ACKNOWLEDGEMENT

As I sit to write this, there is a very fast picture slide show going on in my mind at present. The slideshow brings me the fond faces who have helped me see this day. I am facing the problem of plenty in this regard because I don’t want to annoy any one by forgetting their names or overlooking their contribution.

I shall begin by offering my sincere thanks to God Almighty who has given me the strength, the self belief, the ability, the determination to undertake and accomplish this task. It was God’s blessings that I was able to complete my thesis on time, in spite of major hindrances at the domestic front, career front etc. God helped me in keeping good health and not only my good health, but also looked after the health of my family, which helped me to concentrate on this task.

My sincere thanks are due to my guide, my mentor, Dr. S.S. Khanuja on being a father figure all through my research. Like a loving father he bore all my insincerities somewhere down the line in completing this thesis. It was his valuable suggestions, his ideas and timely help that this Ph.D has seen its day. Never did he lose his patience; never did he show his reluctance in guiding me. I pray to god for his happiness, good health and prosperity for years to come.

My heart filled thanks to my beloved grandmother Mrs. K. K.Thangammal who continuously kept on telling since my childhood –“It’s my wish that there should be a doctor in our family.” I am happy that I fulfilled her wish though not biologically! My gratitude to my father Late Shri M.V.RAMAKRISHNAN for all his blessings from heaven that has helped me in becoming what I am today.

When it comes to thanking my mother, I am humbled. She is a lady who has taught me sacrifice and patience, she has brought me up with right family values, taught me the balance of life and it is because of her teachings, her blessings that I have been able to complete this task that involved lot of sacrifices, balancing the profession without
compromising with my family duties. I shall always be indebted to her for making me capable enough to achieve one of the highest degrees in the field of academics. My thanks are also due to my Alter Parents- Mr. M. V. Krishnakumar and Padma Krishnakumar for being there like mountains to shelter me, listen and guide me all through my life.

My family should actually get the whole credit for completing this thesis. My husband, despite being busy, silently provided me with his support in whatever way possible. His presence in the banking sector actually helped me a lot in understanding the nitty gritty of this sector and I was in a better position to analyze, to judge my proceedings. Though small, the discussions with him were always fruitful as I got to know the latest trends of the banks and their functioning.

Sincere gratitude to my father-in-law for all his support as a guardian. Without his help I would have found completing my field work very difficult due to his right pitching in as an “alter parent” most of the times.

My thanks are also due to my late mother in law for her support and encouraging words even during the last stages of her life.

Both my children need special mention in this regard as they are the ones who happily and willingly helped me complete my research peacefully. My daughter Swathi and my son Abhijith for they understood the need of the hour and without any complaint accepted to sacrifice their good times, their outings, their childlike pranks for my sake and always tried to give me a peaceful and conducive environment at home to complete my PhD.

Sincere thanks to my younger sister Priya and her husband Kowshik, his father Shri. Devarajan for all their valuable suggestions, their help in analyzing the data, timely corrections that has served my purpose in more than one way. Despite being busy and staying 1000s of kms away, they continuously kept an eye on the proceedings of my research and never lost any moment to add to the information.
I also thank my youngest sister Nithya for her valuable inputs and helping me out with some of the charts preparation as per my requirement during her free time.

Among my friends, the list begins with my older friend and guide Mr. A. Ramachandran,(M.I.T.,Jodhpur) who helped me in arriving at a convincing hypothesis. His questions during visits to my place brought about more logic to my thought processes. Being a statistician, he helped me come up with the correct testing tools.

Big thanks are also due to Mrs.Sonali Malewar (Mats University) who stood by me during tough times. She shouldered the burden, toiled relentlessly with me, moving from organization to organization during data collection. During many a times, she made up for my absent mindedness by constantly reminding me of my pending jobs. Another set of buddies who made my spirits bright and propelled me for hard work are Mr. Ravi Shankar Panicker of Columbia Engineering College and Mrs. Monica Panicker (MAIC College). They were always ready to help at the drop of a pin. My sincere thanks to all these good friends and I wish them success in future to complete their Ph.Ds.

I am extremely grateful to the Bank managers and the other officers of RESERVE BANK OF INDIA Mr. Arvind Sharma, Manager (Raipur Branch), SBI (Mr. Gokhale (AGM), Mr. Anil Shukla(SLBC)), Central Bank(Mr.Vimal Nair), officers of Punjab National Bank, Bank of India(Mr. Rao), Bank of Baroda(Mr. Jha, Mr. Verma and Mr.J.S.I Chandran) ICICI, FEDERAL BANK(Mr. Jacob),HDFC bank and Axis Bank (Mr. Pratyush Nag, Ms.Aradhana, Mr. Shakeel)) for patiently listening to me and helping me out in whatever way possible regarding providing me data, providing information about the NPA A/cs, suggesting about the latest trends in the sector. Without their support this work would have not been complete.

As I said, this is going to be a very difficult task for me as unknowingly I may have forgotten some names that played an important role in completing this research, my apologies for that. Last but not the least; my thanks to each and every one around who directly or indirectly, visibly or invisibly have contributed every bit in helping me finish this thesis on time.
PREFACE

Three years back, when my loan of Rs 10,000 to an associate lent in good faith during troubling circumstances, became partly irrecoverable even after repeated attempts, it really made me question the concept of availing loan and their repayments etc. When a loan of such small amount (no means small considering the toil that went behind to earn it!) went bad, it made me wonder about the big players in the market who deal with such loans on an everyday basis and the result of such continuous thoughts led to the selection of such a topic. The outcome of such a thought would unfurl in the following pages.

The accumulation of huge non-performing assets (NPA) in banks has assumed great importance. The depth of the problem of bad debts was first realized only in early 1990s. The magnitude of NPAs in banks and financial institutions is over Rs.1, 50,000 crores. While gross NPA reflects the quality of the loans made by banks, net NPA shows the actual burden of banks. The banks and financial institutions have to take the initiative to reduce NPAs in a time bound strategic approach.

Public sector banks commonly figure prominently in the debate due to its size and quantum of loans, its management of NPAs etc. This raises a concern in the industry and academia because it is generally felt that NPAs reduce the profitability of a bank, weaken its financial health and erode its solvency. The main idea was to find out if any broad framework has evolved for the management of NPAs.

In the first chapter, an attempt is made to understand the evolution of banking, the functions of banking, its structure in India and the recent developments in the banking scenario in India. The chapter begins with a peep into the presence of credit in the ancient economy, and proceeds to the chronology of banking since the establishment of the first bank in the world (Bank of Venice at Italy in 1157) and gradually enters the area of banking in India. The changes that took place in India right from the establishment of the first bank (European Bank in 1784, General bank in 1786), to the establishment of Imperial banks, Reserve banks, enactment of Banking regulation Act, Nationalisation of banks in 1969, followed by further phases of Nationalisation, liberalisation, the technological developments after such liberalisation are discussed at length. A brief summary of phases is also discussed under preliminary phase, branching out phase, Consolidation phase; reformative phase. An idea is also obtained about the various improvements in the operations and performance of the banking sector in the latest year taken for study (2009).
This also leads us into the study of banking sector developments post reforms especially, the % growth in deposits, advances, GDP, npas and so on. The chapter finally ends with a SWOT analysis of the banking sector with the current strengths, weaknesses, threats and opportunities.

**As the thesis advanced**, it was felt essential to add a chapter on C. G as we would be probing into the causes and remedies that are available in the state of C.G and the NPA levels of banks in the state depending upon the availability of data. Hence this chapter was added.

**The second chapter begins** with the topography of C. G, the various districts, the occupation of the people, the resources available in C.G, the potential for irrigation and power, mineral resources , the sector wise development in C. G , (ie, the developments in agriculture, industries) . A detailed description is also given about the contribution of the large scale industries in terms of investment and employment. In this chapter also, a SWOT Chart of C. G is displayed.  **In the last section, emphasis is laid on the banking sector developments in C. G in the year 2009, 2010 as far as deposits, advances, growth in priority sector advances , ratio of priority sector advances, growth % in agricultural advances , growth in MSME advances , other priority sector advances , advances granted under various govt sponsored schemes, the number of branches in Chhattisgarh for the selected banks, the number of branches in Chhattisgarh(population wise-rural, semi urban ,urban) and the number of branches of all these selected banks all over India. This also points out the possibilities for development in the region of Chhattisgarh.**

**In Chapter 3**, an attempt is made to understand the basics about all the ten banks. The chapter begins with the relative strengths of the public Sector Vis a Vis private sector.

**Accordingly, the Banks that were taken for the study are:**

**Public Sector Banks (on the basis of Alphabetical Order)**
Bank of Baroda, Bank of India, Central Bank of India, Punjab National Bank, State Bank of India

**Private Sector Banks (In Alphabetical order)**

As far as the public sector banks are concerned, an analysis was made of each of the individual banks in terms of origin, technological advancements and growth. The growth was analyzed for a ten year period beginning from 2001-10. The growth analysis focused on
the number of offices, employees, profit/employee, business/employee, their capital and reserves, deposits, their investments, advances, interest income, other income, interest expense, operating profit, cost of funds, return on advances, wages as % of total expenses, return on assets, CRAR, Net NPA Ratio. For the public sector banks, a point wise analysis is made whereas for the private sector banks, charts are made for analysis.

The 4th chapter focuses on the balance sheet, profit and loss a/c of a bank and the explanation of items under three sections as per standard norms of Banking Regulation Act. The first section explains the Asset side and Liabilities side of the Balance sheet, the second section focuses on the profit and loss items of a bank and the third section focuses on the notes to a/cs. Banking regulation norms regarding presentation of a/cs is also dealt in this chapter.

The 5th chapter clarifies the concept of NPAS as per RBI guidelines. The 6th chapter focuses on the impact of NPAs and categorization of causes of NPAs. It establishes clearly that NPAs affects profitability, dilutes liquidity, adds up to the indirect costs of recovery, loss of credit image, affects return on assets, widens the asset liability mismatch and so on.... it also studies the factors affecting NPAs.

The 7th chapter identifies the measures to control NPAs and the 8th chapter is actually an extension and explanation of corporate debt restructuring as a curative measure to control NPAs. The 9th chapter analyses the pattern, arrives at conclusions and suggests recommendations to correct the flaws in the system. Hope this reading enlightens you on all aspects pertaining to NPAs. Happy reading!!!