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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

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NON PERFORMING ASSETS MANAGEMENT IN HDFC BANK

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ABSTRACT
Non Performing Assets surfaced suddenly in the Indian banking scenario around the eighties. In the midst of turbulent structured changes overtaking the international banking institutions and where the global financial markets were undergoing sweeping changes. Management of Non Performing Assets nowadays is a critical performing area for banks. It is better for Indian banks to try for the international standard in terms of efficiency, productivity, profitability, assets recognition norms, and provisioning and capital adequacy to compete in the competitive new economy. Non Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. The strength of a Bank and its health are determined by the quality of assets it possesses. Non-Performing Assets are like a double edged sword. They do not generate any income, whereas, the bank is required to make provisions such as assets. Thus Non-Performing Assets are the assets which show how healthy the bank is, so most of the banks are still in the process of decreasing the NPA's. And they still don't find the reasons behind the assets turning into NPA's.

KEYWORDS
gross NPA, NPA, net advances, time series.

INTRODUCTION
Non Performing Assets surfaced suddenly in the Indian banking scenario around the eighties. In the midst of turbulent structured changes overtaking the international banking institutions and where the global financial markets were undergoing sweeping changes. Management of Non Performing Assets nowadays is a critical performing area for banks. It is better for Indian banks to try for the international standard in terms of efficiency, productivity, profitability, assets recognition norms, and provisioning and capital adequacy to compete in the competitive new economy. Non Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. The strength of a Bank and its health are determined by the quality of assets it possesses.
Non-Performing Assets are like a double edged sword. They do not generate any income, whereas, the bank is required to make provisions such as assets. Thus Non-Performing Assets are the assets which show how healthy the bank is, so most of the banks are still in the process of decreasing the NPA's. And they still don't find the reasons behind the assets turning into NPA's.

WHAT IS N.P.A.?
With a view to moving towards International best practices and to ensure greater transparency the '90 days overdue' norm for identification of Non Performing Assets has been adopted by the R.B.I. (w.e.f. 31.03.2004).

SO NPA REFERS TO,
- Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- The Account remains 'out of order' for a period of more than 90 days. In respect of an overdraft/ C.C.
- The bills remains 'overdue' for a period of more than 90 days in the case of bills purchased and discounted.

"Non Performing Asset" management is a key subject which plays an important role in deciding the overall performance of the Bank. Therefore, the subject of "Non Performing Asset" is chosen for the project work. Accordingly the project is undertaken at HDFC **Bank.**

MAIN REASONS FOR ACCOUNTS BECOMING NPAs
- Units closed
- Borrower Absconding
- Sale of Assets
- Diversion of Funds
- Willful Default
- Non Renewal of the Limits
- Interest/Installments not paid.
- Non repayment of loans due to natural calamities such as drought, floods, earthquakes etc.
- Lack of verification of his/her securities.

REASONS FOR NPAs IN INDIA
- Corruption
- Judicial system flaws
- Nonexistent fear of penalties
- Inefficient credit appraisal systems
- Lack of technology, methodology and data support for scientific credit appraisal

WAYS TO REDUCE NPAs
- Personal contacts.
- Frequent follow-ups by bank officials.
- Issue of periodical notices.
- Adjustments of his/her O/S deposits.
- Apply of Scientific for appraisal before the loan is disbursed and monitor it closely in real time.
- Conduct recovery Champaign
- Break up recovery to branch level network
- Take every NPA case as a separate issue and analyze the need for further funding from an economic point of view.
- Implement a system for selecting a good borrower.

EFFECTS OF NPAs
As the number of accounts become NPAs this will lead to additional provisions which has to be made and these provisions are made out of profits earned by the Bank. Ultimately it leads to reduction in profits.

PREREQUISITES TO CONTROLLING NPAs
1. GOVERNANCE
- Independent oversight board with clear mandate.
- Defined and transparent procedures.
- Improved reporting standards.

2. GREATER FOCUS ON RESTRUCTURING
- The quality and speed of asset resolution is the key.
- Taking ownership of NPAs and proactive management.
- Working with debtors to improve cash-flow of assets underlying NPAs.

3. GREATER POWERS AND INSTITUTIONAL CAPABILITIES
- For example, power to separate bad management from the debtor and to liquidate debtors, which cannot be expeditiously restructured.
- Training, knowledge Transfer.
- Leadership.

4. INCENTIVES AND DISCIPLINES FOR BANKS
- Enhanced accountability of Banks and Bank managers.
- Ensure banks put in place risk analysis and credit management systems.
- Ultimate burden not transferable to AMCs.

5. GREATER PROTECTION OF CREDITOR RIGHTS
- Credible liquidation procedures and efficient secured transaction processes.
- Triggers and inventives for insolvency.
- Strong and Credible regulators, free from political pressure.

6. THE ROAD TO RECOVERY
The key Facilitators
- Early detection
- Speed
- Voluntary references
- Facilitation and quick arbitration.

NEED FOR THE STUDY
Non Performing Assets (NPA's) are one of the major areas of concern for the Indian banking industry. The strength of a Bank and its health are determined by the quality of assets it possesses. Non-Performing Assets are like a double edged sword. They do not generate any income, whereas, the bank is required to make provisions such as assets. Thus Non-Performing Assets are the assets which show how healthy the bank is, so most of the banks are still in the process of decreasing the NPA's. And they still don't find the reasons behind the assets turning into NPA's. Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms, or in other words it is defined as the risk that a firm's customer and the parties to which it has lent money will fail to make promised payments is known as credit risk The exposure to the credit risks large in case of financial institutions, such commercial banks when firms borrow money they in turn expose lenders to credit risk, the risk that the firm will default on its promised payments. As a consequence, borrowing exposes the firm owners to the risk that firm will be unable to pay its debt and thus be forced to bankruptcy.

PROFILE OF HDFC BANK
HDFC Bank Limited is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It is the fifth largest bank in India by assets, incorporated in 1994. It is the largest private sector bank in India by market capitalization as of 24 February 2014. As on Jan 2 2014, the market cap value of HDFC was around US$26.88 billion, as compared to Credit Suisse Group with US$47.63 billion. The bank was promoted by the Housing Development Finance Corporation, a premier housing finance company (set up in 1977) of India. According to the Brand Trust Report 2014, HDFC was ranked 32nd among India's most trusted brands. HDFC was ranked 45th on the list of top 50 Banks in the world in terms of their market capitalization. As of 31 March 2013, the bank had assets of INR 4.08 trillion. For the fiscal year 2012-13, the bank has reported net profit of INR 69 billion, up 31% from the previous fiscal year. Its customer base stood at 28.7 million customers on 31 March 2013. HDFC Bank has following core products: (1) NRI Banking (2) SME Banking (3) Wholesale Banking. HDFC Bank provides the following services to its customers – (1) Whole sale banking services (2) Retail banking services and (3) Treasury

On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower. In a milestone transaction in the Indian banking industry, Times Bank Limited (another new private sector bank promoted by Bennett, Coleman & Co. / Times Group) was merged with HDFC Bank Ltd., effective February 26, 2000. This was the first merger of two private banks in the New Generation Private Sector Banks. As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Ban. As of 30 September 2013, HDFC Bank has 3,251 branches and 11,177 ATMs, in 2,022 cities in India, and all branches of the bank are linked on an online real-time basis. The Bank has overseas branch operations in Bahrain and Hong Kong. It has won many national and international awards and recognitions.

HDFC Bank has two subsidiaries: HDB Financial Services Limited and HDFC Securities Limited.

HDB Financial Services Limited ('HDBFS'): HDBFS is engaged in retail asset financing. It is a non-deposit taking non-bank finance company (NBFC). Apart from lending to individuals, the company grants loans to micro, small and medium business enterprises. It also runs call centers for collection services to the HDFC Bank's retail loan products. HDFC Bank holds 97.4% shares in HDBFS. As of March 31, 2013, HDBFS has 230 branches in 184 cities. During the FY 2012-13, HDBFS had turnover of INR 9.6 billion and profit after tax of INR 1 billion. It has 6,404 employees as of 31 March 2013.

HDFC Securities Limited ('HSL'): HSL is engaged in stock broking. As of March 31, 2013, HDBFS has 194 branches across 150 cities. HDFC Bank has 62.1% shareholding in HSL. During the FY 2012-13, HSL had turnover of INR 2.3 billion and profit after tax of INR 668 million. During the year, the Company received the "Best e-Brokerage Award - 2012" in the Outlook Money Awards in the runner up category.

OBJECTIVES OF THE STUDY
1. To analyze the NPA level of HDFC Bank.
2. To study the Ratio of Gross NPA to Total Advances of bank.
3. To study the Ratio of Net NPA to Total Advances of bank
4. To know why account becomes Non Performing Assets and the steps taken by the bank to reduce Non Performing Assets.

5. To study the movements of Non Performing Assets and its effects on Bank.
6. To find tools to control Non Performing Assets.

DATA COLLECTION METHOD

To fulfill the objectives of the study, the researcher has been taken into considerations secondary data. The data was collected from the Magazines, Annual reports, Internet of the HDFC Bank. Also collected from books, journals, websites etc. Various ratios have been computed & Time series was used to analyze and interpret the NPA's of HDFC.

(A) DIFFERENT TYPES OF RATIOS

RATIO OF GROSS NPA TO TOTAL ADVANCES

TABLE – 1 (in lacs)

YEAR	NET ADVANCES	GROSS NPA	GNPA (%)
2007 – 08	6342690	90697	1.43
2008 – 09	9888304.73	198807	2.01
2009 – 10	12583059.39	181676	1.44
2010 – 11	15998266.54	169848	1.06
2011 – 12	19542002.92	200317	1.02
2012 – 13	23972064.32	233464	0.97
2013 - 14	30300027.12	298928	0.98

Source: annual reports of HDFC bank

INTERPRETATION

Above table shows that the percentage of GNPA has declined from 2007-08 to 2010-11. In the year 2007-08 the percentage of GNPA was 2.062%. In the year 2008-09 it declined to 1.977%, which shows positive indication and it continued again in the year 2009 – 10 it further decreases to 1.743%. In the year 2010 – 11 it decreases to 1.28%. And again it is increases to 1.34% in the year 2011 -12. Again in the year 2012 – 13 it decreases to 0.97%. Finally in the year 2013 – 14 it further decreases to 0.821%.Overall the performance of the company is good compare to most of the public and private sector banks.

RATIO OF NET NPA TO TOTAL ADVANCES

TABLE – 2 (in lacs)

YEAR	NET ADVANCES	NET NPA	NNPA (%)
2007 – 08	6342690	29852	0.47
2008 – 09	9888304.73	62762	0.63
2009 – 10	12583059.39	39205	0.31
2010 – 11	15998266.54	29862	0.186
2011 – 12	19542002.92	35419	0.181
2012 – 13	23972064.32	46895	0.19
2013 - 14	30300027.12	82003	0.27

Source: annual reports of HDFC bank

INTERPRETATION

In the year 2007-08 the percentage of Net NPA was 0.18%. Again it increases to 0.24% in the year 2008-09. And again it is declined for the next two years i.e. for 2009-10 it is0.22% and for 2010-11 it is 0.07%. Again in the year 2011-12 it increases to 0.32% and in the year 2012-13 it is 0.36%. Finally in the year 2013 -14 it further increases to 0.411%. As a whole the percentage of NNPA is very low compare other public sector and private sector banks.

(B) TIME SERIES

This method is also known as **Trend Projection Method.** Under this method past trend is projected in order to interpret the future trend. The past data can be arranged chronologically with regular intervals of time. Such data when arranged chronologically yield **Time Series**. The most popular method of analyzing time series is to project the trend of the time series. A trend line can be fitted through series either usually by means of statistical techniques such as the method of least squares. This method is very popular because it is simple and inexpensive and also because time series data often exhibit a persistent growth trend. With the help of Time Series method we can find out the advances for the year 2014. This following table shows the Year and Advances amount of entire HDFC bank

TABLE – 2 (Rs. In Lacs)

YEAR	ADVANCES
2007 – 08	6342690
2008 – 09	9888304.73
2009 – 10	12583059.39
2010 – 11	15998266.54
2011 – 12	19542002.92
2012 – 13	23972064.32
2013 – 14	30300027.12

TABLE – 3 (Rs. In Lacs)

YEAR	ADVANCES (Y)	X	X * X = X^2	XY
2007 – 08	6342690	-3	9	- 19028070
2008 – 09	9888304.73	-2	4	- 19776609
2009 – 10	12583059.39	-1	1	-12583059
2010 – 11	15998266.54	0	0	0
2011 – 12	19542002.92	1	1	19542003
2012 – 13	23972064.32	2	4	47944129
2013 - 14	30300027.12	3	9	90900081
N = 7	∑ Y =118626415	∑ X = 0	∑ X^2 = 28	∑ XY =106998475

We can substitute the value of ΣY, ΣX, ΣX^2, ΣXY in the equation given below:

Y = a + bx ……………………….. (1)

To find the value of **'a'**

Solve the equation

ΣY = Na + bΣX ………………….. (2)

Where Σ Y= 118626415, N = 7, Σ X=0

118626415 = 7*a+b*0

118626415 =7a+0
118626415 = 7a
a = 118626415/7
a = 16946631
To find the value of **'b'**
Solve the equation
Σ XY = aΣX + bΣX^2 .... (3)
Where ΣXY= 106998475, a= 16946631, Σ X=0, ΣX^2 = 28
106998475 = 16946631 (0) +b (28)
106998475 = 0 + 28b
106998475 = 28b
b= 106998475 / 28
b= 3821374
Substituting the values of **'a'** and **'b'** in equation **Y=a + bX**
Y= 16946631 + 3821374X
Using the equation, we can find out the trend values for the previous years and estimate the Advances for the 2015. The trend values and estimates are as follows:
Y 2008 = **16946631 + 3821374** (-3) = 5482509
Y 2009 = **16946631 + 3821374** (-2) = 9303883
Y 2010 = **16946631 + 3821374** (-1) = 13125257
Y 2011 = **16946631 + 3821374** (0) =16946631
Y 2012 = **16946631 + 3821374** (1) = 20768005
Y 2013 = **16946631 + 3821374** (2) = 24589379
Y 2014 = **16946631 + 3821374** (3) = 28410753
Y 2015 = **16946631 + 3821374** (4) **= 32232127**
Thus the Bank is expected to have advances of **Rs. 32232127 lakhs** for the year **2014-15** based on Time Series Method.

FINDINGS

- Bank is expected to have advances of Rs. **32232127** lakhs for the year 2015 based on Time Series Method.
- There has been a positive trend that has been in favor of HDFC Bank.
- There has been a considerable reduction in the level of NPA.
- The Net NPA of HDFC Bank is very low compared to most of the prominent public and private sector banks.
- The NPA level is bit low in HDFC Bank as compared to the other commercial banks, and thus HDFC Bank is giving tough competition to other Banks and leading in private sector banking.

SUGGESTIONS

- Immediate action has to be taken for reduction of NPA's.
- The HDFC Bank has to go for securitization of those accounts, which has been in the NPA category from a long time. NABARD should restructure or rescheduled the accounts well before the accounts slip into NPA's.
- There should be frequent follow ups by the HDFC Bank officials. In some cases the NABARD should perform personal visits for recovering NPAs.
- The HDFC Bank should take every NPA case as a separate issue and analyze the need for further from an economic point of view.
- Effective Training and Guidance should be given to the recovery team of the HDFC in order to recover the dues from hardcore defaulter.

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