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CURRENT STATUS OF NON-PERFORMING ASSETS OF BANKING SECTOR OF INDIA WITH SPECIAL REFERENCES TO CAUSES AND GOVERNMENT INITIATIVES

Dr. Sukanta Sarkar

Associate Professor, Department of Economics, Gambella University, Ethiopia,
Email: sukantaeco@gmail.com, (ORCID-ID-0000-0003-3041-061X)

ABSTRACT
The objective of the study is to examine the current status of non-performing assets of banking sector of India. It has found that non-performing assets is a bigger challenge of our banking sector. Such asset is the burden in any financial institution. It exists in more or less in any type of banking institution. Gross and net non-performing assets of scheduled commercial banks are declining since 2018-19. In scheduled commercial banks, public sector banks have the higher non-performing assets then the private bank, regional rural banks and foreign banks. Rural Co-operative Banks has higher non-performing assets then the urban cooperative banks. Non-performing assets affect bank's profitability, and revenues. Due to the recession and slowdown in demand, companies are unable to pay debts. This has led to debt accumulation and increased non-performing assets. The Reserve Bank of India has taken various measures to address the non-performing assets problem. Measures related to management processes, technological integration and specific business strategies aimed at immediate reduction and long-term adaptation.

Keywords: Bank, Borrowings, Credit, Non-performing assets, and Reserve bank of India.

INTRODUCTION
Non-performing assets are the distribution of loans or advances that are in default or have defaulted. Loans can go into default when payments or interest payments are late or not made at all. A loan is foreclosed when the lender believes that the loan agreement has been breached and the borrower will not be able to fulfil his obligations. For a bank, loans are an asset because the interest we pay on these loans is one of the most important sources of income for the company. When a customer (whether individual or corporate) fails to pay interest, the asset becomes a 'non-performing asset' for the bank as it does not generate income for the bank. Therefore, the Reserve Bank of India defines non-performing assets as assets that have ceased to generate income. Such assets are loans or receivables from banks or financial institutions that are unable to provide funds to the borrower because the borrower has not repaid the loan and interest for at least 90 days. Non-performing assets are loans that do not generate income for the bank. For borrowers, having a non-performing asset and not paying interest can have a negative impact on their credit and growth potential. This will affect their ability to borrow money in the future. For banks or lenders, interest is a major source of income.
Non-performing asset can be classifying as sub-trendy property, doubtful assets, and loss property. An asset is assessed as a sub-fashionable asset if it remains as a non-acting asset for a duration much less than or equal to 365 days, is referred to as Sub-widespread property. An asset is assessed as a dubious asset if it stays as a non-appearing asset for extra than one year, is called dubious assets. An asset is considered a loss asset whilst it's miles "uncollectible" or has such little fee that its continuance as a bankable asset is not always advised, is referred to as Loss belongings. Elements contributing to the rise of non-acting assets consist of financial downturns, bad lending practices, borrower defaults, and systemic troubles in industries. Non-performing loans have a tendency to arise during economic hardships when delinquencies are excessive. Healing of such asset can take place in many approaches inclusive of contacting the borrower to restructure the mortgage terms, attractive recuperation dealers to gather payments, or promoting the loan to asset reconstruction companies. The intention for the financial institution is to minimise losses and repair the loan to acting fame if feasible.

LITERATURE REVIEW

Selvarajan & Vadivalagan (2013) concluded that non-performing assets are also called as non-performing loans. It is made by a bank or finance company on which repayments or interest payments are not being made on time. A loan is an asset for a bank as the interest payments and the repayment of the principal create a stream of cash flows. Saxena (2013) aimed at understanding the concept of non-performing assets and the efforts on behalf of the banks and financial institutions in harnessing the such assets. The growth in such assets can be checked substantially if banks and financial institutions take suitable policies. Rao & Patel (2015) considered aggregate data of public sector, private sector and foreign banks and attempts to compare analyse and interpret the non-performing asset management. Non-performing assets are like a double edged sword. They do not generate any income, whereas, the bank is required income. Satyanarayana (2016) concluded that those loan losses have an effect on the financial institution's profitability on a big scale. The though whole removal of such losses isn't always possible, however banks can usually aim to preserve the losses at a low stage. Non-appearing belongings mirror the performance of banks and high stage of such assets implies that there are massive numbers of credit score defaults that have an effect on the profitability of the financial institution.

Gnawali (2018) examined the impact of non-performing loans on the profitability of business enterprises in Nepal. Rana (2018) in his report found that non-performing assets are a common problem in the Indian financial market. The financial institution has achieved many great successes in the last three years. Many banks are facing the problem of such assets which is affecting their business. Jayaprasad (2018) found that equipment failure not only affects the organisations but also the economy of any country. This paper tries to analyse the asset failure of rural banks after the merger in the last decade. Ghaloth (2018) tried to understand the non-performing assets and the factors related to such assets, the reasons for the high level of such assets and its impact on the performance of the Indian banking sector. Adithya et al. (2019) concluded that banking system is the backbone of the Indian financial system. The Indian financial sector has been successful in the past, but in recent years the banking sector has faced many challenges such as asset management, real estate unemployment and bad debt.

Kandpal (2020) identified and analysed the factors affecting non-performing assets, their effectiveness and suggested necessary measures to ensure their effective monitoring and management. The banks selected for this research project have high non-performing assets and are among the top banks in their sector. Prasad and Prasad (2020) discussed the impact of non-performing assets on bank revenues in their paper. In the assessment of private banks, it was revealed that such assets were created at a lower cost as compared to Agricultural Development Bank as required by the government. Sudha and Mangai (2020) explained the reasons for non-performing assets in India. Indian banks need to be vigilant against bad loans and maintaining adequate capital to absorb bad loans is crucial for survival. The National Bank of India has initiated an asset quality review to assess the non-performing assets status of Indian commercial banks. Khachekar et al. (2020) focus on the growing problem of bank failures and its impact on the economy. Loans are an asset to the bank because interest and repayments generate income. Banks make money receiving interest on the loans.

Prashant et al. (2020) investigate the factors affecting the non-performing assets of Indian banks. The research results show variables such as poor assessment of credit risk, poor credit utilization, poor credit monitoring and recovery, ability of banks to initiate credit problems, one-time credit products, short-term loans and lack of credit advice affecting bank failure in particular. Kalpana and Padmavathi (2020) concluded that public sector banks are at a disadvantage compared to private sector banks in the area of non-performing assets. This paper aims to examine the effectiveness of public and private sector banks in managing non-performing assets. Mukherjee and Phirangi (2020) clinched that non-performing assets should be reduced and controlled to improve the efficiency and profitability of banks. While the reduction in non-performing assets generally indicates a strengthening of the credit appraisal process, the growth in non-performing assets indicates the need to maintain balance sheet adjustments that may affect the profitability of the bank.

Jain (2021) found that major reason for the increase in non-performing assets in India is low credit score and poor borrowers. Pani (2022) discussed the concept of asset failure and examined reasons for assets turning into non-performing assets and provides recommendations to avoid such assets in the future and preserve existing assets. Renuka and Divya (2023) in their report focused on the non-performing assets status of selected banks. Today, the performance of a bank depends on its deposit volume, number of branches, service quality and assets. Patel and Shah (2023) found that the financial sector plays an important role in the development of the Indian economy and with their support our system is working well. Therefore, the stability of the financial institution is very important. The increase in equipment failures in the banking sector in the last few years has become a problem for the system

and the business.
From the above analysis it has concluded that non-performing assets are a common problem in the Indian banking system. The problem of bank failures and its impact on the economy are the growing attention. Poor assessment of credit risk, poor credit utilisation, poor credit monitoring and recovery, ability of banks to initiate credit problems, one-time credit products, short-term loans and lack of credit advice are the factors affecting the failure of financial institutions. Majority of the reviews discussed the status and challenges of non-performing assets in banking sector of India. Few studies were compared the non-performing assets in public, private, foreign, cooperative, small finance and regional rural banks of India. Therefore, we have chosen the topic for evaluation in our article.

OBJECTIVES

The main objectives of the paper are: (a) To study the current status of non-performing assets of banking sector of India; (b) To compare the non-performing assets of scheduled commercial banks, public sector banks, private sector banks, foreign banks, small finance bank, and co-operative banks in bank; (c) To identify the causes of non-performing assets in banking sector, and (d) to examine various policies of government for mitigating such assets in banking sector.

METHODS AND MATERIALS

This study is descriptive in design and has utilised quantitative and qualitative approaches. Secondary data for the study has been collected from the Statistical Handbook of Reserve bank of India, Government of India, and research papers. To reveal the non-performing assets in India in general and trend in particular, descriptive analysis, content text analysis, and correlation analysis have been performed.

RESULTS AND DISCUSSION

When a mortgage is not paid within the stipulated duration after it has expired, it is classified as a non-acting asset. These are loans or advances are not paid on time. Those properties are listed at the stability sheet. It's miles crucial for borrowers and lenders to recognise non-acting belongings and non-performing assets. For debtors, having a non-appearing asset and not paying interest may have a terrible effect on their credit and capacity. This may affect their capacity to borrow in the destiny. Interest is a main supply of earnings for banks or creditors. Consequently, system failure can negatively impact their potential to generate sufficient profits, affecting their usual profitability. It's is essential for banks to control non-acting assets because some of such assets can affect the bank's monetary and growth capability. In the short term, banks can tackle as many non-appearing property as possible. but, if the quantity of non-appearing property continues to increase over time, it's going to affect the monetary fitness and future success of borrowers.

(a) Trend of Non-performing assets in Banking sector of India

Excessive non-performing assets will force banks to lessen costs. This may disrupt the balance of significant economic assets. Creditors can take legal motion towards borrowers who default, together with sending legal notices, seizing any belongings related to the mortgage, and starting up repossession. Making plans is a not unusual monetary hazard management approach used to account for failure and different special costs. If payments aren't made for a prolonged time period, the lender will pressure the borrower to take away or sell the assets that guaranteed the loan.

Table 1: Savings Deposits with Commercial Banks in India

Year	Indian Bank	Foreign Bank	Total	Year	Indian Bank	Foreign Bank	Total
1985-86	24071	485	24555	2009-10	1101171	35504	1136676
1987-88	32546	625	33171	2010-11	1339654	37634	1377288
1989-90	43744	823	44567	2011-12	1501018	38159	1539177
1991-92	55554	1348	56902	2012-13	1716315	38421	1754736
1993-94	69434	1718	71151	2013-14	1965051	40390	2005441
1995-96	99347	2514	101861	2014-15	2178847	41046	2219893
1997-98	136770	3194	139964	2015-16	2492846	43698	2536544
1998-99	160889	3836	164725	2016-17	3340707	52876	3393583
1999-00	187173	4727	191900	2017-18	3599341	55896	3655237

2000-01	217452	5530	222982	2018-19	3972547	58630	4031177
2001-02	272119	6988	279107	2019-20	4285362	65384	4350746
2002-03	302816	8748	311565	2020-21	4974715	81092	5055807
2003-04	373137	12232	385369	2021-22	5594034	87284	5681318
2004-05	443573	15045	458618	2022-23	5903552	55203	5958755
2005-06	556303	18827	575130	2023-24	6260963	58437	6319400

Source: Statistical Handbook of Reserve bank of India, Government of India. Figure in Rupees Crore (INR). Website: https://www.rbi.org.in/

Table 1 discussed the savings deposits with commercial banks in India. It has found that total savings deposits in Indian banks and foreign banks are increasing since 1985-86. Total savings deposit in Indian banks was 24071 crores in 1985-86 and 11.01 lakhs in 2009-10. It was further increased and reached 62.60 lakhs in 2023-24. Therefore, the total savings deposit in Indian banks has increased more than 260 times in the last 40 years. On the other hand, total savings deposit in foreign banks was 485 crores in 1985-86 and 35504 crores in 2009-10. It was 87284 crores in 2021-22 and 58437 crores 2023-24. Therefore, the total savings deposit in foreign banks has increased more than 120 times in the last 40 years. In overall, combined savings deposit in banks has increased more than 257 times in the last 40 years.

Table 2: Institutional Credit for Agriculture and Allied Activities (Loan Issued)

Year	RRBs	SCBs	Co-operatives	Total
1987-88	483	3526	4710	8720
1989-90	647	4282	5407	10336
1991-92	596	4806	5797	11199
1992-93	698	4960	6484	12141
1994-95	1083	7408	9876	18366
1996-97	1748	10675	13254	25677
1998-99	2515	14663	15099	32277
2000-01	3966	16440	27295	47701
2003-04	7175	36203	40049	83427
2007-08	23838	113472	57643	194953
2011-12	54450	312877	87963	455290
2014-15	102483	604376	138470	845329
2016-17	123216	799781	142758	1065755
2020-21	190012	1194704	190682	1575398
2023-24	282878	2023749	242008	2548635

Source: Statistical Handbook of Reserve bank of India, Government of India. Notes: SCBs: Scheduled Commercial Banks, RRBs: Regional Rural Banks. Website: https://www.rbi.org.in/

Table 2 depicted the institutional credit for agriculture and allied activities. It found that agricultural credit issued by Scheduled Commercial Banks, Regional Rural Banks, and cooperative banks had increased since 1987- 88. Total agricultural credit issued by scheduled commercial banks was 3526 crores in 1987-88 and 36203 crores in 2003-04. It was further increased and reached 20.23 lakhs crores in 2023-24. So, total credit sanctioned by scheduled commercial banks has increased more than 270 times in the last 27 years. Total credit of Regional Rural Banks was 483 crores in 1987-88 and 7175 crores in 2003-04. It was further increased and reached 2.82 lakhs crores in 2023-24. So, total credit sanctioned by Regional Rural Banks has increased more than 585 times in the last 27 years. Total agricultural credit issued by cooperative banks was 4710 crores in 1987-88 and 40049 crores in 2003-04. It was further increased and reached 2.42 lakhs crores in 2023-24. So, total credit sanctioned by cooperative banks has increased more than 51 times in the last 27 years. Therefore, Scheduled Commercial Banks are in the leading position in institutional credit for agriculture and allied activities, followed by Regional Rural Banks, and cooperative banks.

Table 3: Gross and Net Non-Performing Assets of Scheduled Commercial Banks in India

Gross Non-Performing Assets				
Year	Advances (Gross)	NPA Amount	As Percentage of Gross Advances	As Percentage of Total Assets
2011-12	5158878	142903	2.8	1.7
2013-14	6875748	263362	3.8	2.4
2015-16	8173121	611947	7.5	4.7
2016-17	8492565	791791	9.3	5.6
2017-18	9266210	1039679	11.2	6.8
2018-19	10294463	936474	9.1	5.6
2019-20	10918918	899803	8.2	5.0
1920-21	11399608	835138	7.3	4.3
2021-22	12750006	743640	5.8	3.4
2022-23	14761838	571546	3.9	2.4
Net Non-Performing Assets				
Year	Advances (Net)	NPA Amount	As Percentage of Net Advances	As Percentage of Total Assets
2011-12	5073559	65205	1.3	0.8
2013-14	6735213	142421	2.1	1.3
2015-16	7896467	349814	4.4	2.7
2016-17	8116109	433121	5.3	3.1
2017-18	8745997	520838	6.0	3.4
2018-19	9676183	355068	3.7	2.1
2019-20	10301897	289370	2.8	1.6
1920-21	10806381	258050	2.4	1.3
2021-22	12198769	204231	1.7	0.9
2022-23	14319355	135333	0.9	0.6

Source: Statistical Handbook of Reserve bank of India, Government of India., Website: https://www.rbi.org.in/, Note: Figure in Rupees INR.

Table 3 discussed the gross and net non-performing assets of scheduled commercial banks in India. It has found that the total gross NPA amount of scheduled commercial banks in India has declining trend since 2018-19. Total gross NPA amount was 1.42 lakhs crores in 2011-12, and was 10.39 lakhs crores in 2017-18. It declined later and finally reached 5.71 lakhs crores in 2022-23. The percentage NPA of gross advances was 2.8%, and was 11.2% in 2017-18. It declined later and finally reached 3.9% in 2022-23. The Percentage of NPA in total assets was 1.7% in 2011-12 and was 6.8% in 2017-18. It declined later and finally reached 2.4% in 2022-23. Total net NPA amount was 65205 crores in 2011-12, and was 5.2 lakhs crores in 2017-18. It declined later and finally reached 1.35 lakhs crores in 2022-23. The percentage NPA of net advances was 1.3%, and was 6.0% in 2017-18. It declined later and finally reached 0.9% in 2022-23. The Percentage of NPA in total assets was 0.8% in 2011-12 and was 3.4% in 2017-18. It declined later and finally reached 0.6% in 2022-23.

Table 4: Gross and Net Non-Performing Assets of Public Sector Banks in India

Gross Non-Performing Assets				
Year	Advances (Gross)	NPA Amount	As Percentage of Gross Advances	As Percentage of Total Assets
2011-12	3942732	117839	3.0	2.0
2013-14	5215920	227264	4.4	2.9
2015-16	5823907	539956	9.3	5.9
2016-17	5874849	684732	11.7	7.0
2017-18	6141698	895601	14.6	8.9
2018-19	6382461	739541	11.6	7.3
2019-20	6615112	678317	10.3	6.3
1920-21	6770363	616616	9.1	5.3
2021-22	7433006	542174	7.3	4.3
2022-23	8610115	428197	5.0	3.1

Net Non-Performing Assets				
Year	Advances (Net)	NPA Amount	As Percentage of Net Advances	As Percentage of Total Assets
2011-12	3877308	59391	1.5	1.0
2013-14	4472845	90037	2.0	1.3
2015-16	5593577	320376	5.7	3.5
2016-17	5557232	383089	6.9	3.9
2017-18	5697350	454473	8.0	4.5
2018-19	5892667	285122	4.8	2.8
2019-20	6158112	230918	3.7	2.1
2020-21	6347417	196451	3.1	1.7
2021-22	7043940	154745	2.2	1.2
2022-23	8283763	102532	1.2	0.7

Source: Statistical Handbook of Reserve bank of India, Government of India., Website: https://www.rbi.org.in/, Note: Figure in Rupees INR.

Table 4 discussed the gross and net non-performing assets of public sector banks in India. It has found that the total gross NPA amount of public sector banks in India has declining trend since 2018-19. Total gross NPA amount was 1.17 lakhs crores in 2011-12, and was 8.95 lakhs crores in 2017-18. It declined later and finally reached 4.28 lakhs crores in 2022-23. The percentage NPA of gross advances was 3.0%, and was 14.6% in 2017-18. It declined later and finally reached 5.0% in 2022-23. The Percentage of NPA in total assets was 2.0% in 2011-12 and was 8.9% in 2017-18. It declined later and finally reached 3.1% in 2022-23. Total net NPA amount was 59391 crores in 2011-12, and was 4.54 lakhs crores in 2017-18. It declined later and finally reached 1.02 lakhs crores in 2022-23. The percentage NPA of net advances was 1.5%, and was 8.0% in 2017-18. It declined later and finally reached 1.2% in 2022-23. The Percentage of NPA in total assets was 1.0% in 2011-12 and was 4.5% in 2017-18. It declined later and finally reached 0.7% in 2022-23.

Table 5: Gross and Net Non-Performing Assets of Private Sector Banks in India

Gross Non-Performing Assets				
Year	Advances (Gross)	NPA Amount	As Percentage of Gross Advances	As Percentage of Total Assets
2011-12	748500	4500	1.9	1.1
2013-14	1360253	24542	1.8	1.1
2015-16	1972608	56186	2.8	1.8
2016-17	2266721	93209	4.1	2.6
2017-18	2725891	129335	4.7	3.0
2018-19	3442347	183604	5.3	3.5
2019-20	3776231	209568	5.5	3.6
2020-21	4097040	197508	4.8	3.1
2021-22	4700912	180769	3.8	2.5
2022-23	5462976	125214	2.3	1.5
Net Non-Performing Assets				
Year	Advances (Net)	NPA Amount	As Percentage of Net Advances	As Percentage of Total Assets
2011-12	736300	3000	0.4	0.2
2013-14	1342935	8862	0.7	0.4
2015-16	1939339	26677	1.4	0.8
2016-17	2219475	47780	2.2	1.3
2017-18	2662753	64380	2.4	1.5
2018-19	3327328	67309	2.0	1.3
2019-20	3625154	55683	1.5	1.0
2020-21	3929572	55377	1.4	0.9
2021-22	4553541	43738	1.0	0.6
2022-23	5366675	29507	0.5	0.3

Source: Statistical Handbook of Reserve bank of India, Government of India., Website: https://www.rbi.org.in/, Note: Figure in Rupees INR.

Table 5 discussed the gross and net non-performing assets of private sector banks in India. It has found that the total gross NPA amount of private sector banks in India in India has declining trend since 2020-21. Total gross NPA amount was 4500 crores in 2011-12, and was 2.09 lakhs crores in 2019-20. It declined later and finally reached 1.25 lakhs crores in 2022-23. The percentage NPA of gross advances was 1.9%, and was 5.5% in 2019-20. It was declined later and finally reached 2.5% in 2022-23. The Percentage of NPA in total assets was 1.1% in 2011-12 and was 3.6% in 2019-20. It was declined later and finally reached 1.5% in 2022-23. Total net NPA amount was 3000 crores in 2011-12, and was 67309 crores in 2018-19. It declined later and finally reached 29507 crores in 2022-23. The percentage NPA of net advances was 0.4%, and was 2.4% in 2017-18. It declined later and finally reached 0.5% in 2022-23. The Percentage of NPA in total assets was 0.2% in 2011-12 and was 1.5% in 2017-18. It declined later and finally reached 0.3% in 2022-23.

Table 6: Gross and Net Non-Performing Assets of Foreign Banks in India

Gross Non-Performing Assets				
Year	Advances (Gross)	NPA Amount	As Percentage of Gross Advances	As Percentage of Total Assets
2011-12	234727	6297	2.7	1.1
2013-14	299575	11565	3.9	1.5
2015-16	376607	15805	4.2	1.9
2016-17	343822	13629	4.0	1.7
2017-18	363305	13849	3.8	1.6
2018-19	406881	12242	3.0	1.2
2019-20	436066	10208	2.3	0.8
2020-21	420617	15044	3.6	1.2
2021-22	476085	13786	2.9	1.0
2022-23	503939	9526	1.9	0.6
Net Non-Performing Assets				
Year	Advances (Net)	NPA Amount	As Percentage of Net Advances	As Percentage of Total Assets
2011-12	229849	1412	0.6	0.2
2013-14	291142	3160	1.1	0.4
2015-16	363551	2762	0.8	0.3
2016-17	332335	2137	0.6	0.3
2017-18	351016	1548	0.4	0.2
2018-19	396726	2051	0.5	0.2
2019-20	428076	2005	0.5	0.2
2020-21	420780	3241	0.8	0.3
2021-22	465484	3023	0.6	0.2
2022-23	491029	1672	0.3	0.1

Source: Statistical Handbook of Reserve bank of India, Government of India., Website: https://www.rbi.org.in/, Note: Figure in Rupees INR.

Table 6 discussed the gross and net non-performing assets of foreign sector banks in India. It has found that total gross NPA amount was 6297 crores in 2011-12, and was 15044 crores in 2020-21. It declined later and finally reached 9526 crores in 2022-23. The percentage NPA of gross advances was 2.7%, and was 2.3% in 2019-20. It finally reached 1.9% in 2022-23. The Percentage of NPA in total assets was 1.1% in 2011-12 and was 0.8% in 2019-20. It finally reached 0.6% in 2022-23. Total net NPA amount was 1412 crores in 2011-12, and was 3241 crores in 2020-21. It declined later and finally reached 1672 crores in 2022-23. The percentage NPA of net advances was 0.6%, and was 0.8% in 2020-21. It declined later and finally reached 0.3% in 2022-23. The Percentage of NPA in total assets was 0.2% in 2011-12 and was 0.3% in 2020-21. It declined later and finally reached 0.1% in 2022-23.

Table 7: Gross and Net Non-Performing Assets of Small Finance Bank in India

Gross Non-Performing Assets				
Year	Advances (Gross)	NPA Amount	As Percentage of Gross Advances	As Percentage of Total Assets
2018-19	62775	1087	1.7	1.3
2019-20	91509	1709	1.9	1.3
1920-21	111589	5971	5.4	3.7
2021-22	140003	6911	4.9	3.4
2022-23	184808	8608	4.7	3.2
Net Non-Performing Assets				
Year	Advances (Net)	NPA Amount	As Percentage of Net Advances	As Percentage of Total Assets
2018-19	59461	586	1.0	0.7
2019-20	90554	765	0.8	0.6
1920-21	108613	2981	2.7	1.8
2021-22	135802	2725	2.0	1.3
2022-23	177887	1622	0.9	0.6

Source: Statistical Handbook of Reserve bank of India, Government of India., Website: https://www.rbi.org.in/, Note: Figure in Rupees INR.

Table 7 discussed the gross and net non-performing assets of small finance banks in India. It has found that gross and net non-performing assets of small finance banks increased in the last five years. Total gross NPA amount was 1087crores in 2018-19, and was 8608 crores in 2022-23, The percentage NPA in gross advances was 1.7%, and was 4.7% in 2022-23. The Percentage of NPA in total assets was 1.3% in 2011-12 and was 3.2% in 2022-23. Total net NPA amount was 586 crores in 2018-19, and was 2981 crores in 2020-21. It declined later and finally reached 1672 crores in 2022-23. The percentage NPA of net advances was 1.0% IN 2018-19, and was 2.7% in 2020-21. It declined later and finally reached 0.9% in 2022-23. The Percentage of NPA in total assets was 0.7% in 2018-19 and was 1.8% in 2020-21. It declined later and finally reached 0.6% in 2022-23.

Table 8: Gross Non-Performing Assets of Co-Operative Banks in India

Year	UCBs	Rural Co-operative Banks				
		Long-Term Structure		Short-Term Structure		
		PCARDBs	SCARDBs	PACS	DCCBs	StCBs
1997-98	11.7	16.5	18.6	35.3	17.8	12.5
2000-01	16.1	24.3	20.5	34.9	17.9	13.0
2003-04	22.7	35.8	26.7	36.8	24.0	18.7
2006-07	18.3	35.4	30.3	29.1	18.5	14.2
2009-10	10.1	51.9	45.1	41.4	13.0	8.8
2010-11	8.4	40.6	32.3-	25.2	11.2	8.5
2011-12	7.0	36.7	33.1	26.8	10.2	7.0
2012-13	6.0	37.7	36.0	24.7	9.7	6.1
2013-14	5.7	38.0	31.6	19.0	10.3	5.5
2014-15	6.2	36.2	30.3	22.4	9.5	4.9
2015-16	6.1	36.6	22.0	18.9	9.4	4.5
2016-17	7.2	33.0	23.6	26.6	10.5	4.1
2017-18	7.2	38.3	25.0	28.2	11.2	4.7
2018-19	7.3	39.3	26.5	45.2	11.9	4.3
2019-20	10.6	42.8	33.0	31.0	12.6	6.7
2020-21	12.1	42.3	33.2	33.5	11.4	6.7
2021-22	10.3	40.7	36.1	32.2	10.8	6.0
2022-23	8.8	40.4	36.5	-	9.6	5.4

Source: Statistical Handbook of Reserve bank of India, Government of India., Website: https://www.rbi.org.in/, Note: Figure in Per cent of gross advances. StCBs: State Co-operative Banks; DCCBs: District Central Co-operative Banks; PACS: Primary Agricultural Credit Societies; SCARDBs: State Co-operative Agriculture and Rural Development Banks; PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Table 7 discussed the gross non-performing assets of co-operative banks in India. It has found that the percentage of non-performing assets of Urban cooperative banks was 11.7% in 1997-98 and 10.6% in 2019-20. It was finally 8.8% in 2022-23. The gross NPA of Primary Agricultural Credit Societies was 35.3% and was 45.2% in 2018-19. It declined further and reached 32.2% in 2021-22. The gross NPA of District Central Co-operative Banks was 17.8% and 12.6% in 2019-20. It declined further and reached 9.6% in 2022-23. The gross NPA of State Co-operative Banks was 12.5% in 1997-98 and 6.7% in 2020-21. It was further declined and was 5.4% in 2022-23. The gross NPA of Primary Co-operative Agriculture and Rural Development Banks was 16.5% in 1997-98 and 42.8% in 2019-20. It was further declined and was 40.4% in 2022-23. The gross NPA of State Co-operative Agriculture and Rural Development Banks was 18.6% in 1997-98 and 36.6% in 2020-21.

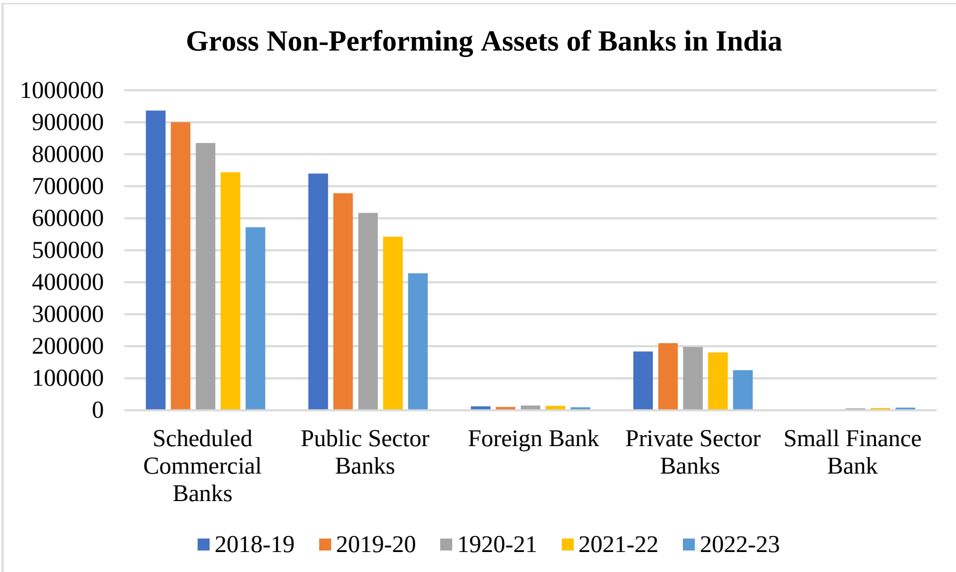

Figure 1: Gross Non-performing assets of banks in India

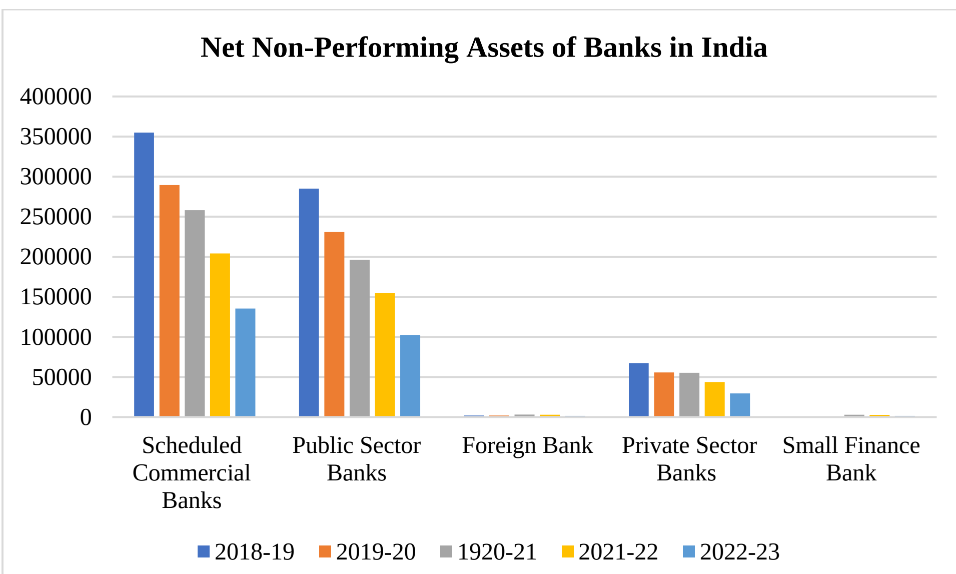

Figure 2: Net Non-performing assets of banks in India

From figure 1 & 2 it has been found that non-performing assets among the types of banks are not similar. Gross and net non-performing assets of scheduled commercial banks are declining since 2018-19. It is a positive trend on the financial feasibility of the banks. In scheduled commercial banks, public sector banks have the higher non-performing assets then the private bank, regional rural banks and foreign banks. Rural Co-operative Banks has higher non-performing assets then the urban cooperative banks.

Table 8: Correlation between Gross Advances and Non-performing assets in Scheduled Commercial Banks in India, 2011-12 to 2022-23

	Advances (Gross)	NPA Amount
Advances (Gross)	1	
NPA Amount	0.506279217	1

Source: Calculated by author from data of gross advances and non-performing assets in scheduled commercial banks of India during 2011-12 to 2022-23, from Table-3.

The above table (8) shows that that there is the positive correlation between gross advances and non-performing assets in scheduled commercial banks in India. Figure 3 shows that gross advances of funds of banking sector are increasing continuously since 2011-12, but amount of non-performing assets was increased up to 2017-18, but was thereafter declined continuously. It is the positive effects of policies of Reserve bank of India.

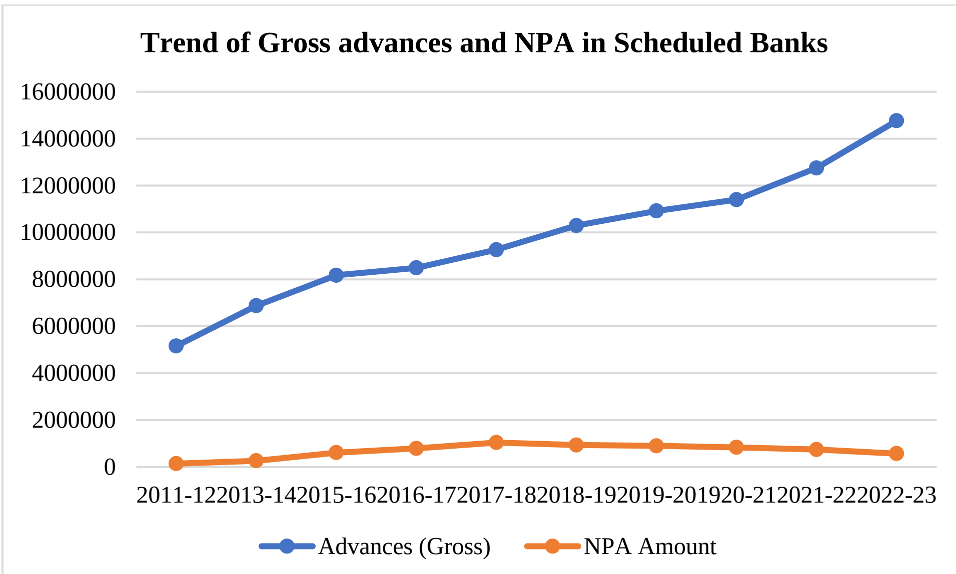

Figure 3: Trend between Gross advances and NPA amount in Scheduled Commercial Banks

(b) Causes of Non-performing assets in Banking sector in India and Policies for mitigating such challenges

To a lender, a default on a property means a failure to repay the loan. A customer default can lower credit score. Low credit score being turned down for new loans or credit. In addition, it will damage the relation between borrowers and creditor. Bad assets in balance sheet is a burden to the lender. Bad debt loans will reduce the amount of capital available for future loans. The causes of equipment failure are often related to other factors such as banking regulations, credit policies, and business problems. Non-performing assets affect a bank's profitability, revenues, and credit losses. Due to the recession and slowdown in demand, companies are unable to pay their debts. This has led to debt accumulation and increased non-performing assets. Banks are struggling with bad loans. Banks are also in trouble because businesses are unable to pay the loan or interest. There are many factors that contribute to the increase in non-performing assets. They range from macroeconomic factors to operational and management problems at banks and credit unions. Economic crises result in lower returns and increased risk. Inadequate due diligence, pressure to meet lending targets, and political interference can all lead to bad credit. A borrower's lack of interest in money and dishonesty lead to non-payment. Cost overruns and project completion delays have increased borrowers' financial distress.

Lenders typically have four options to cover some or all of the losses from distressed assets. When a company is struggling to pay its debt, lenders can take drastic steps to restructure the loan. This step can help them manage the income and avoid having the loan classified as a total failure. When a bad loan is secured by the borrower's assets, the lender can seize the property and sell it to cover the loss. Lenders can also convert bad loans into equity, which can be sufficient to recover the proceeds from the bad loan. When bonds are converted into new equity, the value of the original bond is often offset. As a result, banks are able to sell bad debts at a discount to companies that specialize in debt collection. Lenders often sell when bad debts or other recovery methods are deemed unaffordable. High levels of non-performing assets have many implications for business, banking, and financial stability. Problem assets should be seized, reducing future borrowers' income and capital. High NPAs limit banks' ability to provide new loans, slowing down credit growth. High NPAs affect business confidence and investment in banking markets. To prevent losses, banks may increase lending rates.

The Reserve Bank of India has taken various measures to address the non-performing assets problem. Measures related to management processes, technological integration and specific business strategies aimed at immediate reduction and long-term adaptation. Banks should identify and investigate the causes of non-performing assets and hold those responsible. Banks can manage non-performing assets by recording them in their books, writing them off as bad debts or making provisions. Banks can resort to legal means such as seizure or sale of other assets to recover such assets. Banks can negotiate with borrowers to restructure non-performing assets and improve their repayment capacity. Banks should regularly review loans and allocate them according to international accounting and regulatory standards.

CONCLUSION

Banking system is the backbone of the Indian financial system. The Indian financial sector has been successful in the past, but in recent years the banking sector has faced many challenges such as asset management, real estate unemployment and bad debt. Non-performing assets are loans that do not generate income for the bank. Elements contributing to the rise of non-acting assets consist of financial downturns, bad lending practices, borrower defaults, and systemic troubles in industries. Such assets are like a double edged sword. They do not generate any income, whereas, the bank is required income. Such assets are a common problem in the Indian financial market. The reduction in non-performing assets generally indicates a strengthening of the credit appraisal process. The growth of such assets indicates the need to maintain balance sheet adjustments that may affect the profitability of the bank. Public sector banks have the higher non-performing assets then the private bank, regional rural banks and foreign banks. Rural Co-operative Banks has higher non-performing assets then the urban cooperative banks. There is positive correlation between gross advances and non-performing assets in scheduled commercial banks in India.

Indian banks need to be vigilant against bad loans and maintaining adequate capital to absorb bad loans is crucial for survival. Macroeconomic factors to operational and management problems at banks and credit unions. Economic crises result in lower returns and increased risk. Cost overruns and project completion delays have increased borrowers' financial distress. The Reserve Bank of India has initiated an asset quality review to assess the non-performing assets status of Indian commercial banks. Measures related to management processes, technological integration and specific business strategies aimed at immediate reduction and long-term adaptation. Such assets should be reduced and controlled to improve the efficiency and profitability of banks. The growth in such assets can be checked substantially if banks and financial institutions take suitable policies.

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