A STUDY ON CREDIT MANAGEMENT WITH SPECIAL REFERENCE TO AXIS BANK, GURUVAYOOR

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Abstract: Bank is a financial institution where savers and borrowers come together. Savers are the persons who utilize their surplus money in the form of deposits and borrowers are the persons who borrow money to meet their deficiencies in the form of taking loans.Banks acts as an intermediary where repayment of money lended is not certain. Therefore management of credit is essential because there are chances for default thereby leading to Bad Debts. This study focuses on Credit Management with special reference to Axis Bank, Guruvayoor. Axis Bank is considered as the third largest Private Sector Bank offering a wide range of financial services.

Index Terms- **Bank, Savers, Borrowers, Credit Management**

I Introduction

Axis Bank is considered as one of the new generation private sector banks to start its operations in 1994. its promotion has been done in the year 1993 in collaboration with Unit Trust of India previously known as Specified Undertaking of Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India, National Insurance Company Ltd, The New India Assurance Company Ltd, The Oriental Insurance Company Ltd and United India Insurance Company Ltd.

This study focuses only on a single branch of Axis Bank which is Located at Guruvayoor, Thrissur District, Kerala, India. The main purpose of the study is to analyse the credit management policies adopted by the Bank as the major concern of every commercial banks is the increase in the number of bad debts. Bad Debts can destroy the earning assets like loans and advances which is a measure for determining the   Liquidity and Solvency position.

II Objectives

- Evaluation of Performance of Credit Management using credit policy and procedures of Axis Bank, Guruvayoor is the main objective of the study.

- To assess the policies and procedures applied by the bank in processing loan applications.

- To assess the Bank's ability in creation of credit and collection of loans on time.

- To evaluate the customers perception towards the policy adopted by the bank at time of providing of loans.

III Statement of the Problem

The main function of Commercial Banks is to Accept deposits and Lending money. Lending of money involves a lot of risk as it can turn into Bad debts.Higher the credit, Higher is the risk involved. Therefore Management of Credit has an important role in the functioning of Banks. Poor credit management leads to the problem of loan default thereby reduces the lending capacity of the bank.

IV Scope of the Study

The study focuses on the credit management policies adopted by Axis Bank , Guruvayur. It covers credit operations, policies and procedures of Axis Bank , Guruvayur. This study assesses whether the loan growth of the Branch is as per the requirements. It also assesses the recovery measures adopted by the bank so as to ensure the reduction of bad debts. We consider that the lending rules and procedures followed in this branch will be same as that of the other branches in the country. This study will be helpful for all the borrowers and other researchers as it gives an insight into Credit Management policies followed in Axis Bank.

V Research Methodology

The validity of any research is based on the systematic method of data collection and analysis of the data collected. The data is collected through primary data as well as secondary data. The study is based on CREDIT MANAGEMENT WITH SPECIAL REFERENCE TO AXIS BANK,GURUVAYOOR.

The Sampling technique followed in the study is Non-Probability Sampling. Convenient sampling techniques are used to select the respondents from the available database.

Descriptive type of research is used for the study.

Mainly there are two sources of data: Primary data and Secondary data.

Primary data is collected by conducting a Personal interview with Loan section officer of Axis Bank, Guruvayur.

Data is also collected using Questionnaire. A sample of 10 respondents who are the customers of the same bank is taken for study.

Secondary data is collected from Websites and Published printed source books.

Tools used for the study is Percentage analysis.

VI Theoretical Framework

Credit Management is the implementation and maintenance of policies and procedures in order to reduce the amount of money linked up with debtors and thereby reducing bad debts.

Credit Policies and Procedures

Employees and the customers must be aware of the credit policy adopted by the banks and should ensure that it is operated efficiently and consistently.

An effective credit policy can be ensured by communicating it throughout the organization, proper implementation, monitoring and periodical revision by considering changing internal and external conditions. A firm's account receivable is influenced by the economic conditions and credit policies.

Credit Analysis (Default risk analysis)

Credit risk can be reduced to a greater extent at the time of loan request using credit analysis. Credit analysis can be done by assessing the financial strength of borrowers, calculating the chances of default so that risk of non payment can be reduced.

All credit evaluations are done by the loan officer. If a customer submits a request for loan, the loan officer analyses all the information to check whether loan matches with risk return objectives of bank. Loan officer examines borrower's ability and willingness to repay. Credit worthiness of the borrower can be analyzed on the basis of

1. Applicant's record of meeting past debts, past payment history and any pending legal proceedings against the applicant to evaluate his character.

2. Applicant's ability to repay

3. Financial strength of applicant on the basis of his assets and liabilities.

4. Securities used for taking debt

5. General economic and business conditions that may effect the applicant

Credit Information

In order to make prudent lending decisions, it is necessary to gain adequate and timely information on credit worthiness of the borrower. Banks shall update with the credit information on each and every borrower using online system it is the responsibility of banks to furnish accurate and timely credit information.

Credit collection Techniques

Credit Collection is one of the most important criteria in Credit Management. Normally repayment is done in cash or deposit or in installments as per the agreement made. If loan repayment becomes due, collection procedure becomes strict and personal. Collection techniques used are:

Telephone calls - If the client fails to pay before the due date, a telephone call will be made with a request for immediate payment.

Personal visit - If collection hasn't made successful using telephone call, direct face to face contact is the another collection technique to be adopted.

Letters- Another credit collection technique to be adopted is sending collection letters.

Collection Agencies- Agencies act as an intermediary between Bank and the Borrower.

Legal Action - It is the last step adopted in the cases where no response is received from the borrower after following the above collection techniques.

Profile of the Organization

Axis Bank, selected for study, is located at Guruvayoor. We are living in a cashless society where having a Bank Account has become a necessity. It is essential to gain 24*7 security for you savings. Along with security we get interest on our savings . Types of account offered are Savings Account, Salary Account, Current Account and Safe Deposit Lockers.

Axis Bank Loans

At Axis Bank, they provide with customized Bank Loans at competitive interest rate.People can submit their Bank Loan application online and get the most attractive interest rates and comfortable repayment tenures.

- Home Loan
- Personal Loan
- Business Loan
- Car Loan
- Two Wheeler Loans
- Loan Against Securities
- Commercial Vehicle Construction Equipment Loan
- Educational Loan
- Loan Against Property
- Gold Loan
- Loan Against FD
- Holiday Loan

Credit Management by Axis Bank, Guruvayoor

Loans are mainly classified as Collateral Loans and Non-Collateral Loans. The minimum tenure for Collateral Loans is 5 years and maximum tenure is 15 years. Collateral loans are applied for assets like Gold, Land etc. Non Collateral Loans are applied for assets like Personal Loan, Loan against securities, Educational Loans etc. Non Collateral Loans are short term in nature and the repayment period is 5 years.

The loan rates are specified by the RBI and in case of collection of credit if death happens to the borrower, the Insurance company will act as an intermediary and will repay the debt.

- Credit Collection Procedure

Customers are communicated in writing or by telephone or through personal visits. The customer is contacted on the numbers provided in the filled loan application form. If no response is made by the customer, Loan Section Officer makes personal visits to the Borrower's office/ residence.

The Loan Section Officer represents the authority letter issued by Bank to Borrower.

All communications made to the borrower whether written or oral must be in simple language.

Banks normally contact the borrower between 0700 hours and 1900 hours.

The efforts made for recovery of debts are documented and copies are sent to customers.

The list of Recovery Agencies linked up with Banks are displayed in the Bank's Website.

Changes in the interest rates are intimated to Customers as and when they are effected.

- Giving notice to borrowers

The Follow-up measures include written communications, telephone calls, or personal visits. The Bank will not initiate any legal measures including security repossession without giving notice in writing to the borrower for recovery of debts.

The notice will include the number of days within which the payment is to be made.

If the borrower fails to repay within the time period, the Bank will take the possession of asset.

If the Bank decides to sell the asset, a notice will be sent to the borrower.

●   Repossession of security

Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security involves repossession, valuation of security and realization of security through appropriate means. All these are carried out in a fair and transparent manner.

Bank takes reasonable care for ensuring safety and security of the repossessed property.

VI Data Analysis and Interpretation

Responses from Loan clients

Demographic Characteristics of Respondents

Table 6.1 Gender Classification

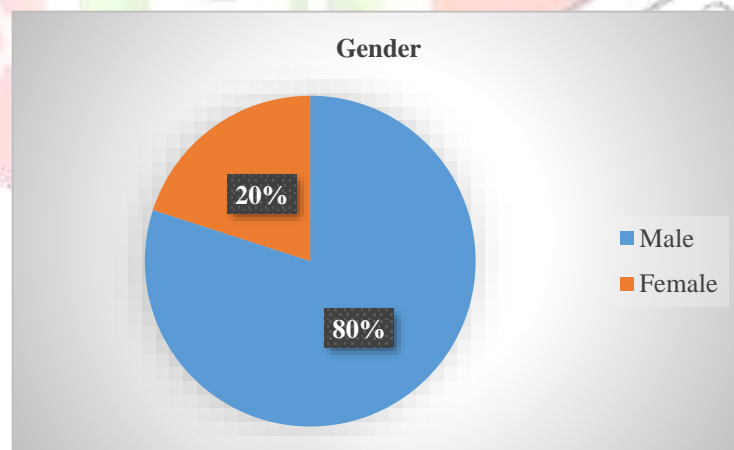| Gender	Responses		
	Gender	Number	percentage
	Male	8	80%
	Female	2	20%
	Total	10	100%

Figure 6.1

Intepretation: From the above table it is clear that majority of the respondents that is 80 percent are males while only 20 percent are females. This shows that the majority of loan clients of this bank are male parts. From this it is clear that female borrowers are less compared to male borrowers. Females are known for their regular repayment of loans certifying their credit worthiness.

Table 6.2 Age classification

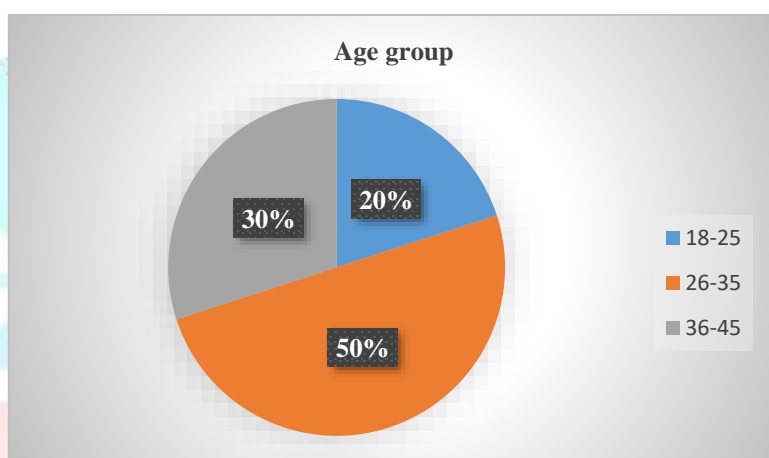| Age	Responses		
	Age Group	Number	percentage
	18-25	2	20%
	26-35	5	50%
	36-45	3	30%
	Total	10	100%

Figure 6.2

Interpretation:

The table 6.2 depicts that 50% of respondents belongs to 26-35 age group , 30% of respondents belongs to 36-45 age group and only 20% of respondents belongs to 18-25 age group. Only salaried persons are capable for taking loan. 18-25 age group respondents will have less stable income than the other age groups.

Table 6.3 Marital status

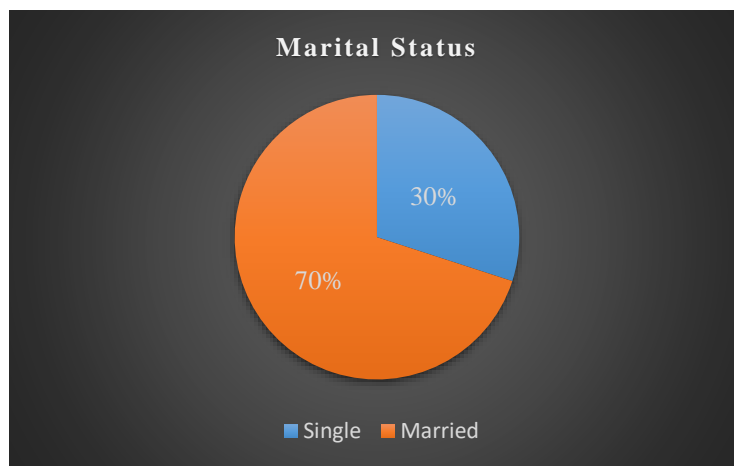| Marital status	Responses		
	Status	Number	percentage
	Single	3	30%
	Married	7	70%
	Total	10	100%

Figure 6.3

Interpretation : The above table shows that out of the respondents, 70% are married and only 30% are unmarried. This shows that majority of the respondents are facing financial burden.

Table 6.4 Educational Qualification

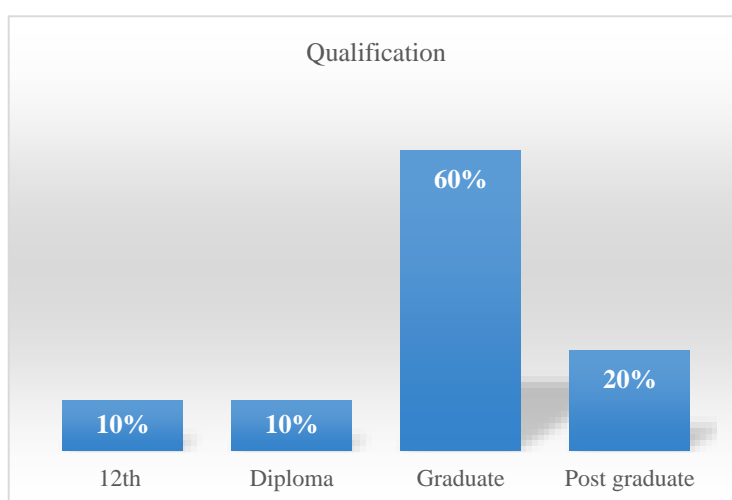| Qualification	Responses		
	Qualification	Number	percentage
	12th	1	10%
	Diploma	1	10%
	Graduate	6	60%
	Post graduate	2	20%
	Total	10	100%

Figure 6.4

Interpretation The above table shows that 60% of the respondents are Graduates, 20% are Post Graduates and only 10% each have qualified 12th and Diploma.

Table 6.5 Manner of application of clients

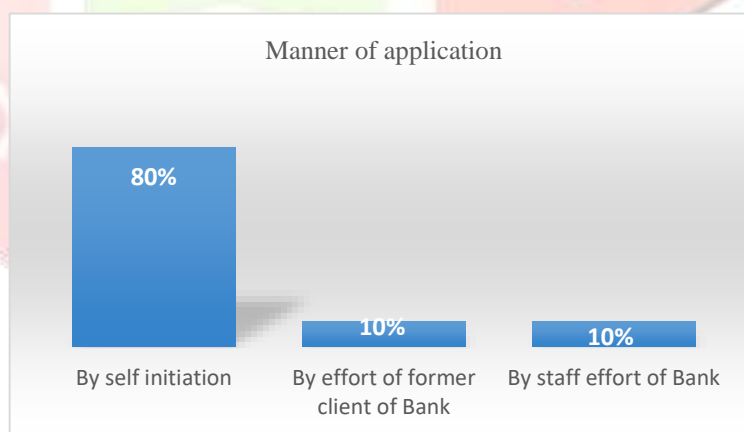| First Application	Responses		
	First Application	Number	percentage
	By self initiation	8	80%
	By effort of former client of Bank	1	10%
	By staff effort of Bank	1	10%
	Total	10	100%

Figure 6.5

Interpretation: From the above table it is clear that 80% of respondents have given loan application by self initiation and only 10% have given application through references.

Table 6.6 Type of loan taken

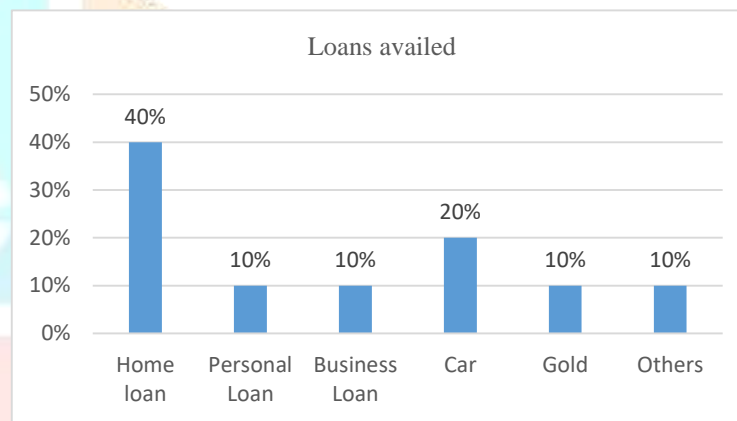| Types of Loan	Responses		
	Loan Taken	**Number**	**percentage**
	Home loan	4	40%
	Personal Loan	1	10%
	Business Loan	1	10%
	Car	2	20%
	Gold	1	10%
	Others	1	10%
	Total	10	100%

Figure 6.6

Intepretation: From the above table, it is clear that 40% of the respondents have availed Home loan, while 20% have availed car loan and 10% have availed other loans. This shows that only a small percent have borrowed high amounts.

Table 6.7 Amount availed

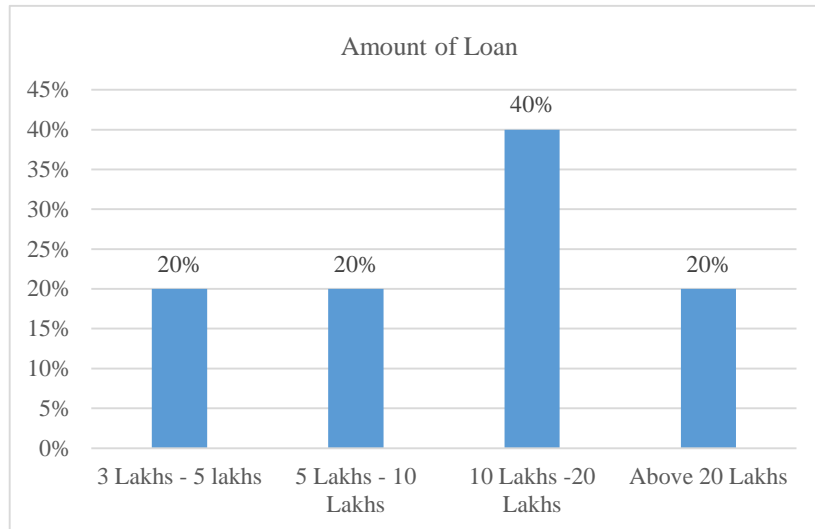| Amount availed	Responses		
	Amount of Loan	**Number**	**percentage**
	3 Lakhs - 5 lakhs	2	20%
	5 Lakhs - 10 Lakhs	2	20%
	10 Lakhs -20 Lakhs	4	40%
	Above 20 Lakhs	2	20%
	Total	10	100%

Figure 6.7

Interpretation: From the above table it is clear that 40% respondents have taken the loan amount in between 10 lakhs and 20 lakhs while 20% have availed other category of loan amounts.

Table 6.8 Satisfaction level regarding interest rates

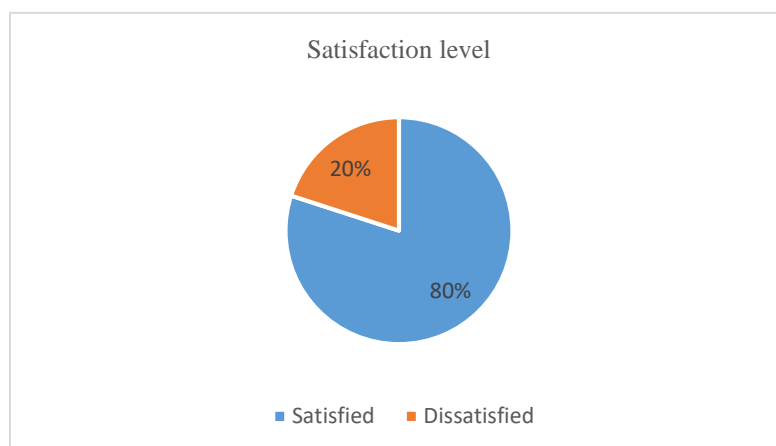| Satisfaction Level	Responses		
	Satisfaction	Number	percentage
	Satisfied	8	80%
	Dissatisfied	2	20%
	Total	10	100%

Figure 6.8

Interpretation: it indicates that 80% of respondents are satisfied with the interest rates while only 20% are dissatisfied. This shows that the bank collects only a reasonable rate of interest.

Table 6.9 Credit managing procedures

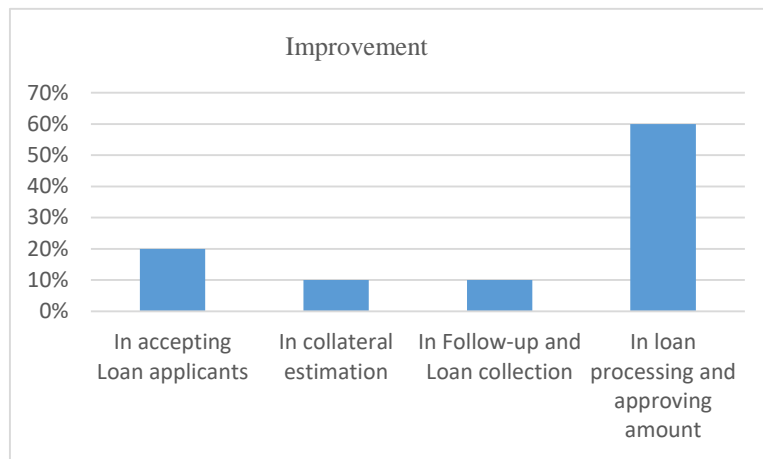| Procedures	Responses		
	Needs improvement	**Number**	**percentage**
	In accepting Loan applicants	2	20%
	In collateral estimation	1	10%
	In Follow-up and Loan collection	1	10%
	In loan processing and approving amount	6	60%
	Total	10	100%

Figure 6.9

Interpretation : From the above table it is clear that 60% of respondents is of the opinion that Bank should take faster

Means in processing of loan and approving the amount, 20% of respondents says that Bank should be faster in accepting loan applicants while other 20% is of the opinion that bank should focus on collateral estimation and follow up.

Table 6.10 Factors motivating loan repayment

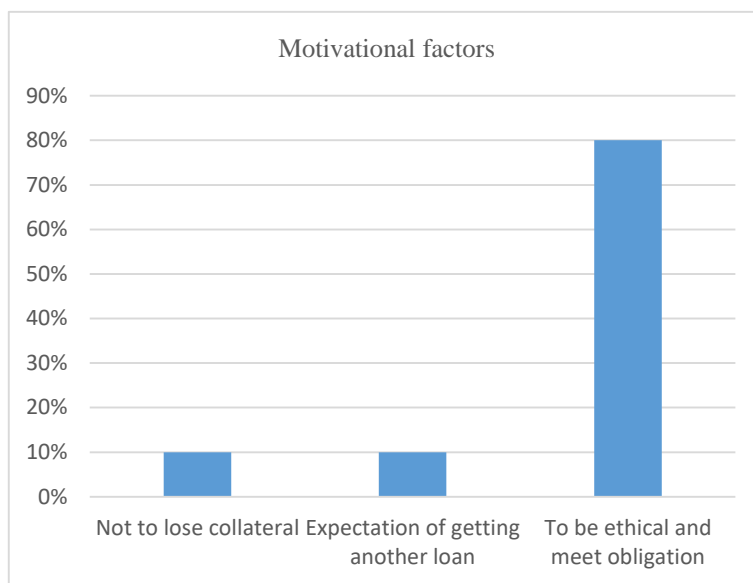| Motivation	Responses		
	Motivating factors	Number	percentage
	Not to lose collateral	1	10%
	Expectation of getting another loan	1	10%
	To be ethical and meet obligation	8	80%
	Total	10	100%

Figure 6.10

Interpretation : From the above table it is clear that 80% of respondents opines that meeting obligations is one of the motivational factor for repayment while 20% think that gaining collateral or another loan is the motivational factor.

Table 6.11 Reasons for default

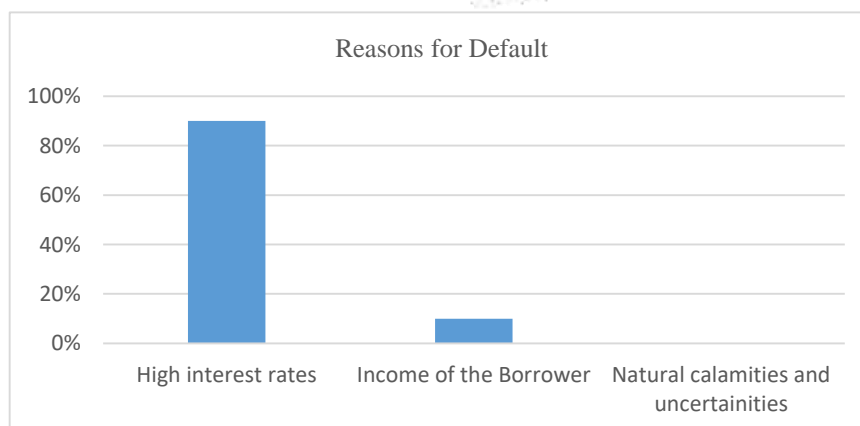| Default reasons	Responses		
	Default reasons	Number	percentage
	High interest rates	9	90%
	Income of the Borrower	1	10%
	Natural calamities and uncertainities	0	0%
	Total	10	100%

Figure 6.11

Interpretation : From the above table it is clear that 90% of the respondents is of the opinion that high interest rates is reason for repayment default while 10% thinks that income of the borrower is the reason for default.

Table 6.12 Correlation analysis

Correlations

		Satisfaction	Default
Satisfaction	Pearson Correlation	1	-.167
	Sig. (2-tailed)		.645
	N	10	10
Default	Pearson Correlation	-.167	1
	Sig. (2-tailed)	.645	
	N	10	10

Interpretation: Pearson correlation r = -0.167 at 0.645 level of significance. This indicates a negative correlation between satisfaction level regarding interest rates and high interest rates as a reason for default. If the interest rates are high, borrowers will feel dissatisfied and it may lead to default.

VII Conclusion

The study is based on AXIS BANK, GURUVAYUR to analyze the Credit Management procedures adopted by the Bank and also to examine the customer perception and satisfaction towards loan policy adopted by Axis Bank. An Interview with Loan Section Officer was taken to analyze and evaluate credit management procedures and it was satisfactory. A sample of 10 respondents was taken and data is collected using questionnaire to analyze the satisfaction level. This study came to the conclusion that overall Credit Management of Axis Bank is Good and Impressive.

VIII References

[1] https://branch.axisbank.com

[2] Hagos,Mirach.2010.Credit Management (A Case study of Wegagen Bank Share Company in Tigray Region).11-15

[3] Edakasi, Apunyo, Benard.2011. Effect of interest rates on Loan repayment: A Case Study of Equity Bank Masindi Branch.