

CHAPTER 'V'

THE IRDP LOAN THROUGH SOLAPUR GRAMIN BANK

This Chapter presents a case study of financing for IRDP through the Solapur Gramin Bank which is functioning in the District with its 30 branches in all talukas of Solapur District. In Akkalkot taluka there is only one branch of Solapur Gramin Bank at Karajgi. We have selected this branch for studying the impact of I.R.D.P. on a BPL households.

This Chapter is divided into 2 sections.

Section 'I'

Organisation structure and functioning of S.G.B.

Section 'II'

The achievement of the Solapur Gramin Bank regarding I.R.D.P. Scheme.

SECTION-1

Organisational Structure & Functioning of
Solapur Gramin Bank

At present there are 196 RRBs in India out of which 10 are in Maharashtra State. Solapur Gramin Bank sponsored by Bank of India was established on 21st January 1984. The area of operation of the bank is confined to single district of Maharashtra i.e. Solapur.

There are 13 Sugar factories in the district out of which 4 are concentrated in malshiras tahsil as one each in North Solapur, Pandharpur, Barshi and Mohol Tahsil.

At present there are 191 branches of commercial banks including 30 branches of Solapur Gramin Bank, branches of District Central Co-operative Bank and 12 branches of Land Development Bank in the district. Out of 11 blocks in the district 5 blocks have been classified by Reserve Bank of India as deficit as regards availability of Banking Facilities.

Branch Expansion:

At present there are 30 branches of Solapur Gramin Bank in the district with its Head-Office at Solapur. The Block-wise list of branches is given in the Appendix-I.

Under 1985-90 branch expansion policy of Reserve Bank of India, the bank has in the month of April 87 received 5 licences for opening branches, at the following centres -

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- i) Umbare (Tal-Pandharpur)
 - ii) Palas Mandal (Tal-Malshiras)
 - iii) Jategaon (Tal-Karmala)
 - iv) Kategaon (Tal-Barshi)
 - v) Takali (Tal-Madha).

The bank has since initiated necessary steps to open up the branches at these centres.

Constitution of board:

The Govt. of India has appointed an Officer in Scale-IV from sponsor bank i.e. Bank of India as a Chairman, who is a Chief Executive of the Bank.

The Board of Directors consists of 8 Directors, which are as under:

1) Nominees of Central Government:

- i) Lead District Officer, Reserve Bank of India, Rural Planning & Credit deptt., Bombay.
- ii) Deputy Manager National Bank for Agriculture & Rural Development, Pune Regional Office, Pune.

2) Nominees of State Govt:

- i) General Manager, District Industries Centre, Solapur.
- ii) Project Director, District Rural Development Agency, Solapur.

3) Nominees of Sponsor Bank:

- i) Deputy Zonal Manager, Bank of India, Pune Zone, Pune.
- ii) Regional Manager, Bank of India, Solapur Region, Solapur.

- 4) Non-Official Directors:
- i) Shri V.B.Chakote, Solapur
 - ii) Smt. P.S.Zadouke, Barshi.

The stipulation of atleast six meeting in a year and at least one meeting in every quarter given in the R.R.B.Act has been followed by the bank.

Resources:

- a) Capital:

The issued capital of the bank is Rs. 25 lakhs, which is shared by the Govt. of India, State Govt., and the sponsored bank in the ratio 50:15:35. An additional paid up capital of Rs. 25 lakhs has been approved by the Central Govt.

- b) Deposits:

The mobilisation of deposits is from individuals as well as institutions. The deposit accounts are classified as under:-

- 1) Current Deposits.
- 2) Savings Deposits.
- 3) Term Deposits:-

Under term deposits the bank has introduced 3 deposit schemes.

- a) Double Benefit Scheme:

This Scheme is designed mainly for businessman and retired persons. Deposit is almost doubled in just 7 years.

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b) Recurring Deposit Account:

In this scheme a fixed sum is put aside each month. The scheme tailored specially for housewives and professional.

c) Monthly Income Certificates:

In this scheme regular income every month from the interest payable on the deposit can be optioned keeping the original deposit amount intact.

The interest rates on deposits are subject to change as per the directives of Reserve Bank of India from time to time. As per Reserve Bank of India directives is allowed to pay 1/2% more interest than that applicable to scheduled commercial banks, on their savings bank deposits and term deposits of less than 2 years on term deposit for 2 years and above, however, the bank is paying interest at the same rate as paid by other scheduled commercial banks.

The bank introduced a system of arranging 'village meetings' in every village under the area of operation for the purpose of deposit mobilisation for the benefit of the customers the bank has also introduced a facility of nomination for deposit accounts, as per Reserve Bank of India directives.

The position of deposit as on 31.12.87 was as under:-

Table No.5.1

Position as on 31.12.87			
Type of Deposit	A/c	Amount (Rs)	% to total Deposit
Saving Deposits	24423	159.21	54
Term Deposits	2923	123.63	42
Current Deposit	129	11.36	4
Total:	27475	294.20	100

It may be observed that the share of term deposit in total deposits is 42%. Since the interest rate applicable to term deposit accounts (10% p.a.) than that payable on saving deposits (5.5% p.a.) & current deposits (no interest), it is advisable to increase the share of savings deposit Current deposits in total deposits, in order to save the expenditure on account of payment of interest on deposits, to some extent. We therefore suggest that the bank may initiate necessary steps in this behalf.

c) Refinance:

National Bank (NABARD) provides refinance to RRB for short term and medium term (non-schematic) lendings requirements under the general line of credit, on certain terms and conditions.

The refinance assistance is also available under schematic line of credit. The sponsor bank i.e. Bank of India also provides refinance to the Bank.

NABARD:

i) General Line of Credit-

a) Short term - to the extent of 50% of outstanding eligible advances/loans.

b) Medium term refinance- to the extent of 60% of outstanding eligible loan /advance.

ii) Schematic refinance-

90% of the amount of loan disbursed

Rate of interest 6.5% p.a.

iii) Automatic refinance:

Non farm sector -100% of the amount of loan disbursed.

Rate of interest - 6.5% p.a.

Sponsor Bank i.e. Bank of India.

i) Short term refinance- to the extent of 20% of outstanding eligible advances.

Rate of interest -7% p.a.

For the year 1986-87, NABARD has sanctioned refinance limits of Rs.15.00 lakhs (Short term) and Rs.45.00 lakhs (Medium term) as against which the bank has availed Rs.13.52 lakhs (short term) and 45.00 lakhs (medium Term). The availment of refinance from sponsor bank i.e. Bank of India during the year 1986-87 was to the extent of Rs. 6.05 lakhs (short term) and Rs.14.07 lakhs (medium term) as against the sanction limits of Rs.9.00 lakhs (short term) and Rs.23.70 lakhs (Medium term).

Development of resources:

- a) Maintenance of Cash Reserve Ratio (CRR) & Statutory Liquidity Ratio (SLR):

In terms of Section 42 of the Reserve Bank of India Act, 1934, the bank has to maintain 3% of the total of their demand and time liabilities towards cash reserve ratio in the form of average daily balance in their account with Reserve Bank of India.

The bank is also required to maintain liquid assets daily in the prescribed form to the extent of 25% of their demand and time liabilities under section 24 of the banking regulation Act, 1949, the liquid assets for this purpose includes cash on hand, cash balances with banks in current accounts and investment in approved Govt. securities valued at market rate.

- b) Financing Operations:

The bank is mainly catering to the needs of weaker sections, small and marginal farmers as envisaged under section 18(2) (a) & (b) of the R.R.B. Act. 1976. The number of villages covered by the bank were 188 as on 31.12.87. The bank has given finance to various types of activities such as Agriculture, Minor Irrigation, land Development, Retail trade, Self Employment, small business, transport operators, village and cottage industries etc. The category wise break-up of advances outstanding as on 31.12.87 is given in the Appendix-II.

The rates of interest on advances are as per the directives of the NABARD and RBI from time to time. The bank has evolved a proper system of pre and post disbursement inspection in advance accounts.
