Appendices
Annexures
Annexure-I

Subsidy levels under PMEGP are as under:

<table>
<thead>
<tr>
<th>Categories of beneficiaries</th>
<th>Own Contribution</th>
<th>Rate of Subsidy (of cost Project)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td></td>
<td>Urban 10% 15% 25%</td>
</tr>
<tr>
<td>General</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Special (including SC/STs, OBCs, Minorities, Women, Ex-servicemen, Physically handicapped, NER, Hill &amp; Border Areas)</td>
<td>05%</td>
<td>25% 35%</td>
</tr>
</tbody>
</table>

Source: KVIC State office (Ministry of MSME, Govt. of India) Jammu
Annexure-II

Negative List of activities in PMEGP

The following is the negative list of activities in PMEGP.

(a) Any Industry/business connected with Meat (slaughtered) i.e. processing, canning and/or sale of intoxicant items like Beed/Pan Cigar/Cigarette etc. any Hotel or Dhaba or sales outlet serving liquor preparation/producing tobacco as raw materials, tapping of toddy for sale.

(b) Any industry/business connected with cultivation of crops/plantation like Tea, Coffee, Rubber, Sericulture (cocoon rearing), Horticulture, and Floriculture. Value addition under these will be allowed under PMEGP.

(c) Any industry/business connected with animal husbandry like pisciculture, piggery, poultry etc.

(d) Manufacturing of Polythene carry bags of less than 20 microns thickness and carry bags or containers made of recycled plastic for storing, carrying, dispensing of packaging of food stuff and any other item which causes environmental problems.

(Source: Ministry of Micro, Small, & Medium Enterprises Government of India, Mumbai.)
Annexure-III

List of National Level Corporations


B. National Scheduled Tribes Finance & Dev. Corporation (NSTFDC) New Delhi, (for Scheduled Tribes).


D. National Minorities Dev. & Finance Corporation (NMDFC) New Delhi, (for Minorities Male Members)


F. National Handicapped, Finance & Dev. Corporation (NHFDC), New Delhi (for Handicapped Male Members)

Annexure-IV

Block-wise list of villages surveyed

<table>
<thead>
<tr>
<th>Budhal Block</th>
<th>Rajouri Block</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Kewal</td>
<td>1. Charan</td>
</tr>
<tr>
<td>2. Phalani</td>
<td>2. Palam</td>
</tr>
<tr>
<td>5. Draj</td>
<td>5. Farwala</td>
</tr>
<tr>
<td>8. Koteranka</td>
<td>8. Fatehpur</td>
</tr>
<tr>
<td>11. Swari</td>
<td>11. Potha</td>
</tr>
<tr>
<td>12. Tralla</td>
<td>12. Dologra</td>
</tr>
<tr>
<td>15. Kha</td>
<td>15. Dassal</td>
</tr>
<tr>
<td>16. Jamola</td>
<td></td>
</tr>
<tr>
<td>17. Kurhad</td>
<td></td>
</tr>
<tr>
<td>18. Shahpur</td>
<td></td>
</tr>
<tr>
<td>19. Soker</td>
<td></td>
</tr>
<tr>
<td>20. Targain</td>
<td></td>
</tr>
</tbody>
</table>

Source: Village Directory district head office Rajouri
Publications
This is to certify that paper entitled “Financial Institutions and Support Credit Schemes of Priority Sector (A case Study of Rajouri district in J&K State)”. Authored Mohd Aslam, Research Scholar School of Management Studies & Economics, BGSB University, Rajouri, have been published in Vol 2 issue 11 November 2014 in International Journal in Management and Social Science issn: 2321-1784 with Impact Factor 3.259. The mentioned paper is measured up to the required standard.

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Financial Institutions and Support Credit Schemes of Priority Sector  
(A case Study of Rajouri district in J&K State)

Prof. S.K. Gupta  
Head School of Management Studies & Economics  
BGSB University, Rajouri

Mohd Aslam  
Research Scholar  
School of Management Studies & Economics  
BGSB University, Rajouri

ABSTRACT

Financial sector plays an important role in the overall development of a country like India. The most important constituent of this sector is the financial institutions. These institutions have traditionally been the major source of funds for the economy. The financial institutions provide a variety of financial products and services to fulfil the varied needs of the society. Besides, they provide assistance to new enterprises, small and medium firms as well as to the industries established in backward areas. Thus, they are helping in reducing regional disparities by inducing widespread industrial development through various support credit schemes of priority sector.

The Government of India, in order to provide adequate supply of credit to various sectors of the economy, have evolved a well-developed structure of financial institutions in the country. The Financial Institutions act as a booming force for the development of medium and small scale enterprises by providing them financial assistance.

It is in this context, an attempt has been made to examine and evaluate the role of financial institution in providing small credit through various support schemes in district Rajouri of J&K state. The study also highlights the various problems being faced by the people and further suggests few recommendations to bring further improvement in the credit delivery system of the financial institutions.

Kew Words: Financial Institutions, Economic Development, Credit Delivery System

Introduction:

Financial Sector plays a vital role in the economic development of all sectors of an economy. The most important constituent of this sector is the financial institutions. Financial Institutions are those institutions which provide credit facilities to the people and a variety of products and services for their overall growth and economic development. It has been rightly said that finance is the blood of the business or an enterprise. Without finance it is impossible to start any business unit. These financial institutions provide various types of loans i.e. short, medium and long term. By providing credit facilities to the people, financial institutions help them to improve their per capita income. The financial institutions include commercial
banks, Regional rural banks, cooperative banks etc. All these institutions are interconnected with each other to create credit mechanism. In brief, these institutions provide a number of credit support schemes to the people in the form of loan for self employment through the establishment of small business or an enterprise through which they can generate income.

**Objectives of the Study:**

1. To review bank-wise position of credit achievements in priority sector under support schemes.
2. To study the various problems being faced by the sample households in availing the credit.
3. To make few recommendations for a better delivery of credit in the study area.

**Study Area:**

The study has been conducted in district Rajouri of J&K state. The district has an area of 2630 sq.kms. The district Comprises of nine blocks and seven tehsils. The district has 376 villages and four towns with a population of 619,266 as per the census 2011. There are 56 branches of different commercial banks in the district.

**Methodology:**

Both primary and secondary data has been used for the present study. For primary data, fifty sample households have been interviewed from five villages of district Rajouri through sample random method. The secondary data has been collected from different reports, Annual credit plans of the district.

**Analysis and Discussion:**

For the purposes of review of credit disbursed by the banks in priority sector in various support schemes viz. agriculture, crop loan, small enterprises, micro credit, education & housing in the study area, an analysis has been made for three years from 2011 to 2013. The data has been analysed of major five commercial banks (J&K bank, SBI, PNB, JKGB & JCC bank) of the district. The year wise position is as under:-
Table 1.

Year 2011

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JKBL</td>
<td>1139</td>
<td>111037</td>
<td>72</td>
<td>3920</td>
<td>290</td>
<td>101894</td>
<td>100</td>
<td>19332</td>
<td>51</td>
<td>7888</td>
<td>784</td>
<td>205317</td>
<td>2364</td>
<td>445468</td>
</tr>
<tr>
<td>SBI</td>
<td>36</td>
<td>1902</td>
<td>11</td>
<td>276</td>
<td>26</td>
<td>10992</td>
<td>45</td>
<td>11902</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>4350</td>
<td>114</td>
<td>29146</td>
</tr>
<tr>
<td>PNB</td>
<td>102</td>
<td>4913</td>
<td>56</td>
<td>3115</td>
<td>27</td>
<td>2613</td>
<td>31</td>
<td>2913</td>
<td>2</td>
<td>410</td>
<td>3</td>
<td>1900</td>
<td>166</td>
<td>12749</td>
</tr>
<tr>
<td>JKGB</td>
<td>347</td>
<td>12743</td>
<td>39</td>
<td>1354</td>
<td>213</td>
<td>54631</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>138</td>
<td>10</td>
<td>3515</td>
<td>575</td>
<td>71027</td>
</tr>
<tr>
<td>JCCB</td>
<td>1747</td>
<td>36067</td>
<td>1692</td>
<td>30776</td>
<td>870</td>
<td>103130</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>256</td>
<td>20</td>
<td>3021</td>
<td>2638</td>
<td>142474</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3371</td>
<td>166662</td>
<td>1870</td>
<td>39441</td>
<td>1426</td>
<td>273260</td>
<td>176</td>
<td>34147</td>
<td>59</td>
<td>8692</td>
<td>824</td>
<td>218103</td>
<td>5757</td>
<td>700864</td>
</tr>
</tbody>
</table>

Source: Annual Credit Plan 2010-2011 for district Rajouri (J&K State)

It is clear from the above table that all the banks are financing for agriculture, small enterprises, micro credit, education and housing in priority sector. The table further clarifies that the performance of J&K bank is better than other banks both in the form of total credit and in the form of agriculture, micro credit, education and housing sector, which speaks about the seriousness of the bank in granting loans in the priority sector. Moreover, the bank has the highest CD (30.73%) ratio in the year 2011 in the district.
Table 2.

Year 2012

(Amount in 000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JKBL</td>
<td>1733</td>
<td>296388</td>
<td>160</td>
<td>5919</td>
<td>607</td>
<td>175600</td>
<td>88</td>
<td>7656</td>
<td>17</td>
<td>3205</td>
<td>314</td>
<td>112947</td>
<td>2759</td>
<td>595796</td>
</tr>
<tr>
<td>SBI</td>
<td>20</td>
<td>1265</td>
<td>1</td>
<td>35</td>
<td>30</td>
<td>3924</td>
<td>85</td>
<td>13706</td>
<td>2</td>
<td>237</td>
<td>12</td>
<td>6045</td>
<td>149</td>
<td>25177</td>
</tr>
<tr>
<td>PNB</td>
<td>81</td>
<td>9242</td>
<td>0</td>
<td>0</td>
<td>63</td>
<td>21237</td>
<td>90</td>
<td>32482</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>234</td>
<td>62961</td>
</tr>
<tr>
<td>JKGB</td>
<td>913</td>
<td>35791</td>
<td>163</td>
<td>6423</td>
<td>162</td>
<td>57126</td>
<td>119</td>
<td>18455</td>
<td>1</td>
<td>20</td>
<td>1</td>
<td>859</td>
<td>1196</td>
<td>112251</td>
</tr>
<tr>
<td>JCCB</td>
<td>1820</td>
<td>36080</td>
<td>914</td>
<td>15553</td>
<td>820</td>
<td>123839</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>625</td>
<td>10</td>
<td>3735</td>
<td>2652</td>
<td>164279</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4567</td>
<td>378766</td>
<td>1238</td>
<td>27930</td>
<td>1682</td>
<td>381726</td>
<td>382</td>
<td>72299</td>
<td>22</td>
<td>4087</td>
<td>337</td>
<td>123586</td>
<td>6990</td>
<td>960464</td>
</tr>
</tbody>
</table>

Source: Annual Credit Plan 2011-2012 for district Rajouri (J&K State)

A look at table 2 reveals that again J&K bank has played a leading role in credit disbursements as compared to other banks. So far as other banks are concerned, they are also making efforts for credit development. The JCCB has the highest CD ratio of 29.02%.
Table 3.

Year 2013

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Agriculture</th>
<th>Crop Loan</th>
<th>Small Enterprises</th>
<th>Micro Credit</th>
<th>Education</th>
<th>Housing</th>
<th>Total Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>JKBL</td>
<td>11299</td>
<td>437122</td>
<td>10037</td>
<td>146432</td>
<td>567</td>
<td>213472</td>
<td>182</td>
</tr>
<tr>
<td>SBI</td>
<td>150</td>
<td>3866</td>
<td>86</td>
<td>2248</td>
<td>27</td>
<td>6880</td>
<td>109</td>
</tr>
<tr>
<td>PNB</td>
<td>105</td>
<td>8960</td>
<td>101</td>
<td>8660</td>
<td>40</td>
<td>13211</td>
<td>0</td>
</tr>
<tr>
<td>JKGB</td>
<td>1995</td>
<td>74298</td>
<td>1176</td>
<td>41078</td>
<td>336</td>
<td>99829</td>
<td>0</td>
</tr>
<tr>
<td>JCCB</td>
<td>1678</td>
<td>75222</td>
<td>1325</td>
<td>44661</td>
<td>565</td>
<td>126445</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15227</td>
<td>599468</td>
<td>12725</td>
<td>243079</td>
<td>1535</td>
<td>459837</td>
<td>291</td>
</tr>
</tbody>
</table>

Source: Annual Credit Plan 2012-2013 for district Rajouri (J&K State)

Table 3. shows that as compared to previous year the J&K bank has increased its growth in credit in agriculture sector followed by housing and small enterprises. Apart from J&K bank, JCC bank has also improved its credit growth in agriculture sector. Again during this year the CD ratio of JCC bank was 28.00% which was highest as compared to other banks.

Thus from the data given in table 1, 2 & 3, it is clear that all the banks have financed in priority sector. However there is a need for more efforts for sanctioning and disbursement of loans as the CD ratio is less and needs to be increased keeping in view the national priorities.
Problems in Support Credit Schemes:

It is in place to mention that the people in general face lot of problems while availing credit from the banks and financial institutions especially in the rural areas. A few to mention are shown in table 4. The researchers have visited five villages of Rajouri district and after having interaction, personal discussion with the respondents; it has come to their notice that they are facing a number of problems from the banks while availing credit. (as shown in table 4)

Table 4.

<table>
<thead>
<tr>
<th>S. No</th>
<th>Name of the Village</th>
<th>No. of respondent</th>
<th>Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1  2   3  4  5  6  7</td>
</tr>
<tr>
<td>1</td>
<td>Muradpur</td>
<td>10</td>
<td>4  6  5  6  4  6  4</td>
</tr>
<tr>
<td>2</td>
<td>Kote Dara</td>
<td>10</td>
<td>5  7  6  7  6  5  4</td>
</tr>
<tr>
<td>3</td>
<td>Raj Nagar</td>
<td>10</td>
<td>7  8  4  6  5  5  3</td>
</tr>
<tr>
<td>4</td>
<td>Koteranka</td>
<td>10</td>
<td>7  6  5  4  6  4  2</td>
</tr>
<tr>
<td>5</td>
<td>Saaz</td>
<td>10</td>
<td>5  4  5  2  6  4  3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>50</td>
<td>29(58%) 31(62%) 25(50%) 26(52%) 27(54%) 24(48%) 21(42%)</td>
</tr>
</tbody>
</table>

Source: Field survey

1. Complicated loan procedure
2. Large number of formalities
3. Delay in sanction & disbursement of loan
4. expensive execution of documents through Advocates
5. Collateral Security
6. High rate of Interest
7. Additional charges in the shape of processing & documentation.

From the above table, the data reveals that one of the major problems being faced by the respondents is the large number of formalities in availing the credit from commercial banks. Out of 50 respondents, 31 respondents faced this problem. Another problem being faced by the sample households is the complicated loan procedure, as 58 % respondents have expressed their views on this problem. Along with the above, 54% respondents argued that they were not in a position to offer collateral security. In addition, 52% respondents were of
the view that there was expensive execution of documents through advocates for availing the credit. Beside above, the people were also of the view that the banks are charging higher rate of interest and delays in the sanction & disbursement of loans. Apart from this the people are also of the view that additional charges are charged by the bank officials in the shape of processing and documentation. Beside above, the researchers also noticed that banks are not giving due attention in the marketing of loan products of priority sector viz.KCC, Micro Credit, Micro Insurance, Small Credit etc, like the banks are doing for Car loans, Mortgage loans etc.

**Recommendations:**

In order to provide credit under various support schemes in a better way to the people in the study area, the following few recommendations have been made:-

1. The procedure for availing the credit should be made simple & easy so that maximum people can avail the credit, which can go a long period for settling up of small enterprise in the area.

2. Banks must provide details (features of various schemes) regarding various credit schemes. They must conduct more campaign to attract more customers. At the same time, the bank officials must ensure that the beneficiaries get loan amount without any delay and further needs to reduce the formalities regarding the loan sanctioning. This will not only bring improvement in the functioning of the banks but also bring efficiency in the credit disbursement.

3. It is difficult for every people to offer collateral security to the commercial banks. There is no single solution for guarantees, so the banks must focus to create reassurance of a borrower’s desire to make repayment. In addition, the banks should also market its financial products at a reasonable rate of interests.

4. The banks should adopt a strategy of good governance in order to cut or reduce the level of additional charges on sanction and disbursement of credit in the shape of processing and documentation

5. The RBI should relax the security norms in case of priority sector and proper counselling of the purposed borrowers should be done in case of micro finance and other small loans.
6. In addition to the above, the commercial banks should create awareness among people about the benefits of microfinance and other small credit through camps, workshops and melas especially in rural areas.

Conclusion:

In Conclusion, it can be summed up that financial institutions provide credit to the people in the form of loan for self employment through the establishment of small business or an enterprise through which they can generate income on a reasonable rate of interest. By providing credit facilities to the people, financial institutions help to improve their per capita income. It is obvious that there is a need to strengthen the financial Institutions. However, the efficiency of the system rather than the volume of financial activities are deemed vital to facilitate development.

References:


Certificate of Publication

This is to certify that the paper ID: SUB151985, entitled Management of Non Performing Assets: A Case Study has been published in Volume 4, Issue 3, March, 2015 in International Journal of Science and Research (IJSR).

The mentioned paper is measured up to the required standard.

Editor in Chief, International Journal of Science and Research, India
Index Copernicus Value 2013: 6.14
Management of Non Performing Assets-A Case Study

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²Research Scholar, School of Management Studies & Economics, BGSB University, Rajouri, India

Abstract: A strong banking sector is important for an economy like our’s. In our country, the banking sector has undergone a major change after 1991 and subsequently credit management. Due to which, in recent years banks have become more cautious in extending loans. The reason being mounting of non-performing assets. The non performing assets (NPA’s) reflect the performance of a bank. High level of NPA’s reflect high amount of defaults & ultimately affect the profitability of the banks. The present paper makes an attempt to identify the causes of NPA’s in Regional Rural Banks viz J&K Grameen Bank and also to suggest few strategies for reducing them.

Keywords: NPA’s, performance of banks, Profitability.

1. Introduction

After Nationalisation of banks in July1969, there has been tremendous growth in the banking industry and tremendous efforts were made to enhance the disbursement of credit in both priority and non priority sectors. However after 1991, with the opening of the Indian economy and with the introduction of financial sector reforms, banks become more cautious in sanctioning of loans and advances on account of piling NPA’s.

2. Meaning of NPA’s

An asset is classified as NPA’s if due in the form of principal & interest and not paid by the borrower for a period of 90 days. A non performing asset shall be a loan or an advance where-

1) Interest/installment or principal remain overdue for a period of more than 90 days in respect of a term loan.
2) The account remains ‘out of order’ for a period of more than 90 days in respect of an overdraft/cash credit.
3) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
4) Interest or installment of principal remain overdue for two harvest seasons but far a period not exceeding two half years in the case of an advance granted for agricultural purposes & W.e.f. 30-09-2004, following further amendments were issued by the apex bank:-
   • A loan granted for a short duration crops will be treated as NPA’s if the instalment of principal or interests their on remains overdue for two crop seasons.
   • A loan granted for a long duration crop will be NPA’s if the instalment or principal or interest their on remains overdue for one crop season.
   • Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

If any advance or credit facility granted by banks to a borrower becomes non performing, then the bank will have to treat all the advances/ credits facilities granted to that borrower as non performing without having any regard to the fact that there may still exist certain advances/credit facilities having performing status. As per the procedural norms suggested by RBI, a bank cannot book interest on an NPA on accrual basis.

3. Classification of NPA’s/ Asset classification

Once an asset falls under the NPA category, banks are required by RBI to make provision for the uncollected interest on these assets. For the purpose they classify their assets based on the strength and on collateral securities into:-

1. Substandard assets (2005), which has remained NPA for a period less than or equal to 12 months.
2. Doubtful assets: Which has remained NPA for a period less than or equal to 12 months.
3. Loss assets: Where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. It is an asset identified by the bank auditors or by RBI inspection as a loss asset. It is an asset for which no security is available or there is considerable erosion in the realizable value of the security.

4. Objectives

The present study aims that the growth in NPA’s should be checked, as growth and profitability of the banks & financial institutions depends upon the level of income generated. However the main objectives of the study are:-

a) To highlight the NPA position of J&K Grameen bank.
b) To identify the various causes of NPA’s.
c) To make few recommendations on the basis of research work carried out.

5. Methodology

For the present study data has been collected from the primary and secondary sources. The secondary data has been collected from head office of the Grameen bank. So far as, primary data is concerned, the same has been collected by holding group discussion and interaction with the borrowers.
of the Bank from five branches of district Rajouri i.e. Rajouri, Palma, Manjakote, Chingus and Dungi. In addition discussions were also held with the bank officials.

Table 1: Classification of loan assets of J&K Grameen Bank during 2009 to 2013-14

<table>
<thead>
<tr>
<th>Year</th>
<th>Standard Assets</th>
<th>Sub-Standard Assets</th>
<th>Doubtful Assets</th>
<th>Loss Assets</th>
<th>Total NPAs’</th>
<th>Total Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>3950784</td>
<td>198694</td>
<td>127316</td>
<td>91574</td>
<td>417854</td>
<td>4368638</td>
</tr>
<tr>
<td>2010-11</td>
<td>4742553</td>
<td>173705</td>
<td>181848</td>
<td>112159</td>
<td>471312</td>
<td>5213865</td>
</tr>
<tr>
<td>2011-12</td>
<td>6156073</td>
<td>331000</td>
<td>177385</td>
<td>112198</td>
<td>622683</td>
<td>6778756</td>
</tr>
<tr>
<td>2012-13</td>
<td>7756408</td>
<td>434969</td>
<td>249243</td>
<td>132245</td>
<td>816457</td>
<td>8572865</td>
</tr>
<tr>
<td>2013-14</td>
<td>9149275</td>
<td>565754</td>
<td>396140</td>
<td>138072</td>
<td>1099966</td>
<td>10249241</td>
</tr>
</tbody>
</table>

Source: Annual Reports JK Grameen bank

Table 2: Recovery of NPAs in J&K Grameen Bank for five years from 2010 to 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Rs in Lakh)</th>
<th>Amount Recovered (Rs in lakhs)</th>
<th>% of Col(3) to Col(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>4179</td>
<td>1342</td>
<td>32.11%</td>
</tr>
<tr>
<td>2010-11</td>
<td>4713</td>
<td>1041</td>
<td>22.08%</td>
</tr>
<tr>
<td>2011-12</td>
<td>6227</td>
<td>1526</td>
<td>24.50%</td>
</tr>
<tr>
<td>2012-13</td>
<td>8164</td>
<td>1932</td>
<td>23.66%</td>
</tr>
<tr>
<td>2013-14</td>
<td>11000</td>
<td>2332</td>
<td>21.117%</td>
</tr>
</tbody>
</table>

Source: Annual Reports JK Grameen bank

Table 3: Year wise provisions of NPAs in J&K Grameen Bank during the period 2010 to 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>NPAs’ (Col(2))</th>
<th>Provision (Col(3))</th>
<th>% of Col(3) to Col(2)</th>
<th>Gross NPAs’%</th>
<th>Net NPAs’%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>4179</td>
<td>3339</td>
<td>79%</td>
<td>9.56%</td>
<td>1.92%</td>
</tr>
<tr>
<td>2010-11</td>
<td>4713</td>
<td>3689</td>
<td>78%</td>
<td>9.04%</td>
<td>1.96%</td>
</tr>
<tr>
<td>2011-12</td>
<td>6229</td>
<td>3989</td>
<td>64%</td>
<td>9.19%</td>
<td>3.30%</td>
</tr>
<tr>
<td>2012-13</td>
<td>8164</td>
<td>3796</td>
<td>46%</td>
<td>9.52%</td>
<td>5.33%</td>
</tr>
<tr>
<td>2013-14</td>
<td>11000</td>
<td>4286</td>
<td>39%</td>
<td>10.73%</td>
<td>6.84%</td>
</tr>
</tbody>
</table>

Source: Annual Reports JK Grameen bank

6. Analysis and Discussion

Table 3 reveals the provision of NPAs and the percentage of provision in the outstanding NPAs. The provision created against NPAs has been gradually increased from 2009-10 to 2011-12 while in 2012-13 the provision created against NPAs was low. However from the data given in table no. 3, it can be seen that how the bank is keeping provision against NPA’s.

Main Reasons for Non-Performing Assets:

There are a number of reasons for NPA’s. A few to mention are as under-

A. Internal factors:-
1. Appraisal system
2. System of sanctioning of loans
3. Delegation of powers for sanctioning of loans
4. Scrutiny of various information given by the borrowers.
5. Pressure of targets
6. No follow up of recovery
7. Shortage of staff

B. External Factors:-
1. Political Interference
2. Competition among different Banks
3. State of the economy
4. Natural calamities

7. Recommendations and Solutions for Non-Performing Assets:

Regular Training Program
Executive have to undergo regular training program on credit and NPA management. It is very useful and helpful to the executives for dealing the NPAs properly.

Recovery camps
The banks should conduct regular or periodical recovery camps in the bank premises or some other place, such type of recovery camps reduced the levels of NPA in the banks.

Spot Visit
The bank officials should visit to the borrower’s business place / borrowers field regularly or periodically.

Credit Appraisal and Risk Management Mechanism
A lasting solution to the problem of NPAs can be achieved only with proper credit assessment and risk management mechanism (Chakraborty, 2012). The documentation of
credit policy and credit audit immediately after the sanction is necessary to upgrade the quality of credit appraisal in banks. In a situation of liquidity overhang the enthusiasm of the banking system is to increase lending with compromise on asset quality, raising concern about adverse selection and potential danger of addition to the NPAs stock. It is necessary that the banking system is equipped with prudential norms to minimize if not completely avoid the problem of credit risk.

Potential and Borderline NPA’s under Check

The potential and borderline accounts require quick diagnosis and remedial measures so that they do not step into NPAs categories. The auditors of the banking companies must monitor all outstanding accounts in respect of accounts enjoying credit limits beyond cut – off points, so that new sub-standard assets can be kept under check.

Lok Adalats

The Lok adalats institutions help banks to settle disputes involving accounts in doubtful and loss categories. These are proved to be an effective institution for settlement of dues in respect of smaller loans. The Lok adalats and Debt Recovery Tribunals have been empowered to organize Lok adalats to decide for NPAs of Rs. 10 lakhs and above.

Beside above the following solutions are also recommended in addition to solve the problem of NPA’S:

- Bank should find out the original reasons/purposes of the loan required by the borrower. Proper identification of the guarantors should be made by the bank including scrutiny of his/her assets and liability.
- The bank should revise reasonably loan policy and rules for fresh advancing.
- Sound credit appraisal on well-settled banking norms with emphasis on reduction in Gross NPAs and Net NPAs should be done.
- Position of overdue accounts should be reviewed on weekly basis to arrest slippage of fresh account to NPA’S.
- Half yearly balance confirmation certificates should be obtained from the borrowers on a continuous basis. It can go a long way in reducing the NPA’s.
- A committee should be constituted at Head Office level to review irregular accounts on regular bases.
- Based on the recent trends, banks should emphasize more on priority sector for reducing the quantum of NPAs.
- Banks should ensure credibility of the borrower.
- Appropriate SWOT analysis should be done before disbursement of the advance.
- Banks should ensure that there is no diversion of funds disbursed to the borrower.
- Bank officials should frequently visit the unit and should assess the physical conditions of the assets, receivables and stocks therein.
- While advancing loans, the three principles of lending viz., Principle of Safety, Liquidity and Profitability should be taken care. Regular training programme should be organised for Banks staff at the local levels to educate the staff on these principles.
- Bank should make proper scrutiny and analysis of Non Encumbrance &Valuation certificates of the property and collateral thoroughly before the sanctioning of the cases.
- Proper lien should be got entered in the revenue records which must be got confirmed by the bank in the black and white before the disbursement of the loan.
- The banks should ensure that the assets are fully insured to safeguard the interests.
- Recovery competitions should be organised by the bank at all stages among the staff members and the toppers should be encouraged in annual and other functions organised by the Banks.
- Bank should make a distinguish between wilful and non wilful defaulters. In case of the latter category of defaulters, the approach should not be as harsh as in case of former category.

Moreover, bank should organise awareness camps at the grass route level for the defaulters of the bank to educate them on the various benefits of making regular payments and vice versa. Good repay masters must be encouraged by way of some gifts and religious tours.

8. Conclusion

Banning system plays a very significant role in the financial existence of the nation. The strength of the economy is closely related to the reliability of its banking system. The problem of NPAs can be achieved only with appropriate credit appraisal and risk management mechanism. It is very important for the bank to keep the level of NPA as low as possible. Because NPA is one kind of barrier in the success of a bank which affects its performance. And this management can be done by following way:

- Credit assessment and monitoring.
- Timely sanction and or release of loans by the bank are to evade time and cost overruns.
- Working personnel should inspect the level of inventories/receivables at the time of evaluation of working capital.
- Identifying reasons for rotating of each account of a branch into NPA is the most significant factor for advancement of the asset quality, as that would help begin suitable steps to raise the accounts.
- The recovery machinery of the bank has to be modernized; targets should be set for field officers / supervisors not only for recovery in general but also in terms of upgrading number of existing NPAs.
- Due to lower credit risk and consequent higher profitability, greater encouragement should be given to small borrowers.

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This is to certify that paper entitled “Financial Institutions and Support Credit Schemes of Priority Sector (A case Study of Rajouri district in J&K State)”. Authored Mohd Aslam, Research Scholar School of Management Studies & Economics, BGSB University, Rajouri, have been published in Vol 2 issue 11 November 2014 in International Journal in Management and Social Science issn: 2321-1784 with Impact Factor 3.259. The mentioned paper is measured up to the required standard.

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International Journal in Physical and Applied Sciences (IJPAS) ISSN:- 2394-5710
International Journal in Commerce, IT and Social Sciences (IJCIS) ISSN: 2394-5702
International Journal in IT & Engineering (ISSN-2321–1776) Impact Factor: - 3.570
International Journal in Management & Social Science (ISSN -2321–1784) Impact Factor:-3.259

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