



A STUDY ON ANALYSIS OF MANAGEMENT OF NON-PERFORMING ASSETS OF ICICI BANK IN INDIA

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A strong banking sector is important for an economy. One of the most important roles that the banking sector plays is to lead the business. This is generally encouraged as a result of the transfer of funds from the system for production purposes, which also contributes to economic growth. Since everything has its pros and cons, this also applies to major businesses that carry credit risk during the course of a transaction or when the borrower fails to meet its contractual obligation. Bankruptcy in the banking sector will adversely affect another sector. Non-performing assets are a major concern for banks in India. NPAs reflect the performance of banks. The high level of NPAs indicates the high probability of a number of credit defaults affecting the bank's profitability and net worth and undermining the value of the assets. The growth of NPAs includes the need for conditions that reduce overall profits and shareholder value. The problem of non-productive assets has been widely discussed for the economy.

The bank becomes a non-performing asset (NPA) when the bank fails to generate normal income such as interest on the loan. In other words, when a bank become an NPA.

II. OBJECTIVE OF THE STUDY

- Study the non-productive assets of ICICI Bank in India.
- Investigate the influence of NPAs on the profitability of Bank ICICI Bank of India.
- Give appropriate directions to avoid future NPAs and to check NPA trends in Bank ICICI Bank of India

III. REVIEW OF LITERATURE

- Dr. Ashok Kumar Gupta and Priyanka Gautam (Jan 2017) The of study is to evaluate the performance of the Punjab National Bank with reference to the problem of Non-Performing to examine the trend of NPA in PNB. To investigate the impact of NPAs on profitability of PNB Assets (NPA) The level of NPAs is one of the drivers of money related security and development of the saving money division.
- Kumar, S. and Singh, R. (Feb 2016) analysed the non-performing assets in public division banks and a similar study is done between priority sector lending and non-priority sector lending. The study broke down patterns in Gross NPAs and Net NPAs of public sector banks, to examine whether there is critical effect of priority sector bank loaning on the total NPA of open segment banks and to discover the effect of recovery on NPAs of the PSBs amid from 2003-04 to 2013-14.
- Vivek Rajbahadur Singh(mar 2016) A Study of Non-Performing Assets of Commercial Banks and it's recovery in India has analysed to the overall performance of all Indian banks specially commercial banks on the NPAs. It's used by impact and various channels of NPAs on banks. For has considered Non Performing Assets in Scheduled Commercial Banks which includes public sector banks, private sector banks and foreign banks which are listed in the Second Schedule of the Reserve Bank of India Act, 1934. The study is based on secondary data.

IV. RESEARCH DESIGN

Sources of data

The data collected are mainly secondary in nature. Data sources for this paper include literature published by the Bank of India and the Reserve Bank, various journals, newspapers, books dealing with current banking landscape, and research papers.

Tool for presentation

Tables, chart and graph are used for the pictorial presentation of the result for a better communication.

V. FRAMEWORK OF NPA MANAGEMENT NON-PERFORMING ASSETS

NPAs (NON-PERFORMING ASSETS) have turned to be a major stumbling block affecting the profitability of Indian banks before 1992 banks did not disclose the debts sustained by them and provision made by them fearing that it may have an adverse. Owing to the low level of profitability, banks owned fund had to be strengthened by respect infusion of additional capital by the govt. the transparency is considered as a milestone measure in the financial sector reforms. These prudential norms strengthen the banks financial position and enhance to income recognition, assets classification for bad and doubtful debts and capital adequacy.

The Securitization and Reconstruction of Financial Assets and Enforcement of security' Interest (SARFAESI) act, 2002 defined non-performing assets as" **an asset or account of a borrower, which has bear classified by a bank or financial institution as sub-standard, doubtful, and loss asset in accordance with the direction and guidelines relating to wet classifying issued by the RB**"

ASSET CLASSIFICATION

• Categories of NPAs

Banks are required to classify nonperforming assets further into the following three categories based on the period for which the asset has remained nonperforming and the reliability of the dues:

- Substandard Assets
- Doubtful Assets
- Loss Assets

TYPES OF Nonperforming Asset

1. Gross Nonperforming Asset
2. Net Nonperforming Asset

PROFILE OF THE BANK

This chapter contain the meaning and definition of bank, structure and its function, ICICI Bank in India.

“bank is a lawful organisation, which accepts deposits that can be withdrawn on demand. it also lends money to individuals and business houses that need it. “

The necessity of saving money was felt by people even in olden days. They used to hoard money in their homes. With this practice, savings were available for use whenever needed, but it also involved the risk of loss by theft, robbery and other accidents. Thus, people were in need of a place where money could be saved safely and would be available when required. Banks are such places where people can deposit their savings with the assurance that they will be able to withdraw money from the deposits whenever required. People who wish to borrow money for business and other purposes can also get loans from the banks at reasonable rate of interest

VI. ANALYSIS AND INTERPRETATION

The NPA analysis is commonly called analysis and interpretation of NPA statement. The NPA statement establishing relationship between the items in financial statement and NPA statement for determining the financial strength and weakness of the business. It involves analysing the financial positions to extract information that can facilitate decision making. In this chapter collected data are analysed by using data analysis tools and accordingly interpretations are made. The data is presented by using tables and charts.

MOVEMENT OF GROSS NPA AND NET NPA

The gross NPAs the important indicator of the NPA management of the bank. By the movement of gross NPA it has seen that how effectively the organization is implementing the management policies. The net NPA are those type of NPAs in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of the bank. The net NPA indicates the movement of NPA excluding the provisions for it and the net movement of NPA can be analysed by the growth rate of net NPA.

Table No:5.2

MOVEMENT OF GROSS NPA OF ICICI BANK

(In billion)

Year	Gross NPA	Net NPA
2014	105.54	33.01
2015	152.42	63.26
2016	267.21	132.97
2017	425.52	254.51
2018	540.63	278.86
2019	462.92	135.77
2020	408.29	99.23

Source: ICICI bank's annual report

Graph No:5.2

MOVEMENT OF GROSS NPA OF ICICI BANK OF



INTERPRETATION

The gross NPA and the net NPA are mixed way and the chart and the table shows at high net NPA providing upon better profit making at 2014 to 2018 and next two years (2019 & 2020) shows at decreasing to the net NPA. And 2014 make 105.54 million gross NPA but 2018 took over the high level gross NPA and net NPA and 2019 and 2020 took over the lowering the gross and net NPA. The gross NPA is advance which is considered recoverable of the all losses. The gross NPA reflect the quality of

the loans and advance made by the bank. In the above in ICICI banks net NPA in 2014 to 2018 was 33.01 to 254.51 and 2019 and 2020 was 135.77 & 99.23. so that bank shows higher lower capacity providing. So, the degree of risk is mixed.

COMPARISON OF PERFORMING AND NON-PERFORMING ASSETS

The prudential norms introduced by RBI in 1992, banks assets (loans and advance) are classified into two broad group, that are performing and nonperforming assets.

Table no:5.4

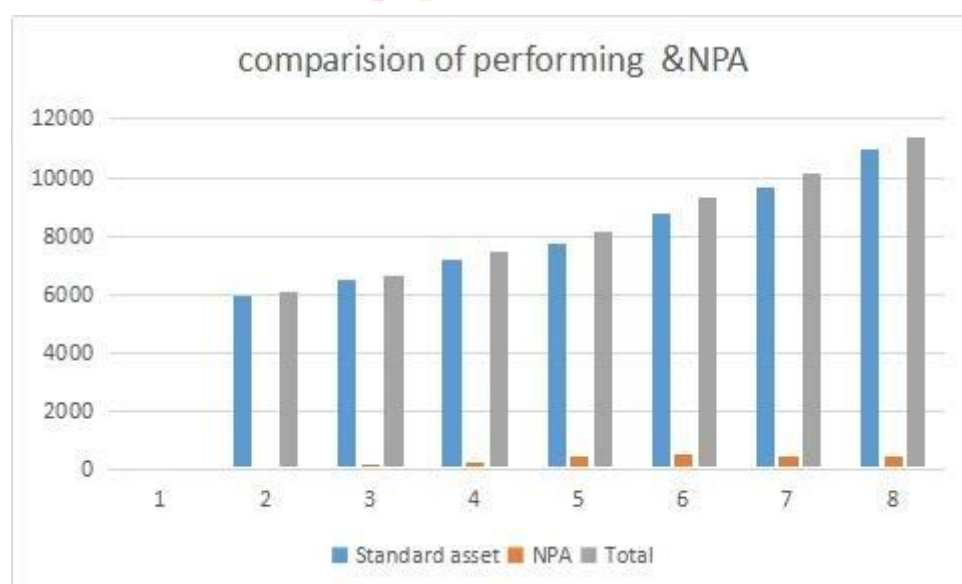
COMPARISON OF PERFORMING AND NPA ASSETS

(billion)

Year	Standard asset	NPA	Total
2014	5946.42	105.54	6051.96
2015	6461.29	152.42	6613.71
2016	7206.95	267.21	7474.61
2017	7717.91	425.52	8140.43
2018	8791.89	540.63	9332.52
2019	9644.45	462.92	10107.37
2020	10983.65	408.35	11392.00

Source: ICICI bank's annual report

Graph No:5.4



INTERPRETATION

From the above chart and table shows, it clear that the performing assets and non-performing assets level of the bank is increasing and level of the bank has increased during the year 2020(current year). And the standard asset and NPA are increasing trend of the all previous years.

CLASSIFICATION OF NPA

NPA banks required to classify NPA further into the three categories based on the period for which the assets has remaining nonperforming and the reliability of due.

Table No:5.5

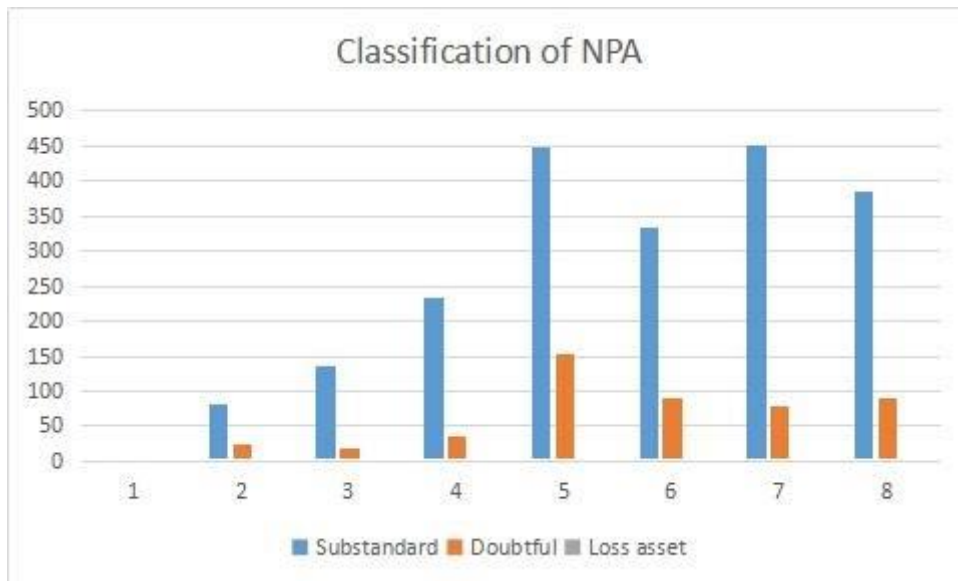
CLASSIFICATION OF NPA

(billion)

Year	Substandard Asset	Doubtful Asset	Loss asset	Total npa
2014	81.79	23.75	0.00	105.54
2015	134.79	17.54	0.00	152.42
2016	232.71	34.50	0.00	267.21
2017	449.5	151.74	0.00	425.52
2018	334.4	91.12	0.00	540.63
2019	450.03	77.68	0.00	462.92
2020	385.24	90.6	0.00	475.85

Source: ICICI bank's annual report

Graph No:5.5



INTERPRETATION

The table and the chart shows that total NPA and its classification. We can see that sub standard asset and doubtful asset of the bank has fluctuating during at 2014 to 2020. But 2014 to 2017 has been increased of the assets but 2018 to 2020 , it has fluctuated. So it show fluctuating indication to the management of NPA.

RATIO ANALYSIS

To analysed NPA situation in bank and from that to know about the bank credit appraisal system and level of risk in bank I have done to ratio analysis. Ratio analysis is the tool which will help us to do financial analysis of bank.

Gross NPA ratio

The gross NPA is the sum of the total assets which are classified as the NPA by bank at the end of the year. Gross NPA is the ratio of gross NPA to gross advance. It is expressed in percentage from.it the table no 123 it is discussed in detail. And the graph 132 shows its graphical representation.

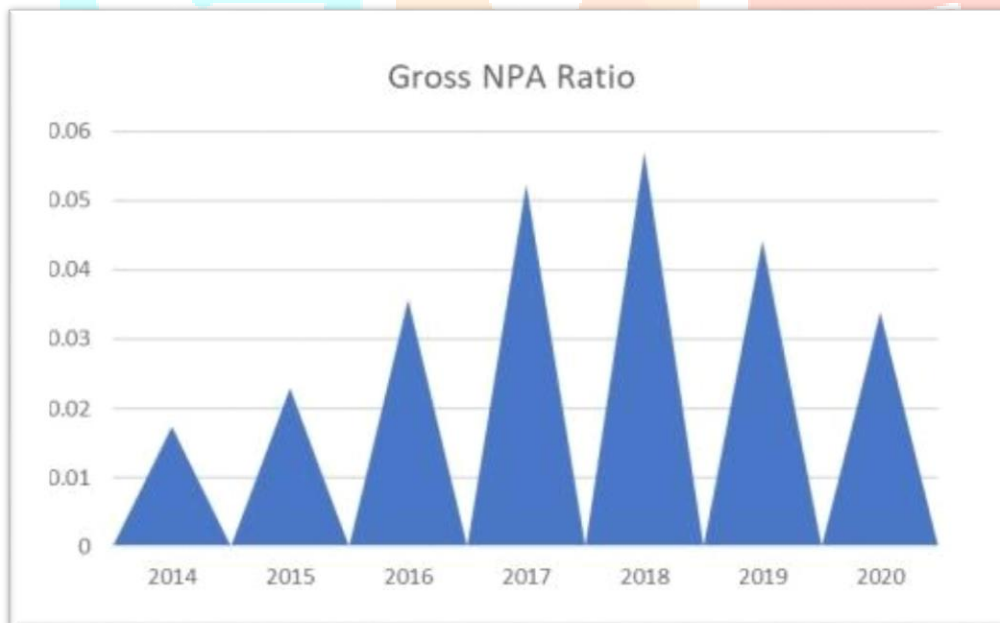
$$\text{Gross NPA Ratio} = \text{gross NPA} / \text{gross advances} * 100$$

Table No:5.7.1

Year	gross NPA	Gross advance	Gross NPA Ratio
2014	105.54	6051,96	1.74%
2015	152.42	6613.71	2.30%
2016	267.21	7474.61	3.57%
2017	425.52	8140.43	5.23%
2018	540.63	9332.52	5.7%
2019	462.92	10451.62	4.43%
2020	408.35	12017.34	3.39%

Source: ICICI bank's annual report

Graph No:5.7.1



INTERPRETATION

In ICICI bank this ratio was 1.74% in 2014 but 2018 was increased on high level the ratio was 5.70% but 2019&2020 was decreased. That means fluctuating trend. In this gross NPA ratio shows that the bank following a average management system on the based on the gross NPA ratio.

VII. FINDINGS, SUGGESTIONS & CONCLUSION

FINDINGS

- There is gradual increase in the movement of total advance of the bank which means that the credit business of the bank is good.
 - The net NPA of the bank shows an fluctuated trend so that the degree of risk is average. Even though all loans are recoverable.
 - Even though standard assets and NPA shows an mixed trend. Standard assets n are more than the NPA. There is the better management of NPA. Beside that the bank has on loss assets in last seven year.
 - The gross NPA ratio of the bank is increased but last two years shows decreasing , this indicates that the bank is following a average and better management system of the NPA.
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- Increasing in net NPA beyond a controllable limit is not good for the bank. So, the bank may need to pay more attention in this regard.
 - Increase in the provision created for contingency is net as much as good. Because it may of fact the asset quality, dividend pay-out of the bank adversely in future. So, the bank may take necessary steps to maintain it present status as zero loss assets.
 - Position of overdue accounts is reviewed on a monthly basis.
 - Appropriate SWOT analysis should be done before disbursement of the advance
 - The bank should ensure that latest technology is being used by the borrower to avoid the obsolescence.

CONCLUSION

Growing NPA is one of the biggest problems that the Indian banks are facing today. If proper management of the NPA is not undertaken it should hamper the efficiency of the bank. If the concept of NPA is taken very lightly it would be dangerous for the banking sectors. The NPA destroy the current profit and investment income and affect the smooth functioning of their cycling of the fund. Banks also redistribute losses to other borrowers by changing high interest rate. The NPA management of the bank seem to be good in the preceding year as well as in current year. The ICICI Bank should have good management of Non- Performing Assets.