International Journal of Applied Research 2020; 6(1): 70-72

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2020; 6(1): 70-72
www.allresearchjournal.com
Received: 28-11-2019
Accepted: 31-12-2019

Dr. Sanjay Kumar Chaudhary
LN Mithila University,
Darbhanga, Bihar, India

Correspondence Author:
Dr. Sanjay Kumar Chaudhary
LN Mithila University,
Darbhanga, Bihar, India

Credit policy of Uttar Bihar Gramin bank in Darbhanga District

Dr. Sanjay Kumar Chaudhary

Abstract
Regional Rural Banks (RRBs) were set up as state-sponsored, regionally based on rural oriented institutions under the Regional Rural Banks Act, 1976. RRBs were conceived as hybrid micro banking institutions, combining the feel and familiarity of the cooperatives and business acumen of the commercial banks with mandate to serve the credit needs of the small and marginal farmers, agricultural labourers, socio-economically weaker section of population for development of agriculture, trade, commerce, industry and other productive activities. The present chapter has been devoted to the study of the credit policy of regional rural banks in general and the Uttar Bihar Gramin Bank in particular.

Keywords: Compliance, Credit Policy, RRBs

Introduction
In India, presently there are 56 RRBs. They have deployed enormous funds to the development of different sectors and sections. Continued distortions in the name of reforms have sidetracked them from their original objectives. The distancing the RRBs from the Rural poor did, however, result in increasing their profits but at the cost of loss to the rural poor and defeating the objective of RRB's inception. Instead of using the deposits mobilized in rural areas for the benefit of the poor, the securities much beyond their statutory liquidity ratio requirement.
The area of operation of RRBs was originally confined to one or two districts in tune with the norm of keeping the banks small and to operate in a homogenous agro-climatic area, helpful in designing the uniform schemes for the bank. That is not the case now. Following the Vyas Committee's recommendation, 196 RRBs have been condensed to 57 as of March 2014. While RRBs were supposed to be Pure Rural Banks, the reforms made them open branches in urban centres. There were 1080 urban and 190 metropolitan branches in their bout 19,000 total branches as of March 2013.
RRBs, before reforms, had ploughed back entire of the resources in the rural areas themselves (denoted by a CD ratio of 100% and more). The clearly depicts a significant amount of credit went to urban areas from the rural banks, besides heavy investments in shares and securities. The small loans concept of RRBs is fast disappearing. According to RBI's size classification for 2013, RRBs having sanctioned some 20 loans (> Rs 100 crore each), 539 loans (> INR 25 crore but < INR 100 crore) and 30022 loans (INR 10 lacs-INR 25 lacs).

Table1: Rural India presents real picture. The Socio Economic and Caste Census (SECC) – 2011 released by the Government depicts

S. No.	Year	Rural Credit	Rural Deposits (Cr.)	Rural CD Ratio (%)
1	2018	88,022	1,20,827	72-84

*The Credit deployed by RRBs in rural areas.

Credit Policy
In the wake of ongoing trend towards mergers and amalgamation of Regional Rural Banks with a view to make RRBs robust and viable institutions capable of delivering full bouquet of banking services to all the strata of society and the introduction of the concept of the new

genre of niche banks like Payment Banks and Small Business Banks, the banking environment in the country is undergoing a major change. The Indian Banking scenario has witnessed progressive deregulation, introduction of prudential norms and adoption of international best practices. The financial sector reforms and entry of private and foreign banks have changed the face of Indian Banking Sector. In the present scenario, when spreads are thinning and competition is acute, managing credit risk has become crucial for RRBs. Extending credit is a basic function of banking which involves risks. It is likely that some of the credit decisions may result in loss. The bank should aim at managing risk in such at way that a healthy credit portfolio is built and returns are maximized. The policy at the holistic level is an embodiment of the Bank's approach to sanctioning, managing credit risk and aims at making the systems and control more effective.

Objectives of Credit Policy

- To broadly outline major parameters governing loaning functions;
- To properly appraise and evaluate advances proposals;
- To delegate appropriate authority to ensure speedy disposal of proposals and to ensure effective monitoring and follow up.
- To channelize the flow of funds for productive use i.e. producing or tending to produce goods and services having exchange value.
- Optimum utilization of Bank's resources.
- The policy seeks to enlarge our client base through aggressive credit making.
- The policy document addresses the genuine credit needs of the existing clients to ensure quicker and prompt credit decision.
- The policy establishes a commonality of approach regarding credit basics, appraisal skills and strategies, while leaving enough room for flexibility and innovation.
- The policy aims to seize market opportunities by revamping our products and delivery mechanism through product innovation and restructuring.
- The policy strives to ensure that the socio-economic obligations cast on the bank are fully met.
- The policy seeks to ensure continuous growth of loan assets while endeavouring that they remain secure, performing and standard assets.
- The policy endevaours to mitigate and reduce risk associated with the lending by fine tunning the systems and controls.
- The policy sets out optimum exposure levels to different sectors in order to ensure growth of assets in an orderly manner.
- The policy lays down norms for take-over of advances from other banks/FIs.
- Bank's stand on granting credit facilities to companies who Directors are in the defaulters list of RBI.
- The policy seeks to ensure profitable deployment of resources keeping in view the ALM requirements.
- The policy document ensures compliance of all the directive/guidelines issued by the Government/RBI/NABARD and all other regulatory requirements on credit matters. With regard to guidelines issued from time to time by the authorities, the Bank would follow them in all their aspects. However, if these permit varying interpretations, the Bank will adopt a reasonable interpretation, as determined by the Credit Risk Management Committee without deviating from the spirit behind the guidelines.

Scope of Credit Policy

This policy would govern all credit and credit related exposures, Fund Based as well as Non-Fund based and prescribed acceptance criteria for all forms of credit dispensation. These would include Short term, Medium Term and Long Term based facilities, as also Letters of Credit, Guarantees, Acceptances, etc.

The Loan Policy of the Bank deals with various important parameters in order to ensure safety, profitability and liquidity of Bank's assets and deals on various matters as follows

Credit Deployment

1. Directed Credit
2. Thrust Areas
3. Other Areas

Categorization of Borrowers

1. Priority Sector
2. Non-Priority Sector

Credit Sanctions

1. Prudential Exposure Limits
2. Credit Rating
3. Price Mechanism
4. Procedures

Security

1. Approved Securities
2. Negative List of Securities
3. Obtaining Guarantees as Security

Delegation of Authority

1. General Rules
2. Lending Authority
3. Lending Powers
4. Discretionary Powers
5. Ad-hoc facilities
6. Prohibitions

Miscellaneous

Sanctioning Authority

1. Individual Officials
2. Board of Directors

Monitoring and Control

1. Review of Procedures
2. Control Returns
3. Monitoring
4. Quality Control

Compliance of the Policy

All the field functionaries are to comply with the policy guidelines laid down in this document. In case of any doubt the applicability of any aspect of these policies to any situation, clarification/approval shall first be sought from Credit & Monitoring Department, Head Office prior to committing the bank.

Credit Deployment Strategy

The following strategies shall be adopted

1. Wherever lending is done, it shall be directed with the emphasis on viability, and profitability prospects.
2. Keeping in view the guidelines of RBI/NABARD and the profitability of the Bank, the branches shall be advised from time to time about the thrust areas and non-thrust areas of lending.
3. The Chairman has powers to permit any deviation in the sanction of a credit proposal, subject to compliance of RBI/NABARD/Govt./Other Statutory directives.

Directed Credit

The Bank's role in the priority sector lending shall be in time with the national objectives. Bank will continue to lend funds to priority sector *viz.* Agriculture, Micro and Small Enterprises, Housing Finance, Education Loans, Microcredit and other sectors keeping in view with the NABARD/RBI guidelines from time to time. The Bank will endevaour to surpass the overall share of 60% of Adjusted Net Credit under Priority Sector advances with sub-sector targets.

The guidelines issued by RBI vide their Master Circular No. RPCD.CO.RRB.BC.NO.5/03.0533/ 2014-15, RBI 2014-15/82 dated 01/07/2014 and many amendments thereto shall be adhered to [5].

RRBs were originally allowed to lend only to the Target Group comprising small and marginal farmers, landless labourers, rural artisans and other weaker sections of the society. Subsequently, they were allowed to lend up to 60 per cent of their incremental lending during a year to Non-Target Group borrowers. With a view to

providing more credit to the segments under priority sector, it was decided that RRBs should a target of 60 per cent of their outstanding advances for priority sector lending as against 40 percent set for other commercial banks. Further, of the total priority sector advances, at least 25 per cent (i.e. 15 percent of the total advances) were required to be advanced to weaker sections of the society.

Conclusion

Rural development has to play a phenomenal role in the overall socio-economic development of a country like India, where the majority of the population lives in rural areas. The rural sector affects directly or indirectly almost all the economic activities in the country and provides employment of the maximum number of people. A large part of the revenue of the government is also generated from the rural. The necessity of rural finance was felt to provide protection & reliance to rural people like moneylenders, landlords & traders etc. but they exploit farmers and small entrepreneurs by changing exorbitant rate of interest & force farmers to sell their product at low price to them. Rural people also face the risk of unpredictable production of crops due to high dependency on monsoon. Including problem of finance they also suffer from lack of seeds, fertilizers, water supply and other facilities which lead to rural indebtedness.

References

1. www.rbi.org.in
2. Gupta Rakesh. Regional Rural Banks in Changing Banking Landscape, The Indian Banker. 2016; 3(6):47.
3. The Socio Economic and Caste Census (SECC)- Government of India, 2011.
4. Loan Policy, Uttar Bihar Gramin Bank, Muzaffarpur, 2-4.
5. Master Circular No. RPCD. CO. RRB.BC No. 5/03 05/33/2014-15, RBI 2014-15/82 dated 01/07/2014 issued by RBI, Mumbai.
6. Recommendations of the Internal Working Group set up by the Reserve Bank of India to examine, Review and Recommend Changes in the Existing Policy on Priority Sector Lending under Chairmanship of Shri C.S. Murthy, September, 2005.
7. Loan Policy, Uttar Bihar Gramin Bank, Muzaffarpur, 5-8.
8. www.ubgb.in
9. Ibid
10. www.cibil.com
11. Sharma, Usha Role of Credit Disbursement Policies of Regional Rural Banks in the Sustainable Development of H.P. Economy – An Empirical Study, International Journal of Making Financial Services and Management Research. 2013; 2(4):156-157.