

# Non-Performing Assets Management in Corporations

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**Abstract:** The banking sector efficiency and the stability acts as a criterion to predict the growth of the economy. The non-performing-assets directly impact the performance of the bank including their profitability. The paper aims in examining the level of the NPA's in the bank and to analyse the reason behind the increase level of NPA. Financial institutions, which has glory in a particular phase once upon a time is now going through a lot of problems or challenges due to the rise in the NPA in such financial institutions. Even though a keen monitoring is been taken place in order to take care the level of these non-performing-assets the goal is not achieved in controlling such NPA. The study is made because NPAs have straight impact on the financial performance of banks that is their profitability. It denotes the competence with which a bank is optimizing its entire resources and thus, portions an index to the degree of asset utilization and managerial efficiency. NPAs affects the profitability of the banks in requisites of increasing cost of capital, rising risk perception in that way affecting liquidity position of banks. The study is based on the secondary data collected from different sources. It shows the magnitude of NPAs in financial corporation.

**Keywords:** NPA, Profitability, Assets, Bank

## 1. Introduction

The requirement of money is of immense significance in today's business world. Each day new business enterprises are being formed as a result there is requirement of financial support. This financial support is given all the way through loans through different financial institutions. For a financial institution to endure, it has to ensure that the loans provided to a variety of enterprises are recovered not merely on time, although in addition with a certain percentage of interest as income. But occasionally, for cause such as poor credit appraisal, poor performance of the borrower's company because of micro and macro factors, the loan might not be recovered as designed. When the loan does not generate revenue for a phase of 90 days, it becomes a Non Performing Asset. When such a circumstances happens, the financial institution have to come up with excellent strategies to find a suitable solution for the assets which are not performing. This is called management of NPA [1].

## 2. Review of literature

- Das and Ghosh (2003) empirically examined non-appearing loans of India's public sector banks in terms of numerous indicators including asset length, credit

score boom and macroeconomic condition, and operating performance indicators. Sergio (1996) in a have a look at of non-performing loans in Italy discovered proof that, a boom in the riskiness of loan belongings is rooted in a financial institution's lending policy adducing to highly unselective and insufficient assessment of sectoral possibilities [2].

- Meenakshi Rajeev, H P Mahesh (2010) studied banking area reforms and NPA'S in Indian commercial banks to look at the developments of NPAS in India from numerous extent and to provide an explanation for how instantaneous popularity and self-tracking has been able to lessen it to an exceptional volume. The study analysed the distinct elements of NPAs like NPA in India comparative to different nations, NPAS of Indian banks as according to the exceptional sectors and healing of naps thru numerous channels. It became discovered that NPAS in the contributory element for disaster inside the economy and root reason of the latest international financial disaster. It became determined that NPAS in precedence sector is still better than that of the non-priority region because of socio monetary goals of banks [3].
- Saikat Ghosh Roy (2014) scrutinized the determinants of non-performing assets in India for the duration of the length 1995-96 to 2011-12, the use of the Panel Regression tool. The observe consisted of four financial institution particular variables and eight economic factors. The panel regression, constant impact has the same opinion assessing the impact of certain macroeconomic elements at the NPA. The result found out through this study became comparatively within the same line to that of the examine performed in different areas additionally. The Indian banking area was fronting the trouble of their asset superiority because the GDP increase deteriorated and Indian rupee noticed precipitous downgrading. The panel regression denoted that the increase in GDP, various alternate price and international volatility had principal effect on the NPA of Indian Banking area. [4]

### 3. Statement of the problem

A financial institution, which was in magnificence stage some time ago, has been going through a plenty of challenges on non-performing assets at recent situation. A lot of financial institutions have kept their NPAs underneath their control but a few are not capable to control their NPA levels. They are dealing with plenty of problems. There can be a variety of reasons at the back this NPA. Non-performing assets have been thrashing the profitability of the financial institutions. The subordinate for this is the performance of Debt Recovery Tribunal (DRT) which is a judiciary for the financial institution for recovery amount as of the non-payment clients. These can be considered as a research problem based on which the data is collected, the purpose is calculated and the statistics is analyzed and interpreted. In spite of different steps taken to solve or finish the problem, concrete results are eluding. The firmness of the problem is however tremendously suffered by all financial institutions.

#### A. Objectives of the study

- To study the overall disbursement made by financial corporation.
- To analyze the total non-performing loans at financial corporation.
- To suggest ways and means of controlling NPA.

#### B. Scope of the study

As far as the scope of the study is concerned, the study on management of non-performing assets. The study will be based on the information provided by the Financial Corporation. The data will be collected from previous 5 year's annual reports from 2013-2014 to 2017-2018. Supervisors in the workplace are considered in case of data collection and interpretation.

### 4. Research methodology

The study is based on the secondary data from various sources like newspapers, journals, websites and blogs. A basic understanding of NPA was also obtained from a focus group interview with the post graduate students of a couple of Autonomous Colleges in Bengaluru. This has further enabled the researcher to understand the agonising pressure of NPA's on the performance of financial institutions.

#### A. Limitations of the study

The "NPA management" has following limitations:

- The study duration is short.
- The study is exclusively based on secondary information.
- NPAs are changing with the time. The study is done in the present environment without foreseeing future development.

### 5. Data analysis and interpretation

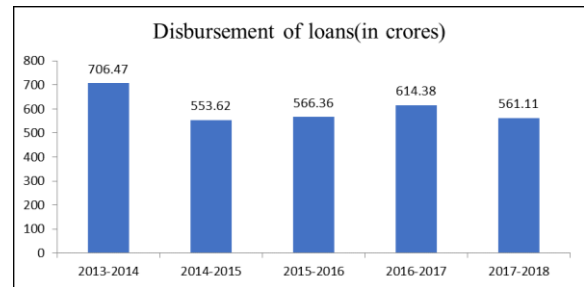


Fig. 1. Depicting the disbursement of Loans during the last 5 years  
 Source: Annual reports of the financial corporation, 2013 - 2018

#### Interpretation:

The above graph shows that the amount of disbursement has gone down from the year 2013-14 to the year 2015-16 and from the year 2016-17 it gradually started increasing.

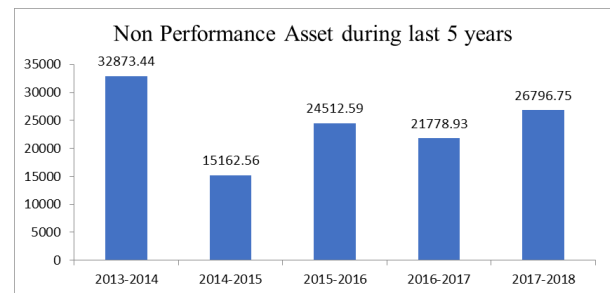


Fig. 2. Depicting the Non-Performing Asset during last 5 years  
 Source: Annual reports of the financial corporation, 2013 - 2018

#### Interpretation:

The lowest amount of NPA of the last five years is recorded in the year 2014-15. But in the year 2015-16 it is increased and again slightly decreased in the year 2016-17. In 2017-18 it increased slightly.

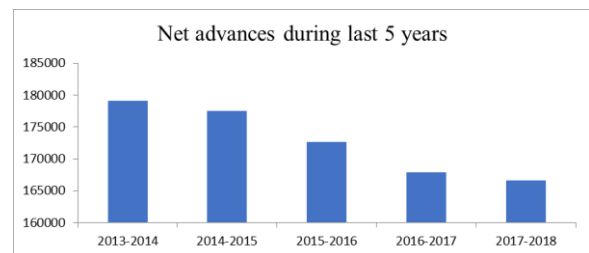


Fig. 3. Depicting the Net advances (Rs. in lakhs) during 5 years  
 Source: Annual reports of the financial corporation, 2013 - 2018

#### Interpretation:

Can see that the amounts of Net advances are somewhat close to each other, though they are decreasing continuously during last 5 years This shows that the firm is trying to maintain an average of advances throughout the year.

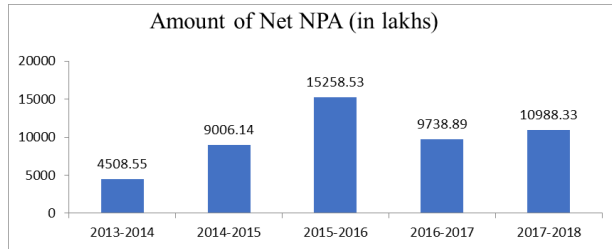


Fig. 4. Depicting the amount of NET NPA during last 5 years  
Source: Annual reports of the financial corporation, 2013 - 2018

**Interpretation:**

From the above graph it is found that the amount of Net NPA was continuously increasing from 2013-14 to 2015-16, but in the year 2016-17 it decreased and again increased in the year 2017-18.

**6. Findings and suggestions**

**A. Findings**

Following are the findings for "Non-Performing Assets Management":

- Since the year 2014-15 we can see that the amount of disbursement has kept on increasing drastically.
- The net advances given the corporation have decreased continuously since 2014-15. This is majorly influenced by the number of loan applications decided to sanction.
- The amount of NPA was very high in the year 2015-16 but decreased in the year 2016-17 and in 2017-18 it again increased.
- The NPA in 2017-18 is comparatively less when compared to 2013-14.
- In the year 2016-17 the corporation has recovered a higher amount of NPA. That's why the percentage of the Net NPA has decreased.
- The corporation has earned more net profit in the year 2014-15 but it is decreased in the year 2017-18 due to more amount of NPA.

**B. Suggestions**

Following are the suggestions for "Non-Performing Assets

**Management":**

- Since a consistent growth is not observed on sanction, disbursement and recovery, focused efforts may be made to achieve consistency in growth.
- Anticipating of problem forward thinking has to be encouraged among recovery officer, target should be set for them and special incentive shall be provided for those who achieve their target. This leads to the minimization of NPA.
- Regular follow ups shall be undertaken for the prompt and regular payment of loan instalment by the customer.
- The recovery department in financial institutions should follow strict policies and procedures to recover loans.
- Financial institutions should thoroughly analyze the repaying capacity before giving loans.

**7. Conclusion**

The control of NPA is the result of credit activity, which is their most significant purpose to earn profit. The credit is connected with the risk and therefore the corporation cannot avoid NPA. However, strict compliance of lending norms, steady growth of credit spread over different segments and activities careful planning, monitoring and follow up can control the advances turning into non performing advances. Even in case of NPAs, recovery or reduction is possible by adopting various strategies. Increase in NPA level can lead a financial institution to major loss, so it is important to manage it properly.

**References**

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