SOCIAL RESPONSIBILITY OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS IN INDIA AND ITS IMPACT ON NPA LEVEL

Tarak Nath Sahu
Assistant Professor, Dept. of Commerce with Farm Management, Vidyasagar University, Midnapore, West Bengal, E-mail: taraknathsahu1@rediffmail.com

Jayanta Kumar Nandi
Assistant Professor, Department of Commerce, Ghatal Rabindra Satabarsiki Mahavidyalaya, Paschim Medinipur, West Bengal, India, E-mail: jayantanandi1@gmail.com

ABSTRACT

In this study, it has been tried to analyse the comparative performance of selected public and private sector banks in India during the period 2001-02 to 2011-12 on the basis of their direct and indirect contributions to the society for socio-economic growth and its impact on quality of assets or NPA level of the banks. For this purpose ten leading Indian banks from each of the public and private sector banks have been taken into consideration. Findings of the study indicate that the performance of the private sector banks is better from the bankers' viewpoints but from the social viewpoints, the selected public sector banks are better performers.

Key Words: Public and Private Sector Banks, Social Responsibility, NPA

AN OVERVIEW

Financial intermediaries are going through significant changes all over the world under the impact of deregulation, technological up gradation and financial innovations. The traditional and conservative face of Indian banking has undergone a metamorphosis due to the effect of liberalization, reorganization and consolidation. In the deregulated environment, a series of reformative measures were undertaken to improve the working of Indian banks in line with the international banking practices and the emergence of new private sector banks as well as the entry of new foreign banks has thrown tremendous challenges in front of the Indian public sector banks. As a result it is observed that in regard to the survival and growth, the public sector banks are facing fierce competition with new and old private sector banks. The public sector banks were mainly formed with the objective of facilitating socio-economic growth of the Indian masses. Bank credit is a catalyst to the economic growth of a country and any bottleneck in the smooth flow of credit creates adverse repercussions in the economy but the high level of NPAs (Non-Performing Assets) in banks has been a matter of great concern and a barrier to accelerate bank financing and to fulfill their objectives. In this competitive age the only banks with high level of financial performance and credit recovery management will survive and grow on long term perspectives.

The major role of banks has been transformed as prime mover of economic change, particularly in developing countries like India. It is necessarily more complex in view of dynamic contribution expected from time to time in the challenging task of optimum economic growth. Over decades the Indian public and private sector banks have played a vital role in giving direction to economic development process by catering the financial requirement of trade and industry in the country. Through their lending policies they divert the economic activity as per the needs of the country. By encouraging thrift among the people, commercial banks have fastened the process of capital formation by taking money as deposits and lending that money as loans and advances to different priority and non-priority sectors of the economy. But credit management has become the major challenges for Indian banking companies. Because mounting the level of NPAs are adversely affecting the profitability, liquidity and solvency positions for the bankers and the economic growth for the society. So this situation creates a tough competition between the Indian public and private sector banks to control the level of NPAs by enhancing the performance of credit recovery management to keep up their existence in the competition and at the same time to increase the social responsibility performance to accelerate the economic growth and to fulfill their social obligations. In this study a comparative study has been made among the selected top ten public sector banks and ten private sector banks in India with the help of relevant ratios and statistical tools. Selection of the banking companies for this study has been made on the basis of their total income and balance sheet size.

STUDY OF RELATED LITERATURE

To get an idea from empirical perspective, we take into consideration a substantial academic and professional literature. By surveying several past works on this topic we get different opinion from different researchers.

A field study was conducted by Reddy (1998) after selecting 150 borrower farmers from small, medium and large group and reported that almost all sample farmers (93%) from small, medium as well as large size group told that their low income was the main reason for non-repayment of loan. Siddiqi, Rao & Thakkar (1999) conducted a study on about 800 top NPA in 17 commercial banks and reported that the diversion of funds like expansion, diversification, modernization or promoting sister concerns, etc. was the single most prominent reason for the growth of NPAs in public sector banks and concluded that the higher NPAs in priority sector advances have pushed up the overall proportion of NPAs of these banks by about 3% to 4%. Similarly Kumar (2000) analysed the trends of NPAs in RRB at all-India level through the classification of loan assets and size of NPAs and pointed out that the percentage of gross NPAs at all-India level, though declined over the periods, remained at a very high level (28%) at the end of March 1999. Ranjan and Dhal (2003) conducted an empirical study on non-performing loans (NPLs) and terms of credit of Indian Public Sector Banks. This study attempted an empirical analysis of the NPLs of public sector banks in India and investigated the response of NPLs to terms of credit, bank size and macroeconomic conditions. The empirical results from panel regression models suggested that the terms of credit variables have significant effect on the banks' NPLs in the presence of bank size and macroeconomic shocks. Moreover, alternative measures of bank size could give rise to differential impact on bank's non-performing loans. In regard to terms of credit variables, changes in the cost of credit in terms of expectation of higher interest rate induced increase in NPLs. On the other hand, factors like horizon of maturity of credit, better credit culture, favourable macroeconomic and business conditions lead to lowering of NPLs. Maji and Dey

(2003) conducted a case study of the Khatra People's Co-operative Bank Ltd (KPCB), an Urban Co-operative Bank (UCB) in the district of Bankura in west Bengal regarding management of NPAs. This study made an attempt to analyse amount-wise, age-wise, loan head-wise and sector-wise classification of NPAs and identify the factors responsible for the growth of NPAs of KPCB. Their study revealed that the gross NPAs (both in absolute and relative terms) of KPCB, though lower than other UCBs operating in this district, has not improved significantly during the study period. Higher proportion of NPAs in unsecured loans, increasing NPAs in service security loans and high level of NPAs in hypothecation loans are important factors for the growth of NPAs. Another alarming factor is that the quantum of doubtful asset was very high. It is clear from this study that the KPCB has already taken certain steps to reduce NPAs in service security and hypothecation banks. Lastly, this study suggested that KPCB should adopt certain further steps to reduce sub-standard and mounting doubtful assets.

Roy (2006) conducted a study on bank lending to priority and retail sectors during the period from 1996-97 to 2004-05. For this study, 47 Indian scheduled commercial banks, which accounts for about 90-95 percent of bank credit of all scheduled commercial banks were selected. From this study, it is clear that there has been a structural shift in credit delivery of scheduled commercial banks from priority sectors i.e. agriculture, small-scale industries, to services and retail sectors during the last few years. Balasubramanium (2006) conducted a study on Securitization reforms and Asset Reconstruction Companies (ARCs). The main objective of this study is to analyze and explain the reasons for heavy burden of NPAs and role of ARCs in NPA management. Findings of this study suggest that ARCs have to be set-up on the best professional standards, employing staff with high-level legal and financial expertise on concerning creditors and borrowers. Furthermore, ARC is not a panacea for all problems related to NPA management in the banking sector. Introduction of corporate governance guidelines in banks would be working as an inspiration towards maintaining financial discipline and upholding the value to the shareholders/ stakeholders. The ultimate benefit to the economy would arise when these distresses assets are sold to successful promoters and thus turned into healthier companies and industrial resurgence is made resulting into better economy. Shiralashetu and Akash (2006) conducted a study on the Management of NPAs in Indian Commercial Banks. The main objectives of this study are to (i) analyze bank-wise NPAs (ii) analyze gross and net NPAs to total assets and advances (iii) analyze sector-wise NPAs and (iv) offer useful suggestions to reduce the NPA in banks. This study covers the NPAs in public sector, private sector and foreign banks in India. This study concludes that the problems of NPA are more in public sector banks compared to private and foreign banks in India. Similarly, the problems of NPA are more in non-priority sector than priority sector. Further, SSI sector has largest share in the total NPA of priority sector which affects adversely financial health of banks. Hence, banks in India must apply the principles of financial management to solve the problems of mounting NPAs. In the same year Rao, Das and Singh (2006) concluded an empirical study on Commercial Bank Lending to Small-Scale Industry. This study examines the trends in sectoral allocation of bank credit to the Small-Scale Industry (SSI) vis-à-vis non-SSI Sector in the post-reform period (1992-2003). This study also attempts to understand the variations in bank credit to the SSI Sector across bank groups and also the influence of the size and performance of banks on credit to the SSI Sectors. For this study, 97 scheduled commercial banks excluding RRBs are taken. These banks are classified into four groups, viz, SBI and its associates, nationalized banks, foreign banks and other scheduled commercial banks. These banks are also classified broadly into three size classes- small, medium and large, high incidence of bad loans arising out of SSI advances could be one of the reasons for the declining share of SSI loans of the commercial banks.

However, a comparative as well as exhaustive study about the financial performances of public sector banks and private sector banks in India, especially after Banking Sector Reforms have not been undertaken to highlight their roles in the areas of priority and non-priority sector lending, management of NPA, interest rate reforms, overall profitability, social responsibility performance in the form of extending employment opportunities to the huge number of unemployed youths, in the form of providing adequate wage payment and also providing soft-term loans to employees to build up employee morale.

OBJECTIVES OF THE STUDY

In this backdrop, an attempt has been made in this study to analyze the social responsibility of the selected public and private sector banks in India and its impact on quality of assets i.e. NPA level during the period 2001-02 to 2011-12.

DATA AND METHODOLOGY

The data of the selected banking companies used in this study have been collected from financial data base package 'Capitaline', manufactured, maintained and marketed by Capital Market Publishers Pvt. Ltd., Mumbai, RBI data base etc.

For analyzing comparative performance between the groups, among the individual banking companies and their overall performance, the technique of ratio analysis, comprehensive rank analysis and statistical techniques like measures of central tendency and measures of dispersion have been applied at appropriate places.

ANALYSIS AND FINDINGS OF THE STUDY

For analyzing comparative performance of the selected banking companies between the groups and among the individual banking companies, social responsibility performance indicators and NPA ratios have been considered and thereafter comprehensive rank test and statistical measures have been used.

ANALYSIS OF SOCIAL RESPONSIBILITY PERFORMANCE OF SELECTED BANKING COMPANIES IN INDIA BASED ON PRIORITY SECTOR ADVANCES AND WAGE BILL PAYMENT

The commercial banks particularly public sector banks were mainly formed with the objective of nation-building and socio-economic upliftment of the Indian masses. So it has been tried to analyze the performance of the selected public and private sector banks on the basis of their direct and indirect contributions to the society for socio-economic growth. For this purpose two ratios have been selected to study the social performances of the selected banking companies:

- Advances to Priority Sectors to Total Advances (%).
- Ratio of Wage bills to Total Income (%).

Analysis of Advances to Priority Sectors of Selected Banking Companies

As a matter of policy decision, the public sector banks in India have taken a leading role in providing finance/ advances to priority sectors of the economy with the noble mission to accelerate the socio-economic growth process as a part of the social responsibility performance.

Categories of Priority Sector

- Agriculture and Allied activities (Direct and Indirect Finance)
- Small Scale Industries (Direct and Indirect Finance):
- Small Business / Service Enterprises, Micro Credit, Education loans, Housing loans.

Priority Sector Advances Ratio = (Priority sector advances/ total advances) × 100

This ratio shows the advances made in priority sector as a percentage of total advances. Higher the ratio better is the contribution to the priority sectors by the banks out of their total advances and vice-versa.

Table 1 shows the priority sector advances as a percentage of total advances of the selected PSBs and Pvt. SBs in India under study during the period 2001-02 to 2011-12. A cursory look into the table reveals that this ratio registered a fluctuating trend for all the selected banking companies during the study period. Initially, in most of the cases, this ratio was high, but the banks could not maintain it. Among all the selected banks PNB showed the best performance for having the highest mean value (38.47%) of the ratio of priority sector advances to total advances. As a whole public sector banks perform better (32.49%) than private sector banks (30.39%) as they are contributing more advances to the priority sectors out of their total advances. But consistency in the performance is found better in case of selected private sector banks as a whole because they have the lowest mean CVs.

Table 1: Priority Sector Advances to Total Advances (%) of selected Banks in India during the period 2001-02 to 2011-12

Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Mean	CV%
SBI	26.15	25.49	27.04	28.59	30.58	30.24	28.61	26.48	26.99	30.61	28.84	28.15	6.52
PNB	39.11	39.86	43.91	46.79	45.68	37.81	38.67	31.81	35.70	32.48	31.33	38.47	14.06
BOB	22.8	25.96	27.88	28.26	29.36	28.76	27.62	26.70	26.35	24.01	22.59	26.39	8.88
BOI	23.97	26.16	28.26	28.59	31.50	29.81	28.41	26.27	25.48	25.76	22.56	26.98	9.68
CB	28.04	30.07	33.90	33.74	37.68	37.24	39.15	33.27	33.48	32.00	29.80	33.49	10.39
UBI	32.95	37.4	39.37	42.50	38.10	39.87	28.3	33.13	35.04	32.04	23.87	34.78	15.73
CBI	38.54	41.76	43.52	44.78	43.48	39.12	32.88	31.39	32.14	31.23	26.11	36.81	17.14
SB	27.55	30.92	32.57	36.27	36.99	32.81	32.13	32.37	34.38	30.13	29.46	32.33	8.73
OBC	38.53	38.45	38.05	37.42	35.12	33.08	32.13	31.01	33.65	36.45	35.75	35.42	7.46
UCO	31.05	30.42	31.75	36.21	34.99	34.63	33.03	31.29	29.53	35.04	25.03	32.09	9.98
Mean Score	**30.87**	**32.65**	**34.63**	**36.32**	**36.35**	**34.34**	**32.09**	**30.37**	**31.27**	**30.98**	**27.53**	**32.49**	-
ICICI	4.22	16.78	23.40	21.98	29.20	28.22	26.48	28.42	29.79	24.68	23.37	23.32	31.73
HDFC	10.75	12.10	14.08	21.97	30.99	37.67	27.47	30.12	35.09	34.24	32.68	26.11	37.52
AXIS	16.21	22.83	26.23	28.22	34.64	35.79	27.78	28.14	28.69	28.99	28.56	27.83	18.85
Federal	31.92	31.40	31.32	32.15	34.30	37.26	36.51	37.80	36.55	33.13	32.28	34.06	7.39
J&K	20.50	18.80	21.17	21.79	19.53	19.24	25.81	35.10	37.44	39.23	30.11	26.25	29.89
Indusind	17.01	18.69	32.19	23.50	26.78	31.78	39.12	35.31	30.79	35.76	35.67	29.69	24.60
ING Vys	35.10	34.93	30.61	31.17	30.31	35.07	34.74	36.73	37.15	34.09	33.04	33.90	6.92
K.Bnk	34.96	38.49	40.92	33.31	35.58	32.02	36.59	37.02	36.39	35.96	36.53	36.16	6.56
SIB	28.43	27.79	30.75	31.87	35.59	37.04	34.24	34.00	31.23	30.25	18.76	30.90	16.02
K.Vys	36.29	33.26	37.50	39.03	42.79	37.94	33.71	36.32	33.10	31.58	31.27	35.71	9.85
Mean Score	**23.54**	**25.51**	**28.82**	**28.50**	**31.97**	**33.20**	**32.25**	**33.90**	**33.62**	**32.79**	**30.23**	**30.39**	-

[***Source:*** Collected and compiled from year wise RBI data base]

Analysis of Wage bill Payment to the Employees

The overall Indian economy, both before and after its independence, has the morbid picture of unemployment and inequality in income distribution leading to the furtherance of gap between the rich and the poor. The Indian banking companies have always shown their positive attitude to provide employment among the vast unemployed youths of the society and have always been active to pay remuneration to the employees so as to lessen the degree of inequality of income distribution. Particularly public sector banks in India as a part of their social responsibility performance have also shown their significant attitude to enhance the wage bill of their employees such that the employees can have the opportunity to enjoy economic self-sufficiency and to eschew poverty as far as possible. For this purpose ratio of wage bill to total income has been computed in this study. This ratio indicates the social obligation of the banking companies from the view point of the payment made to their employees as salary, allowances and other benefits out of their total income. Higher the ratio better is the social responsibility in this regard and vice-versa.

Ratio of Wage Bill to Total Income = (PPE / Total income) × 100

PPE = Payment to and provisions for employees.

Total income *includes* interest income and other income.

Table 2: Wage bills to Total Income (%) of selected PSBs and Pvt. SBs in India during the period 2001-02 to 2011-12

Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Mean	CV%
SBI	15.16	15.45	16.94	17.47	18.81	18.03	13.51	12.75	14.84	14.89	14.04	15.63	12.43
PNB	17.26	16.90	17.15	23.92	19.56	18.14	15.14	13.18	12.47	14.58	11.63	16.36	21.58
BOB	15.20	15.34	15.92	17.83	18.38	15.83	13.01	13.16	12.05	11.81	9.02	14.32	19.51
BOI	16.19	14.87	15.45	17.58	16.17	15.37	11.45	9.99	11.20	14.25	9.6	13.83	20.01
CB	14.39	14.23	14.02	15.14	15.02	12.56	10.12	9.66	10.15	11.47	8.8	12.32	19.18
UBI	15.21	13.43	13.49	14.06	13.36	10.83	8.02	8.61	8.87	14.06	10.56	11.86	21.53
CBI	21.28	21.09	19.63	20.86	21.56	17.52	13.82	11.04	11.19	17.98	12.2	17.11	24.88
SB	25.83	25.21	22.57	22.11	22.34	13.43	10.56	10.73	11.93	14.34	11.57	17.33	35.84
OBC	8.21	9.06	9.11	9.73	10.71	9.03	7.37	7.77	8.48	8.04	7.96	8.68	11.18
UCO	21.98	20.27	17.94	21.15	18.26	14.46	12.29	10.91	10.08	12.04	8.87	15.30	31.18
Mean Score	**17.07**	**16.59**	**16.22**	**17.99**	**17.42**	**14.52**	**11.53**	**10.78**	**11.13**	**13.35**	**10.43**	**14.27**	-
ICICI	5.40	3.22	4.57	5.75	5.77	5.59	5.25	5.10	5.80	8.64	8.56	5.79	27.25
HDFC	5.36	6.09	6.74	7.39	8.69	9.52	10.50	11.41	11.36	11.69	10.45	9.02	25.46
AXIS	3.11	4.54	5.70	7.56	6.64	6.97	7.62	7.27	8.06	8.16	7.59	6.66	23.89
Federal	9.58	10.36	11.96	13.24	13.81	12.38	9.32	8.29	8.71	10.52	8.93	10.64	18.01
J&K	8.95	9.24	9.24	10.87	10.46	10.69	8.43	8.62	10.55	12.84	10.09	10.00	12.82
Indusind	2.27	2.82	3.78	4.34	5.99	5.52	5.60	6.77	8.91	8.89	7.62	5.68	39.75
ING Vys	11.60	13.71	13.01	15.82	16.58	14.63	14.41	14.07	15.03	18.08	14.38	14.67	11.88
K.Bnk	9.04	8.49	8.41	11.80	9.80	9.02	10.07	8.39	8.78	12.96	9.43	9.65	15.30
SIB	11.19	11.26	14.28	14.61	16.72	12.34	10.21	11.57	10.56	10.97	9.77	12.13	17.85
K.Vys	9.05	9.27	10.93	10.85	11.00	9.40	7.89	7.18	8.14	9.25	7.3	9.11	15.31
Mean Score	**7.56**	**7.90**	**8.86**	**10.22**	**10.55**	**9.61**	**8.93**	**8.86**	**9.59**	**11.20**	**9.41**	**9.34**	-

[***Source:*** Collected and compiled from year wise RBI data base]

Table 2 shows the ratio of wage bills to total income (%) of the selected PSBs and Pvt. SBs in India during study period from 2001-02 to 2011-12. The table reveals that this ratio for all the selected PSBs and Pvt. SBs fluctuated over the periods. In the year 2012, highest percentage of this ratio is found in case of SBI (14.04%) under PSBs group and ING Vys (14.38%) under Pvt. SBs respectively. Highest consistency in the performance is found in case of Pvt. SBs as they have the lower average CVs as compared to that of the selected PSBs as a whole.

Table 3 highlights the Social Responsibility Index (SRI) of the selected PSBs in India as a whole and selected Pvt. SBs in India as a whole based on their mean values of mean scores of the Priority Sector Advances Ratio and Wage Bill to Total Income Ratio over the study period. For selected PSBs, highest SRI (27.15) is observed in the year 2005 and lowest SRI (18.98) is noticed in the year 2012. For selected Pvt. SBs, highest SRI (27.00) is observed in the year 2011 and lowest SRI (18.84) is noticed in the year 2004. Mean of SRI is calculated at 23.38 which is higher for the selected PSBs as a whole as compared to that of the selected Pvt. SBs as a whole. So selected public sector banks perform better in terms of social responsibility performance.

Table 3: Average Social Responsibility Indices of selected PSBs and Pvt. SBs in India during the period 2001-02 to 2011-12 *End March*

Years	PUBLIC SECTOR BANKS			PRIVATE SECTOR BANKS		
	PSAR	WBTI	SRI	PSAR	WBTI	SRI
2001-02	30.87	17.07	**23.97**	23.54	7.56	**15.55**
2002-03	32.65	16.59	**24.62**	25.51	7.90	**16.70**
2003-04	34.63	16.22	**25.42**	28.82	8.86	**18.84**
2004-05	36.32	17.99	**27.15**	28.50	10.22	**19.36**
2005-06	36.35	17.42	**26.88**	31.97	10.55	**21.26**
2006-07	34.34	14.52	**24.43**	33.20	9.61	**21.40**
2007-08	32.09	11.53	**21.81**	32.25	8.93	**20.59**
2008-09	30.37	10.78	**20.58**	33.90	8.86	**21.38**
2009-10	31.27	11.13	**21.20**	33.62	9.59	**21.61**
2010-11	30.98	13.35	**22.16**	32.79	11.20	**22.00**
2011-12	27.53	10.43	**18.98**	30.23	9.41	**19.82**
Mean Score	**32.49**	**14.27**	**23.38**	**30.39**	**9.34**	**19.86**

[***Source:*** Table 1 and 2]; [**Note: PSAR=** Priority Sector Advances Ratio, **WBTI=** Ratio of Wage bill to Total Income and **SRI** = Social Responsibility Index**]**

Rank Analysis

Based on the values of different ratios computed under social responsibility performance in respect of the selected banks under study, an attempt has been undertaken to measure their comparative performance through rank analysis. For this purpose ranks have been assigned to the banks on the basis of mean values of the different ratios and thereafter composite ranks and ultimate ranks have also been assigned. Then ultimate rank has been assigned on the methodology that the bank with lowest composite rank (rank total) is given first rank position followed by second lowest composite rank and so on.

Rank based on Social Responsibility Performance Ratios

Table 4 shows the mean values and rank based on mean values of the ratios of the selected banking companies. It is revealed from the table that PNB and SB occupied the first rank position based on mean PSAR and mean WBTI respectively under the public sector group. On the other hand K.Bnk and ING Vys bank occupied 1st rank position based on mean PSAR and mean WBTI respectively under the private sector group. For assigning the ultimate rank or final rank, 1st rank is given to the bank whose composite rank score based on mean PSAR and mean WBTI is the lowest, then the second lowest one and so on. In terms of ultimate rank in social responsibility performance, PNB and CBI jointly ranked 1st position under public sector group and ING Vys bank ranked 1st position under private sector group.

Table 4: Rank, Composite Rank and Ultimate Rank of Social Responsibility Indicator Ratios of Selected PSBs and Pvt. SBs in India

Groups	Banks	Mean PSAR	Rank	Mean WBTI	Rank	Composite Rank	Ultimate Rank

PUBLIC SECTOR BANKS	SBI	**28.147**	8	**15.626**	4	12	4.5
	PNB	**38.468**	1	**16.357**	3	4	1.5
	BOB	**26.390**	10	**14.323**	6	16	9.5
	BOI	**26.979**	9	**13.829**	7	16	9.5
	CB	**33.488**	5	**12.324**	8	13	7
	UBI	**34.779**	4	**11.864**	9	13	7
	CBI	**36.814**	2	**17.107**	2	4	1.5
	SB	**32.326**	6	**17.329**	1	7	3
	OBC	**35.422**	3	**8.679**	10	13	7
	UCO	**32.087**	7	**15.296**	5	12	4.5
PRIVATE SECTOR BANKS	ICICI	**23.322**	10	**5.786**	9	19	10
	HDFC	**26.106**	9	**9.018**	7	16	8.5
	AXIS	**27.826**	7	**6.656**	8	15	7
	Federal	**34.057**	3	**10.645**	3	6	3
	J&K	**26.247**	8	**9.998**	4	12	6
	Indusind	**29.691**	6	**5.683**	10	16	8.5
	ING Vysya	**33.904**	4	**14.666**	1	5	1
	K. Bnk	**36.161**	1	**9.654**	5	6	3
	SIB	**30.904**	5	**12.134**	2	7	4
	K.Vys	**35.708**	2	**9.115**	6	8	5

[***Source:*** Table 1 and 2]

Analysis of Asset Quality or Non-Performing Assets (NPAs) of the Selected PSBs and Pvt. SBs in India:

Asset quality is an important parameter to assess the financial performance of selected PSBs and Pvt.SBs for the study period. The quality of assets is very important to gauge the strength of any banking company. The RBI gradually reduced the time of segregating an asset into performing or non-performing asset so that banks should take due attention in improving asset quality. A non-performing asset in the banking sector may be termed as an asset not contributing to the income of the bank. The high level of NPAs in banks has been a matter of concern and a barrier to accelerate bank financing as bank credit is a catalyst to the economic growth of a country and any bottleneck in the smooth flow of credit creates adverse repercussions in the economy. NPAs are not therefore the concerns of only lenders. We know that lower the percentage of NPAs indicates that the better is efficiency of asset management and credit recovery management of the organization and higher the degree of percentage of NPAs indicates the inefficiency of the asset management of the institution.

In this study the quality of assets has been examined with the help of following NPA ratios:

- Gross NPAs to Total Assets (%)
- Gross NPAs to Total Advances (%)
- Net NPAs to Total Assets (%)
- Net NPAs to Net Advances (%)

Here, Net NPAs = Gross NPAs – (Provisions on NPAs + Interest on suspense account)

When total assets are calculated, revaluations reserves are excluded.

Net NPAs as a percentage of net advances is considered to be the most standard measure of asset quality.

Analysis of Gross NPAs to Total Assets (%)

Table 5 shows Gross NPAs as a percentage of Total Assets for the period 2001-02 to 2011-2012. There is a fluctuating trend in this ratio is found for all the selected banks under both the bank groups during the study period. In the year 2001-02, CB has the lower ratio (2.93%) under PSBs group and HDFC bank has the lower ratio (0.94%) under Pvt.SBs group. However, in 2011-12 the ratio of CBI under PSBs is found to have the highest ratio (3.16%), though such ratio of ING Vys bank under Pvt.SBs remained at lowest (0.32%) among all the banks. This indicates that ING Vys bank is well aware of its assets and is utilizing them effectively. Apart from ING Vys bank, the performance of HDFC bank, AXIS bank, J&K bank, Indusind bank, SIB and K.Vys bank are found to be satisfactory as compared to other banks in the year 2011-12, though average ratio of Gross NPAs to Total Assets for all the banks during the study period remained very high except HDFC, AXIS and ING Vys bank. Thus, there is ample scope for all the selected banks to manage their asset quality more efficiently. In this competitive environment this is ardently needed, particularly for the public sector banks. Registering consistency of performance HDFC bank occupies the highest position as it has the lowest CV, i.e. 18.75% and BOB occupies the lowest position as it has the highest CV of 80.62%.

Table 5: Gross NPAs to Total Assets (%) of All Selected PSBs and Pvt. SBs in India for the Period 2001-02 to 2011-12 (End March)

Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Mean	CV%
SBI	4.45	3.59	3.11	2.71	2.10	1.76	1.78	1.62	1.85	2.07	2.97	2.55	35.55
PNB	5.68	5.78	4.56	2.96	2.16	2.09	1.67	1.12	1.08	1.16	1.90	2.74	64.94
BOB	6.33	5.45	4.68	3.51	2.11	1.46	1.10	0.81	0.86	0.88	1.00	2.56	80.62
BOI	5.33	4.96	4.40	3.32	2.21	1.48	1.08	1.10	1.78	1.37	1.53	2.60	62.25
CB	2.93	3.02	3.14	2.15	1.35	0.90	0.78	0.99	0.98	0.92	1.08	1.66	57.63
UBI	5.45	4.68	4.02	2.84	2.35	1.82	1.34	1.19	1.37	1.54	2.08	2.61	56.49
CBI	6.42	5.68	4.88	3.82	3.59	2.77	1.90	1.57	1.35	1.14	3.16	3.30	54.24
SB	4.09	4.12	3.37	2.75	2.47	1.75	1.65	1.22	1.44	1.66	1.74	2.39	44.23
OBC	2.95	3.37	2.95	4.65	3.59	1.97	1.41	0.94	1.07	1.19	2.01	2.37	51.10
UCO	4.25	3.91	3.38	2.56	2.00	2.01	1.84	1.38	1.21	1.93	2.26	2.43	41.13
Mean Score	**4.79**	**4.46**	**3.85**	**3.13**	**2.39**	**1.80**	**1.45**	**1.19**	**1.30**	**1.39**	**1.97**	**2.52**	-
ICICI	4.82	4.71	2.43	1.65	0.88	1.20	1.90	2.54	2.61	2.47	2.00	2.47	50.95
HDFC	0.94	0.87	0.79	0.85	0.69	0.72	0.68	1.08	0.82	0.61	0.59	0.79	18.75
AXIS	1.96	1.17	1.14	0.82	0.75	0.57	0.45	0.61	0.73	0.66	0.63	0.86	49.47
Federal	6.29	4.33	3.97	4.03	2.73	1.80	1.44	1.52	1.88	2.23	2.15	2.94	51.88
J&K	1.61	1.51	1.35	1.30	1.40	1.75	1.48	1.48	1.09	1.03	0.86	1.35	19.75
Indusind	4.09	2.69	1.72	2.05	1.53	1.64	1.69	0.92	0.72	0.58	0.60	1.66	62.79
ING Vys	1.91	1.75	1.41	1.26	1.08	0.66	0.46	0.66	0.69	0.40	0.32	0.96	57.66
K.Bnk	4.81	5.81	5.66	4.01	2.78	2.39	1.96	1.94	2.03	2.22	1.89	3.23	48.12
SIB	5.12	4.53	3.55	3.86	3.03	2.35	1.10	1.28	0.83	0.70	0.66	2.46	67.04
K.Vys	4.42	4.13	3.37	3.07	2.48	1.83	1.33	1.21	1.07	0.81	0.85	2.23	59.66
Mean Score	**3.60**	**3.15**	**2.54**	**2.29**	**1.73**	**1.49**	**1.25**	**1.32**	**1.25**	**1.17**	**1.05**	**1.90**	-

[***Source:*** Collected and compiled from year wise RBI data base]

Analysis of Gross NPAs to Total Advances (%):

Table 6 shows Gross NPAs as a percentage of Total Advances of the selected public sector and private sector banks for the period 2001-02 to 2011-12. A look into the table reveals that gross NPAs as a percentage of total advances remained very high for all the selected banks, particularly up to 2005-06. Thereafter, the ratio started to significantly declined, but the percentages even at the end of 2011-12 undoubtedly speak to take cautious effort to minimize their NPA level. Among the banks, the performance of HDFC bank is satisfactory, followed by ING Vys and AXIS bank. On the other hand CBI shows a poor performance in this regard. Regarding consistency of performance, J&K bank occupies the highest position for having least CV (23.03%) and BOB occupies the lowest position for having highest CV (90.95%).

Table 6: Gross NPAs to Total Advances (%) of All Selected PSBs and Pvt. SBs in India for the Period 2001-02 to 2011-12 (End March)

Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Mean	CV%
SBI	12.82	9.80	8.02	6.15	3.97	2.96	3.08	2.87	3.09	3.35	4.57	5.52	60.57
PNB	12.05	12.38	9.89	6.19	4.21	3.51	2.78	1.79	1.72	1.81	2.97	5.39	76.70
BOB	13.34	11.79	11.18	7.65	3.99	2.50	1.86	1.29	1.37	1.38	1.55	5.26	90.95
BOI	9.72	8.92	8.14	5.68	3.80	2.47	1.70	1.73	2.90	2.26	2.37	4.52	67.76
CB	6.38	6.11	6.56	3.92	2.26	1.52	1.32	1.57	1.53	1.45	1.73	3.12	70.34
UBI	11.32	9.36	7.98	5.13	3.93	3.00	2.23	1.99	2.24	2.40	3.06	4.79	68.45
CBI	15.86	14.01	13.56	9.61	7.16	4.97	3.22	2.71	2.33	1.85	4.93	7.29	70.74
SB	8.73	8.71	7.70	5.36	4.13	3.02	2.76	1.96	2.22	2.43	2.57	4.51	59.34
OBC	6.72	7.31	6.15	9.93	6.30	3.29	2.35	1.54	1.76	2.00	3.20	4.60	60.95
UCO	10.41	8.58	7.17	5.06	3.30	3.21	3.00	2.24	2.02	3.18	3.54	4.70	59.37
Mean Score	**10.73**	**9.70**	**8.64**	**6.47**	**4.30**	**3.04**	**2.43**	**1.97**	**2.12**	**2.21**	**3.05**	**4.97**	-
ICICI	10.66	9.44	4.91	3.03	1.52	2.11	3.36	4.42	5.23	4.64	3.73	4.82	58.85
HDFC	3.27	2.26	1.89	1.72	1.45	1.40	1.43	2.01	1.44	1.06	1.02	1.72	36.99
AXIS	5.27	3.19	2.93	1.99	1.68	1.14	0.83	1.10	1.26	1.12	1.06	1.96	68.75
Federal	12.30	8.49	7.80	7.68	4.80	3.03	2.48	2.63	3.05	3.59	3.45	5.39	59.53
J&K	3.69	3.16	3.08	2.75	2.56	2.94	2.57	2.67	2.01	1.98	1.56	2.63	23.03
Indusind	7.48	4.98	3.32	3.56	2.89	3.09	3.07	3.15	1.24	1.02	0.99	3.16	59.35
ING Vys	4.64	3.62	2.65	2.14	1.77	1.06	0.79	1.25	1.27	0.66	0.52	1.85	71.04
K.Bnk	10.93	13.80	12.82	7.98	5.33	4.05	3.50	3.75	3.81	4.05	3.30	6.67	60.39
SIB	10.40	9.57	7.82	6.82	5.15	4.06	1.80	2.20	1.33	1.12	0.98	4.66	75.47
K.Vys	9.19	7.64	5.95	5.24	4.02	2.88	2.06	1.98	1.75	1.28	1.34	3.94	69.11
Mean Score	**7.78**	**6.61**	**5.32**	**4.29**	**3.11**	**2.57**	**2.19**	**2.52**	**2.24**	**2.05**	**1.80**	**3.68**	-

[***Source:*** Collected and compiled from year wise RBI data base]

Analysis of Net NPAs to Total Assets (%)

Table 7 shows that net NPAs as a percentage of total assets for all the selected public sector and private sector banks have fluctuated during the study period 2001-02 to 2011-12. It is revealed from the table that in the year 2001-02, Federal bank had the highest NPA percentage (4.39%), but in 2011-12 the ratio reached to 0.33 percent. Thus, it reveals that the Federal bank has utilized assets effectively and it should also take necessary steps to reduce the level of NPAs. Among the other banks, performance of all the banks also satisfactory except K. Bnk under Pvt. SBs and SBI, UBI, CBI, OBC and UCO bank under PSBs at the end of the period 2011-12. If one looks at the average value, then it can be said that where the ratio is greater than one (1.00) bank needs ardent steps to reduce it. Highest consistency is found in case of SBI (26.78%).

Table 7: Net NPAs to Total Assets (%) of All Selected PSBs and Pvt. SBs in India for the Period 2001-02 to 2011-12 (End March)

Banks	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Mean**	**CV%**
SBI	1.96	1.64	1.33	1.16	0.99	0.93	1.03	0.99	1.03	1.01	1.18	1.21	26.78
PNB	2.48	1.77	0.44	0.09	0.14	0.45	0.38	0.11	0.33	0.54	0.97	0.70	108.93
BOB	2.70	2.22	2.07	0.65	0.46	0.35	0.27	0.20	0.22	0.22	0.35	0.88	107.65
BOI	3.30	2.98	2.43	1.64	0.86	0.57	0.33	0.28	0.80	0.55	0.95	1.34	81.40
CB	1.78	1.77	1.38	1.02	0.66	0.56	0.50	0.69	0.68	0.70	0.91	0.97	48.56
UBI	3.02	2.45	1.45	1.46	0.94	0.59	0.10	0.20	0.49	0.76	1.15	1.15	79.44
CBI	3.23	2.74	2.01	1.19	1.30	0.94	0.86	0.72	0.40	0.40	1.98	1.43	65.63
SB	NA	2.06	2.13	0.82	0.51	0.44	0.58	0.49	0.69	0.66	0.65	0.90	73.61
OBC	1.41	0.66	0.00	0.61	0.28	0.29	0.59	0.39	0.53	0.58	1.38	0.61	70.82
UCO	2.39	2.00	1.72	1.49	1.27	1.34	1.22	0.73	0.70	1.12	1.25	1.38	36.38
Mean Score	**2.47**	**2.03**	**1.50**	**1.01**	**0.74**	**0.65**	**0.59**	**0.48**	**0.59**	**0.65**	**1.08**	**1.07**	**-**
ICICI	NA	2.64	1.14	0.90	0.42	0.58	0.87	1.20	1.06	0.59	0.39	0.98	70.08
HDFC	0.14	0.14	0.07	0.12	0.21	0.22	0.22	0.34	0.18	0.11	0.10	0.17	46.05
AXIS	1.29	0.83	0.46	0.57	0.44	0.36	0.23	0.22	0.23	0.17	0.17	0.45	76.01
Federal	4.39	2.52	1.47	1.16	0.54	0.26	0.13	0.18	0.29	0.37	0.33	1.06	125.23
J&K	0.82	0.76	0.65	0.67	0.51	0.68	0.62	0.76	0.15	0.11	0.08	0.53	52.94
Indusind	3.60	2.30	1.41	1.56	1.11	1.31	1.25	0.65	0.29	0.16	0.16	1.25	81.37
ING Vys	1.89	1.72	1.39	1.26	1.08	0.59	0.40	0.65	0.65	0.24	0.11	0.91	65.96
K.Bnk	2.59	3.09	2.19	1.14	0.61	0.72	0.55	0.51	0.70	0.88	1.20	1.29	70.36
SIB	3.25	2.83	2.06	2.15	1.09	0.57	0.20	0.66	0.24	0.18	0.19	1.22	94.08
K.Vys	3.03	2.25	1.29	0.96	0.50	0.14	0.12	0.15	0.14	0.05	0.21	0.80	125.07
Mean Score	**2.34**	**1.91**	**1.21**	**1.05**	**0.65**	**0.54**	**0.46**	**0.53**	**0.39**	**0.29**	**0.29**	**0.88**	**-**

[***Source:*** Collected and compiled from year wise RBI data base]

Analysis of Net NPAs to Net Advances (%)

Table 8 shows the Net NPAs to Net Advances (%) of the selected banks for the period 2001-02 to 20011-12. Net NPAs as percentage of Net Advances is considered to be the most standard measure of asset quality. As per international norms, a ratio of 1% is considered to be tolerable and desirable. As per this norm, only HDFC Bank conformed to international standard throughout the period of the study. But all other banks partially satisfied this standard during the study period. This table also shows that the lowest ratio or best performance is found for HDFC Bank (0.36) followed by Axis Bank (1.03). For the other banks, the average ratio is significantly higher than the international standard. It is also evident from the table that the consistency of performance regarding Net NPA Ratio, the public sector banks performed better than the selected private sector banks as a whole.

Table 8: Net NPAs Ratio (Net NPAs to Net Advances) of All Selected PSBs and Pvt. SBs in India for the Period 2001-02 to 2011-12 (End March)

Banks	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Mean	CV%
SBI	5.63	4.50	3.48	2.65	1.87	1.56	1.78	1.79	1.72	1.63	1.82	2.58	53.10
PNB	5.32	3.86	0.98	0.20	0.29	0.76	0.64	0.17	0.53	0.85	1.52	1.37	121.37
BOB	5.06	3.72	2.99	1.45	0.87	0.60	0.47	0.31	0.34	0.35	0.54	1.52	108.42
BOI	6.02	5.37	4.50	2.80	1.49	0.95	0.52	0.44	1.31	0.91	1.47	2.34	86.44
CB	3.89	3.59	2.89	1.88	1.12	0.94	0.84	1.09	1.06	1.11	1.46	1.81	61.98
UBI	6.26	4.91	2.87	2.64	1.56	0.96	0.17	0.34	0.81	1.19	1.7	2.13	90.56
CBI	7.98	6.74	5.57	2.98	2.59	1.70	1.45	1.24	0.69	0.65	3.09	3.15	79.84
SB	4.63	4.29	2.58	1.59	0.86	0.76	0.97	0.77	1.07	0.97	0.96	1.77	80.96
OBC	3.20	1.40	0.00	1.29	0.49	0.49	0.99	0.65	0.87	0.98	2.21	1.14	78.19
UCO	5.45	4.36	3.65	2.93	2.10	2.14	1.98	1.18	1.17	1.84	1.96	2.61	51.77
Mean Score	**5.34**	**4.27**	**2.95**	**2.04**	**1.32**	**1.09**	**0.98**	**0.80**	**0.96**	**1.05**	**1.67**	**2.04**	-
ICICI	5.48	5.21	2.21	1.65	0.72	1.02	1.55	2.09	2.12	1.11	0.73	2.17	76.34
HDFC	0.5	0.37	0.16	0.24	0.44	0.43	0.47	0.63	0.31	0.19	0.18	0.36	42.93
AXIS	2.74	2.39	1.29	1.39	0.98	0.72	0.42	0.40	0.40	0.29	0.27	1.03	83.59
Federal	11.66	4.95	2.89	2.21	0.95	0.44	0.23	0.30	0.48	0.60	0.53	2.29	149.64
J&K	1.88	1.58	1.48	1.41	0.92	1.13	1.07	1.38	0.28	0.20	0.15	1.04	57.03
Indusind	6.59	4.25	2.72	2.71	2.09	2.47	2.27	1.14	0.50	0.28	0.27	2.30	81.85
ING Vys	4.59	3.55	2.6	2.13	1.76	0.70	0.79	1.20	1.20	0.39	0.18	1.74	79.66
K.Bnk	5.9	7.36	4.98	2.29	1.18	1.22	0.98	0.98	1.31	1.62	2.11	2.72	83.15
SIB	6.64	5.98	4.55	3.81	1.86	0.98	0.33	1.13	0.39	0.29	0.28	2.39	101.47
K.Vys	6.33	4.2	2.32	1.66	0.81	0.23	0.18	0.25	0.23	0.07	0.33	1.51	135.29
Mean Score	**5.23**	**3.98**	**2.52**	**1.95**	**1.17**	**0.93**	**0.83**	**0.95**	**0.72**	**0.50**	**0.50**	**1.75**	-

[***Source:*** Collected and compiled from year wise RBI data base]

After analyzing the NPAs of the selected banks individually over the years, an attempt has been taken to examine the average performance of the selected banks during the period 2001-02 to 2011-12. For this purpose, the average NPA indices (NPAI) of PSBs as a whole and Pvt.SBs as a whole have been computed based on the year-wise average of Gross NPAs to TA, Gross NPAs to Total Advances, Net NPAs to TA and Net NPAs to Net Advances.

Table 9 shows average gross NPAs as a percentage of total assets of the selected public sector banks taken together. The ratio indicates that on an average it has declined up to the year 2008-09 and thereafter it increased. Similar result is observed if we take into consideration gross NPAs as a percentage of total advances. But in case of private sector banks both ratios declined up to the year 2007-08 and thereafter they increased.

Net NPAs as a percentage of total assets of the selected public sector banking companies as a whole also declined up to the year 2008-09 and thereafter it increased, but in case of selected private sector banks as a whole this ratio declined up to the year 2007-08 and then it increased. But the above mentioned three ratios are sufficient enough to advocate in favor of the banks' inefficiency in the matter of managing asset quality in case of selected public sector banks as a whole because they have the higher mean values than private sector banks as a whole. Net NPAs as a percentage of net advances, which is considered to be a good indicator of judging asset quality, remained average 2.04% during the period 2001-02 to 2011-12 for the selected public sector banks and for the selected private sector banks it is 1.75%. For most of the years, the ratio was significantly greater than the international norm. This undoubtedly speaks that the banks must need steps to reduce its NPA levels to make them internationally competitive which are one of the prime objectives of Banking Sector Reforms. But overall efficiency regarding managing loan assets is found better in case of private sector banks as they have the lowest average NPA ratios (2.05%).

Table 9: Average NPA Indices of Selected PSBs and Pvt. SBs in India Taken Together Based on Selected NPA Ratios during the Period 2001-02 to 2011-12

End March

Years	PUBLIC SECTOR BANKS					PRIVATE SECTOR BANKS				
	Gross NPA/TA	*Gross NPA/Total Advances*	*Net NPA/TA*	*Net NPA/Net Advances*	*NPAI*	*Gross NPA/TA*	*Gross NPA/Total Advances*	*Net NPA/TA*	*Net NPA/Net Advances*	*NPAI*
2002	4.79	10.73	2.47	5.34	**5.83**	3.60	7.78	2.34	5.23	**4.74**
2003	4.46	9.70	2.03	4.27	**5.11**	3.15	6.61	1.91	3.98	**3.91**
2004	3.85	8.64	1.50	2.95	**4.23**	2.54	5.32	1.21	2.52	**2.90**
2005	3.13	6.47	1.01	2.04	**3.16**	2.29	4.29	1.05	1.95	**2.40**
2006	2.39	4.30	0.74	1.32	**2.19**	1.73	3.11	0.65	1.17	**1.67**
2007	1.80	3.04	0.65	1.09	**1.64**	1.49	2.57	0.54	0.93	**1.39**
2008	1.45	2.43	0.59	0.98	**1.36**	1.25	2.19	0.46	0.83	**1.18**
2009	1.19	1.97	0.48	0.80	**1.11**	1.32	2.52	0.53	0.95	**1.33**
2010	1.30	2.12	0.59	0.96	**1.24**	1.25	2.24	0.39	0.72	**1.15**
2011	1.39	2.21	0.65	1.05	**1.32**	1.17	2.05	0.29	0.50	**1.00**
2012	1.97	3.05	1.08	1.67	**1.94**	1.05	1.80	0.29	0.50	**0.91**
Mean	2.52	4.97	1.07	2.04	***2.65***	1.90	3.68	0.88	1.75	***2.05***
SD	1.32	3.32	0.66	1.52	1.69	0.87	2.05	0.69	1.56	1.29
CV%	52.54	66.83	61.59	74.41	**63.65**	46.09	55.60	78.13	89.03	**62.76**

[***Source:*** Collected and compiled from Table 5, 6, 7 and 8]; [Note: **NPAI** = Non-performing Assets Index]

Rank Analysis

Table 10 highlights the rankings of the selected public sector and private sector banks in different ways like rank, composite rank and ultimate rank of the different parameters of ranking. Ranks have been assigned to each bank on the basis of their gross NPAs to total assets, gross NPAs to total advances, net NPA to total assets and net NPAs to net advances and highest rank has been given based on lowest NPA ratios. Composite ranks of each bank have been computed by aggregating the ranks under four categories of NPA ratios. Thereafter, ultimate ranks of each bank have been computed based on composite rank values. The findings indicate that none of the selected banks showed efficient performance in the matter of managing its loan assets. But it can be said that among them performance of OBC under PSBs and HDFC bank under Pvt.SBs is satisfactory than others.

Table 10: Rank, Composite Rank and Ultimate Rank of NPAs of Selected PSBs and Pvt. SBs in India Based on Bank-Wise Mean Values of Gross NPA to TA, Gross NPA to Total Advances, Net NPA to TA and Net NPA to Net Advances

Groups	*Banks*	*Gross NPA/TA*	*Rank*	*Gross NPA/Total Advances*	*Rank*	*Net NPA/TA*	*Rank*	*Net NPA/Net Advances*	*Rank*	*Composite Rank*	*Ultimate Rank*
PUBLIC SECTOR BANKS	SBI	**2.546**	5	**5.518**	9	**1.206**	7	**2.585**	8	29	9
	PNB	**2.742**	9	**5.390**	8	**0.701**	2	**1.375**	2	21	5
	BOB	**2.563**	6	**5.264**	7	**0.883**	3	**1.518**	3	19	4
	BOI	**2.597**	7	**4.517**	3	**1.337**	8	**2.344**	7	25	6
	CB	**1.657**	1	**3.123**	1	**0.968**	5	**1.806**	5	12	2
	UBI	**2.608**	8	**4.785**	6	**1.148**	6	**2.128**	6	26	7
	CBI	**3.298**	10	**7.291**	10	**1.433**	10	**3.153**	10	40	10
	SB	**2.388**	3	**4.509**	2	**0.903**	4	**1.768**	4	13	3
	OBC	**2.373**	2	**4.597**	4	**0.611**	1	**1.143**	1	8	1
	UCO	**2.430**	4	**4.700**	5	**1.384**	9	**2.615**	9	27	8
PRIVATE SECTOR BANKS	ICICI	**2.473**	8	**4.822**	8	**0.979**	6	**2.172**	6	28	7
	HDFC	**0.787**	1	**1.723**	1	**0.169**	1	**0.356**	1	4	1
	AXIS	**0.863**	2	**1.962**	3	**0.452**	2	**1.026**	2	9	2
	Federal	**2.942**	9	**5.391**	9	**1.059**	7	**2.295**	7	32	9
	J&K	**1.350**	4	**2.633**	4	**0.527**	3	**1.044**	3	14	3
	Indusind	**1.657**	5	**3.163**	5	**1.254**	9	**2.299**	8	27	6
	ING Vys	**0.963**	3	**1.851**	2	**0.907**	5	**1.735**	5	15	4
	K.Bnk	**3.226**	10	**6.666**	10	**1.289**	10	**2.721**	10	40	10
	SIB	**2.456**	7	**4.660**	7	**1.220**	8	**2.385**	9	31	8
	K.Vys	**2.234**	6	**3.937**	6	**0.804**	4	**1.510**	4	20	5

[***Source:*** Collected and compiled from Table 5, 6, 7 and 8]

Correlation Analysis

For the purpose of establishing the statistical significance of performance of the selected banks, correlation analysis between social responsibility performance and the NPA level has been undertaken. Table 11 shows that out of total 60 correlation coefficients between SRI and NPAI, 23 cases under Pearson, Spearman and Kendall are found to be statistically significant at 5% level and 1% level, out of which 10 cases are found to be statistically significant under public sector group whereas 13 cases are found to be statistically significant under private sector group. But in case of public sector banks most of the measures are found positively correlated as compared to the private sector banks. It indicates that higher the social responsibility higher is the NPA level. An attempt has been taken to find out the degree of association between SRI and NPAI of the selected PSBs as a whole and selected Pvt. SBs as a whole in Table 12 in the analysis under different methods. The results of the analysis reveal that there is a positive association between the social responsibility performance and increase in NPAs so far as the selected PSBs in India are concerned under all the methods of correlation coefficient. It corroborates the fact that the selected PSBs in India have to face much of NPAs in consideration of their social responsibility performance. From social viewpoint it is to be highly admired though the same is not favorable to bank management as it significantly affects the overall financial performance of the banks. It is also to be noted that so as the social responsibility performance and NPAs forming are concerned, the selected PSBs in India have made commendable performance in comparison to that of the Pvt. SBs in India under study if viewed through the lens of the society.

Table 11: Correlation Coefficient between Social Responsibility Index (SRI) and Non-Performing Assets Index (NPAI) of Selected Public and Private Sector Banks

	Correlation Coefficient between SRI and NPAI		
Public Sector Banks	**Pearson's**	**Spearman's**	**Kendall's**
SBI	(-)0.308	(-)0.150	(-)0.073
PNB	0.334	0.583	0.404
BOB	0.208	0.391	0.200
BOI	0.256	0.482	0.273
CB	(-)0.102	(-)0.255	(-)0.236
UBI	0.471	0.645*	0.455
CBI	0.667*	0.627*	0.345
SB	0.623*	0.633*	0.367
OBC	0.862**	0.843**	0.697**
UCO	0.534	0.609*	0.527*
Private Sector Banks			
ICICI	(-)0.912**	(-)0.482	(-)0.382
HDFC	(-)0.628*	(-)0.773**	(-)0.598*
AXIS	(-)0.868**	(-)0.460	(-)0.330
Federal	(-)0.553	(-)0.582	(-)0.455
J&K	(-)0.756**	(-)0.773**	(-)0.600**
Indusind	(-)0.871**	(-)0.806**	(-)0.697**
ING Vys	(-)0.524	(-)0.592	(-)0.367
K.Bnk	0.270	0.191	0.055
SIB	0.089	0.155	0.200
K.Vys	0.314	0.673*	0.491*

[**Source:** Table 1, 2, 5, 6, 7 and 8]

Note: *Statistically significant at 5% level and ** statistically significant at 1% level

Table 12: Correlation Coefficient between SRI & NPAI of the Selected PSBs and Pvt. SBs as a whole in India During the Period from 2001-02 to 2011-12

Bank Groups	**Correlation Coefficient between SRI and NPAI**		
	Pearson's	***Spearman's***	***Kendall's***
All the selected PSBs taken together	0.485	0.627*	0.418
All the selected Pvt. SBs taken together	(-)0.939**	(-)0.745**	(-)0.636**

[**Source:** Table 1, 2, 5, 6, 7 and 8]

Note: *Statistically significant at 5% level and ** statistically significant at 1% level

CONCLUSION

As NPAs arises from the non-recovery of interest and principal on loan assets, by analyzing NPAs it can be said that the recovery performance of the banks was not satisfactory. The reason for such performance may be due to granting advances to the priority sectors and some policies of the Central Government that helped to increase NPA levels. But after deregulation and in the era of tough competition, it is ardently needed for the banks to take appropriate steps to minimize NPAs and utilize assets more efficiently. Several steps can be taken to minimize its NPAs, like compromising with the borrowers, legal steps, rating of loan assets, Constitution of Assets

Reconstruction Committee etc. But it can be said that no single policy or step can reduce the NPA levels because all these banks operate their banking business in every parts of this country. Economic background, cultural and some other environmental factors are different from regions to regions of this country and they greatly influence the formats of NPAs. So to minimize the NPAs, banks should frame strategies keeping in mind all these factors and check nationwide drive to check NPAs.

An attempt has been taken to find out the degree of association between SRI and NPAI of the selected PSBs and selected Pvt. SBs as a whole in the analysis under different methods. The results of the analysis reveal that there is a positive association between the social responsibility performance and increase in NPAs so far as the selected PSBs in India are concerned. It corroborates the fact that the selected PSBs in India have to face much of NPAs in consideration of their social responsibility performance. From social viewpoint it is to be highly admired though the same is not favorable to bank management as it significantly affects the overall financial performance of the banks. It is also to be noted that so as the social responsibility performance and NPAs forming are concerned, the selected PSBs in India have made commendable performance in comparison to that of the Pvt. SBs in India under study if viewed through the lens of the society. This study indicates that more contribution to the society boost up the NPA level or adversely affects the NPA level. This result also indicates that NPA management of the selected PSBs in India shows poor performance to reduce the NPA level and at the same time it shows their higher contribution to the society as a matter of their social responsibility performance.

The study suggests that in most of the cases of selected Pvt. SBs social responsibility index (SRI) are formed adversely or negatively associated with NPA level. The results of the analysis highlights that the selected Pvt. SBs in India did not have performance towards social responsibility performance and there is no relationship between the increase of NPAs and social responsibility performance. It thus suggests that the in the case of selected Pvt. SBs, NPAs have increased in the normal course of banking business during the study period. The selected Pvt. SBs in India under study are found reluctant to social responsibility performance and have given much preference to control the level of NPAs.

It can be concluded that as a whole the selected PSBs in India have shown their greater interests towards social responsibility performance and contributed significantly for the overall socio-economic development of the country by providing loans and advances to different priority sectors including liberal advances to rural and urban areas disregarding the emergence of NPAs. It is very crucial and highly significant for the country like India where the vast majority of the population lives in rural and urban areas and they require financial help from banks for their sustenance. The PSBs in India have come formed to help the common people and business entities to go ahead with financial supports. Whereas it is observed that the selected Pvt. SBs banks have been busy with banking operations with strict approach not to increase NPAs and accordingly they have shown their much reluctance to social responsibility performance.

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APPENDIX

List of Selected Banks

Public Sector Banks (PSBs)	***Private Sector Banks (Pvt.SBs)***
State Bank of India (SBI)	ICICI Bank (ICICI)
Punjab National Bank (PNB)	HDFC Bank (HDFC)
Bank of Baroda (BOB)	Axis Bank Ltd. (AXIS)
Bank of India (BOI)	Federal Bank Ltd. (Federal)
Canara Bank (CB)	Jammu and Kashmir Bank (J&K)
Union Bank of India (UBI)	Indusind Bank Ltd. (Indusind)
Central Bank of India (CBI)	ING Vysya Bank (ING Vys)
Syndicate Bank (SB)	Karnataka Bank (K.Bnk)
Oriental Bank of Commerce (OBC)	South Indian Bank (SIB)
UCO Bank (UCO)	Karur Vysya Bank (K.Vys)