Received on : 28/05/2019 Accepted on : 10/06/2019 Publication Date: 30/06/2019

AN ANALYTICAL STUDY ON NON PERFORMING ASSETS AND ITS IMPACT ON BANKING SECTOR & INDIAN ECONOMY

Mr. Santanu Mallick
Assistant Professor in Department of Management, International Institute Of Management Sciences, West Bengal University of Technology, Kolkata, India.
Email - Santanu_9231588422@yahoo.com

Abstract: *Banking sector plays an important role in the development of every country's economy. Hence the stability of banking sector is pivotal for the development of an economy as well. The Main function of any bank is to lending funds as loans to various sectors such as agriculture, industry, personal and housing and other purposes to meet the productive use of these funds. In recent times the banks have become very cautious in extending advances, the reason is increasing non-performing assets. Non Performing Asset means an asset on which the interest or principal have not been paid by the borrower for the specified period in accordance with the directions issued by RBI. In this paper an attempt has been made to study the trend and occurrences of Total advances, Net profit, Gross NPA, Net NPA during the post-recession period of 2010-2018 and try to figure out the banks which lying with significantly higher NPA ratio. We come to see increasing of NPA of most commercial banks in India which emerged as one of the major challenges for all Indian banks.The sound financial position of a bank depends upon the recovery of loans or its level of Non-performing assets (NPAs). Reduced NPAs generally reflect the impression that banks have strengthened their credit appraisal processes over the years and growth in NPAs involves the necessity of provisions, which bring down the overall profitability and growth of banks. The magnitude of NPA is comparatively higher in public sectors banks. To improve the drastically situation the NPA need to be reduced and controlled and take steps to recover as far as possible.*

Keywords *: Non performing asset, Net Non performing asset ,Gross Non performing asset, Provisions, Total Assets.*

1. INTRODUCTION:

With the introduction of financial sector reforms 1991 the faces of Indian Banking sector have enormously changed. The banking industry has moved gradually from a regulated environment to a deregulated market based economy. With the emergence of liberalization and globalization, resulting in market development there has been tremendous change in the intermediation role of banks in India. Consequently, we are noticing the cut throat competition in the banking industry these days. Obviously, the problem of swelling non-performing asset (NPA) is catching attention and accumulation of huge NPA has assumed great importance in terms of risk management. Bankers thus have realized to have effective NPA management on their priority list.

A bank's business involves providing loans to the borrowers. The borrowers could be a company, individual or any organization. The loans that are issued by the banks are known as bank's assets because the banks earn interest on the loans. But there is always a possibility that borrowers may default on the payment of interest as well as the principal amount. As per guidelines issued by the RBI, banks classify an account as NPA only if the interest due and charged on that account is not serviced fully within 90 days from the day it becomes payable. An asset becomes non-performing when it does not generate any income for the bank. Now, there can be scenarios where the borrower does not pay the loan amount even after the lapse of 90 days or more then these kinds then start coming under NPA's.

Suppose, a loan account of Rs. 1,00,000 @ 10% interest rate p.a. is due for payment on 30th September. If the payment is not made within 90 days starting 30th of September, the account will be classified as Non-performing Asset.

The concept of Non-Performing Assets arises mainly from investments and loans. Lending process involves risk of default which affects the bank's credit cycle (Jayanthi, 2015). When customers default in payment of their loans or when a bank made a wrong choice of its customers, the loans become non-performing assets. In general, asset means anything that can generate revenue. Asset can be physical asset or financial asset. Non-performing assets are those assets which ceases to generate profits/revenue for a specific period of time. It is very difficult for any bank to have zero amount of NPAs but NNPA should always be closer to zero, the negative NNPA is highly favorable (Singh A. , 2013).

This income can be in the form of interest or installment of principle amount which remain due for a specific time frame. When a customer fails to meet his obligations for a period of 90 days, then the asset will be called as a non-performing asset. In banking sector, or according to RBI, NPAs are categorized into 3 types which are sub-standard assets, doubtful assets and the loss assets (Daru, 2016).

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NPAs can Gross Non-Performing Assets (GNPA) or Net Non-Performing Assets (NNPA).GNPA is the aggregate amount outstanding in the customer's account on the balance sheet date. This also includes interest which is not yet debited from the customer's account but has been recorded already. It includes the total of all assets which are classified as non-performing assets as per the Reserve Bank of India guidelines. NNPA is Gross NPA less all the provision left aside by the bank. Since there is a possibility that bad debts might happen, banks have to create a provision for bad debts. In a healthy situation, all the banks NNPA should always be close to zero, if it becomes negative then it is a very good sign that the management of NPA is properly carried out by the management. GNPA and NNPA can be expressed as a percentage by considering the total assets/lending.

All banks have made mandatory to categorize their assets into four major classes according to their performance and how long the asset remain outstanding, These categories are; Standard assets, Sub-standard assets, Doubtful assets, and Loss assets.

Standard Assets are those assets which does not reveal any risk of evasion by the customer, this means it carries only a standard business risk and no such other risks. Such an asset is not an NPA (Kumar, 2014). Before March 2001, a sub-standard asset was the one which does not exceed two years but however, after March 2001 it was reduced to a period of less than or equal to 18 months(DAVE, 2016). In other words, these assets are well defined with credit weaknesses and characterized by the probability that a bank will incur some losses if measures are not implemented (RBI, 2001). From March 2001 onwards, a doubtful asset is the one which remains due for a period of more than 18 months. These assets include all the weaknesses of sub-standard assets with extra features that it is doubtful to collect or liquidate it in full based on the known current facts, it is highly questionable as compared to sub-standard assets (RBI, 2001).

Loss assets are those assets where loss has been identified by the bank or by the external or internal auditors or by the RBI inspection. If the debt remain outstanding for a period of 36 months is treated as a loss asset, which means the bank will not be able to collect such any income from such assets. These assets should always be written off and the concept of provisioning is to address such assets. The poor the asset, the higher the provision amount which means provision on loss assets should be made 100% (DAVE, 2016).

2. LITERATUREV REVIEW:

A lot of studies has been done in the area of Non-Performing Assets(Defaulters of loan) in India and world. Research articles and a lot of books in banking sector has been written to understand and solve this financial issue but through research we can only show some pathway to overcome control or reduce NPA, but banking sector and RBI both have to take strict active strategies and policies to improve the situation and growth of banking sector. Some research has been carried out in relevance like ' **Trend & occurrences of NPA on nifty indexed banks India**' in 2018 which only focuses on significant relation with total assets and changes in NNPA in nifty indexed banks but did not tried to give any idea to resolve this worst condition.

Another research "**A Study of Non-Performing Assets and its Impact on Banking Sector"** in 2017 which revealed its analysis with various NPA related ratios without giving any suggestive measure to improve or Reduce NPA in overall. As well as it was not involved about the various scenario & background causes of NPA, which my study is intended to investigate.

Dr. Sonia Narula & Monika Singla (2014) in their research **paper "Empirical Study on Non-Performing Assets of Bank"** found that Because of mismanagement in bank there is a positive relation between Total Advances, Net Profits and NPA of bank which is not good. Bank is unable to give loans to the new customers due to lack of funds which arises due to NPA.

Neha Rani (2014) in her research paper "Analysis of Non-Performing assets of Public Sector banks" revealed that share of nationalized banks in priority sector NPA was greater in 2008 but after that it is decreasing. However amount of NPA of both banks is increasing but there percentage share in total NPA is decreasing after 2010 continuously.

It is proven that there is a positive relationship between total advances, net profit and NPA. The increase in profits is caused by other investments of the banks and the increase in NPA is due to the wrong choice of the clients by the banks. My study is to analyse NPA trend and its occurrences of all commercial bank and figure out some highest NPA consisting banks and try to give some suggestive measures and conclusive pathway to reduce NPA.

3. OBJECTIVE OF THE STUDY:

- The study will help to understand the concept of non-performing assets its type and s its importance from financial aspect of banking sector.
- The study will describe about various sector wise percentage of NPAs.
- To understand about the recovery through various channels.
- Help to analyze and interpret with statistical tools analysis to understand the impact of NPAs on Indian Banking Sector, also about the causes and suggestive measures to control NPAs to improve growth of banking sector.

4. RESEARCH METHODOLOGY:

A. Data Collection

The study is primarily based on various sensitive financial and statistical secondary data from different reliable and acceptable genuine sources.

The data pertaining to banks was sourced from annual reports of banks. It was secondary in nature. The sources of this research include the literature published by various commercial & nationalized Banks, the Reserve Bank of India, various magazines, Journals, Reports of some national English news paper, Books dealing with the current banking scenario and others related previous research papers.

B. Research Technique:

The financial or statistical technique or calculation or tools were used in the project to achieve our purpose & goal of the project like :

a. Various financial ratios were calculated to find out the trend of occurrences of NPA belongs to different commercial bank and percentage of NPA of all banks as per highest lowest.

b. In statistical technique, Mean, standard deviation & Variation has been applied to properly interpret & analysis of data and fact

c. Some bar-chart, diagrams is being used to describe about the trend analysis of past years debt defaulters & percentages of NPA.

5. DISCUSSIONS :

A nonperforming asset (NPA) refers to a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as nonperforming when loan payments have not been made for a period of 90 days. While 90 days of nonpayment is the standard, the amount of elapsed time may be shorter or longer depending on the terms and conditions of each loan.

A. Gross NPA

Gross NPA is an advance which is considered irrecoverable, for bank has made provisions, and which is still held in banks' books of account. Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI Guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consists of all the nonstandard assets like as sub-standard, doubtful, and loss asset. It can be calculated with the help of following ratio:

Gross NPAs Ratio = Gross NPAs / Gross Advances

B. Net NPA

Net NPAs are those type of NPAs in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write off of loans is very time consuming, the banks have to make certain provisions against the NPAs according to the central bank guidelines. It can be calculated by following:

Net NPAs = Gross NPAs – Provisions / Gross Advances – Provisions

Reasons for Increasing NPA:

1. Governance Issues

a. Diversion of funds by companies for purposes other than for which loans were taken. Due diligence not done in initial disbursement of loans.
b. Inefficiencies in post disbursement monitoring of the problem.
c. Restructuring of loans done by banks earlier to avoid provisioning. Post crackdown by
d. RBI, banks are forced to clear their asset books which has led to sudden spurt in NPAs

INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD ISSN: 2455-0620 Volume - 5, Issue - 6, June – 2019
Monthly, Peer-Reviewed, Refereed, Indexed Journal with IC Value: 86.87 Scientific Journal Impact Factor: 6.497
Received on : 28/05/2019 Accepted on : 10/06/2019 Publication Date: 30/06/2019

e. During the time of economic boom, overt optimism shown by corporate was taken on face value by banks and adequate background check was not done in advancing loan.

2. Economic Reasons

a. Economic downturn seen since 2008 has been a reason for increasing bad loan Global demand is still low due to which exports across all sector has shown a declining trend for a long.
b. In the case of sectors like electricity, the poor financial condition of most SEBs is the problem; in areas like steel, the collapse in global prices suggests that a lot more loans will get stressed in the months ahead.
c. Economic Survey 2015 mentioned over leveraging by corporate as one of the reasons behind rising bad loans
d. Another factor that can contribute to the low level of expertise in many big public sector banks is the constant rotation of duties among officers and the apparent lack of training in lending principles for the loan officers
e. Poor recovery and use of coercive techniques by banks in recovering loans.

3. Political Reasons

a. Policy Paralysis seen during the previous government affected several PPP projects and key economic decisions were delayed which affected the macroeconomic stability leading to poorer corporate performance.
b. Under political pressure banks are compelled to provide loans for certain sectors which are mostly stressed.

4. Problems of Exit

a. In the absence of a proper bankruptcy law, corporate faced exit barriers which led to piling up of bad loans.
b. Corporate often take the legal route which is time consuming leading to problems for the banks.

6. ANALYSIS AND DATA INTERPRETATIONS :

Impact Of NPA on Banking Sector & Economy :

The increasing NPAs not only reduce the profitability of banks but also affect its credibility. In fact the massive amount of NPAs with commercial banks is threatening to erode half of the capital base of public sector banks.

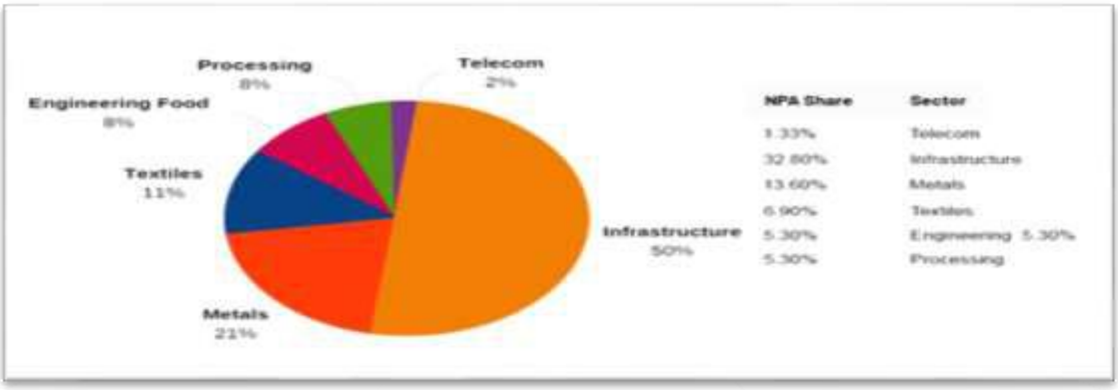
Once a bank started incurring losses and if the fundamentals are not corrected, the problem may become chronic and destabilize the confidence of the depositors. Once the depositors start withdrawing their money from the banks, the banking system will collapse. It is because of this reason that NPAs must always remain within the sustainable limit and the current level of NPAs is threatening the stability.

Banks with higher NPAs effectively have lesser funds to advance because of the higher provisioning that they have to provide i.e. lesser funds on which they can potentially earn interest income. Other negative impacts of high NPAs are that the higher NPAs will increase the amount of provisioning thereby impacting the profitability of the banks. Thus Banks will face difficulty maintaining capital adequacy ratio. There will be increased pressure on Net Interest Margin (NIM) and compulsiveness to reduce high NPA's

Higher amount of NPAs also pressurize banks to decrease the interest rate on saving deposits to increase the margin. Already there is a gap between interest rate on bank savings vis-a-vis savings in other non-banking accounts like PPF, post office saving schemes etc. Further, several mutual funds are providing returns of more than 10%. Further diversion in interest rates will divert the funds from banking sector to non-banking sector further eroding the capital with banks.

Thus, the increasing NPAs pose long-term threats to the stability of banking sector.

Impact Of NPAs On Various Industries: Diagram : 1



Source: an article of business Standard on NPAs of Indian banks, yearend 2018.

INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD ISSN: 2455-0620 Volume - 5, Issue - 6, June – 2019
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In the March 2018 quarter, the gross non-performing assets (NPAs) of Indian banks surged past Rs 10 trillion. This surprised many observers, if not the bankers, as the true extent of bad debt was not evident before the Reserve Bank of India (RBI) arm-twisted lenders to disclose whatever was hidden under the carpet. There are many economic reasons for this NPA pile-up, but the numbers ballooned after the central bank's February 12 circular. The circular said if a loan is not serviced for 90 days, it is in default and recovery proceedings can be started against it. Not surprisingly, the gross NPA of all listed banks jumped to Rs 10.25 trillion in the March quarter, from Rs 8.86 trillion in the December 2017 quarter.
RBI's financial stability report says the gross NPA ratios of the banking system could reach 12.2 per cent of the loan book by March 2019. The good news is that the gross NPAs showed a downward trend in June and then in September quarter . This is largely because of the strict Insolvency and Bankruptcy Code, or the fear of it. Bankers now believe the recognition part of NPA is over, and the recovery needs to begin, relate the below Diagram.
Source : Economics times & India times Report on investigation on NPAs of Indian banks.

Diagram : 2

STATISTICAL & FINANCIAL ANALYSIS ON NPA OF COMMERCIAL BANKS

Net NPA Ratio

Net NPA Ratio =Net NPA / Net Advances X 100

Table: 1

Year	*Net NPA*	*Net Advances*	*Net NPA Ratios (%) (In Crore)*
2015-16	*6832.03*	*107562.67*	*6.35*
2014-15	*4126.57*	*98599.1*	*4.19*
2013-14	*1807.32*	*88920.4*	*2.03*
2012-13	*392.93*	*75470.78*	*0.52*
2011-12	*469.57*	*56059.76*	*0.84*

Analysis & Interpretation :

It can be noticed that Net NPA ratio which was 0.84% in 2011-12 has reduced to 0.52% which is good sign that the bank is succeeded in making good provisions against NPA. But in the last three years of study i.e. from 2013-14 to 2015-16, the net NPA has increased and finally reached to 6.35% which indicates that the bank had failed to make sufficient provisions against NPA in these years which is not satisfactory. The Management of the Bank has not taken enough care in granting advances and they are not able to recover from defaulters

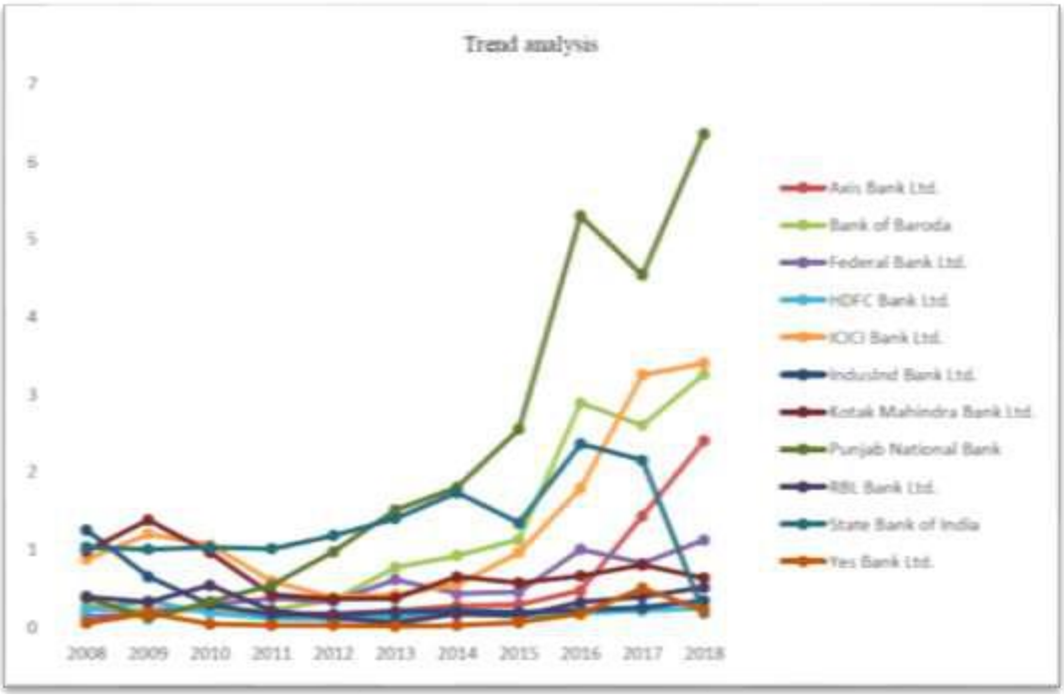
The table 2. below show the percentages of NNPA to Total Assets of 10 banks

Year	**Axis Bank Ltd.**	**Bank of Baroda**	**Federal Bank Ltd.**	**HDFC Bank Ltd.**	**ICICI Bank Ltd.**	**IndusInd Bank Ltd.**	**Kotak Mahindra Bank Ltd.**	**Punjab National Bank**	**RBL Bank Ltd.**	**State Bank of India**
2008	0.23	0.27	0.13	0.22	0.87	1.25	0.98	0.38	0.39	1.03
2009	0.22	0.20	0.17	0.34	1.20	0.65	1.38	0.11	0.32	1.00
2010	0.23	0.22	0.29	0.18	1.06	0.29	0.96	0.33	0.54	1.03

2011	0.17	0.22	0.37	0.11	0.59	0.16	0.42	0.54	0.21	1.01
2012	0.17	0.35	0.33	0.10	0.38	0.16	0.36	0.97	0.12	1.18
2013	0.21	0.77	0.61	0.12	0.42	0.19	0.37	1.51	0.05	1.40
2014	0.27	0.92	0.43	0.17	0.55	0.21	0.65	1.80	0.17	1.73
2015	0.29	1.13	0.45	0.15	0.96	0.19	0.57	2.55	0.14	1.34
2016	0.47	2.89	1.00	0.18	1.79	0.22	0.66	5.30	0.32	2.36
2017	1.43	2.60	0.82	0.21	3.25	0.25	0.80	4.54	0.39	2.15
2018	2.40	3.26	1.12	0.24	3.40	0.34	0.63	6.36	0.51	0.18

The table 2, above shows the percentages of Net Non-Performing Assets to Total Assets. This was done to find the real trend of Net Non-Performing Assets to Total Assets during the study period. Since it is generally believed that the value of NPA mainly depends on the value of total assets, hence the percentage of NNPA to total assets will show a better picture. this table also shows the occupancies of NPA which can be clearly seen in the graph below

Diagram 3: below shows the trend analysis of the banks under study



The graph above shows the trend analysis of the banks; it can be clearly seen that the trend of Punjab National Bank's NPA is very high as compared to other banks. This means that PNB is experiencing high levels of NPA as compared to other banks under study. There is a possibility that this bank may continue to suffer from NPA in the future. Previously, State Bank of India shows an increasing trend as compared to other banks but from 2017 it sharply decreases. Though there are ups and downs, Bank of Baroda shows an increasing trend during the study period. From 2008 to 2012, ICICI was showing a decreasing trend but from 2012 the trend started increasing till date. Axis Bank shows a stable trend till 2015, and it started increasing sharply till date. All other banks are shows a steady trend during the study period, which means there are only experiencing normal fluctuations in NPA as shown above**.**

7. FINDINGS & RESULTS :

The table 3. Analysis with descriptive statistics

	Axis Bank Ltd	**Bank of Baroda**	**Federal Bank Ltd**	**HDFC Bank Ltd**	**ICICI Bank Ltd**	**Induslan d Bank Ltd**	**Kotak Mahindra Bank Ltd**	**PNB**	**RBL Bank Ltd**	**SBI**
Valid	10	10	10	10	10	10	10	10	10	10

Missing	0	0	0	0	0	0	0	0	0	0
Mean	.5536	1.1664	.5200	.1836	1.3155	.3555	.7073	2.2173	.2873	1.3100
Std. Deviation	.71185	1.1757	.32979	.06889	1.0726	.32761	.30767	2.2043	.16199	.60251

Using the table 3 above, from mean values we can understand that PNB has highest levels of NPA to Total assets, followed by ICICI, SBI, Bank of Baroda, Kotak Mahindra Bank, Axis Bank, Federal Bank, Indusland Bank, RBL Bank, HDFC Bank respectively. According to this result, Yes Bank is having very less NPAs to its total assets, this shows how good the bank is in managing its amount of NPAs.

On the other hand, standard deviation, helps us to understand the bank which have high fluctuations in NPAs across the study period. Some banks might have high amounts of NPAs across the study period but very low fluctuations. PNB is showing higher fluctuations in NPAs followed by Bank of Baroda, ICICI, Axis Bank, SBI, Federal Bank, Kodak Mahindra Bank, Indus land Bank, RBL Bank, Yes Bank and HDFC Bank respectively. The result shows that Yes Bank, HDFC Bank and RBL are doing relatively better as compared to other selected banks.

Precisely from the above statistical interpretations it is tried to explain and figure out the Degree Of NPA of Various banks as per highest to lowest priority according to Mean of All NPAs from 2008-2018, which are significantly influenced badly by NPA.

MOST LATEST REPORT PUBLISHED BY RBI REGARDING STATUS OF NPA OF ALL KINDS OF BANKS

A Reserve Bank of India (RBI) note based on unaudited financial statements of Scheduled Commercial Banks (SCBs) up to September 30, 2018, suggests that the worst of the non-performing assets (NPA) crisis facing India’s banks might be over and that credit growth may also be back.

The share of gross NPAs in total advances of banks, both in the public and private sector, peaked in March 2018, and has since declined — in both the June and September quarter of the current fiscal year. The NPA crisis is more widespread in the public sector banks. The report also says that annualized slippage ratio — percentage of fresh NPAs as percentage of standard NPAs — has also shown a decline in the last two quarters, relate the report below.

A REPORT PUBLISHED BY RBI REGARDING BANK WISE AND BANK GROUP-WISE GROSS NON-PERFORMING ASSETS, GROSS ADVANCES AND GROSS NPA RATIO OF SCHEDULED COMMERCIAL BANKS

(Amount in ` Million)

		As on March 31		
Year	**Banks**	**Gross NPAs**	**Gross Advances**	**Gross NPAs to Gross Advances Ratio (%)**
2018	ALLAHABAD BANK	265628	1664359	15.96
	ANDHRA BANK	281244	1645345	17.09
	BANK OF BARODA	564804	4607444	12.26
	BANK OF INDIA	623285	3759955	16.58
	BANK OF MAHARASHTRA	184332	946452	19.48
	CANARA BANK	474685	4008435	11.84
	CENTRAL BANK OF INDIA	381307	1774840	21.48
	CORPORATION BANK	222134	1280053	17.35
	DENA BANK	163614	742386	22.04
	IDBI BANK LIMITED	555883	1988531	27.95
	INDIAN BANK	119901	1627256	7.37
	INDIAN OVERSEAS BANK	381802	1509993	25.28
	ORIENTAL BANK OF COMMERCE	261336	1482060	17.63
	PUNJAB AND SIND BANK	78016	697388	11.19

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	PUNJAB NATIONAL BANK	866201	4712966	18.38
	STATE BANK OF INDIA	2234275	20483873	10.91
	SYNDICATE BANK	257586	2233461	11.53
	UCO BANK	305499	1239895	24.64
	UNION BANK OF INDIA	493699	3138599	15.73
	UNITED BANK OF INDIA	165521	686918	24.10
	VIJAYA BANK	75261	1186774	6.34
	PUBLIC SECTOR BANKS	**8956013**	**61416982**	**14.58**
	AXIS BANK LIMITED	308763	4545509	6.79
	BANDHAN BANK LIMITED	3731	299133	1.25
	CATHOLIC SYRIAN BANK LTD	7641	96853	7.89
	CITY UNION BANK LIMITED	8566	282386	3.03
	DCB BANK LIMITED	3690	205639	1.79
	FEDERAL BANK LTD	27956	931726	3.00
	HDFC BANK LTD.	85069	6642543	1.28
	ICICI BANK LIMITED	532402	5379451	9.90
	IDFC BANK LIMITED	17791	537528	3.31
	INDUSIND BANK LTD	17049	1459129	1.17
	JAMMU & KASHMIR BANK LTD	60067	602983	9.96
	KARNATAKA BANK LTD	23761	482455	4.92
	KARUR VYSYA BANK LTD	30158	459731	6.56
	KOTAK MAHINDRA BANK LTD.	38254	1719405	2.22
	LAKSHMI VILAS BANK LTD	26942	270045	9.98
	NAINITAL BANK LTD	1675	34402	4.87
	RBL BANK LIMITED	5667	405220	1.40
	SOUTH INDIAN BANK LTD	19803	551090	3.59
	TAMILNAD MERCANTILE BANK LTD	8683	241333	3.60
	THE DHANALAKSHMI BANK LTD	4693	63867	7.35
	YES BANK LTD.	26268	2048479	1.28
	PRIVATE SECTOR BANKS	**1258629**	**27258907**	**4.62**

SOURCE : RBI ANNUAL REPORT

8. RECOMMENDATIONS :

Steps proposed by RBI:

Restructured standard account provisioning has been increased to 5% making it easier for banks to go for restructuring. On the flip side, this has the potential to enhance tendency of ever greening of loans. RBI has directed banks to give loans by looking at CIBIL score and is encouraging banks to start sharing information amongst themselves. RBI has also directed banks to report to Central Repository of Information on Large Credit (CRILC) when principle/interest payment not paid between 61-90 days RBI has asked banks to conduct sector wise/activity wise analysis of NPA SEBI has eased norms for banks to convert debt of distressed borrowers into equity.

Moreover he bank needs be proactive in the selection of clients and customers while sanctioning of loans. The operation of the bank is wide enough to cater to the needs of broad spectrum of the society and economy of India at large. Bank needs to have better credit appraisal system so as to prevent NPAs from occurring. However, once NPAs do come into existence, the problem can be solved only if there is enabling legal structure, since recovery of NPAs often requires litigation and court orders to recover stock loans. Even if the bank is taking necessary measures for recovering the loans, but it needs the support of system, But it takes at least one to two years to get permission from the court for physical possession of any property, which delay’s the further procedure and Some customers are deliberately taking advantage of the legal system which is weak. Thus the lawmakers and the judiciary should strengthen the laws on the banking sector. More so, the debt waivers which government announces also makes the borrowers not to make the loan payments on time, So this system and protocol should be upgraded as per current necessity of banking sector.

According to the researcher’s opinion, there is a need to separate the willful and non-willful defaulters though it is very hard to do so. On willful defaulters, the law should be harsher than on non-willful defaulters. Moreover, the recovery process seems to be very slow. The government needs to update the recovery of NPA which is faster and effective.

Any plan can be applied to alleviate the current scenario especially relating to the Debt recovery tribunals must be given urgency, to ease the burden on NCLT.

Banks should properly involve and upgrade their management and be selective on customer preferences while disbursing the loan also make an in depth investigate about the customers background and their ability to repay loan and financial worthiness.

Actually The non performing asset is a major problem and hurdle faced by banking industry. Wilful defaults, improper processing of loan proposals, poor monitoring and so on are the causes for accounts for becoming NPAs. NPAs affect the position as well as performance in several ways such as interest income, profits, and provisions against NPA‟s and so on. Hence steps should be taken to cure this problem at earliest and in an efficient manner.

9. CONCLUSION :

It is being observed that the banks has an increasing trend of NPA in last few years which downturned the Banking economy adversely from financial aspect.

Based on the study above, we can make out that after recession period of 2008, NPA was on a decreasing trend till 2012, except for Bank of Baroda, PNB, and SBI. From the year 2012, the trend started to increase for all banks, and this shows that NPA is a serious problem which needs immediate attention how to resolve and get control over it. Since this study did not make any differentiate public banks from private banks, so the result clearly shows that private banks are having relatively low levels of NPA compared to public banks.

Based on the trend analysis, if the RBI and all banks don't take initiatives, the banking sector will still suffer from NPA in the future because the trend is in increasing rate. Moreover, NPAs of any bank depends on its total assets, which means when Total Assets (loans) increases, NPAs will also tend to increase and the opposite is true with the decrease, which means there is a positive relationship between these two.

In conclusion, banks should apply all acts so that NPA will be converted to performing assets. Banks should not forget to do ethical business, the business of any bank is to do an ethical banking business and if banks follow ethical business, NPA will be at its minimal.

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