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A Study on Management of Non-Performing Assets in Context of Public Banks Sectors

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Abstract

The management of Non-Performing Assets (NPAs) remains a critical concern, especially within the public sector, where financial institutions play a pivotal role in supporting economic growth. This study aims to comprehensively analyse and evaluate the strategies employed by public sector entities to effectively manage NPAs, considering the unique challenges and regulatory frameworks governing these institutions.

KEYWORDS;

NON PERFPRMING ASSETS, PUBLIC SECTOR BANKS, FINANCIAL MANAGEMENT, ASSET QUALITY, RISK MITIGATION, . CREDIT RISK, BANKING SECTOR

Introduction:

The efficient management of Non-Performing Assets (NPAs) is a pivotal aspect of financial stability for any banking sector, and this holds particularly true for public sector entities. NPAs, often referred to as bad loans, pose a significant challenge to the functioning and health of financial institutions, affecting their profitability, liquidity, and overall economic contributions. In the context of public sectors, where financial institutions are integral components of the national economic framework, the effective handling of NPAs becomes crucial for sustaining economic growth and stability.

Review of Literature:

Manoj Kumar Sahoo, Muralidhar Majhi, The Indian commercial banks are facing issues and difficulties because of non-performing assets (NPAs), since they influence the sound budgetary position and execution of the banks. Further, banks should make arrangements in following Basel standards for keeping up high liquidity. Thus, the issues of NPAs must be dealt with in such a way that they ought not ruin money-related execution, and influence the image of the banks. The RBI and the Government of India have found a way to diminish the volume of NPAs of the commercial banks. The investigators have reviewed various pieces of literature available from different parts of the world in general, and India in particular. Researchers have tried to find gaps in literary analysis and proposed future research directions to find a new way to analyse the management of NPAs in commercial banks in India.

Harish Kumar, Anchal Bansal, (2022), Growing non-performing assets (NPAs) at a concerning rate has emerged as a major problem, particularly for public sector banks. The public and clients lose faith in banks as a result of rising NPA. Due to shortcomings in credit sanctions, disbursements, liberal credit policies, etc., public sector banks have higher non-performing assets (NPAs) than private sector banks. This indicates that public sector banks' asset quality is lower than that of private sector banks. Based on the research findings, non-performing assets (NPAs) in public and private sector banks, regardless of their priority status, significantly affect the overall NPAs. Nonetheless, it has been discovered that non-priority sector non-performing assets (NPAs) in both public and private sector banks are more than priority sector NPAs. Based

on its findings, the report recommends that banks keep an eye on how their clients are using their bank credit and employ appropriate credit appraisal tools to monitor their credit usage. Early detection of the issue and adherence to appropriate recovery techniques can lower NPA levels.

Dr. Preeti Sharma, Dr. Atul Bansal, (2019), One of the most crucial determinants of banks' financial stability is the quality of their assets. It also shows how well banks are managing credit risk and how the recovery is going. Early detection of indicators of distress in all stressed accounts is crucial, and protracted restructuring should be implemented for those that remain viable. facilities quickly in order to protect their financial worth. The rise of non-performing assets (NPAs) has been a major issue for the Indian banking industry. The increase in NPAs has a direct impact on banks' profitability

Poonam Sharma, Dr. Neha Mathur, (2020), This essay explains a comparison of public and private sector banks' NPAs, financial results, and staff morale. Public and private sector banks have been compared using the camel model, t test, chi-square test, and correlation approach. Compared to public sector banks, the NPA of private sector banks is lower. Due to public sector banks' NPAs having lower CAR, it was discovered that private sector banks are more profitable than public sector banks. Banks in both the public and commercial sectors show the NPA's financial performance. The issue of non-performing assets (NPAs) is not limited to banks; it is gradually impacting the entire economy. It has been investigated why NPAs in public sector banks are increasing by ten points. After mergers, the effect on staff morale in public sector banks was determined by questionnaires. Our research attempts to enhance financial performance and lower the public sector banks' increasing nonperforming assets (NPAs

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NITESH S VIBHUTE, DR. CHANDRAKANT B. JEWARGI, DR. BHADRAPPA HARALAYYA, (2021), Intermediation, or accepting deposits and directing them toward lending activities, is the core of the banking industry. Banks' "Liabilities" are the deposits that depositors make; on the other hand, "Assets" are the loans that the banks provide to borrowers, which have to be returned by the borrowers. Thus, assets are the loans and advances made by the banks1. Commercial Banks bear the risk of a borrower's default on principal or interest payments in the conventional banking industry of lending backed by client deposits. According to the Reserve Bank of India, an asset—including one that is leased—becomes non-performing when the bank is no longer able to make money from it. Every bank has some non-performing assets in its advance portfolio, and their existence is a necessary component of banking. However, any financial institution should be concerned about the high level of non-performing assets

Objectives;

1. **To analyze the current magnitude and trends of non-performing assets (NPAs) in public sector banks.**
2. **To identify the root causes and contributing factors leading to the accumulation of NPAs in public sector banks.**
3. **To evaluate the impact of NPAs on the financial health and performance of public sector banks.**
4. **To assess the effectiveness of existing NPA management strategies and policies implemented by public sector banks.**
5. **To explore best practices and innovative approaches adopted by other countries or financial institutions in managing NPAs.**

Methodology

This study on the management of Non-Performing Assets (NPAs) in the context of public sectors employs a mixed-methods approach to comprehensively investigate the various facets of NPA management, considering the unique challenges faced by public sector banks. The research methodology is structured as follows

Data Analysis

State bank of India

particulars	2023	2022	2021	2020
Gross NPA	90,927.78	112,023.37	126,389.02	149,091.85
Net NPA	21,466.64	27,965.71	36,809.72	51,871.30
%of gross NPA	2.78	3.97	4.98	6.15
%of net NPA	0.67	1.02	1.5	2.23
Return of assets%	0.96	0.74	0.48	0.38
net profit loss	50,232.45	31,675.98	20,410.47	14,488.11

CANARA BANK

PARTICULARS	2023	2022	2021	2020
GROSS NPA	46,159.51	55,65.58	60,287.84	37,041.15
NET NPA	14,349.33	18,668.02	24,4425.07	18,250.95
%OF GROSS NPA	5.35	7.51	8.93	8.21
%OF NET NPA	1.73	2.65	3.82	4.22
RETURN OF ASSETS	0.51	0.48	0.23	-0.32
NET PROFIT LOSS	10.603.76	5,678.42	2,557.58	-2,235.72

Union bank

PARTICULARS	2023	2022	2021	2020
GROSS NPA	18,604.23	21,822.32	25,314.84	30,233.82
NET NPA	3,558.92	5,512.16	6,993.52	9,360.41
%OF GROSS NPA	2.02	2.82	3.7	4.86
%OF NET NPA	0.39	0.73	1.05	1.56
RETURN ON ASSETS	0.8	1.21	1.11	0.2
NET PROFITLOSS	9,579.68	13,025.48	6,588.50	1,624.22

KOTAK MAHINDRA BANK

PARTICULARS	2023	2022	2021	2020
GROSS NPA	5,768.32	6,469.74	7,425.51	5,026.89

NET NPA	1,193.30	1,736.71	2,705.17	1,544.37
%OF GROSS NPA	1.78	2.34	3.25	2.25
%OF NET NPA	0.37	0.64	1.21	0.71
RETURN ON ASSETS	2.47	2.13	0.43	1.87
NET PROFIT LOSS	10,939.30	8,575.69	6,964.84	5,947.18

COMPARISION OF %GROSS NPA AMOUNG THE BANKS FROM 2019 TO 2023

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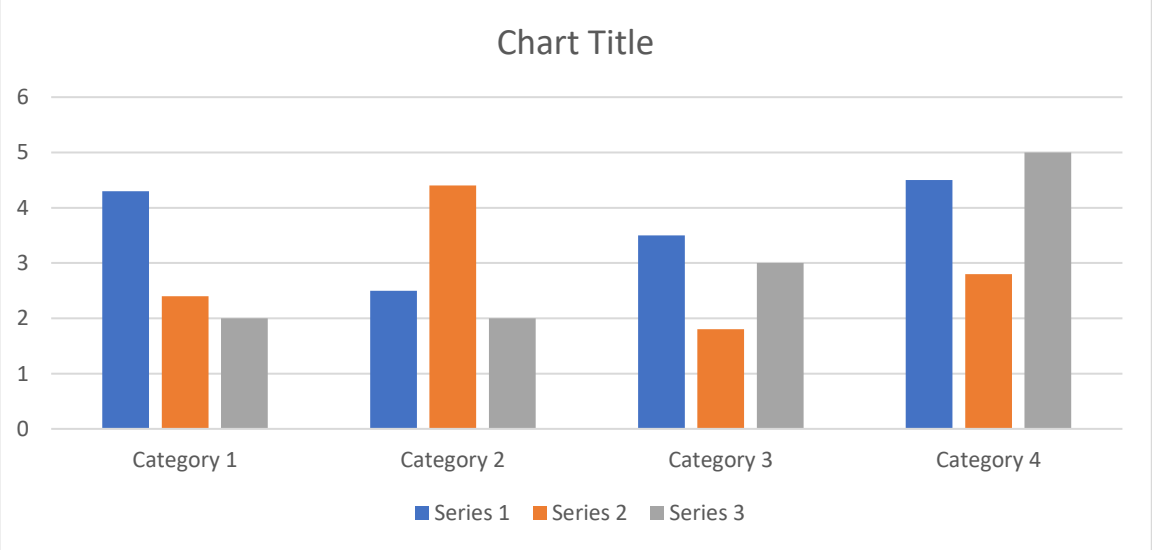
%NPA



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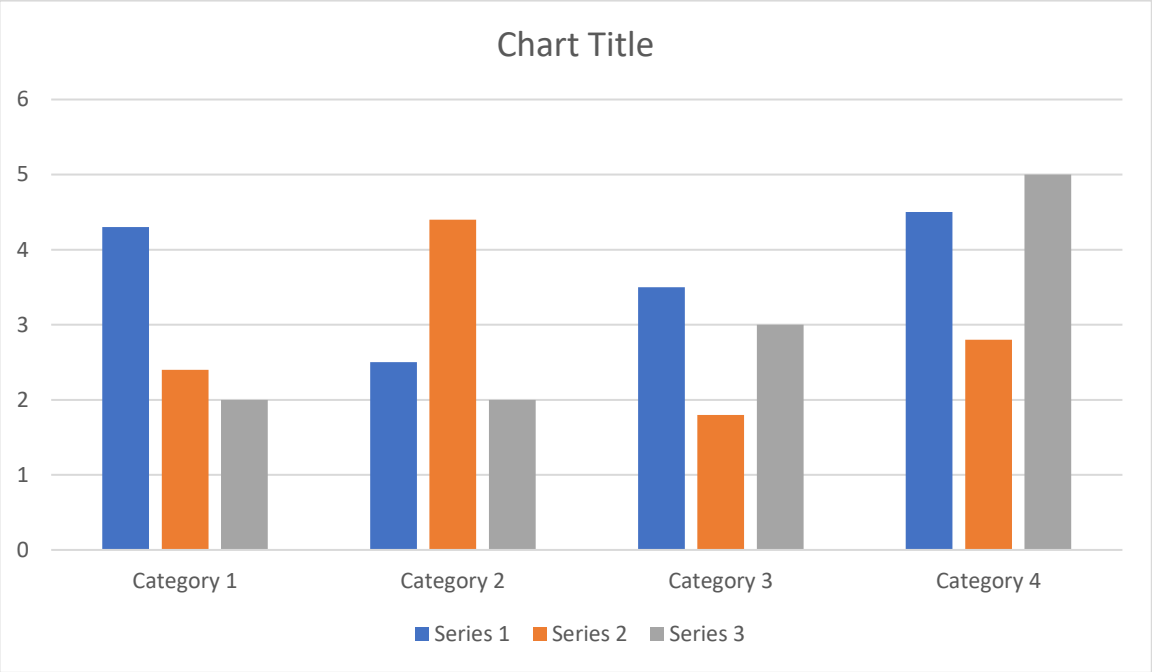

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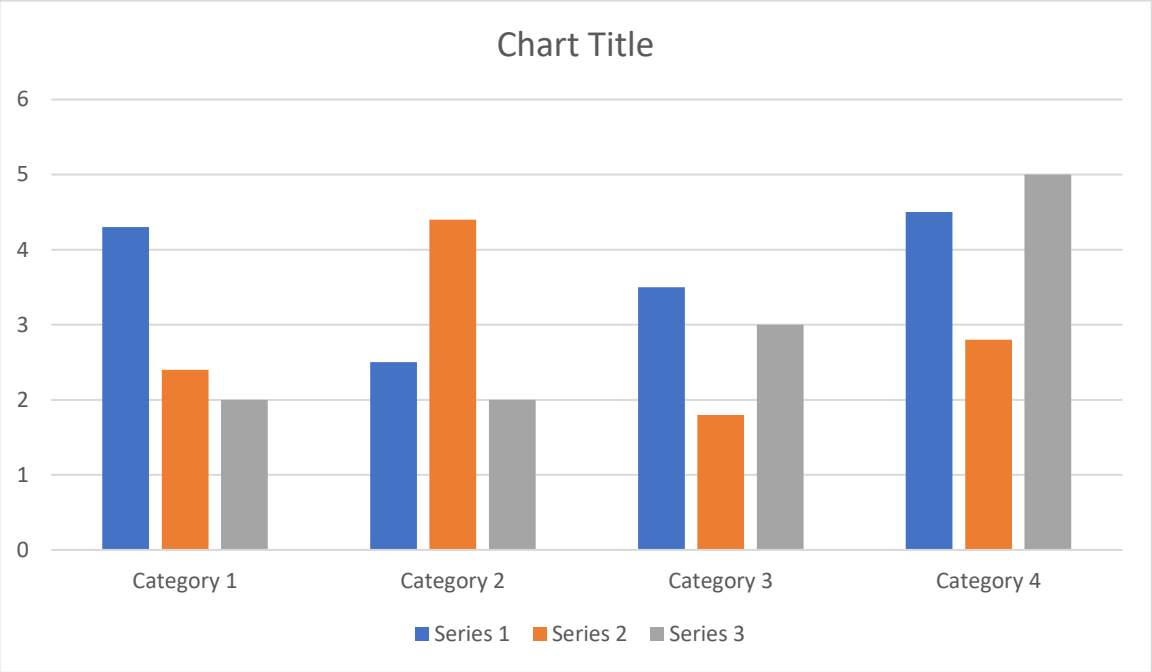

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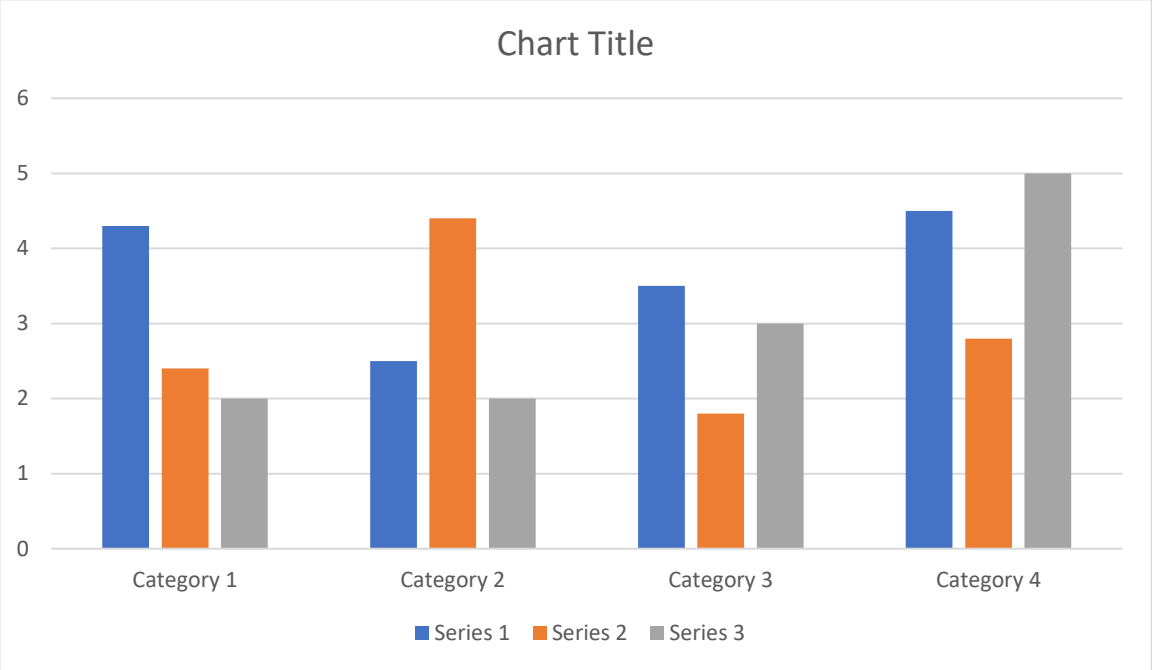

Conclusion

In conclusion, this study on the management of Non-Performing Assets (NPAs) within the context of public sector banks has provided valuable insights into the complexities and challenges associated with NPA management in these financial institutions. The research addressed the objectives of assessing current NPA levels, evaluating management strategies, and formulating practical recommendations for enhancing financial resilience. Several key findings emerged from the study.

Firstly, the analysis revealed that NPAs significantly impact the financial stability of public sector banks, necessitating proactive and strategic management approaches. The study highlighted the multifaceted nature of factors contributing to the accumulation of NPAs, including economic downturns,

Secondly, the research evaluated the effectiveness of existing strategies employed by public sector banks for NPA management. Case studies and comparative analyses demonstrated the importance of early identification, robust recovery mechanisms, and risk assessment enhancements. The study also underscored the role of regulatory frameworks in shaping NPA management strategies.

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