

A Study on Relationship between Non-Performing Assets (NPAs) and Advances of Selected Public Sector Banks

Renu Choudhary*

Vandana Jain**

Abstract

In emerging economies, banks not merely act as agents of financial intermediation but also carry the additional responsibility of achieving the government's social agenda. Banks play a very important role in economic development of the country as they provide financial resources to different sectors like agriculture, Industry, SME's, personal and housing. Extension of credit, however, poses some risks, which range from pure credit risk to the risk of over-lending. NPAs have been continuously increasing despite taking all adequate precautions at the time of loan origination. The magnitude of NPAs is comparatively higher in public sectors banks than in private sector banks. The gross NPAs of banking sector are estimated at 5 percent of total loans. The cumulative gross NPAs of 24 listed public sector banks stood at Rs. 3,93,035 crores as on 31st December, 2015 which is nearly 1.5 times of their total market value. Banks are making attempts to resolve such bad debts but no best way has been found to deal with them. To improve the efficiency and profitability of banks the NPAs must be reduced and controlled.

In this paper we have made an attempt to study the trends of Gross NPAs and Gross Advances of ten selected Public Sector Banks.

Keywords: Non-Performing Assets, Gross Advances, Scheduled Commercial Banks, Public Sector Banks, Bad loans.

Introduction

Banking sector is the backbone of every economy since it channelizes funds for various economic and non economic purposes. Any business cannot operate without appropriate funding and every entrepreneur might not have sufficient capital to run the business so they rely on banks to fulfill their financial needs. Even in agriculture sector where the income is uncertain due to climate factors the need for credit

arises. Since big landlords charge high rate of interest and exploit the farmer's, government is now paying attention to lend to farmers at lower rate of interest under priority sector lending. The lending to priority sector is creating a burden on bank's balance sheet since majority of debt go bad due to non- repayment of loans. As the amount of advances to such sector increases, the risk of non repayment also increases and it leads to increased NPAs. The growing NPAs is a prime concern for the entire banking sector today and if appropriate steps were not taken to reduce them, the financial health of the country may deteriorate. In this context, the present study makes an attempt to critically evaluate the trends in movement of non-performing assets of public sector banks in India and effectiveness of NPAs management from 2010-11 to 2015-16.

Renu Choudhary*

Associate Professor, Institute of Information Technology & Management
Janakpuri, New Delhi

Vandana Jain*

Assistant Professor, Institute of Information Technology & Management
Janakpuri, New Delhi

Literature Review

Siraj. K.K & Prof. (DR). P. Sudarsanan Pillai, (2014): This study critically evaluates the trends in movement of nonperforming assets of public sector banks in India during the period 2000-01 to 2011-12; thereby facilitate an evaluation of the effectiveness of NPAs management in the post-millennium period. This research also explained the moderating and mediating role of various bank performance and macroeconomic indicators on incidence of NPAs.

Vivek Raj Bahadur Singh (2016): This paper made an attempt to understand NPAs, the status and trend of NPAs in Indian Scheduled commercial banks, the factors contributing to NPAs, reasons for high impact of NPAs on Scheduled commercial banks in India and recovery of NPAs through various channels.

Amit Kumar Srivastava and Akansh Srivastava (2016): This paper talks about the relationship of Net NPA and Net profit of Public, Private and Foreign Sector Banks. The test of correlation is used to identify the correlation between the two Variables.

Mahabub Basha S1 and M.S. Ramaratnam2 (2016): This paper tries to study the trend of Net profit & Net NPAs of selected private sector banks in India. The research study covers the period of five years (2010-2015). Correlation of coefficient has been applied for computing the research data. For this study ICICI, HDFC, YES, AXIS, KOTAK MAHINDRA banks have taken as a sample.

Objectives of the Study

- To study the trends of Gross NPAs and Gross Advances of Scheduled Commercial Banks in India.
- To study the trends of Gross NPAs and Gross Advances of ten selected public sector banks.

Research Methodology

In the present research we have attempted to study the relationship between NPAs and advances of public sector banks. The research is based on secondary data which have been collected from respective bank's annual reports and RBI reports. The research

study covers the period of six years (2011-2016). Karl Pearson Correlation coefficient is applied for computing the research data. For this study, top ten Public Sector Banks are selected on the basis of their market capitalization.

Conceptual Framework

Non Performing Assets: NPA arises when banks are unable to recover the loan amount from their customers. The customers dishonour payment of their loans along with rate of interest. When payment falls due for more than ninety days, the assets are called non-performing assets. They are classified into three categories on the basis of period for which they stand due and no amount is realized from them.

Sub Standard Assets: A sub-standard asset would be one, which has remained NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

Doubtful Assets: An asset would be classified as doubtful if it has remained in the sub-standard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.

Loss Assets: When payment on loan received is of little value or no payment is recovered at all form the advances then such assets becomes loss assets for a bank. This loss is identified by the bank or internal or external auditors or the RBI inspection but has not been written off completely.

Types of NPA

Gross NPA: Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA is advance which is considered irrecoverable, for bank has made provisions, and which is still held in banks' books of

Table 1: Gross Advances and Gross NPAs of SCBs**(Amount in Billion)**

Year	Gross Advances	Gross NPAs (Amount)	Gross NPAs (Percentage)
2001-02	6809.58	708.61	10.4
2002-03	7780.43	687.17	8.8
2003-04	9020.26	648.12	7.2
2004-05	11526.82	593.73	5.2
2005-06	15513.78	510.97	3.3
2006-07	20125.1	504.86	2.5
2007-08	25078.85	563.09	2.3
2008-09	30382.54	683.28	2.3
2009-10	35449.65	846.98	2.4
2010-11	40120.79	979	2.5
2011-12	46655.44	1370.96	2.9
2012-13	59882.79	1931.94	3.2
2013-14	68757.48	2641.95	3.8
2014-15	73882 .00	3243.00	4.3

Source: *dbie.rbi.org.in*

account Gross NPA reflects the quality of the loans made by Banks. It consists of all the nonstandard assets like as sub-standard, doubtful, and loss assets. It can be calculated with the help of following ratio:

Gross NPAs Ratio = Gross NPAs / Gross Advances

Data Analysis and Interpretation

Public sector banks constitute the heart of banking sector because they handle more than two third of banking business in India. Despite good performance, the major concern is the growing NPAs of public sector banks. The gross NPAs of banking sector are estimated at 5 percent of total loans. The cumulative gross NPAs of 24 listed public sector banks stood at Rs. 3,93,035 crores as on 31st December, 2015 which is nearly 1.5 times of their total market value.

The trends of Gross NPAs and Gross Advances of Indian Scheduled Commercial Banks from 2001-02 to 2014-15 are as follows:

From the table 1, we can see that gross advances has been continuously increasing from 2001-02 to 2014-15 and increased to 73882 billion from 6809.58

billion. Gross NPAs is also showing the upward trend and increased to 3243 billion in 2014-15 from 708.61 billion in 2001-02. Similarly NPAs percentage has also increased from 2.3 in 2007-08 to 4.3 in 2014-15.

State Bank of India

State bank of India is the largest public sector commercial bank in India. It was originated in 1806 when bank of Calcutta was established. Later in 1921 it amalgamated with two other banks to form Imperial Bank of India. In 1955, the RBI acquired the controlling stake of imperial bank of India and SBI was created by the act of parliament to succeed imperial bank of India. The SBI group consists of SBI and five associate banks. The group has an extensive network, with over 20,000 plus branches in India and another 186 offices in 34 countries across the world. As of March 2016, the group had Net worth of Rs.1,44,274.44 crores, Total current assets of Rs.17,71,576.48 and current liabilities worth Rs 1,59,875.57 crores. The current investments of the bank stood at Rs 4,77,097.28 crores and loans and advances of the bank in 2016 are Rs.16,04,108.82 crores.

Table 2: Gross NPAs and Gross Advances of SBI

State Bank of India			(Amount in crores)	
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2010-11	25,326.29		756,719.45	
2011-12	39676.46	56.66	867,578.89	14.65
2012-13	51189.39	29.02	1045616.55	20.52
2013-14	61605.35	20.35	1209828.72	15.70
2014-15	56725.34	-7.92	1300026.39	7.46
2015-16	98172.8	73.07	1463700.42	12.59

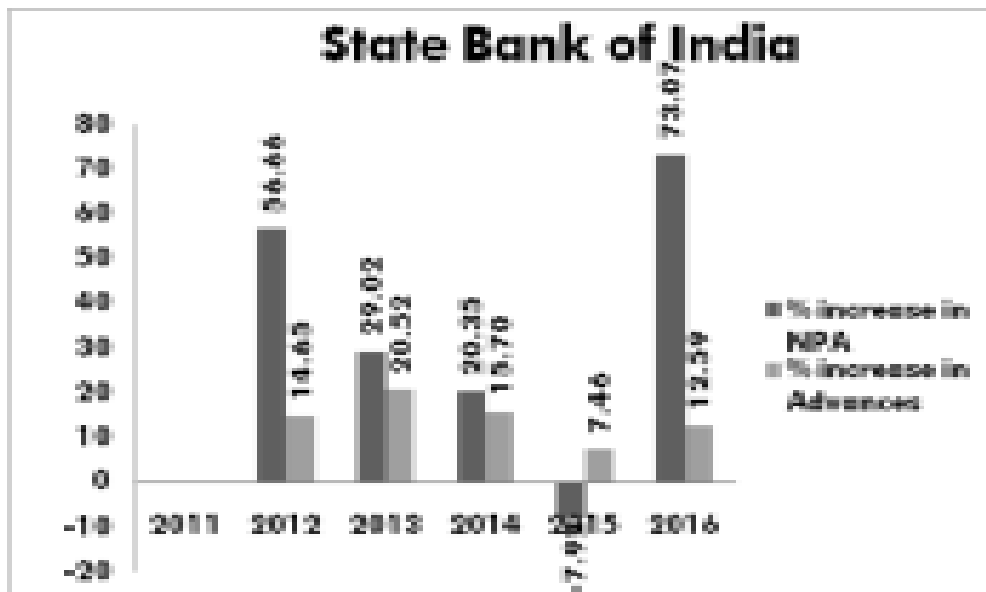
Source: <http://www.moneycontrol.com/financials/statebankindia/balance-sheetVI>

$R=0.92$

SBI's non- banking subsidiaries/joint ventures are market leaders in their respective areas and provide wide range of services, which include life insurance, merchant banking, mutual funds, credit cards, factoring services, security trading and primary dealership, making the SBI Group a truly large financial supermarket and India's financial icon. SBI has arrangements with over 1500 various international and local banks to exchange financial messages through SWIFT in all business centers of the world to facilitate trade related banking business, reinforced by dedicated and highly skilled teams of professionals.'

The table 2 shows the relationship between Gross Advances and Gross NPAs (R) is 0.92, which indicates the strong positive correlation between the two. Gross NPAs has been continuously increasing from 2010-11 to 2015-16 except in year 2014-15 and increased to 98,172.8 crores from 25,326.29 crores and similarly Gross Advances has also been continuously increasing from 2010-11 to 2015-16 and increased to 14,63,700.42 crores from 7,56,719.45 crores.

We can also see that percent increase in NPAs is more as compared to percent increase in Advances; as the increased NPAs put pressure on recycling of funds and reduces the ability of banks for lending more



Graph 1: Gross NPAs and Gross Advances of SBI

Table 3: Gross NPAs and Gross Advances of Punjab National Bank

Punjab National Bank		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	4,379.39		242,106.67	
2012	8719.62	99.11	293774.76	21.34
2013	13,465.79	54.43	308725.21	5.09
2014	18880.06	40.21	349269.13	13.13
2015	25694.86	36.10	380534.4	8.95
2016	55818.33	117.24	412325.8	8.35

Source: <http://www.moneycontrol.com/financials/punjabnationalbank/balance-sheetVI>
R=0.89

and thus results in lesser interest income which affects the total Advances granted by the banks.

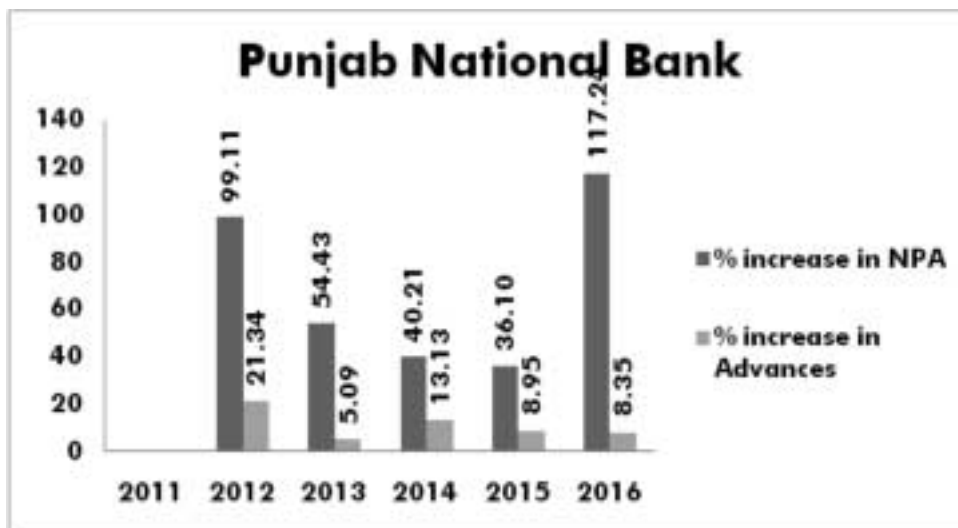
Punjab National Bank

Punjab National Bank is India's first Swadeshi bank that commenced its operations on April 12, 1895 from Lahore with an authorized capital of Rs 2 lacs. It is one of the largest public sector banks with a network of 6809 branches and 9669 ATMs. In the new digitized era bank launched many digitized products and services to make banking experience more pleasurable, convenient and rewarding. The bank is in the process of introducing 'PNB Unified Payments Interface (UPI)', which will allow fund transfer via Mobile App and facilitating other

transactions via mobile app as an alternate POS and cash transfer.

From the table 3, we can see that the NPAs of PNB has been continuously increasing over the years from 2,42,106.67 crores in 2011 to Rs 4,12,325 crores in 2016 which is due to increased asset base of the bank. This shows that bank has increased its exposure limit and credit extended to private sector especially micro credit has grown during this period.

The Gross advances and Gross NPAs show strong positive correlation which means that as Advances increase NPAs also increase. Gross NPA also increased over the years but not necessarily in the same proportion as the increase in advances. The average



Graph 2: Gross NPAs and Gross Advances of Punjab National Bank

Table 4: Gross NPAs and Gross Advances of Canara Bank

Canara Bank		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	3,089.21		211268.29	
2012	4,031.75	30.51	232489.82	10.04
2013	6,260.16	55.27	242176.62	4.17
2014	7,570.21	20.93	301067.48	24.32
2015	13039.96	72.25	330035.51	9.62
2016	31637.83	142.62	324714.82	-1.61

Source: <http://www.moneycontrol.com/financials/canarabank/balance-sheetVI>
R=0.72

increase in advances is approximately 10 percent during the period under study.

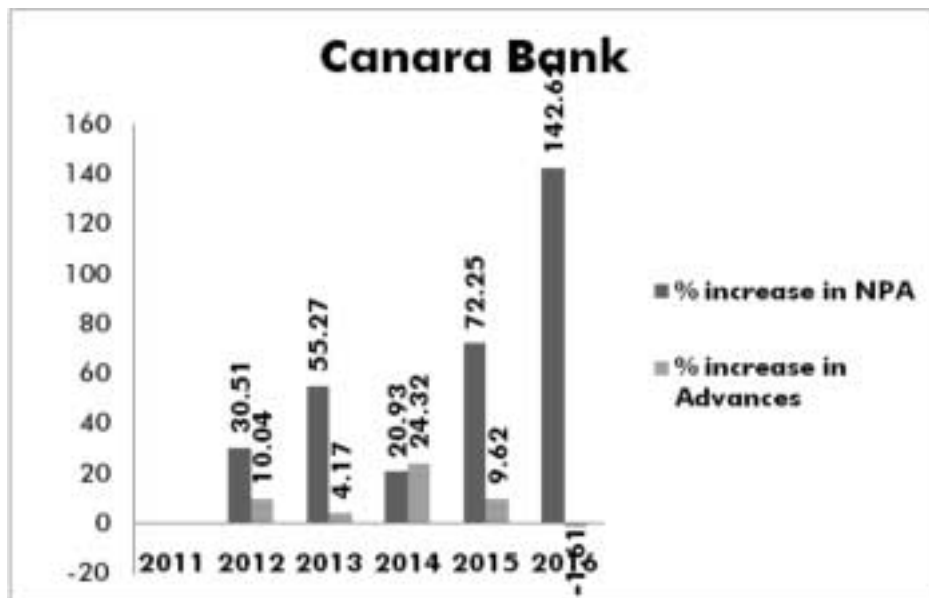
Canara Bank

Canara bank is a state owned bank founded by Shri Ammembal Subba Rao Pai having its headquarters in Bangalore. It was one of the oldest banks established in 1906 in Mangalore and nationalized in 1969. The bank has overseas operations in countries like London, Doha, Shanghai, South Africa, Dubai, Hong kong Moscow etc. As of November 2015, the bank had a network of 5784 branches and more 9153 ATMs spread across India. The Bank set up 172 hi-tech E-

lounges in select branches with facilities like ATM, Cash Deposit Kiosk with voice guided system, Cheque Deposit Kiosk, Self Printing Passbook Kiosk, Internet Banking Terminal, Online Trading Terminal and Corporate Website Access. ‘Canara e-Infobook’ – an electronic passbook and banking related information facility was introduced on mobile platforms - Android, Windows & IOS. As on March 2016 the total assets of the bank stood at Rs 538268.08 crores and Net worth at Rs.26,158.54 crores.

The Gross advances of Canara bank have been increasing continuously over the years recording highest percentage growth in year 2014 from 4.17 in

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Graph 3: Gross NPAs and Gross Advances of Canara Bank

Table 5: Gross NPAs and Gross Advances of Bank of Baroda

Bank of Baroda		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	3152.5		228676.36	
2012	4464.75	41.63	287377.29	25.67
2013	7982.58	78.79	328185.76	14.20
2014	11875.9	48.77	397005.81	20.97
2015	16261.45	36.93	428065.14	7.82
2016	40521.04	149.18	383770.18	-10.35

Source: <http://www.moneycontrol.com/financials/BankofBaroda/balance-sheetVI>

R=0.58

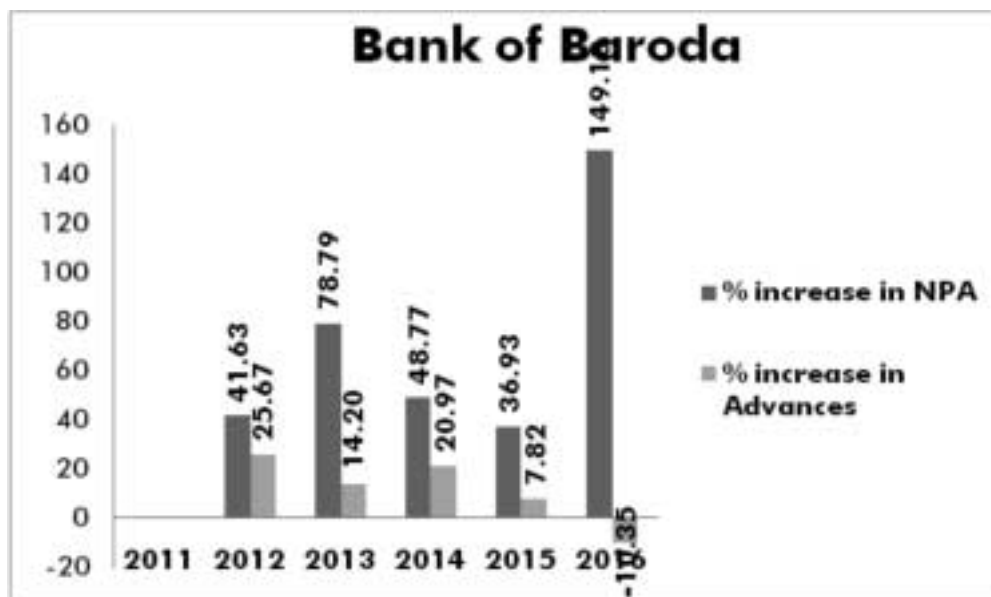
2013 to 24.32 in 2014. Only in year 2016 percentage increase in advances was negative. NPAs continuously rose from 2011 to 2016 recording highest percentage increase in 2016. The coefficient of correlation is 0.72 which shows strong positive correlation between the two.

Bank of Baroda

Bank of Baroda is an International public sector bank founded in 1908 by Maharaja Sayajirao Gaekwad under companies act of 1897 with paid up capital of 10 lacs. It is one of the strongest banks the survived many periods of economic crises including The Great

Depression due to its honest and prudent leadership. Its main strength is the consumer centric approach that makes it a first choice for millions of consumers. Its latest initiatives include setting specialized NRI branches, Gen-Next Branches and Retail Loan factories/SME Loan factories for speedy disbursal of loans. As on March 2016 the total assets of the bank stood at Rs 671376.47 crores. and Net worth at Rs 40,198.98 crores.

Bank of Baroda shows moderate positive correlation between Gross advances and Gross NPAs. The advances have gradually increased over the years but



Graph 4: Gross NPAs and Gross Advances of Bank of Baroda

Table 6: Gross NPAs and Gross Advances of Central Bank

Central Bank				
(Amount in crores)				
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	2394		129,725.41	
2012	7,273.00	203.80	147512.85	13.71
2013	8,456.00	16.27	171935.84	16.56
2014	11,500.00	36.00	177315.17	3.13
2015	11,873.00	3.24	188477.53	6.30
2016	22721	91.37	180009.59	-4.49

Source: <http://www.moneycontrol.com/financials/centralbank/balance-sheetVI>
R=0.72

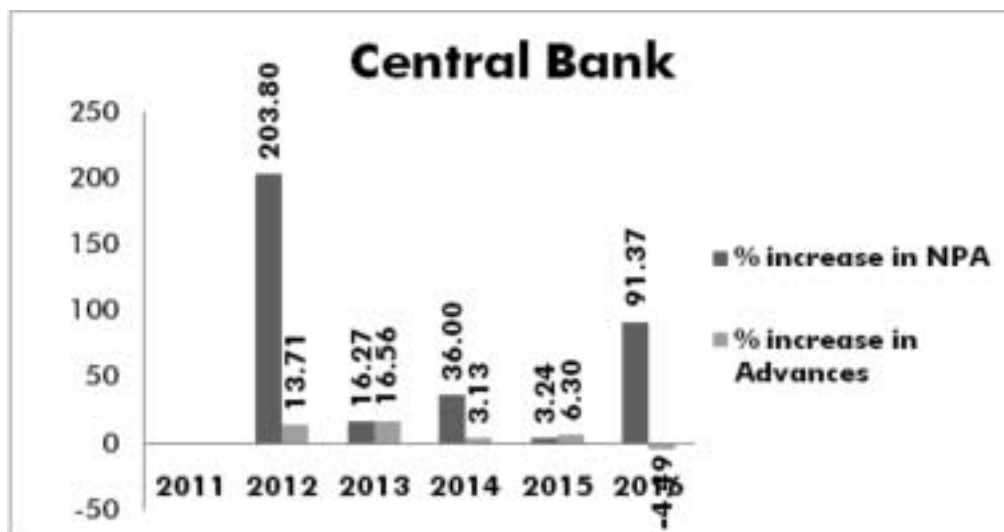
showed a decline in 2016 but gross NPAs continued to rise throughout showing highest percentage increase of 149.18 in 2016. NPAs has multiplied manifold from 3152.5 crores in 2011 to 40521.04 in 2016. At the same time advances did not increase with the same intensity as that of NPAs.

Central Bank

Central Bank is the first Indian commercial bank wholly owned and managed by Indians established during the British era. It was founded in 1911 by Sir Sorabji Pochkhanawala. The bank has a long history of 104 years in which it faced many challenges and transformed every threat into business opportunity. The bank aims to promote agriculture, small scale

industries and self employment by designing variety of schemes for them. This public sector bank has a huge network of 4741 branches, 4 Extension counters along with 29 Satellite offices at various centers. The trust on this bank can be judged by the list of its corporate clients such as ICICI, IDBI, LIC, HDFC etc. As on March 2016 the total assets of the bank stood at Rs 3,02,173.76 crores and Net worth at Rs 14,921.79 crores.

The above table shows the relationship between Gross advances and Gross NPAs ($R=0.72$) is positive. Central bank posed high Gross NPAs in subsequent years. NPAs increased gradually from 2,394 crores in 2011 to 22,721 in 2016 which is more than 10 times. The



Graph 5: Gross NPAs and Gross Advances of Central Bank

Table 7: Gross NPAs and Gross Advances of IDBI Bank

IDBI Bank		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	2,784.73		157,098.07	
2012	4,551.37	63.44	180572.3	14.94
2013	6,449.98	41.72	196306.45	8.71
2014	9,960.16	54.42	197686	0.70
2015	12,684.97	27.36	208376.87	5.41
2016	24,875.07	96.10	215893.45	3.61

Source: <http://www.moneycontrol.com/financials/IDBIbank/balance-sheetVI>
R=0.82

growth in extending loans is also phenomenal from 129,725.41 in 2011 to 180009.59 in 2016; however the advances showed a declining percentage growth in 2016 from 6.3 percent to 4.49 percent in 2015.

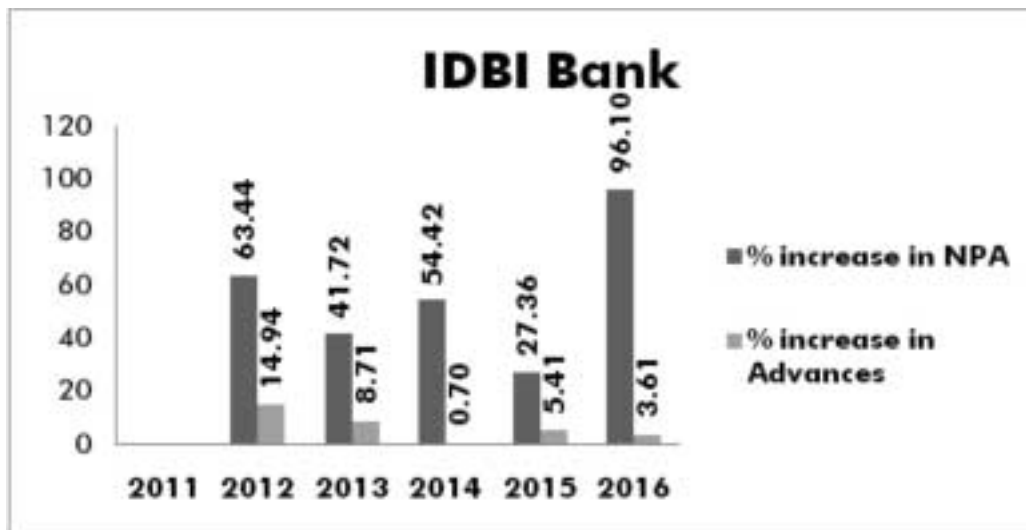
IDBI Bank

IDBI bank was constituted under Industrial Development Bank of India Act, 1964 as development financial institution and transformed into bank after 40 years of operations. Presently it works as a bank in addition to its earlier financial institution function. The bank had an aggregate balance sheet size of Rs.3,74,342 crore and total business of Rs.4,81,613 crore as on March 31, 2016. The bank works in

associated financial sector businesses like Capital Market, Investment banking and Mutual Fund business. Its merger with Union Western Bank came into effect on October 03, 2006 and with IDBI Home Finance Ltd and IDBI Gilts Ltd on January 1, 2011.

The above table shows relationship between Gross advances and Gross NPAs of IDBI bank is positive ($R=0.82$). From the above table it is evident that Gross NPAs almost doubled in year 2016 as compared to 2015. Gross Advances also increased continuously throughout the period under study. Maximum percentage increase in Advances is witnessed from year 2011 to 2012 which is 14.94% that is highest among all the periods under study.

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Graph 6: Gross NPAs and Gross Advances of IDBI Bank

Table 8: Gross NPAs and Gross Advances of Syndicate Bank

Syndicate Bank		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	2598.97		106781.92	
2012	3,182.70	22.46	123620.18	15.77
2013	2,978.50	-6.42	147569.02	19.37
2014	4,611.13	54.81	173912.41	17.85
2015	6,442.38	39.71	202719.82	16.56
2016	13,832.16	114.71	201368.49	-0.67

Source: <http://www.moneycontrol.com/financials/Syndicatebank/balance-sheetVI>

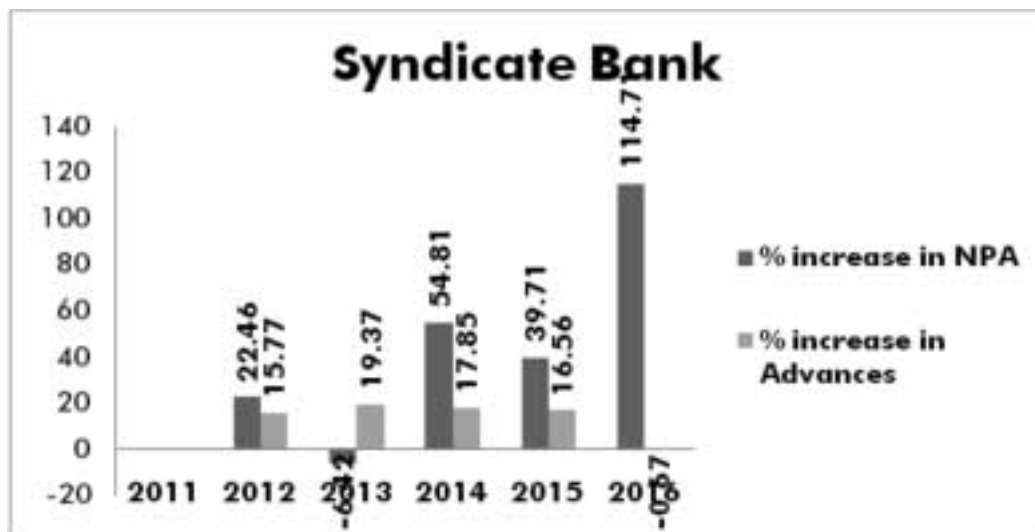
R=0.75

Syndicate Bank

Firmly rooted in rural India this bank was established in 1925 with paid up capital of Rs.8000 with its headquarters in Manipal, Karnataka. It has global business of 461,192 crore as on 31st March 2015. The bank is sponsoring 3 RRBs that provides global business of Rs.42,101 crore with 1348 branches as on 31.03.2015. The RRBs under the bank are Prathama Bank, Karnataka Vikas Grameena Bank and Andhra Pragati Grameena Bank. The bank is pioneer among public sector banks in launching Core Banking Solution (CBS) in all its branches. The Government of India infused Rs.460 crore in March 2015 by way of preferential allotment of equity shares at issue price

of Rs. 122.75 per share. As on March 2016, the total assets of the bank stood at Rs 306,355.10 crores and Net worth at Rs 11,465.62 crores.

The above table shows relationship between Gross advances and Gross NPAs of Syndicate bank is positive (R=0.75). Syndicate Bank has shown high NPAs growth in subsequent years. In percentage terms NPAs growth is highest from 2015 to 2016 that amounts to 114.71 percent. During the same time period the bank witnessed decrease in Advances as compared to previous year. In percentage terms the decrease in advances is -0.67 percent although nominal but shows bank became pessimist in lending to its clients.



Graph 7: Gross NPAs and Gross Advances of Syndicate Bank

Table 9: Gross NPAs and Gross Advances of Union Bank

Union Bank		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	3,622.82		150,986.08	
2012	5,449.86	50.43	177,882.08	17.81
2013	6,313.83	15.85	208102.19	16.99
2014	2,563.74	-59.39	229104.43	10.09
2015	13,030.87	408.28	255654.57	11.59
2016	24,170.89	85.49	267354	4.58

Source: <http://www.moneycontrol.com/financials/unionbank/balance-sheetVI>
R=0.73

Union Bank

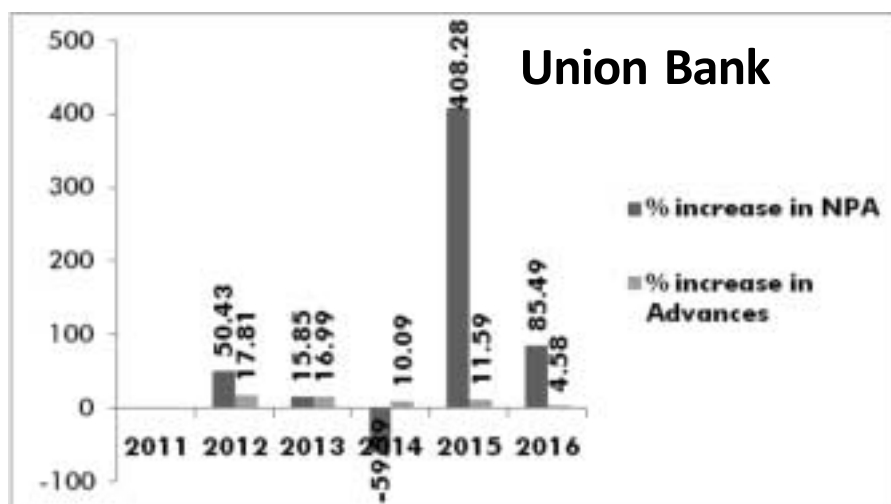
Union bank was established on 11th November 1919 having headquarters in Mumbai. It has more than 4200 branches pan India. The bank is successful in its operations since its inception and has shown uninterrupted profit during its entire life span of 96 years. Bank has total business of Rs.5,79,627 crore at the end of March 2015. Union bank merged in Miraj State Bank in 1929 and acquired Sikkim Bank in 1999. Union Bank began its international operations in 2007 by opening offices in Abu Dhabi, UAE, Shanghai and China. The total assets of Bank on March 2016, stood at Rs. 402114.66 crores.

The above table shows positive relationship between Gross advances and Gross NPAs of Syndicate bank

(*R=0.75*). From the table we can see that NPAs have shown negative growth in 2014. The NPAs increase is highest in 2015. This year has shown phenomenal increase in NPA. The least percentage growth is seen in 2016 that amounts to 4.58 percent.

Indian Bank

Indian bank is an Indian state owned financial services company that was established in 1907 and headquartered in Chennai. The bank comprises of 20,140 employees working in 2565 branches all across the country. The total business of the bank as on 31st march 2016 stood at Rs. 3,10,918 crores and Net Profit at Rs.711.38 crores. The bank provides Core Banking Solution(CBS) in all its branches. The bank has diversified banking activities with two subsidiaries



Graph 8: Gross NPAs and Gross Advances of Union Bank

Table 10: Gross NPAs and Gross Advances of Indian Bank

Indian Bank		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	740.31		75,249.91	
2012	1,850.78	150.00	90323.6	20.03
2013	3,565.48	92.65	105642.55	16.96
2014	4,562.20	27.95	122208.99	15.68
2015	5,670.44	24.29	125863.55	2.99
2016	8,827.04	55.67	129049.08	2.53

Source: <http://www.moneycontrol.com/financials/indianbank/balance-sheetVI>

$R= 0.91$

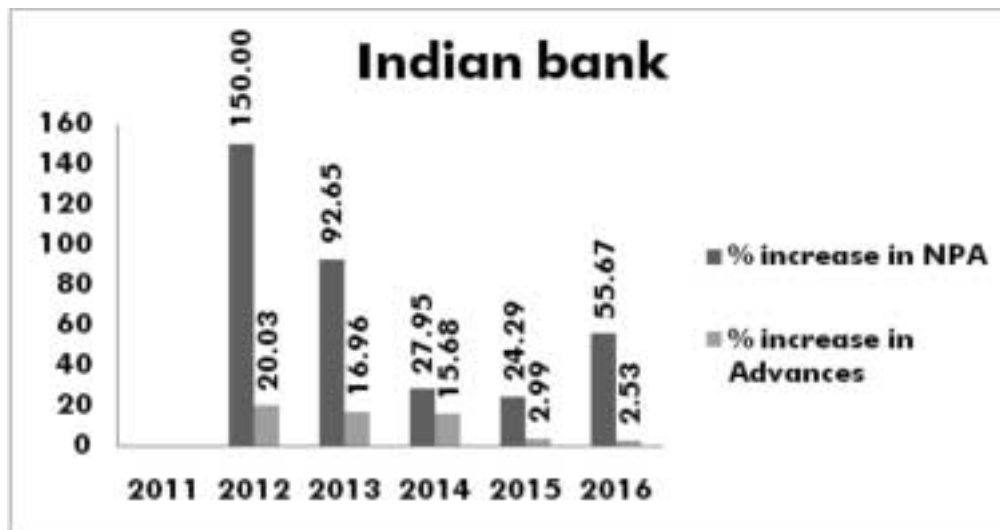
namely Indbank Merchant Banking Services Ltd., Indbank Housing Ltd.

The above table shows a positive relationship between Gross advances and Gross NPAs of Union bank ($R=0.91$). From the table, we can see that NPAs recorded highest growth in 2012, declined continuously in subsequent years and again increased in 2016. Advances on the other hand declined continuously since 2012 in percentage terms, however in absolute terms advances increased from Rs.75, 249.91 crores in 2012 to Rs.267, 354.00 crores in 2016.

Bank of India

Bank of India is commercial bank founded in 1906 with headquarters in Mumbai with paid up capital of Rs.50

lakhs and 50 employees. BOI is a founder member of SWIFT (Society for Worldwide Inter Bank Financial Telecommunications). The bank pioneered the introduction of the Health Code System in 1982, for evaluating/rating its credit portfolio. The Bank has 4963 branches in India spread over all states/ union territories including specialized branches. These branches are controlled through 54 Zonal Offices. There are 60 branches/ offices and 5 Subsidiaries and 1 joint venture abroad. Presently Bank has overseas presence in 22 foreign countries spread over 5 continents – with 60 offices including 5 Subsidiaries, 5 Representative Offices and 1 Joint Venture, at key banking and financial centers viz., Tokyo, Singapore, Hong Kong, London, Jersey, Paris and New York. As on March 2016, the total assets of the



Graph 9: Gross NPAs and Gross Advances of Indian Bank

Table 11: Gross NPAs and Gross Advances of Bank of India

Bank of India		(Amount in crores)		
Years	Gross NPAs	% increase in NPAs	Gross Advances	% increase in Advances
2011	4,811.55		213096.18	
2012	5,893.97	22.50	248833.34	16.77
2013	8,765.25	48.72	289367.5	16.29
2014	11,868.60	35.41	370733.54	28.12
2015	22,193.24	86.99	402025.54	8.44
2016	49,879.12	124.75	359188.95	-10.66

Source: <http://www.moneycontrol.com/financials/indianbank/balance-sheetVI>

$R=0.59$

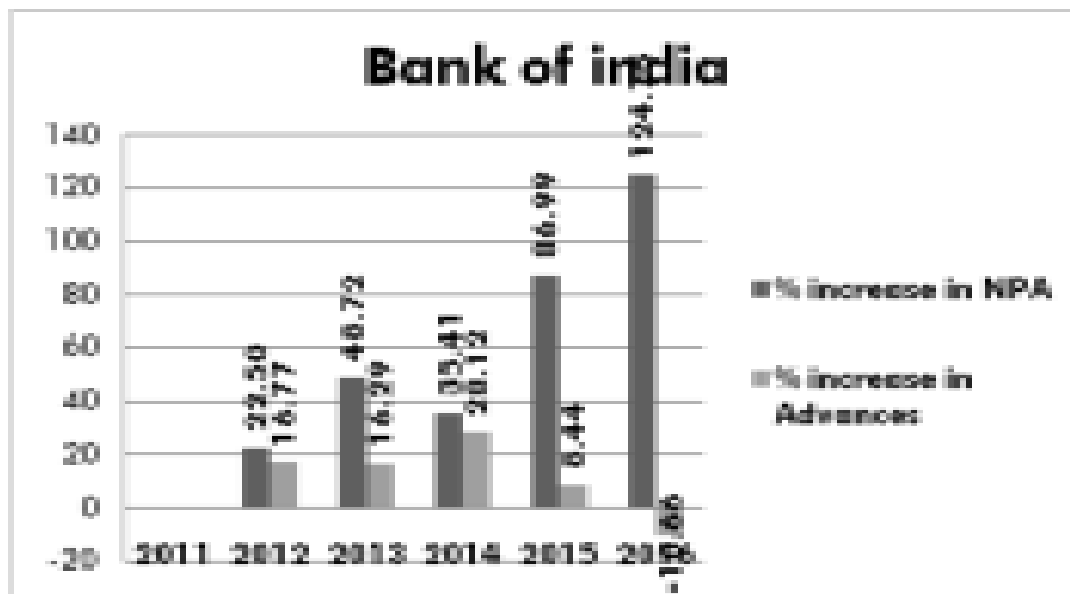
bank stood at Rs 6,09,913.93 crores and Net worth at Rs 32,317.22 crores.

The above table shows a positive relationship between Gross advances and Gross NPAs of Bank of India ($R=0.59$). NPAs in percentage terms are highest in 2016 with 124.75 percent. Highest advances growth is witnessed in 2014 that is 28.12 percent. Gross NPAs in absolute terms in 2016 is 49,879.12 which was highest among the period under study.

Conclusion

NPAs are a big worry for Indian banking sector and particularly for public sector banks. From the study,

it is evident that the relationship between the Gross NPAs and Gross Advances is positive. Though one of the reasons of growing NPAs in PSBs is Social sector obligations, still it's only a part of the problem. The bigger issue is extreme credit inefficiency and recovery mechanisms. Poor credit risk appraisal and loan monitoring in banks is one of the reason. Another reason is acceptance of the project with inflated cost and aggressive projections because of lack of specialized appraising skills needed for such projects. Willful default, loan frauds and corruption is also a key reason of growing NPAs. This study suggests that Public Sector banks should give immediate attention



Graph 10: Gross NPAs and Gross Advances of Bank of India

to minimize, if not completely avoid the problem of credit risk. Banks should follow a more efficient procedure and norms for assessing the credit

worthiness and credit appraisal of the borrower. They should also follow a continuous monitoring system for post disbursement of loans.

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