

NON-PERFORMING ASSETS: A STUDY OF BANK OF MAHARASHTRA

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Abstract

The Indian banking facing of the major issue of Non-Performing Assets. They increasing NPA has a straight effect on the profitability of the bank. Higher the NPA indicates the lower efficiency and lower NPA shows the high level of progress and potentiality of the bank. The sound financial position of a bank depends upon the level of NPA and recovery of loan. The objective of the study is to evaluate the performance of Bank of Maharashtra on the basis of NPA. In this paper, the researcher tried to find out whether there is a significant relationship between Net NPA and Net Profit or not.

Key Work: Non- Performing Assets, Net NPA, Net Profit.

1. INTRODUCTION

The Banking System is the soul of the financial system. The major function of the financial system is gathering of public saving and its allocation in different sector of the economy as an investment. NPA is one of the most important phenomena that have to properly follow by the bank.

The Reserve Bank of India has issued a parameter for bank regarding NPA that the interest and principle. An asset is converted into NPA if the borrower does not pay dues. "NPA means loans which are undue or defaulted for the specific period of time generally for 90 days". Non-Performing Assets are classified in the four categories.

- 1- **Standard Asset:** "Assets which are receiving principle amount and interest on regular basis is called standard assets".
- 2- **Sub-Standard Assets:** "Assets which was consider as non-performing for a period of 12 month is called as Sub-Standard assets. These assets have NPA for less than or equal to 12 months".
- 3- **Doubtful Assets:** "Doubtful assets are those assets which are non-performing for the period of more than 12 months".
- 4- **Loss Assets:** "Loss assets are those assets which are identified as loss by the bank / internal/ external auditor /the RBI inspection".

2. LITERATURE REVIEW

Many published research papers, articles are available on internet related to the NPA. So, researcher review closely related articles and overview the different issues of NPA in banking sector.

1) Kavitha, N. (Jan 2012) emphasised on the calculation of nonperforming assets on profitability its quantity and outcomes. The be trained found that there is a growth in advances over the interval of the gain knowledge of. Though, the decline in ratio of Non-performing assets shows growth within the belongings excellent of SBI businesses, Nationalized Banks and personal Sector Banks.

2) Ray, R. (2013) observed various causes foremost of Non-Performing Assets (NPA) and methods of handling NPA in different types of Banks. Since NPA has been developing danger in banking, the study may help knowing this theory well and banks may adopt helpful methods so as to sustain NPA at the lowest level. He determined that the happening of NPA impact of the productivity and financial health of a Bank harmfully.

3) Kaur K. and Singh B. (2011) In this article studied the NPA in public or private sector banks & measured as an belongings of public or personal sector banks' studied that NPAs are measured as an enormous element to evaluator the exhibit and financial force of banks. The NPA plays vital roles as a trainer of economic course and development of public & private sector banks.

4) Bhatia (2007) in this research paper author discovered that there are different factors are affected on NPA. So, it is necessary to evaluate the efficiency and financial health of bank.

The extent of NPAs is among the drivers of financial stability and growth of the banking sector.

5) Kaur (2006) On this study paper her opinion on credit score management and quandary level of NPAs in Public Sector Banks, recommended that for lively dealing with of NPAs, there may be an critical requirement for generating right perception in regards to the opposing impact of NPAs on effectiveness between financial institution staff, primarily the subject representatives. Bankers will have to have general interactions and meeting with the borrowers for growing better acceptance and mutual trust.

3. OBJECTIVES

1. To know the concept of NPA.
2. To learn the status of Non-Performing Assets of Bank of Maharashtra.
3. To examine correlation between Net NPA and Net Profit of Bank.

4. RESEARCH METHODOLOGY

Research Methodology is a process of collecting the information & helps to find out the solutions to the topic selected by the researcher. It is a systematic way of presenting information.

4.1 Research Method: Analytical Research

Analytical methods are create or a methods find out how to investigates some difficulty, popularity or some reality. Analytical strategies in most cases time restricted and undertaking limited. They are used once to resolve a detailed predicament. Antagonistic to administration methods that have an effect on management of the institution in the long run.

4.2 Data Collection:

The present study is based on secondary data which covered period of 8 financial year 2011-18. The data has been collected from annual reports of Bank of Maharashtra, various Articles, Journals, and Books dealing with the current banking scenario and research papers.

4.3 Hypothesis

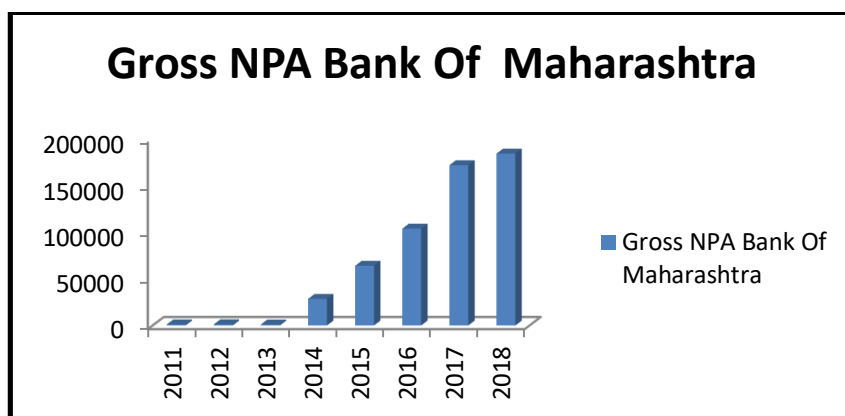
1. Ho- There is no significant association between Net NPA and Net Profit.
2. H1 - There is significant association between Net NPA and Net Profit.

5. DATA ANALYSIS & INTERPRETATION

Table No-1

Year	Gross NPA Bank Of Maharashtra
2011	1173.70
2012	1297.03
2013	1137.55
2014	28598.50
2015	64020.59
2016	103858.53
2017	171887.14
2018	184332.35

Graph No-1



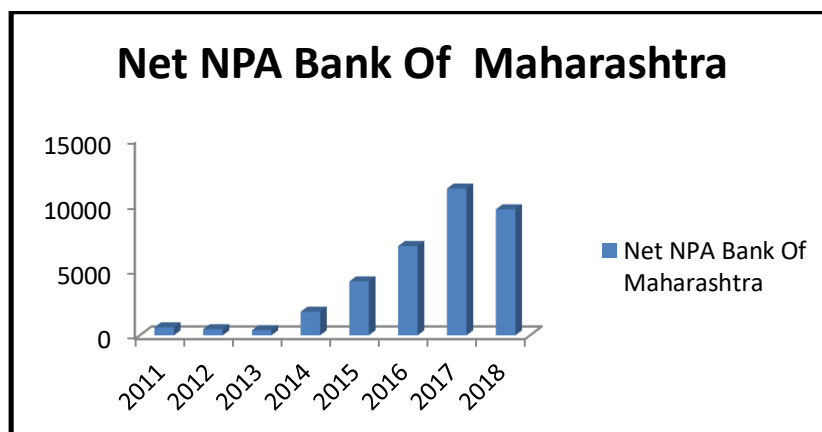
Interpretation:

With the reference to above table no.1 & graph no.1 indicates Gross NPA is increasing and high level of gross NPA in the year 2017 and 2018 as compared to previous years.

Table No-2

Year	Net NPA Bank Of Maharashtra
2011	618.95
2012	469.57
2013	392.93
2014	1807.32
2015	4126.57
2016	6832.03
2017	11230
2018	9641

Graph No-2

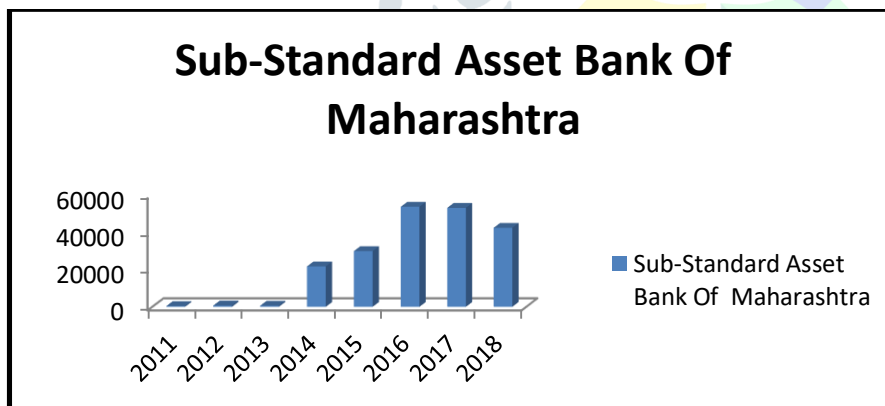


Interpretation:

With the reference to above table no.2 & graph no.2 shows that Net NPA is increasing and high level of Net NPA in the year 2017 as compared to previous years.

Table No-3

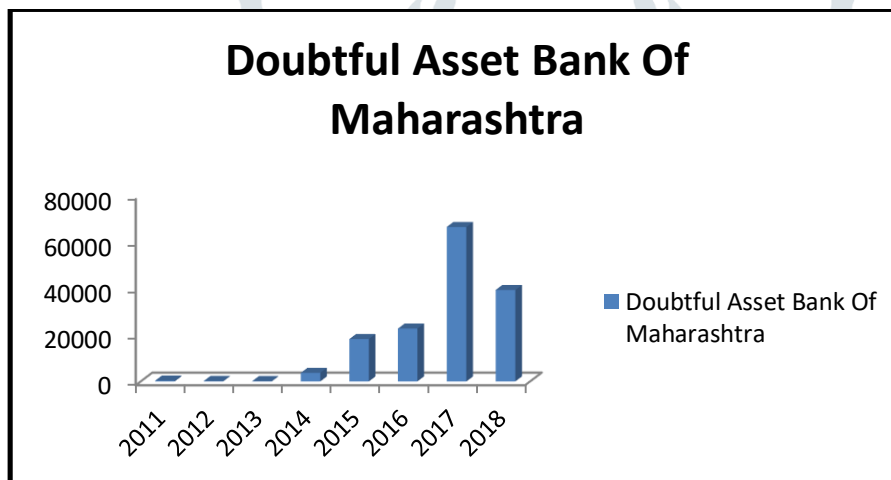
Year	Sub-Standard Asset Bank Of Maharashtra
2011	408.16
2012	681.50
2013	581.70
2014	21590.33
2015	29746.84
2016	53426.57
2017	52842.26
2018	42199.79

Graph No-3**Interpretation:**

As per above table no.3 & graph no.3 it shows that sub-standard assets is increasing and high level of sub-standard assets in the year 2016 - 2018 as compared to previous years.

Table No- 4

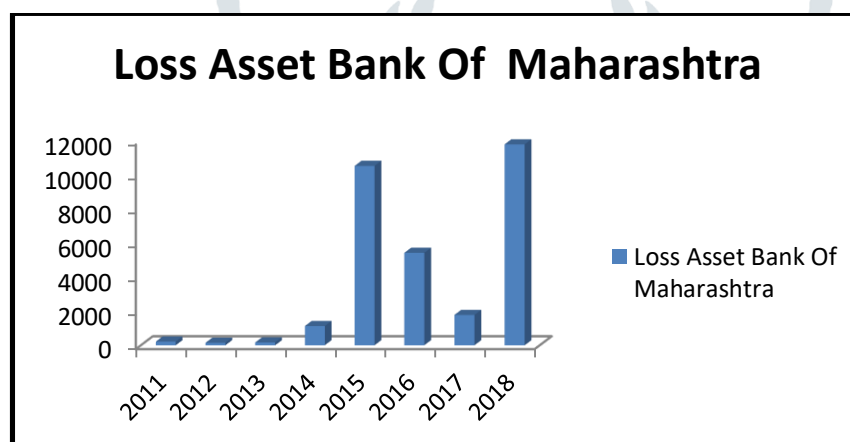
Year	Doubtful Asset Bank Of Maharashtra
2011	373.08
2012	190.01
2013	177.92
2014	3713.66
2015	18303.87
2016	22809.81
2017	66441.88
2018	39485.79

Graph No- 4**Interpretation:**

As per above table no.4 & graph no.4 it shows that the increasing level of doubtful asset in the year 2017 as per previous year, and then decreasing level in the year 2018.

Table No- 5

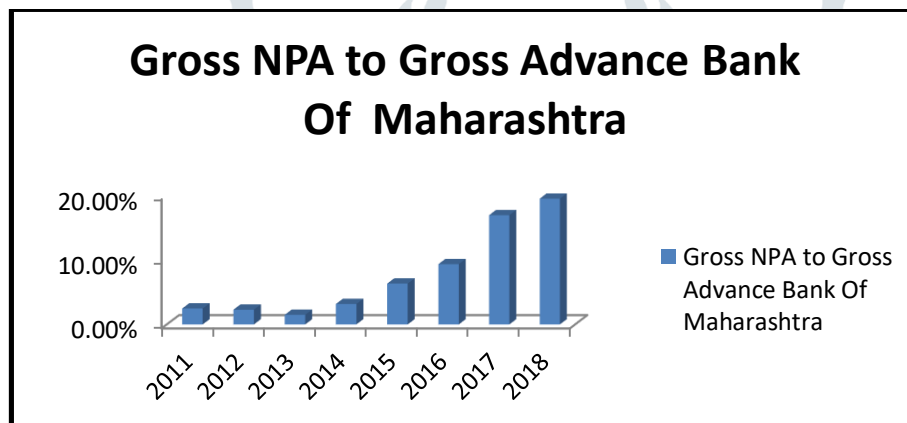
Year	Loss Asset Bank Of Maharashtra
2011	216.46
2012	148.15
2013	166.93
2014	1131.50
2015	10523.59
2016	5442.06
2017	1783.81
2018	11776.87

Graph No- 5**Interpretation:**

As per the above table no.5 & graph no.5 shows that the high level of loss asset in the year of 2018, than the previous years.

Table No- 6

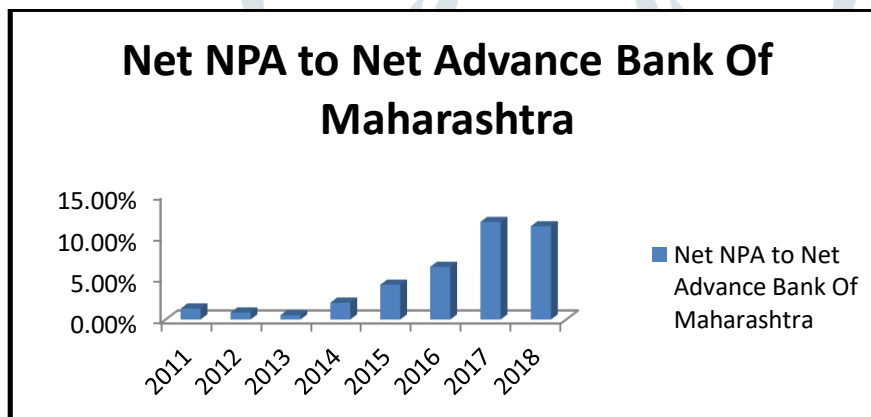
Year	Gross NPA to Gross Advance Bank Of Maharashtra
2011	2.47%
2012	2.28%
2013	1.49%
2014	3.16%
2015	6.33%
2016	9.34%
2017	16.93%
2018	19.48%

Graph No- 6**Interpretation:**

As per the above table no.6 & graph no.6, it indicates that the percentage level of Gross NPA to Gross Advance is low in the year 2013, and vice-versa the high level of Gross NPA to Gross Advance in the year 2018.

Table No- 7

Year	Net NPA to Net Advance Bank Of Maharashtra
2011	1.32%
2012	0.84%
2013	0.52%
2014	2.03%
2015	4.19%
2016	6.35%
2017	11.76%
2018	11.24%

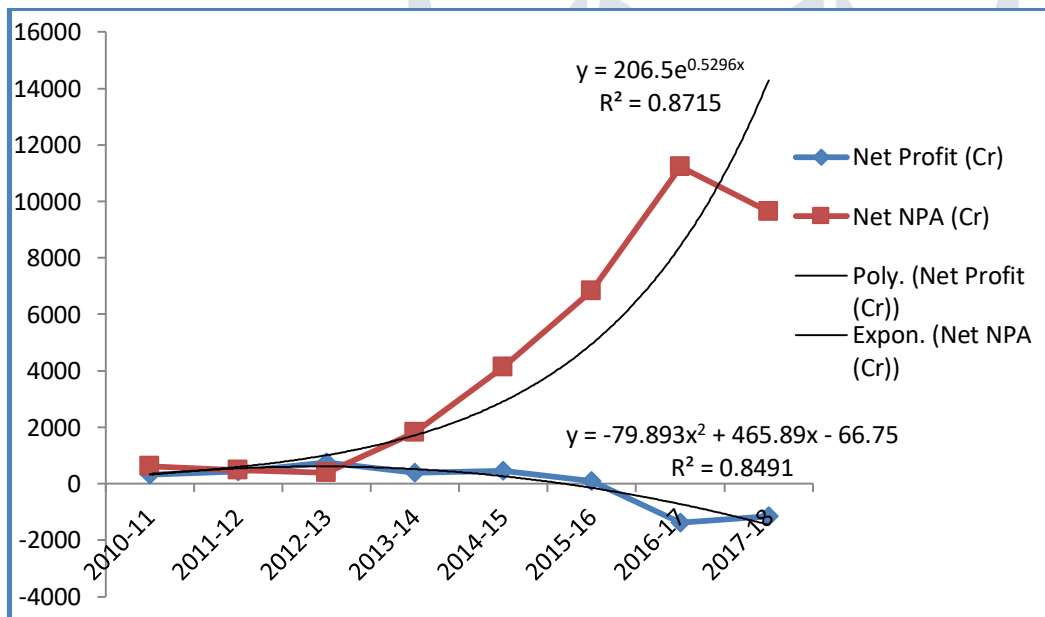
Graph No- 7**Interpretation:**

As per above table no.7 & graph no.7 it shows that the increasing percentage level of Net NPA to Net Advance in the year 2017, as compared to previous years, and then decreasing level in the year 2018.

Hypothesis

1. Ho- There is no significant association between Net NPA and Net Profit.
2. H1 - There is significant association between Net NPA and Net Profit.

Sr. No	Year	Net Profit (Cr)	Net NPA (Cr)
1	2010-11	330	618.95
2	2011-12	431	469.57
3	2012-13	760	392.93
4	2013-14	386	1807.32
5	2014-15	451	4126.57
6	2015-16	101	6832.03
7	2016-17	-1373	11230
8	2017-18	-1146	9641
	Mean	-7.5	4389.79625
	SD	795.7794023	4352.81355
	CV	-10610%	99%
	Correlation	-0.917632569	



From the above table and graph it is proved that there is association between Net Profit and Net NPA. The standard deviation of Net profit is 795.77 and coefficient of variance of Net profit ratio is -10610%. The standard deviation of Net NPA is 4352.81 and coefficient of variance of Net NPA ratio is 99%. There is a negative correlation between Net profit and Net NPA. It shows the adverse effect on bank profitability.

6. FINDINGS & CONCLUSION:

- The bank seems to have an increasing trend of NPA in last 8 years.
- Net NPA is highest in year 2016-17, amount 11230cr.
- From the above study it is observed that Net NPA is increasing and Net Profit is decreasing.

Most of the bank facing the NPA problem & this is very big issue for every bank. The NPA has directly affected on profitability of the bank and also brand image of the bank. Whereas most of the banks, major source of earnings are interest based income. The bank seems to have an increasing trend of NPA in last 8 years. The hypothesis prove that the NPA having direct impact on net profit.

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