

NPA Management in Indian Banks

With Special Reference to Curative Management Strategies

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Banking Sector plays a pivotal role in the development of a country. It can be said that there is direct relationship between the development of banks and the development of economy in a country. But the present scenario of banking sector seems so absurd due to uncontrollable situation over the rising NPAs. Even though the various causes responsible for such NPAs are discovered by the experts, still a proper step has not yet been taken. In the year 2005 the Gross NPAs and Net NPAs were '48,399 crores and '16,904 crores respectively which increases to '1,64,462 crores and '90,000 crores respectively in the year 2013. Banking sector of India has decided to introduce many strategies to control and recover these NPAs. These strategies have been classified into two categories. In the first category the strategies which have been implemented to recover the NPAs, hence these strategies are called as curative management strategies. In the other category, strategies are implemented to take prevention before the loan amount becomes NPA.

For a sound and stable financial system, healthy financial institutions are the primary requirement. Banks are among the important financial institutions on which the healthy financial system is depended. In the recent world economic crisis, financial health of banks was seriously affected especially in US and Europe. This crisis has raised serious questions on the TINA (There is No Alternative) concept as well as the financial innovations initiated for achieving rapid economic growth. The recent world economic crisis seeks obsession to achieve economic growth targets have created new problems in the economy and regulations which was

identified as an obstacle towards growth was wrong perception.

The LPG Policy adopted world wide after 1991 in which several regulations were abolished or minimised is not suitable to some sector especially in the financial sector. Ben Bernanke, the then Chairman, Federal Reserve rightly pointed out, after world economic crisis, that the lesson I take from the experience is not risk, but that their execution must be better and smarter. This statement was made after bankruptcy of major banks and financial institutions. As a result, safety and stability of banking sector has been the thrust of the post-crisis policy reforms. (Duvvuri Subbarao, 2013). Though, Indian Banking System was less affected by this world economy crisis but it has taught important lessons for the management system in general and for banking system in particular.

*The Indian financial system comprises an impressive network of

banks and financial institution and wide range of financial instruments." (Rangarajan, 2013) Before initiating the financial sector reforms in 1991, Indian Banking system was weak in terms of net worth and profitability. RBI and Government had made notable changes in policies and regulation to strengthen the sector. (Bhawani Prasad & Veena, 2011) These notable changes have undoubtedly helped to improve the sector and simultaneously to achieve the growth targets but it has also created new challenges before the banks. On the one hand enhancing profits, financial innovations were initiated by banks and on the other hand capital adequacy quality of assets, entry of new banks, policy of financial inclusion, management of non-performing assets has created hardship before the management of the banks.

Non-Performing Assets (NPA) is an issue which affects not only the banking sector but also to create

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