

## **CHAPTER – IV**

### **Investment and Loans**

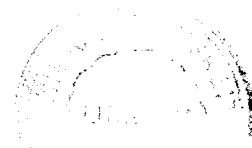
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## **Introduction**

After arriving at the net results of the business at society i.e. profit or loss. We then proceed to prepare a Summary of all the assets and liabilities in a statement known as “ Balance sheet ”. The items do not find a place in trading and profit & loss Account shall find a place in this statement. The amount of each assets or liabilities on the last date of the year is arrived at and duly incorporated in the balance sheet. The assets may be shown in order of their liquidity or realisability viz, cash in hand, cash at bank, Investment, other fixed assets on the other hand liabilities may be arranged in order of their repayment viz. outside liabilities, liabilities to Co-operative Societies, funds, reserve, profit, etc.

The present patsanstha invest their surplus funds in Bank un refundable deposit, Bank shares, Bank fixed deposit, Electricity Security deposit, Telephone Security deposit.

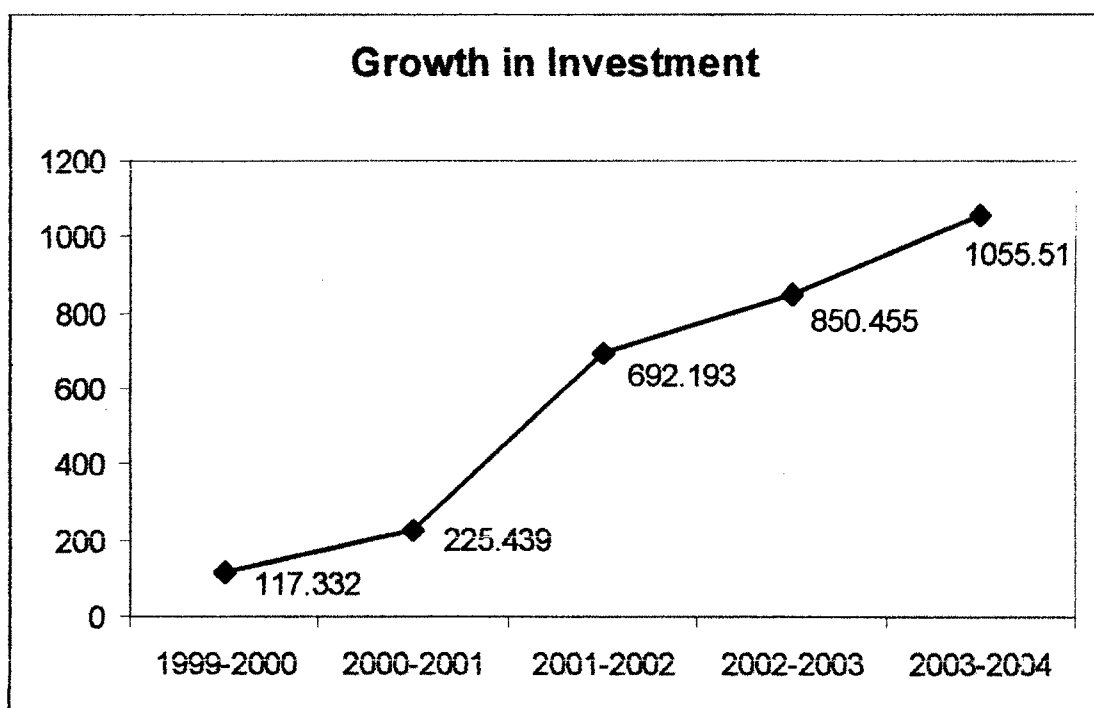
Presentation of information relating to Investment & loans in the balance sheet is made as follows.



### Analysis of Investment

In Thousand

Investment	1999-2000		2000-2001		2001-2002		2002-2003		2003-2004	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Unrefundable Bank deposit	16.932	14.43	24.639	10.93	41.293	5.96	48.655	5.72	53.251	5.05
Fixed bank Deposit	100	85.23	200	88.71	650	93.90	800	94.06	1000	94.78
Other Investment (Share, M.S.E.B. Telephone )	0.4	0.34	0.8	0.75	0.9	0.13	1.8	0.21	1.8	0.17
Total	117.332	100	225.439	100	692.193	100	850.455	100	1055.051	100



The graph shows overall fluctuating trend in investment

**1) For the year 1999-2000**

Unrefundable Bank Deposit is a major investment in present patsanstha. During this year unrefundable Bank Deposit was Rs. 16.932 and percentage of total payment was 14.43 %. Fixed bank deposit was Rs. 100 and percentage of total investment was 85.23 %. Other Investment includes share of other banks, Security in Maharashtra Electricity Board, Telephone Security. It was Rs. 0.4 and percentage of total investment was 0.34 %.

**2) For the year 2000-2001**

During this year unrefundable bank deposit was Rs. 24.639 and percentage of total investment was 10.93, as compared to previous year amount was increased but percentage of total payment was decreased. Fixed bank deposit was Rs. 200 and percentage of total investment was 88.71 % as compared to previous it was double, and percentage also increased. Other investment was Rs. 0.8 and percentage of total investment was 0.35 normal changed in percentage of other investments.

**3) For the year 2001-2002**

During this year unrefundable Bank deposit was Rs. 41.293 and percentage of total investment was 5.96% compared to previous year amount was increased but percentage was decreased. Fixed bank deposit was Rs. 650 and percentage of total investment was 93.90 % as compared to previous year rate of increasing was very fast. Other investment was Rs. 0.9 and percentage of total investment was 0.13 % .

**4) For the year 2002-2003**

During this year unrefundable bank deposit was Rs. 48.665 and percentage of total investment was 5.72% compared to previous year normal changed in amount and percentage but it was increased. Fixed bank deposit was Rs. 800 and percentage of total investment was 94.06% compared to previous year amount was increased but change in percentage was normal. Other investment was Rs. 1.8 and percentage of total payment was 0.21%.

**5) For the year 2003-2004**

During this year unrefundable bank deposit was Rs. 53.251 and percentage of total investment was 5.05% Fixed bank deposit was Rs. 1000 and percentage of total investment was 94.78, as compared all previous years the amount of this year was highest but changed in percentage was normal but it was increased. Other investment was Rs. 1.8 and percentage of total investment was 0.17% as compared to previous year the amount was same in this year but percentage was changed it was decreased.

## **Loans**

The credit societies provide loans to members after borrowing money from central bank. Their other transactions consist of collection and refund of share capital and deposits, repayment of loans with interest, recovery of loans with interest, Investment and distribution of profit.

Providing loans is the another important function of present patsanstha. It has helped him to escape from the clutches of urban money lenders. The patsanstha advances loans to its members and non-members for various production and non-production purposes.

## **Credit Policy**

The basic concept of Co-operative credit is that a group – combining to furnish a collective guarantee can obtain funds as lower than the individually would command. The member to utilize the loan for productive purpose and repay it in time.

### **1) Type of loan**

The loan advanced to the member are of two types –

- a) Short-term loan → For a period of 12 month to meet seasonal cultivation requirement of the farmers such as purchase of seeds, manure etc. also provide such type of loan to artisans, small traders.
- b) Medium term loan → For the period of ranging from one to three years. The proportion of this loan was less in present patsanstha.

### **2) Amount of Loan**

The amount of loan sanctioned depends upon the object of loan and repayment capacity. The loan amount should not exceed the loan limit which fixed and one and half times the individual assets and borrower.

### 3) **Supervision and recovery**

Other member of Society are supposed to be careful to see that the borrowing member spend the loan amount only for the purpose for which loan is taken. It is not implied for speculative and westful purpose and it is paid in time.

### 5) **Security**

Landed property of the borrower is commonly insisted upon as Security for Co-operative production credit thought loans are also sanctioned against the Security of movable property or personal Security on one or more members. Co-operative credit is personal credit based upon the character and repaying capacity of the cultivator.

### 5) **The rate of interest**

The rate of interest changed by district to district and some times the state itself. These are generally vary from 8 to 12 percent.

### **Good Lending Policy**

A good lending policy has to be based on certain integral factors which are to be considered framing its ending policy.

#### 1) **Safety -**

It is most important principle of good leading. When a Society lends it must feel certain that the advance is safe i.e. the money together with interest will definitely come back.

#### 2) **Liquidity -**

It is not enough that money will definitely come back. It is also necessary that it must come back fairly and quickly, more or less on demand. Hence the borrower must be at a position to repay the loan within a reasonable time.



**3) Profitability -**

Equally important is the principle of profitability in bank advance like other commercial institution, banks also run with profit motive and they can not afford to ignore this important principle.

**4) Spread -**

Another important principle of lending is the diversification of advance. An element of risk is present in every advance. However secure it might appear banking business. In fact it is one of taking calculated risk. Hence a successful banker is the one who is an expert of assessing such risk.

Secured Loan

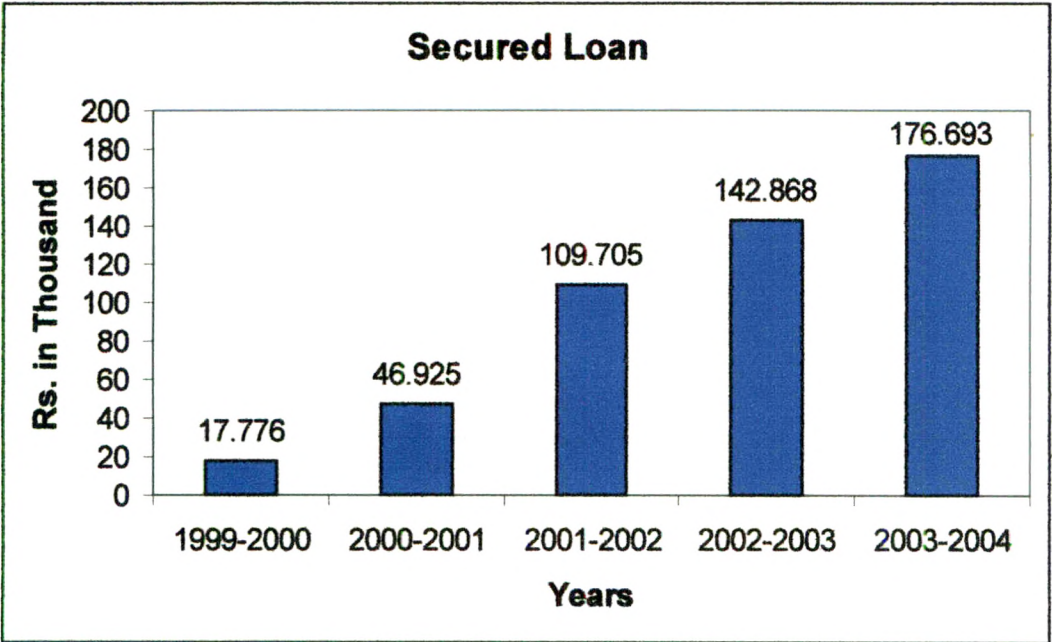
In Thousand

Year	Laon (Rs.)	Increase/ Decrease	%
1999-2000	17.776	--	--
2000-2001	46.925	29.149	163.97
2001-2002	109.705	62.78	133.78
2002-2003	142.868	33.163	30.23
2003-2004	176.693	33.825	23.67

\* Interpretation

In the year 1999-2000 absolute figures were as shown in the table. This year is base year. in the year 2000-2001 the amount of loan Rs. 46,925 it was in Rs. 29,149 and percentage was 163.97. In the year 2001-2002 the amount of loan Rs. 109.705, it was increased Rs. 62.78 and percentage was 133.78 as compared to previous year the amount of loan was increased but percentage was decreased. In their year 2002-2003 the amount of loan Rs. 142.868, it was increased Rs. 33.163 and percentage was 30.23 %. In the year 2003-2004 the amount of loan Rs. 176.693. it was increased Rs. 33.825 and percentage was 23.67.

In the year 2003-2004 the amount of loan Rs. 176.693 it was highest amount of all the analyses years. In the year 1999-2000 the amount of loan was lowest Rs. 17.776.



The above graph show the position of Secured Loan.



### Unsecured Loan

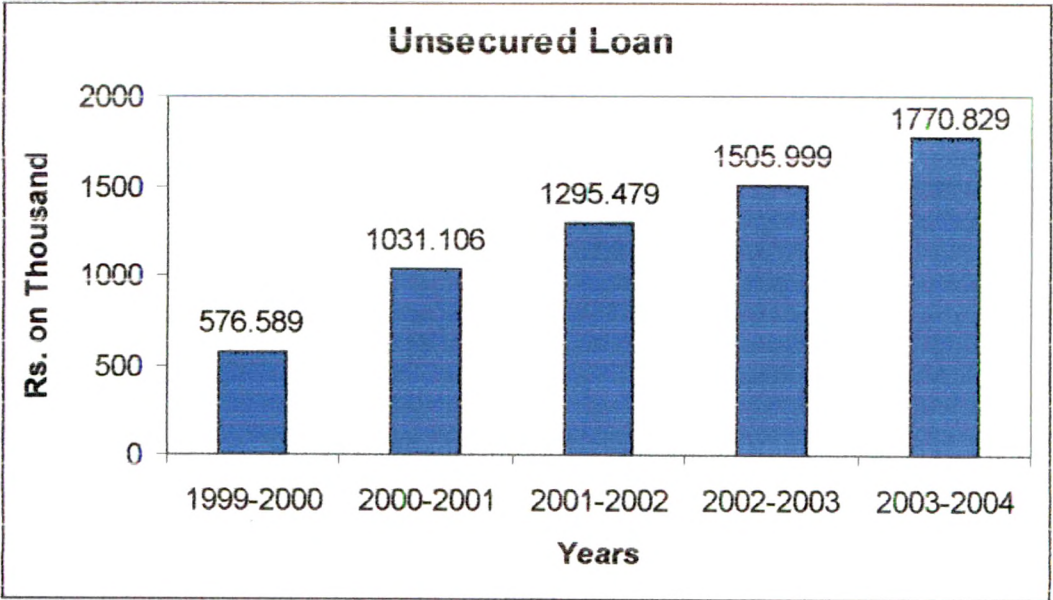
In thousand

Year	Laon (Rs.)	Increase/ Decrease	%
1999-2000	576.589	--	--
2000-2001	1031.106	454.517	78.83
2001-2002	1295.479	264.373	25.64
2002-2003	1505.999	210.52	16.25
2003-2004	1770.829	264.83	17.58

#### Interpretation

In the year 1999-2000 absolute figures were as shown in the table. This year was base year. in the year 2000-2001 the amount of unsecured loan was Rs. 1031,106, it was increased Rs. 454.517 and percentage was 78.83 % . In the year 2001-2002 the amount of loan Rs. 1295.479, it was increased Rs. 264.373 and percentage was 25.64 as compared to previous year amount was increased but percentage of decreased. In the year 2002-2003 the amount of loan Rs. 1505.999 it was increased Rs. 210.52 and percentage was 16.25 %. In the year 2003-2004 the amount of loan Rs. 1770.829 and percentage was 17.58 %.

The highest amount of loan Rs. 1770.829 in the year 2003-2004 and lowest amount of loan was Rs. 576.589 in the year 1999-2000.



The above graph show the position of Unsecured Loan.

**Conclusion**

By observing period wise loans and advances. The patsanstha has given loans for short-term and medium term period. Patsanstha could not advanced more loans between the period 3-7 years secured and unsecured loans were given by the patsanstha, but the proportion of secured loan and unsecured loan were 7% and 93% respectively. In real sense it is risky to sanction loans without any security but sometimes, it is essential to sanction unsecured loans for the credit requirement of the members.