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Comparing Asset Quality: An Examination of Performing and Non-Performing Assets in Bilaspur District Banks

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ABSTRACT

The research is done on IDBI & Bank of Baroda. The banking industry faces a serious threat from non-performing assets (NPAs), which can affect profitability, liquidity, and solvency. The increase of NPAs is influenced by economic downturns, bad credit management techniques, and insufficient risk management systems. In order to reduce the risks connected with NPAs, effective credit and risk management practices are essential. Performing assets (PAs) are essential for preserving the banks financial stability. They are a sizable source of income and support the banking industry profitability, liquidity, and solvency. The development of PAs depends on efficient credit management systems, and loan portfolio diversification. To increase their performing assets and reduce the risks related to non-performing assets (NPAs), banks must implement novel solutions.The banking industry is crucial to the growth of an economy. This role of the bank controls how quickly the economy develops. Therefore, the stability of the banking industry is crucial for the growth of an economy. Any banks primary duty is to give money to people through loans. The non-performing assets (NPAs) issue is one of the biggest and most serious issues that has rocked the financial world. erforming assets (PAs) are essential for preserving the banks' financial stability. They are a sizable source of income and support the banking industry's profitability, liquidity, and solvency. The development of PAs depends on efficient credit management procedures, risk management systems, and loan portfolio diversification. To increase their performing assets and reduce the risks related to non-performing assets (NPAs), banks must implement novel solutions.

Keyword: - Performing assets, non-performing assets, Banking, Profitability, Gross NPA, Net NPA, Credit risk

INTRODUCTION

One of the most vital role of banks is taking deposits and granting loans. It comprises allocating resources for the expansion and improvement of the country. The risk posed by non-performing assets (NPA), which have been sharply increasing over past several years is quite significant for the banking sector in our country. This issue is having an impact on the operations and lending capacity of the banks that are being negatively impacted by these NPAs. The NPA idea is limited to the balance sheet asset side which include loans and advances. " A performing asset is an asset that produces the projected income and reveals no unique risk beyond typical business risk". "A non performing assets is one that no longer generates then anticipated income from the fees commissions,

Interest or other costs owed to the bank. Banks and other financial institutions may offer loans or advances that are referred to as non-performing assets (NPA) because the borrower has missed at least 90 days of principal and interest payments. The main job of a bank is to accept deposits from both individual and corporate clients as well as to lend money to a variety of Industries and sectors, including agriculture, business,housing and others. Receiving a deposits often carrier no risk because the banker is responsible for paying it back whenever it is requested. Banks act as a middleman between savers and those looking for finding, currently the banking industry is having trouble with NPA rise over bank. The entire banking industry is in bad shape right now Indians economy. Private sector banks and public sector banks make up the majority of the banking industry in India. According to Reserve guidelines both type of banks offer advances to certain consumer segments According to RBI regulations a non-performing asset NPA is a loan or advances which interest or a principal installment are past due for more than 90 days in relation to a term loan.

Performing asset: A real estate asset is considered a performing asset if it is at the time of acquisition by the company in material compliance with the conditions of its original contract and is neither a distressed assets nor a non performing assets. A performing asset is one for which the following conditions apply.

- No payment due thereunder has been made other than on the due date.
- The actual net cash flow from the related mortgaged property or underlying mortgaged property is sufficient to cover all payments due on such asset.

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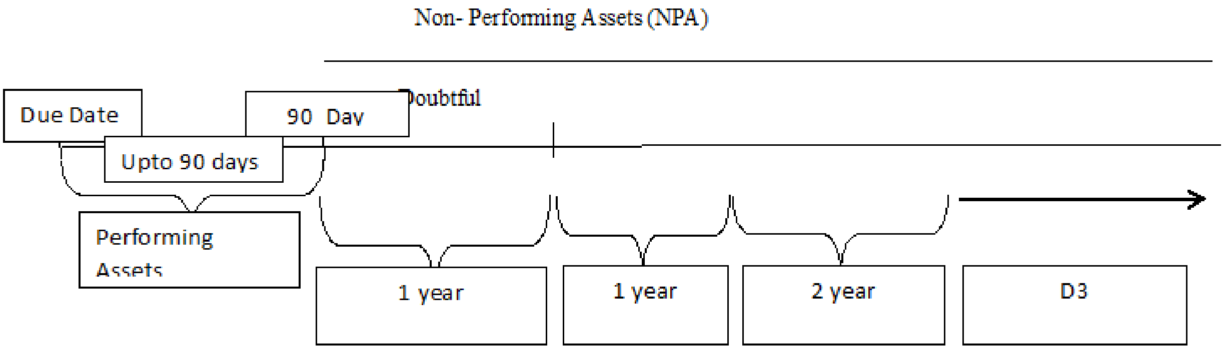
Non-performing asset:-NoN-Performing assets are terms associated with banking and finance. When a bank or finance company is unable to recover the money it has lent to a borrower within 90 days amount which have not been recovered shall be viewed as NPA. It reflects problematic debts, the borrowers of which failed to fufill their responsibilities for payment.



Objectives of the Research:

- To understand the concept of Performing and Non-Performing Assets.
- To analyze and compare the status of Performing and Non-Performing Assets in IDBI Bank and Bank of Baroda.
- To conduct a detailed study on the analysis of NPA recovery by banks.

Research Design and Methodology

This study employs a descriptive research design to understand and analyze the concept and status of performing and non-performing assets in IDBI Bank and Bank of Baroda. Non-probability sampling techniques are used, specifically convenience sampling, to gather data. The data presentation relies on graphical representations for clarity and ease of understanding. The research draws from both secondary sources, including data collected by the banks and the RBI website, as well as published and unpublished data.

Data Analysis and Interpretation

Table 1 COMPARATIVE ANALYSIS OF PA & NPA OF BANK OD BARODA

In lakhs

Year	Performingassets	NPA	Total
2019	125122731	2829517.5	127952248.5
2020	135458525	6529517.5	141988042.5
2021	145590015.4	3434970.14	149024985.6
2022	164800649.9	3054016.54	167854666.4
2023	199134495.79	3000863.53	202135359.3

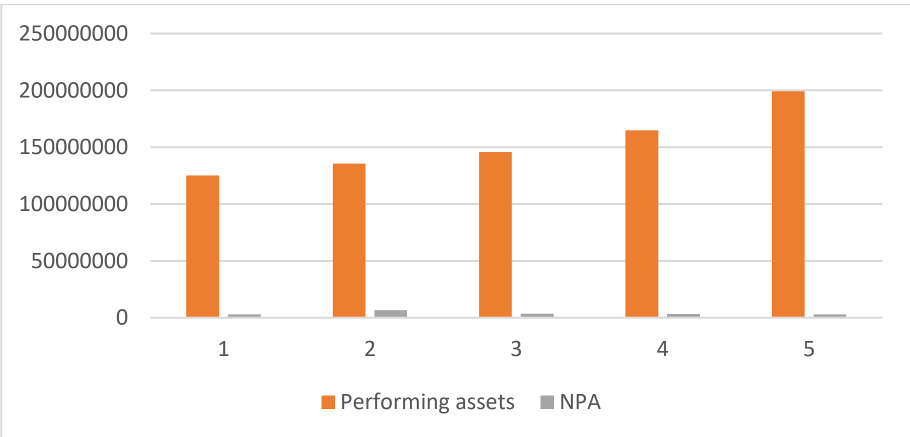


Figure 1

As it is stated that Bank of Baroda is divided into two categories performing and non performing Assets.The activity in 2019 assets totaled Rs. 125122731. In 2013 steadily increased to Rs.199134495.79. The NPA is in 2019 Rs.2829517.5 , 2020 Rs. 6529517.5, 2021 Rs.3434970.14, 2022 Rs. 3054016.54,2023 Rs.3000863.53. so the NPA amount is increased in 2020.

Table 2 : Comparative Analysis of PA & NPA of IDBI Bank during 2014-2023

(Rs.lakh)

Year	Performing Assets	NPAs	% of col. 2 to total	% of col. 3 to total
2014	171453.36	948.96	99.45	0.55
2015	232153.61	1418.41	99.39	0.61
2016	251698.88	1677.91	99.34	0.66
2017	287926.31	2910.93	99	1
2018	319665.18	3100.36	99.04	0.96
2019	324094.33	4902.3	98.51	1.49
2020	350038.05	5992.52	98.32	1.68
2021	359728.74	14643.39	96.09	3.91
2022	336562.1	25205.8	93.93	6.97
2023	321648.5	28665.14	91.82	8.18
Mean	295497.2	8946.57	97.06	2.94
SD	59858.67	10299.93		
CV(%)	20.26	115.13		
CAGR(%)	6.49	40.61		

COMPARATIVE ANALYSIS OF PA & NPA OF IDBI BANK

(Rs. Lakh)

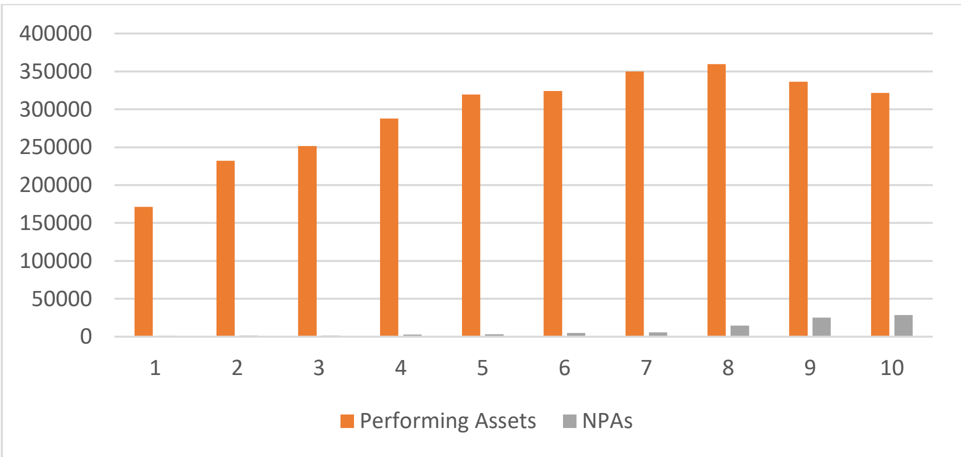


Figure 2

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As stated in graph that the asset of the IDBI banks are divided into two major categories: performing and non performing. The activity In 2014 assets totaled Rs. 171453.36 . In 2021 steadily increased to Rs. 359728.74 and Afterward declined. These cost 3364562.10 rupees. & Rs. 321648.50 in both 2022 and 2023 respectively. In 2009, performing assets made up 99.45% of the total assets, while NPAs made up the remaining 0.55%. In 2023, the percentage of the former has decreased to 91.82, its lowest point. Whereas 8.81% of the remaining % is NPAs. The former accounts for the mean of 97.06%, while 2.94% of the latter group. Overall, one may say that there is a deterioration. In the performance asset account in 2023 over 2014. In contrast, the share of NPAs paints a different picture. When compared to performing assets, the net NPAs have a greater degree of consistency. The expansion is significant only in terms of performing assets. Larger than 95% of assets are active assets, and the snooze, NPAs. The rise in both absolute and periods in the latter during the time under alarming references.

Table 3 Progress of Gross NPAs in the IDBI Bank during the year 2014-2023

(Rs. Lakh)

Year	Amount	Trends(%)	% of change over previous year	Share of col. 2 to advances(%)
2014	1453.69	100	-	1.39
2015	2129.38	148.32	48.32	1.54
2016	2784.73	317.02	30.78	1.77
2017	4551.37	317.02	63.44	2.51
2018	6449.98	449.26	41.72	3.29
2019	9960.16	693.75	54.42	5.04
2020	12684.97	883.55	27.36	6.09
2021	24875.07	1732.62	96.1	11.52
2022	44752.59	3117.15	79.91	23.45
2023	55588.26	3871.88	24.21	32.37
Mean	16521.22			9.38
SD	19203.27			
CV(%)	116.23			
CAGR(%)	44.14			

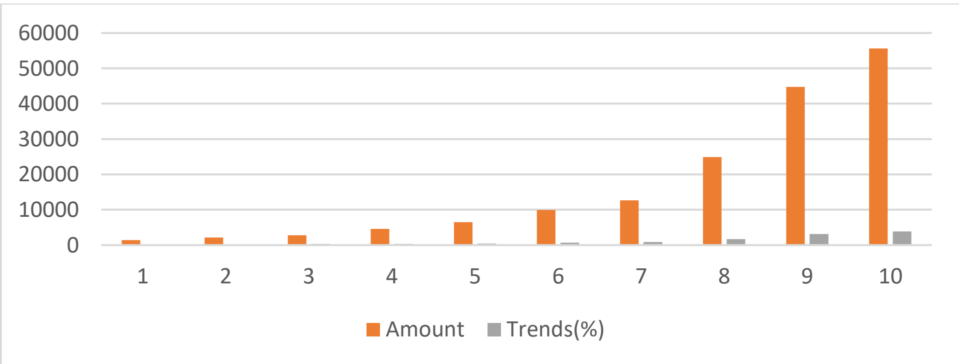

Figure 3

The gross NPAs in the IDBI Bank are shown in the figure. A look at the table reveals that the gross NPAs were Rs. 1435.69 lakh in 2014 as against the highest at Rs. 55588.26 lakh in 2023. There is a gradual growth in the entire period. On average, per year, gross NPAs are Rs. 16521.22 lakh. The CV is 116.23 %. The CAGR is 144.14%, which is not significant. The trend value reveals the extent of variation in the growth of gross NPAs in the subsequent period over the base year. The variation is between 48.32% and 883.55% during 2014- 2020. The fluctuation is 1732.62%, 3117.15 and 3871.88% during 2021, 2022,2023. In comparison to the year before, none of the years have decreased. The range of the yearly growth is between 24.21 and 96.10. Gross NPAs as a percentage of total advances compared to 32.37% in 2014, is 1.39% in 2023. The rate of growth is gradual. Considering mean, the gross NPAs as a % of total advances. There are 9.38% outstanding. Thus, it may be said that the gross NPAs gradually increase throughout a time frame. The increase from 2021 to 2023 is remarkable. The discrepancy exceeds 100%. The share of gross revenue has made frightening progress.

CONCLUSION: The conclusion drawn is that NPA is one of the crucial indicators of the economic strain of any Indian banks. One of the main problems facing the banking industry is NPA. While it is challenging to totally eradicate bank NPA, we should endeavour to do so in some significant measure. Following the comparison, it was discovered that banks, such as IDBI Bank in India, have higher NPA levels. As a result, the profitability of the banks has been adversely impacted. In Bank of Baroda, the ROI% is higher and the NPA% is also lower. This comparison of a few Indian banks from the public and private sectors shows that Bank non-payment. As a result, it is a big problem for both the government and public sector banks. The Reserve Bank of India (RBI) has now been given more authority to take action against NPA in banks. Every public sector bank in India needs to pay more attention to its NPA. The bank must enhance both their credit and repayment structures in order to eliminate NPA. It also emphasises the strategy for reducing default risk. The bank must adhere to all governmental credit policies and act swiftly to address NPA. The bank also made improvements to its NPA management system.

SUGGESTIONS: - Every nations ability to expand economically is reliant on the efficient running of its financial institutions, which includes the banking industry. The Indian banking sector has traditionally suffered from non-performing assets (NPAs). They have a detrimental impact on the bank's profitability. They have an impact on the bank's financial success but also the economy's financial growth. Since our economic development is based on the financial system, the banks must focus on NPA management to increase profits. An growing NPA suggest a significant amount of credit defaults, which in turn affects a profitability, liquidity and solvency of the bank. Non-performing assets (NPAs) are a problem that predominantly impacts. As a result, strict regulations should be put in place to address this issue. The government should should also take additional steps to hasten the conclusion of open cases. The successful adoption of Debt Recovery Tribunals allowed the banks to manage their non-performing assets (NPAs), the SARFAESI Act and LokAdalats.

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