

## Chapter No. 1

# RESEARCH DESIGN

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# RESEARCH DESIGN

## INTRODUCTION

The focus of management of banks has shifted from regulatory compliance to internal financial management. To ensure investments within prudential limits, rigorous exposure norms have been prescribed by the RBI. The reconstruction of the financial assets and enforcement of security interests for effective non-performing asset (NPA) recovery. NPA was stated under the chairmanship of Shri. M. Narsimha, the Deputy Governor of Reserve Bank of India. The committee has recommended introduction in a phased manner of Prudential Norms for:

- Income Recognition
- Asset Classification
- Provisioning for the advances portfolio of the Bank

It was so as to move towards greater consistency and transparency in their published accounts. The committee also recommended that the policy of the income recognition should be objective and based on record of recovery rather than on any subjective considerations.

Accordingly, RBI introduced provisioning norms in 1992-93 over the years. RBI has modified these norms in several respects and issued circulars from time to time. Recently on 1<sup>st</sup> September 2001, RBI has issued master circular on prudential norms for Income Recognition, Asset Classification and Provisions pertaining to the Advances Portfolio, superseding all the earlier circulars issued from time to time.

The purpose of issuing the present circular appears to move closer to the internationally accepted provisioning norms, to move any subjectivity in respect of recognition of non performing assets and slowly and gradually strengthen the financial position of banks so that there does not remain a possibility of a cascading effect of failure of the banks on the over all banking system as a whole.

The policy of income recognition should be objective. It should be based on the sole criteria of recovery in the borrower accounts and should not be based on the subjective considerations such value of primary security, net worth of borrowers and guarantors etc. Similarly, there has to be objectivity in the classification of assets of banks, so as to ensure uniformity and consistency in the application of norms. The provisions are required to be made on the basis of classification of assets, which is based on the period for which the assets has remained non performing, the availability of security and realizable value of such security.

## **METHODOLOGY**

For the purpose of my study the information details about Financial Statements and Non Performing Assets was collected through following sources

1. Primary Data
2. Secondary Data

### **1. Primary Data**

This is the information collected by the researcher himself and is therefore fresh, original and first hand. The methods that I used for collecting primary data were Questionnaire and Interview of the Bank Staff.

### **2. Secondary Data**

This is the information collected previously by some researcher on the same topic. I referred Journals published by the Institution Annual reports Books related to Finance and other Documents provided by the Bank.

## **STATEMENT OF STUDY**

**"A Study of Non Performing Assets in Co-operative Bank  
with special reference to Sangli Bank Ltd"**

## **OBJECTIVE OF THE STUDY**

**Following are the few main objectives of the study:**

- 1. To understand and study various concepts of Non Performing Assets (NPA).**
- 2. To study the factors influencing NPA.**
- 3. To find out causes of increase in NPA.**
- 4. To understand the relationship between NPA and Income Recognition, Asset Classification.**
- 5. To suggest constructive measures, if any, based on the study, to improving the performance of the bank.**

## **SCOPE OF THE STUDY**

The scope of the study is restricted to the Non Performing Assets of District Central Co-operative Bank Ltd., Sangli. The study is useful to the researcher for understanding the practical significance of Non Performing Assets. The study is also useful to the organization to understand the effectiveness of the concept Non Performing Assets. On the basis of this study the organization can improve its effectiveness by adopting suitable policies.

The study dealt with:

1. Evaluation of only and only the nature of NPA.
2. Defective aspects of loan issue, which causes increase in NPA.
3. Reasons for growing trend of NPA.

## **SIGNIFICANCE**

Now a day's NPA has become the most important issue in the banking sector. As per RBI norms no interest can be charged on the accounts, which have become Non Performing, resulting in the decrease of the banks profit level.

This study reveals as to which are the reasons due to which NPA's are increasing and what measure can be taken to keep the percent in control.

## **LIMITATIONS OF THE STUDY**

1. The study is limited to ~~District Central~~ **District Central Co-operative Bank Ltd., Sangli.**
2. Most of the information being secondary in nature is a major limitation of the study as most of the time such data is likely to be manipulated.
3. The period of 50 days allotted for the study was insufficient to collect all the details.
4. The information related to only past three years was referred which does not give the total insight of the topic.
5. Lack of confidential information by the bank, which would have been proved to be useful for the study.