



## "DEBT ALLOCATION AND RECOVERY MEASURES – A CASE STUDY OF KARNATAKA VIKAS GRAMEENA BANK DHARWAD, KARNATAKA STATE "

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### ABSTRACT

Banking sector is one of the successful experiments in India. As a part of implementation of banking sector reforms, one of the measure which will lead to strong, efficient and vibrant banking system, the merger and restructuring phase of the recommendations of the Narasihma Committee is now being implemented by & 4 Regional Rural Banks( RRBs) (Malaprabha Grameena Bank, Netravati Grameena Bank, Varada Grameena Bank, Bijapur Grameena Bank) sponsored by syndicate bank in the state of Karnataka were amalgamated to the form of KVG bank by Government of India. The study of 'Debt Allocation and Recovery Measures at KVG bank is under taken relating to the purpose wise and sector wise allocation of the debt and sector and age wise recovery of the same to take special measures to reduce the NPAs.

### KEYWORDS

Banking sector in India, in the modern sense, originated in the last decades of the 18 century. Among the first banks were the bank of 'Hindustan', which was established in 1770 and liquidated in 1829-32; and the general bank of India, established in 1786 but failed in 1791.

State bank of India it originated as the bank of Calcutta in june1806. It is the largest bank, and oldest still in existence.

In 1809 it was renamed as the bank of Bengal. This was one of the 3banks funded by the presidency government. the other 2 were the bank of Bombay & bank of madras. The 3 banks were merged in 1921 to for the imperial bank of India, which upon India's independence become the state bank of India in 1995. For many years the presidency bank had acted as quasi central banks, as did their successors until RBI was established in 1935 under RBI act 1934 In 1960 the state bank of India was given control of eight state associated banks of India(subsidiary bank)act. 1959. These are now called its associate banks. In 1969 the Indian government nationalized major private banks. In 1980 6more private banks are nationalized. These nationalized banks are the majority of under in Indian economy. They eliminate the banking sector because of their large size & widespread networks. The Indian bank sector broadly classified in scheduled banks and nonscheduled banks. These banks are regulated under the banking regulation act 1949.

### Historical Background

One of the successful experiments of the banking sector in India has been the formation of the Regional Rural Banks (RRB's) experts in the field have acknowledged this fact taking in to account the recent enormous progress achieved by the RRB's.

Malaprabha Grameena Bank, Bijapur Grameen Bank, Varada Grameen Bank, Netravati Grameen Banks were the 4RRB's sponsored by syndicate bank, in the State of Karnataka. When the above RRB's were established without much ado way back in the 1970/80s, people may not have had slightest idea about the ripple that these RRB's would create in the banking industry and the impact that they would have on the rural scene. In the formative years, the main concern was to reach out to the rural poor through its strong network branches.

As part of the measures which will lead to strong, efficient and vibrant banking system, the mergers and restructuring phase of the recommendations of the Narasihman Committee is now being implemented by and the four RRB's sponsored by syndicate bank in the state of Karnataka were amalgamated to the form of

Karnataka Vikas Grameena Bank by Government of India notification dated 12/09/2005. The combined business level of this bank was Rs.2363.73 cores with deposits of Rs.1620.46 cores and advances of Rs 1643.27crores on 12/09/2005.

### Debt recovery management

In finance term recovery refers to collection of amount due. The normal recovery depends on the purpose, time and condition, business running process etc Normally loan amount will be recovered on installment basis. The manager can fix installment period on the basis of nature of their business.

The repayment period can extended up to as per the STC act in exceptional cases, normally bank recovery the loan amount from customer easily do not give trouble to them.

Recovery of the debt amount is the one of the main source for the bank.

Meaning of the recovery process

Recovery process is lending being one of the primary functions of the banks, loans and advances constitute major portion of the assets of the bank and also a vital source of income. The quality of loan portfolio therefore determines the profitability of the bank.

### • Debt recovery process

The following are core underpinnings of the collection process:

- Customers deserve to be treated with dignity
- Customer Assistance Specialists deserve to be treated with dignity. They may refer the customer to management, or end calls when a customer becomes abusive or threatening. Customers should be informed prior to termination of such calls. All calls where the customer becomes abusive or threatening should be appropriately documented.
- All calls being made to the Customer(s) must be recorded as per requirements of the Code of Conduct stipulated by the Reserve Bank of India.
- Customers are entitled to privacy. Privacy policies apply to all conversations with agents of the bank. Unrecorded calls to Customers are to be avoided.
- All collection activities should be consistent with the guidelines

provided in this document and in compliance with the Code for collections of dues stipulated (from time to time) by the Reserve Bank of India. All emails, letters, and other communications must be in the format approved by Collections, Compliance and legal counsel of Citibank.

### Measures taken by the bank to recovery of debts,

During the years under report, the bank adopted suitable recovery measures with a special trust for recovery of non-performing assets, interest receivables and written-off accounts and to minimize special slippages. Thrust was given for effective recovery measures by invoking provisions of SARFAESI Act, initiation of legal action through civil courts/ DRT and conducting regular recovery/ weekly OTS camps etc. in order to maintain the NPA level at a lesser level than that of the previous year, various measures have been initiated from time to time as detailed below:

### Establishment of recovery counseling centers:

In a bid to provide a major boost to recovery aspect, the bank has started the first-ever specialized recovery counseling centers in all its regional offices at each with senior manager as nodal officers. Regional manager and senior manager at RO attend the grievances of defaulters/overdue borrowers.

Recovery counseling approaches to convince the borrowers for prompt repayment. The farmers were counseled regarding the benefits available like availability of fresh finance, interest incentive of prompt repayment in addition to interest subvention etc.

In the year 2011/12 bank had conducted 1033 such camps and contacted 25744 borrowers. Total recovery of the bank including overdue account and NPA was 8304.06lakh.

### One Time Settlement(OTS) camps:

OTS camps were organized at selected clusters at the interval of every 10days. Regional managers attended such recovery camps to take on the spot decision. The chairman/ general manager also attended selected mega OTS camps.

Invoking the provisions of((Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) SARFAESI ACT:) SARFAESI ACT: The regional manager / authorized officer were advised to identify the accounts for issuing notice under sec 13(2) of SARFAESI ACT& not to stop till the amount is recovered either by way of full cash recovery/ physical auction of securities.Regional manager are advised to complete the process in respect of those cases where the possession is already taken by taking steps for action sale of securities. And also to proceed further where notice period is already completed.

### Research methodology

Need for the study of debt recovery management

In banking sector the major role is performed by debt which is given by bank and recollect to further advances the amount. If a debt is not recovered it is having no use for bank as well as to the people. Which might get it bank in the form of loan, thus the management of debt and recovery of debt is very important. Hence I have taken the advancement of debt and its recovery in KARNATAKA VIKAS GRAMEENA bank as my project topic.

### Objectives of the stud

- To know the objectives of quick recovery policies of bank
- To know the allocation of loans by bank to different sectors and basis of allocation.
- To understand when an asset turns into non-performing asset and the treatment of such asset by KVG bank.
- To understand the differences between write-off and waiver as treated by KVG bank.
- To know the policies & procedures followed by the KVG bank

to recover the advanced amount.

- To get the information about government policies & schemes to different types of loans in the banking sector.
- To get the practical knowledge about banking activities.
- To know the practical risk involved in the debt collection and special schemes implemented to recover the debts.

### SOURCES OF DATA COLLECTIONS

- **Primary source**
- Direct interaction made with the bank officials
- **Secondary source**

Annual Reports of the bank.

Banks website.

Information published in the news papers and Bank Bulletin.

### Findings of the Study:

- Bank has allotted lower percentage of advances to the small & medium scale enterprises when compared to agricultural sector.
- In the year 2015-16 most of the assets which were given as security were posted to non-performing assets category.
- In the year 2014-15 recovery of NPA is more compare to other financial years.
- Recovery of over dues is more within one year according to age-wise recovery of over dues in all the years.
- According to activity wise recovery of over dues we can observe that dues are more in the short term agricultural sector.
- The bank has concentrated more on agricultural loan with the security of agriculture land. But which does not come under the SARFAESI ACT.
- Most of the agriculture loans are within 1 lakh which does not come under SARFIESI ACT. (It will not enforce under this act).
- Agriculture sector does not have fixed or regular income but bank is allotted more advances to agriculture sector so repayment of loan is difficult.

### Suggestions:

- Bank may think of considering purchase of crop as against repayment of agricultural loan.
- Banker has to inform customers regarding the installments due and may provide discounts on prompt payments.
- Provide commission as a motivational step to employees who put their efforts in reducing
- Bank has to give priority to small and medium scale enterprise.

### CONCLUSION

The KVG Bank has to reduce non performing assets (NPAs) and has to establish the recovery counseling centers at the bank to counsel the borrowers, especially defaulters. The bank has taken the initiative based on recommendations relating to reforms in banking sector made by the Boston Consulting Group (BCG). to focus on bad debt management for reducing the NPAs

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