
PROCEDURE TO REDUCE NON - PERFORMING ASSETS IN BANKS

Palekar Rahul¹, Dr. L Srinivas Reddy²

¹Department of Management Studies Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana, India.

²Professor & Principal Aristotle PG College, Chilkur, Moinabad, Ranga Reddy District, Telangana, India.

DOI: <https://www.doi.org/10.58257/IJPREMS34812>

ABSTRACT

The banks and financial institutions have to take the initiative to reduce NPAs in a time bound strategic approach. Public area banks figure conspicuously in the discussion since they overwhelm the financial ventures, yet in addition since they have a lot bigger NPAs contrasted and the private area banks. This raises a concern in the industry and academia because it is generally felt that NPAs reduce the profitability of banks, weaken its financial health and erode its solvency. For the recovery of NPAs a broad framework has evolved for the management of NPAs under which several options are provided for debt recovery and restructuring. Banks and FIs have the freedom to design and implement their own policies for recovery and write-off incorporating compromise and negotiated settlements.

Keywords: NPA, Bank Performance.

1. INTRODUCTION

The gathering of huge non-performing resources in banks has expected extraordinary significance. The profundity of the issue of terrible obligations was first acknowledged distinctly in mid 1990s. The greatness of NPAs in banks and monetary foundations is over Rs.1, 50,000 crores. While net NPA mirrors the nature of the advances made by banks, net NPA shows the real weight of banks. Presently it is progressively apparent that the significant defaulters are the large borrowers coming from the non-need area. Action for enforcement of security interest can be initiated only if the secured asset is classified as Nonperforming asset.

Nonperforming asset means an asset or account of borrower, which has been classified by bank or financial institution as sub –standard , doubtful or loss asset, in accordance with the direction or guidelines relating to assets classification issued by RBI . An amount due under any credit facility is treated as “past due” when it is not been paid within 30 days from the due date. Due to the improvement in the payment and settlement system, recovery climate, up gradation of technology in the banking system etc, it was decided to dispense with “past due “concept, with effect from March 31, 2001. Accordingly, as from that date, a Non performing asset shell be an advance were.

2. REVIEW OF LITERATURE:

Pro-cyclical Management of Banks' Non-Performing Loans by the Indian Public Sector Banks By B M Misra and Sarat Dhal: This article deals the management of NPA's of India's public sector banks with the pro cyclicity of bank indicators. The analysis explains that banks NPAs are influenced by three major sets of factors, i.e., terms of credit, bank specific indicators relating to asset size and credit orientation. The analysis shows that the terms of credit variables such as interest rate, maturity and collateral and bank specific variables had significant impact on the banks' non-performing loans in the presence of macroeconomic shocks, using panel regression model.

NPA Management of Rural Cooperative Banks of West Bengal: An Overview by Dr. DebdasRakshit and Dr.SougataChakrabarti: This article deals with the magnitude of NPA's and major causes for an asset to become non-performing in cooperative banks. The performance of cooperative banks also impacted by the NPA's.A higher level of NPAs suggests of a large number of credit defaults that affect and also erodes the value of the assets. The NPA growth involves the necessities of provisions, which reduces the overall profits and weaken cooperative structure. The issue of Non-Performing Assets of cooperative banks has been discussed at length for financial system of India. NPAs not only impact the cooperative banks but also the whole Indian economy. In fact high level of NPA's in cooperative banks is nothing but a reflection of the state of cooperative structure.

Non-Performing Assets of GrameenaVikas Bank at Andhra Pradesh byDr.Kumar T.V.V .phani and Mr.LovaBaliji: This paper deals with the necessity of rural finance which was felt to provide protection and support to rural population in India. The farmers and the small entrepreneurs in rural area still rely more on unorganized sector for funds by paying a very high rate of interest. The banks were established in rural areas to cater to the increasing demand for credit for agricultural and non-agricultural purposes. Farmers in rural areas also face the risk of unpredictable production of crops due to high dependency on monsoon. The problem of growing over-dues is the area of major concern for all the rural banks. The present study focuses on analyzing the rural credit provided by Andhra

Pradesh GrameenavikasBank. Source: Andhra Pradesh. International Journal of Management of IT and Engineering.6.4.183.

NPA Variations across Indian Commercial Banks: Some Findings By Indira Raja Raman, Sumon Bhaumik and Namita Bhatia: This study says that banking industry plays an important role in the economy. A stable and a sound banking system are very important for growth and development of the economy. Non-performing assets (NPAs) are one of the best indicators for the health of the banking industry. It shows the performance of banks. NPA has a straight impact on the profitability, liquidity and solvency position of the bank. Lower NPA indicates better performance and management of funds and Higher NPA indicates inefficiency of the bank. To improve the profitability and efficiency of banks the NPA need to be controlled and reduced. Indian banks are facing issues related with NPA's and it has become a major issue for the Indian economy and there is need to adopt various measures to controlled NPAs. This article is about current situation of NPAs in banking sector.

Ranjan and Dhal (2003) explored an empirical approach to the analysis of commercial banks' on performing loans (NPLs) in the Indian context. They evaluated as to how banks' non-performing loans are influenced by three major sets of economic and financial factors, i.e., terms of credit, bank size induced risk preferences and macroeconomic shocks. The empirical results from panel regression models suggest that terms of credit variables have significant effect on the banks' non-performing loans in the presence of bank size induced risk preferences and macroeconomic shocks. On the other hand, factors like horizon of maturity of credit, better credit culture, favourable macroeconomic and business conditions lead to lowering of NPAs.

Ved Pal and Malik (2007) in their empirical paper examined the difference in financial characteristics of public, private and foreign sector banks based on factors such as profitability, liquidity, risk and efficiency. Multinomial regression analysis was used and results revealed that foreign banks proved to be high performer in generating business with a given level of resources and they are better equipped with managerial practices and in terms of skills and technology. Foreign banks were more consistent with market system as reflected in terms of net interest margin. The public banks emerged as the next best performer after foreign banks. It was high performer in economizing their expenses which was reflected from expense rate and efficiency ratio. The private sector banks emerged with a better utilization of resources as compared to PSB's.

Bhatia (2007) in his research paper entitled, "Non-Performing Assets of Indian Public, Private and Foreign Sector Banks: An Empirical Assessment", explores an empirical approach to the analysis of Non-Performing Assets (NPAs) of public, private, and foreign sector banks in India. This paper aims to find the fundamental factors which impact NPAs of banks. A model consisting of two types of factors, viz., macroeconomic factors and bank-specific parameters, is developed and the behaviour of NPAs of the three categories of banks is observed.

Ashok Khurana and Mandeep Singh (2010) stated that issue of mounting NPAs is a challenging to public sector banks. The study found that the asset wise classification of PSBs is in right direction and there is significant variation in the recovery of NPAs in the different sector. The research observed that PSBs should not be loaded with the twin object of profitability and social welfare.

Malyadri and Sirisha (2011) this study examines the NPA of Public Sector banks and Private sector banks of weaker sections for the period seven years in India. The secondary data compiled from Report on Trends and Progress of Banking in India, 2004-10 which has been analyzed by statistical tool such as percentages and compound Annual Growth rate. This study reveals that the public sector banks have achieved a greater penetration compared to the private sector banks.

Kaur and Saddy (2011) in the research paper entitled "A Comparative Study of Non-Performing Assets of Public and Private Sector Banks" an attempt is made to clarify the concept of NPA, the factors contributing to NPAs, the magnitude of NPAs, reasons for high NPAs and their impact on Indian banking operations. Besides, management of credit risk and measures to control the threat of NPAs are also discussed.

3. RESEARCH GAP

Analyses the growth of priority sector non-performing assets, non-priority sector non-performing assets and its contribution towards building up total non-performing assets and investigates the relationship of non-performing assets with some economic parameters.

4. OBJECTIVES

- ❖ To Know the Concept of Non-Performing Asset
- ❖ To know Preventive Measures
- ❖ To evaluate NPAs (Gross and Net) in different banks.
- ❖ To analyze financial performance of banks at different level of NPA

- ❖ To Know the Impact of NPAs
- ❖ To Know the Reasons for NPAs.

5. RESEARCH METHODOLOGY

Need For the Study

This is a limited study which takes into consideration the responses of 100 people. The main aim behind making this report is to know how public sector Banks are operating their business and how NPAs play its role to the operations of the public sector Banks. The report NPAs are classified according to the sector, industry, and state wise. The present study also focuses on the existing system in India to solve the problem of NPAs and comparative analysis to understand which bank is playing what role with concerned to NPAs. Thus, the study would help the decision makers to understand the financial performance and growth of public sectors banks are compared to the NPAs.

Scope of the Study:

The scope of the study refers to the job that to know about the activities of the organization. The study means that the analysis of the products of the company on which he/she has to focus.

Scope of the Study

- Concept of Non-Performing Asset
- Guidelines
- Impact of NPAs
- Reasons for NPAs
- Preventive Measures
- Tools to manage NPAs

Primary Data:

Primary data is basically the live data which I collected on field while doing cold calls with the Distributor and shopkeeper, customers, I shown them list of Question for which I had required their responses. In some cases I got no response from their side and then on the basis of my previous experiences I filled those fields.

Source: Main source for the primary data for the project was questionnaires which I got filled by the customers or sometimes filled me on the basis of discussion with the customers.

Secondary Data:

- 1 Internet,
- 2 Books
- 3 Journals,
- 4 Newspaper,
- 5 Annual reports,
- 6 Database available in the library,
- 7 Catalogues and presentations.

Sampling Unit:

The respondent who were asked to fill out questionnaires are the sampling units. These comprise of employees of MNC, Govt. Employees, and Self Employed etc.

Sample size:

The sample size was restricted to only 100, which comprised of mainly peoples from different regions of Kakinada due to time constraints.

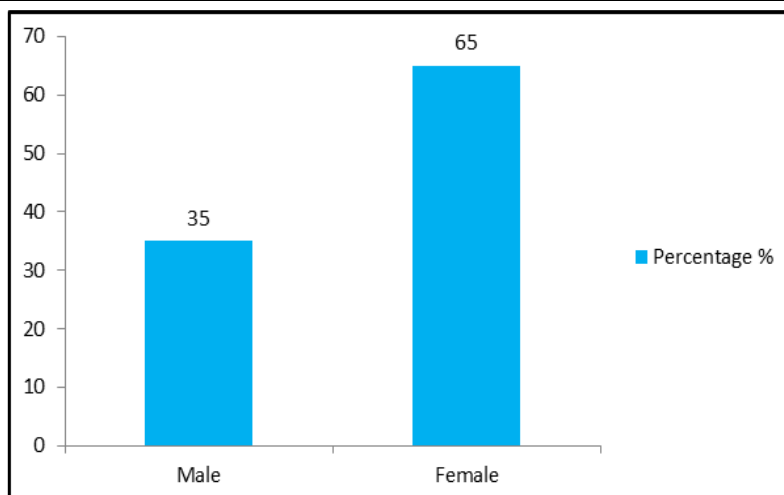
Sampling Area:

The area of the research was Hyderabad.

6. DATA ANALYSIS & INTERPRETATION

Classification of Customers Based On Sex

Sex	No. of respondents	Percentage %
Male	35	35
Female	65	65
Total	100	100

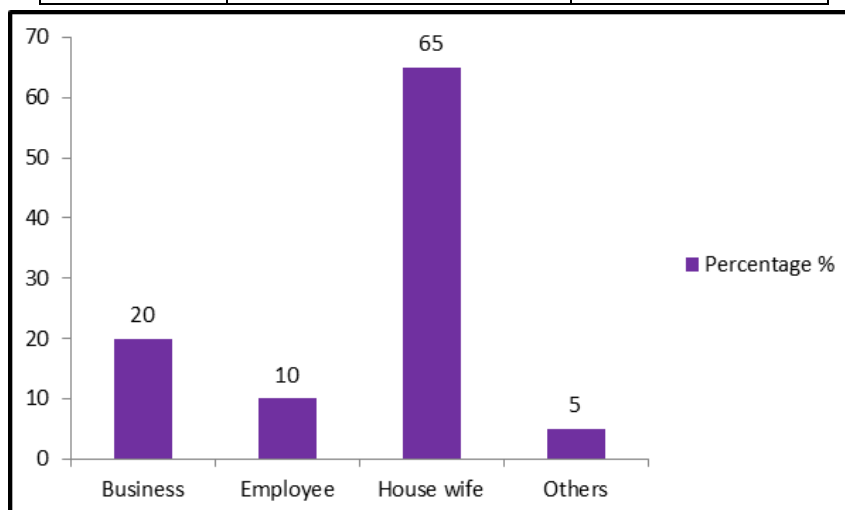


Interpretation:

35% of the respondents are male and 65% of the respondents are female. From the above table we can conclude that, the majority of the respondents were belongs to female group.

Analysis of Occupation of the Respondents

Occupation	No. of respondents	Percentage %
Business	20	20
Employee	10	10
House wife	65	65
Others	05	05
Total	100	100

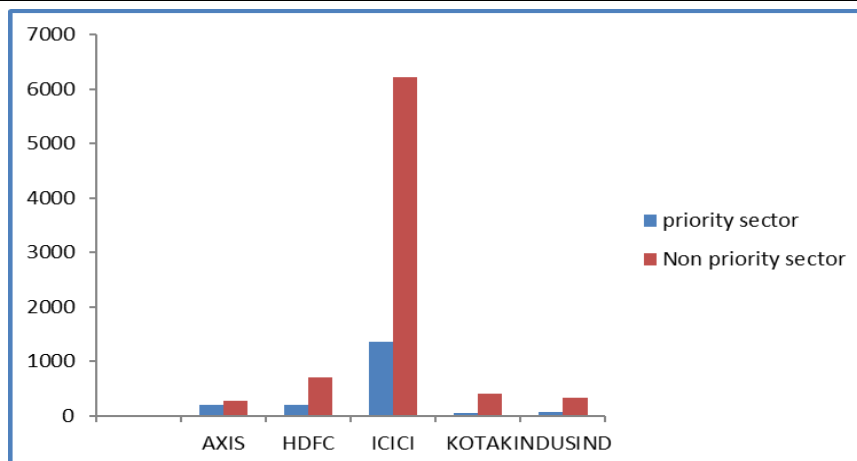


Interpretation:

20% of the respondents are business, 10% of the respondents are employees, and 65% of the respondents are house wives, 05% of the respondents are others group.

Priority –Non-Priority Sector

BANK	Agriculture (1)	Small (2)	Others (3)	priority sector (1+2+3)	Non priority sector
AXIS	109.12	14.76	86.71	210.59	275.15
HDFC	36.12	110.56	47.70	194.41	709.23
ICICI	981.85	23.35	354.13	1359.34	6211.12
KOTAK	10.00	33.84	4.04	47.87	405.20
INDUSIND	30.44	3.18	30.02	63.64	328.67
TOTAL	1167.53	185.69	522.60	1875.85	7929.28



Interpretation:

Around 72% of NPA is with ICICI Bank with Rs.1359 crore in priority sector and around 78% in non priority sector. We can see that in private sector banks, banks have more NPA in non priority sector than priority sector. 2019-20. Average of these ten bank's net NPA is 0.56. And in the public sector banks all these five banks are below this. But in private sector banks there are three banks are above average. The difference between private and public banks average is also vast. Private sector banks net NPA average is 0.71 and in public sector banks it is 0.41 as percentage of total assets.

7. CONCLUSION OF THE STUDY

In public sector banks Punjab National Bank has highest deposit investment- advances but when we look at graph first three means Bank of Baroda and Bank of India are almost the similar in numbers and HDFC Bank is stands for last in public sector bank. When we compare the private sector banks with public sector banks among these banks, we can understand the more number of people prefer to choose public sector banks for deposit-investment. Comparison of net npa with all banks for the year 2020-21. Average of these ten bank's net NPA is 0.56. And in the public sector banks all these five banks are below this. But in private sector banks there are three banks are above average. 40% of the respondents are not satisfied with that statement. Deposit – Investment – Advances is the first in the analysis because due to these we can understand the where the bank stands in the competitive market. As at end of March 2017, in private sector ICICI Bank is the highest deposit-investment- advances figures in rupees crore, second is HDFC Bank and KOTAK Bank has least figures.

8. REFERENCES

- [1] www.hdfcbank.com
- [2] www.scribd.com
- [3] www.googlesearch.com