

## **“Debt Management and Loan Recovery Mechanism of Women’s Co-operative Banks in the North Maharashtra” (2001-02 to 2010-11)**

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### **Abstract**

Co-operative movement in India is one of the largest movements in the world. Co-operative movement has made tremendous progress in every aspects of the Indian economy. Co-operative activities occupy a major place in the sphere of the Indian economy. Maharashtra is one of the major states in India. The co-operative movement in Maharashtra has played a significant role in the social and economic development of the state particularly in the rural areas. The co-operative banking sector in the Indian economy holds a distinct identity, as it is the only institution of micro credit dispersion. In today’s world of uncertainty, women have become conscious about their saving and investment in the safest way. They are also in search for an institution from where in case of need they can get easy and cheap credit, which is near to their resistance and where they can be treated as a family member. The women’s co-operative banking sector is the only one where women can be fined all these qualities and get good return on their investment as well.

Maharashtra is a leading state in the women co-operatives. In the progress of women co-operative movement in India, Maharashtra proved its creditable and competitive role. Co-operatives have been playing an important role in improving the economic conditions of Maharashtrian women by providing them employment and income generating opportunities. Establishment of WCB is a bold and revolutionary step in the history of urban co-operative banking in India. Maharashtra is the pioneering state in WCB’s in India. The women’s banks are meeting the financial needs of the women and are helping to increase the income and standard of their families.

Due to certain changes in the banking sector and new economic policies, the co-operative sectors in general and urban co-operative banks in particular, have undergone a crisis. At the same time the failure of some good urban banks and women’s banks has also attracted the attention of the people and raised the question of security of their funds. So that need to the find actual stability of the women’s banks. Distinctive features of the women’s co-operative banks as compared to other urban co-operative banks.

North Maharashtra has been contributing its mite in development of women’s co-operatives. North Maharashtra has been playing a significant role in the women’s co-operative field. Women’s are valuable contributors in the economic, political and social fields because of their skill, efficiency and honesty. There are various Mahila co-operative banks in Maharashtra and also in North Maharashtra. The area of ‘North Maharashtra’ comprises five districts, namely Nashik, Ahmednagar, Dhule, Nandurbar and Jalgaon.

**KEYWORDS:** Women's Co-operative banks, Urban Co-operative Banks, Women's entrepreneurship, Debt management, Recovery mechanism, Financial Performance.

### Debt Management of WCB's:

An increase in deposits and sanction of loans are the important indicators of successful and efficient working of the bank. On the other hand an outstanding loan creates problems in the smooth working and efficiency of the banking administration. The percentage of outstanding loans should be kept minimum for creating confidence among the depositors. Due to various reasons recovery of loans may not be possible as per the desired standard and the problem of outstanding loan becomes the major obstacle in the working operative banks.

To create discipline, awareness and efficiency in the process of recovery of loans, it is the responsibility of the bank, all bank officials' directly related recovery of loan. As and when loans are sanctioned, initiation of recovery process of loans is inseparable part of the working of bank. Inability of member in making repayment of loans creates operative problems in the working as well as in the growth of a bank. Improper use of loan is one of the important reasons for non-recovery of loans and this only due to the negligence of the bank officials.

In spite of having certain problems in the recovery of loans, the WCB's were tried to prove its efficiency and promptness in recovery of loans. It is always expected from banking institutions that the debtors should demand more loans regularly and make the payment in stipulated period of time. But unfortunately it does not happen with all banks. Therefore, the problem of overdue of loan arises. All banking institution in the country faces the problem of overdue. But it is serious problem in cooperative banking sector and it is more serious in urban cooperative banks and WCBs in the North Maharashtra.

It is observed that there is high percentage of unsecured loan. The members of board of directors are giving more priority in granting the loan to their relatives and friends. They also are granting the loan on bogus name for their own business. While granting these types of loan, they also show that they are granting the loan against sufficient collateral security. But it is found that in many cases, the papers are false and misleading. The members of board of directors are deliberately avoiding repayment this type loan. Therefore, the problem of overdue among all cooperative banks becomes very serious. The researcher tries to investigate causes for the high percentage and rapid increase in overdue in WCBs during the study period. Table No. 1.1 shows the situation of over dues of all WCBs in the study area during the period of study.

**Table No. 1.1**

**Position of Overdues of WCBs** (From 2001-02 to 2010-11) (Rs. in Lakhs)

Sr. No	Years	Name of the WCBs					
		MSB Nashik	MVSB Nashik	IMSB Malegaon	AMSB A'nagar	IMSB Nandurbar	ISB Dhule
1	2001-02	509.33 (36.54)	298.42 (183.35)	23.76 (15.90)	90.92 (4.30)	218.35 (22.99)	158.90 (94.11)
2	2002-03	616.72 (21.0)	367.94 (23.3)	27.02 (13.7)	94.39 (3.82)	223.58 (2.40)	199.72 (25.69)
3	2003-04	603.34	423.60	42.88	93.73	237.97	219.31

		(-2.17 )	(15.13)	(58.70 )	(-0.70 )	(6.42 )	(9.81 )
4	2004-05	683.18 (13.23)	407.96 (-3.69)	50.32 (17.35)	83.17 (-11.27)	259.76 (3.16 )	679.51 (209.84)
5	2005-06	616.35 (-9.78)	766.69 (87.93)	61.34 (21.90)	84.27 (1.32)	332.16 (27.87)	389.82 (-42.63)
6	2006-07	606.22 (-1.64)	943.76 (23.10)	71.82 (17.09)	84.79 (0.62)	307.99 (-7.28)	1101.21 (182.49)
7	2007-08	632.58 (4.35)	973.07 (3.11)	109.34 (52.24)	102.69 (21.11)	378.74 (21.30)	2060.87 (87.15)
8	2008-09	676.90 (7.01)	1427.58 (46.71 )	92.31 (-15.58)	98.10 (-4.47)	386.31 (2.00)	00.00
9	2009-10	679.09 (0.32)	1220.21 (14.53)	83.95 (-9.06)	92.64 (-5.57)	431.42 (11.68)	00.00
10	2010-11	669.87 (-1.36)	1024.65 (-16.03)	75.71 (-9.82)	69.96 (-24.59)	362.46 (-15.98)	00.00
Annual Average Growth		6.76	37.74	27.38	-1.54	7.46	56.65

Source: Annual reports of Sample Women's Banks.

Note: Figures in brackets show the percentage increase over the previous year.

The performances of ISB Dhule, during the period of 2001-02 to 2004-05 the overdue have always remained between 209.31 percent which were the highest among the other sample banks. In 2006-07 and 2007-08, overdue have remained between 182.49 percent and 87.15 percent which were the highest. The bank management had not made any sincere efforts to recover the overdue. Due to absence of use of effective recovery measures the amount if overdue increased- significantly. The overdue were more because the bank have granted excess loan than the capacity of bank and also the loan was given without observing sufficient and reliable security. It was seen during our visits that the Dhule Bank has not even sent the demand letters to defaulters.

The data given in above Table No.1.1, it is in absolute terms, therefore, there are some limitations in making the firm conclusion about the overdue position of all WCBs in the study area. The researcher processed this data with statistical tools and the summery is given in the below Table No. 1.2.

The following Table No. 1.2 shows the trends in overdue in all sampled WCBs in the study area. The ISB, Dhule recorded highest CGR in overdue of loan, it was 39.536 per cent per annum. This is the main reason behind troublesome condition of ISB, Dhule. The CGR of overdue of loan in MVSB, Nashik and IMSB, Malegaon are quite high, and they are respectively 18.771 per cent and 16.138 per cent per annum during study period. The CGR of overdue of loan in IMSB, Nandurbar and MSB, Nashik and they are 7.962 per cent and 2.124 per cent respectively. This is a good feature for these two banks. A notable fact is that the CGR of AMSB, A'Nagar and it is -0979 per cent. It shows that AMSB, A'Nagar implemented good measures for the recovery of their past loan.

**Table No. 1.2**

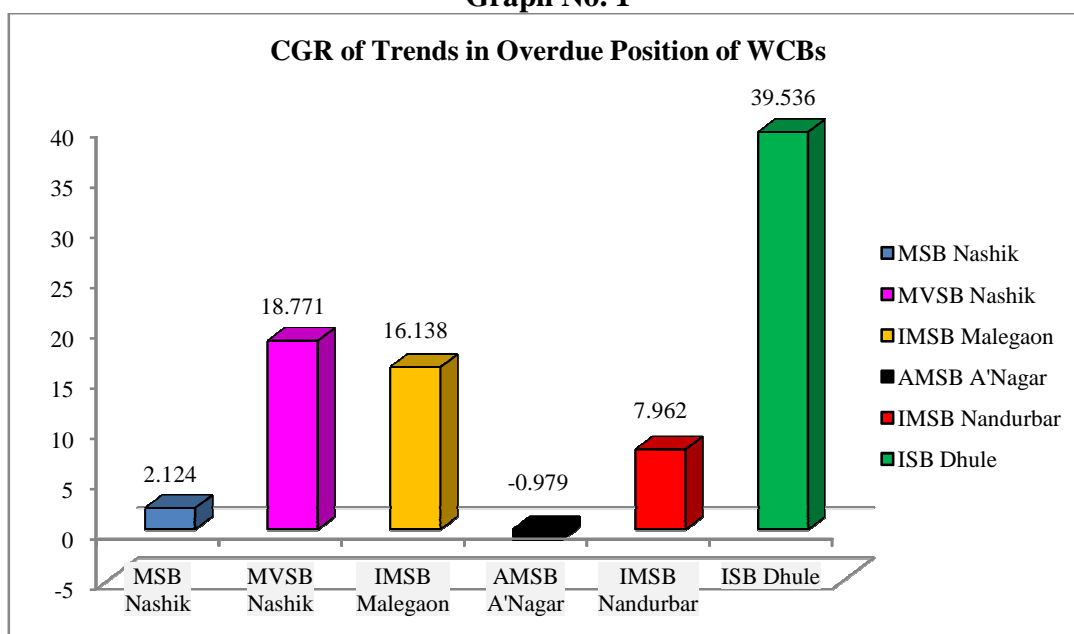
**Trends in Overdue Position of WCBs**

(Period 2001-02 to 2010-11)

Tools	Name of the WCBs					
	MSB Nashik	MVSB Nashik	IMSB Malegaon	AMSB A'Nagar	IMSB Nandurbar	ISB Dhule
Mean-	629.358	785.388	63.845	89.466	313.874	1099.195
S.D.	52.947	394.986	28.048	9.268	75.989	872.164
CV	8.413	50.292	43.932	10.359	24.210	79.346
CGR	2.124	18.771	16.138	-0.979	7.962	39.536
r Value	0.719**	0.926***	0.884***	-0.274*	0.934***	0.942***

\* = 10% Level of Significance    \*\* = 5% Level of Significance    \*\*\* = 1% Level of Significance

**Graph No. 1**



The ISB, Dhule recorded highest CGR in overdue of loan, it was 39.536 per cent per annum. This is the main reason behind troublesome condition of ISB, Dhule. The CGR of overdue of loan in MVSB, Nashik and IMSB, Malegaon are quite high, and they are respectively 18.771 per cent and 16.138 per cent per annum during study period. The CGR of overdue of loan in IMSB, Nandurbar and MSB, Nashik and they are 7.962 per cent and 2.124 per cent respectively. This is a good feature for these two banks. A notable fact is that the CGR of AMSB, A'Nagar and it is -0.979 per cent. It shows that AMSB, A'Nagar implemented good measures for the recovery of their past loan.

The increase in overdue in all WCBs is at 1 per cent level of significance and in the case of AMSB, A'Nagar the overdue of loan declined and the decline is insignificant.

Here, it is one thing is noted that though the MSB, Nashik recorded 1 per cent level of significance growth in distributing the unsecured loan, the increase overdue is 5

per cent level of significance. It shows the good performance of MSB, Nashik than other bank in the study area.

It is observed that there is high percentage of unsecured loan. The members of board of directors are giving more priority in granting the loan to their relatives and friends. They also are granting the loan on bogus name for their own business. While granting these types of loan, they also show that they are granting the loan against sufficient collateral security. But it is found that in many cases, the papers are false and misleading. The members of board of directors are deliberately avoiding repayment this type loan. Therefore, the problem of overdue among all co-operative banks becomes very serious.

To conclude, the problem of outstanding loan is very serious, there is a need to follow scrupulously the rules and regulations about granting the loan amount and recovery of loan.

#### **Loan Recovery Mechanism of WCBs:**

All sample WCBs are efficiently trying to find out the effective and practical solution to overcome the problems in the recovery of loans. Some of the women borrowers are prompt and cautious about the repayment of loans. Awareness and regularity of women in the repayment of the loan is essential and helpful in the timely recovery of loans.

The overdue is increasing every year in the WCBs, because of some reputed causes such as unsound lending, crop failures, willful defaults, attitude of State Government, ineffective role of leadership in recovery etc. From the financial point of view the bank has to make efforts for minimizing the amount of unrecovered loans. All sample WCB's are aware of the fact, so it has appointed a loan recovery officer to undertake the responsibility of recovery of loans. He / she are responsible to take proper measures for the recovery of loans within proper time. Promptness and proper understanding of the members regarding repayment of loans is beneficial to both members as well as the bank. The defaulters who do not respond to the legal action will have to bear the burden of one percent penal interest plus other expenses incurred during the process of recovery.

Non recovery of loan in a stipulated period is a major problem of all banking institution all over the world and in India also. The WCB's are also not exception to this problem. Though, the WCB's are making efficient efforts for the recovery of loan, they are facing the overdue problem.

At the initial stage of non-recovery of loan, the WCB's appeals the defaulter for making repayment of loan by sending a letter and reminder letters. All the WCB's are having their own separate recovery squad consisting of different levels of employees. They individual visit the defaulters address and ask for repayment of loan. Sometimes many defaulter give due response to this action but some are not. The bank gives legal notice through the court to these type customers and to the guarantors also.

At the last stage, the WCB's files a suit in the cooperative court vide Maharashtra State Cooperative Societies Act, 1960 (49) against the defaulter.

#### **Reasons for Non Recovery of Loan of WCB's:**

Recovery of loans within a specific period is very important for the progress of a bank. Therefore, as a member are provided with the facility to take loans it is equally important for the banks administration to see that the loan is recovered from the members

within the mentioned period. There are various reasons which can be shown against non-recovery of loans.

While giving loans reasons for taking loans, capacity of members to repay the loans and type of loan are carefully taken into account by the bank. Similarly bank has to consider the fact that after the loans has been sanctioned; it is being utilized for the same purpose. Sometimes political pressure from the Directors, politicians creates problems in the sanctioning of loans by the banks. It is equally felt that some times the members who want to take loans are recommended by the directors or politicians but nobody takes the responsibility for the recovery of loans. This puts the bank in to a difficult situation making its existence doubtful.

Sometimes while sanctioning loans the ability of women's members to repay loan installment, her financial position, family income, number to dependent members of the family is not taken into consideration. The common trend not to repay loans is increasing recently because of mental attitude and approach. Bank reminds the members about the non-repayment loans. Members do not take any account of these reminders seriously. Change in addresses, shifting of business locations of members are some of the reasons in the recovery of loans of sample women's banks.

To sum up, we can say that the sample women's banks face the problem of over dues in the initial period of their working. However, in the recent years due to the RBI instructions and inspection, the banks have recovered the over dues. Recovery effort should start from the first month of default itself. Prompt legal action and seizure action should be taken promptly. Suitable number of the employees of the bank should be vested with the powers of Sales / Recovery officer for execution proceedings. Position of overdue accounts should be reviewed on a weekly. Recovery competition system should be extended among the staff members. The staff recovering highest amount should be felicitated. Creation of a separate 'Recovery Department' with special Recovery Officer appointed.

As said earlier and detail statistical data of overdue given above. The overdue is major problem of all WCB's in the study area, the increase in overdue is at 1 per cent level of significance. Therefore, the researcher investigated the reasons behind this problem. Some of the major reasons are-

1. In many cases the loan sanctioned was much higher than the repaying ability of the borrower.
2. Political interference and pressure in sanctioning loan, whereas the politicians are not taking any care for the timely repayment of loan. However they are very reluctant about the repayment of loan.
3. While sanctioning the loan the board of directors not properly making the investigation about the women's ability to earn income, her status in the family, no. of dependent on her and also her credit worthiness and approach about the repayment of loan.
4. Sanction of loan to relatives and friends of members of board of directors.
5. More percentage of unsecured loan and improper mortgages.
6. In many cases it is found that the board directors sanctions the loan on the name of their friends or relative and they wholly use this loan to their own benefit and at the time of overdue they postpone the legal action by providing wrong information.

7. Bogus or wrong addresses, shifting of residence or shifting business locations.
8. The recovery squad member deliberately favoring some borrower for postponing the legal action.

The researcher investigated the percentage influence of the above causes in non-repayment of loan.

### **Conclusion:**

The establishment of women's urban co-operative banks in Maharashtra is recent and bold step. The women's banks were set up with specific objectives, i.e., economic and social upliftment of women. During the last 40 years by entering the field of co-operative banking, women have proved that they can manage the banking institution also.

Maharashtra is the pioneering state in the WCB's. The women's banks are meeting the financial needs of the women and helping to increase the income and standard of their families. The WCB's have done very little in respect of development of entrepreneurship among the women. Therefore, still much work in this respect is to be done in future by the women's co-operative banks.

It was observed that most of the WCB's were self-sufficient in the respect of capital. In the respect of loan operations of the women's banks, it was found that all the women's banks in North Maharashtra have financed more than 70 per cent of their loans to priority sectors. In this situation, the women's banks have come forward to give helping hand. The ratio analysis of these banks shows that the banks were growing slowly, though there were variations in the growth rates of each bank. However, one can warn that the women's banks must pay proper attention to the recovery of overdues of loans.

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