



NON PERFORMANCE ASSETS AND ITS IMPACT: A STUDY WITH SPECIAL REFERENCE TO SBI BIDAR

Dr. Bhimasha K. B.

Asst. Professor of Commerce ,

Government First Grade Women's College, Opposite water tank, Janwada Road, Bidar.

ABSTRACT

Now a days every bank playing an important role in the economic development of a country. In India banks are playing major role in economic and social development. This banking industry is not free from risk. It is facing many more risk like, loan repayment, interest rate fixing etc., and mainly public sectors banks are facing problem of competition among the private banks. Among all threat the now a days banks are facing the problem of or performance assets. The resonance monetary situation of a bank depends upon the revival of loans or its level of Non - performing assets. Reduced N P A usually presents the feeling those banks have reinforced their credit appraisal processes over the years and growth in NPAs involve the necessity of provisions, which bring down the overall profitability of banks. In India all the banks are confronting a lofty trouble of N P A. The extent of N P A is relatively more in public sectors banks. To improve the competency and effectiveness of banks the NPA should be reduced and must bring in grip. This study aimed to know the present status of N P A in SBI Bidar main branch. The secondary data were collected from the bank regarding the N P A.



KEY WORD: Non performance assets, SBI Bank, public sector bank.

INTRODUCTION

This NPA is like terror in bank sector today. Non performing assets (NPA) are the assets (loans) which are not performing well. Means the repayment of loan interest installment is due for a period of time which is prescribed by the bank i.e., 90 days. The recovery of loan is a big problem for banks and financial institutions. RBI has defined NPA "as a credit facility in respect of which the interest and or installment of principal has remained 'past due' for a specified period of time as stipulated by RBI". (Dr. Ujjwal M. Mishra, March 2017, pp. 1-6) . NPA is a main constraint in the scrutiny of monetary performance of a bank as its outcome in advanced provisioning necessities and thus lessening profit. It concerns liquidity appeared about 25 years ago in Indian banking segment, transferring unsatisfactory indications on the sustainability of exaggerated banks. In current, period Public sector Undertakings (PSU) are facing more problem than Private Sector Banks (PSB). Amounting level of NPAs in the banking sector can cruelly concerns the financial system in many ways. If NPAs are not appropriately manage, it can result financial and economic deprivation which in twist indicators an unfavorable outlay environment. N P A is classified into Standard, Sub - standard, Doubtful and Loss assets based on the criteria stipulated by RBI. (i). Sub standard asset: It is an asset which is non performing over a period i.e., less than one year. (ii) Doubtful: It is an asset which

has continued in the sub standard for a period of one year. (iii) Loss assets: If sub standard asset is not recovered within 3 years or if asset is not written off is called loss asset. To come out from this first we need to think about any possibility to avoid NPA, no cannot be then left is to look after the issues conscientious for it and supervision those issues.

II. LITERATURE REVIEW:

1. Prashant K. Reddy¹ examined the significance of a sound thoughtful of the macroeconomic variables and methodical concerns pertaining to banks and the economy for solving the problem NPAs along with the criticality of a strong legal frame work and legislative framework.
2. Nelson M. Weweru et. Al (2012)², have investigated the reasons for non performing loans, the actions that bank managers have taken to mitigate that problem and the level of success of such actions using a sample of 30 managers selected from the 10 largest banks the study found that national economy downturn was perceived as the most important external factors.
3. Kevin Greenidge et.al, (2010)³, studied the evolution of non performing loans is of great importance given its association with bank failure and financial crises, and it should therefore be of interest to developing countries.
4. Rajeshwari Krishnan (2004), focused on the problem of swelling non-performing assets in banks and financial institutions of the country became more and more unmanageable and created a threat for the financial sectors. She found that securitization can be used for liquidating the illiquid and long term debts like loan and receivables of financial institutions or banks by issuing marketable securities against them. She concluded that the SARF AESI act is definitely and big leap forward not only in the filled of NPA management but also in promoting the securitization market in India. The act may be required to fine turned bring in 'natural justice'.

III. Scope for the Study :

The present study is empirical and descriptive in nature. The study is confined to examine the state of Non performing assets in SBI Bank Bidar, Karnataka.

IV. Need for the Study:

Present study helps the bank to know how much bad rage were increasing and how many accounts categories NPA and how bank should try to decrease NPA by applying different strategies. Need of Bank to recovery services for bank.

V. Objectives of the Study:

1. To know the reasons for decreasing standard assets.
2. To know the impact of N P A on Indian Banking Sector.
3. To recommend measures for improving the performance and reduction of Non performing assets.

VI. Research Design:

➤ Sources of Data Collection:

The study is based on data pertaining to the period 2018-19. To accumulate the information both primary as well as secondary data were collected.

¹ Prashant K. Reddy, (2002). A comparative study of Non Performing Assets in India in the Global context-similarities and dissimilarities, remedial measures. Remedial Measures (October 2002).

² Waweru, Nelson, and Victor Mutisya Kalani. "Commercial banking crises in Kenya: Causes and remedies." *Global journal of finance and banking issues* 3.3 (2008).

³ Greenidge, Kevin, Lisa Drakes, and Roland Craigwell. "The external public debt in the Caribbean Community." *Journal of Policy Modeling* 32.3 (2010): 418-431.

➤ **Primary Data :**

Primary data's has been collected by informal discussions held with departmental heads of the SBI Bank.

➤ **Secondary Data:**

Secondary required financial data's has been collected from statements, published annual report of SBI and collected from books, journals, reports and published documents of SBI Bank. The other secondary data are obtained by referring in relevant websites, etc.

➤ **Tools for analysis of Data:**

1. Ratio analysis: Ratio analysis is a form of statistical Analysis that is used to find a immediate suggestion of a firm's financial appearance in some type of area.

2. Arithmetical tools for data analysis: Use of tables, Simple pie diagram is done to compare the ratios of five financial years & deduce the examination of the same.

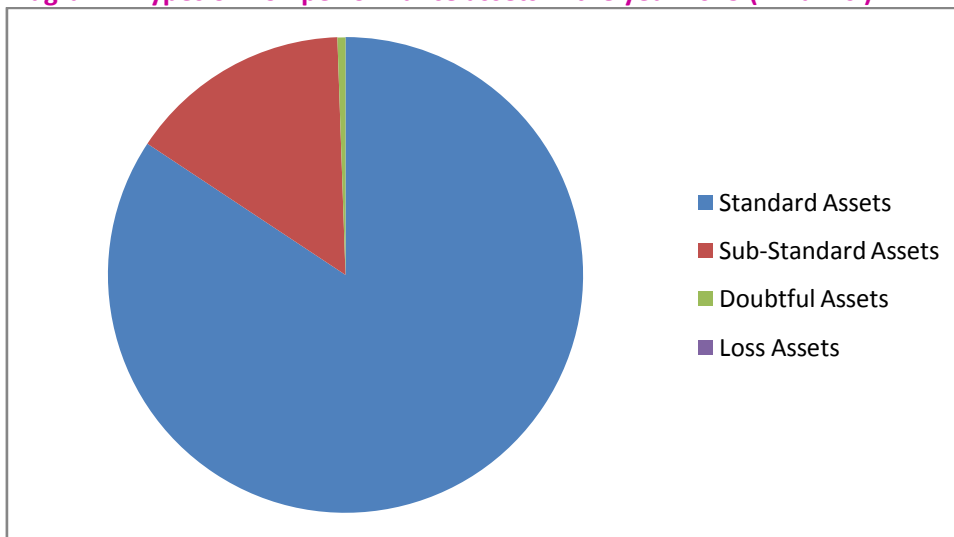
VII. Data Analysis and Interpretation:

Table 1
Types of Non performance assets in the year 2015 (In Lakhs.)

Particulars	Amount	Percentage of the total
Standard assets	6063.81	84.31
Sub standard assets	1089.09	15.14
Doubtful assets	39.23	00.55
Loss assets	00.00	00.00
Total Assets	7192.13	100.00

Source: Field Study

Diagram 1 Types of Non performance assets in the year 2015 (In Lakhs.)



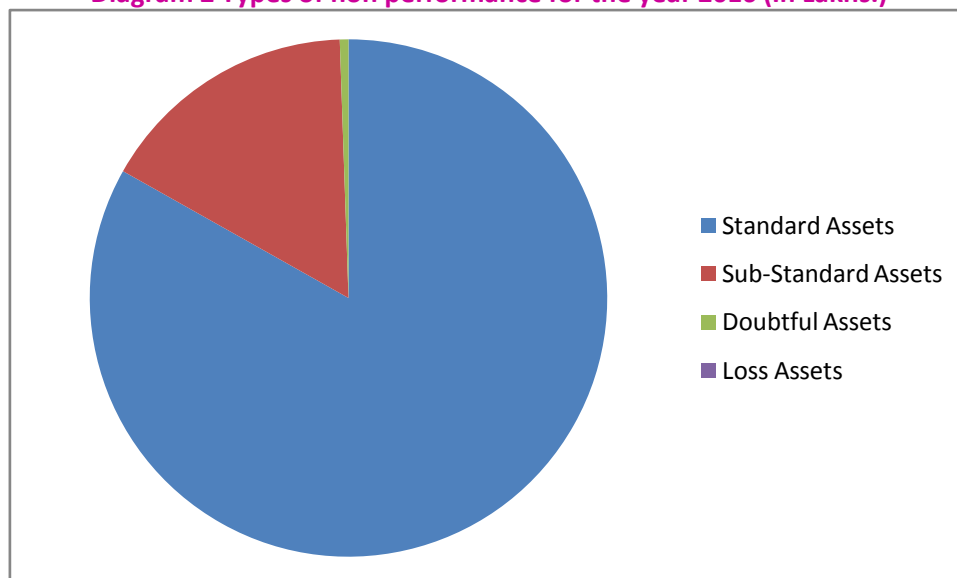
The table No. 1 shows that 84.31 percent were standard assets, 15.14 percent were sub - standard assets, 0.55 percent was doubtful assets and loss assets zero percent. The analysis indicates that standard assets were more this indicates bank's financial position is very good.

Table 2
Types of non performance for the year 2016 (In Lakhs.)

Particulars	Amount	Percentage of the total
Standard assets	6063.81	83.16
Sub standard assets	1189.09	16.31
Doubtful assets	39.23	0.53
Loss assets	00.00	0.00
Total assets	7292.13	100.00

Source: Field Study

Diagram 2 Types of non performance for the year 2016 (In Lakhs.)



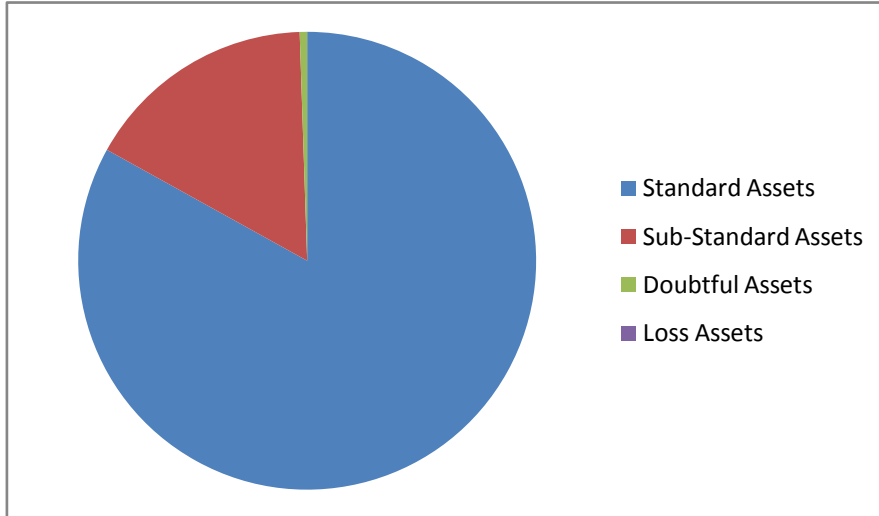
From the table 2 it could be observed that standard assets were 83.16 percent, sub-standard assets were 16.31 percent, doubtful assets were 0.53 percent and loss assets were nil. From the field study it is witnessed those standard assets more than the Non performance assets. This is the main think which all banks should have the more standard assets. This State Bank of India has maintained the standard assets more and issued the loan after counseling to the customers.

Table 3
Types of non performance assets for the year 2017 (In Lakhs.)

Particulars	Amount	Percentage of the total
Standard assets	6062.81	83.05
Sub standard assets	1199.09	16.43
Doubtful assets	38.23	0.52
Loss assets	00.00	00.00
Total assets	7300.13	100.00

Source: Field Study

Diagram 3 Types of non performance assets for the year 2017 (In Lakhs.)



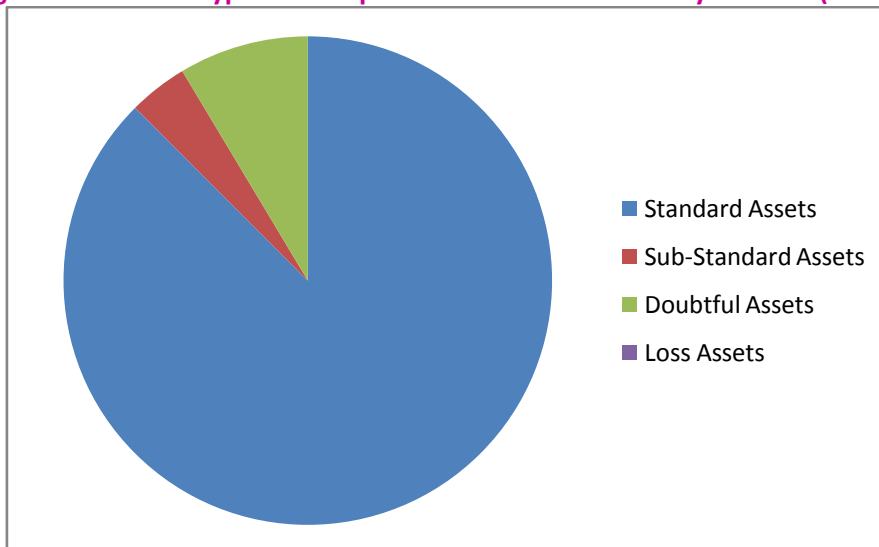
From the table No. 3 it can be understood that in the year 2017 total assets were 7300.13 lakhs. Out of these standard assets were 83.05 percent, substandard assets were 16.43 percent, doubtful assets were 0.52 percent and loss assets were 0 percent. It is observed from the field study that most of the assets were in standard this shows that bank is having the good position in its financial condition. There were no loss assets in the year 2017. Means bank worked in proper manner for recovering the loans.

Table 4 Different types of non performance assets for the year 2018 (In Lakhs.)

Particulars	Amount	Percentage of the total
Standard assets	6332.43	87.50
Sub standard assets	282.64	3.91
Doubtful assets	621.66	8.59
Loss assets	0.00	0.00
Total Assets	7236.73	100.00

Source: Field Study

Diagram 2 Different types of non performance assets for the year 2018 (In Lakhs.)



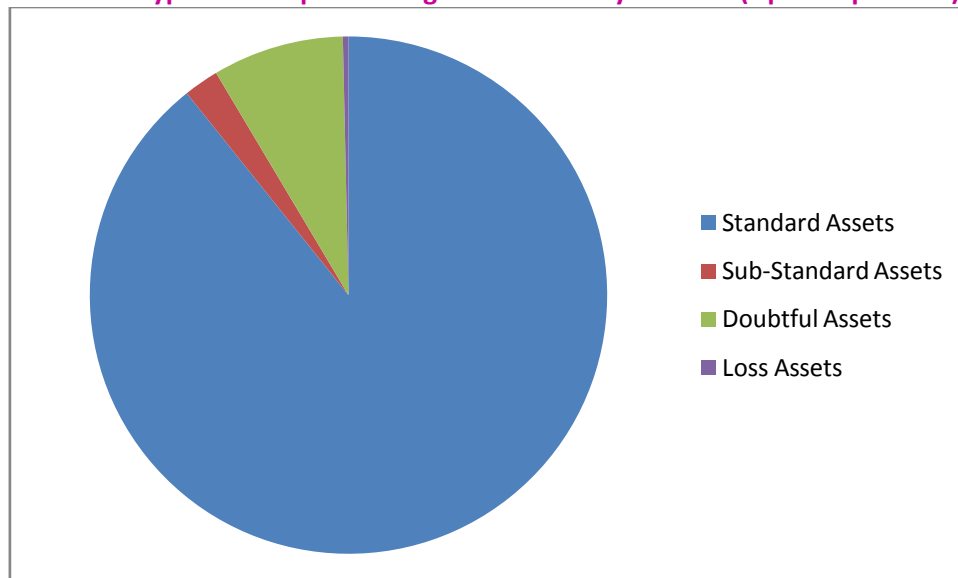
From the above Table 4 it is witnessed that standard assets were 87.50 percent, substandard assets were 3.91 percent, Doubtful assets were, and 8.59 percent and loss assets were 0 percent. It can be observed from the table 2 that, majority of the assets are in standard assets. Actually in every bank standard assets must be in sound position therefore, by this study it is understand that SBI bank’s economical situation is good.

Table 5
Different types of non performing assets for the year 2019 (Up to Sept. 2019) (In Lakhs.)

Particulars	Amount	Percentage of the total
Standard assets	6234.39	89.25
Sub standard assets	153.43	2.20
Doubtful assets	573.07	8.20
Loss assets	24.34	0.35
Total assets	6985.23	100.00

Source: Field Study

Diagram 1 Different types of non performing assets for the year 2019 (Up to Sept. 2019)(In Lakhs.)



The above Table 5 shows that Standard assets were 89.25, sub standard assets were 2.20, doubtful debts 8.20 percent and loss assets 0.35 percent. Ideally standard assets should be more than sub-standard assets consequently in SBI monetary performance standard assets situation are very good as compare to loss of assets and doubtful assets.

1. Net N P A Ratio:

$$\text{Non performing assets ratio} = \frac{\text{Net N P A}}{\text{Net Advances}} \times 100$$

Table 6
NPA Assets and Net Advances. (In Laks.)

Year	Net NPA	Net Advances	Net NPA ratio.
2015	1128.32	7192.13	15.68
2016	1228.32	7292.13	16.84
2017	1237.32	7300.13	16.95
2018	904.30	7236.73	12.50
2019 (Up to Sept. 2019)	750.84	6985.23	10.75

Source: Field Study

It can be inferred from the table 6 that Net NPA ratio which was 21.47 percent in the year 2016 has reduced to 11.68 percent which is good sign that bank is succeeded in making good provisions against the NPA. But in the years of 2018 and 2019 there is a increase in NPA in the year 2019 the study taken up to Sept. 2019. In the year 2019 the bank has given less advances as compared to 2015 to 2018.

2. Sub standard assets Ratio:

$$\text{Sub standard Aseets Ratio} = \frac{\text{Sub standard Aseets}}{\text{Gross N P A}} \times 100$$

Table 7
Sub Standard assets and Gross N P A

Year	Sub standard assets	Gross N P A	Sub standard assets ratio
2015	1089.09	1128.32	96.52
2016	1189.09	1228.32	96.80
2017	1199.09	1237.32	96.91
2018	282.64	904.30	31.26
2019 (Up to Sept. 2019)	153.43	750.84	20.43

Source: Field Study

It can be witnessed from the filed study which is in table 7 it showed that ratio has been rising in the initial three years i.e., 2015, 2019 and 2017 which is not well indicator. The dissimilarity in the sub-standard assets ratio is rooted by upper proportion of doubtful assets over the sub standard assets in the bank. After 2017 there was a tremendous decrease in sub assets ratio this shows the bank has taken certain good steps to improving the bank loan repayment performance. In the year 2018 and 2019 there is a decrease trend in the sub assets ratio.

3. Doubtful assets ratio:

$$\text{Doubtful aseets ratio} = \frac{\text{Doubtful aseets}}{\text{Gross N P A}} \times 100$$

Table 8
Sub standard assets and Gross N P A

Year	doubtful assets	Gross N P A	Sub standard assets ratio
2015	39.23	1128.32	3.48
2016	39.23	1228.32	3.19
2017	38.23	1237.32	8.09
2018	621.66	904.30	68.75
2019 (Up to Sept. 2019)	573.07	750.84	76.32

Source: Field Study

It can be inferred from the data presented in table 8 it was showed that ratio very less in the year 2015 and 2016 and there is increase in the year 2017 and there is a tremendous increase in the year 2018 and 2019 which is not well indicator. For reducing the non performance assets the banks must and should take certain measures, then only the bank can perform well in future.

$$4. \quad \text{Loss assets ratio} = \frac{\text{Loss assets}}{\text{Gross N P A}} \times 100$$

Table 9
Loss assets and Gross N P A

Year	Loss assets	Gross N P A	Sub standard assets ratio
2015	00.00	1128.32	00
2016	00.00	1228.32	00
2017	00.00	1237.32	00
2018	0.00	904.30	00
2019 (Up to Sept. 2019)	24.34	750.84	3.24

Source: Field Study

Loss assets ratio depicts the actual assets are in N P A which are in dangerous position. It can be inferred from the table 9 that except 2019 i.e., 2015 to 2018 there was no loss assets at all. This shows that bank performed well in advancing the loan and collecting the loan. If loss assets nil means the bank can earn more profit. Customers also get more benefits of concession in interest rates and any other benefits. In the year 2019 data taken up to September 2019 in future i.e., before March 2020 it may recover that loss.

VIII. Findings of the Study:

- SBI Bank focusing on Housing, personal and business loan in Bidar city.
- Standard assets are in good position in the years
- Sub-standard are high in the year 2017
- Doubtful assets are more in the year 2018
- Sub-Standard assets ratio is more
- Doubtful assets ratio is very high in the year 2018 and 2019
- Loss assets ratio is nil in the year 2015 to 2018
- Loss assets ratio is high in the year 2019.
- During the study period loan advances is more
- In the study period initial period Net NPA Ratio is more and it reduced slowly in the 2018 and 2019.

IX. Suggestions:

- Avoiding the using of old technologies for financing.
- The bank has to take certain steps to recovery from those persons who have the capacity to pay but are not repaying initiation of corrective action of few such borrows may help.
- Proper planning of man power while giving the loans
- Proper training to employees who working in advances department to avoid the under or over finance.
- Independent credit ranking organization should appraise the economical capability of the customer before sanctioning the loans.
- Advance credit department should evaluate the financial conditions of the clients regularly.
- For avoiding diversion and mismanagement of funds the bank should conduct quarterly internal audit and even when required also.
- Before sanctioning the loan the bank should know the real income and expenditure of the clients.

X. Conclusion:

One of the biggest problems for banking sector is non performance assets. If the bank consider this very lightly means it would be very difficult to bank in future. It is totally impact on the profit and income of the bank. It affects the Government, Shareholders and customers also. So avoiding the NPA the bank has to take better loan appraisal system so as to prevent the non performance assets. If problem of non performance arise means immediately solve it. The banks should have the power to take possession of the property of clients before going to the court. The legal procedure will take more time i.e., one or two years for getting the permission for taking the possession of the property of the client, again which delays the other procedures.

REFERENCES:

- 1 Dr. Ujjawal M. Mishra, "A study on Non performing assets and its Impact on Banking Sector" Journal for Research, Volume 03/Issue 01/March 2017:1-5.

Books:

1. Financial Management by Pandey
2. Managing N P A in Bnaks by Bindani
3. Annual reports of state Bank of India.

Websites:

1. S B I Website
2. Google scholar.



Dr. Bhimasha K. B.

Asst. Professor of Commerce ,

Government First Grade Women's College, Opposite water tank, Janwada Road, Bidar.