

Asset Quality and Non Performing Assets of Indian Commercial Banks

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Abstract: The NPAs are considered as an important parameter to judge the performance and financial health of banks. The level of NPAs is one of the drivers of financial stability and growth of the banking sector. Indian banking industry has undergone several changes during the liberalization process. However, one nagging problem affecting the banking sector has been the high level of non-performing assets. NPA is non-performing assets, which are not producing any new income. High non-performing assets affect the profitability, productivity, capital adequacy and competitiveness of banks. These have become the major concern of banks in India. NPA's have direct impact on net-profit and also on the performance of the banks. The recognition of income norms for banks also posed a serious concern to commercial banks. Management of NPAs, therefore, assumes significance in management of banks. Regulators and policy makers for banks have been taking measures to bring down the level of NPA in Indian commercial banks. The reforms measures and policy initiatives have resulted in reducing the level of NPAs in Indian commercial banks.. This paper analyses the trends in non-performing assets of Indian Scheduled Commercial banks and analyse the comparison of public sector banks, private sector banks and foreign banks. The paper further attempts to study the gross NPAs and Net NPAs. It further examines the Categorywise NPAs. The study shows that the public sector banks have higher levels of NPAs in comparison to private and foreign banks

Keywords: Asset Classification, Doubtful assets, prudential norms

1. Introduction

After nationalization of Banks in India, the initial mandate that banks were given to expand their branch network, increase the savings rate and extend credit to the rural and SSI sectors¹. This mandate has been achieved admirably. Since the early 90's the focus has shifted towards improving quality of assets and better risk management. The 'directed' lending approach has given a way to more market driven practices.

The Indian banking industry has undergone a sea change after the first phase of economic liberalization in 1991. While the primary function of banks is to lend funds as loans to various sectors such as agriculture, industry, personal loans, housing loans etc., in recent times the banks have become very cautious in extending loans

The Indian Banking system is considered to be one of the crucial facets of Indian Economy, and has played commendable role in the overall socio economic development of India. Even though the Banking Sector in India has shown spectacular progress since nationalization, there has been significant decline in productivity and efficiency resulting in erosion of profits. The presence of non performing assets (NPAs) has had an adverse impact on the banking system of India. Their continued amelioration in absolute terms proved survival extremely difficult. Banks which functions as intermediaries have to be financially sound and stable and they should enjoy public confidence to be able to impact an efficient and effective service role¹. It was in the early nineties these non

performing assets emerged in the financial domains of India because by that time a significant number of loan assets involving uncertainty with respect to ultimate collection had piled up, plaguing the Indian banking industry

Non-performing assets (NPAs) are those assets that cease to provide any income for the banks. NPA has ever been a major concern for the bank promoters and government. Management of NPAs has been a significant aspect of bank management and has always drawn the attention of bankers. Accumulation of NPAs in the balance sheet of a commercial bank always affects the profitability and solvency of a bank. The level of non-performing assets (NPAs), though declining in recent years, continues to be high by international standards. NPAs have become a first charge on banks funds for provisioning and these affect banks performance by eating into their profitability. The most important condition for improvement in the profitability of banks is a reduction in the level of NPAs. In fact, it is a precondition for the stability of the banking system. The response to the efforts at debt recovery and restructuring of assets and other methods has been slow. The strategies for containing the problem of NPAs should emphasize the strict enforcement of prudential norms and requirements, transparency and disclosure and the need for legislation which will make the recovery process smoother. Reforms have to be supported by legal changes for enforceability of contracts. In any effort to build a banking system of international stature, reduction in NPAs shall be the priority target.

2. Studies on Asset Quality of Banks

There are a large number of studies on the causes of NPAs in Indian banking sector. However, some of the studies relating to NPAs are mentioned to pinpoint the importance of the subject.

Ashwini Puri(2004) studied the factors for successful resolution of NPA in Asian markets which include Assets Management Company(AMC), enforcement of creditors rights with minimum intervention of courts and foreign ownership of AMC Prasanth K Reddy (2002) studied the experiences of Asian countries in handling NPA's and suggested mechanisms to handle the problem by drawing experiences from other countries. Salman Ali Sheik (2004) focused on current situation of NPL's, desired situation and strategies to reach the desired situation. SumantBatra(2004) studied the factors contributing for NPA's in India and suggested for control of NPA's S.D. Naik (2003) opined that RBI feels that the banks have been neglecting their primary function of credit creation in favour of "narrow banking" for short-term gains. While this could be appropriate in times of easy liquidity, the macroeconomic performance of the banking system in the long term would hinge on its ability to fund industrial and other enterprises.

3. Objectives Of The Study

- 🚧 To evaluate the efficiency in managing Non Performing Asset of different types of banks

(Public, Private & Foreign banks) using NPA ratios

- To check the proportion of NPA of different types of banks in different categories
- To analyze the past trends of NPA of Scheduled Commercial banks

4. Methodology

The present study is aimed at analyzing the NPA's of Indian Scheduled Commercial Banks. For the purpose of the study, data has been collected from secondary source. The main source of information has been RBI reports. The growth of NPAs along with its components has been tested with the help of compound annual growth rate (Cagr). In order to have an in-depth idea of the issue, a reasonably suited period of 14 years commencing from 1996-97 to 2009-2010 has been considered.

The above table clearly shows that the gross non performing assets ratio of scheduled commercial banks gradually decreased from the year 2000 to 2008 but there was an increasing trend in the year 2009 and 2010. In case of public sector banks there was a declining trend except in the year 2010. In the case of private and foreign banks the trend was fluctuating.

The effect of the net non performing assets on all the banks is same as the gross non performing assets but it is not in same proportion as gross NPA. It is because of the provisions like interests.

Table 1 Gross Non-Performing Assets As Percentage Of Gross Advances

Name of the Bank	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Scheduled Commercial Banks	15.7	14.4	14.7	12.8	11.4	10.4	8.8	7.2	5.1	3.3	2.50	2.25	2.3	2.5
Public Sector Banks	17.84	16.02	15.89	14.02	12.37	11.09	9.36	7.79	5.53	3.7	2.66	2.23	2.0	2.27
Private Sector Banks	8.49	8.67	10.81	8.47	8.37	9.64	8.07	5.85	3.84	2.56	2.36	2.75	3.25	2.97
Foreign Banks in India	4.29	6.38	7.59	6.99	6.84	5.38	5.22	4.62	2.85	1.9	1.77	1.75	4.3	4.26

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

Table 2 Net Non-Performing Assets As Percentage Of Net Advances

Name of the Bank	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Scheduled Commercial Banks	8.1	7.3	7.6	6.8	6.2	5.5	4.4	2.9	2	1.2	1.01	1.00	1.1	1.12
Public Sector Banks	9.18	8.20	8.15	7.42	6.74	5.82	4.54	2.98	2.06	1.3	1.05	0.99	0.93	1.10
Private Sector Banks	5.37	5.26	5.26	5.56	5.44	5.72	4.95	2.84	1.85	1.01	0.97	1.09	1.29	1.03
Foreign Banks in India	1.92	2.25	2.25	2.37	1.82	1.89	1.76	1.48	0.86	0.8	0.73	1.21	1.8	1.82

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

Table 3 Asset Classification of Public Sector Banks (Amount in Crores)

[illegible]

1997	200637	82.2	12472	5.1	26015	10.6	5090	2.1	43577	17.8	244214	100
1998	2,39,318	84	14,463	5.1	25,819	9.1	5,371	1.9	45,653	16	2,84,971	100
1999	2,73,618	84.1	16,033	4.9	29,252	9	6,425	2	51,710	15.9	3,25,328	100
2000	3,26,783	86	16,361	4.3	30,535	8	6,398	1.7	53,294	14	3,80,077	100
2001	3,87,360	87.6	14,745	3.3	33,485	7.6	6,544	1.5	54,774	12.4	4,42,134	100
2002	4,52,862	88.9	15,788	3.1	33,658	6.6	7,061	1.4	56,507	11.1	5,09,369	100
2003	5,23,724	90.6	14,909	2.6	32,340	5.6	6,840	1.1	54,089	9.4	5,77,813	100
2004	6,10,435	92.2	16,909	2.5	28,756	4.4	5,876	0.9	51,541	7.8	6,61,975	100
2005	8,30,029	94.6	11,068	1.3	30,799	3.5	5,929	0.7	47,796	5.4	8,77,825	100
2006	1092607	96.20	11453	1.00	25028	2.20	5636	0.50	42117	3.70	1134724	100
2007	1425519	97.30	14275	1.00	19873	1.40	4826	0.30	38974	2.70	1464493	100
2008	1778476	97.80	17290	1.00	19291	1.10	4018	0.20	40598	2.20	1819074	100
2009	2237556	97.99	20603	0.90	21019	0.92	4296	0.19	45918	2.00	2283473	100
2010	2673534	97.81	28791	1.05	25383	0.93	5750	0.21	57301	2.27	2519331	100

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

Advances in each of the four asset categories (*i.e.*, standard, substandard, doubtful and loss) of the PSBs during 1993 to 1998 are given in the above table; the proportion of standard assets of PSBs has increased from 82.2 per cent in end-March 1997 to 97.99 per cent in end-March 2009 and there was a slight decrease in the year 2010. The substandard assets remained constant in the year 1997 and 1998 but from the year 1999 there was a continuous decrease in the ratio till the year 2005, later on for the three years *i.e.* 2006, 2007 and 2008 it remained stable then decreased in the year 2009 but increased in the year 2010. The doubtful assets trend moved quite opposite to the

standard assets trend through the study in case of loss assets also the trend was same like doubtful assets trend only *i.e.* there was a continuous decrease in the ratio till the 2009 except in the year 1999 and there was a slight increase in the year 2010 as in the case of substandard assets and doubtful assets. It is also observed in the above table that through the study period except in the year 2010 out of the three categories of assets that form NPAs the doubtful assets had a major share in contributing to gross NPAs whereas in the year 2010 the major portion of Gross NPAs was occupied by substandard assets followed by doubtful assets and loss assets.

Table 4 Asset Classification of Private Sector Banks (Amount in Crores)

Year	Standard Assets		Sub-standard Assets		Doubtful Assets		Loss Assets		Gross NPAs		Total Advances	
	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share
1997	27417	91.50	1370.00	4.60	889.00	3.00	283	0.90	2542	8.50	29959	
1998	33,567	91.3	1,766	4.8	1,077	2.9	343	0.9	3,186	8.7	36,753	
1999	38,394	89.2	2,657	6.2	1,591	3.7	407	0.9	4,655	10.8	43,049	
2000	53,317	91.5	2,137	3.7	2,355	4	439	0.8	4,931	8.5	58,248	
2001	65,071	91.5	2,585	3.6	3,069	4.3	424	0.6	6,078	8.5	71,149	
2002	109,272	90.3	4,738	4	6,539	5.5	389	0.45	11,666	9.64	120,938	
2003	134,248	91.5	4,174	2.9	6,447	4.65	1,177	0.75	11,798	8.07	146,046	
2004	167076	93.5	3,127	1.8	6,392	3.85	825	0.6	10344	5.85	177420	
2005	221781	96.16	2270	0.98	5671	2.49	910	0.39	8851	3.84	230632	100
2006	296020	97.44	2396	0.79	4438	1.46	940	0.31	7774	2.56	303793	100
2007	382630	97.64	4368	1.11	3930	1.00	941	0.24	9239	2.36	391869	100
2008	459369	97.25	7280	1.54	4452	0.94	1244	0.26	12976	2.75	472345	100
2009	568093	97.10	10592	1.81	5035	0.86	1345	0.23	16888	3.25	519655	100

2010	626472	97.27	8842	1.37	6590	1.02	2166	0.34	17384	2.97	584591	100
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Source: RBI Report on Trends and progress of Banking in India 1997-2010.

It is observed from the table that the year 1997 to 1999, the proportion of standard assets decreased from 91.5 percent to 89.2 percent and started getting stable in 2000 & 2001. But it has fallen in 2002 and started increasing from 2003, but again in the year 2009 there was a slight decline in the trend and picked up in the year 2010. The proportion of substandard assets was fluctuating during the study period. In case of doubtful assets there was a continuous decline the ratio from the year 2003 to 2009 before this period there were fluctuations in the trend but in the year 2010 as compared to 2009 there was a slight increase in the ratio. In case of loss assets, the first three years of the study period the ratio was stable, later on from 2000 to 2002 there was a declining trend, but in the year 2003 there was a slight increase in the trend. from the year 2004 to 2009 again there was a gradual decline in the proportion of loss assets. in the year 2010 there was a slight increase in the ratio. Further, it is observed from the above table that from the year 1997 to 1999 and from 2007 to 2010 the substandard assets had major contribution to the NPAs, from the year 2000 to 2006 this place was occupied by doubtful assets.

In case of Foreign Banks the share of standard assets to total advances has come down from 95.9 per cent in 1996-97 to 93.6 per cent in 1997-98 and further to 92.4 per cent in 1998-99. There has been a marked improvement in the asset profile of foreign banks, with the category of 'standard' asset registering an increase from 93 per cent as at end-March 2000 to 98 per cent as at end-March 2006. later on in the year 2007 and 2008 it remained constant at 98.1 percent but in the year 2009 it decreased to 95.70 later on in the year 2010 there was a slight improvement in the standard assets ratio. The movement of substandard assets was quite opposite to the standard assets from the year 1997 to 1999. The share of sub-standard assets to total advances declined from 4.0 per cent in 1998-99 to 1.6 per cent in 2003 -2004. in the year 2005 and 2006 it remained constant at 1 percent then again there was a continuous increasing trend in the ratio from 2007 to 2009, but in the year 2010 there was a decreasing trend. In case of doubtful assets and loss assets the trend was fluctuating during the study period. Further, it is observed from the above table that out of the total gross NPA ratio, the major share was contributed by substandard from 1997 to 2000 later on there were fluctuations in share of assets.

Table 5 Asset Classification of Foreign Banks (Amount in Crores)

Year	Standard Assets		Sub-standard Assets		Doubtful Assets		Loss Assets		Gross NPAs		Total Advances	
	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share
1997	26392	95.9	658.0	2.4	261.0	0.9	261.0	0.9	1181.0	4.3	27525	100
1998	28,996	93.6	1,198	3.9	250	0.8	528	1.7	1,976	6.4	30,972	100
1999	28,702	92.4	1,238	4	507	1.6	612	2	2,357	7.6	31,059	100
2000	34,817	93	1,096	2.9	798	2.1	721	1.9	2,615	7	37,432	100
2001	42,285	93.1	876	1.9	1,202	2.6	1,033	2.3	3,111	6.9	45,396	100
2002	47,838	94.5	856	1.7	1,004	2	920	1.8	2,780	5.5	50,618	100
2003	51,288	94.7	995	1.8	944	1.7	954	1.8	2,893	5.3	54,181	100
2004	59,619	95.1	990	1.6	1,099	1.8	924	1.5	3,013	4.8	62,632	100
2005	74,705	97	715	1	1,035	1.3	570	0.7	2,320	3	77,025	100
2006	96907	98.00	946	1.00	670	0.70	441	0.50	2057	2.00	98965	100
2007	125453	98.10	1367	1.10	605	0.50	447	0.30	2419	1.90	127872	100
2008	159882	98.10	1962	1.20	764	0.50	358	0.20	3084	1.90	162966	100
2009	162422	95.70	5874	3.46	1004	0.59	416	0.25	7294	4.30	169716	100
2010	160311	95.74	4929	2.94	1440	0.86	758	0.45	7128	4.26	167439	100

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

Table 5 Asset Classification of Scheduled Commercial Banks (Amount in Crores)

Standard Assets	Sub-standard Assets	Doubtful Assets	Loss Assets	Gross NPAs	Total Advances
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Year	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share	Amount	Per cent share
1997	254446	84.30	14500	4.80	27165	9.00	5634	1.90	47300	15.7	301698	100
1998	3,01,881	85.6	17,428	4.9	27,146	7.7	6,242	1.8	50,815	14.4	3,52,696	100
1999	3,40,714	85.3	19,928	5	31,350	7.8	7,444	1.9	58,722	14.7	3,99,436	100
2000	4,14,917	87.2	19,594	4.1	33,688	7.1	7,558	1.6	60,840	12.8	4,75,757	100
2001	4,94,716	88.6	18,206	3.3	37,756	6.8	8,001	1.4	63,963	11.4	5,58,679	100
2002	6,09,972	89.6	21,382	3.1	41,201	6.1	8,370	1.2	70,953	10.4	6,80,925	100
2003	7,09,260	91.2	20,078	2.6	39,731	5.1	8,971	1.1	68,780	8.8	7,78,040	100
2004	8,37,130	92.9	21,026	2.3	36,247	4	7,625	0.9	64,898	7.2	9,02,027	100
2005	10,93,523	94.9	14,016	1.2	37,763	3.3	7,382	0.6	59,161	5.1	11,52,684	100
2006	1499431	96.70	14286	1.00	30105	2.00	7016	0.40	51947	3.30	1551378	100
2007	1961877	97.50	20010	1.00	24408	1.20	6215	0.30	50633	2.50	2012510	100
2008	2451217	97.70	26541	1.10	24507	1.00	5619	0.20	56668	2.30	2507885	100
2009	2968070	97.69	37069	1.22	27058	0.89	6056	0.20	70063	2.30	3031587	100
2010	3460318	97.61	42561	1.20	33412	0.94	8674	0.24	81813	2.50	3271361	100

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

It is noticed from the above table that in the year 1997 the standard assets of scheduled commercial banks registered at 84.3 percent and increased to 85.6 percent but there was a slight decrease in the ratio in the year 1999, later on from the year 2000 there was a continuous increase in the ratio upto 2008. In the 2009 and 2010 there was a continuous decline in the ratio. In case of substandard assets there was a continuous increase from 1997 to 1999 later on from 2000 to 2005 there was a continuous decline in the trend and in the year 2006 and 2007 it remained constant again from 2008 to 2009 it increased and later on in 2010 it decreased. In case of doubtful assets in 1998 it decreased to 7.7 percent from 9 percent in 1997 later on it increased to 7.8 percent in 1999. From 2000 to 2009 there was a continuous decrease in the ratio and in 2010 there was a slight increase in the ratio. In trend of loss assets ratio was similar to the doubtful assets till 2007. In the year 2008 and it remained constant at

2.30 percent and increased to 2.50 percent in 2010. Further it is noticed in the above table that from 1997 to 2007 the doubtful assets share was contributing more to the gross NPAs. From the year 2008 to 2010 it is the substandard assets share which contributed more to the Gross NPAs. During the period of study. i.e from 1997 to 2010 the substandard assets share is more than the loss assets share.

Among bank groups, the private sector banks had the highest CAGR at 24.16 per cent followed by public sector banks and foreign banks in case of Standard assets. In absolute terms the amount of standard assets were increasing year by year during the period of study in public sector banks, private sector banks and scheduled commercial banks. Whereas in the case of foreign banks except in the year 1999 all the years the standard assets were increasing.

Table 6 Comparison of Standard assets of different banks (Amount in Crores)

year	PSB	pvt.SB	FB	SCB
1997	200637	27417	26392	254446
1998	2,39,318	33,567	28,996	3,01,881
1999	2,73,618	38,394	28,702	3,40,714
2000	3,26,783	53,317	34,817	4,14,917
2001	3,87,360	65,071	42,285	4,94,716
2002	4,52,862	109272	47,838	6,09,972
2003	5,23,724	134248	51,288	7,09,260
2004	6,10,435	167076	59,619	8,37,130
2005	8,30,029	221781	74,705	10,93,523
2006	1029493	296020	96772	1422285

2007	1335175	382630	125415	1843220
2008	1656585	459369	159882	2275836
2009	2059725	502768	162420	2724912
2010	2462030	567207	160311	3189548
CAGR	19.61	24.16	13.75	19.79

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

**Table 7 Comparison of SubStandard assets of different banks
(Amount in Crores)**

year	PSB	pvt.SB	FB	SCB
1997	12472	1370	658	14500
1998	14,463	1,766	1,198	17,427
1999	16,033	2,657	1,238	19,928
2000	16,361	2,137	1,096	19,594
2001	14,745	2,585	876	18,206
2002	15,788	4738	856	21,382
2003	14,909	4174	995	20,078
2004	16,909	3127	990	21,026
2005	11,068	2270	715	14,053
2006	11394	2396	946	14737
2007	14147	4368	1367	19883
2008	16870	7280	1963	26113
2009	19521	10526	5874	35920
2010	27688	8676	4930	41294
CAGR	5.86	14.09	15.47	7.76

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

The above table depicts that the compound annual growth rate (CAGR) of substandard assets is low in case of public sector banks and followed by scheduled commercial banks, private sector banks and foreign banks. In terms of absolute terms the standard assets of public sector banks was increasing every year from 1997 to 2000 later on between 2000 to 2005 it was fluctuating again from 2006 to 2010 it was increasing continuously. In case of Private sector banks, Foreign Banks and scheduled commercial banks the

substandard assets amount were fluctuating during the study period.

The above table shows that the compound annual growth rate in case of public sector banks and then the CAGR of doubtful assets of SCBs was 1.33, foreign banks 12.97 and highest was private sector banks with a CAGR of 15.32. In case of absolute terms the doubtful assets of all the banks were fluctuating.

**Table 8 :Comparison of Doubtful Assets of different banks
(Amount in Crores)**

year	PSB	pvt.SB	FB	SCB
1997	26015	889.00	261.0	27165.00
1998	25,819	1,077	250	27,146
1999	29,252	1,591	507	31,350
2000	30,535	2,355	798	33,688
2001	33,485	3,069	1,202	37,756
2002	33,658	6539	1,004	41,201

2003	32,340	6447	944	39,731
2004	28,756	6392	1,099	36,247
2005	30,799	5671	1,035	37,505
2006	24804	4438	670	29912
2007	19944	3930	605	24479
2008	19167	4452	764	24383
2009	20715	5017	1004	26736
2010	24685	6542	1440	32667
CAGR	-0.37	15.32	12.97	1.33

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

Table 9 Comparison of LossAssets of different banks (Amount in Crores)

year	PSB	Pvt.SB	FB	SCB
1997	5090	283	261.0	5634
1998	5,371	343	528	6,242
1999	6,425	407	612	7,444
2000	6,398	439	721	7,558
2001	6,544	424	1,033	8,001
2002	7,061	389	920	8,370
2003	6,840	1177	954	8,971
2004	5,876	825	924	7,625
2005	5,929	910	570	7,409
2006	5180	940	446	6565
2007	4510	941	454	5905
2008	3712	1244	387	5343
2009	3803	1345	416	5564
2010	4928	2166	757	7850
CAGR	-0.23	15.65	7.90	2.40

Source: RBI Report on Trends and progress of Banking in India 1997-2010.

The above table shows that the Compound annual Growth Rate of public sector banks in case of loss assets is negative. The Scheduled commercial banks Cagr are 2.4, foreign banks are 7.9 and private sector banks are 15.65. In absolute terms all the banks loss assets position was fluctuating

5. Conclusion

The study concludes that Asset quality of banks had generally seen a steady improvement as evident from a declining level of gross NPA ratio there has been considerable improvement in the asset quality of banks. The asset quality of banks in India has been improving over the past few years as reflected in the declining NPA to advances ratio. Various factors such as improved risk management practices, greater recovery efforts under Securitization, Asset Reconstruction and Enforcement of

Security Interests (SARFAESI) Act 2002 and Corporate Debt Restructuring Mechanism, interalia, contributed to the decline in the NPAs. The category-wise analyses showed that the Scheduled Commercial Banks (SCBs) standard asset is increasing every year, this proves that SCBs have succeeded in reducing NPA over the years During 1998-99, NPAs of private sector bank witnessed significant increase in the Gross Nonperforming Assets Ratio (GNPAR). A similar trend was seen in the case of the foreign bank group.

NPAs were more noticeable in respect of new private sector and foreign banks, which have been more active in the real estate and housing loans segments. It shows an upward trend over the years as compared to others. The hardening of interest rates might have made the repayment of loans difficult for some borrowers, resulting in some increase in NPAs in this sector. It may be noted that the increase in

gross NPAs was more noticeable in respect of private sector and foreign banks, which have been more active in the real estate and housing loans segments..An analysis of NPAs of different bank groups indicates that PSBs hold larger share of NPAs till the year 2008. In the year 2010 the gross NPA to gross advances ratio of public sector banks declined but that of private and foreign banks increased. At the bank group level, the gross NPA ratio was the highest for foreign banks at end- March 2010 followed by private sector banks. On the other hand, it was the lowest for public sector banks. The steep rise in NPA 2008-09 & 2009 -2010 is due to poor global conditions .Public sector banks have managed to increase the standard assets over the years. The proportion of standard assets in Private sector banks reduced in 2008 and 2009 which was compensated by increase in sub-standard and doubtful assets. Banks need to improve upon their standard assets and reduce the sub-standard, doubtful and loss assets. Loss assets are a big worry for the banks and hence a lot of efforts are to be made for increasing profitability so as to compete in a global marketing environment

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Biography



Dr. P. Malyadri has got 27 years of experience of Teaching, Research, Administration, Training and consultancy. A prolific writer; Dr. Malyadri has authored 4 Books and 64 research papers on Banking, Rural and economic development issues in various National and International journals of repute. He has

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