

A Study on Non-Performing Assets of State Bank of India

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Abstract - Non-performing assets are one of the major concerns for banks in India. NPA's reflect the performance of banks. A high level of NPA's suggests high probability of a large number of credit defaults that affect the probability and net-worth of banks and also erodes the value of the asset. The purpose of the study is to know how NPA levels will affect the profitability of banks. The research design used was descriptive research. The study has been carried out with the help of annual reports to determine the level of non-performing assets. After the evolution of the banking system, the development and growth has become very prompt as banks provide a great deal for the better and speedy capital formation in the economy. Banking system has provided a greater amount of facility for the financial adjustment of economic activity which is an important tool for the banking system, of which one of the biggest difficulties is the non-performing assets of banks. To grant a loan is not a big challenge but the recovery of loan is one of the biggest issues. In this present paper the overview, causes and suggestion for the maintaining NPA levels by banks is analyzed.

Index Terms – NPA, Bank, Financial sector, Credit.

INTRODUCTION

India, a developing country, has been progressing since independence with great support for the banking system in the country. The role of banks in the progress of the country is considered as a benchmark. For the high rate of capital Formation, the role of commercial banks has no other alternative. But yet Indian needs a great amount of development and growth for the time to come where again the banking system will become a milestone but banking system has only one big issue that is Non-Performing Assets. In general, the non-performing assets are found more comparatively in the public sector banks in comparison to private banks because of liberal rules for the debt recovery. Nowadays the RBI has issued strict guidelines to reduce the NPA's in the banks and due to that the proportion of NPA's has reduced up to

the extent but not all together. In the present paper a study is conducted to check the NPA's of State Bank of India during 2018 to 2021 and suggestions to reduce the NPA's has also been drawn.

OBJECTIVES OF THE STUDY

1. To analyze the NPA levels of State Bank of India.
2. To study the procedure and policies followed in SBI for Recovery of NPAs.
3. To identify the impact of Non-Performing Assets on Performance of SBI.
4. The study of gross and net NPA of SBI year 2018 to 2021.
5. To study the causes of NPA of Banks.

REVIEW OF LITERATURE

The issue of NPAs has been a major area of concern for the lenders and the policymakers. Various research studies have been made to understand the causes contributing to the rise in NPAs, measures that should be taken to resolve the issue in its nascent stage and reforms that have come into effect to reduce the piling up of NPAs.

Kumar (2018), in his study has found that NPAs have a serious negative impact on the profitability and liquidity of the banking sector. According to him, if the issue of NPAs is managed efficiently, then many microeconomic issues such as poverty, unemployment, imbalances of balance of payments can be reduced, the money market can be strengthened, and thus, the image of the Indian banking system can be improved in the international market.

COLLECTION OF DATA

The secondary data is used in the present study. The secondary data to non-performing assets were collected from various issues of SBI Annual Report and RBI bulletins from 2018 to 2021.

ASSET CLASSIFICATION AND PROVISIONS

Banks are required to classify the loan assets into four categories viz.

1. Standard assets
2. Substandard assets
3. Doubtful assets IV. Loss assets

Standard Assets:

Are those, which do not disclose any problem and do not carry more than normal risk attached to the business. Such assets are considered to be performing assets. A general provision of 0.25% has to be provided on a global loan portfolio basis.

Sub Standard Assets:

With effect a substandard asset would be more, which has remained NPA for a period less than or equal to 12 months. Such assets will have well defined credit weaknesses that jeopardize liquidation of the debt and are characterized by distinct possibility that the bank will sustain some loss.

Doubtful Assets:

There are the assets which have remained NPA's for a period exceeding 12 months which are not considered as a loss advance. Banks have to provide 100 percent of the scheme (Deposit Insurance and Credit Guarantee Corporation) and a realizable amount of guarantee cover under ECGC (Export Credit Guarantee Corporation) schemes.

Loss Assets:

Loss assets are those where loss has been identified by the bank or internal /external auditors or RBI inspectors but the amount has been written off, wholly or partially. Any NPA's would get classified as loss assets. Companies have to provide 100% of these outstanding advances.

REASONS OF NPAs IN BANKS

An account becomes an NPA due to causes attributable to the borrower, the lender and for reasons beyond the control of both. An internal study conducted by the RBI shows that in the order of prominence, the following factors contribute to NPAs.

Internal Factors

- Insufficient management.
- Time cost overrun during the project implementation.
- Strained Labour relations.
- Inappropriate technological problems.
- Poor credit appraisals, improper SWOT analysis on the part of banks.

External Factors

- Price escalation.
- Recession.
- Input or power shortage.
- Exchange rate fluctuation.
- Manipulation by the debtors using political influence has been a cause for high industrial bad debts.
- Changes in government policy such as excise, import and export duties, pollution.

DATA ANALYSIS

Table 1 Analysis of Gross NPA (RS.)

Particulars	2018	2019	2020	2021
Gross NPA	2,23,427	1,72,750	1,49,092	1,26,389
total	2,23,427	1,72,750	1,49,092	1,26,389

Above table shows Gross NPA for the year 2018 to 2021. It is clear from the table that the amount of gross NPA has been reducing from 2018 to 2021. It was 1,77,866 crores and it was 1,26,389 crores in the year 2021.

Figure no 1 Classification Gross NPA(Rs)

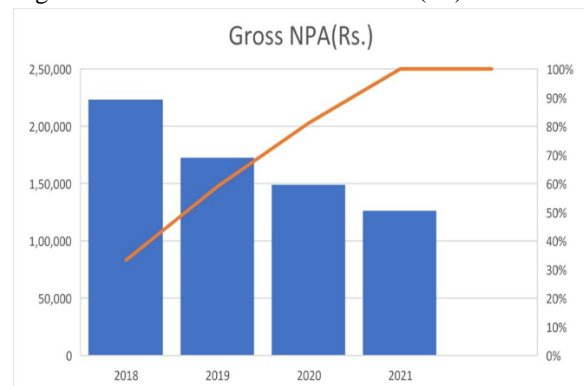


Table 2 Analysis of Gross NPA (%)

Particulars	2018	2019	2020	2021
Gross NPA%	10.91	7.53	6.15	4.98
Total	10.91	7.53	6.15	4.98

Figure 2 classification of data of gross NPA %

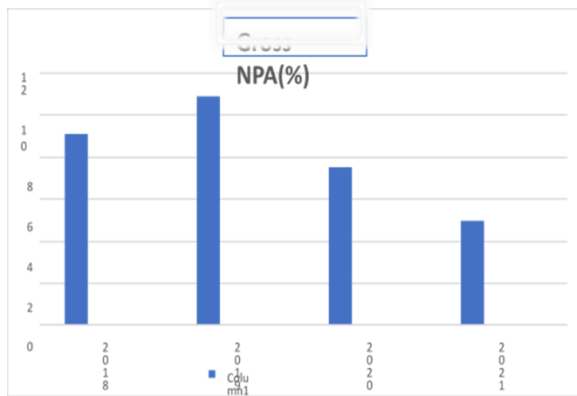
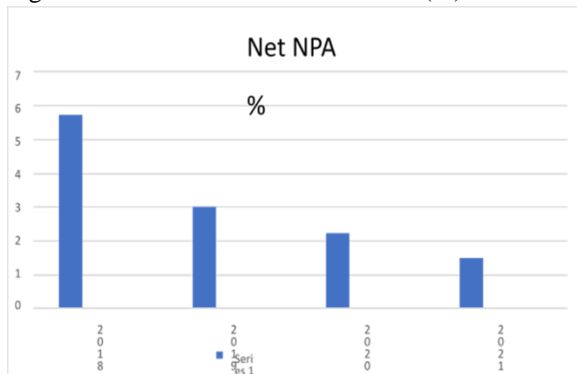


Table 3 Analysis of NET NPA (%)

Particulars	2018	2019	2020	2021
Net NPA %	5.73	3.01	2.23	1.50
Total	5.73	3.01	2.23	1.50

Above table shows Net NPA for the year 2018 to 2021. It is clear from the above table that Net NPAs have also been decreasing from 2018 to 2021. It was 5.19 % and has decreased to 1.50% in 2021.

Figure no 3 Classification of Net NPA (%)



FINDINGS

NPA has been decreasing whether gross or net in terms of rupees. NPA has been decreasing whether gross or net in terms of percentage too. The improvement in asset quality has majorly been due to recoveries and higher write-offs by the multiple banks. So The banks were successful in reducing the NPA and its causes.

CONCLUSION

Net Performing Assets of SBI is studied in detail for the given time period 2018 to 2021 with its type of assets, Nipagin terms of rupees as well as in percentage terms. Along with these findings have been

presented. In the above paper the SBI was reducing the NPA from the 2018 to 2021. It will help to protect the banks total profit of the financial year and to avoid the losses. Compared to 2014 the NPA of SBI was reduced at a very high rate.

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