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A Study of Non-Performing Assets in Public and Private Sector Banks

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Abstract: - The new era has changed the structure of India's banking sector. Globalization and liberalization has given birth to new challenges in the banking sector. Along with the public sector banks, now the private sector is also increasing its contribution in the banking sector, thereby creating an environment of healthy competition in India.

An attempt has been made to evaluate the operational efficiency of selected public and private banks in India through this study and it has also been analyzed that how banks of the public and private sector can control non-performing assets.

Keywords - *Non Performing Assets, Private Banks, Public Banks.*

I. Introduction

Private and public sector banks are the main part of banking in India. These banks are doing well in rural and semi-urban areas. Now the Indian Banks have not only been involved in traditional work like money lending and accepting deposits but also involved in new areas like customer service, merchant banking, lease, interest distribution, mutual funds etc. They have also started many innovative schemes to accept deposits and provide loans. Apart from this, he is providing modern facilities such as issuing new services such as drafts, passenger checks, gift checks, e-banking etc. Hence, at the present time, banking facilities are connected to the all zone of the country's economy. Failure of banking can adversely affect other areas also. Non-performing asset is one of the major problems for India's banks. Non-performing assets reflect the performance of banks. The high level of non-performing assets refers to the high probability of credit defaults, which affects the profits of the bank and also determines the value of the

asset. Increase in non-performing assets will increase the provisions, which will have an adverse effect on the profits of the shareholders and the profitability of the banks.

II. Meaning of non-performing assets

Such assets which generate periodic income are called performing assets. Such property which does not generate income from time to time is known as non-performing assets. Non-performance assets have been classified into standard, sub-standard, doubtful and loss assets based on the norms of RBI.

III. Objectives

The problem of non-performing assets is one of the oldest and weakest problems in the banking sector, which in turn connects the entire banking industry in India as a common problem. Like a worm, it is ending the banking system from within, because it is growing like a cancer for a long time.

The high-priced property of the non-performing assets is dangerous for the banking sector, but it also adversely affects the other areas of economics. Non-performing assets is a negative structure, which demands corrective action in the right way at the right time, to avoid the adverse effects it may cause. So main objective of this study is to control non-performing assets and give suggestion regarding this.

IV. Types of Non-Performing Assets

A) Standard assets: - Standard assets generate continue income and repayment on demand basis. Hence the standard property is performed or good assets. There is a general risk of such assets and in the real sense there are no non-performance assets. Therefore no special provision is required for standard assets.

B) Non-standard assets: - A non-standard asset is one which is considered as non-neutral assets for a period of 12 months.

C) Doubtful assets: - All those properties which are considered as non-ad hoc executives for more than 12 months are considered as doubt full assets.

D) Loss assets: - A loss asset is that which has not been settled in the bank or internal full. In other words, the property whose value recovery is not worthwhile is called loss property.

The main reasons for non-performing assets are: -

- 1) Incorrect selection of activities of the borrower.
- 2) Weak credit evaluation system.
- 3) Industrial problem.
- 4) Inability to manage the borrower.

- 5) Laziness in credit management and monitoring.
- 6) Recession in the market.
- 7) Lack of proper follow-up action by the bank.
- 8) Effective disability in the banking area and bad behavior of the diplomatic zone.

V. Impact of non-performing assets on banks

Improvement era has changed the entire structure of India's banking sector. In the emerging competition, new challenges for Indian banks are increasing. Therefore, the parameters of evaluating the performance of banks have also changed. Non-performing assets is one of the major concerns for banks in India. Non-performing assets show the performance of banks, due to the existence of non-performing assets, the ability to learn and profitability of banks is highly affected.

- 1) The dividend income of banks will fall.
- 2) Return on investment will be reduced.
- 3) The cost of capital will increase.
- 4) Reduce the recycling of money.

VI. Proposed methods in the time period of the research work

The basis of the proposed research will be based on the compilation of secondary data. The compilation of the secondary summons will be done from the annual report of the selected banks, government records, various publications of the Reserve Bank of India, bulletin and publication of the Council of Indian Banks, various newspapers and magazines. In addition to this, where the compilation of primary modes will be collected by the banks, where the requirement will be collected.

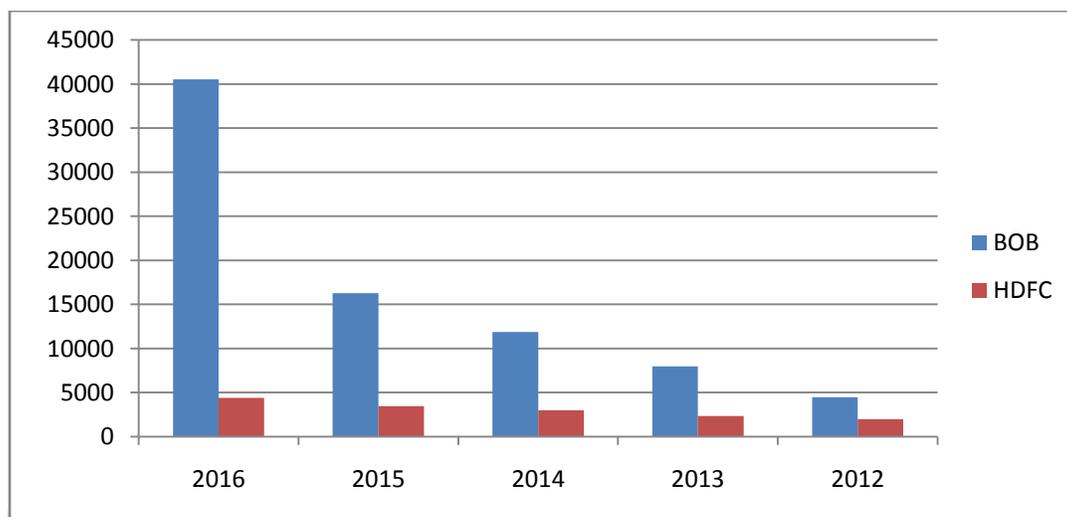
Different statistical methods such as average, percentage, variance coefficient, co-relation coefficient etc. will be used for analyzing summons to understand the meaningful overall effectiveness of non-performing assets. The samples will be analyzed according to the necessity, with the help of diagrams, documentaries, etc. and finally the results will be generalized.

VII. Tables and Figures

Total Non-performing Assets

Year	Bank of Baroda	HDFC
2016	40521.04	4392.83
2015	16261.44	3463.38
2014	11875.90	2983.20
2013	7982.18	2334.64
2012	4464.75	1999.39

Demonstration by drawing



It is evident from the above data that the non-performing assets of Bank of Baroda (public banks) are relatively high. However, in HDFC (Private Bank), the increase in non-performing properties is also visible in the year). But there is a huge difference in the data of HDFC Bank and Bank of Baroda. Therefore, Bank of Baroda should take appropriate steps to reduce non-performing properties.

VIII. Conclusion

Thus, it can be said exclusively that, performance of the HDFCs bank (in relation to non-performing assets) is better than the Bank of Baroda. The non-performing assets are barrier like termites, in the success of bank and the main obstacle in maintaining bank's work efficiency and profitability. It is necessary to follow the following major policies and rules for proper management of non-performance assets.

- 1) Proper and well documented loan policy and rules.
- 2) Recovery attempts should begin with the legal proceeding shortly after the defaults month.

- 3) Credit Cost Monitoring.
- 4) Inspection and credit service training.
- 5) Certificate of confirmation of half yearly arrears from the investor should be obtained.
- 6) To review the irregular account, a committee should be formed in a main office.
- 7) The liberal policies of the government should be reduced and the assurances of government assistance should be stopped so that farmers, students and credit receivers can be motivated to repay the loans and they do not have a gross status of government aid and loan waiver in their minds. And repay the debt repayable regularly. This will help in reducing non-monetary property.

Apart from the traditional method of micro-economics, now-a-days macro economics is needed, which has been interpreted by Mims, whose prime motto is to set up a large scale industry, which lead to large scale production, income and employment. Under this, the nation should increase its resources so that the inhabitants of the country become prosperous and the resources can be utilized in abundance.

Now the parameters of evaluating the good performance of the banks are also changing. Non-performing assets is one of the major concerns for banks in India. Non-performance assets show the performance and efficient management of banks. Due to the existence of non-performance assets, the bank's ability to learn and profitability are highly affected. So it's necessary for banks to keep level of NPA low as possible.

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