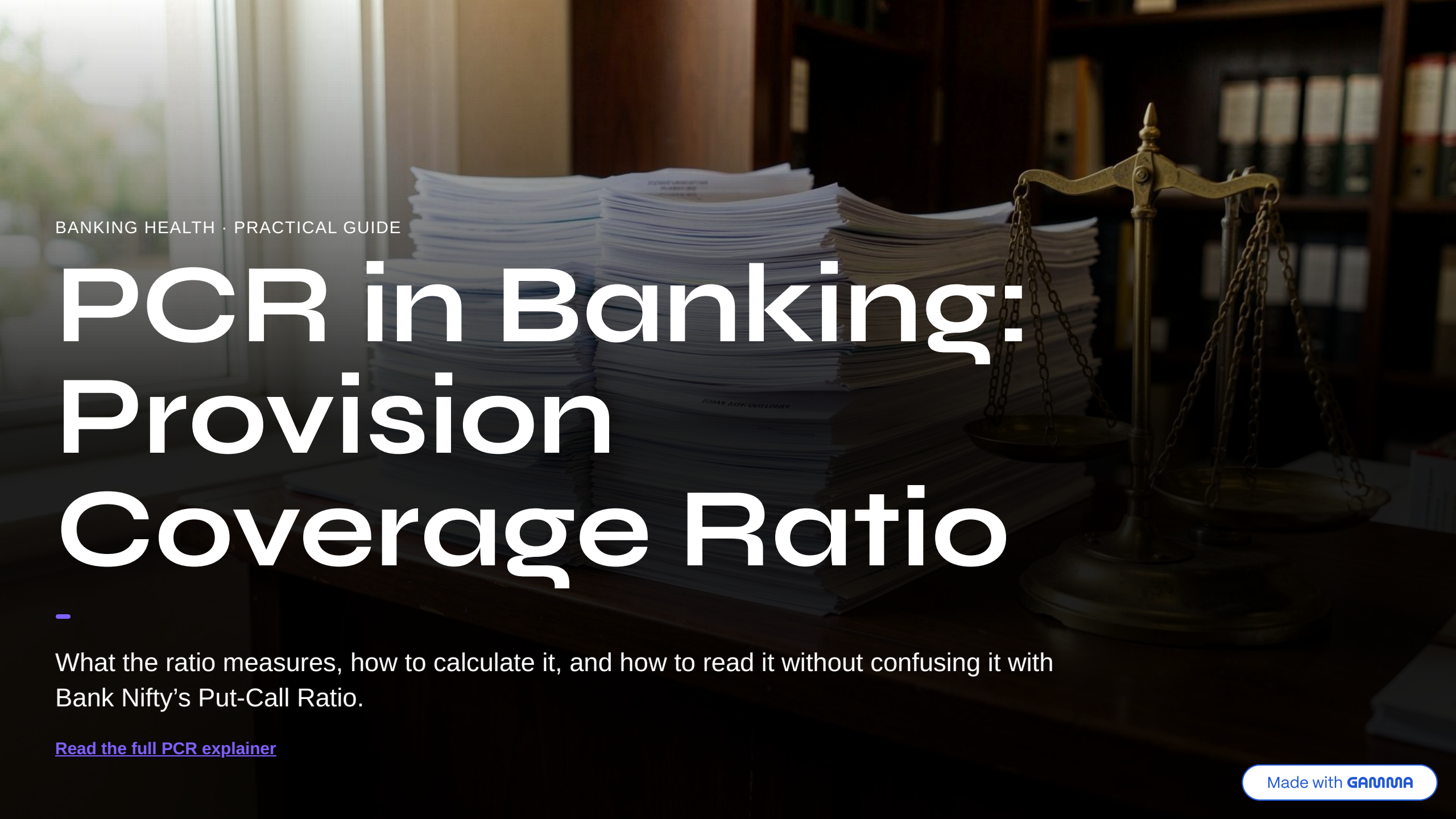


BANKING HEALTH · PRACTICAL GUIDE

PCR in Banking: Provision Coverage Ratio

What the ratio measures, how to calculate it, and how to read it without confusing it with Bank Nifty’s Put-Call Ratio.

Read the full PCR explainer

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THE CORE QUESTION

PCR answers one simple question

How much of a bank’s existing non-performing loan stock is already covered by provisions?

HIGHER RATIO · LARGER CUSHION

$$\text{PCR} = \left(\frac{\text{Provisions held against NPAs}}{\text{Gross NPAs}}\right) \times 100$$

PCR = (Provisions against NPAs ÷ Gross NPAs) × 100

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Calculate PCR from two numbers

01

Start

Use provisions specifically created for NPAs.

02

Divide

Use the closing stock of gross NPAs.

03

Express

State the result as a percentage.

WORKED EXAMPLE

₹1,800 ÷ ₹2,400 = 75%

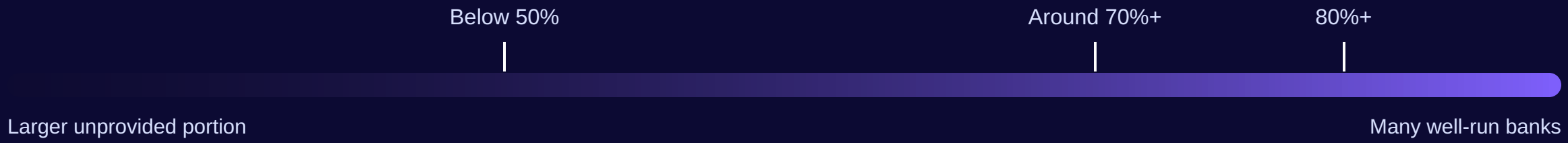


Minimum provisioning norms are shaped by RBI asset-classification and provisioning rules. **See the RBI provisioning overview**.

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What counts as a comfortable PCR?

A useful range, not a statutory pass/fail line.



Below 50% can leave a larger unprovided portion exposed to future earnings pressure. Always compare with the bank’s own history and peers with a similar loan mix.

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High PCR can reduce future credit-cost pressure



Past profits absorbed more

More of the existing bad-loan stock has already been charged to past profits.



Less residual burden

That can reduce the residual provisioning burden if recoveries disappoint.



Still one input

PCR sits alongside gross and net NPA ratios, slippages, capital adequacy, and recovery trends.

For the source context, revisit the **PCR in Banking article**.

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SAME ACRONYM · DIFFERENT MEASURE

Banking PCR is not Bank Nifty PCR

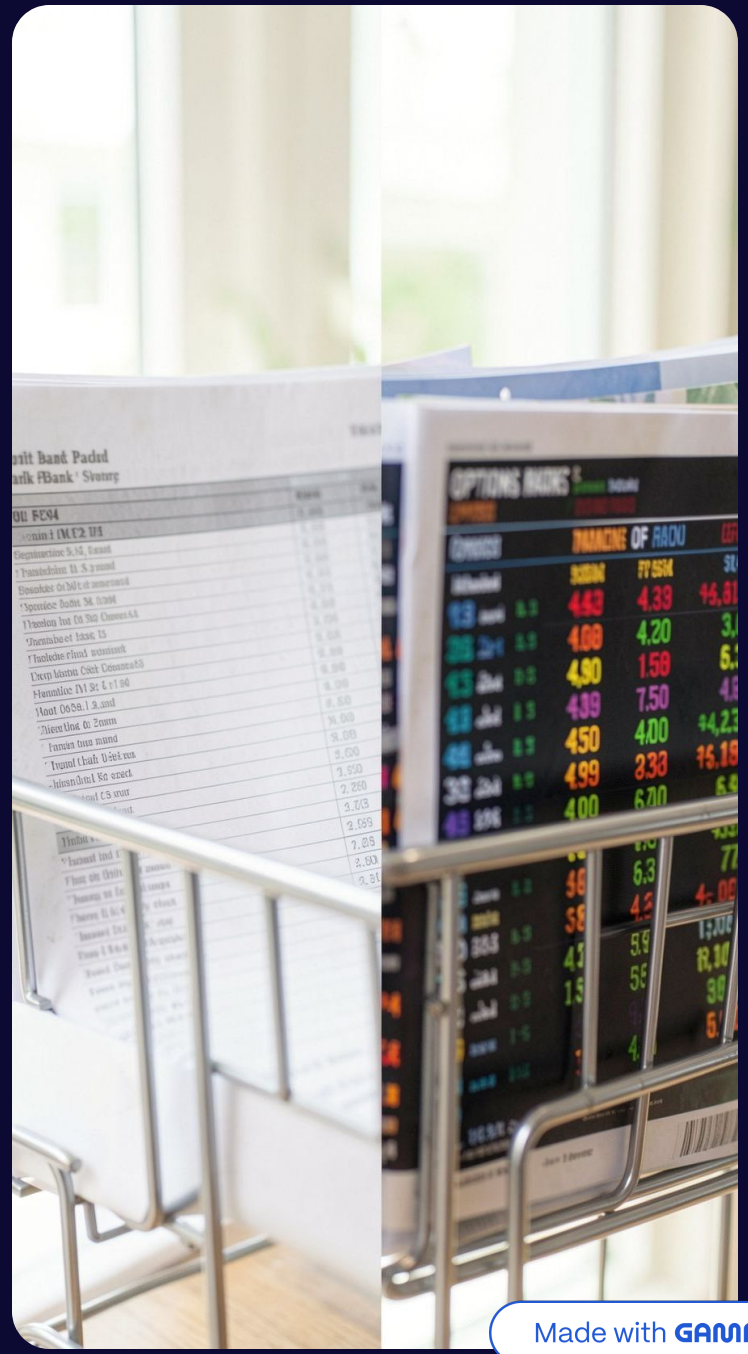
Banking PCR

Provision Coverage Ratio: provisions against gross NPAs.

Bank Nifty PCR

Put-Call Ratio for options: a sentiment indicator used by traders.

The acronyms overlap in search results, but the measures have no connection. **See the NSE options context**.



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Read the ratio with its context

01 LOAN MIX

Coverage needs vary

Unsecured retail and corporate books may need more coverage than well-collateralised home loans.

02 WRITE-OFFS

Mechanics matter

Write-offs and technical write-offs can mechanically lift PCR.

03 DISCLOSURE

Check the definition

Review treatment of floating provisions or technical write-offs. **Check RBI disclosures and norms**.

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Five checks before drawing a conclusion

01 **Verify the figures.** Provision and gross NPA figures should be current.

02 **Separate the acronyms.** Banking PCR is not the options Put-Call Ratio.

03 **Compare like with like.** Use peers with similar asset composition.

04 **Review the trend.** Do not rely on one quarter.

05 **Pair the indicators.** Read PCR with gross NPA, net NPA, slippages, capital, and recoveries.

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THE TAKEAWAY

PCR is a buffer indicator, not a safety guarantee

PCR shows how much of the existing bad-loan stock is already covered. Around 70% and above may be comfortable, but the right level depends on the loan book, trend, and recovery outlook.

Return to the full explainer · Learn about WealthMunshi’s broader advisory context · Non-performing asset means RBI



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