

## Research Paper

## A CRITICAL EVALUATION OF LOANS AND ADVANCES OF SOLAPUR GRAMIN BANK

**Navraj G. Kaldate**

M.A. M. Phil. (Economics)

Lecturer in Economics H.N. College of commerce,  
Solapur.

### ABSTRACT

*In this paper attempt has made to present a brief profile of the Solapur GRAMIN BANK. besides this the main emphasis of this paper is to study the Loans and Advances of Solapur Gramin Bank.*

#### OBJECTIVES:

The objective of this paper are :

1. To present a brief profile of the Solapur Gramin Bank encompassing its Branch network, deposits, Loans and Advances, Share capital.
2. To make analysis of the Loans and Advances and deposits of the Bank during 2001 – 02 to 2005-06. Besides this critical evaluation of Loans and Advances.

#### SECTION – I:

##### PROFILE OF THE BANK:

Solapur Gramin Bank sponsored by Bank of India (Lead Bank of Solapur District) was established on 21st January, 1984, under the provisions of sections 3 (1) of Regional Rural Banks Act 1976. The area of operation of the Bank is in Solapur District.

The Bank was established mainly with a view to provide basic banking facilities in the rural area and to mobilize saving from rural masses, who were not adequately served by commercial Banks as the branch network of these Banks is mainly in urban or semi-urban centers. The Bank's objective is to help develop economy by providing credit and other facilities for agriculture trade and industry and other productive activities.

##### 1. Branch Network :

The Bank has 33 branches in Solapur district of Maharashtra comprising 11 blocks covering 211 villages. No branch has been opened / closed during the period under report.

Table-1  
Area wise Branch Network

Sr. No.	Area	No. of Branches
1	Rural	28
2	Semi-urban	04
3	Urban	01
	Total	33

##### Share Capital:

The Authorized Share Capital of the Bank is Rs. 50000 thousands whereas the paid-up share capital of the Bank is Rs. 10000 Thousands which is contributed by Govt. of India, Govt. of Maharashtra and Bank was identified by central Govt. to provide equity support under comprehensive programme for Restructuring of RPBs has III. The entire

amount of restructuring fund i.e. Rs. 7,89,93,050/- has since been received. This contributed by Govt. of India and Govt. of Maharashtra in the ratio of 50%, 35% and 15% respectively.

##### 3. Deposits:

Deposits of the Bank as on 31/03/2006 stood Rs. 801204 thousand as against Rs. 658782 thousands as on 31/03/2005 registering a growth of 21.65. The average growth during the current year is 10.54 %.

The emphasis during the year has been to mobilize more of low cost deposits especially in saving bank deposit increase deposit base. In this direction a target of opening 30 new bank accounts per branch per month was fixed. 12610 new saving bank accounts were opened during the year. The average cost of deposits during the year was 4.78% as against 5.35% in the previous year. Bank has achieved deposit target under MOU and percentage achievement is 105.77%.

Table – 2

Deposits of Solapur Gramin Bank  
(Rupees in Thousands)

Sr. No.	Particulars	As on 31-3-2005		As on 31-3-2006	
		No. of A.C.	Amount	No. of A.C.	Amount
1	Current Deposits	1106	39448	1051	44848
	Saving Deposits Terms Deposits	95608	321993	104635	446945
	Total	12872	297341	12029	309411
	Total	109592	658782	117715	8012045
	Out of which Institutional Deposits	1961	85808	2433	203674
1.	Share Low Cost Deposits to Total Deposits%	-	54.86	-	61.38
2.	Average cost of Deposits %	-	5.35	-	4.78
3.	Per Branch Deposits	-	19963	-	24279
4.	Per Employee Deposits	-	4916	-	6024

#### Section – II :

##### ANALYSIS OF LOANS AND ADVANCES :

##### 1. Total Credit Advances:

The loans and advances are crucial component of growth of any banking institution and thus important criterion to judge their performance. This is more true in case of Regional Rural Bank, which have been especially created to meet the credit requirement of weaker sections of rural society so as to enable them to participate in the activities and

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share benefit of rural development.

While considering the objectives of RRBs, SGBs, credit development is made to rural poor and development of agriculture and allied activities, trade and industry in rural area and in particular to small and marginal farmers, agriculture labourers, artisans and small entrepreneurs. The Bank has fulfilled its responsibility of extending credit facilities to the weaker section of society, SC/ST and minority etc.

Total credit advances, number of borrower accounts, average advances per account, per branch and per employer has shown in table 3. This table indicates that the aggregate credit extended by the bank rose significantly from Rs. 426067 thousands in 2002 to Rs. 590299 thousands in 2006 the total number of borrower accounts decrease significantly from 13375 in 2002 to 12536 in 2006. But per branch outstanding advances increased from Rs. 12911.12 thousands to Rs. 17887.84 thousands during the same period. Average per account loan outstanding of Rs. 47.08 thousands indicates the predominance of small borrowers. Besides average advances per employee also shown galloping rise from Rs. 3132.84 thousands in 2002 to Rs. 4438.33 thousands in 2006. Thus it has been tremendous increase in amount of loan advances by this bank the trend over the period of five years. Under reference reveals rather. A continuous growth in credit advances. It may be seen from table 3 that the number of account of advances is showing a decline of 839 thousands as on 2006. This is mainly because of continuous increase in outstanding balance as well as problem of recovery. It seems that the reduction on loan accounts have been made to maintain a proper balance sheet of the bank.

Table 3

Sr.No.	Year	No. of Loan A/c.	Amount of Adv.	Av. Adv. Per A/c.	Av. Adv. Per Branch	Av. Adv. Per Employee
1	2001-02	13375	426067	31.85	12911.12	3132.84
2	2002-03	13006	473658	36.25	14353.27	3508.57
3	2003-04	12342	488164	39.55	14792.84	3643.01
4	2004-05	12747	567225	44.49	17188.63	4233.02
5	2005-06	12536	590299	47.08	17887.84	4438.33

Source : Annual Reports of SGB since 2001-02 to 2005-06.

The primary objective of this bank is to provide and finance the farmers rural area. Even though, the bank have achieved this object, the recovery of loans given is not up to the mark. It means farmers not have been repaid the loans; one of the reason behind this is over dependability on monsoon for farming. In recent years Solapur district was facing the problem of unfavorable monsoon which were caused to lower production and lower earnings. Therefore, the farmers were became helpless in repayment of their loan. Aggregative effect of these factors is reduction in number of loan accounts of the bank.

## 2. Loans Disbursement:

Since its inception, the Bank disbursed loans to rural farmers in large amount. Table 4 indicates total loans disburse from SGB since 2002 to 2006. The table focused on sector wise disburse of loans made by the bank i.e. priority sector (Agriculture), Non-priority sector, financing under SGSY, other Govt. sponsored, SC/ST/Minority, in the year 2001-2002 total loan disburse was Rs. 191409 thousands. Among that mostly loan disbursed on Agriculture i.e. Rs. 12561 thousands. The percentage was 65.80% of total amount. In this year, agricultural loans disbursement growth was 3.28 percent as against previous year. Non priority sector about 34678 thousands, 18.11 per cent. Under SGSY 6100 thousands i.e. 3.18 per cent share in total disbursement from 2001-2002 i.e.

total amount is 191409 thousands, under other Govt. sponsored schemes 3196 thousands, 1.66 per cent loans disbursed. At the end of the year 2005-06 the agricultural loan share is about 74 per cent i.e. Rs.116552 thousands. By and large the same trend has been followed by the bank since 2001-2002 except.2003-04 in this year, agriculture loans disbursement decline 11.51 percent against previous year i.e. 2002-3 while in same 2005-06, Non priority scheme are negligible share i.e. 0.63 percent and under other Govt. sponsored schemes are negligible share i.e. 0.63 percent and under SC/ST/Minority sector, 2004 percent i.e. 3205 thousands. In 2005-06 the growth of agricultural loan is 9 percent against the year 2004-05 on the other hand, non-priority sector loans disbursement decline 10.65 percent because the bank given importance once again to agricultural sector.

It is observed that, agricultural loans are continuously increased from the year 2001-02 to 2005-06 except the year 2003-04, it is observed, that most important contribution made by SGB towards development of Agriculture in Solapur District to view balanced progress of agricultural field as well as rural field, SGB has given proper justice to other sector. The Bank implemented schemes sponsored by Central Govt. and NABARD by time to time.

The bank has adhered to its commitment of financing to the beneficiaries under SGSY the bank has done well sanctioned 79 cases under revolving funds and 53 cases under key activity against the target of 70 and 50 respectively. Under SHG-Bank linkage programme bank has linked 414 SHG's loan amount of Rs. 19997 thousands. Bank also formulated innovative scheme for financing rural household toilet under the scheme "Hagandari Muktha Village" and financed for construction of 119 toilets through SHG's with Bank Credit of Rs. 234 thousands in 2005-06.

In addition the bank has formulated and implemented following schemes:

1. Minor Irrigation Scheme for new-well, electric motors, oil engine and pipeline.
2. Minor Irrigation Scheme for renovation of old well, electric pump-set, oil engine, pipeline.

The very object of establishing of the Bank is to cater to the needs of socially deprived section of the society. The position of advances granted to schedule caste and scheduled tribes families shown in table No. 4.8. The total lending of the bank of SC/ST beneficiaries in respect of number of advances shown rising performance over the period of reference it is seen from table No. 4 SGB lending loans to SC/ST families since 2003-04 In the year 2004 was to the tune of 2123 thousands, it is 1.93 percent on total disbursement. Afterwards the Bank has made efforts to provide liberal finance under these categories either directly to individual beneficiaries or through under these categories either directly to individual beneficiaries or through sponsored agencies programme like Mahatma Phule Backward Class Development, Shahir Anna Bhau Sathe Scheme, Vasantrao Naik Bhatkya Vimukta Jati etc.

## 1. CONCLUSIONS:

The following are the conclusions that have been derived from the foregoing analysis.

- i. As per other Rural Banks in India the operational area of Solapur Gramin Bank is one district that is Solapur. Solapur has 11 talukas. SGB has covered the whole district and has been functioning in all talukas, for the entire five year period with no further expansion.
- ii. There is inconsistency in the outstanding growth

rate of loans. Through the bank has tried to cover all priority and non-priority sectors of economy and t SC/ST/ Minority Sectors of Society but its progress is not beyond the horizon of necessary success.

iii. Loans disbursed by SGB have decreased continuously up to 2005-2006 in comparison with 2001-2002.

**2. SUGGESTIONS :**

On the basis of the aforesaid of the study the following suggestions are offered.

i. The Solapur Gramin Bank should expand its branch network in the uncovered areas.

ii. Special efforts should be made by the Bank to mobilize more deposits and increase the advances by enhancing the quality of advances.

iii. Bank must undertake the research for low rate of advancing the loans and should contact the survey of needy farmers for enhancing the loans.

iv. To attract the rural customers, bank have to apply modern techniques as well as various schemes such as- Comprehensive Crop Insurance, Personal Accident Insurance Scheme, Self-help Group, Farmers Club Programme to develop the rural by forwarding the credit facilities.

Table 4.  
Loans Disbursement : 2001-02 to 2005-06

Sr. No.	Particulars	2001-2002		2002-2003		2003-2004		2004-2005		2005-2006	
		Amount	% Growth	Amount	% Growth	Amount	% Growth	Amount	% Growth	Amount	% Growth
1	Priority Sector	125961	+3.28	115155	(8.60%)	61876	(56.25%)	92893	(65.00%)	116552	(74.00%)
a.	Agriculture	(65.80%)		(67.70%)		(7.21%)		(3.80%)		(2.89%)	
b.	Other Sector	21474	-8.03	13731	(8.08%)	7931	(7.21%)	5402	(3.80%)	4538	(2.89%)
2	Non-Priority Sector	34678	+8.84	32536	(9.14%)	30737	(27.94%)	29159	(20.5%)	15432	(9.85%)
3	Financing Under SGSY	610	+2.54	5911	(34.7%)	6941	(6.31%)	11168	(7.87%)	15825	(10.19%)
4	Other Govt. Sponsored Schemes	3196	1.36	2599	(1.52%)	388	(0.25%)	815	(1.27%)	998	(0.63%)
5	SC/ST/Minority	-	-	-	-	2123	(1.93%)	1396	(0.98%)	3205	(2.04%)
	Total	191609	(100)	169922	(100)	109996	(100)	141833	(100)	156530	(100)

Source : Annual Reports of SGB since 2001-02 to 2005-06.  
Note : Figures in bracket shows percentages to the total.

Table No. 4.10  
NPA - Assets Classification

31-05-2002	As on 31-05-2003				As on 31-05-2004				As on 31-03-2005				As on 31-03-2006			
	Out	%	Prov.	%	Out	%	Prov.	%	Out	%	Prov.	%	Out	%	Prov.	%
6861	88.45	942	140512	88.57	1050	429923	88.07	1075	537540	99.77	4971	561138	95.06	763		
2278	2.85	1437	16654	3.09	1641	9641	1.98	977	2318	0.41	230	2291	0.39	260		
6161	8.49	11443	38779	8.19	13577	46857	9.60	1826	26011	4.58	12172	26210	4.44	1438		
767	1.18	754	713	0.15	229	1743	0.35	1667	1356	0.24	1307	660	0.11	610		
36067	100	14969	473658	100	17200	488164	100	19437	567225	100	18678	590299	100	2285		

Source : Annual Reports of SGB since 2001-02 to 2005-06

Provision of Rs. 3.93 lack is made on the standard account likely to slip into NPA by adopting RBI is revised 90 days norms

i.e. 5% on Rs. 78.56 lacks.

\* Provision of Rs. 192 thousands is made on account of proposed 12 months norms for recognition of doubtful assets from 31-3.2005

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