

# Empirical Data Analysis of Non- Performing Assets (NPAs) and Its Determinants: A Study of Indian Public Sector Banks

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## ABSTRACT

There has been increased concern about the continued deterioration in the asset quality of Indian public sector bank in recent times. Reserve Bank of India, s Financial stability Report 2017 acknowledged that the risks to the Indian banking sector have been increased in the past recession period particularly, the risk of accumulating non-performing assets (NPAs). NPA or Non Performing Asset is those kinds of loans or advances that are in default or in arrears. In other words, these are those kind of loans where in principal or inters amounts are safe or have not been paid. These are also the kinds of loans where the tender consider the loan agreement to be broken and the receiver of the loan is unable to pay back the loan amount. In simpler terms, if the customers do not reply principal amount and considered as Non performing Assets or NPA, To put it in other words, Non performing Assets are basically Non performing Loan. In our country, the timeline given for classifying the asset as NPA is 180 days. As against 45 to 90 days of international norms.

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## NPAs are of 4 days

1. Standard Assets- It is a kind of performing asset which creates continuous income and repayments as and when they become due. These assets carry a normal risk and are not NPA in the real sense of the word. Hence, no special provisions are required for standard assets.
2. Sub standard Assets- Loan and advances which are non performing assets for a period of 12 months, fall under the category of Sub-standard Assets.
3. Doubtful Assets- The Assets considered as non performing for a period of more than 12 months are known as Loss Assets.
4. Loss Assets- All those Assets which cannot be recovered by the sending institution are known as Loss Assets.

## Research methodology

Research methodology definition and Analysing the utility of research to the Empirical research study, analytical research or exploratory Analysis.

## Data Collection:

Data collection has mainly been derived from the official website of reserve bank of India. Annual Reports of all the scheduled commercial bank are submitted to the RBI.

## Data Analysis:

The statistical analysis for this study is descriptive analysis. Mainly the time series analyses have been done over the period of the study.

The following trend patterns are visible with respect to NPA recovery mechanism.

## Finding

- A. NPAs recovered by scheduled commercial banks through one time settlement/compromise schemes.

Table-1 Recognized the data for the NPAs recovered through one time settlement/ compromise scheme.

**Table 1 NPAs Recovered scheduled commercial bases through various channels one- time settlement / compromise schemes**

Year	No. of cases Reformed	Amount Involved (Rs. Crore)	Amount Recovered (Rs. Corre)
2014	279124	3020	1234
2015	265562	2664	1760
2016	20524	1544	1216
2017	22654	2019	1416
2018	Nil	Nil	Nil
2019	Nil	Nil	Nil

Source: Report on trend and progress of Banking in India. Various Issues: RBI.

It is evident that with the time and implementation of new changes has really under mind the compromising scheme which was the popular course of action in the initial year.

B. NPAs recovered by scheduled commercial Banks through other channels.

Year	No. of cases Referred	Amount Involved (Rs. Crore)	Amount Recoverd (Rs. Crore)
2014	372200	2126	298
2015	390790	1002	226
2016	363094	2202	446
2017	320736	1516	212
2018	373070	4284	342
2019	383060	1107	240

Source: Report on trend and progress of Banking in india. Various Issues: RBI.

Amount recovered as compare to the amount involved is not very promising stating problems of recovery of NPA through this channel.

**Conclusions and Suggestion:**

It has indeed help banks in their managements of NPAs. Government needs to overview existing regulation and implement amendment so that these measures can be more effective. Legislative amendment are necessary to give a legal status to securitization transaction.

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