CHAPTER VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

Analyse the officials’ perception of non-performing assets in this previous chapter. This chapter presents summary of findings, suggestions and conclusion.

6.1 SUMMARY OF FINDINGS

6.1.1 Sources of Working Funds

The sources of working funds of SBI are Share capital, Reserves, Deposits and Borrowings. The share of share capital to the working funds increased from Rs.526.30 to 671.04 crores from 2002-03 to 2011-12. However, the actual size of share capital in relation to total working funds declined from 0.16 per cent to 0.05 per cent. The reserves and surplus, increased from Rs. 16676.70 crores in 2002-03 to Rs. 83280.16 crores in 2011-12. Similarly deposits of SBI registered a phenomenal increase from Rs.296123.28 crores in 2002-03 to Rs. 1043647.36 crores in 2011-12. As for borrowings, the absolute figures indicate the increasing trend in during the study period. Yet the percentage share of borrowings which was lower in the first year had been steadily increasing from 2.28 per cent in 2002-03 to 10.12 per cent in 2011-12. On the whole the average show that deposits is the single major source of working fund (86.48 per cent).
1. Deployment of Working Funds

The management of funds has emerged as an area of vital importance for banks. The success of banks depends on their efficient employment of funds. Banks have to deploy their working funds into profitable lines whether it is investment or lending operations. The deployment to working funds of SBI reveals that cash balance with RBI increased from Rs. 12738.47 crores to Rs. 54075.93 crores in 2002-03 to 2011-12. The other assets Rs. 18200.56 crore in 2002-03 to Rs. 53113.01 crores in 2011-12 works out to 4.52 per cent for the whole study period on an average basis. Fixed assets constitute only 0.53 per cent on an average. The loans and advances increased from Rs. 137758.46 crores to Rs. 867578.89 in an average to total asset stand at 55.60 percent. The investments increased from Rs. 172347.91 crores to Rs. 312197.61 crores is in an average of total assets are 33.96 per cent.

2. Recovery Performance

The recovery of loan is indispensable for recycling of funds. The health of any credit institution is very much dependent on the continuous flow of funds triggered by recycling of loaned funds. The average recovery performance of the SBI is arrived at 82.34 per cent for the study period of ten years. The recovery in the year 2002-02 was the highest and the percentage was 87.72. The recovery percentage was more than the average (82.34) in the years 2003-04, 2009-10, 2010-11 and 2011-12. It was less than the average in the years 2004-05, to 2008-09.
3. The Relationship among the Elements of Loan Assets

The loan asset classification of State Bank of India has been classified into four categories i.e., standard assets, sub-standard assets, doubtful assets and loss assets. It is patently manifest that standard asset had grown steadily from Rs.131098.53 crores (90.66 per cent) during 2002-03 to Rs. 1134500 crores (95.92 per cent) during 2011-12. As far sub-standard assets, the percentage to total advances also exhibits a declining trend. It had come down from a high of 3.43 per cent in 2002-2003 to a low 1.18 per cent in 2008-09 and 2010-11. In case of doubtful assets, its percentage share shows a declining trend form 4.58 per cent in 2002-03 to 1.37 in 2009-10 and the last two year of the study it increased 1.37 percent in 2010-11 to 1.88 per cent in 2011-12. It shows there is remarkable decline from 1.85 per cent in 2005-06 to 1.19 per cent 2009-10. The size loss assets decreased from 1.33 percent in 2002-03 (Rs.1923.24 crores) to 0.33 per cent (Rs.3900.00 crores) during 2011-12.

4. Gross NPAs and Net NPAs in Relation to Advances

The gross NPAs to gross advances which stood at 9.34 per cent (Rs.13506.07 crores) in 2002-03 gradually slipped down to 2.25 per cent (Rs.9998.22 crores) in 2009-10. It has been increased 3.04 per cent (Rs.12837.36 crores) in 2007-08 and again decreased to 2.25 per cent (Rs.19534.89 crores). In 2011-12 it further increased 3.35 per cent of Rs. 39676.46 crores. As regards net NPAs to net advances, its percentage was 4.49 percent (Rs. 6183.00 crores) in 2002-03 which decreased to 1.82 percent (Rs. 15818.85 crores) in 2011-12 in all time low of 1.56 per cent of Rs 5257.72 crores.
5. NPA in Relation to Total assets

The NPAs as a percentage to total assets declined from 3.59 per cent in 2002-03 to 1.62 percent of all times low in 2008-09 and increased from 1.85 per cent to 2.97 per cent in 2008-09 to 2011-12.

6. Sector Wise NPAs on Gross NPAs and Net NPAs

The priority sector, NPAs decreased from Rs.6171.20 crores in 2002-03 to a low of Rs.5810.19 crores in 2006-07. However, it increased from 2007-08 onwards of Rs. 7561.30 crores to Rs. 23900.00 crores in 2011-12. As for non-priority sector, NPAs fluctuate throughout the period of study. As for public sector NPAs fell from the peak of Rs. 381.20 crores (2.88 per cent) in the year 2002-03 to Rs.22.00 crores (0.05%) in 2011-12. However, the figure cropped up to Rs.22.00 crores forming 0.05per cent in 2011-12.

6.1 Segmentation of Priority Sector NPAs

The size of NPAs relating to agriculture shows an inconsistent trend. The NPA under this category of Rs. 2369.39 crores in 2002-03 decreased to 1977.18 crores in 2006-07. It has been increased to Rs. 2915.12 crore in 2007-12 and decreased to Rs. 1789.17 cores. Again it has been increased from Rs. 2322 crores to 9800 crores in 2019-10 to 2011-12. The mean score of NPAs in this category is Rs. 2928.76 forming 30.19 per cent. The size of NPAs reached an all times low of Rs. 1789.17 crores forming 25.52 per cent in 2007-08 mainly due to the loan waiver scheme of union government. The percentage of NPAs in the Small Scale Industries in 2002-03 standing at a high percentage of
37.31 forming of Rs. 2302.57 in crores in 2002-03 fell down to a low of 18.50 per cent forming of Rs. 1074.78 crores in 2006-07. However, it has been increased in 2007-08 to 2011-12 from Rs.1260.11 crores to Rs. 4500 crores during the period. As regards other categories of priority sector, the size of NPAs stands at an average of Rs. 3651.23 crores forming 39.60 per cent.

6. Comparative Position of Deposits, Borrowings, Investments, and Advances in Relation to total assets

The deposits performance of SBI in relation to total assets has been ranging from 74.48 per cent to 79.81 per cent during the study period. As regards investments, it had been decreases during the period of study except in 2008-09 and 2009-10. However, the advances made by the bank had been continuously growing throughout period of study except 2007-08 and 2008-09. It is inferred from the dynamics of investment and advances that continuous decline in NPAs throughout period of the study (except in 2010-11 and 2011-12) As for borrowing, it had been growing from 2.48 per cent in 2002-03 to 9.77 per cent in 2010-11 except in 2008-09 and 2011-12.

7. The Relationship between Net profit and Gross NPAs

The NPAs had been decreasing from Rs. 13506.07 crores in 2002-03 to Rs. 9998.22 crores in 2006-07. As a result, the profit performance of SBI had been increasing from Rs. 3105.00 crores in 2002-03 to Rs. 4541.00 crores in 2006-07. In the year 2007-08 to 2011-12 the NPA increased from 12837.34 crores to Rs. 39676.46 crores and the profit also increases from Rs.6729.00 crores to 11707.28 crores.
8. Impact of Spread on Gross and Net NPAs

A cursory glance of the both gross and net NPAs decreased from 2002-03 to 2005-06 and afterwards it has been onward march throughout the period of study, while the spread has been uniformly on a increasing trend. The spread percentage of gross NPA continuous to increase from 73.75 per cent in 2002-03 to 150.73 per cent in 2006-07 afterwards it decreased 81.98 per cent in 2011-12. The spread percentage of net NPA 45.78 per cent in 2002-03 decreased to 42.94 in 2004-05, and 51.08 per cent in 2005-06 increased to 61.28 per cent in 2008-09. Again it has been decreased 39.87 per cent in 2011-12.

9. Comparison between the Ratio of Net NPA to Net Advances State Bank of India, State Bank Group and Nationalised Banks

It is obvious that the net NPAs ratio had come down from 4.49 per cent 2002-03 to 1.56 per cent in 2006-07 and increased 1.78 per cent in 2007-08. Again it has been decreased 1.78 in 2008-09 to 1.63 per cent in 2010-11. However, in the last year it increased 1.82 per cent in 2011-12. As far as the State Bank group also come down from 4.12 per cent 2002-03 to 1.32 per cent in 2006-07 and after 2006-07 it has been increased in every year up to 2 per cent in 2011-12.

In the case of Nationalised banks had come down from 4.74 per cent in 2002-03 to 0.70 per cent in 2008-09 and increased to 1.60 per cent in 2011-12.
10. Group wise movement in Net NPAs of Scheduled Commercial Banks, Public Sector Banks Old Private Sector Banks New Private Sector Bank and Foreign Banks

The movement of Net NPA of SCB has been declining trend in from 4.4 per cent constitute of Rs. 32,764 crore in 2002-03 to 1 per cent of Rs. 24,734 crore in 2007-08. However, it increased 1.1 per cent in 2008-09 and decreased 1 per cent in 2010-11 and again increased 1.4 per cent in 2011-12 of Rs. 64,900 crores. Therefore the up and down of the SCB is concerned there is no trend projected.

As far as PSB in concerned declined from 4.5 per cent Rs. 24,963 crores in 2002-03 to 1.7 per cent of Rs. 59,100 crores in 2011-12 in a low of 0.9 per cent of Rs. 21,033 crores in 2008-09. In the case of Old Private Sector Banks the Net NPA decreased from 5.5 per cent of Rs. 2,741 crores in 2002-03 to 0.5 per cent of Rs. 982 crores in 2010-11 except in last year of study 0.6 per cent of Rs. 1,300 in 2011-12.

In the New Private Sector Banks is concerned it has been continuous to decrease throughout the period of study from 4.6 per cent of Rs. 4,142 crores in 2002-03 to 0.5 per cent of Rs. 3,000 crores in 2011-12 in a high of Rs 6,253 crores of 1.4 per cent.

The foreign banks net NPAs decreased from 1.8 per cent of Rs. 918 crores in 2002-03 to 0.7 per cent of in 2006-07 and increased up to 1.8 per cent in 2009-10. In the last year of study it shows 0.6 per cent constitute Rs.1,400 crores.
11. Loan Assets of Scheduled Commercial Banks

The standard assets of SCB had grown steadily from Rs. 7,09,260 crores (91.2 per cent) in 2002-03 to Rs. 50,16,800 (97.2 per cent) in 2011-12. However, the standard assets of the SCB shows around 67 per cent from 2007-08 to 2011-12. As far sub-standard assets, the percentage to total advances exhibits a declining trend in the first two year of the study in 2002-03 and 2003-04. From 2004-05 to 2011-12 the percentage shows around one per cent. In case of doubtful assets, its percentage share shows a declining trend form 5.1 per cent in 2002-03 to 0.9 in 2009-10 and the last two year of the study it increased 1.1 per cent in 2010-11 and 1.2 per cent in 2011-12. The size loss assets decreased from 1.2 percent in 2002-03 (Rs. 8,971 crores) to 0.2 per cent (Rs. 10,900 crores) during 2011-12. The size of total NPAs decreased from 8.8 per cent to 2.3 per cent in 2002-03 to 2010-11. However in the last year 2011-12 it increased to 3.1 per cent.

12. Loan Assets of Public Sector Banks

It is patently manifest that standard asset had grown steadily from Rs. 5,23,724 crores (90.6 per cent) during 2002-03 to Rs. 38,25,500 (97 per cent) during 2011-12. As far sub-standard assets, the percentage to total advances also exhibits a declining trend. It had come down from a high of 2.6 per cent in 2002-2003 to a low 0.9 per cent in 2008-09 and 1.6 per cent in 2010-11. In case of doubtful assets, its percentage share shows a declining trend form 5.6 per cent in 2002-03 to 0.9 percent in 2009-10. However, it increased 1.0 percent in 2010-11 to 1.2 per cent in 2011-12. As for the loss
asset, the performance of PSB has been commendable. The size loss assets decreased from 1.2 percent in 2002-03 (Rs. 6,840 crores) to 0.2 per cent (Rs. 6,000 crores) during 2011-12. The size of total NPAs in terms of percentage had been sliding down from 9.4 per cent to 2.2 per cent for the above period of study except in last year of the study 3.3 per cent.

13. Loan Assets of Old Private Sector Banks

The standard asset had grown steadily from Rs. 46,761 crores (91.1 per cent) during 2002-03 to Rs. 2,28,700 (98.2 per cent) during 2011-12. As far sub-standard assets, the percentage shows declining trend for the period 2002-03 to 2007-08 from 2.9 per cent to 0.7 per cent and increased as 1.1 percent in 2008-09. However, it decreased to 0.8 per cent in 2011-12. In case of doubtful assets, its percentage share shows a declining trend for the throughout the period of study form 5.4 per cent in 2002-03 to 0.7 in 2011-12. This shows positive proof of efficient handling of loan assets. The size loss assets decreased from 0.6 percent in 2002-03 (Rs. 321 crores) to 0.3 per cent (Rs. 700 crores) during 2011-12. The size of total NPAs declined from 8.9 per cent in 2002-03 to all times low of 1.2 percent in 2010-11 and 1.8 per cent in 2011-12.

14. Loan Assets of Private Sector Banks

The standard asset had grown steadily from Rs. 87,487 crores (92.4 per cent) during 2002-03 to Rs. 7,34,200 (98.1 per cent) during 2011-12. As far sub-standard assets, the percentage to total advances exhibits a declining trend for first four year from 2.9 per cent in 2002-03 to 0.7 per cent in 2005-06, and after three year increases from 1.1 per cent in 2006-07 to 2.0 per cent in
2008-09. However, the last threw it decreases 1.5 per cent in 2009-10 to 0.4 per cent in 2011-12. In case of doubtful assets, its percentage share shows a declining trend for the first five year from 3.9 per cent in 2002-03 to 0.7 in 2006-07 and it increased for next four year from 0.8 per cent in 2008-09 to 1.4 per cent in 2010-11. However, the last year it has been shows decline 1.2 per cent in 2011-12. As for the loss asset, the performance of New Private Sector Banks has been commendable. The size loss assets decreased from 0.9 percent in 2002-03 (Rs. 856 crores) to 0.3 per cent (Rs. 2,200 crores) during 2011-12. The size of total NPAs in terms of percentage had been sliding down from 7.6 percent to 2.2 percent and in all times low 1.7 percent in the year 2005-06.

15. Loan Assets of Foreign Banks

The standard asset had grown steadily from Rs. 51,288 crores (94.7 percent) during 2002-03 to Rs. 2,28,400 (97.3 per cent) during 2011-12. As far sub-standard assets, the percentage to total advances also exhibits a declining trend in the first three year 1.8 per cent to 0.90 per cent in 2002-03 to 2004-05 and after that it increased from 1.0 per cent to 2.94 per cent in 2005-06 to 2009-10. However it had come down 0.90 per cent in the last year of the study. In case of doubtful assets, its percentage share shows a declining trend from 1.7 per cent to 0.5 per cent in 2002-03 to 2007-08 and increased form .0.6 per cent to 1.0 percent in 2008-09 to 2010-11. However, it decreased in the last year of study. As for the loss asset, the performance of foreign banks had taken every care to reduce its size from Rs. 954 crores (1.8 percent) to Rs.358 crores (0.2 per cent) during 2002-03 to 2007-08. In the last there years the loss assets increased from 416 crores to 2,000 crores in 2008-09 to 2011-12.
16. Employee Category of the Respondents

It shows 96 respondents (48.73 per cent) officers and the remaining 101 respondents (51.27 per cent) belonging to the category of clerk level.

17. Age Category of the Respondents

It shows, 5.08 per cent respondents are in the age category up to 30 years, 47.72 per cent of respondents are in the age category of 31 to 40 years, 34.52 per cent respondents age level of 41 to 50 years and 12.69 per cent belongs to the age category of above 50 years.

18. Salary category of the Respondents

The salary of respondents up to Rs. 20,000 consists of 14.21 per cent, salary of Rs. 20,001 to Rs. 30,000 consists of 47.72 per cent, salary of Rs. 30,001 to Rs. 40,000 consists of 21.83 per cent and 16.24 percent consists above Rs. 40,000 salary.

19. Experience of the Respondents

A maximum of 53.50 per cent respondents have an experience of up to 10 years followed by 24.37 per cent with and experience of 11 to 20 years. The respondents with an experience of 21 to 30 years constitute 16.75 per cent to the total. The respondents with an experience of 31 to 40 years are 5.58 per cent.
20. Educational qualification of the Respondents

A maximum of 48.22 per cent of the respondents are undergraduates as educational qualification and followed by 45.69 per cent with post graduation. Those having professionally educated constitute 6.09 percent to the total.

21. Official perception on the basis of Designation

The t-value of banking exposure is found to be 7.70 and it is greater than the table value of 1.96. The t-value of NPA categories is found to be 2.93 and it is greater than the table value of 1.96. The t-value of Size of loan under NPA category is found to be 2.35 and it is greater than the table value of 1.96. The t-value of express opinion on NPAs is found to be 4.09 and it is greater than the table value of 1.96. The t-value of Triggering in priority sector advances is found to be 2.67 and it is greater than the table value of 1.96. Hence these are significant. Therefore the stated hypothesis is accepted.

The t-value of Predictors of NPAs is found to be 1.39 and it is less than the table value of 1.96. The t-value of implications of NPAs is found to be 1.13 and it is less than the table value of 1.96. The t-value of Control NPAs is found to be 0.97 and it is less than the table value of 1.96. Hence it is not significant. Therefore the stated hypothesis is rejected.

22. Opinion on the basis of salary category

The F-value of Banking exposure, Size of loan under NPA category, Express your opinion on NPAs, Predictors of NPAs, Factors Triggering in priority sector advances and Control of NPAs in banks in SBI is found to be 11.23, 3.83, 2.15, 6.29, 5.32, 13.75 respectively and it is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted.
The F-value of Level of NPA in various category and Views on the implications of NPAs is found to be 0.56, 1.54 and it is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected.

23. Opinion on the basis of Experience

The F value in banking exposure of 2.37, Size of loan under NPA category of 2.55, Express your opinion on NPAs in SBI of 2.91, Views on the implications 2.65 and Control NPAs in banks 1.72 is less than the table value of 3.00. Hence it is significant. Therefore the stated hypothesis is accepted.

The F value in Level of NPA in various category of credit of 16.79, Predictors of NPAs of 10.92 and Factors Triggering in priority sector advances of 8.52 is greater than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected.

24. Opinion on the basis of Age

The F-value in banking exposure, of 6.65, Level of NPA in various category of credit 3.61, Factors Triggering in priority sector advances of 4.21 and Control NPAs of 7.63 in SBI is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted.

The F value in Size of loan under NPA category of 1.62, Express opinion on NPAs of 2.43, Predictors of NPAs of 0.40 and Views on the implications of NPAs 1.44 is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected.
25. Opinion on the basis of Educational Qualification

The F-value in banking exposure of 21.49, Level of NPA in various category of credit of 21.01, Size of loan under NPA category of 14.00, Express your opinion on NPAs 6.30, Predictors of NPAs of 5.20, Triggering in priority sector advances 7.51 and Control NPAs 4.91 in SBI is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted.

The F-value in Views on the implications of NPAs of 1.30 is found and it is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected.

26. Opinion on the basis of Number of Branches served

The F-value is found to be 4.40 and it is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted. To sum up different Number of branches groups differ significantly in their Banking exposure in state bank of India.

The F-value is found to be 6.29 and it is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted. To sum up different Number of branches groups differ significantly in their NPA categories in state bank of India.

The F-value is found to be 1.11 and it is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected. To sum up different Number of branches groups do not differ significantly in their Size of loan under NPA category in state bank of India.

The F-value is found to be 0.92 and it is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected. To sum up
different Number of branches groups do not differ significantly in their Express your opinion on NPAs in SBI in state bank of India.

The F-value is found to be 1.76 and it is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected. To sum up different Number of branches groups do not differ significantly in their Predictors of NPAs in SBI in state bank of India.

The F-value is found to be 1.56 and it is less than the table value of 3.00. Hence it is not significant. Hence stated hypothesis is rejected. To sum up different Number of branches groups do not differ significantly in their Views on the implications in SBI in state bank of India.

The F-value is found to be 8.73 and it is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted. To sum up different Number of branches groups differ significantly in their Triggering in priority sector advances in SBI in state bank of India.

The F-value is found to be 12.80 and it is greater than the table value of 3.00. Hence it is significant. Hence stated hypothesis is accepted. To sum up different Number of branches groups differ significantly in their Control NPAs in banks in SBI in state bank of India.

27. Banking Exposure

It shows various levels of the exposure of the bank officers with regard international banking is high mean value of 3.51 and followed by advance
segment and commercial banking segment mean value of 3.49. However, the administrative officer reveals least level average of 2.75.

The overall influence level of eleven factors is considered ‘very high level’ in the banking exposure by 2.95 per cent of the respondents, as high level by 23.77 per cent of the respondents, moderate level by 31.80 per cent, as low level 36.09 per cent of the respondents and as very low level 5.40 per cent of the respondents and the average exposure score reveals 3.20 per cent.

28. **Level of NPAs in the various categories**

Personal loan are very highest mean score of 3.97, followed by personal banking advances of 3.95, loan to government sponsored programs of 3.83, loan mid corporate 3.70. While considering the loan to government it shows lowest mean value of 1.21 to loan to affluent section, loan to central government mean value of 1.22 and loan to state government mean value of 1.28. This indicates the level of NPAs high in these categories.

The overall influence level of twenty four factors is considered ‘high level’ in various level of NPAs by 13.01 per cent of the respondents as high level, 11.32 per cent of the respondents medium level by 31.90 per cent, as there is low level of NPAs 31.23 per cent of the respondents and as nil category of 12.54 per cent of the respondents. The average mean score of NPA on various categories reveals of 3.21.
29. Average size of the Loan under NPAs

The NPAs of difference slaps of credit reveals that the NPAs malaise is deep in loan size of less than Rs. 50,000 and 2 to 3 lakhs. Loan under the category of Rs. 50,000 to 1,00,000 and Rs. 50 lakhs to 100 lakhs less risk.

30. Contribution to NPAs

Contribution to NPAs indicates that highest level of mean score of 3.97 in the political intervention followed by unethical means of obtaining loans of 3.91, natural calamities mean score of 3.87, in Appropriate Technology mean score of 3.85 and absence of revenue recovery Act of 3.84. The least level of contribution to NPAs in Flawed Credit Appraisal System of 2.64.

The overall contribution to NPAs 0.55, 17.85, 29.15, 34.24 and 18.21 per cent of strongly agree, agree, neither agree nor disagree, disagree and strongly disagree in various level of contribution to NPAs. The average mean score of contributing NPAs reveals of 3.42.

Predictors of NPAs

Among these variables indicates the highest mean score of consistent operating losses of 4.02, followed by desire to take undue risks 3.73. The overall percentage of predictors of NPAs shows 1.90, 9.37, 26.52, 34.33, and 27.88 per cent of very high important, highly important, moderately important, low important and not important respectively.
31. Implications of NPAs

The mean score values that NPAs lead to profit erosion, drop in production, diversion of reserves and surplus increase in operating expenses. In other words the emergence of NPAs eats into profits of the banks and to force the bank to allocate more provisions. The overall implications of NPAs 0.27, 3.59, 25.28, 37.70 and 33.16 per cent indicates highly serious, serious, moderately serious, not serious and not at all serious.

32. Triggering NPAs in priority sector advances

It shows highest mean score of under financing of 4.46 followed by weak follow up of 4.43, attitude of willful defaults, poor co-ordination of 4.04 and bank failure to reward prompt repayment habits of 3.93. The least mean score of non-insistence of collateral securities 1.71.

33. Control of NPAs

The SBI has been taking all the steps for managing the NPAs. The highest mean score obtained for a thorough knowledge about your client profile of 4.44, followed by monitoring stock statement of 4.21 and presentation of cheques towards loan instalments in Time of 4.14 are measures currently pursued vigorously in slimming down the size of NPAs. However, if other measure like allowance for moratorium period and relationship managers for cluster units indicates lowest mean score. The overall level to control the NPAs of 09.1, 6.03, 25.59, 35.89 and 31.58 per cent are very high important, high important, moderately important, low important and not important respectively.
34. Factor Analysis

Factor analysis is principal component method is applied to reduce the variable into predominant factors. It reduces the variable based on the intercorrelation values with more than 4. The following are the results of the factor analysis

Banking exposure in different variable has been analysed and given in the Table 5.21. It shows the results of the communalities of banking exposure. It is from the table the variance ranges from 0.475 to 0.753. It implies 0.47 per cent to .75 per cent.

The variances explain the exposure of 26.154, 14.882, 12.432 and 10.959 per cent. An arbitrary value of 0.71 and above is considered significant loading.

35. Level of NPAs in various categories

The results of the factor analysis of all the twenty seven variables and their respective loadings in all the 10 factors are given in the table. The percentage of variance is 20.655, 11.711, 11.036, 7.740, 6.713, 5.561, 5.200, 4.807, 3.901 and 3.759. An arbitrary value of 0.75 and above is considered significant loading.

36. Various categories of NPAs

Principal component factoring method with variance rotation was used for factor extraction in contribution to NPAs. The percentage of variance is
15.876, 13.096, 9.838, 8.531, 7.168, 6.897, 5.943, 5.305 and 4.428. An arbitrary value of 0.62 and above is considered significant loading.

37. Factors predicting NPAs

There are 24 variable signaling the generation of NPAs. If any one of the symptoms manifests itself, bank management has to closely track such accounts and pay intensive care. A knowledge about the indicators of NPAs help to focus on loan accounts and take appropriate measures to prevent them from slipping into NPAs. The table indicates Deterioration of Working Capital 0.851, Absence of Co-ordination 0.837, Disorderly Diversification 0.832, Labour Problems 0.829, Operating Accounts in other Banks 0.826, Loss of Critical Customers 0.822, Undue delay in Submission of Stock Statement and Accounts 0.818, and Diversification of Funds 0.817 are the important variable generating the NPAs.

The percentage of variance and cumulative percentage of variance of 24 factors predicting NPAs. These predictor variables in their respective loadings in all the 8 factors are given in the table. The percentage of variance is 18.701, 12.920, 11.665, 7.894, 7.258, 6.334, 4.698 and 4.614. An arbitrary value of 0.60 and above is considered significant loading.

38. Factors Implication of NPAs

The emergence of NPAs have wider ramification of banks. It evident from the table Highly Risky Investment 0.901, Decline in Speed 0.845, Diversion of Reserve and Surplus 0.813, Increase in labour Cost .843, Increase
in Provision 0.776, Profit Erosion 0.757, fall in Efficiency 0.757 Increase in Intermediation Cost 0.742 and Increase in Cost of Raw Material 0.741 are important variable of Implications of Bank. These variables point the high risk, decline speed, increases the labour cost, profit erosion etc., In other words the emergence of NPAs eats into profits of the bank and force the bank to allocate more provisions. These variable ranges from 0.667 to 0.901.

Principal component factoring method with variance rotation was used for factor extraction in Views on the implications. The percentage of variance is 25.663, 16.853, 10.209, 8.774, 8.021 and 7.148. An arbitrary value of 0.77 and above is considered significant loading. A positive loading indicates that greater the value of the variable greater is the contribution to the factor.

39. Factors Triggering NPAs in Priority Sector

Every bank has to allocate specified per cent of loans to the priority sector. These loans are one of the major contributions of NPAs due to several reasons. A cursory glance shows that under financing of 0.859, weak follow up 0.855, Non-Insistence of Collateral Securities 0.817, Banks Failure to Recognise and Reward Prompt repayment habits 0.816, flawed identification of eligible borrowers 0.812, Impact of Agricultural Debt Relief Scheme 0.805 and Government Legislation 0.803 are the major contribution of NPAs in SBI. These variable ranges from 0.695 to 0.859. It implies in percentage 0.65 per cent to 0.85 per cent.
The factor analysis of all the eighteen variables and their respective loadings in all the 7 factors are given in the table. The percentage of variance is 20.814, 13.649, 11.484, 10.400, 8.399, 7.123 and 6.062. An arbitrary value of 0.65 and above is considered significant loading.

40. Factors of controlling of NPAs

Controlling variables helps to take appropriate measures to control the NPAs to a legally acceptable minimum. It shows Maintaining close Rapport with Borrowers 0.842, Making Public list to Defaulters 0.842, Involvement of External Auditors 0.841, Effective and Efficient Monitoring Activities 0.832, Conducting Recovery Camps 0.825, Proper Follow Up 0.810, Rehabilitation of Sick Units 0.804, Accountable Customers 0.802 and Compromise Proposals 0.785 are important measure to controlling factors of NPAs. However, Relationship Managers for Cluster Units 0.423 is the least controlling of factor of NPAs. These variables are in the range of 0.423 to 0.842 in percentage of 0.42 per cent to 0.84 per cent.

Principal component factoring method with variance rotation was used for factor extraction in Control NPAs in banks. Name of all the twenty four variables and their respective loadings in all the 7 factors are given in the table. The percentage of variance is 19.275, 15.322, 11.602, 10.208, 7.884, 5.250 and 4.926. An arbitrary value of 0.79 and above is considered significant loading.
6.2 SUGGESTIONS

1. The present study proved Credit to priority sectors have higher NPAs, due to increase in outstanding amount in priority sector the banks face problems in further disbursement and increase their existing profits. Hence managers of rural and semi-urban branches generally sanction these loans. In the changed context of new prudential norms and emphasis on quality lending and profitability, managers should make it amply clear to potential borrowers that banks resources are scarce and these are meant to finance viable ventures so that these are repaid on time and relevant to other needy borrowers for improving the economic lot of maximum number of households. Hence, selection of right borrowers, viable economic activity, adequate finance and timely disbursement, correct end use of funds and timely recovery of loans is absolutely necessary pre-conditions for preventing or minimizing the incidence of new NPAs.

2. The loan application form is the basic document from which creditability and credit worth of the borrower could be judged, this document be developed with due care, get filled in properly; communicating all the rules and regulations, penalties in case of non payments to the borrowers.

3. An account does not become an NPA overnight. The account gives enough number of signals of the impending problems and banker should be alert to catch these signals for quick analysis, react on the same
promptly and take corrective actions. While making distinction between “Standard” and “Sub-Standard” categories of assets, potential NPAs are assessed and recovery attempts are made carefully.

4. Branch manager has to assigned powers of One Time Settlement, compromise and write off powers up to a minimum limit of amount this will help to take immediate actions and resultantly NPA level will be minimum.

5. Before sanctioning the loan the borrower should be assessed carefully of their quality of assets so that at the time of recovery if circumstances compel it can be liquidated and advanced loan can be recovered.

6. In order to improve the recovery position, the bank should open a more recovery cell and should arrange staff training in recovery management.

7. After sanctioning the loan proper supervision on the utilization of loans helps to check the diversion of funds by the borrowers: encourages him to continue focus on their ventures and to repay the loan installments properly. SBI has to intensify its loan supervision to achieve better recovery.

8. The NPAs have a number of serious implications on the financial health of the bank. The present study has spotlighted the implications like decline in spread, increase in market borrowing, increase in provision, diversion of reserve and surplus, funding mismatch, etc., Therefore the bank has to take measures to apprise every bank employee of the potential implications of NPAs through awareness campaign. This
would persuade the staff functioning in loan segment to exercise adequate precautions before dispensing the loan and resist the pressure to give loans in violation of established norms.

9. In this study investigated the various measures needed for controlling the NPAs in the perception of officers and clerks. Once the loan has slipped into NPA, the branch has to think of mild measures like persuasion, rescheduling the loan, compromise proposals and close follow up in the first phase. Where the mild measures fail, it has to think of positive control measures like interest waiver, moratorium, one time settlement, reducing interest rate, etc., in the second phase. Where these positive actions also prove ineffective, it has to resort to stringent measures like forming every team, charging penal interest rates, conducting recovery camp, etc., it is only when all the aforesaid avenues has been exhausted, it has resort to Debt Recovery Tribunal, Lok Adalats, SARFESI Act.

10. In order to curb the NPA menace, the commercial banks will do well to publish the list of defaulters in website and deprive the defaulters of availing further loan facility from financial system. This would undoubtedly discipline the defaulters instilling in them a fear of losing the privilege of availing loan accommodation elsewhere too.
11. The study has established that the frequent transfer of officers in the loan segment dislocates the recovery efforts. Therefore it is suggested to modify the transfer policy it helps the recovery efforts of NPAs.

12. The branch wise target for reducing the NPAs should be fixed. The branches achieving the target need to be recognised by way of awards and rewards.

13. As a proactive measure to control the emergence of NPAs, credit disciplined borrowers need to be identified from the borrower database and may be incentivized by reduction in interest rates, more loan installments, waiving and reducing down payments, fresh loan etc., This would not only help contain emergence of NPAs but also maintain the loan asset quality.

14. In order to encourage prompt borrowers and nurture a healthy credit discipline, SBI can provide to off facility so that they can avail fresh loans as and when they need.

15. The banking Act may be so amended to enable the banks to insure the loans against the natural calamities. This would check the evolution of NPAs on account of natural disasters.

16. In respect of institutions where NPAs are heavy, provision should be made to enable the bank to send their nominees in the board of management of the institutions to monitor and recover the loan.
GENERAL SUGGESTIONS TO CONTROL NPAs:

The Bank should adopt the following general strategies to control NPAs. The suggestions are as follows:

1. Projects with old technology should not be considered for finance
2. Large exposure on big corporate or single projects should be avoided.
3. There is a need to shift banks' approach from collateral security to viability of the project and intrinsic strength of promoters.
4. Timely sanction and or release of loans by the bank are to avoid time and cost overruns.
5. The Credit section should carefully watch the warning signals viz. non-payment of quarterly interest, dishonor of check etc.
6. The bank must focus on recovery from those borrowers who have the capacity to repay but are not repaying initiation of coercive action a few such borrowers may help.
7. There have been instances of banks extending credit to doubtful debtors (who willfully default on debt) and getting kickbacks for the same. Ineffective Legal mechanisms and inadequate internal control mechanisms have made this problem grow squick action has to be taken on both counts so that both the defaulters and the authorizing officer are punished heavily. Without this, all the mechanisms suggested above may prove to be ineffective.
8. The banks should conduct regular or periodical recovery camps in the bank premises or some
9. The bank officials should visit to the borrower’s business place or borrowers field regularly or periodically.
6.4 SCOPE FOR FURTHER STUDY

A comparative study of NPAs in public and private sector banks can be separately conducted.

This study related to State Bank of India officials. Therefore a separate study can be done for all public sector banks.