STUDY ON NPAs OF SCHEDULED COMMERCIAL BANKS IN INDIA

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Abstract
Due to greater emphasis on developmental and social banking, the quality of loan is affected. The quality of loan portfolio is very critical for the health of a bank. Contaminated loan portfolio is definitely a bane for any bank. It puts a severe dent on the profitability of a bank where it is out of proportion. Managing NPAs should be pro-active function than a reactive response. As management of Non-performing assets has direct bearing on the bottom lines of banks, it needs highly focused and professional approach.

The main objectives of the study are to analysethe impact of NPAs of Scheduled Commercial Banks, Public Sector Banks and Foreign Banks in India. The data for the present study are collected from secondary sources. Twelve years of Gross NPAs, Net NPAs, Gross NPAs as Percentage of Gross Advances, Net NPAs as Percentage of Net Advances, Gross NPAs as Percentage of Total Assets, Net NPAs as Percentage of Total Assetsdata from 2002-03 to 2013-14of Scheduled Commercial Banks, Public Sector Banks and Foreign Banks in Indiabeen collected from the official websites of Reserve Bank of India (rbi.org.in) and various other reports like magazines, journals, published books. The data collected for the study has been analysed logically and meaningfully to arrive at meaningful conclusions. The statistical tools applied for data analysis is descriptive and inferential statistics. E-views are used. Based on the objectives, the hypotheses formed for analysis.

In a nutshell, Compound Annual growth rate of Gross NPAs and Net NPAs of all banks under study are not less than 12% during the study period. They have maintained consistency in their growth since their coefficient of variation is less than one. Hence, NPAs should be curbed on war-footing otherwise, it will have disastrous effect on its survival and sustenance.

Key Words: Gross NPAs, Net NPAs, Gross NPAs to Total Assets, Net NPAs to Total Assets

Introduction

Mounting overdues are closely linked with credit management.For better credit management, there is an important need to follow what can be called a "Damage Containment Approach".The financial health of banks as portrayed was far from true and fair. To remove the anomalies that existed in the system, RBI issued guidelines on Comprehensive Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRAC) which have compelled banks in India to show for better transparency / disclosures, improved efficiency and competitiveness, better financial health, to ensure sound and uniform accounting practices and to take corrective steps for improving their loan portfolio.

Due to greater emphasis on developmental and social banking, the quality of loan is affected. The quality of loan portfolio is very critical for the health of a bank. Contaminated loan portfolio is definitely a bane for any bank. It puts a severe dent on the profitability of a bank where it is out of proportion. Managing NPAs should be pro-active function than a reactive response. As management of Non-performing assets has direct bearing on the bottom lines of banks, it needs highly focused and professional approach.

Objectives

The main objectives of the study are:
- To appraise the impact of NPAs of Scheduled Commercial Banks and
- To provide findings based on analysis.

Research Design

The data for the present study are collected from secondary sources. Twelve years of Gross NPAs, Net NPAs, Gross NPAs as Percentage of Gross Advances, Net NPAs as Percentage of Net Advances, Gross NPAs as Percentage of Total Assets, Net NPAs as Percentage of Total Assetsdata from 2002-03 to 2013-14of Scheduled Commercial Banks in Indiabeen collected from the official websites of Reserve Bank of India (rbi.org.in) and various other reports like magazines, journals, published books. The data collected for the study has been analysed logically and meaningfully to arrive at meaningful conclusions. The statistical tools applied for data analysis is descriptive statistics.

Findings

1. Gross NPAs of Scheduled Commercial Banks has an Annual Arithmetic mean of Rs. 1002.41 million ranging from Maximum of Rs. 2641.95 Mns. and minimum of Rs. 504.86 Mns. during the study period. It has CAGR of 14% over

the study period and annual growth rate/ year to year growth rate registering the highest of 46% in 2011-12 and the lowest of -14% in 2005-06. It has consistency (C.V.) of 0.67.

2. Net NPAs of Scheduled Commercial Banks has an Annual Arithmetic mean of Rs. 464.8125 million ranging from maximum of Rs. 1426.57 mns. and minimum of Rs. 185.43mns. during the study period. It has CAGR of 12.10% over the study period and annual growth rate/ year to year growth rate registering the highest of 140% in 2008-09 and the lowest of -60% in 2010-11. It has consistency (C.V.) of 0.81.

3. Its average is higher than median which means that the data is right-skewed indicating most of the value is in the lower portion of the distribution. The kurtosis of 4.48indicates a distribution that is more peaked than a normal distribution and peaked tail and caused by there are some unusually large values.

4. Gross NPAs as percentage of Gross Advances is an average of 3.8% recording the highest of 8.8% in 2002-03 and the least of 2.3% in 2007-09 during the study period.

5. Gross NPAs as percentage of total Assets is an average of 2.06% recording the highest of 4.10% in 2002-03 and the lower of 1.3% in 2007-09 during the study period.

6. Net NPAs as percentage of Net Advances has an average of 1.7 % recording the highest of 4% in 2002-03 and the least of 1% in 2007-09 over the study period.

7. Net NPAs as percentage of total Assets is an average of 0.89% incorporating the maximum of 1.80% in 2002-03 and the minimum of 0.60% in 2006-10 during the study period.

Conclusion

From the analyses it is witnessed that Compound Annual growth rate of Gross NPAs and Net NPAs of Scheduled Commercial Banks under study are not less than 14% during the study period. They have maintained consistency in their growth since their coefficient of variation is less than one. Their Gross NPAs as a percentage of Gross Advances is not less than 2.3% and not more than 8.8% and total assets is 1.3% and 4.1% respectively.

Hence, it is concluded that NPAs should be curbed otherwise, it will have disastrous effect on their survival and sustenance.

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Chart: 1 - Scheduled Commercial Banks
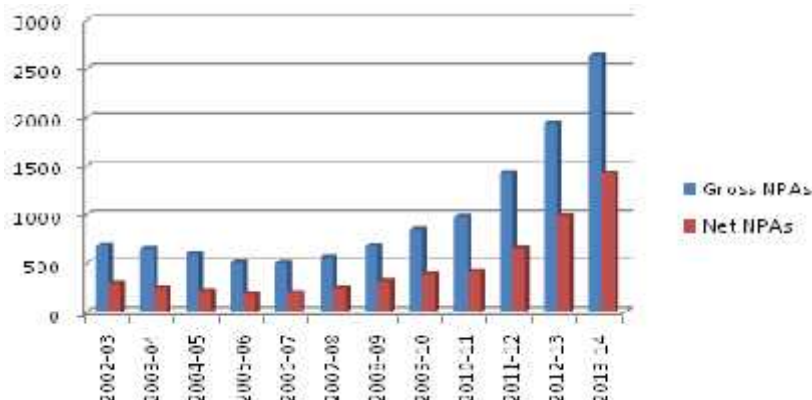
Appendix-1: Scheduled Commercial Banks

Descriptive Statistics	Gross NPAs	Net NPAs
Mean	1002.41	464.81
Median	685.23	306.28
Maximum	2641.95	1426.57
Minimum	504.86	185.43
Std. Dev.	670.89	380.96
Skewness	1.51	1.64
Kurtosis	4.04	4.48
Jarque-Bera	5.11	6.46
Probability	0.08	0.04
Sum	12028.92	5577.75
Sum Sq. Dev.	4951098	1596443
Observations	12	12
C.V.	0.67	0.82
CAGR	0.14	0.12

Appendix-2: Parameters of Comparison

Parameters	Scheduled Commercial Banks
CAGR	0.14
C.V.	0.67
Volatility	4.23
Mean	1002.41
Y-Y Growth Min.	-0.14
Y-Y Growth Max.	0.46