ANALYSIS OF LOAN RECOVERY AND PERFORMANCE WITH SPECIAL REFERENCE TO MDCC BANK MANDYA

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Abstract: *The study aims to investigate agriculture and MT loans disbursement and recovery problem faced by co-operative bank in Mandya and suggest measures to overcome these problems. The study focuses and examines the relationship between loan recovery and performance of MDCC bank. Statistical and financial tools like correlation, present and future value and loan amortization are been used in this study. The major findings of this study found agriculture loan disbursement drastically increased from year to year.*

Key words *Loan Recovery, Loan Disbursement, Performance, Loan Amortization, and Correlation.*

1 INTRODUCTION:

The word bank originated the French word 'Benque' or Italian 'Banco' which means an office for monitory transaction over the counter. In those days banks or desks were used as centers for monitory transaction. The origin of banking, in the modern area, is traced in Italy. The word 'bank' is having originated from Italy. The bank is supposed to have been derived from the German word language 'Bank' meaning a mound or heap from which Italians adopted Banco which means a bench at which the money changers used to change one kind the of money into another and transact their banking business. The bank of Venice founded in 1157 was the first public banking institution. The bank of Barcelona and the bank of Genoa were established in 1401 and 1407 respectively.

2. THEORETICALBACKGROUNDS:

Banks had been under no circumstances so critical of their efforts to make certain well timed recovery and consequential reduction of non-performing assets (NPAs) as the nowadays. It's significance to keep in mind that recovery administration, be of new loans or old loans, it's important to non-performing management. Loan recovery management system wishes to begin on the loan initiating stage itself. Potent administration of collection and NPA incorporate two pronged process. First relates to arresting of the defaults and construction of NPA thereof and the second is to dealing with of loan delinquencies. The tenets of economic sector reforms have been progressive which formed a way of urgency through the minds of employees of financial institution and gave them a messages that both they participate in or perish. The prudential norm has compelled the financial institution to seem into the assets exceptional.

A debt is the loan, credit ranking line or accounts receivablesthat's recovered in entire or partially after it has been written off or classified as a bad debts. In accounting, the dangerous debts restoration would credit score the "allowance for bad money owed" or "dangerous debt reserves" categories, and shrink the "debts receivables" class within the books.

3. LITERATURE REVIEW:

According to **Kamaujohn, G, Wagoki juma, (2014),** In this study carried out with the statistical package for social sciences tools and result is huge implication debt collection recovery of loan by family bank ltd. According to **Vasantha Kumari and Dinesha GA, (2015),** This study has found all sectors banks on an average have maintained above 96 percent standard assets private sector banks have maintained standards above 97%. However, in foreign banks, doubtful assets have increased from Rs. 698 crores in 2006 to Rs. 2113 crores. According to **md. Rostam Ali, md. Mostafizur Rahman & Syed Moudud-UI-HUq, (2014),**This study suggests that the branch must try to increase the no. of deposits accounts by offering attractive deposits schemes, loan recovery department must more transparent and there must have some regular supervision. According to **Anioke Chisom.N, (2012),**He suggested them to find out the effect of loan default on public banks and also they took some measures that will be used in reducing the loading of loan defaults. According to **Bishnu Pada Banik, Prahallad Chandra Das, ACMA, (2015),**The main objective of this study is to compare the amount of classified loans and non-performing loans of 4 state-owned commercial banks and 4 first generation private commercial banks in Bangladesh. According to **Hellen kamar, Caroline Ayuma,(2016),**In this study suggests that same study be done in other financial institutions not considered in this

study to allow generalizations and also provide rich advances for future studies. According to **Kwadwo Obeng and Redeemer yao krah, (2015),**The objective of the study is to recognize and compare the techniques utilized by SIL and PCLS to reduce the threat of loans default and to recovery of debt. According to **G. Sathish, (2016),**This paper highlights the per-stage and put-up stage sanction of loan process of credit score in Tamilnadu urban co-operative banks. According to **Robin Thomas, Dr. RK Vyas, (2016),**This study discusses the frame work of loan recovery mechanism in Indian banking sector. According to **Rabeya Sultana Lata, (2015),**The major findings of this study there is significant negative effect of NPLs on profitability of the SCBs. According to **Shafiqul Alam, Md. Mahbubul Haq and Abdul Kader, (2015),**This study has concerned with investigating the factor of significant develop of NPLs in the banking industry to Bangladesh and its impact on sustainability of that enterprise. According to **Sufi FaizanAhmed, Qaisar Alimalik, (2015),**The major findings of this study the credit term has significant have an impact on LP, CP and CRC are displaying their constructive and insignificant influence on the efficiency of the mortgage. According to **Jhon N.N. Ugoani, (2016),** This study discussion on the huge non-performing loans portfolio erodes the capability of banks to make profits. According to **Alex Addae- Kornkey, (2014),**The study found the causes of loan default to include; high interest rate, inadequate loan sizes, poor appraisal, lack of monitoring, and improper client selection. According to **Mohammed S. Chowdhury, Sheikh Mohammed Rafiul Huque and Zahurul Alam, (2012),**The major findings indicated that to extent that a reporting system allowing for timely monitoring and follow-up action was established, an incentive system for on-time payment was instituted, proper credit worthiness evaluation was done and work mechanisms were free from political interference and pressure, the loan disbursement and loan recovery problems would reduce to a great extent. According to **Evelym Richard, (2011),**The major findings suggest that factors controllable by CBs to be the major contributor to non-performing loans specifically, the diversification of funds and weak credit analysis. According to **Nishad Nasrin, Shankari Bala Sarker, (2014),**The major finding that the relationship between customers and employees is good in all cases. According to **Beatrice Njeru Warue and Richard, (2016),**The study found statistical evidence that loan collection procedures, penalty waiver and government integrity compliance significantly related to loans recovery performance.

4. OBJECTIVE OF THE STUDY:
➢ To find out the loan recovery management in Mandya District Central Co-operative bank ltd.
➢ To examine the relationship between loan recovery and performance of MDCC bank.

5. METHODOLOGY:
5.1 Types of Research: *Descriptive Research-*The study used to be descriptive in nature and it's based on the primary and secondary data.
5.2 Collection of data
- **Primary data:** Primary data is collecting through interaction with managing director, officers and staffs of the bank.
- **Secondary data:** The sources of secondary data gather from bank financial reports and annual reports and books and journals and company website.

5.3 Statistical tools
- **Karl pearson's co-efficient of correlation**
    A great biometrician and statistician instructed a mathematical method for measuring the magnitude of linear relationship between two variables. Karl Pearson's method is the most widely used method in observe and is referred to as Pearsawonian coefficient of correlation.

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

5.4 Financial tools
- **Present value:** We encompass so for exposed how compounding method can also be second-hand for adjusting for the time worth of currency. It raises an investor's logical authority to measure up to cash flows which can be alienated by using more than one period, identified her concentration /attention cost per stage.
- **Future value:**We right now urbanized reason for make a decision flanked by cash flows that are alienated by way of single period, comparable to single year. However the majority asset selections have interaction further the single period. To answer such-multi period asset decisions, we simply extending the good judgment urbanized above.

5.5 Hypothesis of the study:
- **H0:** There is no significant relationship on loan recovery and loan disbursement.

6   DATA ANALYSIS AND INTERPRETATION:

A loan is the lending of money from one individual, organization or entity to another individual, organization or entity. A loan is a debt provided by an organization or individual to another entity at an interest rate, and evidenced by a promissory note which specifies, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and date of repayment.

In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time. The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan.

Chart 6.1: showing percentage of agriculture loan sanctioned
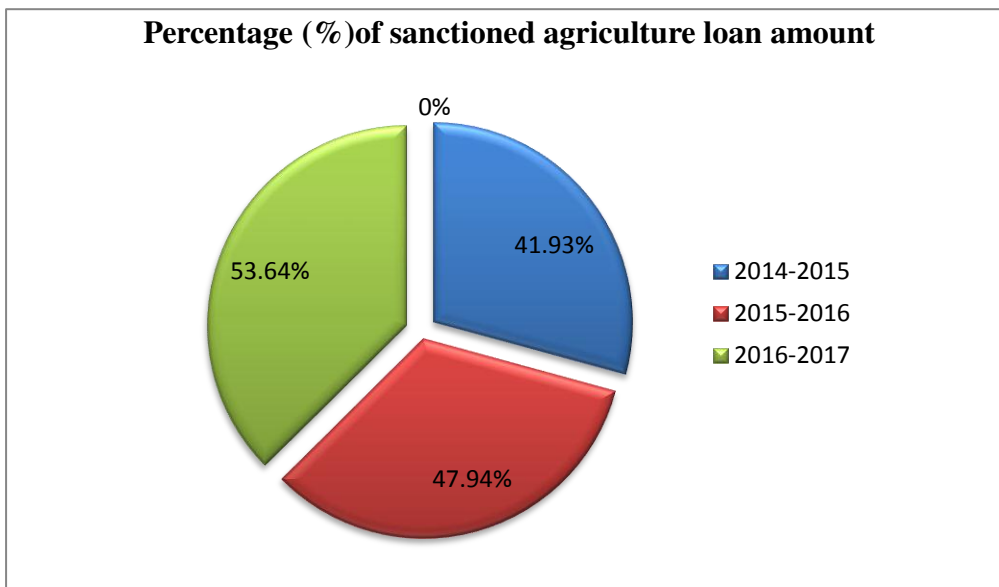
Source- Author calculation and company annual report

The above chart indicates the amount of sanctions of the Agriculture loan and their percentage during the year 2014-15, 2015-16, and 2016-17.In this chart shows percentage of Agriculture loan sanctioned during the year 2014-15 41.93% sanctioned and in the year of 2015-16 47.94% sanctioned and also in the year 2016-17 is 53.64%.
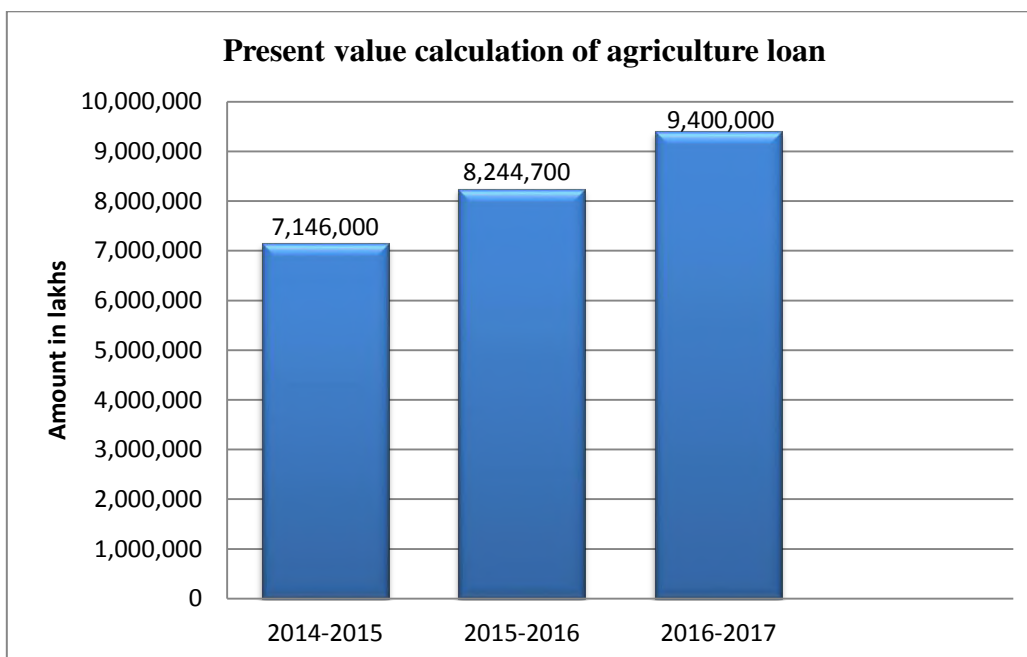
Chart 6.2: Showing future value calculation for the agriculture loan - 2014-2017
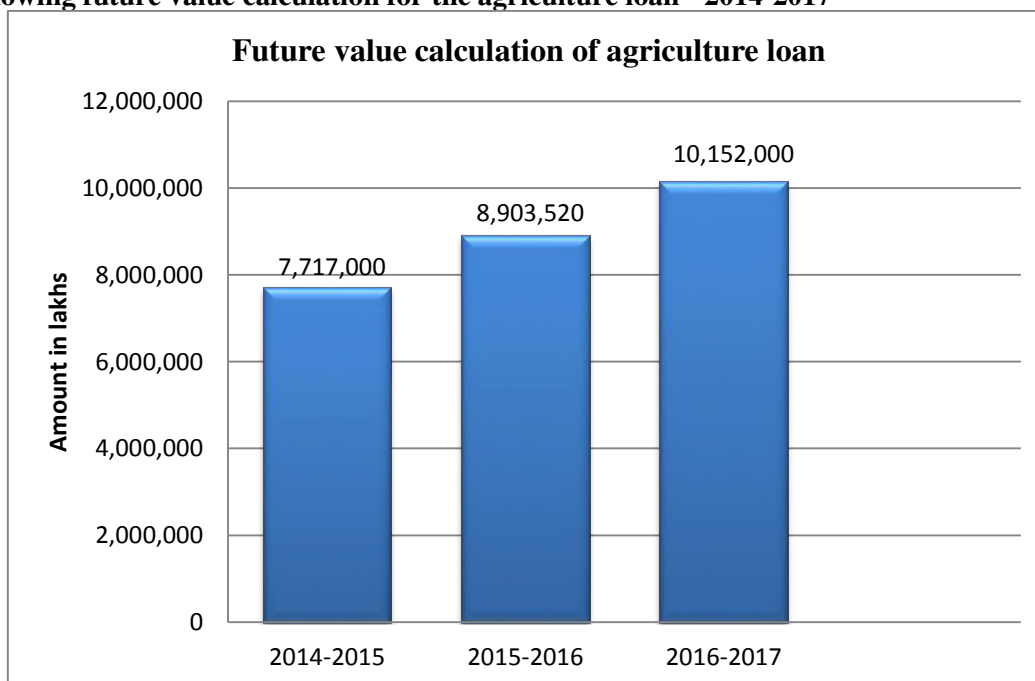
Source- Author calculation and company annual report
The above chart showing three years Agriculture loan disbursement and it is future value from 2014 to 2017.

Chart 6.3: Showing present value for based on future value for the agriculture loan amount of the year 2014-2017

Source- Author calculation and company annual report

In this chart shows total size of the agriculture loan is varying from last three years. The loan has increased from 2014-15, 2015-16, and also 2016-17 with amount of 71,46,000, 82,44,700, and 94,00,000 with respectively.

Chart 6.4: Showing agriculture loan disbursement and recovery -2014-2017
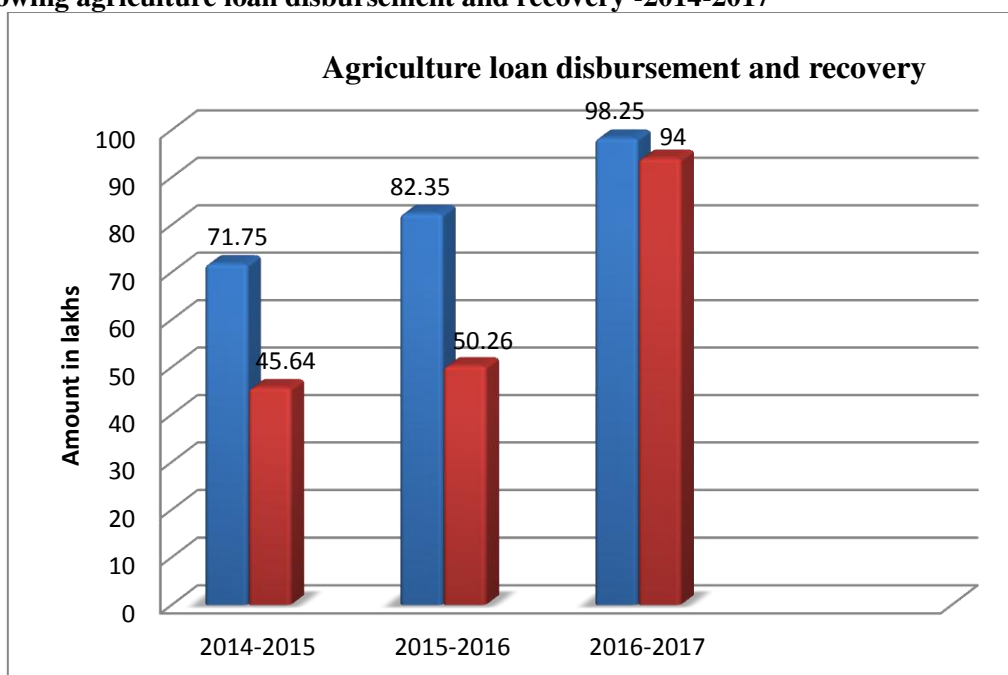
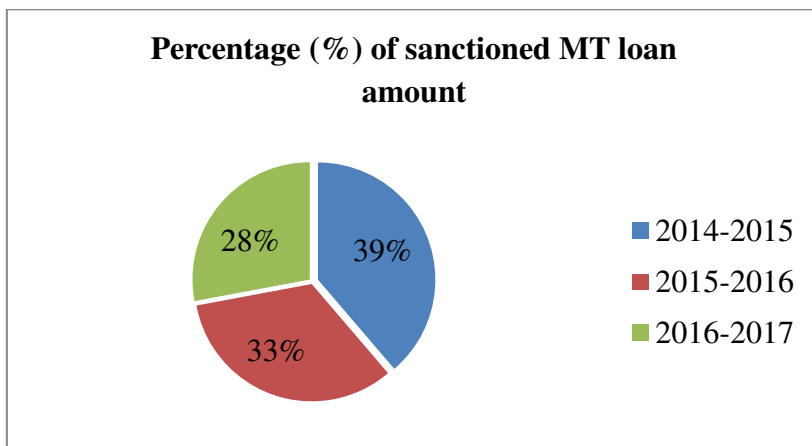*Source- Author calculation and company annual report*

The chart shows loan disbursement and loan recovery in 2014-2015 disbursement is 71.75 and loan recovery is 45.64 and 2015-2016 loan disbursement is 82.35 and loan recovery is 50.26 and in 2016-2017 loan disbursement is 98.25 and loan recovery is 94. The disbursement amount is increasing year by year, at the same time recovery is 94. The disbursement amount is increasing year by year, at the same time recovery also increasing.

MT loans features
Loan amount up to 10, 00,000
    Interest rate 11%

Chart 6.5: Showing percentage of MT loan amount sanctioned

Source- Author calculation and company annual report

\In this chart shows percentage of self-help group loan sanctioned during the year 2014-15 38.73% sanctioned and in the year of 2015-16 33.33% sanctioned and also in the year 2016-17 is 27.94%.
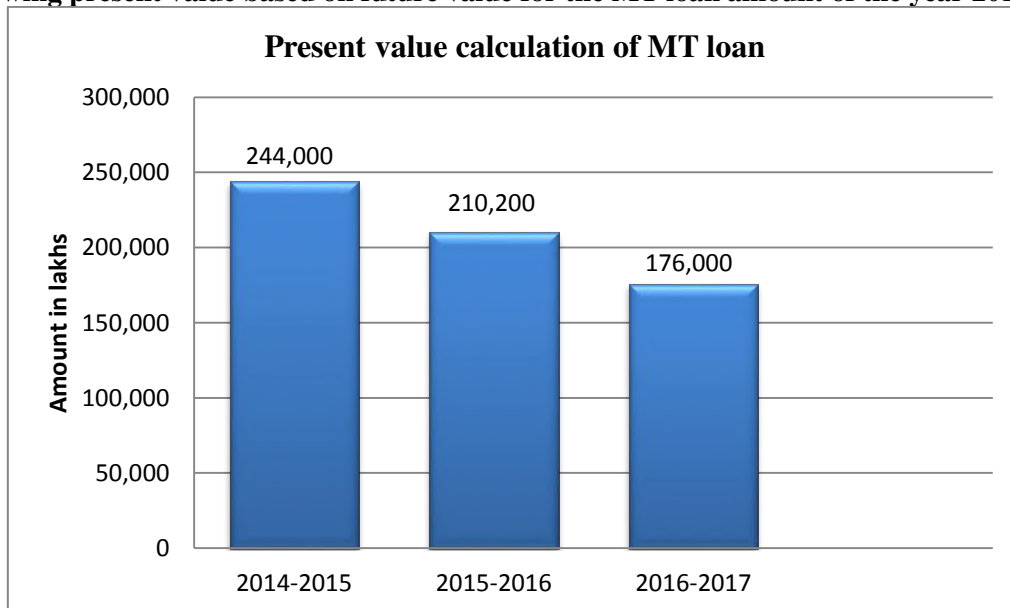
Chart 6.6: Showing future value calculation for the MT loan amount of the year 2014-2017
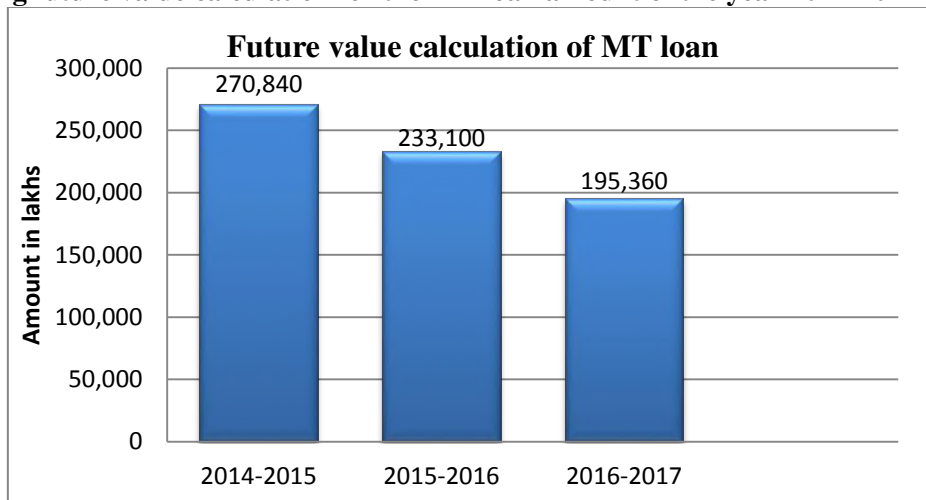
Source- Author calculation and company annual report

The above chart showing three years MT loan disbursement and it is future value from 2014 to 2017.

Chart 6.7: Showing present value based on future value for the MT loan amount of the year 2014-2017

Source- Author calculation and company annual report

The above chart shows total amount of the MT loan is huge changes from last three years. The loan has decreased from 2014-15, 2015-16, and also 2016-17 with amount of 2,44,000, 2,10,200 and 1,76,000 with respectively.

Chart 6.8: Showing MT loan disbursement and recovery amount of the year 2014-2017

MT Loan disbursement and recovery
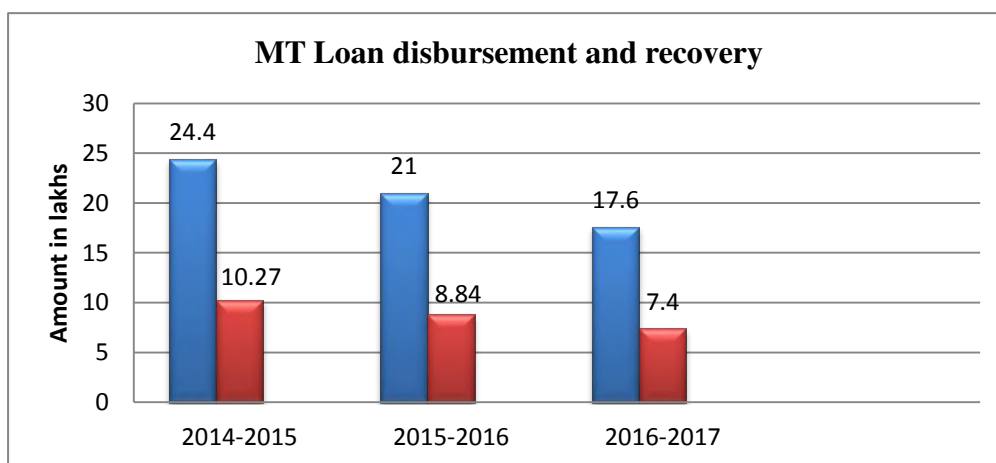
Source- Author calculation and company annual report

The above chart also shows MT loan disbursement and recovery in 2014-2015 disbursement is 24.40 and loan recovery is 10.27 and 2015-2016 loan disbursement is 21 and loan recovery is 8.84 and in 2016-2017 loan disbursement is 17.6 and loan recovery is 7.4. The disbursement amount is decreased year by year, at the same time recovery also decreased.

7. CALCULATION OF CO-EFFICIENT CORRELATION:

Loans	R value
Agriculture loan	0.99
MT loan	1

Source- Author calculation and company annual report

8. FINDINGS :

The agriculture loan has increased year to year in the present year total disbursement amount is reported 53.64%.The study found agriculture loan disbursement drastically increased from 82.35 to 98.25.The MT loan has decreased year to year in the present year the total disbursement amount is reported 27.94%.The study found MT loan disbursement drastically decreased from 21 to 17.6.The self-help group loan has increased year to year in the present year the total disbursement amount is reported 38.34%.Hypothesis result in agriculture loan is +0.99 and MT loan is +1, so this study suggest to positive relationship between loan disbursement and loan recovery.

9. RECOMMONDATIONS:

To improve loan recovery amount in future, because recovery amount is very low to compare disbursement amount. Bank need to be increase proportionate in MT loan disbursement due to it has declined in the considering study period. Compare to other loan recovery is better in MT loan disbursement therefore bank has to be taking the measures for to grant more MT loan. The bank needs to take possible measures to improve loan recovery percentage. By adopting proper investigation and reliability of the customer relationship. If possible bank has to use more plan to collect the loan amount. The non-performing assets high it's huge impact on profitability so bank have to reduce non-performing assets. Need to collect more documents from customers be done physical verification of it before sanctioning loan and it helps to recovery loan amount effectively. Bank has to considered employees opinion regarding providing required customer services.

10. CONCLUSION:

Overall, the study has discussed about the loan recovery management on Mandya district central co-operative bank. Loan recovery percentage is well in this bank. This study use descriptive approach and co-efficient of correlation analysis had been shown during the analysis. The correlation displayed the relationship between the dependent variable and the independent variables. The loan recovery management is a vital concept for their bank,

because bank giving various loan to their customer, but at the same time non-performing assets is increasing in the bank, this will impact on profitability of business, so loan recovery management help to control non-performing assets in the bank and to increase their growth in the society.

The MDCC bank was given the high rate of disbursement throughout the year. So the bank should be recovery to the in time. It will be helpful for the profit maximization getting the bank in short term. The magnitude of recovery amount overdue is one of the most important indicators of financial health of the bank.

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