A STUDY ON NON PERFORMING ASSETS IN SYNDICATE BANK LTD

R.ANIL KUMAR
DEPT OF MBA
MLRITM College,
Hyderabad

SAYYAD SAADIQ ALI
INTERNAL GUIDE
DEPT OF MBA
MLRITM College,
Hyderabad

Dr.K.VEERAIAH
Dept. HOD of MBA
MLRITM College,
Hyderabad

ABSTRACT

Banks plays an vital role in the economic development of a country. Banks are growth- driver and the financial business is presented to different hazard, for example, credit chance, liquidity chance, premium hazard, advertise chance, operational hazard and the executives chance. Aside from these dangers the significant hazard is credit recuperation. The sound money related situation of a bank relies on the recuperation of advances or its degree of Non-performing resources (NPAs). Reduced NPAs for the most part gives the feeling that banks have reinforced their credit examination forms throughout the years and development in NPAs includes the need of arrangements, which cut down the general productivity of banks. The Indian financial part is confronting a significant issue of NPA. The extent of NPA is similarly higher in open segments banks. To improve the proficiency and benefit of banks the NPA should be decreased and controlled.

Key words: *NPA, Banking, Profitability, Risk.*

INTRODUCTION

Banking division changes in India has advanced quickly on viewpoints like loan cost deregulation, decrease in legal hold prerequisites, prudential standards for financing costs, resource grouping, pay acknowledgment and provisioning. Be that as it may, it couldn't coordinate the pace with which it was relied upon to. The achievement of these standards at the execution stages without rebuilding the financial segment as such is making destruction, this exploration paper manages the issue of having non-performing resources, the explanations behind mounting of non-performing resources and the practices present in different nations for managing non-performing resources.

During pre-nationalization period and after autonomy, the financial area stayed in private hands Large businesses who had their control in the administration of the banks were using significant bit of monetary assets of the financial framework and accordingly low need was concurred to need areas. Legislature of India nationalized the banks to make them as an instrument of financial and social change and the order given to the banks was to grow their systems in rustic regions and to offer advances to need areas, for example, little scope ventures, independently employed gatherings, horticulture and plans including ladies.

To a limited degree the financial part has accomplished this command. Lead Bank Scheme empowered the financial framework to grow its system in an arranged manner and make accessible financial arrangement to the enormous number of populace and contact each layer of society by stretching out credit to their beneficial Endeavour's. This is obvious from the way that populace per office of business bank has descended from 66,000 in the year 1969 to 11,000 of every 2012. Also, portion of advances of open division banks to need segment expanded from 14.6% in 1969 to 44% of the net bank credit. The quantity of store records of the financial framework expanded from more than 3 crores in 1969 to more than 30 crores. Obtained accounts expanded from 2.50 lakhs to over 2.68 crores.

REVIEW OF LITERATURE

As indicated by an examination by Brownbridge (1998), the greater part of the bank disappointments were brought about by non-performing advances. Unfulfilled obligations influencing the greater part the advance portfolios were ordinary of the bombed banks. A considerable lot of the awful obligations were inferable from moral peril: the antagonistic impetuses on bank proprietors to receive hasty loaning procedures, specifically insider loaning and loaning at high financing costs to borrowers in the most unsafe sections of the credit markets.

Bloem and Gorter (2001) proposed that a pretty much unsurprising degree of non-performing advances, however it might fluctuate somewhat from year to year, is brought about by an unavoidable number of 'wrong financial choices by people and plain misfortune (nasty climate, unforeseen value changes for specific items, and so forth.). Under such conditions, the holders of credits can offer a leniency for a typical portion of non-execution as terrible advance arrangements, or they may spread the hazard by taking out protection. Endeavors likely could have the option to pass an enormous bit of these expenses to clients as more significant expenses. For example, the intrigue edge applied by money related foundations will incorporate a premium for the danger of non-execution on conceded advances.
As of now, banks' non-performing advances increment, benefits decay and significant misfortunes to capital may get clear. In the long run, the economy arrives at a trough and turns towards another expansionary stage, thus the danger of future misfortunes arrives at a depressed spot, despite the fact that banks may in any case show up moderately undesirable at this phase in the cycle.

OBJECTIVES

1. What types of contests banking industry is facing with distinctive reference to NPA.
2. How SYNDICATE bank cope with NPA and its impression in recent economic crisis.
3. To discovery the traits that would effect level of NPAs.
4. To analyse the significance of each variable that might effect the NPA level.
5. To recognise what is Non Performing Assets and what are the primary reasons for the emergence of the NPAs.

RESEARCH METHODOLOGY

The optional sources involved different evaluated reports and distributions of the Reserve Bank of India. Point by point data were gathered mostly from the different volumes of the "Factual Tables Relating to Banks in India" covering the period from 2015 - 2019 which were distributed by the Statistical Department of Reserve Bank of India, Mumbai from the site www.rbi.org.in.

HYPOTHESES:

H1: There exists a relationship between NPAs and profitability of private banks.

H2: The recovery mechanisms adopted by private banks are effective.

DATA ANALYSIS AND INTERPRETATION
ANALYSIS OF PRIMARY DATA

I) MULTIPLE CHOICE QUESTIONS

Table: 1 Since how long the branch is functioning?

		Frequency	Percentage (%)	Valid Percent	Cumulative Percent
Valid	0-2 years	1	7.7	7.7	7.7
	2-3 years	2	18.4	18.4	23.1
	3-5 years	5	38.5	38.5	61.5
	5-years above	5	38.5	38.5	130.0
	Total	16	130.0	130.0	

Interpretation:

39% of banks surveyed showed 3-5 years of functioning experience. Also, the same percentage (39%) was found to have an experience above 5 years.

Table: 2 since how long the presence of NPA is observed in your

		Frequency	Percentage (%)	Valid Percent	Cumulative Percent
Valid	0-1yrs	3	23.1	23.1	23.1
	1-2yrs	7	53.8	53.8	76.9
	above -5yrs	3	23.1	23.1	130.0
	Total	16	130.0	130.0	

Interpretation:

54% of banks observed NPA in their branch from 1-2 years.

Table: 3 what is the appropriate value of NPA is your branch? (Rs in lakhs)

		Frequency	Percentage (%)	Valid Percent	Cumulative Percent
Valid	1-13	5	38.5	38.5	38.5
	13-20	6	46.2	46.2	84.6
	20-30	1	7.7	7.7	92.3
	above - 40	1	7.7	7.7	130.0
	Total	16	130.0	130.0	

Interpretation:

46% of banks have 20 lakhs (approximate) of NPAs and 39% of banks have 1-13 lakhs (approximate) NPA.

FACTOR ANALYSIS:

Factorial profile of recovery mechanism adopted for NPA by banks

No. of rounds	No. of Factors	Communalities (Above)	Iterations	KMO (Above)	Items Deleted	Items Remained	V.E %	Factor Loading (Above)
1	3	.60	4	.45	1	8	80.36	.55
2	3	.65	5	.34	-	7	80.81	.70

ANALYSIS OF TREND AND ASSET QUALITY OF NET ADVANCES ON NET NON PERFORMING ASSETS:

Table 1.1: NET ADVANCES AND NET NPAS OF PRIVATE SECTOR BANKS

Years	**Net Advances(cr.)**	**Net NPAs**		
		Amount(cr.)	**Percent to Net Advances**	**Percent to Total Assets**
2010-11	68059	3700	5.4	2.3
2011-12	147473	6676	5.7	2.5
2012-13	168951	3963	2.8	2.3
2013-14	191054	4158	2.4	1.3
2014-15	191697	4215	2.2	1

2015-16	315962	3191	1	0.6
2016-17	417752	4028	1	0.5
2017-18	518403	5610	1.1	0.6
2018-19	575336	7418	1.3	0.7

Interpretation:

After the analysis of gross advances and gross NPA, the study investigates the net advances; net NPAs, ratio of net NPAs to net advances and net NPAs to total assets.

If we use the same criteria for private sector banks, we can see despite of continuous increase in net advances in all years the net NPA ratio to net advances and total assets increases in last 2-3 years that is in 2016-2017 and 2017-18 while all other years' shows a decreasing trend.

CLASSIFICATION OF LOAN ASSETS OF NPAS OF PRIVATE SECTOR BANKS

Table: 1.2

Years	**Classification of Loan Assets (Amount in Rs. Crore)**							
	Standard Assets		**Sub-standard Assets**		**Doubtful Assets**		**Loss Assets**	
	Amount	**%age**	**Amount**	**%age**	**Amount**	**%age**	**Amount**	**%age**
2010-11	65101	91.5	2585	3.6	3069	4.3	424	0.6
2011-12	139219	90.3	4738	3.9	6539	5.4	390	0.3
2012-13	161920	90.8	3703	2.6	8515	5.9	1418	0.8
2013-14	197106	94.2	3157	1.8	6391	3.6	825	0.5
2014-15 2015-16	219448	96.1	2216	1.0	5578	2.5	900	0.4
2016-17	312051	97.6	2424	0.8	4348	1.4	939	0.3
2017-18	382628	97.6	4378	1.1	3923	1	941	0.2
2018-19	459369	97.3	7280	1.5	4452	0.9	1544	0.3

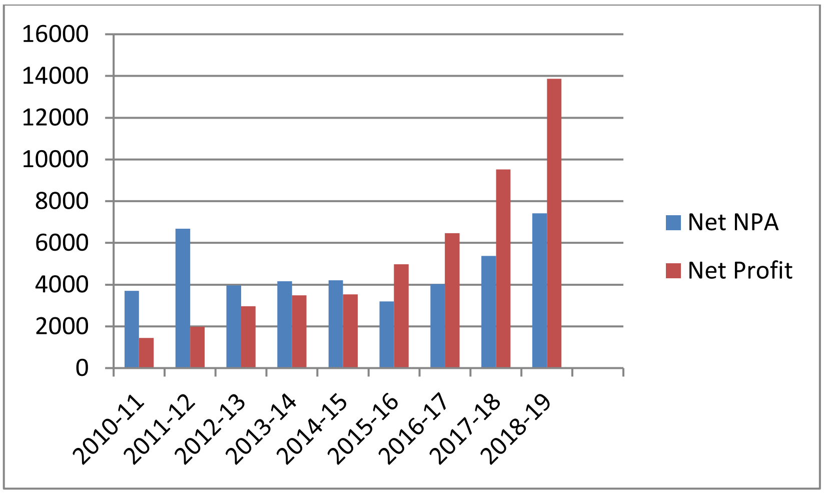
Interpretation:

If we analyze the loan assets of private sector banks, we can say that if we compare the first year and last year for sub standard assets we can say that there is a decrease in it of health is enlightening but overall analysis for sub-standard assets shows that after year 2013 there is a continuous increase in the amount of sub-standard assets i.e. from 1percent to 1.8 percent. But, the hesitant assets have declined from 5.9percent in 2011 to 0.9 percent in 2018.

Net NPAs & Net Profit of Private Sector Banks: 2010-2019

Table: 1.3

	Net NPA	Net Profit
2010-11	3700	1452
2011-12	6676	1979
2012-13	3963	2958
2013-14	4158	3481
2014-15	4215	3533
2015-16	3191	4975
2016-17	4028	6465
2017-18	5380	9522
2018-19	7418	13868



Interpretation:

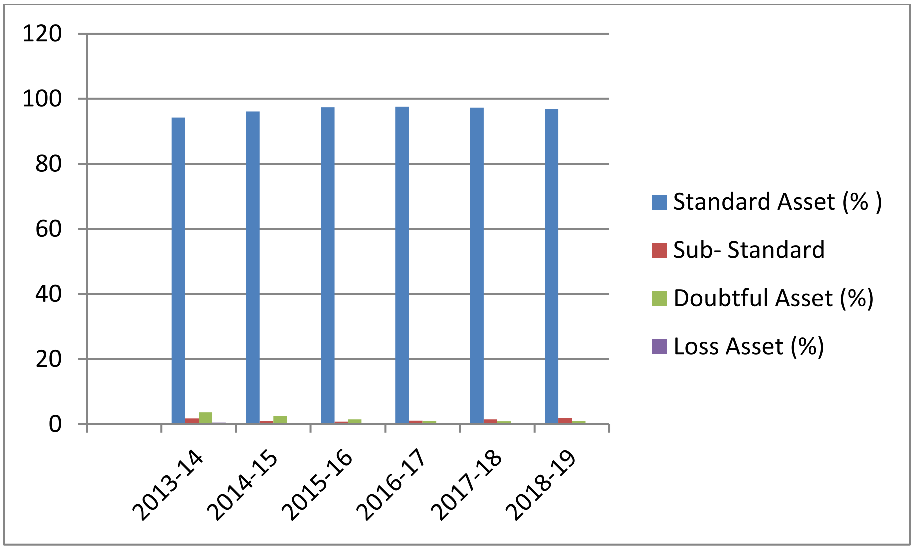
It is clearly observed from the line graph that there is continuous rise in net profit of private sector Banks over the years. The average of percentage increase in net profits of private sector banks comes to approximately **34%.**On the contrary there is no continuous rise/fall in net NPA. But overall there is rise in net NPA from 2006-10 to 2017-18. The average of percentage rise in net NPA comes to almost **18%.**

Classification of Loan Asset of P rivate Sector Banks in percentage:

Table: 1.4

Year	Standard Asset (%)	Sub-Standard Asset (%)	Doubtful Asset (%)	Loss Asset (%)
2013-14	94.2	1.8	3.6	0.5
2014-15	96.1	1.0	2.5	0.4

2015-16	97.4	0.8	1.5	0.3
2016-17	97.6	1.1	1.0	0.2
2017-18	97.3	1.5	0.9	0.3
2018-19	96.8	2.0	1.0	0.3



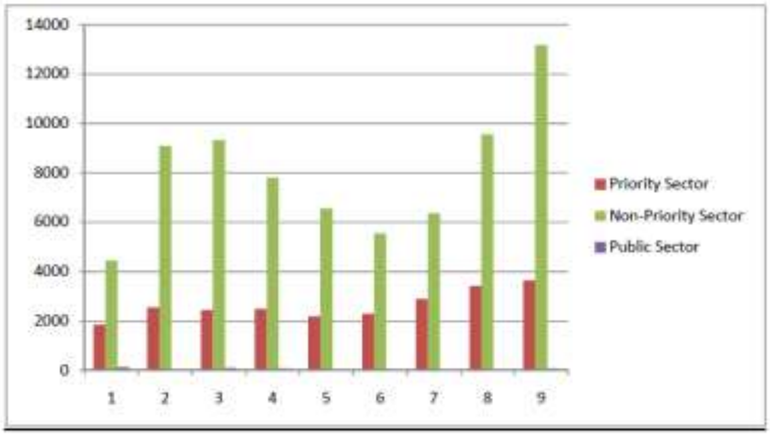
Interpretation:

The above chart clearly states that the rise in the standard assets over the years co mpensates the fall in the other three types of asset s. But in the year 2018, the percentage of Sub- Standard asset is highest among all the year. In 2018 percentage of standard asset has reduced b y 0.5% which is compensated by increase in Sub-Standard & doubtful assets. This increase is due to interest & principle amount unpaid due to financial crisis in 2018. The percentage of doubtful asset has reduced to a great extent amongst all. So t he private sector banks have managed to reduce the doubtful asset.

Composition of NPAs of Private Sector Banks - 2001 To 2012:

Table: 1.5

Year	Priority Sector	Non-Priority Sector	Public Sector
2010-11	1835	4452	153
2011-12	2546	9120	31
2012-13	2445	9327	95
2013-14	2482	7796	75
2014-15	2188	6569	42
2015-16	2284	5541	4
2016-17	2884	6353	3
2017-18	3419	9558	0
2018-19	3640	16192	75



Interpretation:

From the above graph it is observed that Priority sector category on an average constitutes almost **34%** of the total advances made by the private sector banks. While average NPA of priority sector constitutes of **25%** of total NPA. In later years from 2010 to 2012 there is increase in NPA of priority sector. In these years more advances was given to agriculture & housing sector.

FINDINGS:

1) Financial:

Non-imbursement of the very first repayment in case of time period loan. Bouncing of cheque due to insufficient stability inside the accounts. abnormality in installment.Irregularity of operations in the money owed. Unpaid late bills. Declining Current Ratio. Payment which does not cowl the interest and principal quantity of that installment.While tracking the bills it's miles resolute that biased amount is abstracted to sister situation or parent company.

2) Operational and Physical:

If statistics is obtain that the borrower has moreover initiated the method of completing or aren't doing the business.

Overdue receivables. Stock statement no longer submitted on time.

External non-controllable issue like herbal calamities within the metropolis wherein borrower behavior his business.

Frequent changes in plan.Nonpayment of wages.

3) Attitudinal Changes:

Use for private comfort, stocks and shares via borrower. Avoidance of touch with financial institution.

Problem between partners.

4) Others:

Changes in administration policy. Death of borrower.

SUGGESTIONS

The banks must assume the following wide-ranging strategy to govern NPA. The pointers are as follows:

1. Projects in the midst of old generation have to now not be careful for finance Large exposure on massive company or solitary responsibility should be avoid. Operating staffs' credit competencies should be up graduation.
2. There is want to shift banks approach from collateral safety to viability of the assignment and intrinsic energy of promoters.
3. Timely sanction and or launch of loans with the aid of the bank are to avoid time and fee overruns. Bank have to save you diversion of finances via the promoters. Operating team of workers should pore over the level of inventories/receivables at the time of assessment of working capital.
4. The financial institution should awareness on recovery from those borrows who've the potential to repay however aren't repaying initiation of coercive action a few such borrows may assist.

The recuperation machinery of the financial institution has to be movement lined; targets need to be constant for field officers / supervisors no longer simplest for recuperation in general however additionally in phrases of upgrading variety of present NPAs. In the financial institution there boast to be a right manpower planning. Bank ought to try to establish the branches in aggressive market, so it will increase their earnings. Bank has required increasing the cash and financial institution balances by reducing the unnecessary charges for future plan

CONCLUSION:

Increasing NPAs is single of the biggest issues that the individual Indian banks are facing today. If proper supervision of the NPAs isn't undertake it might hamper the efficiency of the banks. If the plan of NPAs is taken very lightly it would be risky for the banking quarter. The NPAs break the cutting-edge proceeds and hobby income and affect the easy functioning of the recycling of the finances. bank also redistribute losses to other borrowers with the aid of charge higher hobby fees. Lower set down charges and higher lending prices repress financial savings and economic markets, which in flip hampers the monetary growth of the country. Thus, it's far decidedly essential for the banks to cognizance their interest on increase of NPAs and take appropriate measures to alter their increase.

REFERENCES

1. *Rathore, R. (2016). Impact of NPAs on Banking Sector: The Indian Perspective. INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD, 2(7), pp.180-187.*
2. *Non-Performing Assets: A Study of State Bank of India. (2013). Asia Pacific Journal of Research, 1(10), pp.81-88.*
3. *Satyanarayana, S. (2016). Non-Performing Assets of Commercial Banks in India - A Study. International Journal of Trend in Research and Development, 3(6), pp.168-173.*
4. *Meher, B. (2018). Impact of Demonetization on NPA Position of Indian Banks. INTERNATIONAL JOURNAL OF ADVANCE SCIENTIFIC RESEARCH AND ENGINEERING TRENDS, 2(1), pp.1-8.*
5. *Piyush, P. and Goel, S. (2018). (NPA and ROA) Measurement of Correlations of different banks and trend analysis in NPAs of Indian banks. International Journal of Management, 8(6), pp.81-88.*
6. *Pradhan, T. (2018). Management of NPA in the Commercial Banks in Odisha: An Empirical Analysis. International Journal of Scientific and Research Publications, 2(9), pp.1-5.*
7. *Ibrahim, S. and Thangavelu, R. (2014). A Study on the Composition of Non-Performing Assets (NPAs) of Scheduled Commercial Banks in India. Journal of Finance and Bank Management, 2(1), pp.31-48.*

8. *Das, S. and Dutta, A. (2018). A Study on NPA of Public Sector Banks in India. IOSR Journal of Business and Management, 16(11), pp.75-83.*
9. *Natika, P. (2016). Non-Performing Assets in Indian Banks-An Overview. International Journal of Management, IT and Engineering, 6(7), pp.280- 303*
10. *Pasha, M. (2018). Non-Performing Assets of Indian Commercial Banks: A Critical Evaluation. AN INTERNATIONAL JOURNAL FROM M P BIRLA INSTITUTE OF MANAGEMENT, 8(1), pp.3-10.*