

**IMPACT OF NON-PERFORMING ASSETS(NPA) ON WORKING OF BANKS': A COMPARATIVE STUDY
BETWEEN SBI CORPORATE AND SBI PATNA CIRCLE****AVANI OJHA¹, HEM CHANDRA JHA²**

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ABSTRACT

During FY 2016-17, a comparative study was made to investigate the impact of NPA on working of the State Bank of India (Corporate) and SBI Patna Circle. After analysing the data it was concluded that Credit-Deposit ratio (%) in the circle was just 42.96% as compared to the national average of 80.38%. However, as per direction of the government, the bank had taken many steps to increase its advances. Due to such steps, average growth in credit-deposit ratio (%), gross advances and priority sector advances were increased more than the SBI's national average and during 2016-17, the circle had priority sector advances as 71.2% of its total advances. However, on one hand, quality of assets had deteriorated and the circle had comparatively more growth in substandard and doubtful assets and on the other side, lower growth was registered in total assets, total business, per employee business, capital adequacy ratio (%), other income, other income (%) and total deposits. Consequently, due to poor repayments of loans and interests, comparatively higher growth rate in gross NPA, gross NPA (%), and net NPA (%) was registered, which forced the circle to make comparatively more provision for NPA. Such increased the total expenses and cost of deposit (%) of the circle and had bad impacts on net interest income and ultimately to the total income of the circle. Similarly, more negative growth in net interest income (%), cost to income ratio (%), net interest margin (%), yield average on advances (%), and average return on assets (%) was witnessed. Ultimately, due to such bad impacts of NPA, the circle had lower growth average in operating profit, per employee profit and net profit as compared to the national average of the SBI.

Keywords: Comparative study, Impact, NPA, Patna circle, performance indicators, SBI, working.

Introduction

The State Bank of India is the biggest public sector bank in the state of Bihar. The unit of the Bank is Patna Circle which at present covers the areas of both the states, Bihar and Jharkhand. The Patna Circle is under the direct control of the Chief General Manager (CGM) assisted by the Deputy General Manager of the Bank. (Faizanuddin and Mishra, 2011). The Bank has total of 930 branches all over the State of Bihar as on 30th June 2016 of which 424 branches in rural areas, 305 branches in semi-urban areas and 201 branches in urban areas.

As per recent report of the State Level Bankers Committee (SLBC) Bihar, published on 31st March 2016 the total outstanding with Commercial Banks' was worth ₹ 78497 Crores and a total NPA worth ₹ 4732 Crores which constituted about 6.03 % of total advances.

The NPA position with State Co-operative Banks' and Regional Rural Banks' are much grim as the total outstanding with State Co-operative Banks' was worth ₹ 1536 Crores and a total NPA worth ₹ 274 Crores which constituted about 17.85% of total advances. Similarly, the total outstanding with Regional Rural Banks' was worth ₹ 13275 Crores and a total NPA worth ₹ 1530 Crores which constituted about 11.53% of total advances.

The report concluded that the total outstanding of Public Sector Banks' (including of State Bank of India, other Commercial Banks', State Co-operative Banks' and Regional Rural Banks') was worth ₹ 93307 Crores and a total NPA worth ₹ 6536 Crores which constituted about 7.0% of total advances.

Therefore, it's clear that the Bank has to face problems on the front of NPA, although some steps have been taken by the Bank to contain its position related to the volume and pattern of the non-performing assets.

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. The studies in this period highlighted the shortcomings in the functioning of the banking sector and stressed the need to incorporate prudential norms for income recognition, asset classification and provisioning (Poongavanam, 2011). Such analysis and inferences to a great extent helped the researcher in identifying the stages of development in NPA management (Kannan, 1998).

In an analytical study on NPA with special reference to State Bank of Hyderabad, Rajendar, K. and Suresh, S. (2007) evaluated the effectiveness of the reform process on the basis of the recommendations of the Narasimham Committee, using statistical data on banks for the period 2000-01 to 2005-06.

Apart from explaining a conceptual framework of the NPA, 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. Siraj, K.K. and Pillai, P.S. (2011) in their study assessed the impact of global financial crisis on NPA of the banking sector. The study measured the annual average growth rate (AAG) of NPA indicators, before and during the financial crisis. Ganesan, D. and Santhanakrishnan, R., (2013) have been made to evaluate the non-performance assets of the SBI since 2002. Tripathi, L. K. *et al.*, (2014) analyzed the impact of priority sector advances, unsecured advances and advances made to some sectors by banks like SBI group and other banks on Gross NPAs of banks. The study by Sulagna Das *et al.*, in 2014 was done on the State Bank of India and its associates.

Importance of the study

Examination of published works on NPA in public sector banks' in India showed that:-

- (1) Most of the studies focused on NPA ratio's (gross NPA ratio and net NPA ratio) to assess the asset quality and effectiveness of credit risk management.
- (2) Very few studies were conducted towards examining the relationship between NPA and bank performance and macroeconomic indicators.
- (3) Very few studies were conducted towards examining impact of NPA on working of Public Sector Banks' and the SBI within Patna Circle.

Statement of the problem

As per recent report of the State Level Bankers Committee (SLBC) Bihar, published on 31st March 2016, the total outstanding with State Bank of India Patna Circle was worth ₹ 18505 Crores and a net NPA

worth ₹ 1241 Crores which constituted about 6.71 % of total advances. This net NPA (%) ratio was much higher than Bank's national average of 3.81% during FY 2015-16.

Objectives of the study

The main objectives of the present study are under the following heads:

1. To undertake comparative study about impact of NPA on working of the SBI Corporate versus SBI Patna Circle.
2. To make analyses of the profitability of the SBI Patna Circle.

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.
4. The structural system of banks' are lacking a goal approach to financing. Lending operations lacks co-ordination and thus difficult to contain NPA at desired levels.

Research Methodology

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

- (1) Research reports and published articles 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 2007-08 to 2016-17, have been collected mainly from the RBI and the SBI websites, websites of other public sector banks, and SLBC-Bihar.
- (3) Unpublished reports on the above topic.

Results and Discussion

The performance of SBI Patna Circle (Patna LHO) by the end of March 2017 is given as below as per Table-1:

Performance of SBI Patna circle from 2015-16 to 2016-17

- Total number of branches had increased as 4.49% from 890 to 930
- Total number of employees had increased as 3.17% from 13057 to 13472
- Total assets had increased as 13.06% from ₹ 112828 crores to ₹ 127566 crores
- Total business had increased as 4.36% from ₹ 158109 crores to ₹ 165018 crores
- Per employee business had increased as 4.15% from ₹ 10.58 crores to ₹ 11.02 crores
- Capital adequacy ratio (%) under Basel-III had decreased as -0.02% from 12.69% to 12.67%
- Total deposits had increased as 13.81% from ₹ 96244 crores to ₹ 109540 crores
- Cost of deposits (%) had decreased as -0.26% from 6.86% to 7.12%

➤ Credit-Deposit ratio (%) had increased as 1.45% from 41.51% to 42.96%

TABLE-1: HIGHLIGHTS OF SBI PATNA CIRCLE (2015-16 & 2016-17)				
Sl.	Performance indicators	SBI PATNA CIRCLE		
		2015-16	2016-17	% Change
1	Number of Branches	890	930	4.49
2	Number of Employees	13057	13472	3.17
3	Total Assets (□ in Crores)	112828	127566	13.06
4	Total Business (□ in Crores)	158109	165018	4.36
5	Per Employee Business (□ in Crores)	10.58	11.02	4.15
6	Capital Adequacy Ratio % (Basel-III)	12.69	12.67	-0.02
7	Total Deposits (□ in Crores)	96244	109540	13.81
8	Cost of Deposit (%)	6.86	7.12	-0.26
9	Credit-Deposit Ratio (%)	41.51	42.96	1.45
10	Gross Advances (□ in Crores)	39950	47058	17.79
11	Priority Sector Advances (□ in Crores)	27565	33470	22.4
12	Substandard Assets (□ in Crores)	2761	3241	17.38
13	Doubtful-1 Assets (□ in Crores)	2842	3206	12.8
14	Doubtful-2 Assets (□ in Crores)	2167	5098	135
15	Doubtful-3 Assets (□ in Crores)	599	1048	74.95
16	Loss Assets (□ in Crores)	212	285	34.43
17	Gross NPA (□ in Crores)	2800	3322	18.64
18	Gross NPA (%)	7.01	7.06	0.5
19	Net NPA (□ in Crores)	1837	2178	18.56
20	Net NPA (%)	4.6	4.63	0.3
21	Provisions for NPA (□ in Crores)	1272	1562	22.79
22	Total Income (□ in Crores)	6851	7434	8.5

23	Net Interest Income (□ in Crores)	2057	2209	7.38
24	Net Interest Income (%)	6.9	6.51	-0.39
25	Other Income (□ in Crores)	4794	5225	8.99
26	Other Income (%)	1.37	1.43	0.06
27	Total Expenses (□ in Crores)	12992	14678	12.97
28	Cost to Income Ratio (%)	49.36	49.24	-0.12
29	Net Interest Margin (%)	2.78	2.62	-0.16
30	Yield Average on Advances (%)	9.87	9.14	-0.73
31	Average Return on Assets (%)	0.43	0.36	-0.07
32	Operating Profit (□ in Crores)	1682	1816	7.96
33	Per Employee Profit (□ in Lacs)	2.68	2.81	4.85
34	Net Profit/Loss (□ in Crores)	355	368	3.66
Source: Annual Reports of the SBI & SLBC-Bihar				

TABLE-2: HIGHLIGHTS OF SBI CORPORATE VS. SBI PATNA CIRCLE (2015-16 & 2016-17)

Sl .	Performance indicators	SBI CORPORATE			SBI PATNA CIRCLE		
		2015-16	2016-17	% Change	2015-16	2016-17	% Change
1	Number of Branches	16784	17170	2.29	890	930	4.49
2	Number of Employees	207739	209567	0.87	13057	13472	3.17
3	Total Assets (□ in Crores)	2357617	2705966	14.77	112828	127566	13.06
4	Total Business (□ in Crores)	3357995	3554251	5.84	158109	165018	4.36
5	Per Employee Business (□ in Crores)	14.11	16.24	15.09	10.58	11.02	4.15
6	Capital Adequacy Ratio % (Basel-III)	13.12	13.11	-0.01	12.69	12.67	-0.02
7	Total Deposits (□ in Crores)	1730722	2044751	18.14	962440	109540	13.81

8	Cost of Deposit (%)	6.35	5.98	-0.37	6.86	7.12	-0.26
9	Credit-Deposit Ratio (%)	83.56	80.38	-3.18	41.51	42.96	1.45
10	Gross Advances (□ in Crores)	1627273	1509500	-7.23	39950	47058	17.79
11	Priority Sector Advances (□ in Crores)	339567	351894	3.63	27565	33470	22.4
12	Substandard Assets (□ in Crores)	38661	44229	14.4	2761	3241	17.38
13	Doubtful-1 Assets (□ in Crores)	40330	44890	11.3	2842	3206	12.8
14	Doubtful-2 Assets (□ in Crores)	32513	71376	119	2167	5098	135
15	Doubtful-3 Assets (□ in Crores)	8988	14674	63.26	599	1048	74.95
16	Loss Assets (□ in Crores)	2970	3995	34.51	212	285	34.43
17	Gross NPA (□ in Crores)	120923	137244	13.49	2800	3322	18.64
18	Gross NPA (%)	6.5	6.9	0.4	7.01	7.06	0.5
19	Net NPA (□ in Crores)	42365	54065	27.61	1837	2178	18.56
20	Net NPA (%)	3.81	3.71	-0.1	4.6	4.63	0.3
21	Provisions for NPA (□ in Crores)	26984	32247	19.5	1272	1562	22.79
22	Total Income (□ in Crores)	191844	210979	9.97	6851	7434	8.5
23	Net Interest Income (□ in Crores)	57195	61860	8.15	2057	2209	7.38
24	Net Interest Income (%)	7.27	6.86	-0.41	6.9	6.51	-0.39
25	Other Income (□ in Crores)	27845	35461	27.35	4794	5225	8.99

26	Other Income (%)	1.25	1.39	0.14	1.37	1.43	0.06
27	Total Expenses (□ in Crores)	181893	200495	10.22	12992	14678	12.97
28	Cost to Income Ratio (%)	49.13	47.75	-1.38	49.36	49.24	-0.12
29	Net Interest Margin (%)	2.96	2.84	-0.12	2.78	2.62	-0.16
30	Yield Average on Advances (%)	10.12	9.46	-0.66	9.87	9.14	-0.73
31	Average Return on Assets (%)	0.46	0.41	-0.05	0.43	0.36	-0.07
32	Operating Profit (□ in Crores)	43258	50848	17.54	1682	1816	7.96
33	Per Employee Profit (□ in Lacs)	4.7	5.11	8.72	2.68	2.81	4.85
34	Net Profit/Loss (□ in Crores)	9951	10484	5.35	355	368	3.66

Source: Annual Reports of the SBI & SLBC-Bihar

- Gross advances had increased as 17.79% from □ 39950 crores to □ 47058 crores
- Priority sector advances had increased as 22.4% from □ 27565 crores to □ 33470 crores
- Substandard assets had increased as 17.38% from □ 2761 crores to □ 3241 crores
- Doubtful-1 assets had increased as 12.8% from □ 2842 crores to □ 3206 crores
- Doubtful-2 assets had increased as 135% from □ 2167 crores to □ 5098 crores
- Doubtful-3 assets had increased as 74.95% from □ 599 crores to □ 1048 crores
- Loss assets had increased as 34.43% from □ 212 crores to □ 285 crores
- Gross NPA had increased as 18.64% from □ 2800 crores to □ 3322 crores
- Gross NPA (%) had increased as 0.5% from 7.01% to 7.06%
- Net NPA had increased as 18.56% from □ 1837 crores to □ 2178 crores
- Net NPA (%) had increased as 0.3% from 4.6% to 4.63%
- Provisions for NPA had increased as 22.79% from □ 1272 crores to □ 1562 crores
- Total income had increased as 8.5% from □ 6851 crores to □ 7434 crores
- Net interest income (%) had decreased as -0.39% from 6.9% to 6.51%
- Other income had increased as 8.99% from □ 4794 crores to □ 5225 crores
- Other income (%) had increased as 0.06% from 1.37% to 1.43%
- Total expenses had increased as 12.97% from □ 12992 crores to □ 14678 crores
- Cost to income ratio (%) had decreased as -0.12% from 49.36% to 49.24%
- Net interest margin (%) had decreased as -0.16% from 2.78% to 2.62%
- Yield average on advances (%) had decreased as -0.73% from 0.43% to 0.36%

- Average return on assets (%) had decreased as -0.07% from 0.43% to 0.36%
- Operating profit had increased as 7.96% from ₹ 1682 crores to ₹ 1816 crores
- Per employee profit had increased as 4.85% from ₹ 2.68 lacs to ₹ 2.81 lacs
- Net profit had increased as 3.66% from ₹ 355 crores to ₹ 368 crores

Comparative studies regarding impact of NPA on working of SBI Corporate versus SBI Patna Circle (2016-17)

As per Table-2, various performance indicators have been presented in detail regarding impact of NPA on SBI Corporate versus SBI Patna circle as follows:

Total assets: Total assets in the Bank had increased from ₹ 2357617 crores to ₹ 2705966 crores when such in Patna circle had increased from ₹ 112828 crores to ₹ 127566 crores. It's a point to note that the circle had only 4.71% of total assets of the bank during 2016-17 which is far below than the circle average of 7.14%. Moreover, percentage growth of the circle was noted as 13.06% which is less than 14.77% average of the Bank.

Total business: Total business in the bank had increased from ₹ 3357995 crores to ₹ 3554251 crores when such in Patna circle had increased from ₹ 158109 crores to ₹ 165018 crores. It's a point to note that the circle had only 4.64% of total business of the bank during 2016-17 which is far below than the circle average of 7.14%. Moreover, percentage growth of the circle was noted as 4.36% which is less than 5.84% average of the bank.

Per employee business: Per employee business in the bank has increased from ₹ 14.11 crores to ₹ 16.24 crores when such in Patna circle had increased from ₹ 10.58 crores to ₹ 11.02 crores. Moreover, percentage growth of the circle was noted as 4.15% which is less than 15.09% average of the bank.

Capital adequacy ratio (%): Capital adequacy ratio (%) in the bank had decreased from 13.12% to 13.11% when such in Patna circle had decreased from 12.69% to 12.67%. Moreover, percentage growth of the circle was noted as -0.02% which is less than -0.01% average of the bank.

Total deposits: Total deposits in the bank had increased from ₹ 1730722 crores to ₹ 2044751 crores when such in Patna circle had increased from ₹ 96244 crores to ₹ 109540 crores. During 2016-17, the circle had only 5.35% of total deposits of the bank which is far below than the circle average of 7.14%. Moreover, percentage growth of the total deposits in the circle as 13.81% is less than 18.14% average of the bank.

Cost of deposit (%): Cost of deposits in the bank had decreased from 6.35% to 5.98% when such in Patna circle had increased from 6.86% to 7.12%. Moreover, percentage growth in cost of deposits (%) in the circle as 0.26% is higher than -0.37% average of the bank.

Credit-Deposit ratio (%): C.D. ratio in the bank had decreased from 83.56% to 80.38% when such in Patna circle had increased from 41.51% to 42.96%. Unlike other parameters, percentage growth in C.D. ratio (%) in the circle as 1.45% is higher than -3.18% average of the bank. It's a point to note than the current C.D. ratio in the circle is much low about one half of the national level and up on direction of the government, the bank is making efforts to improve it better.

Gross advances: Gross advances in the bank had decreased from ₹ 1627273 crores to ₹ 1509500 crores when such in Patna circle had increased from ₹ 39950 to ₹ 47058 crores. It's a point to note that the circle had only 3.11% of total gross advances of the bank during 2016-17 which is far below than the circle average of 7.14% and in this connection, the bank is making more advances in this circle to make

the balance. Unlike other parameters, percentage growth in gross advances in the circle as 17.79% is higher than -7.23% average of the bank.

Priority sector advances: Such advances in the bank had increased from ₹ 339567 crores to ₹ 351894 crores when such in Patna circle had increased from ₹ 27565 crores to ₹ 33470 crores. It's a point to note that under this circle, priority sector advances are big part of total advances and in this connection during 2016-17, it was noted as about 71.12% of total advances. Similarly, percentage growth of priority sector advances in the circle as 22.4% was higher than 3.63% average of the bank.

Substandard assets: Such assets in the circle had increased from ₹ 2761 crores to ₹ 3241 crores when such in the bank had increased from ₹ 38661 crores to ₹ 44229 crores. Moreover, percentage growth of substandard assets in the circle as 17.38% was higher than 14.4% average of the bank.

Doubtful-1 assets: Such assets in the circle had increased from ₹ 2842 crores to ₹ 3206 crores when such in the bank has increased from ₹ 40330 crores to ₹ 44890 crores. Moreover, percentage growth of doubtful-1 assets in the circle as 12.8% was higher than 11.3% average of the bank.

Doubtful-2 assets: Such assets in the circle had increased from ₹ 2167 crores to ₹ 5098 crores when such in the bank had increased from ₹ 32513 crores to ₹ 71376 crores. Moreover, percentage growth of doubtful-2 assets in the circle as 135% was higher than 119% average of the bank.

Doubtful-3 assets: Such assets in the circle had increased from ₹ 599 crores to ₹ 1048 crores when such in the bank had increased from ₹ 8988 crores to ₹ 14674 crores. Moreover, percentage growth of doubtful-3 assets in the circle as 74.95% was higher than 63.26% average of the bank.

Loss assets: Such assets in the bank had increased from ₹ 2970 crores to ₹ 3995 crores when such in the circle had increased from ₹ 212 crores to ₹ 285 crores. Moreover, percentage growth of loss assets in the bank as 34.51% was higher than 34.43% average of the circle.

Gross NPA: Gross NPA in the bank had increased from ₹ 120923 crores to ₹ 137244 crores when such in the circle had increased from ₹ 2800 crores to ₹ 3322 crores. It's a point to note that due to its poor advances the circle had only 2.42% of gross NPA of the bank. Moreover, percentage growth of gross NPA as 18.64% in the circle was higher than 13.49% average of the bank.

Gross NPA (%): Gross NPA (%) in the circle had increased from 7.01% to 7.06% when such in the bank had increased from 6.5% to 6.9%. Moreover, percentage growth of gross NPA (%) in the circle as 0.5% was higher than 0.4% average of the bank.

Net NPA: Net NPA in the circle had increased from ₹ 1837 crores to ₹ 2178 crores when such in the bank had increased from ₹ 42365 crores to ₹ 54065 crores. It's a point to note that due to poor advances the circle had only 4.02% of total net NPA of the bank. Moreover, percentage growth of net NPA in the circle as 18.56% was lower than 27.61% average of the bank.

Net NPA (%): Net NPA (%) in the bank had decreased from 3.81% to 3.71% when such in the circle had increased from 4.6% to 4.63%. Moreover, percentage growth of net NPA (%) in the circle as 0.3% is higher than -0.1% average of the bank.

Provisions for NPA: Such provisions in the bank had increased from ₹ 26984 crores to ₹ 32247 crores when such in the circle had increased from ₹ 1272 crores to ₹ 1562 crores. It's a point to note that the provisions for NPA in the circle was only 4.84% of total provisions made by the bank for NPA during

2016-17. Moreover, percentage growth of provisions in the circle as 22.79% was higher than 19.5% average of the bank.

Total income: Total income in the bank had increased from ₹ 191844 crores to ₹ 210979 crores when such in the circle had increased from ₹ 6851 crores to ₹ 7434 crores. It's a point to note that during 2016-17, the circle had only 3.52% of total income made by the bank which is far below than the circle average of 7.14%. Moreover, percentage growth of total income in the circle as 8.5% was lower than 9.97% average of the bank.

Net interest income: Such income had increased in the bank from ₹ 57195 crores to ₹ 61860 crores when such in the circle was increased from ₹ 2057 crores to ₹ 2209 crores. It's a point to note that during 2016-17, the circle had only 3.57% of total net interest income of the bank which is far below than the circle average of 7.14%. Moreover, percentage growth in net interest income in the bank as 8.15% was higher than 7.38% average of the circle.

Net interest income (%): Such percentage income had decreased in the bank from 7.27% to 6.86% when such in the circle was decreased from 6.9% to 6.51%. Moreover, percentage reduction in net interest income (%) in the bank as -0.41% is higher than -0.39% average of the circle.

Other income: Such income in the bank had increased from ₹ 27845 crores to ₹ 35461 crores when such income in the circle had increased from ₹ 4794 crores to ₹ 5225 crores. It's a point to note that to cover the shortfall among net interest income in the circle, the SBI has successfully increased its other income sources nearly double to the circle average level in the Patna circle. However, percentage growth in other income in circle as 8.99% was lower than 27.35% average of the bank.

Other income (%): Such percentage in the bank had increased from 1.25% to 1.39% when such in the circle had increased from 1.37% to 1.43%. Moreover, percentage growth in other income (%) in the bank as 0.14% was higher than 0.06% average of the circle.

Total expenses: Such expenses in the bank had increased from ₹ 181893 crores to ₹ 200495 crores when such expenses in the circle was increased from ₹ 12992 crores to ₹ 14678 crores. Moreover, percentage growth in total expenses in the circle as 12.97% was higher than 10.22% average of the bank.

Cost to income ratio (%): Such ratio in the bank was decreased from 49.13% to 47.75% when such in the circle was decreased from 49.36% to 49.24%. Moreover, percentage reduction in bank as -1.38% was higher than -0.12% average of the circle.

Net interest margin (%): Such margin the bank was decreased from 2.96% to 2.84% when such in the circle was decreased from 2.78% to 2.62%. Moreover, percentage reduction in net interest margin (%) in bank as -0.12% is lower than -0.16% average of the circle.

Yield average on advances (%): Such average in the bank was decreased from 10.12% to 9.46% when such in the circle was decreased from 9.87% to 9.14%. Moreover, percentage reduction in yield average on advances (%) in the bank as -0.66% was lower than -0.73% average of the circle.

Average return of assets (%): Such average in the bank was decreased from 0.46% to 0.41% when such in the circle was decreased from 0.43% to 0.36%. Moreover, percentage reduction in average return of assets (%) in the bank as -0.05% was lower than -0.07% average of the circle.

Operating profit: Such profit in the bank was increased from ₹ 43258 crores to ₹ 50848 crores when such profit in the circle was increased from ₹ 1682 crores to ₹ 1816 crores. It's a point to note that the circle had only 3.57% of total operating profit during 2016-17, which is quite lower than 7.14% average of the circle. Moreover, percentage growth in operating profit in the bank as 17.54% was higher than 7.96% average of the circle.

Per employee profit: Such profit in the bank was increased from 4.7% to 5.11% when such in circle was increased from 2.68% to 2.81%. Moreover, percentage growth in per employee profit in the bank as 8.72% was higher than 4.85% average of the circle.

Net profit: Such profit in the bank was increased from ₹ 9951 crores to ₹ 10484 crores when such in the circle was increased from ₹ 355 crores to ₹ 368 crores. It's a point to note that the circle during 2016-17, had only 3.51% of total net profit of the bank, which was much below than 7.14% average of the circle. Moreover, in terms of percentage growth in net profit, the bank had 5.35% growth which was higher than 3.66% growth of the circle.

Conclusions

The micro-study of SBI-Patna Circle, has revealed that abnormalities in government policies, lack of industrial infrastructure, high priority sector lending, inferior management qualities towards borrowers' are the main reasons of heavy NPAs in bank branches. The region is basically agricultural dominated and where small scale industries have no much significance. Small businesses, small transporters, unemployed persons and home loans accounts are mainly the NPAs accounts in this circle. Since banking sector reforms, although some steps have been taken under the guidelines of the RBI to solve this problem, however, much has to be done yet in this direction at the level of bank branches. The Patna Circle LHO has to put extra-stress on workings of the bank branches in right directions.

Suggestions

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

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