CHAPTER 6

RESULTS AND DISCUSSION

6.1. FINDINGS

This chapter summarizes the findings and suggestions based on the study. The results are divided into five sections based on the objectives of the study.

6.1.1 MAGNITUDE AND TREND OF NPAS IN INDIAN PUBLIC AND PRIVATE SECTOR BANKS

6.1.1.1 Magnitude and trend of NPAs based on net NPA/net Advances

Among the 45 Indian public and private sector banks, eight banks are found to have high level net NPA/net advances ranging from 1.83 % to 2.73%, out of which five banks are public sector banks and three are private sector banks during the study period. United Bank of India has got highest net NPA / net advances when compared to all other public sector banks with average magnitude 2.73%. Lakshmi Vilas Bank has got highest net NPA/ net advances when compared to all other private sector banks with average magnitude 2.07%. Public sector banks found with high level net NPAs/net advances include United Bank of India, UCO Bank, Central Bank of India, Indian Overseas Bank and State Bank of India. Private sector banks in high level net NPAs/ net advances include Lakshmi Vilas bank, Catholic Syrian Bank and Dhanalakshmi Bank.

In moderate level net NPA/net advances, there are 26 banks ranging with magnitude 0.92% to 1.82% out of which 20 are public sector banks and six are private sector banks. Dena Bank, Allahabad Bank, Bank of Maharashtra, State Bank of Patiala, Oriental Bank of Commerce, State Bank of Bikaner & Jaipur, IDBI, Punjab & Sind Bank, State Bank of Mysore, Bank of India, Canara Bank, Punjab National Bank, State Bank of Travancore, Union Bank of India, Vijaya Bank, State Bank of Hyderabad, Indian Bank, Andhra Bank Syndicate Bank and Corporation Bank are the public sector banks in moderate level net NPA/net advances. Development Credit Bank, Karnataka Bank, ICICI Bank, Kotak Mahindra Bank, IndusInd Bank and City Union Bank are the private sector banks found in moderate level net NPA/net advances.

Eleven banks are found in low level NPAs ranging from 0.09 % to 0.91% out of which only one bank is public sector bank and remaining ten banks are from private sector banks. Bank of Baroda records the lowest net NPA/net advances among the public sector banks over the study period with the magnitude 0.82%. Nainital Bank maintain 0% net NPA during the study period. YES Bank records the lowest net NPA/net advances among the private sector banks with the magnitude 0.09%. Other private sector banks found in low level net NPA/net advances include Ratnakar Bank, Jammu & Kashmir Bank, South Indian Bank, Tamilnad Bank, Federal Bank, Axis Bank, Karur Vysya Bank and HDFC Bank.

Punjab National Bank has got higher growth rate 30.20% of net NPA/net advances during the study period when compared to all public and private sector banks operating in India. Whereas Ratnakar Bank records the minimum growth rate of net NPA/ net advances which is -20.30% during 2005-06 to 2014-15 which reveals that Ratnakar Bank has consistent declining trend and reflects the efficient management of NPAs. The overall average of net NPA/net advances is found to be 1.52% and growth rate 11.71%. This reveals that private sector banks are better in performance than public sector banks with regard to net NPA/net advances.

6.1.1.2 Magnitude and trend of NPAs based on Gross NPA/Gross Advances

Among the 45 Indian public and private sector banks, five banks are found to have high level Gross NPA/Gross advances ranging from 3.85 % to 5.6%, out of which two banks are the public sector banks and three are private sector banks during the study period. United Bank of India has got higher Gross NPA / Gross advances when compared to all other public sector banks with average magnitude 4.83%. Development Credit Bank has got highest Gross NPA / Gross advances when compared to all other private sector banks with average magnitude 5.6%. Public sector banks found in high level Gross NPAs/Gross advances include United Bank of India and Central Bank of India. Private sector banks in high level Gross NPAs/ Gross advances are ICICI Bank and Dhanalakshmi Bank.

Thirty banks are found to be in moderate level ranging from 2.08% to 3.84% out of which 22 the public sector banks and eight are private sector banks. Indian Overseas bank, State Bank of India, UCO Bank, Punjab National Bank, Bank of Maharashtra, Oriental Bank of Commerce, Dena Bank, State Bank of Mysore, Allahabad Bank, Union Bank of India , Bank of India, Punjab & Sind Bank, State Bank of Patiala, IDBI Bank, State Bank of Bikaner & Jaipur, Syndicate Bank, State Bank of Travancore, State Bank of Hyderabad, Vijaya Bank, Andhra Bank, Bank of Baroda and Indian Bank are the public sector banks in moderate level gross NPA/ gross advances. Catholic Syrian Bank, Karnataka Bank, Lakshmi Vilas Bank, Federal Bank, Tamilnad Mercantile Bank, Jammu & Kashmir Bank and Kotak Mahindra Bank are the private sector banks found in moderate level gross NPA/gross advances.

Ten banks are found in low level NPAs ranging from 0.31 % to 2.07% out of which only two banks are public sector banks and remaining eight banks are private sector banks. Canara Bank and Corporation Bank records the lowest gross NPA/gross advances among the public sector banks over the study period with the magnitude 2.03% and 2.06% respectively. YES Bank records the lowest gross NPA/gross advances among the private sector banks with the magnitude 0.31%. Other private sector banks found in low level gross NPA/gross advances include Nainital Bank, South Indian Bank, City Union Bank, Karur Vysya Bank, IndusInd Bank, Axis Bank and HDFC Bank.

YES Bank has got higher growth rate 40.77% of gross NPA/gross advances during the study period when compared to all public and private sector banks operating in India. Whereas Ratnakar Bank records the minimum growth rate of gross NPA/ gross advances which is -20.45% during 2005-06 to 2014-15. The overall average of gross NPA/gross advances is found to be 2.87% and growth rate 1.08%. This reveals that private sector banks are better in performance than public sector banks with regard to gross NPA/gross advances.

6.1.1.3 Magnitude and trend of NPAs based on net NPA to Total assets

Among the 45 Indian public and private sector banks, six banks are found have high level net NPA/total assets ranging from 1.41 % to 2.09% and all six banks are the public sector banks. State Bank of Hyderabad has got higher net NPA/total assets when compared to all other public sector banks with average magnitude 2.09%. Other Public sector banks include State bank of Mysore, State Bank of Patiala, State Bank of India, United Bank of India and State Bank of Travancore in high level net NPAs/total assets

Twenty one banks are found to be in moderate level ranging from 0.71% to 1.4% out of which 16 are public sector banks and five are private sector banks. State bank of Bikaner & Jaipur, Indian Overseas Bank, Dena Bank, Allahabad Bank, Bank of Maharashtra, Oriental Bank of Commerce, Bank of India, IDBI Bank, Punjab & Sind Bank, Punjab National Bank, Canara Bank, Union Bank of India, Vijaya bank, and Andhra Bank are the public sector banks in moderate level net NPA/total assets. Lakshmi Vilas Bank, Catholic Syrian Bank, Dhanalakshmi Bank, Development Credit Bank and Karnataka Bank are the private sector banks found in moderate level net NPA/total assets.

Eighteen banks are found in low level NPAs ranging from 0.00 % to 0.70% out of which only four are public sector banks and remaining fourteen banks are private sector banks. Bank of Baroda records the lowest net NPA/total assets among the public sector banks over the study period with the magnitude 0.82% and other three banks includes Syndicate Bank, Indian Bank and Corporation Bank. Nainital Bank maintain 0% net NPA during the study period. YES Bank records the lowest net NPA/total assets among the private sector banks with the magnitude 0.09%. Other private sector banks found in low level net NPA/total assets include ICICI Bank, Kotak Mahindra Bank, IndusInd Bank, City Union Bank, Ratnakar Bank, Jammu & Kashmir Bank, South Indian Bank, Tamilnad Bank, Federal Bank, Axis Bank, Karur Vysya Bank and HDFC Bank.

Punjab National Bank has got higher growth rate 33.65% of net NPA/total assets during the study period when compared to all public and private sector banks operating in India. Whereas Ratnakar Bank records the minimum growth rate of net NPA/ total assets which is -20.04% during 2005-06 to 2014-15 which reveals that Ratnakar Bank has shown consistent declining trend and speaks the efficient management of NPAs. The overall average of net NPA/total assets is found to be 0.89% and growth rate 6.05%. This reveals that private sector banks are better in performance than public sector banks with regard to net NPA/total assets.

6.1.1.4 Magnitude and trend of NPAs based on Gross NPA to Total assets

Among the 45 Indian public and private sector banks, six banks are found to have high level gross NPA/total assets ranging from 2.24 % to 3.26% out of which four are the public sector banks and two banks are private sector banks. Central Bank of India has got higher gross NPA/total assets when compared to all other public sector banks with average magnitude 2.64%. Other Public sector banks include United Bank of India, Indian Overseas Bank and UCO in high level gross NPAs/total assets. Development Credit Bank has got the highest gross NPAs/total assets among all public and private sector banks with the magnitude 3.26%. Other private sector banks include Catholic Syrian Bank with magnitude 2.26%.

Thirty two banks are found to be in moderate level ranging from 1.21% to 2.23% out of which 22 are public sector banks and 10 are private sector banks. State Bank of India, Punjab National Bank, State Bank of Mysore, Oriental Bank of Commerce, Bank of Maharashtra, Union Bank of India, Allahabad Bank, Dena Bank, Punjab & Sind Bank, IDBI Bank, State Bank of Travancore, State Bank of Hyderabad, Andhra Bank, Vijaya

Bank, Bank of Baroda, Indian Bank, Corporation Bank and Canara Bank are the public sector banks in moderate level gross NPA/total assets. Lakshmi Vilas Bank, Dhanalakshmi Bank, Karnataka Bank, ICICI Bank, Tamilnad Mercantile Bank, Jammu & Kashmir Bank. Ratnakar Bank, Kotak Mahindra Bank and South Indian Bank are the private sector banks found in moderate level gross NPA/total assets.

Seven banks are found in low level NPAs ranging from 0.17% to 1.2% and all seven banks are private sector banks. YES Bank records the lowest gross NPA/total assets among the private sector banks with the magnitude 0.17%. Other private sector banks found in low level gross NPA/total assets are Axis bank, Karur Vysya Bank, City Union Bank, Nainital Bank, IndusInd Bank and HDFC Bank.

YES Bank has got higher growth rate of 18.29% in gross NPA/total assets during the study period when compared to all public and private sector banks operating in India. Whereas Ratnakar Bank records the minimum growth rate of gross NPA/ total assets which is -20.41% during 2005-06 to 2014-15 which reveals that Ratnakar Bank has consistent declining trend and speaks the efficient management of NPAs. The overall average of gross NPA/total assets is found to be 1.71% and growth rate 1.62%. This reveals that private sector banks are better in performance than public sector banks with regard to gross NPA/total assets.

6.1.2 PORTFOLIO OF NPA IN INDIAN PUBLIC AND PRIVATE SECTOR BANKS

In case of public sector banks, percentage share of gross NPAs to total advances has shown a fluctuating trend. Especially in 2010 and 2012 there was a sharp increase in the sub-standard advances that contributed to the doubtful and loss assets. Growth rate of total advances is found to be 17.35% whereas growth of sub-standard advances, doubtful advances and loss advances is 25.02%, 20.34% and 6.64% respectively. Standard deviation is found to be higher for standard advances in case of public sector banks. On the basis of co-efficient of variation of asset-wise classification of advances, it is identified that doubtful advances (55.72) have shown greater consistency than other advances.

In Private sector banks there is a fluctuating trend during the years 2006-2010. In 2011, there is steady decrease in sub-standard advances from 89% to 45% and then onwards the sub-standard advances started increasing consistently that leads to increase in doubtful and loss advances. Percentage share of gross NPAs to total advances has shown a fluctuating trend over the study period. Growth rate of total advances is found to be 17.6%

whereas growth of sub-standard advances, doubtful advances and loss advances is 16.23%, 14.87% and 19.17% respectively. On the basis of co-efficient of variation of asset-wise classification of advances, it is identified that doubtful advances (58.8) have shown greater inconsistency than other advances.

Portfolio of NPAs in private sector banks is better when compared to public sector banks. CAGR is found to be negative in case of Sub-standard and doubtful advances in private sector banks during the study period whereas loss advances is found to be positive. CAGR of loss advances is found to be negative in public sector banks but other two components are positive. It can be predicted that mounting up of sub-standard and doubtful advances in public sector banks can result in increase in loss advances in near future. Also, standard deviation is comparatively lesser in private sector banks and the mean is found to be higher in public sector banks during the study period 2005-06 to 2014-15. Therefore, it can be concluded that asset wise Portfolio classification of NPAs in private sector banks is better as compared to public sector banks.

6.1.3 OCCUPATION WISE DISTRIBUTION OF NPA IN INDIAN PUBLIC AND PRIVATE SECTOR BANKS

6.1.3.1 - Occupation-Wise Distribution of Credit Takers' Accounts in Public and private Sector Banks

In public sector banks, maximum proportion of credit takers accounts is found in agriculture (58.19) when compared to other occupations whereas, in private sector banks, maximum proportion of credit takers account is found in the personal loans (71.6). The ANOVA results show that there is significant difference between occupation-wise distributions of credit takers account in public and private sector banks.

6.1.3.2 - Occupation-Wise Distribution of Credit limit in Public and private Sector Banks

Maximum proportion of credit limit is found in the Industry (45.00) in public sector banks whereas in case of private sector banks, maximum proportion of credit limit has been found in the Industry (34.12) when compared to other occupations. The ANOVA result shows that there is significant difference between occupation-wise distributions of credit limit in public and private sector banks.

6.1.3.3 - Occupation-Wise Distribution of Outstanding Credit in Public and private Sector Banks

In Public sector banks, maximum proportion of outstanding credit has been found in the Industry (45.21) when compared to other occupations. Also, in private sector banks, maximum proportion of outstanding credit has been found in the Industry (31.32) when compared to other occupations. The ANOVA result shows that there is significant difference between occupation-wise distributions of outstanding credit in public and private sector banks.

6.1.4 BOOK VALUE INSOLVENCY OF INDIAN PUBLIC AND PRIVATE BANKS

During the study period 2005-06 to 2014-15, Private sector banks have the higher ROA (mean) of 1.1424 (1.2780 and 1.0068 for old and new private sector banks respectively)than the public sector banks with a mean 0.8317 which is a sign that management of private sector banks are using assets fund more efficiently to increase earning capacity. Standard deviation of ROA is only 0.3134 in the case of public sector banks while it is very high (0.6974) in the case of private sector banks during the study period. The profitability dimension of the indicators showed an improvement in 2015 but it remained sluggish.

The overall average of capital to asset ratio of Indian banks is found to be 6.6502 with a standard deviation 2.8384. The banks experienced a maximum of capital to asset ratio in 2011 which is 7.1475 with a standard deviation 4.6420 and a minimum in 6.1104 with a standard deviation 2.4717 in 2007. Z-Statistic for public sector banks is higher than private sector banks from 2005-06 to 2011-12. But after 2012, private sector banks experienced higher Z-Statistic than public sector banks.

Overall, Public sector banks had a higher Z Statistic (22.64) in comparison to private sector banks (20.1043) for the study period 2005-06 to 2014-15. State Bank of Bikaner and Jaipur has been ranked number one among all 45 Indian public and private sector banks. Three public sector banks and two private sector banks are found in top five ranking. Only the old private sector banks have got bottom five ranks that include Karnataka Bank, South Indian Bank, Lakshmi Vilas Bank, Dhanalakshmi Bank and Catholic Syrian Bank.

Public sector banks are in a better position as compared to the private sector banks. Public sector banks are safer than private sector banks, as the probability of book value insolvency is much lower in the public sector banks. The overall probability of book value insolvency risk for public sector banks is found to be 0.0010 and private sector banks is 0.0012 for the study period 2006-2015.

6.1.5 PROCYCLICAL EFFECT OF BANKS NPA WITH REFERENCE TO MACRO-ECONOMIC INDICATORS

The econometric result confirms that non-performing assets of Indian public and private sector banks are affected by the evolution of the business cycle. The impact of economic conditions is found significant. Fixed effect model is found to be better than random effect model. With regard to provision in advances as dependent variable in all public and private sector banks, Growth in Advances (Lag1), Net NPA (t) to net advances (t-1) and GDP Growth at Factor cost (Lag1) have significant negative effect on Provision to advances. Operating profit before provision is found to have negative effect on Provision to advances in the fixed effect model. GDP growth at factor cost and growth in advances is found to have positive effect on the dependent variable in both the models.

With regard to Net NPA (t) to Net Advances (t-1) as dependent variable in all public and private sector banks, except cost to income ratio, all other selected independent variables are found to have significant negative effect on Net NPA (t) to Net Advances (t-1). Cost to income ratio is found to have negative effect on Net NPA (t) to Net Advances (t-1) in the fixed effect model and found to have positive effect on the dependent variable in Random Effect model

With regard to provision in advances as dependent variable in all public sector banks, in both the models, Growth in Advances and its lag variable, Net NPA (t) to net advances (t-1), Net NPA (t) to net advances (Lag 1) and GDP Growth at Factor cost and its lag variable have significant negative effect on Provision To advances. Operating profit before provision, Net NPA (t) to net advances (t-1) (Lag 1) and Net NPA (t) to net advances is found to have positive effect on the dependent variable in both the models.

With regard to Net NPA (t) to Net Advances (t-1) as dependent variable in all public sector banks in the two models, Growth in Advances, Growth in Advances (Lag1), LN (Int Earned/Int Expended), Cost to income ratio (Lag1), GDP Growth at Factor cost and GDP Growth at Factor cost (Lag1) were found to have significant negative effect on Net NPA (t) to Net Advances (t-1). Cost to income ratio and LN (Int Earned/Int Expended) (Lag1) were found to have positive effect on Net NPA (t) to Net Advances (t-1).

With regard to provision in advances as dependent variable in all private sector banks, In both the models, Growth in advances with one year lag, Net NPA (t) to net advances, Operating profit before provision and GDP Growth at Factor cost (Lag 1) is found to have significant negative effect on Provision to advances. Growth In Advances, Net NPA (t) to net advances (t-1) (Lag 1) , Net NPA (t) to net advances (t-1), Net NPA (t) to net advances(Lag 1) and GDP Growth at Factor cost is found to have positive effect on the dependent variable in both the models.

With regard to Net NPA (t) to Net Advances (t-1) as dependent variable in all private sector banks in the two models, Growth in Advances, Growth in Advances (Lag1), LN (Int Earned/Int Expended), LN(Int Earned/Int Expended) (Lag1), Cost to income ratio and GDP Growth at Factor cost (Lag1) were found to have significant negative effect on Net NPA (t) to Net Advances (t-1). Cost to income ratio (Lag1) is found to have negative impact on dependent variable in fixed effects model and positive impact in random effect model. GDP Growth at Factor cost is found to have positive effect on Net NPA(t) to Net Advances(t-1).

Hence, the econometric outcomes confirm that Indian banks' loan loss provisions and new bad debts are affected by the evolution of the business cycle. The impact of economic conditions is significant and long-lasting. But having said that there is variation in providing for loan losses across the banks, economic conditions seem to influence the public sector banks and the private sector banks.

6.2. SUGGESTIONS

NPAs are the assets that are doubtful to return the principal and/or interest due in the near future. This results in huge loss to a bank. Public sector banks have significantly improved indicating positive impact of the reforms in liberalizing interest rates, rationalizing directed credit and investments and increasing competition, whereas the private sector banks are trailing hard to beat the growing competition, at some point it has gained success and in certain cases it has failed. To overcome the growing issues of NPAs, some of the valuable suggestions proposed by the researcher are:

- Both Public and Private Sector Banks should reduce their NPAs from industrial sectors through strategic lending process, effective screening of financial condition of credit seekers, taking higher security margins and by timely intimation of loan repayment to the credit takers.
- United Bank of India, UCO Bank, Development Credit Bank, Central Bank of India, Indian Overseas Bank, Catholic Syrian Bank, Lakshmi Vilas Bank, Punjab National Bank,

Dena Bank, ICICI Bank and YES Bank need to improve their efficiency in managing NPAs.

- The banks must be careful while scrutinizing the financial statements and audit reports submitted by the borrower. If the statement reveals sharp decline in production and sales, diversification of funds, high level of stock of inventories, then it is a sign to the banker stating that everything is not well with the unit.
- It is suggested that the personal visit and face-to-face discussion and inspection of the borrower's business will help the banker to know about the problems of the business and the financial status and also a chance to identify whether it is a case of wilful default.
- The Public and Private Sector Banks operating in India with higher capital level have the tendency to increase the loan size and expand portfolio and sometimes increase the chance of the customer's failure. Thus, these banks must exercise adequate cautions at the time of making advances to personal loan seekers, industrial credit seekers and even to the small business entrepreneurs.
- It is suggested that both Public Sector Banks and Private Sector Banks should adopt strictness in the recovery of NPAs from high profile metropolitan customers and the legal actions should be taken against the defaulters. The retail borrowers should also have unlimited liability towards their loan and mortgaged assets.
- RBI should strengthen the power of the banks to improve "operational flexibility" and "functional autonomy" so as to enhance "efficiency, productivity and profitability".
- Banks should be equipped with latest credit risk management techniques to protect the bank funds and minimize insolvency risks. Banks should develop credit derivatives markets to avoid these risks. There should be regular outflow of senior bank officers from all Public and Private Sector Banks for specialized training in a professional institute to equip themselves with the latest procedures and practices. Both the public and private sector banks have to reduce their level of NPAs which occupy a greater portion of doubtful debts.
- The banks may appoint persons to have a proper check on the borrowers.
- The bank must check the financial position and condition of the loan seekers.
- The proper check and high level security margins may be adopted to scrutinize the amount of loans that are doubtful. It may help the bank to know that whether the NPAs are wilful debts are not.

- It is suggested that both the public and private sector banks should have a strict control over the recovery of NPAs from the high profile customers. In default by the customers, legal action should be taken.
- The bankers should follow the three principles while advancing loans viz, Principle of Safety, Principle of liquidity and Principle of Profitability.
- The Bank should be allowed to come up with their own measures to address the problem of NPAs. This may include waiving and reducing the principal and interest on such loans, or extending the loans, or settling the loan accounts. They should be fully authorized and they should be able to apply all the preferential policies granted to the asset management companies.

6.3. CONCLUSION

The study analyzed the behavior of 45 Indian public and private sector banks to understand their non-performing assets position. With respect to previous studies, this paper attempts to provide a more comprehensive analysis of non-performing assets portfolio, occupational default, insolvency risk and finally analyzing the evolution of loan loss provisions and non-performing assets over the business cycle.

The study concludes that the chances of book value insolvency are less in the public sector banks. The results reveal a negative association of capital adequacy and net interest margin with insolvency risk, which is a good indication of the financial health of the Indian banks. Reduction in non-performing assets and increase in capital adequacy indicate the soundness of the Indian banks. The pressing problem that banks all over the world are facing in recent times is spiraling of non-performing assets. NPAs adversely affect lending activity of banks as non-recovery of loan instalment and the interest on the loan harms the utility of loan disbursement process. Increase of non-performing assets in recent years remain an area of concern and should be addressed with earnest efforts during the periods of disbursements of loans and recovery of the same. Though the Public sector banks, over the years have been able to control non-performing assets due to stringent norms of RBI, enhancement in monitoring and recovery procedures is required to improve the overall management of non-performing assets.

A systematic framework with a clear objective, flexibility and adequate financial support is required to resolve the distressed situation and for the strategy to succeed, adequate legal provisions and supporting regulatory , environment are the prerequisites.

The study also suggests that in addition to following the instructions of RBI, the banks should also maintain their solvency position so that insolvency can be minimized. The banks should also maintain adequate capital to absorb unexpected losses efficiently and also to stabilize ROA to stop the fluctuation in their earnings.

Empirical observation suggests that banks behave procyclically since loan loss provisions and bad debts are generally very low during booms. This is often coupled with a contraction of earnings. The consequence is that banks tighten credit supply during downturns, thus further deepening the negative impact of the business cycle. Several empirical works have investigated the issue of procyclicality in banking, generally concluding that banks' policies tend to be cyclical.

The results reveal a clear evidence of the influence of lending cycle and economic condition on the behaviour of non-performing assets across all banks. In particular the pressure of competition in the form of low interest rate spreads have forced the banks to lend for more risky portfolios leading to greater exposure to bad loans.

Along with the macroeconomic variables, several bank-level indicators also play a role in explaining the changes in the evolution of riskiness. This corroborates the idea that the overall performance of the banks is the result of the interaction between the general economic framework and banks management.

6.4. CONTRIBUTION OF THE STUDY

Contribution to the Banking Sector

Escalating amount of NPAs is a boiling issue for the banks. In this situation, it is very much useful to analyse the performance of banks on the basis of data related to NPAs. This research work will be helpful for such an analysis and it will be contributory under various aspects. This research will provide a good guidance to the banks which are going to allow loans and advances to their customers. it will be helpful for making the analysis of customers profile while sanctioning the loans. It will be guiding the banks for taking due care while making investment in to the priority sector. Also, this study discloses the information related to NPAs of public and private sector banks over a decade. It provides the financial strength of all banks under study.

Further, this research will be useful for bank managers and loan officers for taking the decisions related to sanctioning the loans. This research will be guiding the bank managers for proper selection of the borrowers, to take preventive steps for curbing the NPAs, to take the legislative measures for recovering NPAs.

Contribution to the Government & RBI

This research will be useful to Government and RBI to alter the policies related to NPAs. This study will help to recover loans from the default customers. It will guide the government for the establishment of recovery cells or Debt Recovery Tribunals for the speedy recovery of NPAs. In general, the rigid policies of investment in priority sectors without considering the risk, create the NPAs in public as well as private sector banks. This research will lead RBI to think in that direction.