

Chapter 2nd

Review of Literature

This chapter includes references of the Articles, Books; Research Papers published earlier on the similar kind of topic of this research study and reviewed by the researcher for the same.

The object of this **review is** to find out gap between earlier studies and this research studies. This review definitely has helped to researcher to focus on proper approach and objectives of this research study.

Review of Literature

Review of literature means getting feedback of previous studies, references, articles published, books published, etc. related to the said topic which selected for research study by the researcher. Generally review of literature available through published material vide

- i) Articles in various referred Journals,
- ii) Books ,
- iii) Study material of various scholars through thesis and
- iv) Various periodical Reports of various concern organizations and bodies.

The main object of review of literature is to refer and to get feedback of any kind of development and achievements in the selected topic of research study by previous researchers and experts. It is further important to understand that up to what extent the research has been completed through previous studies on the said topic?

By the review of literature, researcher would be able to state the findings of previous study on the topic being researched by the researcher.

While reviewing the previous study, the researcher focused on the objectives of those studies, concepts used and clarified, research methodology adopted for that, and the conclusions arrived at the end of study.

The researcher tried while presenting the reviews starting from the earliest and ending with the current ones. This will give a clear picture about how the conclusions or concepts have evolved over a period of time. The researcher also took care to avoid any duplication and irrelevant literature. The researcher have not reproduced the article or the text, unless otherwise necessary for the context. In case of, if such type of reproduction arrived, it has presented through end – notes or foot- notes. Every article reviewed for research study properly backed by the source. While indicating the source, the researcher followed the sequence, while reviewing an article form a periodical, text books, research papers, thesis and reports.

While reviewing the literature, researcher has not fixed specific number of reviews to spell out. Researcher reviewed as many articles and books as possible. At the same

time for the sake of achieving the number, the researcher has not become hasty to include all irrelevant reviews.

2.1: In 1991 India faced the crises of balance of payment because of which India turned to Economic Reform by our finance ministry headed by Dr. Manmohan Singh under the Prime minister ship of Mr. P.V.Narsinharao. This economic reform became a milestone for Indian Economy with all economic sectors including banking sector.

The concept of Non Performing Assets introduced along with the introduction of “Income Recognition and Assets Classification Norms (IRAC Norms/ guidelines) by RBI, first time in India, in 1993.

It was new concept first time to Indian Banking Industries and important as well as very urgent to follow those norms to match our banking industries with international norms of Basel II.

2.2: Review of NPA concept: It has been already clarified in 1st chapter vide Para No.1.3.1 to 1.3.3 page no. 6-8

2.3: Review of Performance of Accounting Standard in relation to NPAs

- 1) Revenue recognition: Revenue has been considered on realization/actual basis in few cases, especially revenue for NPA. It has been considered only if the income of interest has realized from the borrowers. It follows the Accounting standard 9.
- 2) Provisions and contingencies include provisions for NPA, taxation, deferred tax liability and other contingencies. It is as per Accounting standards 29
- 3) Advances are shown net of the provisions, written off and settlement if any. Provisions for standard assets and for performing assets has been shown under the head “other liabilities and provisions (AS 29)
- 4) Assets are classified as per RBI’s guidelines. Performing and Non Performing Assets. Non Performing assets are divided in to subcategories like, substandard, doubtful 1, doubtful 2, doubtful 3 and loss assets.
- 5) Accounting standard 17: for Business segmentation – It is classified under, Treasury business, Corporate/wholesale banking, Retail banking and other banking.

- 6) Capital Adequacy – Bank has completed Basel I and Basel II norms. It is applicable for share capital ratio of promoters and others, owners & borrowed.

2.4: *Indian banking in the New Millennium*, This book is a set of collection of various published papers by the various experts, authors and researchers. Dr. Mohan Prasad Shrivastava and Dr. S. R. Singh both the editors brought out the book which is very useful to the teachers, students, researchers of the subject and the policymakers, executives and employees of the banking and financial sector and all concerned. It is consisting 27 papers on the hot issue of various challenges related banking sector including one of the main issue Non-Performing Assets.

All Total 27 papers are towards the challenges before the Indian banks. This book has been published in 2004. It has various review in statistical forms related to banking sectors. Out of 27 papers 15 papers published which had taken review of public sector undertakings. They tried to correlate economical development through the progress made by Indian public sector undertakings in banking field.

2.5: One of the papers written by Dr. Madan Kishore Prasad, co-author K.K. Sinha and K.M.Prasad as “*Post Reform Performance of Public sector Banks Special Reference to Non-Performing assets*”. In this paper authors focused on the growing figures of Non-performing Assets of all public sector’s banks during 1993 -2000, which was post reform of the financial sector on the basis of Narsimhan Committee Report submitted in August 1991. This paper shown only the positions of the all nationalized banks affected because of the increasing non-performing assets gradually during 1993-2000.

The main shortcoming of above review that it has not shown the effect of growing NPA either on performance of Indian Banks or on recovery management of the banks. That research pointed out only the statistical data that how much NPA totally was there during 1993-2000, of collectively all nationalized banks in India. Along with that information that author focused on progress of NPA after 1st reform in India 1991 onwards. It means the author was expecting the either decrease or increase in the NPA positions of post reform of Indian economy, 1991 onwards till 2000.

Here, scholar want to point out that effect of RBI policies had not considered in above study by those author. That same has been considering in this study through a case study.

2.6: Another review found vide a paper published as “*Dimension and Prospects of Non Performing Assets: Challenges before the Banking Sector Reforms in the New Millennium*” by the authors DR. Satyendra Kr. Gupta and Sanjay Kumar. This paper becomes a contribution of the paper series edited by Dr. M.P Shrivastava and Dr. S.R.Singh in their book mentioned in the Para no. 2.6 as above.

This paper focused on the growing of nonperforming assets of public sector, private and foreign banks during 1998-2002 and main causes of higher NPAs in scheduled commercial banks. It recorded the growing Non Performing Assets of –

- 1) All Public sector undertakings and
- 2) Private Banks in India and
- 3) Foreign Banks in India.

The period of study was limited between 1998 & 2002. The objects of this study was to find out Progressive figure of NPA of all above mentioned three types of banks and Causes of higher NPA in scheduled commercial banks.

The outcome of above mentioned reference was only limited to increasing figures of NPA speedily and main causes of high rate of increasing such NPA in public sector undertakings.

After going through all above mentioned reviews vide pare no. 2.6,2.7 and 2.8 it is come to know that all papers in such book including another two belongs to NPA, have successfully collected statistical data in their subject field from the various angles.

Their data showed the effect or progress in specific field for which study had been taken with the help of increasing figures. This might be effect of economic reform in 1991. However, the discussion had not taken place in this review regarding the impact of any specific policy or controlling authority or body.

The scholar tried in this study to find out the effect of RBI policies on performance of NPA position and performance of the bank. Secondly, this study will take a review of impact of RBI policies on recovery management of the banks through a case study on a selected one of the unit of PSU, Bank of Maharashtra.

2.7: One international paper focused on the NPA related to educational loans provided by banks. The special reference studied by the authors and co authors of the educational loans provided to the students in Odisha Area which included rural and urban. This study was based on limited period of 3 months of 1st quarter of year 2011.

The title of that paper was *“Demystifying NPAs on Education Loan: A Survey with reference to selected Urban, Rural Areas and Bank officials of Odisha,”*

Main author is Dr. B.C.M. Patnaik, Associate Professor, and co-authors are Dr Ipseeta Satpathy, an Associate Professor and Aroop Kumar Mohapatra, a research scholar; all are of KIIT university of Odisha situated in Bhubaneswar.

The author focuses on the growth of NPA especially of educational loans provided in rural and urban area of Odisha. For this study they had selected 160 students out of which 83% respondents provided the information through questionnaire.

The outcome of this paper clarified the censuses of NPA of educational loans in that particular area.

The main causes are –

- 1) Due the geographical conditions of Odisha, the incomes of the parents of those students have taken education loan.
- 2) The students which avail those loans cannot repay entirely because of unemployment after completing the courses for which they took the loan.
- 3) While availing the loan, calculations are confusable and later on actual results are unexpected, according to some of the respondents. Especially, progressive interest on loans and total outstanding are beyond their imagination though the rate of interest is reasonable according to RBI guidelines.

The shortcomings of above review are that this study had not considered the effect of RBI policies related to NPAs and effect of on recovery management of the banks. It was the only study of problems of the students for non repayment of educational loans and therefore increasing figures of NPA of educational loans in referred area of Odisha.

The scholar is interested to fill the gap of the research study found in above references. Therefore RBI policies are the basic route to find out the performance of the bank due to following such policies, on their performance and progress as well as on recovery management of the banks. Hopes, that it will fulfilled the object of study.

2.8: Ms. Asha Singh is the Research Scholar of Mewar University, Rajasthan, have presented her paper on “*Performing of nonperforming assets (NPAs) In Indian Commercial banks*”. It was published in International Journal of Marketing, Financial Services & Management Research, of September 2013, Vol.2 No.9, with ISBN no: ISSN 2277- 3622.

In her paper she had made the comparative study of NPAs percentage of Private Banks and Nationalized banks during the period of 2001-2012. She presented the gross and net NPAs rate during the mentioned period with causes of arising the NPAs and suggested measures for prevention, reduction and curative growing NPAs.

2.9: ‘*NPAs: Rising Trends and Preventive Measures in Indian Banking Sectors*’³. This Research paper written by Dr.Sushama Yadav, Assistant Professor, in Department of Commerce, at School of Commerce and Management & Co-author Dr. Harisingh Gour, Assistant Professor, both from Central University, M.P. and they jointly published their research paper in “International Journal of Advance Research in Computer Science and Management Studies “, Volume 2, Issue 1, January 2014, ISSN: 2321-7782 (Online) –foot note 5.

The research has been covered the compilation and comparisons between Gross and Net NPAs ratio, for the period between 2006 to 2012 and that studied part between two types of banks, private and nationalized. The research study covered the analysis of rate of gross NPAs and rate of Net NPAs with gross advances of that respective years, causes of NPAs, impact of NPAs on profitability and liquidity and measures as well as suggestions’ on reducing the NPAs

2.10:“*Impact of Recovery Management on NPA: a Case Study of Bank of Maharashtra*” This research paper published in ‘Indian Journal of Applied Research’ under the area of Management; in May 2013 vide volume 3, Issue No.5, bearing ISSN

[3www.ijarcsms.com](http://www.ijarcsms.com); International Journal of Advance Research in computer Science and Management Studies

- 2249-555X page no.458 – 460. The authors are Ms. Ritika N. Singh, a student of MBA; Ms. Richa A. Modiyani, and Mr. Harshal A Salunke; Asstt. Professors, all form Department of Business Administration, SSBT's COET, Bambhori, of Jalgaon (MH) Pin 425 001.

In this research paper scholars focus on the Process of Recovery Management and agencies involved in it and what is the impact of this Recovery management on NPAs of the bank. The authors took the review of the process of recovery management with its objectives and explained with facts of recovery amount of NPAs account. At concluding the paper they suggest the remedies and said the recovery process affecting on the NPAs positions of the bank according to their efforts and result.

2.11: ‘Management of Non-performing Assets- A Study of Indian Public Sector Banks.’

This research paper published in e-journal –“IJMIE – International Journal of Management, IT and Engineering’ Volume 2, Issue 4, of April 2012 bearing ISSN: 2249-0558. The authors are Dr. Nimita Rajput (Associate Professor), Anu Priya Arora and Baljeet Kaur (both are Assistant Professor) of Department of Commerce, at Atma Ram Santan Dharma College, of Delhi University.

In this research paper authors took the review of the advances, NPAs and NPA ratio between 2001 to 2010 of all nationalized banks along with SBI and its associate banks. The reviewed only the statistical figures of the NPA information and stated that how banks are maintaining capital adequacy ratio according to Basel I and Basel II norms.

In conclusion they further referred the provisions made by the banks for all these compromises as per requirement of the RBI.

2.12: “A Comparative Study of Non-Performing Assets of Public and Private Sector Banks.” author Dr. Harpreet Kaur & Neeraj Kukumar Saddy, both are Assistant

professor (Commerce) at S N College of Punjab University, published in’ International Journal of Research in Commerce and Management. It is E-journal-A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories, VOLUME NO. 2 (2011), ISSUE NO. 9 (SEPTEMBER) ISSN 0976-2183, pp 810-90

The authors took the review of all statistical data related to advances, NPAs and NPA ratio for the period of 1998 to 2009 of private and nationalized banks and made the comparative study of these data and tried to find out the causes of these NPAs in their conclusion.

2.13: Following list of few papers is referred by researcher⁴. These papers focus on NPAs, its comparison between two types of banks, Indian commercial nationalized and private banks.

- 1) Rajeev Menasha and Mahesh H P, *Banking Sector Reforms and NPA: A study of Indian Commercial Banks*, Working Paper 252, The Institute for Social and Economic Change, Bangalore, September 2010, pp 1-19. This paper states the positions of NPAs of Indian Commercial banks on post reform of banking sector..
- 2) Chaudhari Kajal and Sharma Monika, *Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study*, International Journal of Innovation, Management and Technology, Vol. 2, No. 3, June- 2011, pp 249-256. This paper focused on the comparative study of NPA between nationalized and private banks in India.
- 3) Prasad Bhavani G.V. and Veena D. (2011), *NPAs Reduction Strategies for Commercial Banks in India*, IJMBS Vol. 1, Issue 3, September, 2011, pp 47-53. This paper stated the remedies and suggestions for reducing the NPAs in commercial banks.
- 4) Kaur Kamalpreet and Singh Balraj, *Non-Performing Assets of Public and Private Sector Banks (A Comparative Study)*, South Asian Academic Research Journals, Vol. 1, Issue 3, December,2011, pp 54-72. This research paper focused on comparative study of NPAs of public and private sector banks.
- 5) Poongavanam S, (2011), *Non performing assets: Issues, Causes and remedial Solution*, Asian Journal of Management Research, Vol. 2, Issue 1, pp 123-132. This research paper content the main causes of NPAs and issues raised due to increasing NPAs. It reviewed with remedial solutions.

⁴International Journal of Advance Research in Computer Science and Management Studies ,Volume 2, Issue 1, January 2014, ISSN: 2321-7782 , pp 130-141; (Online)-www.ijarcsms.com

- 6) 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, Vol. 1, Issue 7, 2012 pp 41-52. This paper stated the effect of NPAs on profitability of the banks. This issue presented with the figures of NPA and profit of all commercial banks in India.
- 7) Ahmad Moid U. “*My Bank has better NPA than your Bank, APOTHEOSIS*: Tirpude’s National Journal of Business Research (TNBJR), Vol. 3, Issue 2, 2013, ISSN 2319-5576, pp 55-61. This papers focus on increasing figures of NPAs and conclude with the statement that bank failed in the competition to become smart in form of NPAs. That, my bank id better than your banks for NPAs.
- 8) Chakraborty Anindita, Employees’ *Perception Towards NPAs: A Comparative Study of Public Sector and Private Sector Banks*, Business Spectrum, Vol I, No. 3, January –June, 2012, ISSN-2249-4804, pp 1-11. This research paper gave the idea about the increasing NPAs of nationalized banks and NPAs of private banks which less than nationalized banks.
- 9) Murali Mohan and Ramakrishnaiah K., (2013), *Management of Non-Performing Assets in Regional Rural Banks: A Study With Reference to Saptagiri Grameena Bank (Sgb)*, International Journal of Management Research and Review, IJMRR/ Feb Vol. 3, Issue 2, Article No-1/2338-2345. This research paper focuses on procedure and remedies’ on protecting NPAs by adopting a case study method.

Researchers have found total 156 papers published during the period of research study. However, most of the papers were belongs to various matters of banking industries out of which very few were found, related to NPA.

Whatever papers and earlier literatures have published, few of them are belongs to NPA. Those all references focused on increasing NPA and comparison between NPAs of two or more than two bank organizations. Not a single literature found focusing the policies of RBI related to NPA or/and impact of those policies on the recovery management of the banks.

In this research study, researcher tried to focus on the adverse effect of NPAs on bank performance and impact of RBI's policies' on Recovery management of the bank, related to NPAs.

Researcher expects that the selected topic will be useful in various manners to the concern beneficiaries through this research work.