A STUDY ON CREDIT FACILITIES WITH REFERENCE TO G: 2156 SOZHANGANALLUR URBAN COOPERATIVE CREDIT SOCIETY

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ABSTRACT

The project report entitled “To Study about the Credit facilities with reference to the G: 2156 Sozhanganallur urban cooperative credit society. Credit is contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some later date with consideration, generally with interest. Credit also refers to an accounting entry that either decrease assets or increase liabilities and equity on the company balance sheet additionally, company income statement a debit reduces net income, while a credit increase net income.

By Analytical Research Design and sources of data is secondary data which is 5 balance sheets sheet the G: 2156 Sozhanganallur urban cooperative credit society.

The objective of the study to identify the different types of loans provided by the bank. And examine the profitable loan for the bank among different loan. To identify the outstanding amount for different loans over 5 years for the bank. Study about the prompt repayment of loan. And to suggest the collection period for different loans.

The research studies like the present on may help the bank to re-orient its strategy related to loans, deposits, and provide different services.

Through the analyses, the management shall easily take decisions showing in its reports how utilization of available capacity will lead to increase in profit.

Key word credit analysis, Analytical Research Design, profitable loans

1. INTRODUCTION

The Urban Co-operative Credit Society was started in order to fulfill the credit needs of the Agricultural members. But, at present, it was extended the services to the Non-Agriculturist also. Now it undertakes various functions. Giving loans to the needy members, is the main function of the bank In the beginning of human existence, needs were simple and every individual produced all that was necessary to sustain life, he provided his own food of animal flesh and vegetable; prepared his own clothing and found his own shelter.

“According to D.H. Robertson ‘Money is anything which is widely accepted in payment for goods or in discharge of other kinds of business obligations’. This is the way that money got extends into the co-operation.”
1.1.1 REPAYMENT TERMS OF A CREDIT FACILITY

The terms of interest payments, repayments and loan maturity are detailed. They include the interest and date for repayment, if term loan, or the minimum payment amount ad recurring payments dates, if a revolving loan. The agreement details whether interest rates may change and specifies the date on which the loan matures if applicable.

1.1.2 LEGAL PROVISIONS OF A CREDIT FACILITY

The credit facility agreement addresses the legalities that may arise under specific loan conditions such as accompany defaulting on a loan repayment or requesting a cancelation the section details penalties the borrower faces if defaulting and steps the borrower takes to remedy the default. A choice of law clause itemizes particular laws or jurisdictions consulted case of future contract disputes.

1.1.3 TERM AND STRUCTURE OF CREDIT FACILITY

A credit facility agreement details the borrower’s responsibilities, loan warranties, lending amounts, interest rates, loan duration, and default penalties and repayment terms and conditions the contract opens with the basic contract information for each of the parties involved followed by a summary and definition of the credit facility itself.

1.1.4 FLEXIBILITY OF A CREDIT FACILITY

A business may use a credit facility rather than reapplying for a loan each time it needs money. The company may take out a credit facility based on collateral that may be sold or substituted without alerting the terms of the original contract. The facility may apply to different projects or departments in a business and be distributed the company’s discretion.

1.2 NEED FOR THE STUDY

It is needed to know about the type of loans provided by the bank and percentage of returns from it. It is also needed to compare the type of loans and to know which one is more profitable. It is to know about the non-payment or dues and remedial measures to collect the money on time. The debt collection should be made on time which leads to increase the financial position of firm paves way to attain organizational objectives.

1.3 OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

- To identify the various credit facilities provide by G. 2156 Sozhanganallur urban cooperative credit society.

SECONDARY OBJECTIVE

- To identify the different types of loans provided by the bank.
- To examine the profitable loan for the bank among different loan.
- To identify the outstanding amount for different loans over 5 years for the bank.
- To study about the prompt repayment of loan.
- To suggest the collection period for different loans.
- To give remedial measures to reduce the bad debts.

1.4 SCOPE OF THE STUDY

The scope of the study was entitled towards the credit policy provided to members by urban cooperative credit society. It provides various types of loans to the members. The study encloses some of the financial tools and techniques in order to know the financial performance of debtors. The study provides the information relating to the procedure which is followed by bank while providing loans to members and their rate of interest collected by bank. The study explores the financial criteria used by urban cooperative credit society in extending credit facilities to the members. The study is conducted to know the deviation which happened in the collection of loans so that positive
aspects will be improved and the adverse situation will be disappeared. It is helps to measures the future growth of the firm. It is helpful to make internal business decision.

1.5 LIMITATIONS OF THE STUDY

- Adequate data was not available because of the secrecy maintained by the bank.
- Due to inadequate time of research it is not possible to analyze all respects to the study.
- The quantitative aspects have been taken into account for the study whereas qualitative aspects have not considered.

2. DATA ANALYSIS AND INTERPRETATION

Table 2.1 Table showing changes in loan outstanding of the urban cooperative credit society for financial year

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2016-2017</th>
<th>2017-2018</th>
<th>Difference</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>House Mortgage Loan</td>
<td>4728.92</td>
<td>4927.08</td>
<td>-198.16</td>
<td>Un favorable</td>
</tr>
<tr>
<td>Self Help Group Loan</td>
<td>32.17</td>
<td>62.43</td>
<td>-30.26</td>
<td>Un favorable</td>
</tr>
<tr>
<td>Jewel Loan</td>
<td>2322.29</td>
<td>2371.36</td>
<td>-49.07</td>
<td>Un favorable</td>
</tr>
</tbody>
</table>

2016-17 to 2017-18

Interpretation:

It is inferred that comparing previous year (2016-2017) loan outstanding current year (2017-2018) loan outstanding is high it’s a danger signal from the bank and the necessary steps to be taken to reduce the outstanding. Such low outstanding should be help to attain the short term obligations

Chart 2.1(a) Chart showing changes in loan outstanding of the urban cooperative credit society for financial year 2016-17 to 2017-18

Table 2.2 Table showing trend percentage of loan and advance issue of the urban Cooperative credit society for the financial year 2013-18

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan and advance</td>
<td>5258.94</td>
<td>5587.56</td>
<td>6132.98</td>
<td>6442.97</td>
<td>6673.97</td>
<td>6922.77</td>
</tr>
<tr>
<td>Trend (%)</td>
<td>100</td>
<td>106</td>
<td>109</td>
<td>105</td>
<td>103</td>
<td>103</td>
</tr>
</tbody>
</table>
Interpretation:

The trend analysis shows that the loan and advance are increasing from 2014-16 and then it’s in decreasing 2017-18 trend. The company may choose necessary steps should be taken to increase the house jewel loan.

Chart 2.2(a) Chart showing trend percentage of loan and advance issue of the urban cooperative credit society for the financial year 2013-2014

Table 2.3 Table showing average collection period of the urban cooperative credit society for the financial year 2013-2018

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Days or months in year</th>
<th>Debtor turnover ratio</th>
<th>Average collection period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014</td>
<td>365</td>
<td>2.89</td>
<td>126 (days) or 4 months</td>
</tr>
<tr>
<td>2014-2015</td>
<td>365</td>
<td>1.00</td>
<td>365 (days) or 1 year</td>
</tr>
<tr>
<td>2015-2016</td>
<td>365</td>
<td>1.98</td>
<td>184 (days) or 6 months</td>
</tr>
<tr>
<td>2016-2017</td>
<td>365</td>
<td>1.13</td>
<td>323 (days) or 11 months</td>
</tr>
<tr>
<td>2017-2018</td>
<td>365</td>
<td>2.83</td>
<td>128 (days) or 4 months</td>
</tr>
</tbody>
</table>

Interpretation:

The suggested average collection periods is 1 year to less than 1 year it helps to attain the organization objectives.

Chart 2.3 Chart showing Table showing average collection period of the urban cooperative credit society for the financial year 2013-2014
3. FINDINGS

- Loan and advance are increasing from 2014-16 and then it’s in decreasing 2017-18 trend,
- Average collection periods is 1 year to less than 1 year it helps to attain the organization objectives.

3. SUGGESTIONS

- The bank may re-arrange its loan facilities given and those loan schemes, which are not utilized by the members, may reduce that loan amount on those schemes and may increase loan amount on which the members required.
- To meet the fund requirement and to give best service to its members the bank may increase its share capital.
- The bank may take legal and proper actions against loan outstanding, which helps to recover the loans.
- The bank may increase the amount of self-help group loan given to the members.
- The suggested average collection periods is 1 year to less than 1 year it helps to attain the organization objectives.

4. CONCLUSION

The URAN COOPERATIVE CREDIT SOCIETY is servicing its members in various ways such as loans with lesser rate of interest, working for welfare of members. The loan distribution and collection system is not so good, so the organization can take necessary steps to control its collection system. No doubt urban cooperative credit society is working in the right direction. It cannot be ignored, since its establishment it is striving hard for improving the economic condition of the members. It is well-known fact that the main objective of the society is “EACH FOR ALL AND ALL FOR EACH. Therefore, it is necessary that society should always aim at continues development or adoption, which will be more helpful to the members of its services. The opinion of each member should be of great importance in taking steps towards development.

Therefore, research studies like the present on may help the bank to re-orient its strategy related to loans, deposits, and provide different services.

5. BOOK REFERRED

- Financial management – Dr. A.murthy

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