



Comparison of Asset Quality of Baroda Gujarat Gramin Bank and Saurashtra Gramin Bank

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ABSTRACT

Non-performing Assets (NPAs) has become the major concerns for banking sector in India presently. NPA is short form of "Non-Performing Asset". Any asset of a Bank Becomes NPA when interest or any of the dues of the remains unpaid for more than 90 days the whole asset is classified as NPA. It has been observed from experience and research that recovery is not an easy task for Bankers. Here, we studied about the Non-performing assets of Baroda Gujarat Gramin Bank and Saurashtra Gramin Bank being RRBs in Gujarat Sponsored by Bank of Baroda and State Bank of India respectively for last three years 2013-14 to 2015-16 and impact of this NPA on profitability.

KEYWORDS

NPA, standard Assets, Sub-standard Assets, Doubtful Assets and Loss Asset.

INTRODUCTION

Non-performing Assets (NPAs) are one of the major concerns for banking sector in India. Non-performing Assets also called NPAs is the term used in banking and finance sector. Basically this term (NPAs) is used in loan department of the bank. The assets of bank which do not perform any role in getting profit to the organisation, such assets are called Non-performing Assets. NPAs reflect the performance of banks in any country. The more the NPAs the lower the performance of bank. The issue of NPAs has been discussed at length of financial system all over the world. The problem of NPAs is not only affecting the banks but also the entire economy of any country.

Here, we studied about the NPA of Baroda Gujarat Gramin Bank and Saurashtra Gramin Bank.

A 'non-performing asset' (NPA) was defined as a credit facility in respect of which the interest and/ or installment of principal has remained 'past due' for a specified period of time.

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A Non Performing Asset shall be an advance where:

- **Term Loan:** Interest and/ or installment of principal remain "over due" for a period of more than 90 days.
- **Cash Credit/ Over Draft:** If the account remains out of order for a period more than 90 days.
- **Bills:** Overdue for a period of more than 90 days.
- **Other accounts:** Any amount to be received remains overdue for a period of more than 90 days.
- **Short duration crops:** If the installment of principal or interest there on remains overdue for two crop seasons.
- **Long duration crops:** If installment of principal or interest there on remains overdue for One Crop season. An account would be classified as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

ASSET CLASSIFICATION

Figure-1 Categories of NPAs



a) Standard Assets:

Standard assets are the ones in which the bank is receiving interest as well as the principal amount of the loan regularly from the customer. Here it is also very important that in this case the arrears of interest and the principal amount of loan do not exceed 90 days at the end of financial year. If asset fails to be in category of standard asset that is amount due more than 90 days then it is NPA and NPAs are further need to classify in sub categories.

b) Sub-Standard Assets:

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 characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

c) Doubtful Assets:

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.

With effect from March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months.

d) Loss Assets:

A loss asset is one where the bank or internal or external auditors have identified loss 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.

Table-1 Category of Assets of Saurashtra Gramin Bank (SGB) (Rs. In Lakh)

Sr. No	Category of Assets	2013-14	2014-15	2015-16
		Gross Assets O/s	Gross Assets O/s	Gross Assets O/s
1	Standard	1,55,336.44	1,60,598.99	198369.32
2	Sub-Standard	965.66	909.63	755.02

3	Doubtful	479.52	599.15	290.86
4	Loss	18.92	37.41	5.42
Total Advances		1,56,800.54	1,62,145.18	199420.62

Table-2 Category of Assets of Baroda Gujarat Gramin Bank (BGGB) (Rs. In Lakh)

Sr. No	Category of Assets	2013-14	2014-15	2015-16
		Gross Assets O/s	Gross Assets O/s	Gross Assets O/s
1	Standard	91105.43	106420.57	123954.06
2	Sub-Standard	1685.53	1597.70	2585.26
3	Doubtful	3606.37	3623.91	3485.43
4	Loss	93.20	124.03	355.18
Total Advances		96490.53	111766.21	130379.43

OVERVIEW ABOUT BANKING SECTOR

Regional Rural Banks:

The history of Regional Rural Banks in India dates back to the year 1975. It's the Narasimham committee that conceptualized the foundation of Regional Rural Banks in India, with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. . RRBs operate under the control of two institutions, the National Agricultural Bank and Rural Development (NABARD) and Reserve Bank of India (RBI).

This act allowed the government to set up banks from time to time wherever it considered necessary. The RRBs were owned by three entities with their respective shares as follows: Central Government → 50% State government → 15% Sponsor bank → 35%

The RRB concept was based upon the policy that they would lend only to the weaker sections of rural society, charging lower interest rates, opening branches in remote and rural areas and keep a low cost profile. But the commercial motivation was absent. Initially the banks expanded and by the end of year 1985 RRBs had opened 12606 branches.

There are 56 Regional Rural banks operating in India.

About Saurashtra Gramin Bank

Saurashtra Gramin bank is regional rural bank, established under RRB act, 1976 and it is an amalgamation of three banks namely Jamnagar Rajkot Gramin Bank, Junagadh Amreli Gramin Bank & Surendranagar Bhavanagar Gramin bank on 2nd January 2006 under the provision of section 3 (i) of regional rural bank Act-1976. It was Promoted by SBI since 1978. Presently Mr. C. B. Sawant is chairman of SGB.

The bank has its presence at 1500 villeges/ 11 district of Gujarat named as Rajkot, Jamnagar, Surendranagar, Junagadh, Amreli, Porbandar, Bhavnagar, Gir Somnath, Botad, Morbi, Dev Bhumi Dwarka.

Mission: To cater all the needs of people of Saurashtra through ace products delighted customer service and concrete financial improvement of the targeted mass with a team of self-motivated manpower, advance technology, well defined systems & procedures.

Vision: Building a professionally sound institution to cater the banking needs of the people of Saurashtra interalia covering disadvantaged masses.

About Baroda Gujarat Gramin Bank

The Central Government vide its Notification No.F.No.1 (2) 2001/RRB dated September 12, 2005, in exercise of the powers conferred by Sub-section (1) of section 23A of the RRBs Act, 1976 (21 of 1976) and also in consultation with National Bank for Agriculture & Rural Development (NABARD), Government of Gujarat and Bank of Baroda, being the Sponsor Bank of

Panchmahal Vadodara Gramin Bank, Surat Bharuch Gramin Bank and Valsad Dangas Gramin Bank, in the public interest and in the interest of the development of the area served by the aforesaid RRBs as also in the interest of said RRBs themselves, it had been decided that the said RRBs should be amalgamated in to a single Regional Rural Bank and named as Baroda Gujarat Gramin Bank with its Head office at Bharuch w.e.f September 12, 2005. Presently Mr. B. R. Patel is chairman of BGGB.

Mission: Inclusive economic growth through rural development with service envisioned to put a smile on each of the customer's face

Vision: To become Top Ranking Regional Bank through excellence in all areas of Banking and Financial Services with Best Practices.

REVIEW OF LITERATURE

Usha Arrora and Recha verma have written an article of banking sector reforms on performances evaluation in public sector bank in India. After the introduction of reformer prudential norms have been introduced. This article indicate the performs evaluation public sector bank in post reforms period of the bases of four parameters data of financial, operational, productivity and profitability second articles has been written of new revolution Indian banking industry by **Pooja Manhotra and Balvinar singh**. The main focuses of this article was various types of electronic devices provides by the bank **Dr. Anju sinsla and R.S. Arrora** has written an article on comparative studies kneda's banks and Indian's bank.

In addition to this Indian Journal of comparative (June 2003) **Dr. S.G. Sharma and S.C. Bradia** has written an article on meaning of NPA in banks Total 27 banks of 3 groups have been analysis by the researcher. **Prof. Miss Mihira vashwani** has written article on produces in banks.

OBJECTIVES OF THE STUDY

- To Compare the Assets quality of the Banks.
- To compare standard Assets, Sub-standard Assets, Doubtful Assets.
- To compare the credit risk management by banks.

RESEARCH METHODOLOGY

The system of collecting data for research projects is known as research methodology. The data may be collected for either theoretical or practical research for example management research may be strategically conceptualized along with operational planning methods and change management.

Researcher has used secondary data for this study from annual reports Bank. Simple Tables were used for the analysis and interpretation of data. It is necessary for the researcher to know not only the research methods/techniques but also the methodology.

Some important factors in research methodology include validity of research data, Ethics and the reliability of measures most of your work is finished by the time you finish the analysis of your data.

DATA ANALYSIS AND INTERPRETATION

Assets Quality

Category of Assets: Saurashtra Gramin Banks having following advances under different categories of assets.

Table- 3 Total Advances (Rs. In Lakh)

Sr. No	Category of Assets	2013-14		2014-15		2015-16	
		Rs.	% of total advances	Rs.	% of total advances	Rs.	% of total advances
1	Standard	1,55,336.44	99.066%	1,60,598.99	99.046%	198369.32	99.473%

2	Sub-Standard	965.66	0.616%	909.63	0.561%	755.02	0.379%
3	Doubtful	479.52	0.306%	599.15	0.370%	290.86	0.146%
4	Loss	18.92	0.012%	37.41	0.023%	5.42	0.003%
Total Advances		1,56,800.54	100%	1,62,145.18	100%	199420.62	100%

Category of Assets: Baroda Gujarat Gramin Banks having following advances under different categories of assets.

Table- 4 Total Advances (Rs. In Lakh)

Sr. No	Category of Assets	2013-14		2014-15		2015-16	
		Rs.	% of total advances	Rs.	% of total advances	Rs.	% of total advances
1	Standard	91105.43	94.419%	106420.57	95.217%	123954.06	95.071%
2	Sub-Standard	1685.53	1.747%	1597.70	1.430%	2585.26	1.983%
3	Doubtful	3606.37	3.738%	3623.91	3.242%	3485.43	2.673%
4	Loss	93.20	0.097%	124.03	0.111%	355.18	0.272%
Total Advances		96490.53	100%	111766.21	100%	130379.43	100%

Interpretation:

From the above Table-3 and Table-4, we have analyzed that Saurashtra Gramin Banks having more than 99% total advances as a standard assets and remaining 1% advances includes Sub-standard, doubtful and loss assets during the study period 2013-14 to 2015-16. It is good for the Saurashtra Gramin Bank so that we can say that there is good quality assets bank's having.

From the above Table-3 and Table-4, we have analyzed that Baroda Gujarat Gramin Banks having more than 94% to 95% total advances as a standard assets and remaining 5% to 6% advances includes Sub-standard, doubtful and loss assets during the study period 2013-14 to 2015-16. It is not good for the Baroda Gujarat so that we can say that there is good quality assets bank's having.

Further, it is observed that NPA of in terms of amount has increased for SGB from 2013-14 to 2014-15 but it has declined very much in 2015-16. Whereas for BGGB NPA is continuously increasing in both amount and % terms.

FINDINGS

From the above study we have found that assets quality of Saurashtra Gramin Banks is very good because its standard assets are above **99% of total advances** which is also very good compare to Baroda Gujarat Gramin Bank where its standard assets are above 95% of total advances.

CONCLUSION

Finally we conclude that the assets quality of Saurashtra Gramin Bank is very good as compare to Baroda Gujarat Gramin Bank in terms of amount and % terms. Standard assets are more than **99%** of total advances as against 95% for Baroda Gujarat Gramin Bank which conveys that SGB is well structured and inform about the Credit management and credit control mechanism for total advances Banks following proper controlling tool to monitor NPA and Assets Quality than that of BGGB.

We can conclude that credit management is better for Saurashtra Gramin Bank and Baroda Gujarat Gramin Bank needs to have look at its policy of managing credit portfolio.

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