

## MPBF & Drawing Power

### Introduction

- ❖ Credit Monitoring is an important part of Credit Management.
- ❖ Banking means the accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque, draft, pay order or otherwise.

### Credit Management

- ◆ Loan scrutiny & Sanction.
- ◆ Documentation.
- ◆ Disbursement.
- ◆ Monitoring the Loan account.
- ◆ Review.
- ◆ Recovery.

### Loanable Funds

- ◆ Bank can sanction Loans up to 75 % of Own Funds, 70 % of Deposits & 100 % of borrowing.

### Stages of Credit Monitoring

- ◆ Stock statements.
- ◆ Insurance.
- ◆ Operations in the account.
- ◆ Inspection of security.
- ◆ Review & Renewal of limit.
- ◆ Balance confirmation.

**Tondon Committee 1<sup>st</sup> Method**

❖	<u>Rs'000</u>
❖ Current Assets	600
❖ Less: Current Liabilities	200
❖ -----	
❖ Working capital gap	400
❖ Less: Promoter's Con. @25 %	100
❖ -----	
❖ MPBF	300
❖ -----	
❖ Drawing Power	210
❖ -----	

**Tondon Committee 2<sup>nd</sup> Method**

❖	<u>Rs'000</u>
❖ Current Assets	600
❖ Less: Promoter's Con. @25 %	150
❖ -----	
❖ Working capital gap	450
❖ Less: Current Liabilities	200
❖ -----	
❖ MPBF	250
❖ -----	
❖ Drawing Power	210
❖ -----	

**Drawing Power**

	Rs.
♦	
♦ Stock	300000
♦ Less: Creditors	30000
♦ -----	
♦ Paid Stock	270000
♦ Less: Margin @ 50 %	135000
♦ -----	
♦ Drawing power or Limit	
♦ whichever is less	135000
♦ -----	

**Drawing Power**

	Rs.
♦	
♦ Debtors	200000
♦ Less: > 90 days	50000
♦ -----	
♦ Paid Stock	150000
♦ Less: Margin @ 50 %	75000
♦ -----	
♦ Drawing power or Limit	
♦ whichever is less	75000
♦ -----	