

# Comparative Analysis of Non-Performing Assets in Co-operative Banks in Surat

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**Abstract**— Non-Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. An asset becomes non-performing when it ceases to generate income for a financial institution. The origin of the problem of increasing non-performing assets lies in the quality of managing credit risk by the banks concerned. There are many research conducted on the topic of Non- Performing Assets (NPA), concerning private banks and public banks. This paper considers the aggregate data of private sector attempts to compare analyze and interpret the NPA management from the year 2008 -2012. Non-performing assets are caused as a result of various internal and external factors. What is needed is having adequate preventive measures in place namely, fixing pre-sanctioning appraisal responsibility and having an effective post-disbursement supervision. Banks concerned should continuously monitor loans to identify accounts that have potential to become non-performing. On the conceptual side, it gives an overview of NPA, Types of NPA, causes and on the calculation side, it covers compares the NPA between three co-operative Bank of Surat, ,and also used trend analysis and common size statement for now the situation of bank.. The findings reveals that the NPA of Varachha co-operative bank is lower as compared to two other banks and its indicate that shareholder's risk to the bank is constantly reducing.

**Index Terms**— Co-operative Bank, Non-Performing Assets, Private Banks, Surat.

## I. INTRODUCTION OF CO-OPERATIVE BANK IN INDIA

Banks in India can be broadly classified under two heads commercial banks and co-operative banks. While commercial banks (nationalized banks' state bank group, private sector bank, foreign banks and regional banks) account for an overwhelming share of the Banking business, co-operative banks also play an important role in mobilizing country's financial performance. Co-operative bank came into existence with the enactment of the co-operative credit societies Act of 1902, which provided for the formation of co-operative credit societies. Subsequently, in 1904, a new act was passed which provided for the establishment of co-operative central banks. Co-operative credit institutions play a pivotal role in the financial system of the economy in term of their reach, volume of operations, and the purpose they serve. Initially set up to supply indigenous of rural credit, particularly money lenders, today they mostly serve the needs of agriculture and allied activities, rural based industries and to a lesser extent, trade and to a lesser extent, trade and industry in urban centers.

The co-operative credit sector in India comprises rural co-operative credit institutions and urban co-operative banks. The rural co-operative credit institutions comprise of institutions such as state co-operative banks, District central co-operative banks, and primary agriculture credit societies, which specialize in short term credit, and institution such as state co-operative agriculture and rural development banks and primary co-operative agriculture, which specialize in long term credit.

## II. NPA (NON-PERFORMING ASSETS)

An asset which ceases to generate income of the bank is called non-performing asset. The past due amount remaining uncovered for the two quarter consequently the amount would be classified as NPA for the whole year. It includes borrowers' defaults or delays in interest or principal repayment. An asset is classified as Non-performing Asset (NPA) if the borrower not pays due in the form of principal and interest for a period of 180 days. However with effect from March 2004, default status would be given to a borrower if dues are not paid for 90 days. If any advance or credit facilities granted by banks to a borrower become non-performing, then the bank will have to treat all the advances/credit facilities granted to that borrower as non-performing without having any regard to the fact that there may still exist certain advances / credit facilities having performing status.

Though the term NPA cannot a financial asset of a commercial bank, which has stopped earning an expected reasonable return, it is also a reflection of the productivity of the unit, firm, concern, industry and nation where that asset is idling.

The definition of NPAs in Indian context is certainly more liberal with two quarters norm being applied for classification of such assets. The RBI is moving over to one-quarter norm from 2004 onwards.

The primary Co-operative banks should classify their assets into the following board groups:-

- Standard Assets
- Sub-standard Assets
- Doubtful Assets
- Loss Assets

### III. AIM OF STUDY

To find out whether the co-operative banks are facing problems with higher Non-Performing Assets and to analyze NPA trend over of last 5 years.

### IV. OBJECTIVE OF THE STUDY

- The main objective behind this project is to analyze the actual position of NPA of VarachhaCo.opBank, Surat National co-op, Sarvodaya Sahkari Bank Ltd.
- To compare the NPA position of Varachha bank with Sarvodaya Sahkari bank and Surat national bank & measure the efficiency of co-operative banks of India.
- To know about the NPA classification and bank's system for making provisioning.
- To calculate the total Non-performing asset.
- To know strategy to reduce NPA.
- To know which factor leads NPA.
- To analyze various NPA resolution tools available to the bank.

### V. METHODOLOGY

My methodology is divided in three parts namely:

- Comparison of five year's NPA on Varachha co-operative bank, Sarvodaya sahkari bank Ltd and Surat National co-operative bank.
- Common Size Statement
- Trend Analysis

### VI. RESULT ANALYSIS

#### • NPA ANALYSIS

In recent years a paradox has been observed in NPA management of Indian banks. While the gross and net NPA level of most banks have come down in percentage terms, in absolute terms the amount is increasing. It has been possible because of the repaid growth in gross credit in recent times. Therefore the criteria of gross NPA as well net NPA percentage cannot be the only yardstick for measurement rating of banks for NPA reduction vary widely and play a significant role in the quality of NPA management of banks. For e.g. The NPA reduction by maximum compromise and write off is significantly different from the NPA reduction by up gradation. Similarly, the gross NPA to gross advances may be higher in banks: but its gross NPA to total Assets may be lower in comparison to other banks. When RBI has adopted stringent prudential norms for maintaining good health of the banks. it is therefore, necessary that for effective supervision, RBI/ bank board's should adopt a standardized rating model to grade bank with respect to the quality of NPA management being adopted by them. The NPA management rating should be one of the parameter for evaluation performance of all commercial banks.

**Data of Non – Performing Assets for Last Five Years is as follow:**

- **For 2008**

Table 1 - Data of non – performing assets of 2008

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Total NPA	37	221.02	2.75	208	407.46	5.18	237	275.5	3.12
Standard Assets	8962	7801.84	97.25	2662	7451.64	94.82	3184	8544.98	96.9
Total Advances	8999	8022.86	100	2870	7859.10	100	3421	8820.48	100
% of NPA to total advances	2.75			5.18			3.12		

Table 2 - Data of non – performing assets of 2008

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Sub-standard assets	3	9.27	0.12	149	122.70	1.56	21	45.01	0.51
Doubtful assets	22	192.48	2.39	45	189.71	2.41	24	49.09	0.56
Loss assets	12	19.27	0.24	14	95.05	1.21	192	181.40	2.05
Total NPA	37	221.02	2.75	208	407.46	5.18	237	275.5	3.12

In 2008, the NPA in The Varachha co-operative bank was in Rs.221.02 Lakhs and 2.75% NPA and total Advances was Rs. 8022.86 lakhs and standard assets was in Rs.7801.84 Lakhs. There was substandard asset Rs.9.27 Lakhs. There was a doubtful asset Rs.192.48 Lakhs. There was Loss assets Rs.19.27 lakhs. We can see NPA in the Varachha co-operative bank was 221.02 lakhs and 2.75% and in Sarvodaya sahkari bank it was 407.46 Lakhs and 5.18%, and in Surat national co-op bank it was 275.5 Lakhs and 3.12%. So overall it was less in Varachha co-operative bank.

- **For 2009**

Table 3 - Data of non – performing assets of 2009

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount(in lakhs)	IN (%)
Total NPA	31	212.93	2.31	168	357.44	4.25	220	226.85	2.38
Standard Assets	9184	8990.24	97.69	2597	8060.46	95.75	3450	9313.53	97.62
Total Advances	9215	9203.17	100	2765	8417.91	100	3670	9540.38	100
% of NPA to total advances	2.31			4.25			2.38		

Table 4 - Data of non – performing assets of 2009

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount(in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Sub-standard assets	-	-	-	83	60.43	0.72	17	28.27	0.3
Doubtful assets	15	190.13	2.06	71	202.11	2.40	29	35.55	0.37
Loss assets	16	22.80	0.25	14	94.90	1.13	184	163.03	1.71
Total NPA	31	212.93	2.31	168	357.44	4.25	230	226.85	2.38

In 2009, the NPA in The Varachha co-operative bank was in Rs.212.93 Lakhs and 2.31% NPA and total Advances was in Rs.9203.17 lakhs and standard assets was in Rs.8990.24 Lakhs. There was a doubtful asset Rs.212.93 Lakhs. There was decline in NPA in Rs.212.93 from 221.02 and in Percentage 2.31% from 2.75%. We can see NPA in the Varachha co-operative bank was

212.93 lakhs and 2.31% and in Sarvodaya Sahkari bank it was 357.44 Lakhs and 4.25%, and in national bank it was 226.85 Lakhs and 2.38%. So overall it was continuous improvement in NPA in all banks.

- For 2010

Table 5 - Data of non – performing assets of 2010

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Total NPA	23	222.63	2.35	103	359.75	3.43	207	204.57	1.76
Standard Assets	7716	9266.04	97.6	2837	10124.8	96.57	3693	11444.09	98.24
Total Advances	7739	9488.67	100	2940	10484.6	100	3900	11648.66	100
% of NPA to total advances	2.35			3.43			1.76		

Table 6 - Data of non – performing assets of 2010

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Sub-standard assets	2	24.81	0.26	54	101.59	0.97	11	20.29	0.17
Doubtful assets	-	-	-	35	163.40	1.56	19	20.32	0.18
Loss assets	21	197.82	2.08	14	94.76	0.90	177	163.96	1.41
Total NPA	23	222.63	2.35	103	359.75	3.43	207	204.57	1.76

In 2010, the NPA in The Varachha co-operative bank was in Rs.222.63 Lakhs and 2.35% NPA and total Advances was Rs.9488.67 lakhs and standard assets was in Rs.9266.04 Lakhs. There was substandard asset Rs.24.81 Lakhs. There was Loss assets Rs.197.82 lakhs. There was increase in NPA in Rs.10.30 Lakhs compare to last year, and In a percentage 2.35% from 2.31%.

We can see NPA in the Varachha co-operative bank was 222.63 lakhs and 2.35% and in Sarvodaya sahkari bank it was 357.44 Lakhs and 4.25%, and in national bank it was 204.57 Lakhs and 1.76%. In 2010 change the position of NPA. in that NPA increase in Varachha bank from 2.31% to 2.35%.

- For 2011

Table 7 - Data of non – performing assets of 2011

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Total NPA	5	55.84	0.48	88	380.07	3.10	194	183.68	1.23
Standard Assets	6588	11532.14	99.52	3073	11893.74	96.9	4068	14765.47	98.77
Total Advances	6593	11587.98	100	3161	12273.81	100	4262	14949.15	100
% of NPA to total advances	0.48			3.10			1.23		

Table 8 - Data of non – performing assets of 2011

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Sub-standard assets	-	-	-	36	145.89	1.19	3	2.94	0.02
Doubtful assets	-	-	-	23	53.70	0.44	13	17.21	0.12
Loss assets	5	55.84	0.48	29	180.48	1.47	178	163.53	1.09
Total NPA	5	55.84	0.48	88	380.07	3.10	194	183.68	1.23

Total Advances was Rs.11587.98 lakhs and standard assets were in Rs.11532.14 Lakhs. There was Loss assets Rs.55.84 lakhs. There was decrease in NPA in Rs.166.79 Lakhs compare to last year, And In a percentage 0.48% from 2.35%. We can see NPA in the varachha co-operative bank was 55.84 lakhs and 0.48% and in Sarvodaya sahkari bank it was 380.07 Lakhs and 3.10%, and in surat national bank it was 183.68 Lakhs and 1.23%. So overall it was continuous improvement in NPA in all banks.

- **For 2012**

Table 9 - Data of non – performing assets of 2012

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Total NPA	5	55.62	0.36	67	319.68	2.22	166	181.72	0.98
Standard Assets	7967	15532.48	99.64	3398	14086.18	97.78	4231	18307.02	99.02
Total Advances	7972	15588.10	100	3464	14405.85	100	4397	18488.74	100
% of NPA to total advances	0.36			2.22%			0.98%		

Table 10 - Data of non – performing assets of 2012

ASSETS	VARACHHA CO-OPERATIVE BANK			THE SARVODAYA SAHKARI BANK.LTD			SUART NATIONAL CO OP. BANK LTD		
	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)	No. of A/C	Amount (in lakhs)	IN (%)
Sub-standard assets	-	-	-	29	61.19	0.43	3	4.56	0.02
Doubtful assets	-	-	-	13	101.56	0.70	10	5.52	0.03
Loss assets	5	55.62	0.36	25	156.93	1.09	153	171.64	0.93
Total NPA	5	55.62	0.36	67	19.86	2.22	166	181.72	0.98

In 2012, the NPA in The Varachha co-operative bank was in Rs.55.62 Lakhs and 0.36% NPA and total Advances was Rs.15588.10 lakhs and standard assets was in Rs.15532.8 Lakhs. We can see NPA in the Varachha co-operative bank was 55.62 lakhs and 0.36% and in Sarvodaya sahkari bank it was 319.86 Lakhs and 2.22% and in Surat National bank it was 181.72 Lakhs and 0.98%. So overall it was continuous improvement in NPA in all banks.

From 2008-2012 Annual data we can say that all above three banks doing continuous improvement. And it is good for co-operative banking sector.

• **COMMON SIZE STATEMENT**

**Data of Common size Statement of NPA of Varachha Co-Operative Bank**

Table 11 – Common size Statement of NPA of Varachha Co-Operative Bank

Year	2008		2009		2010		2011		2012	
	Amount	IN %	Amount	IN %	Amount	IN %	Amount	IN %	Amount	IN %
Total advances	8022.67	100	9203.17	100	9488.67	100	11587.98	100	15588.10	100
Standard assets	7801.84	97.25	89990.24	97.69	9266.04	97.65	11532.14	99.52	15532.48	99.64
NPA	221.02	2.75	212.93	2.31	222.63	2.35	55.84	0.48	55.62	0.36
Sub-standard Assets	9.27	0.12	-	-	24.81	0.26	-	-	-	-
Doubtful asset	192.48	2.39	212.93	2.31	-	-	-	-	-	-
Loss Asset	19.27	0.24	-	-	197.82	2.09	55.84	0.48	55.62	0.36

From the above diagram we can say that the total advance which is given to public is increased fastly but decline in to NPA. It shows good working system of loan department. They made extra ordinary effort to their work in recovery and loan sanctioning part. Total advances rise from Rs.8022.67 to Rs.11588.10 while NPA decrease from Rs.221.02 to Rs. 55.62 in percentage in 2008 it was 2.75% and now it is 0.36% in Varachha co-operative bank.

**Data of Common size Statement of NPA of Sarvoday Sakhari Bank**

Table 12 - Common size Statement of NPA of Sarvoday Sakhari Bank

Year	2008		2009		2010		2011		2012	
	Amount	IN %	Amount	IN %	Amount	IN %	Amount	IN %	Amount	In %
Total advances	7859.10	100	8417.91	100	10484.60	100	12273.81	100	14405.85	100
Standard assets	7451.64	94.82	8060.46	95.75	10124.85	96.57	11893.74	96.9	14086.18	97.78
NPA	407.46	5.18	357.44	4.25	359.75	3.43	380.07	3.10	319.86	2.22
Sub-standard assets	122.70	1.56	60.43	0.72	101.59	0.97	145.89	1.19	61.19	0.43
Doubtful asset	189.71	2.41	202.11	2.40	163.40	1.56	53.70	0.44	101.56	0.70
Loss asset	95.05	1.21	94.90	1.13	94.76	0.90	180.48	1.47	156.93	1.09

From the above diagram we can say that the total advance which is given to public is increased fastly but decline in to NPA. It shows good working system of loan department. They made extra ordinary effort to their work in recovery and loan sanctioning

part Total advances rise from Rs.7859.10 to Rs.14405.85 while NPA decrease from Rs.407.46 to Rs. 319.86 lakhs and in percentage in 2008 it was 5.18% and now it is 2.22% in Sarvodaya Sahkari bank.

**Data of Common size Statement of NPA of Surat National Co-operative Bank Ltd.**

Table 13 - Common size Statement of NPA of Surat National Co-operative Bank

Year	2008		2009		2010		2011		2012	
	Amount	IN %	Amount	IN %	Amount	IN %	Amount	IN %	Amount	IN %
Total advances	8820.48	100	9540.38	100	11648.66	100	14949.15	100	18488.74	100
Standard assets	8577.45	96.96	9313.53	97.67	11444.09	98.24	14765.47	98.77	18307.02	99.02
NPA	275.5	3.12	226.85	2.38	204.57	1.76	183.68	1.23	181.72	0.98
Sub-standard assets	30.54	0.38	28.27	0.29	20.29	0.17	2.94	0.02	4.56	0.02
Doubtful asset	31.09	0.39	35.55	0.37	20.32	0.18	17.21	0.12	5.52	0.03
Loss asset	181.40	2.27	163.03	1.67	163.96	1.41	163.53	1.09	171.64	0.93

From the above diagram we can say that the total advance which is given to public is increased fastly but decline in to NPA. It shows good working system of loan department. They made extra ordinary effort to their work in recovery and loan sanctioning part. Total advances rise from Rs.8820.48 to Rs.118488.74 while NPA decrease from Rs.275.5 to Rs. 181.72 lakhs and in percentage in 2008 it was 3.12 % and now it is 0.98 % in Surat National co-operative bank.

• **NPA’s TREND ANALYSIS**

Table 14 – NPA’s Trend Analysis for all Banks

Years	VARACHHA CO-OPERATIVE BANK	THE SARVODAYA SAHKARI BANK.LTD	SUART NATIONAL CO - OP. BANK LTD
2007-2008	100 %	100%	100%
2008-2009	96.33%	87.72%	82.34%
2009-2010	100.7%	88.29%	74.25%
2010-2011	25.26%	93.28%	66.67%
2011-2012	25.17%	78.47%	65.96%

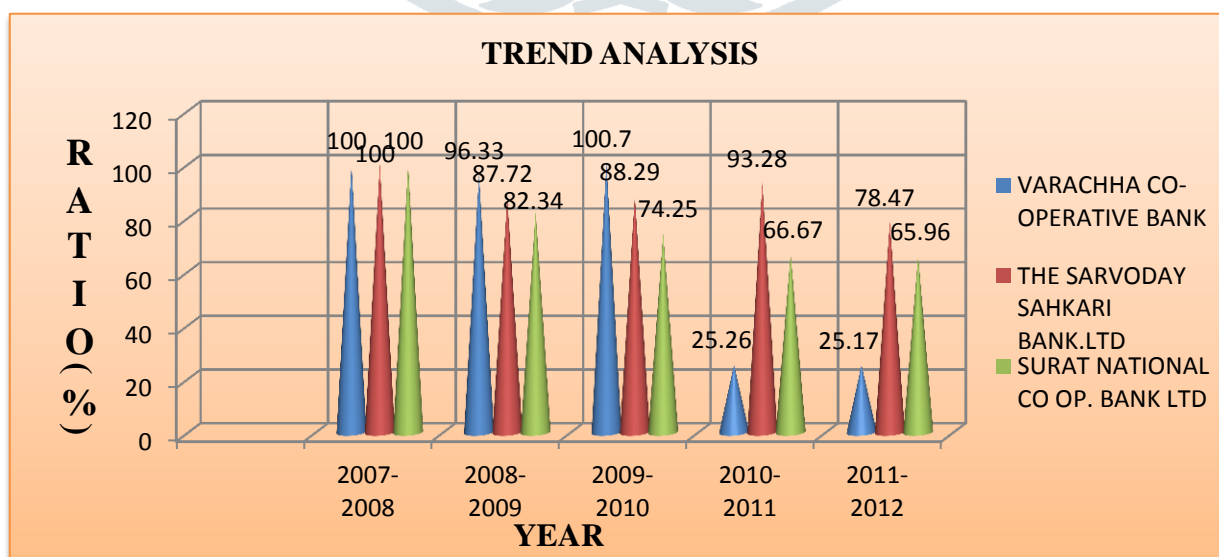


Chart – NPA’s Trend Analysis for all Banks

From the above diagram we can conclude that the overall declining in the NPA leads good working system of the management towards the recovery. In 2007-08 the position of the NPA in Varachha bank was high, while now this position is decrease. It's creating good image in to the eyes of the shareholder and RBI .There is decreasing in to NPA about 74.83%. It is amazing efforts to reduce NPA. From the above diagram we can conclude that the overall declining in the NPA leads good working system of the management towards the recovery. In 2007-08 the position of the NPA in Sarvodaya Sahkari bank was high, while now this position is decrease. It's creating good image in to the eyes of the shareholder and RBI .There is decreasing in to NPA about 21.53%. It is amazing efforts to reduce NPA. From the above diagram we can conclude that the overall declining in the NPA leads good working system of the management towards the recovery. In 2007-08 the position of the NPA in Surat national bank was high, while now this position is decrease. It's creating good image in to the eyes of the shareholder and RBI .There is decreasing in to NPA about 34.04%. It is amazing efforts to reduce NPA. In overall, Varachha bank has to good trend of decline the NPA in compare to all other bank.

## VII. FINDINGS & RECOMMENDATIONS

### Findings

- It is apparent that the NPA has become a major problem of the urban co-operative banks.
- Poor resource base is the main constraint of the urban co-operative banks.
- Most of the UCBs follow conservative credit policy.
- Urban co-operative banks (Surat's Bank) are suffering from the lack of professional management and in most of the cases approach is very much casual.
- There is also need some improvement for recover it's NPA.

### Recommendations

- The management should keep NPAs under control and reduce the net NPAs to the expected level so that the bank does not fall in lower category. It should adopt the strategies at two stages,i.e.Pre-sanction in depth scrutiny and Post-sanction supervision and follow up.
- It is advised to the management to manage their NPA and strictly scrutinize loan procedure.
- The urban co-operative bank should improve their recovery system.
- The bank needs to prepare a comprehensive perspective plan for product diversification to maintain a competitive edge in the market.
- The urban co-operative banks, with their new formed emphasis on prudential norms, need a high degree of professionalism in management.

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