



PERFORMANCE OF NON-PERFORMING ASSETS (NPA) IN STATE BANK OF INDIA

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Abstract: *The main objective of this study is performance of Non-Performing Assets (NPA) in State Bank of India. This paper is based on secondary data. The criterion is how they manage their NPA maintenance for good performance. The banking system depends on the NPA's. The directly have an impact on the profitability, liquidity and solvency position of the bank. A strong banking sector is importance for flourishing economy. The lack of success of the banking sector may have an adverse effect on other sectors. Non –Performing Assets (NPA) is one of the major responsibilities for banks in India. The researcher concluded that government and bankers has to take serious effort for decrease the NPA otherwise it thoroughly damages the bank profit of the banker and also is not good for the developing countries.*

Keywords: *State Bank of India, Non-Performing Assets*

INTRODUCTION

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. On 1st April, 2017, State Bank of India, which is India's largest Bank merged with five of its Associate Banks (State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore) and Bharatiya Mahila Bank with itself. This is the first ever large scale consolidation in the Indian Banking Industry. With the merger, State Bank of India will enter the league of top 50 global banks with a balance sheet size of 33 trillion, 278,000 employees, 420 million customers, and more than 24,000 branches and 59,000 ATMs. SBI's market share will increase to 22 percent from 17 per cent. It has 198 offices in 37 countries; 301 correspondents in 72 countries. The company is ranked 232nd on the Fortune Global 500 list of the world's biggest corporations as of 2016¹.



Banking in India originated in the last decade of the 18th century. Commercial banks occupy a major part of the banking in India. They are the oldest form of banking institutions having large volume of operations over a vast area. They are having very good network of branches even in rural and semi-urban areas. A strong banking sector is importance for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non –Performing Assets (NPA) is one of the major concerns for banks in India. NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net worth of banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the overall profits and shareholders' value.

NON PERFORMING ASSET

A loan is Non-Performing when payments of interest and principal are past due by 90 days or more, or at least 90 days of interest payment have been capitalized, refinanced or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons to doubt that payment will be made in full (International monetary Fund, 2005, p8) NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria stipulated by RBI:

- i. **Sub-standard:** A loan asset that has remained nonperforming for a period less than or equal to 12 months.
- ii. **Doubtful:** A loan asset that has remained in the substandard category for a period of 12 months.
- iii. **Loss:** A loan asset where loss has been identified but the amount has not been fully written off.

Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities, subject to minimum provisions as prescribed below:

Substandard Assets:

- i. A general provision of 15% on the total outstanding;
- ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realisable value of security is not more than 10 percent ab-initio);
- iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.



OBJECTIVE

- To analysis the performance of NPA in state bank of India

METHODOLOGY

As far as the scope of the study is concerned, the study covers the Gross Non-Performing Assets of State Bank of India. The period of the study is Four years spanning from 2012 to 2017

TABLE 1. GROSS NON-PERFORMING ASSETS OF STATE BANK OF INDIA

(Rs. In Lakhs)

S.No	Year	Gross NAP	Total Advance	Percentage (%)
1	2012-2013	51,189	1045617	4.75
2	2013-2014	61,605	1209829	4.95
3	2014-2015	56,725	1300026	4.25
4	2015-2016	98,173	1463700	6.50
5	2016-2017	1,12,343	1571078	6.90

Source: State Bank of India/Annual Report 2016-2017

The gross Non-Performing Assets of State Bank of India(GNPA) is Rs. 51,189 lakhs in the year 2012-2013 and it has increased to Rs. 61,605 lakhs in the year 2013-2014, and it has decreased Rs. 56,725lakhs in the year of 2014-2015, Rs. 98,173 lakhs in the year of 2015-2016, Rs. 1,12,343 lakhs in 2016-2017. The trend in Gross Non-Performing Assets of State Bank of India (GNPA) is graphically show in Figure 1.1

The total advance of State Bank of India is Rs. 1045617 lakhs in the year 2012-2013 and it has increased to Rs. 1209829 lakhs in the year 2013-2014, Rs. 1300026 lakhs in the year of 2014-2015, Rs. 1463700 lakhs in the year of 2015-2016 and it has increase to Rs. 1571078 lakhs in 2016-2017.

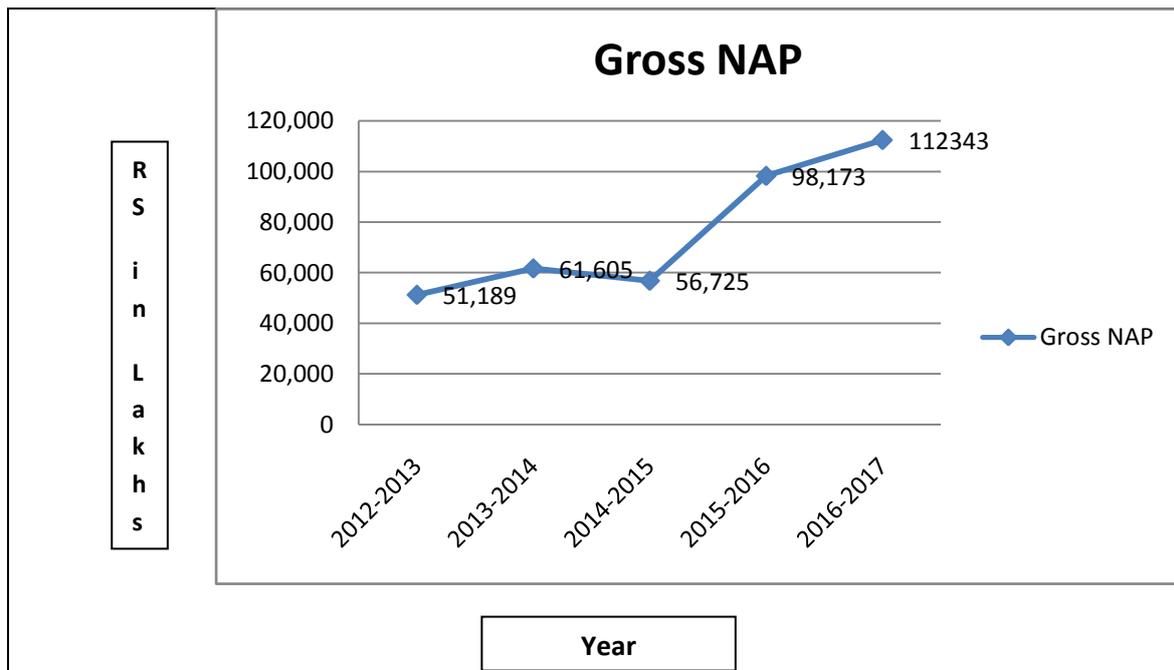


Figure 1.1 Trend in Gross Non-Performing Assets (GNPA) of State Bank of India

The percentage of gross NPA to Advance (%) of State Bank of India is 4.75 percent in the year 2012-2013 and it has increased to 4.95 percent in the year 2013-2014 and it has decreased 4.25 percent in the year 2014-2015 and it has increased 6.50 percent in the year 2015-2016 and it has decrease 6.90 in the year 2016-2017.

FINDING

State Bank of India is 4.75 percent in the year 2012-2013 and it has increased to 4.95 percent in the year 2013-2014 and it has decreased 4.25 percent in the year 2014-2015 and it has increased 6.50 percent in the year 2015-2016 and it has decrease 6.90 in the year 2016-2017.

CONCLUSION

The study shows that last three years (2012-2013 to 2014-2015) the NPA was static condition. The year 2015-2016 to 2016-2017 the NPA for more than the double from the previous year and The researcher concluded that government and bankers has to take serious effort for decrease the NPA otherwise it thoroughly damages the bank profit of the banker and also is not good for the developing countries.

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