

Title	NPA's As An Important Parameter To Evaluate The Performance And Financial Health Of Banks In India.
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Non-performing assets are what their label says they are. They are assets, usually loans, that aren't earning the lender any income. They aren't producing. While they aren't doing the lender much good to carry them on the company books, writing the loans off as bad debt will look just as bad. So companies hold non-performing assets in the hopes that situation will change for the better or that the company may be able to sell the bad debt to another company. Non-performing assets are problematic for financial institutions since they depend on interest payments for income. Troublesome pressure from the economy can lead to a sharp increase in non-performing loans [7] and often results in massive write-downs.


Abstract

A strong banking sector is important for flourishing economy. The failure of the banking sector may have an adverse impact on other sectors. Non-performing assets (NPA) are one of the major concerns for banks in India. A loan or lease that is not meeting its stated principal and interest payments is said to be non-performing assets. Banks usually classify as NPA any commercial loans which are more than 90 days overdue, and any consumer loans which are more than 180 days overdue. Most of the rise in NPA is due to problems with commercial loans. A lot of banks and financial institutions in India are dealing with pending cases of these natures for over many years. The banks are lending money to get revenue through interest rates along with principal. But NPA has a bad effect on bank revenue. Non-performing loans epitomize bad investment. They misallocate credit from good projects, which do not receive funding, to failed projects. The NPA are considered as an important parameter to judge the performance and financial health of banks. If a bank has high NPA ratio then its performance is considered as weak than that of a bank with lower NPA ratio. It creates a bad effect on good will and equity value of the bank.

Sometime the banks also hide the actual NPA ratio. These are the challenges the banks are facing regarding the non-performing assets. The reason investors are wary of lenders with too many non-performing assets is that with a reduced cash flow, the company has tighter credit policies. This leads to slower economic growth and economic development because other businesses won't be able to get a loan. With one company this may not be too big of a problem because a company seeking a loan can also find another lender. However, if the problem begins to spread throughout the lending industry, then it will also begin to spread beyond it to other industries as companies find themselves without an option for lender. The SARFAESI Act empowers Banks / Financial Institutions to recover their non-performing assets without the intervention of the Court. The Act provides three alternative methods for recovery of non-performing assets

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