The primary business of a bank is of mobilizing deposits and utilizing it for lending purposes. Lending business has the effect of funds being transferred from the system to productive purposes which results into economic growth. If a high level of banks’ advances ceases to generate income, it is a matter of grave concern for the banks, hitting the profitability of the bank, deterring its credit cycling process thereby affecting the economy as a whole. Economic growth of a nation depends, inter alia, upon the existence of well functioning of its banks and financial institutions. Any bottleneck in the smooth flow of credit creates an adverse repercussion in the economy.

The deregulation of the market makes banks and financial institutions to search for new sources of competitive advantage. The committee on Financial System, headed by Mr. M. Narasimham, have been appointed to study the weaknesses of the Indian financial sector, especially the banking Sector of India. The committee came with a long prescription to revamp the Indian Banking Sector after a thorough study on its weaknesses. Based on the recommendations of the committee on Financial System; Reserve Bank of India introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts. These requires banks to conform continuous quest for improved management, customer focused services, financial resilience, corporate governance, prudential norms and higher standard of supervisory norms to tackle bad loans. To be competitive in the market and financial resilient no bank virtually afford high level of non-performing assets (NPAs).

The multifarious effect of NPAs has touch upon every aspect of banking activities. NPAs do not earn any income, drain on profitability; bring down the yield on advances; having negative impact on capital adequacy
and affecting the sources and image of banks. NPAs in the banking system are identified as the determining factors and are required to be tackled on a war footing. Several measures have also been attempted to mitigate their evil effects of NPAs but the problem as it stands has been defying solution.

State Bank of India is largest commercial bank in India in terms of asset size and net earnings; playing an important role in Indian economy. SBI, being a government controlled commercial bank, has made great strides in many aspects, viz., deposit mobilization, advances, operating profits, business per employee, technological upgradation. The bank has taken up a series of initiatives in the last couple of years especially to improve the quality of its assets and also to contain fresh accruals of non-performing assets (NPAs).

Barak Valley of Assam consists of mainly three districts namely, Cachar, Karmganj and Hailakandi. The valley is characterized by economically and industrially backwardness, low banking outreach, infrastructural bottlenecks, widespread illiteracy and environmental handicaps. People of the valley often find themselves unable to attract investment from outside and depend mainly on the commercial banks to finance their projects at large. Although United Bank of India is operating as the lead bank in the districts, State Bank of India is playing a crucial role in the region.

The present study, thus, aims at studying the problem of NPAs in State Bank of India in the districts of Barak Valley of Assam. For that purpose, proportionate numbers of branches from three districts have been selected for in-depth study. We hope that the study will be helpful in improving the bank's profitability by reducing the level of NPAs and thereby will help in improving the economic condition of the region.

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