CHAPTER – TWO

REVIEW OF LITERATURE AND RESEARCH METHODOLOGY

An attempt is made to make a review of nonperforming assets in various studies and to understand the gap areas. This helped to develop the research work. For this purpose in all 203 research papers reviewed from various research journals including e-journals, research reports and working papers. However 80 papers included in this review part those are pertaining to research relevance only.

2.1. Review of Literature

Singh R. K. and Pandey P. (2002) they concluded that the growth rate of operating profit, net profit, interest income and interest spread income of ICICI bank have been far better than of SBI. The operating profit and return on assets do not significantly affect the earnings per share of both the banks. The yield on advances has important bearing on earnings per share of both the banks. Chi square tests summaries that there is significant difference in the return on assets of SBI and ICICI. However there is no significant difference in the yield on advances and earnings per share of SBI and ICICI.¹

Shukla A. and Gekara M. G. (2010) they investigate that corporate reporting in both the countries are relatively high. Companies should regularly update the information provided on the web sites. Most companies in both countries have provide the information in english which is not familiar for all consumers of both the countries, so suggested to provide information both in english and in language of the country.²

Khurana A. and Singh M. (2010) Indian Banking industry is largely dominated by public sector banks with almost 2/3rd share of total advances to the economy. Private
sector banks have shown their presence and have successfully expanded their business over last five years in Indian economy. The study conducted on management of NPAs by new private sector banks found that there is significant improvement in the assets quality as reflected by decline in the diverse NPAs ratios as well as assets wise classification of NPAs of these banks. Banks have been efficiently managing its assets over the period of study. However rise in NPA ratio in last 2 years shows that there is a scope for improvement of recovery mechanism.³

R. Suresh (2010) It is concluded from the study that in the liberalized banking scenario PGB Virudhunagar is one of the leading RRBs which welcomes the radical changes and makes the organization fit for the changes without much difficulty. The performance highlights of the bank exposed that it has achieved the task and targets from time to time and it has continuously retained its good position in financial strength. It is the time when the bank should go for the use of information technology and other electronic method for banking in this changing scenario of the banking sector by fully computerizing its bank branches to provide prompt services to customers.⁴

Singh B. (2011) the cooperative banks responded to the ongoing financial reforms in a positive manner. Looking at the figure 1991-91 when the reforms were just initiated in central cooperative banks of Punjab and the period of study i.e. 2008-09, when the results of these reforms could be seen, the return on equity, return on assets and profit margin have increased well. The performance of an average central cooperative bank in high business bank group has been better than their counter parts in low business category. Awareness, efforts and prudential norms of NPA reporting helps to reduce the percentage of overdue to total loans.⁵
Ahmed J. U. (2009) the present study evaluates the growths of deposit mobilization of banks and its determinants in the Barak Valley region of Assam. The study finds that the pace of growth of deposits received by the bank influenced by branch expansion, interest rate, GDP are found to be perfect determinant of the dependent variable. The growth of bank deposits is very much subjective and only depends on the economic condition of the society.  

Gridhar S. (2009) it is concluded from the study that employees are internal customers. For satisfying external customers, internal customers need to be satisfied and motivated first. Maximum gap in quality delivery of service can be seen amongst the employees of prime banks. Communication, motivation, training has its own role to play and primary banks needs to improve these parameters. Looking to the employee’s perspective bank can take initiative in reducing the gap, which is possible through motivating employees. Bank need to give better salary structure, training, compensation and non monetary reward to employees.  

Saraf V. (2004) in his paper concluded that the biggest threat to CRM is that management focuses on short run profits rather than long term vision. CRM is an expensive, time consuming and complex proposition. Even in the best case, this tool is an opportunity to rise above minor advantages and develop an actual relationship with the customers. Companies that are the most successful at delivering what each customer wants are the most likely to be the leaders of the future.  

Dr. D.S.Murthy and Dr. P.V.Narsaiah (2009): It is regretted that the performance of some of the RRBs is not satisfactory due to lack of operational viability. Hence, it is the time for RRBs to strengthen their internal checks, control systems and timely recovery
of loans. To fill the financial health, the loss making banks have to be restructured and also implement innovative loan products like commercial banks.  

**Bodha B. S. (2004)** in his paper examines and measures the quality of services provided by commercial banks both public as well as private sector banks in India. During the study it has been observed that attitudinal change among the bank employees in general, and public sector bank in particular, has not so far occurred as demanded by the present market system. In fact the complete professional approach to management is still to be introduced. A managerial implication of the findings of this paper is that the banks must place emphasis on change management, internet banking and employees empowerment so as to ensure the requisite service quality. The above is more urgently required on the parts of the public sector banks in order to compete with private sector banks and to survive as well.  

**M. K. Patel (2003)** emphasized that the management of public sector banks are required to take a serious look at the HRD variables and educate the employees. If these concepts are made clear and the employees trained, to be retained, to accept future challenging role the organization has other wise good potential for development. Banking industry have to change the policy and practices towards their employees as there are much more difference in general practices and training aspects. They have to match, adjust and regularize scientifically to uplift the performance of employees by sound HRD general and training policy. This is an alarming ISO-9002 quality mark awareness has taken place widely in the corporate world.  

**B. S. Bodla, Richa Verma (2009)**, this paper concludes the earning quality of scheduled commercial banks in India from the yea 1991- 2006. According to CAMEL model earning quality can be measured by five ratios likely operating profit to average working
funds ration, spread to total assets ratio, net profit to average assets ratio, interest income to total income ratio, non interest income to total income. From the study concluded that foreign banks have edge over their domestic counterparts. The major reason behind this is the increase in fee based income and curtailment of operating expenses on the part of the banks.12

**Mittal A. (2009)** it analyses from the study that the customers of public sector and private sector banks are of the opinion that there is a difference with respect to the application of relationship marketing approach in the banks under study. The study into relationship marketing implementation in Indian banking sector also identified managerial, human resource, culture, comprehension, communication, strategic, resource and operational forces. Service quality information system enables managers to hear and understand consumer complaints, track performance, reward good service and determine the factor which is important to the customer.13

**Jain R., Jain S. and Dhar U. (2003)** proposed that customer relationship management (CRM) has emerged as a core business process for maintaining and enhancing competitive edge in the modern business warfare. In spite of meticulous planning and implementation, a large number of CRM programmes fail to accomplish their goals. A deeper understanding of behavioral dimensions of relationship marketing and careful evaluation can help organizations to make their relationship building efforts more effective. Service provider needs to be customer oriented and trained in displaying a genuine care and concern for customer welfare. A relationship based on mutual trust and faith lasts longer.14

**Mittal A. (2006)** discussed the evaluation of relationship marketing approach as an evolution of a revolution in the marketing. It was being proposed that marketing is no
longer just about developing, selling and delivering products. It is increasingly concerned with development and maintenance of mutually satisfying long term relationship with customers. It was stated that relationship marketing is based upon the premise that it makes economic sense to satisfy and retain customers as the strength and duration of relationship is directly proportional to the resultant profitability. More over this contemporary interest on retaining customers is reforming marketing with an emphasis on the creation of value and building relationship. 

Dr. Rana Zehra Masood (2008): The RRBs had a basic objective of providing timely and adequate credit to farmers in their time of need. They have been able to achieve their objectives and have gradually become viable institutions meeting the credit requirement of rural poor. Concerted efforts by the Government to remove the various constraints faced by RRBs and technologically upgrade these RRBs with new technology and dynamic staff would help the country’s progress and also sustain the growth of these essential financial institutions.

Shaineesh G. and Mohan R. (2001) conducted a survey among managers belonging to hospitality, information technology, telecom and financial services to understand the relationship management practices and programs adopted by them. The research was exploratory in nature and 77 managers of these service firms operating in India were surveyed through respondent administered questionnaires. It addressed the issue such as quality and customer centric processes, employee empowerment, technology selection, customer knowledge strategies and individualization of market programs.

Bernanke and Blinder (1983), the reduction in net worth of the borrowers, for instance reduces the collateral available with them which, in turn, inhibit investment demand in
the economy and the effects may get magnified through a financial accelerator mechanism.\textsuperscript{18}

**Meyer and Nagarajan (1999),** with the increasing market orientation of monetary policy, direct instrument of money control are being progressively phased out in many developing countries. The old paradigm of supply-leading subsidized and targeted lending is being gradually replaced by new demand-leading programme aimed at improving financial market efficiency.\textsuperscript{19}

**Banarjee, and Dufflo (2004),** A reason of risk aversion to lending to the private sector could be that the loan officers worry about the possibility of being falsely accused of corruption and find some empirical support in favour of this proposition.\textsuperscript{20}

**Anand Singh Kalbana and Jasbir Deswal (2010),** The reason of decreasing percentage share of agriculture are lack of big holding, lack of sufficient finance, lack of big holding, lack of irrigation, lack of agriculture marketing facilities etc.\textsuperscript{21}

**Bandopadhyaya K. and Bandyopadyaya S. K. (2010)** Analyzed from the profitable point the performance of the bank is not very meaningful if it accounted for along with risk. Economic liberalization might have increased competition but has not led to change the level of risk, which proves the prevalence of proactive risk management system in place in Indian banking system.\textsuperscript{22}

**Borio and Lowe (2004),** with the onset of financial innovations, as money demand turned unstable, both money and credit vanished from the scene as targeting variables by the early 1990s. In the subsequent period interest in credit behavior has re-emerged as it is believed that credit conditions play a key role in the monetary transmission process.\textsuperscript{23}
Shivam R. S. (2009) the study explains that larger the owned funds more are self-reliance of district central cooperative banks. Deposits are one of the vital components of the borrowed funds and witnessed an impressive growth. The cooperative movement can enable the unification of local human resources, material input, energize the channelization, development and expansion of the tremendous potential growth that exists in our towns, villages and hamlets across the length and breadth of India.\textsuperscript{24}

Dhade A. (2009) Analyzed that no impact was found on overall business of state bank of India because of unnoticed occupancy of the new private sector banks. But in upcoming days it might be possible that Madhya Pradesh state emerged as one of the prominent states for banking and industrial growth point of view. State bank of India must equip itself to face the rising competition of new private sector banks with in Madhya Pradesh state.\textsuperscript{25}

Verma R. and Bodla B. S. (2011) from the study it is concluded that the scheduled commercial banks need a lot of improvement in their efficiency level. It is also cited that public sector banks and foreign banks need to take steps to reduce expenses and to improve the output at the given input level because they have failed to acquire full efficiency scores.\textsuperscript{26}

Gope A. and Ghosh A. (2010) Concluded from the study that in order to keep the pace with changes, bank should focus on core competence and collaborate with other players to offer innovative products and supervise customer services. Bank need to develop sound corporate governance practices to face the changing future scenario. However in India the legal mechanism on the speed of recovery still requires more incentives. NPAs are as much a result of economic conditions as they are a result of lax credit appraisal
procedures. Greater autonomy should be granted to banks to deal with NPAs problems.\textsuperscript{27}

**Uppal R. K. and Humar R. (2009)** it is concluded that Indian banking has undergone an unmatched change. Over all expenditure is decreasing while income is increasing of scheduled commercial banks. Technological developments are also taking place in the Indian banks. Number of computerization branches and ATMs branches are also increasing of scheduled commercial banks. Thus Indian banking industry is developing day by day. The Indian banking is preparing to compete with global competition. It faces global competition but new opportunities are also emerging to counter these challenges.\textsuperscript{28}

**S. Sundararaman, (2008)** A vigilant approach is warranted at the stage of identification of the borrowers and procession of the credit proposals, at which point of time the maximum details can be generated without much difficulty. Once account turns into NPA, it may be difficult to gather details from the parties. A relentless follow-up should be undertaken at each stage of the DRT/ court cases through the advocates to expedite them with a reasonable period.\textsuperscript{29}

**Mayuri Patel, (2009),** the CDR mechanism is expected to aid financially crunched companies and banks / FIs to tackle their bloating non-performing assets (NPA) in an effective manner. In India one of the reasons for the relative success of the mechanism has been that almost all the big lenders are owned and controlled by the Government.\textsuperscript{30}

**Rosy Kalra, (2008)** in this paper it examines the magnitude of non-performing assets of Public Sector Banks. The NPAs are considered as an important parameter to judge the performance and financial health of banks. The level of NPAs in one of the drivers of financial stability and growth of the banking sector. Besides the other factor affecting
profitability of banks, NPAs, in the current scenario, have emerged as an important factor influencing the profitability of banks. 

Srinivasan Umashankar (2009), in his study concluded that deposits are raw materials, loan is finished product and recovery is profit. A qualitative credit and deposit growth coupled with conductive recovery climate would ensure healthy sustainable business.

N. Ramu (2009) with the tightening of prudential norms, the banking sector has been consistently confirming to and adopting international prudential norms and accounting practices. Such strengthening of prudential norms has resulted in increased level of NPAs for the urban cooperative banking sector.

Dr. Jaynal Ud-din Ahmed (2008) in his research paper “Non-performing assets of Commercial Banks in India: reprieve, recovery and remedies” concluded that non-performing assets, being an important parameter for assessing financial performance of banks, reduction is necessary to improve the profitability of the banks and comply with capital adequacy norms. The quality appraisal, supervision and proper follow up undoubtedly will assist to solve the problem. The mounting NPAs of banks deter their financial health in terms of profitability, liquidity and economics of scale of operation. The bank has to take timely action against degradation of performing assets. The management of NPAs has been an immense task before the bankers because it challenges the bank resistance capacity. The occurrences of NPAs may not be avoidable entirely but they can manage effectively. The fresh incidence of NPAs should be avoided but not at the cost of fresh deployment of credit.

R. Jayachandran and T. Nagananthi (2008) conducted a study with the objective to evaluate trends in the non-performing assets of SBI and its associates. The study
observed that NPAs for SBI and its associate banks has significantly declined over the period of study.  

**Jain Vibha (2007)** examined the status of NPAs in commercial banks. The study found that the problem of gross and net NPAs is more acute in Public Sector Banks. The new private sector banks and foreign banks have also registered an increase in the amount of gross and net NPAs during the period 1997-2003. It concluded that new private sector banks and foreign banks failed to prevent the fresh generation of NPAs in the period whereas, PSBs and old private sector banks were able to reduce it.  

**K.Kothai(2003)** conducted a study on non-performing assets of Scheduled Commercial Banks in India: An Analysis. The research observed a decreasing trend in the NPAs of the SCBs over the period of study. It revealed that the level of NPAs has declined mainly due to write off of bad debts and expansion of the total advances over the period of study.  

**Haavio & Kauppi (2000),** Home loans are means through which an employed person can realize his/her dream to own home. This is a great product because it allows a person to own a home; the value of which increases, giving financial means and security. Government is also taking various steps to encourage people to go towards home loans.  

**Dr. M. Selvakumar (2010),** “ Regional Rural Banks: Performance Analysis” , suggested that modern technologies like ATM, Core banking, anywhere banking and so on should be introduced to improve the quality of services in all spheres of banking activities. The bank should take necessary steps to increase the non- interest income, which only constitutes less than 10% of the total income, by way of collection of cheques and bills, giving guarantees, locker facilities, acting agents so on.
Krueger (2004), “Report on currency and Finance”, found that bank credit is an important source of finance although the role of credit analytics in monetary policy formulation has seen ups and downs over the past five decades. With the restriction on interest rates, a number of industrial economies regulated credits at various sectors of the economy during 1960s and 1970s, although the fraction of credit so directed was smaller than the EMEs 40

Taxak R. H. and Kaur M. (2009) it is concluded from the study that public sector banks provide better services than the private one. Customers of public sector banks are more satisfied with traditional banking services and bank accounts as compared to private sector banks. 41

Avudaiammal B. and Vasanthi G. (2009) Analyzed that in the last one and a half decade urban cooperative banks have under gone transformation of unprecedented breadth and depth. This new stage has generated special concern amongst cooperative banks. Urban cooperative banks are increasingly operating in the highly competitive environment. The operational efficiency of urban cooperative banks is crucial in ensuring adequate and timely flow of credit to urban and semi urban people. In this situation serious and intensive observation of their non performing assets position is essential to achieve the social objective and cooperative principle by the urban cooperative banks. 42

Gowda H. R.D. and Umesh K. B. (2010) It is concluded from the study that NPAs in agricultural sector have decreased for the period of study. The effective technique used to avoid an account becoming NPA in cooperatives was mainly through personal contact. 43
Pathania K. and Batra S. (2009) from the study it is concluded that almost all the district central cooperative banks are suffering from burgeoning amount of NPAs especially in nonfarm sector loans. Willful default is the main factor which is responsible for NPAs this is the opinion of the selected bank officials. NPA results in credit crunch and generally signals adverse investment climate. Credit is a catalyst for economic growth and bottleneck in smooth flow of credit which is mounting NPAs is bound to create adverse repercussion in the economy.\textsuperscript{44}

Sambasivam K. and Raheem A. (2010) It is concluded from the study that the cooperatives could have a bright future in India in the new era if they are transformed into an autonomous member owned autonomous organizations governed by elected representatives of their members, managed personally and liberated from unnecessary government controls.\textsuperscript{45}

Subramanyam B. and Hanamashetti J. S. (2011) from the study it is concluded that cooperatives are formed on the principles and values such as equity and social responsibility and therefore cooperatives along with their governments have to move towards mitigating climate change in its impact of global warming.\textsuperscript{46}

N.Tejamani Singh & Th. Jitendra Singh (2009)- In their research paper “Recovery Performance of RRB: An Analysis (A case study of Manipur Rural Bank)” concluded that the main factor contributing to the unsound situation of MRB is that the credit delivery system has not produced desired results in terms of quantity and quality for the end use of the credit. In its case the recovery performance in the non-firm sector is better than that of the firm sector, but the total recovery performance is not satisfactory during the period of study. Over dues have been identified as a major hurdle in the creation of an efficient and viable credit system at MRB. Poor recovery implies distorted recycling
of funds. To overcome these problems, the credit management of MRB is required to develop mechanism for the proper selection of appropriate borrowers, constant monitoring for proper utilization of the loan amount, time bound repayment, cost effectiveness, reduction of overdue and non-performing assets, increase in staff productivity, maintaining a circular flow of credit, accountability, responsibility and motivational improvement. MRB has to be very careful while disbursing credit and take every precaution to ensure timely recovery of the loans. To ensure an easy and smooth recycling of funds, it is necessary that MRB improves its recovery position.\textsuperscript{47}

Raikar A. V. (2011) analyzed that the growth of district central cooperative banks in terms of financial parameter, their performance is deteriorating over the year. They have a weak capital base and huge NPAs. Moreover due to poor recovery these NPAs are being converted from sub standard assets into doubtful then to loss assets. To improve the financial performance of these banks it is essential to improve their recovery performance. In fact bulks of the NPAs of these banks are contributed by the agricultural loans. Unless effective to improve conditions of the agricultural sector are initiated, the recovery performance of these banks is not satisfactory one.\textsuperscript{48}

Puranik V. and Khan A. (2010) it is concluded from the study that despite rapid growth over all progress of the cooperative sector has not been impressive one. Lack of coordination among various divisions of the structure is one of the functional weaknesses. Power and politics are very closely related concept in this sector.\textsuperscript{49}

Jayadevappa, Viswanatha A. R. (2010) This study concludes that by the involvement of self help group in cooperatives it can increase its operational area and can recover its loans which will be definitely a mile stone for this sector. But cooperative banks have provided less finance to these groups. Hence it is necessary in India to revive the
cooperative banks through the linkage of self help groups. This can increase savings, membership, deposits, loan repayment and capital investment of cooperative banks.  

Dubhashi M. (2010) analyzed that though the presence of women in cooperative is marginal but it plays a vital role in cooperatives. This gap in deficiency would be obliterated with more affirmative action like adequate representation of women from the grass roots to the highest level of the movement, greater access to education and training, improved HRD strategy focused on women participation and commitment of top management. Such an approach would lead to a sustainable cooperative development.  

R.K.Singh & Mithilesh Kumar Singh,(2008) paper aims at appraising the profitability, assets quality, and capital adequacy of Indian banks in global perspective. This paper reveals that the Indian banks have been able to perform better in comparison to selected Asian Countries. But at the same time the performance of Indian banks cannot be said to be very competitive in comparison to selected western advance countries.  

Verma S. R. and Naidu R. R. (2009) it is concluded from the study that there is a direct and positive relationship in between amount of loan borrowed from the cooperatives and the size of land holdings. Due to increase in fertilizer price and labour cost a very little portion of the income comes to the hands of the farmer so their loan account go for NPAs whereas some respondents have openly expressed that they have deliberately postponed repayment of loans with expectation that Govt. one day or other would write off all cooperatives loan. Hence due to willful default and interfere of political leaders are the reason behind the rise in defaulters in this credit system is more.
Meena Sharma (2005), in this paper makes an attempt to study the problem of nonperforming assets in public sector banks and also its impact on the performance on these banks. Impact of NPAs on the profitability of the banks is analyzed by applying multiple regression models. Impact of NPAs on the productivity, achievement of capital adequacy level, funds mobilization and development policy of banks is also analyzed. NPA not only affect the performance of the banks but also puts irreparable harm to the entire economy. It endangers the very foundation of the credit system. Concentrated efforts are required by RBI, banks and judiciary level to control the menace of NPAs. Efficient legal framework, improvement in credit appraisal and monitoring skills of banks and strong political will could enable the Indian banks to find satisfactory solution to the problem.

G. Ramakrishna Reddy & T. Sree Bhargavi (2004)- in their paper “An Appraisal of Indian Banking from NPA Perspective” concluded that the Indian financial system comprises an impressive network of banks and other financial investment institutions offering wide range of the products and services which together function in a fairly developed capital and money market. It has seen many changes in the last decade. Greater competition among banks, entry of new private banks, mergers and increasing complexity in business are its critical success factors. Also more emphasis is given to risk management.

Waseem Ahmad (2006), with the liberalization of economy, the banking industry is facing enormous challenges in the open financial market; probably it is also giving rise to non-performing assets in banks. The concept of bank nationalization was misutilized by certain group of people in the name of liberalization, having directly contributing to
swelling NPAs. The origin of the problem of NPAs also lies in the quality of credit risk management of banks.  

Mrs. Meena Sharma and N.K. Singh (2008) in their paper “Causes, cure and prevention of NPAs in the State Industrial Development Corporation of North India” concluded that analysis of the NPA level of different corporations reveals that in some corporations level of NPAs is very high in comparison to others. Even though the level of NPAs of HSIDC is showing an increasing trend but it is still in reasonable limits as compared to other three corporations. NPAs of PSIDC have increased at a very high rate. These high figures of NPAs are seriously affecting the efficient management of funds. It affects the profitability of the corporations 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 corporation level to improve the credit appraisal and monitoring skills of the managers so that potential defaults can be identified at an early stage. In case of genuine defaults managerial and technical expertise can also be provided to bring the unit out of red. Efficient fund mobilization and deployment is the key determinants to the success of financial institution and high level of NPAs put detrimental impact on it.

Chanchal Chatarjee (2010), makes an attempt to focus on future trend and challenges in Indian banking system especially from the angel of Basel II implementation. Indian market will be opened for foreign banks this year. Maintenance of adequate capital adequacy ratio (CAR) for managing credit, market and operational risks has become mandatory. Due to this step, competition is likely to increase in the market which may
lead to large scale consolidation among various banks for ensuring their survival and sustainable growth.  

K B L Mathur(2010), A comprehensive self assessment of India’s financial sector by the Committee of Financial Sector Assessment (CFSA) in its report jointly prepared and released by the GOI and RBI in March 2009 found that “Commercial banks have shown a healthy growth rate an improvement in performance as is evident from capital adequacy, asset quality, earnings and efficiency indicators. The key financial indicators of the banking system do not throw up any major concern or vulnerability and the system remains resilient”  

Madhu Bhartia(2008), in this study financial reporting in commercial banks, it is subjective matter to decide whether any advance if “NPA” category. It only the bank manager to decide that what should go to NPA category. It is suggested that policy to decide NPA should be embedded in the accounting system of the bank taking into account number of days.  

Dr. Debdas Rakshit & Sujit Kr. Ghosh( 2008-09), they attempted to excavate the answers to the reforms in the financial system implementing Narasimham Committee Report (1991) was a significant move to nurse back the banking system to health painlessly but it also invited challenges to the public sector banks to prove its competitive survival due to arrival of the new players, the private sector banks in this arena. The alarming presence of the private sector banks has revolutionized the banking system as a whole and raised the question whether their rapid growth will soon outweigh the private sector banks in all the significant areas like performance, profitability and efficiency.
Chaudry S. and Singh S. (2011) stated that capital adequacy and asset quality have shown a significant improvement over the years in all the banking groups. Banking reform has indeed transformed Indian banks into string, stable and prosperous entity. Indian banking system can now claim that their NPA level are of international standards with prudential provisioning, classification and an adequate capital base. But effective cost management, recovery management, technology intensive of banking, governance and risk management, financial inclusion are the areas which will have key bearing on the ability of Indian banks to remain competitive and enhance soundness.62

Uppal R. K. (2010) from the study it is concluded that even after the global financial crisis Indian banking industry is facing many challenges. These challenges are manifold and multi dimensional, under the influence of globalization in addition to new technology and stiff competitions, to face the emerging challenges there is a need to reset organizational structure, culture, system and procedure.63

Kumar V. and Savita (2007) examined that Indian banking is passing through the phase of transformation and consolidation. In this phase Indian banking is facing many challenges like profitability, risk management, technology, rural and social banking issue, and human resource management. This paper also suggests some strategies for future to tackle these problems.64

Vittal N. (2001) proposed a view that Indian banks will have to make SWOT analysis and then evolve a strategy based on building strength, overcoming weakness and exploiting opportunities and guard against threats. The strength of Indian banks is the pool of human talent it has. Apart from the pool of talent and the human capital it represents, banks are also extremely over manned. VRS initiates that have been taken by
the banks have opportunities but they will have to think in terms of also what to do post VRS.\textsuperscript{65}

\textbf{Pai D. T. (2001)} explained that banking in the new millennium will be marked by high expectations of customers who are well informed and possess the technical knowledge to conduct banking transaction from home or office or while on the move. Even though computers are rapidly taking over bank functions, personalized service will continue to have relevance in Indian banking. Therefore the sum and substance of all banking activity in future will boil down to one simple prescription. Banks can keep growing only if they consciously keep moving from customer satisfaction to customer delight in every aspect of their functioning.\textsuperscript{66}

\textbf{Uppal R. K. and Guliani H. K. (2007)} stated that some of the sectors have responded admirably after 14 years of reform period, of which financial sector specially banking have accorded a great prominence. It is important to create ability in the banking system to self rectify its deficiencies. The new challenges are not greater or more formidable that we have overcome. The main challenge is to find practical solutions together with the concerned authorities to successfully achieve the avowed objective of reforms for the human face.\textsuperscript{67}

\textbf{Singh T., (2011)} Redressal of Customers grievances in banks: A study of bank ombudsman’s performance in India, from the study it is concluded that though there is a huge increase in receive of complains but out of which 99 percent were solved by mutually disposal. Credit card related complains takes the major portion out of all. It is suggested that more categories of complains under the preview of ombudsman keeping in the mind new technological advancements and popularize the scheme in rural area.\textsuperscript{68}
Antony P. A., (2011) Excellent practices among banks for inclusive growth: Empirical evidence from recent literature survey. It is concluded from the study that the practices adopted by the banks for inclusive growth are excellent and has achieved the dual aspect of financial inclusion and rapid growth.69

Preasad K. V. N., Reddy D. M. and Chari A. A. (2011) Performance evaluation of public sector banks in India: an application of CAMEL model, From the study it is concluded that on average Andhra bank was on the top followed by bank of Baroda, Indian bank. The largest public sector bank is on 20th position where as Central bank of India is on the bottom on the period of study.70

Toor (1994) analyzed that poor recovery management leads to reduction in yield on advances, reduced productivity, loss in the credibility and put detrimental impact on the policies of banks.71

Rajput N., Panda H. (2011) Banking efficiency: Application of Data Envelopment approach, It is concluded that there is no significant difference in mobilization of deposits and efficiency of the banks but as the economy will grow more opportunity will come, the bank must focus to increase its efficiency so that it can provide firm support in the financial market for the industries to develop.72

Murthy (1988) has examined that default bring down the return accruing and to them, reduces effective rate of interest and reduces the funds’ recirculation and increases their dependence on external sources thereby increasing the costs.73

Resti (1995) a negative impact of bad loans on the efficiencies of the banks.74

Stanton (2002) studied that managers are less efficient when facing large numbers of loans or smaller loans.75
Barr et al. (1994) have observed that failing banks have often shown a level of bad loans. Such ailing banks are in no way near the best practice frontier.

Savita Saggar (2005) in her study of “Non-performing assets and Profitability of Scheduled Commercial banks in India,” she concluded that there is an inverse relationship exists between the net NPA ratio and profitability ratio for all categories of banks.


2.2. Statement of Problem

It is generally felt that the follow up strategy adopted by the banks on recovery of loans and advances are not satisfactory which ultimately increases the NPA level in these banks. On the other hand these banks are not placed a mark on the mind of the investors as well as the members of the cooperative for which it is not attracted any other funding agencies in a great extent except government subsidies. The effectiveness and practices regarding the loans and advances by the bank is not up to mark as followed by the other public as well as private sector banks.

2.3. Need for the study

Even though cooperative credit financing was started way back to a century ago but their performances are not reaching the up to expectations. The present study will greatly help the cooperative policy makers as well as managers of the banks to strengthen the recovery practices followed by these banks. The present study will highlight the ground reality and accordingly proper care can be taken for the loan products and as well as account holders.
2.4. Objective of the Study

- To know the basic factors which are affected the performance of an asset in cooperative bank as borrowers’ point of view.
- To know the problems in relation to nonperforming assets.
- To examine the actions strategy taken by the bank for recovery of NPAs.
- To know the practices followed by the Khordha central cooperative bank as regards to recovery of nonperforming accounts.
- To know the operational efficiency of the bank under study.
- To suggest various ways to overcome the problem of NPAs in agricultural loan.

2.5. Methodology of the study

For collecting the data a pilot study was conducted consisting of 26 variables. However after the pilot study the variables restricted to 18 only. Those variables are again having 70 sub variables. For this purpose 873 questionnaires are distributed and out of which only 406 responses received. The response rate is 46.51%. For this study the respondents are those having an agriculture loan account holder of Khordha central cooperative banks. The data have been collected through personal interview by visiting the various areas under study. For the study data collected from Badakumari, Bankoidesh and Bolgarh Panchayata of Bolgarh block in Khordha district. Ranapurgarh and Rajsunakhala Panchayata of Ranapur Block in Nayagarh District and Krushna Prasad panchayata of Krushna Prasad Block in Puri district. The secondary data collected from various management journals, bulletins, factsheets, online research journals and annual reports etc.
Table- 2.1: Response compositions in study area

<table>
<thead>
<tr>
<th>Block</th>
<th>Gram Panchayata</th>
<th>Number of Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Krushna Prasad</td>
<td>Krushna Prasad</td>
<td>59</td>
</tr>
<tr>
<td>Ranapur</td>
<td>Ranapur</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Rajsunakhala</td>
<td>68</td>
</tr>
<tr>
<td>Bolgarh</td>
<td>Badakumari</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td>Bankoidesh</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Bolgarh</td>
<td>72</td>
</tr>
</tbody>
</table>

**Source:** Compiled from field survey

18 numbers of different questions were asked to the respondent on relate to the nonperforming of agriculture loan. In the questionnaire rank method has been used to find out the factor which is mostly influences to became an agriculture loan account into nonperforming. On random selection basis the data has been collected among the nonperforming account holder in agriculture loan of Khordha central cooperative bank. To analyze the collected data simple calculation method has been applied. Where Total rank is calculated in the addition of all the ranks ascertained to a factor after multiplication of number of rank with the number of respondent. Simply Total Rank of a factor = \((\text{Rank 1} \times \text{Number of respondents}) + (\text{Rank 2} \times \text{Number of respondent}) + (\text{Rank 3} \times \text{Number of respondent}) + (\text{Rank 4} \times \text{Number of respondent}) + (\text{Rank 5} \times \text{Number of respondent})\).

2.6. Limitations of the Study

- The data is depended upon the perception of respondents.
- The research area confined to Khordha, Puri and Nayagarh districts of Odisha only.
- The sample size of the respondents is 406 and this need not reflect the opinion of all the customers of the bank under study.
With a view to maintain uniform results, some provisional figures have been taken where ever needed. At places some adjustments and approximations have also been resorted to so that pin-pointed and uniform results may be drawn and a policy frame work and outlines may be suggested.

2.7. Various variables considered in the questionnaire

To measure the perception level of the participants with regard to NPAs in agricultural loan in Khordha Central Cooperative Bank, 70 factors which have divided under these 18 variables which have been impacted for the development of NPAs in the bank under study. These variables are:

- Marketing practices
- Inconsistent government practice
- Crop planning
- Financial factor
- Agricultural credit
- The type of expenditure on agriculture
- Contribution of banking system
- Inefficient banking operation
- Natural hazards
- Behavior of land lord
- Mis utilization of loan amount
- Method of cultivation
- Personal interest of borrower
- Selection process of beneficiary
- Inability to supervision the project by the borrower
✓ Recovery practices
✓ Social factors
✓ Lack of technical support from agricultural department

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