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A Study On "Impact Of Loans And Advances On Non-Performing Assets" At Co-operative Bank Ltd

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1 INTRODUCTION ABOUT INTRENSHIP:

An internship serves as a pivotal bridge between academic learning and real-world application, providing students with invaluable experiences that contribute to their professional growth. In this dynamic era of constant innovation and evolving industries, internships have become an integral component of educational curricula, offering students a hands-on opportunity to apply theoretical knowledge in practical settings. This essay explores the multifaceted nature of internships, examining their significance, benefits, and challenges, while shedding light on the transformative impact they have on students' personal and professional development.

At its core, an internship is a structured, short-term work experience that allows individuals, often students or recent graduates, to gain exposure to a specific industry or field. It serves as a testing ground where theoretical knowledge is put to the test, and skills are honed in a real-world context. Internships can take various forms, including paid or unpaid positions, part-time or full-time commitments, and can be offered by a diverse array of organizations, from multinational corporations to small startups, government agencies, and non-profit organizations.

One of the primary purposes of an internship is to provide students with a taste of the professional world, helping them bridge the gap between academic learning and the practical demands of their chosen field. Through hands-on experiences, interns gain insights into industry-specific practices, workplace dynamics, and the day-to-day challenges and responsibilities of their chosen profession. This exposure not only enhances their understanding of theoretical concepts but also allows them to develop a more nuanced and practical skill set.

Furthermore, internships foster a sense of adaptability and resilience as interns navigate unfamiliar environments, collaborate with diverse teams, and tackle real-world problems. The ability to apply classroom knowledge in a professional context sharpens critical thinking skills and hones problem-solving abilities.

Additionally, interns often have the chance to work on projects that align with their academic interests, providing them with a deeper understanding of their chosen field and potential career paths.

Internships offer a unique avenue for networking and mentorship, connecting aspiring professionals with seasoned experts in their respective fields. Establishing professional relationships during an internship can open doors to future opportunities, including job offers, references, and valuable industry connections. Mentors, often individuals with years of experience, guide interns, offering insights, advice, and constructive feedback that goes beyond the classroom setting. This mentorship aspect contributes significantly to personal and professional growth, shaping interns into more well-rounded and informed individuals.

While internships offer numerous advantages, they are not without challenges. Interns may encounter steep learning curves as they adapt to new work environments, technologies, and team dynamics. Balancing academic commitments with internship responsibilities can be demanding, requiring effective time management and organizational skills. Additionally, the prevalence of unpaid internships raises questions about equitable access to these opportunities, potentially limiting participation for students with financial constraints.

TOPIC CHOOSEN FOR STUDY:

A study on "IMPACT OF LOANS AND ADVANCES ON NON-PERMORMING ASSETS" at VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA (VSSSN) Co-operative Bank Ltd (jigani).

1.1 THE PURPOSE OF THE INTRENSHIP:

- **Hands-on Experience**: Internships provide practical, real-world experience in a specific field, allowing individuals to apply theoretical knowledge gained in academic settings.
- **Skill Development**: Interns have the opportunity to develop and enhance their skills, both technical and soft skills, which are essential for future career success.
- **Resume Enhancement**: Completing an internship adds valuable experience to a resume, making candidates more attractive to future employers.
- **Industry Exposure**: Internships expose individuals to the day-to-day operations of a particular industry, helping them understand the nuances and challenges of the field.
- **Career Exploration**: Internships allow individuals to explore various career paths within their chosen field, helping them make informed decisions about their future career trajectory.
- **Mentorship**: Interns often benefit from mentorship, receiving guidance and advice from experienced professionals in their field of interest.
- **Professional Confidence**: Internships contribute to the development of professional confidence, enabling individuals to navigate the workplace more effectively.
- **Job Opportunities**: Successful internships may lead to job offers, as companies often prefer hiring candidates with prior experience within their organization.
- **Personal Growth**: Internships provide opportunities for personal growth, resilience, and adaptability, as individuals face real-world challenges and problem-solving scenarios.

1.2 BENEFITS OF INTRENSHIP:

- Internships provide invaluable benefits to individuals entering the workforce by offering a bridge between academics learning and practical work experience.
- These opportunities equip interns with essential skills, insights, and connections that can significantly enhance their career prospects.
- Firstly, internships offer a hands-on learning experience that goes beyond the theoretical knowledge acquired in classroom.
- In a work environment, interns gain practical skills relevant to their field, allowing them to apply academics concepts to real-world situations.
- This experiential learning is crucial for developing a deeper understanding of industry practices and boosting confidence in one's abilities.
- Secondly, internships serve as a platform for personal and professional growth. Interns often find themselves challenged to adapt to a professional setting, enhancing their problems-solving, communication, and time management skills.
- This exposure helps in building a strong work ethics resilience, and adaptability – qualities highly valued by employers in any industry.

1.3 MEANING AND DEFINATION OF BANK:

Area 5 (b) characterizes banking as tolerating to lend or speculations of stores of cash from general society, repayable on request or generally and withdrawal with cheque, drafts, arrange or something else.

A bank is an intermediate, budget holding person that keeps funds and provides those funds as a loan, either directly or through other stake holders.

1.4 DEFINITION OF CO-OPERATIVE BANKS:

In the expressions of Henry Wolff "Co-agent managing an account is an organization which is in a situation to manage the little means without anyone else terms". Devine characteristics "A shared society framed formed and administrated by working individuals themselves for empowering customary sparing producing smaller than usual advances on simple terms of intrigue and reimbursements.

1.5 NEED AND IMPORTANCE OF THE STUDY:

- Studying non-performing assets (NPAs) is essential due to several needs and overarching importance. Firstly, understanding NPAs is crucial for financial institutions and policymakers to assess the health of the banking sector.
- It helps identify potential risks and weaknesses in loan portfolios, allowing for proactive measures to maintain financial stability. In-depth research on NPAs aids in developing effective strategies for risk management and mitigation, ultimately safeguarding the overall health of the financial system.
- Moreover, for individual banks and financial institutions, studying NPAs provides insights into the effectiveness of their lending practices and credit risk management. By analysing the causes and patterns

of NPAs, institutions can refine their lending policies, improve credit assessment methods, and implement measures to reduce NPA levels.

- ❖ From a macroeconomic perspective, research on NPAs is crucial for policymakers to formulate regulatory frameworks and policies that promote prudent lending practices and discourage the accumulation of bad debts. This, in turn, contributes to economic stability and sustainable growth.

In summary, the study of non-performing assets is essential to identify, analyse, and address risks in the financial system, enhance the efficiency of lending institutions, and inform the development of policies that foster a resilient and stable economic environment.

1.6 OBJECTIVES OF THE STUDY:

The primary objective of studying non-performing assets (NPAs) is to gain a comprehensive understanding of their impact on financial institutions, the broader economy, and to formulate strategies for effective management. Key objectives include:

- ★ **Risk Assessment**: Analyse the causes and patterns of NPAs to assess the risk exposure of financial institutions. This includes understanding the factors leading to asset deterioration and the potential systemic implications.
- ★ **Financial Stability**: Evaluate the impact of NPAs on the overall financial stability of banks and other lending institutions. This involves identifying vulnerabilities that could undermine the soundness of the financial system.
- ★ **Policy Formulation**: Inform policymakers about the state of NPAs to develop and adjust regulatory frameworks. Establish policies that encourage prudent lending, risk management, and mechanisms for addressing and resolving NPAs.
- ★ **Economic Impact**: Examine the broader economic consequences of high levels of NPAs, including their potential to hinder economic growth. Understanding this impact is crucial for policymakers seeking to maintain a healthy and sustainable economic environment.
- ★ **Efficient Resource Allocation**: Optimize the allocation of financial resources by identifying sectors or industries prone to higher NPA levels. This assists in directing resources towards areas with lower risk and potential for better returns.
- ★ **Preventive Measures**: Develop proactive measures and early warning systems to prevent the accumulation of NPAs. This includes establishing mechanisms to identify emerging risks and implement strategies to mitigate them before they escalate.

1.7 SCOPE OF THE STUDY:

The scope of studying non-performing assets (NPAs) is broad and encompasses various aspects of the financial landscape. Some key areas within the scope of NPA research include:

- **Banking Sector Analysis**: Investigating the prevalence and trends of NPAs across different banks and financial institutions to assess the health of the banking sector. This includes analysing the impact of NPAs on the financial performance and stability of individual banks.
- **Risk Management Strategies**: Exploring and proposing effective risk management strategies for financial institutions to minimize the occurrence and impact of NPAs. This involves identifying best practices for credit risk assessment, monitoring, and mitigation.
- **Corporate Governance**: Examining the role of corporate governance in NPA management. This includes evaluating the effectiveness of internal controls, risk management frameworks, and board oversight in preventing and addressing NPAs.
- **Industry-Specific Analysis**: Conducting sector-specific studies to understand the unique challenges leading to NPAs in different industries. This helps in tailoring solutions and preventive measures based on the characteristics of specific sectors.
- **Technological Impact**: Investigating how advancements in technology, such as fin-tech and digitalization, affect the occurrence and management of NPAs. This includes exploring innovative solutions for early detection and resolution of NPAs.
- **Investor Perspective**: Analysing how NPAs influence investor confidence and decision-making. This involves studying the market reactions to news related to NPAs and understanding the factors that impact investor perceptions.
- **Legal and Regulatory Compliance**: Examining the legal and regulatory aspects related to NPAs, including insolvency and bankruptcy laws. This helps in understanding the legal framework for NPA resolution and compliance requirements.

1.8 METHOLOGY OF THE STUDY:

The methodology for studying non-performing assets (NPAs) involves a systematic approach to gather, analyse, and interpret relevant data. Here is a general outline of the methodology for a study on NPAs:

- **Literature Review**: Conduct a comprehensive review of existing literature on NPAs to understand the key concepts, theories, and findings in the field.
- **Research Objectives and Hypotheses**: Clearly define the research objectives and hypotheses to guide the study. This helps in focusing the research on specific aspects of NPAs.
- **Data Collection**: Gather relevant data on NPAs from financial reports, regulatory bodies, and other sources. This may include information on NPA ratios, industry-specific trends, economic indicators, and lending practices.
- **Sampling**: Select a representative sample of banks or financial institutions for in-depth analysis. Ensure diversity in the sample to capture variations in size, geographical location, and business focus.

- ★ **Research Design**: Choose an appropriate research design, such as a quantitative approach using statistical methods or a qualitative approach involving case studies and interviews. Consider the research questions and objectives in determining the design.
- ★ **Variables and Measurement**: Identify and define key variables related to NPAs, such as NPA ratios, loan portfolio composition, economic indicators, and risk management practices. Establish measurement methods for each variable.
- ★ **Data Analysis**: Employ statistical tools and techniques to analyse quantitative data. This may include regression analysis, trend analysis, and comparative assessments. For qualitative data, use thematic analysis or content analysis.
- ★ **Interpretation of Results**: Interpret the findings in the context of the research objectives and hypotheses. Discuss the implications of the results for financial institutions, policymakers, and the broader economy.
- ★ **Comparative Analysis**: Conduct comparative analyses, such as benchmarking against industry standards or comparing NPA management practices across different banks or regions. This adds depth to the study by highlighting variations and best practices.
- ★ **Limitations and Future Research**: Acknowledge any limitations in the study, such as data constraints or methodological challenges. Suggest avenues for future research to build on the current findings.
- ★ **Documentation and Reporting**: Document the entire research process, including data collection methods, analysis procedures, and results. Present the findings in a clear and concise manner through reports, presentations, or academic papers.

1.9 DATA COLLECTION:

SECONDARY DATA: Is gathered from the distributed yearly reports of at VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA (VSSSN)
Co-operative Bank Ltd (Jigani) diaries, magazines, and so forth and different sources. Such information gathered was investigated for some sort of a pattern and its effect on the benefit of bank.

SAMPLING TECHNIQUE: Convenient sampling technique has been used for the purpose of the stud

STASTICAL TOOLS USED FOR THE RESEARCH: Collected from secondary sources regarding NPAs are tabulated and analysed using tools such as regression, through tables and graphs.

1.10 LIMITATIONS OF STUDY:

The real confinement of the examination is the scarcity of time. And still, after all that, most extreme concern has been taken to touch base on proper ending. Subsequent are the confinements of the examinations:

1. This learning is limited to at Vyavasaya Seva Sahakara Sangha Niyamitha (VSSSN) Co-operative Bank Ltd (Jigani).

2. Although the subject topic pertains to profit-making bank, solitary one cooperative depository that is at Vyavasaya Seva Sahakara Sangha Niyamitha (VSSSN) Co-operative Bank Ltd (jigani).
3. Data pertains to NPA related to At Vyavasaya Seva Sahakara Sangha Niyamitha (VSSSN) Co-operative Bank Ltd (Jigani).

1.11 LITERATURE REVIEW OF THE STUDY:

Various types of analyst have been under taken by various scientists. I have examined diverse analysts which will be valuable to me for leading my examination work. I have been different sort research of co-agent banks and examination of productivity and budgetary execution for offers of enhancing my insight.

- **Amandeep** (1991) endeavoured to examine benefit and gainfulness of Indian national banks and to examine the effect of need division loaning, praise approaches, geological development, mechanical aliment, rivalry, store piece, foundation costs, subordinate wage, and trouble on bank productivity. For this reason incline examination, proportion investigation and relapse investigation were utilized.

- **Swamy** (2001) considered the near execution of various bank branches since 1995-96 to 1999-2000. Endeavour was made by a specialist to make a distinguish factor which might have prompted changes in situation of individual bank. He investigated the offer of rustic branches, normal branch estimate, incline in banks benefit, offer of open part resources, offer of wage in consumption, arrangement and possibilities, net NPA in net advances. He directed that in various regards nationalized open sector banks are much superior to private banks and remote bank.

- **Rituparna Das** (2002) has made investigation on the management of Risk of NPA on the Small Scale ventures across India. In this article the specialist looks for an answer for the issue of NPA in the little level enterprises below the current situation of saving money and protection. Squeezing need of the little scale business visionary for getting to be mindful and instructed in present day business administration is concern in this article.

- **Dong** (2002) surveys the idea of NPAs in the Indian keeping money system and speaks about the major includes that would be critical for the principle Reconstruction Companies to assume a powerful part in the resolution of such NPAs.

- **Kaveri** (2001) investigated that Non-performing resources of the various bank and suggested several techniques to eliminate NPAs.

- **Muniappan** (2002) communicated that issue of NPA is because of some internal/external issue related to the borrower's. internal issues includes redirection of the assets for the extension, making up new undertakings, cost enhancement, business disappointments and poor administrations, difficult work relation, innovation issue, items out of date qualities, etc. The external issues are retreat, non-installment in different nations, inputs/control deficiency, value acceleration, etc.

- **Dr. Nammita Rajput** (2010) in her exploration paper title "Productivity and Non-performing assets-Indian point of view" examine about greatness of NPAs of SCBs. This investigation also emphasizes on the result of the NPAs on the revenue of the PSBs working across India. Further the investigation also gives the information of the survey, that if adjustments in the proficiency of bank have been all alluring way. The investigation assumed that there is a reducing pattern in the number of NPAs as GNP and NNPAs. The investigation also shows that the negative connectivity between NPA ratios and ROA exists in large extent.

- **Usha Arora** (2009) in the exploration on the logical learning of the development of praise scheme of chosen bank broke down and looked at implementation (as far as advance dispensing and non-performing resources) of credit plans of chosen banks throughout previous 5 years. Bank astute and in addition year shrewd examination are finished with the assistance of complex yearly increase gate, mean and standard deviation. And has another approach, a positive relationship is found between and up to increase payment and aggregate NPA. This was managed using a chose account with the assistance of a connection procedure.

- **Pach Malyadri** (2011) in his research paper title "A comparative Study on NPAs in Indian Banking Industry" analyses NPA in the weaker section of an Indian public sector bank and personal division bank. The study has practical that there is an increase in the advance over the stage of revise. Investigation has also found to here be an important development into organization of NPAs of the civic division bank across India. It was also suggested that government should include RBI for appointment of public sector banks. PSBs should try to upgrade technology and should bring customer friendly policies in picture so that it can face compensation at national and international level.

- **Sathya** (2005) inspected the impact of privatizing of banks on execution and effectiveness. The time taken was for a long time (1998-2002) and it was investigated by utilizing contrast of means test. Investigation resulted that most of the saving money in India are in residential banks and some in foreign banks. And target of this investigation is to contemplate the effect of privatization on the keeping money. There was an assumption that the incompletely privatized bank would have been performed better compared to completely PSBs in terms of money related execution and productivity. Incompletely privatized bank kept on indicating the enhanced execution and the effectiveness in a year after the privatization.

- **Thomas P. Ferguson** (2007) led on investigation on "Perceptions on secularization of Non-performing advances in Russia". Asset secularization is a prospering pattern in Russia. It is because organizations are loaded by poor FICO assessments look, which entrance to funds at bring down expenses than they would be permitted in customary value or obligation market. Study shows that secularization of these activities has not happened in Russia at the level one may predict. This has been because of both a moderately little measure of credits that fail to meet expectations. This article expects a large ascent in the stage of non-performing activities which will be sensibly matched with an expanded enthusiasm of Russian loan specialists in secularizing these benefits.

- **Ved Buddy and Malik** (2007) in their observational record (paper) investigated differentiation in the money related attributes of the open private remote area bank in terms of variables like productivity, liquidity, hazard and proficiency. Test was made on 74 Indian business banks consisting of 24 open areas, 24 private division and 23 outside banks. Investigation was made during period of 2000-2005. The result showed that the outside banks were superior in crating with the level of assets and they are far better furnished with the administrative practices. Outside banks were more predictable with advertise framework. People in general bank were giving a higher profit for value compared with outside and private banks. It was superior form cost rate and effectively proportion. The private banks developed a better use of balance when compared with PSBs.

- **Isaac K. Otchere** (2005) aimed at an examination on completing of privatized bank in focus and low pay countries. He demonstrated mixed results by the "Focused and the value impacts of the banks privatization in the urbanized subjects". His paper is watch that the confidential bank has undergone large changes in work execution. Change in the execution remains critically subsequent to the controlling of steadiness in the bank execution. Result is the execution of privatized bank in the created nation that has supported various hazards taking among privatized bank in creating the nation. They have additionally watched that, being steady with a focused impact speculation, financial specialist see the privatization declarations as anticipating awful news for the match banks.

- **Chandrasekhar and Ray** (2005) demonstrated that PSBs have progressively decided on interest in chance free returns of government securities, their offer altogether acquiring resources ascending from 26 to 33 percent amid the 21st century. Be that as it may, there is almost certainly that requirement of stagnant prudential standards, capital ampleness conditions, setting up of the Board of money related Supervision (BFS) and strain to decrease NPAs have made banks so hazard opposed that they have lessened their presentation to private credits with even an unassuming danger of non-recuperation.

- **Tamal Datta Chaudhuri** (2005) analysed the "Determination strategies for expanding estimation of NPAs". The article demonstrates that characterizing capital sufficiency unfavourably influences investor esteem and limits the capacity of the bank to get the capital market for extra equity to improve capital ampleness. Along these lines, if a determination procedure for recuperation of contribution from NPAs isn't set up rapidly.

INDUSTRY PROFILE

2 History of Indian Banking System:

The primary bank in India, called The Central Bank of India was built up in the year 1786. The East India Company was built up The Bank of Bengal in 1809, Bank of Bombay (1840) and Bank of Madras (18). The following bank was Bank of Hindustan which was recognized in 1870.

These 3 entity banks (Bank of Bengal, Bank of Bombay, and Bank of Madras) were called as Presidency Banks. Allahabad Bank was recognized in 1865 be for the principal, which was totally kept running by Indians. Punjab National Bank Ltd. Built up in1894 with base camp at Lahore. Somewhere in the range of 1906 and 1913, Bank of India, Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank and Bank of Mysore were built up.

In 1921, all management banks were compound to 22 shapes. The Imperial Bank of India which was prohibited by European Shareholders. Later on, the RBI was built in April 1935. At the period of primary phase the growth of banking partition was exceptionally modest. Anywhere in the range of 1913 and 1948 here are around 1100 small banks in India.

From that point onward, in India, around seven banks were nationalized. The stores of these banks were more than 200 Crores. Till 1980, around 4/5 of all out number of banks was under the ownership of government.

On the recommendations of council of Narsimhan, the Banking Regulation Act was altered in 1993 and new private sector banks were permitted to open their branches in India.

Administration of India found a way to build up banking establishments in India.

1949 - Enactment of Banking Regulation Act.

1971 – Creation of cooperation, for guarantee of credit.

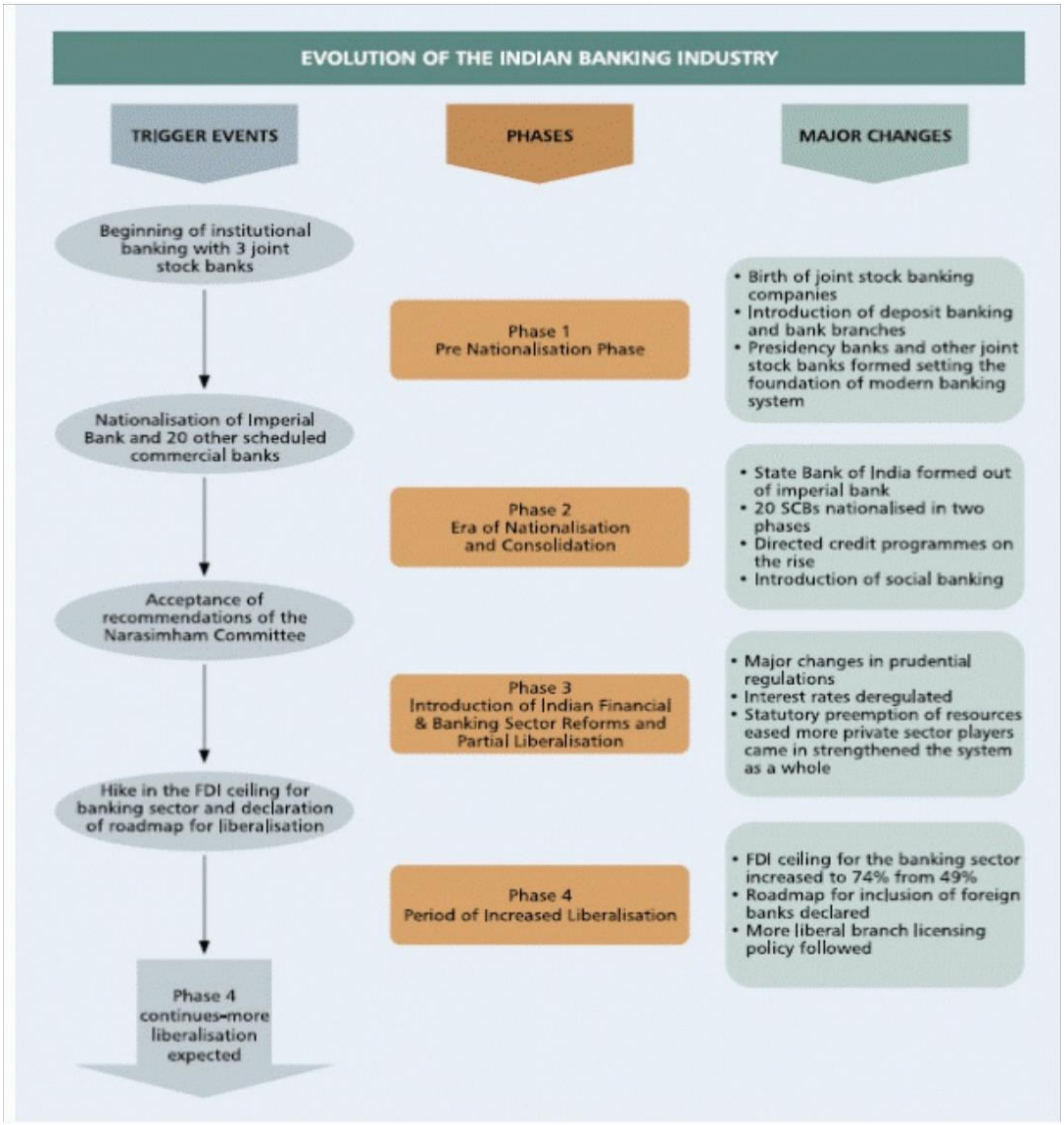
1975 – Formation of banks in rustic areas.

1980 – Nationalization of banks which were having capital of more than 200 Crores.

2.1 Evolution of the Indian Banking Industry

The Indian Banking Industry was founded in the 18^{th} century. It has various experiences since then. The initial banks in India were mainly trader banks, which were engaged only in financing activities. Before independence, banking was known as presidency bank. These banks were changed to colonial bank of India and now they are altered into SBI.

The earliest days of the industry had bulk of confidential sectors with had a highly dynamic working surroundings. Nationalization in 1969 and 1980 made effort to public ownership. This has brought huge change in banking sector. Nowadays industries have realized impotence of private and foreign banks and hence it has been shifted to more linearization.



During expand of industries in over 2 countries, large developments were made with respect to products, services and technology of banks.

These changes are classified into 4 different phases:

Phase 1 – Pre-Nationalization (before 1955)

Phase 2 – Nationalization and Consolidation (1955-1990)

Phase 3 – Financial and Banking Sector Reforms introduction in India and part liberalization (1990-2004)

Phase 4 – Time of enlarged liberalization (after 2004)

2.1.1 <u>Current Structure:</u>

Nowadays, Indian banking system has large variations. Currently banks are being analysed how is its status, how it is performing its business and how well the products are organized and segmented.

2.1.2 <u>Organizational Structure:</u>

The banking systems are again categorized into 2 types:

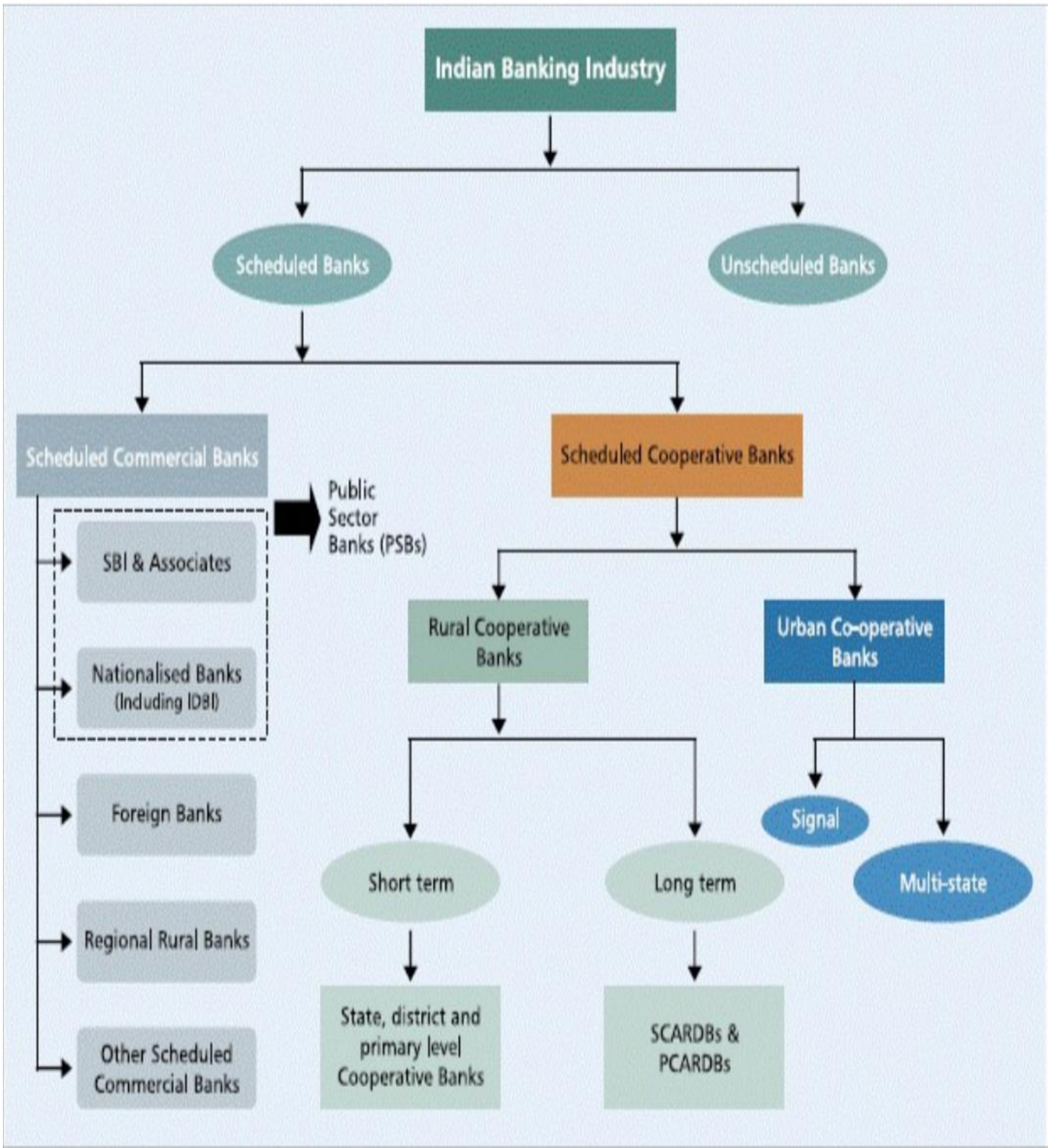
a. Scheduled Banks
b. Non-scheduled Banks

Majority of banks are of scheduled type and unscheduled banks are few in number.

There are other organized agencies, which serves the need of financially excluded population. Such agencies are money lenders, pawn brokers and indigenous bankers.

a. Scheduled Banks:

A scheduled bank is listed on second schedule of the RBI Act, 1934. To fall on this category bank has to fulfil certain conditions. It should have capital of minimum 0.5 million. It also should ensure RBI that its business is not in such a way that it is prejudicial to interest of customers. Scheduled banks are again divided into commercial and cooperative banks.



I. Scheduled Commercial Banks (SCBs):

It is the most important part of the scheduled banks. There were 80 scheduled commercial banks in India at the end of March 2009. This bank is again categorized into the five groups. The categorization is one the basis of ownership and the operating nature of the banks.

State Bank of India along with its all associates is known as separate category of scheduled commercial bank. But State Bank of Saurashta does not fall under this category because it was merged with the SBI after 13th Aug 2008.

10 Nationalized banks and 7 SBI and associates makes public sector banks group. About 70% of credit and deposit id being controlled by this group. After Dec 2004, IDBI Ltd was also included in the nationalized banks group.

Regional Rural Banks were established in Sept 1975. Main purpose of this bank was to boost the economic status of rural areas by providing banking services. The banking be provided with the help of co-operation of local peoples and the local resources.

Regional Rural Bank is getting diversity in geographical area but number of banks in the country is being reduced since last five year. It is due to high competition. Because of state shrewd amalgamation of Regional Rural Banks supported by a similar support bank, the quantity of local rustic banks tumbled to 86 before the finish of March 2009.

II. Non-Scheduled Banks:

Non-scheduled banks are like Local Area Banks. By March 2009, there were only 4 Local Area Bank (LABs) in the country.

Local area banks are established as per the scheme given by the government of India in 1996. The main purpose of LAB was to develop new private banks of local nature.

Regional Rural Banks were established in Sept 1975. Main purpose of this bank was to boost the economic status of rural areas by providing banking services. The banking be provided with the help of co-operation of local peoples and the local resources.

Regional Rural Bank is getting diversity in geographical area but number of banks in the country is being reduced since last five year. It is due to high competition. Because of State shrewd amalgamation of Regional Rural Banks supported by a similar support bank, the quantity of local rustic banks tumbled to 86 before the finish of March 2009.

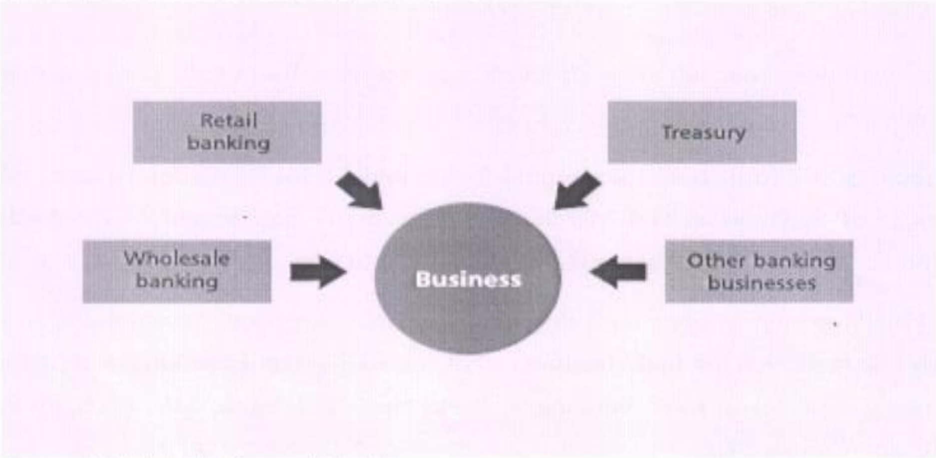
2.2 Business Segmentation:

The operations of banks are separated into following sectors:

- Retail banking
- Wholesale banking
- Treasury banking
- Other banking activities

Wholesale banking is again divided into large corporate and mid corporate.

Exhibit 2.3: Business Segmentation



Source: D&B Industry Research Service

2.2.1 Retail banking:

It is exposed to individuals or little business. The actions of this banking are recognized on 4 criterions. These four criteria are as follows:

- Direction
- Granularity
- Product criterion
- Small rate of character exposure

Essentially, these factors signify that individuals or small business of turnover less than 0.5 million should have exposure to this banking. And it can take any form of credit, which can be in form of cash or draft.
Retail banking for one organization should be 0.2% of the sum retail of the bank or Rs. 50 million, which is minimum.

2.2.2 Wholesale banking:

Wholesale banking has very high exposure, especially to corporate areas. Wholesale banking is classified into mid corporate banking and large banking internally. These classifications are on the basis of its exposure. Hedging solutions in the most significant part of exposures that comes from corporate.
Hence, that client of wholesale banking has strategy for the banks and it has view to gain other business also. Various part of wholesale banking transaction is leasing, project, finance for working capital, etc.

2.2.3 Treasury Operations:

Treasury operations consist of investment in various markets. These markets include following:

- Debit market
- Equity market
- Shared money and derivative
- Trading and for ex operation.

These investments be able to either taken on customer account or can be proprietary activities. Treasury operations are very important in order to manage the funds of bank.

Banks has some core activities like lending, taking deposits and other services. But treasury income is most significant part for a bank to earn.

2.3 Banking Industry's Product:

The banking industry's product consists of deposit, credit and other banking services. Almost all the banks give similar product with little variations.

Apart from major services that bank offers, which include deposits, loans and services, banks also provide flexible term deposits, convertible saving deposit, etc. in convertible term deposits, cash in saving account can be converted into fixed deposits, which has higher interest rate than normal saving interest.

2.4 '90 Days Norms'

i. Interest or portion of foremost stay past due for a time of over 90 days from due date.

ii. The description stays 'Absent of demand' meant for a period of over 90 days, in admiration of an overdraft/cash credit (OD/CC).

iii. The charge leftovers past unpaid for a period of 90 days because of bill obtained and demised.

iv. In the instance of straight agrarian advance as recorded in take possession of 1, the late standard indicated would be appropriate. In regard of horticultural credits, other than those predefined, recognizable proof of NPAs would be done on an indistinguishable premise form non-farming advances.

v. Any signify be gotten remains past due for a period of over 90 days in respect of their record.

2.5 BANK PROFILE:

- ✓ Saving money Regulation Act-1949
- ✓ Meaning of Co-operative Bank
- ✓ Estimations of Co-operative Bank
- ✓ Standards of Co-operative Bank

2.5.1 Banking Regulation Act, 1949

(As applicable to co-operative societies)

The Banking Regulation Act, 1949 (as material to co-agent social orders) had come into drive from 1st March 1966. The demonstration has influenced the Reserve to manage an account with different statutory forces of control and supervision over the Co-agent Banks. The forces are as for fuse, administration and so on of these banks. Assist the arrangements of the B.R. Act 1949 might be not withstanding criticism of some other law existing in control. Thus Co-agent Banks should not exclusively to consent to the arrangement of the B.R. Act, yet additionally different laws pertinent to them. In regard of issues particularly accommodated in the B.R. Act the arrangements of this Act will beat the arrangements of the Co-agent social orders Acts. As indicated by this Act, an "Essential Co-agent Bank" implies a Co-agent.

2.5.2 Society other than a Primary Agriculture Credit Society:

The essential question or important business is the exchange of managing an account business. This incorporates paid offer capital and stores, which are at least one lakh of rupees.

2.6 Definition of Co-operative Banks:

A co-agent is esteemed relationship of littler centre foundations or people joined energetically to meet their financial, social and needs and though a together possessed and fairly controlled association.

2.6.1 Values of Co-operative Banks:

- Person – liability
- Democratic system
- Solidity

In tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

2.6.2 Principles of Co-operative Banks:

Professional and open association only for co-operative societies which are working in Bangalore district only.

- ❖ Law based part control
- ❖ Part economic participation

- Self-sufficient and autonomy
- Instruction, Training and Information
- Participation among Cooperatives
- Worry for Community

2.7 COMPANY PROFILE

Back ground information:

- Head Office: Bangalore district central Co-operative Bank Ltd. (BDCC) Established: 1955
- Present President:
- Present Branch: VSSSN (VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA) Co-operative Bank Ltd. (Jigani)
- Established: 1977-78
- First President: Narashimha Reddy
- Present President : Lakshminarayana
- Manager : M. Nagaraj

The district level rural credit bank established in 1977-78 for the sake of people to help agricultures. Fund collection is necessity of bank but this banks prime goal is protection of collected fund and useful investment. With the suitable directions given by Board of Directors and with efficient management, the bank is moving forward with success. Today it contains 15 branches. Out of these 15 branches today all branches are having their own building. All are well planned and furnished.

This bank not only gives importance to co-operative sector but also gives importance to agriculture, health and social programs and also encourages them. Without any discrimination it helps people according to their qualification.

BDCC Co-operative Bank Ltd. (Head Office, Chamrajpet, Bangalore)

VSSSN (VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA) **Co-operative Bank Ltd. (Jigani, Bangalore)**

2.8 Ownership pattern:

Board of Directors:

The present members in board of directors of Vyvasaya Seva Sahakara Sanga Co-operative Bank Ltd, Jigani.

Sl.No	Name	Position
1	Narashimha Reddy	President
2	Lakshminarayana	Vice President
3	M. Nagraj	Manager
4	A. Krishna Reddy	Director
5	Kulappa	Director
6	Anjinappa	Director
7	Prabhakar	Director
8	K S Rajegowda	Director
9	H. Appanna	Director
10	M. Munikrishnappa	Director
11	H .C. Muralidhar	Director
12	Mamatha	Director

13	Padmamma	Director
14	BD & BRDCC Bank(Anekal)	Director

2.8.1 PROMOTERS:

- Sensex
- Venture Capital
- Share Holders
- Account Holders

2.8.2 VISION AND MISSION:

- Protection of collected fund
- Useful investment of fund
- Better customer service
- Building transparency in all dealings.

2.8.3 SPECIAL FEATURES:

- Fully computerized for efficient service.
- Secured deposit and high return.
- “EASY AGRICULTURAL LOANS” and many other attractive loan schemes.
- E-Stamp facility to the customers.
- Provides provisions to the customers at low prices. Eg - Rice, Wheat, Oil, Sugar, Salt, Thoor Dall, etc.
- Collection of Pigmy.

2.8.4 QUALITY POLICY:

- The following are the banks provided by the bank for the benefit of the customers.
- There is nomination facility to A/c holders.
- Bank also exchange currency based on RBI guidelines.
- It also gives instructions to payment that bills, interest and insurance.
- Bank also provides guidelines to lock holders.
- Bank also observe the customer days decided by the Board of Directors.
- Make customers as the shareholders to the bank.

2.8.5 <u>AREAS OF OPERATION:</u>

SL NO.	HEAD OFFICE	SUB BRANCH
1	Jigani	Chamrajpete, Bangalore
2	Srirampura	Anekal Taluq
3	APC Circle	Jigani
4	Hargadhe	Jigani
5	Bukkasagara	Jigani
6	Bannerghatta	-
7	Sakalwara	-
8	Hennagara	-
9	Doddaagade	-
10	Maisandra	-
11	Kasba	-
12	Chickka Hosalli	-
13	Gudatti	-

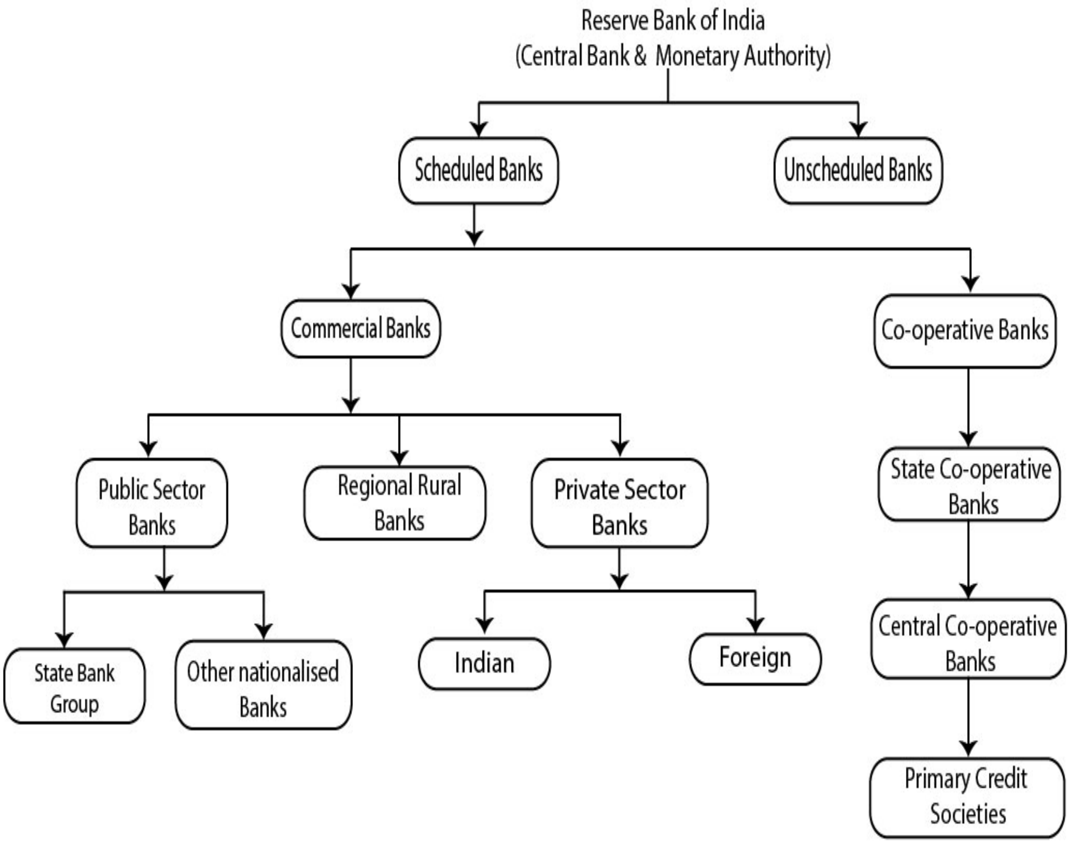
2.9 <u>INFRASTRUCTURAL FACILITIES:</u>

The bank has 40 × 60sq. feet site, were the building is built in that site only. A ground and first floor is built to carry out the banking activities. It is built for own use. In the ground floor the banking activities takes place and in the first floor the meetings relating to the bank takes place. There is a separate building attached next to the bank to provide the provision to the customers. The head office of the bank is located in Chamarajpet, Bangalore. It has 15 other branches. All the branches have computer facilities.

2.10 BANKING STRUCTURE IN INDIA:

Reserve Bank of India:

The Central Bank of India was set up on 1st April 1935 and under the RBI Act 1934. It is on the best position in the managing an account structure. RBI performs different exercises with the end goal of advancement.



2.11 SWOT ANALYSIS:

Strengths:

1. Varied financial products for different customer segments.
2. Strategic tie-ups with leading players for various products like insurance etc.
3. Schemes for social initiatives aligned with Government schemes.

Weaknesses:

1. Low presence across India as it is limited to only one district.
2. Marketing is very limited as compared to other banks.
3. Lack of retail banking as compared to popular banks.

Opportunities:

1. Rural banking for higher penetration.
2. Introduction of net banking and ATMs.

Threats:

1. Economics low down.
2. Highly competitive environment.
3. Stringent Banking Regulations.

2.12 Product/service profile:

VSSSN (VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA) Bank also provides the following services to their customers:

- Safe deposit locker facility
- Core banking
- Hi – tech banking
- Gold locker facility
- KISAN Card facility
- E – Stamp facility
- Pigmy account facility
- Provision facility

2.12.1 LOANS & ADVANCES:

VSSSN (VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA) bank ltd, Jigani provides various kinds of loans and advances, which are as follows:

- **Mortgage Loan:**
  - Banks lend mortgage loan for the property of the lender. Where the borrower makes an agreement with the lender for the property.
  - Interest rate 15% p.a.
- **Gold Loan:**
  - Bank lend the gold loan against the gold which is been pledged by his/her gold ornaments into the bank.
  - Interest rate 10% p.a.
- **Salary Loan:**
  - Bank lend the salary loan to the borrower's which is treated as the short-term unsecured loan. The repayment of the loan is repaid linked to borrower's payday.
  - Interest rate 15% p.a.
- **KCC Loan (Kisan Credit Crops):**
  - It is loan given to the people by the government of India by the co-operative banks as an agricultural loan.
  - Interest rate 0%.
- **Personal Loan:**
  - Bank lends the personal loan to the people which is said to be as an unsecured loan. This loan is given to the people who have a promise to repay.
  - Interest rate 15% p.a.
- **Fixed Deposit Overdraft:**
  - Fixed deposit loan is structured as an overdraft facility against the fixed deposit. Can borrow the loan after 3 months of investing.

- Interest rate 8.5% p.a.

2.13 INVESTMENTS:

As on 31-3-2018 bank invested Rs. 2 Crores in Karnataka Co-op Apex Bank Ltd. Rs. 2 Crores in Bangalore Rural & Ramnagara District Co-operative Bank (Head Office). Rs. 1.10 Lakhs in Bangalore Rural & Ramanagara District Co-operative Bank (Anekal).

2.13.1 BORROWINGS:

The bank borrowed of Rs. 51690 Lakh from the government of India to provide the KCC (Kisan Credit Crops) facility to the farmers.

2.13.2 AUDIT AND CONTROLS:

The audit and inspection serves the objectives of ensuring safe and sound practices and policies. The concurrent audit of the bank which was covered all the branches which has enabled early identification of defects/deficiencies for initiating necessary actions for rectification and setting right the deficiencies. In the area of the house keeping the bank continues to do well with the balancing of books and interbank/branch accounts been drawn up to March 31, 2018. The audit goes on at the end of every year as on 31-3-2018. The audit was done by Karnataka Govt. co-operative audit department.

2.14 TYPES OF ACCOUNTS:

- **Pigmy Account:**
  - It is a type of account which is maintained by the people paying the amount on a daily basis. If the person keeps an amount for about a period of 18 months he gets the interest of about 3%.

- **Saving Account:**
  - Saving account is an interest-bearing account. It is a account where the bank provides the interest as the amount is deposited into it. The bank limits the number of withdrawals that we can make from saving account per month.
  - Interest rate 3%.

- **Fixed deposit Account:**
  - It is an account which provides highest rate of interest to the investors than a regular savings account. It doesn’t require a creation of separate account.
  - Interest rate are as follows:

    1 year – 6% p.a.
    2 years – 7.5% p.a.
    3 years – 8.5% & above.

2.15 HUMAN RESOURCES:

Total staff strength of the bank as the end of March 2017 stood at 115. The collective efforts of management and the employees enabled the bank to show progressive growth during the year and the relationship continued to be harmonious.

With a thrust to strengthen and improve competency, bank has been imparting training to the staff discharging their duties at various levels to enable them to perform their duties and responsibilities more effectively in a highly competitive customer driven environment.

The bank is also encouraging its staff to enroll them for various specialized courses more particularly on Know Your Customer (KYC), trade finance, risk management etc.

2.15.1 BOARD OF DIRECTORS:

The Board of Directors at the end of March 2017 comprised of 11 members. 11 members of the Board of Directors were held during the year. The board has constituted various sub committees, which met regularly and transacted various business entrusted to them. All the members on board contributed.

Their knowledge, expertise and experience in their respective fields towards all round development of the bank.

2.15.2 ACHIVEMENTS AND AWARDS:

"Best Co-operative Bank" Award in 2009-2010, by Apex Bank.

"Best Co-operative Bank" Award in 2011-2012, by B.B.R and RDCCB

"Best Co-operative Bank" Award in 2011, by Karnataka State Government

2.15.3 COMPETITORS:

As the VSSSN (VYAVASAYA SEVA SAHAKARA SANGHA NIYAMITHA), Jigani is the urban Co-operative bank; it is confronting competition from the business banks. Business banks attempt various saving money administrations. Since the co- agent banks are confined and don't have system of brokers they are not in a situation to meet all the keeping money administrations. Along these lines the Institution like Government, open segment endeavours and the urban co-agent banks are confronting rivalry from the business banks.

2.15.4 FUTURE GROWTH AND PROSPECTS:

- ✓ The bank wants to increase its operations by setting up its branches all over the Karnataka.
- ✓ There are planning to enter into core banking.
- ✓ Mobilization of saving, deposits, loans, etc.
- ✓ Installation of ATM facility in all he areas.
- ✓ Opening of branches at all direct headquarters and minorities concentrated enters.
- ✓ Introduction of more added services such as home banking, networking service, E-banking and E-sampling.
- ✓ Launching of mobile banking and teller banking.
- ✓ Foreign exchange business.
- ✓ Opening of currency chest and small coin deposit.
- ✓ Increase deposits.
- ✓ Improve the customer service by adopting latest technology.
- ✓ Availing the E-stamp facility to all.
- ✓ Helping all sort of the customers.

2.15.5 Vyavasaya Seva Sahakara Sanga Co-operative Bank Ltd, Jigani.

Financial Statement as on 31-03-2020

EXPENDITURE	AMOUNT(RS)	INCOMES	AMOUNT(RS)
1.CAPITAL	500,000.00	1. CASH IN HAND	2,497,552.00
Subscribed capital	1,210,892.00		
2. RESERVE FUND	1,134,802.67	2.BALANCES WITH OTHER BANKS	41,291,180.20
3. DEPOSITS AND OTHER CCOUNTS	3,672,840.18	3. MONTHLY AT CALL AND SHOR NOTICE	2,297,209.00
Fixed deposit	8,75,69,071.00		
Credit balance in loans and advances	9,440,254.00		
4.BORROWING FROM OTHER BANKING, COMPANIES, AGENTS,ETC	-	4. INVESTMENTS	21,238,084.65
5.OTHER LIABILITIES	3,126,179.00	5. ADVANCES	465,850.00
6.RECREATION FUND	935,399.00	6. OTHER ASSETS	399.00
7. CROP LOAN	18,620.00	7.MEMBERS LOANS	38,096,245.00
8. NPA	813,173.00	8. CONTROLLED FOOD GRAINS	48968.00
9. MONEY AT CALL AND SHORT NOTICE	2,297,209.00	9. FIXED ASSETS	6,085,938.00
10. PROFIT AND LOSS	752,986.00		
TOTAL LIABILITIES	112,021,425.85	TOTAL ASSETS	112,021,425.85

2.15.6 Vyavasaya Seva Sahakara Sanga Co-operative Bank Ltd, Jigani.

Financial Statement as on 31-03-2021

EXPENDITURE	AMOUNT(RS)	INCOMES	AMOUNT(RS)
1. CAPITAL	500,000.00	1. CASH IN HAND	30,36,569.00
Subscribed capital	1,073,792.00		
2.RESERVE FUND	11,34,802.47	2. BALANCES WITH OTHER BANKS	1,26,95,128.00
3. DEPOSITS AND OTHER ACCOUNTS	44,18,826018	3. MONTHLY AT CALL AND SHORT NOTICE	43,21,172.00
Fixed deposit	8,38,35,212.00		
4. Credit balance in loans and advances	70,74,645.00	4. INVESTMENTS	3,80,74,619.65
5. BORROWING FROM OTHER BANKING, COMPANIES, AGENTS,ETC	-	5.ADVANES	3,48,850.00
6.OTHER LIABILITIES	44,85,037.00	6.OTHER ASSETS	1,83,543.00
7.RECREATION FUND	9,35,399.00	7. MEMBERS LOANS	45,269,475.00
8.CROP LOAN	18,620.00	8. CONTROLLED FOOD GRAINS	4,05,806.00
9.NPA	9,19,667.00	9.FIXED ASSETS	84,56,101.00
10. MONEY AT CALL AND SHORT NOTICE	43,21,172.00		
11.PROFIT AND LOSS	10,24,091.00		
TOTAL LIABILITIES	11,27,91,263.65	TOTAL ASSETS	11,27,91,263.65

2.15.7 Vyavasaya Seva Sahakara Sanga Co-operative Bank Ltd, Jigani.

Financial Statement as on 31-03-2022

EXPENDITURE	AMOUNT(RS)	INCOMES	AMOUNT(RS)
1.CAPITAL	5,00,000.00	1.CASH IN HAND	19,55,821.00
Subscribed capital	11,23,392.00		
2.RESERVE FUND	11,34,802.47	2.BALANCES WITH OTHER BANKS	1,81,79,610.65
3.DEPOSITS AND OTHER ACCOUNTS	54,47,007.18	3.MONTHLY AT CALL AND SHORT NOTICE	60,56,233.22
Fixed deposit	9,13,96,151.00		
Credit balance in loans and advances	13,60,000.00		
4.BORROWING FROM OTHERBANKING, COMPANIES, AGENTS,ETC	-	4.INVESTMENTS	3,36,70,546.65
5.OTHER LIABILITIES	50,94,323.00	5.ADVANCES	3,98,850.00
6.RECREATION FUND	9,35,399.00	6.OTHER ASSETS	50,132.48
7.CROP LOAN	13,223.00	7.MEMBERS LOANS	37,389,290.00
8.NPA	10,26,161.00	8.CONTROLLED FOOD GRAINS	6,68,195.00
9.MONEY AT CALL AND SHORT NOTICE	60,56,232.35	9.FIXED ASSETS	84,56,101.00

10.PROFIT AND LOSS	**9,41,655.00**		
TOTAL LIABILITIES	**11,80,78,346.00**	**TOTAL ASSETS**	**11,80,78,346.00**

2.15.8 Vyavasaya Seva Sahakara Sanga Co-operative Bank Ltd, Jigani.

Financial Statement as on 31-03-2023

EXPENDITURE	AMOUNT(RS)	INCOMES	AMOUNT(RS)
1.CAPITAL	**500,000.00**	**1. CASH IN HAND**	**12,62,750.67**
Subscribed capital	**11,19,400.00**		
2. RESERVE FUND	**1,134,802.67**	**2. BALANCES WITH OTHER BANKS**	**1,95,85,800.00**
3. DEPOSITS AND OTHER ACCOUNTS	**55,40,050.00**	**3. MONTHLY AT CALL AND SHORT NOTICE**	**70,60,345.00**
4. Fixed deposit	**9,75,69,071.00**	**4. INVESTMENTS**	**4,50,83,678.00**
Credit balance in loans and advances	**15,40,200.00**		
5.BORROWING FROM OTHER BANKING, COMPANIES, AGENTS,ETC	**-**	**5. ADVANCES**	**4,85,950.00**
6.OTHER LIABILITIES	**45,50,000.00**	**6.OTHER ASSETS**	**60,570.00**
7. RECREATION FUND	**10,10,070.00**	**7. MEMBERS LOANS**	**38,096,245.00**
8. CROP LOAN	**18,000.00**	**8. CONTROLLED FOOD GRAINS**	**7,95,250.00**
9. NPA	**11,15,100.00**	**9. FIXED ASSETS**	**92,72,305.00**

10.MONEY AT CALL AND SHORT NOTICE	**65,60,500.00**		
11.PROFIT AND LOSS	**10,45,700.00**		
TOTAL LIABILITIES	**12,17,02,893.67**	**TOTAL ASSETS**	**12,17,02,893.67**

THEORETICAL BACKGROUND OF THE STUDY

3 INTRODUCTION

Finance is referred as the provision of money at a time when it is required. Every enterprise needs finance to carry on its operation and achieve its targets. Finance is so indispensable; therefore is defined as 'Life blood of an enterprise'. Without adequate finance, no enterprise thinks of its existence.

3.1 EMERGENCE OF THE WORLD NON-PERFORMING ASSET

In late 80s the idea of characterization of bank propels in a few wellbeing code classes occurred through the phrasing non-performing progresses do not stay alive around then. This is trailed by mid 90s Anglo-American sculpt of order of bank loaning collection in a few squares of terminology in the incorporated the non-performing propels. The fast prominence of the wonder is able to be credited to the aperture up of the Indian market and resulting weight from western power to impact our financial framework for the sake of internationals norms of book keeping, coinciding of banking management by Basle Commission, etc.

The abrupt stun of rules identifying with non-performing advance and synchronous of salary acknowledgment influenced the Indian financial framework to totter and various open segments banks began bringing about misfortunes from the mid-nineties. At that point the proposals of the Narasimhan Committee appeared with the extent of making resource recreation support meant for crackdown the asset reports of the bank of non-performing progresses as a once assess.

3.2 NON-PERFORMING ASSETS

An advantage is delegated non-performing resource if duty as standard and intrigue are not paid by the borrower for a time of 180 days. Anyway with impact from March 2004, defaults status would be given to a borrower if duties are not paid for 90 days. NPAs are the advances, advances and enthusiasm on advances, which are not returned in time. Accordingly makes in pending recuperation, it is only an unequivocal model of surveying the credit danger of bank's or monetary organizations conveys in a critical position sheet. The banks and the budgetary.

Fundamentals in India face the issues of bulge non-performing income (NPAs) and the matter is winding up more and more uncontrollable. So as to carry the condition levelled out, a little stage has been in use as of delayed. The Securitization and Rebuilding of Monetary Resources and Enforcement of Safety Attention Act, 2002 was passed by Parliament, which is a vital advance towards end or decrease of NPAs.

3.3 INDIAN ECONOMY AND NPAs

The globe markets have back off, retreat is at its pinnacle, every inclusive financial connection has tumble and commerce itself is receiving solid to do. The Indian wealth have been abundantly partial as of tall economic shortage, reduced framework offices, muggy legitimate structure, slice of exposure to rising market by FIIs, and so on. Additional universal score offices like, typical and reduced have lowed India's FICO score to sub-venture score. Such unhelpful perspectives have frequently exceeded positives, for example, expanding forex saves and a reasonable expansion rate.

Under such a circumstance, it's a given that banks are no exception and will undoubtedly confront warmth of a worldwide downturn. One would be astonished to realize that the banks and money related establishments in India hold non-performing assets worth Rs. 1, 10,000 Crore (approx) . Brokers have understood that except if the dimension of NPAs is decreased definitely, they will think that it's hard to endure.

3.4 NORMS RELATED TO NPAs IN INDIA

There are two idea connected to NPAs-gross and net. Gross refers to all NPAs on a bank's equilibrium page irrespective of the stipulation made. It consists of all the irregular resources, visa Sub-standard, uncertain and loss resources. A loan resources is confidential as 'sub-standard' if it remnants NPA up to a stage of 12 months, 'doubtful' if it remnants NPA for extra than 12 months, 'loss' without any coming up stage, where the dues are careful not collectible or slightly collectible.

Net NPA is a gross NPA less requirements. Since in India, bank stability page contain vast quantity of NPAs and the procedure of revival and cancel of loan is extremely occasion intense, the supplies the banks include to create next to the NPAs according to the middle bank rule, are quite important. That is why the disparity flanked by unpleasant and net NPA is fairly tall.

While net NPA mirror the nature of the credits made by banks, net NPA demonstrates the genuine weight of the banks. The prerequisites for arrangements are: 100% for misfortune resources; 100% of the unbound part in addition to 20-half of the verified bit, contingent upon the period for which the record has stayed in the suspicious classification, and 10% general arrangement on the extraordinary equalization under the unsatisfactory class.

NPA = GROSS NPAs - PROVISIONS

Net NPA = Opening Balance + Addition aimed the year – Recovery

GNPA=Total Advances−Credit balance in loans and advances

3.5 CONCEPT

From the financial year 1991-92 the new system accounting came into existence. New accounting system classification of loans and interest were come into effect. The financial institutions and banks adopted income recognition rule. RBI also took keen interest with regard to these NPAs and laid several guidelines.

As a result the method of “Asset Classification” came into force. While introducing these guidelines, internationally accepted standards of Basic Committee recommendations were also taken into consideration. As per the norms of these standards income was recognized.

Steps were taken to debit the borrower/capital only when the borrower pays the outstanding interest and the installment. Actions and initiative were taken to recover as and when the interest and installment becomes due. This becomes mandatory for banks and financial institutions. Due to all these efforts the assets were classified as follows:

- Performing assets/standard assets
- Non-performing loans

So it is very clear that many steps were taken towards the effective and efficient of functioning of the financial institution for reducing the level of NPA to the maximum possible extent.

3.6 RBI REGULATIONS CONSERNING PROFITS APPRECIATION, RESOURCES CLASSIFICATION AND PROVISIONING

PROFITS APPRECIATION

RBI has guidelines relating to the salary acknowledgment of banks as tolerant the recommendation of the Narasimhan Committee statement. The next is the system concerning profits credit of banks.

Intrigue salary ought not to be perceived until it is figured it out. A non-performing resource is single while it is late for two residences or extra. In regard of non-performing resources, intrigue isn’t to be perceived on accumulation premise yet it is to be treated as salary just when it is really gotten. NPAs, banks ought not charge or consider the premium. In past due bill, intrigue ought not be charged or taken as pay except if figured it out. Intrigue accumulated and credited to earlier bookkeeping period in regard of non-performing resources ought to be turned around or accommodated in the present record if such intrigue still says uncollected.

Income from non-performing benefit is not documented on accretion base but is book as profits only when it is really expected. Thus interest on NPAs shall be charged to the account only when it is actually received. As and when recovery is made in NPAs expenses incurred but not charged to the accounted shall be debit to the report and accredited to the mice income first balance of recovery made or

Interest up to the end of the provisions month not charged to the account whichever is less shall be debit to the explanation and accredited to the attention on NPA. After debiting the expenses and interest to the NPA (real a/c) balance in real account shall be exceeds the balance in shadow a/c since balance is shadow a/c are the total dues of the borrower.

3.6.1 CLASSIFICATION OF ASSETS FOR MAKING PROVISION

For the function of creation condition for awful and uncertain loan and advance, banks need to categorize them into the subsequent wide category:

- Performing resources
- Non-performing resources

A. PERFORMING ASSETS

Performing resources is also known as typical resources/loan, where the attention or chief are not late past 90 days at the end of the monetary time. Such loan doesn't bear more than the standard business threat. It is additional classify into:

- Sub-standard resources
- Bad and doubtful resources
- Loss resources

The above category is done pleasing keen on report the amount of sharp praise fault and degree of reliance on protection safety for understanding of duty.

B. NON-PERFORMING ASSETS

Any credit the refund of which is past due away from 90 days or two lodgings is measured as NPA. It is also more classify into:

- Sub-standard resources
- Bad and doubtful resources
- Loss resources

C. SUB-STANDARD ASSETS

A sub-standard asset is one, which has remained NPA for a period less than or alike to 12 months. Further sub-standard assets shall be segregated in to secured exposure and unsecured contact is distinct as an experience anywhere the achievable worth of the safety, as assess by the bank/accepted values/reserve bank's inspect officer, is not extra than 10%, ab-initio, of the o/s experience. 'Exposure' shall comprise all fund and non-funded exposure (counting underwrite and alike commitment) 'Security' means touchable safety correctly exciting to the bank and will not include in insubstantial securities like guarantee, console mail etc. therefore all clean loans and loans with security less than 10% under sub-standard category may be treated as 'Unsecured exposure'. It may be noted the each sub-standard assets shall be classified as either secured exposure or unsecured exposure and provision shall be made on o/s balance.

Loans which are non-performing for a stage not more than 12 months anywhere the present web value of the borrower or the present bazaar cost of the safety, next to which the loan is taken, is not sufficient to make sure full revival of the debit In other words such an asset will have well defined credit weakness that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

D. DOUBTFUL ASSETS

A doubtful asset is one, which has remained NPA for stage more than 12 months. Doubtful assets shall be bifurcated in to doubtful assets less than one year between 1 and 3 years, above 3 years doubtful assets and above 3 years shall be further bifurcated in to “existing stock”. Further each doubtful asset shall be bifurcated into secured portion and unsecured portion for provisioning purpose.
Loans which have remained non-performing for a stage more than 12 months will be treated as doubtful assets. In the case of loan, anywhere instalments of main have remain late for a stage more than two years should be treat as uncertain resources. A credit secret as uncertain has all the extra individuality that the weak point create the compilation or insolvency in filled on the base of at present know details, situation and values-highly doubtful with unlikely.

E. LOSS ASSETS

A loss benefit is one where defeat has been known by the bank or interior or exterior auditor or RBI examination. 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 salvage or recovery value. NPA shall be treated as loss asset, irrespective of age of NPA, if it is uncollectible due to serious credit impairment visa; fraud etc.
Realizable value of securing has become nil or negligible due to corrosion in the price of the security. (Value may be treated as negligible if it is less than 10% of the o/s in the borrower account). A loss asset is one, where the bank or internal/external auditors the RBI have identified loss, but the amount has not been written off fully. These resources are careful unrecoverable and are of small worth to the lend organization.

3.7 PROVISIONING FOR LOANS AND ADVANCES

Banks and other monetary institution have to make the next supplies in their books foe go forward, which are measured as non-performing resources attractive into explanation the occasion wrap stuck among an report flattering uncertain of revival, its acknowledgment as such, the understanding of the safekeeping and the corrosion more point in the cost of safekeeping exciting to the bank, the banks should create stipulation aligned with imperfect resources, uncertain resources and victims resources as under:

3.7.1 LOSS ASSETS

The complete advantage ought to be printed off. If the resources are allowable to stay in the books for any motive, 1OO% of the exceptional is supposed to be providing for.

3.7.2 DOUBTFUL ASSETS

1. 100% of the degree to which the proceed is not enclosed by the possible worth of the safety to which the bank has a suitable alternative
2. and the possible worth is predictable on a sensible base
3. In stare to the tenable piece, prevision can be complete on the next base, at the tax range as of 20% to 50% of the tenable piece depending ahead the stage for which the benefit have remain uncertain:

Era for which the proceed has been calculated as uncertain	Condition obligation (%)
Up to one year	20
One to three year	30
More than three year	50

3.7.3 SUB-STANDARD ASSETS

A universal stipulation of 10% on total exceptional should be made without making any payment for DICGC/ECGC mark off wrap and securities obtainable. The 'unsecured exposures' which are recognized as 'sub-standard' would draw extra stipulation of 10% i.e. a total of 20% on the exceptional poise. Unsecured experience is distinct as an experience anywhere the attainable price of the safety, as assess by the bank/ accepted value's/reserve bank's inspect officer, is not extra than 10%, ab-initio, of the exceptional contact.

Period for which the go forward has been considered as uncertain	Provision necessity (%)
Up to one year	10
One to three year	20
More than three year	30

3.7.4 STANDARD ASSETS

1. From the year final 31-3-2000, the banks should make a universal state of a smallest amount of 0.25% on normal income on universal praise collection base.
2. The state of normal belongings ought to not be reckoning for inner at grid NPAs.
3. The condition towards usual property need to be net from coarse go forward but exposed unconnectedly as 'delegation supplies next to usual assets' below 'extra responsibility and Provision-others in timetable 5 of the stability page.

Other advances

★ Advance next to term deposit, NSCs, KVP/IVP etc.

★ Advance beside period deposit inclusive of accrued interest if any.

3.8 EXEMPTED ASSETS

The following categories of advances are totally are exempted from asset classification, income recognition and provisioning:

- ✓ Advances against banks own term deposit including recurring deposits.
- ✓ National saving certificate.
- ✓ Surrender value of LIC policies.
- ✓ Indira Vikas Patras.
- ✓ Kisan Vikas Patras.
- ✓ Life insurance policies.
- ✓ Advance in gold knick-knacks, Government securities and all other securities are not enclosed by these exemptions. Such securities are exempt from provision requirement to the extent so covered by such securities and hence they shall be classifies as standard assets only.

3.9 ACCOUNTING PROCEDURE FOR NPA

Reversal of Unrealized Interest

The unrecovered portion of interest debited, during the current year and corresponding previous year, in account that has slipped to NPA during the current year shall be recovered as at the close of the year. This will apply to Central govt. guaranteed account with overdue more than 90 days also, though they are treated as standard assets.

In respect of the accounts, which have become NPA first time during the year, the unrealized portion on interest which was taken to P&L account on accrual basis pertaining to the preceding year, if any, shall also be reserved, once the advance was identified as NPA, interest should not be charged to such accounts and interest if any charged for the previous quarters has to be reserved.

Shadow accounts

As per accounting norms, the banks have to maintain shadow accounts in respect of all NPAs, as interest was not charged to the real NPA account. Interest will be calculated for NPAs each month and the bank will not pass any entries for them as they are restrained to do so. In order to know the amount due from the borrower and the unrecovered interest in the account, shadow accounts are maintained. At any point of time the difference between the real account and the shadow account indicates the unrealistic interest in the account.

Partial recoveries

In respect of part payment received in NPA accounts, first credit must be posted in real account and then in the shadow account. The real account must be debited to the extent of recovery or uncovered interest as indicated in shadow account whichever is lower and the contra credit will go to the banks P&L account. Thus to the extent of recovery interest can be debited (to the extent it is already charged) to Non-performing advances and credit to the bank’s P&L.

As per the guidelines, once the required installments and interest is recovered in a NPA account, the status of the account can be changed from Non-Performing Assets to Performing Assets.

3.9 .1 BANG OF NPA ON PRODUCTIVITY AND BALANCE SHEET OF THE BANKS

The crucial factor that decides the performance of banks nowadays is the spotting NPAs. For every 100/- in NPA, the bank is losing Rs.30/-p.a i.e. Rs.8 towards the average interest paid on deposits (which is the source of lending) + Rs.10/- toward the provision + Rs.12/- towards non-recognition of income and PLR. In this way, within 3 years, the loss is as much as the principal.

The bang of NPAs of on the productivity of the banks is summarizing in the next point.

- Reduce earning ability of the property
- Blocks capital
- Incurrence of additional cost
- Reduces EVA
- Low yield on advances
- Affect on Return on Assets

3.10 FUNDAMENTALS CAUSES FOR NPA

NPAs may result due to the following reasons:

1. **Failure of a business unit:** Either coming about because of its own upper hand or conventional shortcoming of the business. Business disappointment like item neglect to catch the market, deficient administration, strike or stressed work relations, wrong equipment, scientific troubles, item out of date, etc.
2. **Lack of sufficient threat evaluation and monitor organization inside bank:** Lack of appropriate credit organization scheme is a very sober matter i.e., in many of the Indian Banks particularly state owned ones there are more than a few size to the trouble. The most significant being require of skilled manpower i.e., the analyst should be in sufficient figure to evaluate seriously the praise merit of the possible customers.
3. **Time or cost overrun:** while implementing the project.
4. **Internal factors:** like raw material storage, raw material/input price escalation, power storage, industrial recession, excess capacity, natural calamities like floods, accidents, etc.
5. **Failure, non-payment/over dues:** in other countries, recession in other countries, externalization problems, adverse exchange rates, etc.
6. **Deficiencies on the part of the banks viz,** in credit appraisal, monitoring and fallow-up, delay in release of limits, delay of settlement of payment or subsidies by government bodies etc.
7. **Government or political interferences** in the working of banking system. Government policies like excise, import duties changes, deregulation, and pollution control order, etc.

3.11 CHECK LIST FOR REDUCTION OF NPAs

Early identification:

- Identification accounts showing early warning signals.
- High values NPAs should be given focused attention.
- A systematic review of Problem Loans should be done.
- The time norms for the problem loans should be done.
- Action plan to be drawn up for each account and follow up.

Recovery:

Actual recovery occurs in the accounting in which the total recovery of the dues is warranted. Through regular pre and post sanction monitoring, follow-ups, the NPAs can be eliminated.

Up gradation:

The NPA accounts in which, part recovery of the total dues will upgrade the account from NPA to performing asset. Generally the NPA accounts with less than 2 years of the age under NPA are covered. The main characteristic of these accounts is after elimination from NPA, also these accounts continued to be part of advances.

Since lending is a main business of the banks up gradation of accounts is preferred.

- ❖ Substandard accounts to be specially targeted for up gradation.
- ❖ Up gradation strategies would include adjustment of irregularity, repayment of overdue interest/installment and up gradation following restructuring/rehabilitation.
- ❖ Replacement/re-schedulement of loans should be done in deserving cases promptly. After one year of successful implementation, account to be reviewed for up gradation.

Rehabilitation:

Rehabilitation of units should be taken up in deserving cases.

Repayment:

- ♦ Fixing repayment programmed for accounts while continued viability is in doubt.
- ♦ Fixing installments for irregular amount were limits to be continued with reduced exposure.

Compromise:

Through compromise the accounts are closed by negotiated settlements with the borrowers as per the compromise policy of the bank. Generally compromises are encouraged in cases of chronic NPA accounts.

3.12 THE SECUITIZATION AND REBUILDING OF MONETARY RESOURCES AND ENFORCEMENT FRO SAFTY ATTENTION ACT, 2002

There was an acute need being felt for assistance to the banks and other monetary institution in the recovery of loans, for there were heavy losses being incurred on account of unpaid debts. To control securitization and rebuilding of monetary property and enforcement of safety notice the President, on 21st day of June 2002 promulgate the Securitization and Rebuilding of monetary property and Enforcement of safety notice work.

3.12.1 Meaning of Securitization

Securitization means acquisition of financial assets by any securitization company or reconstruction company from any originator, whether by rising of funds by such Securitization Company or Reconstruction Company from qualified institutional buyers by issue of security receipts representing undivided interest.

3.13. PROCEDURE FOR SALE OF SECURED ASSETS

After taking possession, before sale, the Authorized Officer shall obtain the estimate value of the property from an approved valuer and fix the reserve price and any sell the whole or any such part of the property by any of the following methods.

1. Obtaining quotations from parties dealing with similar secured assets or otherwise interest in buying such assets.
2. Inviting tenders from the public
3. Holding public auction.
4. By private treaty.
5. By public auction by publishing take in in two important reporters one in dialect verbal communication.
6. Suction by any method other than community action or community caring shall be on such conditions as might be advanced among the party in script.

CHAPTER -4

4. ANALYSIS AND INTERPRETATION

CALCULATION FOR GROSS NON PERFORMING ASSETS (GNPA)

1. for the financial year ending on 31-03-2020:

NPAs = Total advances - Credit balance in loans and advances

NPAs = 70, 74,645.00 – 3, 48,850.00

= 67, 25,795.00

2. for the financial year ending on 31-03-2021:

NPAs = Total advances - Credit balance in loans and advances

NPAs = 3, 98,850.00 - 13, 60,000.00

= 2, 38,850.00

3. for the financial year ending on 31-03-2022:

NPAs = Total advances - Credit balance in loans and advances

NPAs = 15, 40,200.00 – 4, 85950.00

= 10, 54,250.00

4.1.1 Analysis and Interpretation

The non-performing assets (NPS) for the financial years show a trend of fluctuation.

- For the financial year ending 31-03-2020, the NPAs were calculated as Total advances (₹70, 74,645.00) minus Credit balance in loans and advances (₹3, 48,850.00), resulting in NPAs of ₹67, 25,795.00.
- In the following year ending 31-03-2021, the NPAs decreased significantly to ₹2, 38,850.00. This was calculated as Total advances (₹3, 98,850.00) minus Credit balance in loans and advances (₹13, 60,000.00).
- For the financial year ending 31-03-2022, the NPAs increased to ₹10, 54,250.00. This was calculated as Total advances
(₹15, 40,200.00) minus Credit balance in loans and advances
(₹4, 85,950.00).

The analysis shows that NPAs fluctuated over the three-year period. The sharp decrease in NPAs from 2020 to 2021 could indicate improved loan recovery efforts or a change in the composition of the loan portfolio. However, the subsequent increase in 2022 suggests that asset quality may have deteriorated again.

To interpret these results, it would be helpful to have additional context such as the organization's total loan portfolio size, industry benchmarks, and any significant events or policy changes that may have impacted lending practices during this period. Analysing NPAs as a percentage of total advances could provide further insights into the relative magnitude of the non-performing assets.

4.2 REGRESSION MODEL:

Table showing the regression model.

Year	X	NET PROFIT(Y)	XY	X^2
2019 - 2020	1	₹ 7,52,986.00	7,52,986	1
2020 - 2021	2	₹ 10,24,091.00	20,48,182	4
2021 - 2022	3	₹ 9,41,655.00	28,24,965	9
2022 – 2023	4	₹ 10,45,700.00	41,82,800	16
TOTAL	**10**	**37,64,432**	**98,08,933**	**30**

Y = a + bX

Where, b = $\frac{N\sum XY - \sum X \sum Y}{N\sum X^2 - \sum(X)2}$

= $\frac{4\,(98,\,08,933) - 10\,(37,\,64,432)}{4(30) - (10)2}$

= $\frac{3,\,92,\,35,732 - 3,\,76,\,44,320}{120 - 100}$

= $\frac{1591412}{20}$

= 79570.6

4.2.1 ANALYSIS AND INTERPRETATION:

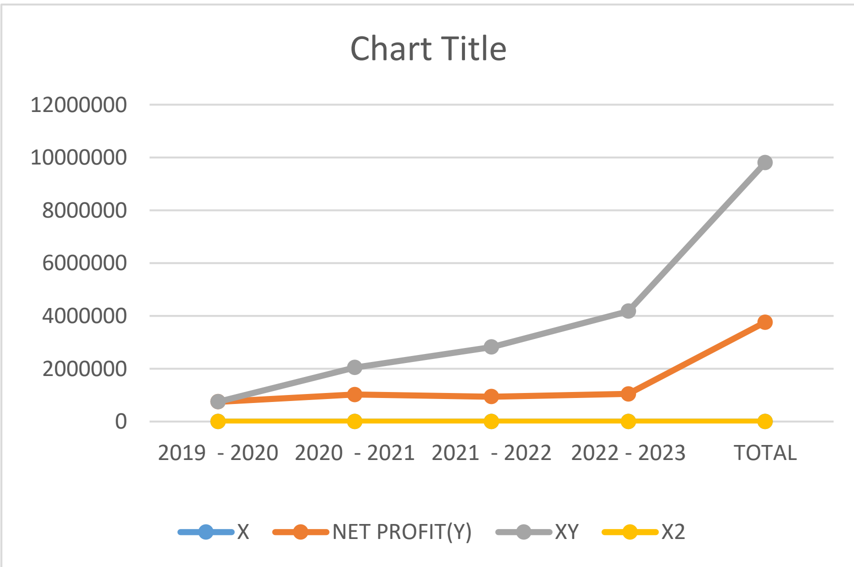
The slope (b) represents the change in net profit for a one-unit change in the year. In this case, the net profit increases by ₹79,570.60 for each year.

The impact of this regression model is that it provides a quantitative relationship between the year and the net profit. This can be used to make predictions about future net profits based on the year. For example, if the year is 2025, the model would predict a net profit of:

Y = a + bX

= 0 + 79,570.6(5) = ₹ 3, 93, 82,800

This model can be useful for business decision-making, such as forecasting revenue, planning investments, or identifying trends in profitability.



CHAPTER -5

5. FINDINGS:

- For the financial year ending 31-03-2021, the NPAs were calculated as Total advances (₹70, 74,645.00) minus Credit balance in loans and advances
  (₹3, 48,850.00), resulting in NPAs of ₹67, 25,795.00.
- In the following year ending 31-03-2022, the NPAs decreased significantly to ₹2, 38,850.00. This was calculated as Total advances (₹3, 98,850.00) minus Credit balance in loans and advances (₹13, 60,000.00).
- For the financial year ending 31-03-2023, the NPAs increased to ₹10, 54,250.00. This was calculated as Total advances
  (₹15, 40,200.00) minus Credit balance in loans and advances
  (₹4, 85,950.00).
- Regression Model:
  The regression equation obtained is Y = 79570.6X - 55122.4.
- Where Y represents the net profit, and X represents the financial years.
- The model predicts an increase in net profit over the years, with a coefficient of 79570.6 indicating a positive correlation between the years and net profit.
- Financial Analysis:
- The bank's financial health seems to have improved over the years, as evidenced by the increase in net profit.
- The negative GNPA in some years suggests a robust loan portfolio where the credit balance in loans and advances exceeds total advances.
- However, a thorough analysis of other financial metrics like asset quality, liquidity, and solvency ratios would provide a more comprehensive understanding of the bank's performance and financial stability.

5.1 SUGGESTIONS:

- The bankers are necessary to go after positive values of lend not only at the pre-sanction phase except also at the post-sanction period. The essential values comprise the security of proceed, reason for which the credit is agreed, liquidity, safety, profitability and not given any room for favouritism or discrimination while lending loans. The criteria for giving loans shall adhere according to banking rules.
- Bank should upgrade their system/technology of credit appraisal by imparting training to their staff. Conducting in house training programme to motivate and educate officers and also to make aware of various measures/policies/norms to be observed to face the difficult area like reducing the level of NPA.
- Suitable appraisal/renewal of borrowed the books should be known importance so that these are undertake prior to end of their books.
- Prompt repayment of loans by borrowers should be recognized and rewarded by way of rebate for prompt payment, which would act as a motivating factor.

- Government agencies should be used in recovering NPA.
- Establishing special task force for the recovery of dues which have fallen under the category of loss assets by creating a committee by the bank.
- Newly turned NPA's must be targeted for immediate up gradation by highlighting them distinctly for easier visibility and scrutiny in the advances ledger.
- Early deduction of NPA can be made by the bank, when the cheques are returned, non-payment of installment/interest within a fixed period, poor performance in terms of decline sales and profits etc.
- Listing out recoverable NPA's and identifying the minimum amount of recovery required to upgrade them to standard assets, thereby ensuring recoveries by close follow up. The bank may consider the amount involved and number of accounts for their earlier deduction.

5.2 CONCLUSION:

- The problem of Non-Performing Assets has been major issue for the banking industry. The RBI, which is the Apex bank to control the level of non-performing assets, has been giving guidelines and norms for the banks in order to control incidents of defaults. This learn on organization of non-performing asset with position to Vyavasaya Seva Sahakara Sanga Co-operative Bank, Jigani was conducted to locate exposed the reason for the incidence of non-performing asset and how public sector banks manage it and affects the performance of the bank.
- The banks might make strategies for decreasing the present NPAs, as well as can stratize to stay away from future NPAs. To decrease the level of NPA, Government's demonstration and the Narsimhan advisory group on NPA may turn to be highly valuable.
- Rising NPAs is individual of the most serious issue as to the Corporative bank is facing today. Hence it may hamper the profit and efficiently of bank if an appropriate administration of the NPAs isn't attempted. Since the idea of NPAs turns exceptional; this could be real dangerous in support of organization. The NPAs blocks the current advantage, effect salary with
- Influence the soft functioning of the reuse of the principles. Bank similarly redistributes misfortune to similar borrowers by charge high finance expenses. Lower store up charge as well as advanced loan charge affects existing capital and market connected to money.
- Along these lines, the degree of NPA in any bank is major element to reflect the strength of bank.

CHAPTER – 6

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