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A Comparative study of trends of Bank wise Non-Performing Assets in Public Sector Banks and Private Sector Banks

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Abstract:

The study is based on the secondary data. The scope of the study is limited to three years data. The study is related to Public Sector Banks & Private Sector Banks. The data has been analyzed using percentage method.

KEYWORDS:- BASEL, NPA, SLR, BANK

1) Introduction: The birth of the new generation private sector banks is a direct outcome of this reforms process. So far, 8 such banks have come up during the last few years at different points of time. As a result, the banking policy towards the banking business has grossly changed. Liberalisation and reforms have thrown up a few challenges as well as created opportunities for banks to increase revenues by diversifying into investment banking, insurance, credit cards, retail financing, depository services and more. The last few years have witnessed rapid changes in the banking sector, with a rather strong and aggressive presence of new private sector banks. These new private sector banks have taken a sizeable amount of business away from the public sector banks as well as the foreign banks. They are becoming a challenge and also a threat to the Indian public sector banks.

2) Objectives:-

(i) To determine the bank-wise NPA in public sector banks and private sector banks.
(ii) To examine banking sector reforms in India.
(iii) To study New Basel Capital Accord

3) Methodology:
The study is based on the secondary data. The scope of the study is limited to three years data. The study is related to Public Sector Banks & Private Sector Banks. The data has been analyzed using percentage method.

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3.1 Bank-wise NPA in 2009

(Amount in Rs. Crores)			
Bank Name	**Gross NPA**	**Gross Advance**	**GNPA Ratio (%)**
State Bank of India and its Associates			
State Bank of Bikaner & Jaipur	490	30088	1.63
State Bank of Hyderabad	486	43938	1.11
State Bank of India	16346	549297	2.98
State Bank of Indore	301	21747	1.39
State Bank of Mysore	368	25870	1.42
State Bank of Patiala	573	43961	1.31
State Bank of Saurashtra	182	14306	1.27
State Bank of Travancore	549	32976	1.67
Other Nationalized Banks			
Allahabad Bank	1078	59443	1.81
Andhra Bank	368	44428	0.83
Bank of Baroda	1843	144845	1.27
Bank of India	2471	144732	1.71
Bank of Maharashtra	798	34817	2.29
Canara Bank	2168	139037	1.56
Central Bank of India	2317	86740	2.67
Corporation Bank	559	48927	1.14
Dena bank	621	29185	2.13
IDBI Bank Limited	1436	103915	1.38
Indian Bank	459	51831	0.89
Indian Overseas Bank	1923	75810	2.54
Oriental Bank of Commerce	1058	69065	1.53
Punjab & Sind Bank	161	24698	0.65
Punjab National Bank	2767	156098	1.77
Syndicate Bank	1595	82495	1.93
UCO Bank	1540	69669	2.21
Union Bank of India	1923	98265	1.96
United Bank of India	1020	35727	2.85
Vijaya Bank	699	35875	1.95
Private sector Banks			
Axis Bank	890	82120	1.08
HDFC Bank	1984	100239	1.98
ICICI Bank	9649	223621	4.32
ING Vysya Bank	209	16754	1.25
Karnataka Bank	443	12123	3.66
South Indian Bank	261	11965	2.18
Yes Bank	85	12447	0.68

Source: Department of Banking Supervision, RBI posted at www.rbi.org

3.2 Bank-wise NPA in 2010

(Amount in Rs. Crores)			
Bank Name	**Gross NPA**	**Gross Advance**	**GNPA Ratio (%)**
State Bank of India and its Associates			
State Bank of Bikaner & Jaipur	611	35563	1.72
State Bank of Hyderabad	645	53296	1.21
State Bank of India	17836	544408	3.28
State Bank of Indore	492	23949	2.06
State Bank of Mysore	595	29858	1.99
State Bank of Patiala	1006	47051	2.14
State Bank of Saurashtra	-	-	-
State Bank of Travancore	641	38802	1.65
Other Nationalized Banks			
Allahabad Bank	1220	71509	1.71
Andhra Bank	487	56505	0.86
Bank of Baroda	2196	133588	1.64
Bank of India	4481	135193	3.31
Bank of Maharashtra	1209	40926	2.96
Canara Bank	2504	163290	1.53
Central Bank of India	2457	106102	2.32
Corporation Bank	650	63629	1.02
Dena bank	641	35721	1.80
IDBI Bank Limited	2129	138583	1.54
Indian Bank	458	59963	0.76
Indian Overseas Bank	3441	73025	4.71
Oriental Bank of Commerce	1468	84183	1.74
Punjab & Sind Bank	206	32738	0.63
Punjab National Bank	3214	188306	1.71
Syndicate Bank	2004	82599	2.43
UCO Bank	1665	77568	2.15
Union Bank of India	2663	118272	2.25
United Bank of India	1372	42755	3.21
Vijaya Bank	994	41934	2.37
Private Sector Banks			
Axis Bank	1295	93005	1.39
HDFC Bank	1807	125283	1.44
ICICI Bank	9267	142100	6.52
ING Vysya Bank	224	18509	1.21
Karnataka Bank	549	14751	3.73
South Indian Bank	211	15970	1.32
Yes Bank	60	22240	0.27

Source: Department of Banking Supervision, RBI posted at www.rbi.org

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3.3 Bank-wise NPA in 2011

(Amount in Rs. Crores)

Bank Name	Gross NPA	Gross Advance	GNPA Ratio (%)
State Bank of India and its Associates			
State Bank of Bikaner & Jaipur	835	41743	2.0
State Bank of Hyderabad	1150	65422	1.8
State Bank of India	23073	662444	3.5
State Bank of Indore	-	-	-
State Bank of Mysore	863	34425	2.5
State Bank of Patiala	1381	52330	2.6
State Bank of Saurashtra	-	-	-
State Bank of Travancore	835	46470	1.8
Other Nationalized Banks			
Allahabad Bank	1646	91585	1.80
Andhra Bank	995	72154	1.38
Bank of Baroda	2786	171801	1.62
Bank of India	4356	165147	2.64
Bank of Maharashtra	1173	47487	2.47
Canara Bank	2981	202724	1.47
Central Bank of India	2394	131390	1.82
Corporation Bank	790	87213	0.91
Dena bank	842	45163	1.86
IDBI Bank Limited	2784	155995	1.79
Indian Bank	720	72587	0.99
Indian Overseas Bank	2793	103087	2.71
Oriental Bank of Commerce	1920	96838	1.98
Punjab & Sind Bank	424	42832	0.99
Punjab National Bank	4379	243998	1.79
Syndicate Bank	2589	97534	2.65
UCO Bank	3090	93246	3.31
Union Bank of India	3622	153022	2.37
United Bank of India	1355	53933	2.51
Vijaya Bank	1259	49222	2.56
Private Sector Banks			
Axis Bank	1586	124119	1.28
HDFC Bank	1660	156705	1.06
ICICI Bank	9815	169181	5.80
ING Vysya Bank	151	23661	0.64
Karnataka Bank	702	17696	3.97
South Indian Bank	230	20658	1.11
Yes Bank	80	34435	0.23

Source: Department of Banking Supervision, RBI posted at www.rbi.org

During 2011 SBI had recorded highest GNPA Ratio among all PSBs. Next to SBI was UCO Bank 3.31%. In the preceding year GNPA Ratio was 3.28% for SBI and 3.21% for United Bank of India.

Among the Private Banks ICICI recorded highest GNPA Ratio at 5.80% and Karnatak Bank at 3.97%.

The performance of Corporation Bank, Indian Bank, Punjab and Sind Bank, ING Vysya Bank Ltd, was found to be very encouraging. The GNPA Ratio were less than 1% for these banks.

4) Banking Sector Reforms in India: An Overview

The Narasimham Committee on financial sector reforms paved the way for far reaching reforms in the banking sector in India and they ushered as the "second banking revolution". It recommended sweeping changes in the financial sector as per international norms to cater to the needs of the sector and to strengthen it. To transform Indian banks from largely domestic ones to truly international ones, and to tackle their internal deficiencies, the Narasimham Committee I & II put forward several recommendations.

The Government and the RBI accepted and implemented all the major recommendations of the Narasimham Committee.

In tune with the liberalization and privatization wave sweeping across the world, the Government decided to review its banking policy in early 1990s. In the pre-reforms period (i.e. before 1991), commercial banks in India functioned in a highly regulated environment characterized by the following:

- Administrative interest rate structure.
- Quantitative restrictions on credit flows.
- High reserve requirements under CRR(Cash Reserve Ratio)
- Pre-emption of significant proportion of lendable resources for the priority sectors, and the government under statutory Liquidity Ratio (SLR).

These and other restrictions resulted in low productivity and inefficiency which in turn led to low/negative profits.
With this background in view, the Narasimham Committee worked out the road map of banking sector reforms. The successful implementation of its various recommendations has given a new dynamism to the banking sector since 1991.
The Committee was guided by the fundamental assumption that the resources of the banks come from the general public and held by the banks in trust. These resources have to be deployed for maximum benefit of their owners, i.e. the depositors. This assumption automatically implies that even the Government has no business to endanger the solvency, health and efficiency of the nationalized banks.

4.1 New Basel Capital Accord

The new Basel Accord to modify the existing capital adequacy framework is currently under discussion. Under the revised capital adequacy framework, banks will have to provide for **market risk and operational risk besides credit risk**. Against the background of government decisions to reduce its shareholding in nationalized banks to 33 percent, maintaining the required level of capital adequacy by the banks could come under strain.

Strong banks will be able to access the capital markets for raising additional equity, but weak banks could face several problems. But, in any case, there will be tremendous pressure on banks to improve their financial performance if they have to attract additional capital.

Profitability will thus have to be improved so that higher dividends are paid to shareholders, capital market perception about public sector banks changes and there is a positive impact on the valuation of shares so that the shares of public sector banks fetch attractive market prices.

5) Conclusion:

The level of NPAs in the Indian banking industry is a greater concern and thus urgent cleaning up of banks balance that has become a crucial issue. NPAs will have to be reduced drastically and adequate provisioning for bad and doubtful debts will have to be made.

There is a need for long term solutions for overcoming this challenge. The internal control systems, risk management systems and systems of catch early warning signals for timely detection of NPAs have to be strengthened by banks. In addition, the role of legal reforms in bringing down the level of NPAs is crucial for speedy settlement of disputes and realization of banks' dues. Also, strengthening the Debt Recovery Tribunals and empowering banks to enforce their change with out court intervention will result in expedition recovery of bad debts.

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