

CHAPTER IV

LOANS & ADVANCES

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4.1 INTRODUCTION

According to the bye-law of the Co-operative Credit Societies Act 1960, patsanstha accept various types of deposits and it has to pay interest on such deposits. Unless they invest these funds profitably, they will fail to satisfy the interest of investors. One of the most important way of investing funds is giving loans and advances and thus advancing loan to needy people residing in urban and rural areas is one of the important function of the patsanstha. This patsanstha provide loans to their members and non-members for better business, better production and help many industrial units to improve their operational performance. This is the first patsanstha to insure, its borrowers loan amount. It has helped people to escape from clutches of urban money-lenders.

Hence, in this chapter an attempt is made to study and examine the various types and purpose for which loans and advances sanctioned by the patsanstha during the period from 1998-99 to 2003-04.

4.2 PROCEDURE OF LOAN :

This patsansatha have a sound loan policy. The patsanstha formulate a procedure in regard to the process of loan applications, their securities, sanction, documentation, follow-up, supervision and control. Hence, it is the main subordinate or continuous function of the patsanstha.

After collecting all information and data, the loan proposal is submitted to the Board of Director for sanction. Proper and correct documentation policy is adopted by the patsanstha.

It is important to note that this patsanstha has not ignored the principles of safety, liquidity, profitability, purpose, and suitability for their better business. The patsanstha has introduced a healthy procedure in their working to achieve its goal of serving the weaker section of society.

4.3 TYPES AND PURPOSES OF LOAN AND ADVANCES :

The patsanstha sanctions types of loan and advances to their member for various purposes mainly commercial purpose, agricultural purpose, education purpose, house construction and for other purpose. The patsanstha charges the rate of interest according to the bye-laws of the patsanstha. The list of such loan and advances is given below :

1. Loan against Pledge
2. Loan against Properties
3. Loan on Cash credit
4. Loan on Hire purchase
5. Loan against Salary
6. Loan against Gold

7. Loan against Milk occupation

8. Loan against Deposit

For lending policy above various types of loans and advance of the patsanstha had framed in general prescribed chart as per the byelaws and the same is shown as under.

Table Showing The Position and Purposes of Types of Loan

Sr. No	Types of Loan and Advances	Maximum Amount	Period for Refund	Rate of Interest	Security	Purpose
1	Loan against Pledge	50,000	5 Yrs	15%	Only guarantee or property	Individual or other purpose
2	Loan against Property	25,00,000	20 Yrs	15%	Property	Commercial
3	Loan against Cash Credit	10,000 or 10 times of stock	3 Yrs	15%	Stock or property	Commercial
4	Loan against Hire purchase	75% of valuation of vehicle	5 Yrs	15%	vehicle	Transportation
5	Loan against Salary	50,000	5 Yrs	15%	Salary	Marriage or other purpose
6	Loan against Gold	400 for 1 g. m.	1 Yrs	11%	Gold	Commercial or Individual
7	Loan against Milk Occupation	1,00,000	3 Yrs	15%	Plot, Animal farm etc.	Agricultural ,Milk dairy
8	Loan against Deposit	80% against deposit	Before time limit of deposit	2% more than deposit	Deposit receipt	Various purpose or commercial purpose

4.3.1 Loan Against Pledge :

According to the bye-laws of the patsansthas, the patsanstha sanctions loan against pledge. Thus, a personal guarantee agrees to bind a person to pay the patsansthas amount due from borrower in the event of borrower default.

The following table shows the position of loan against pledge during the period of last six years.

The table clearly shows that there has been a significant increase in the amount of loan against pledge from Rs.25,72,030 in the year 1998-99, they have rose up to Rs.52,46,096 in the year 2003-04 and also total number of borrowers increased from 266 in the year 1998-99 to 299 in 2003-04.

Out of total loans average 1.92% are given as loan against pledge. The average rate of growth in loan against pledge was 17.01%. In the year 1999-00 and 2000-01 the rate of growth was more than the average rate of growth. On the other hand in the year 2001-02, 2002-03 and 2003-04 there was no growth in loan against pledge. It come down by Rs.3,72,262.

Table No. 4.1

Table showing Loan Against Pledge

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Pledge (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against pledge to total loan
1998-1999	266	15,23,18,416	25,72,030	-	-	9,669	1.69
1999-2000	401	21,40,51,878	44,21,951	18,49,921	71.92	11,027	2.07
2000-2001	502	28,34,57,737	69,02,416	24,80,465	56.09	13,750	2.44
2001-2002	512	31,71,77,286	65,46,673	(-)3,55,743	(-)5.15	12,786	2.06
2002-2003	377	32,60,78,185	56,18,358	(-)9,28,315	(-)14.17	14,902	1.72
2003-2004	299	33,87,78,475	52,46,096	(-)3,72,262	(-)6.62	17,545	1.54
Average					17.01		1.92

Source : Annual Report of the patsanstha

The average loan outstanding to each borrowers increased from 9669 in 1998-99 to 17,545 in 2003-04 during the period because total number of borrowers decreased from the year 1999-00 to 2003-04.

A close look of the table shows that this loan scheme has been satisfactorily implemented by the patsanstha.

4.3.2 *Loan Against Properties :*

Under the bye-laws of the patsanstha, security in the form of movable or immovable properties against which the loan is sanctioned, is the cover which can be sold or transferred to realize the due from a borrower.

The following table shows the position of loan against properties during the period of last six years,

The table indicates that loan are increased by Rs.1082.48 lakhs from Rs.436.97 lakhs to Rs.1519.46 lakhs during 1998-99 to 2003-04.

The total number of borrowers have also increased from 260 in 1998-99 to 715 in 2003-04. The percentage of loan against properties in the total loan outstanding increased from 28.68% in 1998-99 to 44.85% in 2003-04.

The average growth of properties is 25.06%. In the year 1999-00 and 2000-01 the rate of growth was more than the average growth rate on

Table No. 4.2

Table showing Loan Against Properties

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Properties (Rs.).	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against Properties to total loan
1998-1999	260	15,23,18,416	4,36,97,787	-	-	1,68,068	28.68
1999-2000	434	21,40,51,878	6,91,46,767	2,54,48,980	58.23	1,59,324	32.30
2000-2001	515	28,34,57,737	10,56,26,736	3,64,79,969	52.75	2,05,100	37.26
2001-2002	639	31,71,77,286	10,90,30,936	34,04,200	3.22	1,70,627	34.37
2002-2003	744	32,60,78,185	13,18,67,259	2,28,36,323	20.94	1,77,240	40.44
2003-2004	715	33,87,78,475	15,19,46,318	2,00,79,059	15.22	2,12,512	44.85
Average					25.06		36.31

Source : Annual Report of the patsanstha

the other hand in the year 2001-02 to 2003-04 the rate of growth was less than average rate of growth.

The average loan outstanding to each borrowers account increased from Rs.1,68,068 in the year 1998-99 to Rs.2,12,512 in 2003-04.

A close look of the table also shows that this type of loans has been continuously increased satisfactorily during the period under review.

4.3.3 *Loan on Cash Credit :*

This is another lending policy offered by the patsanstha to its commercial members for their requirement of working capital as well as for expansion of business. While sanctioning such type of lending policy patsanstha always takes securities. Hence, there is less possibility of default.

The following table will give the idea of this cash credit loans and number of borrowers during the period 1998-99 to 2003-04.

The table clearly shows that the cash credit loan rose by Rs.745.04 lakhs from 481.19 lakhs to Rs.1226.23 lakhs but number of borrowers decreased from 627 to 344 during the period of last six years and because of the average cash credit loan outstanding to each borrower increased from Rs.76,746 in the year 1998-99 to Rs.3,56,462 in the year 2003-04.

The average growth rate of cash credit loan are 18.62% till the year 2001-02 growth rate are more than the average growth rate. But in the

Table No. 4.3

Table showing Cash Credit Loans

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Cash credit (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against cash credit to total loan
1998-1999	627	15,23,18,416	4,81,19,772	-	-	76,746	31.59
1999-2000	557	21,40,51,878	7,49,20,673	2,68,00,901	55.70	1,34,507	35.00
2000-2001	476	28,34,57,737	10,06,40,883	2,57,20,210	34.32	2,11,430	35.50
2001-2002	480	31,71,77,286	12,12,53,309	2,06,12,426	20.48	2,52,611	38.22
2002-2003	400	32,60,78,185	12,65,85,088	53,31,779	4.39	3,16,463	38.82
2003-2004	344	33,87,78,475	12,26,23,189	(-)39,61,899	(-) 3.12	3,56,462	36.19
Average					18.62		35.80

Source : Annual Report of the patsanstha

year 2002-03 rate of growth was less than average growth rate and in the year 2003-04 there was no growth in cash credit loan.

Thus, under review, this type of loan facility has continuously increased during the period except in the year 2003-04.

4.3.4 Loan on Hire Purchase :

Under the bye-laws of patsanstha hire purchase loan is especially offered for transport operators. Transport vehicle or any small vehicle on which this loan is sanctioned, is hypothecated as a security.

The table reveals that Hire purchase loans risen by Rs.163.12 lakhs from Rs.387.96 lakhs in 1998-99 to Rs. 551.08 lakhs in 2003-04 but number of borrowers decreased from 369 in 1998-99 to 298 in 2003-04 and so the average hire purchase loan outstanding to the borrower has increased from Rs.1,05,140 in 1998-99 to Rs.1,84,927 in 2003-04.

The average growth of the hire purchase loan was 6.51%. From year 1999-00 to 2001-02 the rate of growth was more than the average rate of growth. In the year 2002-03 and 2003-04 there was no growth in this loan.

The average percentage of Hire purchase loan in total loan was 19.62%. From year 1998-99 to year 2003-04 it was decreased from 25.47% to 16.26%.

Table No. 4.4

Table showing Hire Purchase Loan

Year	No of A/c	Total loan outstanding (Rs.)	Hire Purchase Loan (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against Hire purchase to total loan
1998-1999	369	15,23,18,416	3,87,96,921	-	-	1,05,140	25.47
1999-2000	427	21,40,51,878	4,65,06,726	77,09,805	19.87	1,08,915	21.72
2000-2001	474	28,34,57,737	4,98,17,961	33,11,235	7.11	1,05,101	17.57
2001-2002	479	31,71,77,286	6,00,19,011	1,02,01,050	20.47	1,25,300	18.92
2002-2003	371	32,60,78,185	5,80,49,870	(-)19,69,141	(-)3.28	1,56,468	17.80
2003-2004	298	33,87,78,475	5,51,08,515	(-)29,41,355	(-)5.06	1,84,927	16.26
Average					6.51		19.62

Source : Annual Report of the patsanstha

The loan disbursement in 2001-02 is the largest amount to the extent of Rs.6,00,19,911 and maximum number of borrowers account are 479.

Thus, this type of loan has been satisfactory implemented by the patsanstha during the period except last two years.

4.3.5 Loan against Salary :

This lending policy is applicable to the people who serve in an reputed limited organisation and government servants. This loan is sanctioned on the credit note of the servant against their salary, which is taken from the organisation. The middle class people which are in need for money due to various reasons such as children education, marriage, hospital expenses etc. take advantage of this loan facility.

The following table shows that there has been a increase in the amount of loan on salary from Rs 10,35,934 in the year 1998-99 which has gone up to Rs.19,06,589 in the year 2003-04 & also total no. of borrowers increased from 75 to 103 in the period of last six years.

The average growth rate of salary loan was 12.85%. In the year 1999-00 and year 2003-04 there was no growth. And in the year 2000-01, 2002-03 the rate of growth was more than average growth. In the year 2001-02 the rate of growth was less than average rate of growth.

Table No. 4.5

Table showing Loan Against Salary

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Salary (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against salary to total loan
1998-1999	75	15,23,18,416	10,35,934	-	-	13,812	0.68
1999-2000	69	21,40,51,878	10,02,098	(-) 33,836	(-)3.26	14,523	0.47
2000-2001	105	28,34,57,737	16,09,911	6,07,813	60.65	15,332	0.57
2001-2002	98	31,71,77,286	17,81,303	1,71,392	10.64	18,176	0.56
2002-2003	116	32,60,78,185	21,30,322	3,49,019	19.59	18,364	0.65
2003-2004	103	33,87,78,475	19,06,589	(-)2,23,733	(-)10.50	18,511	0.56
Average					12.85		0.58

Source : Annual Report of the patsanstha

The average loan outstanding to each borrowers increased from 13,812 in 1998-99 to Rs.18,511 in 2003-04.

The percentage of loan against salary in the total loan outstanding has decreased from 0.68% in 1998-99 to 0.56 % in 2003-04 and the average percentage of loan against salary was 0.58.%

A close look of the table also shows that this type of loans has been not much progressive implemented by the patsanstha during the periods under review.

4.3.6 Loan Against Gold :

Under the bye-laws of the patsanstha the provision has been made to advance the loans on gold at the rate of 80% of its face value in the market.

The following table shows that the position of loan against gold during the period of last six years.

The table reveals that the loan against gold decreased by Rs.7,70,595 from Rs.21,84,302 in 1998-99 to Rs.14,13,707 in 2003-04.

The average growth rate of loan against gold was negative i.e. (-) 5.62 % because there was decrease in the amount of loan disbursement and total number of borrower also decreased from 442 in 1998-99 to 294 in 2003-04.

Table No. 4.6

Table showing Loan Against Gold

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Gold (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan Against Gold to total loan
1998-1999	442	15,23,18,416	21,84,302	-	-	4942	1.43
1999-2000	428	21,40,51,878	18,14,459	(-) 3,69,843	(-) 16.93	4239	0.85
2000-2001	369	28,34,57,737	12,90,794	(-) 5,23,665	(-) 28.86	3498	0.46
2001-2002	376	31,71,77,286	13,71,643	80,849	6.26	3648	0.43
2002-2003	332	32,60,78,185	11,81,181	(-) 1,90,462	(-) 13.88	3558	0.36
2003-2004	294	33,87,78,475	14,13,707	2,32,526	19.68	4808	0.42
Average					(-) 5.62		0.66

Source : Annual Report of the patsanstha

The percentage of loan for gold in the aggregate loan outstanding has decreased from 1.43% to 0.42% in six years period and average percentage of loan for gold was 0.66%.

The table clearly reveal that the largest amount of loan disbursement in 1998-99 is Rs.21,84,302 by 442 borrowers . However, it is also clear from the table that from 1998-99 to 2002-03 except 2001-02 there was decrease in the loan against gold. During the year 2003-04 the loan operation again increased by Rs.2,32,526.

4.3.7 Loan Against Milk Occupation :

The patsanstha sanctions loan against milk occupation like animal husbandry, dairy, farms purpose. Animal husbandry, farm , animal, other immovable property are taken as security for the purpose of payment of money advanced.

The following table shows the position of loan against milk occupation during the period of last six years.

The table clearly shows that the loan against milk occupation is decreased from Rs.26,22,685 in the year 1998-99 to Rs.19,47,766 in the year 2003-04. The number of borrowers account also decreased from 393 in 1998-99 to 128 in 2003-04.

Table No. 4.7

Table showing Loan Against Milk Occupation

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Milk Occupation (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against Milk Occupation to total loan
1998-1999	393	15,23,18,416	26,22,685	-	-	6673	1.72
1999-2000	284	21,40,51,878	20,22,198	(-) 6,00,487	(-)22.89	7120	0.94
2000-2001	246	28,34,57,737	22,52,355	(+)2,30,157	(+)11.38	9156	0.79
2001-2002	197	31,71,77,286	18,66,063	(-)3,86,292	(-)17.15	9472	0.59
2002-2003	154	32,60,78,185	18,27,286	(-) 38,777	(-)2.07	11865	0.56
2003-2004	128	33,87,78,475	19,47,766	(+)1,20,480	(+)6.59	15217	0.57
Average					(-) 4.02		0.86

Source : Annual Report of the patsanstha

The rate of loan disbursement shows continuously declined except in 2000-01 and 2003-04 and also total number of borrowers also continuously declined upto 128.

The average growth of loan is (-) 4.02% because of decline in the amount of loan disbursement.

The percentage of loan against milk occupation to total loan has decreased from 1.72% in 1998-99 to 0.57% in 2003-04 and average percentage of this loan was 0.86%.

From the table it is noted that the progress of such loan is not satisfactory during the period of last six years i.e. from 1998-99 to 2003-04.

4.3.8 Loan Against Deposit:

The patsanstha has collected various types of deposits with an intention to increase the amount within specified period. The patsanstha has also provided a facility to advance loans on such deposits to the members by taking these deposits as a security. The loan sanctioned on different types of deposits such as Recurring, Pigmy, Sukhakarta, Fixed, Damduppat deposit etc..

The following table shows that the loan against deposits increased from Rs.132.88 lakhs in 1998-99 to Rs.157.77 lakhs in 2003-04. The number of borrowers also increased from 990 in 1998-99 to 1338 in

Table No. 4.8

Table showing Loan Against Deposit

Year	No of A/c	Total loan outstanding (Rs.)	Loan Against Deposit (Rs.)	Annual Growth	Rate of Growth in %	Average loan outstanding to per A/c	Percentage of loan against Deposit to total loan
1998-1999	990	15,23,18,416	1,32,88,984	-	-	13,423	8.72
1999-2000	1275	21,40,51,878	1,42,17,004	9,28,020	6.98	11,151	6.64
2000-2001	1268	28,34,57,737	1,53,16,679	10,99,675	7.73	12,079	5.40
2001-2002	1146	31,71,77,286	1,53,08,346	(-) 8,333	(-) 0.05	13,358	4.82
2002-2003	1181	32,60,78,185	1,31,82,688	(-)21,25,658	(-) 13.88	11,162	4.04
2003-2004	1338	33,87,78,475	1,57,77,807	25,95,119	19.68	11,792	4.65
Average					3.41		5.71

Source : Annual report of the patsanstha

2003-04. they recorded more than one time increase during 1998-99 to 2003-04.

The percentage of loan against deposit in the total loan outstanding decreased from 8.72% in 1998-99 to 4.65% in 2003-04 and the average percentage of this loan was 5.71%.

The average growth rate of loan against deposit was 3.41%. In the year 1999-00, 2000-01 and 2003-04 the rate of growth of loan against deposit was more than the average growth rate and in the year 2001-02 and 2002-03 there was no growth. The loan outstanding to each borrower amount decreased from 13,423 in year 1998-99 to 11792 in 2003-04.

The rate of loan disbursement increased during the period of last six years.