Research Paper
Impact Factor: 4.729
Refereed, Listed & Indexed

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

A STUDY ON NON PERFORMING ASSET OF SBI

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Abstract
The article is about the Non performing asset of SBI .In this article we suggest necessary steps to reduce NPA in SBI. To make our case we have used ratio analysis, comparative balance sheet and trend analysis. The NPA can be reduced by following the steps given in the article. And finally the suggestion and conclusion is given to reduce the NPA in SBI bank.

Keywords: Ratio Analysis and Trend Analysis and Non Performing Assets.

Introduction
Non-Performing Asset means an asset or account of borrower, which has been classified by a bank or financial institution as sub- standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification issued by RBI. An amount due under any credit facility is treated as "past due" when it has not been paid within 90 days from the due date. Due to the improvement in the payment and settlement systems, recovery climate, up gradation of technology in the banking system, etc., it was decided to dispense with past due' concept, with effect from March 31, 2001.

Statement of Problem
External causes like Natural calamities and climatic conditions, Recession, changes in Government policies changes in economic conditions, Industry related problems, Impact of liberalization on industries, Technical problems Internal causes like internal defaulters, Faculty projects, Most of the project reports are ground realities, proper linkages, product pricing etc.

Objectives of Study

- To study the status of Non-Performing Assets of Commercial Banks in India.
- To study the impact of NPAs of Banks.
- To know the recovery of NPA.
- Concept of non-performing asset

Reasearch Methodology
Area of Study
The present study aims at comparative analysis of the financial performance of State Bank of India and HDFC.

Period of Study
The period considered for the purpose of study is 5 years. The five years of study ranges from 2011-2016.

Source of Data
The data used in this analysis is secondary data.

Limitations of the Study

- The study includes all the limitations, which are inherent in the dataCollected from the above mentioned sources.
- While computing the percentages and average, the figures have beenApproximated and as such the totals at times may not exactly tally.

Review of Literature
Luther (1976)[1] chaired the committee appointed by Reserve Bank of India to study the productivity, efficiency and profitability of commercial banks. The committee analyzed the various issues related to the planning, budgeting and marketing in commercial banks.

Swamy (2001)[2] studied the comparative performance of different bank groups since 1995-96 to 1999-2000. An attempt was made by researcher to identify factors which could have led to changes in the position of individual banks in terms of their share in the overall banking industry. He analyzed the share of rural branches , average branch size, trends in bank’s profitability, share of public sector assets, share of wages in expenditure, provision and contingencies, net non performance assets in net advances, spread, has been calculated. He concluded that in many respects nationalized public sectors banks much better than private banks, even they are better than foreign banks.

Profile of the Company

The roots of the State Bank of India lie in the first decade of the 19th century, when the Bank of Calcutta, later renamed the Bank of Bengal, was established on 2 June 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as joint stock companies and were the result of royal charters. These three banks received the exclusive right to issue paper currency till 1861 when, with the Paper Currency Act, the right was taken over by the Government of India. The Presidency banks amalgamated on 27 January 1921, and the re-organised banking entity took as its name Imperial Bank of India. The Imperial Bank of India remained a joint stock company but without Government participation.

Analysis And Interpretation

Liquidity Ratio

Current ratio

The current ratio indicates a company's ability to pay its current liabilities from its current assets. This ratio is one used to quickly measure the liquidity of a company. The ratio equal or near to the rule of thumb of 2:1 i.e. current asset double the current liabilities is said to be satisfactory.

Current Ratio = Current Assets ÷ Current Liabilities

Current assets are those assets that are expected to turn into cash within one year. Examples of current assets are cash, accounts receivable, and prepaid expenses. Also included in this category are marketable securities such as government bonds and certificates of deposit. Current liabilities are those debts that are expected to be paid or come due within a year. Examples of current liabilities are accounts payable, payroll liabilities, and short-term notes payable.

Current Ratio			
Rs in crores			
Year	**current asset**	**current liabilities**	**current ratio**
2015-16	1,771,576	159,876	11.08
2014-15	1,543,723	137,698	11.21
2013-14	1,385,924	96,413	14.37
2012-13	1,208,329	95,455	12.66
2011-12	1,017,855	80,915	12.58

According to this table current ratio is highest in the year 2013-2014 with 14.37 the current ratio is less with 11.08 during the financial year 2015 -2016 .thus the SBI has a fluctuating ratio. Thus it satisfies the basic norm of 2:1

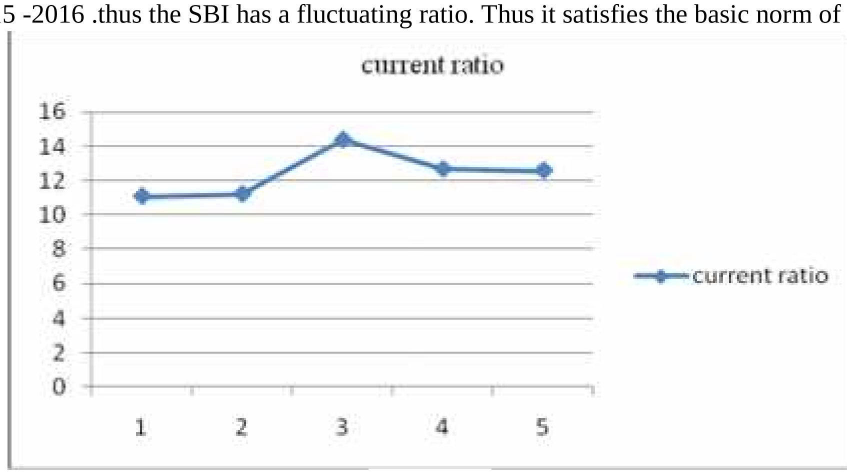


Figure no.1

Liquid ratio (Acid test or Quick ratio)

This ratio is also referred to as the quick ratio. The purpose of this ratio is to measure how well a company can meet its short-term obligations with its most liquid assets. Liquid assets are those that can be quickly turned into cash.

The formula for calculating the acid ratio is:

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

Acid Ratio = (Cash & Cash Equivalents + Short-Term Investments + Accounts Receivable) ÷ Current Liabilities

Quick or Acid test ratio			
Rs in Crores			
Year	**Liquid asset**	**Current liabilities**	**Quick ratio**
2015-16	1,771,576	159,876	11.08
2014-15	1,543,723	137,698	11.21
2013-14	1,385,924	96,413	14.37
2012-13	1,208,329	95,455	12.66
2011-12	1,017,855	80,915	12.58

The table shows about the Quick ratio of SBI is higher with 14.37 during the financial year 2013 -2014 and it is less with 11.08 during the financial year 2015 -2016.thus the SBI ratios is satisfactory

Absolute Liquid ratio

In addition to computing current and quick ratio, some analysts also compute absolute liquid ratio to test the liquidity of the business. Absolute liquid ratio is computed by dividing the absolute liquid assets by current liabilities. The acceptable norms for this ratio is 50% or
0.5:1or 1:2
The formula to compute this ratio is given below:

Absolute liquid ratio =Absolute liquid asset/Current liabilities

Absolute liquid assets are equal to liquid assets minus accounts receivables (including bills receivables). Some examples of absolute liquid assets are cash, bank balance and marketable securities etc.

Absolute Liquid Ratio			
Rs in Crores			
Year	**Absolute liquid asset**	**Current liabilities**	**Absolute liquid ratio**
2015-16	167,468	159,876	1.05
2014-15	174,861	137,698	1.27
2013-14	132,550	96,413	1.37
2012-13	114,820	95,455	1.20
2011-12	97,163	80,915	1.20

The above table shows the absolute liquid ratio of SBI. The ratios are higher with1.37 during the financial year 2013 -2014 and it is low with 1.05 during the financial year 2015 -2016.Thus the SBI is has enough liquid asset and it satisfies the norms

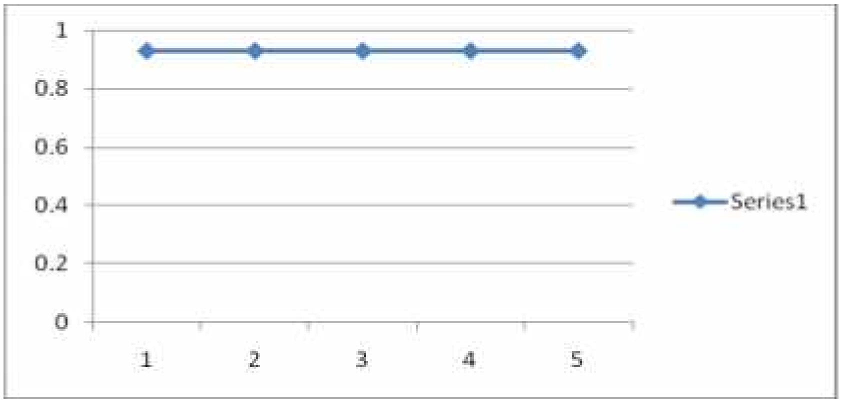
Ratio of term loan to total advances

A measurement representing the percentage of a corporation’s asset that are financed with loans and financial obligations lasting more than one year .The ratio provides a general measure of the financial position of a company, including its ability to meet financial requirements for outstanding loans. A year-over-year decreases in this metric would suggest the company is progressively becoming less dependent on debt to grow their business .The calculation for the long term debt to total asset ratio is

Long term debt to total asset ratio =long term debt/total assets

RATIO OF TERM LOANS TO TOTAL ADVANCES			
Rs in Crores			
year	**long term debt**	**Total asset**	
2015-16	1,954,913	2,099,187	0.93
2014-15	1,781,944	1,910,382	0.93
2013-14	1,577,539	1,695,822	0.93
2012-13	1,371,922	1,470,806	0.93
2011-12	1,170,653	1,254,604	0.93

The above table reveals that the ratio of term loans to total advances which implicate the capacity of banks independency /not depending on the loans. In this case the bank have same ratio with 0.93 during the last five years. Thus the bank maintain same level and it is performing good.



Ratio of Operating Profit to Total Assets

Operating profit is a measure of income that tells investors how much of revenue will eventually become profit for a company. The profit earned from a firm's normal core business operations. This value does not include any profit earned from the firm's investments.

Ratio = Operating profit /Total Assets

RATIO OF OPERATING PROFIT TO TOTAL ASSETS			
Rs in Crores			
year	**Operating profit**	**Total asset**	
2015-16	121,903	2099187	0.06
2014-15	113,719	1910382	0.06
2013-14	100,629	1695822	0.06
2012-13	90,373	1470806	0.06
2011-12	80,452	1254604	0.06

The above table implies that the ratio of operating profit of SBI and HDFC .The operating profit is 0.60 in SBI in the financial year 2011-2016 .Thus the bank maintain same level of operating profit and it is performing well.

Trend Analysis

A trend analysis is an aspect of technical analysis that tries to predict the future movement of the stock based on past data. Trend analysis is based on the idea that what has happened in the past gives the idea of what will happen in the future.

Trend Analysis For Loans And Advances		
Year	**Loans and Advances**	**Trend**
2011-2012	920692	100
2012-2013	1093509	119
2013-2014	1253375	115
2014-2015	1368862	109
2015-2016	1604109	117

The above table shows about the trend analysis of SBI. The trend of the bank have a fluctuating trend in SBI it increases to 119 during the year 2012 – 2013 and it decreases to 115 and 109 during the financial year 2013 – 2014,2014 – 2015 and again it increases to 117.thus both the banks have a fluctuating trend.

Trend analysis for net assets

Trend Analysis For Net Assets		
Year	**Net asset**	**Trend percentage**
2011-2012	5134	100
2012-2013	6596	128
2013-2014	8002	121
2014-2015	9329	117
2015-2016	9819	105

The above table shows about the trend analysis of SBI. The trend of the bank have a fluctuating trend . In SBI it increases to 128 during the year 2012 – 2013 and it decreases to 121 and 117 during the financial year 2013 – 2014,2014 – 2015 and again it decrease to 117.thus the bank have a fluctuating trend. Thus the SBI is performing well .

Findings, Suggestions and Conclusion

Findings

- The current ratio of SBI ranges from 12.58:1to 11.08:1 so it satisfies the basic norms. This indicates that the banks have the ability to meet its current dues.
- Quick ratio is computed to know if the bank can pay off its current dues immediately or not. The ratio of SBI ranges from 12.58:1to 11.08:1, thus the banks satisfies the standard norm.
- The absolute liquidity ratio is calculated to measure the bank liquid position and the bank short term liquidity in terms of cash and marketable security. The ratio of SBI is above the expected norms. Therefore the ratios are satisfactory
- The ratio of term loan to total advances is calculated to know about the general measure of financial position of the banks including its ability to meet financial requirements of outstanding loans. Here the SBI is in better position .Thus the SBI is more independent.
- The ratio of operating profit to total asset is calculated to know about the profit of a company. Here the ratio is higher in SBI . Thus the SBI is working with more profit. The trend analysis of loans advances shows an fluctuating trend in SBI.
- The trend analysis for Net asset also shows a fluctuating trend in SBI. Thus the bank have good future

Suggestions

- The current asset and current liabilities are good in SBI .So that the working capital management is good. So the bank can maintain the same level.
- On the overall the profit is more in SBI .so when SBI reduces its operating expenses it can again increase its profit. Thus the SBI is performing well.
- The trend analysis for loans and advances and net asset has an fluctuating trend during the financial year though it increases first it decreases during other financial year and during the last years it has increasing trend so the banks will have a good future .
- The NPA is more in SBI so it must take some steps to control its NPA other than that the bank is performing well.

Conclusion

The SBI bank is concentrating to reduce Non performing asset .The SBI bank is reducing its NPA slowly by following its steps. When it follows the steps continuously then it has the possibility of reducing NPA much better .Thus the bank is performing efficiently.