CASE STUDY ON NPA IN BANKING SECTOR

ADARSH COLEGE OF ARTS AND COMMERCE

PROJECT

"THE CASE STUDY OF NPA IN BANKING SECTOR"

A PROJECT SUBMITTED TO

UNIVESITY OF MUMBAI FOR PARTIAL COMPLETION OF THE DEGREE OF THE BACHAELOR OF ACCOUNTING AND FINANCE

UNDER THE FACULTY OF COMMERCE

BY

MS. ROSHNI PURUSHOTTAM PUJARI

SEAT NO . 1002739

UNDER THE GUIDANCE OF

ASST. PROF. RAINA HINGER

2021-2022

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CERTIFICATE

This Is to Certify That Ms. ROSHNI PURUSHOTTAM PUJARI Has Worked and Duly completed My Project Work for the Degree of Bachelor of Accounting and Finance under the Faculty of Commerce in the Subject of "CASE STUDY ON NPA IN BANKING SECTOR" Under My supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is my own work and facts reported by my personal findings and investigations.

6/4/22

SFC. CORDINATOR

(Asst. Prof. Sachin Dedhia)

25/3

PROJECT GUIDE

(Asst. Prof. Raina Hinger)

6/4/22

EXTERNAL GUIDE

PRINCIPAL

(Dr Vaidehi Daptardar)

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To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

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I take this opportunity to thank our **Coordinator** Asst. Prof. Sachin Dedhia, for his moral support and guidance.

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I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially my **Parents and peers** who supported me throughout my project.

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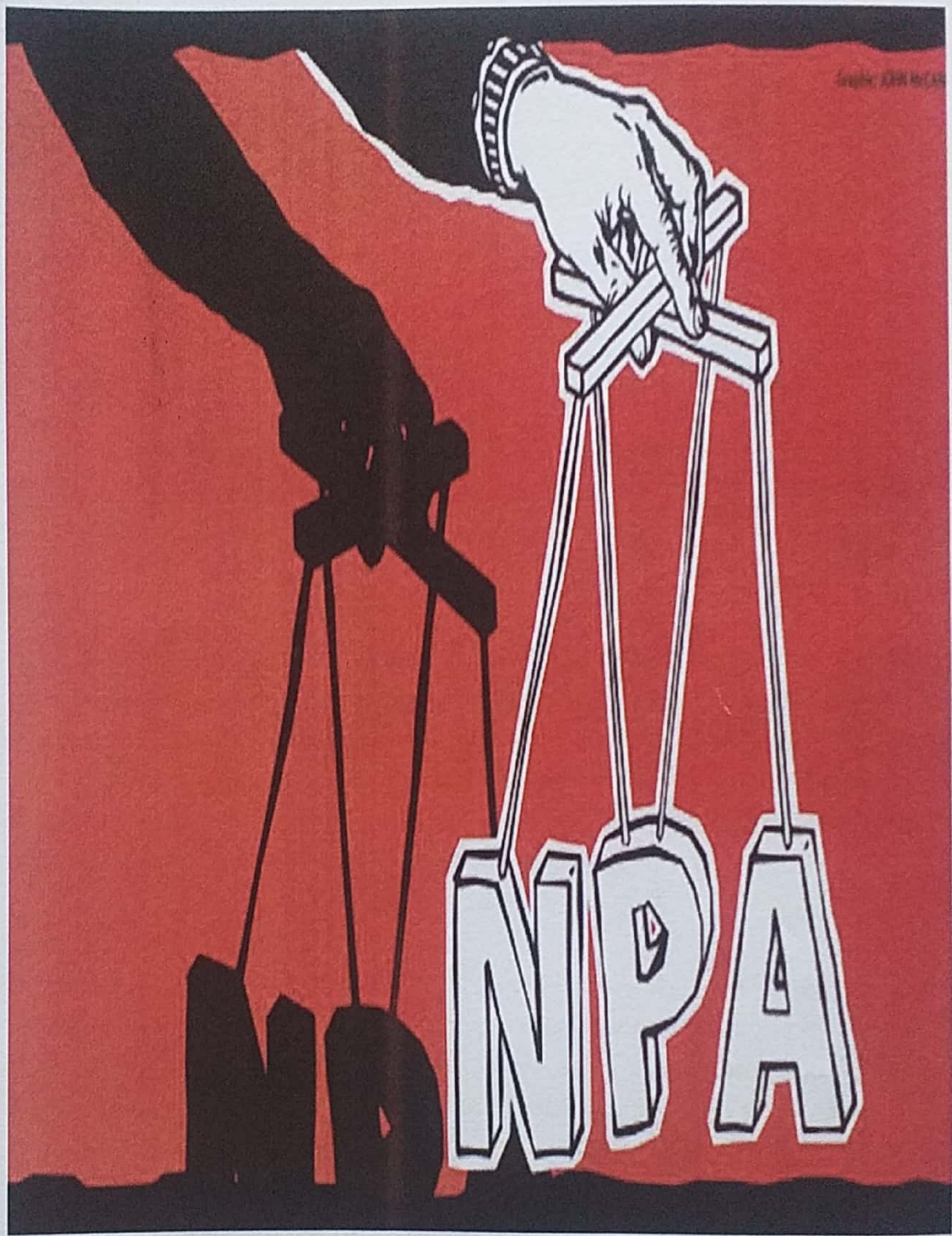

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Introduction

What is the bank?

A bank is a financial institution that accepts deposits from the public and creates a demand deposit while simultaneously making loans. Lending activities can be directly performed by the bank or indirectly through capital markers.

Because banks play an important role in financial stability and the economy of a country, most jurisdictions exercise a high degree of regulation over banks. Most countries have institutionalized a system known as fractional reserve banking, under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, the Basle Accords.

Banking in its modern sense evolved in the fourteenth century in the prosperous cities of Renaissance Italy but in many ways functioned as a continuation of ideas and concepts of credit and lending that had their roots in the ancient world. In the history of banking, a number of banking dynasties - notably, the Medici, the Foggers, the welders, the Bahrenberg's, and the Rothschild's – have played a central role over many centuries. The oldest existing retail bank is Banca Monte dei Paschi di Siena (founded in 1472), while the oldest existing merchant bank id Berenberg Bank (founded in 1590).

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Currently, India has 80 scheduled commercial banks (SCBS)- 12 public sector banks (that is with the Government of India holding a stake), 9 private banks (these do not has government stake; they may be publicly listed and traded on stock exchanges) and 46 foreign banks. They have a combined network of over 120000 branches and 2 lakh ATMs According to a report by ICRA Limited, a rating agency, the public sector banks over 51% of total assets of the banking industry, with 28.75% the private and foreign banks holding and 2f2.25% respectively

History

The word bank comes from an Italian word banco, meaning a bench, since Italian merchants in the Renaissance made deals to borrow and lend money beside a bench. They placed the money on that bench.

Elementary financial records are known from the beginning of history. Baked clay records were done before the invention of writing

The Bank of England began issuing banknotes in 1695. The oldest bank still in existence is Monte dei Paschi di Siena, Italy, which started in 1472

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Meaning

A bank is a financial institution which deals which deposits and advances and other related services. Bank provides various services related to money or financial requirements of consumers.

As per The Indian Banking Regulation Act, 1949 banking company means "any company which transacts the business of banking in India" and the word banking had been defined on demand or otherwise, and withdraw able by cherubs, draft and order or otherwise."

Types of Banks

- Central Bank
- Commercial Bank
- Co-operative Bank
- Development Bank
- Exchange Bank
- Regional Rural Bank
- Saving Bank
- Investment Bank
- Specialized Bank

Central Bank

The central bank is the apex financial institution in banking industry in the country. Every country has their own central bank. In India, The Reserve Bank of India (RBI) is the central bank. The RBI was established in 1945 under the Reserve Bank of India Act, 1944. Some functions of RBI are as follows:

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- Frames monetary policy
- Issues currency notes
- Acts as a banker to the Government
- Acts as a banker's bank to commercial and other banks in India.

Commercial Bank

The commercial bank play an important role in economic in social development of a country. Commercial banks performs important functions such as:
Primary Functions i.e. accepting of deposits and lending of money and Secondary Functions i.e. agency functions and utility functions. In India, commercial banks are divided into three groups:

- Public sector banks where majority of capital is held by government such as Bank of India, State Bank of India etc.
- Private sector banks are owned by group of individuals such as AXIS bank, HDFC bank etc.
- Foreign banks are those banks which are established outside India but these banks have branches in India such as City Bank, HSBC, and Standard Chartered etc.

Co-operative Bank

In India, co operative asks are registered under Indian Co-operative Societies Act and regulated under banking regulation Act. Co-operative bank is to provide credit to economically backward people, farmers and small scale units. Generally, the co-operative bank works t three different levels:

- Primary Credit Co-operative Society Bank

Primary Credit Co-operative society's work at village level. They collect deposits from Members and common public. They also get funds from the State Co-operative Bank and District Co-operative banks for the purpose of lending.

- District Central Co-operative Bank:

These banks operate at district level. They obtain deposits from the public at the district level and also get funds from the State Co-operative Bank for the purpose of lending.

- State Co-operative Bank:

This bank operates at state level. They provide funds to central co-operative bank and primary credit societies as required. State co-operative bank also performs function of monitoring over distinct bank and credit cooperative societie

Industrial development Banks:

These are financial institutions that provide medium and long term funds to the business firms Examples of development bank ate Industrial Finance Corporation of India (IFCI), State Finance Corporation (SFC), Maharashtra State Finance Corporation(MSFC) ETC. Some functions of development bank are as follows:

- Provision of medium and long term funds to business units for the purpose of expansion and modernization.
- Underwriting of shares issued by public limited companies.
- Purchase of debentures and bonds.

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Exchange Bank:

The exchange banks as well as large commercial banks facilitate foreign exchange transactions Examples of exchange bank are Barclays Bank, Bank of Tokyo etc. Some functions of exchange bank are as follows;

- Financing foreign trade transactions.
- Issue of letter of credit (LC)
- Discounting of bills of exchange.
- Remittances of dividend, interests and profits etc.

Regional Rural Bank:

Regional Rural Banks (RRB) was established in 1975. These banks are sponsored by large public sector banks. The capital of RRB is contributed by central Government 50%, State Government 15% and Sponsored Banks 35%

RRBs mobilize deposits primarily from rural and semi-urban areas and provide loans and advances mostly to small and marginal farmers, agricultural laborers and rural artisans

Saving Bank:

The main objective of savings bank is to encourage savings of the people, especially in rural areas. Examples of such banks include postal saving bank, commercial banks and cooperatives banks.

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Investment Bank:

These banks provide financial and advisory assistance to their customers. Their clients generally include business firms and government organizations. Investment banks facilitate mergers and acquisitions by undertaking research and providing advice on investment decisions. Generally, investment banks do not directly deal with general public.

Specialized Banks:

These banks cater to the requirements and provide overall support for setting up business in specific areas.

- Export and Import Bank (EXIM): This bank provides financial assistance to exporters and importers and functions as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade.

Small Industries Development Bank of India (SIDBI): Small Industries Development Bank of India (SIDBI) SET UP ON 2ND April 1990 Under an Act of Indian Parliament,

Act as the principal financial institution for promotion, financing and development of the Micro, small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.

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National Bank for agriculture and Rural Development (NABARD): It is an apex institution for financing agricultural and rural sector.

NABARD

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT

NABARD provides both short term and long term credit through regional rural banks. It is concerned with policy planning and operations relating to agricultural credit for other activities in rural India. It provides finance to financial institutions and not to the individual

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What is NPA?

NPA full form is Non-performing Assets. NPA is nothing but the loans that are being given by the Indian banks and other operating Financial Institutions whose interests as well as the principal amounts have been in a state of overdue state for a fairly long time. When we talk about a long time, it is 90 days or more than 90 days. Similar to any other business, the banks also should be profitable, but NPA eats up a large portion of the banks' margin.

NPA or Non-Performing Assets is not a desirable phenomenon is India's banking system. This is like cancer that is destroying the overall banking system in India.

The RBI has defined NPA in banking more specifically. As per the RBI Master Circular that is released on NPA, the ones listed below are counted under NPA.

Installment/interest of a principal remains overdue for a continuous period of more than 90 days in respect of a term loan.

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Meaning

A nonperforming asset (NPA) refers to a classification for loans or advances that are in default or in arrears. A loan is in arrears when principal or interest payments are late or missed. A loan is in default when the lender considers the loan is in default whether lender considers the loan agreement to be broken and the debtor is unable to meet his obligations.

Factors but also because of the inability of the borrowers to repay and their attitude towards the settlement of loans. Several studies conducted in various parts of the country reported factors like defective lending policies, failure to tie-up lending with development programmers' increasing politicization of agricultural credit, lack of cooperative education, Inadequate flow of cooperative credit, diversion of credit to unproductive purposes, misutilisation of loans, willful default, low agricultural productivity, adverse effects of Debt Relief Schemes, were the reasons attributed to the increase of overdue I Cooperatives. The cumulative result is that the members, who are mostly borrowers, have little o no sense on their stake in the cooperative or any accountability I ensuring prudent management of funds. On the contrary, the Government policies (loan and interest waivers, delaying recoveries, the loans carrying State Guarantees) have, in a way, led the borrowers to presume that they could with impunity, delay or even fail to meet, their repayment obligations.

The study conducted by Anil Suryawanshi identified that misutilisation of the loans by beneficiaries, low income generation from the activity undertaken, natural calamities, intentional non-repayment of dues, non-adherence to lending norms/ sanctioned norms/ conditions were the reasons at the borrower level. Selections were the reasons at the borrower level. Selection of unsuitable scheme, political interference and willful default were the reasons for the poor recovery.

Poor planning, delay in communication, ignorance of credit risk and commercial risks, overlooking of operational irregularities are the cause for the creation of the NPAs apart from the abrupt change in Government policies, cost and time overruns, natural calamities which tend mounting in NPAS.

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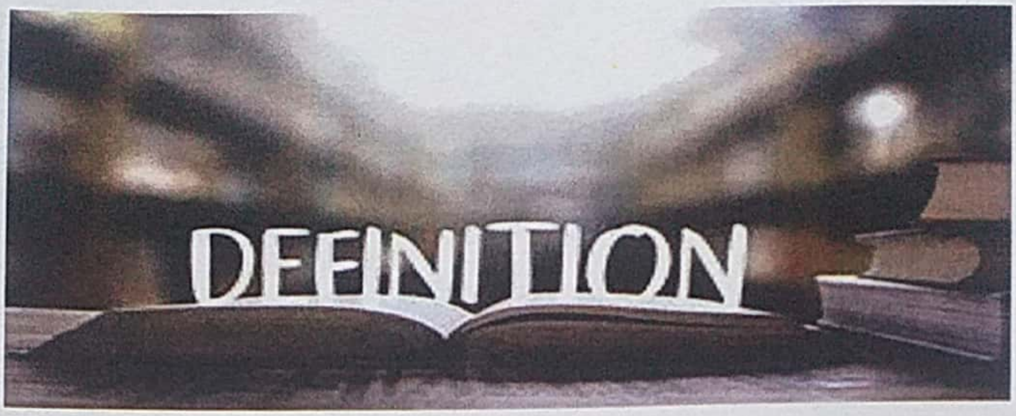
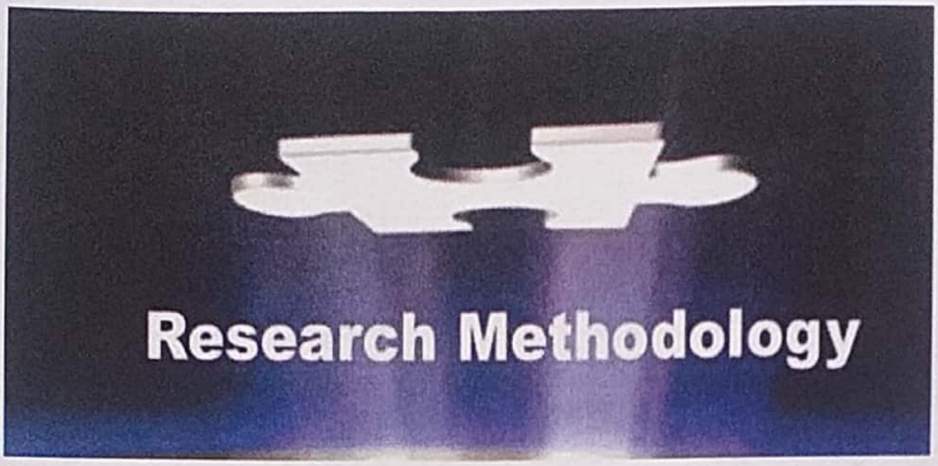


A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.

To the status of Non Performing Assets of Indian Scheduled Commercial Bank in India.

- To study the case study of NPA's in Banking sector.
- To make a comparative study of **NPA"s** of public **sector** banks, private sector banks and foreign sector banks.
- To know the recovery of NPAs through various channels.
- To understand the recovery of **NPAs** through various channels.
- To understand the relationship between **NPA"s** net profit and advances



Research and Methodology

Based on the objectives of this topic, information was gathered about various financing activities and other services rendered by NPA. This study is mainly based on secondary data. Secondary data are collected through published sources like books, articles, websites and annual reports on banks. Data required for study has been collection from both primary and secondary sources.

Primary Data

Primary sources of data for this project have been collected from questionnaire survey.

Secondary Data

Secondary data for this project has been gathered through websites and reports and use books on NPA.

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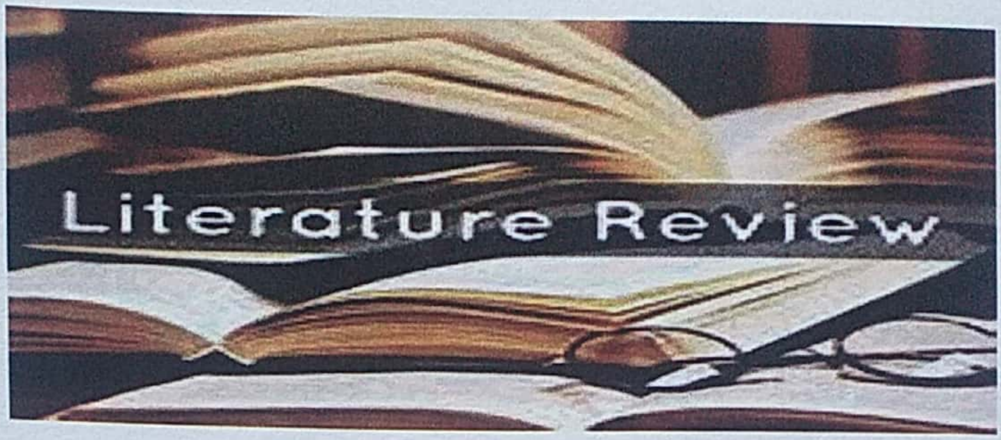
LITERATURE REVIEW



According to a study by Brownbridge (1998), most of the bank failures were caused by non-performing loans. Arrears aecting more than half the loan portfolios were typical of the failed banks. Many of the bad debts were attributable to moral hazard: the adverse incentives on bank owners to adopt imprudent lending strategies, in particular insider lending and lending at high interest rates to borrowers in the most risky segments of the credit markets.

Bloem and Gorter (2001) Suggested that a more or less predictable level of non-performing loans, though it may vary slightly from years to year, is caused by an inevitable number of 'wrong economic decisions by individuals and plain bad luck (inclement weather, unexpected price changes for certain products, etc.) Under such circumstances, the holders of loans can make an allowance for a normal share of non-performance in the form of bad loan provisions, or they may spread the risk by taking out insurance. Enterprises may well be able to pass a large portion of these costs to customers in the form of higher prices. For instance, the interest margin applied by financial institutions will include a premium for the risk of nonperformance on granted loans. At this time, banks' non-performing loans increase, profits decline and substantial losses to capital may become apparent. Eventually, the economy reaches a trough and turns towards a new expansionary phase, as a result the risk of future losses reaches a low point, even though banks may still appear relatively unhealthy at this stage in the cycle.

According to Gorter and Bloem (2002) non-performing loans are mainly caused by an inevitable number of wrong economic decisions by individuals and plain bad luck (inclement weather, unexpected price changes for certain products, etc.). Under such circumstances, the holders of loans can make an allowance for a normal share of nonperformance in the form of bad loan provisions, or they may spread the risk by taking out insurance.

Petya Koeva (2003), his study on the Performance of Indian Banks. During financial Liberalization states that new empirical evidence on the impact of financial liberalization on the performance of Indian commercial books. The analysis focuses on examining the holders of loans can make an allowance for a normal share of nonperformance in the form of bad loan provisions, or they may spread the risk by taking out insurance.

Das and Ghosh (2003) empirically examined non-performing loans of India's public sector banks on terms of various indicators such as asset size, credit growth and macroeconomic condition, and operating efficiency indicators. Sergio (1996) in a study of non-performing loans in Italy found evidence that, an increase in the riskiness of loan assets is rooted in a bank's lending policy adducing to relatively unselective and inadequate assessment of scrotal prospects.

Vradi et.al (20060,his study on measurement of efficiency of bank in India concluded that in modern world performance of banking is more important to stable the economy, in order to see the efficiency of Indian banks we have see the fore indicators i.e. profitability, productivity, assets, quality and financial management for all banks includes public sector, private sector banks in India for the period2000 and 1999 to 2002-2003.For measuring efficiency of banks are more efficient then other banks in India.

Brijesh K. Saho et.al (2007), this paper attempts to examine, the performance trends of the Indian commercial banks for the period: 1997-98 – 2004-05. Our broad empirical findings are indicative in many ways. First, the increasing average annual trends in technical efficiency for all ownership groups indicate an affirmative gesture about the effect of the reform process on the performance of the Indian banking sector. Second, the higher cost efficiency accrual of private banks over nationalized banks indicate that nationalized banks, though old, do not reflect their learning experience in their cost minimizing behavior due to X-inefficiency factors arising from government ownership. This finding also highlights the possible stronger disciplining role played by the capital market indicating a strong link between market for corporate control and efficiency of private enterprise assumed by property right hypothesis, and, finally, concerning the scale empirical distinction between returns to scale and economies of scale, often used interchangeably in the literature.

Roma Mitra et.al (2008), A stable and efficient banking sector is an essential precondition to increase the economic level of a country. This paper tries to model and evaluate the efficiency of 50 Indian banks. The Inefficiency can be analyzed and quantified for every evaluate unit. The aim of this paper is to estimate and compare efficiency of the banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. The results are insightful to the financial policy planner as it identifies priority areas for different banks, which can improve the performance. This paper evaluates the performance of Banking Sectors in India.

B.Satish Kumar (2008), in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking industry underwent major changes. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narashiman committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed new generation banks with used of technology and professional management has gained a reasonable position in the banking industry.

M. Karunakar et.al (2008), Study the important aspect of norms and guidelines for making the whole sector vibrant and competitive. The problem of losses and lower profitability of Non-Performing Assets (NPA) and liability mismatch in Banks and financial sector depend

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on how various risks are managed in their business. Besides capital to risk Weight age assets ratio of public sector banks, management of credit risk and measures to control the menace of NPAs are also discussed. The lasting solution to the problem of NPAs can be achieved only with proper credit assessment and risk management mechanism, it is better to avoid NPAs at the market stage of credit consolidation by putting in place of rigorous and appropriate credit appraisal mechanisms.

Nelson M. Waweru et.al (2009), Study that many financial institutions that collapsed in Kenya since 1986 failed due to non performing loans, this study investigated the causes of non-performing loans, the actions that bank managers have taken to mitigate that problem and the level of success of such actions. Using a sample of 30 managers selected from the ten largest banks the study found that national economic downturn was perceived as the most important external factor. Customer failure to disclose vital information during the loan application process was considered t be the main customer specific factor. The study further found that Lack of an aggressive debt collection policy was perceived as the main bank specific factor, contributing to the non performing debt problem in Kenya.

Kevin Greenidge et.al (2010), study the evaluation of non-performing loans is of great importance given its association with bank failure and financial crises, and it should therefore be of interest to developing countries. The purpose of this paper is to build a multivariate model, incorporating macroeconomic and bank-specific variables, to forecast non-performing loans in the banking sector of Barbados. On an aggregate level, our model outperforms a simple random walk model on all forecast horizons, while for individual banks; these forecasts tend to be more accurate for longer prediction periods only.

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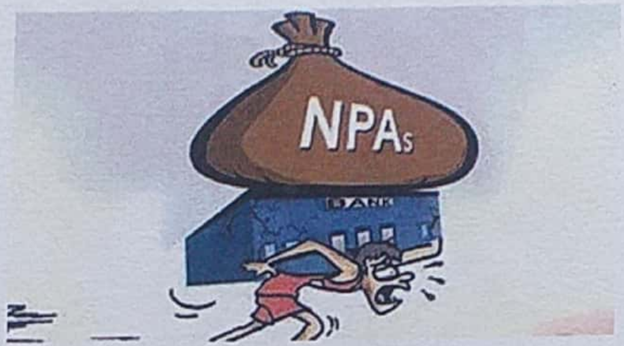
DATA COLLECTION

NPAs and banking Institutions in India

Inordinate delay in recovery of loans and advances builds up NPAs, which affects Banking Institutions adversely with respect to liquidity and impair their ability to render service to the maturing liabilities. The funds blocked in NPAs increase the cost of financial intermediation as Banking Institutions resort to raising deposits and borrowings at high cost as a measure to minimize the imbalance between cash outflow and cash inflow arising out of the NPAs. This has an adverse impact on the profitability of the banks both in the short and long run. The monies locked up in NPAs are not available for productive use and to the extent the banks seek to make provisions for NPAs or write them off, which claims hare in their profits. To recover the same, banks have to charge their honest, diligent and productive customers a higher rate of interest. It thus becomes a tax on efficiency. The customer who uses credit efficiently, subsidies those who use credit inefficiently represented by NPAs. This also raises the transaction costs in the system; High level of NPAs also reduces risk-taking ability of the banking Institutions and affects the image and credit rating of the Baking Institutions thereby restricting their ability to approach the public for capital subscription inflow.

In any case, a low rating subscription inflow increases the cost of raising funds. No wonder, wonder, the Committee on Non-performing Assets of Public Sector Banks cannot realize income (interest) on NPA accounts and on the other it is drain on banks profitability due to funding cost. NPAs, in short are not just a problem for banks but also to the economy and the society at large.

Hence, there is a paramount need to strengthen the balance sheet of the banking system which directly depends on the quality of its assets particularly in loans and advances.



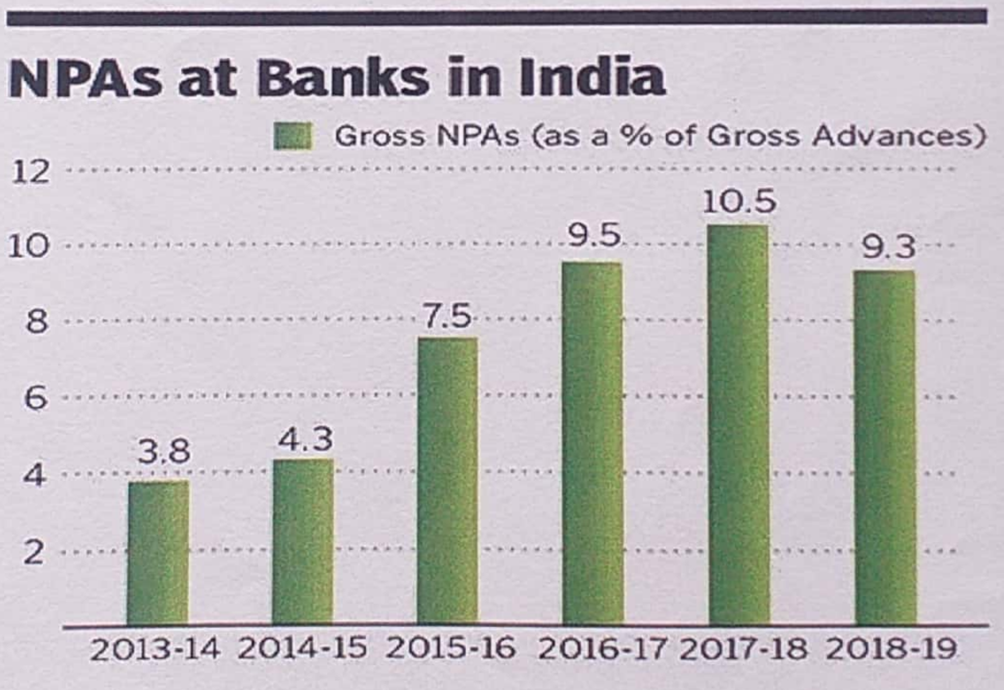
NONPERFORMING ASSETS AS A MAJOR ISSUE AND CHALLENGE FOR BANKING INDUSTRY:

Non-performing Assets are threatening the stability and demolishing bank's profitability through a loss of interest income, write-off of the principal loan amount itself. RBI issued guidelines in 1993 based on recommendations of the Narshimam Committee that mandated identification and reduction of NPAs be treated as a national priority' because the level of NPA act as an indicator showing the bankers credit risks and efficiency of allocation of resource. The financial reforms in Indian bank industry have helped largely to clean NPA which was around Rs 52,000 corers in the year 2004. The earning capacity and profitability of the bank are highly affected due to this NPA.

GROSS NPA AND NET NPA

Gross NPA is an advance which is considered irrecoverable, for bank has made provisions, and which is still held in banks' books of account. Net NPA is obtained by deducting items like interest due but not recovered, part payment received and kept in suspense account from Gross NPA. The Reserve Bank of India states that, compared to other Asian countries and the US, the gross non-performing asset figures in India seem more alarming than the net NPA figure. The problem of high gross NPAs is simply one of inheritance. Historically, Indian public sector banks have been poor on credit recovery, mainly because of very little legal provision governing foreclosure and bankruptcy, lengthy legal battles, sticky loans made to government public sector undertakings, loan waivers and priority sector lending.

Gross NPA= Gross NPAs/Gross Advances*100



Net NPAs are comparatively better on a global basis because of the stringent provisioning norms prescribed for banks in 1991 by Narahimam Committee. In India, even on security taken against loans, provision has to be credited. Further, value of securities on case of "doubtful" advance, while in some countries; it is 75% or just 50%. The ASSOCHAM study titled- solvency Analysis of the Indian Banking Sectors, reveals that on an average 24% rise in net nonperforming assets have been registered by 25 public sector and commercial banks during the second quarter of the 2009 as against 2008. According to the RBI, "reduction of NPAs in the Indian banking sector should be treated as a national priority item to make the system stronger, resilient and geared to meet the challenges of globalization. It is necessary that a public debate is stared soon on the problem of NPAs and their resolution."

Net NPA= (Gross NPA- provisions of unpaid debt)/ Gross Advances

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Saraswat
Bank

THE SARASWAT CO-OPERATIVE BANK LTD. (A SCHEDULED BANK)

Saraswat Co-operative Bank Ltd

Saraswat Co-operative Bank ltd. is an urban co-operative banking institution, having its headquarter in Mumbai, Maharashtra, India and operating as a co-operative society since 1918. The Founding Members of the society were J.K. PARULKAR AS CHAIRMAN, N.B.THAKUR as vice-chairman, P.N. WARDE as secretary, and Sivram Gopal Rajadhyaksha as Treasurer.

In 1988, the bank was conferred with the Scheduled status by the Reserve Bank of India. It is the first co-operative bank to provide merchant banking services. The bank got a permanent license to deal in foreign exchange in 1979. Presently, the bank has a correspondent relationship in 58 countries covering nine currencies with over 162 banks.

The bank's total business which was around ₹4,000 corer in the year 2000, has reached to ₹63,422 corer in 2020.

In the year 2008, the bank launched a new logo branding with an objective to reconfirm the thrust of the bank on its core values i.e. "sense of belonging".

In the last two decades, the bank has witnessed a steady growth in business and also taken several strategic business initiatives such as undertaking business process

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reengineering initiative, merging seven cooperative banks and then consciously nurturing them. The bank tied up with VISA International for issuance of debit cards. The bank launched Repay EMV Debit Card in 2013–14. The bank was the first to achieve this milestone in respect of RuPay EMV card along with the Bank of Baroda.

In 2011, the bank was granted permission for All India Area of Operation by the Reserve Bank of India. The bank has an ambitious business expansion plan in place to have a presence in all major cities of the country and is well poised to double total business to ₹1 lakh crore over the next few years.

The bank has a network of 284 fully computerized branches and 311 ATMs (Automated teller machine) as on 31 March 2020 covering six states viz. Maharashtra Gujarat, Madhya Pradesh Karnataka, Goa and Delhi. In 2018, the bank also introduced their *Bank on WhatsApp* facility to help customers receive updates and avail various banking services via the chat platform.

As per bank's annual report for financial year 2020–2021, the bank's business is ₹67,042 cores. It received The Best Cooperative Bank Award in 2016. and ranked second-best bank in India by The World's Best Banks 2020 survey conducted by the Forbes, an American business magazine.

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According to Balance sheet as on 2020-2021(During Covid)

Saraswat Cooperative Bank, which ranked as the World's Best Bank 2021 by Forbes Survey, has crossed the business turnover of Rs 67,042 corer and earned a gross profit of Rs 728.05 corer in the 2020-21 financial Year, which is the highest ever in the history of the bank.

The bank also announced plans to conduct its AGM on 30th September 2021 and the declaration of the financial figures will be announced on the same day.

"It has been a year of lockdowns and tremendous uncertainties; yet it has also been a year of hope and resilience -a year which tested our abilities and brought out the best in us", said the bank's Chairman, Gautama Thakur in his message to Share-holders.

"Considering the severity of the economic slowdown and the uncertainties, the overall business growth has been noteworthy. While attaining this growth, the bank has also kept a firm check on the quality of the Balance Sheet. The key financial parameters like Capital Adequacy Ratio, NPA Ratio, Provision Coverage Ratio, etc. have been maintained at healthy levels", Thakur underlined.

Thakur further says "Even at the height of the pandemic, the bank has delivered commendable growth results, keeping all banking parameters intact, in fact with some even improved over the last year. For the FY 2020-21, the bank's Net Profit has increased from Rs 250.79 in 2019-20 from Rs 270.24 corer in 2020-21. While most banks are waging war with NPAs, our position is confidence boosting", he added.

It is true that despite all the challenges, the business of the bank has increased from Rs 63,422.13 corer as on 31st March, 2020 to Rs 67,042.31 crore as on 31st March, 2021. Deposits increased from Rs 38,083.49 corer as on 31st March, 2020 to Rs 40,800.61 corer as on 31st March, 2021 and advances grew from Rs 25,338.64 corer as on 31st March, 2020 to Rs 26,241.70 corer as on 31st March 2021, reveals the financial report

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The net NPA of the bank decreased from 1.56 percent to 1.04 percent as on 31st March 2020-21.

The own funds of the bank have risen from Rs 3,522.04 corer as on 31st March, 2020 to Rs 3,953.70 corer as on 31st March, 2021 i.e. a rise of Rs 431.66 corer. The Capital to Risk-Weighted Assets Ratio (CRAR) stands at 14.26% as on 31st March, 2021, much higher than the 9% stipulated by the Reserve Bank of India.

In this year the Bank started many new initiatives aimed at making the UCB more focused and successful. Some of these are segregation of branches as marketing verticals and back offices as operational verticals, strengthening the team of business development officers which has garnered around Rs 900 corer during the year.

The new initiative also encompasses Board and the Management levels. An effort is being made at the highest level to reduce the time lag between customers approaching the bank for a loan and the final sanction/disbursement of the loan. Besides, to cater to the needs of the new age customers, the Bank plans to increase the bouquet of digital product offerings.

It bears repeating that the Saraswat Bank has been recognized amongst the World's Best Banks by the prestigious Forbes survey for two years in a row. It has also bagged the "Best Technology Bank" Award for the 5th consecutive year at Indian Banks' Association (IBA) Technology Awards 2021 in the cooperative banking sector, along with an award for Best IT Risk & Cyber Security Initiatives and Runner-Up for Best Digital Financial Inclusion Initiatives.

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According to Balance sheet as on 2017-2018

Billed as the pride of urban co-operative banking in the country Sara swat Bank's net profit after tax was Rs 240.68 corer in FY 2017-18. On all other parameters as well, such as business growth or containing NPAs, the UCB has shown a spectacular performance.

Its total business increased from Rs 55,273.49 corer as on 31st March, 2017 to Rs 58,525.77 corer as on 31st March, 2018, a rise of 5.88%. Deposits were Rs 35,056.66 corer as on 31st March, 2018 and Advances were Rs 23,469.11 corer as on 31st March, 2018.

Saraswat Bank also displayed good results in managing NPAs. While its gross NPAs declined significantly to 3.72%, the net NPAs also stood lower at 0.94% as on 31st March, 2018. The Capital to Risk Weigh ted Assets Ratio (CRAR) stood at 13.60% and CASA ratio was 30.79% as on 31st March, 2018.

Overall the UCB registered 33% rise in retail advances and the Internet banking transactions grew by 216%. Total digital transactions also grew by 36%.

The Financial Year 2017-18 was important for what their tagline says "100 years young bank", in the sense that it is first Co-operative Bank to find a place in India's FORTUNE 500 list. It also bagged the Best Bank award in the category of the Technology Bank of the Year among co-operative banks at the IBA Banking Technology Awards 2017-18.

The list of laurels the bank annexed this year include the Wells Fargo Operational Excellence Award from Wells Fagot Bank NA, major NOSTRO accounts correspondent as it also featured in the special edition of Mint Lounge's 'Brands to Look Out for in 2017'.

A hard-working Chairman also informed the delegates that the UCB was adjudged winner of the NPCI Excellence Award in recognition of performance in various products viz. NFS ATM Network, RuPay, CTS, among others. It disbursed 17.50% Dividend on equity shares to its members for the year.

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Saraswat Bank also launched several new products this year including Bank-on-Tab – tablet based banking, Rupay Contactless Debit Card and Saraswat Bank 100- Digital account, among others.

"Our future plan includes investing in advanced technology and further streamlining risk mitigation measures," said a confident Chairman Mr. Gautama Thakur to Indian Cooperative.

It bears recall that Saraswat Bank is India's largest Urban Co-operative Bank, based in Maharashtra. It was established as a co-operative credit society in September 1918. Today, it is spread across six States – Maharashtra, Goa, Gujarat, Delhi, Madhya Pradesh and Karnataka.

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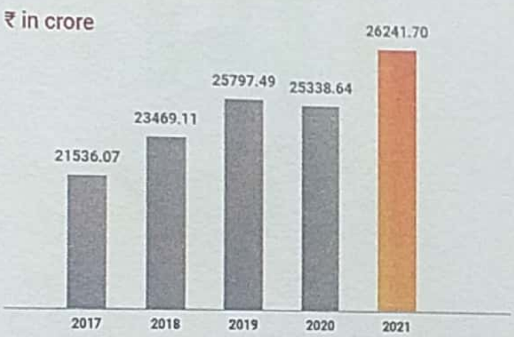
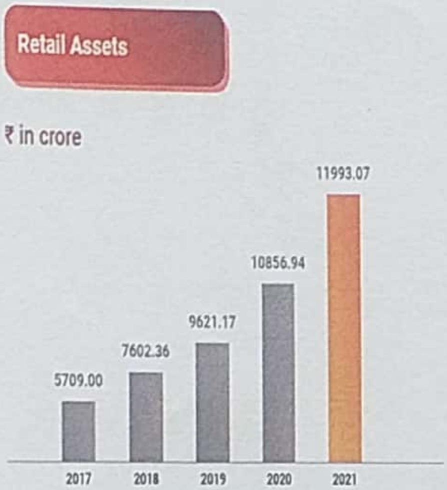
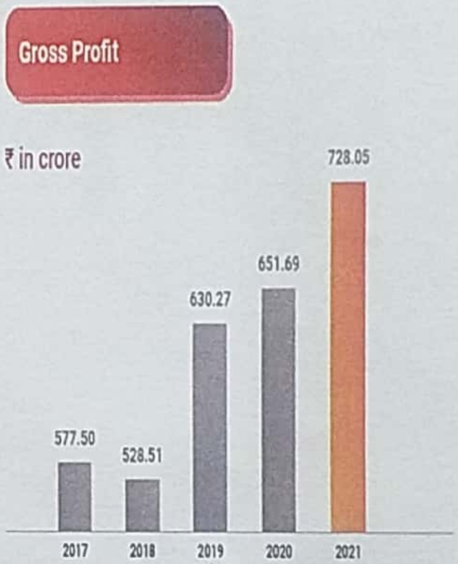
Deposits

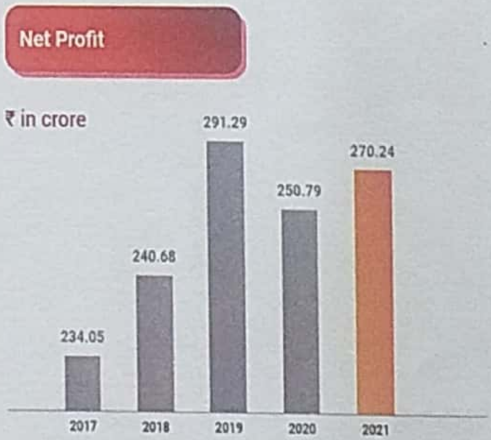
Advances



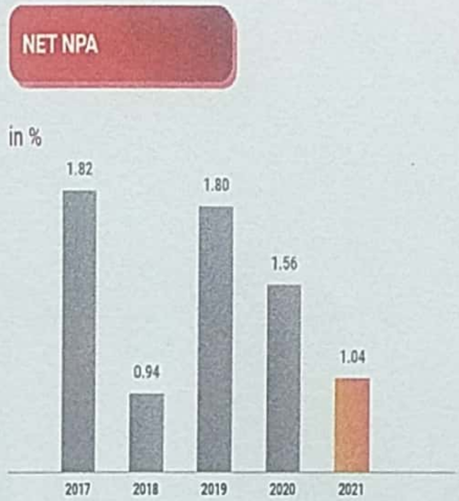

Retail Assets
₹ in crore
5709.00
7602.36
9621.17
10856.94
11993.07
2017
2018
2019
2020
2021

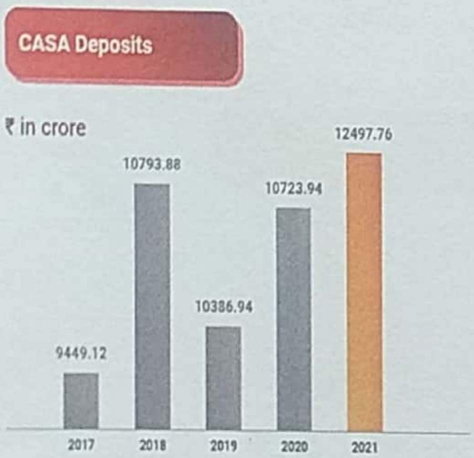

Gross Profit
₹ in crore
577.50
528.51
630.27
651.69
728.05
2017
2018
2019
2020
2021

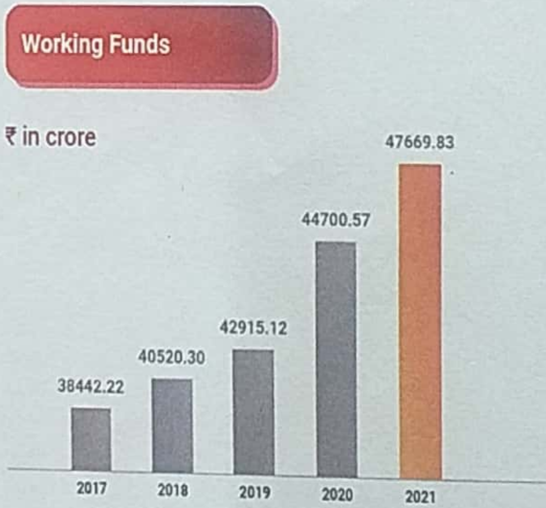

Total Business
₹ in crore
55273.49
58525.77
61812.36
63422.13
67042.31
2017
2018
2019
2020
2021


Net Profit
₹ in crore
234.05
240.68
291.29
250.79
270.24
2017
2018
2019
2020
2021


Business Per Employee
₹ in crore
13.41
14.41
14.24
14.94
15.80
2017
2018
2019
2020
2021

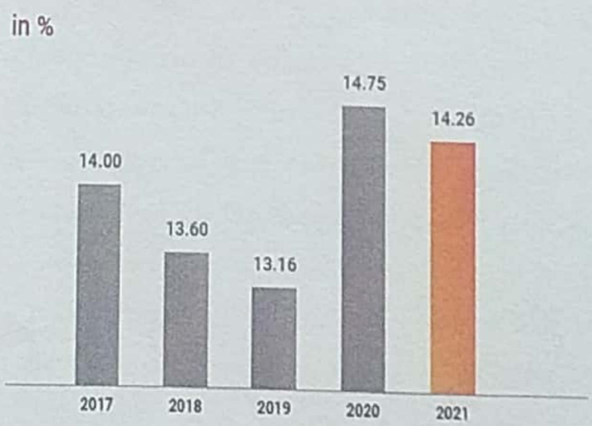

NET NPA
in %
1.82
0.94
1.80
1.56
1.04
2017
2018
2019
2020
2021


CASA Deposits
₹ in crore
9449.12
10793.88
10386.94
10723.94
12497.76
2017
2018
2019
2020
2021


Working Funds
₹ in crore
38442.22
40520.30
42915.12
44700.57
47669.83
2017
2018
2019
2020
2021

Own Funds

CRAR



HISTORY

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of Indian industry. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. Until the late 1980s, ICICI primarily focused its activities on project finance, providing long-term funds to a variety of industrial projects. With the liberalization of the financial sector in India in the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services provider that, along with its subsidiaries and other group companies, offered a wide variety of products and services. As India's economy became more market-oriented and integrated with the world economy, ICICI capitalized on the new opportunities to provide a wider range of financial products and services to a broader spectrum of clients. ICICI Bank was incorporated in 1994 as a part of the ICICI group. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the New York Stock Exchange.

The issue of universal banking, which in the Indian context meant conversion of long-term lending institutions such as ICICI into commercial banks, had been discussed at length in the late 1990s. Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for

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earning non-fund based income in the form of banking fees and commissions. After consideration of various corporate structuring alternatives in the context of the emerging competitive scenario in the Indian banking industry, and the move towards universal banking, the managements of ICICI and ICICI Bank formed the view that the merger of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for ICICI group's universal banking strategy. The merger would enhance value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for earning fee-based income and the ability to participate in the payments system and provide transaction-banking services. The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operations, seamless access to ICICI's strong corporate relationships built up over five decades, entry into new business segments, higher market share in various business segments, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

In October 2001, the Boards of Directors of ICICI and ICICI Bank approved the merger of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. The merger was approved by shareholders of ICICI and ICICI Bank in January 2002, by the High Court of Gujarat at Ahmedabad in March 2002, and by the High Court of Judicature at Mumbai and the Reserve Bank of India in April 2002. Consequent to the merger, the ICICI group's financing and banking operations, both wholesale and retail, were integrated in a single entity.

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According to annual repot 2019-2020

Net non-performing assets (NPA) decreased by 51% from

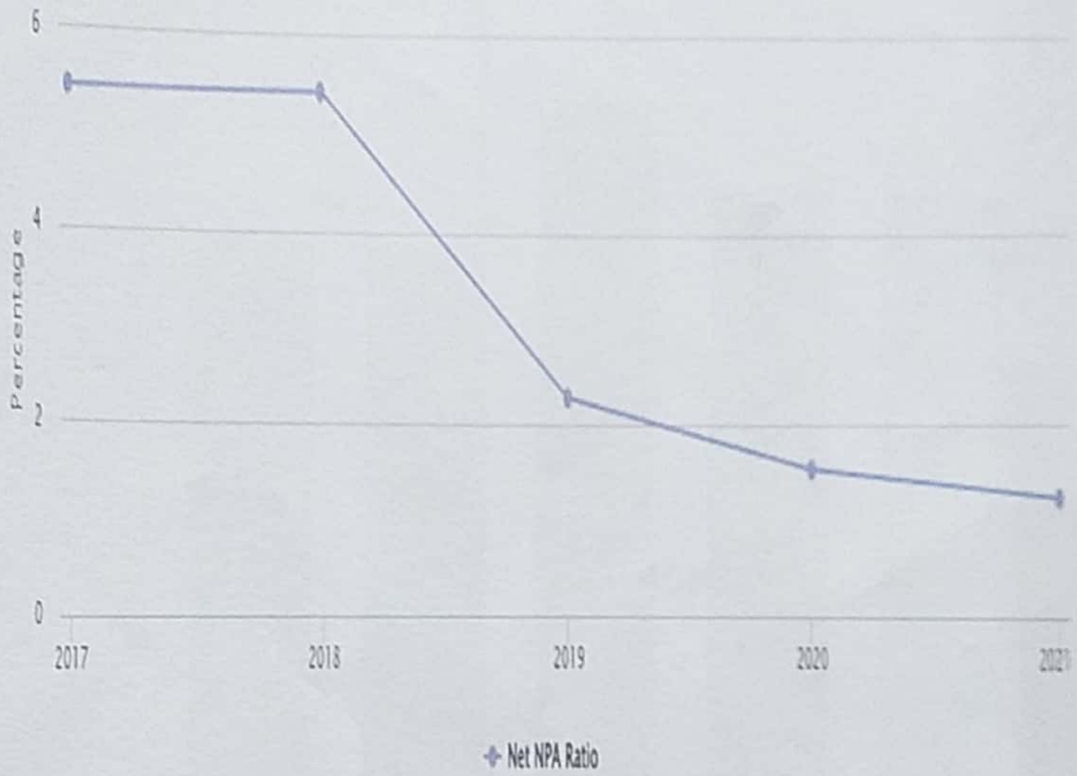
` 24,170 crore (US$ 3.5 billion) at June 30, 2018 to ` 11,857 crore (US$ 1.7 billion) at June 30, 2019 Net NPA ratio decreased from 4.19% at June 30, 2018 to

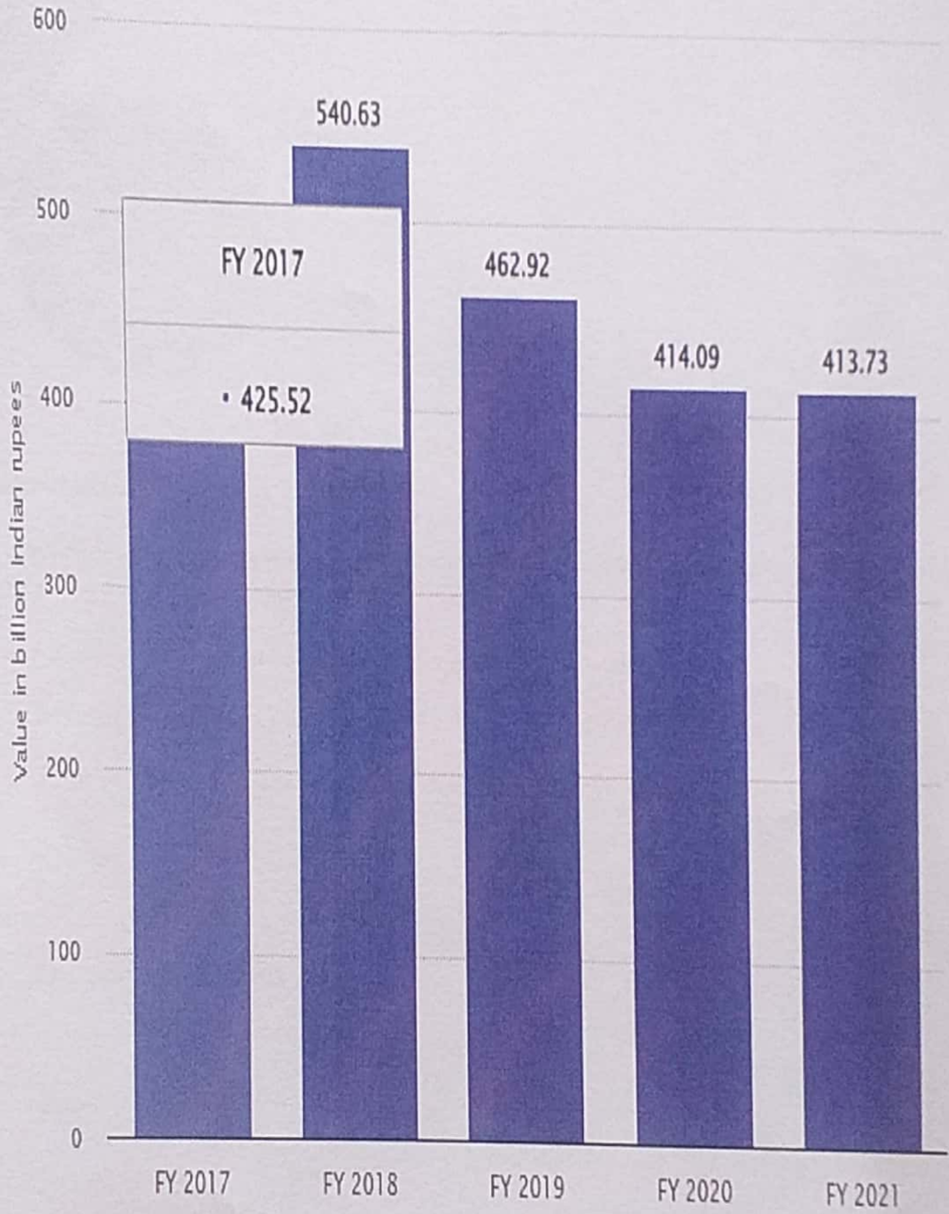
1.77% at June 30, 2019 - the lowest in the last 14 quarters Gross NPA additions in Q1-2020 were ` 2,779 crore (US$ 403 million) compared to ` 3,547 crore (US$ 514 million) in the quarter ended March 31, 2019 (Q4-2019) Total capital adequacy ratio of 16.19% and Tier-1 capital

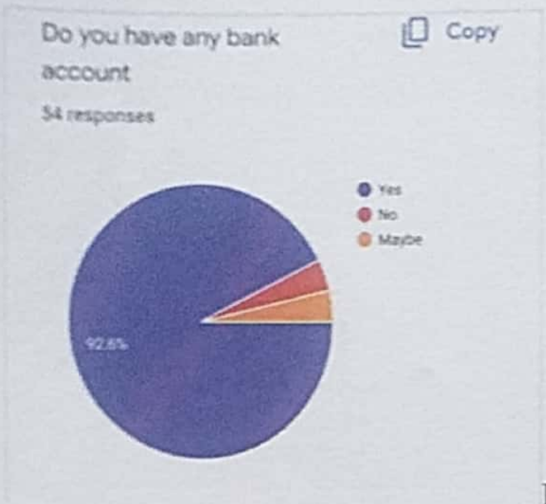
adequacy ratio of 14.60% on standalone basis at June 30, 2019, including profits for Q1-2020

According to annual report 2020-2021

The net NPA ratio declined to **1.14%** at March 31, 2021 from 1.26% (on a proforma basis at December 31, 2020) and 1.41% at March 31, 2020.




600
540.63
500
FY 2017
462.92
414.09
413.73
• 425.52
400
Value in billion Indian rupees
300
200
100
0
FY 2017
FY 2018
FY 2019
FY 2020
FY 2021



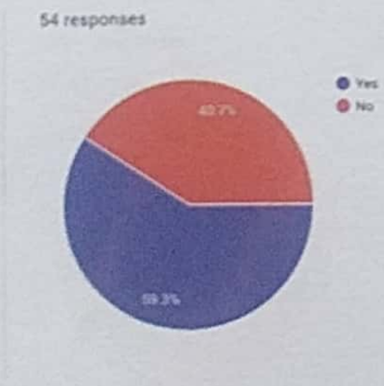
D

Interpretation:

The above pie chart shows the percentage between the respondents on Do have any bank account

- 50 out of 54 (i.e.92.6%) respondents have a bank account.
- 2 out of 54 (i.e.3.7%) respondents have no bank account.
- 2 out of 54(i.e. 3.7%) respondents they don't known about their account.

Do you know NPA?



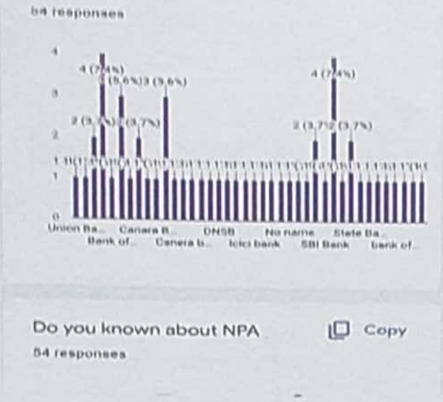
Interpretation:

The above pie chart shows how many people's are aware about NPA

32 out of 54 (i.e.59.3%) respondents are aware about NPA

22 out of 54 (i.e.40.7%) respondents are not aware about NPA

Name of your bank

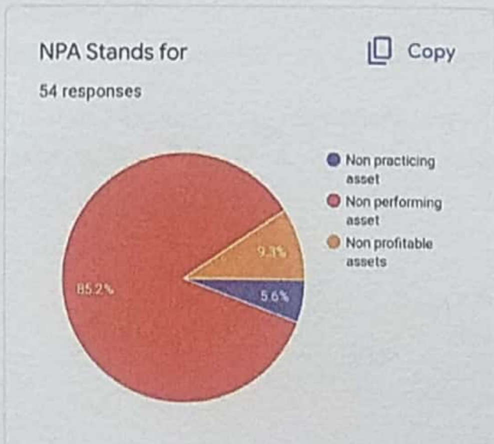


Interpretation:

The above graph shows the name of the bank of the respondents.

SBI-12 Bank of India-5,Canara bank-9 Union bank of India-8 DNSB-1 TJSB-1 HDFC-1 ICICI-2 Central bank-2 IDBI-1 MAHARAHTA BANK-2 Kotak Mahindra-2 Khalapur co-operative Bank-1 Bank of Baroda-7

NPA Stands for



Interpretation:

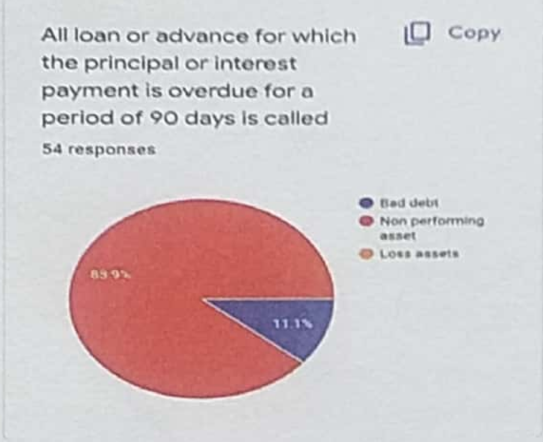
The above pie chart shows the percentage of NPA stands for

46 out of 54(i.e.85.2%) respondents says that NPA stands for non performing assets.

5 out of 54(i.e.9.3%) respondents says that NPA stands for non profitable assets.

3 out 54(i.e.5.6%) respondents say that NPA stands for non practicing assets.

All loan or advance for which the principal r interest payment is overdue for a period of 90 days is called?



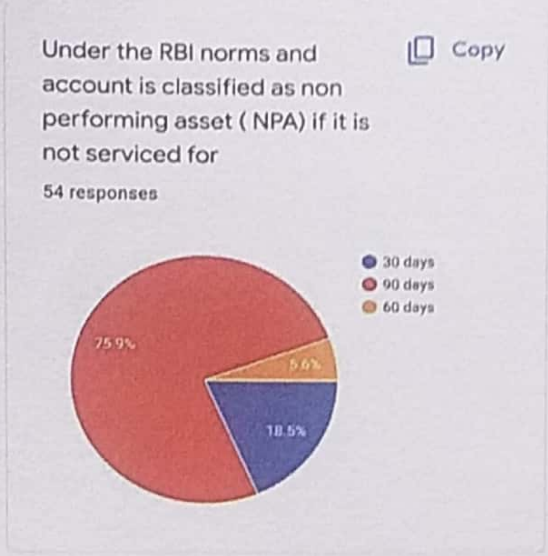
Interpretation:

The above pie chart shows the percentage of all loan or advance for which the principal or interest payment is overdue for a period of 90 days is called.

48 out of 54 (i.e.88.9%) respondents says that all loan or advance for the principal or interest payment is overdue for a period of 90 days is called nonperforming assets.

6 out of 54 (I.e. 11.1%) respondents says that all loan or advance for the principal or interest payment is overdue for a period of 90 days is called bad debts.

Under the RBI norms and account is classified as non performing asset (NPA) if it is not serviced for.



Interpritaion:

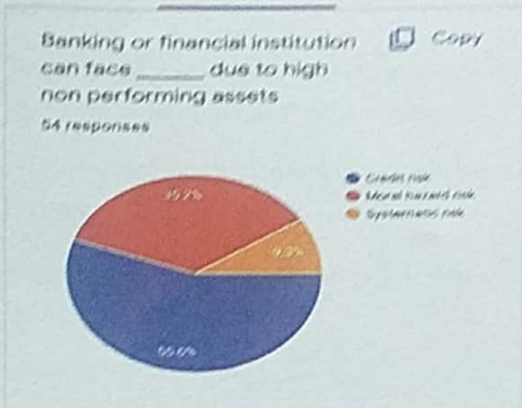
The above pie chart shows the percentage of under the RBI norms and account is classified as non performing asset (NPA) if it is not serviced for.

41out of 54 (i.e.75.9%) respontes says that under the RBI norms and accoount is classified as non performing asset (NPSA) if it is not seriviced for 90 days.

10 out of 54 (i.e.18.5%) respontes says tha under RBI norms and account is classified as non performing asset (NPAS) if it is not seriviced for 30 days.

3 out of 54 (i.e.5.6%) respontes says that under RBI norms and account is classified as non performing asset (NPAS) if it is not seriviced for 60 days.

Banking or financial intitusion can face ———due to high non performing assets.



Interpritaion:

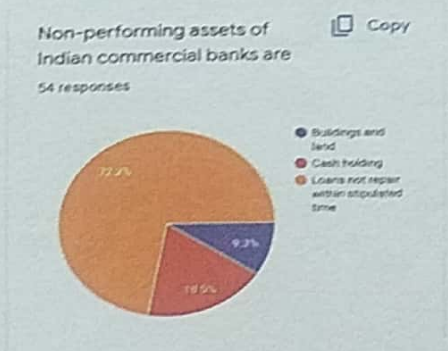
The above pic chart shows the percenase of banking or financial intitusion can face ———due to high non performing assets.

30 out of 54 (i.e.55.6%) responts banking or financial institution can face credit risk due to high non performing assets.

19 out of 54(i.e.35.2%) responts banking or financial institution can face moral hazard risk due to high non performing assets.

5 out of 54 (i.e.9.3%) responts benking or financial institustion can face systematic risk due to high non performing assets.

Non performing assets of indian commercial banks are



Interpritaion:

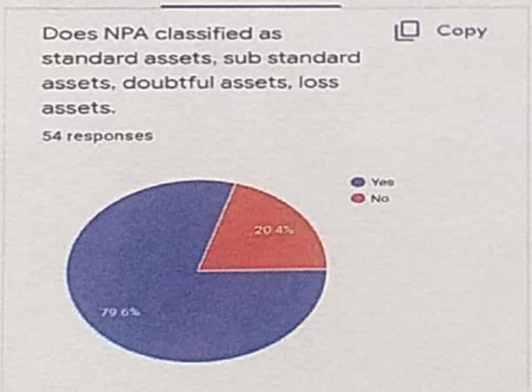
The above pie chart shows perscentage of non performing assets of indian commercial banks are

39 out of 54 (i.e.72.2%) respontes non performing assets of indian commercial banks are loans not repair within stipulated time.

10 out of 54 (i.e.18.5%) respontes non performing asset of indian commercial banks are cash holding.

5 out of 54 (i.e.9.3%) respontes non performing asset of indian commercial banks are buildings and lands.

Does NPA classified as standard assets, sub standard assets, doubtful assets, loss assets.



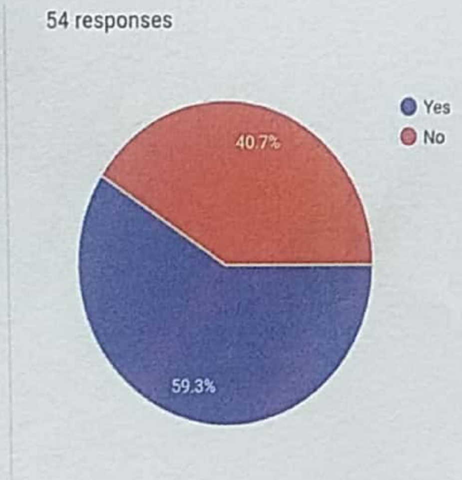
Interpritaion:

The above pie chart shows persenage of does NPA classified as standard assets, substandard asstes, doubtful assets, loss assets.

43 out of 54 (i.e.79.6%) says NPA classified as standard assets, substandard asstes, doubtful assets, loss assets.

11 out of 54(i.e.20.4%) says NPA not classified as standard assets, substadard asstes, doubtul assets,loss assets.

Do you know your bank's NPA ratio



Interpretation

The above pie chart shows percentage of do you know your bank's NPA ratio

35 out of 54 (i.e.59.3%) says respondents, know about their bank's NPA ratio.

19 out of 54 (i.e.40.7%) says respondents, don't know about their bank's NPA ratio.

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CONCLUTION

Growing NPA is one of the biggest problems that the banking setctor.If proper management of th NPAs is not undertaken it would hamper the efficinecy of the banks. If the conccept of NPAs is taken very lightly it would be dangerous for the banking sector. The NPAs destroy the current profit and intrest income and affect the smooth functioning of the recycling of the funds. Banks also redistribute losses to other borrowers by charging higher interst rates. Lower deposit rates and higher lending rates repress savings and financial markets, which in tum hampers the economic growth of the country. Thus, it is highly essential for the banks to focus their attention on growth of NPA s and take appropriaite measures to regulate their growh.

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