

**CHAPTER - V**

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**EVALUATION OF INDUSTRIAL FINANCE PROVIDED  
BY THE SELECTED URBAN CO-OPERATIVE  
BANKS IN KOLHAPUR**

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As stated earlier, the four Banks selected for the purpose of this study are:

1. Veershaiv Bank,
2. Maratha Bank,
3. Kolhapur Urban Bank, and
4. Janata Bank.

Data pertaining to these four Banks have already been presented in Chapter IV. Data have been in respect of (i) the total loans and advances made; (ii) the loans and advances to the small scale and cottage industries, (iii) loans and advances to priority sector, and (iv) loans and advances to small business enterprises, out of those for priority sector. Four statements for each of the four Banks have been given so as to give full understanding of the above four aspects in case of each of them for a period of four years starting from the year ending with 30th June 1984 and ending with 30th June 1988.

**Basis for Evaluation.**

For the purpose of evaluating, the Banks' performance in respect of their industrial finance, the following criteria are used in the case of each of these Banks.

1. Growth of total loans and advances vis-a-vis to SSI and cottage industries is studied;

2. Loans and advances given by the urban co-operative Banks in Maharashtra are compared with those made by the Banks under study.
3. Growth of the loans and advances made to priority sector vis-a-vis to small business enterprises is studied. Small business enterprises do not, however, necessarily mean SSI and cottage industries.

Performance of each of the four Banks is judged on the basis of the criteria given above. First of the two criteria are given more importance. After this, a comparative study of these four Banks is done so as to understand their relative performance in this area and the potential available to them in the field of industrial finance. This would, it is contended, help in understanding the difficulties faced by these Banks in financing the industrial sector.

#### **Loans and Advances - Total and to SSI & Cottage Industries.**

As shown in Chapter III, even though on the basis of absolute amount of loan outstanding as on 30th June, 1988, Veershaiv Bank occupies the first position among the four Banks under study, the ranking changes as follows when an annual growth rate calculated on percentage basis for 15 years (1973 to 1988) is considered:

<u>Rank</u>	<u>Bank</u>	<u>Percent Annual Average Growth in Loan Outstandings</u>
I	Maratha Bank	222.94
II	Janata Bank	182.86
III	Kolhapur Urban Bank	101.01
IV	Veershaiv Bank	77.18

In respect of loans and advances to the small scale industries and cottage industries, Veershaiv Bank stands first on the absolute amount basis (Rs.186.90 lakhs and Rs.160.07 lakhs of loans outstanding as on 30th June 1987 and 30th June 1988 respectively). Maratha Bank (Rs.162.87 lakhs and Rs.113.48 lakhs as on 30th June 1987 and 30th June 1988 respectively) stands second; followed by Janata Bank (Rs.92.18 lakhs as on 30th June 1988) and Kolhapur Urban Bank (Rs.75.15 lakhs as on 30th June 1988).

The percentage of loans and advances made to SSI and cottage industries to the total loans of advances made by the four Banks for the four years under study can be seen from the following Table:

TABLE 5.1

Statement showing Percentage of Loans and Advances made by the Selected Banks to SSI and Cottage Industries.

Sr. No.	Bank	Year ending 30th June			
		1985	1986	1987	1988
1.	Veershaiv Bank	16.91	15.26	26.84	13.51
2.	Maratha Bank	11.04	10.93	14.08	9.66
3.	Kolhapur Urban Bank	9.93	12.88	16.90	18.76
4.	Janata Bank	14.69	14.40	25.55	19.60

Source: Compiled from Table nos.4.2, 4.4, 4.6 and 4.8.

Based on the average of percentages of loans and advances to SSI and cottage industries, the ranking comes out thus:

<u>Rank</u>	<u>Bank</u>
I	Veershaiv Bank.
II	Janata Bank.
III	Kolhapur Urban Bank.
IV	Maratha Bank.

Only the third-ranked Kolhapur Urban Bank shows an increasing trend in respect of lending to the industrial sector throughout the four years under study. All other Banks have ups and downs in their percentage shares of lending to the industrial sector, the most prominent amongst the remaining three Banks being the first-ranked Veershaiv Bank.

#### Comparison with the State Level Performance.

The average percentage of lending to industry for the State of Maharashtra, as seen from Table 2.1, was 15.68, 17.24 and 18.66 in the years 1985, 1986 and 1987 respectively. The figures for 1988 for the State were not available till the date of writing this Dissertation. Only Veershaiv Bank shows better performance (16.91%) than the average obtained for the State of Maharashtra (15.68%) for the year ending 30th June 1985. None of the four Banks has reached the average performance obtained for Maharashtra (17.24%) in the year 1986. Veershaiv Bank (26.84%) and Janata Bank (25.55%) have shown better performance in this regard than the average performance for Maharashtra (18.66%) in 1987.

### Loans and Advances to Priority Sector.

As per the guidelines issued by the Reserve Bank of India, the urban co-operative Banks are required to grant loans and advances to the priority sector to the extent of at least 60% of their total loans and advances.

The total loans and advances and those made to the priority sector by the four Banks under study are shown in Table nos.5.2 to 5.5 given below:

TABLE 5.2

Statement showing Outstanding Loans and Advances and the Priority Sector Outstanding Advances of Veershaiv Bank

Year ending 30th June	Total Loans and Advances Outstanding	Priority Sector Loans & Advances Outstanding	Percentage of Priority Sector Advances to total Loans & Advances
	Rs.in Lakhs	Rs.in Lakhs	
1985	674.35	289.80	42.97%
1986	861.18	379.50	44.07%
1987	1656.18	649.76	39.23%
1988	1327.15	663.39	49.99%

Source: Compiled from Table nos.4.1 and 4.9

TABLE 5.3

Statement showing Outstanding Loans and Advances and the  
Priority Sector Outstanding Advances of  
Maratha Bank

Year ending 30th June	Total Loans and Advances Outstanding	Priority Sector Loans & Advances Outstanding	Percentage of Priority Sector Advances to Total Loans & Advances
	Rs.in Lakhs	Rs.in Lakhs	
1985	342.26	205.39	60.00%
1986	581.42	330.63	56.87%
1987	722.76	652.87	90.33%
1988	893.59	732.59	81.98

Source: Compiled from Table nos.4.3 and 4.11.

TABLE 5.4

Statement showing Outstanding Loans and Advances and the  
Priority Sector Outstanding Advances of  
Kolhapur Urban Bank

Year ending 30th June	Total Loans and Advances Outstanding	Priority Sector Loans & Advances Outstanding	Percentage of Priority Sector Advances to Total Loans & Advances
	Rs.in Lakhs	Rs.in Lakhs	
1985	392.98	223.70	56.92%
1986	493.61	284.77	57.69%
1987	656.81	403.92	61.50%
1988	744.44	511.49	68.71

Source: Compiled from Table nos.4.5 and 4.13.

TABLE NO. 5.5

Statement showing Outstanding Loans and Advances and the  
Priority Sector Outstanding Advances of  
Janata Bank

Year ending 30th June	Total Loans and Advances Outstanding	Priority Sector Loans & Advances Outstanding	Percentage of Priority Sector Advances to Total Loans & Advances
	Rs.in Lakhs	Rs.in Lakhs	
1985	454.51	153.89	33.86%
1986	492.12	238.46	48.46%
1987	562.61	357.13	63.48%
1988	761.63	503.14	66.06%

Source: Compiled from Table nos.4.7 and 4.15.

Veershaiv Bank's performance in respect of Priority Sector advances is much below the desired level of 60% throughout the four years under study. It was 42.97% in 1985, 44.07% in 1986, 39.23% in 1987 and 49.99% in 1988.

Maratha Bank's performance in this respect is better than that of Veershaiv Bank. Except in 1986 (56.87%), Maratha Bank's outstanding loans to Priority Sector exceeded the targeted level of 60% in 1985, 1987 and 1988. It was 60% in 1985, as high as 90.33% in 1987 and 81.98% in 1988.

In the case of Kolhapur Urban Bank, 56.92% and 57.69% of its total outstanding loans and advances in 1985 and 1986 respectively was outstanding on priority sector advances account. This percentage increased to 61.50% in 1987 and further to 68.71% in 1988. In the last two years, thus, the Bank has gone



above the targeted level of 60%.

In the case of Janata Bank also, it could not perform well in the first two years of study. In 1985 and 1986, the percentage of priority sector loan outstanding was 33.86% and 48.46% respectively. It shot up to 63.48% in 1987 and further to 66.06% in 1988.

#### **Difficulties in the field of Industrial Finance.**

The urban co-operative Banks find various legal, operational and other difficulties in the field of industrial finance. Refinance from the Reserve Bank of India and the Industrial Development Bank of India is not easily available to the urban Banks. If these Banks try to obtain it through MSC Bank, the interest rate of borrowing goes up.

The urban co-operative Banks are also found to be the poor competitors to the State Bank of India and other nationalised and non-nationalised commercial Banks on various counts.

Most of the industrial units in and around Kolhapur are small and tiny units and face peculiar problems connected with their size and their dependence on big units. These problems must be clearly understood before the finance is given to such industrial units by the urban co-operative Banks. The urban co-operative Banks do not have specialised staff for this purpose.