



## Evolution of Management Technique for Controlling NPA of SSI Units

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### ABSTRACT

*The Development of modern small-scale industries has been one of the most significant and characteristic features of industrial development in India.*

*The most significant aspect of small industry development is that this sector has simulated economic activity of a far reaching magnitude and created sense of confidence among huge number of small entrepreneurs. Its adaptability semi-urban and rural environment where infrastructure is under developed and capacity to attract small savings and direct them to productive channels, the small industries sector has been recognized, in successive 5 year plans as an effective instrument in the development of backward and rural areas.*

*Apart from its economic aspects, it also justifies in generation of large employment opportunity at comparatively low investment, removal of poverty, attainment of self reliance, reduction in disparities in income and regional imbalance that the country has set out to accomplish.*

**KEYWORDS :** Small Scale Industries, removal of poverty

### 1. INTRODUCTION:

Industrial undertaking, in which the investment in fixed assets in plant and machinery, excluding land and building, whether held on ownership terms or on lease or on hire purchase, does not exceed Rs.1Crore(One crore). The conventional definition includes cottage and handicraft industries, which employ traditional labour intensive methods to produce traditional products, largely in village households. The small-scale sector has registered an impressive growth in recent years.

The priority sector includes S.S.I (with sub targets for tiny units), Retail traders, Professions & Self employed, Government sponsored programs for SC/ST, Education, Housing Advances under D.R.I.

#### 1.1 Asset Classification:

All the advance account is to be classified into four categories namely,

- Standard asset
- Substandard asset
- Double asset
- Loss asset

#### 1.1THE TREND IN HOW CREDIT IS SANCTIONED:

This deals with how the bank scrutinizes and sanctions the loan application for an existing small-scale unit. The bank sanctions loan only after they are satisfied with the firm's performance in the following categories.

##### • Past Performance:

The firm has to fill in the details of the turnover, net profit and retained and profit for the past three years. Also to be included is the monthly turnover for the twelve months of the last financial year.

##### • Arrears in statutory payments:

firm should have no arrears in payment of income tax, sales tax, provident fund, employees state Insurance Corporation and any other such items. Details of existing fixed assets.

##### • Projections of performance, profitability and repayment:

This projection in other words represents the trading up to 5 years. The bank expects an increasing growth rate in the sales, gross profit and net profit of the firm.

##### • Cash Flow statement:

The cash flow statement shows the various sources and uses of the cash by the firm. This helps to show the bank the various other sources from which the firm gets cash inflow and the uses of the cash for various purchase of fixed and current assets.

##### • Projected Balance Sheet:

The balance sheet shows the financial strength and weakness of a unit as on a particular day. Here also the projection should be made for 5 years.

### 1.3 NPA:

An asset, which ceases to yield income to the bank, is a Non-performing asset (NPA). Income in any loan account should be recognized only when there is actual cash recovery and not merely when it is accrued.

### 2. REVIEW OF LITERATURE:

Literature review is the ability to carry out the previous work in a particular topic done by others. Generally it is not important to carry out a literature review; still it is carried out in order to find more details about a project work.

It helps to place our work in the context of what have already been done, allowing comparisons to be made and providing a frame work for further research.

It has been defined as "a critical summary and assessment of the range of existing materials dealing with knowledge and understanding in a given field"

The importance of review for a project work is wider, since there is no such previous work or any study in this topic, the researcher cannot be able to apply this method.

Further the present study of management technique for controlling NPA and its input helps the bank to determine the factors for causes of NPA and ways and means to control it. It also leads to further future study for the bank in the same topic and for the researcher for his academic completion of his project work.

### 3. OBJECTIVE OF THE STUDY:

- The main objective of this project is to study the performance appraisal and Corrective measures to tackle NPA.
- The study will also expose some suggestions to shape the asset to push it to the Performing status.
- This study will also reveal how NPA affect banks efficiency of operation and of course, their profitability.
- To study the NPA position of UCO Bank.

### 4. RESEARCH METHODOLOGY:

#### 4.1 RESEARCH DESIGN:

The role of research in several fields of applied economics whether related to business or to the economy as a whole, has greatly increased in modern times. The increasingly complex nature of business and government has focused attention on the use of the research in solving operational problems. Research as an aid to economic policy, has gained added importance, both for government and business. Research has its special significance in solving various operational and planning problems of business and industry.

Research methodology involves the way the project study was carried out. The methodology is the procedure or systematic approach to achieve the task.

Research methodology may be understood as the science of studying how research is done scientifically. Here the study involves various steps that are generally adopted for approaching research problem along with the logic or reason behind them.

Research methodology in common parlance refers to the search for knowledge. But a statistical survey or research means the research for knowledge through application of statistical methods.

**5. DATA ANALYSIS AND INTREPRETATION:**

**CROSS TABULATIONS:**

**Table No.5.1**

**Credit Profit Margin Cross tabulation**

			PROFIT MARGIN		TOTAL
			Below 10%	Above 10%	
CREDIT 1.0	Count		4	0	4
	% within Profit Margin		16.0%	0	11.4%
2.0	Count		4	2	6
	% within Profit Margin		16.0%	20.0%	17.1%
3.0	Count		11	4	15
	% within Profit Margin		44.0%	40.0%	42.9%
4.0	Count		6	4	10
	% within Profit Margin		24.0%	40.0%	28.6%
Total	Count		25	10	35
	% within Profit Margin		100.0%	100.0%	100.0%

From the above table it is observed that 44.0% of below 10% profit margin respondents gives credit period up to 2 months and 40.0% of above 10% profit margin respondents gives credit period

**Table No.5.2**

**Equipment Profit Margin Cross tabulation**

			PROFIT MARGIN		TOTAL
			Below 10%	Above 10%	
EQUIPMENT 1.0	Count		13	3	16
	% within Profit Margin		52.0%	30.0%	45.7%
2.0	Count		12	7	19
	% within Profit Margin		48.0%	70.0%	54.3%
Total	Count		25	10	35
	% within Profit Margin		100.0%	100.0%	100.0%

From the above table it is observed that 52.0% of below 10% Profit Margin respondents says that the Company used for process are Sophiscated Equipments and 70.0% of above 10% profit margin respondents says that Company used for process are latest Equipments.

**Table No.5.3**

**Technical Assistance Profit Margin Cross tabulation**

			PROFIT MARGIN		TOTAL
			Below 10%	Above 10%	
TECH 1.0	Count		11	8	19
	% within Profit Margin		44.0%	80.0%	54.3%
2.0	Count		14	2	16
	% within Profit Margin		56.0%	20.0%	45.7%
Total	Count		25	10	35
	% within Profit Margin		100.0%	100.0%	100.0%

It is identified that the above table 56.0% of below 10% Profit Margin respondents that they need not technical assistance and 80.0% of above 10% Profit Martin respondents that they need technical assistance.

**6. FINDINGS:**

- Most of the Companies having Profit Margin of below 10%.
- By using Cross tabulation it was found that Companies using latest equipments receives profit margin above 10%.
- By Using Cross tabulation it was found that Companies need technical assistance.
- Every Company prefers only credit for mode of payment.
- By using Cross tabulation it was found that credit period allowed to customer should extended to 2 months.
- Many Companies needed Technical assistance.
- Many Companies need Advertisement for Marketing Communication.
- Most of the Company was over capitalized.
- Most of the Company was satisfactory in the line of management.
- Most of the Company was satisfied in relationship with their customer.
- Many Companies Face the Financial Stress in the business.
- Many Companies do not follow the plan schedule.
- The "Asset Reconstruction Company", recommended by the Narasimham Committee, can be set up. The asset reconstruction company would take over the bad assets from the banks at a discount; follow up the loans and effect recovery. The banks can concentrate on productive lending and strengthening of their overall performance.
- Debt Recovery Tribunals were setup by the Government to facilitate speedy recovery of bank dues. The DRT are to try suits of the value of over Rs.10 lakhs. However, so far DRT do not appear to have made much impact on the recovery performance of the banks. For instance, in the case of the State Bank of India, of the 4000 pending cases in 6 DRT s in 1996, only 150 cases came up for hearing, and actual recovery was effected only in 10 to 15 cases. The functioning of the DRT s should be made effective. The number of DRT s should be increased adequately.
- The firms have a good debt repayment track. But some units have taken extra effort of repaying long term loans without maintaining any reserves. The need for adequate reserves should be explained to these units.
- Although the firms are gradually reducing their selling and administration expenses, they exists the need to bring down the costs to more economical level. This can be done by the firms using the facilities and infrastructure provided by various small scale co-operatives and organizations like SIDCO etc.
- The Government of India, Ministry of Finance, Ministry of Law and the industrial heads have to sit together and device war strategies to combat the NPA problem. The law must be sharpened and implementation made more easy & effective to recover the overdue.
- It is imperative that awareness about NPA and how it affects the bank from recycling of fund and the problems in the case of non-performing asset to be created among the investors.
- Number of articles could be published by the bank on management of NPA
- Borrowers can be contacted personally for recovery of unrealized interest and overdue installments.

**7. CONCLUSION:**

- The bank has been able to maintain a successful, investment programme in SSI units, by ensuring that their portfolio of SSI units has a good financial management record and their ratio's being above the set standards in management. It is observed as a result of the study that most of the firms are overcapitalized and ways for reducing these cost and it should be suggested.
- This study also contains NPA'S & the ways and means to prevent an account falling into substandard category. The acceptability of new clients is done after proper scrutiny of their economic, industrial and other factors as a corrective measure to improve the system.
- The researcher earnestly hopes that the study will help the banks to reduce the NPA in SSI sector in forth coming years.

## REFERENCES

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