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**AN ANALYSIS OF NON-PERFORMING ASSETS IN
KARASSERY SERVICE CO-OPERATIVE BANK LTD.**

by

**RENJITH N C
(2014-31-132)**



MAJOR PROJECT REPORT

Submitted in partial fulfilment of the
requirement for the Post Graduate Degree of

MBA IN AGRI BUSINESS MANAGEMENT

Faculty of Agriculture

Kerala Agricultural University



COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR- 680656

KERALA, INDIA

DECLARATION 

DECLARATION

I hereby declare that this project report entitled "AN ANALYSIS OF NON-PERFORMING ASSETS IN KARASSERY SERVICE CO-OPERATIVE BANK LTD." is a bonafide record of project work done by me during the course of project and that the report has not previously formed the basis for the award to us of any degree, diploma, associateship, fellowship or other similar title of any other University or Society.

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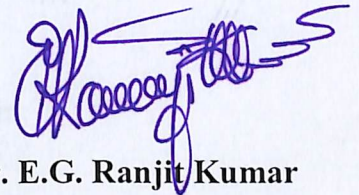


RENJITH N C
(2014-31-132)

CERTIFICATES 

CERTIFICATE

Certified that this project report entitled "AN ANALYSIS OF NON-PERFORMING ASSETS IN KARASSERY CO-OPERATIVE BANK LTD." is a record of project work done independently by **RENJITH N C (2014-31-132)** under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship, or associateship to him.



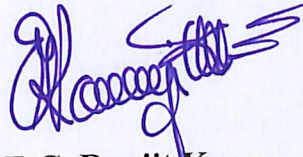
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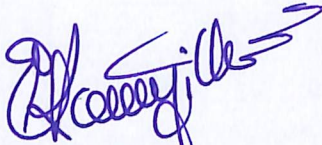
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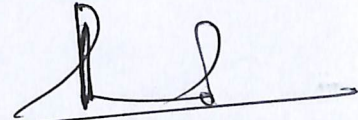
We, the undersigned members of the advisory committee of Mr. Renjith N C, a candidate for the degree of **MBA in Agribusiness Management**, agree that the project work entitled “**AN ANALYSIS OF NON-PERFORMING ASSETS IN KARASSERY CO-OPERATIVE BANK LTD**” may be submitted by Mr. Renjith N C, in partial fulfilment of the requirement for the degree.



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I would also use this opportunity to beg to pardon to all those who have ever been hurt, knowingly or unknowingly by my words and deeds.

For any errors or inadequacies that may remain in this work, of course, the responsibility is entirely my own.

A handwritten signature in black ink, appearing to read 'Renjith NC', written in a cursive style.

RENJITH NC

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DESIGN OF THE STUDY ✍

CHAPTER 1

DESIGN OF THE STUDY

1.1 Introduction

Reserve Bank of India, twice, appointed a committee under the chairmanship of Shri. M. Narasimham to suggest measures to revamp the Indian financial sector. The first financial sector reforms were introduced in the year 1992-93 followed by the banking sector reforms recommendation in 1998. Both the committees, under the chairmanship of same person recommended introduction of various prudential norms, strict accounting standards, full disclosure norms and capital adequacy for banks in India. The concept of NPA came into force in India on 1st April 1992 as part of the recommendations made on financial sector by the Narasimham committee in 1991.

Non-Performing Assets (NPA), also called Non-Performing Loans, are loans, made by a bank or financial company, on which repayments are not being made on time. It is generally credit facility in which interest or instalment of principal has become overdue. A loan is an asset for a bank as the interest payments and repayment of principal creates a stream of cash flows. It is from the interest payments that a bank makes its profit.

The main feature of NPA is that they do not earn any income but will have to incur expenditure in the process of recoveries. The money locked up in NPAs is not available for productive use and do that extend banks seeks to make provisions for NPAs or write them off and thus it is a charge on their profit.

Some banks lend to higher risk customers than others and therefore tend to have a higher proportion of non-performing debts, but will make up for this by charging borrowers higher interest rates, increasing spreads. A mortgage lender will almost certainly have lower NPAs than a credit card specialist, but the latter will have higher spreads and may make a bigger profit on the same assets, even if it eventually has to write off the non-performing loans. Banks usually treats assets as non-performing if they are not serviced for some time. If payments are late for a short time a loan is classified as overdue. Once payment becomes really late (usually 90 days) the loan is classified as non-performing.

Repayment of loan together with the interest by the borrowers is the central to the smooth functioning of institutional credit. The utilization of credit for production generates enough money, which is sufficient to repay the loans together with interest and leave a reasonable surplus. Over dues are loans with interest there on not rapid on due dates. The level of over dues is one of the most important indicators of the financial health of a lending institution.

1.2 Statement of the Problem

Non-performing assets also called Non performing losses are loans, made by a bank or finance company, on which repayment are not being made on time. It is generally credit facility in which interest or installment of principal has become overdue. A loss is an asset for a bank as the interest payments and repayment of principal create a stream of cash flows. It is from the interest repayment that a bank makes its profit.

Karassery Service Co-operative Bank is one of the prominent co-operative bank in Kozhikode district. The head office of the bank is situated in Mukkam and the bank has 7 branches. Karassery Service Co-operative Bank is providing a number of deposits and loans to the people residing in the area of the population. Also the bank is providing services like fund transfer, bill collection, safe deposit lockers, general insurance, railway reservation, farmer centre etc.

The annual report of 2010-11 shows 6.2 percent and 2014-15 shows 3 percent NPA, it is clear that overdue amount is decreasing year by year. This decreasing trend leads to lesser NPA and which is beneficial to the bank. Hence the present study is to analyse the composition and extent of NPA and to find out the factors leads to lower NPA. This can be helpful and adaptable to any other service co-operative bank.

1.3 Objective of the study

1. To study the composition and extent of Non-Performing Assets in Karassery Service Co-operative bank.

1.4 Methodology

1.4.1 Sources of data

Secondary and primary data were used for this study.

1.4.2 Data collection

Data were collected from annual report and other financial statements maintained by the bank.

1.4.3 Statistical tools of analysis

The collected data were analysed with the help of simple statistical tools such as percentage, ratio and growth index. Growth index based on fixed base (2010-11) was computed for assessing the growth of loan variables for the study.

1.4.4 Period of the study

This study was conducted for a period of 5 years from 2010-11 to 2014-15.

1.4.5 Parameters selected

1. Loans and advances mix
2. Principal outstanding
3. Principal overdue
4. Interest outstanding
5. Interest overdue.
6. Demand by bank.

1.5 Scope of the study

The scope of the study was limited to explore the cause and effects of overdue to Karassery Service Co-operative Bank. The findings of the study may be helpful to the policy makers and management of the bank to adopt appropriate strategies for overcoming the problem.

1.6 Limitation of the study

The conclusion of the study cannot be generalized since the study is limited to Karassery Service Co-operative Bank only.

NON-PERFORMING ASSETS - A
THEORETICAL APPROACH ✍

CHAPTER 2

NON-PERFORMING ASSETS - A THEORETICAL APPROACH

2.1 Introduction

Banking sector reforms in India has progressed promptly on aspects like interest rate deregulation, reduction in statutory reserve requirements, prudential norms for interest rates, assets classification, income recognition and provisioning. But it could not match the pace with which it was expected to do. The accomplishment of these norms at the execution stages without restructuring the banking sector as such is creating havoc. Without a sound and effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factors. For the past three decades India's banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact, Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India's growth process.

Arguments have been made by the number of economist in regard of the economic growth that a well-developed financial system enables smooth flow of savings and investments and hence supports economic growth. A healthy financial system may help to achieve efficient allocation of resources across time and space by reducing inefficiencies arising out of market friction and other socio economic factors. Besides the various desirable characteristics of a well-functioning financial system, the maintenance of a few non-performing assets (NPA) is also an important one. NPA beyond a certain level causes worries for the banks or the concerns since it affects the smooth flow of credit and credit is very essential for economic development. The bank raises their funds through deposits and also through the funds received from the borrowers. Thus when a loan becomes non-performing, it affects recycling the funds received from the borrowers, hence the non-performing loan affects recycling of credit and credit creation. Besides that the NPAs also affect the profitability of the banks since higher NPAs require higher provisioning, which means a large part of the profits needs to be kept aside as provision against bad loans. Therefore the problem of NPAs is not the concern of the lenders alone but is indeed a

concern for policy makers as well who are involved in putting economic growth on the fast track. In India because of the social banking motto, the problem of bad loans did not receive priority from policy makers initially. However, with the reform of the financial sector and the adoption of international banking practices the issue of NPAs has received due focus. Hence in India the concept of NPA came into the reckoning after reforms in the financial sectors were introduced on the recommendations of the report of the committee on the financial system and an appropriate accounting system was put in place. In broader way NPA is defined as an advance where payment of interest or repayment of instalment of principal, (in case of term loans) or both remains unpaid for a certain period. In India the definition of NPAs has changed overtime, according to Narasimham committee report (1991), those assets (advances, bills discounted, overdrafts, cash credit etc.) for which the interest remains due for a period of four quarters (180 days) should be considered as NPAs. Then after this period was minimized and from March 1995 onwards the assets for which the interest has remained unpaid for 90 days were considered as NPAs.

2.2 The identification of account as NPAs

RBI issued guidelines in 1993 based on recommendations of the Narsimham Committee that mandated identification and reduction of NPAs be treated as a national priority because the level of NPA act as an indicator showing the bankers credit risks and efficiency of allocation of resources.

Definition of Non-performing asset: According to Narasimham committee “An advance where a date of Balance sheet on amount paid to the bank (interest or instalment of the principal) is a part due for a period more than 90 days”.

Non-performing asset (NPA) is a loan or an advance which may take following form;

- **Term loan:** A term loan will be treated as Non-performing asset if Interest and/ or installment of principal remain overdue for a period of more than 90 days.
- **Cash credit and overdraft:** A cash credit or overdraft account will be treated as Non-performing asset if the account remains out of order for a period of 90 days. It means in balance

sheet, there is no credit in the account for 90 days or credit is less than interest debited or where stock report has not been received for three months or more.

- **Bills purchased and discounted:** The bill purchased and discount account should be treated as Nonperforming asset if bill remains overdue and unpaid for a period of 90 days.
- **Agriculture Account:** A loan granted for short duration crops will be treated as Non-performing assets, if the installment of the principal or interest there on remains unpaid for two crop seasons beyond the due date with respect to advances granted for agriculture purpose, and a loan granted long duration crops will be treated as Non-performing assets, if the installment of principal or interest there on remains unpaid for one crop season beyond the due date.
- **Liquidity facility:** The amount of liquidity facility remains outstanding for more than 90 days in respect of a security transaction undertaken.
- **Derivative transaction:** In respect of derivative transaction, the overdue receivable remains undue for a period of 90 days from the specified due date for payment.

2.3 Classification of loan accounts

The assets (loans) are classified into;

- i. Standard Assets
- ii. Sub-standard Assets
- iii. Doubtful Assets
- iv. Loss Assets

The RBI guidelines direct commercial banks to classify the loan account into various categories taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization of dues.

2.3.1. Standard Assets

Standard Asset is one which does not disclose any problems and which does not carry more than normal risk attached to the business.

2.3.2 Sub-standard Assets

- (i) With effect from March 31, 2005 an asset is classified as substandard if it remained NPA for a period less than or equal to 12 months. In such case, the current net worth of the borrowers/ guarantors or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such assets have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks sustain some loss, if deficiencies are not corrected.
- (ii) An asset where the terms of the loan agreement regarding interest and principal have been renegotiated or rescheduled after commencement of production is classified as substandard and remain in such category for at least 12 months of satisfactory performance under the renegotiated or rescheduled terms. In other words, the classification of an asset should not be upgraded merely as a result of rescheduling, unless there is satisfactory compliance of the above mentioned conditions.

2.3.3 Doubtful Assets

An asset is classified as doubtful, if it had remained NPA for more than 12 months. A loan classified as doubtful has all the weaknesses inherent as that classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, is highly questionable and improbable.

2.3.4 Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or by the Co-operation Department or by the Reserve Bank of India inspection but the amount has not been written off, wholly or partly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value. In respect of accounts where there are potential threats to recovery on account of erosion in the value of the security and existence of other factors such as, frauds committed by borrowers, it is not prudent for the banks to classify them first as sub-standard and then as doubtful after the expiry of 12 months from the date the

account has become NPA. Such accounts are straight away classified as doubtful asset or loss asset as appropriate, irrespective of the period for which it has remained as NPA.

2.4 Provisioning norms for accounts classified as NPAs

RBI has directed banks to provide provisions in respect of NPA accounts on the basis of classification of assets into substandard, doubtful and loss assets. RBI states that the provisioning should be made taking into account the time lag between an account becoming doubtful of recovery, the realization of the security and the erosion over time in the value of security charged to the bank. The minimum amount of provision required to be made against a loan asset is different for different type of asset as follows;

2.4.1 Standard Asset

At present, no provision is required. However, banks are directed to provision a minimum of 0.25 percent against standard assets from the financial year ended 31st March 2000 onwards. In this regard, RBI clarified that;

- a) The general provision of 0.25 percent on standard assets is made on the global loan portfolio basis and not on domestic advances alone.
- b) The provisions towards standard assets need not be netted from gross advances but shown separately as “contingent provisions against standard assets” under “other liabilities and provisions” in Schedule V of the balance sheet.
- c) Provisions for standard assets should not be reckoned for arriving at the net NPA.

2.4.2 Substandard Asset

A general provision of 10 percent of the total outstanding is required without making any further allowance for DICGC/ECGC guarantee cover and securities available against such advances.

2.4.3 Doubtful Assets

- a) A 100 percent is required of the extent to which the advance is not covered by the realizable value of the security to which the bank has a valid recourse. The realizable value is estimated on a realistic basis.
- b) With regard to the secured portion, provision is made at the rates ranging from 20 per cent to 100 per cent of the secured portion depending upon the period for which the asset has remained doubtful.

2.4.4 Loss Assets

- a) The entire assets is written off after obtaining necessary approval from the competent authority and as per the provisions of the Cooperative Societies Act/Rules. If the assets are permitted to remain on the books for any reason, 100 percent of the outstanding should be provided for.
- b) In respect of an asset identified as a loss asset, full provision at 100 percent should be made if the expected salvage value of the security is negligible.

2.5 Factors responsible for NPAs

The following factors confronting the borrowers are responsible for incidence of NPAs in the banks: -

- Diversion of funds for expansion/modernization/setting up new projects/helping promoting sister concerns.
- Time/cost overturn while implementing projects.
- External factors like raw-material shortage, raw material/Input price escalation, power shortage, industrial recession, excess capacity, natural calamities like floods, accidents etc.
- Business failures like product failing to capture market, inefficient management, strike/strained labour relations, wrong technology, technical problem, product obsolescence etc.

- Failure, non-payment/overdue in other countries, recession in other countries, externalization problems, adverse exchange rate etc.
- Government policies like excise, import duty changes, deregulation and pollution control orders etc.
- Willful default, siphoning of funds, fraud, misappropriation and promoters/management disputes etc.

Besides above factors such as deficiencies on the part of the banks viz. deficiencies in credit appraisal, monitoring and follow up, delay in release of limits, delay in settlement of payments/subsidies by Government bodies etc. are also attributed for the incidence of NPAs.

2.6 Impact of NPAs on the operation of financial institutions

The NPAs have its multiple impacts on the performance of the financial institutions and banks. It simultaneously affects the profitability, liquidity, resource mobilising, goodwill and overall performance of the organisation. The followings are the important factors which are affected by the mounting NPAs.

1. **Profitability-** The main source of income of the Financial Institutions is from the interest earned from the standard assets. NPA refers to the investment of money in the bad assets, which occurred due to wrong choice of client and project. Because of the money getting blocked the prodigality of financial institution decreases not only by the amount of NPA but it leads to opportunity cost also as that much of profit invested in some return earning project/asset. So NPA does not affect current profit but also future profits, which leads to losing some long-term beneficial opportunity. The profit of the FIs also reduced due to write off provision for NPAs.
2. **Difficulty in Resource mobilisation-** NPAs cease the income from both interest and principal, which ultimately blocked the cash inflows from the investments. So, it is difficult in the part of the FIs to mobilise resource effectively. The new investments can't possible due to lack of funds in hand.
3. **Liquidity-** Fund is getting blocked, decreased profit lead to lack of enough cash at hand which lead to borrowing money for shortest period of time which lead to additional cost to

the corporation. Various difficulties arise in operating the functions of FIs are another cause of NPA due to lack of funds. So, the non-performing asset directly affects the liquidity of the financial institution and banks.

4. **Sanctions and disbursement-** The NPA has greatly affected the sanction for the new project. As the corporation do not have sufficient fund to invest in new project due to stoppage of inflow of funds because of NPAs, it faces difficulty in sanction and disbursement.
5. **High operative cost-** The operational cost of the corporation is increased due to increase in the NPAs. Monitoring cost of the NPAs is too high. Both the preventive and curative measures for reducing the NPAs attract high expenses. The NPAs in one hand ceases to generate any income from interest and in other hand it creates loss through effective management.
6. **Goodwill-** The NPAs also affect the goodwill of the organisation. The main cause of the NPA is lack of efficiency in management. So, the goodwill of the organisation is adversely affected by it.

2.7 Types of NPAs

Gross NPAs: -

Gross NPAs are the sum of all loan assets that are classified as NPAs are per RBI guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consist of all the non-performing assets of a bank/institution like sub-standard, doubtful or loss assets. It can be calculated with the help of following ratio:

$$\text{Gross NPAs Ratio} = \text{Gross NPAs} / \text{Gross advances}$$

Net NPAs: -

Net NPAs are those type of NPAs in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write off loans is very time

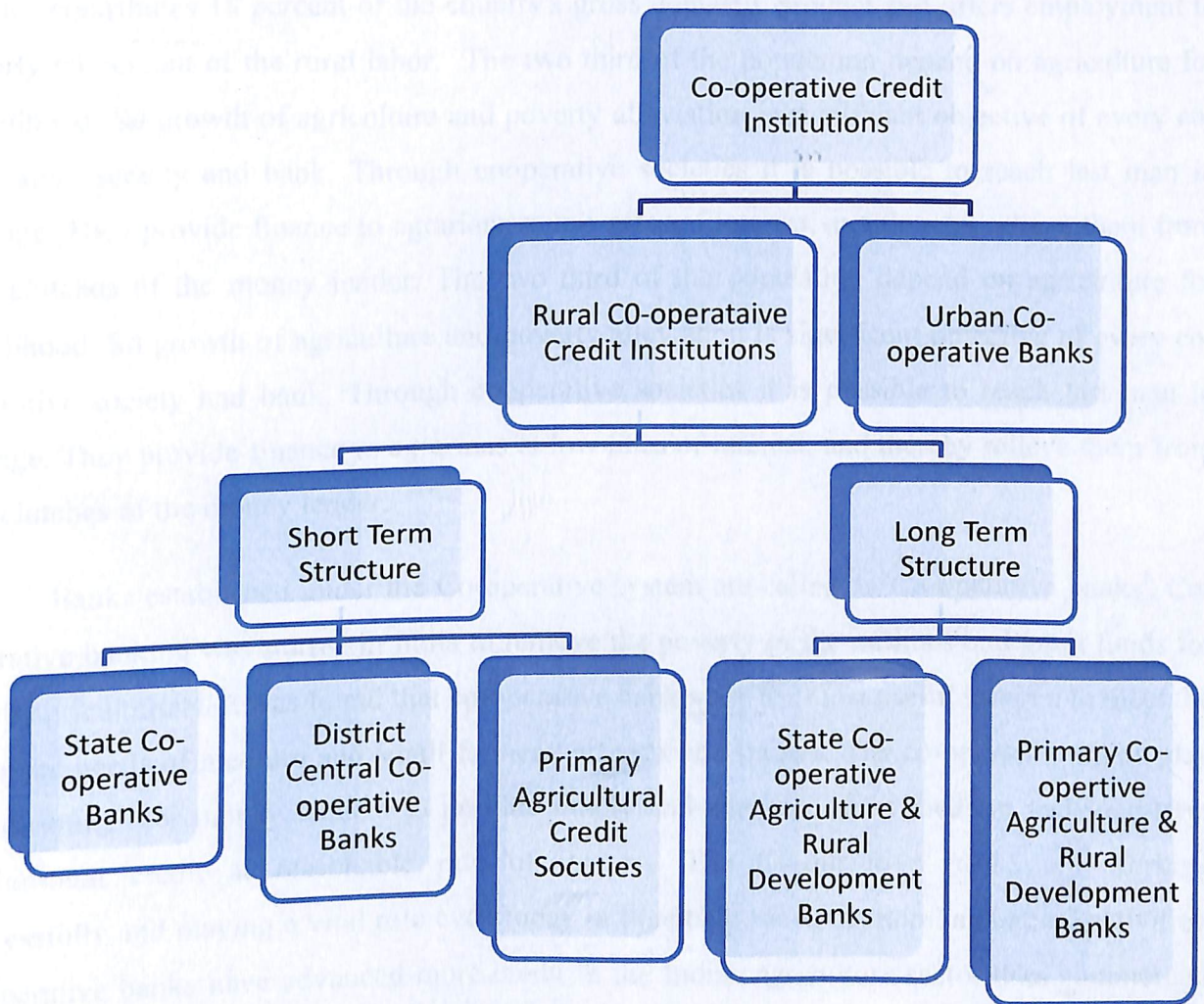
consuming, the provisions the banks have to make against the NPAs according to the central bank guidelines are quite significant. That is why the difference between Gross NPA and Net NPA is quite high. It can be calculated by following:

$$\text{Net NPAs} = (\text{Gross NPAs} - \text{Provisions}) / (\text{Gross Advances} - \text{Provisions})$$

2.8 Recovery Mechanism of NPA

The Government of India felt that the usual recovery measures like issue of notices for enforcement of securities and recovery of dues was a time consuming process. Thus, in order to speed up the recovery of NPAs, the government constituted a committee under the chairmanship of late Shri Tiwari in 1981. The committee examined the ways and means of recovering NPAs and recommended, inter alia, the setting up of 'Special Tribunals' to expedite the recovery process. Later the Narasimham Committee (1991) endorsed this recommendation, and, suggested setting up of the Asset Reconstruction Fund (ARF). It was suggested that the Government of India, if necessary, should establish this fund by special legislation to take over the NPAs from banks and financial institutions at a discount and recover the dues owed by the primary borrowers. Based on the recommendations of the Tiwari and the Narasimham Committees, Debt Recovery Tribunals were established in various parts of the country. An Asset Reconstruction Company was also established. The various measures taken to reduce NPAs include rescheduling and restructuring of banks, corporate debt restructuring and recovery through Lok Adalats, Civil Courts, Debt Recovery Tribunals and compromise settlement. In addition, some legal reforms were introduced to speed up recovery.

2.9 Co-operative Credit Institution



2.10 Co-operatives and Non-performing Assets

The term 'Co-operation' means the idea of "living together and working together. "The co-operative societies play a significant role in the economic development of the country. India is basically an agrarian economy with majority of population residing in rural areas. Agricultural sector contributes 18 percent of the country's gross domestic product and offers employment to nearly 65 percent of the rural labor. The two third of the population depend on agriculture for livelihood. So growth of agriculture and poverty alleviation is significant objective of every co-operative society and bank. Through cooperative societies it is possible to reach last man in village. They provide finance to agrarians at low rates of interest, and thereby relieve them from the clutches of the money lender. The two third of the population depend on agriculture for livelihood. So growth of agriculture and poverty alleviation is significant objective of every co-operative society and bank. Through cooperative societies it is possible to reach last man in village. They provide finance to agrarians at low rates of interest, and thereby relieve them from the clutches of the money lender.

Banks established under the Co-operative system are called as 'Co-operative banks'. Co-operative banking was started in India to remove the poverty of the millions and grant funds for small agriculturists. It was found that co-operative banking is the most useful weapon to meet the financial needs of medium and small farmers, artisans and traders. The co-operative banks play as substitutes for money lenders to provide timely and adequate short medium and long-term institutional credit at reasonable rate of interest. The Co-operative banks are working successfully and playing a vital role even today in financing for agricultural and allied activities. Cooperative banks have advanced more credit in the Indian agriculture sector than commercial banks. They have made an all-around progress and contributed highly towards agricultural sector. But the pin problem is recovery management. The unrecovered loan which is termed as NPA is a great headache for the banks especially in rural areas. So, to have a prevalent picture about how the co-operative banks manage the non-performing assets, we have undertaken a study by referring a well-known Farmers Co- operative Society.

2.11 Overview of Non-performing Assets

The banks cannot have sustenance unless the fund disbursed by it to the clients is recovered and recycled. The management of NPA's in banks are a really robust challenge and cumbersome task.

In Table 2.1 the Gross and Net NPAs of banks group wise as on March 2014 is illustrated. Schedule commercial bank is leading in creating assets for bank by both gross and net advances followed by Public sector banks. Public sector banks are lacking its efficiency when it comes to maintain their created assets in form of quality assets as it get converted to NPA which is followed by Scheduled commercial bank. Whereas the private sector banks are successful enough to maintain the created assets in the form of quality assets. Net NPA of Public sector bank is 2.6 percent of its total assets whereas it is around 0.7 percent for old as well as new private sector banks.

Table 2.1 Gross and Net NPAs of Banks group wise as on 2013-14 (amount in ₹ Billions)

Particulars	Advances		Non-Performing Assets					
	Gross	Net	Gross			Net		
			Amount	Percentage of Gross Advances	Percentage of Total Assets	Amount	Percentage of Net Advances	Percentage of Total Assets
Schedule Commercial bank	68,757	67,352.32	2,641.95	3.8	2.4	1,426.57	2.1	1.3
Public sector Banks	52,159	51,011.43	2,280.74	4.4	2.9	1,306.24	2.6	1.6
Old Private Sector Banks	2,731	2,699.37	52.1	1.9	1.2	20.06	0.7	0.5
New Private Sector Banks	13,603	13,429.35	245.42	1.8	1.1	88.61	0.7	0.4
Foreign Banks	2,996	2,911.54	115.79	3.9	1.6	31.72	1.1	0.4

Source: Reserve Bank of India

When it comes to Co-operative banks of India, these banks are mainly based on rural areas and the people in rural areas tend to be defaulters. In spite that the co-operative bank is the lifeline of the rural sector, any setback in their liquidity and solvency position would undoubtedly affect agriculture, the back bone of the economy. Co-operative sector is plagued by many ills, both man made as well as natural. They are affected by mal administration, misuse of funds, poor recovery, dual control, lack of professionalism, limited areas of operation, mounting NPAs etc. In spite that the co-operative bank is the lifeline of the rural sector, any setback in their liquidity and solvency position would undoubtedly affect agriculture, the back bone of the economy. The co-operative bank was miserably failed to keep pace with the banking sector reforms. The other banking groups have significantly surpassed the co-operative banking sector, not only in the performance but also in the market share in the core area so far dominated by the cooperative banks. The high amount of NPAs is one major factor for this failure.

Table 2.2 Trend of Gross NPAs of Co-operative Banks during last 5 years

(Percent of gross advances)

Year (end-March)	Urban Cooperative Banks (UCBs)	Rural Co-operative Banks				
		Short-Term Structure			Long-Term Structure	
		SCBs	DCCBs	PACS	SCARDBs	PCARDBs
2009-10	10.1	8.8	13.0	41.4	45.1	51.9
2010-11	8.4	8.5	11.2	25.2	32.3	40.6
2011-12	7.0	7.0	10.2	26.8	33.1	36.7
2012-13	6.0	6.2	9.8	-	36.0	37.2
2013-14	5.7	5.5	9.3	-	35.6	37.3

Source: Reserve Bank for UCBs and NABARD for Rural Co-operative Banks (Excluding PACS for which the source is NAFSCOB)

SCBs: State Co-operative Banks

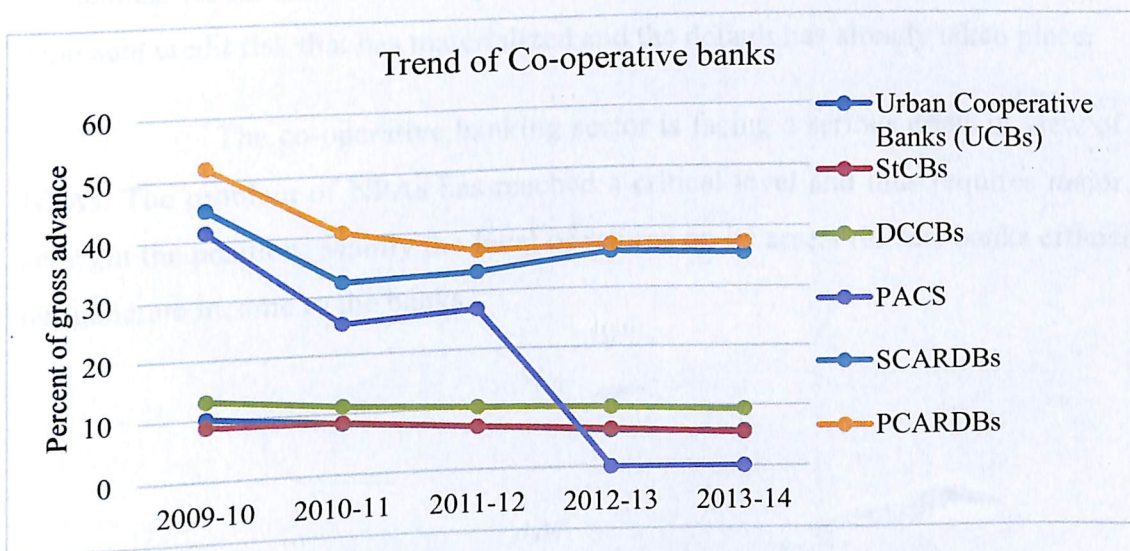
DCCBs: District Central Co-operative Banks

PACS: Primary Agricultural Credit Societies

SCARDBs: State Co-operative Agriculture and Rural Development Banks

PCARDBs: Primary Co-operative Agriculture and Rural Development Banks

Figure: 2.1 Trend of Gross NPAs of Co-operative Banks during last 5 years



Source: Reserve Bank for UCBs and NABARD for Rural Co-operative Banks

In Table 2.2, it can be noticed that the Percentage of Gross NPAs of total advances is reducing from last 5 years. Every types of co-operative banks are taking effective measures which leads to this success. From fig.2.1, we can see that there is decreasing trend in all categories of co-operative banks. PACs shows the greatest effort in reducing its NPAs from 41.4 percent in 2009-10 to 26.8 percent in 2011-12. This is a huge success for such type of banks which are prone to many constraints. The major area of concern is that these banks have huge percentage of advances as NPAs in both short term and long term structure. These mounting NPAs effect their functioning adversely. Still there is long way to go for these banks apart their success in decreasing their trend of mounting NPA.

2.12 Conclusion

Managing NPAs has emerged as one of the major challenges facing the banks. The origin of the problem of NPAs lies in the quality of managing credit risk by the banks concerned. This may be attributed by two factors – first uses of NPAs data to measure the performance and financial health of the banks and other factors has all pervasive impact of NPAs on all banking operations and banking business itself. Increasing NPAs have a direct impact on bank profitability, as legally banks are forced to make provisions on such assets as per the RBI guidelines. NPAs are a result of past actions whose effects are realized in the present, i.e. they represent credit risk that has materialized and the default has already taken place.

The co-operative banking sector is facing a serious crisis in view of the mounting NPAs. The problem of NPAs has reached a critical level and thus requires major operations to set right the position. Mainly the level of returns on its assets reflects banks efficiency. NPAs do not generate income to the banks.

KARASSERY SERVICE

CO-OPERATIVE BANK-

A PROFILE 

CHAPTER-3

KARASSERY SERVICE CO-OPERATIVE BANK- A PROFILE

3.1 Genesis

Karassery Service Co-operative Bank Ltd No: D 2628 came into existence in 1994, at Mukkam in Kozhikode district. The bank is working under Kerala Co-operative Society's Act 1969.

3.2 Area of Operation

Area of operation of the bank confined to Karassery Panchayath and loan lending area extended to whole area of Kozhikode taluk. The bank registered on 22-09-1994 and started on 10-10-1994, the bank has emerged a commanding position as it was classified as class I special grade bank, being the highest classification in this group in Kerala state.

3.3 Objectives

1. To encourage habits of thrift self-sufficiency and mutual help among the members and to introduce and propagate various schemes to this effect.
2. To procure and distribute seeds, manure, pesticide and such useful commodities for the usage of farmers and small scale industries
3. To own hire good on sufficient procurement and storage of agricultural output produced by the members.
4. To purchase modern farming equipment to be used by the members on rental basis
5. To undertake animal welfare project as per the requirements of the members
6. To conduct all type of banking business for the benefits of the members as per the rule and regulation of the register and the Reserve Bank of the India
7. To promote thrift, self-help and mutual help among the members.
8. To issue short term medium term loans to members as per the direction of the members

3.4 Services of the Bank

1. ATM (Automatic teller machine)\
2. Mobile Banking

3. Bank gives details about banking transactions to the mobile customers through SMS
4. Money transfer
5. Gold cash credit
6. Kissan credit card
7. Samruthi trade loan
8. Bank provides railway ticket booking facilities.

3.5 Membership

Types of membership:

A class share: 'A' class share is given to individuals. The share value is Rs:25000/-

B class share: 'B' class share is given to nominal members for taking gold loan. B class members have no right to take loan except gold loan.

C class share: 'C' share given to government. The share value is Rs:100/- "C" class members are eligible for dividend from the profit of the bank.

D class share: 'D' class share is given to nominal members. They have no voting right. The share value is Rs: 100/-

3.5.1 Eligibility of membership

1. He should complete the age of 18 years
2. He should be resident with in the area of operation of the society or process land within the area of operation of the society.
3. State government, other institution, corporation, panchayath etc.
4. Person has no disqualification as per rule 16of KCS Act.

3.6 Management and Administration

The bank is governed by the General Body and Board of Directors. Management is vested with Board of Directors and supreme authority of the bank is vested with General Body.

3.7 General Body

The ultimate authority in all matters relating to the administration of the bank is the general body. The main functions of general body are election and removal of the elected

members of the Board of directors, approval of the annual budget, the amendment of byelaw, disposal of net profit etc. Each member of the general body irrespective of the number of shares hold will have only one vote. The general body should be convened at least one in a year.

3.8 Board of Directors

The Board of Directors consists of 11 members. The term of office of the Board is three years. The board will meet in an interval of not more than one month. The quorum required for the meeting is five. The board will look after the day to day administration.

3.9 President

The president shall have an overall control on the officers of the bank. The president will be the ex- officio treasurer. He will be responsible for the administration of the society. All the accounts of the bank should be handled by the president and secretary jointly. A vice-president also will be elected for shouldering the responsibilities of the bank in the absence of president.

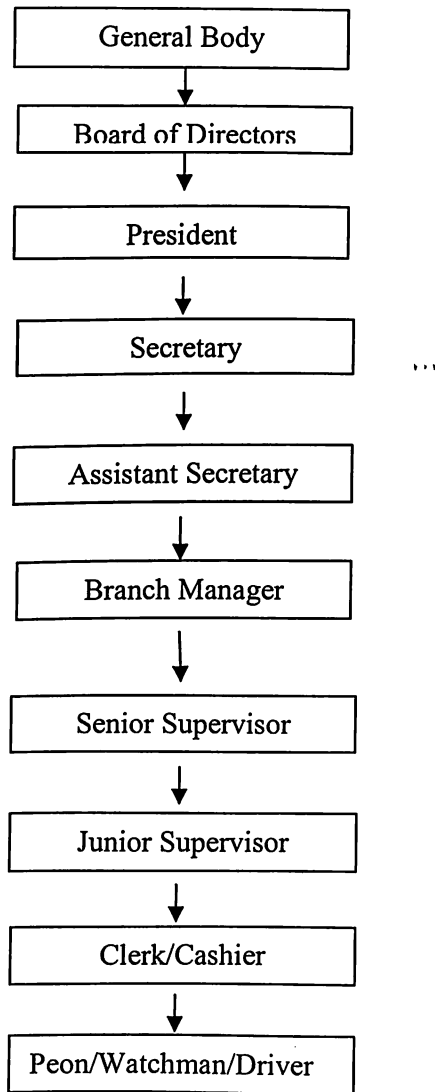
3.10 Secretary

The secretary is the chief executive officer of the bank subjected to the control of the president. He will be responsible for general administration and he is a paid employee.

3.11 Organisational Structure:

The General Body from among the members elects the Board of Directors and from among themselves elects president. The whole management affairs of the bank are vested with the board. The board appoints a full time secretary who is the chief executive officer to the bank for executing the day to day activities of the bank. There are paid employees under secretary.

ORGANISATIONAL STRUCTURE



COMPOSITION AND EXTENT
OF NPA- AN ANALYSIS 

CHAPTER-4

COMPOSITION AND EXTENT OF NPA- AN ANALYSIS

4.1 Introduction

A major concern for Indian banking industry currently is that it has to carry a high level of NPAs. The share of NPAs in the total bank credit is an important indicator of the banking health. Although the banks were able to bring down the percentage of NPAs to the total advances, it is more due to credit expansion and partly due to actual recovery. A considerable reduction in the percentage has taken place due to write off and expansion in the total credit over the years. The secondary data were collected from the records of the Karassery Service Co-operative Bank and the primary data were collected through interviewing the defaulters in the Karassery Service Co-operative Bank.

4.2 Overdue position of Karassery Service Co-operative Bank

To understand the severity of this problem and the trend in overdue amount in Karassery Service Co-operative Bank, it is required to have an overdue statement of the bank. Overdue statement of the bank is clearly stated in table 4.1 of this chapter. This table is being utilized for various statistical purpose to study elaborately about the overdue position of the bank.

Table 4.1 defines the overdue statement of the bank during the study period. Loan issued has increased from ₹ 209.20 crores in 2010-11 to ₹ 482.76 crores during 2014-15. An increase of 131 percent is there during the reference period. It can be observed that during 2013-14, decline of more than 2 percent recorded in loan issued. The loan repayment in the bank is also increasing. But when in 2014-15 loan issued shows 131 percent increase, the loan repayment shows only 102 percent increase. That is the ratio between loan issued and loan repayment is changed.

Principal outstanding and interest outstanding of the bank is showing an increasing trend throughout the study period. The principal loan outstanding has increased by 229 percent during the reference period whereas the interest outstanding has increased by more than 340 percent. Thus interest outstanding shows more growth compared to growth in principal loan

outstanding during the study period. The principal overdue amount of the bank had decreased over the year from ₹ 13 crores in 2010-11 to ₹ 6.26 crore in 2011-12 which is a decrease of more than 52 percent within a year. During 2012-13 increase in principal overdue was noticed 19 percent which was still lower by more than 36 percent from 2010-11. But in 2014-15, there is an increase of 14 percent in principal overdue and this is the area where bank has to concentrate on. There is an increase of 10 percent in principle overdue in this study period.



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Table 4.1 Overdue statement of Karassery service co-operative bank (₹ in crores)

Year	Loan issued	Growth index	Loan Repaid	Growth index	Principal loan outstanding	Growth index	Principal overdue	Growth index	Interest outstanding	Growth index	Interest overdue	Growth index
2010-11	209.29	100	190.08	100	89.01	100	13.00	100	2.57	100	1.62	100
2011-12	273.30	130.58	237.97	125.19	75.80	85.15	6.26	48.15	3.64	141.63	1.62	100
2012-13	381.94	182.49	325.91	171.45	178.10	200.08	8.66	66.61	6.62	257.58	1.98	122.22
2013-14	376.42	179.85	356.12	187.35	206.04	231.47	12.60	96.92	8.48	329.96	2.72	167.90
2014-15	482.76	230.66	384.72	202.33	292.55	328.67	14.25	109.61	11.33	440.85	4.35	268.51

Source: Audit report

Figure 4.1 Trend of growth index of statement of overdue

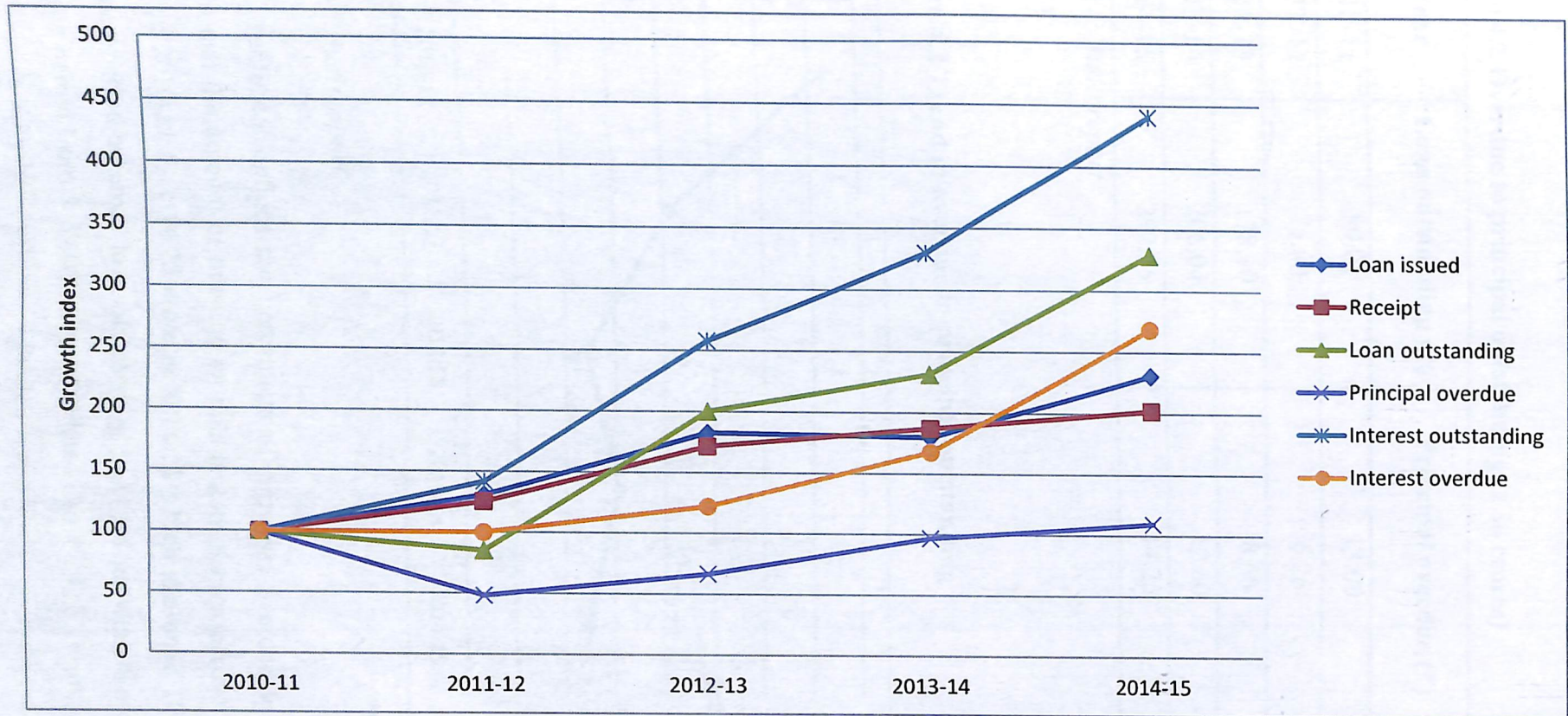
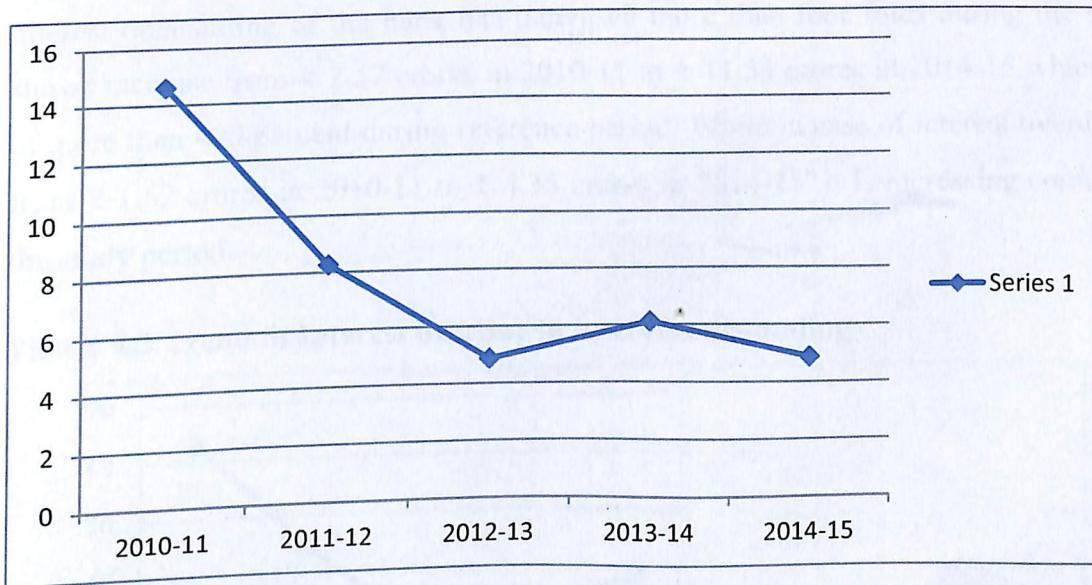


Table 4.2 Overdue to principal outstanding (₹ in crores)

Year	Loan outstanding (₹)	Principal overdue (₹)	Percentage of Overdue to Outstanding
2010-11	89.01	13.00	14.60
2011-12	75.80	6.26	8.25
2012-13	178.10	8.66	4.86
2013-14	206.04	12.60	6.10
2014-15	292.55	14.25	4.87

Source: Audit report

Figure 4.2 Trend in overdue to principal outstanding



Source: Audit report

Table 4.2 defines the percentage of principal overdue to principal outstanding. It is evident that the amount of overdue on loan amount increased over the study period from ₹ 13 crores in 2010-11 to ₹ 14.25 crore in 2014-15 which is around 10 percent increase during the reference period whereas loan outstanding recorded growth of more than 228 percent during reference period from ₹ 89.01 crores in 2010-11 to ₹ 292.55 crores in 2014-15. During 2010-11

it was 14.60 percent which decline during year 2012-13 and reached 4.86 percent. Later it shows increasing trend to 6.10 percent in 2013-14 again decreases to 4.87 percent in 2014-15.

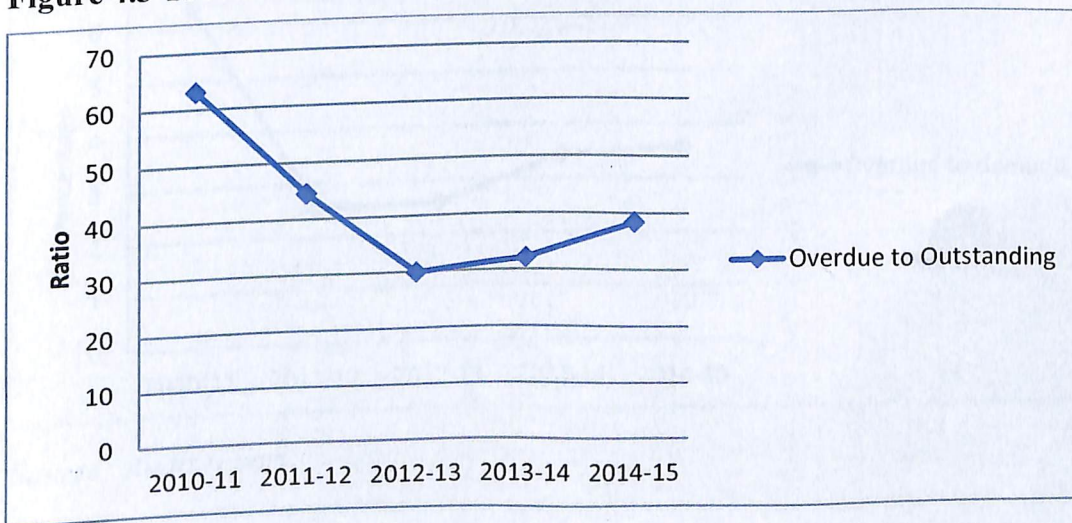
Table 4.3 Interest overdue to interest outstanding (₹ in crores)

Year	Interest outstanding	Interest overdue	Percentage of interest overdue to outstanding
2010-11	2.57	1.62	63.02
2011-12	3.64	1.62	44.50
2012-13	6.62	1.98	29.9
2013-14	8.48	2.72	32.06
2014-15	11.33	4.35	38.39

Source: Audit report

Table 4.3 is explaining the percentage of interest overdue to interest outstanding. The interest outstanding of the bank has increased more than four folds during the study period. It shows increase from ₹ 2.57 crores in 2010-11 to ₹ 11.33 crores in 2014-15 which is an increase of more than 400 percent during reference period. While in case of interest overdue, it increased from ₹ 1.62 crores in 2010-11 to ₹ 4.35 crores in 2014-15. It is increasing continuously during the study period.

Figure 4.3 Trend in Interest overdue to interest outstanding



Source: Audit report

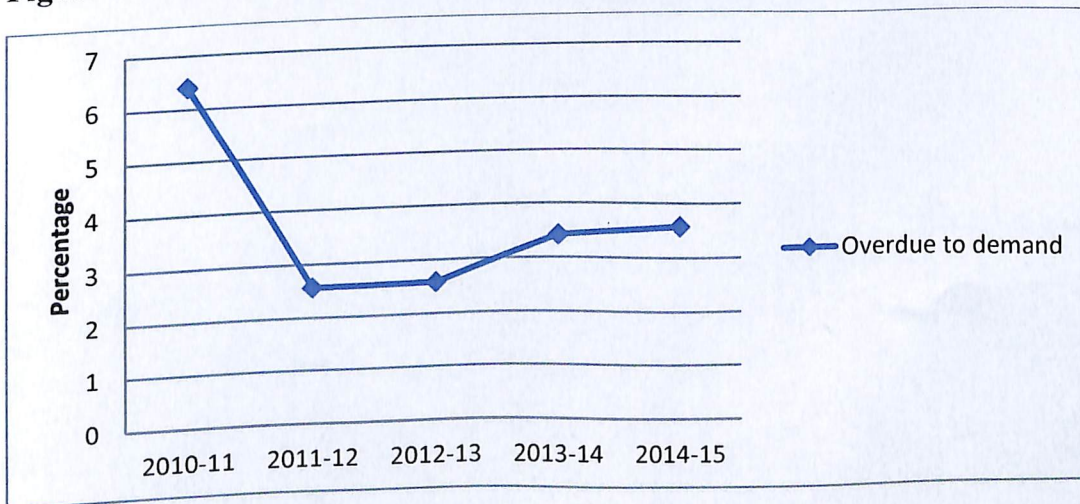
The trend and pattern of percentage of interest overdue to interest outstanding clearly show that the trend declined till 2012-13. Then there is an increasing trend. The interest overdue to outstanding show declined from 63.02 to 38.39 percent. But the increasing trend in the end of the study period is not looking very good. The bank has to take actions to reduce the overdue amount.

Table 4.4 Trends in loan overdue to demand of Karassery Service Co-operative Bank (₹ in crores)

Year	Demand (₹)	Receipt (₹)	Principal Overdue (₹)	Percentage of Overdue to Demand
2010-11	203.09	190.08	13.00	6.40
2011-12	244.23	237.97	6.26	2.56
2012-13	334.57	325.91	8.66	2.58
2013-14	368.72	356.12	12.6	3.41
2014-15	398.97	384.72	14.25	3.57

Source: Audit report

Figure 4.4 Trend and pattern of Loan overdue to demand



Source: Audit report

Table 4.4 depicts the trend of demand and overdue of Karassery Service Co-operative Bank during the study period and the relationship between them. The demand of the bank includes the collection of loan amount and the principal overdue. Here it is elucidated that the demand of the bank had increased over the year. There is continuous increasing trend in demand of the bank and it is increased from ₹ 203.09 crores in 2010-11 to ₹ 398.97 crores in 2014-15 which is an increase of around 200 percent during the reference period. Repaid is the amount received during a particular year. And it is also showing an increasing trend. Hence the loan repaid in the bank is increasing over the year which is a good sign for the bank. The trend and pattern of overdue to demand define that during 2010-11 overdue constitute only 6.40 percent of total demand of the bank which reduced to half over the year during 2011-12. In 2013-14 it increased by 0.83 percent and again in 2014-15 it declined to 3.57 percent.

4.3 Sector wise distribution of overdue

In order to know the overdue position of Karassery Service Co-operative Bank in respect of the different sector such as Agriculture and Non agriculture sector. The classification of loan portfolio is analyzed here.

Table 4.5 Sector wise distribution of Overdue to Loan issued (₹ in crores)

Year	Agriculture					Non-agriculture				
	LI	% TL	O	%TO	%OL	LI	% TL	O	%TO	%OL
2010-11	144.09	69	9.30	72	6	65.19	31	3.68	28	6
2011-12	182.85	67	1.84	29	1	90.45	33	4.42	71	5
2012-13	257.95	68	4.00	46	2	123.98	32	4.64	54	4
2013-14	209.53	56	7.54	60	4	166.88	44	5.04	40	3
2014-15	197.77	41	5.19	36	3	284.99	59	9.06	64	3

Source: Audit report

Note: LI- Loan issued

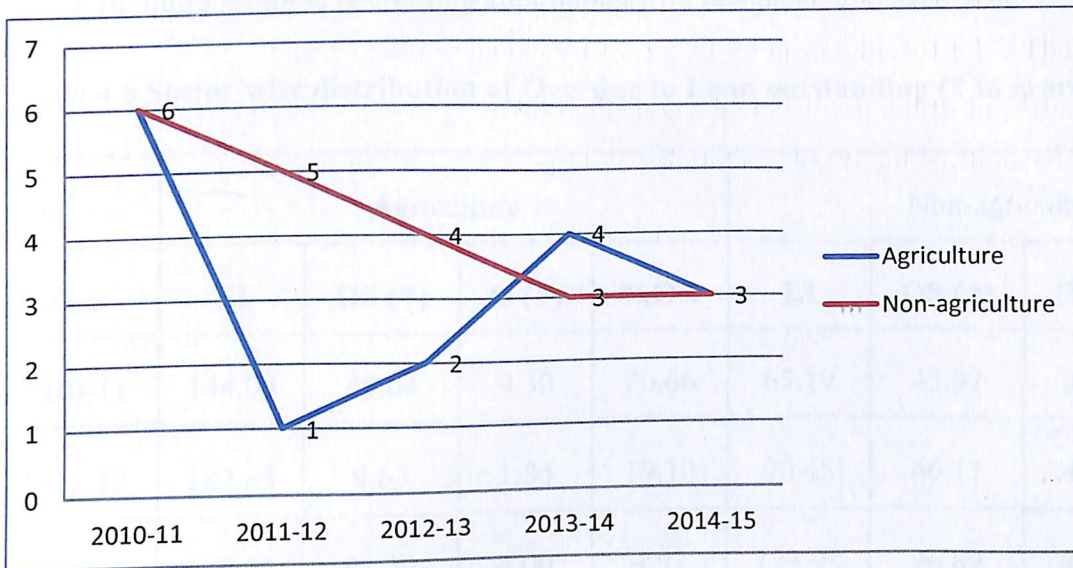
%TL- Percentage of loan issued to total loan

O- Overdue

%TO- Percentage of overdue to total overdue

%OL- Percentage of Overdue to loan issued

Figure 4.5 Sector wise distribution of Overdue to Loan issued



Source: Audit report

Table 4.5 indicates the sector wise percentage of overdue to loan issued during the study period. In agriculture credit structure the loan issued to members has increased from 2010-11 to 2012-13. The credit increased from ₹ 144.09 crores in 2010-11 to ₹ 257.95 crores in 2012-13. Whereas the contribution of loan issued under agriculture sector to total loan shows a continuous decreasing trend with slight variation in figures. During 2010-11 its share was 69 percent of total loan issued that year which reduced to 41 percent during 2014-15. The trend of overdue in agriculture sector also showing an decreasing trend. During 2010-11 the overdue was ₹ 9.3 crores which decreased to ₹ 5.19 crores during the year 2014-15. Even though the loan issued in agriculture sector is increasing, the overdue in the same sector is decreasing during the study period. The other important thing to be noticed is that the percentage contribution of agriculture overdue is only 3 percent of total overdue during 2014-15 which was 6 percent during 2010-11.

In the Non-agriculture credit structure of Karassery Service Co-operative Bank, the loan issued shows growth of more than four times during the study period. The credit during year 2010-11 was ₹ 65.19 crores increased to ₹ 284.99 crores in 2014-15. The contribution of loan under non-agriculture sector to total loan shows increasing trend from 31 to 59 percent. The trend of overdue in non agriculture sector shows an increasing trend. During 2010-11 it was 3.68

crores and in 2014-15 it increased to 9.06 crores. But the percentage of overdue to loan issued in non-agriculture sector is decreasing continuously by one percent in each year.

Table 4.6 Sector wise distribution of Overdue to Loan outstanding (₹ in crores)

Year	Agriculture				Non-agriculture			
	LI	OS (₹)	O (₹)	%OO	LI	OS (₹)	O (₹)	%OO
2010-11	144.09	45.04	9.30	20.66	65.19	43.97	3.68	8.36
2011-12	182.85	9.63	1.84	19.10	90.45	66.17	4.42	6.66
2012-13	257.95	81.20	4.00	4.92	123.98	96.89	4.64	4.78
2013-14	209.53	69.37	7.54	10.86	166.88	136.67	5.04	3.68
2014-15	197.77	58.58	5.19	8.85	284.99	233.97	9.06	3.87

Source: Audit report

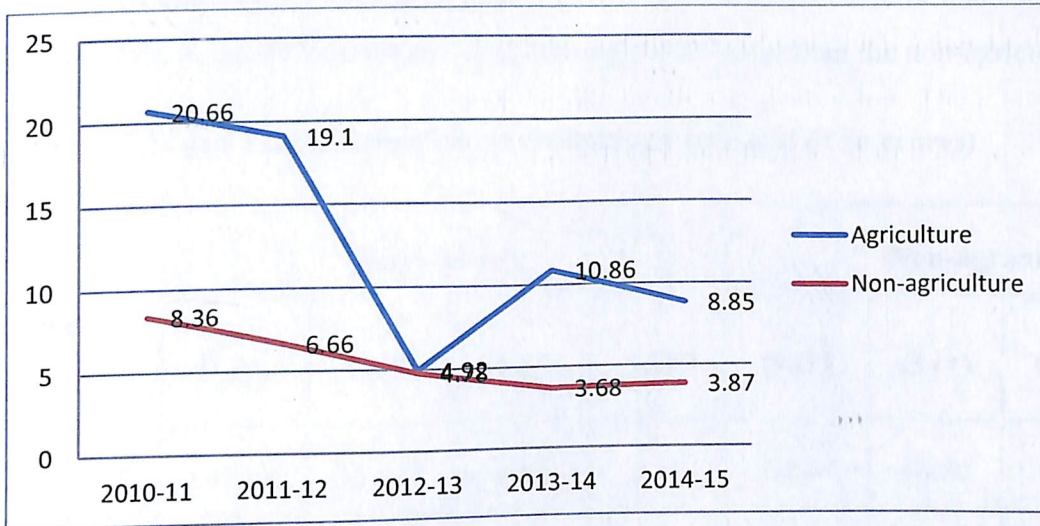
Note: LI- Loan issued

OS- Loan outstanding

O- Overdue

%OO- Percentage of Overdue to loan outstanding

Figure 4.6 Trend and pattern of Overdue to loan outstanding sector wise



Source: Audit report

Table 4.6 defines the relationship between overdue and loan outstanding period wise during the study period. The outstanding balance of the bank has increasing trend in both agriculture and non-agriculture credit over the year. During 2014-15 the outstanding balance in agriculture credit amounts to ₹ 58.58 crores from ₹ 45.04 crores in 2010-11. While in non-agriculture credit, outstanding balances show an increasing trend with increase of more than 400 percent during the study period from ₹ 43.97 crores in 2010-11 to ₹ 233.97 crores during 2014-15. Hence the non-agriculture credit outstanding is increasing more compared to agriculture.

Figure 4.6 is illustrating the trend and pattern of percentage of overdue to outstanding during the study period. The agriculture sector indicates a decline over the year at the starting of study period from 20.66 percent during 2010-11 to 19.10 percent in 2011-12. Then in 2012-13, it declined to 4.92 percent. It means in 2012-13, some amount of the overdue was repaid by the borrowers. Then in 2013-14, it increased to 10.86 percent and the loan outstanding was decreased. The agriculture sector structure which decline throughout the study period with zig-zag pattern due to variation in it over the year.

Even though the loan outstanding and the overdue is increasing in the non-agriculture sector, the percentage of overdue to loan outstanding is decreasing. The overdue amount in the non-agriculture sector was 3.68 crores in 2010-11 and increased to 9.06 crores in 2014-15. But

the percentage of overdue to loan outstanding decreased from 8.36 percent in 2010-11 to 3.87 percent in 2014-15. It is also a good sign to the bank. Hence it is understood that the loan composition of agriculture sector is performing much better than the non-agriculture sector.

Table 4.7 Sector wise distribution of Overdue to Demand (₹ in crores)

Year	Agriculture				Non-agriculture			
	D (₹)	C (₹)	O (₹)	%OD	D (₹)	C (₹)	O (₹)	%OD
2010-11	142.58	133.28	9.30	6.52	60.48	56.80	3.68	6.08
2011-12	173.64	171.80	1.84	1.06	70.58	66.16	4.42	6.31
2012-13	236.85	232.84	4.00	1.70	97.70	93.06	4.64	4.78
2013-14	236.97	229.43	7.54	3.20	131.73	126.69	5.04	3.84
2014-15	202.69	197.50	5.19	2.56	196.27	187.21	9.06	4.62

Source: Audit report

Note:

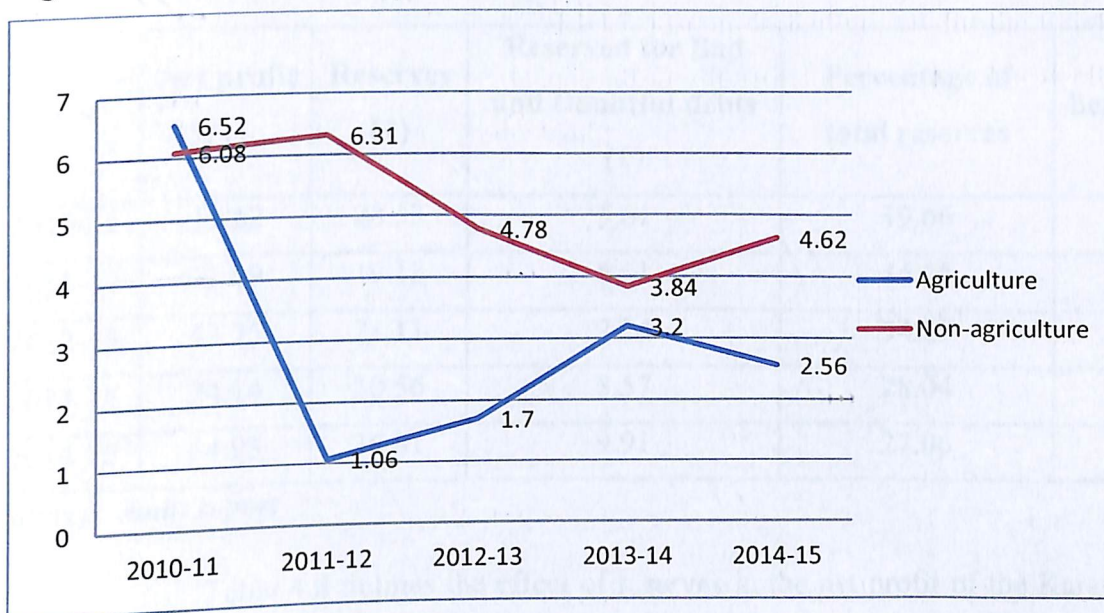
D- Demand

C- Collection

O- Overdue

%OD- Percentage of Overdue to Demand

Figure 4.7 Trend and pattern of overdue to demand sector wise



Source: Audit report

Table 4.7 explains the relationship between the overdue and demand of Karassery Service Co-operative Bank during the study period. In agriculture credit the demand of the bank has increased more than 40 percent from ₹ 142.58 crores in 2010-11 to ₹ 202.69 crores in 2014-15 whereas the overdue has decreased from 9.3 crores in 2010-11 to 5.19 crores in 2014-15 and this is probably because of the very high growth in collection of bank. In non-agriculture credit the demand has increased from ₹ 60.48 crores in 2010-11 to ₹ 196.27 crores in 2014-15 which is an increase of more than 300 percent during the period. The collection of non-agriculture credit is also increased by more than 300 percent during the period. On the other hand overdue during the same period has increased from 3.68 crores to 9.06 crores in non-agriculture credit.

The trend and pattern of overdue with respect to demand over the period shows that the agriculture credit was showing decreasing trend initially due to decline in overdue during 2011-12. Afterward it increased by more than 2 percent from 2011-12 to 2013-14. Then it again decreased to 2.56 percent in the year 2014-15. In non-agriculture credit, the trend line shows a zig-zag trend throughout the study. Hence all credit structure are showing declining trend in overdue to demand and it is good to the bank.

Table 4.8 Net profit and reserves (₹ in crores)

Year	Net profit (₹)	Reserves (₹)	Reserved for Bad and Doubtful debts (₹)	Percentage of total reserves	Net profit before reserves (₹)
2010-11	11.52	28.53	5.61	19.66	40.05
2011-12	32.49	19.18	6.61	34.46	51.67
2012-13	43.75	21.11	7.24	34.29	64.86
2013-14	24.14	30.56	8.57	28.04	54.70
2014-15	34.93	36.61	9.91	27.06	71.54

Source: Audit report

Table 4.8 defines the effect of reserves in the net profit of the Karassery Service Co-operative Bank. It can be understood that the reserves maintained by the bank is very high and is constant throughout the study period whereas the reserves maintained for bad and doubtful debt is increasing during the study period. The contribution of reserves for bad and doubtful debt to total reserves reduced from 34.46 percent of 2011-12 to 27.06 percent during 2014-15. The bank is having profit throughout the study period and it increased by more than 23 percent during the reference period. The net profit before maintaining reserves shows the positive figure and continuously increasing from ₹ 40 crores of 2010-11 to ₹ 71.54 crores during 2014-15.

Conclusion

It is evident from the study that the loan issued seems to be increasing in the years of study. But the percentage of overdue to outstanding and percentage of interest overdue to outstanding is decreasing over the year. The bank is performing well over the years to reduce its overdue position of the bank. Appropriate repayment schedule fixing and educating borrowers about timely repayment is one of the good practice that the bank do to imbibe and mitigate slippage of accounts to NPA. Maintaining high reserves under different heads is the reason for the low profit of the bank. However during the reference period bank has taken positive steps in right direction to increase its recovery.

SUMMARY OF FINDINGS,

CONCLUSION AND

SUGGESTIONS ✍

CHAPTER- 5

SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS

5.1 Introduction

There is an urgent need to develop a positive approach by all concerned parties to attack the problem of overdue. From the analysis of NPAs in Karassery Service Co-operative Bank, it was found that NPA has decreased over the years and it has a positive impact on the performance on the bank. Initiatives from the part of the bank have yielded success as if revealed by the NPA position of the Karassery Service Co-operative Bank. Better complacency from the part of the borrowers and proper monitoring and management of the advances from the part of the bank together can achieve a more better performance, Hence, every conceivable effort should be made in this direction with a determination and with all the earnestness of the various officials and non-officials involved in the process of credit management particularly in the recovery on loans.

The study was conducted using primary and secondary data. Secondary data were collected from the bank and other published sources. The composition and extent of NPA in Karassery Service Co-operative bank and the major factors affecting NPA in Karassery Service Co-operative Bank of are analysed in detail in the fourth chapter and the major findings as follows :

- i. The growth in the total loan issued and principal loan outstanding is 130 percent and 300 percent respectively.
- ii. There is an increase in the principal overdue at 10 percent during the study period.
- iii. Both Interest outstanding and interest overdue is increasing during the study period. Interest outstanding shows an increase of more than 300 percent whereas interest overdue increased by more than 160 percent during the reference period but there is negative and declining trend observed in the interest overdue to interest outstanding by 25 percent.
- iv. Principal overdue to demand had decreased to 2.80 percent during 2014-15 and that was 6.40 percent during the year 2010-11.

- v. In agriculture credit structure the overdue to total overdue recorded a decrease of more than 36 percent and it is clear that the borrowers is trying repay the agriculture loans.
- vi. There is a huge increase in the loan issued to non-agriculture than the agriculture. There is an increase of 400 percent in the loan issued to non-agriculture.
- vii. The other important thing to be noticed that the percentage contribution of agriculture and non-agriculture overdue is only 3 percent of total loan issued during the study period but in the non-agriculture credit structure, the overdue looks stable in the last 2 years.
- viii. The percentage of overdue to loan outstanding shows a significant decline in both the sectors during the study period. But there is an increasing trend in non-agriculture credit structure in the last 2 years.
- ix. The percentage of overdue to demand in both sectors is decreased. But in the last 2 years, the non-agriculture sector has an increasing trend.
- x. The contribution of reserves for bad and doubtful debt to total reserves reduced from 34.46 percent of 2011-12 to 27.06 percent during 2014-15

5.2 Suggestions

- a) Constant follow up with the borrowers is one of the suggested strategies for effective management of NPAs
- b) Proper supervision of borrowed account through personal visits, field inspection and calling for periodical returns to get incipient signals of default.
- c) Giving extra care to special watch accounts for identifying loan accounts where overdues are not serviced in time.
- d) Educating defaulters about importance of repayment culture/discipline among them at the time of availing the loan facility.
- e) Bank adalats may be organized for speedy settlements of NPAs through compromise where borrowers are actually suffering from financial crunch.
- f) Scheduling repayment structure to daily or weekly basis for borrowers so as to collect installment amount from their regular income which will reduce the burden of bulk payment in month end.



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5.3 Conclusion

Management of NPA is need of the hour. NPA is key factor in increasing/decreasing net profit of the Bank. The course open to the banker is to ensure that an asset does not become NPA. If it does, he should take steps for early recovery failing which the profitability of the bank will be eroded. Time is of prime essence in NPA management. The finding shows that the bank is performing well over the year to recover its overdue even though non-agriculture credit structure is not performing well. The gross NPA is only 3 percent of the total advance which indicate the bank is having relatively good NPA follow up mechanism. Therefore it can be concluded that appropriate repayment schedule fixing and educating borrowers about timely repayment is one of the good practice to imbibe and mitigate slippage and a way to achieve better performance by the bank.

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