

STRATEGIC CREDIT MANAGEMENT

Subject Code	: 14MBA FM306	IA Marks	: 50
No. of Lecture Hours / Week	: 04	Exam Hours	: 03
Total Number of Lecture Hours	: 56	Exam Marks	: 100
Practical Component	: 01 Hour / Week		

Objectives:

- To provide an overview of the sound lending decisions by a bank
- To explain the process of evaluation of the loan proposal
- To provide an insight into the different types of loans
- To describe the aspects of NPA management

Module I

(8 Hours)

Credit management in banks-Screening of applications-Appraisal of credit-Sanction limit- Post sanction compliance – Monitoring supervision – Review- Government policies for credit extension- Credit institutions- Principles of good lending- Borrower study and bankers opinion- Credit policy by banks- Government regulation of credit -Prudential norms.

Module II

(8 Hours)

Over view of credit policy and loan characteristics-The credit process – Characteristics of different types of loans- Evaluating commercial loan requests – Financial statement analysis-Cash flow analysis- Projections- Management of the firm and other factors –Feasibility study – Fundamental credit issues - Credit analysis-Different types of borrowers – Balance sheet analysis for lending – Forms of advances secured and unsecured advances- Short term and long term advances.

Module II

(7 Hours)

Evaluating consumer loans – Types- Credit analysis of consumer loans- Risk–return analysis of consumer loans- Customer profitability analysis and loan pricing- Fixed Vs floating rates

Module IV

(8 Hours)

Loan and advances against pledge- Hypothecation- Mortgage – Lien- Advances against goods- Document to title to goods – Life insurance policies – Stock exchange securities-Fixed deposit receipts –Book debts-Supply bills- Real estates – Advance against collateral securities

Module V

(8 Hours)

Agricultural finances and Retail lending- Crop loans- Crop insurance schemes- Dairy- Sericulture- Poultry- Animal husbandry – Horticulture – Gobar gas – Kissan credit cards – NABARD initiatives – Lead bank schemes – Retail banking advances – Concept – Retail banking products – Consumer credit financing

Module VI

(8 Hours)

Financing to small scale industries and large scale industries- Term lending- Syndicated loan system- Role of development banks in industrial finance- Working capital finance- Turnover method – Modified version of MPBF – Cash budget approach- Long term finance-Project financing – Industrial sickness and BIFR.

Module VII

(9 Hours)

NPA management – Introduction- Identification of NPAs- Asset classification- Prudential norms- Capital adequacy – International Banking Regulation-Basel II – asset classification provisioning – effect of NPA on profitability - Assessment procedure- Pre-sanction appraisal – Post sanction supervision- Monitoring systems for existing and likely NPAs—Tools to manage NPAs –Compromise scheme, Lok Adalats, Debt Recovery Tribunals, Corporate Debt Restructuring, Willful defaulters, SARFAESI Act, Asset Reconstruction Companies-CIBIL

Practical Components:

- Students can visit a bank and study the lending and loan appraisal system relating to Agricultural loan, consumer financing etc.
- Students can study the NPA status of leading two PSU banks and two private banks.

RECOMMENDED BOOKS:

- Strategic Credit Management in Banks, Popli.G.S. and Puri S. K. , PHI, 2013
- Banking Theory and Practice - Shekar and Shekar, 19th Edition, Vikas Publishing House, 2009.
- Bank Management - W. Koch Scott, Timothy, Cengage Learning, New Delhi.
- Commercial Banking -Benton Gup & James Kolari, 3rd Edition, Wiley India, 2010.
- Indian Financial System, Bharati V. Pathak, 3rd Edition, Pearson, 2012.

