A Study of Non Performing Assets of Co-operative banks with special reference to Hyderabad Karnataka region.

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Abstract— Cooperative Banks in India have become an integral part of the success of Indian Financial Inclusion story. They have achieved many landmarks since their creation and have helped a normal rural Indian to feel empowered and secure. The story has not been smooth and has its share of procedural glitches and woes placed at various pockets. They are giving timely assistance to rural peoples by way of giving loans and other amenities to agriculturist. But any default in repayment of loan, will affect operational efficiency and financial health of the bank. So that management of loans is very important in primary agricultural Co-operative bank. This paper attempted to study the movement of Nonperforming Assets in selected cooperative banks with special reference to Hyderabad Karnataka Region.

Index Terms— Co-operative Bank, Non-Performing Asset, Financial Inclusion

1. Introduction:

Co-operative banks in India provide play an important role in the rural areas, providing timely credit and other support for uplifting the economic conditions of farming community. Cooperative Banks have a portfolio of loans and advances that are highly tilted toward Agriculture and that too short term agriculture [crop loaning]. Both Government of India and State Governments (many) are giving interest subvention on crop loans issued through the cooperative sector, which make it the cheapest loan in the banking system. They also cater to services like loans, deposits, and other banking related activities like Universal banks but widely differ in their values and governance structures. To ensure this timely financial assistance and services to the agriculturist is very important. But at the same time due to natural calamities and low rate of crops they are not in a position to repay the loan in time this leads to Non-Performing assets.

2. A. Non-Performing assets

3. An asset becomes non- performing assets when it ceases to generate income for the bank. Such an asset is known as non-performing assets. This is due to several reasons. A borrower fails to repay the principal along with interest to the bank it is called as non-performing assets.

4. B. Classification of Bank Advances

5. 1. Standard Assets: Standard assets are those which do not disclose any problems and which do not carry more than normal risk attached to the business. Such assets are not NPA 2. Sub- standard Assets: These assets are those which have been classified as NPA for a period not exceeding 12

months.

3.Doubtful Assets: Doubtful assets are those which have remained NPA for a period exceeding 12 months. In the case of term loans, those where instalments of principal have remained overdue for a period exceeding 18 months should be treated as doubtful. An asset is classified as non- performing assets under the following record of performance of recovery In respect of term loan, if interest and/or instalment of principal remain overdue for a period of more than 90 days to assess the current status of Co-Operative banks.

• To study the movement of NPA.

• To analyse the trend and cause of NPA in Bank

Scope of the study

Non-Performing Assets are an important parameter in the analyses of financial performance of Primary Agricultural and Rural Development Banks. The geographical area of this study is only in primary Co-operative Agricultural and Rural Development Bank, Belthangady, Dakshina Kannada District.an attempt has been made to analyse six year financial performance of Primary Co-operative Agricultural and Rural Development Bank, Belthangady, Dakshina Kannada District for studying NPA.

2.STATEMENT OF THE PROBLEM

CBs occupy a place of significance in the cooperative credit delivery system. They act as a spokesperson of the cooperative movement at district level. The success or otherwise of the cooperatives in a district level largely depends upon the efficiency of the functioning of CBs. The founders of the movement envisioned the role of DCCBs beyond the boundaries of mere financing bank. CBs are expected to serve as a financing bank for the primaries in a district, guide them in their day to day operations, supply of necessary manpower and technology wherever it is required, voicing on behalf of primaries at policy level etc,. Because of this integrated role, DCCBs are strategically located and integrated with the cooperative system.Hence, they are not only acting as financing banks but also act as development banks for the cooperatives at district level. To do these multifarious functions CBs should have a well-defined management system. In the total management of the CBs, financial management occupies a place of importance as the functions of these institutions are also governed by the Banking Regulation Act. Even a minor deviation from banking norms would attract penal actions from the law enforcing authorities. On the one side, CBs are expected to act as a financing bank for the primaries, which are in majority of the cases managed by untrained work force. On the other side, CBs are expected to follow the banking norms as well as implement the State Governments schemes and programmes for the development of the state. Most CBs that fail seem to do so because of problems in their loan portfolio. Non-performing loans grow to such extent that revenues fall off and loan expenses as well as operating costs absorb all the earnings that remain. The bad loan situations usually arise from combination of factors. In this regard, it is pertinent to study how these banks mobilize the resources and deploy them. Hence funds management of the Cbs is an important issue and their financial performance is to be studied with their impact on NPA's in CBs. In this context, the questions apt to arise are:

Whether the financial performances of the banks are in satisfactory manner in terms of NPA's?

To find out the answer to these questions, an analytical study had to be undertaken. The results of such studies will help to find out the problem, difficulties, impacts etc., and to frame financial policies by the CBs for the benefits of the farmers, the community and other stakeholders.

3.RESEARCH METHEDOLOGY

Wellspring of information accumulation:

In order to collect the data essential information and auxiliary information has been gathered.

1. Primary Data

2. Secondary Data

4.REVIEW OF LITERATURE

Several individual researchers had studied a few facets of NPA's of selected CBs in selected areas. To know how far the ground is already prepared and to identify the gaps therein and to spell out the issues which need further intensive and comprehensive analysis, an attempt is made to review the related literature.

1 Gowthaman A. and Srinivasan T, (2010) in their article entitled, "Effective Funds Management by the Kumbakonam Central Cooperative Bank" has presented the DCCBs are modal centres of financial institution in the cooperative sector in a district.

in Tamilnadu is found decreased. In this paper an attempt is made to analyse the funds management of the bank for the period of 1998-99 to 2007-08.

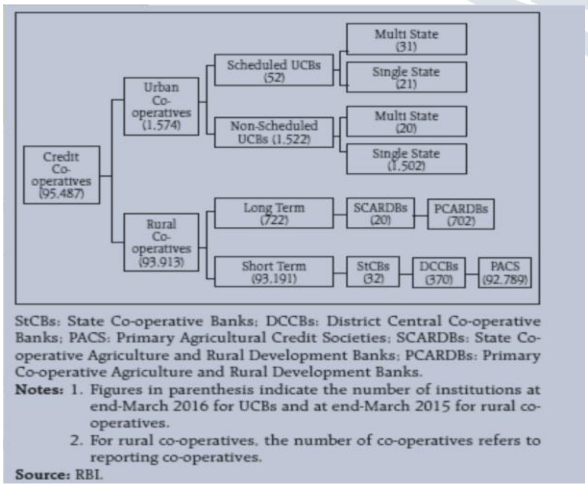
2 Surya Rao K, (2007) in his study, “Performance of Cooperative Banking. A study of DCCB - Eluru, Andhra Pradesh”, applied ratio such as profitability analysis, productivity analysis, solvency position, and operational efficiency and SWOT analysis.

3 Fulbag Singh and Balwinder Singh, (2006) in their study “Profitability of the Central Cooperative Banks in Punjab- A decomposition Analysis”, they analysed the profitability position of the Central Cooperative Bank in Punjab. Two different years have been studied with the help of a frame work of Return on Equity (ROE) model. The sample of bank with high business volume and those with low business volume had been tested separately.

4 Raja. S, (2005) in his study, “Performance Evolution of MDDCB Ltd- an Application of Structural and Growth Analysis”, analysed the pattern of each component of the financial statements such as balance sheet and profit and loss account over a period of time. The study found out that performance of the Madurai District Central Cooperative Bank (MDCCB) using structural and growth analysis.

5.Co-operative Credit Structure in India

As per the data given in Reports on trends and Progress in banking 2015-16 by Reserve Bank Of India, as at end-March 2016, India’s co-operative banking sector comprised of 1,574 urban cooperative banks (UCBs) and 93,913 rural



StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Notes: 1. Figures in parenthesis indicate the number of institutions at end-March 2016 for UCBs and at end-March 2015 for rural co-operatives.
2. For rural co-operatives, the number of co-operatives refers to reporting co-operatives.

Source: RBI.

co-operative credit institutions, including short-term and long-term credit institutions (Chart).

Table I Cooperative Credit Structure in India [position as on 31.03.2016

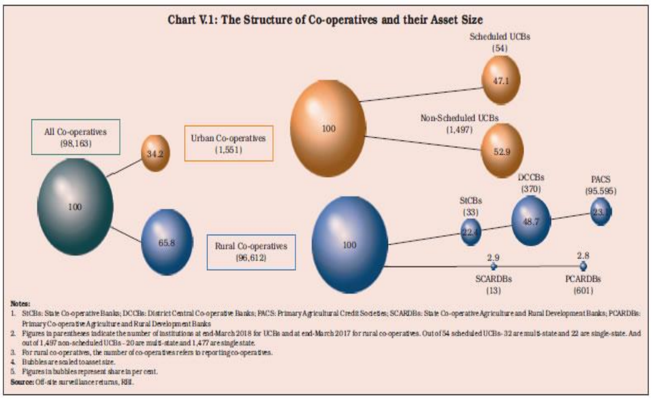
[Source: Reports on trends and Progress in banking 2017-18

Introduction of Prudential Norms In order to reflect Bank's actual financial health in its balance sheet, RBI had introduced prudential norms for Income Recognition, Asset Classification and Provisioning norms for the advances and investment portfolio of all banks, including Cooperative Banks. The policy of income recognition is based on the record of recovery.

6.Developments in Co-operative Banking

The consolidated balance sheet of urban co-operative banks (UCBs) moderated in 2017-18 as the impact of the demonetisation-induced expansion in deposits in the preceding year waned. Asset quality improved, although overall profitability moderated. Among rural co-operatives, state co-operative banks (StCBs) improved their NPA ratios and profitability, but in other segments – district central co-operative banks (DCCBs), state co-operative agriculture and rural development banks (SCARDBs) and primary co-operative agriculture and rural development banks (PCARDBs) – losses mounted alongside a rise in loan delinquency.

Co-operative institutions play a significant role in credit delivery to unbanked segments of the population and financial inclusion within the multi-agency approach adopted in India in this context. They consisted of 1,551 urban co-operative banks (UCBs) at end-March 2018 and 96,612 rural co-operative banks at end-March 2017, with the latter accounting for 65.8 per cent of the total asset size of all



co-operatives taken together.

While UCBs strive to deliver institutional credit at affordable costs in urban and semi-urban areas, rural co-operatives provide financial services in villages and small towns by leveraging on their geographical and demographic outreach. The growth of co-operative institutions has not, however, been commensurate with the overall growth of the banking sector – at the end of March 2017, they accounted for only 11 per cent of the total assets of scheduled commercial banks (SCBs) in comparison to 19 per cent share in 2004-05. While remedial measures initiated by the Reserve Bank have resulted in consolidation in the UCB sector, weaknesses in the rural co-operative segment persist, reflecting operational and governance-related impediments.

RESULTS AND DISSCUSSION

GROSS NPA RATIO

Gross NPA extent is the extent of Gross NPA to gross advances of the bank. Gross NPA is

the total of each advancement resource that are arrange according to RBI rules The extent is tallied in the rate (%) and the formula of Gross NPA Ratio is according to the accompanying.

Showing Gross NPA from 2014-2015 to 2017-2018 of DCB

SL.NO	YEARS	GROSS NPA	GROSS ADVANCE	GROSS NPA RATIO (%)
1	2014-2015	93364723	1017524533	8.19
2	2015-2016	93026171	1476633031	5.62
3	2016-2017	64550116	2481632366	2.19
4	2017-2018	7781159	384328966	2.01

2. **NET NPA RATIO:**

It is the most important ratio which measures the NPA as a percentage of advances.

The formula of that is.

SL. NO	YEARS	NET NPA	NET ADVANCE	NET NPA RATIO (%)
1	**2014-2015**	**93363994.23**	**1017523804**	**8.19**
2	**2015-2016**	**9025442.23**	**1476632302**	**5.62**
3	**2016-2017**	**-22992107**	**24738788143**	**-0.92**
4	**2017-2018**	**30782654**	**3758070029**	**0.81**

CONCLUSION:

Developing NPAs in one of the most concerning issues the Indian Banks are confronting today. In the event that true blue association of the NPAs is not got a handle on it would back off the feasibility of the banks. In the event that the considered NPAs is taken carelessly it would be unsafe for the saving money parcel the NPAs beat the present profile and premium pay and impact the level execution of the reusing of the advantages. Banks moreover reallocate disasters to various borrowers by charging higher financing costs. Lower store rates and upper crediting rates curb reserve funds and money related markets, which thusly hampers the monetary development of NPAs and take suitable measures to manage their development.

Securitization act will without a doubt help banks in diminishment of NPA as it were.

- Preventing new stream of NPA as it were.
- Exchange of credit data among banks would be of monstrous stay away from conceivable NPAs.

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