
CHAPTER No. V ✓

**FINANCIAL ASSISTANCE OF AJARA URBAN
CO-OPERATION BANK LTD., AJARA.**

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FINANCIAL ASSISTANCE OF AJARA URBAN
CO-OPERATIVE BANK LTD., AJARA.

5.1 INTRODUCTION :

Before 70 years, financial needs of the people were largely supported by the money lenders. They were charging high rates of interest. During this period the co-operative banks were established in certain areas, with the main objective of inculcating the habit of thrift among its members and extracting them from the clutches of money lenders. These co-operative banks used to give loans and advances to middle and low income level group.

Now the Urban Co-operative Banks play an important role in catering to the credit needs of their regular and nominal members. They grant loans and advances for meeting commercial, productive and consumptional requirements of members, to make them free from the clutches of urban money lenders.

The bank should build up its resources from share capital, deposits, borrowing, reserves. The bank has to pay interest on deposits, salary to staff, office expenses, dividend etc. For recouping these overheads lending is necessary. As lending

is profitable, it is risky also because the defaulting tendency of borrowing members. The bank has to introduce the same loan policy which will be profitable and safe to the bank.

The Ajara Urban Co-operative Bank Ltd., Ajara is playing an active role in respect of loans and advances according to its bye-laws. In this chapter the following points are studied.

5.2 LENDING POLICY :

The lendable funds of an urban bank is a proportion of total resources available with it comprising of deposits, share capital and reserves. The extent of funds actually available for loaning operation is limited by various factors such as statutory pre-exemptions for maintenance of cash reserves and liquid assets under section 18 and 24 of the Banking Regulation Act. Rules for investment of reserve fund and provided fund, Investment in fixed assets like land and building etc. after making above allocation only the balance is available for loaning operations.

The amount to be pre-exempted for maintainance of cash reserve and liquid assets, is variable on a day to day basis of its demand and time

liabilities. In order that, a bank may not incur any deficit in the maintenance of cash reserve and liquid assets. The Ajara Urban Co-operative Bank Ltd., Ajara keeps a safe margin over and above the statutory minimum required which would diminish the amount of lendable resources.

While lending to a member, the banks should follow the principles of good lending i.e. Safety, Liquidity, Profitability and diversification of risks. The management should stress on productive loans which creates additional income and ensure repayment of loan by the member. As more risk is involved in granting consumption loans, proper appraisal of individual loan proposals, assessment of credit worthiness of a borrowing member repayment capacity and watch on use of loan for given purpose, stood an essential part of consideration.

5.3 LENDING PROCEDURE :

At the outset we shall study what is the standard procedure of sanctioning loans in The Ajara Urban Co-operative Bank Ltd., Ajara with the help of concerned Bye-laws of the Bank.

The Ajara Urban Co-operative Bank has a sound loan policy. The Bank has formulated a

procedure in regard to the process of loan applications, their securities sanction, documentation, follow-up supervision and control and detailed particulars of a borrowers credit worthiness it will be always advisable to prescribe a suitable loan application form for different types of borrowers for each purpose. The Bank has prepared a printed application form in a simple language. On receipt of the loan application necessary entry is made in the register maintained for the purpose and then the application is scrutinized.

After the loan application forms are received from the borrowers, they are recorded in the Application Register. Loan application forms are simple so that any ordinary person can fill in the information required by the Bank. Application forms are available at the head office of the bank as well as in the branch offices. On receipt of the application the Bank goes through the borrowers account. It reveals, a number of points which assists a bank in judging its customers financial position, character and capacity to do the business. If he is already having a current account with the Bank, a study of his account may indicate the approximate turnover of his business, and Bank requests borrowers to supply the latest financial

statement preferably audited of his liabilities and assets. It will be possible for the bank to trace the financial position and the capital resources of the borrowers.

On collecting all the information and data the proposal is submitted to the higher officer with recommendations for being submitted to the board of directors for sanctioning the loan. It is through the General Manager of the Bank, that the sub-committee (Loans) calls the meeting of the Board of Directors in order to discuss the issues pertaining to loan sanctions. The Board of Directors express its views and opinions and the additional information is invited if required about the borrowers. Thus, finally after confirmation of all the assets of the borrowers the board sanctions the loan amount under the stipulated terms and conditions. The borrower is required to give his consent in writing and has to accept the terms and conditions stipulated by the board of directors of the Bank.

Different types of documents are required to be presented by the borrower depending upon the nature of accommodation, documentation is necessary for the acknowledgement of debt and charging of

securities to the Bank by him. If there is any mistake in documentation, it is rejected, documentation namely, stamping, execution and registration as the case may be must be stamped according to section 17 of the Indian Stamp Act, 1899. Unstamped documents have no value and stamps affixed on the documents should be cancelled. The signature of witness must be obtained wherever necessary. Documents should be filled properly and signed by the executives. After execution of the documents they should be entered in the security register. After stamping and execution of all the document the next stage is the registration.

In this context the Bank has to take certain risk i.e. in the case of documents made for advances against life insurance policy and government securities etc. the notice of assignment is necessary whereas in the case of a mortgage deed, it is to be registered at the office of the sub-registrar or Registrar of Assurance under the Indian Registration Act by paying prescribed stamp duty, registration fees and other charges if any.

After completing of all the above formalities the Bank gives credit loan amount to the account of the borrowers. All necessary particulars should be noted in the concerned register maintained

for the purpose.

After issue of loan there is a need for follow up for regular and prompt recovery of loan instalments. In the case of advances sanctioned against the security of plant, hypothecation of goods etc. the officers of the Bank pays a visit to the place of borrowers at least once in four months to ensure that the borrower utilised the loan amount for the purpose for which it is sanctioned, whether he is observing all the terms and conditoinis imposed by the Bank and the security offered by him is intact. In the case of credit limit it must be ascertained from the books of accounts that the operation of the account is made satisfactorily and payment of interest is also made regularly and in time. The Bank has appointed efficient staff for supervision purposes.

Lastly the Bank has appointed supervisory staff for recovery of loans. A great deal of reliance is placed on the loans directors for recovery of loans and superviosrs gives reports on these inspections. The reports are prepared in a prescribed proforma and submitted to the board of directors through the executive officers.

5.4 PURPOSEWISE CLASSIFICATION OF LOANS & ADVANCES :

Urban banks are traditionally inclined to grant loans for certain limited purposes and have been advised to maintain a purposewise register in the following proforma showing the loans and advances outstanding.

(1) Industry -

- a) Small Scale Industries.
- b) Others.

(2) Trade -

- a) Wholesale trade.
- b) Retail trade.

(3) Professional and self-employed artisans and craftsmen.**(4) Transport operators.****(5) Education.****(6) Constructions and/or repairs to building etc.****(7) Agriculture -**

- a) Agriculture loans
- b) Activities allied to agriculture.

(8) Consumption/commercial purpose.**(9) Repayment of prior debts.****(10) Others -**

medical expenses, purchase of domestic requirements etc.

The Ajara Urban Co-operative Bank Ltd.,

Ajara issued loans for following purposes.

- (1) Small Scale Industries.
- (2) Trade and Commerce.
- (3) Professional and self employed persons
- (4) Transport operators.
- (5) Constructions and/or repairs to building.
- (6) Education.
- (7) Agriculture & Activities allied to agriculture.
- (8) Others -

Ceremonial and Consumption.

The analytical study of purpose-wise loans and advances in eight categories is given below

(a) LOANS FOR SMALL SCALE INDUSTRIES :

Small Scale Industries units are those engaged in the manufacturing, processing or preservation of goods.

Units financed by urban co-operative banks under the 22 broad groups of Industries listed dated 17th Dec. 1982 will be covered under these categories. Some of these are -

- 1) Plying and tanning.
- 2) Leather goods.

- 3) Pottery
- 4) Hand pounding of paddy and cereals.
- 5) Oil Crushing.
- 6) Cane gur and khandasari.
- 7) Handicraft Industries.
- 8) General Engineering.
- 9) Consumption Material.
- 10) Sericulture, Coir.
- 11) Cotton textiles and other textiles.
- 12) Printing, Book Binding etc.

The Table No. 5.1 shows the position of loan sanctioned to small scale industrial units during the last five years period.

The table shows that the loan sanctioned to small scale industrial units is increased from Rs.11556 thousand in 1989-90 to Rs. 18656 thousand in 1993-94 and number of borrower accounts also increased from 1691 in 1989-90 to 1827 in 1993-94.

The share of loans to small scale industrial units in the total loan outstanding is decreased from 8.74 in 1989-90 to 7.62 in 1993-94. and the share in total working capital also decreased from 4.91% in 1989-90 to 4.34% in 1993-94.

TABLE No. 5.1
 POSITION OF LOAN SANCTIONED TO SMALL SCALE INDUSTRIAL UNITS
 BY THE AJARA URBAN CO-OPERATIVE BANK LTD., AJARA.

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstanding % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|----------------|------------------------------------|--|---|-----------------------------------|---------------------------------|-------------------------------|
| 1989-90 | 1691 | 11556 | 6834 | 132128 | 8.74 | 235013 | 4.91 |
| 1990-91 | 1616 | 12941 | 8008 | 163823 | 7.89 | 278762 | 4.64 |
| 1991-92 | 2072 | 14861 | 7172 | 186028 | 7.98 | 302830 | 4.90 |
| 1992-93 | 1521 | 16970 | 11157 | 216470 | 7.83 | 367303 | 4.62 |
| 1993-94 | 1827 | 18656 | 10211 | 244735 | 7.62 | 429120 | 4.34 |

SOURCE - COMPLIED FROM ANNUAL REPORT OF THE BANK.

The Bank has given highest loans and advances to the members in the year 1993-94 during the period under study.

(b) LOANS FOR TRADE & COMMERCE PURPOSE :

Under the bye-laws of the Bank the bank sanctions loan for trade and commercial purpose such as small businessman, small traders, commission agents etc.

The table No. 5.2 shows the position of loans and advances for the trade and commerce purpose for the last five years.

The table shows that the loans and advances for trade and commerce purpose increased from 3,27,56,000 to 9,58,57,000 (from 1990 to 1994) and the number of borrower accounts also increased from 3692 to 9622 and loans outstanding to each account also increased from Rs. 8872 in 1989-90 to 9962 in 1993-94 except 1991-92 and 1992-93.

The share of Trade and Commerce purpose loans and advances in the total loan outstanding increased from 24.79 in 1989-90 to 39.16 in 1993-94 but the share in the total working capital decreased from 13.93 to 11.16 but again it increased upto 22.33 in 1993-94.

TABLE No. 5.2

TABLE SHOWING THE POSITION OF TRADE AND COMMERCE PURPOSE

LOANS FROM 1989-90 to 1993-94

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstanding % | Working capital Rs. in thousand | Share in working Capital in % |
|--------------------|----------------|------------------------------------|--|---|-----------------------------------|---------------------------------|-------------------------------|
| 1989-90 | 3692 | 32756 | 8872 | 132128 | 24.79 | 235013 | 13.93 |
| 1990-91 | 3558 | 32085 | 9018 | 163823 | 19.58 | 278762 | 11.50 |
| 1991-92 | 4078 | 33798 | 8288 | 186028 | 18.16 | 302830 | 11.16 |
| 1992-93 | 8631 | 72853 | 8441 | 216470 | 33.65 | 367303 | 19.83 |
| 1993-94 | 9622 | 95857 | 9962 | 244735 | 39.16 | 429120 | 22.33 |

SOURCE - COMPILED FROM ANNUAL REPORT OF THE BANK.

(c) PROFESSIONAL AND SELF EMPLOYMENT PURPOSE :

The Bank is trying to solve the employment problem by providing loans to the educated unemployed and self-employed persons and professionals such as doctors, lawyers, chartered accountants, etc. Professionals and self employed persons are those whose borrowing limits do not exceed Rs. 2 lakhs of these the maximum Rs. 1 lakh should be utilised for working capital requirements.

The table No. 5.3 indicates the position of loan sanctioned to professionals and self employed persons.

The table No. 5.3 shows that the loans for professional and self employment purposes increased from 15928 thousand in 1989-90 to 36612 thousand in 1993-94 and the number of borrower accounts in 1989-90 is 2084 and 45.15 in 1992-93 which is lowest and highest in this period respectively. The loan to each account is highest in 1991-92.

The share of loans to professional and self employment purpose in the total loan outstanding is highest in 1992-93 i.e. 16.05%.

TABLE No. 5.3

TABLE SHOWING THE POSITION OF PROFESSIONAL
AND SELF EMPLOYMENT PURPOSE LOANS FROM 1990 to 1994.

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstand ing % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|-------------------|---|--|--|--|--|--|
| 1989-90 | 2084 | 15928 | 7643 | 132128 | 12.05 | 235013 | 6.77 |
| 1990-91 | 3249 | 26031 | 8012 | 163823 | 15.88 | 278762 | 9.33 |
| 1991-92 | 2387 | 21591 | 9045 | 186028 | 11.60 | 302830 | 7.13 |
| 1992-93 | 4515 | 34758 | 7798 | 216470 | 16.05 | 367303 | 9.46 |
| 1993-94 | 4124 | 36612 | 8878 | 244735 | 14.95 | 429120 | 8.53 |

SOURCE - COMPLIED FROM ANNUAL REPORT OF BANK

The share of loans to professional and self employment purpose in the total working capital shows trends in this five years period fluctuating.

(d) TRANSPORT PURPOSE :

The bank has also provided loans and advances for Transport purpose.

The Table No. 5.4 shows the position of loans and advances for transport purpose and number of borrowers during the period of last five years.

The Table No. 5.4 shows that the loans for transport purpose have increased from Rs.16476 thousand in 1989-90 to 40739 thousand in 1993-94. and the No.of borrower accounts also increased from 471 in 1989-90 to 707 in 1993-94 except 495 in 1992-93.

The loans and advances outstanding of each account increased from Rs. 34981 in 1989-90, 77662 in 1992-93 again it is decreased upto Rs. 57622 in 1993-94.

The share of loan for transport purpose in the total loan is highest in 1991-92 i.e. 21.12% but it is decreased upto 16.64% in 1993-94.

TABLE No. 5.4

TABLE SHOWING THE POSITION OF LOANS AND ADVANCES
FOR TRANSPORT PURPOSE

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstanding % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|----------------|------------------------------------|--|---|-----------------------------------|---------------------------------|-------------------------------|
| 1989-90 | 471 | 16476 | 34981 | 132128 | 12.46 | 235013 | 7.01 |
| 1990-91 | 450 | 28125 | 62500 | 163823 | 17.16 | 278762 | 10.08 |
| 1991-92 | 537 | 39304 | 73192 | 186028 | 21.12 | 302830 | 12.97 |
| 1992-93 | 495 | 38443 | 77662 | 216470 | 17.75 | 367303 | 10.46 |
| 1993-94 | 707 | 40739 | 57622 | 244735 | 16.64 | 429120 | 9.49 |

SOURCE - COMPILED FROM ANNUAL REPORT OF THE BANK.

The share of the loan in working capital⁹³ is lowest in 1989-90 and highest in 1991-92.

(e) HOUSE CONSTRUCTION PURPOSE :

The Bank sanctions loans and advances for House construction and repairs purpose such as construction of new house, repairs of old one etc.

The table No. 5.5 shows the loan sanctioned by the Bank for House Constructions and repairs purpose and number of borrow on during the period of last five years.

The table shows that the loans for House Construction purpose is decreasing from 10011 thousand in 1989-90 to 5195 thousand in 1992-93, but again it increased upto Rs. 5796 thousand in 1993-94 and the number of borrowers accounts are highest in the year 1991-92 but they are tremendously decreased upto 107 in 1992-93 and 140 in 1993-94.

The share of loans to House Construction purpose in the total loan outstanding is decreased from 7.57 in 1989-90 to 2.36 in 1993-94, and the share in working capital also decreasing from 4.25 in 1989-90 to 1.33 in 1993-94.

TABLE No. 5.5

TABLE SHOWING THE POSITION OF LOANS & ADVANCES FOR

HOUSE CONSTRUCTION PURPOSE

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstanding % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|----------------|------------------------------------|--|---|-----------------------------------|---------------------------------|-------------------------------|
| 1989-90 | 1622 | 10011 | 6172 | 132128 | 7.57 | 235013 | 4.25 |
| 1990-91 | 1776 | 9945 | 5600 | 163823 | 6.07 | 278762 | 3.56 |
| 1991-92 | 1753 | 9538 | 5441 | 186028 | 5.12 | 302830 | 3.14 |
| 1992-93 | 107 | 5195 | 48551 | 216470 | 2.39 | 367303 | 1.41 |
| 1993-94 | 140 | 5796 | 41400 | 244735 | 2.36 | 429120 | 1.33 |

SOURCE - ANNUAL REPORTS OF BANK.

Loans outstanding to each account is decreasing from Rs. 6172 in 1989-90 to 5441 in 1991-92 but it is tremendously increased upto Rs. 48551 in 1992-93 and Rs. 41400 in 1993-94.

(f) EDUCATIONAL PURPOSE :

Under this purpose the bank has sanctioned loans and advances to the poor but intelligent and needy students.

The following Table shows the position of the loans for educational purpose during the period of last five years.

The table No. 5.6 the loan sanctioned for educational purpose shows the fluctuating trend in the five years period and the number of borrowers accounts also shows fluctuating trend in the last five years.

The share of loans to education in the total loan outstanding is highest in 1990-91 i.e. 3.92% and lowest in 1992-93 i.e. 0.97% in the five year, and the share in working capital is also highest in 1990-91 i.e. 2.30% and lowest in 1992-93 i.e. 0.57%.

The loans outstanding to each account shows the fluctuating trend in the last five years.

TABLE No. 5.6

TABLE SHOWING THE POSITION OF EDUCATION
PURPOSE LOANS & ADVANCES

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstand ing % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|-------------------|---|--|--|--|--|--|
| 1989-90 | 1027 | 3024 | 2944 | 132128 | 2.28 | 235013 | 1.28 |
| 1990-91 | 2130 | 6424 | 3016 | 163823 | 3.92 | 278762 | 2.30 |
| 1991-92 | 1524 | 5878 | 3857 | 186028 | 3.15 | 302830 | 1.94 |
| 1992-93 | 646 | 2103 | 3255 | 216470 | 0.97 | 367303 | 0.57 |
| 1993-94 | 791 | 3014 | 3810 | 244735 | 1.23 | 429120 | 0.70 |

(g) AGRICULTURE AND ACTIVITIES ALLIED
TO AGRICULTURE PURPOSE :

The Bank sanctions a loan and advances for agriculture and Activities Allied to Agriculture especially for water pipe lines, poultry, dairy, animal husbandry, fisheries and purchase of electric motors etc. The bank has granted loans and advances to the small borrowers and economically weak farmers.

The table No. 5.7 shows that the loans sanctioned for Agriculture and Activities allied to agriculture purpose is increased from Rs. 22534 in 1989-90 to 30664 in 1991-92 but again it is decreased upto Rs. 25536 in 1993-94. The number of borrower accounts shows the fluctuating trend in the last five years.

The share of loan to agriculture purpose in the total loan outstanding is decreased from 7.05% in 1989-90 to 10.43% in 1993-94 except 17.35% in 1990-91 and the share in total working capital also decreased from 9.58% in 1989-90 to 5.95 in 1993-94 except 10.20% and 10.12% in 1990-91 and 1991-92 respectively.

The loan outstanding to each account shows up and down trends in the period under study.

TABLE NO. 5.7

TABLE SHOWING THE POSITION OF LOANS AND ADVANCES FOR
AGRICULTURE & ACTIVITIES ALLIED TO AGRICULTURE PURPOSE

| YEAR | No. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstand ing % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|-------------------|---|--|--|--|--|--|
| 1989-90 | 2299 | 22534 | 9802 | 132128 | 17.05 | 235013 | 9.58 |
| 1990-91 | 4351 | 28438 | 6536 | 163823 | 17.35 | 278762 | 10.20 |
| 1991-92 | 4029 | 30664 | 7611 | 186028 | 16.48 | 302830 | 10.12 |
| 1993-93 | 5261 | 28353 | 5389 | 216470 | 13.09 | 367303 | 7.72 |
| 1993-94 | 4113 | 25536 | 6209 | 244735 | 10.43 | 429120 | 5.95 |

SOURCE - COMPILED FROM ANNUAL REPORT OF THE BANK.

(h) OTHER PURPOSES :

The Bank sanctions loans and advances for other purposes also. It does not consist the purposes discussed earlier in this chapter. Such types of loans are sanctioned for household purposes.

The Table No. 5.8 shows the position of the loan for other purposes during the period of last five years.

The loan sanctioned for other purposes shows the trend in the last five year and the number of borrower accounts also shows the ups and down trend in the last five year.

The share of loan to other purposes in the total loan outstanding is decreased from 15.01% in 1989-90 to 7.56% in 1993-94 except 16.33% in 1991-92.

The loan outstanding to each account is increased from Rs. 2956 in 1989-90 to 6107 in 1992-93, but it is decreased upto Rs. 5985 in 1993-94.

TABLE NO. 5.8

TABLE SHOWING THE POSITION OF LOANS AND ADVANCES
FOR OTHER PURPOSES

| YEAR | NO. of Account | Loans out standing Rs. in thousand | Loan Out standing to each account Rs. thousand | Total Loan out standing Rs. in thousand | Share in total Loan outstand ing % | Working capital Rs. in thousand | Share in working Capital in % |
|---------|-------------------|---|--|--|--|--|--|
| 1989-90 | 6714 | 19844 | 2956 | 132128 | 15.01 | 235013 | 8.44 |
| 1990-91 | 4571 | 19834 | 4339 | 163823 | 12.10 | 278762 | 7.11 |
| 1991-92 | 6103 | 30394 | 4980 | 186028 | 16.33 | 302830 | 10.03 |
| 1992-93 | 2914 | 17795 | 6107 | 216470 | 8.22 | 367303 | 4.94 |
| 1993-94 | 3095 | 18525 | 5985 | 244735 | 7.56 | 429120 | 4.31 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

5.5 AMOUNT WISE DISTRIBUTION OF LOANS & ADVANCES

In order to enforce greater discipline on the part of urban banks to lend a fair share of the small borrowers and weaker sections, the Reserve Bank of India laid down some stipulations such as financing selected low income groups under the scheme of differential rates of interest.

the limits fixed by the bye-laws of The Ajara Urban Co-operative Bank Ltd, Ajara should be made flexible enough so that the bank will be able to grant loans to their members to meet their genuine requirements at least upto the limits prescribed in the Reserve Banks directives, without approach the Registrar of Co-operative Societies in the individual cases for permission to enhance the limits prescribed in the bye-laws.

The loan outstanding shows fluctuating trend with in this limit. But the no. of borrowers account increased from 13365 in 1989-90 to 14457 in 1992-93 but again it decreased up to 13020.

The share in total loan outstanding and working capital is decreased from 21.88% and 12.30% in 1989-90 to 15.34% and 9.42% in 1991-92 but again it increased upto 21.07% and 12.42% in 1992-93.

TABLE No. 5.9
TABLE SHOWING THE POSITION OF LOANS & ADVANCES

UPTO Rs. 5,000/-

| YEAR | No. of Account standing | Loan out Rs. in Thousand | Total loan outstanding Rs. in Thousand | Share in total loan outstanding | Working Capital | Share in Working capital |
|---------|----------------------------|--------------------------------|---|---------------------------------------|--------------------|--------------------------------|
| 1989-90 | 13365 | 28913 | 132128 | 21.88 | 235013 | 12.30 |
| 1990-91 | 13942 | 29885 | 163823 | 18.24 | 278762 | 10.72 |
| 1991-92 | 13968 | 28542 | 186028 | 15.34 | 302830 | 9.42 |
| 1992-93 | 14457 | 45617 | 216470 | 21.07 | 367303 | 12.42 |
| 1993-94 | 13020 | 43222 | 244735 | 17.66 | 429120 | 10.07 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

The table no. 5.10 shows the loan outstanding in this limit shows the fluctuating trend but it is highest in 1993-94 i.e. 39145 thousand. The no.of borrowers account is increased from 4277 in 1989-90 to 6391 in 1993-94.

The share in total loan outstanding is decreased from 21.86 in 1989-90 to 13.58% in 1992-93 but again it increased upto 15.99% in 1993-94. The share in working capital also decreased from 12.29% in 1989-90 to 8% in 1992-93 but again it is increased upto 9.12% 1993-94.

The table No. 5.11 shows that the loan outstanding increased from 24609 thousand in 1989-90 to 41432 thousand in 1993-94. The no.of borrowers accounts also increased from 1206 in 1989-90 to 3486 in 1993-94.

The share in total loan outstanding fluctuating trend in these five years as it is highest in 1992-93 i.e. 18.45% The share in working capital also shows fluctuating trend it is also highest in 1992-93 i.e. 10.87%.

The Table No. 5.12 shows the loan outstanding is increased from 17585 in 1989-90 to 26110 in 1993-94 except 22832 in 1992-93. Total no.of borrowers accounts are highest in 1991-92.

TABLE No. 5.10
TABLE SHOWING THE POSITION OF LOANS & ADVANCES

FROM Rs. 5,001 TO 10,000/-

| YEAR | No. of Account standing | Loan out Rs. in Thousand | Total loan outstanding Rs. in Thousand | Share in total loan outstanding | Working Capital | Share in Working capital |
|---------|-------------------------------|--------------------------------|---|---------------------------------------|--------------------|--------------------------------|
| 1989-90 | 4277 | 28890 | 132128 | 21.86 | 235013 | 12.29 |
| 1990-91 | 4641 | 32837 | 163823 | 20.04 | 278762 | 11.78 |
| 1991-92 | 4796 | 31030 | 186028 | 16.68 | 302830 | 10.25 |
| 1992-93 | 5291 | 29389 | 216470 | 13.58 | 367303 | 8.00 |
| 1993-94 | 6391 | 39145 | 244735 | 15.99 | 429120 | 9.12 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

TABLE No. 5.11

TABLE SHOWING THE POSITION OF LOANS & ADVANCES

FROM Rs.10,001 TO 25,000/-

| YEAR | No. of Account | Loan out standing Rs. in Thousand | Total loan outstanding Rs. in Thousand | Share in total loan outstanding | Working Capital | Share in Working capital |
|---------|----------------|---|---|---------------------------------------|--------------------|--------------------------------|
| 1989-90 | 1206 | 24609 | 132128 | 18.22 | 235013 | 10.47 |
| 1990-91 | 2004 | 28227 | 163823 | 17.30 | 178762 | 10.13 |
| 1991-92 | 2199 | 32431 | 186028 | 17.43 | 302830 | 10.71 |
| 1992-93 | 2841 | 39937 | 216470 | 18.45 | 367303 | 10.87 |
| 1993.94 | 3486 | 41432 | 244735 | 16.93 | 429120 | 9.66 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

TABLE No. 5.12

TABLE SHOWING THE POSITION OF LOANS & ADVANCES

FROM Rs.25,001 TO 50,000/-

| YEAR | No. of Account standing | Loan out Rs. in Thousand | Total loan outstanding Rs. in Thousand | Share in total loan outstanding | Working Capital | Share in Working capital |
|---------|-------------------------------|--------------------------------|---|---------------------------------------|--------------------|--------------------------------|
| 1989-90 | 500 | 17585 | 132128 | 13.31 | 235013 | 7.48 |
| 1990-91 | 667 | 23636 | 163823 | 14.43 | 278762 | 8.48 |
| 1991-92 | 1027 | 24659 | 186028 | 13.26 | 302830 | 8.14 |
| 1992-93 | 900 | 22832 | 216470 | 10.55 | 367303 | 6.22 |
| 1993-94 | 835 | 26110 | 244735 | 10.67 | 429120 | 6.08 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

The share in total loan outstanding and working capital shows fluctuating trend in these five year, as it is highest in 1990-91 i.e. 14.43% and 8.48% respectively.

The table No. 5.13 shows the loan outstanding is increased from 10607 in 1990-91 to 30590 in 1993-94 and the no.of borrowers account also increased from 147 in 1989-90 to 379 in 1993-94.

The share in total loan outstanding is increased from 8.03% in 1989-90 to 12.50% in 1993-94 and the share in working capital also increased from 4.51% in 1989-90 to 7.12% in 1993-94.

The table No. 5.14 shows that the loan outstanding in this limit is increased from 21524 in 1989-90 to 64236 in 1993-94 and the no.of borrowers account also increased from 25 in 1989-90 to 308 in 1993-94.

But the share in total loan outstanding shows the ups and down trend in this limit. The share in working capital also shows the fluctuating trend.

TABLE No. 5.13
 TABLE SHOWING THE POSITION OF LOANS & ADVANCES
 FROM Rs.50,001 TO 1,00,000/-

| YEAR | No. of Account standing | Loan out Rs. in Thousand | Total loan outstanding Rs. in Thousand | Share in total loan outstanding | Working Capital | Share in Working capital |
|---------|-------------------------------|--------------------------------|---|---------------------------------------|--------------------|--------------------------------|
| 1989-90 | 147 | 10607 | 132128 | 8.03 | 235013 | 4.51 |
| 1990-91 | 283 | 15245 | 163823 | 9.31 | 278762 | 5.47 |
| 1991-92 | 298 | 18371 | 186028 | 9.88 | 302830 | 6.07 |
| 1992-93 | 352 | 24813 | 216470 | 11.46 | 367303 | 6.75 |
| 1993-94 | 379 | 30590 | 244735 | 12.50 | 429120 | 7.12 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

TABLE No. 5.14
TABLE SHOWING THE POSITION OF LOANS & ADVANCES
FOR MORE THAN 1,00,000/-

| YEAR | No. of Account | Loan out standing Rs. in Thousand | Total loan outstanding Rs. in Thousand | Share in total loan outstanding | Working Capital | Share in Working capital |
|---------|----------------|---|---|---------------------------------------|--------------------|--------------------------------|
| 1989-90 | 25 | 21524 | 132128 | 16.29 | 235013 | 9.16 |
| 1990-91 | 164 | 33994 | 163823 | 20.75 | 278762 | 12.19 |
| 1991-92 | 195 | 50995 | 186028 | 27.41 | 302830 | 16.84 |
| 1992-93 | 249 | 53882 | 216470 | 24.89 | 367303 | 14.67 |
| 1993-94 | 308 | 64236 | 244735 | 26.25 | 429120 | 14.97 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

5.6 PERIODWISE AND SECURITY WISE LOANS AND ADVANCES

After considering the purposewise and securitywise loans and advances of the Bank, researcher felt it necessary to study the periodwise and securitywise loans and advances of the Bank and their performances.

Table No. 5.15 shows the position of short-term, secured and unsecured loans and advances of The Ajara Urban Co-operative Bank Ltd., Ajara from 1989-90 to 1993-94.

The Table No. 5.15 shows the short term loans outstanding is increased from 84212 thousand in 1989-90 to 126033 thousand in 1993-94. But the share in Total loan outstanding is decreasing from 63.73% in 1989-90 to 51.50% in 1993-94 except 57.68 in 1991-92.

Share of secured loans outstanding in total loan outstanding is more than 50% in the period under study except 46% in 1993-94. But it is decreased from 59.50% in 1989-90 to 46% in 1993-94.

Table No. 5.16 shows that the Medium Term Loan outstand is increased from Rs.38668 thousand in

TABLE No. 5.15

TABLE SHOWS THE POSITION OF SHORT TERM, SECURED & UNSECURED LOANS & ADVANCES

| YEAR | LOANS OUTSTAND- ING Rs. in Thousand | TOTAL LOAN OUTSTAND- ING Rs. in Thousand | SHARE IN TOTAL LOAN OUTSTAND- ING Rs. THOUSAND | SECURED LOANS OUTSTAND- ING Rs. THOUSAND | SHARE IN TOTAL LOAN OUT STANDING | UNSECURED LOANS OUTSTAND- ING Rs. in THOUSAND | SHARE IN TOTAL LOAN OUT STANDING |
|---------|--|---|---|--|---|---|---|
| 1989-90 | 84212 | 132128 | 63.73 | 78620 | 59.50 | 5592 | 4.23 |
| 1990-91 | 94235 | 163823 | 57.52 | 88085 | 53.77 | 6150 | 3.75 |
| 1991-92 | 107304 | 186028 | 57.68 | 100568 | 54.06 | 6736 | 3.62 |
| 1992-93 | 122519 | 216470 | 56.60 | 113225 | 52.31 | 9294 | 4.29 |
| 1993-94 | 126033 | 244735 | 51.50 | 112570 | 46.00 | 13463 | 5.50 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

TABLE N. 5.16
 TABLE SHOWING POSITION OF MEDIUM TERM, SECURED AND UNSECURED
 LOANS AND ADVANCES FROM 1989-90 TO 1993-94.

| YEAR | LOANS OUTSTAND- ING Rs. In THOUSAND | TOTAL LOANS OUTSTANDING Rs.in THOUSAND | SHARE IN | | SECURED | | UNSECURED | | SHARE IN TOTAL LOAN OUTSTAN DING Rs inThous and |
|---------|--|---|---------------------------|---|--|--|-----------|--|---|
| | | | TOTAL LOAN OUTSTANDING | SECURED LOANS OUT- STANDING Rs.in Thousand | TOTAL LOANS OUTSTAND- ING Rs. inThousand | UNSECURED LOANS OUTSTAND- ING Rs. inThousand | | | |
| 1989-90 | 38668 | 132128 | 29.27 | 34789 | 26.33 | 3879 | 2.94 | | |
| 1990-91 | 49829 | 163823 | 30.42 | 45803 | 27.96 | 4026 | 2.46 | | |
| 1991-92 | 50910 | 186028 | 27.37 | 46417 | 24.95 | 4493 | 2.42 | | |
| 1992-93 | 58790 | 216470 | 27.16 | 50837 | 23.49 | 7953 | 3.67 | | |
| 1993-94 | 78086 | 244735 | 31.91 | 65693 | 26.84 | 12393 | 5.07 | | |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

1989-90 to Rs. 78086 thousand in 1993-94. But the share in total loan outstanding shows ups and down trend in these five years.

The share of secured medium term loans in total loan outstanding shows fluctuating trend in the last five years. It is highest in 1990-91 i.e 27.96% and lowest in 1992-93 i.e. 23.49%.

The share of unsecured Medium Term Loans is decreased from 2.94% in 1989-90 to 2.42% in 1991-92 but again it increased upto 5.07% in 1993-94.

Table No. 5.17 shows that the long term loans outstanding increased from Rs. 9248 thousand in 1989-90 to Rs. 40616 thousand in 1993-94. The share of long term loans in total loan outstanding is also increased from 7% in 1989-90 to 61.60% 1993-94.

5.7 PERIOD FOR LOANS AND RATE OF INTEREST ON LOANS AND ADVANCES :

The Board of Director shall sanction loan to the following limit to member and non-members. As per the bye-laws of The Ajara Urban Co-operative Bank Ltd., Ajara. (See Table No. 5.18)

TABLE N. 5.17

TABLE SHOWING POSITION OF LONG TERM, SECURED AND UNSECURED
LOANS AND ADVANCES FROM 1989-90 TO 1993-94.

| YEAR | LOANS OUTSTAND ING Rs. In THOUSAND | TOTAL LOANS OUTSTANDING Rs.in THOUSAND | SHARE IN SECURED | | SHARE IN UNSECURED | | SHAREIN TOTAL LOAN OUTSTAN DING Rs in Thousand |
|---------|---|---|---|--|--|---|---|
| | | | TOTAL LOAN OUTSTANDING Rs.in Tousand | LOANS OUT STANDING Rs.in Tousand | TOTAL LOANS OUTSTAND ING Rs. inTousand | LOANS OUTSTAND ING Rs. inTousand | |
| 1989-90 | 9248 | 132128 | 7.00 | 9248 | 7.00 | -- | -- |
| 1990-91 | 19759 | 163823 | 12.06 | 19759 | 12.06 | -- | -- |
| 1991-92 | 27814 | 186028 | 14.95 | 27814 | 14.95 | -- | -- |
| 1992-93 | 35161 | 216470 | 16.24 | 35161 | 16.24 | -- | -- |
| 1993-94 | 40616 | 244735 | 16.60 | 40616 | 16.60 | -- | -- |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

TABLE No. 5.18

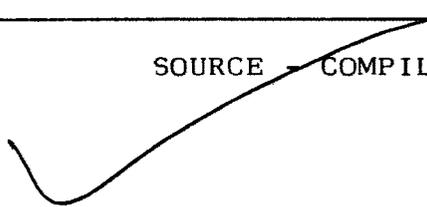
TABLE SHOWING THE PERIOD FOR LOANS AND
RATES OF INTEREST ON LOANS

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| Sr.No. | Types of Loan | Maximum Limit to the Individual Member | Month (Max. Period) | Rate of Interest |
|--------|-------------------------------------|--|---------------------|------------------------------|
| 1 | Personal Guarantee Loans | 10,000 | 12 | 15 |
| 2) | Personal Guarantee Instrument Loans | 10,000 | 35 | 15 |
| 3) | Loan on Mortgage Urban | 1,00,000 | 35 | 15 |
| | Rural | 75,000 | 35 | 15 |
| 4) | Hypothecation loans | 50,000 | 12 | 15 |
| 5) | Hypothecation Cash Credit Loan | 50,000 | 12 | 15 |
| 6) | Loans on Govt. Security | 50% of the Value | 12 | 15 |
| 7) | Loan on Fixed Deposit | 85% of the value | 12 | 2% above the Int. Rate On FD |
| 8) | Loan on Godown Receipt | 1,00,000 | 12 | 15 |
| 9) | Gold Loan | 75% of the value | 12 | 15 |
| 10) | Allied Agricultural Loan | 10,000 | 12 | 15 |
| 11) | Machinery loan (Hire purchase)(New) | 75% of value | | 16 |
| | Old upto 5 years old | 60% of value | 36 | 15 |
| | More than 5 year old | 50% of Value | 36 | 15 |
| 12) | Industrial Machinery Loan | | | |
| | Small Scale Industrial Loan | | | |
| | New Machinery | | | |
| | More than 5 lakh | 75% of value | 90 | 17 |
| | 2 lacs to 5 lacs | 75% of value | 90 | 16 |

| | | | | |
|-----|--|------------------|---------------------|----|
| | Less than 2 lacs | 75% of value | 60 | 15 |
| | Second/Old Machinery | | | |
| | Less than 5 yers old | 60% | 48 | 15 |
| | 5 to 10 yers. old | 50% | 36 | 15 |
| | More than 10 yrs. (or 75000 whichever is less) | 50% | 36 | 15 |
| 13) | Salary loan | | | |
| | a) To Employees of Bank | | | |
| | Peon | 12000 | 35 | 10 |
| | Clerk | 15000 | 35 | 10 |
| | Manager | 20000 | 35 | 10 |
| | b) To other salary earners | 40% of Salary | 35 | 15 |
| 14) | Educational loan | | 20000 UPTO 4 yrs | 10 |
| | | & 15000 | Morethan 10 yrs. | 15 |
| 15) | Housing Loan (Staff) | | | |
| | Peon | 100000 | 20 Yrs | 10 |
| | Clerks | 125000 | 20 yrs | 10 |
| | Manager | 150000 | 20 yrs | 10 |

SOURCE - COMPILED FROM RECORDS OF THE BANK



5.8 OVERDUES AND RECOVERY OF LOANS :

After having studied the loans and advances of the bank, the study of recovery of loans is also important. In this respect the nature of overdues with trend and action taken by the bank for the recovery of loans is essential.

The banks are expected to make full provision in respect of estimated erosion in the value of their assets which include bad and doubtful debts as well as other assets considered doubtful of realisation. The bank sanctioned loans to members to obtain better business derive better income. So prompt recovery is essential, proper steps should be taken for bringing down the overdues.

The following classes of loans are known as overdues :-

- (1) Advances which are treated Bad or Doubtful of recovery.
- (2) The amount of term loan instalments which have become due and remained unpaid.
- (3) A loan which has remained unpaid though it is due for repayment.

Adjustment of Recoveries and Calculation
of overdues :-

All recoveries effected in the short term and medium term loan account should be adjusted first towards repayment of interest demand and only the balance amount should be adjusted towards repayment of principal. This presupposes that the bank should go on working out interest in the loan account at regular intervals on the basis of daily products and continue to recover interest as and when repayments are received. The unrealised interest if any would be treated as "Overdue Interest".

Action Taken by the Bank :-

A sound recovery system should be followed by bank for recovering old overdues, current overdues and outstanding loans and advances. For this purpose, Bank should keep constant touch with defaulting members. Overdues are the main obstracles in the ways of financial growth of the bank. Mounting overdues retards the progress and the borrowing capacity of a bank.

The performance of The Ajara Urban Co-operative Bank Ltd., Ajara in the matter of

recovery of dues is fairly satisfactory.

The following table shows the position of over dues from 1989-90 to 1993-94.

TABLE No. 5.19

TABLE SHOWING THE POSITION OF OVER DUES OF
THE AJARA URBAN CO-OPERATIVE BANK LTD.
FROM 1989-90 to 1993-94.

(Rs. in thousand)

| YEAR | LOAN OUTSTANDING | OVERDUES AMOUNT | % OF OVER DUES | SECURED OVERDUES | UNSECURED OVERDUES |
|------|---------------------|--------------------|----------------------|---------------------|-----------------------|
| 1990 | 132128 | 1897000 | 1.44 | 1568 | 329 |
| 1991 | 163823 | 3399902 | 2.07 | 2853 | 546 |
| 1992 | 186028 | 2960 | 1.59 | 2541 | 419 |
| 1993 | 216470 | 6424 | 2.97 | 5794 | 630 |
| 1994 | 244735 | 7443 | 3.04 | 6882 | 561 |

SOURCE - COMPILED FROM ANNUAL REPORTS OF THE BANK.

The table No. 5.19 shows that in 1990 the amount of over dues was 1897 thousand and in 1994 it is increased upto 7443 thousand Rs.

The percentage of overdues against loan outstanding was 1.44% in 1990 but it is increased upto 3.04% in 1994.

Out of Rs. 1897 thousand overdues in 1990, Rs 1568 thousand (82.66%) overdues are secured on 329 thousand Rs. (17.34%) overdues are unsecured whereas in 1994 out of 7843 thousand Rs. overdues Rs, 6282 thousand (92.46%) overdues are secured and Rs. 561 thousand overdues are unsecured (7.54%).

The periodwise overdues can also be studied from the data given in the Table No.5.20.

The table No. 5.20 shows that number of borrowers having over dues of the Ajara Urban Co-operative Bank Ltd., Ajara shows ups and down trend. No. of defaulters in 1989-90 were 254 and in 1993-94 it was increased upto 459. The highest no.of defaulters were in 1992-93 i.e 531.

The amount of over dues upto 1 year amounted to Rs. 17.12 thousand in 1989-90. This amount is increased upto Rs. 5464 thousand in 1992-93 but again it is decreased upto Rs. 3649 thousand in 1993-94.

The amount of over dues between 1 and 2 year is increased from Rs. 123 thousand in 1989-90 to Rs. 3328 thousand in 1993-94.

The amount of over dues between 2 and 3 years also increased from Rs. 44 thousand in 1989-90 to Rs. 408 thousand in 1993-94.

The amount of over dues above 3 years were Rs. 18 thousand in 1989-90 it is increased upto Rs. 151 thousand in 1990-91 but again it is decreased upto Rs. 58 thousand in 1993-94.

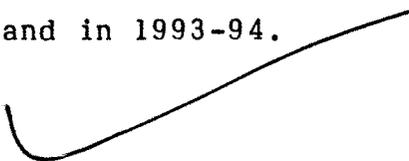


TABLE No. 5.20

TABLE SHOWING THE CLASSIFICATION OF OVERDUES BY PERIOD

(Rs. in Thousand)

| Year | Upto 1 year | | Between 1 & 2 Yr. | | Between 2 & 3 Yrs. | | Over 3 year | |
|--------------|-------------------|-----------|-------------------|------------|--------------------|------------|-------------------|------------|
| | No. of Defaulters | Amount Rs | No. of Defaulter | Amount Rs. | No. of Defaulters | Amount Rs. | No. of Defaulters | Amount Rs. |
| 1989-90 | 254 | 1897 | 174 | 1712 | 74 | 123 | 03 | 44 |
| 1990-91 | 386 | 3399 | 341 | 2708 | 35 | 481 | 06 | 58 |
| 1991-92 | 352 | 2960 | 304 | 2112 | 31 | 540 | 14 | 162 |
| 1992-93 | 531 | 6424 | 453 | 5464 | 50 | 652 | 16 | 206 |
| 1993-94 | 459 | 7443 | 332 | 3649 | 93 | 3328 | 28 | 408 |
| TOTAL | | | | | | | | |

SOURCE - COMPILED FROM ANNUAL REPORT OF THE BANK.