CAUSES FOR RISE IN NPAS IN THE INDIAN BANKING SYSTEM- A DIFFERENT PERSPECTIVE

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ABSTRACT

Non Performing Assets (NPA) is continuing its phenomenal growth in quantum as an uncontrollable virus in the Indian Banking System. The percentage of growth in NPA over the years are sending distressing signals to the stakeholders, especially the Reserve Bank of India, who controls the whole spectrum of banking activity in India. All the Banks in India are continuing their war against NPAs 12 months a year as a ritual, but ultimately result in the ever increasing growth in figures over the years. Government has been trying to address the problem with very positive steps like, establishment of Debt Recovery Tribunals (DRT) as well as implementation of SARFAESI Act 2002 in letter and spirit, that too of late, with the intervention of Courts for taking possession of the secured assets to be handed over to the Bank. Still the figures are showing a northward trend, in the case of growth of NPA in almost all the Banks. At this juncture it is worthwhile to go beyond the known causes of NPA to some unknown/unnoticed causes in order to get more insight to really understand the problem. This article attempts to understand and highlight some of the issues/facts which can be attributed as some of the main causes for the increasing NPA. It is a fact that NPA cannot be eliminated, but can only be contained. Now NPAs are contained by each Bank as a matter of compulsion, at a heavy cost of provisioning and write off. The authors are trying to find out whether addition of fresh NPAs can be prevented at least to a certain extent by isolating some unknown/hidden facts behind every NPA account, and bring it to the attention of the stake holders for corrective action. This is presented as a concept paper even though the subject of study was done among a group of Bank officials dealing with NPAs for a long time. A structured research was not envisaged in the study as it was not possible to get honest written responses from these officials and so most of the opinions were gathered from informal talk with them by the authors. So the paper is presented as an analysis of facts collected from these officials and so statistical research techniques are not required. Some of the findings/facts are able to throw light for future research/critical study.

KEY WORDS: Debt Recovery Tribunals (DRTs), Intervention of Courts, Non Performing Assets (NPA), Reserve Bank of India, SARFAESI Act, Secured Assets.

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