

A Call to Save Baitun-Nasr

Indian Muslims' consciousness to operate financial institutions of their choice goes back to the end of nineteenth century. Since then there were several noticeable efforts, like Pattani Cooperative Credit Society 1938 Surat, Muslim Fund Tanda Baoli, 1943 and Baitun-Nasr (BUN) of Mumbai, 1973, that attempted to overhaul the economic grief of the community. In all these attempts Baitun-Nasr remains so far the most successful attempt on any parameters. However, the events that led to collapse of several Islamic finance companies in late nineties had a crushing impact on otherwise one of the most successful running credit society in the country. What caused this society to put its shutters down and what needs to be done to revive this society not only for the sake of few hundred employees but for the life saving of over 150, 000 depositors is a matter of serious concern to all. This write up attempts to shed some lights on these issues.

Started on a trial basis in 1973, BUN was regularized in 1976 as an Urban Cooperative Credit Society under the Maharashtra Cooperative Credit Societies Act. The main purpose of the society was to provide banking facilities to its members on Islamic lines. It accepted deposits from its members on interest free basis and extended it to the same on actual service charges. Table below shows the financial performance of BUN from 1977 when it presented its first audited balance sheet till 1999.

Table: Financial Performance of Baitun Nasr (1977-1999).

Share Capital, Total Deposits, Loan Turnover and Total Assets are in Rs. '000

Years	1977	1982	1987	1992	1997	1998	1999
Branches	1	4	7	12	18	18	20
Members	654	6820	20356	47186	120510	137797	155050
Share Capital	26	126	584	2862	13035	12993	12762
Total Deposits	36	171	6191	26302	108580	119184	124159
Loan Turnover	49	3062	15977	58088	278995	324950	364810
Total Assets	0	13	705	5497	25760	30405	34598

Source: (Balance Sheets)

Starting with a meager fund of Rs. 12000 the society became one of the most successful credit societies in India with 20 branches in the city of Mumbai. Membership of the society increased from mere 654 in 1977 to more than 150,000. Share capital of the society, which was only Rs. 26000 in 1977, crossed the figure of over Rs. one crore. Total deposits of the society also reached over Rs. 12 crores from just Rs. 36000 in 1977. The loan turnover of the society which was just worth Rs. 49000 in 1977 reached a whopping figure of about 36 crores. As far the total assets, the society began with zero in 1977 and managed to build up an asset of about Rs. 3.5 crores in its life span of over two decades.

It is real pity that since September 2001 BUN has been forced to suspend its operation not because some fraud was discovered in it or it had some bad investment that forced the society to close the door. But the real reason for the closure of the society was contagion caused by the liquidation of one of its former associate Barkat Group, which was engaged real estate and stock broking activities on profit and loss sharing principle (PLS). Barkat was decided to be liquidated by the Maharashtra government in May 1999 in the wake of heavy losses it incurred in its two main businesses mentioned above.

BUN on the other hand was purely engaged in para banking activities i.e. accepting deposits from its members and lending it to the same. On its own BUN was not permitted to invest its deposits in a manner other than lending that too against the security of ornaments, properties and other such items, neither it flouted any of these regulations nor its cash position was as weak to go bankrupt. However, no bank howsoever strong can survive if all its depositors come together to take their deposit back and this was the case with BUN after a media report predicted the closure of the society citing its poor cash position.

The present writer discussed various options to revive the society with a number of concerned people that included the Managing Director of Baitun-Nasr, Mr. Abdul Wahab Dalvi, former Managing Director of Barkat, Mr. MH Khatkhatay, Senior Economist and former Executive Director, RBI, Abdul Hasib and Managing Director of the Idafa Investment, Mr. Ashraf Mohamedy. After preliminary discussion on the issue a meeting was called at the house of BUN, Managing Director, Mr. Dalvi and the issue was discussed in length and breadth. Mr. Dalvi informed about the steps he has been taking to revive the society, however, he candidly admitted that these steps were not sufficient enough. Mr. Ashraf Mohamedy pointed out some apprehensions against the present Management of the society because of which several affluent people might be scaring to come to the rescue of the society. Mr. Khatkhatay suggested complete overhaul of the management by another group of people who might be interested to takeover the society and run it afresh. Mr. Dalvi agreed to this suggestion with a condition that the incumbent Management will guarantee safeguarding the interest of depositors, which is the sole purpose behind the revival attempt of this society. The meeting came to end with the resolution that a concerted effort will be made to save the society at any cost. In this regard a call would also be issued to any one who might be interested in taking over the overall management of the society provided he guarantees safeguarding interest of the depositors. Any one interested may contact the Managing Director, BUN for more details about the current assets and liabilities of the society.