2581-4575
International Journal For Recent Developments in Science & Technology
Crossref
A Peer Reviewed Research Journal

A STUDY ON NON PERFORMING ASSETS

1.ROHIT KUMAR SHRAMA2. L. CHAITANYA

[1]MBA STUDENT SCHOLAR, TKR COLLEGE OF ENGINEERING&TECHNOLOGY, HYDERABAD,TELANGANA,INDIA

[2]ASSISTANT PROFESSOR ,TKR COLLEGE OF ENGINEERING&TECHNOLOGY, HYDERABAD,TELANGANA,INDIA

ABSTRACT: To compare the last year Non-Performing Assets to current year Non-Performing Assets of the bank. To study the collection process of Non-Performing Assets. To make suggestion for reduction of Non-Performing Assets. To study the general reasons for assets becoming Non-Performing Assets. To point out the amount of Non-Performing Assets in ICICI.To analyze the recovery procedure adopted by Bank. To find out the problem caused due to Non-Performing Assets. To make suggestions to overcome the problem, if any, at ICICI regarding Non-Performing Assets.Due to banking sector reforms initiated since 1992 in the country, the banks are facing new challenges in ever-changing scenario. Challenges are many among them vital challenges are 4Cs i.e. Credit (include NPA) Customer, Computer, Capital restructuring. In the changing scenario, the banks are under tremendous pressure to redefine their priorities in order to manage effectively there challenges for their survival and growth. Priorities are many, but resources and time are very limited. The top most priority for any bank is to manage its NPA at the international prescribed level of 5% on a gross basis and 2.8% on net below. More over the RBI is going to implement in phases all the stringent international standard for NPA. It is known fact that the banks and financial institutions in India face the problem of swelling non-performing assets (NPAs) and the issue is becoming more and more unmanageable. In order to bring the situation under control, some steps have been taken. One would be supersized to know that the banks and financial institution in India hold non-performing assets worth Rs. 100,000 crores. Bankers have realized that unless the level of NPAs is reduced drastically, they will find it difficult to survive. Also with increasing deposit made by the public, in the banking system, the banking industry cannot afford default by borrowers since NPAs affects the repayment capacity of banks. In this scenario, it is essential to make a study of NPAs in the Indian Banking System. This study is aimed at analyzing NPA, of ICICI Bank so that the recovery system can be strengthened.

KEY WORDS:EVOLUTION OF BANKING,BANKING SYSTEM IN INDIA,INTRODUCTION OF NPA,CASH CREDIT AND OVERDRAFTS.

I.INTRODUCTION

1.1. EVOLUTION OF BANKING:Banking, is its crude form, is an age- old phenomenon. It was in existence even in ancient times.

Revipout, a French writer, for instance, mentions about banks and bank notes in BABYLON in 600 B.C. in India, the references to money lending are found in the Manu smite also. Professor Marshall in his book, money, credit and commerce, (1923) writes about the activities of money – changers in the temples of Olympia and other scares places on Greece, around 2,000 B.C. To quote him “Private money changers began worth task of reducing many metallic currencies, more or less exactly, to common unit of value, and even to accept money on deposit at interest, and to lend it out at higher interest permitting meanwhile drafts to be drawn on them”.

As a matter of fact, the origin of banking lies in the business of money changing in ancient days. Another important factor that supported the emergence of banks in the early period was the need for borrowing by the monarchical from finance companies. In England, initially the Bank of England was established in 1964 on Italy lines to support government with finance.

In India, Modern banking started with the English agency houses in Calcutta and Bombay

Began to serve as bankers to the East India Company and the Hindustan Bank was the first banking institution of its kind to be established in 1779.

1.2. BANKING SYSTEM IN INDIA: The word “bank” is derived from the Greek word “BANKO” which means a bench. The real growth of modern banking in the country with the established of the presidency bank, called the Bank of Calcutta in 1806; later on many banks had been established.

In India, the money market is still characterized by the existence of both the organizers and the unorganized sector, comprising the moneylenders and indigenous bankers.In the field of industrial finance, the Industrial Development Bank of India was set up in 1964, it is the Apex Bank, and there are many institution like IFCI, ICICI, SFC’S, SIDCS, IRBI, all these institutions engaged as there are in the task of development are now designated as development banks.

1.3. DEFINITION OF BANK:

A bank is an institution which deals money and credit it accepts deposits from public, makes funds available to those who need them and helps in the remittance of money from one place to another in fact, a modern bank performs such a Varity of functions that it is difficult to give a precise and general definition. It is because of this reason that different economists give different definitions of the banks.

According to John Paget, “Nobody can be a Banker who does not (1) Take deposit account, (2) Take Current Accounts, (3) Issues and Pay cheques, and (4) Collect cheques crossed and uncrossed – for its customer.”

According to the India companies’ act 1949; Banking means “The accepting for the purpose of lending and investment, of deposit of money from the public, repayable on demand or otherwise, and with draw able by cheque, draft or otherwise.”

2581-4575
International Journal For Recent Developments in Science & Technology
Crossref
A Peer Reviewed Research Journal

In short, the term bank refers to an institution having the following features:

a. It deals with money: it accepts deposit and advances and loans.
b. It deals with credit: it has an ability to create credit. I.e., the ability to expand its liabilities as a multiple of its reserves.
c. It is a commercial institution: it aims at earning profit.
d. It is a unique financial institution that creates demand deposit, which serves as a medium of exchange, and as a result, the banks manage the payment system of the country.

1.4. INTRODUCTION OF NPA:

It is known fact that the banks and financial institutions in India face the problem of swelling non-performing assets (NPAs) and the issue is becoming more and more unmanageable. In order to bring the situation under control, some steps have been taken. The securitization and reconstruction of financial assets and enforcement of security interest act, 2002 was passed by parliament, which is an important step towards elimination or reduction of NPAs.

1.5. INDIAN ECONOMY AND NPAs:

Undoubtedly the world economy has slowed down, recession is at its peak, globally stock markets have tumbled and itself is getting hard to do. The Indian economy has been much affected due to high fiscal deficit, infrastructure facilities, sticky legal system, cutting of exposures to emerging markets by fis ect.

Further, international agencies like, standard and poor have lowered India’s credit rating to sub-investment grade. Such negative aspects have often-outweighed positives such as increasing forex reserves and a manageable inflation rate. Under such a situation, it goes without saying that banks are no exception and are bound to face the heat of a global downturn. One would be supersized to know that the banks and financial institution in India hold non-performing assets worth Rs. 100,000 crores. Bankers have realized that unless the level of NPAs is reduced drastically, they will find it difficult to survive.

Also with increasing deposit made by the public, in the banking system, the banking industry cannot afford default by borrowers since NPAs affects the repayment capacity of banks.

Further, RBI successfully creates excess liquidity in the system through various rate cuts and banks fails to utilize this benefit to its advantage due to the fear of burgeoning NPA. As per prudential norms on assets classification and provisioning all advantages to be classified in the following categories:

1.6. Assets are of two types:

a. Performing assets
   - Standard assets

b. Non-performing assets
   - Substandard assets
   - Doubtful assets

2581-4575

International Journal For Recent Developments in Science & Technology

Crossref

A Peer Reviewed Research Journal

- Loss assets

II.LITERATURE SERVEY

2.1 PROCEDURE FOR DETERMINING NPA STATUS FOR VARIOUS CREDIT FACILITIES:

TERM LOAN: A term loan account will be treated as NPA if interest/installment remains overdue for a period of than 180 days.

2.2.**CASH CREDIT AND OVERDRAFTS:**

A cash credit or overdrafts will be treated, as NPA is the account remains out of for a period of more than 180 days. An account should be treated as of order if the outstanding balance remains continuously in excess of sanctioned IHIL drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/ drawing power but there are no credits continuously for six months as on date of balance sheet or credits are not enough to cover the interest debited during the same period such accounts should also be treated as out of order. As classification of an asset as NPA is based on the recovery of an advance, account may not be classified as NPA merely due to existence of some deficiencies which are of temporary nature, such as non-availability of adequate drawing power, balance outstanding exceeding the limit, non-submission of stock statements and non-renewal of the limits on due dates. In other words on the case of parties who are having difficulties in meeting their commitments due to genuine problems such as delay on realization of bills on due dates, piling up of inventories due to market recession etc. and the account is overdrawn such of the accounts need not be classified as NPA merely because of excess over the drawing power/sanctioned limit as on the balance sheet date. But it should be ensured that interest should not be in arrears for two-quarter and or more and the irregularities should have been

In the case of Bank finance for industrial projects/for agricultural projects etc., where moratorium is available for payment of interest such interest becomes, due for payment only after the moratorium or gestation period is over. As such these credit facilities do not become NPA during moratorium period.

2.3. PROVISIONIN REQUIREMENT: Regularized subsequently. Nevertheless when there is a threat of loss or the advance is in doubt the asset should be classified as NPA.

Treatment of certain A. special types of advances:

Advances granted against the following could be classified as Standard Asset even though there is overdue interest and installment provided the outstanding is covered by sufficient margin,

a) Loans against banks term deposits.

b) Loan NSC/LIC (Surrender Value)

c) Loans against Indira Vikas Patra and Kisan Vikas Patra.

2581-4575

International Journal For Recent Developments in Science & Technology

Crossref

A Peer Reviewed Research Journal

Provisioning in doubtful assets:

If the outstanding is not fully covered by security and DICGC/ECGC cover 100% provision has

Category Requirement	Age of NPA	Provision
D-1	More than 2 years but up to 3 years	20% on the Secure Portion
D-2	More than 3 years but up to 5 years	30% on the Secure Portion
D-3	Above 5 years	50% on the Secure Portion

to be made on the balance unsecured portion. In respect of additional provision required on the assets which have become doubtful on account of reduction in the time frame for standard assets from 2 years to 18 months, the provision requirement may be spread over two years i.e., 50% to be made as on 31st March 2005 and balance 50% to be made as on 31st March 2006.

d.Loss Assets:

In respect of loss of assets as there is no security available 100% provision is made on the net outstanding after deducting DICGC/ECGC cover if available .If substantial security is available which is considered realizable the credit facility should be treated as doubtful. However, if the realizable salvage value of the security is negligible then the account should be classified as loss asset and provision should be made for 100% of the outstanding after deducting the salvage value e.g., if dues to the bank are 0.01 lac the provision should be made for Rs.0.99 lakhs.

Prevention of non-performing assets: Investment in loans or advances is one segment of operation for the present day bankers, which they can hardly afford to lose sight of. Here what is important is not to make investment but to invest in assets,which for the times to come should remain performing to give regular income. For ensuring extension of sound lending. Reserve bank and individual banks laid emphasis on. Pre sanction appraisal

NPA REDUCTION INSTRUMENTS IN INDIA:

Lok Adalats: For recovery of smaller loans, the Lok Adalat has proved a very good agency for quick justice and settlement of dues. Lok Adalats have gained prominence over a period of time as a forum through which the disputes among the parties are settled through an expeditious compromise settlement.

Debt Recovery Tribunals: Under the Banks and Financial Institution Act, 1993 popularly known as Debt Recovery Tribunal (DRT) Act, DRTs have been set up in Delhi, Kolkata, Mumbai, Ahmedabad, Jaipur, and at some other centers to dispose of recovery applications involving dues of Rs.10 lakhs and above filed by the bankers and financial institutions against their defaulters within a span of six months.

Corporate Debt Restructuring: With a view to putting in place a mechanism for timely and transparent restructuring of corporate depts. Of variable entities facing problems, a scheme of Corporate Debt Restructuring was started in 2001 outside the purview of Board for Industrial Finance and Reconstruction (BIFR), DRT and other legal proceedings.

2581-4575
International Journal For Recent Developments in Science & Technology
Crossref
A Peer Reviewed Research Journal

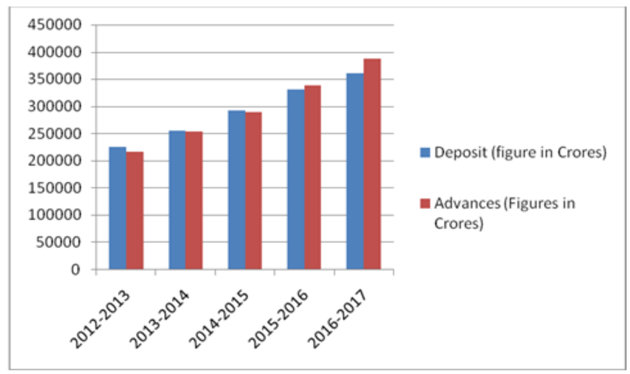
SARFAESI: To provide a significant impetus to banks to ensure sustained recovery, the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFASI)Act was passed in 2002 and was subsequently amended to ensure credit rights.

Asset Reconstruction Company: With a view to increasing the options available to banks for dealing with NPAs, guidelines were issued on sale/purchase of NPA in July 2005 and Asset Reconstruction Companies have been allowed to be set-up. Subsequently, a few ARCs have been registered in private sector and operating as independent commercial entities to acquire non-performing assets from any financial entity and restructure and rehabilitate or liquidate them within a definite time frame.

NPAs are not only a drag on profitability but are usually associated with high maintenance and carrying costs. Banks are required to make provisions for these NPAs and write off those accounts which are not recoverable, against reserves available. All these have an adverse effect on the financial health of the banks. The Finance Ministry and the RBI are working overtime to devise newer and solutions/ steps to stabilize the financial system in our country.

GROWTH IN DEPOSITS & ADVANCES:

Year	Deposit (figure in Crores)	Advances (Figures in Crores)
2012-2013	225602.11	216365.90
2013-2014	255499.96	253727.66
2014-2015	292613.63	290249.44
2015-2016	331,913.66	338,702.65
2016-2017	361,562.73	387,522.07



Interpretation:

It has been observed that in the year 2012-13 the deposit were Rs. 225602.11 crores and it was increased to Rs. 361562.73 crores in the year 2015-16. it also been observed that advances were also increased from Rs. 225602.11 crores in the year 2012-13 to Rs. 331913.66 crores in the year 2014-15. From the above table we can conclude that deposit and advances of ICICI are in increasing manner.

III. RESEARCH METHODOLOGY (HYPOTHESIS):

Research is based on the historical data.Primary data: Primary data refers to the data collected by the researcher directly by interviewing .Secondary data: The study is based on secondary data collected through-

2581-4575

International Journal For Recent Developments in Science & Technology

Crossref

A Peer Reviewed Research Journal

- Data from regional office of bank
- Annual report of ICICI Bank.
- Leading Journal such as Economic challenger

3.1. METHODOLOGY:

The NPA of past and current year have been compared to analyze the performance of the bank. Comparative study of NPA is made by using the bar diagram, line diagram and pie diagram.

The project has been prepared by careful study of available resources. The material gathered is authentic character and has been collected from reliable sources. The sources of information can be categorized into two:

- Primary Data
- Secondary Data

3.2.Primary Data:

The primary information used in this study analysis is sourced from the data gathered from:

- Managers of the Bank
- Employees of the Bank

3.3. Secondary Data:

The main sources for secondary information are:

- Banking portals on the web
- Banking journals
- ICICI Bank Banks manuals
- The banks website
- Annual report of concerned bank

Published book related to the subject.

IV. INDUSTRY PROFILE

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry is expected to witness better growth prospects in 2015 as a sense of optimism stems from the Government's measures towards revitalizing the industrial growth in the country. In addition, RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. .A **bank** is a financial institution that accepts deposits and channels those deposits into lending activities. Banks primarily provide financial services to customers while enriching investors. Government restrictions on financial activities by banks vary over time and location. Banks are important players in financial markets and offer services such as investment funds and loans. In some countries such as Germany, banks have historically owned major stakes in industrial corporations while in other countries such as the United States banks are prohibited from owning non-financial companies. In Japan, banks are usually the nexus of a cross-share holding entity known as

2581-4575
International Journal For Recent Developments in Science & Technology
Crossref
A Peer Reviewed Research Journal

the keiretsu. In France, banc assurance is prevalent, as most banks offer insurance services (and now real estate services) to their clients.

Road Ahead

The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's the economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

Also, the advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services totheirclients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge.

Many banks, including HDFC, ICICI and AXIS are exploring the option to launch contact-less credit and debit cards in the market shortly. The cards, which use near field communication (NFC) mechanism, will allow customers to transact without having to insert or swipe.

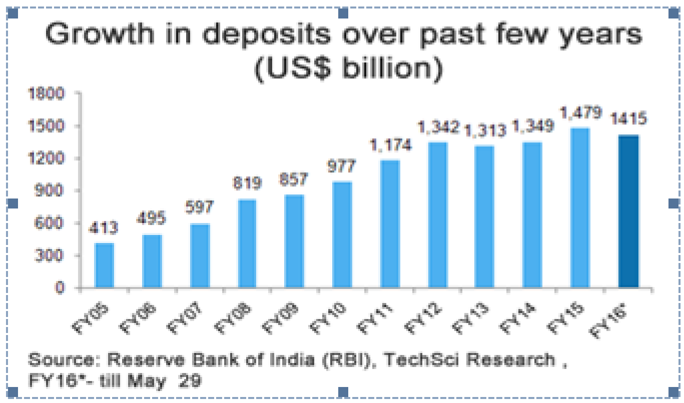
Indian banking sector credit growth has grown at a healthy pace

• Credit off-take has been surging ahead over the past decade, aided by strong economic growth, rising disposable incomes, increasing consumerism and easier access to credit

• Total credit extended went up to US$ 1,089 billion by FY15

• Credit to non-food industries increased 9.75 per cent to US$ 1,073.4 billion in FY15, from the previous financial year

• Demand has grown for both corporate and retail loans



Reserve Bank of India (RBI) in its fifth bi-monthly monetary policy review has maintained status quo in key policy interest rate. The key policy interest rates were kept unchanged on the basis of an assessment of the current and evolving macroeconomic situation in the country. The Key policy interest rates are Repo rate under the liquidity adjustment facility (LAF): unchanged at 6.75 per cent. Reverse repo rate under the LAF: unchanged at 5.75 per cent Marginal standing facility (MSF) rate and the Bank Rate has unchanged at 7.75 per cent. Cash Reserve Ratio (CRR) of scheduled banks: Unchanged at 4.0 per cent of

2581-4575

International Journal For Recent Developments in Science & Technology

Crossref

A Peer Reviewed Research Journal

net demand and time liability (NDTL). Continuation of liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate. Continuation of liquidity under 14-day term repos as well as longer term repos of up to 0.75 per cent of NDTL of the banking system through auctions.

4.1..GROUP PHILOSOPHY

As India transforms into a key player in the global economic arena, multiple opportunities for the financial services sector have emerged. We, at ICICI Group, seek to partner the country's growth and globalization through the delivery of world-class financial services across all cross-sections of society. From providing project and working capital finance to the buoyant manufacturing and infrastructure sectors, meeting the foreign investment and treasury requirements of the Indian corporate with increasing levels of international engagement, servicing the India linked needs of the growing Indian diaspora, being a catalyst to the consumer finance story to serving the financially under-served segments of the society, our technology empowered solutions and distribution network have helped us touch millions of lives.

TABLE 4.2 SHARE OF ASSETS IN TOTAL NPA

NPA as on 2015		
Particular	**Number of accounts**	**Amount (in Cr...)**
1. Sub standard		
(a) Secured	7	1.25
(b) Unsecured	-	-
2. Doubtful assets		
Up to 1 year		
(a) Secured	1	7.48
(b) Unsecured	1	0.04
Above 1 year up to 3 year		
(a) Secured	-	-
(b) Unsecured	12	4.07
Above 3 year		
(a) Secured	1	2.39
(b) Unsecured	6	0.9
3. Loss assets	-	-
Total		
(a) Secured	9	11.12
(b) Unsecured	19	2.01
Total NPA	**28**	**13.13**

TABLE 4.2 SHARES OF ASSETS IN TOTAL NPA

NPA as on 2015

Particular	Percent
Secured	96.96
Unsecured	3.03

2581-4575

International Journal For Recent Developments in Science & Technology

Crossref

A Peer Reviewed Research Journal

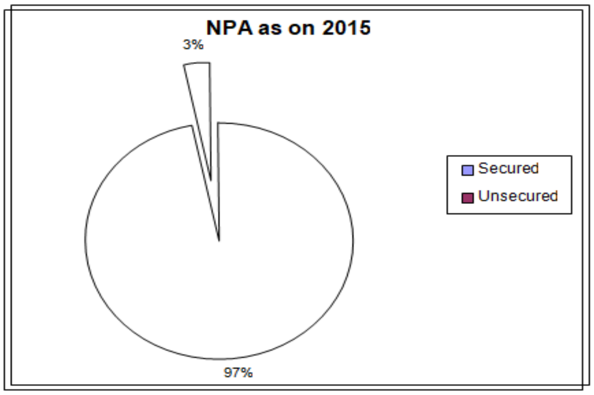


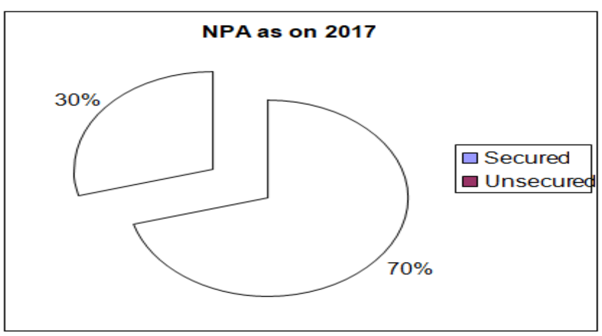
Fig. No: - 5.1

INTERPRETATION:

From the above chart we can conclude that the secured loans shared a large portion and also steadily increase in the total NPA, the share of secured loans is 97% whereas the unsecured loans shared only 3% in total NPA which was a small share in total NPA.

TABLE: 4.4 NPA as on 2017

Particular	Percent
Secured	70.44
Unsecured	29.56



INTERPRETATION:

From the above chart we can interpretation that the secured loans shared a 70% portion in total NPA which was decreased from 70% and unsecured loans share in total NPA was 30% and it has increased from 3% from previous period.

SCOPE OF THE STUDY: Performance in terms of profitability in a benchmark for any business enterprise including the banking industry. However, increasing NPAs have direct impact on bank profitability as legally banks are not allowed to book income on such accounts and at the same time banks are forced to make provision on such assets as per reserve bank of India (RBI) guidelines.The scope of study is wide and covers all the financial institutions in the country. As it is a vast subject, it is not possible to study the NPAs of all banks in the country/state. So the study is limited to analysis of NPAs of ICICI Bank again the Bank has 38 branches spreading over few states and hence study is limited to analysis of NPAs at ICICI branches. And also the scope of the study is for analyzing the N.P.A. of ICICI Bank for a period of 5 year and to find out how much amount is transferred to ARC and LPWA (loan pending to arbiter).

CONCLUSION

Gross NPA in ICICI is not stable. The scope of study is wide and covers all the financial institutions in the country. As it is a vast subject, it is not possible to study the NPAs of all banks in the country/state. So the study is limited to analysis of NPAs of ICICI Bank again the Bank has 38 branches spreading over few states and hence study is limited to analysis of NPAs at one branch. As the study is limited to

2581-4575

International Journal For Recent Developments in Science & Technology

Crossref

A Peer Reviewed Research Journal

one branch we can’t conclude that the gross NPA of all the branches of ICICI is 3.27% in general.

BIBLIOGRAPHY:

Books:

1.T.V Gopala Krishnan - Non-Performing Advances-1st edition-vikas publication

2.Timothy. W. Koch and S. Scott Macdonald - Bank Management-7th edition- S. Scott MacDonald.

3.Baye and Jansen - Money, Banking and Financial Market-6th edition- Houghton Mifflin

4.Sudhindra Bhat, “Management Account’, 2009 1st Edition Excel Books-.

5. Ashis K. Bhattacharya, “Essential of Financial Accounting”, 2009 5th Edition, PHI.

6.Prasanna Chandra, “Financial Management-Theory & Practice”, 7th Edition TMH.

STUDENT PROFILE

ROHIT KUMAR SHARMA HE IS COMPLETED HIS DEGREE FROM PRAGATI MAHAVIDYALAYA DEGREE COLLEGE AT HANUMAN TEKDI, KOTI AND NOW PURSUING MBA INTKR COLLEGE OF ENGENEERING& TECHNOLOGY, HYDERABAD, TELANGANA, INDIA.

GUIDE PROFILE

L.CHAITANYASHE ISWORKING AS ASSISTANT PROFESSORINTKRCET,HYDERABAD,TELANGANA,INDIA.