

CHAPTER III

Loans and Advances of Balbhim Bank

Details of loans and advances made by Balbhim Bank during the ten years starting from 1976-77 and ending with 1985-86 are presented in this chapter. Yearly progress, purposewise loans and advances given and securitywise classification thereof will be discussed in the pages to follow. Procedure for sanctioning of loans, their disbursement and the recovery thereof will also be described.

I) Loans and Advances during 10 years

Details of loans and advances made by Balbhim Bank during the ten years under study are presented in Table No. 3.1.

Table No. 3.1

Statement showing yearwise Disbursement of Loans made by
Balbhim Bank.

S. No.	Year	Loan Disbursement (Rs. in lakhs)	Percentage Increase (Decrease)
1.	1976 - 77	55.61	-
2.	1977 - 78	65.73	18.19
3.	1978 - 79	93.11	41.65
4.	1979 - 80	151.59	62.80
5.	1980 - 81	176.66	16.53
6.	1981 - 82	168.00	(4.90)
7.	1982 - 83	228.47	35.71
8.	1983 - 84	268.46	17.50
9.	1984 - 85	330.06	22.90
10.	1985 - 86	420.64	27.44

Source - Office records of Balbhim Bank.

Purposewise Loan Disbursement

Balbhim Bank sanctions and disburses loans and advances mainly for the following six purposes :

- 1) Cottage and Small Scale Industries
- 2) Retail Trade
- 3) For Pursuit of Advanced Education
- 4) Agricultural Loans
- 5) House Construction and House Repairs
- 6) Other purposes.

As will be observed later, loans and advances disbursed for purposes at S. Nos. 3 and 4 have been small in amount forming a small percentage of the total loan disbursed. 'Other purposes' is a residual purpose which includes all other purposes like repayment of old debts, loans for marriage ceremony etc. and it forms the single purpose claiming the highest amount of loans in both absolute terms and percentagewise for the first eight years of the ten years study. Details are given in Table No. 3.2.

Securitywise Loan Disbursement

Balbhim Bank has given loans and advances on the strength of following seven types of securities :

- 1) Goods
- 2) Gold and Silver
- 3) Deposits
- 4) Other Securities
- 5) Plant and Machinery
- 6) Land and Buildings
- 7) Personal Guarantee.

Loans and advances given on "Personal Guarantee" occupy the first position for all the ten years of study in absolute amounts and also in percentages.

Securitywise disbursement of loans and advances made by Balbhim Bank during the ten years period of this study is given in Table No. 3.3.

Table No. 3.2

Statement showing Purposewise Disbursement of Loans and Advances made by Balbhim Bank during 1976-77 to 1985-86.

(Figures in Rs. lakhs)

S.No. Purpose	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
1. Cottage and Small Scale Industries	11.30 (20.32)	10.77 (16.38)	21.45 (23.03)	28.29 (18.73)	38.90 (22.05)	42.99 (25.41)	66.60 (29.15)	65.56 (24.42)	125.31 (37.96)	160.43 (38.13)
2. Retail Trade	8.80 (15.82)	11.95 (18.18)	12.41 (13.32)	19.01 (12.54)	26.36 (14.79)	29.42 (17.92)	38.71 (16.94)	32.96 (12.27)	59.33 (17.97)	79.58 (18.91)
3. Educational	0.67 (1.20)	0.77 (1.17)	0.84 (0.90)	1.19 (0.78)	0.98 (0.54)	0.85 (0.50)	1.23 (0.53)	1.82 (0.67)	2.58 (0.78)	2.65 (0.62)
4. Agricultural	0.60 (1.07)	0.80 (1.24)	1.15 (1.23)	1.14 (0.77)	0.88 (0.49)	1.45 (0.86)	1.63 (0.74)	1.69 (0.62)	1.68 (0.53)	3.29 (0.82)
5. House Construction and House Repairs	8.52 (15.34)	12.56 (19.10)	20.11 (21.59)	38.33 (25.42)	45.94 (26.04)	33.29 (19.81)	41.73 (18.26)	68.08 (25.35)	53.79 (16.29)	73.73 (17.52)
6. Other purposes (Repayment of old debts, meeting consumption needs and marriage ceremony expenses.)	25.72 (46.25)	28.88 (43.93)	37.15 (39.93)	63.63 (47.16)	63.60 (36.08)	60.00 (36.55)	78.57 (34.38)	98.35 (36.67)	87.37 (26.47)	100.96 (24.00)
Total	55.61 (100.00)	65.73 (100.00)	93.11 (100.00)	151.59 (100.00)	176.66 (100.00)	168.00 (100.00)	228.47 (100.00)	268.46 (100.00)	330.06 (100.00)	420.64 (100.00)

Note - Figures in the brackets indicate percentage to the total.

Source - Office records of the Bank.

Table No. 3.3

Statement showing securitywise Loans and Advances Disbursed by Balbhim Bank during the period 1976-77 to 1985-86

		(Figures in Rs. lakhs)										
S.No.	Type of Security	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-1984	1984-85	1985-86	
1.	Secured on Goods	-	0.92 (1.39)	0.62 (0.56)	1.03 (0.67)	3.30 (1.88)	3.91 (2.32)	6.60 (2.88)	8.18 (3.04)	11.90 (3.60)	15.00 (3.56)	
2.	Gold and Silver	8.67 (15.59)	11.59 (17.63)	25.23 (27.09)	45.78 (30.19)	49.26 (27.88)	27.46 (16.34)	32.97 (14.43)	45.43 (16.92)	50.37 (15.21)	60.80 (14.45)	
3.	Deposits	9.81 (17.64)	11.43 (17.38)	11.61 (12.46)	17.71 (11.68)	21.71 (11.72)	36.03 (21.44)	46.91 (20.53)	35.00 (13.03)	53.06 (15.77)	62.13 (14.77)	
4.	Other securities (Employee's P.F. Deposit, National Savings Certificates etc.)	0.38 (0.68)	0.60 (0.91)	0.62 (0.64)	0.74 (0.48)	0.99 (0.56)	1.14 (0.67)	1.39 (0.60)	1.18 (0.43)	1.00 (0.30)	1.65 (0.39)	
5.	Plant and Machinery	2.05 (3.68)	3.62 (5.65)	10.0 (10.95)	13.40 (8.37)	16.28 (7.99)	24.00 (14.63)	35.73 (15.63)	41.84 (15.62)	54.55 (16.52)	69.00 (16.63)	
6.	Land and Buildings	11.81 (21.33)	11.13 (16.93)	12.48 (13.29)	16.80 (11.59)	23.33 (13.00)	13.24 (7.88)	24.25 (10.65)	38.00 (14.15)	50.00 (15.53)	74.00 (17.59)	
7.	Personal Guarantee	22.89 (41.08)	26.44 (40.11)	32.55 (34.91)	56.13 (37.02)	61.79 (36.97)	62.22 (36.72)	80.62 (35.28)	98.83 (36.81)	109.18 (33.07)	138.06 (32.61)	
Total		55.61 (100.00)	65.73 (100.00)	93.11 (100.00)	151.59 (100.00)	176.66 (100.00)	168.00 (100.00)	228.47 (100.00)	268.46 (100.00)	330.06 (100.00)	420.64 (100.00)	

Note - Figures in the brackets indicate percentage to the total.

Source - Office records of the Bank.

Overall Position

Overall position of Balbhim Bank with regard to disbursement of loans and advances, recoveries thereof, outstanding loans and advances as on the last date of the year and overdues out of the loans outstanding is shown in Table No. 3.4 which follows -

Table No. 3.4

Statement showing Overall Position with regard to Loan Disbursement, Loan Recovery and Loan Outstanding during 1976-77 to 1985-86.

(Rs. in lakhs)

S. No.	Year	Disbursement of Loans and Advances	Recovery of Loans and Advances	Loans and Advances Outstanding as at the end of the year	Overdues out of the Outstanding
1.	1976-77	55.61	47.94	68.88	6.79 (9.9)
2.	1977-78	65.73	59.28	75.34	9.41 (12.5)
3.	1978-79	93.11	74.40	94.05	10.55 (11.2)
4.	1979-80	151.59	124.13	121.51	12.33 (10.1)
5.	1980-81	177.66	147.66	150.52	14.56 (9.7)
6.	1981-82	168.00	141.10	183.18	24.01 (13.9)
7.	1982-83	228.47	189.45	222.20	29.15 (13.1)
8.	1983-84	268.46	220.37	270.30	36.92 (13.7)
9.	1984-85	330.06	256.02	344.34	51.81 (15.04)
10.	1985-86	420.64	342.42	422.58	59.55 (14.09)

Note - Figures in the brackets are percentages of overdues to loans outstanding.

Source - Office records of the Bank.

II) Procedural Aspects

Balbhim Bank's procedure in connection with sanctioning of loans, documentation at the time of loan disbursement, supervision over and recovery of loans is detailed in the pages to follow :

Sanctioning of Loans

Application for loan must be submitted to the Bank in the prescribed form. This form is in vernacular language - Marathi.

On receipt of loan application, it is entered in the "Loan Application Register".

Then the loan officer makes due scrutiny of the application and makes necessary enquiries, if necessary. The application is forwarded to the manager with the loan officer's remarks and recommendations. The application is then put up before the board in its meeting for sanction. The board then sanctions/rejects the loan application.

Disbursement of Loans

Applicant is informed of the sanction of loan and required to comply with the conditions laid down at the time

of loan sanction, execute necessary documents and lift the loan amount.

Loan is normally disbursed on compliance of conditions and execution of necessary documents. Demand promissory note is taken in almost all types of loans and advances. In case of cash credit, for example, a continuing security letter is taken. In case of a partnership firm, only the authorised partners will sign the documents. An agreement of pledge is taken in case of an advance secured by pledge. A mortgage deed is taken if the advance is secured by mortgage of an immovable property.

Whenever necessary, these documents must be properly and duly stamped as per the provisions contained in the Stamp Act.

Detailed procedure of securitywise loan sanctions and disbursements is given below.

1) Secured on Goods

Bank sanctions loans normally against the security of goods. The goods offered as security usually represent those in which the borrower deals. Bank sanctions loans and advances to businessmen.

After receiving the loan application from the intending borrower, the loan officer of the Bank takes into consideration the following points :

a) whether the intending borrower has necessary experience in dealing with the goods offered as security and whether he is owner of the goods and whether he has necessary licence(s) for trading in certain specified commodities;

b) that the loan demanded is not for speculative purpose;

c) that the goods are insured against fire and other risks;

d) that the godown keepers and watchmen are properly selected by the intending borrower.

Rate of interest : 16 % p.a.

Period of repayment : 36 months.

2) Gold and Silver

Loan taken on the security of gold and silver is used for repaying prior debts, consumption needs, meeting unexpected expenditures etc.

Points considered at the time of scrutiny of loan application are :

a) that the intending borrower is the owner of gold or silver ornaments.

b) that the weight, quality and carret of the gold and silver are checked and certified by authorised Saraf (i.e. goldsmith) of the Bank.

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Rate of interest : 15 % p.a.

Period of repayment : One year.

3) Loan on Deposits

Bank sanctions loans against borrower's own fixed deposit receipt. Bank sanctions such advances for repayment of prior debts, meeting expenses for marriage ceremony, meeting unexpected but necessary expenditure etc.

Borrower submits the loan application along with the deposit receipt discharged by the applicant depositor by affixing thereon an appropriate revenue stamp. Bank takes a demand promissory note also.

Rate of interest : Normally the rate of interest is higher by 2 % than that allowed on the deposit Account.

Repayment period : Depends on the period of deposit.

Loans are also given on recurring deposit accounts. The details of which are given below :

- a) Recurring Deposit
- b) Bachat Nidhi Deposit
- c) Compulsory Bhishi Deposit
- d) Shubh Mangal Deposit
- e) Savings Deposit

After receiving the application, the loan officer of the bank checks the deposit balance. The amount of loan is granted at 85 % of the balance of the deposits.

	<u>Type of deposit</u>	<u>Rate of interest</u>
a)	Recurring Deposit	12 % to 13 % p.a.
b)	Bachat Nidhi Deposit	9.5 % to 11 % p.a.
c)	Bhishi Deposit	4 % p.a.
d)	Shubh Mangal Deposit	9 % to 11 % p.a.
e)	Savings Deposit	8 % p.a.

4) Loan on Other Securities

Bank sanctions loan on the following securities for repayment of prior debt, meeting expenses for marriage ceremonies, house consumption expenditure etc.

a) Loan on Provident Fund Deposit

Bank sanctions advances against Employees' Provident Fund Deposits of those serving in the Bank. Loan sanctioned is normally 75 % of the deposits.

Rate of interest : 9 % p.a.

Period of repayment : It is flexible depending on the amount of loan, purpose for which loan is taken and the probable number of years the employee is going to serve the bank.

b) National Savings Certificates

Bank sanctions advances against the security of National Savings Certificates. Bank assesses the national savings certificates from the market prices given in the stock exchange quotations. Bank keeps such securities in the safe custody of the bank until repayment of debt.

Rate of interest : 15 % p.a.

Period of repayment : 3 years.

c) Loan on Contributory Leave Salary

Bank sanctions loan to employees serving in the bank on contributory leave salary for house expenses and for repayment of prior debts.

Rate of interest : 9.5 % p.a.

Period of repayment : 1 year.

5) Loan on the Security of Plant and Machinery

a) Hire Purchase of Vehicles (

Bank sanctions loan for hire purchase on the security of vehicles and machinery to be acquired. Hire purchase loan is sanctioned for purchase of motor car, two wheelers, tempos etc. Loan officer mainly checks the quotations submitted along with application. Bank's name is entered in the R.C. book.



Vehicles/Machineries are necessarily insured. The insurance policy remains in the safe custody of the bank.

Rate of interest : 16 % p.a.

Period of repayment : 3 years.

b) Small Scale Industries

Bank grants loans to set up new small scale industrial unit for meeting fixed and working capital requirements, for acquisition of land and building, construction of factory shed and for purchasing machinery.

Bank scrutinises the profit and loss account, balance sheet and cash flow statement of the borrower for a period of one or two years. Bank also ensures that the borrower has obtained licence from Government for starting the unit.

Rate of interest : 16 % p.a.

Period of repayment : (a) Fixed assets - About 3 years

(b) Working capital - One year.

6) Loan on Land and Building

Bank grants loan on the security of land and building for construction of new building, repairs to the existing building etc.

Loan officer checks the following documents along with loan application :

- a) Property card of borrower issued by the competent authority.
- b) Permission letter of the Municipal Corporation for construction, repairs and/or for construction, expansion of building.
- c) Map of the building given by Municipal authorities.
- d) Document regarding ownership of land.
- e) Tax receipts of Municipality.

Rate of interest : 16 % p.a.

Period of repayment : 3 years.

7) Loan on Personal Guarantee

Bank grants such type of loan for meeting consumption expenditure, repairs of building etc.

Loan officer checks the following documents :

1) Employer's certificate regarding intending borrower's status (like officer/clerk, full time/part time, permanent/temporary etc.), salary drawn etc.

2) Employer's written letter of guarantee regarding deduction of instalments due from the concerned employee's salary.

Rate of interest : 15 % p.a.

Period of repayment : 3 years.

Utilisation and Recovery of Loans

Loan section of the Bank looks after supervision over utilisation of loans and advances. The Bank employees look after the following :

- i) Actual use of the loan : Whether for the same purpose for which loan is granted.
- ii) Verification of goods, vehicles, land and buildings, machineries etc.
- iii) Keeping a watch on operational and financial aspects of the borrower.
- iv) Ensuring that the borrower repays in time. Reasons for default, if any.

Defaulters are given notices as per the permissions contained in the bye-laws of the Bank and the Co-operative Law in force at the time of initiating such an action. If the defaulter does not pay the defaulted amount in the stipulated period given in the written notice, the Bank files a suit against recovery of the defaulted amount in the Co-operative Court. On due hearing, the Co-operative Court may pass an order against the defaulter for recovery of the defaulted amount along with penal charges, if any. Recovery officer appointed by the Bank, with the approval of the Registrar, Co-operative Societies, proceeds to recover the amount mentioned in the court order by coercive measures.