

CHAPTER - III

**SOLAPUR JANATA BANK - IT'S CONTRIBUTION
TO DEVELOPMENT OF SMALL SCALE
INDUSTRIES AND TRADE**

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The small scale sector of industrial economy of India is playing peculiar role in creating additional labour employment with low capital investment. Since independence, the small scale industries in India has been witnessing very rapid growth i.e. the number of registered units increased from 16,000 units in 1950 to 36,000 in 1961, to 8.53 lakhs units in 1985-86. Besides this, today it is roughly estimated that there are more than 8.00 lakhs unregistered small scale units.

The importance of small scale industries can be assessed with the help of production and employment in small scale industries and its export potential (as given in Table No. 3.1) as well as the plan out lay in each five years plan as stated in Table No. 3.2.

Section-I**C O N C E P T S**

Among many financial institutions helping for the development of small scale industries and trade, the contribution made by the urban co-operative banks particularly in the State of Maharashtra is substantial and commendable. An effort is made here to study the progress of Janata Bank

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Table No. : 3.1**EMPLOYMENT AND PRODUCTION IN SMALL SCALE INDUSTRIES**

Year	Production Rs. crores	Employment Lakhs	Exports Rs. crores
1973-74	7,200	39.7	393
1977-78	14,300	54.0	845
1980-81	28,060	71.0	1,643
1981-82	32,600	75.0	2,071
1982-83	35,000	79.0	2,097
1983-84	41,300	84.1	2,159
1984-85	50,520	90.0	2,580
1985-86	57,100	96.0	2,630

**Source : Small Industries Development organisation
Seventh five year plan Vol.II and
Handbook of industrial statistics (1987).**

Table No. : 3.2

**ACTUAL EXPENDITURE ON SMALL SCALE AND
VILLAGE INDUSTRIES DURING
PLANNING PERIOD**

Plan	Rs.in crores Amount
First Plan (1951-56)	42.0
Second Plan (1956-61)	187.0
Third Plan (1961-66)	240.0
Annual Plans (1966-69)	126.1
Fourth Plan (1969-74)	242.6
Fifth Plan (1974-79)	592.5
Annual Plan (1979-80)	255.7
Sixth Plan (1980-85)	1,945.1
Seventh Plan (1985-90) (outlay)	2,752.7

Source : Small Industries Development
Organisation - Seventh five year plan
Vol.II and Handbook of industrial
statistics (1987).

in respect of development of some industries in Solapur town in general and small scale industries and trade in particular. Special reference is made in the Bank's role for helping the weaker section.

According to the guidelines given by the Reserve Bank of India, there are two categories - firstly, small scale industry and secondly, small business enterprises.

3.1 Small Scale Industries :-

Small scale industrial units are those engaged in the manufacture, processing or preservation of goods and whose investment in plant and machinery (original cost) does not exceed Rs.35 lakhs. In case of ancillary units, the investment in plant and machinery (original cost) should not exceed Rs.45 lakhs.

Units financed by urban cooperative banks under the 22 broad groups of industries listed as under -

1. Flaying and tanning
2. Leather goods
3. Pottery
- ✓ 4. Hand pounding of paddy & cereals
5. Rice mills, including flour mills and bakeries
6. Oil crushing
7. Palm gur
8. Cane gur and Khandsari
9. Canning of fruits and vegetable

10. Manufacturing and processing of agricultural and marine products and forest produce including beverage industries.
11. Other industries such as carpentry and black smithy
12. General Engineering
13. Handicraft industries
14. Chemical Engineering and Chemical Industries
15. Construction Material
16. Sericulture
17. Coir
18. Spinner's societies
19. Cotton textiles and other textiles
- ✓20. Printing, book binding and lithography
- 21. Saw mills, wood work and furnitures and fixtures, and
22. Miscellaneous industries such as manufacture of sports goods, bidis, buttons, card boards and other paper products, cutting and polishing of real and artificial gems and stones etc.

3.2 Small Business Enterprises :-

Small business enterprises include individuals and firms managing business enterprises established mainly for the purpose of providing services other than professional services, whose original cost price of equipment does not exceeding Rs.3 lakhs and with working capital limits not exceeding Rs.2 lakhs. An illustrative list of small business enterprises is indicated below -

1. Agents selling goods on commission basis
2. Booking, clearing and forwarding agents
3. Estate agents
4. Press and Publishing houses etc.
5. Hair dressing saloons
6. Restaurants, hotels, canteens etc.
7. Servicing and repairing of various types of machinery such as automobile, air-conditioning and refrigeration equipments etc.

3.3 Priority Sector and Weaker Section :-

'Priority Sector' is a broader concept. For Urban Banks the Reserve Bank of India has given the items under priority sector and advances which may be considered as those to weaker section. The information in details is given in Table No. 3.3.

3.4 Retail Trade :-

The retailer is the last of the many links in the economic chain whereby the customer's wants are catered for smoothly and efficiently. It is the retailer's business to study their requirements and to buy accordingly from the wholesaler. The number and size of the retail businesses which are to be found in any place vary according to the nature and extent of potential market. Consequently differences in the concentration of population in various localities cause retail businesses to vary greatly in size and type.

Lintithgow Committee defined retail trade as - "The business of retailing consists in the sale to customers of a wide variety of products which are assembled at the retailer's premises for that purpose, sufficient in variety and quantity to meet the requirements of a large number of individual households."

"Retailing consists primarily of buying correct assortment of goods for the target customers to be served, making these goods available and often convincing the target customers of satisfaction to be obtained by them." - A.J.Maeathy.
Basic Marketing : A managerial approach.

Section-II

The contribution of Janata Bank

An effort is made here to analyse the contribution made by Solapur Janata Bank for the development of small scale industries and trade in Solapur City. Following the concepts of small scale industries, small business enterprises and retail trade given by Reserve Bank of India, Solapur Janata Bank is providing loans to small businessmen and traders. The data was collected from the annual report and the office record supplied by the higher authorities of the Bank.

The information regarding purposewise classification of outstanding loans given by the bank is stated in Table No. 3.4 in absolute figures and in Table No.3.5 average amount of outstanding loans per account holder. The following conclusions can be made from these tables -

1. Out of total amount of loans outstanding, it is observed that the loans given for small scale industries and wholesale trading is in the highest proportion throughout the period of 5 years (from 1984-85 to 1988-89) e.g. in 1984-85 338 account holders had outstanding loans of Rs.271.83 lakhs (30 percent of the total) which increased to Rs.336.89 lakhs (31.71 percent) in 1985-86, 546.09 lakhs (31.96 percent) in 1987-88. The loans for wholesale trading was Rs.262.72 lakhs (29 percent) in 1984-85, it decreased to 244.47 lakhs (23.82 percent) in 1985-86, 342.91 lakhs (23.85 percent) in 1986-87, 376.28 lakhs (22.02 percent) in 1987-88 and 455.76 lakhs (21.63 percent) in 1988-89.

2. The other purposes for loans and advances include self-employment, transport operations, retail trade, education, agriculture and allied activities, ceremonial and consumption etc. The average outstanding loans per account holder under different purposes (see table No.3.5) throws light on different dimensions of the bank's contribution in this field. The average outstanding loans per account holder for the purpose of small scale and cottage industries goes on continuously

Table No. : 3.5

AVERAGE OUTSTANDING LOANS PER ACCOUNT-HOLDER

Sr. No.	Purpose	1985	1986	1987	1988	1989
1.	Cottage and small scale Industries	80,423	1,01,472	1,12,176	1,16,685	1,08,278
2.	Professionals and self-employed	5,963	6,785	7,655	7,069	14,239
3.	Transport operators	48,607	78,170	52,810	51,765	50,198
4.	Retail Trade	6,925	9,417	14,741	15,418	16,861
5.	Wholesale Trade	45,611	50,719	78,289	65,168	94,562
6.	Agriculture and allied activities	5,434	5,501	5,826	7,366	9,554
7.	Education	3,123	2,842	5,907	5,542	5,292
8.	Ceremonial	8,871	-	-	-	-
9.	Consumption	2,443	3,439	4,422	5,439	5,131
10.	Repayment of debt	2,570	3,793	-	-	4,023
11.	Development or acquisition of House property	6,702	8,171	7,291	8,411	12,575
12.	Others	8,175	1,18,750	5,763	4,421	-

Table No. : 3.6

SECTORAL CLASSIFICATION OF JANATA BANK'S LENDING

(Figures in lakhs)

Sr. No.	Year	Total Loan	Industrial Loan	% of Industrial loan to total loan	Priority sector	% of Priority sector to total lending	Weaker Section	% of weaker section to priority sector
1.	1977-78	137.29	18.13	13.20	NA	-	NA	-
2.	1978-79	182.29	34.08	18.69	NA	-	NA	-
3.	1979-80	222.83	46.75	21.00	NA	-	NA	-
4.	1980-81	322.09	79.94	25.00	NA	-	NA	-
5.	1981-82	464.82	135.30	29.00	NA	-	NA	-
6.	1982-83	569.33	209.81	37.00	NA	-	NA	-
7.	1983-84	692.22	219.93	31.70	398.94	57.60	83.45	12.10
8.	1984-85	905.87	271.93	30.00	513.68	56.70	131.70	14.50
9.	1985-86	1,062.16	336.89	31.70	628.32	59.10	125.73	11.80
10.	1986-87	1,437.60	450.43	31.33	859.60	59.80	137.37	9.55
11.	1987-88	1,708.00	546.00	31.96	1,037.00	60.71	174.00	10.18

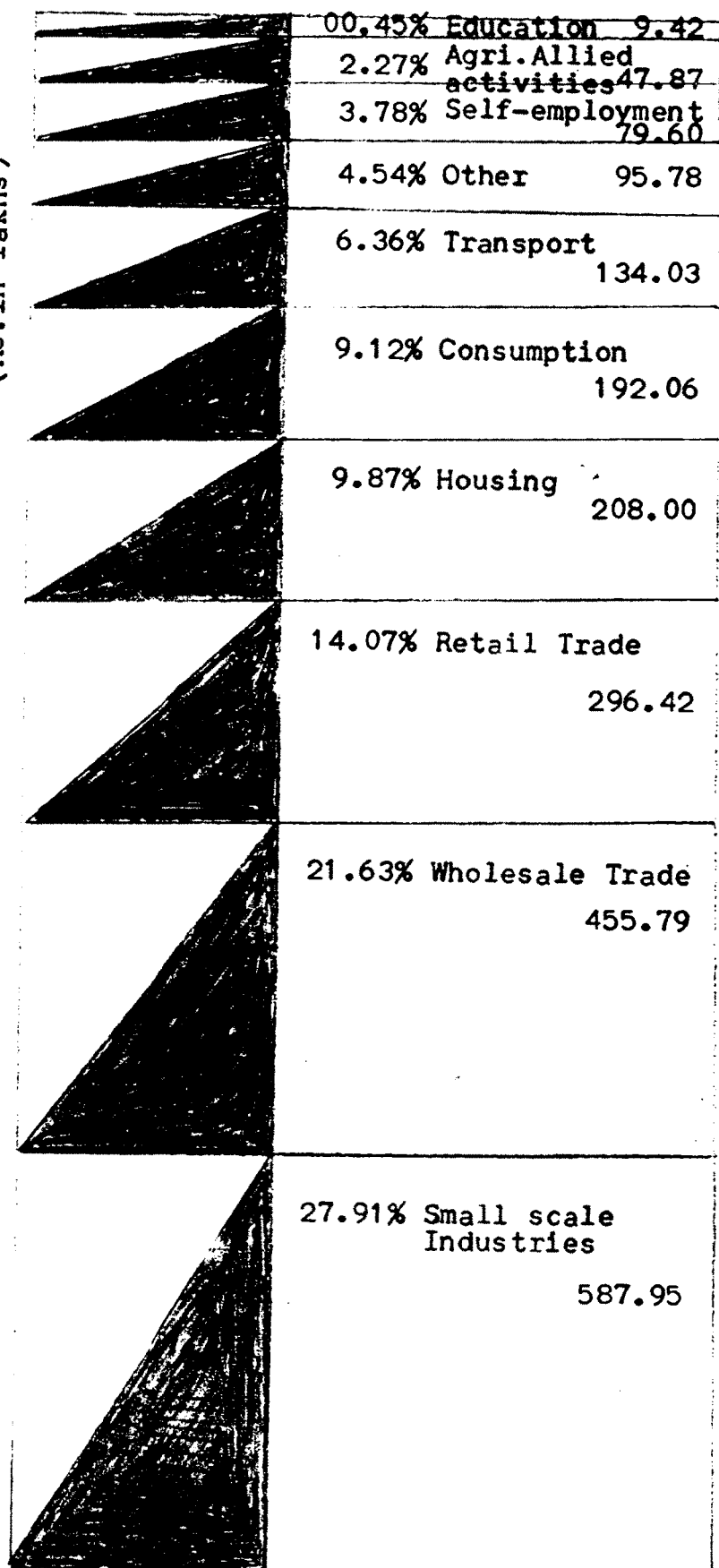
Table No. : 3.7

COMPOSITION OF SAMPLE BENEFICIARIES

Sr. No.	Classification	No	Remarks
1.	Small manufacturers	25	Pickles, papads, chilee and turmeric powder production, Industrial fabrication, aluminium utensils, dal mill, Hoteling, four wheel service centre, production of chemical plant, stone crushing, printing and binding, dhoti and gray lock cloth production etc.
2.	Traders	75	Provision stores, wholesale and retail cloth shop, Ayurvedic medical shop, bakery production, machinery and electrical spares, production of Industrial tools, Juice bars, general stores, etc.
		Total :	100
3.	Priority Sector	93	
4.	Other than priority Sector	7	Wholesale cloth shop, Hardware shop, piece work, refrigeration and air-conditioner sale, domestic appliances, supply of printing and binding material, wholesale chadder merchant, sale of cement and P.V.C. pipe, water cooler supply, etc.
		Total :	100
5.	Out of priority sector Weaker Section	23	

PURPOSEWISE LOANS AND ADVANCES : 1988-89

(Rs. in lakhs)



Total : 100.00% 2106.92

increasing throughout the period under study i.e. from Rs.80,423 in 1984-85 to Rs.1,16,785 in 1988-89. The loans given for the wholesale traders shows increase at higher rate. The role of other purposes is flexible.

3.2.1 Priority And Weaker Section Lending

According to guidelines and expectation of Reserve Bank of India, the Urban Banks are required that their advances to priority sector should be of 60 percent of their total advances. Further, 25 percent of the priority sector lendings should be given to borrowers in the weaker section.

Following the definition of weaker section given in the beginning of this chapter, we have tried here to study Janata Bank's role to help the weaker section. The data is available only for five years from 1983-84 to 1987-88. According to Table No.3.6 proportion of industrial loan was increasing from 1977-78 to 1982-83. However it remains more or less stable at 31 percent in remaining period of five years from 1983-84 to 1987-88. The priority sector lending of Janata Bank is inadequate according to 25 percent norms of Reserve Bank of India e.g. the Janata Bank's lendings to weaker section formed 12 percent, 14.5 percent, 11.8 percent, 9.55 percent and 10.18 percent of the priority sector lendings in the year 1983-84, 1984-85, 1985-86, 1986-87 and 1987-88 respectively. On the other hand the Janata Bank has more or



less reached the R.B.I. target of 60 percent norm of priority sector lending. Thus, it can be concluded that the progress of Janata Bank in industrial loan, priority sector lending is commendable. However, the bank has yet to fulfill the target of weaker section lending. (See Table No. 3.6)

Section-III

A CASE STUDY ■

An effort is made in this section to study the impact of Solapur Janata Bank on the development of small scale industries and trade at the micro level. We have made random selection of one hundred beneficiaries who have been getting loan facilities from various branches of Solapur Janata Bank. According to the latest figures, the total membership of the Solapur Janata Bank is more than 13,000. Our sample of one hundred is just like a drop in the ocean. ✓

We have prepared the structured schedule containing the aspects such as identification, investment, capital formation, loans performance the difficulties and an opinion survey etc. (the copy of Schedule is attached at the end of the chapter). The purpose of the Schedule is very limited therefore, more emphasis is not given regarding the aspects such as product itself, raw material, transportation, labour problem, marketing problem etc. The main

emphasis is given on utilisation of Janata bank's loan for promotion and development of small scale industries and trading activities of the members of the bank. The composition of this one hundred selected beneficiaries is as follows. (See Table No. 3.7).

Out of one hundred beneficiaries 25 beneficiaries are small manufacturers who had taken loans for the manufacturing activities such as pickles, papads, chillee and turmeric powder, industrial fabrication, aluminium utensils, dal mill, Hoteling, Four wheel service centre, production of chemical plant, stone crushing, printing and binding, dhoti and Graylock cloth production etc. The remaining 75 beneficiaries had taken loan for trading activities such as provision stores, wholesale and retail cloth shop, Ayurvedic medicine shop, bakery production, machinery and electrical spares, juice bars, general stores, industrial tools production etc. Moreover, the total sample of 100 beneficiaries is again classified into priority and weaker section loans. It is clear that out of one hundred beneficiaries 93 beneficiaries are in the category of priority sector, out of which 23 beneficiaries come under the weaker section according to the norms of Reserve Bank of India.

Further, as stated in Table No. 3.8, the purposewise classification of the sample study indicates that the purpose of loans include small scale industries, wholesale traders, retail traders and self-employed. It is our findings, the

Table No. : 3.8

*of what
years
or years? 57*

PURPOSEWISE CLASSIFICATION OF INDUSTRIAL LOAN

Purposes	No. of benefici- eries	Total amount of loan	Average amount of Loan per member
1. Small scale Industries	25	68,80,000	2,75,200
2. Small business Enterprises	8	4,45,000	55,625
3. Wholesale Trader	12	35,10,000	2,92,500
4. Retail Trader	29	3,84,000	13,241
5. Self-employed	26	8,08,000	31,076 ✓
Total :	100	1,40,27,000	1,40,270

total number of 100 beneficieries had taken loan of the amount of Rs.1,40,27,000. This comes to the average amount of Rs.1,40,270 per beneficiery. The average amount of loan per beneficieries in case of small scale industries is 2,75,200 and 55,625 ; 2,92,500 ; 13,241 and 31,076 in case of small business enterprises, wholesale trader, retail trader and self-employed respectively. Thus, it is clear that the Janata Bank is playing very prominent role in the development of small scale industries, trading activities and self employment activities as well. Moreover, as stated in Table No. 3.9 out of one hundred beneficieries maximum number of 23 beneficieries had taken loan between 10,000 to 25,000 Rupees each. As the amount of loan goes on increasing crossing to lakhs of Rupees, the number of beneficieries goes on decreasing. Only 13 beneficieries had taken loan between 25,000 to 50,000 Rupees each. Fourteen beneficieries had taken loan between Rs.1,50,000 to 2,00,000.

Thus, the Solapur Janata Bank has been helping to the lowest strata of the industrial and trading community. These micro-level findings have important implications which can prove the tremendous role played by the Solapur Janata Sahakari Bank in the industrial and commercial development of the Solapur City.

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Table No. : 3.9

**CLASSIFICATION OF THE BENEFICIERIES ACCORRING TO
THE AMOUNT OF LOAN**

	Amount of loan	Total No. of bene- ficieries	Total amount of Loan	Average amount of loan to each beneficiary
1)	10,001 to 25,000	23	5,27,000	22,913
2)	25,001 to 50,000	13	5,45,000	41,923
3)	50,001 to 75,000	10	7,35,000	73,500
4)	75,001 to 1,00,000	15	15,00,000	1,00,000
5)	1,00,001 to 1,50,000	15	20,75,000	1,38,333
6)	1,50,001 to 2,00,000	14	27,50,000	1,96,428
7)	More than 2,00,000	10	58,95,000	5,89,500
	Total :	100	1,40,27,000	1,40,270

SCHEDULE

IMS/M.Phil/UMC

(I) IDENTIFICATION :-

- a) Name of the Member : _____
- b) Name of the Firm/Trade/Company : _____
- c) Full Address of the firm : _____
- d) Status of the firm : Private/Partnership/Organisation/
Joint-Stock Company.
- e) Nature of the Trade/Business : _____

(II) INVESTMENTS :-

- a) Total investment Rs. : _____
- b) Other investment Rs. : _____
- c) Total turnover Rs. : _____

(III) CAPITAL FORMATION :-

- a) What is your yearly need of new capital investment ?
Rs. _____
- b) How much is the share of your own funds ? Rs. _____
- c) How do you raise the remaining amount of the needed
capital ? _____
- _____

(IV) CAPITAL INVESTMENT/LOANS IN THE LAST YEAR i.e. 1988

Source	Amount of the loan Rs.	Loan paid Rs.	Dues Rs.	Remarks
1. Solapur Janata Bank				
2. Commercial Bank				
3. Other Co-op. Bank				
4. Credit Societies				
5. Relatives				
6. Friends				
7. Moneylenders				

Total Rs.				

(V) Explain the difficulties in getting the loan from the sources mentioned above :

1. _____
2. _____
3. _____

(VI) Which source of capital formation is more beneficial and convenient for you and why ? _____

(VII) Your observation/remarks about Janata Bank :

(VIII) What other services do you expect from Janata Bank ?

(IX) Remarks :-
