PREFACE

Banks play a major role in economic development of a nation and effect the lives of billions of people directly or indirectly. Creation of goods and services, generation of employment, alleviation of poverty that lead to improvement in standard of living are all linked to the extent of industrialization a country has. Financial intermediation assumed importance as long term sustainable growth of an economy hinges on an efficient financial system that organizes smooth flow of funds into the real sector. Banking sector in India has grown to such a level that it can realize the dreams of India becoming economic superpower if managed properly or can shatter the economy beyond repair if neglected.

Banking scenario in independent India is dominated by the Public Sector Banks that have spurred-up savings culture in the masses of the nation reaching them at their door at every nook and corner of the country. PSBs have been the only source of working capital for millions of industries ensuring hassle free functioning of wheels of progress. Their contribution in rural development, self-employment and poverty alleviation is inimitable. Taking the cue from the Government, PSBs played an inestimable role in all-round development of the nation.

Non-performing assets impede the recyclability of funds into the most efficient channels and thereby limit the growth prospects of the economy. NPAs in the public sector banks have grown unnoticed to such an extent that Indian banking system was at the verge of a serious systemic crisis. The huge stock of NPAs in PSBs, posed a threat to the basic survival of a few banks.
The timely measures of RBI and all round efforts of banks could diminish the problem but only after suffering a great loss. If the PSBs have to compete in the deregulated, global financial market, they need to master the art of credit administration and risk management. In this milieu, it is necessary to understand the reasons for NPAs, attitudes and perceptions of bankers and defaulters, evaluate the effectiveness of measures intended to arrest NPAs and appraise the overall progress made on this front. This doctoral work is an earnest effort to understand and contribute to the measures initiated by Public Sector Banks in India to manage the mammoth task of loan non-performance.

The study analyzed the secondary data available on this issue and gathered specific data from the bankers and defaulters to draw meaningful conclusions and suggestions.

The study is divided into seven chapters. The first chapter introduces the concept of financial stability and reasons of financial crisis in the recent past, highlighting the role of Banks. It also provides historical background of Indian banking system.

Second chapter presents an overview of Non-performing Assets of banks in Indian and international context. The cross country comparison of levels, reasons, and measures to deal with NPAs are described lucidly. An elaborate discussion of guidelines and procedures relating to NPAs and their management in the Indian banks is presented in this chapter.

Third chapter consists of research design and methodology of the study. A review of literature pertaining to the study, statement of the problem, need for the study, objectives, hypotheses, scope and methodology of the study, limitations are presented along with a concise description of the area of operation i.e. Cuddapah District.
Fourth chapter analyses the trend of NPAs, asset quality and sectoral composition of NPAs, and impact of NPAs on profitability, liquidity and capital adequacy of Indian public sector banks.

Fifth chapter presents the empirical study which evaluates bankers' perception on non-performing assets. The reasons for NPAs in various segments of loan, effectiveness of NPA management initiatives and attitude of bankers towards the issue of NPAs are measured.

Sixth chapter pertains to defaulters. Reasons for default and socio-economics of the defaulters are analyzed. The attitude of defaulters towards Public Sector Banks is measured.

Seventh chapter summarizes the conclusions drawn from the analysis of secondary and primary data and lucidly presents the suggestions for PSBs for better management of NPAs.