Non-Performing Assets: A Study of Shree Warana Co-operative Bank Ltd. Warananagar

Mr. Tushar Patil1, Prof. Sagar Sutar2

1M.Phil Student, 2Assistant Professor
1chhatrapati Shahu Institute of Business Education and Research, Kolhapur, Maharashtra, India
2Ashokrao Mane Group of Institutions, Vathar Tarf Vadgaon, Maharashtra, India

Organised By:
Management Department, Chhatrapati Shahu Institute of Business Education and Research, Kolhapur, Maharashtra

ABSTRACT

The three letters "NPA" strike fright in banking sector and business circle today. NPA is a short form of "Non-Performing Assets". In banking, NPA are loans given to doubtful customers who may or may not repay the loan on time. There are two types of assets viz. performing and non-performing. Performing loans are standard loans on which both the principle and interest are secured and their return is guaranteed. Non-performing assets [NPA] is result of asset liability mismatch. A NPA account in the books of accounts is an asset as it indicates the amount receivable from the defaulters. It means if any bank gives loan to the customer if the interest for the loan is not paid by the customer till 90 days then the account is called as NPA account. NPAs reflect the performance of the banks.

KEYWORDS: Non Performing Assets, Causes, assets, liabilities etc.

INTRODUCTION

A high level of NPA suggest high profitability of large number of credit defaults that affect the profitability and net worth of banks and also erodes the value of the assets. The NPAs growth involves the necessity of the provisions, which reduce the overall profits and shareholders values. The issues of non-performing assets have been discussed length for financial system all over the world the problems of NPAs is not only affecting the banks also the whole economy. The Indian banking has come from a long way from being a sleepy business largely brought about by the large dose of liberalization and economic reform that allowed banks to explore new business opportunities rather than generating from conventional stream (i.e. borrowing and lending). Modern commercial banks perform large number of function and provide service to industries as well as to the consumers. It is not possible to make definite list of the functions of bank.

It feels necessary to understand the study regarding management of NPAs well as position of NPAs and the comparative study of NPA position of five branches of Shree Warana Co-operative bank ltd. Warananagar.

Objectives of the Study:
1. To understand the meaning and nature of NPA.
2. To examine the causes for NPAs in bank.
3. To study the NPA position of five branches (2013-14 to 2015-16).
4. To know about assets classification.
5. To provide better suggestion on the basis of NPAs of five branches.

Research Methodology:
Research Methodology is the systematic, theoretical analysis of the methods applied to a field of study. For this specific study five branches has been considered these are (Warana, Kodoli, Vadgaon, Kini and Paragon). There are total numbers of NPA account is 274 in the year of the 2015-16. According to that is not possible. Hence 10% of population of total NPAs account has been selected for the study. For these study 27 respondents (NPA’s) has been considered. For the study percentage analysis and statistics tools has been used for the data analysis.

Data Collection:
The data collection is consists of two methods.
A. Primary Data
B. Secondary Data
**A. Primary Data:** The primary data were collected from personal interview with bank manager and account executives.

**B. Secondary Data:** The secondary data were collected through various books, bank statements, annual reports, research journals and bank website.

**Limitations of the Study:**
1. The study is limited to Shree Warana Co-operative bank ltd. Warananagar.(Warana, Kodoli, Vadgaon, Kini and Paragon)
2. Banks are being overburdened with work so sharing knowledge from bank employee was limited.
3. The study is carried only non-performing assets.
4. Confidential information was not shared

**Non-Performing Assets**

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A 'non-performing assets' was defined as accredit facility in respect of which the interest and/or installment of principle has remained 'past due' for a specified period of time. The specified period was reduced in a phased manner as under:

w.e.f. 31.03.2001: 180 days
w.e.f. 31.03.2004: 90 days

90 days’ delinquency norms are not applicable to agriculture segment.

With the effect from March 31, 2004, NPA shall be a loan or an advance where:

1. **Term Loan:** Interest and/or installment of principle remain over due for a period of more than 90 days.
2. **Cash Credit/Overdraft:** The account remains 'out of order' for a period of more than 90 days.
3. **Bills:** The bill remains overdue for a period of more than 90 days from due date of payment.
4. **Other Loans:** Any amount to be received remains overdue for a period of more than 90 days.
5. **Agricultural accounts:** In the case of agriculture advances, where repayment is based on income from crop. An account will be classified as NPA as under:
   - If loan has been granted for short duration crop: interest and/or installment of principle remain overdue for two crop seasons beyond the due date.
   - If loan has been granted for long duration crop: interest and/or installment of principle remain overdue foe one crop seasons beyond due date.

**Data Analysis**

**Table 1.1 Branch wise Loans and Advances provided for the year 2013-14 to 2015-16**

<table>
<thead>
<tr>
<th>Branch</th>
<th>Loans and advances</th>
<th>Total Amount</th>
<th>% of loans and advances</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warana</td>
<td>2657.40</td>
<td>3433.45</td>
<td>3478.56</td>
<td>9569.41</td>
</tr>
<tr>
<td>Kodoli</td>
<td>691.25</td>
<td>688.53</td>
<td>780.20</td>
<td>2159.98</td>
</tr>
<tr>
<td>Pargon</td>
<td>922.66</td>
<td>839.09</td>
<td>927.70</td>
<td>2689.45</td>
</tr>
<tr>
<td>Vadgaon</td>
<td>1732.30</td>
<td>1868.89</td>
<td>1926.24</td>
<td>5527.43</td>
</tr>
<tr>
<td>Kini</td>
<td>866.10</td>
<td>874.50</td>
<td>834.98</td>
<td>2575.58</td>
</tr>
</tbody>
</table>

(Source: secondary data)

The above table no. 1.1 shows the information about loans and advances for the years, 2013-14 to 2015-16 of the all five branches.
It is found that the loans and advances are increasing trend of Warananagar & Vadgaon branch. The loans and advances provided by kodoli branch was constant in the year 2013-14 to 2014-2015 and increased in the year 2015-16. The amount of loans and advances are not constant and changing every year of Paragon & kini branch.

Table 1.2 Recovery against loans and advances for the year 2013-14 to 2015-16

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Warana</td>
<td>2575.52</td>
<td>3301.10</td>
<td>3360.63</td>
<td>96.91</td>
<td>96.14</td>
<td>96.60</td>
</tr>
<tr>
<td>Kodoli</td>
<td>606.96</td>
<td>619.23</td>
<td>729.67</td>
<td>87.80</td>
<td>89.93</td>
<td>93.52</td>
</tr>
<tr>
<td>Pargon</td>
<td>826.71</td>
<td>724.03</td>
<td>836.87</td>
<td>89.60</td>
<td>86.28</td>
<td>93.11</td>
</tr>
<tr>
<td>Vadgaon</td>
<td>1658.70</td>
<td>1783.32</td>
<td>1793.61</td>
<td>95.95</td>
<td>95.42</td>
<td>93.11</td>
</tr>
<tr>
<td>Kini</td>
<td>840.96</td>
<td>823.67</td>
<td>784.25</td>
<td>97.09</td>
<td>94.18</td>
<td>93.92</td>
</tr>
</tbody>
</table>

(Source- secondary data)

The above table no. 1.2 shows the information about recovery against loans and advances for the years, 2013-14 to 2015-16 of all five branches.

Table 1.3 Gross NPA of 5 branches for the year 2013-14 to 2015-16

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Warana</td>
<td>81.88</td>
<td>132.25</td>
<td>117.93</td>
<td>3.08</td>
<td>3.85</td>
<td>3.39</td>
</tr>
<tr>
<td>Kodoli</td>
<td>84.29</td>
<td>69.30</td>
<td>50.53</td>
<td>12.19</td>
<td>10.06</td>
<td>6.47</td>
</tr>
<tr>
<td>Pargon</td>
<td>95.95</td>
<td>115.06</td>
<td>63.83</td>
<td>10.39</td>
<td>13.71</td>
<td>6.88</td>
</tr>
<tr>
<td>Vadgaon</td>
<td>73.60</td>
<td>54.57</td>
<td>132.63</td>
<td>4.24</td>
<td>4.57</td>
<td>6.88</td>
</tr>
<tr>
<td>Kini</td>
<td>24.14</td>
<td>50.83</td>
<td>50.73</td>
<td>2.78</td>
<td>5.81</td>
<td>6.07</td>
</tr>
</tbody>
</table>

(Source- secondary data)

The above table no. 1.3 shows the information about Gross NPA for the years, 2013-14 to 2015-16 of all five branches. It is found that very less Gross NPA of Kini branch is 2.78% and very high Gross NPA of Kodoli branch i.e. 12.19% in the year of 2013-14. Gross NPA of Kini and Vadgaon branch are increasing and that is not good for the bank. Gross NPA of Kodoli branch are decreasing. NPA of Warana and Pargon branch is fluctuating. It is observed that very less Gross NPA of Warana branch is 3.85% and very high Gross NPA of Pargon branch i.e. 13.71% in the year 2014-15. It is analyzed that very less Gross NPA of Warana branch is 3.39 and very high Gross NPA of 6.88 for two branches i.e. Pargon and Vadgaon for the year of 2015-16.

Table 1.4 Causes for Repayment of Loans and Advances

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Causes</th>
<th>No. Respondent</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employment termination</td>
<td>12</td>
<td>44.44</td>
</tr>
<tr>
<td>2</td>
<td>Diversification of investment</td>
<td>04</td>
<td>14.82</td>
</tr>
<tr>
<td>3</td>
<td>Unwanted expenses</td>
<td>08</td>
<td>29.62</td>
</tr>
<tr>
<td>4</td>
<td>Other</td>
<td>03</td>
<td>11.12</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>27</td>
<td>100</td>
</tr>
</tbody>
</table>

The above table no. 1.4 shows causes for repayment of loans and advances.

It is observed that maximum respondents are being non-performing assets because of employment termination i.e. 44.44%.

Table 1.5 Classification of Assets

<table>
<thead>
<tr>
<th></th>
<th>Warana</th>
<th>Kodoli</th>
<th>Pargon</th>
<th>Vadgaon</th>
<th>Kini</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Assets</td>
<td>3360.63</td>
<td>729.67</td>
<td>863.87</td>
<td>1793.61</td>
<td>784.25</td>
</tr>
<tr>
<td>Sub Standard Assets</td>
<td>40.20</td>
<td>20.51</td>
<td>11.44</td>
<td>44.38</td>
<td>19.05</td>
</tr>
<tr>
<td>D1</td>
<td>39.76</td>
<td>9.50</td>
<td>12.58</td>
<td>44.37</td>
<td>20.17</td>
</tr>
<tr>
<td>D2</td>
<td>15.87</td>
<td>4.57</td>
<td>26.53</td>
<td>13.02</td>
<td>11.07</td>
</tr>
<tr>
<td>D3</td>
<td>22.10</td>
<td>15.95</td>
<td>13.28</td>
<td>30.86</td>
<td>0.44</td>
</tr>
<tr>
<td>Loss Assets</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Amount NPA</td>
<td>117.93</td>
<td>50.53</td>
<td>63.83</td>
<td>132.63</td>
<td>50.73</td>
</tr>
<tr>
<td>Gross NPAs</td>
<td>3478.56</td>
<td>780.20</td>
<td>927.70</td>
<td>1926.24</td>
<td>834.98</td>
</tr>
</tbody>
</table>

(Source- secondary data)

The above table no. 1.5 shows assets classification of the five branches. The asset classification of five branches which shoes in sub-standard assets, doubtful 1 doubtful 2 doubtful 3 and loss assets. The above table also shows how branches are having their non-performing assets.

Findings
1. It is found that the loans and advances are increasing trend of Warananagar & Vadgaon branch. The loans and advances provided by kodoli branch was constant in the year 2013-14 to 2014-2015 and increased in the year 2015-16. The amount of loans and advances are not constant and changing every year of Paragon & kini branch.
constant and changing every year of Paragon & kini branch (Refer table no.1.1)

2. It is observed that in the year of 2013-14 higher recovery has been done by Kini branch i.e. 97.09% whereas very less recovery has been done by Kodoli branch i.e. 87.80%. It is found that in the year of 2014-15 higher recovery has been done by Warana branch is 96.14%. Whereas very less recovery has been done by Pargon branch i.e. 86.28%. It is found that in the year of 2015-16 higher recovery has been done by Warana branch is 96.60%. Whereas Pargon and Vadgaon branch has recovered same percentage of amount i.e. 93.11%. (Refer table no.1.2)

3. It is found that very less Gross NPA of Kini branch is 2.78% and very high Gross NPA of Kodoli branch i.e. 12.19% in the year of the 2013-14. Gross NPA of Kini and Vadgaon branch are increasing and that is not good for the bank. Gross NPA of Kodoli branch are decreasing, NPA of Warana and Pargon branch is fluctuating. It is observed that very less Gross NPA of Warana branch is 3.85% and very high Gross NPA of Pargon branch i.e. 13.71% in the year 2014-15. It is analyzed that very less Gross NPA of Warana branch is 3.39 and very high Gross NPA of 6.88 for two branches i.e. Pargon and Vadgaon for the year of 2015-16. (Refer table no.1.3)

4. It is observed that maximum respondents are being non-performing assets because of employment termination i.e. 44.44%. (Refer table no.1.4)

Suggestions
➢ The Warana branch must maintain their recovery policy.
➢ The Kodoli branch must improve in the recovery of loans and advances. The branch should prepare the portfolio of customers while providing loans.
➢ The other branches must be improve in the strategy of recovery.
➢ The Kodoli branch must increase loans and advances to the customers.
➢ The bank should confirm about employment of customer and then provides loans and advances.
➢ The bank should make rating to customers.

Conclusion
The study is related to the only five branches of Warana bank. The branches are Warana, Kodoli, Vadgaon, Kini and Paragon. The financial position of the Warana branch is good.

The study is about non-performing assets of five branches, there are some branches whose loans and advances are increasing and some branches are constant. The recovery of Warana branch is good as per findings in the study.

The overall Gross NPA of bank has been increased and that is not good for the bank.

References:
[1] Books:-

[2] Referred reports:-
Annual report Financial Year 2013-14
Annual report Financial Year 2014-15
Annual report Financial Year 2015-16
Annual report Financial Year 2016-17

International Journal of Innovations in Engineering and Technology (IJET)

[4] Website:-
http://www.waranabank.com
https://rbi.org.in