The International Journal's
Research Journal of Commerce & Behavioural Science
ISSN:2251-1547

A Comparative Study of Gross NPA of State Bank Group and Old Private Sector Banks

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Abstract:-

Gross NPA of both **State Bank Group and Old Private Sector Banks** exhibit an increasing trend except the year 2008 in Old Private Sector Banks. The study is based on the secondary data. The scope of the study is limited to five years data. The study is related to **State Bank Group and Old Private Sector Banks.**

KEYWORDS:- WTO, PRIORITY SECTOR, RBI, NPA

1. Introduction:-

With a steep rise in the ratio of the nonperforming assets all over the country, it has been really tough for the RBI to control and manage in the given time frame. No doubt, public sector banks including SBI have been in the list of banks that have been implementing the procedures to control the default line of the borrowers. On the other hand, it should also be noted that non performing assets (npa) in sbi is ought to plague the whole banking structure. To know the latest report and status on SBI's NPA, you can also call or fill up the enquiry form with your queries.

The recent report on the statistics of **non performing assets (npa) in sbi** states that it witnessed an unexpected rise in the percentage of NPA. Other public sector banks excluding SBI experienced a rise of 10.5% till March 2012. On the other hand, some of the banks of the country such as Punjab National Bank, Punjab and Sind Bank, Central Bank of India and Indian Bank reported a massive increase in the nonperforming assets that were above 35% in gross magnitude in the same fiscal.

With a quick rise in the disbursal of restructured loans in the standard category, NPA has really risen over the limit although the limiting ratio is not so much alarming. With the net NPA rate standing steady at the 1.5% for public sector banks, restructured loans is a matter of primary concern. Moreover, the contribution of such loans in the aggregate advances for these banks are supposed to be critical at 5.4%. And, amazingly 12% of those structured loans got converted into **non performing assets (npa) in sbi**. SBI is at a war against the sticky loans and nonperforming assets now.

2. Objectives:-

(i) To compare gross NPA of State Bank Group and Old Private Sector Banks
(ii) To estimate Gross Advances of State Bank Group and Old Private Sector Banks
(iii) To study WTO and Indian Banking Industry
(iv) To study Priority sector Advances

3. Methodology:-

The study is based on the secondary data. The scope of the study is limited to five years data. The study is related to **State Bank Group and Old Private Sector Banks.**

3.1 Gross NPA of State Bank Group and Old Private Sector Banks
(Amounts in Rs. Lakhs)

Year	State Bank Group	Old Private Sector Banks
2007	1226000	236900
2008	1503700	217700
2009	1881255	261925
2010	2133767	305391
2011	2814002	336172

Source:-www. Department of Banking Supervision, RBI

The 3.1 Table shows that Gross NPA of both **State Bank Group and Old Private Sector Banks** exhibit an increasing trend except the year 2008 in Old Private Sector Banks.

3.2 Gross Advances of State Bank Group and Old Private Sector Banks
(Amounts in Rs. Lakhs)

Year	**State Bank Group**	**Old Private Sector Banks**
2007	46216307	8046900
2008	56987508	9705700
2009	72614499	11203679
2010	74900128	13499071
2011	90285760	17012186

Source:-www. Department of Banking Supervision, RBI

The 3.2 Table shows that Gross Advances of both **State Bank Group and Old Private Sector Banks** exhibit an increasing trend through out from the year 2007 to 2011.

3.1 Priority Sector Advances:

The tendency of declining share of priority sector advances in the total advances, need to be checked if the banking sector is to be geared up to meet the specific requirements of Indian economy. On the basis of above analysis, the following recommendations should be considered for third reforms: reduction of present 40 per cent target limit to 35 per cent, besides motivate the banks to finance in this sector more than this target and reward those banks with some extra benefits like tax exemption to possible extent, increase in their credit limits etc., Simplify the procedure for loan application form, agreements and other documents, delegating power to branch managers, order the banks to make their loan policy transparent and stop mutual adjustments of various aspects of priority sector advances, initiate self-evaluation programmes to evaluate borrower accounts and security values by internal professional monthly and by external experts quarterly to prevent the default accounts, eliminate political interference and provide loans only to confident parties and for productive purposes only, promote more advances for agriculture and SSI by enhancing the credit limits for them.

These recommendations should be considered in third reforms to manage the priority sector advances and in the right direction also.

3.2 WTO and Indian Banking Industry:

As WTO provisions came into force, countries including India have to provide greater market access to other countries by eliminating quantitative Restrictions (QR), regarding tariff barriers and liberalizing the market for financial services. The impact of these developments on various sectors of the Indian economy would be critical.

The banks will have to keep themselves updated on sector specific developments taking place in the world, particularly in countries that are India's major trading partners and advise their corporate clients to help them to prepare for competition with multinational companies.

In spite of the above said reforms, following are also core competitive areas, need to be consider for third reforms:

1. Reduction in the government stake in public sector banks' capital up to 33 per cent, is beneficial for the banks as witnessed by 12 banks who has returned government share like SBI, PNB, Syndicate Bank, OBC, Punjab & Sindh Bank, Bank of Maharastra etc.
2. Implement VRS with some new attractive and effective policies and recruit efficient, skilled and innovative professionals.
3. RBI should liberalise various policies for the merger of weak banks and other banks should also merge with each other to compete the global market.
The banks should also go for merging their particular activities under core competition rather than to merge the whole business.
4. Rationalisation of the branch network is also a vital question to reduce the burden and increase the efficiency.
5. All the banks should be motivated to set up specialized committees like Audit Committee, Risk Management Committee, Compensatory Committee, etc. which will strengthen the corporate governance.
6. In the deregulation environment the banks should enter retail banking with some attractive policies. It will help to increase their fee-based income.
7. RBI give more autonomy to the public sector banks to access capital market.
8. Banking is a service industry- they should create friendly environment.

4. Conclusion:-

Gross NPA of both **State Bank Group and Old Private Sector Banks** exhibit an increasing trend except the year 2008 in Old Private Sector Banks. Reduction in the government stake in public sector banks' capital up to 33 per cent, is beneficial for the banks as witnessed by 12 banks who has returned government share like SBI, PNB, Syndicate Bank, OBC, Punjab & Sindh Bank, Bank of Maharastra etc. In the deregulation environment the banks should enter retail banking with some attractive policies. It will help to increase their fee-based income.

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6. Table B6: Bank-wise Non-Performing Assets (NPAs) of Scheduled Commercial Banks-RBI Annual Report 2008.

7. Table B7: Bank-wise Gross Non-Performing Assets, Gross Advances and Gross NPA Ratio of Scheduled Commercial Banks-2009.
8. Table B7: Bank-wise Gross Non-Performing Assets, Gross Advances and Gross NPA Ratio of Scheduled Commercial Banks-2010.
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