MANAGEMENT OF NON-PERFORMING ASSETS AND CAPITAL ADEQUACY IN SELECTED PUBLIC SECTOR BANKS IN INDIA

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In Accounting and Financial Management

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Dedicated to

My Parents

CERTIFICATE

This is to certify that the work incorporated in the thesis titled "**MANAGEMENT OF NON-PERFORMING ASSETS AND CAPITAL ADEQUACY IN SELECTED PUBLIC SECTOR BANKS IN INDIA"** submitted by Mr. Chirag Pravinchandra Surti comprises the result of independent and original study carried out by the candidate under my supervision. The material that has been collected and used from the different sources has been duly acknowledged in the thesis.

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DECLARATION

I hereby, declare that this thesis entitled "**MANAGEMENT OF NON-PERFORMING ASSETS AND CAPITAL ADEQUACY IN SELECTED PUBLIC SECTOR BANKS IN INDIA**" submitted by me to the Department of Accounting and Financial Management, Faculty of Commerce, The Maharaja Sayajirao University of Baroda, Vadodara, for the award of degree of Doctor of Philosophy in Accounting and Financial Management is original and it has not been submitted earlier wholly or partially to any other University or Institution for the award of any degree or prizes or diploma.

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ABBREVIATIONS

1.	All PSBs	- All Public Sector Banks
2.	All SCBs	- All Scheduled Commercial Banks
3.	ALM	- Assets Liability Management
4.	AML	- Anti-Money Laundering
5.	ARCIL	- Assets Reconstruction Company India Ltd
6.	ARCs	- Asset Reconstruction Companies
7.	ARF	- Assets Reconstruction Fund
8.	ASBA	- Application Supported Blocked Amount
9.	BIA	-Basic Indicator Approach
10.	BIFR	- Board for Industrial and Financial Reconstruction
11.	BIS	- Bank of International Settlements
12.	BOI	-Bank of India
13.	C.V	- Coefficient of Variation
14.	CAGR	-Cumulative Annual Growth Rate
15.	CAR	- Capital Adequacy Ratio
16.	CASA	- Current Accounts and Saving Accounts
17.	CCBs	-Central Co-Operative Banks
18.	CDR	- Corporate Debt Restructuring
19.	CGTSI	-Credit Guarantee Fund Trust for Small Industries
20.	CRR	- Cash Reserve Ratio
21.	DFI	- Development Finance Institutions
22.	DICGC	- Deposit Insurance and Credit Guarantee Corporation
23.	DRATs	- Debt Recovery Appellate Tribunals
24.	DRTs	- Debt Recovery Tribunals
25.	ECGC	- Export Credit Guarantee Corporation
26.	EFT	- Electronic Funds Transfer
27.	FCNRA	-Foreign Currency Non-resident Accounts
28.	FII	-Financial Investment
29.	FIs	- Financial Institutions
30.	FLCC	- Financial Literacy and Credit Counselling
31.	GATT	- General Agreements on Tariffs and Trade
32.	GDP	- Gross Domestic Product

33. GOI	- Government of India
34. GoM	-Group of Ministers
35. HNI	-High Net Worth Individuals
36. IBA	- Indian Banking Association
37. ICAAP	-Internal Capital Adequacy Assessment Process
38. IDBI	-Industrial Development Bank of India
39. IRAC	- Income Recognition and Asset classification
40. KVP	-Kisan Vikas Patra
41. KYC	- Know Your Customer
42. M&A	-Merger and Acquisition
43. NABARD	-National Bank for Agriculture and Rural Development
44. NBFCs	- Non- Banking Financial Institutions
45. NPAs	- Non-Performing Assets
46. NPL's	- Non-Performing Loans
47. NRERA	-Non-resident External Rupees Account
48. NSC	-National Saving Certificate
49. OBC	-Oriental Bank of Commerce
50. OD/CC	- Overdraft/ Cash Credit
51. OSMOS	- Off- Site Monitoring and Online Supervision
52. OTS	- One Time Settlement
53. PACs	-Primary Agriculture Co-Operative Societies
54. PLR	-Prime Lending Rate
55. RAPM	-Risk Adjusted Performance Management
56. RAROC	- Risk Adjusted Return on Capital
57. RBS	-Risk Based Supervision
58. RM	-Risk Management
59. ROA	- Return on Assets
60. RRBs	-Regional Rural Banks
61. RTGS	- Real Time Gross Settlement
62. S.D	- Standard Deviation
63. SARFAESI Act-	-The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
64. SBI	-State Bank of India
65. SHGs	- Self Help Groups

66. SLR	-Statutory Liquidity Ratio
67. SME	-Small and Medium Entrepreneurship
68. SPV	- Special Purpose Vehicle
69. SRP	-Supervisory Review Process
70. SSI	-Small Scale Industries
71. StCBs	-State Co-Operative Banks
72. UCBs	-Urban Co-operative Banks
73. UWB	-United Western Bank
74. YOY	-Year on Year

CHAPTER – I
INTRODUCTION

1.1 ORIGIN OF BANKS

The Banking, as it exists today, is the result of a transaction that has taken place over many a centuries. Throughout the globe, Banking has been in existence in one form or the other. The word Bank is said to be of Germanic origin, related with French word Banque and the Italian word, Banca, both meaning bench. It seems, this word may have derived its meaning from the practice of Jewish money- changers of Lombardy (A District in North Italy), who, in the Middle Ages, used to do business sitting on Benches in the market place.

The history of origin of Banks is noticeable in ancient times. The new evidence contains a reference of the activities of money changers in the temples of Jerusalem. As early as 2000 BC, the temples in Babylonia were used as Banks and person acted as financial agents until the public lost confidence as a result of disbelief in religion. In ancient Greece the famous temples of Delphi and Olympia served as the great depositories for the surplus funds of the public and were the main centers of the money lending business.[1] The traces of credit by compensation and by transfer orders are found in Assyria, Phoenicia and Egypt before the growth of the system in its full form Greece and Rome.

The development of Banking in ancient Rome was roughly on Greek pattern. The bankers were called *Argentari, Mensarii, collybistoe.* The Banks were known as Tabernoe Argentarioe. Some of the Banks were appointed by the Government as its agents to accept taxes while the other used to conduct business independently on their own.[2]

The methodology adopted by these Banks resembled that of modern Banks. The use of cheques, drafts and transfer orders, although in their simple form or content, was common amongst people settle their accounts. The Banking, however, was largely confined to money changing and money lending. Banking suffered unconsciousness after the fall of the Roman Empire in the death of Emperor Justinian in 565 AD. With the revival of trade and commerce in the middle ages, the Banking again took its roots. Early European Banking was carried on by Jews since the Christians were forbidden by the standard Law to lend money to other on interest as it was considered to be a sinful act. Christianity took an indifferent attitude to wealth and Christ's teachings also displayed dislike to wealth. Another reason for the Jews

[1] Verma J.C.(1989), " A manual of Merchant Banking", Bharat Law House, New Delhi, PP. 23.
[2] H.L. Hart , (1990), "The Practice and Law of Banking", New Delhi, P-1

having monopolised the business of Banking was that they had to keep their possessions in liquid form because they were not allowed to hold lands. Subsequently, when the hold of church loosened around the thirteenth century, the Christians also entered on the business of Banking coming into direct competition with Jews.

In middle age of Europe the Banking business by and large was undertaken by private individuals and amongst them the Bankers of Lombardy had their own place. A number of prominent Bankers from Lombardy migrated to England and built a street in London and established Banking, among other search, thus making the name of Lombard Street famous. This period also witnessed upsurge of finance companies in Italy whose main activity was to make loans to and to float loans to the Government but subsequently they also started doing Banking business.[3]

Banking made its first appearance as a public enterprise around the middle of the 12th century in Italy when the Bank of Venice was established in the year 1157[4]. Originally it was not Bank as we see it today, but only in office for the transfer of the public debt. Thereafter, Bank of Barcelona and Bank of Genoa were founded in the years 1401 and 1407 respectively. Out of these, the Bank of Venice and the Bank of Genoa continued to function until the end of the 18th century. The 16th century witnessed the emergence of two important Banks viz. the Bank of Sweden in 1556 and the Banco di Rialto in Venice in 1584, which conducted business both in deposit and exchange branches. The Bank of Sweden which is pioneering in the field of Bank Notes is now known as the State Bank of Sweden.

The establishment of the Bank of Amsterdam in the year 1609 is a great event of the 17th century in the history of Banking.[5] This Bank held for a long time prominent position in international commerce, though it was initially meant to help the merchants of the city. It accepted all kinds of foreign coins, and damaged coin of the country as its real intrinsic value in the good standard money of the country, deducting only so much as necessary to meet the expenses of management. For the value which remained, after this small deduction, it gave a credit in its books. This credit was called Bank money, which as it represented money exactly according to the standard of the bundle, was always of the same real value and intrinsically worth more than currency money.[6] These deposits could be withdrawn on demand or transferred from the accounts of one person to another. The Bank also adopted a

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[3] Walter Leaf, (1990), " Banking", Skyes Edition, P- 24

[4] Ram Krishna G. and Rao, Venu G.K.(2008), " Performance of Public Sector Banks After Reforms", First Edition, Serial Publication, New Delhi, PP. 02.

[5] Vaish M.C. (1999), "Macro Economic Theory", Vikas Publishing, New Delhi, PP. 540.

[6] Bedi, H.L., Ayyar and G.S,. Shenoy, A.P.(1984),"Theory and Practice of Banking", Jeevandeep Prakashan, Bombay, PP. 02.

plan under which depositors received a kind of certificate entitling him to withdraw his deposits within 6 months. These written orders, in the course of time, came to be used in the same manner as the modern cheques.

Although the development of Banking in England is certified to the activities of goldsmiths during the reign of Queen Elizabeth I, several other business communities who acted as money changers, money lenders and exchange specialists had overshadowed them. The goldsmiths came to limelight only around the middle of the 17th century when King Charles I seized a large quantity of gold of the merchants of London kept by them in the tower of London. The merchants of London were very much frightened by this incident and they decided to look elsewhere for the safety of their surplus fund even though their seized deposits were restored to them after some time. The London merchants found the goldsmiths to be a safe place to keep their surplus funds / bullion. The goldsmith soon discovered that they could earn profit by lending the merchants money deposited with them. With the passage of time, the goldsmith started paying interest to their depositors so as to attract more deposits. And thus, the goldsmiths became the forerunners of the Commercial Banking system. Banking in the modern sense of the term can be said to have originated in England in the foundation of the Bank of England in the year 1694.

However, full development of modern Commercial Banking in England had to await the passage of the Act of 1833 which permitted the foundation of joint stock Banks, while Banking took roots far early and more rapidly in some countries than in others, it was only in the 19th century that the modern Banking system with joint stock Banks developed in the lending world countries.[7]

1.2 EARLY HISTORY OF INDIAN BANKING

The origin and growth of Banking in India dates back to Vedic times, which may be taken to range from 2000 BC to 1400 BC.[8] Money lending was regarded as an old art. That it was being practiced even in early Aryans days is evidenced by the reference to money-lending as one of the four honest businesses, the other three being cultivation, trade and harvesting. Debt is often reflected a normal condition prevalent in the Vedic society.

More details pertaining to money lending in the Buddhist period, which is 7th to 2nd century BC, are available from the Buddhist writings called the Jatakas, a large body of stories about the lives of Buddha. Clearly establish the existence of money -lenders called 'Seths' who

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[7] Halsbury's, Law of England, 3rd Edition, Vol. II, P- 150.

[8] Panandikar, S.G. (1975), Banking in India, Orient Longman Ltd, PP. 01.

performed the function of Bankers. There is an evidence of remittance of cash and the creation of credit instruments and debt sheets. These sources have also brought to light the existence of trade and merchant guilds engaged in commercial and industrial activities. In the Buddhist period there are several stories of kings receiving financial help from the guilds.[9] The guilds paid interest on deposits they received at the rate fixed by the general assembly of the associations, as a merchant to maintain the standards of their people. From these accounts it is evident that money-lending, Banking and trading were interlinked and the present day combination of money -lending and trading probably date back to the 6th and 5th centuries BC.

The problem relates to money-lending assumed considerable importance in the first few centuries of the Christian era (2nd to the 5th centuries AD).The importance of money-lending for economic development of the country was recognised and Kautilya's Arthashastra called upon the king to regulate the interest rate and to lay down rules for creditors and debtors. The transition from money- lending to Banking appears to have taken place by the 2nd or 3rd century AD. The fact that Manu, the great Hindu jurist devotes separate sections to the ‘Recovery of Debt and Deposits and pledges' indicates that problems relating to money lending has assumed importance.[10] During this period people were enjoined upon to make deposits with respectable Bankers. Regarding the rates on advances, elaborate rules were made for safeguarding the interests of the borrower, for instance, at any one time; interest claimed could not exceed the principal more than twice. The Laws of Manu had given wide powers to the creditors for the recovery of the debt. In short, this period is characterised as one in which the activities of the so- called Banker / Money - lender were well controlled and regulated.

There is no live account of indigenous Banking from the 6th to 16th centuries. Some lost evidence is there to show that it was a profitable profession from the reference to the wealthy *Jaina* Bankers, two of whom built the famous Dilwara temples. In the time of Feroz Shah, Bankers were reported to lend large sums of money to the state for the payment to the army.

During the Moghul period indigenous Banking was in its prime. There was hardly a village in India without its money - lender or *Saraf.* Details regarding the systems of indigenous Banking / money - lending are available in the writing of the famous French traveler, J.B. Tavernier and in Mohamedan literature, notably *Ain-i-Akbari.* These writings reveal the

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[9] Muraleedharan .D(2009), “Modern Banking: Theory and Practice”, PHI learning Pvt Ltd, New Delhi, PP.02 to 05.

[10] Machiraju H.R.(1998), “ Indian Financial System”, Vikas Publishing House, New Delhi, PP. 33.

existence of multanies and *Sarafs* who financed trade and commerce, acted as Bankers to the state and performed the additional function of money-changer. The system of currency and money in operation at that time rendered money changing a highly profitable business.[11]

The Moghul system of coinage afforded yet another occupation to the money-lending class viz. evaluate of precious metals. Beside money-lending and changing, the Bankers of that period financed trade by means of credit instruments.[12] Foreign trade is reported to have been financed partly in cash and partly by bills drawn on firm payable in two months. Historical records of this period are complete with honor bestowed by the State on Bankers for rendering distinguished services to the State, not only as officers of Royal mints but for putting the Royal Treasury in funds. This was a period in which indigenous Bankers enjoyed a pre-eminent position in society, being the sole source of finance to the community in the absence of Commercial Banks. The dependence of the rulers and the Government on this source of fund appears to have been considerable, with the results; it was not uncommon to appoint indigenous Bankers as revenue collectors and Bankers to the Government. However, the very factors which contributed to their rise when the Moghul Empire was at the height of its glory, were also responsible for their decline with the break -up of the Moghul Empire.[13]

Nevertheless, when the British came to India in the 17th century, they found a reasonably well-established indigenous Banking system. The English traders, however, could not easily avail themselves of the credit facilities extended by the indigenous system, as the business was conducted in the vernacular languages with which British were not aware. On the other hand, indigenous Bankers were ignorant of the ways and the method of Banking practiced in the west. To overcome these difficulties, English merchant houses were set up which took upon themselves the business of Banking in addition to commercial and trading activities. When the British acquired political control of the country, they realised that the system appointing indigenous Bankers as revenue collectors was damaging to the revenue of the State and hence the system of revenue collection by these agencies was abolished in the year 1778.[14] The unsettled political conditions prevalent in the country had broke their business there were numerous instance of the claims of indigenous Bankers on the rulers of the Indian States being dishonored. The political disturbance in the country forced people to save their wealth and the deposit business of indigenous agencies was affected.

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[11] Vaish, M.C., "Modern Banking", Op. Cit, PP. 90.
[12] Sheldon H.P., "The Practice and Law of Banking", 9th Edition, PP. 184.
[13] Panandikar. S.G., Banking In India, Op. cit, p-2
[14] J.C. Verma(1989), " A Manual of Merchant Banking", Bharat Law House, New Delhi, p- 23.

The establishment of "The Bank of Hindustan" in the year 1770 in Calcutta by lending agency house, M/s. Alexander & Co. Marks the beginning of modern Banking in India on the pattern of European Banks. However, it collapsed in the year 1832 when the firm with which it was associated was distorted.

Other Banks which appeared on the scene during the later half of the 18th century was the Bengal Bank which had been in existence as early as the year 1784. This Bank, unlike the earlier one, was not connected with any agency house. The General Bank of India, which came into existence in the year1786, was the first Joint - stock Bank in India that issue shares and having limited liability of its shareholders. Subsequently in the year 1787, this Bank was appointed Bankers to the Government. However, it did not survive much and was ultimately dissolved in the year 1791.[15]

The first presidency Bank known as the 'Bank of Bengal' was established in the year 1806 in Calcutta having a share capital of Rs. 5000000 sicca out of which 20% i.e., Rs. 1000000 sicca was contributed by the East India Company i.e. the state.

A uniform currency was established throughout British India in the year 1835. As a result of this currency reform, indigenous Banking agencies were dealt a hard blow as they were a poor productive source of income starting from the business of money changing. At the same time, to meet both the administrative requirements and demands of trade, the need was felt for credit institutions of the Western type and this led to creation of Government Treasuries and to the formation of two more presidency Banks viz. The Bank of Bombay in the year 1840 and subsequently the Bank of Madras in the year 1843.[16]

The Government subscribed a part of the share capital of both these Banks. All the three presidency Banks in Calcutta, Bombay and Madras were just like the central Banks in their respective areas of operations for they performed central Banking functions and also acted as Bankers to the Government. The presidency Banks continued to function until the year 1920 and ultimately conclude in the formation of the Imperial Bank of India on 27th January, 1921 as an amalgamated Central Bank of the country barring the power to issue Bank notes.[17]

The first purely Indian Joint Stock Bank was the Oudh Commercial Bank which was established in the year 1881 followed by the Punjab National Bank 1894 and the People's Bank 1901. The Swadeshi movement in the year 1905 gave an impetus to the formation of

[15] Senasarma . R, (2005),"Cost and Profit Efficiency of Indian Banks during 1986 to 2003. A Stochastic Frontier Analysis", Economic and Political Weekly, March 19, pp- 1198 – 1209.

[16] Raghavan R.S.(2010), " Banking In India Since Independence – A Brief History", The Indian Banker, Vol. V, No-08, PP. 12.

[17] Avadhani. V.A. (1978), " Studies In Indian Financial System", Jaico Publications, Mumbai, p- 34

number of Joint - Stock Banks in India and many of today's leading banks were established around this time. The Bank of Burma established in 1904, but failed in 1911. In 1906, three more Banks were founded, The Bank of India, The Bank of Rangoon and The Indian Specie Bank, all of which had paid up capital exceeding Rs 15 lakh each. Nevertheless the number of Banks with paid up capital of Rs. 5 Lakhs and over increased from 9 to 36 and those with paid up capital of Rs 1 Lakh to Rs 5 Lakh increased from 23 to 69 and the period from 1900 to 1934, the year in which Reserve Bank of India Act was enacted, witnessed many Banks failures due to economic depression and Indian Banks faced serious crises.[18]

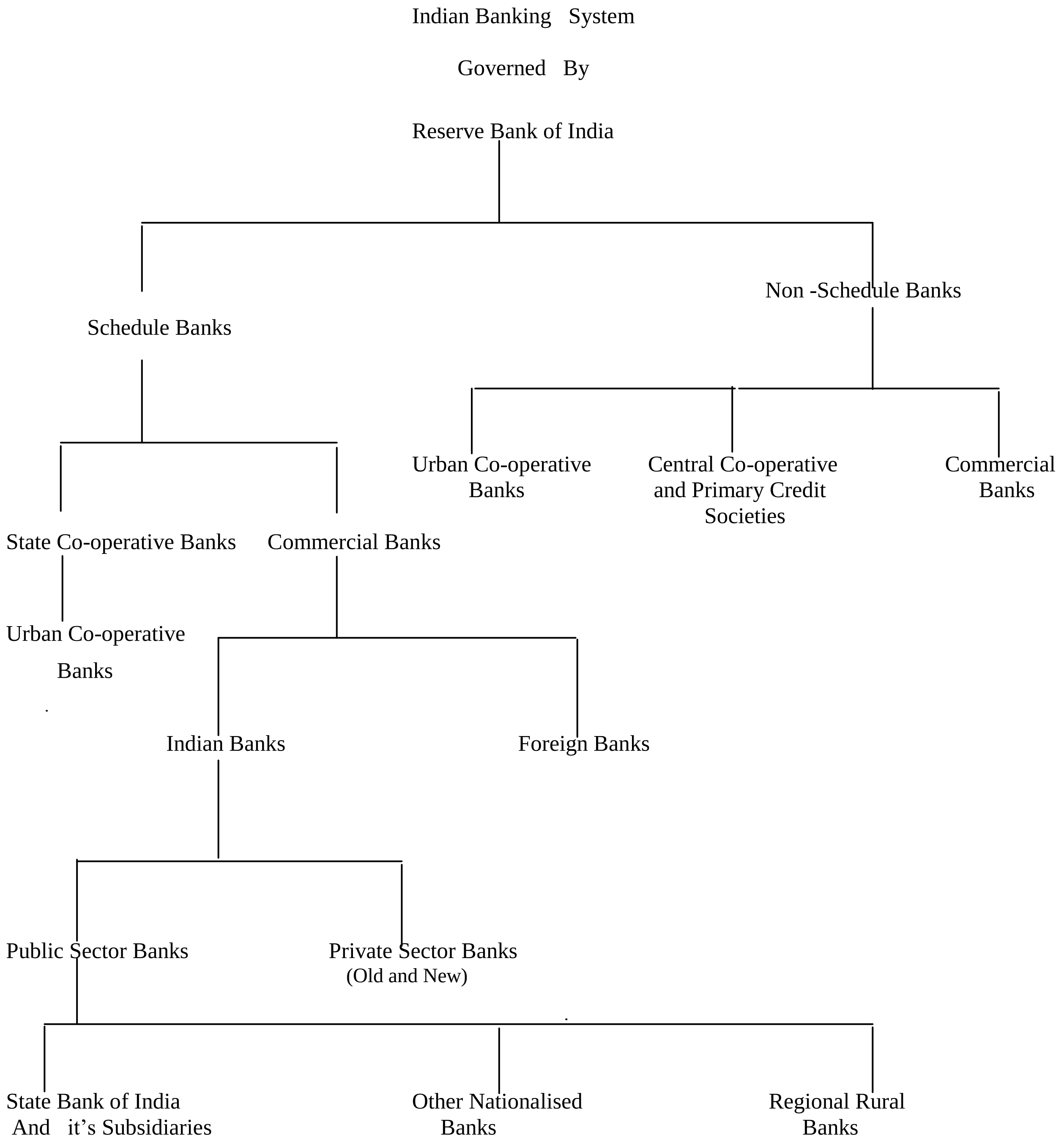
The establishment of Reserve Bank of India in the year 1935 marked the beginning of a new era in the history of Indian Banking. The Central Banking Enquiry Committee addressed itself to the problems of series of Banks failures and recommended that special Act be passed for regulating the Banking system. No headway, however, could be made in this direction until the enactment of the Banking Regulation Act in the year 1949 which gave wide powers to RBI to regulate, supervise and develop the Banking system. In subsequent years, the efforts of RBI were mainly directed towards institutionalisation of saving, consolidation of Banking structure and re-orienting the credit system to emerging needs of the economy.[19]

1.3 BANKING SYSTEM IN INDIA

The financial system in India comprises of Commercial Banks including Public Sector, Private Sector and Foreign Banks, Co-operative Banks, Development Finance Institutions (DFIs) and various other institutions in the areas of Insurance, Mutual Funds and Government Securities. Commercial Banks occupy a predominant place in the financial system and payment systems. Banks are 'special' as financial intermediaries critical for mobilising public saving and for deploying them to provide safety and return to savers. The deployment of funds mobilized through deposits involves Banks in financing economic activity and providing a lifeline for the payment system. Given the overwhelming dominance of Banks in the financial system and their systemic importance, reform measures were first introduced for Commercial Banks and subsequently extended to other financial create an enabling environment with greater operational flexibility and functional autonomy for Banks with a view to enhancing their efficiency, productivity and profitability.[20]

[18] Padmavati .A and Hemchandrika.G, (2006), “Public Sector Banks In India”, Global Research Publication, New Delhi, pp- 5-7.
[19] L.M.Bhole, (2008), “ Financial Institutions And Markets” ,Tata MC Graw Hill Publishing Company,New Delhi, pp- 2.18.
[20] Khan M.Y. (2000), “Indian Financial System”, Tata MC Graw Hill, New Delhi, PP.29.

The Indian Banking system is headed by the Reserve Bank of India which is the Monetary Authority of the country and performs the role of Central Banking. Broadly speaking, the Banking system in India may be classified as under.



1.3.1 Reserve Bank of India

The Reserve Bank of India is an apex monetary institution in money market which act as the monetary authority of the country and serves as the Government Bank as well as the Banker's

Bank.[21] It undertakes major financial operations of the Government, by its conduct of these operations and by other means; it influences the performance of financial institutions to ensure that they support the economic policy of the Government. The Central Banks differ from other financial institutions. First it differs in that it is controlled by the people who are more or less closely connected with the other organs of the Government. Second, it does not exist to secure the maximum profit, which is the principal aim of a Commercial Bank. Third, the Central Bank must have a special relation with the Commercial Banks whereby it may influence the operation of these institutions in the implementation of the Government's economic policy. In brief, the Central Bank is an organ of the Government which by reason of its operations influences the working of financial institutions of the country.

The main function of RBI is to regulate the monetary mechanism comprising of the currency, Banking and credit systems. For this purpose, the Bank is given wide powers. Another importance of the Central Banks is to conduct the Banking and the financial operations of the Government. The function of the Central Bank of India and the obligation resting upon it are very special character, calling for skill, experience and judgment of a different kind from those required for a Commercial Bank.

1.3.2 Schedule Commercial Banks

Scheduled Banks are those Banks which are included in 2nd schedule to the Reserve Bank of India Act, 1934.[22] The Scheduled Banks are entitled to avail of certain facilities from the Reserve Bank such as, obtaining accommodation in the form of refinance and loans and advances, remittance facility at concession rates as also a grant of authorised dealer's license to handle foreign exchange business. Correspondingly, Banks bear certain obligations to the Reserve Bank, like the maintenance of cash reserve as per prescribed levels and submission of fortnightly returns prescribed from time to time under section 42 of the Reserve Bank of India Act, 1934. In terms of section 42(6) (a) of the Reserve Bank of India Act, the following conditions must be fulfilled before Banks included in the 2nd Schedule:

(i) It must have paid up capital and reserve of an aggregate value of not less than Rs.5 lakh. However, presently to start a Commercial Bank, the RBI prescribed a minimum capital of Rs. 100 crore.

(ii) It must satisfy the Reserve Bank of India that its affairs are not being conducted in a manner detrimental to the interest of the depositors; and

[21] Sharma H.L.(2003), "Commercial Banking Development", Rajat Publications, New Delhi, PP. 11-12.
[22] Varshney, P.N.(2010), "Banking Law and Practice", Sultan Chand and Sons, New Delhi, P 1.15.

(iii) It must be a State Co- operative Bank or a company as defined in the Companies Act, 1956 or an institution notified by the Central Government in this behalf or a corporation or a company incorporated by or under any law in force in any place outside India.[23]

1.3.3 Non -Schedule Commercial Banks

This category of Banks represents those Joint Stock Banks which are not included in the 2nd Schedule to the Reserve Bank of India Act on account of their failure to comply with the minimum requirements for being Scheduled prior to the independence of the country, the Banking structure consisted of large numbers of Joint Stock Banks which were small and weak and quite a few of them were managed by bad or dishonest management. At the outbreak of Second World War about 1500 Joint Stock Banks were operating in undivided India out of which 1400 were Non- Scheduled Banks[24].

Some of these were tiny Banks with a paid up capital of even less than Rs 50000 and had no chance of becoming viable. Consequently, depositors were the victims of a number of Banks failures as a result of their ignorance of the banking business as also due to laxity of the laws. Therefore, the Government pursued the policy of consolidating Banking system in the country through a process of voluntary amalgamations, transfer of liabilities and assets and participation and arrangement of weak and inefficient Banks. As a first step in this direction, the Banking companies Act, 1949 (which was subsequently named as the Banking Regulation Act) was enacted which led to the gradual elimination of the numbers of such Banks as they were not in a position to fulfill various requirements of the Act, especially as regards paid up capital and reserves. The process of elimination was further accelerated after the liquidation of two Scheduled Banks viz. The Laxmi Banks and The Palai Central Banks in 1960 which created a Banking crisis in South India. In order to strengthen the weak units and revive public confidence in the Banking system, a new Section 45 was inserted in the Banking Regulation Act in September 1960, empowering the Government of India, on the recommendation of the Reserve Bank of India to compulsorily amalgamate weak unit with stronger ones.[25]

These measures, over the years, resulted in reduction of numbers of Banks without affecting, at the same time, the Banking facilities to the public as the stronger Banks continued to

[23] RBI Act 1934, Section 42(1).
[24] Chhipa, M.L, (1987), " Commercial Banking in India", Printwell Publisher, Jaipur, P- 42
[25] Sarma Nityananda V,(2011), "Banking and Financial Systems", Cambridge University Press India Pvt. Ltd, New Delhi.

expand their operations. The last Non- Scheduled Banks viz. Bareilly Corporation Bank was amalgamated with Bank of Baroda with effect from 3rd June, 1999.[26]

As on 30th June, 2004 only five Non-Scheduled Commercial Banks were operating in the country having 21 branches. RBI currently does not encourage the opening of Non- Schedule Banks efforts are made to merge the only Non- Schedule Bank viz. Sikkim Bank Ltd with Union Bank of India, these are all Local Area Banks.

1.3.4 State Co- Operative Banks

The apex level State Co-operative Banks which act as balancing centers and financing Banks for the Central Co -operative Banks and other State level Co-operatives in a state are expected to function as the leaders of Co-operative movements in their respective States.[27] They have direct access to the money market and to national level institutions such as the Reserve Bank of India, NABARD, etc. Their main function is to assist Central- Co-operative Banks and to create equilibrium in the resources of the latter. There is no direct connection between State co-operative Banks and Primary Credit Co-operative societies. Instead, the Central Co-operative Banks act as intermediaries societies.

The numbers of StCBs as at end March 2009 stood at 31. Most of the StCBs were established prior to March 1, 1966, the date from which the Banking Regulation Act, 1949 was made applicable to the Co-operative Banks. Of these, only 13 StCBs have been granted license by the Reserve Banks since 1966.[28]

The financial position of most of the StCBs does not show any perceptible improvement. The percentage of recovery in demand for StCBs declined to 79 % in 2002-03 from 84% in 2000-01. As on March 31, 2009, the gross NPAs to the gross credit of StCBs declined to 12.0% from 12.4% as at end March 2008.

1.3.5 Central Co-Operative and Primary Credit Societies

The Central Co-Operative Banks are a federation of Primary Credit Societies in a specified area, normally district and usually located at the district headquarters or some prominent town of the district. The lendable resources of Central Co-Operative Banks consist of share capital, deposits, loan from State Co-Operative Banks or where it does not exist, from The

[26] Agarwal Shyam Ji (2005), " Consolidation in Banking Industry Through Merger and Acquisitions", IBA Bulletin, Special Issue, Vol. XXVII, No-01, PP-100-102.

[27] Chander Ramesh and Chandel Jai Kishan (2010), "Financial Viability of an Apex Cooperative Credit Institution- A Case Study of the HARCO Bank", Asia-Pacific Business Review Vol. VI, No.2, April-June 2010, pp 61-70.

[28] www.nafscop.org

Reserve Bank of India or other Commercial Banks. The total deposits and loans outstanding of Central Co-Operative Banks stood at Rs. 43215 Crore respectively as at end March 2000.

The numbers of CCBs stood at 367 as at end March 2003 most of which were established prior to March 1, 1996. So far only 73 CCBs have been granted licence by The Reserve Bank since 1966. The performance of CCBs leaves much to be desired. The accumulated losses of CCBs have increased to Rs. 4442 crore in 2002-03 from Rs.3217 crore in 2000-01. The percentage of recovery in demand for CCBs increased to 72 percentages in 2008-09 as from 56 percent in 2007-08. As on March 31, 2009, the gross NPAs to gross advances of CCBs increased to 17.9 percent from 18.50 percent as at end March 2008. Many of these short term rural Co-Operatives did not meet the minimum capital and reserve requirements stipulated under section 11 (1) of the Banking Regulation Act, 1949 (AACS).[29]

1.3.6 Primary Credit Societies

The Primary Credit Societies may be compared to Joint Stock Banks. Primary Agriculture Co-Operative Scarcities as the gross root level arms of short term Co-Operative credit, mediate directly with individual borrowers, grant short- term to medium term loans and also undertake distribution and marketing functions.[30] Their main activity is to lend money to villagers on soft term and is managed by members themselves who work on an honorary basis. Apart from their own resources they may also draw funds from Central Co-Operative Banks.

There were 95633 PACS as on March 31, 2009 with about 132 million members. A large numbers of PACS, however, face severe financial problems primarily due to significant erosion of own fund, deposits and recovery rates. The high level of over dues in many states has made a large number of members ineligible for fresh borrowings. Resources mobilisation continued to be major areas of weakness of the PACS. Various policies have been adopted to improve the financial health of the PACS. NABARD, in particular has been extending funds to develop the infrastructure of PACS.

1.3.7 Commercial Banks

Commercial Banks are playing a positive role in an economic development of a country as depositories of community's saving and as purveyors of credit. Commercial Banks provide a

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[29] www.nabard.org.

[30] Panda. J, and Sahu, P.K. (1983), " Changing Pattern in the Growth of Commercial Banking in India", The Indian Journal of Commerce, Vol. 36, N0-137, PP. 80-94.

short term and medium term financial assistance. The short term credit facilities are granted for working capital requirements. The medium term loans are for the acquisition of land, construction of factory premises and the purchase of machinery and equipments.[31]

These loans are generally granted for periods ranging from 5 to 7 years. They also establish letters of credit on behalf of their clients favoring suppliers of raw materials/ machinery (both Indian and Foreign)[32] which extend the Banker's assurance for payment and thus help their delivery. Certain transactions, particularly those with contacts on sale to Government Departments, may require guarantees being issued in lieu of security / earned money deposits for release of advances money, the supply of raw materials for processing, full payment of bills on the assurance of the performance etc. Commercial Banks issue such guarantees also.

1.3.8 Foreign Banks

The Foreign Banks are branches of Banks incorporated outside India. Foreign Banks in India are concentrated in metropolitan centers, certain state capitals and other important cities and thus they are aloof from the National Development programs. These Banks are normally interested in large corporate accounts and offer a whole package of services such as assessing the viability of the joint ventures of Indian firms and companies abroad, information on local taxation and ownership issues and the structuring of project costs.[33] They are also engaged in the financing of export and imports. Normally, these Foreign Banks do not encourage mass Banking and rather cater to the elite of the society since the cost of their services is comparatively high. The minimum balance required to be maintained in a savings account is Rs.10000 (or even higher in some Private Sector/ Foreign Banks) as against only Rs. 300 to Rs. 1000 in case of (domestic Banks) Public Sector Banks. Likewise, the minimum balance requirements for current accounts are Rs. 50000 as against Rs.500 to Rs. 5000 in other Banks.

The total assets of Foreign Banks as at end March 2000 constituted 7.5 % of the total assets of the Scheduled Commercial Banks. Thus, there is no possibility of Foreign Banks affecting the business opportunities of existing Banks. [34]

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[31] Singh Kripa Shankar(2007), " Development of Commercial Banks in India" Sunrise Publications, New Delhi.

[32] Sobti, R.(2003), "Banking and Financial Service in India", New Century Publications, New Delhi. PP. 128-130.

[33] Singla Harish Kumar (2008), "Financial performance of Bank in India", The ICFAI Journal of Management, Vol. 7, Issue 1.

[34] Shekhar K.C. and Shekhar Lekshmy (2007), "Banking Theory and practice", Nineteenth Edition, Reprint, Vikas Publishing House Pvt. ltd. (India), Chapter: 16.

The Reserve Bank of India and the Government of India has, in recent years, introduced a number of liberalisation measures which have enlarged the role of Foreign Banks. New Foreign Banks have been allowed to come and existing one permission to open a new branch. The RBI has eased capital norms for New Foreign Banks. Foreign Banks are now required to bring in only $ 10 million when they open the first branch and another installment of equal amount for their second branch. For opening a third branch, another $5 billion has been prescribed. Earlier, Foreign Banks were to bring an initial capital of $25 million at the time of opening their first branch. Their relaxation is in line with the entry norms under the General Agreements on Tariffs and Trade (GATT).

1.3.9 Private Sector Banks

There are other Private Sector Commercial Banks incorporated as Joint Stock companies.[35] As on 31st March, 2010, there were 22 such Banks having 2762 branches all over the country. These Banks vary in size and area of operations to a great extent. Some of the Banks have branches in a number of important cities while others have no branch at all. All Scheduled Private Sector Commercial Banks are required to meet the priority sector lending targets fixed by RBI.

As on the last Friday of March 2010, priority sector advances of Private sector Banks amounted to Rs. 215552 crore accounting for 45.90% of their net Bank credit. While there was no legal ban on entry of New Private Sector Banks, in practice no New Private Banks were licenced by the Reserve Bank of India especially after the Nationalisation of 14 major Commercial Banks in July, 1969.

1.3.10 State Bank of India

The State Bank of India, the flagship of Indian Banking, was established on 1st July, 1955 by acquiring the total assets and liabilities of the Imperial Bank of India[36]. Prior to Nationalisation in 1955, the Imperial Bank of India, which were formed in 1921 by merging of three Presidency Banks in Bombay, Bengal and Madras, occupied a very important place in Banking system of the country as it was assigned some of the functions of a Central Bank until the formation of Reserve Bank of India in 1934. Nearly a quarter of Banking business in the country is with State Bank of India.

[35] SBI (2000), " Performance Analysis of Private Sector Banks : 1999-2000" , SBI Monthly Review, Vol. XXXX, No-04, P.155.

[36] Bhatt, O.P (2007), "Banking in India", Yojana, Vol. 51, PP- 83-87.

1.3.11 Nationalised Banks

It was in 1969 under a dynamic premiership of late Smt. Indira Gandhi, 14 major Banks were Nationalised by an inductive pattern of major share holding of Government of India. [37] In this political decision remained, greed of Government to divert capital flow into untapped rural and semi urban economic spheres. With the Government assuming control in the management of these 14 Nationalised Banks (PSBs), the action plan for rural economic development had been soon enlisted under a banner of 20 point economic programme to be implemented by all Nationalised Banks. From 14 Banks some other more Banks were also brought under Nationalisation and thus those Banks become important tools of Government of India for economic development. With the Government machinery, power and capital in place, all those Nationalised Banks[38] considered the needs on a priority basis for national network expansions and international presence. Thus today most of the Banks have a number of branches across India numbering between 1000 to 5000 branches of each Banks garner business mix ranging between 10000 crore to over 100000 crore depending on the size of each Banks.

1.3.12 Regional Rural Banks

In mid- seventies it was felt that the existing credit agencies viz. the Co-operative Banks and Commercial Banks were not able to meet properly, varied and growing needs of the rural credit. The Government of India, Therefore, appointed in 1975 a working group to examine, in depth, the setting up of a new Rural Banks to cater to the credit needs of rural people.[39]As a sequel to the recommendation of this Group, the Regional Rural Banks were established on 2nd October, 1975. Initially, in the last quarters of 1975, six Regional Rural Banks were sponsored by Public Sector Banks.

The main objective of this Banks is to develop the rural economy by providing the credit and other facility for the purpose of development of agriculture, trade, commerce and industry and other productive activities in rural areas, particularly to the small and marginal farmers, agricultural laborers and small entrepreneurs. The Rural banks have been conceived to combine the strong points of both the Co-operative and Commercial Banks eliminating the

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37 Subramanya, K.N.(1985), “ Modern Banking in India”, Deep and Deep Publications, New Delhi, P-18.
38 Dr. Ramchandran, S. (2003), “Nationalisation of Banks - A Mirage”, Industrial Herald, Mumbai.
39 E.Gordon, Natrajan , K.(1992),“Banking Theory Law and Practice”, Himalaya Publishing House, Mumbai.

weakness of the both. Thus, the Regional Rural Banks combine the local base and the, rural touch of the Co-operative with the organisational efficiency and financial strength of the Commercial Banking system.

1.4 ROLE OF RESERVE BANK OF INDIA

Reserve Bank of India comes into being as "CENTRAL BANK"[40] of Government of India with primary objectives of issuing and managing currency notes over and above other monetary and regulatory obligations as are generally assigned by any Government to Central Bank. Government of India makes the appointment of Governor after considering the relevant person's track record, academic qualification, work experience and personal competent beside managerial ability to enforce Governance and economic discipline. Governor is suitably backed by the board of directors and a full- fledged management team of professionals having personal and qualifications competence in different areas of regulatory obligation and monetary policy management.

1.4.1 Regulation and Monitoring

As a regulatory body, Reserve Bank of India plays a role of Watch Dog on the entire financial dealing of different financial institutions operating in the country. These include all Banks such as Public Sector Banks, Private Sector Banks, Foreign Banks, Regional Rural Bank's, Gramin Banks, Co-Operative Banks etc. Further Reserve Bank of India also regulates and monitors Foreign Exchange Dealers, Non Banking Financial Companies, Mutual Funds and all those organizations which are in the form of conduit channels for export import business.[41] All these above referred institutions are required to furnish all particulars of their business operations to Reserve Bank of India in one or other stipulated formats of returns to be submitted by them. Periodically on weekly, fortnightly, monthly, quarterly, half yearly and yearly basis. It is through this submission that the Reserve Bank of India assesses controls, regulates and monitors the fiscal and economic conditions in the country.[42] Databases generated on the basis of such returns unfold the liquidity situation, credit flow, fund flow, economic growth, consumption pattern, inflationary and deflationary pressures, and currency and cross currency movements, forex reserves, asset bubbles and every other

[40] Gulati C. Nilam(2010), "Principles of Bank management", Excel Books, New delhi, PP. 53-54.
[41] Garg Anurag(2010), "Indian Financial System", Har Anand Publications Pvt Ltd, New Delhi, PP-68-69.
[42] Desai Vasant(2005), "The Indian Financial System And Development", Himalaya Publishing House, Nagpur, PP. 425-460.

monetary and economic condition which can implicate economy of the country. Thus, the Reserve Bank of India discharges its prime responsibility as regulates and monitors from the platform of the Central Bank.

1.4.2 Cash Reserve Ratio

The present Banking system is called as “Fractional Reserve Banking System" as the Banks are required to keep only a fraction of their deposit liabilities in the form of liquid cash with the Central Bank of ensuring safety and liquidity of deposits. The cash reserve ratio refers to this liquid cash that the Banks have to be maintained with the Reserve Bank of India as a certain percentage of their demand and time liabilities.[43]

The Cash reserve ratio was introduced in 1950 primarily as a measure to ensure safety and liquidity of Bank deposits, however over the years it has become an important and effective control tool for directly regulating the lending capacity of Banks and controlling the money supply in the economy. When the Reserve Bank of India feels that the money supply is increasing and causing an upward pressure on inflation, the Reserve Bank of India has the option of increasing the Cash reserve ratio thereby reducing the deposits available with the Banks to make loans and hence reducing the money supply and inflation.[44]

The Reserve Bank of India has an authority to impose penal interest rates on the Banks in respect of the shortfall of prescribed CRR. According to Master Circular on maintenance of statutory reserves updated up to June 2008, in case of default in maintenance of the CRR requirement on a daily basis, which is presently 70% of the total CRR requirement, the penal interest rate will be recovered at the rate of 3% per annum above the Bank rate on the amount by which the amount actually maintained falls short of the prescribed minimum on that day. If the shortfall continues on the next succeeding days, the penal interest rate will be recovered at 5% per annum above the Bank rate. In fact default continues on a regular then RBI can even cancel the Bank's licence or force to merge with the large Banks.

The Bank rate[45] is the technique used by RBI for monetary control. It is the basic cost of refinance and rediscounting facilities. The Bank rate was confined to the ways and means advances to state Government, advances to Primary Co-operative Banks for SSI, State Financial Corporations beside penal rates on the shortfall in reserve requirements. The

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[43] Dr. Tondon, B.K. (2012), “ Monetary Banking and Financial Development”, Swastik Publications, New Delhi, P- 61.

[44] Subba Rao P, Khanna P.K(2010), “Principles and Practice of Bank Management”, Himalaya Publishing House, New Delhi, PP. 72-73.

[45] The Institute of Company Secretaries of India(2010), “ Banking and Insurance Law and Practice”, P. 163.

technique of Bank rate and discretionary control of refinance are used to regulate the cost of and availability of refinance and to change the volume of lendable resources of Bank and other financial institution.

In deregulated setup, each of the major Commercial Banks and term lending institutions have begun fixing and announcing their respective PLRs. The PLR is the rate which the lender charges the borrower of a high credit standing or credit rating, the other borrowers charged higher rates than PLR, depending upon the lender's perceived risk in respect of those borrowers.[46]

The practice of fixing PLR has resulted in the emergence of multiple PLRs. The Banks and Financial institutions have now fixed Short Term Prime Lending Rate, Medium Term Prime Lending Rate, Long Term Prime Lending Rate. From February 1997, the RBI allowed banks to fix two sets of Short Term Prime Lending Rate one for the Cash Credit and another for the Loans. The PLR for cash credit is to usually higher by one percentage point than the PLR for loans. This is expected to encourage borrowers to switch over from cash credit to loan delivery system. The reduction in CRR leads to reduction in PLR also.

1.4.3 Statutory Liquidity Ratio

In addition to Cash Reserve Ratio, the Reserve Bank of India has made several active use of another ratio, namely the SLR. While the CRR enables the Bank to impose primary reserve requirements, the SLR enables it to impose secondary and supplementary reserve requirements, on the Banking system. There are three objectives behind use of SLR.

(1) To restrict expansion of Bank credit.

(2) To augment Bank's investment in Government securities

(3) To ensure solvency of Banks.[47]

Through variations in the SLR, the Banks are in position to insulate a part of the Government debt from the open market impact because Banks are then prevented from disinvesting Government securities in favor of Commercial Credit.

The SLR is the ratio of cash in hand (exclusive of cash balance maintained by Banks to meet the required CRR, but not the excess reserves) balance on current account with the SBI, its subsidiaries, other Nationalised Banks and the RBI gold and unencumbered, approved securities, i.e. Central and State Government securities, securities of local bodies and

[46] "The Economic Times", 7th August 2001, P. 16.

[47] Dr.Babu Ramesh G.(2005), "Indian Financial System", Himalaya Publishing House, New Delhi, PP. 54-55

Government guaranteed securities to total demand and term loan of Banks. [48] The SLR, like CRR, is applicable to Co-operative Banks, Non- Scheduled Banks, and the RRB's, but it is maintained at a constant level of 25% in their case. It is also applicable to Foreign Currency (Non Resident) Accounts (FCNRA) and Non Resident (External) Rupee Account (NRERA) deposits, but the levels in their case differ from each other and from the general level. While the SLR defaults do not invite penal interest payment and the loss of interest on cash reserve, they do result in restrictions on the access to refinance from the RBI and in the higher cost of refinance. The RBI is empowered to increase the SLR for Scheduled Commercial Banks up to 40%.

The significant increase in the SLR does not mean that the monetary policy became quite restrictive. An increase in SLR does not restrain total expenditure in the economy; it may restrict only the private sector expenditure while helping the Government to increase expenditure. In a sense, the SLR is not a technique of monetary control, it is only the distribute the Banks resources in favor of the Government Sector.

1.4.4 Regulation and Deregulation of Rate of Interest

Interest rate component, both for credit and deposits denotes a very significant and important tool of RBI which very effectively helps in influencing resources mobilisation and resources deployment. This often implicates inflationary and deflationary conditions. In simple words interest rates determine the rate and volume of fund flow. In a deregulated regime RBI offers full freedom to the financial market in arriving at a market determine interest rate based on repo rate and reverse repo rate being fixed by RBI[49]. To elaborate this, the RBI fixes repo rate at which Bank park their surplus fund with RBI, as also RBI fixes reverse repo rate at which Banks draws funds from RBI when there are deficit of funds. In other words these two basic rates viz. Repo rate and Reverse repo rate are forming signal basis for Banks to decide their independent interest rates offer able on inviting deposit from public and Benchmark Prime Lending Rate (BPLR)[50] for offering credit to the public.

Illustratively when there is abundant liquidity available in the financial market, the assets bubbles are created due to inflationary condition in the market. At such times by reworking repo and reverse repo rate as also by hiking SLR and CRR, the RBI sucks up entire liquidity

[48] Reddy Narasq B.P, Desarasu Himachalam(2011), " Dynamic of Commercial Banks in India "The Associate Publishers, Ambala, PP. 142-143.

[49] Kandasami K.P, Natarajan S, Parmeshwaran R (2009), " Banking Law and Practice", S. Chand and Company Ltd, New Delhi, P- 06.

[50] RBI Report on Trend and Progress of Banking in India, 1999-2000.

from the markets and thus the free flow of money does not remain available for over hitting the economy. Thus, assets bubbles are controlled, over hitting economic growth is moderated and economic slowdown is achieved for the balanced economy stand which is clearly visible in all the monetary steps taken by RBI between January 2008 to November 2008.

1.4.5 Impact of Deregulation on Banking Sector

Deregulation of interest rate is that part of modern economic reform policy which has privileged entire Banking sector in bringing business friendly cost structure of resources mobilisation.[51] It is under the periodical monetary policy, RBI signals repo and reverse repo rate which form the policy basis for the entire Banking Sector to decide their basket of interest rate structure on raising deposits and lending advances. Needless to mention that each Banks depend on its own requirements of funds and in line with budgeted corporate plan. It can fix variable interest rates for different maturity patterns of deposits, so also it can fix basic prime lending rate and different rates of interest for different types of advances. Yet so decided deposits and advances rates will be in total alignment with repo and reverse repo rate as may have been signaled by RBI.[52] On example basis very recently in October 2008 Bank of India has been offering interest rate of 9.75% per annum for deposits of over 3 years and 10.50% per annum basis for short term of 13 months (400 Days). As against this SBI is offering 10.50% for deposits of 3 years and above (1000 Days). These two Banks on comparable terms revealed that according to budgeted corporate plan of BOI it can pay higher costs for 1 year time but relatively lesser cost for 3 years and above time, whereas budgeted corporate plan of SBI requires payment of higher cost for as many as 1000 days.

1.4.6 Impact on Share Market Due to Deregulation

Whenever liquidity improves in the market there is a general trend that interest rates are softening. A decline in interest rate, both deposits and advances are a clear trigger buoyancy in country economic growth prospects.[53] This is because of lower interest rates on advances that cheaper credit availability results in reduction of cost of product and Therefore availability of goods at lower prices attract demand growth in the market. Thus, consumption increase and Therefore supply have also increased which requires an increase in production.

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[51] Joshi P.N.(2002), " Financial Sector Reforms and Weaker Sections of the Society", The Journal of Indian Institute of Banker, Vol. 13, No-02, April- June, P-20.

[52] www.iba.org.in

[53] Bhide M.G, Prasad A, Gosh Saibal(2002), " Banking Sector Reforms- A Critical Overview", EPW, Vol. XXXVII, No-05, February, PP. 401-403.

Thus, in a simple equation of higher the demand leads to higher the production translates into higher employment and higher services and higher communication and higher transportation and so on. These ripple effects represent buoyancy in economic growth which is finally reflected in the GDP number of economy. The strong growth rate in the GDP number, year over year represent qualitative growth in the top line and bottom line of corporations. Obviously the higher profit would result into higher earnings per share and correspondingly higher earnings per share will boost up the stock price.

Illustratively Bank of India share with earnings per share of Rs.25 in 2005-2006 commanded average pricing between Rs.175 to Rs. 225. However increased profit in 2006-2007 and 2007-2008 translated into earnings per share of above rupees 40 because of which the stock price of the share ranged between Rs250 to Rs. 400. Thus interest rate deregulation does not impact share market of corporate and in turn capital market of the country remain impacted by interest rate deregulation.

1.5 LOAN PROCEDURE IN PUBLIC SECTOR BANKS

All Public Sector Banks in India deployed their mobilise funds by way of loan facilities to different categories of borrowers so that the differential of interest rate by way of of net interest income margin, generates profit in the Banking business[54].

Loans are offered for avail meant through broadly defined loan procedure which comprises of few steps as under.

(1) Proponent borrower has to furnished full particulars of himself and his project under a prescribed loan application form. This application form calls for comprehensive detailed information in respect of KYC norms first and then personal details, Bank details showing assets and liabilities of proponents, descriptive project details such as line of activity, type of technology, raw materials supplies, marketing prospects of finished goods, projected 5 years sales figure with breakup of estimated expenditure and resulting net profit estimate, own financial contribution in the project and quantum of loan requirement etc[55].

(2) Above referred application form together with fully furnished details is considered for scrutiny and appraisal by competent officers of the Bank who carry out a detailed inspection and verification of the details furnished in the application form.

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[54] Vijayaragvan. G(2009), "Bank Credit Management Text and Cases", Himalaya Publishing House, New Delhi, First Edition, PP-1-09.

[55] Popli G.S, Puri S.K (2013), "Strategic Credit Management in Banks", PHI Learning India Pvt. Ltd., New Dehi.

(3) After such inspection and search report is submitted, the senior officer considered descriptive analytical project appraisal to examine the viability aspects and based on that a comprehensive proposal for project financing is prepared with reports of technical and economic viability containing specific recommendation of senior officer for either considering proposal favorably or declining proposal to the proponent borrower.[56]

(4) At this stage a meeting takes place between senior officers of the Bank and proponent borrower who discuss the terms and conditions of approving loans in which Bank stipulate their requirements of security aspects including mortgages, personal guarantees, creation of charges, collateral securities, margins etc. and obtained the acceptance of the terms of sanctioned of the proponent borrower.[57]

(5) Upon sanction of the proposals and its acceptance by the borrower, the borrower is required to comply with all terms of sanctions including creation of mortgages and other securities in favor of Bank.

(6) Once the securities are created by the borrower and terms and condition of sanction are complied with, then security documents are checked and verify for its correctness by competent officer of the Bank and then sanction proposal together with security verification report, is submitted to next higher authority over sanctioning authority considered proposal for noting and endorses the same as " noted" then such noted proposal is sent to the loan department with instruction to release the loan amount.

(7) After the loan amount disbursement immediate inspection is carried out by the Bank officer for verification of end use of funds, insurance cover, display of the Bank charges at pledge go down etc. and all findings are recorded as post sanction inspection report and is placed on the file of the borrower in the Bank.

(8) Hereafter monthly or quarterly inspections are carried out to assess the project working and proposal is considered for its first review on completion of one year after full disbursement of the loan.

(9) All above referred steps and its compliance are verified and audited from time to time by internal and external auditor of the Bank.

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[56] State Bank of India(2010), Annexure A, "Loan Application Form" Document Check List.

[57] Khanna Ashu, Arora Bindu(2009), "A Study to Investigate the Reasons for Bank Frauds and Implementation of Preventive Security Controls in Indian banking Industry" , International Journal of Business Science and Applied Management, Vol . IV, Issue -03.

1.5.1 Ratings in Loan Procedure

Rating of proponent borrower is a very important tool for deciding in favor or against the request of the borrowers. Besides the rating is an important input to fix applicable rate of interest on the loan amount. In order to decide rating of the proponent borrower, following parameters are broadly looked into by the Bank[58].

(1) Type of the borrower in which status of being individual, or corporate partnership or sole proprietor etc. is looked into

(2) Based on status as per (1) above, the net worth of the proponent borrower is assessed which is indicative parameter of liquidity / solvency of the proponent borrower.

(3) Financial history and track record of the past three years together with financial statement like income tax return, Bank account statement, portfolio investment etc. is carefully looking into.

(4) First hand use of precision technology and its competence for value addition to the quality of product is also considered for rating purpose.[59]

(5) Discipline compliance in the area of conduct of accounts, statement of submission, incompliance and adherence to timely repayment of stipulated periodical installment and chargeable interest etc. also quality for improved ratings.

1.6 INDIAN ECONOMY AND NPA's

Undoubtedly the world economy has slowed down, recession is at its peak, global stock market have tumbled and business it is getting hard to do. The Indian economy has been much affected due to the high fiscal deficit, poor infrastructure facilities, sticky legal system, cutting of exposure to emerging markets by financial institutions etc.

Further, international rating agencies like standard and poor have lowered India's credit rating to sub- investment grade such negative aspects often outweigh positives such as an increasing forex reserve and manageable inflation rate[60].

Under such situation, it goes without saying that Banks are no exception and are bound to face the heat of the global downturn. One would be surprised to know that Banks and

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[58] RBI(2002), " Report on Currency and Finance", Vol.- 14.
[59] Indian Express (2003), P-10.
[60] Government of India(2008), " Economic Survey", Ministry of Finance, Economic Division Published By Oxford University Press, New Delhi, P. 85.

financial institution in India hold Non- Performing assets worth Rs. 110000 crore. Bankers have realised that unless the level of NPA's is reduced drastically, they will find it too difficult to survive.

1.7 NPA'S DEFINATION AND ITS RELEVANCE WITH THE CAPITAL ADEQUACY

It was in 1991-1992 that Narsimham committee report unfolds. It was at the first time threats of Non- Performing Assets in the Indian Banking systems[61]. As a matter of facts that it was at the first time educative steps had to be taken to address serious concerns over Non - Performing of Assets in the Banking system NPA's had to be broadly defined and any negligence in its management would how seriously impact the overall health of the Banks had to be highlighted. Most elementary meaning of NPA's thus evolved stated that all money raised by the Banks for its business must remain productively deployed to generate sufficient such income which should service all cost and there after leave reasonable surplus as profit. And any failure of such so deployed funds in forms of assets to productively generate said income would mean that such assets are Non- Performing satisfactory and hence such and assets are NPA's. Further it can be said that Bankers deal in the commodity called money which is most liquid forms of assets and hence most liquid forms of assets and hence most efficient utilisation of money determines success or failure of the Banks.

Under compelling directives of RBI between 1991 to 1993 that Indian Banking systems had to be implement prudential norms in regards to income recognisation and assets classification.[62] It was for the first time that the entire assets management system received careful concern and focused attention. The system had evolved to pick up the very initial signal in sick health of loan account by observing regular recovery timetable for loan installment and interest thereto. Borrower's failure even in repayment of single installment within stipulated time and its interest thereto for a period of 90 days for demand confers a status of Non-Performing Assets to such accounts. Once classified as NPA's, all the loan facilities to same borrower will also automatically assume the status of NPA's even if other loan accounts of same borrower are performing assets. Thus, assumption of NPA’s status is requiring classification of NPA's into 3 major categories which is substandard, doubtful and loss assets.

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[61] Mahore. R.Y.(2002),”Non-Performing Assets: Extent and Control”, Edt by Amlesh Benerjee and Shrawan Kumar Singh, Deep and Deep Publications, New Delhi, P-155.

[62] Manoj .P(2003), “ Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002”, The Charted Accountant, The Institute of Charted Accountant of India, January.

Once identify as NPA',[63] the account has to be first categorised as sub standard assets for a period of 12 months from a date of first default. Here in the category of sub standard assets Banks have to make provision of 10% of outstanding loan amount as on that date. This sub standard account remaining NPA's forever 12 months, it sleeps further to be classified as doubtful assets in which there are three categories with different % of provision which commensurate with the age of NPA's. Thus the sub classification of doubtful assets according to the age of NPA's is as under. 100% of the extent to which the advance is not covered by the realisable value of the security to which the Bank has a valid recourse and the realisable value is estimated on a realistic basis. In regards to secure portion, provision may be made on the following basis, at the rate ranging from 20% to 100% of the secured portion depending upon the period for which the assets have remained doubtful:

Period for which the advances has remained doubtful category	**Provision requirement (%)**
Up to one year	20
One to three years	30
More than three years	100

Banks are permitted to phase additional provisioning consequent upon the reduction in the transition period from substandard to doubtful asset from 18 to 12 months over a four year period commencing from the year ending March 31, 2005 with a minimum of 20% each year.[64]

Further when NPA account is aging 5 yrs and above, normally the economic life of the asset finance[65] is over and it presumed that the realisable market value of such NPA's is either negligible or is often less than 1 % of the outstanding loan balance Such an assets are classified as loss assets and 100 % provision has to be made in case of NPA's with the status of loss assets. However generally Banks carry out critical inspection of its assets, its economic life and its economic life and its estimated realisable value of security based on market condition and placed their findings in the records on the basis of which assets are classified as loss assets and provision is 100% made. Often auditors are involved in the judicious assessment of the status of loss assets so that decision for making 100 % provisions

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[63] Reddy C.S. and Kalavathi V(2004), "Non-Performing Assets In Banks- Causes and Remedies", Edited By B. Ramchandran Reddy, Serial Publications, New Delhi, P. 61.

[64] Debaprosanna Nandy(2010), " Banking Sector Reforms in India and Performance Evaluation of Commercial Banks", Universal Publications, New Delhi, P. 87.

[65] Uppal . R.K., Kaur Rimpi(2006), " Banking Sector Reforms in India: A Review of Post -1991 Developments", New Century Publications, New Delhi.

remain justify. As may be noted from the above referred assets classification in all the case and categories of NPA's Banks are mandatory require to make provision on NPA's at 10 %,20 %,30 %, 50 %, 100 % respectively for substandard, doubtful and loss assets. It is importantly Banks are mentioned here that as per the recent guideline of RBI, require to make 0.25 % of provision for agricultural and SME sector and 0.40% for others.[66] So that when they eventually turn potential NPA's then Banks may have some cautions to service provision requirement. Thus, it may be seems that for complying with prudential norms Banks may have to review health of the credit portfolio at regular intervals and based on assets classification. It should keep building provision reserve to meet with eventual loss that may have absorbed by the Bank in the case where all the efforts including legal actions and sale question of assets finance failed to meet with an outstanding loan amount and interest amount.[67]

With foregoing in the considerable it may be noted that 100% provision amount in case of loss assets can help the Bank write off entire loan outstanding balance against 100% provision reserve which was build from the early stage of NPA's in proportion of 10 % of sub standard to 100 % of losses. Such write off is conveniently booked in the balance sheet because of the provision made from time to time out of Banks profit. However in case where the Banks do not have an adequate profit to meet with requirements then such provisions are to be made even by incurring loss. Thus, more NPA’s needs more provision amount result either in diminishing profit or increasing net losses. Needless to mention that Bank balance sheet showing accumulated losses reflects erosion in Banks net worth because net worth means capital reserve less accumulated loss. Therefore in simple words losses accumulated due to the huge provisioning amount of NPA's finally eat into equity capital and reserve of the Banks. Such consistent status can implicate the Banks (erosion) of the Banks capital structure. Therefore at the time of granting loans and advances, the risk weight age has to be assessed based on stipulated formula guideline and such risk weight age should be equivalent to the total capital structure of the Banks[68]. In simple words Banks entire capital (tier 1 and tier 2) together should be equivalent to the 9 % of the total risk weighted as assessed in the credit portfolio of the Banks. Banks having capital structure equivalent to 9 % or more of the total credit risk weight age are called as Banks which are Basel I compliant, since this requirement of 9 % capital adequacy was recommended by Basel committee.

[66] RBI(2007), “ Report on Trend and Progress of Banking in India”, Chapter II, Mumbai, P. 11.
[67] Jain .V(2007), “ Non- Performing Assets in Commercial Banks”, Regal Publications, New Delhi.
[68] Salgve .W.N(2004), “ Economic Reforms in India and Future of Banking”, In S. Murty(Ed), Financial and Monetary State in India: Some Aspects, KBSA Publishers, Jaipur, India.

Above referred description clearly bring out the relevance of NPA's and its impact on capital adequacy.

1.7.1 Successful Management of Non- Performing Assets and Achieving of Capital Adequacy in Indian Banking System

Pursuant to the Nationalisation of most of the Public Sector Banks, most of the political parties in the Central Government, heavily abused Banks money to create vote Banks and thus achieve their mal political objectives. Owing to Nationalisation status conferred on Public Sector Banks, the majority stakeholders by way of promoters quota was of Government of India and therefore obviously the Banks board of directors including M.D and others appointed by the Central Government[69]. Thus complete management of the Banks remained in the hands of such people (M.D and other Directors) who were assuming the position through political lobbying. It was therefore no surprise as to how and why Banks large chunk of money was utilised and funded various Government pronouns scheme designs for the poverty alleviation programme, IRDP, and many other such schemes.[70] In fact Banks had become financial tools in the hands of Government and under pretext of helping poor people and improving the rural economy, the Banks were pressurised to grant loans for agriculture and SSI, either with adequate security or on highly loose and liberal terms. Even "Loan Mela" were arranged across the country and most of the rural and poor were distributed loan funds which were never repaid. In more urban and metropolitan cities many industrialists had arranged obtaining of loans worth crores of rupees through top brass MLA and MPS/ Minister and subsequently such funds were supposed away into the personal property of the borrowers. Leaving industries in a status of total sickness, not repaying the loan availed for PSB's. [71]

Such a political abused of PSB's continued for two decades between 1970 and during 1990 during which such political abused created huge NPA's. However Banks continued to survive in spite of 1 lacks crore of NPA's only due to the label of the Government ownership which was viewed more safe from the depositors point of view and on other hand absence of prudential norms like income recognition and provisioning etc. allowed shrewd PSB's management to present Banks rosy picture in manipulated balance sheet. As for example

[69] Srivastava, R.M and Nigam. D(2001), " Management of Indian Financial Institutions", Himalaya Publishing House, Delhi, PP. 107-108.

[70] Business Line, "NPA's", Hyderabad, 27- September-2003.

[71] Sundaram , N and Maran ,C.M(2011), " A Study on Non-Performing Assets in Indian Scheduled Commercial Banks", Ed Book on Banking Industry in India By Dr M. Sumathy, PP. 40-41

Banks were booking all interest income in their profit even if the borrowers never repaid such interest charges on his account. Also Banks management prevailed over statutory creditors for not insisting on huge provisions requirement under value of security or convincing them on strength of Banks prospects for secret reserves.

1.7.2 Introduction of Prudential Norms for Income Recognisation, Provisioning and Assets Classifications

As earlier stated in to the introduction, the M. Narasimham committee recommendation were considered and as first step towards economic reforms, the Government of India with the help of RBI introduced the prudential norms in the Indian Banking system. Banks were directed to strictly comply with RBI directives for income recognition and provisioning and assets classification[72]. The whole exercise was prescribed for successful implementation in 3 years time during which RBI had also issued very strict guidelines to statutory auditors who were accounted responsible for the desired compliance. All the Public Sector Banks had no option but also require implementing in later in strict norms of income recognition but also requiring identifying NPA's and making adequate provisioning in a phased manner. The final balance sheet of Banks being subject to statutory audit, the Banks had to evolve a new model or bookkeeping and statutory accounts to make balance sheet more transparent. Presently true picture of the Banks profitability and had debt credit information system backed up by management information system. Finally clean and absolute transparent balance sheet in line with the Basel committee recommendation and thus most of PSB's started presenting clean and transparent balance sheet after 1999.[73] The entire cleaning up of exercise took 5 years time from 1994 onwards during which many PSB's reported huge losses amounting between 500 to 1000 crore. However such an exercise made Bank management aware of serious threats posed before them for managing above 1 lakhs crore of NPA's. Such a magnitude and volume of huge NPA's and for infusing more capital at finally sensitise Government of India which had by that time triggered irreversible economic reforms. The issues of 1 lakhs crore NPA's in Indian Banking system and need for augmenting necessary capital as per prescribed Basel norms, were strongly deliberated between Banking department of (GOI) Government of India, RBI and (G o M) Group of Ministers in the central cabinet. After seriously pondering over the said issue, the Government of India emerges with the consensus to

[72] Gupta Ambuj (2010), "Non-Performing Assets in Indian Banks: Issues, Perspective and Future Direction", LAPLAMBERT, Academic Publishing, P. 260.

[73] Shekhar ,C.(2003), "Reduction of NPA's-Key to Banking Reforms" , Yojana, Vol 47, October, PP. 11-14.

present a bill in the parliament giving substantial autonomy to the management of PSB's in releasing the blocked funds in the NPA's account by lawful recovery means as formulated in the forms of Securitisation Act of 2002. For the first time Banks management were equipped with sharp result orienting tools of the Securitisation Act to realise long term NPA's. Under the Act Banks were authorised to attach immovable properties of the defaulting borrowers and sale through auction of such property, the proceeds of which were directly receivable by the Bank for appropriation in borrowers NPA's account. Needless to mention that Banks used these tools very effectively between 2002 to 2005, during which Bank's realise their long outstanding dues of NPA's account.[74] Leveraging on Securitisation Act and on other hand very efficiently manage their treasury operations in the vibrant booming economy of the country, the profit from which were largely servicing provision needs on other hand.[75] Thirdly the Government on improvement on balance sheet structure permitted Public Sector Banks to offer equity share to the Indian Public and Financial Institution at premium by reducing their own stake to around 55 to 60 % from 100% to 80 %. Thus Government continued to enjoy the status of largest shareholders holding more than 51 % share on the other hand to enjoy ownership rights, while offer for sale of equity shares at premium helped Bank of raise resources for complying with Basel norms.[76]

In a nutshell, the three pronged strategies of Government as produced the desired result of meeting with the international Banking standard by achieving reductions in NPA's to the tune of less than 5 % of total credit as also have capital adequacy of 9 % which is equivalent to the risk weight age in credit portfolio of PSB's.

(i) Securitisation enforcement helped to realise long due of NPA's and thus reduction in NPA's was achieved.

(II) Efficient management of treasury operation generated sufficient profit to the service provisioning requirement of assets classification.

(III) Improved balance sheet could attract a premium on sale of equity shares following decreases of the Government stake to less than 60 % but more than 51 % which helped meet with the capital adequacy requirement in lying with Basel 1 norm.

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[74] Yeole, Arun(2004),The Problem of NPA's", Yojana, Division Publications, New Delhi, November, P. 35.

[75] Prasad Bhavani G.V, Veena D(2011), "NPA's Reduction Strategies for Commercial Banks in India", IJBMS, Vol. 1, No-03, September

[76] Taori, K.J (1996), " Management of NPA's- Policies and Perspectives", SBI Monthly Review, Vol. 22, No-07, July.

1.7.3 Reasons to Study Non- Performing Assets and its relevance With Capital Adequacy Ratio in Public Sector Banks

(1) The Public Sector Banks itself hence legally of being Government enterprises and therefore it has typical loses in all systems with an insensitive approach to important aspects of its core business.

(2) All policy decisions emerging from top brass management are generally lacking in dynamic and aggressive approach and often policy formulation is conservative, orthodox and conventional[77].

(3) The public sector are largely loss making or less profit generating and hence such a status throw abundant scope to study and find out the reasons of system failure.

(4) Following initiatives taken in economic reform[78]s all financial institutions including PSB's witnessed a compelling transaction face from loose and orthodox loss making enterprises in an active, modern and vibrant profit generating enterprises and therefore such public offer substantial ground to study turnaround story.

(5) Modernisation of PSB's are prepared them to take hold on competition with private sector and thus enabled the Government to fetch substantial value in their investment of long years.[79]

(6) The study of PSB's provides a substantial scope for study on far reaching implication of the huge volume of business which implicate safety and other interest of investing public at large.

1.8 OBJECTIVES AND SCOPE OF STUDY

Pursuant to considering and framing of prudential norms in respect of income recognition, provisioning and assets classification became imperative need for implementation in Public Sector Banks. It is for the first time that such an exercise would help both management and Government to identify obtaining quality and health of an assets and take necessary steps not only to improve the health but also service them structurally so that genuine profit figures are derived and need based capital adequacy is restored with these objectives in consideration, 11

[77] Lok Sabha Secretariat (1998), “Public Sector Banks- Bad Debts”, Twelfth Committee Estimates 1998-99, Third Report, Ministry of Finance, Department of Economics Affairs, Banking Division, New Delhi, December

[78] Patel ,U.R(1997), “ Emerging Reforms in Indian Banking: International Perspectives”, Economic and Political Weekly, Vol. 32, No. 42, October, PP. 18-24.

[79] Mishra K.B.L,(2002), “ Public Sector Banks in India: Should They be Privatised”, Economic and Political weekly, Vol. XXXVII, No. 23, June 8-14, PP. 2245-2256.

selected Public Sector Banks with different sizes and volumes have been considered for analysis key parameters. The present study is conducted with the following objectives.

1 To consider an evaluate quality of quantum growth in total advances vis-à-vis status of growth in Gross NPA’s and Net NPA’s.
2 To analyse impact of growth in Gross NPA’s and Net NPA’s over assets quality in credit portfolio of Banks
3 To examine phases of in different assets classes of the Bank and considered scope to manage them efficiently.
4 To identify risk profile in credit management of Banks.
5 To review percentage growth in both gross NPA and net NPA and its impact on profitability as also capital adequacy.
6 To rate the performance of the Bank on the basis of its efficiently in NPA management.
7 To project impact of mounting NPA’s on potential risk for deposit growth of the Bank.

1.9 RESEARCH METHODOLOGY

The study considered primary data collected through specially arrange visits with official and directors of Centre for Monitoring Indian Economy, Reserve Bank of India, Vaikunth Mehta National Institute of Co-operative Management. Secondary data collected from financial statements, annual reports and electronic media disclosure on internet. The concerned information has been produced with the help of computer. The data collected is tabulated, charts, graphs are prepared to analyses. Appropriate statistical tools like mean, standard deviation, coefficient of correlation, regression analysis and t test have been used to derive the results.

The following t test formula has been used for testing the hypothesis. i.e.

Where,

Level of significance = 5%

Degree of freedom = n - 2

Coefficient of correlation = r

Number of observations = n

1.10 HYPOTHESIS OF THE STUDY

Relation between advances and gross non-performing assets is tasted by using ‘t’ test based on following hypothesis.

1.10.1 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Allahabad Bank.

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Allahabad Bank.

1.10.2 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Bank of Baroda.

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Bank of Baroda.

1.10.3 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Bank of India.

H1: **Alternative hypothesis**

There is a significant relationship between total advances and gross non-performing assets of Bank of India.

1.10.4 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Canara Bank

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Canara Bank.

1.10.5 H0: Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Dena Bank

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Dena Bank.

1.10.6 H0: Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Indian Bank.

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Indian Bank.

1.10.7 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Indian Overseas Bank.

H1: **Alternative hypothesis**

There is a significant relationship between total advances and gross non-performing assets of Indian Overseas Bank.

1.10.8 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Punjab National Bank.

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Punjab National Bank.

1.10.9 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Syndicate Bank

H1: **Alternative hypothesis**

There is a significant relationship between total advances and gross non-performing assets of Syndicate Bank.

1.10.10 H0 : Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Union Bank of India

H1: Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Union Bank of India.

1.10.11 H0: **Null hypothesis**

There is no significant relationship between total advances and gross non-performing assets of UCO Bank

H1: **Alternative hypothesis**

There is a significant relationship between total advances and gross non-performing assets of UCO Bank.

The under mention hypothesis for all selected Banks

1.10.12 H0: Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of All Selected Bank

H1: **Alternative hypothesis**

There is a significant relationship between total advances and gross non-performing assets of All Selected Bank.

1.11 LIMITATION OF THE STUDY

India is since developing economy and financial systems in place are by and large having Public Sector status where Government ownership is responsible for the fate of economy. This apart India has larger coverage of rural geography and hence economic growth is significantly contributed by credit flows in rural and urban economy. This study is limited to only credit management, need for compliance to prudential norms and Basel norms, brought NPA management in spotlight with particular reference to health check of Public Sector Banks in India. The different Public Sector Banks which were dominant player in the different locations of this huge country. Thus, this study is limited to only Public Sector Banks on one hand and within that only limited 11 (eleven) selected Banks which are important in economy of the country. The analysis of this research is based on the secondary data collected from sources like Report on Trends and Progress of Banking in India, RBI Report on Currency and Finance, RBI Statistical Table Relating to Banks in India, IBA Bulletin special issues, Centre for Monitoring Indian Economy (CMIE). This data in itself has got its own limitations. This study is limited to NPA management vis. a vis. credit risk management. Performance of Banking which is significantly impacted by NPA management and this study is limited to only total advances, gross non-performing, net non-performing assets and capital adequacy.

Another limitation of the study is to specific period between 1996-97 to 2009-10 as it was during this period that prudential norms of assets classification, provisioning and capital adequacy were implemented. It was here after that corrective measures were taken in phased manner between 1999 to 2005-06 which provided transparency in balance sheet of Banks and deriving good pictures of the Banks. Thus the time frame selected as limited study between 1996-97 to 2009-10.

1.12 PLAN OF THE STUDY

The study has been divided in six chapters.

Chapter - I

The chapter deals with the introduction of Banking system, reasons, objective and scope, methodology, limitations.

Chapter- II

The chapter concerned with sources which are in the form of circular hand book. Even this chapter covers issued descriptive circular and guideline issued by RBI. Most of daily, weekly, fortnightly and monthly publications carried article in above matters. Thus, IBA Bulletin, RBI guideline, Public Sector Banks hand book and extract from various seminars on the subject corresponds to literature review.

Chapter - III

The chapter highlights profile of Public Sector Banks in the form of financial performance for the period from 1993-94 to 2009-10.

Chapter - IV

The chapter discuss in detail with management of non-performing assets and capital adequacy in selected Public Sector Banks in India from period of 1996-97 to 2009-10.

Chapter- V

The chapters predict analysis and interpretation of collected data during the period under the study.

Chapter - VI

The chapter includes the finding derived from the earlier chapters, analysis, interpretation of data and suggestions. It also covers scope for further extension of the study.

Profile of Commercial Banks

Table 1.1: Profile of Commercial Banks during Period from1947 to 1966

Sr. No	Particular	1947	1951	1956	1961	1966
1	No of Commercial Banks	648	565	423	292	100
	(A). SCBs	97	92	89	82	73
	(B). Non - SCBs	551	474	333	210	27
2	No. of Bank offices	2987	2647	2966	4390	6380
3	Population per office. (In thousands)	82	87	98	88	76
4	Total Deposits of SCBs (Rs.Crore)	1080	908	1159	2012	3587
5	Advances Of SCBs (Rs. Crore)	475	581	782	1268	2440
6	Deposits Of SCBs per office (Rs. Lakh)	38.16	32	37	45	56
7	Advances Of SCBs per office (Rs. Lakh)	15.90	22	26	29	38
8	Per Capita Deposit Of SCBs (Rs)	32	25	29	46	72
9	Per Capita Advances Of SCBs (Rs)	14	17	21	29	49
10	Deposits Of SCBs as percentage to National Income (%)	-	9	10	14	16
11	Credit Deposit Ratio(%)	43.99	67.41	71.45	64.47	68.55
12	Investment Deposit Ratio (%)	49.54	37.98	36.53	33.34	31.81
13	Cash Deposit Ratio (%)	18.10	15.26	11.86	10.69	9.50

(Source: RBI, Statistical Table Relating to Banks in India, Various Issues)

Table 1.2: Profile of Commercial banks during period from 1969 to 1977

Sr. No	Particular	1969	1971	1972	1973	1974	1975	1976	1977
1	**No of Commercial Banks**	89	85	83	83	83	83	100	126
	(A). SCBs	73	74	74	74	74	74	92	119
	Of which RRBs	-	-	-	-	-	-	19	48
	(B). Non - SCBs	16	11	9	9	9	9	8	7
2	**No. of Bank offices**	8262	12013	13622	15362	16936	18730	21220	24802
	(A). Rural	1833	4280	4817	5561	6166	6807	7690	9537
	(B). Semi - Urban	3342	4040	4401	4751	5116	5598	6421	7248
	(C). Urban	1584	1949	2504	2764	3091	3489	3998	4542
	(D). Metropolitan	1503	1744	1900	2286	2563	2836	3111	3475
3	**Population per office. (In thousands)**	64	46	41	37	35	32	29	25
4	**Total Deposits of SCBs (Rs.Crore)**	4646	6618	7610	9165	10756	12545	15718	18903
5	**Advances Of SCBs (Rs. Crore)**	3599	4763	5480	6412	7558	8955	11476	13491
6	**Deposits Of SCBs per office (Rs. Lakh)**	56	52	56	60	64	67	72	76
7	**Advances Of SCBs per office (Rs. Lakh)**	44	40	40	42	46	48	54	54
8	**Per Capita Deposit Of SCBs (Rs)**	88	113	135	160	182	208	246	299
9	**Per Capita Advances Of SCBs (Rs)**	68	86	97	112	133	148	186	214
10	**Deposits Of SCBs as percentage to National Income (%)**	15.50	17.20	19.30	21.40	20.10	19.90	22.80	26.30
11	**Credit Deposit Ratio (%)**	77.50	76.60	72.00	70.00	73.10	71.40	75.60	71.40
12	**Investment Deposit Ratio (%)**	29.30	29.10	30.50	32.10	31.60	32.50	32.20	32.70
13	**Cash Deposit Ratio (%)**	8.20	6.50	6.50	8.90	8.30	6.80	6.50	8.30

(Source: RBI, Statistical Table Relating to Banks in India, Various Issues)

Table 1.3: Profile of Commercial Banks during Period from1978 to 1984

Sr. No	Particular	1978	1979	1980	1981	1982	1983	1984
1	No of Commercial Banks	128	136	153	187	206	227	247
	(A). SCBs	122	131	148	183	202	223	243
	Of which RRBs	48	56	73	102	121	142	162
	(B). Non - SCBs	6	5	5	4	4	4	4
2	No. of Bank offices	28016	30202	32419	35707	39177	42079	45332
	(A). Rural	11806	13337	15105	17656	20401	22686	25380
	(B). Semi - Urban	7628	7889	8122	8471	8809	9081	9326
	(C). Urban	4843	5037	5178	5454	5693	5917	6116
	(D). Metropolitan	3739	3939	4014	4126	4274	4395	4510
3	Population per office. (In thousands)	23	22	21	19	18	17	16
4	Total Deposits of SCBs (Rs.Crore)	23313	28671	33377	40549	46128	54039	64620
5	Advances Of SCBs (Rs. Crore)	15694	19116	22068	26551	30180	36006	43613
6	Deposits Of SCBs per office (Rs. Lakh)	83	95	103	114	118	128	143
7	Advances Of SCBs per office (Rs. Lakh)	56	63	68	74	77	86	96
8	Per Capita Deposit Of SCBs (Rs)	361	434	494	587	654	750	878
9	Per Capita Advances Of SCBs (Rs)	243	290	327	385	428	500	593
10	Deposits Of SCBs as percentage to National Income (%)	29.40	33.30	35.80	34.40	34.10	36.10	36.50
11	Credit Deposit Ratio(%)	67.30	66.70	66.10	65.50	65.40	66.60	67.50
12	Investment Deposit Ratio (%)	32.40	32.70	35.40	35.10	36.70	37.00	36.00
13	Cash Deposit Ratio (%)	11.80	12.50	12.30	13.60	12.50	11.40	14.50

(Source : RBI Statistical Table Relating to Banks in India, Various Issues)

Table 1.4: Profile of Commercial Banks during Period from1985 to 1991

Sr. No	Particular	1985	1986	1987	1988	1989	1990	1991
1	No of Commercial Banks	268	276	279	278	278	274	276
	(A). SCBs	264	272	275	274	274	270	272
	Of which RRBs	183	193	196	196	196	196	196
	(B). Non - SCBs	4	4	4	4	4	4	4
2	No. of Bank offices	51385	53287	53859	55410	57699	59752	60220
	(A). Rural	30185	29703	30209	31114	33014	34791	35206
	(B). Semi - Urban	9816	10585	10637	11132	11166	11324	11344
	(C). Urban	6578	7209	7218	7322	7524	8042	8046
	(D). Metropolitan	4806	5790	5795	5842	5995	5595	5624
3	Population per office. (In thousands)	15	14	15	14	14	14	14
4	Total Deposits of SCBs (Rs.Crore)	77075	91828	107898	126323	147854	173515	201199
5	Advances Of SCBs (Rs. Crore)	50921	57229	64213	72436	89080	105450	121865
6	Deposits Of SCBs per office (Rs.Lakh)	150	172	200	228	255	290	334
7	Advances Of SCBs per office (Rs. Lakh)	99	107	119	131	154	176	202
8	Per Capita Deposit Of SCBs (Rs)	1026	1198	1374	1586	1821	2098	2368
9	Per Capita Advances Of SCBs (Rs)	678	747	816	909	1097	1275	1434
10	Deposits Of SCBs as percentage to National Income (%)	39.40	41.50	44.90	45.60	45.30	48.60	48.10
11	Credit Deposit Ratio(%)	66.10	62.30	59.50	57.30	60.30	60.80	60.60
12	Investment Deposit Ratio (%)	35.40	36.00	37.50	39.00	38.90	37.20	37.70
13	Cash Deposit Ratio (%)	16.00	15.70	16.80	16.30	16.20	16.30	17.60

(**Source: RBI, Statistical Table Relating to Banks in India, Various Issues)**

Table 1.5: Profile of Commercial Banks during Period from1992 to 1999

Sr. No	Particular	1992	1993	1994	1995	1996	1997	1998	1999
1	**No of Commercial Banks**	276	276	276	284	293	297	300	303
	(A). SCBs	272	272	272	281	291	295	299	302
	Of which RRBs	196	196	196	196	196	196	196	196
	(B). Non - SCBs	4	4	4	3	2	2	1	1
2	**No. of Bank offices**	60570	61169	61803	62367	63026	63534	64218	64939
	(A). Rural	35269	35389	35329	33004	32995	33008	32878	32857
	(B). Semi - Urban	11356	11465	11890	13341	13561	13641	13980	14168
	(C). Urban	8279	8562	8745	8868	9086	9298	9597	9898
	(D). Metropolitan	5666	5753	5839	7154	7384	7587	7763	8016
3	**Population per office.(In thousands)**	14	14	15	15	15	15	15	15
4	**Total Deposits of SCBs (Rs.Crore)**	237566	274938	323632	386859	429003	503596	598485	714025
5	**Advances Of SCBs (Rs. Crore)**	131520	154838	166844	211560	254015	282237	324079	368873
6	**Deposits Of SCBs per office (Rs. Lakh)**	392	449	524	620	681	780	932	1100
7	**Advances Of SCBs per office (Rs. Lakh)**	217	253	270	339	403	444	505	568
8	**Per Capita Deposit Of SCBs (Rs)**	2738	3111	3596	4242	4613	5402	6170	7268
9	**Per Capita Advances Of SCBs (Rs)**	1516	1752	1854	2320	2719	3015	3356	3763
10	**Deposits Of SCBs as percentage to National Income (%)**	49.50	50.40	50.70	51.70	44.00	49.00	47.30	48.70
11	**Credit Deposit Ratio (%)**	55.40	56.30	51.60	54.70	59.20	57.30	54.20	51.70
12	**Investment Deposit Ratio (%)**	38.00	38.00	41.20	38.60	38.40	37.10	36.50	35.70
13	**Cash Deposit Ratio (%)**	18.20	13.60	17.20	16.30	12.50	10.50	10.20	9.50

(Source: RBI, Statistical Table Relating to Banks in India, Various Issues)

Table 1.6: Profile of Commercial Banks during Period from 2000 to 2010

Sr. No	Particular	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1	No of Commercial Banks	297	301	293	294	291	288	222	183	174	170	168
	(A). SCBs	297	296	294	289	286	284	218	179	170	166	163
	Of which RRBs	196	196	196	196	196	196	133	96	91	86	83
	(B). Non - SCBs	-	05	04	05	05	04	04	04	04	04	04
2	No. of Bank offices	65412	65919	66190	66535	67188	68355	71685	74346	78666	82408	87768
	(A). Rural	32734	32562	32380	32303	32121	32082	30436	30575	31105	31699	32528
	(B). Semi - Urban	14407	14597	14747	14859	15091	15403	15811	16620	17897	19082	20771
	(C). Urban	10052	10293	10477	10693	11000	11500	13034	14049	15530	16614	18171
	(D). Metropolitan	8219	9316	9402	9516	9750	11839	14204	13102	14134	15013	16298
3	Population per office. (In thousands)	15	15	16	16	16	16	16	15	15	15	14
4	Total Deposits of SCBs (Rs.Crore)	851593	989141	1031187	1311761	1542284	1732858	2109049	2611934	3196940	3834110	4492826
5	Advances Of SCBs (Rs. Crore)	454069	529272	609053	746432	865594	1124300	1507077	1931190	2361913	2775549	3244788
6	Deposits Of SCBs per office (Rs. Lakh)	1302	1501	1709	1972	2295	2535	3047	3675	4344	4980	5479
7	Advances Of SCBs per office (Rs. Lakh)	694	803	920	1122	1288	1645	2209	2757	3222	3615	3983
8	Per Capita Deposit Of SCBs (Rs)	8498	9758	10994	12554	14550	16091	19130	23382	28610	34372	39107
9	Per Capita Advances Of SCBs (Rs)	4531	5221	5919	7143	8166	10440	13869	17541	21218	24945	28431
10	Deposits Of SCBs as percentage to National Income (%)	53.50	58.90	60.70	65.30	68.50	68.30	65.40	70.10	74.70	78.10	81.30
11	Credit Deposit Ratio(%)	53.30	53.50	53.80	56.90	56.10	64.90	70.10	73.50	74.60	73.90	73.60
12	Investment Deposit Ratio (%)	36.60	37.10	38.70	41.30	43.80	41.60	40.00	35.30	35.40	35.7	36.20
13	Cash Deposit Ratio (%)	9.80	8.40	7.10	6.30	5.60	6.90	6.70	7.20	9.70	7.30	7.7

(Source: RBI, Statistical Table Relating to Banks in India, Various Issues)

Table 1.7: Structure of Commercial Banks in India during 1960 – 2010

(Figures in Number)

Sr. No	Bank Group	December 1960	December 1969	June 1995	March 2000	March 2005	March 2010
(i)	State Bank of India	1 (0.24)	1 (1.12)	1 (0.36)	1 (0.35)	1 (0.35)	1 (0.60)
(ii)	Associate Banks of SBI	8 (1.91)	7 (7.87)	7 (2.55)	7 (2.47)	7 (2.44)	6 (3.59)
(iii)	Nationalised Banks	-	14 (15.74)	19 (6.62)	19 (6.69)	19 (6.62)	20 (11.98)
(iv)	Regional Rural Banks	-	-	196 (68.29)	196 (69.01)	196 (68.29)	82 (49.10)
A	**Total Public Sector Banks**	**9 (2.15)**	**22 (24.74)**	**223 (77.70)**	**223 (78.52)**	**223 (77.70)**	**109 (65.27)**
V	Foreign Banks	16 (3.82)	15 (16.85)	29 (10.10)	29 (10.21)	31 (10.80)	32 (19.16)
VI	Other Scheduled Commercial Banks	68 (16.22)	36 (40.44)	33 (11.50)	28 (9.86)	29 (10.10)	22 (13.17)
VII	Non- Scheduled Commercial Banks	326 (77.81)	16 (17.98)	02 (0.70)	4 (1.41)	4 (1.39)	4 (2.40)
	TOTAL	**410 (97.85)**	**67 (75.26)**	**64 (22.30)**	**61 (21.48)**	**64 (22.30)**	**58 (34.73)**
VIII	All Commercial Banks	419 (100.00)	89 (100.00)	287 (100.00)	284 (100.00)	287 (100.00)	167 (100.00)

(Source: Performance Highlights of Banks, IBA Special Issue 2009-2010)
(Figures in Brackets Show Percentage to Total of All Commercial Banks)

CHAPTER II

LITERATURE REVIEW

2.1 INTRODUCTION

Post economic reforms in 1990's the Banking and financial system in India had considered it imperative to accept international standard of accounting system, procedures and financial reporting. This being major procedural shift, initially, it resulted into huge Non-Performing Assets and the need for adequate capitalising of the Banking system was viewed necessary. This apart the credit risk management, market risk management and operational risk management had to be put in place for finding an Indian Banking system at par with global practices. Therefore, this research work concerning Non-Performing Assets and Capital Adequacy had to find comprehensive coverage that began with prudential norms involving income recognition, assets classification, provisioning as also capital adequacy in terms of Basel I, Basel II and Basel III norms A better justice to this research work can be done if entire literature accessed from above referred purpose is segregated for review into two major disciplines viz.

(I) Peripheral Issues

(II)Focal Issues

(I) Peripheral Issues such as introduction of prudential norms and its implication

2.2 Dr. Gnati Subrahmanyam[1]

In her article titled "Capital Adequacy Norms aggravated Bank's Regulatory Burden" deals with the capital structure and its role in the Indian Banking and financial system emerged immediately after considering agenda for economic reform by the Government in early 90's. The author has evaluated very analytically the implications of cost factors relevant to funding of capital. The nitty-gritty of Banks allocation of fund for parking with regulators as a reserve on one hand and deployment of balance fund for business activities on other hand mix the whole exercise of risk assessment as very complex. The author has painted the capital as king considering its importance in offering security and safety to attract business fund from other source at a cheaper or judicious cost. However the same author is painting the capital as burden since the cost of such capital and its adequate

[1] IBA Bulletin Vol. XV, July, December 1993.

volume implicates interest rate offer able to depositors or interest rate chargeable from borrowers. Thus with such interpretation, the perception of risk weight age vis. a vis. capital requirement is well brought out and well addressed in concluding caveats of the article.

2.3 Dr. N.P. Kurup[2]

As per his article titled "M. Narasimham Committee: Two Years After " has considered up front, the obtaining status after two years of Narasimham Committee recommendations and its implications. Amongst other things, the author has effectively brought out developments in respects of setting up of Recovery Tribunals to improve both liquidity and profitability. This apart author also addresses the prospects of Bank taping capital market for raising capital after having cleaned balance sheet structure through adopting modalities of transparency in the financial statement reporting system. Need for adopting practices of transparent international accounting standard is emphasised. Author has also observed then undecided status and hang over of abortive proposal in respect of assets reconstruction fund as opined by Dr. Rangrajan of RBI. The issue of overcoming bad debts was then left to strategy of Banks after implementation of prudential norms.

2.4 N.K. Bakshi[3]

In his article titled "Infusion of Capital in Banks through Public Issues" touched upon very elementary composition of capital structure in Bank with particular preference to Basel norms. It was between 1990 and 1995 that prudential norms, its implications and compliance gave many shock to PSB's in pursuit of achieving stipulated quantum of capital. Income recognition, assets classification and provisioning of NPA's make Bank balance sheet more transparent and more attractive to tap capital market. As per author it was in 1995 and thereafter that taping capital market through the launch of public issues, would help Banks not only raise capital muscle by levying hefty premium but also in the process demonstrated capital adequacy against risk weighted loans. This exercise complies with capital adequacy requirements as per RBI stipulated Basel norms as also growth in tier I of core capital creates headroom for raising supplementary capital in case

[2] IBA Bulletin, Vol XV, July , December 1993.

[3] IBA Bulletin, Vol XXII, February, 1995.

of need if business prospect demand one. Table showing break up of core and supplementary capital as pasted by the author is attached for perusal.

Capital of the Bank (8%)

Core Capital (4%)	Supplementary Capital (4%)
(Tier I)	**(Tier II)**
* Paid Up Share Capital	*Undisclosed Reserves
* Disclosed Reserves	*Asset Revaluation Reserve
- Share Premium	*General Loan Loss Reserve
- Retained Profit	*Hybrid (Debt / Equity) Capital
- General Reserves	*Subordinated Term Debt
- Legal Reserves	

2.5 V. T. Godse, K. C. Chakrabarty[4]

In his article titled "Risk Management" the author himself being prudent Banker in large size PSB's, has close look at risk management in general and types of credit risk and its tools operative in the financial system in particular. The author has broadly confined risk perception to 3 different Banking areas viz. credit risk, market risk and capital risk. The author outlines backdrop of credit growth in a post Nationalisation era and subsequent need for compliance prudential norms in the 90's which uncovered the concept of credit risk management and place the same in the sharper focus of the Bank management. Besides importance of prudent credit appraisal, proper credit delivery implications of interest rates and its market determination find automatic linkage with market risks. Under market risk, the author covers the financial operative system and its relevance with currency exchange rate besides swings and volatility in commodity markets vis. a vis. hedging through forward contracts etc. clearly dominate the area of market risk. This has to be factored in while making an overall risk assessment. The author has also quoted reference of BCCI, Barings and Daiwa etc to project associated capital risk. Author is opinion that cost of capital and its prospects of perceive threats should be made a part of overall risk management.

[4] IBA Bulletin, Vol. XVIII, March 1996.

Having addressed core risk management concept in credit risk, market risk and capital risk, the author has then talked about available tools to manage such risks in Indian Banking system. In this considered opinion market determined interest rate tool would be proved very effective. However he has observed that despite the concept of prime lending rate (PLR), more than 45% credit being under direct interest rate regime, it reduces the efficiency of the interest rate tool. It seems that large credit portfolio should attract market determined interest rate link with PLR effective risk management tool. The author further says that existing cash credit system operating in Indian Banks is hugely blocking working capital, always causes the need for growth related additional working capital, leaving earlier blocked capital exposed to substantial risk. Therefore in the opinion of the author the cash credit system should be replaced by term loan type of credit delivery system which stipulates mandatory periodical repayment and thus it does not allow liquidity to dry up in the Banking system. The author has further gone on record recommending need for more vibrant secondary market which can play its role to pump in contingent liquidity needs at market determined cost and thus mitigate the market risk of the Bank.

2.6 S. Sambasiva Rao[5]

In his article titled "A Primer for NPA Management" is at very elementary level and is more philosophical than realistic. In the initial coverage, the author has outline definition and exposed only the risk element in any kind of lending. If weight age is given to zero degree scope of recovery of lended money than perhaps the Banks and financial institutions cannot undertake any profitable business. Nevertheless, the author has commented on the social economic obligation of state owned PSB's and the policy maker and has commented on proposing certain steps for recovery in accounts with willful default has also in the accounts where Government sponsored scheme have triggered NPA's. Amongst other things the author has suggested filing of criminal proceedings against willful defaulter, authorised seizure agencies attach property of relatives and evolve such system under which the promoters cannot become rich when the organisation is deteriorating. The author has also indicated measures in which accountability of professionals like charted accountants should be fixed for either concealing facts in the

[5] IBA Bulletin, Vol. XXIV, June 2002.

balance sheet account or fixing accountability of lawyers for giving convenience legal opinions.

2.7 M. V. Lonkar[6]

In his article titled "Risk Based Supervision and Changing Role of Auditors" in the instant case, the author belongs to the agencies on the other side of the table who is a professional charted accountant and not a Banker. It is therefore that he has different angle of perception to the issue of capital structure and its risk based assets ratio. Purely on theoretical bases sees three trigger points of 9 % or less but more than 6 % or less but more than 3 % as second category and less than 3% as a third category. The author also comment on prospect of chronic sickness which attaches risk to depositors money where suspending licence is a step contemplated or liquidation or merger with other healthier organisation are other steps contemplated. Similarly the author has also focused two triggers for NPA's ratio of 15% and above and less than 15 % but more than 10 %. The other parameters looked into by the author is return on assets which he thinks, is a single trigger point at 0.25%. He has then his own ways of putting in place risk based supervision elements (RBS) which would be a useful tool in all within referred parameters. The RBS approach is introduced with a view to reducing financial sector vulnerability and enhancing financial sector stability. This involves codification and declaration of supervisory objectives and applying supervisory resources to those areas which pose a threat to supervisory objectives. This also involves making an assessment of the existing supervisory process and laying down a road map for making it more risk based. The new approach will be more flexible allowing focus on individual Bank’s situation.

2.8 S.K. Dutta[7]

In such article titled "Credit Risk Management in Banks- Basel Way" has clearly discussed that if the mention method adopted by the Banks of calculating the economic capital and RAROC for evaluating the loan proposal seems to have the dual advantages (1) the pricing loan based on statistically designed model. The premium for the risk can be based on scientific evaluation and can vary from borrower to borrower. The approval or

[6] IBA Bulletin, Vol. XXV, February 2003.

7 The Journal of Indian Institute of Banking And Finance, Vol. 75, April 2004

rejection is totally convincing to the management and the customer. There is some value addition in the net worth of Bank vis. a vis. the risk undertaken in lending. (2) The economic capital or risk weighted capital fully reflects the underlying level of risk being undertaken by the Banks for each lending. Such scientific method helps in overcoming the shortcoming the" one- size- fits - all" approach in which risk weighting is 100% for all. Hence, this is the most scientific approach to access how much capital is required by the Bank. The only limitation for this approach is capability, willingness and resources to develop such standard approach. This could well necessitate a degree of housekeeping of the Banks books and developing strong information system and its recording, to build a database and profile of clients and portfolios. These data can then only feed the above discussed models that will allow Banks to measure not only the RAROC but also the regulatory capital required in terms of economic capital. This will then help the Banks to enhance the risk management capabilities and to adopt new approaches to lending as well as risk mitigation techniques.

2.9 Rajendra Singh [8]

In his article titled “Empowering Banks for Recovery of Non- Performing Assets (NPAs)" the author had concluded that with the enactment of this Act, it is felt that borrowers will not longer be able to take Banks lightly and simply walk away with scarce public money. The threat of taking over of collateral assets and enforcement of loan covenants has already begun to show positive results. So far NPA recoveries are estimated to be in the range of 20 percent. During the next 3-4 years, the Banks hope to recover 50 to 60 percent NPAs through tough measures.

This Act is an essential pre- requisite for smooth operations. This Act will not only help in improving the financial health of the country but also our mortal fiber as a society by enforcing the sanctity of contracts. Indian Banks have suffered immensely from the slow moving legal machinery for contract enforcement and strong lenders. However, it is too presumptuous to treat the enforcement of security and recovery of NPAs as a synonymous. Banks might find that the minefield of complex. Indian procedures may create unforeseen stumbling blocks in putting theory into practice. In the ultimate analysis; the recovery process will need to be based on business analysis and restructuring rather than on the

[8] The Journal of Indian Institute of Banking & Finance , Vol. 76 , January, 2005.

legalistic approach of asset attachment. A legal system can help in setting the condition for discussion but cannot ensure asset utilisation. A new breed of restructuring experts will have to emerge to taken this process forward. It is knowledge more than law and capital that will help the process of change.

2.10 B. N. Rao [9]

In the article titled "Basel II Compliance and Beyond" business and technological strategies should now be aligned to Basel II, which can no longer be viewed in isolation. Value creation for long term shareholders and stakeholders should receive primordial focus and an approach that could be benchmarked against International practices should be adopted.

There can no magic wand that can ensure compliance with Basel II and only a blend of regulatory and industry focused implementation exercise can pave the way for the creation of a roadmap. A diagnostic approach that could fathom the positioning of a Bank in terms of resources, data and risk practices which could in turn lead to the building up of a "risk architecture" that could satiate the risk appetite of the Bank is called for. Banks need to be aware that they have been vested with the freedom to have a flexibility to adopt various approaches vis-à-vis Basel II implementation. It is incumbent on the part of the top management to invest in commitment, involvement and understanding which will continue to be critical for implementation of the risk management.

While protecting the interests of the shareholders, it is a time for the Banks to broaden their vision and look beyond compliance in the global or Indian context and utilize the opportunity accorded by the New Accord to enhance and refine Risk Management practices further.

(II) Focal Issues concerning NPA management and capital adequacy.

2.11 Bank of India Hand Book[10]

Pursuant to acceptance of M. Narasimham Committee reports the Banks were under obligation to implement all those recommendations which were presented to them under

[9] Professional Banker, Vol. VI , Issue 3 , March, 2006.

[10] Bank of India Hand Book Private circulation, March, 1995.

directing guideline from the Central Bank of the country namely RBI. As is known to everybody today the Narasimham Committee report largely focused on income recognition, assets classification, provisioning and capital adequacy. Post economic reform, the PSB's in India were exposed all bookings on a realistic income beside hopelessly poor assets management and capital structure which was for being transparent. The Banks had accumulated on their back very huge NPA's without any clarity on direction to manage them. In such a backdrop, the above referred implementation of Narasimham Committee report was a challenging task for the management of PSB's in India. More or less all PSB's had presented hand book type of literature to their branches, inter alia conveying the core recommendation together with procedural guideline and explanation with examples, in line with actual bookkeeping practices of respective Banks. Bank of India also presented a similar handbook containing seven chapters and three appendixes. In the first opening chapter the management has highlighted the concept / management of NPA's which is descriptively covered in six pages containing definitions, the crux of the NPA's concept, RBI directives, treatment to consortium finance and project financing with illustrative examples and methodology of interest and installment recovery. The whole chapter has very nicely dealing with the first hand preparation to address NPA management. Similarly remaining chapter deals with accounting and income recognition with assets classification, provisioning and capital adequacy measure. The last chapter deals with the assets liability management and profitability with concluding guideline on preparation of annual returns.

2.12 Dr. Thakorsinh Parmar[11]

In his article titled " Reducing NPA's " the author himself being actual official in Public Sector Banks and since to be handling credit portfolio which has enabled him to effectively highlight observation on the causes of NPA, makes suggestions for this chronic issues and draw meaningful conclusions. The author has clutched the very root of problem by projecting the disproportionately high credit growth up to 1980 in pursuit of Nationalisation objectives which coupled with hopelessly poor debt recovery. The author is thus critically observing huge blockade of the funds in NPA's which on analysis revealed the looseness in the credit practices and management of the Banks. The author

[11] IBA Bulletin Vol. XVII, May, 1995.

has also placed in records the lack sincerity of the staff beside emphases shortage of trained staff as also highlighted need for exclusively dedicated field staff. The author has also exposed the weak credit design and credit delivery system over and above gross ignorance to end used of funds. The author has also aggressively expressed need to evolve system of filing criminal FIR against such beneficiary borrower of Government sponsored scheme like Integrated Rural Development Programme (IRDP), in which the beneficiary sales assets financed by the Banks without permission. The author in his concluding remarks states the need for deployment of field staff, besides periodical review of credit risk and regular monitoring on actual credit system by upper class of the management and making leaders accountable. The author has lastly incorporated World Bank comments in respect of efficient collection and recovery in NPA's to improve Banks liquidity, profitability and quality of assets.

2.13 K. Shankar[12]

In his article deals with "Non Performing Assets Anomalies and Inconsistencies" written by a Bank faculty in mid 90's, it has very truly and comprehensively highlighted the core issues of anomalies and inconsistencies which are pregnant in the obtaining procedural guideline for management of NPA's. Indeed the author has not only studied the methods and formula for determining provision amount, but also well pondered on anomalies that exist either in overlaps or interpretational differences between judicial intellectual and commercial interest of the Banks. The author has also very intelligently uncovered prospects of overlap in respect of Government guarantees account where procedural requirements to file claims with Government and subsequent recovery of bad debts through legal machinery depicts the methodology for reasonable and judicious provisioning amount. As per prudential norms, banks are expected to make provision for 100% of unsecured portion and additional provision on secured portion depending on age of NPA's. However Government guarantees account does not require any provision for such amount which is guaranteed by the Government in case of default and hence at the time of making provision, the quantum of Government guarantee is meted out and only remaining balance is considered for provision. However the same account, when it is liquidated through execution of the court decree or any other means of recovery, then

[12] IBA Bulletin, Vol. XXII, September, 1995.

Banks are under obligation to refund back to Government on prorate basis in the same proportion as claim may have been settled by Government under Government guarantee This remained a big anomalies in the implementation of prudential norms in Public Sector Banks.

The author has further considered the discreet procedural implication of mortgages and its liquidation legal procedure which often play out as disconnect between account transaction appearing in the Bank statement and actual recovery that Bank is entitled to receive. Here the author has projected the lacuna of the system under which the bank is unable to incorporate interest amount in the plaint, which has ceased to apply in the books when account was classify as NPA. Also the author has indirectly addressed the issue of Banks inability to liquidate mortgaged assets by (Equitable mortgaged) without intervention of the court and court order. Similarly the author has nicely analysed the similar situation in respect of liquidation of assets under hypothecation charge and its relevance with variation in provision amount either due to physical custody of the hypothecated assets or a situation in which hypothecated assets are not in the physical custody of the Banks. The author's approach is so pragmatic in arriving at fair, reasonable and judicious provisioning liabilities of the Banks that the author has walked an extra mile by suggesting treatment of gold loan account at par with KVP, NSC, F.D etc. However it do not agree with such preposition as the 40% to 50% margin on gold loan account may be offset either due to cumulative interest chargeable in case of 4 to 5 years of NPA account, beside gold being a commodity subject to its cyclical trends as is seen in current commodity scenario during economic turmoil in the last lag of 2008.

2.14 N. P. Kurup[13]

In his article titled "Banking Sector Reforms and Transparency" the author has closely observed practices of the Bank, to pursue the achievement of reduction in NPA with specific hidden intention. Substantial reduction in NPA by increasing substantial provision amount (and not by actual recovery) during a year when treasury operation, other fee based income and even higher interest income due to high credit growth in the high interest rate sector, is the most convenient way as multipronged strategy. Obviously

[13] Economic and Political Weekly, Vol. XXXII, March, 1996.

substantial higher profit due to increased income as stated above would attract higher tax payment and Therefore strategic increased in provision amount to over bad NPA's will help Bank achieved two goals-

(1) would be reduction in taxable income due to higher provision and Therefore Bank will required to pay less tax on one hand and

(2) Higher provision will help Bank post substantial reduction in net NPA's without any actual recovery on other hand. This intelligent author has therefore suggested tax friendly reforms for Banks so that Banks need not show reduced income by higher provision, to save on tax and thus retain so saved profits for enhancing shareholder value and continued its focused efforts to reduce NPA not by increasing provision but by increase actual recovery.

2.15 Brinda Jagir[14]

In her article titled "Assets Reconstruction Fund" addressed amongst other thing at least two issues of this thesis viz. NPA's and capital adequacy. In favor of ARF apprehending the heritage of low level work culture in PSB's. The author suspects that Banks would indulge into concealing desired particulars on borrowers standing due to accountability fears. The author is also critical of that school of thoughts which believes that transforming of bad debt and refrain for being responsible to effect recovery of bad debt. On the other hand the author had considered ARF as a more needy option to save the Government from infusing capital again and again to service mounting losses due to bad debts.

As regards NPA's, the author has brushed upon general observation of many other authors like huge credit growth politically targeted for achieving socioeconomic goals by the Government, coupled with, very lose credit appraisal by the Banks, in the delayed delivery of credit , complete lack of supervision to verify the end use of funds, acute shortage of field staff for inspection of assets, very fragile system of review and monitoring, incomplete details on the particulars of assets and belonging to guarantors and borrowers, highly inefficient legal procedure and overburden judiciously etc. Illustratively the author has compelled the time taken by the normal judicial system in the suit filed accounts of PSB's which runs for several years in district civil and high court where as the

14 IBA Bulletin, Vol. XX, February 1998.

Narasimham Committee recommended setting up of DRT exclusively deals into cases of over RS. 10 lakhs with the obligation to ensure disposal within six months as against several years that may be taken in civil court or high court. Even decreed accounts from civil high court end up in a meaningless recovery prospects due to lack of minimum distinguishing particular of the assets attached of borrowers guarantors in the decree judgment. Thus the author has highlighted need for improved working and disposal through Debt Recovery Tribunal**.**

2.16 K.M. Shajahan[15]

The author in his article titled "Non-Performing Assets of Banks Have They Really Declined? And on Whose Account?" has very intelligently considered critical scrutiny of both system procedure and figures. As a matter of fact RBI, when it came up with its report card showing a drastic reduction in an NPA figure about 50%, it was obvious that a person author's intelligence would comprehensively analysed the number crunching to determine as to how as large as 50% reduction is achieved in a single year. The author's exercise revealed that RBI had considered shift in its policy guideline concerning definition of NPA so as to give new nomenclature in terms of gross NPA's and net NPA's. The drastic reduction of above 50% in single year attributed to netting an NPA's from gross NPA's. The author has found out that RBI adopted a system of arriving at the net NPA figure redacting few sources of recovery such as Government guarantee DICGC/ ECGC claim and thereafter making a provision of the unsecured portion of the outstanding balance. Obviously netting like this a reduces quantum balance of NPA's without any "IN EFFECT" recovery from borrower. Thus, the reduction achieved represented very low portion of actual recovery from borrower but major portion was corresponding to liquidation of Government guarantee like DICGC/ ECGC, over and above increase provision available from Banks profit and loss account.

Such observation of this and many other authors may have provoked. RBI to examine more transparent means of presenting NPA's figures and therefore only perhaps notes on the account now show movement of gross NPA's during the year by tabling it as opening balance- increased during year to be added- actual recovery during the year to be deducted and then arrive at closing balance and similar tabulation status for provisioning amount make entire exercise very transparent to judge as to whether reduction in NPA is achieved only by

[15] Economic and Political Weekly, Vol. XXXIII, March , 1998.

increasing provision amount or whether Bank has in actuality recovered any amount from NPA borrower.

2.17 V.K. Sudhakar[16]

In his article titled " Managing NPA Menace in Banks : Using Computers And Critical Factors" addressing NPA management issues in the Banks where the Banks management may have remained careless in close credit monitoring and the Banks were NPA's slippage would have assumed a regular accumulation on quarter to quarter, half year to half year and year on year position. It is true that loses in credit monitoring system and weak fragile risk management system very quickly intense process of slippages from standard assets to NPA's and then it takes latter time to reach loss assets status when a credit portfolio is not monitor periodically on a regular basis. In such a case, the author recommended system of identifying potential NPA's in standard assets and considering up front action to recover the critical amount due, would precisely help bank arrest slippages to NPA's from standard assets and such account can continued remain classify as standard assets till next assets classification. Similarly midterm review of recently slipped standard assets into NPA's can help in identify critical amount in default and continued interaction and pursuance with borrowers can help Bank in recovery such critical amount in defaulting. So that freshly created NPA's can be upgraded to performing assets (standard assets) whenever next assets classification is due. The author has also raised assets cycle chart for credit monitoring purpose which help Bank judge as to where the NPA's status has reached and depending on actual findings Banks can take remedial measures including bifurcation of age old NPA's into hard core NPA's and non hard core NPA. Needless to mentioned that remaining action have to be triggered in respect of non hard core NPA's are considered for immediate write off through 100% provisioning and then such accounts are left for being dealt with by specialised field staff to explore to the remotest possibilities of recovery if any or knock down from the books of the Bank.

[16] IBA Bulletin, Vol. XX , April 1998.

2.18 K.V Patel & V.S. Kaveri [17]

In their article titled " Non- Performing Advances in Priority Sector - A Study" both the author are trying to project the compulsion of Public Sector Banks where ownership domain is with the Government which has a definite politically ambitious policy framework. As is known to everybody all PSB's of Government of India nominee directors on board who periodically monitor the actual flow of credit into targeted areas of policy makers. Such policy of the Government has targeted over 40% a credit flow into those segments of the economy which is named as a priority sector. Without mincing words, the authors have proved that such a targeted credit exposure of PSB's are obvious potential NPA's where the viability study, end use of funds critical scrutiny of loan proposals etc. are often compromise with in pursuit of achieving target given to each Bank by the Government policy maker. This apart, with priority sector advances have a spectrum length across the sector and thus it is assuming difficult status for close monitoring. The authors have also exposed Banks limitation in timely effective recovery procedure by clearly stating that by end large priority sector advances are capped below 10 lakhs rupees, the same falls out of the purview of expeditious disposal under DRT.

2.19 D.P. Sarda[18]

In this article titled “Strategies for Reducing Non -performing Assets" mentioning various steps for reducing NPA. If one technique fails while dealing with a particular NPA, Banks may have to try with other techniques for that case. It is shown in the following chart.

[17] IBA Bulletin, Vol. XX, June 1998.

[18] IBA Bulletin, Vol. XX, December, 1998.

Various steps for reducing NPA’s → Study the problem of NPAs-branch Wise, amount -wise and age wise

Prepare a loan recovery policy and Strategies for reducing NPA’s

Create a special recovery cells at Head office/ zonal office/ regional office level

Identify critical branches for recovery

Fix targets of recovery and draw time bound action programme

Select proper techniques for solving the Problem of each NPA

Monitor implementation of the time bound Action plan

Take corrective steps wherever found necessary while monitoring the action plan and make necessary change in the original Plan, if necessary

In addition to solving the problem of existing NPA's, quality of appraisal, supervision and follow up should be improved for present advances to avoid further NPA's. Banks should examine the visibility of a project before providing financial assistance. It is necessary to ensure that project will generate sufficient return on the resources invested in it. The viability of a project depends upon technical feasibility, marketability of the product at a profitable price, availability of financial resources in time and proper management of the unit. Sanction of financial assistance after proper appraisal alone is not sufficient for recovery of advances. Disbursement of funds according to the requirements of the project and close supervision and follow up are also equally essential. If proper care is taken for appraisal close supervision and follow up of the advances, future NPA's can be avoided. Although risk is a part of lending, it can be minimised by taking necessary precautions, which may help in avoiding NPA's. Special care should be taken for those advances which are showing irregularities and likely to become NPA's. It can be concluded that Banks should not only take steps to reducing present NPA's but also necessary precaution should also be taken to avoid future NPA's.

2.20 Shri Rashid Jilani[19]

In his article titled " Key Note Address Non- Performing Assets : Issues and Prospects" concluded that by quoting the Narasimham Committee 1998 which succinctly captures the import of resolution of NPA's : " NPA's constitute a real economic cost to the nation in that they reflect the application of scarce capital and credit funds to unproductive uses. The money locked up in NPA's are not available for productive use and to extent that Banks seek, to make provision for NPA's or write them off, it is a charge on their profits. To be able to do so, Banks have to charge their productive and diligent customers a higher rate of interest. It thus becomes a tax on efficiency. It is the customers who use credit efficiently. It is the customers who uses credit efficiently that subsidies the inefficiency represented by NPA's. This also raise the transaction cost of the system thus denying the diligent credit customers the benefits of lower rates which would help them to more efficient and competitive. NPA's in short, are not just a problem for Banks. They are bad for the economy.

2.21 Banambar Sahoo[20]

In his article titled "Rating of Banks on NPA Management" has considered all critical parameters and relevant ratios evaluate branch in respect of non-performing assets. Based on findings of the ratios as also its implications on health of the organisation, the author has come up with the suggestion to allocate number of marks variable from parameter to parameter and aggregate sum up of marks will place their organisation on scale of range between A+ (excellent) to F grade (Very poor). This is indeed a very nice and quality judgmental formula to place in focus all such organisation which forms in the rating range of average to very poor. In fact this is one of the most effective monitoring tools to create pressure for urgent corrective action on erring organisation and upgrade them on

[19] IBA Bulletin Vol. XXI, August, 1999.

[20] IBA Bulletin, Vol. XXI, October, 1999.

consisting base, till it attains gradation of "good" level. Such an exercise would not only prove to be an effective tool for management of NPA but the same way improves liquidity, profitability, cleanness in the balance sheet and ultimately placed the organisation in the pink of health. Unfortunately this proposition may have remained either unexpected or un implemented has none of the literature review unfold NPA rated Banks or NPA rated branches. Needless to say that all the financial institutions have more or less similar kind of audit rating whose usefulness does not mean any mention.

2.22 O. P. Banmali[21]

In this article titled " Life Line of Banking New RBI Formula for NPA Recovery " stated that it was in early 2000 the Banks had started accepting NPA management as a focused one point agenda, not only to pursue cleaning up of the balance sheet but also substantially improved liquidity on one hand and find higher credential as also higher ratings to improve stock prices and build brand value in place, it became imperative for the PSB's to recover huge NPA's either in time bound schedule or in the smallest time schedule. Country's Central Bank i.e. Reserve Bank of India provided guideline together with model scheme for effective recovery in NPA account with more than Rs. Five crore outstanding above or less than Rs. Five crore outstanding amounts. The author has very rightly expressed his concern over the fact that often important issues address by RBI are taken up in the spirit of the routine guideline by PSB's and thus the issues do not receive attention, it deserves as a result purposes defeated. In the opinion of the author, RBI provided with the scheme at very right time and it was up to the consent Banks to not only understand and propagated the scheme but also indulge from top senior brass management to middle management and down to grass route level workers so that specially created cells together with specialised team workers produced desired results, only to find the respective Banks at comparable levels with international peers.

2.23 Sardar N.S. Gujral[22]

The author in his article titled " Assets Quality And Management of NPAs has begun by referring the implication of resultant NPA's occurred post implementation of prudential norms impacting country's economic growth and bottleneck in credit flow from Banks

[21] IBA Bulletin, Vol. XXIII, January, 2001.

[22] The Journal of Indian Institute of Banker, Vol. 72, April, 2003.

and financial institutions. Obviously when funds deployed for credit gets blocked by way of non recoverable NPA's, then more credit flow would not be possible unless either NPA's are recover /return of or fresh liquidity / funds/ fresh capital is infused. Needless to mention that no organisation can afford infusing fresh capital gain and again leaving unrecovered NPA's as mounting debts. In such a situation, it is incumbent on part of Banks to liquidate NPA's through recovery which can be enforced through available means of legal option. Country's Central Bank had to intervene by way of proposition who set up "Lok Adalat" has also “Debt Recovery Tribunals" in line with recommendation of M. Narasimham Committee. This special set up has been meaningfully useful in speeding up recovery process which was otherwise never finding any momentum under normal conventional judicial system. In back drop of failing judicial system has also ARC's inability to provide one shot liquidity; the author has strongly propagated to creation of legal reforms by way of Securitisation Act. It was hoped that enacting such Act will help Bank attach assets and property of willfully defaulting borrowers and liquidate them even without seeking court order. Needless to mention that such an Act and its enforcement liquidate assets, will be considered only after failing to revive bad debt into performing assets has also if best efforts for corporate debt restructuring fails.

2.24 Jenifer Piesse, Sumon Kumar Bhaumik[23]

In their article titled " The Risk Aversion of Banks in Emerging Credit markets: Evidence from India " This paper focuses on the behavior of Banks operating in emerging markets where they have the choice of disbursing resources collected through deposits either as credit to commercial borrowers or as an investment into sovereign securities. Commercial credit in these countries carries credit risk as well as liquidity risk, given the high cost of liquidating collateral for such credit, and the absence of markets for hedging these risks. Sovereign securities, on the other hand, carry near zero default risk, and a relatively low level of liquidity risk. The paper highlights three aspects of Bank behavior in the context of such emerging markets that are not captured by the literature that focuses on the relationship between ownership and performance of Banks. Our results indicate that the credit market behavior of Banks in emerging markets is influenced largely determined by past trends, presumably

[23] Journal of Global Financial Market, 2003.

limiting significantly the ability of new and dynamic firms and sectors to grow rapidly. There is also evidence to support the hypothesis that prudential regulations have a significant impact on Bank behavior with respect to credit disbursal, by making these decisions sensitive to the prevailing stock of NPAs. The regulations also have an impact on Bank-lending in India by way of the priority sector norms of the RBI; these norms make Banks less willing to disburse credit. Finally, we find evidence that the second generation of reforms in India, the thrust of which was then the element of Banks to clear NPA off their balance sheets, had a positive impact on the credit disbursal of the Banks. The results are instructive, and consistent with our priors about Bank-behavior in the context of lending in an emerging market. They also raise some policy issues like, e.g., the effectiveness of the priority sector norms. But while decisions on issues like priority sector lending are likely to be made in the political arena, and while consolidation of incumbent Private Banks by way of M&A can hardly be a policy objective, the results indicate that, given that the Indian Banks are demonstratively risk averse, there is a politically neutral policy issue that can and should be addressed with immediate effect.

2.25 Price Waterhouse Coopers[24]

The article titled "Management of NPA's By Indian Banks" under reference neither from a working Bank official nor from any other financial institution but the same has come up from a word class multinational management consultancy firm. It was in 2002 at Central Bank RBI, in pursuit of addressing core NPA issue in Indian PSB's, staged a conference at Bangalore in which the world class organisation name **PRICE WATERHOUSE COOPERS** initiated and considered comprehensive study of the subject. Needless to mention that PWC has reputation of a firm headed by professionals of international repute with rich experience gathered from spectrum of financial organisation operating across the globe. PWC as a body, has excellent talent at their disposal, to look into the obtaining historical status of accumulated NPA's in PSB's in India together with classic sectorial analysis and study of different causes and condition relevant to emergence of NPA's and its life cycle till liquidation. The whole exercise involved thread bar analysis of economic condition, management machinery and system for handling credit profile and risk

[24] Journal of The NAFCUB, Vol. XXVI, March, 2004.

assessment techniques and quality of appraisals, time flow chart and signal, internal and external control system, a legal framework and judicial set up which all together make a comprehensive report to deal with the issue's of NPA's in Indian PSB's. Obviously such reputed organisation detailing on above referred comprehensive study, translated into a recommendation and suggestion which are recorded in this article and the same has been more or less played out themes in the Indian Banking system during last four years. This perhaps one of the best articles under signed has come across.

2.26 A. S. Rajeev[25]

In his article titled “Basel II - Issues And Constraints" the author by virtue of being an operating Banking official an opportunity to closely assess situational impact on credit, market and operational risk integrated in the Banking business. In all three parameters the author has analysed factual conditions based on historical data, current scenario, the business model of the Bank, the socio economic obligation of the Bank and modern technical tool as also role of credit rating agencies. The net findings have been considered as issues and constraints together with his own suggestion in each parameter. The author has made a very sincere effort in addressing issues concerning the probabilities vis. a vis. actual experience. The volume of business and numbers of Banks in a very highly diverse economy of our nature as a model policy to be raised on a uniform basis in respect of operational risk and market risk is indeed a very complex and difficult. Even the author has gone to the extent of excluding entire retail finance portfolio from risk weight age consideration as the same is in many numbers beside individual variance being a difficult to judge by Banks. Thus, it appears that the author has well brought out issues and constraints. However, all the suggestions together fall short of justification to assessment of judicious capital assessment.

2.27 S. K. Bagchi[26]

In this article titled " Basel II: Operational Risk Management- Need for a Structured Operational Risk Policy in Banks" author clearly stated the likely impact on Indian Banking industry. The requirement of the specific regulatory capital requirement under the

[25] IBA Bulletin, Vol XXVI , June , 2004.

[26] IBA Bulletin, Vol XXVI , November , 2004.

Basel II Accord will have a limited impact as far as Banks Capital level maintenance is concerned owing to following reasons.

* Most of the Commercial banks in India maintain a minimum capital adequacy ratio above Basel Committee requirement of 8 %
* As for the time being adopted Basic Indicator Approach (BIS) is to be apportioned 15% gross income may not pose serious constraints to meet regulatory capital requirement.
* Public Sector Insurance Companies/ Approved Private Sector Insurance Companies provide operational risk mitigated by way of Fidelity Insurance Policy for staff and Insurance Policy against business assets, against external events which will reduce overall quantum of operational risk amount and regulatory capital Basel II Accord on operational risk management is a welcome move. This will surely strengthen the business orientation and focus of Indian Banking. Furthermore since each Bank is likely to have a specific operational risk policy, it will provide a clear direction to operating staff and simultaneously enable top management to monitor and control the risk on an ongoing basis. Basic Indicator Approach is a simple and viable method of capital computation it would set apart necessary amount to take care of operational risk in tune with integral best practices.

2.28 Dr. K.C. Chakraborty[27]

In his article titled "Management of NPA's Trends and Challenges" the author had concluded that in the ultimate analysis, Banks have to face several challenges in managing NPAs. Besides ensuring better scrutiny of the credit proposals before sanction, Banks need to watch closely and monitor the assets from the beginning. In fact, NPA management begins right from the selection of borrowers. A continuous and consistent monitoring mechanism is a must for ensuring the best quality of the asset. Early warning signals or symptoms of any sickness should be addressed immediately and appropriate remedial action implemented.

Despite the availability of various avenues of recovery, in the ultimate analysis, it is the borrower's willingness to repay rather than his ability to repay. Hence, repayment ethics amongst the borrowers should be inculcated prior to any loan disbursement.

[27] Charted Financial Analyst, Vol. XI, October, 2005.

The mindset of the borrowers from the beginning should be turned in such a way that he is willing to repay rather than turn into willful defaulter. Banks should come forward to nurture and promote the above cultural changes among the borrowing public in order to ensure an effective recycling of the precious lendable resources for an all- round improvement of the economy.

2.29 Ram Pratap Sinha[28]

In his article titled " Capital Adequacy of Indian Commercial Banks: Some Empirical Results" concluded that the existing capital adequacy standard has many weaknesses. This makes assessment of capital adequacy of Indian Commercial Banks a difficult proposition. The capital adequacy standards are, however, expected to change radically once the new framework is accepted. The Banks adopting the new framework will experience a lowering of capital requirements as compared to the rest who are not adopting it. Thus sooner or later, all commercial Banks will be compelled to adopt Basel II.

Given the emerging scenario, Indian Commercial Banks face two major challenges. In the first place, they need to adopt the RAROC (Return on Risk Adjusted Capital) framework so that capital requirements are directly linked with the business decisions. This not only facilitates prudent decision- making but also ensures necessary capital allocation.

The second challenge relates to the Public Sector Banks and is the task of mobilizing resources for meeting their Tier I capital requirements. The current legal provisions do not allow them to mobilize resources (from the market) beyond 49% of total equity capital. Whether this restriction will be a bottleneck for them or not is yet to be seen.

2.30 B Krishna Reddy, P Premchanda Babu, V Mallikarjuna and P Viswanath[29]

In their article titled " Non- Performing Assets in Public Sector Banks : An Investigation " had observed that the Non- Performing assets in Indian PSB's appears to have subsided as the gross and net NPA ratios are declining, but in quantity terms there is no significant progress made by the Banks. The quantum of NPAs has increased notwithstanding the efforts of the Banks to reduce or curtail them. The effectiveness of various measures initiated by the RBI and Government of India is limited and Banks are still not able to tame the problem of NPAs. The health of the Banks and their financial performance

[28] The ICFAI Journal of Financial Economics, Vol. IV. March, 2006.

[29] The ICFAI Journal of Financial Economics, Vol. IV. March, 2006.

improved significantly due to the buoyant economic growth witnessed in the past decade and the rise of financial intermediation in the country.

Banks have made a windfall gain from the Government bond market in the last three or four years to build reserves for writing off NPAs. With no long lasting antidote for the NPAs in sight, the Banks are looking forward for Assets Reconstruction Companies to sell their NPAs off at whatever price they can. This is a post hoc solution but the real problem at hand is arresting the creation of NPAs at the first place. As the economy is poised to grow at a stupendous pace, the Banks have to play a much larger role in the coming years, this requires a robust framework to deal with NPAs.

Moreover the Indian Banking sector will be open for foreign participation; fully owned subsidiaries of Foreign Banks will operate on a par with domestic Banks. This will intensify the competition and the weak PSBs may find it difficult to survive. Hence, cleaning - up of balance sheets and shoring -up of equity capital are essential in the coming days. There is another danger lurking in the dark, if the economy slows down and recession prevails, NPAs will zoom-up making the problem uncontrollable. The answer lies in changing the attitudes of Bankers and borrowers and not just the processes.

2.31 Ram Pratap Sinha [30]

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allow them to mobilize resources (from the market) beyond 49% of total equity capital. Whether this restriction will be a bottleneck for them or not is yet to be seen.

2.32 Gourav Vallabh, Anoop Bhatia and Saurabh Mishra [31]

In their article titled " Non- Performing Assets of Indian Public, Private and Foreign Sector Banks : An Empirical Assessment " focus that Non -Performing Assets which are nothing but loan assets of a Bank that have non- functional as the respective borrowers have defaulted on their liabilities , of a Bank have become critical in defining the financial health of the Bank. Here, it is immaterial whether a borrower defaulted on his repayment obligation by virtue of his not being able to realize the anticipatory cash flows from the business either due to his managerial incompetence, financial inadequacy, product failure, market competition, technological obsolescence etc, or due to changes in Government policies, macro economical fundamentals, natural calamities, labor problems etc, or because of the fact that the lending Bank failed to respond to the borrower's capital needs emanating from the altered market reflections well in time. Thus, it has become a critical for a Bank to anticipate the possibilities of an account turning into NPA and initiate a suitable arresting mechanism at its very initial stages, for that is the only way for it to remain healthy.

The study throws open a new field of research for testing the impact of other important macroeconomic fundamentals, such as inflation rate, interest rate and exchange rate and their variation on the accretion or otherwise of NPA's. Similarly, Bank - specific parameters, such as Bank's sensitivity to time the debt restructuring rightly or providing adequate capital in time vis-à-vis the demand

2.33 Vasant Desai [32]

In his book chapter "Non- Performing Assets" had concluded that the accumulation of huge Non- Performing Assets in Banks and financial institution has assumed great importance. The depth of the problem of bad debts was first realised only in early 1990s. The magnitude of NPAs in Banks and financial institution is over Rs. 150000 crores. While the gross NPA reflects the quality of loans made by Banks, net NPA shows the

[31] The ICFAI Journal of Bank Management, Vol. VI, August, 2007.

[32] Banks and Institutional Management 2007, Himalaya Publishing House, New Delhi .

actual burden of Banks. Now it is increasingly evident that the major defaulters are big borrowers coming from non-priority sector. The Banks and financial institution have to take the initiative to reduce NPA in a time bound strategic approach. The Government has empowered the Banks to take over the management of business of a borrower merely by publishing a notice in a newspaper.

In India, it is observed that the probability of success of such a strategy in much higher compared with the policy of debt transfer to AMCs. So it is suggested that India should opt for the decentralised creditor-led strategy and adopt policies to create an amicably environment for the success of such a strategy. However, in some Bank - specific cases, a time bound AMC can be conceived after meeting all the pre- conditions of AMC - based restructuring, if need arises.

2.34 Jyoti Sharma [33]

In her article titled "NPA Management A Major Challenge for Banks " conclude that a variety of avenues are available to Banks and financial institutions in India to recover funds blocked in NPA and to use them for productive purposes. However, practically it is observed that they face many hurdles in this task consequent to borrowers taking benefit of loopholes in the existing statutes. Therefore, there is a need to remove such hurdles faced by the Banks and financial institutions by bringing in appropriate changes in the existing legal framework.

2.35 Geetika Gupta[34]

In her article titled "BASEL III Indian Banking Perspective" conclude that the new rules provide a clear timeline on when and how these changes should be implemented. The process will be quite gradual and not in full effect until 2019. But implementation will be undertaken in a very smart way, providing benchmarks within the process to ensure that

[33] IBA Bulletin Vol. V, No -03, March, 2010.
[34] IBA Bulletin, Vol. V, No 12, December, 2010.

Banks are on their way to full compliance, with some preliminary standards needing to met starting 2013. It is likely that market will push Banks to implement new standards faster than as required under Basel III.

CHAPTER III

PROFILE OF PUBLIC SECTOR BANKS

3.1 INTRODUCTION

Banking participate an essential part in the well organized use of national assets through loan, investing and transferring money all over the nation and even among countries. Obviously, such role of banking is crucial in a developing country like ours, where there are many troubles like poverty, shortage of funds, lack of entrepreneurship etc. Moreover, there are inter-district and inter- zone inequality. There is an uneven allocation of capital. Banks particularly, Public Sector Banks, works as channel manager of financial expansion and success by following the correct type of rules in their operations depending upon the economic circumstances existing in a nation.[1]

Public Sector Banks by their nature are Government owned Banks and therefore their Banking obligations have to be focused on the Government's economic programme. The Banks are sources to pump flow of money in different channels of the economy such as agriculture, small and medium enterprise, large industries, trading activities, service sectors, retail consumption and wholesalers. While Bank deployed their own capital, besides attracting savings of different classes and masses of the country's population through the launch and introduction of different types of deposit schemes.[2] Thus, Bank's own capital adds to deposit money raised from people, is channelised to above started different economic activities, but in compliance to statutory provision by RBI such as capital adequacy, statutory liquidity ratio and the cash reserve ratio.

Hence, the situation in which Banks function is important because it is either conductive to the progress of the Banks or unfavorable to its functioning. Banks have to perform their function within the purview of monetary and credit policies laid down by the RBI. The financial and credit plan of RBI are deemed to be the operational control more or less, influence the act of Banks. However, for the continued existence of the Public Sector Banks, management of the NPA and capital adequacy has been considered as one of the major criteria.

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[1] Upadhyay Krishn Kant(2009), " Role of Public Sector Banks in Indian Economy", Pearl Books, New Delhi, PP. 10-11.

[2] Tyagi Dinesh Kumar, Ahmad, Shahid Ashraf(2006), " Political Economy of Banking Reforms in India", Wisdom Publications, New Delhi, PP. 24-25.

3.2 TYPE OF BANKS

Banks can be classified into various types of categories depending upon their

(1) Ownership pattern,

(2) Nature of operation,

(3) Structure of operation etc.

In India the Banking sector classified into two categories viz.

(1) Commercial Banks and

(2) Co-operative Banks.

Commercial Banks cater to the needs of industry and trade. Co-Operative Banks play a major role in financing agriculture and allied activities in rural areas, and trade and services in urban areas. The Commercial Banks further classified as

(1) Banks incorporated in India and

(2) Banks incorporated outside India.

Banks incorporated in India may be further classified as per their ownership pattern such as

(1) Public Sector Banks,

(2) Private Sector Banks.

The Commercial Banks may also be classified on the basis of the inclusion in the second schedule to the Reserve Bank of India Act 1934 in two categories such as

(1) Schedule Commercial Banks or

(2) Non Schedule Commercial Banks.

Public Sector Banks can be classified in two categories such as

(1) State Bank Group Banks (SBI and Associate Banks) or

(2) Nationalised Banks incorporated in India and having branches in various countries are also termed

(1) Foreign Banks

(2) Non Banking Financial Institutions.

3.3 PROFILE OF PUBLIC SECTOR BANKS

The profile of Public Sector Banks can be assessed and judged when it is analysed in a tabulated form supported by statistical input of key parameters comparable with Private Sector Banks and Foreign Sector Banks. This apart, the coverage spread of around 18 years, between 1993 to 2010 makes it importance for the purpose for which it is analysed. Hence the annexed tables and graphs contain and represent key parameter inputs in terms of statistics for the period from 1993 to 2010, grouped divide under caption of Public Sector Banks, Private Sector Banks and Foreign Banks and total there to

3.3.1 Branches

The annexed table show the highest growth rate in all three categories, during the year 2006 to 2007 and 2007 to 2008 where as the growth rate in PSB's have been very modestly ranging between 0.13% as lowest in 2002 to highest of 6.47% in 2008. Excepting above referred periods the growth rate has been restricted between 0.60% to 1.50% between 1993 to 2005. This may because of base effect of higher base achieve by most Public Sector Banks after Nationalisation into 1969 and thereafter up to late 1980's. Further the Public Sector Banks have registered noteworthy percentage growth in number of branches during 2006, 2007, and 2008, perhaps due to need of the country's stupendous economy growth when the GDP growth was recorded at 7 %, 8 % and 9 % respectively. And in the year 2010 the growth rate in branches raised to 6.00%.

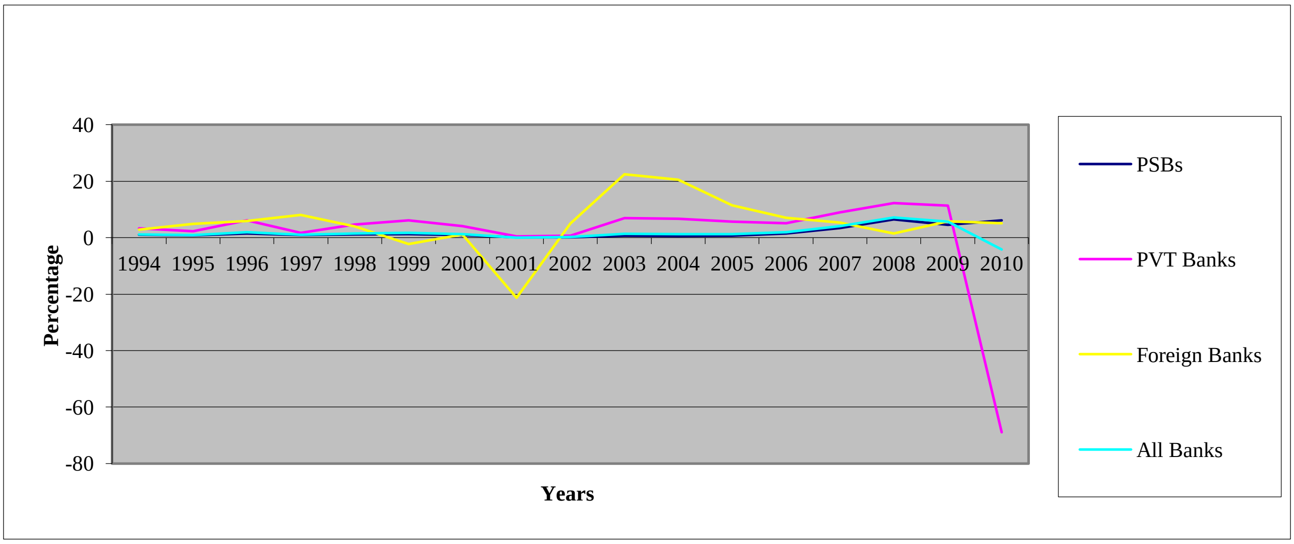
Table 3.1 BRANCHES OF BANKS FROM 1993 to 2010

(Figure in Numbers)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Numbers)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Numbers)	Annual Growth Rate (in %)	FOREIGN BANKS (Numbers)	Annual Growth Rate (in %)	ALL BANKS (Numbers)	Annual Growth Rate (in %)
1993	42901	-	3849	-	140	-	46890.00	-
1994	43338	1.02	3975	3.27	144	2.85	47461.29	1.20
1995	43679	0.79	4066	2.29	151	4.86	47899.08	0.93
1996	44334	1.50	4316	6.15	160	5.96	48817.65	1.91
1997	44759	0.96	4390	1.71	173	8.12	49324.67	1.05
1998	45292	1.19	4594	4.65	180	4.04	50071.84	1.51
1999	45860	1.25	4874	6.09	176	-2.22	50917.34	1.69
2000	46285	0.93	5077	4.16	178	1.13	51545.09	1.24
2001	46323	0.08	5102	0.49	140	-21.35	51565.57	0.05
2002	46384	0.13	5138	0.71	147	5.00	51669.84	0.20
2003	46708	0.70	5492	6.89	180	22.44	52387.59	1.38
2004	46984	0.59	5860	6.70	217	20.56	53068.29	1.30
2005	47288	0.65	6196	5.73	242	11.52	53732.38	1.25
2006	48016	1.54	6516	5.16	259	7.02	54797.7	1.98
2007	49666	3.44	7103	9.00	273	5.40	57054.44	4.11
2008	52880	6.47	7975	12.28	277	1.47	61150.75	7.17
2009	55438	4.61	8877	11.31	293	5.78	64608.00	5.65
2010	58825	6.10	2762	-68.88	308	5.11	61895.00	-4.20
CAGR	**15487**	**107%**	**-1213**	**-8%**	**164**	**1.00%**	**14434**	**100%**

(Source: IBA Special Issue)

Graph 3.1 Annual Growth Rate in Branches (in %)



On other hand Private Sector banks branches have grown highest in percentage terms during 2006, 2007 and 2008, nevertheless the percentage growth is more consistent at an average of 4% throughout except 2001 and 2002. This is because the Banking Sector is since highly regulated and the economic reforms where being push cautiously by the Government, the private players wanted to tap huge economic potential of the country and therefore they always made strong cases year on year basis to get more licences for expanding their branches. This apart, the base effect being very low, their consistent average growth in number of branches at 4% was always achievable during 15 years period under reference. But in the year 2010 this rate goes down to negative i.e. -68.88 as due to decrease in the number of branches.

More or less similarly in case of Foreign Banks which has recorded at highest growth in percentage terms at 22.44 % in the year 2003 where as lowest growth was at 1.13% in the year 2000. However Foreign Bank is only category in which very huge negative growth has occurred in the year 2001 when the number of branches was reduced from 178 in the year 2000 to 140 in the year 2001. Moreover as more negative growth occurred of 2.22% during the year 1999 when the numbers of branches were reduced from 180 in 1998 to 176 in 1999. But during the year 2008 to 2010 the growth rates of branches increase from 1% to 5%.

3.3.2 Deposits

The Public Sector Banks have recorded highest growth during the years 2007 and 2009 respectively at 22.91 % and 26.85 % whereas the lowest growth was recorded at 11.41 % in the year 2004. This apart, in remaining 10 years, the growth rate has been consistent at an annual average of 14 % to 15% throughout despite high base effect.

Table 3.2 **DEPOSITS OF BANKS FROM 1993 to 2010**

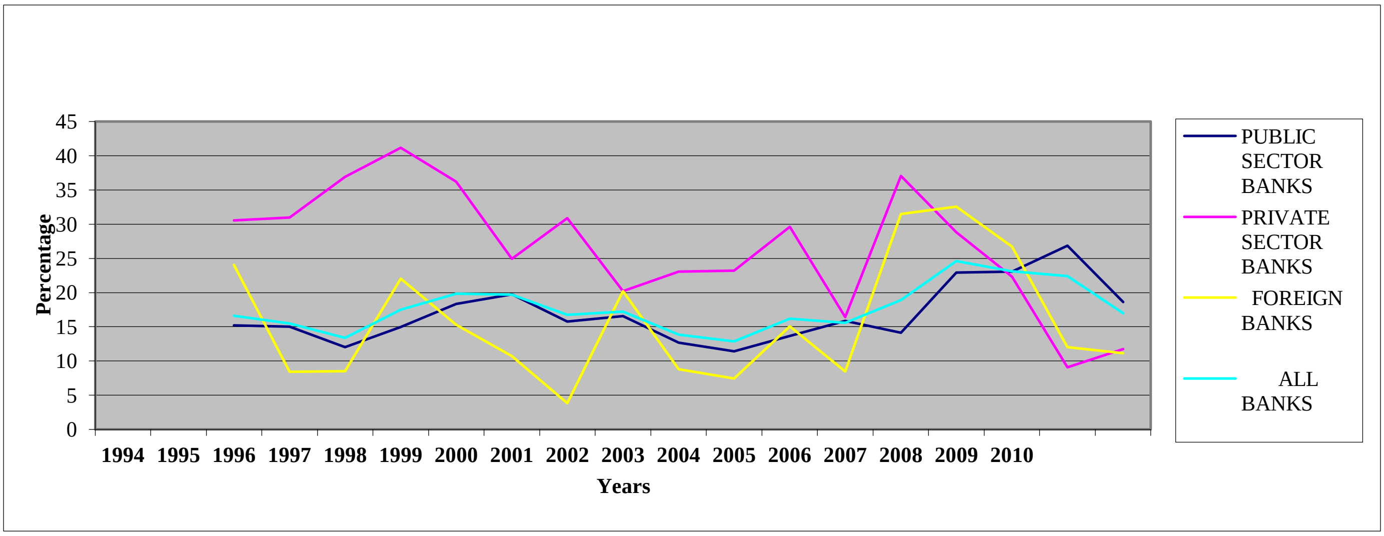
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	263254	-	15445	-	20875	-	299574	-
1994	303292	15.20	20162	30.54	25897	24.06	349351	16.62
1995	348938	15.00	26406	30.96	28079	8.42	403423	15.48
1996	390820	12.00	36151	36.90	30466	8.50	457437	13.39
1997	449340	14.97	51035	41.17	37182	22.04	537557	17.51
1998	531729	18.33	69516	36.21	42873	15.31	644118	19.82
1999	636810	19.76	86855	24.94	47464	10.71	771129	19.72
2000	737313	15.78	113670	30.87	49324	3.82	900307	16.75
2001	859462	16.57	136635	20.20	59289	20.20	1055386	17.23
2002	968624	12.70	168171	23.08	64511	8.81	1201306	13.83
2003	1079167	11.41	207174	23.19	69313	7.44	1355654	12.85
2004	1226838	13.68	268549	29.62	79756	15.06	1575143	16.19
2005	1421672	15.88	312645	16.42	86505	8.46	1820822	15.60
2006	1622481	14.12	428455	37.04	113745	31.49	2164681	18.88
2007	1994200	22.91	551987	28.83	150794	32.57	2696981	24.59
2008	2453867	23.05	675073	22.30	191114	26.74	3320054	23.10
2009	3112747	26.85	736378	9.08	214076	12.01	4063201	22.39
2010	3691799	18.60	822801	11.74	237853	11.11	4752453	16.96
CAGR	**3428545**	**77.00%**	**807356**	**18.00%**	**216978**	**5.00%**	**4452879**	**100%**

(Source: IBA Special Issue)

When compared with Private Sector Banks, clearly the incompetence of Public Sector banks in achieving higher growth rate remains expose as Private Sector Banks have recorded annual average growth rate over 23% to 24%. Private Sector Banks have recorded highest growth at 41.17% in the year 1997 and lowest growth at 9.08% in the year 2009. This distance between growth rate of Public Sector Banks and Private Sector Banks mainly attribute to lack of personalised services to HNI (High Net worth Individuals) and technological handicapped of modern business tools with Public Sector Banks. Even man power talent and potential there to, make a difference between Public Sector Banks and Private Sector Banks.

Graph 3.2 Annual Growth Rate in Deposits (in%)



However the same observation are not available when growth rate of Foreign Banks is considered. The highest growth rate is recorded at 32.57% in the year 2007 and lowest growth rate is recorded at 3.82% in the year 2000. This may be due to uncommon business model and less penetration in the net worth of branches.

3.3.3 Investments

Public Sector Banks in India have been relatively less dynamic and less aggressive when compared with Private Sector banks and Foreign Banks operating in the country. This is reflected in the investment pattern that has emerged between 1993 to 2008 of all three categories. Public Sector Banks by virtue of their ownership in Government hand, the asset allocation and asset management was always challenging task with very low or less room for level playing field in servicing investment portfolio. The relevant table shows highest growth in percentage terms at 33.15% in 1994 whereas lowest growth rate was marked at 4.91% in the year 2007. However year 2006 witnessed a negative growth -6.64%.

Table 3.3 **INVESTMENTS OF BANKS FROM 1993 to 2010**

(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual growth Rate (in %)
1993	99851	-	5099	-	11332	-	116282.00	-
1994	132953	33.15	7222	41.64	13954	23.14	154129.00	32.55
1995	150452	13.16	9485	31.33	12269	-12.08	181735.49	17.88
1996	162691	8.13	11776	24.15	12869	4.89	187368.28	3.11
1997	191054	17.43	18390	56.17	16629	29.22	226146.60	20.68
1998	227102	18.87	26620	44.75	21417	28.79	275202.62	21.70
1999	276802	21.88	36494	37.09	26337	22.97	349691.97	27.07
2000	333414	20.45	50794	39.18	29664	12.63	443595.63	26.86
2001	394107	18.20	61891	21.85	35757	20.54	491795.05	10.87
2002	454509	15.33	97805	58.03	35094	-1.85	587481.36	19.45
2003	545636	20.05	107323	9.73	40795	16.24	693783.78	18.10
2004	625678	14.67	134801	25.6	41587	1.94	802106.27	15.61
2005	678637	8.46	138968	3.09	42518	2.24	860134.55	7.24
2006	633556	-6.64	180568	29.93	52383	23.20	866530.29	0.74
2007	664645	4.91	214655	18.88	71469	36.44	950792.79	9.72
2008	799029	20.22	278215	29.61	98910	38.40	1176203.83	23.71
2009	1013004	21.12	306531	10.77	130354	31.79	1449889.00	23.26
2010	1206023	19.05	354117	15.52	159286	22.19	1719426.00	18.59
CAGR	**1106172**	**69%**	**349018**	**22%**	**147954**	**9%**	**1603144**	**100%**

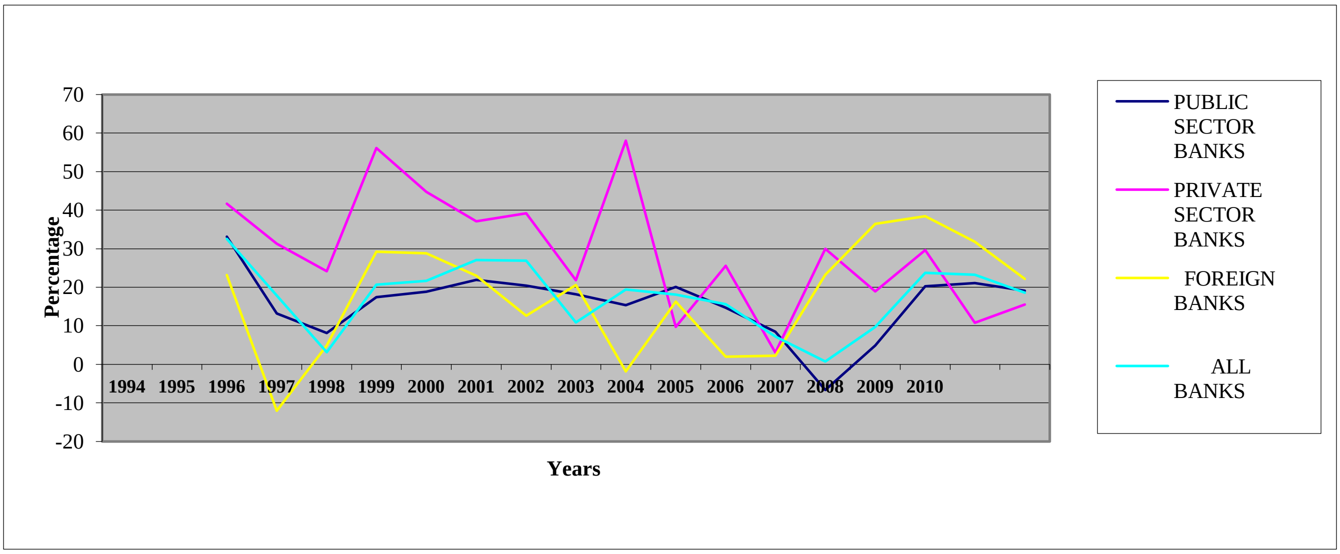
(Source: IBA Special Issue)

In case of Private Sector Banks the highest % growth was recorded during the year 2002 at 58.00% and lowest recorded at 3.09% in the year 2005. It may be mentioned here that Private Sector categories has not recorded any negative growth in investment pattern. Further the growth rate in first 10 years has remained consistent at an average of 30% plus. Here after

2005 the growth rate increase but at lower rate. In 2008 it is 29.61% but in the year 2010 it becomes 15.52%

The Foreign Banks investment figure reflect highest variance in percentage term showing inconsistent and highly fluctuating growth rates which is spread all over place in the referred 18 years time. The highest growth rate is recorded at 38% in 2008 whereas lowest percentage growth is recorded at 1.94% in the year 2004. However, it has recorded negative growth twice in 18 years at -1.85 % in 2002 and -12.08 in the year 1995**.**

Graph 3.3 Annual Growth Rate in Investment (in%)



3.3.4 Loans and Advances

Public Sector Banks have achieved exceptionally good consistent credit growth rate at over 30% for last 3 years between 2005 to 2007. Even 2008 triggered in the economic slowdown in world. Economy has restricted the growth at nearly 25% which could have gone up to 30% had India not have been impacted by world economy. This average 30% growth rate in last 4 years is achieved after more or less 15% annual growth rate base effect between 1999 to 2004. Thus, momentum of credit growth generated between 2000 and 2004 got accelerated to 30% between 2005 and 2008 so as to translate into average GDP growth of over 8% in last 4 years. Even in the year 2009 and 2010 it is respectively 25.72% and 19.65%. However it is worth mentioning the first 5 years between 1993 and 1997, the implementation of prudential norms and concept of NPA's have restricted the credit growth rate in single digit and even --4.53 % in 1994.

On other hand Private Sector Banks have outperformed entire Banking industry by achieving consistently more than 22% annual growth rate every year throughout in the spread of 15 years. Despite high base effect Private Sector Banks have recorded highest growth rate at 71.89%, 60.09%, 42.03 % and 41.91% respectively in the years of 2002, 1998, 2006 and 1995.

However so is not the case in respect of Foreign Banks. Perhaps due to its business models and less penetration as started earlier. The Foreign Banks have recorded highest growth rate in the year 1996 at 45.16% and lowest rate at.-1.28 in the year 2010. Year on Year situation in respect of Foreign Banks is highly variable and inconsistent except for last 4 years between 2005 to 2008.

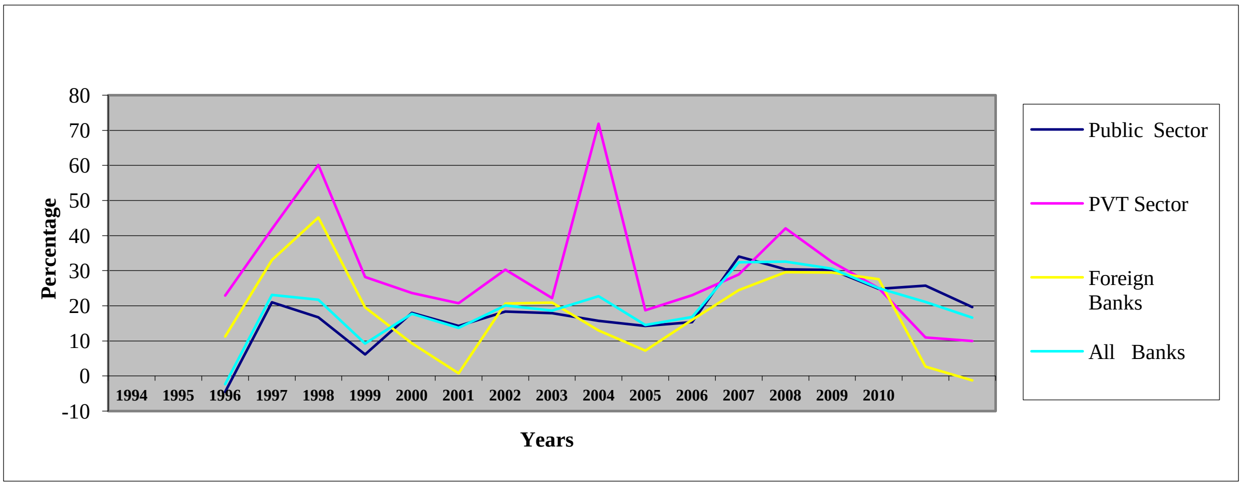
Table 3.4 LOANS AND ADVANCES OF BANKS FROM 1993 to 2010

(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	153880	-	8012	-	10433	-	172325.00	-
1994	146915	-4.53	9844	22.87	11610	11.28	168387.34	-2.30
1995	177781	21.00	13970	41.91	15446	33.04	207259.91	23.06
1996	207533	16.74	22365	60.09	22421	45.16	252395.83	21.77
1997	220258	6.13	28681	28.24	26794	19.50	275767.37	9.28
1998	259903	18.00	35449	23.60	29290	9.32	324683.60	17.74
1999	296959	14.26	42789	20.71	29523	0.80	369305.97	13.74
2000	352109	18.40	55742	30.27	35617	20.64	443516.67	20.09
2001	414989	17.86	68111	22.19	43051	20.87	526191.05	18.64
2002	480118	15.69	117075	71.89	48632	12.96	645912.58	22.75
2003	548437	14.23	138949	18.68	52168	7.27	739586.91	14.51
2004	632740	15.37	170896	22.99	60507	15.98	864181.36	16.85
2005	848340	34.07	220337	28.93	75318	24.48	1144058.00	32.38
2006	1106288	30.41	312962	42.03	97562	29.53	1516884.44	32.59
2007	1440123	30.18	414755	32.52	126339	29.50	1981279.70	30.62
2008	1797505	24.82	518402	24.99	161133	27.54	2477089.81	25.02
2009	2259759	25.72	575328	10.98	165385	2.63	3000472	21.12
2010	2703811	19.65	632494	9.93	163260	-1.28	3499565	16.63
CAGR	**2549931**	**77%**	**624482**	**19%**	**152827**	**4%**	**3327240**	**100%**

(Source: IBA Special Issue)

Graph 3.4 Annual Growth Rate in Loans And Advances (in %)



3.3.5 Interest Income

Interest income includes interest / discount on advances / bills, income on investments, interest on balance with Reserve Bank of India and other inter Bank funds and others includes any other interest/ discount income not included in the above heads.

The Growth spread of interest income of Public Sector Banks for the above referred period ranging between 1% to 28% where in case of Private Sector Banks it varied between 2% to 57% for the period selected for the above parameter and in respect of Foreign Banks it is varied between 0.19% to 46%.

In case Public Sector Banks which have highest interest income growth at 28.32% in the year 2009 whereas in Private Sector Banks it comes around 57% in the year 1997.

It however noteworthy that despite implementation of prudential norms relating to Income recognition, the Public Sector Banks have not registered -ve growth rate throughout the year.

Table 3.5 **INTEREST INCOME OF BANKS FROM 1993 to 2010**

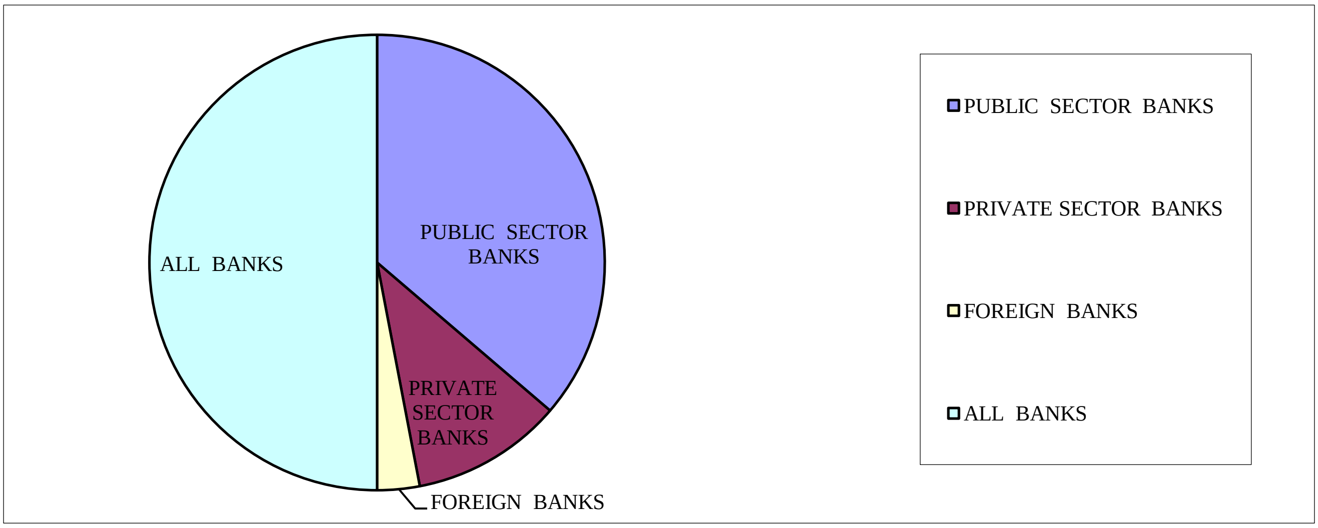
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	Foreign BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in%)
1993	31885	-	1677	-	3628	-	37190	-
1994	32455	1.79	2069	23.38	3341	-7.91	37865	1.82
1995	37846	16.61	2973	43.69	3748	12.18	44567	17.70
1996	46533	22.95	4679	57.38	4969	32.58	56181	26.06
1997	53911	15.86	6361	35.95	6190	24.57	66462	18.30
1998	59076	9.58	7892	24.07	6783	9.58	73751	10.97
1999	69417	17.50	10035	27.15	7860	15.88	87312	18.39
2000	79459	14.47	11872	18.31	8176	4.02	99507	13.97
2001	91129	14.69	14492	22.07	9470	15.83	115091	15.66
2002	100711	10.51	16515	13.96	9700	2.43	126926	10.28
2003	107193	6.44	24553	48.67	8973	-7.49	140719	10.87
2004	109496	2.15	25542	4.03	8990	0.19	144028	2.35
2005	117691	7.48	26262	2.82	9170	2.00	153123	6.31
2006	137874	17.15	35222	34.12	12291	34.03	185387	21.07
2007	168108	21.93	51144	45.20	18019	46.60	237271	27.99
2008	213075	26.75	70991	38.81	24417	35.51	308483	30.01
2009	273428	28.32	85066	19.83	30322	24.18	388816	26.04
2010	306489	12.09	82874	-2.58	26391	-12.96	415754	6.93
CAGR	**274604**	**72.54%**	**81197**	**21.45%**	**22763**	**6.01%**	**378564**	**100%**

(Source: IBA Special Issue)

Where in case of Private Sector Banks, these Banks have registered -ve growth rate in interest income i.e.-2.58 in the year 2010 and in case of Foreign Banks where -ve growth rate in the year 1994 and in the year 2003 i.e. -7.91%

Chart 3.1 Cumulative Annual Growth Rate in Interest Income (in%)



3.3.6 Other Income

Other Income includes commission, exchange and brokerage, profit on sale of investments less loss on sale of investment, profit on sale of land and building less loss on sale of land and building and other assets, profit on exchange transactions less loss on exchange transactions, income earned by way of dividends etc and miscellaneous income.

In case of other income the performance evaluation of Public Sector Banks shows that, the growth of other income in the period range from 1993 to 2010 it is between 4% to 57%. But Public Sector Banks have also registered -ve growth rate in other income for the years 1994, 2005, 2006 and 2007 around -9.45%, -16.85%, -6.27% and -4.72 respectively which is going down ward gradually.

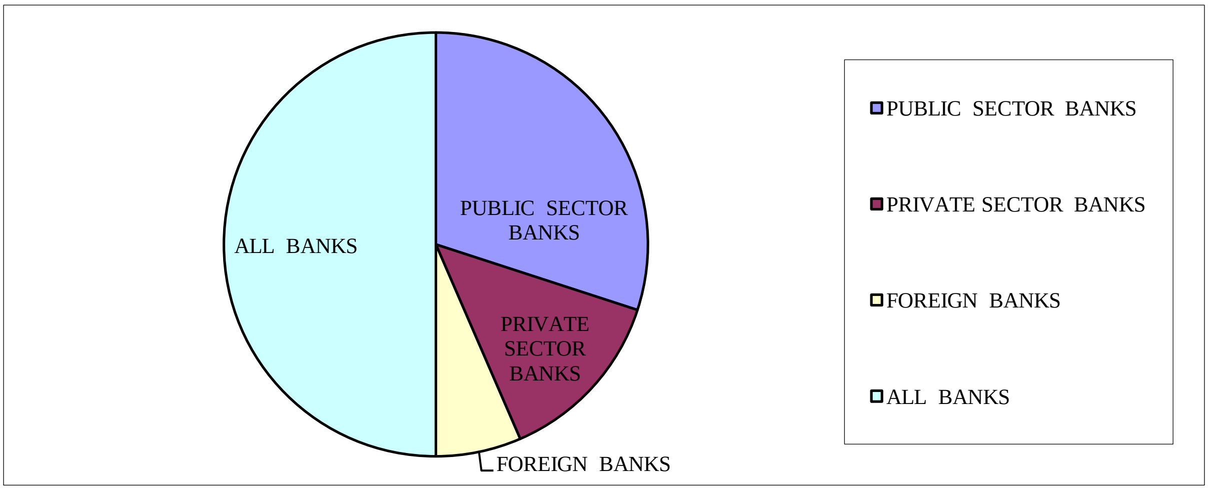
Table 3.6 OTHER INCOME OF BANKS FROM 1993 to 2010

(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	3958		209		310		4477	
1994	3584	-9.45	304	45.45	743	139.68	4631	3.44
1995	5101	42.33	379	24.67	917	23.42	6397	38.13
1996	7045	38.11	772	103.69	1114	21.48	8931	39.61
1997	7360	4.47	979	26.81	1399	25.58	9738	9.04
1998	8630	17.26	1562	59.55	1914	36.81	12106	24.32
1999	9432	9.29	1459	-6.59	1859	-2.87	12750	5.32
2000	11441	21.30	2286	56.68	2152	15.76	15879	24.54
2001	12370	8.12	2098	-8.22	2517	16.96	16985	6.97
2002	16541	33.72	4263	103.19	3260	29.52	24064	41.68
2003	21272	28.60	6122	43.61	3091	-5.18	30485	26.68
2004	28106	32.13	7612	24.34	4022	30.12	39740	30.36
2005	23370	-16.85	6343	-16.67	3863	-3.95	33576	-15.51
2006	21905	-6.27	8091	27.56	5371	39.04	35367	5.33
2007	20872	-4.72	11121	37.45	6937	29.16	38930	10.07
2008	32797	57.13	17006	52.92	10588	52.63	60391	55.13
2009	42180	28.61	17949	5.55	14891	40.64	75020	24.22
2010	48387	14.72	20180	12.43	9951	-33.17	78518	4.66
CAGR	**44429**	**60.01%**	**19971**	**26.97%**	**9641**	**13.02%**	**74041**	**100%**

(Source: IBA Special Issue)

Chart 3.2 Cumulative Annual Growth Rate in Other Income (in%)



In case of Private Sector Banks the growth rate of other income range between 5% to 103% which is as high as compared with Public Sector Banks. Private Sector Banks also registered -ve growth rate same 16% in the year 2005.

In respect of Foreign Banks, the growth rate of other income ranging between 15% to 140%. But there is also -ve growth rate -33.17% in the year 2010 as compare with Public Sector Banks and Private Sector Banks.

3.3.7 Total Income

The growth spread in income of Public Sector Banks, for the period under reference ranges between 3% to 30% whereas the same corresponds to range of 4% to 60% in respect of Private Sector Banks and in respect of Foreign Banks it is ranged between 0.17% to 40 %. It however noteworthy that despite implementation of prudential norms concerning income recognition, the Public Sector Banks have not registered negative growth throughout.

Whereas Private Sector Banks have registered negative growth of -2.08 in the year 2005 and in respect of Foreign Banks the negative growth is as high as - 7.13% in the year 2003.

Table 3.7 TOTAL INCOME OF BANKS FROM 1993 to 2010

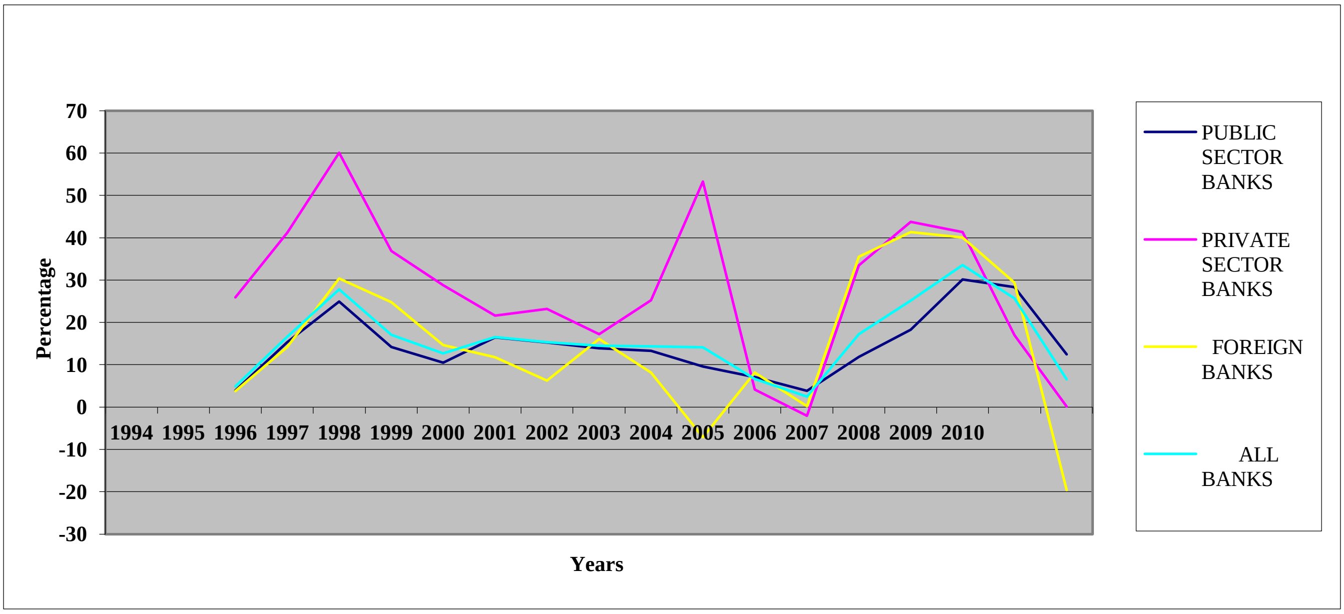
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	35843	-	1886	-	3938	-	41667	-
1994	37241	3.90	2374	25.87	4085	3.73	43700	4.88
1995	42947	15.32	3351	41.15	4666	14.22	50964	16.62
1996	53665	24.96	5364	60.07	6083	30.36	65112	27.76
1997	61271	14.17	7340	36.84	7589	24.76	76200	17.03
1998	67707	10.50	9452	28.77	8698	14.61	85857	12.67
1999	78850	16.46	11493	21.59	9719	11.74	100062	16.54
2000	90900	15.28	14158	23.19	10328	6.27	115386	15.31
2001	103499	13.86	16590	17.18	11987	16.06	132076	14.46
2002	117252	13.28	20778	25.24	12960	8.11	150990	14.32
2003	128464	9.56	31846	53.27	12035	-7.13	172345	14.14
2004	137602	7.11	33153	4.10	13012	8.12	183767	6.63
2005	142837	3.80	32462	-2.08	13034	0.17	188333	2.48
2006	159780	11.86	43314	33.43	17662	35.51	220756	17.22
2007	188979	18.27	62265	43.75	24956	41.30	276200	25.12
2008	245941	30.14	87998	41.33	34947	40.03	368886	33.56
2009	315554	28.30	102932	16.97	45216	29.38	463702	25.70
2010	354876	12.46	103054	0.12	36342	-19.62	494272	6.59
CAGR	**319033**	**71%**	**101168**	**22%**	**32404**	**7%**	**452605**	**100%**

(Source: IBA Special Issue)

Besides this, the Public Sector Banks have been more or less consistent in double digit growth rate except for 2004 and 2005. The highest income growth have been registered of over 60% by Private Sector Banks in the year 1996 where as Public Sector Banks have registered highest income growth in the year 2008.

Graph 3.5 Annual Growth Rate in Total Income (in %)



3.3.8 Interest Expenditure

Interest expenditure includes interest on deposits, interest on RBI / inter Bank borrowings, others includes discounts and interest on all borrowings/ refinance from financial institutions. All other payments like interest on participation certificates, penal interest paid etc may also include here.

The growth rate of interest expenditure of Public Sector Banks varied between 0.80% in the year 2005 to 43.93% in the year 2008 which is the highest interest expenditure. But such Public Sector Banks have exceptionally well in restricting interest expenditure growth rate in the year 2004 i.e. -ve 5.85%. After 2008, PSB's control on interest expenditure which come around 10% in the year 2010.

Table 3.8 **INTEREST EXPENSE OF BANKS FROM 1993 to 2010**

(Amt. in Rs. Crore)

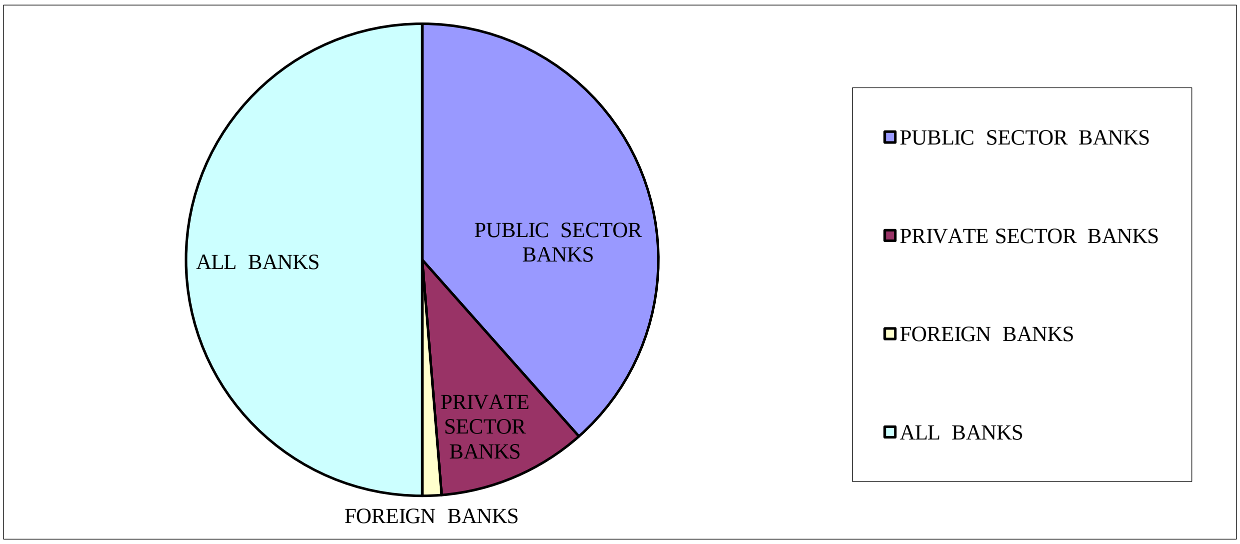
AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	23912	-	1162	-	2516	-	27590	-
1994	23507	-1.69	1384	19.10	1939	-22.93	26830	-2.75
1995	25011	6.40	1891	36.63	2139	10.31	29041	8.24
1996	30961	23.79	3171	67.69	3184	48.85	37316	28.49
1997	36339	17.37	4585	44.59	3906	22.68	44830	20.14
1998	40174	10.55	5903	28.75	4222	8.09	50299	12.20
1999	47840	19.08	7864	33.22	5201	23.19	60905	21.09
2000	55375	15.75	8956	13.89	4986	-4.13	69317	13.81
2001	61693	11.41	10685	19.31	5763	15.58	78141	12.73
2002	69154	12.09	12218	14.35	6054	5.05	87426	11.88
2003	69853	1.01	18689	52.96	5065	-16.34	93607	7.07
2004	65765	-5.85	17530	-6.20	4272	-15.66	87567	-6.45
2005	66288	0.80	16273	-7.17	4040	-5.43	86601	-1.10
2006	80504	21.45	21508	32.17	5150	27.48	107162	23.74
2007	103457	28.51	32894	52.94	7615	47.86	143966	34.34
2008	148902	43.93	48495	47.43	10604	39.25	208001	44.48
2009	193447	29.92	56957	17.45	12817	20.87	263221	26.55
2010	211939	9.56	51206	-10.10	8938	-30.26	272083	3.37
CAGR	**188027**	**76.9%**	**50044**	**20.47%**	**6422**	**2.63%**	**244493**	**100%**

(Source: IBA Special Issue)

On the other hand Private Sector Banks interest expenditure constantly increase with double digit but in the year 2010 it reduced to -10.10%

The picture of interest expenditure Foreign Banks is lack luster and at least for six different years there have been successful in reducing such expenditure from -5.43% in the year 2005 to -30.26% in the year 2010.

Chart 3.3 Cumulative Annual Growth Rate in Interest Expense (in%)



3.3.9 Operating Expenditure

Operating Expenditure includes establishment expenses, rent, taxes, lighting, printing, stationery, advertisements, publicity and depreciation. It is the expenditure incurred to operate branch.

The annexed table show the annual growth of operating expenditure of Public Sector Banks is as high as in the year 2010 i.e. 24.68% and as lower as -5.65% in the year 2002. But after 2007 the operating expenditure of Public Sector Banks increases from 4.71% to 19.57% as in the year 2010.

In case of Private Sector Banks, operating expenses as high as in the year 2003 i.e. 54% which is the highest expenditure as compared with Public Sector Banks and Foreign Banks and lower it 7.46% and 4.12% in the 2009 and 2010.

Table 3.9 OPERATING EXPENDITURE OF BANKS FROM 1993 to 2010

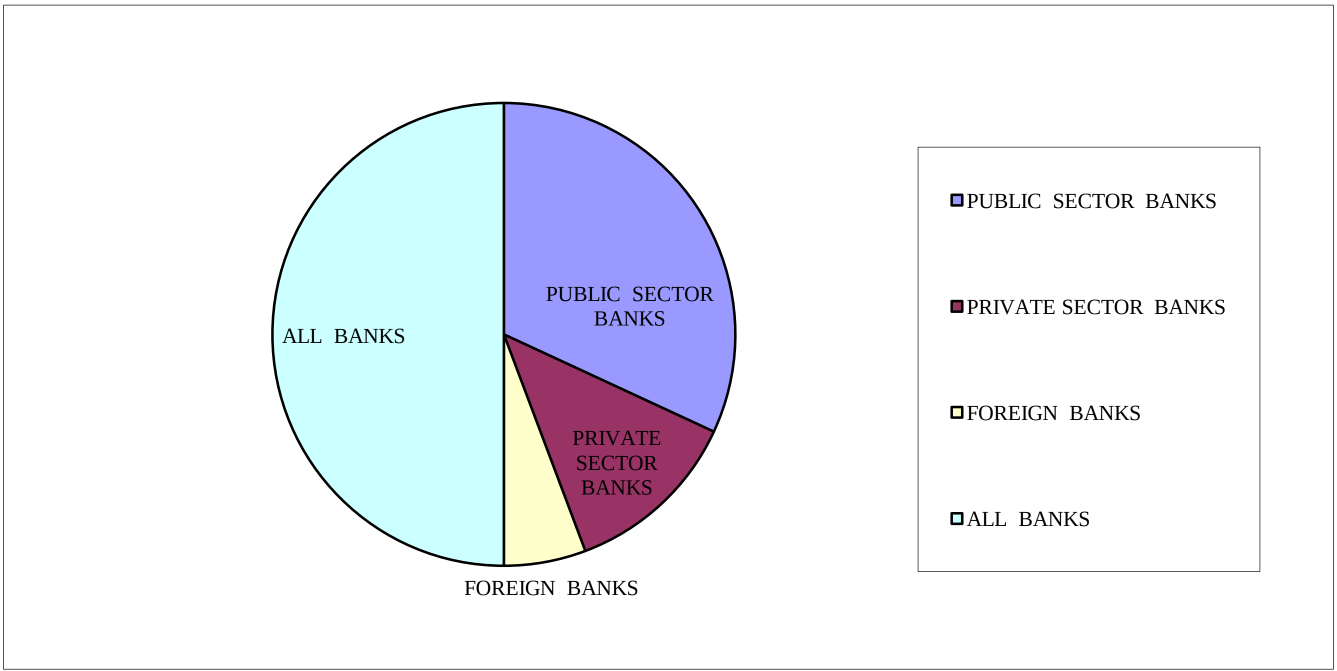
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	8796		490		842		10128	
1994	10037	14.11	572	16.73	885	5.11	11494	13.49
1995	12416	23.70	776	35.66	1037	17.18	14229	23.80
1996	15135	21.90	1132	45.88	1323	27.58	17590	23.62
1997	16035	5.95	1423	25.71	1684	27.29	19142	8.82
1998	17258	7.63	1728	21.43	1931	14.67	20917	9.27
1999	20450	18.50	2151	24.48	2745	42.15	25346	21.17
2000	22461	9.83	2529	17.57	2655	-3.28	27645	9.07
2001	28004	24.68	3060	21.00	3114	17.29	34178	23.63
2002	26422	-5.65	3862	26.21	3393	8.96	33677	-1.47
2003	28897	9.37	5938	53.75	3250	-4.21	38085	13.09
2004	32363	11.99	7415	24.87	3752	15.45	43530	14.30
2005	36081	11.49	8661	16.80	4397	17.19	49139	12.89
2006	41308	14.49	12038	38.99	5854	33.14	59200	20.47
2007	43255	4.71	15323	27.29	7746	32.32	66324	12.03
2008	46663	7.88	20267	32.27	10353	33.66	77283	16.52
2009	55190	18.27	21779	7.46	12299	18.80	89268	15.51
2010	65990	19.57	22676	4.12	11111	-9.66	99777	11.77
CAGR	**57194**	**63.81%**	**22186**	**24.74%**	**10269**	**11.45%**	**89649**	**100%**

(Source: IBA Special Issue)

In respect of Foreign Banks, such expenditure become -ve for the year 2003 i.e. -4.21% and -9.66% for the year 2010. But for the year 2006, 2007, 2008 it remain constant about 33%.

Chart 3.4 Cumulative Annual Growth Rate in Operating Expense (in%)



3.3.10 Total Expenditure

Public Sector Banks expenditure growth rate is ranged between 2.55% in 1994 to a highest of 32.26% in the year 2008. However Public Sector Banks have done exceptionally well in restricting expenditure growth to single digit percentage consistently positive growth in expenditure at 17% in 2006 to 20% in 2007 and 33% in 2008 which is not a good sign. But in the year 2009 and 2010, the growth rate in total expenditure reduced from 27% to 11%.

Table 3.10 TOTAL EXPENDITURE OF BANKS FROM 1993 to 2010

(Amt. in Rs. Crore)

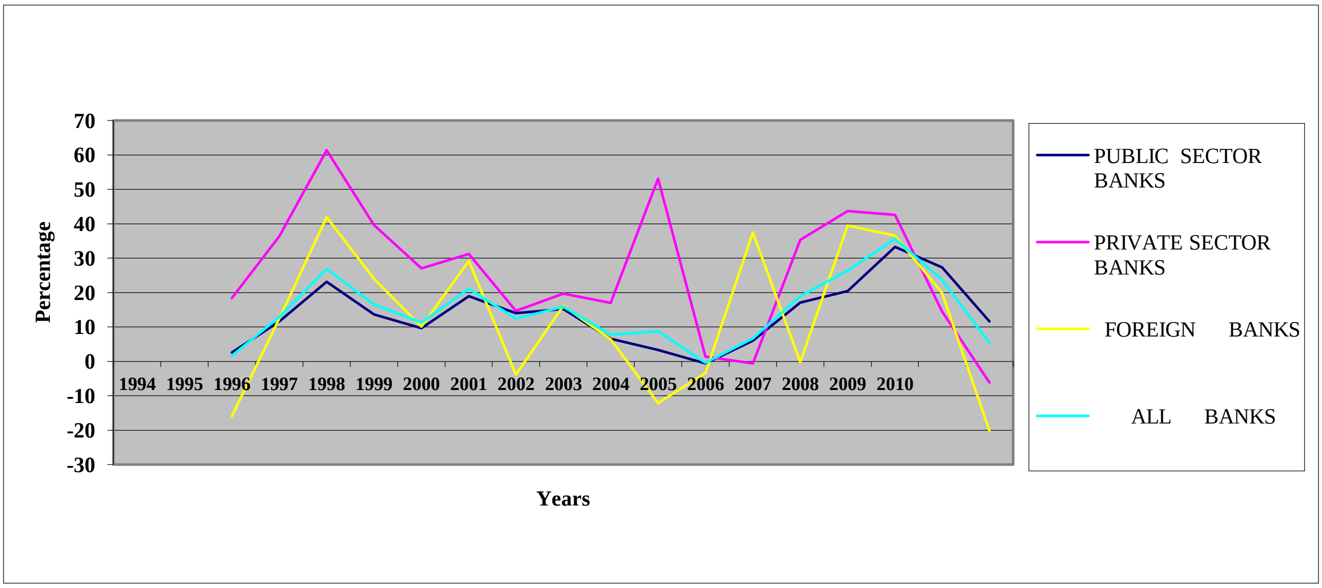
AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	32708	-	1652	-	3358	-	37718	-
1994	33544	2.55	1956	18.40	2824	-15.90	38324	1.61
1995	37427	11.58	2667	36.35	3176	12.46	43270	12.91
1996	46096	23.16	4303	61.34	4507	41.91	54906	26.89
1997	52374	13.62	6008	39.62	5590	24.02	63972	16.51
1998	57432	9.66	7631	27.01	6153	10.07	71252.67	11.32
1999	68290	18.91	10015	31.24	7946	29.14	86301.15	21.11
2000	77836	13.98	11485	14.68	7641	-3.84	96990.66	12.42
2001	89697	15.24	13745	19.68	8877	16.18	112353.92	15.84
2002	95576	6.55	16080	16.99	9447	6.42	121126.54	7.82
2003	98748	3.32	24610	53.05	8306	-12.08	131720.37	8.72
2004	98128	-0.63	24945	1.36	8024	-3.39	131097.73	-0.43
2005	104038	6.02	24795	-0.60	11032	37.49	139870.42	6.69
2006	121812	17.08	33546	35.29	11004	-0.25	166414.37	18.94
2007	146711	20.44	48217	43.73	15356	39.55	210348.17	26.40
2008	195500	33.26	68762	42.61	20959	36.49	285221	35.64
2009	248951	27.34	78737	14.51	25118	19.84	352806	23.69
2010	277929	11.64	73881	-6.16	20049	-20.18	371859	5.40
CAGR	**245221**	**73%**	**72229**	**22%**	**16691**	**5%**	**334141**	**100%**

(Source: IBA Special Issue)

On other hand the Private Sector Banks has consistently posted expenditure growth in double digit between 16% to 61% excepting year 2004 with growth rate of only 1.63% and it has appreciably reduced to negative territory of -0.60% in the year 2005 and in 2010 at -6.16%.

The picture of expenditure volume variance in respect of Foreign Banks is lack luster and at least for five different years there have been successful in reducing expenditure from - 0.25% in the year 2006 to as high as -20.18% in the Year 2010.

Graph 3.6 Annual Growth Rate in Total Expenditure (in %)



3.3.11 Gross Profit

Public Sector Banks have recorded highly inconsistent growth rate in respect of gross profit with at least two occasion of negative growth in the year 2005 and 2006. This apart, the Public Sector Banks have slipped in a single digit growth rate consecutively for 3 years between 1999 and 2001. The highest growth rate is achieved at 57% in the year 2002. However last two years have clocked less than 35%.

Similarly Private Sector Banks have recorded negative growth in the year 1999 at -19 % and in the year 2005 at -6 %. The percentage growth variance is also highly inconsistent in Private Sector Banks like PSB's. However the highest percentage growth is achieved at 81% and 79 % respectively in the year 2000 and in the year 1993. However Private Sector Banks have clocked consistent growth rate of over 20% to 25 % in last 3 years.

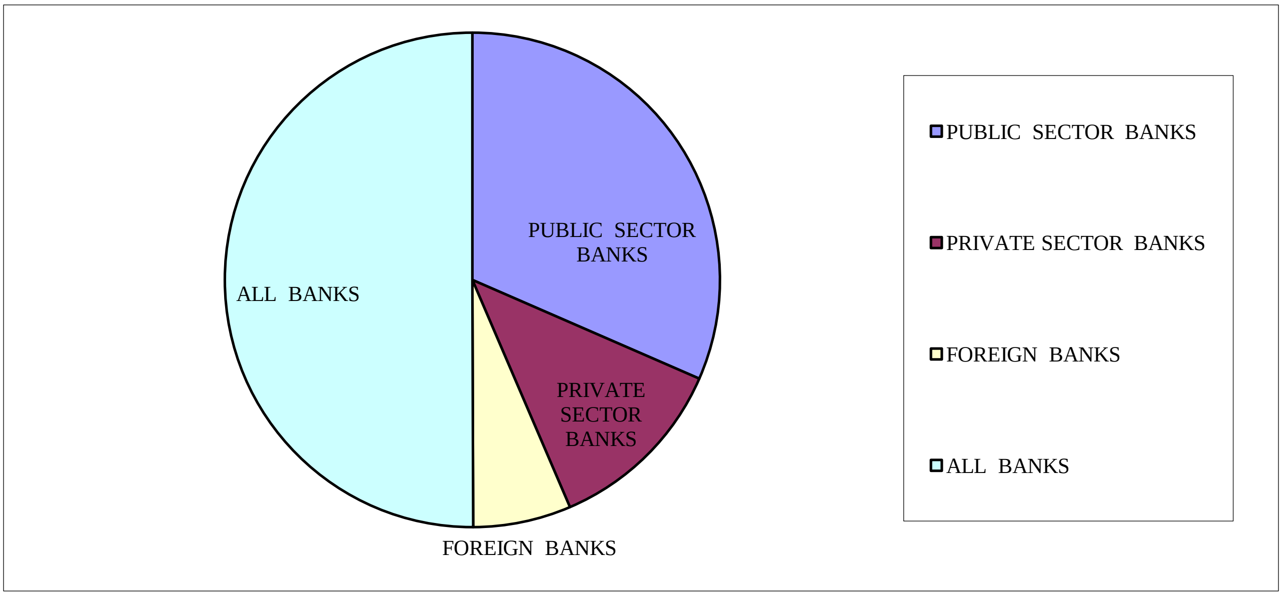
Table 3.11 GROSS PROFIT OF BANKS FROM 1993 to 2010

(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	3134	-	233	-	580	-	3947	-
1994	3696	17.93	418	79.4	1261	117.41	5472.33	36.18
1995	5521	49.37	683	63.4	1490	18.16	7694	43.14
1996	7569	37.09	1026	50.22	1576	5.77	10258.31	32.19
1997	8898	17.56	1332	29.82	2000	26.9	12277.38	20.24
1998	10274	15.46	1821	36.71	2445	27.25	14640	19.71
1999	10561	2.79	1477	-18.89	1773	-30.33	13794.9	-5.66
2000	13064	23.7	2672	80.91	2687	51.55	18527.61	33.39
2001	13802	5.65	2845	6.08	3110	15.74	19768.73	7.24
2002	21676	57.05	4697	65.1	3338	7.33	29833.15	50.38
2003	29717	37.1	7237	54.08	3728	11.68	40773.18	36.93
2004	39475	32.84	8209	13.43	7987	33.77	55717.27	29.47
2005	38799	-1.71	7668	-6.59	4597	-7.82	51064	-3.05
2006	37967	-2.14	9768	27.39	6658	44.83	54418.25	6.52
2007	42268	11.33	14049	43.83	9599	44.17	65971.16	21.18
2008	50441	19.34	19236	36.92	19236	100.4	88969.26	34.89
2009	66605	32.05	24195	25.77	20099	4.49	110899	24.64
2010	76951	15.53	29173	20.57	16293	-18.93	122417	10.39
CAGR	**73817**	**63%**	**28940**	**24%**	**15713**	**13%**	**118470**	**100%**

(Source: IBA Special Issue)

Chart 3.5 Cumulative Annual Growth Rate in Gross Profit (in%)



In respect of Foreign Banks there also recorded negative growth at - 30 % in the year 1999 and -8 % in the year 2005. However the highest growth rate is achieved in percentage term 117 % in the year 1994 as also they have achieved 100 % growth in the year 2008. Further the Foreign Banks have clocked more than 44 % growth consistently for the years 2007 and 2008. But then after it goes to reduce from 4.49% to -18.93% in the year 2010 which does not shown good performance of foreign Banks.

3.3.12 Net Profit

The performance of Public Sector Banks have been highest lack luster in this key parameters for the period in the reference. This can be observed from the range of highest negative growth of -133 % in the year 1996 and highest incremental growth of + 125 % in the year 1995. At least all five occasion Public Sector Banks have recorded negative growth whereas at least on four occasion they have posted fast positive growth. The inconsistent scattered percentage growth rate represent translation of impacts in respect of implementation of prudential norms and buoyancy in economic growth of the country.

Table 3.12 **NET PROFIT OF BANKS FROM 1993 to 2010**

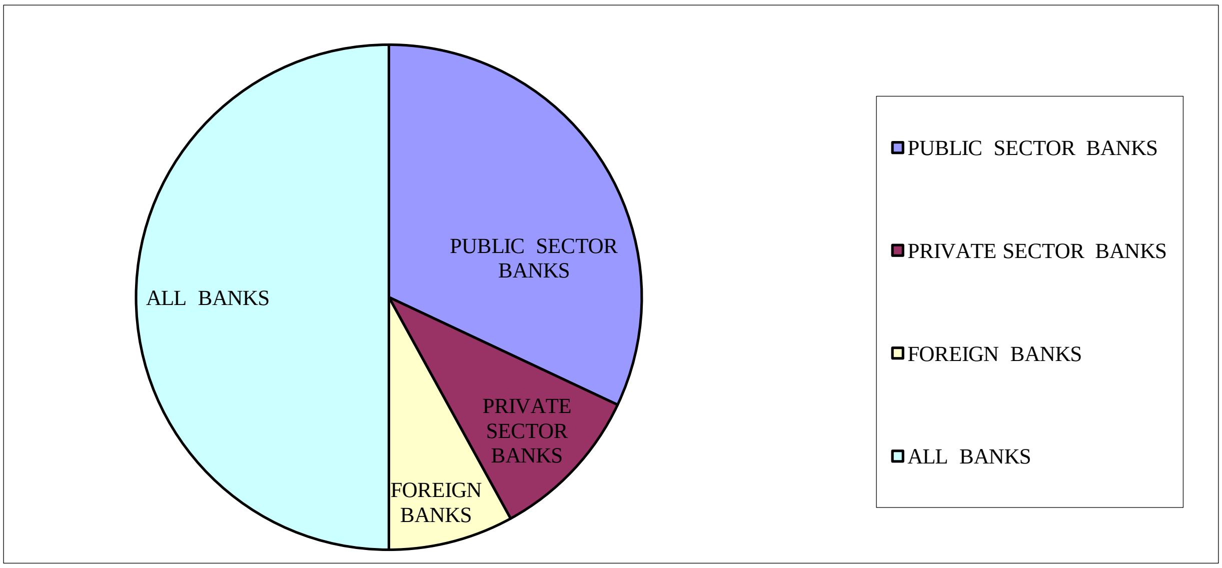
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	-3294	-	54	-	-899	-	-4139	-
1994	-4349	-32.02	114	111.11	504	156.06	-3731	-9.86
1995	1116	125.66	341	199.12	697	38.29	2154	157.73
1996	-371	-133.24	501	46.92	748	7.32	878	-59.24
1997	3095	935	678	35.33	666	-10.96	4439	405.58
1998	5030	62.52	842	24.18	630	-5.41	6502	46.47
1999	3254	-35.3	709	-15.8	528	-16.19	4491	-30.92
2000	5114	57.16	1224	72.64	968	83.33	7306	62.68
2001	4317	-15.58	1142	-6.7	945	-2.38	6406	-12.82
2002	8304	92.36	1832	60.42	1317	39.36	11453	78.79
2003	12295	48.06	2958	61.46	1824	38.5	17077	49.1
2004	16547	34.58	3482	17.71	2243	22.97	22272	30.42
2005	15558	-5.98	3565	2.38	2002	-10.75	21125	-5.15
2006	16539	6.31	4966	39.29	3069	53.3	24574	16.32
2007	20152	21.84	6465	31.18	4585	49.4	31202	26.97
2008	27079	34.37	9522	47.29	6612	44.21	43213	38.49
2009	34372	26.93	10868	14.14	7510	13.58	52750	22.06
2010	39261	14.22	13111	20.64	4733	-36.98	57105	8.26
CAGR	**42555**	**69%**	**13057**	**21%**	**5632**	**10%**	**61244**	**100%**

(Source: IBA Special Issue)

However in respect of Private Sector Banks, the net profit growth rates have been relatively more consistent than Public Sector Banks and excepting three years in spread of 15 years, a Private Sector Banks have clocked very good net profit growth at over 35 % on a average basis. The eye-catching growth rate is witnessed at 199% and 111 % respectively in the year 1995 and 1994. For last three years the net profit decline from 47% to 20%. While in case of Foreign Banks the picture is no different for what is seen in Public Sector Banks. It is a lack luster performance with at least four occasion of negative growth and the variation has spread between -16% in the year 1999 to + 156 % in the year 1994. However for three years i.e. 2006, 2007, 2008 the Foreign Banks have consistently clocked of over 44 %. But in the year 2010 it has registered - ve growth rate in net profit i.e. 37%.

Chart 3.6 Cumulative Annual Growth Rate in Net Profits (in%)



3.3.13 Capital

Ordinarily this parameter cannot record consistent positive growth unless infusion of fresh capital is yearly need for either meeting with an accumulated losses or growing need of capital adequacy for increasing risk weight age of the business. The only note worthy infusion has taken place in the year 1994 where growth over 1993 has been 119%. This perhaps due to need for achieving Basel I norm stipulated at 8 % of the risk weight age and Public Sector Banks were completely expose in terms of an adequate capitalise as is seen from the variation of positive and negative single digit variable growth.

On the other hand, the Private Sector Banks present much improved statistical tally showing positive growth rate of over 50 % between 1993 and 1996 and thereafter also showing more or less double digit growth once in every two years. This represent a very strong capital base adding soundness the standing of Banks beside reduction in cost of fund and having sufficient head room to achieve Basel II compliant without taping other sources much more stronger picture emerged.

Table 3.13 **CAPITAL OF BANKS FROM 1993 to 2010**

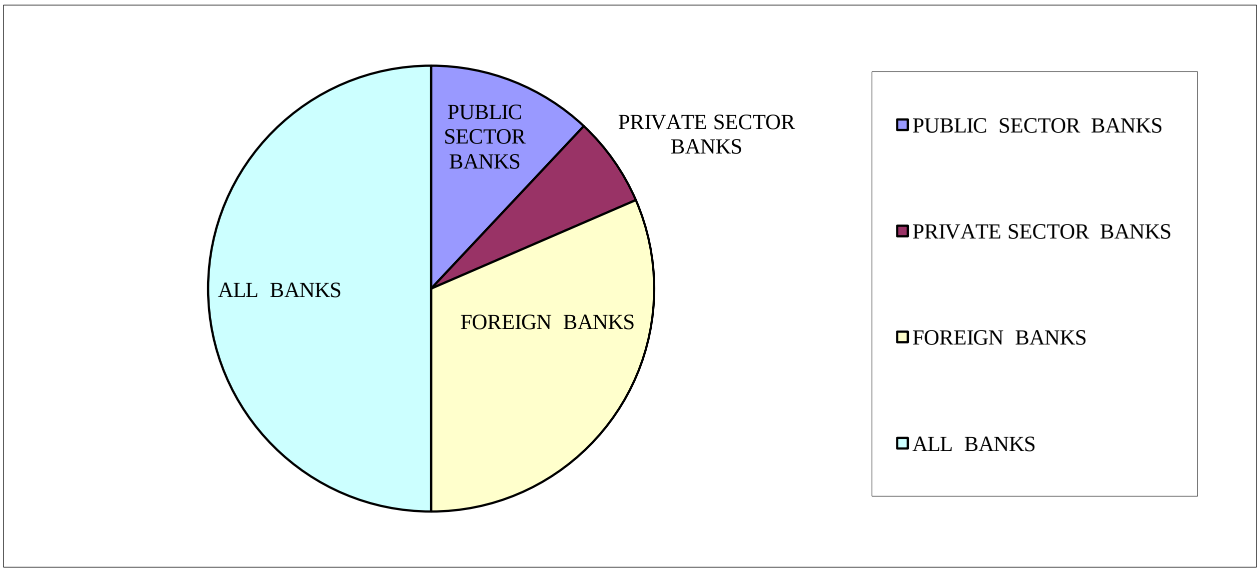
(Amt in Rs Crore)

AS ON MARCH 31	**PUBLIC SECTOR BANKS (Amt. in Rs.)**	**Annual Growth Rate (in %)**	**PRIVATE SECTOR BANKS (Amt. in Rs.)**	**Annual Growth Rate (in %)**	**FOREIGN BANKS (Amt. in Rs.)**	**Annual Growth Rate (in %)**	**ALL BANKS (Amt. in Rs.)**	**Annual Growth Rate (in %)**
1993	4685.26	-	79.31	-	92.58	-	4857.15	-
1994	10259.08	118.97	120.38	51.78	168.24	81.72	10718.45	119.22
1995	14691.25	43.20	194.09	61.23	331.88	97.27	15321.65	44.27
1996	14132	-3.81	1386	614.1	743	123.88	16871.29	6.86
1997	13870	-1.85	1381	-0.37	1480	99.19	16728.78	2.89
1998	16071	15.87	1484	7.46	1707	15.34	19285.33	15.13
1999	14406	-10.36	1624	9.43	2094	22.67	18123.07	-5.91
2000	14234	-1.19	1809	11.39	2404	14.80	18457.2	1.78
2001	14547	2.20	1816	0.39	2550	6.07	18915.59	2.53
2002	15013	3.20	2691	48.18	3575	40.20	21330.38	12.51
2003	14175	-5.58	2921	8.55	4375	22.38	21473.97	0.90
2004	14676	3.53	3028	3.66	4645	6.17	22356.19	4.09
2005	15558	6.00	3364	11.09	7012	50.96	25951.09	16.04
2006	12330	-20.75	3934	16.94	8940	27.50	25200.19	-2.81
2007	12416	0.70	4144	5.34	12999	45.40	29565.04	17.28
2008	13065	5.22	4613	11.32	22223	70.96	39917.54	34.99
2009	13536	3.60	4591	-0.48	25911	16.59	44038	10.32
2010	13544	0.05	4549	-0.91	30555	17.92	48648	10.46
CAGR	**8858.74**	**20%**	**4469.7**	**10%**	**30462**	**70%**	**43790.85**	**100%**

(Source: IBA Special Issue)

In case of Foreign Banks which has recorded more than 80 % growth rate for the first five years between 1993 and 1997 and thereafter consistently maintaining more than double digit growth except two years. Such composition represent exceptional strong capital base when compared with Public Sector Banks and these trends in the business model of Private Sector Banks and Foreign Banks entitle them to substantial higher price earning multiple and price to book value multiple as reflected in the stock market.

Chart 3.7 Cumulative Annual Growth Rate in Capital (in%)



3.3.14 Reserves and Surplus

The annual growth rates in respect of reserves and surplus of Public Sector Banks have remained double digit throughout for the period under reference. It has ranged between minimum of 11 % in the year 2001 and maximum of 70 % in the year 1994. In the comparable group Public Sector Banks represent 58 % of the total reserves and surplus.

In the Private Sector Banks also the growth in reserves and surplus on YOY basis is ranged between minimum of 10 % in the year 2001 and 2009 and maximum of 100 % in the year 2002. In the volume terms it represents 32 % of the total reserves and surplus.

Table 3.14 **RESRVES AND SURPLUS OF BANKS FROM 1993 to 2010**

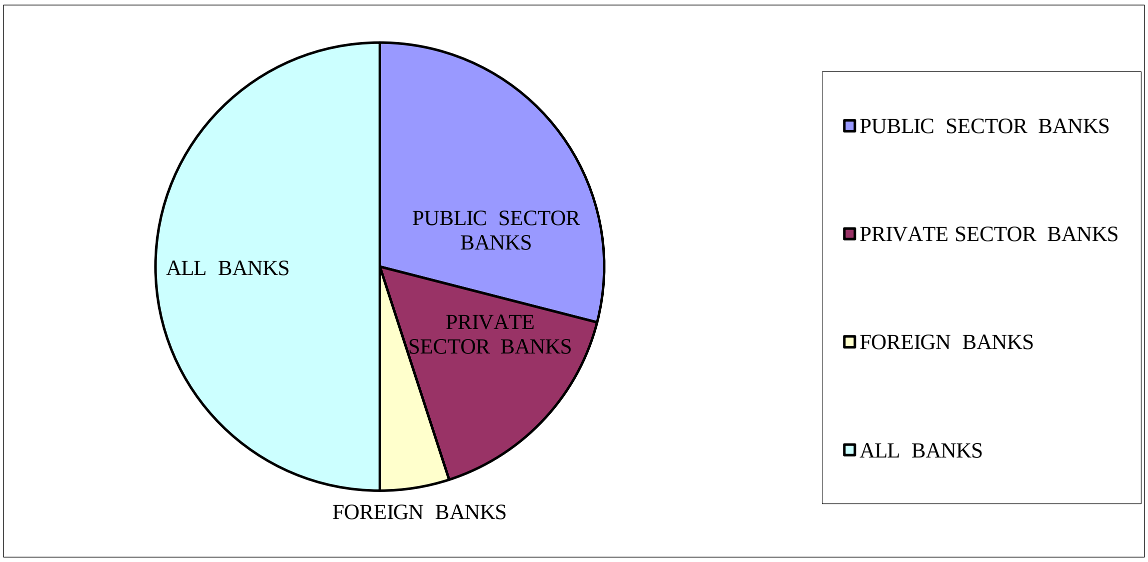
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1993	5134.76	-	369.81	-	1698.27	-	7202.84	-
1994	8721.11	69.84	567.81	53.54	2482.33	46.17	11894.63	63.43
1995	11355	30.20	1009.52	77.79	3251.86	31.00	15724.37	32.66
1996	14267	25.65	2002	98.31	4235	30.23	20627.96	31.3
1997	19389	35.90	2630	31.37	4734	11.78	26820.27	30.48
1998	24698	27.38	3554	35.13	5601	18.31	33915.51	26.54
1999	27447	11.13	4149	16.74	5039	-10.03	36635	8.21
2000	31819	15.93	6342	52.86	5673	12.58	43902.79	19.65
2001	35358	11.12	6946	9.52	5278	-6.96	47602.64	8.55
2002	42276	19.57	13873	99.72	6397	21.20	62665.29	31.45
2003	51407	21.60	15975	15.15	8894	39.03	76312.75	21.95
2004	64549	25.56	19495	22.03	10201	14.70	94292.59	23.56
2005	84366	30.70	27370	40.39	11968	17.32	123775.09	31.26
2006	102714	21.75	39887	45.73	15374	28.46	158042.48	27.70
2007	123214	19.96	46329	16.15	20076	30.58	189655.11	20.03
2008	161788	31.31	86761	87.27	27109	35.03	275776.58	45.37
2009	194762	20.38	95431	9.99	34026	25.52	324219.00	17.56
2010	227458	16.79	115435	20.96	38584	13.40	381477.00	17.66
CAGR	**222323**	**59%**	**115065**	**31%**	**36886**	**10%**	**374274**	**100%**

(Source: IBA Special Issue)

In respect of Foreign Banks during the year 2001 and 1999 it has recorded negative growth on YOY basis. However for the remaining years the range is between minimum of 11 % during 1997 to maximum of 46 % in 1994. Foreign Banks represent 10 % in volume terms of the total reserves and surplus.

Chart 3.8 Cumulative Annual Growth Rate in Reserves and Surplus (in%)



3.3.15 Gross Non - Performing Assets

The Public Sector Banks have outperformed both Private Sector Banks and Foreign Banks in this key parameter of the Banking business for the period under reference. In spite of size, Government ownership, political interference and not so talented mix of staff, the Public Sector Banks have consistently shown decline for five consecutive years between 2003 & 2007. It is very important to know that increase in gross non- performing assets between 1997 to 2002 it has always been at less than 5 % year on year basis except the year 1999. These figures of less than 5 % growth in first six years and consistent decline of more than 4 % year on year basis thereafter, make a very strong performance of Public Sector Banks in management of non-performing assets. These figures assumed significant important when both Private Sector and Foreign Banks have shown exceptionally huge performance growth ranging between 25 % to 93 % between 1998 to 2002.

Table 3.15 **GROSS NON-PERFORMING ASSETS OF BANKS FROM 1997 to 2010**

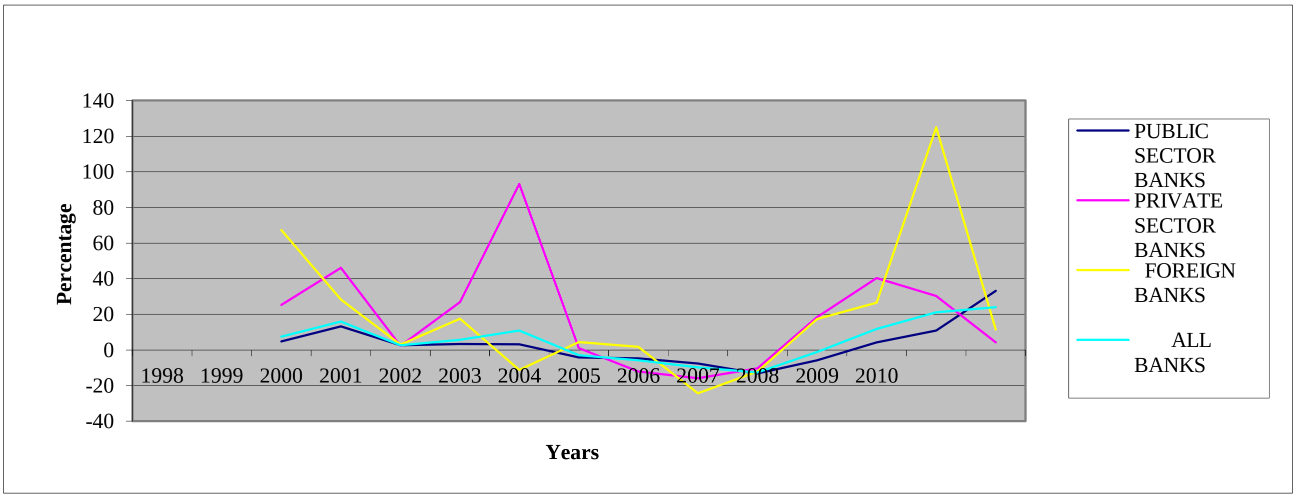
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1997	43577	-	2542	-	1181	-	47300	-
1998	45653	4.76	3186	25.33	1976	67.32	50815	7.43
1999	51710	13.27	4655	46.11	2537	28.39	58902	15.91
2000	53033	2.56	4761	2.28	2614	3.04	60408	2.55
2001	54777	3.29	6039	26.84	3071	17.48	63887	5.76
2002	56473	3.09	11662	93.11	2726	-11.23	70861	10.92
2003	54094	-4.21	11782	1.03	2845	4.37	68721	-3.02
2004	51538	-4.73	10354	-12.12	2894	1.72	64786	-5.73
2005	47596	-7.65	8715	-15.83	2192	-24.26	58503	-9.70
2006	41358	-13.11	7811	-10.37	1928	-12.04	51097	-12.6
2007	38968	-5.78	9256	18.50	2263	17.38	50487	-1.19
2008	40595	4.18	12984	40.28	2864	26.56	56443	11.80
2009	44991	10.83	16927	30.37	6444	125	68363	21.12
2010	59927	33.20	17640	4.21	7180	11.42	84748	23.97
CAGR	**16350**	**44%**	**15098**	**40%**	**5999**	**16%**	**37448**	**100%**

(Source: IBA Special Issue)

It is very interesting to know that in respect of Public Sector Banks whatever gross NPA's have grown between 1997 to 2002 has been 100 % reduced between 2003 and 2007 whereas corresponding such reduction is only 10% to 15 % in respect of Private Sector Banks and Foreign Banks. Thus, performance of Public Sector Banks in management of gross non-performing assets between 1997 to 2008 has been significantly better than Private Sector Banks and Foreign Banks which is indeed high praise worthy.

Graph 3.7 Annual Growth Rate in Gross Non-Performing Assets (in%)



3.3.16 NET NON- PERFORMING ASSETS

In respect of net non-performing assets management also Public Sector Banks have outperformed both Private Sector Banks and Foreign Banks. The growth rate has been less than 8 % for the first 5 years except 1999 in which it has grown at 14 %. However beginning from 2002 there is a consistent substantial decline in net non- performing assets at 11 % in 2003, at 24 % in 2004, at 10 % in 2005 and 14 % in 2006. It is only in 2008 that economic slowdown has impacted the growth to the extent of 18 % in the year 2008.

However, Private Sector Banks have recorded very dismal performance as they have consistently recorded more than 20 % growth in first 6 years except in 2003 and 2000. The growth in net non- performing assets on YOY basis has been 58 % in 1999 and 80 % in the year 2002. It is only during 2004, 2005 and 2006 that it has been respectively declined by 29 %, 17 % and 21 %. However during 2007 and 2008 it has substantially increased by 27 % and 40 % respectively on YOY basis.

Table 3.16 NET NON-PERFORMING ASSETS OF BANKS FROM 1997 TO 2010

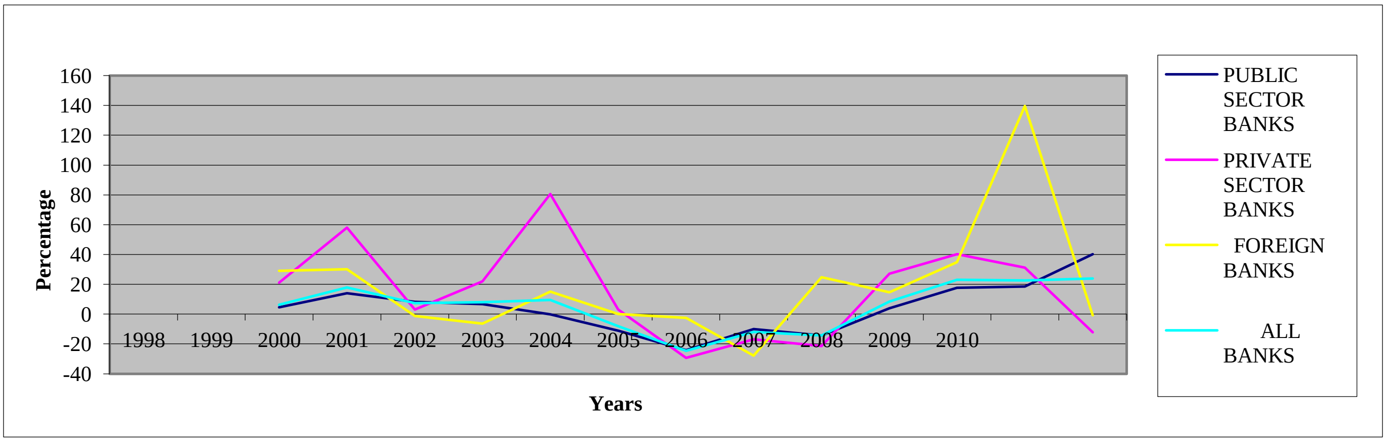
(Amt. in Rs. Crore)

AS ON MARCH 31	PUBLIC SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	PRIVATE SECTOR BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	FOREIGN BANKS (Amt. in Rs.)	Annual Growth Rate (in %)	ALL BANKS (Amt. in Rs.)	Annual Growth Rate (in %)
1997	20285		1539		516		22340	
1998	21232	4.67	1863	21.05	666	29.07	23761	6.36
1999	24211	14.04	2943	57.97	866	30.03	28020	17.92
2000	26187	8.16	3031	2.99	855	-1.27	30073	7.33
2001	27969	6.80	3699	22.04	800	-6.43	32468	7.96
2002	27958	-0.04	6676	80.48	920	150	35554	9.50
2003	24867	-11.06	6882	3.09	921	0.11	32670	-8.11
2004	18860	-24.16	4857	-29.42	898	-2.50	24615	-24.66
2005	16983	-9.95	4037	-16.88	648	-27.84	21668	-11.97
2006	14566	-14.23	3171	-21.45	808	24.69	18545	-14.41
2007	15145	3.98	4028	27.03	927	14.73	20100	8.39
2008	17836	17.77	5647	40.19	1251	34.95	24734	23.05
2009	21155	18.61	7412	31.25	2997	139.57	31564	22.61
2010	29646	40.14	6506	-12.22	2976	-0.70	39128	23.96
CAGR	**9361**	**56%**	**4967**	**30%**	**2460**	**14%**	**16788**	**100**

(Source: IBA Special Issue)

In respect of Foreign Banks the story is no different than Private Sector Banks. They have reduced net non- performing assets remarkably only once by 28 % in the year 2005 that apart there is growth of about 29 % in the first 2 years and this growth of more than 20 % in last 3 years.

Graph 3.8 Annual Growth Rate in Net Non Performing Assets (in %)



3.4 CHANGES IN PUBLIC SECTOR BANKS

Calendar of event as unfolded in respect of amendment, restructuring and reforms of Public Sector Banks in India between the year 1949 to 2010

YEARS	EVENTS
1949	**Enactment of Banking Regulation Act**
1955(Phase I)	**Nationalisation of Sate Bank of India**
1959 (Phase II)	**Nationalisation of SBI Subsidiaries**
1969 (Phase III)	**Nationalisation of 14 major Banks**
1980 (Phase IV)	**Nationalisation of six Banks with deposits of over 200 crore**
1992- 1993	**Introduction of Prudential Norms**
2002	**SARFAESI Act 2002**
2010	**Improved version of Basel III introduced by RBI**

3.4.1 1949 Enactment of Banking Regulation Act

The first stage of Commercial Banking growth in India draws out that Banks were controlled and managed by the East India Company's Government, the Royal Charter and the Government of India[3]. Before enactment of the Banking Regulation Act, 1949, the provision of law relating to Banking companies were enclosed in the Indian

[3] Aggrwal, B.P(1981), " Commercial Banking in India, After Nationalisation", Classical Publications, New Delhi, P. 185.

Companies Act. [4] Company law was commenced in India with the Companies Act 43 of 1850 , which was based on the English Companies Act, 1844. In 1857, the Act for the inclusion and a directive of joint stock companies and other organizations either with or without limited liability of the members thereof was passed. But under this Act, the benefit of limited liability was not so extended to a company formed for the purpose of Banking or insurance. This disability was removed by the Act of 1860, based on the English Companies Act, 1857. The law relating to Companies was re-passed in a broad form in the companies Act, 1913, which was related to Banking Companies as well.

The decades of 1930s and 1940s had observed that large number of Banks, which were not controlled and managed legally in a complete manner. As a development, some Banks failed. In order to look after the interests of depositors and expand the Banking structure on sound lines, the regulation and supervision of Banking system was assigned to the Reserve Bank of India by enacting the Banking Regulation Act, 1949. The Banking Regulation Act, has been amended constantly in reply to fiscal expansions and there has been 33 changes to the original Act so far.

3.4.2 1955 (Phase I) Nationalisation of State Bank of India

The State Bank of India had come into existence on July 1st 1955 after Nationalisation of the Imperial Bank of India with the help of the State Bank of India Act which was passed by the Government of India on May 8th 1955[5]. One of the basic ideas of setting up of SBI was addition of Banking service in huge level more mainly in the rural and semi urban parts.[6]

At the time of establishment of SBI it had a network of 466 branches out of the country with deposits of Rs. 188 crore and advances Rs.116 crore. The number of offices of SBI which was 480 at the end of the year 1955 was improved to 907 at the end of 1960. As regards deposit mobilisation, the SBI attracted deposits in quite good size during the first five years of its establishment. Deposits which were for Rs. 205.40 crore at the end of the five year 1955 rose to Rs.557.40 crore at the end of 1960.

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[4] Garg, Chand Suresh(1989), " Indian Banking Cost and Profitability", Anmol Publications, New Delhi. P. 27.

[5] Gupta Ashok Kumar(1980), " Progress of Nationalised Commercial Bank in India", Agra, Published Doctorol Thesis, P. 36.

[6] Patnaik, U.C and Patnaik Manoj(2005), "Profitability in Public Sector Banks", Sonali Publications, New Delhi, P. 21.

The growth of offices and deposits of the SBI during the period 1955-60 has been presented in the Table below.

Table 3.17 Growth of Offices and Deposits of the SBI from 1955-60

Years	Offices (In Numbers)	Total Deposits (Amt. in Rs. Crore)	Years	Offices (In Numbers)	Total Deposits (Amt. in Rs. Crore)
December 1955	480	205.40	December 1958	711	454.40
December 1956	536	221.50	December 1959	823	363.40
December 1957	620	344.30	December 1960	907	557.40

(Source : Statistical Table Relating to Banks in India and State Bank of India - Annual Reports)

3.4.3 1959 (PhaseII) Nationalisation of SBI Subsidiaries

After a few years of establishment of the SBI, in order to complete the objectives of giving Banking services to the ignored areas and restructuring of large states, the Government of India passed State Bank of India Act (Subsidiaries Banks) on September 10th, 1959 allowing the SBI to take over eight past state connected Banks which were running in the country with SBI, as its subsidiaries. These Banks were called the associated Banks of the State Banks. The SBI and its subsidiaries were titled as a "State Bank Group"[7]

3.4.4 In 1962 deposit insurance Scheme to look after the interest of depositors was setup with the amount of Indian Rs. 1500/-

3.4.5 In 1968 Scheme of Social Control over Banks was commenced. National Credit Council was set up to put loan targets for Commercial Banks[8]

3.4.6 1969 (Phase III) Nationalisation of 14 Major Banks

On 19th July 1969, the Government of India Nationalised 14 largest Commercial Banks integrated in India, which had deposits of not less than Rs. 50 Crore each by circulating a regulation, called the Banking Companies (Acquisition and Transfer of Undertaking) Ordinance. Since then , population per branch came downwards considerably from 65000 in

[7] Mathur O.P(1978), " Public Sector Banks in India's Economy - A Case Study of the State Bank", Sterling Publishers Ltd, New Delhi, PP. 1-05.
[8] Government of India (1972), " Report of Banking Commission", New Delhi, P. 39.

1969 to around 15000 in 2009. The law was changed by the Banking Companies Act ,1969 on August 9, 1969 and the Act came into power all together with effect from July 19, 1969. The Banks with total paid-up capital of Rs. 28.50 crore, had 4134 branches, deposits of Rs. 2626 crore and advances of Rs.1813 crore. The facts of those 14 Banks are given in Table below.

Table 3.18 Branches, Deposits and Advances of Nationalised Banks in 1969

Sr. No	Name of Banks	Branches (in Numbers)	Deposits (Amt. in Rs.Crore)	Advances (Amt. in Rs. Crore)
1	Central Bank Of India	564	442	303
2	Bank of India	274	358	243
3	Punjab National Bank	570	358	257
4	Bank of Baroda	373	283	176
5	United Commercial Bank	349	203	136
6	Canara Bank	325	148	109
7	United Bank of India	175	147	107
8	Dena Bank	234	125	76
9	Union Bank of India	241	115	74
10	Allahabad Bank	153	114	82
11	Syndicate Bank	307	110	90
12	Indian Bank	218	79	60
13	Bank of Maharastra	153	78	65
14	Indian Overseas Bank	198	67	45
	Total	**4134**	**2626**	**813**

(Source: www.iba.org.in)

The Nationalisation of 14 Banks marked the most significant sign in the olden time of Indian Banking.[9] The Public Sector came to organize the powerful heights of the Banking economy accounting for 80 % of total Commercial Bank offices, 83 % of deposits and 84% of advances.

[9] Dr. Moharajan Mukund(2000), " Indian Banking System", Nirali Prakashan Publishing, Pune, P.86.

The position of Public Sector Banking at that time was shown in Table below with the Nationalisation of 14 Banks,[10] the very concept of sound Banking business undertook a different change.

Table 3.19 Branches, Deposits and Advances of Commercial Banks in 1969

Banks	Branches (in Numbers)	Deposits (Amt. in Rs. Crore)	Advances (Amt. in Rs. Crore)
Public Sector Banks	6596	3872	3035
State Bank of India	1569	948	966
State Bank of India Associates	893	291	219
14 Nationalised Banks	4134	2633	1850
Private Sector Banks	1666	774	574
All Commercial Banks	8262	4646	3609
Share of PSB's in total	**79.80 %**	**83.10%**	**84.10%**

(Source: www.iba.org.in)

3.4.7 In the year 1970 focus was transferred from trade and business to agricultural farm credit and small industries

3.4.8 In 1972 Lead Bank Scheme was started to give movement to rural and backward districts.[11] Differential rate of interest with low interest rate on the loans to poor borrowers- DRI scheme was introduced with a direction of 1% of credit to be under DRI scheme, 40% of which to go to SC/ ST sectors, effecting in major input for business unit towards margin money.

3.4.9 In 1975 Five Regional Rural Banks (RRBs) set up and prepared . Through Tondon Committee and Chore Committee, scientific lending rules were established so as to arrange the funds that were limited when credit grip was existing and also to ensure that borrower's stake is crystallised.

3.4.10 In 1976 RRB's was set up with the Central Government, Sponsoring Bank and the State Government contributing 50:35:15 ratio in the fund arrangement.

3.4.11 In 1978 Deposit Insurance and Credit Guarantee Corporation (DICGC) was set up.

[10] Aggarwal Monika (2007), "Productivity of Commercial Banks in India, Trends and Analysis", Gyan Publishing House, New Delhi, P.45.

[11] Sheth N.R and Shah B.G(1975), "Personnel Management for Rural Banking", EPW, Vol. X, No-20, May.

3.4.12 In 1979 Integrated Rural Development Programme (IRDP) was introduced for advantage the rural people.

3.4.13 1980(Phase IV) Nationalisation of six Banks With Deposits Over Rs. 200 Crore

In spite of the Nationalisation of 14 major Commercial Banks still there were some obstacles in the process of accomplishment of objectives. It was Therefore, considered that the further Nationalisation of six more Banks in view of enhancing the capability of the Banking system to meet more efficiently the needs of the development of the economy and of encouraging the benefit of the people more effectively[12].

On 15 April , 1980, six more Banks in the Private Sector were Nationalised through a presidential law. [13] The six Banks were Nationalised were as shown in Table below.

Those Banks together had 2686 offices with the deposits of Rs. 2110 crore and advances of Rs. 1375 crore as on the last Friday of March 1980. The Bank wise break up as shown below.

Table 3.20 Offices, Deposits and Advances of Nationalised Banks in 1980

Sr. No	Name of Bank	Offices (in Numbers)	Deposits (Amt. in Rs. Crore)	Advances (Amt. in Rs. Crore)
1	Punjab & Sind Bank	520	466	336
2	Andhra Bank	588	460	308
3	New Bank of India	402	291	237
4	Vijaya Bank	571	365	208
5	Oriental Bank of Commerce	301	216	152
6	Corporation Bank	304	212	134
	Total	**2686**	**2110**	**1375**

(Source: www.iba.org.in)

Twenty point programme was introduced to ensure competent production and distribution of essential goods and services to the community and to raise income and standard of living of weaker section.

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[12] Rangaswamy B(1985), " Public Sector Banking in India", Publications Division, Ministry of Information and Broad Casting, Government of India, PP. 08-09.

[13] Chawla A.S(1987), " Nationalisation and Growth of Indian Banking ", Deep and Deep Publications, New Delhi, P. 37.

3.4.14 In 1983 Scheme for Self Employment for Educated Unemployed Youth was introduced.

3.4.15 In 1988 introduction of capital adequacy requirement as part of Basel Committee norms.

3.4.16 In 1991 financial sector reforms, similar to what is practiced in Western countries, were introduced.

3.4.17 Introduction of Prudential Norms

In 1992-1993 Narasimham Committee - First Report on Financial Sector Reform. Income Recognition and Assets Classification (IRAC) norms introduced. Standard assets, non-performing assets - substandard, doubtful and loss assets, capital adequacy, phasing out directed credit programme, deregulation of interest rate, slowly warning out the health code system, etc resulted in Banks reporting net loss, depending on certain norms**.** It was over two decades of Nationalisation of major Public Sector Banks that overall financial conditions of these Banks started unfolding fragile status in terms of assets management , income recognition and capital adequacy since PSB's where sensitive location in the backbone of country's economy, what looked like as threats, had to be address and critically analysed. [14] The entire fabrics in the Indian Banking system in line with the International Standard. It was in August 1991 that high level committee headed by Shri M. Narasimham was appointed to examine all aspects relating to structure, organisation, functions and procedures of the financial system of the country. The committee produced its first report in November 1991 containing number of suggestions, recommendations for toning up of the operational efficiency in the Banking Systems.[15]

As earlier stated in to the introduction , the M. Narasimham committee recommendation were considered and as first step towards economic reforms, the Government of India with the help of RBI introduced the prudential norms in the Indian Banking system. Banks were directed to strictly comply with RBI directives for income recognition and provisioning and assets

[14] Velayudham, T.K(2002), " Developments in Indian Banking", Bank Quest, Indian Institute of Bankers, October- December, P. 27.

[15] Dr. Saghir Ahmad Ansari(2005), " Commercial Banks in Post reform Period", Journal of Banking and Finance, PP. 15-23.

classification. The whole exercise was prescribed for successful implementation in 3 years time[16]

3.4.18 During which RBI had also issue very strict guideline to statutory auditors who were accounted responsible for the desired compliance. All the Public Sector Banks had no option but also require to implement in later in strict norms of income recognition but also require to identified NPA's and make adequate provisioning in a phased manner. The final balance sheet of Banks being subject to statutory audit, the Banks had to evolve a new models or book keeping and statutory accounts to make balance sheet more transparent. Presently true picture of the Banks profitability and had debt credit information system backed up by management information system

3.4.19 In 1993 Deposit Insurance amount raised to INR 1 lac per depositor.

3.4.20 In 1994 introduced Board for Financial Supervision so as to focus on regulation.

3.4.21 In 1995 put in place Off- Site Monitoring and Online Supervision (OSMOS) system.

3.4.22 In 1996 New Private Sector Banks were permitted entry with certain required minimum capital funds.

3.4.23 In 1998 Narasimham Committee - Second Report, PSBs allowed to tap capital market through public issue of shares.

3.4.24 In 1999 Assets Liability Management concept were introduced as risk management.

3.4.25 In 2001 Term loan institution turned into universal Banks to share the block with PSBs corporate

3.4.26 SARFAESI Act 2002

In 2002 the Know Your Customer norms build up to verify money laundering .For Bankers, today the Securitization And Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) is very important Act. Possibly no other Act has been widely discussed and thought over in the recent past by Bankers. This is also true for the Recovery of Debts due to Banks and Financial Institution Act, 1993 (DRT Act)[17]

For years the nonpayment by borrowers had benefitted due to the lack of an effective tool in the hands of the Bankers for recovery of the dues. The growing NPA made the law makers aware of the need to have powerful and effective law to help the recovery. The passing of

[16] Dey, P.K(2008), " PSB's Better at Managing NPA's", Financial Express, November 5 , Kolkata.

[17] GoI(2002), " The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest", Ordinance, New Delhi.

DRT Act was the first step in this direction, while enacting SARFAESI Act added further force. Both the Acts are the outcome of the changed scenario and attitude of the authorities. The SARFAESI Act is dynamic Act introducing new concepts of security interest, securitisation, assets reconstruction and modes of recovery of secured credit.[18]

3.4.27 In 2003 the first financial assets reconstruction company (ARC) viz. Asset Reconstruction Company India Ltd was shaped (ARCIL)

3.4.28 In 2005 RBI issued draft guideline on Basel II norms released by Bank for International Settlements (BIS) in June 2004.

3.4.29 In 2007 final RBI guideline were issued on Basel II norms for compliance.

3.4.30 In 2008 Banks with international presence complied with the Basel II norms in March 2008. RBI set up Financial Literacy and Credit Counseling (FLCC), as a step to support financial inclusion concept.[19]

3.4.31 In 2009 Banks without international presence were also required to comply with Basel II norms by March 2009.With effect from April 2009, the foreign investors can have stake in banks, up to maximum of 74%, up from 25%. As a part of rationalisation of capital market public issue collection, concept of Application Supported Blocked Amount (ASBA) is introduced.

3.4.32 Improved Version of Basel III Introduced by RBI

In 2010 after the guidelines prescribed in Basel I and Basel II accord in 1988 and 2004, an advanced description in the form of Basel III agreement has finally appeared laying much needed pressure on peak value fund that the Banks should hold adequately to invest them through periods of financial stress. It revised the core tier I capital ratio to 7% of risk bearing assets and also recommended ratios to compute and observe liquidity risk as well as those which were earlier not considered in Basel I and II capital Accords.[20]

3.5 ADOPTION OF TECHNOLOGY IN PUBLIC SECTOR BANKS

Out of the 27 Public Sector Banks, nearly 15 Banks have completely computerised their sub divisions. Though core Banking solution or centralised Banking solution concept is gaining

[18] Singh, P(2006), " Managing Credit Risk Through Assets Reconstruction Companies- Emerging Issues", Business Perspectives, New Delhi, Vol-08, No-02, PP. 107-120.

[19] Kumar, T.S(2008), "An Imperative For the Development of Financial Markets", The Financial Analyst, Hyderabad, Vol XIV, Issue 10, October, PP. 89-91.

[20] Basel Committee on Banking Supervision(2010), "Basel III : A Global Regulatory Framework for More Resilient Banks and Banking System".

impetus, given the location disadvantages of the PSBs, it is going to take little more time. Concepts such as Electronic Funds Transfer (EFT), Real Time Gross Settlement (RTGS), cheque transaction, mobile Banking, Internet Banking etc have come into place for computing and ensuring quick as well as efficient transfer of loans between Banks. Modern Banking through ATMs, Phone Banking, Virtual Banking, E- Banking, Internet Banking, and Mobile Banking etc has come a long way in satisfying the ever increasing needs of the younger age group.[21]

In terms of the current strategy of RBI, Banks which have applied core Banking solution may put in place daily/ monthly transaction limit depending on Bank's own risk observation for mobile Banking so as to make easy small ticket operations. Putting in place a stable Unique Identification Number for growing Indian public would enable reaching and reformation of Banking through financial addition.

3.6 REFORMS AND THE WAY FORWARD

Sound Banking system, performing a important function in the financial structure, encourage economic development by mobilisation of mass savings and distributes powerfully the resources for productive and consumption purposes. During the last two decades of Banking, quite good numbers of reforms have been started.

In nutshell, progressive decrease in CRR/ SLR, periodical revision of Income Recognition and Asset classification (IRAC) norms, Basel II requirements, setting up of tribunals, Lok Adalat , Debt Recovery Tribunals (DRT's), Asset Reconstruction Company (ARC's),Credit Information Bureau(India) Limited (CIBIL), SARFAESI Act, entry of Private Sector Banks, interest rate deregulation, recapitalisation, capital market tapping, new branch licensing, Know Your Customer (KYC), Anti-Money Laundering (AML) Norms, Assets Liability Management (ALM), Financial Inclusion, Self Help Groups (SHGs), Real Time Gross Settlement (RTGS), Core Banking Solution etc have extremely contributed to the present enhanced status of the Banking system in India. Balance sheet management of identification of key efficiency factors to beat the competition is the order of the day.[22] Capital Adequacy Ratio (CAR), Return on Assets (ROA), cost to income ratio, burden ratio, various NPA related ratios, proportion of low cost deposits such as Current Accounts and Saving Accounts

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[21] Raghvan, R.S(2010), "Banking in India Since Independence – A Brief History",The Indian Banker, Vol V, No-08, PP. 16-18.

[22] Srivasstava, R.M (2007), " Management of Indian Financial Institution", Himalaya Publishing House, Mumbai, P. 48

(CASA), minimising high cost bulk deposits, business or profit per employee/ branch, yield on advances, cost of deposits, net interest margin etc play main function in taking forward the Bank without the risk of a takeover by other Bank.[23]

In post reform periods, a good number of merger activities have taken place as can be made out from table mentioned below.

Table 3.21 LIST OF BANKS MERGED IN PUBLIC SECTOR BANKS SINCE 1991 TO 2010

Sr. No	Name of Bank Merged	With Whom Merged	Date of Merger
1	New Bank of India	Punjab National Bank	04-09-1993
2	Bank of Karad Ltd	Bank of India	1993-1994
3	Kashinath Seth Bank	State Bank of India	1995-1996
4	Punjab Co-Operative Bank Ltd	Oriental Bank of Commerce	1996-1997
5	Bari Doab Bank Ltd	Oriental Bank of Commerce	1997-1998
6	Bareilly Corp Bank Ltd	Bank of Baroda	03-06-1999
7	Sikkim Bank Ltd	Union Bank of India	22-12-1999
8	Banaras State Bank Ltd	Bank of Baroda	20-07-2002
9	Nedungadi Bank Ltd	Punjab National Bank	01-02-2003
10	Global Trust Bank Ltd	Oriental Bank of Commerce	24-07-2004
11	Bharat Overseas Bank Ltd	Indian Overseas Bank	31-03-2007
12	State Bank of Saurashtra	State Bank of India	23-08-2008
13	State Bank of Indore	State Bank of India	26-08-2010

(Source: www.iba.org.in)

3.7 NON-PERFORMING ASSETS IN PUBLIC SECTOR BANKS

The health of a vibrant economy largely depends upon a healthy Banking system, which in turn depends upon a sound assets structure. When the loan portfolios of Banks get contaminated by bad and doubtful debts, we say that the Bank has created Non- Performing Assets (NPA's). When loan accounts overdue, they neither recover the capital nor earn income in real terms. Such NPA’s make the Banks sick and unprofitable. This leads to drain on the social resources.[24]

The Public Sector Banks (PSB's) in India have made significant contributions to almost all the sectors of the Indian economy such as agriculture, industries of various categories, trade and employment and infrastructure. [25] The ever increasing trends in deposits and credits

[23] Raghvan, R.S (2010), Op, cit PP. 16-18.
[24] Reddy, B.R(2004), “ Management of Non- Performing Assets in Banks and Financial Institutions”, Serial Publications, New Delhi.
[25] Murthy, S.K (2003), “PSB’s: Non – Performing Assets”, Portfolio Organiser, September, P. 47.

speak volumes for the performance of Indian Banks. With over Rs. 968749 crore as deposits and over Rs. 480681 crore as a loans, the PSB's command the height of the economy. However, the Non- Performing Assets in the credit portfolios of the PSB's have become a thorn in the flesh during the last one decade or so. NPA have not only affected the productivity and the profitability of the Banks, but also sullied the image of the Indian Banking and drain on the very value system of the society. It is not a bounden duty of the borrower to repay what he took away from the Bank loan? If the Bank loans turn to be bad and are irrecoverable, does it not amount to defrauding the society? Hence , the all round cry over the staggering volume of NPA's which have risen to an alarming level mainly because of willful defaulting on the part of the borrowers.

CHAPTER IV

MANAGEMENT OF NON- PERFORMING ASSETS AND CAPITAL ADEQUACY

4.1 INTRODUCTION

It was in the early nineties that Central Government took initiatives for the first phase of economic reform and thus laid foundation for transitions from developing economy to prospective developed economy. This initiative and subsequent triggers from time to time , provided very good impetus for overall re-structuring and transforming of financial sector in the country. Opening of the economy required accounting standard reforms to find comparable levels with global accounting standard and global accounting practices emerged in the Indian economy. This changing scenario unfolded need for transparency in the presence status of public and private sector financial institutions. In no times, the concept of efficiently managing Non-Performing Assets became necessary.[1]

4.1.1 Reform Period -Narasimham Committee - I(First Generation Reform)

The financial health of Commercial Banks and to make their functioning efficient and profitable, the Government of India appointed a committee called "The Committee on Financial System " under chairmanship of Shri M. Narasimham Committee, ex Governor of Reserve Bank of India which made recommendations in November 1991.[2] The committee laid down a blueprint of financial sector reforms, recognized that a vibrant and competitive financial system was central to the wide ranging structural reforms. In order to ensure that the financial system operates on the basis of operational flexibility and functional autonomy, with a view to enhance efficiency, productivity and profitability, the committee recommended a series of measures aimed at changes according to greater flexibility to Bank operations, especially in phasing out statutory stipulations, directed credit programs, improving assets quality, institution of prudential norms, greater disclosures, better housekeeping, in terms of accounting practices. In the words of Bimal

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[1] Bank of India, Credit monitoring and Follow – up Department, Head Office, Nariman Point, Mumbai.

[2] Prof D. Suryachandra Rao , "Banking Reforms in India: An Evaluative Study of the Performance of Commercial Banks" , 2008, Regal Publication. Pp 58.

Jalan, ex Governor of RBI, "the Central Bank considered accounting standards for market discipline and gave road map for financial institutions to improve their assets quality. Also such norms were set for financial institutions to modernise understanding about not only capital adequacy & provisioning but also introduce risk management and exposure disclosure for financial reporting"[3] The recommendations are a landmark in the evolution of Banking system. The reform introduced since 1992-93 breathed a fresh air in the Banking sector. Deregulation and liberalization encouraged Banks to go in for innovative measures, develop business and earn profits. These reforms, the Narasimham Committee one felt, will improve the solvency, health and efficiency of institutions. The measures were aimed at (a) Ensuring degree of operational flexibility (b) Internal autonomy for Public Sector Banks in their decision making process and (c) Greater degree of professionalism in Banking operations.[4]

Introduction of prudential norms involving income recognition , assets classification and provisioning created a huge dent not only in profitability of PSBs but also threw light on the inadequacy of capital. Suddenly top brass management in each PSB's had to identify existing and potential NPAs arranged for provisioning even by incurring substantial losses and considering necessary steps for arresting slippages from performing assets.

Thus, exercise undertaken by PSBs in late 1990 & early 2000 made credit risk management very interesting subject throwing abundant scope for research in assets management in the current theme of financial sectors[5]

It was after two decades of Nationalisation of major Public Sector Banks that overall financial conditions of these Banks started unfolding fragile status in terms of assets management, income recognition and capital adequacy since Public Sector Banks were sensitive location in the backbone of country's economy, what look like as threats, had to be addressed and critically analysed. Indian Banking & financial system felt the need to consider deep analysis of assets quality, its classification and work out our system in line

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[3] Jalan Bimal (2003), "Strengthening Indian Banking and Finance : Progress and Prospects", IBA Bulletin, Special Issue, Vol. XXV, No-03, March 2003, PP-06.

[4] Dutt Rudra and Sundaram, K.P.M.(2004),"Indian Economy", S.Chand and Company, New Delhi,PP-843.

[5] Ray, Partha and Sengupta Indrnil (2003), "Systematic Restructuring of Banks : Indian Experience"Bank Quest, The Journal of Institute of Banking and Finance, October – December, Vol. 74, No-4, PP-08.

with international standard.[6] It was in August 1991 that high level committee headed by Shri. M. Narasimham was appointed to examine all the aspects relating to structure, organisation, functions and procedures of the financial system of the country. The committee produced its first report in November 1991 containing number of suggestions, recommendations for toning up of the operational efficiency in the Banking System.

It is expected that balance sheet of Banks in India are made more transparent by necessary disclosure in phased manner, as are seen in accounting standards and corresponding disclosure generally available in the balance sheet of international Banks and financial institutions. Since economy reforms had been started and the economy had opened up to a global competition, the profitability concept based on proper provisioning for bad debts in line with the prudential norms assumed at most significance. Need for adopting uniform accounting practices in regards to bad debts provisioning was emphasised by the committee.[7] It was here that classification of assets into different categories was viewed necessary based on their performance. The committee also addresses capital adequacy measures in line with the Basel committee recommendation so that financial health and viability in the Banking system can improve.

4.1.2 Narasimham Committee -II (1998) (Second Generation Reforms)

Here to above referred recommendation of M. Narasimham Committee, RBI provides the necessary impetus by issuing host of the guideline instructions to Banks since April 1992.[8] Very clear emphasis was laid by RBI on adopting uniform accounting practices in line with the International Standard so that efficient assets management and adequate provisioning for classified non- performing assets is made thus more transparent balance sheet of the Indian Banking System can be showcased in the International market to take on global competition. Now it is not possible for anybody to manipulate and present a rosy picture even if the Bank is actually not in good financial status. Very explicit guideline and instruction were given for determining health of the assets based on their

[6] Avadhani V.A. (1978), Studies In Indian Financial System, Jaico Publications, Mumbai, PP-34.
[7] Dr. Mrs Murthy .S, “Financial Sector Reforms and Economic Growth In India”, UBSPD, New Delhi.
[8] Das Debendra Kumar, “ Financial Sector Reforms, Tax System and Development, UBSPD, New Delhi, PP- 134.

classification into 4 categories which as standard, substandard, doubtful and loss assets. This classification itself being health barometers stipulate quantum of provisions that the Banks are required to be made so that eventually the fate of the assets in any way, does not assume threats to the financial standing of the Banks. Such provisioning being mandatory and subject to critical audit, always received focus attention of the Bank management from time to time and hence the true picture of the Bank health started emerging in the Bank balance sheet. These actions resulted into guiding signal for productivity and profitability management.[9] Need for making huge provisioning to properly represent genuine asset quality, resulted into negative net worth or in simple word large provision eliminated capital base of the Bank's and thus correct assets classification and provisioning resulted into need for more capital to be raised by the Bank's. Thus, opening up of economy for global competition, placed the Indian Banking system in this spotlight area for complete over the hole in assets management and the resultant requirements for capital adequacy.[10]

This income recognition norms and assets classification with provisioning norms made balance sheet structure of PSB's so transparent and clear at par with international practices, that global financial organisation got attracted towards Indian Banks in particular and emerging market in general. The Public Sector Banks represent the backbone of the Indian financial system and have admirably managed where key financial indicators compete with the global benchmark standard and hence such status being a fresh with growth in the Indian economy, provide a very interesting challenges to go into the changing scenario of efficient assets management on one hand fulfillment of capital adequacy on the other hand.[11]

It may be mentioned that such implementation of capital adequacy, income recognition and provisioning norms placed Indian Banking system in spotlight so that different global financial organisations started respecting the strength of Indian financial system and

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[9] The Busy Bankers Handbook (2003), Vol. II, 10th Edition, The Bank of India Officer's Association, Mumbai, PP- 199-200.

[10] Sinha R.P. (2003), " Asset Composition and NPA Profile of the Indian Commercial Banks" Business Perspective, Journal of BIMTECH, Vol. 07, No-1.

[11] Rama Krishna .G and Venu Gopal .K , Rao (2008), "Performance of Public Sector Banks After Reforms", Serial Publications, New Delhi.

place the same in competitive environment. Here, hardly need to write more to justify introduction to subject.

4.2 GLOBAL DEVELOPMENT AND NPA's

The core Banking business is of mobilization the deposits and utilising it for lending to industry lending business is generally encouraged because it has the effect of funds being transferred from the system to productive purpose which result into economic growth. However lending also carries credit risk, which arises from the failure of borrower to fulfill its contractual obligation either during the course of a transaction or on a future obligation.[12]

A question that arises is how much risk can Bank afford to take In case if these giant corporate become Bankrupt and failed to provide investors with clearer and more complete information thereby introducing a degree of risk that many investors could neither anticipate nor welcome. The history of financial institutions also reveals the fact that the biggest Banking failures were due to credit risk.

Due to this, Banks are restricting their lending operations to secure avenues only with a equate collateral on which to fall back upon in a situation of default.

4.3 PRUDENTIAL NORMS

1 Income recognition
2 Assets Classification
3 Provisioning norms for bad debts

4.3.1 Performing Asset

Performing assets are advances which generates income to the Bank by way of interest and other charges.

[12] Economic Times , News Paper (2008)

4.3.2 Non- performing Asset

Non- performing Asset is that deployment of the Bank's funds which is not earning any income / return for Bank and funds deployed also become illiquid.[13]

4.3.3 Income Recognition

A Bank's advances are to be classified into performing and non performing assets (NPA). The international practice is not to consider interest income from NPA on accrual basis but to consider such income as and when it is actually received.[14] The RBI issued a detailed guideline to Banks regarding classification of advances between performing and non performing assets which have been revised from time to time. The latest guideline for determining the status of credit facilities are discussed below:

1 Interest and or installment of principal remains overdue for a period of more than 90 days in respect of the term loan,

2 The account remains out of order for a period of more than 90 days, in respect of an overdraft / cash credits (OD/CC),

3 The bills remain overdue for a period of more than 90 days in the case of bills purchased and discounted,[15]

In case of direct agricultural advances, the following guidelines are applicable for classifying an account as a NPA.

1 A loan granted for short duration crop will be treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons.

2 A loan granted for long duration crop will be treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season.

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[13] Mahore R.Y. (2002), " Non-performing Assets: Extent and Control '' Edited By Amlesh Banerjee and Shrawan Kumar Singh, Deep and Deep Publications , New Delhi, PP-155.

[14] Manoj. P (2003), " Securitisation and Reconsrtuction of Financial Assets and Enforcement of security Interest Act 2002", The Charted Accountant, January Issue, The Institute of Charted Accountants of India.

[15] RBI Report on Trends and Progress of Banking In India, 2007.

3 Any amount to be received that remains overdue for a period of more than 90 days in respect of any other account will lead to classifying that account as NPA[16]

As a facilitating measure for smooth transition to 90 days norm, Banks have been advised to move over to charging rate of interest at monthly rates, by April 1, 2002. However, the date of classification of an advance as NPA should not be changed on account of charging of interest at monthly rests. Banks should , therefore continued to classify an account as NPA only if the interest charged during any quarter is not serviced fully within 180 days from the end of the quarter with effect from April 1, 2002 and 90 days from the end of the quarter with effect from March 31, 2004.

4.3.4. Out of Order

An account should be treated as 'Out of Order' if the outstanding balance remain continuously in excess of the sanctioned limit/ drawing limit. In cases where the outstanding balances in the principal operating account are less than the sanctioned limit/ drawing limit , but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover interest debiting during the same period, these accounts should be treated as 'out of order'.

4.3.5 Overdue

Any amount due to Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank.[17]

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[16] Dr Durga Madhab Mahapatra and Prof Dr. Ashok Kumar Mohanty (2010), " Management of NPA's and Indian Banking Sectors", Global Research Publications, New Delhi.

[17] Maheshwari S.N and Maheswari S.K (2004), "Advanced Accountancy ", Banking Companies Accounts, Vol. II, Ninth Edition, PP-2.110.

4.3.6 Assets Classification

As per the present guideline of RBI the assets classification and the requisite provisions for doubtful debts is as under.

Assets Classification

Banks require classifying the loan assets (advances) into four categories[18].

- **(1)** Standard Assets
- **(2)** Sub- standard Assets
- **(3)** Doubtful Assets and
- **(4)** Loss Assets

(1) Standard Assets

Standard assets are which does not disclose any problem and which does not carry more than normal risk attached to the business. Such assets are considered as performing assets.

(2) Sub-standard Assets

With effect from 31st March 2005, a Sub- standard asset would be one, which has remained NPA for a period less than or equal to 12 months. In such a case, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the Banks in full. In other words, such an assets will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the Banks will sustain some loss, if deficiencies are not corrected.[19]

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[18] Sinha R.P. (2007), "Assets Quality Based Ranking of Indian Commercial Banks- A Non- Parametric Approach", Asia Pacific Business Review, New Delhi, Vol. III, No-02, July- December Issue, PP. 27-28.

[19] Sinha R.P. (2003), " Asset Composition and NPA Profile of the Indian Commercial Banks", Business Perspectives, Journal of BIMTECH, Vol. -07, No-01, PP. 31-32.

(3) Doubtful Assets

With effect from 31st March 2005 an assets would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub- standard, with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently known facts, conditions and values- highly questionable and improbable.[20]

(4) Loss Assets

A loss asset is one which 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.

4.3.7 Provisions for Doubtful Debts

Strict provisioning norms have been specified in the case of various categories of NPA, via sub- standard assets, doubtful assets and loss assets. In addition to nominal value 0.25% for direct advances to agricultural and SME sector and all other loans and advances at 0.40%. Further, a conservative policy was put in place in respect of loans, which have been either rescheduled or renegotiated. The provision has been extended from credit risk to market risk as well.[21]

The primary responsibility for making adequate provisions for any diminution in the value of loan assets, investment or other assets is that of the Bank management and statutory auditors. The assessment made by the inspecting officer of the RBI is furnished

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[20] Goernment of India (1991), The Committee on Financial System, PP-37.

[21] Bajju .S. and Thatti G.S (2000), " Performance of Banks with Non-Performing Assets : An Analysis of NPA's", Yojana, March Issue, PP. 5-9.

to the Bank to assist the Bank management and statutory auditors in taking a decision in regard to making adequate and necessary provisions in terms of prudential guidelines.

In conformity with the prudential norms, provisions should be made on the Non performing assets on the basis of classifications of assets into prescribed categories mentioned above.[22] Taking into account the time lag between an accounts becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the Bank, the Banks should make provision against different categories of the assets as under.

(a) Loss assets

The entire amount should be written off or full provision should be made for the amount outstanding

(b) Doubtful assets

(I) Full provision to the extent of the unsecured portion should be made. In doing so, the realisable value of the security available to the Bank should be determined on a realistic basis. Deposit Insurance and Credit Guarantee Corporation/ Export Credit Guarantee Corporation of India (DICGC/ECGC) cover is also taken into account. In case of the advance covered by Credit Guarantee Fund Trust for Small Industries (CGTSI) guarantee becomes non- performing, no provision need be made towards the guaranteed portion. The amount outstanding in excess of the guaranteed portion should be provided for as per the extent guidelines on provisioning for NPA.[23]

(II) Additionally, 20% - 100% of the secured portion should be provided for depending upon the period for which the advances has been considered as doubtful assets, as follow

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[22] Krishnamohan, V. and Rao, Suryachandran, D. (2007), " Management of Non- Performing Assets in Scheduled Commercial Banks: A Study of Incidence, Causes, Impact and Strategies", Gitam Journal of Management, Vishakhapatnam, Vol.-05, No-02, April- June, PP. 111-129.

[23] Jain, V. (2007), "Non-Performing Assets in Commercial Banks", Regal Publications, New Delhi, PP. 15-16.

-Up to one year 20% provision but one year to three years 30% provision and more than three years 100% provision should be made.[24]

(c) Sub- standard assets

A general provision of 10% on total outstanding should be made without making any allowances for DICGC/ECGC cover and securities available. An additional provision of 10% (i.e. total 20% of the total outstanding) is required to be made on 'unsecured exposure' ab initio sanction of loan. Generally such a situation may arise in case of personal and education loans etc. Unsecured exposure is defined as an exposure where the realisable value of the security is not more than 10% of the outstanding exposure. Security should not include guarantees, comfort letters etc.

(d) Standard assets

With effect from 15- November -2008, the provisioning norms for standard assets amended. It has been clarified that the provision should be made on global portfolio basis and not on domestic advances alone. So direct advances to agricultural and SME sector at 0.25% and all other loans and advances at 0.40%.[25]

4.4 REASONS FOR MOUNTING NPA's

The various causes that make an asset NPA can be classified into two categories like internal causes and external causes[26].

(a) External Causes

- Natural calamity leading to destruction of assets
- Recession in the industry
- Closure of factory due to strikes, court orders

[24] Sharma, G.K. (2004), "Financial Sector Reforms", Yojana, New Delhi,May Issue, PP. 23-24.
[25] RBI Report on Trends and Progress of Banking in India, Mumbai, (2010).
[26] Price Waterhouse Coopers: Management of Non-Performing Assets By Indian Banks, IBA Bulletin, Special Issue, June 2004, Vol. XXVI, No-01, PP. 67-68.

- Adverse Government policy guideline affecting the production, marketing sales of the product (Ex Import duties)
- Adverse change in the projected demand due to factors like environmental regulation, change of fashion, change in consumer needs etc.

(b) Internal Causes

1 Management[27]

- Dishonesty of partners, directors, proprietor etc.
- Will full default
- Lack of proper organizational set up and control
- Dispute among partners and directors.

2 Marketing

- Inadequate product base
- Lack of distribution channels
- Irregular delivery
- Inappropriate pricing

3 Financing[28]

- Lack of resources
- Costly outside borrowing
- Diversion of funds for unproductive expenditure
- Faulty costing and pricing
- Increased cost of production

4 Production

- Inappropriate technology
- Poor labour productivity
- Poor quality control
- Lack of production planning and control
- Inferior quality of finished goods
- Frequent machine breakdowns

[27] Yeole, A. (2004), "The Problem of NPA's", Yojana, Vol.48, November Issue, PP. 35-38.
[28] Dey, P.K. (2008), " PSB's Better at Managing NPA's", Financial Express, November 5 , Kolkata

4.5 NON-PERFORMING ASSETS LOSSESS IN CO-OPERATIVE BANKING CORRESPOND LOSS OF PEOPLE'S MONEY IN FORM OF DEPOSITS

The word co-operative itself represent sense of understanding to help out certain cause in which financial assistance remains available for needy members under the philosophy of co-operation. This base Philosophy had assumed understandable prominence in the organisation setup of entire co-operative sectors & perhaps therefore only Banking activities in co-operative sectors could not disassociate itself from said theme of co-operation broadly meaning positive approach or compromise. Needless to mention that the financial sectors engaged necessarily in utilisation of money can't afford positive attitude & co-operation as an organic business strategy. [29]

While all stated herein above is purely a Philosophical expression, it should not surprise anybody if the said theme of co-operation is revealed to be root caused by sickness (NPA) in co-operative Banks.[30] These Banks since their inception had been enjoying the legacy of management control in select hands of either front line community members or likeminded group of people from interrelated families. This situation coupled with the less regulated conditions, unwanted political indulgence & such other evils had impacted the entire organizational set up of co-operative banks & many of them were thrown completely an act of gear. These developments that took place in 1970 to year 2000. Which unfolded several liquidation & crisis of confidence of depositors in the urban co-operative Banks?

By and large all the matters stated above rendered many lakhs of people from the middle class or lower middle class absolutely helpless in receiving back their hard earn and hard saved deposits money from the Urban Co-Operative Banks(UCBs). Right from preposition of the assets allocations (by way of loan advances investments, creation of fixed assets, suspense accounts of other judicious expenditure,) till actual deployments & realisation of value recovery everything is handled under the pretext or elements of co-operation which in actually aims at selfish motive, accommodation & compromise on

[29] Shri. Sharma O.P., Paper on "History of Urban Cooperative Banks in India", Formerly of History Cell, RBI.

[30] RBI (1999), Report of the High Power Committee on Urban Cooperative Banks, Mumbai.

minimum fiscal discipline.[31] Obviously, depositors' money deployed like this is destined to turn into potential, NPA's & regulatory losses followed by liberal judiciary norms always induced master mind of certain political standing to milk this co-operative cows so vigorously till it runs out of life and it dies. This is evidence from the under mentioned data which throw light of state of health of Urban Co-Operative Banks (UCBs).[32]

Therefore better quality of appraisal in advances, stricter monitoring and scrutiny, considered purely on merits etc. improved the health of their credit portfolio as also better realisation of profit helped them to make adequate provisioning for slippages in advances loans turning as NPA due to various reasons not in the control of the Banks and borrowers are being adequately provided from surplus profit and thus percentage of net NPA have been achieved in single digit(less than 10%)

It is now hoped that fiscal discipline in co-op. sectors clearly project some co-op. Banks who have gathered good rating in their financial & therefore they have emerged as strong co-operative Banks. All though, in the beginning, they are small in numbers, RBI feels that merger of weak banks is workable theory and has produced very good results. This inspiration has been drawn from the recently merged global trust bank with the Oriental Bank of commerce (OBC) & (UWB) United Western Bank in IDBI. All though these are two public private sector Banks, the salient features like ready network of branches with infrastructure , broad customer base & ready to use experience staff continued to remain common synergy even in co-operative banks and therefore merger & acquisition is the main theme played these days by RBI to revive health of many small weak co-operative Banks.[33]

The cry from middle class peoples of the societies in having lost their hard saved money whenever co-operative banks turn sick or identified for liquidation, created need for more intense regulation critical audit of accounts, financial reporting systems, norms for income recognition & provisioning together with assets classification. RBI came forward ensured that depositors money remains well protected and is easily liquidated on

[31] Lele Abhijit (2006),Business Standard, Banking Annual, November PP. 34.
[32] Panchal B Archit, Co-operative Banks : Challenges in Competitive Era, IBA Bulletin, February 2005, PP. 25 to 20.
[33] Conference, 2000- Oriental Bank of Commerce.

demand.[34] This requires observance of prudential norms has also more frequent audit of financial reporting exercises. However a different legislative and statutory provision of Co-operative Act is still big hurdle and handicapped in raising standard of fiscal discipline in Co-Operative Banks. It may be noted here that still co-operative banks are not permitted to go to recovery tribunals and also the strongest tools of Government promulgated Securitisation Act has no jurisdiction in Co-Operative Banks.

With position obtaining above, the option of merger & acquisition came into rescue of efficiently managing sick & sinking co-operative Banks due to huge NPA's RBI evolved the theory of merger & acquisitions (M&A) between strong & weaker Co-operative banks. However this recent preposition has also taken up well in the beginning, the large numbers of weak Co-Operative Banks as potential targets are unable to find adequate numbers of strong Co-Operative Banks.[35]

The merger & acquisitions wave has finally hits the shores of Co-Operative Banking. The RBI says the consolidation drive is aimed at a non disruptive exist of weak UCB. But the problem is that about 80% of the UCB's are weak, while there are just handfuls of potential acquires. [36]

[34] Report of Task Force to Study Co-operative Credit System and Suggest Measures for Strengthening RBI.

[35] Report of the Expert Committee on Rural Credit- NABARD.

[36] Thyagarajan, Member of faculty, College of Agricultural Banking , RBI, Pune.

Table 4.1 NON-PERFORMING ASSETS of URBAN CO- OPERATIVE BANKS From 1997 to 2010

Year	No of Reporting UCB's	Gross NPA's (Amt. in Rs. Crore)	Gross NPA's as a % to Total Advances	Net NPA's (Amt. in Rs. Crore)	Net NPA's as a % to Total Advances
1996-97	1318	2839.04	13.2	---N.A---	---N.A---
1997-98	1474	3305.98	11.7	---N.A---	---N.A---
1998-99	663	4534.6	12.2	---N.A---	---N.A---
1999-00	1866	5589	12.2.	---N.A---	---N.A---
2000-01	1942	9245	16.1	---N.A---	---N.A---
2001-02	1937	13706	21.9	---N.A---	---N.A---
2002-03	1941	12509	19	6428	13
2003-04	1926	15406	22.7	8242	12.1
2004-05	1872	15486	23.4	8257	12.5
2005-06	1853	13506	18.9	6718	9.6
2006-07	1813	14541	18.3	6235	8.8
2007-08	1770	14583	16.4	6685	9.1
2008-09	1721	12862	13.37	5161	5.36
2009-10	1674	12727	11.54	4724	4.28

(**Source: RBI, Report on Trend and Progress of Banking in India)**

A classic case of tricky percentage effect depicting quantum growth in gross NPA vis-à-vis percentage denominator is seen in the above mentioned table. It may be observed that quantum growth of gross non- performing assets between the year 1997 to year 2000 has increased in a phased manner from 2839 crore to 5589 crore which represent 97% growth in spread of four years.

However, the same table shows gross NPA as % to total advances declining from 13.20% in 1996-97 to 11.70% in 1997-98 and very marginally growing to 12.00% in 1999-2000.

This growth in quantum of NPA is as high as 97% in spread of four years, nonetheless gross non-performing assets as percentage has fluctuated only by margin of 1.00% and that to it is not growth but decline from 13.20% in 1997 to 11.54% in the year 2010. This is evidence that percentage does not show true pictures of increasing NPA's as the growth of NPA's is concealed in percentage terms due to many fold increased in gross advances.

Further the quantum of NPA's has increased by nearly 15% from 2001 at Rs. 9245 crore to 13706 crore in 2002. However percentage rise is only 5% increased from 16% in 2001 to 21% in the year 2002 to 2008. The gross NPA's quantum has more or less stagnated between Rs. 13000 crore to Rs.15000 crore, so also the percentage has stagnated in the range of 18% to 19%. (No observations have been recorded here on status of net NPA's due to non availability of figures.)

What is stated here in above is very clearly seen in the health of some of big ticket Co-Operative Banks in the state of Gujarat. The first such instance was uncovered in case of Ahmadabad based Madhavpura Co-Cperative Banks in which mismanage credit portfolio exposed liquidity constraint of the Banks and for the first time RBI had to exercise options available under provision of section 35 of Banking Regulation Act 1949. To understand implication in simple words let us considered the text of said Section 35 of Banking Regulation Act 1949 this read as under.

Power of the Reserve Bank to give directions

(1)" where the Reserve Bank is satisfied that

(a) in the public interest , or

(aa) in the interest of Banking policy, or

(b) to prevent the affairs of any Banking company being conducted in a manner detrimental to the interest of the depositors or in a manner prejudicial to the interest of the Banking Company or,

(c) to secure the proper management of any Banking Company generally, it is necessary to issue directions to Banking companies generally or to any Banking company in a particular, it may from time to time issue such directions as it deems fit and the Banking companies or the Banking company as the case may be shall be bound to comply with such directions.

(2) The Reserve Bank may on representation made to it or on its own motion modify or cancel any direction issued under subsection (1) and in doing so modifying or cancelling any direction may impose such conditions as it thinks fit subject to which the modification or cancellation shall have effect."[37]

As may be seen from the above referred section 35 the restriction imposed by the RBI on Madhavpura Co- Operative Bank literally frozen the status of all Banking activities in

[37] Section 35 Banking Regulation Act 1949.

the Bank and Bank virtually came to status of stagnation in terms of financial activities. Restriction on new lending and restriction even in accepting new deposits, coupled with blocked capital and liabilities in the form of Non- performing Assets together with SLR, CRR constraints resulted in total drying up of liquidity in the Bank. Such stricted measures taken by RBI, being known in public domain, all depositors of the Bank felt insecure about safety of deposits and hence they all queued up in long lines before the Banks from sunrise to sunset. This incident of Madhavpura Co-Operative Bank in Gujarat was an eye opener for RBI as well as other general public who had parked their savings of lifetime by way of deposits in other Co- operative Banks of the state. However incident of Madhavpura Co- Operative Bank was only a tip of the iceberg. In fact many other Co-Operative Banks in the states followed the same path of Madhavpura Co-Operative Bank and also met with same fate.[38]

As is stated in the opening paragraph of this chapter the imposition of section 35 provision available to RBI, necessitated more regulated regime for management of NPA's not only in Co-Operative Banks but also in the entire financial system of the country. [39] In fact these experiences gave good food for thoughts and the conclusion drawn gave birth to innovative proposition like merger of weak Banks into strong Banks besides stricter compliance to capital adequacy in terms of Basel I and Basel II norms. As everybody is aware now all Banks are expected to be Basel II compliant by providing adequate capital to cover marketing and operational risk besides credit risks.

In short exercising of section 35 provision in respect of Urban Co-Operative Banks triggered way for most efficient asset management and corresponding needs for capital adequacy as also meaningfully and successfully managed NPA's without damaging the confidence of general public in respect of safety of their deposit money lying in the Banking business.

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[38] Shri Ratnakar, Deole, Ex Chief General Manager RBI, (2007) , Proceedings and Papers of 24th Annual National Convention, Pune. PP. 08.

[39] Regina M. (2009), " Co-operative Banking – Achievement and Challenges" Edited Book By Dr. Rais Ahmed on Co-operative Mangement and Development Text and Cases. PP. 209.

4.6 U.S SUBPRIME CRISIS AND CORRESPONDING ROLE OF REGULATOR IN INDIA

The US subprime crisis is still very fresh in every policy maker's mind. And Reserve Bank of India (RBI) governor D. Subbarao is no exception. It is now also well known that the relaxed loan securitisation practice in the US was one of the key factors behind the subprime blues that eventually lead to the global financial disorder. To immunise the local system further from possible securitisation- lead trouble, RBI has now prescribed minimum lock- in period and minimum retention criteria for securitising loans originated and purchased by Banks.[40]

This means Banks are now barred from selling the assets immediately after the creation or acquisition of assets. Aggressive Banks in India, especially private players, used to securitise loans immediately after originating or purchasing these from other Banks.[41] RBI has observed that Banks are also dividing the total loan for one project into different pieces and securitising a few pieces even before the total disbursement is complete, thus passing on the project implementation risk also to the investors.

RBI has made an attempt to correct this by prescribing the lock- in period. The Banking regulator is, otherwise, of the view that the country's securitisation framework is reasonably prudent and has been able to minimise the incentives that have led to the problems, which surfaced in the current crisis.

In step, RBI has also relaxed the norms for matured assets reconstruction companies (ARC's), which have completed five years. According to RBI, ARC's will now enjoy more time for recovering the bad assets they bought from Banks or other lenders. The Banking regulator has proposed to extend the time frame to seven years for recovering the financial assets.[42] Earlier, it was stipulated that ARC's complete the process within five years from the date of acquisition of the financial assets. In its policy stance, RBI has proposed "to give an extension of two more years for realisation of the assets in respect

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[40] Business Standard Vol. III October 2010.

[41] Dr Sinha Y.J. (2008)," Subprime Crisis Risk Management Principles", Professional Banker, January, PP. 22-25.

[42] Kakkar Rajendra (2004), "ARCs- New Initiatives", The Journal of Indian Institute of Banking and Finance, Vol. 75

of the security receipts issued by securitisation companies, which have completed five years".[43]

This move is here, however, an interim one. The Banking regulator said that it has received suggestions from various quarters to relax the time frame. "Requests for extending the time frame in this regard are being examined". While the final policy guidelines are being put in place, ARC's will enjoy this benefit in the interim.

4.7 NON- PERFORMING ASSETS IN SELECTED BANKS

All selected eleven (11) PSB's are different in size as also different in business mix . However the promoters ownership pattern make them PSB's and hence they are selected under one bunch for this research work in spite of variation as stated.

Non -performing assets and Capital adequacy are key to this research exercise in respect of selected eleven PSB's in India. Therefore obtained data in respect of Non- Performing Assets, both gross and net together with total advances in the spread of fourteen (14) years beginning from 1996-97 to latest collected 2009-2010.

4.8 TOTAL ADVANCES AND GROSS NPA IN SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks from the stated Tables given and comment made thereon, Bank to Bank basis.

(1) Total Advances and Gross NPA of Allahabad Bank

In case of Allahabad Bank Gross Non-performing Assets were RS.1096 crore in the year 1996-97 which kept marginally increasing every year up to 2001-02 and then after 2003-04, it started declining in quantum terms every year up to 2009-10 where it ended up at Rs. 1222 crore. Thus , in 14 years time , Bank's Gross NPA's , in quantum terms , with some ups and downs , remained more or less same.

It is however very significant to note that Banks total advances were Rs. 4582 crore in 1996-97 which translate into 23.93% of Gross NPA's. Since, quantum of Gross NPA's is

[43] RBI Report on Currency and Finance , (2008)

Rs.1096 crore. However, this 23.93% of Gross NPA's in 1996-97 started marginally decline for first three to four years by about 1% or 2 % up to 2001-02 and thereafter its significantly started declining from 2002-03 at 13.65% to single digit 1.71% in the year 2009-10.This means that in a spread of 14 years time all though total advances have increased by over 17 times from Rs. 4592 crore to Rs. 71605 crore and the

Table4.2 TOTAL ADVANCES AND GROSS NON PERFORMING ASSETS OF ALLAHABADBANK FROM 1997-2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	4582	-	1096	-
1997-98	5147	12.33	1193	8.85
1998-99	6455	25.41	1297	8.72
1999-00	7740	19.91	1476	13.80
2000-01	9583	23.81	1821	23.37
2001-02	10482	9.38	2002	9.94
2002-03	12544	19.67	1842	-7.99
2003-04	15342	22.31	1418	-23.02
2004-05	21151	37.86	1284	-9.45
2005-06	29148	37.81	1184	-7.79
2006-07	41290	41.66	1094	-7.60
2007-08	49720	20.42	1011	-7.59
2008-09	58802	18.27	1078	6.63
2009-10	71605	21.77	1222	13.36
AVERAGE	**24542.21**	**23.89**	**1358.43**	**1.63**
STANDARD DEVIATION	**21330.52**	**-**	**305.10**	**-**
COEFFICIENT OF VARIATION	**86.913**	**-**	**22.46**	**-**

(Source: www.iba.org.in)

quantum of NPA's during spread of this 14 years remaining more or less same at Rs. 1000 crore (both at the beginning and end) translate into reduced Gross NPA 's in percentage terms, falling from 23.93% in the year 1996-97 to 1.00% in the year 2009-10. These figures clearly indicate that Gross NPA 's in percentage term have come down almost by 12 times from 23% to 1.00% because of two factors i.e. (1) 17 times increase in total advances and

(2) Significantly recovery of NPA's that Bank's may have made in last 7 years.

The table here above shows total advances and gross non-performing assets of Allahabad Bank during the period 1996-97 to 2009-10.

The average advances of Allahabad Bank was observed at Rs.24542.21 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs.21330.52 crore and 86.91%. The same Bank shows the average gross non-performing assets for the period was Rs. 1358.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 305.10 crore & 22.46% respectively.

(2) Total Advances and Gross NPA of Bank of Baroda

As in case of BOB also shows more or less same trend in Gross NPA spending at Rs. 2601 crore in 1996-97 and growing successively each year till 2001-02 attaining Gross NPA's a Rs. 4489 crore. Thereafter the declining trend in quantum NPA's begins in the year 2002-03 with levels of Rs.4489 crore

Table 4.3 **TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF BANK OF BARODA FROM 1997 -2010**

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	15168	-	2601	-
1997-98	18361	21.05	2686	3.27
1998-99	19727	7.44	3162	17.72
1999-00	24393	23.65	3897	23.24
2000-01	27421	12.41	4186	7.42
2001-02	33663	22.76	4489	7.24
2002-03	35348	5.01	4168	-7.15
2003-04	35601	0.72	3980	-4.51
2004-05	43400	21.91	3322	-16.53
2005-06	59912	38.05	2390	-28.06
2006-07	83621	39.57	2092	-12.47
2007-08	106701	27.60	1981	-5.31
2008-09	143986	34.94	1843	-6.97
2009-10	175035	21.56	2401	30.28
AVERAGE	**58738.36**	**21.28**	**3085.57**	**0.63**
STANDARD DEVIATION	**48455.035**	**-**	**885.22**	**-**
COEFFICIENT OF VARIATION	**82.493**	**-**	**28.69**	**-**

(Source: www.iba.org.in)

successively declining each year and ending up at Rs. 2401 crore of quantum Gross NPA's as in 2009-10. These quantum Gross NPA's amounts represented in percentage terms translate into 17.15% in 1996-97 and marginally declining every year thereafter and attaining 1.37% in 2009-10. Thus BOB has shown consistent declining trend throughout 14 years and that speaks more efficient management of NPA's. This is evident from the fact that from very second year in 1997-98 the total advances stood at Rs.18361 crore which increased up to Rs. 175035 crore in 2009-10. However, in spite of 9 fold increase in advances during 14 years the Gross NPA's in percentage terms have declined from double digit 17% in 1996-97 to 1.37% in 2009-10. This would have not been possible without the ability of management to check slippages in one hand and closely monitor existing NPA's either to upgrade the same has performing advances or write off loss assets in the course of time.

The average advances of Bank of Baroda was observed at Rs 58738.03 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 48455.035 crore and 82.493%. The same Bank shows the average gross non-performing assets for the period was Rs. 3085.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 885.22 crore & 28.69% respectively.

(3) Total Advances and Gross NPA of Bank of India

In case of BOI also the trend is more or less comparable to that of BOB. The quantum of Gross NPA's were Rs.2160 crore in 1996-97 and kept marginally increasing to Rs. 3804 crore up to 2002-03 and then kept marginally declining to end up and Rs.1931 crore in 2007-08.But then after increase from Rs. 2471 crore to Rs.4883 crore in the year 2009-10. Thus, in spread of 14 years, the Banks Gross NPA's in percentage term kept increasing from 11.78% in 1996-1997 to 12.90% in 1999-2000.

Table 4.4 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF BANK OF INDIA FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	18337	-	2160	-
1997-98	22021	20.09	2543	17.73
1998-99	24327	10.47	2888	13.57
1999-00	26685	9.69	3464	19.94
2000-01	32244	20.83	3434	-0.87
2001-02	38564	19.60	3722	8.39
2002-03	43014	11.54	3804	2.20
2003-04	45770	6.41	3734	-1.84
2004-05	55529	21.32	3156	-15.48
2005-06	65174	17.37	2479	-21.45
2006-07	85336	30.94	2100	-15.29
2007-08	113476	32.98	1931	-8.05
2008-09	142909	25.94	2471	27.96
2009-10	168491	17.90	4883	97.61
AVERAGE	**62991.21**	**18.85**	**3054.93**	**9.57**
STANDARD DEVIATION	**45785.890**	**-**	**804.85**	**-**
COEFFICIENT OF VARIATION	**72.686**	**-**	**26.35**	**-**

(Source: www.iba.org.in)

But thereafter it started registering a regular deep from 2000-2001 at 10.25 % to 1.68 % in 2007-08 and 1.73% in the year 2009-10. Needless to mention that the percentage variation of Gross NPA correspond to actual reduction on one hand as also percentage effect in relation with growth in outstanding advances. This is evident from the fact that BOI total advances were Rs.18337 crore in 1996-97 which kept increasing at more than

15% to 20% consistently almost every year over last year and reached at the level of Rs. 168491 crore in 2009-10.

The average advances of Bank of India was observed at Rs.62991.21 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 45785.89 crore and 72.68 %. The same Bank shows the average gross non-performing assets for the period was Rs. 3054.93 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 804.85 crore & 26.35% respectively.

(4) Total Advances and Gross NPA of Canara Bank

Canara Bank in comparable terms, present inconsistent and volatile statistics in its Gross NPA portfolio. This is evident from the fact that in the span of three years Gross NPA levels have increased from Rs. 2527 crore in 1996-97 to Rs. 3149 crore in 1998-99 which translate into growth of approximately 25% . Again only in following three years the Bank has achieved fall from Rs. 3149 crore of 1998-99 to Rs. 2112 crore in 2001-02 which translate into reduction of approximately 30%. Again same Gross NPA shoots up by nearly 28 % from Rs. 2475 crore in 2002-03 to Rs. 3127 crore in 2003-04. It is only thereafter that there is consistent decline of about 20% each year from Rs. 3127 crore in 2003-04 to Rs 2371 crore in 2004-05 and further Rs. 1793 crore in 2005-06 and again 20% reduction from Rs 1793 crore in 2005-06 to Rs. 1493 crore in 2006-07.

Table 4.5 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF CANARA BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	12472	-	2527	-
1997-98	15344	23.03	2868	13.49
1998-99	17192	12.04	3149	9.80
1999-00	23547	36.96	2454	-22.07
2000-01	27832	18.20	2243	-8.60
2001-02	33127	19.02	2112	-5.84
2002-03	40472	22.17	2475	17.19
2003-04	48439	19.69	3127	26.34
2004-05	60421	24.74	2371	-24.18
2005-06	79426	31.45	1793	-24.38
2006-07	98506	24.02	1493	-16.73
2007-08	107238	8.86	1272	-14.80
2008-09	138219	28.89	2168	70.44
2009-10	169334	22.51	2590	19.46
AVERAGE	**62254.93**	**22.43**	**2331.57**	**3.09**
STANDARD DEVIATION	**47643.76**	**-**	**529.79**	**-**
COEFFICIENT OF VARIATION	**76.530**	**-**	**22.72**	**-**

(Source: www.iba.org.in)

Thereafter the Gross NPA's level have a very negligible reduction of only Rs.77 crore between 2007-08 which translate into approximately 5% reduction but again stood at Rs. 2590 crore in the year 2009-10.

Thus, Bank Gross NPA in percentage term stood at 20.26% in 1996-97 and first noteworthy fall of nearly 8 % was achieved only in 1999-2000 when Gross NPA fell to 10.42 % achieving approximately 15% reduction thereafter almost on yearly basis

Gross NPA's have been falling between 1% to 2 % every year achieving reduction from 10.42 % in 1999-2000 to 1.31 % in 2007-08.

The volatility seen both in quantum and percentage term significantly attribute to growth fluctuation of outstanding advances more or less advances have been grown in the band of 20% to 25% on yearly basis which quantum wise stood at Rs 12472 crore in 1996-97 and grew almost by 100% in span of 4 to 5 years attaining levels of Rs. 27832 crore in 2000-01 and further grew by 120% in following 5 years attaining Rs. 60421 crore in 2004-05. Further in spite of 200% growth in last 10 years the Bank has achieved further 70% growth over such huge base effect only in last 4 years so as to grow from Rs. 60421 crore in 2004-05 to end up at Rs. 169334 crore in 2009-10.

The average advances of Canara Bank was observed at Rs.62254.93 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 47643.76 crore and 76.53%. The same Bank shows the average gross non-performing assets for the period was Rs. 2331.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 529.79 crore & 22.72 % respectively.

(5) Total Advances and Gross NPA of Dena Bank

Within a pack of PSB's, this Bank is size wise considered a small Bank in terms of business volume. The Bank 's Gross NPA's as at 1996-97 stood at Rs. 538 crore which grew by about 140% to reach levels of Rs. 1292 crore in 1999-200 and grew by another 55 % only in one year time raising Gross NPA's level from Rs. 1292 crore in 1999-2000 to Rs. 1928 crore in 2000-01. It was only at this stage that such alarming percentage growth in quantum Gross NPA's must have caused enormous concern over standing and credibility of the Bank which compelled management to take some meaningful steps not only in arresting the galloping growth but also manage and recover NPA's to bring down them at reasonable levels. This is reflected in consistent drop of about Rs. 200 crore every year over last year beginning from Rs. 1617 crore in 2002-03 to Rs. 642 crore in 2009-10.

Table 4.6 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF DENA BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt in Rs.Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	3565	-	538	-
1997-98	5147	44.38	707	31.41
1998-99	6396	24.27	791	11.88
1999-00	7118	11.29	1292	63.34
2000-01	7002	-1.63	1928	49.23
2001-02	7523	7.44	1996	3.53
2002-03	8436	12.14	1617	-18.99
2003-04	9412	11.57	1484	-8.23
2004-05	11309	20.16	1148	-22.64
2005-06	14231	25.84	949	-17.33
2006-07	18303	28.61	744	-21.60
2007-08	23024	25.79	573	-22.98
2008-09	28878	25.43	621	8.38
2009-10	35462	22.80	642	3.38
AVERAGE	**13271.86**	**19.85**	**1073.57**	**4.57**
STANDARD DEVIATION	**9324.2074**	**-**	**490.25**	**-**
COEFFICIENT OF VARIATION	**70.255**	**-**	**45.66**	**-**

(Source: www.iba.org.in)

Within referred quantum of Gross NPA levels correspond in percentage term to 15.10 % in 1996-97 and attained the highest level of 25.31 % in 2000-01. It was at this stage that management must have taken multiple steps in span of the first two years and brought down Gross NPA's level from 25.31 % in 2000-01 to 9.67 in 2004-05. From this level onward Bank recorded consistent performance every year and achieved reduction of Gross NPA at a reasonable level of 1.81% in 2009-10.

As regards outstanding advances the Bank grew its credit portfolio in the band of 15% to 20% for first three years during which outstanding advances increased from Rs. 3565 crore in 1996-97 to Rs. 6396 crore in 1998-99. However, the growths in credit remain caped to 10% on year on year basis for next three years.

The outstanding advances for the year 1999-00 it decline to Rs. 7002 crore and only improved marginally to Rs. 7523 crore in 2002-03. It is here after that Bank consistently grew its advances by over 20% every year which corresponding reflect even in percentage terms of NPA's from Rs. 8436 crore in 2002-03 total advances were increased to Rs. 18303 crore in 2006-07 and they further increased to Rs.35462 crore in 2010.

The average advances of Dena Bank was observed at Rs.13271.86 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 9324.20crore and 70.26%. The same Bank shows the average gross non-performing assets for the period was Rs. 1073.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 490.25 crore & 45.66 % respectively.

(6) Total Advances and Gross NPA of Indian Bank

This Bank also has relatively smaller size in business volume and considered one of the weak Banks in the pack of PSB's. The Bank had a legacy of huge NPA's between 1996-97 to 1999-00 during which quantum NPA increased from Rs. 2466 crore to Rs. 3355 crore. It was after 1999-00 that declining trend in Gross NPA emerged and fell to three digit figure of only Rs. 510 crore in 2009-10. Such a huge volatile status of Gross NPA translates into 39.12% as at 1996-97 and remains more or less at the same level for three years up to 1998-99. It is from the year 1999-00 that a noteworthy reduction of approximately 7 % was achieved to bring down percentage level at 32.77 % followed by 11% reduction in the next year so as to record 21.76 % in 2000-01. Despite such reduction, Indian Bank continued to be one of the few weak Bank have more than 20% Gross NPA at the beginning of the year 2000.

Table 4.7 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF INDIAN BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATEOF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	6303	-	2466	-
1997-98	6758	7.22	2633	6.77
1998-99	7051	4.34	2729	3.65
1999-00	7809	10.75	3355	22.94
2000-01	9025	15.57	2359	-29.69
2001-02	10579	17.22	2175	-7.80
2002-03	11849	12.00	1630	-25.06
2003-04	13653	15.22	1192	-26.87
2004-05	18380	34.62	748	-37.25
2005-06	22485	22.33	669	-10.56
2006-07	29058	29.23	546	-18.39
2007-08	39839	37.10	487	-10.81
2008-09	51465	29.18	459	-5.75
2009-10	62146	20.75	510	11.11
AVERAGE	**21171.43**	**19.66**	**1568.43**	**-9.82**
STANDARD DEVIATION	**17375.552**	**-**	**987.93**	**-**
COEFFICIENT OF VARIATION	**82.070**	**-**	**62.99**	**-**

(Source: www.iba.org.in)

Thereafter Bank achieved almost regular 4% drop in Gross NPA from 21.76% in 2000-01 to 4.19% in 2004-05. As late as 2004-05 the Bank could achieved levels of less than 5 % and thereafter made significant improvement in the last 4 years to reduce Gross NPA level to 0.89 % in 2009-10 which incidentally is the lowest Gross NPA in percentage terms and compared with any of the eleven selected PSB's in this research work. Thus, while Bank has highest Gross NPA amongst all eleven PSB's at 39.12 % in 1996-97, it is also incidentally the same Bank which has lowest Gross NPA at 0.89% in 2009-10. It is therefore that this so called weak Bank has improvement band spread from worst to best.

The Bank has very nominal growth in its total advances of 5% to 10 % for first five years during which advances increased from Rs. 6303 crore in 1996--97 to Rs. 9025 crore in 2000-01. Even at this stage, the Bank grew at a very moderate growth in total advances by only 11% on YOY basis for the next three years raising quantum advances from Rs. 9025 crore in 2000-01 to Rs. 11849 crore in 2002-03. It was from 2003-04 onwards that total advances took a major leap of nearly 40% growth which raised total level from Rs. 13653 crore in 2003-04 to Rs. 18380 crore in 2004-05. Even after this year Bank could achieved growth level of 25 % in 2005-06 raising outstanding total advances to Rs. 22492 crore. Despite record growth in advances portfolio at 40% and 25% in last 2 years, the Bank achieved further consistent growth of 76% increased on YOY basis for the year 2006-07 and year 2009-10 respectively translating into outstanding advances of Rs. 29058 crore in 2006-07 and Rs. 51465 crore in 2009-10.

The average advances of Indian Bank was observed at Rs.21171.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 17375.55 crore and 82.07%. The same Bank shows the average gross non-performing assets for the period was Rs. 1568.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 987.93 crore & 62.99 % respectively.

(7) Total Advances and Gross NPA of Indian Overseas Bank

The Bank has consistently registered growth in Gross NPA's for the first eight years raising levels from Rs. 1003 crore in 1996-97 to Rs.1896 crore in 2002-03. The first declining trend triggered at this stage when the Bank could reduce its Gross NPA's from Rs. 1576 crore in 2003-04 to Rs. 3611 crore in 2009-10.However, such huge NPA's in percentage terms have remained declining from 15.80 % in 1996-97 to 10.29 % in 2002-03. Only here after the Bank could achieved single digit level of Gross NPA at 7.40% in

2003-04 consistently declining every year by 2.00% so as to achieved 1.63% at the end of 2007-08 and marginally increase up to 4.47% at the end of 2009-10.On total advances front Bank has registered growth in the band of 15% to 25% every year beginning from Rs. 6345 crore in 1996-97 to Rs. 25225 crore in 2004-05. Hereafter the Bank grew its total advances for remaining year so as to achieve total outstanding advances of Rs. 80782 crore as at 2009-10.

Table 4.8 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF INDIAN OVERSEAS BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt in Rs.Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	6345	-	1003	-
1997-98	7655	20.65	1070	6.68
1998-99	9051	18.24	1206	12.71
1999-00	11573	27.86	1623	34.58
2000-01	13096	13.16	1631	0.49
2001-02	15162	15.78	1819	11.53
2002-03	17447	15.07	1896	4.23
2003-04	20295	16.32	1576	-16.88
2004-05	25205	24.19	1388	-11.93
2005-06	34756	37.89	1228	-11.53
2006-07	47060	35.40	1120	-8.79
2007-08	60424	28.40	997	-10.98
2008-09	74885	23.93	1923	92.88
2009-10	80782	7.87	3611	87.78
AVERAGE	**30266.86**	**21.91**	**1577.93**	**14.67**
STANDARD DEVIATION	**24567.257**	**-**	**646.37**	**-**
COEFFICIENT OF VARIATION	**81.168**	**-**	**40.96**	**-**

(Source: www.iba.org.in)

The average advances of Indian Overseas Bank was observed at Rs.30266.86 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 24567.257crore and 81.17 %. The same Bank shows the average gross non-performing assets for the period was Rs. 1577.93crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 646.37 crore & 40.96 % respectively.

(8) Total Advances and Gross NPA of Punjab National Bank

This is the largest Bank in terms of business volume when compared with remaining selected pack of PSB's. The Gross NPA levels have consistently increased from Rs. 2069 crore in 1996-97 to Rs. 4980 crore in 2002-03. It was at this stage the declining trend began from 2003-04 when Gross NPA fell from Rs. 4670 crore to Rs. 2761 crore in 2008-09.

In terms of percentage, the Bank has shown good consistent performance of declining trend showing 16.31 % in 1996-97 to 13.19 % in 1999-2000. At this stage the declining trend seems to have stagnated at 11% for next three years. It was only in 2003-04 that Bank could achieved single digit Gross NPA in the year 2003-04 at 9.39% and achieved almost 40% reduction in following year when it clocked 5.96% in the year 2004-05. Thereafter there is a consistent reduction of 1 % to 1.5 % every year closing 1.72 % as at 2009-10.

Table 4.9 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF PUNJAB NATIONAL BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt in Rs. Crore)	ANNUAL GROWTH RATEOF GROSS NPA IN %
1996-97	12688	-	2096	-
1997-98	14679	15.69	2128	1.53
1998-99	17558	19.61	2479	16.49
1999-00	22572	28.56	3127	26.14
2000-01	28043	24.24	3460	10.65
2001-02	34369	22.56	4140	19.65
2002-03	40228	17.05	4980	20.29
2003-04	47225	17.39	4670	-6.22
2004-05	60413	27.93	3741	-19.89
2005-06	74627	23.53	3138	-16.12
2006-07	96597	29.44	3391	8.06
2007-08	119502	23.71	3319	-2.12
2008-09	154703	29.46	2767	-16.63
2009-10	186601	20.62	3214	16.15
AVERAGE	**64986.07**	**23.06**	**3332.14**	**4.46**
STANDARD DEVIATION	**53096.471**	**-**	**822.19**	**-**
COEFFICIENT OF VARIATION	**81.704**	**-**	**24.67**	**-**

(Source: www.iba.org.in)

The Bank has achieved growth in total advances progressively in the band of 20% to 35% which is represented by outstanding advances of Rs. 12688 crore in 1996-97 and Rs. 34369 crore in 2001-02. Thereafter also Bank maintain average growth of 20% to30 %comparable with industry average and attain outstanding advances at Rs. 186601 crore as at 2009-10.

The average advances of Punjab National Bank was observed at Rs.64986.07 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 53096.471crore and 81.70%. The same Bank shows the average gross non-performing assets for the period was Rs. 3332.14crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 822.19crore & 24.67 % respectively.

(9) Total Advances and Gross NPA of Syndicate Bank

Syndicate Bank is one of the very few selected PSB's which has highest level of Gross NPA as at 2009-10 which is approximately 98% more over Rs. 1068 crore of Gross NPA as at 1996-97. Year wise break up shows there is no major variation in the quantum of Gross NPA for the first five years during which quantum Gross NPA has remained more or less around Rs. 1000 crore. However , 20 % growth in quantum NPA took place in the year 2000-01 and nearly 12% growth took place year 2003-04 attaining Gross level at Rs. 1590 crore over Rs. 1299 crore of 2001-02. This position of Rs. 1590 crore more or less remained non variable from 2003-04 to 2006-07. However, 17% increased took place in the last year and thus the Bank which had Rs. 1058 crore Gross NPA in the year 1996-97 closed the year 2009-10 at Rs.2007 crore which is approximately 98% higher than Gross NPA of the year 1996-97. However, this Bank has shown consistent improvement in reduction of Gross NPA on YOY basis in percentage terms which is 19.32 % as at 1996-97 and is reduced by 5% on yearly basis till 1998-99 only to achieved 10.72%.

Table 4.10 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF SYNDICATE BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATEOF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF GROSS NPA IN %
1996-97	5476	-	1058	-
1997-98	6638	21.22	1016	-3.97
1998-99	8918	34.35	956	-5.91
1999-00	12206	36.87	945	-1.15
2000-01	13116	7.46	1075	13.76
2001-02	14885	13.49	1299	20.84
2002-03	16305	9.54	1420	9.31
2003-04	20647	26.63	1590	11.97
2004-05	26729	29.46	1433	-9.87
2005-06	36466	36.43	1506	5.09
2006-07	51670	41.69	1560	3.59
2007-08	64051	23.96	1769	13.40
2008-09	81532	27.29	1595	-9.84
2009-10	90406	10.88	2007	25.83
AVERAGE	**32074.64**	**24.56**	**1373.50**	**5.62**
STANDARD DEVIATION	**27545.537**	**-**	**315.28**	**-**
COEFFICIENT OF VARIATION	**85.879**	**-**	**22.95**	**-**

(Source: www.iba.org.in)

Thereafter, with effect from 1999-00 the Bank's Gross NPA in percentage terms have stagnated at 7% to 8% for next 5 years between 1999-00 onward Bank has successfully reduced to 5% and less till 2009-10 during which the Gross NPA stand at 2.19%.

The Bank seen aggressive in growth of total advances which is in the band of 20% to 30% on YOY basis for the first three years begin from 1996-97 to 1998-99 and in 1999-

00 it has increased over 40% to reach the level of Rs. 12026 crore. At this stage, there is a moderation in growth of total advances which is in the band of 10% to 15% for next three years between 2000-01 to 2002-03. It is here after that Bank has very aggressively registered galloping growth in total advances which shot up by 30% in the year 2003-04 and 2004-05 YOY basis taking up total advances from Rs. 16305 crore in 2004-05. Even during this year , the Bank increased total advances by Rs. 10000 crore between 2005-06 and Rs. 15000 crore by 2006-07. Thus, in three years time, Bank has grown its advances approximately by 45% each year on YOY basis and the same quantum growth continued when Bank's total advances shot up from Rs.51670 crore 2006-07 to Rs. 90406 crore in 2009-10.

The average advances of Syndicate Bank was observed at Rs.32074.64 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 27545.537crore and 85.88 %. The same Bank shows the average gross non-performing assets for the period was Rs. 1373.50 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 315.10 crore & 22.95% respectively.

(10) Total Advances and Gross NPA of Union Bank of India

Like in case of Syndicate Bank the Bank has added nearly 200% of Gross NPA between 1996-97 to 2009-10 when Gross NPA were respectively Rs.864 crore which jump to Rs. 2761 crore. In first three years Gross NPA has increased by 20% each year. However, in the fourth year the Gross NPA has increased by about 50% raising outstanding level from Rs. 1241 crore in 1998-99 to Rs. 1881 crore in 1999-00. Also for the next two years the Gross NPA have increased by 12% and 20% respectively so as to reach Rs. 2420 crore as at 2001-02 which is highest outstanding Gross NPA throughout the 14 years spread considered by us. It is from this year that moderate declining trend has emerged and the Bank has been able to reduce its Gross NPA from the pick of Rs. 2420 crore in the year 2001-02 to Rs.1657 crore in 2007-08. Thus, achieving approximately Rs.763 crore which translate into percentage terms of over 30%.

Table 4.11 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF UNION BANK OF INDIA FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt in Rs. Crore)	ANNUAL GROWTH RATE IN GROSS NPA IN %
1996-97	8324	-	864	-
1997-98	9352	12.35	1045	20.95
1998-99	9999	6.92	1241	18.76
1999-00	15007	50.09	1881	51.57
2000-01	17505	16.65	2056	9.30
2001-02	21383	22.15	2420	17.70
2002-03	25515	19.32	2388	-1.32
2003-04	29426	15.33	2347	-1.72
2004-05	40105	36.29	2058	-12.31
2005-06	53380	33.10	2098	1.94
2006-07	62386	16.87	1873	-10.72
2007-08	74348	19.17	1657	-11.53
2008-09	96534	29.84	1923	16.05
2009-10	119315	23.60	2671	38.90
AVERAGE	**41612.79**	**23.21**	**1894.43**	**10.58**
STANDARD DEVIATION	**33755.552**	**-**	**513.40**	**-**
COEFFICIENT OF VARIATION	**81.118**	**-**	**27.10**	**-**

(Source: www.iba.org.in)

However, the fact remains that Bank's Gross NPA has increased by over 90% in the selected Banks of 14 years.

However, in percentage terms the Bank has remained in the range of 10% to 12% for the first 6 years and only thereafter, there is a consistent decline on YOY basis which has begun from the 7th year of 2002-03 at which Gross NPA stood at 8.96%. This fell to 5%

in 2004-05, 3% in 2006-07 and 2.34% in 2009-10. On the other hand the advances grew at a very slow pace for first three years during which it has increased from Rs. 8324 crore in 1996-97 to Rs.9999 crore in 1998-99. However, Bank recorded expected growth of 60% in advances during the year 1999-00 which raised the levels from Rs.9999 crore to Rs.15007 crore. Thereafter, the growth has moderated for the next 4 years in the band of 15% to 20% so as to reach Rs. 29426 crore in the year 2003-04. Again Bank achieved over 30% growth in the year 2004-05 and 2005-06 which took the levels to Rs.53380 crore. Thereafter, for last years, the Bank had grown its total advances below industry level at an moderate rate of around 15% each year and achieved total outstanding advances at Rs. 119315 crore in 2009-10.

The average advances of Union Bank of India was observed at Rs.41612.79 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 33755.552 crore and 81.12 %. The same Bank shows the average gross non-performing assets for the period was Rs. 1894.43crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 513.40 crore & 27.10% respectively.

(11) Total Advances and Gross NPA of UCO Bank

The Bank has struck up in the Gross NPA band of Rs.1100 crore to Rs.1600 crore during the 14 years selected period. Each year variation is in the band of 10% to 15% which often fluctuate in +ve and -ve territory not giving any clear trend either by way of increasing NPA or by way of decreasing NPA. However, only during last 2 years , the Gross NPA's seems to have increased by 25% from Rs.1236 crore in 2005-06 to Rs.1506 crore in 2006-07 and thereafter there is 10% growth taking outstanding NPA level Rs.1666 crore as at 2009-10. In percentage terms it has taken over 5 years for the Bank to reduce its 28.35% of Gross NPA during 1996-97 to single digit of 9.59% in the year 2001-02. Thereafter, there is a consistent moderate declining in percentage terms every year which ultimately settled as the lowest level in the 14 years at 2.34% in 2009-10.

Table 4.12 TOTAL ADVANCES AND GROSS NON-PERFORMING ASSETS OF UCO BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE IN TOTAL ADVANCES IN %	GROSS NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE IN GROSS NPA IN %
1996-97	3984	-	1129	-
1997-98	5611	40.84	1349	19.49
1998-99	6222	10.89	1403	4.00
1999-00	7630	22.63	1434	2.21
2000-01	10085	32.18	1284	-10.46
2001-02	12805	26.97	1333	3.82
2002-03	15923	24.35	1366	2.48
2003-04	20626	29.54	1479	8.27
2004-05	27656	34.08	1399	-5.41
2005-06	37378	35.15	1236	-11.65
2006-07	46989	25.71	1506	21.84
2007-08	55082	17.22	1652	9.69
2008-09	68804	24.91	1540	-6.78
2009-10	82505	19.91	1666	8.18
AVERAGE	**28664.29**	**26.49**	**1412.57**	**3.51**
STANDARD DEVIATION	**24685.137**	**-**	**144.50**	**-**
COEFFICIENT OF VARIATION	**86.118**	**-**	**10.23**	**-**

(Source: www.iba.org.in)

Further, Bank seems to have managed percentage of Gross NPA more by growth in total advances which is showing aggressive pattern in consistently in the band of 14 years for the first four years total advances have grown in the range of 15% to 20% taking up total outstanding advances from Rs.3984 crore in 1996-97 to Rs. 7630 crore in 1999-00. Further , Bank has improved growth rate to 25% and above for the next 4 years during which total outstanding advances have grown from Rs. 7630 crore in 1999-00 to Rs. 20626 crore in 2003-04. Thereafter, Bank have grown its total advances in the band of 25% to 30% for the last 5 years taking outstanding advances from Rs. 27656 crore in 2004-05 to Rs.82505 crore in 2009-10.

The average advances of UCO Bank was observed at Rs.28664.29 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 24685.137crore and 86.12 %. The same Bank shows the average gross non-performing assets for the period was Rs. 1412.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 144.50 crore & 10.23 % respectively.

4.8.1. A CONCLUSION

As per the tables of total advances and gross non- performing assets of Banks which shows standard deviation and coefficient variation of an individual selected Banks, it is observed that UCO Bank is more stable , more consistent , more non variable as far as number variability is concern whereas Indian Bank is showing very high standard deviation (S.D) and coefficient variation (C.V) which represent inconsistently , instability and very high variability of numbers followed by Dena Bank and Indian Overseas Bank. This apart all remaining Banks such as Allahabad Bank, Bank of Baroda, Bank of India, Punjab National Bank, Syndicate Bank and Union Bank of India are showing coefficient variation (C.V) in the range of 22% to 26% which represent better stability and consistency if compared with Indian Bank, Dena Bank, Indian Overseas Bank but they are more variable or less consistent and less stable if compared with average number of all 11 Banks

4.9 TOTAL ADVANCES AND NET NON-PREFORMING ASSETS IN SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks from the Table given and comment made thereon, Bank to Bank basis

(1) Total Advances and Net NPA of Allahabad Bank

The Bank has registered modest growth in quantum Net NPA at nearly 10% YOY basis for first six years beginning from Rs. 722 crore in 1996-97 to Rs. 1160 crore in 2001-02. It is therefore that for next year, there is a consistent declining beginning from from Rs. 887 crore in 2002-03 to Rs.246 crore in 2005-06. It is noteworthy that between 2001-02 and 2002-03 Net NPA have fallen by Rs. 273 crore which represent fall of approximately 27 % and yet in following year that is between 2002-03 and 2003-04 the Net NPA level have fallen by Rs. 524 crore which represent huge declining of about 60% when we relates with net Profit , it is observed that between 2001-02 and 2002-03, the net profit have increased by over 100% from 80.21 crore to 165.99 crore and between 2002-03 and 2003-04, net profit have jumped by nearly Rs .300 crore which in percentage terms translate into an increase of 1.85%. However, in last two years, Net NPA 's have increased from Rs. 246 crore in 2005-06 to Rs. 440 crore in 2006-07 and it has remained more or less unchanged at Rs. 470 crore in 2009-10.

The Bank has remained in double digit figure for the first 7 years in percentage terms which is highest at 14.84% in 1996-97 which reduce to 11.09% in 2001-02. It is hereafter that double digit policy of the Bank seems to have come into play in which substantial growth of advances in one hand and substantial provision coverage on other hand as reduced Net NPA % to 7.08% in 2002-03, 2.37% in 2003-04, 1.28% in 2004-05 and less than 1.00% from 2005-06 to 2009-10.

Table 4.13 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF ALLAHABAD BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs.Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	4582	-	722	-
1997-98	5147	12.33	777	7.62
1998-99	6455	25.41	810	4.25
1999-00	7740	19.91	947	16.91
2000-01	9583	23.81	1076	13.62
2001-02	10482	9.38	1160	7.81
2002-03	12544	19.67	867	-25.26
2003-04	15342	22.31	363	-58.13
2004-05	21151	37.86	271	-25.34
2005-06	29148	37.81	246	-9.23
2006-07	41290	41.66	440	78.86
2007-08	49720	20.42	400	-9.09
2008-09	58802	18.27	422	5.50
2009-10	71605	21.77	470	11.37
AVERAGE	**24542.21**	**23.89**	**642.21**	**1.45**
STANDARD DEVIATION	**21330.52**	**-**	**294.25**	**-**
COEFFICIENT OF VARIATION	**86.913**	**-**	**45.81**	**-**

(Source: www.iba.org.in)

This can be correlated with the profit figure which has been substantially improving in last 6 years during which the Net NPA's reduced to single digits and within that also it is reduced to less than 1.00%. Thus, it is evident from net profit chart that for first seven years the Bank's net profit have remained at less than Rs.150 crore but for last 6 years it has galloped from Rs.165.99 crore in 2002-03 to Rs 463crore in 2003-04, Rs. 541 crore in 2004-05, Rs706 crore in 2005-06, Rs. 750 crore in 2006-07 and Rs. 994 crore in 2007-08, Rs 1228 crore I the year 2009-10. Above referred Net profit figure have been arrived at in spite of provision amount allocated for NPA coverage has ranged between Rs. 500 to Rs. 1000 crore in last 9 years.

The average advances of Allahabad Bank was observed at Rs.24542.21 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 21330.52 crore and 86.91%. The same Bank shows the average net non-performing assets for the period was Rs. 642.214crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs294.257crore & 45.82 respectively.

(2) Total Advances and Net NPA of Bank of Baroda

This Bank has history of more than Rs. 1000 crore of Net NPA for the first year and thereafter only clear declining trends has emerged. The Bank has reported highest Net NPA at Rs. 1856 crore in 2000-01 and lowest Net NPA Rs. 451 crore in 2008-09.

However, Bank has managed Net NPA's level in % terms very efficiently since throughout 14 years. The Net NPA levels have remained in single digit were highest Net NPA's have been posted at 8.94% in 1996-97 and lowest Net NPA's has been posted at 0.34 % in 2009-10.

Table 4.14 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF BANK OF BARODA FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	15168	-	1478	-
1997-98	18361	21.05	1212	-18.00
1998-99	19727	7.44	1518	25.25
1999-00	24393	23.65	1695	11.66
2000-01	27421	12.41	1856	9.50
2001-02	33663	22.76	1676	-9.70
2002-03	35348	5.01	1298	-22.55
2003-04	35601	0.72	1042	-19.72
2004-05	43400	21.91	620	-40.50
2005-06	59912	38.05	518	-16.45
2006-07	83621	39.57	502	-3.09
2007-08	106701	27.60	494	-1.59
2008-09	143986	34.94	451	-8.70
2009-10	175035	21.56	602	33.48
AVERAGE	**58738.36**	**21.28**	**1068.71**	**-4.65**
STANDARD DEVIATION	**48455.035**	**-**	**505.70**	**-**
COEFFICIENT OF VARIATION	**82.493**	**-**	**47.31**	**-**

(Source: www.iba.org.in)

Bank's Net NPA has fallen below 5.00% for the first time in 2001-02 and thereafter substantial reduction in % term have found levels of less than 1.00% from 2005-06 onwards to 2009-10.

Very low level of Net NPA’s at less than 1.00% has been achieved through higher provision average and substantial growth in new advances.

The average advances of Bank of Baroda was observed at Rs 58738.03 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 48455.035 crore and 82.493%. The same Bank shows the average net non-performing assets for the period was Rs. 1068.781crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 505.708crore & 47.32% respectively.

(3) Total Advances and Net NPA of Bank of India

This is the only Bank in the entire pack of 11 PSB's which has reported at Net NPA at more than Rs. 200 crore. Bank Net NPA's level has remained at Rs. 2206 crore in 1999-00, Rs. 2138 crore in 2000-01, Rs. 2304 crore in 2001-02, Rs. 2286 crore in 2002-03, Rs. 2602 crore in 2003-04. Thus, Bank had maintained a legacy of more than Rs. 2000 crore of Net NPA for the five years in a row from 1999-00 to 2003-04. Still the Bank had achieved lowest level of Net NPA at Rs. 592 crore in 2007-08 but in the year 2009-10 such a situation is differed i.e. net NPA increased to Rs 2207 crore and the most noteworthy point is that in percentage terms, despite quantum Net NPA at more than Rs. 2000 crore between 1999-00 to 2003-04, the Net NPA in percentage terms have remained between 8.60% in 1999-00 to 4.50% in 2003-04. This is an exceptional achievement of Bank where higher volume of profit generation has helped Bank to considered very aggressive provision coverage on one hand and growth in new advances on other hand which has contained Net NPA level in % terms as stated above. It is noteworthy that Bank's net highest NPA's level is 8.61% in 1999-00 and it has fallen to less than 5% during 2003-04 and it has achieved less than 1.00% in 2006-07 to 2008-09 and only 1.00% in 2009-10.

Thus, this is a Bank in a pack of 11 PSB's which has demonstrated its management strength in containing Net NPA level in spite of very huge volume both in credit term and NPA term. This Bank is also incidentally highest Net Profit generated which has posted

Rs. 2009.40 crore in 2007-08 which is only second to PNB in the pack of 11 PSB's. But in the year 2009-10 such a profit decline to Rs. 1741 crore.

Table 4.15 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF BANK OF INDIA FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	18337	-	1189	-
1997-98	22021	20.09	1616	35.91
1998-99	24327	10.47	1771	9.59
1999-00	26685	9.69	2206	24.56
2000-01	32244	20.83	2138	-3.08
2001-02	38564	19.60	2304	7.76
2002-03	43014	11.54	2286	-0.78
2003-04	45770	6.41	2062	-9.80
2004-05	55529	21.32	1574	-23.67
2005-06	65174	17.37	970	-38.37
2006-07	85336	30.94	812	-16.29
2007-08	113476	32.98	592	-27.09
2008-09	142909	25.94	628	6.08
2009-10	168491	17.90	2207	251.43
AVERAGE	**62991.21**	**18.85**	**1596.79**	**16.64**
STANDARD DEVIATION	**45785.890**	**-**	**620.12**	**-**
COEFFICIENT OF VARIATION	**72.686**	**-**	**38.87**	**-**

(Source: www.iba.org.in)

The average advances of Bank of India was observed at Rs.62991.21 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 45785.89 crore and 72.68 %. The same Bank shows the average net non-performing assets for the period was Rs. 1595.357 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 620.121crore & 38.87 % respectively.

(4) Total Advances and Net NPA of Canara Bank

This Bank has highest Net NPA level at Rs 1454 crore in 2002-03 and lowest Rs. 879 crore in 2005-06. This Net NPA levels, in percentage terms are represented highest at 9.32% in 1996-97 and lowest at 1.06% in 2009-10. The Net NPA level fell below 5.00% for the first time in 2000-01 and thereafter as consistent declining trend. The Bank is doing exceptionally well in Net Profit in which it has posted more than 100 % growth during 2001-02 by achieving Rs.741.40 crore in 2001-02 over Rs.280.30 crore in 2000-01. Thereafter Bank also posted more than 42.00% growth during 2002-03 over 2001-02 when it attain level of Rs. 1018 crore over Rs. 741 crore of previous year. As also, it posted another 30.00% growth in the following year to take Net Profit from Rs. 1018 crore to Rs. 1338 crore. Thereafter Net Profit of the Bank has modestly been caped in % growth to 10% or 50.00% for next three years.

Table 4.16 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF CANARA BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OFTOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	12472	-	1343	-
1997-98	15344	23.03	1154	-14.07
1998-99	17192	12.04	1219	5.63
1999-00	23547	36.96	1243	1.97
2000-01	27832	18.20	1346	8.29
2001-02	33127	19.02	1288	-4.31
2002-03	40472	22.17	1454	12.89
2003-04	48439	19.69	1378	-5.23
2004-05	60421	24.74	1125	-18.36
2005-06	79426	31.45	879	-21.87
2006-07	98506	24.02	927	5.46
2007-08	107238	8.86	899	-3.02
2008-09	138219	28.89	1507	67.63
2009-10	169334	22.51	1800	19.44
AVERAGE	**62254.93**	**22.43**	**1254.43**	**4.19**
STANDARD DEVIATION	**47643.76**	**-**	**244.45**	**-**
COEFFICIENT OF VARIATION	**76.530**	**-**	**19.48**	**-**

(Source: www.iba.org.in)

The average advances of Canara Bank was observed at Rs.62254.93 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 47643.76 crore and 76.53%. The same Bank shows the average net non-performing assets for the period was Rs. 1254.428 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 244.453 crore & 19.49 % respectively.

(5) Total Advances and Net NPA of Dena Bank

This Bank is posted highest Net NPA level at Rs. 1280 crore in 2000-01 and lowest Net NPA of Rs. 428 crore in 2009-10. However, the Bank management seems to have lost sight in managing Net NPA level efficiently between 1999-00 to 2002-03 during which the Net NPA in percentage terms have respectively remained at 13.47%, 18.37%, 16.31% and 11.83%. These are second highest Net NPA level in the pack of 11 PSB's and only second to Indian Bank. However, management seems to have spotted the problem very well in 2004-05 when Net NPA level have fallen from 5.23% as compared with 11.83 % in 2002-03. Thus, in 2004-05 onward Bank has put in place consistent decline trend from 2004-05 onward so as to achieve at 1.00% Net NPA in 2009-10. This kind of flip flop management attitude is clearly visible in the Net Profit figure also since Bank have posted very meager profit for first four years at less than 100.00% and has also posted losses Rs. 266 crore and Rs. 158 crore respectively for the year 2000-01 and 2001-02. Again Bank has posted profit of less than Rs. 100 crore for another set of next 4 years between 2002-03 and 2005-06. It is only during 2006-07 that Bank has posted Rs. 201 crore profits and Rs. 511 crore profits in 2009-10.

Table 4.17 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF DENA BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	3565	-	394	-
1997-98	5147	44.38	426	8.12
1998-99	6396	24.27	489	14.79
1999-00	7118	11.29	959	96.11
2000-01	7002	-1.63	1280	33.47
2001-02	7523	7.44	1227	-4.14
2002-03	8436	12.14	997	-18.74
2003-04	9412	11.57	884	-11.33
2004-05	11309	20.16	591	-33.14
2005-06	14231	25.84	433	-26.73
2006-07	18303	28.61	365	-15.70
2007-08	23024	25.79	215	-41.10
2008-09	28878	25.43	313	45.58
2009-10	35462	22.80	428	36.74
AVERAGE	**13271.86**	**19.85**	**642.93**	**6.46**
STANDARD DEVIATION	**9324.2074**	**-**	**340.72**	**-**
COEFFICIENT OF VARIATION	**70.255**	**-**	**52.99**	**-**

(Source: www.iba.org.in)

The average advances of Dena Bank was observed at Rs.13271.86 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 9324.20crore and 70.26%. The same Bank shows the average net non-performing assets for the period was Rs. 642.928crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 340.722 crore & 52.99 % respectively.

(6) Total Advances and Net NPA of Indian Bank

Within the pack of 11 PSB's, this Bank seems to have best managed NPA portfolio. In 14 years figures considered for this thesis , this is the only Bank which has consistently and progressively set declining trend in quantum Net NPA beginning from Rs. 1735 crore in 1996-97 to end up at only Rs. 145 crore in 2009-10. Indeed this is the only Bank to have reduced and extended provision coverage in such a way that Net NPA quantum in 14 years time frame has been reduced by over 90%. As a matter of fact that the Bank had unprecedented high % of Net NPA with highest level at 26 % in 1997-98 and lowest level of 0.23% in 2009-10. As a matter of fact this Bank is only second to Union Bank in lowest % term as at 2009-10. The Bank has remained double digit Net NPA for first six years and thereafter there is a noteworthy declining trend which has brought Net NPA level to less than 1.00% as at 2009-10.

Table 4.18 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF INDIAN BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	6303	-	1735	-
1997-98	6758	7.22	1758	1.33
1998-99	7051	4.34	1528	-13.08
1999-00	7809	10.75	1327	-13.15
2000-01	9025	15.57	950	-28.41
2001-02	10579	17.22	904	-4.84
2002-03	11849	12.00	729	-19.36
2003-04	13653	15.22	370	-49.25
2004-05	18380	34.62	247	-33.24
2005-06	22485	22.33	177	-28.34
2006-07	29058	29.23	102	-42.37
2007-08	39839	37.10	98	-3.92
2008-09	51465	29.18	94	-4.08
2009-10	62146	20.75	145	54.26
AVERAGE	**21171.43**	**19.66**	**726.00**	**-14.19**
STANDARD DEVIATION	**17375.552**	**-**	**618.04**	**-**
COEFFICIENT OF VARIATION	**82.070**	**-**	**85.13**	**-**

(Source: www.iba.org.in)

The Bank had legacy of being weak Bank due to its Net Profit status which has remained – ve (Net Loss) for first six years beginning at Net Loss of Rs. 389 crore as at 1996-97 which increased to highest level of Rs. 779 crore in 1998-99 and it only got out of red status to post meager Rs. 33 crore profit in 2001-02. However, Bank has increased its profitability at galloping rate since 2002-03 at Rs. 405 crore and thereafter ending up 2009-10 with net profit of over Rs. 1500 crore.

The average advances of Indian Bank was observed at Rs.21171.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 17375.55 crore and 82.07%. The same Bank shows the average net non-performing assets for the period was Rs. 726.00crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 618.044 crore & 85.13 % respectively.

(7) Total Advances and Net NPA of Indian Overseas Bank

This Bank has volatile and fluctuating status in quantum Net NPA which was highest at Rs. 958 crore in 2001-02 and lowest at Rs. 224 crore in 2005-06. However, such fluctuating Net NPA has translated only in single digit % term which has more or less non variable between 6 % to 7 % for the first 6 years.

Table 4.19 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF INDIAN OVERSEAS BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	6345	-	554	-
1997-98	7655	20.65	479	-13.54
1998-99	9051	18.24	661	38.00
1999-00	11573	27.86	885	33.89
2000-01	13096	13.16	918	3.73
2001-02	15162	15.78	958	4.36
2002-03	17447	15.07	928	-3.13
2003-04	20295	16.32	578	-37.72
2004-05	25205	24.19	319	-44.81
2005-06	34756	37.89	224	-29.78
2006-07	47060	35.40	258	15.18
2007-08	60424	28.40	363	40.70
2008-09	74885	23.93	999	175.21
2009-10	80782	7.87	1994	99.60
AVERAGE	**30266.86**	**21.91**	**722.71**	**21.67**
STANDARD DEVIATION	**24567.257**	**-**	**441.11**	**-**
COEFFICIENT OF VARIATION	**81.168**	**-**	**61.03**	**-**

(Source: www.iba.org.in)

However, in 2002-03 clear declining trend has emerged and consistent fall in Net NPA % has been achieved by the Bank. From 2002-03 onward the Bank has improved Net NPA percentage from 5.32 % to 2.47 % in 2009-10. As a matter of fact that Bank has now achieved Net NPA levels of less than 1.00% for last over 3 years. The Bank controlled NPA management also reflects in the overall profitability of Bank which has remained between Rs.100 crore and Rs. 200 crore for the first 6 years. However, Bank recorded more than 95 % growth in Net Profit during 2002-03 over 2001-02. Also thereafter in last 5 years tripled its Net Profit from Rs. 416 crore in 2002-03 to Rs. 1326 crore in 2009-10 but in the year 2009-10 this profit decline to Rs.707 crore which affect Net NPA and its total advances. This is also attributed by consistent growth in total advances which has increased 12 times in 14 years time from Rs. 6345 crore in 1996-97 to Rs. 80872 crore in 2009-10.

The average advances of Indian Overseas Bank was observed at Rs.30266.86 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 24567.257crore and 81.17 %. The same Bank shows the average net non-performing assets for the period was Rs. 722.714crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 441.11 crore & 61.036 % respectively

(9) Total Advances and Net NPA of Punjab National Bank

This Bank is size wise biggest in business volume within the pack of 11 selected PSB's. It's Net NPA's have remained over Rs. 1004 crore for the first seven years during which highest level had gone up to Rs .1917 crore in the year 1999-00. However, more than 70% of Net NPA have been knocked down in the year 2003-04 when the Net NPA's has been reduced to Rs. 449 crore from the levels of Rs. 1527 crore in 2002-03. Further, 80% of Net NPA was knocked down in the year 2004-05 so as to find Net NPA's level of only Rs. 119 crore from Rs. 449 crore of 2003-04. Surprisingly here after the Bank has once again started showing growing trend in Net NPA quantum which has increased from Rs. 119 crore in 2004-05 to Rs. 210 crore in 2005-06 (Nearly 100% rise) and then further increase of 300% to find Net NPA levels of Rs. 726 crore in 2006-07 and Rs. 982 crore in 2009-10 from Rs. 210 crore in 2005-06. Further the Bank has maintained throughout the period single digit Net NPA percentage (%) except 10.38 % in 1996-97. Thereafter cleared declining trends have emerged in percentage (%) terms which have brought down Net NPA level to less than 5.00% in 2002-03 from 9.57% in 1997-98. Further most importantly it is noteworthy to record here that Bank has consistently achieved less than 1.00% Net NPA for the last successive seven years beginning from 2003-04 to 2009-10.

Table 4.20 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF PUNJAB NATIONAL BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	12688	-	1442	-
1997-98	14679	15.69	1405	-2.57
1998-99	17558	19.61	1573	11.96
1999-00	22572	28.56	1917	21.87
2000-01	28043	24.24	1871	-2.40
2001-02	34369	22.56	1810	-3.26
2002-03	40228	17.05	1527	-15.64
2003-04	47225	17.39	449	-70.60
2004-05	60413	27.93	119	-73.50
2005-06	74627	23.53	210	76.47
2006-07	96597	29.44	726	245.71
2007-08	119502	23.71	754	3.86
2008-09	154703	29.46	264	-64.99
2009-10	186601	20.62	982	271.97
AVERAGE	**64986.07**	**23.06**	**1074.93**	**30.68**
STANDARD DEVIATION	**53096.471**	**-**	**628.14**	**-**
COEFFICIENT OF VARIATION	**81.704**	**-**	**58.43**	**-**

(Source: www.iba.org.in)

The Bank has star performer in terms of Net Profit as it has posted more than Rs. 200 crore profits in 1996-97 and improved by 100% in following few years so as to get into fell off more than Rs. 1000 crore profit in 2003-04. The Bank is highest profit making Bank within the Pack of 11 PSB's recording Rs. 3905 crore during 2009-10. Bank's total advances have registered good % growth YOY basis at more than industry average and its total advances of Rs. 12688 crore in 1996-97 were more than double Rs. 28043 crore during 2000-01.Thereafter in 9 years time , the Bank's total advances portfolio has increased 7 times to reach Rs. 186601 crore in 2009-10.

The average advances of Punjab National Bank was observed at Rs.64986.07 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 53096.471crore and 81.70%. The same Bank shows the average net non-performing assets for the period was Rs. 1074.929crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 628.147crore & 58.44 % respectively.

(10) Total Advances and Net NPA of Syndicate Bank

This is the only Bank after UCO Bank whose quantum Net NPA has been more at the end 2009-10, Rs 963 crore than Net quantum NPA of Rs. 439 crore as at 1996-97. Overall management of the Bank does not seem to have given focused attention to NPA management which is noticeable on the basis of inconsistently decline or increases YOY basis so as to give any clear trend of either improvement or deteriorate. However, one good thing is noticeable and that is the fact that throughout 14 years, the Bank's Net NPA in percentage terms has remained in single digit with an initial declining trend from 7.00% to 4.00% in first 6 years and then consistent declining trend from 4.29% in 2002-03 to at or less than 1.00% in 2009-10.

Table 4.21 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF SYNDICATE BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs .Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	5476	-	439	-
1997-98	6638	21.22	384	-12.53
1998-99	8918	34.35	350	-8.85
1999-00	12206	36.87	387	10.57
2000-01	13116	7.46	531	37.21
2001-02	14885	13.49	689	29.76
2002-03	16305	9.54	699	1.45
2003-04	20647	26.63	533	-23.75
2004-05	26729	29.46	426	-20.08
2005-06	36466	36.43	313	-26.53
2006-07	51670	41.69	391	24.92
2007-08	64051	23.96	623	59.34
2008-09	81532	27.29	632	1.44
2009-10	90406	10.88	963	52.37
AVERAGE	**32074.64**	**24.56**	**525.71**	**9.64**
STANDARD DEVIATION	**27545.537**	**-**	**173.16**	**-**
COEFFICIENT OF VARIATION	**85.879**	**-**	**32.93**	**-**

(Source: www.iba.org.in)

Further, despite fluctuating Net NPA level but with a consistent declining Net NPA in percentage terms, have helped Bank grow its Net Profit consistent from very first year in 1996-97 by over 30% for the first 3 years and then more or less stagnated at more or less same level and then resuming uptrend in the band of 25.00% to 30.00 % beginning from 2002-03 till posting profit at Rs. 813 crore in 2009-10.

Bank has also modestly and consistently grown its total advances by about 12 times during the 14 year period beginning at Rs. 5476 crore in 1996-97 to end up as Rs. 90406 crore in 2009-10.

The average advances of Syndicate Bank was observed at Rs.32074.64 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 27545.537crore and 85.88 %. The same Bank shows the average net non-performing assets for the period was Rs. 525.714crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 173.166 crore & 32.93% respectively.

(10) Total Advances and Net NPA of Union Bank of India

This Bank has also consistently grown quantum Net NPA for first 6 years during which quantum Net NPA as increased by over 100% from Rs. 640 crore in 1996-97 to Rs. 1338 crore in 2001-02. However, modest declining trend began from 2002-03 and highest reduction took place of over 85% in 2007-08 and quantum Net NPA up from Rs. 601 crore in 2006-07 to Rs. 965 crore in 2007-08. Thus, quantum Net NPA has fallen from peak of Rs. 1338 crore in 2001-02 to Rs. 128 crore in 2007-08.

The Bank has Net NPA in percentage terms has remained throughout single digit but more or less remained around 7.00% for the first 6 years. It was only in 2002-03 when Bank achieved less than 5% Net NPA at 4.91 % and further reduced 100.00% in percentage terms declining to 2.87 % in 2003-04. Bank has also achieved the status of less than 1.00% for last 4 years during 2006-07 and 2007-08, 2008-09, 2009-10.

Table 4.22 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF UNION BANK OF INDIA FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUALGROWTH RATEOFTOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	8324	-	640	-
1997-98	9352	12.35	716	11.88
1998-99	9999	6.92	870	21.51
1999-00	15007	50.09	1164	33.79
2000-01	17505	16.65	1201	3.18
2001-02	21383	22.15	1338	11.41
2002-03	25515	19.32	1253	-6.35
2003-04	29426	15.33	845	-32.56
2004-05	40105	36.29	1060	25.44
2005-06	53380	33.10	834	-21.32
2006-07	62386	16.87	601	-27.94
2007-08	74348	19.17	128	-78.70
2008-09	96534	29.84	326	154.69
2009-10	119315	23.60	965	196.01
AVERAGE	**41612.79**	**23.21**	**852.93**	**22.39**
STANDARD DEVIATION	**33755.552**	**-**	**338.07**	**-**
COEFFICIENT OF VARIATION	**81.118**	**-**	**39.63**	**-**

(Source: www.iba.org.in)

Bank's Net Profit has modestly varied in the band of 10.00% to 20.00% for the first five years. However, it has increased by nearly 100.00 % from Rs. 155 crore in 2000-01 to Rs. 314 crore in 2001-02 and again it has improved by over 100.00% in next 2 years to find the levels of Rs. 712 crore in 2003-04. Thereafter , Bank has once again recorded nearly 70 % growth in last year's when profit have increased from Rs. 845 crore in 2006-07 to Rs 2075 crore in 2009-10.

Bank's has reported consistent modest growth in the band of 15 % to 30 % on an average basis beginning at Rs. 8324 crore in 1996-97 which has increased by over 14 times to find levels of Rs. 119315 crore in 2009-10.

The average advances of Union Bank of India was observed at Rs.41612.79 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 33755.552 crore and 81.12 %. The same Bank shows the average net non-performing assets for the period was Rs. 852.928 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 338.077crore & 39.64% respectively.

(11) Total Advances and Net NPA of UCO Bank

This is one of the weakest Bank within the pack of 11 PSB's and it only Bank after Syndicate Bank and Union Bank to have increased quantum of Net NPA amount from Rs. 753 crore in 1996-97 to Rs. 966 crore in 2009-10. Thus, it may be noted that during 14 years time the quantum Net NPA at the end of 2007-08 is 40.00% higher over Rs. 753 crore in 1996-97.

Table 4.23 TOTAL ADVANCES AND NET NON-PERFORMING ASSETS OF UCO BANK FROM 1997 -2010

YEARS	TOTAL ADVANCES (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF TOTAL ADVANCES IN %	NET NON - PERFORMING ASSETS (Amt. in Rs. Crore)	ANNUAL GROWTH RATE OF NET NPA IN %
1996-97	3984	-	753	-
1997-98	5611	40.84	625	-17.00
1998-99	6222	10.89	674	7.84
1999-00	7630	22.63	668	-0.89
2000-01	10085	32.18	656	-1.80
2001-02	12805	26.97	724	10.37
2002-03	15923	24.35	697	-3.73
2003-04	20626	29.54	753	8.03
2004-05	27656	34.08	811	7.70
2005-06	37378	35.15	785	-3.21
2006-07	46989	25.71	1006	28.15
2007-08	55082	17.22	1092	8.55
2008-09	68804	24.91	813	-25.55
2009-10	82505	19.91	966	18.82
AVERAGE	**28664.29**	**26.49**	**787.36**	**2.87**
STANDARD DEVIATION	**24685.137**	**-**	**136.01**	**-**
COEFFICIENT OF VARIATION	**86.118**	**-**	**17.27**	**-**

(Source: www.iba.org.in)

Nevertheless Bank had excellent achieved declining trend consistently in percentage term from 13.73% in 1996-97 to 1.17% in 2009-10. This clearly shows that on one hand Bank had miserably failed in arresting growth of quantum Net NPA while on the other hand substantial provision coverage ratio and increasing of new advances on YOY basis have helped the Bank established a declining trend of Net NPA in percentage terms. The Net NPA fell below 5.00% for the first time only in 2002-03 and it is less than 2.00% as in 2009-10.

As a corollary to above status of Net NPA, the Bank remains in red with position of Net losses for the first 4 years and a very nominal Net Profit was posted at Rs.33 crore for the first time in 2000-01. Thereafter, Bank has consistently posted profit in excess of Rs. 160 crore from 2001-02 till recently at Rs. 1012 crore in 2009-10.

Bank's advances portfolio has grown 15% to 20% band for first 4 years but thereafter it has grown at more than 25.00% every year so as to reach Rs. 82505 crore as at 2009-10 which is 21 times more than outstanding advances in 1996-97.

The average advances of UCO Bank was observed at Rs.28664.29 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 24685.137crore and 86.12 %. The same Bank shows the average net non-performing assets for the period was Rs787.357crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 136.013crore & 17.27 % respectively.

4.9.2.B CONCLUSION

As per the tables of total advances and net non- performing assets of Banks which shows standard deviation and coefficient variation of an individual selected Banks, it is observed that UCO Bank is more stable , more consistent , more non variable as far as number variability is concern whereas Indian Bank is showing very high standard deviation (S.D) and coefficient variation (C.V) which represent inconsistently , instability and very high variability of numbers followed by Dena Bank and Indian Overseas Bank. This apart all remaining Banks such as Allahabad Bank, Bank of Baroda, Bank of India, Punjab National Bank, Syndicate Bank and Union Bank of India are showing coefficient variation (C.V) which is substantially inconsistent when compared with variation in average NNPA of these Banks. As a matter of fact the lowest C.V. in the group is 17.27% of UCO Bank and the highest C.V. at 85.13% is of Indian Bank, the spread between lower and upper range have substantially varying C.V. on Bank to Bank basis.

4.10 PERCENTAGE OF GROSS NON-PERFORMING ASSETS TO TOTAL ADVANCES OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks from the Table given and comment made thereon, Bank to Bank basis.

(1) Percentage of Gross NPA to Total Advances of Allahabad Bank

Percentage of gross NPA shows reduction from 23.93% in 1997 to 1.71% in 2009-10. Throughout Bank is showing reduction in percentage of gross NPA on YOY basis which means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank is increasing corresponding new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.24 PERCENTAGES OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF ALLAHABAD BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	23.93	-
1997-98	23.18	-3.13
1998-99	20.09	-13.33
1999-00	19.07	-5.08
2000-01	17.66	-7.39
2001-02	16.94	-4.08
2002-03	13.65	-19.42
2003-04	8.66	-36.56
2004-05	5.8	-33.03
2005-06	3.9	-32.76
2006-07	2.61	-33.08
2007-08	2.00	-23.37
2008-09	1.83	-8.50
2009-10	1.71	-6.56
AVERAGE	**11.50**	-
STANDARD DEVIATION	**8.24**	-
COEFFICIENT OF VARIATION	**71.66**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Allahabad Bank was stood at 11.50% while its standard deviation and coefficient of variation were stood at 8.24% and 71.66% respectively.

(2) Percentage of Gross NPA to Total Advances of Bank of Baroda

In case of BOB % of gross NPA to advances decrease constant from 1997 it stand to 17.15% and in the year 2010 comes to 1.37%. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in gross NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.25 PERCENTAGES OF GROSS NON- PERFORMING ASSETS TOTOTAL ADVANCES OF BANK OF BARODA FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	17.15	-
1997-98	14.63	-14.69
1998-99	16.03	9.57
1999-00	14.73	-8.11
2000-01	14.11	-4.21
2001-02	12.39	-12.19
2002-03	11.02	-11.06
2003-04	10.52	-4.54
2004-05	7.3	-30.61
2005-06	3.9	-46.58
2006-07	2.47	-36.67
2007-08	1.84	-25.51
2008-09	1.28	-30.43
2009-10	1.37	7.03
AVERAGE	**9.20**	-
STANDARD DEVIATION	**5.75**	-
COEFFICIENT OF VARIATION	**62.63**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Bank of Baroda was stood at 9.20% while its standard deviation and coefficient of variation were stood at 5.75% and 62.63 % respectively.

(3) Percentage of Gross NPA to Total Advances of Bank of India

In case of this Bank, the % of GNPA to total advances reduced but constantly in terms of double digit i.e.in the year 1996 it stands 11.78% and in the year 2000-01 around 10.25%. But then after it decrease in such percentage of GNPA on YOY basis which means that either the Bank successful in effecting recovery of NPA account on constant basis or Bank is increasing correspondingly new credit portfolio on YOY basis in such a way that existing NPAs remain where they are and new slippages do not take place on account of growth in credit portfolio. In the year 2010 it increases to 2.90%.

Table 4.26 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF BANK OF INDIA FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	11.78	-
1997-98	11.55	-1.95
1998-99	11.87	2.77
1999-00	12.9	8.68
2000-01	10.25	-20.54
2001-02	9.37	-8.59
2002-03	8.55	-8.75
2003-04	7.86	-8.07
2004-05	5.45	-30.66
2005-06	3.7	-32.11
2006-07	2.42	-34.59
2007-08	1.68	-30.58
2008-09	1.73	2.98
2009-10	2.9	67.63
AVERAGE	**7.29**	-
STANDARD DEVIATION	**4.03**	-
COEFFICIENT OF VARIATION	**55.31**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Bank of India was stood at 7.29% while its standard deviation and coefficient of variation were stood at 4.03% and 55.31% respectively.

(4) Percentage of Gross NPA to Total Advances of Canara Bank

Percentage of gross NPA to total advances in case of this Bank shows reduction from 17.15% in 1997 to 1.53% in 2009-10. Throughout Bank showing reduction in % of gross NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.27 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF CANARA BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	20.26	-
1997-98	18.69	-7.75
1998-99	18.32	-1.98
1999-00	10.42	-43.12
2000-01	7.8	-25.14
2001-02	6.22	-20.26
2002-03	5.96	-4.18
2003-04	6.33	6.21
2004-05	3.89	-38.55
2005-06	2.3	-40.87
2006-07	1.5	-34.78
2007-08	1.31	-12.67
2008-09	1.57	19.85
2009-10	1.53	-2.55
AVERAGE	**7.58**	-
STANDARD DEVIATION	**6.56**	-
COEFFICIENT OF VARIATION	**86.66**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Canara Bank was stood at 7.58% while its standard deviation and coefficient of variation were stood at 6.56% and 86.66% respectively.

(5) Percentage of Gross NPA to Total Advances of Dena Bank

In case of Dena Bank such percentage has declined from 15.10% in the year 1996-97 to 12.37% in the year 1998-99. But then after such % increase like 25.31% in the year 2000-01 then after in constantly decline from 17.86% in the year 2002-03 to 1.81% in the year 2009-10. The reason for that the Bank is increasing corresponding new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.28 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF DENA BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	15.1	-
1997-98	13.73	-9.07
1998-99	12.37	-9.91
1999-00	18.15	46.73
2000-01	25.31	39.45
2001-02	24.11	-4.74
2002-03	17.86	-25.92
2003-04	14.82	-17.02
2004-05	9.67	-34.75
2005-06	6.4	-33.82
2006-07	3.98	-37.81
2007-08	2.45	-38.44
2008-09	2.15	-12.24
2009-10	1.81	-15.81
AVERAGE	**11.99**	-
STANDARD DEVIATION	**7.60**	-
COEFFICIENT OF VARIATION	**63.41**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Dena Bank was stood at 11.99% while its standard deviation and coefficient of variation were stood at 7.60% and 63.41% respectively.

(6) Percentage of Gross NPA to Total Advances of Indian Bank

This Bank is the classic example for this parameter. Such a Bank shows reduction of NPA from 39.12% in the year 1996-97 to 0.82% in 2009-10 .Throughout Bank showing reduction in % of gross NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio. Such reduction is good sign for measuring performance of this Bank.

Table 4.29 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF INDIAN BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	39.12	-
1997-98	38.96	-0.41
1998-99	38.7	-0.67
1999-00	32.77	-15.32
2000-01	21.76	-33.60
2001-02	17.86	-17.92
2002-03	12.39	-30.63
2003-04	7.98	-35.59
2004-05	4.19	-47.49
2005-06	2.9	-30.79
2006-07	1.85	-36.21
2007-08	1.21	-34.59
2008-09	0.89	-26.45
2009-10	0.82	-7.87
AVERAGE	**15.81**	-
STANDARD DEVIATION	**15.02**	-
COEFFICIENT OF VARIATION	**95.00**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Indian Bank was stood at 15.81% while its standard deviation and coefficient of variation were stood at 15.02% and 95.00% respectively.

(7) Percentage of Gross NPA to Total Advances of Indian overseas Bank

In case of Indian overseas Bank such % shows reduction from 15.80% in the year 1996-97 to 1.63% in 2007-08. So the Bank showing reduction in % of gross NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio. But after 2007-08 such a % increasing from 2.57% in the year 2008-09 to 4.47% in the year 2009-10 which is highest increment as compared with all other selected sample Banks.

Table 4.30 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF INDIAN OVERSEAS BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	15.8	-
1997-98	13.98	-11.52
1998-99	13.32	-4.72
1999-00	13.18	-1.05
2000-01	11.81	-10.39
2001-02	11.35	-3.90
2002-03	10.29	-9.34
2003-04	7.4	-28.09
2004-05	5.28	-28.65
2005-06	3.4	-35.61
2006-07	2.34	-31.18
2007-08	1.63	-30.34
2008-09	2.57	57.67
2009-10	4.47	73.93
AVERAGE	**8.34**	-
STANDARD DEVIATION	**4.81**	-
COEFFICIENT OF VARIATION	**57.70**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Indian Overseas Bank was stood at 8.34% while its standard deviation and coefficient of variation were stood at 4.81% and 57.70% respectively.

(8) Percentage of Gross NPA to Total Advances of Punjab National Bank

Percentage of gross NPA to gross advances shows reduction from 16.31% in the year 1996-97 to 1.72% in the year 2009-10. Throughout Bank showing reduction in % of gross NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.31 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF PUNJAB NATIONAL BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	16.31	-
1997-98	14.5	-11.10
1998-99	14.12	-2.62
1999-00	13.19	-6.59
2000-01	11.71	-11.22
2001-02	11.38	-2.82
2002-03	11.58	1.76
2003-04	9.35	-19.26
2004-05	5.96	-36.26
2005-06	4.1	-31.21
2006-07	3.45	-15.85
2007-08	2.74	-20.58
2008-09	1.79	-34.67
2009-10	1.72	-3.91
AVERAGE	**8.71**	-
STANDARD DEVIATION	**5.03**	-
COEFFICIENT OF VARIATION	**57.77**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Punjab National Bank was stood at 8.71% while its standard deviation and coefficient of variation were stood at 5.03% and 57.77% respectively.

(9) Percentage of Gross NPA to Total Advances of Syndicate Bank

In case of this Bank the % of gross NPA to advances shows reduction from 19.32% in the year 1996-97 to7.87% in the year 2000-01. But then after it decline from 8.38% in the year 2001-02 to 1.96% in the year 2008-09. Again in the year 2010 increase to 2.19%.

Table 4.32 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF SYNDICATE BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	19.32	-
1997-98	15.31	-20.76
1998-99	10.72	-29.98
1999-00	7.74	-27.80
2000-01	7.87	1.68
2001-02	8.38	6.48
2002-03	8.32	-0.72
2003-04	7.33	-11.90
2004-05	5.17	-29.47
2005-06	4	-22.63
2006-07	2.95	-26.25
2007-08	2.76	-6.44
2008-09	1.96	-28.99
2009-10	2.19	11.73
AVERAGE	**7.43**	-
STANDARD DEVIATION	**4.87**	-
COEFFICIENT OF VARIATION	**65.58**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Syndicate Bank was stood at 7.43% while its standard deviation and coefficient of variation were stood at 4.87% and 65.58% respectively.

(10) Percentage of Gross NPA to Total Advances of Union Bank of India

Such a Bank shows reduction in % from 10.38% in the year 1996-97 to 1.99% in the year 2008-09 except in the years 1997-98 to 1999-00 it raised up to 12.41% and in the year 2009-10 it stand around 2.34%.

Table 4.33 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF UNION BANK OF INDIA FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	10.38	-
1997-98	11.18	7.71
1998-99	12.41	11.00
1999-00	12.27	-1.13
2000-01	11.2	-8.72
2001-02	10.77	-3.84
2002-03	8.96	-16.81
2003-04	7.59	-15.29
2004-05	5.01	-33.99
2005-06	3.8	-24.15
2006-07	2.94	-22.63
2007-08	2.18	-25.85
2008-09	1.99	-8.72
2009-10	2.34	17.59
AVERAGE	**7.36**	-
STANDARD DEVIATION	**3.97**	-
COEFFICIENT OF VARIATION	**53.98**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of Union Bank of India was stood at 7.36% while its standard deviation and coefficient of variation were stood at 3.97% and 53.98% respectively.

(11) Percentage of Gross NPA to Total Advances of UCO Bank

Percentage of gross NPA to total advances in this Bank shows reduction from 28.35% in the year 1996-97 to 2.02% in the year 2009-10. Throughout Bank is showing reduction in percentage of gross NPA on YOY basis which means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank is increasing corresponding new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.34 PERCENTAGE OF GROSS NON- PERFORMING ASSETS TO TOTAL ADVANCES OF UCO BANK FROM 1997 -2010

YEAR	PERCENTAGE OF GROSS NPA	ANNUAL GROWTH RATE OF GROSS NPA AND ADVACES IN %
1996-97	28.35	-
1997-98	24.04	-15.20
1998-99	22.55	-6.20
1999-00	18.79	-16.67
2000-01	11.71	-37.68
2001-02	9.59	-18.10
2002-03	8.24	-14.08
2003-04	6.93	-15.90
2004-05	4.96	-28.43
2005-06	3.3	-33.47
2006-07	3.17	-3.94
2007-08	2.97	-6.31
2008-09	2.24	-24.58
2009-10	2.02	-9.82
AVERAGE	**10.63**	-
STANDARD DEVIATION	**8.73**	-
COEFFICIENT OF VARIATION	**82.17**	-

(Source: www.iba.org.in)

The above table shows average percentage of gross non- performing assets to total advances of UCO Bank was stood at 10.63% while its standard deviation and coefficient of variation were stood at 8.73% and 82.17% respectively.

4.10.3. C CONCLUSION

As per the tables of respected individual selected Public Sector Banks, it shows the percentage of gross non- performing assets to total advances which indicates continuous decreased during the period 1997 to 2010. It also shows the average, standard deviation and coefficient variation of the ratio of gross non-performing assets to total advances during the period under research. A higher decline in the ratio was observed in case of Indian Bank followed by Allahabad Bank, Dena Bank and UCO Bank.

4.11 PERCENTAGE OF NET NON-PERFORMING ASSETS TO TOTAL ADVANCES OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks from the Table given and comment made thereon, Bank to Bank basis

(1) Percentage of Net NPA to Total Advances of Allahabad Bank

Percentage of net NPA shows reduction from 15.09 % in 1998 to 0.66% in 2009-10. Throughout Bank is showing reduction in percentage of net NPA on YOY basis which means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank is increasing corresponding new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4. 35 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF ALLAHABAD BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	14.84	-
1997-98	15.09	1.68
1998-99	12.54	-16.90
1999-00	12.24	-2.39
2000-01	11.23	-8.25
2001-02	11.09	-1.25
2002-03	7.08	-36.16
2003-04	2.37	-66.53
2004-05	1.28	-45.99
2005-06	0.84	-34.38
2006-07	1.07	27.38
2007-08	0.8	-25.23
2008-09	0.72	-10.00
2009-10	0.66	-8.33
AVERAGE	**6.56**	-
STANDARD DEVIATION	**5.74**	-
COEFFICIENT OF VARIATION	**87.59**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Allahabad Bank was stood at 6.56% while its standard deviation and coefficient of variation were stood at 5.74% and 87.59% respectively.

(2) Percentage of Net NPA to Total Advances of Bank of Baroda

In case of BOB % of net NPA to advances decrease constant from 1997 it stand to 6.6% and in the year 2010 comes to 0.34%. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in net NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.36 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF BANK OF BARODA FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	8.94	-
1997-98	6.6	-26.17
1998-99	7.7	16.67
1999-00	6.95	-9.74
2000-01	6.77	-2.59
2001-02	4.98	-26.44
2002-03	3.72	-25.30
2003-04	2.99	-19.62
2004-05	1.45	-51.51
2005-06	0.87	-40.00
2006-07	0.6	-31.03
2007-08	0.47	-21.67
2008-09	0.31	-34.04
2009-10	0.34	9.68
AVERAGE	**3.76**	-
STANDARD DEVIATION	**3.04**	-
COEFFICIENT OF VARIATION	**80.91**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Bank of Baroda was stood at 3.76% while its standard deviation and coefficient of variation were stood at 3.04% and 80.91% respectively.

(3) Percentage of Net NPA to Total Advances of Bank of India

In case of BOI % of net NPA to advances decrease constant from 1998 it stand to 7.34% and in the year 2009 comes to 0.44%. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in net NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.37 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF BANK OF INDIA FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	6.52	-
1997-98	7.34	12.58
1998-99	7.28	-0.82
1999-00	8.61	18.27
2000-01	6.72	-21.95
2001-02	6.02	-10.42
2002-03	5.37	-10.80
2003-04	4.5	-16.20
2004-05	2.8	-37.78
2005-06	1.49	-46.79
2006-07	0.74	-50.34
2007-08	0.52	-29.73
2008-09	0.44	-15.38
2009-10	1.31	197.73
AVERAGE	**4.26**	-
STANDARD DEVIATION	**2.83**	-
COEFFICIENT OF VARIATION	**66.53**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Bank of India was stood at 4.26% while its standard deviation and coefficient of variation were stood at 2.83% and 66.53% respectively.

(4) Percentage of Net NPA to Total Advances of Canara Bank

In case of Canara Bank % of net NPA to advances decrease constant from 1997 it stand to 9.32% and in the year 2007-08 comes to 0.84%. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in net NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.38 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF CANARA BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	9.32	-
1997-98	7.52	-19.31
1998-99	7.09	-5.72
1999-00	5.28	-25.53
2000-01	4.84	-8.33
2001-02	3.89	-19.63
2002-03	3.59	-7.71
2003-04	2.89	-19.50
2004-05	1.88	-34.95
2005-06	1.12	-40.43
2006-07	0.94	-16.07
2007-08	0.84	-10.64
2008-09	1.09	29.76
2009-10	1.06	-2.75
AVERAGE	**3.67**	-
STANDARD DEVIATION	**2.69**	-
COEFFICIENT OF VARIATION	**73.48**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Canara Bank was stood at 3.67% while its standard deviation and coefficient of variation were stood at 2.69% and 73.48% respectively.

(5) Percentage of Net NPA to Total Advances of Dena Bank

In case of Dena Bank % of net NPA to advances shows decrease from 1997 it stand to 9.4 % up to 1999. But then after in the year 1999-00, 2001, 2002 it comes to double digit of 13.47%, 18.37%, 16.31% respectively. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in net NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.39 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF DENA BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	9.4	-
1997-98	8.28	-11.91
1998-99	7.64	-7.73
1999-00	13.47	76.31
2000-01	18.37	36.38
2001-02	16.31	-11.21
2002-03	11.83	-27.47
2003-04	9.4	-20.54
2004-05	5.23	-44.36
2005-06	3.04	-41.87
2006-07	1.99	-34.54
2007-08	0.94	-52.76
2008-09	1.08	14.89
2009-10	1.21	12.04
AVERAGE	**7.73**	-
STANDARD DEVIATION	**5.58**	-
COEFFICIENT OF VARIATION	**72.25**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non-performing assets to total advances of Dena Bank was stood at 7.73% while its standard deviation and coefficient of variation were stood at 5.58% and 72.25% respectively.

(6) Percentage of Net NPA to Total Advances of Indian Bank

In case of this Bank % of net NPA to advances decrease constant from 1998 it stand to 26.01 % and in the year 2010 comes to 0.23%. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in gross NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.40 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF INDIAN BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	25.24	-
1997-98	26.01	3.05
1998-99	21.67	-16.69
1999-00	16.18	-25.33
2000-01	10.06	-37.82
2001-02	8.28	-17.69
2002-03	6.15	-25.72
2003-04	2.71	-55.93
2004-05	1.35	-50.18
2005-06	0.79	-41.48
2006-07	0.35	-55.70
2007-08	0.24	-31.43
2008-09	0.18	-25.00
2009-10	0.23	27.78
AVERAGE	**8.53**	-
STANDARD DEVIATION	**9.42**	-
COEFFICIENT OF VARIATION	**110.47**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Indian Bank was stood at 8.53% while its standard deviation and coefficient of variation were stood at 9.42% and 110.47% respectively.

(7) Percentage of Net NPA to Total Advances of Indian Overseas Bank

In case of Indian Overseas Bank such % shows reduction from 7.65% in the year 1999-00 to 1.33% in 2008-09. So the Bank showing reduction in % of net NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio. But in 2008-09 such a % increasing from 1.33% to 2.47% in the year 2009-10.

Table 4.41 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF INDIAN OVERSEAS BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	7.64	-
1997-98	6.26	-18.06
1998-99	7.3	16.61
1999-00	7.65	4.79
2000-01	7.01	-8.37
2001-02	6.32	-9.84
2002-03	5.32	-15.82
2003-04	2.85	-46.43
2004-05	1.27	-55.44
2005-06	0.65	-48.82
2006-07	0.55	-15.38
2007-08	0.6	9.09
2008-09	1.33	121.67
2009-10	2.47	85.71
AVERAGE	**4.09**	-
STANDARD DEVIATION	**2.82**	-
COEFFICIENT OF VARIATION	**69.07**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Indian Overseas Bank was stood at 4.09% while its standard deviation and coefficient of variation were stood at 2.82% and 69.07% respectively.

(8) Percentage of Net NPA to Total Advances of Punjab National Bank

In case of PNB % of net NPA to advances decrease constant from 1997 it stand to 10.38 % and in the year 2010 comes to 0.53%. Throughout Bank is showing reduction of % YOY basis for this parameter which also means that the Bank either successful in effecting recovery in net NPA account or it may correspondingly increase new credit portfolio on YOY basis in such a way that existing NPA s remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.42 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF PUNJAB NATIONAL BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	10.38	-
1997-98	9.57	-7.80
1998-99	8.96	-6.37
1999-00	8.52	-4.91
2000-01	6.74	-20.89
2001-02	5.32	-21.07
2002-03	3.86	-27.44
2003-04	0.98	-74.61
2004-05	0.2	-79.59
2005-06	0.29	45.00
2006-07	0.76	162.07
2007-08	0.64	-15.79
2008-09	0.17	-73.44
2009-10	0.53	211.76
AVERAGE	**4.07**	-
STANDARD DEVIATION	**3.88**	-
COEFFICIENT OF VARIATION	**95.66**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Punjab National Bank was stood at 4.07% while its standard deviation and coefficient of variation were stood at 3.88% and 95.66% respectively.

(9) Percentage of Net NPA to Total Advances of Syndicate Bank

In case of this Bank the % of net NPA to advances shows reduction from 7.53 % in the year 1996-97 to 3.17 % in the year 1999-00. But then after it decline from 4.63% in the year 2001-02 to 1.07% in the year 2010.

Table 4.43 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF SYNDICATE BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	7.53	-
1997-98	5.78	-23.24
1998-99	3.93	-32.01
1999-00	3.17	-19.34
2000-01	4.05	27.76
2001-02	4.63	14.32
2002-03	4.29	-7.34
2003-04	2.58	-39.86
2004-05	1.59	-38.37
2005-06	0.86	-45.91
2006-07	0.76	-11.63
2007-08	0.97	27.63
2008-09	0.78	-19.59
2009-10	1.07	37.18
AVERAGE	**3.00**	-
STANDARD DEVIATION	**2.05**	-
COEFFICIENT OF VARIATION	**68.50**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of Syndicate Bank was stood at 3.00% while its standard deviation and coefficient of variation were stood at 2.05% and 68.50% respectively.

(10) Percentage of Net NPA to Total Advances of Union Bank of India

In case of UBI such % shows reduction from 8.70% in the year 1998-99 to 0.81% in 2009-10. So the Bank showing reduction in % of net NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.44 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF UNION BANK OF INDIA FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	6.98	-
1997-98	7.66	9.74
1998-99	8.7	13.58
1999-00	7.97	-8.39
2000-01	6.87	-13.80
2001-02	6.26	-8.88
2002-03	4.91	-21.57
2003-04	2.87	-41.55
2004-05	2.64	-8.01
2005-06	1.56	-40.91
2006-07	0.96	-38.46
2007-08	0.17	-82.29
2008-09	0.34	100.00
2009-10	0.81	138.24
AVERAGE	**4.19**	-
STANDARD DEVIATION	**3.05**	-
COEFFICIENT OF VARIATION	**72.77**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non-performing assets to total advances of Union Bank of India was stood at 4.19% while its standard deviation and coefficient of variation were stood at 3.05% and 72.77% respectively.

(11) Percentage of Net NPA to Total Advances of UCO Bank

In case of UCO Bank such % shows reduction from 13.73% in the year 1996-97 to 1.17% in 2009-10. So the Bank showing reduction in % of net NPA on YOY basis which also means that either the Bank successful in effecting recovery in NPA account on regular basis or Bank increasing new credit portfolio YOY basis in such a way that existing NPA remains where they are and new slippages do not take place on account of growth in credit portfolio.

Table 4.45 PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF UCO BANK FROM 1997 -2010

YEAR	PERCENTAGE OF NET NPA	ANNUAL GROWTH RATE OF NET NPA AND ADVACES IN %
1996-97	13.73	-
1997-98	11.14	-18.86
1998-99	10.83	-2.78
1999-00	8.75	-19.21
2000-01	6.35	-27.43
2001-02	5.45	-14.17
2002-03	4.36	-20.00
2003-04	3.65	-16.28
2004-05	2.93	-19.73
2005-06	2.1	-28.33
2006-07	2.14	1.90
2007-08	1.98	-7.48
2008-09	1.18	-40.40
2009-10	1.17	-0.85
AVERAGE	**5.41**	-
STANDARD DEVIATION	**3.99**	-
COEFFICIENT OF VARIATION	**73.77**	-

(Source: www.iba.org.in)

The above table shows average percentage of net non- performing assets to total advances of UCO Bank was stood at 5.41% while its standard deviation and coefficient of variation were stood at 3.99% and 73.77% respectively.

4.11.4. D CONCLUSION

AS per the tables of respected individual selected PSB's, it shows the percentage of net NPA's to total advances which continuously decline during the period under research. It also shows average, standard deviation and coefficient of variation of the ratio of net NPA to total advances in individual selected PSB's. A higher decline in the ratio of net non-performing assets to total advances which was observed in case of Indian Bank followed by Allahabad Bank, Dena Bank and UCO Bank.

4.12 TOOLS FOR RESOLVING NPA's

Commercial Banks in India have many tools starting from debt restructuring to compromise settlements and legal resource available with them to suitably deal with the settlement of NPA accounts.[44] These methods are as under.

4.12.1 Debt Restructuring

It may be mentioned that borrower unit is sometimes failing seasonal slum in their targeted sales or some unforeseen natural calamities impact profitability and cash flow of such borrower unit, which prohibits them adhere to repayment terms for installment and interest as stipulated by the Bank.[45] In such a case, borrower unit present their case with all relevant details and request Bank to review the repayment terms by either differing the frequency and term of installment or by reducing quantum of installment and increasing tenure of repayment. In case if Bank positively consider review of proposal and sanction such request for change in repayment terms, then upon sanction of review terms, account of borrower unit, is said to have been restructured. Banks restructuring debts which start showing signs of incipient sickness or where unit has become sick. Many times, such restructuring aids revival of such units and help them come out of the losses. As per RBI prudential guidelines on income recognition, asset classification and provisioning

[44] Sharma Jyoti (2010), " NPA Management n : A Major Challenges for Banks", Vol V, Nov – 03, March

[45] Pathak V. Bharti, The Indian Financial System.

pertaining to advances, an NPA is upgraded to standard asset after the repayment record post restructuring remains satisfactory for one year from the due date.[46]

4.12.2 Compromise Settlement

Banks negotiate compromise settlement with NPA borrowers and arrive at an amicable settlement so as to get the funds released for deployment into other profitable avenues. Various factors such as the borrower's repayment capacity, condition of the physical assets, marketability of securities charged to Banks, prevailing market conditions etc. drive the decision on the amount of sacrifice in a compromise settlement. Banks were advised by the RBI to devise one - time compromise settlement schemes for resolution of NPAs[47]. It is noteworthy that the RBI issued guideline regarding restructuring of loans during 2008-09, as a one- time measure and for a limited period of time in view of the extraordinary value of assets which were otherwise viable.

4.12.3 Lok Adalat

Lok Adalat came into existence consequent to enactment of the Legal Services Authority Act 1987. These Adalats are set up to help Banks settle disputes involving accounts in doubtful and loss categories. The Lok Adalats organised by civil courts can handle loan accounts with outstanding balances of up to INR 20 lacs. Banks also participate in lok adalats convened by various Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunals (DRATS) for resolving cases of INR 10 lacs and above, to reduce the stock of NPAs[48]

4.12.4 Recourse to Legal Remedies

Banks and financial institutions file suit in civil courts where the amount claimed is less than INR 10 lacs. For amounts of INR 10 lacs and above, recovery application must be

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[46] RBI Report on Trend And Progress of Banking In India, 2005-2006, P- 32
[47] www.rbi.org.in
[48] S.N. Bidani (2002), “Managing NPA’s In Banks”, Vision Books, New Delhi, P- 160.

filed with the DRTs. DRTs are set up under the 'Recovery of Debts Due the Banks and Financial Institutions Act 1993', popularly known as the DRT Act. This Act provides for establishment of tribunals to expeditiously adjudicate and recover debts due to Banks and financial institutions and empower such tribunals to decide on case where the amount involved is INR 10 lacs or above. No civil court or a high court can stay the proceedings commenced before DRTs and borrower or the lending Bank/ Financial institution has recourse only to DRAT against any order passed by the DRT.[49] Although, the 33 DRT 5 DRATs together could not show substantial recovery since their inception, the recovery during 2008-09 amount to INR 3348 crore which was 81% of the amount involved in cases referred to them.

4.12.5 Corporate Debt Restructuring

The scheme of CDR was institutionalised in 2001-02. It provide a timely and transparent system for restructuring of corporate debts valued at INR 20 crore and above with Banks and Financial institutions, where there are two or more lenders. The objectives of this scheme is to enable corporate adversely affected by certain internal as well as external factors to restructure their debts through an orderly and coordinated debtor- creditor agreement , which results in preserving their viability and in minimising losses to creditors and other stakeholders.[50]

The CDR is a popular mechanism among lenders as it avoids delays from multiple lender arrangements and increases transparency in the process. Banks and Financial institutions have restructured over 100000 crores of debt through financial and operational restructuring.

4.12.6 Enforcing Security Interests

The Government of India enacted the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 enabling Banks and financial

[49] www.iba.org.in

[50] Sardar N.S. Gujaral (2003), " Asset Quality and Management of NPA's", The Journal of Indian Institute of Bankers", Vol -72, April-June, PP-20.

institution to enforce their security interest for realisation of dues without intervention of courts and DRTs. It is a step toward bringing down the level of risk in the system and encouraging Banks to lend.[51] The Act deals with three aspects viz. securitisation, asset reconstruction and security enforcement. The SARFAESI Act has proved to be quite effective tool available to the Banks for the recovery of their dues.

4.12.7 Assets Reconstruction Companies

The SARFAESI Act paved the way for setting up of ARCs and 13 ARCs have been granted registration so far, to help Banks and Financial Institutions clean their balance sheets. An ARC is registered under the companies Act and is regulated by the RBI.

4.13 CAPITAL ADEQUACY

It was in early 1998 that the first time RBI introduced needs for compliance to BASEL I norm for capital adequacy purpose in Public Sector Banks and Private Sector Banks. Following incidences of Private Sector and Co- Operative Sector Banks going into liquidation due to unrecoverable huge loans (NPA), RBI found out that such sick Banks had extended huge portfolio which was disproportionately high against their paid up capital.[52]

Such condition resulted in to situation where Bank's net worth had turned negative (-ve) due to complete erosion of profit as well as capital and hence Banks had no other sources left with them to service their expenditure part which was eating into the depositors' money. Such status created certain in securing amongst depositing community who queued up outside the premises of sinking Bank's.[53] Naturally the faith with which they had placed their money with Banks had been utilised and spent by the Banks without any

[51] Dr. Chakraborty K.C (2005), " Management of NPA's : Trends and Challenges", Charted Financial Analyst, PP- 32-33.

[52] Nachane D.M. (1999), " Capital Adequacy Ratios – An agnostic View Point", Economic and Political Weekly, January, PP-16-23.

[53] Sinha Ram Pratap(2006), " Capital Adequacy of Indian Commercial Banks: Some Empirical Results", ICFAI Journal of Financial Economics, PP. 25-26.

prospects of recovery from bad loans and hence depositors were likely to end up as losers of their good money.

In order to maintain confidence of the public at large in the financial system of the country and its regulation, the Government of India had to provide budgetary support with one time bailout packages. But such financial support and bailout packages cannot be extended time again.

Therefore, Government of India had directed to RBI to stipulate strict norms of capital adequacy so that banks cannot offer loans in more than prescribed proportions. Initially RBI had stipulated needs for the capital adequacy ratio of minimum 8% of tier I and tier II capital which should be equivalent to risk weight age elements in the loan portfolio of Banks.[54] The risk weight age is assessed on the basis of type of loan and nature of security offered by the borrower.

* For Example

Loan of Rs 75 allowed against bank's own fixed deposits of Rs 100 is considered fully secured and hence the risk weight age in this case is Zero and therefore no 8% capital requirement[55] is necessary. However, a loan for Rs 100 to retail traders against stock of grains is considered unsecured loan and hence the loan amount of Rs 100 is assessed as the risk weight age for entire loans of Rs 100 under the circumstances in this case against risk of Rs 100 , Bank must allocate Rs 8 capital to meet with RBI stipulated capital adequacy norms of 8%.

The capital adequacy ratio indicates the margin of protection available to both depositors and creditors against unanticipated losses that may be experienced by the Banks. Based on Narasimham Committee - II report, RBI stipulated that the minimum capital to risk assets at 9% should be achieved by Commercial Banks by March 2000. Risk based capital norms help the Banks to evaluate more prudently the risks and benefits of their portfolio choice, apart from giving wider security blanket for depositors. In fact, good quality adequacy norms show the improvement inequality of lending.

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[54] RBI's Paper on Risk Management System in Banks.

[55] Jagirdar, Brinda(1996)," Capital Adequacy : Some Issues", EPW, Vol XXXI, No-02, March.

4.13.1 Position

Now there is an upward revision in capital adequacy norms and RBI stepped up capital adequacy requirement from 8% to 9 % and today it is 10%.Now above condition take care in respect of capital adequacy against risk of only loan portfolio. But in recent time it has been experience of various Banks that, beside risk of loan elements there also exist another risk called as operational risk.[56] Under this the capital adequacy provisions is prescribed for covering and insulating Banks from risk of operational hazards like losses occurring due to fraud, financial scam terrorist attack, natural calamities like Tsunami, earthquakes etc. Additional allocation of capital to cover above referred operational risk is prescribed as Basel II norms which are in operation with the developed countries in the western part of the world. Basel II norms have been introduced very recently in the Indian financial system[57] and in the absence of available historical data , the financial system of the country have so far not made a fair assessment of operational risk. However under the directives of RBI, various Banks have initiated exercises for assessing operational risk vis-à-vis requirement of additional capital and most of the Public Sector Banks have already launched their second public issue to raise the capital so that above referred requirement stated to be Basel II norms are complied with.

4.13.2 Basel II

With obtaining situation above it was at the first time that the Banks in India could considered required proposition of complying with the Basel II norms, under which Bank's are required to cover even operational risks over and above credit risk. [58]Until recently, in the absence of capital adequacy as also good and attractive prospecting marketing public issues, Banks were not in a position to consider the assessment of operational risk as capital scarcity would not help to cover such operational risk. However improved financial status as stated above, and with full compliance with Basel

[56] Basel Committee for Banking Supervision

[57] Srekumar. R(2004), "New Basel Norms to Change Complexion of Banking", The Hindu,September,PP-15.

[58] Rao B.N.(2006), " Basel II Compliance and Beyond", Prfessional Banker, Special Issue,March , PP. 12.

I, Banks immediately undertook an exercise to assess operational risk on one hand and make a judgment to raise additional capital on the other hand to cover such operational risk, so that they can turn as Basel II compliant Banks in two years time say by 2007/2008.[59] This two/three time beginning from 2005-2006 is the minimum time for Banks to judiciously access their operational risk vis. -a- vis. additional capital require. While critical area of needs for availability of historical data and transparent sectorial segregation of business line or business mix, it is imperative to prepare minimum ground work so that capital requirement to comply with Basel II norms is cost effectively managed.

Thus, in first instance, before going into various method of assessing operational risk and then considered one of the four or five available options, Banks in India have to have very clear and dependable technology in place which be used as efficient tools to generate historical data on one hand and segregate business line activities on the other hand.[60] Needless to mentioned that historical data will unfold past performance of Banks clearly indicating the losses and hits taken and absorbs by the Banks on operational front due to frauds , scam , burglary, theft , weak control system, obsolete technology , etc on other hand efficient technology tools should also make available data on Banks sectorial exposure at a given time in different segment of economy such as retail segment, corporate segment, commercial segment, plastic money and other miscellaneous financial service . Above referred to main areas viz. historical data and business line activities are the focused portion of the Banking systems which deals with assessing operational risk.

Thus, minimum basic inputs now remaining available and accessible (As stated above), the Banks in India kick started the exercise of taking concrete steps in this direction of becoming Basel II compliant. [61] Most of the Banks having made some judgmental on their operational risk with the help of

(1)Historical Data

(2)Segregation (Sectorial assessment of business activities.)

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[59] Bhandari K.G.(2006), "Basel II A Tool for Bank Risk Management", Professional Banker, PP.12.

[60] The Basel Paper on Compliance and The Compliance Function in Banks(2005), Bank for International Settlement , April.

[61] Dr. Upadhyay Saroj(2008), " Implementation of Basel II Real Challenges for Indian Banks", Professional Banker, PP. 61-65.

Undertook an initiative for launching their second public issues by diluting Government holding at a good premium price. It may be mentioned here that buoyant economy of the country growing at over 8 % in terms of GDP between 2007 to 2010, very healthy Balance sheet structure with less than two percent NPA and more than 10% CAR, as also substantial global financial investment (FII) to tape infrastructure boom, the banks could not have coupled that a time this to launch their second public issue with substantial premium so that huge capital reserve can put in place to meet with necessary provision under BASEL II norms to cover operational risk.

4.13.3 Reason for Basel II

Risk management[62] is also emerging as an important business differentiator in the face of rapid economic growth that is being witnessed in the global economy and is capable of ensuring orderliness in the global financial scenario if implemented properly.

Basel II framework provides a methodology for transforming Banks into vibrant and stable entities in the globally competitive and dynamic financial markets. It points towards RAPM (Risk Adjusted Performance management) methodology and RAROC (Risk Adjusted Return on Capital).

The first pillars echoes Basel I in terms of minimum perspective levels of regulatory capital, across credit and market risk , but also introduces operational risk charges for the first time.[63] With increasing transactional complexities, multiplicity of technology platforms and various product innovations, Banks faces a number of operational risks which could affect their market reputation. Pillar II is actually the next sieve for any of the risk not captured under pillar I with Supervisory Review Process (SRP) designed for this. Pillar III brings into play the importance of market driven disclosures to peers and other stakeholders.

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[62] Sewak Grewal(2002),"Risk Management Becomes Officials",The Economic Times. May.

[63] Sood Rajesh (2004), "Operational Risk Under New Basel Accord", IBA Bulletin, Vol. XXVI ,No-6.

4.13.4 Improved Risk Management (RM) Process

Basel II Is normally seen largely as compliance driven issues and only a small number of Banks have fully exploited business efficiency and integrity. In fact, Basel II affords a good opportunity to undertake a thorough review of RM processes and consolidate them. While implementing to comply, we can implement to gain.[64] We can implement for reduced overall cost, increased RAROC and improved decision- making process. It is also helping to build a transparent corporate accountability and enables management of risk in accordance with the risk appetite enabling economic capital saving, a precursor to development of an integrated risk management capability across the Bank.[65] It creates an increased level of transparency around disclosure of risk. Hence, Banks need to use the opportunity to implement an effective RM system to achieve competitive efficiency.

As Basel II helps Banks differentiate customers by risk, advantages and disadvantages are likely to occur for Bank customers.

Those with possible advantage

- Prime customers.
- Well-rated entities.
- Small and medium sized business.
- High-quality liquidity portfolios.
- Collateralized and hedged exposures.
- Low credit and operational loss experience.
- Strong risk management processes.

Those with possible disadvantages

- Higher credit risk individuals.
- Uncollateralised credit.
- Specialized lending (In some cases).
- High historical credit and operational loss experience.
- Weak risk management processes.

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[64] Indian Institute of Management and Finance(2005), "Risk Management"

[65] Bagchi S.K.(2004), "Credit Risk Management",Jaico Publishing House, New Delhi.

4.13.5 Challenges -The Indian Context

Certain challenges expected to be faced in the implementation of Basel II by Indian Banks are[66]

*There is a need to develop keen awareness of the risk at the transactional level on the part of the operating functionary involved in the financial transactions in order that banks get compensated for the amount of risk assumed by performing certain transactions. Operationalisation of risk policies and prescriptions is the biggest challenge.[67] An integrated information system which requires a lot of historical data to provide foundation for forecasting and building up models in respect of various activities

*Providing human capital which is trained and skilled to establish and manage risk management system is still waiting to be addressed. Sophisticated Risk management (RM) requires employees possessing knowledge's and skills commensurate with the complexities of the policies, processes, models, systems etc.

*Board of Directors and senior management should be in a position to determine the risk management policy and identify the risk desires of the Bank.

* High standards of corporate governance are to be ensured.

*Strategy and policy related issues, structure related issues, process related issues, models related issues and system related issues have to be properly addressed and the roadmap needs to be drawn for integration process.

Above referred challenges need be understood first in context of present economic scenario in India and emerging markets. It is very relevant to take in stride combination of buoyancy in economy vis.-a-vis. skills and experience manpower to managed stupendous growth volumes.[68] In India galloping economy growth wanting more capital deployment on one hand and pouring in forex inflow (due to liberal economic reform) have triggered over hitting in economy which signalised a very remote but definite creation of bubble in certain asset class.[69] This is happening at a time when Indian

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[66] Nachane, D.M. (2003), Basel Accord II : Implications for the Indian Banking System, Bank Quest, Vol. 74, No 4, PP. 47 to 59.

[67] Andy Williams(2004), "Challenges of Basel II"

[68] Kohli S.S. (2005), "Requisite Capital for Compliance of Basel II Norms Keeping a Present Momentum in Business Growth", IBA Bulletin , Vol. XXVII, No-02, PP. 09.

[69] RBI Guideline on Compliance Function in Banks Available at www.rbi.org.in

financial system (including private Banks and Public Sector Banks) are in transition phase from teenage to energetic youth in context of technological up gradation, manpower crunch and certain regulatory concentrate which is creating a threatening in balance of business volume on one hand and full proof competence of financial system on other hands.

Illustratively all Banks in India are becoming Basel II compliant on one hand whereas technically they all CBS compliant (Core Banking Solution).[70] This means that CBS nature of technology effects real time financial transaction doing away in the process any arbitrage play for its customers. This has created either some discomfort to erring customers or raising more forcefully demand on business themselves for faster's decisions in releasing credit or loan money. Net technology has put in place requirement of efficiency for financial transaction but "NOT SO SKILLED/ VIBRANT" man power falls from being comparable to run with click of the mouse.

4.13.6. Role of Regulators

In Basel II, regulators want proper recordings and reasoning for every piece of Risk Management (RM) system in terms of adequacy of risk inherent to the business. They also want documentation of the whole process involved by way of Internal Capital Adequacy Assessment Process (ICAAP).

While Banks are expected to determine their own assessment of capital required for their "Risk appetite"[71] through the Supervisory Review Process (SRP), supervisors have the wherewithal and the mandate of intervene and seek remedial action from the Banks which show gaps in the risks adopted by them and steps taken to manage them in a sustainable manner. Thus, the deeper significance of pillar II needs to be understood and assimilated more by Banks as this pillar provides a long handle to the supervisor to determine the required level of capital and also empowers them to ask for a capital buffer over and above regulatory capital flows. In other words, Banks have to be a very diligent in adoption of capital calculation models and should also be able to show clearly defined

[70] Durai Rajasekar and Others(2003), " Core Banking Change in Form, Not in Substance", The Journal of Indian Institute of Banking And Finance , July – September, Vol. -74, No-03

[71] Rege Rupa Nitsure(2005), "Basel II Norms", Economic and Political Weekly, Vol. XL, No-12.

and documented processes for this. It can be argued that the most important aspects of Basel II is not the compliance aspects of pillar I (Minimum capital requirement), but the principles of supervisory review of pillar II, which are briefly given hereunder.[72]

Banks shall have process for assessing their overall capital adequacy in relation to their risk profile and have a strategy for maintaining their capital levels.

Supervisors shall review and evaluate the internal capital adequacy assessment and strategies of Banks as well as their ability to monitor and ensure compliance with regulatory capital.

Supervisor shall expect Banks to operate above the minimum regulatory capital ratios and shall ensure that Banks hold capital in excess of the minimum capital requirement.[73]

Supervisors shall seek to intervene at an early stage to prevent capital from falling below the minimum levels required to support the risk characteristics of a particular Bank and shall solicit rapid remedial action if capital is not maintained or restored.

4.13.7 Additional Scope

For broadening regulatory coverage.

In context of what is stated herein above under caption "CHALLENGES",[74] it is almost necessary that regulatory coverage is extended further for effective and efficient monitoring of the financial systems in India.

Following points very relevant in this context considering implications of world economy in emerging market vis-à-vis economic and financial reforms in India which are drivers of growth from developing status to developed economy.

(1) Basel II compliance[75] in itself remains meaning full only if a credit rating agency does its job very strictly and judiciously. In other words capital requirement under Basel

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[72] Rita Rai (2002), "The New Three Pillar Capital Adequacy Framework Issues and Constraints Facing Public Sector Banks", IBA Bulletin, Vol. XXIV, No 11, November, PP- 31-36.

[73] Roy Robin(2005), "Basel II: What Do Banks Needs To Do?", The Journal of Indian Institute of Banking and Finance, July- September, Vol. 76, No-03, PP. 31 to 36.

[74] Sudhakar V.K.(2005), "Implementing Basel II for Credit Risk: Challenges For Indian Banks", The Journal of Indian Institute of Banking and Finance,July – September, Vol. -76, No-03, PP .21 to 27.

[75] Reddy, Y V (2006) "Challenges and Implications of Basel II for Asia", Basel II Norms – Implications on Business. The ICFAI University Press. pp 133-140.

II being grossly determinable exclusively on the basis of rating given by rating agencies , the judgment of the rating agencies should mean total guarantee for its quality work and should always explain rating judgment as and when regulators calls with questions. These things are since implemented.

(2) Statutory auditors must be conferred with accountability aspects whenever Basel compliance is audited. It should not confine only to arithmetical correctness but substantially critical audit should be carried out to verify risk assessment of the organisation and it should be very judiciously articulated in an auditors' report under important certification.

(3)Based on experiences of technical snag as also tangible efforts of fraudulent activity entertain able in modern technological system, regulator must have authority to address issues relating to cyber crime and relevant cyber laws.

4.13.8 Disclosure to Stakeholders

The key challenges, therefore facing Banks is to accurately measure and assess the risk in an increasingly uncertain business environment. In fact, pillar III[76] declare that risks are not only measured accurately, but are reported to the stakeholders - qualitatively and quantitatively. The needs to publish more information about RM process and losses they incur become all more necessary as we shift to a sophisticated approach.

Where the individual institution is concerned, the challenges will determine how to translate internal risk management into external disclosures. Scenario analysis of both credit and operational risk and to what extent to disclose such analysis becomes increasingly important for Banks in an environment in which regulatory capital is aligned with economic risks. Basel II disclosure requirements are intended to "allow market participants to assess key pieces of information on the scope of application, capital risk exposures, risk assessment processes and hence the capital adequacy of the institution". [77] Such information has increased importance and potential value under Basel II, as Banks

[76] Rao Raguttama R.(2005), "Credit Scoring Models and The Basel Accord", The Journal of Indian Institute of Banking and Finance, July- September, Vol.-76, N0-03, PP. 5 to 7.

[77] Deb, Satyajit (2006) "Implementation of Basel 2 in India: A Crucial Journey", Basel II – Implications for Asia Pacific Region. The ICFAI University Press. PP. 146-152.

are permitted to rely on internal models and ratings to determine their capital requirements.

Market analysis and rating agencies are likely to place increasing emphasis on Banks response to Basel II and compliance is likely to be rewarded with strong confidence and improved credit ratings. This also ensures changes in culture for the Banks which were otherwise reluctant to disclose sensitive issues.

4.14 CAPITAL ADEQUACY RATIO IN SELECTED BANKS

Capital adequacy ratio is an important indicator with regards to strengthen the soundness and stability of the Banking system. It also removes the inequality amongst the Banks operating internationally and competing with each other. Therefore it becomes easy to understand the entire capital position of different Banks from table given and comment made thereon, Bank to Bank basis.

(1) Capital Adequacy Ratio of Allahabad Bank

The Bank has by and large maintained capital adequacy reasonably above floor limit prescribed by RBI. However between1997 to2003 the capital adequacy has remained below 12% and it has gone up to 13% only thereafter. This indicates that either the Bank has improved credit risk management and NPAs after 2002 till recently or Bank has expanded its capital base by raising capital in the tier II capital category. Thus Bank stands adequately capitalised to survive its credit business growth since 2003-04 till recently.

Table 4.46 Capital Adequacy Ratio of Allahabad Bank from 1996-97 to 2009-10

Years	Allahabad Bank (C.A.R in %)
1996-97	11.00
1997-98	11.64
1998-99	10.38
1999-00	11.51
2000-01	10.50
2001-02	10.62
2002-03	11.15

Years	Allahabad Bank (C.A.R in %)	
2003-04	12.52	
2004-05	12.53	
2005-06	13.37	
2006-07	12.52	
	Basel I	**Basel II**
2007-08	11.99	12.00
2008-09	8.01	13.10
2009-10	8.12	13.62

(Source: www.iba.org.in)

(2) Capital Adequacy Ratio of Bank of Baroda

Since 1997 this Bank also has recorded capital adequacy throughout at more than 11% which is above floor limits prescribed by RBI. However, till 2007 capital adequacy ratio has fluctuated between top of 13% and bottom of 11% which represent that credit risk management vis. a vis. capital adequacy through tier II has not remained consistently progressive. However, in 2008 onwards excellent credit risk and NPA management coupled with efficient tier II capital management. The Bank has achieved CAR of 14% for 2008-09 and 2009-10.

Table 4.47 Capital Adequacy Ratio of Bank of Baroda from 1996-97 to 2009-10

Years	Bank of Baroda (C.A.R in %)
1996-97	11.80
1997-98	12.05
1998-99	13.30
1999-00	12.10
2000-01	12.80
2001-02	11.32
2002-03	12.65

Years	Bank of Baroda (C.A.R in %)	
2003-04	13.91	
2004-05	12.61	
2005-06	13.65	
2006-07	11.80	
	Basel I	**Basel II**
2007-08	12.91	12.90
2008-09	12.90	14.10
2009-10	12.84	14.36

(Source: www.iba.org.in)

(3) Capital Adequacy Ratio of Bank of India

Bank has throughout maintained CAR above fix floor % stipulated by RBI. However, the Bank has tasted bottom of 9% in 1997-98 and capital adequacy kept fluctuating in 2005-06. It is only from 2007-08 that Bank has maintained 12% and above in CAR.

Table 4.48 Capital Adequacy Ratio of Bank of India from 1996-97 to 2009-10

Years	Bank of India (C.A.R in %)
1996-97	10.26
1997-98	9.11
1998-99	10.55
1999-00	10.57
2000-01	12.23
2001-02	10.68
2002-03	12.02

Years	Bank of India (C.A.R in %)	
2003-04	13.01	
2004-05	11.52	
2005-06	10.75	
2006-07	11.58	
	Basel I	**Basel II**
2007-08	13.00	12.00
2008-09	13.02	13.00
2009-10	12.63	12.94

(Source: www.iba.org.in)

(4) Capital Adequacy Ratio of Canara Bank

While Bank has remained above floor limits prescribed by RBI, it has remained in single digit till 2001. It is only from 2002 onwards that Bank has gradually scaled CAR above 11% to reach at 13% or more which represent good NPA management and efficient tier II capital.

Table 4.49 Capital Adequacy Ratio of Canara Bank from 1996-97 to 2009-10

Years	Canara Bank (C.A.R in %)
1996-97	10.17
1997-98	9.54
1998-99	10.96
1999-00	9.64
2000-01	9.84
2001-02	11.88
2002-03	12.50

Years	Canara Bank (C.A.R in %)	
2003-04	12.66	
2004-05	12.78	
2005-06	11.22	
2006-07	13.50	
	Basel I	**Basel II**
2007-08	N.A	13.30
2008-09	N.A	14.10
2009-10	N.A	13.43

(Source: www.iba.org.in)

(5) Capital Adequacy Ratio of Dena Bank

This Bank represents very weak capital adequacy management and it has slipped below RBI prescribed limit during 2000-01 scaling 7.73% and 7.84% in 2001-02. Plus it has remained in single digit for 4 years in last 12 years and its capital adequacy has kept fluctuating between 10.71% to 12.77% in last 2 years, overall NPA and capital management cannot be rated satisfactory.

Table 4.50 Capital Adequacy Ratio of Dena Bank from 1996-97 to 2009-10

Years	Dena Bank (C.A.R in %)
1996-97	10.81
1997-98	11.88
1998-99	11.14
1999-00	11.63
2000-01	7.73
2001-02	7.64
2002-03	9.33

Years	Dena Bank (C.A.R in %)	
2003-04	9.48	
2004-05	11.91	
2005-06	10.62	
2006-07	11.52	
	Basel I	**Basel II**
2007-08	11.10	N.A
2008-09	10.70	12.10
2009-10	10.65	12.77

(Source: www.iba.org.in)

(6) Capital Adequacy Ratio of Indian Bank

This is a classic example of improvement both in NPA as well as CAR which is showing worst bottom in 1997 which is slowly improved to best top in 2010. Statistically this Bank had minus CAR in 1997-98 it is -18.81 and it remained in -ve status for five years but this position improved in 2002-03 at 10% and for 2004 onwards it has always remained at 12% and above.

Table 4.51 Capital Adequacy Ratio of Indian Bank from 1996-97 to 2009-10

Years	Indian Bank (C.A.R in %)
1996-97	-18.81
1997-98	1.41
1998-99	-9.00
1999-00	-12.00
2000-01	-11.00
2001-02	1.70
2002-03	10.85

(Source: www.iba.org.in)

Years	Indian Bank (C.A.R in %)	
2003-04	12.82	
2004-05	14.14	
2005-06	13.19	
2006-07	14.14	
	Basel I	**Basel II**
2007-08	12.70	N.A
2008-09	13.30	14.00
2009-10	12.16	12.71

(7) Capital Adequacy Ratio of Indian Overseas Bank

This Bank has remained above prescribed floor limit By RBI and hence remained consistent throughout at 10% of bottom and 14% of top excepting single digit slippage in 2 years of early 2000.

Table 4.52 Capital Adequacy Ratio of Indian Overseas Bank from 1996-97 to 2009-2010

Years	Indian Overseas Bank (C.A.R in %)
1996-97	10.07
1997-98	9.34
1998-99	10.15
1999-00	9.15
2000-01	10.24
2001-02	10.82
2002-03	11.30

(Source: www.iba.org.in)

Years	Indian Overseas Bank (C.A.R in %)	
2003-04	12.49	
2004-05	14.20	
2005-06	13.04	
2006-07	13.27	
	Basel I	**Basel II**
2007-08	11.90	N.A
2008-09	12.70	13.20
2009-10	14.28	14.78

(8) Capital Adequacy Ratio of Punjab National Bank

PNB has remained throughout above floor limit prescribed by RBI has also. It has remained above 12% from 2003 onwards. This Bank has managed very efficiently both NPA and capital adequacy in last 6 years and its latest CAR is above 14%.

Table 4.53 Capital Adequacy Ratio of Punjab National Bank from 1996-97 to 2009-10

Years	Punjab National Bank (C.A.R in %)
1996-97	9.15
1997-98	8.81
1998-99	10.79
1999-00	10.31
2000-01	10.24
2001-02	10.70
2002-03	12.02

(Source: www.iba.org.in)

Years	Punjab National Bank (C.A.R in %)	
2003-04	13.10	
2004-05	14.78	
2005-06	11.95	
2006-07	12.29	
	Basel I	**Basel II**
2007-08	13.00	13.50
2008-09	12.06	14.00
2009-10	12.97	14.16

(9) Capital Adequacy Ratio of Syndicate Bank

This Bank CAR remained above floor limit prescribed by RBI. However, the average CAR is fluctuating between 10% to 12% and it has never reached 13% or more.

Table 4.54 Capital Adequacy Ratio of Syndicate Bank from 1996-97 to 2009-10

Years	Syndicate Bank (C.A.R in %)
1996-97	8.80
1997-98	10.50
1998-99	9.57
1999-00	11.45
2000-01	11.72
2001-02	12.12
2002-03	11.03

(Source: www.iba.org.in)

Years	Syndicate Bank (C.A.R in %)	
2003-04	11.49	
2004-05	11.70	
2005-06	11.73	
2006-07	11.74	
	Basel I	**Basel II**
2007-08	11.20	11.80
2008-09	11.40	12.70
2009-10	11.20	12.70

(10) Capital Adequacy Ratio of Union Bank of India

UBI has consistently remained throughout above floor limit prescribed by RBI and also in double digit of CAR. During last 5 years as it has remained above 12% which represent good NPA management and efficient direction to capital management.

Table 4.55 Capital Adequacy Ratio of Union Bank of India from 1996-97 to 2009-10

Years	Union Bank of India (C.A.R in %)		
1996-97	10.53		
1997-98	10.86		
1998-99	10.09		
1999-00	11.42		
2000-01	10.86		
2001-02	11.07		
2002-03	12.41		
2003-04	12.32		
2004-05	12.09		
2005-06	11.41		
2006-07	12.80		
		Basel I	**Basel II**
2007-08		12.50	N.A
2008-09		12.00	13.30
2009-10		N.A	12.51

(Source: www.iba.org.in)

(11) Capital Adequacy Ratio of UCO Bank

In case of UCO Bank also, it has remained at floor limit and a little above it prescribed by RBI and it remained in single digit at less than 12%. However, last one year performance in capital adequacy and NPA management is much better.

Table 4.56 Capital Adequacy Ratio of UCO Bank from 1996-97 to 2009-10

Years	UCO Bank (C.A.R in %)		
1996-97	3.16		
1997-98	9.07		
1998-99	9.63		
1999-00	9.15		
2000-01	9.05		
2001-02	9.64		
2002-03	10.04		
2003-04	11.88		
2004-05	11.26		
2005-06	11.12		
2006-07	11.56		
		Basel I	**Basel II**
2007-08		10.01	11.00
2008-09		9.80	11.90
2009-10		11.35	13.21

(Source: www.iba.org.in)

CHAPTER V

ANALYSIS AND INTERPRETATION OF DATA

5.1 INTRODUCTION

Since India secured independence, sea change has taken place and Banking concepts have undergone several improvements over years. When large and mass retirements are taking place in the Banking industry and younger generation is occupying key positions, it may be interesting to travel through the development of the Banking industry.

Public Sector Banks have played many vital roles in the overall economic development since independence and it has been more profound after the concept of public sector was put in place. In general, the overall standard of living has improved very much.[1] The Indian economy witnessed growth in core business or industrial sectors, as the infrastructure, telecom, steel , transportation, housing, real estate, textile exports, food processing etc. received quite a substantial boost and support from the Banking system, resulting in business development with multiplier effects. As Banking is channel for payment and settlement, innovative settlement mechanisms were introduced. In addition establishment of Banking Ombudsman, Banking Codes and Standards Boards of India, Securitisation Act, Assets Reconstruction Companies, Risk rating, Credit Information Board, etc. have provided a good supportive mechanism to improve the efficiency of the Banking operation.

5.2 MANAGEMENT OF NON-PERFORMING ASSETS BY INDIAN BANKS

Though significant progress has been made in NPA management, much still need to be done in areas such as credit risk management, identification and correction of NPA problem in time bound manner[2]. The Banks could also introduce some of the practices followed internationally for NPA resolution, which may be relevant in the Indian conditions. The recommendations made in the forgoing if implemented, should go a long way in bringing about an effective improvement in handling of NPA and consequent up gradation of the assets quality.

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[1] Raghvan R.S(2010), " Banking in India Since Independence – A Brief History", The Indian Banker, Vol. V, No-08,

[2] Pricewaterhouse Coopers(2004) "Management of Non- performing Assets By Indian Banks", IBA Bulletin, Vol. XXVI, No-01

5.3 IMPACT OF DRTs ON RECOVERY OF NPAs

The recovery of debts due to Banks and Financial Institution Act, 1993, came in force on June 1993. The Act provides for 'the establishment of tribunals for expeditious adjudication and recovery of debts due to Bank and financial institutions and for matters connected therewith or incidental thereto.'[3] The main objective of the Act is to provide for a discussion to judge the claims due to Banks and other financial institutions and to facilitate the recovery of the same without undergoing unnecessary hardship caused by lengthy civil litigations. As suggested by the Tiwari Committee, the Act provided for the setting up of Special Tribunals for the recovery of the dues of the Banks and financial institutions by following a summary procedure. The Act provides a procedure that is separate from the existing Code of Civil procedure in order to ensure speedy settlement. The Act was amended in 2000.

Increasing NPAs have direct impact on Banks profitability as legally Banks are not allowed to book income on such accounts and at the same time banks are forced to make provision on such assets as per RBI guidelines.

5.4 CREDIT MONITORING IN BANKS EFFECTIVE STRATEGIES

The quality of loan assets is the most important factor for the basic viability of the Banking system. Hence, management of assets quality has emerged as one of the major challenges facing Banks. High level of NPA not only affects Critical Performance Area of the Banking sector but also raises corporate governance issues where every stakeholder is keen to know the reasons of the same. The over dues of Banks advances in India are mounting and consequences NPA are on the rise imposing on the Banks viability[4]. This not only eats into profitability but also hampers their ability to recycle bank fund for productive purposes. The trend needs to reversed or at least kept under check as the position is being watched by external world including International Investors, Rating Agencies, Corresponding Banks, and International Development Agencies etc.

The very objective of credit monitoring is to ensure that the quality of assets remains performing, earning and must have good conduct and health. While credit growth is needed for survival, it is imperative to ensure that the credit growth does not result in NPAs later.

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[3] Dr Patil Vasundhara (2012), "Impact of DRTs on Recovery of NPAs", The Indian Banker, No-10, Vol. – VII, October.

[4] Padhy L.P(2012), " Credit Monitoring In Banks'', The Indian Banker, No-05, Vol. – VII, May.

Therefore, Banks have to resort to effective credit monitoring on continuous basis. When an advances is granted to a customer, Banker is required to ensure that it remain standard asset.

Assets quality continues to be the biggest challenges before the Banking sector. One of the major restrictions of the economical efficiency of Banks is the tendency to accumulate poor quality of assets.[5] Although asset management quality is a balance sheet issue of individual Banks and Financial Institutions, it has wider macro economic implications. It is important that, if credit monitoring mechanism is not strengthened, these assets would be realised at the end. Despite the fact that credit dispensation process may be good, total elimination of NPAs is not possible in Banking business owing to externalities but their incidence can be minimised through effective credit monitoring. Therefore, continuous improvement in assets quality on sustainable basis through well structured and effective credit monitoring has to be practiced as Mantra in a missionary zeal in order to survive global competition.

5.5 NON-PERFORMING ASSETS IN EDUCATION LOAN

For the first time, Banks in India introduced a scheme for education loan in 1992 for allowing right of entry to education for everyone who wants it.[6] But the education loan scheme became popular when the Government of India in consultation with Reserve Bank of India and Indian Bank's Association came out with a comprehensive education loan scheme in 2001 to ensure that no deserving student in the country is deprived of higher education for want of funds. In other words, the scheme is expected to help commendable students pursuing higher education in technical and professional courses. A Model Educational Loan Scheme which was advised to Banks for implementation by the RBI along with certain modifications suggested by the Government of India.

Education loan is a socially and economically relevant scheme from the Indian Banking Industry point of view. Rightly, the RBI has included education loans as part of the Priority sector lending of Banks. The scheme aims at providing a need – based finance to the praiseworthy students for taking up higher education. But the level of NPAs in education loan is now high and increasing. Consequently, Banks are slowly developing an element of uncertainty to provide education loan further.[7] Since the scheme is in the large interest of the student's community, our efforts need to be reinforced to make it economically viable. For

[5] Union Budget 2010-11, Ministry of Finance , Government of India

[6] Reserve Bank of India Circular(2001), " Education Loan", April.

[7] Patnaik B.C and Others(2011), "Demystifying NPAs on Education Loan: An Empirical Study", Indian Journal of Banking and Financial Service and Insurance Research, Vol. I, Issue 04.

this purpose, Banks have to develop a healthy credit monitoring system by keeping in touch with the students' borrower periodically by sending reminders, paying visit to the residence of the students' borrower and taking a strict action against determined defaulters. Debt restructuring may also be considered in deserving cases by rescheduling loan instalments as per the salary package offered after completing course. More importantly, Banks have to show a lot of concern to loan defaults in education loan[8] by adopting a professional approach in loan recovery. Above all, timely counselling to the students and the joint borrowers would help to strengthen Banker – Borrower relationship and create a positive climate for loan recovery.

5.6 ANALYSIS OF TOTAL ADVANCES OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks and comment made thereon, Bank to Bank basis.

5.6.1 Allahabad Bank

The average advances of Allahabad Bank was observed at Rs.24542.21 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 21330.52 crore and 86.91%.

This figures when they are compared with Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank and Union Bank of India, there is substantial increase in average advances by above 82% to 100% and yet its corresponding C.V remains with very small percentage variation which ranged between 72.68% to 82.49%. However, comparison between Allahabad Bank and UCO Bank shows more or less identical average advances vis.-à-vis. identical C.V correspondingly.

5.6.2 Bank of Baroda

The average advances of Bank of Baroda was observed at Rs 58738.03 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 48455.035 crore and 82.493%.

Bank of Baroda shows average advances and its C.V comparable with Canara Bank, Punjab National Bank and Bank of India with more or less identical C.V ranging between 72.68% to

[8] Indian Express (2012), "Education Loan", February.

82.49%. However, the same Bank of Baroda has glaring deviation of more than 100% in average advances with Allahabad Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Syndicate Bank, and UCO Bank and yet its C.V at 82.49% does not show corresponding glaring deviation within stated Bank whose C.V ranges between 86.91% to 70.25%

5.6.3 Bank of India

The average advances of Bank of India was observed at Rs.62991.21 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 45785.89 crore and 72.68 %.

Bank of India like Bank of Baroda has comparable average advances of Rs. 62991.21 crore which is very close to Bank of Baroda, Canara Bank and Punjab National Bank whereas the same is varying substantially over 100% when compared with Allahabad Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Syndicate Bank and UCO Bank. However, C.V of within stated Bank which ranges between 86.91% to 70.25%.

5.6.4 Canara Bank

The average advances of Canara Bank was observed at Rs.62254.93 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 47643.76 crore and 76.53%.

Like Bank of Baroda and Bank of India, Canara Bank also has Rs. 62254.93 crore of average advances and 76.53% of C.V which is well comparable with Bank of Baroda, Bank of India, and Punjab National Bank. However, it has glaring deviation of over 100% when compared with any of the remaining Banks. However, in spite of glaring deviation in an average advances, the range of C.V remains 72.68% to 86.98%.

5.6.5 Dena Bank

The average advances of Dena Bank was observed at Rs.13271.86 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 9324.20crore and 70.26%.

This is the only Bank which has lowest number of average advances at Rs. 13271.86 crore which is not comparable with any other Banks fall between Rs.21000 crore to Rs. 65000 crore. However, Dena Bank C.V at 70.25% is closely comparable with Bank of India at

72.68% and Canara Bank at 76.53% whereas the rest of Banks have C.V ranging between 81% to 86%.

5.6.6 Indian Bank

The average advances of Indian Bank was observed at Rs.21171.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 17375.55 crore and 82.07%.

Like Dena Bank, this Bank also has low number in average advances at Rs.21171.43 crore which is comparable at least with Allahabad Bank and UCO Bank whereas rest of the Banks have more than 100% increase in average advances. However, C.V of Indian Bank at 82.07% remains closely comparable with almost all Banks ranging between 81% to 86% except Bank of India at 72% and Dena Bank at 70%.

5.6.7 Indian Overseas Bank

The average advances of Indian Overseas Bank was observed at Rs.30266.86 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 24567.257crore and 81.17 %.

In Indian Overseas Bank average advances at Rs. 30266.86 crore are comparable with Syndicate Bank and UCO Bank. However, remaining Banks have substantial variation in average advances numbers. However, its C.V at 81.17% is well comparable with the range of other Bank between 81% to 86% except Dena Bank, Canara Bank and Bank of India.

5.6.8 Punjab National Bank

The average advances of Punjab National Bank was observed at Rs.64986.07 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 53096.471crore and 81.70%.

This is the Bank which has average advances at Rs. 64986.07 crore which is highest in the pack and is comparable only with Canara Bank and Bank of India as rest of other Banks have more than 100% deviation in lower number of average advances. However, C.V of Punjab National Bank at 81.70% is well comparable with the range of C.V between 81% to 86% of the most of Banks except Dena Bank and Bank of India.

5.6.9 Syndicate Bank

The average advances of Syndicate Bank was observed at Rs.32074.64 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 27545.537crore and 85.88 %.

In case of Syndicate Bank average advances at Rs.32074.64 crore is comparable with only Indian Overseas Bank as rest of the Banks has substantial quantum variation in average advances. However, C.V of Syndicate Bank at 85.88% remains well comparable with upper band of the range between 81% to 86% of the rest of the Banks except Dena Bank and Bank of India.

5.6.10 Union Bank of India

The average advances of Union Bank of India was observed at Rs.41612.79 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 33755.552 crore and 81.12 %.

Union Bank of India’s average advances at Rs.41612.79 crore is not comparable or even close to any other Bank average advances which is ranging between Rs. 21000 crore to Rs. 63000 crore. However, C.V of Union Bank of India at 81.12% is well comparable with all other Banks having range between 81% to 86% except Dena Bank and Bank of India.

5.6.11 UCO Bank

The average advances of UCO Bank was observed at Rs.28664.29 crore while the standard deviation (S.D) and coefficient variation (C.V) for total advances were observed at Rs. 24685.137crore and 86.12 %.

UCO Bank has average advances at Rs.28664.29 crore which is comparable with Allahabad Bank and Indian Overseas Bank. However, remaining Bank’s have large deviation of average advances numbers. Still C.V of UCO Bank at 86.12% is at top of range between 81% to 86% of C.V of rest of the Banks except Dena Bank and Bank of India.

5.6. A INTERPRETATION OF TOTAL ADVANCES OF SELECTED BANKS

First being Allahabad Bank, it shows C.V of 86.91% against average advances of Rs. 24542.21 crore whereas in case of Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank have more than double average advances when compared with Allahabad

Bank and yet its C.V is 82.49% for Bank of Baroda, 72.68% for Bank of India, 76.53% for Canara Bank and 81.70% for Punjab National Bank. Further UCO Bank at average advances of Rs. 28664.29 crore shows C.V of 86.11% which is very closely comparable with Allahabad Bank. This means that even more than 100% difference in quantum of average advances do not proportionately show that glaring variation in C.V of respective Bank. Therefore, based on average advances and corresponding C.V of advances as enumerate above shows that Punjab National Bank at Rs. 64986.07 crore of average advances and having 81.70% C.V is better followed by Bank of Baroda, Bank of India and Canara Bank.

Data of 14 years in respect of growth in advances of Punjab National Bank year to year basis is modest, more consistent and without drastic variation when it is compared with rest of other 10 Banks. This is the only Bank which has registered modest growth in the range of 15% at lower rate and upper end is 29.46%. whereas in each rest of the Banks, year to year basis variation range up to 100% or sometimes even more than that. Hence, Punjab National Bank can be judge as better Bank in respect of growth, pattern in its advances portfolio for last 14 years.

5.7 ANALYSIS OF GROSS NON–PERFORMING ASSETS OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks and comment made thereon, Bank to Bank basis.

5.7.1 Allahabad Bank

The Allahabad Bank shows the average gross non-performing assets for the period was Rs. 1358.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 305.10 crore & 22.46% respectively.

Allahabad Bank with average gross non- performing assets at Rs. 1358.43 crore is comparable with Syndicate Bank, UCO Bank, Indian Overseas Bank, Indian Bank, and Dena Bank. However, rest of the Banks have more than 70% variation. C.V of Gross NPA at 22.46% is showing substantial variation with comparable Banks like Indian Overseas Bank and Indian Bank. However, the same C.V very closely matches with Syndicate Bank, meaning that gross non-performing assets status of Allahabad Bank and Syndicate Bank are more or less common.

5.7.2 Bank of Baroda

The Bank of Baroda shows the average gross non-performing assets for the period was Rs. 3085.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 885.22 crore & 28.69% respectively.

Average gross non-performing assets at Rs. 3085.57 crore is well comparable with Bank of India and Punjab National Bank but with rest of the Banks it is substantially showing variation in quantum amount and hence not comparable. Its C.V at 28.69% is comparable with Bank of India at 26.35% has also with C.V of Punjab National Bank at 24.67%. However, Syndicate Bank, Union Bank of India, Canara Bank, Allahabad Bank also have comparable C.V in the same range although its average gross non-performing assets are not comparable.

5.7.3 Bank of India

The Bank of India shows the average gross non-performing assets for the period was Rs. 3054.93 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 804.85 crore & 26.35% respectively.

Average gross non- performing assets at Rs. 3054.93 crore is well comparable with Bank of Baroda and Punjab National Bank but the same is not comparable with rest of the Banks as gross non-performing assets of the rest of the Banks are substantially lower. However, C.V of gross non – performing assets of Bank of India at 26.35% is well comparable with most of Banks except Dena Bank, Indian Bank, Indian Overseas Bank and UCO Bank.

5.7.4 Canara Bank

The Canara Bank shows the average gross non-performing assets for the period was Rs. 2331.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 529.79 crore & 22.72% respectively.

Canara Bank with gross non- performing assets at Rs. 2331.57 crore does not have identical or closely comparable gross non- performing assets of any other Banks. However, its C.V at 22.72% is well comparable with rest of the Banks except Dena Bank, Indian Bank, Indian Overseas Bank and UCO Bank.

5.7.5 Dena Bank

The Dena Bank shows the average gross non-performing assets for the period was Rs. 1073.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 490.25 crore & 45.66 % respectively.

This Bank is little comparable with Allahabad Bank, Syndicate Bank and UCO Bank since it has 1073.57 crore as average gross non-performing assets. However, its C.V 45.66% is not comparable with rest of the Banks except Indian Overseas Bank which shows little less C.V of 40.96%. This means that the Dena Bank and Indian Overseas Bank are not falling within average C.V range of 22 % to 28% which is shown by many other Banks.

5.7.6 Indian Bank

The Indian Bank shows the average gross non-performing assets for the period was Rs. 1568.43 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 987.93 crore & 62.99 % respectively.

Indian Bank is the only Bank in the entire pack which shows C.V of 62.99% against average gross non-performing assets of 1568.43 crore. This C.V of 62.99% is three fold more than the range of 22% to 28% and is also substantially above comparable Indian Overseas Bank, with same gross non- performing assets of 1577.93 crore showing 40.96% of C.V and UCO Bank with 1412.57 crore of average gross non- performing assets showing 10.23% C.V.

5.7.7 Indian Overseas Bank

The Indian Overseas Bank shows the average gross non-performing assets for the period was Rs. 1577.93crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 646.37 crore & 40.96 % respectively.

This two Banks shows gross non-performing assets at Rs. 1577.93 crore well comparable with Indian Bank, UCO Bank, Syndicate Bank and Allahabad Bank. However, its C.V at 40.96% is far from the range of 22% to 28% of many Banks and also not comparable with Indian Bank at 62.99% or with UCO Bank at 10.23%.

5.7.8 Punjab National Bank

The Punjab National Bank shows the average gross non-performing assets for the period was Rs. 3332.14crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 822.19crore & 24.67 % respectively.

This Bank show average gross non- performing assets of Rs. 3332.14 crore is only comparable with Bank of Baroda and its C.V at 24.67% is well comparable with Bank of Baroda and Bank of India besides the fact that it also remain comparable with the range of 22% to 28% of most other Banks.

5.7.9 Syndicate Bank

The Syndicate Bank shows the average gross non-performing assets for the period was Rs. 1373.50 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 315.10 crore & 22.95% respectively.

This Bank show average gross non- performing assets of Rs. 1373.50 crore is comparable with UCO Bank and Allahabad Bank. However, its C.V at 22.95% falls well within the popular range of 22% to 28% whereas that does not remain comparable it's C.V of UCO Bank at 10.23%.

5.7.10 Union Bank of India

The Union Bank of India shows the average gross non-performing assets for the period was Rs. 1894.43crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 513.40 crore & 27.10% respectively.

Union Bank of India shows average gross non-performing assets at Rs. 1894.43 crore is not comparable with most of the banks. However, it's C.V at 27.10% falls well within popular range of 22% to 28%.

5.7.11 UCO Bank

The UCO Bank shows the average gross non-performing assets for the period was Rs. 1412.57 crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs. 144.50 crore & 10.23 % respectively.

Its average gross non-performing assets at Rs.1412.57 crore are well comparable with Syndicate Bank. However, its C.V at 10.23% is drastically varying at not only bottom end of the pack but also figures par from popular range between 22% to 28% on one hand and substantially lower further when compared with C.V of 62.99% , 45.66% and 40.96% respectively of Indian Bank, Dena Bank, Indian Overseas Bank.

5.7.B INTERPRETATION OF GROSS NON- PERFORMING ASSETS OF SELECTED BANKS

Considering findings as above it is safe to conclude that Punjab National Bank, Canara Bank, Bank of Baroda and Bank of India are more consistent followed by Syndicate Bank, Union Bank of India, Allahabad Bank whereas Indian Bank, Dena Bank, UCO Bank have significant variation which represent abnormal status in gross non-performing assets with their average advances.

Data of 14 years in respect of growth in gross non- performing assets of Indian Bank year to year basis is more variable when it is compared with rest of the other 10 Banks. This is only Bank which has registered manageable growth in the range of 5.66% at upper rate and 0.85% at lower rate. Hence, Indian Bank can be judge as better Bank in respect of its gross non-performing assets for last 14 years.

5.8 ANALYSIS OF NET NON–PERFORMING ASSETS OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks and comment made thereon, Bank to Bank basis.

5.8.1 Allahabad Bank

The Allahabad Bank shows the average net non-performing assets for the period was Rs. 642.214crore while the standard deviation (S.D) and coefficient variation (C.V) for total gross non-performing assets were observed at Rs294.257crore & 45.82 respectively.

Allahabad Bank with average net non-performing assets at Rs. 642.21 crore is comparable with Dena Bank, Indian Overseas Bank, Indian Bank, UCO Bank and Syndicate Bank. However, rest of the Banks have more than 70% variation. C.V of net non- performing assets at 45.81% is showing substantial variation with comparable Banks like Indian Overseas Bank and Indian Bank. However, the same C.V very closely matches with Bank of Baroda meaning that net non- performing assets status of Allahabad Bank and Bank of Baroda are more or less common.

5.8.2 Bank of Baroda

The Bank of Baroda shows the average net non-performing assets for the period was Rs. 1068.71 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 505.708crore & 47.32% respectively.

In case of Bank of Baroda, average net non –performing assets at Rs. 1068.71 crore is well comparable with Punjab National Bank and Canara Bank but with the rest of the Banks it is substantially showing variation in quantum amount and hence not comparable. Its C.V at 47.31% is comparable with Allahabad Bank at 45.81%. However, Syndicate Bank, Union Bank of India, Dena Bank, Allahabad Bank also have comparable C.V in the same range although its average net non-performing assets are not comparable.

5.8.3 Bank of India

The Bank of India shows the average net non-performing assets for the period was Rs. 1595.357 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 620.121crore & 38.87 % respectively.

Bank of India average net non-performing assets at Rs.1595.357 crore are comparable with Canara Bank and Punjab National Bank but same is not comparable with rest of the Banks as average net non-performing assets of the rest of the Banks are substantially lower. However, C.V of net non-performing assets 0f Bank of Indian at 38.87% is well comparable with Syndicate Bank and Union Bank of India.

5.8.4 Canara Bank

The Canara Bank shows the average net non-performing assets for the period was Rs. 1254.428 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 244.453 crore & 19.49 % respectively.

Canara Bank average net non- performing at Rs.1254. 428 croe have identical or closely comparable average net non-performing of other Banks like Bank of Baroda and Bank of India. However, its C.V at 19.49% is well comparable with only UCO Bank.

5.8.5 Dena Bank

The Dena Bank shows the average net non-performing assets for the period was Rs. 642.928crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 340.722 crore & 52.99 % respectively.

This Bank is comparable with Allahabad Bank, Syndicate Bank, UCO Bank, Indian Overseas Bank. Since it has average net non-performing assets at Rs. 642.928 crore. However, its C.V at 52.99% is comparable with Punjab National Bank. Further with almost all other Banks, the C.V shows substantial variation and hence C.V does not remain comparable with other Banks.

5.8.6 Indian Bank

The Indian Bank shows the average net non-performing assets for the period was Rs. 726.00crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 618.044 crore & 85.13 % respectively.

Indian Bank with average net non-performing assets is at Rs. 726 crore is comparable with Indian Overseas Bank, UCO Bank, Dena Bank and Allahabad Bank. Whereas other Banks have substantial variation in average net non-performing assets and hence not comparable. Its C.V 85.13% is highest in the group and is not comparable with of close to C.V of any other Banks. This is a very peculiar situation with this Bank that although its average net non-performing assets is comparable and close with four/ five Banks and yet its C.V is not comparable with any above Banks.

5.8.7 Indian Overseas Bank

The Indian Overseas Bank shows the average net non-performing assets for the period was Rs. 722.714crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 441.11 crore & 61.036 % respectively.

This Bank also has average net no-performing assets of Rs. 722.714 crore which is comparable and closes to Indian Bank, Dena Bank, Allahabad Bank, UCO Bank, Union Bank of India. However, its C.V at 61.04% is comparable and close to only Punjab National Bank whereas C.V of rest of the Banks shows substantial variation in comparison with Indian Overseas Bank.

5.8.8 Punjab National Bank

The Punjab National Bank shows the average net non-performing assets for the period was Rs. 1074.929 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 628.147crore & 58.44 % respectively.

In case of Punjab National Bank which shows average net non-performing assets at Rs. 1074.929 crore is close to Canara Bank, Bank of Baroda. However, it show substantial variation if compared with remaining Banks. Its C.V at 58.43% is close to only Indian Overseas Bank and C.V of rest of the Banks do not remain close to comparison.

5.8.9 Syndicate Bank

The Syndicate Bank shows the average net non-performing assets for the period was Rs. 525.714 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 173.166 crore & 32.93%respectively.

In case of Syndicate Bank its average net non–performing assets at Rs. 525.714 crore is comparable and close to only Dena Bank and Allahabad Bank whereas remaining Banks have substantial non comparable figures. Its C.V at 32.93% is not very close for any of the Banks.

5.8.10 Union Bank of India

The Union Bank of India shows the average net non-performing assets for the period was Rs. 852.928 crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 338.077crore & 39.64% respectively.

Its average net non- performing assets at Rs.852.928 crore is comparable with UCO Bank and Indian Overseas Bank and Indian Bank. However, its C.V at 39.64% is close to only Bank of India and rest of the Banks do not have comparison figures.

5.8.11 UCO Bank

The UCO Bank shows the average net non-performing assets for the period was Rs787.357crore while the standard deviation (S.D) and coefficient variation (C.V) for total net non-performing assets were observed at Rs. 136.013crore & 17.27 % respectively.

Its average net non- performing assets at 787.357 crore is well comparable and close to Indian Overseas Bank, Indian Bank, Dena Bank and Allahabad Bank. However, its C.V is lowest in the group at 17.27% and is only comparable and close to Canara Bank whereas rest of the Banks are not comparable.

5.8.C INTERPRETATION OF NET NON-PERFORMING ASSETS OF SELECTED BANKS

Considering the findings as above it is safe to conclude that Bank of India, Canara Bank, Punjab National Bank and Bank of Baroda are more consistent followed by Syndicate Bank, UCO Bank, Allahabad Bank whereas rest of the Banks have significant variables which represent abnormal status in net non-performing assets with their average advances.

Data of 14 years in respect of growth in net non- performing assets of Indian Bank year to year basis is more variable when it is compared with rest of the other 10 Banks. This is only the Banks which has registered negative growth rate of -42.37%. Hence, Indian Bank can be judge as better Bank in respect of its net non- performing assets for last 14 years.

5.9 ANALYSIS OF PERCENTAGE OF GROSS NON–PERFORMING ASSETS TO TOTAL ADVANCES OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks and comment made thereon, Bank to Bank basis.

5.9.1 Allahabad Bank

The average percentage of gross non- performing assets to total advances of Allahabad Bank was stood at 11.50% while its standard deviation and coefficient of variation were stood at 8.24% and 71.66% respectively.

Average gross non-performing assets to total advances percentage at 11.50% is comparable with only Dena Bank and UCO Bank which are having a double digit gross non- performing assets percentage whereas all other Banks has single digit gross non–performing assets in percentage. Its C.V at 71.66% does not have any close comparable C.V of entire group.

5.9.2 Bank of Baroda

The average percentage of gross non- performing assets to total advances of Bank of Baroda was stood at 9.20% while its standard deviation and coefficient of variation were stood at 5.75% and 62.63 % respectively.

Average gross non–performing to total advances percentage at 9.19% is comparable with and close to Punjab National Bank and Indian Overseas Bank. However, its C.V at 62.63% is comparable only with Dena Bank.

5.9.3 Bank of India

The average percentage of gross non- performing assets to total advances of Bank of India was stood at 7.29% while its standard deviation and coefficient of variation were stood at 4.03% and 55.31% respectively.

Average gross non–performing to total advances percentage at 7.28% is lowest in the group and well comparable with Canara Bank, Syndicate Bank, Union Bank of India. As a matter of fact this few Banks have range bound average percentage of gross non-performing assets between 7% to 9%. Its C.V at 55.31% is comparable with Union Bank of India, Punjab National Bank and Indian Overseas Bank whereas rest of the Banks C.V shows substantial variation.

5.9.4 Canara Bank

The average percentage of gross non- performing assets to total advances of Canara Bank was stood at 7.58% while its standard deviation and coefficient of variation were stood at 6.56% and 86.66% respectively.

This Bank again falls in the trends of 7.58% of average gross non-performing assets to total advances remaining well comparable and close to Bank of India, Syndicate Bank, Union Bank of India. However, its C.V at 86.66% is the second highest in the group and none of the Banks have close comparable C.V percentage of gross non- performing assets with Canara Bank.

5.9.5 Dena Bank

The average percentage of gross non- performing assets to total advances of Dena Bank was stood at 11.99% while its standard deviation and coefficient of variation were stood at 7.60% and 63.41% respectively.

This Bank average gross non-performing assets to total advances percentage at 11.99% is third highest in the group and is only compared with Allahabad Bank and UCO Bank. However, its C.V is 63.41% is comparable with Bank of Baroda and Syndicate Bank

5.9.6 Indian Bank

The average percentage of gross non- performing assets to total advances of Indian Bank was stood at 15.81% while its standard deviation and coefficient of variation were stood at 15.02% and 95.00% respectively.

This Bank is showing highest average percentage of gross non –performing assets to total advances at 15.81% and it is non comparable as none of the Banks have this high percentage of gross non–performing assets. Its C.V at 95% is the highest in the group and not comparable with any other Banks.

5.9.7 Indian overseas Bank

The average percentage of gross non- performing assets to total advances of Indian Overseas Bank was stood at 8.34% while its standard deviation and coefficient of variation were stood at 4.81% and 57.70% respectively.

This Bank is showing average percentage of gross non –performing assets to total advances at 8.34% falls within above stated range and is well comparable with Punjab National Bank, Syndicate Bank, Union Bank of India, Canara Bank and Bank of India. Its C.V at 57.70% is closely comparable with Punjab National Bank and Bank of India whereas rest of the Banks have high variation in C.V.

5.9.8 Punjab National Bank

The average percentage of gross non- performing assets to total advances of Punjab National Bank was stood at 8.71% while its standard deviation and coefficient of variation were stood at 5.03% and 57.77% respectively.

This Bank is showing average percentage of gross non –performing assets to total advances at 8.71% falls in the stipulated range and is closely comparable with Indian Overseas Bank, Syndicate Bank, Union Bank of India, Canara Bank and Bank of India. Its C.V at 57.77% is very closely comparable with Indian Overseas Bank, Union Bank of India and Bank of India whereas as other Banks have highly varying in C.V.

5.9.9 Syndicate Bank

The average percentage of gross non- performing assets to total advances of Syndicate Bank was stood at 7.43% while its standard deviation and coefficient of variation were stood at 4.87% and 65.58% respectively.

This Bank is showing average percentage of gross non –performing assets to total advances at 7.43% falls in the above stated range is very closely comparable with Union Bank of India, Canara Bank, Bank of India, Indian Overseas Bank and Punjab National Bank. Its C.V at 65.58% is only comparable and close to Dena Bank and Bank of India whereas rest of the Banks have highly varying C.V.

5.9.10 Union Bank of India

The average percentage of gross non- performing assets to total advances of Union Bank of India was stood at 7.36% while its standard deviation and coefficient of variation were stood at 3.97% and 53.98% respectively.

This Bank is showing average percentage of gross non –performing assets to total advances at 7.36% falls within above stated range and is very closely comparable with Syndicate Bank, Canara Bank, Bank of India, Indian Overseas Bank and Punjab National Bank. Its C.V at 53.98% is comparable with Bank of India, Indian Overseas Bank and Punjab National Bank whereas rest of the Banks have high varying C.V.

5.9.11 UCO Bank

The above table shows average percentage of gross non- performing assets to total advances of UCO Bank was stood at 10.63% while its standard deviation and coefficient of variation were stood at 8.73% and 82.17% respectively.

This Bank is showing average percentage of gross non –performing assets to total advances at 10.63% which is comparable and close to Dena Bank and Allahabad Bank. However, its C.V at 82.17% which is third highest in the pack and to some extent comparable with only Canara Bank and rest of the Banks have very high varying C.V.

5.9. D INTERPRETATION OF PERCENTAGE OF GROSS NON-PRFORMING ASSETS TO TOTAL ADVANCES OF SELECTED BANKS

Considering the findings as above it shows average and C.V of the ratio of average percentage of gross non-performing assets to total advances during the period under research. A high average percentage of gross non-performing assets is observed in case of Indian Bank is followed by Allahabad Bank, Dena Bank and UCO Bank. However, lowest C.V in the group at 53.98% of Union Bank of India and the highest C.V at 95% is of Indian Bank. The spread between lowest and upper range have substantially variable C.V on Bank to Bank basis.

Having regards to compiled data of 14 years as also considering the average of 14 years, it is seem that lowest average percentage of gross non- performing assets to total advances, is at 7.29% of Bank of India, followed by Union Bank of India at 7.36% and Syndicate Bank at 7.43% and Canara Bank at 7.58%. Thus with minor variation in decimal, these four Banks have remained at sub 7.75% of gross non- performing assets level and therefore these four Banks are relatively better Banks in comparison with remaining seven Banks and since Bank of India has registered lowest average gross non- performing assets in percentage it can be judge as best Bank.

5.10 ANALYSIS OF PERCENTAGE OF NET NON–PERFORMING ASSETS TO TOTAL ADVANCES OF SELECTED BANKS

Therefore it becomes easy to understand the entire number positions of different Banks and comment made thereon, Bank to Bank basis.

5.10.1 Allahabad Bank

The average percentage of net non- performing assets to total advances of Allahabad Bank was stood at 6.56% while its standard deviation and coefficient of variation were stood at 5.74% and 87.59% respectively.

Average percentage of net non- performing assets to total advances of Allahabad Bank at 6.56% is comparable with Dena Bank and UCO Bank. Whereas, all other Banks has less than 5% net non- performing assets percentage except Indian Bank. Its C.V at 87.59% does not have any close comparable C.V of entire Bank group.

5.10.2 Bank of Baroda

The average percentage of net non- performing assets to total advances of Bank of Baroda was stood at 3.76% while its standard deviation and coefficient of variation were stood at 3.04% and 80.91% respectively.

Average percentage of net non-performing assets to total advances at 3.76% is comparable with and close to Canara Bank and Syndicate Bank. However, its C.V at 80.91% is comparable with UCO Bank.

5.10.3 Bank of India

The average percentage of net non- performing assets to total advances of Bank of India was stood at 4.26% while its standard deviation and coefficient of variation were stood at 2.83% and 66.53% respectively.

The average percentage of net non- performing assets to total advances of Bank of India at 4.26% is well comparable with Union Bank of India, Indian Overseas Bank and Punjab National Bank. As a matter of fact that few Banks have range bound average percentage of net non-performing assets between 3% to 5%. Its C.V at 66.53% is comparable with Syndicate Bank, Indian Overseas Bank whereas rest of the Banks C.V shows substantially variable.

5.10.4 Canara Bank

The average percentage of net non- performing assets to total advances of Canara Bank was stood at 3.67% while its standard deviation and coefficient of variation were stood at 2.69% and 73.48% respectively.

This Bank falls in the trends of 3.67% average percentage of net non –performing assets to total advances is well comparable and close to Bank of Baroda, Syndicate Bank. However, its C.V at 73.48% is comparable with Union Bank of India, UCO Bank, Dena Bank.

5.10.5 Dena Bank

The average percentage of net non- performing assets to total advances of Dena Bank was stood at 7.73% while its standard deviation and coefficient of variation were stood at 5.58% and 72.25% respectively.

This Bank average percentage of net non-performing assets to total advances at 7.73% is the second highest in the group and is comparable with Allahabad Bank, Dena Bank. However, its C.V is 72.25% is Comparable with Canara Bank, Union Bank of India and UCO Bank.

5.10.6 Indian Bank

The average percentage of net non- performing assets to total advances of Indian Bank was stood at 8.53% while its standard deviation and coefficient of variation were stood at 9.42% and 110.47% respectively.

This Bank is showing highest average percentage of net non- performing assets to total advances at 8.53% and it is not comparable as none of the Banks have this highest percentage of net non- performing assets. Its C.V at 110.47% is the highest in the group and not comparable with any other Banks.

5.10.7 Indian Overseas Bank

The average percentage of net non- performing assets to total advances of Indian Overseas Bank was stood at 4.09% while its standard deviation and coefficient of variation were stood at 2.82% and 69.07% respectively.

This Bank average percentage of net non- performing assets to total advances at 4.09% is well comparable with Punjab National Bank, Bank of India and Union Bank of India. Its C.V at 69.07% is well comparable with Syndicate Bank and Bank of India whereas rest of the Banks have high variation in C.V.

5.10.8 Punjab National Bank

The average percentage of net non- performing assets to total advances of Punjab National Bank was stood at 4.07% while its standard deviation and coefficient of variation were stood at 3.88% and 95.66% respectively.

The average percentage of net non- performing assets to total advances of Punjab National Bank was stood at 4.07% and is closely comparable with Bank of India, Union Bank of India and Indian Overseas Bank. Its C.V at 95.66% is closely comparable with only Allahabad Bank whereas other Banks have highly variable in C.V.

5.10.9 Syndicate Bank

The average percentage of net non- performing assets to total advances of Syndicate Bank was stood at 3.00% while its standard deviation and coefficient of variation were stood at 2.05% and 68.50% respectively.

The average percentage of net non- performing assets to total advances of Syndicate Bank was stood at 3.00% is very close comparable with Bank of Baroda and Canara Bank. Its C.V at 68.50% is only comparable and close to Punjab National Bank and Bank of India whereas rest of the Banks have highly variable in C.V.

5.10.10 Union Bank of India

The average percentage of net non- performing assets to total advances of Union Bank of India was stood at 4.19% while its standard deviation and coefficient of variation were stood at 3.05% and 72.77% respectively.

Its average percentage of net non- performing assets to total advances at 4.49% is closely comparable with Bank of India, Indian Overseas Bank and Punjab National Bank. Its C.V at 72.77% is comparable with UCO Bank, Canara Bank and Dena Bank.

5.10.11 UCO Bank

The average percentage of net non-performing assets to total advances of UCO Bank was stood at 5.41% while its standard deviation and coefficient of variation were stood at 3.99% and 73.77% respectively.

It has average percentage of net non-performing assets to total advances at 5.41% which is comparable and close to Allahabad Bank and Bank of India. However, it’s C.V at 73.77% which is comparable with Canara Bank, Union Bank of India and Dena Bank but rest of the Banks have very high varying C.V.

5.10. E INTERPRETATION OF PERCENTAGE OF NET NON- PERFORMING ASSETS TO TOTAL ADVANCES OF SELECTED BANKS

Considering the findings as above it shows average and C.V of the ratio of average percentage of net non-performing assets to total advances during the period under research. A high average percentage of net non-performing assets is observed in case of Indian Bank is followed by Allahabad Bank, Dena Bank and UCO Bank. However, lowest C.V in the group at 66.53% of Bank of India and the highest C.V at 110% is of Indian Bank. The spread between lowest and upper range have substantially variable C.V on Bank to Bank basis.

This is the most important and guiding parameters in determining assets quality of the Banks while spread of 14 years data compilation is a very large spread for critical comparison, the averages worked out take care of period involved. Accordingly Syndicate Bank is averaging lowest percentage of net non- performing assets to total advances of 3.00% followed by Canara Bank at 3.67% and Bank of Baroda at 3.76% which represent sub average percentage level of net non- performing assets whereas all other rest of the Banks figure more than 4% of average percentage of net non- performing assets. Therefore, while these 4 Banks can be judge relatively better Banks, the best Bank that can be judge at lowest percentage of net non-performing assets is Syndicate Bank.

5.11 CONCLUSION

In background of the fact that data assimilation of large spread of 14 years corresponding between 1996-97 and 2009-2010, as also the fact that all selected Banks are not only having substantial variation in the respective business volumes but they are also under influence of regional and national political impact due to their public sector status, the statistical comparison for evaluating performance in respect of key parameter like non-performing assets, has been extremely challenging. This apart period 1997 to 2000 is that period in which prudential norms for income recognition and provisioning with assets classification were actually implemented. Therefore, data assimilated between 1997 to 2000 having been impacted by the first time introduced prudential norms, shows very huge variation as various Public Sector Banks took lot of time in deriving correct understanding of the norms and implementation of the same. Having regards to all stated in forgoing, it is considered fair and reasonable to use percentage of average quantum gross non- performing assets and average quantum net non- performing assets with that of average quantum of advances as key parameters indicator to judge the performance of the Bank. This percentage of gross non-performing assets and net non- performing assets so worked out on the basis of average quantum of gross non-performing assets and net non-performing assets vis-à-vis average quantum advances as tabulated below shows that amongst all 11 Public Sector Banks, Syndicate Bank shows lowest average percentage of gross non- performing assets to total advances of 4.28% and average percentage of net non- performing assets of 1.63%. This two key parameters being lowest among all other rest of selected Banks. It can be judged that

Syndicate Bank has better way managed non – performing assets for the corresponding periods of 1996 to 2009-10.

Table 5.1 Average Percentage of Gross NPA and Net NPA to Average Total Advances

Name of Banks	Percentage of Average Gross non- performing Assets to Average Advances	Percentage of Average Net non- performing Assets to Average Advances
Allahabad Bank	5.54	2.61
Bank of Baroda	5.25	1.81
Bank of India	4.85	2.53
Canara Bank	3.75	2.01
Dena Bank	8.09	4.84
Indian Bank	7.41	3.42
Indian Overseas Bank	5.21	2.38
Punjab National Bank	5.13	1.65
Syndicate Bank	4.28	1.63
Union Bank of India	4.55	2.05
UCO Bank	4.93	2.74

CHAPTER VI
CONCLUSION

6.1 INTRODUCTION

In India, the earliest Bank started in 1770 named as Bank of Hindustan by Mis Alexander and Company of Calcutta (Kolkata). But it was closed down in the year 1832. However subsequently three presidency Banks were set up viz. Bank of Bengal in 1809, Bank of Bombay (Mumbai) in 1840 and Bank of Madras (Chennai) in 1843. These were quasi - Government institutions incorporated under the chapter from local Government which also contributed to the share capital. They were initially entrusted with the cash balance of the Government and management of public debt. In the year 1921 all these three Banks were amalgamated into Imperial Bank of India with a deposit and advances spread over 80 branches.

According to Section 5 (b) of the Banking Regulation Act 1949, Banking is accepted, for the purpose of ending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawals by cash, cheque, draft or otherwise section 49 (A) prohibits any institution, other than Banking company, from accepting deposits money from public for withdrawals by cheque.

The Banking Company in India consists of Commercial Banks and Co - Operative Banks. Commercial Banks include Foreign Banks are the predominant segment of Indian Banking Sector.

6.2 DEVELOPMENT OF COMMERCIAL BANKS IN INDIA

The overall Banking performance in the year of independence i.e. 1947 to the Nationalisation in 1969 shows a very interesting development had taken place during 1960s was the liquidation of many smaller Banks by amalgamation with bigger and stronger Banks. During the year 1947 to 1969, the Banking sector witnessed the process of consolidation for the first time. The numbers of Banking companies came down drastically from 649 in the year 1947 to 89 in 1969.

6.2.1 Deposits expansion, which is one of the parameters indicating the development of Banking, contributed to the growth of the economy. Nationalisation of major Banks in 1969 accompanied by massive branch expansion gave fillip to deposit mobilisation. The total deposits which were standing at Rs. 1080 crore in the year 1947 to Rs. 4646 crore by 1969 and increase of little more than 5 times. During the year 1971 to 1979 (before Nationalisation of Banks with deposits of Rs 200 crore), the number of Commercial Banks increases from 85 Banks to 136 Banks in the year 1979. Total deposits of Schedule Commercial Banks also increase during this period i.e. increases approximately 300% from Rs. 6618 crore in 1971 to Rs. 28671 crore in 1979.

6.2.2 Total advances of Schedule Commercial Banks also increase to Rs. 4763 crore in the year 1971 to Rs. 19116 crore in the year 1979 which shows good business growth during this period.

6.2.3 The ratio of deposits to national income rose from 17.20% in 1971 to 33.30% in the year 1979.

6.2.4 The credit deposits ratio of SCB's in the 1971 to 1979 declined from 76.60% to 66.70%. It appears that between 1971 to 1979 the Banks have substantially mobilise very high volume of deposits. However, corresponding growth in advances was relatively less as Banks may have preferred to reduce credit exposure either due to industrial slowdown or higher CRR, SLR provision that may have been enforced by RBI.

6.2.5 Narasimham Committee - I (From 1991 to 1997) before second reforms

First reform period 1992- 1997 witnessed laying of foundations for reforms of the Banking system. It also shows that implementation of prudential norms relating to capital adequacy, asset classification, income recognition and provisioning, exposure norms etc.

During the year 1992 to 1997 shows growth of Commercial Banks from 276 to 297 in the year 1997.

6.2.6 Banks total business also increases from Rs. 369086 crore in 1992 to Rs. 785833 crore in the year 1997 which shows good business of SCB's. Due to this credit deposits ratio stood at 55.40% in the year 1992 which rose to 57.30% in the year 1997.

6.2.7 Narasimham Committee - II (From 1998 to 2010) Second reform period
Narasimham Committee - II report made wide ranging recommendations covering entire scope of issues ranging from capital adequacy, assets quality, NPA's, prudential norms, assets liability management, earning profits, merger and acquisitions, reduction in Government share holdings to 33% in Public Sector Banks, recasting Banks boards to revamping Banking legislation.

6.2.8 From the year 1998 to 2010, the number of Commercial Banks has declined from 300 in the year 1998 to 168 Banks in the year 2010. This represents shrinkage by approximately 45% in 12 years of which 7% shrinkage took place between the year 2001 and 2005. Whereas 42% shrinkage took place between 2005 and 2010. This means that merger acquisitions and consolidation process were highest in last 3/5 years.

6.2.9 The number of Bank offices has increased by about 30% in the last 12 years which in number terms have increased from 64218 in 1998 to 83997 in 2010. On perusal to break up of population spread, it is observed that in the rural category there is marginal shrinkage where as there is a substantial growth in semi urban, urban and metropolitan centers.

6.2.10 On the business front, the deposits have grown by 645% which in number terms it increased from Rs 598 thousand crore to Rs. 4493 thousand crore in the year 2010.

6.2.11 Advances have grown from Rs. 324 thousand crore to Rs 3244.78 thousand crore representing approximately 10 fold growth between 1998 to 2010.

6.2.12 India's economic growth is also assessed on the basis of per capita deposits of Rs. 6170 in 1998 to Rs 34372 in 2009 representing roughly more than 5 fold in 11 years whereas per capita advances have grown from Rs 3356 to Rs 24945 representing more than 8 fold growth in the years.

6.2.13 In terms of deposits to national income ratio has grown from 47.30% to 78.10% whereas credit deposits ratio has grown from 54.20% in 1998 to 72.22% in 2009 which indicates more funds are deployed by way of advances to boost national income.

6.2.14 The Cash deposits ratio has declined from 10.20% in 1998 to 7.20% in 2010 which representing more efficient cash management.

6.3 PROFILE OF PUBLIC SECTOR BANKS IN INDIA

Public Sector in the Banking industry emerged with Nationalisation of Imperial Bank of India (1921) and creating the State Bank of India (1955) as a part of an integrated scheme of rural credit proposed by the All India Rural Credit Survey Committee (1951). The Bank is unique in several respects and it enjoys a position of preeminence as the agent of RBI wherever RBI has no branch. It is the single largest Bank in the country with a larger international presence with a network of 48 overseas offices spread over 28 countries covering all time zones. One of the objectives of establishing the SBI was to provide extensive Banking facilities in rural areas by opening as a first step 480 branches in the year 1955. During the period of 1955 to 1960 eight Banking companies were acquired by the SBI which later came to be known as Associate Banks. The number of offices almost increases 2 times during this period i.e. 480 in 1955 to 907 in 1960.

As regards deposits mobilisation, the SBI attracted deposits during the period. Deposits which were Rs. 205.40 crore in 1955 to Rs. 557.40 crore in the year 1960.

Apart from SBI, 20 Commercial Banks were Nationalised in two branches. On July 19, 1969 (14 Banks having deposits of Indian Rs 50 crore and above) and again on April 15, 1980 (6 Banks having deposits of Indian Rs 200 crore and above). Justifying nationalisation the former prime minister, Late Indira Gandhi, in a broadcast to the nation, had started “An institution such as Banking system, which touches and should touch the lives of millions, has necessarily to be inspired by a larger social purpose and has to sub- serve national priorities and objectives. That is why there has been widespread demand that major Banks should be not only socially controlled, but also, publicly owned. This step, now taken is a continuation of the process which has been underway. It is my honest hope that it will mark a new and more vigorous phase in the implementation of stated plans and policies."

On 15 April 1980, six more Banks in the Private Sector were Nationalised through a presidential ordinance. With Nationalisation of the six more Banks, the number of Public Sector Banks excluding RRB's increased to 28 comprising the SBI and 20 Nationalised Banks.

The profile of Public Sector Banks can be more meaningfully assessed and judge when it is considered in tabulated form supported by statistical input of key parameters comparable with Private Sector, Foreign Banks.

6.3.1 From the table, it is evident that the Cumulative Annual Growth Rate (CAGR) of branches are highest in Government owned Public Sector Banks. This is due to the fact that the Government Nationalised in 1969 and thereafter Government conducted programme of opening branches from metros to urban sectors to semi urban sectors and even in remote rural areas. As earlier stated that the government used this Bank for their political mileage and create a vote Bank even by sacrificing financial viability of Banks. Therefore since the profit is not the motive but social, political and mass Banking is the objective which is represented by highest growth over 107% (CAGR) in number of branches as stated in Table. However, Private Sector Banks branches are opened only with objective of profit motive and hence in poor economic countries like India, Private Sector Banks branches have grown at a very nominal rate (CAGR -8 %). Further Foreign Bank branches are allowed for opening only after licence receipt from RBI and policy thereto, being very conservative; the CAGR is 1% in Foreign Banks branches which is negligible.

6.3.2 The share of Public Sector Banks in total deposits are highest as it is Government owned Banks. This is also due to fact that the Nationalisation took place in 1969 and then after due to growth in branches from metros to urban sectors and to semi urban sectors and even in remote rural areas. As earlier discussed Government used this Banks for their political purpose and create a vote Banks even by sacrificing financial viability of Banks. Therefore, profit is not motive but social, political and mass Banking are the objective which is represent by highest cumulative annual growth rate at 77% in deposits as compared with all other Banks like Private Sector Banks and Foreign Banks where CAGR at 18% and 5% respectively.

6.3.3 The Public Sector Banks businesses also grown after Nationalisation in 1969 as most of the branches are spread in different regions. The branches are spread in all rural, urban and metro cities. The CAGR relating to loans and advances of Public Sector Banks stood at 77% while in case of Private Sector Banks about 4% and Foreign Banks it is about 19%

6.3.4 The share of Public Sector Banks in gross profit of the Banking industry is highest as compared with Private Sector Banks and Foreign Banks. The cumulative annual growth rate in gross profit of Public Sector Banks is around 63% which is higher than Private Sector Banks and Foreign Banks stood at 24% and 13% respectively.

6.3.5 The Public Sector Banks share in net profit shows higher. The CAGR of Public Sector Banks is 69% while in case of Private Sector Banks and Foreign Banks it stood at 21% and 10% respectively.

6.3.6 The share of Public Sector Banks in gross non - performing assets is highest. The reason for that these Banks are Government owned Banks and Government used this Banks for conducting programme of opening branches at different regions and the same Banks are utilised for that different political purposes. The CAGR in gross NPA is at 44% for Public Sector Banks and 40% in case of Private Sector Banks. Foreign Banks branches are very selective in loans and advances approval and exercise a lot of vigil while granting loans and therefore their recovery of loans are more or less certain. Therefore, the CAGR is 16% which is negligible.

6.3.7 The share of Public Sector Banks in net – nonperforming assets is highest about 56% (CAGR) as compared with Private Sector Banks and Foreign Banks which stood at 30% (CAGR) and 14% (CAGR) respectively. The share of Foreign Banks in net NPA is less as compare to Public Sector Banks and Private Sector Banks due to their branches is very selective in loans and advances approval and exercise a lot of vigil while granting loans and therefore their recovery of loans are more or less certain. Therefore, the CAGR negligible.

6.4 MANAGEMENT OF NON- PERFORMING ASSETS IN SELECTED PUBLIC SECTOR BANKS IN INDIA

The strength of a Banking sector which widely depend on the formation of an assets. When the loan account of customers in Banks gets infected by bad and doubtful debts, it can say that Bank had created non- performing assets. When loan accounts overdue, they neither recover the capital nor receive profits in real terms. Such NPA's make the Bank's bad and unsuccessful. This leads to consume the public assets.

6.4.1 Total Advances and Gross Non- performing Assets in Selected Banks

As per the tables of total advances and gross non- performing assets of Banks which shows standard deviation and coefficient variation of an individual selected Banks, it is observed that UCO Bank is more stable , more consistent , more non variable as far as number variability is concern whereas Indian Bank is showing very high standard deviation (S.D) and coefficient variation (C.V) which represent inconsistently , instability and very high variability of numbers followed by Dena Bank and Indian Overseas Bank. This apart all remaining Banks such as Allahabad Bank, Bank of Baroda, Bank of India, Punjab National Bank, Syndicate Bank and Union Bank of India are showing coefficient variation (C.V) in the range of 22% to 26% which represent better stability and consistency if compared with Indian Bank, Dena Bank, Indian Overseas Bank but they are more variable or less consistent and less stable if compared with average number of all 11 Banks

6.4.2 Total Advances and Net Non- performing Assets in Selected Banks

As per the tables of total advances and net non- performing assets of Banks which shows standard deviation and coefficient variation of an individual selected Banks, it is observed that UCO Bank is more stable , more consistent , more non variable as far as number variability is concern whereas Indian Bank is showing very high standard deviation (S.D) and coefficient variation (C.V) which represent inconsistently , instability and very high variability of numbers followed by Dena Bank and Indian Overseas Bank. This apart all remaining Banks such as Allahabad Bank, Bank of Baroda, Bank of India, Punjab National Bank, Syndicate Bank and Union Bank of India are showing coefficient variations (C.V) which are substantially inconsistent when compared with variation in average NNPA of these Banks. As a matter of fact that lowest C.V in the group is 17.27% of UCO Bank and the highest C.V at 85.13% is of Indian Bank, the spread between lower and upper range have substantially varying C.V on Bank to Bank Basis.

6.4.3 Percentage of Gross Non-performing Assets to Total Advances in Selected Banks

As per the tables of respected individual selected Public Sector Banks, it shows the percentage of gross non- performing assets to total advances which indicates continuous decreased during the period 1997 to 2010. It also shows the average, standard deviation and coefficient variation of the ratio of gross non-performing assets to total advances during the period under research. A higher decline in the ratio was observed in case of Indian Bank followed by Allahabad Bank, Dena Bank and UCO Bank.

6.4.3 Percentage of Net Non-performing Assets to Total Advances in Selected Banks

AS per the tables of respected individual selected PSB's, it shows the percentage of net NPA's to total advances which continuously decline during the period under research. It also shows average, standard deviation and coefficient of variation of the ratio of net NPA to total advances in individual selected PSB's. A higher decline in the ratio of net non-performing assets to total advances which was observed in case of Indian Bank followed by Allahabad Bank, Dena Bank and UCO Bank.

6.4.4 Interpretation of Total Advances of Selected Banks

First being Allahabad Bank, it shows C.V of 86.91% against average advances of Rs. 24542.21 crore whereas in case of Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank have more than double average advances when compared with Allahabad Bank and yet its C.V is 82.49% for Bank of Baroda, 72.68% for Bank of India, 76.53% for Canara Bank and 81.70% for Punjab National Bank. Further UCO Bank at average advances of Rs. 28664.29 crore shows C.V of 86.11% which is very closely comparable with Allahabad Bank. This means that even more than 100% difference in quantum of average advances do not proportionately show that glaring variation in C.V of respective Bank. Therefore, based on average advances and corresponding C.V of advances as enumerate above shows that Punjab National Bank at Rs. 64986.07 crore of average advances and having 81.70% C.V is better followed by Bank of Baroda, Bank of India and Canara Bank.

Data of 14 years in respect of growth in advances of Punjab National Bank year to year basis is modest, more consistent and without drastic variation when it is compared with rest of other 10 Banks. This is the only Bank which has registered modest growth in the range of 15% at lower rate and upper end is 29.46%. whereas in each rest of the Banks, year to year basis variation range up to 100% or sometimes even more than that. Hence, Punjab National Bank can be judge as better Bank in respect of growth, pattern in its advances portfolio for last 14 years.

6.4.5 Interpretation of Gross Non-performing Assets of Selected Banks

Considering findings as above it is safe to conclude that Punjab National Bank, Canara Bank, Bank of Baroda and Bank of India are more consistent followed by Syndicate Bank, Union Bank of India, Allahabad Bank whereas Indian Bank, Dena Bank, UCO Bank have significant variation which represent abnormal status in gross non-performing assets with their average advances.

Data of 14 years in respect of growth in gross non- performing assets of Indian Bank year to year basis is more variable when it is compared with rest of the other 10 Banks. This is only Bank which has registered manageable growth in the range of 5.66% at upper rate and 0.85% at lower rate. Hence, Indian Bank can be judge as better Bank in respect of its gross non- performing assets for last 14 years.

6.4.6 Interpretation of Net Non-performing Assets of Selected Banks

Considering the findings as above it is safe to conclude that Bank of India, Canara Bank, Punjab National Bank and Bank of Baroda are more consistent followed by Syndicate Bank, UCO Bank, Allahabad Bank whereas rest of the Banks have significant variables which represent abnormal status in net non-performing assets with their average advances.

Data of 14 years in respect of growth in net non- performing assets of Indian Bank year to year basis is more variable when it is compared with rest of the other 10 Banks. This is only the Banks which has registered negative growth rate of -42.37%. Hence, Indian Bank can be judge as better Bank in respect of its net non- performing assets for last 14 years.

6.4.7 Interpretation of Percentage Gross Non-performing Assets to Total Advances of Selected Banks

Considering the findings as above it shows average and C.V of the ratio of average percentage of gross non-performing assets to total advances during the period under research. A high average percentage of gross non-performing assets is observed in case of Indian Bank is followed by Allahabad Bank, Dena Bank and UCO Bank. However, lowest C.V in the group at 53.98% of Union Bank of India and the highest C.V at 95% is of Indian Bank. The spread between lowest and upper range have substantially variable C.V on Bank to Bank basis.

Having regards to compiled data of 14 years as also considering the average of 14 years, it is seem that lowest average percentage of gross non- performing assets to total advances, is at 7.29% of Bank of India, followed by Union Bank of India at 7.36% and Syndicate Bank at 7.43% and Canara Bank at 7.58%. Thus with minor variation in decimal, these four Banks have remained at sub 7.75% of gross non- performing assets level and therefore these four Banks are relatively better Banks in comparison with remaining seven Banks and since Bank of India has registered lowest average gross non- performing assets in percentage it can be judge as best Bank.

6.4.8 Interpretation of Percentage Net Non-performing Assets to Total Advances of Selected Banks

Considering the findings as above it shows average and C.V of the ratio of average percentage of net non-performing assets to total advances during the period under research. A high average percentage of net non-performing assets is observed in case of Indian Bank is followed by Allahabad Bank, Dena Bank and UCO Bank. However, lowest C.V in the group at 66.53% of Bank of India and the highest C.V at 110% is of Indian Bank. The spread between lowest and upper range have substantially variable C.V on Bank to Bank basis.

This is the most important and guiding parameters in determining assets quality of the Banks while spread of 14 years data compilation is a very large spread for critical comparison, the averages worked out take care of period involved. Accordingly Syndicate Bank is averaging lowest percentage of net non- performing assets to total advances of 3.00% followed by Canara Bank at 3.67% and Bank of Baroda at 3.76% which represent sub average percentage level of net non-performing assets whereas all other rest of the Banks figure more than 4% of average percentage of net non- performing assets. Therefore, while these 4 Banks can be judge relatively better Banks, the best Bank that can be judge at lowest percentage of net non- performing assets is Syndicate Bank.

6.5 REGRESSION ANALYSIS OF GROSS NON-PERFORMING ASSETS OF SELECTED BANKS

(1) Allahabad Bank

In case of Allahabad Bank, with increase in number of years, the Bank has become more matured in respect of its business. The movement of amount in gross non-performing assets due to implementation of prudential norms which have gradually tightened over the years.

In regression model F value 1.266 is not significant as P value .283> 0.05. So, by accepting the H0 it is to be concluded that year is not parameter using which we can explain GNPA.

(2) Bank of Baroda

In case of Bank of Baroda, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been significantly fluctuate during the period under study. The decline in gross non-performing assets can be either due to actual decrease in NPA or by various recovery strategies like compromise procedures and legal remedies etc.

In regression model F value 3.563 is not significant as P value .084> 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(3) Bank of India

In case of Bank of India, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been significantly increased during the period under study. It may due to slow non recovery of receivables, overdue payment to suppliers, inability to arrange for funds etc.

In regression model F value .144 is not significant as P value .711> 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(4) Canara Bank

In case of Canara Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been less fluctuated as compared to other selected Banks.

The reason can be contributed due to establishment of assets reconstruction companies to tackling NPA position, setting up of debt recovery tribunals as per recommendation of the Narasimham Committee are other reasons for drastic movement of GNPA.

In regression model F value 4.537 is not significant as P value .055> 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(5) Dena Bank

In case of Dena Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been drastically reduced during the period under study. It may due to the successful functioning and recovery mechanism of Lok Adalats and Settlement Advisory Committee.

In regression model F value .697 is not significant as P value .420 > 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(6) Indian Bank

In case of Indian Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been significantly fluctuated during the period under study. The most visible structural change in the Banking sector has been an improvement in the assets quality as impacted by the prudential norms relating to assets classification, income recognition and provisioning.

In regression model F value 64.189 is significant as P value .000 < 0.05. So, by rejecting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(7) Indian Overseas Bank

In case of India Overseas Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non- performing assets has been significantly increased during the period under study. The reason can be attributed to the factors relating to faulty loan, repayment schedules, absence of effective monitoring, lack of expertise at operating levels to interest with borrowers etc.

In regression model F value 3.394 is not significant as P value .090 > 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(8) Punjab National Bank

In case of Punjab National Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non- performing assets has been significantly fluctuated during the period under study. The reason can be attributed due to adoption of different measures as recommended by the RBI in 1992 for reduction of NPAs, better loan appraisals, monitoring of loans etc.

In regression model F value 1.188 is not significant as P value .297 > 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(9) Syndicate Bank

In case of Syndicate Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been significantly fluctuated during the period under study. The reason can be attributed to the factors relating to lack of adequate information networking systems amongst branches, slow legal system for monitoring the recovery of Bank dues etc.

In regression model F value 75.460 is significant as P value .000 < 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(10)Union Bank of India

In case of Union Bank of India, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non- performing assets has been significantly fluctuated during the period under study. The movement in the amount of GNPA due to slowdown in the economy, weak financial indicators, frequent changes in Government policies, debt relief schemes, loan mela organised by the politicians, ineffective functioning of DRT and BIFR etc have led to increase the level of NPA of Banks.

In regression model F value 7.488 is not significant as P value .018 > 0.05. So, by accepting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

(11) UCO Bank

In case of UCO Bank, with increase in number of years, the Bank has become more matured in respect of its business. The amount of gross non-performing assets has been significantly fluctuated during the period under study. The reason can be due to introduction of prudential norms by RBI from time to time.

In regression model F value 13.649 is significant as Pvalue.003 <0.05.So, by rejecting the H0 it is to be concluded that years is not parameter using which we can explain GNPA.

6.6 INTERPRETATION OF TOTAL ADVANCES AND GROSS NPA'S OF SELECTED BANKS

Advances are important determinants of non-performing assets. So, managing efficiency becomes very essential. The above analysis shows that total advances of selected Banks are independent variable and gross-nonperforming assets are dependent variable during the period from 1996 -97 to 2009-2010. It is not concerned with years but it concerned with total advances of Banks.

(1) Allahabad Bank

The coefficient of correlation between total advances and gross non-performing assets of Allahabad Bank during the period is worked out at 0.488.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .238 and .175 and considering their standard error, it can be concluded that in F value 3.757 at 5% significance level. This shows that independent variable under reference have direct lower degree of positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Allahabad Bank.

(2) Bank of Baroda

The coefficient of correlation between total advances and gross non-performing assets of Bank of Baroda during the period is worked out at 0.628.

This implies that a high positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .394 and .344 and considering their standard error, it can be concluded that in F value 7.803 at 5% significance level. This shows that independent variable under reference have direct positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Bank of Baroda.

(3) Bank of India

The coefficient of correlation between total advances and gross non-performing assets of Bank of India during the period is worked out at 0.124.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .015 and -.067 and considering their standard error, it can be concluded that in F value .188 at 5% significance level. This shows that independent variable under reference have direct lower degree of positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Bank of India.

(4) Canara Bank

The coefficient of correlation between total advances and gross non-performing assets of Canara Bank during the period is worked out at 0.434.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .188 and .120 and considering their standard error, it can be concluded that in F value 2.781 at 5% significance level. This shows that independent variable under reference have direct lower degree of positive correlation with GNPA.

H0 This implies that there is no significant relationship between total advances and GNPA of Canara Bank.

(5) Dena Bank

The coefficient of correlation between total advances and gross non-performing assets of Dena Bank during the period is worked out at 0.462.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .213 and .148 and considering their standard error, it can be concluded that in F value 3.249 at 5% significance level. This shows that independent variable under reference have direct lower degree of positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Dena Bank.

(6) Indian Bank

The coefficient of correlation between total advances and gross non-performing assets of Indian Bank during the period is worked out at 0.777.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is high positive relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .604 and .571 and considering their standard error, it can be concluded that in F value 18.316 at 5%

significant level. This shows that independent variable under reference have direct positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Indian Bank.

(7) Indian Overseas Bank

The coefficient of correlation between total advances and gross non-performing assets of Indian Overseas Bank during the period is worked out at 0.522.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .272 and .211 and considering their standard error, it can be concluded that in F value 4.485 at 5% significant level. This shows that independent variable under reference have direct positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Indian Overseas Bank.

(8) Punjab National Bank

The coefficient of correlation between total advances and gross non-performing assets of Punjab National Bank during the period is worked out at 0.020.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .000 and -.083 and considering their standard error, it can be concluded that in F value .005 at 5% significance level. This shows that independent variable under reference have direct lower degree of positive correlation with GNPA.

H0 this implies that there is no significant relationship between total advances and GNPA of Punjab National Bank.

(9) Syndicate Bank

The coefficient of correlation between total advances and gross non-performing assets of Syndicate Bank during the period is worked out at 0.854.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is strong direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .730 and .707 and considering their standard error, it can be concluded that in F value 32.42 at 5% significance level. This shows that independent variable under reference have direct positive correlation with GNPA.

H0 this implies that there is no significance relationship between total advances and GNPA of Syndicate Bank.

(10) Union Bank of India

The coefficient of correlation between total advances and gross non-performing assets of Union Bank of India during the period is worked out at 0.456.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .208 and .142 and considering their standard error, it can be concluded that in F value 3.146 at 5% significance level. This shows that independent variable under reference have direct lower degree of positive correlation with GNPA.

H0 this implies that there is no significance relationship between total advances and GNPA of Union Bank of India.

(11) UCO Bank

The coefficient of correlation between total advances and gross non-performing assets of UCO Bank during the period is worked out at 0.745.

This implies that a positive correlation between two variables. Thus, it can be concluded that there is direct relationship between two variables.

To analyse the result produced by the simple regression model so as to achieve the goal of identifying the factor influencing gross non-performing assets. The value of correlation coefficient R and coefficient of determination R square and adjusted R square .555 and .518 and considering their standard error, it can be concluded that in F value 14.979 at 5% significance level. This shows that independent variable under reference have direct higher degree of positive correlation with GNPA.

H0 this implies that there is no significance relationship between total advances and GNPA of UCO Bank.

6.7 DEGREE OF IMPACT OF ADVANCES ON GROSS NON-PERFORMING ASSETS OF SELECTED BANKS FOR 14 YEARS

The below table presents value of correlation coefficient between total advances and gross non-performing assets. This shows the independent variable total advances under the degree of correlation with dependent variable of gross non-performing assets. Since, 11 selected Banks have well expanded business mix in different geography of the country as also their sizes are substantially variable, they all together, although represent figures on sample basis, it may be reasonable to judge that as the group which represent picture of entire population in the Banking industry in India.

Table 6.1 Coefficient of Correlation between Total Advances and Gross Non-Performing Assets

Name of Banks	Coefficient of Correlation (R)	R. Square	Adjusted R Square	F Value	Significance @ 5%
Allahabad Bank	0.488	.238	.175	3.757	.076
Bank of Baroda	0.628	.394	.344	7.803	.016
Bank of India	0.124	.015	.067	.188	.672
Canara Bank	0.434	.188	.120	2.781	.121
Dena Bank	0.462	.213	.148	3.249	.097
Indian Bank	0.777	.604	.571	18.316	.001
Indian Overseas Bank	0.522	.272	.211	4.485	.056
Punjab National Bank	0.020	.000	-.083	.005	.946
Syndicate Bank	0.854	.730	.707	32.422	.000
Union Bank of India	0.456	.208	.142	3.146	.101
UCO Bank	0.745	.555	.518	14.979	.002

The table in respect of co-efficient of correlation between total advances and gross non-performing assets represents the value under column R in respect of selected 11 Banks. The value indicate that Punjab National Bank at 0.020 and Bank of India 0.124 unfold very efficient at less risky management of their credit portfolio when compared with other Banks like Syndicate Bank at 0.854, Indian Bank at 0.777 , UCO Bank 0.745 and BOB at 0.628. Comparison of figures show that, while Punjab National Bank and Bank of India have very carefully assessed their credit proposal and have ensured adequate security of the funds lend and thus established satisfactory risk management standards, other Banks like Syndicate Bank, Indian Bank and UCO Bank have been grossly negligent in scrutiny of their credit proposals which finally resulted in huge NPA's Banks like Canara Bank at 0.434, Union Bank of India at 0.456, Dena Bank at 0.462 and Allahabad Bank at 0.488 have found themselves a position in NPA management where they are neither as good as Punjab National Bank and Bank of India nor they are as bad as Syndicate Bank, Indian Bank and UCO Bank. It is relevant to state here that good Banks like Punjab National Bank, Bank of India also have NPA's but the same are well manageable and does not hold threat to Bank standing and regulation whereas very huge NPA's in carrying Banks like Syndicate Bank, Indian Bank and UCO Bank held inherent risk of not only erosion of their capital but also depositors money can attract risk and thus damage their own image and reputation in the eyes of investors and depositors.

Such table also present the value of R square which represent the proportion of variance in the dependent variable total amount of gross non-performing assets which can be explained by the independent variable total advances. This is an overall measure of the strength of association and does not reflect the extent to which any particular independent variable is associated with the dependent variable. In such a case also better performance is for Punjab National Bank at .000 and Bank of India at .015 and average performance for Canara Bank at .188, Union Bank of India at .208, Dena Bank at .213 , Allahabad Bank at .238 while the poor performance in case of Syndicate Bank at .730, Indian Bank at .604, UCO Bank at .555, Bank of Baroda at .394, Indian Overseas Bank at .272.

This table present the value of adjusted R square which is an adjustment of the R-squared that penalizes the addition of extraneous predictors to the model. This is -.083 in case of Punjab National Bank and lower in case of Bank of India at and Canara Bank which are .067 and .120 respectively. Such a value is moderate in case of Union Bank of India at .142, Dena Bank at .148 and Allahabad Bank at .175 while higher in case of Syndicate Bank at .707 , Indian Bank at .571, UCO Bank at .518, Bank of Baroda at .344 ,Indian Overseas Bank at .211.

On the basis of above table the value of F and significance, it is observed that from F value at 5% significance level, this shows that independent variable under reference have direct lower degree of positive correlation in case of Allahabad Bank at 3.757, Bank of India at .672, Canara Bank at 2,781, Dena Bank 3.249, Punjab National Bank at .005 and Union Bank of India at 3.146. In the same way it shows direct positive correlation with GNPA with Bank of Baroda at 7.803, Indian Bank at 18.316, Indian Overseas Bank at 4.485, Syndicate Bank at 32.422, and UCO Bank at 14.979.

The table also mentions the level of significance at 5% which shows the significance and not significance at that level of respective selected Banks for the above parameter. This value is not significant for Allahabad at .076 Bank of India at .672, Canara Bank at .121, Dena Bank at .097 , Indian Overseas Bank at .056, Punjab National Bank at .946, Union Bank of India at .101 and significance in case of Bank of Baroda at .016, Indian Bank at .001, Syndicate Bank at .000, UCO Bank at .002.

Table 6.2 Testing of Hypothesis between Total Advances and Gross Non-Performing Assets of Selected Banks

Particulars	Calculating Value	Sign	Critical Value@5%	Results	
				H0 - Null	H1 - Alternative
Allahabad Bank	1.93	<	2.18	Accepted	Rejected
Bank of Baroda	2.79	>	2.18	Rejected	Accepted
Bank of India	0.43	<	2.18	Accepted	Rejected
Canara Bank	1.67	<	2.18	Accepted	Rejected
Dena Bank	1.80	<	2.18	Accepted	Rejected
Indian Bank	4.27	>	2.18	Rejected	Accepted
Indian Overseas Bank	2.11	<	2.18	Accepted	Rejected
Punjab National Bank	0.07	<	2.18	Accepted	Rejected
Syndicate Bank	5.68	>	2.18	Rejected	Accepted
Union Bank of India	1.77	<	2.18	Accepted	Rejected
UCO Bank	3.86	>	2.18	Rejected	Accepted
All Selected Bank	9.11	>	2.18	Rejected	Accepted

6.8 CONCLUSION

Relationship between advances and gross non-performing assets is tasted by using 't' test based on following hypothesis and results.

(1) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Allahabad Bank.

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Allahabad Bank.

Result

Calculating value of "t" of Allahabad Bank is less than critical value of "t" (1.93<2.18). There is no relationship between total advances and gross non-performing assets in Allahabad Bank. Therefore null hypothesis is accepted for Allahabad Bank. However there is mild relationship between total advances and gross non-performing assets.

(2) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Bank of Baroda.

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Bank of Baroda.

Result

Calculating value of "t" of Bank of Baroda is greater than critical value of "t" (2.79>2.18). There is relationship between total advances and gross non-performing assets in Bank of Baroda. Therefore alternative hypothesis is accepted for Bank of Baroda. However there is direct relationship between total advances and gross non-performing assets.

(3) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Bank of India.

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Bank of India.

Result

Calculating value of "t" of Bank of India is less than critical value of "t" (0.43<2.18). There is no relationship between total advances and gross non-performing assets in Bank of India. Therefore null hypothesis is accepted for Bank of India. However there is mild relationship between total advances and gross non-performing assets.

(4) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Canara Bank

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Canara Bank.

Result

Calculating value of "t" of Canara Bank is less than critical value of "t" (1.67<2.18). There is no relationship between total advances and gross non-performing assets in Canara Bank. Therefore null hypothesis is accepted for Canara Bank. However there is mild relationship between total advances and gross non-performing assets.

(5) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Dena Bank

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Dena Bank.

Result

Calculating value of "t" of Dena Bank is less than critical value of "t" (1.80<2.18). There is no relationship between total advances and gross non-performing assets in Dena Bank. Therefore null hypothesis is accepted for Dena Bank. However there is mild relationship between total advances and gross non-performing assets.

(6) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Indian Bank.

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Indian Bank.

Result

Calculating value of "t" of Indian Bank is greater than critical value of "t" (4.27>2.18). There is relationship between total advances and gross non-performing assets in Indian Bank. Therefore alternative hypothesis is accepted for Indian Bank. However there is strong relationship between total advances and gross non-performing assets.

(7) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Indian Overseas Bank.

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Indian Overseas Bank.

Result

Calculating value of "t" of Indian Overseas Bank is less than critical value of "t" (2.11<2.18). There is no relationship between total advances and gross non-performing assets in Indian overseas Bank. Therefore null hypothesis is accepted for Indian Overseas Bank. However there is direct relationship between total advances and gross non-performing assets.

(8) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Punjab National Bank.

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Punjab National Bank.

Result

Calculating value of "t" of Punjab National Bank is less than critical value of "t" (0.07<2.18). There is no relationship between total advances and gross non-performing assets in Punjab National Bank. Therefore null hypothesis is accepted for Punjab National Bank. However there is mild relationship between total advances and gross non-performing assets.

(9) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Syndicate Bank

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Syndicate Bank.

Result

Calculating value of "t" of Syndicate Bank is greater than critical value of "t" (5.68>2.18). There is relationship between total advances and gross non-performing assets in Syndicate Bank. Therefore alternative hypothesis is accepted for Syndicate Bank. However there is strong relationship between total advances and gross non-performing assets.

(10) H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of Union Bank of India

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of Union Bank of India.

Result

Calculating value of "t" of Union Bank of India is less than critical value of "t" (1.77<2.18). There is no relationship between total advances and gross non-performing assets in Union Bank of India. Therefore null hypothesis is accepted for Union Bank of India. However there is mild relationship between total advances and gross non-performing assets.

(11)H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of UCO Bank

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of UCO Bank.

Result

Calculating value of "t" of UCO Bank is greater than critical value of "t" (3.86>2.18). There is relationship between total advances and gross non-performing assets in UCO Bank. Therefore alternative hypothesis is accepted for UCO Bank. However there is mild relationship between total advances and gross non-performing assets.

(12)H0

Null hypothesis

There is no significant relationship between total advances and gross non-performing assets of All Selected Bank

H1

Alternative hypothesis

There is a significant relationship between total advances and gross non-performing assets of All Selected Bank.

Result

Calculating value of "t" of All Selected Banks is greater than critical value of "t" (9.11>2.18). There is relationship between total advances and gross non-performing assets in All Selected Banks. Therefore alternative hypothesis is accepted for All Selected Bank. However there is strong relationship between total advances and gross non-performing assets.

6.9 SUGGESTIONS

6.9.1 Time has matured that money raised by PSB's, either in form of capital or by way of raising deposits from public and institutions or by borrowing money from other sources, should be closely tracked when so raised money is finding its way for utilisation either in form of cash and Bank balance or investment and lending or creation of fixed or any other type of assets. In short utilisation of money must be in line with purpose for which it is raised and so utilised money must perform in terms of economic viability. Here, emphasis on continuous process of assessing performance of deployed money in form of all type of assets and not only take myopia view to assess performance of only that money which is deployed by way of credit that is loans and advances.

6.9.2 For meaningful compliance to what is stated in point No 1 above, PSB's are expected to take various steps including procedural changes, different types of book keeping, transparent system in which clear cut accountability can be fixed. Firstly following changes to be made in the existing norms for management of NPA's in respect of Banks loans and advances.

6.9.3 Bank must evolve a system established that funds realised by way of loans and advances is utilised for the purpose creating assets stated in the sanctioned proposal and the same have been verified by Banks responsible officials immediately on creation of such assets. Not only assets verification certificate/ report should be placed on record by the verifying responsible official of the Bank but also the report should contain comprehensive description of the assets including its make, its name of the suppliers, quality of the assets and very importantly the report should clearly state the age of assets on the date of verification and remaining economic life of the assets in the opinion of verifying officials. The report should also state clearly what are the basis to judge existing age of the assets and potential economic life left in the assets. This is very significant and important as the performance of the assets will totally depend on the relevant aspects and therefore Bank must provide sufficient technical and other allied support to inspecting officials for being judicious in his comment on these vital points.

6.9.4 Above referred assets verification report will established endues of funds has also the age of assets and economic life of assets will help Bank in deciding the course of action to be taken or monitoring performance of this assets vis. a vis. conduct of borrower account and financial transaction in the account.

6.9.5 Irrespective of good or bad conduct of the borrower account, whether or not such account remains performing or non- performing, Bank must evolve a table of year wise provision to be made on such account. Keeping purely in view the economic life of the assets financed. Needless to mention that judgment on economic life of the assets is very critical and pivotal point and should commensurate with repayment schedule. In simple words, the Bank should start making provision on loans and advances from day one in such a way that fully disbursed loan amount stands provided in that many number of years as are judge to be having economic life of the assets. This is to say that every year loan account must be provided for on pro rata basis for its loss of economic life, irrespective of fact whether conduct in the borrower account is satisfactory or not. In fact existing prudential norm have stipulated 0.25% of provision even on standard assets and authors are only supplementing here to extend provision exercise on all standard assets year over year at regular intervals till assets out live its economic life.

6.9.6 Exercise as above will translate into a drain over Banks profitability on yearly basis. However such an exercise may have only temporary blip as in all cases of performing standard assets, the provision amount would be written back to profit and loss account at the end of repayment schedule and should account turn NPA at any given time during repayment time, then Bank may have ready source of provided funds from day one to cover the potential NPA's. such an exercise will not only strengthen Bank capacity to meet with contingent demands for covering bad debts but also such accounting norms may help Bank claim higher rating from rating agencies. This is good time to conduct such a procedure because almost all PSB's have been successful in achieving 1% or more on return on assets besides very attractive ROE status, as also gross and net NPA's remaining respectively at less than 4% and 2% in all PSB's.

6.9.7 With improved profitability and well controlled NPA's, there has been an intangible attitude on part of PSB's management to adopt write off exercise in account of Rs 100000 and less outstanding balance. Such an attitude and strategy was reasonable at a time, say in late 90's or early 2000 when Banks have triggered balance sheet cleaning up of exercise. At that time Banks also wanted to off load the extra flab of that part of credit portfolio which represented politically motivated aggression by way of LOAN MELA etc in pursuit of its socio economic stature besides its very existence as Government owned organisation. Nevertheless, in today’s contact Bank must endeavors to recover every Rs finance and the cost incurred on such finance, even if the account is well treated as loss assets with 100% provisioning in place. Whether Rs 100000 or less or even Rs. 25000 or less the Banks capacity to provide for NPA's adequately due to fate profits generated by them does not in any way entitle them to just write off 100% provided account and not recover dues there to persons responsible for status of NPA's must not get away whether they are borrowers on one side or Banks responsible officials on other side. Net any amount that is written off must be recorded in the Banks book as judicious write off only on approval competent committee of the senior officers of the Bank.

As regards assets other than loans and advances, the Bank must evolve a systematic procedure to make judgment on the performance of money deployed by the Bank and wherever performance of deployed money is not attaining the benchmark levels then Bank must take appropriate action to provide for non performance of other assets.

Few illustrative examples are given here under

6.9.8 All the borrowed funds should be so deployed remuneratively so that the cost of funds and service cost for such deployments of funds is fully recovered from the utilisation of such borrowed funds and not only that but even a reasonable margin should remain available to Bank. In simple words if deployments of borrowed fund do not service its entire cost then shortfall together with repayment installment must be provided and such provision should be critically carried out in statutory audit every year.

6.9.9 After compliance of all statutory requirements the surplus funds must find. Such investments whose rate of return should outperform similar investment make by other financial organisation. This should be however a comparable exercise to monitor profits of the Banks and no provision would be necessary unless principal amount of investment get eroded on market to market basis.

6.9.10 Banks intangible assets such as overdue outstanding balances in suspense account and claims made against the Banks or Banks claim on other remaining in dispute should be provided 100%

6.9.11 Banks investment in fixed assets must be critically assessed in terms of utilisation of such assets and its corresponding value to determine fair cost absorb by the Bank for investment made in such fixed assets. Illustratively if Bank has acquired a premises of 5000 sq ft involving total cost of Rs.50 lacs and if that premises after being ready for use, is either not utilise or underutilise then the difference between the cost of funds invested in the premises and income that would have been generated from utilisation of such premises, the difference there to should be provided. Such an exercise will compel Bank management to take a prudent care either in liquidating the non remunerative fixed assets or profitability utilised fixed assets for more income generation.

6.9.12 All above stated suggestions can make financial organisation like Banks more stable, more transparent and more dependably reliable for its customers besides creating substantial strength in the country's economy.

6.10 SCOPE FOR FURTHER STUDY

Money itself and money in all names and forms is all important in world economy at large and therefore it is and it will be always focus for continued process of evaluation. In spite of time factor, money will always find scope for very efficient management and meaning full utilisation. Therefore, in spite of this research work, scope shall always exist for more improved and more efficient deployment of funds so that values realise and benefits remain derived for consistent improvement in economy. Various organisation in world at large and institute like ICAI, IIM's and many business schools in discovering true value of money deployed in different names and forms. Economic crisis in USA and Europe earlier and current economic slowdown in India are making strong basis to evolve such procedure and systems which can tracked very efficiently the performance of different assets classes. In past few years new accounting standards have emerged, besides newer financial reporting system being advocated by world economic forums. Basel I and Basel II are now being followed Basel III which is clear example of growing awareness in direction of well capitalising of Banks in the world. So, also scope would always exist for more dynamic and more revolutionary methodology in determining asset performances in such a way which can translate not only in improved credit risk management but also in improved management of different assets in all names and forms. Therefore, despite this research work large scope exist for improved management of NPA's.

APPENDICES

Table 1 **Equity Capital of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years (Amt. Rs. in Crore)																
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	247	247	247	247	247	247	347	347	347	447	447	447	447	447	**339.857**	**88.352**	**25.996**
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(40.49)**	**(0.00)**	**(0.00)**	**(28.82)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
2	**Bank of Baroda**	254	293	294	294	294	294	294	295	295	366	366	366	366	366	**316.928**	**37.950**	**11.974**
			(15.35)	**(0.34)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.34)**	**(0.00)**	**(24.07)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
3	**Bank of India**	597	638	638	638	638	488	488	488	488	488	488	525	525	525	**546.571**	**64.342**	**11.772**
			(6.87)	**(0.00)**	**(0.00)**	**(0.00)**	**(-23.51)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(7.58)**	**(0.00)**	**(0.00)**			
4	**Canara Bank**	485	578	578	578	578	578	410	410	410	410	410	410	410	410	**475.357**	**78.805**	**16.578**
			(19.18)	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(-29.07)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
5	**Dena Bank**	207	207	207	207	207	207	207	207	287	287	287	287	287	287	**241.285**	**39.5897**	**16.407**
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(38.65)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
6	**Indian Bank**	654	2404	2504	2504	2504	3804	4574	4574	4574	744	830	830	830	830	**2297.14**	**1504.39**	**65.489**
			(267.58)	**(4.16)**	**(0.00)**	**(0.00)**	**(51.92)**	**(20.24)**	**(0.00)**	**(0.00)**	**(-83.73)**	**(-42.20)**	**(0.00)**	**(0.00)**	**(0.00)**			
7	**Indian Overseas Bank**	334	334	334	334	445	445	445	545	545	545	545	545	545	545	**463.285**	**90.476**	**19.529**
			(0.00)	**(0.00)**	**(0.00)**	**(33.23)**	**(0.00)**	**(0.00)**	**(22.47)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
8	**Punjab National Bank**	351	212	212	212	212	212	265	265	315	315	315	315	315	315	**273.642**	**50.281**	**18.374**
			(-39.60)	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(25.00)**	**(0.00)**	**(18.87)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
9	**Syndicate Bank**	1290	1290	347	472	472	472	472	472	472	522	522	522	522	522	**597.785**	**285.965**	**47.837**
			(0.00)	**(-73.10)**	**(36.02)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(10.59)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
10	**Union Bank of India**	338	338	338	338	338	338	460	460	460	505	505	505	505	505	**423.785**	**76.095**	**17.956**
			(0.00)	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(36.09)**	**(0.00)**	**(0.00)**	**(9.78)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**			
11	**UCO Bank**	1715	2065	2265	2265	2265	2265	599	799	799	799	799	799	799	549	**1341.57**	**708.094**	**52.780**
			(20.41)	**(9.69)**	**(0.00)**	**(0.00)**	**(0.00)**	**(-73.55)**	**(33.39)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(-31.29)**			
	Avg.	**588.15**	**782.20**	**723.92**	**735.30**	**745.42**	**849.93**	**778.32**	**805.61**	**817.43**	**493**	**501**	**505**	**505**	**482**			
	S.D.	**460.54**	**749.24**	**795.19**	**790.60**	**786.09**	**1086.87**	**1205.12**	**1201.47**	**1196.07**	**153.69**	**132.19**	**133.20**	**133.09**	**141**			
	C.V.	**78.30**	**95.79**	**109.85**	**107.52**	**105.46**	**127.88**	**154.84**	**149.14**	**146.32**	**31.15**	**28.44**	**28.45**	**28.42**	**29**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 2 **Gross Profit of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years (Amt. Rs.in Crore)																
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	184.26	237.49	233.68	252.51	266	408	516	876	1073	1024	1100	1480	1901	2574.00	**866.138**	**697.772**	**80.561**
			(28.89)	**(-1.60)**	**(8.06)**	**(5.34)**	**(53.38)**	**(26.47)**	**(69.77)**	**(22.49)**	**(-4.57)**	**(7.42)**	**(34.55)**	**(28.45)**	**(35.40)**			
2	**Bank of Baroda**	776.43	806.05	945.29	1051.67	1036	1309	1717	2485.3	2302	2032	2415	3029	4305	4935.00	**2081.767**	**1248.247**	**59.960**
			(3.81)	**(17.27)**	**(11.25)**	**(-1.49)**	**(26.35)**	**(31.17)**	**(44.75)**	**(-7.38)**	**(-11.73)**	**(18.85)**	**(25.42)**	**(42.13)**	**(14.63)**			
3	**Bank of India**	579.5	697.18	705	682.99	772.02	1408.45	2030	2242	1460	1701	2395	3701	5457	4704.00	**2038.224**	**1505.145**	**73.845**
			(20.31)	**(1.12)**	**(-3.12)**	**(13.04)**	**(82.44)**	**(44.13)**	**(10.44)**	**(-34.88)**	**(16.51)**	**(40.80)**	**(54.53)**	**(47.45)**	**(-13.80)**			
4	**Canara Bank**	654.2	672.52	957.41	923.15	1131.22	1656	1997	2859	2585	2612	2912	2959	3964	5061.00	**2210.25**	**1267.937**	**57.366**
			(2.80)	**(42.36)**	**(-3.58)**	**(22.54)**	**(46.39)**	**(20.59)**	**(43.16)**	**(-9.58)**	**(1.04)**	**(11.49)**	**(1.61)**	**(33.96)**	**(27.67)**			
5	**Dena Bank**	194	273.61	216.01	218.56	68	335	494	711	447.49	620	1875	686	726	841.00	**550.405**	**434.0275**	**78.856**
			(41.04)	**(-21.05)**	**(1.18)**	**(-68.89)**	**(392.65)**	**(47.46)**	**(43.93)**	**(-37.06)**	**(38.55)**	**(202.42)**	**(-63.41)**	**(5.83)**	**(15.84)**			
6	**Indian Bank**	-138.36	-209.5	-163.23	23.86	62	307	590	802.46	958	894	1386	1659	2229	2747.00	**796.2307**	**894.800**	**112.37**
			(51.42)	**(-22.09)**	**(-114.62)**	**(159.85)**	**(395.16)**	**(92.18)**	**(36.01)**	**(19.38)**	**(-6.68)**	**(55.03)**	**(19.70)**	**(34.36)**	**(23.24)**			
7	**Indian Overseas Bank**	129.44	154.35	142.96	188.22	307	616	794	1325	1337	1534	1560	2002	2524	1845.00	**1032.784**	**773.681**	**74.912**
			(19.24)	**(-7.38)**	**(31.66)**	**(63.11)**	**(100.65)**	**(28.90)**	**(66.88)**	**(0.91)**	**(14.73)**	**(1.69)**	**(28.33)**	**(26.07)**	**(-26.90)**			
8	**Punjab National Bank**	619.66	801.11	821.27	820.16	945	1473.8	2317	3121	2707	2875	3231	4006	5744	7326.00	**2629.143**	**1936.829**	**73.667**
			(29.28)	**(2.52)**	**(-0.14)**	**(15.22)**	**(55.96)**	**(57.21)**	**(34.70)**	**(-13.26)**	**(6.21)**	**(12.38)**	**(23.99)**	**(43.38)**	**(27.54)**			
9	**Syndicate Bank**	98.65	135.4	186.06	280.57	298	355	619	1054	994	1038	1383	1468	1746	1874.00	**823.5486**	**600.514**	**72.917**
			(37.25)	**(37.42)**	**(50.80)**	**(6.21)**	**(19.13)**	**(74.37)**	**(70.27)**	**(-5.69)**	**(4.43)**	**(33.24)**	**(6.15)**	**(18.94)**	**(7.33)**			
10	**Union Bank of India**	341.32	349.53	309.98	391.63	511	869	1304	1483	1573	1597	1476	2580	3082	3659.00	**1394.747**	**1032.208**	**74.006**
			(2.41)	**(-11.32)**	**(26.34)**	**(30.48)**	**(70.06)**	**(50.06)**	**(13.73)**	**(6.07)**	**(1.53)**	**(-7.58)**	**(74.80)**	**(19.46)**	**(18.72)**			
11	**UCO Bank**	-72.76	15.04	38.38	176.83	214	476	624	948	819	852	945	954	1202	1706.00	**635.535**	**499.935**	**78.663**
			(-120.67)	**(155.19)**	**(360.73)**	**(21.02)**	**(122.43)**	**(31.09)**	**(51.92)**	**(-13.61)**	**(4.03)**	**(10.92)**	**(0.95)**	**(26.00)**	**(41.93)**			
	Avg.	**306.03**	**357.53**	**399.35**	**455.47**	**510.00**	**837.74**	**1182.00**	**1627.91**	**1477.80**	**1525.32**	**1879.74**	**2229.49**	**2989.09**	**3388**			
	S.D.	**295.33**	**325.22**	**370.26**	**333.89**	**375.52**	**500.44**	**675.47**	**844.61**	**714.19**	**704.22**	**718.71**	**1050.72**	**1601.40**	**1848**			
	C.V.	**96.50**	**90.97**	**92.72**	**73.31**	**73.63**	**59.74**	**57.15**	**51.88**	**48.33**	**46.17**	**38.23**	**47.13**	**53.57**	**55**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 3 **Net Profit of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years (Amt. Rs. in Crore)																
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	64.3	129.2	129.37	69.33	39.91	80	166	463	542	706	750	994	769	1228	**437.865**	**382.679**	**87.396**
			(100.93)	**(0.13)**	**(-46.41)**	**(-42.43)**	**(100.45)**	**(107.50)**	**(178.92)**	**(17.06)**	**(30.26)**	**(6.23)**	**(32.53)**	**(-22.64)**	**(59.69)**			
2	**Bank of Baroda**	231.36	461.35	342.21	502.77	275	546	773	967	677	827	1026	1436	2227	3058	**953.549**	**773.717**	**81.140**
			(99.41)	**(-25.82)**	**(46.92)**	**(-45.30)**	**(98.55)**	**(41.58)**	**(25.10)**	**(-29.99)**	**(22.16)**	**(24.06)**	**(39.96)**	**(55.08)**	**(37.31)**			
3	**Bank of India**	360.02	364.51	201.14	172.82	251.88	505.22	851	1008	340	701	1123	2009	3007	1741	**902.542**	**800.220**	**88.663**
			(1.25)	**(-44.82)**	**(-14.08)**	**(45.75)**	**(100.58)**	**(68.44)**	**(18.45)**	**(-66.27)**	**(106.18)**	**(60.20)**	**(78.90)**	**(49.68)**	**(-42.10)**			
4	**Canara Bank**	147.4	203.02	160.01	236.05	280.3	741	1019	1338	1110	1343	1421	1565	2072	3021	**1046.913**	**809.761**	**77.347**
			(37.73)	**(-21.19)**	**(47.52)**	**(18.75)**	**(164.36)**	**(37.52)**	**(31.31)**	**(-17.04)**	**(20.99)**	**(5.81)**	**(10.13)**	**(32.40)**	**(45.80)**			
5	**Dena Bank**	73	82.2	81.44	112.39	-266	-159	90	204	61	73	202	360	423	511	**132.002**	**198.685**	**150.51**
			(12.60)	**(-0.92)**	**(38.00)**	**(-336.68)**	**(-40.23)**	**(-156.60)**	**(126.67)**	**(-70.10)**	**(19.67)**	**(176.71)**	**(78.22)**	**(17.50)**	**(20.80)**			
6	**Indian Bank**	-389.09	-301.5	-778.5	-426.97	-274	33	189	405.75	408	504	760	1009	1245	1555	**281.335**	**664.578**	**236.22**
			(-22.51)	**(158.21)**	**(-45.15)**	**(-35.83)**	**(-112.04)**	**(472.73)**	**(114.68)**	**(0.55)**	**(23.53)**	**(50.79)**	**(32.76)**	**(23.39)**	**(24.90)**			
7	**Indian Overseas Bank**	104.52	113.06	55.34	40.34	116	230	416	513	651	783	1008	1202	1326	7070	**973.447**	**1742.44**	**178.99**
			(8.17)	**(-51.05)**	**(-27.11)**	**(187.56)**	**(98.28)**	**(80.87)**	**(23.32)**	**(26.90)**	**(20.28)**	**(28.74)**	**(19.25)**	**(10.32)**	**(433.18)**			
8	**Punjab National Bank**	237.71	501.25	334.07	408.13	464	562.39	842	1109	1410	1439	1540	2049	3091	3905	**1278.039**	**1056.31**	**82.650**
			(110.87)	**(-33.35)**	**(22.17)**	**(13.69)**	**(21.20)**	**(49.72)**	**(31.71)**	**(27.14)**	**(2.06)**	**(7.02)**	**(33.05)**	**(50.85)**	**(26.33)**			
9	**Syndicate Bank**	66.69	82.66	142.59	215.65	235	251	344	434	403	536	716	848	913	813	**428.613**	**281.209**	**65.609**
			(23.95)	**(72.50)**	**(51.24)**	**(8.97)**	**(6.81)**	**(37.05)**	**(26.16)**	**(-7.14)**	**(33.00)**	**(33.58)**	**(18.44)**	**(7.67)**	**(-10.95)**			
10	**Union Bank of India**	215.67	250.09	153.63	101.24	155	314	553	712	719	675	845	1387	1727	2075	**705.902**	**597.653**	**84.665**
			(15.96)	**(-38.57)**	**(-34.10)**	**(53.10)**	**(102.58)**	**(76.11)**	**(28.75)**	**(0.98)**	**(-6.12)**	**(25.19)**	**(64.14)**	**(24.51)**	**(20.15)**			
11	**UCO Bank**	-176.23	-96.22	-67.77	-36.64	33	165	207	435	346	197	316	412	558	1012	**236.01**	**303.604**	**128.64**
			(-45.40)	**(-29.57)**	**(-45.93)**	**(-190.07)**	**(400.00)**	**(25.45)**	**(110.14)**	**(-20.46)**	**(-43.06)**	**(60.41)**	**(30.38)**	**(35.44)**	**(81.36)**			
	Avg.	**85.02**	**162.69**	**68.50**	**126.83**	**119.05**	**297.19**	**495.50**	**689.97**	**606.07**	**707.84**	**882.54**	**1206.4**	**1578.00**	**2363**			
	S.D.	**199.01**	**224.17**	**289.85**	**231.10**	**216.98**	**256.18**	**313.27**	**344.25**	**361.80**	**392.52**	**388.80**	**533.28**	**887.50**	**1797**			
	C.V.	**234.06**	**137.79**	**423.13**	**182.21**	**182.25**	**86.20**	**63.22**	**49.89**	**59.70**	**55.45**	**44.05**	**44.20**	**56.24**	**76**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 4 **Total Deposits of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt. Rs..in Crore)			
		1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	Allahabad Bank	11541	13541	15510	17642	20106	22666	25463	31477	40762	48500	59544	71616	84972	106056	**40671**	**28565**	**70.235**
			(17.33)	**(14.54)**	**(13.75)**	**(13.97)**	**(12.73)**	**(12.34)**	**(23.62)**	**(29.50)**	**(18.98)**	**(22.77)**	**(20.27)**	**(18.65)**	**(24.81)**			
2	Bank of Baroda	32167	39120	44614	51276	54070	61804	66441	72967	81333	93662	124916	152034	192397	241044	**93412**	**60188**	**64.428**
			(21.62	**(14.04)**	**(14.93)**	**(5.45)**	**(14.30)**	**(7.50)**	**(9.82)**	**(11.47)**	**(15.16)**	**(33.37)**	**(21.71)**	**(26.55)**	**(25.28)**			
3	Bank of India	31973	39339	44430	47744	51679	59589	64098	71482	78821	93932	119882	150012	189708	229762	**90889**	**58127**	**63.953**
			(23.04)	**(12.94)**	**(7.46)**	**(8.24)**	**(15.31)**	**(7.57)**	**(11.52)**	**(10.27)**	**(19.17)**	**(27.63)**	**(25.13)**	**(26.46)**	**(21.11)**			
4	Canara Bank	31445	38045	41959	48001	59070	64030	72095	86345	96796	116803	142381	154072	186893	234651	**98042**	**59273**	**60.456**
			(20.99)	**(10.29)**	**(14.40)**	**(23.06)**	**(8.40)**	**(12.60)**	**(19.77)**	**(12.10)**	**(20.67)**	**(21.90)**	**(8.21)**	**(21.30)**	**(25.55)**			
5	Dena Bank	7861	10115	11795	13287	14573	15355	16491	18349	20897	23623	27690	33943	43051	51344	**22027**	**12385**	**56.225**
			(28.67)	**(16.61)**	**(12.65)**	**(9.68)**	**(5.37)**	**(7.40)**	**(11.27)**	**(13.89)**	**(13.04)**	**(17.22)**	**(22.58)**	**(26.83)**	**(19.26)**			
6	Indian Bank	14329	15423	17156	19114	21693	24039	27016	30444	34808	40806	47091	61046	72582	88228	**36698**	**22082**	**60.171**
			(7.63)	**(11.24)**	**(11.41)**	**(13.49)**	**(10.81)**	**(12.38)**	**(12.69)**	**(14.33)**	**(17.23)**	**(15.40)**	**(29.63)**	**(18.90)**	**(21.56)**			
7	Indian Overseas Bank	15973	19329	21914	24318	27414	31808	36699	41483	44241	50529	68740	84326	106664	110795	**48874**	**30577**	**62.563**
			(21.01)	**(13.37)**	**(10.97)**	**(12.73)**	**(16.03)**	**(15.38)**	**(13.04)**	**(6.65)**	**(14.21)**	**(36.04)**	**(22.67)**	**(26.49)**	**(3.87)**			
8	Punjab National Bank	30806	35174	40777	47483	58131	64123	75814	87916	103167	119685	139860	166457	209761	249330	**102035**	**65312**	**64.009**
			(14.18)	**(15.93)**	**(16.45)**	**(22.42)**	**(10.31)**	**(18.23)**	**(15.96)**	**(17.35)**	**(16.01)**	**(16.86)**	**(19.02)**	**(26.02)**	**(18.86)**			
9	Syndicate Bank	14946	16816	19914	23655	25095	28548	30661	42585	46295	53624	78634	95171	115885	117025	**50632**	**35003**	**69.132**
			(12.51)	**(18.42)**	**(18.79)**	**(6.09)**	**(13.76)**	**(7.40)**	**(38.89)**	**(8.71)**	**(15.83)**	**(46.64)**	**(21.03)**	**(21.77)**	**(0.98)**			
10	Union Bank of India	20005	23056	28136	31105	34888	39794	44749	50559	61831	74094	85180	103859	142588	170040	**64992**	**44333**	**68.213**
			(15.25)	**(22.03)**	**(10.55)**	**(12.16)**	**(14.06)**	**(12.45)**	**(12.98)**	**(22.29)**	**(19.83)**	**(14.96)**	**(21.93)**	**(37.29)**	**(19.25)**			
11	UCO Bank	12614	14462	16251	18360	21536	26849	31343	39244	49470	54544	64860	79909	100222	122416	**46577**	**33112**	**71.089**
			(14.65)	**(12.37)**	**(12.98)**	**(17.30)**	**(24.67)**	**(16.74)**	**(25.21)**	**(26.06)**	**(10.26)**	**(18.91)**	**(23.20)**	**(25.42)**	**(22.14)**			
	Avg.	**20332.7**	**24038.11**	**27496.10**	**31089.54**	**35295.87**	**39873.24**	**44624.54**	**52077.41**	**59856.49**	**69982.02**	**87161.59**	**104767.77**	**131338.45**	**156426**			
	S.D.	**8971.27**	**10983.60**	**12350.65**	**13960.92**	**16260.44**	**17970.22**	**20193.36**	**22705.51**	**25424.85**	**30391.52**	**37100.56**	**42290.33**	**53691.73**	**67753**			
	C.V.	**44.12**	**45.69**	**44.92**	**44.91**	**46.07**	**45.07**	**45.25**	**43.60**	**42.48**	**43.43**	**42.57**	**40.37**	**40.88**	**43**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 5 **Total Assets of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt. Rs..in Crore)			
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	13169	15206	17423	19711	22057	24764	28053	34711	45152	55298	67676	82944	97648	121907.0	**46122.79**	**33121.77**	**71.812**
			(15.47)	**(14.58)**	**(13.13)**	**(11.90)**	**(12.27)**	**(13.28)**	**(23.73)**	**(30.08)**	**(22.47)**	**(22.38)**	**(22.56)**	**(17.73)**	**(24.84)**			
2	**Bank of Baroda**	37640	45842	52232	58623	63322	70910	76425	85109	94664	113393	143146	179560	227407	278316.0	**109042.1**	**70238.59**	**64.414**
			(21.79)	**(13.94)**	**(12.24)**	**(8.02)**	**(11.98)**	**(7.78)**	**(11.36)**	**(11.23)**	**(19.78)**	**(26.24)**	**(25.44)**	**(26.65)**	**(22.39)**			
3	**Bank of India**	37946	46338	53923	56014	59987	70065	76682	84893	95004	112274	142037	178861	225502	274966.0	**108178**	**69511.85**	**64.256**
			(22.12)	**(16.37)**	**(3.88)**	**(7.09)**	**(16.80)**	**(9.44)**	**(10.71)**	**(11.91)**	**(18.18)**	**(26.51)**	**(25.93)**	**(26.08)**	**(21.94)**			
4	**Canara Bank**	35657	43112	48120	54454	66439	72135	82199	99322	110413	132938	166099	180696	219646	264741.0	**112569.4**	**68493.77**	**60.845**
			(20.91)	**(11.62)**	**13.16)**	**(22.01)**	**(8.57)**	**(13.95)**	**(20.83)**	**(11.17)**	**(20.40)**	**(24.94)**	**(8.79)**	**(21.56)**	**(20.53)**			
5	**Dena Bank**	9714	12264	14844	16851	17671	18448	19820	21952	24033	26557	31451	38651	48461	57587.0	**25593.14**	**13461.35**	**52.597**
			(26.25)	**(21.04)**	**(13.52)**	**(4.87)**	**(4.40)**	**(7.44)**	**(10.76)**	**(9.48)**	**(10.50)**	**(18.43)**	**(22.89)**	**(25.38)**	**(18.83)**			
6	**Indian Bank**	14931	17050	18266	19919	22758	26413	31532	35324	40031	47635	56149	70508	84121	101389.0	**41859**	**26080.84**	**62.306**
			(14.19)	**(7.13)**	**9.05)**	**(14.25)**	**(16.06)**	**(19.38)**	**(12.03)**	**(13.33)**	**(19.00)**	**(17.87)**	**(25.57)**	**(19.31)**	**(20.53)**			
7	**Indian Overseas Bank**	17928	21432	24462	27621	30294	35441	41155	47322	50815	59358	82326	101860	121073	131096.0	**56584.5**	**36378.04**	**64.289**
			(19.54)	**(14.14)**	**12.91)**	**(9.68)**	**(16.99)**	**(16.12)**	**(14.98)**	**(7.38)**	**(16.81)**	**(38.69)**	**(23.73)**	**(18.86)**	**(8.28)**			
8	**Punjab National Bank**	35043	39806	46323	54129	63519	72980	86281	102373	126269	145350	162529	199049	246919	296633.0	**119800.2**	**78518.05**	**65.540**
			(13.59)	**(16.37)**	**16.85)**	**(17.35)**	**(14.89)**	**(18.23)**	**(18.65)**	**(23.34)**	**(15.11)**	**(11.82)**	**(22.47)**	**(24.05)**	**(20.13)**			
9	**Syndicate Bank**	16510	18533	21895	27163	28243	31756	34435	47223	52128	61091	89277	107132	130256	139051.0	**57478.07**	**40533.80**	**70.520**
			(12.25)	**(18.14)**	**24.06)**	**(3.98)**	**(12.44)**	**(8.44)**	**(37.14)**	**(10.39)**	**(17.19)**	**(46.14)**	**(20.00)**	**(21.58)**	**(6.75)**			
10	**Union Bank of India**	22395	25753	31229	35021	38978	44358	51067	58329	72443	89174	102780	124368	160976	195161.0	**75145.14**	**51436.93**	**68.450**
			(14.99)	**(21.26)**	**12.14)**	**(11.30)**	**(13.80)**	**(15.12)**	**(14.22)**	**(24.20)**	**(23.10)**	**(15.26)**	**(21.00)**	**(29.44)**	**(21.24)**			
11	**UCO Bank**	14705	16850	18949	21761	25557	29630	34914	43798	54589	61839	74864	89795	111664	137808.0	**52623.07**	**36998.22**	**70.307**
			(14.59)	**(12.46)**	**14.84)**	**(17.44)**	**(15.94)**	**(17.83)**	**(25.45)**	**(24.64)**	**(13.28)**	**(21.06)**	**(19.94)**	**(24.35)**	**(23.41)**			
	Avg.	**23239.76**	**27471.53**	**31605.96**	**35569.67**	**39893.23**	**45172.89**	**51142.02**	**60032.40**	**69594.71**	**82264.27**	**101666.70**	**123038.43**	**152152.0**	**181696**			
	S.D.	**10521.06**	**12836.86**	**14705.00**	**16017.43**	**18476.91**	**20849.78**	**23416.59**	**26760.34**	**31028.61**	**36785.32**	**43286.38**	**51087.63**	**64732.29**	**79804**			
	C.V.	**45.27**	**46.73**	**46.53**	**45.03**	**46.32**	**46.16**	**45.79**	**44.58**	**44.58**	**44.72**	**42.58**	**41.52**	**42.54**	**44**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 6 **Total Amount of Provision for Non- Performing Assets of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt. in Rs. Crore)			
		1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	Allahabad Bank	374	416	487	529	745	842	955	1055	1013	938	654	611	656	752.00	**716.21**	**213.874**	**29.8617**
			(11.23)	**(17.07)**	**(8.62)**	**(40.83)**	**(13.02)**	**(13.42)**	**(10.47)**	**(-3.98)**	**(-7.40)**	**(-30.28)**	**(-6.57)**	**(7.36)**	**(14.63)**			
2	Bank of Baroda	1123	1474	1643.02	2202	2329.62	2813	2870	2938	2702	1872	1590	1487	1392	1799.00	**2016.76**	**595.6386**	**29.5344**
			(31.26)	**(11.47)**	**(34.02)**	**(5.80)**	**(20.75)**	**(2.03)**	**(2.37)**	**(-8.03)**	**(-30.72)**	**(-15.06)**	**(-6.48)**	**(-6.39)**	**(29.24)**			
3	Bank of India	971	927	1117	1258	1296	1418	1518	1672	1602	1510	1288	1339	1843	2676.00	**1459.64**	**418.4037**	**28.6647**
			(-4.53)	**(20.50)**	**(12.62)**	**(3.02)**	**(9.41)**	**(7.05)**	**(10.14)**	**(-4.19)**	**(-5.74)**	**(-14.70)**	**(3.96)**	**(37.64)**	**(45.20)**			
4	Canara Bank	1184	1714	1930	1211	897.01	824	1021	1749	1246	914	566	373	661	790.00	**1077.14**	**445.7097**	**41.37885**
			(44.76)	**(12.60)**	**(-37.25)**	**(-25.93)**	**(-8.14)**	**(23.91)**	**(71.30)**	**(-28.76)**	**(-26.65)**	**(-38.07)**	**(-34.10)**	**(77.21)**	**(19.52)**			
5	Dena Bank	144	281	302	333	647.69	769	620	600	557	516	379	358	308	214.00	**430.62**	**179.2732**	**41.6313**
			(95.14)	**(7.47)**	**(10.26)**	**(94.50)**	**(18.73)**	**(-19.38)**	**(-3.23)**	**(-7.17)**	**(-7.36)**	**(-26.55)**	**(-5.54)**	**(-13.97)**	**(-30.52)**			
6	Indian Bank	731	875	1201	2028	1409.07	1271	901	822	501	492	444	389	365	365.00	**842.43**	**471.7616**	**55.9998**
			(19.70)	**(37.26)**	**(68.86)**	**(-30.52)**	**(-9.80)**	**(-29.11)**	**(-8.77)**	**(-39.05)**	**(-1.80)**	**(-9.76)**	**(-12.39)**	(-6.17)	**(0.00)**			
7	Indian Overseas Bank	449	591	545	738	713.01	861	968	998	1069	1004	862	634	924	1617.00	**855.22**	**280.3094**	**32.7764**
			(31.63)	**(-7.78)**	**(35.41)**	**(-3.39)**	**(20.76)**	**(12.43)**	**(3.10)**	**(7.11)**	**(-6.08)**	**(-14.14)**	**(-26.45)**	**(45.74)**	**(75.00)**			
8	Punjab National Bank	654	723	906	1210	1588.89	2330	3453	4221	3622	2928	2665	2565	2503	2232.00	**2257.21**	**1076.3536**	**47.6852**
			(10.55)	**(25.31)**	**(33.55)**	**(31.31)**	**(46.64)**	**(48.20)**	**(22.24)**	**(-14.19)**	**(-19.16)**	**(-8.98)**	**(-3.75)**	(-2.42)	**(-10.83)**			
9	Syndicate Bank	619	632	606	558	543.8	610	721	1057	1007	1193	1169	1146	963	1044.00	**847.77**	**244.7365**	**28.8682**
			(2.10)	**(-4.11)**	**(-7.92)**	**(-2.54)**	**(12.17)**	**(18.20)**	**(46.60)**	**(-4.73)**	**(18.47)**	**(-2.01)**	**(-1.97)**	(-15.97)	**(8.41)**			
10	Union Bank of India	224	329	371	717	854.78	1082	1135	1502	998	1264	1272	1529	1597	1706.00	**1041.48**	**469.0770**	**45.0392**
			(46.88)	**(12.77)**	**(93.26)**	**(19.22)**	**(26.58)**	**(4.90)**	**(32.33)**	**(-33.56)**	**(26.65)**	**(0.63)**	**(20.20)**	**(4.45)**	**(6.83)**			
11	UCO Bank	376	724	729	766	628.08	609	669	726	588	451	500	560	727	700.00	**625.22**	**114.1505**	**18.2576**
			(92.55)	**(0.69)**	**(5.08)**	**(-18.01)**	**(-3.04)**	**(9.85)**	**(8.52)**	**(-19.01)**	**(-23.30)**	**(10.86)**	**(12.00)**	**(29.82)**	**(-3.71)**			
	Avg.	**622.6**	**789.64**	**894.27**	**1050.0**	**1059.36**	**1220.71**	**1348.14**	**1576.35**	**1354.91**	**1189.25**	**1035.41**	**999.28**	**1085.36**	**1263**			
	S.D.	**335.8**	**429.85**	**504.53**	**579.57**	**520.54**	**688.04**	**895.04**	**1045.11**	**925.77**	**691.12**	**644.24**	**657.96**	**646.43**	**757**			
	C.V.	**53.93**	**54.44**	**56.42**	**55.20**	**49.14**	**56.36**	**66.39**	**66.30**	**68.33**	**58.11**	**62.22**	**65.84**	**59.56**	**60**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 7 **Reserves and Surplus of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Bank	Years (Amt. Rs. in crore)																
		1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	Allahabad Bank	377	505	602	643	671	734	824	1205	1981	3192	4030	4800	5405	6306.00	**2233.928**	**2014.247**	**90.166**
			(33.95)	**(19.21)**	**(6.81)**	**(4.35)**	**(9.39)**	**(12.26)**	**(46.24)**	**(64.40)**	**(61.13)**	**(26.25)**	**(19.11)**	**(12.60)**	**(16.67)**			
2	Bank of Baroda	1733	2370	2604	2940	3062	3533	4093	4836	5333	7479	8284	10678	12470	14741.00	**6011.142**	**3964.007**	**65.944**
			(36.76)	**(9.87)**	**(12.90)**	**(4.15)**	**(15.38)**	**(15.85)**	**(18.15)**	**(10.28)**	**(40.24)**	**(10.76)**	**(28.90)**	**(16.78)**	**(18.21)**			
3	Bank of India	1342	1677	1768	1873	2048	2357	3053	3522	3977	4496	5407	10164	12970	13704.00	**4882.714**	**4084.319**	**83.648**
			(24.96)	**(5.43)**	**(5.94)**	**(9.34)**	**(15.09)**	**(29.53)**	**(15.36)**	**(12.92)**	**(13.05)**	**(20.26)**	**(87.98)**	**(27.61)**	(5.66)			
4	Canara Bank	1564	1725	1835	2018	2237	2894	3739	4842	5699	6722	9944	10190	11798	14261.00	**5676.285**	**4101.695**	**72.260**
			(10.29)	**(6.38)**	**(9.97)**	**(10.85)**	**(29.37)**	**(29.20)**	**(29.50)**	**(17.70)**	**(17.95)**	**(47.93)**	**(2.47)**	**(15.78)**	**(20.88)**			
5	Dena Bank	296	339	490	620	574	770	792	848	817	1052	1209	1514	1883	2315.00	**965.642**	**565.321**	**58.543**
			(14.53)	**(44.54)**	**(26.53)**	**(-7.42)**	**(34.15)**	**(2.86)**	**(7.07)**	**(-3.66)**	**(28.76)**	**(14.92)**	**(25.23)**	**(24.37)**	**(22.94)**			
6	Indian Bank	404	399	395	390	386	381	556	964	2364	1747	3411	4781	6706	7442.00	**2166.142**	**2389.857**	**110.327**
			(-1.24)	**(-1.00)**	**(-1.27)**	**(-1.03)**	**(-1.30)**	**(45.93)**	**(73.38)**	**(145.23)**	**(-26.10)**	**(95.25)**	**(40.16)**	**(40.26)**	**(10.98)**			
7	Indian Overseas Bank	236	337	385	416	488	688	1015	1536	2030	2632	3445	4322	6606	6979.00	**2222.500**	**2226.146**	**100.164**
			(42.80)	**(14.24)**	**(8.05)**	**(17.31)**	**(40.98)**	**(47.53)**	**(51.33)**	**(32.16)**	**(29.66)**	**(30.89)**	**(25.46)**	**(52.85)**	**(5.65)**			
8	Punjab National Bank	992	1442	1718	2060	2457	3004	3768	4747	7846	9061	10120	12003	14339	17408.00	**6497.500**	**5139.478**	**79.099**
			(45.36)	**(19.14)**	**(19.91)**	**(19.27)**	**(22.26)**	**(25.43)**	**(25.98)**	**(65.28)**	**(15.49)**	**(11.69)**	**(18.61)**	**(19.46)**	**(21.40)**			
9	Syndicate Bank	201	222	351	576	747	938	1108	1433	1727	2312	3105	3769	4488	5105.00	**1863.000**	**1582.275**	**84.931**
			(10.45)	**(58.11)**	**(64.10)**	**(29.69)**	**(25.57)**	**(18.12)**	**(29.33)**	**(20.52)**	**(33.87)**	**(34.30)**	**(21.38)**	**(19.08)**	**(13.75)**			
10	Union Bank of India	1057	1239	1345	1409	1511	1769	2106	2627	3154	4053	4685	6843	8235	9918.00	**3567.928**	**2755.595**	**77.232**
			(17.22)	**(8.56)**	**(4.76)**	**(7.24)**	**(17.07)**	**(19.05)**	**(24.74)**	**(20.06)**	**(28.50)**	**(15.59)**	**(46.06)**	**(20.34)**	**(20.44)**			
11	UCO Bank	403	394	370	388	240	330	606	984	1270	1664	1863	2127	3158	3511.00	**1236.285**	**1048.339**	**84.797**
			(-2.23)	**(-6.09)**	**(4.86)**	**(-38.14)**	**(37.50)**	**(83.64)**	**(62.38)**	**(29.07)**	**(31.02)**	**(11.96)**	**(14.17)**	**(48.47)**	**(11.18)**			
	Avg.	**782.27**	**968.09**	**1078.45**	**1212.09**	**1311.00**	**1581.64**	**1969.09**	**2504.00**	**3290.73**	**4037.27**	**5045.73**	**6471.91**	**8005.27**	**9245**			
	S.D.	**545.37**	**710.79**	**763.22**	**847.32**	**942.47**	**1119.57**	**1357.69**	**1600.65**	**2089.42**	**2521.85**	**2944.51**	**3528.06**	**4077.58**	**4837**			
	C.V.	**69.72**	**73.42**	**70.77**	**69.91**	**71.89**	**70.79**	**68.95**	**63.92**	**63.49**	**62.46**	**58.36**	**54.51**	**50.94**	**52**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 8 **Total Amount of Investment of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt. Rs. in Crore)			
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	5268	6453	7161	8229	8719	10854	12372	15555	18988	17985	18746	23400	29651	38429.00	**15843.571**	**9265.636**	**58.482**
			(22.49)	**(10.97)**	**(14.91)**	**(5.95)**	**(24.49)**	**(13.99)**	**(25.73)**	**(22.07)**	**(-5.28)**	**(4.23)**	**(24.83)**	**(26.71)**	**29.60**			
2	**Bank of Baroda**	10927	13359	15905	18557	19857	23833	30179	38019	37074	35114	34944	43870	52446	61182.00	**31090.428**	**14461.945**	**46.515**
			(22.26)	**(19.06)**	**(16.67)**	**(7.01)**	**(20.02)**	**(26.63)**	**(25.98)**	**(-2.49)**	**(-5.29)**	**(-0.48)**	**(25.54)**	**(19.55)**	**16.66**			
3	**Bank of India**	10671	13030	15282	16666	18225	22084	24435	27163	28686	31782	35493	41803	52607	67080.00	**28929.071**	**15447.307**	**53.397**
			(22.11)	**(17.28)**	**(9.06)**	**(9.35)**	**(21.17)**	**(10.65)**	**(11.16)**	**(5.61)**	**(10.79)**	**(11.68)**	**(17.78)**	**(25.85)**	**27.51**			
4	**Canara Bank**	12280	16031	17356	20023	21445	23220	30458	35793	38054	36974	45226	49812	57777	69678.00	**33866.214**	**16466.321**	**48.621**
			(30.55)	**(8.27)**	**(15.37)**	**(7.10)**	**(8.28)**	**(31.17)**	**(17.52)**	**(6.32)**	**(-2.84)**	**(22.32)**	**(10.14)**	**(15.99)**	**20.60**			
5	**Dena Bank**	3719	4601	5647	6915	6816	7648	8500	9736	9697	8571	9235	10283	12479	15694.00	**8538.642**	**3006.229**	**35.207**
			(23.72)	**(22.73)**	**(22.45)**	**(-1.43)**	**(12.21)**	**(11.14)**	**(14.54)**	**(-0.40)**	**(-11.61)**	**(7.75)**	**(11.35)**	**(21.36)**	**25.76**			
6	**Indian Bank**	5358	6991	7728	8547	10000	12408	14839	16696	17921	19017	20878	21915	22801	28268.00	**15240.500**	**6704.894**	**43.993**
			(30.48)	**(10.54)**	**(10.60)**	**(17.00)**	**(24.08)**	**(19.59)**	**(12.51)**	**(7.34)**	**(6.12)**	**(9.79)**	**(4.97)**	**(4.04)**	**23.98**			
7	**Indian Overseas Bank**	6593	7382	8316	10250	11771	15069	18603	20172	19015	18952	23974	28475	31215	37650.00	**18388.357**	**9083.636**	**49.398**
			(11.97)	**(12.65)**	**(23.26)**	**(14.84)**	**(28.02)**	**(23.45)**	**(8.43)**	**(-5.74)**	**(-0.33)**	**(26.50)**	**(18.77)**	**(9.62)**	**20.62**			
8	**Punjab National Bank**	13977	15908	18573	22099	25128	28207	34030	42125	50673	41055	45190	53992	63385	77724.00	**38004.714**	**18302.129**	**48.157**
			(13.82)	**(16.75)**	**(18.98)**	**(13.71)**	**(12.25)**	**(20.64)**	**(23.79)**	**(20.29)**	**(-18.98)**	**(10.07)**	**(19.48)**	**(17.40)**	**22.62**			
9	**Syndicate Bank**	7453	7660	7926	9831	10550	11911	13823	17917	20371	17269	25234	28076	30537	33010.00	**17254.857**	**8582.045**	**49.737**
			(2.78)	**(3.47)**	**(24.03)**	**(7.31)**	**(12.90)**	**(16.05)**	**(29.62)**	**(13.70)**	**(-15.23)**	**(46.12)**	**(11.26)**	**(8.77)**	**8.10**			
10	**Union Bank of India**	7758	9205	12140	11479	13672	15410	19371	22442	22793	25918	27982	33823	42997	54403.00	**22813.785**	**13003.989**	**57.000**
			(18.65)	**(31.88)**	**(-5.44)**	**(19.10)**	**(12.71)**	**(25.70)**	**(15.85)**	**(1.56)**	**(13.71)**	**(7.96)**	**(20.87)**	**(27.12)**	**26.53**			
11	**UCO Bank**	6465	7504	8739	9934	10482	12302	14138	17611	19064	19636	19525	24250	29385	43521.00	**17325.428**	**9702.239**	**56.000**
			(16.07)	**(16.46)**	**(13.67)**	**(5.52)**	**(17.36)**	**(14.92)**	**(24.57)**	**(8.25)**	**(3.00)**	**(-0.57)**	**(24.20)**	**(21.18)**	**(48.11)**			
	Avg.	**8224.4**	**9829.45**	**11343.00**	**12957.27**	**14242.27**	**16631.45**	**20068.0**	**23929.91**	**25666.91**	**24752.09**	**27857**	**32699.91**	**38661.82**	**47876**			
	S.D.	**3113.8**	**3830.47**	**4431.43**	**5093.24**	**5685.90**	**6294.83**	**8098.14**	**9986.83**	**11288.68**	**9674.86**	**10789**	**12688.67**	**15391.02**	**18607**			
	C.V.	**37.86**	**38.97**	**39.07**	**39.31**	**39.92**	**37.85**	**40.35**	**41.73**	**43.98**	**39.09**	**38.73**	**38.80**	**39.81**	**39**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 9 Total Income of Selected Banks from 1996-97 to 2009-10

(Amt. in Rs. Crore)

Sr. No.	Name of Banks	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	**Allahabad Bank**	1459	1625	1804	2103	2310	2658	3095	3418	3825	4374	5260	7136	8507	9913.00	**4106.214**	**2577.989**	**62.782**
			(11.38)	**(11.02)**	**(16.57)**	**(9.84)**	**(15.06)**	**(16.44)**	**(10.44)**	**(11.91)**	**(14.35)**	**(20.26)**	**(35.67)**	**(19.21)**	**(16.53)**			
2	**Bank of Baroda**	4220	4714	5400	5862	6464	6949	7359	7866	7745	8292	10386	13865	17849	19505.00	**9034.000**	**4589.982**	**50.807**
			(11.71)	**(14.55)**	**(8.56)**	**(10.27)**	**(7.50)**	**(5.90)**	**(6.89)**	**(-1.54)**	**(7.06)**	**(25.25)**	**(33.50)**	**(28.73)**	**(9.28)**			
3	**Bank of India**	4004	4516	5164	5523	6179	6712	7571	7588	7187	8213	10499	14472	19399	20495.00	**9108.714**	**5108.147**	**56.079**
			(12.79)	**(14.35)**	**(6.95)**	**(11.88)**	**(8.63)**	**(12.80)**	**(0.22)**	**(-5.28)**	**(14.28)**	**(27.83)**	**(37.84)**	**(34.05)**	**(5.65)**			
4	**Canara Bank**	3869	4431	5319	5687	6536	7799	8170	9080	9116	10089	12816	16414	19430	21610.00	**10026.142**	**5370.034**	**53.560**
			(14.53)	**(20.04)**	**(6.92)**	**(14.93)**	**(19.32)**	**(4.76)**	**(11.14)**	**(0.40)**	**(10.67)**	**(27.03)**	**(28.07)**	**(18.37)**	**(11.22)**			
5	**Dena Bank**	1125	1401	1646	1799	1915	2061	2209	2353	2036	2219	2510	3154	3878	4599.00	**2350.357**	**913.143**	**38.851**
			(24.53)	**(17.49)**	**(9.30)**	**(6.45)**	**(7.62)**	**(7.18)**	**(6.52)**	**(-13.47)**	**(8.99)**	**(13.11)**	**(25.66)**	**(22.95)**	**(18.59)**			
6	**Indian Bank**	1780	1662	1824	2174	2416	2796	3057	3414	3439	3896	5018	6219	7866	9031.00	**3899.428**	**2236.967**	**57.366**
			(-6.63)	**(9.75)**	**(19.19)**	**(11.13)**	**(15.73)**	**(9.33)**	**(11.68)**	**(0.73)**	**(13.29)**	**(28.80)**	**(23.93)**	**(26.48)**	**(14.81)**			
7	**Indian Overseas Bank**	2051	2191	2550	2771	3096	3701	4006	4495	4751	5134	6219	8776	11237	11389.00	**5169.071**	**3038.527**	**58.782**
			(6.83)	**(16.39)**	**(8.67)**	**(11.73)**	**(19.54)**	**(8.24)**	**(12.21)**	**(5.70)**	**(8.06)**	**(21.13)**	**(41.12)**	**(28.04)**	**(1.35)**			
8	**Punjab National Bank**	4123	4629	4993	5882	6642	7626	8735	9647	10136	10815	12967	16263	22246	25032.00	**10695.428**	**6221.606**	**58.170**
			(12.27)	**(7.86)**	**(17.80)**	**(12.92)**	**(14.81)**	**(14.54)**	**(10.44)**	**(5.07)**	**(6.70)**	**(19.90)**	**(25.42)**	**(36.79)**	**(12.52)**			
9	**Syndicate Bank**	1755	1913	2341	2744	3074	3158	3370	3861	4348	4642	6659	8796	10440	11215.00	**4879.714**	**3035.604**	**62.208**
			(9.00)	**(22.37)**	**(17.21)**	**(12.03)**	**(2.73)**	**(6.71)**	**(14.57)**	**(12.61)**	**(6.76)**	**(43.45)**	**(32.09)**	**(18.69)**	**(7.42)**			
10	**Union Bank of India**	2501	2712	3132	3614	4045	4515	5131	5348	5736	6489	8069	10534	13372	15277.00	**6462.500**	**3842.813**	**59.463**
			(8.44)	**(15.49)**	**(15.39)**	**(11.93)**	**(11.62)**	**(13.64)**	**(4.23)**	**(7.26)**	**(13.13)**	**(24.35)**	**(30.55)**	**(26.94)**	**(14.25)**			
11	**UCO Bank**	1430	1646	1880	2226	2572	3125	3402	3722	4064	4818	5760	7281	9141	10492.00	**4397.071**	**2724.646**	**61.965**
			(15.10)	**(14.22)**	**(18.40)**	**(15.54)**	**(21.50)**	**(8.86)**	**(9.41)**	**(9.19)**	**(18.55)**	**(19.55)**	**(26.41)**	**(25.55)**	**(14.78)**			
	Avg.	**2574.27**	**2858.18**	**3277.55**	**3671.36**	**4113.55**	**4645.45**	**5100.45**	**5526.55**	**5671.18**	**6271.00**	**7832.90**	**10264.43**	**13033.22**	**14414**			
	S.D.	**1170.17**	**1338.46**	**1522.58**	**1627.82**	**1846.80**	**2086.51**	**2285.78**	**2438.97**	**2434.42**	**2608.45**	**3247.64**	**4205.14**	**5606.34**	**6094**			
	C.V.	**45.46**	**46.83**	**46.45**	**44.34**	**44.90**	**44.92**	**44.82**	**44.13**	**42.93**	**41.60**	**41.46**	**40.97**	**43.02**	**42**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 10 **Total Expenditure of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt. in Rs. Crore)			
		1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	**Allahabad Bank**	1395	1496	1669	2033	2270	2578	2929	2955	2892	3226	4160	5656	6605	7340.00	**3371.7143**	**1824.8804**	**54.1232**
			(7.24)	**(11.56)**	**(21.81)**	**(11.66)**	**(13.57)**	**(13.62)**	**(0.89)**	**(-2.13)**	**(11.55)**	**(28.95)**	**(35.96)**	**(16.78)**	**(11.13)**			
2	**Bank of Baroda**	3944	4253	4978	5359	6189	6403	6586	6899	5432	6260	7971	10936	13544	14569.00	**7380.2143**	**3189.1917**	**43.2127**
			(7.83)	**(17.05)**	**(7.65)**	**(15.49)**	**(3.46)**	**(2.86)**	**(4.75)**	**(-21.26)**	**(15.24)**	**(27.33)**	**(37.20)**	**(23.85)**	**(7.57)**			
3	**Bank of India**	3644	4151	4621	5474	5927	6203	6720	6580	5727	6512	8104	10771	13942	15790.00	**7440.4286**	**3478.9870**	**46.7579**
			(13.91)	**(11.32)**	**(18.46)**	**(8.28)**	**(4.66)**	**(8.33)**	**(-2.08)**	**(-12.96)**	**(13.71)**	**(24.45)**	**(32.91)**	**(29.44)**	**(13.25)**			
4	**Canara Bank**	3721	4228	5094	5451	6251	7058	7151	7742	6531	7477	9903	13454	15467	16550.00	**8291.2857**	**3925.0435**	**47.3394**
			(13.63)	**(20.48)**	**(7.01)**	**(14.68)**	**(12.91)**	**(1.32)**	**(8.26)**	**(-15.64)**	**(14.48)**	**(32.45)**	**(35.86)**	**(14.96)**	**(7.00)**			
5	**Dena Bank**	1052	1296	1535	1736	2182	2050	2095	2122	1655	1598	1875	2468	3151	3758.00	**2040.9286**	**689.0451**	**33.7614**
			(23.19)	**(18.44)**	**(13.09)**	**(25.69)**	**(-6.05)**	**(2.20)**	**(1.29)**	**(-22.01)**	**(-3.44)**	**(17.33)**	**(31.63)**	**(27.67)**	**(19.26)**			
6	**Indian Bank**	2169	1963	2602	2601	2690	2763	2868	3009	2481	2934	3659	4559	5637	6283.00	**3301.2857**	**1249.3662**	**37.8448**
			(-9.50)	**(32.55)**	**(-0.04)**	**(3.42)**	**(2.71)**	**(3.80)**	**(4.92)**	**(-17.55)**	**(18.26)**	**(24.71)**	**(24.60)**	**23.65**	**(11.46)**			
7	**Indian Overseas Bank**	1947	2078	2495	2730	2980	3471	3590	3982	3255	3601	4659	6774	8714	9544.00	**4272.8571**	**2299.6038**	**53.8189**
			(6.73)	**(20.07)**	**(9.42)**	**(9.16)**	**(16.48)**	**(3.43)**	**(10.92)**	**(-18.26)**	**(10.63)**	**(29.38)**	**(45.40)**	**(28.64)**	**(9.52)**			
8	**Punjab National Bank**	3885	4151	4621	5474	6178	7063	7893	8538	7731	7940	9349	12256	16502	17706.00	**8520.5000**	**4112.2790**	**48.2634**
			(6.85)	**(11.32)**	**(18.46)**	**(12.86)**	**(14.33)**	**(11.75)**	**(8.17)**	**(-9.45)**	**(2.70)**	**(17.75)**	**(31.09)**	**(34.64)**	**(7.30)**			
9	**Syndicate Bank**	1688	1831	2198	2528	2839	2908	3026	3427	3328	3605	5276	7328	8694	9341.00	**4144.0714**	**2432.8404**	**58.7065**
			(8.47)	**(20.04)**	**(15.01)**	**(12.30)**	**(2.43)**	**(4.06)**	**(13.25)**	**(-2.89)**	**(8.32)**	**(46.35)**	**(38.89)**	**(18.64)**	**(7.44)**			
10	**Union Bank of India**	2285	2462	2971	3513	3889	4201	4578	4636	4162	4891	6068	7954	10290	11618.00	**5251.2857**	**2722.9559**	**51.8531**
			(7.75)	**(20.67)**	**(18.24)**	**(10.70)**	**(8.02)**	**(8.97)**	**(1.27)**	**(-10.22)**	**(17.52)**	**(24.06)**	**(31.08)**	**(29.37)**	**(12.91)**			
11	**UCO Bank**	1606	1743	1948	2190	2539	2960	3194	3286	3225	3966	4816	6327	7940	8787.00	**3894.7857**	**2198.2817**	**56.4417**
			(8.53)	**(11.76)**	**(12.42)**	**(15.94)**	**(16.58)**	**(7.91)**	**(2.88)**	**(-1.86)**	**(22.98)**	**(21.43)**	**(31.37)**	**(25.49)**	**(10.67)**			
	Avg.	**2485.09**	**2695.64**	**3157.45**	**3553.55**	**3994.00**	**4332.55**	**4602.73**	**4834.18**	**4219.91**	**4728.18**	**5985.48**	**8043.98**	**10044.09**	**11026.00**			
	S.D.	**1035.92**	**1159.86**	**1300.95**	**1476.71**	**1661.18**	**1862.99**	**2006.25**	**2120.42**	**1831.81**	**1983.21**	**2463.88**	**3325.14**	**4151.91**	**4366.10**			
	C.V.	**41.69**	**43.03**	**41.20**	**41.56**	**41.59**	**43.00**	**43.59**	**43.86**	**43.41**	**41.94**	**41.16**	**41.34**	**41.34**	**39.60**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table 11 **Total Amount of Share Holders Fund of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt. Rs. in crore)			
		1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	Allahabad Bank	624	752	849	890	918	981	1171	1552	2328	3639	4477	5247	5852	6753.00	**2573.785**	**2094.157**	**81.364**
			(20.51)	**(12.90)**	**(4.83)**	**(3.15)**	**(6.86)**	**(19.37)**	**(32.54)**	**(50.00)**	**(56.31)**	**(23.03)**	**(17.20)**	**(11.53)**	**(15.40)**			
2	Bank of Baroda	1987	2663	2898	3234	3356	3827	4387	5131	5628	7845	8650	11044	12836	15105.00	**6327.928**	**3997.461**	**63.171**
			(34.02)	**(8.82)**	**(11.59)**	**(3.77)**	**(14.03)**	**(14.63)**	**(16.96)**	**(9.69)**	**(39.39)**	**(10.26)**	**(27.68)**	**(16.23)**	**(17.68)**			
3	Bank of India	1939	2315	2406	2511	2686	2845	3541	4010	4465	4984	5895	10689	13495	14229.00	**5429.285**	**4060.453**	**74.788**
			(19.39)	**(3.93)**	**(4.36)**	**(6.97)**	**(5.92)**	**(24.46)**	**(13.24)**	**(11.35)**	**(11.62)**	**(18.28)**	**(81.32)**	**(26.25)**	**(5.44)**			
4	Canara Bank	2049	2303	2413	2596	2815	3472	4149	5252	6109	7132	10354	10600	12208	14671.00	**6151.642**	**4044.987**	**65.754**
			(12.40)	**(4.78)**	**(7.58)**	**(8.44)**	**(23.34)**	**(19.50)**	**(26.58)**	**(16.32)**	**(16.75)**	**(45.18)**	**(2.38)**	**(15.17)**	**(20.18)**			
5	Dena Bank	503	546	697	827	781	977	999	1055	1104	1339	1496	1801	2170	2602.00	**1206.928**	**596.152**	**49.394**
			(8.55)	**(27.66)**	**(18.65)**	**(-5.56)**	**(25.10)**	**(2.25)**	**(5.61)**	**(4.64)**	**(21.29)**	**(11.73)**	**(20.39)**	**(20.49)**	**(19.91)**			
6	Indian Bank	1058	2803	2899	2894	2890	4185	5130	5538	6938	2491	3841	5211	7136	8272.00	**4377.571**	**1998.600**	**45.655**
			(164.93)	**(3.42)**	**(-0.17)**	**(-0.14)**	**(44.81)**	**(22.58)**	**(7.95)**	**(25.28)**	**(-64.10)**	**(54.20)**	**(35.67)**	**(36.94)**	**(15.92)**			
7	Indian Overseas Bank	570	671	719	750	933	1133	1460	2081	2575	3177	3990	4867	7151	7524.00	**2685.785**	**2292.251**	**85.347**
			(17.72)	**(7.15)**	**(4.31)**	**(24.40)**	**(21.44)**	**(28.86)**	**(42.53)**	**(23.74)**	**(23.38)**	**(25.59)**	**(21.98)**	**(46.93)**	**(5.22)**			
8	Punjab National Bank	1343	1654	1930	2272	2669	3216	4033	5012	8161	9376	10435	12318	14654	17722.00	**6771.071**	**5171.050**	**76.369**
			(23.16)	**(16.69)**	**(17.72)**	**(17.47)**	**(20.49)**	**(25.40)**	**(24.27)**	**(62.83)**	**(14.89)**	**(11.29)**	**(18.05)**	**(18.96)**	**(20.94)**			
9	Syndicate Bank	1491	1512	698	1048	1219	1410	1580	1905	2199	2834	3627	4291	5010	5627.00	**2460.785**	**1514.593**	**61.549**
			(1.41)	**(-53.84)**	**(50.14)**	**(16.32)**	**(15.67)**	**(12.06)**	**(20.57)**	**(15.43)**	**(28.88)**	**(27.98)**	**(18.31)**	**(16.76)**	**(12.32)**			
10	Union Bank of India	1395	1577	1683	1747	1849	2107	2566	3087	3614	4558	5190	7348	8740	10423.00	**3991.714**	**2815.883**	**70.543**
			(13.05)	**(6.72)**	**(3.80)**	**(5.84)**	**(13.95)**	**(21.78)**	**(20.30)**	**(17.07)**	**(26.12)**	**(13.87)**	**(41.58)**	**(18.94)**	**(19.26)**			
11	UCO Bank	2118	2459	2635	2653	2505	2595	1205	1783	2069	2463	2662	2926	3957	4060.00	**2577.857**	**719.912**	**27.926**
			(16.10)	**(7.16)**	**(0.68)**	**(-5.58)**	**(3.59)**	**(-53.56)**	**(47.97)**	**(16.04)**	**(19.04)**	**(8.08)**	**(9.92)**	**(35.24)**	**(2.60)**			
	Avg.	**1370**	**1750**	**1802**	**1947**	**2056**	**2432**	**2747**	**3310**	**4108**	**4531**	**5511**	**6940**	**8474**	**9726**			
	S.D	**587**	**785**	**873**	**882**	**898**	**1127**	**1464**	**1637**	**2205**	**2441**	**2888**	**3478**	**4034**	**4801**			
	C.V	**43**	**45**	**48**	**45**	**44**	**46**	**53**	**49**	**54**	**54**	**52**	**50**	**48**	**49.361**			

(Figures in bracket indicate annual growth rate in percentage) **(Source: IBA Bulletin Various Issues)**

Table12 **Credit Deposit Ratio of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years (Amt in Percentage)																
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	39.7	38.01	41.62	43.87	47.66	46.25	49.26	48.74	51.89	60.1	69.34	69.42	69.20	67.52	**53.0414**	**11.2826**	**21.2713**
2	**Bank of Baroda**	47.15	46.99	44.22	47.57	50.71	54.47	53.2	48.79	53.36	63.97	66.94	70.18	74.84	72.62	**56.786**	**10.2582**	**18.0646**
3	**Bank of India**	57.35	55.98	54.75	55.89	62.39	64.72	67.11	64.03	70.45	69.38	71.18	75.64	75.33	73.33	**65.537**	**7.13421**	**10.8856**
4	**Canara Bank**	39.66	40.33	40.97	49.05	47.12	51.74	56.14	56.1	62.42	68	69.18	69.6	73.96	72.16	**56.887**	**11.95330**	**21.0120**
5	**Dena Bank**	45.34	50.89	54.22	53.57	48.05	48.99	51.15	51.29	54.12	60.24	66.1	67.83	67.08	69.08	**56.282**	**7.85165**	**13.9505**
6	**Indian Bank**	43.99	43.82	41.1	40.86	41.6	44.01	43.86	44.85	52.8	55.1	61.71	65.26	70.91	70.44	**51.450**	**10.8137**	**21.0177**
7	**Indian Overseas Bank**	39.66	39.6	41.3	47.59	47.77	47.67	47.54	48.92	56.97	68.78	66.46	71.66	70.21	72.91	**54.788**	**12.1532**	**22.1821**
8	**Punjab National Bank**	41.19	41.73	43.06	47.54	49.96	53.6	53.06	53.72	58.56	62.35	69.07	71.79	73.75	74.84	**56.73**	**11.4880**	**20.25032**
9	**Syndicate Bank**	36.64	39.48	44.78	51.6	52.27	52.14	53.18	48.48	57.74	68	65.71	67.3	70.36	77.25	**56.066**	**11.6894**	**20.84923**
10	**Union Bank of India**	41.61	40.56	35.54	48.24	50.18	53.74	57.02	58.2	64.86	72.04	73.24	71.59	67.70	70.17	**57.477**	**12.3990**	**21.5718**
11	**UCO Bank**	31.58	39.79	38.29	41.56	46.83	47.69	50.8	52.56	55.9	68.53	72.45	68.93	68.65	67.40	**53.64**	**13.0386**	**24.3076**
	Avg.	**42.17**	**43.38**	**43.62**	**47.94**	**49.50**	**51.37**	**52.94**	**52.33**	**58.10**	**65.14**	**68.31**	**69.93**	**71.09**	**72**			
	S.D.	**6.26**	**5.39**	**5.68**	**4.45**	**4.86**	**5.33**	**5.73**	**5.19**	**5.46**	**4.92**	**3.20**	**2.64**	**2.79**	**3**			
	C.V.	**14.85**	**12.43**	**13.02**	**9.27**	**9.81**	**10.38**	**10.82**	**9.92**	**9.40**	**7.55**	**4.68**	**3.77**	**3.93**	**4**			

(Source: IBA Bulletin Various Issues)

Table 13 **Return on Assets of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
		Years (Amt in Percentage)																
1	Allahabad Bank	0.51	0.85	0.77	0.35	0.18	0.32	0.59	1.34	1.2	1.42	1.26	1.32	0.9	1.16	**0.87**	**0.41**	**47.02**
2	Bank of Baroda	0.73	1	0.81	0.85	0.43	0.77	1.05	1.2	0.75	0.79	0.72	0.89	1.09	1.21	**0.88**	**0.21**	**23.43**
3	Bank of India	1.01	0.79	0.4	0.31	0.42	0.77	1.16	1.25	0.38	0.68	0.88	1.25	1.49	0.70	**0.82**	**0.36**	**43.71**
4	Canara Bank	0.44	0.47	0.47	0.43	0.43	1.03	1.24	1.34	1.01	1.01	0.98	0.92	1.06	1.30	**0.87**	**0.33**	**38.40**
5	Dena Bank	0.81	0.86	0.75	0.38	-1.49	0.06	0.6	1.11	0.26	0.29	0.71	1.06	1.02	1.01	**0.53**	**0.64**	**121.44**
6	Indian Bank	-2.27	-1.86	-4.40	-2.37	-1.03	0.11	0.65	1.21	1.08	1.16	1.46	1.64	1.62	1.67	**-0.10**	**1.87**	**-1972.69**
7	Indian Overseas Bank	0.58	0.53	0.23	0.15	0.38	0.65	1.01	1.08	1.28	1.32	1.36	1.3	1.17	0.53	**0.83**	**0.42**	**50.67**
8	Punjab National Bank	0.71	1.2	0.8	0.75	0.73	0.77	0.98	1.08	1.12	1.09	1.03	1.15	1.39	1.44	**1.02**	**0.23**	**22.71**
9	Syndicate Bank	0.43	0.45	0.71	0.89	0.83	0.79	1.31	1.67	0.82	0.91	0.91	0.88	0.81	0.62	**0.86**	**0.31**	**35.57**
10	Union Bank of India	1.01	0.97	0.51	0.29	0.4	0.71	1.08	1.22	1.1	0.84	0.92	1.26	1.27	1.25	**0.92**	**0.32**	**34.40**
11	UCO Bank	-1.46	-0.57	-0.36	0.18	0.12	0.52	0.66	1.13	0.73	0.34	0.47	0.52	0.59	0.87	**0.27**	**0.65**	**242.21**
	Avg.	**0**	**0**	**0**	**0**	**0**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**	**1**			
	S.D.	**1**	**1**	**1**	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**			
	C.V.	**448**	**199**	**2310**	**423**	**541**	**49**	**27**	**13**	**36**	**39**	**29**	**26**	**26**	**32**			

(Source: IBA Bulletin Various Issues)

Table 14 **Gross Profit/ Loss as a % to Total Assets of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years													(Amt in Percentage)			
		1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Avg.	S.D	C.V
1	**Allahabad Bank**	1.4	1.56	1.34	1.45	1.21	1.65	1.84	2.52	2.38	1.85	1.63	1.78	1.95	2.11	**1.76**	**0.36926**	**20.9556**
2	**Bank of Baroda**	2.06	1.76	1.81	1.79	1.64	1.85	2.25	2.92	2.43	1.79	1.69	1.69	1.89	1.77	**1.95**	**0.34408**	**17.6193**
3	**Bank of India**	1.53	1.5	1.31	1.22	1.3	2.02	2.65	2.64	1.54	1.52	1.69	2.07	2.42	1.71	**1.79**	**0.46972**	**26.1787**
4	**Canara Bank**	1.83	1.56	1.99	1.7	1.7	2.29	2.43	2.88	2.34	1.97	1.75	1.64	1.80	1.91	**1.99**	**0.35852**	**18.0616**
5	**Dena Bank**	2	2.23	1.46	1.3	0.38	1.78	2.45	3.21	1.86	2.34	5.96	1.78	1.50	1.46	**2.12**	**1.23554**	**58.2213**
6	**Indian Bank**	-0.81	-1.08	-0.76	0.1	0.23	1.01	1.67	2.05	2.18	1.88	2.47	2.35	2.65	2.71	**1.19**	**1.33496**	**112.2489**
7	**Indian Overseas Bank**	0.72	0.72	0.58	0.68	1.01	1.74	1.93	2.8	2.63	2.58	1.89	1.97	2.08	1.41	**1.62**	**0.74893**	**46.1088**
8	**Punjab National Bank**	1.77	2.01	1.77	1.52	1.49	2.02	2.69	3.05	2.14	1.98	1.99	2.01	2.33	2.47	**2.09**	**0.41538**	**19.8882**
9	**Syndicate Bank**	0.56	0.7	0.85	1.03	1.05	1.12	1.8	2.16	1.91	1.7	1.55	1.37	1.34	1.35	**1.32**	**0.45238**	**34.2528**
10	**Union Bank of India**	1.52	1.36	0.99	1.12	1.31	1.96	2.55	2.54	2.17	1.79	1.44	2.07	1.91	1.87	**1.76**	**0.47034**	**26.7673**
11	**UCO Bank**	-0.45	0.08	0.18	0.75	0.78	1.52	1.79	1.82	1.5	1.38	1.26	1.06	1.08	1.24			
	Avg.	**1.10**	**1.13**	**1.05**	**1.15**	**1.10**	**1.72**	**2.19**	**2.60**	**2.10**	**1.89**	**2.12**	**1.80**	**1.90**	**2**			
	S.D.	**0.94**	**0.92**	**0.77**	**0.47**	**0.46**	**0.37**	**0.37**	**0.42**	**0.34**	**0.32**	**1.25**	**0.34**	**0.45**	**0**			
	C.V.	**84.94**	**81.48**	**73.95**	**41.13**	**41.46**	**21.37**	**16.85**	**16.04**	**16.42**	**17.10**	**59.00**	**19.05**	**23.54**	**24**			

(Source: IBA Bulletin Various Issues)

Table 15 **Net profit/ Loss As a % to Total Assets of Selected Banks from 1996-97 to 2009-10**

Sr. No.	Name of Banks	Years (Amt in Percentage)																
		1996-97	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**Avg.**	**S.D**	**C.V**
1	**Allahabad Bank**	0.49	0.85	0.77	0.35	0.18	0.32	0.59	1.34	1.2	1.28	1.11	1.98	0.79	1.01	**0.88**	**0.4702**	**53.6942**
2	**Bank of Baroda**	0.73	1.01	0.81	0.86	0.43	0.77	1.01	1.14	0.71	0.73	0.72	0.8	0.98	1.10	**0.84**	**0.1824**	**21.6525**
3	**Bank of India**	0.95	0.79	0.37	0.31	0.42	0.73	1.12	1.19	0.36	0.62	0.79	1.12	1.33	0.63	**0.77**	**0.3244**	**42.3351**
4	**Canara Bank**	0.41	0.47	0.47	0.43	0.43	1.03	1.24	1.35	1.01	1.01	0.86	0.87	0.94	1.14	**0.83**	**0.3172**	**38.0974**
5	**Dena Bank**	0.75	0.86	0.74	0.37	-1.49	0.06	0.57	1.04	0.25	0.27	0.64	0.93	0.87	0.89	**0.48**	**0.6165**	**127.8693**
6	**Indian Bank**	-2.28	-1.55	-3.63	-1.81	-1.03	0.11	0.53	1.04	0.93	1.06	1.35	1.43	1.48	1.53	**-0.06**	**1.6218**	**-2703.106**
7	**Indian Overseas Bank**	0.58	0.53	0.23	0.15	0.38	0.65	1.01	1.08	1.28	1.32	1.22	1.18	1.10	5.39	**1.15**	**1.2379**	**107.6466**
8	**Punjab National Bank**	0.68	1.2	0.8	0.75	0.73	0.77	0.98	1.08	1.12	0.99	0.95	1.03	1.25	1.32	**0.98**	**0.1984**	**20.3574**
9	**Syndicate Bank**	0.38	0.42	0.65	0.79	0.83	0.79	1	0.92	0.77	0.88	0.8	0.79	0.70	0.58	**0.74**	**0.1704**	**23.1679**
10	**Union Bank of India**	0.96	0.97	0.51	0.29	0.4	0.71	1.08	1.22	0.99	0.76	0.82	1.12	1.07	1.06	**0.85**	**0.2753**	**32.2300**
11	**UCO Bank**	-1.08	-0.52	0.33	0.16	0.12	0.52	0.59	0.99	0.63	0.32	0.42	0.46	0.50	0.73	**0.30**	**0.5079**	**170.540**
	Avg.	**0.23**	**0.46**	**0.19**	**0.24**	**0.13**	**0.59**	**0.88**	**1.13**	**0.84**	**0.84**	**0.88**	**1.06**	**1.00**	**1**			
	S.D.	**0.96**	**0.77**	**1.22**	**0.69**	**0.69**	**0.29**	**0.25**	**0.13**	**0.32**	**0.33**	**0.25**	**0.38**	**0.27**	**1**			
	C.V.	**408.82**	**168.60**	**655.86**	**286.40**	**541.36**	**49.38**	**27.97**	**11.64**	**37.70**	**39.12**	**28.82**	**35.36**	**27.33**	**92**			

(Source: IBA Bulletin Various Issues)

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