CHAPTER-3

BANKING INDUSTRY AND NON-PERFORMING ASSETS

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3.1 Marketing as Challenge to Banking Industry

Financial System is the most important institutional and functional vehicle for economic transformation of any country. Banking sector is reckoned as a hub and barometer of the financial system. As a pillar of the economy, this sector plays a predominant role in the economic development of the country. The geographical pervasiveness of the bank coupled with the range and depth of their services make the system an indispensable medium in every day transactions. The virtual monopoly of banks in 'Payment Mechanism' touches the lives of millions of people every day and every where. Thus the banking sector has been playing a significant role as growth facilitator.

The main challenges facing by Indian banking are the role of financial instrumentation in different phases of the business cycle, the emerging compulsions of the new prudential norms and benchmarking the Indian financial system against international standards and best practices. The need for introduction of new technology in the banking and the importance of skill building and intellectual capital formation in the banking industry are also equally important.[1]

3.1.1 The Changing Paradigm of Banking

Change is the only constant factor in this dynamic world and banking is not an exception. The changes staring in the face of bankers relates to the fundamental way of banking-which is undergoing rapid transformation in the world of today, in response to the forces of completion productivity and efficiency of operations, reduced operating margins better asset/ liability management, risk management, any time and any where banking. The major challenge faced by banks today is to

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protect the falling margins due to the impact of competition. Another significant impact of banks today is the technology issue. There is an imperative need for not mere technology up gradation but also its integration with the general way of functioning of banks to give them an edge in respect of services provided to optimizing the use of funds and building up MIS for decision making and better management of assets and liabilities and risk assumed which in turns have a direct impact on the balance sheet of banks as a whole. Word over, technology has demonstrated potential to change methods of selling marketing, advertising, designing, pricing and distributing financial products of an electronic, self-service product delivery channel. All these changes call for a new, more dynamic, aggressive and challenging work culture to meet the demands of customer relationships, product differentiation, brand values, reputation, corporate governance and regulatory prescriptions.

The banking industry in India is undergoing a major transformation due to changes in economic condition and continuous deregulation. These multiple changes happening one after other has a ripple effect on a bank trying to graduate from completely regulated sellers market to completed deregulated customers market.[2]

Deregulation : This continuous deregulation has made the banking market extremely competitive with greater autonomy, operational flexibility, and decontrolled interest rate and liberalized norms for foreign exchange. The deregulation of the industry coupled with decontrol in interest rates has led to entry of a number of players in the banking industry. At the same time, reduced corporate credit to sluggish

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economy has resulted in large number of competitors battling for the same pie.

New Rules : As a result, the market place has been redefined with new rules of the game. Banks are transforming to universal banking, adding new channels with lucrative pricing and freebees to offer. Natural fall out of this new players, new channels squeezed spreads, demanding customers better service, marketing skills heightened competition, new rules of the game pressure on efficiency missed opportunities. Need for new orientation diffused customer loyalty. Bank has led to a series of innovative product offerings catering to various customer segments, specifically retail credit.

Efficiency : This in turn has made it necessary to look for efficiencies in the business. Bank need to access low cost funds and simultaneously improve the efficiency. The banks are facing pricing pressure, squeeze on spread and have to give thrust on retail assets.

Diffused Customer Loyalty : This will definitely impact customer preferences, as they are bound to react to the value added offerings. Customers have become demanding and the loyalties are diffused. These are multiple choices; the wallet share is reduced per bank with demand on flexibility and customization. Given the relatively low switching costs; customer retention calls for customized service and hassle free, flawless service delivery.

Misaligned Mindset : These changes are creating challenges, as employees are made to adapt to changing conditions. There is

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resistance to change from employees and the seller market mindset is yet to be changed coupled with fear of uncertainty and control orientation. Acceptance of technology in banks working but the utilization is not maximized.

Competency Gap : Placing the right skill at the right place will determine success. The competency gap needs to be addressed simultaneously otherwise there will be missed opportunities. The focus of people will be doing work but not providing solutions, on escalating problems rather than solving them and on disposing customers instead of using the opportunity to cross sell.[3]

3.1.2 Bank Marketing in the Indian Perspective

The formulation of policies is substantially influenced by the emerging trends in the national and international business conditions. The level of income, expectation, the rate of literacy the geographic and demographic considerations, the rural or urban orientation, the chances in economic systems the frequent use of technologies are some of the key factors governing the development plan of an organization.

In the development sensitive welfare economy, the formulation of a sound marketing mix is found a difficult task. The nationalization of the Reserve Bank of India is a landmark in the development of Indian Banking system which in a true sense paved avenues for qualitative-cum quantities improvements. This makes it essential that the Reserve Bank of India and the policy makers of the public sector commercial banks think in favor of conceptualizing modern marketing which would bring a radical change in the process of quality up gradation.

The first task before the public sector commercial Banks is to formulate the marketing mix which suits the national socio-economic requirements. To be more specific the peripheral services need frequent innovations, since this would be helpful in excelling competition. The designing of a product portfolio is found significant to maintain the commercial viability of the public sector banks. The banks professionals need to assign due attention to their physical properties. They are supposed to look smart, active and attractive.

The bank marketing is an approach to market the services profitability. It is a device to maintain commercial viability. The changing perception of bank marketing has made it a social process. The significant properties of the holistic concept of management has made bank marketing a device to establish a balance between the commercial and social considerations, often considered to the two opposite wings. A compendium of two words banks and marketing thus focuses our attention on the following[4]:

* Bank marketing is a managerial approach to the market services.
* It is a social process to sub serve social interests.
* It is a fair way of making profits.
* It is an art to make possible performance-orientation.
* It is a professionally tested skill to excel competition.

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3.1.3 Users of Banking Services

The emerging trends in the level of expectation affect the formulation of marketing mix. Innovative efforts become essential at the moment it finds a change in the level of expectations. There are two types of customers using the services of banks, such as general customers and the industrial customers.

General Users : Persons having an account in the bank and using the banking facilities at the terms and conditions fixed by a bank are known as general users of the banking services. Generally, they are found small sized customers.

Industrial Users : The industrialists, entrepreneurs having an account in the bank and using credit facilities and other services for the establishments and expansion of their business are known as industrial users. Generally, they are found large sized customers.

3.1.4 Bank Marketing Strategies

The marketing research considered a systematic gathering, recording and analysis of data which makes ways for making and innovating the marketing decisions. The information collected from the external sources by conducting surveys helps bank professional in different wants.

In the bank services, the formulation of overall marketing strategies is considered significant with the view point of tapping the potentials, expanding the business and increasing the marketing share.[5]

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3.1.5 Challenges being Faced by Indian Banking

The main challenges being faced by Indian banking are the role of financial instrumentation in different phases of the business cycle, the emerging compulsions of the new prudential norms and benchmarking the Indian financial system against international standards and best practices. The need for introduction of new technology in the banking and the importance of skill building and intellectual capital formation in the banking industry are also equally important.[6]

Financial Intermediation : Till recently the role of banks in the economy was perceived to be 'catalysts' of mobilizing resource requirement for growth. This view has undergone a change and banks are no longer viewed as passive mobilizer of funds. Efficiency in the financial intermediation is the ability of the financial institution to intermediate between savers and investors, to set economic prices for capital and allocate resources among completing demands is now emphasized. In the wake of the recent mechanization in the economy, the intermediation role assumes even greater relevance. By virtue of their experience and superior credit assessment of the investment proposals banks should play a significant role in identifying and nurturing growth impulse in the commodity and service producing sector in the economy.

Market Discipline : Transparency and disclosure norms are assuming greater importance in the emerging environment. Banks are now required to be more responsive and accountable to the investors. Banks move to disclose the information on maturity profiles of assets

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and liabilities in their balance sheets, lending to sensitive sectors, movements in NPAs, besides providing information on capital, provisions, shareholdings of the government, value of investment in India and abroad, and other operating and profitability indicators. They also have to make a disclosure of total investments made in equity shares, units of mutual funds, bonds and debentures and aggregate advances against shares in their notes to balance sheet.

Efforts are on to set up a credit information bureau to collect and share information on borrowers and improve the credit appraisal of banks and financial institutions.

Adopting International Standards : The fallout of Asian crisis and the impetus given to the strengthening of domestic financial systems has resulted in a move by the regulators to set up universally acceptable standards and codes for benchmarking financial. RBI has also set-up an advisory group to draw a road map for implementation of appropriate standards and codes in light of existing levels of compliance, cross country experience and the existing legal and institutional infrastructure. In view of the vast diversity in the size, an asset liability profiles of the banks, it becomes very difficult for a few of them to meet the new benchmark of global standards. Each bank has to draw its own strategy to move towards this direction.

Technology Banking : Innovation in technology and world-wide revolution in information and communication technology are perceived to be the catalyst of productivity growth. The relationship between IT and Banking is fundamentally symbiotic. It is expected to reduce costs,

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increase volumes and facilitate customized products. Technology adoption is a dire necessity for the public sector banks to complete with new generation private sector and foreign banks. It is a ‘compulsion’ rather than a ‘choice’. Retention of existing customer is the primary concern of majority of the banks today.

The major challenge for banks is to fall in line with the emerging scenario and adopting the required technology to provide state-of-the-art services to the customers. Introduction of on-line, inter-connected Automated Teller Machines (ATM), telephone banking, on-line bill payment and Internet banking are some of the high tech facilities. Banks have to provide these facilities in order to survive in the competitive scenario. Technology should ultimately results in better customer service, low cost and quick delivery.

Rural Banking : Having committed 75% of their branches network to serving rural and semi-urban population, public sector banks have to adopt a financial emerging approach to rural banking.[7]

Human Resource Development in Banks : The core function of HRD in the banking industry is to facilitate performance improvement, measured not only in terms of certain financial indicators of operational efficiency but also in terms of quality of financial services provided. The skill level, attitude and knowledge of the personnel play an important role in determining the competitiveness of a bank. Banks have to understand that the capital and technology-considered to be the most important pillars of banking are replicable, but not human capital, which

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needs to be viewed as a valuable resource for the achievement of competitive advantage. The primary concern of the bank should be to bring in proper integration of human resource management strategies with the business strategies. It should fasten cohesive team work and create commitment to improve the efficiency of its human capital. With the 'operational skill', today's banking require these 'soft skills' also to attend the needs and requirement of the customers at the counter. The need to adopt global best practices to financial sector regulation and supervision and adopt them to the domestic environment, places a premium skills and expertise of the bank human resources.[8]

3.1.6 Strategic Options with Banks to Cope up with the Challenge

Leading players in the banking industry have embarked on a series of strategic and tactical initiatives to sustain leadership. The major initiatives include[9]:

(a) Investing in the state-of-the-art technology as the back bone to ensure reliable service delivery.

(b) Leveraging the branch network and sales structure to mobilize low cost current and savings deposits.

(c) Making aggressive forays in the retail advances segments of home and personal loans.

(d) Implementing organization wide initiatives involving people,

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process and technology to reduce the fixed costs and the cost per transaction.

(e) Innovating products to capture customer 'mind share' to begin with and later the wallet share.

(f) Improving the asset quality as per Basel II Norms.

(g) Focusing on fee based income to compensate for the squeezed spread.

In recent years, the banking industry has evolved dramatically, driven by changes in the business and economic environment, in legislation, in competitive pressures and in enabling technologies. With a wide variety of products, such as credit cards, mortgages, home equities, lines of credit, savings and checking accounts, insurance and investment products, banks need to anticipate and satisfy the changing needs of their customers. In addition, financial institutions need to be able to estimate and review risk and compliance with regulations such as Basel II and mandatory capital requirements. More than ever, banks need better understanding of key indicators and best practices for decision making in all areas of operations, including[10]:

* Customer acquisition and retention
* Sales and service improvement
* Pricing and ROI analysis
* Risk management and fraud prevention
* Financial flow, valuation and forecasting
* Regulatory control and compliance

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In today's demanding marketplace, leading financial institutions have no way to differentiate themselves except by taking advantage of the information locked up in their enormous volumes of data from transactions, daily operations and demographics. Timely analysis of this data will help these enterprises manage all facets of customer interaction, investment, risk, regulation, and asset evaluation to enhance customer experience and increase profitability.

The banking environment of today is rapidly changing and the rules of yesterday no longer apply. The corporate and the legal barriers that separate the various banking, investment and insurance sectors are not well-defined and hence, the cross-over are increasing. As a consequence, the marketing function is also changing to better support the bank in this dynamic market environment. The key marketing challenge today is to support and advice on the focus positioning and marketing resources needed to deliver performance on the bank's products and services. Marketing, as an investment advisor, is about redefining the delivery needs within not only key strategic Market segments, but increasingly redefined to relevant micro-segments.

The Indian banking industry is facing newer challenges in terms of narrowing spreads, new banking products and players and mergers and acquisitions. Adoption of risk management tools and new information technology is now no more a choice but a business compulsion. Technology product innovation, sophisticated risk management systems, generation of new income streams, Building business volumes and cost efficiency will be the key to success of the banks in the new era. In the present environment where change is invisible, it is not

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enough if bank change with the change, but they have to change before the change. They should perceive what customer want and accordingly structure their product and services.[11]

3.2 Transparency in Financial Statements of Non-Performing Assets

Prudential norms on income recognition, asset classification and provisioning (IRAC norms) pertaining to advances portfolios of banks were introduced for the first time by Reserve Bank of India during financial year 1992-93 i.e., year ended on 31st March 1993 in line with the international practices.

Reserve Bank of India has been issuing Master Circulars on prudential norms for past few years. Last Master circular on prudential norms pertaining to advances was issued by Reserve Bank of India on 1st July 2005.

For bank branch audits, the auditors have to keep themselves abreast of the applicable IRAC norms incorporated in the RBI's Master Circular dated 1st July 2005. On the basis of the guidelines provided in this circular which are relevant for audit of Financial Year 2005-06, auditors require to take the audit steps like Asset Classification, Income Recognition, Provisioning Norms, Restructuring of loans/CDR/Project under implementation, Agricultural advances, Classification of NPA borrower- wise and not facility-wise, Upgradation of Account from NPA to Standard and Regularisation of account at near about balance sheet date.[12]

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The prudential norms are formulated on the basis of objective criteria rather than on any subjective consideration. This has brought in uniform and consistent application of the norms and greater transparency in published accounts of banks.

Asset Classification

Having identified assets as NPA, banks are required to classify them further into :

a) Sub-standard Assets

b) Doubtful Assets

c) Loss Assets

(i) Sub-standard Assets : A sub-standard asset is one, which has remained NPA for a period of less than or equal to 12 months.

(ii) Doubtful Assets : An asset is classified as doubtful if it has remained in the sub-standard category for a period of 12 months. It will be in the same category for next 24 months and thereafter will transfer to Loss Assets.

(iii) Loss Assets : A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

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Exceptions : In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers, it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment the asset should be straightaway classified as doubtful or loss asset as appropriate. Amount upto Rs. 25,000/- is directly classified as Loss assets irrespective of value of security.

The above mentioned are some clear instructions of the Reserve Bank of India to all banking industry. It has been clear instructions from RBI to mention with category, the present condition of Non Performing Assets in each bank's financial statements but in practice, it is still not implemented by most of the banks and it is very difficult to search exact 'NPA' category amount in any banks' financial statements.

The causes of NPA includes lack of proper pre-enquiry by the bank for sanctioning loan to a customer, non performance of the business or the purpose for which the loan has taken, some willful defaulters, fraud, loans sanctioned for agricultural purposes, sluggish legal system, change in government policies.[13]

The banks are lending money to get revenue through interest rates along with principal. But NPA has a bad effect on bank revenue. Non-Performing loans epitomize bad investment. They misallocate credit from good projects, which do not receive funding, to failed projects. The NPA are considered as an important parameter to judge

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the performance and financial health of banks. If a bank has high NPA ratio then its performance is considered as weak than that of a bank with lower NPA ratio. It creates a bad effect on good will and equity value of the bank. Sometime the banks also hide the actual NPA ratio. These are the challenges the banks are facing regarding the non-performing assets.

It seems that banks are more interested in exposing their performance data, that is necessary too, but at the same time they have to disclose Non Performing Assets data according to the Reserve Bank of India's instructions including recovered and non-recovered NPAs.[14]

3.3 Classification of Banks and Non Performing Assets

3.3.1 Classification of Banks

Reserve Bank of India (R.B.I.) is the Central Bank of India. There are 27 Public Sector Banks, 30 Private Banks and 31 Foreign Banks in our country.[15]

3.3.2 Classification of Non Performing Assets

A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non-Performing Assets (NPA) are one of the major concerns for banks in India. A loan or lease that is not meeting its stated principal and interest payments is said to be non-performing assets. Banks usually classify as NPA any loans which are more than 90 days overdue. Most

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of the rise in NPA is due to problems with commercial loans. Although the NPA ratio is decreasing (9% in 2003 to 2.35% in 2009), still it is a threat to the revenue of the bank.[16]

Provisions for NPA

Sub-standard NPA : When the account holder does not pay 3 installments continuously after 90 days up to 1 year. In this case bank has to make 10% provision of funds from their profit to meet the losses generated from NPA.

Doubtful NPA : There are 3 sub categories i.e., up to 1 year (20% provision made by bank), up to 2 year (30% provision made), up to 3 year (100% provision made by the bank irrespective of availability of security).

Loss Assets : In this case 100% provision is made by bank. The account can be written off and all the assets will handed over to recovery agents for sale.[17]

3.4 Concept of Non Performing Assets

Reserve Bank of India has been "tightening" the definition of NPAs in a phased manner with a view to move towards internationally accepted norms for asset classification and income recognition. Thus, from the norm of classifying only those assets as non-performing which are four quarters past due, which was applicable until 1993, RBI moved to the norm of three quarters past due in 1994 and then to two quarters (180 days) past due in 1995. In 2001, RBI tightened this further by removing the "past due" concept. As a result, NPAs are to be recognized

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30 days earlier than they were to be before 2001. RBI has now advised banks to move to the 90 days norms for recognizing loans as non-performing, with effect from March 31, 2004.[18]

This tightening of norms, coupled with some years of economic recession, resulted in an increase in the recognized stock of NPAs in the Indian financial system over the last several years. At the same time, the ratio of gross NPAs to gross advances has shown a declining trend.

3.4.1 Gross NPAs and Net NPAs

A distinction is often made between gross NPA and net NPA. Net NPA, which is obtained by deducting from gross NPA items like interest due but not recovered, part payment received and kept in suspense account, etc. is internationally accepted as the more relevant indicator of financial health of banks. A non-performing asset (NPA) in India represents an advance that has not been received, as a result of "past dues" accumulating for 90 days and over. In view of the time lag in recovery process and the detailed procedures and safeguards involved in regard to write-off, even after making provisions for advances considered as irrecoverable banks continue to hold such advances in their books. These are termed gross NPAs while provisions adjusted NPAs are termed as net NPAs.

The prescription of prudential norms relating to assets classification and adequate provisioning for bad and doubtful assets is expected to bring about a significant improvement in the functioning of the banking system.

Zero Net NPAs : Recently the concept of "Zero net NPAs" also

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emerged. However, the term 'zero net NPAs' does not mean that these loans have been recovered. But they simply indicate that capital or profits has been set aside as a cover for these bad loans. Banks have been able to enhance provisions for bad loans because of windfall profits that a plunge in interest rates bestowed on them.[19]

3.5 Present Position of NPA in Banks

According to Reserve Bank of India, bank-wise gross Non-Performing Assets, Gross Advances and Gross NPA Ratio of Scheduled Commercial Banks as on March 31, 2012 have been given in following Table 3.1.

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Table 3.1

Gross NPA Position of Scheduled Commercial Banks

(As on March 31, 2012)

(Amount in Million Rupees)

Banks	Gross NPAs	Gross Advances	Gross NPA Ratio (%)
	(1)	(2)	(3)
Public Sector Banks			
State Bank of India	371560	7578886	4.90
State Bank of Bikaner & Jaipur	16515	499863	3.30
State Bank of Hyderabad	20074	783115	2.56
State Bank of Mysore	15026	406526	3.70
State Bank of Patiala	18878	641418	2.94
State Bank of Travancore	14888	560343	2.66
SBI and its Associates	456940	10470151	4.36
Allahabad Bank	20564	1075272	1.91
Andhra Bank	17980	846840	2.12
Bank of Baroda	38818	2054536	1.89
Bank of India	51697	1779502	2.91
Bank of Maharashtra	12970	569789	2.28
Canara Bank	38901	2224944	1.75
Central Bank of India	72735	1506499	4.83
Corporation Bank	12742	1008253	1.26
Dena Bank	9565	571592	1.67
Indian Bank	16715	863104	1.94
Indian Overseas Bank	35537	1274189	2.79
Oriental Bank of Commerce	35805	1130498	3.17
Punjab and Sind Bank	7634	463686	1.65
Punjab National Bank	86899	2761077	3.15
Syndicate Bank	30507	1109533	2.75
UCO Bank	40197	1078399	3.73
Union Bank of India	54222	1718496	3.16

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United Bank of India	21764	638730	3.41
Vijaya Bank	17185	586710	2.93
IDBI Bank Limited	45514	1772092	2.57
Nationalised Banks $	667950	25033740	2.67
Public Sector Banks	1124890	35503890	3.17
Private Sector Banks			
Catholic Syrian Bank	1829	77677	2.36
City Union Bank	1235	122217	1.01
Dhanalakshmi Bank	1043	88041	1.18
Federal Bank	13008	388113	3.35
ING Vysya Bank	1495	288335	0.52
Jammu & Kashmir Bank	5166	335447	1.54
Karnataka Bank	6847	209494	3.27
Karur Vysya Bank	3210	242051	1.33
Lakshmi Vilas Bank	3077	103283	2.98
Nainital Bank	310	19254	1.61
Ratnakar Bank	331	41570	0.80
South Indian Bank	2672	274732	0.97
Tamilnad Mercantile Bank Ltd	1775	138964	1.28
Old Private Sector Banks	41999	2329177	1.80
Axis Bank Limited	17202	1459049	1.18
Development Credit Bank Ltd.	2418	54967	4.40
HDFC Bank	18149	1909689	0.95
ICICI Bank	92926	1923338	4.83
Indusind Bank Ltd	3471	353164	0.98
Kotak Mahindra Bank Ltd.	6142	394519	1.56
Yes Bank	839	380550	0.22

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New Private Sector Banks	141147	6475275	2.18
Private Sector Banks	183146	8804453	2.08
Foreign Banks			
AB Bank	–	684	–
Abu Dhabi Commercial Bank	31	2924	1.07
American Express Banking Corp.	234	14800	1.58
Antwerp Diamond Bank	996	9700	10.27
BNP Paribas	275	62075	0.44
Bank of America	7	61833	0.01
Bank of Bahrain & Kuwait	315	6573	4.79
Bank of Ceylon	15	824	1.86
Bank of Nova Scotia	96	66152	0.15
Barclays Bank	5472	90788	6.03
China Trust Commercial Bank	163	2918	5.58
Citibank	8464	475257	1.78
Commonwealth Bank of Australia	–	899	–
Credit Agricole Corporate and Investment Bank	9	19196	0.05
Credit Suisse Ag	–	2500	–
DBS Bank Ltd.	2147	129815	1.65
Deutsche Bank	1349	126724	1.06
Firstrand Bank Ltd	–	2416	–
Hongkong & Shanghai Banking Corporation	7201	360121	2.00
JP Morgan Chase Bank	269	45562	0.59
JSC VTB Bank	–	788	–
Krung Thai Bank PCL	–	94	–

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Mashreq Bank	–	523	–
Mizuho Corporate Bank	63	35879	0.18
Oman International Bank	–	41	–
Shinhan Bank	–	9146	–
Societe Generale	12	10576	0.11
Sonali Bank	8	195	3.84
Standard Chartered Bank	32122	583960	5.50
State Bank of Mauritius	210	8266	2.54
The Bank of Tokyo - Mitsubishi UFJ	–	64525	–
The Royal Bank of Scotland	3465	127877	2.71
UBS AG	–	6312	–
United Overseas Bank Ltd	–	–	–
Sberbank	–	–	–
Rabobank International	–	3513	–
National Australia Bank	–	–	–
Industrial and Commercial Bank of China	–	455	–
Australia and New Zealand Banking Group Lim	–	13187	–
Foreign Banks	62922	2347096	2.68
All Scheduled Commercial Banks	1370957	46655438	2.94

Note : Data are provisional. Figures are rounded off. Data pertain to the balance-sheets of banks.

Source : Department of Banking Supervision, RBI.

As shown in Table 3.1, in State Bank of India and its Associates group, largest bank, the State Bank of India has highest gross advances of Rs. 7578886 million, highest gross NPAs of Rs. 371560 million and at the same time, highest gross NPA Ratio of 4.90 percent followed by 3.70

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percent of State Bank of Mysore, 3.30 percent of State Bank of Bikaner & Jaipur and so on and finally 2.56 percent of State Bank of Hyderabad was minimum amongst the group in the year 2012.

In the Nationalised Banks, Central Bank of India has highest Gross NPA Ratio of 4.83 percent where as Punjab & Sind Bank showed minimum gross NPA ratio of 1.65 percent

The highest gross NPA ratio was seen in Foreign Banks where for some banks it reached up to nearly 10 percent.

From this analysis, it is quite clear that there is no similarity between gross NPA ratio of various banks working in India. Some well known and reputed banks have a large amount of gross NPA whereas some other have very low gross NPA ratio and remaining banks have the ratio in between these two categories. But more or less, Non Performing Assets is a major problem and worry for the banking industry.

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