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Debt Recovery Management in the Banking Sector, Problems, and Prospect: A Case Study of SBI Bank in India

Dr. Pankaj Kumar*

Faculty of Management, PG Department of Commerce and Business Administration, T.M. Bhagalpur University, Bhagalpur

Abstract – The Recovery of Debts and Bankruptcy Act, 1993 (RDB Act) provides speedy redressed to lenders and borrowers through filing of Original Applications (OAs) in Debts Recovery Tribunals (DRTs) and appeals in Debts Recovery Appellate Tribunals (DRATs). The sales are complete when you receive your sales proceeds, but what if sale proceeds remain outstanding or your debtor refuses to pay for credit sales. In such cases, it becomes a nightmare for an organization. This nightmare is further intensified when management needs to provide explanation every year for outstanding debtors published in your financial statements. Nowadays Debt Recovery has become the main constraint for the growth. Being the requirement of competitive business scenario, you can't afford to avoid the sales on credit or advances. Bank customers expect their banker to provide them with loan and advance to make up for their fund; also the ability for Bank to maintain adequate profitable credit policy and debts recovery technique is always maintained. Debt credit control department is not the center for banks and as such, they are mainly to charge with responsibility of making proper use of the shareholders fund for the benefit of the entire public at large.

Keywords: SBI Bank, Financial Journal, RBI, SARFAESI Act,

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INTRODUCTION

The Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002 (SARFAESI Act) provides access to banks and financial institutions covered under the Act for recovery of secured debts from the borrowers without the intervention of the Courts at the first stage. Securitisation Appeals (SAs) can be filed with the DRTs by those aggrieved against action taken by secured creditors under the SARFAESI Act at Present, recovery is risk of credit on banks. It is also known as credit risk. A bank credit risk has two distinct faces, „quality of risk" and „quantity of risk". It is observed that the recovery is carried out in the selected banks by adopting following ways General Mechanism All banks operated general mechanism of recovery of NPA, means all primary measures to persuade the defaulting borrowers to repay their over dues like writing letters and sending representatives of the banks to the borrowers for personal visits. Legal Mechanism In case of legal mechanism it is observed that all the selected banks operated this mechanism to the maximum extent involving Debt Recovery Tribunals (DRT), Lok Adalat, Securitization Act, and Compromises (OTS), Write off, Up-gradation and Cash recovery the banking system has been single out among industry, which has heavier regulations than any other economic activities that govern its operation in the system, or its anticipation constituted by laws. But the current banking sector has some constants widely acknowledge arising from non-performance of loan which create a number of factors such as poor management loan policy on income growth and unsound judgment, fraud, forgeries through federal government that set-up the India deposits insurance corporation to protect the interest which most have resulted to problem toward their operation, and it was established by decree No 22 of 1988. So the banking industry has been single to play a specific role in protection the economy growth of due process and development.

Also there was a body or union set-up by federal government by decree No 18 of 1994 establishment to failed bank (Recovery of debt and financial malpractice tribunal that were authorized to recover debt owed to failed bank. bank recovery debts and financial malpractice define debts recovery as a means of any loan advances, credit, accommodation guarantees or any other facilities together with the interest rate to show the outstanding unpaid against its customers in favour of the bank recovery debts from the debtors.

Beside the bank do encounter problem between its customers for inability to pay back debts. Then, in the side of the banker their supervision is poor in term of fund, documentation and credit concentration, which consequently make bank unable to meet its obligation on financial management. Here, the process of Debt recovery Techniques is very useful which ensure that your debtors pay on-time and on another hand, implement the credit policy. “Debt Recovery techniques” is set of **policies, checkpoints, expert advisory and legal actions**,

Which include the following?

1. Designing the policies based on the project, company and other factors
2. Aligning the debt recovery policies with other policies and department
3. To ensure the policy become an integral part of the system
4. Before Sales Analysis
5. Debtor profile analysis
6. Preliminary investigation and discussion with opposite party
7. Preparation of possible proposals with your consent
8. Debt Execution
9. Helping you with next course of action
9. You can check the status at any time on our website

A proper synchronization of above activates would assure the complete recovery.

OBJECTIVES OF THE STUDY

(1) To identify debt recovery techniques in banking sector

(2) To indicate debts recovery techniques employed by banks

(3) To find out the problem of debts recovery in the banking sector

(4) To identify the prospect of debts recovery in the banking sector

1. Auto Generation of Pending Debt Statements

Automating statement generation and sending payment notification to customers is a great way to take some burden off the shoulders of debt collection agents. These auto-generated payment messages can be sent across to borrowers through SMS or mail. **Automated reminder systems can send thousands of customised, personalised messages via a customers’ favourite communication channel.** Not only does this kind of automation easier at the lending headquarters with minimal paperwork and manual tracking but also saves borrowers a trip or two to make payments physically.

To further streamline the process of debt collection, lenders can integrate a UPI payment option into the message they forward to the borrowers, allowing them to make the loan repayment instantly.

2. Multi-channel Contact Strategy

Digitisation of the debt collection process helps lenders achieve their debt recovery goals quickly. Companies can record a borrower’s contact preferences follow their protocols to reach out to them. Digital channels are the most hassle-free way of getting in touch with borrowers today. **There is a dire need to integrate contact preferences and behavioural segmentation into debt recovery strategies.**

A customer-sensitive multi-channel contact strategy helps gather responses from borrowers better than traditional methods. Use of advanced analytics, machine learning, and automation can be used to deliver tailored messages through the customer’s preferred channels, at considerable time gaps. Investing in data analytics, AI and automation can successfully identify and segment customer types and preferences. The cost of implementing a robust multi-channel strategy remains insignificant when compared to the returns it offers to issuers.

3. Enhanced Self-Service Capabilities

It is true that a customer-oriented collection strategy boosts collection success rate and reduces operating costs. Using self-service capabilities turn around the debt collection processes ad for the better.

These kinds of options allow borrowers to follow a do-it-yourself approach for clearing past-due balances. **Using creative web tools in a software-as-a-service debt collections model, lenders can improve the customer experience, manage compliance, and automate the collections process through integrating self-service capabilities into the system.** Not only does this kind of options help lending companies save money in the long run, but also enhance the customer experience. Speed loan repayments from delinquent borrowers with self-service options.

4. Tech-Driven Debtor Tracing

Many a time loan repayment defaulters relocate without furnishing a forwarding address to the lending company which sanctioned them a loan. This makes it difficult for a lending company to recover bad debts. **Commercial lending businesses can use tech to locate debtors through a reliable tracing service.** Making use of multiple data sources like address links, date of birth matching, occupier searching, deceased data, judgement data, telephone and electoral roll, lenders can trace a debtor down and recover bad debts quickly.

5. Real-time Monitoring of Customer's Activities

Lending companies can benefit from monitoring the customer's activity in real time when they seek to recover a debt. Such a system can notify debt collectors about the repayment activities of borrowers as and when they are done. **Real-time notifications ensure that borrowers who have already repaid are not bothered unnecessarily through unwanted recovery calls and save a lot of time.**

Functionalities like CTI allow debt collection agent to pull-up all the data about a particular customer while having a conversation with them. Such features can revamp the way debt collectors handle debt recovery cases.

6. Scheduled Follow-Up Tracking

Lenders often struggle with ways to get customers to repay loans before resorting to extreme measures like a legal intervention. Using scheduled payment reminders such as SMS texts and emails are an easy way to follow up with a borrower. **When a debt collector contacts a delinquent customer, they need to keep additional contacts on a strict schedule.** Systematic follow-up of borrower's accounts reinforces a sense of seriousness and urgency into the customer. Thus, follow up tracking is a less invasive approach to recover debts from borrowers quickly and consistently.

7. Use Debt Recovery Analytics and Account Receivable Scores

Lenders need to change the way they feel about unpaid accounts. Instead of referring to them as 'due collections' and 'bad debt,' they need to focus on the entire accounts receivable cycle. **Following a holistic approach using Debt recovery analytics and account receivable scores can fetch better revenues.** To prioritise delinquent accounts, lenders should apply analytics that brings out both the probability of recovery and the expected monetary amount to be recovered.

RESEARCH METHODOLOGY

It includes research design, sampling framework, methods of data collection, framework of analysis and limitations

Review of Literature Kumar (2003) in his paper titled, "The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act,2002", revealed in detail the need, process, summary, positive as well as negative aspects of the Act. Pradhan Tamayo Kumar (2013) observed that of old private sector banks and foreign banks are rising so RBI initiated several measures like self appraisal of different risk management system by banks for introduction of BASEL.

CONCLUSION

The present study focus on different measures taken by the selected banks in India, with an objective of commonly used recovery methods in public sector banks and private sector banks and hypothesis is framed to know difference between commonly used recovery methods in public sector banks and private sector banks. Keywords: NPA, Legal Mechanism, DRT, Lok Adalat, SBI is studied in detail for the given time period of 2010 to 2014 with its factors, types of assets ,NPA,s in terms of rupees as well as in percentage terms. Along with this findings have also been presented. The above paper indicates that,s for the SBI bank has been rising since 2010 which is a serious note for the bank and bank should take some strick action to avoid it, Proper system of recovery should be done is expected, Loan portfolio should be revived by the bank.

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Corresponding Author

Dr. Pankaj Kumar*

Faculty of Management, PG. Department of Commerce and Business Administration, T.M. Bhagalpur University, Bhagalpur