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A DESCRIPTIVE ANALYSIS OF CREDIT MANAGEMENT OF KARUR VYSYA BANK

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ABSTRACT

Credit management and Credit analysis have their own significance in Indian Economy.

This Research will enclose what credit management is all about and what it aims to achieve, its purpose and several methods used for collection of data and their sources.

It further specifies the limitations of the study.

This research paper also has suggestions to the weak area of business in the findings section.

I.INTRODUCTION:

Banking is the life of trade, industry and business. Banking sector acts as the back of contemporary business. Country's Development usually lies upon industries. A bank as an establishment usually deals with deposits, loans and other relevant banking services. Banks accept money from Individuals who save them in form of deposits and lends it to Individuals who require it and charges for its services. Banking forms as one of the basic and crucial

necessity for any human. The banking sector's biggest challenge today is that of understanding and managing the risk of Credit. The very essence of a banking company is imbibed with the danger of risk. The key role of banks is like intermediaries between those who have capital and those who need capital. Different risks such as credit risk , market risk or operational risk need to be translated into one unified formula for risk management at corporate level. Therefore, measurement of operational risk should be in conjunction with other measures. Credit and market risk assessments, such that the composite calculation needed is always puzzled out.

II. Company Overview:

Karur Vysya Bank is an Indian Scheduled Commercial Bank. It has completed 100 years of service, and is one of India's leading banks. The Bank operates primarily in the areas of treasury, corporate / wholesale banking and retail banking.

Sources of Data:

Primary Source of Data is Personal Interview way through which information was Collected and Secondary source of Data is Magazines, Newspapers, Internet.

III. Research Methodology On Credit Management:

Credit Management includes all the activities of a business that seek to ensure that customers pay their invoices within the specified terms and conditions of payment.

Good Credit Management helps to prevent late payment or inability to pay. Having it right improves the financial or liquidity role of the company making it a critical component in any market.

Credit management principles revolve primarily around stability, liquidity, flexibility, and profitability concepts. Banks around the world are closely reviewing following information before they accede to a Loan application.

Security means the borrower must be able to repay the loan and interest at regular intervals as per the terms. The repayment of the loan is dependent on the protection value and the debtor's capacity of repaying the loan. The

prime security may be stock, book debt, or other assets. The key issue is that in case of adverse situations, the protection available to the bank should be strong enough to handle the situation. The agreed importance of protection should be steady and easy to assess. All measures are to be taken when accepting the immovable property as protection with a valid market that the protection offered has. It is inevitable to determine and validate from a qualified advocate by legal opinion, so that bank can take ownership of such protection with little cost

and dispose the same to recover its dibs when the account goes wrong.

Liquidity plays a key role when a bank is lending the money. Banks usually lend money for short periods of time. It is because banks deal with money that is acquired through deposits from depositors. The depositor will withdraw the money at any given point of time as per his requirement.

Therefore, banks should ensure that they have adequate funds to meet the near ending liabilities and the abrupt withdrawals before maturity of Fixed / Demand deposits.

Hence, good credit management practices are very important for an efficient cash flow in banking or any sector.

Types of Risks tagged to banks:

Banks in the monetary intermediation cycle are faced with various types of financial threats, non-financial threats, credit, interest rate, foreign exchange rate, liquidity and stock rates, asset costs, political, regulatory, reputational and operating risks. They are strongly interdependent and incidents that impact the system may have consequences for a variety of others.

Credit Risk:

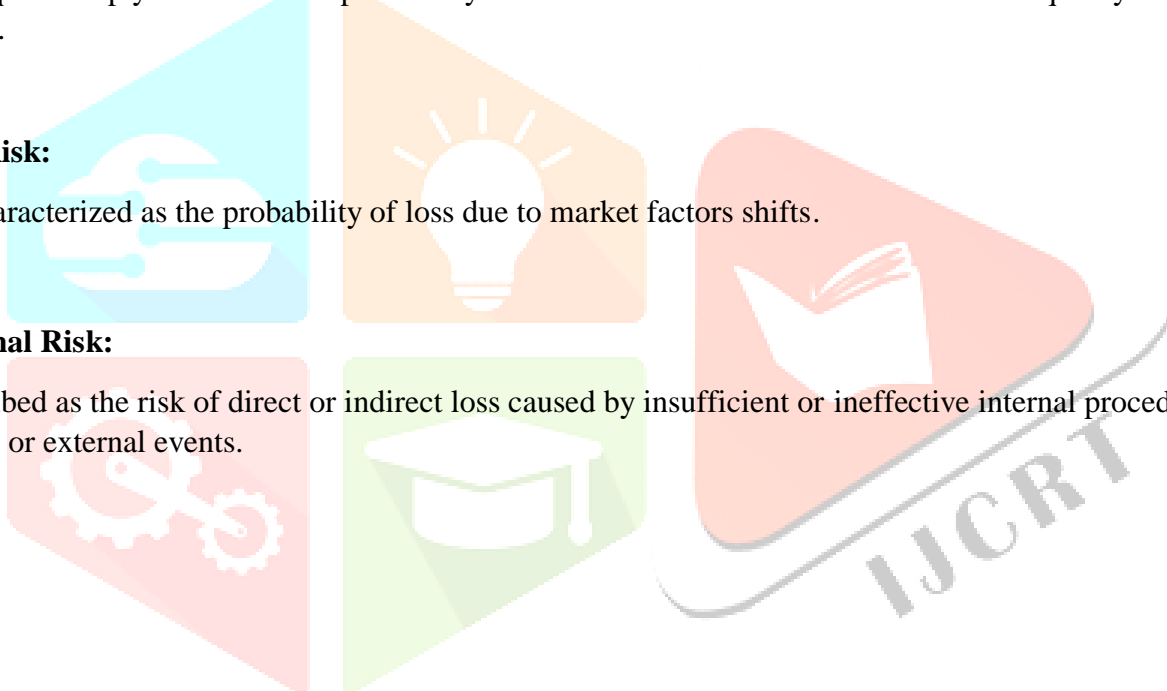
This can quite simply be termed as the probability of a loss associated with a contraction of quality of credit quality in borrowers.

Market Risk:

This is characterized as the probability of loss due to market factors shifts.

Operational Risk:

It is described as the risk of direct or indirect loss caused by insufficient or ineffective internal procedures, people and structures, or external events.



Tools & Techniques For Credit Management:

Credit Vetting:

This is the method of reviewing credit requests from customers. This is this institutional approach that treats all consumers equally when agreeing on individual credit limits.

The Above analysis is a part of Credit Control process and its main use is to make the decision making process easy.

All the customers should be treated fairly and systematic approach should be followed for everyone without any better treatment for others. With this, credit worthiness of clients can also be assessed.

Credit Monitoring:

It is essential for cash collection, debt collection that in the future would threaten loss of customer's goodwill.

Credit Policy:

An aspect of credit management determining to decide the amount of credit to be issued and the term and to deal with late payers, including bringing them to court of law on non-repayment.

Security Of Returns:

It concerns the credit, the risk of lenders, so a bank can decide on the following

*refusing to lend / advance.

*Agreeing to lend but at a high % of interest.

After assessing the credit worthiness of any individual, if it finds that the recovery of the credit is risky then it can :

- a. Refusing to loan.
- b. Agreeing to lend but with certain precautions as to take some sort of protection in ways of security.
- c. Agreeing to lend with high % interest rate and with short period of repayment term.

Credit Control:

It is a process of deciding how much customers derive or debtors should receive and ensuring compliance with the terms.

Credit Insurance:

Credit insurance is a form of insurance policy acquired by a creditor in the event of death, disability or, in exceptional situations, unemployment, paying off one or more current debts. Credit insurance is a form of insurance policy acquired by a creditor in the event of death, disability or, in exceptional situations, unemployment, paying off one or more current debts.

Credit Rating:

Credit Rating/ Credit Score is an assessment of the credit worthiness of the Client. This rating is numeric and are rated by credit agencies and on basis of this it is determined whether to issue the loan or not and also the interest rate on which the repayment should be done.

Credit Rating can be given to Individuals, Corporations , States etc.

IV. RESULTS AND DISCUSSION:

- Banks should understand that the credit management techniques are essential for the maintaining the liquidity of the bank and to avoid liquidation at the end in cases of uncertainty.
- This sector should be given utmost importance as this forms an important parameter in determining banks performance along with profits.
- More methods should be developed and worked on to assess the credit worthiness of the clients.
- Tactics of getting real information about clients and relating to their credit worthiness should be updated frequently instead of following the same traditional approach.
- Should focus on lending more unsecured loans to agricultural sector.
- Credit policy of the bank should be made more stringent and this will ensure that Individuals cannot claim the loan with false information in first place.
- New procedures for the recovery of the debts can be implemented.

V. ACKNOWLEDGMENT:

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This research paper has only been submitted to ijcrt.org for online publication and not to any other publications.

References:

Books:

Sr. No.	Name Of the Book
1	Risk Management

Internet:

Sr. No.	Site	Name Of the Search Engine
1	www.kvb.co.in	Google
2	www.wikipedia.org	Google

