

ANALYSIS ON NON – PERFORMING ASSETS OF BANK OF INDIA

Salla vishal kumar, II-MBA, Malla Reddy Engineering College (Autonomous), Hyderabad.
Ms. Ramya sree, Assistant professor, Department of MBA, Malla Reddy Engineering College (Autonomous), Hyderabad. E-mail: kumvishal738@gmail.com ; mramyasree004@gmail.com

ABSTRACT

To know the level of non-performing assets (NPAs) best indicates the soundness of the banking firm or sector of a country. In order to understand the financial strength of any banking company analysing the Non-performing assets over its life is critical. Thus, the objective of this study is an effort to look into the contribution of the different banks individually to the NPA in the industry by looking into its growth pattern during the period 2018-2022. Growing non-performing assets is a recurrent problem in the Indian banking sector. Over the past twenty years, there have been two such episodes when the banking sector was critically impaired by balance sheet problems. In this NPA we do a comparative analysis of the two banking crisis episodes-the one in the late 1990s and one that started within the aftermath of the 2008 national Financial Crisis and is yet to be resolved. We explain the macroeconomic and banking environment preceding the episodes, the degree and nature of the crises and also discuss the policy responses that are undertaken. We finalise drawing policy lessons from the discussion and advice some precautions that can be adapted to better deal with a forth coming balance sheet related crisis in the banking sector such that the effect on the real economy is minimised.

Keywords: Non-performing assets, loan payment, Balance Sheet, Banking Industry.

I. INTRODUCTION

For any country, saving money framework assumes an imperative part in the development of its sound economy. Saving money is an essential portion of the tertiary segment and goes about as a spine of financial advance. Banks should be more specific in finding the execution of the economy. Banks go about as an advancement organization and are the wellspring of expectation and desires of the majority. Business banks are the major player to build up the economy. A not worthy danger to saving money segment is commonness of Non-Performing Assets (NPAs). NPAs mirror the execution of banks. An abnormal state of NPAs recommends high likelihood of an extensive number of credit defaults that influence the productivity and total assets of banks and further more dissolves the estimation of the advantage. The NPA includes the necessity of arrangements, which decreases the general benefits and shareholder's esteem. In current situation NPAs are at the centre of money related issue of the banks. Solid endeavours must be made to enhance convalescence execution. The principle reasons of expanding NPAs are the objective situated approach, which decays the subjective part of loaning by banks and headstrong defaults, ineffectual supervision of credit accounts, absence of specialized and administrative mastery with respect to borrowers.

A nonperforming asset (NPA) refers to route for a classification instead of loans by the side of the books of pecuniary institutions to rage evasion otherwise is arrived amount overdue next to scheduled payments of principal or else interest. Featuring in a good number cases, debt is classified to non-performing at what time advance payments take place is not been through designed for interval of 90 days. Although failures to pay in the meantime of clock designed for debt towards are categorized at the same time as nonperforming, the quantity of gone era may perhaps transpire shorter or else longer depending on the guidelines and terms set by the bank.

CLASSIFICATION OF NPA'S:

- 1.) **STANDARD ASSET:** The assets which spawn ordinary pay packet are called standard assets.
- 2.) **SUB-STANDARD ASSET:** The asset which is overdue on behalf of a time of added than 90 existences other than with a reduction of than 12 months
- 3.) **SUSPECT (DOUBTFULL) ASSET:** The asset which is overdue designed for an interlude of new than 12 months.

- 4.) **DEBIT (LOSS) ASSETS:** The assets which are fishy afterward are measured while non-recoverable not later than banks

KINDS OF NPA

- a. **Gross NPA:** Gross NPAs are the entirety of all credit resources that are delegated NPAs according to RBI Guidelines as on Balance Sheet date. NPA mirrors the nature of the advances made by banks. It comprises of all the nonstandard resources like - sub-standard, suspicious, and misfortune resources. It can be figured with the assistance of following proportion:

$$\text{Gross NPAs Ratio} = \text{Gross NPAs} / \text{Gross Advances}$$

- b. **Net NPA:** Net NPAs are those sorts of NPAs in which the bank has deducted the arrangement with respect to NPAs. Net NPA demonstrates the genuine weight of banks. Since in India, bank accounting reports contain a gigantic measure of NPAs and the procedure of recuperation and discount of advances is extremely tedious, the banks need to make certain arrangements against the NPAs as indicated by the national bank rules. It can be ascertained by following:

$$\text{Net NPAs} = \text{Gross NPAs} - \text{Provisions} / \text{Gross Advances} - \text{Provisions}.$$

II. REVIEW OF LITERATURE

Kumar (2003) in his paper titled, "The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act,2002", revealed in detail the need, process, summary, positive as well as negative aspects of the Act. PradhanTanmaya Kumar (2013) observed that "gross advances and NPA of old private sector banks and foreign banks are rising so RBI initiated several measures like self-appraisal of different risk management system by banks for introduction of BASEL II."

Selvaraj an B. and Vadivalagan, G. (2012) Over the few years Indian banking, attempts to integrate with the global banking has been facing lots of hurdles in its way due to certain inherent weakness, despite its high-sounding claims and lofty achievements. In a developing country, banking is seen as an important instrument of development, while with the demanding Non-Performing Assets (NPAs), banks have become burden on the economy. Non-Performing Assets are not simply non gainful, but rather they add cost to the credit Management. The dread of Non-Performing Assets saturates the brain science of bank administrators in engaging new activities for credit development. Non-Performing Assets isn't an issue confronting only the brokers; it is in actuality an all-unavoidable national scourge influencing the whole Indian economy. Non-Performing Asset is a sore throat of the Indian economy all in all. Non-Performing Assets have influenced the gainfulness, liquidity and focused working of banks and formative of monetary establishments lastly the brain research of the investors in regard of their mien towards credit conveyance and credit development. NPAs don't create any pay for the banks, however in the meantime banks are required to make arrangements for such NPAs from their present benefits. Aside from inner and outer complexities, increments in NPAs specifically influences banks' productivity now and then even their reality

Lakshmanan, C and Dharmendra, A (2007)

Examined the effect of Non-Performing Assets (NPAs) on performance factors in Chennai Central Co-agent Bank. They analysed execution factors to be specific, net profit, investment, legitimate costs and spread. They watched that the aftereffects of NPAs on all the above execution factors were negative and irrelevant at 5 percent level in all the condition. They reasoned that the compelling administration of NPAs is essential to reinforce the money related position of the bank.

MandiraSarma and Rajiv Kumar (2008)

Carried out essential examinations on the provincial here and now co-operative credit structure. They watched that the Non-Performing Assets (NPAs) level in the Rural Short-term Co-agent Credit Structure (RSTCCS) was high contrasted with that in the business keeping money framework in India. They reasoned that in spite of huge advancement in India's money related segment in the course of the most recent decade, countless, especially large and peripheral groups remained "fiscally prohibited" even today.

III. Need for the Study:

- Bank's profitability relies heavily on the banks' ability to get back its funds lent at appropriate time.
- The recent turn of Bankruptcy pills filled so far it is quint essential to study and analyse the Status of non-performing assets of various public and private banks at a greater length.
- Perhaps, bank of India is one of the fastest going banks of the country and studying NPAs status of this bank is of at most importance owing to the growth rate of Indian banking industry.

IV. Scope of the study

- The study is conducted for the financial years from 2018-2022.
- The focus of study is to analyse the Non-Performing assets of Bank of India during the study period.
- The profitability impact of Non-performing assets(NPAs) is analysed using various statistical tools.
- Gross and Net non-performing assets ratio is computed to draw meaningful conclusions on the data.
- Secondary data sources are used to collect the relevant data for the study.

V. Objectives of the study

1. To understand the current scenario of NPA'S in the banking sector.
2. To know about the impact of NPA'S on banks performance in the form of profits
3. To know the recovery of NPAS through different channels.
4. To make appropriate suggestions to avoid future NPAs and to manage existing NPAs in Banks.

VI. Research methodology

The research is primarily both exploratory as well as descriptive in nature. The sources of information is only secondary in nature.

a. Hypothesis Of the Study:

H_0 : There is no relationship between the non-performing assets of bank and the banks overall performance.

H_1 : There is a relationship between the non-performing assets of bank and the banks overall performance.

b. Sources of Data:

Secondary data: This is the information gathered from sources like-Internet, Books, Journals, Newspaper, Annual report, Database accessible in the library, Catalogues and introductions.

c. Data Analysis Tools: As no study is complete without the use of tools and techniques. For the better presentation and right explanation, I used tools of statistics and computer very frequently

- Gross Non-performing asset Ratio
- Net Non-Performing asset Ratio.

VII. Limitations of the study

The important limitations are as follows;

- The study is focused on the non-performing assets of BANK OF INDIA only.
- The basis for finding non-performing assets is taken from the Reserve Bank of India Publications.
- NPAs are varied with the time. The study is done in the present environment without foreseeing future changes.

- The study is limited only for a particular period and the result may change from time to time based on the changes in the banks functioning.

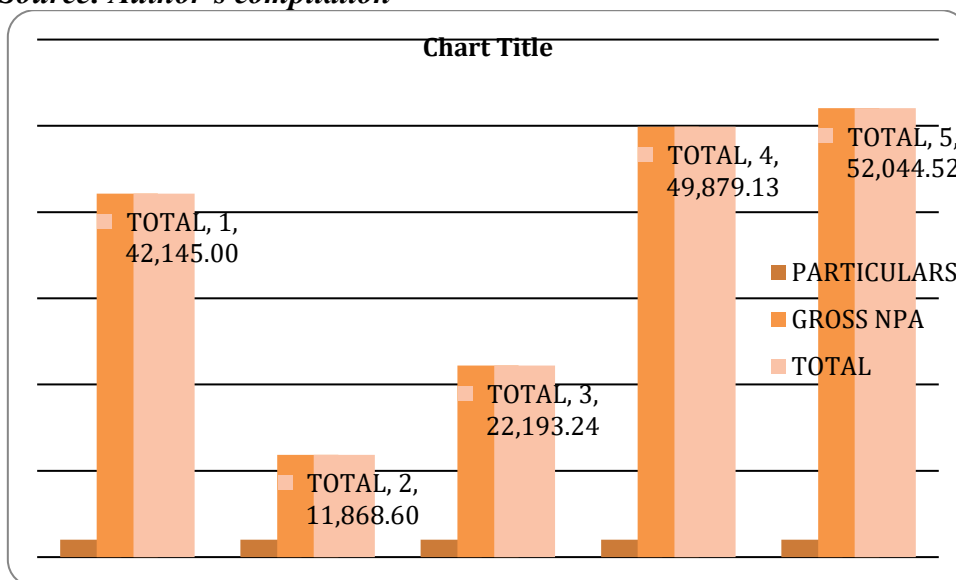
VIII. Empirical Results

The section is dedicated to present the analysis reports of Bank of India’s Gross Non-performing assets for the duration 2018-2022. The results include, Net and Gross non-performing assets ratios are calculated using relevant formulae. A representative table of analysis is presented below,

PARTICULARS	2018	2019	2020	2021	2022
GROSS NPA	42,145.00	11,868.60	22,193.24	49,879.13	52,044.52
TOTAL	42,145.00	11,868.60	22,193.24	49,879.13	52,044.52

Table:1.1 Tabular representation of gross non-performing assets

Source: Author’s compilation



Graph No :1.1.a Graphical representation of gross non-performing assets

Source: Author’s compilation

The gross non-performing asset has decreased on 2019 (11868.60) and after that it is continuously increasing and the highest non-performing asset was in the year 2022 (52044.52). The gross non-performing ratio was least in 2019 that is 3.20% and highest in the year 2018 14.56%, in the year 2022 gross non-performing ratio is 14.20%. In the year 2018 net NPA are least that is 5947.31 and highest in the 2021 27996.40

Testing of Hypothesis: NPA’S effect on the Profitability of the company.

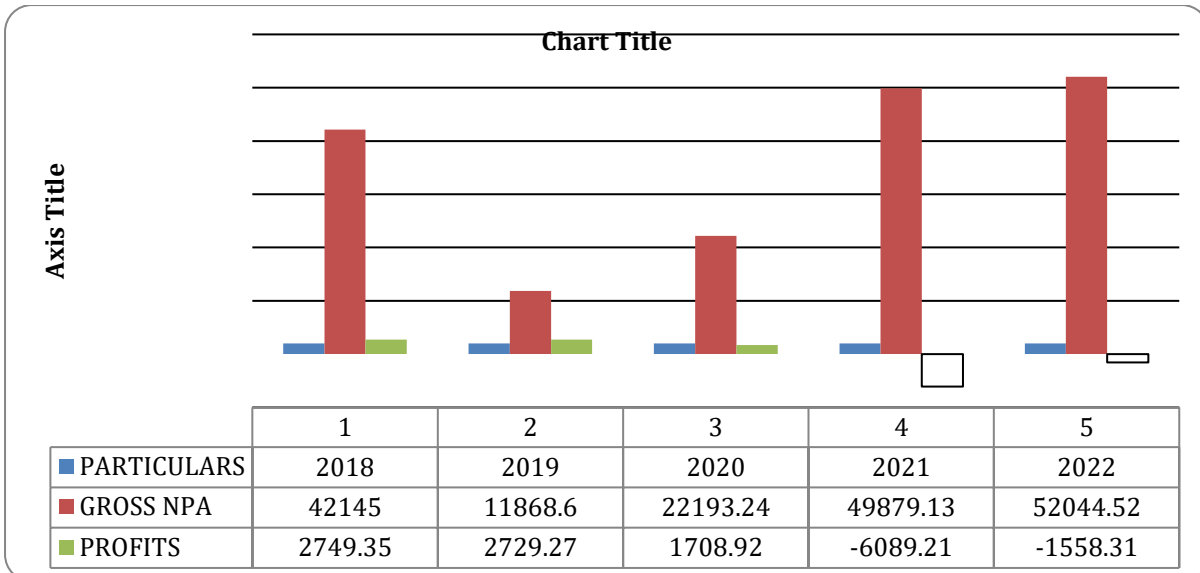
H₀: There is no relationship between the non-performing assets of bank and the banks overall performance.

H₁: There is a relationship between the non-performing assets of bank and the banks overall performance.

PARTICULARS	2018	2019	2020	2021	2022
GROSS NPA	42145.00	11868.60	22193.24	49879.13	52044.52
PROFITS	2749.35	2729.27	1708.92	-6089.21	-1558.31

Table No:1.2 Tabular representation of NPAs from 2018-2022

Source: Author’s Compilation



Graph No:1.2.a Graphical representation of NPAs from 2018-2022
Source: Author’s Compilation

As the NPA’s are increasing the total profits of the bank are decreasing where in the year 2020 the bank has to undergo losses. Hence it is proved that NPA’s effect the profitability of the bank. H_1 is accepted, there is a relation between non-performing assets and profits of the bank.

IX. Findings, Suggestions & Conclusion

Findings:

1. The gross npa as well as the net NPA is increasing year by year in terms of money where a continuous growth in the study which was conducted based on the last five years of the data from 2018 -2022.
2. The gross and net npa ratios are also having a continuous increase in them where in the year 2019 it had a huge decrease in the ratio and again it started increasing from the year 2020 only.
3. The provisions ratio was the highest in the year 2019 which indicates that the bank made a huge number of provisions in that year and a very less losses were faced by the bank.
4. The amount of the advances given has also increased and the defaulters are also increasing.
5. There is a relation between the increasing non-performing assets and the banks overall performance.

Suggestions:

1. Powerful review framework should to be executed.
2. Working staff ought to investigate the level of inventories/receivables routinely.
3. Bank should stress upon credit appraisal
4. Timely checkout should be made on the interest payments and the npa declared accounts
5. There are different measures implemented by government to control the rapidly increasing npa’s those measures should be followed by the banks.

Conclusion:

This particular study non-performing assets of bank of India are studied in detail for the last five years (2018-2022) in terms of GROSS NPA and NET NPA both in rupees as well as percentage along with which certain findings are also presented.

NPA’s depict the overall performance of the bank. As there is continuous increase in the NPA’s from the past few years it has become a big worry for the government and the banks. There has been a drastic increase in the defaulters list of the NPA in last years. The government and RBI has put some measures to recover NPA’s and is also trying to put forward better ways to recover NPA and to improve the banks decreasing position to increase the profitability of the bank.

References

- Performance of non-performing assets (NPAs) in Indian commercial banks- Ms. Asha Singh research scholar, Mewar university, Chittorgarh, Rajasthan.
- Non-performing assets: A study of state bank of India -Kalpesh Gandhi lecturer in Satya Prakash college, affiliated with saurashtra university, Rajkot.
- A Study of non-performing assets of commercial banks and it'srecovery in india - Vivek rajbahadur Singh
- Mathur, B.L. (2005), Management of Non-Performing Assets, Wide Vision, Jaipur's- RBI Master Circular (2011)," Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances", (DBOD.No.BP.BC.12 /21.04.048/2011-12), July, 1st 2011.
- A study on non-performing assets of public sector banks in india with special reference tostate bank of travancore-by siraj.k. k reg.no.3355 under the guidance of prof. (dr.) p. sudarsanan pillai Chairman, Board of Studies in Commerce CUSAT.
- Asset Quality of banks: Evidence from India"; by Arpita Ghosh, Indian Institute of Banking and Finance; available at http://www.iibf.org.in/documents/reseachreport/Asset_quality_AG_IIBF_Submission_review_comments_incorporate_d_sent.pdf.
- Yadav, Sushma, "NPAs: Rising Trends and Preventive Measures in Indian Banking Sectors.", International journal of advance research in computer science and management studies, Vol. 2, Issue 1, 2014.
- Kumar, P.T., "A Comparative study of NPA of Old Private Sector Banks and Foreign Banks", Research Journal of Management Sciences, ISSN 2319-1171 Vol. 2(7), 38-40, 2013. Singh, J., "Recovery of NPAs in Indian commercial banks.", International Journal of Transformation in Business, Vol. 2, Issue 3, 2013.
- Gupta, B., "A Comparative Study of Non-Performing Assets of SBI & Associates & Other Public Sector Banks", SIT Journal of Management, Vol. 2, No. 3, PP. 175-189, 2012.
- Chatterjee, C. and Mukherjee, J. and Das, R., "Management of nonperforming assets - a current scenario", International Journal of Social Science & Interdisciplinary Research, Vol.1 Issue 11, 2012.