

# A Study on Credit Appraisal and Npa in Kancheepuramcooperative Urban Bank

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**ABSTRACT:** Banks play a major role in mobilisation of savings and promoting economic development of our country. Cooperative banks are registered under cooperative societies act 1912 and Governed by the banking regulation act 1949. This paper study about the procedure of credit appraisal and non-performing asset of urban cooperative bank. The analysis used to predict the probability of a borrower defaulting on its debt, but also assess how severe the losses will be in the event of default. The findings shows that the problem asset ratio of urban cooperative bank has been decreasing. To overcome all these problem the bank should analyse the credit worthiness of the customer and repaying ability of the customer. The compromise settlement scheme helps the bank to recover NPA amount through a simplified non-discretionary mechanism.

**Keywords:** provision for NPA, provisioning ratio, problem asset ratio, credit deposit ratio, Debt service coverage ratio.

## I. INTRODUCTION

Credit appraisal is a process of appraising the credit worthiness of an applicant for a loan. His sources of income, age, experience, number of dependents, repayment capacity, past and existing loans, nature of employment and other assets are taken into account while credit appraising. It is a term loan denotes evaluating the proposal of the loan to find out repayment capacity of the borrower. The primary objective to ensure the safety of the money of the bank and its customers. The process involves an appraisal of market, management, technical and financial.

Non-performing asset means loan or an account of borrower, which has been classified by bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification by RBI. In most cases debt is classified as non performing when loan payments has been made for a period of 90 days. For example: for short duration crop agriculture loans such as paddy, Jowar, Bajra etc. if the loan i.e, instalment/ interest is not paid for 2 crop season it is termed as a NPA.

## Types Of NPA:



Out of the above types, the most important or common type of non-performing asset(NPA)are overdraft and cash credit (OD/CC) accounts left out-of-order for more than 90 days.

N. Ramu (2009) states that this study is an attempt to analyze the asset quality in selected UCBs in Tamil Nadu. It also traces the non-performing assets of financial cooperatives in other

countries. A comparison of urban cooperative with financial cooperatives abroad is also done.

LI Zheng (2007) in this paper gives the background and highlights of this new code and elaborates from the perspective of banking credit appraisal on the difference between the new and old code/system and on the major impact on enterprise financial analysis. Meanwhile, the paper provides suggestions on how to apply and understand this new code at the time of credit appraisal.

Amit Basak (2009) stated that the objective of the study is to identify and analyze the trend, progress and problem of this bank, to throw light on the problems of swelling NPAs and to offer some meaningful suggestions for improving the efficiency and effectiveness of this bank. The study is based on secondary data and other information provided by the bank in its published annual reports.

AnupamMitra (2012) says that Co-operative banks are a group of financial institutions organized under the provisions of the cooperative society's act of the states. They are governed by the banking regulations act 1949 and banking laws (co-operative societies) Act 1965. That these banks were traditionally centred on communities, localities work place groups. They essentials lent to small borrowers and business.

SupreetGaba, Bharat BhushanGoenka (2017) has concluded that NPA has become a crucial concern for any bank whether it is commercial or co-operative. The present paper is an attempt to study and analyse the causes of NPA in selected co-operative bank and brings out the major causes responsible for assets turning into non-performing. It highlights the importance of NPA in credit risk mitigation in cooperative bank in Delhi.

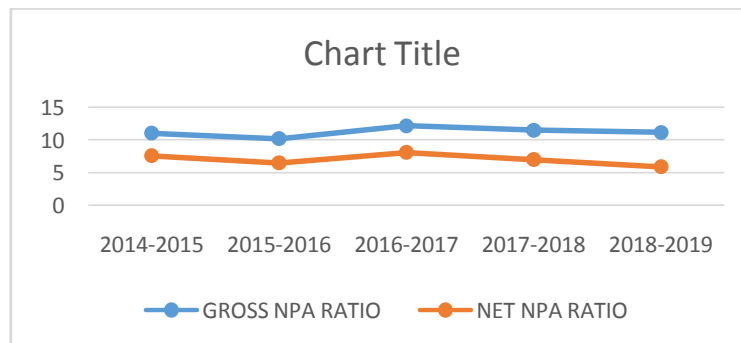
## II. ANALYSIS AND INTERPRETATION

**Table: 2.1** shows comparative analysis of Gross and Net NPA ratio:

YEAR	GROSS NPA RATIO	NET NPA RATIO
2014-2015	11.04	7.6
2015-2016	10.19	6.5
2016-2017	12.18	8.1
2017-2018	11.52	7.0
2018-2019	11.15	5.9

Interpretation:

It is clear that the gross NPA ratio and the net NPA ratio are comparatively analysed in the year 2016-2017 gross NPA ratio and net NPA ratio are greater when compared to other years.



**Table 2.2** shows provisioning ratio:

YEAR	GROSS NPA	PROVISION	PROVISION RATIO
2014-2015	107432278	36242178	33.73
2015-2016	102349455	39242178	38.34
2016-2017	111766980	40367178	36.11
2017-2018	108786296	45367178	41.70
2018-2019	99368771	48867178	49.17

Interpretation:

From the above table, total provision to gross NPA is provisioning ratio. In these, provisioning ratio increases from year to year. In the year 2014-2015 the provision ratio is 33.73%,

in 2015-2016 the provision ratio is increase to 38.34%, continuously the provision ratio increase and in the year 2018-2019 the provision ratio was 49.17%

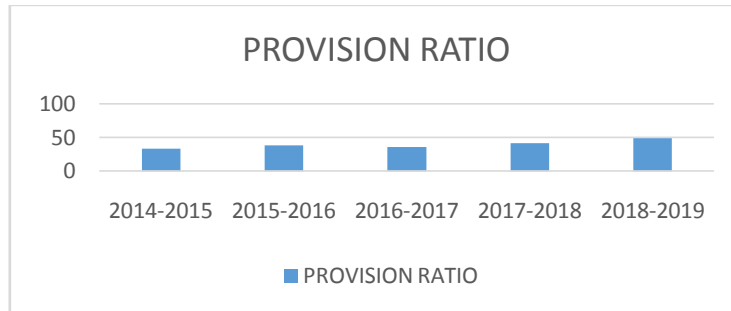


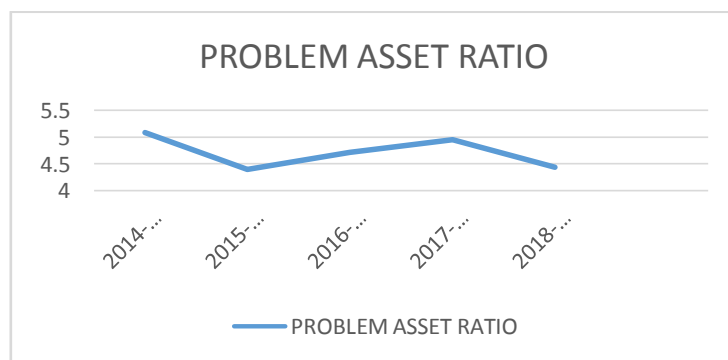
Table 2.3 shows Problem Asset Ratio:

YEAR	GROSS NPA	TOTAL ASSET	PROBLEM ASSET RATIO
2014-2015	107432278	2110380619	5.09
2015-2016	102349455	2322956712	4.40
2016-2017	111766980	2364959376	4.72
2017-2018	108786296	2189224330	4.96
2018-2019	99368771	2233814266	4.44

Interpretation:

It is clear that it is the ratio of gross NPA to total asset of the bank. The problem asset ratio has been decreasing from 5.09% in 2014 to 4.44% in 2019.

2015-2016 the problem asset ratio was 4.40% and in the year 2016-2017 it has been increased to 4.72% but in the year 2017-2018 it is 4.96% and it is decreased in the year 2018-2019.



### III. FINDINGS

- It is clear that the gross NPA ratio and the net NPA ratio are comparatively analysed in the year 2016-2017 gross NPA ratio and net NPA ratio are greater when compared to other years.
- The study reveals that the provision for NPA has been increasing from 2014-2019
- It shows that the problem asset ratio of urban cooperative bank has been decreasing

### IV. CONCLUSION

The main objective of the study was to find out NPA occurrence and to take corrective measure to control NPA in coming years. The major problem of NPA is that it will destroy the sound financial position of kancheepuram urban co-operative bank. The Government and the RBI measures has been considered for reducing NPA. If

NPA increases, the customer the public will not trust urban co-operative bank

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