PREFACE

Agriculture and rural sectors play an important role in India’s overall development strategy in terms of income and employment generation and poverty alleviation. Great significance has, therefore, been accorded to developing appropriate institutions and mechanisms for catering to the credit requirements of these sectors. To meet these requirements Co-operative Banks and Regional Rural Banks play an important role in such socio-economic development of rural masses. Co-operative and Regional Rural Banking in India had growth since 1904 and 1975 respectively. These banks are expected to support economically backward section of the society especially in rural areas. Institutionalization of rural credit in India commenced with the passing of Co-operative Societies Act in 1904. It has been subsequently strengthened with the nationalization of 14 major commercial banks in 1969 and other 8 in 1980 and established Regional Rural Banks (RRBs) in 1975. Presently India has a robust rural financial system comprising, 31 State Co-operative Banks (StCBs) with 953 branches; 370 District Central Co-operative Banks (DCCBs) with 13000 branches; 92,432 Primary Agricultural Credit Societies (PACSs) at village level; 20 State Co-operative Agricultural and Rural Development Banks (SCARDBs) with 823 branches and 697 Primary Co-operative Agricultural and Rural Development Banks (PCARDBs) and 46,126 branches of Commercial Banks (CBs) including 57 RRBs with 19,082 branches.

Banking sector in India especially DCCBs and RRBs have been facing the challenge of Non-Performing Assets (NPAs). Non Performing Assets (NPA) those which are not been yielding revenue for a long period of time. NPAs and recovery of loan is inversely related. Recovery of loan is very important in the success of performance of individual bank as well as sectors as a whole. Failure to recover leads to NPAs. The bank will always face the problem of NPA because of poor recovery of loans and advances granted by the bank and several other reasons like adopting poor loan appraisal, sanction and recovery strategies. So, when the loan is not recovered from the parties effectively and efficiently, the NPA of the bank create huge problem to the bank’s financial status. As a depositor (investor) or creditor’s point of view NPA of any Co-operative banks, Regional Rural Banks, nationalized or private bank is an important thing in study of the financial position of a bank. If NPA is greater than the Performing Assets (PAs), then it would create a lot of problem or cause of failure of a bank in near future. These problems include severe competitions, advanced technology, modern management methods etc. To reduce the bad loan or NPAs efficient and standardized activities must be adopted. So, from a safety point of view it is very important to study NPA management of any bank. The strength and weakness can be studied by comparative analysis in the entire banking system.

In recent years failures of Cooperative and Regional Rural Bank have been relatively high. While each bank failure is a somewhat a unique experience, recent studies have identified a few factors that most failing banks seems to have in common. Most banks that fail seem to do so because of problems in their loan portfolio. Non-performing assets grow to
such an extent that revenues fall off and loan loss expenses as well as operating costs, absorb all the earnings that remain. The bad loan situation usually arises from a combination of factors. Failing banks often have inadequate systems of spotting problem loan early. When the banks troubles become evident to depositor, it must then pay higher interest rates to secure finding, further increasing its operating costs. Eventually expenses may erode what limited earnings are available and bank capital begins to fall. Finally, failing banks frequently have expense control problems. NPA is an important parameter in the analysis of the financial performance of the banks. Proper management of NPAs is necessary to improve profitability of the banks and comply with capital adequacy norms. To solve the problem of existing NPAs, quality of appraisal, supervision and follow up should be improved.

In this context, it is the need of the honor to present this research work to reveal the trend, causes and impact of NPAs in rural credit structure in general and the Burdwan Central Co-operative Bank Ltd. (BCCBL) and Paschim Banga Gramin Bank (PBGB) in particular. The aims of research is to fill the gap by analyzing the NPA management of BCCBL and PBGB in Burdwan District of West Bengal, with some specified ratios and applying statistical tools to analyze the progress and NPA management of BCCBL and PBGB in Burdwan District of West Bengal.

Against these backdrops, the present research work has been carried out to study and analyze the NPAs position of BCCBL and PBGB for ensuring effective and efficient management of NPAs in order to put DCCBs and RRBs on sound footing. With a view to achieving such objectives, the present study is divided into nine chapters’ viz. (1) Introduction, (2) Review of Literature, (3) Overview of the Burdwan District & banks under the study, (4) NPA—Genesis, Growth and Management, (5) Trend Analysis of NPAs of BCCBL & PBGB, (6) Impact of NPAs on Banks’ Performance, (7) NPA Management Efficiency of BCCBL & PBGB, (8) Findings of the Study and (9) Suggestions and Recommendations.

Thus, the present research work relates the working norms of DCCBs as compared to other RRBs with specific consideration of the problems of NPA management in these banks.

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