

PART VI

CASE STUDIES

Section 1 A Large Private Sector Bank

Part VI : Case Studies

Section VI.1 A Large Private Sector Bank

To understand the Bank's Lending Practices (BLP) followed by the private sector banks, an attempt has been made here to study the Lending pattern of one of the Largest Scheduled Private Sector Banks in the country. The data and other information was made available by the bank management on the condition of confidentiality about the identity of the Bank. The name of the Bank as such is not disclosed here. The following table reflects the present status of the bank and the overall progress made by it during the planning period.

The table below reflects that the paid-up capital and reserves of the Bank had shown 33 fold increase during the planned period. The deposits and advances were Rs.269.82 lakhs and Rs.76.84 lakhs at the end of the First Five Year Plan respectively. On 31st March, 1989 the deposits had witnessed 230 times increase and advances had shown 388 times increase. The figures of investment in approved securities had shown 200 times increase during the planned period. Net profit of the Bank was Rs.0.33 lakhs at the end of the first plan which increased to Rs. 125.27 lakhs on 31st March, 1989.

(Rs. in Lakhs)

Table VI.
Progress of the Bank
~~Progress of the Bank~~

Yearly Plans particulars	I (1951-56)	II (1956-61)	III (1961-66)	Yearly/ Plans (1966-70)	IV (1970-74)	V (1974-79)	VI (1979-85)	As at 31-3-89
1. Capital & Reserves	14.82	17.25	31.01	43.07	78.75	114.25	221.14	401.00
2. Deposits	232.82	576.26	923.23	1960.50	4602.81	22565.00	37560.99	61957.27
3. Advances	74.84	263.29	504.50	1154.42	2722.50	7201.00	19154.83	29872.21
4. Investments	105.89	201.77	263.47	502.65	1407.53	3861.00	11989.73	21207.04
5. Working Capital	220.76	603.64	1061.00	2187.41	5376.00	14495.00	41475.00	68845.00
6. Gross Profit	1.00	3.36	6.75	159.72	1520.38	3685.00	3990.00	8014.09
7. Net profit	0.33	0.96	1.52	9.32	20.00	24.00	52.00	125.27
8. Dividend	4.5%	10%	10%	11%	12%	12%	15%	18%

Source : Annual Reports and Accounts of the Bank

Present Position

According to the Chairman of the Bank (Speech at the 47th Annual General Meeting of the Shareholders on September 1, 1990):

- (1) The profits had witnessed a remarkable improvement and were at Rs. 161.36 lakhs as compared to Rs. 125.27 lakhs for the year 1988-89.
- (2) Owned funds of the Bank had crossed Rs. 10 crores mark in the year 1989-90.
- (3) The deposits and advances of the Bank scaled new heights to Rs. 720.44 crores and Rs. 364.23 crores respectively.
- (4) With a view to further strengthen the capital base, it has been proposed to raise the paid up capital of the Bank from Rs. 1.75 crores to Rs. 2.50 crores by offering 75,000 shares of Rs. 100 each at par, as right shares to the existing shareholders'.
- (5) In keeping with the policy of mechanisation, the Bank installed computers at its central office and the same was operationalised. 22 ELPMS have already been installed at six branches.
- (6) The credit - deposit ratio had increased to 50.56 per cent as compared to 48.21 per cent in the

previous year.

- (7) The number of branches as on march 31, 1990 had increased to 274.

Lending Procedures and Powers

As the deployment of funds is mainly in the form of advances to the customers, the Bank had adopted a simplified procedure for sanctioning of advances. To ensure prompt disposal of credit proposals received from the customers, the Board of Directors of the Bank had revised the sanctioning powers of different executives with effect from 25th October, 1982. A chart showing the revised sanctioning powers of different executives is as under:

*bold
simplified had
been introduced?*

Table VI.2

Delegated Powers Sanctioning Power of the Executives and Managers of different categories

('000 Rs. in lakhs)

Particulars	Executives of the Banks					Categories of Branches					
	Chairman	General Manager	U.E.M. Dy.M	A.E.M.	P.M.	Large	I	II	III	IV	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1 Clear Overdraft/loan credit/loans	3.00	2.00	1.75	1.50	1.00	0.50	0.25	0.15	0.10	0.10	
2 Purchase of third party cheques/ clear bills/travelling cheques	5.00	3.00	2.50	2.00	1.00	0.50	0.25	0.30	0.20	0.10	
3 Purchase of demand drafts	15.00	10.00	7.50	5.00	4.00	4.00	1.00	0.50	0.40	0.10	
4 Purchase of Govt. cheques including cheques of autonomous bodies and Government Corporation	15.00	10.00	7.50	5.00	4.00	4.00	1.00	0.50	0.40	0.10	
5 Pledge of goods and document of title to goods	25.00	20.00	15.00	10.00	7.00	5.00	2.00	1.00	0.50	0.25	
6 Hypothecation of Goods	15.00	10.00	7.50	5.00	3.00	2.00	1.00	0.50	0.25	0.10	
7 Term loans against hypothecation of Machine/Vehicles/mortgage of immovable properties	15.00	10.00	7.50	5.00	3.00	2.00	1.00	0.50	0.25	0.10	
8 Bank debts	10.00	5.00	4.00	3.00	2.00	0.75	0.50	0.25	-	-	
9 Trust receipts	10.00	5.00	4.00	3.00	1.50	0.75	0.50	0.25	-	-	
10 Fixed deposit receipts	25.00	20.00	15.00	10.00	5.00	4.00	2.00	1.00	0.50	0.10	
11 Government securities	25.00	20.00	15.00	10.00	5.00	4.00	2.00	1.00	-	-	
12 Cash certificates/daily drawbacks	10.00	5.00	3.50	2.00	1.50	0.75	0.50	0.25	-	-	
13 Approved shares & debentures listed at recognised stock exchange	15.00	10.00	7.50	5.00	2.00	2.00	0.50	0.25	-	-	
14 Drawing against local draft/ Govt. Cheques	15.00	10.00	7.50	5.00	4.00	4.00	1.00	0.50	0.40	0.10	
15 Drawing against local third party cheques	5.00	3.00	2.50	2.00	1.00	1.00	0.25	0.30	0.20	0.10	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<hr/>											
16 Demand Bills											
(a) Clean/Clean endorsed		3.00	2.00	1.75	1.50	1.00	0.50	0.25	0.15	0.10	-
(b) documentary accompanied by		-	-	-	-	-	-	-	-	-	-
P's/Shipping documents		20.00	15.00	12.50	10.00	5.00	3.00	1.00	0.50	0.10	-
(c) documents accompanied by											
MTP's		10.00	5.00	4.00	3.00	2.00	1.00	0.50	0.25	0.25	0.10
17 Usance Bill											
(a) Clean		3.00	2.00	1.75	1.50	1.00	0.50	-	-	-	-
(b) Accompanied with documents of title to goods		10.00	5.00	4.00	3.00	2.00	1.00	0.50	0.25	0.10	-
(c) Post-shipment export finance on consignment/sales basis		-	-	-	-	-	1.00	-	-	-	-
18 Government supply bills		15.00	10.00	7.50	5.00	3.00	2.00	1.00	0.50	0.20	-
19 Discounting of Bills accepted by banks		15.00	10.00	7.50	5.00	3.00	2.00	1.00	0.50	-	-

Source: Personal Survey

*What kind of
the Row?
Ans.
Hollow legs?*

The proposal for taking advance is submitted by the customer to the branch manager along with the necessary documents. The branch manager verifies the suitability of purpose and the creditworthiness of the customer. When he is satisfied about these two aspects, he sanctions the amount of advances if it is within the competence of his sanctioning authority on the basis of the above table. If the amount of advance required is beyond his competence, he forwards the application for advance to the higher authority (say Regional Manager) along with his own comments on the proposal.

In this way, the application for advance is forwarded with comments to the next higher authority, under whose competence the sanction vests. The branch manager at the bottom is the person who makes the scrutiny of the proposal and makes comments on the suitability of the proposal. As such, he is accountable to the management for proposal, for making realistic assessment of credit needs and subsequent conduct and monitoring of the account.

All the branch managers are required to report the details of all the advances sanctioned by them to their regional managers in the form of monthly statements. These statements are scrutinised at the regional offices and, if necessary, instructions are issued to the concerned branch manager.

Funds Deployed by the Bank

After studying the procedure of deployment of funds an attempt has been made to examine the details of funds

deployed by the Bank during the study period. Taking the total amount of funds deployed at the end of each year equal to 100, the percentage of funds deployed in different areas have been ascertained and presented in the table as follows :

Table VI.3
Percentage of Funds Deployed During the Study Period
(Percentages)

Year	Cash at Bank & Balances with RBI	Money at Call	Investments	Advances	Other Assets	Total Funds
1983	14.79	2.38	22.15	44.18	16.50	100.00
1984	16.15	0.51	23.67	43.20	16.47	100.00
1985	18.04	0.30	25.18	40.23	16.25	100.00
1986	18.94	1.11	24.84	38.38	16.73	100.00
1987	16.37	5.25	27.23	36.47	14.68	100.00
1988-89	16.71	2.09	26.55	37.39	17.26	100.00

Source : Annual Reports and Accounts of the Bank

The table indicates that the major part of the funds deployed by the Bank consists of advances. On an average, about 41 per cent of the total funds were deployed, during the study period, in the form of advances. However, the deployment of funds in the form of advances revealed a declining tendency during the study period excepting for the latest year i.e. 1988-89. The investments constitute about 25 percent (on an average) of the total funds deployed during the study period. The liquid assets like cash at bank, balances with RBI and money at call and short notice constitute about 18 per cent (on an average) of the total funds deployed during the study

period. The remaining about 16 per cent (on an average) are invested in the form of other assets.

On further analysis, the deployment of funds in cash at bank and balances with RBI had registered ^{been under the} an increasing trend during the first four years of the study period. Therefore, it had registered a decreasing trend. Similar, is the case with deployment of funds in other assets. The deployment of funds in money at call and short notice, and investments had recorded a fluctuating trend. It can, thus, be said that the Bank had not followed a consistent policy as regards the deployment of funds during the study period.

Credit-Deposit Ratio (CDR)

The ratio of advances to deposit, better known as the Credit Deposit Ratio (CDR) is of great importance not only for individual banks but also for analysis of the working of the banking system as a whole. As noted earlier, deposits are the principal source of the operating funds of the bank and credit (or advances) is the principal avenue for the deployment thereof. The relationship between these two can, therefore, largely hint at the way the operating funds of a bank, are adequately deployed, under-deployed or over-deployed. Moreover, bank credit being one of the crucial factors affecting the supply of money in the economy, the Credit-Deposit Ratio becomes a focal area for monetary control from the national economic point of view. For a bank, subject to the day-to-day liquidity requirements, the higher the Credit-Deposit Ratio, the better is the deployment position and, consequently, the earning position. However, in

an inflationary situation, a high Credit-Deposit Ratio in the banking system may mean too much credit, impelling the authorities to impose curbs. Subject to any regulating controls in operation, a bank seeks to optimise its Credit-Deposit Ratio and a low Credit-Deposit Ratio indicates that the bank is flush with funds and should worry. A sustained Credit-Deposit Ratio of less than 60 per cent is likely to adversely affect a bank's liability under current conditions.

It may be pertinent to point out that an analysis of loans and advances portfolio of the ~~of the~~ bank in isolation of deposits it has been able to mobilise will not be quite meaningful, particularly in view of the Government policy of ensuring a balanced Credit-Deposit Ratio. An attempt has, therefore, been made to study the behavior of Credit-Deposit Ratio of the Bank for the study period in the table given below :

Table VI.4

Credit-Deposit Ratio (CDR) of the Selected Bank
(Rs. In lakhs)

Years	Deposits	Advances	Credit- Deposit Ratio %	Increase (+) / Decrease (-)
1983	26346	14983	56.87	-
1984	32565	18154	55.74	(-)1.13
1985	37661	19155	50.86	(-)4.88
1986	44135	21789	49.36	(-)1.50
1987	51787	23167	44.73	(-)4.63
1988-89	61957	29872	48.21	(+)3.48

Source : Annual Reports and Accounts of the Bank

It may be seen from the table that the CDR has been decreasing every year, except for the year 1988-89. In the year 1983, the CDR of the Bank was 56.87 per cent and after that the ratio decreased by 1.13 per cent and reached ^{a level} 55.74 per cent during the year 1984. In the year 1985 CDR fell down by 4.88 per cent and stood at 50.86 per cent. During the year 1986, the decreasing trend continued, and at the end of the year the CDR was 49.36 per cent. Again in 1987, the decreasing trend was higher than previous year, the CDR was 44.73 per cent, (decreased by 4.63 per cent as compared to the previous year). In the year 1988-89 there was an increase in this ratio and it reached to 48.21 per cent.

The reason for the decreasing trend in CDR could be due to the changes made by the Reserve Bank in maintaining statutory liquidity. The bank was required to maintain total liquidity in the form of Cash Reserve Ratio (CRR) and Statutory Reserve Ratio (SLR) at 53 per cent.

Impact of Statutory Requirements

The Reserve Bank of India (RBI) has been making changes in maintaining statutory requirements by commercial banks decided by the Government of India. The banks were required to maintain 43.5 per cent of their net demand and time liabilities in the form of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) in the year 1983 which had been increasing almost every year and this ratio has been fixed at 53 per cent as on the end of the study period, i.e. 31.03.89.

In this way a major portion of the bank's fund had to be invested in the form of CRR and SLR at very low yield and a small portion is left with the bank to invest in advances. In order to maintain profitability of the bank, it had to borrow the funds sometimes from open market to fulfill their commitments for allowing advances to their regular borrowers, and also to invest the funds in high yielding area.

These days the banks have been facing challenges to fulfill commitments in allowing advances in the priority area upto 40 per cent of their advances, in which the yield is comparatively low. Still the banks deploy the remaining available funds to selected society of the country in which it can yield maximum return on their advances so that profitability of the bank may show continuous rising trends. Hence banks, have to take all measures to deploy their funds in such a way so that bank's financial position is maintained by earning more and more profit every year. It can be observed from the annual reports of the bank that the interest paid on deposits was Rs 14.61 crores in the year 1983 as compared to Rs 50.59 crores in the year 1988-89, while the income on development of funds was Rs 21.82 crores during the year 1983 and Rs 71.35 crores at the end of the year 1988-89. The interest paid on deposits increased 3.46 times as compared to 3.27 times increase in the earnings on deployment of funds. Thus, it can be concluded that the yield on deployment of funds is slightly decreased, due to maintaining of higher percentage of Demand and Time

Liabilities (DTL) in the form of CRR and SLR by the Bank.

The impact of statutory requirements imposed by the Reserve Bank of India is the first of all the Bank has to make provision for keeping funds to satisfy statutory requirements and the remaining available resources can be deployed in the form of advances to various sectors.

Hence, on the one hand banks can make efforts to increase their deposits every year to improve their sources of funds, but it leaves a little choice to invest funds in the area of advances at higher yield of particular amount to improve the profitability of the Bank, because a large amount of available resources has to be preserved for the statutory requirements in the form of liquidity, so that the bank may fulfill the requirements of depositors as and when it is demanded by them. Apart from this, banks lend money to selected fellow bankers in the shape of call loans, which are repayable on a few days notice within limits of safety which are highly liquid. But the rate of interest is usually low, in comparison to interest charged from others. In order to increase their profitability, the bank deploy their funds in loans, cash credits and overdrafts to different types of customers. Out of these advances, it is essential to finance 40 per cent of their total advances in the priority sector advances, although, the liquidity and profitability are comparatively less in these advances.

The manner in which these two apparently conflicting factors

of liquidity and profitability are happily reconciled to the maximum benefit, calls for sound judgment and business acumen on the part of the banker.

Advances Structure

The Bank is a leading private sector bank in North-Western India. Its advances structure is divided into two parts - Advances to the priority sector, and the advances to non-priority sector. The following table presents the advances structure of the Bank for the period of :

Table VI.5
Advances Structure

(Rs. in Crores)

Years	1983		1984		1985		1986		1987		1988-89	
Sectors	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	% <i>of total f-3</i>
Priority Sector Advances	46.99	31.36	64.74	35.66	73.05	38.14	83.61	39.37	87.06	37.58	107.24	35.90 ✓
Other than Priority Sector Advances	102.84	68.64	116.80	64.80	118.50	61.86	134.28	61.63	144.61	62.42	191.48	64.10
Total Advances	149.83	100.00	181.54	100.00	191.55	100.00	217.89	100.00	231.67	100.00	298.72	100.00

Source: Annual Reports and Accounts of the Bank

The table indicates that in the year 1983 the total advances of the Bank were Rs. 149.83 crores out of which Rs. 102.84 crores was given to non-priority sector and Rs. 46.99 crores to priority sector. The share of priority sector advances was 31.36 per cent of the total advances. In the year 1984 the percentage of priority sector advances increased by 4.30 and reached to 35.66 per cent of total advances. The total advances were of Rs. 181.50 crores out of which Rs. 116.80 crores was for non-priority sector and remaining Rs. 64.34 crores was for priority sector.

During the year 1985, priority sector advances further increased and were 38.14 per cent of the total advances. The amount of advances to priority sector was Rs. 73.05 crores out of the total advances of Rs. 191.55 crores. In the year

1986, priority sector advances were of Rs. 83.61 crores, which consisted 38.37 per cent of total advances.

After the year 1986, the priority sector advances decreased. During the year 1987, the percentage of priority sector advances was 37.58 of total advances. The total amount of advances was Rs. 231.67 crores out of which Rs.87.06 crores was to priority sector and the remaining amount of Rs. 144.61 crores was for non-priority sector.

In 1988-89, the percentage of priority sector advances further decreased to 35.90. The total advances were Rs. 298.72 crores, containing priority sector advances and general advances at Rs. 107.24 crores and Rs. 191.48 crores respectively.

The Bank thus could not achieve the target of 40 per cent of total advances, to finance the priority sector. *Not even this knowledge point is covered by reason.*

Priority Sector Advances

Looking to the significance of advances to priority sector in recent years, an attempt has also been made to examine the details of advances given to priority sector by the Bank during *period under the study* the study period. For this purpose the priority sector has been divided into following three categories :

- 1) Agricultural Finance, ✓
- 2) Small Scale Industries Finance and ✓
- 3) Advances to others than the above mentioned areas.

By the way, the following table indicates the amount of advanced to these categories separately and their percentage to the total priority sector advances each year starting from 1983 to 1989.

Table VI.6
Priority Sector Advances

(Rs in Crores)

Sectors	1983		1984		1985		1986		1987		1988-89	
	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%
Agriculture	15.16	32.26	20.65	31.11	27.52	32.27	24.50	31.71	26.77	30.74	31.82	27.82
Small Scale Industries (SSI)	18.89	40.20	27.96	42.53	32.14	43.92	36.06	43.12	40.13	45.09	59.67	52.03
Other Pri- ority Sectors	12.94	27.54	17.13	26.06	17.35	23.75	21.05	25.17	20.16	23.17	23.11	20.15
Total	46.99	100.00	65.74	100.00	73.05	100.00	87.61	100.00	87.06	100.00	107.24	100.00

Source: Annual Reports and Accounts of the Bank

*Agriculture is falling.
SSI is increasing
Others are falling*

It may be observed from the table that advances to the small scale industries occupied the major share of total advances to priority sector during the ^{period under} study period, which was 40.20 per cent, 42.53 per cent, 43.98 per cent, 43.12 per cent, 46.09 per cent and 52.03 per cent during the years 1983, 1984, 1985, 1986, 1987 and 1988-89 respectively. The percentages of the advances under this head been almost increasing year by year.

The next major priority sector taking the advances from the bank was the agricultural sector. The percentages of advances to agricultural sector were 32.26 per cent, 31.41 per cent, 32.27 per cent, 31.71 per cent, 30.74 per cent and 27.82 per cent during the years 1983, 1984, 1985, 1986, 1987 and 1988-89 respectively. In other words, advances to agricultural sector is receding throughout the period of study.

The rest of the advances to the priority sector were given under various categories not included above. The share of this head into priority sector advances was 27.45 per cent, 26.06 per cent, 23.75 per cent, 25.17 per cent, 23.17 per cent and 20.15 per cent during the years 1983, 1984, 1985, 1986, 1987 and 1988-89 respectively.

The table thus shows that the major head of priority sector advances was advance to small scale industries followed by agricultural advances and other advances.

Advances to Weaker Sections

There are several schemes announced by the Governments and the RBI to give financial assistance under priority sector in general and particularly to the people of weaker sections. An attempt has been made to indicate the advances given under some of these schemes,

1. Integrated Rural Development Programme (IRDP),
2. Differential Interest Rate Scheme (DRI),
3. Advances to Small and Marginal Farmers,
4. Advances to Village and Cottage Industries, and
5. Schemes for the Development of Scheduled Castes & Scheduled Tribes.

The following table presents the details of the advances made under the weaker-sections of the community.

*What are the
features
Name
the
purpose of
could you
take
advances?*

Table VI.7
Priority Sector Advances to Weaker Sections

(Rs in Crores)

Sectors	1983		1984		1985		1986		1987		1988-89	
	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%	Amount Rs	%
I.R.D.P.	2.34	4.98	3.03	4.63	3.27	4.48	3.73	4.46	4.67	5.36	6.60	6.15
D.R.I.	0.62	1.45	1.09	1.62	1.33	1.82	1.62	1.94	1.45	1.57	1.48	1.32
Small and Marginal farmers	3.52	7.49	4.40	6.90	5.35	7.32	6.32	7.56	7.55	8.67	9.72	9.05
Village and Cottage Industry	0.34	0.72	0.36	0.55	0.62	0.85	0.84	1.00	1.29	1.48	1.48	1.38
S.C./S.T.	4.10	8.73	5.89	9.10	6.92	9.47	8.15	9.75	9.62	11.05	12.10	11.28
Total	10.98	23.37	14.77	22.81	17.49	23.94	20.66	24.71	24.58	28.23	31.38	29.50

Source: Annual Reports and Accounts of the Bank

The table shows that the advances given by the Bank under various schemes to the weaker sections of the society had witnessed an increasing trend during the period.

During the above period, the share of the weaker sections advances was in the range of 23.37 per cent to 29.25 per cent. In the years 1984, 1985 and 1986 the share of weaker sector was 22.81 per cent, 23.94 per cent and 24.71 per cent respectively. In the year 1987, the advances to weaker section increased and stood at 28.23 per cent of the total advances to priority sector. At the end of the period i.e. on 31st March 1989, 29.25 per cent of total advances to priority sector were given to weaker sections.

Advances under the IRDP scheme was in the range of 4.98 per cent. The share was almost stable during the years 1983, 1984, 1985 and 1986. In the year 1987 the advances under IRDP was 5.36 per cent of total advances to priority sector which increased to 6.15 per cent in the year 1988-1989.

Under the DRI scheme the amount of advances was about 2 per cent of total advances to priority sector, during the each year of the period. In the year 1983, 1984, 1985, 1986, 1987 and 1988-89 the share of advances under DRI scheme was 1.45 per cent, 1.68 per cent, 1.82 per cent, 1.94 per cent, 1.67 per cent and 1.38 per cent of total advances to priority sector, respectively.

Under the weaker sections, a major portion of funds was advanced to small and marginal farmers. During the study

period, the advances under this head, ranged between 7 per cent to 9 per cent of total advances to priority sector. In the years 1983, 1984, 1985, 1986, 1987 and 1988-89 the percentage was 7.49, 6.80, 7.32, 7.56, 8.67 and 9.06 of total advances to priority sector, advances to small and marginal farmers, respectively.

The Bank had also given advances to village and cottage industries, which also come under the weaker sections. Advances made to the cottage and village industries in the years 1983, 1984, 1985, 1986, 1987 and 1988-99 were 0.72, 0.56, 0.85, 1.00, 1.48 and 1.38 per cent of total advances to priority sector, respectively.

The advances to Scheduled Castes and Scheduled Tribes (SC/ST) had the largest share under advances to weaker sections shown in the table. During the period, the percentage of priority sector advances to this category was 8.73, 9.10, 9.47, 9.75, 11.05 and 11.28 in the years 1983, 1984, 1985, 1986, 1987 and 1988-89 respectively.

Recovery Position

The major portion of the Bank's advances are payable advances on demand and a small portion is deployed by way of term loans. The Bank records the position of recovery which is payable after some time in the form of term loan. In priority sector advances, almost all the advances are made in the form of term loan, the recovery position of these term loan advances to priority sector has been shown in the following table:

Table VI.8

Recovery Position of Priority Sector Advances
(Rs in Crores)

Years	Demand during the year		Recovery during year		Overdue during the year	
	Amount Rs	%	Amount Rs	%	Amount Rs	%
1983	13.11	100.00	6.53	49.78	6.58	50.22
1984	16.10	100.00	8.45	52.50	7.65	47.50
1985	16.96	100.00	8.12	47.89	8.84	52.11
1986	16.38	100.00	6.82	41.64	9.56	58.36
1987	22.73	100.00	9.29	40.89	13.44	59.11
1988-89	31.99	100.00	13.17	41.16	18.82	58.84

Source: Personal Survey

The table indicates an increasing trend in the amount of total demand and recovery during the study period. The total demand in the beginning of the study period was Rs. 13.11 crores out of which the recovery amounting to Rs. 6.53 crores only was made, thus, leaving an amount of Rs. 6.58 crores overdue on 31st December, 1983. On the day of March, 31st 1989 the total demand was Rs. 31.99 crores out of which only Rs. 13.17 crores were recovered, leaving an amount of Rs. 18.82 crores as overdue. Thus, overdues went on increasing from year to year, except in the year 1986.

In terms of percentage, the percentage of recovery to total demand was 49.78 at the end of the year 1983. There was an improvement in the position of recovery during the year 1984

as the percentage of recovery to demand increased to 52.50. Later on this percentage recorded a decreasing trend in the years 1985, 1986 and 1987. During the 15 month period ending on March 31, 1989 the Bank has made efforts to improve the recovery. Due to efforts of the bank the percentage of recovery to demand reached 41.16 figure indicating a slight improvement as compared to that of the previous year.

Looking at the percentage of overdue amounts to demand it can be said that this percentage was 50.22 in the beginning year 1983 and this has increased to 58.84 by the year 1988-89. Thus, it can be concluded that the percentage of recovery of the priority sector advances is far from satisfactory and the balance of overdue amount had showed a increase over the years.

Recovery of Agriculture Advances

The following table reflects the position of recovery of the agricultural advances in the selected large Scheduled Private Sector bank:

Table VI.9

Recovery Position of the Agriculture Advances
(Rs in Crores)

Years	Demand during the year		Recovery during year		Overdue during the year	
	Amount Rs	%	Amount Rs	%	Amount Rs	%
1983	3.39	100.00	1.60	47.77	1.79	52.83
1984	4.86	100.00	2.28	46.94	2.58	53.06
1985	7.12	100.00	4.08	57.33	3.04	42.67
1986	7.17	100.00	3.91	50.78	3.80	49.22
1987	9.73	100.00	4.46	45.83	5.27	54.17
1988-89	13.50	100.00	5.78	42.81	7.72	57.19

Source: Personal Survey.

It may be observed from the above table that the recovery of the agriculture advances is in the range of 48 per cent to 43 per cent total demand in the sector during 1983 to 1989 period. In the case year 1983 the recovery was 47.77 per cent of total demand, and further decreased to 46.94 per cent in 1984. In 1985, the recovery position was quite satisfactory at 57.33 per cent of total demand of Rs. 7.12 crores. But the position was not maintained during the subsequent years, as the percentage of recovery to demand had decreased over the years due to continuous drought. At the end of the year 1986, the recovery amount of agriculture advances was Rs. 3.91 crores which was 50.78 per cent of total demand. In 1987, it decreased to 45.83 per cent of total demand. At the end of

the period i.e. on 31st March, 1989 the decreasing trend of recovery of agricultural advances still continued and it was 42.81 per cent of the total demand.

Recovery of advances to Small Scale Industries

The second largest area of priority sector advances is the Small Scale Industries (SSI). The following table reflects recovery position of the Bank in the SSI sector during the study period :

Table VI.10
Recovery Position of Small Scale Industries Advances
(Rs in Crores)

Years	Demand during the year		Recovery during year		Overdue during the year	
	Amount Rs	%	Amount Rs	%	Amount Rs	%
1983	3.43	100.00	1.84	53.62	1.59	46.38
1984	4.41	100.00	2.31	52.41	2.10	47.59
1985	3.13	100.00	0.84	26.90	2.29	73.10
1986	3.170	100.00	0.68	21.39	2.49	78.61
1987	4.610	100.00	1.25	27.18	3.36	72.82
1988-89	8.72	100.00	4.02	46.15	4.70	53.85

Source: Personal Survey

It may be observed from the above table that in the first two years the Bank had achieved a recovery of 50 per cent and above. In 1983 and 1984, the recovery was 53.62 per cent and 52.41 per cent of total demand, respectively. The position did not remain satisfactory in the following years. In 1985,

the recovery percentage decreased by 50 per cent in comparison to the previous year, as the recovery percentage was only 26.90 per cent of total demand. The decreasing trend of recovery continued in the year 1986 also as the recovery percentage indicates only 21.39 of the total demand. In 1987, the recovery position slightly improved and reached a level of 27.18 per cent of the total demand. At the end of 15 months period i.e. on March 31, 1989, recovery position in SSI was quite better as it witnessed a 46.15 per cent recovery of total demand.

Recovery Position in Other Priority Sector Advances

The priority sector advances to other than agricultural sector and Small Scale Industries sector are included in other priority sector advances. The following table reflects the recovery position in other priority sector advances:

Table VI.11
Recovery Position of Other Priority Sector Advances
(Rs in Crores)

Years	Demand during the year		Recovery during year		Overdue during the year	
	Amount Rs	%	Amount Rs	%	Amount Rs	%
1983	6.30	100.00	3.09	49.05	3.21	50.95
1984	6.82	100.00	3.86	56.60	2.96	43.40
1985	6.70	100.00	3.20	47.76	3.50	52.240
1986	5.50	100.00	2.23	40.55	3.27	59.45
1987	8.39	100.00	3.58	42.67	4.81	57.33
1988-89	9.78	100.00	3.37	34.44	6.41	65.56

Source: Personal Survey.

The table shows the position of recovery in other priority sector advances to the Bank during the study period. The recovery in 1983 was 49.05 per cent of the total demand. In 1984, the position ^{had} improved (from 49.05 per cent to 56.60 per cent) but after that the recovery position of other priority sector advances has continuously deteriorated. The percentages of recovery to demand were 47.76, 40.55, 42.67 and 34.44 in the years 1985, 1986, 1987 and 1988-89 respectively.

for this chapter
give only the
figures, already published
without analysing the items
to cover relationship is
been established. without
analysis, the analysis is
described and
Narrative writing

Why?
For what reason
Explain this
Analyze

And what about
price for
cost growth?