

# An Innovation in Social Banking



**Buldana Urban**

Co op. Credit Society Ltd., Buldana



**बुलडाणा अर्बन**

को-ऑप क्रेडिट सोसायटी लि. बुलडाणा



The final destination  
of the Co-Operative Movement is  
not the differences but  
the harmony, enrichment, success  
and happiness  
of the community.

- Mahatma Gandhi

## **An Innovation in Social Banking**

# CONTEXT

## **1 Buldana Urban Cooperative Credit Society: The Genesis**

1.1 Social Banking Concept of Buldana Urban

## **2. Financial Inclusion at Buldana Urban**

2.1 Innovative Products

2.1.1 Micro-Saving Schemes

2.1.2 Development Bonds

2.1.3 Agri Implements Pledge Loan

2.1.4 Rural Warehouse Receipt Finance

2.1.5 Education Loans

2.1.6 Micro Loans

2.1.7 LPG Loan

2.1.8 Ekalavya Earn While Learn Scheme

2.1.9 Sanitation Loans

2.2 Service Delivery Innovations

2.2.1 The 'Rulebook Banking' Foundation

2.2.2 Banking Beyond Rulebook

## **3. Analysis of Social Banking**

3.1.1 Impact on Buldana Urban

3.1.2 Financial Performance

3.1.3 Rewards & Recognitions

3.1.4 Impact on Stakeholders

## **4. Conclusion**

## 1. Buldana Urban Cooperative Credit Society: The Genesis

Buldana Urban Co-operative Credit Society was promoted on June 19, 1986 by Mr. Radheshyam Chandak and his associates. It was registered with a small capital of Rs. 12,500 and a membership of just 72 persons. The main motive behind the formation of Buldana Urban was to provide safe and affordable banking services to all people. The Founder Chairman, Mr. Chandak, affectionately called 'Bhaiji', was so determined to create a good quality banking institution that he closed down his lucrative family business of money lending to devote his full attention and focus on Buldana Urban. In its 22 years of existence in the socio-economically backward region of Vidarbha, Buldana Urban has grown by leaps and bounds to become the largest Urban Credit Cooperative (UCC) of India. The subsequent sections explore the reasons behind this phenomenal growth in the context of the Financial and Social Inclusion Initiatives of Buldana Urban.

### 1.1 Social Banking Concept of Buldana Urban

The activities and operations of Buldana Urban can be best defined as 'Social Banking'. The banking extended by Buldana Urban is done with the ultimate aim of catering to all, covering all the stratifications of the society. The aim is not only to deliver service but also to benefit the society, at large through such deliverance. Then, it is understandable that by rendering just one type of service or product all the societal shortcomings cannot be overcome. At such a juncture an entity can console itself with the thought that will suffice with the simple continuance of rendering the products and services hoping the change to happen, or be proactive and start chipping away at the shortcomings by bringing in all sorts of activities within its ambit.

The social banking concept as is followed at Buldana Urban can be understood from the words of its Founder Chairman. He explains that there are four types of banking practices in India.

'Rulebook Banking' refers to providing banking services within the boundaries of rules and regulations. 'Banking beyond Rulebooks' refers to providing banking services with sensitivity and sensibility which may even involve not following in the strictest sense of the spirit and the letter of the laid down rules and regulations. 'Serving beyond Banking' refers to providing the customer with social services alongside traditional banking services. 'Political Banking' refers to manipulating the banking system for personal gratification and political mileage. In India, most of the public sector banks just follow the 'Rulebook Banking'. Many of the cooperative banks follow the 'Political Banking' and therefore have become bankrupt or are on the verge of becoming so. However; Buldana Urban follows all the first three banking practices and collectively calls it 'Social Banking'.

## 2. Financial Inclusion at Buldana Urban

Financial Inclusion has been the key focus for Buldana Urban since its inception. In fact, one of the major contextual reasons for the formation of Buldana Urban was the liquidation of a local Cooperative Bank in the 1980s, leaving the community with just one branch of a nationalized bank for all banking requirements. Staff attitude was callous and quality of services in this branch was abysmally low, and to top it all, there was preference only for the well-off clientele. So Buldana Urban was conceived as a vehicle to provide banking services to the 'common man'. Buldana Urban has never lost this focus aptly captured in one of its Credos "For every family & for everyone in the family". This focus on inclusive growth is manifested in both product designing and service delivery at Buldana Urban.

### 2.1 Innovative Products

Buldana Urban offers a variety of regular banking products to its members like Savings Accounts, Term Deposits and Recurring Deposits, along with regular loan products like Term Loans, Cash Credit, Overdraft, Vehicle Loan and Housing Loan. The continuous development of innovative and need based financial products is a major manifestation of Buldana Urban's commitment to its community. Products which focus on inclusive growth are elaborated below.

#### 2.1.1 Micro-Saving Scheme

Buldana Urban has launched a micro-saving scheme wherein small deposits as low as Rs. 5 are collected daily by agents from the doorsteps of members. This particular product has significantly contributed to financial inclusion to such an extent that the number of saving members in any branch of Buldana Urban is often three to five times more than its nearest competitor.

#### 2.1.2 Development Bonds

As a part of its social commitment, Buldana Urban had taken up the mandate of developing Malkapur-Buldana-Chikhali State Highway on a Build, Operate and Transfer (BOT) basis. Buldana Urban has taken up this toll based project costing Rs. 45 crores to ensure that this critical route in Buldana district is developed and maintained properly. The majority of funds required for this project were raised from members by offering 'Road Development Bonds' for ten years duration. This served the dual purpose of providing the members with a high return, long-term investment avenue and reducing the cost of funds for Buldana Urban as compared to borrowing

funds from banks. It is the first and so far the only UCC which has been permitted to offer such long-term bonds.

### **2.1.3 Agri Implements Pledge Loan**

Agri Implements Pledge Loans are one of the earliest innovative products developed by Buldana Urban and is modeled after the local money lender system. Under this product, the farmer can take a loan for the ensuing agricultural season by pledging the machinery and equipments not needed for the season. For example, the electric motors of an irrigation pump set can be pledged during the monsoon season (when external irrigation is not needed) for raising Kharif (monsoon) crops. Buldana Urban also offers such pledge loans against other household items and ornaments. Unlike the local money lenders who always try to gobble up pledged valuables, Buldana Urban ensures that the valuables are returned to borrower on clearing of the dues.

### **2.1.4 Rural Warehouse Receipt Finance**

Buldana Urban was the first UCC to introduce pledge loan against agriculture produce called Rural Warehouse Receipt Finance Scheme (RWRF). This is the most successful example of Buldana Urban's response to members' needs. As soon as crops are harvested, farmers are often forced to sell them immediately, partly due to lack of storage facilities and partly due to pressing need for funds. The RWRF scheme of Buldana Urban addresses both these problems in one go by providing a secure warehouse for storage and a loan against the produce so stored. After the peak harvesting season is over, prices of these commodities start soaring and farmers can earn extra profits by such deferred sales, even after paying for interest and warehousing charges.

Starting with a single warehouse in 2001, Buldana Urban now has a network of approximately 175 warehouses spread over the hinterlands of all agriculturally important districts of Vidarbha. Every year about 25,000 members get the benefit from the warehousing facilities and about Rs. 200 crores of credit is disbursed against warehouse receipts.

### **2.1.5 Education Loans**

Though loan for education is a common product offered by nationalized banks in urban areas, Buldana Urban has its unique way of offering this product. Generally no bank offers educational loans to the children of farmers, hence forcing them to sell their land to support a professional education for their children. Buldana Urban started offering educational loans to such cases 'rejected' by other banks to help bright students from the farmers' community to fulfill their educational aspirations. Despite such

perceived 'risky' lending, Buldana Urban boasts the best repayment track record for educational loans amongst all financial institutions in the area. Buldana Urban never ceases to actively look out for toppers who are unable to afford further education due to paucity of funds and provides them educational loans. Buldana Urban also, at times, sponsors students with outstanding credentials.

### **2.1.6 Micro Loans**

Micro loans refer to very small sized loans usually less than Rs. 5,000/- given to people with limited means. Generally no financial institution other than the specialized Micro Finance Institutions (MFI) offers such loans. Buldana Urban has also experimented with various micro loans like LPG Loan, bicycle loan and Sanitation loan. Most of these micro loans were not recovered mainly due to lack of the organizational mechanism to recover such small sized loans. These experiences have not deterred Buldana Urban from experimenting with micro loans further and it is planning to integrate the elements of successful microfinance methodologies in its future micro loan products.

### **2.1.7 LPG Loan**

Timber and firewood are used for fuel throughout Buldana district, causing deforestation and the traditional ill health effects. Recently, LPG connections have been made available in the area, but the cost of conversion has been prohibitive. Buldana Urban provided loans for the LPG connections with a special focus on the burden of women on two fronts, the freedom from smoke and the cumbersome load of carrying firewood.

### **2.1.8 Ekalavya Earn While Learn Scheme**

Commuting to High School is a major challenge in rural areas due to lack of public transportation. Though traveling on a bicycle is a cost-efficient option, poor parents cannot afford to buy bicycles for their wards. Buldana Urban conceived a unique scheme to tackle this problem which simultaneously encourages students to find enterprising solutions to this problem. Buldana Urban gives loans to students for their bicycles to enable them to commute. The loan is paid back in weekly installments, which the student is expected to earn by working on the family farm by helping in a family shop.

### **2.1.9 Sanitation Loans**

Health, hygiene and sanitation are major concerns in rural Maharashtra. Contamination of drinking water due to open defecation is a major cause of several health problems. A large number of toilets is likely to reduce the

instances of defecation in the open. Buldana Urban extended loans for the construction of toilets.

## **2.2 Service Delivery Innovations**

Besides the innovations in product development, Buldana Urban has brought in a number of improvements and innovations in service delivery to ensure consistent, high quality and customer centric service to its members.

### **2.2.1 The 'Rulebook Banking' Foundation**

Within the cooperative sector, Buldana Urban is especially strong in 'Rulebook Banking', documenting its elaborate systems and processes in operations manuals. From the signboards to the lockers, from branch - interiors to the employee uniforms, Buldana Urban's operations are carefully designed to create and sustain an image of a disciplined, professional financial institution. Adherence to lay down standards of service is constantly monitored by the elaborately structured regional offices, complemented with Audit Squads and the unique Flying Squad. This solid foundation of 'Rulebook Banking' has helped Buldana Urban in managing flawless growth up to 160 branches and a deposit base in excess of Rs. 1,000 crores, especially when examples of successful cooperatives collapsing at exponential growth stage are aplenty in Maharashtra.

- 1 The members of Audit Squads visit the branches at regular interval and audit all transactions of the branch for given audit period (usually a fortnight).
- 2 The Flying Squad is a special team operating directly under the instructions of General Manager and it tries to find out frauds and deviations in service qualities, sometimes even by sending dummy customers.

Buldana Urban pays special attention to its human resources. Employees are carefully chosen through informal references, followed by tests and interviews, and finally a personal interview by the Founder Chairman. New employees receive hands on training under the supervision of seasoned staff. The training has a dual focus of inculcating financial discipline (which is the core foundation of any successful financial institution) and imbibing the 'Apanapan Culture' of Buldana Urban wherein the members are treated as a family and employees find themselves as part of the family.

Buldana Urban has also pioneered several customer-friendly initiatives in the cooperative sector such as 12 hours banking, 365 days banking, and fund transfer across branches. It is one of the few UCCs which have customized software for its own operations. Soon Buldana Urban will become the first Urban Credit Cooperative to link its important branches through a core banking software supported by a dedicated datacenter. The operations of its Head Office and affiliated branch are certified to be ISO

9000:2001 compliant and its social initiatives are certified as SA 8000:2001 compliant by AQR International Inc.

### **2.2.2 Banking beyond Rulebook**

'Banking beyond Rulebook' means sensibly and judiciously deviating from set practices, especially in emergency situations. During non-operating hours, Buldana Urban allows emergency cash withdrawals. In case of medical or educational exigencies, funds are remitted to far off branches within hours.

Buldana Urban is an integral part of the life of its customers, be it dukh (sadness) or sukh (happiness). This is established by the staff making regular visits to customers' homes during the times of celebration as well as grief.

This 'Banking Beyond Rulebooks' differentiates Buldana Urban from nationalized banks in its vicinity to such an extent that generally within the first year of establishing a new branch, Buldana Urban attracts the highest amount of deposits. The branch manager of each branch of Buldana Urban becomes one of the most respected people in the local community.



## **3. Analysis of Social Banking**

### **3.1.1 Impact on Buldana Urban**

The fact that Buldana Urban is India's largest UCC is the best evidence of the impact of the innovative 'Social Banking' strategy. This top position is further distinguished by the fact that Buldana Urban is ahead of its nearest competitor by a margin of 200% to 500% on all performance parameters.

### **3.1.2 Financial Performance**

Buldana Urban has shown an exemplary growth and performance on all parameters of importance for a UCC. The share capital and the net profits have increased over the years. While net profits have shown a four fold increase over an eight year span from Rs. 112 lakhs in 2001 to Rs. 648 lakhs in 2009, share capital over the same time frame has increased by more than eleven times from Rs. 122 lakhs to Rs. 1850 lakhs. The significant increase in share capital is reflective of the ever increasing faith of people in Buldana Urban. It is also worthwhile to mention that unlike the shares of a listed public company, shares of cooperative neither appreciates in value nor can be traded even amongst members.

This faith stands true of another test, that of the deposits. The deposits have increased from Rs. 9,204 lakhs in 2001 to more than Rs. 1,150 crores in March 2009, a ten-fold increase. Loan disbursements have shown a similar growth path of increasing from Rs. 6,343 lakhs in 2001 to Rs. 83,760 lakhs in 2009.

While achieving this phenomenal growth, Buldana Urban has not compromised with credit quality or financial prudence norms applicable to UCCs. Since its inception, it has been consistently awarded 'Audit Class A', the highest audit rating for a UCC, signifying adherence to all prudential norms of financial management and provisions. Buldana Urban has been recording on time repayment rates in the range of 97% to 99%. The majority of the NPAs are recovered through social pressure and soft tactics. It has rarely resorted to legal action against its members; however, in cases of defaults due to death, disability,, disasters or accidents, Buldana Urban is proactive in helping the members besides offering concession in dues.

### **3.1.3 Rewards & Recognitions**

Buldana Urban has been conferred with numerous rewards and recognitions including the coveted 'COPCON 2007' award from the National Federation of Urban Cooperative Banks for the 'Best Performing Credit Cooperative of India'. The Founder Chairman has been nominated as Executive Chairman of the Maharashtra State Urban Cooperative Societies Federation with a membership of about 28,000 UCCs. He has been the Founder Director of Deposit Guarantee Corporation of UCCs and Buldana Urban was the single largest contributor to the corpus fund. Every year about 100 delegations of cooperators from various states visit Buldana Urban. Some State Governments have invited Buldana Urban for advice to strengthen the cooperative movement in their respective states.

#### **The major awards received in recognition of social services include:**

- ❖ Padmashri Vitthalrao Vikhe Patil Agro Innovations Award, 2001.
- ❖ Padmashri Dr. Manibhai Desai Rashtraseva Award, 2002.
- ❖ 'Sahakar Sevashshri 2004' for outstanding contribution to cooperative sector.
- ❖ 'Janiv Award' for multi-sectoral contribution to social development, 2005
- ❖ 'Samaj Bhushan' award for multi-sectoral contribution to social development, 2006-07.
- ❖ Phule-Shahu-Ambedkar Award'' for social service with special focus on the downtrodden, 2008.

Though the Founder Chairman is justifiably proud of all these awards and recognitions, he considers the 'trust and love of people' as the supreme award. The members of Buldana Urban have created a record by unanimously nominating Bhajji and his associates six times as Board of Directors, all of the elections to date. There are several other instances signifying the members' love and faith on Buldana Urban. Villagers pass resolutions in their Gram Sabha requesting a Buldana Urban branch in their village. Farmers donate their land for starting a Buldana Urban branch and warehouse. Any new initiative of Buldana Urban gets enthusiastically oversubscribed. Even a stranger in a Buldana Urban uniform gets warm welcome and loving hospitality in villages.

### **3.1.4 Impact on Stakeholders**

Buldana Urban has a membership base of more than 2.5 lakh. All have been benefited by at least one financial product. Many of them periodically avail its services. Its innovative loan products like Agri Implement Pledge Loan and Rural Warehouse Receipt Finance have not only helped several farmers to stay away from the clutches of usurious money lenders but also to earn some extra profit from their farming activities. This is the most significant impact of Buldana Urban on the membership community as Vidarbha region has become infamous for farmer's suicides resulting from agrarian distress mainly caused by debt traps of private moneylenders.

Its livelihood enhancement initiatives have helped several farmers to find alternative income avenues, thereby reducing a dependence on the traditional cotton economy. The revival of sugar mills has ensured remunerative prices to hundreds of sugarcane farmers from downtrodden communities. The efforts of Buldana Urban in improving the quality of education in rural high schools are benefiting more than 10,000 students studying in its day schools. The Public school at Buldana provides high quality, multi-dimensional learning environment to nearly 1,000 students which is otherwise not available in the entire district. Every year, about 100 girls and 300 boys take advantage of the Ajanta and Ellora hostel facilities. Its Educational Loan product has helped several talented rural youths to pursue a professional education thereby providing access to better quality of life.

Amongst other social initiatives of Buldana Urban, ambulance service has been particularly helpful not only to the members but also to the general public. Since inception, it has helped in the transportation of about 50,000 patients and about 10,000 dead bodies. Physically challenged persons always get a helping hand from Buldana Urban in terms of periodic distribution of supporting aids.

## 4. Conclusion

The 'Social Banking' of Buldana Urban is not just a decorative phrase but the guiding principle for all its actions. Buldana Urban is a hallmark of 'Responsible Business'. It has effortlessly inculcated the 'triple bottom line' approach of 'People, Planet & Profit' without even bothering to highlight the same.

'Social Banking' at Buldana Urban is not just a cliché but the guiding principle for all its work. Buldana Urban is a hallmark of 'Responsible Business', utilizing every business opportunity to create a social impact as well. While difficult to measure precisely, there is a strong sense that Buldana Urban's business success is mostly, if not fully due to its social banking. It also suggests that Buldana Urban's upcoming expansion to other states must necessarily include a strong social banking component.

Buldana Urban is an organization born not out of the narrow idea of generating surplus for a select few, rather it is based on the idea of casting a wide net to numerically increase the people able to benefit directly from the financial surplus so generated and benefit all those it can within the socio-economic realm that it operates. As has been mentioned throughout the report the aim is not just to initiate activities to benefit, but the striving is to innovate with the financial products to bring in financial and social inclusion.



### BORD OF DIRECTOR

#### Shree. Radheshaym Deokisangi Chandak.

Founder Chairmen

**Shree. Kantilal Mishreelaalji Chhajer,**  
Vice-Chairmen

**Shree. Nathmal Ramjeelalji Chiraniya,**  
Executive Director

**Shree. Madanlal Brijlalji Kediya**

**Dr. Shree. Kishor Kisanlalji Kela**

**Shree. Rameshchandra Narsingdasji Rathi**

**Shree. Ambalal Ramnarayanji Gandhi**

**Shree. Nandkishor Shivdayalji Zavar**

**Shree. Ambesh Shivprasadji Biyani**

**Shree. Kishor Vishnuji Mahajan**

**Dr. Shree. Sukesh Brijmohanji Zavar**

**Shree. Anant Pundlikrao Sawale**

**Shree. Ajay Vijayshiha Sengar**

**Shree. Girish Shohanlalji Bhutada**

**Shree. Manju Dharmrao Nagdeote**

**Dr. Sau. Harsha Sanjayji Dhongavkar**

**Dr. Shree. Ganesh Devkaranji Bub**

**Shree. Mangilal Sheshmalji Burud**

**Shree. Rajesh Bansilalji Ladha**  
General Manager

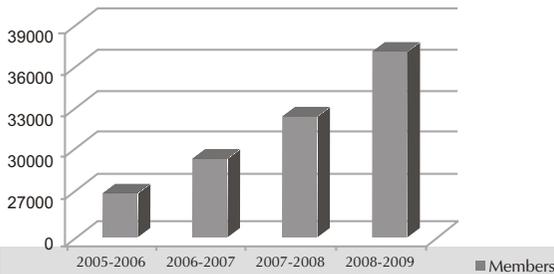
**Shree. Shirish Dinkarao Deshpande**  
Chief Executive Director

# Growth of Buldana Urban

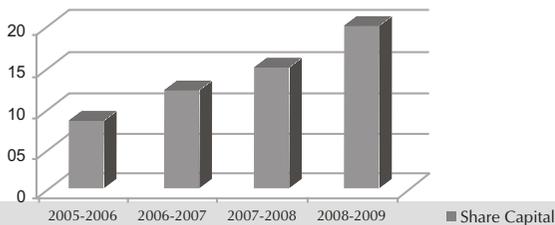
**Figur in Crore**

	2005-2006	2006-2007	2007-2008	2008-2009
Members	26990	30229	34050	37401
Share Capital	7.06	10.29	14.04	18.85
Deposits	560.98	731.15	975.63	1156.36
Investment	148.66	152.86	299.14	302.97
Advances	90.46	541.73	752.47	837.6
No. of Branches	121	144	157	170
Area of Operation	Maharashtra	Maharashtra	Rajasthan Chhattisgarh & M. P.	Rajasthan Chhattisgarh & M. P.

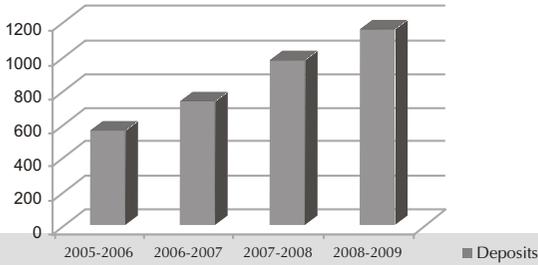
## Members



## Share Capital

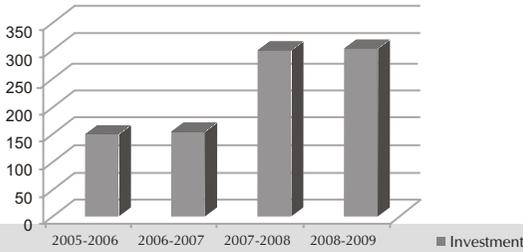


### Deposits



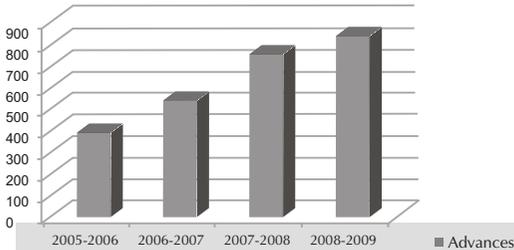
Year	Deposits
2005-2006	560.98
2006-2007	731.15
2007-2008	975.63
2008-2009	1156.36

### Investment



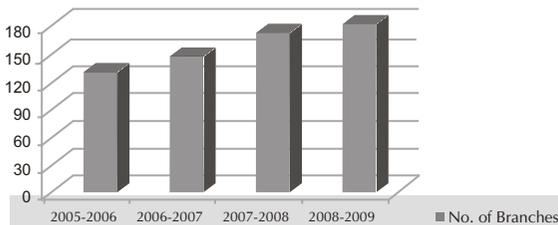
Year	Investment
2005-2006	148.66
2006-2007	152.86
2007-2008	299.14
2008-2009	302.97

### Advances



Year	Advances
2005-2006	390.46
2006-2007	541.73
2007-2008	752.47
2008-2009	837.6

### No. of Branches



Year	No. of Branches
2005-2006	121
2006-2007	144
2007-2008	157
2008-2009	170

# Social Initiatives One Liners

- \* Railway Reservation facility and Tourist Counter.
- \* Ambulance for medical aid.
- \* Hearse to carry dead bodies.
- \* Funeral Service for unclaimed dead bodies.
- \* Jaipur Foot, Polio Callipers and Chandigarh Artificial Hand to the disabled.
- \* Universal Health Programme consisting of health insurance, financial assistance and discount in treatments.
- \* Eradication of private money lending and related malpractice.



**Buldana Urban**

Co-op. Credit Society Ltd., Buldana

**बुलडाणा अर्बन**

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