



# ಕರ್ನಾಟಕ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆ

1951ರ ರಾಜ್ಯ ಹಣಕಾಸು ಸಂಸ್ಥೆಗಳ ಕಾಯಿದೆ ಅನ್ವಯ ಸ್ಥಾಪಿತ

**KARNATAKA STATE FINANCIAL CORPORATION**

Established under the State Financial Corporations' Act, 1951



ಸಂಖ್ಯೆ : ಕ.ರಾ.ಹ.ಸಂ./ಪ್ರ.ಕ./  
Ref. No. KSFC/H.O./

ದಿನಾಂಕ :  
Date .....

KSFC/HO/Pers/2017-18

dt:26.03.2018

## CERTIFICATE

This is to certify that Ms. Ayushi Priya Reg. No.1AZ16MBA17, student of Master of Business Administration, Acharya Institute of Technology, Soldevanahalli, Hesaraghatta Main Road, Bengaluru 560090 has carried out her project work from 15<sup>th</sup> January 2018 to 24<sup>th</sup> March 2018 in our Organisation under the guidance Sri. Gopalkrishna Hegde, Manager (F&A) PP, KSFC Head Office and submitted a report on "A Study on Analysis of Non-performing Assets at Karnataka State Financial Corporation, Bengaluru".

26/03/2018  
Dy. Manager (Pers)

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# ACHARYA INSTITUTE OF TECHNOLOGY

(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)

Date: 22/05/2018

## CERTIFICATE

This is to certify that **Ms. Ayushi Priya** bearing USN **1AZ16MBA17** is a bonafide student of Master of Business Administration course of the Institute 2016-18 batch, affiliated to Visvesvaraya Technological University, Belgaum. Project report on **"A Study on Analysis of Non Performing Assets"** at **Karnataka State Financial Corporation** is prepared by her under the guidance of **Dr. Ramanaiah G**, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belgaum, Karnataka.

Signature of Internal Guide

Signature of HOD

Head of the Department  
Department of MBA  
Acharya Institute of Technology  
Soldevanahalli, Bangalore-560 107

Signature of Principal

PRINCIPAL  
ACHARYA INSTITUTE OF TECHNOLOGY  
Soldevanahalli Bangalore-560 107

# ACHARYA

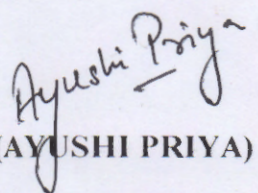
## DECLARATION

I, Ayushi Priya, (1AZ16MBA17) hereby declare that the Internship report entitled "A STUDY ON EFFECTIVE MANAGEMENT OF NON-PERFORMING ASSETS" with reference to "KARNATAKA STATE FINANCIAL CORPORATION" prepared by me under the guidance of professor Dr. Ramanaiyah G, faculty of MBA Department, Acharya Institute of Technology and external guide Mr. Gopalkrishna Hegde, Manager (F&A) at KARNATAKA STATE FINANCIAL CORPORATION.

I also declare that this Internship work is towards the partial fulfilment of the university regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belgaum.

I have undergone a summer project for a period of Ten weeks. I further declare that this project is based on the original study undertaken by me and has not been submitted for the award of any degree/ diploma for any other University/ Institution.

Place: Bangalore  
Date: 26/05/2018.

  
(AYUSHI PRIYA)  
USN- 1AZ16MBA17

## **ACKNOWLEDGEMENT**

I deem it a privilege to thank our Principal, Dr. Sharanabasava Pilli, Dr. Mahesh, Dean Academics and our HOD Dr.Nijaguna for having given me the opportunity to do the project, which has been a very valuable learning experience.

I am truly grateful to my external guide Mr. Gopalkrishna Hegde, Manager (F&A) at KARNATAKA STATE FINACIAL CORPORATION., and my internal research Guide Dr. Ramanaiah G, for their research guidance, encouragement, and opportunities provided.

I wish to thank all the respondents from the firms who spent their valuable time in discussing with me and giving valuable data by filling up the questionnaire.

My sincere and heartfelt thanks to all my teachers at the Department of MBA, Acharya Institute of Technology for their valuable support and guidance.

Last, but not least, I want to express my deep appreciation to my parents for their unstinted support.

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## **Executive Summary**

The Karnataka State Financial Corporation, gives a medium and long term loans to the little and average scale enterprises, for employment generation within the organization and for the wide spread dispersal of industries, and this has led to high level of NPA loan portfolio. Taking into consideration of the dropping profitability, decrease rate of recovery is over 50% of NPAs high cost of borrowings. The KSFC, should register a turnaround in the immediate future.

In this project work, the effective management of NPAs and its related issues regarding the current state owned term lending institution has been examined. This report explains the present state of NPAs and the measures to control them and suggesting steps for effectively managing the NPAs.



## **CHAPTER 1: INTRODUCTION**

# **1. INTRODUCTION**

## **1.1 INTRODUCTION ABOUT INTERNSHIP:**

An Internship is said to be a method of on-the-job training for a professional career. Internship is as similar as to learning for a vocational job, but internship is like the oversight in terms of open to board and due to the lack of time the collection of the overall information was done in a short period of time. The Internship Program, plans to give student a chance to combine his/her learning establishment in the industry through a practical understanding. The students are relied upon the internship to build up their identity and an ability to adjust to an organizational environment and handle the pressure, testing the circumstances in the overall business world. Through this internship program, students are able to have the capacity to procure some abilities and skills such as- interpersonal skills, administration abilities specialized abilities, administration skills, critical thinking abilities, etc.

Through this internship program, a student can avail:

- Practical work experience.
- Better option to gain a practical knowledge about business world.
- Collection of the information about the organization.
- The chance to procure academic credit.

Thus, an internship program can help a student not only to obtain knowledge about the organization, but also helps to get the exposure in the real business world. Every student has to be supervised by a guide through the internship duration.

## **Topic for the Study:**

**“A STUDY ON ANALYSIS OF Non-Performing Assets AT KARNATAKA STATE FINANCIAL CORPORATION”**

## **INTRODUCTION**

The real activity in the advancement of money was to enhance the operational movement and allocate all the money in the related framework. This was done through the help of Narasimhan committee. This committee facilitated the hold in the prerequisites of banks, fortified capital base of money related foundations, encouraged the private sector banks, presented the prudential standards.

The budgetary soundness of money related establishments, which basically rely on the opportunities for the credit recovery. However, the monetary organizations are basically confronting the issues to mount the non-performing resources for Rs 10000 crore for saving money division. The lowering down of NPA is the better test for managing of account segment and money related foundations.

The basic idea of Non-Performing Assets was presented during the presentation of Income Recognition and the Assets Classification (IRAC standards) in 1993. With regard to significance of the matter, a creative idea and presentation was given in Indian Managing and Account industry in an interesting manner. Its effect on the productivity and the picture of the banks, was in need to find a way to change the global standards, especially for the move of Basel II standards. By keeping these in mind, the end goal was to encompass in different parts of the subject matter and to maintain the strategic distance from a germination. The survey was divided in various parts of the subject matter and the creators recorded theme savvy.

NPA imitate the actual presentation of the banks. For high grade of NPA, it recommend more chance of a large number of credit avoidances that can upset the company's productivity and net-worth of the financial institution. It will also crude the cost of assets. NPA growth contains/have the obligation for requirements, which will cut down total profit and the stockholders' worth. NPA is not only affects the banks but also affects the entire Indian economy.

Confined part of financial corporations is, to allot advance funds such as- agriculture, industries and hotel, etc.

Assets classification as a non-performing assets, is done if uncertainty payments are in the custom of principal, and the interest is unpaid by the client/debtor for a tenure of 180 days. From March 2004, non-payment position is given to a debtor/client only if the payments are due for 90 days.

The project treat with the understanding of the idea of NPA, its level and its grounds for a reason becomes the non-performing assets, forecast of NPA in following years in banks and end it.

## **Introduction of Banking:**

**Bank:** Financial institution that has a license to contract with money and money related aspects by acquiescent of money and deposits, granting advances, and financing in securities.

## **Early History:**

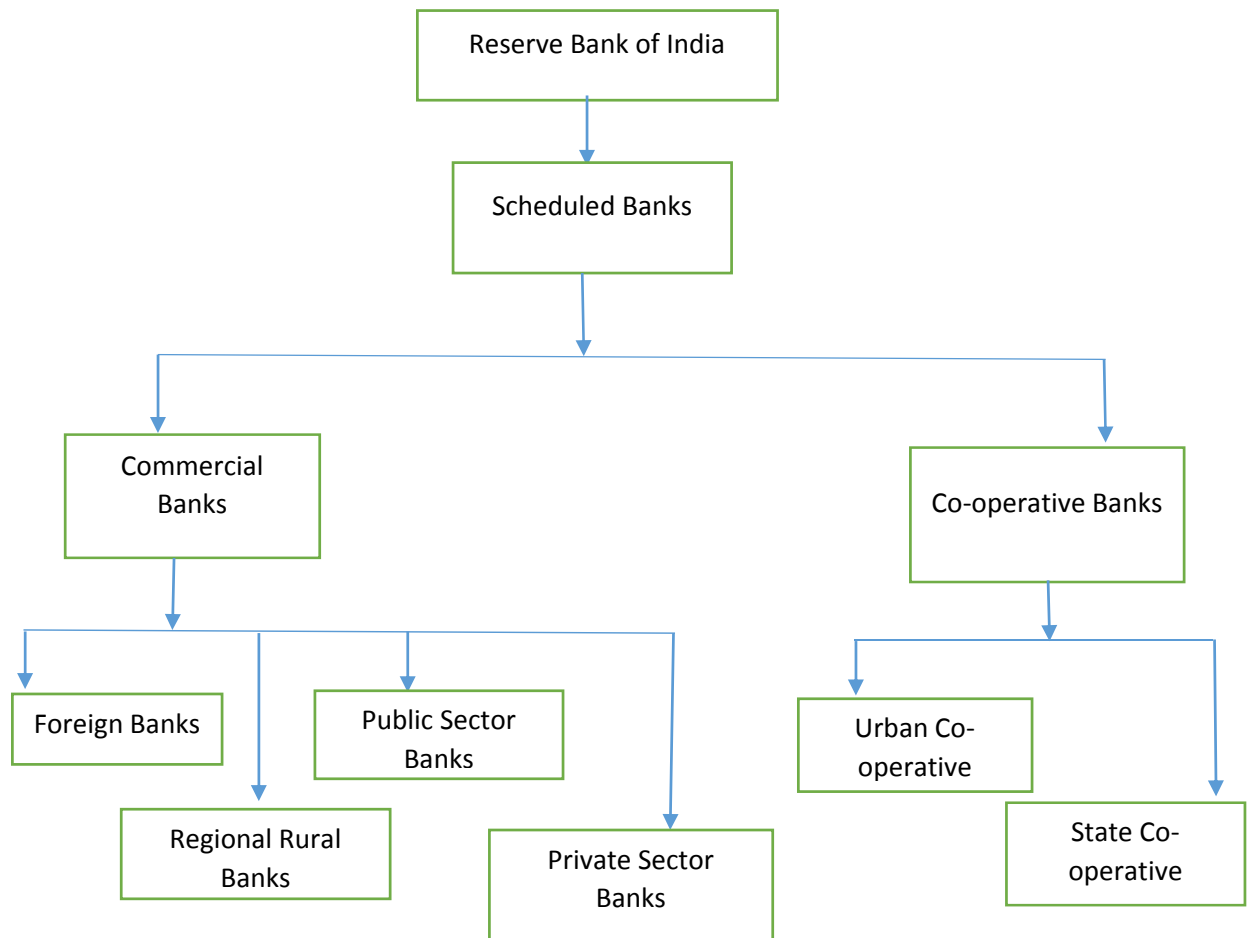
The current banking system in India, started with the foundation of “The General Bank of India”, in the year 1786. Then after that, “Bank of Hindustan” and “Bengal Bank” was formed. In the mid19<sup>th</sup> century, other three banks were established by the East India Company, there were- “The Bank of Bengal” in the year 1809, “The Bank of Bombay” in 1840, and “The Bank of Madras” in the year 1843. They were called as “Presidency Banks”. Later, these three banks got merged in the year 1920 as the “New Imperial Bank of India”.

## **Banking in India:**

The “Imperial Bank of India” was nationalized after the Independence, as “The State Bank of India”, by passing of the State Bank of India Act 1955. The Reserve Bank of India was incorporated in the year 1935, which is also known as the Central Bank, under the RBI act 1934.

Some new banks such as- the Punjab National Bank, the Bank of Baroda, the Canara Bank, the Indian Bank, Bank of India, etc. were formed after the independence. In the year 1969, approx. 14 banks got nationalized. Later on few more banks got nationalized.

## Structure of Organized Banking Sector in India:



## **1.2 INDUSTRY PROFILE:**

### **THE STATE FINANCIAL CORPORATION ACT 1951**

The Central Industrial Finance Corporation has been formed under the Industrial Finance Corporation Act, 1948, with an objective to give a medium and a long-term loan to industrial organizations which falls beyond the exercise of Commercial Banks, which Commercial Banks fails to do functions. The State Government said that the comparative corporation has to be set up in states to append the workings of the Industrial Finance Corporation. The State Government then conveyed that the State corporations will be built up under exceptional status and with a specific goal to make the State Financial Corporation being capable enough to join the constitution's basic arrangements, considering the large part to be controlled by the government of India, and should be ensured by the state government. Therefore, to execute the views stated by the state government, the State Financial Corporation bills was presented in the parliament.

The Financial Organization acquire the attention in the economy of the nation. These organizations, gives helpful and more powerful path to avoid the waste and create interest in nation like India. Some of these organizations, come out to be more enunciate with a specified goal/objective to accomplish sudden monetary need. By considering the needs and demands for such organizations, Industrial Finance Corporation of India (IFCI) was set up in 1948.

During that time, they realised that there is a need to set up an organization for helping small scale industries in almost all states since it was executable for a lonely ventures to fulfil the monetary needs of all similar concerns spreader everywhere throughout the nation. Because of this the State Finance Corporation (SFC) Act was passed in the year 1951, which gave nod to each state to set up a State Finance Corporation. At current scenario, there are almost 18 SFC's working in various regions of the Indian union.

#### **Objectives:**

- To set up uniformity in provincial business.
- To give an impulsion to a new venture.
- To acquire effectiveness in territorial modern units.
- To give monetary benefits to the small scale, medium enterprise in the state.
- To create a local monetary related assets.

#### **Functions:**

- To give credits to the modern units for a period of not extending to 20 years.
- To guarantee the issue of shares, debentures and bonds for a period not extending to 20 years of the mechanical units.
- To set up a capital merchandise bought by modern units to India.
- To do subscribe the share capitals of the mechanical units, only if they wish to increase their capital.

### **Basic Assessment:**

This is verified that the State Financial Corporations are not been working for the seek of monetary requirements of the small scale and medium scale industries and house enterprises. Some of the fundamental contents against their work culture are-

1. Improper Assistance among the employees;
2. Shortage of capital needed;
3. Different sort of thinking among employees towards a new business venture;
4. Failure of specialized monetary specialists in the organization;
5. Lack of speed in working within the organization;
6. Complexity in the working methodology with pointless and undesirable customs and norms;
7. Undue postponement for endorsing and granting credit;
8. Lack of an imperative preparing for offices to represent;

### **List of Amending Acts:**

- i. The Repeating and Amending Act, 1952 (48 of 1952).
- ii. The Industrial and State Finance Corporation Act, 1955 (Amendment) (28 of 1955).
- iii. The State Finance Corporation (Amendment) Act, 1956 (56 of 1956).
- iv. The Jammu and Kashmir Act, 1956 (62 of 1956).
- v. The State Finance Corporation (Amendment) Act, 1962 (6 of 1962).
- vi. The State Financial Corporation (Amendment) Act, 1972 (77 of 1972).
- vii. The Public Financial Institution Laws (Amendment) Act, 1975 (52 of 1975).
- viii. The Public Financial Institutions (Obligations as to fidelity and secrecy) Act, 1985 (4 of 1986).
- ix. The State Financial Corporations (Amendment) Act, 1985 (43 of 1985).
- x. The Delegated Legislation Provision (Amendment) Act, 1985 (4 of 1986)
- xi. The State Financial Corporation (Amendment) Act, 2000 (39 of 2000).

### **1.3 COMPANY PROFILE:**

The Karnataka State Financial Corporation (KSFC) was set up in March 1959, under section 3(1) of the State Financial Corporation Act, 1951 with the basic objective to create finance and modern development force in Karnataka by loaning some types of term advances, valuable investment, gearing renting and so on. The Karnataka state monetary partnership, which was known as the Mysore Financial Corporation before Nov,1973

This Corporation has its headquarter at Bangalore along with four circle offices and thirty two Branch Offices and its chairman and the managing director designated by the State Government, are the head of the organization. The 2 executive directors and five general managers help the chairman and the managing directors to run the organization effectively and efficiently. The KSFC, it has a unique pattern/path of working. Term credit of Rs.5 lakhs to Rs 20 crores are being endorsed at the branch offices with the nod given by the board of directors.

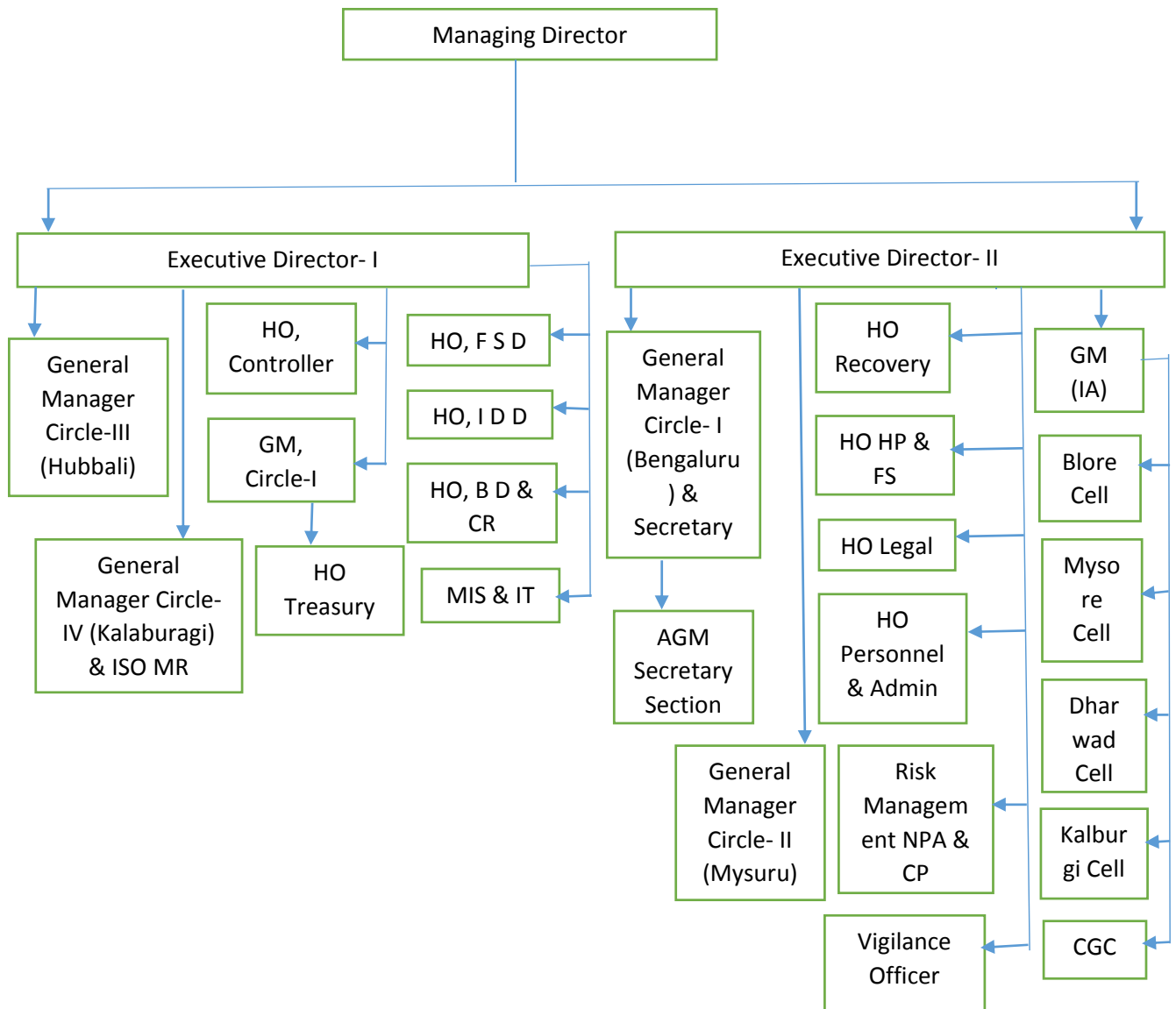
KSFC widens the monetary related helps to the enterprises and also help for the procurement of hardware/ gear/ transport vehicle. KSFC has a “shipper keeping money division”, which use to take the authority of sanctioning of money at shores. The extended report arrangement, yield the instalment of assurance and consortium of advances, bill payment reduction and corresponding errands.

In the 58 years of presence, the KSFC has controlled and monitored most of the developments of Small Scale Industries for improvement and advancement of the business. KSFC has helped not less than 1,71,414 units, with the total assets of over Rs.15,276.05 crores, out of which over half are towards Small Scale Industries.

Today, while the State economy is making developments globally, the KSFC is also moving towards that direction. Being a leader and responsible for budgetary regulations, KSFC is best to satisfy the arrangement and longing of business people through expanding their operations and helping them.



## ORGANIZATIONAL STRUCTURE:



### **1.3.1 VISION, MISSION AND GOAL:**

#### **VISION:**

- To reach and cover the whole region of Karnataka.
- To suit the learning of every locale regarding frame work and common assets industrialization and business enterprise.
- A ceaseless trip towards the advancement of SSIs and business visionaries.

#### **MISSION:**

KSFC is committed to continually nurture, develop and service the Micro, Small and Medium Enterprises (MSME) Sector through need based products and services.

#### **QUALITY POLICY:**

Customer satisfaction and Review for Continual Improvement through professional management and team work.

#### **QUALITY OBJECTIVES:**

- To identify and assist the entrepreneurs effectively, for establishing prosperous business enterprises.
- To provide quality fiscal and finance related service on a regular basis.
- To upgrade the products and services continuously.
- To motivate employees to achieve the goal and involve them to set the organizational growth targets.
- To provide effective training and development to the employees to encourage them to upgrade and enhance the knowledge and skills.
- To transform the organisation to a Customer Centric Institution.

### **1.3.2 PRODUCT AND SERVICES:**

Following are the various products and services of the KSFC:

➤ **Privileged Entrepreneur's Scheme:**

**Objective:** To meet both short and long term loans of the industries which are under the special segment of loaning arrangement of the Corporations.

➤ **Assistance to Construction Activity (Term Loan):**

**Objective:** To give assistance for the development of the organization, for expanding the business. Construction of business building, Construction of godowns and stockrooms, etc.

➤ **Assistance for Construction of Roads:**

**Objective:** To procure monetary benefit, including street rollers, asphaltting units, solid blends, excavators, tippers, reviewing and other supporting hardware towards improvement and development of streets.

➤ **Acquisition of Existing Assets and Enterprises:**

**Objective:** To expand the money related help with the existing resources / ventures.

➤ **Assistance to Entertainment Industry:**

**Objective:** To give budget related help for the development of the industry or to buy silver screen lobbies, multiplexes, generation of short TV serials, highlight movies and programming for visual media reputation.

➤ **Assistance to Tourism Related Activities:**

**Objective:** To give money for setting up the Event congregations, Conventions Centres, Eatables, Travel and Tourism and Tourist Administrations Agencies.

➤ **Assistance to Health Care Services:**

**Objective:** To buy the premises and redesign the current premises, obtain the available resources like furniture, PCs, rescue vehicle, auto, van and Medicare related hardware which are required for a centre.

➤ **Scheme for Micro Finance Activity:**

**Objective:** To allow Micro Credit to stretch out little advances for the poor families to work independently which will create income for them, and also letting them to help themselves and their families in money related issues. The basic idea behind this is to strengthen all ladies fiscally.

### **1.3.3 Areas of Operation:**

The Karnataka State Financial Corporation covers whole Karnataka and it operates in all of the region of Karnataka. Its branches have been spread in all of the district headquarters. It has three branches in Bangalore, they are- Jayanagar, Rajajinagar, and M.G road. These units are arranged into 3 categories i.e., super “A” grade branches, “A” grade branches and “B” grade branches.

#### **Head Office:**

The Karnataka State Financial Corporation’s head office is located at- “KSFC BHAVAN” #1/1 Timmaiah street, near cantonment railway station, Bangalore – 560052.

#### **Super “A” Grade Branches are:**

1. Jayanagar Branch Branch Bangalore.
2. Rajajinagar Road Bangalore.
3. M G Road Branch Bangalore.

#### **“A” Grade Branches are:**

1. Mandya.
2. Dharawad.
3. Gulbarga.
4. Bangalore Rural.
5. Belguam.
6. Mangalore.
7. Hassan.

8. Ramnagar.
9. Udupi.
10. Bellary.
11. Kolar.
12. Mysore.
13. Tumkur.

**“B” Grade Branches are:**

1. Bagalkot. Chamrajnagar.
2. Bidar. Bijapur.
3. Bijapur. Bagalkot.
4. Chamrajnagar. Bidar.
5. Madikeri
6. Yadgir.
7. Haveri.
8. Chikamagalur.
9. Chikballapur.
10. Gadar
11. Chitradurga.
12. Karwar.
13. Shimoga.
14. Davanagere.
15. Raichur.
16. Koppala.

**Competitors Information:**

**Some of the Public Sector Banks and Financial Institutions are:**

1. Syndicate Bank
2. SIDBI
3. Corporation Bank
4. Vijaya Bank
5. IDBI Bank
6. State Bank of India and its seven associates Banks.
7. Dena Bank.
8. Canara Bank

### **Some of the Private Sector Banks and Financial Institutions are:**

1. Citi Financial Bank
2. Federal Bank
3. ICICI Bank
4. Axis Bank
5. ING- Vysya Bank

### **1.3.3 INFRASTRUCTURE FACILITIES:**

- Floriculture
- Research and Development
- Development, maintenance and construction of roads
- Service Industries
- Medical, health and other allied services
- Programming administrations relating with data innovation
- Provide broadcast communication or gadgets including satellite linkage and sound or visual link correspondence

### **1.4 SWOT ANALYSIS:**

The SWOT Analysis helps a firm to understand its quality and expanding upon them, keeping in mind the end goal to conquer its shortcoming so it can exploit the chances to deal with the dangers.

#### **STRENGTHS:**

1. KSFC is ISO 9001:2008 affirmed association, it says that the organization gives its main importance to the nature of administrations.
2. There are a variety of new plans in the process of offering the product.
3. The period for repayment of loan is exceptionally adaptable.
4. One of its basic quality is the ability to get qualified individuals.
5. The organization has a good institutional relations and has great moral in building the relationship.

**WEAKNESS:**

1. The provision of refinancing of assets and related establishments has been diminished in recent days. Banks like- IDBI bank, SIDBI, etc. are working in the same way and granting loans in same areas where KSFC also operates.
2. Much high rate of interest is charged by KSFC to its customers.
3. It takes long methods for some specific plans to execute.

**OPPORTUNITIES:**

1. KSFC, can execute the promising exercises through some of the modes like through web, daily paper, magazines, TV and so on.
2. The economy of India is developing at a much higher rate in order to enhance the quicker advancement for small and medium scale enterprises.
3. KSFC has special schemes to SC/ ST, Women, first generation, technocrat entrepreneurs at a special concessional rate of interest that is 4 and 8 percent.
4. Make in India, Start-up India, Empower women are the bright areas of finance.

**THREATS:**

1. Some of the Indian banks have set their branches in Small Scale range, which will give support to them to bring down the financial cost.
2. Many Multinational banks have come with new thoughts for extending credit amount that to pre-draft advances for its clients.

## **1.5 Future Growth and Prospects:**

The Karnataka State Financial Corporation, is the quick term money lending related organization in India. It helped approx. 1,68,152 units including of almost 13,136 crore rupees, in the current 58 years of operation in Karnataka. It is one of the organization which actively take part in lending money to the small and medium scale enterprises.

Its branches have been spread all over Karnataka, and due to which it can give administrations to the small scale, and medium scale units. It has different administrations such as heading facilities, lodging and so forth. Karnataka is in one of the quickest form of modernised states and the KSFC is been considered as an essential part in granting money to the business ventures. The KSFC is carried on by the legislature of the Karnataka beside the Small Industrial Development Bank of India. The Karnataka State Financial Corporations has entered into the conjunction with the government and the SIDBI.

The Karnataka State Financial Corporations, planned to decrease the rate of interest in the coming future so that they can meet the competitions and attract other firms to achieve their financial acquaintance. This corporation has lots of precedence for the coming future years. First of all it should be more competitive in the offering of suitable interest rates. Checking/Analysing NPA by an appropriate measures, it helps in avoiding major slithering of assets. The Small and Medium Enterprise, shows a great potential globally, with the advantage of having certain interest rate so as to compete in the market efficiently. The organization expects for improving its revenue from the fee related activities, rather than increasing the business from the activities related to insurance, with its tie up with the United India Insurance Company (UIIC).

The efforts will then help the organizations to achieve its objective and to improve the working standards of the institutions.



## 1.6 Financial Statement and Analysis:

### Profit and Loss Account for The Year Ended 31<sup>st</sup> March 2017.

(Rs in Lakhs)

<b>PARTICULARS</b>	<b>Year Ended 31-03-2015</b>	<b>Year Ended 31-03-2016</b>	<b>Year Ended 31-03-2017</b>
<b>INCOME</b>			
Interest Income	26352.25	27449.52	26030.72
Other Income	5370.03	3412.58	3905.49
Provision for NPAs withdrawn	25166.76	254.45	0.00
<b>TOTAL</b>	<b>56889.64</b>	<b>31116.55</b>	<b>29936.21</b>
<b>EXPENDITURE</b>			
Interest and Other Financial Expenses	15862.64	16009.04	15344.64
Personnel Expenses	6447.93	6625.09	6671.83
Administrative Expenses	803.24	957.60	918.66
Bad debts written off	25211.89	257.07	34.54
Provision for NPAs	2844.84	3475.26	3300.30
Payment/ Prov for Gratuity/ Leave	1048.12	341.09	510.12
Depreciation/ Amortization	215.72	202.98	163.36
<b>TOTAL</b>	<b>52434.38</b>	<b>27895.13</b>	<b>26943.45</b>

<b>Profit Before Tax</b>	4455.26	3221.42	2992.76
Add: Provision for Wealth Tax w/d	0.23	0.00	-
Less: Wealth Tax Paid	8.51	8.36	0.00
<b>Profit After Tax</b>	4446.98	3213.06	2992.76
Add/Less: Loss Brought forward	-51421.91	-46974.93	-43761.87
Deficit carried to Balance Sheet	-46974.93	-43761.87	-41269.54

**Balance Sheet as on 31<sup>st</sup> March 2017:****(Rs in Lakhs)**

<b>Particulars</b>	<b>As on 31-03-2015</b>	<b>As on 31-03-2016</b>	<b>As on 31-03-2017</b>
<b>Capital and Liabilities:</b>			
Share Capital	65855.56	71001.30	93694.06
Share Application Money	35338.50	37692.76	22500.00
Reserve funds and other reserves	28706.04	28617.14	29028.67
Term borrowings	167581.21	155888.73	149446.22
Current liabilities and Provisions	11130.96	15350.29	11722.03
<b>Total</b>	<b>308612.27</b>	<b>308550.22</b>	<b>306390.98</b>
<b>Property and Assets:</b>			
Cash and Bank Balances	3698.54	7411.39	7718.45
Investments	63406.93	63465.80	63390.35
Loans and Advances	177572.97	172768.34	168935.96
Fixed Assets	5112.58	4952.29	4799.38
Current Assets	11846.32	16190.53	20277.30
Profit and Loss A/c	46974.93	43761.87	41269.54
<b>Total</b>	<b>308612.27</b>	<b>308550.22</b>	<b>306390.98</b>

## Ratio Analysis:

### 1. Current Ratio:

<b>Year</b>	<b>Current Assets</b>	<b>Current Liability</b>	<b>Ratio (%)</b>
<b>2014-15</b>	11846.32	11130.96	1.06:1
<b>2015-16</b>	16190.53	15350.29	1.05:1
<b>2016-17</b>	20277.30	11722.03	1.73:1

In the year 2015-16, the current ratio is less than its previous year 2014-15. But in the current year 2016-17, the current ratio is more than its previous year 2015-16, this is so because the current assets has been increased and the current liability is decreased in the organization.

### 2. Debt Equity Ratio:

<b>Year</b>	<b>Debt</b>	<b>Equity</b>	<b>Ratio (%)</b>
<b>2014-15</b>	167581.21	65855.56	3.06:1
<b>2015-16</b>	155888.73	71001.30	2.19:1
<b>2016-17</b>	149446.22	93694.06	1.59:1

It is calculated by dividing the Total Debts by Total Liabilities. The ideal Debt Equity Ratio should be 2:1, but in the current year it is 1.59:1. As compared to prior year, the Debt Equity Ratio has been decreased because Equity has been increased.

## **CHAPTER 2: CONCEPTUAL BACKGROUND AND LITERATURE REVIEW**

## 2.1 THEORITICAL BACKGROUND OF THE STUDY

### INTRODUCTION

#### Non-Performing Assets:

A 'bad assets' (NPA), that has been remained as the principal interest 'overdue', within the estimated/expected time allotted is described as "praise facility".

The financial institutions in India has confronted the issuance of increasing number of Non-Performing Assets (NPAs), and as this matter is increasing, it seems to be unmanageable by the organizations.

Banks are not tend to make any arrangements for the NPAs, which directly affects the benefits of the organization unfavourably. The orders for an advance from the banks in certain classifications, began in late 1980s. However, since that time the wording of NPA do not exist. It was mid-1990s, during that point of time, the 'Anglo-American models', which had some square of orders of bank resources, were adopted.

Banks in India, is habituated with high degree of NPAs. The money saving schemes have been set for an emergency in 2001, with an overlapping of NPAs of around 64000 crores. By understanding the sobriety of the fortune, the legislature was forced to execute the proposals given by the "Narasimhan" board of trustees and Andhwarjuna advisory group, which had persuasion for establishment of the SRESI Act 2002 (Securitization and Reproduction of Money related Resources and Implementation of Security Premium Act).

The Indian Financial Corporation, before 1991, adopted a customary technique for book keeping. For the reimbursements of main sum, there are certain framework which are related to that and the periodical interests are as follows:

- The bank or the money related foundations, they use to advance the premium amount and do changes in the borrowers accounts for a specified date or they give pre-indicated period, in respect of whether the borrower has paid the premium amount or not.
- During those days, there were absence of proper activities for recuperation of rule. Ever one who are there in the borrower's records, they dealt in the exact way till the recuperation strategies like- documentation that suits for extraordinary schemes and credit portion got started, then it was known as a 'protestant bills account', which implies that all the suits are field for the recuperation.
- Another issue of conventional idea was the impediment period, i.e. obligation instruments use to terminate once in every 3 years of operation. In case if the alternate moves were not made, then the monetary establishments will be affected and the banks will need to face the misfortunes.

## **MEANING OF NPA:**

A Non-Performing Assets, is the sub-classification of advances on the books of accounts of the financial organizations, which has not been paid or are in arrears for the payment of principal or interest.

There were certain developments made for the Non-Performing assets (NPAs), that if a certain amount has been levied as a vital and intrigue, and were unpaid by the defaulter for 180 days, it was said to be a NPA of that particular organization. Because of this, there was a huge impact from the year 2004. After 2004, the defaults rank was supposed to be given to a defaulter if the charge are unpaid for 90 days.

In order to improve the payment system and protocol, innovative technologies were brought in the banking system.

- Interest or share of primary break late for 90 days in regard for a tenure of credit.
- The record continues to be out of demand for more than 90 days, for an overdraft/ cash credit.
- The bills stay earlier unpaid for 90 days, if there is a rise in an occurrence of bills bought/made down. Intrigue and share of central are late for 2 collect periods yet for a tenure not exceeding to 2 years on account of a progress, conceded for agri business purpose.
- Any additions in the past are due for more than 90 days in respect of different accounts.

## **MODERN CONCEPT OF NPA:**

NPA came into Indian Financial System with the presentation of prudential bookkeeping standard. A year of changing benefits was changed to accommodating expected misfortune. Days of “tallying the chicken before the bring forth” are no more. In the year 1991-1992 the new arrangement of bookkeeping appeared. New bookkeeping framework for order of credit and intrigue happened. The money related framework and banks received the income acknowledgment standard i.e. bookkeeping standard 9. In this manner following AS 9, intrigue pay is not perceived in light of vulnerability included but rather is perceived at a resulting stage when really acknowledged along these lines agreeing to RBI rules too.

Therefore, the technique for resource characterization came into drive. While presenting these rules, globally acknowledged models of Basel board of trustee’s proposal were likewise mulled over. According to the standards of these standard wage was perceived just in regard of standard or performing credits.

Steps were taken to charge the borrowers account just when the borrower pays the extraordinary intrigue and portion. Activities were likewise taken to recuperate as and when the intrigue and portion gets to be distinctly due. Accordingly with this advantages were named as:

- Performing/ Standard resources.
- Non-performing resources.



## **NPAs CLASSIFICATION ACCORDING TO RBI GUIDELINES:**

### **Non-Performing Assets Category:**

The loan accounts in banks has been classified into 4 categories. They are-

- I. Standard Assets**
- II. Substandard Assets**
- III. Doubtful Assets**
- IV. Loss Assets**

**Standard Assets:** It can be described as one which cannot be disclosed by any sort of difficulties and does not carry the usual risk that is involved in the business. According to the RBI guidelines, the moment at which an asset becomes a NPA, such advances should first be classified. However, it is to be considered that the classification of assets is done only for calculating the sum of provisions that is to be made with respect to bank loans.

**Sub-standard Assets:** Earlier, the classification of Sub-standard assets was considered as an amount being NPA for a tenure not more than 2 years. Since 31<sup>st</sup> March 2001, if an amount has been a NPA for less than or equal to 18 months, then it is said to be a sub-standard. From that point of time, it is squeezed and, an amount which remains NPA for less than or equal to 12 months, is said to be sub-standard assets.

**Doubtful Assets:** Earlier, doubtful assets were considered as NPAs for a period getting exceeded to two years. But, from 31<sup>st</sup> March 2001, it has been changed for a period exceeding to 18 months. From that point of time, it has been further squeezed, and the assets remain as sub-standard for a tenure of 12 months, it is categorized as doubtful assets.

**Loss Assets:** When a loss is recognized by a financial institution or an internal or an auditor or in the RBI inspection, but the amount has not been written correctly, then it is called a Loss Asset. Only those loans are categorized as loss assets where no securities are present.

This order of advantages prompted an idea of NPA which has turned into the trendy expression in managing an account and budgetary framework.

## **STRATEGIES FOR NPA REDUCTION:**

Some measures which has been taken to decrease the NPAs incorporate rescheduling, rebuilding at the bank level, the corporate obligation rebuilding and recuperation through lokadalats, common courts and obligation recuperation tribunals and bargain settlements. The recuperation administration got a noteworthy fillip with authorization of the Securitization and Remaking of Monetary Resources and Requirement of Security Interest (SARFAESI) Act, 2002, empowering the financial institutions to understand their levy without intercession of court.

Fundamentally, the prime concentrate must be put on:

- The financial plan for diminishment of NPA's.
- Strengthening credit administration.
- Follow up cases with BIFR, DRT's and courts.
- Emphasis on bargains, one time settlement and discounts.
- Changing methodologies in view of market study.

## **PREVENTIVE MEASURES:**

There are few preventive measures that a bank can attempt to diminish the danger of NPA's:

- Judicious evaluation of the lender before authorizing of the credit will go far in lessening NPA's.
- The banks must keep up standard contact with the borrowers. The exercises of the borrower ought to be nearly observed.
- The financials of the borrower must be consistently checked.
- Maintenance and customary up degree of customer profile.
- Credit evaluation and credit review.
- Assessing promoter's capacity to receive to change and comprehend the business, advertise and furthermore raise sufficient edges.
- Forecasting deal.
- Credit rating of customers.
- Computerization of credit records.
- Monitoring the utilization of assets, income and so forth.
- Establishment of an arrangement of early cautioning for conceivably powerless records.
- Timely augmentation of time of confinement.
- Acknowledgment of obligations.
- Observance of the confinement time of credits before they turn into NPA's.
- Monitoring potential and borderline accounts.
- Receipt of fractional instalment.
- Proper chance administration framework.

## **IMPLICATIONS / IMPACTS OF NPA:**

The productivity of the money related organizations is not generally reflected by the extent of the monetary record on the level of profit for its benefits.

NPA have different ramifications on the benefit, liquidity and immovability of banks and Financial Institutions. NPA do not yield enthusiasm for the banks however in the mean while the banks are mandatory to make necessary arrangements for NPA's from the present profits. They are genuine financial costs to the country, which mirrors the utilization of rare capital and credit assets to inefficient employments. NPA are not only an issue for banks and money related establishments yet are awful for the economy.

Thus, NPA have many impacts on arrival on resources in certain ways:

- Erode current benefits through provisioning necessities. As banks and financial institutions can't perceive or book pay on NPA account there is a delay premium salary to the degree of premium gathered on NPA's.
- They result in diminished intrigue pay. Consistently with the expansion on NPA store are activated to finance the incremental NPA and in this manner capital thankfulness is impractical.
- As the level of NPA's to the credit expands the liquidity danger of banks likewise increments.
- Higher level of NPA lessens the hazard taking capacity. It additionally decreases the FICO score of the organization there by limiting their capacity to approach people in general for capital membership. Low evaluation significantly expands the cost of raising assets. In this way NPA's extraordinarily influence the monetary strength of banks and financial institutions.
- Higher provisioning because of incremental NPA's urge the financial institutions to change higher enthusiasm on the performing borrowers.
- Higher level of NPA hampers the capacity of the money related organization to reuse the assets. It hinders the stream of assets in the money related framework.
- Higher level of NPA influence certain level of financial specialists.
- Growing NPA's prompts hesitance in loaning veritable ventures and may confront liquidity crunch and at last conclusion.

Lower NPA methods bring down provisioning, high productivity, better liquidity of assets and expanded financial development.

## MANAGEMENT OF NPA's

- Check the making of NPA's in front of the rest of the competition especially new advances.
- Improves the nature of NPA's i.e. to diminish slippage of second rate NPA to the following more elevated amount.
- Strictly comply with frameworks, methods. Create demonstrable skill in taking care of hazard.
- Periodically attempts SWOC examination and take auspicious therapeutic measures.
- Early restoration to the authorized capital and executed if possible practical.
- Data bank of NPA's:
  - Account wise
  - Amount wise
  - Age wise
  - Security wise

For setting up of the database organize the kind of NPA to be considered for recuperation. At first the NPA with huge credit exceptional are brought then the NPA with reasonable shot of settlement through trade-off is considered lastly by the branch which require close checking is organized.

- Evolve reasonable strategy most suitable for every NPA.
- Draw a period bound activity and arrange including all the concerned point of interest.
- Monitor execution of the activity arrange till a specific NPA is doused.

## **ONE TIME SETTLEMENT POLICY BY KSFC:**

The Karnataka State Financial Corporation has implemented the One Time Settlement Policy for NPA's:

- The loan account should be under Doubtful / Loss assets category. Further the asset classification as on the closing date shall be considered for eligibility unless otherwise there is an improvement in the quality of assets.
- In respect of rescheduled case, if the account is in default even after rescheduling, the assets classification as on the date of rescheduling will be considered for considering the unit as eligible for one time settlement.
- The OTS proposals of units under sub-standard category shall be generally discouraged. However, in extraordinary circumstances such as death of chief promoter, technology failure, accidents, ancillaries affected by the parent company, natural calamities, failure of unit due to changes in Government policies etc., may be considered with adequate justification for the same.
- In respect of cases where reliefs under DRS has been extended, the request for OTS may be examined subject to the condition that reliefs given under DRS scheme is withdrawn.
- The case pending before Courts / DRT/ BIFR can also be covered, substance to consent, decree / compromise being obtained from the Courts / DRT / BIFR.
- The case under Section 29, DC and MR categories are also eligible to be covered under this scheme.

## 2.2 Literature Review:

**Ahmad Zahoor and Jegadeeshwaran DM. (2013)** In their article has embraced a review to concentrate the non-performing assets of nationalized banks.

**Dr. K.C.Chakraborty (2005)** In his article “Administration of NPAs Tendencies and Tasks” has expressed that the financial institutions need to confront a few difficulties in overseeing NPAs, other than guaranteeing better investigation of the credit recommendation before 52 endorse, banks need to observe nearly and screen the advantages from the choice of borrowers.

**Dr. N.M. Bachhawat (2001)** In his article “Administration of Non- Performing Asstes in Commercial Banks” has expressed that- The prudential standard of 90 days for characterizing the accounts as NPA is particularly it strictly looks into the Indian conditions where entire budget is as yet in view of Agriculture depends on Monsoon and which is dubious and unpredictable.

**Dr. Kumar M.K.Reddy, C.M.Mukta K.C. (2004)** In the article “Reason for NPAs and Corrective Actions” stated that the Bank’s primary concern changes to a great extent relies on upon diminishment in NPA and avoiding NPAs would likewise enhance the productivity of Banks.

**Dr. P.Mohana Reddy and D.L.Narayanaa Reddy (2004)** In the paper “Non-Performing Assets in the Regional Rural Banks: A Study of Rayalaseema Grameena Bank”, tries to separate the position and example of the Non-Performing Assets in the Reyalseema Grameena Bank (RGB) through multidimensional request of NPAs.

**Dr. Suhaas S. Sahaarabudhe (2003)** In the editorial “Survey of Significant Features of NPAs of Banks in India, in The Post Reform Period”, has said the terms of reference of the board of trustee as under the examination of the current structure of the money related framework and its different segments and make suggestions, to enhance the proficiency and adequacy for framework along with especially reference to an economy of operations, responsibilities and the productivity of the business banks and budgetary foundations.

**K.H.Vohra (2007)** In the audit title- “Organization of Non-Performing Assets and Reconstruction Company” watched the effect of NPAs. The influence of NPA on bank, is as under- There is a loss of premium pay. The present advantage is diminished, as banks need to plan for NPA.

**H.V. Upadhyaya (1994)** In “Recovery through SEIZURE: Some Aspects”, has expressed that, the lawful activities include huge cost and long time. Indeed, even after the settlement of case, the pronouncement must be documented and performed occasionally according to the terms which is a disagreeable and troublesome job.

**Garg Sambhav et al (2013)** An endeavour has been made to look at changed bank gathers and in addition bank-wise information identifying with Gross NPAs to Gross Advances. The paper likewise demonstrates Priority and Non-Priority Sector Advances of Scheduled Commercial Banks.

**Kartikey Koti (2013)** In his article considers that in the current years open part have been encountering a development in benefits. Be that as it may, numerous drives of benefits of not maintaining over the long haul. They ought to concentrate on key elements like broadened credit portfolio, powerful internal hazard administration methods by setting up appropriate chance Measurement and moderating system.

**K. Kannana (2001)** In his article “Making of Performing Assets from NPA to PA”, has emphasised the aptitude necessary and the bungle of advantages and liabilities, controlled banks from steaming ahead.

**P.N.Josi (2003)** In the article “Non-Performing Assets – Reasons, Degree and Remedies”, has viewed hypothetical inconsistencies in the principles delivered by the Central Bank as under: The NPA situation in Indian Banking is overstated, regardless of the way that called the non-performing assets (NPAs), the extent of non-performing acknowledge is distinguished for credit and not to assets.

**Prof. B.Mohana and K. Raajesh (2004)** In the review called “Administration of Non-Performing Assets in the Institutional Agencies”, expressed that in the trade off clearance the focuses essential to recollected are- Extreme recuperation with least cost.

**Prashant K. Reddy (2002)** In his exploration paper in the point, “A near investigation of Non-Performing Assets in India, in the Global setting”, inspected the likeness and differences, therapeutic procedures.

**Rajeshwari Krishnan (2002)** Concentrated on the issue of swelling non-performing resources in banks and monetary organization of the nation turns out to be increasingly unmanageable and made dangers for the money related area.

**Raajendra Singh (2005)** In the editorial “Enabling Banks for the Recovery of Non-Performing Assets (NPAs)”, specified that the SARFAESI Act 2002- Necessity of great importance is basically about requirement of the loans specialist rights and enhancing recuperation of NPAs.

**Rajiv Aggarwal (1991)** In the review titled “Planning Effective Credit Recovery Management and Control System”, to guarantee viable development and opportune reimbursement, authoritative set up and frameworks, nature of prevailing credit portfolio, the hierarchical culture, and general society picture of banks need change.

**Rituparna Das (2002)** Played out an examination on “Managing the Risk of Non-Performing Asset in the Small scale Industries in India”. In the article the specialist tries to look for an answer for the issue of NPA in the little scale enterprises under the current conditions of managing an account and protection cooperating under a similar rooftop.

**Raajiv Ranjan and Sarata Chandra Dhal (2003)** In the article “Non-Performing Advances and the Term of Credit of Public Sector Banks in India: Experiential Valuation, the Reserve Bank of India”, has endeavoured an experimental examination of the non-performing advances of open segment financial institutions in India and explored the reaction of NPLs to term of credit, bank estimated and the macroeconomics condition.

**Sastry S.R. (1996)** In his article “Recovery Managing” expressed that the reclamations are a fundamental/ necessary piece of operations of every single money related establishment, without which these get into liquidity issues, as resulting of assets is antagonistically influenced.

**Shalini H.S (2013)** Makes an endeavour to think about the impact of numerous factors on the non-performing ranchers, as the fundamental aim of our review is to realize what are the tasks opposed by our Indian agriculturist in reimbursing back the achieved sum with consistent instalment of intrigue.

**Selvarajan B., Vadivalagan G. (2013)** Considers that the issue of NPA is not restricted to just Indian open segment banks, but rather it wins in the whole managing an account industry. Real bit of awful obligations in Indian Banks emerged out of loaning to the need segment to manage the legislators and civil servants.



## **Chapter 3: RESEARCH DESIGN**

### **3.1 Statement of Problem:**

At present, vast scale ventures are profited by different Indian foundations, in the mean time little and medium scale business likewise require budgetary help. Consequently, there emerges a need to address that what are monetary related help given by KSFC to little and medium industries in Karnataka.

### **3.2 Need for the Study:**

- To study the part of NPAs that are playing upon the actions of the organization.
- To understand the factors accessible and to recognize the different measures to control NPAs.

### **3.3 Objective of the Study:**

- To recognize the impact of NPA.
- To recognize the reason of NPA.
- To find out the provisions to be made for NPA by KSFC.
- To suggest the measures for speedy recovery of NPA.
- To find out the NPAs outstanding of KSFC.
- To access the changes in NPA including recovery over the study period.

### **3.4 Scope of the Study:**

- The project has been carried out for 10 weeks at KSFC.
- Survey and assess the aggregate size of the NPAs.
- Investigate the monetary implications of these NPAs.
- Look at the operational legitimacy of setting up Branch of NPA.

### **3.5 Research Methodology:**

The study includes “Descriptive Analysis”.

The information is gathered from the accounts office, recovery office, promoting research, restoration wiped out unit, monetary administration and branch of business advancement.

### **3.5.1 Sources of Data:**

- Secondary data
  - Annual report of the organization.
  - Operational measurements of the organization.
  - RBI circulars.
  - Internet.
  - Journals, magazines and KSFC distributions.

### **Tools and Techniques:**

- Tables
- Charts
- Graphs
- Ratio Analysis

### **3.6 Limitations of the Study:**

- The findings of the study cannot be generalised to other states.
- Owing to confidentiality enforced by the KSFC, various information could not be obtained.
- The study is conducted in the confined time limit.

## **Chapter 4: ANALYSIS AND INTERPRETATION**

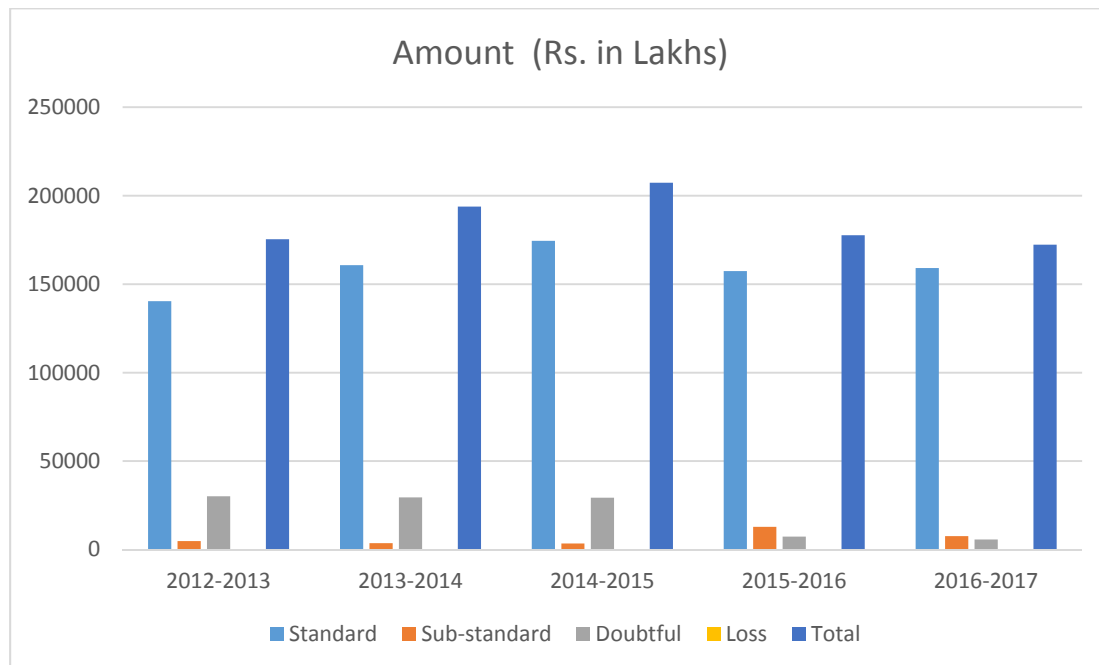
**Table 4.1: Table showing NPAs Outstanding:**

**(Rs. In Lakhs)**

<b>Categories of Assets</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Standard</b>	<b>140428.24</b>	<b>160725.99</b>	<b>174519.45</b>	<b>157437.64</b>	<b>159097.67</b>
<b>Sub-standard</b>	<b>4787.14</b>	<b>3641.94</b>	<b>3483.33</b>	<b>12863.16</b>	<b>7564.04</b>
<b>Doubtful</b>	<b>30145.26</b>	<b>29478.03</b>	<b>29290.11</b>	<b>7354.78</b>	<b>5686.19</b>
<b>Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>175360.64</b>	<b>193845.63</b>	<b>207292.89</b>	<b>177655.58</b>	<b>172347.9</b>

## Chart 4.1

### Chart Showing NPAs Outstanding:



### Analysis and Interpretation

From the above data, we can see that amount outstanding in the doubtful assets has been decreased by Rs.24459.07 lakhs in 5 consecutive years, but we can also note that standard and sub-standard assets have been increased by Rs.18669.43 and Rs.2776.9 lakhs respectively, over the years.

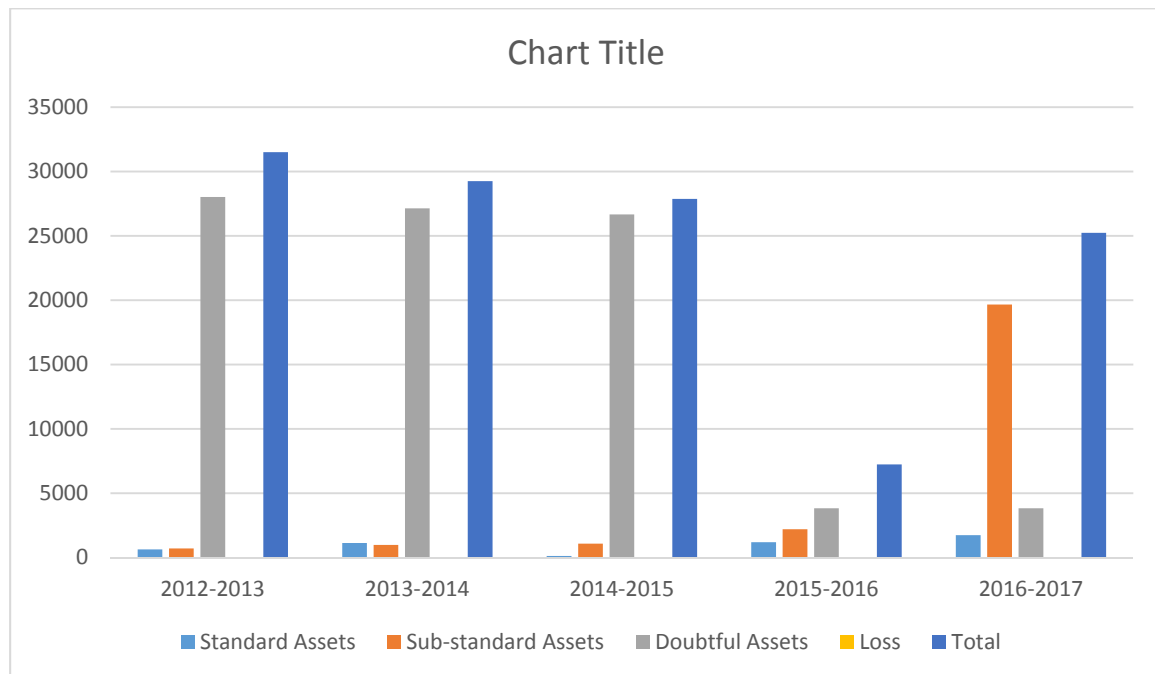
**Table 4.2: Table showing Provisions in NPA made by KSFC:**

**(Rs. In Lakhs)**

<b>Categories of Assets</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Standard</b>	<b>635.49</b>	<b>1129.95</b>	<b>121.014</b>	<b>1197.04</b>	<b>1744.65</b>
<b>Sub-standard</b>	<b>708.19</b>	<b>984.04</b>	<b>1080.77</b>	<b>2207.90</b>	<b>19660.9</b>
<b>Doubtful</b>	<b>28021.54</b>	<b>27144.17</b>	<b>26672.67</b>	<b>3833.88</b>	<b>3838.50</b>
<b>Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>31502.34</b>	<b>29258.16</b>	<b>27874.45</b>	<b>7238.82</b>	<b>25244.05</b>

## Chart 4.2

### Chart Showing Provisions for NPA made by KSFC:



### Analysis and Interpretation

From the above data, it is clear that classification of assets, the amount of provisions made have increased over the years. Provisions made under Standard Assets has been increased by Rs.1109.16 Lakhs, Sub-standard Assets increased by Rs.1257.9 Lakhs respectively over the years. However, the provisions made towards Doubtful Assets has been decreased by Rs.24183.04 Lakhs over the years.



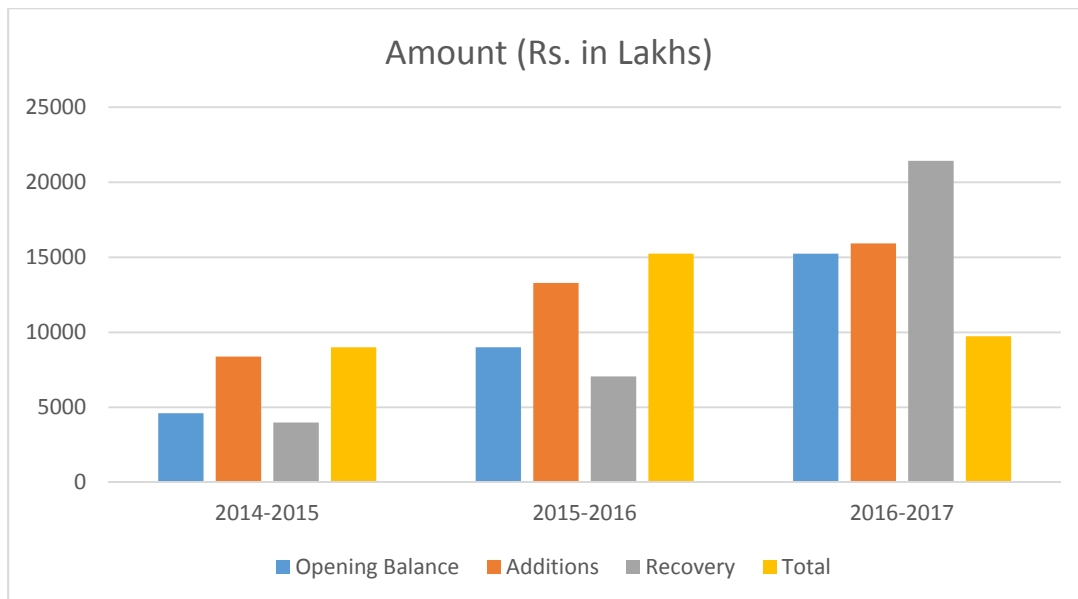
**Table 4.3: Table Showing Movement of NPA made by KSFC:**

**(Rs. In Lakhs)**

	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Opening Balance</b>	<b>4608.55</b>	<b>9006.14</b>	<b>15238.53</b>
<b>+ Additions</b>	<b>8387.43</b>	<b>13289.08</b>	<b>15928.11</b>
<b>-Recovery</b>	<b>3989.84</b>	<b>7056.69</b>	<b>21427.75</b>
<b>Total</b>	<b>9006.14</b>	<b>15238.53</b>	<b>9738.89</b>

### Chart 4.3

#### Chart Showing Movement of NPA by KSFC



#### Analysis and Interpretation

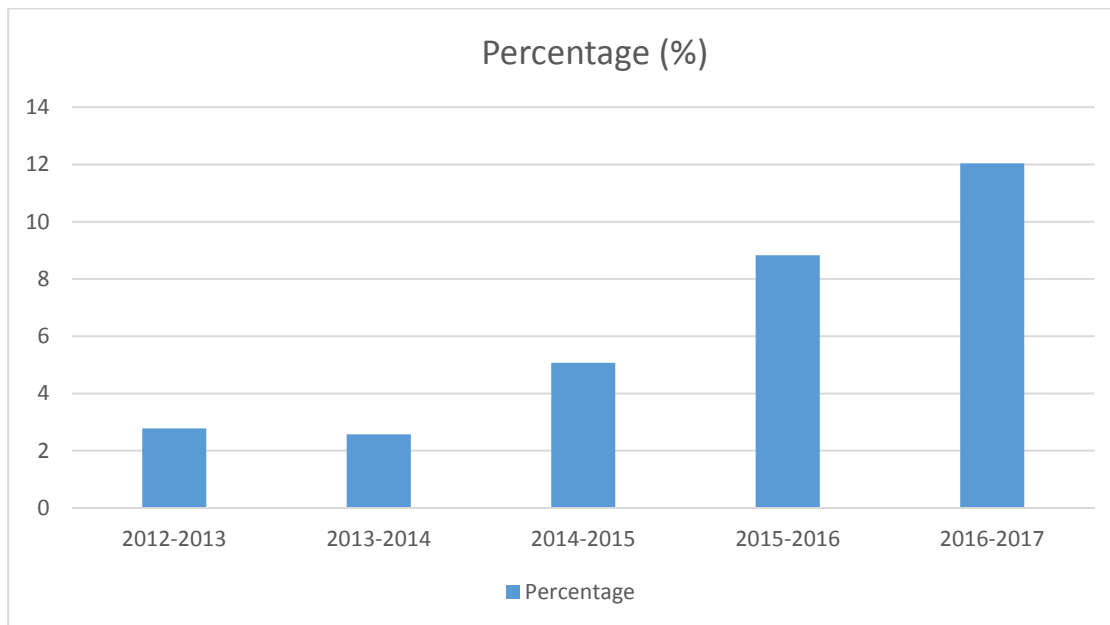
Here we can see that the NPA has been increased from the year 2014-2015 to 2016-2017 by Rs.10629.98 Lakhs. However, we can also see that additions are less in the year 2014-2015, as compared to 2015-2016 and 2016-2017. Later it has been increased by Rs.7540.68 Lakhs over the years.

**Table 4.4: Table Showing Net NPA as % of Net Advance made by KSFC:**

<b>Year</b>	<b>Percentage (%)</b>
<b>2012-2013</b>	<b>2.78</b>
<b>2013-2014</b>	<b>2.57</b>
<b>2014-2015</b>	<b>5.07</b>
<b>2015-2016</b>	<b>8.83</b>
<b>2016-2017</b>	<b>5.77</b>

#### Chart 4.4

Chart Showing Net NPA as % of Net Advance made by KSFC



#### Analysis and Interpretation

From the above table we can see the percentage change in net NPA towards the advances made by the KSFC. Here the percentage in the NPA has been increased by 1.08 percent from the year 2014-2015 till 2016-2017, which is not a good sign for the company. The company should take serious action against it.

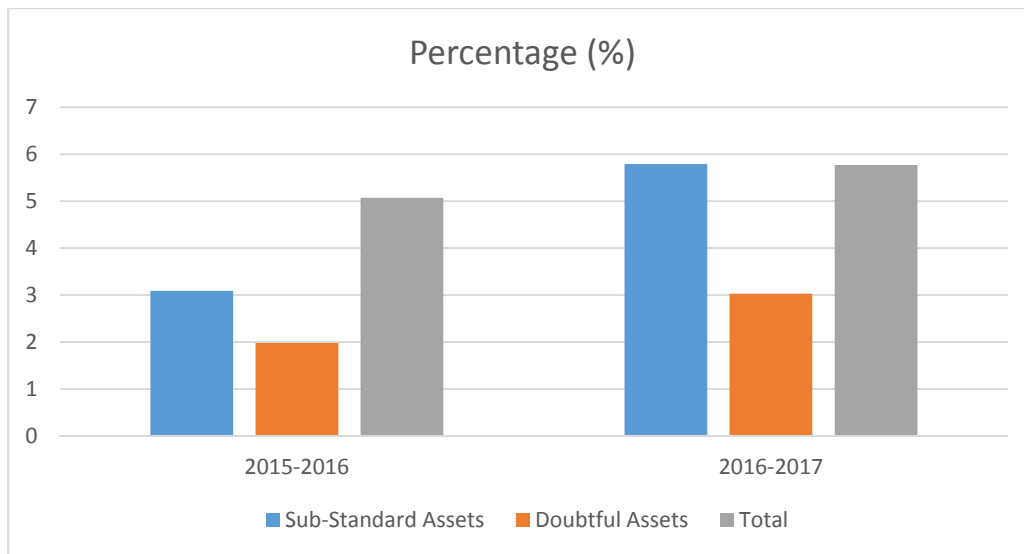
**Table 4.5: Table Showing Percentage of NPA made by KSFC:**

**(Percentage)**

<b>Categories</b>	<b>2015-2016</b>	<b>2016-2017</b>
<b>Standard Asset</b>	<b>3.09</b>	<b>5.79</b>
<b>Doubtful Asset</b>	<b>1.98</b>	<b>3.03</b>
<b>Total</b>	<b>5.07</b>	<b>8.82</b>

### Chart 4.5

#### Chart Showing Percentage of NPA made by KSFC



#### Analysis and Interpretation

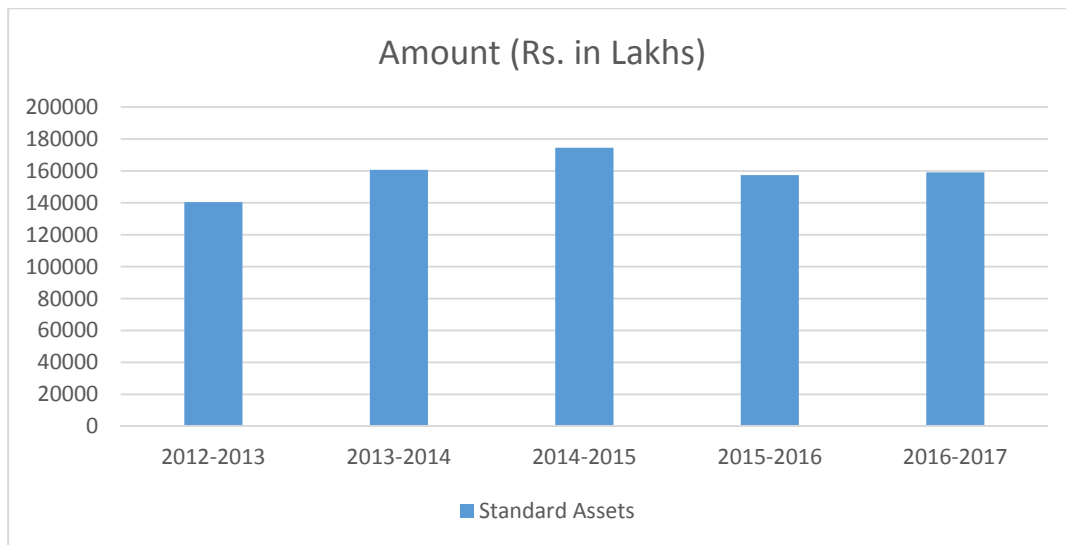
From the above information it is clear that the NPA's have increased in the standard assets by 0.78 percent and doubtful assets by 0.53 percent respectively. This is due to increase in the loans outstanding in these categories. It is a sign for this assets, as we are aware that if the loss assets is decreasing it means that the asset from doubtful category is moving upward towards loss asset indicating that more and more asset becoming realizable.

**Table 4.6: Table Showing Standard Assets made by KSFC:  
(Rs. In Lakhs)**

<b>Year</b>	<b>Amount</b>
<b>2012-2013</b>	<b>140428.24</b>
<b>2013-2014</b>	<b>160725.99</b>
<b>2014-2015</b>	<b>174519.45</b>
<b>2015-2016</b>	<b>157437.64</b>
<b>2116-2017</b>	<b>159097.67</b>

### Chart 4.6

#### Chart Showing Standard Assets made by KSFC



#### Analysis and Interpretation

From the above data it is noticed that there is an increasing trend in the growth of Standard Assets. However, there is a slight decrease in the year 2015-2016. This is because the KSFC has initiated intensive steps on monitoring the loan accounts. Again during the year 2016-2017 the Standard Assets has been increased to Rs.159097.67 Lakhs from Rs.157437.64 Lakhs during previous year i.e., 2015-2016.

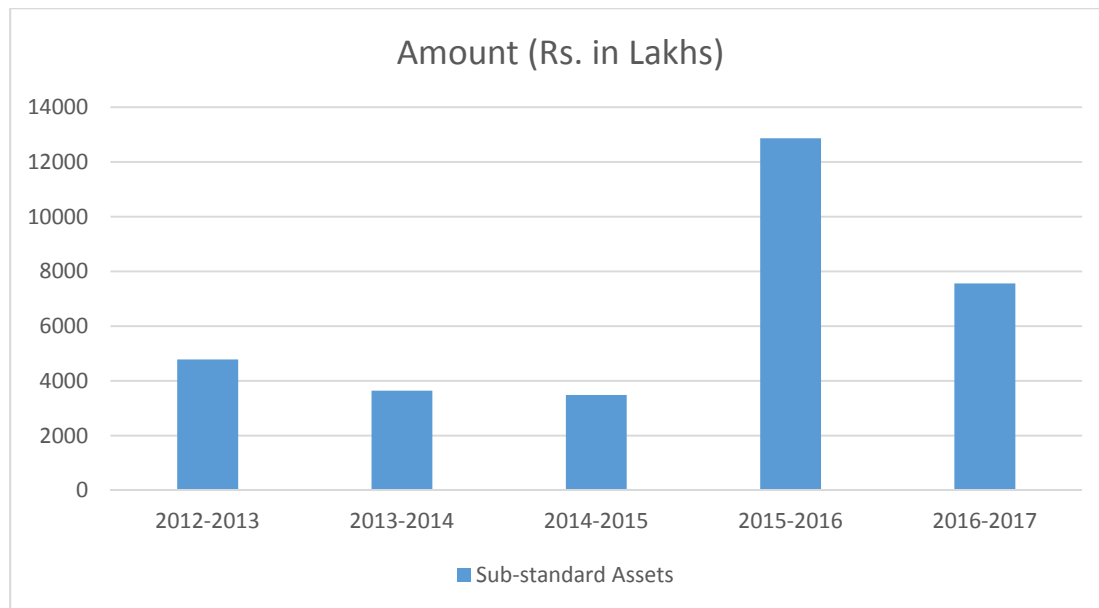


**Table 4.7: Table Showing Sub-standard Assets made by KSFC:  
(Rs. In Lakhs)**

<b>Year</b>	<b>Amount</b>
<b>2012-2013</b>	<b>4787.14</b>
<b>2013-2014</b>	<b>3641.94</b>
<b>2014-2015</b>	<b>3483.33</b>
<b>2015-2016</b>	<b>12863.16</b>
<b>2016-2017</b>	<b>7564.04</b>

### Chart 4.7

#### Chart Showing Sub-standard Assets made by KSFC



#### Analysis and Interpretation

From the above data, it is noticed that the sub-standard assets has decreased from the year 2013-2014, 2014-2015. This might be due to prudent NPA management strategy that was adopted by KSFC. But in the year 2015-2016 there is huge increase in the sub-standard assets, and again in the year 2016-2017 the sub-standard assets tends to decrease by Rs.5299.12 Lakhs, i.e., from Rs.12863.16 Lakhs to Rs.7564.04 Lakhs.

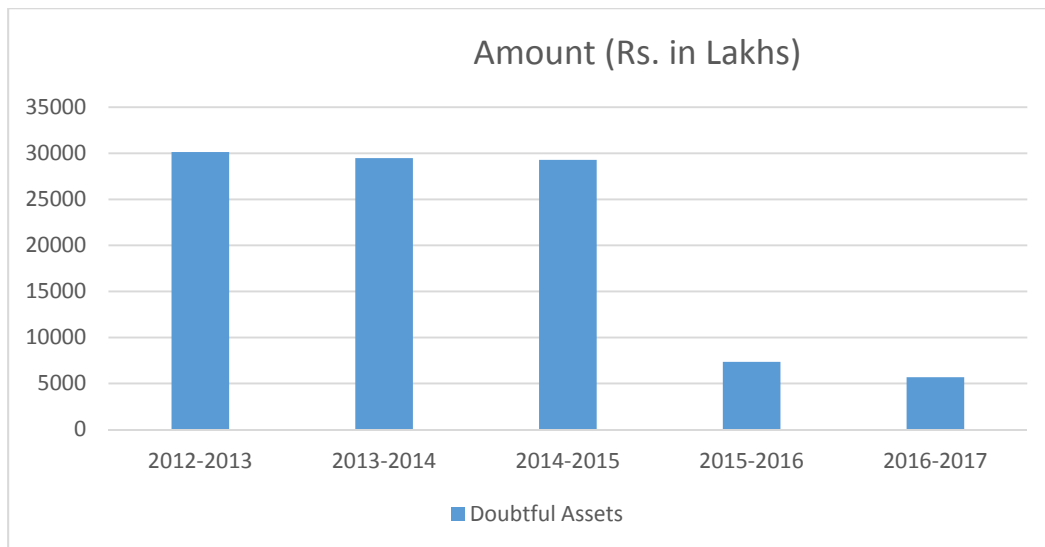
**Table 4.8: Table Showing Doubtful Assets made by KSFC:**

**(Rs. In Lakhs)**

<b>Year</b>	<b>Amount</b>
<b>2012-2013</b>	<b>30145.26</b>
<b>2013-2014</b>	<b>29478.03</b>
<b>2014-2015</b>	<b>29290.11</b>
<b>2015-2016</b>	<b>7354.78</b>
<b>2016-2017</b>	<b>5686.19</b>

### Chart 4.8

#### Chart Showing Doubtful Assets made by KSFC



#### Analysis and Interpretation

From the above table, it is noticed that there has been a continuous decrease in the ratio of doubtful assets. This is because KSFC is finding difficult to recover the loan amount sanctioned by them towards their clients.

## **Chapter 5: FINDINGS, SUGGESTIONS AND CONCLUSIONS**

## **FINDINGS:**

- Operations of KSFC has been increased over the last 4 years.
- The overall NPA's outstanding in the last 4 years has been highly flexible which shows that NPA is highly volatile.
- The provisions made by KSFC in the year 2015-2016 towards NPA is decreased compared to previous years.
- The KSFC deliberate interest towards recovery of NPA.
- The percentage of Net NPA towards advances is increasing over the last 4 years is fluctuating.
- The organizations performance appears to be variable over the years with the volume on sub-standard assets fluctuating over the years.
- Standard assets tells about the health of the organization and the assets has decreased in the year 2015-2016 compared to previous years.
- Though KSFC is a financial institution deploying its funds by giving loans. As a prudent measures of finance it is also making investments.
- The reserves of the institution has been constant over the years.
- The introduction of online one time settlement was very encouraging and had a greater impact.
- One time settlement policy implemented by KSFC has given excellent result to resolve good number of cases pending over the years.
- The one time settlement policy approved by Government of Karnataka, could result in solving good number of industrialist problem pending for resolutions.
- The one time settlement policy has helped KSFC's resource generation also, since its lot of funds were blocked in NPA..

## **CONCLUSION:**

During the course of the project it is clear that NPA's have visible impact on the loan portfolio of any financial institution affecting their balance sheet, which ultimately affects their profits, but it is also seen that KSFC is trying their best to reduce the percentage of NPA's and are taking effective measures towards this cause.

The management strategy for non-performing assets of the corporation was strengthened during the year under review utmost important was given to ensure that standard assets continue to be in the same category and the threshold cases are closely monitored to prevent them from becoming NPA.

Debt recovery tribunals have speeded up the legal procedure of resolving a resource for an extraordinary degree. The idea of settlement of duty between the bank and its loan bosses through lokadalats, has taken off bigly. This has prompted a decrease in the level of NPA's for the first time in the history of Indian financial system.

The corporation also plans to employ an outside expert to advice on its planned assets recover and asset administration extensions. The company suggests to set up an asset rebuilding company (ARC) to achieve the NPA's as well as add new business through securitization of NPA's from banks and financial institutions.

The financial position of KSFC is quite satisfactory keeping in mind the position of investments, other income and capital.

KSFC has now entered into a one-time settlement of re-finance from SIDBI and it is saving substantial payment of interest by which its financial position will be further strengthened.

To conclude KSFC has developed a good mechanism to resolve NPA by which it is maintaining the standard portfolios intact. Further it is revealed by the report that KSFC's NPA though in control needs keen watch to maintain and reduce the NPA to a lower level which can definitely boost the industrial growth of Karnataka through KSFC.

## **SUGGETSIONS:**

NPA has affected the profitability, liquidity and competitive functioning of the corporation. To reduce the level of NPA of the corporation, the following suggestions should be considered.

- Recovery performance should become part of the corporate goal and branch employee performance should be linked to it.
- Regular review of loan account to make sure that the borderline do not slip to NPA category.
- The corporation should concentrate on the recovery of principal and interest of loans and advances that are lent to its clients.
- Focus on high value NPA account can be done by improving quality of credit appraisal and prompt action on credit reports should be undertaken.
- Conducting in-house training programs for managers concerned with recovery about the latest rules and regulations and the possibilities available with modern tool.
- Proper pre sanction appraisal of loan proposal by taking multiple scenarios to arrive at potentially of the project.
- Upgrading the loan portfolios and reducing the possibilities of NPA.
- Resolution of NPA through one time settlement.
- Physical verification of hypothetical, mortgaged properties and ensuring collateral securities for all the loans given.
- KSFC should increase its standard portfolio by sanctioning good loan portfolios so that its expenditure can meet with the income.

KSFC can explore the new areas of industries like- Make in India, Start up India, Empower Women and Infrastructure Industries



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**ANNEXURE:****Financial Statement and Analysis:****Profit and Loss Account for The Year Ended 31<sup>st</sup> March 2017.****(Rs in Lakhs)**

<b>PARTICULARS</b>	<b>Year Ended 31-03-2015</b>	<b>Year Ended 31-03-2016</b>	<b>Year Ended 31-03-2017</b>
<b>INCOME</b>			
Interest Income	26352.25	27449.52	26030.72
Other Income	5370.03	3412.58	3905.49
Provision for NPAs withdrawn	25166.76	254.45	0.00
<b>TOTAL</b>	<b>56889.64</b>	<b>31116.55</b>	<b>29936.21</b>
<b>EXPENDITURE</b>			
Interest and Other Financial Expenses	15862.64	16009.04	15344.64
Personnel Expenses	6447.93	6625.09	6671.83
Administrative Expenses	803.24	957.60	918.66
Bad debts written off	25211.89	257.07	34.54
Provision for NPAs	2844.84	3475.26	3300.30
Payment/ Prov for Gratuity/ Leave	1048.12	341.09	510.12
Depreciation/ Amortization	215.72	202.98	163.36
<b>TOTAL</b>	<b>52434.38</b>	<b>27895.13</b>	<b>26943.45</b>

<b>Profit Before Tax</b>	4455.26	3221.42	2992.76
Add: Provision for Wealth Tax w/d	0.23	0.00	-
Less: Wealth Tax Paid	8.51	8.36	0.00
<b>Profit After Tax</b>	4446.98	3213.06	2992.76
Add/Less: Loss Brought forward	-51421.91	-46974.93	-43761.87
Deficit carried to Balance Sheet	-46974.93	-43761.87	-41269.54

**Balance Sheet as on 31<sup>st</sup> March 2017:****(Rs in Lakhs)**

<b>Particulars</b>	<b>As on 31-03-2015</b>	<b>As on 31-03-2016</b>	<b>As on 31-03-2017</b>
<b>Capital and Liabilities:</b>			
Share Capital	65855.56	71001.30	93694.06
Share Application Money	35338.50	37692.76	22500.00
Reserve funds and other reserves	28706.04	28617.14	29028.67
Term borrowings	167581.21	155888.73	149446.22
Current liabilities and Provisions	11130.96	15350.29	11722.03
<b>Total</b>	<b>308612.27</b>	<b>308550.22</b>	<b>306390.98</b>
<b>Property and Assets:</b>			
Cash and Bank Balances	3698.54	7411.39	7718.45
Investments	63406.93	63465.80	63390.35
Loans and Advances	177572.97	172768.34	168935.96
Fixed Assets	5112.58	4952.29	4799.38
Current Assets	11846.32	16190.53	20277.30
Profit and Loss A/c	46974.93	43761.87	41269.54
<b>Total</b>	<b>308612.27</b>	<b>308550.22</b>	<b>306390.98</b>

## OPERATIONS AT A GLANCE

Particulars	2014-2015	2015-2016	2016-2017	Since Inception up to 31.03.2017
Paid up capital at the year end	658.56	710.01	936.94	-
Gross Sanction				
a. Number	1,092	1,111	1,059	1,71,414
b. Amount	675.15	731.94	733.43	15,276.05
Assistance to Micro & SSIs				
a. Number	915	922	944	1,13,161
b. Amount	482.15	514.94	547.16	8,815.24
Disbursement	553.62	566.36	614.38	12001.86
Loan Outstanding	1,836.15	1,819.50	1,808.77	
Recovery	814.00	841.10	884.73	15,634.25
Percentage of NPA (net)	5.07	8.83	5.77	-
Income	317.23	311.17	299.36	-
Expenditure	272.68	278.95	269.43	-
Net Profit	44.47	32.13	29.93	-



**ACHARYA INSTITUTE OF TECHNOLOGY**  
**DEPARTMENT OF MBA**  
**INTERNSHIP WEEKLY REPORT (16MBAPR407)**

Name of the Student: AYUSHI PRIYA

Internal Guide: Dr. RAMANAI AH G

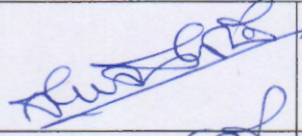

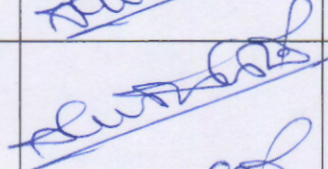
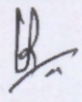
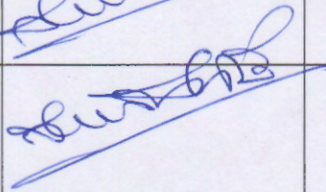
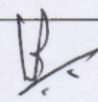
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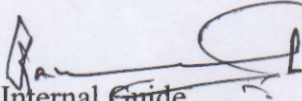
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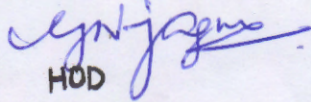
Title of the Project: A Study on Analysis of Non-Performing Assets.

Company Name: KARNATAKA STATE FINANCIAL CORPORATION

Week	Work Undertaken	External Guide Signature	Internal Guide Signature
15-01-2018 to 19-01-2018	Introduction of the study		
22-01-2018 to 26-01-2018	Objectives and methodology of the study		
29-01-2018 to 02-02-2018	Introduction of Industry and company profile		
05-02-2018 to 09-02-2018	Analysis of product and services of the company		
12-02-2018 to 16-02-2018	SWOC Analysis		
19-02-2018 to 23-02-2018	Theoretical background of the company		
26-02-2018 to 02-03-2018	Data collection		

05-03-2018 to 09-03-2018	Data Analysis		
12-03-2018 to 16-03-2018	Findings		
19-03-2018 to 24-03-2018	Suggestions and Conclusions		

  
Internal Guide

  
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