CHAPTER-6
FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter presents the main findings from the study. Recommendations are also given based on the findings of the study for better functioning of the selected bank.

The findings in this chapter are organised in the following sections;

(i) Lending and Recovery Operations

(ii) Non-Performing Assets

(iii) Financial Performance

(iv) Borrowers Perceptions on the bank

6.1 Performance of PKGB on Lending and Recovery Operations

1. It was observed that PKGB has invested its total funds under cash and bank balance, investment in shares of cooperative banks, loan and advances, fixed assets and other assets. Out of the mentioned categories above, more attention was paid to the categories that gives scope for the banks for income. It was found that the cash in hand and bank balance increased from Rs. 8223.081 lakhs in 2012-13 to Rs. 482.838 lakhs in 2013-14. In the following year, it further increased to Rs. 6599.061 lakhs in 2014-15.

2. The total investments have increased from 17262.490 lakhs in 2012-13 to Rs. 31058.803 in 2014-15. The investment in treasury bills has seen an increase to 5247.739 lakhs in 2014-15 from 1577.043 lakhs in 2012-13. The investment in Central government securities decreased to Rs. 10100.630 lakhs in 2014-15 from Rs. 11630.261 lakhs in 2012-13. The investment in the state government securities increased from 1464.204
lakhs in 2012-13 to Rs. 3629.235 lakhs in 2014-15, fixed deposits with banks were increased from Rs. 1720 lakhs to Rs. 11370 lakhs in 2014-15 and other investments decreased from Rs.870.982 lakhs to Rs. 711.199 lakhs in 2014-15.

3. There was an increase in the advances from Rs. 65003.284 lakhs in 2012-13 to Rs. 83997.411 lakhs in 2013-14. However, the advances issued declined to Rs. 68096.876 lakhs in the year 2014-15.

4. The fixed assets increased from Rs.422.408 lakhs in the year 2012-13 to Rs.555.301 lakhs in year 2014-15. The other assets grew from Rs. 3160.458 lakhs in the year 2012-13 to Rs. 4673.837 lakhs in year 2014-15.

5. The trend of disbursement of loans as seen from the study shows that there has been an overall increase of 45.64 percent over a period of three-year study period from 2012-13 to 2014-15. The total value of disbursement was Rs. 3194.39 Lakhs in 2012-13 and Rs. 5876.88 in the year 2014-15. It is interesting to observe from the study that the trend of disbursement of loans has shown an increase of 42.5% for the priority sector over a period of three years from Rs. 2770.85 Lakhs in the years 2012-13 to Rs. 4821.38 lakhs in the years 2014-15.

6. The disbursement for the non-priority sector has shown an increase in the disbursement pattern with a percentage of 59.87% from a value of Rs. 423.54 lakhs to Rs. 1055.55 lakhs over the years 2013-14 to 2014-15. The percentage of loans disbursed to the priority sector and non-priority sector were 82 % and 18% respectively during the year 2014-15.

7. The trend of disbursement of loans points that there has been an overall increase of 45.64% over a period of three years from 2012-13 to 2014-15. Further the disbursement
for the non-priority sector has shown an increase in the disbursement pattern with a percentage of 59.87% from a value of Rs. 423.54 lakhs to Rs. 1055.55 lakhs over the years 2013-14 to 2014-15.

8. The percentage of loans disbursed to the priority sector and non-priority sector were 82% and 18% respectively during the year 2014-15.

9. The findings on the outstanding loans for the agricultural sector and the non-agricultural sector shows that it has increased over a period of three years in case of both the agricultural loan category and also the non-agricultural loan category. It has increased from Rs. 4264.14 lakhs to Rs. 6438.98 lakhs and Rs. 4841.04 lakhs to Rs. 5835.96 lakhs during the years 2012-13 to 2014-15 respectively. The overall percentage increase was observed to be 34.80 percent for the total loan disbursement.

10. The extent of loanable ranged within 48.36 to 64.70 percent. However, the highest utilization of the loanable funds for actual lending was noticed in the year 2014-15 (64.70 percent). The average utility of the loanable funds for actual lending by the PKGB during the period of three years of study was arrived at 53.82 percent.

11. The investment amount drastically increased from Rs. 1726.249 lakhs in 2012-13 to Rs. 3105.88 lakhs in 2014-15. The growth percentage also showed an upward trend and it increased to 179.92 percentage in the study period.

12. Study shows that during the three years study period the highest portfolio investment of 135.22 percent in 2012-13. There was an increasing trend observed in the investment funds of PKGB to the actual investments.

13. It was observed that the credit borrowings ratio was very high than that of credit deposits ratio during the three-year study period.
14. It is observed that the overall average recovery performance of the PKGB is arrived at 62.95 per cent for the study period of three years. The recovery in the year 2014-15 was the highest and the percentage was 76.67. The recovery percentage is more than the average (62.95) in the year 2013-14 and 2014-15, however in the year 2012-13 it was the lowest with just 45.08 percent. In the year 2014-15, the quantum of disbursement was the highest i.e., Rs.5876.43 lakhs.

15. In case of priority sector, it is observed that the overall average recovery performance of the PKGB was at 54.66 per cent for the study period of three years. The recovery in the year 2014-15 was the highest and the percentage was 74.21. The recovery percentage is more than the average (54.66 percent) in the year 2013-14 and 2014-15, however in the year 2012-13 it was the lowest with just 34.33 percent. In the year 2014-15, the quantum of disbursement was the highest i.e., Rs.4821.38 lakhs.

16. In case of non-priority sector it is observed that the overall average recovery performance of the PKGB was at 76 per cent for the study period of three years. The recovery in the year 2013-14 was the highest and the percentage was 104.35. The recovery percentage is more than the average (76 percent) in the year 2013-14 and 2014-15, however in the year 2012-13 it was the lowest with just 37.86 percent. In the year 2014-15, the quantum of disbursement was the highest i.e., Rs.1055.05 lakhs.

17. In case of short term agricultural loans, it is observed that the overall average recovery performance of the PKGB was at 70.18 per cent for the study period of three years.

18. In case of medium term agricultural loans, it is observed that the recovery percentage was negative i.e. -128.89 percent in the year 2012-13 and drastically improved to a rate of 117.03 percent in the year 2013-14 again to register a decrease to 21.94 percent.
6.2 Non-performing assets of PKGB

1. The lowest percentage of gross NPA to gross advance was observed in 2013-14. The percentage of NPA and value of NPA both had increased from the base year 2012-13 to 2014-15. The present Gross NPA ratio for 2014-15 is 6.96 percent, which has decreased from 9.64 percent from the year 2012-13. The average NPA of the PKGB during the three-year study period is 7.72 percent. By increasing gross advance, the ratio is brought down even though the gross NPA is not reduced considerably.

2. It was found that the Net NPA ratio was the lowest 2.38 percent in the year 2013-14 and the highest percentage 4.97 percent of net NPA ratio was in the year 2012-13. The net NPA ratio reduced from 4.97 percent to 2.38 percent in the year 2013-14, the same may be a trend because of increased provisioning.

3. The Problem Asset ratio at PKGB was found to be minimum 3.28 percent in the year 2013-14 and highest of 4.63 percent in the year 2012-13. It clearly brings out the fact that the PKGB has given enough attention towards reducing the NPA and hence problem ratio is within the control.

4. The average depositor’s safety ratio was calculated at 72.82 percent for the three years though it is ranging between 69.71 percent and 75.19 percent.

5. Shareholders’ Risk Ratio ranged from 10.07 percent to 28.62 percent. The lowest of 10.07 percent was in 2013-14 and highest was observed in 2014-15 28.62 percent. The average ratio of net NPA to total capital and reserves for the three years arrived at is 19.25 percent. Increase in this ratio increases the shareholders’ risk, as a result shareholder will be reluctant to deal with the bank because of its weak capital structure and increased NPA position. However, these values are within the acceptable limits.
6. The provision ratio of the PKGB. The ratio increased from 57.17 percent in 2012-13 to 74.19 percent in 2013-14 before decreasing again to 39.76 percent in 2014-15. The average ratio of the provisions to gross NPA for the study period is 57.04 percent.

7. The substandard assets ratio slowly decreased from 67.21 percent in 2012-13 to 49.38 percent in 2013-14 afterwards it increased to 64.85 percent in 2014-15. The average was found to be 60.48 percent.

8. The doubtful assets ratio implies the scope for negotiation settlement to lessen NPAs. This ratio gradually increased from 26.33 percent in 2012-13 to 42.81 percent in 2013-14 before reducing to 30.36 percent in 2014-15.

9. The loss assets ratio lessened from 6.46 percent in 2012-13 to 4.80 percent in 2014-15. The average ratio arrived at is 6.35 percent during the study period.

6.3 Evaluation of Financial Performance

1. The study indicated that the volume of business done by the PKGB registered a growth during the study period of three years. The total volume of business by about 180 percent in three years and it was Rs. 13957.12 lakhs in 2012-13.

2. The ratio of total interest received to total volume of business is at an average of 6.26 percent, though it ranges from 5.82 percent to 6.39 per cent. To have a contented income for the bank, the ratio must be improved further.

3. The total interest paid increased from Rs.524.52 lakhs in 2012-13 to Rs.744.39 lakhs in 2014-15. The ratio of total interest paid to volume of business registered decrease during 2012-13 to 2013-14 from 3.76 percent to 3.52 percent. The year 2014-15 saw an increase to 3.82 percent. The average interest paid ratio for the three years was 3.70 percent.
4. It was observed that the other income has not gained importance in PKGB. The average ratio of other income to total volume of business is 0.35 percent while that of the interest income is 6.26 percent. To compensate the reduction in interest income due to the prevalence of NPA, banks have to take all efforts to improve other incomes.

5. It was observed from the study that the other income ratio ranges from 0.30 percent to 0.38 percent. In the present competitive banking arena, other incomes play an important role in ensuring and enhancing profit.

6. The manpower expenses ratio increased from 167.17 lakhs in 2012-13 to Rs 215.61 lakhs in 2014-15. The average ratio of manpower expenses to total volume of business for the three years under study is 1.14 percent.

7. The average ratio of other expenses to total volume of business stands at 0.18 percent for study period of three years. The quantum of other expenses, over the three years of study, clearly spells out the presence of expenditure planning in the PKGB which crucial for the bank. The range of other expenditure during the study period is very much within the control, as it range between Rs. 33.83 lakhs and Rs. 26.44 lakhs.

8. The spread ratio of the PKGB is about 2.56 percent on an average for the study period of three years. The maintenance of the spread ratio above 2 percent is a healthy trend for the PKGB.

9. The range of burden ratio was observed to be ranging from 1.03 percent to 0.96 percent during the study period of three years. The average burden ratio for the entire period of the study is 0.98 percent.

10. During the study period, the PKGB has earned profits for all the three years.
11. Current ratio ranged between 1.24 and 1.21 for the three years of study. In general, current ratio is expected to be 2:1 to have an adequate liquidity position for any organization. The average current ratio of the PKGB for the study period is arrived at 1.22 which gives information that the liquidity of PKGB is not at a comfortable position. This ratio depicts that the bank takes more risk in maintaining marginally higher level current assets to meet current liabilities. Current assets to total assets ratio

12. It was found based on the current assets to total assets ratio that the current assets occupy more than 50 percent of total assets during the study period with an average of 0.94. The bank is maintaining high level of current assets in order to manage working funds effectively.

13. The ratio of interest earned to total income helps to understand to what extent the PKGB depends on the interest income. The interest income is the main income which covers an average of 94.12 percent of total income. The other income covers little more than 5 percent of the total income. The bank has not given any attention towards non-interest income and it highly depends on interest income.

14. It was observed from the study that about 47.33 percent of the total income of PKGB is being spent on the payment of interest leaving up to 50 percent for its establishment and other expenditure. The interest paid ratio ranges from 59.87 percent to 25.20 percent during the years of study.

15. It was found that the average ratio of interest paid to total expenditure is 51.30 lakhs. The range of the ratio is between 63.36 percent and 27.56 percent during the period of study.
16. From the study it was found that the establishment expenditure fluctuated during the study period. The ratio of establishment expenditure to total expenditures ranged from 20.24 percent to 18.24 percent. The average ratio is 19.46 percent during the three years.

17. The ratio of total expenditure to total income was around an average of 92.12 percent in the three years of the study period. So, the PKGB incurred continuous profits in the years. The entire operations of the bank resulted in the profits and it indicates that the PKGB must be having an increased pressure of maintaining the same.

18. From the study, it is derived that the average earning per 100 rupees of working funds employed by the PKGB is Rs.10.22. The highest earning on the working funds was 10.65 percent in the year 2012-13 and it was the lowest in the year 2014-15 i.e., 9.92 percent.

19. The average total expenditure to working funds ratio arrived at is 9.41 percent i.e., for every 100 rupees of working funds the PKGB spends Rs.9.41. If this is taken as the average cost of working funds for PKGB, the returns from every 100 rupees of working funds must be higher than 9.41 in order to sustain in the business of banking.

20. The average ratio of credit to working funds for the study period of three years was found to be at 40.87 percent.
6.4 Perceptions of the borrowers on PKGB

A survey covering 250 customers of PKGB in Gulbarga was conducted to know their perceptions on the performance and service of the bank. The survey results helped in understanding the bank from the customers’ viewpoint and also covers the aspects of NPA and the reasons for the same. The main findings from the survey are presented below.

1. To have a better insight on the customers profile and their age of banking with PKGB, Chi-square test was used to study the relationship between them. A Chi-square value of 2.208 was observed. This value suggests that the hypothesis stating “There is influence of the education on the banking age of the customer with PKGB” was found to be insignificant at a significance level of 5 percent.

2. The chi-square test for independence to test the influence of the occupation on the banking age of the customer with PKGB resulted in a chi-square value of 0.474. This value suggested that the hypothesis stating “There is influence of the education on the banking age of the customer with PKGB” was found to be insignificant at a significance level of 5 percent.

3. The chi-square test for independence to test the influence of the occupation on the banking age of the customer with PKGB resulted in a chi-square value of 0.696. This value suggests that the hypothesis stated “There is influence of the income level on the banking age of the customer with PKGB” was found to be insignificant at a significance level of 5 percent.

4. The sources of information for opening bank accounts/availing loans viz., Relatives (Frequency value = 113), Bank staff (frequency value = 50) and Friends (frequency value
acted as the most important influencing factors. Low importance was observed for other advertisements and newspaper.

5. Two sample t-test at significance level of 0.05 (5%) was used to study the effect of Gender across various factors for bank selection, selected for the study. It can be concluded that customers in different age group perceive all the bank factors equally. However, they may give unequal importance to these factors.

6. One-way ANOVA test at significance level of 0.05 (5%) was used to study the effect of education level on various bank selection factors selected for the study. The test revealed insignificant differences between the different education level and the factors considered by the respondents while selecting the banks. Therefore, it can be concluded that customers with different education attached same level of importance to these factors.

7. One-way ANOVA test at significance level of 0.05 (5%) was used to study the effect of different occupation level on various bank selection factors selected for the study. The test revealed that there existed significant differences between the different occupational groups of customers on the factor of convenience/proximity to the house. However, the perceptions between these groups on the other factors were equal. Therefore, it can be concluded that customers with different occupations did not attach varying level of importance to the factor except for the convenience of proximity to my house.

8. One-way ANOVA test at significance level of 0.05 (5%) was used to study the effect of different income level on various bank selection factors selected for the study. The test revealed that there existed significant difference between the customers with varying income levels on the following factors:

a. Convenience of Proximity to my House
b. High interest rates on Fixed Deposits

Therefore, it can be concluded that customers with different income levels attach equal level of importance to almost all the factors except convenience of Proximity to my house and high interest rates on Fixed Deposits.

9. The chi-square test for independence to test the influence of the gender on the type of loans availed. It was found that the gender has influence on the type of loan availed. Hence the relationship is found to be statistically significant at $\alpha = 0.05$. Therefore, it can be concluded from the study that sufficient evidence existed to conclude that the type of loan availed by a consumer is dependent on the gender.

10. The chi-square test for independence to test the influence of the education on the type of loans availed. It was found that the gender has influence on the type of loan availed. Hence the relationship is found to be statistically significant at $\alpha = 0.05$. Therefore, it can be concluded from the study that sufficient evidence existed to conclude that the type of loan availed by a consumer is dependent on the education.

11. It was observed from the study that the mean values ranged from 3.74 to 1.86. The various problem factors viz., Higher Collateral Requirements (Mean value = 3.74) and Poor Service (mean value = 3.58) acted as the most important influencing problems. The least importance was observed for High Processing Time (mean value = 2.94) and No Early Payment benefits (mean value = 1.86).

12. 68.80 percentage of the selected customers who had availed loan from the PKGB said that they were prompt in the loan repayments and paid their instalments at the scheduled time. Around 32 percentage of the selected customers for the study said that they missed their loan repayment schedule on many occasions due to various reasons.
13. Based on the chi-square test at a significance of 5 percent, it can be concluded from the study that sufficient evidence existed to conclude that the promptness in loan repayment by a consumer does not depend on the gender of the customer, education level but depends on the income level and education.

14. The p-value for the Person Chi-square was found to be 0.005, for the relationship between type of loan availed and promptness in loan repayment which is lesser than 0.05, it is interpreted that the types of loan availed by the customers has influence on the promptness in loan repayment. Therefore, it can concluded from the study that sufficient evidence existed to conclude that the promptness in loan repayment by a consumer depends on the type of loan availed by the customer.

15. It was observed from the study that the mean values for the various reasons for non-repayment of loans ranged from 4.6029 to 2.250. The reasons viz., shortage of funds (Mean value = 4.6029) and high repayment installments (mean value = 3.45) acted as the most important influencing reasons. The least importance was observed for no communications from PKGB (mean value = 2.250).

16. It was found that the main reasons identified by the professionals for delayed/defaulted loan repayment was shortage of funds and high rate of instalments with mean values of 4.40 and 4.20 respectively.

17. It was found that the main reasons identified by the agriculturists for delayed/defaulted loan repayment was shortage of funds, monsoon failure and high rate of instalments with mean values of 4.97, 3.78 and 3.26 respectively.
18. It was observed from the study that the main reasons identified by the businessmen/trader for delayed/defaulted loan repayment was business loss, shortage of funds and high rate of instalments with mean values of 4.440, 4.08 and 3.60 respectively.

19. It was observed from the study that the selected customers had average satisfaction level on the physical facilities viz., availability of different kinds of forms, proper ventilation facility, furniture for seating, availability of writing material and parking facility, wherein the mean values ranged from 3.572 to 3.02. The physical facility viz., provision drinking water was rated below average with an average of 2.92.

20. The selected customers had an average satisfaction on the bank employees’ behavior characteristics viz., polite reception, Quick cash payment to account holders and counselling with the mean values ranging between 3.2840 to 3.1360. The other bank employee’s behavior characteristics viz., Immediate response and Quick Service in loan processing were rated below average with an average of 2.9 and 2.82.
6.5 **Suggestions**

1. Based on the findings it is observed that PKGB has employed its total funds under cash and bank balance, investment in shares of cooperative banks, loan and advances, fixed assets and other assets. The bank should come out with innovative loan schemes for income generation by deploying more funds in its credit portfolio.

2. It is observed that the PKGB disburses loans with lot of care and an action plan exits, which is made in accordance with the estimations made in the annual action plan. This shows that PKGB has given more importance to the priority sector as compared to the non-priority sector. The same should continue in future. However, PKGB disbursed loans mainly for short term agricultural purposes as compared to medium term purposes. The loans disbursed for long term purposes were negligible. It is suggested that PKGB should also start giving more loans for the medium term and long term purposes.

3. A clear information derived from the analysis is that the unused loanable portion is either directed to investments or kept idle as cash and bank balances. It is suggested that PKGB should review its lending performance every quarter, if not for each month, and fully utilize the loanable funds for lending. To increase the interest income, without preferring investments, the PKGB must take calculated risk and strengthen the credit portfolio. The personnel in the credit department must be empowered with the techniques of credit management taking into account the aspects of risk management. Yield is associated with risk. Therefore, the PKGB must take calculated risk besides taking all precautionary measures in lending.

4. The study clearly brings out the fact that the PKGB has given enough attention towards reducing the NPA and hence problem ratio is bit within the control. It is recommended
that PKGB must position its effective employees to deal with the NPA with a dominant recovery policy. The decrease of NPA and controlling of the making of new NPA are the keys to control the problem assets ratio. The gross NPA to gross advance might be higher in a bank, but its gross NPA to total assets might be lower. This could be because of higher amount of the denominator.

5. The findings show that the measures of performance and inefficiency can be considered as key indicators of future bad loans. In this respect, PKGB should insist on managerial performance so that they can alleviate potential NPAs increases. Moreover, to avoid future financial instability regulators should take into account the systems of risk management and the banks’ procedures. Therefore, it is recommended to implement a policy of strict governance. It is also suggested to solve management problems at banks level to reduce nonperforming loans which are counted as sources of vulnerability of the financial system.

6. The average ratio of net NPA to total capital and reserves for the three years at PKGB was 19.25 percent. Increase in this ratio increases the shareholders’ risk, as a result shareholder will be reluctant to deal with the bank because of its weak capital structure and increased NPA position. However, these values are within the acceptable limits at present it is suggested to strengthen the capital in order to achieve the required CAR, the PKGB must concentrate more on NPA management.

7. It is better to discourage too ambitious loan proposal where ambitious projects and over enthusiastic promoters involved, it may take longer gestation period to implement the project & which invents high risk.
8. Proper classification of NPA and provisioning as per norms are very much necessary for the PKGB to know its factual financial position. The awareness of the factual financial position will help the PKGB to formulate its future financial planning in order to reduce NPA, thereby reduce provisions, which will result in profitability.

9. To compensate the reduction in interest income due to the prevalence of NPA, banks have to take all efforts to improve other incomes. From the study it is observed that the other income ratio is low. In the present competitive banking arena, other incomes play an important role in ensuring and enhancing profit. Therefore it is suggested that the PKGB must pay attention to improve this ratio.

10. The maintenance of the spread ratio above 2 percent is a healthy trend for the PKGB. PKGB should further continue maintaining the same and strengthen the spread in order to ensure profitability. PKGB must scientifically arrive at the rate of interest for both deposits and advances. Also the PKGB must effectively mobilize low cost funds and at the same time improve the recovery of advances aiming at nil NPA position. Further it is suggested that PKGB has to plan its operations such that the non-interest expenditure is to be fully squared by the non-interest income.

11. The other income contributes around 5 percent of the total income. The bank has not given much attention towards non-interest income and it highly depends on interest income. This trend is not good for bank’s growth in this competitive environment, because the rate of interest fluctuation in the market is very frequent and unpredictable. The PKGB may improve the ‘other income’ by bringing in innovative service products and ensuring good customers service. It is suggested that the PKGB must reduce its dependence on interest income because of increasing risk in investment and lending.
12. The study indicates that the PKGB needs to pay adequate attention to improve the income portfolio. It is suggested that in the competitive regime of interest rate race, the PKGB must immediately pay attention towards recovery or interest, and to invest carefully to augment the total income by employing the working funds effectively. Further the PKGB has to diversify its operations towards ancillary services to augment non-interest income.

13. The management of banks may impart training to the officials in the art of lending to the different categories and they may continue to encourage upgrading their knowledge and skills in recovering the loans and advances. Further, Bank management may possess specialized credit rating agencies to finalize the borrowing capacity of the potential borrowers before offering credit to the needy people.

14. The findings on the results of the hypothesis is as follows;
   (i) The hypothesis stating that “The gender influences the type of loan availed” is accepted.
   (ii) The hypothesis stating that “The educational qualification influences the type of loan availed” is accepted.
   (iii) The hypothesis stating that “The marital status influences the type of loan availed” is accepted.
   (iv) The hypothesis stating that “The occupation profile influences the type of loan availed” is rejected.
   (v) The hypothesis stating that “The gender influences whether the beneficiary repays the loan or not” is rejected.
   (vi) The hypothesis stating that “The education level influences whether the beneficiary repays the loan or not” is rejected.
(vii) The hypothesis stating that “The occupation profile influences whether the beneficiary repays the loan or not” is accepted.

(viii) The hypothesis stating that “The income level influences whether the beneficiary repays the loan or not” is accepted.

(ix) The hypothesis stating that “The type of loan availed influences whether the beneficiary repays the loan or not” is accepted.

(x) The hypothesis stating “Shortage of funds is the major reason for non-repayment of loans across all the different type of beneficiaries” is accepted.
6.6 Conclusion

The problem of Non-Performing Assets (NPAs) is a serious issue and danger to the Indian Scheduled Commercial Banks, because it destroys the sound financial positions of them. The customers and the public would not keep trust on the banks any more if the banks have higher rate of NPAs. So, the problem of NPAs must be handled in such a manner that would not ruin the financial positions and affect the image of the banks. The RBI and the Government of India have taken innumerable steps to reduce the volume of NPAs of the Scheduled Commercial Banks. The remedial measures taken by Government of India, Reserve Bank of India and the Bank management in recent years, helped to reduce NPAs considerably as recommended by Shri M. Narasimham. To improve the efficiency and profitability, the NPA has to be reduced further.