

CHAPTER IVEvolution of Lending Policies and Practices of
Balbhim Bank

Loans and advances of Balbhim Bank have grown over a period of 10 years of this study at the rate of 66.54 % per annum. from Rs.55.61 lakhs in 1976-77, the loans and advances of Balbhim Bank have gone upto Rs.420.64 lakhs in 1985-86.

Purposewise Position

'Other purposes' constituted the most prominent purpose for the first eight of the ten years of study. The percentage share of the single most important purpose for the first eight years ranged between 34.38 % (in the year 1982-83) and 47.16 % (in the year 1979-80). In the last two years of the study i.e. in the years 1984-85 and 1985-86, top position was occupied by "loans to cottage and small scale industries" with its share of 37.96 % and 38.13 % in those two years respectively. "Loans for other purposes" came down to the second position in 1984-85 and 1985-86 with the share of 26.47 % and 24.00 % respectively. Then came the position of "loans for house construction and house repairs" and "loans for retail trade". Agricultural loans and educational loans occupied the last positions throughout the period of 10 years (Table No. 3.2).

If Balbhim Bank's securitywise loans and advances are compared with those at the state level (Table No. 1.3) one finds that the pattern of Balbhim Bank's loans and advances does not

vary substantially from that obtained at the state level in Maharashtra. "Loans for other domestic purposes" occupies the highest position percentagewise at state level in Maharashtra followed by "Loans to small scale industries".

Loans given on the security of personal guarantee occupied the top position throughout the ten years of this study. The range of percentage of loans on personal security to the total loans was 32.61 % to 41.08 %. Land and buildings, deposits, gold and silver and plant and machinery were next in importance as security offered for loans of Balbhim Bank. Plant and machinery has been gaining more and more importance particularly after 1981-82. This is a good sign in the sense that Balbhim Bank has started advancing more loans for productive purposes. Security of goods and other securities occupy the last positions in all the ten years of this study.

Overall Position

Overall position of Balbhim Bank with regard to its loans and advances may be highlighted with the help of the following Table No. 4.1.

Table No. 4.1

Statement showing Overall Position of Balbhim Bank with regard to its Loans and Advances

Year	Total assets (Rs.lakhs)	Loans out- standing out of total assets (Rs.lakhs)	Percentage of loans outstanding to total assets	Overdues out of loans outstanding (Rs. lakhs)	Percentage of overdues to loans outstanding
1976-77	102.34	68.88	67.30	6.79	9.9
1977-78	114.56	75.34	65.76	9.41	11.5
1978-79	139.16	94.05	67.58	10.55	11.2
1979-80	172.19	121.51	70.56	12.33	10.1
1980-81	220.62	150.52	68.22	14.56	9.7
1981-82	260.82	183.18	70.23	24.01	13.9
1982-83	320.36	222.20	69.35	29.15	13.1
1983-84	383.45	270.30	70.49	36.92	13.7
1984-85	488.46	344.34	70.49	51.81	15.0
1985-86	599.81	422.58	70.45	59.55	14.1

Source - Compiled from the Bank records.

It is clear from the above Table that loans and advances constituted about 70 % of the total assets of Balbhim Bank. Profitability of the Bank, as seen from Table No. 1.2 given in Chapter I, showed an improvement in the ten years period. Overdues, as percentage to loan outstanding, have been on the increase, particularly after 1981-82. Management of Balbhim Bank needs to pay more attention to taking this problem efficiently and effectively.

Priority Sector Advances

As seen in Chapter I, the Reserve Bank of India has issued specific directive to urban co-operative banks in September 1983 with a request to adhere to the norms prescribed for advances to priority sector. Performance of Balbhim Bank in this regard needs an appraisal.

Table Nos. 4.2, 4.3, 4.4 and 4.5 show the Bank's position in respect of priority sector advances as on 30th June every year of the years 1983, 1984, 1985 and 1986 respectively.

Statement showing Position of th June 1984.

S. No.	Priority Sector Items	Of which advances to weaker sections				
		no. of borrowers/nits	Limit sanctioned	Amount advanced	Balance outstanding	Amount overdue under col.11
1	2	8	9	10	11	12
1.	Advances to individuals for activities allied to agriculture	71	2.95	2.95	2.42	0.35
2.	Loans and advances to cottage small scale industries, equipment/systems for development of new and renewals source of energy	103	6.95	6.95	4.90	1.02
3.	Advances to road and water transport operators for purchase of one vehicle	81	8.25	8.25	6.70	0.57
4.	i) Private retail traders engaged in essential commodities (fair price shops)	54	3.85	3.85	2.23	0.84
	ii) Other private retail traders with credit limits not exceeding Rs.25,000/-					
5.	Small business enterprise	97	4.25	4.25	3.83	0.27
6.	Professional and self-employed persons	121	10.80	10.80	5.94	2.14
7.	Educational loans	187	1.29	1.29	1.02	0.02
8.	Housing loans	143	14.40	14.40	10.19	2.54
9.	Consumption loans	62	0.22	0.22	0.17	0.02
	Total	1119	52.96	52.96	37.40	7.77

Source - Compiled from th

Statement showing Position of P June 1985.

S. No.	Priority Sector Items	of which advances to weaker sections				
		of pro-jects	Limit sanc-tioned	Amount advan-ced	Balance out-standing	Amount overdue under col.11
1	2	3	9	10	11	12
1.	Advances to individuals for activities allied to agriculture	2	3.08	3.08	2.52	0.42
2.	Loans and advances to cottage small scale industries, equipment/systems for development of new and renewals sources of energy		8.21	8.21	6.50	1.05
3.	Advances to road and water transport operators for purchase of one vehicle	0	8.86	8.86	7.50	0.52
4.	i) Private retail traders dealing in essential commodities (fair price shops)	7	4.05	4.05	2.34	0.88
	ii) Other private retail traders with credit limits not exceeding Rs.25,000/-					
5.	Small business enterprises	7	6.85	6.85	4.89	0.24
6.	Professional and self-employed persons	5	13.11	13.11	8.36	2.27
7.	Educational loans	1	1.37	1.37	1.04	0.02
8.	Housing loans	7	18.50	18.50	14.22	1.63
9.	Consumption loans	5	0.27	0.27	0.22	0.03
	Total	0	64.30	64.30	47.59	7.06

Source - Compiled from the

Appraisal of Priority Sector Advances

Performance appraisal of priority sector advances made by Balbhim Bank in the four years after the RBI's directive may be done in the light of the requirements of the RBI directive. These requirements have already been stated in Chapter I. This appraisal can be easily made with the help of the following Table No. 4.6.

Statement showing Performance of advances made by Balbhim Bank.

S. No.	Particulars	Position as on 30th June	
		1985	1986
1.	Total loans and advances outstanding	Rs.344.34 lakhs	Rs.422.58 lakhs
2.	Priority Sector Advances	Rs.127.35 lakhs	Rs.175.30 lakhs
3.	Advances to weaker sector [Out of (2) above]	Rs.47.59 lakhs	Rs.66.58 lakhs
4.	Percentage of priority sector advances to total loan outstanding	36.98 %	41.48 %
5.	Percentage of weaker section advances to priority sector advances	37.36 %	37.98 %
6.	Percentage of weaker section advances to total loan outstanding	13.82 %	15.75 %

Source - Compiled from rec

The performance is much below the targeted performance envisaged in the RBI directive in respect of priority sector advances as percentage of total loan outstanding i.e. figures at S.No. 4 in the above table. Performance in respect of weaker section advances as percentage to priority sector advances (i.e. figures at S.No. 5) is satisfactory in all the years. Performance in respect of weaker section advances as percentage to total loans outstanding (i.e. figures at S.No. 6) is satisfactory only in the year 1986.

Thus the management of Balbhim Bank has to pay special attention to achievement of the target set by the RBI in respect of the priority sector advances.