



**JUDGEMENTAL ANALYSIS OF MANAGERS AND SMALL SCALE
ENTREPRENEURS IN RELATION TO CREDIT AND NPA MANAGEMENT WITH
REFERENCE TO KRISHNA AND KHAMMAM DISTRICTS OF ANDHRA
PRADESH**

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INTRODUCTION

Granting of credit facilities for economic activities is the main reason of the banking. Apart from raising resources the through fresh deposits, borrowing etc., recycling of funds received back from barrowers constitute a major part of funding credit dispensation activity. Non recovery of instalments and also interest on the loan portfolio negates the effectiveness of this process of the credit cycle. Non recovery also affects the profitability of banks, besides necessitating maintenance of more owned funds by way of capital and creation of reserves and provisions to act as cushion for the loan losses. Non-performing Assets, which represent bad and doubtful debts, are endemic in any bank. Avoidance of loan losses is one of the pre-occupations of management of banks. While complete elimination of such losses is not possible, a bank's management aims to keep losses at a low level. In fact, it is the level of Non-performing assets which, to a great extent, differentiate between a good bank and bad bank. NPAs threaten a country's banking system; they erode the fiduciary role of banks, affect safety of depositors' funds, and beyond a certain point rapidly increase the risk of a run on bank deposits. The high level of NPAs in banks and financial institutions has been a matter of grave concern to the public as bank credit is the catalyst to the economic growth of the country and any bottleneck in the smooth flow of credit, the main cause of which is the mounting NPAs, is bound to create adverse repercussions in the economy. NPAs are not therefore the concern of lenders only, but all beneficiaries of the financial system.

For each individual, reality is a totally personal phenomenon, based on that persons needs, wants, values, and personal experiences. Thus for service providers like banks, customer perceptions are much more important than their knowledge of objective reality. "Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences. These customers' oriented terms- Quality and Satisfaction – have been the focus of attention for executives and researchers alike over the last decade or more".¹

Individuals act and react on the basis of their perceptions, not on the basis of objective reality. Perception is defined as "the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world".² A stimulus can be described as a sensory input i.e., any unit of input to any of the senses. Two individuals may

be exposed to the same stimuli under the same apparent conditions, but how each person recognizes, selects, organizes, and interprets these stimuli is a highly individual process based on each person's own needs, values and expectations. Further, individuals tend to group stimuli so that they form a unified picture or impression.

For a banker, an understanding of the perceptions of the borrowers is imperative, as it enables to restructure the recovery strategies in the form of either rescheduling the repayments to initiate other actions to the dues. Similarly, it empowers him to evolve policies to lend credit to the needy. An attempt has been made in this paper to analyse the perceptions of the bank managers as well as the small scale entrepreneurs towards bank credit and NPA management. For the purpose of the empirical analysis, a case study of Corporation Bank (Krishna and Khammam, Andhra Pradesh) has been carried out.

Methodology

Besides the secondary data gathered from various reports and other published sources, primary data was gathered by administering a questionnaire both to the bank managers and small scale entrepreneurs located in Krishna and Khammam of Andhra Pradesh state. The sample design is presented in table-1.

Table-1 SAMPLE SIZE

Krishna		Khammam		Total
No.of borrowers	Sample size	No.of borrowers	Sample size	
1800	180	550	55	235 (beneficiaries)
No. of Bank officers	Sample size	No. of Bank officers	Sample size	
280	28	70	07	35 (Bank offices)

Source: Compiled from questionnaire

Krishna and Khammam districts are located side by side. The culture and people of these two districts are almost similar. Since Corporation bank is a leading Public Sector Bank that has emanated from the sample area, out of the total beneficiaries of 2500 small scale entrepreneurs we have selected 250 entrepreneurs who have availed loan from 35 branches of the Corporation Bank spread over between Krishna and Khammam districts. Since Krishna district has a larger geographical area and more number of industrial estates, more respondents have been chosen. Thus a total of 250 Small Scale entrepreneurs and 35 bank officials were brought into the sample frame work. In our field study from our original sample of 250 members, 32 members did not respond to our questionnaire and this gap was filled by approaching new members. In fact all the borrowers have defaulted and hence we have taken all of them as respondent members while making defaulter analysis.

Tools employed:

A questionnaire containing 50 statements of multiple choice types was prepared by the investigator in consultation with experts from finance and academic background. These statements related to the concepts like (a) Awareness and Pre-sanction Services (b) Loan Sanction and Incidental Services (c) Loan Disbursement and Incidental Service (d) Supervision of Credit and Recovery Efforts (e) Non-Performing Assets and Recovery. In each concept there were 10 questions where the respondent has to indicate one of the options for the alternatives – ‘strongly agree’, ‘agree’, ‘neither agree nor disagree’, ‘disagree’, and

‘strongly disagree’ (5 point Likert Scale). Face validity of the questionnaire is well established.

Procedure:

The main author personally contacted all the managers and small scale entrepreneurs and requested them to fill out the questionnaire honestly and sincerely. Confidentiality of the responses was assured to each of the respondents. The questionnaires were scored on a 5 point scale from 1 to 5 for negative statements and 5 to 1 for positive statements. Subtotals were made from each concept and total perceptions of both managers and small entrepreneurs are also calculated and later subjected to statistical analysis.

Results and Analysis:

The perceptions of the Bank Managers and the Small Scale Industry (SSI) Entrepreneurs on (a) Awareness and Pre-sanction Services (b) Loan Sanction and Incidental Services (c) Loan Disbursement and Incidental Services (d) Supervision of credit and Recovery Efforts and (e) Non-Performing Assets and Recovery Behaviour were analysed through descriptive statistics and differences if any between bank managers and Entrepreneurs in their perception were tested through independent samples ‘t’ test. Following tables (1-6) present the results of Independent sample ‘t’ test on above selected components related to credit and NPA management.

Table-2 Awareness and Pre-sanction services (scores of managers and SSI and results of Independent samples ‘t’ test)

Respondents	Mean	S.D.	‘t’ value	P value
Managers	42.22	3.20	2.705	0.007
SSI’s	39.48	5.86		

Source: Questionnaire data

In awareness and pre-sanction services, a significant difference existed between managers and SSIs as the obtained ‘t’ value of 2.705 was found to be significant at 0.007 level. From the mean values it is clear that managers had higher awareness and pre-sanction services (mean 42.22) as compared to SSIs (mean 39.48).

Table-3 Loan Sanction and Incidental activities

Respondents	Mean	S.D.	‘t’ value	P value
Managers	51.28	4.26	1.813	0.071
SSI’s	49.23	6.50		

Source: Questionnaire data

In Loan Sanction and incidental services, a non-significant difference is observed between managers and SSI’s as the obtained ‘t’ value of 1.813 found to be non-significant at 0.071 (>0.05) level. From the mean values it is clear that the managers and the SSI respondents had statistically same perceptions on the Loan sanction and incidental services.

Table-4 Loan Disbursement and Incidental activities

Respondents	Mean	S.D.	‘t’ value	P value
Managers	29.68	3.36	2.430	0.016
SSI’s	27.80	4.39		

Source: Questionnaire data

With regard to Loan Disbursement there is a significant difference between the perception of Managers and SSI’s as the obtained t-value 2.430 is found to be significant at

0.016 (<0.05) level. The mean values indicate that the managers have higher perceptions for loan disbursement and incidental activities than the SSI's.

Table-5 Supervision of Credit and Recovery Efforts

Respondents	Mean	S.D.	't' value	P value
Managers	23.17	2.06	7.705	0.000
SSI's	17.71	4.10		

Source: Questionnaire data

A highly significant difference is found between the perceptions of Bank Managers and Small Scale Industrialists as regards Supervision of credit and Recovery Efforts as the obtained 't' value 7.705 is found to be significant at 0.000 level, where managers had higher scores than SSIs.

Table-6 Awareness and Pre-sanction services (scores of managers and SSI and results of Independent samples 't' test)

Respondents	Mean	S.D.	't' value	P value
Managers	40.42	2.91	4.775	0.000
SSI's	36.51	4.72		

Source: Questionnaire data

As regards NPA and Recovery Behaviour, there is a significant difference between the perception of Bank Managers and Small Scale Industrialists as the obtained 't' value 4.775 is found to be significant at 0.000 level. The mean values indicate that the managers have higher perception as regards NPA and Recovery Behaviour than the SSIs.

Table-7 Total Perception

Respondents	Mean	S.D.	't' value	P value
Managers	186.80	10.94	4.815	0.000
SSI's	170.75	19.25		

Source: Questionnaire data

A significant difference (t=4.815; P<.00) was observed in the total perception scores of where managers (mean 186.8) had higher perceptions than small scale entrepreneurs (mean 170.75).

Discussion

The main findings of the present study are:

1. In awareness and pre-sanction services, managers had higher scores than small scale entrepreneurs.
2. In loan sanction and incidental activities, managers and small scale entrepreneurs had equal levels of perceptions.
3. In loan disbursement and incidental activities again managers had higher perception than small scale entrepreneurs.
4. Managers had significantly higher perceptions regarding supervision of Credit and recovery efforts than small scale entrepreneurs.
5. In NPA and recovery behaviour, managers had higher levels of perceptions than small scale entrepreneurs.
6. Lastly, in total perception, managers had higher perceptions compared to that of small scale entrepreneurs.

From the analysis made above certain inference could be drawn. The perception of the respondents towards certain issues could be either positive or negative. For each of the five

domains, the perception of managers as well as entrepreneurs has varied. However, in the case domain-2 viz., Loan sanction & incidental activities, the perception of both the managers and the small scale entrepreneurs are all most akin. In case of other domains, one can notice wide variation in both 't' and 'P' values as far as the perceptions are concerned.

Inferences

The following inferences can be drawn from the study carried out:

1. In domain1- 'Awareness and pre-sanction services', the managers had higher scores than small scale entrepreneurs.
2. In domain2 – 'Loan sanction and incidental activities', respondents from the both the groups have similar perceptions.
3. In domain3- 'Loan disbursement and incidental activities', small scale entrepreneurs have negative perceptions whereas managers have positive perceptions.
4. In domain4 – 'Supervision of credit and recovery efforts', small scale entrepreneurs perceive it negatively as against managers who perceive it positively.
5. In domain5 – 'NPA and recovery behaviour', the small scale entrepreneurs have negative perceptions against that of the managers.

It is quite obvious that the beneficiaries expect more liberal approach from the banks and similarly banks expects better repayment behaviour on the part of the borrowers. While evolving a sound Credit and NPA policy, the policy makers have to consider the perceptions in a balanced manner so that credit dispensation could be smooth and productive and recovery management becomes easy and less complex.

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