

THE CAPITAL GAINS

| State | Solve | Setup |

- ❖ STATE Your Problems.
- ❖ It Is SOLVED.
- ❖ Time For SETUP.

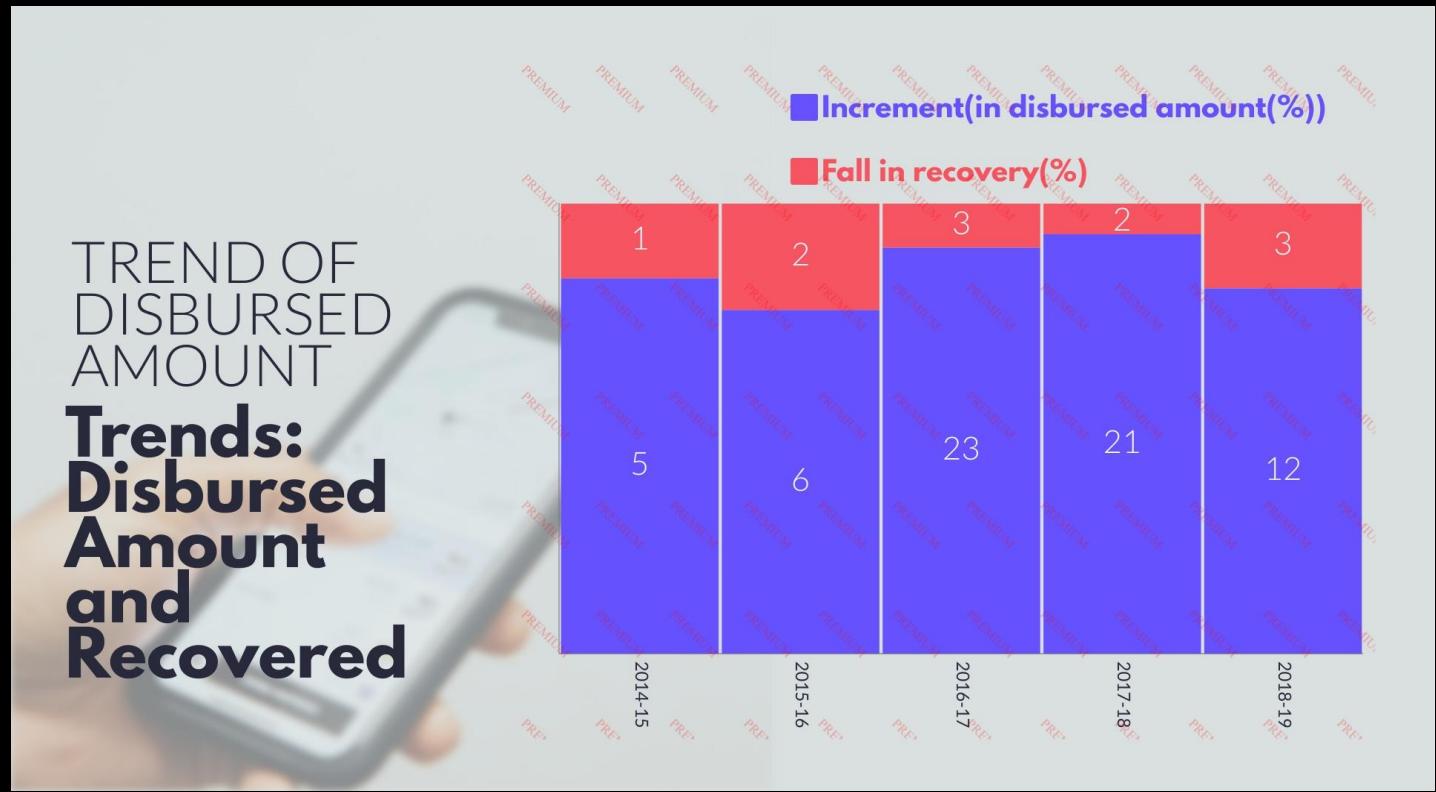
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Problem

The government always endeavors to facilitate the needy ones, to shape the latter's aspirations. Numerous diverse schemes are rolling with the same cause. But in bringing a change to others' lives, the very visionary and capital-generating organizations have been hunched by hefty losses in their collection.

The dream of maximizing welfare can be shattered if the same is not studied and rectified.



(The above figure illustrates that with the advent of given organizations, we saw a huge surge in disbursed amounts which indicates awareness among the underprivileged concerning their growth in various fields with the financial aid provided. And it's up to no one's denial that the same would ever decline, percentages of disbursed amounts are bound to increase.

But as mentioned above, this even highlights the fact that despite awareness among the target audience, the audience lacks planning and hence there's a more or less constant fall in recovery. With growing time, people tend to advance loopholes in the system and exploit to their advantages)

Objectives

- ❖ The aim of the organization i.e. “Public Welfare” must not be compromised.
- ❖ Empower women.
- ❖ To maximize the debt recovery.
- ❖ Reduce the number of NPA.
- ❖ Have an efficient, trustworthy and an effective collection procedure.
- ❖ To infuse statistical financial planning among the public (which would in the long term solve the core of the case).

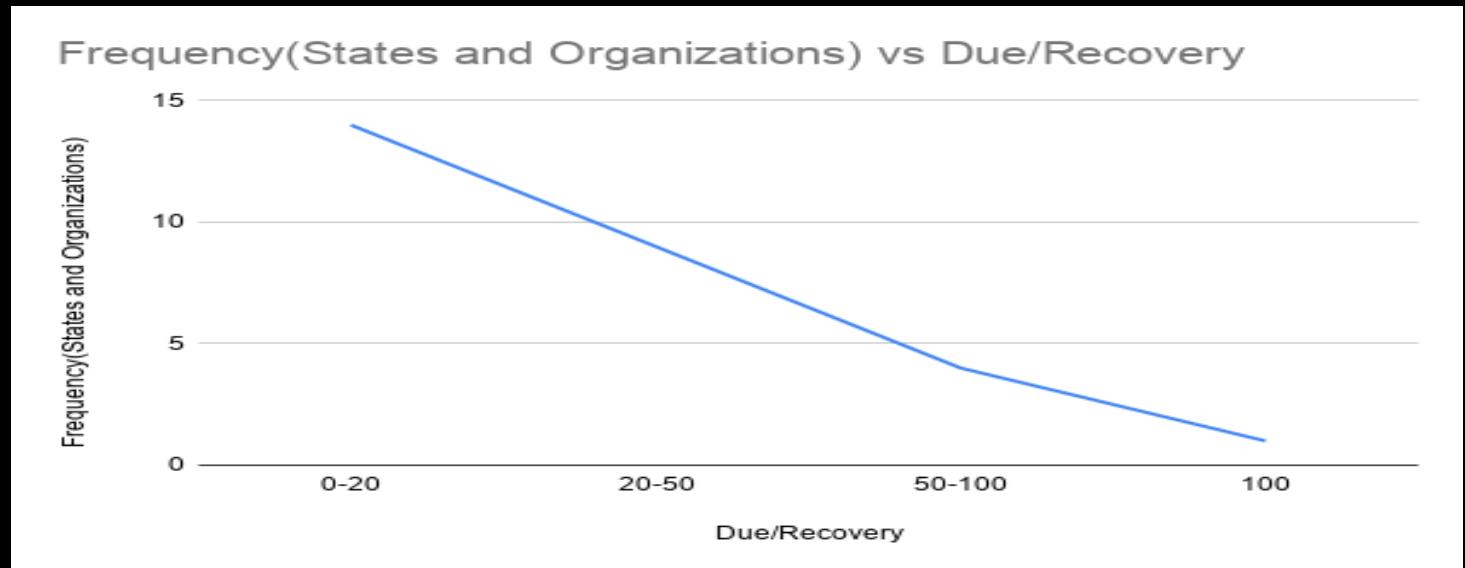


Analysis

—One cannot contemplate the situation, if one is devoid of the analysing prowess. And if one cannot contemplate, one cannot solve the same.—

The given problem can be catalogued on the basis of Cumulative Due over Cumulative Recovery(% wise), we can have organizations who lie in the ranges of:

1. 0-20%
2. 20-50%
3. 50-100%
4. 100% +



Cohorts Specific:

1. 0-20%

- a. States like **Andhra Pradesh, Himachal Pradesh, Goa, Manipur, Kerala**, etc.
- b. These are capital generators for the organization given.

- c. Among these many are potential loanees who can have calibrations up to 150+ Crores and a real good return.
- d. **North-Eastern states**, organizations like **NEDFC(North Eastern Development Finance Corporation Ltd)** and **public sector banks** too fall under this category of timely payment and substantial interest giver.
- e. This cohort basically comprises states which are quite short on population but have been well favoured by its geographical attributes.
- f. They have above average literacy rate(65-87%) which is indicative of them having a quite an upper edge from the other cohorts wrt **financial planning**.

Solutions(specific):

- In this category, lies quite financial planned loanees. Which makes them carry the loan for a longer time to help them in tax rebate. Although this category needs not much changes currently with stats given, but in future prospects, it's certainly going to need one due to pressures from other organisations dealing with tax and other aspects of such.
 - In terms and conditions, organizations lending money can add points like
 - If the loanee shows/has capital more than 35%(or any other amount which can vary from organisations to organisations and from nature of loan required(i.e. business, education or agriculture)) of the principal loan, then organisations should offer them to clear the due as soon as possible with an augmentation in EMIs.
 - Not only the account with which the loan is taken should be monitored but also all affiliated accounts of the loanee. This will surely shrink the size of loopholes. This cannot end the aforesaid, but can surely alter the stats for good(at least for next 3-5 years).
 - Since, the target audience is underprivileged people, we know that a majority doesn't go through repayment options while accepting loans. Hence this can be used as a tool to get a better increase in recovery percent.
 - If the loanee declines to increase the EMI amount, then after a period of 3-6 months, organizations should have the power to increase the EMI amount.

- Floating interest rate should certainly be employed for this category i.e. using inflation as a reason, interest rates can be hiked anytime(not abruptly) by 0.2-0.5% (favourable is annual).

2. 20-50%

- a. States like **Madhya Pradesh, Orissa, Rajasthan, Uttarakhand, West Bengal**, etc.
- b. These are states well furnished with cheap, plenty and skilled labours.
- c. These are states whose main fortune is earned via labours(skill), business(large-scale) and agriculture(import-export).
- d. These too have average literacy rates.

Solutions(specific):

- The cynosure of this category is availability of cheap labours. These are ready to work people. They are known to have a saving money culture which all can be used by organizations in maximizing their recollection.
 - Incentives like cashbacks, fancy articles(of companies with whom the given organization can affiliate with. This way, the given organization promotes/advertisess the companies product and can make loanee to pay timely) can be given to people which are subject to various conditions of period of payment.
 - We all know how the advertising field is booming with opportunities, seeing this, organizations can use this to their advantage and can generate few capitals from companies of nature talked about by charging them the least rate in the present market of social media and other advertising platforms, which makes the deal good for both.
 - Several items come from the government that needs to be circulated largely, in that too the same application can be made from these organizations.
- Scheme employees lure people to take loans of set standards to maximize their sales. This activity should be stopped for the next 6-7 years for this cohort(states).
 - For example, people needing let's say 8 lakhs, go for 10 lakhs on advice of people and scheme employees just to have the remainder as a backup for

giving interest and creating other funnels of income. This undecided and unfigured amount spoils a majority of loanees and they fall to buy gaudy articles like cars, gold etc just as a backup besides their pre-plans.

3. 50-100%

- a. Includes states like **Assam, Bihar, Jharkhand, Maharashtra**, etc.
- b. These have the target audience who wants to be fast-earners.
- c. They have skills, mostly cheap and many of it are less exposed to proper financial prospectus.
- d. States like Maharashtra have quite expensive labours but are potential loanee of this category with loans up to 200+ crores currently.

Solutions(specific):

- Since they want to be fast-earners. The solution of incentives as mentioned earlier can be brought in actions for this cohort too.
- Sadly, their dues do not directly imply the above point, for which the sole reason is a lack of full-fledged plan which the majority of this category lacks.
 - These are potential investors in new business ideas rather than agriculture primarily.
 - Organizations must inquire and check of the full fledged plans of the loanee.
 - They must even check the veracity of the loanee's plan of repayment. One must look into plans of the loanee, speculate success rate(which can't always be true, but can massively reduce loanee who would become NPA).
- This cohort comprises quite prominently people who start their journey of earning very early and end very late. Which would certainly make them come for loan again and again.

- Hence the organizations should insinuate the fear of Bad CIBIL score periodically.
- This fear would surely make many loanee to clear dues timely and more importantly clear.

4. 100% +

- a. Includes **Uttar Pradesh**.
- b. A potential loanee(more than 250 crores(disbursed amount) currently).
- c. Has a huge number of target audience.
- d. Imbued with skills. Plenty and cheap labours.
- e. Quite average literacy rate(of the target audience).

Solutions(specific):

- Introduction of incentives would be a game changer.
- No fluctuation rate policy would motivate considerably for clearance of principal amount.
- Like the previous cohort, this category too loves to take on big risks and hence would surely come for loan in loop. So again, fear of a bad CIBIL score would work.
- Advertisements concerning proper financial planning, planned repayment theory and taking loans of amounts that are needed and not given as standard must sincerely be brought into play.

Primary Research

We did our primary research by circulating a google form regarding the best alternatives/flaws in the current system among bank employees of State Bank and Allahabad Bank(Naini Branch).

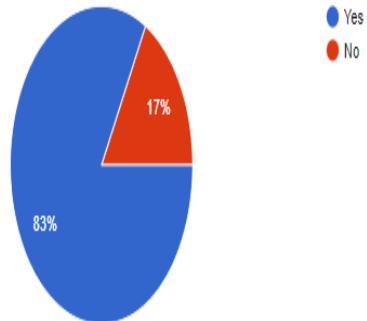
We could manage to get 53 responses. And surprisingly these datas were not what we expected at the start of this case study. And hence we encountered many flaws and loopholes of the same.

Outcomes

- 1) 53% of the loanees are frustrated and about 61% do not go through each clause of loan sanction procedure (which can be used to add clauses mentioned on p. 5).
- 2) More than 73% of people think that having women worked besides their men would not just aid her husband but would also ensure seriousness in implementation of plans for generating their fortune.
- 3) It was clear from the results that veracity of the pre-plan is not checked and is quite futile as few said. But we believe that despite the time taking process initially, checking the potential of plans can go a long fruitful path. And it's a matter of 8-9 years wherein all cohorts would have "all" people pre-planned for their future.
- 4) Even the feasibility of auctioning the loanees key assets was challenged as many said that it's time taking and not fulfilling until the loanees wants the same himself. But it can work great for business loans since they have their prominent assets attached with loan documents.
- 5) Fear of a bad CIBIL score can only work for cohort 1, 3 and 4.
- 6) No fluctuation interest rate policy too can be a great motivator for cohort 2,3 and 4.
- 7) Giving incentives/interest off for 1 or 2 months can work greatly for cohort 2,3 and 4 since the majority of the target audience lying in this category appreciates the saving culture greatly.
- 8) Making use of targets' skills can be a true game changer for one and all.

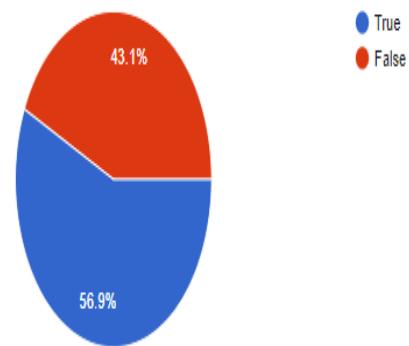
Giving incentives, interest off and other of such characters can provide a motivation to the targets to clear dues on time and more importantly clear.

53 responses



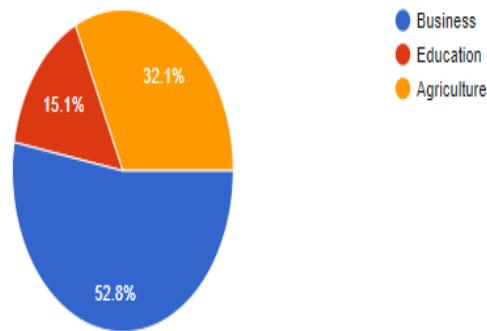
Having no interest rate fluctuation policy(during the whole repayment period), despite inflation can motivate more people of the target audience.

51 responses



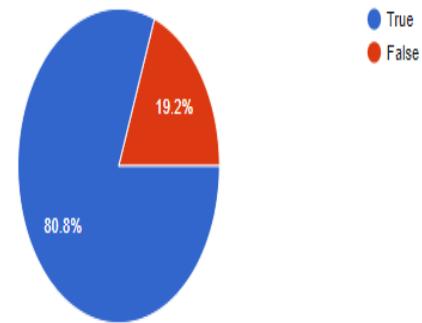
Whose extraction is of prime importance?

53 responses



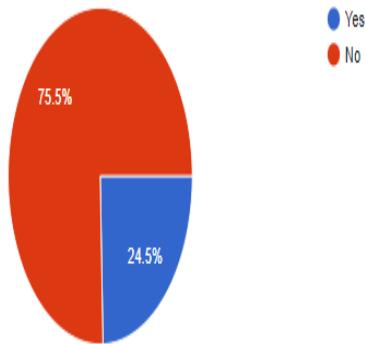
Giving people an employment option with the affiliates can be a game changer for organizations lending money, people needing one and companies urging for both.

52 responses



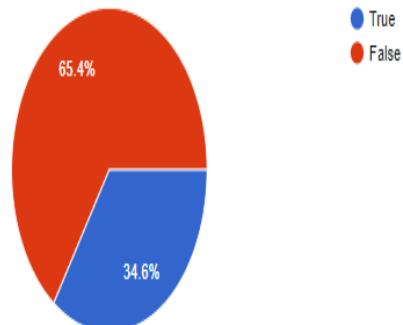
Do you guys check the validity of each and every aspect of the plan presented by loanee(if any)?

53 responses



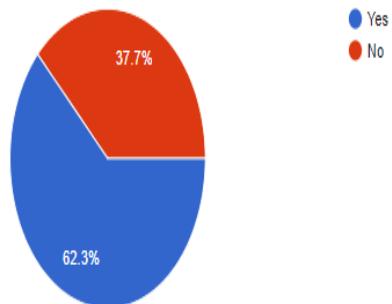
Organizations imposing no shadow on the CIBIL score of the loanee having cleared due before time, can elevate the return amount.

52 responses



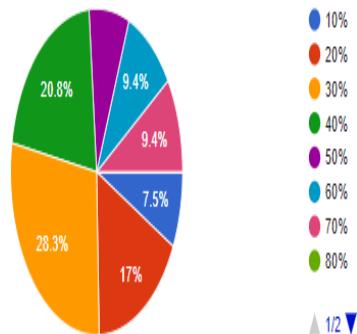
Is it feasible for organizations to look for assets like gold, cars or any item of the loanee to put on auction?

53 responses



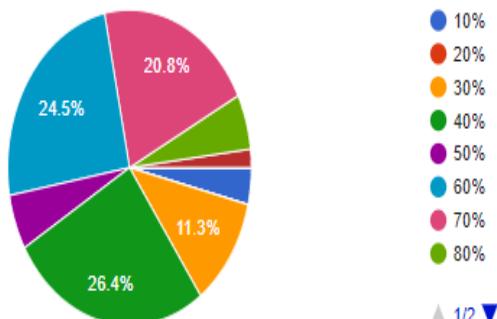
How many of the people who come for loan, inquire for details of the same wrt repayment?

53 responses



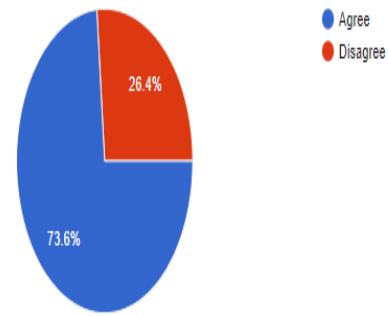
What percent of the loanee you see, are frustrated?

53 responses



Is it a good idea to engage women along with their men for the given schemes to earn besides them?

53 responses



Secondary Research

For the case study we went through varied online sources to know about schemes, problems, flaws and many other aspects of the same.

(Please go through the links given below to know much more details of our analysis and reasons for solutions)

- 1) Literacy In India (Basis of cohorts division and analysis strengths and weaknesses of the same.)
- 2) Mental Health - A Serious Cause (Helped to know the current trend of discussion(hence can be used to advertise our message) and a cause that hampers many fortunes even with full-fledged plans.)
- 3) Education Loan (Same as above)
- 4) Budget Of Himachal Pradesh (Specifics of Cohort 1)
- 5) Budget of Madhya Pradesh (Specifics of Cohort 2)
- 6) Budget of Bihar (Specifics of Cohort 3)
- 7) Budget of Uttar Pradesh (Specifics of Cohort 4)

WHY has there been a decline?

(in Debt Recovery(for all cohorts))-

- ❖ Because of “set standards” set by Scheme Employees.
(Illustrated on p. 6).
- ❖ Lack of “financial planning” among the target audience.
- ❖ Lack of “repayment-plan”.
- ❖ Organizations are behind in advertising their deeds and achievements(“Jo dikhta hai, wahi bikta hai”).
- ❖ Fluctuation interest rate policy.
- ❖ Marking a bad CIBIL score of prepayment of loan(Hence the few loanee pay according to the deadlines set by them during the bond signing).
- ❖ Target audience falling prey to showy and items whose value plummet on a daily basis like cars, jewelleries, etc).
- ❖ Women not participating besides their men.
- ❖ Target audience spending money on assets already provided by the government like grains and other subsidies just to have a better and showy lifestyle).
- ❖ People carrying the loan for a longer period of time have tax rebates and other advantages in their work.

Best Alternatives/Solutions

-(For all cohorts)-

- 1) Organizations lending money should not encourage the loanee to go for their set amount standards unless required.
- 2) Organizations must inquire and check of the full fledged plans of the loanee. The only reason one fails in repayment is absence of details(trusted plans) as to how one would proceed.
- 3) They must even check the potential of the loanee's plan of repayment.
- 4) Since the organizations are focusing on just the principal amount clearance, the same should be advertised by having a no loan rate fluctuation policy after the loan has been sanctioned(until recovery)(This solution can be ignored for Cohort I(which has a great recovery return)).
- 5) Organizations can reduce the loan interest rate imposed for every loanee after the repayment period(for one who couldn't clear in the decided deadline)(decided while taking loan and now they can use the fact of them having the attribute of empathy and the same can be informed and advertised).
- 6) The above mentioned act of empathy should be revised regularly and must use the underlying details of inflation(i.e. by 6-8%) underneath and showing their loanee the fact that each year/6 month the rates are reduced by 0.25%.
- 7) The EMIs rate of interest too should be manipulated. One can offer deals like cashbacks if one has cleared up more than 78-80% with them having the difference of the same from 75 as cashback or even more. This can again build the relation of faith and return of good act.

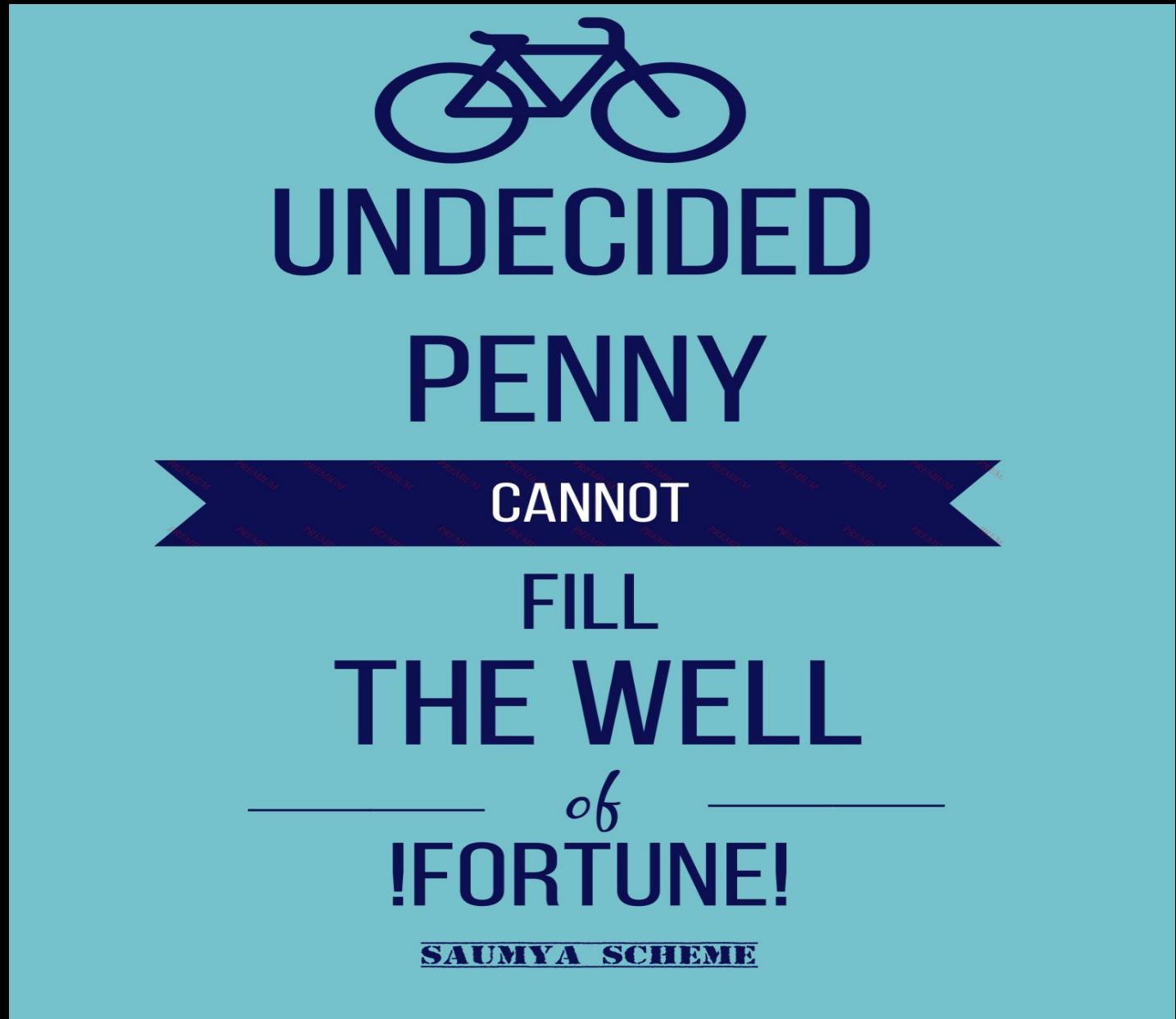
- 8) Once the repayment period is over, organizations can for sure use the threat of legal.
- 9) Organizations should create affiliations with new startups, government companies and companies offering capital to advertise their product, or needing people for their work. Organizations can offer the target audience to work for the aforementioned profiles and in return can again advertise the same and build trust-worthy relationships with the target audience and also can generate a considerable capital from it's affiliations and also maximise its debt recovery.
- 10) The organization must never impose any interest upon the pre-repayment. This primarily advertises the organization and secondly can act as a motivation for the loanees to save him/her from interest and could be shown ways to save the same for future prospects.
- 11) Organizations must set up branches to give the defaulter ideas to auction their key assets(Cohort specific) and clear the minimum base amount under the fear of legal procedures.
- 12) Organizations must sincerely study each defaulter's(sort: high to low) expenditures from the amount taken. It's very much possible the loanees(esp. the target audience) for sure lacks planning and could have gone for assets which don't make a return rather works as a showy/glittering article like cars, televisions and other of such nature.
- 13) Educate/Inform and advertise the loanees to not spend money on assets that governments provide(like grains and other subsidies until clearance of due).
- 14) Once the account has been declared NPA, organizations after having implemented above suggestions must settle for any amount they can extract from the loanees. They should insinuate the fear of Bad CIBIL score periodically for loanees's next pursuit.

15) If all above alternatives are followed and implemented, the organizations and the government can advertise their best to attack the most sensitive and growing topic among people and millenials i.e. mental depression. Since the data analysis shows that more than 38% of the loanee are in the same mode of depression in the very start of having the loan disbursed for them. The pressure to clear loans starts from the very beginning. And on a serious level, this hampers 1 in 15 students concerning the education loan of the target audience.

POSTERS

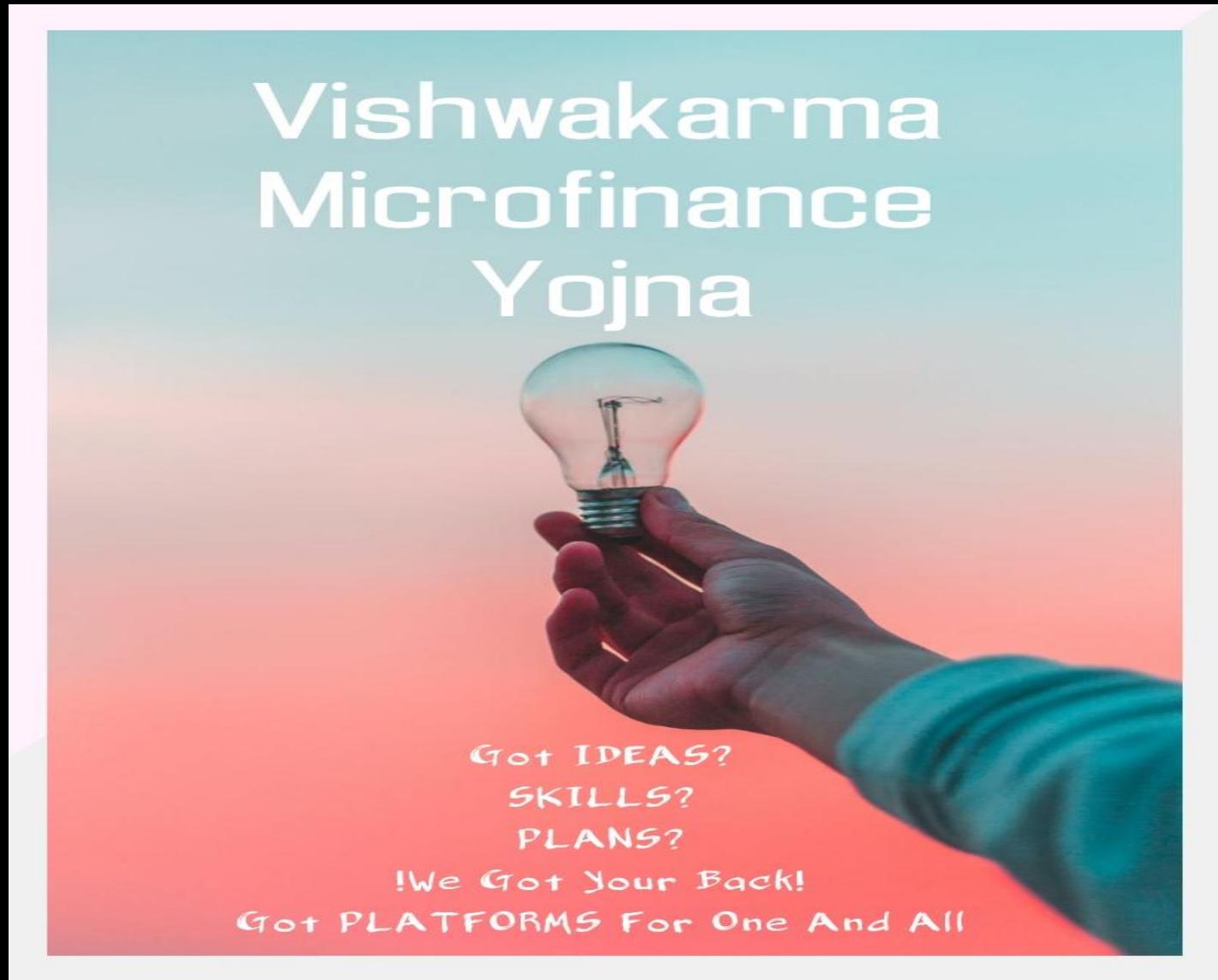
(highlighting some of the solutions and key aspects concerning the decline in debt recovery):

D



(This is to help the target audience to know that going for set standards and having not figured out their needs/plans of implementation and extraction can never fill their well of fortune.)

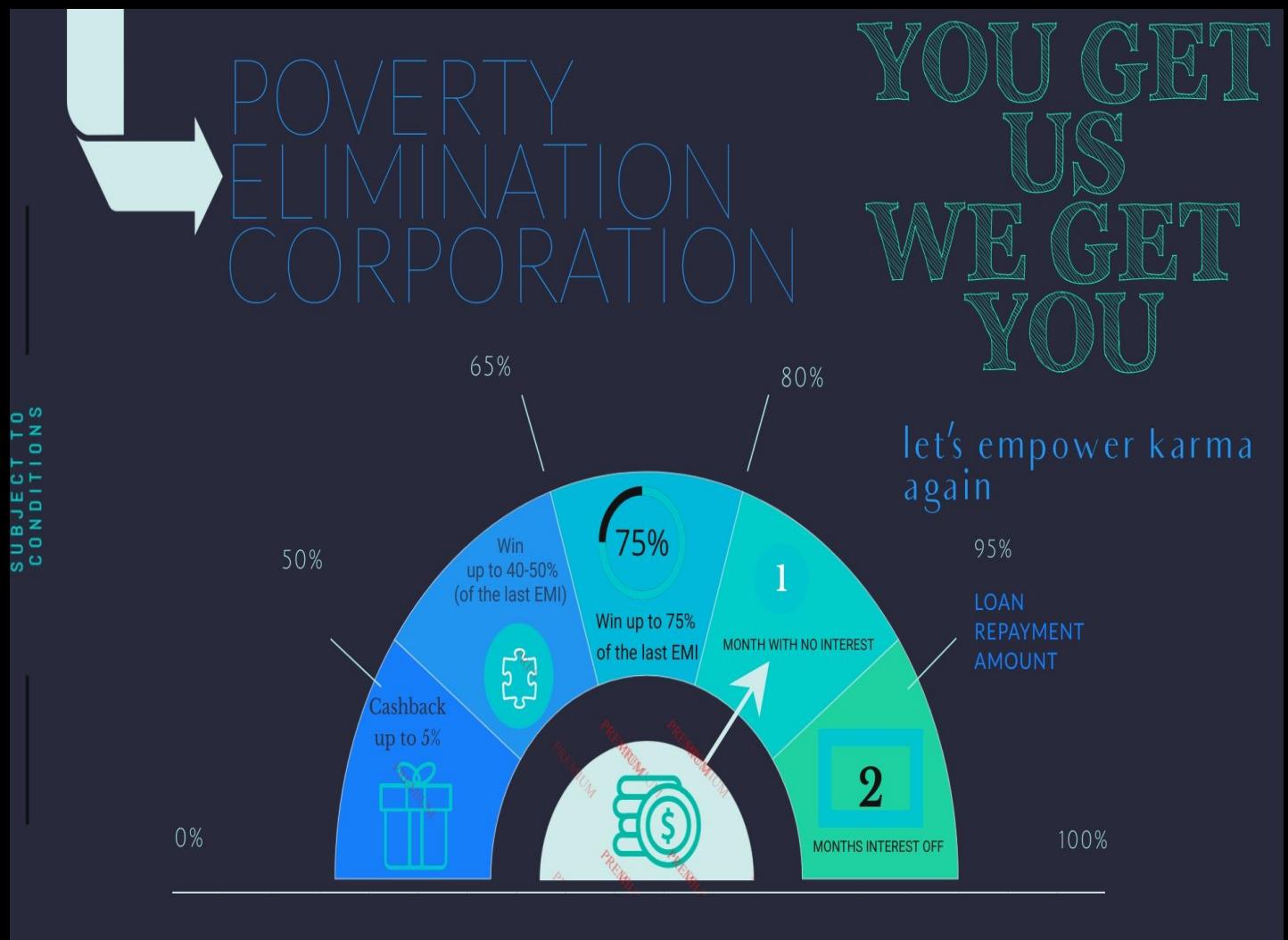
2)



(This poster aims for the welfare of public, organizations lending money, women empowerment, companies with whom affiliations are made and the government.

People who have failed in their plans of generating fortune for themselves from the loan amount can now work for the affiliated companies, make use of their skills irrespective of caste, creed and sex. Organizations lending money can generate extra capital from its affiliations and finally companies offering work can generate its revenue with help of cheap, skilled and available labours.)

3)



(This poster is a suggestion from us to the organization given to add concepts of cashbacks, 1 or 2 months interest off, giving articles of the companies(for sale) to the target audience to clear dues on time. We as Indians love offers and this can certainly give a new shape to debt recovery procedure and can surely motivate a large crowd of the target.

The given numbers are just for examples and can be manipulated from organizations to organizations depending on their nature, audience and capital generating funnels.

The conditions can be time based, like one having cleared the 80% in the decided time can have an “interest” off month, etc.)

Final Solution

Given schemes and many such programmes of the same nature are of great importance and they must not stop on the account of people failing to clear their debt. Because it would not just limit the people failing but also put a limit on the lives of people and students who are giving their best for their welfare.

Hence the solutions discussed under “Best Alternatives” can certainly change the way all has been happening till date. The solutions mentioned earlier be it cohort specific or a general one for all has the potential to not just maximise the recovery return in the present time but after 10-12 years too. The best part being about the solutions and analysis is that we firmly believe that the same shall not just aid in clearance of loan, but would also better the lives of the target audience, empower women and aid students to show their hard work to the betterment of others.

The key solution which should be implemented to solve the case is that given organizations should create affiliates with new startups, well-established companies, factories and others. The underprivileged should be shown ways to monetize their skills. And in the process, they make their living and principal for loan clearance, given organizations have their recovery maximised and in conjunction the affiliated companies/organizations get advertisement, cheap and skilled labours and financial growth in their sales and execution.

While and during the affiliates creation, the organization must set up concepts/applications of cashbacks, few months interest off or giving articles/items from its affiliates. Use the weakness of Indians for their benefit.

Lastly, all stats reveal that women of the target audience primarily shows huge differences in productivity rate when compared to men. Hence this skill/attribute of women too should be used with help of affiliates, which would fasten the period of due clearance and empower women, which presently India needs the most.

Other minor but very useful and immediate returning alternatives are discussed earlier which are more cohort specific. Organizations according to their current database should manipulate the alternatives to their benefit and their audience.

IT IS GREAT TO HAVE SUCH A CASE OF CURRENT NECESSITY BEEN STUDIED AND EXPERIMENTED WITH.

!Thank You!