

CHAPTER-1

INTRODUCTION OF INDUSTRY:

1. INDUSTRY PROFILE

BANK:

A Bank is a budgetary organization demanded to get stores and make credits. Bank is put where your cash remains safe-bolted and an ensured place to set of your livelihoods. Bank acknowledges stores from open and enter credit. The historical backdrop of root of bank backpedals to 2000 BC. Later at that point, banks have affected the economy of nations. India has a lot of both open segment banks and additionally private ones.

BANKING MEANING:

Bank is an association which bargains cash and other money related administrations. Bank is an administration middle person gets stores, pays premium, clear checks, progresses advances, goes about as a mediator in money related exchange and gives budgetary administrations.

DEFINITION OF BANKING:

Keeping money control act 1949, GOI characterizes, "Managing an account implies accepting for the reason for giving and financing, of stores of money from the general population, repayable on request or else drawing by checks, draft and request".

FEATURES OF BANKING:

1. Dealing the Cash:

The banks acknowledge stores from people in general and advances them as credits to the borrowers. The stores might be distinctive composes present, settled, bank accounts and so forth. The stores are acknowledged on different terms and conditions.

2. Deposits to be withdrawable:

The stores made by people in general can be pulled back by checks, draft, bank issue and pay checks. The stores are generally withdrawal on request.

3. Dealing with credit:

The banks are the establishments that can make credit making of additional cash for loaning. In this way, "making of credit" is the interesting component of saving money.

4. Commercial in environment:

Since all the managing an account parts are gone ahead with the objective of making benefit, it is seen as a business establishment.

BANKING IN INDIA:

Dealing with a record in India started in the latest decade of eighteenth century with Bank of Hindustan in 1770 and the General Bank of India coming into reality in 1786. The most settled bank in nearness is India is the State Bank of India being set up as Bank of Calcutta renamed as "The Bank of Bengal" in Calcutta in June 1806. A couple of decades later, outside banks like Credit Lyonnais started their Calcutta assignments in the 1850s. By then of time, Calcutta was the most unique trading port, in a general sense in light of the trading of the British Empire, and due to which dealing with a record development took roots there and flourished. The main totally Indian had bank was the Allahabad Bank, which was set up in 1865. By the 1900s, the market reached out with the establishment of banks, for instance, Punjab National Bank, in 1894 in Lahore and Bank of India, in 1906, in Mumbai – both of which were built up under private ownership. The Reserve Bank of India formally expected an obligation of dealing with the Indian sparing cash part from 1935. After India's self-sufficiency in 1947, the Reserve Bank was nationalized and given more broad powers.

The Indian Banking industry, which is administered by the Banking Regulation showing of India, 1949 can be completely organized into two essential social events, non-arranged banks and booked banks.

Arranged banks contain business banks and the co-specialist banks. To the extent ownership, business banks can be moreover collected into nationalized banks, the State Bank of India and its social event banks, commonplace natural banks and private division banks.

EARLY HISTORY:

Toward the start of twentieth century, Indian economy was going through a same time of soundness. Around five decades had gone since the India's first war of autonomy, mechanical and other foundation had created. Around then there were little banks worked by Indians, and the greater part of them were claimed and worked by specific groups. The dealing with a record in India was controlled and charged by the organization banks, particularly, the Bank of Bombay 1840, the Bank of Bengal 1806, and the Bank of Madras 1843, which later on joined to outline the Imperial Bank of India in 1921, upon India's flexibility, it was renamed as the State Bank of India. There were furthermore some exchange banks, as moreover different

Indian joint stock banks. Each one of these banks worked in different parts of the economy. The organization banks looked like the national banks and discharged most of the components of national banks. They were developed under the approvals from the British East India Company. The exchange banks, generally controlled by the Europeans, concentrated on financing of remote trade. Indian joint stock banks were generally undercapitalized and did not have the experience and improvement to battle with the organization banks, and the exchange banks. There was potential for some new banks as the economy was creating. Ace Curzon had observed then with respect to Indian sparing cash: "In respect of dealing with a record it shows up we are obsolete. We look like some old shaped cruising ship, secluded by hard wooden bulkheads into free and unbalanced sections."

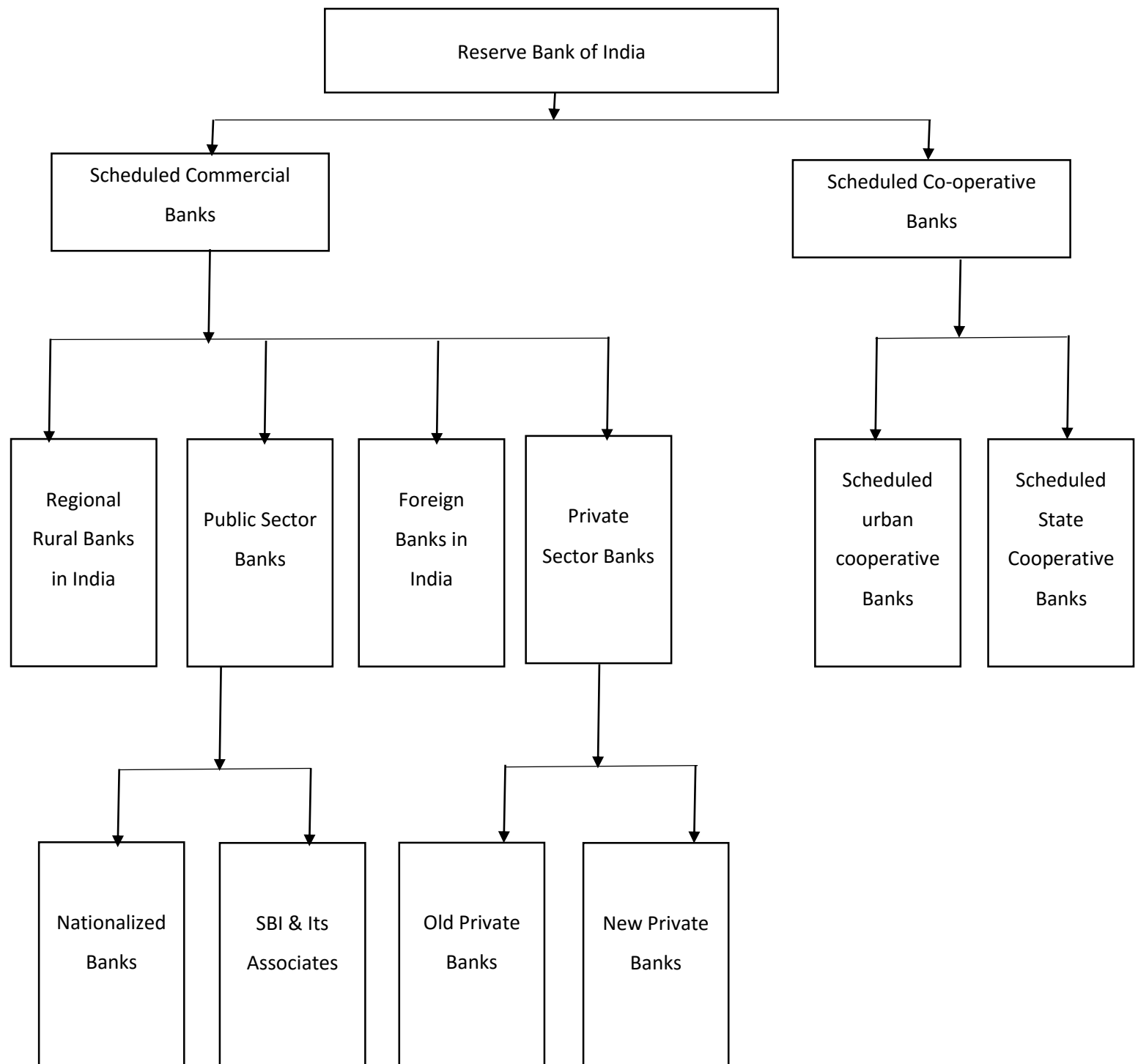
Under these conditions, various Indians drew nearer to set up banks, and banks were set up around at that point, of which some continue to live and succeed even now, like Corporation Bank, Indian Bank, Bank of Baroda, Syndicate Bank, Vijaya Bank and Canara Bank.

NATIONALISATION:

The nationalization of 14 noteworthy manages an account with stores of fifty cores or more in July 1969 was a critical and memorable occasion ever of. Little mechanical and specialty units are constantly disregarded and kept from stores, despite the fact that the administration arrangement was to energize little, small and bungalow and town enterprises. Rural credit was never truly considered by banks. Open assets were utilized to help hostile to social and unlawful exercises against the enthusiasm of the overall population. Against this foundation, the legislature assumed control over the 14 noteworthy business banks in July 1969. In 1980 again the legislature assumed control over another 6 business banks-in general there are twenty nationalized banks.

DIAGRAM SHOWING THE BANKING STRUCTURE IN INDIA

Figure No 1.1



STRUCTURE OF INDIAN BANKS:

Keeping money framework in India will be comprehensively divided into three classifications, the national bank of the nation known as the Reserve Bank of India, the business banks and the co-agent banks. RBI is the best monetary and keeping money expert in the nation and has the obligation to control the managing an account framework in the nation. It keeps the capitals of every single booked bank and henceforth is known as the "Reserve Bank".

Scheduled and Non-Scheduled Banks:

Under the Reserve Bank of India Act, 1934, banks were named arranged banks and non-booked banks. The arranged banks are those which are entered in the second timetable of RBI Act, 1934. Such banks are those which have a paid up capital and assets of a total estimation of in any event Rs.5 lakhs and which satisfy RBI that their endeavors are finished in light of a true blue worry for their supporters. Each and every business bank Indian and outside, nearby common banks and State co-operator banks are reserved banks. Non-booked banks are those which have not been fuse into the second timetable of RBI Act, 1934. Arranged banks are isolated into business banks and co-operator banks.

Business banks have been in nearness for quite a while. They collect speculation finances in urban areas and make them available to tremendous and minimal present day and trading units generally to work capital necessities. After 1969 business banks are completely described into nationalized or open region banks and private part banks. The State Bank of India and its six Associates banks close by another 20 banks are individuals by and large zone banks. The private territory banks consolidate couple of Indian booked banks which have not been nationalized and branches of outside banks working in India usually known as remote exchange banks.

The RRB came into nearness since the centre of 1970s with the particular goal of giving credit and store offices especially to little peripheral ranchers, horticultural workers and little business visionaries. The Regional Rural Banks have the obligation to create horticulture, exchange, business and industry in country territories. The RRB's are basically business banks however the territory activity is restricted to a region.

ORGANIZATION PROFILE

1. BACKGROUND & COMPANY PROFILE:

Vijaya Bank was founded by Late A.B. Shetty and other enterprising farmers in Mangalore, Karnataka on 23rd October 1931. The main intension was to support banking practice among farmers and help them in their activities in Dakshina Kannada region of Karnataka. Vijaya Bank became scheduled bank in 1958. Vijaya Bank grown rapidly in 1963-1968 and nine smaller banks were merged with it. Vijaya Bank was nationalised on 15th April 1980.

Vijaya Bank has 2106 branches around India, 30 Regional offices, 50 Extension counters and 1651 ATM's across states and in the country. Vijaya Bank has highest branches in Karnataka.

2. NATURE OF BUSINESS:

Vijaya Bank provides different types of products and services to its customers. They use the latest technology to serve customers, technologies like ATM's, Cash Deposit Technology, Mobile Banking, Tele Banking, Debit Cards and Credit Cards, Funds transfer facilities like NEFT and RTGS. DEMAT and RUPAY card services also available in Vijaya Bank.

3. VISION, MISSION AND QUALITY POLICY OF VIJAYA BANK:

VISION:

The vision of Vijaya Bank is to build strong investment system in India and compete with International Banks and provide the best and innovative services by using latest technologies and serve best to its customers.

MISSION:

The mission of Vijaya Bank is to become a top bank in India by using modern or latest technology and meeting customers' needs with professional banking services and contributing to the development of the nation.

QUALITY POLICY:

- Display the facilities available in the bank and also working hours.
- Help the customers by attending them before the close of working hours.
- Separate enquiry counter to help customers.
- Provide the information about the interest rate and other information about deposit schemes.
- Provide the complaint box in bank.
- Display the address and toll free number of zonal office for registration of complaints by customers.

PRODUCTS AND SERVICES PROVIDED BY VIJAYA BANK:

They provide various deposit schemes and loan facilities and other services to its customers. The different products and services of Vijaya Bank are as follows:

I. Deposit schemes :**1. Savings Bank:**

Savings Bank account can be opened by any person in his name. A minor can also open a savings bank account on behalf of guardian. There is a rule of minimum amount should be deposited to open the account.

i. Vijaya Payroll Savings Bank account:

This account is opened for salaried people who is working in firms, companies, government departments and other institutions with a minimum salary of Rs.5000.

ii. Vijaya Genuth Savings Bank account:

Vijaya Genuth account is for children age day 1 to 18 years. The minimum balance to open this account is Rs.10 or it may be zero balance account.

2. Current account:

Current accounts are those accounts in which the account holder can withdraw the money at any requirements. This account is generally opened by businessmen, a company, proprietary concerns etc.

3. Term Deposits:

The banks provides the term deposit schemes to its customers to save money and provides good amount of interest. The following are the types of term deposits:

i. Recurring Deposits:

Recurring deposits are those which opened for the purpose to serve at future date. It is like savings easily through monthly instalments. There is a term or period for the deposits.

ii. Vijayashree Units:

Vijayashree scheme is a type of term deposit which helps the investors like individuals, professionals, institutions, housewives and farmers.

iii. Fixed Deposits:

Fixed deposits are those in which the fixed amount deposited into the accounts on quarterly, monthly, half yearly and yearly. The money which is deposited cannot be withdrawn before the term period.

iv. Jeevan Nidhi Deposit:

This type of deposits are helpful for people to save the money and deposit into bank under this scheme. All type of people like students, housewives, businessmen can use this deposit system.

v. Capital Gain Scheme:

This scheme helps to gain advantage from tax exception from the capital. The capital has to deposit in any branch before the filling of income tax returns.

II. Loans and Advances:

- A. Retail lending Scheme
- B. Advance to agriculture
- C. Government sponsored schemes
- D. Special schemes for Women

A. Retail Lending Schemes:

1. Housing Loan:

The housing loans are available to the customers, under housing loan there are many forms they are:

- i. Home Purchase Loan
- ii. House Construction Loan
- iii. House Extension Loan
- iv. House Renovation Loan
- v. Loan to purchase a land to build a house etc.

To get the housing loan the eligibility is the person has to age between 21 to 65 years. The bank will charge interest on amount of loan taken.

2. Vehicle Loan:

This loan provided to buy a new cars, motorcycles or to buy second hand vehicles. The loan term is not exceeding 5 years. The bank will charge interest on amount of loan taken.

3. Personal Loan:

Personal loans are the type of loan which helps to meet the short term needs. The age limit to avail this type loan is 21 to 55 years. The Vijaya bank will provide 6 lakhs of loan at 12% interest rate for salaried people and Rs.2 lakhs with 12% interest rate for pensioners.

4. Jewel Loan:

This loan is available for all kind of people they have to pledge the jewel and get the loan based on the price of jewel.

5. Educational Loan:

Vijaya bank will provide educational loan in all branches for post graduate students like medical, engineering, management etc. The limit of education loan in India up to ten lakhs and in abroad twenty lakhs.

6. Loan against property:

The loan is available by mortgaging the document of property. This loan is provided to non-industrial and non-agricultural property with 12.15% of interest rate.

7. Vijaya Rent loan:

This type of loan is available to owners of the loan only. This type loan is repayable on monthly instalment. The owner will let the room for rent to the reputed companies, institutions etc.

B. Advance to Agriculture:

Under this type, the loan is provided for the purpose of agriculture. For all kind of agricultural activities the loan is available by the bank. The interest for this kind of loan is lower than the other loans available in the bank.

C. Government sponsored schemes:

After the agreement with the government the bank will provide loan to the channelized agencies. This kind of loan is provides the maximum of 5 lakhs and also provides loan to Self Help Groups etc.

III. NON RESIDENT OF INDIA (NRI):

Non-Resident Indian are persons who born in India and living outside India can open the account. The types of NRI accounts are:

A. NRO Account:

The person who residing outside India can open this type of account and do the transaction in denomination of rupees. To open this account it requires a permission from RBI. The interest earned on the deposit in NRI account has been eligible for tax.

B. NRE Account:

NRE Indian account can be maintained as current account or savings account. The term of deposit is 1 year to 10 years. The account should be in Indian Rupees only. The fund can be transfer from NRE account to NRO account. The interest charged on deposits is Non-taxable in India.

C. Non-Resident Foreign Currency (FCNR) Account:

This type of accounts can be opened in 4 foreign currencies they are,

- Pounds Sterling
- U.S Dollars
- Japanese Yen
- Euro

The interest rate on these accounts are fixed or floating according to the rate decided by LIBOR for the currencies. The term for these deposits ranges between 1 year to 5 years.

IV. Card Services:

The Vijaya bank provides the various card services to its customers. They are as follows:

A. Domestic Cards:

The domestic cards offered by Vijaya Bank are as follows:

a) VISA Classic Credit Cards:

To get this type of card the account holder's income is more than Rs.60000 per annum and businessmen should have the income of Rs.50000 per annum to avail this service.

b) MasterCard Classic Credit Card:

MasterCard Classic Credit Card is a card which is same as Visa Classic Credit Cards.

c) Vijaya Platinum Card:

Vijaya Platinum Cards does not provide any loyalty points, it will provide the credit up to 50 days. The cash can be withdrawn by using MasterCard in ATM's using the identification number.

d) VISA Gold Credit Card:

This card is for high class people with the minimum income of Rs.120000 per annum and for businessmen the income should be Rs.100000 per annum.

B. Global Credit Cards:

Global Cards are provided for the people who aged above 18 years. Under this facility the bank provides the global services and it allows the international cards to do the transactions.

C. VISA Debit Cards:

The VISA Debit cards can be used by the individual, NRE account holders, Joint account holders etc. Who maintains a savings bank account.

V. Other Services:

Vijaya bank also provides many services to its customers, the other services are as follows:

A. Merchant Banking:

Vijaya Bank provides the capital to the companies which are in need to shape the share ownership instead of loan. Vijaya bank also provides the advisory services to the companies regards to investments.

B. Vijaya Raksha:

Vijaya bank provides the insurance facility to the account holder of the bank. It is a cheaper plan when compare to other insurance schemes. Vijaya Bank collaborated with Life Insurance Corporation provided this plan.

C. Pension Payments:

Vijaya Bank have a scheme for the retired people the scheme is called as pension scheme. It has to open the account to avail this service.

D. Mobile Banking:

Mobile banking is a service in which account holder can manage the account by using the mobile and the bank application. Mobile banking offers the SMS service and V mobile application. It provides 24*7 service to its customers.

AREA OF OPERATION:

The Vijaya Bank covers all the states and four union territories of country. The Vijaya bank have 1900 branches, 1651 ATM's all over country. Vijaya Bank have the highest number of branches and ATM's in Karnataka as it is based out from Karnataka.

Table No 1.1 showing area of operation:

NAME OF STATES	Branches	ATMs
ANDAMAN AND NICOBAR	2	1
ANDHRA PRADESH	190	94
ARUNACHAL PRADESH	5	8
ASSAM	20	24
BIHAR	35	38
CHANDIGARH	5	4
CHATTISGARH	25	22
DADRA AND NAGAR HAVELI	1	2
DAMAN AND DIU	1	
DELHI	75	66
GOA	5	15
GUJARAT	115	79
HARYANA	40	24
HIMACHAL PRADESH	10	16
JAMMU AND KASHMIR	4	3
JHARKHAND	15	12

KARNATAKA	630	482
KERALA	135	86
MADHYA PRADESH	65	46
MAHARASHTRA	170	154
MANIPUR	5	4
MEGHALAYA	5	4
MIZORAM	2	
NAGALAND	5	8
ORISSA	30	16
PUDUCHERRY	2	2
PUNJAB	50	33
RAJASTHAN	70	48
SIKKIM	1	
TAMILNADU	150	112
TELANGANA	15	47
TRIPURA	3	6
UTTAR PRADESH	150	84
UTTARAKHAND	10	8
WEST BENGAL	60	44
TOTAL	2106	1651

OWNERSHIP PATTERN:

Vijaya Bank is a private limited company and it has the equity share holders for the company. The ownership pattern of the company is given below:

Table No 1.2 showing ownership pattern of Vijaya bank

S.NO	CATEGORY	NO OF SHARES	PERCENTAGE OF SHAREHOLDING
1	<u>Shareholding of promoter and promoter group</u>		
	Central government state governments	70,25,32,074	70.33
	Sub total	70,25,32,074	70.33
2	<u>Public shareholding</u>		
	- Institution:		
	Mutual funds/UTI	99,26,048	0.99
	Financial institution/Banks	11,72,656	0.12
	Central governments/state governments	71,200	0.01
	Insurance companies	13,58,04,380	13.60
	Qualified foreign investor	3,20,82,742	3.21
	Sub total	17,90,65,792	17.93
	-Non institution		
	Individual shareholders holding nominal share capital excess of rupees one lakh	9,79,30,025	9.80
	Any other(specify)	1,93,17,449	1.93
	Sub total	11,72,47,474	11.74
	Total public shareholding	29,63,13,266	29.67
	Total(A)+(B)	99,88,45,340	100.00

ACHIEVEMENT AND AWARDS:

- Vijaya Bank got 'Best Banker -HR' award by The New Indian Express group for excellence in Human Resource Management.
- Vijaya Bank got the award for 'Most Excellent Asset Quality Management in India' in the year 2014-15 from Financial Technologies of Polaris.
- SKOCH Financial technology award 2017.
- The Most excellent presentation Award for Self Help Group awarded from NABARD. They got the award for PMJDY presentation for Micro and small enterprises, Government of India from Federation Industry Trade and Industry.

FUTURE GROWTH AND PROSPECTS:

Vijaya bank plans for the future to expand their business throughout India and in foreign countries. Vijaya Banks aims for 20% growth rate in upcoming year. Following are the future growths of the Vijaya bank.

- Vijaya bank is introducing the new loan schemes for small medium scale enterprises, different centers to provide quick and easy loans.
- Vijaya Bank plans to distribute the work among employees for better work.
- Vijaya Bank is into insurance sector and they want to improve in insurance sector, as there are many competitors in insurance sector.
- The Vijaya Bank provides the Jewel loan and they are plan to keep a separate centre for the jewel loan.

They planned to expand their branches as well as ATM's all over India.

SWOT ANALYSIS OF VIJAYA BANK

SWOT analysis is a measure to analyse the companies Strength, Weakness, Opportunity and Threat. SWOT analysis helps the company to get to know about themselves and improve on their weaknesses. The SWOT analysis of Vijaya bank are as follows:

➤ **Strengths:**

- Vijaya Bank provides standard service to its customers.
- They have the wide range of products and services.
- The staffs are well experienced and provide good training for employees
- The bank use the latest technology to serve the customers..
- Vijaya Bank provides good service to its customers.
- The bank carries a good image in the minds of people. They keep the faith on them.
- Bank provides high level of branch network.

➤ **Weakness:**

- The competitive banks comes up with new and profitable schemes to the people to attract.
- Vijaya Bank limited their operation for India only, they do not have branches outside India.
- Vijaya Bank have very less promotion and advertisement activities.

➤ **Opportunity:**

- The bank has an opportunity to explore their range in India and also in abroad.
- The bank have an opportunity to improve their service and implement the new technology.
- Bank have an opportunity to improve the investors interest on the company by taking initiatives in product development, Human Resource Management etc.
- Vijaya Bank performs well from past years, and it has an opportunity to become a top bank on India.

➤ **Threats:**

- The main threat is competition from domestic as well as foreign banks.
- Changes in Government policies about banking system.
- Lack of employees in specialized areas of bank.
- Inflation is a threat for the bank.

CHAPTER-2

CONCEPTUAL BACKGROUND AND LITERATURE REVIEW:

Anuradha (2001), stated that "the requirement for the difference in Indian banks and the administrations behind the change like globalization, advancement, outside exchange and so on. The preparation additionally features numerous worries that are to be looked by the Indian banks in the event that they remain unaltered".

Chowdary Prasad (2002), compared the economic reforms of India with that of China that took place in 1998. He has stated "Reforms in India have just been a decade old but there have been numerous changes in political set up, industrialization policies, legal reforms, privatization, etc."

Kasthuri Nageswara Rao (2002), defined "Out the six extreme area banks perceived by Verma group, Vijaya Bank, Indian Overseas Bank and Union Bank of India have opened up to the world and now Indian Overseas Bank still has an unfavorable scope proportion. The rest of the banks are in agreeable position".

K. Shiva Kumar and V. Samyoudha (2002), study contains "the evaluations given by the respondents in an example stuffy for different administrations in particular client reactions towards counter administrations, passbook administrations, check administrations, request draft administrations, safe administrations and so on. The examination expresses that clients are profoundly happy with the administrations that are given by private segment banks when contrasted and division and co-agent banks".

M.G Bhide, A. Prasad, Saibal Ghosh (2002), study "has perceived a few faintness in banks after second gathering of changes in particular loan cost deregulation, non-performing resources, coordinate loaning, possession structure, lawful system, and so on."

Mohammed Azmathullah Mobeen's (2002), study identified "a few administrative aptitudes to be controlled by the administrators at various levels out in the open part banks based on Katz model of management skills and quality, Goldsmith and Boone's five key commitment model (commitment to the customer, Organization, to self, to people, to the task)."

N. Janardhana Rao (2002) said, "The new mandate SARFESI act 2002 spreads three irrelevant issues securitization, remaking and magnificence of wellbeing benefits. It would be better if these issues would be addressed specifically and independently. There is no doubt that the ordinance is to run the banking system in India, covering the bad debts is just the beginning. However much remains to be done."

S.N. Bidani said (2002), "Banks should attempt to drill down particular reason which are in charge of expanding NPA's and advance systems and record particular activity anticipate their expulsion. Such an approach would not just help them in cutting down the current NPAs yet additionally check slippage of performing accounts in to this classification."

Suresh Krishnamurthy (2002) defined, "Innovation development has made a section between the banks. All these, the go old, recognize with new private division and old private area banks keep on thriving. Here is the examination of old private segment banks that have seen a time of assessment and now it at a urgent phase of their advancements."

Suresh Krishna Murthy (2003) said, "Public Sector Banks, either to see as the Government's white elephants, have entered into a golden era. Reduced NPA's and better operating practices have turned these enterprises into a force to reckon with."

V. Raghunathan (2003) stated that, "Joining in the keeping money segment accept expanded centrality since banks today never again contend simply with different banks. They in reality contend with out and out various divisions."

Chandra Shekhar (2003), specified that "The most imperative piece of managing an account part changes was lessening of NPAs. Indeed, the entire push to change the saving money segment would crumple if the banks were not ready to contain and decrease their NPAs. It would be incomprehensible for a keep money with high NPAs to be either dynamic or focused. 'What are these NPAs? These are the advantages that don't yield any arrival.'"

Dharmalingam Venugopal (2003) defined, "The eventual fate of nationalized banks procures on their ability to shape great esteem resources in a step by step aggressive market while keeping capital sufficiency and prudential standards. Union, to improve administrative

productivity, and rivalry, to change client benefit, are the key factors that will affect nationalized banks."

Aloka Majumdar (2003), expressed that, "Rising patterns have a ton to do with the adjustments in the structure of the keeping money framework. The second and similarly imperative territory, where banks are counts on other of their ability, is on the retail side."

Aditya Pun (2003) stated, "Innovation has empowered banks to target clients, and give modified items and administrations to coordinate their individual prerequisites. The victors will be those banks that make ideal usage of accessible innovation to develop, offer altered items and administrations, and take advantage of the assets available to them."

K. Eswar (2003) said, "As our market evolve, so customer requirements change, and hence the positioning strategy needs to be modified. Placing is not one-time power. It is an endless chase."

Pramod Guptha (2003) said, "Both open and private banks are spending huge measure of cash on innovation to give new products and ventures to their customers with more comfort and satisfaction. Innovation is sinking the cost of exchange and expanding customer base and permit more extensive reach."

Abhiman Das and Saibal Ghosh's (2004), study lead "to know the demonstration of bank CEOs in the period of corporate matchless quality, attempted to distinguish the adaptability attributes of CEOs as far as innovation. The investigation likewise expresses that CEOs of inadequately performing banks are probably going to confront complex business than CEOs of better performing ones."

T. Uma Maheshwari Rao and L. Hymavathi (2005), stated, "The significance of web use for managing an account all inclusive and its centrality in Indian circumstance to enter the present keeping money business the banks were changing themselves and leading their business electronically. This change prompts typical managing an account to electronic keeping money, empowered client to execute on the web, while saving money on different elements."

Guillen and Tschoegi (2008), "Customer banks perceived the variety in their operational with a specific end goal to be more open to the general market interest for new budgetary item in new focused market."

GENERAL INTRODUCTION

INTRODUCTION OF NON PERFORMING ASSET:

The three letters "NPA" strike fear in saving money division and business circle today. NPA is short form of "Non-Performing Asset". The NPA rule say when interest or other due to bank remains unpaid for more than **90 days**, the entire bank loan naturally turns into non-performing asset. The recovery of loan has always been problem for banks and financial institution. To overcome these first we need to think is it possible to avoid NPA, no cannot be then left is to look after the factor responsible for it and managing those factors.

WHAT IS NPA (Non-Performing Assets)?

Activity for authorization of security intrigue can be started just if the secured resource is named Non-Performing Asset.

Non-Performing Asset implies benefit or record of borrower, which has been arranged by bank or money related organization as sub-standard, suspicious or misfortune resource, as per the bearing or rules identifying with resources order issued by RBI.

DEFINITION:

A benefit, including a rented resource, moves toward becoming non-performing when it stops to create income for bank.

Till 1992 there was no arrangement of characterizing resources basing on their salary procuring limit. Intrigue used to be charged till the date on which accounts were exchanged to LPD (Loan Past Due) and the whole intrigue so charged was represented as pay. With a specific end goal to institutionalize and acquaint basic standards with all banks, administration of India had named a board of trustees headed by Mr Narasimham. In light of the proposals of the Narasimham board, the prudential standards identifying with Income Recognition, Asset Classification and provisioning (IRAC) were introduced by Reserve Bank of India from 01.04.1992. Over the years, norms have been revised to take care of the changing needs.

The above norms deal with main aspects i.e. Asset Classification, Income Recognition and Provisioning.

1. Asset Classification:

All loans are classified as Performing Assets (PA) or Standard Assets and NPA. It is based on the record of recovery of interest/ principal in these accounts in addition to other irregularities like delay in submission of stock statements, delay in renewal of limits etc.

The asset classification is done borrower wise and not account/ facility wise. Every one of the offices conceded to a borrower should be dealt with as NPA and not the specific office or part there of which has turned out to be unpredictable. As needs be, on the off chance that one record of the borrower is named NPA, alternate records, which are generally performing, might likewise be named NPA of a similar classification.

1.1 Performing Assets:

Performing resources are standard resources which don't reveal any issue and which don't convey more than the typical hazard joined to the business. The performing resource is one, which creates salary for the bank. An account is considered to be a standard asset when it is in order or where the overdue amount is up to a period of ninety days.

1.2 Non-Performing Assets:

An advantage is dealt with as non-performing resources when it stops to produce salary for the bank. Such non-performing resources might have all around characterized credit shortcomings, which may imperil liquidation of the obligation and are arranged by particular probability that the bank would support some misfortune, if the inadequacies are not remedied.

NPAs are further classified into 3 groups i.e. Sub-Standard, Doubtful and Loss assets.

1.3 Sub-Standard Assets

In regard of credit accounts if any sum is late for a time of over 90 days from the due date, the record ought to be delegated sub-standard resource. A sub-standard resource is one, which has stayed as a NPA for a period not exactly or equivalent to a year. In view of the above revised guidelines, the DATE OF NPA assumes more significance. Non-Performing Assets, which has completed 12 months in sub-standard category, shall be classified as doubtful assets.

1.4 Doubtful Assets

- i. Doubtful resources are those, which have stayed in the sub-standard classification constantly for a year.
- ii. A non-performing resource were disintegration in the estimation of securities is over half of significant worth as surveyed by the bank/acknowledged by RBI already at the season of minimum investigation and where the estimation of securities accessible is over 10% of the extraordinary risk ought to be straightaway ordered under dubious class.

1.5 Loss Assets

A misfortune resource is one where the misfortune has been distinguished by the bank or Internal/External evaluator or the RBI Inspectors, however the sum has not been composed off completely or halfway. At the end of the day, such a benefit is viewed as uncollectable with little rescue or recuperation esteem.

Further, in instances of exposures, where the feasible estimation of security, while authorizing of the office is over 10% of the remarkable presentation and has hence dissolved to 10% or less of the extraordinary, at that point the benefit ought to be straightaway named misfortune resources.

Further, where there is a potential risk to recuperation because of disintegration in the estimation of security or non-accessibility of security and presence of different factors, for example, misrepresentation, bills marked down by counterfeit reports and so on., such resources ought to be named DOUBTFUL ASSETS (where the feasible estimation of securities is under 10% of the remarkable obligation), independent of the period it has stayed as Non-Performing Asset. At the end of the day, a NPA require not experience different phases of characterization if there should be an occurrence of genuine credit impedance and such resource must to be arranged straightaway as Doubtful or Loss Asset.

Period of Classification of NPA A/Cs

Table No.2.1

Classification	Period
Standard - Regular	Any period
Standard – Irregular (called special mention account)	90 days
Sub-Standard	12 months
Doubtful-up to one year	12 months
Doubtful-above one year but up to 3 years	24 months
Doubtful-above 3 years	Uncertain
Loss Assets	Uncertain

Example: A term loan was disbursed on February 12, 2013 and its first due date was June 15, 2013. But party did not pay. It will move from one stage to another as under:

Classification	Enters	Continues till
Standard	Feb 12, 2013	Jun 15, 2013
Special mention A/C	Jun 16, 2013	Sep 13, 2013
Sub-standard	Sep 14, 2013	Sep 13, 2014
Doubtful - 1	Sep 14, 2014	Sep 13, 2015
Doubtful - 2	Sep 14, 2015	Sep 13, 2017
Doubtful - 3	Sep 14, 2017	Uncertain

2. Income Recognition

The salary acknowledgment is connected to the idea of execution of the benefits. At the end of the day, the pay from performing resources just is to be perceived.

The pay from non-performing resource is perceived just to the degree of real recuperation made amid the bookkeeping year. Intrigue ought not be perceived on gathering premise in regard of records delegated NPA. It is to be reserved just when it is really gotten.

Plotting should not be charged to NPAs from the date on which they have been first named NPA. Intrigue charged to the degree not recuperated is to be turned around to particular records.

2.1 Agricultural Advances

In respect of Agricultural Advances, the following norms are applicable.

- a. An advance allowed for brief term harvests will be dealt with as NPA, if the portion of vital or enthusiasm there on stays past due for two product seasons.
- b. A advance allowed for long term harvests will be dealt with as NPA, if the portion of vital or enthusiasm there on stays past due for one product seasons.

With the end goal of these rules, "long length" harvests would be crops with trim season longer than one year and products which are not long term crops, would be dealt with as "brief span" crops.

The product season for each yield, which implies the time of collecting of the harvests, would be as dictated by the state level financiers advisory group in each state.

2.2 Gold Loans

Gold advances are typically conceded for rural purposes. Intrigue and chief is to be cleared inside a year. In any case, in regard of GL-OD the legitimacy is remained at 24 months. In this regard, branches are advised that immediately after completion of repayment period, the repayment period of loan can be extended by 6 months by the branch provided interest debited till such time is recovered.

3. Provisioning

The amount of provision to be made depends on the asset classification, security available etc.

Table No 2.2
Summary of Provisions Percentage

Standard – General accounts	0.40%
Direct Agriculture and SME	0.25%
Commercial Real Estate	1.00%
Sub – standard secured	10%
Sub – standard unsecured	20%
Sub – standard unsecured Infrastructure loans	15%
Doubtful – up to 12 months	20%
Doubtful – more than 12 months but up to three years	30%
Doubtful – more than 3 years	100%
For unsecured portion of doubtful accounts	100%
Loss account	100%
Total provisioning coverage ratio including floating provisions to be achieved.	70%

Recovery

Maintenance of a high quality credit portfolio has thus become a major challenge for the banks. The quality of bank's loan portfolio can impact its profitability, capital adequacy and liquidity.

Resolving NPAs through traditional methods like – containing the borrower at periodical intervals, bringing him to the negotiating table for one time settlement, resorting to legal remedies etc.

In changing circumstances, with customers adopting innovative and various methods to avoid repayment, the bank deemed it fit to have newer elements in their strategy of resolution of NPA and hence launched. NEW PASSIONATE APPROACH for recovery of NPAs. They are as follows:

- i. Contacting all NPA borrowers at least once during the period.
- ii. Recovery meets Lokadalat (by branch immediately or with the involvement of circle office).
- iii. Recovery in respect of NPA account with liability less than Rs. 25000/-
- iv. Follow up of closure of eligible accounts Of Rs. 25000/- and above and up to rupees two lakhs.
- v. Accounts with liability of over Rs. 2 lakhs outstanding in the books beyond a period of six months without initiating any action of recovery.
- vi. Action under SARFAESI act.
- vii. Follow up of one time settlement cases.
- viii. Action under section 138 of Negotiable Instrument Act.
- ix. ECGC/CGFSI claims.
- x. Accounts of wilful defaults where criminal action has been ordered.
- xi. Position regarding execution of RCs issued by debt recovery Tribunal.

1. Various factors affecting recovery

Lack in observing of laid down procedures in sanctioning and supervision of advances affects chances of recovery. Though some of the reasons for accounts becoming NPA and poor recovery go together, certain important factors, which effect the chances of recovery are as follows:

Internal Factors

1.1 Documentation defects:

- a. Non-filling up of schedules and unauthenticated corrections etc.
- b. Incomplete information on net worth of borrowers.
- c. Difference of signature on AODs from loan papers.
- d. Non-creation and non-registration of change on the securities with ROC.
- e. Non-compliance of inspection observation.
- f. Non-adherence to guidelines in verification of the documents of the title, inspection of security and market enquiry regarding value compared to the valuation.

1.2 Non-abstention of clear and complete particulars of the assets of the borrowers at the time of sanction indicating only the notional amounts without any particulars will adversely affect the chances of successful enforcement of the decree at a later date.

1.3 Non-inspection of securities periodically where by loss of securities may remain undated.

1.4 Non-compliance of sanction terms or deviating from the prescribed procedure may affect chances of recovery.

To a large extent, internal factors can be overcome if branch officials take timely and appropriate corrective steps.

External Factors

1.5 Erosion in value of securities: Renewal of securities by borrowers leads the bank into an unsecured position. Likewise old and absolute securities affect Bank's securities position.

1.6 Difficulties in enforcement of the securities: Practical difficulties are being experienced by the branches in disposing of securities mainly due to lack of infrastructure for safekeeping of securities.

- 1.7 Delay in suit proceedings: One of the negative factors in recovery is the delay involved in suit proceedings, which affects chances of immediate realization of securities.

2. Role of Branch officials in reduction of NPA and increasing recovery

- 2.1 There is a need for focused approach towards review and monitoring of each NPA accounts at the branches.
- 2.2 Abstention of additional securities for further securing loans shall also be considered.
- 2.3 Action plan and commitment on the part of the branch officials with target oriented approach and time bound program only can bring positive results.
- 2.4 Involvement of staff will definitely help in improving recovery. The forum of monthly staff meeting may be utilized for their purpose.
- 2.5 Post-sanction follow up and inspection of securities even in respect of overdue advances will help in maintaining effective control on security.
- 2.6 Effective utilization of non-public business working day with specific action plan involving all staff members of rural branches to contact the defaulting borrowers.

3. Strategies for achieving better recovery

- 3.1 Ensure timely renewal of credit limits.
- 3.2 Ensure prompt submission of stock statements.
- 3.3 Timely reporting of accounts under special watch category and close monitoring thereof for recovery of overdue instalments/interest to avoid changes in NPA.
- 3.4 Replacement of existing loan to be considered if the need if genuine-up gradation of existing NPAs by recovering overdue amount. Implementation of restructuring package permitted to ensure recovery as permitted.
- 3.5 Banker's right of lien and set-off as provided in the contract act should be exercised wherever applicable.

- 3.6 Abstention of post-dated cheques, presentation thereof on the due dates have to be followed up for better results. Dishonour of cheques are to be marked for further follow up including initiating action under section 138 of Negotiable Instruments Act.
- 3.7 Publication of photographs and details of defaulters and guarantors classified as wilful defaulters with liability of above Rs. 10 lakhs in the newspaper.
- 3.8 Enforcement of securities as per the provisions of SARFAESI act and enforcement of securities as per terms of loan documents.
- 3.9 Regular personal visit should be made for ascertaining details of assets of the borrowers.
- 3.10 Settlement of NPA accounts through compromise under PTS scheme.
- 3.11 As far as possible, suit filed cases are to be minimized as the court proceedings take considerable time and involve additional expenditure. Compromise settlements are to be encouraged wherever possible, as this will make the funds available immediately for recycling.
- 3.12 Proper liaison to be maintained for obtaining copy of decree, salary certificates for execution of decree, for withdrawal of cash deposited in the court etc.
- 3.13 Cluster approach profile of each account should be prepared area wise. If an area is visited, as far as possible, all the borrowers in that area having overdue are to be contacted for inspection of securities. Accounts are to be allocated to branch staff also for regular follow up.
- 3.14 Good rapport with the advocates should be maintained in order to speed up suit proceedings and to get regular feedback on all court cases.
- 3.15 Engaging Recovery Agents bank has formulated a policy on engaging recovery agents in tune with the RBI guidelines.
- 3.16 Early closure of non-recoverable legal action LPD accounts by writing off. This will ensure that the numbers of accounts are reduced resulting in saving of time and manpower.

4. Policy guidelines for follow up of NPA accounts

Once an account is classified as NPA, it should be reviewed immediately thereafter by a committee at Head Office.

Guidelines:

The committee, while reviewing the accounts, shall take into the consideration all aspects like reasons for the account becoming NPA, viability of unit, chances of revival, up gradation, staff lapses if any, etc. The committee shall also look into the aspects of restructuring of account and convey its decision to branches immediately.

- a. Branches should comply with the orders of the committee and should take all steps for restructuring of account within a period of **45 days** from the date permitted by a committee.
- b. If steps for revival are not possible within the particular period, branches shall take immediate steps for taking possession of securities in particular current assets and arrange for disposal of the same expeditiously duly following the laid down guidelines. This exercise is to be completed within **next 45 days**.
- c. Thereafter branches may examine recovering the dues after disposal of securities by way of a reasonable compromise proposal and recommend suitably to Head Office as the case may be.
- d. In case bank attempts to resolve the impaired asset through steps indicated under (a) or (c) above do not materialize, branch shall examine further course of action for recovery including legal and recommend appropriate resolution strategy. Branches to ensure completion of this process within a maximum period of one month.
- e. The entire process as above shall be completed within a period of 6 months from the date of account becoming NPA.

No NPA account with liability of Rs. 1 crore and above can stand in the books of bank beyond a period of 6 months without initiating any action for recovery.

For deferring any action including legal action, specific permission from executive director and managing director shall be obtained through the concerned sanctioning section at Head Office.

In case of non-compliance of schedule of time as above in exceptional cases, such accounts are to be referred by the branches to head office by giving specific reasons.

5. Marking the accounts for recovery

Once an account becomes NPA, recovery efforts are to be stepped up. In case there is absolutely no possibility of upgrading the assets or recovering the amount without resorting to legal action, such accounts are identified for taking recovery steps.

5.1 Following are some examples where immediate steps to decide the future course of action are to be initiated by the branches:

- 5.1.1 When loan papers have completed 24 months, and the accounts are already in NPA category and branches are not hopeful of any settlement.
- 5.1.2 Where the borrower has expired, but fresh loan papers have not been obtained from legal heirs even after 3 months.
- 5.1.3 Where the business is closed, mis-utilization of funds is noticed.
- 5.1.4 Where securities are sold without banks knowledge or shortage of securities is noticed and the account is not regularized within the stipulated time.
- 5.1.5 Where the unit is identified as sick but no acceptable revival proposal is submitted even after 6 months.

5.2 The date and particulars of irregularities noticed and steps taken for regularization are to be reported to sanctioning up authority and permission should be sought for recalling the advance. As non-reporting of the factual position may be treated as a lapse at a later date, branches have to exercise care in this regard.

5.3 The follow-up section at head office on getting the above report, shall guide branches and necessary permission for recalling the advance will be given if the accounts are not regularized within the particular time.

5.4 Allowing NPA accounts to outstand in the books for longer duration, without any progress in recovery or without any time bound action for recovery,

5.5 Reflects poor follow up at the branches as well as at head office.

5.6 Head office, before permitting transfer of account to LPD and transfer file to R&F section, should ensure that deficiency if any in section/ follow up of the account has been looked into. A specific reference regarding staff lapses should be made in the note placed before appropriate authority and particularly so where the account has suffered quick mortality.

6. Delay in marking the accounts for recovery:

There should not be any delay in marking the account for recovery and initiating time bound recovery steps, as the delay will dilute bank's chances of recovery.

Consequences of delay in initiating appropriate recovery steps are many:

- 6.1 It leads depletion of the security.
- 6.2 Borrowers may shift the securities to defeat the recovery efforts of the bank.
- 6.3 It results in huge accumulation of unapplied interest, in case the account is already in NPA category, which has been adversely commented upon by the court.
- 6.4 This will increase the level of NPA, which in turn will adversely affect the bank on many counts.

Recovery Steps under Revenue Recovery Act.

- (1) Several states have passed the Revenue Recovery Acts, provisions of which help banks to recover their loans granted to borrowers under certain specified schemes.
Whenever such legislative provisions are available and if such course is found effective, branches should make use of the act, rather than resorting to legal action. The recovery steps under revenue recovery act are economical and if pursued properly results in effective recovery. However, in some states stamp duty as applicable to regular suit is payable. In such circumstances, it may not be beneficial to the bank from cost point of view.
- (2) For accounting and reporting purposes, the accounts where Revenue Recovery Actions are initiated, are to be categorized under suit filed accounts and to be classified as the case may be.
- (3) Wherever, provisions of revenue recovery act are found ineffective, branches may have to take a decision for filing a suit, depending upon the prospects of recovery.
- (4) In many states it is seen that the provisions of revenue recovery act do not extend limitation of loan documents.

SARFAESI ACT 2002

The Securitization and recreation of money related resource and requirement of security premium act 2002 were ordered to manage securitization remaking of monetary resources and authorization of security premium and matters associated thereto. Notable highlights of the SARFAESI demonstration were brought out.

Definition:

Borrower: Any person who has been granted financial assistance by bank, or who has given any guarantee or created mortgage or pledge as security to the bank in respect of any loan, who become of a securitization company or the reconstruction company consequent to acquisition by it.

Property: (I) resolute property; (ii) any obligation or ideal to get instalment of cash, regardless of whether secured or unsecured; (iv) receivables, in the case of existing or future; (v) immaterial resources, patent, copyright, exchange check, permit, establishment or some other business or business right of business nature.

Authorized Officer: As per SARFAESI rules, ‘Authorized Officer’ means an officer not less than a chief manager of the bank as specified by the board of directors of the bank.

Fitting Authority: The controlling expert from whom authorization is to be gotten by a branch for continuing under SARFAESI act is specified as proper specialist.

Proceedings sought to be initiated under SARFAESI act are like to seek permissions for filing suits. Hence, prior permission for proceeding under SARFAESI act is obtained from the appropriate authority, who is authorized to permit transfer of accounts to LPD and filing of suits. However, head office are empowered to accord permission to initiate action under SARFAESI act in respect of head office powers accounts.

In the event of the “Authorized Officer” as indicated above, and the appropriate authority the authority who gives permission for initiating steps under the SARFAESI act, being one and the same official, then the appropriate authority for such cases shall be the authority who is one level higher than the “Authorized Officer”.

RBI Guidelines on Sale/Purchase of NPAs

So as to expand the alternatives accessible to banks for settling their non-performing resources and to build up a solid optional market for non-performing resources, where securitization organizations and remaking organizations are not included.

Eligible account: A budgetary resource, including under various keeping money courses of action, would be qualified for procurement/deal as far as these rules in the event that it is a non-performing resource in the books of the offering bank.

Filing of Suit for Recovery

For filing suit, a banker is expected to be aware about terms used and the requirements of the law.

Limitation-suits can be filed only if the limitation in the account has not expired.

Government accounts/ Government Guarantee – For filing suit in such accounts, a notice of minimum 2 months, under section 80 of CPC 1908 are essential.

Types of Suits

Mortgage suit: where recovery is to be made from sale of mortgaged immovable property. Such suits can be filed in a court having jurisdiction over the property.

Summary suit: where there is no security and suit is to be filed on the basis of negotiable instruments.

Written Statement: Defendant is given 30 days period (from date of service of summon) to file his defence by way of written statement. Time can be extended by court by 90 days.

Death of defendant – Application for impleading legal heirs can be made within 90 days from date of death.

Adjournment – maximum 3 adjournments can be allowed.

Attachment before judgement – where the informer apprehends disposal of a property by the defendant, application for attachment before judgement can be made under section 38 of CPC.

Injunction – Defendant can be restricted from disposal of assets by way of an application for injunction under section 39 of CPC.

Appointment of receiver – where some assets belonging to the defendant are earning some income, application can be made under section 40 for appointment of receiver to collect commissioner the income.

Appointment of court commissioner – If assets are in bank's possession application can be made for appointment of court commissioner for sale.

Preparation of decree – Court is required to prepare decree within 15 days of judgement. Bank can obtain a certified copy of the decree. In case of mortgage, preliminary decree is passed and on non-payment by the defendant, application for final decree is required to be made within 3 years.

Execution of decree – Where the defendants fail to pay, application for execution proceedings can be made within 12 years from date of decree. In execution, judgement debtor can be arrested where he has means to pay and he is not paying and amount of decree is above Rs. 500.

Sale of property – where immovable property is to be sold and bank wants to bid, permission from court is required under rule 72 and 73 and order 21 for bid by the bank, in the auction.

Recovery of expenses – Banks can recover as part of the cost, a number of expenses such as court fee, service charges, payment to court commissioner, expenses for protection of securities etc.

Legal Aspects of Recovery

1. Awarding of interest by court (sec.34 of CPC):

In case of money suits (other than mortgage suits) once the matter comes before court, what interest should be awarded from the date of the institution of the suit till repayment is left to the discretion of the court under section 34 of civil procedure court. There are two periods between the dates of institution of the suit and date of payment for awarding interest.

(a) Dated from the date of organisation of the suit to date of decree.

(b) Since date of decree to date of repayment.

2. Interest in respect of mortgage suits:

In respect of mortgage suits, order 34 rule 11 of CPC provides that the rate of interest if the 'contract rate' up to the date fixed for payment in the preliminary decree and thereafter at such rate as the court deems reasonable.

3. Section 21 – A banking regulation Act:

Provisions of 21 – A banking regulation act provide that courts cannot reopen the past transaction regarding rate of interest charged till the date of filing suit for recovery. It is presumed that the above section will not have impact on the rate of interest to be awarded subsequent to the date of institution of the suit, under section 34 of CPC.

4. Principal sum for the purpose of a suit and awarding future rate of interest:

As per the banking practice, the total dues as on the date of filing suit is treated as the principal portion of suit claim. Normally future rate of interest is awarded by this amount claimed. But there are several instances where courts have reduced the principal portion of the suit claim to that of original advance or by eliminating the interest portion from the suit claim.

5. Instalment facility in decree:

There may be instances where courts tend to award instalment facilities to the borrower while passing decree without the consent of the creditor. If the instalments specified are not reasonable, then steps are to be taken to prepare appeal by taking permission from the appropriate authority.

6. Summary suits – advantages to the Bank:

Filing of summary suits, under provisions of order 37 of CPC, for recovery of certain types of debts is found more advantageous to the bank as it results in getting an early decree.

Prudential Norms on Asset Classification, Income Recognition and Provisioning

Asset Classification:

Branches have to carry out a detailed exercise of assets classification before preparing the Balance Sheet as at 31.12.2017. The 90 days overdue concept shall be applicable for Asset Classification.

The following accounts can be classified as Standard assets for the Balance Sheet at 31.12.2017.

1. Fresh running limits availed.
2. Additional loans availed where due date for sum of interest falls.
3. New bills limits availed where due date of payment falls.

4. Accounts guaranteed by central government to the level of guarantee cover available.
5. Existing loans and advances where interest due have to be paid.
6. Advances granted for agriculture – allied activities, where the due dates for payment of instalment/interest falls due on or after 03.10.2017.

Provisions for NPAs

Sub – Standard Assets:

A general arrangement of 10% on add up to extraordinary is offered without making any lenient gestures for ECGC ensure cover and securities accessible. The 'unsecured exposures' which are distinguished as 'Sub – Standard' would pull in extra arrangement of 10%, i.e. aggregate of 20% on the remarkable adjust. Unsecured introduction is characterized as on presentation where the feasible estimation of security, as evaluated by the bank/affirmed esteems Reserve Banks Inspecting Officers, isn't over 10%, abdominal muscle initio, of the exceptional introduction. 'Presentation' ought to incorporate every single subsidized introduction (counting endorsing and comparable responsibilities). Security will mean substantial security legitimately released to the Bank exclude intangible securities like ensures comfort letters and so on.

The foundation advance records which are named sub-standard resources will pull in a provisioning of 15% rather than the arrangement remedy of 20%, gave the branches have set up a proper component to the money streams and furthermore have a reasonable and lawful first case on these money streams.

While detailing the estimation of securities in the supporting sheets implied for sub-standard resources, add up to estimation of securities ought to be accounted for. While figuring the arrangement, the estimation of securities ought to be contrasted and add up to finance and non-finance based risk and

- If the estimation of security is over 10% of the aggregate obligation (support and non-finance based), provisioning at 10% is made.
- If the estimation of security is under 10%, provisioning at 20% is made.

Doubtful Assets:

Arrangement at 100% is made for the shortfall partition i.e. to the degree the progress isn't secured by the feasible estimation of the security/ECGC cover to which the bank has a legitimate plan of action and the feasible esteem is evaluated on a sensible premise.

As respects the secured parcel, arrangement is made at the rate running from 20% to 100% of the secured divide contingent on the time of Doubtful.

CHAPTER-3

Research Design

1.1 Statement of the problem:

The benefit of the monetary establishment to a great extent relies on the level of salary created through ideal utilization of assets in the wake of paying for cost of assets for gaining them and other authoritative costs required there in. Once the advantage quits contributing the pay they are called as Non Performing Advances. NPA is an issue looked by keeping money industry on the loose.

Credit is like getting paste out of the tooth paste, easy to get it and recovery is like putting it back in the tube, it is usually risky. While every effort is being made by the banks to reduce the level of NPA, new changes are killing their hopes and keeping the banks on their toes. The incidence of NPA is affecting the performance of the banks both financially and psychologically which is reflected ultimately on the balance sheet of the banks. So it is important to analyse the problem and find alternative for recovery and prevention for the further NPAs. This study titled “Analysis of Non Performing Assets with reference to Vijaya Bank” analyses the NPA of Vijaya Bank.

1.2 Objectives of the study:

1. To identify the sources and nature of NPAs.
2. To know the past NPA trends of the bank.
3. To identify causes of NPAs.
4. To suggest preventive measures for NPAs.
5. Alternative ways for recovering NPAs.

1.3 Scope of the study:

The study makes attempt to analyse the impact of NPAs on profitability of Vijaya Bank. This study makes comparisons on the NPA figures of Vijaya Bank for five years. This study also throw light on the relationship that exists between Gross NPA, Net NPA, Gross Advances, Net Advances and Total assets of Vijaya Bank through which it gives an insight on the impact on NPAs on investment portfolio of Vijaya Bank.

1.4 Methodology:

The sources of data collected for the study is based on:

- i. Primary data: data were collected by interacting with the recovery department and through personal observation.
- ii. Secondary data
 - Annual reports of the Bank of last five years from 2013 to 2017.
 - Bank website www.vijayabank.com, manuals, moneycontrol and circulars.

1.5 Limitation of the study:

- Detailed analysis was not possible because of non availability of the sufficient data.
- Detailed analysis of all the aspects was not possible due to the time constraint.
- Due to maintaining the secrecy of the bank all the data's are not available.

CHAPTER-4

DATA ANALYSIS AND INTERPRETATION

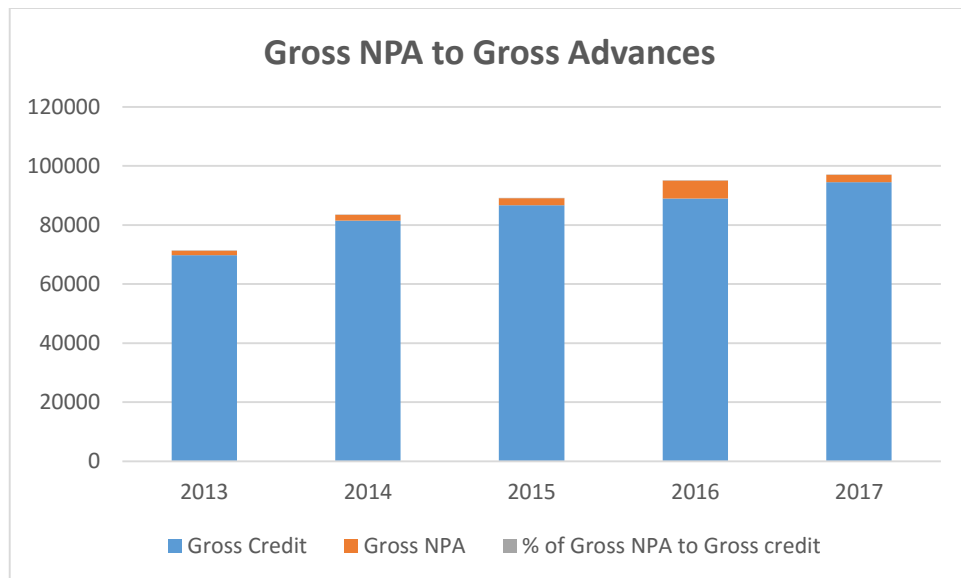
Trend of NPA in the bank for the last 5 years.

Table 4.1 Showing Gross NPA to Gross Advances

(Rs. in crores)

Year	Gross Credit	Gross NPA	% of Gross NPA to Gross credit
2013	69765.76	1532.94	2.1
2014	81504.03	1985.86	2.4
2015	86695.86	2443.21	2.8
2016	88986.96	6027.07	6.7
2017	94548.89	2443	2.5

4.1 Graph showing Gross NPA to Gross advances



Analysis

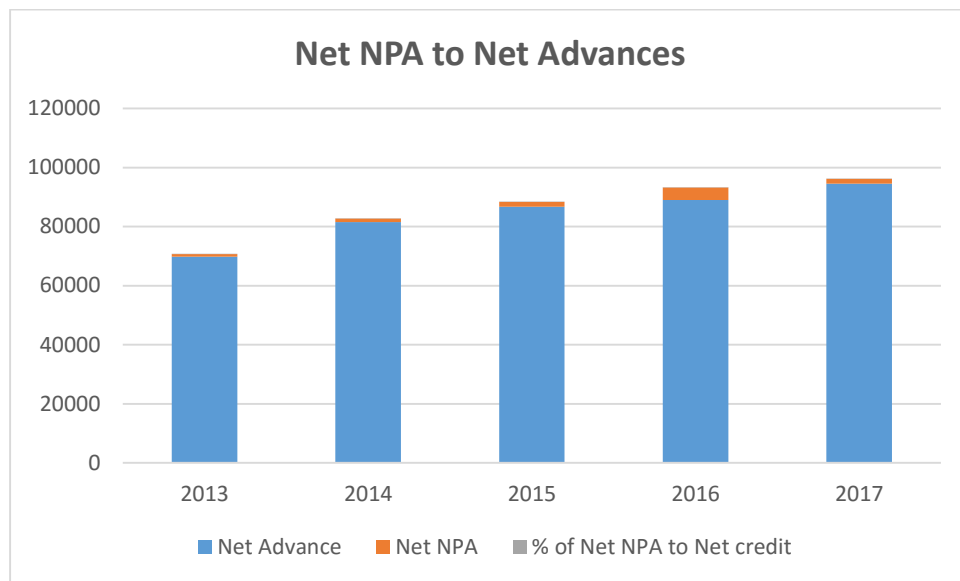
Gross NPA to Gross Advances shows the percentage of Gross NPA in the Gross Advances and this percentage is fluctuating year by year. The percentage Of Gross NPA in the year 2013 (2.1%) and then in 2014 it is increased to (2.4%) and later in 2015 it increased to (2.8%) in 2016 it is still increasing to (6.7%) in the year 2017 it is decreased to (2.5%). Even though the gross Advance is increased over the year, the percentage Of Gross NPA to Gross Credit is fluctuating year by year.

Table 4.2 Showing Net NPA to Net Advances

(Rs. in crores)

Year	Net Advance	Net NPA	% of Net NPA to Net credit
2013	69765.76	909.69	1.3
2014	81504.03	1262.37	1.5
2015	86695.86	1659.81	1.9
2016	88986.96	4276.82	4.8
2017	94548.89	1660	1.7

4.2 Graph showing Net NPA to Net Advances



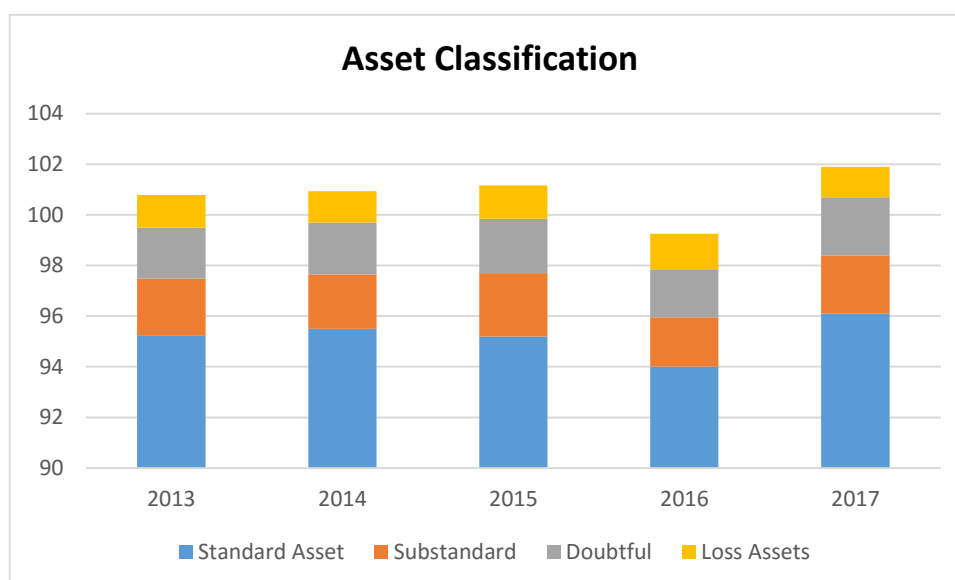
Analysis

From the above table it is Observed that the percentage Of net NPA is fluctuating over the last five years. In the year 2013 (1.3%) it increases in the year 2014 (1.5%) further in the year 2015 it increases to (1.9%) in the year 2016 it is rapidly increases to (4.8%) and in the year 2017 it is decreases to (1.7%). This percentage is fluctuating year by year which is not good in the year 2016, there was high raise in NPA which is not good for the banks. And later on in the year 2017 the percentage has decreased and come to the better in the field of recovery management. The net advances have constantly increased from the year 2013 (69765.76) to 2017 (94548.89).

Table 4.3 Showing Asset Classification

(Rs in crore)

Asset Category	2013	2014	2015	2016	2017
Standard Asset	95.24	95.50	95.20	94.00	96.10
Substandard	2.24	2.15	2.50	1.95	2.30
Doubtful	2.01	2.05	2.15	1.90	2.30
Loss Assets	1.30	1.24	1.32	1.40	1.20

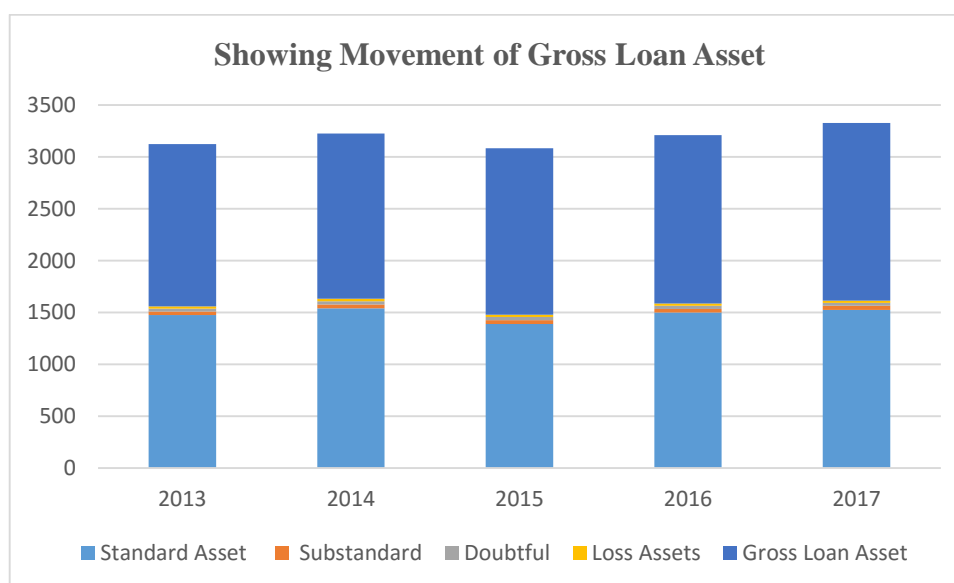
4.3 Graph showing Asset Classification**Analysis**

The asset classification shows that the bank is certainly strong in this regard standard asset of the bank is increasing every year. Standard assets are the assets which are recovered by the bank and in last five years standard assets is increasing towards higher level which good sign of the bank in the recovery of NPA. From 2013 to 2017 standard asset is increasing and substandard, doubtful and loss assets are not decreasing from year to year which shows the weakness of recovery system of the bank.

Table 4.4 Showing Movement of Gross Loan Asset

Asset Category	2013	2014	2015	2016	2017
Standard Asset	1476.20	1539.30	1390.90	1500.20	1524.10
Substandard	32.36	39.54	35.42	33.62	40.01
Doubtful	30.09	31.32	29.92	30.46	29.50
Loss Assets	22.10	23.40	24.31	22.40	21.94
Gross Loan Asset	1563.41	1592.31	1602.42	1623.33	1711.91

4.4 Graph Showing Movement of Gross Loan Asset



Analysis

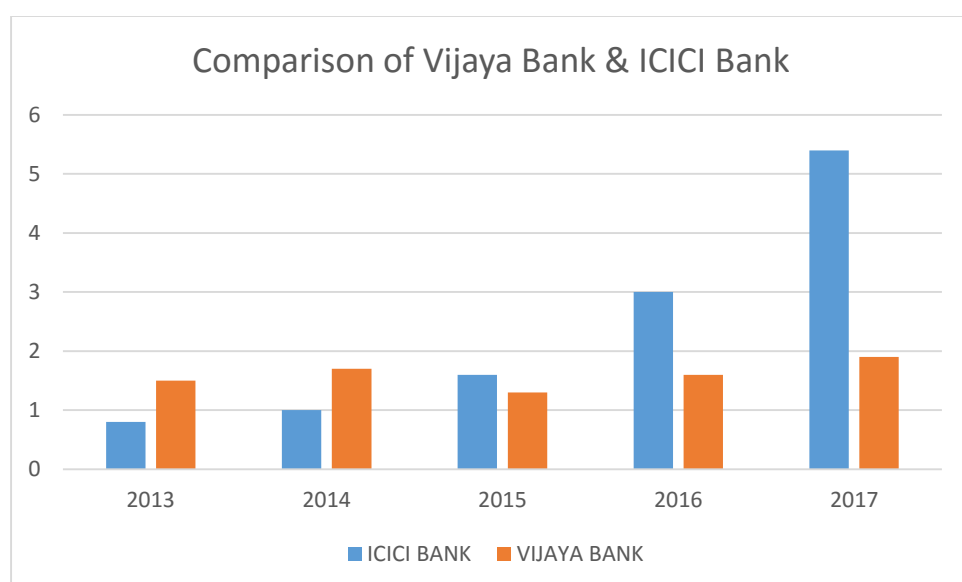
The Gross loan asset is moving upward in the recent year. The Gross loan asset in the year 2013 is less when compare to the Gross loan asset in the year 2017. Gross loan asset is the loan given by the bank to the customer, so when the bank loan increases it shows the good banking business and from 2013 to 2017 the Gross loan increased to Rs. 148.5 crores. The upward trend shows that the coming year also gross loan asset will be increasing.

Comparison of NPA with Different Banks

Table 4.5 Showing NPA Comparison of Vijaya Bank and ICICI Bank

Net NPAs (%)	2013	2014	2015	2016	2017
ICICI BANK	0.8	1	1.6	3	5.4
VIJAYA BANK	1.5	1.7	1.3	1.6	1.9

4.5 Graph Showing Comparison of NPA Vijaya Bank & ICICI Bank

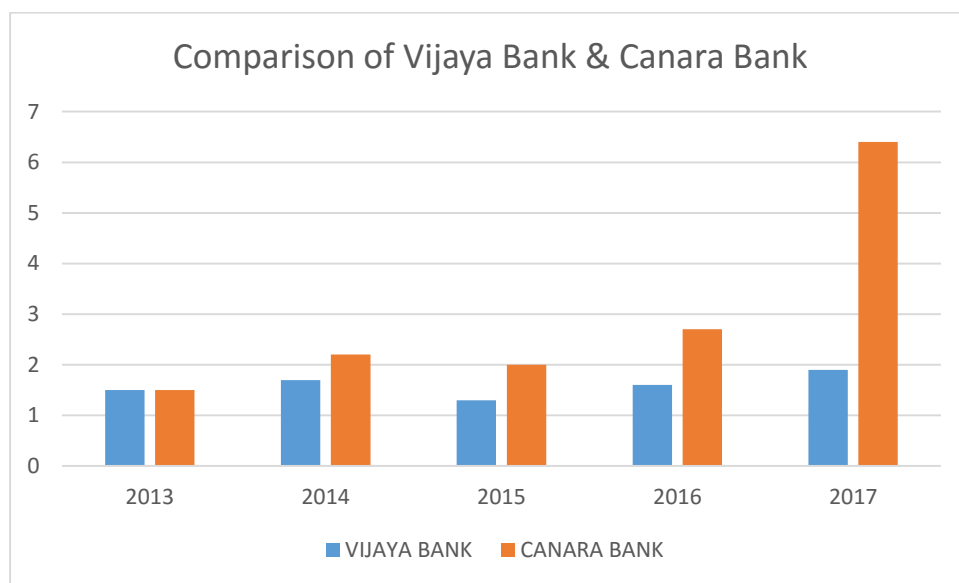


Comparison of NPA with ICICI bank shows that, in the earlier 2013 NPA is (1.5%) which was high in Vijaya bank compared to ICICI bank (0.8%) which shows negative impact to the Vijaya bank. In the year 2014 NPA of Vijaya bank is (1.7%) and NPA of ICICI bank was (1%) which is still high in Vijaya bank. In the year 2015 NPA of Vijaya bank is (1.3%) and NPA of ICICI bank was (1.6%) which was decreased compared to previous year. In the year 2016 NPA of Vijaya bank is (1.6%) and NPA of ICICI bank was (3%). In the year 2017 NPA of Vijaya bank is (1.9%) and NPA of ICICI bank was (5.4%). Compared to ICICI bank Vijaya bank has the better NPA status, which the NPA level in the bank always must be in the lower level which is good for the bank.

Table 4.6 Showing NPA Comparison of Vijaya Bank and Canara Bank

Net NPAs (%)	2013	2014	2015	2016	2017
VIJAYA BANK	1.5	1.7	1.3	1.6	1.9
CANARA BANK	1.5	2.2	2.0	2.7	6.4

4.6 Graph showing Comparison of NPA Vijaya Bank & Canara Bank

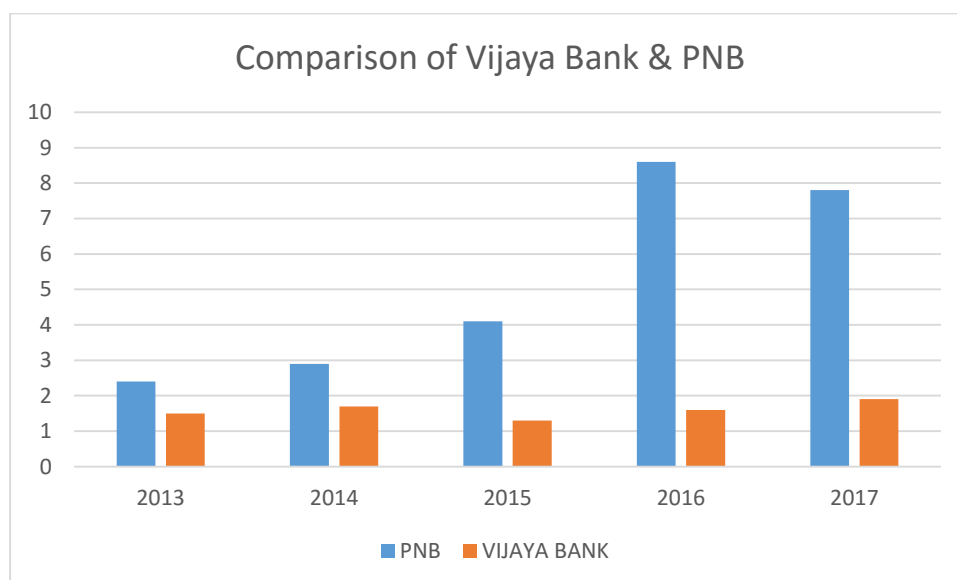


Comparison of NPA with Canara bank shows that, in the earlier 2013 NPA is (1.5%), in Vijaya bank and (1.5%) in Canara bank which has equal NPA in both the banks. In the year 2014 NPA of Vijaya bank is (1.7%) and NPA of Canara bank was (2.2%) which is good for Vijaya bank. In the year 2015 NPA of Vijaya bank is (1.3%) and NPA of Canara bank was (2%) which was decreased compared to previous year. In the year 2016 NPA of Vijaya bank is (1.6%) and NPA of Canara bank was (2.7%). In the year 2017 NPA of Vijaya bank is (1.9%) and NPA of Canara bank was (6.4%). Compared to Canara bank Vijaya bank has the better NPA status, which the NPA level in the bank always must be in the lower level which is good for the bank.

Table 4.7 Showing NPA Comparison Vijaya Bank and PNB

Net NPAs (%)	2013	2014	2015	2016	2017
PNB	2.4	2.9	4.1	8.6	7.8
VIJAYA BANK	1.5	1.7	1.3	1.6	1.9

4.7 Graph showing comparison of NPA Vijaya Bank & PNB

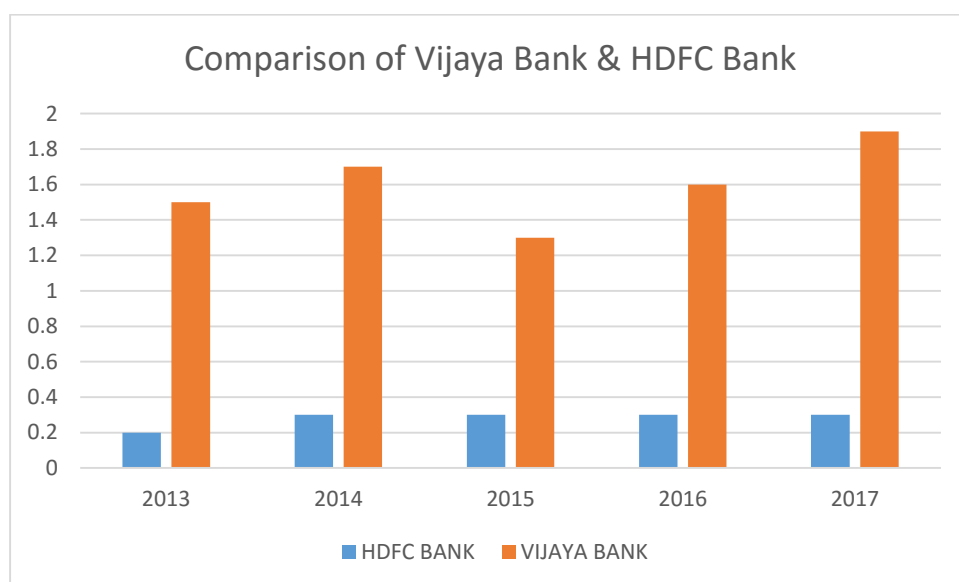


Comparison of NPA with PNB shows that, in the earlier 2013 NPA is (1.5%), in Vijaya bank and 2.4%) in PNB, which the NPA is better in Vijaya bank. In the year 2014 NPA of Vijaya bank is (1.7%) and NPA of PNB was (2.9%) which is good for Vijaya bank. In the year 2015 NPA of Vijaya bank is (1.3%) and NPA of PNB was (4.1%) which the NPA level was good in Vijaya Bank compared to PNB. In the year 2016 NPA of Vijaya bank is (1.6%) and NPA of PNB was (8.6%). In the year 2017 NPA of Vijaya bank is (1.9%) and NPA of PNB was (7.8%). Compared to PNB, Vijaya bank has the better NPA status, where in PNB's NPA level from the year 2013 to 2017 it was in the increasing level and this is not good for the banking industry, which the NPA level in the bank always must be in the lower level which is good for the bank.

Table 4.8 showing NPA Comparison Vijaya Bank and HDFC Bank

Net NPAs (%)	2013	2014	2015	2016	2017
HDFC BANK	0.2	0.3	0.3	0.3	0.3
VIJAYA BANK	1.5	1.7	1.3	1.6	1.9

4.8 Graph showing comparison of NPA Vijaya Bank & HDFC Bank



Comparison of NPA with HDFC bank shows that, in the earlier 2013 NPA is (1.5%) which was high in Vijaya bank compared to HDFC bank (0.2%) which shows negative impact to the Vijaya bank. In the year 2014 NPA of Vijaya bank is (1.7%) and NPA of HDFC bank was (0.3%) which is still high in Vijaya bank. In the year 2015 NPA of Vijaya bank is (1.3%) and NPA of HDFC bank was (0.3%) which was decreased compared to previous year in the Vijaya bank. In the year 2016 NPA of Vijaya bank is (1.6%) and NPA of HDFC bank was (0.3%). In the year 2017 NPA of Vijaya bank is (1.9%) and NPA of HDFC bank was (0.3%). Compared to Vijaya bank HDFC bank has better NPA status, this says that Vijaya bank is not in good condition of its NPA level compared to HDFC bank. The percentage of NPA level in the bank always must be in the lower level which is good for the bank.

CHAPTER-5

FINDINGS, SUGGESTIONS AND CONCLUSIONS

FINDINGS

- Performance of the bank over the period of study was as well as the ratio of net NPA to net advance is declining year by year.
- The net result, the recovery is affected, showing decline in the trend.
- Vijaya bank as adopted strict measures while assessing risk involved in lending which is depicted in the growing standard asset of the banks standard assets have grown substantially over the year
- Vijaya bank prefers recovery of high value NPA accounts through compromise for eligible case because filing a suite take longer time and the cost involved is also high. So bank is encouraging for the compromise of the NPA accounts.

SUGGESTIONS

- **Credit Risk Management**

It is suggested that a credit risk management frame work, as part of the integrated risk management, be put in place.

- **Setting up Research Department for the Evaluation of Risk**

It is recommended that the bank should set up research wing to know the risk related to individual industry in the economy.

- **Internal checks and system for early identification of NPAs**

Continuous monitoring by credit officers is the first line of defence in identifying the problem loans. It is recommended that frequency of preparing credit reports should be increased.

- **Training**

It is suggested that the regular training should be imparted to staff at appropriate levels on ongoing basis.

- **Award and incentive to staff**

A staff plays an important role in prevention as well as reduction of NPAs. In order to motivate the entire work force to explain on the recovery of NPAs, the competitive environment among branches, within region, zone and all India level should be created.

- Maximum possible efforts have to be made to avoid the diversion of funds advanced and should also try to solve the problem out of court. Bank can also think of outsourcing this function.
- More bank staffs can be assigned for the job of close monitoring the loan account.
- The recovery measures from specialized agencies and recovery linked fee or expenses related to that are also recovered from the borrowers.

CONCLUSIONS

Non Performing assets has arisen since over the decade as a threat to the banking industry in our country sending offensive signals on the sustainability and durability of the affected banks. The positive result of chain of systems affected under banking system reforms by Government of India and RBI in terms of two Narasimhan committee reports in this modern period have been defused by the effect of this threat.

The increasing levels of bad quality loans are the booklet of nationalized banks in the past few years. As a result bank shifted their focus from the industrial section to the corporate lending. There is a requirement of sound understanding of the macro economic variables and systematic issues relating to the banks economy for solving the NPA along with critically of strong legal and legislative frame work. The Indian legal system should provide the provisions for the quick and full recovery of the due amount.

Finally it is concluded that Vijaya Bank is in good position in the field of recovery management. As the study conducted for the last five years is gradually decreased. This is happened with the help of the good recovery system adopted by the bank.

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2. WEBSITES

- www.vijayabank.com
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3. BANKS INTERNAL RECORDS

- Annual reports of Vijaya Bank (2013-2017)
- Vijaya Bank manuals
- Books of recovery.

ANNEXURE

Balance Sheet of Vijaya Bank		----- in Rs. Cr. -----			
	Mar 17	Mar-16	Mar-15	Mar-14	Mar-13
	12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	998.85	932.56	859.12	859.12	495.54
Preference Share Capital	0	0	0	0	1,200.00
Total Share Capital	998.85	932.56	859.12	859.12	1,695.54
Revaluation Reserve	830.47	873.86	236.52	248.99	262.62
Reserves and Surplus	6,322.18	5,598.30	5,064.12	4,779.81	3,600.49
Total Reserves and Surplus	7,152.64	6,472.16	5,300.64	5,028.80	3,863.11
Total ShareHolders Funds	8,151.49	7,404.72	6,159.75	5,887.92	5,558.65
Equity Share Application Money	0	220	0	0	0
Deposits	133,011.95	125,440.72	126,343.35	124,296.16	97,017.24
Borrowings	11,061.80	10,300.57	7,278.19	4,744.80	6,391.82
Other Liabilities and Provisions	2,656.34	2,042.72	2,861.79	2,429.73	2,014.05
Total Capital and Liabilities	154,881.58	145,408.74	142,643.09	137,358.61	110,981.75
ASSETS					
Cash and Balances with Reserve Bank of India	5,770.42	6,268.35	6,534.29	5,540.21	3,917.70
Balances with Banks Money at Call and Short Notice	160.29	351.2	817.54	3,917.45	2,727.05
Investments	44,424.55	41,842.49	44,522.10	42,585.38	31,284.97
Advances	94,548.89	88,986.96	86,695.86	81,504.03	69,765.76
Fixed Assets	1,318.76	1,288.29	566.64	528.95	476.74
Other Assets	8,658.67	6,671.44	3,506.65	3,282.59	2,809.54
Total Assets	154,881.58	145,408.74	142,643.09	137,358.61	110,981.75
OTHER ADDITIONAL INFORMATION					
Number of Branches	2,031.00	1,863.00	1,618.00	1,512.00	1,359.00
Number of Employees	15,679.00	14,544.00	13,617.00	12,822.00	12,601.00
Capital Adequacy Ratios (%)	13	13	11	11	11
KEY PERFORMANCE INDICATORS					
Tier 1 (%)	10	9	8	8	9
Tier 2 (%)	3	3	3	3	3
ASSETS QUALITY					
Gross NPA	2,443.00	6,027.07	2,443.21	1,985.86	1,532.94
Gross NPA (%)	3	7	3	2	2
Net NPA	1,660.00	4,276.82	1,659.81	1,262.37	909.69
Net NPA (%)	2	5	2	2	1
Net NPA To Advances (%)	2	5	2	2	1
CONTINGENT LIABILITIES, COMMITMENTS					
Bills for Collection	2,281.21	22,989.10	3,769.87	3,630.69	3,477.18
Contingent Liabilities	15,920.14	22,989.10	12,791.24	11,727.74	13,519.90