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FINDINGS, SUGGESTIONS AND CONCLUSION OF THE STUDY

8.1 INTRODUCTION

The banking industry is a giant industry which provides different services namely deposits, advances, and other facilities to the people. The banks help to lift the standard of the life of the people through extending the banking services. India is a developing country. The development of any country depends on the overall development of agriculture and industry. An efficient and developing agriculture is considered a major factor in accelerating the pace of economic advancement. The Government of India announced their industrial policies in 1948 emphasizing on the importance of segments like agricultural and its allied activities, cottage and small scale industries, education, housing, improving the weaker section and so on.

This chapter presents the findings of Public sector banks (PSBs), Private Sector banks (Pvt.SBs), Comparative study of schedule commercial banks (SCBs) and managing the Non Performing Assets (NPAs) and also offers suggestions.

8.2 FINDINGS OF THE STUDY

The findings are presented in two forms namely summary form and list form.

The theoretical information relating to credit management is presented in summary form because it is in the form of theory. The analyses of advances by the commercial banks in India are presented in list form because it is analytical in nature.

8.3 THEORETICAL FRAMEWORK: CREDIT MANAGEMENT

The banking sector reforms have been initiated in the year 1991 with the key objective to make banks more vibrant, viable and effective. It offered various kinds of loans and advances under schedule 9 of banking balance sheet, like total bill finance, total demand loans, total term loans, total secured advances, unsecured advances, priority sector advances, advances to public, total advances outside India and so on. In the present era banking sector meets the biggest problem of credit management. Credit management is one of the credit portfolio of banks and financial institutions. The expression credit refers to short-term, medium term and long term loans and advances. Credit management includes, within its
preview, pre-sanction appraisal, sanction, documentation, disbursement and post-lending supervision and control. In the highly competitive and deregulated environment banks and financial institutions have to evolve a better system and procedures to manage the credit needs of their highly demanding customers, particularly in the corporate and retail sector. The development in the past decade has totally changed the credit management perspectives in banks. If the banks fail to manage the credit in effective and efficient manner, it becomes a non performing assets (NPAs).

The concept of NPA was introduced in the year 1993 by the RBI based on the recommendation of the Narasimham Committee. The term NPA refers to a loan which remains overdue for a period of more than 90 days. Such assets are classified into standard, sub-standard, doubtful and loss assets. The banks have to create provisions for sub-standard and doubtful assets. There are some guidelines prescribed by the RBI for the classification of NPAs. Banks are concerned with their heavy NPAs portfolio which can impair their profitability and are taking all possible steps to contain the same. Banks have achieved a reasonable degree of success in bringing down their existing NPAs but due to heavy slippage of standard accounts to NPA category the overall position continues to decline. Hence it is necessary for the banks to improve the credit management system for their development and to protect themselves.

8.4 LOANS AND ADVANCES OF PSBs- ANALYSIS

1. It was found that the bill finance offered by the PSBs had an increasing trend during the study period between Rs. 41898 crores in 2002-03 and Rs. 153252 crores in 2012-13, among which the NBs (Nationalized Banks) had lent more bill finance than the SBI and its asst. banks, because the number of NBs was 19. The standard deviation (SD) of SBI and its asst. banks and NBs were 16811.94 crores and 23352.37 crores respectively. The compound annual growth rate (CAGR) for the total bill finance offered by the PSBs was 33.10 percent.

2. The demand loan of the PSBs had increased in all the years from Rs. 291681 crore in 2002-03 to Rs. 1138345 crore in 2012-13. The PSBs performance also increased gradually during the period between 2002-03 and 2012-13. The average demand loan offered by PSBs was 698171.3 crores and SD was 326109 crores.
3. The term loan amount had increased from Rs. 215772 crore in 2002-03 to Rs. 1455668 crore in 2012-13. Of the total term loan, the NBs have offered upto 68 percent and the rest were by the SBI and its Asso. Banks. The CAGR of the SBI and its Asso. Banks and NBs were 19.62 percent and 18.58 percent and CV for both these were 52.63 percent.

4. In the total fund based advances, the SBI and its Asso. Banks had lent more than 50 percent as demand loan in all the years except two years 2002-03 and 2003-04 and the NBs also had lent more than 50 percent as same loan in all the years except in four years. So the banks prefer to lend more demand loan than the other form of loans.

5. Through the structural equation model (SEM) analysis it was found that the PSBs had offered more term loan than the bill finance and demand loan and the term loan is the highly influencing variable towards the total advances of the PSBs.

6. The secured advances of the PSBs had moved in the upward trend from Rs. 439830 crores in 2002-03 to Rs. 3035014 crores in 2012-13 and among the total advances the NBs have occupied above 60 percent and the rest were by the SBI and its Asso. Banks. So the banks are concentrating and offering more on secured advances. The CAGR for SBI and its Asso. Banks was 19.62 percent whereas the NBs’ CAGR was 20.51.

7. Advances against the government guarantees to a maximum amount of loan Rs.197086 crores was given in the year 2012-13 and the minimum of Rs.39703 crores was given in the year 2002-03. It was found that there is always an increasing trend of the advances by banks. SD for SBI and its Asso. Banks and NBs were 37091.13 crores and 28671.2 crores respectively, whereas the CV was 71.5 and 42.89 respectively for both SBI and its Asso. Banks and NBs.

8. The total unsecured advances of the PSBs had increased continuously from Rs. 69817 crores in 2002-03 to Rs. 638695 crores in 2012-13. It had increased more than ten times during the period of study. Hence banks offered more unsecured advances for more interest. The average unsecured advance of SBI and its Asso. Banks was 124585 crores whereas the NBs had an average of 221395 crores.

9. The details of loans and advances offered by the PSBs in India based on the securities offered by borrowers had an increasing trend during the study period. It had confined through CAGR which was 38.30, 35.06 and 41.15 percent for the secured tangible asset, government guaranteed loan and unsecured advances respectively.
10. The PSBs lending performance towards priority sector advances was better in every year; it was reflected through standard deviation of the NBs loan which was 177650 crores and the SBI and its Asso. Banks was 87072.5 crores.

11. The agriculture advances of the SBI and its Asso. Banks had increased during the study period except 2007-08 and the amount varied between Rs. 20268 crores in 2002-03 and Rs. 196235 crores in 2012-13. Similarly, in the advances of the NBs, the advances ranged between Rs. 40270 crores in 2002-03 and Rs. 160235 crores in 2012-13. Moreover the SBI and its Asso. Banks and NBs strictly adhere to the government and the RBI rules and regulations.

12. The SSI advances of NBs lent more than 52.43 percent to 68.87 percent during the study period in total SSI loan and the remaining was made by SBI and its Asso. Banks. Regarding regression analysis the beta value was 3.400 and 6.123 percent and the t value shows 3.320 and 3.683 percent for SBI and its Asso. Banks and NBs respectively.

13. The SSSBEs loan offered by the PSBs in total loan amount had increased from Rs. 87162 crore in 2002-03 to Rs. 939382 crore in 2012-13.

14. The micro credit advance share of the NBs advances ranged between 52.54 percent in 2012-2013 and 83.04 percent and SBI and its Asso. Bank advances was between 16.96 percent in 2006-07 and 47.46 percent in 2012-13. Hence it is concluded that the NBs had offered more micro credit.

15. It is found that the educational loans of the CAGR of the banks are meagrely equal like 46.16, 45.03 and 45.50 respectively. Hence it is inferred that there is no negative trend in advances offered by the PSBs towards education loan during the study period.

16. The housing loan of the standard deviation of the SBI and its Asso. Banks loan was 42376.08 and the NBs was 53698.68. The housing loan of the PSBs had increased in all the years of study. It shows that there is twenty one times increase during the period of analysis.

17. It was found that the maximum amount of retail loan of Rs. 164879 crores was given in the year 2012-13 and the minimum amount offered by banks was Rs. 11273 crores in 2002-03. There is a significant association between the advances offered to the retail traders by these two groups of banks at one percent significant level.
18. Public advances of the PSBs increased continuously every year from Rs. 92418 crores in 2002-03 to Rs. 362006 crores in 2012-13. It was found that the public advances of banks had increased more than four times during the period of study.

19. The other advance of PSBs performance also had grown more than six times during the period of study. They had increased continuously from Rs. 239800 crores in 2002-03 to Rs. 1425064 crores in 2012-13.

20. The outside advances offered by the PSBs had increased continuously which stood in Rs.38285 crores in 2002-03 to Rs.229202 crores in 2012-13 which had increased more than six times during the period of study.

21. The foreign bill finance of the PSBs was found increasing progressively during the analysis period which stood from Rs. 2576 crores in 2002-03 to Rs. 36521 crores in 2012-13, while the SBI and its Asst. Banks had also increased during the year between Rs. 2834 crores in 2002-03 and Rs. 36521 crores in 2012-13 except in 2005-06.

22. The syndicated loan of the NBs had increased progressively during the study period except 2003 to 2006. The loan amount had varied between Rs. 4597 crores in 2004-05 and Rs. 33651 crores in 2012-13.

23. The other advance of the PSBs outside India had increased continuously in all the years. It shows six times increase during the study.

24. Through the GARCH model, the lending performance of the PSBs was seen and the moving average of this model fitted at the level of AR (2) MA (1) and MA (2) GARCH (2.1.2). Hence the PSBs volatility and trends are moving upward and, so the lending performance is good.

8.5 PRIVATE SECTOR BANKS IN INDIA (Pvt.SBs)

1. The bill finance of the OPSBs had increased during the study period except in 2009-10 and the amount varied between Rs. 4535 crores in 2002-03 and Rs. 14123 crores in 2012-13. The advances of the NPSBs ranged between Rs. 6549 crores in 2002-03 and Rs. 22124 crores in 2012-13.
2. Regarding the demand loan, the regression analysis found that, the beta value was 0.845 and 1.128 percent and the t value shows 4.972 and 4.402 percent for OPSBs and NPSBs respectively. Hence, it is concluded that the Pvt.SBs performance increased gradually during the period between 2002-03 and 2012-13.

3. The term loan of the Pvt.SBs had increased from Rs. 89429 crores in 2002-03 to Rs. 580225 crores in 2012-13. Thus it shows a continuous increasing trend during the study period.

4. Out of the total advances, the OPSBs had lent more than 50 percent as demand loan in all the years. Similarly NPSBs also had lent more than 50 percent as demand loan in all the years during the study period. It is inferred that banks prefer to lend demand loan than the other form of loans.

5. Through the SEM analysis it was found that the demand loan is a major influencing variable towards the total advances of the Pvt.SBs. Through this model the Chi-square value shows 68.457 percent. The GFI 1.00 percent reflects that the model is good. The CFA .936 percent indicates that the model is highly fit and shows goodness of the bank performance towards loans and advances. The RMR 0.001 and shows that error value is smaller which is less than 10 percent and RMSEA 0.001 indicates that it lies between the confidence interval of less than 0.06 to 0.08.

6. The advances against the tangible asset of the OPSBs’ lending performance had varied between Rs. 49862 crores in 2002-03 and Rs.258128 crores in 2012-13. The lending performance of the NPSBs had moved in the same direction of Rs. 67850 crores in 2002-03 to Rs. 338000 crores in 2012-13.

7. The advances offered against the government guarantees, the average value and standard deviation of the advances were Rs. 5173.5, 8236.0 cores and 2174.1 and 2997.6 crores of OPSBs and NPSBs respectively. Hence, the advances against secured by government guarantees had shown constant increase during the period of study.

8. The advances are offered against unsecured advances by the Pvt.SBs. The share of OPSBs ranged between 41.64 percent in 2002-03 and 49.03 percent in 2010-11 and NPSBs’ were between 50.97 percent in 2010-11 and 58.36 percent in 2002-03. Hence, the advance of unsecured advances has constantly increased during the period of study.
9. Among the total advances, majority of the loans were given as secured advances and the rest were as government guaranteed advances and unsecured advances by both the OPSBs and NPSBs. Hence it is concluded that the Pvt.SBs had offered more number of secured advances for tangible assets loan rather than the government guaranteed loan and unsecured loan to their customers.

10. The priority sector advances of the Pvt.SBs had increased in all the years of study. It shows that there is ten time increase during the period of analysis. In total advances, the highest growth rate of priority sector loans had been recorded as 68.60 percent in the year 2005-06.

11. The direct and indirect advance to agriculture sector offered by the Pvt.SBs had increased from Rs. 10239 crores in 2002-03 to Rs. 102365 crores in 2012-13. The growth rate of agriculture advances of banks had fluctuations between 4.93 percent in 2011-12 and 68.64 percent in 2006-07.

12. The total SSI loan of the Pvt.SBs had increased in all the years from Rs. 8613 crore in 2002-03 to Rs. 336589 crore in 2012-13 except in 2003-04. The Pvt.SBs performance increased gradually during the period between 2002-03 and 2012-13.

13. It was found that in the SSSBEs’ total advance, the NPSBs occupied a majority of the shares of more than 51 percent and the rest were by the OPSBs in all the years of study. Hence, the SSSBEs loan lending performance of Pvt.SBs had an increasing trend during the study period except in 2004-05 and 2005-06.

14. The advances of the micro credit the CAGR shows to be 31.85, 29.77 and 30.64 of OPSBs, NPSBs and Pvt.SBs respectively. Hence, the bank performance of micro credit is remarkable.

15. The amount of total education loan of the Pvt.SBs had increased continuously from Rs. 1164 crores in 2002-03 to Rs. 20658 crores in 2012-13. It had increased more than seventeen times during the period of study.

16. The housing loan of the Pvt.SBs had increased in all the years of study except in 2007-08. The advances of Pvt.SBs had varied between Rs. 9173 crores in 2002-03 and Rs.146281 crores in 2012-13. It shows a sixteen fold increases during the period of analysis.
17. In the total retail advances the share of NPSBs ranged between 51.79 percent in 2005-06 and 59.70 percent in 2006-07 and OPSBs was between 40.30 percent in 2006-07 and 48.21 percent in 2005-06.

18. In the weaker section advance offered by the Pvt.SBs, the standard deviation of NPSBs was 5891.99 crores and the OPSBs was 4882.76 crores. Out of the total proportion NPSBs lent more than 55 percent during the study period towards total weaker section loan and remaining was made by OPSBs. Hence, it is inferred that the NPSBs performance is better than the OPSBs towards weaker section loan.

19. Regarding the public advances it was found that out of the total advance share of the NPSBs of the Pvt.SBs offered more than 50 percent averagely during the study period and the rest are by the OPSBs.

20. The advances to other banks offered by the Pvt.SBs had varied from Rs. 569 crores in 2007-08 to Rs. 2633 crores in 2002-03. It was found through the analysis from the beginning of the study period good performance of the banks, thereafter it shows decline trend. It is reflected in the growth rate Pvt.SBs which was -63.07 percent and 51.61 percent.

21. The total other advances offered by the Pvt.SBs against specific documents. The advance of the Pvt.SBs shows a gradual and continuous increase in all the years of study period between Rs. 95969 crores in 2002-03 to Rs. 468971 crores in 2012-13. It shows a five time increase during the period of analysis.

22. In the advances are offered by the Pvt.SBs outside India, the growth rate is found to be higher and it was 307.58, percent, 479.42 percent and 398.09 percent of OPSBs, NPSBs and Pvt.SBs. Hence it is concluded that it is considered a good sign for the overall performance of the bank.

23. Regression analysis discloses that the beta value of the banks was 3.400 and 6.123 percent that both OPSBs and NPSBs were significant at one percent level towards the total foreign bill finance at .013 and 006 percent respectively. Hence, it is concluded that both OPSBs and NPSBs performance regarding the foreign bill finance was always increasing during the study period except in 2006-07 and 2007-08.

24. The advances are offered against syndicated loan by OPSBs and NPSBs. The total syndicated loan had increased in all the years of study period. It shows a twenty two times increase during the study period which stood at Rs. 1993 crores in 2003-04 to Rs. 43652 crores in 2012-13.
25. The other advances of the Pvt.SBs had increased continuously all the years of study period. It is confined through the CAGR of 72.39 percent, 74.96 percent and 73.82 percent of OPSBs, NPSBs and Pvt.SBs respectively. Of the total other advances of the Pvt.SBs, the NPSBs contributed 59.49 percent and the rest of advances was offered by the OPSBs.

26. Through the GARCH model it was found that the moving average of this model fit at the level of AR (2) MA (1) and MA (2) finally GARCH (2.1.2). Hence the Pvt.SBs’ volatility and trends are moving upward; and so the performance of the Pvt.SBs is good.

8.6 COMPARATIVE STUDY – PSBs AND PVT.SBs

1. The advances against the bill finance of the PSBs had increased steadily during the study period between Rs. 41898 crores in 2002-03 and Rs. 153252 crores in 2012-13. Similarly, the advances of the Pvt.SBs also had increased except in 2009-10; the advances of Pvt.SBs varied between Rs.11084 crores in 2002-03 and Rs.36247 crores in 2012-13.

2. In the regression analysis of demand loan, the beta value was .670 and .425 percent and the t value shows 7.207 and 5.411 percent for PSBs and Pvt.SBs respectively. If the t value is higher than the p value than it is significant towards total advances. Hence, the advances of the SCBs increased gradually during the period between 2002-03 and 2012-13.

3. The volume of term loans offered by the PSBs and Pvt.SBs. The total loan amount had increased from Rs. 305201 crore in 2002-03 to Rs. 2035893 crore in 2012-13. The term loan lending performance of SCBs had an increasing trend during the study period. There is no negative growth rate during the study period.

4. The advances of the PSBs had increased gradually in all the years during the study period and similarly the Pvt.SBs also offered loans and advances in the area of bill finance, demand loan and term loan which had increased gradually in all the years during the period of study.

5. Through the SEM model it was found that the SCBs offered the maximum of term loan than the bill finance and demand loan. Similarly the term loan more is influencing factor
for both the PSBs and Pvt.SBs because both the banks offered the maximum of term loans more than the other loans.

6. It is inferred that the secured loan lending performance of the PSBs increased more than seven times during the period and the advances of Pvt.SBs also increased gradually during the study period.

7. It was found that among the total secured government loans, the PSBs had contributed 81.80 to 94.07 percent during years the study. Regression analysis reveals that both the banking groups contributed at a significant level at one percent of 0.007 and 0.030 percent of the advances made against the government guaranteed loan of the SCBs. So there is some significant relationship among SCBs and PSBs and Pvt.SBs.

8. The amount of total unsecured advances of the SCBs had increased continuously from Rs. 80983 crores in 2002-03 to Rs. 885282 crores in 2012-13. This is more than ten times during the period of study.

9. Out of the total advances, the PSBs lent 70 percent to 80 percent as secured loan in all the years. Similarly Pvt.SBs also lend 68.81 percent to 85.48 percent as secured loan in the study period. It is inferred that banks prefer to lend secured advances more than the other form of advances.

10. The advances are offered by the PSBs and Pvt.SBs towards the priority sector advances. The loans and advance of the SCBs had increased in all the years of study. It shows that there is six fold increase during the period of analysis.

11. Out of the total agriculture advances, the PSBs had lent more than the Pvt.SBs, because PSBs include eighteen NBs and SBI and its associate banks. Moreover the PSBs strictly adhere to the government and the RBI rules and regulations.

12. The total SSI loan of the SCBs had increased in every year from Rs. 57058 crore in 2002-03 to Rs. 821040 crore in 2012-13 except in 2003-04. The SCBs performance increased gradually during the period between 2002-03 and 2012-13

13. Out the total advances about SSSBES, the PSBs offered from 51 to 67 percent and the rest by the Pvt.SBs. Hence, the SSSBES loan lending performance of SCBs had an increasing trend during the study period.
14. The highest amount of micro credit of Rs. 18975 crores was given by the SCBs in the year 2012-13 and the least amount of Rs. 5623 crores was given in the 2002-03. The higher growth rate of 25.03 percent (2010-11), 45.61 percent (2010-11) and 45.03 percent (2012-13) was registered by the SCBs, PSBs and Pvt.SBs respectively.

15. The amount of total education loan of the SCBs had increased continuously from Rs. 29867 crores in 2002-03 to Rs. 525979 crores in 2012-13. It had increased more than seventeen times during the period of study. The CAGR of the banks are meagrely equal to 45.50, 42.04 and 45.37 percent by the PSBs, Pvt.SBs and SCBs respectively.

16. The regression analysis reveals that the beta value of both PSBs and Pvt.SBs were .632 and .173 respectively. It is concluded that both the PSBs and Pvt.SBs adhere to the RBI regulations of lending norms for housing construction.

17. The loans and advances are offered to the retail traders by the SCBs in India during the years 2002-03 to 2012-13. The highest amount this loan of Rs. 289756 crores was given in the year 2012-13 and the lowest amount was given Rs. 20459 crores in 2002-03.

18. Of the total advances to weaker section offered by the SCBs, the proportion of the PSBs was more than 97 percent during the study period and the remaining was made by Pvt.SBs. Hence, the PSBs performance is better than the Pvt.SBs during the period between 2002-03 and 2012-13.

19. The amount of public advance offered by the PSBs and Pvt.SBs had increased continuously from Rs. 100694 crores in 2002-03 to Rs. 375660 crores in 2012-13. It had increased more than four times during the period of study.

20. The amount of other advances of the SCBs. The total advances of the SCBs had increased continuously from Rs. 335769 crores in 2002-03 to Rs. 1894035 crores in 2012-13. It had increased more than six times during the period of study.

21. It was found that the banks are able to offer more number of other advances to the customers hopefully. It indicates an increasing trend of loans and advances given by the SCBs.

22. The advances given outside India, the CAGR found that the total advances show 40.98 percent, which is considered a good sign for the overall performance of the bank.
23. The regression analysis shows that Pvt.SBs was not significant at one percent because significant value was .062 percent towards advances dues to the banks. Hence, it is concluded that the PSBs have more dues from outside India.

24. Regarding the advance of foreign bill finance, it was found both the Pvt.SBs and PSBs’ performance was always increasing during the study period. There was no negative trend at that period.

25. The total syndicated loan of PSBs had increased in all the years of study period except in 2003-04. It shows a ten time increase during the study period which stood at Rs.12465 crores in 2002-03 to Rs. 80172 crores in 2012-13. During the study period the bank performance of syndicated loan was at times negative, but still the performance was good.

26. The other advances of the Pvt.SBs had increased more than hundred and seventy times. During the study period the growth rate of the PSBs shows more fluctuations between 2.04 percent and 45.75 percent and for the Pvt.SBs the highest percentage was recorded as 278.44 percent in the year 2004-05.

27. Through the GARCH fitted model was found that exponentially moving averages of the variables are included in the GARCH equation. The moving average of this model rightly fitted at the level of AR (1) AR (2) and MA (2) finally GARCH (1, 2, 2). It is concluded that commercial banks’ volatility and trends are moving upward. Hence, their performance is good.

8.7 THE NPAs OF BANKS

1. The gross NPAs of the PSBs and Pvt.SBs had decreased from Rs.64589 crores in 2002-03 to Rs.47841 crores in 2007-08. It was found that the SCBs had sincerely tried to reduce the gross NPAs.

2. The Net NPAs of the Pvt.SBs and PSBs show both positive and negative trends during the study period. When the PSBs and Pvt.SBs are concerned there were negative trends in four years and the remaining years were in positive side. The negative growth rate is good for the banks.

3. The total volume of standard assets had increased from Rs.523724 crores in 2002-03 to Rs.3256815 crores in 2012-13 in PSBs and in the Pvt.SBs concerned the standard
assets increased gradually from Rs. 134248 crores in 2002-03 to Rs.762358 crores in 2012-13. The banks need to maintain continuous efforts to stabilize the standard assets of the banks.

4. The standard deviation of sub standard asset of PSBs was 9130.46 crores and the Pvt.SBs was 3587.80 crores. The beta coefficients for NPAs are highly significant at one percent level of 0.001 and 0.001 respectively. The banks need to improve the assets that their sub standard assets should be converted into standard assets.

5. It was found that these banks had slowly converted doubtful assets into standard assets of the banks due to conditions of the RBI and the Government.

6. The level of loss assets of the SCBs, the loss assets of the PSBs vary year by year during the study period between Rs. 6840 crores in 2002-03 and Rs. 5912 crores in 2012-13. Similarly, the loss assets of the Pvt.SBs have also varied between Rs. 1177 crores in 2002-03 and Rs. 3256 crores in 2012-13.

7. The SEM analysis shows that the standard asset of the bank as one variable and the other three assets as variables have significant influence on total asset of the banks.

8. The gross NPA ratio of the PSBs varied between 1.75 and 9.14 percent during the study period. The PSBs maintained the standard norms prescribed by the RBI.

9. The net NPA ratio of the PSBs varied between 0.57 percent and 2.41 percent. The average ratio of these banks was found to be 1.35 percent which shows that the PSBs maintained the standard ratio.

10. The problem asset ratio ranged between 2.09 percent and 9.14 percent. It is clear that in the last six years, the bank tried to maintain the standard ratio of 2 percent and less.

11. It was found that the depositors’ safety ratio of the bank ranged between 121.41 percent and 188.38 percent and shows an increasing trend in all the years of the study except in the year 2005-2006.

12. The provision ratio of the PSBs was between 55.15 and 89.61 and shows a fluctuating trend during the study period. The average ratio was found to be 69.04 percent and thus the bank has maintained sufficient provision during the period of study.

13. The slippage ratio of the bank was well within the level prescribed by the RBI. The average ratio of this bank was 0.46 percent in the study period. Hence, it was found that the bank has been taking adequate measures to prevent assets falling into NPA.

14. The average of this ratio was worked out to be 36.96 percent. Hence, the bank should take steps to maintain the standard ratio.
15. The doubtful asset ratio ranged between 43.08 percent and 63.64 percent. The highest ratio of 63.64 percent was registered in 2004-2005. The average of this ratio was worked out to be 52.95 percent. The bank maintains the prescribed standard ratio in eight years.

16. The loss assets range average of this ratio was worked out to be 10.59 percent and thus it is more than the prescribed level. Steps should be taken to reduce this ratio which can help the bank to prevent the high erosion of securities in future.

17. The NPA reduction ratio, the maximum reduction ratio was 2.40 and the minimum was -14.50. It is the right signal for the bank to take effective and efficient steps to reduce the gross NPAs and thereby the bank may increase NPA reduction ratio in future.

18. The NPAs accretion ratio varied between 52.26 and 198.39 percent. In the eleven years of the study, five years have the positive accretion ratio and three years have the negative result and only in two years the bank maintained the ideal ratio of less than 100 percent.

19. The gross NPA ratio of Pvt. SBs showed between 1.60 percent and 0.35 per cent during the study period, while the gross advances were increasing. Regarding the benchmark, the overall grade/score was 18.

20. The net NPA ratio was computed and it varied between 1.13 per cent and 13.73 percent. The net NPA had decreasing trend except in the years 2004-2005, 2007-2008 and 2008-2009.

21. The problem assets ratio of Pvt.SBs had increasing trend and the ratio was registered between 2.45 percent and 7.71 percent. From this, it was found that the bank takes efforts to reduce this ratio.

22. The depositors safety ratio was registered between 313.73 percent and 132.51 per cent which is an decreasing trend over the study period.

23. In the provision ratio, the highest of 80.03 percent was in 2012-2013 and the lowest was 22.19 percent in 2002-2003.
24. The slippage ratio of the bank maintains the maximum ratio of 0.98 percent during 2007-08 and the minimum of -0.84 per cent during 2003-2004. It indicates that the bank moves in the right direction.

25. The highest sub-standard assets ratio was recorded as 140.47 percent in 2004-2005 and the lowest was 24.47 percent in 2011-2012. So the Pvt.SBs tried to convert sub-standard asset into standard asset of the banks.

26. The doubtful assets ratio of Pvt.SBs ranged between 29.71 percent and 71.69 percent. Of the eleven years of study, for seven years, the bank has maintained less than 60 per cent of this ratio.

27. The loss assets were in decreasing trend. The average ratio was 11.32 percent. It has maintained less than the average ratio during the years except two years.

28. It was found that the NPA reduction ratio, the overall grades/score was -3. So the banks have to take severe steps to change for the progress of the bank.

29. The NPA accretion ratio of Pvt.SBs ranged between 20.16 percent and 1071.92 percent. The standard benchmark ratio of the banks was maintained for five years and for six years it has gone to more than 100 percent.

30. It was found through the RBI model that the PSBs had 59 marks points by using 27 parameters and fell under ‘A’ category which means the management of NPA was very good. It was also found through the model that the Pvt.SBs fell under ‘A’ category which means that the management of NPAs was ‘very good’. It had the overall score of 78 marks by using 29 parameters.

8.8 SUGGESTIONS OF THE STUDY

The following are the suggestions given after the research study

1. Meeting should be conducted for the customer regularly to propagate the various loan schemes, services available in the bank and to know the customers opinion, suggestions, requirements and take necessary steps.

2. The lending principles should be liberalized so that the borrowers may get the loans in the right time.

3. Loans must be sanctioned within the limit of repaying capacity of the borrowers.
4. Intensive analysis and proper evaluation of loan proposal should be done while sanctioning the loans. Reason for demand, tenure, loan amount, required documents for loan proposal should be assessed and evaluated properly.

5. The bank should try to initiate measures to promote more liquid assets so that the lending performance may be improved.

6. The purpose of loan assistance must be thoroughly screened. Banks mainly lend loans for productive purpose that is intended to generate income and employment.

7. Banks should strengthen pre-sanction appraisal system and fine tune the norms for credit appraisal and evaluation.

8. The PSBs and Pvt.SBs may lend liberally the bill finance for the establishment and expansion of the business ventures.

9. The banks may provide short term loan to the business houses in order to increase their working capital position.

10. The tangible advances should be provided to the individuals for strengthening their resources.

11. The banks may provide secured loans even to the non – account holders.

12. The banks provide overdraft facilities to the current account holders, but there is no time limit for the recovery of them. Hence step should be taken to fix the time limit for the recovery of the overdraft.

13. Banks should not charge extra interest for the loans against the fixed deposit receipt.

14. The RBI should recommend the banks to provide priority sector lending from 40 percent to 50 percent of the total net banking credit.

15. Banks provide micro credit advances to the members of SHGs liberally but regarding repayment, the members spend two to three hours in the banks. Hence steps should be taken to their loan through a specific counter.

16. Banks provide housing loan liberally to the people who construct houses in the rural and semi – urban centres which will help to avoid movement of the people from rural to urban centres.

17. The banks should lend loans to the retail traders liberally which help the customer to avail their goods and services and provide employment opportunities to the people.

18. The Pvt.SBs hesitate to lend loans to the priority sectors, hence the RBI should instruct these banks to adhere strictly the ceiling limit of the lending policy.
19. Banks should have proper awareness of the adverse impact of NPAs on profitability of banking activities.

20. Recovery camp should be organized at some regular interval by the banks.

21. The policy of waving of loan effect the tendency of prompt payers of loans. In future, it may induce the prompt payers not to repay the loan in order to get the benefit of waiving of loan. So instated of waving of loan, incentives may be given in the form of appreciation to those who repay the loans regularly.

22. Setting up a strong recovery cell in the supported by adequate members of the staff and other infrastructure including vehicle support.

23. Frequent proposal contact with borrowers and persuasive measures by recovery staff members should be done in order to reduce NPAs.

24. Banks should create financial literacy to the borrowers as well as general public.

8.9 CONCLUSION

The traditional banking functions would give way to a system geared to meet all the financial needs of the customer in the retail as well as corporate segments. The advent of new technologies could see the emergence of financial players doing financial intermediation. Retail lending would receive greater focus. Banks would compete with one another to provide full range of financial services to this segment. Banks would use multiple delivery channels to suit the requirements and tastes of customers. While some customers may value relationship with banking, others may prefer convenience banking (e-banking). Banks should consider the quality of bank lending. Most significant challenge before banks is the maintenance of rigorous credit standards, especially in an environment of increased competition for new and existing clients. Large-scale efforts are needed to upgrade skills in credit risk measuring, controlling and monitoring and also to revamp operating procedures. Credit evaluation may have to shift from cash flow based analysis to “borrower account behaviour”.

Among the four strategies followed by SCBs during the period under study, recovery through DRTs and under OTS scheme yielded better result. Gradual progress in recovery is ensured by banks through the SARFEASI Act. American banking system failed miserably, since it has not given advances against the credit standards. But, Indian banking system has stood the global financial crisis because of maintaining credit standards. It is to be
appreciated. Even then still commercial banks in India should focus its attention in the recovery of advances in all the spheres of the activities. Then the banking system will survive and the public would repose confidence in the banking system.

SCOPE FOR FURTHER RESEARCH

An advance by SCBs is a fertile area of research for further researchers. There is ample scope for research in the following areas:

1. Deployment Funds in the Indian Banking Industry.
2. Loans and advances of Public Sector Banks.
5. Management of Investments by Scheduled Commercial Banks.
6. Retail lending by banks