

A Study on the Implications of NPA in PSB Banks with Reference to Home Loans

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Abstract: Non-performing assets are one of the major concerns for banks in India. NPAs reflect the performance of banks. The NPAs growth involves the necessity of provision, which reduces the overall profits and shareholders value. An attempt is made in the paper what is NPA? The SWOT analysis of PSB, management of credit risk and measures to control the memance of NPAs are also discussed.

Key words: Gross NPA, Net NPA

1 Introduction of the Study

The three letters "NPA" Strike terror in banking sector and business circle today. NPA is short form of "Non-Performing Asset". The dreaded NPA rule says simply this. When interest or other due to a bank remains unpaid for more than 90 days, the entire bank loan automatically turns a non performing asset. The recovery of loan has always been problem for banks and financial institution.

Definitions

A 'Non-Performing Asset' (NPA) was defined as "credit facility in respect of which the interest and/ or instalment of principal has remained 'past due' for a specified period of time.

Types of NPA

A] Gross NPA

B] Net NPA

- Gross NPA:

GROSS NPA'S

Gross NPAs Ratio = $\frac{\text{GROSS NPAs}}{\text{GROSS ADVANCES}}$

Net NPAs = $\frac{\text{Gross NPAs} - \text{Provision}}{\text{Gross Advances} - \text{Provision}}$

We have taken home loan and compared its performance and the total outstanding in the shames for the past 5 years and recorded the growth NPA.

Need of the Study

- The many factors affect for the Non-Performing Assets. Non-Performing Asset is main important problem for the Bank so the bank interest to know the analyses the NPA. It is helpful to improve the bank.

1.5 Statement of the Problem

- The State bank will always face the problem of NPA because of poor recovery of advances granted by the bank and several other reasons like adopting a poor recovery strategies so when the loan is not recovered from the bank effectively and efficiently that balance amount will become the NPA to the bank it may create some huge problem to the bank's net profit.

1.6 Objectives of the Study

Primary Objective

To Analyze the Non-Performing Assets in State Bank of India Paramakudi Branch

Secondary Objectives

- To evaluate Non Performing Assets level in different loan schemes.
- To Know the Impact of Non-Performing Assets.
- To Know the Reasons for NPA and to learn Preventive Measures.

Limitations of the Study

- Since my study is based on the secondary data, the practical operations as related to the NPAs are adopted by the banks are not learned.
- The project only projection for average information not for accurate information.
- Time constraints are one of the limitations of this study.

Sampling

The Sample of five years (2009-2013) Profit & Loss A/C, Balance Sheet was used to study the analysis of Non-Performing Assets in State Bank of India Paramakudi Branch.

Data Collection Method

Nature of Data

The data collected is secondary in nature. This is due to the nature of analysis, which only identify for secondary data.

Sources of Data

The data required of this study has collected from secondary source.

- Profit & Loss A/C
- Balance Sheet
- Annual Report

Tools to be used

- Non-Performing Assets Ratio analysis
- Trend Analysis
- Percentage analysis

Data Analysis and Interpretation Gross NPA

GROSS NPA'S

$$\text{Gross NPAs Ratio} = \frac{\text{GROSS NPAs}}{\text{GROSS ADVANCES}}$$

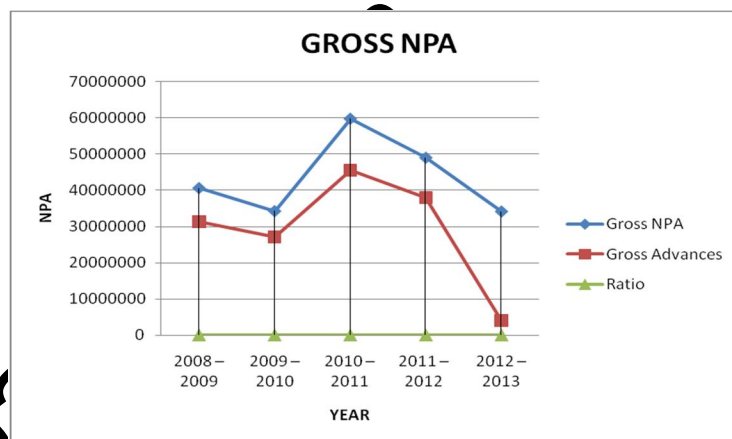
Table showing the gross NPAs Ratio

Year	Gross NPA in Crore	Gross Advances	Ratio
2008 – 2009	40599430	31422506	1.29
2009 – 2010	34210399	27189942	1.25
2010 – 2011	59786433	45602864	1.31
2011 – 2012	49000899	38055752	1.28
2012 – 2013	34124609	40621750	8.40

Source: Bank annual reports 2009-2013

This table shows that gross non-performing assets ratios. The gross NPA was high in the year 2012-2013(8.40), gross NPA very low in the year 2011-2012(1.28).

Table showing the gross NPA ratio



Net NPAs

$$\text{Gross NPAs} - \text{Provision}$$

$$\text{Net NPAs} = \frac{\text{Gross NPAs} - \text{Provision}}{\text{Gross Advances} - \text{Provision}}$$

Showing the net NPAs Ratio

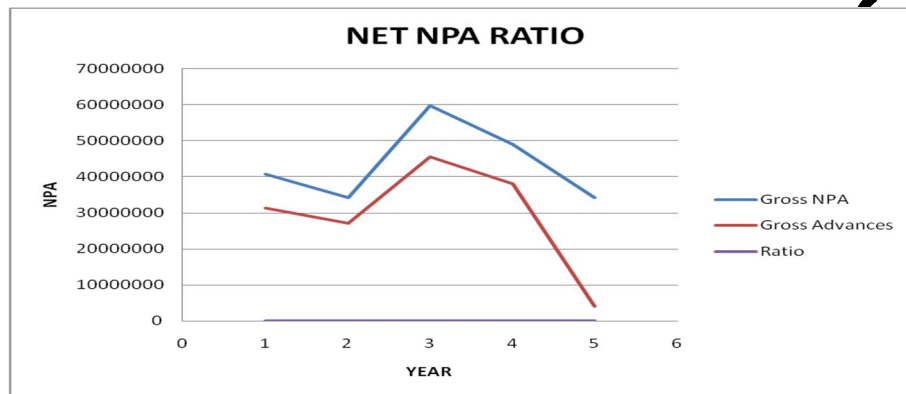
Year	Gross NPA	Gross Advances	provision	Ratio
2008 – 2009	40599430	31422506	3734.57	1.29
2009 – 2010	34210399	27189942	4394.83	1.25

2010 – 2011	59786433	45602864	10381.34	1.31
2011 – 2012	49000899	38055752	13068.95	1.28
2012 – 2013	34124609	4062175	11130.83	8.40

Source: Bank annual reports 2009-2013

This table shows that net NPAs ratio. The high net NPAs ratio is 8.40(2012-2013), the low net NPAs ratio is 1.25(2009-2010).

Table showing the net NPA ratio



Net Worth to Total Assets Ratio

$$\text{Net worth to total assets ratio} = \frac{\text{Shareholder's Funds}}{\text{Total Assets}}$$

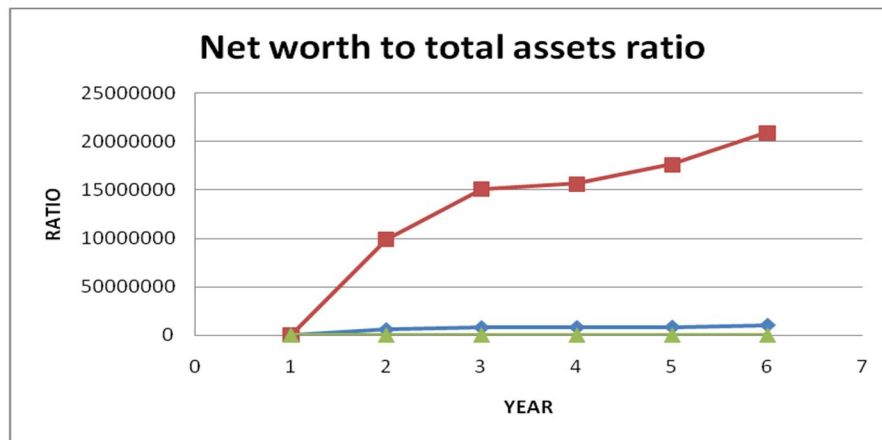
Table no 4.3.1 Showing the Net Worth to Total Assets Ratio

YEAR	SHAREHOLDERS FUND	TOTAL ASSETS	IN TIMES
2009	6022628	99010593	0.06
2010	8004130	150864566	0.05
2011	8292412	156220062	0.05
2012	8660589	176225197	0.05
2013	10567881	209271406	0.05

Source: Bank annual reports 2009-2013

The above table shows that the shareholders fund involved on bank's shares. The investment of the shareholders are gradually increasing during the year 2009 to 2012. The fund has been highest during the year 2013.

The Net Worth to Total Assets Ratio



4.3 Home Loan

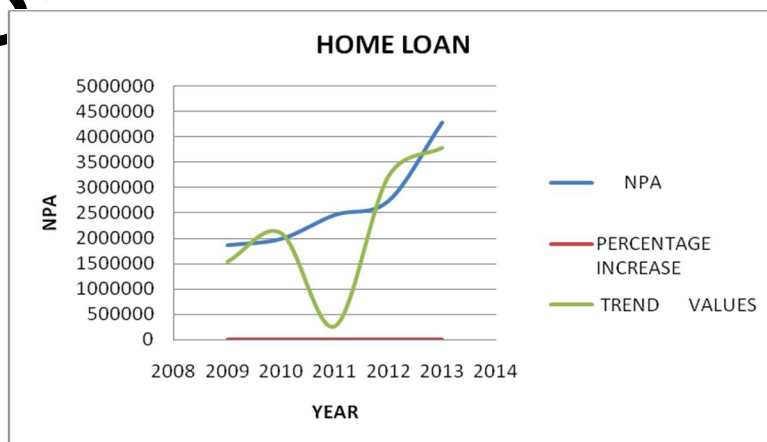
Total amount outstanding for the past five years and their respective trend values for the home loans given by the branch.

Table showing the level of NPA in home loan

YEAR	NPA	PERCENTAGE INCREASE	TREND VALUES
2009	1856643	0	1540309.4
2010	1981430	6.72	2101724.1
2011	2456120	23.95	266313.8
2012	2734139	11.31	3224553.5
2013	4287361	56.80	3785968.2

Source: Bank Annual Reports 2009-2013

This table shows that the home loan for the past five years. In the year 2013, maximum percentage (56.80%) of home loan followed by 2011 is 23.95%, 2012 is 11.31% and minimum percentage of 2010 is 6.72%.



Percentage of NPA in Home Loan

Percentage of amount outstanding in home loan

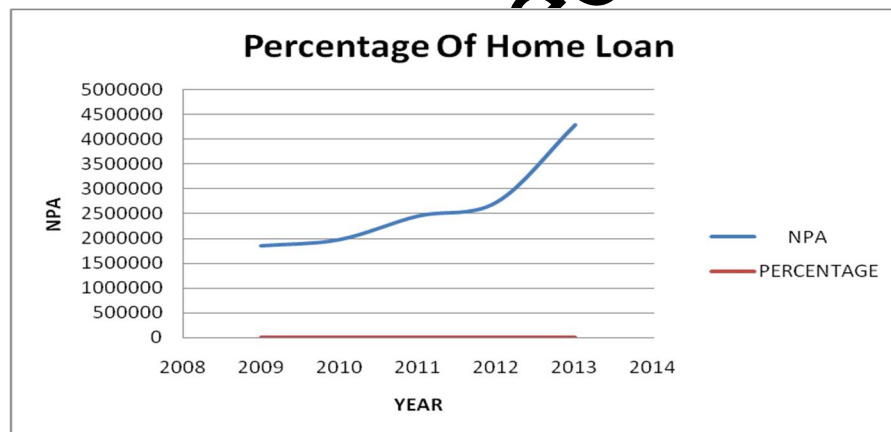
Showing the percentage of NPA in home loan

Year	NPA	Percentage
2009	1856643	0
2010	1981430	6.72
2011	2456120	23.95
2012	2734139	11.31
2013	4287362	56.80

Source: Bank Annual Reports 2009-2013

This table shows that the Home loan for the past five years. In the year 2013, maximum percentage (56.80%) of home loan followed by 2011 is 23.95%, 2012 is 11.31% and minimum percentage of 2010 is 6.72%.

Showing the percentage of NPA in home loan



Findings, Suggestions and Conclusion

Findings

- Gross NPA is high in the year of 2013(8.40) and low in the year of 2010(1.25) .
- Net NPA is high in the year of 2012(9.40) and low in the year of 2010(1.28).
- The NPA for the home loans during the year 2013 is high (56.80) when compare to the other year of home loans.

5.3 Suggestions

- Special accounts should be made of the clients where monthly loan concentration reports should be made.
- The bank must analyze the current financial position of the major assets and liabilities.

- Proper monitoring of the restructured accounts because there is every possibility of the loans slipping into NPAs category again.
- Proper training is important to the staff of the bank at the appropriate level with ongoing process. That how they should deal the problem of NPAs, and what continues steps they should take to reduce the NPAs.
- Bank should also form a special team to inspect the site of customer to ensure the source of deployment of funds while giving a home loan.
- Bank should ensure that the loan given more than 5 lakhs has been insured.
- While giving loan bank must insist the borrower to keep his salary account in the branch itself which can help the bank to recover the loan through standing instructions.
- Complete audit must be carried out to ensure that the documents submitted by the borrower are original and it should ensure whether the borrower and the owner of the property are same.

Conclusion

It is not possible to eliminate totally the NPAs in the banking business but can only be minimized. It is always wise to follow the proper policy appraisal, supervision and follow-up of advances to avoid NPAs. The banks should not only take steps for reducing present NPAs, but necessarily precaution should also be taken to avoid future NPAs. But in the case of SBI is one of the good sign that the campaign conducted by the regional office help in bringing down the NPA level.

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