Title	IMPLICATIONS OF NON-PERFORMING ASSETS IN THE BANKING SECTOR
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Abstract

NPA means an asset or account of borrower, which has been classified by a bank or financial institution as sub-standard, doubtful or loss asset, in accordance with the directions or guidelines relating to asset classification issued by RBI. NPA are those loans given by a bank where the borrower defaults or delays interest or principal payment. The dreaded NPA rule says when interest or other dues to the bank remains unpaid for more than 90 days; the entire bank loan automatically turns as “NPA”. The recovery of loan has always been a problem for banks. NPA are threatening the stability and demolishing bank’s profitability through a loss of interest income and write-off of the principal loan amount itself. This paper focuses upon the implications of NPAs in the banking sector. A comparative analysis of NPAs of public sector banks vis-à-vis private sector banks has been undertaken – For the purpose of this study six banks have been randomly chosen (3 each from the private and public sectors). Data has been collected from the annual reports of the banks. It is found that banks need to monitor standard assets to assert any account from becoming a NPA. Today, the success of banks depend on the methods of managing NPA’s and keeping them within a tolerance level.

Banks are not allowed to book any income from NPA’s; also they need to make provisions for NPA’s which impacts profitability adversely. With the introduction of international norm of income recognition, asset classification and provisioning in the banking sector, managing NPA has emerged as one of the major challenges facing banks. Besides, resorting to legal remedies for recovery of their dues, banks have also utilized the services of the Debt Recovery Tribunals (DRT).

Full Paper:

npa final.pdf [7]