PROJECT REPORT

(Submitted for the degree of B.Com{ Honours }in According & finance under the University of Calcutta)

TITLE OF THE PROJECT

"NPA {NON PERFORMING ASSETS}MANAGEMENT IN SBI AND CANAR BANKS "

Canara

SUBMITTED BY

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YEAR OF SUBMISSION

May   2023

Supervisor's certificate

This is certify that **TANU GUPTA** a student of B.Com Honours in Accounting &Finance of **BANGABASI MORNING COLLEGE** , under the University of Calcutta has worked under my supervision and guidance for her Project Work and prepared a Project Report with the title **"NPA MANAGEMENT IN BANKS "** which shebis submitting ' is her genuine work to best of my knowledge.

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STUDENT DECLARATION

hereby declare that the project work with the title 'NPA MANAGEMENT IN BANKS' by me for the partial fulfillment of the degree of B. Com Honours in Accounting & Finance under the University of Calcutta is my original work and has not been submitted earlier to any other University/Institution for the fulfillment of the requirement for any course of study.

I also declare that no chapter of this manuscript in whole or in part has been incorporated in this report from any earlier work done by others or by me. However, extracts of any literature which has been used for this report has been duly acknowledge providing details of such literature in the reference.

PLACE : KOLKATA **SIGNATURE:**

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ACKNOWLEDGEMENT

It is often said that journey of a thousand miles begins with the first, uncertain if we may add, step. My journey was not too different. It involved the help, support and contribution of several people.

It is difficult to ascertain the starting point for such thanks giving, and yet one usually starts with the most significant contributor. In my case let us begin with the people who strictly confined themselves to behind the scenes before I move on to the persons who directly affected the course and scope of events.

I would like to extend our sincerest gratitude to DR. MOUMITA SARKAR for her unrelenting support and an uncanny habit of pointing out the flaws in the scheme of things at the most crucial juncture, hence causing several opportunities for learning. I do not think it would be just to end such thanks giving without thanking our respondents for co-operating with us.

Finally I also extend my heartiest thanks to all my friends and well wishers for being with me and extending encouragement throughout the project.

TANU GUPTA

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CHAPTER -1

INTRODUCTION

1.1 BACKGROUND:

Bank is an institution that accepts deposits of money from the Public. Anybody that has account in the bank can withdraw money. Bank also lends money. Bank of India are considered to be the Lifeline of the economy. They play a catalytic role in activating and Sustaining economic growth.

The Indian banking system consists of 26 public sector Banks, 20 private sectors banks, 43 foreign banks, 56 regional rural Banks, 1589 urban cooperative banks and 93550 rural cooperative Banks. India's banking sector is expanding rapidly and has the Potential to become the fifth largest banking industry in the world By 2020 and third largest by 2025.

Amidst the signs of progress, the Indian banking sector Has been facing multiple challenges in recent times like rising NPA, scams and corruption, improper management etc. Out of these issues, the most critical issue is NPA in Indian Public Sector Banks.

The topic 'NPA Problem in Indian Public Sector Banks' includes major points and by analysing it we can Understand all the necessary aspects of NPA problem.

1.2 OBJECTIVE OF THE STUDY:

The objective of the project was to find how this Non-Performing Assets generate and what its impact on the profitability of the bank and how it can be reduced. The study is addressed to the following objectives:

❖ To understand the relationship between Gross NPA, NET NPA ,ADVANCES ,RATIO, and NPA PROFIT .

❖ To understand the impact of NPAs on the operation of the bank.

❖ To study the trends during the last five years .

1.3 REVIEW OF LITERATURE:

NPA is a burning topic for the banking sector and many authors

Tried to study the reasons of NPA, the problems created by NPA and the impact of NPA on the banking sector, and moreover came to a solution or remedies of the growing problems of NPA. A number of papers have written and gone through, and this part of this paper is attempting to present a review of all those are available.

Swain, R. K., Sahu, M. And Mishra, A. P. (2017) The researchers concluded that money blocked in NPAs has a significant influence on the effectiveness of banks. the government has made different mechanisms for recovery such as Lok Adalats, DRT and SARFAESI Act. The SARFAESI act is the most effective reform for recovery of NPA than other measures. However, gross amounts recovered are very meagre wein comparison to outstanding NPAs.

Suvitha, K. V., Gayathri, G. (2018) Researchers studied the various papers from 2010-2017(about 100 papers) and concluded that out of the total 100 articles analysed, level of NPAs is higher in public sector banks than the private sector Banks. The main reason for the issue is excessive landing by banks and higher demand of credit by will ful defaulters.

Maher, B. (2018) Impact of demonetization on NPAs of Indian banks, focus on how the demonetization would influence this most pivotal issue of banking industry. The researcher found that in the short run, a positive effect of demonetization can be seen in which current NPAs of the banks decreased a bit.

Shiv Kumar, V. And Devenadhan, K.(2019) Done a study analyzing the factors implication of NPAs in SBI through factor analysis to be encountered. Researchers view that implication of NPAs are at a moderate level. It can be concluded that the loan asset management of SBI has put the right measures to address the bad effects of funding mismanagement and to resolve serious adverse effects of NPA.

Sharma S., Rathore D.S., and Prasad, J. (2019) They found that both in public & private sector banks the major reason for the NPAs is miss-utilisation of bank loans and poor recovery management. The NPAs are increasing in agriculture and industries. They suggested improving corporate governance for better operational and credit decisions.

Jethwani, B., Dave, D., Ali, T., Phansalker, S., and Ahhirao, S. (2020) in their study Indian agriculture GDP and NPA: A regression model found that the repayment of farm loan adversely affects as factors like rural population, low export value of crop and low crop production for the year. It should be understood that the farm loan waivers cannot solve the problem.

1.4 RESEARCH AND MYTHOLOGY:

The study based on secondary data. The secondary data has been collected from RBI (financial stability report), Annual report and Balance sheet of

various public sector banks .I have utilized the data of 2 public sector banks which includes SBI and CANARA BANK this is collected from past 5 years.

Using bar chart and pie chart changes are shown of banks.

1.5 LIMITATIONS OF THE STUDY:

- As NPA is descriptive concept, it was hard to explain it with word limit.
- The information collected by me is limited because of time constraints.
- Access of the information is limited and depends on annual report.
- There can be some mistakes because of inexperience of such work

1.6 CHAPTER PLANNING :

The study is decided in four sections there are:

1. **INTRODUCTION**

    1.1.   Background

    1.2.   Objective of the study

    1.3.   Review of literature

    1.4.   Research and Mythology

    1.5.   Limitations of the study

2. **CONCEPTUAL FRAMEWORK**

    2.1.   Meaning of NPA

    2.2.   Definition of NPA

    2.3.   Assets classification

    2.4.   Types of NPA

    2.5.   profiles of SBI and CANARA bank.

3. ANALYSIS OF THE STUDY & FINDING

3.1.   Relationship between GROSS NPA , NET NPA ,ADVANCES , RATIO

AND

NPA PROFIT

4. CONCLUSION AND RECOMMENDATION OF THE STUDY

4.1.   conclusion

4.2.   Recommendations

BIBLIOGRAPHY

CHAPTER.2

CONCEPTUAL FRAMEWORK

2.1 Meaning of NPA

NPA expands to non-performing assets (NPA). Reserve Bank of India defines Non Performing Assets in India as any advance or loan that is overdue for more than 90 days."An asset becomes non-performing when it ceases to generate income for the bank," said RBI in a circular form 2007.To be more attuned to international practises, RBI implemented the 90 days overdue norm for identifying NPAs has been made applicable from the year ended March 31, 2004. Depending on how long the assets have been an NPA.

- When an asset no longer generates income for the bank, it is considered a non-performing asset.
- Previously, an asset was classified as a non-performing asset (NPA) based on the concept of "Past Due."
- A 'non-performing asset' (NPA) was defined as a credit for which interest and/or principal instalments have been 'past due' for a specified period of time.
- To move towards international best practices and ensure greater transparency, '90 days' overdue norms for identifying NPAs were made applicable beginning with the fiscal year ended March 31, 2004.
- Commercial loans that are more than 90 days past due and consumer loans that are more than 180 days past due are typically classified as nonperforming assets by banks.
- In the case of agricultural loans, NPAs have declared if the interest and/or installment of principal remain unpaid for two harvest seasons.
- However, this period should not be longer than two years. Any unpaid loan/installment will be classified as NPA after two years.

2.2 Assets classification

Different types of non- performing assets depend on how long they remain in the NPA category.

a) Sub- Standard Assets

An asset is classified as a sub-standard asset if it remains as an NPA for a period less than or equal to 12 months.

b) Doubtful Assets

An asset is classified as a doubtful asset if it remains as an NPA for more than 12 months.

c) Loss Assets

An asset is considered a loss asset when it is "uncollectible" or has such little value that its continuance as a bankable asset is not suggested. However, some recovery value may be left in it as the asset has not been written off wholly or in parts.

2.4 Types of NPA

There are two types of NPA

a) GROSS NPA
b) NET NPA

a) GROSS NPA:

Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consists of all the nonstandard assets like as sub-standard, doubtful, and loss assets. It can be calculated with the help of following ratio:

b) NET NPA:

Net NPA are those type of NPAs in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write off of loan is very time consuming, the provision the banks have to make against the NPAs according to the central bank guidelines, are quite significant. That is why the difference between gross and net NPA is quite high. It can be calculated by following:

PROFILE OF SBI

State Bank of India (SBI) A Fortune 500 company ,is an Indian Multinational , public Sector Banking and Financial services statutory body headquartered in Mumbai. The rice heritage and of over 200 years, accrerdits SBI as the most trusted Bank by Indians through generations.

SBI , the largest Indian Bank with 1/4th market share, serves over 45 crore customers through its vast network of over 22,000 branches , 62617 ATMs/ADWMs, 71,968BC outlets, with an undeterred focus on innovation , and customer centricity. Which stems from the core value of the Bank – service , Transparency , Ethics, politeness and Sustainability.

The bank has successfully diversified businesses its various subsidiarines i.e General i9nsurance ,SBI Life insurance , SBI mutual fund , SBI cards ,etc . It has   spread its presence globally and operayes across time zones through 229 offices in 31 forgine countries .

Growing with times, SBI continuous to redefine in India , as it aims to offers responsible and sustainable Banking solutions…..

PROFILE OF CANARA

Widely known for customer centricity, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. Eighties was characterized by business diversification for the Bank. In June 2006, the Bank completed a century of operation in the Indian banking .

Over the years, the Bank has been scaling up its market position to emerge as a major Financial Conglomerate with as many as thirteen subsidiaries/sponsored institutions/joint ventures in India and abroad. As at December 2022, Canara Bank services over 10.8 crore customers through a network of 9,720 branches and 12,147 ATMs/Recycler spread across all Indian states and Union Territories

CHAPTER-3

PRESENTATION OF DATA ANALYSIS AND FINDINGS

TABLE:1 GROSS NPA, GROSS NPA RATIO of State Bank of India

Z FINANCIAL YEAR	GROSS NPA (CRORE)	GROSS NPA (RATIO)	NET NPA (CRORE)	NET NPA (RATIO)
2016-17	112343	6.9	56277	3.71
2017-18	223427.46	10.91	110584.7	5.73
2018-19	172753.6	8	658947.4	3.01
2019-20	149091.85	6	51871.3	2.23
2020-21	126389	5	36809.72	1.5
2021-22	112023	4	27965.71	1.02

Source: Annual Reports of SBI

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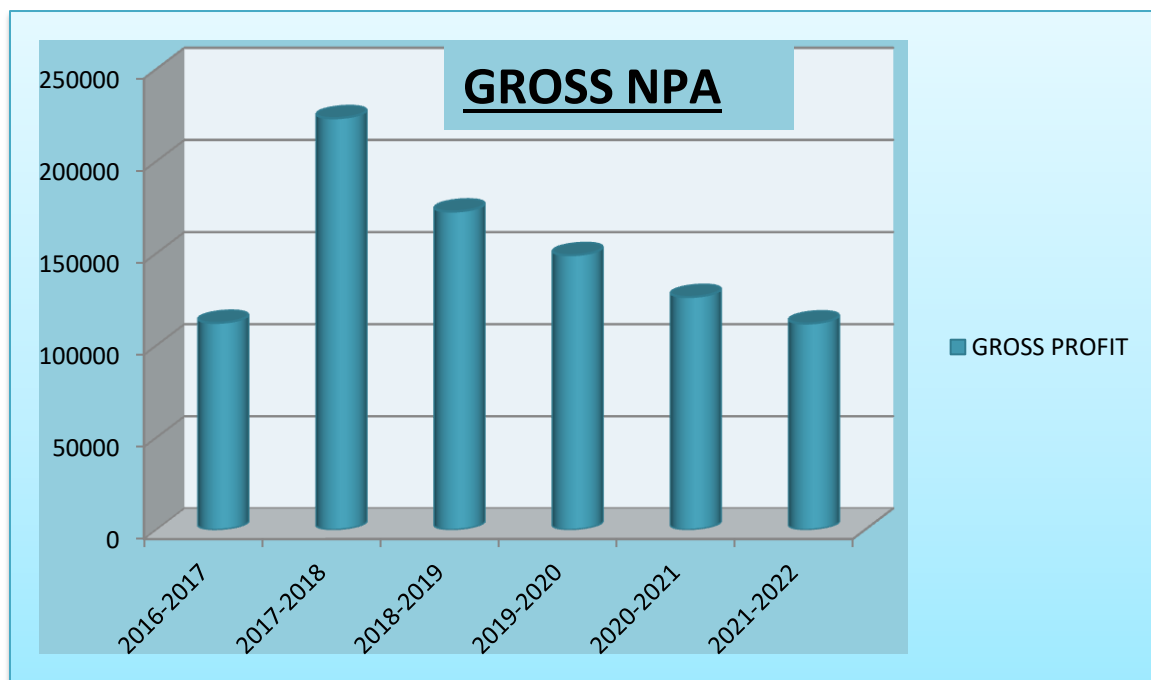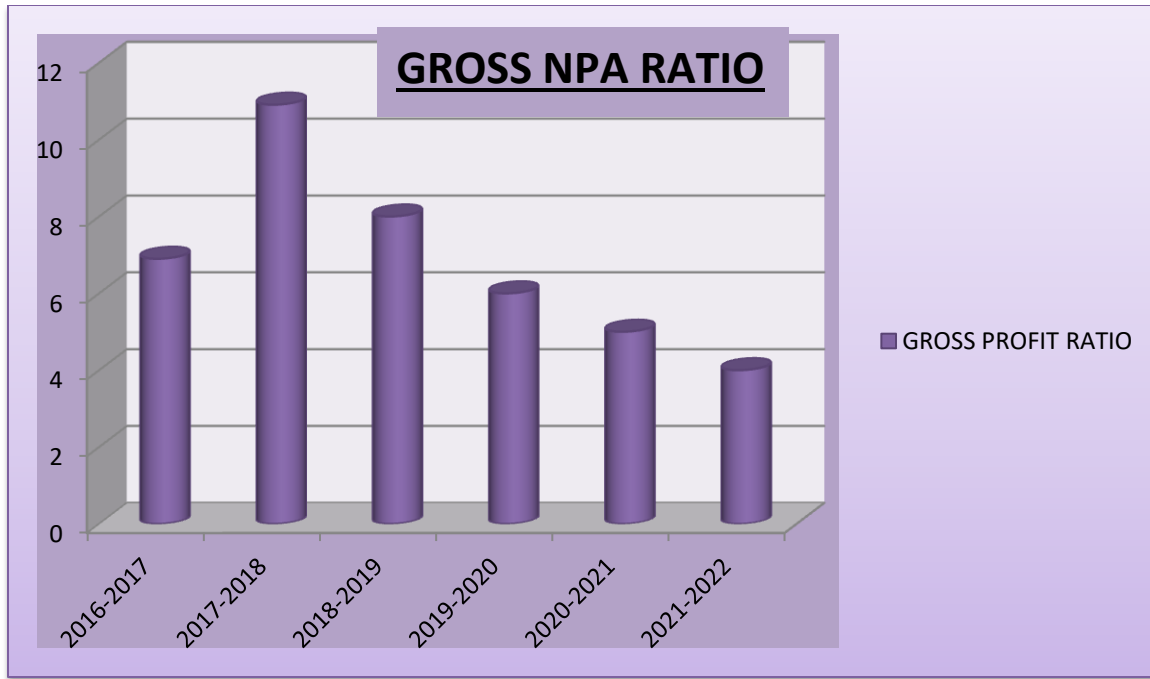
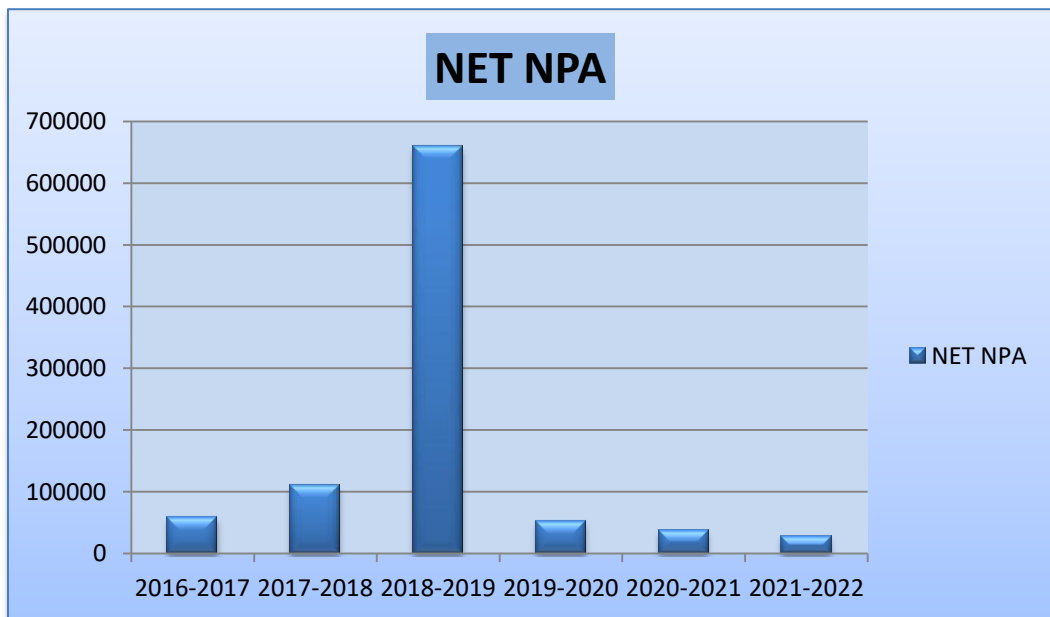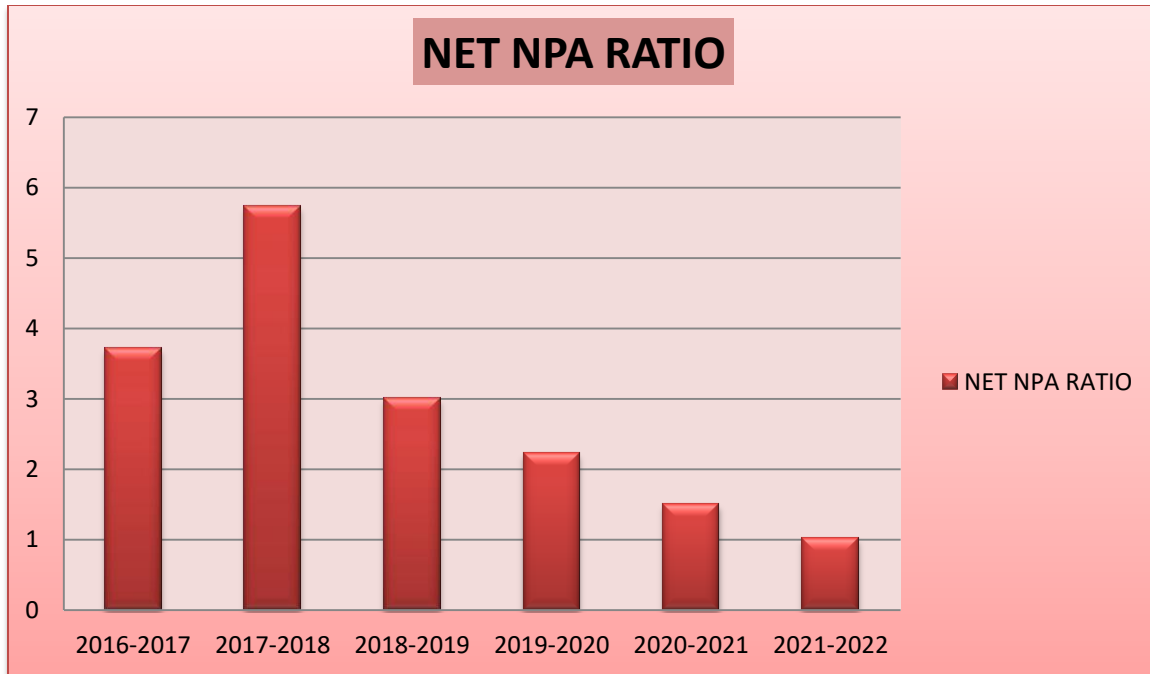GROSS NPA RATIO

INTERPREATION:

Gross NPA of SBI is maximum in year 2017-2018. It is increasing from the year till 2017 -2018 but from the year 2018-2019 is showing a downward trend in the year 2020 to 2022. Decreasing NPA is a sign of good management of stressed assets.
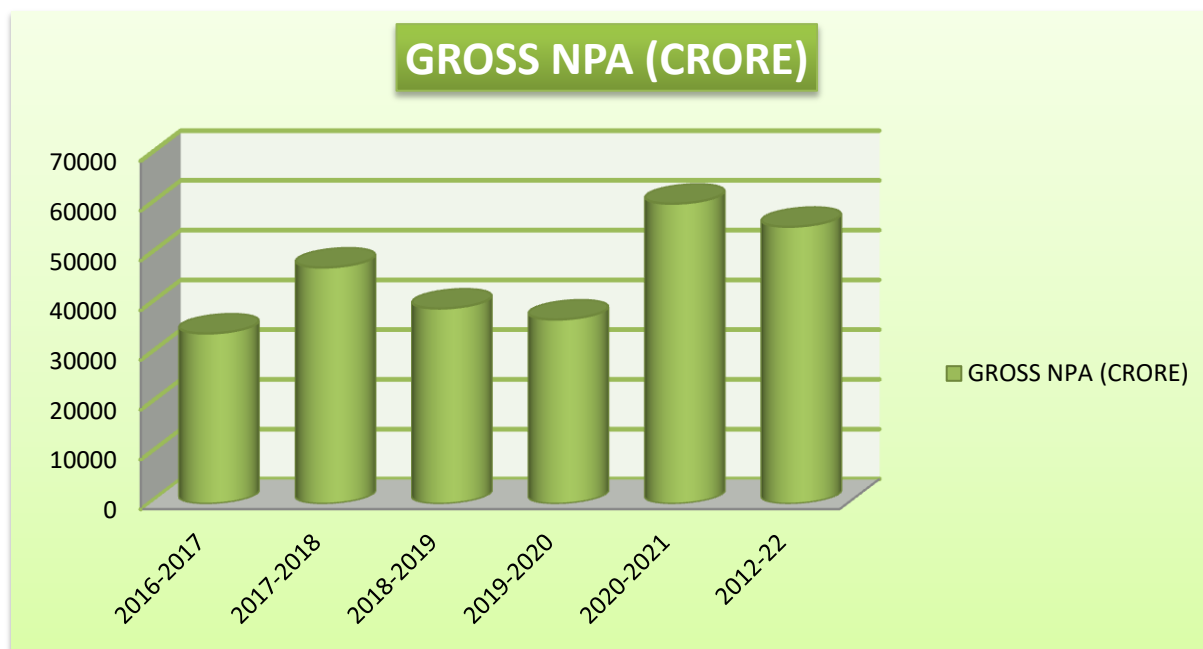

NET NPA

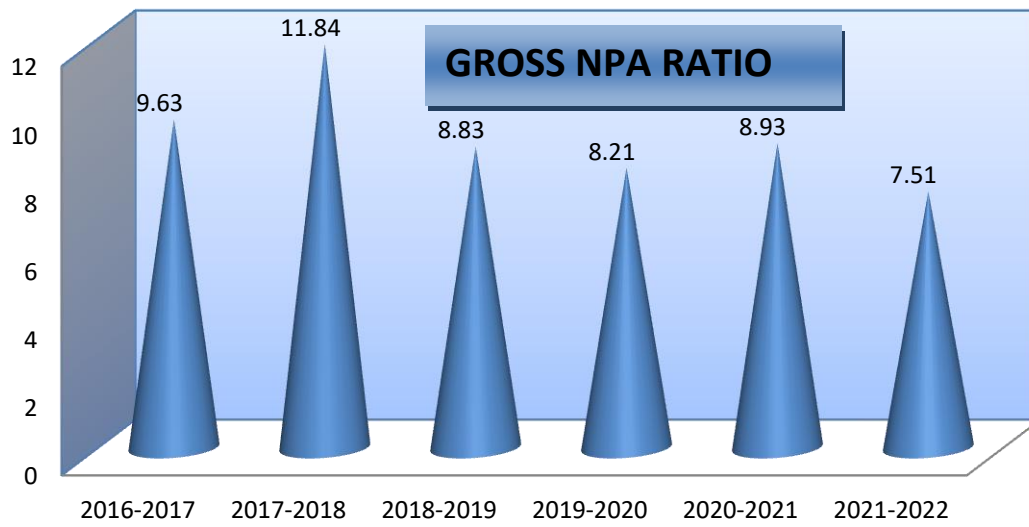## NET NPA RATIO

INTERPREATION:

Net NPA of SBI is maximum in the year 2018-2019. But from 2019-2020 it has been showing a downward trend. Net NPA is the actual loss suffered by Bank and is noticed that almost 50% of all Gross NPA are actually turning into Net NPA. Since Gross NPA is decreasing, the NPA is decreasing as well.

TABLE:2 GROSS NPA, GROSS NPA RATIO of Canara Bank

FINANCIAL YEAR	GROSS NPA (CRORE)	GROSS NPA (RATIO)	NET NPA (CRORE)	NET NPA (RATIO)
2016-2017	34202.04	9.63	21648.98	6.33
2017-2018	47468.47	11.84	28542.40	7.48
2018-2019	39224.12	8.83	22955.11	5.37
2019-2020	37014.15	8.21	18250.95	4.22
2020-2021	60287.84	8.93	24442.07	3.82
2021-2022	55651.58	7.51	18668.02	2.65

Source: Annual Reports of Canara Bank

GROSS NPA RATIO

| Year	Value
2016-2017	9.63
2017-2018	11.84
2018-2019	8.83
2019-2020	8.21
2020-2021	8.93
2021-2022	7.51

INTERPREATION:

Gross NPA of Canara Bank is fluctuating every year, in the year 2016-17 GROSS NPA is minimum and in the year 2020-21 GROSS NPA is higher and also, we see that the GROSS NPA RATIO is maximum in the year of 2017-18. But from 2018-19 it has downward trend and again it has increases in the year of 2020-21. Again, shows a downward trend in 2021-22. NPA ratio and GROSS NPA is fluctuating in every year. Decrease NPA is sign of good management stressed assets.

NET NPA

NET NPA (RATIO)
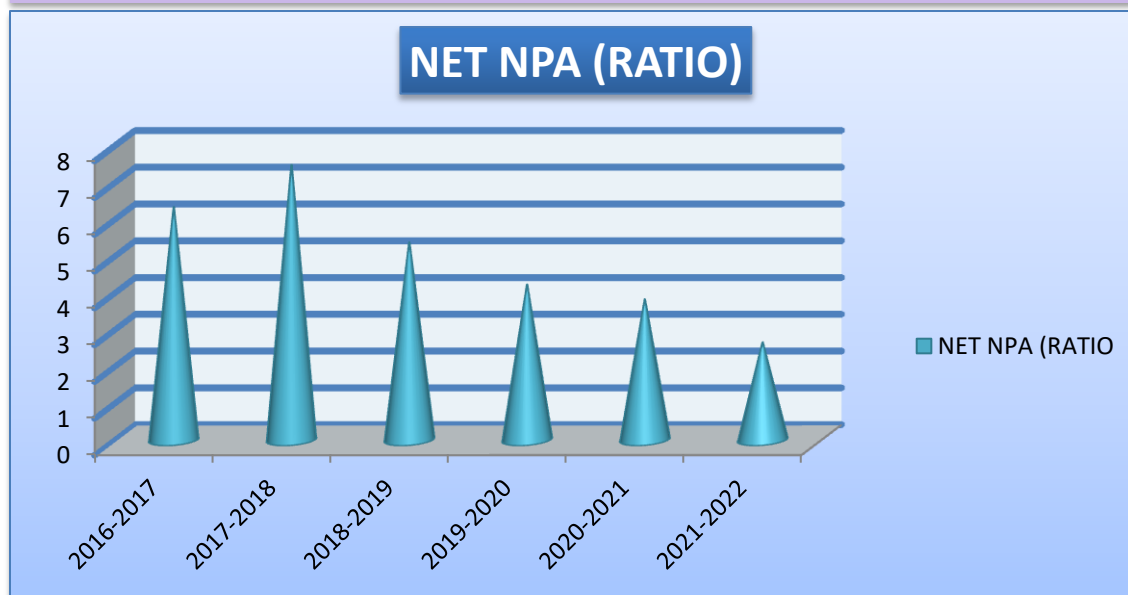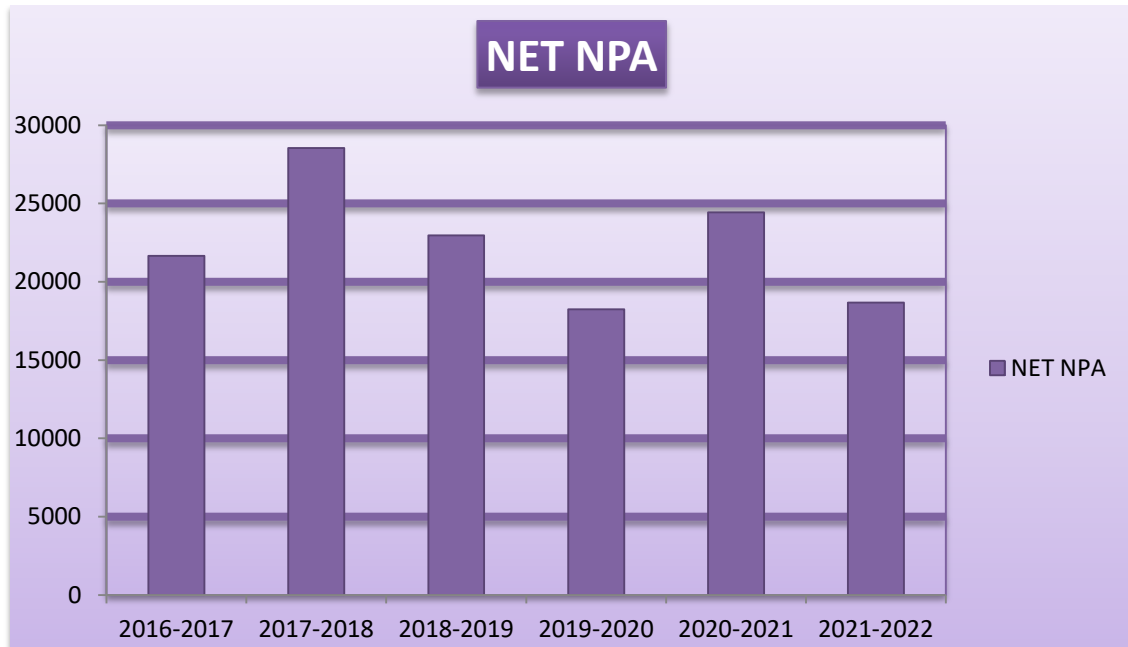
INTERPREATION:

Net NPA of Canara Bank is maximum in the year 2017-18. But from 2018-19 it has shown a downward trend again increase in the year 2020-21 and also downward in the year of 2021-2022. Net NPA is fluctuating and the bank is noticed that the Net NPA Ratio is 50% of all Net NPA. Since the Net NPA is decreases, the ratio is also decreasing.

TABLE:3 Advances of SBI & Canara Bank

| FINANCIAL YEAR	ADVANCES OF SBI (CRORE)	ADVANCES OF CANARA BANK (CRORE)
2016-17	1571078	342008.76
2017-18	1934880	381702.99
2018-19	2185877	427727.27
2019-20	2325290	432175.20
2020-21	2449497.79	639048.99
2021-22	2733966.59	703601.82

Source: annual Reports of SBI and Canara Bank
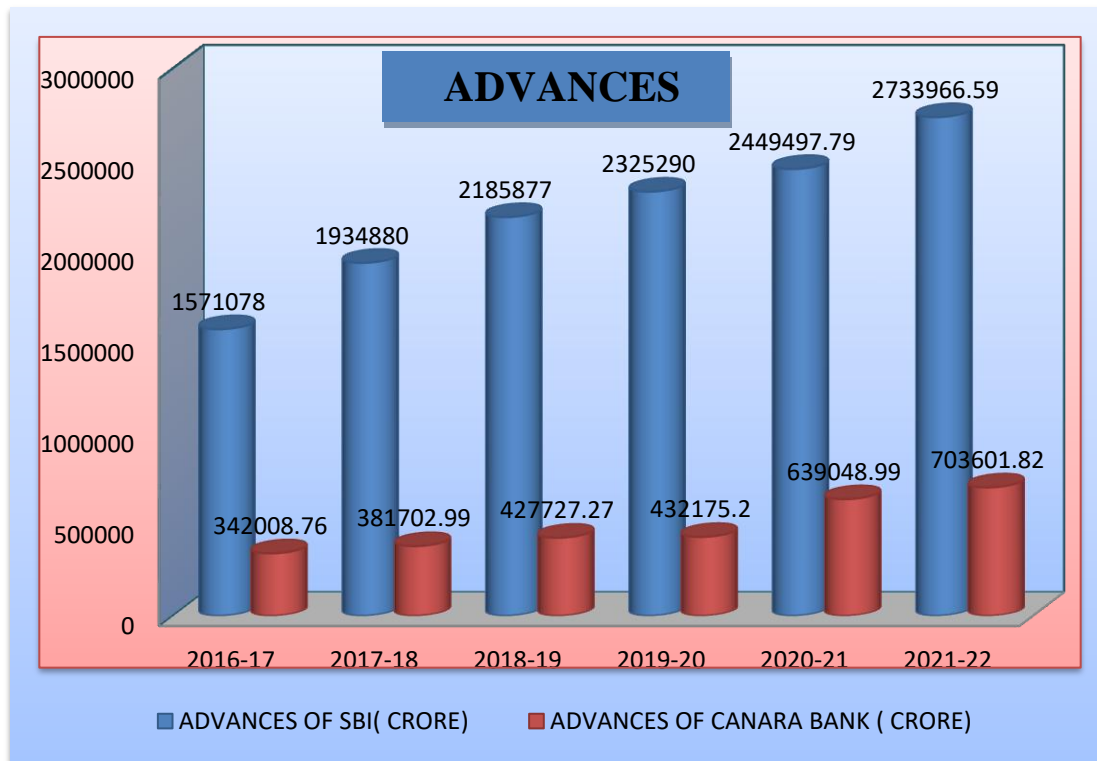
NTERPREATION:

Here in the above chat, an upward trend of advances has been noticed. Every year, advances are increasing , on an average of The maximum being in the 2016-17. Increasing the advances is a sing of an increase in economy activities . Also we see that the advances of SBI is more than CANARA BANK every year.

FINANCIAL YEAR	NET PROFIT OF SBI (CRORE)	NET PROFIT OF CANARA BANK (CRORE)
2017-18	-6547	-4222.24
2018-19	862.23	347.72
2019-20	14488.11	-2235.72
2020-21	20410.47	2557.58
2021-22	31675.98	5687.42

Source: annual Reports of SBI and Canara Bank
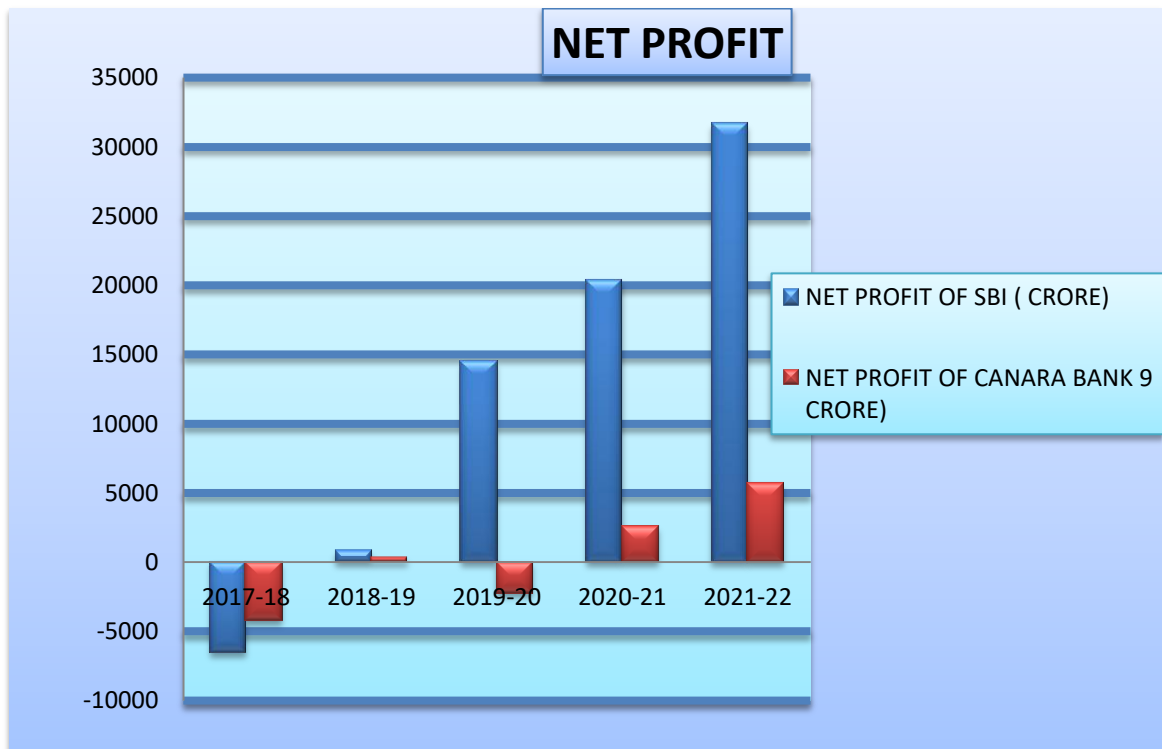
INTERPREATION:

In the above Chart, it can be noticed in the year 2017-18, SBI and CANARA BANK had incur loss and the next year 2018-19 we can seen increasing trend in net profit till 2021-22.But CANARA BANK had again incurred loss and written off in 2019-20. The profitability of the banks was fairly good in the year 2020-21 & 2021-22. It is because of the innovation measure taken by SBI and CANARA BANK as well as the RBI to better handle NPA. SBI and CANARA BANK has been able to achieve this improvement due and higher Write offs.

CHAPTER 4

CONCLUSION AND RECOMENDATIONS

4.1 CONCLUSION

The Non-Performing assets have always created a big problem for the banks in India. It is just not only problem of the banks but for the economy too. NPA has a direct impact on profitability of the banks as Indian banks are highly dependent on income from interest on funds lent. This study shows that extend of NPA is comparatively very high in public sector banks. Although various steps have taken by government to reduce the NPAs but still a lot needs to be done to curb this problem. Lower deposit rate and higher lending rates repress saving and financial markets, which in turn hamper the economy growth of the country. Thus, it is highly essential for the banks to focus their attention on growth of NPAs take appropriate measure to regulate their growth.

4.2 RECOMENDATIONS

RECOMMENDATIONS FOR MANAGEMENT OF NPAs:

a) RBI should revise existing credit appraisals and monitoring system . Banks should improve upon and strengthen the loan recovery methods

b) Credit appraisal and post-loan monitoring are crucial steps which need to concentrate by all the public sector banks.

c) In the bank there should be proper manpower planning.

d) Identifying reasons for turning of each account of a branch into NPA is the most important factor for upgrading the asset qualities, as that would help initiate suitable steps to upgrade the accounts.

e) Bank should try to establish the branches in competitive market, so it will increase their profit.

f) Bank should prevent diversion of funds by the promoters.

g) Bank has required increasing the cash and bank balances by reducing the unnecessary expenses for future plan .

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