

A STUDY ON LOANS AND RECOVERY WITH SPECIAL REFERENCE CO-OPERATIVE BANK AT PATTUKKOTTAI

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ABSTRACT

The loans and recovery performance of the bank is highly important for liquidity funds. The lower recovery indicates erosion of bank's profitability and blocking up of bank credit meant for developmental projects of the area. The study discusses about the demand and recovery performance of credit in Co-operative Bank. It also discuss about the recovery performance of the firm. This study evaluate that Operation and expansion of business and commercial activities depend a great deal on the availability of loan/ recovery from commercial banks the learn about the produce of getting loans and recovery, cash credits, overdrafts etc, from the commercial banks.

I.MEANING

Lending of funds to the constituents mainly traders, business and industrial enterprises, constitutes the main business of a banking company. The major portion of banks funds is employed by way of loans and advances which is the most profitable employment of its funds. In finance the terms recovery refers to collection of amount due. The normally recovery depends on the purpose, time and condition, business running process etc.

A bad debt recovery is business debt from a loan, credit line or accounts receivable that is recovered either in whole or in part after it has been written off or classified as a bad debt. Because it generally generates a loss when it is written off, a bad debt recovery usually produces income.

II.DEFINITION

“Written or oral agreement for a temporary transfer of a property (usually cash) from its owned (the lending) to a borrower who promises to return it according to the term of the agreement usually with interest for its use”.

“In finance the terms recovery refers to collection of amount due. The normally recovery depends on the purpose, time and condition, business running process etc.”

III.FEATURES OF TERM LOANS

3.1 Security

Term loans are secured loans .Assets which is financed through term loans serve as primary security and the other assets of the company serve as collateral security.

3.2 Obligation

Interest payment and repayment of principle of term loans is obligatory on the part of the borrower whether the firm is earning a profit or not, term loans are generally repayment over a period at 5 to 10 years is instalment.

3.3 Interest

Term loans carry a fixed rate of interest but this rate is negotiated between the borrowed and lenders at the time of dispersing of loan.

3.4 Maturity

It is a source of medium term financing, its maturity period lies between 5 to 10 years and repayment is made in instalments.

3.5 Restrictive Covenants

Besides asset security the lender of the term loans imposes other restrictive covenants to themselves. Lender ask the borrowers to maintain a minimum asset base, not to raise additional loans or to repay existing loans etc.

3.6 Convertibility

Term loans may be converted into equity at the option and according to the terms and conditions laid down by the financial institutions.

IV. PRINCIPLES OF SOUND LENDING

4.1 Safety

Safety means that the borrower should be able to repay the loan and interest in time at regular intervals without default. As the bank lends the funds entrusted to it by the depository, the first and foremost principle of lending is to ensure the safety of the funds lend.

4.2 Liquidity

Liquidity is an important principle of sound lending. Banks are essentially intermediaries for short term funds they lend funds for short period and mainly for working capital purposes.

4.3 Profitability

Commercial banks are profit earning institutions. The nationalised banks are no exception of this.

4.4 The Purpose Of The Loan

While lending his funds, the banker enquires from the borrower the purpose for which he seeks the loan.

4.5 Diversification Of Risk

This is also a co-ordinal principle of sound lending. A person banker always tries to select the borrower very carefully and takes tangible assets as securities to safeguard his interests.

V. TYPES OF LOAN

5.1 Short Term Loan

Short term loan are granted to meet the working capital needs of the borrowers.

A loan schedule to be repaid in less than a year. When your business does not qualify for a line of credit from then in the form of a one time ,short term loan (less than a year) to finance your temporary working capital needs .A loan with a maturity period of one to five years.

5.2 Medium and Long Term Loan

Banks obtain refinance on terms loan sanctioned by them the refinancing institution.

There are periods when a government is not able to meet its expenditure from the tax receipts. It then takes recourse to borrowing. If the government is in need of large funds and the short term loans are not suitable and adequate, then it takes recourse to long term loans.

5.3 Composite Loan

When a loan is granted both for buying capital assets and for the working capital purposes it is called composite loan.

5.4 Term Loan

Term loan also availed of in the beginning and subsequent debits expect by of interest are not permitted.

5.5 Demand Loan

In demand loans the entire amount is disbursed at one time and no subsequent debits expects for interest are allowed no instalment plan is checked out and the party can pay in stroke or as.

5.6 Bridge Loan

Bridge loan are essentially short term loan which are granted to industrial undertaking to meet their urgent and Potential needs during the period when formality are availing of the them loans.

- ❖ The prior consent of the other bank
- ❖ The term lending bank
- ❖ The period of such bridge loan should not exceed four months
- ❖ No extension time for repayment of bridge loan will be allowed.

VI. ADVANTAGES OF LOAN

6.1 Flexibility

The loans after getting approved can be used for any purpose .The loans are much flexible if taken from friends or relatives.

6.2 Quick and Fast

The loans generally take an hour to approve or disapprove. If your loan amount is sanctioned then you will receive the amount within few hours.

6.3 Live Savers

These loans make you out from critical situation and you can easily get money during emergency, if you have the guarantee equal on more to the amount you borrow.

VII. HOW TO RECOVER LOAN AMOUNTS

7.1 Conciliation

Conciliation is a very important part of the recovery and shall continue throughout the process of recovery. The conciliation effort may bear fruit even at the first visit to the customer or even after filing of legal cases against the customer.

7.2 First Come First Go

You need to maintain consistent contact with the customer and always remain available whenever customer calls you for collection of amount due.

7.3 Reminding the Penalties

Always remind your customer about the terms of loan / business agreement and the charges which he /she /it will have to pay if he/she/it fails to pay /does not pay the loan amounts/ debts due.

7.4 Compliance with Regulatory Requirement

Always follow the mandate given by regulatory bodies for the recovery of amounts due and ensure documentation as may be suggested. The said documentation will help you in recovery of amounts due during litigation.

7.5 Disclose All the Options for Repayment

First decide the options internally that may be given to the customer for repayment of the money and explain all the options to the said customer so that he may apprise the said options during the recovery process and take decision immediately.

VIII.OBJECTIVES OF THE STUDY

- ❖ To assess the different types of deposits, loans and advance of co-operative urban bank at Pattukkottai
- ❖ To know about the progressive position of the bank
- ❖ To know the volume of the beneficiaries under the different scheme
- ❖ To assess the recovery position of the bank.

IX. REVIEW OF LITERATURE

Raut (1984) conducted a study on the scope and problem of financing tribal farmers and conducted that the problem of overdue was mainly due to the misutilisation of loans by the tribal farmers. The tendency to misutilise the loan was due to the fact that the consumption priorities of tribal farmers were of more urgent nature than asset building priorities.

S.P.Sharma (1992) opined that though the problem of recovery of agriculture advance is a serious one, it is not insurmountable. The required measures are bold initiative, innovative, approach, dedicated efforts and co-ordinated measures on the part of banks, government, voluntary agencies and farming community.

Rizvi(2007) pointed out that loans were advanced at 50 per cent of the value of the lands and the Andhra Pradesh co-operative banks had stopped issue of loans for discharge of prior debts redemption of mortgages on lands Taluka valuation committees consisting Thasildar, the co-operative sub register etc were formed for valuation of lands in the given area.

**TABLE 10.1 COMPARISONS OF OVERALL SHORT TERM LOANS FOR THE YEAR
 2011-2015**

YEAR	LOAN AMOUNT (IN CRORE)	PERCENTAGE
2011-2012	30	15.54
2012-2013	37	19.17
2013-2014	42	21.76
2014-2015	43	22.27
2015-2016	41	21.24
TOTAL	193	100

INFERENCE:

The above table shows that total short term loans are compared. In this year of 2014-2015 is highest short term loan was issued, compare with other years. The amount was RS 438635820.

CHART-10.1

THE COMPARISONS OF OVERALL SHORT TERM LOANS FOR THE YEAR 2011- 2015

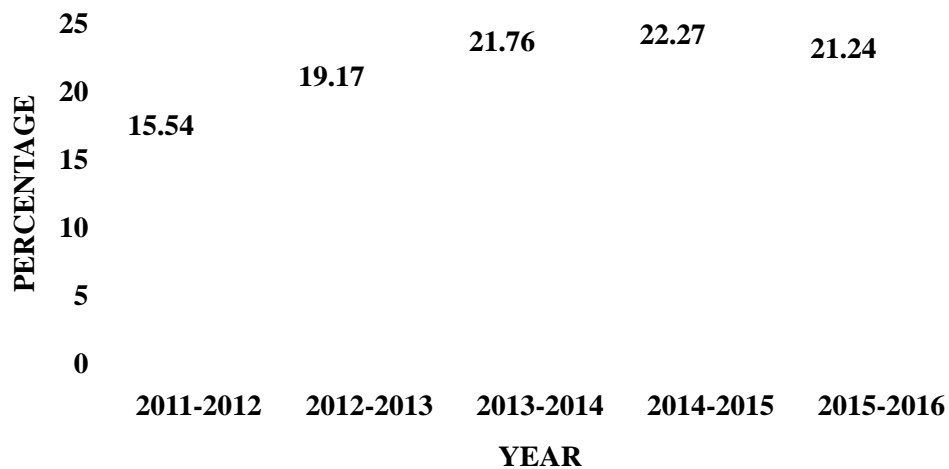


TABLE-10.2

THE COMPARISONS OF OVERALL MEDIUM TERM LOANS FOR THE YEAR 2011-2016

YEAR	LOAN AMOUNT (IN CRORE)	PERCENTAGE
2011-2012	4	24
2012-2013	3	17.64
2013-2014	3	17.64
2014-2015	4	23.52
2015-2016	3	17.64
TOTAL	17	100

INFERENCE:

The above table shows that total medium term loans are compared. In this year of 2011-2012 is highest medium term loan was issued, compare with other years. The amount was RS 42353359.

CHART-10.2

THE COMPARISONS OF OVERALL MEDIUM TERM LOANS FOR THE YEAR 2011-2016

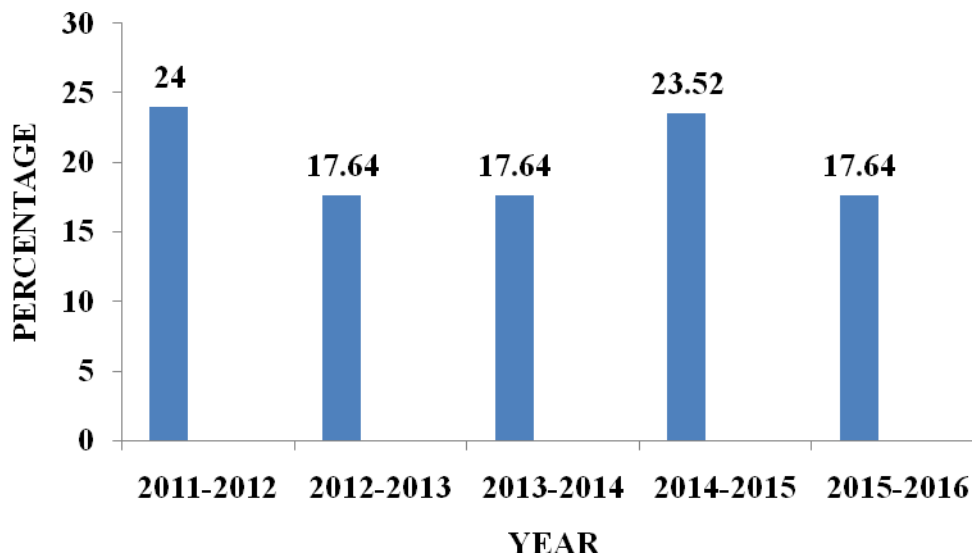


TABLE-10.3

THE COMPARISONS OF OVERALL LONG TERM LOANS FOR THE YEAR 2011-2015

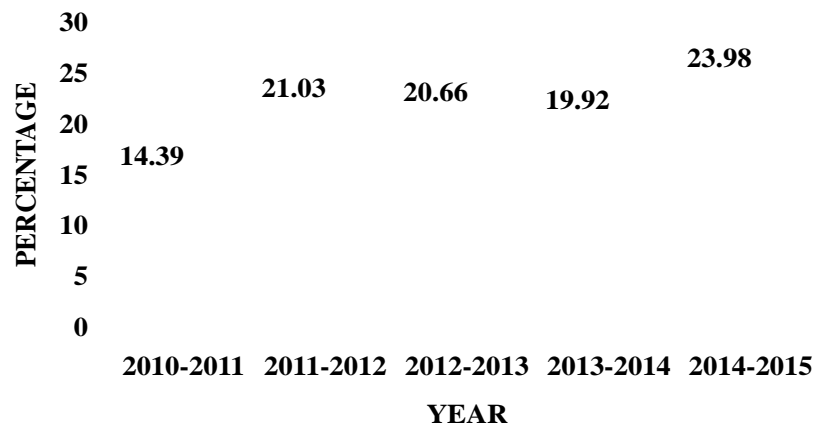
YEAR	LOAN AMOUNT (IN LAKHS)	PERCENTAGE
2011-2012	39	14.39
2012-2013	57	21.03
2013-2014	56	20.66
2014-2015	54	19.92
2015-2016	65	23.98
TOTAL	271	100

INFERENCE:

The above table shows that total long term loans are compared. In this year of 2015-2016 is highest long term loan was issued, compare with other years. The amount was RS 6560187.

CHART-10.4

THE COMPARISONS OF OVERALL LONG TERM LOANS FOR THE YEAR 2011-2016



X. CONCLUSION

The co-operative bank has providing various types of loans. Every year the company should increase the number of beneficiary and also increase the loan amount. It determines the effective utilization of various schemes available in the bank.

Issuing the loan is one of the main activities to the bank. So I suggest to the bank, give more concentration to allocation of loan. Which means, time consumption, security asking, segment of the amount. Because debtors are one of the important asset to all profit making centre, and the bank may follow the new methodology to collect the loan amount from debtors. That is the bank praise the debtors, who pay the debt amount in time.

The bank give proper instruction to loan, interest rate and repayable of the loan amount. It given minimum interest rate for farmers in agricultural loan. The co-operative bank covered all the areas in farmers, business man, and women etc.