INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

IJRCM

IJRCM

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,
Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)],
The American Economic Association's electronic bibliography, EconLit, U.S.A.,
Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than **4456 Cities** in **177 countries/territories** are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CHIEF PATRON

PROF. K. K. AGGARWAL

Chairman, Malaviya National Institute of Technology, Jaipur

(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)

Chancellor, K. R. Mangalam University, Gurgaon

Chancellor, Lingaya's University, Faridabad

Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi

Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

FOUNDER PATRON

LATE SH. RAM BHAJAN AGGARWAL

Former State Minister for Home & Tourism, Government of Haryana

FormerVice-President, Dadri Education Society, Charkhi Dadri

FormerPresident, Chinar Syntex Ltd. (Textile Mills), Bhiwani

FORMER CO-ORDINATOR

DR. S. GARG

Faculty, Shree Ram Institute of Business & Management, Urjani

ADVISORS

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., HaryanaCollege of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), MaharajaAgrasenCollege, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. BHAVET

Faculty, Shree Ram Institute of Engineering & Technology, Urjani

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, YanbuIndustrialCollege, Kingdom of Saudi Arabia

PROF. SANJIV MITTAL

UniversitySchool of Management Studies, GuruGobindSinghI. P. University, Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), GuruGobindSinghI. P. University, Delhi

DR. SAMBHAVNA
Faculty, I.I.T.M., Delhi
DR. MOHENDER KUMAR GUPTA
Associate Professor, P.J.L.N.GovernmentCollege, Faridabad
DR. SHIVAKUMAR DEENE
Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN
Department of Commerce, Aligarh Muslim University, Aligarh, U.P.
PROF. ABHAY BANSAL
Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida
PROF. V. SELVAM
SSL, VIT University, Vellore
PROF. N. SUNDARAM
VITUniversity, Vellore
DR. PARDEEP AHLAWAT
Associate Professor, Institute of Management Studies & Research, MaharshiDayanandUniversity, Rohtak
DR. S. TABASSUM SULTANA
Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad
DR. JASVEEN KAUR
Asst. Professor, University Business School, Guru Nanak Dev University, Amritsar

FORMER TECHNICAL ADVISOR

AMITA
Faculty, Government M. S., Mohali

FINANCIAL ADVISORS

DICKIN GOYAL
Advocate & Tax Adviser, Panchkula
NEENA
Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL
Advocate, Punjab & Haryana High Court, Chandigarh U.T.
CHANDER BHUSHAN SHARMA
Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ______________________.**

(e.g. Finance/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in one of your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to their inclusion of names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR	:
Designation	:
Institution/College/University with full address & Pin Code	:
Residential address with Pin Code	:
Mobile Number (s) with country ISD code	:
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No)	:
Landline Number (s) with country ISD code	:
E-mail Address	:
Alternate E-mail Address	:
Nationality	:

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version is liable to be rejected without any consideration***.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any **specific message** w.r.t. to the manuscript.

d) The total size of the file containing the manuscript is expected to be below **1000 KB**.

e) **Abstract alone will not be considered for review** and the author is required to submit the **complete manuscript** in the first instance.

f) ***The journal gives acknowledgement w.r.t. the receipt of every email within twenty four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE**: The title of the paper should be **bold typed**, **centered** and **fully capitalised**.

3. **AUTHOR NAME (S) & AFFILIATIONS**: Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.

4. **ACKNOWLEDGMENTS**: Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.

5. **ABSTRACT**: Abstract should be in **fully italicized text**, ranging between **150** to **300 words**. The abstract must be informative and explain the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.

6. **KEYWORDS**: Abstract must be followed by a list of keywords, subject to the maximum of **five**. These should be arranged in alphabetic order separated by commas and full stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations.

7. **JEL CODE**: Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php, however, mentioning JEL Code is not mandatory.

8. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e.* ***grammatical, spelling*** *or* ***punctuation.*** *It must be thoroughly edited at your end*.

9. **HEADINGS**: All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

10. **SUB-HEADINGS**: All the sub-headings must be bold-faced, aligned left and fully capitalised.

11. **MAIN TEXT**:

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

The manuscript should preferably range from ***2000 to 5000 WORDS***.

12. **FIGURES & TABLES**: These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. *It should be ensured that the tables/figures are referred to from the main text.*

13. **EQUATIONS/FORMULAE**: These should be consecutively numbered in parenthesis, horizontally centered with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word should be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.

14. **ACRONYMS**: These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section: Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.

15. **REFERENCES**: The list of all references should be alphabetically arranged. ***The author (s) should mention only the actually utilised references in the preparation of manuscript*** and they are supposed to follow Harvard Style of Referencing. **Also check to make sure that everything that you are including in the reference section is duly cited in the paper**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parenthesis.
- ***Headers, footers, endnotes*** *and* ***footnotes*** *should* ***not be used*** *in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders after the references.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

UNPUBLISHED DISSERTATIONS

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

TREND ANALYSIS OF NPAs AND PROFITABILITY OF TOP TEN BANKS FROM 2011-2014

SYED ALIN ALI
ASST. PROFESSOR
SWAMI RAMA HIMALAYAN UNIVERSITY
JOLLY GRANT

ABSTRACT

NPAs (Non-Performing Assets) are an important parameter while analyzing not only the profitability of the banks but also the efficiency of banking operations. It not only causes the margins to decrease, but also affects liquidity and results in higher provisioning for doubtful debts. This study aims to assess the Non-Performing Assets of the top ten banks in India and its impact on the profitability of banking sector for a period of five years, from 2011-2014

KEYWORDS

NPA, banking operations.

INTRODUCTION

ECONOMIC REFORMS: A BRIEF BACKDROP

A walk down history lane suggests that the chronic malaise of Bank Assets turning bad is deep rooted in the ultra-conservative economic policies adopted by the Indian Government during the 60s and the 70s. Fallouts from factors like protectionist policies, license raj and monopolized markets, to mention just a few, compounded to manifest themselves as widespread industrial sickness by the time the 80s came along. By 1985, the economy was facing serious balance of payment problems. These problems snowballed and by the end of 1990, the country was in the midst of a serious economic crisis. The government was on the brink of default, its central bank had refused new credit and the foreign exchange reserves could barely finance three weeks worth of imports. Ultimately, the government had to airlift national gold reserves as a pledge to the International Monetary Fund (IMF) in exchange for a loan to cover the balance of payments debt. This prompted the government to bring about urgent and large scale reforms across various sectors of the economy, especially in the Banking Sector. As a result, the Narasimham Committee-I was set up in 1991 to examine all aspects relating to the structure, functions and procedures of the financial system in India. The findings of the committee were subsequently tabled in the parliament, and a number of key reforms were introduced in the banking sector. The Narsimham Committee-II was tasked with the progress review of the implementation of the banking reforms initiated in 1992. The objective of the review was to further strengthen financial institutions in India. The Committee submitted its report on Banking Sector Reforms to the then Finance Minister Yashwant Sinha, in April 1998.

Both committees made several key observations and recommended significant changes in the Banking Sector in India. They identified NPAs as the single largest cause for concern for the sector. The Narsimham Committee-I concluded that 'priority sector lending' was leading to the buildup of Non-performing assets of the banks and was the main reason for reduced profitability of commercial banks in India. It recommended that 'priority sector lending' be gradually phased out. Subsequently, the Narsimham Committee-II also stressed the need for 'zero' non-performing assets for all Indian banks with international presence. It identified poor credit decisions, cyclical economic factors and behest-lending to be the major reasons for the huge buildup of Non-Performing Assets in Banks. The Committee suggested the creation of Asset Reconstruction Companies to take over the bad debts of banks, allowing them to start on a new slate. The Committee also suggested a proper system to identify and classify NPAs, NPAs to be brought down to 3% by 2002 and for an independent loan review mechanism for improved management of loan portfolios. The recommendations led to the introduction of a new legislation, subsequently implemented as the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI), 2002.

ECONOMIC REFORMS: THE GENERAL EFFECTS

As mentioned earlier, the year 1991 marks an important milestone in the history of the Indian Economy. The reforms undertaken as per the Liberalization policy implemented that year opened up Indian markets to foreign investors, thereby injecting the economy with much needed foreign investment, and brought about a revival in an economy that had been stagnating for years. The Pokhran tests of 1998 and the resulting economic sanctions on India did throw a spanner in the works towards the end of the 90s. However, beginning in the earlier part of the past decade, most of the sanctions were relaxed and foreign investment surged primarily on account of the nascent, yet growing, BPO & IT industry. This increased inflow of cash and resources into India was a major factor behind the growth in size and scale of banking operations in India, the origins of which can be traced back to the liberalization measures being adopted in 1991.

On the flip side, with the increase in size and scale of operations, banks have become even more exposed to default risk, i.e. losses owing to non-repayment of loans. On a year-on-year basis, banks have witnessed a disturbingly consistent increase in the amount of assets being categorized as non-performing. This is despite the fact that various reforms have been brought about to strengthen the functioning of the banking sector and to bring down the level of NPAs to a bare minimum. Yet, NPAs remain a major point of concern for Banks and Investors alike. Concerns have been expressed by the Governor of RBI Raghuram Rajan regarding the high level of NPAs in Public Sector Banks. The MD & CEO of ICICI bank, Chanda Kochar, has attributed the rise in NPAs to external factors. The Banking Sector is still edgy as Haldia Petrochemicals and Dabhol Power, to which banks have an exposure of over 50000 million Rupees and 85000 million Rupees respectively, are on the verge of going bad. Thus, the concerns are not misplaced; the malaise is not new.

NPA: DEFINITION AND CLASSIFICATION

In simple terms, an asset can be classified as Non-Performing when it ceases to generate any income for the bank.

The latest circular DBOD.No.BP.BC.9/21.04.048/2014-15 released by the Reserve Bank of India on July 1st, 2014 addressed to all Commercial Banks (excluding RRBs), serves to further refine the definition of and to elaborate on the conditions under which an asset is declared as non-performing. Basically, a non performing asset (NPA) is a loan or an advance where interest and/or instalment of principal remain overdue* for a period of more than 90 days in respect of a term loan.

ASSET CLASSIFICATION

CATEGORIES OF NPAs

According to the latest circular pertaining to NPAs released by the RBI, banks are required to classify nonperforming assets further into the following three categories based on the period for which the asset has remained nonperforming and the realisability of the dues:

i. **Substandard Assets**
ii. **Doubtful Assets**
iii. **Loss Assets**

SUBSTANDARD ASSETS

With effect from March 31, 2005, a substandard asset would be one, which has remained NPA **for a period less than or equal to 12 months**.

DOUBTFUL ASSETS

With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category **for a period of 12 months**.

LOSS ASSETS

A loss asset is one where loss has been **identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly**. In other words, such an asset is **considered uncollectible** and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value."

Provisions as prescribed by the RBI regarding nonperforming assets are as follows:

I SUB-STANDARD ASSET

A provision of 10 % is to be made from the profits in order to meet the profits generated from NPAs.

II DOUBTFUL ASSETS

There are three categories of doubtful assets and the provision for each one of them is as follows:

a. D1 i.e. up to 1 year: 20 % provision is to be made by banks
b. D2 i.e. up to 2 years: 30 % provision is to be made by banks.
c. D3 i.e. up to 3 years: 100 % provision is to be made by banks.

III LOSS ASSETS

100 % provision is to be made for assets falling under this category.

REMEDIAL MEASURES BEING TAKEN AT PRESENT

In order to tackle the issues of growing amount of NPAs in the banking sector, the government, acting upon the recommendations of the Narasimhan Committee-II, introduced the SARFAESI Act (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act), 2002. The act gave banks and other financial institutions the powers to take possession of the secured assets of the borrower, including transfer by way of lease, assignment or sale, so as to realize income due to them without the intervention of a court or tribunal. It prescribed the circumstances under which the banks could execute these powers. An amendment has been proposed in the SARFAESI Act during the winter session of the parliament. This amendment will allow banks to take over the management of companies that have willfully defaulted on loan repayment.

LITERATURE REVIEW

Various studies have been conducted in the past with the objective of understanding the impact that Non-Performing Assets have on the functioning and profitability of the Banking Sector in India.

Namita Rajput, Monika Gupta & Ajay Kumar Chauhan (*Profitability and Credit Culture of NPAs: An Empirical Analysis of PSBs*, 2012) found a negative relationship between the profitability measure and NPAs.

Dr. Sonia Narula & Monika Singla (*An Empirical Study on Non Performing Assets of Bank* , 2014) observed the performance of Punjab National Bank for a period of 6 years, from 2006-2012 and concluded that the relationship between NPAs and Profitability to be a positive one.

Meenakshi Rajeev & H P Mahesh (2010), in their working paper titled *Banking Sector Reforms and NPA: a study of Indian Commercial Banks* (2010), examine the the trends of NPAs in India from various dimensions and explain how self-monitoring has been able to greatly reduce the problem. They are also able to illustrate that public sector banks which, to some extent, function with welfare motives, have been as successful in reducing NPAs as their counterparts in the private sector have been.

Prashant K Reddy (*A comparative study of Non-Performing Assets in India in the global context- similarities and dissimilarities, remedial measures, 2003*) studies the mechanisms adopted by other Asian countries in handling NPAs and further looks into the effects of the reforms on the level of NPAs in India. He further suggests mechanisms to handle the problem in India by drawing lessons from the means adopted to do the same in other countries.

Venkata V Vemula & Murali Mahalingam (*Non-Performing Assets: an Indian Perperctive, 2012)* examine the various causes of rising NPAs in India and measures being taken to curb this menace.

Deepak K. & Margesh Wavhal (*Impending NPA crisis in Indian Banks & remedies, 2014)* examine whether the problem of loans going bad is a systemic problem or a monster created by banks themselves. The focus of their work of study is large corporations like Kingfisher Airlines and Bhushan Steele. They discuss the current magnitude of the problem and suggest measures to remedy the situation.

Pacha Malyadari & S. Sirisha (*A comparative Study of Non-Performing Assets in Indian Banking Industry, 2011)* examine trends of NPAs in weaker sections of the society in both public sector and private sector banks. They study data for a period of seven years i.e. from 2004-2010. Their paper concludes that asset quality of both public and private banks has improved consistently in the past few years as reflected by the decline in ratio of NPAs as a percentage of advances to weaker sections of the society.

Isaac K. Otchere (*Competitive and Value Effects of Bank Privatisation in developed countries, 2005)* conducted a study on the performance of privatized banks in middle and low-income countries, showing mixed results. The paper observes that private banks in developed countries have experienced significant improvements in operating performance during the period under study. Furthermore, a comparative analysis of the performances of privatized banks in developed and developing countries has revealed that privatization in developing countries has encouraged excessive risk taking among privatized banks in developing countries, with the consequence that those banks carry larger NPAs in comparison to their counterparts in developed countries.

Asha Singh (*Performance of Non-Performing Assets in Indian Commercial Banks, 2013)* examines the performance of both public sector and private sector banks in terms of gross and net NPAs for a period of eleven years, i.e. from 2001 to 2011, and have found that the level of gross and net NPAs have shown a declining trend during this period.

PURPOSE OF STUDY AND THE RESEARCH METHODOLOGY USED

The paper aims to observe trends in the performance of major banks in India. The study uses the ROA (return on assets) and the net NPA ratio as performance indicators, and aims to observe the relationship between the ROA and net NPA ratio on the basis of data collected for the past four years. Secondary data has been gleaned from RBI reports, annual reports of banks and investment portals like moneycontrol.com and yahoo finance. Another objective that this paper aims to achieve is to study how the top banks in India are doing as far as NPAs are concerned. Thus, out of the 37 Scheduled Commercial Banks present in India, 10 banks have been identified and classified as major banks for the purpose of study. Six major factors were taken into consideration while deciding upon the sample to be drawn. Namely, business per employee and the market capitalization of each bank (in Rupees Crores), the total number of branches, the total number of ATMs and the total number of employees,. The sample thus drawn represents a major chunk of business in the sector. Even though trends observed among the sample can be said to have a major impact on the overall trends in the Banking sector, however, the purpose of this paper is not to get a general overview of the performance of the Banking Sector as a whole but to simply study the trends in the performance of major banks in India during the past four years, i.e., from 2011-2015.

Given below is a table consisting of the banks selected and how they performed against the various parameters drawn.

TABLE 1 (*AMOUNT IN RUPEES CRORE)

Parameters	HDFC Bank	ICICI Bank	Axis Bank	SBI	IDBI	Bank of Baroda	Union Bank of India	Bank of India	Canara Bank	PNB
Branches[1]	3032	3095	1932	14669	1068	4263	3551	4233	3743	5515
ATMs[1]	10743	10481	11245	27175	1072	2630	4603	2133	3526	6312
Market Capitalisation*	208199	165536	88333	176922.9	9631.8	37307.5	11947	14602.5	16095.6	31699
Number of employees[1]	69401	62065	37901	228296	15465	43108	31798	42348	42693	63292
Business per employee*	7.5	7.35	12.15	9.439	25.644	16.89	12.15	15.82	14.202	11.651

[1] Data taken from "A Profile of Banks 2012-2013" an RBI report

The data pertaining to the study is presented in the table below:

TABLE 2

YEAR	GROSS NPA	PROVISIONS FOR NPAs	GROSS ADVANCES	NET PROFITS	TOTAL ASSETS
2011	59055.03	23354.16	2493228.99	39652.83	4063370.85
2012	86068.80	27854.78	2922159.24	47251.97	4665385.14
2013	114762.79	32798.19	3352896.32	53226.01	5369535.41
2014	147965.53	46295.00	3937186.868	51266.48	6219534.62

The Net NPA Ratio for each of the year under study has been calculated as per the following formula:

$$\text{Net NPA Ratio} = \frac{\text{Gross NPA-Provisions for NPA}}{\text{Gross Advances-Provisions for NPA}} \times 100$$

The ROA (Return on Assets) has been calculated as under:

$$\text{Return on Assets} = \frac{\text{Net Profits}}{\text{Total Assets}} \times 100$$

The table consisting of our findings is shown below:

TABLE 3

YEAR	NET NPA RATIO	ROA
2011	1.44	.97
2012	2.01	1.01
2013	2.46	.99
2014	2.61	.82

The coefficient of correlation is calculated as per the following formula:

$$\frac{N\sum dxdy - \sum dx\sum dy}{\sqrt{(\sum dx^2 - (\sum dx)^2)} * \sqrt{(\sum dy^2 - (\sum dy)^2}}$$

Inference: The coefficient of correlation comes to be -.514 for the past four years. This means that whenever the NPA Ratio increases by 1, the ROA decreases by .514.

FINDINGS & CONCLUSION

The coefficient of correlation between Net NPA ratio and the ROA during the past 4 years is -.514. This means that as per the trends of the last four year, an increase of 100 % in the Net NPA ratio will be followed by a decrease of approximately 50 % in the Return on Assets generated by the banks being studied. A cursory glance over the data for the past four years leads to the conclusion that the net NPA ratio has risen at an alarmingly consistent rate, whereas the ROA has been consistently decreasing over the period under study, more so in the past one year. The major point of concern is that for all the ten banks under study, the Net NPA ratio has exhibited a steady increase over the period of the last four years. Even though the private banks under study do also show a steady increase in the ROA over the same period, however, with the major bulk of banking business concentrated in the hands of public banks, the simultaneity of the fall in ROA and increase in the net NPA ratio is indicative of larger disturbing trends in the economy.

SUGGESTIONS

Despite the government taking various measures to curb assets turning bad, we find the NPAs consistently increasing. This implies that perhaps proper evaluations are not being carried out in the pre-sanctioning stage and not enough control is being exerted in the post-disbursement phase. Even though norms have been introduce in respect of KYC (know your customer), some where banks are failing in their objective of selecting the right borrowers. There is perhaps a need to relook at the norms that customers need to meet in the pre-sanctioning stage so as to ensure that less proportion of advances go bad.

NOTE

*an amount is considered overdue if it remains outstanding 30 days beyond the due date

REFERENCES

1. A Profile of Banks 2012-2013" an RBI report
2. Dr. Sonia Narula & Monika Singla (*An Empirical Study on Non Performing Assets of Bank* , 2014)
3. RBI circular DBOD.No.BP.BC.9/21.04.048/2014-15 released on July 1st, 2014.

WEBSITE

4. http://articles.economictimes.indiatimes.com/2014-07-10/news/51300726_1_rbi-governor-raghuram-rajan-credit-flow-bad-assets

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you tosupply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail**infoijrcm@gmail.com** for further improvements in the interest of research.

If youhave any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, neither its publishers/Editors/ Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal are exclusively of the author (s) concerned.

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals