

A Brief Study on the Recovery of Loans and Advances of Konoklota Mahila Urban Co-Operative Bank Ltd. of Jorhat, Assam

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Abstract:

For a sound banking function of co-operative bank, recovery of loan assumes an important factor. Timely recoveries of loans strengthen the resource position of co-operative bank and enable them to repay the borrowed loans to apex financing agencies on time. A banker has not merely to advance money to trade, industry and commerce but has to ensure that his money which is advanced comes back to him. This is so because a banker advances money which does not belong to him but belongs to the depositors who have to be paid either on demand or on maturity after a certain period. The question which, therefore, arises is what procedure should be followed by a banker to recall advance

This paper, therefore attempts to study about the recovery position of loans and advances of Konoklota Mahila Urban Co-Operative Bank Ltd. of Jorhat and suggest appropriate measures to improve it.

Key Words: Co-operative Bank, recovery, loans and advances, etc.

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1.1: Introduction:

Konoklota Mahila Urban Co-operative Bank Ltd. was established as a co-operative society, registered under Assam Co-operative Societies Act, 1949 on 22-05-

1998. RBI granted license to the bank to do commercial banking business on 16-02-2000. RBI granted license under New Mahila Urban Co-operative Bank policy, 89-90, implemented for the socio-economic empowerment of women by encouraging thrift and credit habits amongst women and to meet their credit needs.

This is the only Mahila Bank successfully running in the entire North-East region of India. It has only one branch at Jorhat and Head Office of the Bank and the branch is functioning as one unit. Bank is specifically run by women and managed by women. Minimum share of the bank is Rs. 100.00. A Woman can become a member of the bank buying a share. Maximum share that a woman can buy is Rs. 25,000.00 as at present. Minimum share capital required to start the bank was Rs. 8.34 Lakhs which is specifically allowed by RBI just to start with for a Mahila bank.

The bank is managed by a Board of Directors comprising 12 directors including two professional directors. Work and functioning of the bank is supervised by Co-operative department of the Government of Assam and also RBI. As per Bye-laws of the bank Co-operative Department supervise the function of the bank.

Recovery of loans and advances:

A banker has not merely to advance money to trade, industry and commerce but has to ensure that his money which is advanced comes back to him. This is so because a banker advances money which does not belong to him but belongs to the depositors who have to be paid either on demand or on maturity after a certain period. There are a number of occasions when a banker will think it necessary to ask a borrower to repay the advance. The occasions on which he may recall the advance are listed below:

1. Death of a borrower or a guarantor.
2. Insolvency of a borrower or a guarantor.
3. Dissolution of partnership.
4. If there is an adverse report in the market about the financial soundness of the borrower.
5. If a change in the policy is announced from time to time by the Reserve Bank.
6. There may be some other occasions also when an advance may have to be recalled. This may be under the Reserve Bank directive or under the directive of the Government or under some Government legislation.

The question which, therefore, arises is what procedure should be followed by a banker to recall advance. Usually, the banker should request the borrower to repay the advance. The banker does not have to indicate the reasons why the borrower is called upon to repay the advance as generally the advances are repayable on demand. If the borrower fails to repay, the banker should give a notice preferable through a lawyer by registered post calling upon the borrower to repay the advance, failing which he may be proceeded against according to the law. However, if there is a clean advance to be recovered, the borrower may be requested to offer some tangible security acceptable to the banker till the advance is repaid.

1.2: Objectives of the study:

1. To study about the recovery position of KMUCB.
2. To suggest measures for improving the recovery position of KMUCB.

1.3: Methodology of the study-

The Methodology adopted for the study is both descriptive and analytical. The study cover the latest 5 years from 2014-2015 to 2018-2019, both year inclusive. The data and information required for the study have been collected from both primary as well as secondary sources. Judgement sampling method have been used while selecting the samples. Most of the informations has been collected from offices and entrepreneurs. Data and information so collected have been properly tabulated and analysed and inferences were drawn there from. Information is also collected from the various research papers, journals, newspapers, magazines and other related publications.

1.4: Data analysis and Findings:

The following are the analysis of recovery position against different loan schemes:

Table: 1.1

Table showing total amount of loan recovery position of different financial year:

Financial years	Total amount of loan sanction	Recovery Amount	Recovery % of loan
2014-2015	20,83,000.00	11,83,000.00	56.79 %
2015-2016	20,37,000.00	12,48,000.00	61.27 %
2016-2017	41,91,000.00	25,62,000.00	61.13 %
2017-2018	57,72,000.00	26,08,000.00	45.18 %
2018-2019	70,71,000.00	42,18,000.00	59.65 %

Source – Field survey

Table shows that % of recovery of total amount of loan sanction is not sound especially in the year 2017-2018; this is due to the fact that the amount of loan is not monitored properly. Their performance is

not assisted periodically and the alarming fact is the most of the amount have fallen sick.

Table: 1.2

Table showing total amount of short term loan recovery position of different financial year:

Financial years	Total amount of Short term loan sanction	Recovery Amount	Recovery % of loan
2014-2015	85,550.00	48,600.00	56.81%
2015-2016	83,520.00	51,200.00	61.30%
2016-2017	1,71,970.00	1,05,000.00	61.05%
2017-2018	2,36,640.00	1,07,000.00	45.22%
2018-2019	2,90,000.00	1,73,000.00	59.66%

Source – Field survey

Table shows that % of recovery of total amount of short term loan sanction is not sound especially in the year 2017-2018; this is due to the fact that the amount of loan is not monitored properly. Their performance is not assisted periodically and the alarming fact is the most of the amount have fallen sick.

Table: 1.3

Table showing total amount of medium term loan recovery position of different financial year:

Financial years	Total amount of medium term loan sanction	Recovery Amount	Recovery % of loan
2014-2015	17,37,255.00	9,86,600.00	56.79%
2015-	16,96,032.	10,39,100.	61.27%

2016	00	00	
2016-2017	34,92,177.00	21,34,700.00	61.13%
2017-2018	48,05,424.00	21,71,000.00	45.18%
2018-2019	58,89,000.00	35,12,800.00	59.65%

Source – Field survey

Table shows that % of recovery of total amount of medium term loan sanction is not sound especially in the year 2017-2018; this is due to the fact that the amount of loan is not monitored properly. Their performance is not assisted periodically and the alarming fact is the most of the amount have fallen sick.

Table: 1.4

Table showing total amount of overdraft recovery position of different financial year:

Financial years	Total amount of overdraft loan sanction	Recovery Amount	Recovery % of loan
2014-2015	23,600.00	13,400.00	56.78%
2015-2016	23,040.00	14,100.00	61.18%
2016-2017	47,440.00	29,000.00	61.13%
2017-2018	65,280.00	29,500.00	45.19%
2018-2019	80,000.00	47,700.00	59.63%

Source – Field survey

Table shows that % of recovery of total amount of overdraft sanction is not sound especially in the year 2017-2018; this is due to the fact that the amount of loan is not monitored properly. Their performance is not assisted periodically and the alarming fact is the most of the amount have fallen sick.

Table: 1.5

Table showing total amount of SHG's short term loan recovery position of different financial year:

Financial years	Total amount of SHG's short term loan sanction	Recovery Amount	Recovery % of loan
2014-2015	52,500.00	29,800.00	56.76%
2015-2016	51,300.00	31,400.00	61.21%
2016-2017	1,05,600.00	64,600.00	61.17%
2017-2018	1,45,200.00	65,600.00	45.18%
2018-2019	1,78,000.00	1,06,000.00	59.55%

Source – Field survey

Table shows that % of recovery of total amount of SHG's short term loan sanction is not sound especially in the year 2017-2018; this is due to the fact that the amount of loan is not monitored properly. Their performance is not assisted periodically and the alarming fact is the most of the amount have fallen sick.

Table: 1.6

Table showing total amount of SHG's medium term loan recovery position of different financial year:

Financial years	Total amount of SHG's medium term loan sanction	Recovery Amount	Recovery % of loan
2014-2015	1,87,000.00	1,06,200.00	56.79%
2015-2016	1,82,600.00	1,11,900.00	61.28%
2016-	3,76,000.00	2,29,800.00	61.12%

2017	00	00	
2017-2018	5,17,300.00	2,33,700.00	45.18%
2018-2019	6,34,000.00	3,78,000.00	59.62%

Source – Field survey

Table shows that % of recovery of total amount of SHG's medium term loan sanction is not sound especially in the year 2017-2018; this is due to the fact that the amount of loan is not monitored properly. Their performance is not assisted periodically and the alarming fact is the most of the amount have fallen sick. The following factors are responsible for poor recovery of loan sanction and disbursed by KMUCB.

1. The loan operation of the cooperation is not as per expectation of the borrowers who undergo training after the due sanction which is approved by the KMUCB.
2. There is a wide time gap between loan sanction and loan disburse, as a result of which the assisted units fails to avail the opportunity of financial assistance in proper time.
3. Small scale entrepreneurs have no knowledge of preparing financial statement.
4. The prospective loanees are not able to make proper assessment of the total project cost which cause delay in processing loans application.
5. Small scale entrepreneurs give up the hope of establishing industries in the midway as and when abstracted come in.
6. Some time, the amount of loan is utilized in other unproductive purpose by the borrowers. They

used to purchase luxcerious articles like motor car, T.V. etc. with the amount of loans provided by KMUCB.

7.

1.5: Suggestions:

In order to improve recovery position the following suggestions has been recommended:

1. Loan should be sanctioned and then disbursed at the right time.
2. There must be a recovery staff to monitor the recovery of loans and advances.
3. Sometime loans are improperly used by some loanees. Punitive action must be taken against them.
4. There should be provision of waiver of interest on some loanees which are really in default.

1.6: Conclusion:

The core principles of financial sector reforms in India is strengthening of the financial sector and improving the functioning of financial market. The banking sector has shown improvements in profitability, efficiency and stability but accumulation of Non Performing Assets (NPAs) could be referred as one of the major weaknesses of a bank. There is a quick need to control the rise of NPAs in order to improve the functioning of banks. Management of NPAs involves careful planning, understanding the reasons for default, problems faced by individual borrowers and deciding appropriate course of action for recovery.

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