

Non-performing assets (NPAs) of the banking sector

3.52 Improved industrial climate and new options available to banks for dealing with bad loans helped in recovering a substantial amount of NPAs in 2005-06 (Table 3.5). Such recoveries during 2005-06 were more than fresh accruals. Gross NPAs of SCBs, which had declined by Rs.5,414 crore in 2004-05, fell by a further amount of Rs. 7,558 crore in 2005-06. Aggregate amount recovered and written-off increased to Rs. 28,717 crore during 2005-06 from Rs. 25,007 crore in the previous year. NPAs of SCBs, at 1.9 per cent of total assets at end-March 2006, were substantially lower than the 2.5 per cent observed a year ago. The operations of the Assets Reconstruction Company (India) Limited (ARCIL) during 2005-06 helped in NPA recovery. ARCIL acquired 559 cases of NPAs, with total dues of Rs.21,126 crore, from 31 banks/financial institutions (FIs).

Capital adequacy ratio

3.53 With important measures for improving capital adequacy such as (a) application of capital charge for market risk from March 2006, (b) a sharp increase in risk weighted assets on account of higher credit growth, and (c) increase in risk weights for personal loans, real estate and capital market exposure, the overall capital to risk weighted assets ratio (CRAR) for all SCBs was 12.3 per cent at end-March 2006. Though marginally lower than 12.8 per cent at end March 2005, the ratio has remained substantially higher than the stipulated minimum of 9.0 per cent.

3.54 The CRAR of new private sector banks improved from 12.1 per cent at end-March 2005 to 12.6 per cent at end-March 2006. In respect of foreign banks, while it declined from 14.0 per cent to 13.0 per cent, it was still higher

than the overall CRAR of 12.3 per cent observed for all SCBs. Nationalised banks' CRAR registered a decline from 13.2 per cent at end-March 2005 to 12.3 per cent at end-March 2006.

Technological developments in banks

3.55 The banking sector in India is adapting itself to rapid innovations in technology particularly on the information based technology front to impart efficiency in providing wide range of products and services to the public at large. Computerisation of banking operations had received high importance in 2005-06. Since September 1999 to March 2006, PSBs incurred an expenditure of Rs.10,676 crore on computerisation and development of communication networks. Out of 27 PSBs, branches of as many as 10 PSBs were 100 per cent computerised, while more than 50 per cent branches of 12 banks were computerised by end-March 2006.

3.56 The number of branches providing 'core banking solutions' (CBS) in recent years is increasing rapidly. Under CBS, a number of services are being provided such as 'anywhere banking', 'everywhere access', and quick transfer of funds in an efficient manner and at reasonable cost. New private sector banks, foreign banks and a few old private sector banks have already put in place CBS; PSBs are increasingly adopting similar system. The total number of branches of PSBs offering CBS increased from 11.0 per cent as on March 31, 2005 to 28.9 per cent as on March 31, 2006.

3.57 Total number of Automated Teller Machines (ATMs) installed by the banks were 21,147 at end-March 2006. Nationalised banks with 7,165 ATMs were the largest providers of the ATM service followed by new private banks (6,112), SBI group (5,443), old private banks (1,547) and foreign banks (880).

Table 3.5 : Non-performing assets of scheduled commercial banks

Items	Gross NPAs (Rs. Crore)			Percentage to gross advances			Percentage to total assets		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Bank group									
1. Public Sector	51538	48399	42106	7.8	5.5	3.7	3.5	2.7	2.1
2. Private Sector	10355	8782	7782	5.8	4.4	2.4	2.8	2.1	1.4
3. Foreign	2894	2192	1927	4.6	2.8	1.9	2.1	1.4	1.0
4. SCBs(1+2+3)	64787	59373	51815	7.2	5.2	3.3	3.3	2.5	1.9
Bank group									
		Net NPAs (Rs. Crore)		Percentage to net advances			Percentage to total assets		
1. Public Sector	19335	16904	14561	3.1	2.0	1.3	1.3	1.0	0.7
2. Private Sector	4128	4212	3161	2.4	2.2	1.0	1.1	1.0	0.6
3. Foreign	933	639	808	1.5	0.8	0.8	0.7	0.4	0.4
4. SCBs(1+2+3)	24396	21755	18530	2.8	1.9	1.2	1.2	0.9	0.7