

ANALYZING FACTORS INFLUENCING NON PERFORMING ASSETS FROM BANKER'S AND BORROWER'S PERSPECTIVE OF SELECTED COMMERCIAL BANKS IN CHITTOOR DISTRICT, ANDHRA PRADESH

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ABSTRACT

In the present scenario, NPAs have been the most vexing problem faced by commercial banks. The Govt. of India and Reserve Bank of India have initiated various measures to control NPAs in the post reform years. But banks are yet to solve the dilemma. This needs to be remedied. Thus, it is pertinent to examine the asset quality and NPAs of commercial banks in the present global competitive scenario. An investigation in respect of asset quality and NPAs of banks is therefore likely to be highly related academic issue particularly in a backward region. With this backdrop, an attempt has been made in this paper to examine the list of factors influencing Nonperforming Assets from banker's perspective and borrower's perspective in selected banks analyzed by using mean, standard deviation and t test in SPSS 20 for this objective a hypothesis framed as there is no significant difference between banker's perception and borrower's perception of the factors influencing Nonperforming Assets in the selected Commercial Banks in Chittoor District, Andhra Pradesh.

KEYWORDS: *Asset Quality, Nonperforming Assets, Mean, Standard Deviation And T Test*

INTRODUCTION

The nonperforming assets of banks are brought forward legacy accumulated over the past decades, when prudent norms of banking were unoccupied relaxing by the radiance of security provided by government ownership. It is not wrong to have pursued social goals, but this does not justify relegating banking goals and fiscal discipline to the background. But despite this extravagance the malaise remained invisible to the public eyes due to the practice of not following transparent accounting standards, but keeping the balance sheets vague.

In the milieu of the complex changes when the dilemma of bank's NPA was gradually recognized for the first time at its peak velocity during 2012-13, there was resultant uproar and confusion.

As the problems in large magnitude exploded unexpectedly commercial banks were unable to analyze and make a realistic or complete assessment of the prevailing situation. It was not realized that the root of the problem of NPAs was centered particularly in the economy of the country. The unpreparedness and structural weakness of our banking system to act to the

emerging scenario and de-risk itself to the challenges thrown by the new order, trying to switch over to globalization were only aggravating the crisis. The partial perceptions and hasty judgments led to a policy of ad-hoc-ism, which characterized the approach of the authorities during the last two decades towards finding solutions to banking ailments and dismantling recovery impediments. Repeated correctional efforts were executed, but positive solution.

The researcher selected these two banks because it is holding more than 40 years of experience in its industry one is standing as no.1 bank in India in public sector and the other had more experience in private sector and more number of branches are exists in rural, semi urban and urban areas in Chittoor district. Out of 8970 default borrowers 525 NPAs are selected for the study but 191 borrowers responded for the questionnaire.

Analysis of the study to know opinions of bank officials and borrowers regarding causal factors of becoming defaulters in both public sector and private sector banks in the study area. Follows Findings of the study are as under. The tables are formed on the basis of questions contained in the questionnaire.

There are list of factors affecting Nonperforming Assets in the respective banks are discussed with the bank officers and explained to the defaulters to know their opinion on these factors to reduce the annoy status of both bankers and defaulters. Later it is observed that it is relevant with the bank officers opinion need to consider more than defaulter. It is the reason behind knowing the opinion of bankers to avoid void answers given by the defaulters at the time of meetings conducted by the bank officers for on time / compromise settlements camps. So, here are the perception of bankers listed of both SBI and ICICI bank officers including Branch Manager, Recovery Managers, And Field officers etc.

OBJECTIVES

1. To examine the factors influencing Nonperforming Assets from banker's perspective and borrower's perspective in selected banks.

HYPOTHESIS

H0: There is no significant difference between the factors influencing NPA banker's perception and borrower's perception of public sector banks and private sector banks.

Sample Design

The researcher has selected SBI and ICICI bank for the study, under which one is public bank and the other is private sector. Researcher has collected all the primary data from these branches in Chittoor district. Apart from this information was collected from the loan recovery officers and other associates related to Nonperforming Assets management in selected banks in Chittoor district. The researcher has designed questionnaires followed by interview to get complete details for the study. In order to study the perception of the borrowers the researcher had prepared a separate questionnaire which fulfills the view/suggestions of borrowers. The researcher selected the borrowers in the NPAs list randomly because it became very difficult to locate each borrower and then making them to talk. The sample size conducted by the researcher in the present study is as follows

TABLE 1.3 SAMPLE DESIGN IN THE STUDY

Banks	Chittoor	Bank official	Respondents (bankers)	Sample defaulters	Respondents (defaulters)
SBI	70	43	43	315	107
ICICI	6	12	12	210	83
Total	76	65	65	525	190

Source: Reports of SBI and ICICI banks, Chittoor district

Data Collection

The researcher has collected information from both the sources i.e. primary data source and secondary data source. In the present study, the researcher adopted questionnaire method and observation method as primary data source and the numerical figures released by SBI and ICICI banks i.e. annual reports of respective banks as secondary data source.

TABLE 1.4 BREAK-UP OF RESPONSES OF SAMPLED EMPLOYEES

Name of banks	No of employees Interviewed	CEO	AGM	Branch Manager	Field officers
State Bank of India	43	1	4	12	26
ICICI	22	1	4	4	13
Total	65	2	8	16	39

Source: Reports of SBI and ICICI banks, Chittoor district

Primary Data

The primary data are those which are collected afresh and for the first time, and thus happen to be original in character. Major sources of primary data include the respondents who borrowed loans in banks and unable to repay in selected commercial banks in Chittoor District and loan recovery officers of NPAs in selected commercial banks in Chittoor district. There are various methods of collecting primary data; particularly for this study observation method and questionnaire survey is selected.

Primary data for the study was collected from bank officials and borrowers during January to September 2013. Questionnaire method was used to collect the reliable data from the respondents

A pilot study with a sample size of 50 responses was conducted before arriving at the final questionnaire. Based on feedback from respondents, the final questionnaire was prepared.

The final questionnaire consists of two parts:

1. The first part is for the bank branch officials
2. The second part has questions for the defaulted borrowers.

TABLE 4: FACTORS INFLUENCING NONPERFORMING ASSETS FROM SAMPLE BANKER'S PERSPECTIVE

Sl. No.	Particulars	Yes %	No %	Cannot say
1	Unwillingness to pay	82.05	13.25	4.7
2	Unforeseen domestic problems (death, divorce, illness and marriage)	91.03	3.42	5.55
3	Financial problems of the party	84.62	4.70	10.68
4	Wrong identification of beneficiary	79.91	11.11	8.98
5	Inaccurate pre sanction security and appraisal of loan proposal	90.60	4.27	5.13
6	Target oriented approach to lending by banks	83.76	4.27	5.13
7	Absence of credit information sharing among different financial institutions	88.46	5.56	5.98
8	Weak monitoring by bank officer	80.34	11.11	8.55
9	Inadequate laws to take appropriate action	75.21	6.41	18.38
10	In case of politicians the NPA chances are more for loans	71.79	18.38	9.83
11	Lack of initiative on the part of the banker	82.91	11.11	5.98
12	The bigger the size of loan, lesser the risk of NPA	53.85	21.79	24.36
13	Higher the monthly income, lower the chance of NPA of loan because of higher ability to pay	93.59	5.41	1.00
14	Greater the value of asset, lesser risk of NPA of loans its greater affordability	83.76	5.13	11.11
15	Presence of guarantor, the chances are more to recover the loan	90.60	4.27	5.13

Sl. No	Particulars	Yes %	No %	Cannot say
16	EMI to income ratio is positively associated with the estimated NPA loan	89.32	5.98	4.7
17	Presence of more number of borrowers reduces the risk of NPA in loan	86.75	8.12	5.13
18	The number of dependents increases, probability of NPA of loan also rises because of higher financial burden	88.03	10.97	1.00
19	Rural and semi urban borrower are riskier than urban borrowers of loan	82.05	11.54	6.41
20	Chances of NPA of loan are more in case of self employed	71.79	18.80	9.41
21	The chances of NPA of loan are more in case of service holders	44.02	49.15	6.83
22	The chances of NPA of loan are less in case of women borrowers as compared to men	84.19	5.98	9.83

	borrowers			
23	In case of government employee the chances of NPA are more for loans	34.19	58.97	6.84
24	Employee working in private sector chances of NPA is more	71.37	18.80	9.83
25	In case of professionals the chances of NPA in loans are more	35.90	50.43	13.67
26	In case of semi-government employees the chances of NPA in loan is more	46.58	48.72	4.7

Source: Primary data collected from SBI bank officers, Chittoor district

Bankers Factors One-Sample Test						
	t	Df	Sig.(2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Yes %	21.891	25	.000	75.64115	68.5247	82.7576
No %	4.976	25	.000	16.06346	9.4150	22.7119
Cannot say %	8.220	25	.000	8.0323	6.020	10.045

Source : calculated in SPSS 20

Bankers Factors One-Sample Statistics						
		Statistic	Bias	Std. Error	95% Confidence Interval	
					Lower	Upper
Yes %	Mean	75.64	.129	3.43	68.60	82.47
	Std. Deviation	17.61	-.701	2.89	10.09	21.64
	Std. Error	3.45				
No %	Mean	16.06	-.130	3.19	10.04	22.44
	Std. Deviation	16.467	-.755	3.10	9.192	20.77
	Std. Error	3.22				
Cannot say %	Mean	8.02	-.023	1.007	6.17	10.18
	Std. Deviation	4.98	-.253	1.15	2.53	6.85
	Std. Error	.97				

Source : Calculated in SPSS 20

Sl. No.	Particulars	Yes %	No %	Cannot say
1	Unwillingness to pay	69.57	13.04	17.39
2	Unforeseen domestic problems (death, divorce, illness and marriage)	94.57	5.00	0.43
3	Financial problems of the party	72.83	13.04	14.13
4	Wrong identification of beneficiary	91.30	0.70	8.00
5	Inaccurate pre sanction security and appraisal of loan proposal	92.39	6.61	1.00
6	Target oriented approach to lending by banks	90.22	6.52	3.26
7	Absence of credit information sharing among different financial institutions	96.74	2.26	1.00
8	Weak monitoring by bank officer	82.61	11.96	5.43
9	Inadequate laws to take appropriate action	75	14.13	10.87
10	In case of politicians the NPA chances are more for loans	93.48	5.52	1.00
11	Lack of initiative on the part of the bank officials	82.61	16.39	1.00
12	The bigger the size of loan, lesser the risk of NPA	75	7.61	17.39
13	Higher the monthly income, lower the chance of NPA of loan because of higher ability to pay	97.83	1	1
14	Greater the value of asset, lesser the risk of NPA of loans its greater affordability	93.48	5.43	1.09
15	Presence of guarantor, the chances are more to recover the loan	82.61	14.13	3.26
Sl. No.	Particulars	Yes %	No %	Cannot say
16	EMI to income ratio is positively associated with the estimated NPA loan	89.13	6.52	4.35
17	Presence of more number of borrowers reduces the risk of NPA in loan	93.48	5.52	1.00
18	The number of dependents increases, probability of NPA of loan also rises because of higher financial burden	94.57	3.26	2.17
19	Rural and semi urban borrower are riskier than urban borrowers of loan	73.91	19.57	6.52
20	Chances of NPA of loan are more in case of self employed	84.78	11.96	3.26
21	The chances of NPA of loan are more in case of service holders	41.30	45.65	13.05
22	The chances of NPA of loan are less in case of women borrowers than men borrowers	90.22	5.43	4.35
23	In case of government employee the chances of NPA are more for loans	30.43	68.48	1.09

24	Employee working in private sector chances of NPA is more	68.48	22.83	8.69
25	In case of professionals the chances of NPA in loans are more	23.91	75	1.09
26	In case of semi-government employees the chances of NPA in loan is more	33.70	50	16.3

TABLE 5: FACTORS INFLUENCING NONPERFORMING ASSETS FROM BORROWER’S PERCEPTION

Borrowers Factors One-Sample Statistics						
		Statistic	Bias	Std. Error	95% Confidence Interval	
					Lower	Upper
Yes	Mean	77.46	-.18	4.25	68.31	85.15
	Std. Deviation	21.589	-.520	3.579	13.190	27.047
	Std. Error	4.234				
No	Mean	16.88	.21	3.92	10.23	25.50
	Std. Deviation	20.029	-.605	4.231	9.844	26.692
	Std. Error	3.928				
Cannot say	Mean	5.58	-.03	1.10	3.54	7.85
	Std. Deviation	5.665	-.173	.704	3.979	6.651
	Std. Error	1.111				

Source : Calculated in SPSS 20

Borrowers Factors One-Sample Test						
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Yes	18.295	25	.000	77.462	68.74	86.18
No	4.299	25	.000	16.885	8.79	24.97
Cannot say	5.020	25	.000	5.577	3.29	7.87

Source: Primary data collected from borrowers, Chittoor district

From the above table, mean and Standard deviation of bankers and borrowers factors responses of respective bankers are analyzed and ‘t’ value reveals 21.891 for bankers and 18.295 for borrowers says yes to the factors causing NPAs. 4.976 For bankers and 4.299 for borrowers says No to the factors responsible for NPA. 8.220 For bankers and 5.02 for borrowers say cannot say to the actual reason for the NPA.

Hence the sample test explains both the bankers and borrowers mean and Standard deviation are compares among the bankers perspective and borrowers perspective on the factors listed are the

causes for NPA says Yes, No, Cannot say group of bankers observed on this basis to know actual factors responsible for the NPAs in both the bankers opinion and borrowers opinion.

NPAs are seriously affecting the efficient management of funds. It affects the profitability of the banks and reduces the availability of resources for mobilization besides increasing their costs. It also puts a question mark on the viability and solvency of the organization. Causes of default identified through field surveys need to be sorted out. Concerted efforts are required at the bank level to improve the credit appraisal and monitoring skills of the managers so that potential default can be identified at an early stage. The occurrences of NPA may not avoidable entirely but they can be managed effectively. The fresh incidences of NPAs should be avoided but not at the cost of fresh deployment of credit.

Suggestions & Conclusion

Analysis of the Study to Know Opinion's of Bank Officials and Borrowers on NPA

Analysis of the Study to Know Opinion's of Bank Officials and Borrowers reveals that unwillingness to pay leads to NPA in loan accounts for this 78.53% borrowers agreed that unwillingness to pay on the causes of nonpayment of loan. Unforeseen domestic problems like death, divorce, illness and marriage of family members lead to NPA in loan for these 92.02% participants agreed that domestic problems one of the causes of default. Financial problems of the party lead to NPA of loan for this 81.29% people said yes to the financial problems of the party leads to NPA in loan. Wrong identification of beneficiary leads to NPA in loan for these 83.13% borrowers agreed that wrong identification of beneficiary one of reason for defaults. Inaccurate pre sanction security and appraisal of loan proposal leads to NPA in loan for this 91.1% people agreed to the cause that inaccurate pre sanction and appraisal of loan proposal leads to default in loan. Target oriented approach to lending by banks lead to NPA in loan for this Majority agreed to the target oriented approach to lending by bank one of the reasons for the NPA in loan. Absence of credit information sharing among different financial institutions lead to NPA in loan for this Most of respondents believe absence of credit information sharing among financial institutions lead to NPA in loan. Weak monitoring leads to NPA in repayment of loan for this Majority believe that weak monitoring one of the major reasons for NPA in loans. Inadequate laws to take appropriate action leads to NPA of loan for this 245 respondents agreed that inadequate laws to take appropriate action leads to NPA in loans. In case of politicians the NPA chances are more for loans for these 254 participants supported the view that in case of politicians the chances of default is more. Lack of initiative on the part of the bank officials lead to NPA in loans for this Answering to this question majority agreed that lack of initiative on the part of bank officials lead to default in loans. The bigger the size of loan, lesser the risk of NPA for this Most of the borrowers agreed that the bigger the size of, lesser the risk of default. Higher the monthly income, lower the chance of NPA of loan because of higher ability to pay for this Majority believes that there is correlation between the income and paying ability. Greater the value of asset, lesser the risk of NPA of loans because of greater affordability for this Out of 326, 282 respondents agreed that greater the value of assets, lesser the risk of default of loans because of greater affordability. The presence of guarantor, the chances are more to recover the loan for this Most of the people believe that the presence of guarantor reduces the chances of NPA. EMI to income ratio is positively associated with the estimated likelihood of NPA of loan for this Majority agreed that EMI to income ratio is positively associated with the estimated likelihood of

default in loans. Presence of more number of borrowers reduces the risk of NPA in loan for these 289 respondents supported out of 326, that the presence of more number of borrowers reduces the risk of NPA in loan. The number of dependents increases, probability of NPA of loan also significantly rises because of higher financial burden for this majority believes that as the number of dependents increases, probability of default in loan also significantly rises. Rural and semi urban borrower are riskier than urban borrowers of loan for this 260 respondents said yes and agreed that rural and semi urban borrower are riskier than urban borrowers. Chances of NPA of loan are more in case of self employed for this most of the people agreed that chances of default are more in case of self employed. Chances of NPA of loan are more in case of service holders for this Majority said no. This indicates that chances of NPA of loan are less in case of service holders. Chances of NPA of loan are less in case of women borrowers as compared to men borrowers for this Most believes that in case of women borrowers NPA is less. In case of government employee the chances of NPA are more for loans for this Majority believe that in case of government employees the defaults are less. Employee working in private sector chances of NPA is more for this Maximum people agreed that the employees working in private sector chances of default is more. In case of professionals the chances of NPA in loans are more for this 187 participants agreed that in case of professional the chances of defaults are less. In case of semi-government employees the chances of NPA in loan is more for this Majority do not agree that in case of semi-government employee the chances of NPA more.

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