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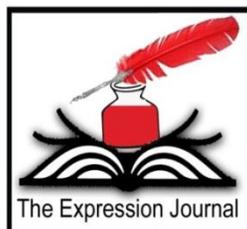
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STUDY OF FACTORS OF NPA: A CASE STUDY OF PUBLIC SECTOR BANKS OF INDIA

Seema Rani

Research Scholar

Bhagat Phool Singh Mahila Vishwavidyalaya (BPSMV)

Khanpur Kalan (Sonipat)

&

Anju Sigroha

Assistant Professor

Deenbandhu Chhotu Ram University of Science and Technology (DCRUST)

Murthal, (Sonipat) Haryana

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Abstract

A saving money segment has dependably been imperative factor for economy to thrive. Once, the keeping money part fizzles, it generally has negative impact on alternate areas. Non-performing resources have dependably been one of the real worries in India. Banks execution is reflected by its NPA level. The expansive number of NPA dissolves the estimation of any advantages in banks and it additionally recommends that number of credit defaults in the banks have expanded. Furthermore, total assets of banks have diminished. The development in NPA level expands the levels you need to set for arrangements which general reductions the investors' esteem and benefits as well. In all finished world issue of expanding, Non Performance Assets has been talked about commonly. In India, health of industry and state can be effortlessly characterized by in the matter of how the level of NPA is expanding in this nation. Entire economies are being influenced by this issue of NPA. This paper bargains in such NPA issues and understanding the reasons for it and furthermore talk about size and reasons for NPA issue in the course of the most recent 3 years and talk about its impact on economy.

Key-Words

NPA, Public Sectors, Economy, Banks, India.

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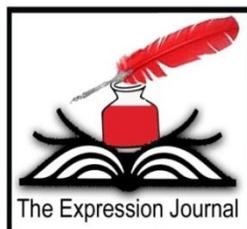
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Introduction, Issues and Objectives of the Study

Non-Performing Asset is characterized as the advances which are in risk of being default. In the event that a borrower has neglected to pay enthusiasm on central installment for 90 days or more in the event of an advance, than that advance is considered to be non-performing resource (NPA). This sort of thing can be named as Non-Performing Loan. NPAs influence the smooth stream of acknowledge and productivity as higher NPAs mean higher provisioning which lessens s the benefit. These are credits and advances whose time period for installment of intrigue and rule has surpassed 90 days. For this situation the record of individual is set apart as out of request. On the off chance that the advance is conceded to a man for rural reason the portion period for intrigue may stay due for two collect seasons. Non-performing resources informs us concerning the banks as the organizations of fund and organizations judge their non-performing resources through NPA and higher the NPA implies awful execution of the organization of back.

Government of India in view of the Narasimham Committee report I and II, Reserve Bank of India acquainted some prudential standards with address the credit checking arrangement, which were being sought after by the banks and different NBFCs. To reinforce the recuperation of advances and duty by the banks and the other monetary organizations, Government of India in the year 1993, declared the recovery of obligations because of banks and other monetary organizations acts" and the, securitization and recreation of monetary resources and authorization of security intrigue acts" in the year 2002.

Open segment banks are the banks in which government has significant possessions. Open Sector banks are partitioned into 2 gatherings: Nationalized banks and State bank Of India and its partners. There are 19 National and 8 State Bank of India partners. Open Sector Banks overwhelm

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75% of stores and 71% of advances in the managing an account industry. Open Sector Banks overwhelm business managing an account in India. These can be further ordered into:

- 1) State Bank of India
 - 2) Nationalized banks
 - 3) Regional Rural Banks
- NPA as Defined by RBI

Any advantage and it likewise incorporates rented resource can progress toward becoming Non Performing Asset when salary prevents to be created from it for the bank. It is a progress or credit where;

- i. For 90 days intrigue or portion of standard sum may stay past due.
- ii. The record an overdraft or money credit with deference of it might stay out of request as it is demonstrated beneath.
- iii. In the event that the bills are obtained or marked down then they stay past due for more than 90days period.
- iv. The portion for two of the yield seasons for brief length of harvests stay past due regardless of whether it is foremost or intrigue. The portion for long length trims consequently remains past due whether its advantage or essential sum.
- v. The portion along these lines stays past due for one product season for long term yields of important or intrigue.
- vi. In regard of a securitization exchange that has been attempted like as far as rules on securitization on dated February 1, 2006. For over 90 days the measure of which like of liquidity office will stay remarkable.

Characterization of Assets:

Non-performing Assets are additionally characterized into three classifications in light of the traverse for which the advantage has remained non-performing and the recuperation of the duty:

- i. Substantial Assets

With impact from March 31, 2005, a substandard resource would be the one, which has stayed as a nonperforming resource for a time of not exactly or equivalent to a year. Substandard resources have credit shortcomings that imperil the liquidation of the obligation and there are additionally probability of acquiring and managing a few misfortunes if the insufficiencies are not remedied.

- ii. Doubtful Assets

With impact from March 31, 2005, an advantage is named farfetched in the event that it has stayed as a sub-standard resource for a time of a year. An advance characterized under the dubious classification has all the shortcoming qualities as characterized for the sub-standard resources; likewise it has included attributes that the shortcoming makes full liquidation or accumulation, on the premise of the presently known conditions, realities, and qualities that are exceedingly suspicious and flawed.

- iii. Loss Assets

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A misfortune resource is one where misfortune has been recognized by the bank's interior evaluators and RBI's outside evaluators, yet the sum has not been composed off completely. These sorts of advantages are additionally considered as uncollectible, and of little esteem that its duration or upkeep as a bankable resource is not justified or worthy however there might be some rescue or recuperation value. (RBI Website, n.d.)

Objectives of the Study

- (a) To find the performance of public sector banks in last three years.
- (b) To find various reasons of NPA.

Methodology of the Study

This piece of study characterizes all the procedure of information gathering. With regards to information accumulation, there are two techniques as a rule utilized by analyst to gather information, essential and auxiliary strategy. Essential technique incorporates perception strategy, talk with/survey strategy, and contextual investigation technique. Optional strategy is the technique in which we incline toward books, diaries, web to gather information.

The present examination depends on blend of both subjective and quantitative information. The subjective information is gathered through the questionnaire. The technique for examining is Random Sampling. The individual is chosen from various age gathering, sex and from various area of Sonipat. The sample has been taken from both bank and account holders of banks who have taken loan.

(a) **Sampling:** The kind of sampling is random sampling. For the investigation, people of various areas of Sonipat were selected.

(b) **Sample measure:** For this examination test estimate is 200. 100 are bankers and 100 are those who have taken loan from banks. From this, specimen estimate the computation of straightforward rates for every variable is finished. The present study is done on the SBI and public sector banks. $\text{Net nonperforming assets} = \text{gross npa} - (\text{balance in interest suspense account} + \text{dicgc/ecgc claims received and held pending adjustment} + \text{part payment received and kept in suspense account} + \text{total provisions held})$ (rbi.org.in).

Literature Review

NPA is a consuming point for the keeping money part and many creators attempted to ponder the reasons of NPA, the issues made by NPA and the effect of NPA on the managing an account division, and additionally went to an answer or cures of the developing issue of NPA. Various papers have been composed and experienced, and this some portion of this paper is endeavoring to display an audit of each one of those are accessible in a similar zone of non-performing resources of people in general area banks, private segment banks and different banks. This study has led an examination on the existing papers, articles, diaries, and reports gave by various writers, gatherings and councils from time to time

Review of Related Studies

Rajeev, M., Mahesh, H.P., (2010): This exploratory paper looks at the Indian patterns of NPAs from different measurements and clarifies how acknowledgment of the issue nonstop observing, can lessen it to a more prominent degree.

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Rajput, N., Arora, A.P., and Kaur, B. (2011): This examination endeavors to follow the development of the NPAs nearness out in the open segment banks of India, by breaking down the budgetary execution in overseeing NPA.

Ahmad, Z., Jegadeeshwaran, M. (2013): The present paper is composed on the NPA, and reasons for NPA. Optional information was gathered for a time of five years and broke down by mean,

CAGR, ANOVA and positioning banks. The banks were positioned according to their execution in dealing with the NPA" s. The productivity in dealing with the NPA by the nationalized banks was tried.

Bhatia, B.S., Waraich, S., Gautam, V. (2013): This investigation was made on District Central Helpful Bank of Punjab, the investigation endeavored to break down the effect of some new product offerings on non performing propels in helpful banks and patterns in NPA against advance plans. Finally a relative examination was made between bank savvy and part insightful to discover the lacunas also, recommend measures for development in overseeing NPA.

Ranjan, R., Dhal, S.C. (2013): This paper investigates an exact way to deal with the examination of the Indian business banks' nonperforming advances by relapse examination

Dutta. A (2014): This paper examined the development of NPA in people in general and private area banks in India, and investigated division insightful non-performing resources of the business banks. With the end goal of the examination information has been gathered from optional sources, for example, cover Trend and Advance of Banking in India, RBI, Report on Currency and Finance, RBI Economic Surveys of India.

Joseph, A. L. (2014): This paper fundamentally manages the patterns of NPA in saving money industry, the inside, outside and different variables that for the most part add to NPA ascending in the managing an account industry and furthermore gives a few recommendations to defeating the weight of NPA.

Ibrahim, M.S., and Thangavelu, R.(2014): In this paper, the creator has broke down the idea of NPAs, parts of advance resources out in the open segment, private area and other outside banks, by an exploratory and analytic approach with the assistance of optional information.

Arora, N., Ostwal, N.(2014): The present paper examinations the arrangement and correlation of advance resources of open and private segment banks. The investigation inferred that NPAs are still a danger for the banks and monetary foundations and open division banks have larger amount of NPAs in contrast with Private part banks.

Mehta.L, Malhotra.M (2014) assessed that NPA is a principle danger for the Banks in India. Non-performing resources must be overseen appropriately for the solid condition of Indian banks.in their exploration paper they talked about the positive effect of need area loaning's on NPAs. Subsidence was considered as a one of the purpose behind the persistent increment in the NPAs.

Sat buddy (2014): An endeavor has been made in this paper to discover the genuine definition of NPA and the elements adding to the arrangement NPAs, purposes behind high NPAs and their affect on Indian managing an account operations.

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Tripathi, L. K., Parashar, A., Mishra, S. (2014): The present examination, with the assistance of various relapse show endeavors to research the effect of need segment propels, unsecured advances and advances made to touchy areas by banks like SBI gathering and other nationalized relies upon Gross NPAs of banks.

Dutta. A (2014): This paper considered the development of NPA in people in general and private segment banks in India, and broke down area insightful non-performing resources of the business banks. With the end goal of the investigation information has been gathered from auxiliary sources, for example, provide details regarding Trend and Progress of Banking in India, RBI, Report on Cash and Finance, RBI Economic Surveys of India.

Das, S. (2010): In this paper the creator has endeavored to break down the parameters which are really the reasons of NPAs, and those are, showcase disappointment, wilful defaults, poor development and supervision, non-participation from banks, poor Legal system, absence of entrepreneurial aptitudes, and preoccupation of assets

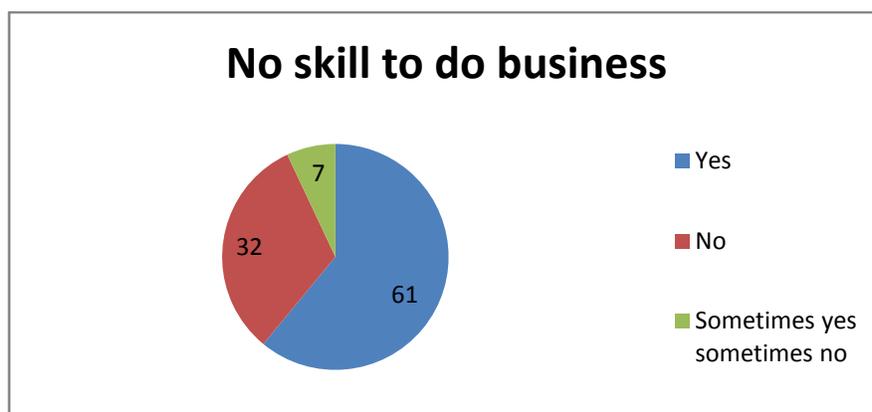
Ahmad, Z., Jegadeeshwaran, M. (2013): The present paper is composed on the NPA, and reasons for NPA. Auxiliary information was gathered for a time of five years and investigated by mean, CAGR, ANOVA and positioning banks. The banks were positioned according to their execution in dealing with the NPA"s. The effectiveness in dealing with the NPA by the nationalized banks was tried.

Ranjan, R., Dhal, S.C. (2013): This paper investigates an observational way to deal with the examination of the Indian business banks' nonperforming credits by relapse examination. The experimental investigation assesses regarding how the NPLs are affected by three noteworthy arrangements of monetary and money related variables, i.e., terms of credit, bank measure actuated hazard inclinations and macroeconomic stuns.

Results and Findings

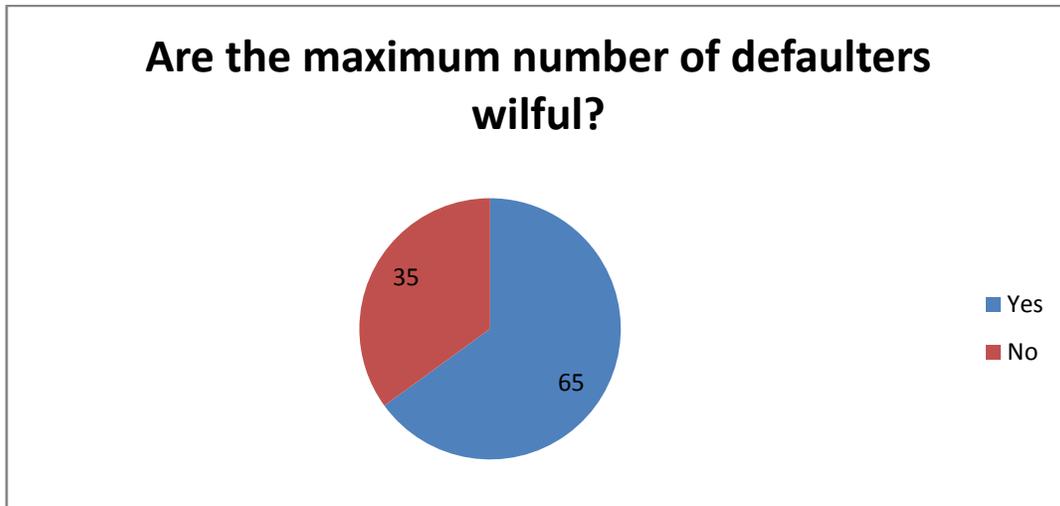
Responses of Bankers

1. Lack of proper skills to do the business



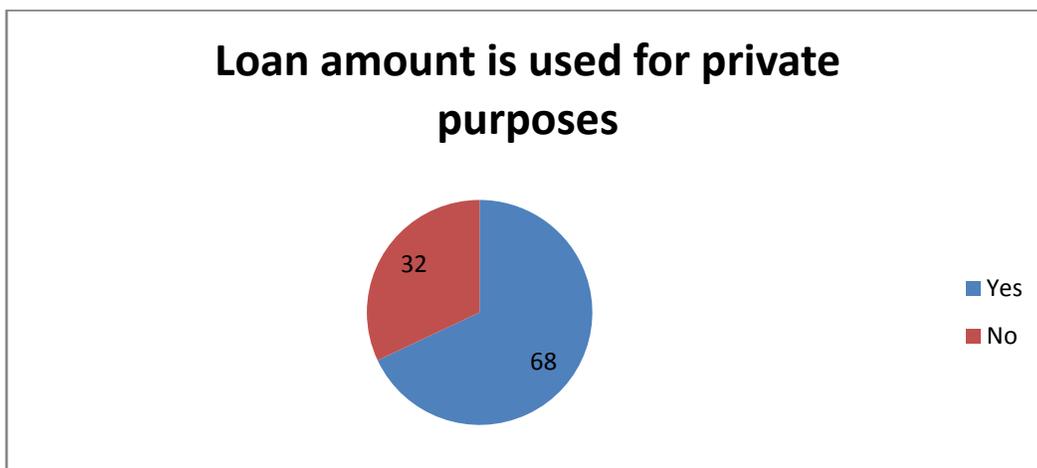
Out of 100 respondents 61% says that the loan borrower have lack of proper business skills. 32 % says borrower don't have lack of business skills and 7 % says, borrower have sometimes lack of skills and sometimes don't.

2. Is the maximum number of defaulters willful?



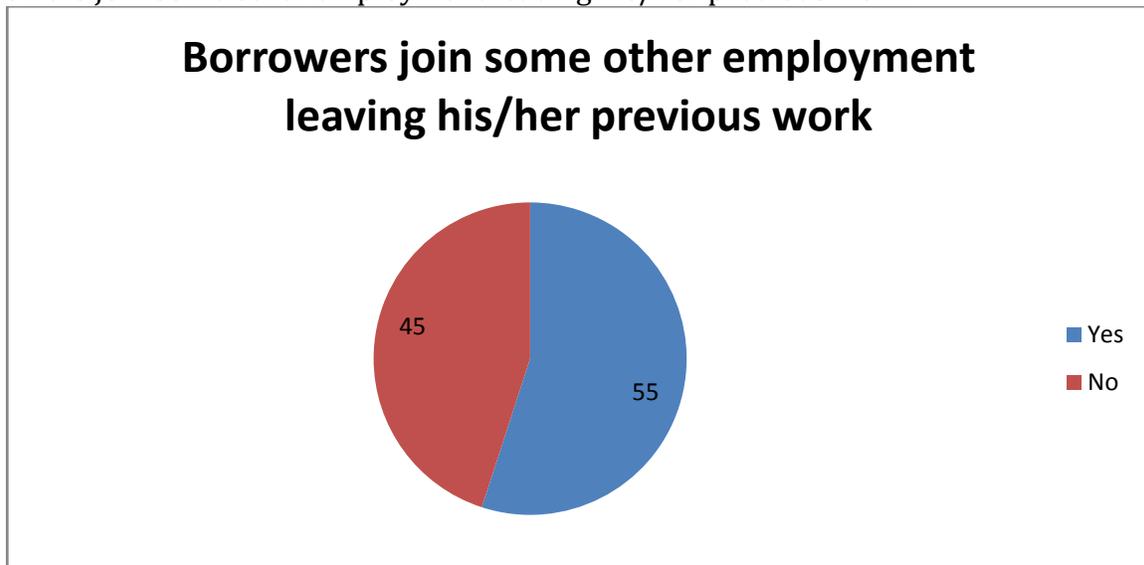
Out of 100 respondents 65% say that the loan borrower is a willful defaulter whereas 35% of respondents say 35% of loan borrowers are not willful. They have some serious issues.

3. Loan amount is used for some private purposes



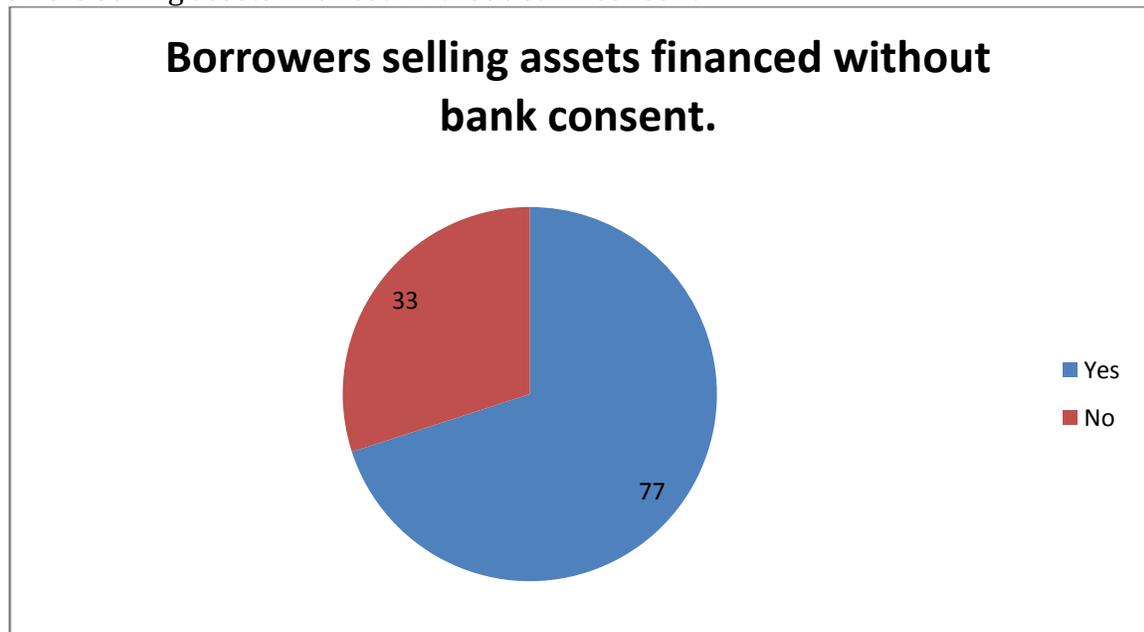
Out of 100 respondents 68% say that the loan borrower uses the amount for private purposes whereas 32% says that they genuinely use the loan amount for the purpose for which they have taken.

4. Borrowers join some other employment leaving his/her previous work



Out of 100 respondents 55% say that the loan borrower join some other employment leaving his/her previous work whereas 45% says that this is not the main reason.

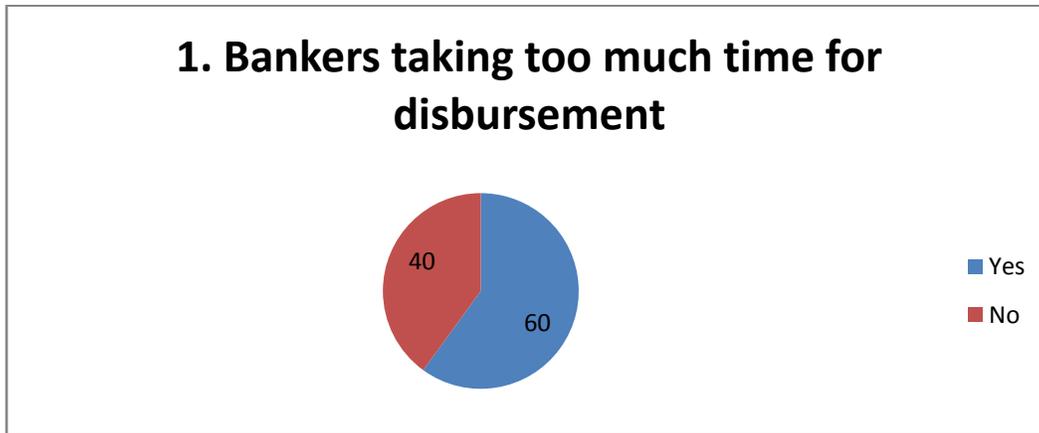
5. Borrowers selling assets financed without bank consent.



Out of 100 respondents 77% say that the loan borrower sells assets financed without bank consent whereas 33% says that this is not the main reason.

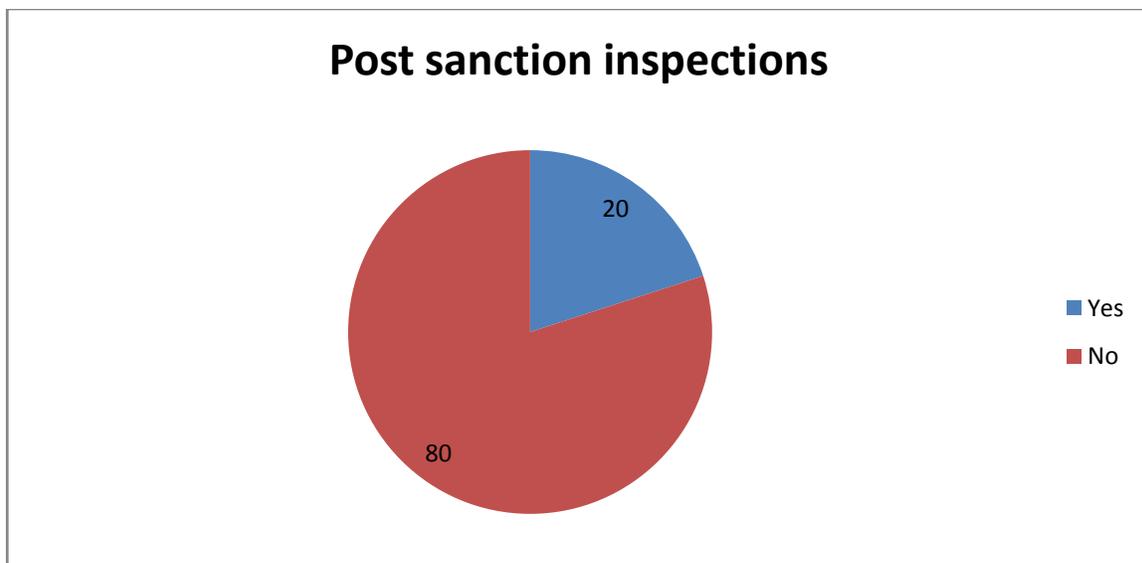
Response of Borrowers

1. Bankers taking too much time for disbursement



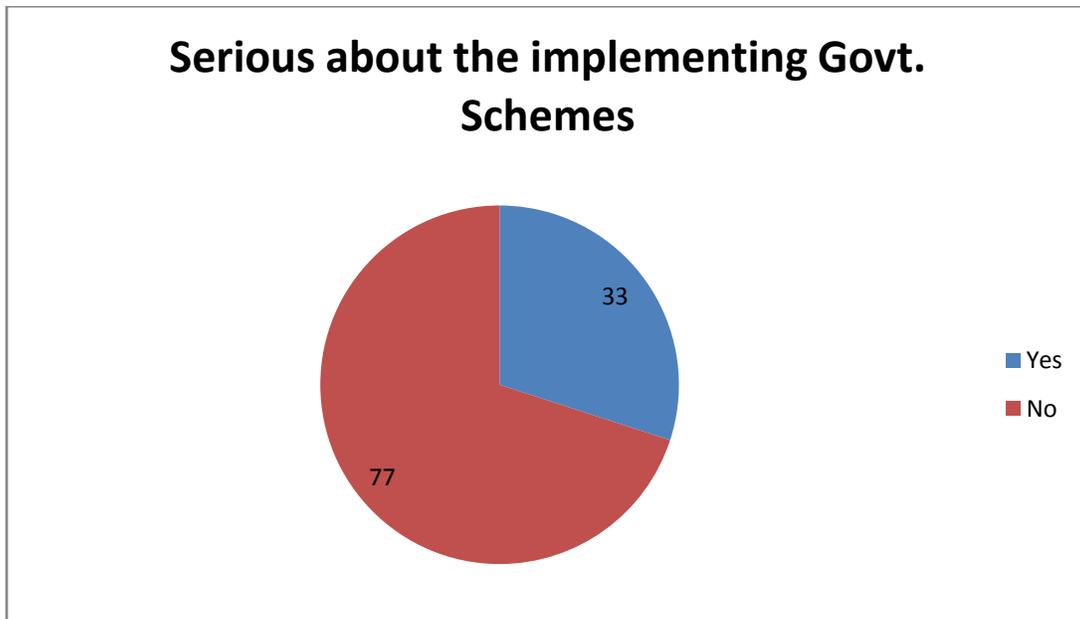
Out of 100 respondents 60% say that Bankers taking too much time for disbursement whereas 40% says that this is not the main reason.

2. Post sanction inspections



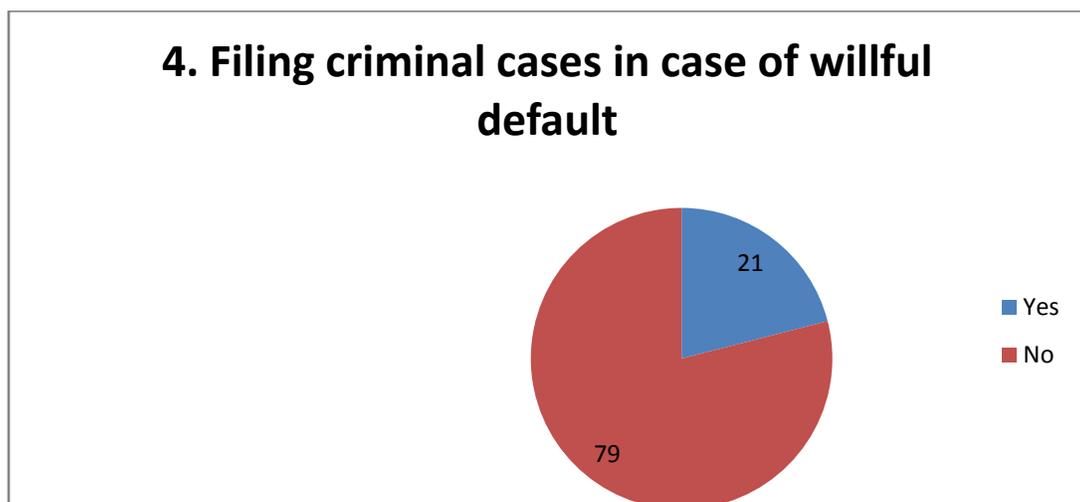
Out of 100 respondents 80% say that there are no inspections after sanction of loan whereas only 20% say that banks inspect after sanctioning loan.

3.Serious about the implementing Govt. Schemes



Out of 100 respondents only 33% say that the bankers are serious about government scheme whereas 77% say that they are not serious.

4.Filing criminal cases in case of willful default



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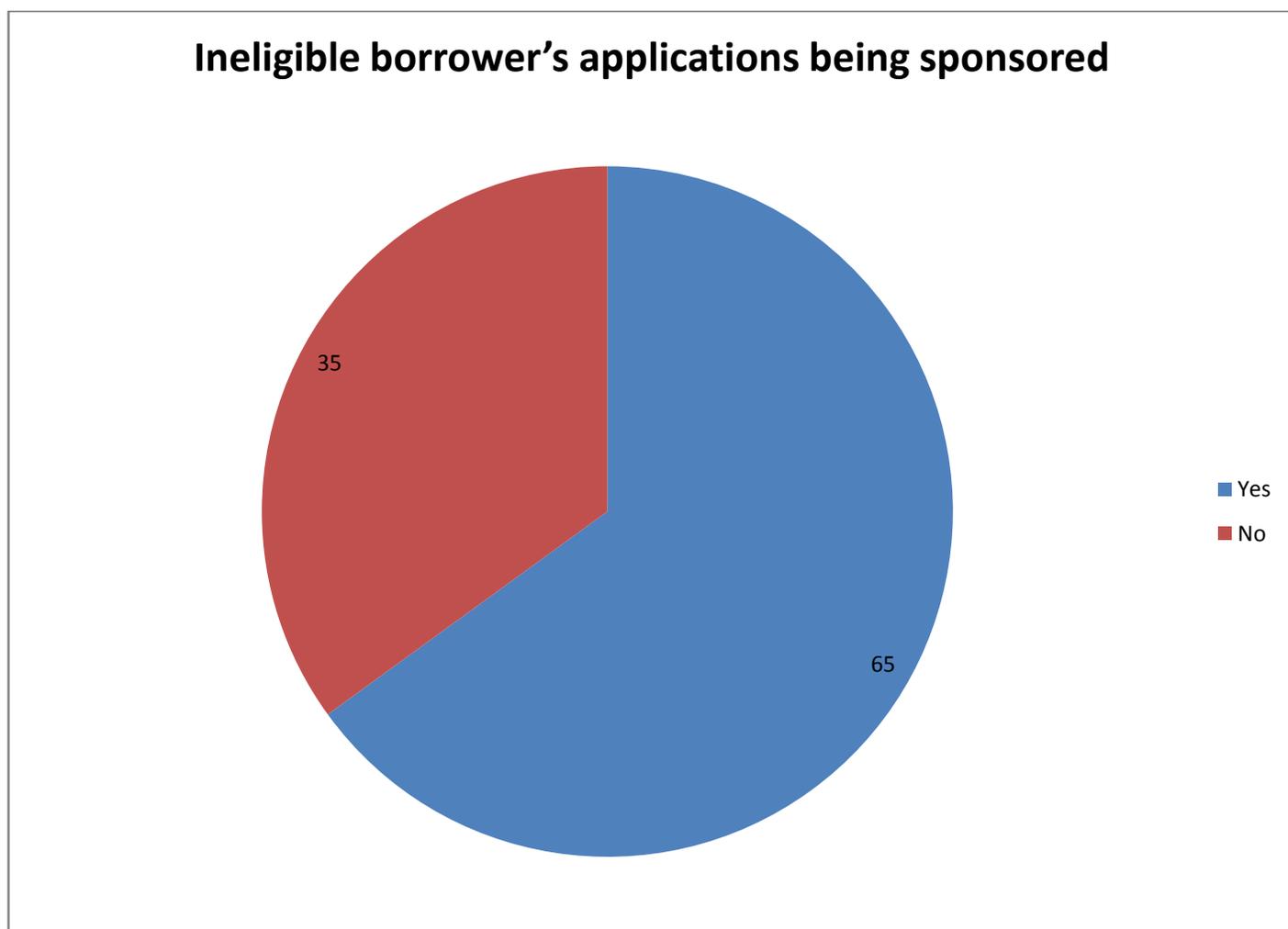
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Out of 100 respondents only 79% say that the bankers do not file any case against willful defaulters and this is the major reason for NPA whereas only 21% say that they file case against willful defaulters.

5. Ineligible borrower's applications being sponsored



Out of 100 respondents only 65% say that the bankers sanction loan to ineligible applicants which is the main reason for NPA whereas only 35% disagreed.

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List of NNPA's of Public Sector Banks

Banks	2013	2014	2015
SBI	1.82	2.10	2.25
Allahabad Bank	3.19	3.55	3.84
Andhra Bank	2.45	2.68	3.20
Bank of Baroda	1.28	1.84	2.26
Bank of India	2.06	2.56	2.89
Bank of Maharashtra	0.52	1.54	1.62
Canara Bank	2.18	2.54	2.87
Central Bank of India	3.90	4.20	4.48
Corporation Bank	1.19	1.55	1.81
Dena Bank	1.39	1.78	2.14
IDBI Bank Limited	1.58	1.87	2.18
Indian Bank	2.26	2.56	2.91
Indian Overseas Bank	2.50	2.84	3.11
OBC	2.27	2.59	2.78
Punjab & Sindh Bank	2.16	2.56	2.88
PunjabNational Bank	2.35	2.44	2.70
Syndicate Bank	0.76	0.71	0.89
UCO Bank	3.17	3.47	3.89
Union Bank of India	1.6	1.87	2.45
United Bank of India	2.87	2.91	3.58
Vijaya Bank	1.30	1.41	1.87

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Conclusion

NPAs have dependably been a major issue for the banks in India. To enhance the issue of the economy the NPAs ought to be planned. The NPA level of the keeping money framework is still at a high contrast with the worldwide models. The main reasons behind NPA are more number of ineligible borrowers is sanctioned loan who fail to repay. There are high number of willful defaulters who are not interested to pay even they having paying capacity. Also the banks do not give loans under certain government schemes. The loan which is given to the borrowers is used for their personal purposes. There are many other viable reasons for NPA.

The time has come to dispose of this issue of NPA. An effective administration framework ought to be made to counter this problem. Bank staff that is in charge of giving out credits and so on ought to be prepared in proper way with respect to are vital strides to give out credits or advances, for instance legitimate documentation, charge of securities and taking measures in keeping that may transform into NPA. Open banks must concentration to rival private division banks in each field with the goal that they may likewise enroll their competition. Banks must give careful consideration with respect to the borrower that has wanted advance and dissect his/her money related proclamations completely to keep away from any entanglements in future that may prompt NPA.

The banks have to check regularly and visit sites to have a look on the borrowers. This will help them to pressurize the borrowers to pay loan on time.

Limitations of the Study

- I found following limitations during my research work:-
- Duration of the project is only 8 weeks which is not sufficient for a detail study.
- Confidentiality matter restricts an in-depth study.
- Personal and perception bias or attitude of respondents also acts as limiting factors in collection of data.
- Busy schedule of employees also act as hindrance in collection of data.
- The sample size was small.

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