DOI : 10.18843/ijms/v5i4(2)/08
DOIURL :http://dx.doi.org/10.18843/ijms/v5i4(2)/08

A Study on Non-Performing Asset Management with Special Reference to Coimbatore City Co-Operative Bank Ltd, Tamilnadu

Dr. S. Sivakumar,

Associate Professor,
Department of Commerce,
Christ (Deemed to be University), Bangalore, India.

ABSTRACT

A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non-performing assets are 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.

The problem of NPAs is not only affecting the banks but also the whole economy. In fact high level of NPAs in Indian banks is nothing but a reflection of the state of health of the industry and trade. The present study deals with understanding the concept of NPAs, its magnitude, its classification, the impact of priority sector lending and non priority sector lending on the total NPA, the impact of total NPA on profit of the bank by using various tools like Ratio analysis, correlation and trend analysis.

The study shows that Bank has slippages during the period of study in controlling of NPAs in the early years of the decade but later it reduces NPA and increase the provision to avoid net NPA and to avoid risk. Shareholders are free from risk for the last eight years of the study as the net NPA is zero. Substandard asset is more than doubtful and loss asset it shows that bank have good scope to recover its NPA. Priority sector contribute high towards total NPA especially loans to small scale industry have more NPA in priority sector. In non Priority sector mortgage loan is high. Bank has to take appropriate steps to improve recovery of NPA during initial stage itself and efforts are necessary to prevent creation of fresh NPAs.

Keywords: Economy, Profitability, NPAs, Priority sector, Shareholders.

INTRODUCTION:

The Indian Banking industry, which is governed by the Banking Regulation Act of India, 1949 can be broadly classified into two major categories, scheduled banks and non-scheduled banks. Scheduled banks comprise commercial banks and the co-operative banks. In terms of ownership, commercial banks can be further grouped into nationalized banks, the State Bank of India and its group banks, regional rural banks and private sector banks (the old/ new domestic and foreign). Banks have over 82,000 branches spread across the country.
For any nation, banking system plays a vital role in the development of its sound economy. India is not an exception. Bankers are the custodians and distributors of the liquid capital of the country. The foremost function of the banking system is to mobilize the savings of the people by accepting deposits from the public. The banker becomes the trustee of the surplus balances of the public.

CO-OPERATIVE BANK:

The beginning of co-operative banking in India dates back to 1904.The institutional source of credit for agricultural and related activities was very inadequate at that time. The money lenders would provide some

credit at very high rates of interest. The co-operative banks were expected to substituted such unorganized money market agencies and provide short and long term credit at reasonable rate of interest. It was expected that they would coordinate the activities of unorganized segments of Indian money market.
Subsequent to the adoption of economic planning in 1951, co-operative banks were expected to play a crucial role in achieving agricultural and rural development. Before the nationalization of commercial bank were the only substitute for money lenders and other informal sector lenders. But after nationalization and creation of Regional Rural Banks and NABARD they relatives share declined.
Co-operative Banks in India (with their network; spread over remote rural area and a large number of smaller towns), have historically played a major in mobilization of domestic savings for economic development of the country. They have provided the farmers and nonfarm entrepreneurs with the needed credit support. These institutions have also contributed significantly to private capital formation in agriculture and accelerated the pace of distribution of form inputs NABARD 2002. Co-operative banks are promoted to meet the banking requirement of consumer's. They are established not only in the urban areas they are starts to provide finance to buy consumer goods. They provided short and medium term loans. They provide loans at a lower rate comparatively. They are formed on the co-operative society principles and has more service then profit oriented.

Origin and birth of The Coimbatore City Co-operative Bank:
The Urban co-operative credit movement started in India with the chief object of catering to the banking and credit requirements of the urban middle class. The Coimbatore City Co-operative Bank was registered as a co-operative credit society under the Co-operative Societies Act 1912(India) on 15.12.1920 and started its working on 08.01.1921.The bank was started by 194 members with a paid up share capital of Rs.3014.The bank was promoted by advocates, doctors and other professionals.

Asset Classification:
Banks should classify their assets into the following broad groups, viz. -

- Standard Asset
- Sub-standard Asset
- Doubtful Asset
- Loss Asset

Standard Assets:
Standard Asset is one which does not disclose any problems and which does not carry more than normal risk attached to the business. Such an asset should not be an NPA.

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

Doubtful Assets:
With effect from March 31, 2005, an asset is required to be classified as doubtful, if it has remained NPA for more than 12 months. For Tier I banks, the 12-month period of classification of a substandard asset in doubtful category is effective from April 1, 2009. As in the case of sub-standard assets, rescheduling does not entitle the bank to upgrade the quality of an advance automatically. A loan classified as doubtful has all the weaknesses inherent as that classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss Assets:
A loss asset is one where loss has been identified by the bank or internal or external auditors or by the Co-operation Department or by the Reserve Bank of India inspection but the amount has not been written off, wholly or partly. In other words, such an asset is considered un-collectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

NEED AND IMPORTANCE OF STUDY:

In a fast changing banking environment of today the very survival of a banking organization depends on level of the income generated through optimum use of assets after paying the cost of funds for acquiring them and other administrative costs involved therein. Once the assets cease to contribute the income, they are termed as Non Performing Assets, which not only have cost of funds involved but also require to be operated as per prudential norms. One of the major problems being faced by banks and financial institutions in India is that of bad debts termed as “Non Performing Assets” (NPA).
Need of Study about the non – performing assets in the co-operative bank helps investor (depositors) or creditor’s point of view NPA of any co-operative, nationalized or private bank is an important thing in study of the financial position of a bank. NPA is greater than the PA, and then it would create a problem or can cause failure of a bank in near future. So from a safety point of view it is very necessary to study NPA of any bank.

Priority Sector Lending:
Priority Sector Lending is an important role given by the Reserve Bank of India (RBI) to the banks for providing a specified portion of the bank lending to few specific sectors like agriculture or small scale industries. This is essentially meant for an all round development of the economy as opposed to focusing only on the financial sector.
At a meeting of the National Credit Council held in July 1968, it was emphasized that commercial banks should increase their involvement in the financing of priority sectors like agriculture and small scale industries. The description of the priority sectors was later formalized in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the priority sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection indicating the scope of the items to be included under the various categories of priority sector. Although initially there was no specific target fixed in respect of priority sector lending, in November 1974.
The need for Primary (urban) Co-operative Bank (UCBs) for providing credit to priority sectors has been examined by the Standing Advisory Committee for Urban Co-operative Bank constituted by Reserve Bank in May 1983. The recommendations of the Committee were accepted by Reserve Bank and accordingly the targets for lending to priority sector and weaker sections by the Urban Co-operative Bank were stipulated.

Non Priority Sector Lending:
All loans and advance other than priority sector lending come under Non priority sector lending. Non Priority Sector lending are mortgage loan, jewel loan, personal loan, loan to educational institution, loans to staffs etc

REVIEW OF LITERATURE:

Mahipal Singh Yadav(2011)[1] in his research paper titled ”Impact of Non Performing assets on profitability and productivity of public sector banks in India” published in AFBE journal. The paper aims to analyses the impact of non-performing assets on profitability of public sector banks at aggregate and sector level and examines the impact of non-performing assets on efficiency and productivity. Tools used for research purpose are ratio analysis and regression. This paper revealed that the present level of non-performing assets in public sector banks affects fifty percent profitability of the banks and its impact has gone to increase at very large extent when it works with other strategic banking variables. The profitability of all public sector banks affected at very large extent when non-performing assets (NPAs) work with other banking strategic variables and also affect productivity and efficiency.
Dr. Suresh Patidar, Ashwini Kataria(2012)[2] in their research paper titled “An analysis of NPA in priority sector lending: a comparative study between public sector banks and private sector banks of India”. This paper examines the NPA in Priority Sector Lending and a comparative study is done between public sector banks and private sector banks. The study analyzed priority sector to find out the percentage share of NPA of components of priority

sector lending, to study whether there is significant difference between NPA of SBI Associates, Old Private Banks and New Private Banks with the NPA of Nationalized Banks, the benchmark category, and to find out the significant impact of Priority Sector Lending on the Total NPA of Banks using tools like regression analysis and ratio analysis. The result showed the significant impact of priority sector lending on total NPA of Public Sector banks, whereas in case of Private Sector Banks, there was no significant impact of priority sector lending on total NPA of Banks. Also the result showed the significant difference between NPA of SBI & Associates, Old Private Banks and New Private Banks with the NPA of Nationalized Banks, the benchmark category.

1. Mahipal Singh Yadav (2011) Impact of nonperforming assets on profitability and productivity of public sector banks in India. AFBE JOURNAL, 01(09), 22-25. ISSN NO 20717873.

2. Dr. Suresh Patidar, Ashwini Kataria(2012) An analysis of NPA in priority sector lending: A comparative study between public sector banks and private sector banks of India. International Journal of Advanced Research in Management and Social Sciences November 2012, 02 (04), 34 – 45. ISSN: 2278-6236

Sakaria Sima Vasantbhai(2013)[3] in his research paper titled “A Comparative Analysis of NPA Management Between SBI And CBI” In this research paper, an attempt to evaluate the operational performance of the selected two public sector bank i.e., Sate Bank of India and Central Bank of India, NPAs trends and issues through secondary data. In the paper, it has been try to analyze how efficiency public sector banks have been managing NPA with various financial tools like ratio analysis and Statistical techniques like Mean, Standard deviation and T– test. All the Indian banks are facing hard time managing their NPA. The paper has been also derived findings that Gross NPA of SBI is higher than the CBI which shows its management efficiency.Net NPA of CBI is lower than the SBI which reveals its good position. The Gross NPA of SBI is higher so it requires reducing the gross NPA by efficient recovery management.

Chandan Chatterjee, Jeet mukherjee, Dr.Ratan Das(2012)[4] in their research paper” Management of Non Performing assets - a current scenario” published in International Journal of Social Science & Interdisciplinary Research ,study focused to understand the NPAs sector wise, to make a comparative study of NPA‟s of public sector banks, private sector banks and foreign sector banks, to understand the relationship between NPA‟s net profit and advances and to understand the recovery of NPAs through various channels. Secondary data were collected from RBI reports and bulletins. They used the simple percentage analysis. They concluded that NPAs have a negative influence on the achievement of capital adequacy level, funds mobilization and deployment policy, banking system credibility, productivity and overall economy.

B.Selvarajan & Dr. G. Vadivalagan(2013)[5] in their research paper titled “A Study on Management of Non Performing Assets in Priority Sector reference to Indian Bank and Public Sector Banks (PSBs)” published in Global Journal of Management and Business Research . The paper aims to know and study about the non-performing assets in Indian Bank, Tamil Nadu and to compare Non Performing Assets under the Priority sector lending in Indian Bank with Public Sector Banks (PSBs) in Tamil Nadu. For the research purpose they use statistical tool mean and mathematical tool ratio analysis. They analyzed that growth of Indian Bank’s lending to Priority sector is more than that of the Public Sector Banks as a whole. In case of NPA management, the mean for NPA percentage in last three years is almost same for both Indian Bank and Public Sector Banks. The NPA management in Indian Bank is better when compared to that of Public Sector Banks as a whole. Indian Bank has slippages during the period of study in controlling of NPAs in the early years of the decade. Indian Bank is still not comfortable in the area of NPA management .The management of Indian Bank must pay special attention towards the NPA management.

3. Sakaria Sima Vasantbhai (2013) A Comparative Analysis of NPA Management between SBI and CBI”. Paripex - Indian Journal of Research, 04 (06), 234- 241. ISSN - 2250-199.

4. Chandan Chatterjee, Jeet mukherjee, Dr.Ratan Das (2012) Management of Non Performing assets - a current scenario, International Journal of Social Science & Interdisciplinary Research, 01 (11) 78 – 87. ISSN 2277 3630

5. B.Selvarajan & Dr. G. Vadivalagan(2013) A Study on Management of Non Performing Assets in Priority Sector reference to Indian Bank and Public Sector Banks (PSBs), Global Journal of Management and Business Research. 13 (1), 100 -110. ISSN: 0975-5853.

Dr. G Nagarajan, N. Sathyanarayana, A. Asif Ali(2013)[6] in their research paper titled ” Non-Performing Assets is a Threat to India Banking Sector - A Comparative study between Priority and Non-Priority Sector Lending in Public Sector Banks” published in International Journal of Advanced Research in Management and Social Sciences. The study analyzed trends in NPAs of PSBs, also analyzed whether there is significant impact of Priority Sector lending on the Total NPA of public sector Banks and impact of Recovery on NPAs of the PSBs during the study period. Tools used for study like ratio analysis, trend analysis, correlation and regression. The result showed there is a declining trend in Percentage of Gross and Net NPAs of public sector banks till 2008-09 and there is significant impact of Priority sector advances on total NPAs of Public sector banks and also showed the significant impact of Recovery of NPAs on total NPAs of Public sector banks.

S.Poornima(2012)[7] in her article titled "Non- performing assets and its impact on performance of karnataka state co-operative apex limited" published in International journal of advanced research in management. This article aims to study the impact of Non-performing assets on Apex bank Ltd and Study the measures taken by Apex bank to reduce Non-performing assets. Tools used for research purpose are ratio analysis. The study analysis that total advance given to sugar sector is very less compared to agriculture sector. But total NPA in sugar sector is very high compared to agriculture sector.

6. Dr. G Nagarajan, N. Sathyanarayana, A. Asif Ali(2013) Non-Performing Assets is a Threat to India Banking Sector - A Comparative study between Priority and Non-Priority Sector Lending in Public Sector Banks, International Journal of Advanced Research in Management and Social Sciences. 02 (11) 29 – 40, ISSN: 2278- 6236.
7. S.Poornima (2012) Non- performing assets and its impact on performance of Karnataka state co-operative apex limited, International journal of advanced research in management. 03 (06) 45 – 57, ISSN: 0976 - 6324

OBJECTIVE OF THE STUDY:

Primary Objective:
- To study the Non Performing Asset characteristics and effect on the financial position of the banks.

Secondary Objective:
- To study the impact of Priority Sector lending and non priority sector lending on the total NPA of Coimbatore city co-operative bank.
- To study the impact of non-performing assets on profitability of Coimbatore city co-operatives bank.
- To study the trends in NPA level of the bank for past 10 years

SCOPE OF THE STUDY:

- Scope of the study enables to improve knowledge about the banking sector, specifically on account of NPAs.
- The study also enables the banks to know its actual position on NPA management in last ten years

RESEARCH METHODOLOGY:

Research Design:
In the analysis of the NPA of the co-operative banks analytical research is used, in which past data of the banks are used to interpret the NPA of the banks.

Data Collection:
Secondary data:
Secondary data are taken from Bank Audit reports of the Coimbatore City Co-operative Bank.

Period of study:
10 Years (2006-07 to 2015-16) data is used for the analysis of NPA

Accounting Techniques-Ratio Analysis:
Ratio Analysis is a form of Financial Statement Analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. It refers to the systematic use of ratios to interpret the financial statements in terms of the operating performance and financial position.
- Gross NPA ratio.
- Net NPA ratio,
- Problem Assets ratio,
- Depositors Safety ratio,
- Share Holders Risk ratio,
- Sub – standard Assets ratio,
- Doubtful Assets ratio
- Loss Assets ratio
- Priority sector NPA ratio
- Non Priority sector NPA Ratio

Statistical techniques:

- **Mean:**
  Mean has been used to find the average of various items. It refers to a central value of a discrete set of numbers, specifically the sum of the values divided by the number of values
- **Standard deviation:**
  Standard deviation measures the absolute dispersion or variability from the mean values. It shows the variation in data .A small standard deviation implies a high degree of uniformity or homogeneity in the distribution or vice versa.
- **Coefficient of Variation:**
  It is a relative measure of dispersion based on standard deviation. Coefficient of variation was used to test the consistency. There is inverse relationship between the coefficient of variation and consistency. More the value of coefficient of variation lesser is the consistency and vice versa.
- **Trend analysis:**
  Trend analysis is the practice of collecting information and attempting to spot a pattern or trend in the information.

Gross Npa Ratio:

The Gross NPA Ratio is the proportion of gross NPA and loans (advances).Ratio is used as a measure of the overall the quality of Credit portfolio of the banks. High gross NPA ratio indicates the low Credit portfolio of bank and low gross NPA ratio indicates the good Credit portfolio of bank.

$$\text{Gross NPA Ratio} = \frac{\text{Gross NPA}}{\text{Total Loans and Advances}}$$

Table 1: Gross NPA Ratio

(Rs in Lakhs)

Year	Gross NPA	Total Loans and Advances	Gross NPA Ratio
2006-2007	1459.23	7931.91	18.40
2007-2008	1542.58	7950.49	19.40
2008-2009	1184.47	7428.12	15.95
2009-2010	1013.73	7484.06	13.55
2010-2011	737.22	7441.58	9.91
2011-2012	527.42	8424.39	6.26
2012-2013	346.41	9544.66	3.63
2013-2014	427.95	10327.08	4.14
2014-2015	773.70	12539.20	6.17
2015-2016	865.21	15796.78	5.48
Mean			10.29
Standard Deviation			5.74
Coefficient of Variation			55.84

Source: Audit Report of Coimbatore City Co-operative Bank.

Interpretation:

The above table indicates the quality of Credit portfolio of the banks. High gross NPA ratio indicates the low Credit portfolio of bank and vice-versa. The table and graph makes it very clear that the gross NPA of Coimbatore city co-operative bank is satisfactory. It is seen that the gross NPA which was 19.40% in 2007-08 reduced marginally every year till 2012-13 as 3.63% which was the lowest one in period of study and there was slight increase in gross NPA in 2014-15 finally it reduced to 5.48% in 2015-16. Standard deviation is 5.74 implies a high degree of uniformity. Coefficient of variation is 55.84% which indicate consistency of NPA is low.

Substandard Assets Ratio:

The substandard assets ratio indicates the scope for improvement in NPA. The higher the ratio, the better is position of recovering the advances. The variations in the substandard assets ratio are caused by the higher percentage of doubtful assets over sub standard assets in some of the banks.

Formula:

$$\text{Substandard Assets Ratio} = \frac{\text{Total sub–standard assets}}{\text{Gross NPA}} \text{ x } 100$$

Table 2: Sub Standard Asset Ratio

(Rs in Lakhs)

Year	Sub Standard Assets	Gross NPA	Sub Standard Asset Ratio
2006-2007	1002.78	1459.23	68.72
2007-2008	744.75	1542.58	48.28
2008-2009	518.17	1184.47	43.75
2009-2010	636.84	1013.73	62.82
2010-2011	418.41	737.22	56.76
2011-2012	243.81	527.42	46.23
2012-2013	155.32	346.41	44.84
2013-2014	326.71	427.95	76.34
2014-2015	672.10	773.70	86.87
2015-2016	765.15	865.21	88.44
Mean			62.30
Standard Deviation			17.19
Coefficient of Variation			27.59

Source: Audit Report of Coimbatore City Co-operative Bank

Interpretation:

The substandard assets ratio indicates the scope for improvement in NPA. The higher the ratio, the better is position of recovering the advances. From the above table and graph it is found that ratio has been decreasing in the first three years of study (2006-2007 to 2008-2009) and increased a little in fourth year of study (2009-2010) then again it decreases in next three years. In the last three years there is good improvement in substandard asset ratio it reach 88.44 % in 2015-16. The variations in the substandard assets ratio are caused by the higher percentage of doubtful assets over sub standard assets the bank. Coefficient of variation is 27.59 % which indicate consistency of NPA is satisfactory. But variation in sub standard asset affects the bank loan portfolio step to taken to maintain the consistency of substandard asset. The management takes necessary measures to reduce doubtful assets and loss assets and to increase the percentage of substandard assets in last three years of study.

Table 3: Trend Analysis of Performing Asset (PA) and Non Performing Asset (NPA)

(Rs in Lakhs)

Year	PA	Trend Percentage	NPA	Trend Percentage
2006-2007	6472.67	100.00	1459.23	100.00
2007-2008	6407.90	99.00	1542.58	105.71
2008-2009	6243.65	96.46	1184.47	81.17
2009-2010	6470.32	99.96	1013.73	69.47
2010-2011	6704.36	103.58	737.22	50.52
2011-2012	7896.97	122.00	527.42	36.14
2012-2013	9198.25	142.11	346.41	23.74
2013-2014	9899.13	152.94	427.95	29.33
2014-2015	11765.49	181.77	773.70	53.02
2015-2016	14931.57	230.69	865.21	59.29
Mean	8599.03		887.79	

Source: Audit Report of Coimbatore City Co-operative Bank

Interpretation:

The above table shows the trend analysis of performing asset and non performing asset. Performing asset trend increased to 230.69 percentage and Non Performing Asset trend decreased to 59.29 percentages at the end of the study period. Performing asset shows the upward trend during study period and Non Performing Asset shows the downward trend it indicates the good position of bank.

Null hypothesis: There is no significant relationship between priority sector NPA and Non priority sector NPA in contribution towards total NPA.
Alternative hypothesis: There is significant relationship between priority sector NPA and Non priority sector NPA in contribution towards total NPA.

Table: 4: Correlation Between Priority Sector NPA and Non Priority Sector NPA

	Priority Sector NPAs	Non- Priority Sector NPAs
Pearson Correlation Priority Sector NPAs Sig. (2- tailed) N	1 10	.983** .000 10
Pearson Correlation Priority Sector NPAs Sig. (2- tailed) N	.983** .000 10	1 10

** Correlation is significant at the 0.01 level (2-tailed).

Interpretation:
From the above table, the Pearson Correlation between the Priority Sector NPA and Non Priority sector NPA is 0.983**. This means that as one variable increases in value, the second variable also increase in value. Similarly, as one variable decreases in value, the second variable also decreases in value. This is called a positive correlation. The correlation table shows that p value (.000) is less than significant value (0.01) so there is significant relationship between the Priority Sector NPA and Non Priority Sector NPA in contribution to total NPA.

Table 5: Priority Sector NPA

(Rs in Lakhs)

Year	Agriculture		Small scale		Others		Total Priority Sector NPA	Priority Sector NPA Ratio
	NPA	%	NPA	%	NPA	%		
2006-07	83.34	10.31	416.90	51.57	308.16	38.12	808.41	19.41
2007-08	104.09	11.47	446.85	49.24	356.55	39.29	907.50	22.92
2008-09	66.79	10.30	309.85	47.78	271.85	41.92	648.49	18.26
2009-10	53.77	10.15	248.62	46.93	227.37	42.92	529.77	15.32
2010-11	30.81	8.61	155.94	43.58	171.08	47.81	357.84	10.01
2011-12	25.85	10.70	106.16	43.94	109.59	45.36	241.61	7.32
2012-13	16.72	10.88	74.30	48.34	62.68	40.78	153.70	3.51
2013-14	19.67	9.59	79.45	38.72	106.07	51.69	205.20	3.99
2014-15	46.29	11.16	149.01	35.92	219.54	52.92	414.86	7.40
2015-16	55.58	12.39	167.28	37.29	225.74	50.32	448.61	6.64
Mean	50.29	10.55	215.44	44.33	205.86	45.11	471.60	11.47
Standard deviation	28.58	1.03	135.30	5.41	93.99	5.32	253.80	6.94
Coefficient of variation	56.84	9.8	62.80	12.21	45.65	11.80	53.8	60.48

Source: Audit Report of Coimbatore City Co-operative Bank

Interpretation:
The above table shows the category of the priority sector NPAs of banks. Priority sector NPA has reduced from Rs.808.41 lakhs at the end of March, 2007 to Rs. 448.61 lakhs at the end of March, 2016. Average of agriculture NPA contribution to total priority sector is lower than all other category of priority sector. SSI and other sub sector contribute almost equal towards total priority sector. Coefficient of variation of agriculture is lower which indicates bank focus on the Agriculture NPA and maintain good consistency. SSI and Other sub sector NPA contribute more towards total priority sector NPA.

Table 6: Non Priority Sector NPA

(Rs in Lakhs)

Year	Mortgage Loan		Jewel Loan		Other Loans		Total Non-Priority Sector NPA	Non Priority Sector NPA Ratio
	NPA	%	NPA	%	NPA	%		
2006-07	515.64	79.23	115.26	17.71	19.91	3.06	650.81	17.27
2007-08	497.52	78.34	116.47	18.34	21.08	3.32	635.08	15.91
2008-09	401.49	74.91	85.27	15.91	49.20	9.18	535.97	13.82
2009-10	349.02	72.12	102.16	21.11	32.76	6.77	483.95	12.02
2010-11	264.49	69.72	88.39	23.30	26.48	6.98	379.37	9.81
2011-12	196.78	68.85	48.21	16.87	40.81	14.28	285.81	5.58
2012-13	123.12	63.89	47.54	24.67	22.04	11.44	192.70	3.73
2013-14	145.87	65.49	60.54	27.18	16.32	7.33	222.75	4.30
2014-15	265.47	73.98	78.55	21.89	14.82	4.13	358.84	5.18
2015-16	299.91	71.99	82.61	19.83	34.07	8.18	416.60	4.61
Mean	305.93	71.85	82.50	20.68	27.75	7.47	416.19	9.22
Standard deviation	135.81	5.03	2483654	3.64	11.22	3.56	160.17	5.21
Coefficient of variation	44.39	7.00	30.10	17.58	40.44	47.69	38.49	56.48

Source: Audit Report of Coimbatore City Co-operative Bank

Interpretation:

The above table shows loan wise NPA of Non Priority sector. Non- Priority sector NPA has reduced from Rs. 650.81 lakhs at the end of March, 2007 to Rs. 448.61 lakhs at the end of March, 2016.Non-priority sector NPA shows downward trend it s good for the bank. During the study period mortgage loan's NPA contribute high percentage towards total Non Priority sector. Coefficient of variation is low as 7 percentages in mortgage which implies high consistency of NPA in mortgage loan. The average of jewel loan is 20.68 it shows that jewel loan contribute secondly towards total non priority sector NPA. Other loans of non priority sector contribute only less percentage but coefficient of variation is high it implies the low consistency bank highest contribution is 14.28 and lowest contribution is 3.06. Bank should maintain good consistency in others loan in non priority sector to avoid risk in future.

FINDINGS:

The following are the major findings of the study

- Gross NPA shows the downward trend during the study period. The gross NPA which was 19.40% in 2007-08 reduced marginally every year till 2012-13 as 3.63% which was the lowest one in period of study and there was slight increase in gross NPA in 2013-14 finally it reduced to 5.48 in 2015-16.Recovery of NPA is good in last half of the study period.
- Net NPA ratio was there only for first two years 2006-07 to 2007-08. The Net NPA Ratios of the bank in the year 2008-09 to 2015-16 are 0%. Bank follows RBI norms and made high provision towards NPA and made net NPA as zero for eight years.
- Problem asset ratio was in downward trend from 2008-09 to 2012-13 but it went slightly up in the year 2013-14 to 2014-15 but it was reduced in the last two years of the study period. Risk and threat to bank is less as there was not a continuous upward trend during the study period
- Depositor's safety Ratio is satisfactory position especially in the year 2010-11 ratio was 109.90.During the last four years of the study there is gradual improvement in the ratio.
- Shareholder's risk Ratio in the bank shows that there is no risk for shareholders for past eight years. As the Net NPA of the banks is zero in the last eight years, it is natural that the shareholder's risk ratio is also zero from 2008-09 to 2015-16.
- Banks have made more than enough provisions for their Gross NPA in order to deduce risk in future. As provision Ratio is higher than 100 percent for last eight years of study.
- Correlation between the Priority Sector NPA and Non Priority sector NPA is ositively correlated.

- Sub Standard asset ratio shows the instable trend for first seven years but in the last three years there is good improvement in substandard asset ratio it reach 88.44% in 2015-16. It implies bank has increase the scope for recovery of NPA in last three years of the study.
- Doubtful asset coefficient of variation and mean is lesser than substandard asset. It indicates recovery of NPA is possible for the bank.
- Loss Asset ratio is less than 2 percentages during the study period and the average of loss asset is also low. It indicate bank have only less loss making asset.
- Performing asset shows the upward trend during study period and Non Performing Asset shows the downward trend it indicates the good position of bank.
- Profit shows the upward trend during study period and Non Performing Asset shows the downward trend it indicates the good NPA management of the bank.
- Correlation between NPA and Profit is negative correlation which means when NPA increases then the profit decreases and when NPA decrease profit increase.
- The Average of Priority sector NPA is higher than Non Priority Sector NPA contribution toward total NPA but there is no much difference between two averages.
- Priority sector NPA ratio was downward trend but there is a slight increase during the ninth year. Priority sector NPA was high during the year 2007-08 as 22.92 percentages then it gradually decrease then it reaches 3.51 during the year 2012-13.At the end of the study period the ratio was 6.64.
- Non-Priority sector NPA ratio was downward trend but there is a slight increase during the ninth year but at the study period it reduced to 4.41.
- Correlation between the Gross NPA and Priority sector NPA is positively correlated. It implies if gross NPA increases then the priority sector NPA also increase and vice versa
- Correlation between the Gross NPA and Non Priority sector NPA is positively correlated. It implies if gross NPA increases then the Non priority sector NPA also increase and vice versa
- In the sub category of priority sector NPA small scale industry and other loans contribute high toward the total Priority Sector NPA. Agriculture contributes very less percentage towards the total Priority sector NPA.
- In Non Priority Sector NPA the Mortgage loan's NPA contribute high percentage towards total Non Priority sector NPA. It contributes more than 70% towards total Non priority sector NPA. Next to mortgage loan Jewel loan contribute nearly 20%.As others loans are mostly given to staffs of the bank chance of becoming NPA is less.

SUGGESTION:

- Bank should take step to reduce Gross NPA. Bank should prevent creation of fresh NPAs.
- Provision against NPA should be reduced. The high ratio suggests that additional provisions to be made by the bank in the coming years would be relatively low if gross non-performing assets do not rise at a faster clip.
- The variations in the substandard assets ratio are caused by the higher percentage of doubtful assets over sub standard assets the bank. So the bank should reduce the variation in sub standard asset. Variation can be reduced by recovery of NPA and by reducing doubtful and loss Asset
- Bank should reduce the NPA in priority sector lending. The NPAs in SSI advances contribute more to the NPA position of the bank as a whole. The NPAs in SSI sector is alarming. Bank has to do an account wise analysis to identify initial sickness and prevent from becoming NPAs.
- Mortgage loan NPA in Non priority Sector is very high than all other loan. Bank should take appropriate step to avoid NPA in mortgage loan and recover existing NPA.

CONCLUSION:

The study is concluded that NPA do affect the profit of the bank and NPA leads to risk and threat to Bank, shareholder and depositor. Bank has slippages during the period of study in controlling of NPAs in the early years of the decade but reduce the NPA during last half of decade. Bank reduces the NPA and increase the profit during last half of study period. Priority sector NPA contributes high towards total NPA and it should be reduced. In non Priority sector mortgage loan is high so bank has to take appropriate steps to improve recovery in mortgage loan. Therefore, the management of Coimbatore city co-operative Bank must pay special attention towards the NPA management and take appropriate steps to arrest the creation of new NPAs and making recoveries in the existing NPAs. Timely action is essential to ensure future growth of the Bank.

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