Despite repeated assurances of bankers that bad loans plaguing the banking system have been fully recognised, gross non-performing loans (GNPAs) have continued to rise.

As shown in Chart 1, bad loans have surged to a staggering 11.6 per cent of advances at the end of FY18, up from 9.6 per cent the year before.

Public sector banks (PSBs) are in a worse position, with 14.5 per cent of their loans turning bad at the end of FY18, up from 11.7 per cent the year before.

Owing to their deteriorating finances, the Reserve Bank of India (RBI) has placed several public sector banks under its prompt corrective action (PCA) framework.

However, according to a recent report by Kotak Institutional Equities, as the bad loans of these banks have peaked, their loan-loss provisions, which, as seen in Chart 2, have risen sharply over the past year, will start declining from the second half of FY19.

Further, the report also finds that most of these PSBs which are under the PCA framework have reasonable pre-provision operating profits (Chart 2) and moderate provision coverage ratios (Chart 3).

On the other hand, the report also finds that these PSBs under PCA have a fairly low credit-to-deposit (CD) ratio (less than 65 per cent) compared to the other banks (Chart 4). In fact, the combined loan book of these PSBs has declined by around 11 per cent between FY15 and FY18.

Signs of revival in commercial credit growth (Chart 5) suggest that much of the growth is being driven by private banks (Chart 6).

To compensate for the dip in PSB credit, companies are increasingly tapping the bond markets to raise funds.

As shown in Chart 7, funds raised through corporate bonds have risen steadily over the past few years and now form a larger share of flows to the corporate sector.

> *StatsGuru is a weekly feature. Every Monday, Business Standard guides you through the numbers you need to know to make sense of the headlines; Compiled by BS Research Bureau*