

CHAPTER - IV

OPERATION OF THE SCHEME IN KANKAVLI TALUKA

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CHAPTER - IVOPERATION OF THE SCHEME IN KANKAVLI TALUKA4.1 INTRODUCTION :

This chapter attempts an analysis of secondary data collected by the researcher with a view to evaluating the operation of the scheme of Self Employment^{to} Educated Unemployed Youth in Kankavli Taluka of Sindhudurg District. The secondary data collected and tabulated by the researcher is with reference to the target cases and achievements of different nationalised banks which are responsible for the implementation of the scheme in terms of disbursement of loans to the beneficiaries under the scheme.

Since the scheme was started in August 15, 1983, we get the period of five financial years i.e. from 1983-84 to 1987-88 for the purpose of study and evaluation. The financial aspects like the amount of loan, sanctioned, actual disbursement, the interest burden and the component of subsidy have been analysed in the present chapter with the help of secondary data. This pertains to the operation of seven nationalised banks in Kankavli Taluka of Sindhudurg District.

The finance is life blood of business activities which is rather difficult to collect by entrepreneurs from other

sources. Finance holds the key to all business activity.¹
 According to S.C. Kuchal finance refers to the procurement of funds.²

4.2 NATURE AND SCOPE OF FINANCE :

The scope of finance is vast and is determined according to financial needs of entrepreneurs. Finance covers the understanding of financial needs of an entrepreneurs and the steps required to ensure that they are adequately met. It also includes the maintainance of financial a stability, Finance is viewed differently by different people depending upon their interest in finance.

In the functional area of finance the availability, the cost and the proper application of funds is a very crucial aspect.

The success of any scheme depends upon the availability of funds in adequate quantum and at appropriate time.

4.3 LOANS TO EDUCATED UNEMPLOYED UNDER SELF EMPLOYMENT TO UNEMPLOYED YOUTH SCHEME :

Under the Self Employment ^{to} Educated Unemployed Youth scheme, composite loans are given which include the components of loan and Government subsidy.

The procedure includes that entrepreneurs are required to submit their project reports to district industries centre, Sindhudurg, Kudal. District Industries Centre helps the entrepreneurs in finalising the project reports. These proposals (Project Reports) are sent to concerned scheduled commercial banks according to entrepreneurs' demand after proper scrutinisation.

Before sanctioning the proposal banks thoroughly examines the economic feasibility of the project in terms of market, product selected and profitability. They also scrutinize the financial needs of the project with a view to determining the exact loan requirements.

The maximum limits prescribed for different classes are fixed i.e. for industry it is Rs. 35,000, for business it is Rs. 15,000 while in case of service it is Rs. 25,000.

The amount of disbursement depends upon the actual requirements of an entrepreneur. The loan is not received directly by the beneficiary under the scheme, but it may be in the form of payment made to the supplier, a dealer of the goods, (including raw material).

4.3.1 LOAN PROPOSALS RECEIVED AND SANCTIONED :

District industries centre helps the entrepreneurs in

completion of project reports and sent their loan applications to the concerned banks on behalf of entrepreneurs. A brief survey of number of loan proposals received by district industries centre and sent to the banks during the period under the study will highlight the trend amongst entrepreneurs for starting self employment ventures. The yearwise loan proposals received and sanctioned by the banks is shown in Table No. 4.1.

TABLE NO.4.1

LOAN TARGET CASES, PROPOSALS RECEIVED AND SANCTIONED BY BANKS

(1983-84 to 1987-88)

Bank and Branch	Target cases	Application Received from DIC	Sanctioned proposals by Bank
	9(a)	(b)	(c)
1. Union Bank of India, Kankavli	43	33	31(93.94)
2 State Bank of India, Kankavli	45	45	41(91.11)
3 Bank of Maharashtra, Kharepatan	14	29	22(75.86)
4 Bank of Maharashtra, Tarele	14	23	18(78.26)
5 Bank of India, Sangave	17	20	16(80.0)
6 Bank of Maharashtra, Phonda	25	29	26(89.65)
7 Bank of India, Nandgaon	12	12	02(16.66)
Total	170	191 (100)	156 (81.67)

NOTE : Figures in the brackets are percentage of c to b
SOURCE : Compiled from data collected from Banks.

The data presented in Table No. 4.1 clearly point out that the rate of target achievement is satisfactory on the whole, except in case of Bank of India Nandgaon Branch. There is another significant observation which can be easily seen from Table No. 4.1 that the rate of target achievement has always been less than hundred percent. This is obviously, on account of two reasons. :

- 1) The proposal received by the concerned banks may not be technically complete.
- 2) Secondly, even after sanctioning the loan, the entrepreneurs may not actually avail of loan facility.

Of course, the latter cases are rare and hence the first reason appears to be dominant in our analysis.

TABLE NL.4.2UNITWISE LOAN PROPOSALS SANCTIONED BY BANKS

(1983-84 to 1987-88)

Year	Small industry units	Service units	Small Business units	Total
1983 - 1984	02 (4.54)	06 (13.63)	36 36 (81.82)	44 (100)
1984 - 1985	06 (13.64)	05 (11.36)	33 (75.0)	44 (100)
1985 - 1986	07 (24.13)	07 (24.13)	15 (51.73)	29 (100)
1986 - 1987	06 (19.35)	09 (29.0)	16 (51.61)	31 (100)
1987 - 1988	01 (12.05)	01 (12.05)	06 (75.0)	08 (100)
Total	22 (14.10)	28 (17.95)	106 (67.95)	156 (100)

NOTE : For the purpose of classification, please see appendix
No.

SOURCE : Compiled from data collected from Banks.

4.3.2 UNITWISE LOAN PROPOSALS SANCTIONED BY BANKS :

From the above Table No. 4.2 it is clear that the 67% entrepreneurs are attracted towards starting business units. Table No. 4.2 also shows that in the year 1983⁶-84 there were only 4.454 per applications from small industry unit. This number is increased to 13.64 in 1984-85, 24% in 1985-86, 19% in 1986-87 and 12% in the year 1987-88.

During 1985-86 in case of small industry the percentage of loan sanctioning has always been in the range of 12 to 20 except in the year 1985-86 during which percentage was 24 per cent. It is also clear that percentage of starting small industry units on the whole is decreasing. People were not willing to start industry because of lack of entrepreneurial ability.

Even as regards service units, the trend is not satisfactory. The number of of was highest in the year 1986-87(29%). The inter unit comparison brought out by Table No. 4.2 clearly shows the imbalance in favour of small business units. Both in case of small industry units and service units, the rate of starting units is not very much satisfactory. Possibly the perference of educated unemployed youths goes in favour of small business units since there is reasonable demand for retailing in Kankavli Taluka.

From the above Table No. 4.2 it may be interpreted that the bankers have tendency to sanction the proposals from business units. During the year 1983-84 the banker sanctioned 36 proposals from business units, 6 proposals from service and 2 proposals from small industry units. The percentage of sanctioning proposals of business units seems to be higher.

In the year 1984-85 out of total proposals 13.64 per cent from small industry units. 11.36 per cent from service units and 75 per cent from business units. During the year 1985-86 1986-87 the percentage of business unit is 51.73 per cent on an average and 75 per cent in the year 1987-88. The banker selects more proposals from business units. At the same second preference is given to service units.

The bankers regard investment proposals from small business units to be safe where the element of risk is comparatively less.

After proper scrutiny of loan proposals, bank sanctions the loan. The total amount distributed by each bank to various industries units over the study period is shown in Table No. 4.3. Similarly, total amount distributed during the period of five years for various industrial units with number of entrepreneurs is shown in Table No. 4.3.

TABLE NO.4.3UNITWISE TOTAL AMOUNT DISTRIBUTED BY BANKS

(1983-84 to 1987-88)

Sr. Bank & No. Branch	<u>CLASSIFICATION</u>			(Amount in thousand)	
	Industry units	Service Units	Business units	Total	% of Total on sanctioned amount
1. Union Bank of India, Kankavli	183.89 (34.8)	129.40 (24.5)	215.15 (40.7)	528.45	92.36
2. State Bank of India, Kankavli	100.56 (12.5)	Nil	704.80 (89.5)	805.36	91.05
3 Bank of Maharashtra, Kharepatan	-	121.91 (44.02)	155.04 (55.98)	276.95	57.46
4 Bank of Maharashtra, Tarale	58.62 (21.28)	40.32 (15.0)	169.85 (63.19)	268.79	52.24
5. Bank of India, Sangave	N.A.	37.57 (16.8)	186.08 (83.2)	223.65	70.71
6. Bank of Maharashtra, Phonda	93.90 (22.8)	101.73 (24.7)	216.23 (52.5)	411.86	87.80
7 Bank of India, Nandgaon	16.47 (46.8)	18.72 (53.2)	N.A.	35.19	75.36
Total	453.44 (17.78)	449.65 (17.63)	167.16 (64.59)	2550.25	83.44

NOTE : (Percentage of total amount on sanctioned amount)

SOURCE : Complied from data collected from banks.

4.3.3 UNITWISE TOTAL AMOUNT DISBURSED BY BANKS :

From the above Table No. 4.3 it is clear that, bankers distributed more amount for business units. Table shows that Rs. 1647.05 thousand amount is distributed for business units, Rs. 459.61 thousand is distributed for service units during five years. The Table No. 4.3 also gives clear picture of amount distributed to small industry i.e. Rs. 453.54 thousand. Total amount of Rs. 2550.25 thousand has been distributed to **business, service, industry units** during five year period.

As the state Bank of India, Kankavli branch had distributed Rs. 805 thousand during five years for small industry service and business units, taken together, it stands highest in the disbursement of loans to educated unemployed youths in Kankavli Taluka. During five years Union Bank of India, Kankavli stood second in financing entrepreneurs under this scheme. It also shows that Urban Banks performance is **better** than the rural banks.

TABLE NO. 4.4

BANKWISE AND YEARWISE PERCENTAGE OF LOAN DISTRIBUTION (RS IN 000)

Bank & Branch	1983-84	1984-85	1985-86	1986-1987	1987-1988	Total
Union Bank of India, Kankavli	88.77 (16.80)	159.05 (30.10)	149.06 (28.20)	195.68 (20.0)	25.89 (4.90)	528.45
State Bank of India, Kankavli	366.44 (45.50)	197.23 (24.49)	108.08 (23.42)	92.62 (11.50)	40.99 (5.09)	805.36
Bank of Maharashtra, Kharepatan	121.86 (44.0)	30.46 (11.0)	33.23 (12.0)	66.47 (24.0)	24.93 (9.0)	276.95
Bank of Maharashtra, Tarale	56.47 (21.01)	60.24 (22.41)	56.47 (21.01)	95.61 (35.57)	-	268.79
Bank of India, Sangave	36.90 (16.50)	57.01 (25.49)	56.85 (25.42)	54.79 (24.50)	18.10 (8.09)	223.65
Bank of Maharashtra, Phonda	79.08 (19.20)	199.50 (43.44)	90.36 (21.94)	42.92 (10.42)	-	411.86
Bank of India, Nandgaon.	-	-	16.47 (46.81)	18.72 (53.19)	-	35.19
Total	749.52 (29.40)	703.49 (27.59)	510.52 (20.0)	476.81 (18.69)	109.91 (4.32)	2550.25 (100.0)

NOTE : N.A. : Not Available. SOURCE : Compiled from data collected from Banks.

4.3.4 YEARWISE PERCENTAGE OF LOAN DISTRIBUTION BY BANKS :

From the Table No. 4.4 it is clear that, during five years loan supply to entrepreneurs during 1983-84 was higher than that of the period 1984-85 to 1987-88.

The amount of total credit supply from all banks in the year 1983-84 was Rs. 749.52 thousand and lowest in the year 1987-88 for all types of units respectively.

Though the amount of loan distribution has reduced substantially it may not really reflect the inefficiency of nationalised banks. It depends much upon the willingness amongst the entrepreneurs to start the ventures. It has also been observed that during five years period, the trend of loan sanctioning for small industry is on the whole declining. While in case of small business units and service units it is increasing. This brings out the ^{trend} of investment in different types of ventures. Two inferences can be drawn from this pattern of investment.

1. Firstly, educated unemployed youth may not be interested in starting small industries since, there is high element of risk and those unemployed youths might find it difficult to secure adequate ^{on} reasonable rate of returns.
2. Secondly, the bankers might be preferring small business units and service unit for loan sanctioning since returns are immediate and also adequately ensured. It has also been

the observation that Kankavli being traditionally known as market place, there is adequate demand for consumer durable items. Hence preference for starting new shops.

From the table No. 4.4 it is clear that out of total loan granted for small industry entrepreneurs by all i.e. 7 scheduled banks, the share of State Bank of India branch Kankavli is highest. Table No. 4.4 also shows that out of total finance given during five years, there is increasing trend towards financing small business entrepreneurs. The Bank of India branch Nandgaon shows Nil preference in business units category and Bank of India, Sangave shows Nil performance in industry units category during five years. It was explained by both the banks that not a single entrepreneur was willing to start small industry and service unit.

So it may be concluded that bankers had given stress on assisting small business units. The Table No. 4.4 also shows that out of total loan given during five years 29.30 per cent was granted in 1983-84. This percentage decreased during 1984-85. to 1987-88. This shows decreasing trend, towards financing to industry unit entrepreneurs. Out of the total loan given by Banks Union Bank of India, Kankavli stands first in financing industry units entrepreneurs. The performance of Bank of India is comparatively low, inspite of its being lead bank for Sindhudurg District.

It is clear that bankers had given more stress on granting loans for business units. During the five years out of total 156 entrepreneurs 64.59% entrepreneurs are from business units. Particularly more than 106 entrepreneurs are from business.

This shows bankers trend in financing business and service entrepreneurs. Out of total 156 entrepreneurs only 17.78 percent entrepreneurs are from small industry units. Though the object of the scheme was to give perference to small industry units entrepreneurs, in actual practice they had not given preference because of non willingness of entrepreneurs to start small industry unit. The reason behind this was the shortage of small industry entrepreneurs.

The bankers had given more stress on financing business units and particularly more than 64.59 per cent entrepreneurs are from business. It may be concluded that banks have followed the conventional theory of commercial finance from the point of view of low risk. General performance of all banks in the year 1983-84 is better than all other four years. In the year 1987-88 general performance is unsatisfactory because out of 7 banks only 3 banks gave loans and four were in the Nil category.

Union Bank of India, Kankavli branch has given 92% loan which is highest in the taluka banks. Bank of Maharashtra Kharapatan distributed 58.46 per cent loan which is lowest in the taluka.

Bank of India, Nandgaon general performance is lower than other banks in the five years. During two years, it could sanction only two proposals.

Bank of Maharashtra target was 25 cases but actually 26 cases were sanctioned which shows that performance is satisfactory, Union Bank of India, Kankavli Branch shows good performance because sanctioned and disbursed amount difference is only 7.6 per cent.

TABLE NO. 4.5
BANKWISE PERCENTAGE OF LOAN DISTRIBUTION
(1983-84 to 1987-88)

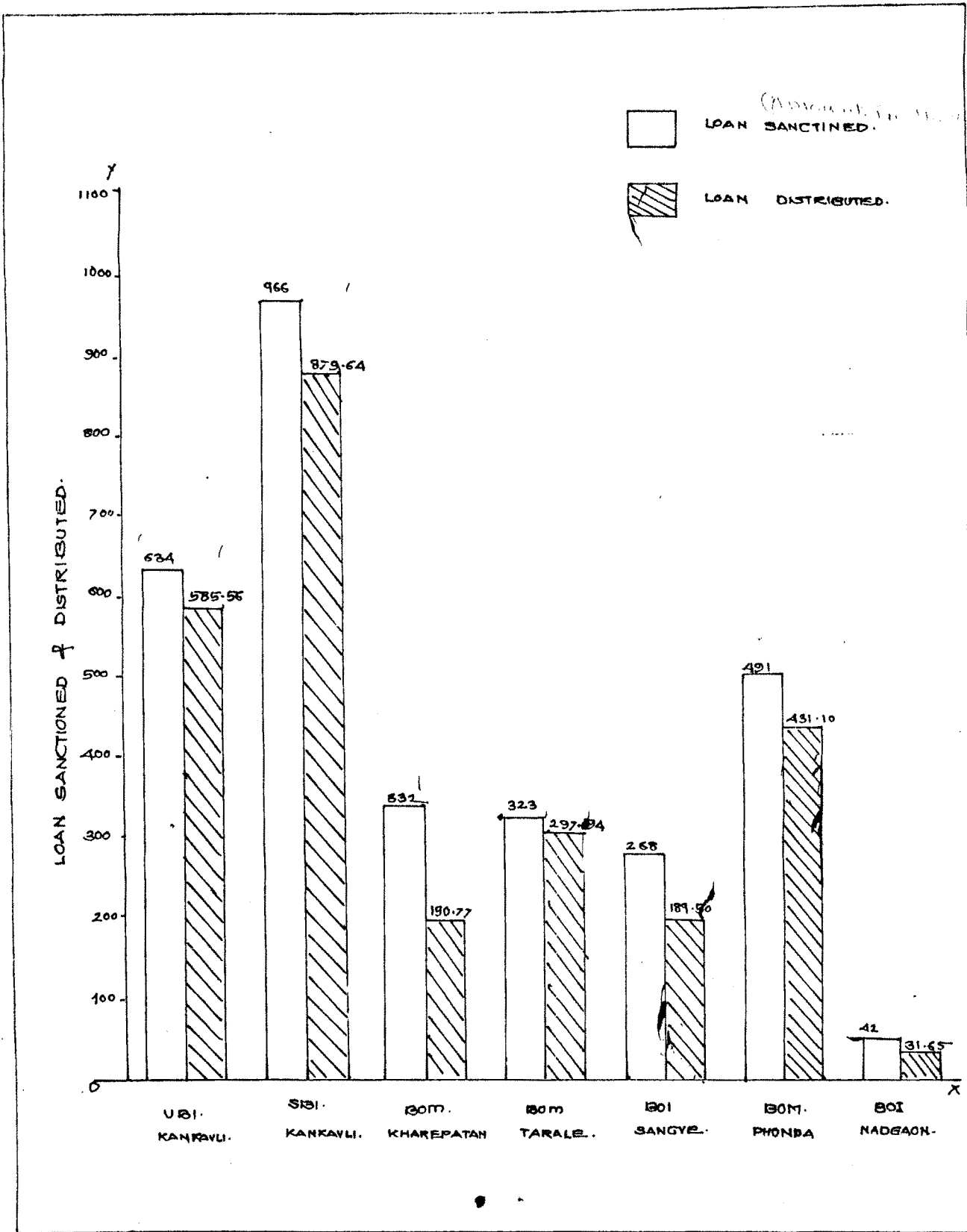
		(Amount in Thousand)	
Sr. No.	Bank Name of the Bank	Total amount distribution	Percentage
1.	Union Bank of India, Kankavli	528.45	20.70
2.	State Bank of India, Kankavli	805.36	31.50
3.	Bank of Maharashtra, Kharapatan	276.95	10.80
4.	Bank of Maharashtra, Tarale	268.79	10.50
5.	Bank of India, Sangave	223.65	9.10
6	Bank of Maharashtra, Phonda	411.86	16.10
7	Bank of India, Nandgaon	35.19	1.30
Total		2550.25	100.00

SOURCE : Complied from data collected from banks.

4.3.5 BANKWISE PERCENTAGE OF LOAN DISTRIBUTION DURING OF FIVE YEARS :

The Table No. 4.5 shows that, during five years period State Bank of India, Kankavli distributed 31.50 per cent loan whish is highest and Bank of India, Nandgaon percentage of loan distribution is only 1.30 which is the lowest in the taluka.

During the 1983-84 the performance was high while performance in 1987-88 is of low order. Specially in Kankavli town, performance of Bank is good because business, service and Industry units were started speedily during the last five years. Nearly 53 per cent loan is distributed by two city branches and remaining 47 per cent loan is distributed by five rural branches of nationalised banks. It means the operation of the scheme of Self Employment ^{to} Educated Unemployed Youth has not been satisfactory in rural area as compared to Urban areas.



4.3.6 TOTAL LOAN SANCTIONED AND DISBURSED :

Distribusement of loan is made in relation to the amount of loan sanctioned. The study of the magnitude of loan sanctioned and disbursement over the period under study can be made from the data given in Table No. 4.6.

From the Table No.4.6 it is clear that bankers had **disbursed** the amount to entrepreneurs more or less totally. Though disbursement was made according to the requirements of **entrepreneurs** timely disbursement is essential. Table No. 4.6 also shows that 83.84 per cent amount is disbursed during five years as it is found that the entrepreneurs who had been sanctioned the amount had not yet withdrawn the amount. The proportion of Union Bank, Kankavli branch in disbursement is **92** per cent. It shows good performance on the score of disbursement. The proportion of bank of Maharashtra **Kharepatan** is less because some entrepreneurs had not yet commenced **their** ventures. The Table No. 4.6 also shows that each branch **nad** disbursed more than 80% of the sanctioned amount . So it **may** be concluded that bankers have shown good performance in disbursement of amount sanctioned to entrepreneurs.

4.3.7

TABLE NO.4.7

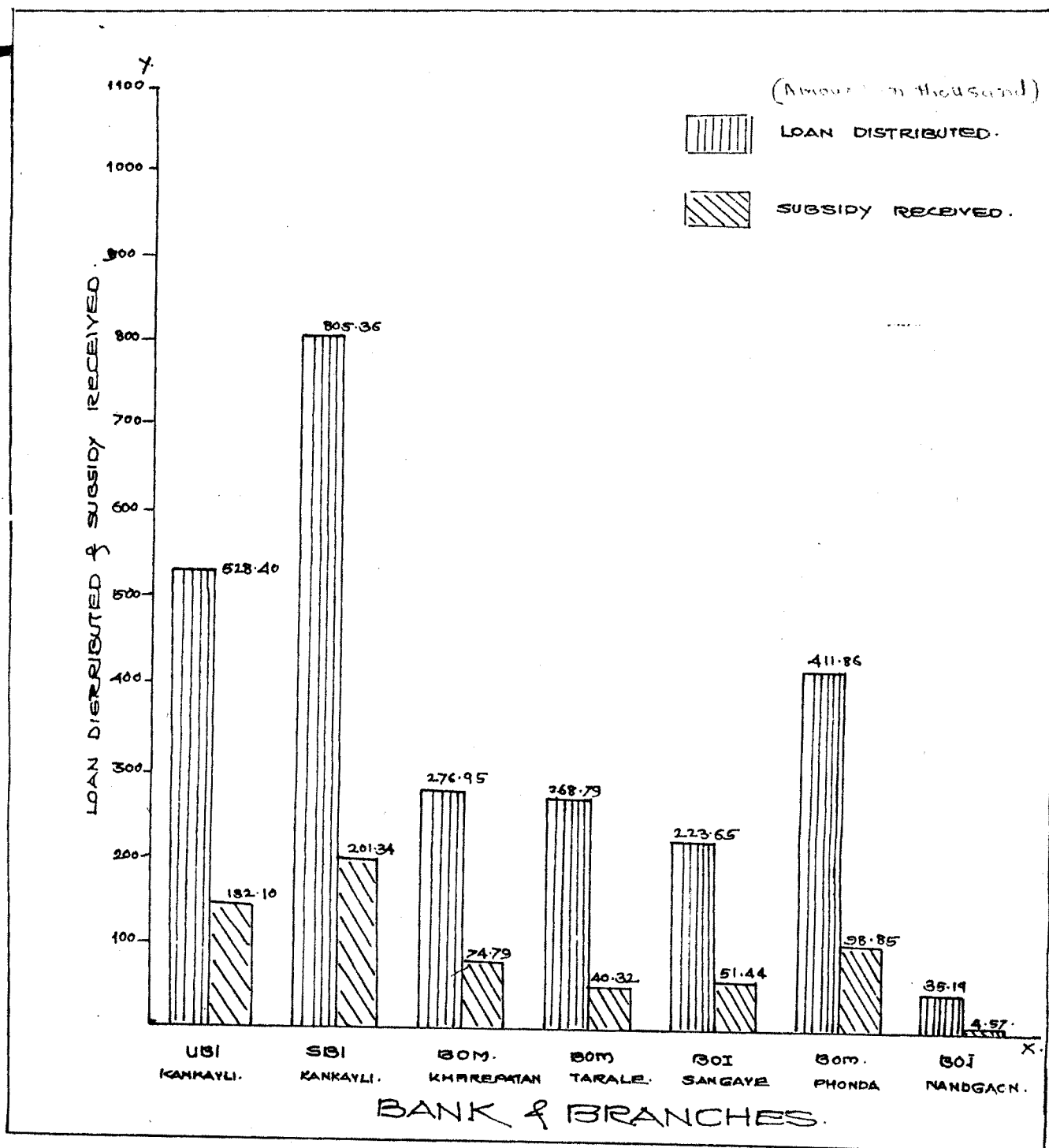
to
SELF EMPLOYMENT EDUCATED UNEMPLOYED YOUTH (Abstract.)

(1983-84 to 1987-88) (Amount in thousand)

Sr. No.	Bank & Branch	Applications Received	Applications Sanctioned	Loan Distributed	Subsidy Received
1.	Union Bank of India, Kankavli	33	31	528.45	132.10 (25.0)
2.	State Bank of India, Kankavli	45	41	805.36	201.34 (25.0)
3.	Bank of Maharashtra, Kharapatan	29	22	276.95	70.49 (25.45)
4.	Bank of Maharashtra, Tarale	23	18	268.79	40.32 (15.0)
5.	Bank of India, Sangave	20	16	223.65	51.44 (23.0)
6.	Bank of Maharashtra, Phonda	29	26	411.86	98.85 (24.0)
7.	Bank of India, Nandgaon	12	02	35.19	4.57 (13.0)
Total		191 (100.0)	156 (81.0)	2550.25 (100.0)	599.11 (23.49)

NOTE : (Percentage of subsidy on Loan distributed amount)

SOURCE : Compiled from data collected from banks.



to

4.3.7 ABSTRACT OF SELE EMPLOYMENT EDUCATED UNEMPLOYED YOUTH :

From the above table No. 4.7 it is clear that, during five years Bankf Of Maharashtra, Tarale and Bank of India, Nandgaon. Subsidy percentage is less than the average stipulated under the scheme. In case of remaining three banks average comes to 25 per cent which is maximum prescribed under the scheme.

As regards the benefit of subsidy, the performance of banks is satisfactory since they could comply with 25 per cent requirement which is maximum under the schem. Only two banks namely Bank of Maharashtra, Nandgaon and Bank of India Sangave could not attain the average component of subsidy.

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