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Study of Non-performing Assets in Bank of Maharashtra

¹ Amol Waghmare, ² Umesh More, ³ Bhavana Ghodake, ⁴ Pratham Patil, ⁵ Bapurao Takale Sachin Chavan

^{1, 2, 3, 4, 5} Rajeev Gandhi College of Management Studies Ghansoli, Thane, Navi Mumbai, India

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Corresponding Author: Amol Waghmare

Abstract

The project topic assigned me and my group was “Study of Non-performing Assets of Bank of Maharashtra”. The scope of study of this project is Concept of a NPA, Classification of a Non-Performing Assets, Impact of a NPA, Causes and preventive measures of a NPA, reasons for the account becoming NPA, factors for rise in NPA, provisions, income

recognition, for a detailed study to know retail and non-retail NPA, causes for higher NPA and techniques used to reduce it, and many more.

The project topic is chosen by me, is the study of non-performing assets of the bank of Maharashtra because I want to study it in detail and know about it more.

Keywords: Non-performing Assets, Bank of Maharashtra, India

Introduction

The banking sector is one of the appreciated service industries. The banking sector plays a larger role in channelizing money from one end to another end. It helps almost every person in utilizing the money at their best. The banking sector accepts the deposits of the people and provides a fruitful return to people on the invested money. The main sources of income for banks are the interest that they earn on the loans that have been disbursed to general people, businessmen, or any industry for its development. Banks first, accept the deposits from the people, and secondly, they lend this money to people who are in the need of it. By the way of channelizing money from one end to another end. Banks earn their profits.

However, the Indian banking sector has recently faced the serious problem of Non-Performing Assets. This problem has emerged largely in the Indian banking sector in the last three decades. Due to this problem, many Public Sector Banks have been adversely affected to their performance and operations. In simple words, the Non-Performing Assets problem is one where banks are not able to recollect their landed money from the clients or clients have been in such a condition that they are not in the position to provide the borrowed money to the bank.

The problem of a NPAs is a danger to the banks because it destroys their health. Financial conditions of them. The trust of the people would not be anymore if the banks have higher a NPAs. So, the problem of NPAs must be tackled in such a way that would not destroy the operational, financial conditions and would not affect the image of the banks. Recently, RBI has taken several steps for the reduce the NPAs of the Indian banks. And it is also found that many banks have shown positive figures in reducing NPAs as compared to the past years.

Objectives of the Study

1. To know the types of loan offered by the Bank of Maharashtra.
2. To study the NPAs of the bank.
3. To study the preventive measures for NPAs.
4. To find the causes for higher NPAs and the techniques used to reduce them.

Research Methodology

Data collection: To fulfil the objective of the study, both primary and secondary data have been taken into consideration. I used both primary and secondary data.

Primary data:

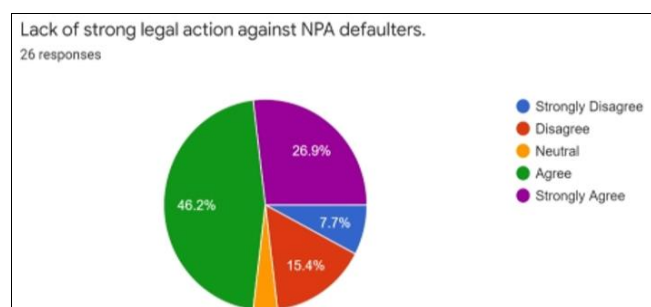
Survey through questionnaire.

Secondary data:

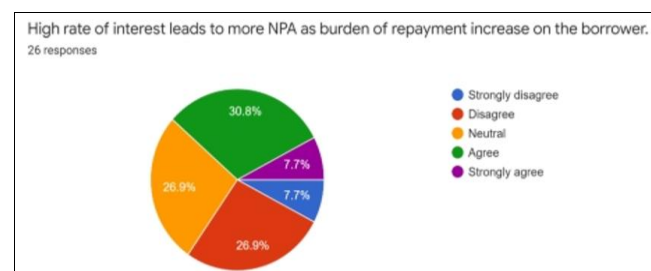
There was extensive use of secondary data in form of websites, circulars of bank of Maharashtra report of RBI, etc.

Questionnaire on NPA**1. Lack of Strong Legal Action against the NPA Defaulters.**

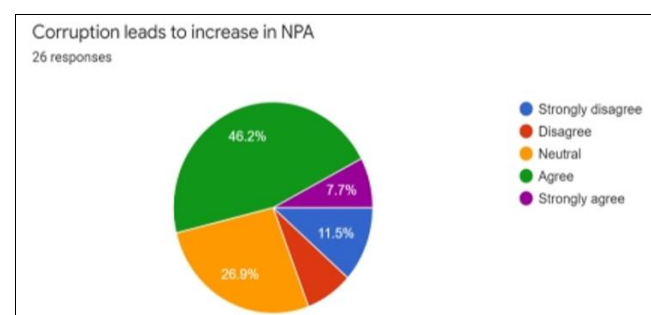
Strongly Disagree	7.7%
Disagree	15.4%
Neutral	3.8%
Agree	48.2%
Strongly Agree	26.9%

**2. High Rate of Interest Leads to More the NPA as the Burden of the Repayment Increases on the Borrower.**

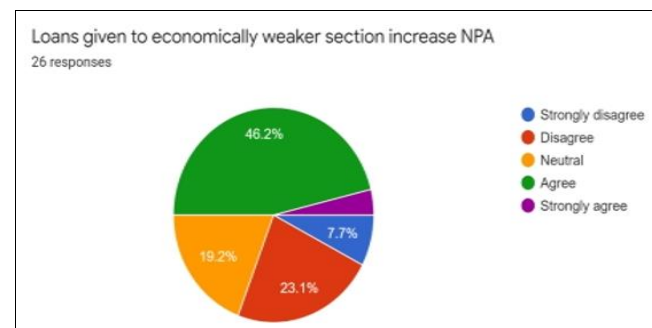
Strongly Disagree	7.7%
Disagree	26.9%
Neutral	26.9%
Agree	30.8%
Strongly Agree	7.7%

**3. Corruption Leads to an Increase in NPA.**

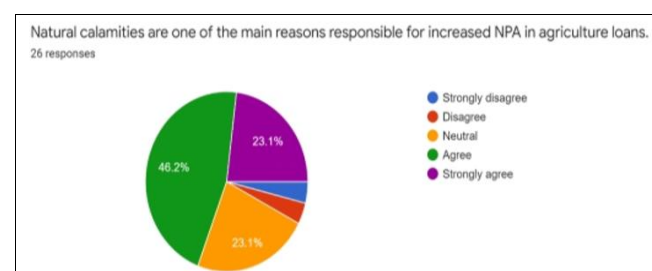
Strongly Disagree	11.5%
Disagree	7.7%
Neutral	26.9%
Agree	46.2%
Strongly Agree	7.7%

**4. Loans Given to Economically Weaker Sections Increase NPA.**

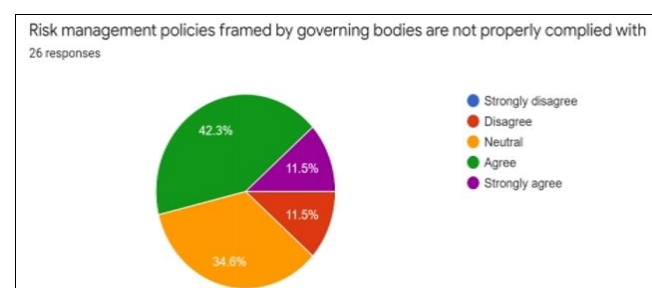
Strongly Disagree	7.7%
Disagree	23.1%
Neutral	19.2%
Agree	46.2%
Strongly Agree	3.8%

**5. Natural Calamities are one of the Main Reasons Responsible for Increased NPA in Agriculture Loans.**

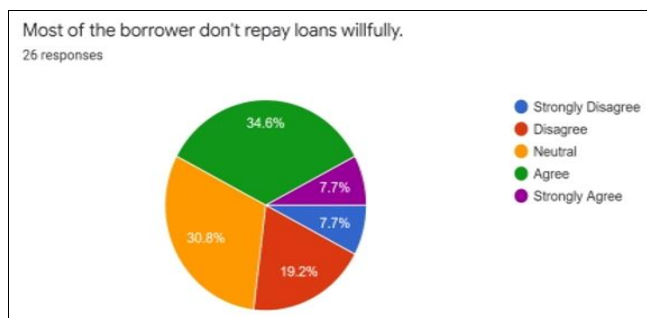
Strongly Disagree	3.8%
Disagree	3.8%
Neutral	23.1%
Agree	46.2%
Strongly Agree	23.1%

**6. Risk Management Policies Framed by Governing Bodies are not Properly Complied.**

Strongly Disagree	0%
Disagree	11.5%
Neutral	34.6%
Agree	42.3%
Strongly Agree	11.5%

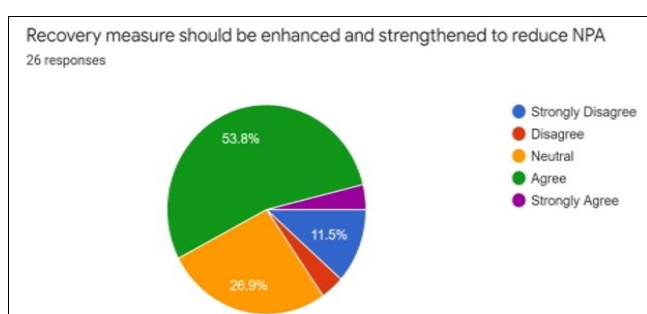
**7. Most of the Borrower don't Repay Loans Willfully.**

Strongly Disagree	34.6%
Disagree	19.2%
Neutral	30.8%
Agree	34.6%
Strongly Agree	7.7%



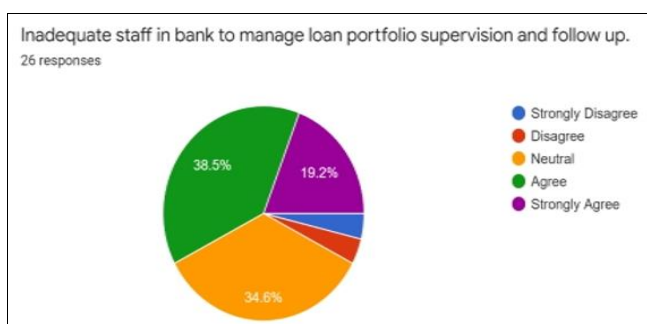
8. Recovery Measure should be Enhanced and Strengthened to Reduce NPA.

Strongly Disagree	11.5%
Disagree	3.8%
Neutral	26.9%
Agree	53.8%
Strongly Agree	3.8%



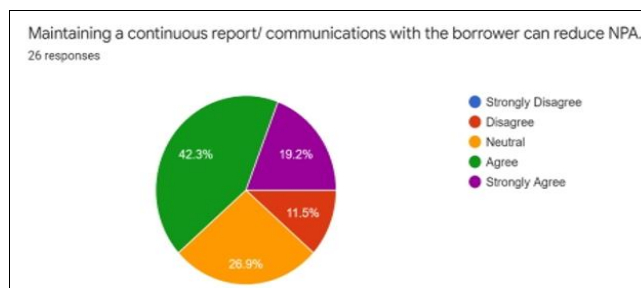
9. Inadequate Staff in Bank to Manage Loan Portfolio Supervision and Follow-up.

Strongly Disagree	3.8%
Disagree	3.8%
Neutral	34.6%
Agree	38.5%
Strongly Agree	19.2%



10. Maintaining a Continuous Report/ Communication with the Borrower can Reduce NPA.

Strongly Disagree	0%
Disagree	11.5%
Neutral	26.9%
Agree	42.3%
Strongly Agree	19.2%



Conclusion

The non-performing assets have a major impact on profitability, liquidity and credit. The bank should take precautionary measures. The bank should adopt various techniques to recover the NPAs. This will reduce the high amount of NPAs.

The situation calls for an urgent action all concerned for improvement. Based on our experience we, consider that the branches will have to constantly work to prevent the NPA from contaminating new credit portfolio. Also, concurrently they will have to reinforce effective strategies to remove the virus from the existing NPA portfolio. The task although difficult is achievable. Monitoring and follow up are the key watchword in the task of managing reducing NPA's.

Acknowledgement

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