

**A**  
**PROJECT REPORT**  
**ON**  
**“Loan Appraisal Mechanism & NPA Analysis”**

**AT**



**BANK OF BARODA,**  
**(Gangapur Road Branch)**

**SUBMITTED TO**

**(University name)**

**IN PARTIAL FULFILLMENT OF**  
**MASTER OF BUSINESS ADMINISTRATION**

**SUBMITTED BY**

**MR. (Name)**

**MBA (II) FINANCE**

**UNDER GUIDANCE OF**

**PROF.**

**YEAR 20 -20**

**(Institute name)**

## ACKNOWLEDGEMENT

I am thankful to Director Sir and Head of Department of Finance who had given me an opportunity to do this project.

I wish to express my deep sense of gratitude to Prof. \_\_\_\_\_ sir for his excellence guidance's during his period of this project work were invaluable.

I am extremely grateful to Mr. \_\_\_\_\_ (Sr. Branch Manager) of Bank of Baroda. He has given the inspiration and valuable guidance. Last but not least, I am thankful to library department of our college for making available books and also to those who have directly and indirectly help in preparation of this project report.

Date: /0 /20

(Name)

Place:

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## DECLARATION

I am (Name) the student of Institute of management Research and Technology, Nashik. The course of MBA of (University name) consists of four semesters. Every student has to under go a project during his academic curriculum of university. The project is compulsory for every student.

I have by declared that the project is and independent analysis work carried out by me under the guidance of Director and Prof. \_\_\_\_\_. This report has not been previously submitted for an award of any degree of this of any other university.

Thanking You.

Name:

Date:

Place:



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**CHAPTER-1**

**INTRODUCTION**

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## 1.1 INTRODUCTION

I have great pleasure in presenting my project report. The subject of my project is Loan Appraisal Mechanism and NPA Analysis in Bank of Baroda is completion of this subject I have chosen Bank of Baroda, T-B Torana palace, Manik Nagar, Gangapur Road, Nashik. Today the base of the country economic development and trade is depending upon banking and credit structure of economy.

The financial structure is the foundation of credit and capital market of the economy. Which solely depend upon the banking business in the country. The basic foundation at any bank is its deposit patterns and Advances come from the deposits which the public keeps in the bank always in a particular ratio and proportion, no bank can grant loan more than its deposit structure. The some technique of loan and Advances in applied all over the word.

### **Types of Loans and Advances**

1. Cash Credit
2. Over Draft
3. Loan System

#### **1. Cash Credit System**

Cash credit system is method of lending by bank customer produce tangible assets as a security to cover the amount borrowed from the banker. The borrower is charged interest on actual amount utilized by him and for the period of actual utilization only.

#### **2. Over Draft**

Current account holder is permitted by bank to banker to draw more than what stands to his credit, advance is called as Overdraft. Bank of the basis of written application and a promissory not signed by the customer.

#### **3. Loan system**

Under this system credit is given for define purpose and for a predetermined period. Normally these loans are repayable in installments loan are granted for short, medium and long period.

##### **A. Short Term Loan**

This type of loan is given for short period and such type of loan repayment period is very short. These loans are given to meet the working capital need of borrower's short term.

##### **B. Medium Term Loan**

These are repayable over a period ranging from 1.5 year and are granted for the purpose of durable goods like tractors and vehicle, equipments etc.

**C. Long Term Loan**

Long term loan called term loan extended by bank and other term lending institutions for meeting the requirement of capital investment in Industry/ Agriculture.

**D. Composite Loan**

Composite loan is given for both purpose for buying equipment and for working capital small borrower is called composite loan.

**E. Consumer Loan/ Consumption Loan**

Bank provide on a limited scale to meet the medical and education expenses and expenses relating to marriage and other religious ceremonies. Consumer loan are given for purchase equipment, product like TV, fridge, vehicle etc.



## 1.2 OBJECTIVE OF THE PROJECT

Today successful professionals and managers know that self awareness is crucial vantage point from which to improve individual and organizational effectiveness the summer project which is the part of management curriculum is the first and crucial step towards the development of future managers.

This summer training helps students to indemnify the capability and thereby make needed adjustments. Although these is difference in each students level of proficiency. The real focus is on suggesting ways for student to future sharpen these strengths competencies and all related abilities for becoming effective professionals, managers and leaders. The approach to introducing students to organizational environment is to move the individual to group to the organization level. However this view is integrated through three aspects i.e. educational, individual and organizational. The prime educational object behind the project is to make students familiar with the working environment and to make understand the students that, the ways in which theoretical aspects are applied into practice.

The individual object of the project is to work effectively, efficiently using his/her creativity as well as knowledge for self-development.

The organizational perspective is to generate new ideas through fresh talents and can utilize them for implementing the future strategies.

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### 1.3 SELECTION OF THE TOPIC

Since 1992-93 the economy banking sector and insurance sector have been opened for foreign equity, participation and management. Therefore the competition in the industrial sector in general and banking sector in particular has been increasing and the profitability of the banks is under pressure. As I am student of financial management, I taken keen interest in areas concerned with the banking. As mentioned earlier banks play a vital role in economic development, credit creation and overall up liftmen of common people. Further the bank financing to various needs of individuals, families has become very popular, I thought it would fit to select a subject having focus attention of many banks operating in our country.

In my project, I will try focusing light on the extent what are the procedure of financial assistance sanctioned by the Nashik branch and what are the status of the Loan Appraisal of Loans and Advances scheme. This will help in analyzing the role of Bank of Baroda, Nashik branch and over development of Nashik.



### **1.4 OBJECTIVE OF THE STUDY**

1. To study the credit appraisal.
2. To study the various types of facility.
3. To study the loan policies of the Bank.
4. To study the charging of securities.
5. To study the various types of loans and advances.
6. To study the documents required for loan sanctioning procedure.
7. To study the loan sanction producers.
8. To study the various types of borrowers.
9. To study the various types of securities.
10. To study the NPA and its categories.
11. To study the life spans of borrowers account.



## 1.5 RESEARCH METHODOLOGY

Project Methodology means various method used by the structure to obtain the knowledge of information about the subject any one selected for the project methodology may differ from person to person, subject to subject. Some people refer book practical knowledge, through interview of peoples and from questionnaire.

Project method gives guidelines how the data is collected and the presentation at information. It must be collected with the help of some technique.

The various technique are used for project are as follows

There are two types of research methodology as follows

### Primary data collection

1. **Interview Technique:** It is verbal method of collecting the data. It is direct dialogue between two or more person. The intension to collect information through interview technique totally depends upon the skill of the interviewer.
2. **Questionnaire Technique:** List of questions consisting of numbers of questioning painted of written form having a definite order. This is indirect way of collecting information. In this technique questions are ask and answer are collect as valuable information.

### Secondary data collection

3. **Text Book Reference:** Text book reference is very useful of source of information. Through text book person can get reliable and details information. This is the sours which available very easily in market and in very large amount.

### Project Report

Project report is an attempt to collect the information and present it in order. The researches select a topic in which he has interest present in with conclusion social research is explained as systematic efforts of the researcher on the topic selected. Research is to discover intellectual and practical answer to problem through the application of scientific methods, which means use of system and arriving at a logical conclusion.

**Qualities of Researcher:**

- 1) Researcher should have perfect understanding
- 2) He should have knowledge of the subject
- 3) He must be truthful to himself.
- 4) He must be punctual and regular.
- 5) He must have analytical mind.

**Utility of Researcher**

- 1) Researcher is for finding cause and effect relation.
- 2) Researcher held to increase the knowledge
- 3) It finds out many unknown things.
- 4) It helps to discover many hidden things.
- 5) It helps the society as it is ultimately beneficial.
- 6) It help has practical implication.
- 7) It makes improvement of the society.

**Graphical Representation**

While writing the project report and presenting the data many time the researcher uses appropriate form of graphs. Graphic from may be in the form of charts graphs, diagram factories, this helps to clear the meaning of what the researcher intends to cover.

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- **DATA SOURCE:** - The study contains both primary data as well as secondary data.
- **PRIMARY DATA:** - It is data which is collected a fresh for first time and that happen to be original in character. The mode of collecting the data here was questionnaires.
- **SECONDARY DATA:** - It is data which already collected by someone else and which have already passed through out the statistical process. The secondary sources of the data have been from book of “Bank Law & Practices” of Mr. P.N.Varshney and Books of instruction.
- **SAMPLE SIZE:-**
  - 40 NPAs Accounts
- **SAMPLING SEGMENT:-**
  - NPA Analysis.
- **SAMPLING AREA:-**
  - Nashik Area.
- **SAMPLING INTSTRUMENTS:-**
  - Questionnaires.



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## 1.6 LIMITATION OF THE PROJECT

1. Practically difficult to data collection.
2. Time consumable process for collecting data.
3. Source of data not more reliable than the actual practice.
4. Project data not fully reliable but it helps for understand the loans and eligibility for loan. and other things for taking loan.



**CHAPTER-2**

**BANK PROFILE**

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## 2.1 BACKGROUND & HISTORY

### **The Beginning**

It has been a long and eventful journey across 100 years and 17 countries. Starting in 1908 from a small building in Baroda to its new hi-rise and hi-tech Baroda Corporate Centre-in Mumbai is a saga of vision, enterprise, financial prudence, mission and corporate governance. It is a story scripted in corporate wisdom and social pride. It is a story crafted in private capital, princely patronage and state ownership. It is a story of ordinary bankers and their extraordinary contribution in the ascent of Bank of Baroda to the formidable heights of corporate glory. It is a story that needs to be shared with all those millions of people- customers, stakeholders, employees and the public at large- who in ample measure, have contributed to the making of an institution.

### **A star is born**

On 20<sup>th</sup> July, 1908 Bank of Baroda Ltd. Was registered under the Baroda companies Act of 1897, with a paid-up capital of Rs.10 lacs. Maharaja Sayajirao III, its founder, foresaw, “a bank of this nature will prove a beneficial agency for the lending, transmission and deposit of money and a powerful factor in the development of art, industries and commerce of the state and adjoining territories.”

### **Baroda & Ethics**

Between 1913 and 1917, as many as 87 banks failed in India. Bank Of Baroda survived the crisis, mainly due to its honest and prudent leadership. This financial integrity, business prudence, caution and an abiding care and concern for the hard earned savings of hard working people, were to become the central philosophy around which business decisions would be effected. This cardinal philosophy was over the 94 years of its biggest asset. It endured that the bank survived the Great War years. It ensured survival during the Great Depression. Even while big names were dragged into the Stock Market scam and the Capital Market scam, the Bank of Baroda continued its triumphant march along the best ethical practices.



### **Strengthening the Edifice**

In the mid 1930s, greater autonomy was allowed to branches. Institutional safeguards against possible misuse of powers vested in managers were installed. In 1939 the first safe deposit lockers were provided at Baroda. Administrative initiatives were reinforced by HRD interventions. Branch expansion was pursued. These were all bold experiments 70 years ago. Over the second Great War years, the Bank's business grew phenomenally. At this time the Bank, in a limited way, ventured into foreign exchange business. It was a small step but a giant leap forward into international banking. In 1947, when India became free, Bank Of Baroda, with 48 branches, was still an essentially regional bank. Nevertheless it had found a place in India's 'Fortune Five' list of banks.

### **Reaching Out**

In India's post-independence phase, the bank started fan out beyond its backyard. Between 1953 and 1958, 30 new offices were opened. Strategic mergers up to 1965 saw the bank network over 234 branches. In a real sense, Bank of Baroda had become a national institution. Upon nationalization, it operated from 433 branches in India and around the world.

### **Beyond Indian Shores**

In 1953, the Bank opened its first overseas branch at Mombasa, Kenya. Wherever enterprising Indians settled beyond India's shores, Bank Of Baroda also went. The need to become truly international and competitive drove later assaults on international markets.

Today, Bank of Baroda is India's leading international bank. Its network covers 61 branches in 16 countries. Overseas operations of the Bank today contribute nearly 20% of the Bank's net profit. Again in a real sense, Bank of Baroda had grown to become a truly international institution.

### **Nationalization and National Development**

On 19<sup>th</sup> July, 1969 the Bank of Baroda Ltd. became Bank of Baroda. A new phase in banking had started. The Bank committed itself to this new role of national development. The Bank gave social banking a new dimension, with its Multi-Service

Agency (MSA) model for urban micro-credit. It was the most customer friendly innovation in social banking anywhere.

In 1976 the Bank opened the first of its 1E Regional Rural Banks complementing its own operations in the rural heartland, where three-quarters of India lived. In 1977, the Bank launched the Gram Vikas Kendras, an innovative model for integrated rural development. Following an

aggressive expansion policy, by 1981, the Bank has 1669 branches, taking banking services to far flung un-banked areas of India. The Bank today has lead responsibilities in 41 districts across 5 states. The Bank co-ordinates State Level Bankers' Committees in Rajasthan and Uttar Pradesh.

### **Financial Initiatives**

New norms for capital adequacy required new capital management strategies. In 1995 the bank raised Rs. 300 crores through a bond issue. In 1996 the Bank tapped the capital market with an IPO of Rs. 860 crores, despite adverse market conditions prevailing then, the issue was over subscribed, reflecting the positive public perception of the bank's fundamental financial strength. The current level of capital adequacy stands at a healthy 11.32%

### **Quality Initiatives**

In its relentless striving for quality perfection, the Bank secured the ISO 9001:2000 certifications for 15 branches. By end of the current financial, the Bank is targeting 54 more branches for this quality certification.

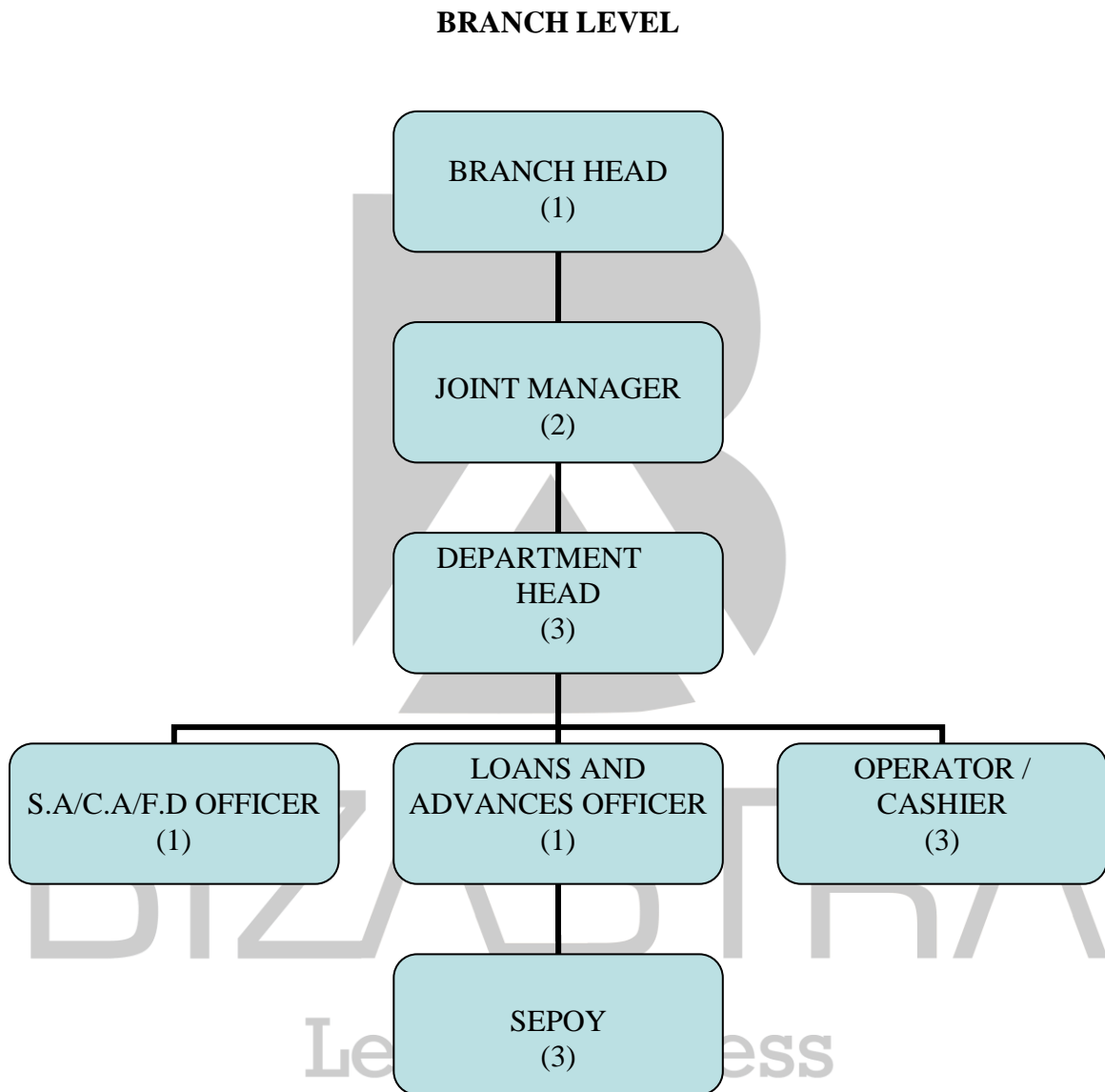
### **A Tribute to its Heroes**

No history is complete without mention of its heroes, monthly ordinary people, who turn in extra-ordinary performances and contribute to Building an institution. Over the last 94 years, there have been thousands of such people. The Bank salutes these "unknown soldiers" who passionately helped to create the legend of Bank Of Baroda.

There were also the leaders, both corporate and royal, who provided the vision and guided the Bank through 94 trail blazing years, and departing, left behind footprints on the sands of time.

This roll of Honor will be incomplete without mention of men, of the stature of Maharaja Gaekwad, Samoatrao Gaekwad, Ralph Whitenack, Vithaldas Thakersey, Tulsidas Kilachand and NM Chokshi. Bank Of Baroda salutes these leaders whose vision helped to create an institution.

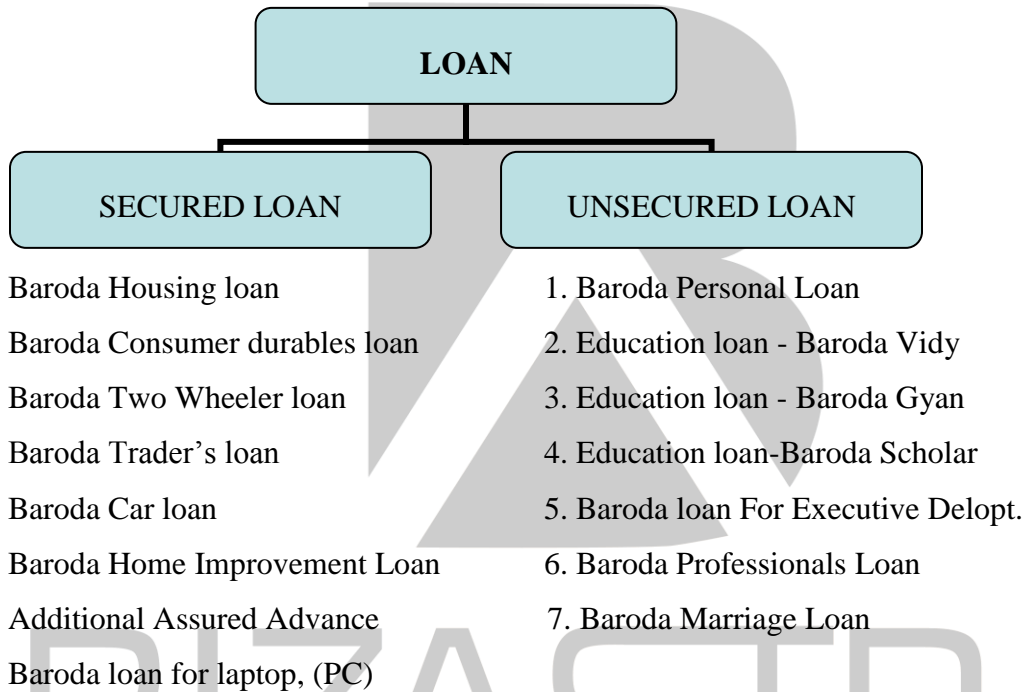
## 2.2 ORGANISATION CHART



## 2.3 PRODUCT RANGE

There are various Retails Lending Products of Bank of Baroda. Following are two types of loans and advances

1. Secured loan
2. Unsecured loan



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CHAPTER-3

**ANALYSIS**

**&**

**INTERPRETATION**

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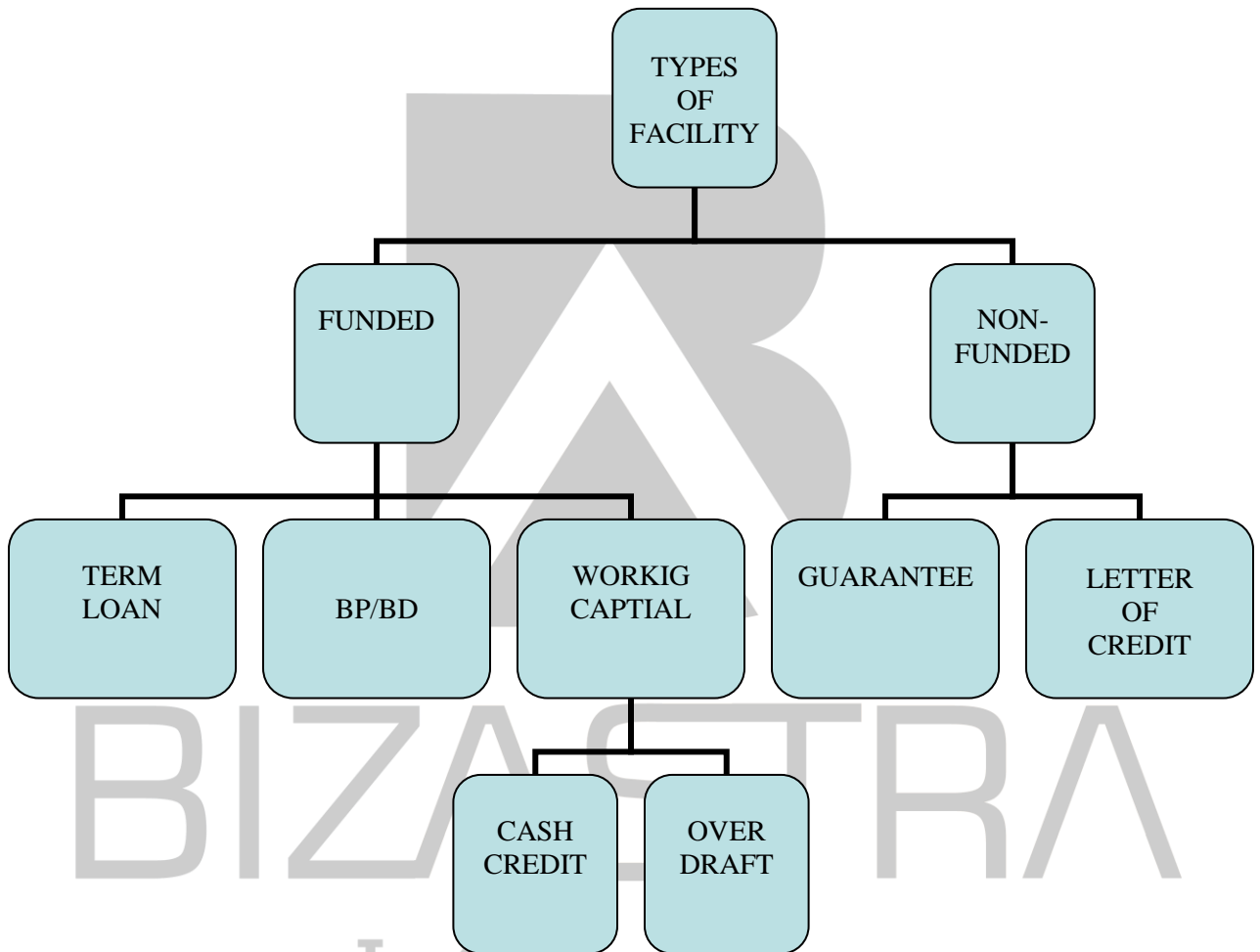


**3.1**  
**LOAN POLICY**  
**OF THE BANK**  
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## 3.1 LOAN POLICY OF THE BANK

### 3.1.1 TYPES OF CREDIT FACILITY



## TYPES OF CREDIT FACILITY

Various credit facilities extended by bank can be classified into two categories. Fund based and non-fund based. When bank places certain funds at the disposal of borrowers and borrowers avail these funds, such types of credit facilities are known as fund based. However, there are certain types of advances which do not involve deployment of funds at least the initial stage though in contingencies funds are also involved. These are called non-fund based advances.

Fund based credit facilities are extended in any one of the following manners: -

### **FUNDED**

- 1) Overdraft
- 2) Cash Credit
- 3) Demand Loan
- 4) Term Loan
- 5) Bills Purchasing / Discounting

#### **1) OVERDRAFT**

When a customer maintaining a current account is allowed by the bank to draw more than the credit balance in the account, such facility is called an **overdraft** facility. At the request and requirement of customer temporary overdraft are allowed. However, against certain securities, regular overdraft limits are sanctioned.

Salient features of this type of account are as under

- i) Overdraft accounts are maintained in current account ledgers. Depending upon business requirements, for regular overdraft limits either some folio in current account ledger are reserved or separate ledger is maintained. Current account cheque book is issued to the constituents.
- ii) All rules applicable to current account are applicable to overdraft account mutatis mutandis.

Overdraft is a running account and hence debits and credits are freely allowed.

#### **2) CASH-CREDIT**

A cash-credit is an arrangement to extend short term working capital facility under which the bank establishes a credit limit and allows the customers to borrow money up to a certain limit. Under the system, bank sanctions a limit called the cash-credit limit to each borrower up to which he is allowed to borrow against the security of stipulated tangible assets i.e. stocks, books debts etc. the customer need not draw at once the whole of the credit limit sanctioned but can



Withdraw from his cash-credit account as and when he needs the funds and deposit the surplus cash/funds proceeds of safe etc. into the account.

### **3) DEMAND LOAN**

A demand loan is a loan sanctioned for a period of less than 3 years repayable on demand. The loan is disbursed by way of single debit to the account. The amount may be allowed to be repaid in lump sum or in suitable installment, as per terms of sanction.

### **4) TERM LOAN**

A term loan is an advance allowed for a fixed period either in lump sum or in installments and which is repayable according to a schedule of repayment as against on demand and at a time.

Purpose of term loan are generally granted to meet the need of capital expenditure i.e acquitting of fixed assets like land, building, plant and machinery etc. for the purpose of setting up of new units or expansion, modernization, renovation, replacement of existing units or rehabilitation of sick units

### **5) BILLS PURCHASE / DISCOUNTING**

These represent advances against bills of exchange drawn by the customers on their clients. Bills are either purchased or discounted by bank. Demand bills are either purchased or discounted by banks. Demand bills are purchased and usance bills are discounted. Bills may be either clean or documentary. Bills accompanied by the title to goods i.e. R/R, MTR etc. are called documentary bills. Bills without such documents are known as clean bills.

### **NONFUNDED**

#### **1) GUARANTEE**

Contract of guarantee have special significance in the business of banking as a means to ensure safety of funds lent to the customers. The safety of such funds is primarily ensured by securing a charge over the tangible assets owned by the borrower and by the personal security of the letter, but in case the borrower is unable to provide the security to tangible assets or the value of the latter falls below the amount of the loan and the borrowers personal security is not considered sufficient an additional security is sought by the banker in the form of a 'guarantee' given by a third person. A guarantee is, in fact the personal security of the third person, who must command the confidence of the banker.

“Contract to perform the promise or discharge the liability of a third person in case of his default.”

## 2) LETTER OF CREDIT

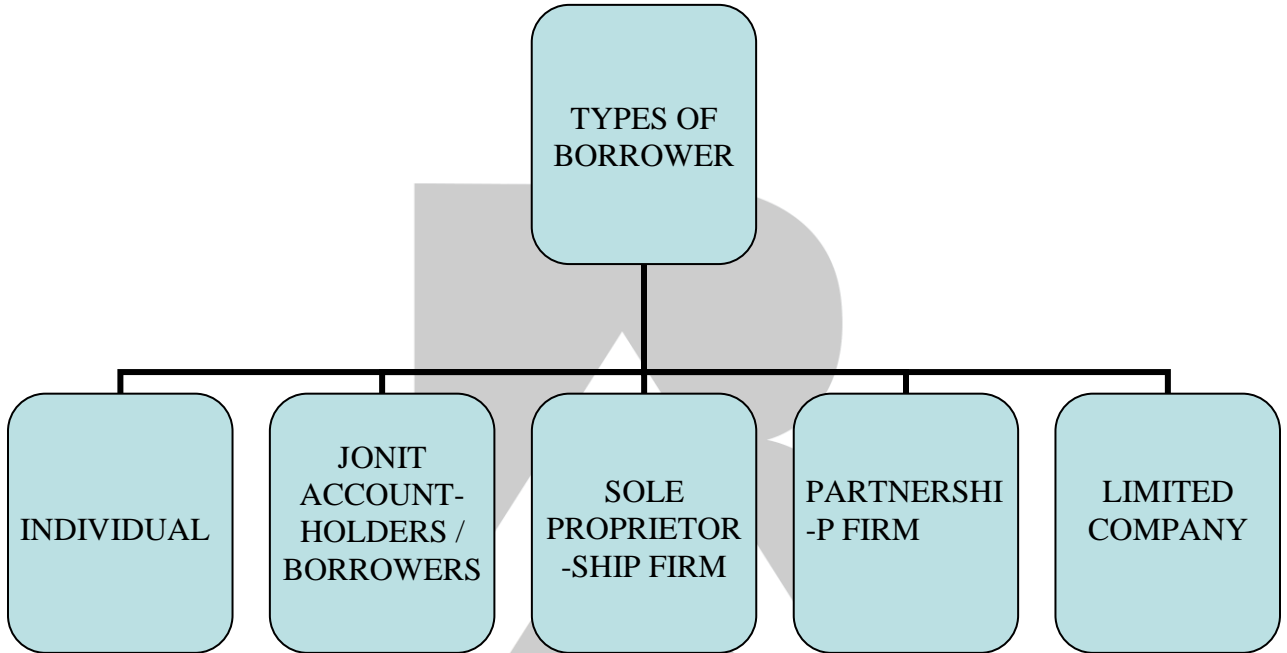
Modern banks facilitate trade and commerce by rendering valuable services to the business community. Apart from providing appropriate mechanism for making payments arising out of trade transactions, the banks gear the machinery of commerce, specially in useful like between the buyer and the seller who are often too far away from and too unfamiliar with cash other. Opening or issuing letter of credit is one of the important services provided by the banks for these purpose. The foundation of the banking business is the confidence reposed in the banking institutions by the people in general and the mercantile community in particular. The standing, reputation and goodwill earned by a banking institution enables it to issue instruments, known as letter of credit, in favors of traders and banks to meet the needs of their customer. In fact a letter of credit carries a promise or an undertaking by the issuing banker which is valued and honored on a global basis. Letters of Credit are two types:

- 1) Travelers letter of credit
- 2) Letters of commercial credit



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### 3.1.2 TYPES OF BORROWER



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## **TYPES OF BORROWER**

### **1. INDIVIDUAL**

There are various types of individuals to whom bank grants various types of credit facilities. As per law every individual to whom a credit facility is sanctioned must be competent to contract, minors persons of unsound mind and undischarged insolvents are incompetent to enter into a valid contract.

### **2. JOINT ACCOUNTHOLDERS/BORROWERS**

Advances can be granted to two or more individuals jointly provided all the joint account holders are individually competent to contract.

All the joint account holders should sign the application as well as the documents for credit facilities. Unless all of them agree in writing, authority to either or any one of the joint account holders to operate on credit balance in an account does not extend to the borrowings.

### **3. SOLE PROPRIETORSHIP FIRM**

A sole proprietorship firm is one which comes on the business in the sole name of the individual owner (proprietor) or in the trade name of the firm.

In case of a sole proprietorship firm, branches should obtain a declaration from the sole proprietor in his personal capacity that he is solely responsible for its liabilities. Other documents should be executed by him as the sole proprietor of the firm and also in his personal capacity.

### **4. PARTNERSHIP FIRMS**

A partnership firm has no independent existence from the partners constituting the same. The number of partners in a partnership firm should not exceed ten, if it is engaged in banking business and twenty in other cases.

There are no restrictions on the borrowing powers of a partnership firm. The firm need not be a registered one for granting advance facilities.

### **5. LIMITED COMPANIES**

At the time of entertaining a proposal for advance facilities from a limited company branches should require all the credentials as are required for opening a current account duly certified by the authorized officer of the company. Further, they should scrutinize its Memorandum and Articles of Association which should specifically empower the company to borrow money.

And also charge its assets. If no restrictive clauses in this regard. If a company borrows without a specific provision in the Memorandum of Association, the general body nor can the bank utilize the security held against such advance towards its adjustment.



### 3.1.3 SECURITIES

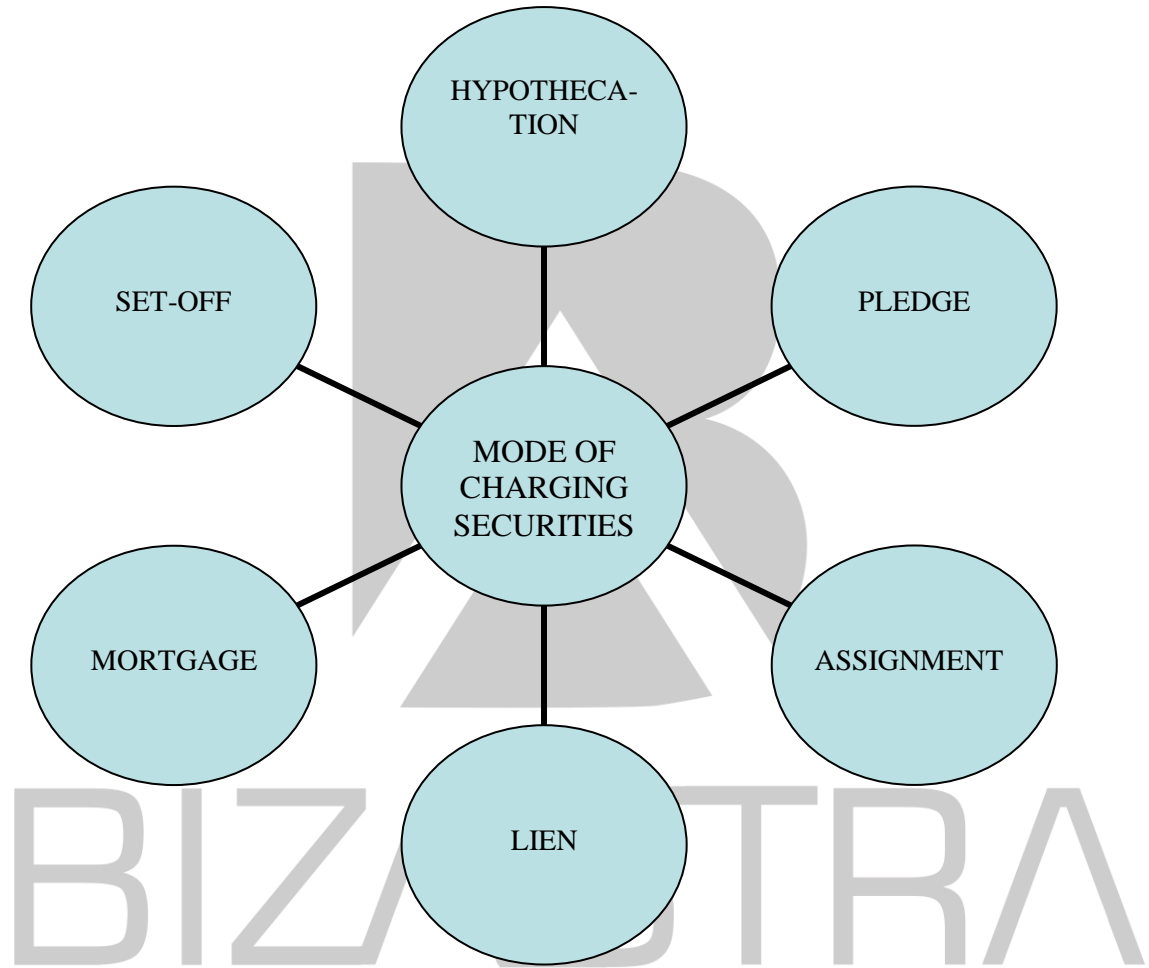
Assets of tangible nature when offered as a security for any bank finance by the borrower could be either a **'primary security'** or **'collateral security'**

A primary security is an asset which is offered by the borrower against which bank grants finance or an asset which is acquired out of the bank finance and is given as security to the bank for the said finance.

Security obtained from the borrower to additionally secure the loan sanctioned to him which may be a clean loan or loan secured by primary security, could be called collateral security



### 3.1.4 MODE OF CHARGING SECURITY



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## MODE OF CHARGING SECURITIES

### 1. PLEDGE

Section 172 of the Indian Contract Act, 1872 defines the term 'pledge' as under:

The bailment of goods as security or payment of debts or performance of a promise is called 'pledge'. The bailor is, in this case, called the 'pledger' and the bailee is called 'pledgee'.

- Pledge means bailment of goods
- Its purpose is to secure payment of a debt or
- To sure performance of a promise. Any movable property can be pledge. Delivery (actual or constructive) is necessary to complete a pledge.

### 2. HYPOTHECATION

In hypothecation, the possession of the property in the goods and other movable offered as security remains with the borrower and an equitable charge is created in favor of the lender.

"Charge against property for an amount of debt where neither ownership nor possession is passed on to the creditor". Hypothecation is defined in none of the acts.

### 3. MORTGAGE

Mortgage is the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debts or the performance of the agreement

Which may lead to a pecuniary liability. The borrower is called the 'mortgagor' and the lender the 'mortgagee'

### 4. ASSIGNMENT

Assignment means transfer of a right of an actionable claim, existing or future. Actionable claim means a claim to any debt other than a debt secured by mortgage of immovable property, by hypothecation or pledge of movable property, either actual or constructive of the claimant, which the civil courts recognize as affording grounds for relief, whether such debt or beneficial interest be existent, accruing, conditional or contingent.

### 5. LIEN

Lien is the right of a creditor to retain in his possession the goods and securities owned by the debtor until the debts have been discharged, but has no right to sell the goods and securities so retained. In lien two types particular lien and general lien.



## 6. SET-OFF

Banker has right of set off between two or more accounts maintained by a customer, if one of them is in debit and their relationship in both the accounts is of debtor and creditor

For example 'A' has taken an overdraft of Rs. 10000/- in his current a/c. He also has a saving bank account which shows a credit balance of Rs. 12000/- bank can combine this a/c and can set off dues of current account from customer's saving bank account.



## 3.2 CREDIT APPRAISAL

### INTRODUCTION

The bank of sanctioning unsecured advances is comparatively more risky and needs special care and attention on the part of the financier. In the absence of a charge over a specific asset, the safety of advance depends upon the honesty and integrity of the borrower as much as upon the worth of his tangible assets. The financier has, therefore, to make proper enquires not only about the borrowers capacity to pay but also about his willingness to pay the amount. Though such enquiry is also necessary in case of a secured advance but its urgency is greater in case of an unsecured advance for obvious reasons.

The creditworthiness of a person means that he deserves a certain amount of credit, which may safely be granted to him. Such creditworthiness is judged by the banker on the basis of his:

- **CHARACTER**
- **CAPACITY**
- **CAPITAL**

### CHARACTER

In assessing the creditworthiness of a person, the first consideration is that of the character of the person concerned. The word character implies and includes a number of personal characteristics of a person e.g. his honesty, integrity, regularity and responsibility, good habits and the reputation and goodwill which he enjoys in the eyes of others. If a person possesses all these qualities, without a doubt or suspicion in the minds of others, he possesses and excellent character and will be considered creditworthy by the banker.

### CAPACITY

The success of an enterprise largely depends upon the ability, competence and experience of the entrepreneur. If the borrower possesses necessary technical skill, managerial ability and experience to run a particular industry or trade, success of such unit may be taken for granted and the banker will consider him a deserving case for granting an advance. The significance of this factor is now growing as the banks are willing to grant unsecured loans to technicians and competent persons on the basis of soundness of their business projects, irrespective of their own capital.

## **CAPITAL**

The importance attached by the banker to the adequacy of capital of the borrower is not without significance. Banks are the depositories of the public money and lend the borrowed money. The financier, therefore before does not have adequate funds of his own. In case of failure of the business enterprise the financier will be able to realize his money if the borrowers own capital is sufficient.

Though all the above mentioned factors are important and taken into account by the banker at the time of assessing the creditworthiness of the borrower, their relative importance differs from the banker to banker and from borrower to borrower. The consideration of security is undergoing change. Greater emphasis is being laid on the ability and competence of the borrower and soundness of his project. However persons of doubtful integrity and without good character are not granted unsecured advances. Further creditworthiness is a relative term.



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### **3.2.1 COLLECTION OF CREDIT INFORMATION**

For the purpose of assessing the creditworthiness of a borrower, a financier has to collect the above-mentioned information from a number of sources. In absence of such specialized credit agencies of India, the task of a financier becomes difficult. Every financier maintains a Credit Investigation Department as its HO and main offices in larger cities to information regarding the financial position of its borrowers. At other centers, branch heads performs credit investigation. The credit information is collected from following sources

#### **1. CREDIT INFORMATION BUREAU**

The RBI has established within itself the Credit Information Bureau, which collects credit information from banks and financiers under section 45-C (1) of RBI Act, 1934. Banks & financiers are requires to furnish such credit information, the mention the nature of facility, security & charge along with outstanding balance. After consolidating such information in respect of each customer, the Reserve Bank supplies the applicant – banks/ financiers relating to the total limits sanctioned to and the banks dealing with the party. Thus, the banks/ financiers can find out if any of their customers is having excessive borrowing form the banking system at any particular time.

#### **2. BORROWER**

Much information may be secured from the borrower directly. The loan application from seeks basic information about the borrower and his business. The banker may examine his account books and note his past dealings and the business undertaken in the past. A personal interview with the borrower will also enable the financier to get a clear picture of his sate of affairs.

#### **3. BAZAAR REPORTS**

Financers try to find out the creditworthiness of the party by making enquiries from the brokers, traders and businessmen in the same trade or industry opinions may differ but a balanced opinion may be formed about the borrower on the basis of the feelings expressed by a number of such persons.

#### **4. BALANCE SHEET & PROFIT & LOSS ACCOUNTAN**

analysis of the Balance Sheet and Profit & Loss Account of the borrower for the last few years will reveal his true financial position. Competent accountants should certify these statements.

## **5. EXCHANGE OF CREDIT INFORMATION AMONGST BANKS / FINANCERS**

It is the practice and customary usage amongst financiers to exchange credit information relating to the constituents in their mutual interest. But the credit reports exchanged by the banks are brief and superficial. They are in general and guarded terms. Banks are reluctant to exchange meaningful credit information because they apprehend that legal protection available to them will be lost if more facts are divulged to the enquiring banks/financiers.



---

### 3.2.2 PROCEDURE FOR SANCTIONING LOAN

In loan account the entire amount sanctioned is debited to the borrower's account Interest is also debited to the account. It is the credit repayment made on installment basis. Following procedure is adopted for sanctioning of loans.

#### 1. PRE SANCTION SURVEY AND INSPECTION

Loan facility is available on the basis of security offered or on the basis of period of which it is required. Security offered by the customers may be fixed asset, plant and machinery, equipment, house etc.

Depending upon the purpose of loan, the banker conducts a pre-sanction survey and inspection. During this survey bankers inspect the security offered by seeing the location of factory, business premises, inspect documents and letter of goods etc. such survey helps the bank to know about the customers.

#### 2. PREPARATION OF LOAN APPLICATION

The loan application has to be prepared and handed over to the banker by the borrower.

In a loan application the following details are to be furnished -

1. Name of the borrower
2. Occupation
3. Purpose of loan
4. Period of loan
5. How borrower proposes to repay the loan
6. Projection of cash generations over the loan period
7. P&L A/c, B/S, for the period of loan in the form of projection
8. Details of security offered.

#### 3. APPRAISAL

Loan applications have to be evaluated and appraised to decide whether they can be sanctioned or rejected. The loan department in the bank does this work.

During appraisal the loan department concerned applies various methods of scrutiny to find out the details given in the application are true and the projections hold good. Thus market information, sales forecast, etc. would be independently assessed.

#### **4. SANCTIONING**

The loan department scrutinizes the loan application and decides whether the loan is to be sanctioned or not.

Norms for sanctioning the proposal are indicated by RBI

#### **5. PREPARATION OF SANCTION LETTER**

Sanction letter contains the following points-

1. Name of the borrower
2. Limits sanctioned
3. Period of loan
4. Security offered by the borrower
5. Terms of repayment
6. Margin to be maintained
7. Rate of interest
8. Stock statements to be submitted at periodical intervals

the borrower is informed about these aspects and a copy of the letter is sent to the borrower.

#### **6. ACCEPTANCE OF TERMS AND CONDITIONS BY THE BORROWER**

Normally the borrower is in continuous touch with the bank though he has handed over the proposal to the bank. They accept terms laid down by the bank. They are not requested to inform the bank in writing of having accepted the terms.

#### **7. PREPARATION OF LOAN DOCUMENTS**

##### **a. Demand promissory note**

It is an important document and a common document for the bank. The borrower accepts his liability regarding the funds lent by the banker through this document.

It contains data of execution, place of execution, name of the payee, the loan amount, rate of interest, address of the borrower etc.

##### **b. Loan agreement**

These are standard printed documents running into a No. of pages. They contain all legal aspects regarding the rights of both the parties and liabilities of the borrower.

#### **8. DISBURSEMENT OF LOAN**

When the loan is sanctioned at the time of disbursement of loan an a/c is opened in the name of the borrower. The loan a/c opened is debited and savings a/c is credited for equivalent sum.

## **9. PERIODICAL INSPECTION AND SUPERVISION**

After the loan is disbursed borrower utilizes the loan amount to generate the funds and profits so that he can repay the loan. Therefore bank inspects the keep supervision whether the loan amount is been utilized in a productive way or not.





### 3.2.3 CREDIT APPRAISAL CRITERIAS

The Credit Appraisal is a very important element in the Bank Finance activity. It is the key factor on which the credit decisions are taken. Credit appraisal means approving the credit to the customer. It deals with evaluating the credit worthiness of the customer, verification of documents, sorting of discrepancies, approving the deviations, disbursing the files. The evaluation of creditworthiness of the customer is the most important task as utmost care is to be taken so that no wrong customer is funded. Bank of Baroda is more concerned with the quality of customers rather than quantity of customers. This policy has made the credit appraisal an critical job. The bank has fixed certain parameters for evaluating the credit. These parameters are

- CUSTOMER SEGMENT
- MINIMUM PERIOD OF EMPLOYMENT
- PURPOSE OF LOAN
- AGE OF THE CUSTOMER
- SECURITY
- MINIMUM LOAN
- MAXIMUM LOAN
- LOAN MULTIPLE
- TENOR
- INTEREST
- METHOD OF PAYMENT
- SECURING DOCUMENTATION
- CONDITIONS.

---

### 3.2.4 DOCUMENTATION DETAILS

#### 1. PROOF OF INCOME

- Salaried  
Latest salary slips for the last 2 months.
- Self-employed:  
Copy of income Tax return for last 3 years and Blank Statement for last 6 month

#### 2. RESIDENCE PROOF

- Check address on proof of residence with that on Application Form and FI Report.  
Either of the following with borrower name and address clearly mentioned.
- Telephone / Electricity bill.
- Ration card
- Driving License
- Passport
- Rent agreement

#### 3. IDENTITY PROOF

Either of

- Passport size photograph
- Copy of Driving License / Company identity card / PAN card clearly showing Photo of customer.

#### 4. POST DATED CHEQUES

- Bank account should preferably be at least 6 months old and reflect good amount of credit transaction. PDCs only from the account in which salary is credited.
- In case bank account has been transferred recently, take copies of bank statement of previous bank account.
- No case to be done without PDCs, nor short cheque should be accepted.
- Overwriting on PDCs, if any, must be attested with full signature.
- Bank branch location address must be mention clearly on the cheque

#### 5. INVOICE

- Final invoice of dealer must be taken, before releasing disbursement.
- The invoice must be in favor of borrower with words, Hypothecated to GMAC.
- Amount financed should not exceed cost of product.
- Financed amount should take into account any discount offered.

#### 6. INITIAL PAYMENT RECEIPT

- Copy of initial payment receipt issued by dealer to customer must be taken on record.
- This is essential to cross check with computation at the time of disbursement and also to ensure that dealer has actually collected initial payment and not deferred the same.

#### 7. DELIVERY CHALLAN COPY

- Hypothecation of GMAC must be clearly mentioned on delivery challan.
- Signature of loan required acknowledging delivery.
- Must be obtained within 2 weeks of disbursement.



### 3.3 MONITORING & FOLLOW-UP

Bank has time and again introduced various systems for monitoring large borrower accounts whether sanctioned by the corporate office or by other authorities to have close monitoring of such accounts.

#### A. The basic objective of introducing such systems are

1. Understand the current financial condition of borrower.
2. Confirm that the credit is in compliance with the sanction terms.
3. Ensure that the interest and principal- repayment are serviced timely.
4. Ensure that the drawings are covered by adequate drawings power.
5. Ensure that the customer is using the envisaged cash flows are being timely realized by the borrower.
6. Ensure that securities/collaterals are in conformity with the sanction terms and have not deteriorated
7. Identify potential problem, external and or internal, well in time for taking corrective measure.
8. keep a watch over the changing policies of the Government, changing market paradigms, and change in management control of the account to sense a feature likely to cause concern and take preventive measures
9. To detect sickness at a early stage to take timely corrective action and to improve the quality of banks advances.
10. To prevent emergence of NPAs which have an adverse impact on the bank in several ways such as
  - i. NPAs erods current profits through provisioning requirements.
  - ii. NPAs result in reduced interest income.
  - ii. NPAs required higher provisioning requirements affecting profit and accretion to capital funds and capacity to increase good quality risk asset in future and
  - iv. NPAs limit recycling of funds and result in the asset-liability mismatches.

---

**B. Major tools of the credit monitoring include**

1. Monitoring day to day operation in the account at least on a basis.
2. Satisfying upon stock/book-debts statements.
3. Timely review the account.
4. Periodically inspecting/verifying the securities charged to the bank.
5. Credit Rating at regular intervals.
6. Satisfying upon whether the borrower is paying statutory dues/electricity bill/ telephone bill has recently cut-down any major activity/ express which he was doing otherwise ordinary course of business.
7. Keeping on ear to the market news/reports.
8. Occasionally meeting with the borrowers and discussing with him, besides the business, what else he is doing / planning and whether something is bothering him in business or in personal life like family separation, sickness of important person in the family, heavy financial commitment of personal nature etc.

**C. Illustrative of instances when the account causes concern**

1. An illustrative of instances when the account can be termed as causing concerns is given below.
2. The account remaining overdue for review as on date.
3. Stock inspection/book debt verification and/or submission of stock and book debt statements pending for more than one month.
4. Repeatedly, advance bills are outstanding for more than 10 days.
5. Documents pending for completion/vetting.
6. Interest not serviced within 30 days the date of application.
7. Invocation of any guarantee and the liability/dues not settled.
8. Creation of stipulated mortgage/ first charge/pari passu charge/second charge, as the case may be pending as on date.
9. Any other, development in the account seriously impairing the bank's interest and quality of credit.

**D. Credit Monitoring Procedure for Advance Accounts at Various Levels:-**

1. By Central Office: - Advance accounts of over Rs. 10 crore to be submitted through zonal office are to be monitored by central office.
2. By Zonal Heads: - Zonal heads to monitor all accounts above Rs. 5 crore to Rs. 10 crore. Account causing concern should be submitted to corporate center by 10<sup>th</sup> of the following month in the prescribed format.
3. By Regional Heads:- Regional manager to monitor all account above Rs. 1 crore to Rs. 5 crore and details of accounts which are causing concern to be submitted to zonal office before 7<sup>th</sup> of following month who in turn shall submit corporate center.
4. By Branch Managers:- Branch manager to monitor accounts of Rs. 1 crore and below. Accounts causing concern should be reported to the Regional authorities on a quarterly basis.



### 3.4 WHAT IS NPA

#### 1. Concept of NPA

The concept of non-performing assets refers to which ceases to generate income. In case of banks, all loans and advances are its assets, which can be classified into performing and non-performing assets. RBI has advised the banks not to charge interest on those loans and advances classified as non-performing asset.

#### Definition

*“A non-performing asset has been defined to be a credit facility in respect of which the interest and/or installment of principle has remained overdue for a specified period of time.”*

Non-Performing Asset (Advances) are those advances, which has cased to earn income by way of interest and other charges from the borrowers due to various reasons. The reasons for such non-recovery could be any of the following.

- a. Closure of the unit.
- b. Sickness of the unit
- c. Death of the Borrower
- d. Destruction / loss of the asset financed.
- e. Willful Default of the borrower.

#### In short

The general definition of NPA applicable to all types of advances is under “Advances (all loans and advances classified under column “Advances” in form No.153) in respect of which interest or installment of principal is in arrears (past due out of order / overdue) for any two quarters for the year ending 31.03.96 and after are to be treated as Non-Performing Assets”

However the above definition is modified and elaborated for various types of advances like Term Loan, Cash Credit, Overdraft, Bills Purchase, Advances Bills etc.

An asset including a leased asset becomes nonperforming when it ceases to generate income for the bank.

**A) A nonperforming asset (NPA) is a loan or an advance where**

1. Interest and installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
2. The account remains out of order as indicated at paragraph 'B' below in respect of an Over Draft / Cash Credit (OD/CC)
3. The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
4. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
5. The installment of principal or interest thereon remain overdue for are crop season for loan duration crops.

Bank should classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

**B) 'Out Of Order' status**

An account should be treated as remains continuously in excess of the sanctioned limit/ drawing power. In case where the outstanding balance in the principal operating account is less than the sanctioned limit/ drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credit are not enough to cover the interest debited during the same period, these accounts should be treated as 'Out Of Order'.

**C) Overdue**

Any amount due to the bank under any credit facility is 'overdue' if it is not paid the due date fixed by the bank.

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### 3.4.1 CATEGORIES OF NPA

#### 1. STANDARD

Assets are treated as standard when interest and installment are received regularly

#### 2. SUB-STANDARD

Assets are treated as sub-standard when interest and installment are not received within 180 days.

#### 3. DOUBTFUL

Assets are treated as doubtful when interest and Installments are not received within 180 months.

#### 4. LOSS

Assets are treated as loss assets when interest and installment are not received.

#### NPA PROVISION

*(Source: Secondary data)*

LOAN CLASSIFICATION	PERIODS	PROVISION IN %
Standard Asset	After 90 days	0.25% of loan amt.
Sub standard Asset	After 90 days to 18 months	10% of loan amt.
Doubtful	After 18 months to 30	20% of loan amt.
Loss	After 30 months to 40	50% of loan amt.
Bad & doubtful		100% of loan amt.

In every case provision overdue interest is 100%

### 3.4.2 HOW TO REDUCE NPAs

Arrest- slippage in existing standard assets.

Identify new / probable NPAs...

List out high value NPA accounts.

Examine security aspect.

Consider rescheduling in genuine cases.

Recovery planning: Distribute accounts among staff members/ Director/officers.

Meet the borrowers frequently

Review of NPAs Account: Branch wise monthly statement

Opening Balance	(1)
(+) Fresh Addition	(2)
Cash Recoveries	(3)
-----	

Closing Balance

**NPA = Cash Recoveries (3) – Closing Balance (5)**

Review accounts if interest is not served in the last month

Regular limits review on due date

Ensure there is no erosion in the value of security &

There is no threat to recovery for any reason.

### 3.4.3 LIFE SPANS OF BORROWER ACCOUNT

1. Identification of customers
2. study of customers (kyc norms)
3. Application and documentary evidences
4. pre- sanction
5. Processing and Appraisal
6. Sanction
7. Conveying sanction
8. Acceptance of T/C
9. Execution of documentation
10. Disbursements
11. Post sanction inspection
12. Recovery
13. NPA
  - Sarfaesi Act 2002
  - Civil suit
  - Recovery agent
  - DRT
14. Liquidation



BIZASTRA

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### 3.5 GRAPHICAL PRESENTATION

<b>Sr. No.</b>	<b>INDEX</b>	<b>Page No.</b>
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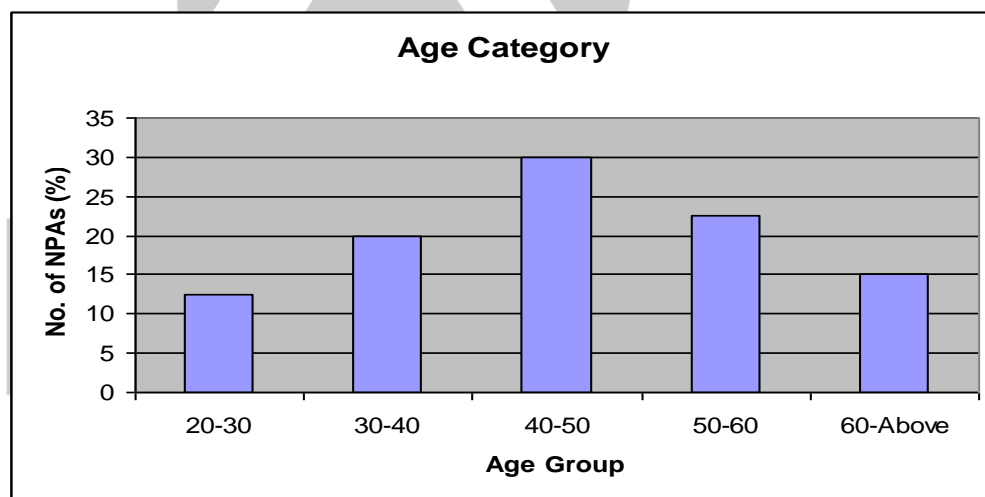
### AGE GROUP

The age group is important of survey. It will be helpful to determine which age group is highly involved towards NPAs.

Form the survey the following age wise classification has drawn. The following graph & table represent it.

(Source: - Primary data)

Sr. No.	Age Group	No. of NPAs	Percentage %
1.	20-30	05	12.50
2.	30-40	08	20.00
3.	40-50	12	30.00
4.	50-60	09	22.50
5.	60-Above	06	15.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the survey, the above table and graph representation have drawn showing age wise classification of the NPAs account. Form the total group of 40 NPAs account the highest frequency of NPAs are 12 representing 30% are of age group 40-50, while the lowest frequency of NPAs are 5 representing 12.5% are of age group 20-30.

**It show that, most of time 40-50 age group are include towards NPAs.**

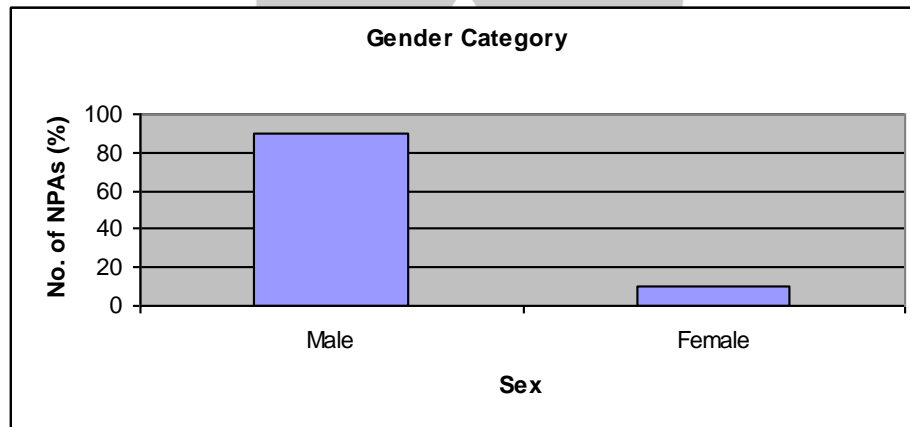
### GENDER / SEX

As the survey is NPA a gender differentiation plays an important role in survey.

Form the survey the following Gender wise classification has drawn. The following graph & table represent it

(Source: - Primary data)

Sr. No.	Sex	No. Of NPAs	Percentage %
1.	Male	36	90.00
2.	Female	04	10.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the survey, the above table and graph representation have drawn showing Gender wise classification of the NPAs account. Form the total group of 40 NPAs account the highest frequency of NPAs are 36 representing 90% are of Gender 'Male', while the lowest frequency of NPAs are 4 representing 10 % are of Gender 'Female'.

**It shows that, there is comparative difference in the gender during NPAs**

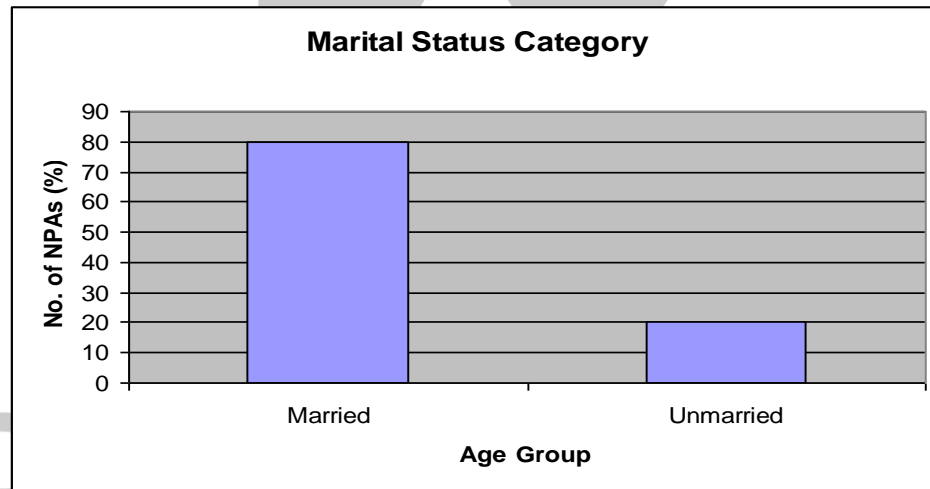
## MARITAL STATUS

In the survey, the marital status is an important part on which the income status & other factors are depends.

From the survey, the following Marital Status wise classification has drawn. The following graph & table represent it.

(Source: - Primary data)

Sr. No.	Marital Status	No. Of NPAs	Percentage %
1.	Married	32	80.00
2.	Unmarried	08	20.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the table, group of 40 NPAs, the highest frequency of NPAs are 32 representing 80% are of Married, while the remaining 8 NPAs represent 20% are unmarried

**It shows that during the survey the highest percentage of NPAs are of Married.**



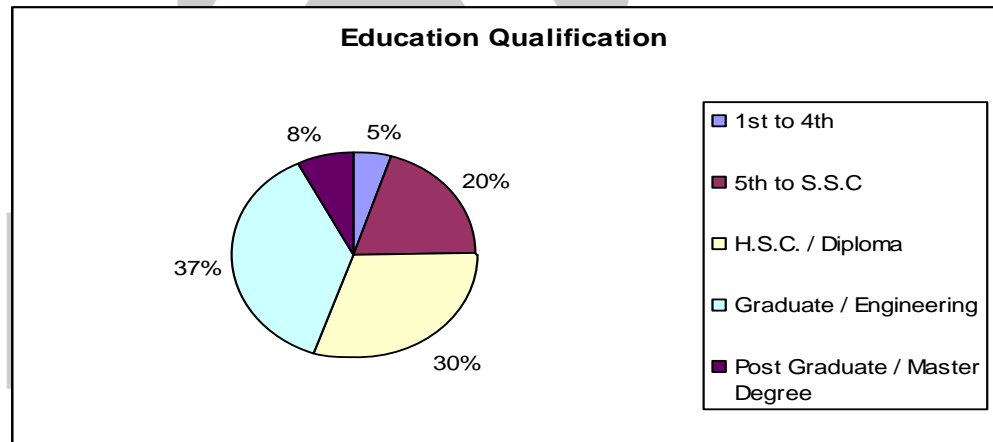
### EDUCATIONAL QUALIFICATION

Education profile is very important factor for survey. It is one of the important factors responsible for the awareness towards the loan.

From the survey, the following Educational Qualification wise classification has drawn. The following graph & table represent it.

(Source: - Primary data)

Sr. No.	Education Qualification	No. of NPAs	Percentage %
1.	1 <sup>st</sup> to 4 <sup>th</sup>	02	05.00
2.	5 <sup>th</sup> to S.S.C	08	20.00
3.	H.S.C. / Diploma	12	30.00
4.	Graduate / Engineering	15	37.50
5.	Post Graduate / Master Degree	03	07.50
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the table and graph, group o 40 NPAs, the higher frequency of NPAs are 15 & 12 represents 37-30% are of Graduate / Engineering to H.S.C / Diploma group, while the lowest frequency of NPAs is 02 and 03 represent 5-7.5% is of 1<sup>st</sup> to 4<sup>th</sup> & Post Graduate / Master Degree.

**It shows that, most of time educated people include towards NPAs.**

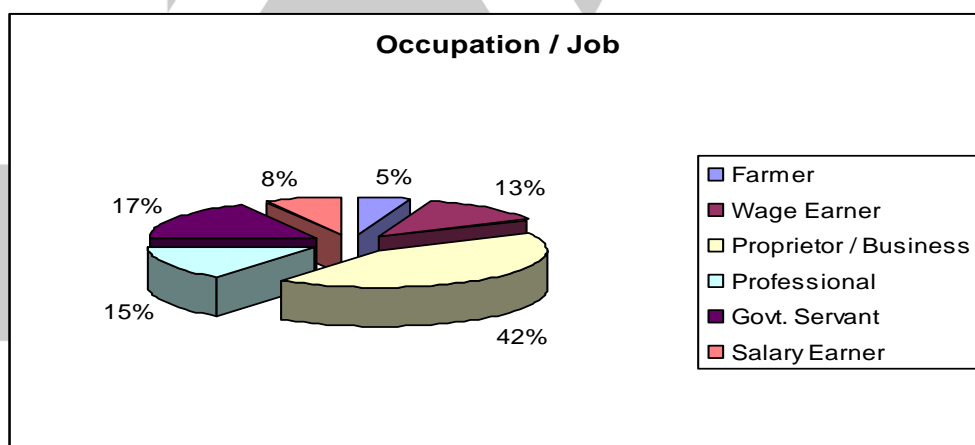
### OCCUPATION / JOB

The occupation / job is important factor, which is a major source of disposal income on which NPAs are depending.

Form the survey, the following occupation / job wise classification has drawn. The following graph & table represent it.

(Source: - Primary data)

Sr. No.	Occupation / Job	No. of NPAs	Percentage %
1.	Farmer	02	05.00
2.	Wage Earner	05	12.50
3.	Proprietor / Business	17	42.50
4.	Professional	06	15.00
5.	Govt. Servant	07	17.50
6.	Salary Earner	03	07.50
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the survey, the above table and graph representation have drawn showing Occupation / job wise classification of the NPAs account. Form the total group of 40 NPAs account the highest frequency of NPAs are 17 representing 42.5% are of Occupation/Job group Proprietor / Business, while the lowest frequency of NPAs are 2 representing 5 % are of Farmer.

**It shows that, as the area given us is around the Nashik.**

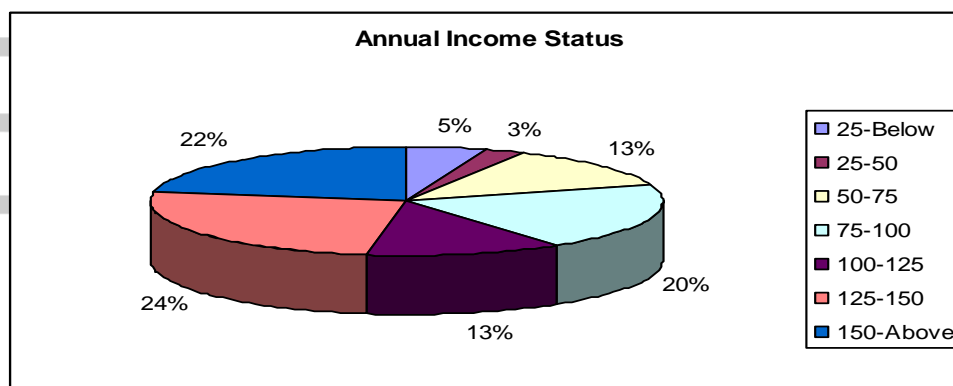
### ANNUAL INCOME STATUS

Income play very important role in the survey. The disposal income is directly related to income required. During survey generally annual income has taken in consideration.

From the survey income status wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No.	Income Group (Rs. In Thousands)	No. of NPAs	Percentage %
1.	25-Below	02	05.00
2.	25-50	01	02.50
3.	50-75	05	12.50
4.	75-100	08	20.00
5.	100-125	05	12.50
6.	125-150	10	25.00
7.	150-Above	09	22.50
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the table and graph, group of 40 NPAs, the higher frequency of NPAs are 9 represent 22.5% are if income status Rs.1, 50,000 and Above per annum while the lowest frequency of NPAs are 1 represents 2.5% are of income group Rs. 25,000-50,000.

**It shows that, most of time 150 and above income group are include towards NPAs.**

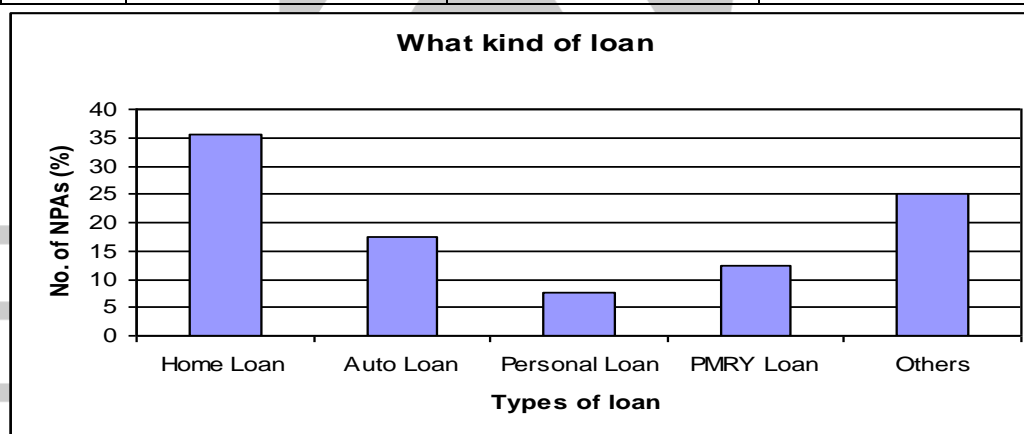
### WHAT KINDS OF LOANS WAS TAKEN

The kind of loans is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey kinds of loan wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Type of Loan	No. of NPAs	Percentage %
1.	Home Loan	15	35.50
2.	Auto Loan	07	17.50
3.	Personal Loan	03	07.50
4.	PMRY Loan	05	12.50
5.	Others	10	25.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing kinds of loan wise classification of the NPAs. From the total group of 40 NPAs the highest frequency of borrowers are 15 representing 35.50% are if types of loan is home loan, while the lowest frequency of NPAs are representing 7.50% are of the personal loan.

**It shows that, most of time Home Loan group are include towards NPAs.**

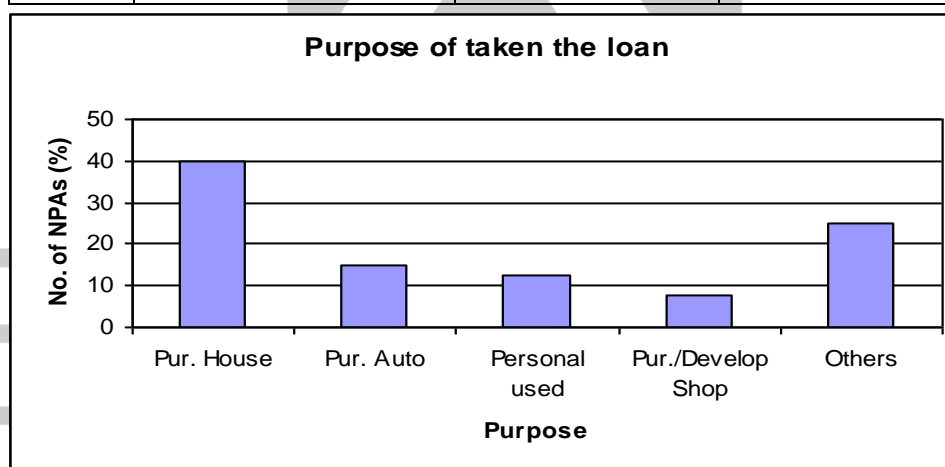
### WHY TAKEN THE LOAN

Why taken the loan is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey taken the loan wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Why taken the loan	No. of NPAs	Percentage %
1.	Pur. House	16	40.00
2.	Pur. Auto	06	15.00
3.	Personal used	05	12.50
4.	Pur./Develop Shop	03	07.50
5.	Others	10	25.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing purpose of taken the loan wise classification of the NPAs. From the total group of 40 NPAs the highest frequency of NPAs are 16 representing 40% is purchase Home, while the lowest frequency of NPAs are representing 7.50% are of the purchase and develop the shop.

**It shows that, most of time Purchase Home group are include towards NPAs.**

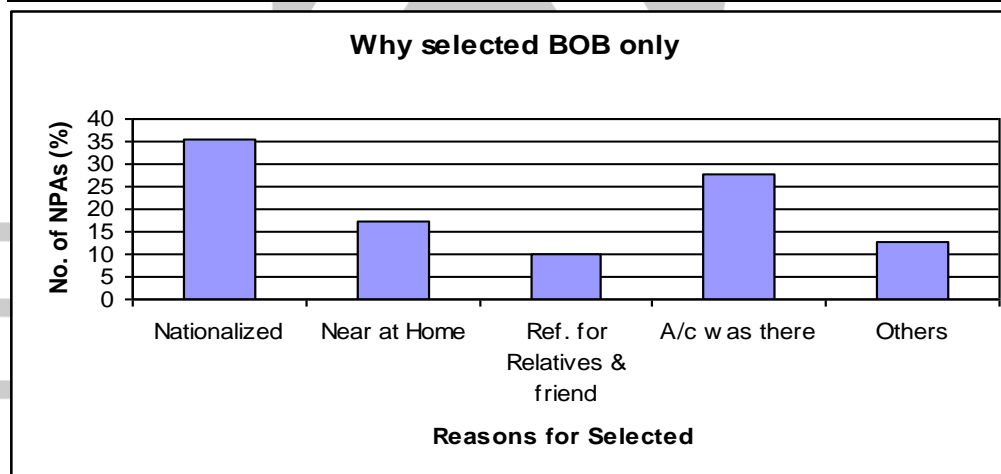
### WHY SELECTED BANK OF BARODA ONLY

Why selected Bank of Baroda only is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey selected bank wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Reasons for Selected	No. of NPAs	Percentage %
1.	Nationalized	15	35.50
2.	Near at Home	07	17.50
3.	Ref. for Relatives & friend	04	10.00
4.	A/c was there	11	27.50
5.	Others	05	12.50
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing selected BOB only wise classification of the NPAs. From the total group of 40 NPAs the highest frequency of NPAs are 15 representing 35.5% is Nationalized, while the lowest frequency of NPAs are representing 10% are of the reference for relatives and friends .

**It shows that, most of time selected nationalized group are include towards NPAs.**

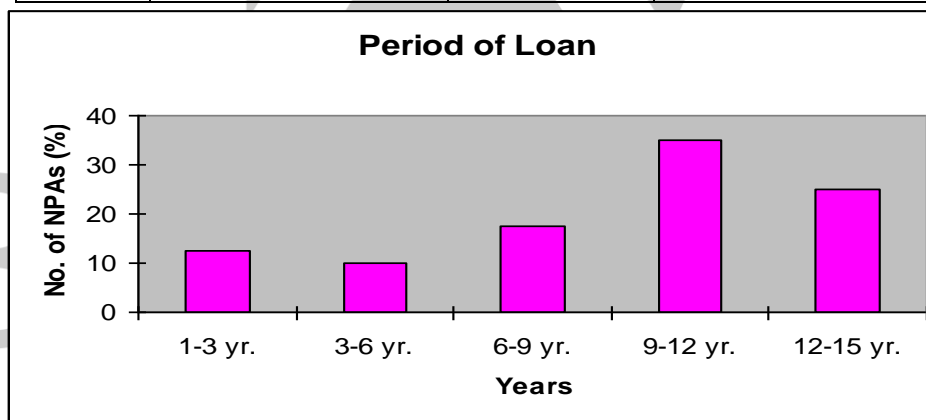
### PERIOD OF LOAN

Period of loan is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey period of loan wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Period (in years)	No. of NPAs	Percentage %
1.	1-3 yr.	5	12.50
2.	3-6 yr.	4	10.00
3.	6-9 yr.	7	17.50
4.	9-12 yr.	14	35.00
5.	12-15 yr.	10	25.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing period of loan wise classification of the NPAs. From the total group of 40 NPAs the highest frequency of NPAs are 14 representing 35% is 9-12 year, while the lowest frequency of NPAs are representing 10% are of the 3-6 years period. .

**It shows that, most of time 9-12 years group are include towards NPAs**

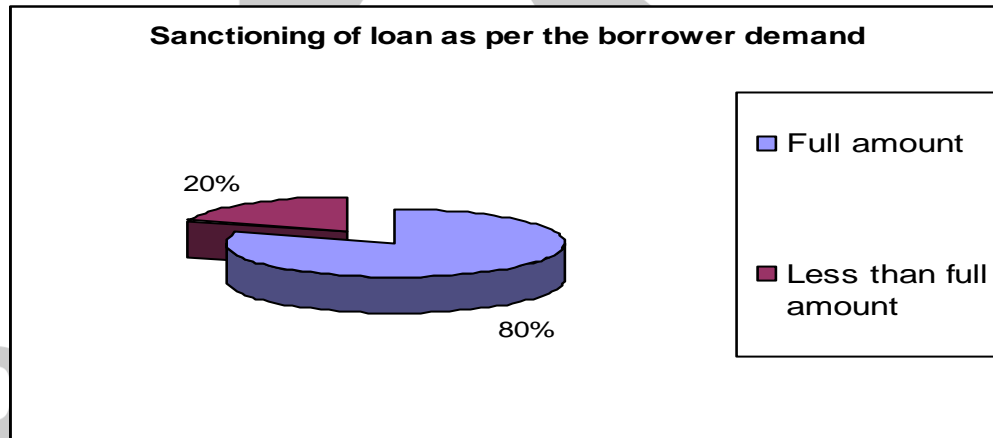
### SANCTIONED LOAN AS PER THE BORROWER DEMAND

Sanctioning of loan as per the borrower demand is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey sanctioning of loan as per the borrower demand wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Sanctioned Loan as per Borrowers Demand	No. of NPAs	Percentage %
1.	Full amount	32	80.00
2.	Less than full amount	8	20.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the table & group of 40 NPAs, the highest frequency of NPAs are 32 representing 80% are of Full amount, while the remaining 8 NPAs represent 20% are less than full amount.

**It shows that during the survey the highest percentage of NPAs are of full amount.**



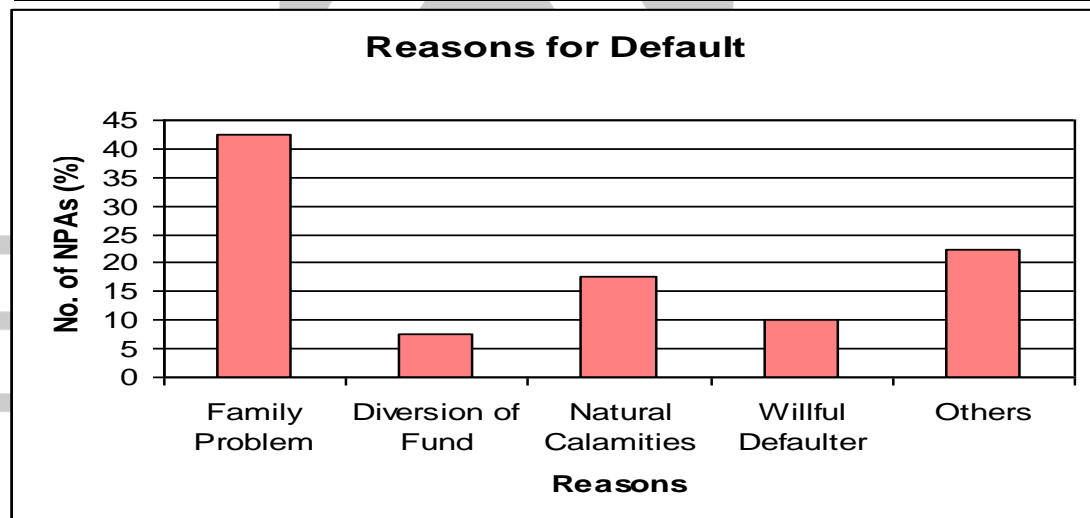
## REASONS FOR DEFAULT

Reason for defaults is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey reason for defaults wise classification has drawn. The following table & graph represent it.

*(Source: - Primary data)*

Sr. No.	Reasons for default	No. Of NPAs	Percentage %
1.	Family Problem	17	42.50
2.	Diversion of Fund	03	07.50
3.	Natural Calamities	07	17.50
4.	Willful Defaulter	04	10.00
5.	Others	09	22.50
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing Reasons for Default wise classification of the NPAs. From the total group of 40 NPAs the highest frequency of NPAs are 17 representing 42.5% is Family Problem, while the lowest frequency of NPAs are representing 7.5% are of the Diversion of Fund. .

**It shows that, most of time Family Problems are include towards NPAs**

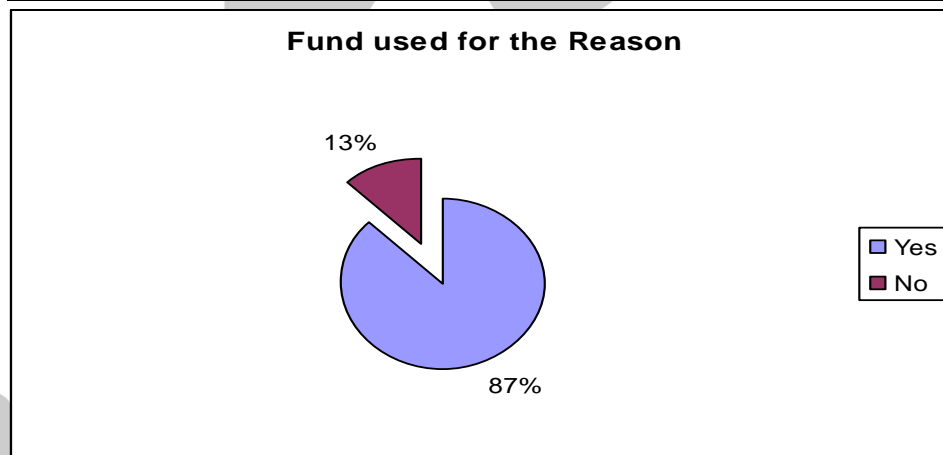
### USED FUND FOR THE REASON FOR WHICH LOAN WAS SANCTIONED

Used fund for the reasons is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey used fund for the reasons wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Fund used for the Reason	No. of NPAs	Percentage %
1.	Yes	35	87.50
2.	No	5	12.50
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the table & group of 40 NPAs, the highest frequency of NPAs are 35 representing 87% are of 'Yes' that used fund for the reason, while the remaining 5 NPAs represent 13% are 'No' that used fund for the reason.

**It shows that during the survey the highest percentages of NPAs are of 'Yes' that used fund for the reason.**

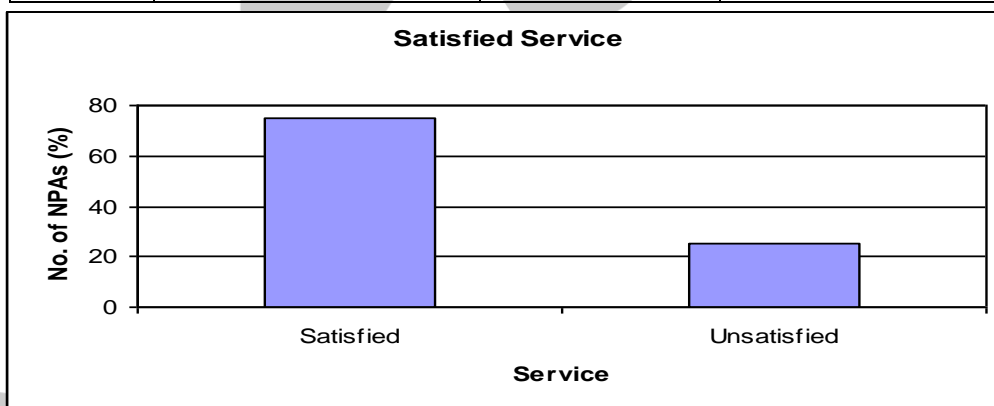
### SATISFIED SERVICE / POLICIES / PROCEDURE / SYSTEM

Satisfied service is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey satisfied service wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Satisfied Service	No. of NPAs	Percentage %
1.	Satisfied	30	75.00
2.	Unsatisfied	10	25.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the table & group of 40 NPAs, the highest frequency of NPAs are 30 representing 75% are of Satisfied Service, while the remaining 10 NPAs represent 10% are of Unsatisfied Service.

**It shows that during the survey the highest percentages of NPAs are of Satisfied Service.**

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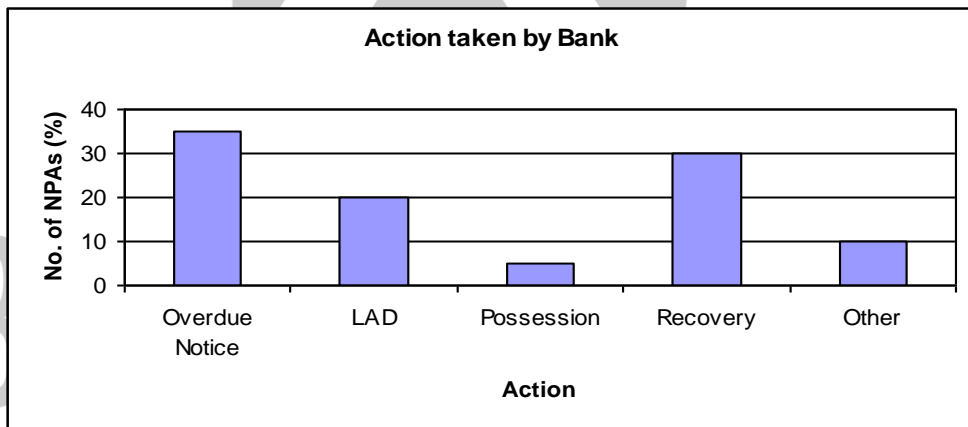
### WHAT ACTION THE BANK HAS TAKEN TO RECOVER

Action the bank has taken is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey action the bank has taken wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Action taken by Bank	No. of NPAs	Percentage %
1.	Overdue Notice	14	35.00
2.	LAD	8	20.00
3.	Possession	2	05.00
4.	Recovery	12	30.00
5.	Other	4	10.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing Action taken by Bank wise classification of the NPAs. From the total group of 40 NPAs the highest frequency of NPAs are 14 representing 35% is Overdue Notice, while the lowest frequency of NPAs are representing 5% are of the Possession of Action taken by Bank. .

**It shows that during the survey the highest percentages of NPAs are of Overdue Notice action taken by bank.**

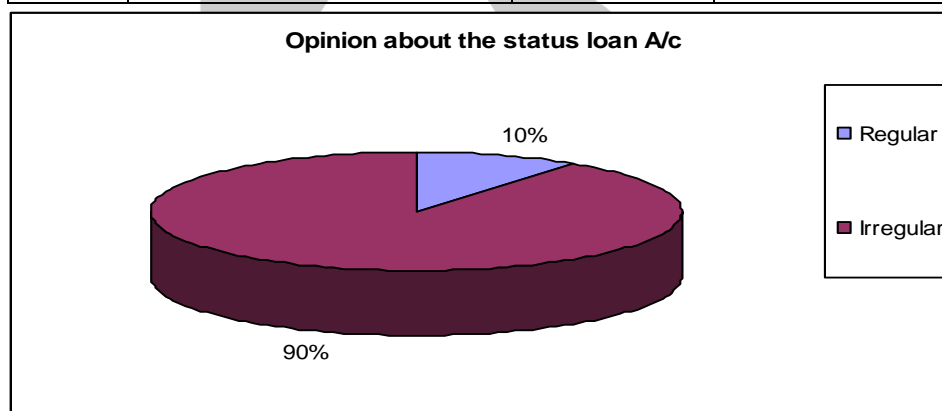
### OPINION ABOUT THE STATUS OF LOAN ACCOUNT

Opinion about status loan account is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey opinion about status loan account wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Opinion about the status loan A/c	No. of NPAs	Percentage %
1.	Regular	04	10.00
2.	Irregular	36	90.00
	<b>Total</b>	<b>40</b>	<b>100.00</b>



Form the table & group of 40 NPAs, the highest frequency of NPAs are 36 representing 90% are of Irregular in repayment, while the remaining 4 NPAs represent 10% are of Regular in repayment.

**It shows that during the survey the highest percentages of NPAs are of Irregular in Repayment.**

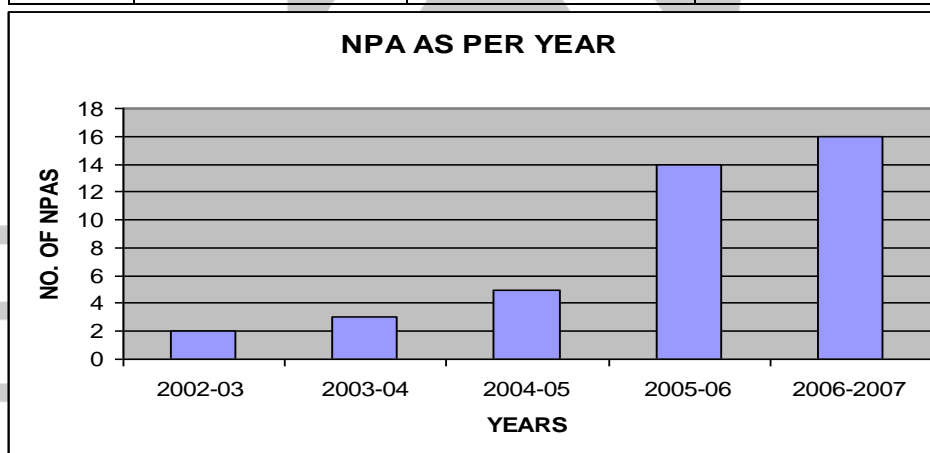
### NPA AS PER YEARS

NPA as per years is an important part of survey. It will helpful to determine which loan is highly involved towards NPAs.

From the survey NPAs as per years wise classification has drawn. The following table & graph represent it.

(Source: - Primary data)

Sr. No	Years	No. of NPAs	% (Percentage)
1.	2002-03	2	05.00
2.	2003-04	3	07.50
3.	2004-05	5	12.50
4.	2005-06	14	35.00
5.	2006-2007	16	40.00
	<b>TOTAL</b>	<b>40</b>	<b>100.00</b>



From the survey, the above table & graph representation have drawn showing NPA as per year wise classification of the NPAs. From the total group of 40 NPAs, the highest frequency of NPAs are 16 representing 40% are 2006-2007 year, while the lowest frequency of NPAs are representing 5% are of the 2002-2003.

**It shows that during the survey the No. of NPAs is increasing day by day, but there is no NPAs in the current year (2008-2009)**

**CHAPTER-4**

**CONCLUSION**

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## CONCLUSION

The study and analysis done above helps us to know various aspects relating to default of loans. The finding above helps us to analyze the study and draw proper conclusion. The conclusion is in the form of points given below.

1. Bank has granted loans in various sectors i.e.
  - ✓ Home loans
  - ✓ Auto loans
  - ✓ Personal loans
  - ✓ PMRY Loan
2. The major cases of default are of housing loan and auto loan.
3. The main reasons for the default being
  - ✓ Non payment from the debtors to the borrowers
  - ✓ Family problem faced by the borrowers
  - ✓ Willful default
  - ✓ Natural calamities
  - ✓ Diversion of fund
4. Bank official come to borrowers place for
  - ✓ Overdue Notice
  - ✓ LAD
  - ✓ Possession
  - ✓ Recovery
5. Nationalized bank sanction the PMRY loan.
6. From the above survey I come to know the NPAs Account Holder.
  - ✓ What type of loan have they taken?
  - ✓ How they taken the loan?
  - ✓ From where have they taken the loan?
  - ✓ How much amount they prefer to take the loan?
  - ✓ What are the problems they face while taking the loan?
  - ✓ Reasons behind selected bank.



The survey is helpful to Banking and Financial Institution to solve the problems by giving loan to borrowers. It is supportable to take decision regarding.

- ✓ To focus on Credit Appraisal system.
- ✓ To follow the KYC Norms.
- ✓ To study the borrower account.
- ✓ To increase new strategy by giving loan to borrowers.

From the survey it is also possible to know the borrowers behavior.



CHAPTER-5

**RECOMMENDATIONS**

**&**

**SUGGESTIONS**

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## RECOMMENDATION AND SUGGESTION

- They should be target marginal customers instead of their regular customer.
- The documentation formalities should be made easy.
- Seminar, personal visits, programs should be made frequently.
- Proposal requiring sanction from controlling authority is unduly delayed. Sanction of loan should be faster and timely.
- Minimum documents to be asked for sanction.
- Positive attitude should be developed by the operation staff to attract more customers.
- Lack of professionalism in banking system.
- Behavior of staff should be improved. They should be co-operative and soft spoken.
- Frequent training to the staff should be imparted to update the knowledge.
- Branch front line staff should be directed for actively involvement in branch and out put of branch marketing and ensuring excellent customers relation all spheres of banking transaction.
- Nationalized banks are working in very traditional manner. So they should take some steps towards professionalism.
- Staff shortage is the main hurdle in efficient performance so that overload of work can be avoided.
- In case of transfer of any employee from one branch to another branch it should be ascertained that another employee is appointed on the former employees place.
- Terms and conditions should be explained properly to the customers to avoid misunderstandings between customer and bank.
- Bank should convey in writing the main reason for rejection of loan application within to other banks.
- Demand draft commission should be decrease so that customer can not be shifted to other banks.
- Nationalize bank lacking in conducting awareness campaign so they should take necessary steps regarding this.

- These nationalize banks are established organization so they don't bother about expansion and retention of customers it means they are negative approach they should do there SWOT analysis.
- There should be educated staffs and they should be motivated to give there 100% devotion for bank progress.
- Frequent training to the staff should be imparted to update the knowledge.
- Branch front line staff should be directed for actively involvement in branch and output of branch marketing and ensuring excellent customers relation all spheres of banking transaction.

### **APPRAISAL SYSTEM**

For the prevention of account becoming NPAs the appraisal officers, while appraising a proposal, should

- A) Look for symptoms of dishonesty which can be revealed form the financial statement, cheque drawn by the party, securities held vies-a vies bank finance, etc., in such case the proposal should be rejected even if the proposal is sound in other respects.
- B) Not grant credit limits unless the primary source of repayment, i.e., profit from operation is adequate to take care of interest payment and repayment of principle loan amount (i.e., unless the debt service coverage ration is higher than 1)
- C) Not give credit limit before the borrower's family background is adequately investigated, such as:
  1. Size of the family.
  2. Number of the dependent in the family.
  3. Standard of living.
  4. Detail of family business / profession, if any,
  5. Earning member in family, etc.



**APPENDICES**  
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## GLOSSARY

NPA	- Non-performing Assets
A/C	- Account
BOB	- Bank of Baorda
PC	- Personal Computer
PDCs	- Post Dated Cheques
OD/CC	- Over Draft / Cash Credit
KYC Norms	- Known Your Customer
SWOT	- Strength, Weakness, Opportunity and Threats.
LAD	- Letter of Acknowledgement.
PMRY	- Prime Minister Rojgar Yougna

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6. [www.google.com](http://www.google.com)



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## QUESTIONNAIRE

1. **NAME OF BORROWER:-**
2. **ADDRESS & TEL. NO.:-**
3. **AGE:-**
4. **GENDER**
5. **QUALIFICATION:**
6. **OCCUPATION:-**
7. **MARITAL STATUS**
8. **ANNUAL INCOME**
9. **OBERVATION ON THE QUESTIONNAIRE:**
  1. What kind of loan you have taken from the bank?
  2. How much is your income by then and now?
  3. Why you have taken the loan from the bank?
  4. Why you have selected Bank of Baroda only?
  5. What is the period of your loan?
  6. Whether the bank has financed your project fully?
  7. What was your contribution in the project cost? What rate of interest is being charged to your loan account?
  8. Wherefrom you have managed for the margin money?
  9. What criteria bank has applied while sanctioning loan to you?
  10. Why you have not been regular in repayment?
  11. What are the reasons for the default?
  12. Have you used funds for the reason for which the loan was sanctioned
  13. What are you presently doing?
  14. Are you satisfied with the bank's loan policies, Procedures and system?
  15. When did you visit the branch last time?
  16. How often do you go to the bank for depositing installments?
  17. Whether bank official do come to your place for recovery? When and how often?
  18. How do you propose to repay bank's loan? When?
  19. What actions the bank has taken to recover the dues of the bank?
  20. What is your opinion about the status of your loan?



## Balance Sheet as on 31<sup>st</sup> March, 2008

(Source-secondary data)

Balance Sheet as on 31st March, 2008

Amount in Rupees(000's Omitted)

	Schedules	As on 31.3.2008	As on 31.3.2007
<b>Capital &amp; Liabilities</b>			
Capital	1	365,52,77	365,52,76
Reserves & Surplus	2	10678,39,91	8284,41,00
Deposits	3	152034,12,72	124915,97,93
Borrowings	4	3927,04,80	1142,56,16
Other Liabilities & Provisions	5	12594,41,42	8437,69,61
<b>Total</b>		<b>179599,51,62</b>	<b>143146,17,46</b>
<b>Assets</b>			
Cash and balances with Reserve Bank of India	6	9369,72,34	6413,52,02
Balances with Banks and Money at Call and Short Notice	7	12929,56,33	11866,84,51
Investments	8	43870,06,78	34943,62,75
Advances	9	106701,32,41	83620,86,98
Fixed Assets	10	2427,00,81	1088,80,75
Other Assets	11	4301,82,95	5212,50,45
<b>Total</b>		<b>179599,51,62</b>	<b>143146,17,46</b>
Contingent Liabilities	12	82362,32,83	61375,31,76
Bills for Collection		8315,01,73	6627,59,33
Significant Accounting Policies	17		
Notes on Accounts	18		



**THANK YOU**

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