

“PERCEPTION OF BANK OFFICIALS TOWARDS CAUSES OF NPA”

A CASE STUDY OF PUNJAB NATIONAL BANK, KRISHNA DISTRICT, ANDHRA PRADESH.

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Abstract:

The banking and financial services sector has weathered many storms since the global slowdown Business sentiments turned cautiously optimistic as the economy slowly steered towards the road to recovery .But recent news around the rising “NON- PERFORMING ASSETS” (NPA) and instances of bribery and corruption has brought to the fore .The risks faced by the sector in India. In certain cases, promoter integrity issues have come to the fore which has led to banks bearing the brunt of the resultant financial losses, but perhaps impacting the economy as well. An attempt is made in this paper to understand the concept of NPA’s ,opinion of bank officials on reasons of NPA’s, problem faced by bank officials while recovery of loan amount and suggestions of the respondents to reduction of NPA’s in banking sector. To achieve this objective, the primary data was collected from the PUNJAB NATIONAL BANK (PNB) officials in Krishna district of Andhra Pradesh from 75 respondents by means of questionnaire. Statistical tool like percentage method is used for analysis.

Keywords: Non-performing assets (NPA’s), financial losses, the global slowdown, Impact the Economy.

I. INTRODUCTION:

A non-performing assets (NPA) refers to a classification for loans on the books of financial institutions that are in default or in arrears on scheduled payments of principle or interest.

It has been defined as per the master circular of reserve bank of India (RBI) as the asset including leased assets, when leases to generate income for the banks became NPA’s .These are loans and advances, where

- Interest and/or installment of principle remain over due for more than 90 days in respect of term loan.
- The account remains out order for more than 90 days in respect of an overdraft or cash credit.
- The installment of principle or interest remains over due for two-crop seasons for short duration crops and one crop season for long duration crops.

II. REVIEW OF LITERATURE:

1. Poongavanam, s. (2011) examined various literatures an issues, causes and remedial solution to manage NPA’s in Indian banking sector. The article explained the significant changes in Indian banking during the liberation period and indicated the need to further enhance measure to manage the NPA.

2. John.K and Philip Thomas (2009) examined the NPA in Indian banking sector with a focus on recovery through debt recovery tribunals .the author commented that the prudential's norms introduced into the banking sector helps in reducing the volume of the NPA in the balance sheets of the banks.
3. Shih, V. (2010) examined the political constraints and financial policies in china dealing with NPA's. The study is conducted in the wake of political distress on account of the stagnation of economic reforms and higher levels of NPA's in the banking sector.

OBJECTIVES OF THE STUDY:

1. To analyze the major reasons of NPA's and their significance on the generation of NPA.
2. To identify the problems of bank officials while recovery of loan amount
3. To offers suggestion for the efficient management of NPA.

III. METHODOLOGY:

The study is based on primary data collected from 75 respondents of PUNJAB NATIONAL BANK (PNB) officials in Krishna district of Andhra Pradesh by means of questionnaire and statistical tools like percentage analysis was applied. The analysis and given in the following tables.

Analysis and Interpretation

I. Demographic profile

		NUMBER	PERCENTAGE
GENDER	MALE	62	82.67%
	FEMALE	13	13.33%
TOTAL		75	100%
LEVEL OF MANAGEMENT	SENIOR MANAGEMENT LEVEL	32	42.68%
	MIDDLE MANAGEMENT LEVEL	18	24.67%
	JUNIOR MANAGEMENT LEVEL	25	33.33%
TOTAL		75	100%
WORK EXPERIANCE	5-10 YEARS	11	14.67%
	10-20 YEARS	37	49.33%
	ABOVE 20 YEARS	27	36.00%
TOTAL		75	100%

It is observed from the table demographic profile that out of the total respondents taken for the study 82.67% of the respondents are male and 13.33% of the respondents are female

Out of the total respondents taken for the study 42.67% of the respondents are senior management level, 24% of the respondents are middle management level and 33.33% of the respondents are junior management level.

From the above analysis 14.67% of the respondents are belongs to the work experience 5-10years, 49.33% of the respondents are belongs to the work experience is 10-20 years and 36% of the respondents are belongs to above 20 years of work experience.

II. Purpose of raising short term loan from PNB by corporate.

PURPOSE	NUMBER	PERCENTAGE
MEET WORKING CAPITAL	52	69.33%
CURRENT DEBT SERVICING	23	30.67%
TOTAL	75	100.00%

It is inferred from the table bank officials opinion regarding purpose of raising short term loan from PNB that the total respondents taken for the study 69.33% of the respondents are using short term loan to meet working capital requirements and 30.67% of the respondents are using to current debt servicing.

III. Opinion of senior management level officials on causes of NPA

CAUSES	RANK -I	%	RANK -II	%	RANK- III	%	RANK -IV	%	RANK- V	%	TOTAL RESPONDENTS	%
DIVERSION OF FUNDS	11	34.38%	9	28.14%	8	25%	3	9.38%	1	3.13%	32	100%
WILLFUL DEFAULT	7	21.88%	11	34.37%	2	6.25%	9	28.13%	3	9.38%	32	100%
POLITICAL INTERFERNECE	4	12.50%	6	18.75%	14	43.75%	4	12.50%	4	12.50%	32	100%
HIGH RATE OF INTEREST	2	6.25%	4	12.50%	12	37.50%	9	28.13%	6	18.75%	32	100%
LACK OF LEGAL SUPPORT	4	12.50%	10	31.25%	13	40.62%	3	9.38%	2	6.25%	32	100%

It is inferred from the table opinion of senior management level officials on causes of NPA that out of the respondents taken for the study for diversion of funds concern 34.38% of the respondents are given the 1st rank, 28.13% of the respondents are given 2nd rank, 25% of the respondent are given 3rd rank, 9.38% of the respondents are given 4th rank and 3.13% of the respondents are given 5th rank

Willful default concern that out of the total respondents taken for the study 21.88% of the respondents are given 1st rank ,34.37%of the respondents are given 2nd rank,6.25% of the respondents are given 3rd rank and 9.38% of the respondent are given 5th rank.

Political interference concern that out of the total respondents taken for the study 43.7% of the respondents are given 3rd rank ,12.5% of the respondents are given 1st rank and 12.5% of respondents are given 5th rank.

High rate of interest concern that out of the total respondents are taken for the study 37.5% of the respondents are given 3rd rank, which was the highest percentage. 40.62% of the respondents are given 3rd ranks for legal concern point of view. This was the highest percentage among other cases.

IV. Opinion of the middle management level officials on causes of NPA

CAUSES	RANK I	%	RANK II	%	Rank III	%	RANK IV	%	RANK V	%	TOTAL RESPONDENTS	%
DIVERSION OF FUNDS	11	61.11%	2	11.11%	3	17%	1	5.56%	1	5.56%	18	100%
WILLFUL DEFAULT	3	16.67%	5	27.78%	7	38.88%	2	11.11%	1	5.56%	18	100%

POLITICAL INTERFERNCE	4	22.22%	3	16.67%	2	11.11%	3	16.67%	6	33.33%	18	100%
HIGH RATE OF INTEREST	1	5.56%	6	33.33%	4	22.22%	5	27.78%	3	16.67%	18	100%
LACK OF LEGAL SUPPORT	1	5.56%	1	5.56%	6	33.33%	4	22.22%	6	33.33%	18	100%

It is found that the above table bank official's opinion of middle management level official regarding the cause of NPA. That out of the total respondents taken for the study 61.11% of the respondents is given 4th and 5th rank for the cause of diversion of funds.

Willful defaults concern that out of the total respondents taken for the study 38.88% of the respondents are given 3rd rank. Which was the highest and 5.56% of the respondents are given 5th ranks which was the lowest percentage.

Political interference concern that out of the total respondents taken for the study 22.22% of the respondents are given 1st rank and 33.33% of the respondents are given 5th rank.

High rate of interest concern that out of the total respondents taken for the study only 5.56% of the respondents are given 1st rank which was the lowest percentage and 33.33% of the respondents are given rank 3 and 4 respectively.

V. Opinion of junior management level officials on causes of NPA.

CAUSES	RANK I	%	RANK II	%	RANK III	%	RANK IV	%	RANK V	%	TOTAL RESPONDENTS	%
DIVERSION OF FUNDS	14	56.00%	5	20.00%	3	12%	2	8.00%	1	4.00%	25	100%
WILLFUL DEFAULT	4	16.00%	8	32.00%	6	24.00%	4	16.00%	3	12.00%	25	100%
POLITICAL INTERFERNCE	3	12.00%	4	16.00%	8	32.00%	6	24.00%	4	16.00%	25	100%
HIGH RATE OF INTEREST	3	12.00%	9	36.00%	6	24.00%	3	12.00%	4	16.00%	25	100%
LACK OF LEGAL SUPPORT	1	4.00%	6	24.00%	8	32.00%	7	28.00%	3	12.00%	25	100%

It is the observed that the above table bank official's opinions of junior management level regarding the causes of NPA. That out of the total respondents taken for the study 56% of the respondents are given rank 1 for the causes of for the diversions of funds , which was the highest percentage and only 4 % of the respondents are given 5th rank for this cause.

32% of the respondents are given rank 2 for willful defaults concern point of view and only 12% of the respondents are given 5th rank for this reason. Particular interference concern points of view only 12% of the respondents are given rank 1, which was the lowest percentage. Legal support concern points view only 4% of the respondents are given rank 3 which was the highest percentage.

VI. Opinion of PNB bank officials on problems facing while recovery of loan amount

BANK OFFICIALS LEVEL OF MANAGEMENT	YES NUMBER	%	NO NUMBER	%
SENIOR MANAGEMENT LEVEL	27	84.38	5	15.62%

MIDDLE MANAGEMENT	15	83.33	3	16.67%
JUNIOR MANAGEMNET LEVEL	23	92	2	8%

It is inferred from the table bank officials opinion regarding problem facing while recovery of loan amount that the total respondents taken for the study 84.38% of the respondents are saying YES by senior ,management level officials of PNB .

Middle management level concern point of view 83.33% of the respondents are saying YES and 16.67% of the respondents are saying NO.

Junior management level concern point of view 92% of the respondents are saying YES and only 8% of the respondents are saying NO.

VII. Problems facing by PNB senior management level officially while recovery of loan amount.

PROBLEMS	RANK I	%	RANK II	%	RANK III	%	TOTAL	%
SCARCITY OF STAFF	18	66.67%	4	14.81%	5	18.52%	27	100.00%
POLITICAL INTERFERENCE	6	22.22%	8	29.63%	13	48.15%	27	100.00%
LACK OF LEGAL SUPPORT	4	14.81%	11	40.74%	12	44.44%	27	100.00%

It is found that the above table opinion of the senior management level officials regarding the problems facing while recovery of loan. That out of the total respondents taken for the study 66.67% of respondents are given rank 1, 14.81% of the respondents are given rank 2 and 18.57% of the respondents are given rank 3 for scarcity of staff concern point of view.

Political interference concern point of view only 22.22% of the respondents are given rank, 29.63% of the respondents are given rank 2 and 48.15% of the respondents are given rank 3.

Lack of legal support concern point of view only 14.8% of the respondents are given rank 2 and 44.44% of the respondents are given rank 3.

VIII. problems facing by PNB middle management level officials while recovery of loans amount

PROBLEMS	RANK I	%	RANK II	%	RANK III	%	TOTAL	%
SCARCITY OF STAFF	9	60.00%	2	13.33%	4	26.67%	15	100.00%
POLITICAL INTERFERENCE	5	33.33%	7	46.67%	3	20.00%	15	100.00%
LACK OF LEGAL SUPPORT	6	40.00%	8	53.33%	1	6.67%	15	100.00%

It is observed that the above table middle management level officials regarding the problem facing by PNB middle management officials while recovery of loan amount, that out of the total respondents are taken for the study, scarcity of staff concern point of view of 60% of the respondents are given rank 1, 13.33% of the respondents are given rank 2 and 26.67% of the respondents are given rank 3.

Political interference problem points of view 33.33 of the student's respondents are given rank 1, 46.67%. The respondents are given rank 2 and 20% of the respondents are given 3rank.

Lack of legal support problem point of view only 14.8% of the respondents are given rank 1 , 40.74% of the respondents are given rank 2 and 44.44% of the respondents are given rank 3.

IX. Problems facing by PNB junior management level officials while recovery of loan amount.

PROBLEMS	RANK I	%	RANK II	%	RANK III	%	TOTAL	%
SCARCITY OF STAFF	9	39.13%	11	47.83%	3	13.04%	23	100.00%
POLITICAL INTERFERENCE	12	52.17%	7	30.43%	4	17.39%	23	100.00%
LACK OF LEGAL SUPPORT	5	21.74%	13	56.52%	5	21.74%	23	100.00%

It is the inferred from the table junior management level official's opinions regarding problems facing while recovery of loans amount, that the respondents taken for the study 39.13% of the respondents are given rank 1, 47.83% and 13.04% of the respondents are given rank 2 and 3 respectively.

Political interference concern point of view 52.17% of the respondents arte given rank 1, 30.43% of the respondents are given rank 2 and 17.39% of the respondents are given rank 3

Lack of legal support concern point of view 21.74% of the respondents are given rank1, 56.52% and 21.74% of the respondents are given rank 2 and rank 3 respectively.

X. Suggestion of the total respondents for reduction of NPA's in PNB

SUGGESTION	RANK I	%	RANK II	%	RANK III	%	TOTAL	%
1. MAINTAINING CONTINUOUS RAPPOR WITH BORROWERS	32	42.67%	19	25.33%	24	32.00%	75	100.00%
2. NEW RECOVERY PLOICIES SHOULD BE ADOPT	51	68%	11	14.67%	13	17.33%	75	100.00%
3. AVOID POLITICAL INTERFERANCE	36	48%	21	28%	18	24.00%	75	100

It was observed that the above table opinion on reduction of NPA , that the total respondents are taken for the study 42.67% of the respondents are given rank 1, for maintaining continuous rapport with borrowers, 25.33% of the respondents are given 2 rank and 24% of the respondents are given 3 rank.

Adopt new recovery policy suggestion point of view68% of the respondents are given rank 1, 14.67% and 17.33% of the respondents are given rank 2 and 3 respectively.

Avoid political interference suggestions point of view 48% of the respondents are give rank 1, 28% and 24% of the respondents are given rank 2 and 3 respectively.

FINDINGS OF THE STUDY

- It was found that 69.33% of respondents are saying that corporate are raising short term loan for to meet working capital requirements
- It was observed that 34.38% of respondents of senior management level officials opinioned that the causes of NPA are diversion of funds it was the highest percentage among other causes.

- It was found that the causes of NPA is diversion of funds by corporate opinioned by middle level management officials taken for the study 61.11% respondents are given rank 1.
- It was observed that 86.67% of the PNB bank officials are facing problems while recovery of loan amount from corporates.
- Scarcity of staff and political interferences are the major problems facing by PNB bank officials because they opinioned that 66.67% of the respondents are given rank 1 by middle management level officials.
- 68% of the respondents are given rank 1 for new recovery policies should be adopted for reduction of NPA.

CONCLUSION:

The above analysis observed that the main cause of raise of the NPA in Punjab National Bank (PNB) in diversion of fund and political interference. However majority of bank officials are facing various problems like scarcity of staff and lack of legal support etc.

The study finally observing that the new recovery policies should be adopt for reduction of NPA'S in PNB and avoid political interference also.

It is suggested that the government should take flawless action against the willful defaulters so that other corporates do not indulge in similar activities.

References:

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