

AN ASSESSEMENT OF NON-PERFORMING ASSETS (NPA) AT SREE THYAGARAJA CO-OPERATIVE BANK LIMITED

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Abstract:

India's cooperative banks have played a vital role in the country's performance in promoting financial presence. Since its beginning, they have brought important achievements and contributing to the empowerment and security of rural Indian. By offering loans and other facilities to farmers, small businessmen, start-ups, they are providing timely support to rural residents. Non-performing assets are those loans and advances on which principle or Interest amount is overdue for a period of 90 days. Non-performing assets are the indicator of the financial health of the bank. However, any loan repayment default will have an impact on the bank's operational effectiveness and financial stability. Managing NPA of the bank is a very comprehensive subject and very significant apprehension in the banking industry. To improve the efficiency and profitability of the banks the NPA need to be reduced and controlled. Reduced NPA generally indicate that the credit appraisal process has been strengthened and growth in NPA indicate the need for maintain provision in the balance sheet which will affect the profitability of the banks. The purpose of the study is to be familiar with the data of recent years and advancement of the bank in numerous sections of NPA.

Keywords: Co-operative banks, Non-performing assets

Introduction

Co-operative banks are small financial institution that offers lending facilities to individuals and small business in both urban and non-urban regions. The co-operative banks are scrutinised by RBI under banking regulation Act 1949 and banking laws Act 1965. These institutions receive deposits from public and lend money to the needy people. Co-operative movement was found primarily to assist the crisis of rural credit. Indian co-operative banking was launched by passing of co-operative societies Act in 1904.

The main intention of this Act was to begin co-operative credit societies “to strengthen savings, self-aid and co-operation with various craftsman”.

The co-operative societies Act, 1912 catch a glimpse of the need for establishing new organisations for administration, auditing and supply of co-operative credit. It was strong-minded the experiments accompanied by Britain co-operative movement & co-operative credit movement of Germany; this inspired such institution were set up in India. In 1904 the first legislation was passed. The MacLagan committee envision a three-tier structure of co-operative banking in the year 1914. The Primary agriculture credit societies are at the grass root, central Co-operative banks is at district level and state co-operative banks is at apex level. In the 20th century convenience of credit in India was almost missing in rural areas. Agricultural and other related activities were suffering to organise the required credit so they depend on money lender for higher rate of interest. The co-operative banks were well situated in providing short & long-term institution at suitable rate of interest in the 20th century.

Anyonya Co-operative Bank Limited (ACBL) is the first co-operative bank in Asia which is positioned in city of Baroda in Gujarat which was founded 100 years before. Anyonya Sahayakari Mandali co-operative bank was established in the year 1889 with an impartial of preventing the exploitation of money lenders and providing better alternative. In the year 1939 Mehta Bhansali committee originated the first urban co-operative bank this sector has got incredible growth also expanded its credit portfolio. They started meeting credit prerequisites of customers like self-employed, small businessmen, house finance and personal finance etc.

Sree Thyagaraja Co-operative Bank Limited established in the year 1964 it was founded by Sri Krishna Rao and other co-operators raise bank during preliminary period. It was formed by basic principal slogan “One for all- All for one” in the year 1964 by few individuals of N R Colony, Thyagaraja Nagar, Bengaluru. It has come up with 12 branches and one head office spread across Bengaluru.

Non-performing assets (NPA) is the important occurrences that should be appropriately followed by the banks to keep up their growth of the banks. NPA is a loan or advance for which the instalment of principal or interest or both stays outstanding for a long period in the simple term as NPA means the debt were the re-payment is irregular its known as non-performing assets (NPA).

Classification of NPA

- **Standard Assets**

This is the asset which will not reveal any drawback and it will not carry a standard hazard attached to the business in spite of all the fact they are infrequently default up in 90 days

- **Sub-Standard Assets**

They are the credit resources that remain non-performing for a period longer than a year or a calendar year. With effect from March 31, 2005, an asset would be classified as sub-standard if it remained a non-performing asset (NPA) for a timespan of less than or equal to 12 months and the current net worth of the borrowers or the market value of the security charged seems to be insufficient to achieve the full recovery of the banks' debts.

- **Doubtful Assets**

Assets that become doubtful it remains sub-standard asset for 1 year.

if an asset has been in non-payment for more than one year, it will be categorized as doubtful. A loan that has been classified as doubtful has the same risks as one that has been evaluated as substandard, with the additional feature that the weakness makes liquidation in reduction based on already known facts, conditions, values, and extraordinary conditions

- **Loss Assets**

It is an asset where a loss has been recognized by the bank, with the support of internal or external auditors, a unit's co-operation, or an RBI inspection, but the amount has not yet been fully or partially written off.

Scope of the Study

Non-performing asset is significant consideration to evaluate the banks financial aspects. If the bank is having high non-performing asset ratio, then the performance of the bank is considered as bad than the bank which is having with lesser non-performing asset ratio which creates a bad effect on the goodwill and the value of the bank. It will also affect on the development of the country's economy. This study is depended on the information which is given by the bank Sree Thyagaraja Co-operative Bank Limited.

Statement of the Problem

Banks and other financial institutions are handling with various risks. The most widely documented among them is NPA, which is just the probability that the borrowers will default the reimbursement of loans they get from a bank or any other financial institutions. Appropriate appraisal of the pledger assesses

the financial occurrences and ability of the borrower to reimburse the loans inside the specified period of the time. Co-operative banks have the policies of lending loans to all the members due to there is possibility of reduced recovery of loans to NPA. Hence, the present study is about to understand the NPA systems.

Objectives of the Study

- To analyse the profitability of the bank and what will influence the NPA in the bank
- To analyse the Non-performing Asset policies and practices of Sree Thyagaraja Co-operative Bank Limited can be advanced.

Review of Literature

1. Dr. Justin Nelson Michael, Dr. G. Vasanthi, Dr. R. Selvaraju (2006) “Effect of non-performing assets operational efficiency of central co-operative bank”

The financial health of a co-operative bank depends on NPA's in loan portfolio affect the operational efficiency and also influence the liquidity, profitability & solvency position of the banks and effective recovery strategy. The increase in NPA's will decline the profitability, liquidity and solvency of banks is at stake and delinquency of credit improve the NPA's in central co-operative banks promote, prevention and curative measures will contribute in reduction in NPA's in central co-operative banks and high phase CCBs should monitor the NPA to strength their operational efficiency.

2. Jyothi Gupta, Suman Jain (2012) A study on co-operative banks in India with special reference to lending practices

Banking business creates a sensation in the economy, the articles is about “A study on co-operative banks in India with special reference to lending practices” bank provides various services like savings account, current account deposits, loans and advances to individuals and business units and locker facilities. The analysis is about customer satisfaction towards co-operative banks lending practices, providing various types of loans as per customers preferences. The over view is that customers go through more than one loan from bank and also size effects the efficiency of the co-operative banks and it should get updated with the new technology like ATM's, credit card, online banking or internet banking, mobile banking to take part with other commercial banks and also to satisfies the new customers and to retain the current customers.

3. Soyeliya Usha.L (2013) Study on co-operative banks in India

This article is about “Study on co-operative banks in India” co-operative banks are the minor elements organised in co-operative segment they have the hand grip urban and non-urban region. They finance for numerous classes of individuals like home-finance, small scale sectors, industries and self-employments. The lending preparations of co-operative in India are effective measures and comparison of co-operative bank in India and the impact of size on the efficiency and recommend appropriate measure to improve the competence of the co-operative bank. The dissimilar kinds of loans which are chosen for the customers and their satisfaction level in the lending process. The co-operative banks can adopt modern technology like ATM’s, online banking or internet banking, credit card facilities, and other different schemes which can be satisfied by the customers. Bank should also elaborate their branches for the services.

4. S. Pramila (2016) Non-performing assets of co-operative banks in India

Illuminate the “A literature review on non-performing assets of co-operative banks in India”. Co-operative society Acts as significant character in growth of the country’s economy. Management of NPA in co-operative banking sector is important part in unmanageable task. To analysis the co-operative banks organisation in India, to evaluate on NPA of co-operative banks. Co-operative banking segment in India performs an imperative part in increasing of rural economy as well as banking amenities to the society. The structure of the co-operative banks is been improved in India but still due to NPAs and modernization of banking structure.

5. Preety, Dr. D.K. Maheshwari, Dr. Prabhat Kumar, Dr. Pushpendra Kr Verma (2016) Benefits and Challenges faced by the Co-operative banks

Recommended towards “Benefits and Challenges faced by the Co-operative banks”. The lending practices should be successful, types of loans provided and up-gradation of the latest technology in banking industry and to analysis the advantages and the contests faced by the co-operative banks & techniques adopted by co-operative banks with help by theoretical based on extensive research. It was found that bank should adopt the modernization of banking technologies and improve customer services which results for better performance in all the parameters of banking services which increase the profitability.

Type of Research

Descriptive research refers to the methods that describe the characteristics of the variables under study. it can be used for a wide variety of research methods to investigate one or more variables. Hence this study is in descriptive in nature.

Source of Data Collection

Data prerequisites for the study are taken from the bank records, books, websites, reports etc, which comes under secondary data. The data is collected through discussion with bank official to understand the reasons. This study is an analytical in nature.

Secondary data - The secondary data has been collected through financial bank statements, annual reports, websites and non-performing assets statements maintained by the bank.

Sample Size

The data is collected for 3 (three) years that is 2018-2019, 2019-2020, 2020-2021.

Tools and Techniques

The information is analysed to draw the meaning full conclusions through ratio analysis. To represent the information the statistical tools are used they are column chart or bar chart, line with markers chart, graphs, charts and percentage.

Data Analysis

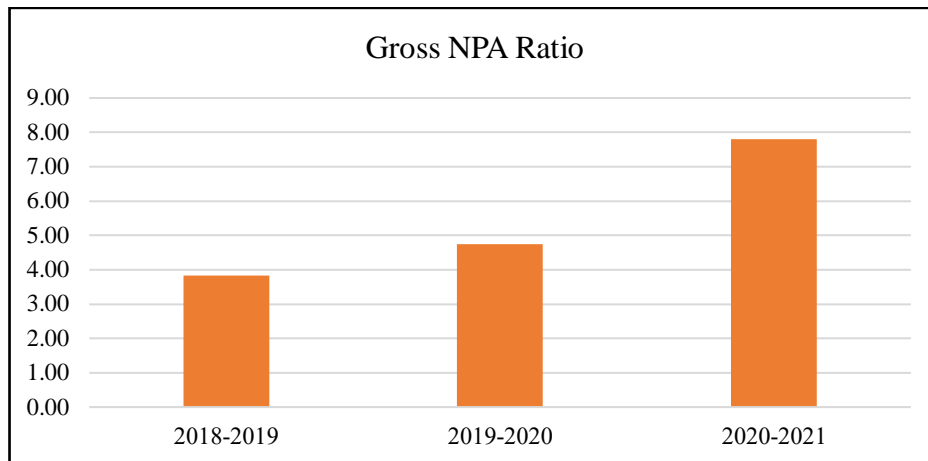
1. Gross NPA Ratio

Year	Gross NPA	Gross Advance	Ratio (%)
2018-2019	1225.45	32035.39	3.83
2019-2020	1835.61	38763.55	4.74
2020-2021	3200.58	41033.92	7.80

Gross NPA has been increasing continuously from Rs 1225.45 crores to Rs 3200.58 crores i.e., from 2018-2019 to 2020-2021. In the year 2018-2019 Gross NPA ratio has increased by 3.82% compare to the year 2019-2020. And it has increased by 7.79% in the year 2020-2021 compare to year 2019-2020. Compare to the year 2020-2021 and it has increased by 3.06% in the year 2019-2021 (4.73). The reason for sudden

increase in Gross NPA ratio in 2020-2021 was there were a greater number of defaulters in the year 2020-2021.

Gross NPA Ratio = (Gross NPA/ Gross Advance)*100

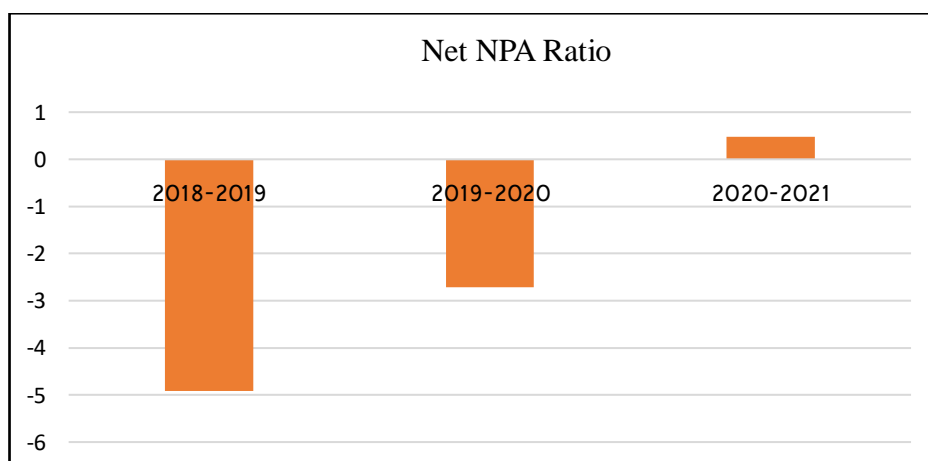


2. Net NPA Ratio

Years	Net NPA	Net Advance	Ratio (%)
2018-2019	-1447.47	29362.47	-4.92
2019-2020	-977.31	35950.63	-2.71
2020-2021	182.51	38015.85	0.48

It's been observed from the above table that there is a decrease in the Net NPA ratio level of the bank from -4.92 in 2018-2019 to -2.71 in 2019-2020 and the NPA level increased 0.48 in the year 2020-2021.

Net NPA Ratio = (Net NPA/ Net Advance)*100

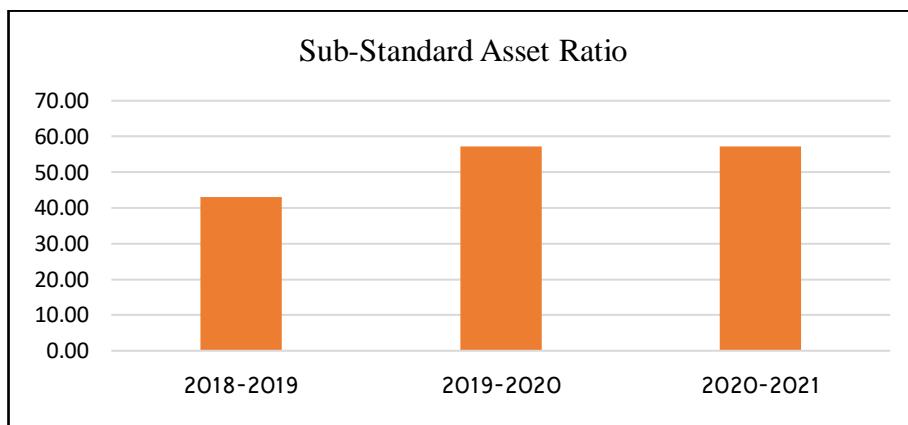


3. Sub-Standard Asset Ratio

Year	Sub-Standard Asset	Gross NPA	Ratio (%)
2018-2019	526.66	1225.45	42.98
2019-2020	1050.82	1835.61	57.25
2020-2021	1828.4	3200.58	57.13

Sub-standard assets have improved year by year i.e., in the year 2018-2019 it was about Rs 526.66 crores in the year 2019-2020 it is increased to Rs 1050.82 crores. In the year 2020-2021 the ratio has been increased by 57.13% compare to year 2019-2020 (57.25%). The main reason for this is gross NPA were increased year by year and more provisions are being made year by year.

Sub-Standard Assets Ratio = (Sub-standard assets/Gross NPA)*100

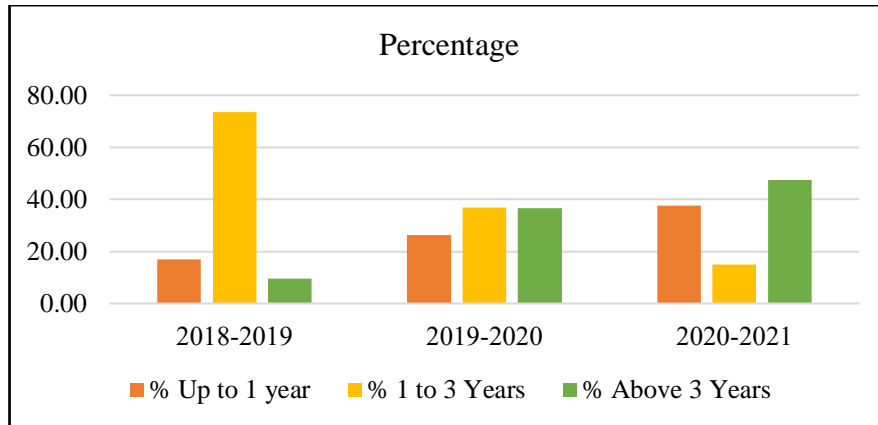


4. Doubtful Assets

Year	Total	Up-to 1 year	1 to 3 Years	Above 3 years	% Up to 1 year	% 1 to 3 Years	% Above 3 Years
2018-2019	393.45	66.28	289.72	37.45	16.85	73.64	9.52
2019-2020	653.41	172.29	241.3	239.82	26.37	36.93	36.70
2020-2021	682.65	256.63	102.38	323.64	37.59	15.00	47.41

The total doubtful asset will be categorised based on the time period that is up to 1 year, 1 to 3 years and above 3 years. By seeing the above table we can say that from the year by year the doubtful asset are increasing that is in the year 2018-2019 it was 393.45 and in the year 2019-2020 it has increased to 653.41

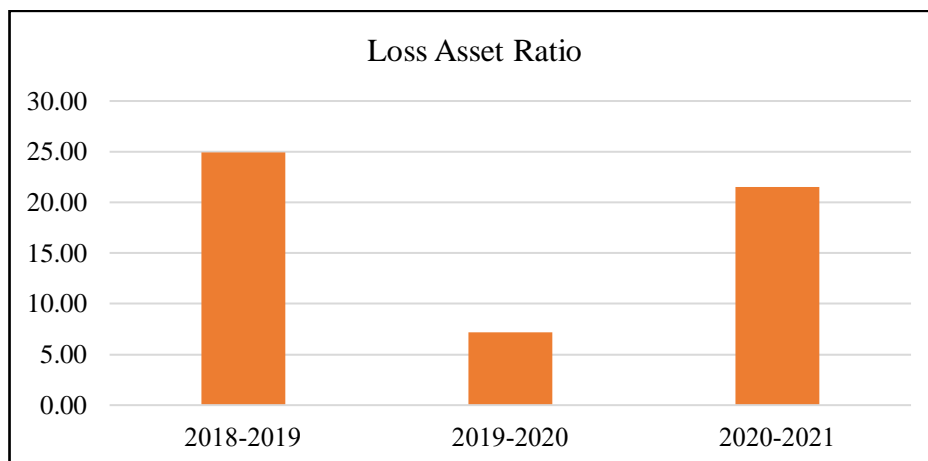
and in the year 2020-2021 it has increased up to 682.65 to see the difference from the year 2018-2019 to 2020-2021 it has increased by 289.2 (682.65-393.45).



5. Loss Assets Ratio

Year	Loss Asset	Gross NPA	Ratio (%)
2018-2019	305.34	1225.45	24.92
2019-2020	131.38	1835.61	7.16
2020-2021	689.53	3200.58	21.54

Loss assets has been varying year to year that is 2018-2019 is Rs 305.34 crores and in the year 2019-2020 it reduces to Rs 131.38 crores and in the year 2020-2021 it increases by 689.53 crores. The ratio has been increased from 2019-2020 that is 7.16% compared to 2020-2021 that is 21.54% the difference of these ratios is 14.39%.



Findings

- The gross NPA position shows increasing tendency with some moderations, and even there is steady decline of gross NPA as a percentage of gross advances which is a positive signal
- The net NPA has a percentage of net profit is well within reasonable limits. This indicates the bank's profitability and Non-performing Asset position as good.
- The highest sub-standard asset was found in the year 2019-2020 that is 1050.82 and least is 526.66 in the year 2018-2019, here we can see that the ratio of sub-standard is increased 42.98 to 57.25
- Doubtful assets are been increasing year by year that is in year 2018-2019 it was 393.45 and in 2020-2021 it is 682.65
- In the loss asset it can be seen that in the year 2020-2021 was 689.53 compared to 2018-2019 is 305.34 it is increased.

Suggestions

- The bank should take 100% security to their loan's grants. Because if it takes risk of 70% security then automatically the bank risk will increase.
- Bank should take effective measures of action in recovery of loans
- Establishment of separate examining department and make credit monitoring functions more effective
- Utilize alternative dispute resolution processes, such as Lok Adalats and Debt Recovery Tribunals, to speed the payment of loans.
- Increase in the target of achievement of loans so that there will be a sufficient profit in the banks
- The loans given to the new business should be given by analysing and feasibility report and reputation of the owner concerned

Conclusion

This study has been carrying out to know the actual position of the Non-performing Asset in the bank. It is very important for any Bank to maintain the asset quality for strengthening its financial status. The Non-Performing Assets figures of any banks give the picture of the quality of asset of the banks which depicts the strengths and weakness of their balance sheet. The financial position of the bank indicates its profits which show's positiveness to the Bank. By reducing NPA banks can improve its operations and profits, and it can give better services to its customers. The bank must concentrate on right measure to identify the status of the various advances which helps to reduce the NPAs at bank level.

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