



## PERFORMANCE OF NON-PERFORMING ASSETS IN THE COMPOSITE THANJAVUR DISTRICT

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### **Abstract:**

Non-Performing Assets (NPAs) is the major problems of all the banks. Particularly, Co-operative Urban Banks are heavily affected by the NPAs. It is a major problem. So, in this study reveals that the performance of Non-Performance Assets in the composite Thanjavur District provides suggestions to meet out the doubtful debts.

**Key Words:** Non-Performing Assets, Co-operative Urban Banks & Doubtful debts.

**Meaning of NPA:** Any asset which generates income is a 'performing asset'. An asset becomes 'non performing' when it ceases to generate income for a bank. This happens when Interest or installment of principal or both are not received on due dates and the delay exceeds a 'Stipulated Time'.

**Provision of NPA:** For the purpose of making provision for Non –performing assets, different advances of a Bank are classified into four categories with variable provisions, as explained in details below.

- ✓ Standard Assets: It refers to those assets which do not pose any problems and which do not carry more than normal risk attached to the business. They are not Non-Performing assets (NPA). Earlier no provisions was required on standard assets. However from the year ending 31.3.2003, banks are required to create provisions of 0.25% on standard assets also on global loan portfolio basis and not on domestic advances alone.
- ✓ Sub-Standard Assets: with effect from 31.3.2001 a sub –standard asset is one which has been classified as NPA for a period not exceeding 18 months. Terms loans in respect of which installments of principles are overdue for more than one year are treated as sub- standard assets. In the case of all substandard assets, a general provision of 10% is to be made on total outstanding amount.
- ✓ Doubtful assets: With effect from 31.3.2001. An asset is to be classified as doubtful, if it has remained NPA for a period exceeding 18 months. These assets are so weak that their collection or liquidation in full is considered highly improbable. A loan classified as doubtful has all the weakness, make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions and values.

There are two components for provision in respect of doubtful debts. They are as follows:

- ✓ To the extent the debts are not covered by realizable value of security, 100% provision is to be made.
- ✓ In addition to be above (1), for the secured portion of the doubtful assets, provisions is required to be made between 20% and 50% depending upon the period for which the asset has remained doubtful as given below:

Period for which the advances has been doubtful	Percentage of Provision	Considered
Up to one year	30	20
More than one year but up to three years	50	Above

**Loss Assets:** Loss assets are those which has been identified by the bank or internal auditors or the RBI inspection but the amount has not been written off wholly or partly. These assets are uncollectible and are of such little value that it is not desirable to show them as banks assets though they may have some salvage or recovery value. These assets should be written off completely or if the assets are to be retained in the books for any reason, 100% provision is required to be made.

### **Objectives of the Study:**

- ✓ To understand the conceptual framework of Non-Performing assets.
- ✓ To analysis the performance of NPA in selected Urban Co-operative banks in Composite Thanjavur District.
- ✓ To offer suitable suggestions to recover the NPA dues in selected UCBs in Composite Thanjavur District.

**Methodology:** The study is based on secondary data. The secondary data were collected through Annual Audit Reports, Booklets issued by the bank, etc. The study was taken three banks only in the selected Urban Co-operative Banks in Composite Thanjavur District viz. Mayuram Co-operative Urban Bank (MCUB), Sri Lakshminarayana Co-operative Urban Bank, Thiruvarur (TCUB) and Nicholson Co-operative Urban Bank,

Thanjavur (TNCUB) are classified and analysed in the systematic manner with the help of some statistical tools like Mean, Standard Deviation, Co-variance to know the performance of NPAs in the Selected UCBS.

**Period of Study:**

- ✓ The study covers a period of five years from 2011-2012 to 2015-2016.

**Limitations of the Study:**

- ✓ The study concentrates only Non-Performing Assets of the selected UCBS.
- ✓ The study was taken only five years from 2011-12 to 2015-16.
- ✓ 2016-17 is not taken into consideration due to non-availability of data.

**Status of Non-Performing Assets in TCUB between 2011-12 and 2015-16:**

Period	Standard Assets	Non Performing Assets			Total NPA to Total Assets
		Sub standard Assets	Doubtful Assets	Total NPA	
2011-12	4792.09	173.94	198.68	372.62	7.21
2012-13	5586.13	128.59	200.46	329.05	5.56
2013-14	6042.22	242.72	224.84	467.56	7.18
2014-15	5575.99	270.16	253.41	523.57	8.58
2015-16	5361.19	274.19	256.13	530.32	9.00
Mean	5471.52	217.92	377.84	444.62	7.51
Std. Deviation	453.75	64.08	27.64	90.34	1.36
CV	8.29	29.41	7.32	20.32	18.11

Source: Bank Records

The above table clearly indicates that the Non-Performing Assets of Sri Lakshminarayana Urban Co-operative Bank, Thiruvarur for the period of five years from 2011-12 to 2015-16.

It was observed that an increasing trend of Non-Performing assets of the Bank during the study period when compared to the base year 2011-12. But except in the year 2012-13 because of increase in the value of standard assets. The bank should have an average value of NPA 444.62 during the study period. The Standard Deviation of the bank is 90.34 of NPA during the study period. The bank have large number of standard assets during the study period, it resembles the bank have good loyalty towards the members and their customers of the bank.

**Status of Non-Performing Assets in MCUB between 2011-12 and 2015-16:**

Period	Standard Assets	Non Performing Assets			Total NPA to Total Assets
		Sub standard Assets	Doubtful Assets	Total NPA	
2011-12	3984.93	45.18	79.52	124.70	3.03
2012-13	4599.66	65.19	62.83	128.02	2.71
2013-14	4544.40	99.22	90.90	190.12	4.02
2014-15	4482.36	41.77	80.74	122.51	2.66
2015-16	3994.80	122.73	72.25	194.98	4.65
Mean	4321.23	74.82	77.25	152.07	3.41
Std. Deviation	305.35	35.19	10.45	37.05	0.88
CV	7.07	47.03	13.53	24.36	25.81

Source: Bank Records

The above table clearly indicates that the Non-Performing Assets of Mayuram Urban Co-operative Bank, Mayiladuthurai for the period of five years from 2011-12 to 2015-16.

It was inferred that an increasing trend of Non-Performing assets of the Bank during the study period when compared to the base year 2011-12. But except in the year 2014-15 because of increase in the value of standard assets. The bank should have an average value of NPA 152.07 during the study period. The Ratio of total NPA to total Assets is increasing from one year to another year but in the year 2013-14 and 2015-16 is huge increasing due to the increasing of sub standard assets and doubtful assets of the particular year.

**Status of Non-Performing Assets in TNCUB between 2011-12 and 2015-16:**

Source: Bank Records

Period	Standard Assets	Non Performing Assets			Total NPA to Total Assets
		Sub standard Assets	Doubtful Assets	Total NPA	
2011-12	4048.97	292.05	133.93	425.98	9.52
2012-13	5379.53	226.46	129.26	355.72	6.20
2013-14	5576.04	406.85	92.81	499.66	8.22
2014-15	6350.82	483.62	91.25	574.87	9.05

2015-16	6745.72	419.24	155.02	574.26	7.84
Mean	5620.22	365.44	120.45	486.10	8.17
Std. Deviation	1040.34	104.02	27.71	95.46	1.28
CV	18.51	28.46	23.01	19.64	15.67

The above table clearly indicates that the Non-Performing Assets of Nicholson Urban Co-operative Bank for the period of five years from 2011-12 to 2015-16.

It was inferred that an increasing trend of Non-Performing assets of the Bank during the study period when compared to the base year 2011-12. But except in the year 2012-13 because of decrease in the value of sub-standard assets. The bank should have an average value of NPA 486.10 during the study period. The Ratio of total NPA to total Assets is increasing from one year to another year but in the year 2011-12 and 2014-15 is much increasing due to the increasing of sub standard assets and doubtful assets of the particular year. In the year 2015-16, the doubtful debts of the bank has growing more i.e. 155.02.

**Findings:**

- ✓ The TCUB bank has greater value of standard assets every year during the study period.
- ✓ The TCUB bank has an average value (444.62) of NPA during the study period.
- ✓ In MCUB, the NPA is lesser than the comparing of another sample banks.
- ✓ In the year 2015-16, the TNCUB has 6745.72 standard assets and Rs.91.25 of Doubtful assets in the year 2014-15

**Suggestions:** The following recommendations to recover the dues in the selected UCBs in Composite Thanjavur.

- ✓ The bank should create a separate committee for collecting dues in the selected UCBs.
- ✓ The bank should keep the NPAs in minimum level
- ✓ The bank should provide a minimum amount of discount to avoid the overdues.
- ✓ The bank also provide the seasonal offers to the borrowers to recover its dues in the form of Diwali offers, New year offers, Account closing date, etc.
- ✓ The bank should arrange the easy and flexible payment options to the borrowers' viz. a representative to collect the loan from the borrowers in the form of installment basis or daily basis or weekly basis.

**Conclusion:**

In the study concluded that the performance of Non-Performance Assets in the Composite Thanjavur district. It was clearly explained in the above table, that the study reveals the TCUB and TNCUB has more number of overdues when compared to the MCUB. The MCUB have good Credit control system that's why it has low doubtful debts during the study period. Only the effective management can do that to recover the overdues. So, the study clearly depicts the bank need good regulatory management for the purpose of collecting overdues and implementing good decision in connection with the recovery of loans.

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