

NON PERFORMING ASSETS IN INDIAN BANKS

(A Study of Selected Banks in India)

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CERTIFICATE

This to certify that the thesis entitled "**Non-Performing Assets in Indian Banks (A Study of Selected Banks in India)**" being submitted by **Bhupendra Singh Bisht** for the award of the degree of *Doctor of Philosophy (Ph.D.) in Commerce* is a record of bonafide research work, carried out by him under my supervision. He has worked for the period required under the regulations to the degree and he has put in the required attendance during the period.

As claimed by research scholar in his declaration, the results obtained in the thesis have not been submitted to any other university for the award of any degree.

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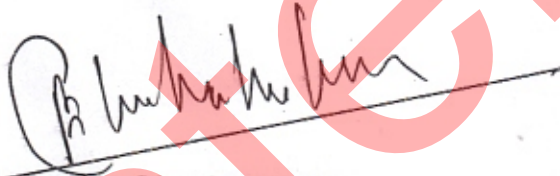
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DECLARATION

The material contained in the present thesis entitled "**Non-Performing Assets in Indian Banks (A Study of Selected Banks in India)**" is based on my original work and has not been submitted for any degree in other universities.

The works of other authors wherever have been made use of in this study, have been indicated and acknowledged at the relevant places.



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PREFACE

A strong banking sector is important for a flourishing economy. Its financial facilities are the vital boost for growth and development of Indian economy. In the modern India, public, private and foreign banks are playing an important role. They are giving various loan facilities mainly with other facilities to their customers. In this process, they feel competition from their counterparts and resultantly, set bigger targets of turnover and ultimately, of profitability. In the way, a problem of non-performing assets has been generated and at present, non-performing assets (NPAs) are one of the major concerns for banks in India.

NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also erodes the value of the asset. The NPAs growth involves the necessity of provisions, which reduces the overall profits and shareholders value.

The issue of Non Performing Assets has been discussed at length for financial systems all over the world. The problem of NPAs is not only affecting the banks but also the whole economy. In fact, high level of NPAs in Indian banks is nothing but a reflection of the state of health of the economy.

NPA surfaced suddenly in the Indian banking scenario, around the Eighties, in the midst of turbulent structural changes overtaking the international banking institutions, and when the global financial markets were undergoing sweeping changes. In fact, after it had emerged, the

problem of NPA kept hidden and gradually swelling unnoticed and unperceived, in the maze of defective accounting standards that still continued with Indian Banks.

In a dynamic world, it is true that new ideas and new concepts that emerge through such changes caused by social evolution bring beneficial effects, but only after levying a heavy initial toll. The process of quickly integrating new innovations in the existing set-up leads to an immediate disorder and unsettled conditions. People are not accustomed to the new models. These new formations take time to configure, and work smoothly. The old is cast away and the new formations take time to configure, and work smoothly. Marginal and sub-marginal operators are swept away by these convulsions. Banks being sensitive institutions entrenched deeply in traditional beliefs and conventions were unable to adjust themselves to the changes they suffered easy victims to this upheaval in the initial phase.

The present study is based on the management of non-performing assets in Indian banking system. For this purpose, three public sector banks have been selected : (i) Bank of Baroda, (ii) Canara Bank, and (iii) UCO Bank.

The present study has been covered a period of five years form 2007-08 to 2011-12. The whole study has been divided into Seven Chapters.

The first chapter, 'Introduction' introduces the subject while the second chapter 'History and Development of Banking Industry' contains a brief history and development of banking industry in India and banks under present study. The third chapter, 'Banking Industry and Non-Performing

Assets' describes the non-performing assets condition in Indian banking Industry. The fourth chapter, 'Financial and Banking Sector : Reforms and Recommendations' deals with various reforms and recommendations came from time-to-time. The fifth chapter 'Non-Performing Assets in Selected Public Sector Banks' is extensive analysis of the condition of non-performing assets in selected banks for the present study during the period under study while the sixth chapter 'ARC, Its Guidelines and Critical Analysis' describes about Asset Reconstruction Companies. Finally, chapter seventh 'Summary of Findings and Conclusions' summarises findings and conclusions of the study with suggestions and recommendations to improve the management problem of non-performing assets in Indian banking industry.

I hope this study will be beneficial for not only selected public sector banks but also for all other banks and financial institutions, their management, employees, shareholders, government, research students etc.

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