



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

Contributions to books

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.
- Kiran Ravi, Kaur Manpreet (2008), Global Competitiveness and Total Factor Productivity in Indian Manufacturing, International Journal of Indian Culture and Business Management, Vol. 1, No.4 pp. 434-449.

Conference papers

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

Unpublished dissertations and theses

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University.

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- Kelkar V. (2009): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on 11 September 2009 <http://epw.in/epw/user/viewabstract.jsp>

**NPA's IN HOME LOAN: A SURVEY
(WITH SPECIAL REFERENCE TO SELECTED DISTRICTS OF ODISHA)**

DR. IPSEETA SATPATHY, D.LITT.

**ASSOCIATE PROFESSOR
SCHOOL OF MANAGEMENT
KIIT UNIVERSITY
BHUBANESWAR – 751 024**

DR. B.C.M.PATNAIK

**POST DOCTORAL FELLOWSHIP (SCHOLAR)
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ABSTRACT

Efficient financial resource management requires that funds deployed should give them good returns along with timely repayment of principal amount. Defaults limit the recirculation of funds there by upsetting the financial planning of banks. The present paper is an attempt to examine the causes of NPAs in home loans of commercial banks. For this borrowers are surveyed through questionnaires made for the purpose, causes analyzed and suggestions made to overcome the problem.

KEYWORDS

Home loan, NPA, Finance & Commercial Banks.

INTRODUCTION

The word NPA is not something new to the bankers. It is regular but disguised loan asset. As everyone knows, a portion of loan assets may become NPA. An asset becomes non-performing when it ceases to generate income for the bank. Prior to 31st March, 2004 a non-performing asset was defined as a credit facility in respect of which the interest or installment of principal has remained *past due* for a specified period of time which was four quarters. Due to the improvements in payment and settlement system, recovery climate, up gradation of technology in the banking system, etc, it has been decided to dispense with *past due concept*, with effect from March 31st 2004. Accordingly, as from the date, a non-performing asset (NPA) is an advance where:

- Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of term loans.
- The account remains out of order for a period or more than 90 days, in respect of an overdraft/ cash credit (OD/ CC).
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- Interest and /or installment of principal remains overdue for two harvest seasons but for a period not exceeding two half years in the case of an advance granted for agricultural purpose and
- Any amount to be received remains overdue for a period of more than 90 days.

OVERVIEW OF NPA CLASSIFICATION IN INDIA

Sub- standard Asset	NPA for a period less than or equal to 12 months.
Doubtful Asset	NPA for a period exceeding 12 months.
Loss Asset	An asset where loss has been identified by the bank or internal or external auditors or by the RBI inspection.
Standard Asset	It does not create any problem while paying interest/ installments of the principal. It usually carries more than normal risk attached to the business.

OBJECTIVE OF THE STUDY

- To study the factors responsible for NPA of home loan
- Studying the problem in relation to home loan

- To give suggestions to overcome the problem of NPA on home loans

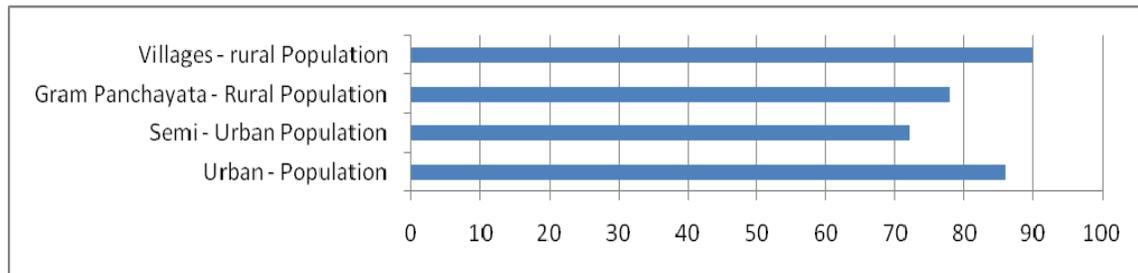
RESEARCH UNIVERSE AND METHODOLOGY

With reference to the selection of the research universe the state of Odisha has been selected with specifications to the compulsions of the geographical territory, linguistic boundary, and administrative settlement commonness. Odisha is an Eastern Indian state, the state boundaries are on the Bay of Bengal Sea. South- Andhra Pradesh, West – Chhattisgarh and Jharkhand, North- West Bengal having a total area of 1,55,707 Square Kilometers with total population of 36,706,920 (as per Indian census survey-2001) , population density 236 per Square Kilometers, Sex Ratio 972 literacy rate of 63.61%. The state is comprising of 30 districts (Administrative Divisions) and 58 Sub-Divisions.

SAMPLING PLAN

In support to the objective of the research there is a primary research through questionnaire administration method in the field through stratified random sampling method covering the state through regional, geographical, economic, cultural, lingual and settlement wise and to analyze the data and derive results from it percentage method used. This method is easy to use and taken as suitable method to compare.

Area	Questionnaire served	Response	Percentage of response
Cities- (Urban Population):			
✓ Bhubaneswar – East Odisha	50	40	26.38
✓ Bramhapur- South Odisha	50	46	
Semi-Urban Population:			
✓ Nabarangpur	25	18	22.09
✓ Koraput	25	17	
✓ Padampur	25	21	
✓ Athagarh	25	16	
Grampanchayats (Rural Population)			
✓ Saptasajya - Dhenkanal District	25	19	23.93
✓ Ghatagan - Keonjhar District	25	23	
✓ Chandol - Kendrapara District	25	20	
✓ Banthapalli – Ganjam District	25	16	
Villages – (Rural Population)			
✓ Luchapada – Ganjam District	25	23	27.6
✓ Andharua – Khurda District	25	22	
✓ Pathadurga –Balasore District	25	21	
✓ Atabira- Sambalpur District	25	24	
✓ Atabira- Sambalpur District	25	24	
Total	400	326	100%



LIMITATIONS OF THE STUDY

- The survey is restricted to selected districts of Odisha.
- The sample is limited; it may not represent the view of all the borrowers of home loan
- The study conducted for the period of 3 months i.e. April-June 2010, and not conducted for the extended period of time.

FINDINGS OF THE STUDY

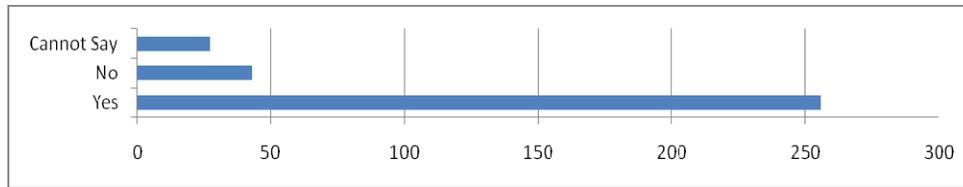
Findings of the study are as under. The tables are formed on the basis of questions contained in the questionnaire.

- *Do you agree that unwillingness to pay leads in NPA in home loan?*

Table-1

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	192	82.05	31	13.25	11	4.7	100
Women	92	28.22	64	69.57	12	13.04	16	17.39	100
Total	326	100	256	78.53	43	13.19	27	8.28	100

Source: Compiled from field survey



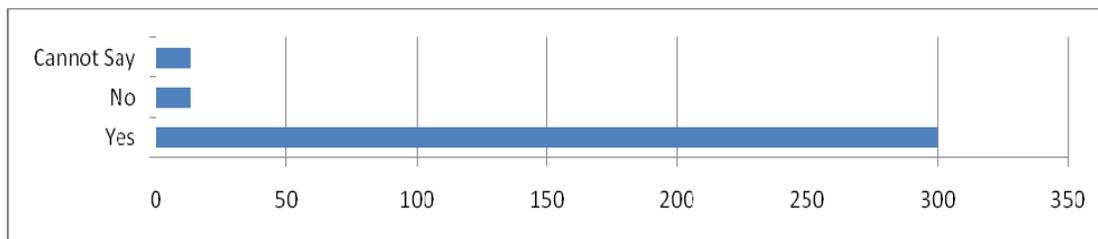
INTERPRETATION: 256 borrowers agreed that unwillingness to pay on the causes of nonpayment of home loan.

- *Do you agree that unforeseen domestic problems like death, divorce, illness and marriage of family members lead to NPA in home loan?*

Table-2

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	213	91.03	8	3.42	13	5.55	100
Women	92	28.22	87	94.57	5	5.43	-	-	100
Total	326	100	300	92.02	13	3.99	13	3.99	100

Source: Compiled from field survey



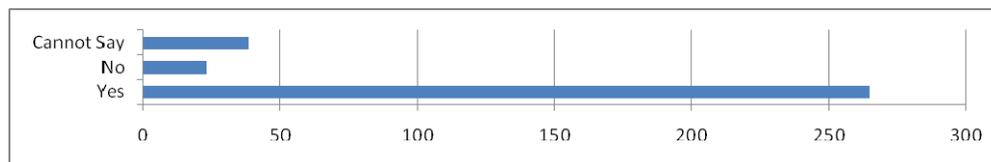
INTERPRETATION: 300 participants agreed that domestic problems one of the causes of default.

- *Do you agree that financial problems of the party lead to NPA of home loan?*

Table-3

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	198	84.62	11	4.70	25	10.68	100
Women	92	28.22	67	72.83	12	13.04	13	14.13	100
Total	326	100	265	81.29	23	7.05	38	11.66	100

Source: Compiled from field survey



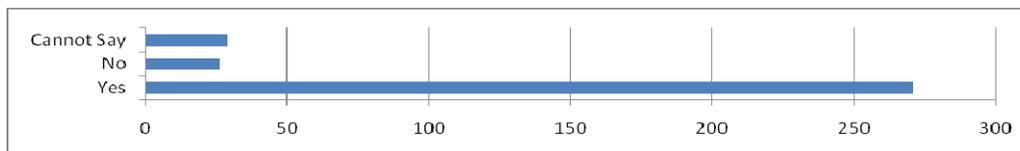
INTERPRETATION: 256 people said Yes to the financial problems of the party leads to NPA in home loan.

- *Do you agree that wrong identification of beneficiary leads to NPA in home loan?*

Table-4

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	187	79.91	26	11.11	21	8.98	100
Women	92	28.22	84	91.30	-	-	8	8.70	100
Total	326	100	271	83.13	26	7.98	29	8.89	100

Source: Compiled from field survey



INTERPRETATION: 271 borrowers agreed that wrong identification of beneficiary one of reason for defaults.

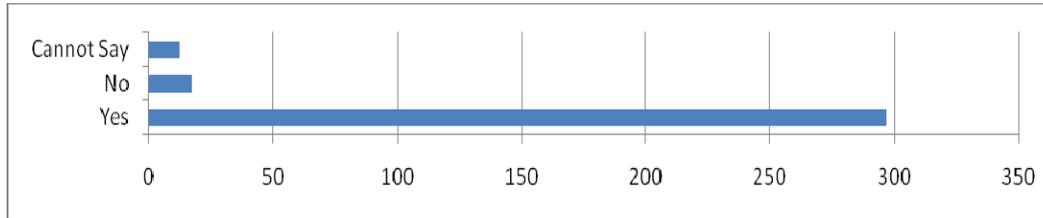
- *Do you agree that inaccurate pre sanction security and appraisal of loan proposal leads to NPA in home loan?*

Table-5

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	187	79.91	26	11.11	21	8.98	100
Women	92	28.22	84	91.30	-	-	8	8.70	100
Total	326	100	271	83.13	26	7.98	29	8.89	100

Men	234	71.78	212	90.60	10	4.27	12	5.13	100
Women	92	28.22	85	92.39	7	7.61	-	-	100
Total	326	100	297	91.10	17	5.21	12	3.69	100

Source: Compiled from field survey



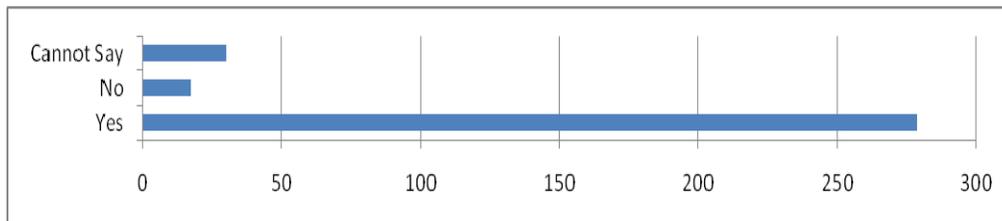
INTERPRETATION: Most of the people agreed to the cause that inaccurate pre sanction and appraisal of loan proposal leads to default in home loan.

➤ Do you agree that target oriented approach to lending by banks lead to NPA in home loan?

Table-6

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	196	83.76	11	4.70	27	11.54	100
Women	92	28.22	83	90.22	6	6.52	3	3.26	100
Total	326	100	279	85.58	17	5.21	30	9.21	100

Source: Compiled from field survey



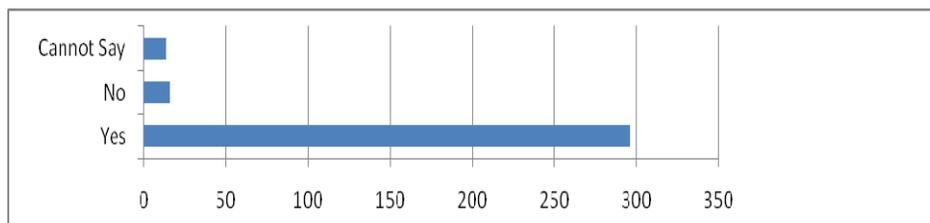
INTERPRETATION: Majority agreed to the target oriented approach to lending by bank one of the reasons for the NPA in home loan.

➤ Do you agree that absence of credit information sharing among different financial institutions lead to NPA in home loan?

Table-7

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	207	88.46	13	5.56	14	5.98	100
Women	92	28.22	89	96.74	3	3.26	-	-	100
Total	326	100	296	90.80	16	4.91	14	4.29	100

Source: Compiled from field survey



INTERPRETATION: Most of respondents believe absence of credit information sharing among financial institutions lead to NPA in home loan.

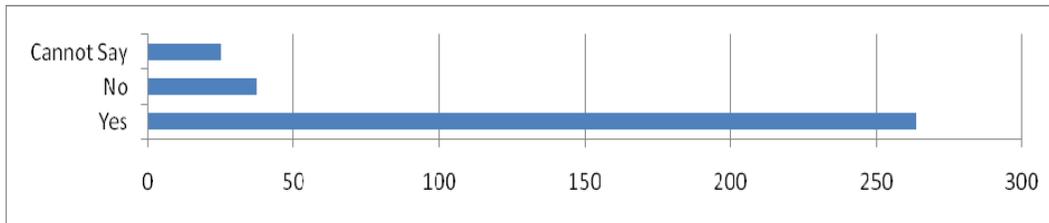
➤ Do you agree that weak monitoring leads to NPA in repayment of home loan?

➤

Table-8

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	188	80.34	26	11.11	20	8.55	100
Women	92	28.22	76	82.61	11	11.96	5	5.43	100
Total	326	100	264	80.98	37	11.35	25	7.67	100

Source: Compiled from field survey



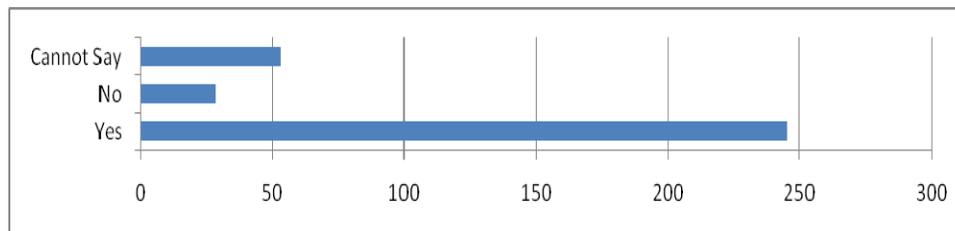
INTERPRETATION: Majority believe that weak monitoring one of the major reasons for NPA in home loans.

➤ *Do you agree that inadequate laws to take appropriate action leads to NPA of home loan?*

Table-9

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	176	75.21	15	6.41	43	18.38	100
Women	92	28.22	69	75	13	14.13	10	10.87	100
Total	326	100	245	75.15	28	8.59	53	16.26	100

Source: Compiled from field survey



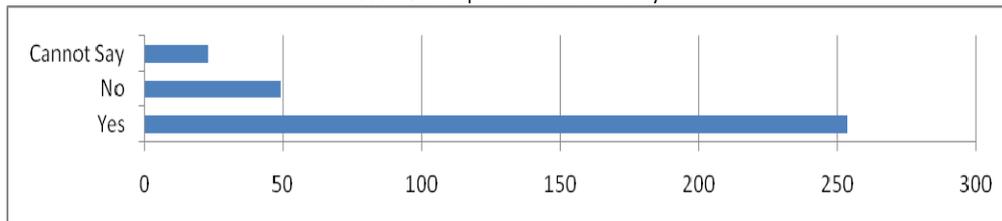
INTERPRETATION: 245 respondents agreed that inadequate laws to take appropriate action leads to NPA in home loans.

➤ *Do you agree that in case of politicians the NPA chances are more for home loans?*

Table-10

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	168	71.79	43	18.38	23	9.83	100
Women	92	28.22	86	93.48	6	6.52	-	-	100
Total	326	100	254	77.91	49	15.03	23	7.06	100

Source: Compiled from field survey



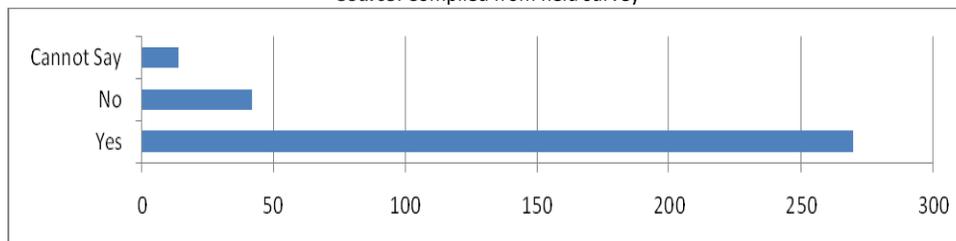
INTERPRETATION: 254 participants supported the view that in case of politicians the chances of default is more.

➤ *Do you agree that lack of initiative on the part of the bank officials lead to NPA in home loans?*

Table-11

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	194	82.91	26	11.11	14	5.98	100
Women	92	28.22	76	82.61	16	17.39	-	-	100
Total	326	100	270	82.82	42	12.88	14	4.3	100

Source: Compiled from field survey



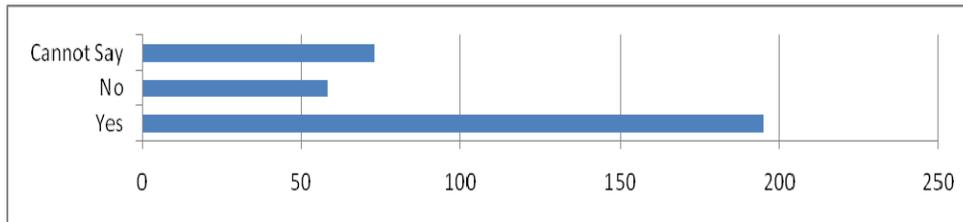
INTERPRETATION: Answering to this question majority agreed that lack of initiative on the part of bank officials lead to default in home loans.

➤ Do you agree that the bigger the size of house (in square meter), lesser the risk of NPA?

Table-12

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	126	53.85	51	21.79	57	24.36	100
Women	92	28.22	69	75	7	7.61	16	17.39	100
Total	326	100	195	59.82	58	17.79	73	22.39	100

Source: Compiled from field survey



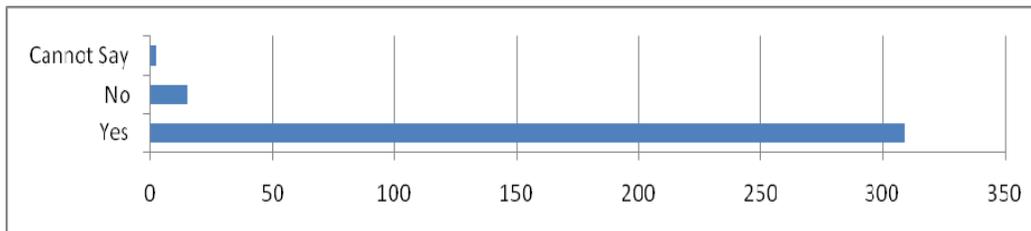
INTERPRETATION: Most of the borrowers agreed that the bigger the size of house, lesser the risk of default.

➤ Do you agree that higher the monthly income, lower the chance of NPA of home loan because of higher ability to pay?

Table-13

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	219	93.59	15	6.41	-	-	100
Women	92	28.22	90	97.83	-	-	2	2.17	100
Total	326	100	309	94.79	15	4.60	2	0.61	100

Source: Compiled from field survey



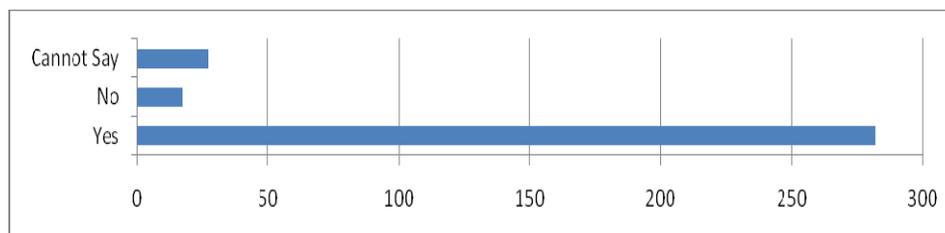
INTERPRETATION: Majority believes that there is correlation between the income and paying ability.

➤ Do you agree that greater the value of asset, lesser the risk of NPA of home loans because of greater affordability?

Table-14

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	196	83.76	12	5.13	26	11.11	100
Women	92	28.22	86	93.48	5	5.43	1	1.09	100
Total	326	100	282	86.50	17	5.21	27	8.29	100

Source: Compiled from field survey



INTERPRETATION: Out of 326, 282 respondents agreed that greater the value of assets, lesser the risk of default of home loans because of greater affordability.

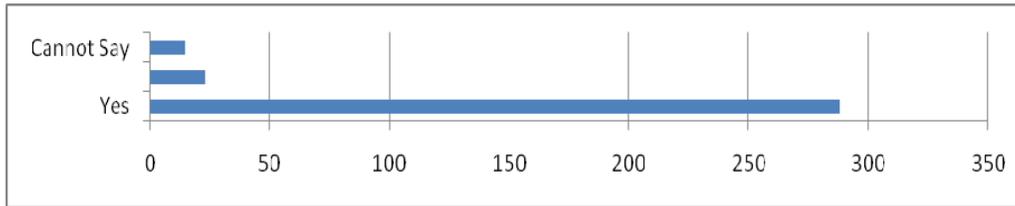
➤ Do you agree that the presence of guarantor, the chances are more to recover the home loan?

Table-15

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	212	90.60	10	4.27	12	5.13	100
Women	92	28.22	76	82.61	13	14.13	3	3.26	100

Total	326	100	288	88.34	23	7.06	15	4.6	100
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Source: Compiled from field survey



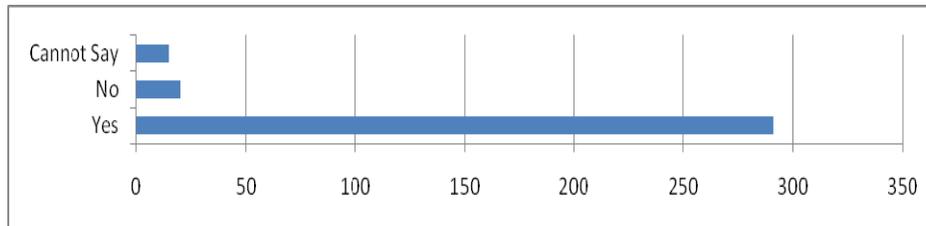
INTERPRETATION: Most of the people believe that the presence of guarantor reduces the chances of NPA.

➤ Do you agree that EMI to income ratio is positively associated with the estimated likelihood of NPA of home loan?

Table-16

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	209	89.32	14	5.98	11	4.7	100
Women	92	28.22	82	89.13	6	6.52	4	4.35	100
Total	326	100	291	89.26	20	6.13	15	4.61	100

Source: Compiled from field survey



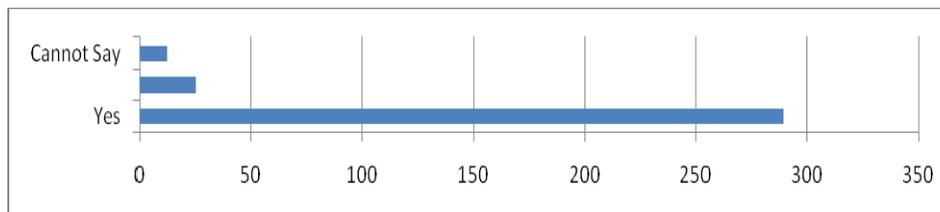
INTERPRETATION: Majority agreed that EMI to income ratio is positively associated with the estimated likelihood of default in home loans.

➤ Do you agree that presence of more number of borrowers reduces the risk of NPA in home loan?

Table-17

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	203	86.75	19	8.12	12	5.13	100
Women	92	28.22	86	93.48	6	6.52	-	-	100
Total	326	100	289	88.65	25	7.67	12	3.68	100

Source: Compiled from field survey



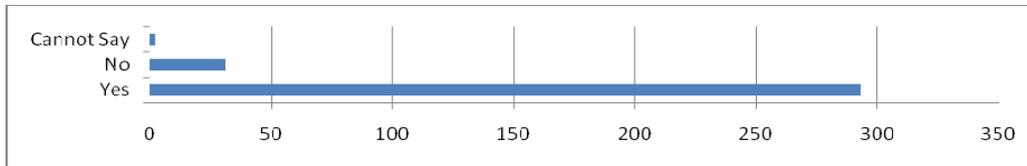
INTERPRETATION: 289 respondents supported out of 326, that the presence of more number of borrowers reduces the risk of NPA in home loan.

➤ Do you agree that as the number of dependents increases, probability of NPA of home loan also significantly rises because of higher financial burden?

Table-18

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	206	88.03	28	11.97	-	-	100
Women	92	28.22	87	94.57	3	3.26	2	2.17	100
Total	326	100	293	89.88	31	9.51	2	0.61	100

Source: Compiled from field survey



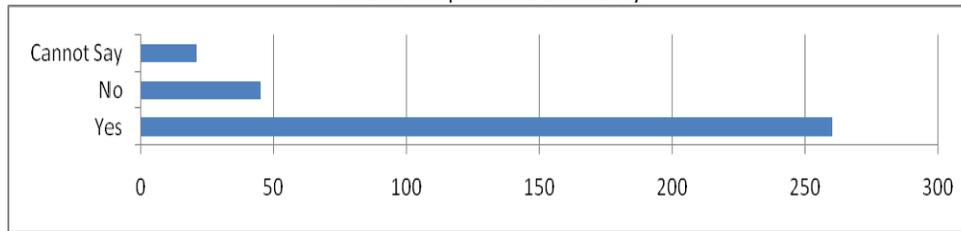
INTERPRETATION: Majority believes that as the number of dependents increases, probability of default in home loan also significantly rises.

- *Do you agree that rural and semi urban borrower are riskier than urban borrowers of home loan?*

Table-19

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	192	82.05	27	11.54	15	6.41	100
Women	92	28.22	68	73.91	18	19.57	6	6.52	100
Total	326	100	260	79.75	45	13.80	21	6.45	100

Source: Compiled from field survey



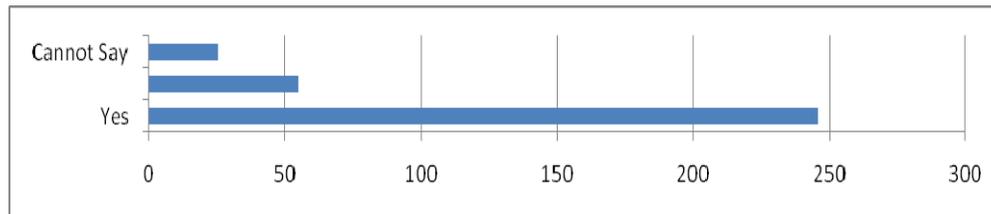
Interpretation: 260 respondents said Yes and agreed that rural and semi urban borrower are riskier than urban borrowers.

- *Do you agree that chances of NPA of home loan are more in case of self employed?*

Table-20

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	168	71.79	44	18.80	22	9.41	100
Women	92	28.22	78	84.78	11	11.96	3	3.26	100
Total	326	100	246	75.46	55	16.87	25	7.67	100

Source: Compiled from field survey



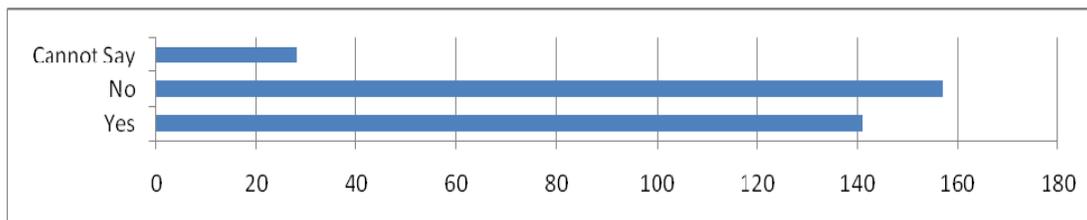
INTERPRETATION: Most of the people agreed that chances of default are more in case of self employed.

- *Do you agree that the chances of NPA of home loan are more in case of service holders?*

Table-21

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	103	44.02	115	49.15	16	6.83	100
Women	92	28.22	38	41.30	42	45.65	12	13.05	100
Total	326	100	141	43.25	157	48.16	28	8.59	100

Source: Compiled from field survey



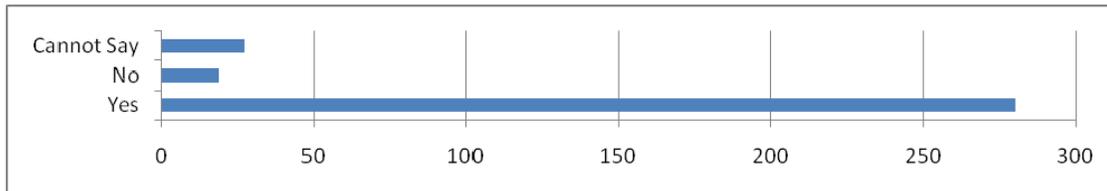
INTERPRETATION: Majority said no. This indicates that chances of NPA of home loan are less in case of service holders.

➤ Do you agree that the chances of NPA of home loan are less in case of women borrowers as compared to men borrowers?

Table-22

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	197	84.19	14	5.98	23	9.83	100
Women	92	28.22	83	90.22	5	5.43	4	4.00	100
Total	326	100	280	85.89	19	5.83	27		100

Source: Compiled from field survey



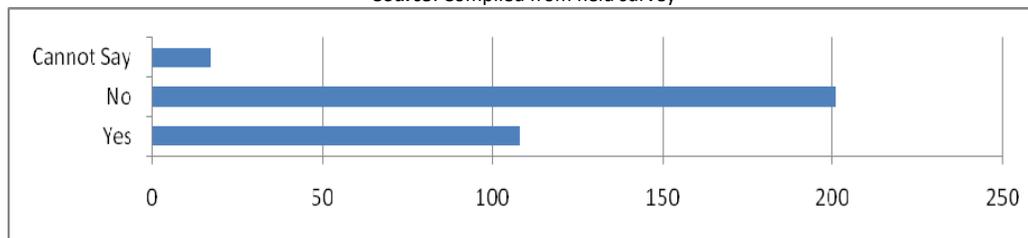
INTERPRETATION: Most believe that in case of women borrowers NPA is less.

➤ Do you agree that in case of government employee the chances of NPA are more for home loans?

Table-23

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	80	34.19	138	58.97	16	6.84	100
Women	92	28.22	28	30.43	63	68.48	1	1.09	100
Total	326	100	108	33.13	201	61.66	17	5.21	100

Source: Compiled from field survey



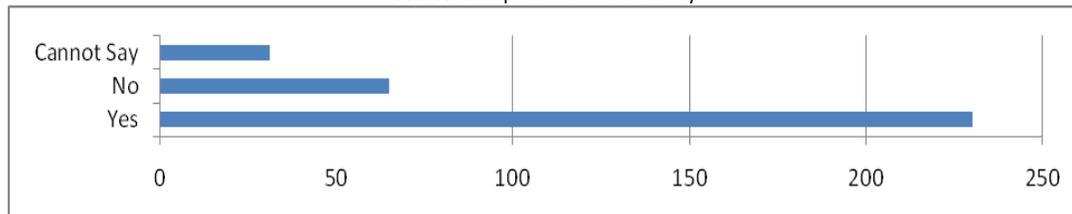
INTERPRETATION: Majority believe that in case of government employees the defaults are less.

➤ Do you agree that employee working in private sector chances of NPA is more?

Table-24

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	167	71.37	44	18.80	23	9.83	100
Women	92	28.22	63	68.48	21	22.83	8	8.69	100
Total	326	100	230	70.55	65	19.94	31	9.51	100

Source: Compiled from field survey



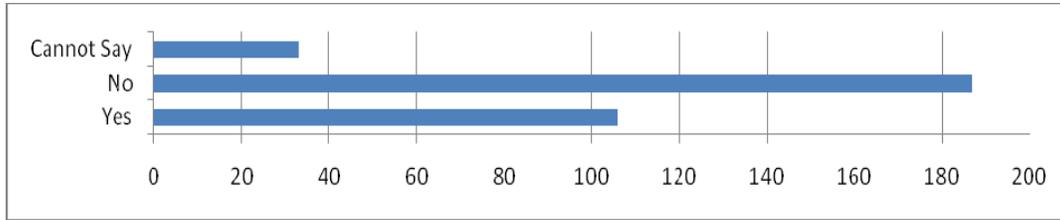
INTERPRETATION: Maximum people agreed that the employees working in private sector chances of default is more.

➤ Do you agree that in case of professionals the chances of NPA in home loans are more?

Table-25

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	84	35.90	118	50.43	32	13.67	100
Women	92	28.22	22	23.91	69	75.00	1	1.09	100
Total	326	100	106	32.52	187	57.63	33	10.12	100

Source: Compiled from field survey



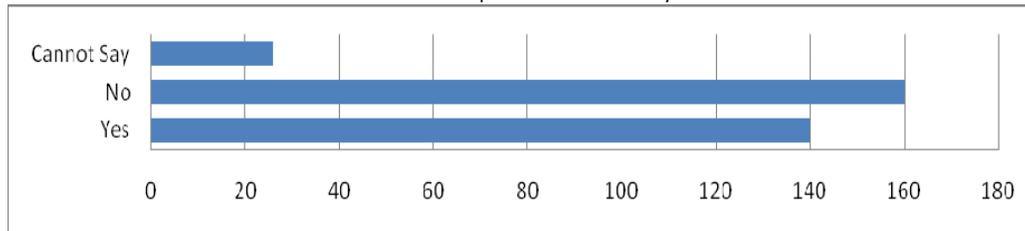
INTERPRETATION: 187 participants agreed that in case of professional the chances of defaults are less.

➤ *Do you agree that in case of semi-government employees the chances of NPA in home loan is more?*

Table-26

Borrowers	sample	%	Yes	%	No	%	Cannot say	%	Total
Men	234	71.78	109	46.58	114	48.72	11	4.7	100
Women	92	28.22	31	33.70	46	50	15	16.3	100
Total	326	100	140	42.94	160	49.08	26	7.98	100

Source: Compiled from field survey



INTERPRETATION: Majority do not agree that in case of semi-government employee the chances of NPA more.

PROPOSED SUGGESTIONS AND STRATEGIES

The following suggestions are made to control the Non Performing Assets of Home loans of Banks.

- General compromise settlement policy for all loan accounts.
- While making pre-lending appraisal, the repaying capability of the borrower must be ascertained by the bank employee carefully.
- In the same way, post-lending supervision and approaching the borrower at the right time for repayment may prove effective in the controlling of NPA.
- In case willful NPAs are, the bank must flash their photos and warn them through the local news paper and if there is no response, stern action will have to be taken with the help of the legal authority.
- The legal system must be effective: the Government of India and /or the RBI have initiated many legal measures to recover over dues. However, as there are some flaws in each legal measure, they need improvement made in order to bring down the level of NPA.
- Dynamic people are to be recruited to collect doubtful debts and for better asset liability management.
- Political pressures are to be resisted in the operation of banks.
- Banks must operate in a democratic environment.
- Banks have to adopt professionalism and accountability in their functioning.
- New technologies should be introduced to reduce administrative costs and increase the profit margin.
- Banks must transparent in their functioning and accountable to share holders and public to maintain international standards of corporate governance.
- Sanctioning authority should not succumb to external pressure.

CONCLUDING NOTE

NPAs are seriously affecting the efficient management of funds. It affects the profitability of the banks 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 bank level to improve the credit appraisal and monitoring skills of the managers so that potential default can be identified at an early stage. The occurrences of NPA may not avoidable entirely but they can be managed effectively. The fresh incidences of NPAs should be avoided but not at the cost of fresh deployment of credit.

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