etc.

2.3. General Background of the Bank :-

The origin of the word Bank is **Italian** word '**Banco**'. A bank refers to the function of (a) Accepting deposits (b) lending (c) repaying the deposited money on demand and (d) functioning as an agent whenever asked for.

• Definition of the Bank

Indian Banking Regulation Act-1949

“A banker is a person or company carrying on the business of receiving money and collecting drafts for customers subject to the obligation of honoring cheque drawn upon them from time to time by customers to the amount available on their current accounts.”

2.3.1 History of the Bank :-

Palus taluka is situated in north-west part of Sangli district. Palus taluka is industrially developed. In this taluka main occupation of the people is agriculture as well as other trading activities.

2.3.2 Co-operative movement :-

In India first co-operative act was passed in 1904. Then changes were made in co-operative act in the years 1912, 1919 and 1925. In 1960 Maharashtra co-operative society act was passed.

In 1966 the prominent social workers decided to establish a co-operative bank. Because before the establishment of Palus Sahakari Bank Ltd. Palus there was no any co-operative bank. In 1966 social workers such as Shri Dnyandev Patil, Shri Rajaram Patil, Shri Govind Male, Shri Arun Sawant, Shri Shivaji Jadhav, and other made up their minds to set co-operative bank. All leaders take hard efforts to get permission. Finally it was sanctioned with the help of Dr. Patangrao Kadam, Shri Prakash Babu Patil, Shri Dinkar Abha Patil and Shri R.R. Patil.

2.3.3 Registration and Establishment :-

The Palus Sahakari Bank Ltd. Palus is registered under Maharashtra co-operative society act 1960. But promoters faced many problems in collecting shares, which is collected with the hard efforts of leader. Thus a new bank in this taluka took birth in 24th February 1966 as Palus Sahakari Bank Ltd. Palus. Palus Sahakari Bank Ltd. Palus was registered in the year 1966 and bank license was given by the R.B.I. (OBD/MH1733-P) dated 10-12-1986.

2.3.4 Board of Director :-

The bank has its first administrative board of director headed by Shri D.V. Patil during the period of 1966-1970. Present chairmen of this bank was Shri Vasant Rao Pudale. To days member of board of directors are as follows.

1. Shri Vasant Rao Pandurang Pudale (Chairman)
2. Shri Kumar Ananda Shinde (Vice-chairman)

3. Shri Ramchandra Maruthi Patil	(Director)
4. Shri Ashok Bapu Unde	(Director)
5. Shri Shamrao Atmaram Dake	(Director)
6. Shri Surendre Bahuso Chougale	(Director)
7. Shri Sunil Keshevro Gorepade	(Director)
8. Shri Mohan Krushnarao Yesugade	(Director)
9. Shri Vishvas Vasantrao Pudale	(Director)
10. Shri Bhaghvan Yashwantrao Patil	(Director)
11. Shri Mahadev Aaba Sawant	(Director)
12. Shri Vishvas Anandrao shinde	(Director)
13. Shri Anil Vishnu Dumke	(Director)
14. Shri Vishnu Baburao Sisal	(Director)
15. Shri Sambaji Bapu Mali	(Director)
16. Smt Vasirbi Gulab Mulla	(Director)
17. Smt Shiba Jayvant Gorepade	(Director)
18. Shri Apasaheb Yashwant Pudale	(Director)
19. Shri Jayantrao Dinkerrao Gorepade	(Director)
20. Shri Martand Sadashiv Sadamate	(Director)
21. Shri Shivaji Bimrao Jadhav	(Director)
22. Shri Shivaji Vital Lad	(Director)
23. Shri Jayantilal Santilal Shash	(Director)

2.3.5 Members of the Bank :-

The shareholders of this bank are in the 15th villages of Palus taluka. As this bank is situated in Palus taluka naturally the majority of shareholders of this taluka. The face value of each share is Rs. 25.

In the year 2001-2002 Palus Sahakari Bank Ltd. Palus was awarded by '**Maharashtra state co-operative bank**' as excellent urban co-operative bank. For the last 40 years the bank is providing loans to industrialist formers and other poor people.

Starting share capital of this bank is Rs. 50,000. Now a days share capital increased up to Rs. 339.18 lakhs. The bank has helped to improve the economic condition of lower and middle income group.

2.4 Objectives of the bank :-

The objectives of the Palus Sahakari Bank Ltd. Palus are-

1. To encourage thrift, self help and co-operation among the members.
2. To accept various types of deposits from the members as well as from non members.
3. To give a loan and advances a money with or without security to the members and others.
4. To draw, make, accept, discount, buy, sell, collect and deal in bills of exchange, hundies, promissory notes, drafts, railways receipts, scrip and other security whether transferable or not.
5. To arrange for the safe custody of valuables and documents of members and constituents.
6. To open branches with the permission of registering authority and the Reserve Bank of India, with in the operation of the bank so as to provide banking services to the public.

7. To provide finance to agriculture and small scale industries.
8. To act as a agent for the joint purchase of domestic and other requirements of members.

2.5 Services to Customers :-

The Bank is providing following services facilities to its customers.

1. Accepting of the deposits in various schemes in various maturities as decided by the bank from time to time and according to guidelines issued by the Reserve Bank of India.
2. Giving “Loans and advances” to the needy persons according to their payment capacity and requirement as per various bank scheme.
3. Providing lockers facility to its customers.
4. Issuing of draft at various centers in India
5. Bank is working eight hours a day from morning 10 am. to 3 pm. and 3.30pm. to 6 pm.

2.6 Location of the bank :-

The main thing of this bank is that, it has been registered in urban – semi urban as well as big developed city like Sangli, Kolhapur etc.

The head office of the bank is located in Palus town and it has opened its branches at the following places.

1. Head office Palus main road Palus, dist Sangli.
2. Bambawade branch, tal-Palus, dist-Sangli.
3. Kirloskarvadi branch, tal-Palus, dist-Sangli.

4. Tasgaon branch, tal-Tasgaon, dist-Sangli.
5. Bilavadi branch, tal-Palus, dist-Sangli.
6. Islampur branch, tal-Walva, dist-Sangli.
7. Yelawi branch, tal-Palus, dist-Sangli.
8. Kundal branch, tal-Palus, dist-Sangli.
9. Sangli branch (Mahavirnagar), dist-Sangli.
10. Kokrud branch, tal-Shirala dist-Kolhapur.
11. Arag branch, tal-Miraj, dist-Sangli.
12. Malkapur branch tal-Shahuvadi, dist-Kolhapur.

2.7 Management of Palus Sahakari Bank Ltd. Palus :-

The board of directors consist of 23 directors as under.

1. Seventeen directors to be elected from amongst the members of the bank.
2. Six directors elected from i.e. one member belonging to the scheduled caste or scheduled, one selected from scheduled tribes. One from weaker sections and two from employees and one from women's.

The board of directors shall be elected once in five years as per the election rules framed by the board. The bank also receives valuable advice from lawyer and chartered accountant. The board meets ones in a week to sanction loans, day today working and to take steps for recovery of loans etc.

2.8 Important features of the Bank :-

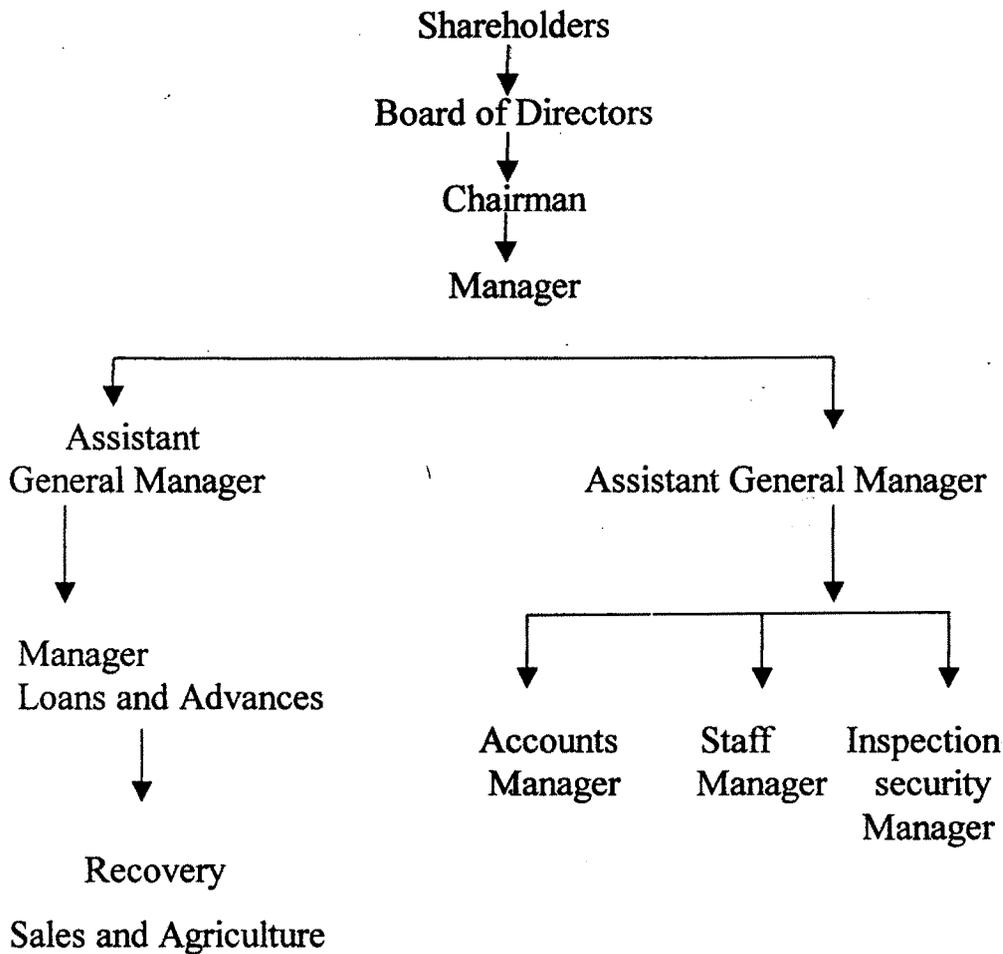
The following are the important features of the bank.

1. Bank established in February 1964 in the Sangli district.
2. The bank is always helpful to needy person.
3. Eleven branches spread over Sangli, Satara and Kolhapur district
4. Different deposit scheme are available in the bank
 - a. Fixed deposit scheme.
 - b. Reinvestment deposit scheme.
 - c. Monthly interest payable deposit scheme.
 - d. Small savings deposit scheme.
 - e. Recurring deposit scheme.
 - f. Saving deposit scheme.
 - g. Saving fund deposit scheme.

2.9 Organization chart and their functions of the Palus Sahakari Bank Ltd. Palus.

Organization chart of head office with brief descriptions of functions of each department and name of head of the department with descriptions as under.

A) Organization chart



B) Functions:-

1. Loans and Advances

The work of this department involves-

- a. Security and sanction of advance proposals received from branches and keeping the record there of.
- b. Security of returns relating to advances.
- c. Follow up audit/inspection objections relating to advances.
- d. Issue of periodical circulars to branches relating to policy and procedure of advances.
- e. Follow up irregular accounts issue of notices to borrowers etc.

- f. Submission of periodical information to board relating to advances.
- g. Attending to the correspondence relating to district state level consultative committee meeting of lead bank etc.

2. Account department

The routine work of this department involves-

- a. Maintenance of accounts day book, general ledger, a balance sheet, vouchers etc.
- b. Reconciliation of bank and branch account.
- c. Borrowing arrangement with other banks against gross profit notes etc.
- d. Maintenance of investment in gross profit notes, shares etc. account and placing the periodical (quarterly) review of these investment in board meeting.
- e. Management of funds.
- f. Preparation of annual accounts and balance sheets.
- g. Maintenance of petty cash and postage, control over telephone, Telex operations.

3. Staff Department

This department is personnel department. A bank which discharge following duties and functions.

- a. Recruitment of staff.
- b. Maintenance of staff records.
- c. Providing staff for trading.
- d. Staff provident fund, gratuity, income tax.

4. Inspection Department

The role of this department is very crucial which includes-

- a. Preparation of regular periodical inspection programme for all branches carrying inspection programme for all branches, carrying out of actual inspections and preparation and submission of inspection reports with summaries.
- b. Sending reports to branches and obtaining their compliance reports and follow up till rectification of defects.
- c. Inspection of annual report, annual audit arrangement training programme for various categories of staff.
- d. Maintenance of office library, review of book of instructions and various forms and documents etc.

5. Development Department

This department plan for opening new branches, deposit mobilization, bank advertisement, development of head office and brand premises, all returns relating to development department, follow up of audit inspection objections pertaining to this department.

2.10 Growth of the Bank

Growth of the bank includes what goes in increasing the working of the bank in respect of membership, share capital, reserve and surplus, deposits, loans and advances and net profit of the bank.

In the first year of establishment there were 2000 members Rs.50,000 shares capital, reserve and Surplus Rs.20,000, deposit

Rs. 30,000, loans and advances Rs.55,000 and net profit Rs. 25,000. But within 40 years the bank has reached at the top level in all these point.

a) Membership

The following table showing the position of membership, during the period of last five years.

Table no.2.1

Table showing the position of Membership

Years	Total Members	Increase/Decrease
2000-2001	8244	Base
2001-2002	8712	468
2002-2003	10,172	1460
2003-2004	10,361	189
2004-2005	10,420	59

Source-Annual Reports

The above table shows that the membership increased from 8244 in 2000-2001 up to 10420 in 2004-2005. The above table also shows that the highest increase in membership is 1460 in the year 2002-2003. In the year 2001-2002 the membership is 8244 and in the year 2002-2003 it is 10172 the net increasing membership is 1460. In the year 2003-2004 and 2004-2005 the number of membership is 10361 and 10420 respectively. In 2004-2005 very less member accept membership of the bank i.e. only 59. The increasing trend of membership is fluctuating because in Palus there is other four-five bank are doing banking business. Bank fight high competition.

b) Share Capital

The authorized share capital of the bank is divided into Rs. 25 each.

The following table shows the position of paid up shares capital of Palus Sahakari Bank Ltd. Palus.

Table No. 2.2

Table showing the position of paid up Share Capital.

Rs.in lakhs

Year's	Paid up share capital	Increase/Decrease
2000-2001	93.63	Base
2001-2002	181.25	87.62
2002-2003	243.62	62.37
2003-2004	278.93	35.31
2004-2005	339.18	60.25

Source-Annual Reports

The above table shows that the paid up share capital of the bank increased during the period of 5 years from Rs. 93.63 to Rs. 339.18 during the period from 2000-2001 to 2004-2005. The average increase in share capital is Rs. 227.33 during the five years. The paid up share capital in 2002-2003 is 243.62 lakhs and in 2003-2004 it is 278.93 lakhs, it increasing only 35.31. In this year the paid up share capital is very less increasing, paid up share capital is highest in the year 2004-2005 i.e. 339.18. In the year 2001-2002 paid up share capital is 181.25 it is also very less as compared with the year 2004-2005.

c) Reserve and Surplus

Reserve and surplus are very important for determination of prosperous business of the bank. Reserve and surplus means some part kept aside from the profit.

Table No. 2.3

Table showing the position of Reserve and Surplus

Rs.in lakhs

Year's	Reserve and Surplus	Increase/Decrease
2000-2001	162.23	Base
2001-2002	474.49	312.26
2002-2003	665.02	190.53
2003-2004	849.29	184.27
2004-2005	900.72	51.43

Source-Annual Reports

The data in the above table shows that the total amount of various funds, increased from Rs. 162.23 to Rs. 900.72 with 5 years. It means reserve and surplus are satisfactory increase during the period of five years. The reserve and surplus increasing very high speed in the earlier year. But in 2004-2005 reserve and surplus increasing only 51.43. In this all five years reserve and surplus highest increasing in the year 2001-2002 i.e. 312.26

In the whole five year in the year 2004-2005 reserve and surplus is very less increasing i.e. 51.43 only.

d) Deposits

Deposits are one of the main sources to the banking activities, mobilization of deposits, through different schemes is the secret of the success of bank. The Palus Sahakari Bank Ltd. Plus with their innovative deposit scheme not only stimulate to those who have capacity to save but extent funds from those do not have to do it.

Following table shows the position of total deposits of the bank from 2000-2001 to 2004-2005.

Table No. 2.4

Table showing total Deposits of the Bank

Rs.in lakhs

Year's	Total Deposits	Increase/Decrease
2000-2001	7204.24	Base
2001-2002	8944.30	1740.06
2002-2003	9609.36	665.06
2003-2004	9837.67	228.31
2004-2005	10366.97	529.30

Source-Annual Reports

The deposits of the Palus Sahakari Bank Ltd. Palus have a flexible trend. The deposits stood Rs. 7204.24 lakhs in 2000-2001. This amount increases Rs. 10366.97 in 2004-2005. This increases of deposits are caused by many innovative schemes. In the year 2003-2004 the amount of deposit is 9837.67 increasing the amount of deposit is only 228.31 is very less. In the year 2001-2002 increasing in the amount of deposit is 1740.06 as compared to

2000-2001 it is very highest increasing bank provide innovative schemes to the depositors.

e) Loan and Advances

To give loan and advances is most important function of the bank and the bank gives advances to the members and non members of various sectors for productive and non productive purpose.

The following table shows the position of loans and advances of the bank.

Table No. 2.5

Table showing the position of Loan & Advances

Rs.in lakhs

Year's	Loan and Advances	Increase/Decrease
2000-2001	5186.43	Base
2001-2002	6461.23	1274.80
2002-2003	6710.40	249.17
2003-2004	6638.64	(-)71.76
2004-2005	6990.63	351.99

Source-Annual Reports

The above table shows that the loan and advances increased from Rs. 5186.13 lakhs in 2000-2001 to Rs. 6990.63 lakhs in 2004-2005. In the year 2003-2004 the loan and advances are decreasing i.e. (-)71.76 in the year bank has no provide innovative schemes to the customers. But in the year 2004-2005 the very satisfactory increasing in the loans and advances i.e. 351.99. In the year 2000-2001 the amount of loans and advances is 5186.43 and in the year

2004-2005 it is 6990.63 the net increasing is 1804.20 it is very highest increasing in loan and advances of the bank.

f) Net Profit

The net profit of the bank shall be calculated as per the provision of the co-operative act.

The bank earn profits in the form of interest, commission and other miscellaneous receipts, it can be called as surplus funds. Surplus funds is essential for future development of the banking activities.

Table No. 2.6
Table showing the Position of Profit

Rs.in lakhs

Year's	Net Profit	Increase/Decrease
2000-2001	73.66	Base
2001-2002	81.48	7.82
2002-2003	84.82	3.34
2003-2004	52.72	(-)32.10
2004-2005	27.97	(-)24.75

Source-Annual Reports

The above table shows that the amount of Net Profit decreasing from Rs. 73.66 lakhs in 2000-2001 to Rs. 27.97 lakhs in 2004-2005. Bank earn very highest profit In the year 2002-2003 i.e. 84.82, but from 2003-2004 the rate of profit is decreased (-) 32.10 as compared to previous year. In 2004-2005 the profit is decreasing (-) 24.75 in the year 2000-2001 the amount of net profit

is 73.66 and in the year 2004-2005 the amount of net profit is 27.97. It means day to day the net profit is decreasing. Because of increasing management expenses and other expenses. The provision about net performing assets are increasing day after day.

g) Table No. 2.7

The overall progress of the bank in respect of membership, share capital, reserve and surplus, deposits, loan and advances and net profit of the bank during the period of five year is shown in the following table.

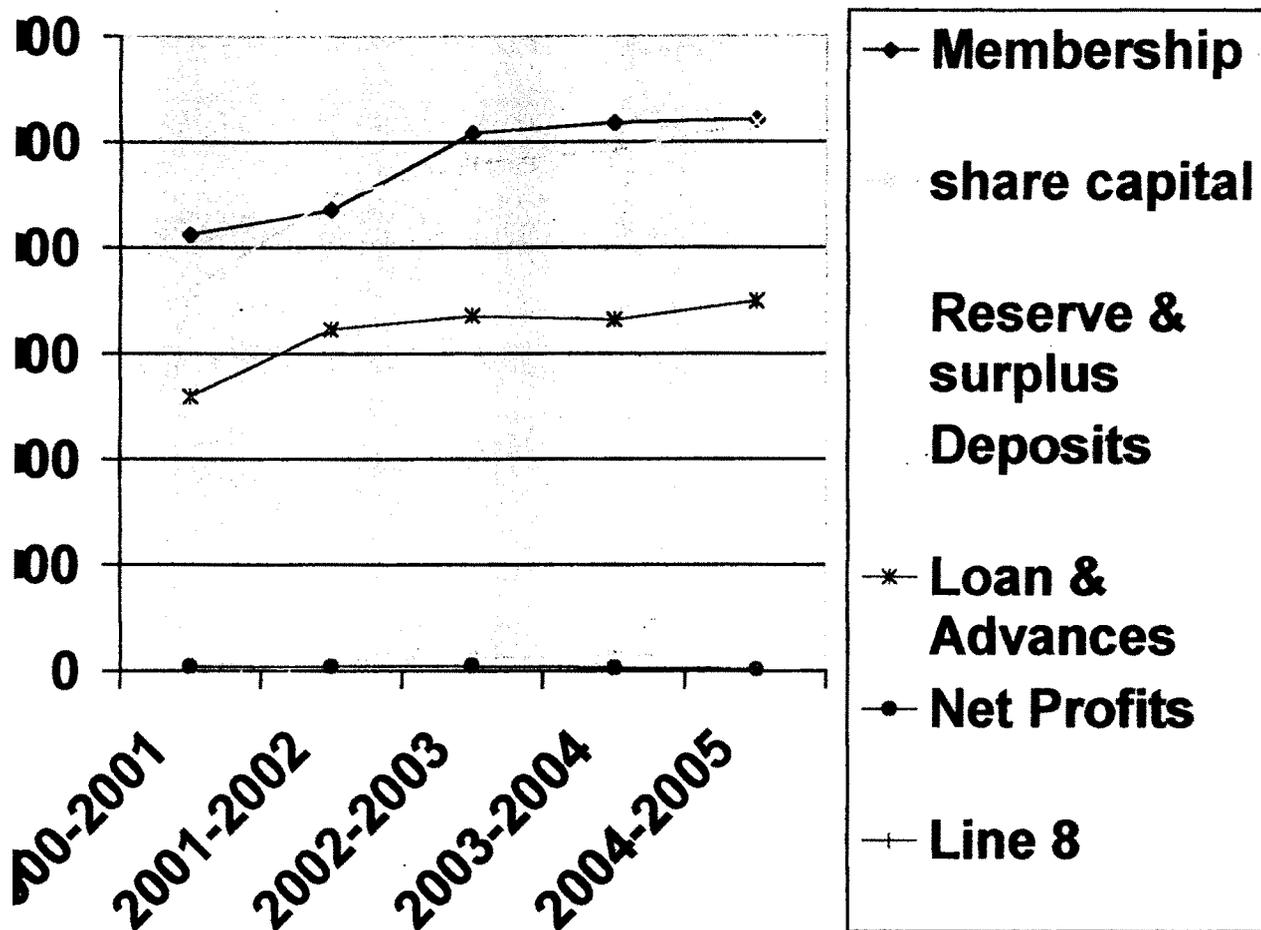
Table showing overall Progress of the Bank

Rs.in lakhs

Years	Members hip (in numbers)	share capital	Reserve and Surplus	deposits	Loan and Advances	Net Profit
2000-2001	8244	93.63	162.23	7204.24	5186.43	73.66
2001-2002	8712	181.25	474.49	8944.30	6461.23	81.48
2002-2003	10,172	243.62	665.02	9609.36	6710.40	84.82
2003-2004	10,361	278.93	849.29	9837.67	6638.64	52.72
2004-2005	10,420	339.18	900.72	10366.97	6990.63	27.97

Source-Annual Reports

*** Graphical Presentation of overall progress of the Bank.**



Interpretation

The overall progress of the Bank in respect of membership, share capital reserve and surplus, deposits, loan and advances, net profit of the Palus Sahakari Bank ltd. Palus during the period of five years is shown in the above table and graph.

In the year 2000-2001 membership of the Bank is 8244 and in the year 2004-2005 is 10420 in all these five years the membership of the bank is increasing trend. Because each year bank paid 15% dividend to the shareholders. Every year bank earn profit.

In the year 2000-2001 share capital of the bank is 93.97 lakhs and in the year 2004-2005 is 339.18 lakhs. Every year share capital of the bank is increasing. In all these five year highest increasing in paid up share capital is in the year 2001-2002 i.e. 87.62 lakhs.

In the year 2000-2001 reserve and surplus of the bank is 162.23 lakhs and in 2004-2005 is 900.72 in this all five years highest increasing in reserve and surplus is 312.26 lakhs in 2001-2002. Above graph showing increasing trend in the reserve and surplus of the Palus Sahakari Bank Ltd. Palus.

In the year 2000-2001 total deposits of the bank is 7204.24 lakhs and in the year 2004-2005 is 10366.97 lakhs. The above graph showing highest increasing deposit is in the year 2001-2002. Every year deposit is increasing, because bank provide new innovative scheme to the depositors.

In the year 2000-2001 loan and advances of the bank is 5186.43 lakhs and in the year 2004-2005 is 6990.63 lakhs all the years loan and advances are increasing except 2003-2004. Above graph showing increasing trend in the loan and advances of the bank except 2003-2004. Bank provide loan and advances to the every needy person.

In the year 2000-2001 net profit of the bank is 73.66 lakhs and in the year 2004-2005 is 27.97 lakhs. In the last two years i.e. 2003-2004 and 2004-2005 net profit of the bank is decreasing. Because Reserve Bank of India strict all rates about non-performing asset. Bank transfer some part of profit towards provision of reserve for non-performing asset.