

**CHAPTER 5**  
**FINDINGS AND SUGGESTIONS**

5.1 Findings

5.2 Suggestions

5.3 Conclusion

## CHAPTER 5

### FINDINGS AND SUGGESTIONS

#### 5.1 Findings

##### 5.1.1 General Findings

1. In all branches of the bank, computerization is done and core banking system is implemented.
2. Bank is taking efforts for expanding its services through opening new branches.
3. In the year 2008-09, profitability has increased due to good recovery.
4. Interest rate is fixed for all types loan by bank.
5. Two guarantors are required for approval of loan.
6. For the disbursement of loan, every borrower has to become shareholder of the bank.
7. Bank also undertakes training programme for employees of all levels.
8. Bank encourages their employees for career development.

##### 5.1.2 Specific Findings

1. It is found that majority borrowers are from rural area.(Table 4.1)
2. Individual borrowers are more in number as compared to other constitution of borrowers.(Table 4.2)
3. Source of income of borrowers is from agriculture sector.(Table 4.3)
4. Loan availed by borrowers is more in Self Employment, Agriculture and House Loan as compared to other sectors of loan.(Table 4.4)
5. Purpose of loan availed is more due to personal obligation.(Table 4.5)
6. One time disbursement has done more to selected borrowers.(Table 4.6)
7. Charges of loan depends on amount of loan availed.(Table 4.7 and 4.8)
8. Period of installment preferred more in Annual mode.(Table 4.11)
9. Major reason for non recovery was financial problem of borrowers. (Table 4.12)
10. Impact of NPA on profitability is adverse in bank as a whole. When percentage of Gross NPA to Net Advances increases ,the percentage of Net Profit to Net Advances comes down.(Table 4.13).

11. Entire branches taken for study shown negative impact of NPA on profitability. (Table 4.14 to 4.28)
12. Percentage of NPA accounts are more in rural branches.(Table 4.32 and 4.33)
13. With 80% branches correlation between Net NPA and Net Profit was found negative (Table 4.35)

## **5.2 Suggestions**

### **5.2.1 General Suggestions**

1. Bank should send notice of installments to its borrowers one month before due date of installment.
2. Bank should always remain in touch with borrowers regarding his installment.
3. As the major cause for recovery is revealed that financial problem of the borrowers, bank should scrutinize in depth why financial problem is occurred to particular borrower during the payment period.
4. As the willful defaulter is also cause for non recovery, bank should take strict action against such persons who willfully not paying the dues.
5. Bank should publish names of the defaulters in newspapers quarterly/half yearly/annually.
6. Bank should apply different measures for recovery like rephasement, one compromise settlement, write off etc.
7. If amount of loan is outstanding many years, bank should collect amount of installment from his guarantor.
8. Bank should try to avoid political interference in the advances.

### **5.2.2 Specific Suggestions**

1. It has prominently found that the percentage of NPA is more in rural branches. The rural economy is still dominated by primary sector i.e. agriculture hence, the management of bank should think of its recovery strategy. The recovery from the source of income could be plausible option. Since farmers supply their raw material for further process and receives payment in installment, this is generally happen with sugar

factory and milk unions. Loan can be sanctioned with proper consent of applicant and respective organization with which the farmer has liaison.

This may help to put breaks on NPA at rural branches.

2. At the time of sanctioning loans, bank should carefully observe borrowers credit worthiness/ability of repayment, as most of the borrowers are agriculturist.
3. Bank should collect detail documentation regarding loan proposal such as guarantee of recovery, security/mortgage of loan proposal etc.
4. Bank should prepare committee for recovery branch wise in which senior staff should do the work of recovery even though there is Recovery Officer at bank level.

### **5.3 Conclusion**

From present study of Non Performing Assets with reference to Rajarambapu Co-operative Bank Ltd., Peth, Dist-Sangli, it can be concluded that in the year 2008, percentage of Net NPA of the bank was 7.97% which came down upto 2.54% in the year 2009. As this bank and its branches are mostly spread in rural area, borrowers are farmers with limited income source. This is the main reason for accounts becoming NPA. At the time of disbursement of loan, bank should scrutinize every income source of the borrower, its repayment capacity to ultimately reduce recovery efforts in future. Bank should give in detailed information to borrower about the amount of installment and consequences and legal procedure, if there is default in payment of installment. Notice of due date of installment must be communicated to the borrowers before one month of due date. Strict action against willful defaulters must be taken. Sharing information of defaulters with other financial institution in same region must be collected. Confidential report in case of loan of other bank or co-operative or patsanstha has been availed by borrower to the bank. Such policy will be helpful to the bank for recovery and thereby reduce the level of NPA.