Proceedings of the

ICSSR SPONSORED

NATIONAL SEMINAR ON FINTECH - 2022

(FINTECH REVOLUTION IN INDIAN BANKING SECTOR – OPPORTUNITIES AND CHALLENGES)

Convener
Dr. R. KALIDOSS, (Nodal Officer)

Date
29-09-2022 & 30-09-2022

Jointly Organized By

DEPARTMENT OF VOCATIONAL EDUCATION
&
P.G. AND RESEARCH DEPARTMENT OF COMMERCE

ARUMUGAM PILLAI SEETHAI AMMAL COLLEGE
TIRUPPATTUR – 630 211.

NATIONAL SEMINAR ON FINTECH REVOLUTION IN INDIAN BANKING SECTOR – OPPORTUNITIES AND CHALLENGES

29-09-2022 & 30-09-2022

DEPARTMENT OF VOCATIONAL EDUCATION

&

P.G. AND RESEARCH DEPARTMENT OF COMMERCE

ARUMUGAM PILLAI SEETHAI AMMAL COLLEGE

(Reaccredited with B+ grade by NAAC)

THIRUPPATHUR, SIVAGANGAI (DT).

TAMILNADU.

DISCLAIMER

The views expressed in this Edited ISBN Book are those of the author(s) and do not necessarily reflect those of publishers or Editorial Board. Reproduction of any material published herein requires prior written permission of the Editor or the organizations to which the contributors belong. Errors if any are purely unintentional and Readers and requested to communicate such errors to the editors or publishers to avoid discrepancies in future.

ISBN NO: 978-81-928690-6-3

Printed and Published

DEPARTMENT OF VOCATIONAL EDUCATION & P.G. AND RESEARCH DEPARTMENT OF COMMERCE
ARUMUGAM PILLAI SEETHAI AMMAL COLLEGE
(Reaccredited with B+ grade by NAAC)
THIRUPPATHUR, SIVAGANGAI (DT).
TAMILNADU.

CONTENTS

A STUDY ON THE NON-PERFORMING ASSETS RECOVERY STRATEGY IN INDIAN BANKING SECTOR

Mrs.J.Pandilakshmi[1]

Dr.M.Muthukamu[2]

ABSTRACT

Undoubtfully banking and financial institutions play vital role in constructing the economy of the nation. More specifically, the banking sector in developing countries like India is playing a crucial role in shaping the economy. Indian Banking sector is performing extremely well post LPG era and introduction of the novel financial products have geared the exponential growth of this industry. It is inevitable that any fast-growing sector has to experience its growth-related issues. The exponential growth of the Indian banking sector has paid its price for the same in the way to solve it the NPA – Non-Performing Assets. To address this issue, the present study has made an attempt to review the efforts taken by the banking authorities to address this issue and explore the best possible way solve it. To achieve this objective, data have been collected from official web sites of various banks, RBI and Finance Ministry. It is found that among the various schemes executed by the authorities to recover money from the unrecovered, the SARFAESI Act has delivered some fruitful results. The study also recommends that the authorities must apply some of the prudent methods to identify the right type of borrowers even before lending, which is proactive strategy to avoid such mounting NPAs both in values and volume.

Key words: Banking sector, Non-Performing Assets, RBI, Willful defaulters.

---

1. Research Scholar, Research Department of Business Administration, Arumugam Pillai Seethai AmmalColledge, jplmdu@gmail.com, +91 73396-62970.(Corresponding Author)
2. Associate Professor & Head, Research Department of Business Administration, Arumugam Pillai SeethaiAmmal Colledge, mmuthukamu@gmail.com. +91 9944829239.

INTRODUCTION

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 rising of NPAs. Even though various steps are taken by the authorities concerned to control the NPAs, still the accumulation of NPA is not been addressed yet properly. ln the year 2005, the Gross NPAs and Net NPAs were '48,399 crores and '16,904 crores stood respectively and the GNPA increases to 1,64,462 crores and the NNPA at 90,000 crores respectively in the year 2013. In order to arrest the accumulation of NPA, the Finance Ministry of India has introduced many strategies to control the same and recover from the NPAs. These strategies have been classified into two categories. The strategies under the first category have focused on the ways to recover the money from the NPAs and the strategies classified under the second one have focused on preventive measures to be implemented to arrest the NPAs.

For a sound and stable financial system, healthy financial institutions are the primary requirements and the banks are part of the system on which the healthy financial system is depended. In the recent global 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. This global economic crisis demands obsession to achieve economic growth targets and thus, it has created so many concerns in the global economy and regulations put forth were identified as an obstacle towards growth of the economies of the nations. The LPG Policy adopted by almost every nation in the world after 1991 have almost abolished or minimised the so called regulations for ease of doing business, and this phenomenon had some negative impact on the performance of the banking sector, which could be criticized as one of the reason for the accumulation of NPAs across the world.

Ben Bemanke, the than Chairman, Federal Reserve had 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 in USA. As a result, safety and stability of banking sector has been the thrust of the post-crisis policy reforms. (Duwuri Subbarao, 2013). Though, the Indian Banking System was insulated and managed to survive with less impact by this world economy crisis, it has taught some 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. Reserve Bank of India and the Indian Government have 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 in 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 obstacles in growth of the economy. "The money which is locked as NPA is not available for productive activities. It adversely affects the profit of the bank and as a result it increases the higher rate of their diligent credit customer." (Koti, 2013). The volume of Gross Non- Performing Assets was reached to 1,93,200 Crores in March, 2013. The Gross Non-Performing Assets of top 10 public sector banks as percentage of their net worth have ranged from 33% to 71% of their Net Worth. The bad loans was about Rs. 5,00,000 Crores in the year 2013. These data reflects that the problem of NPA is very crucial one and the efforts made by the RBI and the Government to handle the same are not sufficient and effective to overcome such problems. Hence, in this research work an effort has been taken to analyse the NPA Management in Indian Banking System and also to examine the results of curate and preventive management strategies.

REVIEW OF LITERATURE

Some of the previous researches undertaken has been reviewed in this section in order to have some deep insight about the issue taken for the research. The researches undertaken have been arranged in a reverse chronological order for the easy understanding. **Upadhyay (2019)** assessed the impact of credit risk on the profitability of HDFC Bank and SBI during the period 2009-2018. Multiple regression analysis was employed to meet the research objective, taking return on capital as the dependent variable and capital adequacy ratio, loan to deposit ratio, NPA, cost per loan ratio, provision coverage ratio, leverage ratio, problem asset ratio, and loan asset ratio as the independent variables. Atman's Z score was employed to assess financial health. HDFC's Z score was higher than SBI's score throughout the study period. A significant relationship was found between credit risk and profitability in case of SBI.

In the case of HDFC, the statistical model was not found significant. **Gaur (2019)** performed a comparative study to examine the trends of NPA in priority and non-priority sectors of public and private banks of India, giving special focus on the priority sector. During the period of study (2012-2017), it was found that there exists a significant difference in the NPA of the priority sector between public banks and private banks. NPA of the priority sector in private banks grew at a higher rate than public banks. Also, NPA in the priority sector was higher than the average NPA level.

Bawa (2018) assessed the effect of some financial ratios of banks on their NPAs. 31 financial ratios were taken in the study, some of them being CD ratio, NNPA to advances, owned capital to total asset, ROA, etc. Each variable was classified into six categories - liquidity, operating capability, profitability, solvency, business development capacity, and capital adequacy. GMM model was employed to meet the objective. A significant positive relationship was found between asset growth, total liability by total asset, lagged NPAs, and NPA. A negative relationship existed between ROA, intermediation cost ratio and NPA. **Shukla (2018)** conducted a study which focused on determining the cost of capital required by Indian banks to follow Basel-III norms specified in terms of Common Equity Tier (CET) -1 ratio, Tier-1 and total capital ratio. The data required for the analysis was extracted from the RBI database, periodicals and financial statements of various banks published from time to time. Risk Weighted Assets (RWA), CET-1, Additional Tier (AT) -1, Tier-2 Capital and Group of State Bank of India, 21 Public Sector Banks as well as 19 Private Sector Banks for year 2016 were considered for the study. Present value approach has been used in this analysis to give better estimates for the implementation of the Basel-III agreement and the comparison of additional costs associated with future benefits. The result of the analysis estimated that the implementation of the Basel-III agreement for Indian banks would require additional capital of 5.56 trillion 19 by 2019. The present value of the said essential capital is 4.78 trillion which is sufficient in relation to the Indian economy.

Bhaarathi (2018) performed a study to determine the factors affecting the NPA in public sector banks, private sector banks and foreign banks of India. The variables (determinants) taken for the study were – size of the bank, per capita income, inflation rate, interest rate, and credit diversification. Hausman test was employed to meet this objective. The study revealed that determinants of NPA differ with respect to ownership type. Factors like interest rate affect NPAs in public sector banks while the inflation rate and per capita income affect NPAs in private sector banks. No variable was found significant in the case of foreign banks. **Dey (2018)** conducted the research to analysis of the causal relationship between NPA and its determinants in Yes Bank threw light on the recovery mechanism of NPAs in India. The objective of the study was to identify various recovery channels and evaluate their effectiveness from 2003-04 to 2016-17. Three recovery wings namely Lok Adalat, Debt Recovery Tribunal (DRTs), and Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFASEI) of 2002 were reviewed. The study concluded that there is a significant difference between the performances of the three channels. Recovery through DRTs is highest and the most stable one as compared to recovery through Lok Adalat and SARFASEI. Also, it was found that throughout the study period, the rate of NPAs was higher than the amount recovered, which signified that recovery mechanism is not up to the mark in India. The researcher suggested the need for an adequate pre- sanctioning appraisal system and post-disbursement supervision system.

OBJECTIVES OF THE STUDY

1. To identify the consequence of NPA issues in Public and Private Sector banks in India.
2. To scrutinize the sector wise NPA involved in public and private sectors banks.
3. To figure out the Willful Defaulters and their share in total NPAs of Private and Public Sectorbanks.
4. To evaluate the various bad-debt recovery policies and preventive strategies implemented bybanking sector.
5. To suggest the most effective debt recovery strategy to reduce the NPAs.

RESEARCH METHODOLOGY

The present study is analytical in nature. The study is based on the secondary data and the data are collected for the period from 2005 to 2013. The required data were collected from the official websites of selected banks, research papers and official website of RBI. The secondary data so collected were further classified and tabulated as per the requirement of the study. Simple statistical tools have been applied to analyze the data and to test the effectiveness of debt recoverymanagement strategies.

SCOPE OF THE STUDY

1. Though the problem of NPA is the common to all banks and financial institutions, it is practically quite difficult to consider all banks into the study. Hence only few banks have been considered for this study.
2. The banking sector had introduced many debt recovery management strategies to reduce non-performing assets, some of them have become obsolete and not used by the banking sector at present. Hence those strategies are not considered in determining most effective

strategy among the given strategies.

TRENDS OF NON-PERFORMING ASSETS

Banking Sector plays a vital role in the development of the economy of any nation. But at present, it has been viewed that this is one among the sector which is under deep stress. The most calamitous problem facing commercial banks all over the world in recent time is spiraling non- performing assets which are badly affecting their viability and solvency and thus posing challenge to their ultimate survival (Shrivastav & Divya Nigam 2013). Non-Performing Assets is one among the major problem of Indian Banking Sector and therefore this issue has been selected for analysis in this paper. The rising NPAs in recent period can be attributed to the effects of the global recession coupled with internal factors like the slowdown in the domestic economy which had adversely affected the performance of corporate as well as small and medium enterprises leading to a negative impact on credit quality. To overcome this problem, the banking sector has not only initiated various measures but also introduced certain debt recovery and preventive management strategies to reduce the NPAs. The analysis of the effects of these strategies is the basic objectiveof this paper.

The RBI introduced health code system for commercial banks in 1985-86 and under this RBI advised the banks to recognize income only on realization basis instead of accrual basis of accounting system. By introducing of this code, RBI intended to help the banks to strengthen their financial health. But unfortunately, this system was not transparent and has created a uniform yardstick for measurement of the problem. After recognizing this issue, the RBI has introduced prudential regulations on the basis of Narshimham Committee recommendation with certain modification in a phased manner over a 3 year period beginning 1990 to 1993.

In order to move towards international best practices and impart greater transparency, it was decided by the RBI to introduce classification of loans as nonperforming when interest and/or instalments of principal remain overdue for a period of more than 90 days from the year ending March 31, 2004 (Shrivastav & Divya Nigam 2013). But as far as agricultural loan is concerned if the instalment of principal or interest thereon remains overdue for two crop seasons in case of short duration crops and one crop season in case of long duration crops are considered as NPAs. The NPAs can be classified as Substandard, Doubtful and Loss Assets. The loans or advances which have remained NPA for a period less than or equal to 12 months are known as Substandard Assets on which provision is made at 20%. The loan or advance which has remained in the category for a period of more than 12 months are Doubtful assets on which provision is made at 30% if it is NPA for a period of 1 to 3 years and at 50% if it is

NPA for a period more than 3 years. Any loan or advance is considered as loss asset when it has been identified by the bank or internal or external auditors or by the RBI inspection. In such case the provision is 100%. The bank has introduced many strategies to reduce and control such NPAs in Indian Banking System. This research work is an attempt to determine the impact of those strategies on NPA and also to know the strategies which are more effective to reduce the NPAs so that steps can be taken to implement those effective strategies in future to improvise the Banking sector.

Table 01 : Gross and Net NPAs of Scheduled Commercial Banks - Bank Group-Wise

(Amount in ₹ Crore)

Year (end-March)	Advances		Non-Performing Assets (NPAs)					
			Gross			Net		
	Gross	Net	Amount	As Percentageof Gross Advances	As Percentageof Total Assets	Amount	As Percentageof Net Advances	As Percentageof Total Assets
1	2	3	4	5	6	7	8	9
Scheduled Commercial Banks								
2008-09	3037586	2999924	68328	2.2	1.3	31564	1.1	0.6
2009-10	3545000	3497054	84698	2.4	1.4	38723	1.1	0.6
2010-11	4357548	4298704	97973	2.2	1.4	41799	1	0.6
2011-12	5158878	5073559	142903	2.8	1.7	65205	1.3	0.8
2012-13	5988277	5879773	194053	3.2	2	98693	1.7	1
2013-14	6875748	6735213	263362	3.8	2.4	142421	2.1	1.3
2014-15	7559760	7388160	323335	4.3	2.7	175841	2.4	1.5
2015-16	8173121	7896467	611947	7.5	4.7	349814	4.4	2.7
2016-17	8492565	8116109	791791	9.3	5.6	433121	5.3	3.1
2017-18	9266210	8745997	1039679	11.2	6.8	520838	6	3.4
2018-19	10294463	9676183	936474	9.1	5.6	355068	3.7	2.1
2019-20	10918918	10301914	899803	8.2	5	289531	2.8	1.6
Public Sector Banks								
2008-09	2282825	2259212	44957	2	1.2	21155	0.9	0.6
2009-10	2733458	2701300	59926	2.2	1.3	29375	1.1	0.7
2010-11	3346450	3305632	74664	2.2	1.4	36055	1.1	0.7
2011-12	3942732	3877308	117839	3	2	59391	1.5	1
2012-13	4560169	4472845	165006	3.6	2.4	90037	2	1.3
2013-14	5215920	5101137	227264	4.4	2.9	130394	2.6	1.6
2014-15	5615793	5476250	278468	5	3.2	159951	2.9	1.8
2015-16	5823907	5593577	539956	9.3	5.9	320376	5.7	3.5
2016-17	5874849	5557232	684732	11.7	7	383089	6.9	3.9
2017-18	6141698	5697350	895601	14.6	8.9	454473	8	4.5
2018-19	6382461	5892667	739541	11.6	7.3	285122	4.8	2.8

2019-20	6615112	6158112	678317	10.3	6.3	230918	3.7	2.1
Private Sector Banks								
2008-09	130334	128504	3072	2.4	1.3	1159	0.9	0.5
2009-10	156392	154136	3622	2.3	1.3	1137	0.7	0.4
2010-11	187296	184647	3600	1.9	1.2	900	0.5	0.3
2011-12	232918	230079	4200	1.8	1.1	1300	0.6	0.3
2012-13	273120	269937	5210	1.9	1.2	2000	0.7	0.4
New Generation Private Sector Banks *								
2008-09	454713	446999	13854	3	1.7	6252	1.4	0.8
2009-10	487713	478358	14017	2.9	1.6	5234	1.1	0.6
2010-11	624484	612886	14500	2.3	1.3	3400	0.6	0.3
2011-12	748500	736300	14500	1.9	1.1	3000	0.4	0.2
2012-13	886023	873252	15800	1.8	1	3900	0.4	0.3
2013-14	1360253	1342935	24542	1.8	1.1	8862	0.7	0.4
2014-15	1607329	1584312	34106	2.1	1.3	14128	0.9	0.5
2015-16	1972608	1939339	56186	2.8	1.8	26677	1.4	0.8
2016-17	2266721	2219475	93209	4.1	2.6	47780	2.2	1.3
2017-18	2725891	2662753	129335	4.7	3	64380	2.4	1.5
2018-19	3442347	3327328	183604	5.3	3.5	67309	2	1.3
2019-20	3776231	3625154	209568	5.5	3.6	55746	1.5	1
Foreign Banks In India								
2008-09	169713	165385	6445	3.8	1.4	2997	1.8	0.7
2009-10	167437	163260	7134	4.3	1.6	2977	1.8	0.7
2010-11	199318	195539	5069	2.5	1	1312	0.7	0.3
2011-12	234727	229849	6297	2.7	1.1	1412	0.6	0.2
2012-13	268966	263680	7977	3	1.3	2663	1	0.4
2013-14	299575	291142	11565	3.9	1.5	3160	1.1	0.4
2014-15	336638	327599	10761	3.2	1.4	1762	0.5	0.2
2015-16	376607	363551	15805	4.2	1.9	2762	0.8	0.3
2016-17	343822	332335	13629	4	1.7	2137	0.6	0.3
2017-18	363305	351016	13849	3.8	1.6	1548	0.4	0.2
2018-19	406881	396726	12242	3	1.2	2051	0.5	0.2
2019-20	436066	428072	10208	2.3	0.8	2084	0.5	0.2
Small Finance Banks								
2018-19	62775	59461	1087	1.7	1.3	586	1	0.7
2019-20	91509	90576	1709	1.9	1.3	784	0.9	0.6
Notes : 1. Data for 2019-20 are provisional.								
2. * : For Private Sector Banks, data from 2008-09 till 2012-13 pertain to only new private sector banks. From2013-14 onwards data pertains to all Private Sector Banks i.e. inclusive of both old and new private sector banks.								
3. Data on Small Finance Banks pertain to 7 entities in 2018-19 and 10 entities in 2019-20.								
Source : Supervisory returns and Report on Trend and Progress of Banking in India.								

Table 1 shows the Gross and Net Non-Performing Assets percentages from 2008 to 2020 in Indian banking sector namely Commercial Banks, Private Banks and Foreign Banks, Small Finance Banks.

Table - 2 - NPAs in. Top 10 Public Sector in India

S.No	Bank Names	5 Yr Avg Gross NPA	5 Yr Avg Net NPA	Gross NPAs (2020 - 2021)	Net NPAs (2020 - 2021)
1	IDBI Bank	26.22	9.23	27.53	1.97
2	Indian Overseas Bank	19.22	9.83	11.69	3.58
3	Central Bank of India	18.81	8.49	16.55	5.77
4	UCO Bank	18.62	8.23	9.59	3.94
5	Punjab National Bank	14.95	7.42	14.12	5.73
6	Bank of India	14.84	5.6	13.77	3.35
7	Bank of Maharashtra	14.57	7.15	7.23	2.48
8	Union Bank of India	13.95	6.39	13.74	4.62
9	Punjab & Sind Bank	12.28	6.75	13.76	4.04
10	Bank of Baroda	10.12	3.95	8.87	3.09

Table: 2 Show the status of GNPA and NNPA ratio on the 10 Public sector banks in the year of 2021. In this table Central Bank of India and Punjab National Bank have the Maximum value of GNPA and NNPA in the respective year.

Table - 3 - NPAs in. Top 10 Private Sector in India

S.No	Bank Names	5 Yr Avg Gross NPA	5 Yr Avg Net NPA	Gross NPAs (2020 - 2021)	Net NPAs (2020 - 2021)
1	HDFC Bank	1.26	0.38	1.32	0.4
2	IndusInd Bank	1.86	0.74	2.67	0.69
3	DCB Bank	2.35	1.12	4.09	2.29
4	RBL Bank	2.39	1.26	4.34	2.12
5	AU Small Finance Bank	2.5	1.36	4.3	2.2
6	Kotak Mahindra Bank	2.5	0.98	3.25	1.21
7	Equitas Small Finance Bank	2.89	1.58	3.59	1.52
8	Bandhan Bank	2.9	1.12	6.81	3.51
9	The Federal Bank	2.9	1.39	3.41	1.19
10	IDFC First Bank	3.09	1.39	4.15	1.86

Table: 3 Show the status of GNPA and NNPA ratio on the 10 Private sector banks in the year of 2021. In this table DCB Bank and RBL Bank have the Maximum value of GNPA and NNPA in the respective year.

Table : 4 Frauds Amount in Banks

S No.	Banks	No. of frauds	Amount (Cr)
1	ICICI	6,811	5,033.81
2	SBI	6,793	23,734.74
3	HDFC	2,497	1200.79
4	Bank of Baroda	2,160	12,962.96
5	Punjab National Bank	2,047	28,700.74
6	Axis Bank	1,944	5,301.69
7	Bank of India	1,872	12,358.20
8	Syndicate Bank	1,783	5,830.85
9	Central Bank of India	1,613	9,041.98
10	IDBI	1,264	5,978.96
11	Standard Chartered Bank	1,263	1,221.41
12	Canara Bank	1,254	5,553.38
13	Union Bank of India	1,244	11,830.74
14	Kotak Mahindra Bank	1,213	430.46
15	Indian Overseas Bank	1,115	12,644.70
16	Oriental Bank of Commerce	1,040	5,598.23
17	United Bank of India	944	3,052.34
18	State Bank of Mysore	395	742.31
19	State Bank of Patiala	386	1,178.77
20	Punjab and Sind Bank	276	1,154.89
21	UCO bank	1,081	7,104.77
22	Tamilnad Mercantile Bank	261	493.92
23	Lakshmi Vilas Bank	259	862.64
24	American Express Banking Corporation	1,862	86.21
25	Citi Bank	1,764	578.09
26	Hongkong and Shanghai Banking Corporation (HSBC)	1,173	312.1
27	The Royal Bank of Scotland Plc	216	12.69

Source:https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals -rbi-data-1560335835680.html

(i) The above table highlights that ICICI Bank and SBI have registered the highest number offrauds.

(ii) The table also highlights that Punjab National Bank and SBI have registered the highestamount of frauds.

(iii) SBI performed badly based on control over the number as well as amount of frauds.

(iv) The scale of frauds in the case of Punjab National Bank is a matter of concern

From Table 5 and Table 6 it can be clearly observed that it is much easier to defraud public sector banks than private sector bank in India and the figures speak volumes about the way the latter are run.

Table: 5 Showing the Amount of Frauds in Private Sector Banks

S.No	Private Sector Banks	Amount (in crores)
1	ICICI	5,033.81
2	HDFC	1,200.79
3	Axis Bank	5,301.69
4	IDBI	5,978.96
5	Standard Chartered Bank	1,221.41
6	Kotak Mahindra Bank	430.46
7	Tamilnad Mercantile Bank	493.92
8	Lakshmi Vilas Bank	862.64
Total		**20,523.68**

Source: https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals-rbi-data-1560335835680.html

Table: 6 Showing the Amount of Frauds in Public Sector Banks

S.No	Public Sector Banks	Amount (in crores)
1	State Bank of India (SBI)	23,734.74
2	Bank of Baroda	12,962.96
3	Punjab National Bank (PNB)	28,700.74
4	Bank of India	12,358.20
5	Syndicate Bank	5,830.85
6	Central Bank of India	9,041.98
7	Canara Bank	5,553.38
8	Union Bank of India	11,830.74
9	Indian Overseas Bank	12,644.70
10	Oriental Bank of Commerce	5,598.23
11	United Bank of India	3,052.34
12	State Bank of Mysore	742.31
13	State Bank of Patiala	1,178.77
14	Punjab and Sind Bank	1,154.89
15	UCO Bank	7,104.77
Total		**1,41,489.6**

Source: https://www.livemint.com/industry/banking/bank-frauds-worth-rs-2-05-trillion-happened-in-last-11-years-reveals-rbi-data-1560335835680.html

Strategies to Reduce NPAs

The strategies to reduce NPAs can be broadly classified into two i.e. Debt recovery Management Strategies and Preventive Management Strategies. This paper basically deals with the analysis of Debt recovery Management Strategies. Such Management Strategies includes those steps and measures which are taken by the RBI, Government and banking sector, after the NPAs take place. The strategies are quite helpful to recover that amount of money which is already blocked up in the name of NPA. The various management strategies under this category are explained below:

1. **Lok Adalats**: It is a system of alternative dispute resolution developed in India. The idea of introducing Lok Adalats was developed by Justice P.N. Bhagwati, a former Chief Justice of India. LokAdalat is a non-adversarial system, whereby mock courts (called LokAdalats) are held by the State Authority, District Authority, Supreme Court Legal Services Committee, High Court Legal Services Committee, or Taluk Legal Services Committee. Cases involving an amount upto Rs.5 lakh may be referred to LokAdalats. In August 2004, the Reserve Bank of India has raised this limit to Rs 20 lakh from the earlier limit of Rs 5 lakh. LokAdalats have no judicial powers. It is a mutual forum for the bank and the borrower to meet and arrive at a mutual settlement. Public sector banks recovered as much as Rs 40.38 crore as on September 2001 through such LokAdalats. "According to a General Manager of PNB, Lokadalat is an effective strategy to recover dues from borrowers and it has been pretty successful in Delhi and states such as Bihar among other states". Over 56000 cases were settled involving more than Rs. 265 crores on 14.02.2015 through National Lok Adalat for bank recovery. The Banks and financial institutions and others who participated were able to arrive at final settlements of more than Rs. 265 crores
2. **Debt Recovery Tribunal:** Debts Recovery Tribunal has been established in the year 1993 by the Central Government of India. The Government of India has established 33 Debts Recovery Tribunals, which are located across the country. Some cities have more than one Debts Recovery Tribunals. The main objective of DRT is to sue the defaulted borrowers after receiving the applications from banks and financial institutions to claim the amount of loan overdue, which have not yet been paid by the borrowers. These DRTs can consider the matters relating to recovery of NPAs of 10 lacs and above. Initially the Debts Debt Recovery Tribunals were quite effective and helped the banks and financial institutions in recovering the large part of the nonperforming assets. But the growth of OATs was hold back later on as the OATs could not show their powerful efforts on

making recoveries from large and powerful borrowers (specially the corporate borrowers). Even the borrowers, whose cases were dealt by the court, alleged that there would be a huge loss if theirsettlement would be done through these OATs.

3. **SARFAESI Act:** The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act was enacted in the year 2002. The purpose of this act was to achieve 3 dimensions benefits i.e. to regulate the securitization process, to reconstruct the financial assets and enforcement of security interest created in respect of financial assets. Such Act enables the secured creditors to recover their debt without the interference of the court or tribunal. If a borrower fails to repay the amount of loan within 60 days of notice from the date of notice by the secured creditor, the secured creditor is bestowed with certain powers under this act. The powers are to take the possession of the secured assets of the borrower, to take-over the management of the borrower's business including the right to transfer by way of lease, assignment or sale for realizing the secured assets, to appoint any person to manage the possessed secured assets, and to recover money from other secured creditor(s) who has possessed the asset from the borrower and from whom money is due to the borrower. SARFAESI Act has proved its significance in the recovery process since from the year 2003-04 and the percentage of recovery is quite high in the year 2007-08 with a recovery percentage of about 61 %.
4. **Asset Reconstruction Company:** Asset Reconstruction Company is globally known as Asset Management Company. In India, the need of Asset Reconstruction Company was first raised by Narsimham 1 Report. The Narsimham Report 1 had suggested to set up a Central Asset Reconstruction Fund with money financed by Central Government, which would enable the banks to clean up the NPAs from their balance sheets. "Asset Reconstruction Company (Securitization Company/ Reconstruction Company) is defined as a company registered under Section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SRFAESI) Act, 2002. It is regulated by Reserve Bank of India as an on Banking Financial Company (u/s 451 (f) (iii) of RBI Act, 1934)". ARC has been set up to provide a focused approachto Non-Performing Loans resolution. There are various functions performed by an ARC like acquisition of financial assets, rescheduling of debts, change or take over the management, enforcement of security interest and settlement of dues payable by the borrower. The functioning of an ARC is just like the mutual fund. All the acquired assets are transferred by the ARC to one or more trusts at the price at which the financial assets

were acquired from the banks and financial institutions. Security Receipts are issued by the trust to qualified institutional buyers. The trusteeship of the trusts. shall vest with ARC. ARC gets only the management fee from the trusts. Any profit i.e., when realized price is more than acquired price will be distributed among the beneficiaries of the trusts and ARC. Any loss i.e., when realized price is less than the acquired price will be bore by the beneficiaries of the trusts only. Asset Reconstruction Company India. Limited (ARCIL) is India's first and largest reconstruction company. It is sponsored by prominent banks and financial institutions like SBI, IOB, ICICI and PNB. ARCIL has its registered office at Mumbai, Maharashtra. It has acquired portfolio from more than 65 banks and financial institutions since inception. ARCIL also forayed into reconstruction of retail assets through its division 'ARMS' which is currently spread across 17 locations in India.

5. **Corporate Debt Restructuring:** It is a process where the debt of a company to the bank is to be restructured if the company is undergoing through any bonafide financial constraint or hardship. “CDR is a mandatory mechanism based on debtor-creditor agreement and inter-creditor agreement. Restructuring helps in aligning repayment obligations for bankers with the cash flow projections as reassessed at the time of restructuring." (Balasubramaniam, 2012). The company, who is in the position of bankruptcy, can negotiate with the bank and with its creditors to restructure or reduce the loan amount so that the chances of bankruptcy could be avoided. RBI also mentioned certain guidelines related to Capital Debt Restructuring (COR) which were implemented on 23rd August, 2001. These guidelines have been further revised and implemented on 5th February, 2003. Such process comes into operation for the purpose of transparent restructuring of corporate debt of viable concerns that are affected by those factors which are beyond their control. The restructuring program should be such that it could minimize the losses of the creditors and other stakeholders. CDR System has 3 tier structures:
    a. CDR Standing forum & Its Core Group: The forum acts as a representative general body for all members i.e. financial institutions and banks and lays down various policies and guidelines for proper monitoring of debt restructuring. On the other hand its Core group helps in holding various meetings and taking decisions which are related to the policies.
    b. CDR Empowered Group: It is involved in deciding the individual cases of CDR. The preliminary reports submitted by CDR Cell, of all the cases of requests of

restructuring by interested corporals are taken into consideration by this empowered group. After that, if the restructuring of those companies is feasible and viable and are in accordance with the guidelines given by the standing forum then, the group may direct the CDR Cell to start the process of restructuring

c. CDR Cell: This cell assists the Standing forum and Empowered Group to make viable decisions related to restructuring. The cell scrutinizes all the proposals of restructuring and the applications to the Empowered group, if the empowered group is satisfied then it

6. **One time Settlement Scheme:** If the borrower could not repay the amount of loan that he had taken earlier and after the expiry of the specific period (90 days) the bank considered that loan as NPA, in that case the bank, after verifying the relevant circumstances, may provide an opportunity to the borrower to repay the whole amount of loan due as directed by the bank within a specified period. One time settlement scheme is applicable when the amount involved is less than 10 crores. The revised guidelines related to one time settlement covers all doubtful and loss assets of SME sector and sub-standard assets of sectors other than SME. These guidelines also take into consideration to those cases on which the banks have initiated action under SARFAESI Act, DRTs &BIFR. But the cases of fraud, misconduct and Willful defaulters do not come under the purview of such guidelines. The settlement amount is to be paid in one lump sum. If a borrower could not pay the amount in lumpsum then he could pay the 25% of that amount within 30 days of intimation of sanction and the remaining amount together with an interest of prime lending rate, within the period of 100 days from the date of sanctioned.
7. **Recovery against Willful Defaulters**: After a review of pendency in regard to NPAs by the Hon'ble Finance Minister, RBI had advised the public sector banks to examine all cases of willful default of Rs 1 crore and above and file suits in may approved such applications and such cases, and file criminal cases and intimate the cell to start the process- regard to willful defaults. "RBI need to take necessary actions against defaulters like, publishing names of defaulters in Newspapers, broad-casting media, which is helpful to other banks and financial institutions". (Ramaprasad, 2012). Willful Defaulters are one of the reason due to which these NPAs are increasing year by year. Generally willful defaulters are those persons who are not repaying the amount of loan even if they have the capability to pay for that. Moreover, the Reserve Bank of India

has distinctly defined the Willful Default as: "Willful default broadly covered the following:

a) Deliberate non-payment of the dues despite adequate cash flow and good net worth;
b) Siphoning off of funds to the detriment of the defaulting unit;
c) Assets financed either not been purchased or been sold and proceeds have been mis-utilised;
d) Misrepresentation *I* falsification of records;
e) Disposal *I* removal of securities without bank's knowledge;
f) Fraudulent transactions by the borrower."

Table:7 Top 25 Wilfil Defaulters in India in 2022

S.No	Name of the Company	Amount (Crores)
1	Gitanjali Gem Ltd.,	7110
2	Era Infra Engineering Ltd	5879
3	Concast Steel and Power Ltd.,	4107
4	REI Agro Ltd.,	3984
5	ABG Shipyard Ltd.,	3708
6	Frost International Ltd.,	3108
7	Winsome Diamond and Jewellery Ltd.,	2671
8	Rotomac Global Private Ltd.,	2481
9	Coastal Projectes Ltd.,	2311
10	Kudos Chemie Ltd.,	2082
11	Zoom Developers Pvt Ltd.,	1818
12	Best Foods Ltd.,	1653
13	Forever Precious Jewellery and Diamond Ltd.,	1639
14	Deccan Chronicle Holding Ltd.,	1594
15	Siddhi Vinayak Industries Ltd.,	1560
16	SVOGL Oil Gas and Energy Ltd.,	1486
17	Surya Vinayak Industries Ltd.,	1481
18	Gili India Ltd.,	1447
19	EMC Ltd.,	1342
20	Rohit Ferro-Tech Ltd.,	1333
21	Hanung Toys and Textiles Ltd.,	1306
22	Amira Pune Foods Pvt Ltd.,	1293
23	Unity Infraprojects Ltd.,	1230
24	S Kumars Nationwide Ltd.,	1177
25	Sterling Biotech Ltd.,	1158

Table 7 depicts the names of the willful defaulters in India in 2022, who have dues of more than 1000 crores. The Gitanjali Gem Ltd., is on the top of the list with a loan amount due of Rs. 7,110 Crores. The NPAs which is caused due to willful defaulters has a major share in the total amount of NPAs in banking sector. Directors of Banks are required to review NPA amount blocked in this area. Many economists have opinioned that if the recovery could be made from this area then it could provide a good opportunity for the development of our economy. Even the priority sector and the needy people can get adequate financial assistance for their self-employment and future growth of nation.

Table - 8 - Measurement of the Effectiveness of Debt Recovery Management Strategy

Particulares	LokAdalats	Debt Recovery Tribunal	SARFAESI Act
2014-15			
No. of cases referred	2,68,090	4,744	39,208
Amount Involved	801	14,317	13,224
Amount Recovered	113	2,688	2,391
Percentage of Recovery (%)	**14.10%**	**18.77%**	**18.08%**
2015-16			
No. of cases referred	1,60,368	4,028	60,178
Amount Involved	758	9,1 56	9,058
Amount Recovered	106	3,463	3,749
Percentage of Recovery (%)	**13.98%**	**37.82%**	**41.38%**
2016-17			
No. of cases referred	1,86,535	3,728	83,942
Amount Involved	2,142	5,819	7,263
Amount Recovered	176	3,020	4,429
Percentage of Recovery (%)	**8.21%**	**51.89%**	**60.98%**
2017-18			
No. of cases referred	5,48,308	2,004	61 ,760
Amount Involved	4,023	4,1 30	12,067
Amount Recovered	96	3,348	3,982
Percentage of Recovery (%)	**2.38%**	**81 .06%**	**32.99%**
2018-19			
No. of cases referred	7,78,833	6,019	78,366
Amount Involved	7,235	9,797	14,249
Amount Recovered	112	3,133	4,269
Percentage of Recovery (%)	**1.54%**	**31 .97%**	**29.95%**
2019-20			
No. of cases referred	6, 16, 018	12,872	1,18,642
Amount Involved	5,254	14,092	30,604
Amount Recovered	151	3,930	11 ,561
Percentage of Recovery (%)	**2.87%**	**27.88%**	**37.77%**
2020-21			
No. of cases referred	8,40,691	13,408	1,90,537
Amount Involved	66	310	681
Amount Recovered	4	44	185

Percentage of Recovery (%)	6.06%	14.19%	27.16%
2021 - 22			
No. of cases referred	16,36,957	28,258	1,94,707
Amount Involved	232	553	946
Amount Recovered	14	53	244
Percentage of Recovery (%)	**6.03%**	**9.58%**	**25.79%**
Source: Website of Reserve Bank of India			

Table 8 shows the Measurement of the Effectiveness of Debt recovery Management Strategy. As per the objective, it is needed to determine the most effective debt recovery strategy for recovering the NPAs involved in banking sector. For such testing it is assumed that SARFAESI Act is the most effective tool for recovering the NPAs and again one has to compare the recoveries of other debt recovery strategies with the recovery of SARFAESI Act strategy. The study reveals that during the eight years study period, for about six years the SARFAESI Act was more effective and in the remaining two years the DRTs was more effective in recovering the NPAs. It is clear that SARFAESI Act can be considered as the most effective strategy among the debt recovery strategy.

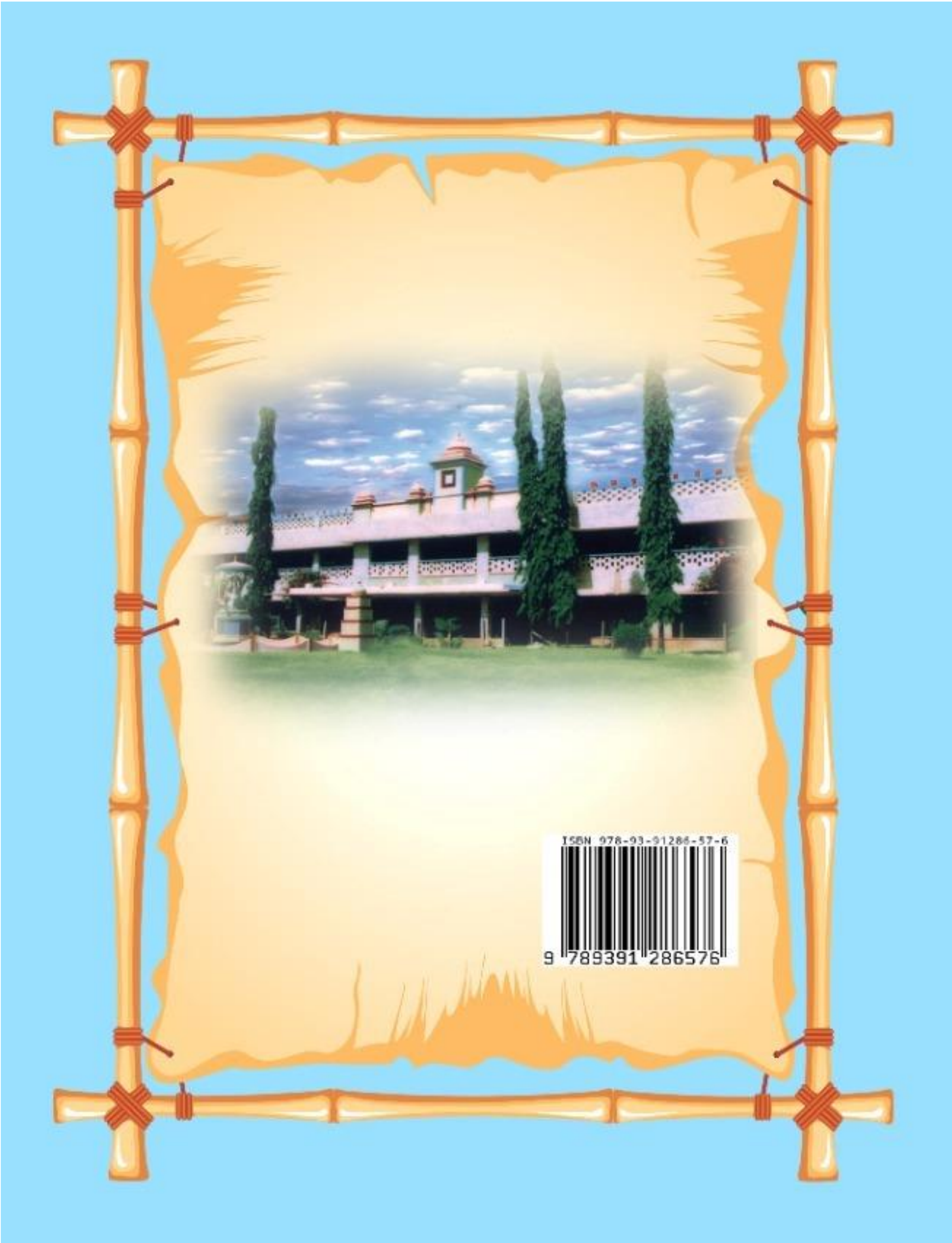
CONCLUSION

Though the problem of increasing NPAs has various reasons viz. willful defaulters, business failure, mis-utilization of loans by user, failure of poverty alleviation programmes, faulty lending policy, lending compulsory to priority sector by banks, faulty credit management like defective credit recovery system, unsystematic and unscientific repayment schedule, time gap between sanctions and disbursement of loan, untimely communication to the borrowers regarding their due date, lack of sponge legal mechanism, politics at local levels and waive-off policy of loan by government, it is important to take steps to control the NPAs. It has been viewed by the economist, government authorities and even bankers that controlling of such increasing NPAs is quite difficult. The problem of NPA in Public Sector Banks is bigger when compared to private sector banks since more volume of business and larger operations of banking activities are undertaken by the public sector banks. Apart from that inefficiency in management of credit and non-appraisal of borrowers' accounts are creating more problems in banking sector. The various debt recovery management strategies like Lok Adalats, Debt Recovery Tribunal and One time settlement schemes have been implemented to make recoveries of NPAs and even these efforts too have delivered only minimum success. But it is observed that only the SARFAESI Act has played a significant role in recovering the NPAs. Hence, it will be more worthwhile to emphasize the SARFAESI Act methodology with some more effectiveness. This may will deliver the fruitful results in the

NPAs recovering activity in the near future. Apart from the debt recovery management strategy, steps should also be taken to use the preventive management strategy to have a proper control of NPAs in future to come.

REFERENCES

1. Rangarajan, The Indian Banking System (Ed. 2013) Reforms, Academic Foundation, NewDelhi. P.119.
2. Kumar, D., & Singh, G. (n.d.). Mounting NPAs in Indian Commercial Banks. *International Journal of Transformations in Business Management,* 1(6). doi:Apr-Jun, 2012
3. Prasad, G., & Veena, D. (n.d.). NPAs Reduction Strategies for Commercial Banks in India.*International Journal of Management & Business Studies, 1(2),* 47-53. doi:Sept, 2011
4. Prof. Kartikey, K. (n.d.). Management of Non-performing assets A Case study in Krishna Grameena Bank, Gulbarga District. *Indian Journal of Research in Management, Businessand Social Sciences,* 1(2}, 63·67. doi: July, 2013
5. Balasubramaniam, C.S. "Non- Performing Assets and Profitability of Commercial Banks in India: Assessment and Emerging Issues ·· *ABHINAV: National Monthly Refereed Journal of Research in Commerce & Management,* 1 (7}. 41-52. www.abhinavjournal.com. Web.
6. Prasad, K., & Reddy, B. (n.d.}. Management of Non-Performing Assets in Andhra Bank *Indian Journal of Applied Research,2(2},* 13-15.
7. Asset Reconstruction Company Limited (n.d.}. Retrieved from http://www.alibankingsolulions.com/BankingTutor/ARC.shtml.
8. Prudential Norms on Income Recognition, Asset Classification and Provisioning – Pertaining to Advances. (2001, August 30). Retrieved from https://www.rbi.org.in/scripts / BS_ViewMasCirculardetails.aspx


ISBN 978-93-91286-57-6
9 789391 286576