CHAPTER-VII
SUGGESTIONS AND RECOMMENDATIONS
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1. Adequate Manpower:

It was observed during study that the manpower provided to the branches for NPA management was not adequate in relation to the task assigned to them. There is a need to give adequate manpower to the branches for NPA management. There is a misconception that NPA management is nothing but recovery of banks dues. However this is not correct. Effective NPA management involves analysis of non performing assets, planning, deciding strategy for recovery, selecting accounts for immediate action; follow up, interaction with the borrowers, dealing with compromise/write off proposals etc. This needs involvement and understanding on the part of staff on contineous basis so that there is focused attention on recovery. Further, the manpower looking after NPA management should be experienced and trained so that they understand the problems of recovery and deal with them effectively.

In order to control the level of NPAs it is necessary for bank officials to:

- Identify the borrower properly.
- Scrutinize the proposal carefully.
- Give adequate & timely finance.
- Ensure utilization.
- Monitor and follow up closely.
- Rephrase or reschedule the account for reasons beyond the control of the borrower.

The bank staff is aware of these instructions, as they are part of their manual or training. However, in practice they are overlooked or escape attention because of multifarious duties and pressure of work. All this ultimately leads to losses to the bank. The bank should therefore take a liberal approach as far as NPA management is concerned in providing staff.

2. Awareness & Training Camps for Borrowers:

During study, it was observed that the awareness at borrower’s level regarding non-performing assets, its impact on banks profitability was very less.
There was not much of interaction with the bank officials also. The borrowers were therefore had no knowledge or information on many things which are in their interest. It is therefore suggested that the branches should arrange training cum awareness camps at ¾ places in their area of operation once in a year and educate the borrowers on various issues. This will help both the borrowers and the bank in improving communication/interaction with the borrowers and simultaneously improve the recovery atmosphere.

3. Helping Borrowers in Difficulties:

During the course of interview, number of defaulter borrowers informed that they could not pay banks dues because of personal problems. At the same time, they informed that they had not communicated their problems/difficulties to the bank. Few of them who approached the bank got satisfactory solution to their problems. This clearly underlines the need to know the reasons for default and whether any relief can be provided to the borrower before classifying any account as NPA. For this purpose the dealing officer should prepare a list of overdue accounts and find out the reasons for default and discuss the same with the manager. After the discussion, only those accounts where there is no alternative should be classified as NPAs. This is particularly relevant in case of small borrowers.

4. Write Off of Loans:

Write off is one of the ways of reducing NPAs and it is one of the ways of reducing the NPAs. However, it is necessary to ensure, before any account is written off, that all efforts for recovery have failed and there is no possibility of recovery in the account in normal course. As the losses are absorbed by head office many a times the recovery efforts are slackened to some extent. To overcome any apprehensions in this regard, it is suggested that the branch net profit may be reduced to the extent of carrying cost or part there of for one or two years. This will increase the responsibility of the branch while recommending write off of any account.

5. Government Programmers- Improvement in Implementation:

The experience of branches regarding government sponsored programmers, such as SGSY, PMRY, SJSRY etc, which are implemented for the benefit of rural/urban poor, was not good. Particularly the recovery under these programmers was very poor this is because there is no proper
identification of borrowers and the activities to be financed, quality assets are not given, the training is inadequate and the forward/backward linkages are absent.

It is suggested that the bank has recently appointed Business Facilitators for development of business in Kolhapur district. These facilitators are local persons who have feel of the area and are aware of the scope and potential in the village in the service area. These facilitators may be trained and given responsibility of identification of borrowers and selection of activities. Based on the recommendations of the facilitator the bank may sanction the loans, the facilitators may be made responsible for monitoring, follow up and recovery in these accounts alternatively the branch may take lead in identifying the entrepreneurs and the activities to be considered and give training to these selected proponents at approved training centre before releasing finance.

6. Incentive for Prompt Repayment Appreciation for Loyalty:

The branches under study have sizable number of borrowers who are regular customers of bank for number of years and their track record is very good. There is yet another class of customers who pay their dues very promptly in spite of personal problems. All the type of customers does not get any recognition, incentive or reward for their promptness or loyalty towards the bank.

It is therefore suggested that such borrowers may be given incentive in the form of concession in rate of interest and or priority in receiving credit. The branches may keep list of such valued customers with them and invite them on special functions or meetings of the bank.

7. Coordination with Farmer’s Clubs/NGOs/Social Organizations:

Banks have difficulty in identifying proper customers ascertain their intention, find out the scope for the activities to be financed, verify utilization of loans and finally follow up for recovery. This is the risk the banker has to take while giving credit.

It is suggested that the bank can take assistance of Farmer’s clubs NGOs or social organizations in the area for various purposes mentioned above. The branch can take initiative in establishing farmers club in the area if they are not already there. The forum of farmers club can be effectively used for various purposes such as:
• Arranging awareness or recovery camps.
• Arranging knowledge sessions for giving information.
• Government Sponsored Programmers.
• Loan Waiver Scheme of Government.
• Rehabilitation/rephrasing of loans for victims of natural calamities etc.
• Interaction with bank officials to know banks products and services.

The services of NGOs can be used for similar purposes. This will ultimately lead to creating awareness among the borrowers, understanding their problems and difficulties, close contact and better interaction with the customer to discuss there plans problems etc. In the study it was observed that apart from credit discipline, these were main reasons for low recovery or high NPAs.

8. Improvement in Recovery Act:

The present recovery act is not very effective and the branches do not get any benefit of this act for improving recovery, it is suggested that the act should be amended on the lines M., P. State Recovery Act or any other State government to make it more effective and banker friendly. The issue of amendment to the act is being discussed in the state level forum for quite some time. Early decision in the matter is necessary.

9. Recovery Camps:

The recovery camps are organized by the revenue officials for recovery under government programmers in the district. However, the branches can arrange such camps in their area by giving wide publicity and inviting borrowers for such camps. The government officials may also be invited for such camps. It is not necessary that the government should take lead and the bank should follow. The banks can also take initiative in arranging such camps.

10. Using Concept of Carrying/Holding Cost by Branches:

The concept of carrying cost as explained in the earlier chapters and its application at branch level is very important not only for management of NPAs but for improving quality of credit and their by profitability of bank. The significance of the concept is well understood by the officials at controlling offices looking after NPA Management. They also advise the branches through circulars and at various forums to take this aspect into account while deciding strategy for recovery. However, this has not percolated down to the branches.
Majority of the branch officials are not aware of the concept and its significance. Remaining officials who are aware of the concept do not use it for devising strategy for effective recovery. Thus there is a need to create awareness among the field level staff in the first instance and then advise them to practice it. This can be done in stages as follows:

a) Creating awareness: this can be achieved by issuing circulars, conducting arranging programmers, arranging seminars and discussions in the managers meetings.

b) Analysis & Interpretation data on non performing assets: the branches may be asked to analyze the data and work out the carrying cost with sector wise break up and its interpretation. The Zonal office can guide the branches in this regard.

c) Planning strategy for recovery: based on the analysis of data and carrying cost the branch specific strategy may be devised for recovery with priorities and time schedule.

d) Implementation of the strategy: the branches may be asked to implement the strategy devised by them and approved by Zonal office.

e) Future credit expansion: based on the analysis the branches can decide the future credit expansion.

f) Other measures to reduce the carrying cost: the branches may try to reduce the carrying cost by other measures such as reducing cost of deposits etc.

Once the system is stabilized, the NPA management will be more focused aiming and it will not only be bank specific but branch specific with minimum supervision and follow up by higher authorities.

11. Special Attention to SSI Units:

Special care needs to be taken especially young entrepreneurs (First Generation) establishing SSI units for the first time, as they have to face lot of problems even before starting production and thereafter such as:

- Delay in commissioning of projects leading to cost overruns.
- Opening up of economy – WTO – implications.
- Failure to review the accounts periodically.
- Inability to raise resources towards margin money.
• Lack of infrastructure – power shortage.
• Marketing problems.
• Technological obsolescence.

It is therefore necessary to closely monitor the progress/performance and review the account periodically with assistance/guidance wherever necessary. In the absence of such special attention the SSI units are likely to figure in the NPA list.