

NPA and its importance with reference to Karnataka Bank Ltd, Mangalore

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Abstract

Indian Banking Sector has been facing problem due to deterioration of quality of assets which is gradually increasing. The NPA will wear away the current profits, seizes interest income and also affect the functioning of the recycling of funds. **“Dr.T.B Gurumoorthy, B. Sudha volume:2| Issue:2|November 2012|ISSN -2249-555X (The non- performance or non-receipt of interest and principal blocked banks money in the form of funds and is not available for further use of banking business and thus the profit margin of the banks goes down)”**. The growth of NPA has directly impacted on bank's performance of assets and liabilities. The problem of NPA is not only affecting to public and private sector banks but also affects the economy as whole. If the proper management of NPA is not undertaken, it would have serious implication on the business of the Banks. The connection bank must be aware of the problems and recovery of NPAs and Bank should maintain zero level of NPA which prevents fresh flow of NPA and helps them to recovery of existing heavy stock of NPA's. **“Salini R Chandran, K. Alamelu volume:8| Issue:2S6, ISSN: 2277-3878 (The main reason for this was willful default from the borrowers and the study will be realistic suggestions on improving asset quality of banks in India)”**. There is no quick solution to solve the problem of NPA but once recovery is carried out by bank then the market stressed assets are developed. Karnataka Bank should concentrate more on

Credit Appraisal

Risk Management

Recoveries of loan amount

Monitoring

Credit appraisal is assessing the credit worthiness or repayment capacity of specific borrowers with main focus on his/her ability and their intention is to pay back his/her loan amount. There will be stipulated time to return back the loan amount. Banks have to timely look after the NPA's and risk associated to the assets attached and try to mitigate the risk by proper functioning of their collection policies.

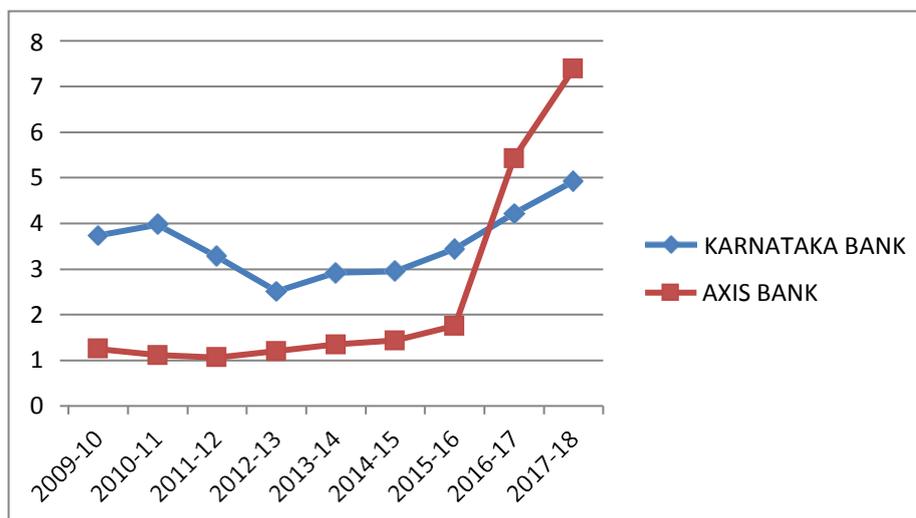
The exchange of credit information within banks will be of immense help to avoid possible NPA's in near future.

Keywords: Gross NPA, Net NPA, Bank creditworthiness, defaulters, NPA Management and Private Sector Banks.

COMPARATIVE ANALYSIS OF KARNATAKA BANK WITH AXIS BANK LTD COMPARATIVE ANALYSIS OF GROSS NPA% TO GROSS ADVANCES

YEAR	KARNATAKA BANK	AXIS BANK
2009-10	3.73	1.25
2010-11	3.97	1.11
2011-12	3.27	1.06
2012-13	2.51	1.20
2013-14	2.92	1.34
2014-15	2.95	1.43
2015-16	3.44	1.75
2016-17	4.21	5.42
2017-18	4.92	7.38

Source: Annual Reports



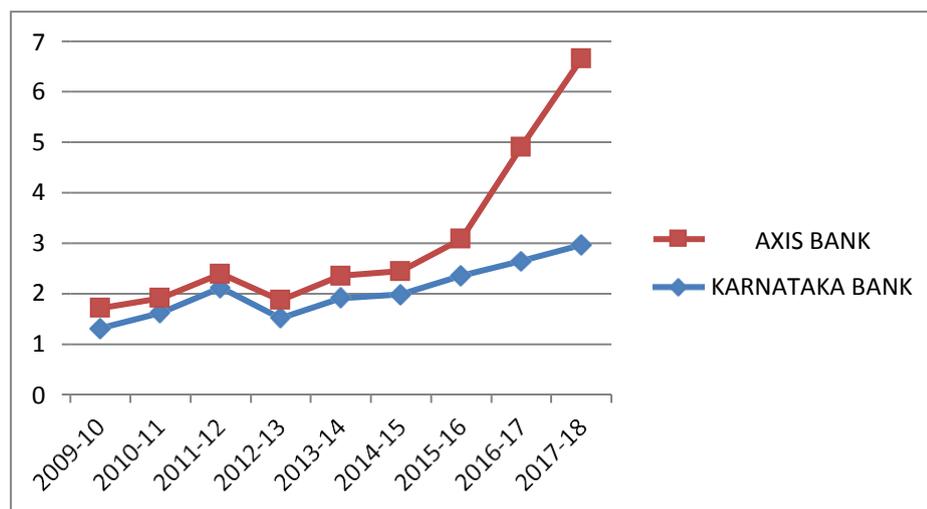
INTERPRETATION

When compared to Axis Bank, Karnataka Bank position is good. Karnataka Bank is trying to reduce their Gross NPA% to Gross Advances so that their bank lies under good position when compared to competitive Bank.

COMPARATIVE ANALYSIS OF NET NPA% TO NET ADVANCES

YEAR	KARNATAKA BANK	AXIS BANK
2009-10	1.31	0.40
2010-11	1.62	0.29
2011-12	2.11	0.28
2012-13	1.51	0.36
2013-14	1.91	0.44
2014-15	1.98	0.46
2015-16	2.35	0.73
2016-17	2.64	2.26
2017-18	2.96	3.69

Source: Annual Reports



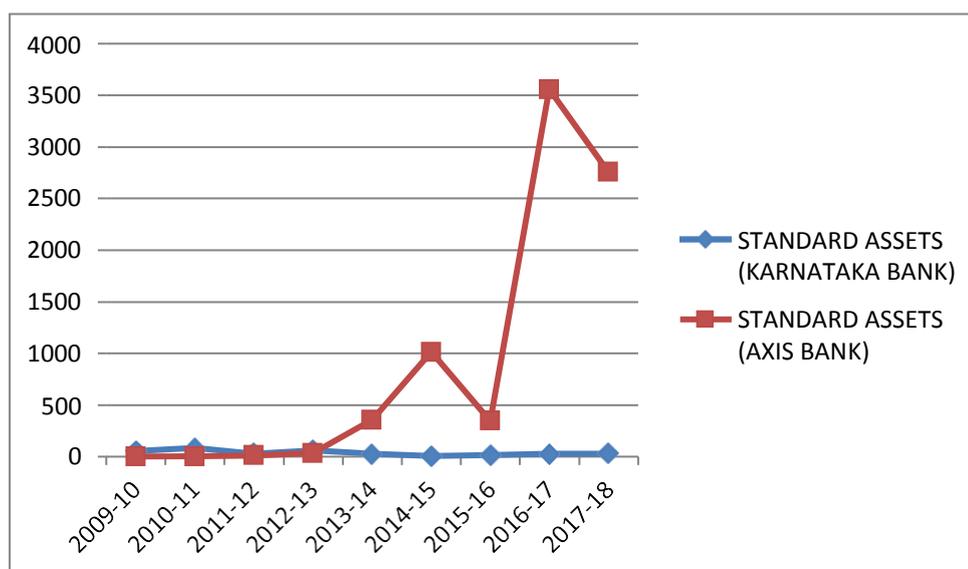
INTERPRETATION

When compared to Axis Bank, Karnataka Bank position is good. Karnataka Bank is trying to reduce their Net NPA% to Net Advances so that their bank lies under good position when compared to competitive Bank. Since Axis Bank had controlled till 2015-16 and in within 2 years of time there is drastically change in Net NPA % to Net Advances.

COMPARATIVE ANALYSIS OF STANDARD ASETS

YEAR	KARNATAKA BANK (Rs in Crores)	AXIS BANK (Rs in Millions)
2009-10	55.42	0
2010-11	84.25	2.33
2011-12	31.22	9.74
2012-13	62.70	33.27
2013-14	26.37	355
2014-15	5.41	1012
2015-16	14.07	346
2016-17	25.26	3558
2017-18	29.30	2755

Source: Annual Reports



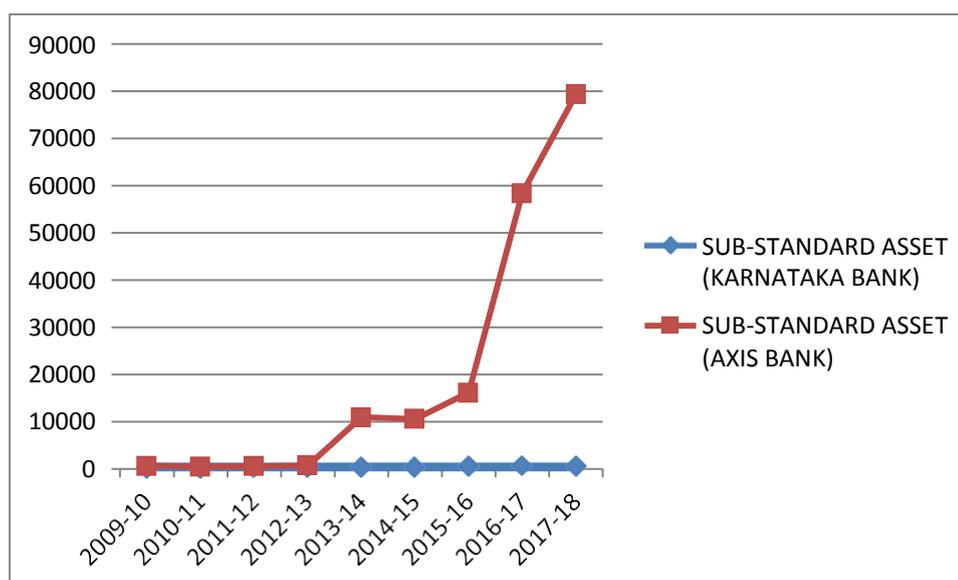
INTERPRETATION

When compared to Axis Bank, Karnataka Bank position is good. Axis Bank has maintained its fresh NPA in the year 2011-12 9.74 and it went out increasing year by year. Compared to Axis Bank the other competitive bank is good earlier the standard assets would be more and now they have almost recovered and managed their NPA amounts as much as possible so reduce the burden. Lowest Standard assets of Karnataka Bank in the year 2014-15 that is 5.41. If there was proper maintenance of NPA then they could not lie in NPA list.

COMPARATIVE ANALYSIS OF SUB-STANDARD ASETS

YEAR	KARNATAKA BANK (Rs in Crores)	AXIS BANK (Rs in Millions)
2009-10	151.14	643.57
2010-11	182.93	458.45
2011-12	362.44	561.18
2012-13	342.41	694.31
2013-14	407.32	10915
2014-15	426.09	10584
2015-16	595.18	16139
2016-17	721.27	58394
2017-18	566.48	79304

Source: Annual Reports



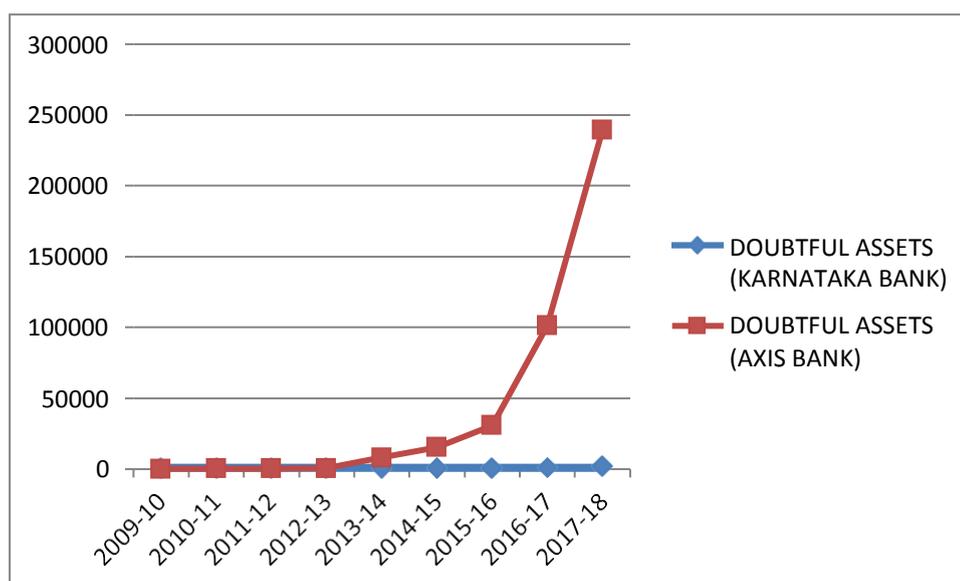
INTERPRETATION

When compared to Axis Bank, Karnataka Bank position is good in controlling of Sub-Standard Assets. Karnataka Bank had followed up Credit Monitoring and Credit Appraisal to maintain good in economy. The reduction in the percentage of Sub- Standard Assets indicates less addition of fresh NPA. But, another deduction derived is, more Sub-Standard Assets slipped Doubtful and Loss Assets.

COMPARATIVE ANALYSIS OF DOUBTFUL ASETS

YEAR	KARNATAKA BANK (Rs in Crores)	AXIS BANK (Rs in Millions)
2009-10	343.60	108.5
2010-11	429.33	412.81
2011-12	299.55	315.00
2012-13	269.34	628.17
2013-14	383.25	8128.00
2014-15	480.71	15377.00
2015-16	531.20	30838.00
2016-17	829.06	101330.00
2017-18	1679.47	239420.00

Source: Annual Reports



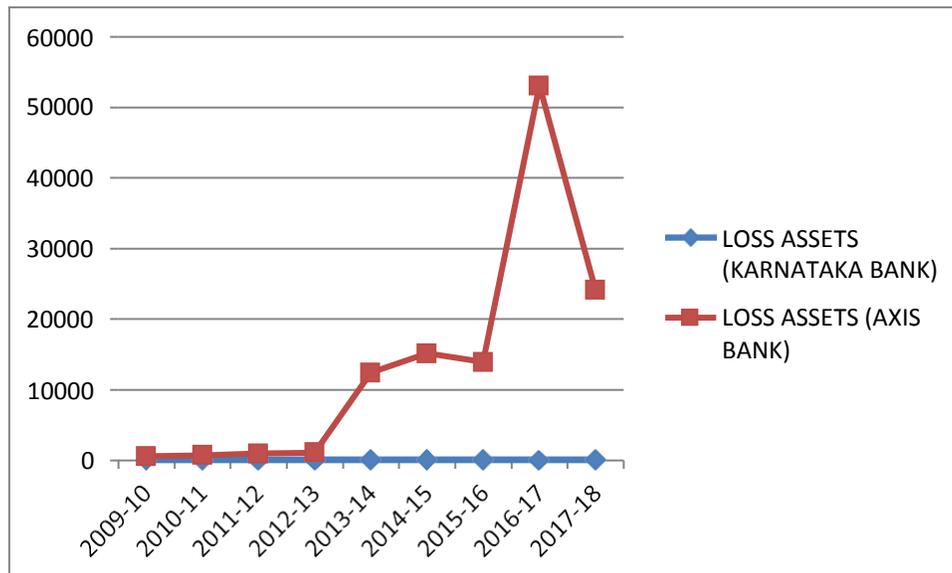
INTERPRETATION

This shows the comparative of Doubtful Assets of both Karnataka and Axis Bank. Wherein it shows highest doubtful asset in the year 2017-18 is 239420 in Axis Bank and the lowest was in the year 2009-10 is 108.5. Highest doubtful asset in the year 2017-18 is 1679.47 in Karnataka Bank and lowest in the year 2012-13 is 269.34.

COMPARATIVE ANALYSIS OF LOSS ASEETS

YEAR	KARNATAKA BANK (Rs in Crores)	AXIS BANK (Rs in Millions)
2009-10	54.90	565.93
2010-11	89.91	728.16
2011-12	22.73	930.12
2012-13	27.11	1070.94
2013-14	45.36	12421
2014-15	38.41	15141
2015-16	54.02	13898
2016-17	31.26	53081
2017-18	130.12	24146

Source: Annual Reports



INTERPRETATION

When compared to Axis Bank, Karnataka Bank position is good in controlling of Loss Assets. Compare to both Karnataka and Axis Bank, Karnataka Bank is good to an extent because in Axis Bank there is increase on assets when compared to Karnataka Bank.

There is continuously increase year on year of Axis Bank and no control on the assets then their no sure that it can stand up in a better position when compared to competitive Banks.

CONCLUSION

Preventing fresh flow of NPAs is an important as the recovery of the existing heavy stock of NPAs. There cannot be can quick fix or small solution to solve the NPA problem once the recovery reforms are carried out, market for stressed assets are developed, this Securitization Act will surely help the banks in the reduction of NPAs to the great extent.

The bank must focus on recovery from those borrowers who have the capacity to repay but not repaying of coercive action a few borrowers may help. Right from the beginning contact with the borrowers should be maintained; so that installments of repayment as per schedule are not disturbed i.e., loan installments should not become overdue. Once it becomes overdue, it will be difficult to repay overdue amount plus regular amount.

Exchange of credit information among banks would be of immense help to avoid possible NPAs. The banking system ought to be so geared that a defaulter at one place is recognized as a defaulter by the system. The systems have to provide a mechanism to ensure that the unscrupulous borrower is unable to play one bank against the other.

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