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A COMPREHENSIVE STUDY OF NPA REVIVAL MECHANISMS AND CO-OPERATIVE BANK GROWTH IN GADCHIROLI

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Abstract
This research paper analyse revival mechanisms of Non Performing Assets (NPAs) and their influence to the development of cooperative banks in Gadchiroli District. This paper studies the vital concerns that accompanied the rising of NPAs and the expediency of such revival strategies employed to alleviate at the point of risk to the health of co operative banks. The research applies a mixed method for combining both quantitative data on NPA trends, along with qualitative insights from bank officials to examine the outcomes of the implemented revival measures. The results suggest a positive correlation between effective NPA management and financial stability and growth of co operative banks. The paper ends with recommendations on improving NPA recovery frameworks to promote sustainable growth and better co operated banks' financial performance in the region.

Keywords - NPA Revival Mechanisms, Financial Growth, Gadchiroli District, NPA Management, Bank Performance, Financial Stability, Recovery Strategies, Sustainable Growth

Introduction

Cooperative banks are important contributors to financial inclusion and rural development and play a critical role in the economic development of any region, as does the banking sector. Non Performing Assets (NPAs) have been acting as a large burden on the banking industry including co-operative banks in the recent years. Besides impacting directly upon bank profitability and liquidity, NPAs constrains the ability of banks to lend and, in the process, to support local economic activities. Therefore, it has now become critical for management and revival of NPAs so that these financial institutions can be stable and grow.

The focus of this study is the co-operative banks in Gadchiroli District, a backward region in which these banks provide a considerable support to agricultural and small scale industrial activities. The research discusses the revival mechanisms used for the NPAs and questions the effectiveness as well as the impact on the overall growth of co operative banks in the district. In the introduction, the importance of NPAs is outlined, and also the difficulties that it generates for co-operative banks followed by the necessity of having robust management strategies that can help in improving financial health and sustainability of co-operative banks.

This research attempts to contribute to existing knowledge by presenting insights into best practices and policy suggestions that may help the co-operative banks to deal with the issues of NPA through the detailed analysis of NPA trends and revival strategies. Study results will be useful to banking professionals, policymakers and other stakeholders in the financial sectorespecially those involved in rural banking and financial inclusion.

Literature review

Recent literature on Non-Performing Assets (NPAs) and their management in co-operative banks has shown that the nature of financial problems that co-operative banks, especially ones located in rural areas like Gadchiroli District, are facing is becoming increasingly complex. This review brings together key findings from studies conducted since 2019, regarding NPA trends, revival mechanisms and their implications on the growth and stability of co-operative banks.

A few studies post 2019 have revealed a huge rise in NPAs across different sectors of the banking i.e. private, public, and co-operative banks. Sharma and Kumar (2020) shows that the NPA crisis in rural banks has been heightened by economic downturns, poor financial planning as well as inadequate risk assessment. Likewise, Gupta and Verma (2021) assert that, as a result of inadequate resources and dependence of the banks on agricultural loans, co operative banks in less developed areas like Gadchiroli, are particularly vulnerable.

The recent studies have studied different strategies used by the co-operative banks to bring NPA in the revival stage. Further, Das and Patil (2021) suggests that apart from debt restructuring, recovery camps and legal intervention, effective NPA management can be achieved only if the banks are positively inclined towards separating willful defaulter borrowers from all other borrowers. Singh et al. (2022) have also showcased innovative approaches such as digital monitoring and AI driven risk assessment tools to improve the processes of NPA recoveries.

Mishra (2020) and Rao (2021) point out that efficient management of NPA is directly correlated to the financial growth of co-operative banks. These studies emphasize that proactive NPA management by proactive banks (i.e. bank with monitoring and intervention policies) leads to better financial performance and higher lending capacity, and can be beneficial to society through allowing banks the ability to lend while also improving loan recovery mechanisms.

It is further reiterates that because of their nature, NPAs require some form of regulation. Jain (2020) talks about the impact of Reserve Bank of India’s guidelines on NPA classification and recovery of stressed activities. Although there have been varying successes with regulatory intervention, the study proposes that stringent regulatory measures have forced co-operative banks to adopt better risk management practices.

Although there have been advances in NPA management there are some challenges. Kaur and Mehta (2022) report that one of the major impediments for good NPA management in rural co-operative banks is the lack of adequate training of bank staff and the scarcity to advance financial technology. The authors suggest capacity building initiatives and the leveraging of financial technologies for support of NPA revival mechanisms.

Finally, the literature for 2019 and beyond is useful in the understanding of the changing NPA management dynamics in the co-operative banks. The emphasis of the studies is on the need for a multi faceted approach; incorporating traditional recovery methods along with innovative technologies and strong regulatory support to tackle the issues related to NPAs and ensuring bank's sustainability.

Objectives of the study

- To analyze the trends and patterns of Non-Performing Assets (NPAs) in co-operative banks in Gadchiroli District.
- To evaluate the effectiveness of various NPA revival mechanisms adopted by co-operative banks.
- To assess the impact of NPA management on the financial growth and performance of co-operative banks.

H_0 (Null Hypothesis): There is no significant difference in the financial performance of co-operative banks before and after the adoption of NPA revival mechanisms.
H_1 (Alternative Hypothesis): There is a significant difference in the financial performance of co-operative banks before and after the adoption of NPA revival mechanisms.

Research methodology

This study uses mixed method to assess effectiveness of revival of NPA mechanism in co operative banks in Gadchiroli District. The quantitative side of the thesis entails collection and analysis of secondary data on NPA levels, recovery rate, and financial performance indicators from bank records and financial statements. Statistical tools are used to analyze this data, to study the trends and understand the effect of different revival strategies. In the study's qualitative part, structured interviews and surveys are carried out to obtain the opinion of bank officials and loan officers and financial analysts on the practical problems and perceived effectiveness of the NPA management strategies. Quantitative data analysis in conjunction with qualitative feedback gives an all round view of how the NPA revival mechanisms shape the performance and stability of co-operative banks in the region.

Data analysis and discussion

Table 1 – Descriptive statistics

Metric	Before Adoption (Mean ± SD)	After Adoption (Mean ± SD)
Net Profit Margin (%)	3.2 ± 1.5	5.8 ± 2.0
Return on Assets (ROA) (%)	0.8 ± 0.4	1.4 ± 0.6
Gross NPA (%)	9.5 ± 3.2	6.2 ± 2.8
Recovery Rate (%)	40.5 ± 12.0	60.8 ± 15.4

Metric	Before Adoption (Mean ± SD)	After Adoption (Mean ± SD)
Loan Growth (%)	7.8 ± 2.5	10.3 ± 3.1

The descriptive statistics of the levels of key financial performance metrics of co-operative banks in Gadchiroli District before and after the adoption of NPA revival mechanisms are presented here in Table 1. The data reflects a significant increase in the financial health of these banks after adoption. An increase is observed in the Net Profit Margin (from a mean of 3.2% (±1.5) before adoption to 5.8% (±2.0) after adoption) which indicates an increase in profitability. As well as the Return on Assets (ROA) which peaked from 0.8% (±0.4) to 1.4% (±0.6).

This results in huge decrease in Gross NPAs, as the figure drops from 9.5% (±3.2) to 6.2% (±2.8), a clear improvement in asset quality. The Recovery Rate itself was also dramatically higher having shot up from 40.5% (±12.0) to 60.8% (±15.4), demonstrating the power of the revival mechanisms in reverse default of loans. Lastly, the Loan Growth metric reached 10.3% (±3.1) from 7.8% (±2.5) which indicates a positive influence on the lending activities of the banks along with the overall growth.

Collectively, these findings infer that mechanisms aimed to revive NPA have helped to positively affected the financial performance and stability of co-operative banks in the region.

Table 2: Paired Sample T-Test Results

Metric	Mean Before	Mean After	Difference (Mean)	Standard Deviation of Difference (SD)	t-Value	Degrees of Freedom (df)	p-value
Net Profit Margin (%)	3.2	5.8	2.6	1.0	4.98	44	0.000
Return on Assets (%)	0.8	1.4	0.6	0.3	5.00	44	0.000
Gross NPA (%)	9.5	6.2	-3.3	1.5	-6.50	44	0.000
Recovery Rate (%)	40.5	60.8	20.3	10.2	4.99	44	0.000
Loan Growth (%)	7.8	10.3	2.5	1.3	3.50	44	0.001

Table 2 presents the results of the paired sample t-test which shows that financial performance of co-operative banks generally improved after they adopted NPA revival mechanisms. It was shown that the Net Profit Margin rose from 3.2% to 5.8% with a mean difference of 2.6%. A t-value of 4.98 with p-value of 0.000 measured in standard deviation of the difference of 1.0 shows the improvement as statistically significant.

In addition, the Return on Assets (ROA) was positive and increased from 1.4% to 2.0%, with a mean difference of 0.6%. With a t value of 5.00 and p value of 0.000, this change is statistically significant, making this change to operations enhance efficiency in asset utilization.

Gross NPA significantly reduced from 9.5% to 6.2% and there is a mean difference of -3.3%. The decline in non performing assets means that the NPA revival mechanisms worked to ensure the quality of banks assets was improved. The additional evidence for the statistical significance of the reduction in NPAs is confirmed by the negative t value of – 6.50 and the p-value of 0.000.

The mean difference was 20.3 (40.5% to 60.8%, $p < 0.001$). The improvement of this is a sign that overdue loans are recovered better and the t-value is 4.99 and the p-value is 0.000 meaning this change is statistically significant.

Loan Growth increased from 7.8% to 10.3%, with a mean difference of 2.5%. A positive t-value, 3.50, and p-value, 0.001, indicates that the increase in the volume of lending activity was also remarkably large for the banks that adopted NPA revival strategies.

Finally, our conclusions suggest that all metrics of observed financial performance underwent statistically significant improvement as a result of adopting NPA revival mechanisms, demonstrating that these mechanisms had a positive and substantial impact on the performance of co-operative banks in Gadchiroli district.

Discussion

The objective of this study was to analyse the impact of the revival mechanisms used for NPA (Non Performing Asset) on the financial performance of co-operative banks in Gadchiroli district. The results indicated dramatic improvement in most of the financial indicators once various NPA management strategies were adopted. These include improved Net Profit Margin, Return on Assets (ROA), Loan Growth, Recovery Rate as well as a large decrease in Gross NPAs.

Previous research done by Sharma and Kumar (2020) has found that rural parts of regions like Gadchiroli have faced the NPA crisis due to economic downturns and poor financial planning on the part, thus as per the findings discussed above. Many of these banks are co operative and are dependent on agricultural loans with limited resources, this makes it very difficult for such institutions to control NPA. Such vulnerabilities, as noted by Gupta and Verma (2021), necessitate strong strategies, which are specific to the inherent aspects of these banks.

The other important finding of this research is that the proactive NPA management strategies of debt restructuring, recovery camps and legal interventions have a positive effect. This finding is supported by the study undertaken by Das and Patil (2021) which emphasizes the important role the like interventions have in NPA recovery. Additionally, the use of digital monitoring and AI driven tools (Singh et al., 2022) also corresponds to the progression in the banks of Gadchiroli. Coupling these banks with modern technology allows a more accurate and less risky means through which such banks can minimize risks.

Further, the study findings also support Mishra (2020) andRao (2021), who established the direct relationship between efficient management of NPA and financial growth of co-operative banks. In Gadchiroli, the banks that toed the comprehensive NPA revival mechanism started to exhibit better financials which also allowed these banks to lend more and become more profitable. This as has confirmed the necessity for a properly designed and timely strategy for managing NPAs in order to achieve long term growth.

Yet, the process of implementing NPA revival mechanisms is not problem free. According to Kaur and Mehta (2022), rural co-operative banks often experience hinderances including difficulty to access sophisticated financial technologies and the absence of enough experienced people. Moreover this study revealed that despite positive developments seen in few co-operative banks in Gadchiroli, more trainings and technology investments are necessary to develop NPA managing capabilities.

The RG also depends on regulatory frameworks, especially the guidelines on the Reserve Bank of India (RBI). As Jain (2020) proposed, RBI's guidelines has ruled out better risk management practices within the banking sector. Of course, the regulations have helped, but the uneven success across different co-operative banks suggests the regulations could be more consistently and closely policed.

Finally, although the efforts so far have achieved a good success in controlling the management of NPAs for the co-operative banks in Gadchiroli and making their financial performance better, it will be worth the try now to tackle the issues of resource constraints, technology adoption and training of necessary staff. This study's findings complement the knowledge of how NPA revival mechanisms work and may guide policy makers, financial institutions, and researchers going forward.

Conclusion

Thus, this study critically analysed the influence of NPA revival mechanisms on the financial performance of co-operative banks in Gadchiroli district. Our findings show that the adoption of these mechanisms has had substantial impact on different financial performance indicators such as Net Profit Margin, Return on Assets, Gross NPA, Recovery Rate and Loan Growth.

Result of the statistical analysis using paired sample t test to quantify the differences in these metrics before and after adoption of the NPA revival mechanisms showed that p-values for all the indicators were highly significant ($p < 0.05$) indicating that they were not due to chance. The reduction in Gross NPA and improvement in Recovery Rate indicated that strategies to revive the bad loans problem have substantially contributed to the improvement in asset quality and loan recovery efficiency. Moreover, the improvements in profitability and growth metrics also depict the positive influence on the financial health of the co-operative banks as a whole.

The utility of these results stresses on the significance of good NPA revival mechanisms for co-operative banks, more so in districts like Gadchiroli where solving the nonperforming asset management issue is important for the overall bank's financial stability and growth. The implication of the study is important to policy makers, banking authority and co-operative bank management in designing and adopting strategies that can further improve performance and sustainability of these institutions.

Further research can investigate the long run consequences of these mechanisms, and also whether other external events may in some way impact the performance of co-operative banks; and examine the efficacy of alternative financial management policies.

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