CHAPTER - VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 INTRODUCTION

Banking development is a pre requisite for National development. The area of non performing investments and advances has gained extra importance in the banking sector. In democracy all the political parties make more promises based only on banking sector and its reforms. Nationalized banks and other commercial banks employ attractive strategies to create awareness among investors and invite them to invest in banking industry. Reforms in banking depend upon financial sector reforms. Financial sector reforms are essential to ensure the efficient allocation of funds available for investments thereby achieve higher growth. In this way the reduction of non performing assets and proportionate increase of performing advances operation is considered essential.

FINDINGS OF THE STUDY

7.2 FINDINGS PERTAINING TO OBJECTIVE 1

Intense competition is prevailing among all types of commercial banks to achieve minimum nonperforming assets. Many banks are offering attractive terms to NPA borrowers to reduce Non-performing assets.

It is also found that though the Non performing assets in commercial banks have increased considerably, in Tamilnadu that may not be considered as significant compared to all India level. They also feel resource deployment is considered as crucial for every bank and to improve profitability. In the span of 10 years from 2004-2013, commercial banks in Tamilnadu showed an upward trend in lending advances and this trend is significantly contributed in the trend of advances at all India level. The lending of advances is carefully maintained, with consistent growth rates over the span of 10 years in Tamilnadu.
It is found that non performing assets in agriculture sector increased during 2003-2007 and significant decrease was observed in the years 2007-2009. A sudden increase in non performing assets in priority sector is found in 2006-2007 and decrease is also noticed in the years 2007-2009. The non performing asset trend in public and non priority sector showed a downward direction in the year 2004-2005 and in the remaining years it has shown the upward trend only. There is a significant difference among Non-performing assets in agriculture, non performing assets in priority sector and non performing asset in non priority sector. Among these three types of non performing assets, the commercial banks had more non performing assets in priority sector followed by non performing asset in non priority sector and Non-performing asset in agriculture respectively.

It is found that non performing assets in priority sector is increasing in all the commercial banks in Tamilnadu over the span of ten years but in the case of Non performing assets in non priority sector a sudden increase was noticed in the year 2003-04 and a reduction was also experienced by the commercial banks in the year 2004-2005 in Non performing assets. From 2005 onwards the increasing trend alone is prevailing in non performing asset in non priority sector. A significant difference was noticed among all the three types of non performing assets. Among the three non performing assets namely non performing asset in agriculture, non performing assets in priority sector and non performing asset in non priority sector, the non performing assets in priority sector are high among all the commercial banks. The second position in non performing assets is through non performing assets in non priority sector followed by non performing asset in agriculture.

In terms of regions in Tamilnadu, the commercial banks have suffered differently in different regions of Tamilnadu in the area of non performing assets. The commercial banks suffered more non performing assets in urban and metropolitan regions in Tamilnadu. The commercial banks had a view that the rural regions are having lesser incidence of Non performing assets. The same situation is prevailing in
all India level also. But, the contribution of Tamilnadu on all India level with respect to non performing assets is significant. The district wise analysis on non performing assets in Tamilnadu revealed that certain districts are highly prone to the problem of NPAs. Those districts are, Chennai, Coimbatore, Trichy, Madurai, Kanchipuram, Salem and Erode. These districts have a very incidence of non performing assets, remaining 22 districts in Tamilnadu also reported non performing assets, but at a slightly lower level. The trend analysis revealed that over the span of ten years from the year 2004 to 2013, the commercial banks in 22 districts experienced an upward trend in non performing assets. There is a significant difference in the NPAs of scheduled commercial banks in the span of ten years.

7.3 FINDINGS PERTAINING TO OBJECTIVE 2

The fluctuation of Credit Deposit ratio is noticed in the year 2004-2005, 2006-2007 due to poor deposit and credit growth and due to existing loan repayment. The globalization of economy paved the way to commercial banks to open branch offices in foreign land. Both nationalized and other commercial banks opened the branches in foreign countries. At the same time foreign banks strongly expanded their base in India for banking and giving lot of challenges to Indian commercial banks in terms of deposit mobilization and advances.

The advances are considered as the main income generator in commercial banks in Tamilnadu. The commercial banks are deploying the resources collected by the means of deposits under the directives of State, Central Governments and RBI. The commercial banks are able to realize that the people in urban and metropolitan regions are making use of the resources available in the commercial banks in the form of loans. The region wise analysis revealed that in advances urban and metropolitan regions followed by semi urban, and rural regions occupy the first position. It is found that semi urban and rural region people are obtaining the loans for agriculture and small-scale industries. This would help them to improve their socio economic status. The same situation can be noticed in all India level and it is observed that in advances the contribution of Tamilnadu on all India level is highly significant.
In advances the district wise analysis revealed that seven districts are ranking top in the list namely, Chennai, Coimbatore, Madurai, Salem, Erode and Thanjavur. These seven districts are making use of the commercial banks in a maximum way to obtain agricultural loan, industrial loan and loans for small scale industries. The other priority sector like transport operators, small business holders are also flourishing in the above mentioned seven districts. In the span of ten years from 2004 to 2013 a considerable increase in advances to small scale industries by commercial Banks is noticed. In the years 2004 to 2013, Tamilnadu has shown special interest on industrial development. This is due to the financial support availed from commercial banks in Tamilnadu by the entrepreneurs. According to the directives of the RBI and due to business considerations, the commercial banks in Tamilnadu are disbursing the loans for education, personal loans, professional loans, loans for small business and loans for transport operators. The commercial banks in Tamilnadu are able to notice a significant increase in the loans availed by the people for purchasing two wheelers and four wheelers and also they have given maximum amount of additional loans to agricultural sector during the periods of drought as well as flood. There is a significant difference in the advances of region wise scheduled commercial banks in the span of ten years.

7.4 FINDINGS PERTAINING TO OBJECTIVE 3

The commercial banks in Tamilnadu consist of State bank of India and its associates, nationalized banks, and other scheduled commercial banks, foreign banks and rural region banks respectively. State bank of India branches are increasing throughout the period under study, i.e, 2004 -2013. Nationalized banks branch offices also increased gradually during the period under study. Foreign banks are also increasing in number of branches during 2004-2013. There is a significant increase in the trend among scheduled commercial banks in Tamilnadu from 2006. But, the overall trend of number of branches of commercial banks is always increasing and satisfactory during 2004-2013. Government policies and directives of RBI affect the deposits, advances and NPAs of scheduled commercial banks in Tamilnadu.
7.5 FINDINGS PERTAINING TO OBJECTIVE 4

The statistical analysis on primary and secondary data has given the torrent of following results. In the span of 10 years from 2004 – 2013, there is a significant increase in the number of branch offices of commercial banks. This shows that the people of Tamilnadu and in all India are having better awareness on banking habits. Tamilnadu is contributing more in the branch expansion at all India level. The branch offices trend in Tamilnadu and all India level is moving always upwards. This implies that the commercial banks maximized the customers over the span of 10 years.

As the population of India increasing in geometric progression, it can be noted that on the average newly opened branches of commercial banks are able to get above 5% of new customers to their banks both in Tamilnadu and all India level. This amount of population served by commercial banks in Tamilnadu is considered highly significant in its impact on all India level. Commercial Banks with their Head Offices outside Tamilnadu felt that the Tamilnadu is considered one of the few major states in India with large amount of customers, business potential and awareness.

It is also found that due to economic crisis and recession in the year 2005-2006, the population served per branch has decreased, significantly both in Tamilnadu and at all India level.

The primary data in the study revealed that in the span of ten years people of Tamilnadu have increased their banking habits. According to their opinion, the commercial banks in Tamilnadu are delivering two types of service namely, general service and economic service. The general service comprises day-to-day dealing with the banks like withdrawals, deposits and remittances etc., economic service comprises availing the loan facilities. The demographic variables of customers are also affecting their opinion about general service and economic service of commercial banks in Tamilnadu. It is found that the people in Tamilnadu are approaching the commercial
banks for both general and economic services. They also feel that the returns through deposits in commercial banks are moderate but they are forced to deposit their money as they consider Bank deposits as safe, easy to operate and reliable, along with certain tax benefits. It is found that the opinion of customers should like that the commercial banks have to hike interest rate for their deposits. The commercial banks are able to achieve their targets of deposits by means of attractive schemes and advertisement. In advertisement, the commercial banks profoundly explain the risk free factor in the deposit schemes of commercial banks. As the customers realize the safety of deposits in commercial banks, they are being attracted by the new schemes of commercial banks emerged due to competition. The commercial banks are conducting certain periodic awareness program with the help of bank employees to meet the customers to know their grievances and expectations. The bank employees are explaining the advantages of the deposit schemes in their banks and how this would help for resource deployment.

The employees of commercial banks in Tamilnadu are able to distinguish the operations of commercial banks as necessary operations and innovative operations. The necessary operations like encouragement, cooperation, and transparency are much popular among the employees and customers. The innovative operations like, computerization, online banking, net banking is also popular and useful for the employees and customers of commercial banks in Tamilnadu. The general performance of commercial banks is depending on general service, economic service, necessary operations and innovative operations. The employees are able to distinguish and give high standards of service about the general performance of commercial banks based on the above-mentioned services and operations.
7.6 SUGGESTIONS

Improving the recovery management as sound functioning of banks depends on timely recovery of credit, hence, banks should develop suitable recovery programs for assessing and classifying the overdues, monitoring accounts, keeping regular contact with borrowers, fixing recovery targets, arranging recovery camps, training the personnel and liking marketing of produce and recovery.

Computer based banking system has helped the bank management to solve some of the inherent problems. Computerization can further help the management in setting required information in order to take proper decisions while granting loans/advances.

Ethics in borrowers is necessary to make the banking sector more efficient. However, many borrowers are defaulters not because of low income but due to lack of ethics. Hence, banks should use NGO’s and other voluntary organizations to educate the borrowers regarding the importance of timely repayment of credit.

Management of credit is essential for proper functioning of banks. Preparation of credit planning, appraisal of credit proposals, timely sanction and disbursements, post sanction follow-up and need based credit are the some areas of credit management that needs improvement in order to reduce the NPAs.

Government of India/RBI had initiated many legal measures to bring down NPA in banks. However, there are some flaws in each legal measure which need improvement in order to bring down NPA in banks.

RBI has put in place a system for periodical circulation of details of willful defaulters of banks and financial institutions. RBI also publishes a list of borrowers (with outstanding aggregate rupees one crore and above) against whom banks and financial institutions in recovery of funds have filed suits as on 31st March every year.
This serves as a caution list while considering a request for new or additional credit limits from defaulting borrowing units and also from the directors, proprietors and partners of these entities. Circulation of Information of defaulters helps commercial banks to reduce NPAs.

RBI to identify the places without bank facilities and help the people in those places to have a branch office of a commercial bank after a viability study.

Semi-urban and rural region customers must be educated periodically by the commercial banks to realize the importance of savings habit in the form of deposits.

The State and Central Government should cooperate with all the commercial banks to educate the banking habits among the people of India and to highlight their transparency of functions and operations.

A high level of performing advances can be achieved with the cooperation and commitment of the customers. The commercial banks should transparently express the availability of the loans and the documents required. This would help the customers to avail the loans without any procedural delays.

The agriculture sector as well as the industrial sector must be intensely monitored by the commercial banks and help those sectors by disbursing the loans as per the direction of State and Central Governments without any delay.

The innovative operations like computerization, online banking and net banking must be organized by all the commercial banks immediately to pave the way for the customers for their easy bank dealing and this would help both customers and bank staffs to avoid the loss of valuable time.
7.7 SCOPE FOR FURTHER RESEARCH

This study gives profound ideas about the non performing assets and advances of commercial banks in Tamilnadu in the span of ten years from 2003 to 2013. The awareness of customers of commercial banks about the deposits, advances and non performing assets is explored in a concrete manner. Further research on the following area would yield torrent of results. A wide survey can be conducted on nationalized, foreign and other commercial banks separately to analyze the innovative strategies adopted by the bankers for successful migration of NPA to Performing Advances.

In the present study, customer grievances and redressal measures that the banks handle NPA, so a separate study can be done in this area. A region wise study of customers of commercial banks would enable to understand the factors affecting the reasons for the incidence of non performing assets in Metro, Urban, semi urban and rural regions in India.

7.8 CONCLUSION

The incidence of non-performing assets (NPAs) is affecting the performance of credit institutions both financially and psychologically. The non-performing assets have become a major cause of concern. Imbibing the credit management skills has become all the more important for improving the bottom-line of the banking sector. It becomes essential to master the expertise for monitoring exposure levels, industry scenarios and timely action in respect of troubled industries. Skills of NPA management, include working out negotiated settlements, compromises constituting active settlement, advisory committees, restructuring and rehabilitation, effective recourse to suitable legal remedies are to be supplemented with most suitable legal reforms by banks to recover dues well in time so that the financial soundness of the banking sector will not be undermine.
It can also be concluded that the banks can avoid sanctioning loans to the non-creditworthy borrowers by adopting certain measures. Banker can constantly monitor the borrower in order to ensure that the amount sanctioned is utilized properly for the purpose to which it has been sanctioned. The banker should get both the formal and informal reports about the goodwill of the customer. If he had already proven as a defaulter then there is no question of sanctioning loan to him. The banker also has to educate the borrowers regarding the effects and consequences of defaulting. By considering all the above factors the banker can reduce the non-performing assets in a bank. The use of technology like Core Banking Solutions in Apex bank should make more reachable to all borrowers.

The problem of NPA is greater in the public sector banks as compared to private and foreign banks in India. Similarly, the problem of NPAs is more in non-priority sector than priority and public sector. Further, SSI sector has largest share in the total NPA of priority sector. As a result of this, financial health of banks has been affected adversely. Hence, banks in India must apply the basic principles of financial management to solve the problems of mounting NPA.

NPAs have been a major issue for the banking industry. The RBI which is the apex body for controlling level of non-performing assets have been giving guidelines and getting norms for the banks in order to control the incidents of faults. Reduction of NPAs in banking sector should be treated as national priority item to make the Indian Banking system more strong, vibrant and geared to meet the challenges of globalization.