The reforms in Indian banking sector since 1991 is deliberated mostly in terms of the significant measures that were implemented in order to develop a more vibrant, healthy, stable and efficient banking sector in India. The effect of a highly regulated banking environment on asset quality, productivity and performance of banks necessitated the reform process and resulted the incorporation of prudential norms for income recognition, asset classification and provisioning and capital adequacy norms, in line with international best practices. The improvements in asset quality and a reduction in non-performing assets were the primary objective enunciated in the reform measures. In this context, the present research critically evaluates the trend in movement of non-performing assets of public sector banks in India during the period 2000-01 to 2011-12, thereby facilitates an evaluation of the effectiveness of NPA management in the post-millennium period. The non-performing assets is not a function of loan/advance alone, but is influenced by other bank performance indicators and also by the macroeconomic variables. In addition to explaining the trend in the movement of NPA, this research also explained the moderating and mediating role of various bank performance and macroeconomic indicators on incidence of NPA.

To achieve the stated objectives, both secondary and primary data are utilized. In order to corroborate the inferences generated from the secondary data analysis, primary data are obtained on the incidence, impact and management of NPA with special reference to State Bank of Travancore. To assess the relative efficiency of public sector banks in Indian banking sector in the management of NPA, a bank group-wise analysis is undertaken. Statistical packages like Microsoft Excel, SPSS and Amos were used to analyze the data and to generate inferences. The research utilized statistical techniques such as Exponential Growth rate (EG Value), Average Annual Growth rate (AAG Rate), correlation and regression, ANOVA, Welch Statistic, Levene Test,
Sobel test, Chi-square test, Z value, etc. Structural Equation Modeling is used to explain the causes of NPA.

The research findings highlighted the need for improvements in NPA management in Indian public sector banks. Though the PSBs were able to curtail their NPA during the first half of the study period, the trend has reversed in the second half especially since the global financial crisis during 2007. The analysis revealed significant linkages between NPA and selected bank performance indicators and macroeconomic indicators. In a highly competitive, diverse, sophisticated banking environment, NPA can be effectively managed through incorporating more proactive measures, notably an improvement in the credit evaluation, appraisal and monitoring system of banks.

**Key Words: Non Performing Assets, Asset Quality, Credit risk management**