CHAPTER 7

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The problem of NPA in Banks of Gujarat has been selected as topic of research for Ph.D. degree. Non-recovery of loans has threatened chronic sickness among business organizations and ultimate failure. It has also developed a fear psychosis among bankers in finalizing the projects demanding heavy advances on favourable terms.

The Reserve Bank of India, the Government and managers of Banks individually and jointly exercised over the problem in terms of corrective measures like better governance, improved supervision, transparent and improved accounting practices plus reporting, audit etc. Various seminars, committees and commissions have been set to investigate the cause and recommending the solution of the problem. The present research is a step in the same direction to review and recommending necessary measures for overcoming the NPA problem. The research has followed the classification of NPA i.e. Sub Standard Assets where chances of recovery are 50 per cent; Doubtful assets where chances of recovery are 33 per cent and Loss assets where chances of recovery are zero.

The Indian banking sector is facing problems of NPA, low productivity and spectacular results. The crisis in East Asia has a lot of lessons to offer our policy makers and banking officials. Government has taken initiatives for reforms in this sector, yet experience show that the speed of implementing reforms is slow. It appears that the branch expansion scheme of nationalized banks in rural areas has partly aggravated the problem of NPA due to greater agricultural loans, Non-productive advances and weaker viability plans accepted under
recommendation of development authorities. Various attempts have been made to make banking governance capable and banking industry competitive to global environment under new system of advanced technology and knowledge.

7.1 FINDINGS OF THE STUDY:

1. There are total 28 nationalised banks in India, including 8 banks belongs to State Bank of India group. In 2007-08 Bank of Baroda was having 664 branches in Gujarat. Bank of India was having 250 branches in Ahmedabad circle only. Corporation Bank was having 42 branches and State Bank of India was having 542 branches in Gujarat.

2. Researcher has taken 25 customers as a sample research from each branch of and 4 branches were randomly selected which make 100 customers per bank. 4 nationalised banks are selected for the research make in all 400 customers database from the questionnaire.

3. Total NPA in different sectors it is clear from the results indicate SBI has the highest amount thereafter Bank of Baroda and Bank of India but Corporation bank have lowest total NPA amount in during the period from the year 2001-02 to 2007-08.

4. The Gross NPA of selected nationalised banks have decreasing trend except State Bank of India during the period from 2001-02 to 2007-08, that means State Bank of India has not control on Gross NPA than the other selected banks.
5. The Net NPA as per percentage of total advances of selected nationalised banks in India have been decreasing during the period from 2001-02 to 2007-08. Among these banks Corporation Bank has an effective control on NPA in terms of Net Non Performing Assets as percentage to total advances.

6. It can be inferred that all the selected nationalised banks have a decreasing trend of Gross Non-Performing Assets to total advances and among all the banks the Corporation Bank has a slightly better position of NPA in terms of Gross NAP to total assets.

7. It concludes that the highest NPA per employee of Bank of India in the year 2003-04 i.e. Rs. 0.1320 Crore. It has decreased to Rs. 0.0475 Crores in the year 2007-08. So, we can say that it is a controllable situation year after year.

8. Deposits growth is highest with Bank of India 119 percent followed by State Bank of India 108 percent, Bank of Baroda 97 percent and lastly by Corporation Bank 89 percent by taking 2001-02 as base year and 2007-08 as comparison year. Range of deposit mobilization is thus 89 percent to 119 percent for the selected banks.

9. The gross NPA of Bank of Baroda in the year 2005-06 was s. 400 crores which has decreased to Rs. 266 Crores in the year 2006-07, but it has increased to Rs. 285 Crores in the year 2007-08. That means it is having mixed trend during the study period.
10. The gross NPA of Bank of India was Rs. 301.68 crores in the year 2002-03. It has increased to Rs. 317.32 in the year 2003-04 then decreased up to Rs. 194.64 crores in 2006-07 and then once again has increased to Rs. 234.09 crores which is a notable point. It is showing mixed trend of the NPA of Bank of India during the study period.

11. In this way the gross NPA of Corporation Bank decreased from Rs. 44.64 crores in 2001-02 to Rs. 40.74 crores in 2002-03 but it has dramatically increased to Rs. 70.06 crores in 2003-04, again reduced to Rs. 55.27 crores in 2004-05, Rs. 50.70 crores in 2005-06, Rs. 36.86 crores in 2006-07 and finally to Rs. 33.87 crores in 2007-08. It is showing mixed trend but good picture of NPA compared to other selected nationalized banks.

12. The gross NPA of State Bank of India in the year 2001-02 was 552.32 crores with a very marginal decreased to Rs. 542.85 crores in 2002-03 again with an increase to Rs. 602.71 crores in 2003-04, again decreased to Rs. 412.40 in 2004-05 and Rs. 239.43 crores ever lowest in the study period in 2005-06 but again increased to Rs. 328.67 crores in 2006-07 with a very marginal increase to Rs. 337.95 crores in 2007-08 the last year of the study period.

13. Per employee NPA of Corporation Bank was Rs. 0.0847 Crore in the 2001-02. It has slightly decreased to Rs. 0.0757 Crore in the year 2002-03 then it has drastically increased to Rs. 0.1255 Crore in 2003-04 then it has continuously decreased to Rs. 0.1017 Crore in 2004-05, Rs. 0.0882 Crore in 2005-06, Rs. 0.0656 Crore
14. Per branch gross NPA of Bank of India has not so good performance during the study period in comparison with the other selected banks but infect having the negative performance by having highest per branch NPA in 2007-08 with Rs. 0.94 crores.

15. Per branch NPA of State Bank of India is showing the mixed trend during the period from 2001-02 to 2007-08. Rs. 1.22 crores in 2001-02, Rs. 1.36 crores in 2003-04. Rs. 0.73 crores in 2006-07 and Rs. 0.62 crores in 2007-08 reflects the negative sign for health of the bank.

16. The results indicate that 80% customers responded that advances are given against government securities. Ninety percent customers of Corporation Bank and 70% customers of SBI responded that their bank gives advances against government securities. The table infers that SBI is not paying much attention on government securities it may be the one of the cause of more NPA in SBI.

17. The results conclude that 85 percent of customers feel that government machinery do not help in repayment procedures.

18. More than half 56 percent of total customers feel that compromise proposal is the best solution to reduce NPA from Banks. A significant percent of customers 34 percent feel that rephasing
19. The results conclude that 97 percent of total customers opined that Compromise proposals are helpful in reducing NPA level.

20. Most of the customers 93.5 percent agree that NPA at branch level is maximum because of involvement of their banks due to loans given for in agriculture and allied activities.

21. At 5% significance level, p value is 0.00 < 0.05. This indicates that **there is significant difference** between the NPA of the selected nationalized banks hence the null hypothesis has been **rejected** because of p value is less than 0.05.

22. At 5% significance level, p value is 0.00 < 0.05. This indicates that **there is a significant difference** between the deposits of the selected nationalized banks hence the null hypothesis has been **rejected** because of p value is less than 0.05.

23. At 5% significance level, p value is 0.00 < 0.05. This indicates that **there is a significant difference** between the advances of the selected nationalized banks hence the null hypothesis has been **rejected** because of p value is less than 0.05.
24. At 5% significance level, p value is 0.325 > 0.05. This indicates that there is no significant difference between the investments of the selected nationalized banks hence the null hypothesis has been accepted because of p value is more than 0.05.

25. At 5% significance level, p value is 0.263 > 0.05. This indicates that there is no significant difference between the Gross NPA of the selected nationalized banks hence the null hypothesis has been accepted because of p value is more than 0.05.
7.2 SUGGESTIONS:

The following suggestions are being given for the betterment of banking sector to reduce NPA in commercial banks.

1. Before advancing to a customer, proposal should be judiciously scrutinized and creditability should be examined.

2. Maximum Permissible Bank Finance Limit should be judiciously examined, so that chances for under finance or over finance do not arise.

3. Right from the beginning contact with the borrower should be maintained; so that instalments of repayment as per schedule are not disturbed i.e. loan instalment should not become overdue. Once it becomes overdue, it will be difficult to repay overdue amount plus regular instalment.

4. Current account or cash credit account must be operative and there should be sufficient turnover in comparison to sales. If turnover in the account is poor, borrower must be contacted and reasons must be inquired about turnover. If not satisfied then advances amount should be recalled.

5. For genuine reasons if borrower is unable to deposit loan instalment for some time, he should not be pressurized but the banker should re-phase the loan instalment, so that it will be convenient to the borrower and the amount does not become NPA.
6. Waiver of the loan scheme by the government should be stopped, because it discourages borrowers who are regular in repayments and defaulters are benefited.

7. Securitisation Bill will certainly help in recovery of big amount of Rs. 50 lacs and above, but for smaller amount say Rs. 5 lacs and above, government should take suitable action so that loan amount does not become NPA.

8. Bankers like co-operative must be improved for recovery without filing of suits with the court.

9. Through legal actions against the borrower is taken within the period of limitation i.e. before the documents are become time barred, but the case is not finalised with one reason or other for many-many years and the defaulter borrowers are not affected by such legal action. It encourages other defaulter borrowers.

10. Sometimes it happens that the borrower admits before the judges that he had not taken any advance from the bank and he/she had not signed the documents. In such cases if thumb impressions along with the signatures are obtained, such events may not take place.

11. Wilful defaulters i.e. defaulters having sufficient funds with them are not willing to repay the loan amount; they should be treated tactfully so that they may deposit defaulted amount.
12. Compromise proposals these days are the need of the hour. By waiving some portion of interest accrued on loan amount if the borrower is willing to settle the amount, bank must consider such proposal, so that time and expenses for filing of suits is saved.

13. Government must establish recovery cells so that banks may approach to these cells for recovery particularly in rural area.

14. In case of cash credit review of facilities should be done annually on regular basis and balance sheets of the company duly audited should be obtained and account should be reviewed properly.
7.3 CONCLUSION:

The present study is based on limited field of research. Therefore, there is ample scope for further research. The present study covers overall aspects of non-performing assets management in nationalised banks, selecting certain sample units. Under the changing scenario in banking industry there is a vast change in the field of functioning. It is suggested that, there is still further scope for research on NPA at unit level, NPA at regional level, NPA at the level of individual banks, NPA in private sector, NPA in small scale industry, NPA in large scale Industry, NPA in cooperative finance, NPA in agriculture and allied activities, Government policies and NPA, NPA in tribal areas, diversion of funds and NPA, managerial efficiency and NPA etc.

Academic institutions, financial institutions, Association of business concerns and the government must come forward to conduct research on non-performing assets management, so that the banks will be able to reduce their NPA level and in turn Banks will have these funds available for development of the nation.