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 1st Method**

<table>
<thead>
<tr>
<th>Description</th>
<th>Rs’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>600</td>
</tr>
<tr>
<td>Less: Current Liabilities</td>
<td>200</td>
</tr>
<tr>
<td>Working capital gap</td>
<td>400</td>
</tr>
<tr>
<td>Less: Promoter’s Con. @25 %</td>
<td>100</td>
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<tr>
<td>MPBF</td>
<td>300</td>
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<tr>
<td>Drawing Power</td>
<td>210</td>
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</table>

**Tondon Committee 2nd Method**

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<td>600</td>
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<tr>
<td>Less: Promoter’s Con. @25 %</td>
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<tr>
<td>Working capital gap</td>
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<td>MPBF</td>
<td>250</td>
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<tr>
<td>Drawing Power</td>
<td>210</td>
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</tbody>
</table>
**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
- -----------------------------------------