**CREDIT RISK MANAGEMENT SYSTEM IN SCHEDULED COMMERCIAL BANKS IN INDIA**

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**ABSTRACT**

The major change in the banking sector took place only after the nationalization of banks in the year 1969. The policy of the government helped the banking industries to grow rapidly by taking into consideration the liberalization, privatization and globalization. Banks experience credit risk when assets in a bank’s borrowed loans are threatened by loan defaults. Credit risk is a total of default risk and portfolio risks of a bank. Credit risk is inevitable to the business of lending funds to the borrower. The exposure to that risk make situation more critical when counter party fails to meet the obligations on agreed terms. Credit risk may increase if banks lend to borrower without getting adequate knowledge about the person or his capability to repay the loan. The present study is confined to SCBs coming under Public Sector, Private Sector and Foreign Banks only and Excludes Regional Rural Banks. The banks‟ credit efficiency can be measured by Credit risk management system employed by the banks. The areas covered under the study are the proportion of credits with deposits, measure of capital base through Capital adequacy ratio, credit depository ratio, gross NPA to gross advances ratio, Net NPA to net adequacy ratio of banks. Credit Risk Management System to see the Management of Non-Performing Assets in different bank groups, such as levels of Non-Performing Assets of different bank groups, assets quality of different bank groups, and recovery of Non-Performing Assets of these banks through various measures. All the above issues have been identified by the researcher for detailed analysis and interpretations.

**Keywords**: Credit Risk, Non-Performing Assets, recovery, Scheduled Commercial Banks

**INTRODUCTION**

Banking system has a life of more than 200 years. It started its journey in 1786. The drastic change in the sector took place only after the nationalization of banks in the year 1969. The policy of the government helped the banking industries to grow rapidly by taking into consideration the liberalization, privatization and globalization. The New Economic policy was introduced in the year1991,on which the Liberalization policy and economic reforms in India explored more opportunities and potentials for the banks from mere lending and buying to other financial facilities. As a result of this banks begun to experience numerous positive changes and successive growth. Indian nationalized banks have a greater operation because of the dimensions of the banks and the penetration of their banking systems. However, the Indian Banks also face certain challenges that need to be addressed. The biggest crisis falling the Indian Banking System is the problem of Non- Performing Assets and Credit Risk Management System The possibility of losses associated with decrease the credit quality of borrowers or counterparties. In a bank’s portfolio, losses stem from outright default due to the inability or unwillingness of a customer or counterparty to meet commitments concerning lending, trading, settlement, and other financial transactions. Alternatively, losses result from a reduction in portfolio value arising from actual or perceived deterioration in credit quality.  
The credit risk highly affects the financial position of banking system as well the economy as a whole, therefore careful attention to the impact of credit risk level on bank’s profitability is necessary because intense risk puts serious threat to banks and increasingly level of risk may create a chance of closing down the bank’s operations. However, credit risk directly hits the financial strength, earnings of banks. In this respect, various practices are followed to manage risk. There are many parameters to observe the intensity of risk. It is very critical for bank to ensure a healthy risk management practice for achieving its goal. Credit risk management encompasses with various steps such as identify, measure, monitor and control risk exposure. Thus, credit management framework includes policies and rules relating to monitor risk.

**REVIEW OF LITERATURE**

The researcher has taken following types of review to justify the Problem selected for research.

* **Saah, M., and Zaman, A. (2021**) in their study titled Management of NPAs in banks with special reference to UBI found that with the decrease in NPA level, profitability of banks increased.
* **Smarika Jain, Dr. Sangeetha R. (2021)** As a result, the judgment is that management should focus more on non-performing assets under credit risk management since they have a negative impact. While the capital adequacy ratio has no substantial influence, it is recommended that they do not place too much emphasis on it. Rather, management should merely guarantee that the capital adequacy ratio maintains within 12-15 percent, over which the firms may risk financial underperformance.
* **Hawaldar, I.T, Spulkar, C., Lokesh, A., Birau, R., Robegen, C.(2020)** in their study analyzing non-performing assets in agriculture loans. A case study in India concluded that there is no significant difference in pre and post sanction of agriculture loans and management of non-performing assets by banks. The wilful default by borrowers and more NPAs in banks are due to debt waiver policies announced by political parties.
* **Jethwani, B., Dave, D., Ali, T., Phansalker, S., and Ahhirao, S. (2020)** in their study Indian agriculture GDP and NPA: A regression model found that the repayment of farm loan adversely affects as factors like rural population, low export value of crop and low crop production for the year. It should be understood that the farm loan waivers cannot solve the problem.
* **Sharma S., Rathore D.S., and Prasad, J. (2019)** They found that both in public & private sector banks the major reason for the NPAs is miss-utilization of bank loans and poor recovery management. The NPAs are increasing in agriculture and industries. They suggested improving corporate governance for better operational and credit decisions
* **Rana C., (2018)** in his study titled “Management of NPA in context of Indian banking system concluded that NPA impacts profitability, liquidity and results in credit loss. There are two types of NPAs – gross NPA and net NPA. NPAs also impact low yield on advances, adverse Impact on capital adequacy. As a preventive measure, he suggested stopping multiple financing and early recognition of the problem.
* **Sheeba, 2017** set out to explore the numerous factors that influence credit risk, and its impact on a bank's profitability. it was suggested that the bank under investigation tighten its CRM methods in order to lower the associated credit risk by reducing. non-performing assets and managing its leverage properly
* **Taiwo, Ucheaga, Achugamonu, Adetiloye,and Okoye (2017)** studied the quantifiable impact of CRM on the financial performance of deposit money banks and loan growth in Nigeria. The secondary data was collected for over 17 years from1998–2014 by the World Bank and the Statistical Bulletin of the CBN. CRM, according to the data, has a minor impact on the total number of loans and advances.
* **Khan & Ali, 2016**set out to investigate the link between commercial banks' liquidity and profitability in Pakistan and evaluated using correlation and regression techniques. The data revealed that banks' liquidity and profitability have a considerable positive link**.**
* **Bayyoud and Sayyad (2015**) performed research in the Palestinian banking sector to determine the effect of CRM on profitability. The data was collected for a period of five years ranging from 2010 to 2014 and analyzed by deploying a regression model. ROE is taken as a proxy for profitability, whereas NPLR is considered as a proxy for credit risk. The study's findings indicated that no link exists between credit risk and the financial performance of Palestinian commercial and investment banks
* **Li and Zou (2014)** investigated the association between CRM and the profitability of European commercial banks. The Profitability metrics such as ROE and ROA are used, while CRM determinants such as NPLR and CAR are also used. The data was analyzed by using multiple regression analysis along with other statistical tests. The findings demonstrated that CRM had a significant impact on the profitability of banks. NPLR shows a crucial impact on both ROE and ROA, whereas, on both, CAR has minimal impact (Li & Zou, 2014).
* **Said (2013)** examined the correlation between risks, namely credit risk operating risk, liquidity risk, and efficiency across Islamic banks in the Middle East and North Africa through three levels of examination. The data was collected for a three-year period ranging from 2006 to 2009 and was analyzed by using data envelopment analysis (DEA). A nonparametric technique was used in the first stage; ratios were analyzed in the second stage; and in the third stage, the correlation between credit, operating, and liquidity risks and efficiency was performed using Pearson Correlation. According to the findings, operating risk and credit risk both have a negative association with efficiency, whereas liquidity risk has a negligible link with the performance of banks under study (Said, 2013).
* **Poudel, 2012** set out to investigate various aspects of CRM and how they affect bank profitability. The secondary data was collected for 11 years (2001–2011) from the financial statements of 31 banks in Nepal and was analyzed using descriptive, correlation, and regression statistics. According to the study, all of these factors show a negative impact on the financial performance of banks. The best predictor of bank economic success, however, was determined to be default risk. The investigation recommended that banks formulate and design strategies to minimize their credit risk exposure to increase their profitability.
* **Ogonori et al. (2011**) highlighted that available statistics from the liquidated banks clearly showed that inability to collect loans and advances extended to customers and directors or companies related to directors/managers was a major contributor to the distress of the liquidated banks
* **Mansaram’s (2010**) rightly points out that, the profitability and viability of banks are directly affected by quality and performance of advances. A sound NPAs management system is used for quick identification of Non-Performing advances, their containment at minimum level and ensuring that their impingement on the financials is minimal.
* **Kuphal (2009)** clearly indicates that “Non-Performing Assets were more in Public Sector Bank groups while the least was in Foreign Bank groups, because advances by Public Sector Bank groups to the priority sector advances were also high. Non-Performing Assets in the Public and Private Sector Bank groups were high mainly due to increase in NPAs in the agricultural sector.
* **Dong (2008),** in his paper resolving “Non-Performing Assets of the Indian Banking System” submitted to the International Monetary Fund had reviewed the nature of Non- Performing Assets in the Indian Banking System and discussed the key design features that would be important for the Assets Reconstruction Companies to play an effective role in resolving Non-Performing Assets. The analysis draws upon recent regional and cross-country experiences in dealing with impaired assets during periods of financial crises.
* **Janardhan G Naik (2006)** has observed that going by Basel II norms and other international best practices in our banks are expected to manage NPAs quite efficiently. Surely the reforms in the legal system in the recent years such as SARFAESI Act, 2002 will help in faster recovery of NPAs.
* **Charanjit Singh and Mohammad Farook Khan (2005)** have observed that DRTs are effective in recovery of bank dues albeit to a certain extent and concluded that the passing of DRT Act and establishment of DRTs has brought definite changes in recovery suits of banks.
* **Muninarayanappa and Nirmala (2004)** outlined the concept of Credit Risk Management in banks. They highlighted the objectives and factors that determine the direction of banks polices on credit risk management. The challenges related to internal and external factors in credit risk management are also highlighted. They concluded that success of credit risk management requires maintenance of proper credit risk environment, credit strategy and policies. Thus, the ultimate aim should be to protect and improve the loan quality.

**STATEMENT OF THE PROBLEM**

In the recent times the Private and Public Sector Banks have introduced several new and innovation financial and non- financial services to attract customers and retain them. This Development may cause the weak credit risk management among banks and it is the primary cause for the failure of many Commercial Banks which affects the financial performance of banking system particularly the profitability of banks. It is well known that the NPA problem affects the efficiency of the Credit Risk Management System in the Indian Banking System and it is important to address the same. The study aims to analyze NPA position and recovery procedure of Scheduled Commercial Banks in India – a component of Credit Risk Management system employed by the banks and to offer pertinent suggestion.

**OBJECTIVES OF THE STUDY**

The major objectives of the study are as follows:

* To Study the Management of NPAs – A Component of Credit Risk Management System
* To Analyze the NPAs of Scheduled Commercial Banks through Credit Depository Ratio, Capital Adequacy Ratio, Gross NPA to Gross Advances Ratio, Net NPAs to Net Advances Ratio in measuring Credit Efficiency of Banks.
* To examine the recovery Procedures of the NPAs in Scheduled Commercial Banks.

**METHODOLOGY OF THE STUDY**

A study ofCredit Risk Management System in the Indian Banking System particularly in management of NPAs and recovery of NPAs influence the financial performance of banking system which creates impact on economic development of our Country. The present study is undertaken to Scheduled Commercial Banks in India.

The present study is confined to SCBs coming under Public Sector, Private Sector and Foreign Banks only and Excludes Regional Rural Banks. The banks‟ credit efficiency can be measured by Credit risk management system employed by the banks. The areas covered under the study are the proportion of credits with deposits, measure of capital base through Capital adequacy ratio, credit depository ratio, gross NPA to gross advances ratio, Net NPA to net adequacy ratio of banks. The researcher has studied the entire population. The Secondary data relating to Credit risk management system for a period of ten years from 2012-13 to 2021-22 were collected and compiled from Books, Journals, Magazines, Publications, Research Reports, RBI Bulletin, RBI Annual Reports, Report on Trend and Progress of Banking and Websites. To analyze the data, the researcher used statistical tools like percentage analysis, Ratio Analysis and Compound growth rate were employed.

**ANALYSIS AND INTERPRETATION**

**Credit Deposit Ratio of Bank Groups**

The credit depository ratio of SCBs 10 years 2012-13to 2021-22 is analysed which reveals that the CDR of Bank Groups, the Public Sector Banks has Decreased in the year 2016-17 to 2021-22, In Private Sector Bank it has a Positive growth, followed by Foreign Bank, the Credit Deposit Ratio has a Fluctuating Trend but in the year , 2020-2022 it was highly reduced due to covid. The Credit Deposit Ratio of bank groups has calculated and presented in the Table 4.1

**TABLE 4.1**

**CREDIT DEPOSITORY RATIO OF BANK GROUPS**

(In Percent)

| **YEAR** | **PUBLIC SECTOR BANK** | **PRIVATE SECTOR** | **FOREGIN BANKS** | **ALL SCBs** |
| --- | --- | --- | --- | --- |
| 2012-13 | 77.85 | 81.9 | 91.51 | 79.14 |
| 2013-14 | 77.42 | 84.37 | 82.6 | 78.93 |
| 2014-15 | 76.12 | 86.36 | 80.85 | 78.32 |
| 2015-16 | 74.72 | 90.3 | 79.24 | 78.24 |
| 2016-17 | 68.81 | 86.53 | 71.39 | 73.04 |
| 2017-18 | 68.96 | 88.36 | 70.93 | 74.16 |
| 2018-19 | 69.44 | 88.26 | 68.26 | 75.09 |
| 2019-20 | 68.06 | 87.16 | 62.56 | 73.72 |
| 2020-21 | 64.11 | 82.02 | 54.21 | 79.14 |
| 2021-22 | 65.72 | 83.50 | 55.06 | 71.05 |
| **CGR** | **-0.91** | **0.89** | **-0.93** | **-0.91** |

Source: Report on Trends and progress of banking in India.

**Capital Adequacy Ratio of Bank Groups**

The capital adequacy ratio of bank groups of SCBs has an increasing trend from 13.9 % on 2012-13 to 16.8 % on 2021-22, In case of Public Sector Bank groups also this shows an increasing trend from 12.24percent on 2012-13 to 14.7percent on 2021-22. This ratio shows an increase in Private Sector Bank groups from 16.8 percent to 18.8 percent and in Foreign Bank groups from 11.05 percent to19.8 percent during the study period. The bank-wise Capital Adequacy ratio of SCBs and respective Compound Growth Rate are presented in Table 4.2

**TABLE 4.2**

**CAPITAL ADEQUACY RATIO OF BANK GROUPS**

**(**In percentage)

| **YEAR** | **PUBLIC SECTORBANKS** | **PRIVATE SECTOR BANKS** | **FOREGIN BANKS** | **ALL SCBs** |
| --- | --- | --- | --- | --- |
| 2012-13 | 12.34 | 16.8 | 11.05 | 13.9 |
| 2013-14 | 11.2 | 13.1 | 12.41 | 13 |
| 2014-15 | 11.2 | 13.1 | 12.41 | 13 |
| 2015-16 | 11.8 | 15.7 | 17.1 | 13.3 |
| 2016-17 | 12.1 | 15.5 | 16.4 | 13.7 |
| 2017-18 | 11.7 | 16.4 | 19.1 | 13.8 |
| 2018-19 | 12.2 | 16.1 | 19.4 | 14.3 |
| 2019-20 | 12.9 | 16.5 | 17.7 | 14.8 |
| 2020-21 | 14 | 18.4 | 19.5 | 16.3 |
| 2021-22 | 14.7 | 18.8 | 19.8 | 16.8 |
| **CGR** | **0.018** | **0.011** | **0.060** | **0.019** |

Source: Report on trends and progress of Banking in India

**Gross Advances in Bank Groups**

The total amount of Gross advances of bank groups in India has amounted to Rs. 90877930 crores, of which the Public Sector banks groups to the top the list by providing advances to tune of Rs. 51814275 crores which around 57.01% of the total advances of banks in India followed by private sector bank groups Rs. 27100643 crores (29.82%), Foreign bank groups with Rs. 3719657 crores (12.8%). The bank-wise Gross Advances of SCBs are presented in Table 4.3

**TABLE – 4.3**

**GROSS ADVANCES OF BANKS**

(In crores)

| **YEAR** | **PUBLIC SECTOR BANK** | **PRIVATE SECTOR BANKS** | **FOREIGN BANKS** | | **SCBS** |
| --- | --- | --- | --- | --- | --- |
| 2012-13 | 3141286 | 1151246 | | 260405 | 5171820 |
| 2013-14 | 3607182 | 1360256 | | 299575 | 6875748 |
| 2014-15 | 3897549 | 1607340 | | 336609 | 7560666 |
| 2015-16 | 3911176 | 1972659 | | 376504 | 8171114 |
| 2016-17 | 3914442 | 2266721 | | 343611 | 8476705 |
| 2017-18 | 6141698 | 2725891 | | 363305 | 9266260 |
| 2018-19 | 6382461 | 3442347 | | 406881 | 10287085 |
| 2019-20 | 6615112 | 3776231 | | 436065 | 10918918 |
| 2020-21 | 6770363 | 4097040 | | 420617 | 11399608 |
| 2021-22 | 7433006 | 4700912 | | 476085 | 12750006 |
| **TOTAL** | **51814275** | **27100643** | | **3719657** | **90877930** |
| **PERCENTAGE (%)** | **57.01** | **29.82** | | **12.8** | **100** |

Source: Report on trends and progress of Banking in India

**GROSS NPAs OF BANK GROUPS**

The share of Public Sector Banks in the gross npa of scheduled commercial banks is high which is around 80.36%followed by the private sector bank groups with 17.18% and with foreign bank group 2 %. The Gross NPAs of bank Groups has shown in Table 4.4

**TABLE- 4.4**

**GROSS NPAs OF BANK GROUPS**

(In crores)

| **YEAR** | **PUBLIC SECTOR BANKS** | **PRIVATE SECTOR BANKS** | **FOREGIN BANKS** | **ALL SCBs** |
| --- | --- | --- | --- | --- |
| 2012-13 | 165006 | 15800 | 7977 | 194053 |
| 2013-14 | 227264 | 24542 | 11565 | 263362 |
| 2014-15 | 278468 | 34106 | 10761 | 323335 |
| 2015-16 | 539956 | 56186 | 15805 | 611947 |
| 2016-17 | 684732 | 93209 | 13629 | 791791 |
| 2017-18 | 895601 | 129335 | 13849 | 1039679 |
| 2018-19 | 739541 | 183604 | 12242 | 936474 |
| 2019-20 | 678317 | 209568 | 10208 | 899803 |
| 2020-21 | 616616 | 200141 | 15044 | 837771 |
| 2021-22 | 139905 | 125834 | 8320 | 283441 |
| **TOTAL** | **4965406** | **1072325** | **119400** | **6181656** |
| **PERCENTAGE (%)** | **80.36** | **17.18** | **2** | **100** |
| **CGR** | **2** | **6.5** | **0.5** | **2.19** |

Source: Report on Trends and progress of Banks in India

**GROSS NPAs TO GROSS ADVANCES RATIO**

The Gross NPA ratio of SCBs has shown the increasing value during the period of study. The Gross NPA ratio of SCBs has increased from 3.23 to 5.82 percent in 2012-13 to 2021-22. Similarly, the Gross NPA ratio of Public Sector banks has increased from 3.24 percent in 2012-13 to 7.28 percent in 2021-22. Likewise, the Private sector bank has 1.77 percent in the year 2012-13 and it was increased to 3.84 percent in the year 2021-22. In the case of foreign banks, the Gross NPA were declined from 3.04 percent to 2.9 percent from the year 2012-13 to 2021-22

The details are presented in Table4.5

**TABLE 4.5**

**GROSS NPAs TO GROSS ADVANCES RATIO OF BANK GROUPS**

(In percent)

| **YEAR** | **PUBLIC SECTOR BANK** | **PRIVATE SECTOR BANKS** | **FOREIGN BANKS** | | **SCBS** |
| --- | --- | --- | --- | --- | --- |
| 2012-13 | 3.24 | 1.77 | | 3.04 | 3.23 |
| 2013-14 | 4.09 | 1.78 | | 3.86 | 3.83 |
| 2014-15 | 5.26 | 2.1 | | 3.2 | 4.27 |
| 2015-16 | 10.69 | 2.83 | | 4.2 | 7.48 |
| 2016-17 | 12.95 | 4.05 | | 3.96 | 9.32 |
| 2017-18 | 14.58 | 4.62 | | 3.81 | 11.18 |
| 2018-19 | 11.59 | 5.25 | | 2.99 | 9.08 |
| 2019-20 | 10.25 | 5.45 | | 2.34 | 8.21 |
| 2020-21 | 9.11 | 4.94 | | 2.42 | 7.33 |
| 2021-22 | 7.28 | 3.84 | | 2.9 | 5.82 |

Source: Report on Trends and progress in Banking in India

**NET ADVANCES IN BANKS**

The total amount of Net advances of bank groups in India has amounted to Rs. 75764233 crores, of which the Public Sector banks groups to the top the list by providing advances to tune of Rs. 50452673 crores which around 66.6% of the total advances of banks in India followed by Private sector bank groups Rs. 45521573 crores (28.5%), Foreign bank groups with Rs. 3180694 crores (7.72%). The Net Advances of bank groups has shown in table 4.6

**TABLE – 4.6**

**NET ADVANCES IN BANKS**

(In crores)

| **YEAR** | **PUBLIC SECTOR BANK** | **PRIVATE SECTOR BANKS** | **FOREIGN BANKS** | | **SCBS** |
| --- | --- | --- | --- | --- | --- |
| 2012-13 | 4472845 | 873252 | | 263680 | 5879773 |
| 2013-14 | 5101137 | 1342935 | | 291142 | 6735213 |
| 2014-15 | 5476250 | 1584312 | | 327599 | 7388160 |
| 2015-16 | 5593577 | 1939339 | | 363551 | 7896467 |
| 2016-17 | 5557232 | 2219475 | | 332335 | 8116109 |
| 2017-18 | 5697350 | 26626753 | | 351016 | 8745997 |
| 2018-19 | 5892667 | 3327328 | | 396726 | 9676183 |
| 2019-20 | 6158112 | 3625154 | | 428076 | 10301897 |
| 2020-21 | 6348758 | 3939292 | | 423546 | 10820208 |
| 2021-22 | 154745 | 43733 | | 3023 | 204226 |
| **TOTAL** | **50452673** | **45521573** | | **3180694** | **75764233** |
| **PERCENTAGE** | **66.6** | **28.5** | | **4.I** | **100** |
| **CGR** | **1.89** | **1.02** | | **7.72** | **1.88** |

**Source:** Report on Trends and progress in Banking in India

**NET NPAs OF BANK GROUPS**

The NPA of Scheduled Commercial Banks has Increasing Trend among Scheduled Commercial Banks, The NPA of SCB, the share of NPA of Public Sector Bank is high. The Net NPAs of Bank Groups have presented in table 4.7

**TABLE – 4.7**

**NET NPAs OF BANK GROUPS**

(In crores)

| **YEAR** | **PUBLIC SECTOR BANK** | **PRIVATE SECTOR BANKS** | **FOREIGN BANKS** | **SCBS** |
| --- | --- | --- | --- | --- |
| 2012-13 | 90037 | 3900 | 2663 | 98693 |
| 2013-14 | 130394 | 8862 | 3160 | 142421 |
| 2014-15 | 159951 | 14128 | 1762 | 175841 |
| 2015-16 | 320376 | 26677 | 2762 | 349814 |
| 2016-17 | 383089 | 47780 | 2137 | 433121 |
| 2017-18 | 454473 | 64380 | 1548 | 520838 |
| 2018-19 | 285122 | 67309 | 2051 | 355068 |
| 2019-20 | 230918 | 55683 | 2005 | 289370 |
| 2020-21 | 196451 | 55809 | 2987 | 258228 |
| 2021-22 | 154745 | 43733 | 3023 | 204226 |
| **TOTAL** | **2405556** | **388261** | **24098** | **2827620** |
| **PERCENTAGE (%)** | **85.07** | **13.73** | **0.85** | **100** |

Source: Report on trends and progress in Banking in India

**NET NPAs TO NET ADVANCES RATIO**

The Trend of Net NPA to Net Advances Ratio has Fluctuated, In Public Sector Banks, particularly in the year 2016-19, the Net NPA to Net Advances Ratio has Increased followed by Private Sector Banks and Foreign Banks the Net NPA to Net Advances Ratio has increased in Trend. The table 4.8 shows the net Net NPAs to Net Advances Ratio for the year 2012-2022

**TABLE – 4.8**

**NET NPAs TO NET ADVANCES RATIO**

(In percent)

| **YEAR** | **PUBLIC SECTOR BANKS** | **PRIVATE SECTOR BANKS** | **FOREGIN BANKS** | **ALL SCBs** |
| --- | --- | --- | --- | --- |
| 2012-13 | 2 | 0.4 | 1 | 1.7 |
| 2013-14 | 2.6 | 0.7 | 1.1 | 2.1 |
| 2014-15 | 2.9 | 0.9 | 0.5 | 2.4 |
| 2015-16 | 5.7 | 1.4 | 0.8 | 4.4 |
| 2016-17 | 6.9 | 2.2 | 0.6 | 5.3 |
| 2017-18 | 8 | 2.4 | 0.4 | 6 |
| 2018-19 | 4.8 | 2 | 0.5 | 3.7 |
| 2019-20 | 3.7 | 1.5 | 0.5 | 2.8 |
| 2020-21 | 3.1 | 1.4 | 0.7 | 2.4 |
| 2021-22 | 2.2 | 1 | 0.6 | 1.7 |

Source: Report on Trends and progress in Banking in India.

**RECOVERY OF NON- PERFORING ASSETs BY SCBs**

The Recovery of Non- Performing Assets for the study period 2012-2013 to 2021-2022 has shown below.

**RECOVERY OF NPAs THROUGH LOKADALATS**

The trend of recovery of NPA through lokadalat has fluctuating trend and the Lokadalat play a major role among all recovery channels of NPAs. The recovery procedure of NPA through LOKADALAT has presented in the table 4.9

**TABLE – 4.9**

**RECOVERY OF NPAs THROUGH LOKADALTS**

(In crores)

| **YEAR** | **AMOUNT INVOLVED** | **AMOUNT RECEIVED** | **PERCENTAGE OF RECOVERY(%)** |
| --- | --- | --- | --- |
| 2012-13 | 66 | 4 | 6.06 |
| 2013-14 | 23200 | 1400 | 6.034 |
| 2014-15 | 310 | 10 | 3.23 |
| 2015-16 | 720 | 32 | 4.44 |
| 2016-17 | 1058 | 38 | 3.60 |
| 2017-18 | 45728 | 1811 | 3.96 |
| 2018-19 | 53484 | 2750 | 5.15 |
| 2019-20 | 67801 | 4211 | 6.21 |
| 2020-21 | 28084 | 1119 | 3.99 |
| 2021-22 | 119005 | 2777 | 2.33 |

**Source:** Report on Trends and progress in Banking in India

**RECOVERY OF NPAs THROUGH DEBT RECOVERY TRIBUNAL (DRT)**

The trend of recovery of NPA through DRT has increased in the year 2016, 2017, 2021 & 2022. Remaining period of study it has decreasing trend. The details were presented in table 4.10

**TABLE – 4.10**

**RECOVERY OF NPAs THOUGH DEBT RECOVERY TRIBUNAL (DRT)**

(In crores)

| **YEAR** | **AMOUNT INVOLVED** | **AMOUNT RECEIVED** | **PERCENTAGE OF RECOVERY(%)** |
| --- | --- | --- | --- |
| 2012-13 | 310 | 44 | 14.19 |
| 2013-14 | 55300 | 5300 | 9.58 |
| 2014-15 | 604 | 42 | 6.95 |
| 2015-16 | 693 | 64 | 9.24 |
| 2016-17 | 671 | 164 | 24.44 |
| 2017-18 | 133095 | 7235 | 5.44 |
| 2018-19 | 264413 | 10552 | 3.99 |
| 2019-20 | 245570 | 10018 | 4.07 |
| 2020-21 | 225361 | 8113 | 3.60 |
| 2021-22 | 47165 | 12114 | 25.68 |

**Source:** Report on Trends and progress in Banking in India

**RECOVERY OF NPAs THOUGH SARFAESI ACT**

The recovery of NPA through the SARFAESI ACT were increasing trend except in the year 2016 & 2017.The recovery procedure of NPA through SARAFASI ACT has presented in the table 4.11

**TABLE – 4.11**

**RECOVERY OF NPAs THOUGH SARFAESI ACT**

(In crorest)

| **YEAR** | **AMOUNT INVOLVED** | **AMOUNT RECEIVED** | **PERCENTAGE OF RECOVERY(%)** |
| --- | --- | --- | --- |
| 2012-13 | 681 | 185 | 27.17 |
| 2013-14 | 94600 | 24400 | 25.80 |
| 2014-15 | 1568 | 256 | 16.33 |
| 2015-16 | 801 | 132 | 16.48 |
| 2016-17 | 1131 | 78 | 6.89 |
| 2017-18 | 81879 | 26380 | 32.21 |
| 2018-19 | 258642 | 38905 | 15.04 |
| 2019-20 | 196582 | 52563 | 26.74 |
| 2020-21 | 67510 | 27686 | 41.01 |
| 2021-22 | 121642 | 27349 | 22.48 |

**Source:** Report on Trends and progress in Banking in India

**RECOVERY OF NPAs THOUGH INSOLVENCY AND BANKRUPTCY CODE**

The IBC code was introduced in the year 2016, thereby the researcher has present the data regarding recovery of NPA through IBC code from the year 2017 to 2022. The recovery of NPA through IBC has decreased from 49.61% to 21.18% during the period 2017 to 2021. The details are presented in table 4.12

**TABLE – 4.9.4**

**RECOVERY OF NPAs THOUGH INSOLVENCY AND BANKRUPTCY CODE**

(In crores)

| **YEAR** | **AMOUNT INVOLVED** | **AMOUNT RECEIVED** | **PERCENTAGE OF RECOVERY** |
| --- | --- | --- | --- |
| 2017-18 | 9929 | 4926 | 49.61 |
| 2018-19 | 145457 | 66440 | 45.68 |
| 2019-20 | 232478 | 105773 | 45.50 |
| 2020-21 | 135319 | 27311 | 20.18 |
| 2021-22 | 199250 | 47421 | 23.80 |

**Source:** Report on Trends and progress in Banking in India

**FINDINGS**

* The CDR of Public Sector Banks has decreased in the year 2016-2022 and The CDR of Private Sector banks has a positive growth followed by Foreign Banks but it was decreased due to covid
* The Capital Adequacy Ratio of Scheduled Commercial Banks has increase in trend from 13.9% to 16.8% during the study period 2012-2022
* The CAR of PSB has increasing Trend from 12.34% to 14.7% during the period 2012-22, PSB (16.8%to 18.8%) followed by Foreign Banks 11.05%to 19.8% .
* The Gross Advances of Bank Groups in India shows that the PSB have the highest Percentage (57.01%) followed by PSB (29.82) and Foreign Bank (12.8).
* In the GNPA of SCB the Public Sector Banks has a high GNPA around 80.36% followed by PSB 17.18% and Foreign Bank 2%
* The GNPA to Gross Advances Ratio of SCB has increased from 3.23% to 5.82% and in PSB and PSB has increased from 3.24% to 7.28 % ;In Foreign Banks the GNPA has decreased from 3.04 % to 2.09% .
* The Net Advances of Bank Groups in India shows that the PSB have the highest Percentage (66.61%) and PSB (28.5%) followed by Foreign Bank (7.22%).
* The NNPA to Net advances Ratio Particularly of Public Sector Banks in the year 2016-2019.
* The Recovery of NPA through LAKADALTS has a fluctuating Trend during the study period
* The Recovery of NPA through DRT has increased in the year 2016,2017,2021,2022
* The Recovery of NPA through SARFAST ACT has incresed trend expect in the year 2016 and 2017
* The Recovery of NPA through IBC has decreased from 49.61% to 21.18% from the year 2017-2022.

**SUGGESTIONS**

* It is suggested that the SCBs are make compulsory to comply the credit policy guidelines issued by RBI.
* Banks has to grant the loans for the establishment of business at a moderate rate of interest,
* The Scheduled Commercial Banks should utilize the ideal fund to decrease the NPAs.
* Most of the customers opined that the rate of interest charged should be brought down so it is suggested that the bank should work on the strategies to fix up the competitive interest rate.
* The bank should employ a credit monitoring policy that could analyze the reasons for high NPAs. The Credit section should carefully watch the warming signals viz. non-payment of quarterly interest, dishonour of check etc.
* The bank should practice loan screening before advancing loans to beneficiaries to vacillate the necessity of the loans

**CONCLUSION**

The present study undertaken to gain knowledge of the credit policy and credit risk management system in commercial banks. Credit Risk Management Policy of the bank has become very vital in the smooth operation of the banking activities. Credit Policy of the bank provides the framework to determine (a) whether or not to extend credit to a customer and (b) how much credit to be extended. The research work has certainly enriched the knowledge about the effective management of credit risk management in banking sector. NPAs can be reduced, if appropriate steps are taken an appropriate time, hence banks must take appropriate strategies to reducing NPAs. It is not possible to eliminate totally the NPAs in the banking business but can only be minimized. It is always wise to follow the proper policy appraisal, supervision and follow up of advances to avoid NPAs.

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