# A Study of Non Performing Assets with Special Reference to Axis Bank

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**Abstract**: *A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non-performing assets are one of the major concerns for banks in India. NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and networth of banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the over all profits and shareholders value. The issue of Non Performing Assets has been discussed at length for financial system all over the world. The problem of NPAs is not only affecting the banks but also the whole economy. In fact high level of NPAs in Indian banks is nothing but a reflection of the state of health of the industry and trade. This report deals with understanding the concept of NPAs, its magnitude and major causes for an account becoming non-performing, projection with special reference to AXIS bank*
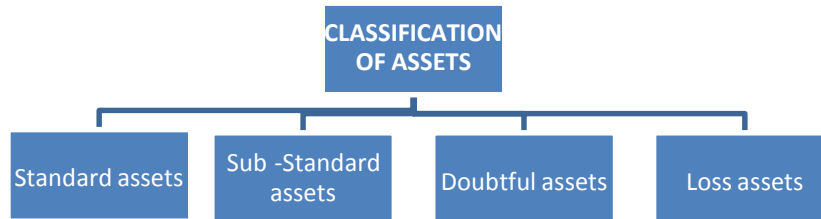
**Keywords:** AXIS bank

## I. INTRODUCTION

A crucial role of bank economists in transforming the banking system in India. Economists have to be more "mainstreamed" within the operational structure of commercial banks. Apart from the traditional functioning of macro-scanning, the inter linkages between treasuries, dealing rooms and trading rooms of banks need to be viewed not only with the day-today needs of operational necessity, but also with analytical content and policy foresight. Banking sector reforms in India has progressed promptly on aspects like interest rate deregulation, reduction in statutory reserve requirements, prudential norms for interest rates, asset classification, income recognition and provisioning. But it could not match the pace with which it was expected to do. The accomplishment of these norms at the execution stages without restructuring the banking sector as such is creating havoc. During pre-nationalization period and after independence, the banking sector remained in private hands Large industries who had their control in the management of the banks were utilizing major portion of financial resources of the banking system and as a result low priority was accorded to priority sectors. Government of India nationalized the banks to make them as an instrument of economic and social change and the mandate given to the banks was to expand their networks in rural areas and to give loans to priority sectors such as small scale industries, self employed groups, agriculture and schemes involving women. To a certain extent the banking sector has achieved this mandate. Similarly, share of advances of public sector banks to priority sector increased form 14.6% in 1969 to 44% of the net bank credit. The number of deposit accounts of the banking system increased from over 3 crores in 1969 to over 30 crores. Borrowed accounts increased from 2.50 lakhs to over 2.68 crores. In fiscal year 2021, the value of gross non-performing assets at Axis Bank across India amounted to more than 253 billion Indian rupees. This was a decrease compared to the previous year, when the value had dropped from over 340 billion to under 300 billion Indian rupees. As on 31st December, 2022, the Bank's provision coverage, as a proportion of Gross NPAs stood at 81%, as compared to 72% as at 31st December, 2021 and 80% as at 30th September, 2022.

**NON-PERFORMING ASSETS:**

A default in the payment of interest amounts, which are debited to the advance account.

**CLASSIFICATION OF ASSETS**

- Standard assets
- Sub -Standard assets
- Doubtful assets
- Loss assets

## II. LITERATURE REVIEW

Perspective    Behind NPAs A lot of practical problems have been found in Indian banks, especially in public sector banks. For Example, the government of India had given a massive wavier of Rs. 15,000 Crs. under the Prime Minister ship of Mr. V.P. Singh, for rural debt during 1989-90. This was not a unique incident in India and left  a negative impression on the payer of the loan. Poverty elevation programs like IRDP, RREP, SUME, SEPUP,JRY, PMRY etc., failed on various grounds in meeting their objectives. The huge amounts of loan granted under these schemes were totally unrecoverable by banks due to political manipulation, misuse of funds and nonreliability of target audience of these sections. Loans given by banks are their assets and as the repayments of several of the loans were poor, the qualities of these assets were steadily deteriorating. Credit allocation became 'Lon Melas', loan proposal evaluations were slack and as a result repayments were very poor. There are several reasons for an account becoming NPA.

- Internal factors
- External factors

**EXTERNAL FACTORS**

- Ineffective recovery tribunal
- Willful Defaults
- Natural calamities
- Lack of demand
- Change on Govt. policies

**INTERNAL FACTORS**

- Principles of safety
- Principle of liquidity
- Principles of profitability

## III. OBJECTIVES

- To study challenges banking industry is facing in regards with NPA.
- To find the factors that could effect the level of npa and its impact on axis bankperforms and axis subsidiaries .
- To analyze the significance of each variable that might effect the npa level.
- To understand what is non performing assets and what are the underlying reasons for the emergence of the NPA.

## IV. HYPOTHESIS

**Alternative hypotheses** :- Factors  affecting level of NPA has a significant impact on axis securities and sales and its financial stability

**Null hypotheses :-** Factors affecting level of NPA have no significant impact on axis securities and sales and its financial stability

## V. RESEARCH METHODOLOGY

The research methodology means the way in which we would complete our prospected task. Before undertaking any task it becomes very essential for anyone to determine the problem of study. I have adopted the following procedure in completing my study report.

Formulating the problem

Research design

Determining the data sources

Analyzing the data

Interpretation

Preparing research report

Research Design

The research design tells about the mode with which the entire project is prepared. My research design for this study is basically descriptive. Because I have utilized the large number of data of the banks.

**Data collection :-** The data source can be primary or secondary. The primary data are those for data which are used for the first time in the study. However such data take place Page 27 much time and are also expensive. Whereas the secondary data are those data which are already available in the market. These data are easy to search and are not expensive too. For my study I have utilized totally the secondary data. Which is raw in state I analyzed this data for my research purpose.

**STATISTICAL TOOLS**

**Source of Secondary Data**

Annual reports of banks

Internet

Books etc.

Data generated by the comparison of banks: For this purpose I compare following facts or

data of axis bank (2017-2021)

Comparison of growth with GNPA and NNPA

Comparison of NET Profit

Comparison of deposit growth

Analyzing the Data

The primary data would not be useful until and unless they are well edited, tabulated and analyzed. When the person receives the primary data many un useful data would also be there. So, I analyzed the data and edited them and turned them in the useful tabulations. So, that it can become useful in my report.
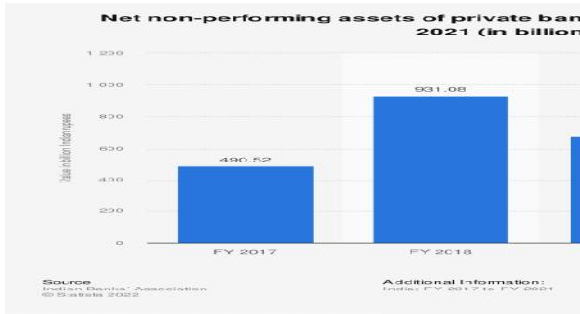
## VI. DATA INTERPRETATION

**1 ) GROSS NPA**

Table 1:

| YEARS | FY 2017 | FY2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|
| GROSS NPA (Value in billion Indian rupees | 212.8 | 342.49 | 297.89 | 302.34 | 253.15 |
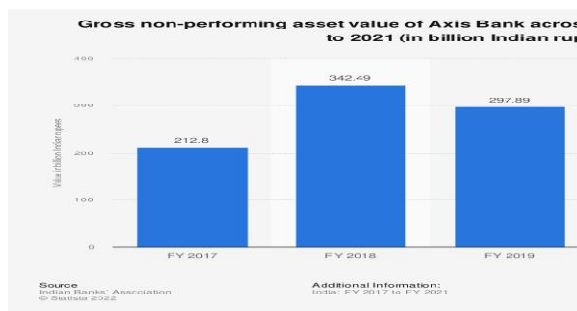
## 2) Net NPA

Table 2:

| YEARS | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| GROSS NPA (value in billions ) | 490.52 | 931.08 | 674.37 | 561.23 | 557.83 |



## 3) Net profit :

Table 3:

| YEARS | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| NET PROFIT (value inbillion ) | 3679.28 | 275.68 | 4676.61 | 1627.22 | 6588.50 |
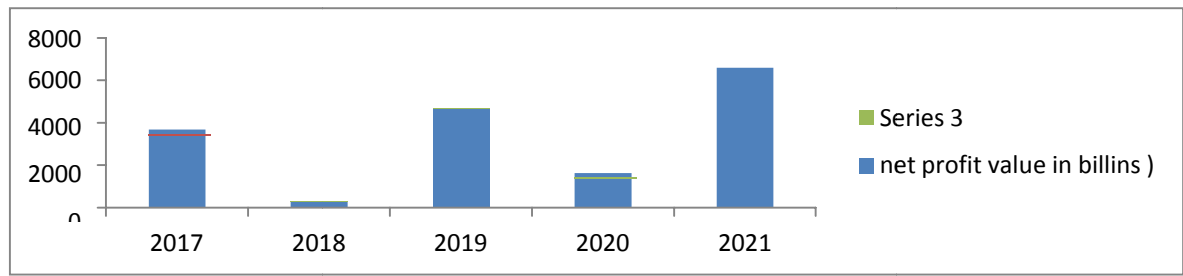


## 4) DEPOSIT

Table 4:

| Years | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Deposit(value in billions) | 4143.79 | 4444.47 | 5392.87 | 6259.3 | 6979.85 |

**Figure 4: -**
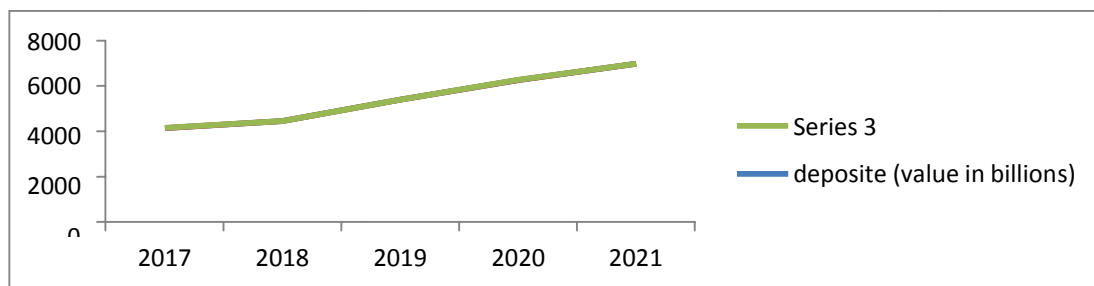
## VII. CONCLUSION

The issue of Non-Performing Assets (NPAs) in the financial sector has been an area of concern for all economies and reduction in NPAs has become synonymous with functionalefficiency of financial intermediaries. Although NPAs are a balance sheet issue of individual banks and financial institutions, it has wider macroeconomic implications. It is important that, if resolution strategies for recovery of dues from NPAs are not put in place quickly and efficiently, these assets would deteriorate in value over time and only scrap value would be realized at the end. It should, however, be kept in mind that NPAs are an integral part of the business financial sector and the players are in as they are in the business of taking risk and their earnings reflect the risk they take. They operate in an environment, where there would be defaults as well as deterioration in portfolio value, as market movements can never be predicted with certainty. It is in this context, that countries have adopted regulatory measures and the guiding structure has been provided by the Basel guidelines.

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