

Recovery and Overdue Management Under PLDB'S (Primary Land Development Banks)

***Dr. Sitaram Sharma**

Abstract

The PLDB's have advanced inadequate credit based on the security oriented lending policies. The PLDB's take a lot of time in the sanction and disbursement of loans and have not succeeded in advancing the long term credit in time. The PLDB's have not succeeded to supply the credit at the cheaper rate due to cumbersome loan procedure and intermediaries in the process of sanction and disbursement of credit. The increasing trend of overdues in the PLDB's has a great matter of concern. This has been due to lack of willingness to repay the loans by the cultivators, lack of post credit supervision and not to take legal action against the wilful defaulters.

Need of Study

It is matter to concern that the overdue in the LDB's have been rising steadily in recent years, in the wake of expansion of their loan operation. With the high level of overdue.(which is evident even in co-operatively developed states) the time has arrived not only to make concerted efforts. In the short run for the collection of the arrear, but also consider the long term measure necessary for keeping them in check. We have study that how we can recover the overdue amount and what method and process can be used for to reduce the overdue amount and recovered the overdue amount within the time frame.

Objective of the Study

- Conduct the study and revealed that the problem of overdue in LDB's and identify the relation of overdues with the different cause of overdue
- Identify the factors of overdue amount and how to recover the overdue amount.
- Identify the factor for effective recovery of overdue and comparison between the overdue amount and recover amount

Methodology

For the collection of various information and data the following tools will be used with a view to find out the actual relation between the bank and borrowing members. Efforts will be made to collect the views and opinion of various segment of the people involved.

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Secondary data will be collected through the study of annual progress, reports articles, and statement made by RBI, NABARD, Government of India and Rajasthan, Registrar of co- operative societies, Rajasthan published and unpublished reports and records of the Rajasthan Rajya Sahakari Bhoomi Vikas Bank Ltd, Jaipur and Various primary co-operative Land development Banks will also be included.

Introduction

When a borrower cannot deposit an instalment within the specified time then it is called as over dues. The most disheartening feature in the loan operation of the land development banks has been the problem of high and mounting overdue , Mr, P.N. Damry the deputy governor of Reserve Bank of India has commented on the serious position of overdues in the LDB's and said the the state overdues have caused of great anxiety.

The overdue in the LDB have been steadily rising in the past few years” The increase in overdue matter of great concern, especially because loans are expected to be given to cultivator primarily for productive purpose duly considering. In the technical and economic feasibility aspects. Heavy overdue in the long term co-operative credit structure will retard the agriculture development programme in a land development banks are expect to pay an important role in meeting the need of cultivators for reinvestment credit.

Mounting of Overdues

The State of Rajasthan is one of those states in which the overdues of lloan have pushed Co- Operative credit institution into an extremely critical situation. In fact overdues are posing serious threats even to the survival of the primary co-operative Land Development Bank in various district have moved into a critical situation.

At the PLDB's level it creates the serious problems.

Effect of Overdues

The rising trend in overdue has had critical impact on the extension of co-operative credit. The failure of some members to repay affects the ability of the institutions to borrow as well as to provide further loans. Failure to repay loans by some members in turn encourage even those members who are in a position to remain in default.

Over dues Strike at the very root of the institution differently depending upon their capital base. Co-operative with limited resources base are comparatively better resources position on account of their being the chief mobilisor of deposit, yet overdue affect the latter institution after a considerable time gap.

Report of committee on LDB's has also rightly pointed out that “A high level of overdue in a central land development bank not only erode its own fund” but also affects its reputation.

As we know that the Reserve Bank of India and NABARD's credit is subject to some rules, The loan

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eligibility is based on the overdue position. In order to ensure maintenance of liquidity both at the level of PLDB's and RSDLB, The RBI/ NABARD Authority have introduced the policy of regulating advances to the banks-

- (A) The bank retaining overdues below 25 percent of the demand continue to qualify for unrestricted lendings.
- (B) Bank retaining overdues ranging between 26-40 percent of demand qualifying for loaning the extent of highest lending level reached in any of the preceding 5 years or than the amount of recoveries during 3 years whichever is highest.
- (C) The PLDB's retaining overdues in excess of 40 percent of demand, become eligible to the extent of amount recovered during preceding year or average amount of recoveries affected during the preceding 3 years whichever is higher.

This is the stage when scope for further expansion of owned funds are limited as no one would like to invest/ block his funds in such LDB's moreover, when this worsening position of overdue comes to the knowledge of creditors/ depositors, they want to withdraw their deposits. This results in further improvement in the working capital of these institution.

Causes of Overdues

IT is relevant to refer here in brief that a study team of members was appointed by the RBI under the chairman ship of Dr. C.D. Datey to examine the position of overdue at various levels of short term credit structure. According to the study team lack of both will and discipline among cultivators to repay was the principal factor responsible for the prevalence of overdues in short term co- operative credit structure.

The deficiency in lending policy, especially inadequate and untimely credit or over financing, lack of supervision over the use of credit by the ultimate beneficiaries, in adequate application of fertilizers, fixing of unrealistic due dates and also refinancing of defaulters have encouraged defaulters and led to pilling upto overdue.

(A) Natural Calamities

The postponement of demand on account of natural calamities. We have reviewed the position and have advised that bank may postpone the current in case where individual borrowers have been adversely affected by natural calamities by extending the period of loan by one year for each year during the calamity has reoccurred. Borrower repaying capacity has been affected because of reduction in income due to any genuine reason beyond his control irrespective of fact that calamity has been declared in the area or not.

(B) Infertuous Investment – Failed Wells-

It is suggested that where the wells have been classified as failed well as per the scheme which is based on model prescribed by NABARD and agreed to as such by the state govt The loans

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due from the borrowers there under may be transferred to a separate account styled as failed wells blocked account.

(C) Will Full defaulters and misutilised loan

The PLDB's and state govt will have to take firm action to recover the arrears from will full defaulters who are not eligible for any relief on the basis of guideline issued by NABARD.

(D) Mortgaged loan acquired by Govt.

The Bank should transfer the loans due from the borrower whose land have been acquired by the govt. Or by any other corporate undertaking of the state govt. To a separate blocked account styled as " Blocked accounts Government acquired land.

(E) Unauthorised sale of land by borrowers.

Where the borrower have made any sale of the mortgage land without obtaining bank consent and not repaid the bank dues, such borrower and purchaser immediately be prosecuted, The bank and govt authority may examine the existing provisions of law which recognised the first mortgage in favour of the bank to ensure that the purchasers of land mortgage to the bank are put under obligation to clear the dues to the bank simultaneously.

(F) Relief to Tailenders

In the command area, water in some cases may not have been available to tailenders who had been taken a loan for land development in the intial stage and the benefit of irrigation any have been received by them after lapse of sometime viz after introduction of wara bandi. etc. No demand may be made from such borrowers for the period upto which irrigation facility was not available and the loan period may be reckoned from the year in which irrigation was provided.

(G) Gestation Period

In the case of composite loan for well and electicity pump sets. The period of loan may be reckoned from the year in which the well is energised the earlier period treated as gestation period during which the borrowers may be required to pay only interest on the loan amount.

Suggestion for an improvement of Recovery

The major factor governing the recovery in any financial institution could be

- Loaning to right person
- Utilisation of all loans

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- Conductive atmosphere for recovery
- Effective action against wilful defaulters
- Deployment of right person for recovery
- Feedback for achievement of recovery
- Incentive for good recovery

(A) Effective Supervision

All India rural committee 1969 has rightly pointed out “Bad supervision makes it possible for loans to be diverted to non productive purposes. This comment pointed out the the important role which proper supervision can play in checking the ever growing rate of overdues.

Supervisory staff should be give some incentive in cash or kind commission or merit certificates , supervisory staff should be encourage to develop personal contact with member.

(B) Check the Diversion of Credit

Diversion of credit not only leads to inflationary pressure in the economy but also adversely affects the repaying capacity of the borrowers which has been responsible to a greater extent for mounting overdues and defaulters.

Adequate credit in time should be made available it should be in instalment.

(C) Repaying Capacity

The present practice of determining the repaying capacity under the incremental income system. No doubt it is better than the previous methods but it is not free from defects because it does not take into consideration other farm income of the family and demand on account of loan taken from other sources specially moneylenders.

It may be pointed out that it is fundamentally wrong to presume that farmers indebted to other sources will turn first to repay the dues of PLDB's It is clearly observed that loanee give first preference for repayment for repayment to the moneylenders on account of- Higher rate of Interest(and Assumed future supply of credit.

(D) Relief In case of Natural Calamities

While studying the problem of repayment of loan, loanee have been categorised into two group (will ful defaulter and Non- wilful defaulter) In the case of willful default the legal action against these defaulters is fully justified. No concession should be given to those defaulters but

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in case of non willful default the legal action specially coercive action is not justified in any way.

In this connection the recommendation overdues study also considered that in the draught condition some relief should be given. The nature and extent of relief in draught was as repayment part of the principal under default was envisaged. However, with a view to ensure that the benefit of relief accrues, only to those for whom it is invented and not to willful defaulters.

(E) Improvement of Credit worthiness of Borrowers

Creditworthiness of members can be improved by enhancing the productivity and reducing the cost of production. In this connection the importance of research and motivation to the farmers can be overemphasised and this should be responsibility of co-operative credit institution. Institution should make arrangement for the cultivator to give technical guidance on all aspect of farming.

Borrowers, who borrow money from money lenders, repay the credit firstly to the money lenders because the higher rate of interest nearest to the farmers and hope to more credit from them and personal attachment with them, In this situation the PLDB's dues are not repaid timely.

Thus, effective measure should be taken to adjust the burden of old debts. This will require a proper assessment of the total indebttness as well as its adjustment in easy instalment depending upon the repaying capacity of individual members. In order to free the cultivator from the exploitation of money lenders the financial institution should supply not only time bound credit but also provide the credit for meeting the consumption needs.

Conclusion

- There has been a rising rate of growth of overdue in PLDB's and these are not positively and these are not positively associates with the backwardness of the cultivation.
- On account of mounting overdues PLDB's are suffering from the paucity of funds for new finances as it is dependent both on the recovery of loans and the funds advanced by PLDB's In the state of Rajasthan all the owned funds have been eaten away by the higher rate of overdues.
- There is no definite relationship between the repayment of loans and socio- economic feature of farm in the state. It is revealed from the study that mounting overdues are due to lack of will of the loanees, effective post credit supervision and efficient sincere and honest recovery machinery is lacking in the state. Beside political parties have also instigated the; loanees not to repay such loans.

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