

Cash Credit Monitoring

Credit Management

- Loan scrutiny & Sanction.
- Documentation.
- Disbursement.
- Monitoring the Loan account.
- Review.
- Recovery.

Loan Registers

- Loan applications received register.
- Loan sanctioned register.
- Stock statement register.
- Drawing power register.
- Insurance register.
- Security register.
- Inspection register.
- Bill discounting register.
- Multiple limit register.
- Excess OD / TOD register.
- Suit filed register.
- Processing fee register.
- Due date diary:
- Renewal of policies.
- Bills discounted.
- Loan installments.
- Renewal of CC limits.

Stages of Cash Credit Monitoring

- Stock statements.
- Insurance.
- Operations in the account.
- Inspection of security.
- Review & Renewal of limit.
- Balance confirmation.

Tondon Committee 1st Method

➤		<u>Rs'000</u>
➤	Current Assets	600
➤	Less: Current Liabilities	200
➤	-----	
➤	Working capital gap	400
➤	Less: Promoter's Con. @25 %	100
➤	-----	
➤	MPBF	300
➤	-----	
➤	Drawing Power	210
➤	-----	

Tondon Committee 2 nd Method

➤		<u>Rs'000</u>
➤	Current Assets	600
➤	Less: Promoter's Con. @25 %	150
➤	-----	
➤	Working capital gap	450
➤	Less: Current Liabilities	200
➤	-----	
➤	MPBF	250
➤	-----	
➤	Drawing Power	210
➤	-----	

Drawing Power

		Rs.
➤	Stock	300000
➤	Less: Creditors	30000
➤	-----	
➤	Paid Stock	270000
➤	Less: Margin @ 50 %	135000
➤	-----	
➤	Drawing power or Limit	
➤	whichever is less	135000
➤	-----	

Drawing Power

		Rs.
➤	Debtors	200000
➤	Less: > 90 days	50000
➤	-----	
➤	Paid Stock	150000
➤	Less: Margin @ 50 %	75000
➤	-----	
➤	Drawing power or Limit	
➤	whichever is less	75000
➤	-----	

Scrutiny of stock Statement

- Whether it is submitted in the format prescribed by Bank?
- Whether it is complete in all respect?
- Whether it has been signed by authorized official of the company?
- Whether declaration contained below the stock statement format is reproduced without any alterations and signed by authorized person?
- Whether there is any major deviation in the level of inventory declared by the borrower in the stock statement from the level assessed by the Bank?
- Whether trend of the level of inventories with the earlier months shows major variation?
- Whether inventory level is proportionate with the level of activity?
- Whether Sundry creditors are deducted from stock?

- Whether slow moving & non-moving stocks are indicated separately?
- Whether opening balances are tallying with the closing balances of corresponding items in the previous months stock statements?
- Whether classification of debtors below 90 days and above 90 days has been indicated?
- Whether value of bills discounted with bank have been deducted from debtors?
- Whether list of debtors relate to only trade debtors?
- Whether advance received against specific order is deducted for calculation of DP?
- Whether 'expired stock' has been included in the statement? if yes, the same should be deducted

Stock & BD Statements

- Recording in DP register.
- Up dating of Computer records.
- Reminders to defaulters.
- Stock statement format.
- Verification of signature.
- Scrutiny.
- Date of receipt.
- Penal charges.
- Creditors for stock.
- Discontinuing DP.
- RBI circular.

Bill Discounting

- Periodic balancing
- Statement of party wise o/s & overdue
- Expired limits
- Due date diary of bills discounted
- Overdue bills should be debited to CC account.
- How payment is received?
- Documents of title
- Latest credit report of drawees.
- Specimen signatures of drawees
- Whether signature is verified with signed challans?
- Whether power of attorney is registered with drawees?
- Whether sub-limits for various drawees have been fixed?
- Penal interest on overdue bills.

Scrutiny of Insurance Policy

- Sum Insured
- Expiry
- Property covered
- Risks covered
- Location
- Bank clause

- Reminders for submission of policy.
- Reminders for renewal of policy.
- Updating of Insurance register.

Operations in CC Account

- Whether turnover in the account is adequate compared to the turnover of the business?
- Whether turnover is inflated by cash withdrawal and cash deposits?
- Whether cash withdrawals are excessive compared to business needs?
- Whether cash was withdrawn immediately after sanction?

- Where cheques payments are not substantial, whether stock is fully paid for?
- Whether inter transfer of funds between associate concerns are observed?
- Whether diversion of funds for purchasing fixed assets noted?
- Whether payment for off balance sheet items such as lease is observed?

- Whether payment of loan installments to other banks or institutions or private parties is observed?
- Whether payments to parties unrelated to business observed?
- Whether frequent bouncing of cheques deposited as well as issued noted?

- Whether cash deposits sufficient to clear cheques issued noted?

- Whether irregular or infrequent credits observed?
- Whether overdue bills have been cleared by debit to cash credit account?

Operation in the account

- Average utilization.
- Minimum balance.
- Maximum balance.
- Credit summations.
- Whether O/S exceeds limit?
- Frequency of credit entries.
- Return cheques.
- Number of visits for balance/cheque enquiry.
- Debit entries -Cash / cheque
- Tendency of the depositor of depositing cash after cheque is presented to Bank.
- Whether up country cheques/DD are deposited.
- Submission of stock statements.
- Insurance cover.
- Borrower's behavior with staff.
- Diversion of funds.

Inspection

- **Points to be covered**
- Borrower.
- Location.
- Loan O/S.
- Overdue.
- Classification.
- Position of security.
- Max. permissible Bank Finance.
- Insurance.
- Licenses & other statutory payments.
- Inspection of stock-general points.
- Storage.
- Stock records.
- verification of stocks.
- Inspection of Fixed Assets.
- Inspection of premises.

Review & Renewal

- Reminder for renewal.
- Obtaining of renewal application, Accounts & Projections.
- Renewal / RBI circular.
- Fresh documentation.
- Whether withdrawals should be allowed if renewal application is not given in time?

Balance Confirmation

- Frequency.
- Coverage.
- Method.

Misc. points

- Verification of Security documents.
- Noting of Lien on TDR, NSC etc.
- Obtaining of Audited accounts every year.
- Audit queries.

Cash Credit Monitoring

C ---- Credit Summations
A ---- Adequacy of Credit summations
S ---- Stock statement
H ---- HO approval / ratification
C ---- Cash / cheque operations
R --- Return of cheques
E ---- Expiry of limit
D ---- Drawing Power
I ---- Insurance
T ---- Better / tension of recovery

