



ALL INDIA BANK OFFICERS' CONFEDERATION

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No.:3427/Delhi)

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The position of Gross NPAs and Net NPAs in PSBs as at 31/03/2017

"This has further reference to the interview given by Shri.S.S.Mundra , Deputy Governor, RBI in the media (published in "THE Hindu" dtd 21/06/2017)"

We welcome the steps initiated by RBI to solve the NPA crisis to a logical conclusion under the resolution process backed with the bankruptcy law recently amended. As such, it is hoped that Banks can have a major relief towards reducing the risk on large stressed assets in the immediate future if efforts are taken to recover the loans and not write them off.

We do not concur with the idea that the banks can explore all the available options to strengthen the Capital apart from the Govt. source only. Of course, all the PSBs are now in the process of planning their own strategies towards augmentation of Capital flows. However, it is more important that the public sector banks constitute about 70% of the business in the Banking system, the overall credit growth continued to be sluggish due to higher level of NPAs held in the past two to three years which has affected the Capital structure. If the NPAs are recovered, there won't be need for additional capital. We welcome proposal of Govt to defer acceptance of Basel III norms which are only voluntary.

As per RBI earlier report, the Banking System posted a growth of 11.3% in deposits and 5.4% in advances compared to last year level of 8.6% and 9.3% respectively in the midst of economy posting a GDP growth of around 7% for the year 2017. But, the PSBs achieved a deposit growth of 8.11% in 2016-17 compared to 4.06% in 2015-16. The growth in gross credit was meager at 1.05% in March 2017 compared to 2.97% in March 2016. Only private sector banks have

shown a sustained growth of 19.6% in deposits and 17.1% in advances as of March 2017 compared to the previous year level of 18.1% & 25.7% respectively. But the quantum achieved by Private sector & Foreign banks reflects only 30% of the total business although their growth rates are big in numbers. It is observed from the financial results published, ten PSBs showed a negative growth in gross credit as of March 2017 as against 6 PSBs in March 2016. This is mainly due to demonetization. In the case of Associate Banks of SBI it is due to the decision of merger which put on hold fresh advances. Even the other PSBs have ended their results only with marginal credit growth as per the table given below:

Gross Credit growth% on YoY basis

No	Banks	2015-16	2016-17
A1	State Bank of India-Stand alone	13.04	7.80
A2	State Bank of India-Associates	-6.08	-14.18
1	State Bank of India-Group	8.54	3.33
2	Punjab National Bank	10.28	2.11
3	Bank of Baroda	-7.32	0.81
4	Canara Bank	0.48	5.53
5	Syndicate Bank	0.31	0.35
6	Oriental Bank of Commerce	3.78	8.36
7	Corporation Bank	-1.35	-0.01
8	Indian Bank	2.95	-0.41
9	Vijaya Bank	3.50	6.70
10	Punj & Sind Bank	0.74	-7.67

11	Bank of India	-7.31	3.15
12	Union Bank of India	5.70	8.67
13	IDBI Bank	5.01	-7.04
14	Central Bank of India	-2.47	-19.53
15	Indian Overseas Bank	-3.53	-9.25
16	Allahabad Bank	3.01	0.21
17	UCO Bank	-10.75	-2.83
18	Andhra Bank	5.24	5.77
19	Bank of Maharashtra	9.91	-8.73
20	Dena Bank	6.43	-9.62
21	United Bank of India	3.39	-1.25
	All PSBs	2.97	1.05
	Total Gross Advances(Rs.Cr)	5810861	5871601

As such, the Banks are now facing severe capital constraints and the target of say 12% credit growth (with possible deposit growth of 10%) in the current year is not easy unless the banks are fully supported with adequate capital infusion. If the needy capital is delayed or denied, the banks have no other way to end their business with a retarded growth besides affecting profitability. This will be slow killing. Under the present market conditions, the cost of increasing the capital may be too high in all the other options methods referred. Hence, Govt. has to allot more capital at this crucial juncture. As per Moody's report, Indian Banking system requires another Rs.90000 Crores to meet the capital norms in the next 2 years. Our internal study also reveals the requirement of around Rs.36500 crores for the 11 Turn Around Banks alone (recently identified by the

Govt) apart from the possible increase of capital by other sources as you have referred. As such, we wish to reiterate that the Govt./RBI have to allot major portion of additional capital at this crucial time so as to run the business.

“Further, Dy. Governor RBI has mainly mentioned that the Gross NPA ratio for PSBs as of March 2017 stood at 12.3% as against 9.51% for the system”.

We give below the actual position of NPAs as per the published data.

Banks	Gross NPA (in Rs Cr)			Gross NPA Ratio %			Net NPA (in Rs Cr)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Bank of India	22193	49879	52045	5.39	13.07	13.22	13517	27996	25305
Union Bank	13030	24170	33712	4.96	8.70	11.17	6919	14025	18832
IDBI Bank	12685	24875	44753	5.88	10.98	21.25	5993	14643	25206
Central Bank of India	11873	22721	27251	6.09	11.95	17.81	6807	13242	14218
IOB	14922	30048	35098	8.33	17.40	22.39	9813	19213	19749
Allahabad Bank	8357	15385	20688	5.46	9.76	13.09	5978	10293	13434
UCO Bank	10265	20907	22541	6.76	15.43	17.12	6330	11444	10703
Andhra Bank	6876	11443	17670	5.31	8.39	12.25	3688	6036	10355
Bank of Maharashtra	6402	10385	17189	6.33	9.34	16.93	4126	6832	11230
Dena Bank	4393	8560	12619	5.45	9.98	16.27	3014	5230	7735
United Bank of India	6552	9471	10952	9.49	13.26	15.53	4081	6111	6592
Eleven turnaround Banks	117548	227844	294518	6.03	11.70	15.51	70266	135065	163359
Other 9 PSBs(ex,SBI)	87403	190137	212377	4.49	9.66	10.55	52401	116412	122760
SBI Group	73508	121969	178390	4.21	6.44	9.11	37248	68894	98448
Total PSBs	278459	539950	685285	4.93	9.29	11.67	159915	320371	384567
Turn around Banks Share% In Total NPAs	42.21	42.20	42.98				43.94	42.16	42.48

The total gross NPAs in quantum increased at 29.26% in Mar 2017 on YoY basis whereas such growth was very higher at 93.83% in Mar 2016 in the same period last year. However, the gross NPA ratio for the PSBs as a whole increased to only 11.67% mainly due to poor gross credit growth of 1.05 % in March 2017.

The total gross NPAs for all PSBs as of March 2017=Rs.685285 cr.....(a)

The total gross Advances for all PSBs as of March 2017= Rs.5871601 cr.....(b)

For all PSBs -Gross NPA ratio%=a/bx100=11.67%

The total Net NPAs for all PSBs as of March 2017=Rs. 384567 cr.....(c)

The total Net Advances for all PSBs as of March 2017= Rs. 5585148 cr.....(d)

For all PSBs-Net NPA ratio%=c/dx100=6.89%.

It seems that the gross NPA ratio referred in the Dy. Governor's message is arrived over the total Net advances of all PSBs as of 31/03/2017 as given below:

=Gross NPAs/Net Advances: a/dx100 = Rs.685285 cr/ Rs. 5585148 cr=12.27%

This has been pointed out as his remark has suppressed the Performance of PSBs as a whole by exhibiting a higher ratio at 12.3% instead of 11.7% especially under vital parameter. We will be thankful if we are clarified to our comments.

**D.T. Franco
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