

NON PERFORMING ASSETS OF SCHEDULED COMMERCIAL BANKS: A COMPARATIVE STUDY

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ABSTRACT

Financial sector reform in India has progressed rapidly on aspects like interest rate non-intervention, hurdle to entry, decrease in reserve needs, efficient norms and risk-based surveillance. But progress on the structural-institutional aspects has been much slower and is a cause for concern many judicious and provisioning norms have been introduced, and these are obliging banks to improve efficiency and trimming NPAs to improve the financial health in the banking system. In the atmosphere of these developments, this study strives to scrutinize the state of affair of the Non Performing Assets (NPAs) of the public sector banks in India with special reference to delicate sections. The research is based on the secondary data retrieved from Report/data on Trend and Progress of Banking in India. The scope of the study is narrow to examine of NPAs of the public sector banks. It examines trend of NPAs in weaker sections in public sector banks. The data has been examined by statistical tools such as percentages and Compound Annual Growth Rate (CAGR).

KEYWORDS: CAGR, NPAs, Statistical Tools, Public Sector Banks, Non Performing Assets.

Introduction

After nationalization of banks, the initial mandate that banks were increase the savings rate, extend credit to the rural and small scale industries sectors and expand their branch network. This mandate has been achieved correctly. Since the early 90's the focus has shifted towards improving quality of assets and better risk management. The 'directed' lending approach has given way to more market driven practices. The Narasimhan Committee has recommended frugal norms on asset classification, provisioning and income recognition. In a change from the past, Income recognition is now on actually received basis not on an accrual basis. This was largely reason due to the previous problems faced by banks. The classification of NPA has changed with strengthening prudential norms. In present scenario an asset is "non-performing assets" if installments of principal or interest on debt due remain unpaid for more than 180 days. Banking industry is a major sector of the Indian economy that has achieved renewed focus after the entry of private sector banks and financial sector reforms. This area is the foundation of the modern economic development and development strategy. It structures the core of the financial sector of an economy. Through set of resources and their better allocation, Public Sector Banks play an important role in the undeveloped countries for development process. The banks improve and increase the allocation of resources by lending money to priority sector of the economy i.e. Poverty, agriculture, education, unemployment etc. These banks provide a meeting ground for savers and investors among various indicators of financial stability; because it shows non-executed loans of banks take the important importance as it helps in the allocation of resources to the property quality, credit risk and efficiency. A common aspect is that the issue of banks' non-performing loans is ascribed to economic, political, social, legal, technological and environmental. In present scenario, banking is fairly mature in terms of supply, product range and reach in India. But there is a still challenge to public sector banks and private sector to reach in rural India. The Reserve Bank of India is primarily concerned with providing finance to the weaker area of society, development of priority areas and providing credit under differential rate of interest

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