

# A Study of Reasons of Banks Non-Performing Assets (NPA) in Farming Sectors

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**Abstract – The present study aims to study the problems of farmers regarding non repayment of their loan taken banks. These problems of farmers are the reason behinds the non performance of banking assets. In India there are many problems in farming sectors like natural hazards, use of loan by farmers for other purpose, wrong estimation of credits, low level of awareness regarding financed management and other. Under this work the researcher collected primary data to study the reason of non Performing assets (NPA) of banking sectors in Farming Sectors. The collected data were analyzed by using percentage and correlation coefficient analyses.**

**Key Words: Farmers, Loan, Non-Performing Assets and Reason**

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## INTRODUCTION

In, Indian some cautionary indicates are seen now a day. The government of India is taking part in the merger process of banks. Besides this, employees of the various banks are taking part in strike time to time. In total there are many problems here questions are, why there are many problems? Why banks in India are not performing well? When we try to get the answers, we find that there is something wrong with assets of banking sectors. In India means distribution of assets by banks in form of loan and advance is wrong. Banks profitability depends mainly on the returns of assets but wrongly distributed or invested assets do not generate productive assets. Once assets are become non productive then these are categories as non performing assets (NPA) before making a detailed discussion, we should understand the categorization of Non-performing of assets:

1. Substandard assets: loans and advance as given by banks which are not performing for or less than 18 months
2. Doubtful assets: assets which are not productive assets for banks for more than 18 months.
3. Loss assets: assets which are not defined as loss assets by auditors of the banks and under inspection of the central bank of India.

In this why, the researcher studied the problems of NPA at broad level and found that banks in India spend their assets in various sectors and to others, however, this projects, reason of banks NPA in only

farming sectors is considered. Banks provide loan to the farmers to grow their crops. But, it is seen many times that farmers are not in capacity of repayment of loans. Thus this project is carried to study the reasons of non repayments of loan by farmers.

## REVIEW OF LITERATURE

**Kamra & Samir (2013)**The Paper Analysis The Position Of Npa In Selected Banks Name Is Sbi, Pnb, Cbi. NPA Adversely Affect The Profitability, Liquidity And Solvency Of The Banks. Researcher of This Study to try to Find out The Trends of NPA of Values, Gross NPA And Net NPA as A Percentage of Net Advances And Gross Advances, Researcher Used Secondary Data for This Study.

**Bhatia, K. at all (2015)**on his entitled topic on "Comparative Study of Performance of Public and Private Sector Bank" Attempted to compare the performance of public sector banks & private sector banks in Indore District. The researcher used primary as well as secondary data for this study. Researcher take data for find out the results from 50 public sectors banks and private sectors bank customers. The researcher used primary as well as secondary data for concluded the results. The researcher find out most of the respondents have saving accounts in public sectors banks and private sectors banks. Researcher find out that respondents are more satisfy in private sectors banks in comparison to public sectors banks in respects to their working process, transactions facility and etc.

Satpal (2014) on his entitled topic on “A comparative study of non-performing assets in public and private sector Banks in the New Age of Technology”. Attempted to compare the performance of 3 public sector and 3 private sector. Researcher used secondary data for this study. The researcher take data from last 5 years from 2009 to 2013 for comparison of study on public sectors banks and private sectors banks. Tools and techniques for this study was percentage method and compare the Gross and Net NPA of Public Sector and Gross and Net NPA of Private Sector Banks. The results of this study show that level of Net NPA of public sectors banks is very low in comparison of private sectors banks.

**OBJECTIVES OF THE STUDY:**

After reviewing the literature, some gaps were obtained by the researchers and these gaps were transformed in the form of objective of the study, i.e.

To study the reason of non Performing assets (NPA) of banking sectors in Farming Sectors.

**AREA OF THE STUDY:**

This study was run by an individual researcher. It was not possible for the researcher to consider the whole banking sector of India. Therefore, this project was carried in district Rohtak, Jind and Panipat of Haryana State.

**SAMPLE AND TECHNIQUE:**

To study the problem, a sample of 150 respondents was taken from 3 districts of Haryana with the help of lottery method and then 150 respondents were selected from 3 districts.

Name of districts

1. Rohtak
2. Jind
3. Panipat

**Data and survey instrument:**

To Find Out The Objectives Of The Present Study Researcher Use Primary Data for Collected From 150 Respondents By Using A Well Structured Questionnaire.

**Tools and techniques**

To attain the objectives of this study, researcher use percentage and correlation coefficients methods.

**ANALYSIS AND EXPIATIONS OF THE RESULTS**

**TABLE NO 1**

**Reasons of NPA in Farming Sectors**

S. No.	Reasons/Districts	ROHTAK		JIND		PANIPAT	
		No of Farmers	% of Farmers	No of Farmers	% of Farmers	No of Farmers	% of Farmers
1	Natural Reasons	19	38%	23	46%	18	36%
2	Under or Over Financing by Banks	05	10%	06	12%	7	14%
3	Wrong Estimated of Loan Demanded	11	22%	07	14%	12	24%
4	Market Conditions	08	16%	09	18%	10	20%
5	Use of Loan of Other Purpose	07	14%	05	10%	03	06%
	Total	50	100%	50	100%	50	100%

Source: based on primary data analysis

The reasons of banks non performing assists in Indian farming sectors were observed. The results to given in table no 1 explained that maximum farmers of districts Rohtak (38%),Jind (46%) and district Painpat (36%) were agreed that natural reasons like rain and others had great effect on the production of crops and many times it went negative for the farmers. Besides this 22% farmers of districts Rohtak and 14% in districts Jind and also 24% of Panipat districts showed cause to non repayments to their loans as wrong estimation of loan demand by them. 14% farmers in Rohtak and 10% farmers in Jind and only 06% farmers in Painpat found like the persons who take loans from banks for their farming but it was used for other purpose.

**TABLE NO 2**

**Correlation coefficients between the reasons given by farmers of Rohtak, Jind and Panipat**

DISTRICTS	ROHTAK	JIND	PANIPAT
ROHTAK	-----	0.929	0.894
JIND		----	0.87
PANIPAT			----

Source: Based on Primary Data Analysis

The relationships between the reasons given by farmers of various districts were analysed with the help of correlations coefficients analyses. The results of analysis (given in table no 2) showed that the gathered responses of farmers were found highly correlated. The correlations coefficients between the farmers of Rohtak and Jind 0.929, between farmers of Rohtak and Panipat, it was 0.894 and between farmers of Jind and Panipat, it was obtained again i.e., 0.87. It means the main causes of non payments of loans and advances timely were natural reasons.

## FINDINGS OF THE STUDY

This part of the present study explained the main findings of the research work, i.e.

- The main reasons of NPA in farming sectors is natural reasons
- The assists of banks become NPA due to wrongly estimate deemed of loans by farmers.
- The relationships between the farmers for non-repayments of their loans were found highly correlated.

## SUGGESTIONS:

After obtaining the finding of the study, the researcher suggested some meaningful points, there were:

- Farmers cops destroyed due to natural eliminate so; banks should restructured loans given to farmers.
- Banks should check the projected performance against which loans were sanctioned.
- Some farmer's educations program should be by banks.

## CONCLUSION:

The present study was run up to study the problems of NPA in farming sector and to provide some solutions. In this research work, problems or reasons of NPA were obtained in this form of natural reasons, under or over financing by banks, wrong estimation of loans, markets conditions and use of loan of other purpose by considering these reasons banks or loan provides can take steps to prevent their assets to be NPA further, to improve the productivity of their assets, banks can also consider these reasons of NPA to solve the problems of farmers.

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