

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:

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

Module 1: (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 2: (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 3: (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 4: (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 5: (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 6: (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 7:**(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:

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

RECOMMENDED BOOKS:

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

REFERENCE BOOKS:

1. Industrial Finance - Vishwanathan R, Macmillan, New Delhi.
2. Banking and Financial System - Prasad K, Nirmala and Chandradas. Himalaya Publishing House, Mumbai.
3. Managing Banking Risks - Cade, Eddic, Woodhead Publishers, England.