PROJECT REPORT (17MBAPR407)
ON

"A STUDY ON CREDIT APPRAISAL PROCESS AND ANALYSIS AT KAVERI GRAMEENA BANK"

BY

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Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY,
BELAGAVI

In partial fulfilment of the requirements for the award of the degree of
MASTER OF BUSINESS ADMINISTRATION
Under the Guidance of

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March 2019

KAVERI GRAMEENA BANK
(A SCHEDULED BANK JOINTLY OWNED BY GOVT. OF INDIA, STATE BANK OF INDIA & GOVT. OF KARNATAKA)
YELAHANKA BRANCH
No. 1, 1st Main, KHB Colony, Gandhinagar, B.B. Road, Yelahanka, Bengaluru - 560 064.
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YNK/208/143/18-19 Dated: 16/02/2019

CERTIFICATE

This is to certify that Sri. Nithin Kumar H N bearing USN 1IA17MBA39 student of Acharya Institute of Technology Soladevanahalli, Hesaragatta Main Road, Bangalore-560107 who is studying M B A course has carried out-his project work from 3rd January 2019 to 16th February 2019 in our Organization under the guidance of Sri. M R. Maruthesh, Senior Manager of Kaveri Grameeena Bank Branch @ Yelahanka and submitted a report on **"A Study on Credit Appraisal Process and Analysis At Kaveri Grameena Bank, Bangalore"**

KAVERI GRAMEENA BANK
Senior Manager
Yelahanka Branch B'lore-64

ACHARYA INSTITUTE OF TECHNOLOGY
(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)

Date: 27/03/2019

CERTIFICATE

This is to certify that **Mr. Nithin Kumar H N** bearing USN **1IA17MBA39** is a bonafide student of Master of Business Administration course of the Institute 2017-19 batch, affiliated to Visvesvaraya Technological University, Belagavi. Project report on **"A Study on Credit Appraisal Process and Analysis at Kaveri Grameena Bank, Bengaluru"** is prepared by him under the guidance of **Prof. Suhas Patel,** in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

1/4/19

Signature of Internal Guide

30/3/19

Signature of HOD

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01.04.19

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DECLARATION

I, **Nithin Kumar H N**, bearing **USN 1IA17MBA39** hereby declare that the Project report entitled **"A STUDY ON CREDIT APPRAISAL PROCESS AND ANALYSIS AT KAVERI GRAMEENA BANK"** with reference to "KAVERI GRAMEENA BANK YELAHANKA BRANCH" prepared by me under the guidance of **Prof. Suhas Patel**, Department of Management Studies, Acharya Institute of Technology and external guide **Mr. M R Maruthesh**, Senior Manager at Kaveri Grameena Bank Yelahanka Branch.

I also declare that this Project work is towards the partial fulfilment of the university regulations for the award of degree of Master of Business Administration (MBA) by Visvesvaraya Technological University, Belagavi.

I have undergone a summer project for a period of Six weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/ diploma for any other University/ Institution.

Place : Bengaluru

Signature of the Student

Date :01/04/2019

ACKNOWLEDGEMENTS

The successful accomplishment of any task is incomplete without acknowledge the personalities who assisted, inspired and lead us to visualize the things that turn them into successful stories for our success.

I sincerely express my thanks and gratefulness to **Dr. Prakash M R**, Principal of Acharya Institute of Technology, **Dr. Devarajaiah R M**, Dean Academics and **Dr. M M Bagali**, Head of MBA Department, Acharya Institute of Technology, for their support in helping me to complete the project successfully.

I am truly grateful to my External guide **Mr. M R Maruthesh**, Senior Manager, Kaveri Grameena Bank, Yelahanka Branch for sharing their valuable knowledge with me during the Project and my Internal guide **Mr. Suhas Patel** for his constant guidance and encouragement.

My sincere and heartfelt thanks to all my teachers at the department of MBA, Acharya Institute of Technology for their valuable support and guidance.

I am grateful to the staffs of Kaveri Grameena Bank for providing me all the information throughout the project period for the successful completion of my project.

Last, but not least, I want to express my deep appreciation to my parents for their unstinted support.

Place : Bengaluru **Nithin Kumar H N**

Date :01/04/2019 **USN: 1IA17MBA39**

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EXECUTIVE SUMMARY

The Credit Appraisal is an objective of ensuring and keeping the quality of lending and managing the credit risk. The process of Credit Appraisal is multidimensional and incorporates the Management Appraisal, Commercial Appraisal, Financial Appraisal, Economic Appraisal, and Technical Appraisal.

The study explains appraisal is done to ensure the recovery of credit along with good supervision, monitoring and relationship. Credit Appraisal is a process in which the banker evaluates the credit worthiness of the potential borrower. This generally includes assessing the borrower's repayment history and establishing the quality and sustainability of his income. The banker fulfils himself of the great intensions of the borrower more often through the interview or personal discussions.

The study also speaks credit related guidelines that are supposed to be followed by all the borrowers.

In support of the study, data for the last 5 years has been collected and calculated to examination. The study briefly explains how the bank has been performing from 2013-14 to 2017-18 through referring bank's annual reports and financial statements. It clearly explains the importance of credit appraising in any of the banks and financial institutions.

CHAPTER 1:

INTRODUCTION

1.INTRODUCTION

1.1 Introduction about Project

The project provides how theoretical knowledge should apply on the practical work field. So, it helps to earn the work experience on chosen topic. Project is a good platform to understand the practical experience in our life and it is one of the boosts in our CV on work experience and also benefits to understanding the organisational culture. It provides the good scope for understanding the practical work experience. It offers the practical knowledge to gain the work experience.

The project helps to get knowledge about the company thoroughly and various process involved in the company. Project helps to know the in-depth information about the different verticals of the company and also to inculcate working related skills. This project work was undertaken for a period of 6 weeks.

1.2 INDUSTRY PROFILE AND COMPANY PROFILE:

INDUSTRY PROFILE

The emergence of banking in India came in the 18th century with the existence of General Bank of India. Then the Bank of Hindustan was formed, but these two banks are now obsolete. Thereafter, the Indian government set up three presidency banks in India, they are Bank of Bengal, Bank of Bombay, and Bank of Madras in the year 1809, 1840 and 1843 respectively. Subsequently, these three banks were merged together and named as Imperial Bank of India(IBI). Now it is known as State Bank of India(SBI).

The first wholly owned Indian bank was Allahabad Bank, it started its operation in the year 1865. The market expanded with the formation of banks like Punjab National Bank and Bank of India in the year 1906.

In India all Banking rules and regulations are encircled by RBI. It is so called as Banker's Bank. In the year 1935, the Reserve Bank of India(RBI) lawfully took the responsibility of regulating the Indian Banking Sector. In 1947, the Reserve Bank was nationalised and given the varied powers.

Hasty improvement of technology has underwritten to substantial decrease in transaction cost, it enabled greater divergence of the portfolio and upgrades in credit distribution of banks. In spite of exemplary progress, serious problem have emerged reflecting decline in productivity, efficiency and disintegration of the productivity of the banking sector. To overcome this problem, the Government setup Narasimham Committee under the chairmanship of M Narasimham to investigate the issues and recommend solutions to boost the strength of financial system in India.

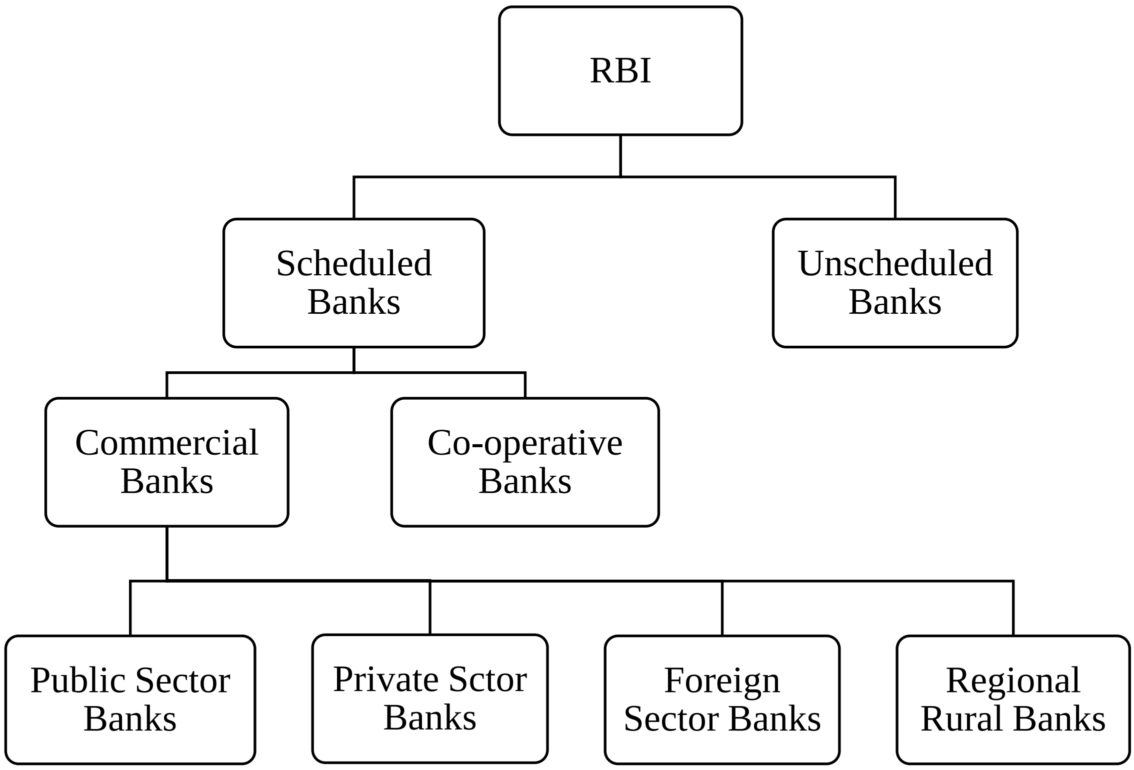
About Regional Rural Banks(RRB's) :

The RRB's were formed under the provision of Regulation passed in September 1975 and the Regional Rural Bank Act 1976. The main motto of establishing regional rural banks is to provide appropriate banking and credit facility for agriculture and rural people. Regional Rural Bank was setup on the recommendations of Narasimham Committee Working Group.

The RRB's are owned by the combination of Central Government, State Government and the Sponsor Bank i.e. Regional Rural Banks are sponsored by any Commercial Bank. The major functions of RRB's are as follows:

- Expanding banking facilities to rural and semi-urban areas.
- Encouraging the habit of saving between rural and semi-urban populations.
- By charging a lower interest rate, the Regional Rural Banks reduce the cost of credit in the rural areas.
- They grant loans and advances to small farmers as well as agricultural laborers so that they can start their own agrobusiness activities, which includes acquisition of land-dwelling, seeds and fertilizers etc.

Structure of Banking sector in India



COMPANY PROFILE:

History of Kaveri Grameena Bank

The Kaveri Grameena Bank was established on 1^{st} November 2012 by amalgamation of Cauvery Kalpatharu Grameen Bank, Chikamagalur Kodagu Grameen Bank and Vishvesvaraya Grameen Bank, sponsored banks were State Bank of Mysore, Corporation Bank and Vijaya Bank respectively.

Kaveri Grameena Bank(KGB) is a Regional Rural Bank(RRB) set up under the Regional Rural Banking Act, 1976. It is a Scheduled Bank with a combined ownership of Government of India, State Bank of India (formerly State Bank of Mysore) and Government of Karnataka. The share capital contributed in the ratio of 50:35:15 respectively. The bank is functioning in 10 Districts of South Karnataka, having its head office at Mysore with 9 Regional offices at Mysore, Mandya, Bangalore, Tumakuru, Hassan, Chamarajanagar, Madikeri, Chikmagulur and Ramanagara with 8 IT officers.

The bank has the total network of 502 Branches covering almost 10 Districts. During the year 2016-17, the bank has opened 16 new branches. The Bank proposes to open 50 new branches during the current year to increase the business and also to meet the financial inclusion obligations.

The bank caters to the needs and all the requirements of $1/3^{rd}$ population of Karnataka State covering rural population, farming community and the business class. The branches of Kaveri Grameena Bank operates under Core Banking Solutions. The Bank has brought many new and innovative products and schemes to fulfil the customers need according to their fund based and non fund based requirements.

The bank has been appreciated and rewarded for its speedy growth and taking initiatives in forming, cherishing and credit creating Self-Help Groups which are credit related. It also provides financial assistance to those who could not offer security for availing the bank loans by forming and linking joint liability groups.

1.3 VISION, MISSION AND CORE VALUES

VISION:

“To be a preferred banking institution of the people of our area, commitment to improve the living standard of the mass so as to achieve inclusive growth with sustained viability”.

MISSION:

“Partnering in the improvement of the standard of living of all our customers and growing as a prime and strong Rural Bank in the State and in the country is our Goal”.

“Sincerely responding to the wishes and aspirations of our customers and serving them with a smile beyond their expectation is our Motto”.

CORE VALUES:

- We approach every facet of work with the highest standards of honesty and integrity.
- We approach the work as a professional team.
- We value our customer.
- Loyalty and absolute honesty.

1.4 PRODUCTS AND SERVICES

Following are the various loan products of Kaveri Grameena Bank:

- **Kisan Credit Card**

  This Scheme is to all Farmers including Tenant Farmers, Oral Lessees and General Power of Attorney Holders, for Crop cultivation with a facility to remit and draw any number of times.

  The farmers will also be extended loan under the Scheme of Advances against Warehouse Receipts.

- **Farm Mechanization**

  The bank gives loan to farmers to mechanize their farming operations by way of purchase Tractor with trailer/ Power tillers.

- **Loans to Allied Agricultural activities**

  Financial assistance to activities like Dairy Farming, Sheep Rearing Units, Poultry Farming, Sericulture Rearing House, Sericulture Plantation, Commercial cultivation of Medicinal and Aromatic plants (MAPS) etc.,

- **Advance against Security of Gold Ornaments**

  The bank offers Gold loans to agriculture for agricultural operations at normal Bank Rate of Interest.

- **Kisan Gold Card Scheme**

  It is a general purpose loan for meeting agricultural and consumption purpose against agricultural property for having excellent repayment records for at least past 3 years irrespective of limit availed by farmers.

- **Kisan Chakra**

  To purchase vehicles (New and Second hand) Two wheelers, Three wheelers and Four wheelers for supervision, transportation of agricultural produce and management of agricultural activities.

- **All Purpose Mortgage Loans**

  It is a scheme to customers to meet the general needs without any restrictions. Such as for holding stock, receivables, acquisition of land, building for establishing business, construction, renovation and upgradation of offices, purchase of equipment's, furniture, vehicle, to meet working capital by way of mortgaging the property.

- **Consumer Durable Loans to Public**

  Loan given to public specially Professionals and self employed persons for purchase of consumer durables like TV sets, Music Systems, Refrigerators, Washing Machine, etc.,

- **Personal loan to Individuals**

  This facility is available to salaried employees, to general expenditure like marriages, family functions, medical expenses, travel expenses, educational expenses etc.

- **Gnanavahini**

  It is a scheme for educational loans to give monetary funding to admirable meritorious students to pursue their higher education in India and also abroad.

- **Small Business Finance**

  This scheme is to improve the existing business by purchasing additional stocks for increasing business and income for Retail Traders, Business Enterprises, Professional and self employed persons and Transport operators.

- **Public Housing Loan**

  This scheme is for building of residential house, procurement of house or villas and also for renovation , repairs, extensions, additions to existing house, etc.

- **Loans to SME Sector**

  Loan to Small and Medium Enterprises in the form of working capital and also term loans.

Deposit Products of Kaveri Grameena Bank

Following are the various deposit products of the bank:

- **Current Account**

  This account is opened by the business people for carrying out their routine transactions. They will be given the special right to withdraw over the amount in their account up to certain limit sanctioned by the bank.

- **Savings Bank Accounts**

  The different saving accounts are:

  a) General Public Account
  b) Minor Account
  c) No-Frill Account
  d) PMJDY
  e) BSBDA
  f) Student Account

- **Term Deposit Accounts**

  The bank introduced scheme of lump sum investment for deposits between the period ranging from 15 days to 10 years and above.

- **Cumulative Deposits**

  It is a regular fixed monthly deposits for various periods ranging from 6 months to 10 year.

- **Kaveri Lakhpathi Scheme**

  It is a special cumulative deposit scheme for getting maturity amount in multiples of Lakhs.- A dream to become Millionaire.

- **Kaveri Lakshmi**

  It is a unique lump sum investment scheme for getting double the invested amount on maturity.

- **Cauvery Akshaya Nidhi (CAND)**

  It is a unique scheme for business men where he can deposit his kitty amount through Janatha Deposit Collector at their door steps.

1.5 Profile Area of Operation

The bank has the total network of 502 Branches as on 31-03-2017 covering almost 10 Districts. During the year 2016-17, the bank has opened 16 new branches. The Bank proposes to open 50 new branches during the current year to increase the business and also to meet the financial inclusion obligations.

Table 1.5.1 Showing District wise and category wise number of Branches:

Districts	Rural	Semi-Urban	Urban	Metro	Total
Mysuru	75	9	25	0	109
Chamarajanagara	22	6	0	0	28
Hassan	49	7	5	0	61
Tumakuru	59	10	6	0	75
Ramanagara	11	4	0	0	15
Bangalore Rural	16	5	0	0	21
Bangalore Urban	18	4	0	30	52
Chikmagaluru	46	6	4	0	56
Kodagu	23	3	0	0	26
Mandya	48	9	2	0	59
TOTAL	**367**	**63**	**42**	**30**	**502**

1.6 Infrastructure Facilities

- **Fully Computerised**

  The Kaveri Grameena Bank is one of the new generation of Regional Rural Banks. The core banking solution is used in the bank. Technological advances, especially the development of information technology has directed the new traditions of banking. The technologies will reduce the bank's manual work and improve efficiency. The convergence of information technology to meet the core needs of banks is called as a core banking solution. The development of computer software to implement the bank's core business like record transactions, passbook maintenance, loan and deposit interest calculation, balance of payment, customer records, etc,.

- **Mobile Banking**

  Mobile Banking service is provided by the KGB which allows its customers to use mobile devices, such as mobile phones or tablets to conduct financial transactions remotely. Mobile Banking is usually based on twenty four hours.

- **Internet Facility**

  Internet Banking, virtual banking is an automated payment system that allows customers to conduct a series of bank transactions with the help of bank's websites. The bank's system is usually connected to the core banking system of the bank or partly as part of the banking business, as opposed to the traditional customer's access to the banking branch.

- **Biometric Authentication**

  The bank introduced the second level authentication for logging on to CBS (Core Banking Solution) in addition to the user id and password to prevent unauthorised logging to CBS.

- **Cheque Truncation System**

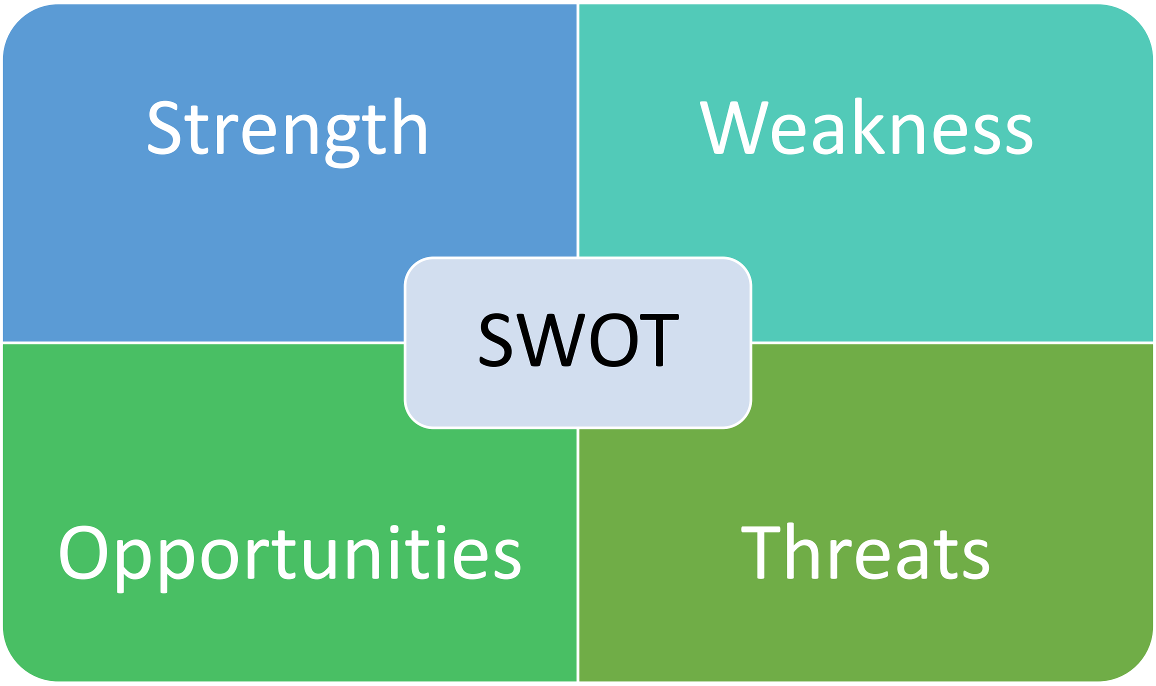
  The bank was implemented the CTS clearing system in Bangalore and Mysore centres as sub members of State Bank of Mysore, the Sponsor Bank.

- All Branches are connected on a real time basis
- By the infrastructural facilities available to employees, they maintain the speedy sanctions and personalised services.

1.7 Competitors Information

- Vijaya Bank
- Canara Bank
- Corporation Bank
- Indian Bank
- SBI
- ICICI Bank
- Axis Bank
- HDFC Bank
- Syndicate Bank

1.8 SWOT Analysis



Strengths:

- Skilled and dedicated human resources.
- Strong internal co-ordination.
- Friendly environment in the bank.
- Low customer base ensures dedicated attention to each customers.
- First-class service management.
- Comparatively less risky.

Weaknesses:

- Small range of offerings.
- Very few ATM Booths.
- Not enough promotional activities.

Opportunities:

- The bank branches has good scope expansion.
- Entering into other fields like insurance and mutual fund.
- The bank is located in a prime commercial areas.

Threats:

- Huge Competition.
- KGB is mainly focusing on Rural Areas.
- Competitors have superior access to distribution channels.

1.9 Future Growth and Prospects

The Kaveri Grameena Bank has covered almost 10 Districts with the total network of 502 Branches. The bank has proposed to open 50 new Branches during the current year to increase the business and also to meet the financial inclusion obligations. The bank has started advancing loans to various activities both in rural and urban areas. The recovery of loans is satisfactory.

The bank has launched the Financial Inclusion (FI) plan and distributed the smart cards to their account holders. The aim is to take banking to doorsteps of uncovered villages in the districts. The officials concerned and the business correspondents should work for the success of the scheme.

The bank has hoped to achieve a 20 percent business growth in the current financial year and disburse Rs.2,280 crore by way of crop loan with 7 percent rate of interest.

The bank has helped the millions as people in the course of life, today it continues to provide services to the rural as well as urban people.

1.10 Financial Statement

Balance Sheet for the last 3 years

(Amount in thousands)

Particulars	31-03-2018	31-03-2017	31-03-2016
Liabilities			
Capital	539,726	539,726	539,726
Reserves and Surplus	5,008,981	4,687,999	3,874,206
Deposits	88,757,644	96,325,259	76,381,170
Borrowings	5,856,436	5,190,147	5,526,473
Other Liabilities and Provisions	1,613,925	1,447,557	1,664,656
Total	**101,776,712**	**108,190,688**	**87,986,231**
Assets			
Cash and Balance with RBI	4,252,499	4,281,626	3,549,577
Balance with Banks and Money at call and short notice	3,221,555	9,142,828	1,273,644
Investments	32,645,779	38,636,678	28,281,467
Advances	59,193,988	53,746,453	53,307,088
Fixed Assets	218,358	218,187	216,083
Other Assets	2,224,533	2,164,916	1,358,372
Total	**101,776,712**	**108,190,688**	**87,986,231**
Contingent Liabilities	208,003	155,618	122,008
Bills for collection	172,845	135,754	178,285

Profit and Loss Account for last 3 Years

(Amount in thousands)

Particulars	**31-03-2018**	**31-03-2017**	**31-03-2016**
1. Income			
Interest earned	9,093,500	8,485,896	7,751,202
Other Income	628,157	1,160,043	499,020
Total	**9,721,657**	**9,645,939**	**8,250,222**
2. Expenditure			
Interest expended	5,997,294	6,035,265	5,346,539
Operating expenses	2,125,290	1,947,786	1,730,689
Provisions and contingencies	1,187,669	493,653	174,219
Total	**9,310,253**	**8,476,704**	**7,251,447**
3. Profit and Loss			
Net Profit Before Tax	411,404	1,169,235	998,775
Less: Provision for deferred tax liability provided	-348	36,942	44,131
Total	411,752	1,132,942	954,644
Less: Provision for Income Tax for the year	89,101	279,944	266,525
Net Profit After Tax	322,651	852,349	688,525
4. Appropriation of Profit			
Statutory Reserve	64,530	170,470	137,624
Capital Reserve	59,739	136,862	19,736
Investment Fluctuation Reserve	0	174,194	52,738
General Reserve	64,530	170,470	0
Special Reserve	40,000	100,000	100,000
Balance Profit	93,852	100,354	378,021
Total	322,651	852,349	688,119

Ratio Analysis:

1. Current Ratio

Current Ratio is used to measure the company's short term solvency; it designates the rupee of current assets which are offered for each rupee of current liability. Apparently, more the current ratio, the more protected are the shorten creditors and vice versa. The Standard current ratio is normally 2:1 (current assets twice of current liability).

The formula for computing the current ratio as under:

Current Ratio = Current Asset/Current Liability

Table 1.10.1 Showing Current Ratio

(Amount in Thousands)

Year	Current Assets	Current Liabilities	Current Ratio
2015-16	1,358,372	1,664,656	0.82:1
2016-17	2,164,916	1,447,557	1.50:1
2017-18	2,224,533	1,613,925	1.38:1

Data analysis and Interpretation:

In the year 2015-16 current ratio is 0.82 which is not a good ratio for the firm as the liquidity position of the firm is low. In the year 2016-17 the current ratio increased to 1.50, where the liquidity position of the firm improved to a good extent. But in the year 2017-18 the current ratio is slightly diminished to 1.38 compared to the preceding year.

2. Net Profit Ratio

Net Profit Ratio specifies the effectiveness of the management. This ratio indicates the overall portion of the firms productivity.

It is calculated by using following formula:

Net Profit Ratio= Net Profit After tax/ Net Sales*100

Table 1.10.2 Showing Net Profit Ratio

(Amount in thousands)

Year	Net Profit	Net Sales	Net Profit Ratio (%)
2015-16	688,525	8,250,222	8.35
2016-17	852,349	9,645,939	8.84
2017-18	322,651	9,721,657	3.32

Data Analysis and Interpretation:

In the year 2015-16 the net profit ratio was 8.35%, where as the net profit was increased to 8.84% in the year 2016-17. But in the year 2017-18 the net profit came down to 3.32 which is the least profit earned compared to last two years.

3. Fixed Assets Turnover Ratio

The asset turnover ratio evaluates how well a company is using its assets to yield income. This ratio can computed as follows:

Fixed Asset Turnover Ratio= Net Sales/ Fixed Assets

Table 1.10.3 Showing Fixed Asset Turnover Ratio

(Amount in thousands)

Year	Net Sales	Fixed Assets	Asset Turnover Ratio
2015-16	8,250,222	216,083	38.18
2016-17	9,645,939	218,187	44.21
2017-18	9,721,657	218,358	44.52

Data Analysis and Interpretation:

In the year 2015-16 the asset turnover ratio is 38.18 and it is goes on increasing in the year 2016-17 and 2017-18 to 44.21 and 44.52 respectively. In the year 2015-16 the usage of asset was less with the less asset turnover ratio. In the coming years the assets turnover ratio kept increasing.

4. Debt to Equity Ratio:

This ratio is a fiscal ratio, which specifies the comparative amount of shareholder's equity and the debt used by the corporation in order to finance a company's assets.

It is computed by using the following formula:

Debt Equity Ratio (D/E)= Outsider's Fund / Shareholders Fund

Table 1.10.4 Showing Debt Equity Ratio

(Amount in thousands)

Year	Outsider's Fund	Shareholder's Fund	Ratio
2015-16	5,526,473	4,413,932	1.25
2016-17	5,190,147	5,227,725	0.99
2017-18	5,856,436	5,548,707	1.06

Data Analysis and Interpretation:

From the above table we can find out the debt to equity ratio. In the year 2015-16 the debt-equity ratio is 1.25:1 where the bank uses more debt capital than the equity capital. But in the coming years the debt equity ratio is reduced to 0.99:1. In the year 2017-18 the debt equity ratio is 1.06.

CHAPTER 2:

CONCEPTUAL BACKGROUND AND LITERATURE REVIEW

2.THEORETICAL BACKGROUND OF THE STUDY

2.1 Credit Appraisal

Credit Appraisal is the process of assessing the credit worthiness of a borrower. The credibility of a person in the form of age, salary, nature of work, reimbursement of credit, past loans, credit cards, and similar components are measured while evaluating the credit worthiness of an individual. Each bank and financial institutions has its own panel of authorities for this purpose.

Credit appraisal helps in detecting the risks involved by the expansion of the credit facility. This is usually done by the financial institutions and banks which are engaged in giving budgetary financing to their clients. Credit risk is a risk identified with non-reimbursement of the loans received by the bank customers. Accordingly it is important to appraise the reliability of the client so as to moderate the risk associated in lending. Appropriate assessment of the client is performed in order to measure the monetary condition and the capacity of the client to reimburse the loan amount in the future. Typically most of the credit amenities are expanded in contrast to the safekeeping known as collateral.

Moreover, the 3 C's of credit are pivotal and significant to all borrowers that are essential to be set aside as a main priority consistently. They are:

- Character
- Collateral
- Capacity

There will be no assurance to guarantee the loan does not keep running into issues, however if appropriate credit assessment technique and inspection are employed, then normally the loan misfortune will be minimised, that will be the major motto of each loaning officials.

Credit enables you to purchase the goods or merchandise now, and pay for them in the future. It is a legal convention where one party promises to another to repay the loan on a future date alongside interest, with the issuance of credit an obligation is framed between the parties.

The credit can be classified into different types. These are majorly classified into four basic types of credit which are availed in the banks.

- **Service Credit**

  They are the regular payments for utilities like electricity, gas, water, phone, etc.

- **Loans**

  Loans may be small amount or large amount which varies from few days to some years. It can be a secured or unsecured loans. Money can be repaid on a regular instalment or one lumpsum payment can be made.

- **Instalment Credit**

  Instalment is a convention to make a initial payment and agrees to reimburse the balance in a definite number of equivalent payments called instalments. The service charges will be involved in the payment.

- **Credit Cards**

  Credit cards are issued to individuals by banks, businesses or retail stores. It is used as equivalent of an interest free loan.

Elaborative Information on Topic

Assessment or Appraisal of Term Loan:

For assessment purpose the structure endorsed are Debt equity Ratio, Average Debt Service Coverage Ratio (Average DSCR), Break Even Point (BEP), Pay Back Period (PPB), and so forth are taken into contemplation. The subsequent least financial related parameters are essential to be fulfilled for a term loan propositions to justify:

Debt Equity Ratio(D/E)	Not more than 2.33:1
Average DSCR	Not less than 1.5 to 2

Following Ratio’s are considered in appraising the Term Loan

- Debt Equity Ratio(D/E)= Long term debt / Equity Capital
- Average DSCR= Profit after tax + Depreciation + Interest on Term Loan / Term Loan instalment + Interest on term loan
- BEP= Fixed Cost / Contribution per unit

Credit Appraisal techniques:

Credit Appraisal technique act as a device for credit collection administrators to take the correct decisions. It is the initial and foremost capacity performed by the credit assessment cell before giving any kind of loans and advances. The assessment techniques for each kind of loans and advances is distinct from one another. Each kind of loans and advances whether secured or unsecured must be analysed in a varied way. The diverse system of credit evaluation or credit examination are examined as follows:

Debt Equity Ratio:

The proportion of an organisation's monetary leverage is computed by dividing its aggregate liabilities by shareholder's capital. It demonstrates the extent of equity and obligation the organisation is utilising in financing its assets.

The high Debt Equity(D/E) Ratio largely implies that an organisation has been compelling in financing its development with obligation. This can result in unstable incomes in light of the extra intrigue cost.

Debt Service Coverage Ratio(DSCR):

The definitive reason for undertaking project/venture assessment is to find out the capability of a project/venture which has an immediate bearing on the reimbursement of the of the portions in the projected term loan instalment ensure. Although the reimbursement database will rely on the gainfulness of a project, the quantum of yearly portions must be identified with the measure of the yearly source of income.

The DSCR is the main assessment ratio in project/venture financing. The DSCR ratio shows the level of feasibility of the project/venture which impacts in settling the reimbursement time frame.

The DSCR displays the capacity of the company to produce money collections for reimbursement of proportion and the interest amount

The ratio between 1.5 to 2 is viewed as sensible. Proportion lesser than this ought to be additionally investigated. An exceptionally high ratio may demonstrate the requirement for lesser period or reimbursement of loan in less time. This ratio gives the proportion of the capacity of an endeavour to benefit its obligations.

Break Even Point or Break Even Analysis:

The break-even point is a point which helps us to recuperate the creation cost. This cost of creation can be settled and variable cost. Once in a while division of cost might be troublesome. A specific measure of settled cost must be caused by unit the semi settled cost may not change tangibly with the level of yield. This settled and semi settled cost incorporate pay rates and wages, repairs and upkeep, authoritative cost settled part of offering costs, settled sovereignty and know-how instalments, enthusiasm on credit, deterioration on straight line technique.

Variable cost differs with the levels of generation. This incorporates crude materials, outside buys, control, fuel, enthusiasm on working capital and other variable costs.

Break-even point = fixed cost / contribution

Break-even point can be called as bread gaining point as a unit ears benefits from deals over the break-even point. While assessing a venture, the break-even point ought to be communicated as far as rate of introduced ability to know the edge of wellbeing in the limit.

Feasibility Study for financing term loan:

1. Technical Feasibility:

Technical Feasibility examination is useful for one to decide how well the technical necessities of the undertaking can be encountered. The administrations of the specialised officers are used with the end goal of appraisal in required cases. In respect of the complex projects, bank connect the outside specialist where ability isn't accessible inside the bank.

2. Economic Feasibility:

Under economic feasibility, the borrower's prediction of net worth are assessed keeping the perspective of following components:

- Prediction of demand and supply position of the product or service and its alternates (both nearby products and imported).
- Proposed moving value like costs of contending products or services.
- Quality of the item in contradiction of the contending products or services.

3. Financial Feasibility:

The Monetary Feasibility examination tries to decide

- Whether cost of project/venture and methods for fund as imagined in the undertaking projects are sensible (realistic).
- Whether the project/venture is equipped for profitable and productive tasks.
- Whether the assessment of expenses of generation completely covers all things of consumption.

4. Managerial Competencies:

In a dynamic domain, the capacity of an organisation to move forward of its competitors depends to a large extent, on the general quality of its administration. Subsequently, an appraisal of management is the benchmark of term loan analysis.

If there is a change in the administration and management set up, the accomplishment of the project might be put to test.

Working Capital Financing:

Working Capital is characterised as the aggregate sum essential for carrying the daily operations of the firm. Working Capital further classified as Gross Working Capital(GWC) and Net Working Capital(NWC).

Assessment or Appraisal of Working Capital Finance:

- **Simplified Turnover Method (Nayak Committee Recommendations)**
  This method of evaluating working capital necessity of a firm is given by "Nayak Committee". The Board of committee headed by P.R. Nayak analysed the sufficiency of institutional credit to SSI and gave its proposals which are as under:

i. In this system, bank credit for working capital purpose for the borrowers lacking fund based restricts up to Rs.5 Crore for SSI borrowers and Rs.2 Crore for other borrowers.

ii. The anticipated turnover or yield esteem might be understood as anticipated gross deals which will incorporate excise burden as well.

- **Maximum Permissible Bank Finance (Tandon Committee)**

  RBI established a working group under the chairmanship of P L Tandon to understand the appropriate lending of bank credit for working capital financing in July 1974. The committee submitted the ultimate report on December 1975.

  The board suggested the following methods of lending working capital finance:

  a. I Method= 75% of working capital gap (Total Current Assets - Other Current Liabilities).

  b. II Method= 75% of Total Current Assets - Other Current Liabilities.

  c. III Method= 75% of (Total Current Assets - Core Current Assets) - Other Current Liabilities.

- **Chore Committee**

  The working group chaired by K.B Chore was formed in April 1979 by RBI to examine the cash credit system with special reference to the gap between the sanctioned limit and limit the degree of use.

  The commission recommended that the evaluation of working capital requirement assessment must be evaluated based on the II Method of lending proposed by Tandon Committee.

Credit Appraisal Process of Retail Loan segment

1. Personal Loan

Eligibility	The person one who is applying for loan should be State or Central Government Employee, Employee of Public Sector Undertakings, MNC's, with the minimum 2 years of service.
Purpose of Loan	The purpose is to cover expenditure on education, marriage, travel and so on.,
Repayment	12 to 60 months depending upon the income of the applicant or borrower.
Security	➢ **Primary:** NIL ➢ **Collateral:** Third party guarantee of equal means of an employee acceptable to the bank or Assignment of LIC or Pledge of NSC's for the full value of the limit.
Documents to be produced by the applicant	➢ Application. ➢ Sanction cum terms and conditions letter. ➢ DPN and DP Note and Delivery letter. ➢ Personal loan agreement. ➢ Guarantee agreement. ➢ Letter of Undertaking from the applicant.

Credit Assessment Process followed in issuance of Personal Loan:

- The person should have the SB Account in the Bank since 6 months.
- Salary should be credited to this SB Account or Salary Slip Statement of the last 2 years should be produced by the Borrower.
- They should produce the IT Returns for 3 years period, which in010dicates the Net Annual Income.

- They should produce the Guarantor.

2. Vehicle Loan:

Eligibility	The person eligible for vehicle loan must be a employee or Professional and self employed as Doctors or Chartered Accountants or Advocates and so on.,		
Purpose	The purpose is to allow customers to buy a two wheeler or car for private use.		
Repayment	3 to 5 years in Equated Monthly Instalments.		
Margin and Security	**Limit Rs.**	**Margin**	**Security**
	Up to Rs.50000	10%	**Primary:** Hypothecation over car to be bought. **Collateral:** Third party assurance.
	Over Rs.50,000 up to Rs.5 Lakhs	25%	**Primary:** Hypothecation over car to be bought. **Collateral:** Third party assurance.
	Above Rs.5 Lakhs	25%	**Primary:** Hypothecation over car to be purchased. **Collateral:** Mortgage of immovable properties like land or building.
Documents to be Obtained	➢ Application Cum appraisal and sanction or recommendation to the higher authority. ➢ Sanction communication and Terms and Conditions letter. ➢ Supplementary letter of Hypothecation. ➢ Guarantee Agreement. ➢ Deed of Hypothecation. ➢ RTO Form No. 29 and 30 (in duplicate) undated.		

2.2 Literature Review

GEORGE, OSEI-NYAKO (2016)

The study examines the suitability of the evaluation process of credit in GN Bank and the bondage between the credit officers and the borrower and the effect of loan officer-borrower relationship on the evaluation process of credit. He identifies the tactics to advance the evaluation process of credit in the bank. The learning finds out the loans department offers excellent reception to all customers irrespective of the loan officers relationship with the borrower. Majority of the borrowers who defaults the loan repayment has no relationship with the loan officer.

AMOAH, ANTHONY GYABENG (2016)

The study assessed the lending practices of Upper Amenfi Rural Bank Limited. It identified the following factors as the determinants of credit default among clients of Upper Amenfi Rural Bank in order to magnitude customer business failure, diversion of loans, loans for social purpose, inadequate monitoring, inadequate security, inadequate documentation, inadequate appraisal, inadequate credit staff and staff attitude.

LAWRENCE E (2015)

He explains that the articles mainly concentrate on the issues of the transactions which gets processed from loan inception and ends getting lending activities done but comes to the stage of liquidating the collateral which will be the asset based loan. Due to recent decrease in the growth, the line of credit is weakened. The banks get the right to lien on these kind of transactions to amortise the loan. The results identifies easiest part of the collateral package to collect the accounts receivable in this situation.

MWAJUMA ZIMBA (2013)

The study emphases on efficiency of credit evaluation methodology also to distinguish the dimensions of loans endorsements and reimbursement by the business relies upon the social financial position of the populace in Tanzania. It looks at the impacts of bank advance on the decrease of unemployment status and to build up the connection among bank credits issuance and financial position of the borrowers. The findings demonstrated that there was an issue in strategy, criteria and condition in advance arrangement and the credit officer not agree to the standard, also reasonable for clients.

NANCY ARORA, Dr. ARTI GAUR AND Ms. BABITA (2013)

They says that to mitigate the credit risk, legitimate assessment of the clients is to be done. In this paper we contemplate the credit risk evaluation model of SBI bank and to check the practicality of the business, monetary and technical parts of the clients of the undertaking proposed and its financing pattern. It is additionally important to lessen the different risk parameters, hence observation of movement of loan procedure is required.

SATYA VARATHAN (2012)

The author explains about the important activities exercised by the credit bureau of the bank to decide if to acknowledge or dismiss the application for loan. The article bargains in banking, such as working capital and its administration, strategies for evaluation, gathering of credit reports. The techniques to be utilized by the banks so as to compute as far as possible are Turnover strategy, MBPF framework and money spending framework.

Dr. ROSY KALRA (2012)

She explains that finance is required at every stage of the business either for starting up the businesses or in order to monitor it in meeting the day to day expenses of business. The primary function of any financial institution is to lend the loan for commercial purpose. She also explains that how the lender is supposed to verify the credit worthiness of the customer? What are the criterions to be grant the loan proposal? What are the tools to be used in the banks to mitigate the credit risk?

HRISHIKES BHATTACHARYA (2011)

The author explains about the vital structure which must include around the benefit goals in order to develop the quality credit resources portfolios and to guarantee sufficient capital growth. The investigation of loaning techniques, credit evaluation, risk examination and loaning choices inside the general destinations of loaning associations. The effect of capital guidelines on the risk attitude and gainfulness of the banks, procedures to protect banks from a liquidity emergency, and the need of a portfolio approach in developing models for credit introduction and advance administration inside a risk return framework.

MILCAH CHEPKORIR (2011)

The author determines the credit examination procedures utilized by commercial banks in Kenya to assess the financial soundness of SMEs and build up whether there exists connection between the material credit evaluation strategies and the dimension of non-performing loans. He likewise settled difficulties facing banks in utilizing the relevant credit evaluation procedure.

AW MUREITHI (2010)

The purpose of the study was to analyse the credit evaluation process adopted by the financial intermediaries offering WEF (World Economic Forum) loans. The study found that most of the organisations get their funds from foreign donors, and existing credit policy is the most important factor in establishing a credit control policy.

WALSH AND JOHN (2009)

He speaks on the three important attributes to consider the loan application in the market to underwrite lending procedures and they are income, credit and collateral. Previously, the human appraisal and software based automated application model (AVM) were considered for credit valuation. More cost effective ways to value properties by the lenders, then the AVM came into picture. The statistical approach has been introduced to replace the human appraisal. In order to arrive at more confident price point for the inconsistent data, more detailed appraisals can be done by human evaluation.

CHRISTIAN (2006)

The author mainly focused on the financial repression usually associated with that interest rate controls, statutory pre-emption change the intensity of three related policies. And directed credit and these policies have an effect.

HOCHGRAF AND LISA (2003)

The author says that credit union’s effort can get a boost by electronic real estate lending tools. It speaks of investing hours of time to interrogate issues relating to lending procedure in the things such as application data for a single loan, calculating debt, collecting credit, valuation information, other ratios and printing of valuable documents. By using the Ellie Mae’s loan origination system series to mortgage banking has helped get things done in minimal time for equity loans as well as the first mortgages.

UWE (2002)

Here the author analysed the further development on the bases of modern credit risk management, the case of the definition of default, default probability estimates, exposure, recovery, dependent concepts portfolios, price.

BONIN AND HUANG (2001)

Associations credit planning might be tolerant or stringent. On account of an liberal arrangement, the firm loans generously even to those whose credit value is flawed. This limits expenses and misfortunes from awful obligations however may lessen income acquiring from credits, productivity and income.

MOLVIG AND DIANNE (1999)

Here the author explains that the challenge faced is to know the steps in progressing more than the credit unions which provides home equity lending products. Various strategies are being adopted to increase the profit rate through marketing by discussing in the market. Many financial institutions in the various places of Kansas City incorporates fees into the rate structure and market home loan products as no closing cost product.

LENTZ, GEORGE H AND WANG K (1998)

The author stats that this study has various strengths and weaknesses of the appraisal techniques are assessed, issues relating to the use of neighbourhood appraisal techniques for lending activities are also mentioned and the development of appraisal methodologies are discussed. The study result shows the frequently encountering the accommodation of data constraints improvises the accuracy of appraisal estimates.

SIMPSON, ROBERT, REBECCA AND WALZAK (1996)

Says that to protect the integrity of data upon which underwriting decisions are made by the mortgage industry in order to reduce the mortgage fraud and to decrease its losses. The study results speaks of three hindrances for the purpose of better adoption of aggressive quality control protocols which are lack of commitments by the management, certain frauds tolerances made by the honest professionals in the market and also unwillingness to maintain as appropriate reviewer.

DENNIS R. GOLDENSON, JAMES D. HERBLEB (1995)

It implies the effect of the Capacity Maturity Modalism or CMM put together examinations with respect to ensuing programming process improvement and organisational execution. The thesis proposes that procedure development improves item quality, capacity to meet timetable responsibilities, and different markers of organisational execution.

REDDY (1985)

The review titled, “Over dues Appraisal and management in Banking” dissected the connection amongst the loaning and recuperation of a apex bank. His verdicts proposed that the loaning and recuperation of the apex bank had not been balanced, i.e., either the apex bank proved unable encounter the whole credit requirements of the essential banks or the last proved unable attain the assets from the apex bank.

SURYAWANSI (1978)

In his paper “Credit Requirements Availability and its Holes” spotted that enormous farmers got a bigger portion of credit financed by various financial organisations and the portion of co-agents was the greatest. It was likewise watched that remote cash loan specialists were, still assuming an imperative part in providing rural credit and the extent of borrowing from this basis was difficult if there should rise an occurrence of little agriculturists.

CHAPTER: 3

RESEARCH DESIGN

3. RESEARCH DESIGN

3.1 Statement of Problem

Banks and other financial institutions are facing with numerous risks. The most widely recognised and genuine among them is credit risk, which is just the likelihood that the borrowers will default the reimbursement of loan they get from a bank or any other financial institutions. Appropriate appraisal of the borrower assesses the financial circumstances and capability of the borrower to reimburse the loan inside the specified period of time.

Assessing the credit worthiness of borrower by a lender prior granting the loan is termed as credit appraisal. So the project is about study of such credit appraisal systems. Hence the project is titled as **" A STUDY ON CREDIT APPRAISAL PROCESS AND ANALYSIS AT KGB"**

3.2 Need for the Study

When an individual or an organisation utilizes a credit that implies they are borrowing cash from bank or some other financial institutions by guarantee to reimburse inside a pre chosen period. So as to evaluate reimburse i.e. assessing their credit value, the banks utilize different systems which contrast with the diverse sort of credit facility given by the bank. In the present situation where it is seen that enormous organisations and financial institutions have been ruined due to the credit defaulting. So Credit Appraisal has turned into a essential perspective in that banking and is expanding the prime significance.

3.3 Objectives of the Study

- To study about the credit appraisal methods and procedures of Kaveri Grameena Bank.
- To understand commercial, technical and financial feasibility of the proposal proposed and it's finding pattern.
- To design policies on how Credit Appraisal and reimbursement of loans in Kaveri Grameena Bank can be enhanced.

3.4 Scope of the Study

The scope of studying the Credit Appraisal covers the system and operations at Kaveri Grameena Bank. The study aims to cover the spectrum of how the projects are appraised by Kaveri Grameena Bank for new business venture as well as existing small enterprises and the way they evaluate the viability of the venture by studying the project.

- Different loan schemes of Kaveri Grameena Bank.
- Project eligible for assistance from Kaveri Grameena Bank.
- Procedures followed to sanction loan.
- Kaveri Grameena Bank services towards their customers.

3.5 Research Methodology

The study is highly dependent upon providing various loans and credit facilities. Methodology is a description of the process, rules, methods employed in a study. Research in common phrasing states to a search for knowledge. It can also describe research as a scientific and systematic search for relevant information on a definite topic. In fact, the research is an art of systematic examination.

3.5.1 Research Design

The research design followed for the study is descriptive and analytical in nature, as the study labels the current facts and statistics. The study is based on secondary data such as loans and advances for the period of last five years.

3.5.2 Source of Data

Information primarily gathered from both essential and auxiliary sources.

Primary Data:

Primary Data is collected by interaction with the Branch Manager and Departmental head.

Secondary Data:

Secondary Data includes information generated from bank’s previous records, annual reports of the bank, manual provided by the bank, books and articles, magazines, newspapers, etc.

Tools and Techniques:

- The collected data has been tabulated, analysed and shown in the way of graphs, diagrams and interpretation.
- The informal discussion was carried with the officials of Kaveri Grameena Bank.

3.6 Limitation of the Study

- The time limit for the study was just 6 weeks.
- The collection of data for analysis is restricted to only Kaveri Grameena Bank.
- Only the yearly reports are considered for the study.

CHAPTER: 4

DATA ANALYSIS AND INTERPRETATION

4. DATA ANALYSIS AND INTERPRETATION

1. Credit to Deposit Ratio (CDR)

This ratio shows how the loans lent by the bank are done by deposits. It is the percentage of loan-assets formed by banks from the deposits arrived. The higher the ratio, the higher the loan-assets formed from deposits and vice versa.

Credit to Deposit Ratio= Total Loans/ Total Deposits

Table 4.1 Showing the Credit to Deposit Ratio

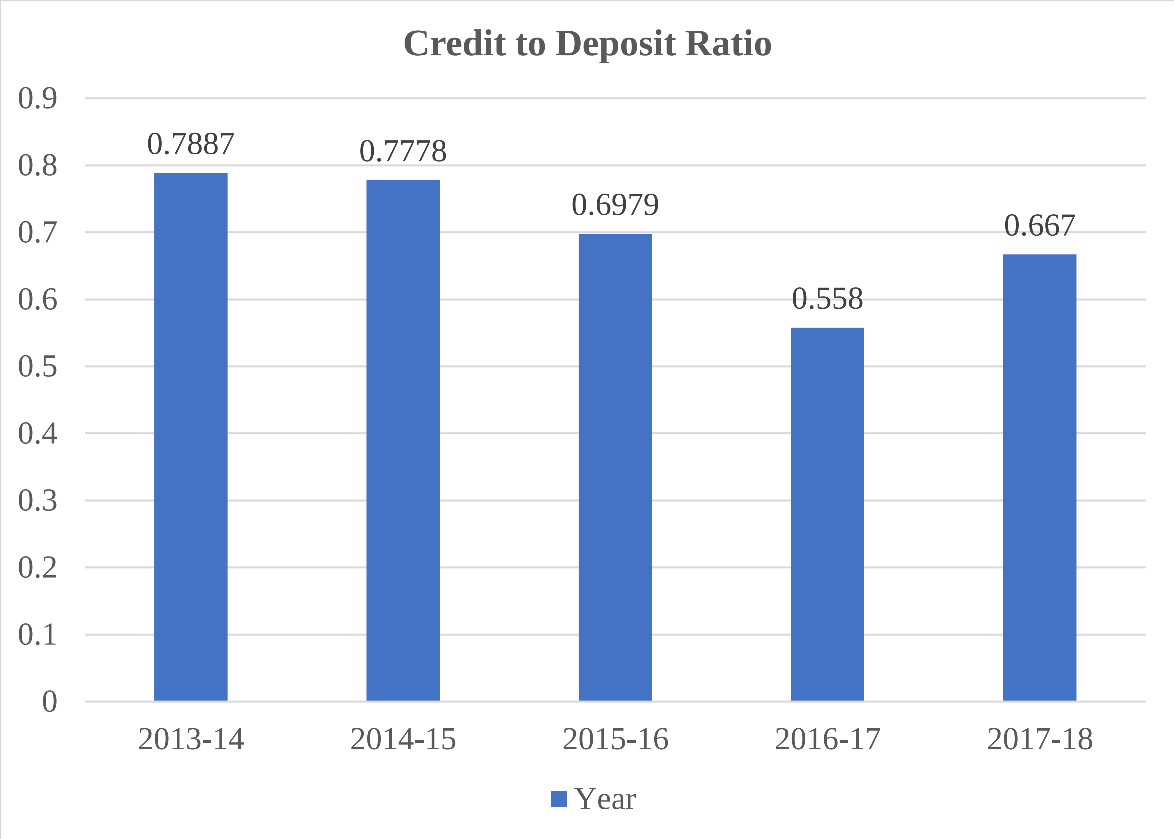
(Amount in Thousands)

Years	Loans	Deposits	CDR
2013-14	36,806,427	46,666,485	0.7887
2014-15	45,929,500	59,048,777	0.7778
2015-16	53,307,088	76,381,170	0.6979
2016-17	53,746,453	96,325,259	0.5580
2017-18	59,193,988	88,757,644	0.6670

Analysis:

From the above table we can understand the aggregate advances to aggregate deposits. It can be seen that 0.7887 in the year 2013-14, and it has slightly decreased to 0.7778 in the year 2014-15 and it keeps on decreasing in the coming years of 2015-16 and 2016-17 to 0.6979 and 0.5580 respectively. So it can say that there are less vacillations in the aggregate advances to the aggregate deposits year by year. But it has increased to 0.6670 in the year 2017-18.

Chart 4.1.1 Showing Credit to Deposit Ratio



Interpretation:

It is interpreted that there is a decrease in the Credit Deposit Ratio year after year compared to base year 2013-14. Each year it is coming down but there is a increase in the 2017-18.

So, it shows that on an average 65% of the total deposited funds are utilised for lending purpose.

2. Total Deposits of KGB

Table 4.2 Showing Total Deposits of KGB

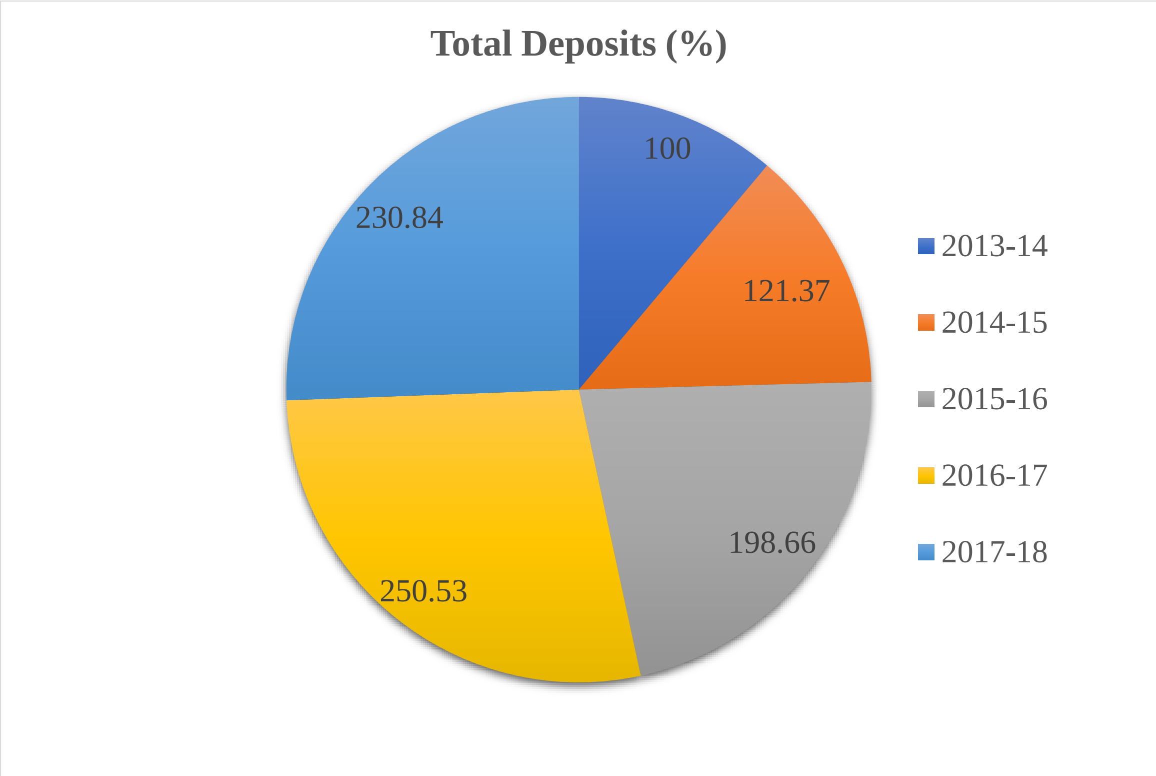
(Amount in Thousands)

Year	Total Deposits	Total Percentage (%)	Percentage of Change (%)
2013-14	38,449,125	100	-
2014-15	46,666,485	121.37	21.37
2015-16	76,381,170	198.66	98.66
2016-17	96,325,259	250.53	150.53
2017-18	88,757,644	230.84	130.84

Analysis:

Above table shows the total deposits of Kaveri Grameena Bank for the last 5 years from 2013-14 to 2017-18. In this table 2013-14 has been taken as base year and it has been compared. If we take 100 percent deposits in the year 2013-14, it keeps an increasing every after year. But in the year 2017-18 the total deposit percentage has been reduced to 230.84 percentage to that of the previous year 250.53 percentage.

Chart 4.2.1 Showing Total Deposits in Percentage



Interpretation:

From the above graph it is understandable that the percentage change in total deposits of the KGB is gradually increasing every year except 2017-18 where it has decreased to some extent. It gives the positive impact that deposit rate has increased from 100 percent in the year 2013-14 to 121.37, 198.66, 250.53, 230.84 in the year 2014-15, 2015-16, 2016-17, 2017-18 respectively.

It is found that total deposit is increased in last 2 years when compared to 2013-14 and due to this their funds are also increased.

3. Total Borrowing of KGB

Table 4.3 Showing Total Borrowings of KGB

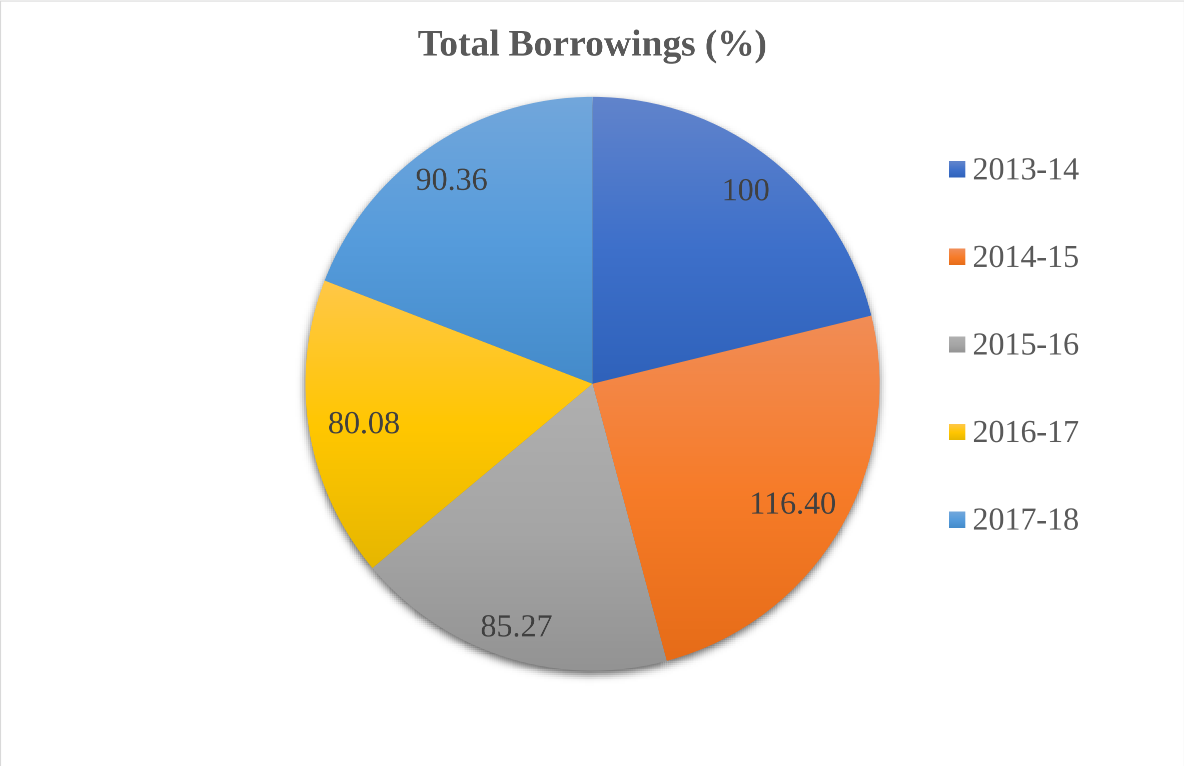
(Amount in Thousands)

Year	Borrowings	Total Percentage (%)	Percentage of Change (%)
2013-14	6,480,939	100	-
2014-15	7,543,670	116.40	16.4
2015-16	5,526,473	85.27	-14.73
2016-17	5,190,147	80.08	-19.92
2017-18	5,856,436	90.36	-9.64

Analysis:

The above table shows the total borrowings of KGB for the year 2013-14 to 2017-18. For calculation purpose the year 2013-14 is considered as a base year. In the year 2013-14 the total borrowings were 100 percent and in the year 2014-15 it has been increased to 116.40 percent. But in the year 215-16 it has reduced to 85.27 percent, and further it reduces to 80.08 percent in the year 2016-17. The borrowing percentage in the year 2017-18 was 90.36 percent.

Chart 4.3.1 Showing Total Borrowings in Percentage



Interpretation:

From the above graph, it is understandable that the total borrowings of KGB has gradually decreased in the recent years. In the year 2014-15 it has 116.40 percent and there after it has reduced to 85.27,80.08, 90.36 in the year 2015-16, 2016-17, 2017-18 respectively. It is a good sign for the Bank that the total borrowings has been reducing year after year. So that the bank can maintain low interest rate and can attract more customers.

4. Sector wise Loan Disbursement of KGB

Table 4.4 Showing Sector wise Loan Disbursement

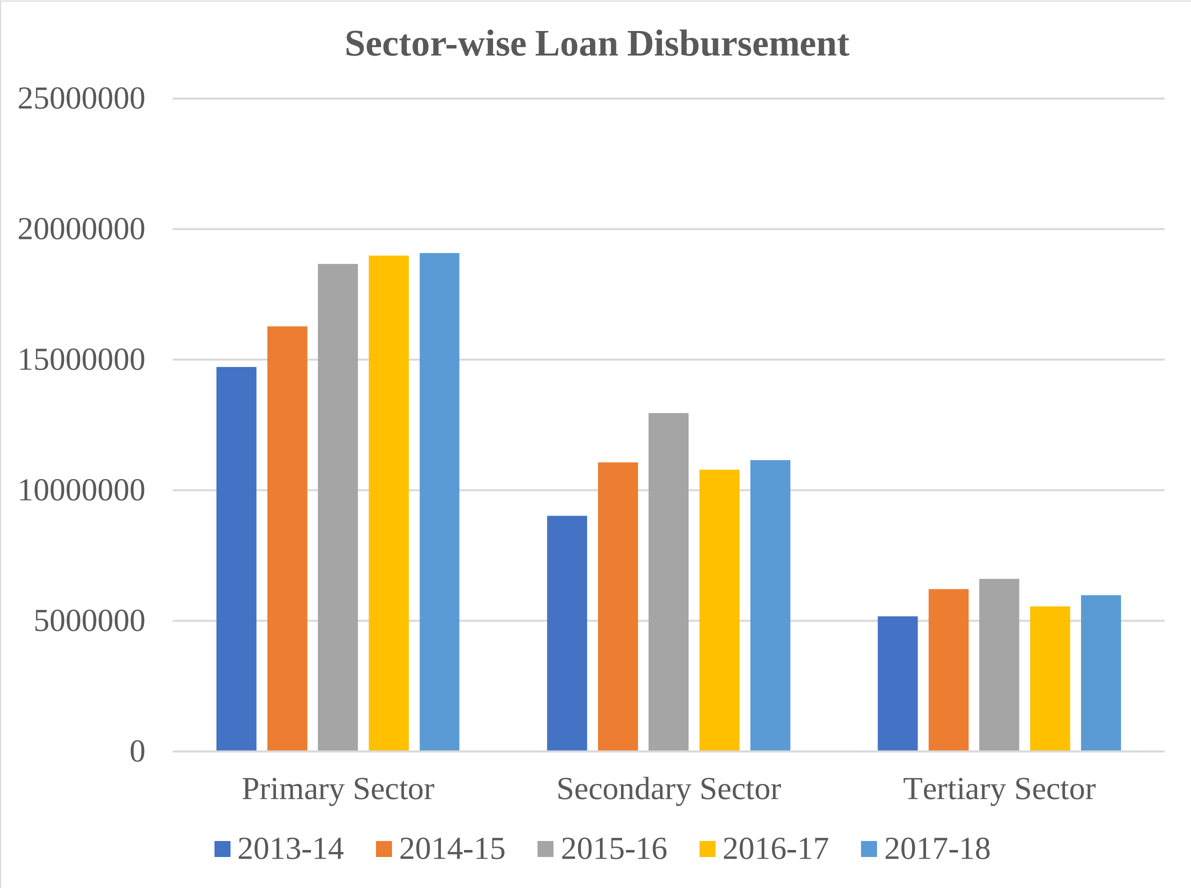
(Amount in Thousands)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Primary Sector	14,726,581	16,274,932	18,671,102	18,988,032	19,079,156
Secondary Sector	9,025,712	11,072,712	12,961,244	10,785,303	11,158,031
Tertiary Sector	5,176,542	6,220,263	6,603,106	5,553,615	5,978,214
Total	**28,928,835**	**33,567,907**	**38,235,452**	**35,326,950**	**36,215,401**

Analysis:

Above table includes all types of loans which are available in the Kaveri Grameena Bank. Primary sector loans are the Crop loans and it includes all type of Agricultural loans. Secondary sector loans include Small and Medium Enterprise loans, whereas tertiary sector loan includes Personal and other retail loans of last five years.

Chart 4.4.1 Showing the Sector-wise Loan Disbursement



Interpretation:

From the above chart it is evident that Primary sector loans are increased year by year. In the year 2013-14 total loan disbursement amounted to Rs.28,928,835 thousands which includes Agricultural loan of Rs.14,726,581 thousands which had a major part of total loan amount approximately 51% , Secondary and tertiary loan disbursement to total loan amounted to 31% and 18% respectively. We can see that every year the loan disbursement amount is increasing but in the year 2016-17 it has slightly decreased and again in the year 2017-18 the loan disbursement is increasing.

5. Sub-Standard assets

Table 4.5 showing Sub-standard Assets of KGB

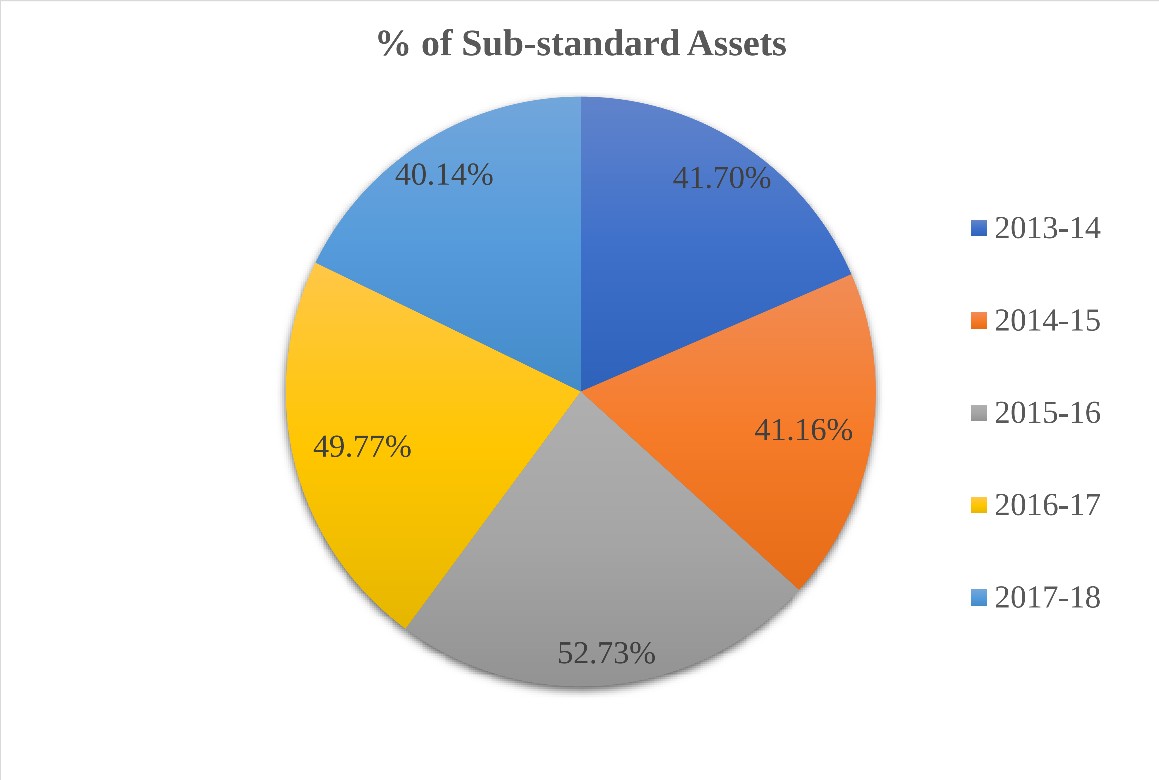
(Amount in Thousands)

Year	Sub-standard Asset	Total NPA	% of Sub-Standard Assets
2013-14	504,876	1,210,627	41.70%
2014-15	562,685	1,367,005	41.16%
2015-16	1,109,583	2,104,216	52.73%
2016-17	1,597,135	3,208,725	49.77%
2017-18	1,997,692	4,976,400	40.14%

Analysis:

The above table shows the Percentage of Sub-standard Asset to total NPA. In the year 2013-14 the bank had Rs.504,876 thousand sub-standard asset out of Rs.1,210,627 thousand NPA, it aggregates 41.70%. In the year 2015-16 it has been risen to 52.73% to total NPA, in the year 2016-17 it aggregates 49.77% of total Non-Performing Assets but in the year 2017-18 the % of Sub-standard assets came down to 40.14%.

Chart 4.5.1 Showing % of Sub-standard Assets to Total NPA



Interpretation:

From the above graph, we can understand that the % of Sub-standard Asset to Total NPA is varies from year to year. Sub-standard assets are those assets which are remained NPA for the period less than one year. From 52.73% in the 2015-16 to 40.14% in the year 2017-18, which indicates that the bank is performing well in recovering the Sub-standard Asset by observing positive change where there is a gradual decrease year after year.

6. Doubtful Assets

Table 4.6 showing Doubtful Assets of KGB

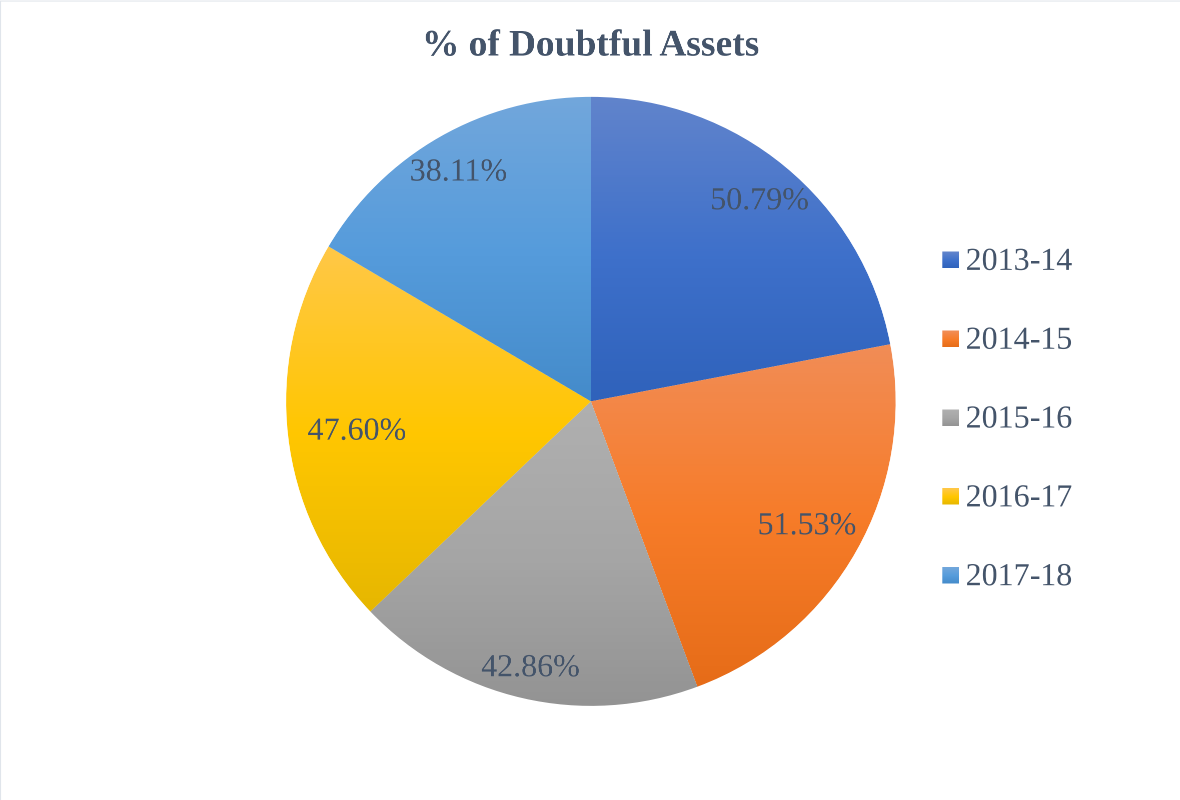
(Amount in Thousands)

Year	Doubtful Assets	Total NPA	% of doubtful assets
2013-14	614,876	1,210,627	50.79%
2014-15	704,391	1,367,005	51.53%
2015-16	901,828	2,104,216	42.86%
2016-17	1,527,470	3,208,725	47.60%
2017-18	1,896,458	4,976,400	38.11%

Analysis:

The above table represents the % of Doubtful Assets to Total NPA of KGB. The assets are classified as Doubtful because it has been continued in Sub-standard group for a time period of more than I year. In the year 2013-14, 50.79% of total NPA is identified as Doubtful Assets and 51.53, 42.86, 47.60, and 38.11% in the year 2014-15, 2015-16, 2016-17 and 2017-18 respectively.

Chart 4.6.1 showing the % of Doubtful Assets of KGB



Interpretation:

From the above graph it is evident that the % of doubtful assets are changing every year to that of the total NPA. We can observe that in the year 2014-15 the bank has highest portion of doubtful assets which covers almost 52% of the total NPA. But in the year 2017-18, it comes down to 38.11%, which means the % of doubtful assets are reduced and it is a good sign for the bank as it can minimise its reserve for doubtful assets.

7. Loss Assets

Table 4.7 Showing Loss Assets of KGB

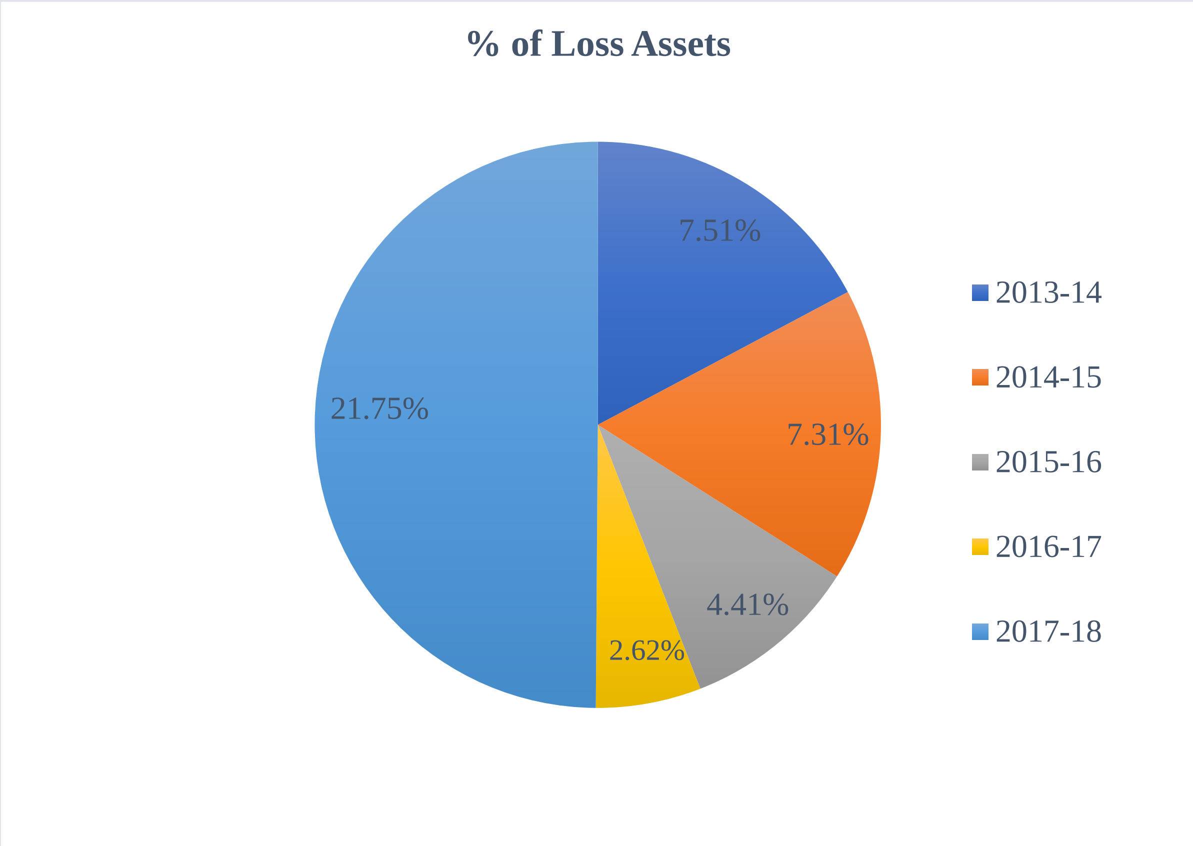
(Amount in Thousands)

Year	Loss Assets	Total NPA	% of Loss Assets
2013-14	90,875	1,210,627	7.51%
2014-15	99,929	1,367,005	7.31%
2015-16	92,805	2,104,216	4.41%
2016-17	84,120	3,208,725	2.62%
2017-18	1,082,250	4,976,400	21.75%

Analysis:

The above table represents the % of loss assets to that of the total Non-performing Assets. The assets are classified as loss assets when the NPA period is more than 3 years. In the year 2013-14 the bank had classified 7.51% of loss assets and the % of loss assets keeps on reducing and it comes down to 2.62% in the year 2016-17, but in the year 2017-18 it increased to 21.75%, which is not a good sign for the bank as it directly affect on the profitability of the bank.

Chart 4.7.1 showing the % of Loss Assets of KGB



Interpretation:

The above graph represents the % of loss assets to total NPA for the last 5 years. We can see that in the 2016-17 the bank has the least % of loss assets, but in the 2017-18 it increased to almost 22%. So, the bank need to focus more upon the credit risk management and use more of the recovery techniques in order to reduce the loss assets in the coming years. Otherwise, the bank may face liquidity problems.

8. Non Performing Assets

Table 4.8 Showing Total NPA

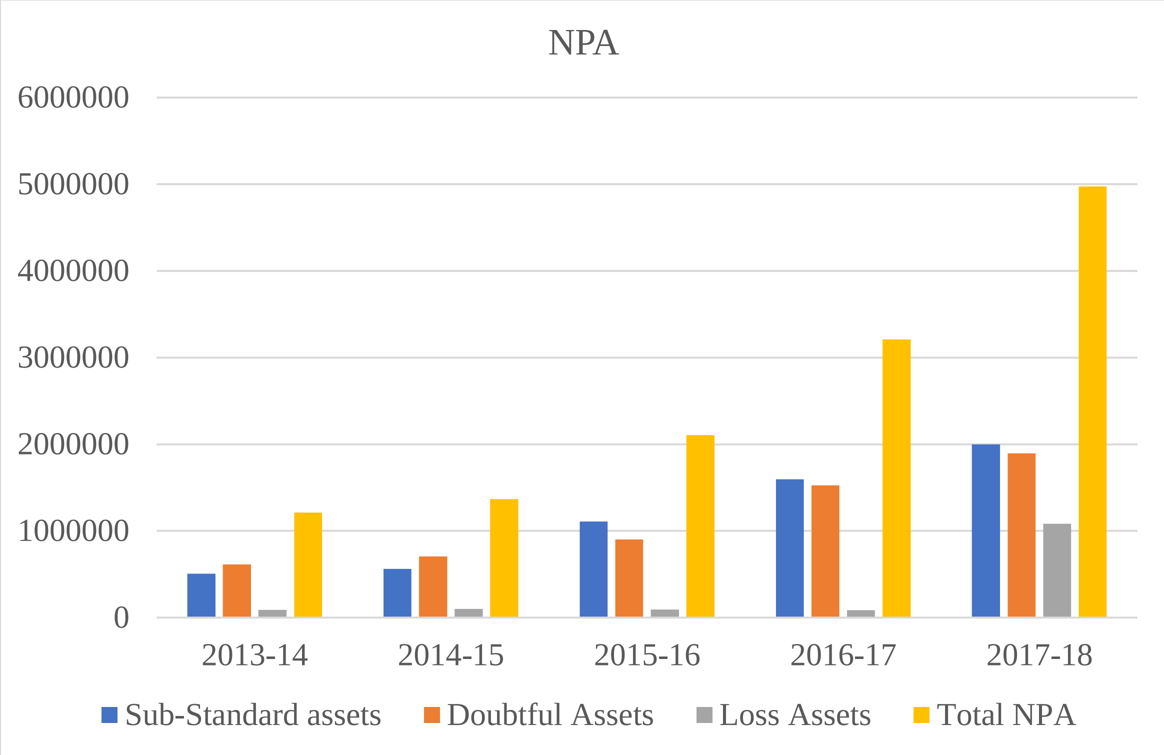
(Amount in Thousands)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Sub-standard Assets	504,876	562,685	1,109,583	1,597,135	1,997,692
Doubtful Assets	614,876	704,391	901,828	1,527,470	1,896,458
Loss Assets	90,875	99,929	92,805	84,120	1,082,250
Total NPA	**1,210,627**	**1,367,005**	**2,104,216**	**3,208,725**	**4,976,400**

Analysis:

The above table shows the total Non Performing Assets (NPA) of KGB. Total NPA is divided into Sub-standard Assets, Doubtful Assets and Loss Assets. In the year 2013-14 the total NPA is the lowest with Rs.1,210,627 thousands. Here we can see Total NPA is increasing year after year from Rs.1,210,627 thousands in the year 2013-14 to Rs.4,976,400 thousands in the year 2017-18.

Chart 4.8.1 Showing Total Non-Performing Assets of KGB



Interpretation:

From the above graph we can understand the changes in total Non Performing Assets of KGB. It is a negative impact on the Bank that the amount of Total NPA is gradually increasing each year from 2014-15 to 2017-18. The Bank need to adopt various techniques to reduce the NPA as well as to recover the previous NPA by using modern and statistically proven credit appraisal process.

9. Percentage of Non-performing Assets to Total Advances

Table 4.9 Showing % of Non-performing Assets to Total Advances

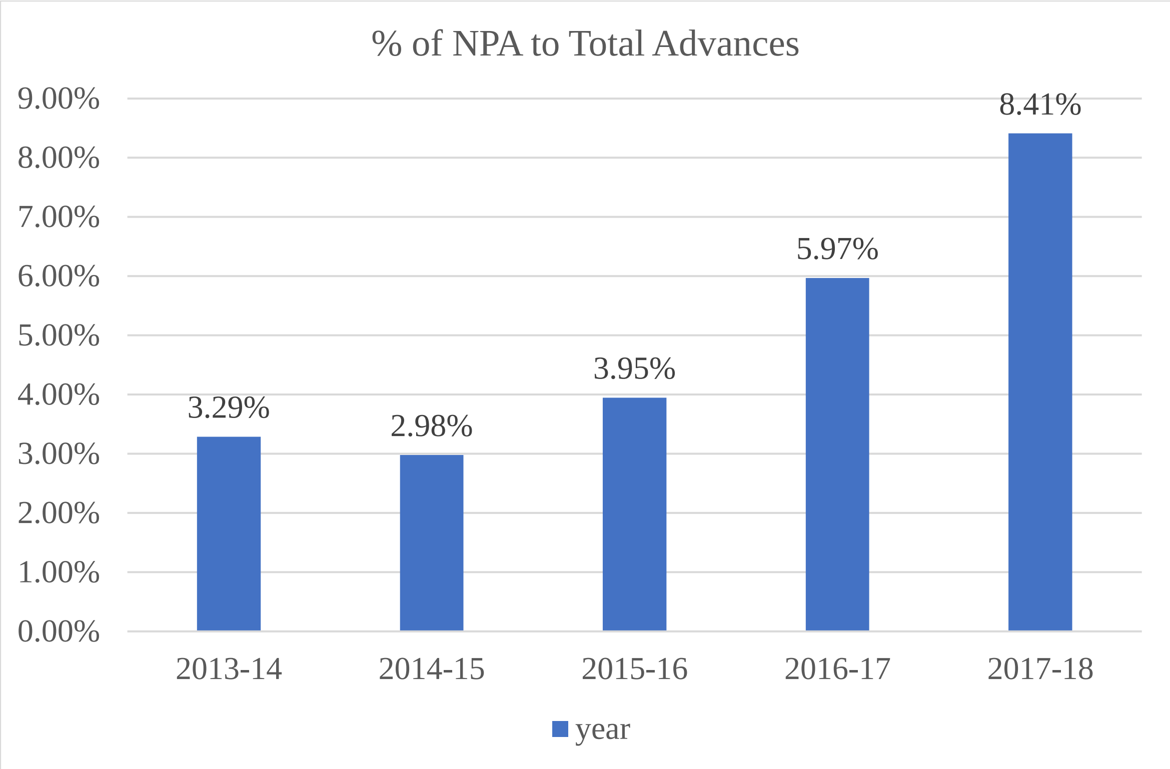
(Amount in Thousands)

Year	Total NPA	Total Advances	% of NPA to Advances
2013-14	1,210,627	36,806,427	3.29%
2014-15	1,367,005	45,929,500	2.98%
2015-16	2,104,216	53,307,088	3.95%
2016-17	3,208,725	53,746,453	5.97%
2017-18	4,976,400	59,193,988	8.41%

Analysis:

From the above table we can find out the fluctuations in the % of Non-performing Assets to that of the Total Advances. In the year 2013-14 the NPA % is 3.29 and it comes to 2.98% in the year 2014-15 which is the least % of NPA to Advances. From the year 2015-16 it keeps on increasing, in the year 2016-17 the ratio is 5.97% but in the year 2017-18 it goes up to 8.41%, it is the highest portion of NPA compare to all the years. So, it directly affects on the performance of the bank.

Chart 4.9.1 Showing the % of Non-performing Assets to Total Advances.



Interpretation:

From the above graph it is understandable that % of total NPA to Total Advances is keeps on increasing year after year. In the year 2014-15 the bank maintains less % of NPA. So, the bank must take proper precautionary measures to reduce the level of NPA. They should adopt the adequate credit appraisal techniques before lending the loans and advances. By doing so the level of Non-performing assets can be minimised.

CHAPTER: 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5. SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 Findings:

The findings of the report is as under:

- In the year 2016-17 the bank accepted more deposits from the public but the lending's during the period was less, which lead to the less CDR, approximately 55%.
- In the last five years the deposits of KGB has been increasing continuously from 2013-14 to 2017-18 from 100% to 230.84%. It indicates that the performance of the bank is improving at a good pace.
- The KGB is concentrating more on the Priority sector by lending loans and advances of more than 50% of total advances in last five years.
- From the study it is found that, the sub-standard assets of the bank in the year 2015-16 was 52.73% and it comes down to 40.14% in the year 2017-18.
- The assets which are classified as doubtful are decreased from 50.79% to 38.11% in the year 2017-18.
- The loss assets of the bank in the year 2016-17 was 2.62% but it jumped to 21.75% in the year 2017-18, which leads to liquidity problem in the bank.
- The Non-performing Assets in the year 2013-14 was Rs.1,367,005 thousands and it was increased to Rs.4,976,400 thousands in the year 2017-18.
- From the study it is found that, out of total advances the bank creates 2.98% of NPA in the year 2014-15 and in the year 2017-18 it increased to 8.41%.
- The credit appraisal is done by the bank prior lending any type of loans and advances, likewise identifies the commercial, financial and technical feasibility of the project.

5.2 Suggestions:

- The Credit Deposit ratio is less and so bank can go for further lending process to increase the income generation.
- Evaluation for the fresh credit provisions could be done by the bank by analysing funds flow in combination with the cash flow rather than only on the basis of funds flow.
- Bank may properly evaluate all loan applications to analyse project feasibility, for that bank could train their staff properly in this regard.
- A proper risk assessment would lead to lesser chances of default.
- The bank should try to reduce the loss assets, so that profit can be increased.
- The bank wants to implement proper recovery technique, to reduce the level of Non-performing Assets.
- The bank may implement E-commerce service so that more customers may attract towards the bank.

5.3 Conclusion:

The study was undertaken for a sample period of five years from 2013-14 to 2017-18, to find the requirements to perform the Credit Appraisal Process. From the study it was found that the bank's norms and criteria's help to verify the credit worthiness of the borrower, repayment capacity and good track record of the borrowers.

Before lending, the bank incorporates a lengthy norms and procedures to check the viability of the project/venture. Firstly, the personal assessment of the borrower is carried by the bank to safeguard that the borrower is capable of running the business or carrying the project efficiently. Secondly, the detailed study about the financial capability of the project/venture is done, such as study of cash flow statement and computing some of the important ratios which are essential for term loan assessment. It includes examination like DSCR, DER and BEP. The financial assessment is done to ensure that the project/venture will capable of earning sufficient surplus to reimburse the loan along with interest.

Risk analysis is also carried out by the bank to decide the risk involved with the project/venture. This is carried with the help of sensitivity analysis and credit scoring or credit rating. Credit scoring is done by Kaveri Grameena Bank on various parameters such as personal, business and collateral, in that way the credit worthiness of the borrower can be determined. So, this is why Credit Appraisal has gained significance in todays business world.

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- https://www.kaverigrameenabank.com

ANNEXURE:

Balance Sheet for the period of 5 Years.

(Amount in thousands)

Particulars	31-03-2018	31-03-2017	31-03-2016	31-03-2015	31-03-2014
Liabilities					
Capital	539,726	539,726	539,726	539,726	539,726
Reserves and Surplus	5,008,981	4,687,999	3,874,206	3,205,031	2,555,990
Deposits	88,757,644	96,325,259	76,381,170	59,048,777	46,666,485
Borrowings	5,856,436	5,190,147	5,526,473	7,543,669	6,480,939
Other Liabilities and Provisions	1,613,925	1,447,557	1,664,656	1,624,960	1,143,086
Total	**101,776,712**	**108,190,688**	**87,986,231**	**71,962,163**	**57,387,226**
Assets					
Cash and Balance with RBI	4,252,499	4,281,626	3,549,577	2,815,045	2,337,105
Balance with Banks and Money at call and short notice	3,221,555	9,142,828	1,273,644	7,003,775	3,742,337
Investments	32,645,779	38,636,678	28,281,467	14,950,761	13,551,513
Advances	59,193,988	53,746,453	53,307,088	45,929,500	36,806,427
Fixed Assets	218,358	218,187	216,083	166,774	121,406
Other Assets	2,224,533	2,164,916	1,358,372	1,096,308	828,438
Total	**101,776,712**	**108,190,688**	**87,986,231**	**71,962,163**	**57,387,226**
Contingent Liabilities	208,003	155,618	122,008	132,769	105,598
Bills for collection	172,845	135,754	178,285	196,807	96,969

OPERATIONS AT A GLANCE

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14
Interest earned	9,093,500	8,485,896	7,751,202	6,087,027	4,794,700
Other Income	628,157	1,160,043	499,020	801,878	582,404
Interest expended	5,997,294	6,035,265	5,346,539	4,211,894	3,274,756
Operating expenses	2,125,290	1,947,786	1,730,689	1,687,572	1,496,703
Net Profit Before Tax	411,404	1,169,235	998,775	989,439	605,645
Net Profit After Tax	322,651	852,349	688,525	694,388	447,541
NPA	4,976,400	3,208,725	2,104,216	1,367,005	1,210,627

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ACHARYA INSTITUTE OF TECHNOLOGY

DEPARTMENT OF MBA

PROJECT (17MBAPR407) -WEEKLY REPORT

NAME OF THE STUDENT: NITHIN KUMAR H N

INTERNAL GUIDE: Prof. SUHAS PATEL

USN: 1IA17MBA39

COMPANY NAME: KAVERI GRAMEENA BANK

WEEK	WORK UNDERTAKEN	EXTERNAL GUIDE SIGNATURE	INTERNAL GUIDE SIGNATURE
3rd Jan 2019 – 9th Jan 2019	Industry Profile and Company Profile		
10th Jan 2019 – 17th Jan 2019	Preparation of Research instrument for data collection		
18th Jan 2019 – 25th Jan 2018	Data collection		
26th Jan 2019 – 2nd Feb 2019	Analysis and finalization of report		
3rd Feb 2019 – 9th Feb 2019	Findings and Suggestions		
10th Feb 2019 – 16th Feb 2019	Conclusion and Final Report		

KAVERI GRAMEENA BANK Yelahanka Branch

Company Seal

ACHARYA INSTITUTE OF TECHNOLOGY BANGALORE 560 107

College Seal

HOD Signature

29/3/19

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