CHAPTER – I

INTRODUCTION

Banking in India has its origin as early as the Vedic period. It is believed that the transition from money lending to banking must have occurred even before Manu, the great Hindu Jurist, who has devoted a section of his work to deposits and advances and laid down rules relating to rates of interest.

During the Mogul period, the indigenous bankers played a very important role in lending money and financing foreign trade and commerce.

During the days of the East India Company, it was the turn of the agency houses to carry on the banking business. The General Bank of India was the first Joint Stock Bank to be established in the year 1786. The others which followed were the Bank of Hindustan and the Bengal Bank. The Bank of Hindustan is reported to have continued till 1906 while the other two failed in the meantime.

In the first half of the 19th century the East India Company established three banks; the Bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Madras in 1843. These three banks also known as Presidency Banks were independent units and functioned well.

These three banks were amalgamated in 1920 and a new bank, the Imperial Bank of India was established on 27th January 1921. With the passing of the State Bank of India Act in 1955, the undertaking of the Imperial Bank of India was taken over by the newly constituted State Bank of India.
The Reserve Bank which is the Central Bank was created in 1935 by passing Reserve Bank of India Act 1934. In the wake of the Swadeshi Movement, a number of banks with Indian management were established in the country namely, Punjab National Bank Ltd, Bank of India Ltd, Canara Bank Ltd, Indian Bank Ltd, the Bank of Baroda Ltd, the Central Bank of India Ltd.

On July 19, 1969, 14 major banks of the country were nationalized and in 15th April 1980 six more commercial private sector banks were also taken over by the government.

The growth of the banking industry in India may be studied in terms of two broad phases: Pre Independence (1786-1947), and Post Independence (1947 till date). The post independence phase may be further divided into three sub-phases:

- Pre-Nationalization Period (1947-1969)
- Post-Liberalization Period (1991- till date)

The two watershed events in the post independence phase are the nationalization of banks (1969) and the initiation of the economic reforms (1991).

The change and status of the banking industry in India post liberalization can be described as given below\(^1\).

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\(^1\) http://www.scribd.com/doc/8817767/A-REPORT-ON-NPA-IN-BANKING
1. BANKING SECTOR REFORMS - POST-LIBERALIZATION

In 1991, the Government of India set up a committee under the chairmanship of Mr. Narasimaham to make an assessment of the banking sector. The report of this committee contained recommendations that formed the basis of the reforms initiated in 1991.

The objectives of the banking sector reforms had focused to improve the macroeconomic policy framework within which banks operate, to introduce prudential norms, to improve the financial health and competitive position of banks, to build the financial infrastructure relating to supervision, audit technology and legal framework; and to improve the level of managerial competence and quality of human resources.

1.1 Impact of Reforms on Indian Banking Industry

With the initiation of the reforms in the financial sector during the 1990s, the operating environment of the banks has radically transformed. One of the fall-outs of the liberalization was the emergence of nine new private sector banks in the mid1990s that spurred the incumbent foreign, private and public sector banks to compete more fiercely than had been the case historically.

Another development of the economic liberalization process was the opening up of a vibrant capital market in India, with both equity and debt segments providing new avenues for companies to raise funds.
Among others, these two factors have had the greatest influence on banks operating in India to broaden the range of products and services on offer. The reforms have touched all aspects of the banking business.

With increasing integration of the Indian financial markets with their global counterparts and greater emphasis on risk management practices by the regulator, there have been structural changes within the banking sector. The impact of structural reforms on banks' balance sheets (both on the asset and liability sides) and the environment they operate in are discussed in the following sections.

1.2 REFORMS ON THE LIABILITIES SIDE

1.2.1 Reforms of Deposit Interest Rate

Since 1992, a progressive approach was adopted towards deregulating the interest rate structure on deposits. As a result, the rates have been freed gradually. Currently, the interest rates on deposits stand completely deregulated (with the exception of the savings bank deposit rate). The deregulation of interest rates has helped Indian banks to gain more control on the cost of their deposits, the main source of funding for Indian banks. Besides, it has given more flexibility to banks in managing their Asset-Liability positions.

1.2.2 Increase in Capital Adequacy Requirement

During the 1990s, the Reserve Bank of India (RBI) adopted a strategy aimed at all banks attaining a Capital Adequacy Ratio (CAR) of 8% in a phased manner. On the recommendations of the Committee on Banking Sector Reforms, the minimum
CAR was further raised to 9%, effective March 31, 2000. While the stipulation of a higher Capital Adequacy Ratio has increased the capital requirement of banks, it has provided more stability to the Indian banking system.

1.3 REFORMS ON THE ASSET SIDE

1.3.1 Reforms on the Lending Interest Rate

During 1975-76 to 1980-81, the RBI prescribed both the minimum lending rate and the ceiling rate. During 1981-82 to 1987-88, the RBI prescribed only the ceiling rate. During 1988-89 to 1994-95, the RBI switched from prescribing a ceiling rate to fixing a minimum lending rate.

From 1991 onwards, interest rates have been increasingly freed. At present, banks can offer loans at rates below the Prime Lending Rate (PLR) to exporters or other creditworthy borrowers (including public enterprises), and have only to announce the Follow-up Lending Rate and the maximum spread charged over it. The deregulation of lending rates has given banks the flexibility to price loan products on the basis of their own business strategies and the risk profile of the borrower. It has also lent a competitive advantage to banks with lower cost of funds.

1.3.2 Lower Cash Reserve and Statutory Liquidity Requirements

During the early 1980s, statutory pre-emption in the form of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) accounted for 42% of the deposits. In the 1990s, the figure rose to 53.5%, which during the post-liberalization period has been gradually reduced.
At present, banks are required to maintain a CRR of 4% of the Net Demand and Time Liabilities (NDTL) (excluding liabilities subject to zero CRR prescriptions). The RBI has indicated that the CRR would eventually be brought down to the statutory minimum level of 3% over a period of time.

The SLR, which was at a peak of 38.5% during September 1990 to December 1992, now stands lower at the statutory minimum of 25%.

A decrease in the CRR and SLR requirements implies an increase in the share of deposits available to banks for loans and advances. It also means that now banks have more discretion in the allocation of funds, which if deployed efficiently, can have a positive impact on their profitability. By increasing the amount of invisible funds available to banks, the reduction in the CRR and SLR requirements has also enhanced the need for efficient risk management systems in banks.

1.3.3 Asset Classification and Provisioning Norms

Prudential norms relating to asset classification have been changed post-liberalization. In accordance with the international norms, the earlier practice of classifying assets of different quality into eight "health codes" has now been replaced by the system of classification into four categories - standard, sub-standard, doubtful, and loss assets.

On 1st April 2000, provisioning requirements of a minimum of 0.25% were introduced for standard assets. For the sub-standard, doubtful and loss asset categories, the provisioning requirements remained at 10%, 20-50% (depending on
the duration for which the asset has remained doubtful), and 100%, respectively. The recognition norms for NPAs have also been tightened gradually. Since March 1995, loans with interest and/or installment of principal overdue for more than 180 days are classified as non-performing. This period will be shortened to 90 days from the year ending 31st March 2004.

1.4 STRUCTURAL REFORMS

1.4.1 Increased Competition

With the initiation of banking-sector reforms, a more competitive environment has been ushered in. Now banks are not only competing within themselves, but also with non-banks, such as financial services companies and mutual funds.

While existing banks have been allowed greater flexibility in expanding their operations, new private sector banks have also been allowed entry. Over the last decade nine new private sector banks have established operations in the country.

Competition amongst Public Sector Banks (PSBs) has also intensified. PSBs are now allowed to access the capital market to raise funds. This has diluted Government's shareholding, although it remains the major shareholder in PSBs, holding a minimum 51% of their total equity. Although competition in the banking sector has reduced the share of assets and deposits of the PSBs, their dominant positions, especially of the large ones, continues.

Although the PSBs will remain major players in the banking industry, they are likely to face tough competition, from both private sector banks and foreign banks.
Moreover, the banking industry is likely to face stiff competition from other players like non-bank finance companies, insurance companies, pension funds and mutual funds. The increasing efficiency of both the equity and debt markets has also accelerated the process of financial disintermediation, putting additional pressure on banks to retain their customers. Increasing competition among banks and financial intermediaries is likely to reduce the Net Interest Spread of banks.

1.4.2 Banks entry into New Business Lines

Banks are increasingly venturing into new areas, such as, Insurance and Mutual Funds, and offering a wider bouquet of products and services to satisfy the diverse needs of their customers.

With the enactment of the Insurance Regulatory and Development Authority (IRBA) Act, 1999, banks and NBFCs have been allowed to enter the insurance business. The RBI has also issued guidelines for banks’ entry into insurance, according to which, banks need to obtain prior approval of the RBI to enter the insurance business. So far, the RBI has accorded its approval to three of the 39 commercial banks that had sought entry into insurance.

Insurance presents a new business opportunity for banks. The opening up of the insurance business to banks is likely to help them emerge as financial markets like their counterparts in developed countries.
1.4.3 Increased thrust on Banking Supervision and Risk Management

To strengthen banking supervision, an independent Board for Financial Supervision (BFS) under the RBI was constituted in November 1994. The Board is empowered to exercise integrated supervision over all credit institutions in the financial system, including select Development Financial Institutions (DFIs) and Non Banking Financial Companies (NBFCs), relating to credit management, prudential norms and treasury operations.

A comprehensive rating system, based on the Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems and Control (CAMELS) methodology, has also been instituted for domestic banks; for foreign banks, the rating system is based on Capital Adequacy, Asset Quality, Liquidity, Compliance, and System (CALCS). This rating system has been supplemented by a technology enabled quarterly off-site surveillance system.

To strengthen the Risk Management Process in banks, in line with proposed Basel II accord, the RBI has issued guidelines for managing the various types of risks that banks are exposed to. To make risk management an integral part of the Indian banking system, the RBI has also issued guidelines for Risk Based Supervision (RBS) and Risk Based Internal Audit (RBIA).

These reform initiatives are expected to encourage banks to allocate funds across various lines of business on the basis of their Risk Adjusted Return on Capital.
These measures would also help banks be in line with the global best practices of risk management and enhance their competitiveness.

The Indian banking industry has come a long way since the nationalization of banks in 1969. The industry has witnessed great progress, especially over the past 12 years, and is today a dynamic sector. Reforms in the banking sector have enabled banks to explore new business opportunities rather than remaining confined to generating revenues from conventional streams. A wider portfolio, besides the growing emphasis on consumer satisfaction, has led to the Indian banking sector reporting robust growth during past few years.

1.5 STATEMENT OF THE PROBLEM

Granting of credit for economic activities is the prime duty of banking. Apart from raising resources through fresh deposits, borrowings and recycling of funds received back from borrowers constitute a major part of funding credit dispensation activity. Lending is generally encouraged because it has the effect of funds being transferred from the system to productive purposes, which results into economic growth. However, lending also carries a risk called credit risk, which arises from the failure of borrower.

A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non-performing assets are one of the major concerns for banks in India.
NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the overall profits and shareholders value.

Non-recovery of loans along with interest forms a major hurdle in the process of credit cycle. Thus, these loan losses affect the banks’ profitability on a large scale. Non-performing Assets have emerged since over a decade as an alarming threat to the banking industry in India sending distressing signals on the sustainability and endurability of the affected banks.

Despite various correctional steps administered to solve and end this problem, concrete results are eluding. It is a sweeping and all pervasive virus confronted universally on banking and financial institutions\(^2\).

The main problem of the Public Sector Banks at the beginning of 2000 was the increasing level of the Non Performing Assets. The Non Performing Assets of the Public Sector Banks have been increasing regularly year by year. In 1997, the Non Performing Assets were 47,300 crore and it reached 80,246 crore in 2002.\(^3\)

The Non Performing Assets impact drastically to the working of the banks. The efficiency of a bank is not always reflected only by the size of its balance sheet but by the level of return on its assets. Non Performing Assets do not generate interest

\(^2\) http://www.scribd.com/doc/18575773/Non-Performing-Asset

\(^3\) http://www.scribd.com/doc/8817767/A-REPORT-ON-NPA-IN-BANKING
income for the banks, but at the same time banks are required to make provisions for such Non Performing Assets from their current profits.

A disheartening feature is that a large number of public sector banks have recorded far below the median Return on Assets of 0.4% for 2000-01 in their peer group. Incidentally, the Return on Assets recorded by new private banks and foreign banks ranged from 0.8% to 1% for the same period\(^4\). An often quoted reason for the decline in profitability of public sector banks is the stock of NPAs which has become a drag on the bank’s profitability. It is to be noted that the stock of NPAs does not add to the income of the bank while at the same time, additional cost is incurred for keeping them on the books.

To help the public sector banks in clearing the old stock of chronic NPAs, RBI had announced ‘one-time non discretionary and non discriminatory compromise settlement schemes’ in 2000 and 2001. Though many banks tried to settle the old NPAs through this transparent route, the response was not to the extent anticipated as the banks had been bogged down by the usual fear psychosis of being averse to settling dues where security was available.

The magnitude of NPAs has a direct impact on banks profitability as legally they are not allowed to book income on such accounts and at the same time banks are

\(^4\) http://www.scribd.com/doc/12925711/Npa
forced to make provision on such assets as per the RBI guidelines. NPAs is an important parameter in the analysis of financial performance of banks\(^5\).

Gross NPAs are important since they depress the overall yields on the banks' credit portfolio and constrain their ability to operate with lower margins and, in turn, their capacity to lower lending rates.

Loan-loss provisioning and write-offs go to reduce the capital available for further asset creation. Gross NPAs do not, however, disclose the entire picture of the over dues from borrowers. These exclude unpaid interest, including any penal interest, accrued on NPAs and, as a prudential measure, not recognized as income in the banks' financial statements\(^6\).

A write-off of the NPA involves foregoing of the accrued interest. Hence, the magnitude of such interest dues assumes importance in assessing the likely losses a bank may suffer because of NPAs. Currently, this information is not required to be disclosed in banks' financial statements.

The tightened RBI norms for reckoning assets as non-performing and for non-recognition of income from such assets (by reducing the minimum period of debt-servicing default from 180 days to 90 days), effective from the quarter ended March 2004, would presumably have resulted in significant additions to NPAs during the Financial Year 2004.

\(^6\)http://www.rediff.com/money/2004/aug/12guest.htm
NPAs have a deleterious effect on the return on assets in several ways:\footnote{M. Karunakar, K.Vasuki and S. Saravanan: “Are non - Performing Assets Gloomy or Greedy from Indian Perspective?”, Research Journal of Social Sciences, INSInet Publications, Vol.3,2008, Pp.6-7.}

- The interest income of banks will fall and it is to be accounted only on receipt basis.
- Banks’ profitability is affected adversely because of the providing of doubtful debts and consequent to writing it off as bad debts.
- Return On Investments (ROI) is reduced.
- The capital adequacy ratio is disturbed as NPAs are entering into its calculation.
- The cost of capital will go up.
- The assets - liability mismatch will widen.
- The Economic Value Addition (EVA) by banks gets upset because EVA is equal to the net operating profit minus cost of capital.
- NPAs require higher provisioning requirements affecting profits and accretion to capital funds and capacity to increase good quality risk assets in future, and
- They limit recycling of funds, set in asset-liability mismatches, etc.

Though RBI has taken number of measures to reduce the level NPAs the result is not up to the expectations.
The high level of NPAs in banks is a matter of grave concern to the public as well as to government since the bank credit is a catalyst to the economic development of the country and any bottleneck in the smooth flow of credit due to the mounting NPAs is bound to create an adverse repercussion for the economy of the country.

In this context, a study on Non-Performing Assets in banks, particularly State Bank Group, is an interesting and useful proposition and hence the present study is envisaged.

1.6 REVIEW OF LITERATURE

Bhattacharya (2001) rightly pointed to the fact that in an increasing rate regime, quality borrowers would switch over to other avenues such as capital markets, internal accruals for their requirements of funds. Under such circumstances, banks would have no option but to dilute the quality of borrowers thereby increasing the probability of generation of NPAs.8

Muniappan (2002) related the problem of NPAs to several internal and external factors confronting the borrowers. According to him, the internal factors are diversion of funds for expansion/diversification/modernization, taking up new projects, helping/promoting associate concerns, time/cost overruns during the project implementation stage, business (product, marketing, etc.) failure, inefficient management, strained labour relations, inappropriate technology/technical problems,

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product obsolescence, etc., while external factors are recession, non-payment in other countries, inputs/power shortage, price escalation, accidents and natural calamities.\textsuperscript{9}

In the Indian context, Rajaraman and Vasishtha (2002) in an empirical study provided an evidence of significant bi-variate relationship between an operating inefficiency indicator and the problem loans of public sector banks.\textsuperscript{10}

Prashanth K. Reddy (2002), in his research paper “A comparative study of Non Performing Assets in India in the Global context - similarities and dissimilarities, remedial measures” had stressed that changes required to tackle the NPA problem would have to span the entire gamut of judiciary, polity and the bureaucracy to be truly effective. This paper had also dealt with the experiences of other Asian countries in handling of NPAs. It further looked into the effect of the reforms on the level of NPAs and suggested mechanisms to handle the problem by drawing on experiences from other countries\textsuperscript{11}.

In a similar manner, largely from lenders’ perspective, Das and Ghosh (2003) empirically examined non-performing loans of India’s public sector banks in terms of various indicators such as asset size, credit growth and macroeconomic condition, and operating efficiency indicators.\textsuperscript{12}


\textsuperscript{10} Rajaraman, I & Vashistha, G:”Non-Performing Loans of Indian Public Sector Banks – Some Panel Results”, Economic & Political Weekly, February, 2002.

\textsuperscript{11} http://papers.ssrn.com/sol3/papers.cfm?abstract_id=361322

Ranjan & Dhal (2003) have dealt with the various reasons behind assets turning non-performing and have also analysed their macroeconomic implications.\textsuperscript{13}

There is a considered view that the lending policy of banks could have crucial influence on non-performing loans (Reddy, 2004). He critically examined various issues pertaining to terms of credit of Indian banks and argued that “the element of power has no bearing on the illegal activity. A default is not entirely an irrational decision. Rather a defaulter takes into account probabilistic assessment of various costs and benefits of his decision”. He raised various critical issues pertaining to credit delivery mechanism of the Indian banking sector. The study focused on the terms of credit such as interest rate charged to various productive activities and borrowers, the approach to risk management, and portfolio management in general.\textsuperscript{14}

Arunkumar, Rekha and Kotreshwar, G (2005), in their 9th Capital Markets Conference Paper “Risk Management in commercial Banks (A Case Study of Public and Private Sector Banks)” submitted to the Indian Institute of Capital Markets had examined and compared the trends in NPAs level, CRM practices of commercial banks, the response to reforms under Basel Accord II and Risk Based Supervision as between Public Sector Bank and Private Sector Bank. The study found a strong relationship between NPAs level and credit portfolio diversification\textsuperscript{15}.

\textsuperscript{15} http://papers.ssrn.com/sol3/papers.cfm?abstract_id=877812
B M Misra and Sarat Dhal (2008) had made an analysis of pro-cyclicality of bank indicators with a focus on the Non-Performing Loans of public sector banks in India. The empirical analysis demonstrates that banks’ NPAs are influenced by three major sets of factors, i.e., terms of credit, bank specific indicators relating to asset size, credit orientation, financial innovations (non-interest income), and regulatory capital requirement and the business cycle shocks. Using panel regression model, the study found that the terms of credit variables such as interest rate, maturity and collateral and bank specific variables had significant effect on the banks' non-performing loans in the presence of macroeconomic shocks. The empirical findings support the policy approach to the banking in the Indian context.16

He, Dong (2008), in his paper “Resolving Non-performing Assets of the Indian Banking System” submitted to the International Monetary Fund had reviewed the nature of NPAs in the Indian banking system and discussed the key design features that would be important for the Asset Reconstruction Companies to play an effective role in resolving NPAs. The analysis drew upon recent regional and cross-country experiences in dealing with impaired assets during periods of financial crises17.

R. K. Uppal (2009) clearly indicated that “NPAs were more in public sector bank group while the least was in foreign bank group, because advances by public sector bank group to the priority sector were also high. NPAs in the public and private

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16 [http://www.bis.org/repofficepubl/arpresearch201003.08.pdf?noframes=1](http://www.bis.org/repofficepubl/arpresearch201003.08.pdf?noframes=1)
17 [http://mpra.ub.uni-muenchen.de/9758/1/MPRA_paper_9758.pdf](http://mpra.ub.uni-muenchen.de/9758/1/MPRA_paper_9758.pdf)
sector bank group were high mainly due to increase in NPAs in the agricultural sector.”

1.7 OBJECTIVES OF THE STUDY

The present research work entitled “NPA MANAGEMENT IN STATE BANK GROUP” has been done with the following objectives:

1. To present the profile of State Bank of India and its associates with reference to which the present study is made

2. To understand the basic concept of Non Performing Assets, classification of assets, norms for provisions for NPAs and treatment of NPAs of banks in India

3. To study the various mechanisms evolved by Reserve Bank of India to contain Non Performing Assets levels of banks in India

4. To examine the financial performance in relation to NPAs of State Bank Group during the study period and

5. To analyze the Non Performing Assets in State Bank Group

1.8 RESEARCH METHODOLOGY

The present research work entitled “NPA MANAGEMENT IN STATE BANK GROUP” is entirely based on secondary data. The secondary data for the study has been collected from the documents of State Bank Group and Reserve Bank

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of India as available from their respective web sites. Besides, the data has been collated from standard text books of related topic, business dailies and magazines as available online.

In India, there are twenty nationalized banks (including IDBI Bank), State Bank of India and its six subsidiaries under the category of Public Sector Banks as on 31st March 2009. In addition, there are fifteen old Private Sector Banks and seven New Private Sector Banks and 31 Foreign Banks in India as on this date.

The present research work is in the nature of an Analytical Case study. The State Bank Group is considered for this study.

The State Bank of India constituted on 1 July 1955 by passing an Act in parliament in May 1955 and seven former State-associated banks which were taken over by passing the State Bank of India (Subsidiary Banks) Act, 1959 constitute the State Bank Group. Thus, the present study is with reference to the State Bank Group comprising State Bank of India, State Bank of Saurashtra, State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBIr), State Bank of Mysore (SBM), State Bank of Patiala (SBP), and State Bank of Travancore (SBT).

State bank of India is the largest banking company in India, by almost every parameter - revenues, profits, assets, market capitalization etc. The State Bank Group, with over 16000 branches, provides a wide range of banking products through its vast network in India and overseas, including products aimed at Non Resident Indians.
The total deposits of the State Bank group as on 31st March 2001 were Rs.312118.45 crore\textsuperscript{19}. It is about 30% of the total deposits of the entire banking system and about 36% of the total deposits of the Public Sector Banks.

The total advances of the State Bank group as on 31st March 2001 were Rs.150387.82 crore\textsuperscript{20}. It is about 29% of the total advances of the entire banking system and about 36% of the total advances of the Public Sector Banks.

The gross NPAs of the State Bank group as on 31st March 2001 were Rs.20593 crore\textsuperscript{21}. It is about 32% of the gross NPAs of the entire banking system and about 34% of the gross NPAs of the Public Sector Banks.

The State Bank group commands about 30% of the total business of the banking system and is fit for a case study of it, the findings of which could be applicable to the banking industry as a whole.

The study period for the present research work was a nine year period between 31\textsuperscript{st} March 2000 and 31\textsuperscript{st} March 2009.

The data relating to the key parameters to evaluate the NPA management in State Bank Group – Deposits, Borrowings, Advances, Total Assets, Operating Profit, Net Profit, Spread, Total Income, Total Expense, Operating Expense, Gross NPA, classification of Gross NPA, Net NPA, Gross NPAs to Total Assets, Net NPAs to

\textsuperscript{20} Ibid.,
\textsuperscript{21} Ibid.,
Total Assets, Gross NPAs to Gross Advances, Net NPAs to Net Advances, and Sector wise NPAs have been gathered for the study period from the web sites.

1.9 LIMITATIONS OF THE STUDY

The present study is with reference to State Bank Group, the biggest bank group among Public Sector Banks. The status of the NPAs may vary in respect of the Private Sector Banks, Co-operative Banks, or Foreign Banks as they differ in their business reach.

1.10 CHAPTER CLASSIFICATION

The present study entitled “NPA MANAGEMENT IN STATE BANK GROUP” is inter-twined into seven Chapters.

This Chapter I, “INTRODUCTION”, starts with the origin and growth of the banking industry in India. It describes the post-liberalization banking sector reforms in India. This Chapter also presents the relevant review of literature, statement of the problem, objectives of the study, research methodology, limitations of the study, and the chapter classification.

Chapter II, “PROFILE”, presents the evolution of SBI and its growth in terms of branches, and ATM services. It also provides the salient features of the business activities of the SBI Group. It also provides a SWOT analysis of the SBI Group.

Chapter III, “NON-PERFORMING ASSETS – THE BASICS” throws light on the concept and classification of Non Performing Assets. It also gives an insight
into the main causes for Non Performing Assets. It also accounts for the various factors contributing to NPAs in India.

Chapter IV, “NPA RECOVERY MECHANISMS” is devoted to throw light on the various legislations evolved by the Reserve Bank of India to recover NPAs. The guidelines in respect of Lok Adalats, Debt Recovery Tribunals, SARFAESI ACT, One-Time Settlement /Compromise Schemes, Corporate Debt Restructuring Mechanism, Asset Reconstruction Companies, and Sale/Purchase of Non Performing Assets have been dealt in detail.

Chapter V, “FINANCIAL PERFORMANCE” makes an attempt to unearth the trends of deposits, borrowings, advances, total assets, total income, total expenses, operating profit, and net profit of the State Bank Group.

Chapter VI, “AN ANALYSIS OF NPAs” throws light on gross NPAs added, provisions for NPAs made during the year and the status of gross NPAs, and net NPAs of the State Bank Group. It presents an analysis of the sector-wise NPAs of the State Bank Group. It also deals with the NPA recovery mechanism adopted by the State Bank Group to contain NPA levels.

Chapter VII, “CONCLUSION”, is a capsule summary of the findings of the study. It also provides viable suggestions for better NPA recovery in banks.