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AN OVERVIEW OF NON-PERFORMING ASSETS IN INDIAN BANKS AND THEIR RECOVERY MECHANISMS

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ABSTRACT

Indian banking sector has been facing problems on raising Non- Performing Assets. The profitability of the banks are influenced by increase of Non- Performing Assets. A 'Non-Performing Asset' was defined as a credit facility in respect of which the interest and/ or instalment of principal has remained 'past due' for a specified period of time. Narasimham Committee mandated that identification and reduction of NPAs to be treated as a national priority because Non-Performing Assets direct toward credit risk that bank faces and its efficiency in allocating resources. The recommendations of various committees like Narasimham committee and Verma committee, are suggested some steps to solve the problem of NPAs in the balance sheets of the banks. As per RBI reports Gross NPAs to Gross Advances Ratio is high in case of IDBI Bank Limited is high among public sector banks in the year 2018. The main objectives of the this paper is to study the status of NPA in public sector and private sector banks and its management.

Key Wards: Assets, NPA, Public Sector Banks, Private Sector Banks, Recovery, DRT

INTRODUCTION:

Indian banking sector has been facing problems on raising Non- Performing Assets. The profitability of the banks are influenced by increase of Non- Performing Assets. A 'Non-Performing Asset' was defined as a credit facility in respect of which the interest and/ or instalment of principal has remained 'past due' for a specified period of time. Narasimham Committee mandated that identification and reduction of NPAs to be treated as a national priority because Non-Performing Assets direct toward credit risk that bank faces and its efficiency in allocating resources. The recommendations of various committees like Narasimham committee and Verma committee, are suggested some steps to solve the problem of NPAs in the balance sheets of the banks.

OBJECTIVES :

1) To study the status of Gross and Net NPAs in Indian Banks
2) To study the precautions to decrease the NPAs

METHODOLOGY:

Secondary data collected from RBI annual reports and journals.

TYPES OF NON-PERFORMING ASSETS:

a. Gross NPAs

Gross NPA is an advance which is considered irrecoverable from borrowers As per the guidelines of RBI Gross NPAs are the sum total of all loan assets that are classified as NPAs as on date of Balance Sheet.

b. Net NPAs

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Net NPAs are those type of NPAs in which the bank has deducted the provision regarding NPAs.

Table 1: Composition of net NPA in public sector banks

Year	Percentage of Priority Sector	Percentage of Non-Priority Sector	Percentage of Public Sector
2016-17	24.8	75.2	0.03
2015-16	23.18	76.82	0.42
2014-15	34.61	65.26	0.13
2013-14	36.45	63.46	0.09
2012-13	40.16	58.91	0.93
2011-12	46.96	51.49	1.55
2010-11	55.61	43.84	0.55
2009-10	53.76	45.4	0.84
2008-09	59.35	40.19	0.46
2007-08	63.96	34.29	1.76

Source : RBI Annual Reports.

Table 1 shows that the composition of NPAs in public sector banks, from the above table we can observe that percentage of NPA Composition decreased in case of priority Sector from 63.96 percent in the year 2007-08 to 24.8 percent in the year 2016-17. It is reversed in the case of Non-priority Sector NPA s i.e. percentage increase from 34.29 percent in the year 2007-08 to 75.2 percent in the year 2016-17. In case of NPAs from public sector are very low less than one percent

Chart 1: Composition of NPAs in public sector banks

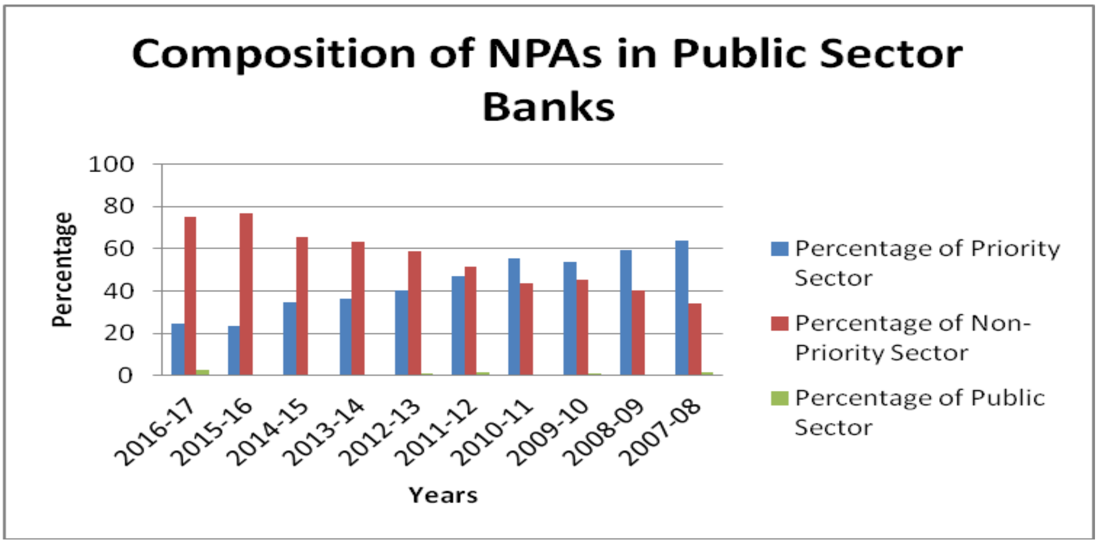

Table 2 : Net NPA as percentage of net advances

Year	Public Sector Banks	Private Sector Banks	Foreign Banks
2017-18	8	2.4	0.4
2016-17	6.9	2.2	0.6
2015-16	5.7	1.4	0.8
2014-15	2.9	0.9	0.5

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2013-14	2.6	0.7	1.1
2012-13	2	0.5	1
2011-12	1.5	0.5	0.6
2010-11	1.1	0.6	0.7
2009-10	1.1	1	1.8
2008-09	0.9	1.3	1.8

Source: RBI Annual Reports

Table 2 depicts that Net NPA as percentage of Net Advances, Net NPAs are increased in case of public sector banks year by year. In the year 2008-09 net NPAs is only 0.9 percent , this is increased to 2 percent in the year 2012-13 and continuously increased to 8 percent in the year 2017-18. In case of Private Sector Banks also continuously there is an increase in the percentage of NPAs year by year. In case of foreign banks there are able to control the percentage of NPAs 1.8 percent in the year 2008-09, it is decreased to 0.6 percent in the year 2011-12, again there is increase in the year 2012-13. From the year 2015-16 the percentage of NPAs in foreign banks are decreased to 0.4 percent in the year 2017-18.

Chart 2 : Net NPAs as Percentage of Net Advances.

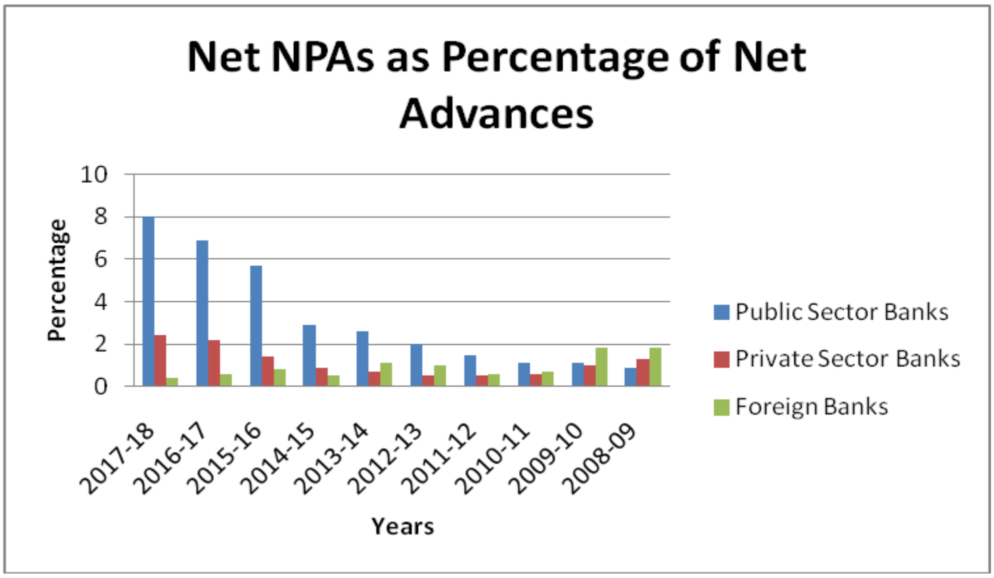


Table 3 : NPA's of Scheduled commercial banks recovered through various channels

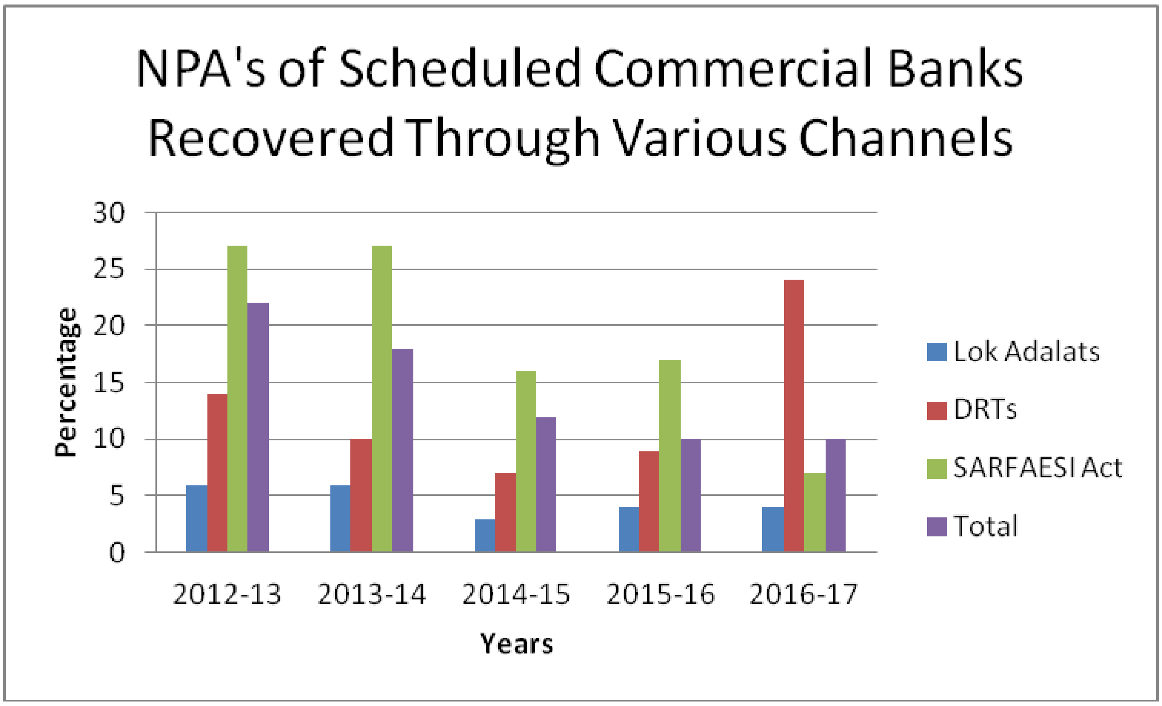
Year	Lok Adalats	DRTs	SARFAESI Act	Total
2012-13	6	14	27	22
2013-14	6	10	27	18
2014-15	3	7	16	12
2015-16	4	9	17	10
2016-17	4	24	7	10

Source: RBI Annual Reports

Table 3 shows NPA recovery Channels of Scheduled Commercial Banks in percent. Out of recorded NPA s total 22 percent covered . through Lok Adalats minimum of 3 percent to maximum 6 percent recovered . Debt Recovery Tribunals are recovered minimum of 7 percent in the year 2014-15 and maximum recovered in the year 2016-17. Through

SARFAESI Act Commercial banks are recovered minimum 7 percent in the year 2016-17 and maximum 27 percent in the year 2012-13 and 2013-14.

Chart 3: NPAs of scheduled commercial banks recovered through various channels



Recommendations and Solutions for Non-Performing Assets:

I. **Training Programs :** The Banks should provide proper training program to their employees on credit and Management of NPA.

II. **Visits by Bank Officials**: The bank officials should visit to the borrower‟s business place periodically to reduce the risk.

III. **Insurance:** The banks should ensure that the assets are fully insured to safeguard the interests.

IV. **Credit Limits to NPA's under Check :** The auditors of the banking companies must monitor all outstanding accounts in respect of accounts enjoying credit limits more than cut – off points, so that new sub-standard assets can be kept under check by the banker.

V. **Camps for Recovery**: The banks should conduct periodical recovery camps in the bank premises or other place, such type of recovery camps will reduce the levels of NPA in the banks

VI. **Lok Adalats:** To settle disputes involving account of doubtful and loss categories the bankers may take the help of the Lok Adalats and Debt Recovery Tribunals.

VII. **Need of Loan:** Bank should find out the need of the loan required by the borrower. Proper identification of the guarantors should be made by the bank including scrutiny of his/her assets and liability

VIII. **Reviews from Time to Time:** Position of overdue accounts should be reviewed and warned on weekly basis to arrest slippage of fresh account to NPAs.

CONCLUSION

The problem NPA is raising from year to year, to control this problem bankers should take risk management techniques then we may control NPAs. The bankers should plan to recover NPAs through various channels from borrowers and proper steps should take to minimise risk from borrowers.

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