CHAPTER - 2

REVIEW OF LITERATURE
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2.1 Introduction

An attempt has been made in this chapter to review some of the relevant studies having direct or indirect bearing on the objectives of the present study. Review of literature is utmost important in any research as it offers an explanation for the necessary of the current research initiatives. The risk management, asset quality and Non-performing Assets (NPAs) are debated in many academic literatures across the country. The various aspects of management of NPAs have attracted the attention of academicians, researchers and policy-makers from time to time in the country and abroad. Therefore, this review of literature offered an in-depth view on the management of NPA in DCCB and RRBs over the periods.

For the sake of convenience, the review of literature has been divided into the following three broad categories:

1. Studies on NPA in DCCBs & RRBs

2. Studies on NPA in Indian SCBs

3. Different Committee Report on NPA.

2.2 Studies on NPA in District Central Co-operative Banks (DCCBs) and Regional Rural Banks (RRBs)

Sinha, S. and Chakraborty, J. N.¹ (1996), this paper analyzed a comparative performance of a District Central Co-operative Bank (DCCB) and Regional Rural Bank (RRB) in Bihar. It stands that the increased expenses of the bank had eroded its profitability and hence it was operated marginally above its breakeven level. It also examined the pattern of income, expenditure, profit or loss and deposits as well as loans advanced by the banks. The study find out that DCCB has attained large volume of business with less number of employees and low establishment cost in comparison to RRB.
Kumar, S.² (2000), in this paper “Non-Performing Assets in Regional Rural Banks – Impact and Management”, author has highlighted the problems of swelling NPAs of Regional Rural Banks. The author has also analyzed the trends of NPAs in RRB at all Indian level through the classification of loan assets and size of NPAs. Finally, he has pointed out that the % of gross NPAs at national level though declined over the periods, remained at a very high level (28%).

Soni, Monica³ (2002), the study attempted to analyze the NPA position of two important components of Rural Banking, i.e. Co-operative Banks and Regional Rural Banks. It clearly showed the position of different Co-operative Banks, such as StCBs, DCCBs, SCARDBs, PCARDRBs and RRBs since the application of potential norms to them. The study depicted that the NPAs were increasing both in absolute terms as well as in terms of % of gross NPA to gross advances. The substandard assets constitute the major proportion of total NPAs. On the other hand, in case of RRBs, NPA level has reduced from 43.1% in 1996 to 23.1% in 2000 and 19.2% in 2001. The study has concluded that NPAs in both relative as well as absolute terms are very high and thus needed to be brought down to national as well as internationally levels.

Rathore, Sanjai Singh and Singh, Aloka,⁴ (2004), in the study “Non-Performing Assets and Capital Adequacy” they have made an attempt to analyse the financial performance of Avadh Gramin Bank, Lucknow by using NPA and CRAR. The study emphasized on some innovative credit schemes, like self-help group finance scheme, village farmer’s club scheme, village cluster development scheme and peoples participation approach etc. which should be taken into account by this sector. It also evaluated that as compared to other RRBs, Avadh Gramin Bank’s position is poor as per parameters of recovery and % of NPAs. They have offered the suggestion that in order to avert the loss due to NPAs and non recovery of loans, firm measures should be taken to make credit appraisal, documentation, disbursement, monitoring and let recovery be more effective.

Agrawal, Sachin & Agrawal, Kavita⁵ (2007), the paper examined that the co-operative banks are facing the problem of NPA in their life. Although they are having the problem of non-performing assets but their ratio of covering is good. The co-operative bank facing the
problem of NPAs but they were also succeeded in pulling down their NPAs more firstly than the Nationalized banks. The NPAs is proving to be the barrier in the progress of the economy and financial system of any country. It can be said that the non-performing assets of the bank is that part of the assets which remains due for the called period.

Kontal, R. Jayashree & Naikwadi, Mr. Iftikhar Ahamed⁶ (2011), this study on Non-Performing Assets has been discussed at length for financial system all over the globe. They observed the high level of NPAs in Indian banks is nothing but a reflection of the state of health of the industry and trade. At the same time this study deals with understanding the concept of NPAs. It further observed that, most of the loans became NPAs in the bank books around 1987 and it was only after 1991-92 that RBI worked out provisioning norms, the banking sector strengthening a bit. In conclusion, on the basis of information available from both the banks i.e., Corporation Bank and BDCC Bank and the present financial schemes offered by Finance Ministry, Government of India.

Rakshit, Dr. Debdas & Chakrabarti, Dr.Sougata,⁷ (2012), the study on “NPA Management of Rural Cooperative Banks of West Bengal: An Overview” has been discussed on the issue of Non-performing assets of cooperative banks at length for financial system of India. The problem of NPAs is not only affecting the cooperative banks but also the whole Indian economy. In fact high level of NPAs in cooperative banks is nothing but a reflection of the state of cooperative structure. The study also deals with understanding the magnitude of NPAs in cooperative bank and major causes for an account becoming non-performing in cooperative banks and concluding remarks.

Chakraborty, Dr. Manas,⁸ (2013), this paper deals with a study on the impact of merger on the profitability performance of RRBs in Bihar State of India. An effort has been made in the instant project to study and find out whether restructuring through consolidation have made any effect on the financial viability of the RRBs in this region. Since 1975 RRBs are being regarded as one of most important sources of institutional financing of rural credit in India. Since 1991, various steps have been taken up by GOI for strengthening the RRBs e.g. cleansing of balance sheets, recapitalization of selected RRBs etc. It finds that, there is
always a need for up-gradation of the rural banking systems in India through performance evaluation in the context of necessity of institutional rural credit.

Das, Tarasankar⁹ (2013), the present study examines the performance of the West Bengal State Co-operative bank Ltd. from the year 2001-02 to 2010-11. The West Bengal State Co-operative Bank Ltd. (WBSCB) is performing its role of leading the co-operative movement of the state of West Bengal. The objectives of the paper are to explore and evaluate the growth prospect, operational profitability, stability and recovery performance of the WBSCB Ltd. The study shows that all the variables exhibited positive and significant growth during the period of study. It is found that overall profitability of the bank during the study period is satisfactory as “Burden Coverage Ratio” in all the years is more than 1. Results obtained in the study shows that WBSCB Ltd. has satisfactory Z score that means probability of book-value insolvency has decreased during the study period.

Koti, Prof. Kartikey¹⁰ (2013), the study focus on key factors like diversified loan portfolio, robust Internal risk management techniques by putting in place appropriated risk measurement and mitigating framework, sophisticated credit monitoring Systems, higher share of non fund income in total, which helps in sustainable Profits in long run. It envisages the new economic reforms in the banking sectors as those aimed at enhancing operational efficiency thorough completion and prudential norms. The biggest challenge for the banks in India is efficient management of non-performing assets (NPA’s). So the study focuses to know what the non-performing Assets are, and how they can handle to reduce loss.

Nancy, Kanika¹¹ (2013), the main objective of the study is to study the growth-pattern of Regional Rural Banks (RRBs) in India. The study has witnessed positive impact on the financial performance of RRB’s due to amalgamation and various other factors. RRB successfully achieve its objectives like to take banking to door steps of rural households particularly in banking deprived rural area, to avail easy and cheaper credit to weaker rural section. The author observed that, increase in the amount of NPA’s and the problem of recovery has necessitated the need to study the financial performance of RRBs.

Rathi, Dr. D.¹² (2015), the main objectives of the present study may be summarized as follows the performance of loan portfolios and procedures of decision making in the area of
management of NPAs in Pandyan Grama Bank, Bazaar Branch, Thoothukudi. The RRB in India normally depend on the internal guidance and functioning support in devising an effective policy and strategies for NPAs management. The NPA details of the Pandyan Grama bank were collected from the higher officials of the bank. This study is mainly analyses the three categories of Doubtful Assets. It concluded from the analysis that the recovery performance better in Education Loans, Small Scale loans to the industries, Crop loan and Kisan Credit.

2.3 Studies on NPA in Indian Schedule Commercial Banks (SCBs)

Kohli, 13 (1997), the study analyzed the impact of directed credit under priority sector on the profitability of commercial banks in India. Author brought into light the matters related to the directed credit which was not solely responsible for the deterioration in the profitability and the poor quality of the portfolio of the financial institutions.

Ghosh, Saibal & Saggar, Mridul14 (1998), in the paper “Narrow Banking: Theory, Evidence and Prospect in India” examined the narrow banking in India and asserted that an increased presence of NPA forced banks to select tactics to reduce risk by investing in safe and liquid assets. It is observed based on the analysis that the narrow banking may expose weak banks to immense market and interest rate risk and thus makes it vulnerable to idiosyncratic and systematic risks arising from macroeconomic shocks. The major findings of the study is that even without a directive, narrow banking on the asset side is being practiced as part of the asset liability management of these banks.

Bhaumick, Rajaraman and Bhatia15 (1999), in this article “NPA Variations Across Indian Commercial Banks-Some Findings”, they have attempted to explain interbank variation in net NPAs for the year 1996-97 through a specification which includes intercept dummies by ownership category, bank specific prudential and efficiency indicators; and region of operation, as measured by % branches in each of set of state clusters. In their study the authors have attempted to drive inference regarding the performance and degree of cost efficiency attained by the Indian Commercial banks through the analysis of NPAs, profitability, risk analysis and management.
Latha, K.\textsuperscript{16} (2002), the paper titled “Non-Performing Assets in Banks: An Analytical Study” studied the magnitude, composition and causes of NPAs of commercial banks in India. The study has carried out an econometric analysis at possible determinants of NPAs. The major findings of the study are 20-26\% of variation in NPAs across commercial banks in India can be explained by efficiency and regional pressure; capital adequacy ratio and return on assets are negatively related to NPAs.

Batra, Sumant & Dass, Kesar\textsuperscript{17} (2003), this study “Maximizing value of Non-performing assets”, indicates that NPA has affected the profitability, liquidity and competitive functioning of Public and Private Sector Banks and finally the psychology of the bankers in respect of their disposition towards credit delivery and credit expansion. The ultimate impact of the actions put forward by both the RBI and Government of India, however, will be reflective of the degree of effective. Indian banks have to remain focused in their efforts to recover their spiraling bad loans, or NPAs, to sustain the positive trend of improving asset quality.

Banerjee, Avhijit & Duflo, Esther\textsuperscript{18} (2004), the main goal of this study was to analyze the NPA status in banking sector. The study analyzed that NPAs are indeed a serious problem for banks in India and it is easy to see why a bank might hesitate to lend if the loan has a high risk of going bad. NPA is not what the banks do but what they do not do. They observed reducing public control of the banks is probably one way to get to this, though there is no guarantee that this would change things as the firms are hungry of credit, even though there is nothing to stop them to borrow some more from a private lender. The actual challenge, whether public control remains or not, it is to create a banking system for a world where investors take risk and sometimes fail, where bankers need to take initiatives and use their judgments.

Banerjee, B. and Dan, A.K.\textsuperscript{19} (2006), in this study analyzed that NPAs are one of the most crucial problem which is faced by bank to require attention for improvement in the management of PSBs are increasing very speedily at present scenario due to following reason. One is government has got to bail out banks with monetary fund provisions sporadically and ultimately taxpayers bear the value. Second is cash borrowed for
investment, for not utilized properly, affects the creation of assets and therefore the growth of economy is vulnerable. The author has urged many strategic measures to manage Nonplaying assets of Public sector banks.

Chhikara Dr. Sudesh20 (2007), in this study examines the reasons of NPAs and impact of NPAs on profitability and other financial parameters in selected PSBs in the state of Haryana. Lending is always accompanied by the credit risk arising out of the borrowers default in repaying the loan. Banker should manage his loan in a safe manner. This study is concluded that impact of NPAs on the performance of the banks is manifold. Profitability is the worst affected by NPAs followed by Credit development & investment policy, capital adequacy ratio and reduction in productivity. At the end concluded that the total elimination of NPAs is not possible in banking business owing to externalities but their incidence can be minimized.

Vallabh, G. Bhatia and Mishra, S.21 (2007), in the study “Non-Performing Assets of Indian Public, Private and Foreign Sector Banks: An Empirical Assessment” examined the fundamental factors which impact NPA of banks using an extended Altman model. The model consisted macroeconomic factors and bank specific parameters. The macroeconomic factors of the model are GDP growth rate, excise duty and the bank specific parameters are Credit Deposit Ratio (CDR), loan exposure to priority sectors, Capital Adequacy Ratio (CAR), and liquidity risk. The observations of this study are refutable; the study provided an insight on a few analytical tools that can be widely used in analyzing the asset quality of the banks.

Raju D.N.M.22 (2009), conducted study on “Evaluation of the performance of State Bank of India with special reference to Non –Performing Assets (NPAs). The focus of the study is evaluating the financial and operating performance of State Bank of India in the light of changing conditions emerging out of the implementation of financial sector reforms. Another aspect covered in depth is the changing picture of nonperforming assets (NPAs) of the bank. The study reveals that magnitude of NPA has a direct impact on the bank’s profitability as legally they are not allowed to book income and on same time banks are forced to make provision on such assets as per RBI guidelines.
Kaur, Dr. Harpreet & Saddy, Neeraj Kumar (2011), in this research article “A Comparative Study of Non-Performing Assets of Public and Private Sector Banks” discussed at length for financial system all over the India. They observed, the Indian banking sector is facing a serious problem of NPAs. The extent of NPAs is comparatively higher in public sectors banks. To improve the efficiency and profitability, the NPAs have to be scheduled and various steps have been taken by government to reduce the NPAs.

Paul, P., Bose, S. K. & Rezwan, S. D. (2011), in their research paper they attempted to measure the relationship of Indian PSU banks on overall financial performance. Here NPA is a negative financial indicator. They tested hypothesis that the occurrence of NPA affects the profitability and financial health of a bank harmfully.

Prasad, G. V. Bhavani & Veena, D. (2011), this paper deals with understanding the concept of NPAs, its magnitude and major causes for an account becoming non-performing and strategies for managing NPA in Indian banks. It was concluded that, the problem of NPAs can be achieved only with proper credit assessment and risk management mechanism.

Sirisha, Pacha Malyadri (2011), this study strives to examine the state of affair of the Non-performing assets (NPAs) of the public sector banks and private sector banks in India with special reference to weaker sections. It examines trend of NPAs in weaker sections in both public sector and private sector banks. The data has been analyzed by statistical tools such as percentages and Compound Annual Growth Rate (CAGR). It observed that the public sector banks have achieved a greater penetration compared to the private sector banks vis-à-vis the weaker sections. The study finally observes that the prudential and provisioning norms and other initiatives taken by the regulatory bodies have pressurized banks to improve their performance.

Agarwal, Sandeep and Mittal, Parul (2012) analyzed the comparative position of nonperforming assets of selected public and private sector banks in India to find their efficiency through comparative study. Data has been collected from various secondary sources for period of 10 years and analyzed with descriptive statistics and ANOVA. PNB and HDFC banks are found superior in management of NPA comparative to SBI and ICICI.
and private sector banks are much comfortable and efficient comparative to public sector banks.

Chaudhary, S. & Singh, S. (2012), the study focuses on a Committee on Banking Sector Reforms known as Narasimham Committee was set up by RBI to study the problems faced by Indian banking sector and to suggest measures revitalize the sector. The committee identified NPA as a major threat and recommended prudential measures for income recognition, asset classification and provisioning requirements. These measures embarked on transformation of the Indian banking sector into a viable, competitive and vibrant sector.

Meenakshi Rajeev and H P Mahesh (2012), the study analysed the different aspects of NPAs like NPA in India comparative to other countries, NPAS of Indian banks as per the different sectors and recovery of naps through various channels. It was found that NPAs in the contributory factor for crisis in the economy and root cause of the recent global financial crisis. It also observed that NPAs in priority sector is still higher than that of the non priority sector due to socio economic objectives of banks.

Ramesh.K.V, Sudhakar.A. (2012), this paper investigated the affect of NPAs on business cycles, legal framework, ethical standards, regulatory and supervisory system and bank specific factors like credit appraisal system; credit recovery procedures risk management system and the motivational level of employees. It is found that there is down trend in NPAs of selected banks by establishing appropriate systems internally to reduce and eliminate at the earliest on management in public sector banks a case study of Canara Bank and State Bank of India. It is concluded that if the proper management of the NPAs is not undertaken it would be hampers the business of the banks.

Srivastava, Vivek and Bansal, Deepak (2012) did “a study of trends of non-performing assets in private banks in India” to find out whether there is positive trend and control of NPAs by the private sector banks in India. It was found that that the level of NPAs is alarming with public sector banks in India but there is slight improvement in the asset quality reflected by decline in the NPA percentage.
Ahmad, Zahoor & Jegadeeshwaran, Dr. M. (2013), this paper was undertaken to study the non-performing assets of nationalized banks. It was found that there is significant difference in the level of NPAs of nationalized banks which reflect their varied efficiency in the management of NPAs. It was further found that level of NPAs both gross and net is on an average in upward trend all the nationalized banks but the growth rate is different.

Ganesan, Dr. D. & Santhanakrishnan, R. (2013), the paper examines the risk of banking business. They shows the banks are growth-driver and the banking business is exposed to various risk, such as credit risk, liquidity risk, interest risk, market risk, operational risk and management risk. Apart from these risks the very important risk is loan recovery. The Indian banking sector is facing a serious problem of NPA. The magnitude of NPA is comparatively higher in public sectors banks. To improve the efficiency and profitability of banks the NPA need to be reduced and manageable.

Gavade Khompi, Seema, (2013), the study observed improvement in the asset quality of SCBs till 2010-2011 and categorically noticed sudden change in the asset quality in the year 2011-12. The study found that SCBs overall NPA has consistently & successfully been reduced from year 1997 (15.1) till year 2011 (2.25). Having said that, Public sector banks needs to identify the reason for sudden increase in NPA in 2012 after fantastic effort of consistently reducing NPA till 2011.

Jhamb, Sakshi & Jhamb, H. V. (2013), the study “NPAs of Nationalised Banks of India: A Critical Review” reveals the relationship is explained eighty to ninety five per cent by the independent variables. In four out of the five equations F ratio is not statistically significant. It indicates that regression is not significant. It also implies that there are other variables (not considered in this equation) contributing much in the overall earning of the banks. They observed that NPAs have negative effect on the profitability of the banks. This further confirms the influence of other exogenous factors in the bank’s profitability.

Mohnani, Priyanka & Deshmukh, Monal (2013), this paper provides an empirical Approach to the analysis of profitability indicators with a focal point on non-performing assets (NPAs) of public and private sector banks. This paper an effort has been made to
evaluate the operational performance of the selected PSBs & Private bank in India and also analyze how efficiently Public and Private sector banks can manage NPA.

Sahu, Tarak Nath & Nandi, Jayanta Kumar\(^{37}\) (2013), in the study, “Social Responsibility of Selected Public and Private Sector Banks in India and is Impact on NPA Level”, it has been tried to analyze the comparative performance of selected public and private sector banks in India during the period 2001-02 to 2011-12 on the basis of their direct and indirect contributions to the society for socio-economic growth and its impact on quality of assets or NPA level of the banks. Findings of the study indicate that the performance of the private sector banks is better from the bankers’ viewpoints but from the social viewpoints, the selected public sector banks are better performers. The study suggests that in most of the cases of selected Pvt. SBs Social Responsibility Index (SRI) are formed adversely or negatively associated with NPA level.

Samir & Deepa Kamra\(^{38}\) (2013) in their study “A Comparative Analysis of Non-Performing Assets (NPAs) of Selected Commercial Banks in India”, they found a clear discrimination is warranted while formulating any strategy in addressing the problem of genuine and willful defaulters. There should be a real crackdown on willful defaulters and their assets whether or not charged to banks should be declared as national assets and be disposed in a transparent manner, without major legal hurdles.

Singh, Asha\(^{39}\) (2013), the study “Performance of Non-Performing Assets (NPAs) in Indian Commercial Banks”, deals with the NPA management of public and private sector banks. The study concludes that the success of a bank depends upon methods of managing NPAs. The Public Sector Banks have shown very good performance over the private sector banks as far as the financial operations are concerned.

Srinivas, K T\(^{40}\) (2013), the present paper is undertaken to study the reasons for advances becoming NPA in the Indian Commercial banks Sector and to give suitable suggestion to overcome the mentioned problem. The study reveals that magnitude of Gross Non-Performing Assets (GNPAs) of nationalized Banks as on June 2012 were ₹73,038 crore which amount to 2.94% of Gross Advances. At last the problem of NPAs has been a major issue for the banking industry.
Vasantbhai, Sakaria Sima (2013), this research paper focuses on NPA management between SBI and CBI. NPA involves the necessity of provisions, any increase in which bring down the overall profitability of banks. NPA is the indicators of banking health in a country. In this present research paper, an attempt to evaluate the operational performance of the selected two public sector bank i.e., Sate Bank of India and Central Bank of India, NPA trends and issues through secondary data. In the paper, it has been try to analyze how efficiency public sector banks have been managing NPA with various financial tools and techniques. All the Indian banks are facing hard time managing their NPA. The paper has been also derived findings from the analysis which is help to selected bank for NPA management. It is found that Gross NPA of SBI is higher than the CBI which shows its management efficiency and Net NPA of CBI is lower than the SBI which reveals its good situation.

Das, Sulagna and Dutta, Abhijit (2014), the main objective of the study is to find out if there are any significant differences in the mean variation of the concerned banks. This paper also focuses on the reason behind the NPA and its impact on banking operations. Non-Performing Assets are a burning topic of concern for the public sector banks, as managing and controlling NPA is very important. The study finds out that there is no significant deference between the means of NPA of the banks at five percent level of significance. Hence one can safely conclude that banks irrespective of their operations have similar NPAs in the current years.

Joseph, Ashly Lynn & Prakas, Dr. M. (2014), the paper “A Study on Analyzing the Trend of NPA Level in Private Sector Banks and Public Sector Banks” examines the indicators for the health of the banking industry in a country is its level of Non-performing assets (NPAs). It reflects the performance of banks. This paper basically deals with the trends of NPA in banking industry, the factors that mainly contribute to NPA raising in the banking industry and also provides some suggestions how to overcome this burden of NPA on banking industry.

Narayana, B. Balaji Sathya & Surya, R. (2014), this paper emphasis on the importance of bank’s stability in a developing economy is noteworthy as any distress affects the development plans thereby the economic progress. Keeping this in view, this study has been
carried out to study the causes and effects of the Non-Performing Assets in Indian bank and to provide constructive suggestions to reduce the NPAs.

Narula, Dr. Sonia. & Singla, Monika,\(^\text{45}\) (2014), they emphasized on the analysis of financial performance of a bank with Non-performing Asset is an important parameter, as it results in decreasing margin and higher provisioning requirements for doubtful debts. The study uses the annual reports of Punjab National Bank for the period of six years from 2006-07 to 2011-12. The data has been analyzed by using tables and coefficient of correlation. The important point to be noted is that the decline of NPA is essential to improve profitability of banks. They concluded that, there is a positive relation between Net Profits and NPA of PNB.

### 2.4 Different Committee Reports on Rural Banking and on NPA

GOI:\(^\text{46}\) (1972), Banking Commission: The Banking Commission, appointed by the Govt. of India under the chairmanship of Shri R. G. Saraiya in 1972 for a comprehensive reconsideration of banking structure in rural areas. After investigating various issues for expansion of activities of commercial banks in rural areas and their limitations, the Banking Commission expressed serious concerns on the initiatives of these institutions to promote rural financing in India. The Commission also explained further the details of capital structure, management structure, personnel policies, dividend policy, interest rate policy, linkages with other govt. bodes, terms of borrowing, minimum requirements of liquidity to be prescribed etc.

RBI:\(^\text{47}\) (1983), Report of Varde Committee on Banking: The committee pointed out the need to strengthen the co-operative banks, because of their significant role in development process of the downtrodden people in rural areas. The co-operative bank is an ideal institution to bring a socio-economic change in the country was expressed in all our Five Year Plans. Co-operative bank first and foremost, they can organize and bring together middle and small farmers in rural and semi-urban areas. Co-operative bank by financing rural based industrialists and artisans in rural and semi-urban areas, they can make a significant contribution to agricultural and industrial development in rural areas.
NABARD:48 (1986), published a report on “A study on RRBs viability”, which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The study further concluded that RRBs incurred losses due to defects in their systems as such, there was need to rectify these and make them viable. The main suggestions of the study included improvement in the infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in function.

GOI:49 (1987), Report of the Committee on Agricultural Credit Review Committee, (A. M. Khusro), in the year 1989 for the first time, the conceptualization of the entire structure of Regional Rural Banks was challenged by the Agricultural Credit Review Committee (Khusro Committee), which argued that these banks have no justifiable cause for continuance and recommended their mergers with sponsor banks. The Committee was of the view that “the weaknesses of RRBs are endemic to the system and non-viability is built into it, and the only option was to merge the RRBs with the sponsor banks. The objective of serving the weaker sections effectively could be achieved only by self-sustaining credit institutions.”

Narasimham Committee50 (1991): The Committee observed that banks were not following a uniform practice in respect of income recognition, valuation of investments as well as provisioning against doubtful assets. It was noted that PSBs accumulated NPAs using the cover of an archaic banking law which permitted banks to show revenue in their balance sheets whenever accrual of interest became due and not necessarily when the interest was realized. In order to comprehend the current situation of the banks the Committee suggested a classification of assets into the following broad categories: standard, substandard, doubtful and loss assets that is, according to the quality of the assets. In the committee report stated substandard assets would be those which exhibit problems and would include assets classified as non-performing assets for a period not exceeding two years. Doubtful assets are those non-performing assets which remain as such for a period exceeding two years and would also include loans in respect of which installments are overdue for a period exceeding two years. Loss assets are accounts where loss has been identified but the amounts have not
been written off. Excepting the standard assets category, the other asset categories come under NPAs. It further observed that a proper system of income recognition and provisioning was fundamental to the preservation of the strength and stability of the banking system.

Pannir Selvam Committee on NPA\textsuperscript{51} (1998): A three member committee on NPA was constituted in banking division under the chairmanship of Shri A. T. Pannir Selvam, IBA and Chairman & Managing Director, Union Bank of India. The terms assigned to the committee were causes of NPAs, factors for slump in recovery of loans, measures to be taken for effective recovery of bank dues, bank wise study on factors responsible for the NPAs, reduction of NPAs and bank specific suggestions for recovery of NPAs.

GOI:\textsuperscript{52} (2009), Report of the High Powered Committee on Cooperatives: The Committee has envisioned cooperatives as primarily, autonomous, economic institutions of user members. It sees them as self-reliant and self-sustaining institutions functioning in a free, fair and transparent manner in keeping with the principles and values of the cooperative movement. Cooperatives in India came into being as a result of the Government taking cognizance of the agricultural conditions that prevailed during the latter part of the nineteenth century and the absence of institutional arrangements for finance to agriculturists, which had resulted in mounting distress and discontent. Small, local, locally worked institutions, cooperative in form, which would satisfy the postulates of proximity, security and facility for providing credit, were seen as the answer to this situation. However, subsequent events during both pre and post Independence period have led to a vast growth of cooperatives covering various sectors of the Indian economy.

2.5 Research Gap

The review of literature reveals that research of this type appear to have been not found in respect of comparative analysis of NPA management of District Central Co-operative Bank and RRB in Burdwan District of the West Bengal, India. Hence the proposed research aims at filling the gap by analyzing with some specified ratios and applying statistical tools to examine the progress of the NPA management of BCCBL and PBGB in Burdwan District of West Bengal, India. The research gap in this area has motivated us to take up the current
research. The present study is a humble endeavor to make a comparative study on NPA management of district central co-operative bank and regional rural bank in the district of Burdwan, West Bengal.

References


46. GOI: (1972), Report of the Banking Commission, (R. G. Saraiya Commission)

47. RBI: (1983), Report of the Varde Committee on Banking, (V. P. Varde Committee)

48. NABARD: (1986), A study on RRBs viability


50. Narasimham Committee (1991)
