(1) Personal file — original
(2) Dr. Shiva Padme — X-rox   *signature* 20/01/17

University of Mumbai

Research Project No: 136

NAME OF THE RESEARCHER: Dr. Shiva Mottiram Padme

LECTURE IN Accountancy

AMOUNT SANCTIONED: Rs. 30,000/-

Ref No. APD/237/ 429 of 2017

18th January, 2017

To,

The Principal,

P. D. Lions College of Com & Eco.
Malad (W)
Mumbai- 400 064.

Sir/Madam,

With reference to the Research Proposal forwarded by you in respect of Shri/Smt/Kum Dr. Shiva M. Padme , I am directed to inform you that the said proposal has been considered by the University and the Committee has recommended research grant as quoted above to the researcher.

The sanctioned amount will be disbursed in two instalments. The first instalment of 50% of the sanctioned amount will be disbursed within 15 days on receiving undertaking and RTGS Form (copy enclosed) from the researcher.

The researcher is expected to spend 50% amount initially from his/her own resources to carry out the work. **Please note that 50% balance amount, out of sanctioned grant will be released on the submission of utilization certificate including bills/vouchers/receipts in original on or before 31st March, 2017 failing of which the advance amount granted will be recovered from researcher which please note.**

Further, I am to inform you that the researcher will have to utilize the sanctioned amount before 31st March, 2017 and submit original bills/vouchers of the expenditure along with Utilization Certificate (copy enclosed) duly certified by the Principal /Director /Head /Institute /University Department/College, to the A.P.D. Section, after verification through the Accounts Section, Gr. Floor, Room No. 13, Fort, Mumbai – 400 032.

The report of the research work carried out by the concerned researcher will have to be submitted to the University on or before 31st July, 2017.

The Principal/Head of the Institute are requested to inform the researcher accordingly and arrange to forward his/her undertaking along with RTGS Form immediately to enable this office to release first instalment of the research grant, accordingly.

Yours faithfully,

1916

2 0 JAN 2017

For REGISTRAR

To,

APD SECTION
THESIS SECTION -124
UNIVERSITY OF MUMBAI
FORT,
MUMBI

Rs.- 30,000

SUBJECT: Submission of MINOR RESEARCH PROJECT

Madam / Sir,

Please find enclosed herewith Minor Research Project Completed by our Teaching Degree staff Dr. Shiva Motiram Padme on: A STUDY ON IMPACT OF NON-PERFORMING ASSETS ON PROFITABILITYAND LIQUIDITY OF COMMERCIAL BANK: and Research Project No. 136 , Reference No. APD/237/429 OF 2017, in the month of January 2019.

We look forward to your cooperation.

Thanking You

13|03|19

PRINCIPAL

DR. N. N.PANDEY

Sunder Nagar, Swami Vivekanand Road, Malad (West), Mumbai - 400064.
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Website: www.dalmialionscollege.ac.in

CamScanner

Ref. No.: PDLC/1186

Date: 25-01-2019

TO WHOM SOEVER IT MAY CONCERN

Utilisation Certificate

Certified that the sanctioned grant of Rs. 30,000 (Rupees Thirty Thousand Only) from the university of Mumbai under the scheme of support for Minor Research Project entitled by Dr. Shiva Motiram Padme has been utilized for the purpose for which has been sanctioned and in accordance with the term and condition laid down by the University of Mumbai. An Expenditure of Rs. 30,000 (Thirty Thousand Only) has been incurred by the researcher against the receipt of grant of Rs. 30,000. (Thirty Thousand Only)

Approval Date -MRP- 18TH JANUARY 2019
Submission Date: 13TH MARCH -2019
Ph. No. 9867218368
Project No. 136

Principal Investigator
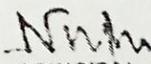
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A STUDY ON IMPACT OF NON-PERFORMING ASSETS ON PROFITABIITY AND

LIQUIDITY OF COMMERCIAL BANKS

INTRODUCTION

Commercial banking plays a vital role in enriching the social and economic life of a country. It may not contribute much to growth of the country when non-performing assets more in banking sectors. In the last decade the banking industry of India has experienced exponential growth. The reforms of 1991 and 1998 have helped improve the performance, profitability, liquidity, and efficiency of the Indian banking system. The Indian economy grew at an 8.6 per cent and 9.3 per cent 2009- 2010 and 2010 -2011 after the financial crisis in 2007-2008. In 2012 inflation rate double digit and in May 2013 it was 9.3 per cent. Growth rate of the country decreased from 6.2 per cent to 5.0 per cent. This increasing inflation rate impacted not only investors but also economic growth of the country. The problem of non-performing assets has taken the entire Indian banking industry into difficulties. The main reason of high percentage of NPA's is the target-oriented approach, which deteriorates the qualitative aspect of lending. There are other reasons also such as willful defaults, ineffective supervision of loan accounts and lack of technical and managerial expertise on the part of borrowers. NPA's put detrimental impact on the profitability, capital adequacy ratio, and credibility of banks.

Origin of the Research Problem:-

The problem of NPAs is not only affecting the banking industry but also the whole Indian economy. Non-performing assets of banks are one of the biggest hurdles in the way of socio-economic development of India. The level of NPAs of the banking system in India is still too high. It affects the financial standing of the banks so that it is a heavy burden on the banks. After the global financial crises in 2008,

Interdisciplinary Relevance:-

The importance of the subject matter related to interdisciplinary areas such as NPA and Economics. The study will cover NPA and its effects on the profitability and liquidity of commercial banks

Significance of the Study:-

The significance of the study will point out the areas where Government can Intervene and solve the problem NPA which gives growth for Indian banks.

Objectives of the Study:-

1. To study the trend of Non-Performing Assets (NPA) in selected commercial banks.

2. To analyze the impact of NPA on profitability and liquidity of selected commercial banks.

3. To give conclusion, suggestion and recommendations.

iv.   Methodology and Plan of Work :-

Data for this study will be collected from the 10 banks payers, which are located in Mumbai – Maharashtra-India. This study will collect the data from who are expert. The systematic method will be used for collection information about NPA and profitability and liquidity on banks.

Data Collection :-

Both primary and secondary sources of data will be considered for collection of data.

Primary Data :-

 The primary data will be collected from expert person, for that questionnaire will be developed and implemented for collecting data form various banking field.

Secondary Data :-

The secondary data will be collected from the following sources:-

1. Published Books.

2. Published articles, reports, newspapers and other periodicals.

3. Government publications with reference to subject under study.

4. The websites providing complementary information.

5. The unpublished work form different libraries.

Thus, the collection of data will consist of both primary and secondary source of data.

Statistical Methods:-

The study is a part of social research, the popular statistical methods such as Mean, Standard deviation and interpretation with simple/ weighted averages will be adopted. The Chi-square Test, ANOVA, F-Test, and Critical Difference. These methods will be adopted to test the null hypotheses.

Both the qualitative and quantitative statistical methods will be used for analysis and interpretation of data. The SPSS package will be used in the research for statistical support.

Method of Reporting:-

The report will be description and analytical in nature. The report will include Tables, bar diagrams, Pie diagrams, and graphs for easy and effective understanding.

Chapter Scheme

1. Introduction

2. Review of literature

3. Research Methodology

4. Profile Non-performing assets and effect on profit

5. Statistical Analysis and Interpretations

6. Summary of Study

Conclusion:-

The research study will focus on achieving the objectives of the study, testing of hypothesis with the help of well-adopted Research Methodology. This study will provide recommendations/ suggestions which can be used for formation various banking sector.

Chapter I

A STUDY ON IMPACT OF NON-PERFORMING ASSETS ON PROFITABIITY AND LIQUIDITY OF COMMERCIAL BANKS

Introduction

Non-performing asset is the very important term for the banking corporations. It indicates the efficiency of the performance of the banks. Banking sector is very crucial for development of economic in our country. A good banking sector is always good for progressive economy, but when it is not successful it give disadvantages to our economic activates. Therefor banking sector has to handle their assets very carefully. One of the most important assets is advances which are given to customers, When advance are not coming in banking this advances turn into non-performing assets which are dangerous not for banking sector but also very risky to our country. Due to non-performing assets growth of banking sector is not possible therefor banks always try to do provision for NPA so they can reduce their liability and profitability. The difficulties in NPA are not only affecting the banking sector but also the whole economy of the country.it is impossible for banking sector to bring their NPA level at zero level but banking sector can minimize their NPA level. It is one of the most important tasks to banking sector to recover their dues from borrower. To avoid such type of NPA banking sector always tries to give loan to only those who have capacity to repay their loans. Firstly Non-performing assets directly affects profitability as well as liquidity ratio. Secondly Banks can face difficulty in providing finance to other production activity. Thirdly banks can face the problem goodwill in these competitive markets which may create problem to sustained in the coming years.

level but banking sector can reduce their NPA by taking strict action who do not pay their loans.

. Non-recovery of loans along with interest forms a major hurdle in the process of credit cycle. Though complete elimination of such losses is not possible, but banks can always aim to keep the losses at a low level.

Non-Performing Assets is the amount which is not received by the bank in return of loans disbursed. The amount of Non-Performing Assets affects not only the banking industry but the total financial system and there by the economy of the country. Thus a selective study has been done on commercial banks in India to evaluate the effect of Non-Performing Assets on the profitability of banks.

The result shows that except for SBI all the other banks exhibit a negative correlation between their gross Non Performing Assets and net profits. But for SBI the net profit is not at all affected by Gross Non Performing Assets and it is in continuous profits only.

RBI reported than Indian Banking sector is considered one of the strongest among the other banking sectors. During 2008, Sub Prime Crisis India was among the least affected countries because of the strict rules and regulations of Indian banking sector. Indian banking industry is classified into Public sector banks, Private Sector banks, and Regional rural banks and Cooperative banks. In India there are 27 Public sector banks of which 17 banks are nationalized. Indian banking industry announced deposits of Rs. 85331billions and loans and advances of Rs. 67352 billion for 2014 as against Rs. 74297 billion and Rs. 58798 billion in 2013. But the net profit is Rs. 912 billion in 2013 and Rs. 809 billion in 2014. The loans and advances and deposits have been increased 14.5% and 14.3% respectively but net profit has been reduced by 11.3%. This is mainly because of increase ingross nonperforming assets by 36.1%.

Defining NPAs: NPA

An asset becomes non-performing when it ceases to generate income for the bank. Earlier an asset was considered as non-performing asset (NPA) based on the concept of 'Past Due 'a 'non-performing asset' (NPA) was defined as credit in respect of which interest and/or installment of principal has remained 'past due' for a specific period of time.

Non -performing Asset (NPA) means an asset for which: interest or principal (or installment) is overdue for a period of 180 days or more from the date of acquisition or the due date as per contract between the borrower and the originator, whichever is later;

Interest or principal (or installment) is overdue for a period of 180 days or more from the date fixed for receipt thereof in the plan formulated for realization of the assets.

Interest or principal (or installment) is overdue on expiry of the planning period, where no plan is formulated for realization of the assets. Any other receivable, if it is overdue for a period of 180 days or more in the books of the SC or ARC---SARFAESI ACT

There are two factors for NPA

First internal factor such as business failure , weak management which not able to create profit for the business, inappropriate in credit management and monitoring system, not upgrading technical system and lack of coordination amongst lender.

Secondly external factors: recession, power storage, inflation in price, exchanger rate fluctuation, change in government policy, change in government in import duties and accident and natural calamites

Other factors NPA:

Lending Practices of Banks: The banks should follow strictly follow rules and regulations while lending loans. They should properly estimate the credit worthiness

of the borrowers effectively. In 2008 the subprime crisis has been occurred because of bad lending practices of banks.

Business Risk:

The organization may sometimes face problems with its own operational environment which may result in losses for the company.

Environmental Risk:

Sometimes there may be environmental problems like cyclones, drought which does not give the required output to the farmers and Agri based businesses.

Psychology of the Borrower: Sometimes the attitude of the individual will not allow him to repay the money even if he can.

Problems caused by NPA:

NPA Affects the Profitability of the Bank: The banks get their income from the loans and advances that are disbursed and if these loans are not repaid then it is not possible for them to receive profits.

It Will Affect the Liquidity and Goodwill of Banks: If the Profitability of the banks reduces then automatically the bank will not be in a position to freely lend loans. Thus the organization liquidity will be affected and thereby the Good will of the company will be affected.

It Will Affect the Economy of the Country: The banking sector is the backbone for all the financial resources in a country. If the banks' profitability is affected then the total economy is affected. According to Rajesh Parmer (2014) managing NPAs is a daunting task for every bank in the financial sector.

NPAs affect the position and performance of the banks in many dimensions. The NPAs are mainly because of willful defaulters, Ill Processing of loans etc. As per Chatterjee, Mukherjee & Das (2012) NPAs have a negative effect on the

achievement of Capital Adequacy level, Funds mobilization, Banking system credibility and productivity on the overall economy.

A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non-performing assets are one of the major concerns for banks in India. NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the overall profits and shareholders' value.

The problem of NPAs is not only affecting the banks but also the whole economy. In fact level of NPAs in Indian banks is nothing but a reflection of the state of health of the industry and trade. However lending also carries a risk called credit risk, which arises from the failure of borrower. Non-recovery of loans along with interest forms a major hurdle in the process of credit cycle. Though complete elimination of such losses is not possible, but banks can always aim to keep the losses at a low level.

NPA are those loans given by banks or financial institutions which borrowers default in making payment of principal amount or interest.

When a bank is not able to recover the loan given or not getting regular interest on such loan, the flow of funds in banking industry is affected.

Also the earning capacity is adversely affected. This has direct and immediate impact on bank profitability and efficiency. Under the prudential norms, banks are not allowed to book any income from NPA.

CLASSIFICATION OF NPAs

As per the RBI guidelines any loan repayment which is delayed beyond 180 days has to be identified as NPAs. NPAs are further classified into

i. Substandard Assets

I.e. those which are NPA for a period not exceeding two years (Up to 2 years).

ii. Doubtful Assets

I.e. Loans which have remained NPA for a period exceeding two years and which are not considered as loss assets. NPA accounts belonging to this category are further classified as

D1 – When the account remains NPA for 3year.

D2 – When the account remains NPA for 4 and 5year.

D3 – When the account remains NPA for 6 year onwards

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III. Loss Assets

A loss asset is one where loss has been identified but the amount has not been written off wholly or partly. In other words, such assets are considered as uncollectible. As per RBI guidelines provisions for NPA are to be made as under:-

A) 10% of sub-standard assets

b) 20% for doubtful assets

c) 100% for loss assets

Non-Performing Asset means a loan or an account of borrower, which has been classified as a sub-standard, doubtful or loss asset, in accordance with the directions or guidelines of asset classification issued by RBI.

➤ Earlier assets were declared as NPA after completion of the period for the payment of total amount of loan and 30 days grace.

➢ Interest and/ or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purpose, and

➢ Any amount to be received remains unpaid for a period of more than 90 days in respect of other accounts

With effect from March 31, 2004, a non-performing asset (NPA) shall be a declared as a loan or an advance where;

• Installment of principal or interest remain overdue for a period exceeding 90 days in respect of a Term Loan,

• The account remains 'out of order' for a period of more than 90 days, relating to Cash Credit or Bank Overdraft

• The bill remains unsettled for a period of more than 90 days in respect of a purchased or discounted bill.

Types of NPA: There are three major types of NPA:

• *Sub-standard:* The account holder belonging to this category don"t pay three installment continuously after 90 days and up to 1year. Bank has made 10% provision of funds for this category to meet the losses generated from NPA from their profit.

• **Doubtful NPA:** Doubtful NPAs are classified into three sub categories:

• 20% provision is made by the banks for D1 i.e. up to 1 year

• 30% provision is made by the bank for D2 i.e. up to 2 year

• 100% provision is made by the bank for D3 i.e. up to 3 year.

- **Loss Assets:** When account holder belongs to this category 100% provision is made by the banks to write off their accounts. After this the assets are delivered to recovery agents for the purpose of sale.

Reasons behind NPA:

- ❖ Default of a loan intentionally
- ❖ Frequent shuffle of govt. policies leads to NPA.
- ❖ Customer has taken the loan for non-performance of business
- ❖ Most of the loan sanctioned for agricultural purposes
- ❖ Negligent pre-enquiry by the bank for sanctioning the loan to a customer

Effects of NPA on banks & FI:

- ❖ Continuous draining of profit.
- ❖ Negative impact on goodwill.
- ❖ Adverse growth of equity value.
- ❖ Restricted cash flow by bank due to provision of fund created against NPA.

Gross NPA and Net NPA:

Chapter II
REVIEW OF LITERATURE

As per their study the public sector are facing maximum problems in the banking sectors because of social responsibility they should bear. The private sector banks are upgraded with technology and are able to cope up with changes and protect themselves. According to Balasubramaniam & Gowde the banks are coping well with the situations and trying to be profitable even in the critical conditions. The banks are managing their NPA levels and are able to reduce the NPAs with good credit appraisal systems.

Sameer & Deepa (2013) expresses their opinion based on their study that the incidence of NPAs is affecting both the banks and financial institutions psychologically and financially. The willful defaulters should be identified and treated well to recollect the funds.

According to the study conducted by Dr. D. Ganesan and R.Santhanakrishnan the banks 'profitability can be reduced only by effective management of NPAs. The NPAs of SBI has been continuously increasing for over a decade but as the operations are more for SBI it is able to manage the profits. But still the remedial measures are to be specified to control NPAs.

Santhanu Das have undergone a research work of managing NPAs in Indian public sector banks with special reference to Jharkhand. Jharkhand is having the credit – deposit ratio half when compared to other parts of the country. The borrowers blame the market failure for their inability to pay loans in time. Almost 32% of the bankers feel that lack of entrepreneurship is the reason for NPAs 29.5% feel that willful

defaulters are the reason for NPAs in Jharkhand. Prasanth Reddy identifies the following solutions for managing NPAs in the organizations.

Don't try to eliminate NPAs but manage them. Asset Reconstruction Companies should work effectively. Capital markets should be well developed. Securitization is very important Realignment of Performance indicators should be proper. Consistency and contextual decision making should be there. Prasanth Kiran&T. Mary Jones

Nonperforming asset is the key term for the banking corporations. Non-Performing Assets show the efficiency of the performance of the banks. Non-Performing Assets is the amount which is not received by the bank in return of loans disbursed. The amount of Non-Performing
Assets affects not only the banking industry but the total financial system and there by the economy of the country. Thus a selective study has been done on public sector banks in India to evaluate the effect of Non-Performing Assets on the profitability banks. The relation between their gross Non Performing Assets and net profit was measured. The result shows that except for SBI all the other banks exhibit a negative correlation between their gross Non Performing Assets and net profits. But for SBI the net profit is not at all affected by Gross Non Performing Assets and it is in continuous profits only.

TOOR N.S. (1994) stated that recovery of Non-performing assets through the process of compromise by direct talks rather than by the lengthy and costly procedure of litigation. He suggested that by constant monitoring, it is possible to detect, the sticky accounts, the incipient sickness of the early

stages itself and an attempt could be made to review the unit and put it back on the road to recovery.

DEBARSH AND SUKANYA GOYAL (2012) emphasized on management of non-performing assets in the perspective of the public sector banks in India under strict asset classification norms, use of latest technological platform based on Core Banking Solution, recovery procedures and other bank specific indicators in the context of stringent regulatory framework of the RBI. Non-performing Asset is an important parameter in the analysis of financial performance of a bank as it results in decreasing margin and higher provisioning requirements for doubtful debts. The reduction of non-performing asset is necessary to improve profitability of banks.

KAVITHA. N (2012), emphasized on the assessment of nonperforming assets on profitability its magnitude and impact. Credit of total advances was in the form of doubtful assets in the past and has an adverse impact on profitability of all public
Sector Banks affected at very large extent when non-performing assets work with other banking and also affect productivity and efficiency of the banking groups. The study observed that there is increase in advances over the period of the study. However, the decline in ratio of Non-performing Assets indicates improvement in the assets quality of SBI groups, Nationalized Banks and Private Sector Banks.

Kavitha. N(2012),emphasized on the assessment of non-performing assets on profitability its magnitude and impact. Credit of total advances was in the

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Selvarajan 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 merely no remunerative, but they add cost to the credit Management. The fear of Non-Performing Assets permeates the psychology of bank managers in entertaining new projects for credit expansion. Non-Performing Assets is not a dilemma facing exclusively the bankers; it is in fact an all pervasive national scourge swaying the entire Indian economy. Non-Performing Asset is a sore throat of the Indian economy as a whole. Non-Performing Assets have affected the profitability, liquidity and competitive functioning of banks and developmental of financial institutions and finally the Psychology of the bankers in respect of their disposition towards credit delivery and credit expansion. NPAs do not generate any income for the banks, but at the same time banks are required to make provisions for such NPAs from their current profits. Apart from internal and external complexities, increases in NPAs directly affects banks' profitability sometimes even their existence.

Meeker Larry G.and Gray Laura (1987) in 1983, the public was given its first Opportunity to review bank asset quality in the form of non-performing asset information. The purpose of this study is to evaluate that information. A regression analysis comparing the non-performing asset statistics with examiner classifications of assets suggests that the non-performing asset information can be a useful aid in analyzing the asset quality of banks, particularly when the information is timely.

Paul Purnendu, Bose,Swapan andDhalla, Rizwan S.(2011)In this paper we attempt to measure the relative efficiency of Indian PSU banks on overall financial performances. Since, the financial industry in a developing country like India is undergoing through a very dynamic pace of restructuring, it is imperative for a bank to continuously monitor their efficiency on Non-Performing Assets, Capital Risk-Weighted Asset Ratio, Business per Employee, Return on Assets and Profit per Employee. Here, Non-Performing Assetsis a negative financial indicator. To prove empirically, we propose a framework to measure efficiency of Indian public sector banks.

Veerakumar, K.(2012)The Indian banking sector has been facing serious problems of raising on-Performing Assets(NPAs). Like a canker worm, NPAs have been eating the banking industries from within, since nationalization of banks in 1969. NPAs have choked off quantum of credit, restriction the recycling of funds and leads to asset-liability mismatches. It also affected profitability, liquidity and solvency position of the Indian banking sector. One of the major reasons for NPAs in the banking sector is the 'Direct Lending System' by the RBI under social banking motto of the Government, under which scheduled commercial banks are required to lend 40% of their total

credit to priority sector. The banks who have advanced to the priority sector and reached the target suffocated on account of raising NPAs, since long. The priority sector NPAs have registered higher growth both in percentage and in absolute terms year after year. The present paper is an attempt to study the priority sector advances by the public, private and foreign bank group-wise, target achieved by them and a comparative study on priority and non-priority sector NPAs over the

SIRAJ. K. K & PROF. (DR). P. SUDARSANAN PILLAI says that NPA is a virus affecting banking sector. It affects liquidity and profitability, in addition posing threat on quality of asset and survival of banks. The study concluded that NPA still remains a major threat and the incremental component explained through additions to NPA poses a great question mark on efficiency of credit risk management of banks in India. Period of 10 years between 2001-02 and 2010-11. This paper also aims to find out the categories of priority sector advances which contribute to the growth of total priority sector NPAs during the period under study.

Murthy, K. V. Bhanu Gupta, Lovleen.(2012)One of the major reasons cited for this state of health of banking industry has been the persistence of Non performing Assets'(NPAs). In this study the focus is on the impact of liberalization on the non-performing assets of the four banking segments, namely, public sector, old private sector, new private sector and foreign banks by studying the overall trends in NPAs. We have used the Structure-Conduct

-Performance (S-C-P) approach that shows the relationship between competition and conduct, concentration and growth in NPAS. Our results show that on an average across the banking industry segments, average nonperforming assets in the past 11 years have been declining at the rate of 13% p.a. compounded growth rate. The old private sector banks 'nonperforming assets have reduced at the rate of 11.98% and that of public sector banks have declined at the rate of 18% and foreign banks at 11.4%. Though new private sector banks and the foreign banks seem to be more efficient but their conduct does not show consistency and stability

CARE [7]: The report looks into the NPA trend in the Indian banking sector apart from the causes that have been responsible for the rising trend in the poor loans that we are seeing recently. A brief discussion is made about the different measures that have been adopted to bring the non-performing loans (NPLs) under control.

DTA [6]: The report points to the several problems that the country and banking industry has been grappling with which include economic slowdown, low credit off-take, increasing defaults in the banking sector, among many others. It points to the fact that almost 86% of the bad loans in the sector were generated from the nationalized banks (56%) and SBI group (30%) as at the end of September, 2013. With respect to rising bad loans, the report points to measures like independent appraisal of all credit application cases, sensitivity analysis for infrastructure projects, increasing importance of the ARCs etc.

Kothari [4]: The research report discuss about the different models of asset reconstruction companies followed at the national and international level apart from the different features of these types of companies.

Samir and Kamra [5]: The researcher analyses the comparative position of three leading public sector banks in terms of NPAs for the period 1996-97 to 2009-10. They point out that the declining net NPA percentage shows improving performance. In terms of NPA break-up, it is seen that the priority sector poor loans are almost half of the industry NPA. The researchers throw light on the significance of asset quality since it affects interest income, profitability, capital base, capital-risk weighted assets ratio.

Chaudhury and Singh [2]: The researchers point to the impact of economic reforms in the country on the asset quality of the banks. In terms of group-wise results, the authors find a significant difference in their quality of loans. However, a positive trend reflected through declining NPA is seen. The researchers recommend risk management and governance, cost and recovery management, financial inclusion to be the key areas that will determine the stability and competitiveness in the Indian banking system. Therefore, though the aspect of NPA has been studied by researchers from time to time, the present research aims to seen whether there has been any significant effect or trend following the financial crisis that commenced in 2007 and has still not lost its grip on some major economies of the world.

SIRAJ. K. K & PROF. (DR). P. SUDARSANAN PILLAI observed that NPA is a virus affecting banking sector. It affects liquidity and profitability, in addition

posing threat on quality of asset and survival of banks. The study concluded that NPA still remains a major threat and the incremental component explained through additions to NPA poses a great question mark on efficiency of credit risk management of banks in India.

A brief of the different literatures available on the issue and related areas are given below in a chronological order. Chakrabarti [1]: The researcher discusses the vital role of asset reconstruction companies (since 2002) in managing NPAs in the banking sector in the light of the sudden rise in NPAs in the industry. The author mentions that RBI points to the fact that NPAs plus stressed assets equal almost 10% of the bank loans. The discussion focuses on the performance and the problems of the Asset Reconstruction companies (ARCs).

Jana and Thakur [3]: The researchers look into the trend of NPAs by studying variables like the gross and net NPA ratios only on the data of the nationalized banks for the period 2008 to 2012. The study reveals that though the overall trend is negative and is, therefore, upward rising, it is heterogeneous in nature.

Sahoo [8]: The researcher looks into the position of gross NPAs and net NPAs among the public sector banks of the country. The study points to the impact of non-performing assets on the banking industry and the banks, in particular. An analysis of the descriptive statistics with regard to different poor loans measuring parameters is done for the period 2008-2010 on the Indian nationalized banks.

CARE [7]: The report looks into the NPA trend in the Indian banking sector apart from the causes that have been responsible for the rising trend in the

poor loans that we are seeing recently. A brief discussion is made about the different measures that have been adopted to bring the non-performing loans (NPLs) under control.

DTA [6]: The report points to the several problems that the country and banking industry has been grappling with which include economic slowdown, low credit off-take, increasing defaults in the banking sector, among many others. It points to the fact that almost 86% of the bad loans in the sector were generated from the nationalized banks (56%) and SBI group (30%) as at the end of September, 2013. With respect to rising bad loans, the report points to measures like independent appraisal of all credit application cases, sensitivity analysis for infrastructure projects, increasing importance of the ARCs etc.

Kothari [4]: The research report discuss about the different models of asset reconstruction companies followed at the national and international level apart from the different features of these types of companies.

Samir and Kamra [5]: The researcher analyses the comparative position of three leading public sector banks in terms of NPAs for the period 1996-97 to 2009-10. They point out that the declining net NPA percentage shows improving performance. In terms of NPA break-up, it is seen that the priority sector poor loans are almost half of the industry NPA. The researchers throw light on the significance of asset quality since it affects interest income, profitability, capital base, capital-risk weighted assets ratio.

Chaudhury and Singh [2]: The researchers point to the impact of economic reforms in the country on the asset quality of the banks. In terms of group-

wise results, the authors find a significant difference in their quality of loans. However, a positive trend reflected through declining NPA is seen. The researchers recommend risk management and governance, cost and recovery management, financial inclusion to be the key areas that will determine the stability and competitiveness in the Indian banking system. Therefore, though the aspect of NPA has been studied by researchers from time to time, the present research aims to seen whether there has been any significant effect or trend following the financial crisis that commenced in 2007 and has still not lost its grip on some major economies of the world.

This study investigates into the status of NPAs among public sector banks in India. The research is based on analysis of twenty public sector banks in India which are selected on the basis of total assets. In order to arrive at a meaningful study, the banks are divided into three categories, viz. large, medium and small. The large banks are those that lie in the first quartile.

Joseph, Mabvure TendaiE dson, Gwangwava(2012)The purpose of the study was to find out the causes of non-performingloans in Zimbabwe. Loans form a greater portion of the total assets in banks. These assets generate huge interest income for banks which to a large extent determines the financial performance of banks. However, some of these loans usually fall into non-performing status and adversely affect the performance of banks. In view of the critical role banks play in an economy, it is essential to identify problems that affect the performance of these institutions. This is because non-performing loans can affect the ability of banks to play their role in the development of the economy. A case study research design of CBZ Bank Limited was employed. Interviews and questionnaires were used to collect data for the study. The paper revealed that external factors are more prevalent in causing non-performing loans in CBZ Bank Limited. The major factors causing nonperforming loans were natural disasters, government policy and the integrity of the borrower.

Toor N.S.(1994)stated that recovery of non-performing as-sets through the process of compromise by direct talks rather than by the lengthy and costly procedure of litigation. He suggested that by constant monitoring, it is possible to detect, the sticky accounts, the incipient sickness of the early

stages itself and an attempt could be made to review the unit and put it back on the road to recovery

S.N. Bidani (2002) Non-performing Assets are the smoking gun threatening the very stability of Indian banks. NPAs wreck a bank"s profitability both through a loss of interest income and write-off of the principal loan amount itself. This is definitive book which tackles the subject of managing bank NPAs in its entirely, starling right from the stage of their identification till the recovery of dues in such ac-counts.

Debarsh and Sukanya Goyal (2012) emphasized on management of non-performing assets in the perspective of the public sector banks in India under strict asset classification norms, use of latest technological platform based on Core Banking Solution, recovery procedures and other bank specific indicators in the context of stringent regulatory framework of the RBI. Non -performing Asset is an important parameter in the analysis of financial performance of a bank as it results in decreasing margin and higher provisioning requirements for doubtful debts. The reduction of non-per-forming asset is necessary to improve profitability of banks and comply with the capital adequacy norms as per the Basel

Accord.3Kavitha. N (2012), emphasized on the assessment of non-performing assets on profitability its magnitude and impact. Credit of total advances was in the form of doubtful assets in the past and has an adverse impact on profitability of all Public Sector Banks affected at very large extent when non

-performing assets work with other banking and also affect productivity and efficiency of the banking groups. The study observed that there is increase in advances over the period of the study.

 In order to have a proper understanding of the NPA menace, it is necessary to have an idea of the growth and structural changes that have taken place in the banking sector. "The financial strength and operational efficiency of the Indian banks and financial institutions which were working in a highly protected and regulated environment were not measuring up to international standards" (RBI, 1999). "Every aspect of the functioning of the banking industry, be it profitability, Non-Performing Asset (NPA) management, customer service, risk management, human resource development, etc., has to undergo the process of transformation to align with international best practices" (Muniappan, 2003).This research paper is broadly divided into six sections. Section 1 is the present section gives a backdrop of NPA menace, magnitude and its impact on the profitability of Indian banking sector; Section 2 reviews the existing literature on the subject
, Section 3 identifies the research objectives; Section 4 outlines the details of data and methodology used,
Section 5 summarizes the results of this paper. The paper concludes with Section 6 highlighting the conclusions and recommendations, giving insights to the policy makers. The focus of this paper is to give a comprehensive view of NPAs and its impact on the profitability of PSBs operating in India.

Non-performing assets are an unavoidable burden for each banking industry. The success of banks depends upon methods of managing NPAs and keeping them within tolerance level. Hence, to change the curve of NPAs,

there is only one technique that an effective monitoring and control policy should be planned and executed which is aided by proper legal reforms. The problem of NPAs has been studied over the years to bring insight into the problem of NPAs, its cause and solution. Main focus of the study is NPA incidence and its management in India (Kumar R., 2000; The Price water house Coopers Limited, 2002 and Pradeep, 2007).In the Indian context, the lending policy and credit policy have crucial influence on non-performing loans (Reddy, 2002 and Karunakar et al., 2008). Confederation of Indian Industry, 1999, refers the changing perspective about non-performing assets for the betterment of Indian financial system. Some studies observed that the problem of NPAs is related to several internal and external factors, which affected the performance of the banks.

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Several individual researchers had studied a few facets of NPA‟s of selected DCCBs in selected areas. To know how far the ground is already prepared and to identify the gaps therein and to spell out the issues which need further intensive and comprehensive analysis, an attempt is made to review the relate dliterature.Shantanu Bose (2014) in their research paper titled "urban co-operative banks in India: current scenario" concluded that the profitability of the bank will influence recovery of Nonperforming Assets

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J. Nivethitha and G. Brindha (2014) in his research paper titled "Management of Non-Performing Assets in Virudhunagar District Central Co-Operative Bank-An Overview "concluded that high level of NPAs recommend high probability of a large number of credit defaults that affect the profitability and net-worth of co-operative banks and also erode the value of the asset. Thus reduction of NPAs is necessary to speed up the growth and profitability of

banks. The NPA problem is the result of monitoring over dues to various factors like weak monitoring, poor credit appraisal system, loan waiver scheme and miss-utilization of loan etc

Dr. K.V.S.N Jawahar Babu(2012) in their paper titled "Performance Evaluation of Urban Cooperative Banks In India" concluded that Urban Cooperative Banking is a key sector in the Indian Banking scene, which in the current years has gone through a lot of turmoil.

PachaMalyadri, S. Sirisha (2011), observed that banking sector in India has responded very completely in the field of enhancing the role of market forces concerning measures of prudential regulations of accounting, income recognition, provisioning and exposure, introduction of CAMELS supervisory rating system and reduction of NPA"s and up gradation of technology. It is suggested that government should formulate bank specific policies and should apply these policies through Reserve Bank of India for up liftmen of Public Sector Banks. Public sector banks should try to upgrade technology and should make customer friendly policies to face competition at national and international level.

Jayalakshmi.G and Sumathy.M (2009), the study on NPAs Management in Co-operative Banks in India opined that a good management of NPAs requires pro-active actions to be taken by banks at the time of taking decisions for granting advances by making suitable assessment of risk involved and strict adherence to the prudential norms. They concluded that following prudential norms for NPAs management is compulsory for survival of co-operative banks along with the confidence of the customer.

Mandira Sarma and Rajiv Kumar (2008), Carried out main studies on the rural short-term co-operative credit structure. They observed that the Non-Performing Assets level in the Rural Short-term Co-operative Credit Structure was very high compared to that in the commercial banking system in India. They concluded that in spite of significant development in India's financial sector over the last decade, a large number of poor, particularly large and marginal communities remained "financially excluded" even today

Chapter III

Data Analysis   and Research Methodology

OBJECTIVES OF THE STUDY

The present empirical study aims at the following objectives-

The objectives of the study are to,
- ➢ To Understand the concept of Non-performing assets commercial bank
- ➢ To Study the general reasons for assets to become Non-performing assets.
- ➢ Study the impact of Non-performing assets on commercial bank.
- ➢ Study the measures taken commercial bank to reduce Non-performing assets.
- ➢ Offer suggestions based on findings of the study in commercial bank.

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- ➢ Scope of the Study

The present study of Non-performing assets is confined and restricted to the boundary of commercial bank and data was analyzed as provided by commercial bank.

- ➢ Data Collection:

The data collected from the study is divided as

Primary data:

The primary data was obtained through interaction with the officers of the various commercial banks like Axis Bank, Yes bank, Karnataka bank, Bank of Baroda, HDFC bank ,Bank of India, Bank of Maharashtra, Canara Bank, Kotak bank, ICICI Bank, Dhanlkshmi Bank about the reasons becoming Non- performing.

Secondary data: secondary data was collected from Annual reports and audited reports of various commercial bank, public sector and private sector banks, financial magazines, Journals, text books and websites, RBI/ IBA bulletins etc.

Tools of Data Analysis:

The data collected from the primary and secondary sources relating to NPAs has been analyzed and tabulated and drawn the appropriate tables. Interpretations were made based on tables. The collected data were classified and tabulated and analyzed with some of the statistical tools used as per the requirement of the study like

Limitations of the Study:

- ➢ The study is based on the data given by the officials and reports of the commercial bank.
- ➢ The study is based only on NPA section of the commercial bank.
- ➢ The solutions are not applicable to every commercial bank.
- ➢ Due to time constraint depth analysis could not be made.
- ➢ The study of non-performing assets of commercial bank is limited period from 2011 to 2017

Data Analysis
TABLE NO.1 CANARA BANK

SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	443	211268	8089.40	1.00	2347.33	1.00	1.00
2	443	232489	4031.75	2.00	3386.31	1.00	1.00
3	443	242177	6260.16	3.00	5758.07	2.00	2.00
4	461	301067	7570.21	2.00	5965.46	2.00	2.00
5	475	330035	13039.96	4.00	8740.09	3.00	3.00
6	543	324742	31634.83	9.00	20832.91	6.00	6.00
7	597	342009	34202.04	10.00	21949.98	6.00	6.00

Figure No.1 showing Gross Non-performing Assets (GNPA) and Net Non-performing Assets (NNPA)
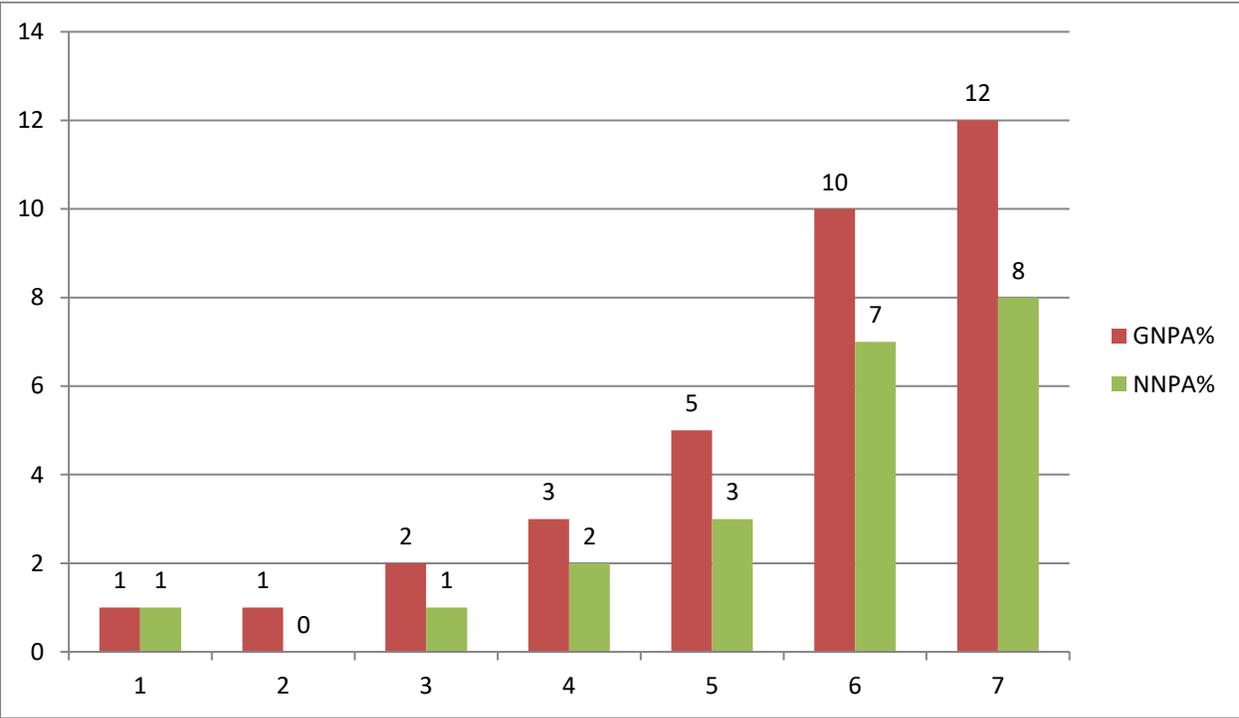
From the table 1. It clearly shows that Canara Bank gross NPA continuously increasing in the year 2011 it was 1 percent and 2017 it was 10.00 which is very risk for the bank. Net NPA also shows increasing trend due to mismanagement in loans given to various customers of the bank.

TABLE NO.2   CORPORATION BANK

| SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	148.23	86850.40	790.23	1.00	397.94	1.00	1.00
2	148.13	100469.02	142.21	1.00	869.38	0.00	0.00
3	152.91	118716.55	2048.23	2.00	1410.88	1.00	1.00
4	167.54	137086.30	4736.76	3.00	3180.56	2.0	2.00
5	167.54	145066.04	7106.67	5.00	4464.58	3.00	3.00
6	204.50	140322.24	14544.25	10.00	9160.40	7.00	7.00
7	229.41	140356.70	17045.22	12.00	11962.18	8.00	8.00
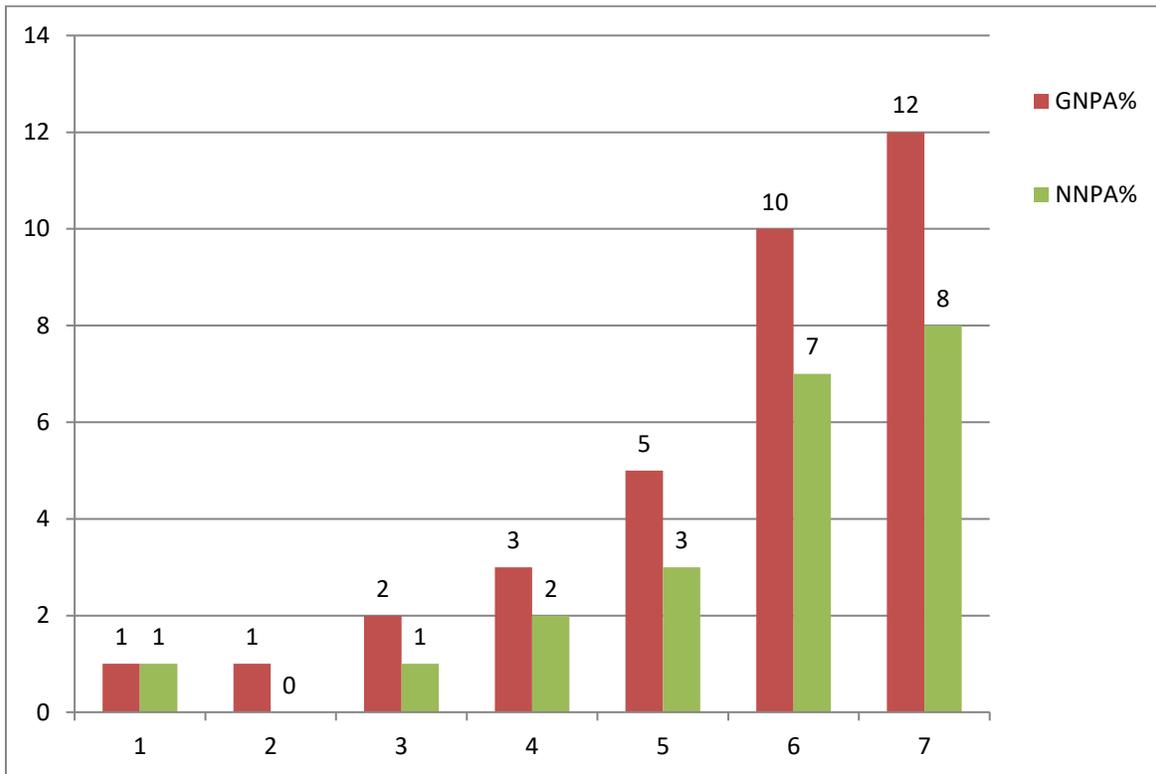
Figure No. 2 showing GNPA and NNPA OF CORPORATION BANK

Table 2. Shows that net NPA initially was very less but in the year 2016 and 2017 it was 7 percent and 8 percent respectively. Gross NPA of the bank goes on increasing it was very high in 10.00 percent and 12.00 percent which was highest in last five years.

TABLE NO 3. ALLAHABAD BANK

S R	E.S.	ADV	GNPA	GNPA %	NNPA	NNPA %	NNP A TO AD.
1	476.21	93624.89	1642.92	2.00	736.37	1.00	1.00
2	500.03	111145.10	2058.98	2.00	1091.70	1.00	1.00
3	500.03	129489.65	5136.99	4.00	4126.76	3.00	3.00
4	544.61	138006.57	8068.04	6.00	5721.81	4.00	4.00
5	571.61	149876.84	8357.96	5.00	5978.89	4.00	4.00
6	571.38	152372.05	15384.57	10.00	10292.51	7.00	7.00
7	613.80	150752.70	20687.83	13.00	13433.51	9.00	9.00

RED BAR NNPA AND BLUE BAR GNPA
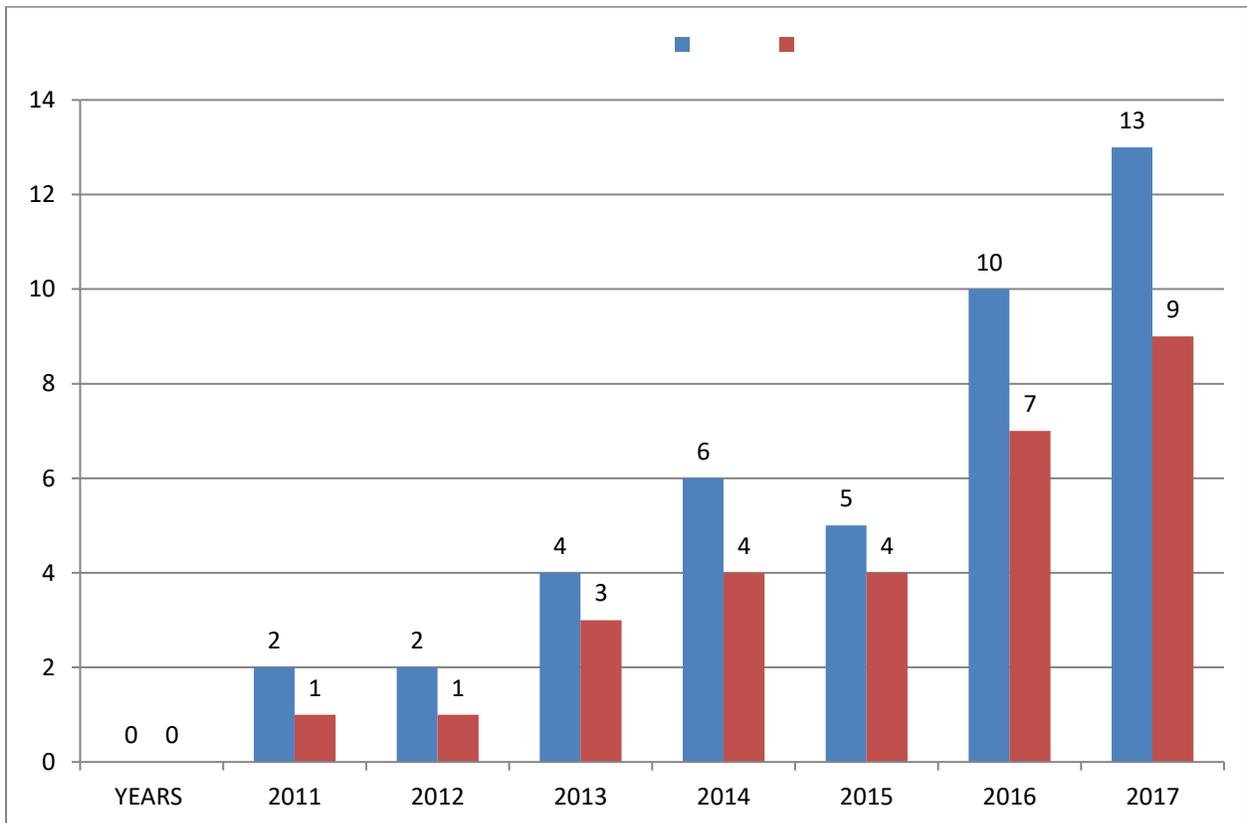
Figure no. 3 showing the GNPA AND NNPA

Gross NPA and NET NPA of the Allahabad was going on increasing because bank has no control over their loans and advances therefore both the NPA going up but bank also increasing their advances to customers. Banks increased various branches all over the India.   Profitability also effects because of non-performing assets.

TABLE NO. 4. KARNATAKA BANK

| SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	188.20	17348.07	702.17	4.00	280.34	200.	200.
2	188.29	20720.70	684.72	3.00	435.20	2.00	2.00
3	188.35	25207.68	638.72	3.00	377.75	2.00	2.00
4	188.42	28345.40	835.94	3.00	538.04	2.00	2.00
5	188.46	31679.99	944.21	3.00	623.55	2.00	2.00
6	18847	33902.45	1180.40	3.00	795.47	2.00	2.00
7	282.62	37003.65	1581.59	4.00	974.73	2.00	2.00
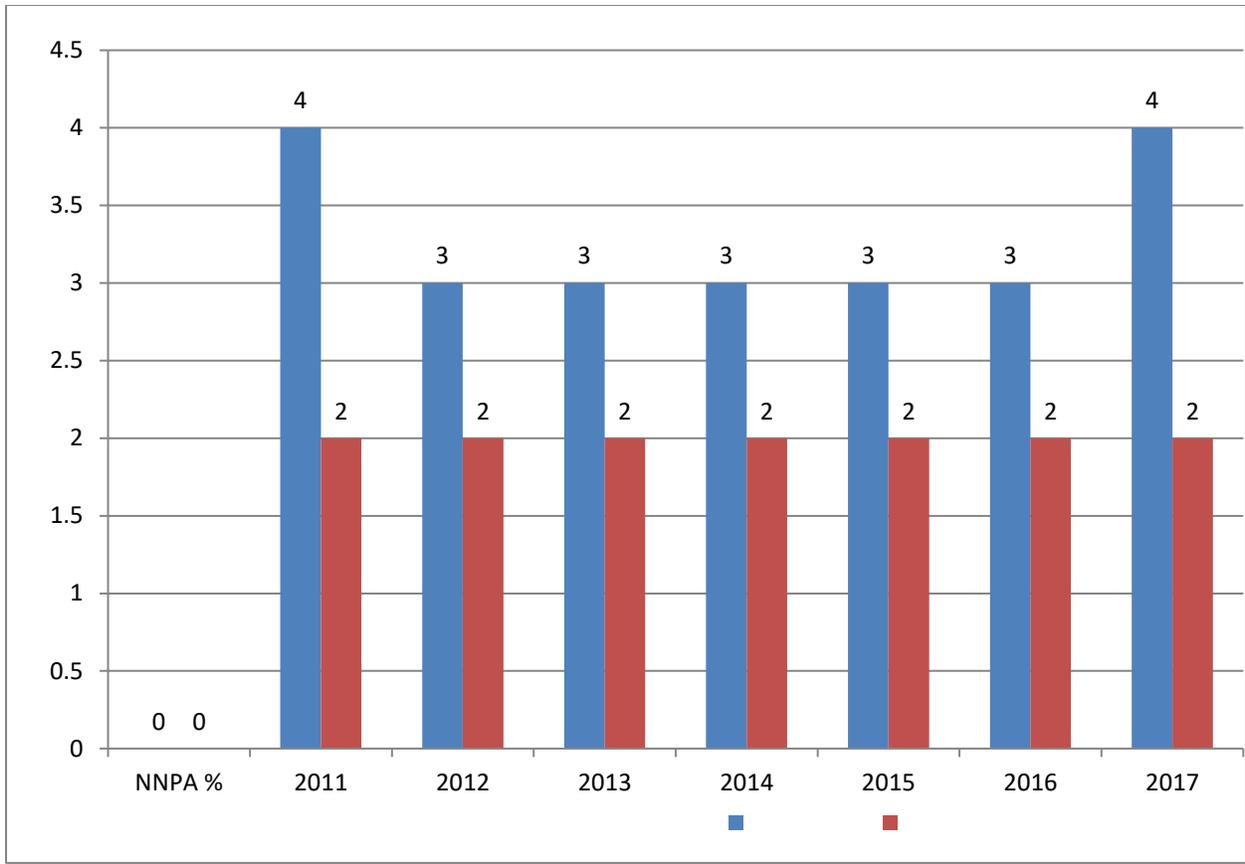
Figure no. 4 showing the GNPA AND NNPA Karnataka bank

TABLE NO. 5. BANK OF MAHARASTRA

SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	481.71	46880.71	1173..70	2.00	469.57	1.00	1.00
2	589.59	56059.76	1297.03	2.00	618.25	1.00	1.00
3	661.48	95515.23	1137.55	1.00	392.93	1.00	1.00
4	839.10	107562.67	2859.55	3.00	1807.32	2.00	2.00
5	1063.33	98599.10	6402.06	6.00	4126.57	4.00	4.00
6	1168.33	88920.40	10385.85	9.00	6832.03	6.00	6.00
7	1168.33	75470.73	17188.72	17.00	11229.56	12.00	12.00
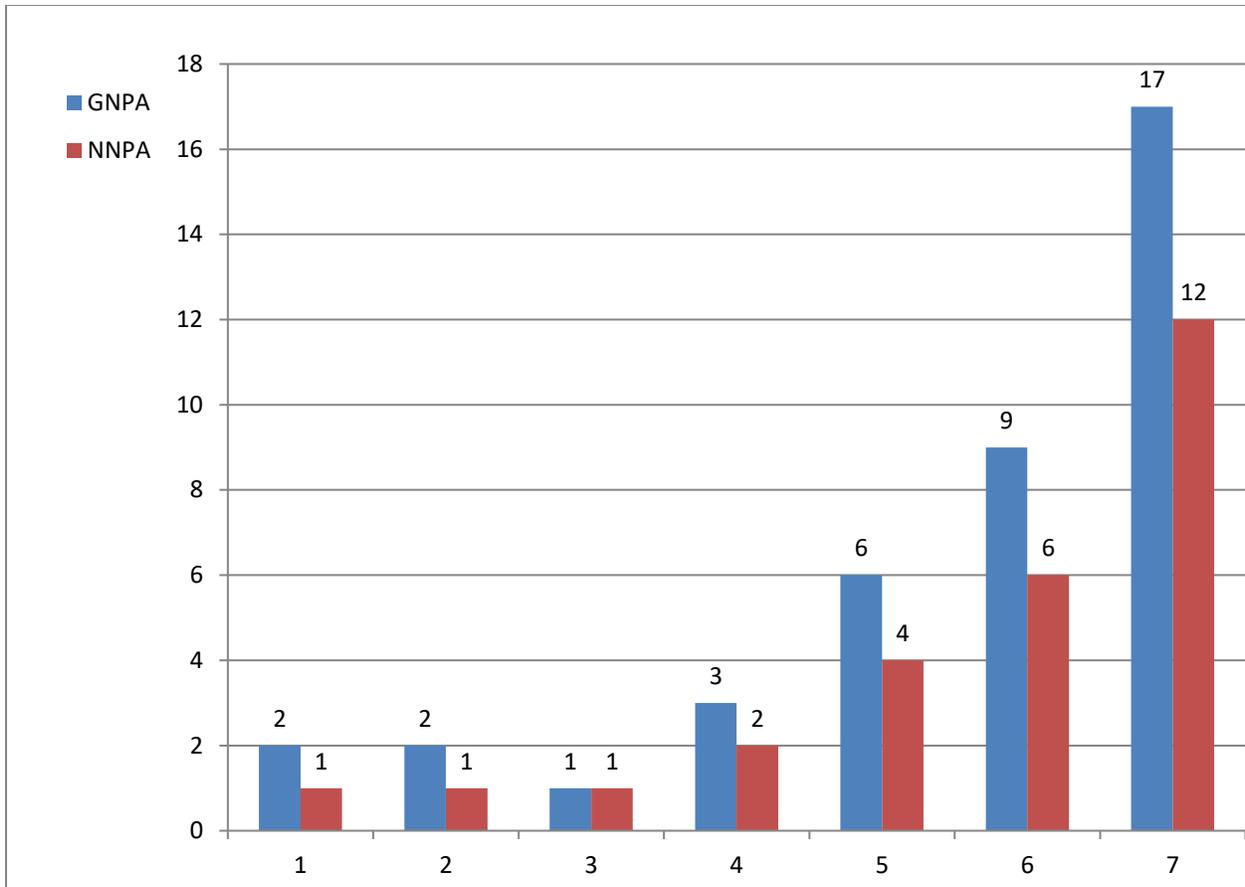
Figure no.5 showing the GNPA AND NNPA Maharashtra Bank

TABLE NO. 6. BANK OF MYSORE

| S R	E.S.	ADV	GNPA	GN PA %	NNPA	NNP A%	NNP A TO AD.
1	46.80	34029.81	863.74	3.00	467.88	1.00	1.00
2	46.80	39835.37	1502.62	4.00	768.42	2.00	2.00
3	46.80	44932.57	2080.63	5.00	1208.75	3.00	3.00
4	48.01	49481.95	281887.00	6.00	163027.00	3.00	3.00
5	48.01	52025.86	2136.42	5.00	1121.58	2.00	2.00
6	48.01	53954.18	3635.56	7.00	2257.18	4.00	4.00
7	---	----	-----	----	-----	----	----
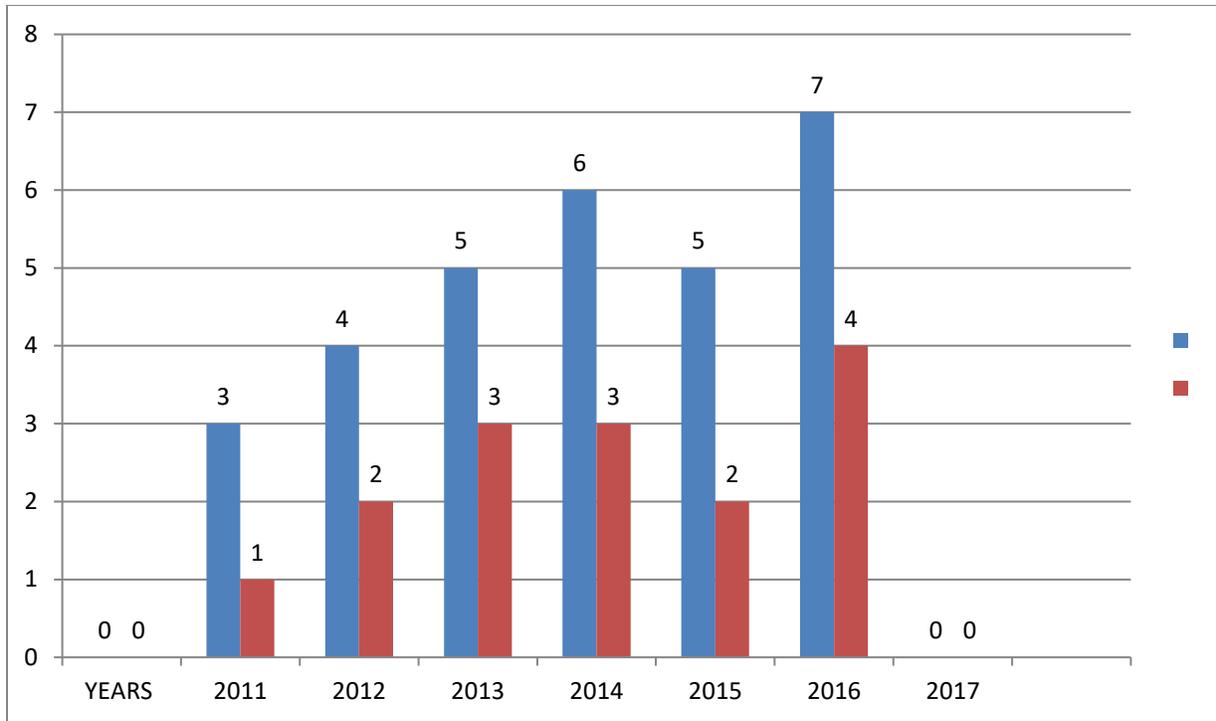
Figure No. 6

Bank of Mysore has shown increasing trend in non-performing assets which indicates that bank has not control over their customers because of this their non-performing assets which effect on their profitability.

TABLE NO. 7. BANK OF HDFC

SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA %	NNPA TO AD.
2011	465.23	159982.67	1694.34	1.00	352.33	---	--
2012	469.23	195420.03	1999.99	1.00	296.41	---	--
2013	475.88	239720.04	2334.64	1.00	468.95	---	--
2014	479.81	303000.27	2989.28	1.00	820.03	--	--
2015	501.30	365495.03	3438.38	1.00	896.03	--	--
2016	505.64	464593.96	4392.83	1.00	1320.37	--	--
2017	512.51	554568.20	5885.66	1.00	1843.99	--	--

Table No.8 reveals that loans and advances which was given to customers in 2011 was Rs .159982.67 crores and in the year it was 554568.20 crores which shows increasing trend form 2011 to 2017. GNPA of the bank in 2011 1694.34 and it was 5885.66 crores in 2017
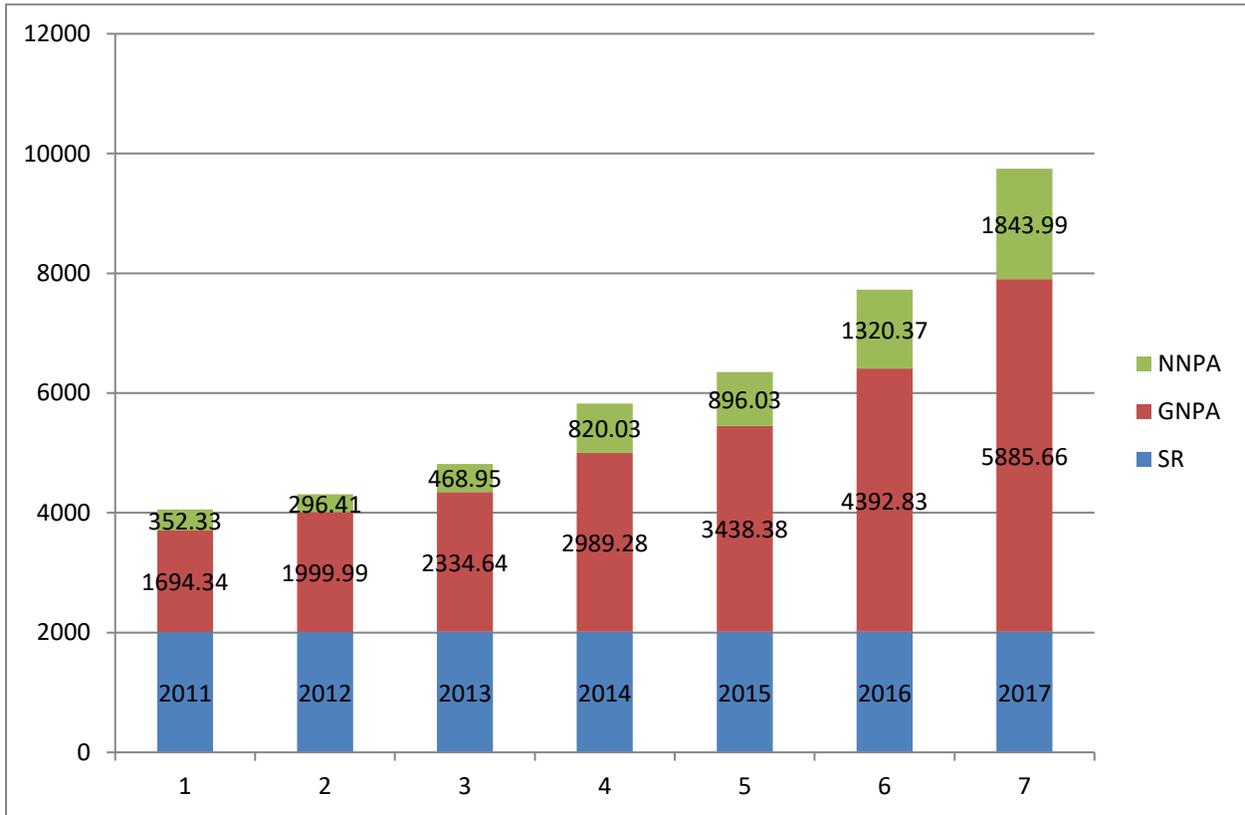

Figure No.7
TABLE NO. 8. BANK OF AXIS

| SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
2011	410.55	142407.83	1599.42	1.00	1186.74	0	0
2012	413.55	169759.54	1806.30	1.00	1186.74	0	0
2013	467.95	196965.96	2393.42	1.00	704.13	0	0
2014	469.84	230066.75	3146.41	1.00	1024.62	0	0
2015	474.10	281083.03	4110.19	1.00	1316.62	0	0
2016	476.57	338773.72	6051.51	2.00	2521.14	1	1
2017	479.01	373069.35	21280.48	5.00	8626.60	2	2
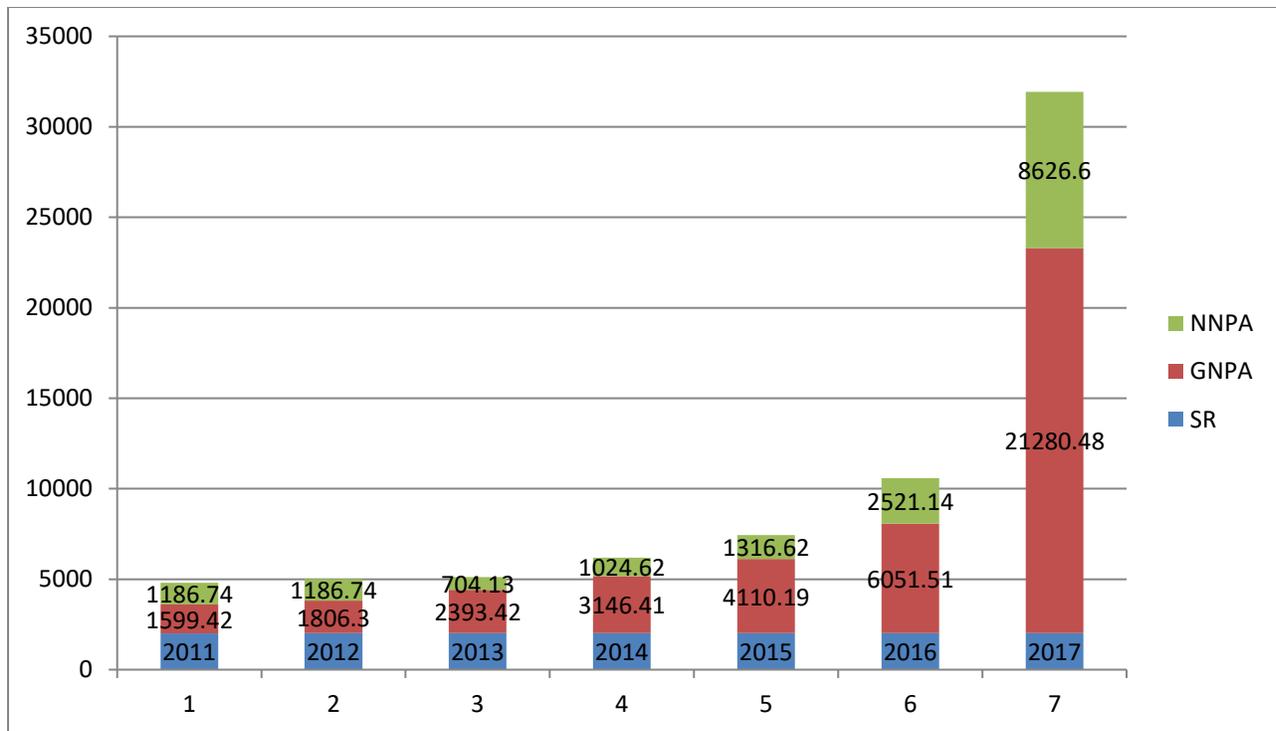
Figure No.8

Table No. 8 indicates that NNPA of the Axis bank was Rs 1186.74 crores and it was 8626.60 crores in 2017 which was shows that there was increasing trend of NNPA this was due to bank also enhance their advances in large scale. Bank has increased their equity share capital for the purpose finance which was available for expansion of business activities. Each and every year bank was interested to issue of equity shares

TABLE NO.9 BANK OF KOTAK

| Years	E.S.	ADV	GNPA	GNPA %	NNPA	NNPA%	NNPA TO AD.
2011	368.44	39079.23	603.49	1.00	211.16	1.00	1.00
2012	370.34	29329.31	614.19	1.00	237.38	1.00	1.00
2013	373.34	48468.98	758.11	1.00	311.41	1.00	1.00
2014	385.16	53027.63	1059.44	2.00	573.66	1.00	1.00
2015	386.18	66160.71	1237.23	2.00	609.08	1.00	1.00
2016	917.19	118665.71	2838.11	2.00	1261.96	1.00	1.00
2017	920.45	136082.13	3578.60	3.00	1718.10	1.00	1.00
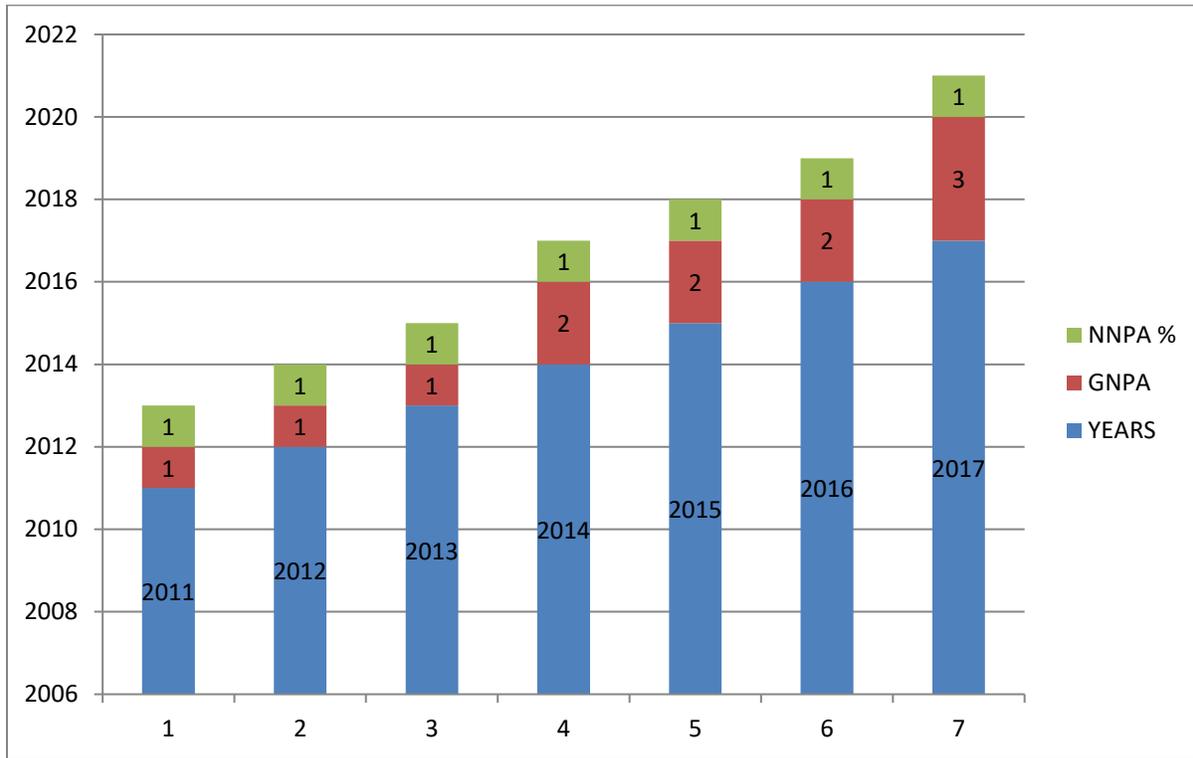
Figure No. 9

Form the figure no. 9 it clearly ravels that Gross NPA remain same for the first four years and net npa remain same for the first three years and thereafter it in double and remain the same from 2014 to 2017 this shows that bank of Kotak has good control over the non-perfoming assets

TABLE NO. 10. ICICI BANK

| SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	1151.82	253727.66	10034.26	0.00	1860.84	1.00	1.00
2	1152.77	216365.90	9475.33	0.00	2407.36	1.00	1.00
3	1153.64	290249.14	9607.75	0.00	2230.56	1.00	1.00
4	1155.04	338702.65	10505.84	0.00	3297.96	1.00	1.00
5	1159.66	387522.07	15094.69	4.00	6255.53	2.00	2.00
6	1163.17	435522.07	2622.25	6.00	12963.08	3.00	3.00
7	1165.11	435263.94	42159.00	9.00	25216.81	5.00	5.00
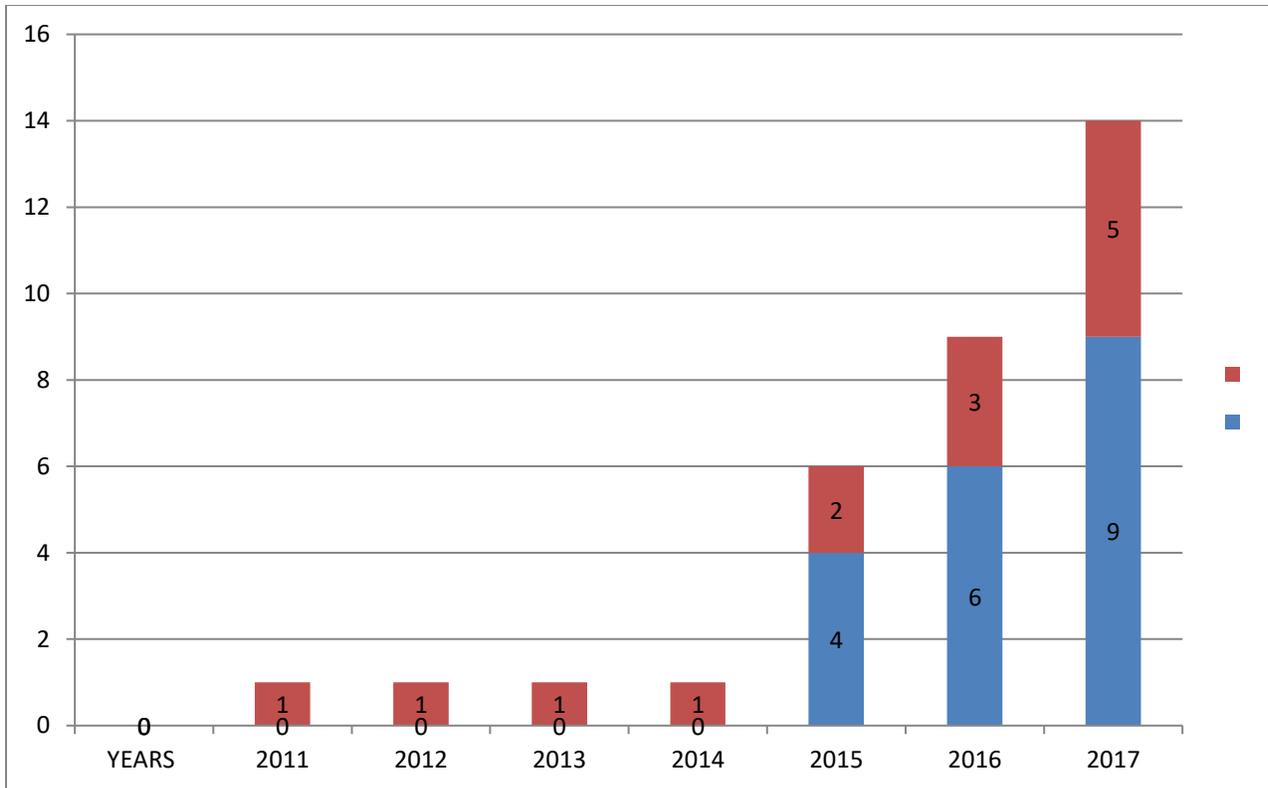
Figure no .10 ICICI BANK –GNPA AND NNPA

Table no. 10 shows that there was no Gross NPA due bank has good control over Gross NPA. ICICI bank has advances given to customers Rs. 253727.66 cores in 2011 and it was increased up to Rs 435263.94 in the year 2017. NNPA initially four years it was 1 percent. It was 2 percent, 3 percent, 5 percent in the year 2015, 2016, and 2017 respectively.

TABLE NO. 11. BANK OFDHANLAKSHIMI

Years	E.S.	ADV	GNPA	GNPA %	NNPA	NNPA%
2011	85.14	8758.05	67.09	1.00	28.00	0.00
2012	85.14	9066.15	104.27	1.00	27.47	1.00
2013	85.14	7777.06	380.27	5.00	261.02	3.00
2014	125.93	7935.96	485.82	6.00	301.88	4.00
2015	177.44	7669.81	558.29	7.00	252.63	3.00
2016	177.44	6952.68	458.92	6.00	193.19	3.00
2017	209.85	6446.35	315.60	5.00	166.48	3.00
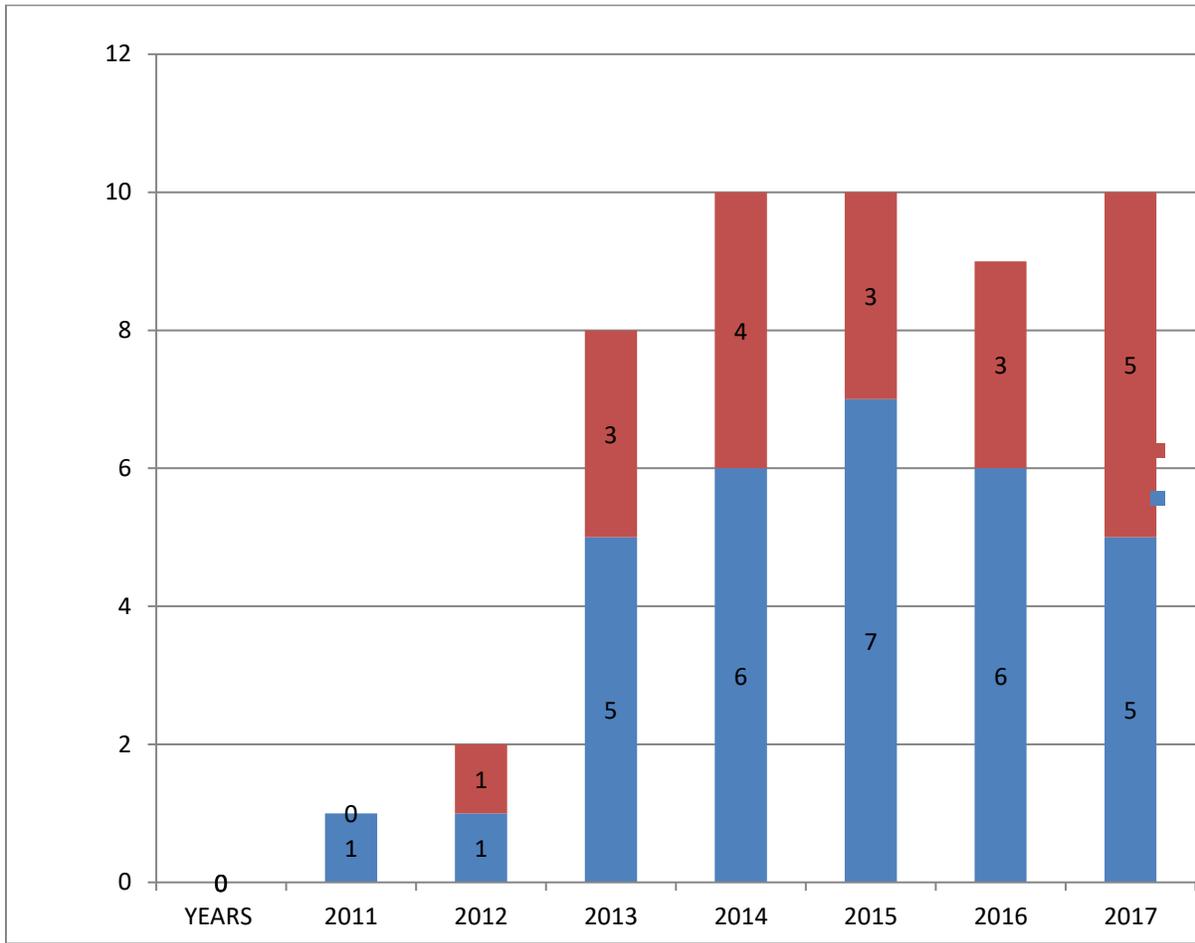
Figure no.11

TABLE NO. 12. BANK OF BARODA

| SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	392.81	287377.29	4464.75	2.00	31543.94	1.00	1.00
2	412.38	228676.36	3152.50	1.00	790.88	0.00	0.00
3	422.52	328185.76	7982.58	2.00	4192.03	1.00	1.00
4	430.68	397005.81	1175.90	3.00	6034.75	2.00	2.00
5	443.56	428065.14	1626.44	4.00	8069.49	2.00	2.00
6	462.56	383770.18	4021.04	10.00	19046.46	5.00	5.00
7	462.09	383259.22	42719.00	10.00	18080.00	5.00	5.00
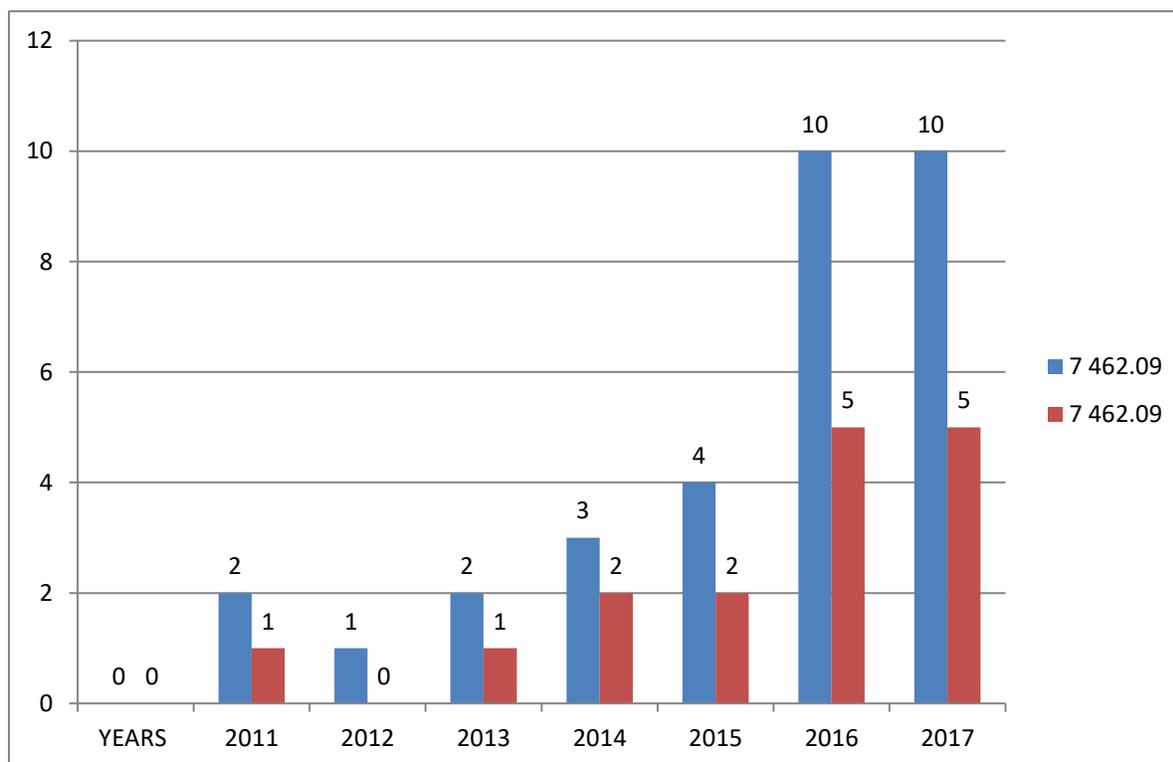
Figure no .12

From the figure no. 12 it reveals that in 2016 and 2017 gross non-performing assets of the bank 10 percentage in both the years, net non-performing assets decreased that is 5 percentages in 2016 and 2017 this shows that

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bank of Baroda taken strong steps for recovering financial money form the lender.

TABLE NO. 13.   STATE BANK OF INDIA

| SR	E.S.	ADV	GNPA	GNPA %	NNPA	NNPA%	NNPA TO AD.
1	635.00	756719.45	253226.29	3.0	12346.90	2.0	2.0
2	671.00	867578.89	39676.00	5.0	15818.85	2.0	2.0
3	684.03	1045616.55	51189.39	5.0	121956.48	2.0	2.0
4	745.57	1209828.72	61605.00	5.0	0.0	3.0	3.0
5	746.57	1300026.39	56725.00	4.0	0.0	2.0	2.0
6	776.28	1463700.42	981728.50	7.0	55807.02	4.0	4.0
7	797.36	1571078.38	112342.99	7.0	58277.77	4.0	4.0
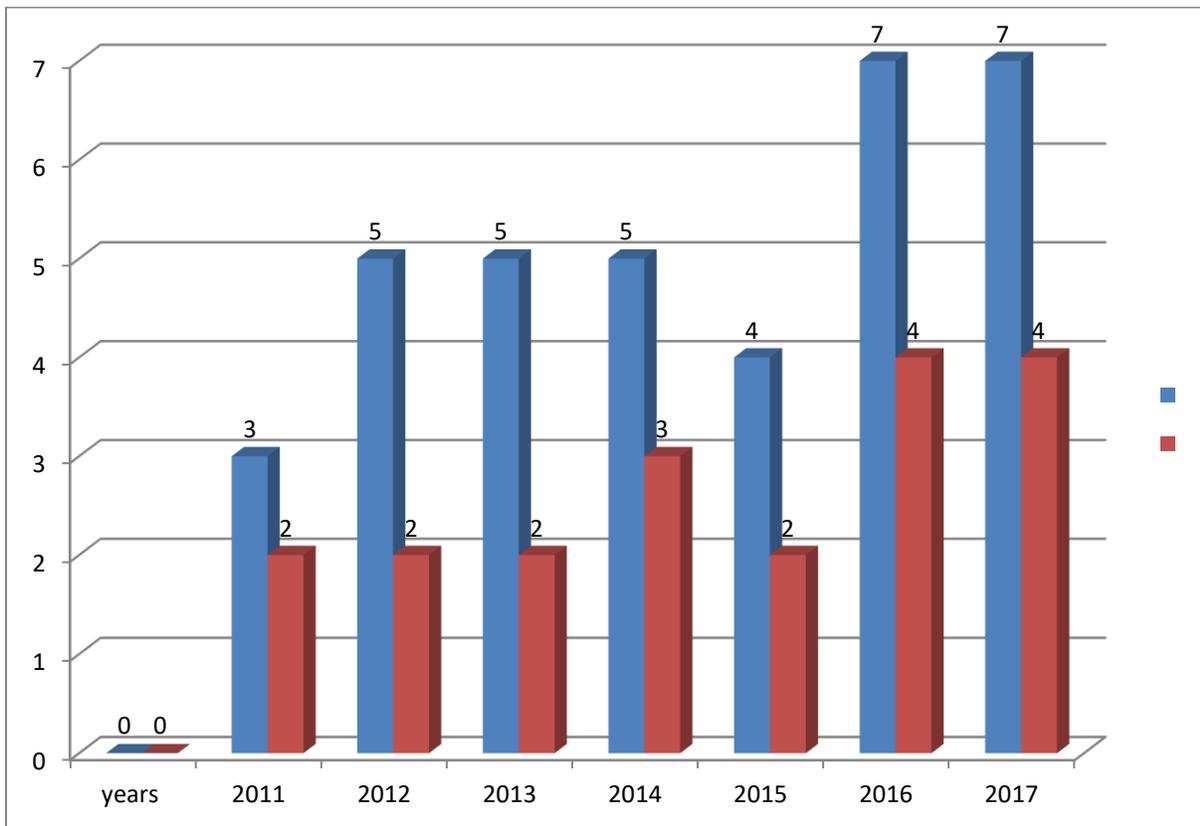
Figure no. 13

Non-performing assets was increasing trend which was very serious problem for the bank due to more and more advances given to customers and no

45

control over them for recovering the fund. In the 20177 it was 2 percentage and it goes up to 5 percent in 2017

TABLE NO. 14. KARUR VYASYA BANK

S R	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA %	NNPA TO AD.
1	94.49	17814.46	228.15	1.00	13.87	0.00	0.00
2	107.18	23949.19	320.99	1.00	78.87	0.00	0.00
3	107.18	29480.13	285.86	2.00	108.74	0.00	0.00
4	107.18	33992.13	279.18	1.00	139.91	0.00	0.00
5	121.63	36108.14	677.78	1.00	280.97	1.00	1.00
6	121.86	39084.38	511.18	2.00	216.17	1.00	1.00
7	121.86	40907.72	1483.81	4.00	1033.46	3.00	3.00
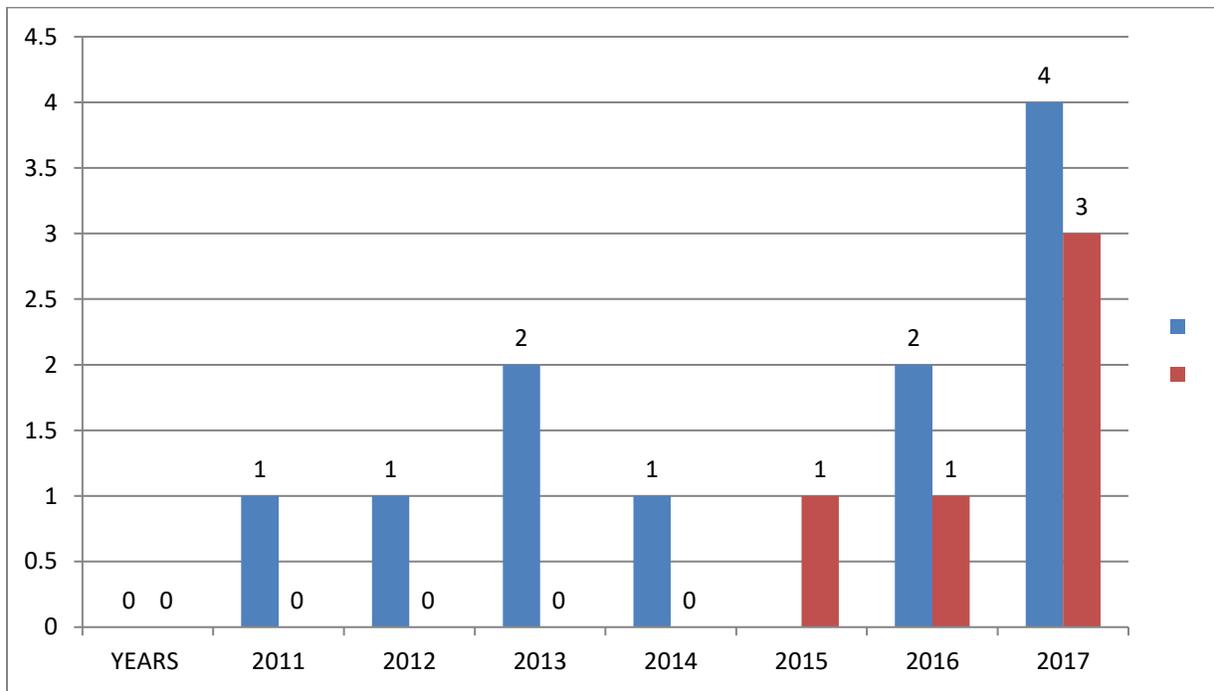
Figure no. 14

TABLE NO. 15 DENA BANK

| SR	E.S.	ADV	GNPA	GNPA%	NNPA	NNPA%	NNPA TO AD.
1	333.39	44828.05	842.24	2.0	548.95	1.0	1.0
2	350.06	56693.54	856.50	2.0	571.73	1.0	1.0
3	350.06	65781.22	1452.00	2.0	917.00	1.0	1.0
4	537.82	77553.77	2616.03	3.0	1819.00	2.0	2.0
5	561.15	78934.31	4393.04	5.0	1372.22	4.0	4.0
6	666.93	82328.33	8560.49	10.00	3322.22	6.0	6.0
7	787.15	75574.62	12618.73	16.00	7735.00	11.0	11.0
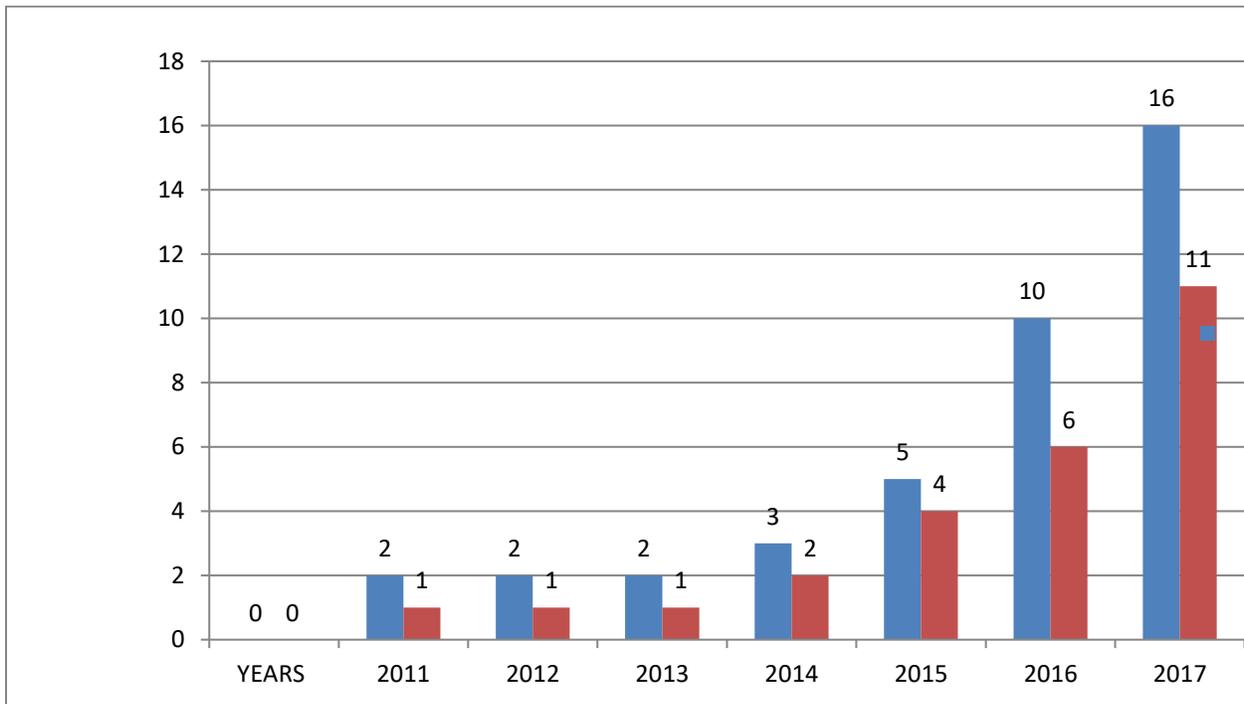
Figure no.15

Table no.15 it reveals that non-performing assets of the bank enhancing during the last seven years and advances given to customers also increasing from 2011 to 2017 Rs. 44828.05 and 75574.62 respectively.

TABLE NO. 16 YES BANK

SR	E.S.	ADV	GNPA	GNPA %	NNPA	NNPA %	NNPA TO AD.
2011	358.62	46999.57	94.32	0.0	6.99	1.0	1.0
2012	360.63	55632.96	174.93	0.0	26.07	0.0	0.0
2013	417.53	75549.82	313.40	0.0	0.00	0.0	0.0
2014	420.53	98209.93	748.98	1.0	284.47	0.0	0.0
2015	456.49	132262.68	2018.56	2.0	1072.27	0.0	0.0
2016	347.15	34363.64	80.52	0.0	17.46	0.0	0.0
2017	352.99	27757.35	83.56	0.0	9.15	0.0	0.0

Tabe no. 16 reveals that advances increasing first five years but it decline in the year of 2016 and 2017. In 2015 advances of Yes Bank is highest in which their NPA is also highest form all seven years.

Figure no.16
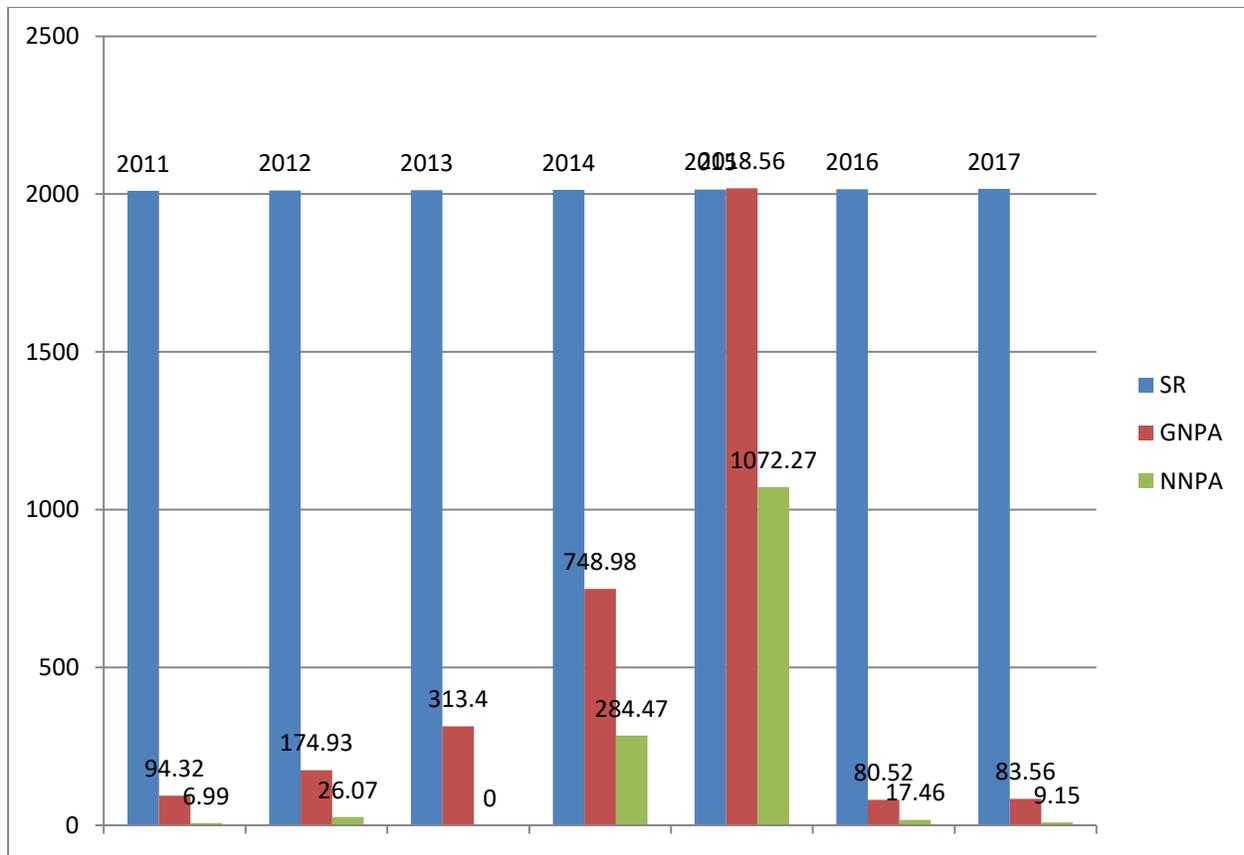
Table .18 GROSS NPA AND NET NPA TO TOTAL ADVANCES –AXIX BANK

YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	22.35	1.12	0.83
2012	19.8	1.06	0.70
2013	19.05	1.21	0.35
2014	20.29	2.41	0.44
2015	20.73	1.46	0.49
2016	20.60	1.80	0.74
2017	8.26	5.70	2.31

From the Table 18 it shows that profitability of the Axis Bank has not increasing trend. In the year 2011 it was 22.35 profitability ratio of the Axis bank which was goes up to 8.26. It was decreasing trend. Figure no.18
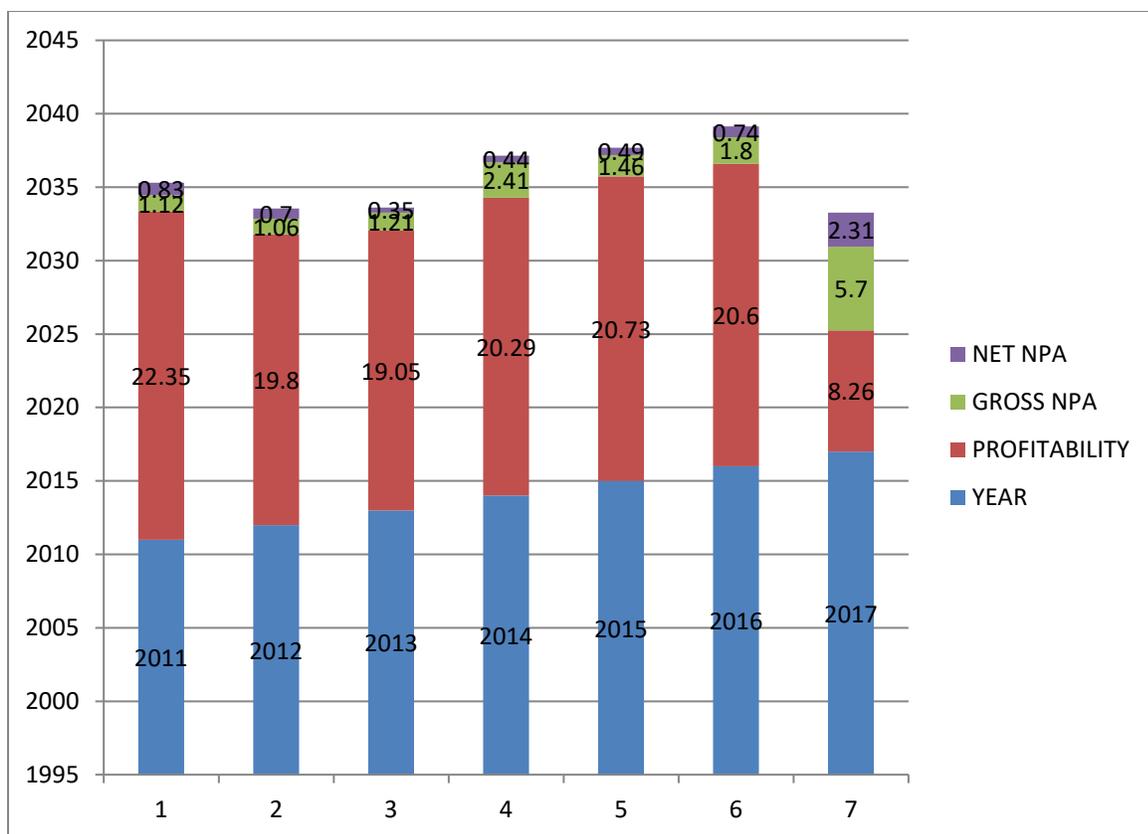
Table .19 PROFITABILITY GROSS NPA AND NET NPA TO TOTAL
ADVANCES –ICICI BANK

YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	9.67	3.95	0.73
2012	10.54	4.38	1.11
2013	20.77	3.31	0.76
2014	22.20	3.86	0.97
2015	22.76	3.89	1.61
2016	18.44	6.02	2.97
2017	18.09	9.08	5.43
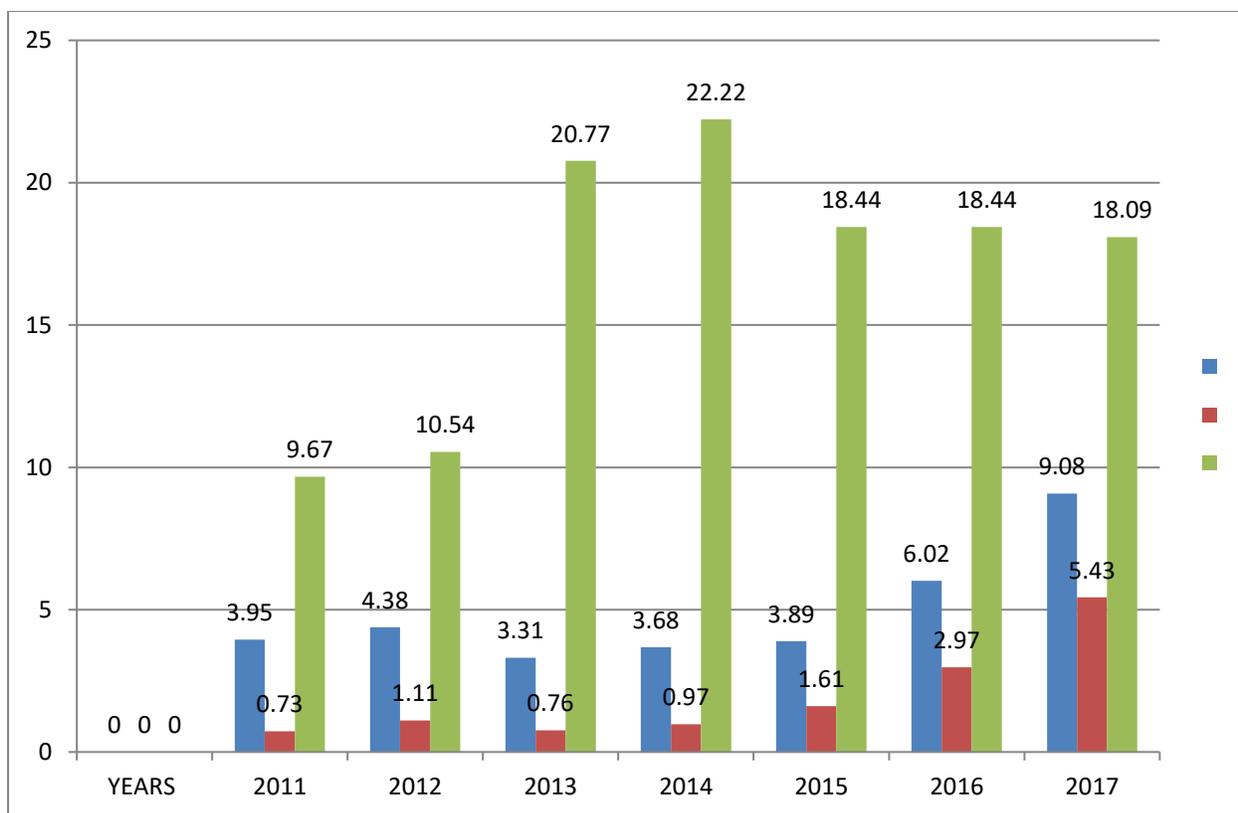
Figure no.19

Table .20 NET NPA TO TOTAL ADVANCES –   BANK OF INDIA

| YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	11.14	2.25	1.71
2012	9.40	3.37	0.78
2013	8.61	3.02	2.05
2014	7.79	3.20	2.00
2015	3.93	5.52	3.36
2016	-14.56	13.80	24.50
2017	-8.48	14.20	6.90

Figure no 20
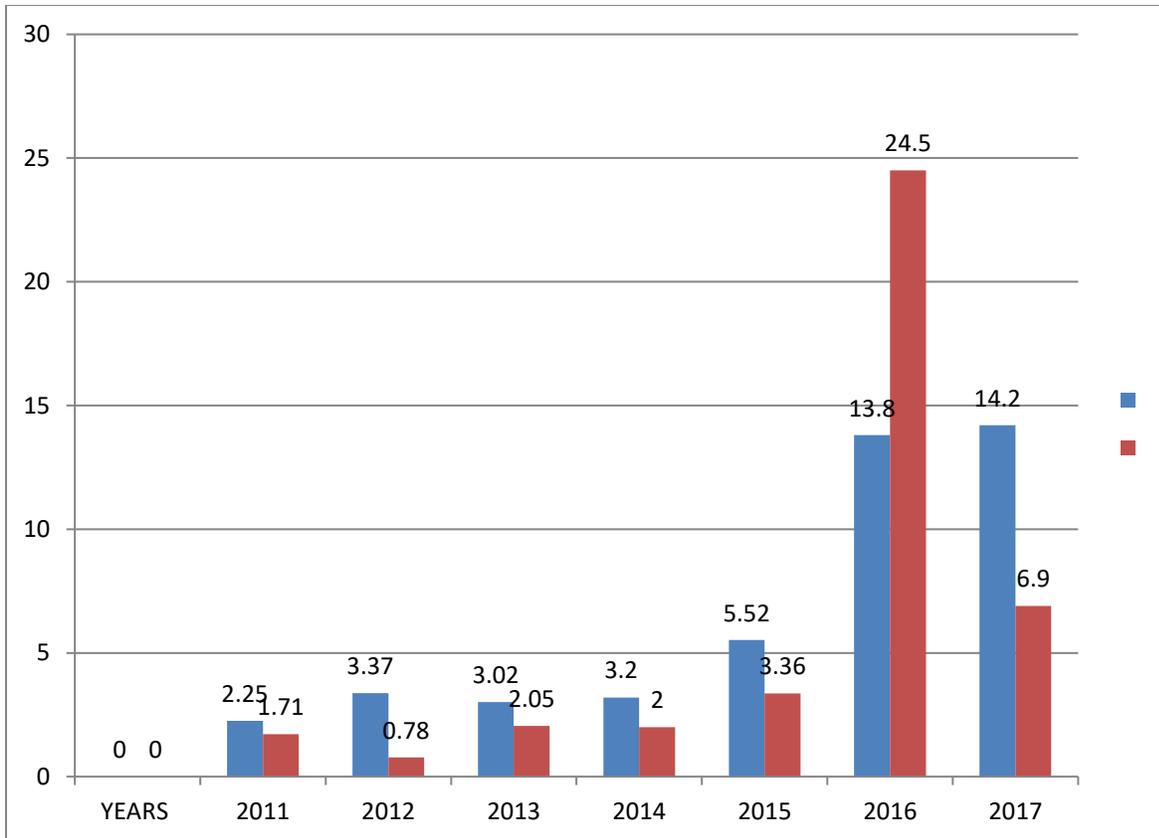
Table no. 20 shows that the profitability in bank of India in the year 2011 was 11.14 after that it goes in decreasing and it was found that in 2016 profitability goes in negative figure that is -14.56 and in 2017 it was -8.48. in the year 2016 GNPA and NNPA 13.80 and 14.20 respectively.

Table .21 NET NPA TO TOTAL ADVANCES – DENA BANK

YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	12.15	1.87	1.22
2012	11.82	1.68	10.04
2013	9.10	2.20	1.40
2014	5.52	3.37	2.34
2015	2.46	5.56	1.74
2016	-8.78	10.39	4.03
2017	-8.48	16.69	10.23

Figure no. 21
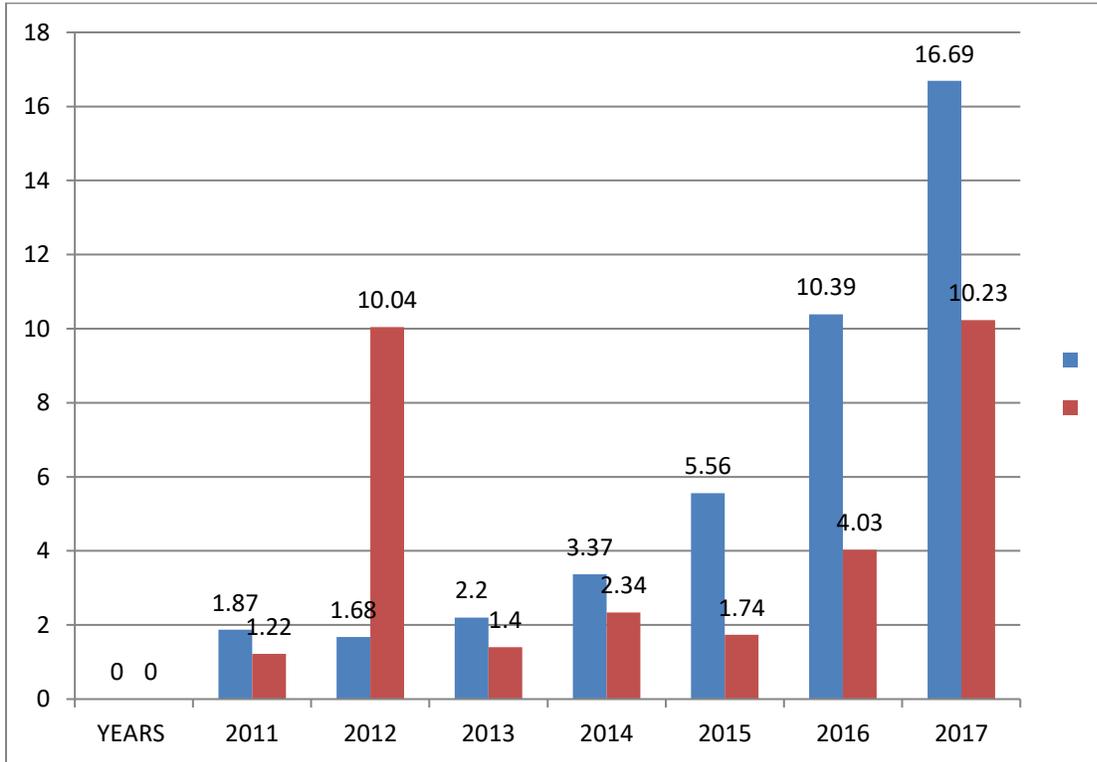
Dena bank showing negative profitability in the year 2016 -8.78 and it was -8.48 in the year 2017. Dena bank has higher GNPA IN 2017 that was16.69 and highest NNPA that was 10.23 which was very dangerous situation for the bank.

Table .21 NET NPA TO TOTAL ADVANCES – HDFC BANK

YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	19.70	1.05	0.22
2012	18.93	1.02	0.15
2013	19.18	0.97	0.01
2014	20.61	0.98	0.27
2015	21.07	0.94	0.24
2016	20.41	0.94	0.28
2017	20.99	10.61	0.33

Figure no.21
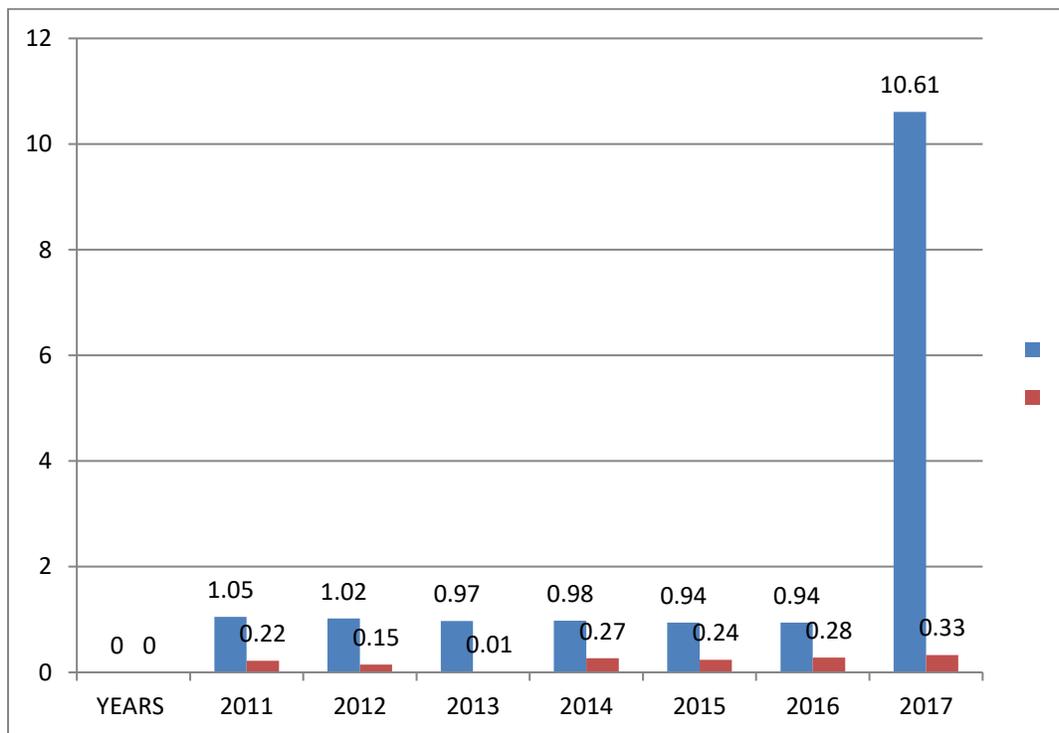
Table .22 NET NPA TO TOTAL ADVANCES BANK OF MAHARASTRA

YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	5.93	2.50	1.05
2012	5.97	2.31	1.10
2013	7.90	1.19	0.41
2014	3.22	2.65	1.68
2015	3.55	6.49	4.18
2016	0.77	11.68	7.68
2017	-11.37	22.77	14.87

Figure no. 22
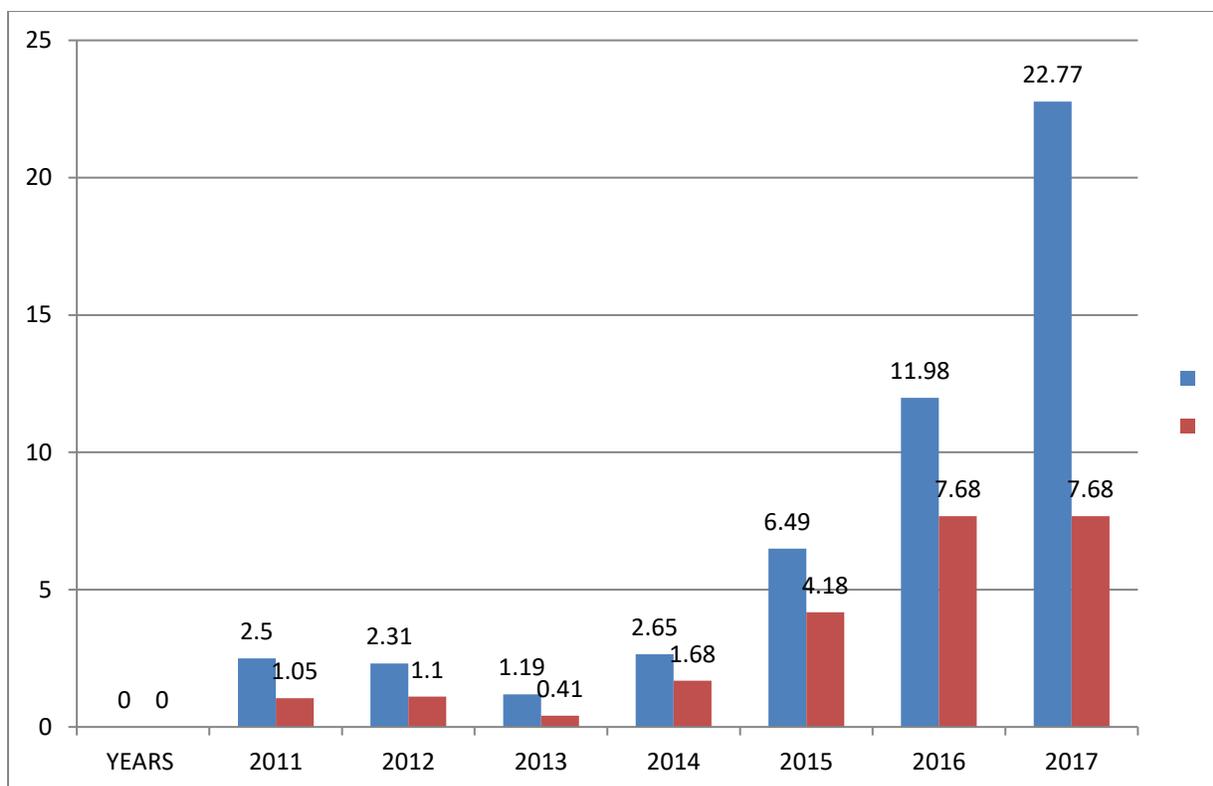
Bank of Maharashtra has negative profitability in 2017 that was -11.37 in the same year GNPA and NNPA was highest that was 22.77 and 14.87 respectively there for bank has to take about care about non-performing assets.

Table .23 NET NPA TO TOTAL ADVANCES YES BANK

YEAR	PROFITABILITY	GROSS NPA	NET NPA
2011	11.44	1.01	0.05
2012	9.40	0.30	0.03
2013	8.61	0.20	0.01
2014	7.19	0.31	0.04
2015	3.93	0.41	0.00
2016	-14.56	0.76	3.34
2017	-3.96	1.52	0.81

Figure no. 22

Yes bank has shown negative profitability in year 2016 and 2017 that was -14.56 and -3.96 respectively. From the year 2011 to 2015 it was positive profitability ratio. In the year 2011 it was highest profitability ratio that was 11.44.


Figure no. 22

According to the RBI, "Reduction of NPAs in the Indian banking sector should be treated as a national priority item to make the system stronger, resilient and geared to meet the challenges of globalization. It is necessary that a public debate is started soon on the problem of NPAs and their resolution. "

TABLES .23

Sr.no.	Year	Net advances	Net NPA	Net NPA in percentage
1	2001-2002	6458.59	355.54	5.5
2	2002-2003	7404.73	296.92	4.0
3	2003-2004	8626.43	243.96	2.8
4	2004-2005	11156.63	217.54	2.0
5	2005-2006	15168.11	185.43	1.2
6	2006-2007	19812.37	201.01	1.0
7	2007-2008	24769.36	247.30	1.0
8	2008-2009	29999.24	315.64	1.1
9	2009-2010	34970.92	387.23	1.1
10	2010-2011	42987.04	417.00	1.1
11	2011-2012	50735.59	652.00	1.3
12	2012-2013	58797.03	986.00	1.7
13	2013-2014	67352.32	1426.37	2.1

Gross Advances and gross NPAS of SCBs (Amount in Rs. Billion)
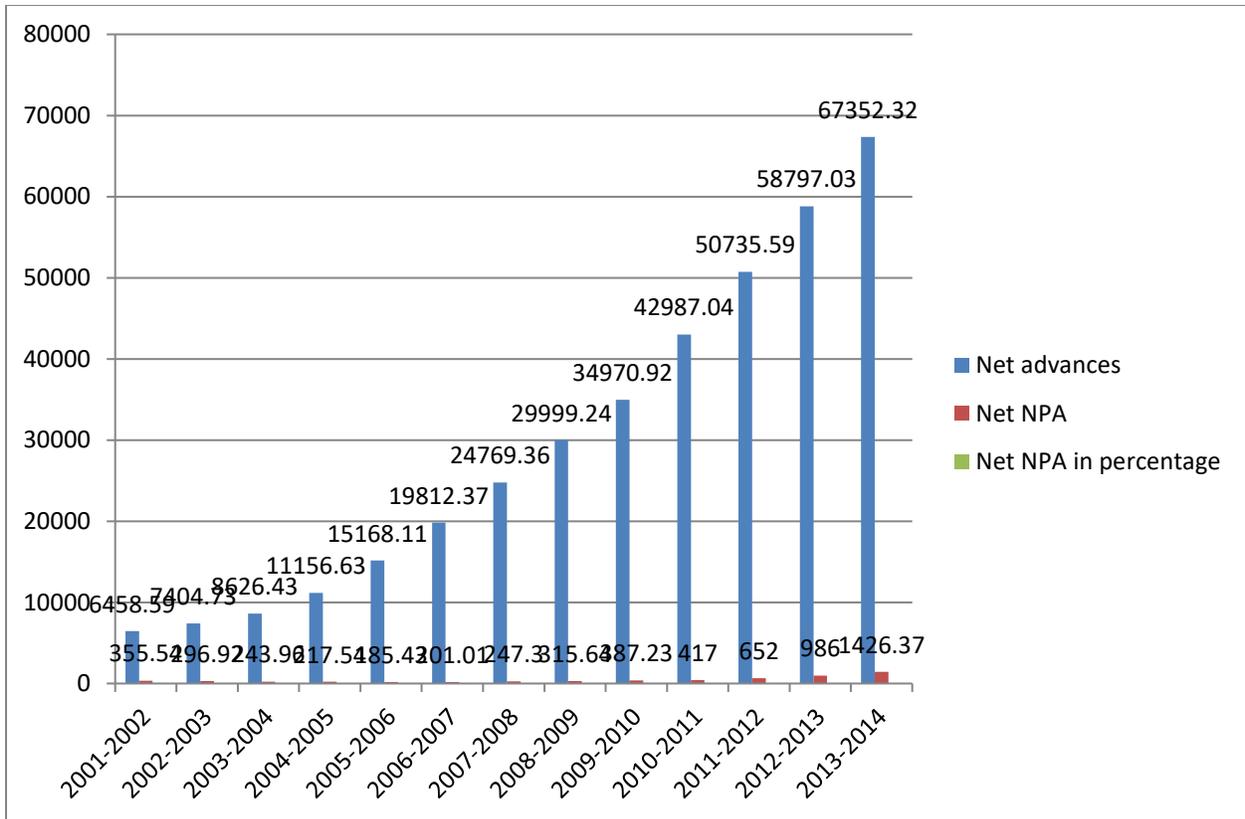
Figure no. 23

| Sr.no.	Year	Net advances	Net NPA	Net NPA in percentage
1	2001-2002	6809.58	708.62	10.4
2	2002-2003	7780.43	687.17	8.8
3	2003-2004	9020.26	648.12	7.2
4	2004-2005	11526.82	593.73	5.2
5	2005-2006	15513.78	510.97	3.3
6	2006-2007	20215.10	504.80	2.5
7	2007-2008	25078.85	563.09	2.3
8	2008-2009	30382.54	683.28	2.3
9	2009-2010	35449.65	846.28	2.4
10	2010-2011	40120.79	979.00	2.5
11	2011-2012	46655.44	1370.96	2.9
12	2012-2013	59882.79	1931.94	3.2
13	2013-2014	68575.48	2641.95	3.8
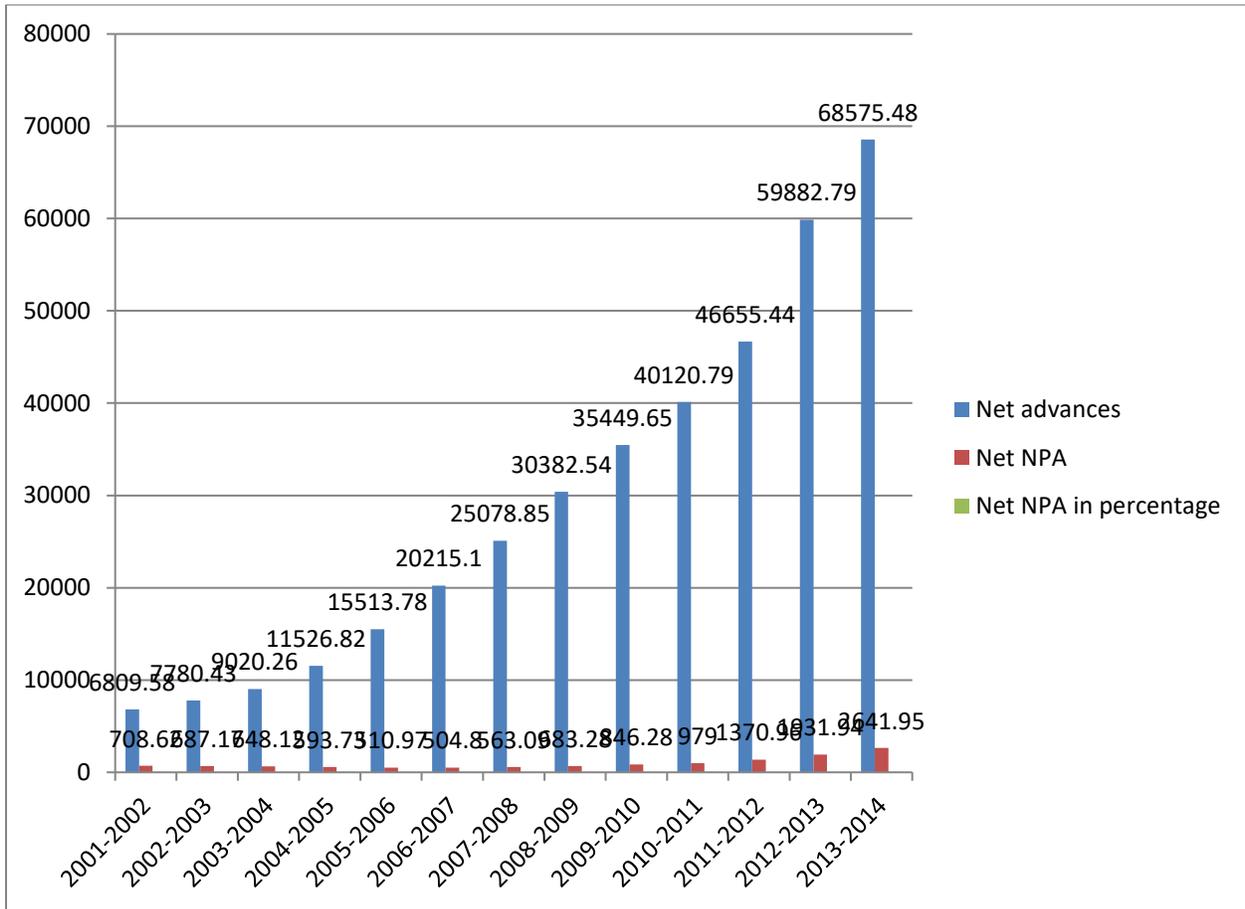
Table 23 Gross Advances and gross NPAS of SCBs (Amount in Rs. Billion)

TABLES .24 Showing NPA in ALL SCBs

SR.NO.	Year	Percentage Gross NPA in advance	Net NPA percentage to net advances
1	2005	5.2	1.9
2	2006	3.3	1.2
3	2007	2.5	1.0
4	2008	2.3	1.0
5	2009	2.25	1.05
6	2010	2.39	1.12
7	2011	2.25	0.97

Figure no 24
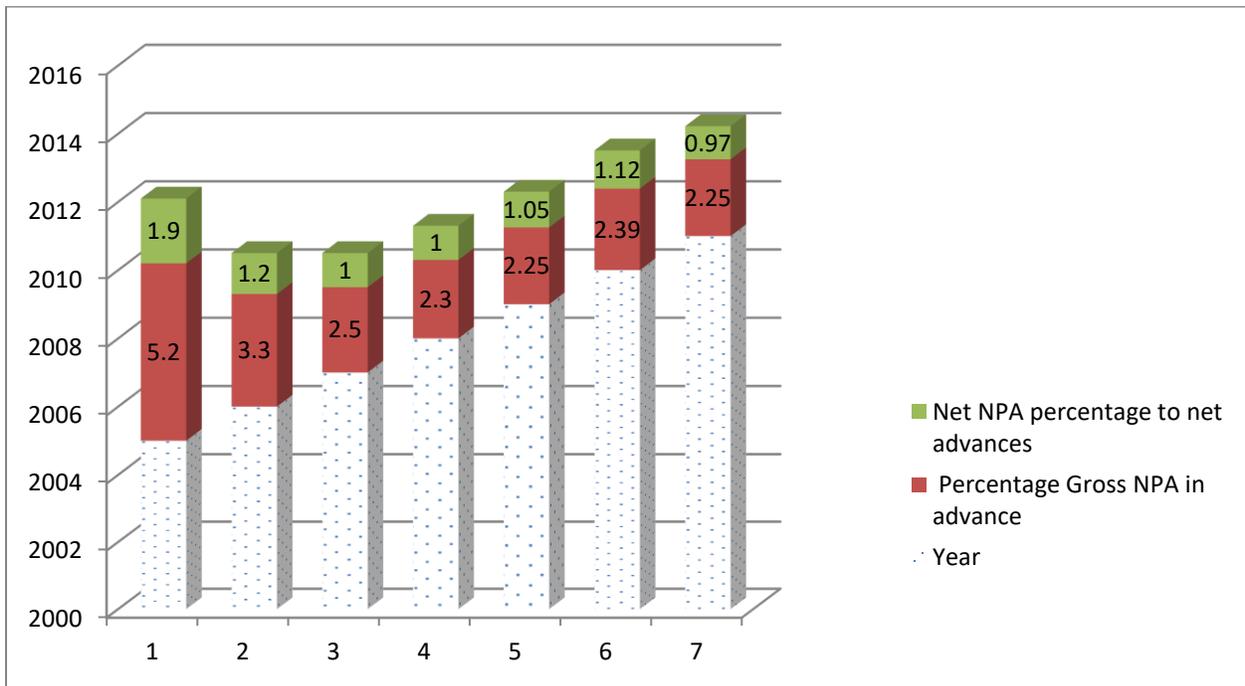
Table 25 Showing NPA all PSB

SR.NO.	Year	Percentage Gross NPA in advance	Net NPA percentage to net advances
1	2005	5.5	2.0
2	2006	3.6	1.3
3	2007	2.7	1.1
4	2008	2.2	1.0
5	2009	1.97	0.94
6	2010	2.19	1.09
7	2011	2.23	1.09

Figure no.25
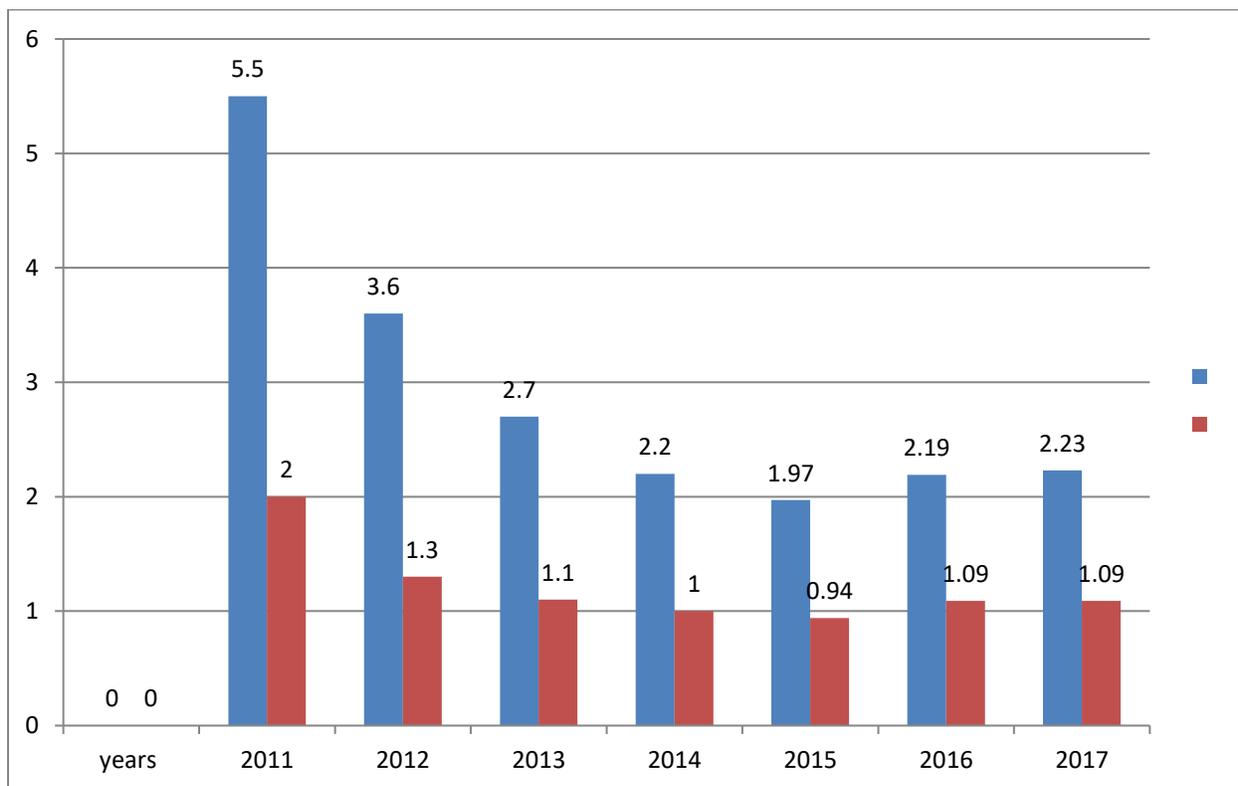
Table 26 Showing NPA all PSB

SR.NO.	Year	Percentage Gross NPA in advance	Net NPA percentage to net advances
1	2005	5.5	1.9
2	2006	3.6	1.2
3	2007	2.7	1.0
4	2008	2.2	1.0
5	2009	1.97	1.05
6	2010	2.19	1.12
7	2011	2.23	0.97

Figure no. 26
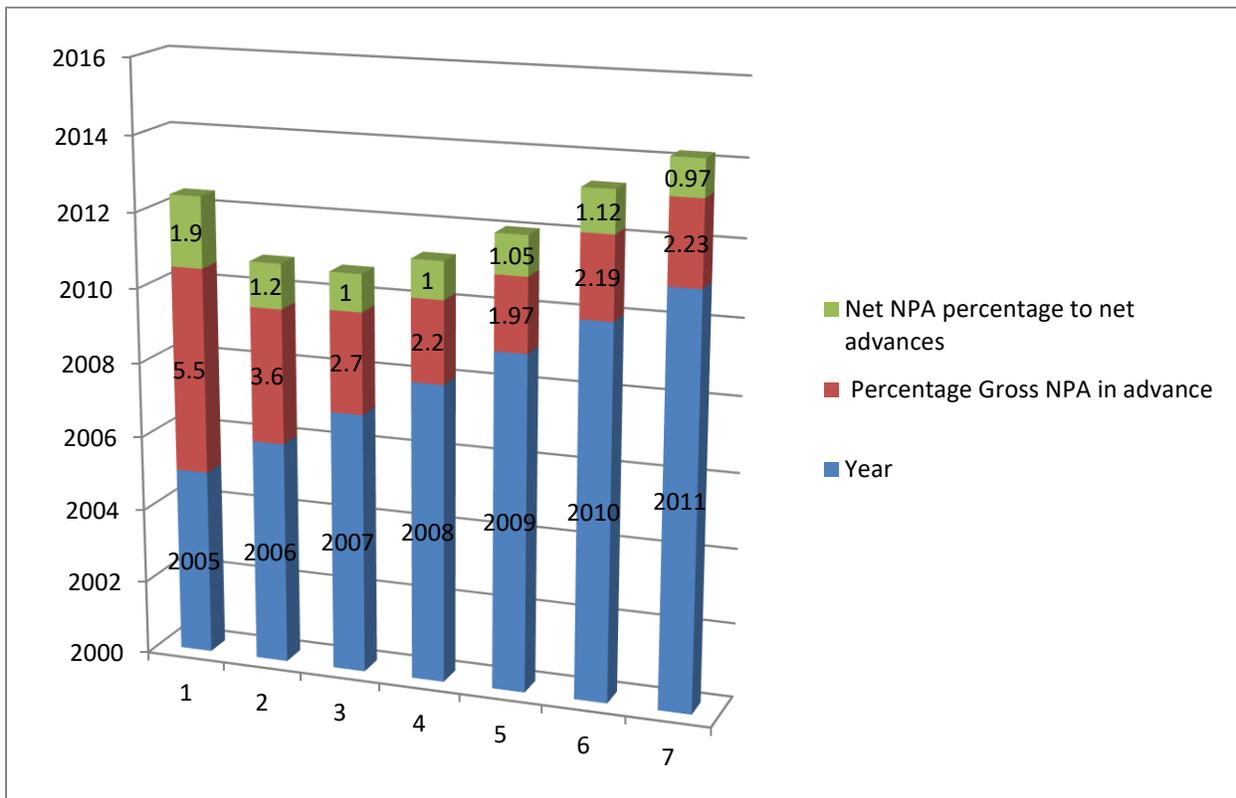
Table 27 showing NPA in old private banks

SR.NO.	Year	Percentage Gross NPA in advance	Net NPA percentage to net advances
1	2005	6.0	2.7
2	2006	3.6	1.7
3	2007	2.7	1.0
4	2008	2.2	0.7
5	2009	1.97	0.90
6	2010	2.19	0.78
7	2011	2.23	0.53

Figure no. 27
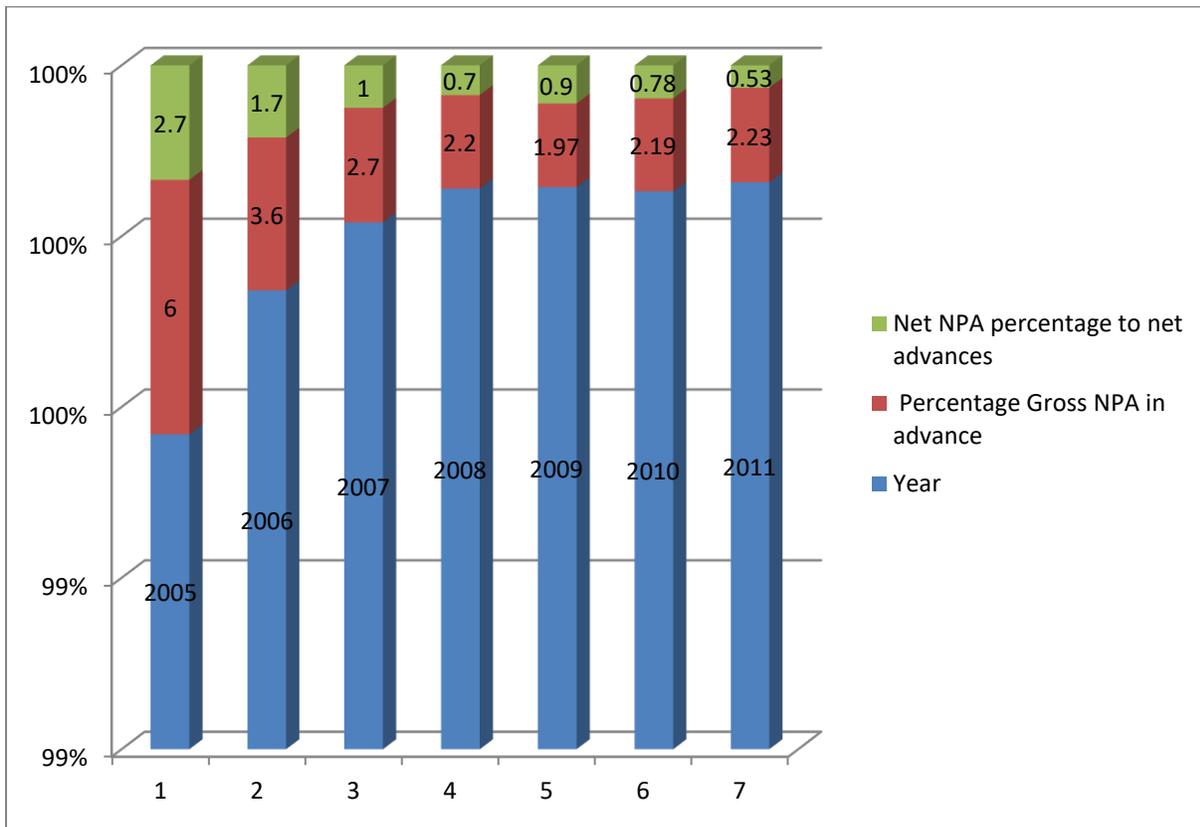
T –test for analysis relation between NPA and Profitability

Table: 28 Calculation of profitability

NAME	2011	2012	2013	2014	2015	2016	2017	AVG	(X-X)S
Axis	22.37	19.38	19.05	20.29	20.73	20.60	8.26	18.67	348.57
ICICI	9.67	10.54	20.77	22.20	22.76	18.44	18.09	17.50	131.25
HDFC	19.70	18.93	19.18	20.61	21.07	20.41	20.99	20.13	405.22
BOM	5.93	5.97	7.90	3.22	3.55	0.77	-11.37	15.97	255.04
YES	11.44	9.40	8.61	7.19	3.93	14.56	-3.96	01.89	03.57
DENA	12.15	11.82	9.10	5.52	2.46	-8.78	-8.48	03.45	11.90
BOI	11.54	9.40	8.61	7.19	3.93	14.46	-3.96	03.12	09.73
							TOTAL	11.53	1162.28

AVERAGE PROFITABILITY = 11.53 AND total of (x-X) s = 1162.28

Using formula of standard deviation = 1162.28/7-1 = 193.71

Square root of 193.71 = 13.91

Table 29 Calculation of NPA

NAME	2011	2012	2013	2014	2015	2016	2017	AVG	(X-X)S
Axis	0	0	0	0	0	1	2	0.43	0.18
ICICI	1	1	1	1	2	3	5	2.00	4.00
HDFC	0	0	0	0	0	0	0	0.00	0.00
BOM	1	1	1	2	4	6	12	3.86	14.90
YES	0	0	0	0	0		1	0.14	0.02
DENA	1.22	10.04	1.04	2.34	1.74	4.03	10.23	4.38	19.18
BOI	1	1	2	2	3	8	7	3.43	11.76
							Total	2.03	50.04

Average percentage of net NPA = 2.03   and total (x-x)s = 50.04

Using formula of standard deviation = 50.04/7-1 = 50.04/6= 8.36

Square root of   = 8.36 = 2.8879

T –test for analysis relation between NPA and PROTITABILITY

2.03-11.53/ 193.71/7-8.36/7 = 27.67-5.14= TAKEING ROOT OF 27.67 AND5.14 = 5.26+2.89= 8.15

-9.50/8.15 =-1.17

TABLE VALUE AT THIS STAGE =2. 776

 The absolute value of the calculated T – Test exceed the critical value (-1.17 is less than 2.776) so mean are the significantly difference.

Chapter V

Finding, Suggestion and Conclusion

Findings:

➢ It was observed from the various tables is, all the seven years private sector bank well control over NPA of the bank but nationalized bank has not control over their NPA in later stage, staring they have control over their non-performing assets but later stage in 2016 and 2017 they do not have control over their non-performing assets.

➢ Using the pearsons correlation and regression analysis it is found out that there is a significant relation between NPA and productivity of the bank. Negative correlation is established between productivity and NPA i.e. when increase production decreases and vice –versa

➢ From the various tables shows that advances were increasing trend and at same time there were increasing trend in NPA also due to no control over their non-performing assets

➢ One cannot ignore the fact that a part of the reduction in NPA is due to the writing off bad loans by the banks which leads to decreasing in profitability and liquidity of the banks.

➢ It was found that Whenever there was big amount blocked in NPA it effects on banks efficiency and profitability of the bank

Suggestions:

➢ The banks should take care to ensure that they give loan to creditworthy customer as prevention is always better than cure.

➢ Enough precautions and timely follow up should be taken to recover the loan amount from customers.

- Banking sector should be strike action to avoid the NPA.
- To improve the efficiency and profitability the NPA have to be scheduled

Conclusion

T- Test by analyzing the test result one can say that there is always a large impact of NPA over the profitability of the banking sector. NPA shows that more NPA ratio less profitability ratio. And whenever there is less NPA more profitability ratio. NPA also shows the relationship between advances which were given to customers. There are more chance for more NPA when advances given to more.

It is one of the most important difficulties to banking sector to bring the profitability ratio at zero level. Other word it is impossible for banking sector to bring the profitability level at zero level.

The t-test analysis also indicates that NPAs for the commercial banks NPA raising In increasing trend which was very serious note for banking sector

NPA are draining the capital of banking sector and weakening their financial strength it is also as much a political and a financial issue.

Public sector bank must take more care in avoiding any accounts becoming NPA by taking proper preventives measures in an efficient manner.

It also seen that Non-performing assets great impact on the profitability is low return of investment which already affects s current earning banking sector. Therefor non-performing assets not only affects current financial position but also future profit which may lead to loss of some long term beneficial opportunities.

Non-performing assets affect profit but also future steam of profits which may lead of some long term beneficial opportunities. Negative impact is that people start withdrawing their money form bank which cause liquidity problems and also decrease in credibility.

Time and efforts of management is another indirect cost which bank has to bear due to NPA otherwise time and effort of management in handling and managing NPA would have divided to some fruitful activates which would give   good result.

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