A comparative study regarding impact of non-performing assets (NPA) on working of the State Bank of India (SBI) and the Punjab National Bank (PNB)

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ABSTRACT

While making comparative studies on impact of NPA on working of the State Bank of India (SBI) and the Punjab National Bank (PNB) during 2016-17, it was observed that mainly due to the biggest infrastructure, the SBI had the largest volumes in terms of total assets, total business, total deposits, gross advances, priority sector advances, gross NPAs, Net NPAs, provisioning, total income, net interest income, other income, total expenses, operating profit and net-profit, etc. In addition, the bank was successful to contain its net NPAs among all PSBs at the lowest level. Another side, in terms of percentage growth, the PNB had higher growth in terms of total business, capital adequacy ratio (%), gross advances, other income, average return on assets (%), operating profit, per employee profit, net profit and lower growth in terms of cost of deposit (%), gross NPAs, net NPAs, provisioning, total expenses, cost to income ratio (%), etc. Therefore, overall the working performance of the PNB was more comfortable than the SBI, however, NPAs had bad impacts on overall profitability of both the banks’.

Keywords: Comparative study, Impact, NPA, SBI, PNB

INTRODUCTION

In terms of businesses, the public sector banks’ now have a dominant position. They amounted for 70.5% of assets, 73.9% of deposits, 72.7% of advances and 69.9% of investments of all scheduled commercial banks’ as on 31st March 2017. The 21 nationalized banks’ had 85018 offices all over the country. In recent years, in order to meet credit needs of weaker sections, artisans, small and marginal farmers’ etc., regional rural banks’ were set-up in different parts of the country. On June 30, 2017 their branches numbered to 24,524 (RBI, 2017).

The public sector banks’ (PSBs) in India have made significant contribution to almost all the sectors of the Indian economy such as agriculture, industries of various categories, trade, employment and infrastructure. The ever increasing trends in deposits and credits represents the performance of banks’ in India. With over Rs. 7573085 crores as deposits and over Rs. 5237045 crores as loans on March 2017, the public sector banks’ commands the heights of the Indian economy (RBI, 2017).
However, Non-Performing Assets (NPA) in credit portfolios in PSBs have become a serious issue since last two decades. NPA have not only affected the productivity and the profitability of banks’ but also damaged the image of the Indian banking and a drain on the valued system of the society. Hence, the all-round cry is over the volume of NPA those have risen to an alarming level of over Rs. 330322 crores on March 2017 and this caused mainly because of wilful defaults on the part of the borrowers’ (RBI, 2017).

OBJECTIVES OF THE STUDY


HYPOTHESES TESTED

The present research study is problem oriented analysis and thus, it may be studied on the development of following hypotheses:

1. After nationalization in 1969, the extension of banking sector activities is mainly guided by policies of the government.

2. Various problems have been faced by public sector banks’ including the State Bank of India particularly with priority sector lending which caused large NPA as amount and defaulting accounts.

3. The Multi-Agency approach which caused less co-ordination is responsible for defaults in bank lending.

REVIEW OF LITERATURE

The non-performing assets (NPAs) engrossed the attention of researchers in the late 1980’s when the necessity to transform the banking sector was felt in Indian economy.

Naidu, B.R. and Naidu, A.P.S. (2004) assessed the impact of NPA on the profitability of PSBs. The authors identified the diversion of funds as the number one reason for the NPA in the banking sector.

Gopalakrishnan, T.V. (2004), explained that NPA pose significant blow on the balance sheets and profitability of PSBs and high level of NPAs in bank books is a great risk to bank’s health, stability, viability and soundness.

Basu, P. (2005) recommended various banking reforms, integration of best practices from abroad and the development of capital market to counteract the threat of financial distress.

Shiralashetu and Akash (2006) reported that the priority sector, in particular the SSI sector contributed NPA significantly and PSBs accounts for 91.07% of the total NPA of priority sector.

Chakrabarti, R. (2006) discussed the major contemporary issues on public sector bank performance, and the nature and management of NPAs in Indian commercial banking. The author briefed that Indian banking sector is suffering from considerable NPAs in their asset portfolio.

Vallabh, et al., (2007) examined the impact of NPA on banks’ macroeconomic factors and bank-specific parameters. The other notable observation is that the banks’ exposure to priority sector lending reduces the NPA.

Rajeev (2008) analyzed the level of NPA and its relationship with key performance indicators in Indian banking. Inference based on analysis revealed that rural branches contribute more NPA in SSI sector. Regarding the generation of the NPA, the study pointed out that inadequate funds and higher amounts of accumulated NPAs resulted in the creation of the more NPA in SSI.
Dash, M.K. and Kabra, G. (2010) concluded that the commercial banks’ that are aggressive and charge relatively higher interest rates incurred greater NPAs.

Faizanuddin, Md. and Mishra R.K. (2011) examined the dimensional approach of NPA in the banking system in India with special focus on State Bank of India, Patna Circle, Bihar. Findings and inferences based on analysis recommended major changes in the recovery policy, project financing norms, legal aspects and supervision of NPA accounts.

Prasad and Veena, D. (2011) recommended revitalizing the PSBs and incorporating the best practices in operations, technology and management to improve financial performance.

Siraj, K.K. and Pillai, P.S. (2011) recommended improvements in the management of the loan portfolio to withhold the impact created by the financial crisis.

Yadav, M.S. (2011) explained that the level of the NPAs of PSBs affected fifty percent profitability of the banks and its impact has increased at very large extent with other strategic banking variables in terms of business per employee and operating profit per employee.

Siraj, K.K. and Pillai, P.S. (2012) recognized that NPA remains a major threat and the incremental component explained through additions to NPA poses a great question mark on the efficiency of credit risk management practices of banks’ in India.

Ahmad, et al., (2013) concluded the causes for NPA in public sector banks’. Secondary data was collected for a period of five years and analysed by CAGR, average, ANOVA and banks’ ranking. Banks’ were ranked according to their performance to manage the NPA’s.

Arora, N. and Ostwal, N., (2014) concluded that the NPA’s are a big issue for the banks’. According to them, the financial companies and public sector banks’ have higher NPA’s as compared to Private sector banks’.

Satpal (2014) has made the proper definition of NPA and the factors responsible to NPAs, reasons for high values of NPA’s and their impact on various banking systems.

Kavitha, et al., (2016) concluded that the extent of NPA is comparatively very high in public sector banks’ as compared to private banks’.

Singh, V. R., (2016) concluded that Non-Performing Assets have always created a big problem for banks’ in India and the NPAs level of our banks’ is still high as compared to the foreign banks’.

RESEARCH METHODOLOGY

To achieve the stated objectives, data have been collected from various sources and include:-

1. Research reports, published articles, news reports and conference proceedings available at national and international level related to NPA. The information obtained from these sources have been used for critical evaluation of the subject and identify research gap in the area of study.

2. Statistical Data on NPA, bank-specific and economic indicators during 2015-16 to 2016-17, have been collected mainly from the RBI and the SBI websites, websites of other public sector banks, Indian Banks Association, India Stat and Ministry of Finance.


RESULTS AND DISCUSSION

1.1 Impact of NPA on public sector banks’ (2015-16 to 2016-17)

The quality of assets have been deteriorated in PSBs during this period. Doubtful-3 assets have badly deteriorated as 86.77% from Rs. 53370 crores to Rs. 99681 crores, followed by Doubtful-2 assets as 73.84% from Rs. 366671 crores to Rs. 637426 crores, Doubtful-1 assets as 34.87% from Rs. 384113
crores Rs. 518077 crores, Loss assets as 13.87% from Rs. 46617 crores to Rs. 53087 crores and Substandard assets as 0.87% from Rs. 465099 crores to Rs. 469164 crores.

Accordingly the situation of NPA has become more terrible. Gross NPA has been increased as 20.02% from Rs. 519778 crores to Rs. 623867 crores, Gross NPA (%) increased as 2.81% from 9.51 to 12.32, Net NPA increased as 17.79% from Rs. 280419 crores to Rs. 330322 crores, Net NPA (%) increased as 1.62% from 6.08 to 7.7. Due to such bad loans, Provisions for NPA has been increased as 6.48% from Rs. 143110 crores to Rs. 152386 crores. This all hampered the overall working of PSBs as Credit-Deposit ratio (%) has been decreased as -3.31% from 79.9 to 70.59, Gross advances decreased as -4.15% from Rs. 5464223 crores to Rs. 5237045 crores, Net interest income decreased as -7.42% from Rs. 457790 crores to Rs. 423802 crores, Net interest income (%) decreased as -0.85% from 8.25 to 7.4, Net interest margin (%) decreased as -0.06% from 2.34 to 2.28, Yield average on advances (%) decreased as -0.74% from 10.23 to 9.49, Average return on assets (%) decreased as -0.15% from 0.24 to 0.09.

Overall due to such negative impacts, total expenses of PSBs increased as 2.46% from Rs. 622502 crores to Rs. 637823 crores which adversely effected the per employee profit as Rs. -0.51 lacs. However, Net profit have increased as 121.29% from Rs. 16133 crores to Rs. 3435 crores, but keeping in view such a large transactions made by these 21 public sector banks’ such a low cumulative net profit is not acceptable and this shows a picture of bad impacts of NPA on public sector banks’ in India.

1.2: Impact of NPA on Punjab National Bank (2015-16 to 2016-17)

Performance of the bank was much comfortable in comparison to other public sector banks’ as it was successful to contain the NPA at desired levels. However, the bank had gross NPA (%) during 12.53% and it was higher than PSBs average of 12.32% similarly Net NPA (%) during this period was as 7.81% which was higher than PSBs average of 7.7% during 2016-17.

During this period net interest income was decreased by -0.31% (PSBs -7.42%), net interest income (%) was decreased by -0.95% (PSBs -0.85%), credit-deposit ratio (%) was decreased by -7.08% (PSBs -3.31%), net interest margin (%) was decreased by -0.22% (PSBs -0.06%) and Yield average on advances (%) was decreased by -0.81% (PSBs -0.74%). This all reflects bad impact of NPA on workings of Punjab National Bank.

1.3: Comparative studies regarding impact of NPA on the SBI and the PNB:

(i) Impact of NPA on total assets of banks’

Analysis by volumes: The total assets of all PSBs was noted as Rs. 8849658 crores. The SBI was noted with the largest volume as Rs. 2705966 crores when PNB with Rs. 720331 crores.

Analysis by percentage growth: The average growth of total assets of PSBs was noted as 13.17% and the SBI as 14.77%. The PNB had low growth as 7.93%.

(ii) Impact of NPA on total business of banks’

Analysis by volumes: The total business of all PSBs was noted as Rs. 12959113 crores. The SBI was noted with the highest business as Rs. 3554251 crores when PNB with Rs. 1041197 crores.

Analysis by percentage growth: The average growth of total business of PSBs was noted as 4.18% and the SBI had business growth of 5.84% and the PNB as 7.85%.

(iii) Impact of NPA on per employee business of banks’

Analysis by volumes: The average per employee business of all PSBs was noted as Rs. 15.82 crores. The SBI had per employee business as Rs. 16.24 crores and the PNB as 14.17 crores.

Analysis by percentage growth: The average growth of per employee business of PSBs was noted as 1.15% and the SBI was noted with the highest growth as 15.09% and the PNB as 4.26%.
(iv) Impact of NPA on capital adequacy ratio (%) of banks’

Analysis by volumes: The average capital adequacy ratio of all PSBs was noted as 11.73%, when the RBI insisted to PSBs to maintain this at least 12.0% level during 2016-17. The SBI had it as 13.11% when PNB as 11.66%.

Analysis by percentage growth: The average growth of CAR of PSBs was noted as 0.37%. The SBI had the CAR growth of -0.01% and the PNB as 0.38%.

(v) Impact of NPA on total deposits of banks’

Analysis by volumes: The total deposits of all PSBs was noted as Rs. 7573085 crores, and the SBI was noted with the highest deposit as Rs. 2044751 crores when the PNB as Rs.621704 crores.

Analysis by percentage growth: The average growth of total deposits of PSBs was noted as 8.35% and the SBI was noted with the highest growth as 18.14% and the PNB as 12.41%.

(vi) Impact of NPA on Cost of deposit (%) of banks’

Analysis by volumes: The average cost of deposits of all PSBs was noted as 6.03%, and the SBI had it as 5.98% when the PNB as 5.33%.

Analysis by percentage growth: The average growth of cost of deposits of PSBs was noted as -0.62% and the SBI had it as -0.37% when the PNB as -0.52%.

(vii) Impact of NPA on Credit-Deposit ratio (%) of banks’

Analysis by volumes: The average C.D. ratio of all PSBs was noted as 70.59%, and the SBI as 80.38% when the PNB as 67.47%.

Analysis by percentage growth: The average growth of C.D. ratio of PSBs was noted as -3.31% and the SBI had it as -3.18% when the PNB as -7.08%.

(viii) Impact of NPA on gross advances of banks’

Analysis by volumes: The total gross advances of all PSBs was noted as Rs. 5237045 crores, and the SBI was noted with the highest gross advances as Rs. 1509500 crores when the PNB as Rs. 419493 crores.

Analysis by percentage growth: The average growth of gross advances of PSBs was noted as -4.15% and the SBI had it as -7.23% when the PNB as 1.73%.

(ix) Impact of NPA on priority sector advances of banks’

Analysis by volumes: The total priority sector advances of all PSBs was noted as Rs. 1589374 crores, and the SBI was noted with the highest priority sector advances as Rs. 351894 crores when the PNB as Rs. 140239 crores.

Analysis by percentage growth: The average growth of priority sector advances of PSBs was noted as 5.79% and the SBI had it as 3.63% when the PNB as 0.78%.

(x) Gross NPA of banks’

Analysis by volumes: The total gross NPA of all PSBs was noted as Rs. 623867 crores, and the SBI had the highest gross NPA as Rs. 137244 crores when the PNB as Rs. 55317 crores.

Analysis by percentage growth: The average growth of gross NPA of PSBs was noted as 20.02% and the PNB had the lowest growth as -0.89% when the SBI as 13.49% growth rate.

(xi) Gross NPA (%) of banks’

Analysis by volumes: The average gross NPA of all PSBs was noted as 12.32%, and the the SBI had it as 6.9% and the PNB as 12.53%.
Analysis by percentage growth: The average growth of gross NPA (%) of PSBs was noted as 2.81% and the PNB had the lowest growth as -0.37% when the SBI as 0.4%.

(xii) Net NPA of banks’
Analysis by volumes: The total net NPA of all PSBs was noted as Rs.330322 crores, and the SBI had the highest net NPA as Rs. 54065 crores when the PNB as Rs. 32702 crores.

Analysis by percentage growth: The average growth of net NPA of PSBs was noted as 17.79% and SBI had it as 27.61% when the PNB as -7.68%.

(xiii) Net NPA (%) of banks’
Analysis by volumes: The average net NPA (%) of all PSBs was noted as 7.7%, and the SBI had the lowest as 3.71% when the PNB as 7.81%.

Analysis by percentage growth: The average growth of net NPA (%) of PSBs was noted as 1.62% and the SBI had it as -0.1% when the PNB as -0.8%.

(xiv) Provisions for NPA of banks’
Analysis by volumes: The total provisions of all PSBs was noted as Rs.152386 crores, and the SBI had the highest provisions as Rs. 32247 crores when the PNB as Rs. 15881 crores.

Analysis by percentage growth: The average growth of provisions of PSBs was noted as 6.48% and the SBI had it as 19.5% when the PNB as -12.47%.

(xv) Impact of NPA on total income of banks’
Analysis by volumes: The total income of all PSBs was noted as Rs.713163 crores, and the SBI had the highest income as Rs. 210979 crores when the PNB as Rs. 56227 crores.

Analysis by percentage growth: The average growth of total income of PSBs was noted as 4.96% and the SBI had it as 9.97% when the PNB as 5.24%.

(xvi) Impact of NPA on Net interest income of banks’
Analysis by volumes: The total net interest income of all PSBs was noted as Rs.423802 crores, and the SBI had the highest income as Rs. 61860 crores when the PNB as Rs. 47275 crores.

Analysis by percentage growth: The average growth of net interest income of PSBs was noted as -7.42% and the SBI had it as 8.15% when the PNB as -0.31%.

(xvii) Impact of NPA on Net interest income (%) of banks’
Analysis by volumes: The average net interest income (%) of all PSBs was noted as 7.4%, and the SBI had it as 6.86% when the PNB as 6.07%.

Analysis by percentage growth: The average growth of net interest income (%) of PSBs was noted as -0.85% and the SBI had it as -0.41% when the PNB as -0.95%.

(xviii) Impact of NPA on other income of banks’
Analysis by volumes: The total other income of all PSBs was noted as Rs.114790 crores, and the SBI had the highest other income as Rs. 35461 crores when the PNB as Rs. 8951 crores.

Analysis by percentage growth: The average growth of other income of PSBs was noted as 33.66% and the SBI had it as 27.35% when the PNB as 49.18%.

(xix) Impact of NPA on other income (%) of banks’
Analysis by volumes: The average other income (%) of all PSBs was noted as 1.7%, and the SBI had it as 1.39% when the PNB as 1.28%.
Analysis by percentage growth: The average growth of other income (%) of PSBs was noted as 0.13% and the SBI had it as 0.14% when the PNB as 0.22%.

**(xx)** Impact of NPA on total expenses of banks’
Analysis by volumes: The total expenses of all PSBs was noted as Rs.637823 crores, and the SBI had the highest expenses as Rs. 200495 crores when the PNB as Rs. 9379 crores.

Analysis by percentage growth: The average growth of expenses of PSBs was noted as 2.46% and the SBI as 10.22% when the PNB as -5.94%.

**(xxi)** Impact of NPA on cost to income ratio (%) of banks’
Analysis by volumes: The average cost to income ratio (%) of all PSBs was noted as 52.96%, and the SBI had it as 47.75% when the PNB as 41.57%.

Analysis by percentage growth: The average growth of cost to income ratio (%) of PSBs was noted as -0.53% and the SBI had it as -1.38% when the PNB as -5.22%.

**(xxii)** Impact of NPA on net interest margin (%) of banks’
Analysis by volumes: The average net interest margin (%) of all PSBs was noted as 2.28%, and the SBI as 2.84% when the PNB as 2.38%.

Analysis by percentage growth: The average growth of net interest margin (%) of PSBs was noted as -0.06% and the SBI had it as -0.12% when the PNB as -0.22%.

**(xxiii)** Impact of NPA on yield average on advances (%) of banks’
Analysis by volumes: The overall yield average on advances (%) of all PSBs was noted as 9.49%, and the SBI had it as 9.46% when the PNB as 8.29%.

Analysis by percentage growth: The average growth of yield average on advances (%) of PSBs was noted as -0.74% and the SBI had it as -0.66% when the PNB as -0.81%.

**(xxiv)** Impact of NPA on average return on assets (%) of banks’
Analysis by volumes: The overall average return on assets (%) of all PSBs was noted as 0.09%, and the SBI had it as 0.41% when the PNB as 0.19%.

Analysis by percentage growth: The growth of average return on assets (%) of PSBs was noted as -0.15% and the SBI had it as -0.05% when the PNB as 0.8%.

**(xxv)** Impact of NPA on operating profit of banks’
Analysis by volumes: The total operating profit of all PSBs was noted as Rs.149909 crores, and the SBI had the highest operating profit as Rs. 50848 crores when the PNB as Rs. 14565 crores.

Analysis by percentage growth: The average growth of operating profit of PSBs was noted as 18.05%. The SBI had it as 17.54% when the PNB as 28.45%.

**(xxvi)** Impact of NPA on per employee profit of banks’
Analysis by volumes: The average per employee profit of all PSBs was noted as Rs.-0.51 lacs, and SBI had it as Rs. 5.11 lacs when the PNB as Rs. 2.0 lacs.

Analysis by percentage growth: The average growth of per employee profit of PSBs was noted as 54.05%. The SBI had it as 8.72% when the PNB as 133.33%.

**(xxvii)** Impact of NPA on net profit of banks’
Analysis by volumes: The cumulative net profit of all PSBs was noted as Rs. 3435 crores, and the SBI had it as Rs. 10484 crores when the PNB as Rs. 1325 crores.
Analysis by percentage growth: The average growth of net profit of PSBs was noted as 121.29%. The SBI had it as 5.35% when the PNB as 133.34%.

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<th>Performance indicators</th>
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<th>2016-17</th>
<th>% Change</th>
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<td>Credit-Deposit Ratio (%) Average</td>
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<td>Total Gross Advances (Rs. in Crores)</td>
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<td>Total Priority Sector Advances (Rs. in Crores)</td>
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<td>Total Substandard Assets (Rs. in Crores)</td>
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<td>Total Doubtful-1 Assets (Rs. in Crores)</td>
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<td>Total Doubtful-2 Assets (Rs. in Crores)</td>
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<td>Total Doubtful-3 Assets (Rs. in Crores)</td>
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<td>Gross NPA (%) Average</td>
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<td>Net NPA (%) Average</td>
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<td>Net Interest Income (%) Average</td>
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<td>Total Other Income (Rs. in Crores)</td>
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<td>Other Income (%) Average</td>
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<td>Total Expenses (Rs. in Crores)</td>
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<td>Cost to Income Ratio (%) Average</td>
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<td>52.96</td>
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<td>Net Interest Margin (%) Average</td>
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<td>30</td>
<td>Yield Average on Advances (%)</td>
<td>10.23</td>
<td>9.49</td>
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### Table-2: Performance indicators of SBI & PNB

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<th>Sl.</th>
<th>Performance indicators</th>
<th>SBI (2016-17)</th>
<th>PNB (2016-17)</th>
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<td>1</td>
<td>Number of Branches</td>
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<td>2</td>
<td>Number of Employees</td>
<td>209567</td>
<td>73919</td>
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<tr>
<td>3</td>
<td>Total Assets (Rs. in Crores)</td>
<td>2705966</td>
<td>720331</td>
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<td>4</td>
<td>Total Business (Rs. in Crores)</td>
<td>3554251</td>
<td>1041197</td>
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<td>5</td>
<td>Per Employee Business (Rs. in Crores)</td>
<td>16.24</td>
<td>14.17</td>
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<tr>
<td>6</td>
<td>Capital Adequacy Ratio % (Basel-III)</td>
<td>13.11</td>
<td>11.66</td>
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<td>7</td>
<td>Total Deposits (Rs. in Crores)</td>
<td>2044751</td>
<td>621704</td>
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<tr>
<td>8</td>
<td>Cost of Deposit (%)</td>
<td>5.98</td>
<td>5.33</td>
</tr>
<tr>
<td>9</td>
<td>Credit-Deposit Ratio (%)</td>
<td>80.38</td>
<td>67.47</td>
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<tr>
<td>10</td>
<td>Gross Advances (Rs. in Crores)</td>
<td>1509500</td>
<td>419493</td>
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<td>11</td>
<td>Priority Sector Advances (Rs. in Crores)</td>
<td>351894</td>
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<tr>
<td>12</td>
<td>Gross NPA (Rs. in Crores)</td>
<td>137244</td>
<td>55317</td>
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<tr>
<td>13</td>
<td>Gross NPA (%)</td>
<td>6.9</td>
<td>12.53</td>
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<tr>
<td>14</td>
<td>Net NPA (Rs. in Crores)</td>
<td>54065</td>
<td>32702</td>
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<tr>
<td>15</td>
<td>Net NPA (%)</td>
<td>3.71</td>
<td>7.81</td>
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<td>16</td>
<td>Provisions for NPA (Rs. in Crores)</td>
<td>32247</td>
<td>15881</td>
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<tr>
<td>17</td>
<td>Total Income (Rs. in Crores)</td>
<td>210979</td>
<td>56227</td>
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<tr>
<td>18</td>
<td>Net Interest Income (Rs. in Crores)</td>
<td>61860</td>
<td>47275</td>
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<tr>
<td>19</td>
<td>Net Interest Income (%)</td>
<td>6.86</td>
<td>6074</td>
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<tr>
<td>20</td>
<td>Other Income (Rs. in Crores)</td>
<td>35461</td>
<td>8951</td>
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<tr>
<td>21</td>
<td>Other Income (%)</td>
<td>1.39</td>
<td>1.28</td>
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<tr>
<td>22</td>
<td>Total Expenses (Rs. in Crores)</td>
<td>200495</td>
<td>9379</td>
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<tr>
<td>23</td>
<td>Cost to Income Ratio (%)</td>
<td>47.75</td>
<td>41.57</td>
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<tr>
<td>24</td>
<td>Net Interest Margin (%)</td>
<td>2.84</td>
<td>2.38</td>
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<tr>
<td>25</td>
<td>Yield Average on Advances (%)</td>
<td>9.46</td>
<td>8.29</td>
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<tr>
<td>26</td>
<td>Average Return on Assets (%)</td>
<td>0.41</td>
<td>0.19</td>
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Source: compiled from annual reports of public sector banks
CONCLUSION

NPAs are contributing significantly in different aspects of workings of banks’ in the country. The Banking Sector Reforms in 1992 and 1998 have ensured the better workings of public sector banks’ in the country. Various segments of the businesses of banks’ related to financial performance, profitability, productivity analysis, assets liability management, and risk management etc. NPAs are related to these aspects of workings of banks’ as NPAs have effects on profitability of banks’. NPAs are resulted due to under-recovery or non-recovery of loans and advances i.e. credit facilities of banks’. In this regard, the profitability of banks’ should be properly analysed. Profitability assessment of banks’ can be made by studying interest income, non-interest income, expenses on interest, and operating costs etc., in relation to total assets in banks’. In this regard, the income recognition, capital adequacy norms, assets classification, provisioning and investment portfolios should be the part of prudential norms suggested by the Reforms Committees under the guidelines of the RBI to improve the conditions of NPAs in banks’.

RECOMMENDATIONS

1. A constant analysis of NPA should be attempted as borrower-wise, purpose-wise, size-wise, region-wise, etc.
2. There should be proper examinations at stock-levels of borrowers’ and also their liquidity positions.
3. There should be proper counselling, consultancy and credit management services from banks’ at regular basis.
4. The district level co-ordination committees should concentrate their efforts to issues relating to the recovery rather than deployment of funds.
5. There should be extensive information on financial positions of borrowers’ and especially to wilful defaulters.

REFERENCES


