LOAN RECOVERY MANAGEMENT WITH SPECIAL REFERENCE TO AGRICULTURE LOAN AT MDCC BANK

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Abstract: *The paper investigated "the loan recovery management with special reference to MDDC Bank Ltd, Mandya." the objective of study was to determine debt collection strategies effect loan recovery by MDCC Bank the study focused and examines the relationship between loan recovery and performance of MDCC Bank Statistical and Financial tools like correlation, Ratio, Trend analysis, Comparative analysis, T-test are being used in study. The major findings of this study found agriculture loan disbursement increased from year to year*

Keywords*: Ratio, correlation, Disbursements, Recovery.*

1. INTRODUCTION:

A bank is financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans, there are also nonbanking institution that provide certain banking services without meeting the legal bank are a subset of the financial services industry. A bank is financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans, there are also nonbanking institution that provide certain banking services without meeting the legal bank are a subset of the financial services industry.

2. THEORETICAL BACKGROUND/CONCEPTUAL FRAMEWORK:

Banks have never been so serious in their effort for timely recovery and subsequent NPAs reduction, as they now. It is important to know that recovery management consists of new loan or old loans that are important for margining the NPAs. This management process must be initiated by the country that initiated the credit. Effective recovery management and NPAs involve two strategies. The first relates to arrest failure and the creation of their NPAs and second for cargo failure treatment. The principle of financial sector reform is revolutionary. The have given a sense of urgency to bank employees and told them the message that they would commit or die. Regulatory standards force to bank to check the quality of their assets. Loan debt, credit lines or receivables are fully or fully recovered after termination of recognition or categorization as uncollectible debt. Recognizing non-performing receivable reduces the category receivable taking into account the category of bad debt or receivables.

3. REVIEW OF LITERATURE:

Ashwini C B, Dr. Manoj kumara N V[2] (2018) The purpose of this study is to examine the problems of payment and payment of agricultural loans and MT faced by the co-operative Mandya bank to propose steps to overcome this problem. **Dr. Eno G. Ukpong Ukpe Essien Amos[4] (2018)** This study initiative to ascertain the effect of credit management strategies on loan recovery. The study should ensure that credit appraisal is carried out by the technical people **Matthew A. Laseinde & Felicia O.Olokoyo Nigeria[14] (2018)** This study showed the loan recoveries the techniques these strategies effected on customer relationship. This study refers to banks carefully select the loan recoveries techniques depending on the type of customer and situation also banks to improve closer relationship with customer. **Reazul I Slam, Mohd. Aminul Karim. Rubi Binti Ahmad[18] (2018)** This study shows the outcomes of forced loan recovery. This study suggests that the unusual behaviour of the loan officers group member's inconsistent defaulter's family and social lives. This study shows the improving the performances of microfinance institutes by providing technical support also monitoring activities. **Hajra Sheikh Mohamed[7] (2017)** This study was shows the changing business environment in kenya. This study implies the increase in one related to an increase in the other 46% also concluded that independent and dependent variables. This study included qualitative and quantitative and quantitative analysis. **Enimu Solomon, Eyo O. Emmanuel, Ofem I. Uket[5]. (2017)** The study was managed to evaluate loan recovery performance among group based micro credit institution in Delta state. This shows to improve their economic activities and creating wealth and redistribution of resources for rural economic growth and developed the

sustainable financial inclusion. **Kwadwo Obeng and Redeemer Yao Krab[12] (2016)** In this study the objective of this research is to identify and compare the strategies used by SIL and PCSL to reduces the risk of loan default and to loan recovery techniques used by the selected microfinance institutions. This study concluded that payment or deductions guarantor's income. **Vivek Rajbahaadur Singh[21] (2016)** The non-performing Assets have always creating a more problem for the banks in India banks and depends on higher income from interest on funds and this study shows the expand NPA is comparatively very high in public sector banks. **G. Sathish[6] (2016)** This study was shows the co-operative banking system has two broad systems. Urban and Rural co-operatives. this study concluded the process into effect at right time in right way will be surely reduce the NPA and benefits to the urban co-operative bank. **Hellen Kumar, Crobine Ayuma[9] (2016)** This study objective were to investigate the effect of account transaction. This study effect of serviceable retention on performance of financial institution the study concluded the value of the serviceable retention generally influence the performance of financial institution.

Robin Thomas, Dr. R k Vyas[16] (2016) This strategy in Indian banks is essentially separated into 2 category non-performing loans and non-legal measures. This study is involving discussion on non-performing loan build up in Indian banking sectors and steep increase in provisions. **Kiran Bala[11] (2015)** This study resulted that 40% of the borrower have repaid 25 to 50% of loan. Only 5% borrowers have been repaid above 70% of agriculture loan. 17.5% of the borrowers were found to be defaulters. 60% the respondent's characters of agriculture were major defaults, under this above have studied which results in negative implication. **Safi Faizan Ahmed, Quisor Ali Malik[20] (2015)** This study about investigate the determinants of the loan performance. while taking the credit term and policy, client appraisal, collection policy and credit risk control as the credit risk management study. This study concluded the credit term has considerable positive impact on loan performance. **Amahala Nestor Ndubist, Obi Juliet Chingee Abiahu Mary-Fidelis Chidoziem Ezechukwu Beatrie[1] (2015)** This study was to concluded the relation between loan management and financial performance. This study concluded that loan management has a positive statistically significant relationship. With Earing Per Share. **Dejen Debeb[3] (2015)** The study shows the loan committee conduct a continuous follow up of money of the borrower. The study refers to be hoof increasing the timely loan recovery performance of rural saving and credit co-operatives. **Rakesh Sah[17] (2015)** The objective of this study measures of the performances of loan repayments. It is uses the Macaulay duration measure to calculate the duration of the individual loan. And change in period are used to provide an objective measure for the repayment performance of loan. **Rolands Nelilands[19], (2015)** This study results of the crisis were considerable financial loss in banking area. Many foreclosures, many corporate and personal bankruptcies. **Nishand Nasrim, Shankari Bal Sueker[15] (2014)** This study concluded the small area and that is why the scope is also ltd in a small scale, more than scope of intensive study, the study is a model approach which can help the policy matters and banking sector as good. **Karnua John.G, Wagoki Juma[10] (2014)** The study of sought to find out the relationship between loan collection strategies and loan recovery the debt collection strategies had a large implication on recovery of loan. **Harshal A. Salunkhe[8] (2013)** This study about recovery management process and it on NPA with recommendation to bank of Maharashtra. This study finds the impact on the levels of NPA and financial position, it is necessary to keep the level of NPA low as it is impacts upon the profitability by the bank. **Lillian Kemunto Osero, Bichanga Walter, Okiborate, Ritange Nyaoga[13], (2013)** This study explored the effectiveness of control strategies adopted by Kenyan commercial bank to loan defaults. This study references to the proper management of commercial bank.

4. RESEARCH GAP:

There literature reviews related to the banking sectors. Loans recovery management in this study. This analyzed for loan recovery strategy in Indians bank. To know the loan recovery performance in out of the country. Loans recovery management and financial performance Non-performance assets in Indian commercial bank, and NPAs loan recovery procedure

- The few studies are made in loans recovery management in India.
- The few studies focus on only secondary data and some of the study used both primary and secondary data
- The few studies are made on loan recovery strategies in Indian bank
- Some of the study deal with good NPAs performance of the bank
- The few studies made on commercial bank.
- Few studies of the studies found how they recover their amount of disbursement from their customers

very few studies are made on loan recovery in MDCC Bank in this context. Therefore, the present study focused on "Loan recovery management special reference with agriculture loans".

5. PROBLEM STATEMENT:

The banks provide of variety loans in increasing customer relationship for improve the customer relationship but credit problems for the disburse loan and recovery loan of the bank. To improve the customer relationship however

this creating the problems of NPAs. The increase the impact on profitability of the bank. Made on the previous study it finds that agriculture loan generates more NPAs involving agriculture loans.

6. OBJECTIVES OF THE STUDY:

- To determine debt collection strategies effect loan recovery by MDCC Bank.
- To examine the relationship between loan recovery and performance of MDCC Bank.

7. METHODOLOGY:

Tools for the study:

A. Statistical Tools:

i. **Descriptive Statistics:** Technical statistics are statistical data that measure aggregation or summarize the nature of information collection during the descriptive statistics of the process that uses and analyzes these statistics.

ii. **Karl Pearson's Co-efficient of Correlation:**
A large biometric data and statistics as a mathematical method for measuring the degree of linear communication between two variables. The Karl Pearson's method is the most widely used method in means an observe co-efficient of correlation.

$$r = \frac{n(\sum dxdy)-(\sum dx)(\sum dy)}{\sqrt{n(\sum dx^2)-(\sum dx)^2}\sqrt{n(\sum dy^2)-(\sum dy)^2}}$$

iii. **T- test:** T-test is a statistical method of determining whether a sample of observation can be generated by a method with a certain average.

$$t = \frac{\bar{x}-\mu}{\sqrt{s^2 - /n}}$$

B. Financial Tools:

Ratios: The results of one digit or number divided by another number. The ability is a tool simple mathematical that shows hidden relationship in a meaningful mass of data and allows meaningful comparisons. Percentages are expressed as fractions of some or decimal values, and some are displayed as percentages.

a) **Trend analysis:** Trend analysis is a method used in technical analysis to predict future price movements based on newly observed trend data. Trend analysis is based on the idea of giving sellers an idea of what will happen in the future, depending on what happened in the past.

8. PERIOD OF THE STUDY:

The study consists of 6 weeks' duration.
The study considered period of 3 years from 2016 to 2018

9. HYPOTHESIS OF THE STUDY:

Ho: There is no significant relationship on loan recovery and loan disbursement.

10. DATA ANALYSIS & INTERPRETATION:

Ratios: **(In percentage)**

Ratios	2016	2017	2018
CRPA	6.75	9.43	10.52
Leverage ratio	5.30	5.12	4.50
Gross NPAs to Gross Advance	2.97	4.19	4.02
Proportion of Doubtful and loss Assets to Gross NPAs	49.53	34.96	32.64
Net NPAs to Net advance Ratio	0.00	1.15	1.39
Yield on Advance Ratio	8.55	10.21	9.51
Cost of Deposits Ratio	7.30	6.94	6.40
Cost of Borrowing Ratio	5.71	5.61	5.61
Cost of Funds Ratio	6.12	6.01	5.66
Cost of Management	2.46	2.23	2.61
Operating margin Ratio	0.50	0.24	0.37
Return on Assets	0.35	0.25	0.35

Return on Equity	5.78	3.92	4.21
Total Amount of Deposits	27.99	30.70	41.31
Total Borrowing	30.58	35.35	34.06
Total Amount of Loans and Advance	31.71	33.55	34.73
Total Amount of investment	19.73	39.00	41.26

Sources: Annual Report Data Base – Author Study

Interpretation:

The capital to risk assets ratio has increased to 10.52% in 2018. The Gross NPAs to Gross Advance Ratio has decreased from 2.97% to 4.02% in the years 2016 to 2018. The Net NPAs to Net Advance has increased from 0.00% to 1.39% in the years 2016 to 2018. The study found Cost of Management Ratio has decreased from 2.46% to 2.23% in the year 2016 to 2017. And sudden increased 2.61% in 2018. The study found Return on Assets Ratio has increased from 0.25% to 0.35% in the years 2017 to 2018. The Return on Equity has drastically decreased from 5.78% to 4.21% in 2016 to 2018. The study found total amount of loans and advance has increased from 31.71% to 34.73% in the years 2016 to 2018. The study found Total Amount of Borrowing increased from 30.58% to 35.35% in the years 2016 to 2017. And suddenly decreased 34.06% in year 2018.

11. CALCULATION OF CORRELATION:

Loans	R value
Loan disbursement agriculture	1.00
Loan disbursement non-agriculture	-0.870
Loan recovery agriculture	1.00
Loan recovery non-agriculture	-0.749
Total loans disbursement	0.985
Total loans recovery	0.966

Sources: SPSS Data Base – Author Study

12. RESULTS & DISCUSSIONS:

To improve the loan recovery amount in future, because recovery amount is very low to compare disbursement amount. The study suggests to improve the Cost of Deposits Ratio in future because this Ratio performance is poor. so, this cost of deposits impact on value of currency. The bank need to concentrate on increasing the cost of borrowing ratio this ratio found to below par value so this ratio increasing the financial institution profit. This study advice to improve the cost of management ratio. this ratio shows the below par performance of the bank. The cost of management allows a business estimate that impending expenditures helps to reduce the chances of going over budget. The bank tries to increase the cost of fund. The ratio found to below par value of the bank. Therefor the bank should try to increase the amount for various types of loan rather than concentrating on very few. The study suggests to increasing the operating margin ratio. This study found the below par performing of the bank. The bank provides more variable costs like salary, wages etc. therefore, bank must try to reduce the operational cost and focus on maximizing the operating margin in the bank. The study need to be improved the borrowing for the reasons in the total amount of borrowing compared to cost year is decreased. So proving less interest for loans so its helps to improve the borrowings.

13. CONCLUSION:

The following conclusion are recommended by The study of MDCC Bank. MDCC Bank which provides financial support in the form of a loans scheme, has gained a considerable reputation with its borrowers, ensuring loan quality at the right time satisfying the needs of borrowers for a certain period of time.

The Loan recovery management is an important concept for bank as they provide other loans to customers. But at the same time, the Non-performing assets of the bank increased, which affected the profitability of the bank that controlled Non-performing assets bank and increase their growth in the society. In the study observe that the banks had properly provides loans through proper investigation and helped improve the standards of living of the formers.

In general, this study discus about during the analysis, a descriptive study approach and correlation analysis had been found during the analysis. Correlation shows the relationship between the 2 variables is agriculture loans and Non-agriculture loans.

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