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## DEFAULT RISK MANAGEMENT IN LOCAL AREA BANKS - CASE STUDY OF KBS BANK LTD

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**Abstract:-** The default risk arises from a borrower's failure to pay interest or principal or both on loans and securities as promised. It is the potential that a bank borrower/counterparty fails to meet the obligations on agreed terms. There is always scope for the borrower to default from his/her comments for one or other reason resulting in crystallisation of credit risk to the bank. Credit risk is inherent to the business of lending funds to the operations linked closely to market risk variables. The objective of credit risk management is to minimize the risk and maximize bank risk adjusted rate of return by assuming and maintaining credit exposure within the acceptable parameters.

**Key words:** liberalization and globalization , Socio-Legal Dimensions , spiritual and physical .

### INTRODUCTION:-

A loan portfolio reflects a bank's market position and demand, its business and risk strategy, and its credit extension capabilities. In this context it can be said that whenever a borrower fails to make the payment on the demand date it gives birth to overdues. Hence, the occurrence of overdues and default risk go hand in hand. Further, the magnitude of default risk depends upon how long a borrower prolongs the payment of loan installment beyond the demand date. It is better to conduct overdue analysis in detail to know and manage default risk comprehensively. With this background an attempt is made here under to analysis the overdues Branch wise-Age wise; product wise- age wise, Branch Portfolio at Risk; product wise Portfolio at Risk; branch wise non performing assets, product wise non performing assets age wise analysis of Non-performing assets of KBS Bank ltd. In addition to asset classification and provisioning norms stipulated by RBI were being followed or not is also ascertained during the study period 2004 to 2007.

### About KBS Bank Ltd

Krishna Bhima Samruddhi Local Area Bank Limited (Samruddhi Bank) was incorporated in 1999 and was granted license by Reserve Bank of India, the bank regulator in India, to carry on banking business as a local area bank in the districts of Mahboobnagar in Andhra Pradesh State and Raichur and Gulbarga districts in Karnataka state. Samruddhi Bank is presently owned entirely by Bhartiya Samruddhi Investments and Consulting Services Ltd. (BASICS Ltd) which has invested Rs. 50 million in the bank. The Bank started operations in February, 2001.

The concept of Local Area Bank (LAB) was introduced in 1996 with a view to mobilize rural savings and make them available for investment in the local area of operation of such banks. The local area banks were expected to bridge the gap in the availability of credit and strengthen the institutional credit framework in rural and semi-urban areas. LABs were required to finance 'priority sector' that included agriculture and allied activities, trading activities, non-farm sector and cottage & village industries and small scale industries. Their lending to priority sector consisting of the above activities was to be minimum 40% of their net bank credit and lending to weaker section was to be at least 25% of their priority sector lending (10% of net bank credit). Thus the need for local area banks was felt strongly to extend financial services to cover vast number of poor people particularly in rural areas.

**Mission**

“To be a sustainable local community based institution providing financial services to the underserved, particularly rural poor and women and to arrange provision of technical assistance and support services to the borrowers with the ultimate goal of promoting a large number of sustainable livelihoods in the area”.

**Objectives of KBS Bank:**

- Priority to those not reached by formal financial institutions by providing access to banking services including affordable credit;
- Provide service at the doorstep of the customers; and
- Provision of Technical Assistance and other Business Development Services for Agriculture and Non-Farm livelihood activities
- Providing various Institutional Development Services (IDS) services including promotion and strengthening of Self Help Groups, producer groups, other community based organizations etc.

**Branch wise and Age-wise analysis of Overdues**

The table 1.1 depicts the information about the overdues in relation to each branch age-wise during the study period. It is clear from the above table that the amount of overdue in the age category of 1 to 30 days was 2.44 lakh during the year 2003-04 and same decreased to Rs.1.91 lakh during the year 2004-05 and this amount increased to Rs.6.09 lakh during the year 2005-06; Rs.7.85 lakh during the year 2006-07. Hence, there is generally increased an amount of overdues falling in this range throughout the study period except the year 2004-05.

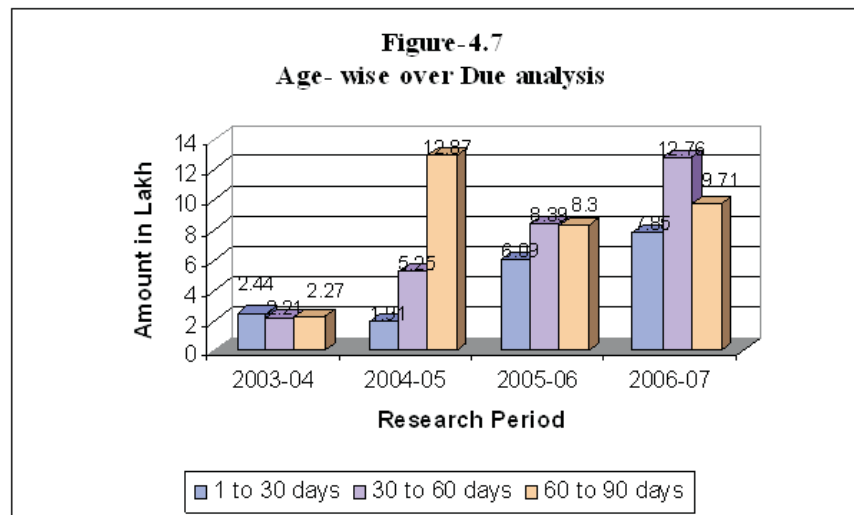


Table-1.1  
Branch- wise& Age- wise over Due analysis  
Rs. in Lakh

Name of the Branch	2003-04			2004-05			2005-06			2006-07		
	1 to 30	30 to 60	60 to 90	1 to 30	30 to 60	60 to 90	1 to 30	30 to 60	60 to 90	1 to 30	30 to 60	60 to 90
<b>Mahabubnagar District</b>												
Mahabubnagar	1.75	0.82	0.76	0.69	0.74	9.06	2.06	2.66	3.32	0.74	3.28	1.19
Kodangal	--	--	--	0.10	1.78	--	0.53	0.73	0.49	0.37	0.38	0.66
Atmakur	--	--	--	--	--	0.16	0.03	0.01	0.06	0.09	0.64	0.97
Gadwal	--	--	--	--	--	--	--	--	--	--	--	--
Nagar karnool BOW	--	--	--	--	--	--	--	--	--	0.86	2.12	0.57
<b>District Total</b>	<b>1.75</b> (72%*)	<b>0.82</b> (37%*)	<b>0.76</b> (33%*)	<b>0.79</b> (41%*)	<b>2.52</b> (48%*)	<b>9.22</b> (72%*)	<b>2.62</b> (43%*)	<b>3.4</b> (41%*)	<b>3.87</b> (47%*)	<b>2.06</b> (26%*)	<b>6.42</b> (50%*)	<b>3.39</b> (35%*)
<b>Gulbarga District</b>												
Gulbarga	--	--	--	--	--	--	1.07	1.69	1.55	0.09	0.19	0.27
Yadgir	0.58	1.32	1.42	0.63	2.10	3.13	0.88	1.67	1.48	0.55	1.39	0.96
Kamlapur	--	--	--	--	--	--	0.53	0.73	0.49	1.74	1.49	2.06
Chowdapur	--	--	--	--	--	--	--	--	--	0.45	0.74	1.30
Alanda	--	--	--	--	--	--	--	--	--	0.03	0.04	--
<b>District Total</b>	<b>0.58</b> (24%*)	<b>1.32</b> (60%*)	<b>1.42</b> (63%*)	<b>0.63</b> (33%*)	<b>2.10</b> (40%*)	<b>3.13</b> (24%*)	<b>2.48</b> (41%*)	<b>4.09</b> (49%*)	<b>3.52</b> (42%*)	<b>2.86</b> (36%*)	<b>3.85</b> (30%*)	<b>4.59</b> (43%*)
<b>Raichur District</b>												
Manvi	0.11	0.07	0.09	0.43	0.59	0.52	0.91	1.41	1.13	2.44	1.11	0.65
Deodurga Bow	--	--	--	0.06	0.04	--	0.10	0.08	0.04	0.14	0.63	0.51
Shindhaur	--	--	--	--	--	--	--	--	--	0.34	0.76	0.56
Raichur	--	--	--	--	--	--	--	--	--	--	--	--
<b>District Total</b>	<b>0.11</b> (5%*)	<b>0.07</b> (3%*)	<b>0.09</b> (4%*)	<b>0.49</b> (25%*)	<b>0.63</b> (12%*)	<b>0.52</b> (4%*)	<b>1.01</b> (17%*)	<b>1.49</b> (18%*)	<b>1.17</b> (14%*)	<b>2.92</b> (37%*)	<b>2.50</b> (20%*)	<b>1.72</b> (18%*)
<b>Grand Total</b>	<b>2.44</b>	<b>2.21</b>	<b>2.27</b>	<b>1.91</b>	<b>5.25</b>	<b>12.87</b>	<b>6.09</b>	<b>8.39</b>	<b>8.3</b>	<b>7.85</b>	<b>12.76</b>	<b>9.71</b>

Source: Management Information on Key business Parameters, M-stat for year ending 31 March  
Figures in parenthesis indicates % to total over dues.

Branch-wise over dues analysis as disclosed in the table-1.1 points out that there is highest amount of overdues falling within the age category of 1 to 30 days corresponding to Mahabubnagar branch (Rs.2.06 lakh) during the year 2005-06. Kamlapur branch stands second with an overdues amount of Rs.1.74 lakh during the year 2006-07. A detailed look at this category of over dues reveals that the Mahabubnagar district proportion is 72%, the proportion of Gulbarga district is 24%; and that of Raichur district is 5% in relation to the total overdues of the bank within the age categories of 1 to 30 days for the year 2003-04. These proportions of each district is found to be oscillating from year to year. The overdues of this category as a percentage of total overdues pertaining to Mahabubnagar district decreased to 41% for the year 2004-05 and it has show a slight increase (43%) for the year 2005-06 and it drastically came down to 26% for the year 2006-07. Over dues (1 to 30 days) belonging to Gulbarga district as a percentage of total overdues increased to 41% during the year 2005-06 from a level of 24% for the year 2003-04. The same was decreased to 36% for the year 2006-07. Over dues (1 to 30 days) belong to Raichur district has shown ups and downs during the study period. It increased to a level of 25% during the year 2004-05 from a level of 5% during the year 2003-04. The same for the next year got down to a level of 17% before reaching to level of 37% for the year 2006-07. In totality, the position of Mahabubnagr district appears to be satisfactory as it brought down it's percentage contribution from 72% to 26% during the study period, were as the position of branch's situated in Gulbarga and Raichur district can not be considered so satisfactory as their proportion of Overdues got increased during the study period

In relation to over dues (30 to 60 days) of KBSLAB Ltd. has shown a continuous increase throughout the study period. This increased from a level of Rs. 2.21 lakh for the year 2003-04 to a level of Rs.12.76% during the year 2006-07. The proportion of Mahabubnagar Branch in this category increased from a level of 37% during the year 2003-04 to a level of 50% during the year 2006-07; that of Gulbarga district decreased from 60% during the year 2003-04 to a level of 30% during the year 2006-07; and the Raichur district proportion increased from 3% to 20% of the total overdues in this range.

In regards to over dues (30 to 60 days) of KBSLAB Ltd. has show a fluctuating year to throughout the study period. This increased from a level of Rs. 2.71 lakh for the year 2003-04 to a level of Rs.12.87% during the year 2004-05. The proportion of Mahabubnagar Branch in this category increased from a level of 33% during the year 2003-04 to a level of 72% during the year 2004-05 and again it decreased to Rs.3.39 which was 35% to the total overdues; that of Gulbarga district decreased from 63% during the year 2003-04 to a level of 43% during the year 2006-07; and the Raichur district proportion increased from 4% to 18% of the total overdues in this range.

#### Product-wise age wise Overdues analysis

The table-1.2 reveals product-wise and age-wise overdues during the study period. The table reveals that Farm loans overdues in the age category of 1 to 30 days as a proportion of total overdues constituted 11.07% percent during the year 2003-04 and the same increased to 47.90% for the year 2006-07. This has shown an increasing trend up to the year 2005-06 (i.e. from

11.07% to 54.52%), there after, it decreased to 47.90%. As regards Non- Farm loans, this percent increased from 26.64% during the year 2003-04 to a level of 32.87% during the year 2006-07. This proportion has shown a considerable increase up to the year 2005-06 (i.e. 26.64% to 81.61%) and in the final year of the study period it drastically came down to 32.87%. As regards General Purpose loan the overdues falling within the age category of 1 to 30 days has decreased from a level of 62.32% during the year 2003-04 to a level of 19.11% during the year 2006-07. This proportion as shown decreasing trend up to the year 2005-06 (i.e. 62.32% to 1.64%). In the final year of the study period it got increased to a level of 19.11%.

In relation to overdues (Farm loan) in the age category of 30 to 60 days as a proportion of total overdues constituted 44.99% percent during the year 2003-04 and the same increased to 66.24% for the year 2006-07. There after, it decreased to 57.50%. As regards Non- Farm loans, this percent decreased from 39.82% during the year 2003-04 to a level of 38.95% during the year 2006-07. This proportion has shown a considerable increase up to the year 2005-06 (i.e. 38.82% to 50.77%). As regards General Purpose loan the overdues falling within the age category of 30 to 60 days has decreased from a level of 17.19% during the year 2003-04 to a level of 18.00% during the year 2005-06 and the final year of the study period it drastically came down to 3.53% to the total over dues of the bank.

**Table-1.2**  
**Product-wise and Age-wise Over Due analysis of KBSLAB Ltd.**

Rs. in Lakh

Name of Products	2003-04			2004-05			2005-06			2006-07		
	1 to 30	30 to 60	60 to 90	1 to 30	30 to 60	60 to 90	1 to 30	30 to 60	60 to 90	1 to 30	30 to 60	60 to 90
<b>Farm Loans</b>												
Samruddhi Kisan Credit Card	--	--	--	0.41	0.29	3.77	1.02	1.14	15.36	0.62	2.17	2.00
Crop Loan thru BUAs	--	0.29	0.56	--	1.78	4.38	--	--	3.46	--	--	--
Crop Loan with Joint Liability Groups	0.17	0.49	0.69	--	--	--	--	--	3.62	--	--	--
Restructured Loans	0.10	0.17	--	--	--	--	--	--	--	--	2.65	--
Agri Investment Loans	--	--	0.04	0.01	--	0.36	--	0.18	2.67	--	0.05	--
Lift Irrigation	--	--	--	--	--	0.06	--	0.36	0.58	--	--	0.27
Agri Allied Activities	--	--	0.19	0.24	0.59	0.21	1.00	0.84	9.73	3.14	2.47	2.61
<b>Farm Loans Total</b>	<b>0.27</b> <b>(11.07)</b>	<b>0.95</b> <b>(42.99)</b>	<b>1.48</b> <b>(65.20)</b>	<b>0.66</b> <b>(34.55)</b>	<b>2.66</b> <b>(50.67)</b>	<b>8.78</b> <b>(68.22)</b>	<b>2.02</b> <b>(33.16)</b>	<b>2.52</b> <b>(30.04)</b>	<b>35.42</b> <b>(66.24)</b>	<b>3.76</b> <b>(47.90)</b>	<b>7.34</b> <b>(57.50)</b>	<b>4.88</b> <b>(50.02)</b>
<b>Non-Farm Loans</b>												
Micro Enterprises	0.65	0.88	0.79	1.09	2.55	2.07	3.84	4.10	36.29	2.57	4.93	4.42
Growth Micro Enterprises	--	--	--	--	--	--	--	--	--	--	--	--
Sudhama Loans	--	--	--	0.01	0.02	--	0.13	0.16	0.66	0.01	0.04	0.08
<b>Non-Farm Loans Total</b>	<b>0.65</b> <b>(26.64)</b>	<b>0.88</b> <b>(39.82)</b>	<b>0.79</b> <b>(34.80)</b>	<b>1.10</b> <b>(57.59)</b>	<b>2.57</b> <b>(48.95)</b>	<b>2.07</b> <b>(16.08)</b>	<b>3.97</b> <b>(65.18)</b>	<b>4.26</b> <b>(50.77)</b>	<b>36.95</b> <b>(69.10)</b>	<b>2.58</b> <b>(32.87)</b>	<b>4.97</b> <b>(38.95)</b>	<b>4.50</b> <b>(46.34)</b>
<b>General Purpose Loans</b>												
General Purpose Loan ( SHG)	--	0.02	--	--	--	--	0.05	0.04	0.16	0.12	0.15	0.25
GPL - Federation of SHGs / MACTS	1.52	0.36	--	--	--	2.02	--	1.38	3.36	--	0.10	--
General Purpose Loans Woman JLGs	--	--	--	--	--	--	--	--	0.01	--	0.04	0.02
Small Road Transport Operators	--	--	--	--	--	--	--	--	--	--	0.03	--
House Repair&Expansion	--	--	--	0.01	0.01	--	0.03	0.09	0.23	0.02	0.03	0.05
Deposit Loans	--	--	--	0.14	--	--	--	--	--	1.36	0.10	--
Vehicle Loan-Employees/CSAs	--	--	--	0.01	0.01	--	0.02	0	0.13	--	--	--
<b>General Purpose Loans Total</b>	<b>1.52</b> <b>(62.32)</b>	<b>0.38</b> <b>(17.19)</b>	<b>-</b>	<b>0.16</b> <b>(8.38)</b>	<b>0.02</b> <b>(0.38)</b>	<b>2.02</b> <b>(15.70)</b>	<b>0.1</b> <b>(1.64)</b>	<b>1.51</b> <b>(18.00)</b>	<b>3.89</b> <b>(7.28)</b>	<b>1.50</b> <b>(19.11)</b>	<b>0.45</b> <b>(3.53)</b>	<b>0.32</b> <b>(3.64)</b>
<b>Total</b>	<b>2.44</b>	<b>2.21</b>	<b>2.27</b>	<b>1.91</b>	<b>5.25</b>	<b>12.87</b>	<b>6.09</b>	<b>8.39</b>	<b>53.47</b>	<b>7.85</b>	<b>12.76</b>	<b>9.71</b>

Source: Management Information on Key business Parameters, M-stat for year ending 31 March.  
Figures in parenthesis indicates % to total over dues.

The table-1.2 also reveals that Farm loans overdues in the age category of 60 to 90 days as a proportion of total overdues constituted 65.20% percent during the year 2003-04 and the same decreased to 50.02% for the year 2006-07. This has shown an increasing trend up to the year 2004-05 (i.e. from 62.20% to 68.22%), there after, it decreased to 50.02%. As regards Non- Farm loans, this percent increased from 34.80% during the year 2003-04 to a level of 46.34% during the year 2006-07. This proportion has shown a considerable increase in the year 2005-06 (i.e.69.10%) and in the final year of the study period it came down to 46.34%. As regards General Purpose loan the overdues falling within the age category of 60 to 90 days has drastically decreased from a level of 15.70% during the year 2004-05 to a level of 3.64% during the year 2006-07.

#### Portfolio at Risk



Parameters of Portfolio at Risk

Risk category	Credit portfolio quality
Low Risk	0.00% to 2.49% to the loan O/s
Moderate Risk	2.50% to 3.49% to the loan O/s
Fair Risk	3.50% to 4.49% to the loan O/s
High Risk	Above 4.50% to the loan O/s

Source: Credit policy of KBSLAB Ltd

The table-1.3 reveals the Portfolio at Risk (PAR) of KBSLAB Ltd. as well as its branches. Portfolio at Risk denotes the maximum magnitude of risk to which a bank is likely to be exposed.

Table-1.3  
Branch- Wise Portfolio at Risk

Rs. in Lakh

Name of the Branch	2003-04			2004-05			2005-06			2006-07		
	PAR Amount	Loan o/s	% to o/s	PAR Amount	Loan o/s	% to o/s	PAR Amount	Loan o/s	% to o/s	PAR Amount	Loan o/s	% to o/s
<b>Mahabubnagar District</b>												
Mahabubnagar	55.69	276.79	20.11	25.93	310.12	8.40	28.59	381.19	7.50	34.71	312.19	11.11
Kodangal	--	--	--	--	97.34	--	3.71	201.01	1.80	3.83	254.35	1.50
Atmakur	--	--	--	--	136.62	--	0.80	233.88	0.30	0.63	297.99	0.20
Gadwal	--	--	--	--	--	--	--	--	--	--	104.97	--
Nagar karnool BOW	--	--	--	--	--	--	--	--	--	5.17	116.61	4.40
<b>District Total</b>	<b>55.69</b> (89.6%)	<b>276.79</b>	<b>20.11</b>	<b>25.93</b> (52.9%)	<b>544.08</b>	<b>4.76</b>	<b>31.10</b> (47.6%)	<b>718.82</b>	<b>4.60</b>	<b>44.34</b> (42.5%)	<b>1086.11</b>	<b>4.08</b>
<b>Gulbarga District</b>												
Gulbarga	--	--	--	--	54.34	--	3.95	96.37	4.10	9.42	238.79	3.90
Yadgir	4.63	202.20	2.00	16.63	240.45	6.90	15.36	285.18	5.40	22.35	360.02	6.20
Kamlapur	--	--	--	--	124.07	--	2.00	219.06	0.90	9.77	275.22	3.60
Chowdapur	--	--	--	--	--	--	--	63.91	--	0.77	156.46	0.50
Alanda	--	--	--	--	--	--	--	--	--	--	147.84	--
<b>District Total</b>	<b>4.63</b> (7.4%)	<b>202.20</b>	<b>2.00</b>	<b>16.63</b> (33.9%)	<b>418.86</b>	<b>3.97</b>	<b>21.31</b> (32.6%)	<b>664.52</b>	<b>3.20</b>	<b>42.31</b> (40.5%)	<b>1178.33</b>	<b>3.59</b>
<b>Raichur District</b>												
Manvi	1.84	117.16	2.00	6.45*	254.93*	2.50	9.54	314.66	3.00	6.23	239.58	2.60
Deodurga Bow	--	--	--	--	--	--	1.38	100.03	1.40	2.46	116.05	2.10
Shindhaur	--	--	--	--	--	--	--	--	--	9.07	236.41	3.80
Raichur	--	--	--	--	--	--	--	--	--	--	164.37	--
<b>District Total</b>	<b>1.84</b> (3.0%)	<b>117.17</b>	<b>2.00</b>	<b>6.45*</b> (13.2%)	<b>254.93*</b>	<b>2.50</b>	<b>10.92</b> (16.7%)	<b>414.69</b>	<b>2.60</b>	<b>17.76</b> (17.0%)	<b>756.41</b>	<b>2.34</b>
<b>Total</b>	<b>62.16</b>	<b>596.15</b>	<b>10.00</b>	<b>49.01</b>	<b>1217.77</b>	<b>4.00</b>	<b>65.33</b>	<b>1895.29</b>	<b>3.40</b>	<b>104.42</b>	<b>3020.83</b>	<b>3.50</b>

Source: Management Information on Key business Parameters, M-stat for year ending 31 March  
\*Manvi and Deodurga BOW

It is clear from the table-1.3 that total Portfolio at risk (PAR) amounted Rs.62.16 constituting 10.42% of total outstanding during the year 2003-04, reflects the presence of high risk as per the criteria laid down by Credit Management Committee (>5%). However, portfolio at risk as a percentage of total outstanding continuously decreased up 2005-06 (i.e.10.42 to 3.40%) but in the last year under study it went up marginally and touched a level of 3.50%. According to Credit Committee, 3.5% of portfolio at risk implies Fair risk.

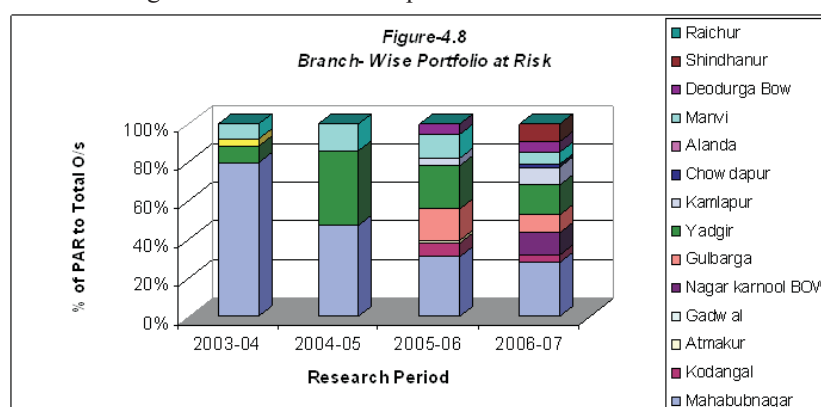
A branch wise analysis of the same reveals that Mahabubnagar PAR amount is more as compared to other branches in each year of the study period. And this branch can be categorized as high risk branch whose percentage of PAR in each year found greater than 5% of outstanding (20.11%- 2003-04, 8.4%- 2004-05,7.50% - 2005-06 and 11.1% - 2006-07). Hence, this branch deserves, serious and careful thought driven actions to monitor and control its PAR. Portfolio at Risk of Yadgir branch though was under low risk category (2%) for the year 2003-04 moved into a high risk category with 6.90% of outstanding during the year 2004-05 and remained in this category for next two years of the study period (5.4%-2005-06 and 6.2%-2006-07). As regards of a branch situated at Kamlapur accounted for 3.60% of PAR with an corresponding amount of Rs.9.77 lakh for the year 2006-07 implying fair risk Branch. This branch has experienced wide fluctuations during the last two years of study period (0.09%-2005-06 low risk).

**Table-1.4**  
Risk category-wise classification of Branches

Name of the Branch	2003-04				2004-05				2005-06				2006-07			
	Risk categories				Risk categories				Risk categories				Risk categories			
	LR	MR	FR	HR	LR	MR	FR	HR	LR	MR	FR	HR	LR	MR	FR	HR
<b>Mahabubnagar District</b>																
Mahabubnagar				✓				✓				✓				✓
Kodangal									✓				✓			
Atmakur									✓				✓			
Gadwal																
Nagar karnool BOW															✓	
<b>Gulbarga District</b>																
Gulbarga											✓				✓	
Yadgir	✓							✓				✓				✓
Kamlapur									✓						✓	
Chowdapur													✓			
Alanda																
<b>Raichur District</b>																
Manvi	✓					✓			✓	✓				✓		
Deodurga Bow									✓				✓			
Shindhanur															✓	
Raichur																
<b>Total</b>	<b>2</b>			<b>1</b>		<b>1</b>		<b>2</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>2</b>

Note: LR- Low Risk; MR Moderate Risk; FR-Fair Risk; HR-High Risk.

Though Gulbarga branch commenced its operations along with Kamlapur branch, its percentage of PAR is more in last two years under study (4.10%> 0.90%-2005-06 and 3.90%>3.60%-2006-07). Atmakur branch has shown solid performance from the view point of PAR which stood at 0.30% to its total outstanding during the year 2005-06 and yet 0.20% for the year 2006-07. It is apparently clear from the above table that Sindhanur branch possess 3.80% PAR with an amount of Rs.9.07 lakh during the year 2006-07 falling under fair risk categories. To conclude the discussion on PAR, results revealed by the table-4.18 is summarized and branches are categorized into different risk compartments using standard parameters as the basis. The information about risk categorization of branches is presented in table-4.19





**Product-wise PAR:**

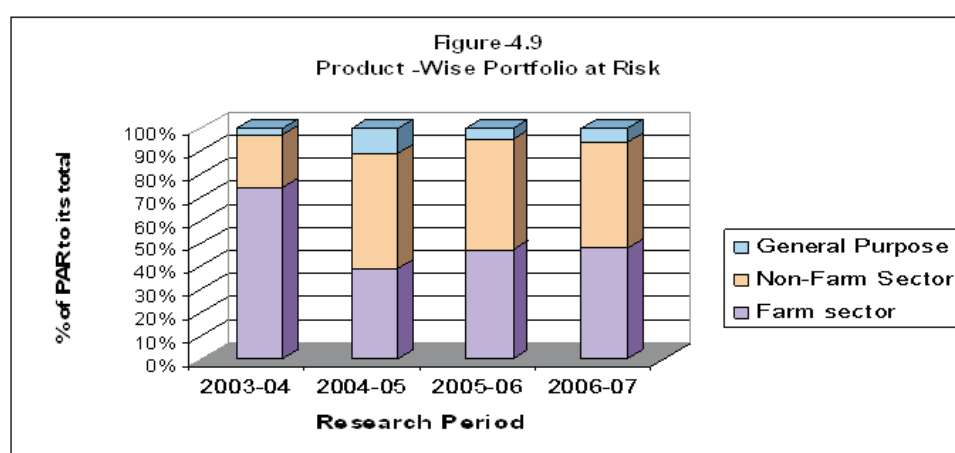
In order to gain a microscopic view about Portfolio at Risk (PAR), researcher found it pertinent to have analysis of product wise Portfolio at Risk. This type of information virtually throws a flood of light on portfolio at risk product wise, which may provide a useful base in policy formulation about the ways and means of reducing PAR. Hence, product wise PAR information is drawn and presented in the table-4.20.

**Table-1.5  
Product -Wise Portfolio at Risk**

**Rs. in Lakh**

Name of Products	2003-04			2004-05			2005-06			2006-07		
	PAR Amount	Loan o/s	% to o/s	PAR Amount	Loan o/s	% to o/s	PAR Amount	Loan o/s	% to o/s	PAR Amount	Loan o/s	% to o/s
<b>Farm Loans</b>												
Samruddhi Kisan Credit Card	--		--	7.15	58.72	12.17	12.88	93.39	13.79	13.30	108.14	12.29
Crop Loan thru BUAs	15.44	38.29	40.32		33.84		3.46	26.55	13.03	12.56	21.96	57.19
Crop Loan with Joint Liability Groups	14.37	52.44	27.40	3.81	32.31	11.79	3.62	3.62	100	0.14	0.14	100.00
Restructured Loans	--	--	--	--	--	--	--	24.08	--	0.58	23.53	2.46
Agri Investment Loans	3.98	18.76	21.21	2.71	11.08	24.45	3.13	13.46	23.25	1.79	20.86	98.58
Lift Irrigation	--	--	--	0.55	12.40	4.43	0.98	15.44	6.34	2.53	13.70	18.46
Agri Allied Activities	12.44	66.11	18.81	4.84	218.45	2.21	6.69	446.46	1.49	19.01	812.09	2.34
	<b>46.23</b> (74.4%)	<b>175.60</b>	<b>26.32</b>	<b>19.06</b> (38.9%)	<b>366.80</b>	<b>5.19</b>	<b>30.76</b> (47.1%)	<b>623.00</b>	<b>4.93</b>	<b>49.91</b> (47.8%)	<b>1000.43</b>	<b>4.98</b> (10.35 Avg)
<b>Non-Farm Loans</b>												
Micro Enterprises	14.77	296.38	4.98	24.77	696.73	3.55	31.26	1088.15	2.87	47.76	1778.32	2.68
Growth Micro Enterprises	--	--	--	--	1.65	--	--	1.44	--	--	2.43	--
Sudhama Loans	--	0.71	--	0.01	12.08		0.38	12.80	2.96	0.49	10.98	4.46
	<b>14.77</b> (23.7%)	<b>297.09</b>	<b>4.97</b>	<b>24.78</b> (50.6%)	<b>710.46</b>	<b>3.48</b>	<b>31.64</b> (48.4%)	<b>1102.39</b>	<b>2.87</b>	<b>48.25</b> (46.2%)	<b>1791.73</b>	<b>2.69</b> (3.71 Avg)
<b>General Purpose Loans</b>												
General Purpose Loan ( SHG)	0.07	1.93	3.62	0.08	3.42	2.33	1.96	40.16	4.88	1.04	20.85	4.98
GPL - Federation of SHGs / MACTS	1.13	104.92	1.07	4.84	112.03	4.32	--	77.36	--	3.63	42.80	8.48
General Purpose Loans Woman JLGs	--	1.44	--	--	0.85	--	--	7.61	--	0.09	16.96	0.53
Small Road Transport Operators	--	--	--	--	--	--	--	1.80	--	--	4.11	--
House Repair&Expansion		3.68			11.20		0.33	15.81	2.08	0.48	27.06	1.77
Deposit Loans	0.29	4.68	6.19	--	4.20	--	--	17.55	--	0.35	103.17	0.33
Vehicle Loan-Employees/CSAs	--	6.81	--	0.22	8.81	2.49	0.65	9.61	6.76	0.68	13.71	4.95
	<b>1.49</b> (2.4%)	<b>123.46</b>	<b>1.20</b>	<b>5.14</b> (10.5%)	<b>140.51</b>	<b>3.65</b>	<b>2.94</b> (4.5%)	<b>169.90</b>	<b>1.73</b>	<b>6.27</b> (6.0%)	<b>228.67</b>	<b>2.7</b> (2.32 Avg)
<b>Total</b>	<b>62.16</b>	<b>596.15</b>	<b>10.00</b>	<b>49.01</b>	<b>1217.77</b>	<b>4.00</b>	<b>65.33</b>	<b>1895.29</b>	<b>3.40</b>	<b>104.42</b>	<b>3020.83</b>	<b>3.50</b> (5.25 Avg)

Source: Management Information on Key business Parameters, M-stat for year ending 31 March



The table-1.5 exhibits product wise PAR during the study period. It can be seen from the above table that Farm loan products share a major proportion (74.4%) of the total PAR during the year 2003-04 (Rs.46.23 of 62.16), whereas, the share of Non -Farm loan is 23.7% and that of General Purpose loan is 2.4% for the same year. During the year 2004-05 the proportion of Farm loan decreased to 38.9%; the share of Non-Farm loan increased to 50.06% and the share of General Purpose loan increased to 10.5%. During the year 2005-06 the proportion of Non-farm loan increased to 47.1% from a level of 38.9%. In the previous year, the share of Non-Farm loan marginally decreased and touched to a level of 48.4% and General purpose loan decreased to 4.5%. During the final year of the study period the share of Non-Farm loans marginally increased to reach a level of 47.8%, the share of Non-Farm loan marginally decreased (48.4% to 46.2%), and there is slight increase in the share of General Purpose loan (4.5% to 6%). Thus, it is clear from the analysis that Farm loan products are major contributory to the total PAR. Samrudhi Kisan Credit Card product and Crop Loan through BUAs, as Farm loan products, are the major source of Portfolio at Risk. A noteworthy situation a par above table is that Micro Enterprises a Non- Farm loan product accounted for 4.98% of its loan outstanding during the year 2003-04 got continuously decreased throughout the study period and touched with the minimum of 2.68% during 2006-07 though its o/s are on raising trend.

Branch-wise Gross NPA analysis

**Table-1.6**  
**Parameters of Portfolio at Gross NPA**

Risk category	Credit portfolio quality
Low Risk	0.00% to 1.49% to the loan O/s
Moderate Risk	1.50% to 2.49% to the loan O/s
Fair Risk	2.50% to 3.49% to the loan O/s
High Risk	Above 3.50% to the loan O/s

Source: Credit policy of KBSLAB Ltd

The table-1.7 reveals the Gross Non-Performing Assets (NPA) of KBSLAB Ltd. a well as its branches. The Reserve Bank of India (RBI) defines NPA as “a Non-Performing Assets (NPA) is advance where2

- a)Interest and /or installment of principal remain overdue for a period of more than 90 days ( with effect from March 31, 2004) in respect of a term loan,
- b)The accounts remains out of order for a period of more than 90 days, in respect of overdraft/cash credit,
- c)Interest and /or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half-years in the case of an advance granted for agriculture purpose, and
- d)Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.”

**Table-1.7**  
**Branch wise Gross Non-Performing Assets**

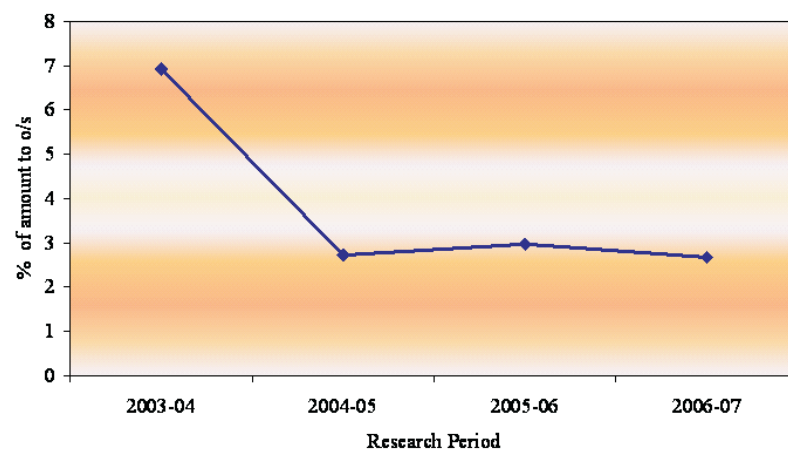
Rs. in Lakh

Name of the Branch	2003-04			2004-05			2005-06			2006-07		
	Gross NPA Amount	A/c s	% of amount to o/s	Gross NPA Amount	A/c s	% of amount to o/s	Gross NPA Amount	A/c s	% of amount to o/s	Gross NPA Amount	A/c s	% of amount to o/s
<b>Mahabubnagar District</b>												
Mahabubnagar	35.36	315	12.77	22.32	212	7.19	24.65	244	6.46	21.85	207	6.99
Kodangal	--	--	--	--	--	--	4.03	11	2.00	3.62	23	1.42
Atmakur	--	--	--	--	--	--	0.74	5	-	0.63	10	0.21
Gadwal	--	--	--	--	--	--	--	--	--	--	--	--
Nagar karnool BOW	--	--	--	--	--	--	--	--	--	4.63	65	3.97
<b>District Total</b>	<b>35.36</b>	<b>315</b>	<b>12.77</b>	<b>22.32</b>	<b>212</b>	<b>4.10</b>	<b>29.42</b>	<b>260</b>	<b>4.09</b>	<b>30.73</b>	<b>305</b>	<b>2.82</b>
<b>Gulbarga District</b>												
Gulbarga	--	--	--	--	--	--	3.55	66	3.68	8.63	159	3.61
Yadgir	4.26	52	2.10	10.42	149	4.33	12.45	129	4.36	18.25	181	5.06
Kamlapur	--	--	--	--	--	--	1.20	24	0.54	7.76	151	2.81
Chowdapur	--	--	--	--	--	--	--	--	--	0.49	5	-
Alanda	--	--	--	--	--	--	--	--	--	--	--	--
<b>District Total</b>	<b>4.26</b>	<b>52</b>	<b>2.10</b>	<b>10.42</b>	<b>149</b>	<b>2.48</b>	<b>17.2</b>	<b>219</b>	<b>2.58</b>	<b>35.13</b>	<b>496</b>	<b>2.98</b>
<b>Raichur District</b>												
Manvi	1.69	11	1.42	0.42	42	0.64	8.58	83	2.72	6.05	69	2.52
Deodurga Bow	--	--	--	--	--	--	1.09	12	1.08	1.72	21	1.48
Shindhanur	--	--	--	--	--	--	--	--	--	7.27	92	3.07
Raichur	--	--	--	--	--	--	--	--	--	--	--	--
<b>District Total</b>	<b>1.69</b>	<b>11</b>	<b>1.42</b>	<b>0.42</b>	<b>42</b>	<b>0.16</b>	<b>9.67</b>	<b>95</b>	<b>2.33</b>	<b>15.04</b>	<b>182</b>	<b>1.98</b>
<b>Total</b>	<b>41.31</b>	<b>378</b>	<b>6.92</b>	<b>33.16</b>	<b>403</b>	<b>2.72</b>	<b>56.31</b>	<b>574</b>	<b>2.97</b>	<b>80.92</b>	<b>983</b>	<b>2.67</b>

Source: Management Information on Key business Parameters, M-stat for year ending 31 March.

\* Manvi and Deodurga BOW.

**Figure-4.10.**  
**Trends in Gross NPAs**



It is clear from the table-1.7 that total gross Non-Performing Assets amount of KBSLAB Ltd. was Rs.41.31, constituting 6.92% of total outstanding during the year 2003-04, reflects the presence of high risk as per the criteria laid down by Credit Management Committee (above 3.5%). However, gross Non-Performing Assets as a percentage of total outstanding fluctuating during the study period from 2003-4 to 2006-07. The Gross Non-Performing Assets drastically decreased in the year 2004-05 by 6.92% to outstanding, in the year 2003-04, 2.72% with an amount of Rs.41.31 lakh to Rs.33.16 lakh; but it went up marginally in the year 2005-06 (2.97%) and in the last year under study it touched down marginally to a level of 2.67%. According to Credit Committee, 2.67% of gross NPAs implies Fair risk.

The branch-wise analysis of the same reveals that Mahabubnagar gross Non-Performing Assets is more as compared to other branches in each year of the study period. And this branch can be categorized as high risk branch whose percentage of gross NPA in each year found greater than 3.5% to the loan outstanding (12.77%- 2003-04, 7.19%- 2004-05, 6.46% - 2005-06 and 6.99% - 2006-07). Hence, this branch deserves serious and careful, thought driven actions, to monitor and control its gross Non-Performing Assets. Gross NPAs of Yadgir branch though was under Moderate risk category (2.1%) for the year 2003-04 moved into a high risk category with 4.33% to the loan outstanding during the year 2004-05 and remained in this category for next two years of the study period (4.36%-2005-06 and 5.06%-2006-07). As regards of a branch situated at Gulbarga accounted for 3.68% of gross Non-Performing Assets to total outstanding with an corresponding amount of Rs.3.55 lakh for the year 2005-06 implying high risk Branch. This branch has experienced a light decrease during the last years of study period (3.61%-2006-07 HR). Though Kamalapur branch commenced its operations along with Gulbarga branch, its percentage of gross NPA is more in last two years under study. Atmakur branch has shown solid performance from the view point of gross Non-Performing Assets, which stood at 0.00% to its total outstanding during the year 2005-06 and yet 0.21% for the year 2006-07. It is apparently clear from the above table that Sindhanur branch possess 3.08% gross NPAs with an amount of Rs.7.27 lakh during the year 2006-07 falling under fair risk categories. To conclude the discussion on gross Non-Performing Assets, results revealed by the table-1.7 is summarized and branches are categorized into different risk compartments using standard parameters as the basis. The information about risk categorization of branches is presented here under table-1.8.

#### Product-wise Gross NPA

In order to gain a minute view about gross Non-Performing Assets, researcher found it pertinent to have analysis of product wise gross Non-Performing Assets. This type of information practically throws a flood of light on gross Non-Performing Assets product-wise, which may provide a useful base in policy formulation, about the ways and means of reducing gross NPAs. Hence, product wise gross Non-Performing Assets information is drawn and presented in the table-1.9

**Table-1.8**  
**Risk category-wise classification of Branches**

Name of the Branch	2003-04				2004-05				2005-06				2006-07			
	Risk categories				Risk categories				Risk categories				Risk categories			
	LR	MR	FR	HR	LR	MR	FR	HR	LR	MR	FR	HR	LR	MR	FR	HR
<b>Mahabubnagar District</b>																
Mahabubnagar				✓				✓				✓				✓
Kodangal									✓				✓			
Atmakur													✓			
Gadwal																
Nagar karnool BOW																✓
<b>Gulbarga District</b>																
Gulbarga												✓				✓
Yadgir		✓					✓					✓				✓
Kamalapur								✓								✓
Chowdapur																
Alanda																
<b>Raichur District</b>																
Manvi	✓				✓					✓						✓
Deodurga Bow								✓						✓		
Shindhanur																✓
Raichur																
<b>Total</b>	<b>2</b>	<b>1</b>		<b>1</b>	<b>1</b>			<b>3</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>3</b>

LR- Low Risk; MR Moderate Risk; FR-Fair Risk; HR-High Risk.

**Table-1.9**  
**Product wise Gross Non-Performing Assets and its % to Total O/S**  
**Rs. in Lakh**

Name of Products	2003-04			2004-05			2005-06			2006-07		
	Gross NPA Amount	A/cs	% to o/s	Gross NPA Amount	A/cs	% to o/s	Gross NPA Amount	A/cs	% to o/s	Gross NPA Amount	A/cs	% to o/s
<b>Farm Loans</b>												
Samruddhi Kisan Credit Card	3.59	43	6.81	0.01	1	0.1	9.22	74	9.07	10.33	88	9.50
Crop Loan thru BUAs	--	--	--	3.59	21	--	3.46	1	13.01	2.23	1	10.09
Crop Loan with Joint Liability Groups	--	--	--	--	--	--	3.39	20	93.13	0.05	1	35.7
Restructured Loans	--	--	--	--	--	--	--	--	--	--	--	--
Agri Investment Loans	3.15	41	15.51	1.25	4	10.5	2.89	13	21.43	0.33	3	1.52
Lift Irrigation	--	--	--	--	--	--	--	--	--	1.89	6	13.73
Agri Allied Activities	15.76	179	18.71	5.10	71	11.2	5.67	83	1.24	18.17	261	2.21
<b>Farm Loans Total</b>	<b>22.5</b>	<b>263</b>	<b>22.80</b>	<b>9.95</b>	<b>97</b>	<b>2.33</b>	<b>24.63</b>	<b>191</b>	<b>3.95</b>	<b>33.00</b>	<b>360</b>	<b>3.29</b>
<b>Non-Farm Loans</b>												
Micro Enterprises	17.47	112	4.8	20.40	283	4	28.25	359	2.51	41.60	575	2.31
Growth Micro Enterprises	--	--	--	--	--	--	--	--	--	--	--	--
Sudhama Loans	--	--	--	0.04	1	--	0.36	15	2.80	0.49	20	4.40
<b>Non-Farm Loans Total</b>	<b>17.47</b>	<b>112</b>	<b>4.8</b>	<b>20.89</b>	<b>284</b>		<b>28.61</b>	<b>374</b>	<b>2.50</b>	<b>42.09</b>	<b>595</b>	<b>2.30</b>
<b>General Purpose Loans</b>												
General Purpose Loan (SHG)	0.06	1	3.6	0.07	2	2.3	--	--	--	--	--	--
GPL - Federation of SHGs / MACTS	1.47	2	0.9	2.65	2	4.3	2.24	5	2.81	4.53	14	10.58
General Purpose Loans Woman JLGs	--	--	--	--	--	--	--	--	--	0.08	4	0.50
Small Road Transport Operators	--	--	--	--	--	--	--	--	--	--	--	--
House Repair&Expansion	--	--	--	--	--	--	0.20	1	1.20	0.45	4	1.61
Deposit Loans	--	--	--	--	--	--	--	--	--	--	--	--
Vehicle Loan-Employees/CSAs	--	--	--	--	--	1.9	0.65	3	6.76	0.76	6	5.50
<b>General Purpose Loan Total</b>	<b>1.53</b>	<b>3</b>	<b>1.23</b>	<b>2.72</b>	<b>4</b>	<b>1.93</b>	<b>3.09</b>	<b>9</b>	<b>1.81</b>	<b>5.82</b>	<b>28</b>	<b>2.54</b>
<b>Total</b>	<b>41.31</b>	<b>378</b>	<b>6.92</b>	<b>33.16</b>	<b>403</b>	<b>2.72</b>	<b>56.31</b>	<b>574</b>	<b>2.97</b>	<b>80.92</b>	<b>983</b>	<b>2.67</b>

Source: Management Information on Key business Parameters, M-stat for year ending 31 March.

The table-1.9 reveals product wise gross NPAs during the study period. It can be seen from the above table that Farm loan products share a major proportion (54.49%) of the total gross NPAs during the year 2003-04 (Rs.22.51 of 41.31); where as, the share of Non- Farm loan is 42.29% and that of General Purpose loan is 3.70% for the same year. During the year 2004-05 the proportion of Farm loans decreased to 30.00%; the share of Non-farm loan increased to 62.99%, and the share of General Purpose loan increased to 8.20% during the year 2005-06. The proportion of Farm loan increased to 43.74% in the year 2005-06 from a level of 30.00% in the previous year, the share of Non-Farm loan marginally decreased and touched to a level of 52.01%; and General Purpose loan increased to 7.19%. Thus, it is clear from the above table that Farm loan products are major contributory to the total gross NPAs. Crop Loan through BUAs and Samruddhi Kisan Credit Card product as a Farm loan products are the major source of gross Non-Performing Assets. A noteworthy situation a par above table is that Micro enterprises a Non-Farm loan products accounted for 4.8% of its total loan outstanding during the year 2003-04 got continuously decreased throughout the study period and touched with the minimum of 2.31% during 2006-07 though its total loan outstanding.

#### Trends in Non-Performing Assets

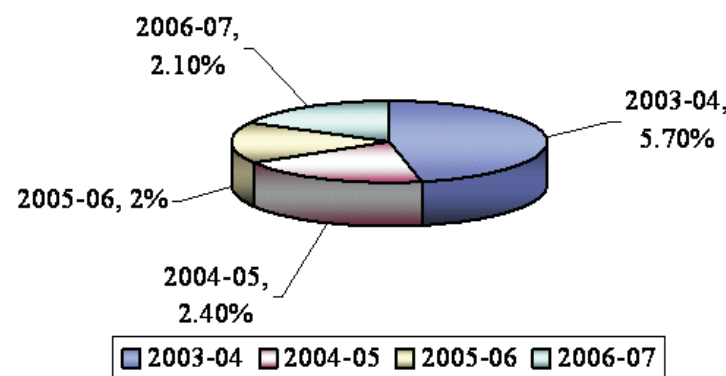
The trends in Non-Performing Assets of KBSLAB Ltd during the period 2003-04 to 2006-07, is shown in the table 1.10

**Table-4.25**  
**Trends in net NPAs and Loan loss Provisioning**

Particulars	2003-04			2004-05			2005-06			2006-07		
	Additions	Recoveries	Out standing	Additions	Recoveries	Out standing	Additions	Recoveries	Out standing	Additions	Recoveries	Out standing
Grass NPAs	20.49	10.39	41.31	17.20	20.87	37.64	35.35	16.68	56.31	60.55	35.54	81.32
Provision	4.96	1.03	7.45	3.01	2.14	8.32	14.39	4.07	18.64	2.95	5.05	16.54
Net NPAs	15.52	9.36	33.86	14.19	18.73	29.32	20.99	12.64	37.67	57.60	30.49	64.78
% of NPA to its total loan O/s	--	--	5.7%	--	--	2.4%	--	--	2.0%	--	--	2.1%

Source: Annual reports of KBSLAB Ltd.

**Figure-4.11**  
**Trends in Net NPAs and Loan loss Provisioning**



The table also reveals the addition of NPAs, recovery made and provision to the NPA during the study period. The KBS bank ascertained the net NPAs by providing provisions as per the guidelines of RBI from gross NPAs. Total net NPA outstanding at the end of 2003-04 was 33.86 lakh, which is increased to 37.67 lakh in 2005-06 and 64.78 lakh in 2006-07 but it decreased in 2004-05 i.e. 29.32 lakh compared to previous years. The recovery position of NPA is found satisfactory in the year 2004-05 and 2006-07 i.e. 18.73 lakh and 30.49 lakh. The table-4.25 also exhibits the percentage of Net NPA to its total loan outstanding. The percentage of net NPAs to its total loan outstanding is decreased 2.4% during 2004-05 from 5.7% in the year 2003-04, which is very high (5.7%) during the study period (2003-04 to 2006-07). It is decreased and touched to the level of 2.0% to its total loan outstanding during the year 2005-06 and raised marginally to 2.10% to its total loan outstanding in 2006-07. It is observed by study that high contribution of net NPA during the initial year of the study period (2003-04) are due to non-existing system of First Time Overdue concept.

#### Age wise Analysis of Non-Performing Assets



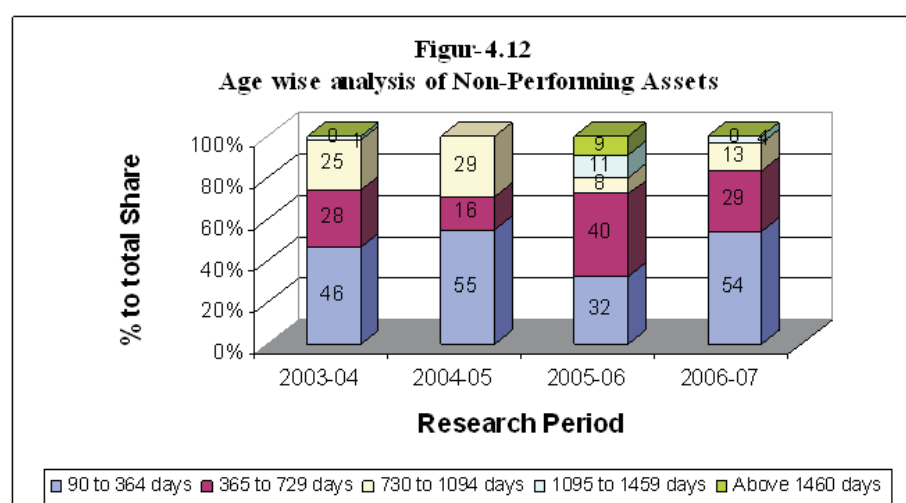


Table-1.11 Age wise analysis of Non-Performing Assets

Rs. in Lakh

Age of NPA	2003-04			2004-05			2005-06			2006-07		
	No. of Accts	NPA Amt	% to its Total	No. of Accts	NPA Amt	% to its Total	No. of Accts	NPA Amt	% to its Total	No. of Accts	NPA Amt	% to its Total
90 to 364 days	194	19.17	46.41	212	20.64	55.2%	290	18.27	32.44	617	43.58	53.85
365 to 729 days	105	11.44	27.69	84	5.64	15.0%	165	22.32	39.63	234	23.55	29.10
730 to 1094 days	77	10.12	24.50	107	11.10	29.69%	49	4.54	8.06	104	10.82	13.37
1095 to 1459 days	2	0.58	1.40	--	--		47	6.01	10.67	28	2.99	3.69
Above 1460 days	--	--	--	--	--		23	5.18	9.19	--	--	--
<b>Grand Total</b>	<b>378</b>	<b>41.31</b>	<b>100</b>	<b>403</b>	<b>37.38</b>	<b>100%</b>	<b>574</b>	<b>56.31</b>	<b>100</b>	<b>983</b>	<b>80.92</b>	<b>100</b>

Source: Annual Reports of KBSLAB Ltd.

The table-1.11 reveals the age wise classification of total Non-Performing Assets into five age buckets (90 to 364 days, 365 to 729 days, 730 to 1094 day, 1095 to 1459 days and 1460 and above days). The table-4.26 shows the number of NPA accounts and NPA amount during the research period from 2003-04 to 2006-07. Age group 90 to 364 days share a major proportion (46.41%) of the total NPA amount, where as, the share of NPA in the age category of 365 to 729 is 27.67% and that of the age category 730 to 1094 days 1095 to 1459 days NPAs are 24.50%, 1.40% to its total NPA during the year 2003-04. During the year 2005-06 the proportion of Age 90 to 364 days decreased to 32.44% is increased to 53.85%. The index of 365 to 729 days and 730 to 1094 age over dues share varying trends during the research period. The share of NPAs of 365 to 729 days and 730 to 1094 age in total over dues varied during the research period.

In the light of the above analysis it can be concluded that the management has to give more attention in recovering over dues 90 to 364 days and 365 to 594 of age group. The total NPA and it accounts which were Rs.41.31 lakh of 378 accounts in the year 2003-04 are increased to Rs.80.92 lakh of 983 accounts in 2006-07. Further, over dues of all age groups have increased sharply during last year of plan period because of recoveries have come to a grinding halt in view of debt relief scheme announced by the government.

### Recovery Risk

As the owned funds of the KBSLAB Ltd. is inadequate considering the potential demand for supply of credit from them, they depend heavily for their resources on deposits and borrowings from higher financial institutions. If the bank is facing the problems in recovery of loans, their power to raise resources by way of deposits is curtailed because heavy over dues can not give a good image about the financial position of the bank, confidence among investors which is necessary to raise resources is impaired due to heavy over dues and depositors may not come forward to invest money.

For success of the bank, whether commercial or co-operative bank recovery of loans assumes great importance. Timely recovery of loans strengthens the financial position of the bank and enables the bank to repay the borrowed fund from the higher financial agencies such as ABN Amro, HDFC and SIDBI. The trust of the public is shaken when OD exceeds over owned funds.

**Table-1.12**  
Parameters for Recovery

Risk	Percentage of Recovery
High Risk	Above 92.99%
Fair Risk	93% to 94.99%
Moderate	95% to 96.99%
Low Risk	97% to 100%

Source: Internal Records of KBSLAB Ltd

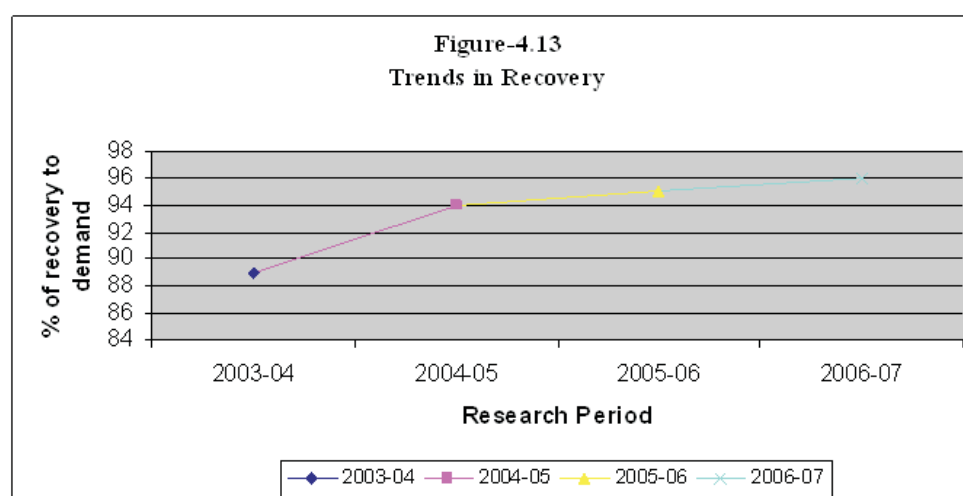
The KBS bank has formulated the policies for the ascertainments of the quantum of risk involved in recovery process. Higher the recovery better is the performance and vice-versa. If the recovery of outstanding amount falls in the range of 95%-96.99% of demand, the risk would be considered as moderate and if the recovery of loan is below 92.99% it is considered as high risk situation like so if the percentage of Recovery is in the range of 93% to 94.99% risk is said to be considered as fair risk. And the percentage of recovery exceeds 97% it implies a very low risk. These parameters were used for evaluating recovery performance and associated risk for KBSLAB Ltd. as well as its branches for each year during the study period.

**Table-1.3**  
Branch wise Recovery Risk

Rs. in Lakh

Name of the Branch	2003-04			2004-05			2005-06			2006-07		
	Demand	Collection	Recovery %	Demand	Collection	Recovery %	Demand	Collection	Recovery %	Demand	Collection	Recovery %
<b>Mahabubnagar District</b>												
Mahabubnagar	317.45	260.51	82	323.64	293.47	91	350.14	315.72	90	468.02	433.01	92
Kodangal	--	--	--	28.97	27.09	94	168.91	164.45	97	286.71	281.99	98
Atmakur	--	--	--	45.04	44.88	97	211.96	211.13	100	308.41	306.10	99
Gadwal	--	--	--	--	--	--	--	--	--	11.11	11.11	100
Nagar karnool BOW	--	--	--	--	--	--	--	--	--	117.99	109.28	93
<b>District Total</b>	<b>317.45</b> (55%*)	<b>260.51</b> (50%*)	<b>82</b>	<b>397.65</b> (46%*)	<b>365.44</b> (45%*)	<b>94</b>	<b>731.01</b> (43%*)	<b>691.30</b> (43%*)	<b>96</b>	<b>1192.24</b> (43%*)	<b>1141.49</b> (42%*)	<b>96</b>
<b>Gulbarga District</b>												
Gulbarga	--	--	--	1.90	1.90	100	167.71	160.74	96	157.73	149.05	94
Yadgir	183.01	176.99	97	278.39	261.64	94	298.45	182.26	94	337.89	318.21	94
Kamlapur	--	--	--	24.67	24.67	100	171.08	168.53	98	316.24	303.22	96
Chowdapur	--	--	--	--	--	--	9.52	9.52	100	120.54	117.80	97
Alanda	--	--	--	--	--	--	--	--	--	31.67	31.60	99
<b>District Total</b>	<b>183.01</b> (31%*)	<b>176.99</b> (34%*)	<b>97</b>	<b>304.96</b> (35%*)	<b>288.21</b> (45%*)	<b>98</b>	<b>646.76</b> (38%*)	<b>521.05</b> (32%*)	<b>97</b>	<b>964.07</b> (34%*)	<b>919.88</b> (34%*)	<b>96</b>
<b>Raichur District</b>												
Manvi	74.65*	72.60	97	154.59	147.88	96	234.16	223.96	95	388.01	379.03	97
Deodurga Bow	--	--	--	10.48	10.38	99	80.86	80.07	99	119.11	115.89	97
Shindhanur	--	--	--	--	--	--	--	--	--	118.43	111.12	94
Raichur	--	--	--	--	--	--	--	--	--	15.93	15.93	100
<b>District Total</b>	<b>74.65</b> (13%*)	<b>72.65</b> (14%*)	<b>97</b>	<b>165.07</b> (19%*)	<b>158</b> (19%*)	<b>97</b>	<b>315.02</b> (19%*)	<b>304.03</b> (19%*)	<b>97</b>	<b>641.48</b> (23%*)	<b>621.97</b> (23%*)	<b>97</b>
<b>Grand Total</b>	<b>575.11</b>	<b>510.10</b>	<b>89</b>	<b>867.68</b>	<b>811.91</b>	<b>94</b>	<b>1692.79</b>	<b>1616.55</b>	<b>95</b>	<b>2797.80</b>	<b>2683.34</b>	<b>96</b>

Source: Operations Summary Report, M-stat for year ending 31 March  
\* Manvi and Deodurga BOW and % to its grand total



The table 1.13 reveals the information about loan demand, amount of collection against loan demand and its percentage of recovery for the study period. During the first year of the research period only 89% of demand was recovered (Rs.510.10 lakh of Rs.575.11 lakh) it implies that an amount of Rs.65.01 is remained uncollected constituting 11% of the total loan outstanding. This situation can be categories as high risk situation according to the norms of credit risk management committee of the bank. During the succeeding year of the research period, the percentage of recovery continuously increased and reached to 96% indicating good recovery position

A Branch wise analysis of the same reveals that all branches operating in Mahabubnagar district have shown satisfactory performance throughout the study period except 2003-04 varying its percentage of recovery was 82%. However, there is a positive trend in all the branches of Mahabubnagar district, the recovery performance of branches coming under Gulbarga district jurisdiction is found to be satisfactory as their recovery position is almost in conformity with the standard parameters.

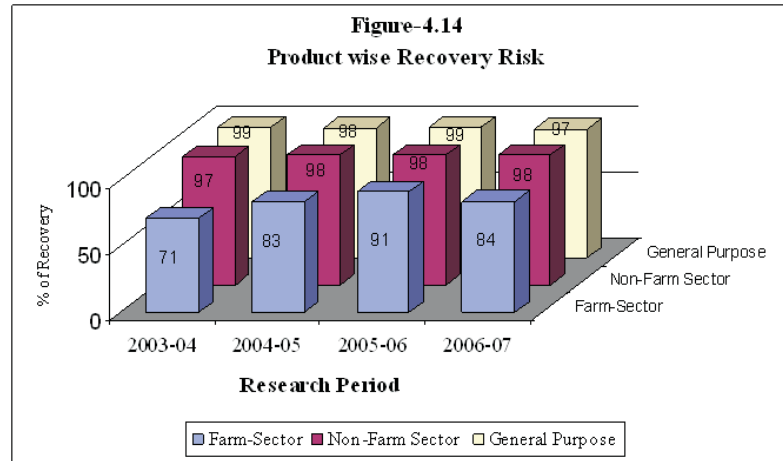
**Table-1.14**  
**Risk category-wise classification of Recovery of Branches**

Name of the Branch	2003-04				2004-05				2005-06				2006-07			
	Risk categories				Risk categories				Risk categories				Risk categories			
	LR	MR	FR	HR	LR	MR	FR	HR	LR	MR	FR	HR	LR	MR	FR	HR
<b>Mahabubnagar District</b>																
Mahabubnagar				✓			✓	✓				✓	✓			✓
Kodangal						✓			✓				✓			
Atmakur					✓				✓				✓			
Gadwal													✓			
Nagar karnool BOW																✓
<b>Gulbarga District</b>																
Gulbarga					✓				✓							✓
Yadgir	✓					✓				✓						✓
Kamlapur					✓									✓		
Chowdapur									✓				✓			
Alanda									✓				✓			
<b>Raichur District</b>																
Manvi	✓					✓			✓	✓			✓			
Deodurga Bow						✓			✓	✓			✓			
Shindhanur																✓
Raichur													✓			
<b>Total</b>	<b>2</b>			<b>1</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>4</b>	<b>1</b>

LR-Low Risk; MR-Moderate Risk; FR-Fair Risk; HR-High Risk

The performance of branches in Raichur district was also found satisfactory. From the view point of the bank failure to repay loans by some borrowers in turn encourages even those borrowers who are in the position to repay to remain in default. Hence, the bank should devote much attention towards defaulting customers.

Product wise Recovery



The table 1.15 reveals information about product wise recovery performance of KBSLAB Ltd. during the study period. From the above table it is known that the recovery performance of Farm loan products is not satisfactory according to credit committee standards (71%-2003-04, 83%-2004-05, 91%-2005-06 and 84%-2006-07). This percentage of recovery has shown ups and downs during the study period. It is a matter of pleasure to note that the performance of Non-Farm loan products and General Purpose loan products is found to be satisfactory according to the norms.

Table 1.15  
Product wise Recovery Risk

Rs. in Lakh

Name of Products	2003-04			2004-05			2005-06			2006-07		
	Demand	Collection	Recovery %	Demand	Collection	Recovery %	Demand	Collection	Recovery %	Demand	Collection	Recovery %
<b>Farm Loans</b>												
Samadhi - Kisan Credit Card	--	--	--	77.11	66.88	87	110.11	94.75	86	161.13	143.33	89
Crop Loan thru BUAs	76.33	60.37	79	60.20	54.04	90	45.87	42.41	93	34.99	22.44	64
Crop Loan with Joint Liability Groups	67.07	51.45	78	10.61	6.77	64	3.79	0.18	95	3.75	3.61	96
Restricted Loans	--	--	--	--	--	--	1.02	1.02	100	11.38	8.50	75
Agriculture Investment Loans	6.45	3.09	48	7.24	5.27	73	8.04	5.37	67	10.41	9.46	91
Lift Irrigation	--	--	--	1.67	1.57	94	4.14	3.56	86	6.75	5.29	78
Agriculture Allied Activities	62.05	49.63	80	105.64	100.46	95	298.38	288.65	97	690.11	667.89	97
<b>Total</b>	211.9 (35%*)	49.63 (10%*)	71	262.47 (30%*)	234.99 (29%*)	83	471.35 (28%*)	435.94 (27%*)	91	918.52 (33%*)	860.53 (32%*)	84
<b>Non-Farm Loans</b>												
Micro Enterprises	248.02	233.66	94	473.51	447.55	95	1046.83	1010.55	97	1637.46	1589.61	97
Growth Micro Enterprises	--	--	--	0.35	0.35	100	2.20	2.20	100	2.01	2.01	100
Sudhama Loans	0.39	0.39	100	7.73	7.70	100	29.00	28.34	98	18.31	17.69	97
<b>Total</b>	248.41 (43%*)	234.05 (46%*)	97	481.59 (56%*)	455.6 (56%*)	98	1078.03 (64%*)	1041.09 (64%*)	98	1657.78 (59%*)	1609.31 (60%*)	98
<b>General Purpose Loans</b>												
General Purpose Loan (SHG)	2.88	2.79	97	1.99	1.91	96	39.96	39.80	99	40.68	39.34	97
GPL - Federation of SHGs / MACTS	100.61	97.60	97	106.68	104.66	98	69.24	65.88	95	77.01	73.30	95
General Purpose Loans Women J.Gs	0.31	0.31	100	0.58	0.58	100	6.39	6.38	100	17.61	17.49	99
Small Road Transport Operators	--	--	--	--	--	--	0.23	0.23	100	1.75	1.72	98
House Repair & Expansion	1.32	1.32	100	2.71	2.69	99	8.22	7.99	98	13.74	13.30	97

Source: Operations Summary Report, M-stat for year ending 31 March

The recovery percentage of Non-Farm loan products is found to be higher than 96% for each year under study; whereas, this percentage for General Purpose loan is in vicinity of 97% to 99% throughout the study period. Lower percentage of recovery observed in relation to Farm loan products may be due to improper utilization of borrowed money, failure of Monsoons in that geographical area and migration and absconding.

#### Asset classification and provisioning

Banks are required to classify non performing assets in to three categories based on the period for which the assets has remained non performing and reliability of the duties;

- a. Standard Assets
- b. Sub-standard Assets
- c. Doubtful Assets
- d. Loss Assets

##### a) Standard Assets:

The standard assets are those which are non-overdue accounts during a period. From the year ending 31-03-2000, the bank should make a general provision of a minimum of 0.25 percent on standard assets on global loan portfolio basis and the provisions on standard assets should not be reckoned for arriving at NPAs.

##### b) Sub-Standard Assets

With the effect from 31 March 2005, a substandard asset would be one, which has remained NPA for a period less than or equal to 12 months.

##### c) Doubtful Assets

With the effect from 31 March 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months.

##### d) Loss Assets

A Loss asset is one where loss has been identified by the bank or internal or external auditors or by the RBI Inspection but the amount has been not written off wholly. In other words, such asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

#### Adequacy of provisions

The Bank is making provisions on NPAs and Standard Assets as per the guidelines stipulated by the Reserve Bank of India (RBI) from time to time. The Advances of the bank are classified as Standard, Substandard, Doubtful and Loss assets. The details of the provisions are as follows:

**Table-1.16**  
Assets classification as per RBI

Category	No. of days	Provision
Standard	Non over due A/c's	0.25%
Substandard	90 days to 540 days	10%
Doubtful	> 540 days <900 days	20%
Loss Asset	>900 days or Unit not existing accounts	30% if unit exists 100% is unit not existing accounts

Source; RBI guidelines by RBI website.

**Table-1.17**  
**Assets Classifications as per RBI Norms**

**Rs. in Lakh**

Asset Classifications	Provisioning Norms by RBI	2003-04		2004-05		2005-06		2006-07	
		Assets	Provision	Assets	Provision	Assets	Provision	Assets	Provision
Standard Assets Non-Over due a/c	0.25%	553.09	NA	1180.13	NA	1839.04	NA	2939.51	NA
Sub-standard 90 days to 540 days	10%	22.22	2.22	22.90	2.29	17.32	1.73	43.15	4.32
Doubtful >540 days to <900 days	20	19.09	3.81	11.52	2.30	34.01	6.80	36.42	7.28
Loss Assets >900 days or unit not existing accounts	30% if the unit exists 100% is unit not existing accounts	1.76	1.42	3.22	3.0	4.98	4.80	1.75	13.52
<b>Total</b>		<b>596.16</b>	<b>7.45</b>	<b>1217.77</b>	<b>7.59</b>	<b>1895.35</b>	<b>13.33</b>	<b>3020.83</b>	<b>19.47</b>

Source: Annual reports of KBSLAB Ltd.  
NA-Not applicable

The table-1.17 depicts the classifications of assets as per the RBI guidelines. The bank has classified its loan portfolio into standard, substandard, doubtful and loss assets for making provisioning. There is an increasing trend is found in all the assets and with respect to provisioning throughout the study period. During the year 2003-04 the bank has Rs.22.2 lakh substandard assets for which Rs.2.22 lakh provisioning was made; the of doubtful and loss assets accounts were Rs.19.09 and 1.76 lakh for which Rs.3.81 lakh and Rs.1.42 lakh provisioning during the year 2003-04, increased to Rs.43.15 lakh substandard, Rs.36.42 lakh doubtful assets and in case of loss assets Rs.13.52 for which Rs.4.32 lakh, Rs.7.28 lakh and Rs.13.52 lakh provisioning is done during the final year of the study period. The bank is not made provisions to the standard assets because of its loan portfolio is confined to India (three districts). No default is found during the study period and found satisfactory.

#### IV. Credit Risk management

KBSLAB Ltd Credit Risk Management system is covered in the loan policy document of the bank, which deals the strategy the bank has, in addressing its target markets, risk tolerance, risk acceptance/avoidance, risk diversification/concentration, besides credit risk measurement, monitoring and controlling mechanisms. The Credit Risk Management Committee (CRM) comprises senior executives, who have oversight over all aspects of credit risk and the credit risk cell carry out the day-to day functions of managing, standardized credit approval process with well established methods of appraisal and rating is the pivot of the credit management system of the bank. The bank has various credit rating/scoring models in use in spheres of SHG/Federation of SHG, and MACS portfolio of the bank. Productive credit risk management practices in the form of studies on future probability of defaults of borrowers, portfolio analysis of retail lending assets, periodic project review, counter party and group exposure are some of the prudent measures of the credit risk, the bank is engaged in for mitigating risk exposures. The credit risk management committee of the bank consists a members from the Board of Directors, Managing Director and two Assistant general manager ( i.e. one from accounts and compliance another from operations and HR) and Manger from Risk Based Supervision

The purpose of risk management is not necessarily to avoid risk all to gather, complete elimination of risk is impossible for a banking business. Instead, the purpose of risk management is to identify, which risk is relevant and in what amount. That helps banks in devising suitable strategies to handle relevant risk. Risk management is one of the specialized functions of management. Risk management policy should reflect the basic corporate goals of survival and profits adjustments. In KBS bank, risk management consists of certain logical steps, identification, measurement and monitoring and control through reduction. The KBS bank is managing its credit risk in following three ways.

1. First Time Overdue (FTOD)
2. Loan Review Mechanism
3. Transfer of credit risk throw Insurance

##### 1. First Time Overdue (FTOD)

First Time Overdues is a continuous and dynamic evaluation process of overdues which systematically narrates every bit of information which is crucial and critical for overdues analysis. It is usually prepared on daily basis. In fact this system of analysis helps to ascertain the occurrence of FTODs at the point of its occurrence which is a must to sense early warning signal. So that certain remedial measures can be taken quickly to curtail its continuations and thus, put OD under control. Thus, FTOD is a systematic tool of generating early symptoms about over dues to make Management alert and active well in time. The following are the steps which are in practice at present to monitor the overdues in KBSLAB Ltd.



A separate list of all accounts that became OD for the first time (FTOD) will be generated the day CSR comes to Branch office with the repayment receipts. The OD 1-30 day report will be used for this purpose.

FX is subject to visit all borrowers, who became OD for the first time within 48 hours and enters outcome and generates report (OLAC Report – Overdue Loan Action Report).

BH reviews OLAC Report and visits all those accounts where FX visit was not successful in recovery by the 20th of the month.

BH to send updated OLAC Report to HO by 25th of the month for review by operation- in-charge.

FTOD accounts moving from 1-30 days to 31-60 days to be reported to HO operations- in-charge immediately.

FX will visit all OD loans between 31-90 days, which are of monthly repayment every month and for other loans at least once in a quarter.

BH will visit all loans overdue beyond 60 days on a quarterly basis.

Senior Management will review the overdue status of Branch during the BHs meeting every month, with particular focus on new overdue loans and NPAs.

### **1.Loan Review Mechanism (LRM)**

LRM is an effective tool for constantly evaluating the quality of loan book and to bring about qualitative improvements in credit administration. The KBSLAB Ltd has loan review mechanism at head office level and at in branches as well. In head office Managing Director (MD) is the head of the committee and two Assistant General Manger are supporting and reviewing the operations in front of MD at weekly bases and with branch heads in monthly bases at head office or district offices in the districts. Apart from this the bank has Risk Based Supervision (RBS) team headed by Assistant General Manager Operations and Risk and Compliance. The RBS team was developed with an objective of;

- a.To identify promptly loans which develop credit weaknesses and initiate timely corrective action;
- b.To evaluate the portfolio quality and isolate potential problem area;
- c.To provide information for determining the adequacy of loan loss provision;
- d.To assess the adequacy of and adherence to loan policies and procedures and to monitor compliance
- e.To provide top management with information on credit administration, including credit sanction process, risk evaluation and post section follow up.

The RBS team is conducting the NPA accountability study quarterly once the accounts which are added during the quarter. The manger RBS is reviewing the accountability study the format of NPA accountability study is given in annexure-4.2. The audit committee of the KBSLAB Ltd. is review the NPA accountability for the accounts more than Rs.25, 000. The committee has due deliberations on NPA accountability study approved the policy and suggested the management that accountability study shall be done by RBS team so as to strengthen the risk mitigating mechanism as directed by RBI. NPA accountability study involves;

- 1.Reasons for the account becoming NPA
- 2.Persons responsible, if any
- 3.Action for such non-performance of the account

The account may become NPA for the following reasons: External Factors, Drought in the area of operation, Willful defaulter and Absconding/death of the customer. Internal factors are Poor appraisal and non-compliance of policies, Post appraisal/end use of the loan not ensured, Inadequate follow-up at various levels, Prompt action not initiated, Negligence of duty Malafied Intention Method used for NPA Accountability study

### **Executive Risk Based Supervision (FX-RBS):**

FX-RBS has to make a note on why the account has become NPA, within 30 days from the date of becoming NPA. The note should contain the following information.

- a. Why account has become NPA?
- b. What are the various actions taken to prevent NPA?
- c. Proposed action for making the account PA
- d. Confidence level for recovering the amount

### **Manager RBS**

Based on the FX-RBS note, Manager RBS has to verify the records and ground realities and he has to prepare a report and give to HO within 30 days after receiving from FX-RBS with the following information.

- a. Why account has become NPA?
- b. What are the various actions taken to prevent NPA?
- c. Proposed action for making the account PA
- d. Confidence level for recovering the amount
- e. Further course of action

**Head Office**

Based on the Manager RBS report HO will initiate appropriate actions. If the bank opinion that the account has become NPA on account of staff, necessary action are initiating and the following penalties may be imposed on the nature and seriousness of the irregularity.

- a. Warning;
- b. Reprimand;
- c. Reduction in Performance Pay;
- d. Stoppage/Delay in Performance Increment;
- e. Demotion;
- f. Termination

**Table-1.18**  
**Classification of NPA accounts for the year 2006-07**

Sl. No.	Reasons observed	No of Accounts	Amount (in '000')	Possible strategies
1	Lack of proper monitoring by FX/MSA/CSR	98	9.71	Warning
2	Failure/loss/closure of the customers activity/business	324	26.7036	Project appraisal and follow up actions needs to be strengthened
3	Loans not utilized for the finance activity for which the loan was taken	148	8.092	Use of borrowed money for unspecified purpose needs to be checked out at the initial stages to avoid the diversion of borrowed money
4	Willful defaulters	148	12.138	Proper counseling is required to convert the mind set of willful defaulters. If canceling fails to achieve the required results it is better to initiate legal actions without its adverse affect about the bank image
5	Absconding/migrated cases	137	11.3288	Better to initiate measures to collect from co-obligants and JLG members
6	Death of Customer	10	0.8092	Trigger the claims settlement process with insurance company
7	Accounts closed/ account became Performing Assets	118	2.4276	No action is required as NPA is upgraded in to PA.
8	Others		9.7104	
	<b>Total</b>	<b>983</b>	<b>80.9196</b>	

RBS accountability study, internal record of KBS LAB Ltd.

**Bank and Legal Notices**

Status of Legal and Branch notices served by the branches to recover the default accounts.

**Table-1.19**  
**Status of Legal and Branch Notices served up to March 31, 2007**

(Rs. in lakh)

Branch	Accts (PAR)	Amount	Legal Notices		Bank Notices	
			Accts	Amount	Accts	Account
Gulbarga	180	9.67	-	-	42	2.50
Kamlapur	167	9.50	-	-	22	1.05
MBNR	212	43.61	97	12.22	223	31.39
Nagar Karnul Bow2	56	6.26	20	1.44	76	4.82
Manvi	106	8.56	22	4.83	18	1.24
Dev-Bowl	38	2.95	5	0.48	1	0.15
Sindanur	112	9.23	5	0.47	-	-
Kodangal	51	4.80	--	--	7	0.82
Atmakur	14	1.02	2	--	8	
Yadgir	176	22.90	28	4.84	33	4.20
Total	1112	118.5	179	24.28	430	46.17

RBS accountability study, internal record of KBSLAB Ltd

The above table-1.19 reveals the information about the number of accounts at Portfolio at Risk (PAR) and the corresponding amount for each branch at the end of the study period. It also gives the information about the number of banks and legal notice served so as to quicken the collections. It is observed from the above table that there are no instances of legal notices being served by the branches situated in Gulbarga district except Yadgir branch. The figure shown in the above table implies that the bank officers were maintaining a good report with the borrowers to avoid knocking the doors of court of law by rendering legal notices. Nevertheless, in case of inevitability, they are following the path of rendering legal notice. This is more or less clear as the number of bank notices were generally found higher than the legal notices.

#### 1. Transfer of credit risk through insurance

Insurance is a risk management tool. Rural livelihoods are subjected to many environment factors. Availability of employment, self and wage employment, is directly influenced by externalities like rain fall, atmospheric conditions. Most rural people need wage employment. Hence, affected by unfavorable externalities. Ability of rural poor to earn wages depends on his/her health condition. The overall livelihood of rural poor is subject to protection of their assets, health and consumption needs. Financial loss arising out of most of such externalities can be effectively addressed with insurance services. Insurance plays a crucial role in every risk management programme. Whether it is sole funding mechanism or used in combination with self insurance programme. Insurance will all most always represent the ultimate hedging device. Insurance risk, which have been identified and measured can either be retained or transferred. There are two circumstances by which one retains risk; one is voluntarily and other is involuntary. Insurance is basically a risk control device: the purchase of insurance reduces the expected cost losses. Risk reduction contributes for increased expected cash flows to bank.

**Table-1.2**  
**Transfer of Risk through Insurance**

Product	2003-04			2004-05			2005-06			2006-07		
	Insured A/c	Accident cases	A/cs Settled	Insured A/c	Accident cases	A/cs Settled	Insured A/c	Accident cases	A/cs Settled	Insured A/c	Accident cases	A/cs Settled
Life	3,276	14	13	8,497	20	20	15,834	30	30	18,342	37	36
Live stock	1,686	11	10	7,534	26	24	14,653	46	42	17,675	56	55
Health	--	--	--	--	--	--	--	--	--	17,512	28	26
Weather	--	--	--	--	--	--	--	--	--	1,209	277	277
Total	4,962	25	23	16,031	46	44	30,487	76	72	56,738	398	394

Source: Internal records of KBSLAB Ltd.

An attempt is made to know the transfer of risk through insurance at KBSLAB Ltd. during the study period. The relevant dimensions of transfer of risk through insurance are presented in table- 1.20.

The Table-1.20 exhibits the number of accounts insured, accident causes reported and settled in each year of the study period. The total number of accounts insured were 492 for the year 2003-04; they rise to 16,031 during the year 2004-05 and continuously increased and touched a level of 56738 during the year 2006-07. This increasing trend is an index of better

transfer of risk through insurance. A deep look into the contents of the table reveals that most of accident cases were found settled properly. This high percentage of accounts settlements reveals more satisfactory situations.

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