Chapter-6

NON-PERFORMING ASSETS IN PUBLIC SECTORS
There are many factors that render a satisfactorily operated account into an unsatisfactorily operated account. As a result of those factors neither the bank is able to realize neither its interest nor the principal amount. In course of time the account gets classified as a non-performing asset. These factors can be placed under two categories:

(a) **Internal Factors.** These are the factors that can be controlled to some extent. But unfortunately the banker is hesitant to take any action with regard to such accounts and does not realize the hard fact that if unattended the account will slip into such a difficult position from where it will be impossible to rescue it.

(b) **External Factors.** These are the factors that are out of control of the entrepreneur or the concerned financial institution.

**Originating Factors for NPAs**

RBI also carried out a study to analyze the reasons for large increase in NPA in Indian banks. Though the balance sheets of banks are silent on details like the reason for or the sector responsible for the NPAs a recent RBI study reveals that weak appraisal and poor of loans on one hand and management inefficiency of borrowable units, obsolescence lack of demand non-availability of inputs environmental factors on the other hand as the originating factors for the NPAs. In addition, the RBI study felt that NPA is a historical legacy mainly due to lacunae in credit recovery system largely arising from inadequate legal provisions on foreclosure and bankruptcy, long drawn legal procedures and difficulties in execution of the decrees awarded by the court.

The RBI study had examined data from 33 banks (27 public sector banks and 6 private sector banks) on the recoveries made out of suits filed cases. The recovery percentage had been abysmally poor - a mere 7.33 for each penny in 1996, 4.74 for every penny in 1997 and 4.32 for each penny in 1998. There had been upwards of 1436739 suit recorded cases pending transfer as on March 31, 1998 including a measure of Rs 21,824.92 crore. Out of all suit recorded cases for Rs 1 crore or more in 15 business banks exceptionally contemplated by the RBI group, there was just a single case in which the suit documenting achieved its coherent end-execution of pronouncement, recuperation according to the declaration and conclusion of the
borrowable record. Encourage the RBI report has called attention to defer in the recuperation procedure due to BIFR/AAIFR taking up those facilitates. Under the present administration a reference to BIFR keeps any recuperation procedures till the pendency of the case with BIFR/AAIFR.

The Debt Recovery Tribunals (DRTs) were made under the Recovery of Debt because of Banks and Financial Institutions Act 1993 with the goal of transfer of recuperation cases documented by banks/FIs each including a measure of Rs 10 lakh or more. As on 30.6.1998 there had been more than 18,000 cases including a measure of Rs 11,900 crore pending before DRTs. As a result DRTs have demonstrated up 'til now another storehouse of pending cases and a facilitator for heaping up of NPAs in banks and FIs.

**NPA of Public Sector Banks**

An imperative indicate note is that a huge piece of the NPA is scattered among the a large number of need segment credit accounts at various corners of the nation. Actually as a rate of aggregate need part propels the share of NPA in this division is shockingly high - 23.20% in 1998 against 12.63% in the event of non-need area advances. Clearly banks avoided potential risk while allowing advances under different coordinated credit programs. The many variables which have prompted to the current sad state in regard of need segment NPAs are:

- Vitiation of credit reimbursement culture ensuing to advance waiver plans
- Directed and pre-endorsed nature of advances authorized under supported projects.
- Absence of any security or any follow-up because of substantial number of records
- A across the board feeling that these advances were awards
- The frequency of NPAs is additionally identified with the outside condition and the condition of the economy.

Given the way that the outside condition is not useful for enormous business and components, for instance, nonattendance of adequate system, direct and unsympathetic fundamental initiative in Government workplaces impact the advantage and reasonableness of huge business there is a prerequisite for banks to have a. master dynamic approach of nursing and reestablishing the weak or those under impermanent strain.
The legal obstructions and dreary nature of advantage exchange get ready. "Deferment" of the issue with a particular true objective to report higher salary Manipulation by the record holders using political effect A preposterous effect of the direct legitimate process is that banks are shying a long way from perilous contributing a more critical than required degree of their advantages as sovereign commitment. The organization starting late approved the Asset Reconstruction Ordinance to endeavor and handle the issue, it gave extensive forces for banks to dispose of assets and allowed development of Asset Reconstruction Companies therefore. An examination of the contributory components achieving the ascent of NPAs on a broad scale among business banks and cash related establishments would incite to the going with conceptualization:

▪ PSBs performed respectably in regard of all parameters set for them. In any case, in the mid 1990s, it developed that PSBs were experiencing intense capital deficiency and a large number of them had negative benefit. This is on the grounds that the parameters set for their working were insufficient and they didn't extend the fundamental requirement for these corporate objectives, off base objective recognition and ID drove them to the wrong goal.

▪ The pre-change period saw coordinated managing an account for PSBs which worked under the general control and bearing of the Finance Ministry, which alongside the Reserve Bank of India (RBI), chose/coordinated all parts of the working of the banks, leaving little opportunity to value their items in rivalry with each other, cook their items to portions of their decision, or put their assets to their greatest advantage as they decided.

▪ Since the 1970s, the SCBs of India worked absolutely as hostage container units cut off from universal managing an account and not able to take part in the basic changes, the far reaching changes, and the new sorts of loaning items rising in worldwide saving money foundations. Their faculty needed required preparing and learning assets required to contend with worldwide players.

▪ Major approach choices were taken remotely by the Finance Ministry/RBI. The earth of accepting choices from a political foundation as recognized from an expert outfit kept the best gifts coming to involve key positions.

▪ Audit and control capacities stayed under the control of official officers, which were not autonomous and were along these lines not able to remedy the impact of genuine blemishes in arrangements and bearings of their bosses.
The quantum of credit reached out by the PSBs expanded by around 160 circumstances in the three decades after nationalization (from around 3 000 crore in 1970 to 475,113 Crore on 31 March 2000). The Banks were not adequately created as far as aptitudes and ability to direct such development and deal with the various dangers that rose all the while.

The requirement for sorting out a viable instrument to accumulate and scatter credit data among the business banks was never felt or actualized. The ancient laws of mystery of client data kept banks from distributing names of defaulters for normal learning of alternate banks in the framework.

Effective recuperation from defaulting and past due borrowers was hampered by virtue of a sizeable shade segment emerging from illnesses in the current procedure of obligation recuperation, insufficient legitimate arrangements on dispossession and insolvency and troubles in the execution of court declarations. Legitimate cures were plagued with an excessive number of conventions and were exceptionally tedious.

Effective corporate administration was an outsider idea. In regard of PSBs, the sheets were ineffectual and the main/principle shareholder was the legislature of India. The administration practiced numerous parts and concerns, and the impulse to go about as a vigilant shareholder and increment shareholders estimation of banks and money related foundations was never felt or experienced.

Credit administration with respect to the moneylenders to the borrowers to secure their honest to goodness and true blue premiums was not in light of practically computed foreseen money streams of the borrower's worry, while recuperation of portions of term credits was not out of benefits and surplus produced but rather through plan of action to the corpus of working capital of the getting concerns.

Functional wastefulness was likewise brought about because of overstaffing, manual handling of bloated operations and an inability to automate the banks in India, when somewhere else all through the world the framework changed over to computerization of operations.

**Reasons for NPA in Pune District**

To know the reason for NPA in Pune region, 200 borrowers and the banks had been reached by and by in Pune region. A poll was set up by doing a pilot study and
the same after pre-testing was given to the defaulters. The survey is connected as an addendum. The reasons for NPA in horticulture segment were in this manner got from the reactions. From the sentiment review done of 200 borrowers and the bank the accompanying elements for the borrower inability to reimburse the banks levy turned out:

1. **Lack of proper follow-up on the part of the banks.** Due to shortage of manpower and increase in work load has led to the decrease in follow up by the bank employees. Due to this the activities to be followed by the staff is withheld and thereby the chances of recovery of the amount reduces over a period of time.

2. **High input cost followed by poor income generation.** Due to poor land conditions and no proper rainfall and inadequate irrigation facility leads to high input cost followed by poor income generation for the farmers.

3. **Lack of experience/competency.** The farmers are not exposed to the latest trends in farming but are restricted to the traditional methods of farming which reduces the total output and does not generate good income thereby farmers moving away from the agricultural sector to other methods of earning.

4. **Willful default by diversion of funds/closure of the unit.** Due to the political game plan of writing off losses and other time to time incentives that the government doles out to the farmers for the sake of votes makes the borrowers willful defaulters in the expectation that the government will do something for them at the time of elections.

5. **Non-payments of installments even though the unit is running well.** Due to poor monitoring by the banks, even though the units are doing well the banks are not taking adequate actions to recoup the amount from the defaulters. The people see others around them and get motivated since the bank does not do anything to them, so they also get the motivation of the loan amount being very meager; it does not make business sense for them to follow them vigorously.

6. **Lack of infrastructure/marketing arrangements.** Due to lack of proper infrastructure and marketing arrangements the farmers are not able to get the proper price and timely returns for their produce which has an overall affect on
their repayment capability and thereby burdening them with additional charges on their default payments.

7. **Involvement of political leaders.** The political parties for their temporary benefit during the national polls come out with different schemes which are detrimental to the long term welfare of the banks and also the borrowers which are always on a look out of some freebies by the political parties.

8. **Cost of repayment of loan installments.** The farmers are most of the time dependant on the irregular rainfall due to which their produce is not enough to meet their personal demands and also the repayment of loans. It leads to the increase in the loan amount and the interest portion which the burdened farmer is not able to cope up with.

9. **Illness of the account holders.** The illness of the account holders lead to bad crops and thereby higher rate of interest for the pending amount thereby burdening the farmers in the grim situation that he lives in.

10. **Marriage or other emergencies of the account holders.** The farmers or the borrowers who have taken money are sometimes faced with a situation wherein they have to borrow more money for meeting the emergent requirements of marriage or other medical emergencies which make him enter into more financial problems.

11. **Death of the account holders.** The death of the account holders makes the repayment capacity into negative as the persons after him may not think of the repayment as their responsibility and also the left over property of the deceased may not be worth the amount taken on loan.

12. **Inadequate security with the banks for the loans given by the banks.** The banks while sanctioning loan do not go into the credit worthiness of the borrower and in case the borrower is not able to repay the loan the banks are not able to recover the amount from the borrower. The banks inadequacy to monitor the same leads to many defaulters with the banks.

13. **No powers with the banks for recovering the loan amounts.** The borrowers where are willful defaulters, the banks do not have the adequate powers to recover the loan amount and they have to depend on the Debt Recovery Tribunal for the same which is a time consuming and lengthy legal procedure.
14. **Lengthy recovery procedure.** The procedure for the recovery of the loans is very lengthy and many agencies are involved. The tiresome procedure vis-a-vis amount involved makes the task very difficult and troublesome for the banks to proceed with the recovery procedure and disheartens all.

15. **Shortage of recovery staff in the banks.** The number of staff members involved in the recovery procedure in the banks is very less and it makes it nearly impossible for the limited staff to monitor all the outstanding loans at the personal level.

16. **No/less accountability of the bank staff.** Since the bank staff employed on the job of recovery of outstanding loans is very less, the responsibility that can be fixed on them is limited and therefore the accountability is therefore reduced.

17. **Manipulation by the account holders.** The account holders manipulate the loans to suit their requirements. e.g. The buffalo owners cut the ears of the buffalo and show that the buffalo has died thereby loan not being returned. The bank-staff is happy with the photographs being shown by the owner and the bank staffs does not go and see the dead animal on ground.

18. **Wrong assessment of the account holders by the bank staff.** The bank staff utilized for assessing the suitability of the borrowers for the particular loan is not held responsible at a later date; there is a lot cope for manipulation at all levels. The account holder manipulates while buying the tractor accessories and then paying the tractor shopkeeper ahead of the banks.

19. **Non execution of court orders by the banks.** Due to less recoveries involved in the outstanding NPAs there is problem in selling the land at the village because no one buys it due to fear of spoiling relations within the village. There is problem in selling tractors etc. due to the cost factor as the returns are less as compared to the expenditure. The banks face problems in disposal of assets.

20. **Frequent transfers of bank staff.** The frequent transfer of bank staff reduces the accountability in the recoveries of the outstanding loan amount. The recoveries involved include a lot of involvement of the bank staff but their frequent movement creates problems at that level.
21. **Overburdened staff in the banks.** Due to shortage of staff in the recovery branch, the staffs is overburdened with a lot of work which makes them less interested and tiresome in the job assigned to them.

22. **Precedence set by the defaulters is used by others in defaulting.** The bad examples set by either the political interference or the personal examples set by the bank staff themselves makes others follow the same precedence of not clearing the loan amount as they find it more beneficial as the ones not paying the outstanding amount are not penalized heavily by the dealing staff at all levels.

23. **No fear of the law.** The law of the land on economic default is not strong enough to instill fear the countryman for not choosing the path of default on the outstanding loans.

24. **Bank staff does not go to the borrower for following the account.** The shortage of bank staff poses a problem in front of them of their inability to monitor all the pending cases with them. They therefore do not go to the pending borrowers and monitor the cases on regular basis.

25. **No central monitoring system.** Central data should be maintained with biometric records so that defaulters should not use the government policy. To loot the government and in case of defaulters they should not be able to fool the system time and again.

26. **Corruption in bank.** This aspect like in other departments is also eating into the bank profits for the benefit of the few in the banks.

27. **Policy of government.** The government policy of writing off losses for the political gains is setting a wrong precedence in the county and the general public uses it for their personal gains.

28. **Lack of communication with the customers.** The shortage of staff at the banks leads to lack of communication with the customers wherein the customers use to benefit from it.

29. **Non collection of detailed information about the customer before disbursing of loan.** The hurry and short cut by the banks due to corruption or inefficiency
leads to sanctioning of loans for the borrowers which later turn out to be defaulters.

30. Lack of regular monitoring of loan accounts. Proper monitoring of outstanding loans can help in timely action by the banks to ensure that the amount does not turn into NPA. There may be instances when the bank would have to sanction more money for the borrowers to recover the previous loan as the work where money invested requires more sanction to meet the current requirement and come out of the problem being faced by them.

31. Demand of more interference from the courts. The courts are not involved in the cases for the betterment of the banks and the legal system and therefore the borrowers use the system to wriggle out of the problems and only delay the cases for long which makes the bank come to a conclusion that the amount spent on recovery of the outstanding loan is more than the outstanding amount.

32. No standard policy and strict directions on loan disbursement. The banks have laid down no fixed standard policy for loan disbursement as there cannot be any fixed guidelines which are sometimes used for the personal or wrongful gains by the bank staff.

33. Non monitoring of the profitability of loans being given by the bank. The banks either do not have the staff or the time to personally monitor the outstanding loans to bring them out of the negativity and turn out to be profit earners

34. Lack of proper care and preservation of items procured out of loan amount. Items procured out of the loan amount are not maintained and therefore on default they do not give back the balance amount also.

35. Improper analysis of probable customers before disbursement of loan. The banks falter on this aspect and they sanction loan to persons who on the face of it do not appear as prospective and profitable customers for the bank.

36. Non motivation of defaults by the banks in repayment of loan. There are instances wherein the defaulters may also like to repay the loan but the wrong precedence set by the persons and the banks make them move away from such actions.
37. **Non availability of information to be fed to the court in processing of cases.** The banks while processing the loans do not posses all the details which they are not able to produce to the court when required and they themselves become defensive while dealing such cases.

38. **Improper/ not timely information/notice to the loan holders about the loan position.** Due to this the borrowers are not able to calculate their financial status and therefore are not able to work out the loans for their own betterment.

39. **Lack of proper guarantee while disbursing loan.** Many government policies direct disbursement of loans to prospective customers without any guarantee which at a later date makes the loan unrecoverable and turns out to NPA of the banks.

40. **Lack of freedom to the lower branch managers in tackling the loan accounts.** The banks do not give much leverage to the lower branch managers in managing their loan amount due to which even when chances of recovery of loans by giving more loan exists cannot be used by the banks.

41. **Banks meeting the target of the govt. sponsored schemes without proper checking.** The banks want to meet the targets of the central government schemes wherein they short circuit the procedures which at a later date turn out to be loss generators.

42. **Lack of guarantee.** The government policy of not requiring guarantee for amount loan less than 4 lacks makes borrowers take the amount with no fear of losing anything at a later date. Such wrong policies encourage bad elements in using the system for their personal gains.

43. **Not taking help from Credit Information Bureau during disbursement of loan.** The bank branches do not seek the information from the Credit Information Bureau and due to this the defaulters whose data has been updated in the records are able to bypass their past history and take loan from another bank and then repeat the same game of defaulting and enjoying the lack of the system monitoring of such people.

44. **Monitoring of loans/NPA on the basis of amount.** The banks should monitor the loan accounts on the basis of amount so that the bigger defaulter are
monitored on a better way than spending time on smaller defaulter which require more effort an lesser output.

45. **Location of banks.** The banks give loan depending upon the area given to them but they are not able to physically monitor the borrowers because of the distances involved. A bank employee goes to a village to meet the borrower but the whole day is wasted when he does not meet him and he cannot go to meet them since it involves whole day for one person. So the location or the number of branches dealing with such cases has to be increased to meet the requirements of it.

46. **Sectoring of customers on the basis of area/language.** He banks should breakdown the customer base on the basis of area or language so that the bank staff can deal with the problems more effectively.

47. **Misuse of loan amount for work other than authorized by bank.** The banks fail to monitor the loans given to the borrowers wherein the loan amount is invested at places not meant for it and latter lead to loss of the job and therefore recovery becoming more problematic.

48. **Not following the orders of the court.** There are cases wherein the banks have got favorable decision from the courts but the recovery itself is problematic due to legal procedures involved.

49. **Lengthy and cost court procedures.** Lengthy court procedures discourage the bank staff in pursuing the cases.

50. **Lack of timely disposal of cases in India.** The lack of timely decision in court cases makes the court procedure time consuming and tiresome and not cost effective.

51. **Shortage of DRT in the country.** The number of DRT offices established in the country is much less as compared to the pending cases leading to large time gap in finalizing of the cases.

52. **A lot of time gap between hearings in the court.** Less number of DRT courts in the country makes the hearing of cases more spread out due to time problem which is discouraging to the bank staff dealing with such cases and encouraging the borrowers who can use it for their own benefit.
53. **Wrong reporting by the researchers of the bank.** The research work being carried out by the banks are not up to the mark wherein they fault and keep repeating the same in loan disbursement and the end result is more loss to the banks.

54. **Failure of crops.** The rainfall is erratic and irrigation facility in the region is not good due to which the chances of crop failure is more thereby leading to more defaulters in loan repayment.

55. **Famines and diseases of animals.** The famines and diseases of animals lead to loss of animals which makes the borrowers even if willing to repay the loan cannot do so because his only source of income is no more there.

56. **Inadequate insurance of crop and animals.** The cumbersome procedure for recovery of insurance amount from the companies due to non declaration of the region as famine hit.

57. **Problems in disposal of seized items.** The banks face a lot of problems in disposing off the seized items due to very bid amount and the bank has to pay huge sums to the recovery agents for the disposal and also its upkeep at the banks is also a problem.

58. **Non cooperation from Revenue officers.** The banks face a lot of problems from the revenue officers in issuing the notices to the defaulters which makes the recovery process time consuming and problematic.

**Measures taken by SBI and other Nationalised Banks to Reduce NPA**

The measures taken by banks to reduce NPA are as under: -

(a) **Precaution prior to distribution of loan.**

(i) The banks should check the financial status of the borrower prior to distribution of the loan amount. It amounts to pre survey work that needs to be done by the banks to ensure that they do not sanction loan to someone who does not deserve the amount that he is asking for.

(ii) The banks should also look for the goodwill and integrity of the prospective customers so that they do not have to suffer at a later date and with this the established defaulters do not make use of the system to fulfill their personal gains.
(iii) The banks should do proper assessment of the property being shown against the guarantee so that in case of any default the overvaluation should not lead to any loss for the banks at a later date.

(iv) The banks should also see to it that the amount sanctioned for some work meets the requisite requirement for its betterment or recovery and not that the complete amount is doomed to loss for some foreseen circumstances. For example money being sanctioned for some crop which does not grow in some specific area will surely fail and lead to loss at a later stage. There are cases of money being spent by the government for procurement of cows for the villagers but the breed purchased could not survive the climate of the place they were given and the complete amount was lost for it.

(v) The bank staff should only sanction amount as per the rules laid down and not under pressure or favor as the amount is bound to lose if done for some personal loss or gain. This also includes the political pressure which is unjust for the political gains of the local politicians.

(vi) The banks should also ensure that they do not sanction loan for any specific sector only so that the loss is distributed across a wide sector to minimize loss due to some unforeseen circumstances. It like not putting all eggs into one basket.

(vii) The banks should not only aim to achieve the target set by the government but should also see the feasibility of its recovery. More so this is more applicable for the government sponsored schemes. The bank should keep in mind the loan amount, the task for which given and the repayment capability of the task for which the loan being given. It's like giving loan to a farmer for the tractor and expecting him repay the amount in one year whereas the land produce from the land held with the borrower is not practical for him to be able to repay the amount because of less produce.

(viii) The bank should only sanction loan for the act which the borrower does on ground and not only aiming to get some money for other purpose. Like a person who has no experience of producing milk but wants to invest in procurement of mulch cattle will only lead to loss. The banks should see the experience of the borrower in the field in which he plans to foray with the borrowed amount. The
banks should therefore see the project report in details to analyze the feasibility of the project and its profitability. The banks should err on the negative side wherein they should not sanction the loan where they find more risk in the disbursal of the amount.

(ix) The bank should only sanction loan where the chances of recovery are more and sure. The banks should always hold the documents where the loans have been sanctioned and should not err on this aspect as it will lead to problems when faced by the individual in courts. The banks in case of loan for tractors of does not stamp the registry with the stamp that the tractor has been hypothecated to the bank can be sold by the borrower and the amount would then not be recovered from the purchaser of the tractor. Such faults by the banks make the recovery very difficult.

(x) The banks should follow all the formalities with regards to the guarantor so that in case of default the guarantor can be forced to force the borrower to repay the loan amount to the bank.

(xi) The banks should take the view of experts in the field for which the loan is being sanctioned to check the feasibility and the profitability of the project for which the loan is being sanctioned.

(xii) The banks should always get the insurance of the items for which the loan is being sanctioned to have a back up recovery for the unforeseen circumstances. The banks should also ensure that the amount insured should be enough to meet the sanctioned loan.

(b) Monitoring of loan during its use by the borrower. The points the banks should keep in mind are asunder: -

(i) The specified work for which the same has been sanctioned. Take for example the loan sanctioned for a tractor if used for purchase of land cannot be recovered in case of a default. So the banks should ensure that the amount sanctioned is only used for the specified purpose for which it has been sanctioned.

(ii) The banks should also monitor the accounts and balance sheet of the borrower so that the banks can come to know of the coming problems well in advance and in case any help required cab be rendered to the borrower.
(iii) The banks should regular visit the project and the work for which the loan has been sanctioned to ensure that the work at the specified locations are continuously being monitored by the borrower himself and not left for it to fend for itself.

(iv) The banks should also look into the profit and loss statement of the sanctioned project. Take for example the amount sanctioned for tractor should bring in some earning for the borrower by using the tractor for tilling of land for other farmers and that income should be used for repayment of the loan of the banks.

(v) The banks should look into the impending problems of the borrowers and then to find solutions to the problems. The bank may sanction loan for the tube well in case the region is declared as dry to irrigate the crops. The loan thus sanctioned will help recovery of the previous loan and the banks have to thus see the profitability and the recoverability of the loan amount.

(vi) The banks should ensure that the borrower follows all the laid down terms and conditions and in case of deviations from the laid down terms the bank should sit with the borrower and make him follow the correct path lest it leads to more loss to the banks.

(vii) The banks should keep in mind the fluctuations in the market value of the guaranteed property and other items against which the loan has been extended. In case of any loan against a house which has been engulfed in the earth quake will make the borrower totally free as the house value has gone down and he will like to save on the loan amount as the fear of loss of the house is no more on his radar.

(viii) The bank should make extra efforts to find out from the borrower in case the individual is not able to make the payment of the installments of the banks so that timely action can be taken to correct the causes and achieve better customer-bank relation. The banks may have to leave the interest portion for some months if situation demands due to some unforeseen circumstances.

(ix) The banks should grant more freedom to the bank employees to deal with the situations that arise on day to day basis in their functioning at the specified appointments. The staff should have the powers to achieve the aim of the loan
and not only the aim of the bank because the loan and the borrower are on the same boat and their survival is linked to each other and not alone.

(x) The bank staff should make an effort to motivate the borrower to repay the loan amount for his own good and also of the bank and also for his future furtherance of his business or the agriculture.

(xi) The banks should pay more attention towards the recovery of bigger loans than smaller loans as the input cost for larger loans would be less as compared to the smaller loans.

(xii) The banks should also ensure that they take the route of the court recovery only as the last resort since they are time consuming and costly too.

(xiii) The banks should also take actions to reduce the problem areas within the bank like strikes, fight between the staff and the administration for some reason; more efficient staff should be encouraged, etc.

(xiv) The banks should make an endeavour to maintain the competitive edge with other banks to a limited" extent only and not at the cost of the long term interest of the banks.

(xv) Close and constant follow up of assets so that they do not slip into NPAs. The banks should constantly follow the loan accounts so that the bank can get a feeler just before the account is about to enter into NPA and corrective actions can be taken by the bank to avoid it into converting into NPA. The banks sometimes come to know of some problem being faced by the borrower which he is able to explain to the bank that within may be a short period of three to four months the situation may improve and the loan can again be recovered. The banks under such circumstances should follow the account and help the borrower by not taking the installment for some period and then again start the installment once the situation improves. The banks can also help the borrower with additional loan to help him tide over some short period problems being faced by the borrower. Take for example any borrower faces some technical problem which requires an additional investment which the bank can help so that the borrower can establish his business and recover from the temporary setback that has come into his activity.
(c) Monitoring of loans after they become NPA. The points to be kept in mind by the banks areas under: -

(i) The banks officers should give suitable directions and timely directions to the lower staff in monitoring the NP at all times. The banks ought to make a different branch for the recuperation whose exclusive employment to be to screen the NPA and furthermore to work towards their recuperation so that the endeavors that go into it give some perceptible outcome and the answerability of the staff remains for the yield.

(ii) The banks ought to promote the name of the borrowers and the defaulters in daily papers and furthermore among the branches to guarantee that the borrowers are under weight because of their economic wellbeing and the odds of recuperation increment as a result of it.

(iii) The banks ought to keep up a focal information bank of the borrowers and they ought to have the same with different branches of same bank and different banks so that the defaulters are under consistent weight to reimburse the last advance before they consider going in for the following advance from other bank.

(iv) The banks ought to review the record of the better branches and after due examination ought to pass on the great viewpoints to different banks and keep up the focused edge among them for the general better execution of the banks.

(v) The banks ought to sort out gatherings between the borrowers and the bank staff to comprehend the issues of the borrowers and furthermore to rouse them gives back the exceptional credit sum.

(vi) The banks ought to discover different other inventive strategies for meeting the borrowers, persuading them, support, and so forth through composed dinners, lawful courses, and so on.

(vii) The banks ought to welcome proposals from the staff since they are the general population who are in direct contact with the borrowers and they would better comprehend the issues being confronted by the nooks figure the future issues that the banks may run over in the coming future.

(viii) The banks ought to take uncommon drives to expel the misconception among the borrowers with respect to the advance and other related issues and understandings.
(ix) As per the prerequisite the banks ought to do remedy and the opportune valuation of the property or the ensured things and do convenient transfer of such properties.

(x) The banks ought to utilize the recovery operators and their different specialists who get clients to them for the right valuation and appropriate recuperation of the exceptional credit sum by steady contact with the concerned people.

(xi) Re-phase the NPA. In cases of natural calamities the accounts are rephrased to the convenience of the holder so that he is able to make payments as per schedule. The advantage of doing it is that the customer since suffering from some problem will not be able to pay the outstanding amount and by helping him we will be able to retain him and by showing the concern he has the motivation of repaying the balance amount.

(xii) The banks should write off the NPA where the chances of recovery are not there or the cost of recovery is much more than the outstanding amount.

(xiii) Speedy processing of cases through courts should be resorted to for cases where the outstanding amount is large and the other options of recovery like mediation, motivation, etc. does not succeed.

(xiv) The banks should also reduce the NPA through government debt relief funds sanctioned from time to time.

(xv) Seizure of items like tractors, farm equipment, etc. for which loan given. SBI bank seized more than 200 tractors during the last four years and in them 130 tractors were realized after the borrowers paid the requisite amount.

(xvi) Entering into compromise with the defaulters and reducing the outstanding loan amount. SBI bank I 180 accounts had reduced 56 lacks during the period 2008-09.

**Conclusion**

Banks to make benefits and meeting the national prerequisites stretch out credits to different borrowers who thus attempt to use the assets distributed for their own change and facilitation. Yet, then the conditions in the earth are such which are outside their ability to control and the borrowers are not ready to meet the due dates of the banks and the records turn out to be terrible and prompt to getting changed over into NPA. In some cases, even the administration strategies have made the borrowers
smug in meeting the prerequisite of the advance return since they realize that the legislature at some stage will act the hero. There are numerous circumstances the total framework required in the financial administration in charge of the total breakdown of the rationale and point of the advance disbursals which along these lines just prompt to more inconvenience for the banks and the borrowers wherein banks turn out to be more preservationist because of the terrible intentions of individuals in the line. An exertion ought to be made by everybody i.e. the banks, the borrowers and the administration to meet the monetary desires of the overall population with an expect to advance the necessities of the nation in general. The banks ought to give advance keeping in view the point of the banks of meeting the client necessities by looking after liquidity, security and gainfulness of the banks.

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