

CHAPTER NINE

BANK CREDIT FOR TERTIARY SECTOR:
TYPES OF BANK CREDIT

:: C H A P T E R - I X ::
BANK CREDIT FOR TERTIARY SECTOR (TYPES OF BANK CREDIT)
TABLE NO.9.1
 (Amount Rs. in '000)

Sr. No.	Types	YEARS					1986 Growth			
		1980	1981	1982	1983	1984				
1.	Cooperative Bank	-	-	-	3900.00 (59.34)	4300.00 (51.04)	-	10.25		
2.	Nationalised Banks	5433.00 (98.42)	-	-	2304.00 (35.06)	2561.20 (30.40)	5326.00 (71.39)	3525.00 (83.80)	-	29.60
3.	Other Banks	87.00 (1.58)	-	-	367.8 (5.60)	1563.6 (18.56)	2134.0 (28.61)	681.0 (16.20)	682.75	
		5520.00 (100)	-	-	6572.1 (100)	8424.8 (100)	7460.0 (100)	4206.0 (100)	23.80	

Note : Figures in bracket indicate the percentage to the total.

Source : As mentioned in Table No. 6.1.

The data presented in table 9.1 relating to bank credit for tertiary sector shows that nationalised banks were the most important source of finance for this sector.

The Other Banks also have started giving loans to the tertiary sector. The amount of loans by these banks to tertiary sector increased by 682.7% from Rs. 87000/ in 1980 to Rs. 681000/ in 1986. It is important to mention that these loans had expanded continuously upto the level of Rs. 2134000/ in 1985. But the same was drastically reduced in the following year.

The amount of loans given by Nationalised Banks to this sector went on falling from Rs. 5333000/ in 1980 to Rs. 3525000/ in 1986 recording a total reduction of 29.6%.

Cooperative Banks had given Rs. 3900000/ and Rs. 4300000/ loans to this sector in 1983, and 1984 respectively. In other five year they did not lend credit at all to this sector.

As proportion of total bank credit to tertiary sector, the share of nationalised banks declined from 98.4% in 1980 to 83.8%^v in 86. Although it is quite substantial even today. The share of other bank rose from 1.6% in 1980 to 28.6% in 85. However, in the following years it was reduced to 16%. The data presented in this table is not comparable as for 1983 and 1984 it is in respect of cooperative Banks¹⁹⁸⁶ and Nationalised banks and other banks. for 1980-1986.

TABLE NO.9.2

BANK CREDIT (ACTIVITY WISE)

Sr. No.	Bank Activity	YEARS				(Amount in Rs.000)			
		1980	1981	1982	1983		1984	1985	1986
1.	Small Road Transport Operators	1185.0 (21.46)	-	-	423.0 (6.43)	1334.0 (15.84)	2765.0 (37.06)	566.0 (13.45)	- 52.23
2.	Professionals & Self Employed	285.0 (5.16)	-	-	499.1 (7.60)	330.8 (5.11)	920.0 (12.33)	350.0 (8.32)	22.80
3.	Retail Trade	3990.00 (72.28)	-	-	5600.0 (85.20)	6600.0 (78.34)	3665.0 (49.12)	3280.0 (77.98)	- 17.79
4.	Small Business.	60.0 (1.10)	-	-	50.0 (0.77)	60.0 (0.71)	110.0 (1.49)	10.0 (0.25)	- 83.33
5.	Education	5520.0 (100)	-	-	6572.1 (100)	8424.8 (100)	7460.0 (100)	4206.0 (100)	- 23.80

Note : Figures in bracket indicate percentage to the total.

Source : As mentioned in Table No. 6.1

Table No. 9.2 shows bank credit made available to tertiary sector/service sector during 1980 to 1986.

The statistical information presented in this table highlights following trends :

1. The Bank credit given to the professional and self Employed alone records growth of 22.8% in 1986, over the level prevailing in 1980. The highest amount of loan of Rs. 920000/ was given to professionals in the year 1985. It fell to Rs. 350000/ in 1986.
2. In case of the bank loan given to other purposes in this sector exhibit negative growth during this period of 1980-86. If the loans given for educational purposes were reduced drastically by 83.3% from Rs. 60000/ in 1980 to Rs. 10000/ in 1986. Similarly the loans given for Transport purpose fell by 52.2% from Rs. 1185000/ in 1980 to Rs. 566000/ in 1986. Loans for retail Trade and Small Business also recorded decline.
3. The proposition of loans given to Retail Trade and Small Businessmen were 72.3% of the total loans made available to tertiary sector in 1980. This proposition further increased to 78% in the year 1986, which means that banks had given greatest importance to the small business and Retail Trade in their lending activities.

4. Next important Tertiary activity for lending purposes by the banks was small Road Transport operators. Although the proportion of loans of the banks given to these operators increased from 21.5% in 1980 to 37% in 1985, it was considerably reduced to 13.4% in 1980.

5. It is interesting to note that the proportion of bank credit given to the self Employed and professionals as a proportional of the total records expansion from 5% in 1980 to 8% in 1986.

(Amount Rs. in '000)

Sr. No.	Composition	Allahkar Bank.	Bank of Karad	CBI	Total
A	Small Road Transport Operators.	-	6.0 (4.10)	-	566.0 (13.45)
B	Professional & Self Employed	20.0 (26.6)	20.0 (13.70)	10.0 (4.76)	350.0 (8.32)
C	Retail Traders	25.0.0 (33.3356)	50.0 (34.25)	150.0 (71.43)	2550.0 (60.63)
D	Small Business	30.0.0 (40.0) 44)	70.0 (47.95)	50.0 (23.81)	730.0 (17.36)
E	Education	-	-	-	10.0 (0.24)
Total		75.0.0 (100.0) 0.0)	146.0 (100.0)	210.0 (100.0)	4206.0 (100.0)

Note : Figure

Source : As m

The statistical information given in Table No. 9.3 throw light on activity wise and bankwise credit given to tertiary sector in the year 1986. These statistics reveal the following things :

1. Of the aggregate credit of Rs. 4206000/ a very large amount of Rs. 2550000/ i.e. 60.6% was given to the Retail Trader. Next important activity which received 17.4% of the bank credit for tertiary sector was small Business followed by Small Road Transport operators getting 13.4% professionals and Self Employed were given 8.3% of the total bank loans for the tertiary sector.
2. More than 50% loans for the tertiary sector, were made available by Bank of Maharashtra. Activitywise Bank of Maharashtra made 72% of these loans to retail traders. It also financed to some extent to small Business.
3. Next two important banks from the point of view of tertiary sector were Syndicate Banks and bank of India. Syndicate Banks preference was largely in favour of Retail Traders and professionals while bank of India accorded equal importance to Retail Traders and Small Business.
4. The loans given to tertiary sector by the Central Bank of India, Bank of Karad and Sangli Bank ranged between 130000/ to Rs. 210000/ Central Bank of India and Bank of Karad largely

financed Retail Traders and Small Business, in contrast Sangli Bank made over 60% of its loans for tertiary sector to the professionals and Self Employed.

5. Allahabad Bank, M.S.F.C. and Ratnakar Banks loans varied between Rs. 45000/ to Rs. 75000/ in the year 1986. M.S.F.C. made all its loans of Rs. 60000/ available to small Road Transport operators and Ratnakar Bank financed only Retail Traders and Small Business. As against this Allahabad Bank made available loans main for tertiary sector to Small Business, Retail Traders and professionals in that order of importance.

BANK CREDIT TO OTHER PRIORITY SECTOR :

TERMS AND CONDITIONS :

While granting loan for other priority sector that is loans for self employment the objective of increasing employment and reducing unemployment is carefully considered.

A) ROAD TRANSPORT OPERATORS :

He should possess a permanent driving licence. He should be capable to run the business efficiently and effectively. As well as the current availability of vehicle is considered. The debtor should give one/ two guaranteeer also.

B) PROFESSIONA/SELF EMPLOYED PERSONS :

A person should possess a necessary qualification. His skill is also important. He should be capable to carry his business effectively.

C) RETAIL TRADERS AND SMALL BUSINESS :

He should be able to run his business activity more efficiently should be able to prosperous his business activity.

RATE OF INTEREST :

A) ROAD TRANSPORT OPERATOR :

i) Term loan is given to the persons of two types :

- | | |
|----------------------------|--------|
| 1) Two vehicles | 12.50% |
| 2. Three and more vehicles | 15.00% |



B) PROFESSIONALS AND SELF EMPLOYED :

	Rate of Interest. %
1. Up to 25000	15.00
2. Rs. 25001 to 1 lakhs.	16.50

C) RETAIL TRADER AND SMALL BUSINESS :

<u>SHORT TERM LOANS</u>	Rate of Interest. %
1. Up to Rs. 5000	12.50
2. Rs. 5001 to Rs. 25000	14.00
3. Rs. 25001 to Rs. 1 lakhs.	16.00
4. Rs. 1 lakhs and above.	17.00

REPAYMENT :

Repayment of the Other Priority/loan depends upon the
sector
Criteria of income generation of activity.