

# A study of Legal Provisions to Protect Banks and Recovery of NPAs of District Central Co-operative Banks in Haryana

Neeru Gupta

Research Scholar, G.D.Goneka University (India)

## ARTICLE DETAILS

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## ABSTRACT

*This paper contains an account of introduction, meaning and trends of NPAs in DCCBs in Haryana. Further the study also explains prudential accounting norms and factors affecting the growth of NPAs. The paper also includes legal provisions for recovery of NPAs in Haryana.*

## 1. Introduction

The Indian Banking System has several outstanding achievements to its credit, the most striking of which is its reach. An extensive banking network has been established in the last thirty years. The Co-operative Banks are now spread out even into the remote corners of our country. Indian's co-operative banking system is one of the largest in the nation in terms of the branch network of the banks. Non-performing assets, popularly known as "NPAs", have become a worrying issue in all the public sector banks. NPA is a new phenomenon with regard to the DCC Banks. Presently, any borrowed account other than agricultural borrowable account is treated

as non-performing if either interest or principal is not paid for three months (90 days).

## 2. Trends of NPAs in DCCBs in Haryana

To know about the trend of NPAs in district central co-operative banks two ratios has been taken in the study. These were Gross NPAs to Net Advance ratio and Net NPA to Net Advance ratio. Both ratio shows relation between the amounts of Gross NPAs to Net Advances and Net NPA to Net Advance in terms of percentage. These ratios shows negative feature of the stability of the banks. If this ratio is higher, it shows that the financial capacity of the bank is poor and vice versa. So the banks should try to control this ratio to the minimum. The said ratios are presented in table 1.1 and table 1.2 given below:

**Table 1.1 Gross NPA to Net Advance of DCCBs in Haryana**

	(Amount in Lakhs)					
DCCBs in Haryana	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Ambala	4.54	3.61	4.69	2.74	2.74	4.27
Bhiwani	4.42	3.37	3.52	4	3.9	3.32
Faridabad	10.68	9.55	10.42	9.42	9.42	19.02
Fatehabad	46.53	46.53	13.56	13.56	13.56	8.62
Gurgaon	9.78	11.81	13.09	11.1	11.73	10.61
Hissar	6.03	5.79	5.55	5.45	5.87	6.94
Jhajjar	10.56	10.56	8.14	8.8	8.8	9.44
Jind	5.06	4.19	4.22	3.58	3.44	3.75
Kaithal	2.32	2.15	2.22	1.89	1.89	1.85
Karnal	4.43	4.05	3.94	4.08	3.84	4.08
Kurukshetra	4.65	4.65	5.16	5.42	7.03	5.74
Mehenderagarh	11.34	11.34	6.36	8.54	4.84	4.21
Panchkula	11	11	10.26	8.4	8.4	7.71
Panipat	7.2	6.56	5.75	5.12	4.93	4.8
Rewari	6.84	6.84	5.52	4.67	4.68	4.22
Rohtak	5.86	4.64	4.46	6.36	6.85	7.8
Sirsa	1.86	2.42	2.79	3.77	3.77	9.02

Sonepat	9	9	2.91	2.51	2.65	2.63
YamunaNagar	NA	7.9	8.26	5.87	6.33	5.46

Sources :Basic Data for Performance of District Central Co-operative Banks, Published by NAFSCOB, Mumbai,2012-13 to 2017-18

**Table 1.2 Net NPA to Net Advance Ratio of DCCBs Haryana**

(Amount in Lakh)						
District Central Co-operative Banks	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Ambala	3.25	2.04	3.16	1.18	1.18	1.73
Bhiwani	2.62	1.88	2.11	2.23	2.2	1.44
Faridabad	10.68	4.48	4.4	4.55	4.55	13.31
Fatehabad	11.97	11.97	8.12	8.12	8.12	3.82
Gurgaon	9.78	11.81	13.09	11.1	11.73	10.61
Hissar	3.74	3.57	3.42	3.36	3.82	4.95
Jhajjar	7.05	7.05	4.31	4.77	4.77	5.68
Jind	3.01	2.36	2.06	1.19	1.15	1.64
Kaithal	1.57	1.38	1.24	0.93	0.93	0.86
Karnal	2.29	1.35	1.36	1.52	0.99	0.94
Kurukshetra	4.65	4.65	5.16	2.95	4.05	3.07
Mehendergarh	11.34	11.34	6.36	8.54	2.6	1.07
Panchkula	11	11	4.42	3.1	3.1	2.58
Panipat	5.15	4.31	3.45	2.88	2.62	2.2
Rewari	6.84	6.84	3.88	3.23	3.19	2.84
Rohtak	2.95	1.74	1.55	2.4	2.8	3.32
Sirsa	0.56	1.13	1.46	2.65	2.65	7.61
Sonepat	7	7	1.44	0.61	0.78	0.65
YamunaNagar	NA	3.01	3.77	2.74	2.44	1.76

Sources: Basic Data for Performance District Central Co-operative Banks, Published by NAFSCOB, Mumbai, 2012-13 to 2017-18

### 3. Factors affecting the growth of NPAs

#### 1) Political Reasons:

The main factor of the growth of NPAs is Political interference. Political interference in the lending process of the banking system to neglect the need- based credit and follow up. The political interference in credit allocation, and in the appointment of chief executives, proposed concessions/relief announced by political functionaries from public platforms, stay orders on legal process of recovery and disbursement of loans at the hands of political dignitaries in loan meals were a few more factors observed to have increased NPAs in the DCCBs. These banks should necessarily avoid political interference.

- Wilful Defaulters:** There are some borrowers who are competent to pay back loans but intentionally withdrawing it. These groups of people should be recognized and proper measurers should be taken in order to get back the money extended to them as advances and loans.
- Poor Quality of Loans:** For some political reasons the banks are providing poor quality of loans. That is also the factor of the growth of NPAs in DCCBs.

#### 2) Social Reasons :

- Financial Education:** Customers of the Cooperative banks are not financially educated. They are not aware about the procedure of pay back the loan.

- Weak financial Position:** Banks offer the customers to take loans without checking their financial position.

#### 3) Economic Reasons

- Change in Economic Policies:** Every new government banking sector make new policies for its operations, so it has to deal with the changing principles and policies for the regulations of the rising of NPAs.
- Loan Waivers:** Exclusion of Cooperative banks for accepting the specified bank notes and loan waivers etc. have all added the problems of NPAs.
- Delay in Inspection of Account:** The banks faces difficulties in inspection of accounts because heavy routine of work and inadequate staff. Non submission of stock statements by the parties also the reason of non-performing assets.
- Natural Calamities:** This is also the main factor for increasing the NPAs in DCCBs. Every now and then India is hit by major natural calamities thus making the borrowers unable to pay back their loans. Thus the banks have to make a large amount of provisions in order to pay damages there loans, hence end up the financial with a reduced profit. For example due to irregularities of rain fall the farmers are not to attain

the productivity level. For that reason they are not repaying the loans.

- e) **Absence of regular visits:** The officers are not regularly visit in the banks so the NPAs cannot be collected in regular basis. The quantum of NPAs has been calculated and put at different figures mainly due to absence of correct statistics. That is the reason for the growth of NPAs in DCCBs.
- f) **Legal provisions for recovery of NPAs in Haryana:** District Banks may take alternative method of recovery through legal process under various

provisions of the Act and the Rules available to the District Bank. The provisions may be summed as under:-

1. **Arbitration process :**
2. **Certificate of recovery**
3. **Sale of mortgage property**
4. **Recovery of dues from legal heirs/ estate of the deceased**
5. **Recovery against post dated cheque**

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