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## **A Case Study on – IDBI NPA Management**

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IDBI is the largest nationalized bank in India. Bank played very important role for developing India. When IDBI bank started their work they only focus to do the improvement and uplift the industries that exist in India but after that IDBI change their role they started to provide effective services to backward areas, startup companies etc.

IDBI bank established in 1<sup>st</sup> July 1964. The bank playing multiple role for developing economy of India. In 2006 IDBI merged with united western bank and increases their role in all the way by using advanced technology in their system. IDBI bank portal is very user friendly and catches the millions of heart in India. IDBI touches all the sectors in India like retail industry, small manufacturing enterprises, Agricultural product based companies and service based industries.

Headquarter of IDBI are situated in Mumbai. Presently IDBI try to perform best by applying multiple effective strategies, preparing various actions plans, recruiting different kinds of competent people in their key positions who are highly dedicated to their work. IDBI also use advance information technology tools to provide effective and innovative banking services to their customer. Along with that Bank provide customized financial solution to their client by another supplementary delivery channels.

IDBI Bank not works only in national boundaries but they work in international level outside the boundaries of India. Apart from their core banking, they work in share market, capital market, investment banking and mutual fund businesses. IDBI Bank provides effective services to the customer and emerged as a "trusted bank in India", The Bank provides value added and good services to Indian citizens. Along with that they are satisfying large number of customer by understanding depth of the each and every customer problem.

#### **Current Accusation on IDBI**

One of the largest company from India Axcel Sunshine Ltd had taken Rs.600 crore loan from IDBI. This is with reference to the recent media reports / stories that are published on April 26 , 2018 for this investigation done by CBI on default case of Rs. 600 crore taken by Axcel Sunshine Ltd. and it is clarified that IDBI Bank had given a loan on February 2014 which became NPA in December 2015.

In August 2016 the IDBI financial institution started to take remedial action to recuperate pending loans from the customer who making fault in paying interest loan amount. In same contest CBI does enquiry and it was proven that IDBI provided loans to the customer, same information they pass to the senior officers.

#### **Reserve Bank of India levied penalty to IDBI Bank for not submitting the report regarding NPA**

IDBI fail to submit the report to RBI according to central bank's guidelines. In connection with this Central Bank of India has levied Rs. 300 lacs fine on IDBI. Central Bank of India stated that this fine was for "disobedience with the instruction told by RBI on Income recognition and Asset Classification norms". Central Bank of India

clearly state that this strict action is taken for bank not fulfilling norms suggested by RBI and not keeping transparency for entering transaction in a bank.

RBI identified Rs.6186 crore of bad loans subsequently in the financial year 2016 for IDBI. Reserve Bank of India rule need that loaners build people the deviation if the non payment recognized by the Reserve Bank of India are greater than 15 percent of what is reported by the lender. Large amount of loan that are provided by IDBI has become non efficient and the financial institution is previously started to take remedial action from the central Bank of India

Reserve bank of India levied fines to IDBI by doing proper scrutiny either from their customer along with proper inspection conducting through CBI. Earlier Reserve Bank of India levied a rs. 300 lacs of fine on Axis bank for non reporting of NPA in the year 2016. In same way RBI levied 600 lacs penalty to Yes Bank for not fulfilling norms related to NPA classification. This harsh action related for violation in the preceding fiscals. If banks had reported to failing fulfilling norms of NPA.

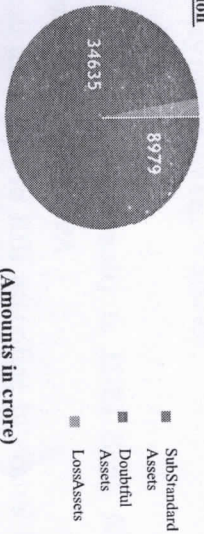
## NPA Movement of IDBI

(Amounts in crore)

Particular	For the Quarter March 2017	For FY ended March 2017
Opening Balance	35245	24875
Add		
Fresh Slippages	12467	27595
Of Which restructured A/c's are	2153	5366
Less		
Settled	778	1413
Upgradation	1012	3436
Write off	1170	2868
Closing Balance	44753	44753
Gross NPA%	21.25%	21.25%
Net NPA%	13.21%	13.21%
Prov. Coverage Ratios as per RBI Guidelines	54.96%	54.96%

### NPA Classification

1138



(Amounts in crore)

Particulars	Gross NPA
Sub Standard Assets	8979
Doubtful Assets	34635
Loss Assets	1138
Total	44753

Category	Outstanding Advances (A)	Gross NPA (B)	GNPA to Total GNPA	% of Sector wise O/S (B:A)	% of Total GNPA O/S
Agri and Allied Activities	18028	1696	3.79%	9.41%	0.81%
Industry (Micro, Small, Medium & Large)	104698	35231	78.72%	33.65%	16.73%
of which Infrastructure	43344	5331	11.91%	12.30%	2.53%
Services	35952	5511	12.31%	15.33%	2.62%
Personal Loans	35552	455	1.02%	1.28%	0.22%
Others	16379	1859	4.15%	11.35%	0.88%
Total	310410	44753			21.25%

## Provisions & Contingencies

Particulars	Quarter Ended Mar-17	Mar-16	FY ended Mar-17	Mar-16
Depreciation on Investment	615	257	1467	386
Provision for NPAs	5333	186	9379	3507
Provision towards standard assets	(604)	10	(352)	1650
Provision for Restructured Assets (including FITL)	(314)	(100)	(464)	(582)
Income Tax	(1620)	(1119)	(3460)	(1306)
Bad Debts Written off	1170	4089	3029	5298
Other Provisions	9	8	137	82
Total	4590	3331	9737	9035

### Questions:

1. What are the factors responsible for increasing NPA in commercial bank?
2. What actions should be taken by the bank to come out of the situation?

### Sources

Source: [https://timesofindia.indiatimes.com/business/cbi-names-bsc-chairman-in-rs-600-crore-criminal-bank-fraud/articleshow/63944081.cms?utm\\_source=Articleshow&utm\\_medium=Organic&utm\\_campaign=Related\\_Stories](https://timesofindia.indiatimes.com/business/cbi-names-bsc-chairman-in-rs-600-crore-criminal-bank-fraud/articleshow/63944081.cms?utm_source=Articleshow&utm_medium=Organic&utm_campaign=Related_Stories)  
<https://www.idbi.com/pdf/IDBI-Bank-Analysis-PPT-Mar-2017.pdf>