

Review Paper- A Study of Credit Management Policies and Loan Disbursement Operations of Co-operative Bank

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ABSTRACT –

This study is conducted to know Credit Policy and Loan Disbursement Operations of Co-operative Bank. Co-operative bank provides variety of credit facilities as per customer's needs. This facilitates can be for short term or loan term. The loan growth and performance of bank is required level or not it is also assessed in this study. This study confirms that Co-operative bank should maintain a good relation with its customers to increase the profitability. To increase total number of borrowers the bank should provide all the necessary information to their customers and should provide attractive rate of interest.

KEYWORDS

Banking guide, Credit Term, Interest, Credit Period, Credit Policy, Collateral, Capacity, Margin, Credit Limit

I. INTRODUCTION -

Co-operative Banks in India are governed by the Co-operative Societies Act 1965 and Banking Regulations Act 1949. In the Indian financial system co-operative bank is an important constituent. There

are 31 co-operative banks in India.

Savings and loans are the services which provided by co-operative banks to their customers. In the Indian economy co-operative banks plays an important role, mostly in rural areas, they provide finance to self-employed peoples and small-scale industry. Short term and long-term credit facilities provided by co-operative banks. Short term credit facility which is provide for 1 to 5 years and long-term credit facility which is provide for up to 20 years.

II. OBJECTIVE OF STUDY –

- To provide micro-finance and rural finance
- To remove superiority of middle man and money lenders.
- To provide credit facility to weaker sections and agriculture sector on lower rate of interest.
- To give basic banking services to its customers.

III. WHAT IS CREDIT POLICY?

A policy is a general guideline in the management for the day-to-day conduct of business.

It includes the terms and conditions under which the company/banks offer credit to its customers, including credit limits, payment terms, interest rates and procedures for credit evaluation and collection.

The reform process initiated by RBI has changed the entire face of banking sector. According to RBI Policy Co-operative sector is no longer treated as “infant” sector and hence number of protection and concessions given to co-operative sector have been withdrawn.

IV. FACILITY PROVIDED BY CO-OPERATIVE BANK

- Saving account and Current accounts
- Safe Deposit Lockers
- Loans and Advances
- Bill Discounting
- Overdraft
- Letter of Credit
- Educational loans

V. LOAN DISBURSEMENT PROCESS

To get loan from Bank there are 3 Stages:

- Filling a loan application from
- Sanctioning of Documents
- Disbursement

VI. DATA COLLECTION

Data is collected from Primary and Secondary sources.

Primary data: -

- The primary sources of data refer to the first-hand information.

- For project work primary data is collected by having discussion with branch manager, concern officer and seniors at bank.

Secondary data: -

- Secondary data is one which already exists and is collected from the published sources. The sources from which secondary data was collected are:

- Secondary data is collected from credit policy of GP Parsik Sahakari Bank and with the use of annual report published by bank.

VII. INTRODUCTION OF GP PARSIK SAHAKARI BANK

In the year 1972 for the purpose of setting up a new city i.e., “New Bombay” the government of Maharashtra acquired all agricultural land of 68 villages of Thane-Belapur belt in Thane district of Maharashtra. Because of this project, it is important to provide financial assistance to the persons and their family member who affected by this project. Late Shri. Gopinathdada Shivram Patil (M.COM, LLB), a great visionary leader along with a group of youngsters of Kalwa village took the initiative of formation of Urban Co-operative Bank with a view to provide financial assistance, generate employment and means of livelihood. Hence, on 21st May 1972 the

bank started in a remote village in Kalwa (Thane, Maharashtra).

The bank achieved "Scheduled Status" on 30th January, 1988 and multi-state status in March 2015. The Bank have 91 branches in the state of Maharashtra including Margao in Goa and Nipani, Belgavi in Karnataka.

VIII. CREDIT POLICY IN GP PARSIK BANK

This Credit Policy of GP Parsik Sahakari Bank Ltd. Is framed as per Bye Law No.49 of the Bank and various circulars issued by RBI for UCB. Now with the view of incorporate amendments during intervening period the same is new revised and duly approved by Board of Directors.

IX. TYPES OF CREDIT POLICY

Generally, advances will be granted in the following forms:

- a) Funded Limits
- b) Non-Funded Limits

- a) Funded Limits

Broadly classified into Term Loans, Cash Credit, Bill Discounting, Packing Credit/ Post Finance and OD/ TL against Property and any other type of advances etc.

- 1. Term loans: -

Term loans may be secured term loans or unsecured term loans.

- 2. Cash credit / Overdrafts against term deposits / Property / Gold

Cash credit may be against hypothecation or clean cash credit facility or Overdraft against Term deposits

/ Property / Gold.

- 3. Bill discounting

Bills purchased / discounting facilities are normally meant for financing working capital requirements in the post - sale part of the operating cycle of a unit. The facilities are for purchasing / discounting bills drawn by the customer for goods sold.

- 4. Packing Credit

Packing credit is a secured working capital facility sanctioned for executing export orders.

- 5. OD / TL against Property

OD / TL against property is a facility sanctioned for business purpose.

- b) Non Funded Limits

- 1. Issue of Bank Guarantee:

Lending institution offers financial backstop is called as Bank Guarantee. Here lender ensure that the liabilities of a debtor will be met. Which means, bank will cover it, if the debtor fails to settle a debt.

Bank will discourage issuing standalone bank guarantees / limits unless backed by 100% margin by way of term deposits of bank.

- 2. Letter of Credit: - Inland LC / Foreign LC

Bank will discourage issuing standalone letter of credit / limits unless backed by 100% margin by way of term deposits of Bank.

- 3. Solvency Certificate

The financial stability of an individual / entity provides by a document it is called as solvency

certificate.

CONCLUSION –

This study has analyzed the data which is collected from the Credit policy which bank has maintain and Annual reports which banks published and it has brought out the information related to the borrowers' preferences for loans and Banks's growth.

The bank has good ratio when we compare Total loans and advances sanctioned with Gross Non-performing Assets.

The most of borrowers were using medium term loan facilities.

The bank has taken membership of some of the credit rating agencies, these agencies help bank in getting CIBIL score of customers.

The bank is tough competition among the Co-operative Banks when it comes to number of customers because bank have a greater number of borrowers and also have satisfactory net profit.

The bank offers loans at adequate rate of interest.

LITERATURE REVIEW

1. Pethe et al (2021) conducts a study of non-performing asset mitigation practices in co-operative banks in Thane. Study and analyze the causes of NPA in selected co-operative banks that's the attempt made in this paper. Data is collected by sending survey questionnaire related to common cause of NPA and which is filled by 46 respondents. The collected data has been analyzed using Friedman's Chi-square test. The bank manager should take proper appraisal and due diligence by clients before sanctioning the loans. To enhance the creditability and soundness of co-operative bank

there should be effective post disbursement monitoring and control.

2. Mani et al (2021) made a study on Antecedents of the service quality for housing loan customers of Indian banks. The influence of the cost of borrowing and processing time with respect to loan to explore in this paper. Primary data is collected by sending questionnaire to home loan borrowers and secondary data is collected through past available data on online medium. This paper concludes that, it is right time for banking sector to take instant actions related to sanction of housing loan without complicated policies and procedure for housing loan customers. The relationship between cost borrowings, processing time and documentation is significant.

3. Kishore (2020) conducts study on composition of loans and investments in Indian banks. For this study they have selected banks from public sector, private sector and some foreign banks. Bank offer different types of loans including secured and unsecured loans. Bank create more returns when they offer loans and advances than that from investments. The data is collected with the use of Statistical Tables relating to banks published by Reserve Bank of India for the year 2017, 2018, 2019. According to the study, the funds which bank create are used for loans and investments in proportion which is different from banks to banks. The relative share is decided with taking into consideration of regulatory provisions, policies and business prospective. Providing loans and advances being the primary function of banks, they have higher share in deployment of funds in Indian banks. In this study, different categories of banks in India examine with the help of pattern of division of bank assets as loans and investment.

4. Gupta et al. (2018) done study on farmer's perception towards agricultural credit

provided by district co-operative bank. The objective of the study is to study the problems faced by the farmers in receiving the agricultural credit, identify the farmers look out towards agricultural loan schemes and process for agricultural loans. For data collection survey questionnaire is send to farmers including large scale, medium scale and small-scale farmers who use credit facilities of co- operative bank. With the use of percentage, mean and standard deviation the data is analyzed. As per the study it has been found that, majority of the farmers facing problems in loan disbursement and complex documentation of receiving agricultural credit. So, procedure of credit should be simplified by the co-operative bank and to fulfil the needs of the farmers they should try to increase the credit limit.

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