

Chapter 4

Profile of The Commercial Co-operative Bank Ltd. Kolhapur.

1. History of the bank : -

The Commercial Co-operative Bank Ltd. is established by shri D.N. Kanerkar including other persons as shri. Mahadevanna B. Chougule, shri. Shripatrao S. Bondre. As on 18 Dec., 1961, the District Deputy Registrar, Co-operative Societies Kolhapur, notified The Commercial Co-operative Bank Ltd., Sanjog Building, Laxmipuri, Kolhapur has been registered u/s 10 of Bomabay Co-operative Societies Act 1925. The registration number of the bank is 31724. However bank actually started its banking business on 26 Jan., 1962. The office building was given on rental basis by the BOD and the area of operation of the bank is Kolhapur District only. As on 26 Dec., 1986 RBI has given license under sec. 22(1) of Banking Regulation Act, 1949. The license No. is UBD MH 803P.

The **first official body meeting** was held on 12 Jan., 1962 at Sanjog Building, Laxmipuri, Kolhapur at 6.00 p.m. The following directors were present at that meeting

Shri. M. B. Chougule

Shri. S. S. Bondre

Shri. S. G. Chougule

Shri. B. M. Parikh

Shri. D. N. Kanerkar

Shri. D. J. Sasane

Shri. N. B. Koruo

Shri. B. M. Hazare

Shri. V. B. Powar

In this first meeting, out of the above directors Shri. Mahadevanna B. Chougule was appointed as chairman and Shri. D.N. Kanerkar was appointed as voice chairman for the first year.

In the first year, shri Vasanttrao G. Kulkarni was appointed as manager of the bank. The bank opened its first bank Account (A/c) with Kolhapur District

Central Co-operative Bank which was operated by one of the two directors and manager of the bank. i.e. by either of director shri. M. B. Chougule or director shri. S. S. Bondre and one manager as Shri. V.G. Kulkarni.

On first year of establishment the bank was collected Deposits such as Current A/c, Saving A/c, Call Deposits and Fixed Deposits. The interest rate on deposits at the time of establishment of the bank was decided in the meeting as follows

Current A/c	1 %
Saving A/c	3 %
Call Deposits	3.25 %
Fixed Deposits	
- Upto 6 months	3.25 %
- Upto 12 months	4.00 %
- Upto 24 months	4.50 %
- Upto 36 months	5.00 %
- 37 or more months	5.25 %

In the first year of establishment the bank had given advances in respect of pledge of gold, on securities of Fixed Deposits and on pledge of goods. The interest rate of loans and advances decided in meeting was as follows,

On pledge on Gold	7.50 %
On pledge on Fixed Deposit	7.50 %
On pledge on goods	7.50 %

The first loan was sanctioned on 3 Feb., 1962 to Shri. Baburao Dattatray Sapate , on pledge on gold, for 11 months at the rate 7.5 . The sanctioned amount of loan was Rs. 311 and valuation of gold is Rs. 400.

2. Objective of the bank : -

According to the bye laws The Commercial Co-operative bank has following objective,

1. To develop the habit of economy, self help and attitude of co-operation among the members
2. To accept deposits from the public at a large and utilize those funds for advancing loan or to making investment, to repay the deposits on demand or after maturity and also to repay deposits by way of cheque or draft or any other means.
3. To conduct business as per provision of Banking Regulation Act, 1949 which are applicable to co-operative banking sectors.
4. To open branches in the area of operation of bank or any other place after permission and approval of co-operative department and RBI.
5. To takeover or manage the business of other co-operative, whole or partly after permission of co-operative department.
6. To provide loans to improve the economical condition of members
7. To provide financial and technical assistance for small and tiny industrial units.
8. To conduct any business, which is approved form time to time by the Central Government.
9. To conduct any business, which is essential according to the objective of the bank.
10. To issue and accept Letter of Credit, Traveling Cheques, and Circular Notes.
11. To accept, discount, purchase, sale or issue negotiable instrument like promissory note, bills of exchange, drafts, recovery bill, railway receipts etc.

3. Location of the bank : -

The Commercial Co-operative Bank is located at 615 E, Shahupuri, 1st lane, Kolhapur, which is a very ideal place from the point of view of business and trade..

The area of banking business of the bank was Kolhapur District only but from the year 2002-03 the bank has made change in the bye laws and the area of operation has been increased by covering Sindhudurga, Sangli, Satara and Pune District. But till now no branches are being opened in the above mentioned District other than Kolhapur.

According to table no. the bank has total 6 branches. All branches are in Kolhapur city and within 5 to 6 k.m. away from H.O. Another important thing is all the branches are situated at commercial areas. For example, Shahupuri, Laxmipuri, Gandhinagar, Tarabai Road, Market Yard all these places are important from the point of view of business and trade in the Kolhapur city.

Table No.4.1 shows growth of branches of the banks along with the date of opening, date of the RBI Licence and distance from H.O.

Table No.4.1

Branches of the Commercial Co-operative Bank

Name of the branch	Distance for H.O. (K.M.)	Date of opening	Date of RBI Licence
Shahupuri	0	26/01/1962	26/12/1986
Laxmipuri	1	26/02/1981	16/09/1980
Tarabai Road	3	15/11/1984	30/05/1984
Mahalaxmi Nagar	1.5	07/09/1988	07/10/1987
Gandhinagar	6	19/07/1999	26/03/1999
Market Yard	2	16/11/2001	17/09/2001

Source : Bank data made available to RBI Inspection.

4. Management Structure :-

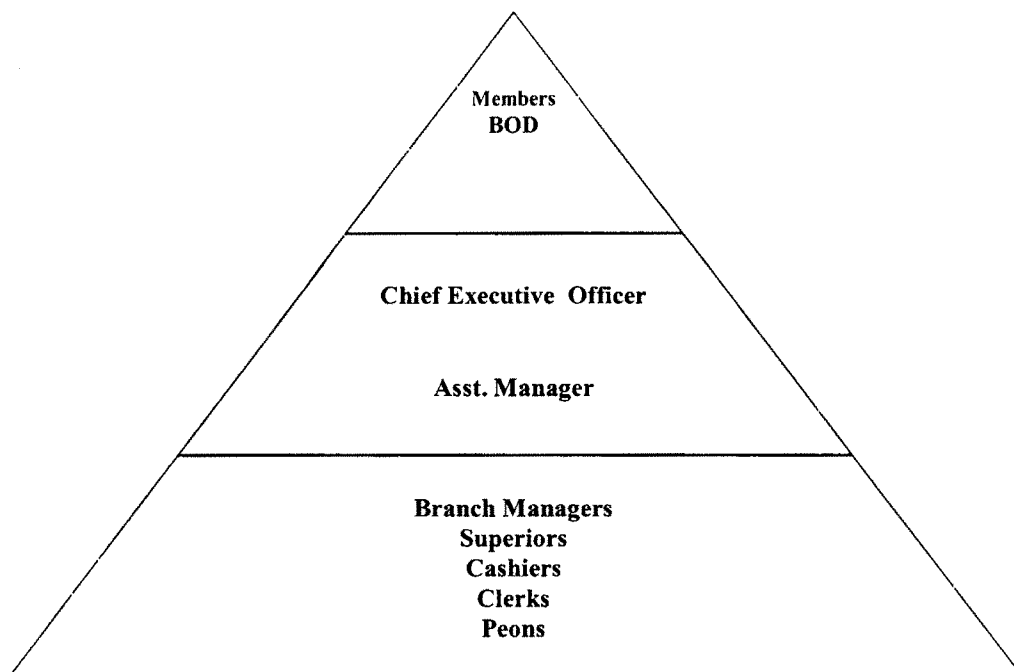


Chart No. II
Management Hierarchy

In respect of The Commercial Co-operative Bank shareholders / members are the supreme authority. The members appoint BOD. The chairman is the head of the BOD. The bank appointed C.E.O. to proper manage their funds. All the branch manager reports to the Asst. manager and Asst. manager reports to C.E.O. Bank has made various committees to follow up different tasks related to Assets and liability management, Audit, Investment, Accounts, Recovery and Legal and valuation work .The committees consist director or other staff members. Further every branch have a branch manager. The supervisor verifies the task assigned to the clerks and cashier. Chart No. II and III shows the management structure of the bank.

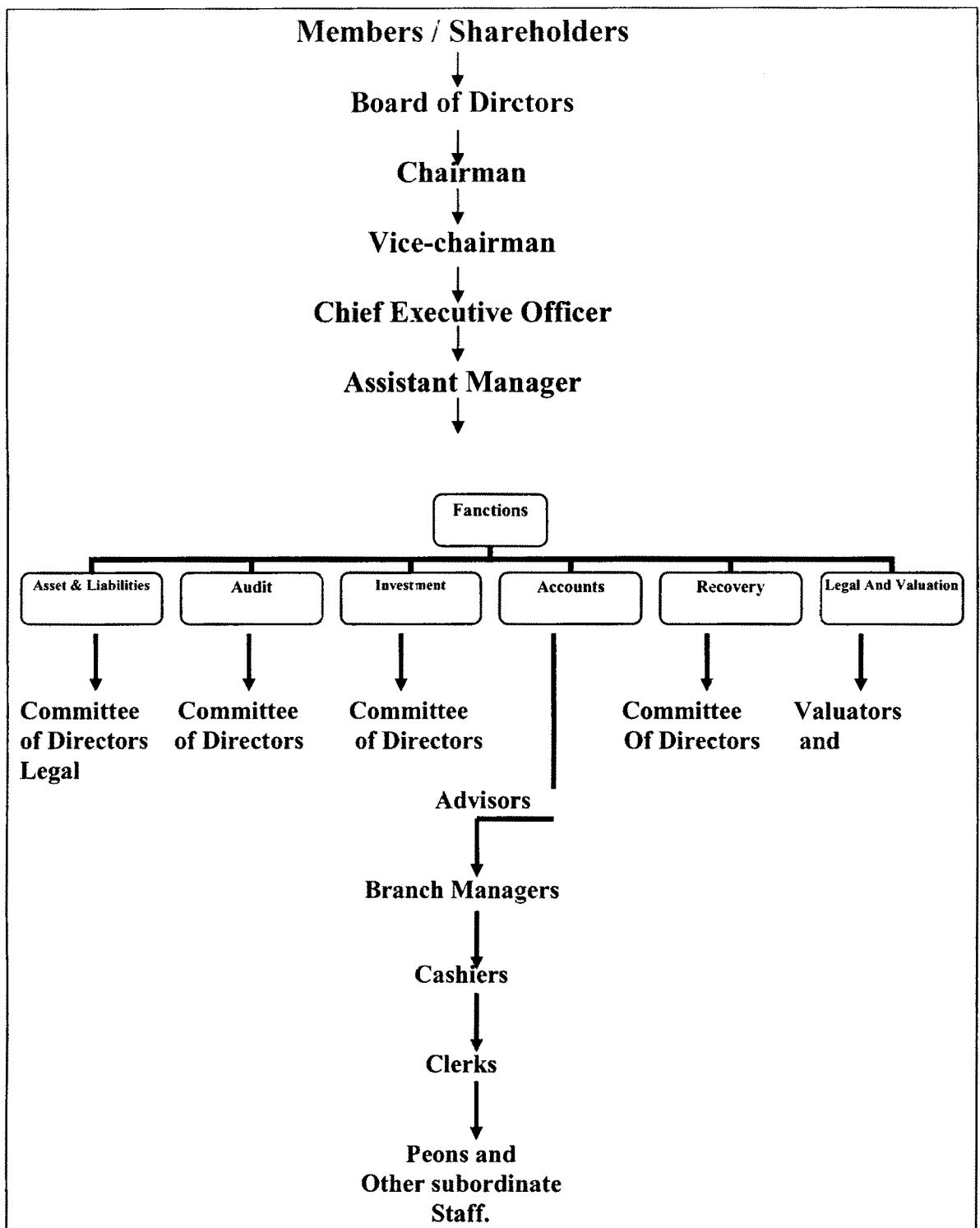


Chart No. III
Management Structure

5. Present Growth of the bank : -

The researcher has made the detailed study of growth of the Commercial Co-operative bank, Kolhapur from the year 2001-02 to 2005-06. The details of growth track of the bank covers following aspects

- i) Members
- ii) Share Capital
- iii) Working Capital
- iv) Reserve Fund & Other Reserves
- v) Deposits
- vi) Loan and Advance
- vii) Profit

i) Members : - The bank is having two classes of members viz. regular member and nominal members. The membership of the bank consist of individual over 18 years of age and competent to contract. As per bye laws any other person having its registered office within the area of operation of bank and conducting business within such area may be admitted as regular member. Provided that,

- 1) The person is not engaged in the business competing with the business of the bank .
- 2) The member do not of any criminal offence involving moral turpitude.
- 3) The person is not an employee of the bank.
- 4) The person has subscribed to and fully paid at least one share of the bank.
- 5) His application has been duly approved by BOD.

Normally members was introduced with a view to enabling persons to borrow for a short and temporary period against readily realizable securities as like gold. The bank admitted them as nominal members on payment of admission fee and nominal A/c. The nominal members have not given any right

to subscribe to the share capital and right to voting and participation in management and also not entitled to distribution of profits and do not have any liability in the event of bank being wound up. The final power of admitting new nominal member has been vested in BOD.

The nominal members shall also not entitled

- 1) To receive a share certificate
- 2) To receive audited accounts and annual reports and
- 3) To attend to participate and to vote in the GM.

Table No.4.2 shows the growth of regular and nominal members from 2001-02 to 2005-06.

Table No.4.2
Growth of regular and nominal members

Year ended on	Regular Members	Nominal Members	Total	Increase //(Decrease)
31/03/2002	15247	881	16128	-
31/03/2003	15580	664	16244	116
31/03/2004	15770	455	16225	(19)
31/03/2005	15853	393	16246	21
31/03/2006	15949	537	16486	240

Source : Annual Report of the bank

As at the year end March 2002 the regular members are 15,247 they are increased up to 15,949 upto year end March 2006, representing 1.05 times growth. As per Table No.4.2 the growth of nominal members are fluctuating one. We can see increasing and decreasing trend in respect of nominal members. As compare to overall picture the total members are increased from 16128 as at the year end March 2002 to 16486 as at the year end March 2006.

ii) Share Capital :-

The Authorised Share Capital of the bank was 3,00,00,000/- divided into 15,00,000/- shares of Rs. 20 each. In the year 2002-2003 it has been increased

to 15,00,00,000/- divided into 75,00,000/- ordinary shares of Rs. 20 each. It has been increased with a view to increase own funds to fulfill the requirement of CRAR.

The BOD enjoys discretion in the allotment of shares as per the numbers of shares demanded or less than the demanded number or of refusing allotment of shares to any applicant. Table No 4.3 shows position of paid up share capital during 5 years from 2001-02 to 2005-06.

Table No.4.3

Growth of Paid up share capital of the bank

Year ended on	Paid up capital	Increase /(Decrease)	Percentage increase
31/03/2002	1,38,52,240	25,22,640	22.27%
31/03/2003	1,79,99,580	41,47,340	29.94%
31/03/2004	2,16,35,420	36,35,840	20.20%
31/03/2005	2,49,27,660	32,92,240	15.22%
31/03/2006	2,61,32,040	12,04,380	4.830%

Source : Annual Report of the bank

The paid up capital of the bank is 1,38,522,240 as on 31/3/2002. It is increased to Rs. 2,61,32,040 upto 31/3/2006, which representing 1.87 times growth. As on year ended on 31/3/2003 the growth in share capital is 29.94 %. Thereafter the growth rate is declined as 20.20 % on 31/3/2004, 15.22 % on 31/3/2005 and lastly 4.83 % as on 31/3/2006. The growth rate of share capital should have been increased to increase the own fund in respect of CRAR.

iii) Working Capital : -

In banking business working capital plays an important role, comparatively with fixed capital. The working capital shows the turnover of all financial position of the bank. So the optimum utilization of working capital is quite essential in banking concern. The following Table No. 4.4 shows the position of working capital of bank during the period 2001-02 to 2005-06.

Table No.4.4

Growth of Working capital of the bank

Year ended on	Working capital	Increase / (Decrease)	Percentage increase
31/03/2002	55,20,60,122	833,48,966	17.78
31/03/2003	66,31,84,868	11,11,24,746	20.13
31/03/2004	76,81,49,673	10,49,64,805	15.83
31/03/2005	81,54,89,763	4,7340,090	6.16
31/03/2006	86,81,22,740	5,26,32,977	6.45

Source : Annual Report of the bank

The growth rate of working capital from 2002 to 2006 is ranged between 6.45 % to 17.78 %. As on 31/3/2002 it is Rs. 55,20,60,122 and increased to Rs.86,81,22,740 as on 31/3/2006 remarking 1.57 times growth.

iv) Reserve Fund & Other Reserves

Reserve fund and other reserve funds have always been considered as an essential condition of prosperous business of the bank. It is a important factor from the point of view of CRAR. It is one of the source to bank to increase its own fund by transforming profit t reserve fund. And by that bank can try to manage required CRAR. It is also important component of working capital as it acts, as a shock absorbing cution at the time of financial stringency. The bank maintains Reserve Fund, Building Fund, Reserve for Doubtful Debts Fund, Dividend Equalisation Fund, Investment Fluctuation Fund, Members Welfare Fund and Investment Depreciation Fund.

The Table No. 4.5 shows the position of reserve fund and other reserves of bank during 2001-02 to 2005-06.

Table No. 4.5

Growth of Reserve Fund & Other Reserves of the bank

Year ended on	Reserve fund & other reserve	Increase / (Decrease)	Percentage increase
31/03/2002	3,15,72,272	56,87,088	21.97
31/03/2003	3,37,71,528	21,99,256	6.97
31/03/2004	4,30,39,414	92,67,886	27.44
31/03/2005	5,20,04,966	89,65,552	20.83
31/03/2006	5,54,61,857	34,56,891	6.65

Source : Annual Report of the bank

As on 31/3/2002 the Reserve Fund and Other reserves is Rs. 3,15,72,272/- and it is increased up to Rs. 5,54,61,857/- as on 31/3/2006 indicating 1.76 times growth. Though the growth rate of each year is fluctuating one, it represent continuous growth for each year.

v) Deposits : -

The main objective of bank is to maintain faith and confidence. Without public faith and confidence the bank cannot run. Deposits are one of the main sources to the banking activity which indicate public faith and confidence in respect of the bank. The Commercial Co-operative Bank Ltd. is one of the bank, which made a lot of concentrated efforts in the growth of deposits from public. Currently bank has been collecting deposits by way of Fixed Deposits, Saving Deposits and Current Deposits.

The Table No. 4.6 shows the position of Deposits of bank during 2001-02 to 2005-06.

Table No. 4.6

Growth of Deposits of the bank

Year ended on	Deposits	Increase /(Decrease)	Percentage increase
31/03/2002	47,21,41,550	6,26,55,248	15.30
31/03/2003	57,74,62,922	10,53,21,372	22.31
31/03/2004	66,10,78,620	8,36,15,698	14.48
31/03/2005	70,20,21,347	4,09,42,727	6.19
31/03/2006	74,13,23,465	3,93,02,118	5.60

Source : Annual Report of the bank

As on 31/3/2002 bank deposits are Rs. 47,21,41,550/- They are increased to Rs. 74,13,23,465/- as on 31/3/2006 representing 1.57 times increase in deposits. As on 31/3/2003 bank indicated highest growth rate and after that growth rate is decline. The reason for decreasing growth rate of deposits is reduction in interest rate of deposits e.g. Interest rate for a deposit from 13 months to 24 months was 10 % for the year 2002-03, and 8 %, 7 %, 7.5% for the year 2003-04, 2004-05 and 2005-06.

vi) Loan and Advances

Giving loans and advance is an important function of the bank. According to the bye laws of the bank, advancing loans, providing loans to improve the economical condition of the member and to provide financial and technical assistant to small and tiny industrial units are main objective of the banks relating to loans and advances. The bank provide loans to its members and non-members for various purposes.

The Table No. 4.7 shows the position of loans and advances of bank during 2001-02 to 2005-06.

Table No. 4.7

Growth of Loan and Advances of the bank

Year ended on	Loans & Advances	Increase / (Decrease)	Percentage increase
31/03/2002	34,30,83,087	8,27,52,167	31.79
31/03/2003	42,14,46,783	7,83,63,696	22.84
31/03/2004	44,42,61,289	2,28,14,506	5.41
31/03/2005	45,85,52,162	1,42,90,873	3.22
31/03/2006	47,85,40,740	1,99,88,578	4.36

Source : Annual Report of the bank

The loans and advances are Rs. 34,30,83,087/- as on 31/3/2002 and they are increased to Rs. 47,85,40,740/- as on 31/3/2006 representing 1.40 times growth. As we compare growth rate of each year it shows decreasing trend. As on 31/3/2002 the growth rate in loans and advances as compare to previous year is 31.79 %. But as on 31/3/2006 the growth in loans and advances is only 4.36 %.

vii) Net Profit : -

Main source of income to the bank is interest from loans and advances and interest form investment. It also earns income from miscellaneous receipts such as locker fee, share transfer fee etc. The Following Table No. 4.8 shows the position of net profit of bank during 2001-02 to 2005-06.

Table No. 4.8

Growth of Net Profit of the bank

Year ended on	Net profit	Increase / (Decrease)	Percentage increase
31/03/2002	34,42,856	14,24,087	70.54
31/03/2003	36,36,321	1,93,465	5.62
31/03/2004	43,43,429	6,06,108	16.67
31/03/2005	47,26,319	3,82,890	8.82
31/03/2006	30,35,169	(16,91,150)	(35.78)

Source : Annual Report of the bank

As per Table No.4.8 we can see that there is increasing trend of profit form 31/3/2002 to 31/3/2004. But on 31/3/2006 there is decline in the profit by Rs. 16,19,150 which represent 35.78 % reduction as compare to previous year. The decreasing rate of loans, and increasing provision on loans and advances was the reason of decline in the profit.