CHAPTER - 9

SUGGESTIONS AND RECOMMENDATIONS
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9.1 Introduction

The scenario of Non-Performing Assets (NPAs) is quite alarming and serious now a day in both BCCBL and PBGB. By adopting different measures the position of NPAs in terms of percentage in both the banks are gradually decreasing no doubt but not up to the level of satisfaction. So the banks, have to take certain measures with a view to bring the NPA level of banks under the study at par with national as well as international level, if possible, and to retain the position in years to come. To maintain the position some changes are required to undertake which will reduce the level of NPA to a large extent. The chapter also contains limitations of the study and gives scope for future research.

9.2 Suggestions and Recommendations

In order to solve the burning problems of NPA management, many changes and measures are required. Some changes are structural and many others are qualitative in nature. Structural changes required actions from administration and administrative machinery. They may be of time consuming process. Qualitative changes require training, change of attitude, professional and behavioral expertise of the management. Many of these factors are interrelated with each other. In that sense, it is difficult to give airtight compartmentalization of various suggestions and recommendations. Nevertheless, we put our suggestions and recommendations dividing them into the three categories, viz. (i) those requiring structural changes, (ii) those of general type, and, lastly, (iii) those of specific nature—all aimed at improving the management of NPAs.

9.2.1 Suggestions and recommendations on structural changes

1. The performance of every DCCB and RRB bin West Bengal should be evaluated by an autonomous research organization to know the strengths and weakness of the bank. Systematic planning, implementation of the plan and evaluation should be major concern of the DCCBs and RRBs.
2. Exemplary action may be taken against corrupt employees pertaining frauds and penalties be imposed, if situation demand, on both employees as well as borrowers those who are found to be fraudulent and manipulative.

3. Special recovery cells should be set up at zonal levels. Recovery officer may be appointed at branches having considerable NPAs and their progress in the field of recovery may be monitored on regular basis.

4. BCCBL and PBGB should introduce a new assets category between standard and sub-standard assets for their own internal monitoring and follow up, keeping in view the local requirements of loan. Earliest signs of irregularities should be identified by an alert system.

5. For effective monitoring loan accounts, every DCCBs and RRBs should create a database of their NPA portfolio on well designed formats to provide meaningful inferences which would help in evolving effective strategies for preventing slippage of healthy loan accounts in to NPAs.

9.2.2 General suggestions and recommendations

1. To arrest the slippage of performing assets into non-performing assets, steps should be taken in the right direction to keep NPAs within the manageable limit. So, NPA management policy of the banks should emphasize upon tackling potential NPAs accounts effectively through an in-built mechanism. Therefore, to reduce NPA the entire process is to avoid delay and to ensure time bound action plan covering both probable and existing NPAs.

2. Before disbursement of loan the banks need to more careful. The borrowers’ economic status, credit history and character must be analyzed thoroughly and carefully from various sources. For proper appraisal of the loan the bank should set up an economic research wing which should provide data on various types of farm and non-farm activities and rural industries etc.

3. The proper guidance and training to the borrowers should be treated as an important criterion of the plan for higher level of production and better price of their product.
In fact awareness among the borrowers regarding loan and its utilization is an essential phenomenon.

4. Incentive may be given to honest repayers to create a better repayment environment. Regular honoring the best loanee can motivate other one to follow the same path. As a result, NPA and its existence can be thwarted significantly.

5. At the post disbursement stage, bankers should ensure that the advance does not become an NPA. Careful and strict supervision of the borrower units and timely follow up of loans and advances will reduce the incidence of NPAs to a large extent.

6. Strictly elimination of political and unethical interference in disbursement of loans to farmers, priority sector as well as industries is required to be ensured.

7. The senior bank officials is required be imparted specialized training at regular intervals to equip them with latest procedures and practices of management of NPAs.

8. Negligent borrowers are required to place under pressure to pay-in through remainders, personal counseling, etc.

9.2.3 Specific suggestions and recommendations

1. Banks should adopt advanced technology to open up new avenues for service delivery. Management Information System should be properly designed and implemented to facilitate periodic monitoring of the performance and timely corrective actions.

2. All DCCBs and RRBs should be strengthening the internal control system through simplification of documentation procedures and revision of audit procedures, operational manuals and implementation of related strategies.

3. Willful defaulters may be dealt with serious managerial and professional expertise. They may be cautioned legally and publicize their names, if required, in local media. The fear of damage to their social and public image might create pressure, to some extent, on them so that recovery of loan may be achieved.
4. DCCBs and RRBs have to take competent efforts to increase the mobilization of the rural finance, such as financial literacy camps, financial inclusion camps etc. should also be organized with wide publicity at the appropriate time of harvesting and selling of crops.

5. Borrowers may be given opportunity to redeem the loan as and when possible to reduce the interest burden and rescheduling of payments to avoid the pressure on liquidity of the bank.

6. Branch to branch recovery competition shall be launched in order to provide required boost to recovery system. Practice for awarding of trophy or merit certificates may be introduced for better recovery performance.

From the point of view “Prevention is always better than cure”, the DCCBs and RRBs should accord major driving force on preventive vigilance, reformation, strengthening of the system and procedures, revision of existing guidelines and formulation of new policies of many key aspects for better control and results of arresting of NPAs.

9.3 Limitations of the study

Limitations are always a part of any kind of research work. Even though, utmost care is exercised in all aspects of this research, certain limitations have been perceived and are acknowledged herewith.

1. The overall area of the study has been focused only with the Burdwan District of West Bengal. The study is limited with the Burdwan Central Co-operative Bank Ltd. (BCCBL), and Paschim Banga Gramin Bank (PBGB) in the district Burdwan, West Bengal.

2. The performances of the banks are shown just for the last nine years, ending 2014-15. Hence, any uneven trend before or beyond the set period will be the limitations of the study.

3. As per the requirement of the study some data have been grouped and sub grouped.

4. The research utilized feedback from bank officials working in BCCBL and PBGB, schedule Central Co-operative Bank and RRB in the district Burdwan, West Bengal.
The incidence of the NPA management is explained with special reference to the selected banks.

5. Respondent bias would have to some extent affected the quality of data in spite of all precautionary measures taken to ensure its reliability.

6. The result of the research cannot be generalized to other bank groups expect Central Co-operative Banks and RRBs as the data are obtained with special focus on Central Co-operative Banks and RRBs.

7. Last but not the least, various statistical tools and econometric models are used exclusively for the study has their own limitations which are bound to be reflected in this study due to their uses.

9.4 Scope for Further Research

The present research work has not covered all the areas of management of NPAs. There are certain aspects of management of NPAs of DCCBs and RRBs that came up in the course of the research work, which provide scope for future research on the following subjects may be considered:

1. An intensive comparative research can be undertaken on management of NPAs between the DCCB and RRB operated in any other district of West Bengal.

2. An intensive comparative research can be undertaken on management of NPAs between the DCCB and RRB operated in India.

3. Research on management of NPAs of public sector and private sector banks operated in West Bengal as well as in India.

4. Comparative study on NPA management among the different DCCBs in West Bengal.

5. Comparative study on NPA management between State Co-operative Agricultural and Rural Development Banks (SCARDBs) and State Co-operative Banks (StCBs)
6. Comparative study on NPA management among the different RRBs in West Bengal. Hence, if an empirical research is conducted into these aspects, many new findings would crop up, which would be helpful in recommending suggestions in this regard. So, this research work provides the scope for future research in this subject.