

## CHAPTER V

### Summary and Conclusions

#### 1) History of urban bank

With the enactment of the Act 1904, credit societies started coming up. The people living in urban area such as middle class people, traders, salary earners and labourers organised their own societies. The urban co-operative credit movement in India traced back to the formation of mutual aid society by middle class Maharashtra families in Baroda as far back as 1889.

The objectives of urban banks are to attract deposits, to advance loans to members, to undertake collection of bills, to provide facilities as provided by the commercial banks and to arrange for safe custody of valuable documents and ornaments.

#### RBI directive regarding loans and advances

The urban co-operative banks are allowed by the RBI to enjoy the facility of adding 75 % of their paid up share capital and reserves to its total time and demand liability for the purpose of the directives issued by RBI. The credit facilities for various ceilings, maximum limit on advances and interest on advances are stipulated in the RBI directive.

Reserve Bank of India gave specific directive with regard to advances to priority sector by urban co-operative bank in September 1983 to achieve the following targets :

- i) The urban co-operative banks should achieve the target of 60 % of their total advances for priority sector lending by 30th June 1985 and
- ii) of the total priority sector advances atleast 25 % (or 15 % of the total loans and advances) should have been advanced to weaker section by 30th June 1985.

#### Progress of urban banks in India

The total number of urban banks increased from 1310 in 1983-84 to 1346 in 1985-86. The deposits of Rs.2659 crores in 1983-84 increased to Rs.3939 crores in 1985-86 and loans outstanding increased from Rs.2103 crores in 1983-84 to Rs.3046 crores in 1985-86.

#### Performance of Balbhim Bank

The performance of Balbhim Bank during the period of 1976-77 to 1985-86 is as follows :

- 1) Number of members increased from 5454 in the year 1976-77 to 13262 in the year 1985-86.

2) Owned capital i.e., paid up capital plus reserves and surplus increased from Rs.17.43 lakhs in the year 1976-77 to Rs.79.54 lakhs in the year 1985-86.

3) Deposits increased from Rs.76.14 lakhs in 1976-77 to Rs.482.62 lakhs in 1985-86.

4) Loans outstanding increased from Rs.68.88 lakhs in 1976-77 to Rs.422.58 lakhs in 1985-86.

5) Bank earned profit of Rs.1.43 lakhs in 1976-77 and Rs.8.51 lakhs in 1985-86.

### 3) Analysis of loans and advances

Percentage of purposewise loans sanctioned by Balbhim Bank, as on 30th June 1986 was as follows :

- i) Cottage and small scale industries 38.13 %,
- ii) Retail trade 18.91 %,
- iii) Educational 0.62 %,
- iv) Agricultural 0.82 %,
- v) House construction and house repairs 17.52 % and
- vi) Other purposes 24.00 %.

Balbhim Bank has sanctioned loans and advances against securities in 1985-86 :

- i) Secured on goods - 3.56 %
- ii) Gold and silver - 14.45 %

iii) Deposits -	14.77 %
iv) Other securities -	0.39 %
v) Plant and Machinery -	16.63 %
vi) Land and building -	17.59 %
vii) Personal guarantee -	32.61 %

The disbursement of loans increased from Rs.55.61 lakhs in the year 1976-77 to Rs.420.64 lakhs in the year 1985-86. The percentage of overdues to total loan outstanding increased from 9.9 % in the year 1976-77 to 14.00 % in 1985-86.

#### 4) Appraisal of lending policies and practices formulated

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"Other purposes" <sup>^</sup> in the list of loan purposes for the first eight years of the ten years of the study. The percentage of "other purposes" is 34.38 % in 1982-83 and 47.16 % in 1979-80. During these eight years, loans for the "cottage and small scale industries" occupied the second position. "Cottage and small scale industries", however, moved upto the top position with its share of 37.96 % and 38.13 % in 1984-85 and 1985-86 respectively. Loans for "House construction and house repairs" and for "Retail trade" occupied next two positions. Agricultural loans and educational loans occupied the last positions.

#### Priority sector advances made by Bank

Performance appraisal of priority sector advances made by Balbhim Bank in four years i.e. 1983, 1984, 1985 and 1986 is as follows :

Particulars	Position as on 30th June			
	1983	1984	1985	1986
a) Loans to priority sector (Rs. lakhs)	65.57	97.43	127.35	175.30
b) Advances to weaker section (out of the (a) above) (Rs.lakhs)	29.05	37.40	47.59	66.58
c) Percentage of priority sector advances to total loan outstanding	29.50 %	36.00 %	36.98 %	41.48 %
d) Percentage of weaker section advances to priority sector advances	44.30 %	38.39 %	37.36 %	37.98 %
e) Percentage of weaker section advances to total loan outstanding	13.00 %	13.83 %	13.82 %	15.75 %

### Conclusions

The researcher would like to draw the following conclusions from the present study.

- 1) Balbhim Bank has advanced only 41.48 % (and this is the highest in the four years for which the scheme was implemented) advances to the priority sector. The RBI has given the target of 60 % by the end of 1985. Balbhim Bank should pay more attention to making more loans and advances to priority sector so that the target set by the RBI is achieved.
- 2) The Bank has made maximum efforts to sanction the loans for productive purposes. Loans for unproductive purposes, however, can still be curtailed.
- 3) The percentage of overdues is constantly increasing year by year. Therefore Balbhim Bank should make special efforts to recover the overdues and see that the overdues do not exceed a certain limit.