



Module-C Unit-6

CAIIB PAPER-1

Advanced Bank Management (ABM)



CAIIB Paper 1 (ABM) Module C Unit 6: Credit Control and Monitoring

Important and Purpose

Credit control and monitoring, often referred as Loan Review Mechanism (L R M), plays an important role in the following aspects:

- To ensure that the funds provided by the bank are put to the intended use and continue to be used properly.
- To ascertain that the business continues to run on the projected lines.
- If the deterioration of the business continues despite appropriate action, the bank should decide if any harsh action like, recalling the advance or seizing the security, etc. is necessary.

Available Tools for Credit Monitoring / LRM

- Conduct of the Accounts with the Bank
- Periodic Information Submitted as per the Terms of the Advance
- Audit of Stocks and Receivables Conducted by the Bank
- Financial Statements of the Business, Auditors' Report
- Periodic Visits and Inspection
- Interaction
- Periodic Scrutiny
- Market Reports about the, Borrower and the Business Segment
- Appointing Bank's Nominee on Company's Board
- Credit Audit
- Document Audit of title documents in respect of large value loan accounts (RBI circular dated June 7, 2013)

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