

“A STUDY ON NON- PERFORMING ASSET WITH REFERENCE TO BANK OF BARODA”

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ABSTRACT

The aim of this research is to examine non-performing assets of Bank of Baroda with the help of secondary data collected from the Annual Reports and Financial Statements of Bank of Baroda of last 6 years (2015-2021). The main objective of this research is to find the trend of non-performing assets in the last 6 years and their effect on the bank's growth and efficiency. Non- performing asset is an major problem in the banking sector of India

KEYWORDS

Non-performing assets, Bank of Baroda, Growth and efficiency

I. INTRODUCTION :

In 1908, Maharaja Sayajirao Gaekwad III, set up the Bank of Baroda (BoB), with other stalwarts of industry such as Sampatrao Gaekwad, Ralph Whitenack, Vithaldas Thakersey, Tulsidas Kilachand and NM Chokshi. .Two years later, BoB established its first branch in Ahmedabad. On 17 September 2018, the Government of India proposed the merger of Dena Bank and Vijaya Bank with the Bank of Baroda, pending approval from the boards of the three banks. Under the terms of the merger, Dena Bank and Vijaya Bank shareholders received 110 and 402 equity shares of the Bank of Baroda, respectively, of face value ₹2 for every 1,000 shares they held. The merger came into effect on 1 April 2019. Post-merger, the Bank of Baroda is the third largest bank in India, after State Bank of India and HDFC Bank. The consolidated entity has over 9,500 branches, 13,400 ATMs, 85,000 employees and serves 120 million customers Bank of Baroda (BOB) is an Indian nationalized banking and financial services company under the ownership of Ministry of Finance , Government of India. It is the second largest nationalized bank in India, with 132 million customers, a total business of US\$218 billion, and a global presence of 100 overseas offices. Based on 2019 data, it is ranked 1145 on Forbes Global 2000 list.

1.1 Non-Performing Assets:

In line with the international practices and as per the recommendations made by the Committee on the Financial System (Chairman Shri M. Narasimham), the Reserve Bank of India has introduced, in

a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts. To strengthen further the recovery of dues by banks and financial institutions, Government of India promulgated The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

Definitions of NPA by RBI:

- a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A 'non-performing asset' (NPA) was defined as a credit facility in respect of which the interest and/ or instalment of principal has remained 'past due' for a specified period of time. The specified period was reduced in a phased manner as under:

<u>Year ending March 31</u>	<u>Specified period</u>
1993	four quarters
1994	three quarters
1995 onwards	two quarters

- b) An amount due under any credit facility is treated as "past due" when it has not been paid within 30 days from the due date. Due to the improvements in the payment and settlement systems, recovery climate, upgradation of technology in the banking system, etc., it was decided to dispense with 'past due' concept, with effect from March 31, 2001. Accordingly, as from that date, a Non-performing Asset (NPA) shall be an advance where
- i. interest and/or instalment of principal remain overdue for a period of more than 180 days in respect of a Term Loan,
 - ii. the account remains 'out of order' for a period of more than 180 days, in respect of an Overdraft/Cash Credit (OD/CC),
 - iii. the bill remains overdue for a period of more than 180 days in the case of bills purchased and discounted,
 - iv. interest and/or instalment 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 purposes, and
 - v. any amount to be received remains overdue for a period of more than 180 days in respect of other accounts.
- c) With a view to moving towards international best practices and to ensure greater transparency, it has been decided to adopt the '90 days' overdue' norm for identification of NPAs, from the year

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ending March 31, 2004. Accordingly, with effect from March 31, 2004, a non-performing asset (NPA) shall be a loan or an advance where;

- i. interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- ii. the account remains ‘out of order’ for a period of more than 90 days, in respect of an Overdraft/Cash Credit (OD/CC),
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- iv. interest and/or instalment 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 purposes, and
- v. any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

d) Out of Order' status

An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for six months as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

e) ‘Overdue’

Any amount due to the bank under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the bank.(rbi.org.in)

1.2 CLASSIFICATION OF ASSETS:

Banks are required to classify non-performing assets further into the following three categories based on the period for which the asset has remained non-performing and the realisability of the dues:

a) Sub-standard Assets

A sub-standard asset was one, which was classified as NPA for a period not exceeding two years. With effect from 31 March 2001, a sub-standard asset is one, which has remained NPA for a period less than or equal to 18 months. In such cases, the current net worth of the borrower/ guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

b) Doubtful Assets

A doubtful asset was one, which remained NPA for a period exceeding two years. With effect from 31 March 2001, an asset is to be classified as doubtful, if it has remained NPA for a period exceeding 18 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

c) Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.(rbi.org.in)

SI	Category	Parameter	Provision Requirement
1	Substandard Asset	*Remained NPA for a period not less than or equal to one year. *In such cases, the current net worth of the borrower or guarantor or market value of the security charged is not enough to ensure recovery of the bank's dues; *Likely to sustain some loss if deficiencies are not corrected.	*15% of the sum of the net investment in The lease and the unrealized portion of finance income net of finance charge component. *Additional 10% for unsecured lease exposure i.e. total 25%
2	Doubtful Asset	*Remained in substandard category beyond 1 year; *Recovery - highly questionable and improbable.	*100% of the finance not secured by the realizable value of the leased asset. *Additional provision on the unrealised portion of finance income net of finance charge component of the secured portion as under Period for which the advance remained in doubtful category and the provision (%) Up to one year is 25% provision, One to three years 40% provision, More than three years 100%
3	Loss Asset	*Asset considered uncollectible and of little value but not written off wholly by the bank. *Continuance as bankable assets although it may have some salvage or recovery value.	To be written off or 100% of the sum of the net investment in the lease and the unrealised portion of finance income net of finance charge component.

It may be seen Sub-Standard Assets was high in FY 2020-21 and the low in FY 2016-17. Continuous fluctuation was seen in Doubtful Assets. FY 2018-19 saw slow increase in Loss Assets followed by a rise FY 2019-20. Bank must take necessary precautions to avoid rise in these assets, especially doubtful and loss assets. FY 2019-20 shows the highest percentage of 171.22. FY 2018-19 achieved a good decline in trend percentage with a decrease of Rs 8247 Crores, the lowest NPA amount in past 3 financial years. Throughout the study period, bank's deposits amount has always stood high than the total advances. Net advances increased to 7,06,301 crores led by domestic retail loans, agriculture and MSME loans. Total provisions and contingencies and provisions for NPA- In FY 2017-18, there was increase in provisions for NPAs by 85%. In 2018-19 provisions for NPAs reduced by 14.2%. Total provisions declined by 27.17% from 20,698 crore in FY 2020 to 15,074 crore in FY 2021

1.3 CAUSES OF NPA:

The factors for NPA are- 1) Internal Factors and 2) External Factors.

Internal Factors:

1. Defective lending process: There are three principles that are followed by the commercial banks in lending process i.e., principle of safety, principle of liquidity, principles of profitability. Principle of safety means that the borrower is in position to pay back the loan.
2. Improper SWOT analysis: The inappropriate strength, weakness, opportunity and threat analysis is another reason for increase in NPA's. So, the bank should examine the profitability, viability, long term acceptability of the project while financing.
3. Poor credit appraisal system: Due to poor credit appraisal the bank gives advances to those who are not able to repay it back. As a result, the NPA's of the bank increases. So, the bank should maintain proper credit appraisal system.
4. Managerial deficiencies: The banker should always select the borrower very cautiously and should take tangible assets as security to safeguard its interests. The banker should follow the principle of diversification of risks which means that the banker should not grant advances to a few big firms only or to concentrate them in few industries or in few cities.
5. Incomplete and faulty documentation: There should thorough verification by the officials on the documents submitted by the borrowers.

External factors

1. Willful Defaults: The Indian Public Sector Banks are worst hit by these defaults. It is a default in repayment obligation.
2. Natural calamities: This is the measure factor, which is creating alarming increase in NPA's of the PSBs. Basically, our farmers depend on rainfall for cropping due to irregularities of rainfall the farmers are unable to attain the production level and thus they are unable to repay the loans. So, the banks have to make large amount of provisions in order to pay those loans.

3. Industrial sickness: Inappropriate project handling, ineffective management, lack of adequate resources, lack of advanced technology, day to day change in government policies produce industrial sickness therefore the banks that finance those industries end up with a low recovery of their loans, by reducing their profit and liquidity.

II. REVIEW OF LITERATURE

This survey has conducted a study on the existing papers, articles, journals, and reports provided by different authors, groups and committees from time to time.

Das S., DuttaA. (2014) The study tried to find out if there are any significant differences in the mean variation of the concerned banks. This paper also focuses on the reason behind the NPA and its impact on banking operations.

III. GAP IN RESEARCH

From the above literature review it was found that no study has been conducted from the period till 2020 in context of the objective stated earlier in the study. So the present scenario of Net NPA of banking sector was not depicted by the above researcher.

IV. STATEMENT OF THE PROBLEM:

Although various steps have been taken by government to reduce the NPAs but still a lot needs to be done to curb this problem. NPA reduces the earning capacity of the assets and the money blocked in NPA cannot be recycled for future use thus affecting the potential profits as it reduces advances turnover. Higher NPA percentage will requiring higher provisioning but the funds could've been invested in new projects. It affects the liquidity position of the banks and force the banks to raise resources at high cost. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also erodes the value of the asset. Credibility of banking system is also affected greatly due to higher level NPAs because it shakes the confidence of general public in the soundness of the banking system.

V. NEED OF THE STUDY:

The banking sector of India consists of public sector banks, private sector banks, co-operative banks and foreign banks. But among these four types" public sector banks still dominate the banking industry, with approximate 82% of the market share in total deposit and advances of the industry. The public sector banks play a crucial role in the Indian economy, by contributing directly to the GDP, and mobilizing savings and channelizing investments. But after managing every challenge successfully and by giving standard services to the customers, NPA becomes the biggest of all challenges and managing NPA is one of the hardest tasks for A Study on NPA of Public Sector Banks in India www.iosrjournals.org 80 | Page these banks, as the increasing NPA have adverse impact upon the progress of the Indian economy and the Indian financial system. On the other hand NPA is efficiently managed by the private sector banks, and it is controlled. The current paper tries to draw a view on the status of the NPA in different public sector banks, including State Bank of India and its Associates, and other public sector banks.

VI. OBJECTIVE OF THE STUDY:

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1. To study the current status and trend of NPA of Bank of Baroda
2. To study the impact of NPA on the growth and efficiency of the Bank
3. To understand the concept of NPA and to go through the precautions and measures taken by the bank to avoid NPA.

VII. Scope: Study pertains the level of NPA in Bank of Baroda and its impact in the bank’s performance throughout 2015-2021.

VIII. RESEARCH METHODOLOGY:

Research methodology for the proposed research is following us-

- **Type of Research:** - This research is descriptive in nature.
- **Sources of Data:-** This study is mainly based on secondary data.

Secondary data - Data has been collected from various websites, internet, books, articles related to the study.

- **Tools of Data Collection:** - Data collection is approached by using the website of Bank of Baroda for performing detail study of the annual reports. Data from research papers and case studies were used to thoroughly understand the concept of NPA. Data given in websites, articles, and manuals of the company are used to study the banks regulation, policies and several aspects related to the research.
- **Plan Of Analysis:** - Information regarding Non-Performing Assets have been assessed from various sources available in internet, RBI website and mainly from Annual Reports B. Data collected from the set of objectives of the study have been presented using Tables and Graphical representation. C. On the basis of data, analysis with relevant interpretations is drawn and accordingly findings and recommendations are suggested.

IX. INTERPRETATION:

CLASSIFICATION OF NPA CATEGORY

Sub-Standard is an asset classified as NPA for less than 12 months, Doubtful for more than 12 months and Loss Assets are need to be fully written off.

Table No: 1- Classification of NPA Category

<u>YEAR</u>	<u>SUB-STANDARDASSETS</u> (IN CRORES)	<u>DOUBTFULASSETS</u> (IN CRORES)	<u>LOSS ASSETS</u> (IN CRORES)
2015-16	11569	25766	3186
2016-17	8804	29186	4729
2017-18	13131	35447	7903
2018-19	9014	32398	6821

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2019-20	14311	37005	18065
2020-21	15056	35527	16088

(Source- NPA statement provided by Bank of Baroda)

INTERPRETATION:

From the above figure, it can be interpreted that FY 2020-21 has seen the highest growth in Sub-Standard Assets and the lowest was in the FY 2016-17. The Doubtful Assets are seen to be fluctuating in each year and this amount stood highest among all parameters. After FY 2018-19, a sharp rise can be seen for the loss assets in FY 2019-20.

TREND PERCENTAGE OF NON-PERFORMING ASSET

Trend analysis is an excellent way to interpret the trend of NPA throughout the years. Trendlines are an important tool in technical analysis for both trend identification and confirmation.

Table No: 2- Trend Percentage of NPA

<u>YEAR</u>	<u>NPA(IN CRORES)</u>	<u>TREND(IN %)</u>
2015-16	40,521	100
2016-17	42,719	105.42
2017-18	56,480	139.38
2018-19	48,233	119.03
2019-20	69,381	171.22
2020-21	66,671	164.53

(Source: NPA statement from Annual Report)

INTERPRETATION-

From the above figure, trend for NPA can be interpreted for the study period. FY 2019-20 shows the highest percentage of 171.22 due to sharp rise in NPA in that year. Further it can be interpreted that 2018-19 achieved a good decline in percent having the lowest NPA amount in the past 3 financial years.

TOTAL DEPOSITS AND TOTAL ADVANCES- BANK OF BARODA-

The deposit is the amount that is kept with the bank by customers for the safety and earning interest. On the other hand, the advance is the amount that the bank lends to the individual and corporate bodies in order to earn income.

Table No: 3- Total Deposits and Total Advances

<u>YEAR</u>	<u>TOTALDEPOSITS</u> (IN CRORES)	<u>TOTALADVANCES</u> (IN CRORES)
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2015-16	5,74,037.87	3,83,770.18
2016-17	6,01,675.17	3,83,259.22
2017-18	5,91,314.8	4,27,431.8
2018-19	6,38,689.7	4,68,818.7
2019-20	9,45,984.4	6,90,120.7
2020-21	9,66,996.9	7,06,300.5

(SOURCE: Annual Report- Bank of Baroda)

INTERPRETATION: From the above Column Chart, it can be interpreted that throughout the period, bank’s deposits amount has always stood high than the total advances. In FY 202021, total deposits of the bank increased to 9,66,997 crores. Net advances increased to 7,06,301 crores led by domestic retail loans, agriculture and MSME loans as on 31st March 2021.

TO ANALYSE THE IMPACT OF NPA ON THE GROWTH AND EFFICIENCY OF THE BANK

RELATIONSHIP BETWEEN NETPROFIT AND GROSS NPA-BANK OF BARODA

Table No: 4- Net Profit and Gross NPA- Bank of Baroda

<u>YEAR</u>	<u>NETPROFIT(IN CRORES)</u>	<u>GROSSNPA(IN CRORES)</u>
2008	1435.52	1981.38
2009	2227.20	1842.92
2010	3058.33	2400.69
2011	4241.67	3152.50
2012	5006.95	4464.75
2013	4480.72	7982.58
2014	4541.08	11875.9
2015	3398.43	16261.45
2016	-5395.53	40521
2017	1383.13	42719
2018	-2431.8	56480
2019	433.5	48233
2020	546.2	69381
2021	829.0	66671

(Source- Annual Reports of FY 2007-08 To FY 2020-21- Bank of Baroda)

INTERPRETATION:-

From the above table and chart it can be observed that bank was able to contain NPAs till the year 2015 and also has remained in profit. In the FY 2015-16 there was steep rise in NPAs and as a result bank registered loss probably for the first time since its establishment. Financial years after 2015-16 saw a continuous increase in NPAs till 2018 which affected the bank’s profitability thereafter again suffered a loss of Rs 2431.8 crores. In FY 2018-19 the bank saw a decrease in NPA and slight increase in net profit in FY 2019-20.

GROSS NPA RATIO:

Gross NPA stands for Gross Non-Performing Assets. Total Gross NPA is the sum of Sub-Standard Assets, Doubtful Assets and Loss Assets. Gross NPA ratio shows the asset quality and credit appraisal policy of the company. Higher ratio indicates lower asset quality and also it indicates a liberal appraisal policy and vice versa.

$$\text{GROSS NPA RATIO} = (\text{GROSS NPA} / \text{TOTAL GROSS ADVANCES}) * 100$$

Table No: 5- Gross NPA Ratio

<u>YEAR</u>	<u>GROSS NPA</u> <u>(IN CRORES)</u>	<u>GROSS</u> <u>ADVANCES(IN</u> <u>CRORES)</u>	<u>GROSS NPA</u> <u>RATIO</u> <u>(IN %)</u>
2015-16	40521	405517	9.99%
2016-17	42719	408511	10.46%
2017-18	56480	460744	12.26%
2018-19	48233	501706	9.61%
2019-20	69381	738096	9.40%
2020-21	66671	751590	8.87%

(Source- Annual Reports: Bank of Baroda)

INTERPRETATION:

From the chart above, it can be interpreted the Bank's GNPA ratio increased from FY 2015-16 to 2017-18 which stood the highest carrying 12.26% and also reduced down to 8.87% in FY 2020-21. This shows the bank's asset quality has improved in the past 3 financial years and the bank tried to maintain systematic appraisal.

NET NPA RATIO-

Net NPA is caused by low number of provisions for the unpaid debts. Net NPA amount to the actual loss of the company because the provisions for unpaid loans have already been deducted. Net NPA Ratio is the ratio of Net NPA to Total Advances. This ratio shows the degree of risk in the bank's portfolio.

Higher the ratio higher is the provisioning thereby impacting the profitability of banks.

Table No: 6- Net NPA Ratio

<u>YEAR</u>	<u>NET</u> <u>NPA(IN</u> <u>CRORES)</u>	<u>TOTAL</u> <u>ADVANCES</u> <u>(IN CRORES)</u>	<u>NET NPA</u> <u>RATIO</u> <u>(IN %)</u>
2015-16	19,407	3,83,770.18	5.06%
2016-17	18,080	3,83,259.22	4.72%
2017-18	23,483	4,27,431.8	5.49%

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2018-19	15,609	4,68,818.7	3.33%
2019-20	21,577	6,90,120.7	3.13%
2020-21	21,800	7,06,300.5	3.09%

(Source- Annual Report- Bank of Baroda)

INTERPRETATION:

From the above figure, it can be interpreted that FY 2017-18 saw the highest rise in Net NPA ratio of percentage 5.49%. In the following financial year 2018-19 there was a steep fall in NPA ratio and in years following the NPA ratio underwent small decrease in percentage every year.

SUB-STANDARD ASSET RATIO-

This ratio shows the percentage of sub-standard

Assets in the Gross NPA of the bank. It is the ratio of total Sub-standard Assets to Gross NPA of bank. High sub-standard Assets Ratio means more proportion of sub-standard assets in the Gross NPA. High ratio shows that the chance of recovery of asset is high.

SUB-STANDARD ASSET RATIO= (TOTAL SUB-STANDARD ASSETS/GROSS NPA) * 100

Table No: 7- Sub-Standard Asset Ratio

<u>YEAR</u>	<u>SUB-STANDARD ASSETS</u> (IN CRORES)	<u>GROSS NPA</u> (IN CRORES)	<u>SUB-STANDARD ASSET RATIO</u> (IN %)
2015-16	11569	40521	28.55%
2016-17	8804	42719	20.60%
2017-18	13131	56480	23.24%
2018-19	9014	48233	18.68%
2019-20	14311	69381	20.62%
2020-21	15056	66671	22.58%

(Source- Annual Report, NPA Statement)

INTERPRETATION-

From the above figure it can be interpreted that, with 28.55% of substandard ratio, FY 2015-16 saw the highest rise following by 23.24% in FY 2017-18 and as on March 31st 2021, Sub-Standard Asset ratio was 22.58%. The lowest drop in sub-standard in last 6 years was in 2018-19.

3.DOUBTFUL ASSET RATIO-

It is the ratio of total Doubtful Assets to Gross NPA of the Bank. This ratio shows the percentage of Doubtful assets in the Gross NPA of the Bank. High Doubtful Assets Ratio is not good sign for the Bank. The Bank should take precautions. This ratio should be less for the Bank.

DOUBTFUL ASSET RATIO- (TOTAL DOUBTFUL ASSETS/ GROSS NPA)* 100

Table No: 8- Doubtful Asset Ratio

<u>YEAR</u>	<u>DOUBTFULASSETS</u> (IN CRORES)	<u>GROSSNPA</u> (IN CRORES)	<u>DOUBTFULASSETS</u> <u>RATIO</u> (IN %)
2015-16	25766	40521	63.58%
2016-17	29186	42719	68.32%
2017-18	35447	56480	62.76%
2018-19	32398	48233	67.18%
2019-20	37005	69381	53.33%
2020-21	35527	66671	53.28%

(Source- Annual Report- NPA Statement)

INTERPRETATION-

From the above figure, it can be interpreted that Doubtful ratio has decreasing trend in past 2 years. FY 2016-17 saw the highest rise in the ratio of 68.32% and financial years before 2019-20, has shown fluctuation in the ratio percentage.

LOSS ASSET RATIO-

It is the ratio of total Loss Assets to Gross NPA of the Bank. The ratio shows the percentage of loss Assets in the Gross NPA. High Loss Assets ratio means more proportion of loss assets in the Gross NPA. The Bank must take necessary steps reduce the level of loss assets. This ratio should be less in bank.

LOSS ASSET RATIO= (TOTAL LOSS ASSETS/ GROSS NPA) * 100

Table No: 9- Loss Assets Ratio

<u>YEAR</u>	<u>LOSS</u> <u>ASSETS</u> (IN CRORES)	<u>GROSSNPA</u> (IN CRORES)	<u>LOSSASSETS</u> <u>RATIO</u> (IN %)
2015-16	3186	40521	7.86%
2016-17	4729	42719	11.07%
2017-18	7903	56480	13.99%
2018-19	6821	48233	14.44%
2019-20	18065	69381	26.03%
2020-21	16088	66671	24.13%

(Source- Annual Report- NPA Statement)

INTERPRETATION-

From the above figure, it can be interpreted that there was a steep rise in the Loss Assets Ratio as on 31st March 2019-20 which also was the highest having 26.03%. In FY 2020-21 there was slight decrease in the ratio.

CASA RATIO-

CASA ratio stands for current and savings account ratio. CASA ratio of a bank is the ratio of deposits in current and saving accounts to total deposits. It indicates how much of the banks total deposits are in current and savings account. A high ratio means a larger portion of a bank’s total deposits are in current and savings account thus indicating lower cost of funds. It shows the operating efficiency and profitability of the bank.

$$\text{CASA RATIO} = (\text{CASA DEPOSITS} / \text{TOTAL DEPOSITS}) * 100$$

$$\text{CASA DEPOSITS} = \text{CURRENT DEPOSITS} + \text{SAVING DEPOSITS}$$

Table No: 10- CASA Ratio

<u>YEAR</u>	<u>CURRENT DEPOSITS</u> (IN CRORES)	<u>SAVING DEPOSITS</u> (IN CRORES)	<u>TOTAL DEPOSITS</u> (IN CRORES)	<u>CASA RATIO</u> (IN %)
2015-16	19,285.57	1,13,253.07	5,74,037.87	23.08%
2016-17	26,761.77	1,46,831.82	6,01,675.17	28.85%
2017-18	31,193.1	1,61,130	5,91,314.8	32.52%
2018-19	34,327.6	1,74,076.2	6,38,689.7	32.62%
2019-20	49,650.1	2,66,301.3	9,45,984.4	33.39%
2020-21	61,609	3,06,418.5	9,66,996.9	38.05%

(Source- Annual Report, Financial Statements)

INTERPRETATION-

From the above chart it can be interpreted that, CASA ratio has been increasing throughout the years and stood at 38.05% in FY 2020-21. It means that the remaining 61.95 % of the banks total deposits are in other types of deposits and accounts for which cost of funds will be slighter greater than that of savings deposits.

TO GO THROUGH THE PRECAUTIONS AND MEASURES TAKENBY THE BANK TO AVOID NON-PERFORMING ASSET

1. Stressed Assets Management Vertical

The Bank believes that continuous day-to-day monitoring is the first step towards reduction in non-performing loans and in ensuring good recovery. For this, the Bank undertook various steps and formulated strategies to augment recoveries and reduce slippages. The Bank has a ‘Stressed Assets Management Vertical’, to monitor all NPA accounts. For improved monitoring and recovery of NPA accounts, five Stressed Assets Branches (SAM) were set up and all accounts under National Company Law Tribunal (NCLT) were transferred to these specialized branches. Further, 16 Stressed Assets Recovery Branches (SARB Branch) at zonal level were established to handle NPA accounts other than NCLT with outstanding balance above 5 crores.

2. Set up of legal war-room for real-time tracking of recovery proceedings

Our Bank has developed a comprehensive organizational structure for recovery and credit monitoring across different levels and taken a number of measures to strengthen systems and processes to manage stressed assets which include

- a. Set up of legal war-room for real-time tracking of recovery proceedings and to aid accelerated decision making (a 140 high value suit-filed accounts being monitored).
- b. Strengthening Bank's legal/ fraud investigation capabilities and ability to handle recovery cases enhanced through onboarding of external expert.
- c. Solution provider' cell setup to provide resolution strategies for stressed accounts, with currently 65 large NPA accounts with exposure above 100 crores under process of being resolved.
- d. Collections call center setup (200 agents) for retail loans with multi-lingual support and augmented with feet-on-street staff to drive on-ground collections.
- e. 900-member strong Bank taskforce deployed for NPA and potential NPA recovery in small accounts.
- f. Business Correspondents incentivized for crop loan collections.

3. Measures on ongoing basis towards recovery of non-performing assets

In addition, Bank has in place the following measures on ongoing basis towards recovery of non-performing assets-

- a. Assigning Nodal Officer at each of DRT for follow-up of legal cases on daily basis so as to minimize the delay in obtaining decrees and execution and maximize recoveries.
- b. For recoveries in all DRT Suit filed NPA accounts, the assets charged to the Bank are sold through e-auction to get fair market value.
- c. Recovery Agents for assisting in taking possession of assets & other pre/post sale activities.
- d. Consultants to liaise with Official Liquidators (OL) to get the recoveries realized by OLs.
- e. Maximum participation in National Lok Adalat's is ensured to expedite recovery in suit filed & non suit filed NPA accounts.
- f. Recovery Camps were regularly conducted by our Bank's branches to recover & reduce long pending cases and expedite recoveries in small accounts.
- g. Special incentive scheme named 'Sankalp-X' Scheme was launched during the year to intensify recovery efforts of smaller value accounts with an outstanding up to 25 lakhs. Cash recovery made during FY 2017 under the scheme was at 116.88 crore.
- h. Monitoring of large value of NPA accounts of 1 crore and above directly from Corporate Office

3. One-Time Settlement Scheme

In order to address the large number of small NPA accounts, sector wise special OTS schemes were launched by the Bank. For MSME sector, the Bank launched special OTS scheme “MSME OTS Scheme” to provide opportunity for repayment of dues. For farmers in distress, a special OTS scheme was launched during FY 2020.

An application called ‘One Time Settlement Tracking System’ was implemented wherein customers could initiate settlement proceedings online. The Bank also set up a legal warroom for real-time tracking of recovery proceedings and to aid accelerated decision making wherein high value suit-filed accounts are monitored.

The Bank recovered and upgraded NPA accounts amounting to 694 crores under these schemes in FY 2020-21 A new e-auction platform, eBkray was used for sale of properties under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI)

4. Lakshya I and II OTS Schemes.

The Bank launched OTS schemes viz. Lakshya I and II (Lakshya Agriculture, Retail & MSME) during FY 2019. The Bank has made recoveries and upgraded NPA accounts amounting to Rs.1,296 crore under these schemes.

5. Days Past Due (DPD) Report

The Bank strengthened its NPA management with daily dashboards like Days Past Due (DPD) Report, NPA movement chart and mock runs for forecasting degradations to ensure reduction in slippages and improvement in collections. Further, the Bank is in the process of developing a mobile application which would enable the collection agents on the field to collect the amount based on data fed in the system and also update recovery details.

X.FINDINGS:

1.It has been found from table 1, FY 2020-21 has seen the highest growth in Sub-Standard Assets and the lowest was in the FY 2016-17. Doubtful Assets has been fluctuating throughout the period taken. As for the Loss Assets, there was a slow increase till FY 2018-19 followed by a rise FY 2019-20..

2. Trend analysis is an excellent way to interpret the trend of NPA throughout the years. It has been found from table 2 , trend for NPA can be interpreted for the study period. FY 2019-20 shows the highest percentage of 171.22 due to sharp rise in NPA with NPA increasing by Rs 21148 Crore. FY 2018-19 achieved a good decline in trend percentage with a decrease of Rs 8247 Crores, the lowest NPA amount in the past 3 financial years.

3. The deposit is the amount that is kept with the bank by customers for the safety and earning interest. On the other hand, the advance is the amount that the bank lends to the individual and corporate bodies in order to earn income. It has been found from table 3; that as on March 2021, net advances increased to 7,06,301 crores led by domestic retail loans, agriculture and MSME loans.

4. It has been found from table 4 that the bank was able to contain NPAs till the year 2015 and also has remained in profit. In the FY 2015-16 there was steep rise in NPAs and as a result bank registered loss probably for the first time since its establishment. Even though in FY 2018-19 the bank saw a decrease in NPA and slight increase in net profit in FY 2019-20. Bank could again control NPA in FY 2018-19.

5. Higher ratio indicates lower asset quality and also it indicates a liberal appraisal policy and vice versa. From table 5; it may be observed that the Bank's GNPA ratio increased from FY 2015-16 to 2017-18 which stood the highest carrying 12.26% and also reduced down to 8.87% in FY 2020-21. This shows the bank asset quality has improved in the past 3 financial years and the bank tried to maintain systematic appraisal.

6. Net NPA amount to the actual loss of the company because the provisions for unpaid loans have already been deducted. From table 6 , FY 2017-18 saw the highest rise in Net NPA ratio of percentage 5.49%. In the following financial year 2018-19 there was a steep fall in NPA ratio and in years following the NPA ratio underwent small decrease in percentage every year.

7. From table 7, it is analyzed that with 28.55% of sub-standard ratio, FY 2015-16 saw the highest rise following by 23.24% in FY 2017-18 and as on March 31st 2021, Sub-Standard Asset ratio was 22.58%. The lowest drop in sub-standard in last 6 years was in 2018-19.

8. From table 8, it can be interpreted that Doubtful ratio has decreasing trend in past 2 years. FY 2016-17 saw the highest rise in the ratio of 68.32% and financial years before 2019-20, has shown fluctuation in the ratio percentage.

9. From table 9, it is observed that there was a steep rise in the Loss Assets Ratio as on 31st March 2019-20 which also was the highest having 26.03%. In FY 2020-21 there was slight decrease in the ratio.

10. From table 10, it has been found that CASA ratio has been increasing throughout the years and in FY 2020-21 the ratio stood at 38.05%. It means that the remaining 61.95 % of the banks total deposits are in other types of deposits and accounts for which cost of funds will be slighter greater than that of savings deposits.

11. It has been found that the Bank has a 'Stressed Assets Management Vertical', to monitor all NPA accounts. For improved monitoring and recovery of NPA accounts, five Stressed Assets Branches (SAM) were set up and all accounts under National Company Law Tribunal (NCLT) were transferred to these specialized branches.

12. 16 Stressed Assets Recovery Branches (SARB Branch) at zonal level were established to handle NPA accounts has been found.

13. 'Solution provider' cell setup to provide resolution strategies for stressed accounts, with currently 65 large NPA accounts with exposure above 100 crores under process of being resolved.

14. Special incentive scheme named 'Sankalp-X' Scheme was launched during the year to intensify recovery efforts of smaller value accounts with an outstanding up to 25 lakhs.

15. The Bank launched OTS schemes viz. Lakshya I and II (Lakshya Agriculture, Retail & MSME) during FY 2019. The Bank has made recoveries and upgraded NPA accounts amounting to Rs.1,296 crore under these schemes.

XI: SUGGESTIONS:

1. Gross NPA has been continuously rising since last 10 years. The reason for the rise in today's NPAs are might be from the loans in the mid-2000s. Even the major portion of NPAs is contributed by top industrialists. NPAs in agricultural and priority sector is comparatively lower than that of corporate houses. Rise in NPA might also be due to various macroeconomic factors. Therefore, a corrective plan to arrests the increase of NPA should be taken-
 - The bank should strengthen their present precautions and strategies along with that they should increase the use of Asset Reconstruction Company.
 - There should be a strict and no change policy of- No Mortgage No Loan.
 - Strict actions to be increase over large NPAs.
2. Upon analyzing the relationship between Net profit and Gross NPA from FY 20015- 16 to 2020-21-
 - Bank still needs to have time bound strategy to further reduce NPAs and ensure that there are no slippages particularly in high value advances.
 - Loan utilization must be fully ensured so that there is no siphoning of any loan amount.
 - Strict action must be taken against willful defaulters
 - Name of the defaulters should be sent inter banks and also a complete exposure of defaulters.
 - Bank must speed up the recovery process ensuring fast and effective process.
3. From the analysis it may be noted that bank's advances have been increasing throughout the considered study period. Therefore, guidelines prescribed by the RBI to avoid irregular practices such as sanctioning of Advances beyond discretionary powers with proper credit appraisal in order to minimize chances of frauds. Appropriate SWOT analysis should be performed before disbursement of advances.
4. To ensure the decrease in Doubtful Assets and Loss Assets-
 - Proper credit appraisal, creditworthiness of clients should be strictly analyzed.
 - KYC norms should be introduced effectively and ensuring proper monitoring of the client profile cards.
 - India has seen many fraud cases and thereby bank must ensure that no fraud accounts in future.
 - Bank should strengthen their guidelines for compromise and settlement of loan accounts so that timely decision can be taken.

5. Bank must try to find out and resolve the reasons as to why willful defaults are increasing-
 - Features and services of the product should be properly disclosed to the customers.
 - Due to many unforeseen reasons customers might not repay the installment or loan in time. In that case, the need of the customer should be properly understood and the bank should even suggest possible solutions to the problem.
6. Bank must continue to maintain their Credit-To-Deposit ratio as it is important parameter to measure the financial health.
 - Bank should keep on continuing to not lend too much of their deposits as there might be a possibility of overextending themselves which will create huge pressure during economic turndown.
 - Further if bank lend too few of their deposits, bank will face opportunity cost as their deposits will be earning no revenue. That said, bank should keep on maintaining their Credit-To-Deposit ratio.
7. Bank should always try to maintain transparent and effective accounting system. Accountability of the top management, Board of directors, Auditors should be fixed. Bank must continue to maintain complete transparency in the credit decision making and balance sheet by adapting best banking practices.

XII: CONCLUSION:-

The problem of NPA appeared to be a major issue in the Indian banking sector. Reduction of NPA is very necessary to comply with capital adequacy norms and also to improve the profitability. RBI and government have set up guidelines and policies for the bank to implement draconian methods in case of recovery of the NPAs also to improve their balance sheets but the final result will turn out to be positive only when there is a reduction on scams, frauds, willful defaults from customers, and strengthening of strict lending process which should give the bank good returns. Over the years after RBI has implemented guidelines with effect from 1st April 2000, various corrective steps had been administered to solve the problem of NPA, yet concrete results seem to be escaping year after year. Upon studying the Non-Performing Assets of Bank of Baroda, Gross NPA is seen to be increasing severely year after year, not with-standing the efforts of the bank to reduce them. On analyzing the relationship between profitability and gross NPA of the Bank, there was steep rise in NPAs and as a result bank registered loss in 2015-16 probably for the first time since its establishment.

Also, the bank has taken corrective measures regarding the loss. The bank has dutifully adhered to the follow up with the guidelines prescribed by Government of India and Reserve Bank of India, the result of which has shown in the recoveries and upgradation in NPA accounts under various precautions, measures and schemes. Over the study period the bank has tried to maintain the margin of financial ratios resulting step-by-step increase in the efficiency of the bank. Improvement was seen in the asset quality during past 3 financial years and the bank has maintained systematic appraisal.

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Furthermore, the effectiveness of various measures initiated by RBI might decrease if the bank does not correct the loopholes persisting which will result in the increase of NPAs. Bank of Baroda has seen the increase in trend of NPA with slight decrease in some financial years for which the bank should implement more measures and schemes to prevent the rise of NPA in future and to overcome any loss arising from NPA. The good news is that Bank of Baroda has a good liquidity position. They have maintained their Provision Coverage Ratio and are able to buffer themselves against any future losses. Yet provisions mean hampering a good portion of the profit. Therefore, the bank should set strict objectives towards arresting the further increase of NPA in coming future.

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