Non-Performing Assets of Commercial Banks: A Trend Analysis

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ABSTRCT

The Indian banking segment depicts spectacular development since nationalization on one side but, has shown significant decline in profitability and efficiency also on the other side. It clearly exhibits the picture of erosion of profit in facts. Even though, the Indian banks are working hard to face the global challenges and no doubt their performance is commendable. The power and potency of a banking sector can have extensive and radical implications on the growth of an economy. Even though absolute supervision is done by GOI and by banking regulators, but due to one reason or another the banks failed to convert all their assets in the performing assets. In spite of utmost care taken by banks many assets either get converted into bad debts or failed to produce income to the them and became non-performing assets.

The present study aims at analyzing the NPA's of Scheduled Commercial Banks. It is a descriptive study based on analytical research design and secondary data. This study is based on facts and figures of nationalized banks in India for a period of 10 years from 2008-09 to 2017-18. In this paper, an attempt has been made to study the level of NPAs and its effect on the performance of different banking groups viz. public sector banks, private sector banks and foreign banks. The level of NPAs depend upon the number of defaulters so banks has to be very vigilant in identifying these defaulters. It will help the banks to reduce the incidences as well as the level of NPAs. Government along with regulators are required to initiate innovative and stringent policies in this regard.

Keywords: Financial System, NPA, Commercial Banks, PSBs, Reserve Bank of India

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INTRODUCTION

The financial system of a nation has always been aa essential requirement for the existence of a vibrant economy. The financial sector of a country is a primary driver a nation which provides the funds as well as liquidity. The banks of this banking segment can be treated as the economic wing of that nation. So, the productivity and profitability performance of these banks gives an indication of state of economic development and growth. In developing countries specifically in India, banking industry is entitled as the lifeline of all its commercial transactions done by either government or by general public for the reason that all the commercial transactions are routed through banks. The policy of digitalization and financial inclusion by the Government of India highlighted the prominent status of banking industry again. As a consequence, the Indian banks have transformed themselves and turned into universal banks which provide all financial services (whether traditional or modern) under its ambit. Modern banks are playing a significant role in the channelization of savings and credit to the needy productive areas such as commerce, trade and agriculture etc.

Banks are generally termed as the custodians and distributors of the liquid assets of a nation. Banks are the trustee organizations which accept funds from the people and mobilize them for productive purposes. Hence, it adds to the national income and contributes a lot in the economic progress of the economy. The banks play a crucial role in breaking up the vicious circle of poverty as well as to retrieve the financial system.

The Indian banking segment depicts spectacular development since nationalization on one side but, has shown significant decline in profitability and efficiency also on the other side. It clearly exhibits the picture of erosion of profit in facts. Even though, the Indian banks are working hard to face the global challenges and no doubt their performance is commendable. The power and potency of a banking sector can have extensive and radical implications on the growth of an economy. So, every regulator is required to have effective policies for this segment and also their proper implementation is equally important for strengthening the power of the economy as well as of nation.

NON-PERFORMING ASSETS

Like any other organization, banks do have many assets such as current assets, loan and marketable securities, long-term assets, investment securities and other investment assets. Some of these assets are performing assets means which are able to earn a return and others are non-performing assets which are not able to retrieve the benefit due to one or other reason. So, the non- performing assets are not yielding any return i.e., interest to the banks. These assets can be in the form of loans, advances and investments. It means that if a banking asset is able to get a return in the form of interest and is exposed to the normal usual risk, it remains in the category of productive asset. But when a banking asset is not able to get a return in the form of interest and is exposed to some unusual risk, it turns into a non-productive asset and becomes a 'Non-Profitable Asset'. Bank loses all the income like interest, fees, commission etc. which would otherwise have been aroused.

As per the definitions given by Reserve Bank of India, if the interest/principal/both remains unpaid in a credit given by bank for a specific time period then this credit facility would turn into a Non-Performing Asset (NPA). The Reserve Bank of India has defined the term 'Specific Period' as follows:

Year ending 31st March	1993	1994	1995 Onwards
Specific Period	4 Quarters	3 Quarters	2 Quarters

Historically, the term 'Past Due' means when the amount under a particular credit facility remains unpaid for 30 days from the due date. But, now as there is lot of advancements in the Payment and Settlement System, Recovery Regulations and technology, RBI has relinquished the concept of 'Past Due' with effect from 31st March 2001. From this date onwards, the NPA is treated and defined as an advance where:

- ❖ In respect of a Term Loan, if dues (like the interest/Instalment of Principal/ both) of a loan provided by bank remains unpaid for a period of more than 6 months (i.e., 180 days).
- ❖ In case of an Overdraft Facility/Cash Credit Facility, if the outstanding balance is in excess of drawing limit continuously for a period of more than 6 months (i.e., 180 days).
- ❖ In case of Bills Discounted, it remains outstanding for a period of more than 6 months (i.e., 180 days).
- ❖ With respect to an advance given for Agriculture Purposes, if the interest or instalment of Principal or both remains unpaid for 2 harvest seasons provided that the period should not exceed 2 half years.
- ❖ With respect to other accounts, if an amount remains unpaid for a period of more than 6 months (i.e., 180 days).

In order to ensure the similarity with global best practices and to strengthen the transparency, the norms has been changed. Now RBI has decided to replace the period of 180 Days by 90 Days, specifically for the purpose of identifying NPAs, with effect from 31st March 2004. So, with effect from 31st March 2004, NPAs has been defined as follows:

- ❖ In respect of a Term Loan, the interest or Instalment of Principal or both remains unpaid for a period of more than 90 days.
- ❖ In respect of an Overdraft Facility/Cash Credit Facility, the account remains 'out of order' for a period mare than 90 days.
- ❖ With respect to Bills Purchased and Discounted, bills remain unpaid for a period of more than 90 days.

- With respect to an advance given for Agriculture Purposes, if the interest or instalment of Principal or both remains unpaid for 2 harvest seasons provided that the period should not exceed 2 half years.

- With respect to other accounts, if an amount remains unpaid for a period of more than 90 days.

CLASSIFICATION OF NPAs

Even though absolute supervision is done by GOI and by banking regulators, but due to one reason or another the banks failed to convert all their assets in the performing assets. In spite of utmost care taken by banks many assets either get converted into bad debts or failed to produce income to the them and became non-performing assets. In banks, loans and advances are very vital assets. The interest payment and principal repayment on these assets by the customers generate cash flows for the banks and banks are able to maintain their profitability on the basis of interest received on these assets. But if these assets are not serviced for some time by the customers, then they start entering the category of non-performing assets. If these assets failed to generate the interest payments for short time period i.e., for less than 90 days, then it is known as past due and if the period of non- payment exceeds 90 days, then it becomes non-performing asset. As the level of these NPAs start rising, it becomes a threat to the efficiency of the banks in the shorter run and a danger to the economy in the longer run. So Narsimham Committee has rightly mentioned that the NPAs are a serious issue of a nation and has to be treated on priority basis, otherwise it may lead to the collapse of the economy as well.

Based upon the different characteristics of NPAs such as period and realizability of the dues, these have been categorized into three main parts with effect from 31st March 2001. These are explained below:

1. Sub-Standard Asset: A sub-standard assets is that assets which has been there in the category of NPA for a period which is either equal to 18 months or less than it. It includes all those borrowers whose net worth or the market value of the mortgaged asset is not able to recover the full dues to the banks. It clearly pointed out that these asset certainly have credit weaknesses. It also highlighted the likelihood that if proper steps are not taken by banks, then they are definitely going to bear the losses to some extent.

2. Doubtful Assets: A doubtful assets is that asset which has been there in the category of NPA for a period of more than 18 months i.e., one and half years. A doubtful asset has all the fragility of a sub-standard asset along with the fact that if tries to recover the collection from borrower, then with the given conditions, it is highly questionable and unattainable.

3. Loss Assets: Loss asset is the NPA which has not been written off wholly or in parts in the books of accounts but has been recognized as loss either in the RBI inspection or by the bank, or by the internal auditor or by the external auditor. The loss asset can be reasonably assumed that it will not be repaid. This value is of small amount hence, it is not advisable to continue it as an asset in the bank's financial statements. However, there may be some recovery value left in it.

RESEARCH METHODOLOGY

The present study aims at analyzing the NPA's of Scheduled Commercial Banks. It is a descriptive study based on analytical research design and secondary data. The information and data has been collected from various authentic sources such as, journals, IBA Bulletin, Statistics published by RBI, Annual Reports by the banks and other related websites.

SCOPE OF THE STUDY

This study is based on facts and figures of nationalized banks in India for a period of 10 years from 2008-09 to 2017-18.

OBJECTIVE OF THE STUDY

In this paper, an attempt has been made to study the level of NPAs and its effect on the performance of different banking groups viz. public sector banks, private sector banks and foreign banks. To achieve this main objective the following are set as the sub-objective:

- ❖ To understand the concept of NPAs and to pinpoint the root causes of NPAs in the Indian Banking System.
- ❖ To make a comparative study of NPAs of public, private and foreign banks.
- ❖ To analyze the impact of NPAs on banks and so on economy
- ❖ To give pertinent suggestions for avoiding future NPAs and to decrease the current level of NPAs.

LIMITATIONS OF THE STUDY

The following may be considered as some of the limitations of this study:

1. The present study is based upon secondary data.
2. It is limited to SCBs (only public, private and foreign banks).
3. The period of study is 10 years. The analysis of a more lomger period may change the results.
4. The impact of NPAs on bank's financial efficiency rather on overall financial performance has been investigated.
5. The classification of NPAs has been done on the basis of RBI Publications.
6. The circumstances at the national and international level are constantly changing. Hence, the generalization of results of this study can not be used for all types of banks.
7. It is purely based on current facts and figures without considering the future developments that may occur.

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TRENDS OF NPAs OF SCHEDULED COMMERCIAL BANKS

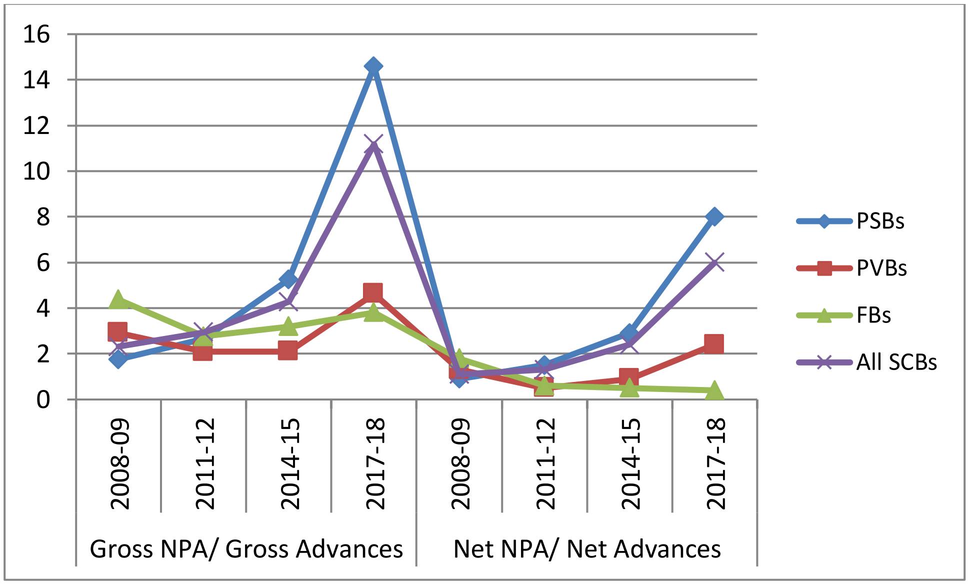
NPAs are the apparatus which help to measure the financial health and robustness of financial organizations like banks. NPAs form substantial drag for the banks by reducing their interest margins and by increasing their operating costs. This decline in the profitability of banks affect not only the performance of banks but also the industrial sector and so the economy.

Table 1: NPA as a % of Advances- Bank Group Wise

Trends of Non-performing assets - Bank Group Wise					
Particulars	**Year**	**PSBs**	**PVBs**	**FBs**	**All SCBs**
Gross NPA/ Gross Advances	2008-09	1.8	2.9	4.4	2.3
	2011-12	2.7	2.1	2.8	3.0
	2014-15	5.3	2.1	3.2	4.3
	2017-18	14.6	4.6	3.8	11.2
	Average	**6.1**	**2.9**	**3.5**	**5.2**
Net NPA/ Net Advances	2008-09	0.9	1.3	1.8	1.1
	2011-12	1.5	0.5	0.6	1.3
	2014-15	2.9	0.9	0.5	2.4
	2017-18	8.0	2.4	0.4	6.0
	Average	**3.325**	**1.275**	**0.825**	**2.7**

In India, non - performing asset (NPA) is a key factor that enhances the credit risk substantially for any bank. The deterioration in asset quality of Indian banks, especially PSBs, can be traced to the credit boom of 2006-2011 when bank lending grew at an average rate of over 20 per cent. Other factors that contributed to the deterioration in asset quality were lax credit appraisal and post-sanction monitoring standards; project delays and cost overruns; and absence of a strong bankruptcy regime until May 2016. The table exhibits that the gross NPA in public sector banks was only 1.75 percent (2008-09) which increased up to 14.58 percent in 2017-18. The performance of the public sector banks in risk management in the recent past years has been declining in view of NPAs. The ability of the banks to identify defaulters before lending is paramount for minimizing the incidence of NPAs. It needs to develop effective mechanism to proactively deal with potential defaulters.

Chart 1: NPA as a % of Advances- Bank Group Wise



During 2017-18, the GNPA ratio reached 14.58 per cent for PSBs due to restructured advances slipping into NPAs and better NPA recognition. For PVBs, it remained at a much lower level but rose during the year. Among all the bank groups, foreign banks were working effectively and hence able to decrease the level of NPA. Supervisory data suggest that during the financial year 2018-19, the resolution of some large NPA accounts resulted in an improvement in asset quality of SCBs.

Table 2: Trends of NPA As % of Assets

Trends of NPA as % of Assets - Bank Group Wise					
Particulars	**Year**	**PSBs**	**PVBs**	**FBs**	**All SCBs**
Gross NPA/ Gross Advances	2008-09	1.2	1.6	1.6	1.3
	2011-12	1.9	1.1	1.1	1.6
	2014-15	3.2	1.3	1.4	2.7
	2017-18	8.9	3	1.6	6.8
	Average	**3.8**	**1.75**	**1.425**	**3.1**
Net NPA/ Gross Advai	2008-09	0.6	0.7	0.7	0.6
	2011-12	1.0	0.3	0.2	0.8
	2014-15	1.8	0.5	0.2	1.5
	2017-18	4.5	1.5	0.2	3.4
	Average	**1.975**	**0.75**	**0.325**	**1.575**

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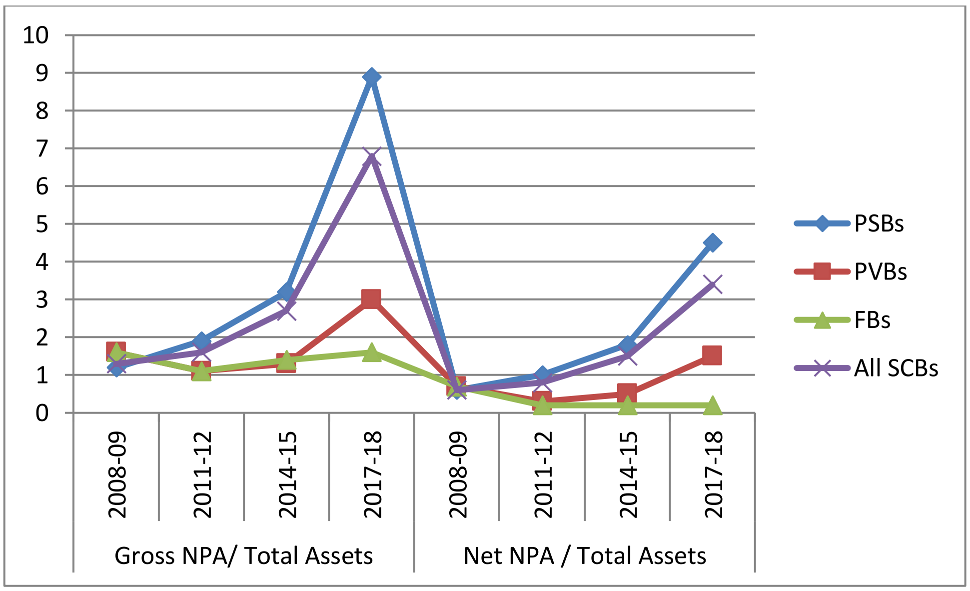
RBI's financial report said that public sector banks are worst hit as there gross NPA increased to 8.9 percent in 2017-18 from 1.2 percent in 2008-09. The increase over the period was 6.42 times. In the case of Private Sector Banks, it has steadily been increased from 1.6 percent in 2008-09 to 3 percent in 2017-18. The increase over the period was 0.88 times. As far as the Foreign Banks are concerned, the asset quality of FBs improved marginally. It is observed that all Indian Scheduled Commercial Banks' Gross NPAs have been increasing year after year except foreign banks.

Chart 2: Trends of NPA As % of Assets



The overall risks to the banking sector remained elevated due to asset quality concerns. Between 2008-09 and 2017-18, the net non-performing advances (GNPA) ratio of scheduled commercial banks (SCBs) increased from 0.6 per cent to 1.5 per cent. Banks which have relatively lower asset quality tend to have high non-performing assets. The Economic Survey 2015-16 also alarmed the policy makers about growing bad debts with the banks and their potential to disrupt the growth prospects in the future.

NPAs: ISSUES AND CHALLENGES

The declining performance of banks due to considerable level of NPAs has highlighted the emergency to fix this problem. The level of NPAs in banks is due to few large corporates (such as steel, power, infrastructure and textiles etc.) specifically, which needs to be controlled. Like any other corporate, these businesses have expanded their capacity during boom but were unable to face the slowdown which aroused due to global financial crisis. Though, GOI is trying its level best to solve the problem by implementing various sectorial specific measures. Yet a lot is required to be done to ensure NPA free banking environment.

CAUSES OF NPAs

NPAs are a severe threat to the banking system as it affects not only liquidity and profitability of banks but also impose a great question mark on the quality of asset and survival of banks. It also put a constraint and deteriorates the qualitative aspect of lending of banks. It is very difficult to manage and solve a problem until and unless the causes behind the origin and growth of that problem are unknown. An attempt has been made to highlight the significant causes behind the non-performing assets, which are as follows:

- **World Financial Meltdown:** Till the world financial slowdown, Indian economy was doing good and was enjoying the booming phase. It had witnesses highest growth in GDP during this phase i.e., in the initial years of 21st century. The corporate sectors in India were predicting the vigorous growth and hence took massive credits from the financial institutions. These funds had been invested in giant projects having long gestation periods such as highway constructions, ports, airports, steel and power etc. But when the Indian economy faced financial meltdown in 2008, the growth of Indian industries affected adversely and started declining.

- **Financial Swindle:** The loans provided by the banks many corporates stuck in many big projects due to policy paralysis and scams. The corporations involved in these big projects failed to pay either instalment or principal or sometimes both. All the investments turned unproductive as well as unprofitable, which looks very cost effective till 2008 and as a result non-performing assets shows a tremendous rise after the financial crisis of 2009. The accumulating effect of national and international events increased the total payment of corporates to the public sector banks by 20.41% (i.e., `6,09,222 crore) of the gross advances in December 2017.

- **Natural Disasters:** India is a natural disaster-prone country. From time-to-time India is hit by natural disaster so creating an obstacle in the performance of industries, thus making them incapable to pay back their dues. It forces banks to make large amount of provisions for these unpaid dues and end up their accounts with fiscal deficit. So, these natural disasters are also responsible for making remarkable increase in the NPAs.

- **Self-Willed Defaults and Scams:** The willful defaults in the payment of interest and repayment of principal is also a serious concern needs to be addressed. There is a tremendous increase in the level of NPAs due to these willful defaults over past few years. Among the different banking groups, the public sector banks are the most affected banks. Kingfisher Airlines Ltd., Beta Naptol etc., are well known willful defaulters in India.

- **Economic Volatility:** All the industries are dependent on financial institutions to meet out their financial requirements. A industry is subject to many risks varying from market risks like inflation to environmental issues. All these risks can put an industry in trouble which in turn bound to hit the financial institutions and thus will increase the NPAs level.

- **Gritty Credit Scrutiny System:** NPAs to some extents are the result of gritty credit scrutiny system of the banks. Many market factors like economic slowdown, negligence on the part of bank authorities, absence of proper enquiry system and artificial credit rating of the corporations are also some reasons behind the steep rise in the NPAs.

IMPACT OF NPA

- **Impact on Stability of Banks:** All the loans and advances which are provided by banks to its customers are the part of total assets of the banks as these assets accrue income in the form of interest to the banks. Conversion of these assets in the NPA leads to the reductions in the profitability level. The calculation of capital adequacy ratio also got disturbed, as the cost of capital goes up due to rise in NPAs. Thus, the level of NPAs also affect the stability of banks.

- **Impact on Other Borrowers:** The rise in NPAs not only affect the concerned bank and customers but also the other borrowers. The level of NPAs affect the lending ability of banks on one hand and the potential genuine borrowers on the other side. Banks redistribute the losses to the other borrowers by imposing higher interest rates and thus tries to compensate the coast of increasing NPAs.

- **Impact on Lending:** As banks lose their interest income due to defaulters, they become unwilling to lend to other genuine borrowers. Banks may be reluctant to give loans to a particular deficit sector, if the companies in this sector are suffering from losses and are not able to settle their dues in time.

- **Impact on Liquidity:** When banks redistribute the losses which arises due to NPAs to other genuine borrowers, it put extra burden on them and thus affect their profitability level. Also, the banks may have to face liquidity crisis due to rising NPAs, which in turn will affect the payments level of banks.

- **Stressed Assets:** The stressed assets of the banks consist of NPAs, restructured loans and written off loans. NPAs alone do not depict the story of bad asset quality of loans. Some loans are restructured by the banks thus provides an opportunity to the defaulters to make the repayment within stipulated extended time period. Further, the written off loans are considered to be non-collectable but the account do not closes as banks hope to recover it at a later date. The stressed assets are a powerful indicator and gives a clear picture of the health of the banks.

MEASURES TO CURB NPA GROWTH

Non-Performing Assets are a gradual withdrawal and ultimate deprivation of existence of the banks. Banking sector needs to take vigorous steps in order to strengthen their internal control risk management system. Thorough analysis of creditworthiness of client, management, company etc., has to be done by banks before loan approval. There is a need for proper credit monitoring system which can enhance the ability of banks to monitor the productive use of loans provided.

For growth, all business needs productive and profitable investments. Financial institutions like banks plays a significant role in gather savings and channelize it into investments. The rising level of NPAs in banks adversely affect their ability of making profitable investments. It also affects the overall investment position of the banking sector. Therefore, at present Government and financial regulators are required to take serious steps not only to deal with the effects of NPAs but also to find out the reasons behind increasing NPAs.

As the banking sector is already facing the adverse impacts of NPAs, therefore, it is of utmost importance that NPA resolution should take place timely in a systematic manner. The policies formulated by financial regulators must address two crucial aspects; First, how to reduce the level of NPAs and its prevention in the near future and second, how to cope up with the existing aggregated NPAs. Below are mentioned some of the critical steps needs to be taken by the banking segment, which will help banks to curtail the rising NPAs to a great extent:

- **Special bank for Handling NPAs:** The financial regulators is required to establish some specific bank where NPAs of the public sector banks will be transferred. The loans provided to young entrepreneurs has to be scrutinized effectively. If the performance of these entrepreneurs deteriorated due to economic fluctuations, then banking sector can support them by making suitable adjustments. It will help them to revive their business and also the level of NPAs will decline.

- **Bring back the confidence:** The tremendous rise in NPAs have shaken the confidence of bank officials, which needs to be restored. The policy measures should provide amenity to them, which in turn will help them to take rational and industrially viable decisions. A Special Performance Vehicle Committee (SPVC) needs to be established, which will work as a guide to take commercial decsions.

- **Therapeutic Measures by RBI:** RBI is required to take curative measures against defaulters. The regulators can circulate the names of defaulters through newspapers and media, which will spread awareness about the defaulters and will safeguard the other financial institutions. It can follow the '4R' strategy which includes Recognition of NPAs, Resolution of Bad Loans, Recapitalization of Bank Loans and Reforms in the banking sector. It should try to recover the dues with the help of Lok Adalats and Debt Recovery Tribunals.

- **Risk Management:** There is a need for robust and sensitive credit risk management system in the banks. It is imperative for the success of banking segment in the long run. Every bank needs to have its own risk strategy which will help to scrutinize the credit granting activities and will lay a system for post-loan monitoring.

- **Natural Collapse:** If natural calamities such as earthquakes, floods, draughts etc., are the reasons behind the delinquencies of the borrowers then banks needs to be little supportive towards them. The banks can restructure their loans terms and conditions and can help out borrowers to overcome their genuine difficulties.

- **Consistent Follow-Up:** The loans provided by the banks should be used for the specific purpose for which they have been drawn. There should not be any diversion of funds. Banks can ensure this by regular visits and check out to the sites. Banks are required to investigate the units periodically.

- **Accountability and Responsibility of RBI:** RBI being the financial regulator is required to play a vigorous role. It should exercise effective credit appraisal and monitoring system. Amendments can be initiated in the RBI Act by government to strengthen RBI and to make it more powerful. Banks are enforced to have a robust and vigilant loan recovery methods. Also, the government must stop playing the game of "wait and watch" and should empower banks to take rigid steps to control NPAs.

- **Identifying Genuine Borrowers:** Banks have to be very vigilant in identifying the genuine borrowers. Though it is a very challenging job for the bank officials but the frontline officers can play a paramount role in this. An objective assessment with regard to promoter's sincerity and capability is of utmost importance and based on this assessment the creditworthiness of the borrowers can be decided.

- **Competence of Management:** Banks have to be very competent and require the involvement of whole organization. There should be frequent discussions within the bank staff and branches. The suggestions of the staff involved in credit monitoring and recovery should be considered for recovery of dues from borrowers. Banks should cooperate and assist the entrepreneurs in setting up their business but along with it they should keep a track of their funds also.

- **Insolvency and bankruptcy Bill Code 2015:** In 2015, the GOI introduced the IBC for strengthening the ability of banking system to recover the maximum amount in a time bound manner through India's insolvency regime. It is a time bound process to resolve insolvency which can be initiated by either creditor or debtor. It also has an overriding effect on other laws.

With the possible solutions mentioned above, there is a possibility that the complications of rising NPAs in Indian banking sector can be monitored and controlled effectively. Thus, it will provide an opportunity for the banks to show and highlight their clean and fruitful balance sheet.

CONCLUSION

A strong robust financial system is a foundation pillar and necessity for a flourishing economy and specifically industrial sector. For a developing economy, the existence of an effective, vibrant, innovative and high – tech banking system is must. According to experts, In India, there is much more to be done to make financial inclusion a success and many challenges still exist in this effort. Though financial inclusion is high on the agenda of the Indian government, still it looks like a distant dream which the government wants to achieve. So, it is the right time to take a comprehensive relook into the existing policies and structures of banking system and to incorporate the innovative and advanced methods which can ensure the inclusive growth of the economy.

To achieve this twin goal of financial inclusion and inclusive growth, one of the biggest obstacle is rising level of NPAs which is hampering the efficiency of all the banks. Banks are required to carry on thorough credit analysis while lending finance for infrastructure projects and for other long term projects. IBC is an attempt by the government in this direction which tries to cover and sort out all the issues relating to NPAs. IBC plays a significant role in identifying the possible NPAs and thereby in reducing the level of NPAs in banks. Though the success of IBC would be known in course of time.

The performance of public sector banks was not too good with respect to NPAs. It was expected that NPAs would be settle down by March 2017, but the picture was a little different. The analysis of NPAs for the financial year 2017-18 depicts a gloomy and deteriorated impression. Instead of decline, there was increase in the NPAs of public sector banks by 7% in 2017-18 as against 3% in 2014-15. To tide over the strenuous financial circumstances, now the companies are shifting towards corporate debt restructuring.

Though the government and financial regulators are trying to overcome the situation, but it is not that much simple. There is not a universal solution which can be applicable to all types of banks and for all times. The Indian banking system has undergone a significant transformation and still many reforms are taking place. It is opting and embracing the international best practices with a conception to heighten the banking system. At the global level, new provisions and prudential norms have been introduced. It in turn further persuading the Indian banking system to improves its productivity and to trim down the level of NPAs. NPAs work as a hindrance and big obstacle not only for the banks but also for the economy. Therefore, RBI and the government are required to be very vigilant and take appropriate actions to curb NPAs. It will ensure the sound financial health of our financial system, which is must.

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