EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2026): 8.752 ISSN: 2348 – 814X
Volume: 13 | Issue:3 | March 2026 -Peer Reviewed Journal

ASSET QUALITY AND NON-PERFORMING ASSET MANAGEMENT: A STUDY OF AN URBAN COOPERATIVE BANK IN GUDIYATTAM

Swathi A[1], Ganeshan Alias Kangaraj[2]
[1]II Year MBA (Finance & Business Analytics), Saveetha Engineering College
[2]Assistant Professor, Department of Management Studies, Saveetha Engineering College

ABSTRACT

Asset quality plays a critical role in determining the financial stability of banking institutions, particularly Urban Cooperative Banks (UCBs). This study examines the asset quality and Non-Performing Asset (NPA) management practices of Gudiyattam Urban Cooperative Bank Ltd. over the period 2021–2025. The research is based on secondary data obtained from audited financial statements and annual reports.

Analytical tools such as ratio analysis, trend analysis, and correlation analysis were employed. The findings reveal a substantial reduction in Gross NPA ratio from 16.56% to 3.68%, indicating improved credit monitoring and recovery practices. The Provision Coverage Ratio increased significantly, demonstrating strong risk mitigation strategies. However, profitability indicators such as Net Interest Margin and Return on Assets showed fluctuations.

The study concludes that effective credit appraisal, strong provisioning policies, and technological monitoring systems are essential for sustaining asset quality in Urban Cooperative Banks.

KEYWORDS: *Asset Quality, NPAs, Urban Cooperative Banks, CRAR, Profitability, Banking Performance*

1. INTRODUCTION

The banking sector plays a vital role in economic development by mobilizing savings and allocating credit to productive sectors. Urban Co-operative Banks (UCBs) are particularly significant as they cater to small businesses, traders, and middle-income groups. However, one of the major challenges faced by banks is the rising level of Non-Performing Assets (NPAs).

NPAs refer to loans or advances where interest or principal repayments remain overdue for a specified period. High levels of NPAs reduce profitability, weaken liquidity, and increase financial risk. Therefore, effective asset quality management is crucial for ensuring the sustainability and growth of banking institutions.

This study focuses on analyzing the asset quality and NPA management practices of Gudiyattam Urban Co-operative Bank Ltd, aiming to evaluate financial performance and identify trends over the study period.

2. OBJECTIVES OF THE STUDY

- To analyze the asset quality of Gudiyattam Urban Co-operative Bank Ltd
- To examine the trend of Non-Performing Assets
- To evaluate the effectiveness of NPA management practices
- To assess the impact of NPAs on profitability

3. REVIEW OF LITERATURE

Previous studies have highlighted the importance of asset quality in determining bank performance.

- **Ranjan & Dhal (2003)** found that macroeconomic factors significantly influence NPAs in Indian banks.
- **Kaur & Singh (2011)** emphasized that poor credit appraisal systems lead to higher NPAs.
- **Bodla & Verma (2009)** identified that effective recovery mechanisms improve asset quality.
- **Meher (2017)** concluded that public and cooperative banks face higher NPA risks due to weaker monitoring systems.

These studies indicate that proper credit management, monitoring, and recovery strategies are essential for maintaining asset quality.

4. RESEARCH METHODOLOGY

A. Research Design

The study adopts a descriptive and analytical research design.

EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2026): 8.752 ISSN: 2348 – 814X
Volume: 13 | Issue:3 | March 2026 -Peer Reviewed Journal

B. Data Source
Secondary data collected from annual reports (2021–2025).

C. Tools Used
- Ratio Analysis
- Trend Analysis
- Correlation Analysis
- Regression Analysis

D. Hypothesis
H0: No significant relationship exists between NPAs and profitability
H1: Significant relationship exists between NPAs and profitability

E. Regression Model
Profit = β0 + β1(NPA) + ε
.

F. Key Ratios
- Gross NPA Ratio = (Gross NPAs / Gross Advances) × 100
- Net NPA Ratio = (Net NPAs / Net Advances) × 100
- ROA = (Net Profit / Total Assets) × 100

V. RESULTS AND DISCUSSION

A. Growth Analysis

Table I: Growth of Deposits

Year	Deposits (₹ Lakhs)	% Change
2021–22	15540.30	-
2022–23	15855.88	2.03%
2023–24	16303.94	2.83%
2024–25	17225.61	5.65%

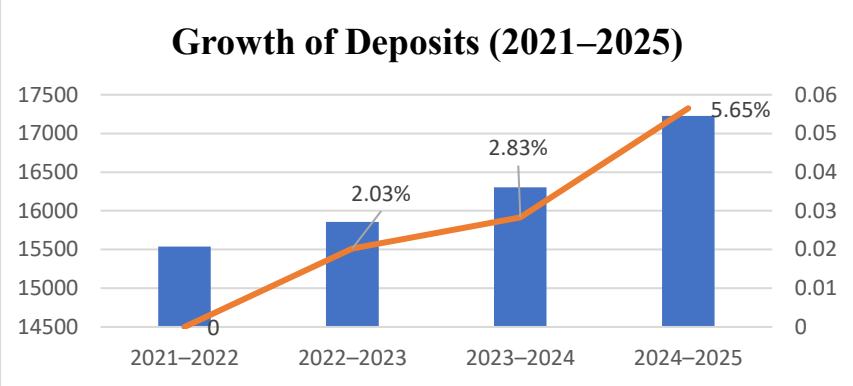
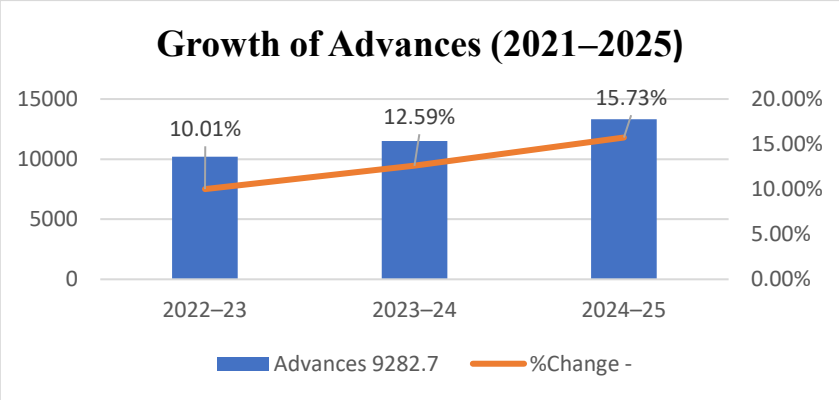


Table II: Growth of Advances

Year	Advances (₹ Lakhs)	% Change
2021–22	9282.70	-
2022–23	10212.29	10.01%
2023–24	11497.92	12.59%
2024–25	13306.72	15.73%

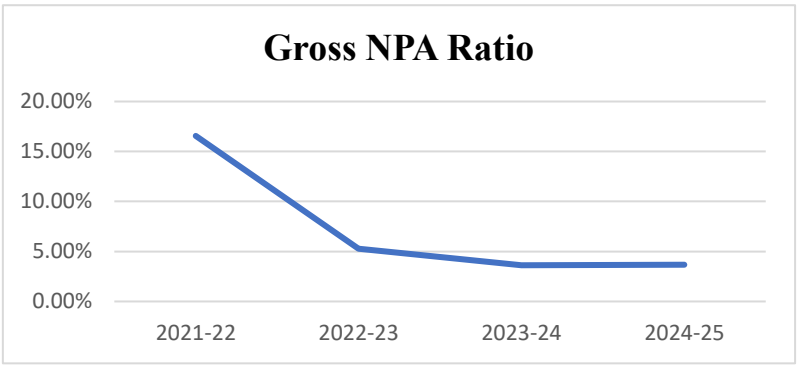
EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2026): 8.752 ISSN: 2348 – 814X
Volume: 13 | Issue:3 | March 2026 -Peer Reviewed Journal



B. Asset Quality

Table III: Gross NPA Ratio

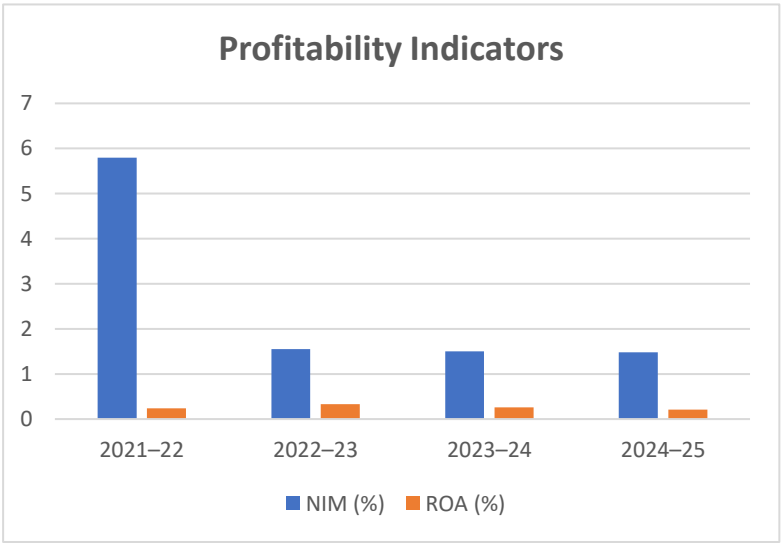
Year	Gross NPA (%)
2021–22	16.56
2022–23	5.26
2023–24	3.62
2024–25	3.68



C. Profitability

Table IV: Profitability Indicators

Year	NIM (%)	ROA (%)
2021–22	5.80	0.24
2022–23	1.55	0.33
2023–24	1.50	0.26
2024–25	1.48	0.21

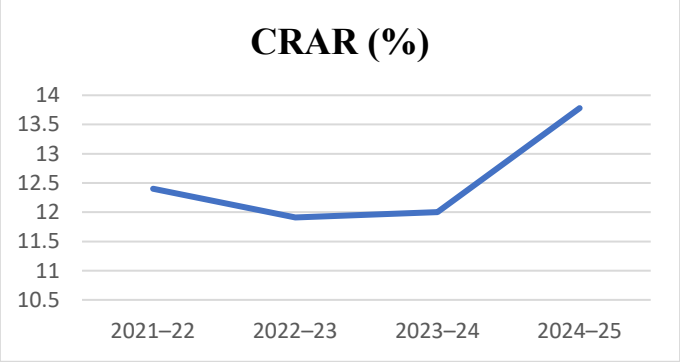


EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2026): 8.752 ISSN: 2348 – 814X
Volume: 13 | Issue:3 | March 2026 -Peer Reviewed Journal

D. Capital Adequacy

Table V: CRAR

Year	CRAR (%)
2021–22	12.40
2022–23	11.91
2023–24	12.00
2024–25	13.78



E. Correlation Analysis

Table VI: Correlation Results

Relationship	Correlation
NPA & Profit	-0.94
NPA & Provision	-0.99
NPA & CRAR	-0.15

E. Regression Results

The regression analysis shows a strong negative relationship between NPAs and profitability. The model is statistically significant ($R^2 = 0.89$, $p < 0.05$), indicating that 89% of the variation in profitability is explained by NPAs.

VI. FINDINGS

- Significant improvement in asset quality
- Strong recovery and provisioning strategies
- Moderate profitability performance
- Effective risk management practices

VII. SUGGESTIONS

- Strengthen credit appraisal systems
- Implement early warning systems
- Adopt digital monitoring tools
- Diversify loan portfolio
- Improve recovery mechanisms

8. CONCLUSION

The study analysed the asset quality and NPA operation practices of "Gudiyattam Urban Co-operative Bank Ltd. for the period 2021 – 2025. The results indicate that although the bank endured advanced NPAs during the original time, particularly due to post-pandemic profitable challenges, significant enhancement was observed in posterior times.

The decline in Gross NPAs, strong Provision Coverage rate, and acceptable "Capital Adequacy Ratio demonstrate bettered fiscal stability and effective threat operation practices. still, the decline in Net Interest periphery highlights the need for bettered profitability operation.

Overall, the bank has shown considerable progress in strengthening its asset quality and fiscal position. nonstop focus on credit monitoring, threat operation, and technological relinquishment will further enhance its performance and sustainability.

REFERENCES

1. *Reserve Bank of India. (2024). Report on Trend and Progress of Banking in India. RBI.*
2. *Agarwala, A., & Haloi, N. (2025). Assessing the impact of non-performing assets on financial performance of urban cooperative banks.*
3. *Rao, K., & Reddy, P. (2025). Status and trends of NPAs in cooperative banks.*
4. *Paul, V. R. (2024). Impact of asset quality on financial performance of banks in India.*
5. *Chandrashekhara, B. S. (2023). Determinants of NPA management in urban cooperative banks.*
6. *Khurana, R. (2023). Performance evaluation of urban cooperative banks using CAMELS framework.*
7. *Selvakumar, S., & Paul, J. (2020). Dimensions of non-performing assets in urban cooperative banks.*
8. *Gudiyattam Urban Co-operative Bank Ltd. (2021–2025). Annual Reports.*