



A Comparative Study of Gross NPA of Old Private Sector Banks & Nationalized Banks

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Abstract:-

The study is based on the secondary data. The scope the study is limited to five years data. The data has been analyzed using percentage method. The study is related to old Private Sector Banks & Nationalized banks. During the period for 2007 to 2011 the performance in old private sector banks was superb as the GNPA ratio continue to fall from 3.4% to 1.62%.

Key Words: Gnpa, Incremental Component, Directed Lending, Sub- Standard

1) Introduction:-

Reforms have paved the way for building our banking system capable to meet the requirements of the open and competitive economy. But, on the other side, some deficiencies have persisted despite these reforms. The level of NPAs in the Indian banking industry is a greater concern and thus urgent cleaning up of bank balance sheet has become a crucial issue. Although, the ratio of net NPAs to net advances is reduced to some extent but still very high in absolute terms. The main motive of the reforms was to improve the operational efficiency of the banks to further enhance their productivity and profitability. It is essential to review the various issues of banking sector reforms, especially its post reforms' impact on NPAs, interest income, capital adequacy, priority sector advances, and SLR & CRR.

2) Objectives:-

- (i) To examine Gross NPA of Old private sector Banks and Nationalised Banks
- (ii) To analyse Gross Advances of Old Private Sector Banks and Nationalised Banks
- (iii) To determine the GNPA ratio of Old private Sector Banks and Nationalised Banks
- (iv) To study capital adequacy and 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 Old Private Sector Banks and Nationalised Banks. The data has been analyzed using percentage method.

3.1 Gross NPA of Old private sector Banks & Nationalised Banks (Amounts in Rs. Lakhs)

Year	Old Private Sector Banks	% Increase	Nationalized Banks	% Increase
2007	236900	-	2629100	-
2008	217700	-8%	2511900	-4%
2009	261925	20%	2680380	7%
2010	305391	17%	3547031	32%
2011	336172	10%	4290739	21%

Source :-www. Department of Banking supervision, RBI



The 3.1 Table shows that Gross NPA of both **Old private sector Banks & Nationalised Banks** exhibit an increasing trend except the year 2008.

3.2 Gross Advances of Old private sector Banks & Nationalised Banks (Amounts in Rs. Lakhs)

Year	Old Private Sector Banks	% Increase	Nationalized Banks	% Increase
2007	8046900	-	97573300	-
2008	9705700	21%	121855400	25%
2009	11203679	15%	153560191	26%
2010	13499071	20%	174640025	14%
2011	17012186	26%	217696671	25%

Source :-www. Department of Banking supervision, RBI

The 3.2 Table shows that Gross Advances of both **Old private sector Banks & Nationalised Banks** exhibit an increasing trend from the year 2007 to 2011.

3.3 GNPA Ratio of Old private Sector Banks & Nationalised Banks

Year	Old Private Sector Banks	Nationalized Banks
2007	3.42	2.76
2008	2.53	2.01
2009	2.17	1.75
2010	2.22	2.03
2011	1.62	1.97

Source :-www. Department of Banking supervision, RBI

It is evident from the above table that the performance of private sector banks is much better than that of public sector banks in checking NPA. But a close look at the problem reveals the Nationalized banks can not be construed as a failure of the fact that most of the NPA arise out of lending under Government schemes which the Nationalized banks subscribe to. Therefore, the growing NPA of Nationalized banks can not be construed as a failure of the management of Nationalized Banks. However, the declining quantity of NPA in private sector banks bear ample testimony of the facts that administration in private sector banks is streamlined and the management has successfully created an environment for better work culture. During the period for 2007 to 2011 the performance in old private sector banks was superb as the GNPA ratio continue to fall from 3.42% to 1.62%.

3.1 Capital Adequacy Ratio

Capital adequacy ratio reflects the **overall financial condition of the banks and also their ability to meet the need for additional capital**. An adequate capital base is essential for banks to absorb credit risk but in the pre-reform years, a large number of banks were undercapitalized, as they were unable to add to their capital base by increasing reserves due to declining profits. Since 1991, it was much below the internationally accepted CRAR of 8 percent. But after that reforms were introduced with present target of 10 percent CRAR in 2003-04. A favourable development indicates the banking system's growing strength to absorb credit risk, which may arise on account of its advantages going bad resulting in losses.



3.2 Priority Sector advances

Priority Sector advances to total advances ratio represents the banks credit pattern in the priority sector against the given target by RBI i.e. 40 per cent of the total advances (32 per cent in case of Foreign Banks). The share of priority sector advances to total advances first decreased till 2001-02 and then started to increase in other years. In 1998-99, its average share was 27.35% which increase to 29.22% in 2003-04. On an average, the share of Priority sector advances in the total advances is the highest in case of Nationalised Banks i.e. 32.83 percent followed by Old private sector Banks where as, New Private Sector Banks shows the least share i.e. only 18.14 per cent. It is examined that not even a single bank group have succeeded to meet the targets of RBI but still had somewhat rising contribution to this sector. One major reason for lesser share of Priority sector advances is the absence of sufficient credit takers in this sector.

4) Conclusion:-

The on- going reforms process and the agenda for third reforms will focus mainly to make the banking sector reforms viable and efficient so that it could contribute to enhance the competitiveness of the real economy and face the challenges of an increasingly integrated global financial architecture.

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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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