



NON-PERFORMING ASSETS MANAGEMENT – A RISE IN PROPORTION AND FALL IN PROVISION: A DESCRIPTIVE STUDY OF NPAS IN INDIAN BANKS

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ABSTRACT

In liberalized economy banking and financial sector get high priority. Indian banking sector of having a serious problem due to non performing. There was an almost 80 per cent jump in gross bad loans in 2015-16, according to the report. Gross bad loans of Indian banks widened to 7.6 per cent from 5.1 per cent in September and from 4.6 per cent in March 2015. In 2004, gross bad loans in the Indian banking sector touched 7.8 per cent, while the ratio was 11.1 per cent in 2002. "The stress in the banking sector, which mirrors the stress in the corporate sector, has to be dealt with in order to revive credit growth.

Gross bad loans at commercial banks could increase to 8.5 per cent of total advances by March 2017, from 7.6 per cent in March 2016, according to a baseline scenario projection by the Reserve Bank of India (RBI) in its Financial Stability Report.

INTRODUCTION

NPA is defined as an advance for which interest or repayment of principal or both remain outstanding for a period of more than two quarters. The level of NPA act as an indicator showing the bankers credit risks and efficiency of allocation of resource.

Reasons:

Various studies have been conducted to analysis the reasons for NPA. Whatever may be complete elimination of NPA is impossible. The reasons may be widely classified in two:

- (1) Over hang component
- (2) Incremental component

Over hang component is due to the environment reasons, business cycle etc. Incremental component may be due to internal bank management, credit policy, terms of credit etc.

INCOME RECOGNITION AND PROVISIONING

Income from NPA is not recognized on accrued basic but is booked as income only when, it is actually received. RBI has also tightened red the provisions norms against asset classification. It ranges from 0.25% to 100% from standard asset to loss asset respectively.

An Overview

As of June 2016, the total amount of Gross Non-Performing Assets (NPAs) for public and private sector banks is around Rs. 6 lakh crore. The amount of top twenty Non Performing Assets (NPA) accounts of Public Sector Banks stands at Rs. 1.54 lakh crores.

TABLE –I: Gross NPAs OF Public and Private Sector Banks during June 30, 2016

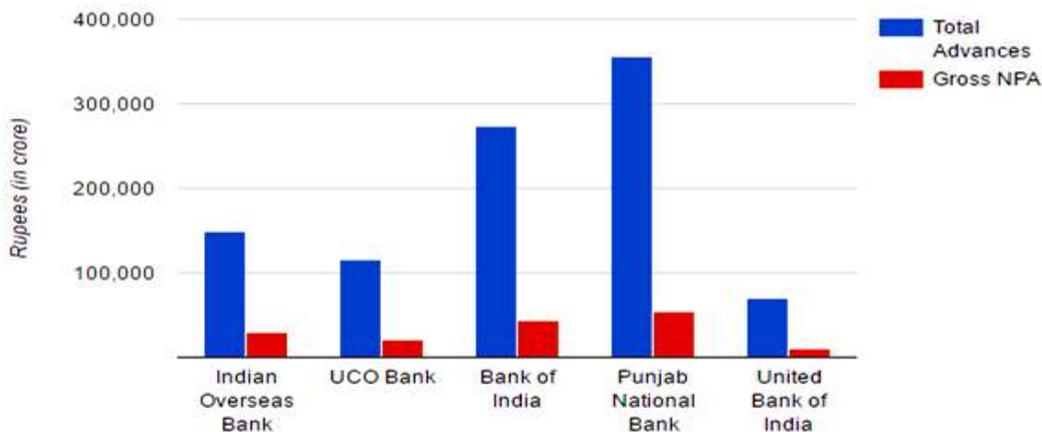
S No.	Bank	Total Advances (Rs. in crore)	Gross NPA (Rs. in crore)	NPA Ratio (%)
1	Allahabad Bank	145,328	18,769	12.92
2	Andhra Bank	137,228	14,137	10.3
3	Bank of Baroda	269,115	35,604	13.23
4	Bank of India	274,391	43,935	16.01
5	Bank of Maharashtra	103,148	13,040	12.64
6	Bharatiya Mahila Bank Ltd.	627	3	0.4
7	Canara Bank	311,615	30,480	9.78
8	Central Bank of India	185,719	25,107	13.52
9	Corporation Bank	142,787	15,726	11.01
10	Dena Bank	81,114	9,636	11.88
11	IDBI Bank Limited	202,304	21,724	10.74
12	Indian Bank	122,173	8,690	7.11
13	Indian Overseas Bank	149,217	30,239	20.26
14	Oriental Bank of Commerce	150,301	17,209	11.45
15	Punjab & Sind Bank	63,134	4,566	7.23
16	Punjab National Bank	356,958	55,003	15.41
17	Syndicate Bank	167,759	13,475	8.03
18	UCO Bank	115,166	21,495	18.66
19	Union Bank of India	242,935	25,560	10.52
20	United Bank of India	70,781	10,104	14.28
21	Vijaya Bank	90,199	6,589	7.31
22	State Bank of Bikaner & Jaipur	74,033	4,593	6.2
23	SBH	112,420	9,436	8.39
24	State Bank of India	1,193,325	93,137	7.8
25	State Bank of Mysore	55,228	4,323	7.83
26	State Bank of Patiala	85,239	11,365	13.33
27	State Bank of Travancore	68,276	6,401	9.38
28	Catholic Syrian Bank Ltd.	7,859	455	5.79
29	City Union Bank Ltd.	21,216	555	2.62
30	Dhanlaxmi Bank Limited	6,771	475	7.02
31	Federal Bank Ltd.	59,408	1,747	2.94
32	ING Vysya Bank Ltd.	-	-	-
33	Jammu & Kashmir Bank Ltd.	50,640	4,715	9.31
34	Karnataka Bank Ltd.	35,412	1,389	3.92

35	Karur Vysya Bank Ltd.	39,382	702	1.78
36	Lakshmi Vilas Bank Ltd.	20,183	432	2.14
37	Nainital Bank Ltd.	2,776	145	5.21
38	Ratnakar Bank Ltd.	22,373	253	1.13
39	South Indian Bank Ltd.	41,705	1,652	3.96
40	Tamilnad Mercantile Bank Ltd.	22,329	489	2.19
41	Axis Bank Ltd.	300,173	7,909	2.63
42	Bandhan Bank Ltd.	13,358	29	0.22
43	DCB Bank Ltd	13,464	231	1.72
44	HDFC Bank Ltd.	440,955	4,724	1.07
45	ICICI Bank Ltd.	364,429	17,208	4.72
46	IndusInd Bank Ltd.	93,667	861	0.92
47	Kotak Mahindra Bank Ltd.	122,384	3,059	2.5
48	Yes Bank Ltd	103,411	845	0.82
49	IDFC Bank Limited	49,714	3,030	6.09

The table shows that the percentage of gross NPA/ gross advance and net NPA/ net advance are in an increasing trend. This shows the sign of inefficiency in public and private sector banks but still if compared to foreign banks Indian private sector and public sector banks have a lower NPA.

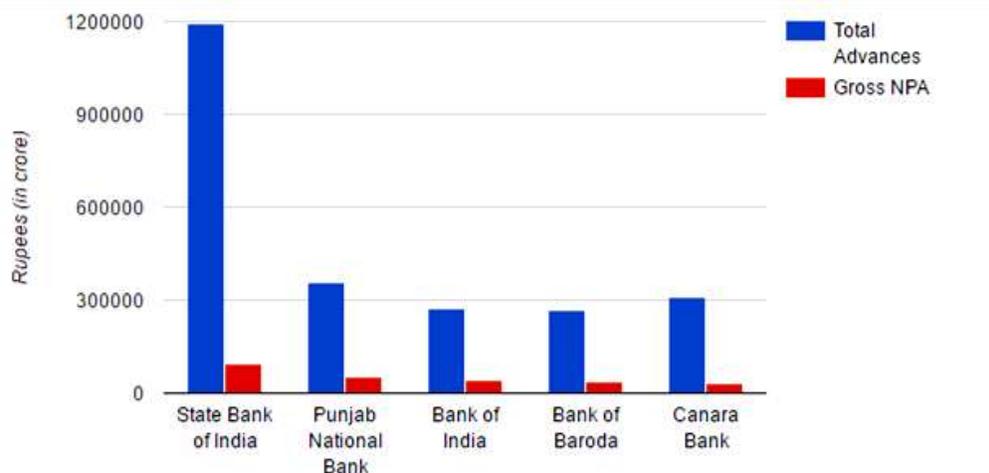
Analysis over the Indian Banks related to NPAs

Banks with Highest % of NPA against Total Debt



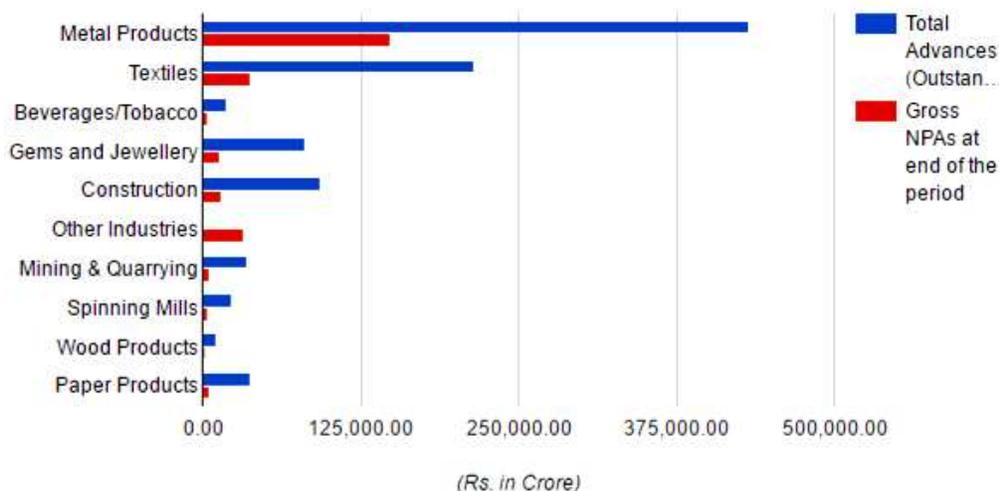
Inference - Indian Overseas Bank fares worst, having the highest ratio of NPA to total advances — 20.26 per cent. UCO Bank (18.66 per cent) and Bank of India (16.01 per cent) follow.

Banks Having Highest Amount of Gross NPA



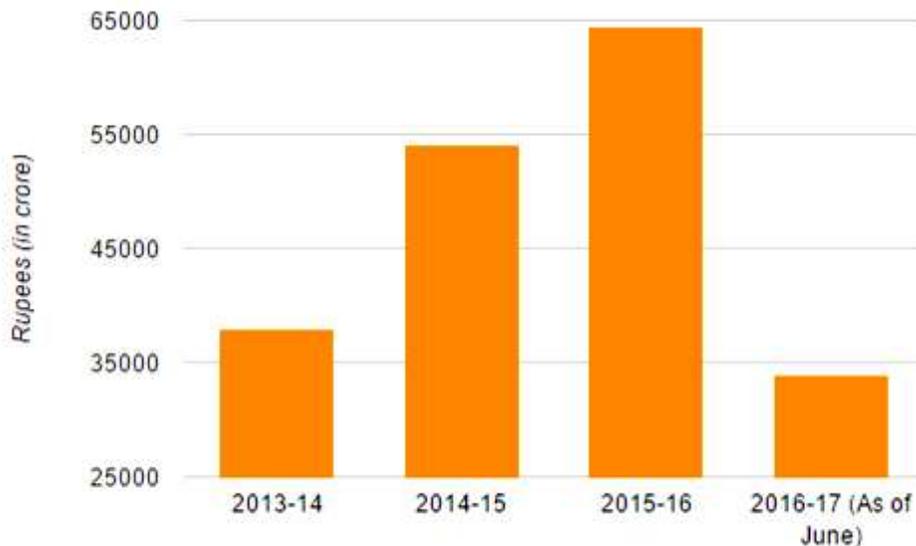
Inference - Basic Metal and Metal Products sector is the worst performing in terms of NPA ratio. As of June 2016, govt data show that a third of all outstanding advances (Rs. 4.33 lakh crore) given to the sector turned to NPA (Rs. 1.49 lakh crore).

Top 10 Sectors Having Highest NPAs for Scheduled Commercial Banks



Inference - Textiles sector, and Beverages (excluding Tea and Coffee) and Tobacco sector follow, both having NPA ratio at around 17 per cent. Specific measures have been taken for sectors where the incidence of NPA is high, the government said in response to the parliament question. To improve the resolution or recovery of bank loans, IBC (Insolvency and Bankruptcy Code) has been enacted and SARFAESI (Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest) Act and RDDBFI (Recovery of Debts due to Banks and Financial Institutions) have been amended, the response said. Further, six new Debt Recovery Tribunals (DRTs) have been established for improving recovery.

Number of Property Seized / Possessed under SARFAESI Act



Inference - The SARFAESI Act allows banks and other financial institutions to auction residential and commercial properties when borrowers default on their payments. This helps the banks to reduce their NPA by recovery and reconstruction. Under this Act, 64,519 properties were seized or taken possession off by the banks in 2015-16. In the current financial year, as of June, the number stands at 33,928.

Table – II: Gross and Net NPA of different sector of bank

(In %)	Net NPA	Gross NPA	Stressed assets*
March 2013	-	3.4	9.2
September 2013	2.3	4.2	10.2
March 2014	2.2	4.5	10
September 2014	2.5	4.5	10.7
March 2015	2.5	4.6	11.1
September 2015	2.8	5.1	11.3
March 2016	4.6	7.6	11.5

Banking sector gross NPA at 7.6%, highest in 12 years; Expected to rise further to 8.5% by March 2017

***Stressed Assets** - Stressed assets = NPAs + Restructured loans + Written off



MANAGEMENT OF NPA

The trend gives the percentage of NPA with an increment. This was due to ineffective recovery of bank credit, lacuna in credit recovery system, inadequate legal provision etc. Various steps have been taken by the government to recover and reduce NPAs. Some of them are.

1. One time settlement / compromise scheme
2. Lok adalats
3. Debt Recovery Tribunals
4. Securitization and reconstruction of financial assets and enforcement of Security Interest Act 2002.
5. Corporate Reconstruction Companies
6. Credit information on defaulters and role of credit information bureaus

CONCLUSION

The Indian banking sector is facing a serious problem of NPA. The extent of NPA is comparatively higher in public sectors banks. (Table I). To improve the efficiency and profitability, the NPA has to be scheduled. Various steps have been taken by government to reduce the NPA. It is highly impossible to have zero percentage NPA. But at least Indian banks can try competing with foreign banks to maintain international standard.

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