A STUDY OF NON-PERFORMING ASSET IN KARUR VYSYA BANK LTD., KARUR

Dr.K.Ramesh Kumar[1], A.P.Valarmathi[2]

[1]*Head and Research Supervisor, PG & Research Department of Commerce, Valluvar College of Science and Management, Karur*
[2]*Ph.D Research Scholar, PG & Research Department of Commerce, Valluvar College of Science and Management, Karur*

Email: [1]drrameshkumar2012@gmail.com, [2]valarmathiap@gmail.com

Abstract—*In India Non- performing assets are one of the major concerns for banks. NPA is the best indicator for the health of the banking industry. NPAs reflect the performances of banks; NPAs are the primary indicators of credit risk. NPAs are an inevitable burden on the banking industry. Hence the success of a bank depends upon methods of managing NPAs. The public sector banks have shown very good performance over the private sector banks as far as the financial operations are concerned. The public sector banks have also shown comparatively good results. The research period taken is 5 years i.e, 2012-13 to 2016-17.This study is based on both primary and secondary data. The objectives are taken in consideration for the study, to know and study about the non-performing assets in KVB; to examine level of NPA in KVB; to assess the current asset and current liability level; to make appropriate suggestions to avoid future NPAs and to manage existing NPAs in KVB.*

Keywords—*Current assets, Current liability, Gross and Net NPAs, Working Capital.*

INTRODUCTION

Non Performing Asset means a loan or an account of borrower, which has been classified as a sub-standard, doubtful or loss asset, in accordance with the directions or guidelines of asset classification issued by RBI.¬Earlier assets were declared as NPA after completion of the period for the payment of total amount of loan and 30 days grace.¬At present scenario assets are declared as NPA if none of the instalment is paid till six monthsi.e.180 days in respect of a term loan. interest and/ or instalment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purpose, and¬Any amount to be received remains unpaid for a period of more than 90 days in respect of other accounts With effect from March 31, 2004, a non-performing asset (NPA) shall be a declared as a loan or an advance where;

a) Installment of principal or interest remain overdue for a period exceeding 90 days in respect of a Term Loan,

b) The account remains 'out of order' for a period of more than 90 days, relating to Cash Credit or Bank Overdraft

c) The bill remains unsettled for a period of more than 90 days in respect of a purchased or discounted bill.

OBJECTIVES OF THE STUDY

- To know and study about the non-performing assets in KVB.

- To examine level of NPA in KVB.

- To assess the current asset and current liability level.

- To make appropriate suggestions to avoid future NPAs and to manage existing NPAs in KVB.

REVIEW OF LITERATURE

Rekha Gupta and Nitin S. Sikarwar (2013) the Government and the banks have been initiated a number of strategies in the past and are being initiated at present to bring down the level of NPAs. In view of the vital role of nonperforming assets on the profitability, Punjab National Bank and HDFC Bank have been selected for the purpose of present research because both are the giant banks in public and private sector, so a comparative study is made. The author makes an analytical study in respect of Non-Performing Assets and their recovery management, so that it may be useful at all banking levels regarding the efficient utilization of resources which may lead to better working of the banking sector.

Rajveer Rawlin (2012) attempted to develop a predictive model for the NPA% at both the gross and net level from the advances made at a midsized Indian national bank. A strong correlation was observed between gross and net NPA% and the advances made suggesting that estimates of gross and net NPA can be made from advances. Linear and nonlinear models were fit to predict the NPA% from the amounts advanced. A nonlinear model linking both Gross and net NPA to advances provided the best curve fit and the least deviation from actual values. Thus, by simply looking at advances an overall picture of the banks NPA level can be ascertained.

Vivek srivastava, Deepak Bansal (2012) did "a study of trends of nonperforming assets in private banks in India" to find out whether there is positive trend and control of NPA"S by the private sector banks in India. The data were collected for a period of five years from 2007-2012 from various secondary sources and analyzed by average and comparative percentage analysis. It was found that that the level of NPAS is alarming with public sector banks in India but there is slight improvement in the asset quality reflected by decline in the NPA percentage. The banks should take timely action against degradation of good performing assets.

RESEARCH DESIGN

A.   DATA COLLECTION

The secondary data was collected for a period of five years from 2012 – 2013 to 2016 – 2017 from the unpublished records of KVB.

B.   HYPOTHESIS

  i.   **H_0** : There is no significant difference between the gross NPA and the advances.

  ii.   **H_0** : There is no significant difference between Net NPA and the advances.

C.   STATISTICAL TOOLS

Correlation and f-test are used for analysing the data.

DATA ANALYSIS AND INTERPRETATION

TABLE 4.1
COMPARISON BETWEEN TOTAL ADVANCE AND GROSS NPA

S.NO	YEAR	TOTAL ADVANCES	GROSS NPA
1	2012 - 13	186720646	45998000
2	2013 - 14	206586000	54646000
3	2014 - 15	1651284000	45462000
4	2015 - 16	1981893000	39125000
5	2016 - 17	2395846000	64019000

INTERPRETATION:

From the above table it can be interpreted that bank had not enough advance and gross NPA. Above the table shows that 2016 – 17 has increased than the year 2013 -14. Which is not good sign for bank.

TABLE 4.2
COMPARISON BETWEEN TOTAL ADVANCE AND NET NPA

S.NO	YEAR	TOTAL ADVANCES	NET NPA
1	2012 – 13	186720646	83809000
2	2013 – 14	206586000	43391500
3	2014 – 15	1651284000	202487000
4	2015 – 16	1981893000	131641300
5	2016 – 17	2395846000	318415900

INTERPRETATION:

From the above table it can be interpreted that bank had not enough advance and net NPA. Above the table shows that 2016 – 17 has increased than the year 2014 -15. Which is not good sign for bank.

TABLE 4.3
CURRENT ASSETS FOR 2012-13 AND 2016-17

S.NO	YEAR	Current Assets
1	2012 – 13	131523000
2	2013 – 14	147639000
3	2014 – 15	183582000
4	2015 – 16	218198000
5	2016 – 17	263076000

INTERPRETATION:

From the above table it can be interpreted that bank had current assets increasing form 2012-13 and following the year up to 2016-17. Which is good sign for bank.

TABLE 4.4
FIXED ASSETS FOR 2012-13 AND 2016-17

S.NO	YEAR	Fixed assets
1	2012 – 13	176667000
2	2013 – 14	206531000
3	2014 – 15	247054000
4	2015 – 16	287322000
5	2016 – 17	352447200

INTERPRETATION:

From the above table it can be interpreted that bank had fixed assets increasing form 2012-13 and following the year up to 2016-17. Which is good sign for bank.

TABLE4.5

CURRENT LIABILITIES FOR 2012-13 AND 2016-17

S.NO	YEAR	Current Liability
1	2012 – 13	136934720
2	2013 – 14	270738330
3	2014 – 15	327507180
4	2015 – 16	352086430
5	2016 – 17	587202330

INTERPRETATION:

From the above table it can be interpreted that bank had current liability increasing form 2012-13 and following the year up to 2016-17. Which is not good sign for bank.

TABLE 4.6
WORKING CAPITAL FOR 2012-13 AND 2016-17

S.NO	YEAR	Working Capital
1	2012 – 13	1413604000
2	2013 – 14	-1999607000
3	2014 – 15	6862685000
4	2015 – 16	2773955000
5	2016 – 17	3297814000

INTERPRETATION:

The above table **4.6** interoperates that: In **2014 – 15** the KVB has a maximum working capital of **Rs. 6862685000**, But in **2013 -14** the bank has the working capital value is very least of **Rs. -199960700**

TABLE 4.7

COMPARISON BETWEEN TOTAL ADVANCES AND GROSS NPA

S.NO	YEAR	TOTAL ADVANCES	GROSS NPA
		x	Y
1	2012 - 13	18.6720646	4.5998
2	2013 - 14	20.6586	5.4646
3	2014 - 15	165.1284	4.5462
4	2015 - 16	198.1893	3.9125
5	2016 - 17	239.5846	6.4019
		675.8981787	**40.6523**

r= 3.166

The value is r is negative. So, there is no relationship between total advances and gross GPA.

H$_0$: There is no significant difference between Net NPA and the advance

TABLE 4.8

COMPARISON BETWEEN TOTAL ADVANCES AND NET NPA

S.NO	YEAR	TOTAL ADVANCES x	x-x	x	NET NPA y	y-y	y
1	2012 – 13	18.6720646	-48.9177554	2392.946793	28.3809	5.242153	27.48016808
2	2013 – 14	20.6586	-46.93122	2202.539411	44.33915	21.200403	449.4570874
3	2014 – 15	165.1284	97.53858	9513.774588	30.2487	7.109953	50.55143166
4	2015 – 16	198.1893	130.59948	17056.22418	23.16413	0.025383	0.644296689
5	2016 – 17	239.5846	171.99478	29582.20435	41.84159	18.702843	349.7963363
		642.233		**60747.69**	**167.9745**		**877.9293**

Computed value of F=0.02194 is < table value F0.05=3.18, the null hypothesis is accepted. So, there is no significant relationship between total advances and the net NPA.

CONCLUSION:

Banking sector occupies a pivotal place not only in advanced economies but also in developing countries like India. Commercial banks have been the prime movers and pace setters for socioeconomic transformation. To conclude the VB's NPA position is good. The Bank has relied more on creditor's funds than owned fund. The profitability position of the Bank is good. But the bank's leading has increased in a declining growth rate. Overall financial performance of the Bank is good.

BIBLIOGRAPHY

[1] Rekha Gupta and Nitin S. Sikarwar (2013) "A case study of recovery position of Non-performing asset of Punjab national bank of India and HDFC bank limited "international journal of accounting and financial management research, Vol 3, Issue 1, March 2003, pp. 193-200.

[2] Rajveer Rawlin (2012) "Modeling the NPA of a Midsized Indian nationalized Bank as a function of Advances.

[3] Vivek Srivastaval Deepak Bansal (2012) "A study of trends of Non – performing Asset Private banks in India".

[4] Non-Performing Assets: A Study of State Bank of India. (2013). Asia Pacific Journal of Research, 1(10), pp.81-88.

[5] Rajan R, Dhal SC (2003) Non-performing loans and terms of credit of public sector banks in India: an empirical assessment. Reserve Bank India Occas Pap 24:81–121

*****