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NPA Management by Scheduled Commercial Banks in India (A Comparative Study of Different Bank Groups)

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Abstract

The banking sector in India has undergone a significant transformation following the financial sector reforms since 1992. With the entry of new private sector and foreign banks, the Indian banking sector has become more competitive and dynamic. The reduction in non-performing assets of scheduled commercial banks led to an improvement in their productivity, efficiency and profitability during 2001-2011, which reflects the positive impact of banking sector reforms. The analysis points out that despite an increase in gross and net NPAs in absolute terms, all the bank groups witnessed a fall in their NPAs in percentage terms. The public sector banks showed an appreciable improvement in their asset quality, reflected by the ratio of Gross NPAs to gross advances during the reference period. A sector wise analysis of NPAs reveals that the percentage share of priority sector in total NPAs of all bank groups (except for private sector banks) went up during the reference period. In March 2011, the priority sector accounted for 58%of the GNPAs of public sector banks but only to 23%of private sector banks.

Keywords: *Capital Adequacy Ratio, Linear Growth Rate, Non Performing Assets, Priority sector, Provisioning Norms.*

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