

# A Study on Non-Performing Assets with Special Reference to Chidambaram Urban Cooperative Bank Limited

**Dr. P. Vijayalakshmi, M.Com., B.Ed., Ph.D., M.B.A.,**  
Assistant Professor in Commerce,  
Department of Commerce, Faculty of Arts,  
Annamalai University

**Abstract-** *Urban Co-operative Bank extends loans and other services to the needy people located in its territory. Increasing level of non-performing assets leads to bad debts and finally affects profitability of the bank. Growth of Co-operative Urban Bank is vital one since it has major role in economic development of the rural and urban areas. Analyzing non-performing assets in different dimensions and suggestions based on analysis might helpful to the policy makers who are involving in controlling non-performing assets in urban co-operative banks. The study made an attempt to analyse the non-performing assets and interest due on that assets and bad debts of the study unit by using trend and percentage analysis.*

**Keywords-** Losses Assets, Non-Performing Assets, Reserve Bad Debt, Sub-Standard Assets, Urban Cooperative Bank.

## I. INTRODUCTION

Co-operative bank is also one of the banking sector mainly operate in semi-urban and urban areas in order to cater the needs of the people located in the areas. In rural areas it provides loans especially for agricultural based activities, personal finance, milk, cattle, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities. In urban areas, the co-operative banks mainly provides loan for self-employment, industries, small scale units and home finance. In the recent decades, in addition to accepting deposits and lending money, it provides modern electronic services to satisfy its customers. Increasing level of Non-performing Assets especially loss assets is one of the biggest issues of Urban Co-operative Bank.

The urban cooperative bank is providing services especially to the needy weaker section in and around its territory. Increasing the level of loss assets resulting in increasing levels of provision for bad debts and bad debts is the biggest issue of Co-operative Urban Bank. Failures in Cooperative Bank have been relatively high in recent decades. Improper Loan portfolio is the main reason for increasing level of non-performing assets. Increasing level of non-performing loans will lead to revenues fall off and loan loss expenses as

well as operating costs. By considering all the problems, the study has been taken to analyse the non-performing assets with related variables in Chidambaram Urban Co-operative Bank.

## II. RESEARCH DESIGN

The study is purely based on secondary data. Theoretical background related to various schemes introduced by Urban Co-operative Bank was collected from different literatures given in books, journals and websites. Advances and loans given by UCB through various schemes are collected from Chidambaram Urban Cooperative Bank Annual Reports related to the study period. To examine the non-performing assets of the study unit, percentage and trends were used. The study period covers 9 financial years from 2008-09 to 2016-17.

## III. MARSHALLING OF DATA

The findings relating to lending of the study unit is given below.

Table 1 - Reserve for Non-Performing Assets

Year	Opening Reserve	Allocated During the year	Total Reserve	Changes Over The Year
2008-09	1,49,88,824	14,26,212	1,64,15,036	-
2009-10	1,64,15,036	18,51,879	1,82,66,915	18,51,879
2010-11	1,82,66,915	21,19,585	2,03,86,500	2119,585
2011-12	2,03,86,500	95,812	2,04,82,312	95,812
2012-13	2,04,82,312	9,00,129	2,13,82,441	9,00,129
2013-14	2,13,82,441	17,73,343	2,31,55,784	17,73,343
2014-15	2,31,55,784	12,33,207	2,43,88,991	12,33,207
2015-16	2,43,88,991	12,68,193	2,56,57,184	12,68,193
2016-17	2,56,57,184	12,77,127	2,69,34,311	12,77,127

Source: Annual Reports of Chidambaram UCB Ltd.,

Table 1 reveals that from the year 2008-2009 to the year 2016 to 2017, opening reserve for the NPA (non – performing assets) changes sharply from 1,49,88,824 to 2,56,57,184. It shows a increasing trend over the years 2008-2009 to 2016-2017. The Reserve for the NPA made from the year 2008-2009 to 2010-2011 it shows a increasing trend and then in the year 2011-2012 suddenly it decreased sharply and then in the year 2012-2013 and 2013-2014, it shows a increasing trend and in the year 2014-2015 it suddenly decreases and in the year 2015-2017, again it shows a

increasing trend. Changes in the Reserves over the years also shows first increasing trend. Since NPA allocated every year changes widely, changes in the reserves over the years also shows a fluctuating trend.

Table 2 - Reserve for Bad Debt

Year	Opening Balance	Receipts	Total	Changes Over The Year
2008-09	6,60,127	6,882	6,67,009	-
2009-10	7,28,949	41,781	7,70,730	1,03,721
2010-11	7,70,730	82,650	8,53,380	82,650
2011-12	8,53,380	1,08,468	9,61,848	11,94,932.46
2012-13	9,61,848	2,10,578	11,72,426	-8,75,886.46
2013-14	11,72,426	1,51,222	13,23,648	1,51,222
2014-15	13,23,648	2,03,824	15,27,472	2,03,824
2015-16	15,27,472	2,48,782	17,76,254	2,48,782
2016-17	17,76,254	2,83,956	20,60,209	2,83,955.82

Source: Annual Reports of Chidambaram UCB Ltd.,

Table 2 reveals that from the year 2008-2009 to the year 2016-2017, opening reserves for the bad debts shows an increasing trend. Reserves for the bad debts allocated every year shows a increasing trend from the year 2008-2009 to the year 2012-2013 and in the year 2013-2014, it decreases and in the year 2014-2015, it again increases. Changes in the Reserves over the year also show a fluctuating trend.

Table 3 - Sub standard, Bad and Loss Assets

Year	Sub-standard Asset	Doubtful Below One year		Doubtful 1 to 3 years		More than 3 Years		Loss assets
		Secured	Unsecured Loan	Secured	Unsecured Loan	Secured	Unsecured Loan	
2008-09	44,06,165	8,05,322	39,112	2,196,556	3,46,246	31,43,154	31,60,383	27,58,714
2009-10	7,86,990	11,05,271	4,42,813	10,34,150	1,58,632	32,73,906	23,90,653	23,59,349
2010-11	1,28,02,892	22,03,188	2,61,894	6,95,255	4,41,839	37,18,790	24,63,467	22,80,187
2011-12	87,17,328	21,91,422	6,50,443	6,64,334	3,19,017	32,78,820	24,42,595	22,18,353
2012-13	1,49,54,521	13,76,516	5,67,883	14,76,996	10,12,032	29,69,043	26,12,367	23,94,887
2013-14	28,82,4297	23,53,058	9,79,263	11,78,467	10,99,565	34,44,279	26,91,678	27,62,185
2014-15	1,72,56,260	49,40,539	2,247,729	8,22,885	4,71,919	53,87,487	31,94,567	33,07,174

2015-16	1,53,18,539	20,06,763	3,08,482	11,57,955	2,61,553	31,63,736	29,19,591	40,43,829
2016-17	1,39,06,085	19,80,856	3,38,536	5,71,624	3,32,384	37,52,920	29,68,644	47,51,992

Source: Annual Reports of Chidambaram UCB Ltd.,

Table 3 states that the sub-standard assets of the study unit shows a fluctuating trend ranging from 7, 86,990 Rs. to 1, 72, 56,260 lakhs. Secured doubtful assets less than one year shows a fluctuating trend and ranges from 8,05,322 lakhs to 49,40,539 lakhs and unsecured doubtful assets less than one year ranges from 39,112 lakhs to 9,79,263 lakhs. Secured doubtful assets in between 1 to 3 years shows a fluctuating trend and ranges from 5,71,624 lakhs to 21,96,556 lakhs and unsecured doubtful assets in between 1 to 3 years ranges from 1,58,632 lakhs to 10,99,565 lakhs. Secured assets are doubtful more than 3 years are also shows a fluctuating trend ranges from 29,69,043 lakhs to 53,87,487 lakhs. Unsecured assets are doubtful more than 3 years shows a fluctuating trend ranges from 23,90,653 lakhs to 31,94,567 lakhs. Loss assets during the study period ranges from 22,18,353 lakhs to 47,51,992 lakhs with fluctuations for the first 3 years of the study period thereby constant increase over year by year.

Table 4 - Number of Sub-standard, Bad and Loss Assets

Year	Sub-standard Asset	Doubtful Below One year		Doubtful 1 to 3 years		More than 3 Years		Loss Assets
		Secured	Unsecured Loan	Secured	Unsecured Loan	Secured	Unsecured Loan	
2008-09	195	34	19	37	124	30	360	12
2009-10	381	20	63	17	78	32	784	12
2010-11	656	57	75	12	73	37	837	11
2011-12	424	38	166	22	99	30	848	9
2012-13	467	24	76	35	232	27	899	7
2013-14	600	29	91	18	206	31	937	6
2014-15	420	99	31	6	66	32	1053	6
2015-16	419	22	37	8	33	20	633	5
2016-17	394	12	43	5	41	22	642	5

Source: Annual Reports of Chidambaram UCB Ltd.,

Table 4 states that the number of sub-standard assets of the study unit shows a fluctuating trend ranging from 195 to 656. The number of Secured doubtful assets less than one year shows a fluctuating trend and ranges from 12 to 99 and the number of unsecured doubtful assets less than one year ranges 19 to 166. The number of Secured doubtful assets in between 1 to 3 years shows a fluctuating trend and ranges from 5 to 37 and unsecured doubtful assets in between 1 to 3 years ranges from 33 to 232. The number of Secured assets is doubtful more than 3 years are also shows a fluctuating trend ranges from 20 to 37. The number of unsecured assets is doubtful more than 3 years shows a fluctuating trend ranges from 360 to 1,053. The number of Loss assets during the study period ranges from 5 to 12.

Table 5 - Interest due on Sub-standard, Bad and Loss Assets

Year	NPA Sub-Standard Assets	Below 1 Years		Above 1 Year to Below 3 Years		Above 3 Years		NP A Los ses Ass ets	Total
		Interest on Secured Loan	Interest on Unsecured Loan	Interest on Secured Loan	Interest on Unsecured Loan	Interest on Secured Loan	Interest on Unsecured Loan		
2008-09	6,03,067 (5.2)	1,76,860 (1.53)	16,403 (0.14)	4,52,505 (3.92)	1,79,864 (1.56)	26,10,546 (22.61)	52,47,610 (45.44)	22,61,514 (19.58)	1,15,48,369 (100)
2009-10	9,81,033 (7.63)	1,88,152 (1.46)	1,30,519 (1.02)	2,88,204 (2.24)	91,331 (0.71)	43,78,125 (34.07)	43,78,125 (34.07)	24,14,852 (18.79)	1,28,50,341 (100)
2010-11	15,42,239 (10.06)	5,59,391 (3.65)	80,366 (0.52)	1,59,801 (1.04)	1,96,031 (1.28)	54,18,577 (35.31)	48,54,165 (31.67)	25,23,072 (16.46)	1,53,26,920 (100)
2011-12	11,94,312 (8.96)	3,93,233 (2.95)	1,88,833 (1.42)	1,19,626 (0.90)	1,57,699 (1.18)	34,25,158 (25.70)	52,61,771 (39.48)	25,86,781 (19.41)	1,33,27,413 (100)
2012-13	23,82,051 (15.27)	1,95,454 (1.25)	1,05,976 (0.68)	3,72,170 (2.39)	4,40,761 (2.83)	34,89,497 (22.37)	58,35,718 (37.41)	27,78,325 (17.81)	1,55,99,952 (100)
2013-14	52,11,048 (25.35)	6,05,933 (2.95)	2,19,345 (1.07)	1,69,595 (0.82)	4,25,934 (2.07)	41,89,870 (20.38)	68,08,294 (33.12)	29,28,537 (14.24)	2,05,58,556 (100)
2014-15	37,66,848 (17.81)	15,40,791 (7.29)	54,729 (0.26)	1,74,090 (0.82)	1,86,307 (0.88)	50,67,774 (23.97)	71,82,244 (33.96)	31,73,381 (15.01)	2,11,46,164 (100)
2015	27,32,495	5,23,457	71,010	99,391	78,679	46,29,277	68,01,887	34,02,578	1,83,38,774

-16	(14.90)	(2.85)	(0.39)	(0.54)	(0.43)	(25.24)	(37.09)	(18.55)	(100)
2016-17	17,70,972 (9.70)	3,01,601 (1.65)	82,107 (0.45)	1,86,656 (1.02)	1,10,659 (0.61)	48,61,116 (26.61)	73,19,803 (40.03)	36,48,893 (19.93)	1,82,027 (100)

Note: Figures in Parenthesis denote percentage  
Source: Annual Reports of Chidambaram UCB Ltd.,

Table 5 exhibits that in the year the year 2008-2009, interest on Sub-Standard Assets stood at 95.22 per cent, Secured loan for which the interest on Over dues were 1.53 per cent, and for the Unsecured Loan below 1 year interest on over-dues was 0.14 per cent, for the secured loan above one year but below 3 years, interest on over-dues were 3.92 per cent, for the Unsecured Loan above 1 year but below 3 years, interest on over-dues were 1.56 per cent, for the Secured Loan above 3 years, Interest on over-dues were 22.61 per cent and for the Unsecured Loan above 3 years, interest on over-dues were 45.44 per cent and for the Interest on Losses Assets (NPA) were 19.54 per cent.

For the year 2009-2010, Interest on Sub-Standard Assets stood at 7.63 per cent, Secured loan for which the Interest on over-dues were 1.46 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 1.02 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 2.24 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 0.71 per cent, for the Secured Loan above 3 years, Interest on over-dues were 34.07 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 34.07 per cent and for the Interest on Losses Assets (NPA) were 18.79 per cent.

For the year 2010-2011, Interest on Sub-Standard Assets stood at 10.06 per cent, Secured loan for which the Interest on over-dues were 3.65 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 0.52 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 1.04 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 1.28 per cent, for the Secured Loan above 3 years, Interest on over-dues were 35.31 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 31.67 per cent and for the Interest on Losses Assets (NPA) were 16.46 per cent.

For the year 2011-2012, Interest on Sub-Standard Assets stood at 8.96 per cent, Secured loan for which the Interest on over-dues were 2.95 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 1.42 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 0.90 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 1.18 per cent, for the Secured Loan above 3 years, Interest on over-dues were 25.70

per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 39.48 per cent and for the Interest on Losses Assets (NPA) were 19.41 per cent.

For the year 2012-2013, Interest on Sub-Standard Assets stood at 15.27 per cent, secured loan for which the Interest on over-dues were 1.25 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 0.68 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 2.39 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 2.83 per cent, for the Secured Loan above 3 years, Interest on over-dues were 22.37 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 37.41 per cent and for the Interest on Losses Assets (NPA) were 17.81 per cent.

For the year 2013-2014, Interest on Sub-Standard Assets stood at 25.35 per cent, Secured loan for which the Interest on over-dues were 2.95 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 1.07 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 0.87 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 2.07 per cent, for the Secured Loan above 3 years, Interest on over-dues were 20.38 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 33.12 per cent and for the Interest on Losses Assets (NPA) were 14.24 per cent.

For the year 2014-2015, Interest on Sub-Standard Assets stood at 17.81 per cent, Secured loan for which the Interest on over-dues were 7.29 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 0.26 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 0.82 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 0.88 per cent, for the Secured Loan above 3 years, Interest on over-dues were 23.97 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 33.96 per cent and for the Interest on Losses Assets (NPA) were 15.01 per cent.

For the year 2015-2016, Interest on Sub-Standard Assets stood at 14.90 per cent, secured loan for which the Interest on Over-dues were 2.85 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 0.39 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 0.54 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 0.43 per cent, for the Secured Loan above 3 years, Interest on over-dues were 25.24 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 37.09 per cent and for the Interest on Losses Assets (NPA) were 18.55 per cent.

For the year 2016-2017, Interest on Sub-Standard Assets stood at 9.70 per cent, secured loan for which the Interest on over-dues were 1.65 per cent, and for the Unsecured Loan below 1 year Interest on over-dues was 0.45 per cent, for the secured loan above one year but below 3 years, Interest on over-dues were 1.02 per cent, for the Unsecured Loan above 1 year but below 3 years, Interest on over-dues were 0.61 per cent, for the Secured Loan above 3 years, Interest on over-dues were 26.61 per cent and for the Unsecured Loan above 3 years, Interest on over-dues were 40.03 per cent and for the Interest on Losses Assets (NPA) were 19.93 per cent.

#### IV. SUGGESTIONS AND CONCLUSION

In order to improve profitability, non-performing assets should be scheduled. Various steps have been taken by the management of the Urban Co-operative Bank to reduce the NPA. Chidambaram Urban Co-operative Bank might carefully maintain the loan and recovery and the Management with the help of efficient officials. Chidambaram Urban Co-operative Bank might take steps to collect interest on over-dues by approaching the borrowers and find the reasons for non-payment of interest for further rectification.

Urban Cooperative Banking is a key sector in the Indian Banking scene, since it focused on rural and uncovered areas by commercial banks work as a total system and develops self-reliance. Generally Urban Co-operative banks have ever-growing non-performing assets. Also urban cooperative banks have not been able to service the growing credit requirements of clients or the newer demands for loans in the field of personal finance. In the interest of healthy competition, the urban cooperative banks should be encouraged to grow. UCBs concentrate on wealth creation and profitability and might adopt some effective control measures to eliminate non-performing assets and grow in the competitive world.

#### REFERENCES

- [1] Ved Pal & N S Malik (2007), A multivariate analysis of the financial characteristics of commercial banks in India, The ICAFI Journal of Management, Vol. 6, Issue 3.
- [2] Dutta Uttam and Basak Amit (2008), Appraisal of financial performance of urban cooperative banks- a case study. The Management Accountant, case study, March 2008, 170-174
- [3] Harish Kumar Singla (2008), Financial performance of banks in India, The ICAFI Journal of Management, Vol. 7, Issue 1.
- [4] Chander Ramesh and Chandel Jai Kishan (2010), Financial Viability of an Apex Cooperative Credit Institution- A

Case Study of the HARCO Bank. , Asia-Pacific Business Review Vol. VI, No.2, April-June 2010, pp 61-70

- [5] Bhaskaran R and Praful Josh P (2000), Non Performing Assets (NPAs) in Co-operative Rural Financial System: A major challenge to rural development, BIRD's Eye View Dec.2000.
- [6] Jain (2001), Comparative study of performance of District Central Co- operative Banks (DCCBs) of Western India i.e. Maharashtra, Gujarat & Rajasthan for the year 1999-2000 from the point of view of net profit/loss, NAFSCOB Bulletin, April-June 2001.
- [7] Fulbag Singh and Balwinder Singh (2006), Funds management in the central cooperative banks of Punjab- an analysis of financial margin, The ICFAI Journal of Management, Vol. 5, 74-80
- [8] Vijay Mavaluri, PradeepBoppana and Nagarjuna (2006), Measurement of efficiency of banks in India University Library of Munich, Germany, MPRA Paper 17350, Aug 2006.
- [9] Andrew Campbell (2007), Bank insolvency and the problem of non- performing loans. Journal of Banking Regulation, 25-45.