



AN ANALYSIS OF THE REASONS FOR NON-PERFORMING ASSETS (NPAs) TO THE STATE BANK OF INDIA (SBI) IN MADURAI CITY

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ABSTRACT:

Non-performing assets (NPAs) have become a major concern for the State Bank of India (SBI) in Madurai City due to various reasons. One of the primary causes for NPAs is the economic downturn which has led to a decrease in borrowers' ability to repay loans. Non-compliance with lending guidelines and insufficient collateral also contribute to the rising NPAs in SBI Madurai. Additionally, poor credit appraisal techniques, lack of monitoring mechanisms, and ineffective recovery processes are other factors leading to an increase in non-performing assets. Addressing these issues through stringent risk management practices, regular audits, and timely identification of stressed accounts can help mitigate the impact of NPAs on SBI Madurai's financial health. It is crucial for the bank to proactively address these reasons for non-performing assets to ensure sustainability and profitability in the long run.

KEYWORDS:

NON-PERFORMING ASSETS (NPAS), STATE BANK OF INDIA (SBI) AND SWOT ANALYSIS ETC.

1.1 INTRODUCTION

Non-performing assets (NPAs) pose significant challenges to the banking sector, impacting financial stability and profitability. The State Bank of India (SBI), being the largest commercial bank in India, is not immune to the burden of NPAs. This article aims to analyze the reasons for NPAs in the SBI Madurai City branch, shedding light on the factors contributing to this issue. By exploring the economic, borrower-related, and operational aspects, as well as regulatory challenges, this analysis seeks to provide valuable insights into the NPAs facing SBI in Madurai City. Understanding these underlying factors is crucial for devising effective strategies to manage and reduce NPAs, ensuring the financial health and sustainability of the bank. Let's face it, money matters can get messy sometimes. And when it comes to banks and financial institutions, one of the messiest problems they face is Non-performing assets, or NPAs for short. But what exactly are NPAs? Well, imagine you lend some of your hard-earned money to a friend, and he promises to pay you back within a certain time frame. However, as time goes by, your friend conveniently forgets about his debt, leaving you empty-handed and fuming. That's how banks feel when borrowers fail to repay their loans. In simple terms, NPAs are loans or advances made by the bank that have stopped generating any revenue for the bank due to non-payment. These loans are categorized into substandard, doubtful, and loss assets, depending on their level of recovery probability.

IMPORTANCE AND IMPACT OF NPAS ON THE STATE BANK OF INDIA (SBI)

Now, why should you care about NPAs, especially when it comes to the State Bank of India (SBI) in Madurai City? Well, here's the deal – NPAs hit banks where it hurts the most: their balance sheets. When borrowers fail to repay their loans, SBI's financial health takes a hit. NPAs not only erode the bank's profits but also limit its ability to lend to new borrowers. This creates a vicious cycle where the bank's resources get tied up in non-performing assets, making it difficult for them to support economic growth and meet the financial needs of the community. In simpler terms, NPAs are like leeches that suck the life out of SBI's ability to provide loans and services to the people of Madurai City. So it's in everyone's best interest to understand and address the factors contributing to this problem.

1.2 REVIEW OF LITERATURE

A comprehensive review of the literature on non-performing assets (NPAs) in Madurai City specifically in relation to State Bank of India (SBI) reveals several key reasons for the prevalence of NPAs in this region. Studies have indicated that economic slowdown, lack of proper credit assessment processes, and poor risk management practices are some of the major contributing factors leading to NPAs for SBI in Madurai City. Additionally, research has pointed out that political interference, corruption, and ineffective recovery mechanisms have also played a role in the accumulation of NPAs within SBI's portfolio in this area. Understanding these underlying issues is crucial for devising effective strategies to address and mitigate NPAs, ultimately

enhancing the bank's overall financial health and performance in Madurai City.

1.3 OBJECTIVES OF THE STUDY

1. To Study on Non-performing assets (NPAs) for the State Bank of India (SBI) in Madurai City.
2. To examine SWOT Analysis for NPAs to the SBI in Madurai City.
3. To analysis the demography profile with Opinion about Causes of Non Performing Assets in SBI.

1.4 RESEARCH METHODOLOGY

In researching the reasons for Non-Performing Assets (NPAs) in the State Bank of India (SBI) in Madurai City, a comprehensive research methodology must be employed. This would involve conducting a thorough literature review on previous studies and reports related to NPAs and banking practices in India. Additionally, data collection methods such as surveys, interviews with bank officials and customers, and analysis of financial statements would be crucial in determining the primary factors contributing to NPAs in SBI Madurai. Furthermore, statistical tools such as regression analysis could be used to analyze the relationships between variables influencing NPAs. It is also important to consider external factors like economic conditions, government policies, and market trends that may impact the NPA levels in SBI Madurai. By employing a rigorous research methodology, valuable insights can be gained to devise effective strategies for reducing NPAs and improving the overall financial health of the bank.

1.5 HYPOTHESES

The following hypotheses are framed and tested with appropriate statistical tools in IBM SPSS software 20 (version).

H_0 : There is no significant association between the Demographic Profile groups and their Opinion about Causes of Non Performing Assets in SBI in Madurai City.

OVERVIEW OF THE STATE BANK OF INDIA (SBI) OPERATIONS IN MADURAI CITY

SBI'S PRESENCE AND ROLE IN MADURAI CITY

Ah, Madurai City, the cultural hub with its rich heritage and mouth-watering cuisine. But did you know that State Bank of India (SBI) is also a significant player in this bustling city? SBI, being the largest public sector bank in India, has a considerable presence in Madurai City. It operates several branches, ATM kiosks, and customer service centers across the city to cater to the banking needs of the people.

KEY BRANCHES AND SERVICES OFFERED IN MADURAI CITY

When it comes to banking services, SBI in Madurai City has got you covered. From personal loans to home loans, investment schemes to insurance products, they offer a comprehensive range of services to meet the financial

needs of individuals and businesses alike. Some of the key branches in Madurai City include the ones situated in Anna Nagar, KK Nagar, and Arapalayam. These branches provide a wide array of services, including savings accounts, current accounts, fixed deposits, and digital banking facilities. So, whether you want to open a new account or apply for a loan, you know where to head!

1.6 SWOT ANALYSIS - STRENGTHS OF STATE BANK OF INDIA (SBI) IN MADURAI CITY

ESTABLISHED REPUTATION AND BRAND PRESENCE

SBI enjoys a strong reputation and brand presence in Madurai City. With a history of providing reliable financial services, SBI has built trust among the local population. Its long-standing presence and recognition make it a preferred choice for individuals and businesses looking for banking solutions.

WIDE RANGE OF FINANCIAL PRODUCTS AND SERVICES

SBI offers a wide range of financial products and services, catering to the diverse needs of customers in Madurai City. From personal loans to home loans, savings accounts to investment options, SBI provides comprehensive banking solutions under one roof. This extensive product portfolio gives SBI a competitive advantage and attracts a larger customer base.

STRONG CUSTOMER BASE AND MARKET SHARE

SBI has established a strong customer base in Madurai City, thanks to its wide network of branches and quality service. With a significant market share, SBI holds a dominant position in the banking sector. This customer loyalty and market dominance provide SBI with a stable foundation to address NPAs effectively.

WEAKNESSES CONTRIBUTING TO NON-PERFORMING ASSETS (NPAS) IN SBI MADURAI

INADEQUATE LOAN APPRAISAL AND CREDIT RISK MANAGEMENT

One of the key weaknesses contributing to NPAs in SBI Madurai is inadequate loan appraisal and credit risk management. The bank may sometimes fail to thoroughly assess the creditworthiness and repayment capacity of borrowers, leading to a higher risk of defaults. Strengthening these processes can help mitigate the risk and reduce NPAs.

LACK OF EFFECTIVE RECOVERY MECHANISMS

SBI Madurai also faces a challenge in effectively recovering loans from defaulting borrowers. The absence of robust recovery mechanisms, including legal recourse and loan monitoring, can prolong the NPA resolution process and impact the bank's financial health. By implementing stronger recovery strategies, SBI can minimize losses and improve its overall asset quality.

INSUFFICIENT MONITORING OF BORROWER PROFILES

Insufficient monitoring of borrower profiles is another weakness contributing to NPAs in SBI Madurai. In some cases, the bank may fail to monitor the financial health and changing circumstances of borrowers adequately. This lack of ongoing assessment can lead to delayed identification of potential defaults and make it challenging to proactively address NPAs. Implementing a more rigorous borrower monitoring system can help SBI mitigate this weakness.

OPPORTUNITIES FOR ADDRESSING NPAS AND ENHANCING SBI'S PERFORMANCE IN MADURAI CITY

COLLABORATION WITH LOCAL INDUSTRIES FOR CREDIT ASSESSMENT

SBI has the opportunity to collaborate with local industries in Madurai City to gain a better understanding of their financial health and creditworthiness. By working closely with industry experts, SBI can improve its loan appraisal process and accurately assess the credit risk associated with potential borrowers. This collaboration can help reduce the chances of NPAs and strengthen the bank's overall lending portfolio.

EXPANSION OF FINANCIAL LITERACY PROGRAMS

Enhancing financial literacy in Madurai City presents an opportunity for SBI to reduce NPAs. By conducting educational programs and workshops on financial management, SBI can equip borrowers with the necessary knowledge and skills to handle loans responsibly. This proactive approach can reduce instances of defaults and improve overall loan repayment behavior.

DIVERSIFICATION INTO NEW SECTORS WITH LOWER DEFAULT RISKS

SBI can explore opportunities to diversify its lending portfolio into sectors with lower default risks. By identifying industries or sectors that demonstrate stable growth and strong repayment capacity, SBI can minimize the risk of NPAs. Diversifying into these sectors can also expand SBI's customer base and revenue streams, contributing to overall financial stability. In conclusion, addressing NPAs is vital for the State Bank of India (SBI) in Madurai City to ensure financial health and sustain its market position. By capitalizing on its strengths, such as its established reputation, wide range of financial products, and a strong customer base, SBI can effectively tackle NPAs. Simultaneously, addressing weaknesses, including inadequate loan appraisal, weak recovery mechanisms, and insufficient borrower monitoring, can significantly reduce NPAs. Opportunities such as collaboration with local industries, expanding financial literacy programs, and diversifying into sectors with lower default risks offer SBI avenues for enhancing its performance and minimizing NPAs in Madurai City.

THREATS EXACERBATING NON-PERFORMING

ASSETS (NPAS) FOR SBI IN MADURAI

ECONOMIC DOWNTURN AND INDUSTRY-SPECIFIC CHALLENGES

While the State Bank of India (SBI) in Madurai has been grappling with NPAs, external factors like economic downturns and industry-specific challenges have only made matters worse. When the economy takes a hit, businesses suffer, and loan repayments become more difficult for borrowers. In addition, certain industries may face their own unique setbacks, such as regulatory changes or technological disruptions, which can lead to a higher probability of loan defaults.

INADEQUATE LEGAL FRAMEWORK FOR LOAN RECOVERY

Another threat that SBI faces regarding NPAs is the inadequate legal framework for loan recovery. It's like trying to catch a slippery eel without proper tools. The lengthy and cumbersome legal process often prevents timely recovery of dues, allowing defaulters to slip through the cracks. This not only causes financial strain but also sets a precedent for others to follow suit.

INCREASED COMPETITION FROM OTHER FINANCIAL INSTITUTIONS

Competition is healthy, they say, but when it comes to NPAs, increased competition from other financial institutions can pose a significant threat. With more options available, borrowers might choose to shift their allegiance, leaving SBI with a higher proportion of non-performing assets.

STRATEGIES FOR REDUCING NON-PERFORMING ASSETS (NPAs) AND IMPROVING SBI'S PERFORMANCE IN MADURAI CITY

ENHANCING LOAN APPRAISAL PROCESSES AND RISK MANAGEMENT

To tackle the NPAs head-on and improve performance, SBI should enhance its loan appraisal processes and risk management strategies in Madurai. By conducting thorough evaluations and considering potential risks, the bank can better assess the borrower's creditworthiness and reduce the chances of loan defaults. It's like having a superhero with X-ray vision to spot trouble before it strikes.

STRENGTHENING RECOVERY MECHANISMS AND LEGAL SUPPORT

To recover defaulted loans more efficiently, SBI should strengthen its recovery mechanisms and legal support in Madurai. By streamlining the recovery process and enlisting strong legal aid, the bank can increase the chances of retrieving the owed amount. It's like calling the Avengers for backup when you're facing a super-villain—because bringing in the big guns can make all the difference.

IMPLEMENTING ROBUST MONITORING AND

EARLY DETECTION SYSTEMS

To be proactive in tackling NPAs, SBI should implement robust monitoring and early detection systems in Madurai. By closely monitoring borrower behavior, payment patterns, and market trends, the bank can identify potential red flags and take timely action. It's like having a smoke detector in your house that alerts you before the fire spreads—because prevention is always better than a late-night fire drill.

TABLE 1 REASONS FOR OPINION ABOUT CAUSES OF NON PERFORMING ASSETS IN SBI RANK WISE

| Factors | Garrett Ranking Analysis Rank | | | | | | | | | | | Total | Current Score | Mean Score | Rank |
|---|-------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|---------------|------------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | | | | |
| | Garrett Rank Scale Value | | | | | | | | | | | | | | |
| | 82 | 70 | 63 | 57 | 52 | 47 | 42 | 37 | 30 | 19 | | | | | |
| | (No. of Respondents) | | | | | | | | | | | | | | |
| Low Income of Family | f | 12 | 11 | 8 | 9 | 12 | 9 | 10 | 11 | 11 | 7 | 100 | 5108 | 51.080 | 2 |
| | fx | 984 | 770 | 504 | 513 | 624 | 423 | 420 | 407 | 330 | 133 | | | | |
| Lack of Remainder from Bank | f | 9 | 9 | 9 | 11 | 9 | 11 | 9 | 12 | 10 | 11 | 100 | 4878 | 48.780 | 8 |
| | fx | 738 | 630 | 567 | 627 | 468 | 517 | 378 | 444 | 300 | 209 | | | | |
| Business Failure /Market Failure | f | 9 | 12 | 11 | 9 | 9 | 9 | 11 | 10 | 9 | 11 | 100 | 4986 | 49.860 | 5 |
| | fx | 738 | 840 | 693 | 513 | 468 | 423 | 462 | 370 | 270 | 209 | | | | |
| Unemployment of the Borrower | f | 11 | 8 | 9 | 12 | 11 | 10 | 9 | 9 | 11 | 10 | 100 | 4986 | 49.860 | 6 |
| | fx | 902 | 560 | 567 | 684 | 572 | 470 | 378 | 333 | 330 | 190 | | | | |
| Unforeseen Events in the Family (Illness, Death Etc) | f | 10 | 9 | 12 | 10 | 9 | 9 | 9 | 10 | 10 | 12 | 100 | 4943 | 49.430 | 7 |
| | fx | 820 | 630 | 756 | 570 | 468 | 423 | 378 | 370 | 300 | 228 | | | | |
| High Emi | f | 11 | 9 | 11 | 9 | 10 | 11 | 12 | 11 | 9 | 7 | 100 | 5089 | 50.890 | 3 |
| | fx | 902 | 630 | 693 | 513 | 520 | 517 | 504 | 407 | 270 | 133 | | | | |
| Natural Calamities | f | 9 | 8 | 9 | 10 | 9 | 10 | 10 | 10 | 11 | 14 | 100 | 4759 | 47.590 | 10 |
| | fx | 738 | 560 | 567 | 570 | 468 | 470 | 420 | 370 | 330 | 266 | | | | |
| Lack of Support from Parents | f | 9 | 11 | 8 | 9 | 10 | 9 | 11 | 10 | 10 | 13 | 100 | 4847 | 48.470 | 9 |
| | fx | 738 | 770 | 504 | 513 | 520 | 423 | 462 | 370 | 300 | 247 | | | | |
| Time Over Run | f | 10 | 11 | 11 | 10 | 10 | 10 | 9 | 9 | 10 | 10 | 100 | 5044 | 50.440 | 4 |
| | fx | 820 | 770 | 693 | 570 | 520 | 470 | 378 | 333 | 300 | 190 | | | | |
| Lack of Education for Borrowers | f | 10 | 12 | 12 | 11 | 11 | 12 | 10 | 8 | 9 | 5 | 100 | 5260 | 52.600 | 1 |
| | fx | 820 | 840 | 756 | 627 | 572 | 564 | 420 | 296 | 270 | 95 | | | | |
| Note: f=No. of respondents, x=Scale Value, fx= Score and Source: Computed | | | | | | | | | | | | | | | |

Note: f=No. of respondents; x=Scale Value; fx= Score and Source: Computed

The table 1 reveals percentage score for each rank from 1 to 10 are calculated. The percentage score thus obtained for all the ten ranks are converted into scale values using Scale Conversion Table given by Garrett Ranking. The scale values for first rank to tenth rank are 81, 70, 63, 57, 52, 47, 42, 36, 29 and 18 respectively. The score value (fx) is calculated for each item by multiplying the number of respondents (f) with respective scale values (x). The total scores are found by adding the score values (fx) of each rank for every items. The mean score is then calculated to know the order of Reasons for Opinion about Causes of Non Performing Assets in SBI rank wise through the Garrett's Ranking Technique.

TABLE 2 REGRESSION ANALYSIS FOR DEMOGRAPHY PROFILE WITH OPINION ABOUT CAUSES OF NON PERFORMING ASSETS IN SBI IN MADURAI CITY

| VARIABLES ENTERED/REMOVED ^a | | | |
|--|---|-------------------|--------|
| Model | Variables Entered | Variables Removed | Method |
| 1 | Monthly Income, Gender, Occupation ^b | . | Enter |

a. Dependent Variable: Opinion about Causes of Non Performing Assets in SBI

b. All requested variables entered.

| MODEL SUMMARY | | | | |
|---------------|---|----------|-------------------|----------------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |

| | | | | |
|---|--------------------|-------|-------|---------|
| 1 | 0.812 ^a | 0.660 | 0.649 | 7.41597 |
|---|--------------------|-------|-------|---------|

a. Predictors: (Constant), Monthly Income, Gender, Occupation

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|----|-------------|--------|--------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 10242.565 | 3 | 3414.188 | 62.080 | 0.000 ^b |
| | Residual | 5279.675 | 96 | 54.997 | | |
| | Total | 15522.240 | 99 | | | |

a. Dependent Variable: Opinion about Causes of Non Performing Assets in SBI

b. Predictors: (Constant), Monthly Income, Gender, Occupation

| Coefficients ^a | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|-------|-------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 | (Constant) | 13.399 | 2.564 | 5.226 | 0.000 |
| | Gender | -15.172 | 3.829 | -.607 | 0.000 |
| | Occupation | 8.140 | 1.835 | .742 | 0.000 |
| | Monthly Income | 7.457 | 1.801 | .626 | 0.000 |

a. Dependent Variable: Opinion about Causes of Non Performing Assets in SBI

It is clear from table 2 that the difference between Opinion about Causes towards on Gender, Occupation and Monthly Income with Non Performing Assets in SBI for regression analysis based on F-value is 62.080, R square value is 66% and P-value is (0.000) that is highly significant. That is a 1% level significant. So, the null hypothesis is rejected.

1.7 CONCLUSION

State Bank of India (SBI) in Madurai City is facing several threats and key factors that contribute to the burden of Non-performing assets (NPAs). Economic downturns and industry-specific challenges, inadequate legal frameworks, increased competition, inherent risks of specific loan types, insufficient collateral or guarantees, and a lack of proactive measures all play a role in exacerbating the problem. To mitigate NPAs and improve SBI's performance in Madurai, it is recommended to enhance loan appraisal processes, strengthen recovery mechanisms and legal support, and implement robust monitoring and early detection systems. By addressing these areas, SBI can better manage risks, recover defaulted loans efficiently, and identify potential NPAs before they become unmanageable. It's time for SBI Madurai to put on its cape and take charge in the battle against NPAs.

In conclusion, the analysis of the reasons for

non-performing assets (NPAs) in the State Bank of India (SBI) Madurai City branch has highlighted various factors that contribute to this issue. Economic factors, borrower-related challenges, loan management strategies, and regulatory hurdles all play a role in the accumulation of NPAs. It is imperative for the SBI to address these issues proactively, employing robust risk management practices, stricter loan monitoring, and effective recovery strategies. By mitigating NPAs, SBI can safeguard its financial stability, enhance profitability, and continue its mission of serving the banking needs of the community in Madurai City and beyond.

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