

Management of Non Performing Assets in Indian Banking System

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ABSTRACT

Management of non-performing assets is the most important factor for the basic viability of the banking system. The banking system in India has been facing the severe dilemma of the growing NPAs. In fact, there are more problems that are facing by PSBs than private sector banks. The external and internal factors are affecting the NPAs of the PSBs which are showing increasing trends. This has created a major challenges before the PSBs to manage the NPAs. This high level and increasing NPAs affect the entire performance of the banking system of India.

The asset quality of banks is an important indicator of their financial health which also reflects the efficacy of their credit risk management and recovery environment. Rising NPAs are not just hurting banks' profitability but are also reducing the amount of funds available for fresh lending as banks need to make higher provisioning for bad debts. In an attempt to study the management of NPAs in Indian banking system, this study discussed conceptual framework of NPAs and analysed the trends of NPAs in PSBs and private sector banks. It was observed that containing NPAs has been in focus since the Indian banking sector reforms were initiated in 1992. The banks have been making efforts to contain the NPA level. Even, RBI has also tried to develop many schemes and tools to reduce the NPAs.

Key Words: Non-performing assets, Management, Public sector banks, Private sector banks

1.1 Introduction

When an asset stops to generate income for the bank it becomes non-performing. Formerly, the definition of a non-performing asset (NPA) was stated as the amount of interest or instalment of principal of credit facility has remained earlier period unpaid which was reduced from four quarters to two quarters in a phased manner.

In line with the international practices and as per the recommendations made by the Committee on the Financial System (Chairman Shri M. Narasimham), the Reserve Bank of India (RBI) has issued Master Circular-Prudential norms on income recognition, asset classification and provisioning pertaining to advances on July 1, 2013. Accordingly, NPA means:

1. An asset becomes non-performing when it ends to make revenues for the bank.
2. A NPA is a loan or an advance where;
 - i. interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan,

- ii. the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
- iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- iv. the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- v. the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a

derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

3. In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.
4. In addition, an account may also be classified as NPA in terms of paragraph 4.2.4 of the Master Circular issued by RBI.

There are two types of NPAs- gross NPAs and net NPAs.

- I. **Gross NPAs:** As per RBI guidelines the total amount of all loan assets that are classified as NPAs as at Balance Sheet date are called as Gross NPAs. Gross NPA replicates the quality of the loans made by banks which includes all the non-standard assets like as sub-standard, doubtful, and loss assets. It is computed with following ratio:

$$\text{Gross NPAs Ratio} = \frac{\text{Gross NPAs}}{\text{Gross Advances}}$$

- II. **Net NPAs:** When bank deducts the provision concerning NPAs, it is called as Net NPAs. Net NPA illustrates the real burden of banks. The balance sheets of banks in India have a huge amount of NPAs. Even the process of recovery and write off of NPAs is to much time consuming. According the central bank guidelines, to make the provisions against NPAs are fairly noteworthy. Therefore, there is a great difference between Gross NPA and Net NPA. It is calculated as follows:

$$\text{Net NPAs} = \frac{\text{Gross NPAs} - \text{Provisions}}{\text{Gross Advances} - \text{Provisions}}$$

There is a need to classify NPAs into following three categories which are based on the period for which the asset has remained non-performing.

- a) Sub standard Assets

With effect from March 31, 2005, the asset which has remained NPA for a period not less than or equal to 12 months is termed as a sub standard asset. Such an asset will have well defined credit weaknesses that put at risk the liquidation of the debt and are symbolised by the different options that the banks will maintain some loss, if insufficiencies are not corrected.

- b) Doubtful Assets

With effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the sub standard category for a period of 12 months. A doubtful loan has all the weaknesses in sub-standard assets, with the added characteristic that the weaknesses make collection or liquidation in full, - on the basis of currently known facts, conditions and values-highly uncertain and implausible.

- c) Loss Assets

When an internal or external auditor or bank or RBI identifies loss, it is called loss assets. However, the amount has not completely been written off. Loss asset is considered uncollectible. Such small amount is not permitted even though there may be some recovery value.

1.2 Significance of the Study

Today, the Indian banks and specifically, the public sector banks (PSBs) are facing the problem of increasing level of NPAs. The NPAs of PSBs have been increasing regularly year by year. In the year 1997 NPAs were Rs. 47300 crore which reached to 80246 crore in 2002. ICRA was forecasted gross NPAs of PSBs and private banks at 4.2-4.4% which was 3.9% as on 31st March, 2014. Considering the current business slowdown, the stretched working capital cycles of corporates and the slow pace of economic recovery, the gross NPA percentage of the PSBs and private banks would be at 4-4.2% (ICRA forecast) as on March 31, 2015.

The increasing NPA is the only problem before the Indian banks which obstructs the financial performance. It also crashes radically to the functioning of banks. NPAs are unable to generate income interest for banks. But the banks have to make the provisions from their profits for these NPAs. These provisions always eat away at current profits of the banks. It also results in reducing interest income. NPAs limit recycling of funds, set in asset-liability mismatches.

Despite the measures initiated by RBI, it is the fact that the Indian banks have not been able to recover money from the existing NPA accounts in a large scale. Likewise, the mechanisms created by Indian banks for recovery from NPAs are not effective. Therefore, this study is an attempt towards assessing the management of NPAs in Indian banking system.

1.3 Objectives

1. To study the growth and trend of NPAs in the Indian banking system
2. To analyse the sector wise non-performing assets of the banks

3. To offer policy suggestions for better management of NPA of banks

1.4 Literature Review

Samir and Deepa Kamra (2013) compared the NPAs in selected commercial banks namely State Bank of India, Punjab National Bank and Central Bank of India. They highlighted that the incidence of NPAs is affecting the performance of credit institutions both financially and psychologically. Ratikanta Ray (2013) analysed NPAs and its effect on profitability position of the bank and productivity of the bank in Pune. Tanmaya Kumar Pradhan (2012) studied the management of NPAs in commercial banks in Odisha taking into consideration of the responses from the 50 Bank Managers/ Senior officers in Odisha. She suggested that the branch managers should be given due importance while framing the credit policy of a bank. Parul Khanna (2012) examined the trends in the NPAs of commercial banks in India in different sectors. The author concluded that utmost care must be taken by the branch managers before sanctioning the loans to the clients and specially in case of lending to priority sector. Dr. Mohan Kumar and Govind Singh (2012) opined that NPA is a double-edged weapon. On the one side bank cannot recognize interest on NPAs accounts and on the other, it is a drain of the banks' profitability due to high funding

cost. According to them, the problem of NPAs in India has not yet reached in the critical stage that has reached in most countries. Meenakshi Rajeev and H P Mahesh (2010) revealed that PSBs have good record in reducing NPAs as their counterparts in the private sector. Balasubramaniam analysed the impact of NPA on profitability and financial soundness of banks. He concluded that maintaining profitability is a challenge to commercial banks especially in a highly competitive era.

1.4 Methodology

The NPAs in public sector banks, private sector banks and foreign banks were considered for the study. This study is based on the secondary data which were collected from various sources such as RBI reports, bulletins, research papers and articles. Similarly, RBI reports on trend and progress of banking in India have been referred for the study.

1.5 Results and Discussion

The statistics show that there is declining trend NPAs from 2001-02 to 2012-13 in Gross as well as Net NPAs of both the public and private sector banks. But the private sector banks have secured loan policy. Therefore, the percentage of private sector banks is lower than the PSBs. The following table furnishes the trends in Gross and Net NPAs in PSBs as well as private sector banks.

Table 1
Magnitude of Gross and Net NPAs in Different Sectors of Bank

| Year | PSBs | | Private Sector Banks | |
|---------|-----------|---------|----------------------|---------|
| | Gross NPA | Net NPA | Gross NPA | Net NPA |
| 2001-02 | 11.09 | 5.82 | 9.64 | 5.73 |
| 2002-03 | 9.36 | 4.53 | 8.07 | 4.95 |
| 2003-04 | 7.79 | 2.98 | 5.84 | 2.80 |
| 2004-05 | 5.50 | 2.00 | 6.00 | 2.70 |
| 2005-06 | 3.60 | 1.30 | 4.40 | 1.70 |
| 2006-07 | 2.70 | 1.10 | 3.10 | 1.00 |
| 2007-08 | 2.20 | 1.00 | 2.30 | 0.70 |
| 2008-09 | 2.00 | 0.94 | 2.36 | 0.90 |
| 2009-10 | 2.20 | 1.09 | 2.32 | 0.82 |
| 2010-11 | 2.40 | 1.20 | 1.97 | 0.53 |
| 2011-12 | 3.30 | 1.5 | 2.1 | 0.5 |
| 2012-13 | 4.1 | 2.0 | 2.0 | 0.5 |

(Source: RBI Annual Financial Reports)

The above table depicts that gross NPAs of PSBs have come down from 11.09% to 1.80% in the period of 2001-02 to 2011-12. However, there is a decline in the gross NPAs of private banks have from 9.64% to 2.30% in the period of 2001-02 to 2007-08.

Alternatively, there is also a turn down in net NPAs of public as well as private sector banks in absolute and in percentage terms. In case of PSBs it is declined from 5.82% to 0.94% from 2001-02 to 2008-09 while in private sector banks the same is declined from 5.73% to 0.5% in the

period of 2001-02 to 2012-13. So far as the gross NPA is concerned, it has started increasing in PSBs while in private sector banks, it has started declining. It increased from 2% to 4.1% from the period from 2008-09 to 2012-13 in PSBs while it declined from 2.3% to 2% from 2007-08 to 2011-12. The years 2008-09 and 2009-10 were exceptions for this declining. If net NPAs in absolute and in percentage terms are considered, it is found that net NPAs of PSBs has increased while net NPAs of private sector banks has decreased

during the period 2007-08 to 2012-13 with the exceptions of the years 2008-09 and 2009-10.

In short, the PSBs were not serious regarding the growing NPAs though the government warned them and even there was a prudential norms for growing NPAs. It concludes that, the performance of PSBs in NPAs is not truly based on the declining ratio of NPAs. Actually, the real cause of concern is the growing of gross NPAs in absolute form.

There is an increase in the gross NPA ratio in Indian banks. It has increased from 3.1% to 3.6% from 31st March 2012 to 31st March 2013. Correspondingly, net NPA ratio has increased from 1.3% to 1.7% during the same period. Similarly, fresh NPA generation rate of PSBs increased to

3.5-3.6% in 2013-14 as against 3.1% in 2012-13 leading to increase in Gross NPA % to 4.4% as on March 31, 2014 from 3.6% the previous year. Gross NPA % of private and public sector banks increased to 3.9% from 3.3% in corresponding period. Likewise, PSBs standard restructured advances remained elevated at 6.2% as on March 31, 2014. Though the PSBs have recovered NPAs of Rs. 41,236 crore in 2014-15 as compared to Rs. 33,698 crore in the previous year, there is a continuous increase in NPAs of PSBs. The gross NPA ratio of the PSBs was 4.72% in 2013-14 which increased to 5.43% in 2014-15. It is because of global recession and slowdown in the domestic economy.

Table 2
Forecasted and Actual Credit Worth, Return on Net Worth and Gross NPAs

| Particulars | FY 2014 | FY2014 | FY2015 |
|----------------------|---------------|--------|---------------|
| | ICRA Forecast | Actual | ICRA Forecast |
| Credit Worth | | | |
| PSBs + Private Banks | 13.5 – 14.5% | 14.7% | 14 -15% |
| PSBs | | | |
| PAT/ATA | 0.4-0.5% | 0.5% | 0.5-0.6% |
| Return on Net Worth | 7-8% | 9.1% | 9-11% |
| Gross NPAs | | | |
| PSBs + Private Banks | 4.2-4.4% | 3.9% | 4-4.2% |

PAT=Profit After Tax/ATA=Average Total Assets

(Source: ICRA Report)

It is revealed from the above table that, public and private sector banks' gross NPA% increased over the last one year from 3.3% to 3.9% as on March 2014 (ICRA estimate was 4.0-4.2%). The increase in gross NPA% was due to higher fresh NPA generation rate (3.5-3.6% for PSBs in 2013-14, 3.4% in Q4, 2014 as against 3.1% in 2012-13). PSBs gross NPAs increased from 3.6% as on March 2013 to 4.4% as on March 2014. As for Q4, 2013-14, gross NPA% of PSBs declined by 30 basis points (bps) from December 31, 2013 levels. This reduction is due to higher recovery efforts towards the end of the financial year, higher write offs and sale of assets to asset reconstruction companies. None of these are likely to be sustained in Q1, 2014-15, thus the gross NPA% could move back to December 2013 levels (-4.1%) in the first quarter itself. Restructured advances of the PSBs remain at elevated levels of 6.2% as on March 31, 2014. Private sector banks were able to hold on good asset quality as reflected in their gross NPAs of 1.8% as on March 2014 (vs 1.9% as on December 2013).

In line with ICRA estimates, return on net worth for PSBs dropped to single digit in 2013-14. Going forward PSBs credit positioning could decline marginally provided they are able to control

fresh NPAs generation rate as well as fresh flow of restructuring. As regard asset quality, PSBs fresh NPA generation rate may remain at elevated levels in the short term, economic revival will hold the key for reduction in fresh NPA generation rate, ICRA expects a lag of one-two quarters to reflect the impact of economic recovery on the fresh NPA generation. In light of this, ICRA expects PSBs gross NPAs to remain at 4.4-4.7% by March 31, 2015 as against 4.4% as on March 2014. Overall (PSBs + private banks) gross NPAs could remain at 4-4.2% by March 2015 as against 3.9% as on March 2014.

The table also indicates that Indian banks' (PSBs + private) credit growth was muted at 14.7% during 2013-14 and PSBs profitability saw a significant decline, in line with ICRA's expectation of single digit return on net worth for PSBs for the year 2013-14. The aggregated profit after tax (PAT) of PSBs declined by 27% (year-on-year) to Rs. 370 billion during 2013-14 from Rs. 507 billion during 2012-13. The PSBs net profitability (PAT/ATA) declined to 0.50% in relation to average total assets (ATA) during 2013-14 as against 0.78% during 2012-13 and their return on net worth dropped to 9.1% in 2013-14 from 14.2% in 2012-13.

Table 3
Gross NPAs in Different Sectors of Bank as on 31 March 2013

| Category | Gross NPA | Gross Advances | Gross NPAs to Gross Advances Ratio (%) |
|---------------------|-----------|----------------|--|
| Public Sector Bank | 1644618 | 45601688 | 3.61 |
| Private Sector Bank | 207623 | 11591430 | 1.79 |
| Foreign Bank | 79700 | 2689674 | 2.96 |
| All SCBs | 1931941 | 59882792 | 3.23 |

(Source: Compiled from Department of Banking Supervision, RBI)

The above table shows NPA ratios of public, private and foreign banks in India. It is observed that PSBs have highest gross NPA ratio (3.61%) followed by foreign banks (2.96%). However, private sector banks have lowest gross NPA ratio (1.79%) as compared to other sectoral banks as well as all SCBs. But still if compared to private, foreign banks and all SCBs, PSBs have higher NPA.

Table 4
Sector wise NPA of Domestic Banks

| Year | Priority Sector | | Non-Priority Sector | | Total NPAs | |
|----------------------|-----------------|---------|---------------------|---------|------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent |
| Public Sector Banks | | | | | | |
| 2011-12 | 562 | 50 | 563 | 50 | 1125 | 100 |
| 2012-13 | 669 | 42.9 | 890 | 57.1 | 1559 | 100 |
| Private Sector Banks | | | | | | |
| 2011-12 | 51 | 27.9 | 132 | 72.1 | 183 | 100 |
| 2012-13 | 52 | 26 | 148 | 74 | 200 | 100 |

(Source: Compiled from Report on Trend and Progress of Banking in India 2012-13 p.68)

In table 4, the sector wise analysis of NPAs shows that the proportion of NPAs in priority sector of PSBs has been declined from 50% at the end of March 2012 to 42.9% at the end of March 2013. The NPAs of non-priority sector has increased from 50% to 57.1% during the same period. Similarly, NPAs in priority sector of private sector banks have been declined from 27.9% to 26% while NPAs in non-priority sector have been increased from 72.1% to 74% during the same period. It is found that NPA ratio in priority sector was constantly higher than non-priority sector. But there is a corrosion in asset quality in 2012-13 because of non-priority sector. According to the RBI, gross NPAs of domestic banks increased from 3.6% to 4.2% of total lending till September 2013. Bad loans could climb to seven per cent of total advances by March 2015, the RBI warned in a report in December 2013. It was estimated that on 31st March 2014, gross NPAs will reach to Rs. 2.50 crore. This amount is equivalent to the budget of one of the biggest states like Uttar Pradesh.

Table 5
Sectoral Deployment of Gross Bank Credit

| Sr. | Sector | Outstanding | | Percentage | Variation |
|-----|---------------------------------|-------------|------------|------------|-----------|
| | | March 2012 | March 2013 | | |
| 1 | Agriculture & Allied Activities | 5484 | 5899 | 14.1 | 7.6 |
| 2 | Industry | 19374 | 22302 | 20.7 | 15.1 |
| 3 | Services | 10166 | 11486 | 14.5 | 13 |
| 4 | Personal Loans | 7873 | 9009 | 13.4 | 14.4 |
| | Non-Food Credit (1-4) | 42897 | 48696 | 17 | 13.5 |
| 5 | Gross Bank Credit | 43714 | 49642 | 17.1 | 13.6 |

(Source: Compiled from Report on Trend and Progress of Banking in India 2012-13 p.71)

The year 2012-13 was marked by a slowdown in the growth of credit to all productive sectors, viz., agriculture, industry and services. The slowdown was the sharpest for agriculture and allied activities. There was a slowdown in the growth of credit to the infrastructural sector within industry. The slowdown in credit to NBFCs- accounting for about one-fifth of the total credit to the services sector- was an important reason behind

an overall slowdown in the growth of services sector credit. By contrast, retail loans was the only segment which maintained its growth in 2012-13.

Industry, which accounts for a little less than half the total credit of domestic banks, has shown a steady deterioration in asset quality in the recent years, particularly in 2012-13. The NPA ratio for the infrastructural sector, which accounted for about one-third of the total industrial credit, showed a rising trend during this period. By contrast, there was a falling trend in the NPA ratio for the retail sector.

Table 6
Sectoral NPA as on 31st March 2013

| Sr. | Sector | Percent |
|-----|----------------|---------|
| 1 | Agriculture | 4.7 |
| 2 | Construction | 4.0 |
| 3 | Cement | 2.7 |
| 4 | Infrastructure | 1.5 |
| 5 | Iron and Steel | 4.0 |
| 6 | Engineering | 3.7 |
| 7 | Automobile | 1.8 |

(Source: NPAs Impact on Bank Balance Sheet, AllBankingSolutions.com)

So far as the sectoral NPAs are concerned, agriculture, construction, iron and steel and engineering sectors recorded maximum NPA compared to cement, infrastructure and automobile sectors.

The near to the ground level of NPA under infrastructure sector (1.5%) can be featured to increased occurrence of changing of infra advances to reorganized portfolio. Therefore, there is an urgent need to address the present trend in infrastructure sector.

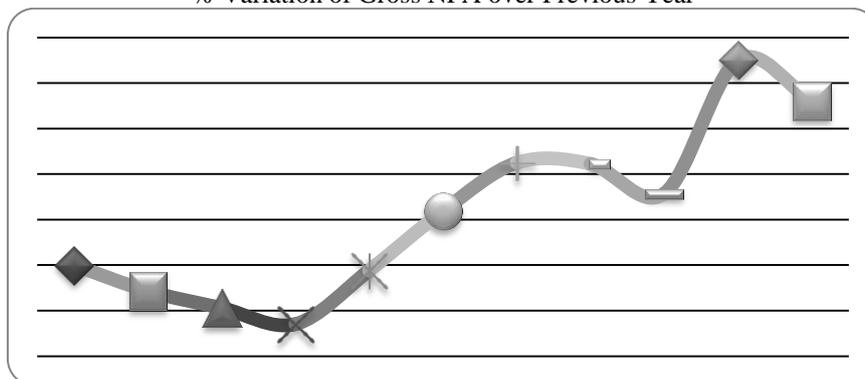
Table 7
Gross NPAs and % Variations over Previous Year in Indian Banking System

| Year | Gross NPA | % Variation Over Previous Year |
|---------|-----------|--------------------------------|
| 2002-03 | 687 | |
| 2003-04 | 648 | -5.68 |
| 2004-05 | 587 | -9.41 |
| 2005-06 | 511 | -12.95 |
| 2006-07 | 505 | -1.17 |
| 2007-08 | 565 | 11.88 |
| 2008-09 | 692 | 22.48 |
| 2009-10 | 846 | 22.25 |
| 2010-11 | 979 | 15.72 |
| 2011-12 | 1420 | 45.05 |
| 2012-13 | 1932 | 36.06 |

(Source: RBI Reports and calculations)

The table shows that there was a significant decline in the gross NPA of Indian banking system in 2003-04. Similarly, the gross NPA was declined year by year till 2006-07. However, 2007-08 onwards it indicates increasing trend continuously. In the financial year 2010-11 it was increased by 15.72% but in the financial year 2011-12 the same was reached at 45.05% as compared to the previous year which is the highest percentage during the decade. Likewise, in 2012-13 the gross NPA was increased by 36.06% as compared to 2011-12.

Figure 1
% Variation of Gross NPA over Previous Year



It is cleared from the study that during initial stage, the percentage of NPA was higher. This was due to show ineffective recovery of bank credit, lacuna in credit recovery system, inadequate legal provision etc. Various steps have been taken by the government to recover and reduce NPAs. Some of them are:

1. One time settlement / compromise scheme
2. Lok adalats
3. Debt Recovery Tribunals
4. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI)
5. Corporate Reconstruction Companies
6. Credit information on defaulters and role of credit information bureaus.

Table 6
NPAs of SCBs Recovered through Various Channels

(Rs. in Billion)

| Particulars | Recovery Channel | | | | | | | |
|-----------------------|------------------|---------|-------------------------|---------|--------------|---------|---------|---------|
| | Lok Adalats | | Debt Recovery Tribunals | | SARFAESI Act | | Total | |
| | 2011-12 | 2012-13 | 2011-12 | 2012-13 | 2011-12 | 2012-13 | 2011-12 | 2012-13 |
| No. Of Cases Referred | 476073 | 840691 | 13365 | 13408 | 140991 | 190537 | 630429 | 1044636 |
| Amount Involved | 17 | 66 | 241 | 310 | 353 | 681 | 611 | 1058 |
| Amount Recovered | 2 | 4 | 41 | 44 | 101 | 185 | 144 | 232 |
| Percentage | 11.8 | 6.1 | 17 | 14 | 28.6 | 27.1 | 23.6 | 21.9 |

(Source: Report on Trend and Progress of Banking in India 2012-13 p.69)

The Amendment Act (except Section 8 and Section 15 (b)) was brought into force with effect from January 15, 2013. The Act amends the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (RDDBFI Act). In 2012-13, among the three channels for NPA recovery, viz., SARFAESI Act, Debt Recovery Tribunals (DRT) and Lok Adalats, the largest amount was recovered through the SARFAESI Act (Rs. 185 billion). NPAs recovered through this Act accounted for about 80 per cent of the total amount of NPAs. However, in terms of the total number of cases referred, Lok Adalats dominated with a share of 80 per cent; this was because these courts dealt with a large number of cases involving smaller amounts having an individual ceiling of Rs. 20,00,000. Thus, the SARFAESI Act has been the vital means of NPAs recovery. But, the recovery under this Act has been declining continuously.

1.6 Suggestions

On the basis of the foregoing discussion, the following suggestions are offered.

1. Though the level of NPAs is declining, it is high with all banks in India. Therefore, the banks should follow good credit appraisal procedure and effective control system.
2. Prior to lending, the banks must appraise the realistic, economic and functioning perspective effects of the borrowing companies.

3. Banks should focus on greater monitoring of stressed loans and early detection of deterioration in asset quality.
4. Banks should keep regular follow up with the borrowing companies and ensure that there is no diversion of funds.
5. It has been observed that Banks are highly resorting to SARFAESI Act for the management of NPA. However, as a part of curative measures, banks may resort to Compromise Settlement or One Time Settlement. Lok Adalats and DRT are other ways for the recovery of dues.
6. Banks should strengthen post sanction loan monitoring systems to minimise and mitigate the problems of increasing NPAs.
7. To improve NPAs, each bank should be motivated to introduce its own precautionary steps. The issue of NPAs needs to be tackled at the level of prevention rather than cure.

1.7 Conclusion

It is the fact that the NPA is the great problem before Indian banking sector. PSBs have comparatively recorded higher level of NPA. No bank can bring down NPA to zero percentage. However, to get better the competency and prosperity of Indian banking sector, the NPA should be planned. There is a lack of firmness in loan appraisal systems and monitoring of warning signals. There are also instances of asset-liability mismatches. Though RBI has taken number of measures to reduce the level of NPAs the result is not up to the expectations.

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