A STUDY ON THE PROBLEMS OF OVERDUE AND RECOVERY MANAGEMENT IN PANDYAN GRAMA BANK IN Tamil Nadu

(ABSTRACT)

The policy of rural credit in India continued to be one of providing adequate, timely and cheap credit to farmers throughout and through the Formal Financial Institutional Agencies like Co-operatives, Commercial Banks and Regional Rural Banks to support agriculture and rural development. However, acceleration in the flow of credit to develop the rural economy, through a wide network of branches had created a number of problems both managerial and operational. The mounting overdues had been one of the major problem in all the credit institutions. The causes and effects of overdues on the working efficiency of these institutions and quantum of loan recovered varied according to their nature and period of loans, types of lending and depended also on their area of operations and its economical factors. The overdues and recovery problem existed in the case of RRBs system in India. As the RRBs were becoming older, the overdues and recovery problem were also increasing year after year. The same trend continued in the three RRBs of Tamil Nadu. Almost all RRBs were making losses and lost their viability. This situation warrants serious attention immediately and remedial measures are called for a good loaning and good recovery management system.

The study undertaken is of great relevance to the present day problem of financing the key sectors of the rural economy by the Regional Rural Banks (RRBs) and the other rural credit institutions in general, as the banking is the most useful tool of the rural society and the country in achieving accelerated growth in rural sector. Today there is great need for the study on "Overdues and Recovery" in Rural Financial Sector. In recent years, the
significance of overdues of banks that Regional Rural Banks has also received wide discussions at the national level, in view of restructuring the Regional Rural Banking Systems in phased manner. Therefore, this work will provide fresh angle of approach to minimise the overdues problems. The detailed suggestions based on the findings of this study would aid in decision making to the managements' and also would fill up the gap of literature on the study of the overdues of the Regional Rural Banks in India.

This is an empirical study based on both primary and secondary data. The study has been carried out both at MACRO and MICRO levels. The study on the recovery performance and the problems of overdues of RRBs were made in 23 states and in six regions of the country and in All India at Macro level. The Micro level analysis is the core section of this research work and has been confined to a Regional Rural Bank viz., Pandyan Grama Bank (the oldest among three RRBs) of Tamil Nadu and its borrowers. A two-stage sampling design has been used in which the selection of banks formed the first stage and the selection of borrowers formed the second stage,

The micro level study was made on Pandyan Grama Bank (PGB) in the state of Tamil Nadu operating with 161 branches in its five operational districts viz., (i) V.O. Chidambaranar, (ii) Tirunelveli Kattabomman, (iii) Kamarajar, (iv) Ramanathapuram and (v) Pasumpon Muthuramlingam Thevar Thirumagan.

The analytical tools used in the study include simple average, percentage, ratios (simple - concentration (Giui Ratio) - efficiency ratio), compound growth rate, repayment index and multiple regression analysis.

Microlevel studies on overdues and recovery management made at Pandyan Grama bank and on the borrowers of the Bank reinforced the