

A Report on Non Performing assets of Hanumantha Nagar Co-Operative Bank Ltd

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ABSTRACT

The Indian banking sector faced a big problem of growing Non Performing Assets (NPA's). Where the growth of NPA's has a direct impact on the bank's profitability. Deciding how good the company is financially is noted as one of the criteria. The co-operative banks can be characterised as an entity owned and operated jointly by individuals using its services. Co-Operative banks will serve as powerful outlets for the country's socio economic recovery. The title of the study is "A Report On Non Performing Assets Of Hanumanthanagar Co-Operative Bank Ltd". The study examined the status of non performing assets of Hanumanthanagar Co-Operative Bank during 2020-2023. Findings for the analysis given a clear to analyse the project there is an increasing trend in co-operative bank, it also proved that NPA's has the highest impact on the banks and the NPA contributing factors are internal and external factors. The main study of the ratio is also performed to know the bank's financial status and profitability.

Key Words: Non Performing Assets, Co-Operative Bank, NPA Ratios, NPA Impacts.

INTRODUCTION

A bank is a type of financial institution that offers its customers banking services as well as other financial services. Most people think of banks as places where they can get basic financial services like loans and deposit taking. Without the legal banks, which are a division of the financial facilities business, being adopted, non-bank institutions may offer additional banking services. A banking system is sometimes referred to as the bank's network, which offers daily cash management services to clients and keeps track of their portfolio transactions and balance sheets. The issues that technology presents to banking are new, just like any other internal external aspect. Over the past thirty years, India's banking industry has demonstrated numerous exceptional credit outcomes. India's main participants in the financial sector are banks.

HISTORY OF BANKING SECTOR

In 1786, the General Bank of India was founded, becoming the nation's first bank. The East India Company established the banks in Bengal/Calcutta (1809), Bombay (1840), and Madras (1843). Next in line to be established in 1870 was the Hindustan Bank. These three establishments—Calcutta Bank, Bombay Bank, and Madras Bank—were given the designation of Presidential Banks. The full management of the 1865-founded Allahabad Bank was done by Indians for the first time. The Imperial Bank of India, owned by European shareholders, was founded in 1921 by the Punjab National Bank Ltd., which was founded in 1894 and had its headquarters in Lahore between 1906 and 1913. Other founding members of the bank included the Bank of India, Central Bank of India, Bank of Baroda, Bank of Canara, Bank of India, Bank of Mysore, and all Presidential banks.

The Reserve Bank of India was established in April 1935 as a result. At first, the banking system's expansion was extremely slow. There were over 1100 small banks in India between 1913 and 1948. In order to streamline the operations and activities of commercial banks, the Indian government created the 1949 Banking Companies Act, which was later revised to the 1949 Banking Regulation Act in accordance with the 1965 Attending Act (Law number to 23 of 1965). As a central banking authority, the Reserve Bank of India was given the ability to control the country's banking sector. Since independence, the government has acted to reform the Indian banking industry in the most significant ways. The State Bank of India was established in 1955 to act as the primary agent of the Reserve Bank of India and oversee banking operations across the globe. The Indian Imperial Bank was founded in 1955.

RESERVE BANK OF INDIA

Based on the provisions of the Indian Act 1934 for reserve banks, India's Reserve Bank was founded on April 1, 1935, and is a central bank. After being established, the RBI's central office is in Mumbai. Despite the Indian Reserve Bank's initial private ownership, since its nationalization in 1949, the Indian government has been the sole owner. Deployed

with a share capital of five crore rupees, each fully paid up share was worth a hundred rupees. An appointed central board, headed by a governor, would oversee the RBI. The board will be chosen by the Indian federal government. In India, RBI has twenty-two regional offices. 1949 saw the nationalization of the Reserve Bank of India. April 1st, 1935 was the official start date of the RBI Act. The 1934 Act provides the legal basis for the bank's operations.

The bank was established with the goal to follow :-

- ◆ To control bank note issues.
- ◆ Maintain the reserves to guarantee monetary stability.
- ◆ Running to their benefit, the country's credit and currency scheme.

Functions of RBI as a central bank of India are explained briefly as follows :-

- ◆ Ministry of Finance
- ◆ Reserve Bank of India
- ◆ Scheduled banks
- ◆ Cooperative banks
- ◆ Commercial banks
- ◆ Central co-operative
- ◆ Public sector banks
- ◆ Private sector banks
- ◆ Foreign banks
- ◆ Regional rural banks
- ◆ State cooperative
- ◆ Primary credit Society

LITERATURE REVIEW

S Sambasiva Rao, (2002) This researcher believes that bank loans are a form of punishment for the banks' efforts to recover financially. The bank grants authorization to the appropriate agencies and grants them legal standing to retrieve the loan.

Gupta S and Kumar S, (2004) Described as the redeeming features of the banking sector reforms, with the ongoing decrease in gross and net non-performing assets relative to the total assets of all bank groups. Resolution of non-performing assets is necessary, failing which the financial system's foundation will be destroyed along with the entire economic structure.

Ramu N, (2008) Tested NPA management in the five (UCB's) urban cooperative banks. Although banks are crucial to the distribution of credit, the author pointed out that in 2005, their net non-performing assets (NPA) ratio was an unsettling deviation from both their gross NPA and net NPA ratios, which were 23.4% and 12.5%, respectively.

A. K, (2011) This current research paper uses an empirical approach to evaluate the productivity metrics of NPA and also discusses the major factors as a result of which NPA's are increasingly growing. Statistical methods such as correlation and regression have been used for this analytical analysis.

RESEARCH METHODOLOGY

In this report, an analysis is made for knowing the position of NPS's, Movement of NPA's, quality of loan assets, risk weightage for NPA's and sartorial deployment of loan assets.

The following are the tools used :

- ◆ Ratio analysis.
- ◆ Comparative statement analysis.
- ◆ Correlation.
- ◆ Time series trend analysis.

OBJECTIVES OF THE STUDY

- To study the trends of NPA in Hanumanthanagar Co-operative Bank Ltd.
- To do a comparative analysis of financial statements of the Hanumanthanagar Co-operative Bank Ltd.
- To study the impact of non-performing assets on the performance of Hanumanthanagar Co-operative Bank Ltd.
- To study the factors contributing to the NPA's, in the Hanumanthanagar Co-operative Bank Ltd.
- To study the effectiveness of measures taken to recover NPA by Hanumanthanagar Co-operative Bank Ltd.
- To suggest measures to reduce NPA's in Hanumanthanagar, Co-operative Bank Ltd.

Scope Of The Study

For the purpose of the study, the Hanumanthanagar cooperative bank is selected. The NPA at this bank has been examined to reconsider the grouping of asset, provisional made etc by the bank. The various other details which are essential to compute the various NPA has been collected and worked out with the help of the data will cover the financial statements of last four years which was available at the bank.

Co-operative banks or regional joint ventures with locations in both urban and rural areas. Historically, working-class neighbourhoods, towns, and locations have been the focus of these banks' major loans to small lenders and businesses. A financial institution owned by its members, who are their banks' customers, is called a cooperative bank. Individuals who belong to or have a shared interest in the same local or professional group frequently join cooperative banks. The vast array of banking and financial services that cooperative banks often offer to their members includes credit loans, bank accounts, and more. The majority of fishermen, lenders, small businesses, and independent contractors are members of cooperative banks. The first cooperative bank in India is called Anyonya Co-operative Bank Ltd (ACBL), and its main office is in Vadodara, Gujarat. The tenet of "no loss profit" guides the operations of cooperative banks.

Meaning Of Non Performing Assets

When an asset stops bringing in money for the bank, it is said to be non-performing. Previously, the idea of "Past Due" was used to classify an asset as a non-performing asset (NPA). A credit for which interest and/or a principal instalment have been "past due" for a predetermined amount of time is referred to as a "non performing asset" (NPA).

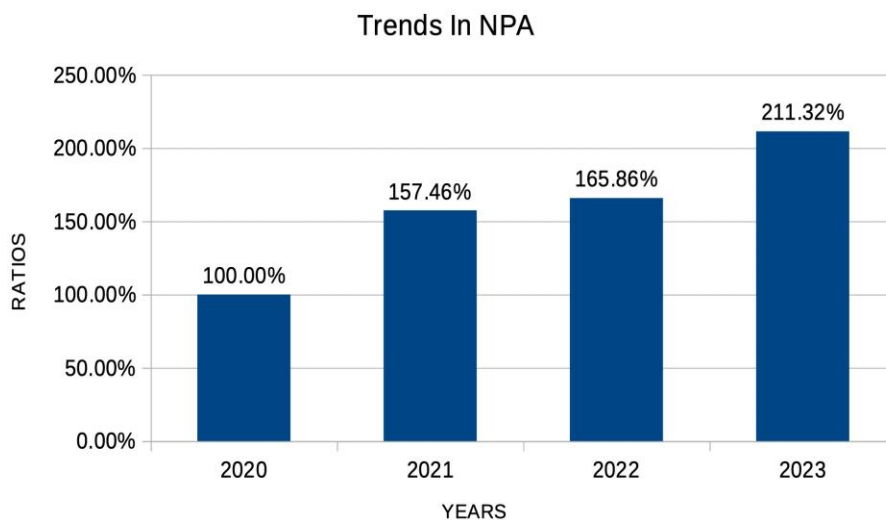
Classification Of Non-Performing Assets

As per RBI guidelines non-performing assets are namely classified into four types and they are :

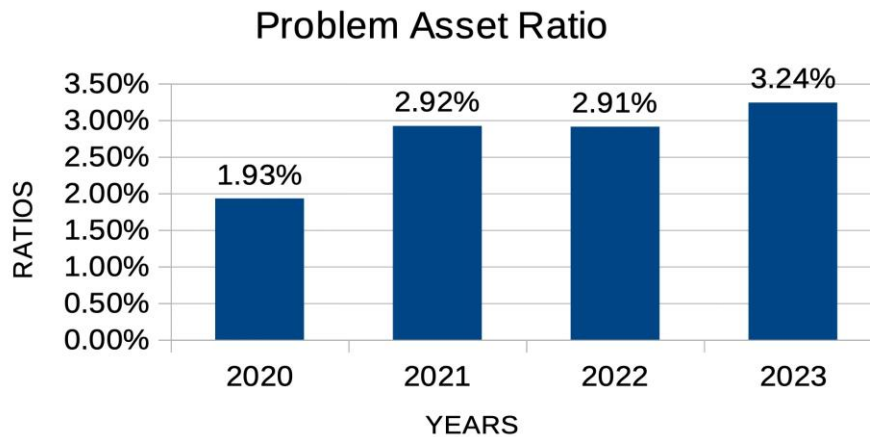
- **Standard Assets** — This is considered a regular resource as a performing resource, when in question standard tools allow clear pay and sections as and when necessary. In the assured sense, these tools were not NPA as they move on an ordinary threat.
- **Sub Standard Assets** — These are the ideal words (credits and advances) that are deemed to be non-performing for a duration of one year.
- **Doubtful Assets** — Doubtful resources are points of interest that are deemed to be non-performing for a period of more than one year.
- **Loss Assets** — Loss assets/Lost assets are the key goals that cannot be recovered at any capacity. The auditors categorise those properties Central Bank.

A STUDY ON THE TRENDS OF NPA IN HANUMANTHANAGAR CO-OPERATIVE BANK

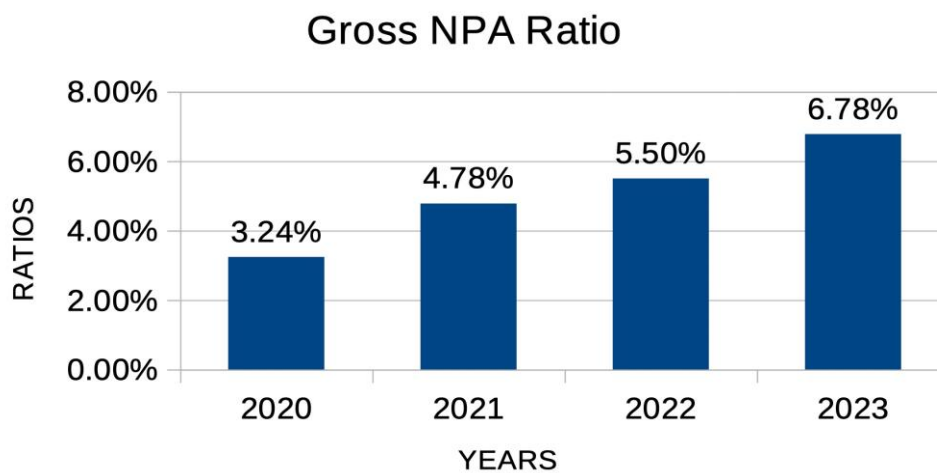
Analysis Of Percentage Change in NPA's In Total Advances



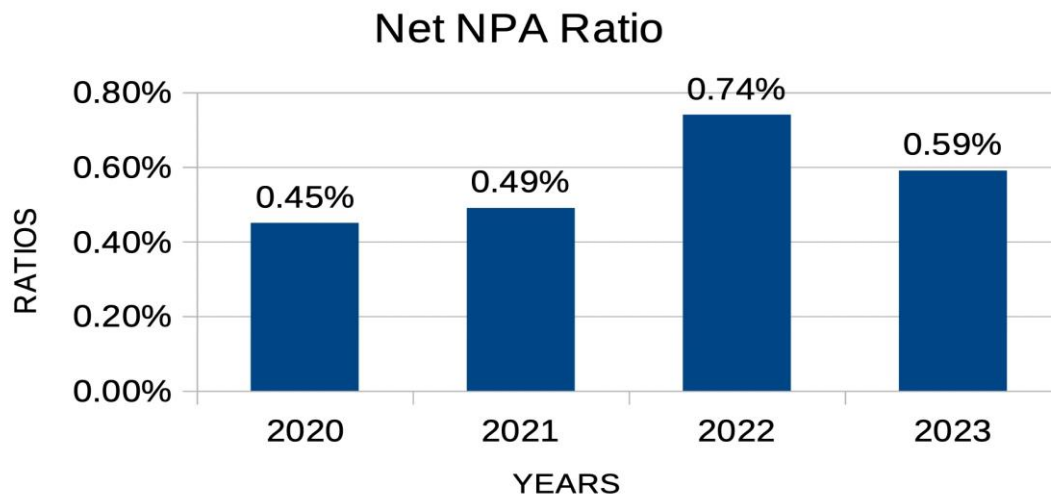
Analysis Of Gross NPA Ratio



Analysis Of Net NPA Ratio

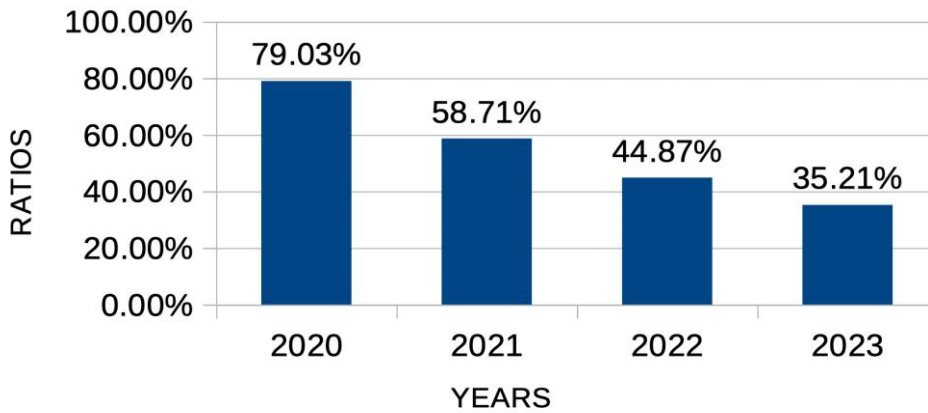


Analysis Of Problem Asset Ratio



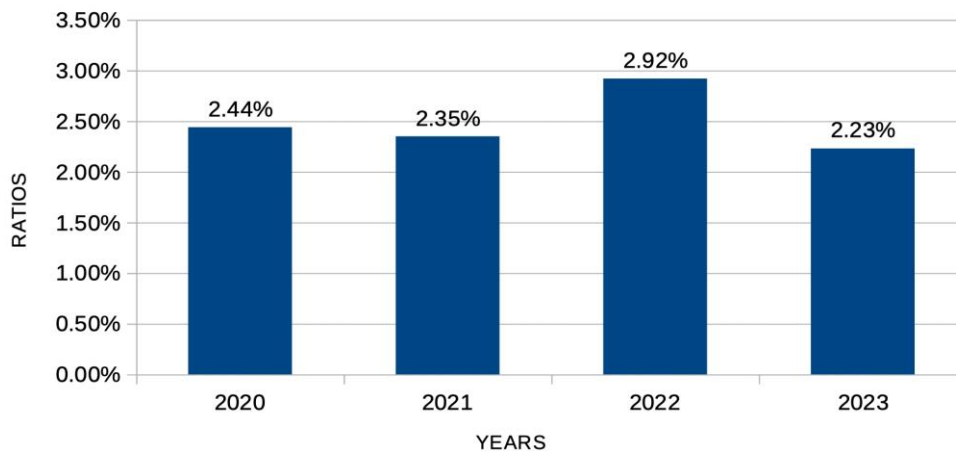
Analysis Of Provision Ratio

Provision Ratio



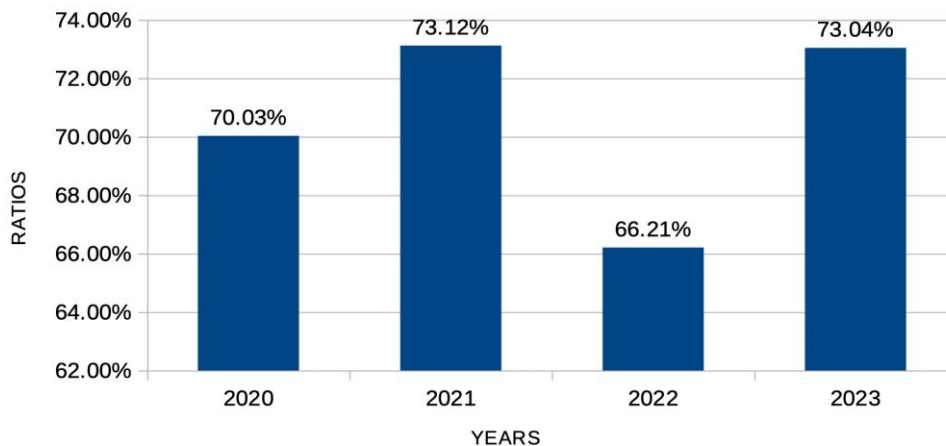
ANALYSIS OF SHAREHOLDERS RISK RATIO

Shareholders Risk Ratio



ANALYSIS OF LOANS AND ADVANCES TO TOTAL DEPOSITS RATIO

Loans and Advances to Total Deposits Ratio



COMPARATIVE STATEMENT ANALYSIS FOR THE YEAR ENDED 2020-2021

PARTICULARS	2020	2021	ABSOLUTE CHANGE	CHANGE IN PERCENTAGE
LIABILITIES				
Share Capital	93929650	92958700	-970950	1.0336991567625
Reserves and Other Funds	288690285.34	323374639.72	34684354.38	12.014382243292
Deposits and Other Accounts	2117417024.37	2172550170.5	55133146.13	2.6037925215229
Interest Reserves	96200351.4	107217543	11017191.6	11.452340287397
Interest Payable	10794887	19217670	8422783	78.025670856952
Other Liabilities	14633511.48	19902523.51	5269012.03	36.006477578544
DE Funds	1799003	1799003	0	0
Net Profit	6597963.85	9997265.97	3399302.12	51.520472031686
TOTAL LIABILITIES	2744596250.78	2747017515.7	2421264.919	0.0882193480848
ASSETS				
Cash	18336455	31025762	12689307	69.202618499595
Balance With Other Banks	109612728.74	79103531.18	-30509197.56	27.833626542011
Money at Call and Short Notice	12500000	25000000	12500000	100
Investments	820945341.4	986136386.4	165191045	20.122051575113
Loans and Advances	1547444906	1491538415	-55906491	3.6128259418626
Interest Receivables	104736345.73	117185106	12448760.27	11.885807341504
Land and Building	2839554	4208709	1369155	48.217255245013
Furniture and Fixtures	2552018	2303264	-248754	9.7473450422371
Office Equipments	781487	664262	-117225	15.000249524304
Computer	381045	339833	-41212	10.815520476584
Vehicles	1487517	1264389	-223128	15.000030251755
Other Assets	6646275.57	644885.12	-6001390.45	90.297045116352
DEA Funds	1799003	1799003	0	0
TOTAL ASSETS	2744596250.78	2747017515.7	2421264.919	0.0882193480848

COMPARATIVE STATEMENT ANALYSIS FOR THE YEAR ENDED 2021-2022

PARTICULARS	2021	2022	ABSOLUTE CHANGE	CHANGE IN PERCENTAGE
LIABILITIES				
Share Capital	92958700	89301850	-3656850	-3.9338437392
Reserves and Other Funds	323374639.72	342713190.69	19338550.97	5.980231184
Deposits and Other Accounts	2172550170.5	216317967.14	-9232203.	-0.4249477
Interest Reserves	107217543	128133684	20916141	19.508133
Interest Payable	19217670	9122303	-10095367	-52.53169043
Other Liabilities	19902523.51	21227484.71	1324961.2	6.657252

DEA Funds	1799003	1902610	103607	5.759134
Net Profit	9997265.97	7945176.7	-2052089.27	-20.52650
TOTAL LIABILITIES	2747017515.7	2747017515.7	0	0
ASSETS				
Cash	31025762	13157043	-17868719	-57.59316
Balance with Other Banks	79103531.18	84236750.06	5133218.88	6.489241
Money at Call and Short Notice	25000000	82500000	57500000	230
Investments	986136386.4	1082432196.4	96295810.001	9.764958
Loans and Advances	1491538415	1348440086	-143098329	-9.594008
Interest Receivables	117185106	138543176.44	21358070.44	18.22592577
Land and Building	4208709	3853853	-354856	-8.431469
Furniture and Fixtures	2303264	2241423	-61841	-2.684928
Office Equipments	664262	617480.92	-46781.08	-7.042564
Computer	339833	587351	247518	72.83518669
Vehicles	1264389	1074730	-189659	-15.00005
Other Assets	644885.12	4077566.42	3432681.3	532.2934
DEA Funds	1799003	1902610	103607	5.759134
TOTAL ASSETS	2747017515.7	2747017515.7	0	0

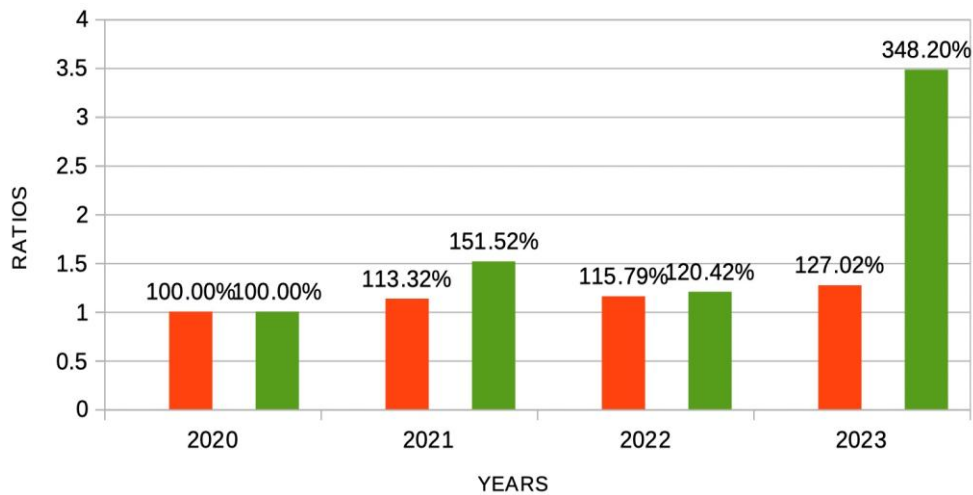
COMPARATIVE STATEMENT ANALYSIS FOR THE YEAR ENDED 2022-2023

PARTICULARS	2022	2023	ABSOLUTE CHANGE	CHANGE IN PERCENTAGE
LIABILITIES				
Share Capital	89301850	87709850	-1592000	-1.782717827226
Reserves and Other Funds	342713190.69	366825620.39	24112429.7	7.03574602754
Deposits and Other Accounts	216317967.14	2016296912.8	-147021054.34	-6.796090846215
Interest Reserves	128133684	114752567	-13381117	-10.44309082691
Interest Payable	9122303	127250003	118127700	1294.932869486
Other Liabilities	21227484.71	22535863.74	1308379.03	6.163608396734
DEA Funds	1902610	2249808.78	347198.78	18.24855225166
Net Profit	7945176.7	22974361.46	15029184.76	189.1611140677
TOTAL LIABILITIES	2747017515.7	264606987.17	-100947528.53	-3.674804691091
ASSETS				
Cash	13157043	17014508	3857465	71
Balance with Other Banks	84236750.06	90297940.22	6061190.16	7.195422610302
Money at Call and Short Notice	82500000	75000000	-7500000	-9.090909090909
Investments	1082432196.4	1135637234.4	53205038	4.915322934434
Loans and Advances	1348440086	1142675940.6	-205764145.4	-15.25942068443

Interest Receivables	138543176.44	127096539	-11446637.44	-8.262144505553
Land and Building	3853853	3534484	-319369	-8.287005238637
Furniture and Fixtures	2241423	2031994	-209429	-9.343573256852
Office Equipments	617480.92	648174.92	30694	4.970841852008
Computer	587351	489336.01	-98014.99	-16.68763482171
Vehicles	1074730	913521	-161209	-14.99995347672
Other Assets	4077566.42	48480506.24	44402939.82	1088.956873955
DEA Funds	1902610	2249808.78	347198.78	18.24855225166
TOTAL ASSETS	2747017515.7	264606987.17	-100947528.53	-3.674804691091

ANALYSIS OF IMPACT OF NPA

Analysis On Impact Of NPA



ANALYSIS IN PEARSON CORRELATION COEFFICIENT

YEAR	NET NPA	NET PROFIT
2020	6720396	6597963.85
2021	7615307	9997265.97
2022	10469995	7945176.7
2023	8535994	22974361.46

X	Y	X-X	Y-Y	(X-X) ²	(Y-Y) ²
6720396	6597963.85	-1615027	-5280728.15	2608312210729	27886089794202.4
7615307	9997265.97	-720116	-1881426.03	518567053456	3539763906361.56
10469995	7945176.7	2134572	-3933515.3	4556397623184	15472542615334.1
8535994	22974361.46	200571	11095669.46	40228726041	123113880765577
$\Sigma = 33341692$	$\Sigma = 47514767.98$	$\Sigma = 0$	$\Sigma = -0.0199999986216426$	$\Sigma = 7723505613410$	$\Sigma = 170012277081475$

FINDINGS AND SUGGESTIONS

The results demonstrate that interpersonal connections are the most crucial elements of rehabilitation, and that both reminders and personal visits result in agreement through phone calls or in-person visits, which raises recovery. In order to get the borrowers to compromise on the amount of the loan that needs to be paid back, the banks should step up their visits. It can be concluded that this method is far superior to taking legal action. Therefore, even while court decisions support the bank, it is expensive and time-consuming and does not increase the proportion of recovery. It's also important to remember that legal actions, including bringing lawsuits, frequently occur.

Efforts should also be made at the same time not to encourage good borrowers to seek a compromise route and to add on, the borrowers mindset from the start should be tuned in such a way that they are willing to repay rather than turning into a willing default. Banks will come forward to foster and encourage this cultural change among the borrowing public to ensure that the precious lendable resources are effectively recycled.

CONCLUSION

For any bank as well as financial institution it is very much to maintain the quality assets to build up its financial status. The NPA figure of banks and any other monetary institution gives a very clear image of the overall quality its assets. NPA has constantly produced a huge penalty for the Indian banks. NPA is the effect to whole economy not only for the bank. The amount which are sealed up as NPA's will have a straight impact on the overall productivity of the bank.

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