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Management of Non-Performing Assets in Public sector Banks with Special Reference to Priority and Non-Priority Sector

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ABSTRACT
In today's era, Non-Performing Assets are not a function of loan alone, but it also affects the profitability of banking sectors and also the economic condition of India. The researcher tried to understand the role of priority sector NPAs and Non- Priority sector NPAs of Public Sector Banks in India. The study also inspected drifts in part insightful NPAs of Public Sector Banks and furthermore analyzed whether there is a huge effect of need area NPAs and Non-need segment NPAs on all-out NPAs of PSBs and discover the impact of gross advances on all-out NPAs of PSBs. This study conducted on secondary data. The period of the study is 5 years i.e., from 2013 to 2017. The statistical tools such as percentage, correlation, Regression have been used for the analysis.

Keywords: Non-Performing Assets, Priority sector, Non-Priority Sector

INTRODUCTION
In India banking sector plays a crucial role in the growth of Indian economy. Since Public sector banks is the lead sector in overall banking sector in India. But currently Non-performing Assets have become trouble assets. Because of Non-performing Assets banks profitability affects adversely.

MEANING OF NON-PERFORMING ASSETS
It is an asset which ceases to generate income for a bank whether in the form of interest or principal repayment. These are loans given by a bank in which the borrower delays interest or principal payments. According to the RBI norms, any interest or loan repayment delayed beyond 90 days has to be identified as a non- performing asset. It is classified into sub-standard, doubtful and loss assets. According to RBI guideline the banks should make provisions for the non-performing assets according to the period for which the assets has remained doubtful. When the asset has continued doubtful for one year, the provisioning obligation is 20 percent; if doubtful up to three years, the provisioning obligation is 30 percent and for over three years, it is 100 per cent with effect from 31 March 2005.

RBI'S GUIDELINES FOR PROVISIONING NORMS OF NPAs
RBI has given certain guidelines for making provisions when an account turns bad so that banking sector can cope up with the shock of non -performing assets.

Standard Asset: 0.40% of the loan amount

Sub-Standard Asset-Secured: 15% on outstanding amount

Unsecured: 255 on outstanding amount.

Doubtful Asset: a. (Up to 1 year) - Secured: 25% on outstanding amount

Unsecured: 100% on outstanding amount.

b. (1 to 3 years) - Secured: 40% on outstanding amount

Unsecured: 100% on outstanding amount.

c. (More than 3 years) - Secured: 100% on outstanding amount

Unsecured: 100% on outstanding amount.

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Loss Asset: 100% for the outstanding amount.

TYPES OF NPA

Gross NPA: It is the sum total of all assets like as sub-standard, doubtful, and loss assets. It can be understand with the help of following formulas:

[Gross NPAs= Sub-standard Assets + Doubtful Assets + Loss Assets]

Net NPA: In this type of NPAs the bank has deducted the provision regarding NPAs. It demonstrates the real load of banks. It can be understand with the help of following formulas:

[Net NPA = Gross NPA- (Balance in Interest Suspense account + DICGC/ECGC claims received and held pending adjustment + Part payment received and kept in suspense account + Total provisions held)]

LITERATURE REVIEW

Khanna, P. (2012) led an investigation on overseeing Non-Performing Assets in Commercial Banks for a long time for example 2005-2010 to research the development of NPA in business banks. The examination depended on optional information, criteria for choosing banks was the most noteworthy business per representative. It finds that an elevated level of NPAs proposes a high likelihood of an enormous number of credit defaults that influence the benefit and total assets of banks and dissolves the estimation of the advantages. NPA development includes the need for arrangements that diminish the general benefit and shareholders‟ esteem. The development of gross NPAs out of complete advances is declining in SBI, State Bank of Patiala and State Bank of Indore. Once more, the development of non-performing resources in Oriental Bank of Commerce, Corporation Bank and Bank of Baroda shows a declining pattern. It likewise establishes that significant pieces of NPAs of nationalized banks accumulate in the need part and a significant lump of NPAs in the private area gather in the non-need division.

B. Selvarajan and Dr Vadivalagan (2013) In their examination paper entitled Management of Non-Performing Asset in Priority Sector alludes to Indian Bank and Public Sector bank said that the need division propels have been broken down in detail under three significant heads viz., horticulture, little scale industry, and other need areas. On account of NPA the board, the presentation of the Indian Bank is superior to anything that of Public Sector Banks all in all. Subsequently, the administration of the Indian Bank must give extraordinary consideration to the NPA the board and find a way to capture the making of new NPAs, other than making recuperations in the current NPAs. Convenient activity is fundamental to guarantee the future development of the Bank.

Kaur K and Singh B (2011) in their investigation on Non-performing resources in broad daylight and private part bank similar examination, contemplates that NPAs are considered to a significant parameter to pass judgment on the presentation and monetary soundness of the bank. The degree of NPAs is one of the drivers of monetary strength and development of the financial part.

Uppal's (2009) examination presumes that need division advances of all the financial gatherings are rising. Disregarding expanding advances, Indian banks have not accomplished a few targets fixed by Indian banks are confronting numerous issues like low benefit, high NPAs, exchange cost, and so on because of Lending to need segment. It is required to discover answers for these issues generally development of the Indian banks will end.

Narula, S. and Singla, M. (2014) led an investigation named to think about the all-out advances, net benefit, net NPA and net NPA of Punjab National Bank to contemplate the effect of NPA on banks; to get to the exhibition of Punjab National Bank; to examine the connection between net benefit and net NPA of the bank. The information identifying with yearly reports of the PNB is gathered, at that point investigated by utilizing tables and co-proficient of relationship. It established that there is a positive connection between net benefit and NPA for example with the expansion in benefit, NPA additionally increments and this is a result of fumble, net NPAs and net NPAs are expanding each year, there is antagonistic impact on the liquidity of bank, bank can't give new credits to clients because of absence of assets which emerges because of NPA. Bank's exhibition is shaking because of an assortment of clients.

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OBJECTIVES OF THE STUDY

(1) To investigate the trends in priority sector NPAs and Non-priority sector NPAs of public sector Banks.

(2) To examine the gross advances impact on Gross NPAs of Priority sector of public sector Banks during the study period.

(3) To examine the gross advances impact on Gross NPAs of Non- Priority sector of public sector Banks during the study period.

HYPOTHESIS

Hypothesis-1

Ho: There is no impact of Gross advances on Gross NPAs of Priority Sector.

H1: There is an impact of Gross advances on Gross NPAs of Priority Sector.

Hypothesis-2

Ho: There is no impact of Gross advances on Gross NPAs of Non-Priority Sector.

H1: There is no impact of Gross advances on Gross NPAs of Non-Priority Sector.

RESEARCH METHODOLOGY

The present research has been directed dependent on auxiliary information. It has been gathered from the RBI site for a time of 5 years, i.e., 20013 to 2017. The factual instruments, for example, percentages, Regression have been utilized for the investigation with the assistance of the MS-Excel.

Scope of the study: This paper will illuminate the general productivity at which the Public area banks are serving. This examination will likewise perceive the money related execution through NPA of both need and non-need areas in open division banks.

Statement of the problem: The primary topic of this paper is to understand the huge distinction of the NPA event and the executives of NPA in PSU part banks in India about need and non-need area loaning.

Data Collection: The information was gathered through yearly reports from sources that are auxiliary, for example, the web, magazines, sites, books, and diaries. It covers a time of five years, i.e., from 2013 to 2017.

Limitations of the Study: This research study based on secondary data collected from annual reports of different banks and related websites. The limitation of the secondary data and its finding depend entirely on the correctness of such data.

Priority Sector

Categories: Agriculture, Micro Enterprises, Advances to Weaker Sections, etc., mainly these sectors come under it.

Non priority sector

The feature number for non-performing resources (NPA) of Public sector banks (PSB) covers the sharp crumbling of their industry credit books over the previous year. A Business Standard investigation of the monetary records of 10 PSBs shows that an amazing 23 percent of credits to the business in the non-need fragment turned awful toward the finish of FY18, up from 15.6 percent toward the finish of FY17.

On account of certain banks, more than 50 percent of credits to industry turned awful. These numbers propose the feature quantities of awful obligations have been hauled somewhere near lower defaults in the need credit book and

Objective-1

To investigate the trends in priority sector NPAs and Non-priority sector NPAs of public sector Banks.

Table-1 Gross NPAs of Priority Sector of Public sector Banks

Year	Priority Sector Gross NPAs	Non-Priority Sector Gross NPAs

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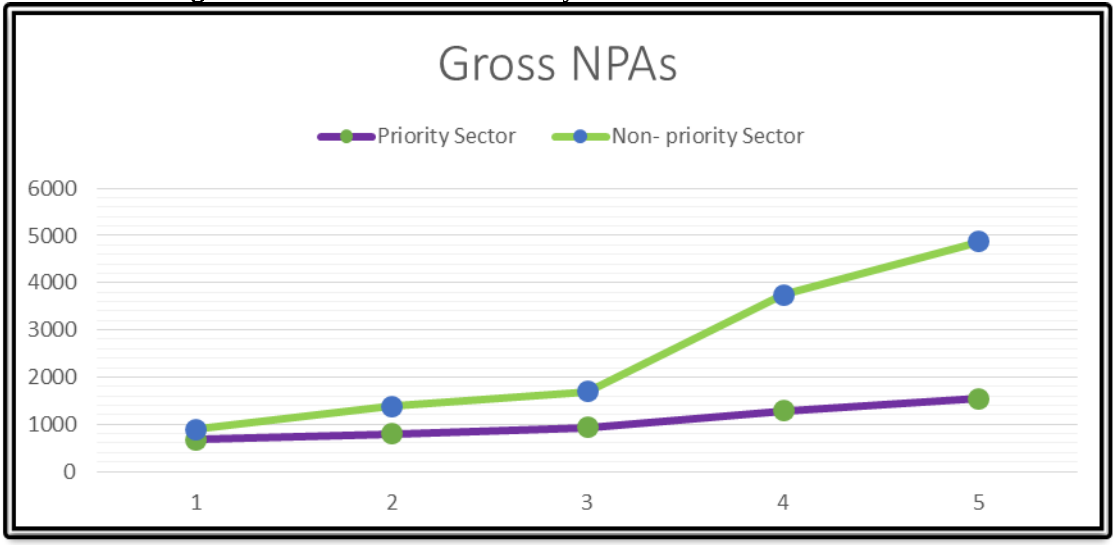
2013	669.00	890.00
2014	791.92	1,375.47
2015	936.85	1,690.60
2016	1,281.16	3,739.52
2017	1,542.76	4,867.80

Source: Reserve Bank of Indi Statistical table

Figure-I: Gross NPAs of Priority Sector of Public sector Banks



Source: Data Analysis

Interpretation: NPAs of Public sector bank, shows an increasing trend of NPAs is observed from 100% in the year 2013 to 231% in 2017, which is double as compare to 2013. NPAs of Public sector bank, shows an increasing trend of NPAs is observed from 100% in the year 2013 to547% in 2017, which is increasing very rapidly as compare to priority sector of public sector banks.

Objective-2

To examine the gross advances impact on Gross NPAs of Priority sector of public sector Banks during the study period.

Table-2: Gross NPAs of Priority Sector of Public sector Banks

Year	**Priority Sector**		
	Gross Advances	**Gross NPAs**	**Percent increase in Gross NPAs**
2013	12,790.00	669.00	100%
2014	15,192.98	791.92	118%
2015	16,859.54	936.85	140%
2016	18,737.48	1,281.16	192%
2017	19,599.15	1,542.76	231%

Source: Reserve Bank of Indi Statistical table

Interpretation: NPAs of Public sector bank, shows an increasing trend of NPAs is observed from 100% in the year 2013 to 231% in 2017, which is double as compare to 2013.

Hypothesis-1

- Ho: There is no impact of Gross advances on Gross NPAs of Priority Sector.
- H1: There is an impact of Gross advances on Gross NPAs of Priority Sector.

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Regression Statistics	
Multiple R	0.949052
R Square	0.900699
Adjusted R Square	0.86759897
Standard Error	131.277786
Observations	5

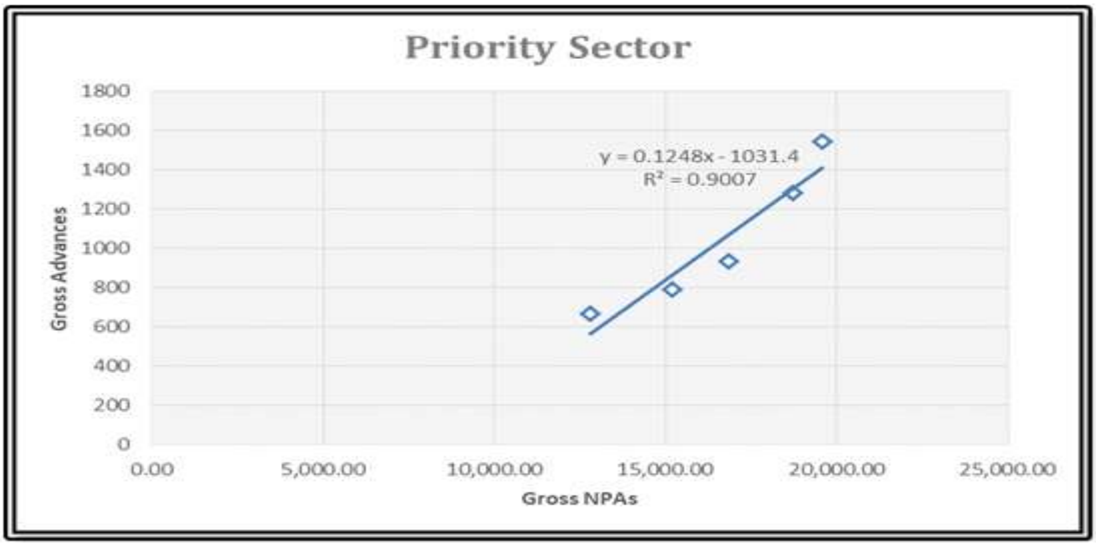
ANOVA

	df	**SS**	**MS**	**F**	**Significance F**
Regression	1	468954.709533	468954.709	27.211245	0.0136987
Residual	3	51701.5713461	17233.857		
Total	4	520656.28088			

Interpretation: In the above relapse result, it very well may be seen that Multiple R which implies the Correlation Coefficient that estimates the quality of a straight connection between two factors is 0.949052 which shows a solid positive connection between Gross Advances and Gross NPAs of priority sector of public sector banks. Balanced R is indicating 0.900699 qualities which are more like +1 which implies there is a solid relationship between Gross Advances and Gross NPAs of priority sector of public sector banks. P-esteem is likewise demonstrating 0.0136987 which is critical (>0.05).

The standard blunder is known as integrity of-fit estimates which demonstrate the precision of relapse investigation. In the event that the number is littler than implies there is less blunder in the relapse condition. Here the Standard Error 131.277786 shows the normal separation that the information focuses tumble from the relapse line.

Regression analysis output: ANOVA The second piece of the yield is the Analysis of Variance (ANOVA): It gives data about the degrees of inconstancy inside your relapse model: df is the quantity of degrees of opportunity, SS is the total of squares, MS is the mean square, F is the F measurement. The importance F esteem shows how dependable the outcomes are. In the event that it is under 0.055 (5%) at that point it shows a noteworthy outcome. In the above test, the F esteem is 0.0136987 which is under 0.05 (5%), so there is significant impact of Gross Advances on Gross NPAs in priority sector of public sector banks and null Hypothesis rejected.



OBJECTIVE-3

To examine the gross advances impact on Gross NPAs of Non- Priority sector of public sector Banks during

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the study period.

Table-2: Gross NPAs of Non-Priority Sector of Public sector Banks

Year	Non-Priority Sector		
	Gross Advances	**Gross NPAs**	**Percent increase in Gross NPAs**
2013	27,769.00	890.00	100%
2014	30,711.60	1,375.47	155%
2015	31,593.15	1,690.60	190%
2016	32,084.08	3,739.52	420%
2017	31,823.09	4,867.80	547%

Source: Reserve Bank of Indi Statistical table

Interpretation: NPAs of Public sector bank, shows an increasing trend of NPAs is observed from 100% in the year 2013 to547% in 2017, which is increasing very rapidly as compare to priority sector of public sector banks.

Hypothesis-2

Ho: There is no impact of Gross advances on Gross NPAs of Non-Priority Sector.

H1: There is no impact of Gross advances on Gross NPAs of Non-Priority Sector.

Regression Statistics	
Multiple R	0.69143
R Square	0.478076
Adjusted R Square	0.304101
Standard Error	1423.896
Observations	5

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	5571441	5571441	2.747964	0.195958
Residual	3	6082439	2027480		
Total	4	11653879			

Interpretation: In the above relapse result, it very well may be seen that Multiple R which implies the Correlation Coefficient that estimates the quality of a straight connection between two factors is 0.69143 which shows a moderate positive connection between Gross Advances and Gross NPAs of Non-priority sector of public sector banks. Balanced R is indicating 0.478076 qualities which are more like +1 which implies there is a moderate relationship between Gross Advances and Gross NPAs of Non-priority sector of public sector banks. P-esteem is likewise demonstrating 0.195958 which is not critical (>0.05).

The standard blunder is known as integrity of-fit estimates which demonstrate the precision of relapse investigation. In the event that the number is littler than implies there is less blunder in the relapse condition. Here the Standard Error 1423.896 shows the normal separation that the information focuses tumble from the relapse line.

Regression analysis output, ANOVA:

The importance F esteem shows how dependable the outcomes are. In the event that it is under 0.055 (5%) at that point it shows a noteworthy outcome. In the above test, the F esteem is 0.195958 which is more than 0.05 (5%), so there is no significant impact of Gross Advances on Gross NPAs in Non-priority sector of public sector banks and null Hypothesis accepted.

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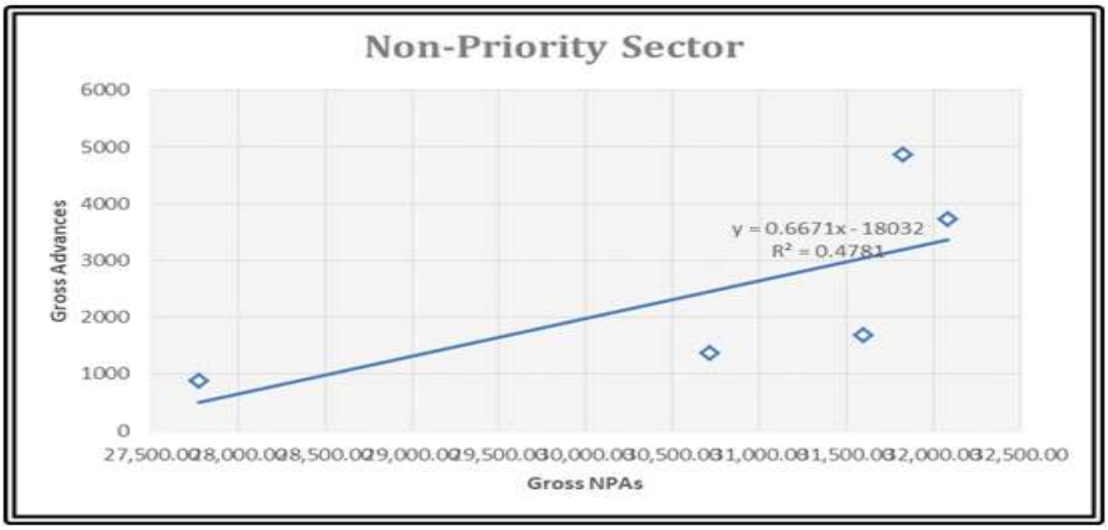

Measures To Control Non-Performing Assets

Following are the measures to control Non-Performing Assets:

Credit impact

The augmented risk weights for greater than the allowable restrictions may confirm a large load for both borrowers and bankers. Starting 2017-18, corporates necessitating loans in surplus of 25,000 crores have to raise 50 per cent of the surplus amount directly from the marketplace. The RBI Governor has advocated "pragmatism" in coping with NPAs. The supervisory body should also resume the asset categorization and provisioning recommendations and reorient them towards avoidance of NPAs more willingly than stoppage or facilitating their exit from balance sheets.

Management of loans

The primary matters plaguing the credit portfolio are the quality of assets and post-sanction credit administration. An optimistic result of the limitations would be that banks cannot increase credit simply by connecting the bandwagon of conglomerate lending. Besides a few main banks which perform a systematic assessment, others barely execute an outstanding thoroughness exercise. If quality is to be guaranteed, association regulation requirements to be redefined.

Limits of digitalized process

The procedure offers for quantitative information other than qualitative features do not discover a place. Efforts from the branch, on the borrowers' surrounding and other related ground actualities, which are vital in evaluating the risks, are not given due weight. Implementation of digitization ahead of a point may show counterproductive. By means of almost no say in sanctions, branches are inclined to play a latent position in credit management. Even the Narasimham Committee on rural credit highlighted the "local feel and familiarity with rural problems". Asset categorization is disconnected from the ground actualities. It needs servicing of interest in loans each month. In practice no buyer, together with government departments, pays dues punctually for goods and services.

Ninety-day limit

It would be a vision for a farmer to recognize proceeds of his yield at the end of a term from a trader, sugar mill or a procurement organization. The small period of one month or 90 days is insufficient to evaluate the basis for default and evaluate the actual necessities of the borrower. Wilful default should forever be dealt with treated strictly. Once an asset is recognized as an NPA, the approach of both banks and borrowers transforms. By banks reluctant to restore the accounts, borrowers attempt to move their actions to other banks or agencies. Quicken provisioning and improved coverage ratio merely make haste write-offs, given that a simple way for dropping NPAs at immense cost to the whole system. The regulator has to engage in

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recreation a more realistic role in avoidance through additional managerial oversight on credit administration in banks, relatively than further rules.

Preventive Measures
Consequently, for stopping the new inflow of funds into the non-performing form, banks should reformulate their credit evaluation techniques.

Appropriate assessment of the loan application may assist in identifying the unviable projects at the initial example.

Complete information in relation to unit, industry, its financial stake, management etc. ought to be collected.

The industrial cell should be recognized at the bank level, it would have full information regarding the industry and its prospects in future.

Appropriate credit monitoring should be uniformly stressed. There should be an appropriate flow of information from the units about their financial area, stock reports, annual accounts etc., which would allow the banker to recognize the need-based credit requirement of borrower and caution indications for taking rapid corrective act.

Banks should examine the growth of the projector the business. Divide checking department should be established in large branches for evaluation of accounts, relative risk analysis and compliance of terms and conditions of authorizing. The same importance should be given for checking of standard assets also.

Banks should be prepared with the newest credit risk management techniques to maintain bank funds and reduce insolvency risks. Banks should develop credit derivatives markets to keep away from these risks.

FINDINGS

(1) The priority sector NPAs of Public sector banks have raised from Rest 669.00 billion at the end of March 2013 to Rs 1,542.76 billion at the end of March 2017.

(2) NPAs of Public sector bank, shows an increasing trend of NPAs is observed from 100% in the year 2013 to 231% in 2017, which is double as compare to 2013.

(3) The Non-priority sector NPAs of Public sector banks have raised from Rs 890.00 billion at the end of March 2013 to Rs 4,867.80 billion at the end of March 2017.

(4) NPAs of Public sector bank, shows an increasing trend of NPAs is observed from 100% in the year 2013 to547% in 2017, which is increasing very rapidly as compare to priority sector of public sector banks.

(5) There is a definite correlation between the Priority Sector NPAs and Advances NPAs and a strong relationship between the Non-Priority Sector NPAs and Advances NPAs.

(6) A positive association between Gross Advances and Gross NPAs. Gross advances significantly impact on Gross NPAs of PSBs.

CONCLUSION

The non-performing resource is one of the serious issues for the Indian financial framework. The commitment of the Non-need segment NPAs is more than the need division in open area banks. Non-need area NPAs consistently expanded during the period. By the bits of knowledge of the investigation, both the need part and non-need division NPAs were indicating huge impacts on Gross NPAs of open area banks. Be that as it may, the Non-need segment NPAs commitment was seen as more than the need division NPAs of all-out NPAs. Thus it tends to be presumed that gross advances likewise significantly affect Gross NPAs of Indian open division banks. In a shorter period, diminishing whole NPAs is hard for banks. Consequently, banks ought to recognize which class contributes NPAs under priority and non-priority sector more towards all-out NPAs.

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