



## REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.2331(UIF)

VOLUME - 7 | ISSUE - 6 | MARCH - 2018



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### A STUDY OF NON- PERFORMING ASSETS OF NILGIRIS DISTRICT CENTRAL CO-OPERATIVE BANK LIMITED, TAMIL NADU

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#### ABSTRACT

*Financial sector in India, as well as the world over, continues to be one of the primary engines of growths. Co-operative Societies were formed to combat rural indebtedness and supply credit to farmers. Presently, the banking industry as a whole is transformed from traditional banking activities with an innovative dimension of universal banking. Non-performing Assets (NPA) are one of the major concerns for banks in India. The issue of Non-Performing Assets has been discussed at length for financial system all over the world. The problem of NPAs is not only affecting the banks but also the whole economy. In fact high level of NPAs in Indian banks is nothing but a reflection of the state of health of the industry and trade. This study deals with understanding the concepts of NPAs, Causes and Position of Non- Performing Assets in Nilgiris District Central Cooperative Bank. The management of NPAs in Co-operative banks is a really tough challenge and un-manageable task. The study of the Co-operative structure in NDCC bank has proved that maximum co-operative sector damaged its reputation because of high position of NPA which effect ultimately the economic development of the state and nation.*



**KEY WORDS:** Non-Performing Assets, NPAs, Cooperative Bank, District Central Cooperative Bank.

#### INTRODUCTION

Cooperative Banks are much more important in India than anywhere else in the world. The idea of using co-operation in India as means of combating indebtedness and supplying rural credit was first suggested in the report of Fredick Nicholson in 1894. "An Indian farmer takes birth in debt lives in debt and dies in debt". These situations were changed by the co-operative credit societies. Many people support co-operation as the ideal form of management of human affairs. Cooperative Banks role in rural financing continues to be important day by day, and their business in the urban areas also has increased phenomenally in recent years mainly due to the number of primary cooperative banks. The DCC Bank plays an important role in agriculture financing. At present most of the DCC Banks are facing the problem of overdue, recovery, non-performing assets and other problems. Nilgiri District Central Cooperative plays a vital role in the agriculture and rural development of Nilgiri District. Now a day, Non-Performing Assets are one of the major and problematic issues, which require a higher attention. Therefore, it is an attempt to study the NPA of NDCC Bank, Nilgiri performing at district level

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## REVIEW OF LITERATURE

Reserve Bank of India set up DCCB level implementation and Monitoring Committee (DLIC) in 2007. The role of DLIC is planning, coordinating and guiding the implementation of the Revival Package in the district. **Poongavanam (2011)** attempted on NPA issues, causes and remedial solution, stated that an NPA account not only reduces profitability of banks by provisioning in the profit and loss account but their carrying cost is also increased which result in excess and avoidable management attention. Apart from this, a high level of NPA also puts strain on a bank's net worth because banks are under pressure to maintain a desired level of capital adequacy and in the absence of comfortable profit level; banks eventually look towards their internal financial strength to fulfill the norms thereby slowly eroding the net worth. Considering all the above facts, banking industry has to give more importance to NPA and to the structure of proper remedial solutions, Due to various steps taken by the Government of India NPA levels were reduced to considerable level (Nearly 2.7% of the loans on the balance sheet of Banks from 8.8%) so it is an indication for the bankers with bad loan in their portfolio to take action immediately. **C. Lakshmanan and A. Dharmendran (2007)** in their article said that the problem of Non-Performing Assets (NPAs) is less in the Chennai Central Co-operative Bank as compared to the other CCBs in Tamil Nadu. They also focused on the impact of NPAs on the Net Profit, Investment, Legal Expenses and Spread of the bank. The study concludes that the effective management of NPAs is essential to strengthen the financial position of the bank. **Vijaya.N.L and Muralidhar.S (2012)** explored that securitization of NPAs has been a positive development for the Indian Banking Sector. While it has helped strengthen the banking sector by learning up funds for more lending, it has also provided an impetus to the development of stronger fixed income market in India which has the potential to have considerably more depth than its regional counterparts. Such a market is important for a developing economy like India so as to provide an alternative avenue of funding for industry, therefore, in light of this discussion it may be urged that the current legislative response is a well thought out one. **Shinde M.N et al., (2013)** in their paper examine the trends in profitability, NPAs and comparative study of four Urban Co-operative banks in Sangli, Satara, Parbhani and Hingoli Districts of Western Maharashtra and Marathawada region. The paper concludes that all the banks in both the regions show the declining trend of Gross NPAs as well as NPAs. It is a good sign for the bank of the study region.

## STATEMENT OF THE PROBLEM

Cooperative Bank failures have been relatively high in recent years. While each bank failure is somewhat a unique experience, recent studies have identified a few factors that most failing banks seem to have in common. Most of the banks face the problem of NPAs due to the issues of these becoming more and more unmanageable. Non-Performing Assets are those which are not been yielding revenue for a long period of time. The NPAs, directly affect the bank's Profitability, Liquidity, and Equity. Thus, the management of NPA is a challenging one for Nilgiris District Central Cooperative Bank Limited. In this context the researcher wishes to study the performance of Nilgiris District Central Cooperative Bank (NDCCB) Limited and to know the current status of NPAs of Nilgiris District Central Cooperative Bank (NDCCB) Limited.

## OPERATIONAL DEFINITION

### NON-PERFORMING ASSETS

An asset which ceases to generate income for the bank is called NPA. A NPA was defined as a credit facility in respect of which the interest and installment of principal has remained 'Past due' for a specified period of time. With a view to moving towards international best practices and to ensure greater transparency, it has been decided to adopt the '90 days' overdue norm for identification of NPAs from the year ending March 31, 2004.

### STANDARD ASSETS

Standard Asset is one which does not disclose any problems and which does not carry more than normal risk attached to the business. This is not NPA. It carries only normal credit risk. No provision is required.

### SUB-STANDARD ASSETS

With effect from March 31, 2005 an asset would be classified as sub-standard if it remained NPA for a period less than or equal to 12 months. This is an NPA for a period not exceeding two years requiring a provision of 10 per cent of outstanding balance.

### DOUBTFUL ASSETS

With effect from March 31, 2005, an asset is required to be classified as doubtful, if it has remained NPA for more than 12 months. As in the case of sub- standard assets, rescheduling does not entitle the bank to upgrade the quality of an advance automatically. This is an NPA for a period exceeding two years requiring a provision of 100 per cent of unsecured portion of advances.

### LOSS ASSETS

A loss asset is one where loss has been identified by the bank or internal or external auditors or by the co-operation department or by the RBI inspection but the amount has not been written off, wholly or partly. In other words, such an asset is considered un- collectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value. An asset may be treated as loss asset even if it has not been considered as sub- standard or doubtful earlier. The entire asset should be written off.

### METHOD OF STUDY

The present study is mainly based on Annual Report of Nilgiris District Central Cooperative Bank (NDCC). The data relating to Profit, Assets Structure, other liability of the bank collected from the Annual Reports of the banks, and also from unpublished records, Audit Reports etc., available in the bank. Necessary information was also gathered from the banks staff also by means of discussions held with the Bank Auditors and Account Section.

### OBJECTIVES OF THE STUDY

- To understand the conceptual Framework of the Non-Performing Assets of the Bank.
- To analysis the position of the Non-Performing Assets of the Bank.

### ANALYSIS AND FINDINGS

$$\text{GROSS NPA RATIO} = \frac{\text{GROSS NPA}}{\text{GROSS ADVANCE}} \times 100$$

$$\text{MEAN} = \frac{\sum X}{N}$$

### MAGNITUDE OF GROSS NPA IN NDCC BANK

(Rs. In Lakhs)			
YEAR	GROSS NPA	GROSS ADVANCES	PERCENTAGE
2012-2013	1138.66	23521.38	4.84

<b>2013-2014</b>	2774.37	28038.32	9.89
<b>2014-2015</b>	1230.88	32798.85	3.75
<b>2015-2016</b>	3044.80	32597.45	9.34
<b>2016-2017</b>	3998.52	40988.56	9.75
<b>MEAN</b>	2437.446	31588.912	7.71

**Source: Compiled from Annual Reports of NDCC Bank Limited**

The Gross NPA Ratio of the NDCC Bank limited shows that the value of Gross NPA has increased from Rs.1138.66 Lakh in 2012-2013 to Rs.2774.37 lakhs in 2013-2014. In 2014-2015 the Gross NPA decreased to Rs.1230.88 lakhs. In 2015-2016 the Gross NPA increased to 3044.80 lakhs. Again in 2016-2017 the Gross NPA increased to Rs.3998.52 lakhs. In total there is a fluctuation in Gross NPA of the Bank during the study period. The Average ratio for the five years is assumed as 7.71 percent. The percentage of Gross NPA to Gross Advances in 2016-2017 has increased to 9.75.

$$\text{NET NPA RATIO} = \frac{\text{NET NPA}}{\text{NET ADVANCE}} \times 100$$

$$\text{MEAN} = \frac{\sum X}{N}$$

#### MAGNITUDE OF NET NPA IN NDCC BANK LIMITED

YEAR	NET NPA	NET ADVANCES	PERCENTAGE
<b>2012-2013</b>	555.25	22615.35	2.45
<b>2013-2014</b>	1351.31	31654.23	4.26
<b>2014-2015</b>	259.98	22133.28	1.17
<b>2015-2016</b>	1714.86	31563.10	5.43
<b>2016-2017</b>	2158.98	32543.80	6.63
<b>MEAN</b>	1208.07	28101.95	4.29

**Source: Compiled from Annual Reports of NDCC Bank Limited**

The Net NPA Ratio of the NDCC Bank limited shows that the value of Net NPA has increased from Rs.555.25 lakhs in 2012-2013 to Rs.1351.31 lakhs in 2013-2014. In 2014-2015 the Net NPA decreased to Rs.259.98 lakhs. In 2015-2016 the Net NPA increased to 1714.86 lakhs. Again in 2016-2017 the Net NPA increased to Rs.2158.98 lakhs. In total there is a fluctuation in Net NPA of the Bank during the study period. The Average ratio for the five years is assumed as 4.29 percent. The percentage of Net NPA to Net Advances in 2016-2017 has increased to 6.63.

$$\text{SUB-STANDARD ASSETS RATIO} = \frac{\text{SUB - STANDARD ASSETS}}{\text{GROSS NPAs}} \times 100$$

$$\text{MEAN} = \frac{\sum X}{N}$$

**SUB-STANDARD ASSETS RATIO OF NDCC BANK LIMITED**

(Rs. In. Lakhs)

YEAR	SUB – STANDARD ASSETS	GROSS NPA	PERCENTAGE
2012-2013	536.16	1138.66	47.08
2013-2014	1602.49	2774.37	57.76
2014-2015	415.97	1230.88	33.79
2015-2016	2032.83	3044.80	66.76
2016-2017	2432.22	3998.52	60.83
MEAN	1403.93	2437.44	57.59

Source: Compiled from Annual Reports of NDCC Bank Limited

The Sub-Standard Asset Ratio of the NDCC Bank limited shows that the value of Sub-Standard Asset has decreased from Rs. 536.16 lakhs in 2012-2013 to Rs.1602.49 lakhs in 2013-2014. In 2014-2015 the Sub-Standard Asset decreased to Rs.415.97 lakhs. In 2015-2016 the Sub-Standard Asset increased to 2032.83 lakhs. Again in 2016-2017 the Net NPA increased to Rs.2432.22 lakhs. In total there is a fluctuation in Sub-Standard Asset of the Bank during the study period. The Average ratio for the five years is assumed as 57.59 percent. The percentage of Sub-Standard Asset to Gross NPA in 2016-2017 has increased to 60.83.

$$\text{DOUBTFUL ASSETS RATIO} = \frac{\text{DOUBTFUL ASSETS}}{\text{GROSS NPAs}} \times 100$$

$$\text{MEAN} = \frac{\sum X}{N}$$

**DOUBTFUL ASSETS RATIO OF NDCC BANK LIMITED**

(Rs. In. Lakhs)

YEAR	DOUBTFUL ASSETS	GROSS NPA	PERCENTAGE
2012-2013	588.64	1138.66	51.69
2013-2014	239.68	2774.37	8.63
2014-2015	343.53	1230.88	27.90
2015-2016	266.02	3044.80	8.73
2016-2017	285.23	3998.52	7.13
MEAN	413.54	2437.44	16.96

Source: Compiled from Annual Reports of NDCC Bank Limited

The Doubtful Asset Ratio of the NDCC Bank limited shows that the value of Doubtful Asset has increased from Rs. 588.64 lakhs in 2012-2013 to Rs.239.68 lakhs in 2013-2014. In 2014-2015 the Doubtful Asset increased to Rs.343.53 lakhs. In 2015-2016 the Doubtful Asset decreased to 266.02 lakhs. Again in 2016-2017 the Doubtful Assets increased to Rs.285.23 lakhs. In total there is a fluctuation in Doubtful Asset of the Bank during the study period. The Average ratio for the five years is assumed as 16.96 percent. The percentage of Doubtful Asset to Gross NPA in 2016-2017 has decreased to 7.13.

$$\text{LOSS ASSETS RATIO} = \frac{\text{LOSS ASSETS}}{\text{GROSS NPAs}} \times 100$$

### LOSS ASSETS RATIO OF NDCC BANK LIMITED

(Rs. In. Lakhs)			
YEAR	LOSS ASSETS	GROSS NPA	PERCENTAGE
2012-2013	991.95	1138.66	87.11
2013-2014	932.18	2774.37	33.59
2014-2015	471.74	1230.88	38.32
2015-2016	745.94	3044.80	24.49
2016-2017	768.21	3998.52	19.21
MEAN	782.04	2437.44	32.08

Source: Compiled from Annual Reports of NDCC Bank Limited

The Loss Asset Ratio of the NDCC Bank limited shows that the value of Loss Asset has increased from Rs. 991.95 lakhs in 2012-2013 to Rs.932.18 lakhs in 2013-2014. In 2014-2015 the Loss Asset decreased to Rs.471.74 lakhs. In 2015-2016 the Loss Asset increased to 745.94 lakhs. Again in 2016-2017 the Loss Assets increased to Rs.768.21 lakhs. In total there is a fluctuation in Loss Asset of the Bank during the study period. The Average ratio for the five years is assumed as 32.08 percent. The percentage of Loss Asset to Gross NPA in 2016-2017 has decreased to 19.21.

### TRENDS OF NPAs OF NDCC BANK LIMITED FROM 2012-2013 TO 2016-2017

Particulars	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Standard Assets	2247.69	2526.39	3156.79	2955.26	2865.18
Sub-Standard Assets	536.16	1602.49	415.97	2032.83	2432.22
Doubtful Assets	588.64	239.68	343.53	266.02	285.23
Loss Assets	991.95	932.18	471.74	745.94	768.21
Total Gross NPAs	1138.66	2774.37	1230.88	3044.80	3998.52
Total Gross Advances	23521.38	28038.32	32798.85	32597.45	40988.56
Total Provisions for NPAs	112.20	137.19	349.77	127.88	245.32
Total Net NPAs	555.25	1351.31	259.98	1714.86	2158.98
Total Net Advances	22615.35	31654.23	22133.28	31563.10	32543.80

Source: Compiled from Annual Reports of NDCC Bank Limited

### FINDINGS

- The Gross NPAs in the Beginning period of 2012-2013 was Rs. 1138.66 Lakhs and it increased to Rs. 3998.52 Lakhs during the period 2016-2017.
- The Net NPAs in the Beginning period of 2012-2013 was Rs. 555.25 Lakhs and it increased to Rs. 2158.98 Lakhs during the period 2016-2017
- The Sub-Standard Assets in the Beginning period of 2012-2013 was Rs. 536.16 Lakhs and it increased to Rs. 2432.22 Lakhs during the period 2016-2017

- The Doubtful Assets in the Beginning period of 2012-2013 was Rs. 588.64 Lakhs and it decreased to Rs. 285.23 Lakhs during the period 2016-2017
- The Loss Assets in the Beginning period of 2012-2013 was Rs. 991.95 Lakhs and it decreased to Rs. 768.21 Lakhs during the period 2016-2017

### CONCLUSION

The Non-Performing Assets have always created a big problem for the banks. It is just not only the problem for the banks but for the economy too. The money locked up in NPAs has a direct impact on profitability of the bank. Finally it can be concluded that the bank management should speed up the recovery process. The Banker can constantly monitor the borrower in order to ensure that the amount sanctioned is utilized properly for the purpose to which it has been sanctioned. The Government should also make provisions for faster settlement of pending cases and also it should reduce the mandatory lending to priority sector as this is the major problem creating area. By considering the above factors the banker can reduce the Non-Performing Assets in the Bank.

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