MOVEMENT OF NON-PERFORMING ASSETS OF PUBLIC AND PRIVATE SECTORS BANKS IN INDIA

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Abstract:Banking in India went through substantial modifications since the introduction of financial sector reforms in 1991, when it was found that the banks were stressed with high amount non-performing assets. The paper explores the movement of non-performing assets of public and private sectors banks in India. Reducing Non-performing assets is very important element of financial Health, stability and growth of banks in India. To find out the fundamental factors which influence non-performing assets of banks in India? To increase the efficacy and cost-effectiveness of Indian banking sector in the country it was important to bring banks out of the burden of non-performing assets. The consequences and trends show that Non-performing assets are having a descending trend during the study period, but Non-performing assets of public sector banks are still more than private sector banks. The returns on the assets show the decline trends. This is much lower in Public sector banks as compared to private sector banks. Finally the performances of Public sector banks are not suitable as compared to private sector banks.

IndexTerms- Private Sector, Public Sector, Non-Performing Assets

INTRODUCTION

Banking in India witnessed substantial modifications after the implementation of financial sector reforms during year 1991. Asset quality was not the major concern for banking sector in our country till 1991, as the focus was on achieving the performance objectives such as widening the network of bank branches, priority sector lending, employment generation etc. (Singh, 2016). The concept of Non-performing assets emerged as a contemporary issue when RBI implemented the prudential norms in 1992-93. Before implementation of these norms, an asset was considered as non-performing if the installment or the interest of the principal remained unon-performing assets id for more than 180 days, but according to prudential norms the 180-days period for declaring the asset as non-performing was brought down to 90-days with effect from 31st March 2004 (Mahajan, 2014). In order to accelerate the recovery of Non-performing assets , the RBI designed several channels of recovery such as LokAdalats, Debt Recovery Tribunals (DRTs), and the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002. Moreover, as per the RBI guidelines it is mandatory for banks to create minimum provision against the different types of loan assets. With the view of providing an additional alternative and developing a strong secondary market for Non-performing assets, guidelines on sale and purchase of Non-performing assets were issued by banks (RBI, 2006). Even after taking various initiatives, managing of Non-performing assets still remains an area of concern, particularly due to the decline in the value of restructured advances. The rise in Non-performing assets was reflected in the increased amount of provisioning by banks in 2009-10. Hence, in order to strengthen the recovery process the RBI issued certificate of registration (COR) to fourteen securitization companies during June 2011. On 30th November, 2012, RBI advised public sector banks that they should take adequate steps to reinforce their risk management systems, credit appraisal, sanction process and post-sanction monitoring and follow-up for the early detection of distress among the bank dues (RBI, 2013). Recently, in August, 2015, government of India launched a seven pronged plan “Indradhanush” to revamp the functioning of public sector banks and to bring them out of the stress of piling up of Non-performing assets. The 7 fundamentals of the plan include appointments, board of bureau, capitalization, de-stressing, empowerment, governance reforms and framework of accountability (Business Standard, 2015).

NON-PERFORMING ASSETS OF BANKS

There is no interest or principle payment for 90 days on the loan (assets of banks), then the loan/advance is consider as non-performing asset. Or in other word when the borrower has failed to make interest or principle payments for 90 days then the loan is said to be a non-performing asset. To maintain banks stability, profitability and financial health, the non-performing assets are very important role.

RBI Latest Report

The Gross bad loans at the commercial banks could increase to 8.5% of total advances by March 2017, from 7.6% in March 2016, according to a baseline scenario projection by the Reserve Bank of India (RBI) in its Financial Stability Report. The RBI noted in the report: "If the macro situation deteriorates in the future, the gross non-performing assets ratio may increase further to 9.3 per cent by March 2017."

The RBI withdrew regulatory forbearance on the restructured loans, making it mandatory for the banks to make provisions on the restructured loans at par with bad loans and forcing them to set aside 15% of the loan amount as provisions if they chose to go for the fresh restructuring. Earlier, banks used to conveniently push many stressed loans, especially in infrastructure sector to the restructured loan category to prevent them from slipping into non-performing assets category.

REVIEW OF LITERATURE

Individuals as well as several organizations have extensively researched issues related to banking. Several committees appointed through the government of India and the reserve banks have also studied the banking problems in the country. Though not exhaustive this chapter makes an attempt to review some of the important studies with particular focus on priority sector lending.

Mohan and Rajesh (2004) the study founded that strengthening of regulatory measures taken by banks with regard to reduce non-performing assets in public and private sector banks.
S. Das (2010) has tried to analyses the factors that are actually the reasons of Non-performing assets and those are willful defaults, poor follow-up, market failure and supervision, poor Legal framework, skills, lack of entrepreneurial, non-cooperation from banks and diversion of funds.

Chaudhary and Sharma (2011) made an effort to measure the performance of public sector and private sectorbanks in context of reducing the level of Non-performing assets. The study further suggested that employees of public sector banks should be well trained in the selection of borrower and analyzing of financial statements.

Samir and Kamra (2013) the results of the study showed that non-performing assets are greater in public sector banks as compared to private and foreign banks in India. Further, it was found that small sector industrial units have largest share in total Non-performing assets of priority sector. The process of non-performing assets management should start with the identification of right borrower rather than to start after filing a suit.

A. Dutta (2014): This researchanalysis the progression of non-performing assets in the public sector and private sector banks in India. This research analyses sector wise non-performing assets of the commercial banks in India.

Mahajan (2014): Thinks that top management of private and foreign banks is more professional and core competent than public sector bank in non-performing assets management.

A. L. Joseph (2014): Research deals with the movements of non-performing assets in banking industry, external, internal, and other factors that mainly contribute to non-performing assets. The banking industry offers some recommendations for overcoming the problem of non-performing assets.

Jana and Thakur (2015): Suggest SLP principle in sanctioning and advancing loan. Principle of liquidity (L), Principle of safety (S), principle of profitability (P) and security are the three deciding factors to swim over the bulging tide of Non-performing assets.

Shah and Sharma (2016) Suggest for setting up a special committee for the management of Non-performing assets comprising of legal experts and persons having knowledge in finance sector.

OBJECTIVES OF THE STUDY

1. To compare the trends in non-performing assets in public sector and private sector banks.
2. To study the sector wise distribution of non-performing assets in public sector and private sector banks.

TRENDS IN NON-PERFORMING ASSETS

As pointed out above, the concept of non-performing assets came to light when RBI in year 1992-93 introduced the prudential norms on the recommendation of Narsimham Committee. In year 2004, RBI laid down the prudential norms stating that the overdue in interest payment or installment for the period of more than 90 days will be treated as non-performing assets.

Gross non-performing assets to Gross Advances Ratio: Gross non-performing assets are treated as doubtful as they generate no return on advances. The thumb rule says that lesser the ratio, better it is. The gross non-performing assets to total advances ratio from year 2006-2015 has been presented in the table given below.

Table 1 Gross non-performing asset to Gross Advances Ratio

Banks	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Sector	5.35	3.71	2.66	2.23	2.01	2.27	3.17	3.61	4.36	4.96	4.98	4.89
Private Sector	3.83	2.41	2.19	2.47	2.92	2.99	2.09	1.77	1.78	2.10	2.12	2.09

Source: Indian Bank Association &RBI, Various issues

The public sector banks decreasing trend in gross non-performing assets from year 2006-2010. The private sector banks it declined till year 2008. In year 2008, gross non-performing assets further decreased to 2.66% and 2.19% in case of public and private sector banks respectively. This decrease in the non-performing assets of both the bank groups could be attributed to the increase in the amount recovered under the SARFAESI Act and DRTs. The non-performing assets of public sector banks further decreased to 2.01% in 2010.

Table 2 Net non-performing asset to Net Advances Ratio

Banks	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Sector	1.32	1.08	1.30	0.94	1.10	1.09	1.53	2.01	2.56	2.92	2.95	2.98
Private Sector	1.01	1.16	1.09	1.29	1.03	0.57	0.46	0.52	0.66	0.89	.90	.91

Source: Indian Bank Association &RBI, Various issues

In order to control the deteriorating asset quality and reduce the level of Non-performing assets, during year 1999 an expert group committee was constituted under the chairmanship of T.R. Andhyarujina, Senior Supreme Court advocate and former Solicitor General of India to formulate the SARFAESI Act, which was passed on December 17, 2002. From 2002 till 2009 number of cases handled under SARFAESI Act increased from 2,661 to 61,760, which contributed towards the recovery of Rs. 3982 crores from the total recoverable amount of Rs. 12067 crores (Rajeev and Mahesh, 2010).

The public sector banks fluctuating trend in net non-performing assets to Net Advances ratio was witnessed from 2006 to 2011 and thereafter it started increasing and touched the level of 2.92% in 2015, whereas private sector banks witnessed the mixed trend till 2012 and thereafter started increasing and reached 0.89% in 2015. In 2007, the Net Non-performing assets in public sector banks decreased from 1.32% in 2006 to 1.08% in 2007, which could be attributed to the write-off and write back of excess provisions made for non-performing assets management, whereas marginal increase was witnessed in case of private sector banks.

In 2009, net non-performing assets to Net Advances ratio stood at 0.94% and 1.29% in public and private sector banks respectively. It was also found that rising level of advances could be the reason for the increase in Non-performing assets of public sector banks. On the other hand, declining trend was seen among private sector banks in 2010 which could be explained by the decline in Non-performing assets of ICICI Bank from 2.19% to 1.96% during March 2010 and increase in the provision for contingencies by 20.93% in year 2011.

Looking at the increasing trend of Non-performing assets from 2013 onwards in both public and private banks, the Reserve Bank of India in 2014 established Central Repository of Information on Large Credits (CRILC) to collect, store and disseminate credit data to lenders. Under CRILC, banks needed to furnish the information of large borrowers, written-off accounts, current accounts and non-cooperative borrowers (RBI, 2014). Further, it exhibits that with the steady increase in bad loans, net non-performing assets touched 2.92% and 0.89% in public and private sector banks respectively.

SECTORAL NON-PERFORMING ASSETS

Several channels of recovery were established by RBI to reduce the Non-performing assets over a period of time.

Table 3 Non-performing assets of Scheduled Commercial Banks Recovered through Various Channels

(Amount in 'Billion)

Year	Sr. No.	Recovery Channel	LokAdalat	DRTs	SARFAESI Act	Total
2012-13	1	No. of cases referred	840691	13408	190537	1044636
	2	Amount involved	66	310	681	1057
	3	Amount recovered*	4	44	185	233
	4	3 as percent of 2	6.1	12.2	27.5	22
2013-14	1	No. of cases referred	1636975	28258	194707#	1859922
	2	Amount involved	232	553	953	1738
	3	Amount recovered*	14	53	253	320
	4	3 as percent of 2	6	9.6	26.6	18.4
2014-15	1	No. of cases referred	2958313	22004	175355	3155672
	2	Amount involved	310	604	1568	2482
	3	Amount recovered*	10	42	256	308
	4	3 as percent of 2	3.2	7	16.3	12.4
2015-16	1	No. of cases referred	4456634	24537	173582	4654753
	2	Amount involved	720	693	801	2214
	3	Amount recovered*	32	64	132	228
	4	3 as percent of 2	4.4	9.2	16.5	10.322
2016-17	1	No. of cases referred	2152895	28902	80076	2261873
	2	Amount involved	1058	671	1131	2860
	3	Amount recovered*	38	164	78	280
	4	3 as percent of 2	4	24	7	10

Source: Statistical table related to banks in India- RBI, Various Issues 2017

As shown in table 3 among the several channels of recovery available with banks for dealing with bad loans, only DRTs proved to be most effective with the recovery of 75.48%., whereas LokAdalats and SARFAESI showed lower recovery during 2005-06. Further it was found that during year 2008-09 DRTs had been the most effective in terms of amount recovered. The amount recovered through LokAdalats was only 2.39% in comparison to 12.36% during 2005-06. Even during 2014-15, amount recovered through these channels was less as compared to previous years. Hence, it is suggested that banks need to strengthen the existing channels for non-performing assets recovery and should work to develop new ways for the speedy recovery of Non-performing assets.

Table 4 Sector Wise Non-performing assets

Years	Public				Private			
	Priority		Non-Priority Sector		Priority		Non-Priority Sector	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
2006	22374	54	18664	45	2284	29	5541	71
2007	22954	59	15158	39	2884	31	6353	69
2008	25287	64	14163	36	3419	26	9558	74
2009	24318	55	19251	44	3640	22	13172	78
2010	30848	54	25929	45	4792	28	12592	72
2011	41245	58	29803	42	4823	27	13147	73
2012	56200	50	59300	50	5100	28	13200	72
2013	66900	43	89000	57	5200	26	14800	74

Source: RBI, Various issues

Non-performing assets as percentage of advances to priority sector had been a matter of concern in public and private sector banks. The faulty lending process and compulsion by government to fulfill the targets of priority sector loans had been one of the reasons for increase in the level of Non-performing assets.
In case of public sector banks growing trend of Non-performing assets in priority sector was seen between year 2006 and 2008. Priority sector Non-performing assets which were found to be more than 50% of the total Non-performing assets, declined during in 2009 and 2010 (Table 5.2.1). In 2006-07, the RBI announced to facilitate credit flow to agriculture sector. Carrying forward this initiative, the central government fixed a target of Rs. 225000 crore for disbursements by banks in 2007-08. This could be one of the reasons for the rise in Non-performing assets of priority sector. It was also found that recovery rate of agricultural advances declined from 2006 to 2008, as a result Non-performing assets of agricultural loans increased in case of public sector banks (Figure 5.2.1). Moreover, in order to extend the scope of small scale industries (SSI), the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 was notified on October 2, 2006, under which each bank was advised to operationalize at least one specialized SSI branch in every district and center having cluster of SSI branches (RBI, 2007).

On the other hand, private sector banks had more Non-performing assets in non-priority sector lending in comparison to priority sector (Table 5.2.1) it further shows that in comparison to previous years NON-PERFORMING ASSETS of SSI units increased in case of private sector banks. It could be because of the violation of RBI guidelines regarding non-payment of installments for regularly three months.
Further, Table 4 exhibits that from 2009 onwards the public sector banks witnessed decline in Non-performing assets of priority sector and non-priority sector registered the rise in level of Non-performing assets. The decline in priority sector Non-performing assets could be attributed to the contribution made by agriculture sector. This decrease in Non-performing assets could also be reflected as an effect of debt waiver scheme of the government, whereas sharp rise in Non-performing assets of non-priority sector could be because of the slowdown in the economy and stressed financial conditions of corporate (RBI, 2009). On the other hand, significant increase in the non-priority sector Non-performing assets of private sector banks could be reflected as an after effect of the crises.

In 2011, Non-performing assets in priority sector lending increased in public sector banks. It could be the impact of higher growth registered in the credit to agricultural sector during the period of 2006 to 2008, whereas among private sector banks only one bank could not meet the priority sector lending target in 2010-11(RBI, 2011). However, decline in priority sector Non-performing assets was again witnessed during the year ending 2012-13 in case of both public and private sector banks respectively, but steady decrease in the asset quality led to increase in the non-performing assets level of non-priority in both the bank groups.

Table 5Movement of non-performing assets of Scheduled Commercial Banks in India (SBI & Associates)

(Amount in 'Million)

Year	GNON-PERFORMING ASSETS					Net NON-PERFORMING ASSETS	
	As on March 31 (Previous Year)	Addition During the year	Reducing During the year	Write-off during the year	As on March 31 (current Year)	As on March 31 (Previous Year)	As on March 31 (current Year)
2005	159889	56035	43720	16039	156165	59668	63629
2006	148039	55623	78252	0	125410	73173	60721
2007	125410	62645	61286	0	126769	60721	63593
2008	126769	94765	66754	0	158780	63593	85089
2009	152721	130004	97525	1060	184139	84210	108691
2010	184139	151168	77655	22328	235325	108691	128303
2011	230396	227122	101257	52333	303928	125622	147906
2012	303928	341218	147681	15321	482144	147906	202366
2013	482144	425368	210928	68800	627785	202366	281007
2014	627785	592558	278419	143755	798169	281000	418151
2015	798165	452507	269871	245716	735085	418151	372777
2016	735085	90772	220033	203138	1219686	372777	166944
2017	1219686	1115775	278967	278388	1778106	688944	969322

Source: Department of Banking Supervision, RBI, 2017

The level of NPA in commercial banks in India is recognized as one of the very critical indicator for measuring efficiency in allocation of commercial banks resources, asset quality and credit risk to productive sectors. The Table 5 shows movement of NPA of SBI, the Gross NPA during the period 2005 As on March 31 (Previous Year) is 159889 Million, Addition During the year is 56035 Million, Reducing During the year 43720 Million, Write-off during the year is16039 Million, As on March March 31 (current Year)156165 Million and The Net NPAs As on March 31 (Previous Year) is 59668 Millionand As on March 31 (current Year) 63629 Million. 2016 As on March 31 (Previous Year) is 735085 Million, Addition During the year is 90772 Million, Reducing During the year 220033 Million, Write-off during the year is 203138 Million and As on March 31 (current Year)1219686 Million. The Net NPAs As on March 31 (Previous Year) is 372777 Millionand As on March 31 (current Year) is 166944 Million. Further in 2017 As on March 31 (Previous Year) is 1219686 Million, Addition During the year is 1115775 Million, Reducing During the year 278967 Million, Write-off during the year is 278388 Million and As on March 31 (current Year)1778106 Million. The Net NPAs As on March 31 (Previous Year) is 688944 Millionand As on March 31 (current Year) 969322 Million.

Table 6Movement of non-performing assets of Scheduled Commercial Banks in India (Private Sectors Banks)

(Amount in 'Million)

Year	GNON-PERFORMING ASSETS					Net NON-PERFORMING ASSETS	
	As on March 31 (Previous Year)	Addition During the year	Reducing During the year	Write-off during the year	As on March 31 (current Year)	As on March 31 (Previous Year)	As on March 31 (current Year)
2005	89291	33557	33422	1605	87822	41815	42116
2006	85645	35836	43254	120	78108	41039	31703
2007	72341	51798	31577	0	92553	28967	40282
2008	91016	76578	36602	18	129974	39688	54669
2009	124380	127384	49897	32601	169266	53803	74120
2010	168898	148169	58564	82104	176400	74120	65060
2011	173409	86855	4767	30182	182406	63726	44322
2012	182386	98742	56778	36671	187678	44318	44012
2013	187678	142426	70011	49389	210705	44012	59944
2014	210705	193803	19674	65410	245424	59944	88615
2015	245424	266799	98868	72292	341062	88615	141283
2016	333610	482677	135155	119275	561857	136793	266774
2017	561874	813660	236534	206907	932092	266774	477802

Source: Department of Banking Supervision, RBI, 2017

The movement of NPA of Private Sectors Banks, Table 6 shows the Gross NPA during the period 2005 As on March 31 (Previous Year) is 89291 Million, Addition During the year is 33557 Million, Reducing During the year 33422 Million, Write-off during the year is1605 Million, As on March 31 (current Year)87822 Million and in 2016 As on March 31 (Previous Year) is 333610 Million, Addition During the year is 482677 Million, Reducing During the year 135155 Million, Write-off during the year is 119275 Million and As on March 31 (current Year)932092Million. The Net NPAs As on March 31 (Previous Year) is 136793 Millionand As on March 31 (current Year) 266774 Million. Further in 2017 As on March 31 (Previous Year) is 561874 Million, Addition During the year is 813660 Million, Reducing During the year 236534 Million, Write-off during the year is 206907 Million and As on March March 31 (current Year) 932092 Million. The Net NPAs As on March 31 (Previous Year) is 266774 Millionand As on March 31 (current Year) 477802 Million.

Table 7Movement of non-performing assets of Scheduled Commercial Banks in India (Nationalized Banks)

(Amount in ‘Million)

Year	GNON-PERFORMING ASSETS					Net NON-PERFORMING ASSETS	
	As on March 31 (Previous Year)	Addition During the year	Reducing During the year	Write-off during the year	As on March 31 (current Year)	As on March 31 (Previous Year)	As on March 31 (current Year)
2005	367427	104145	140303	3440	377829	131190	105407
2006	328034	111388	151248	0	288175	105407	84934
2007	288172	133501	158758	0	262914	84924	89657
2008	261715	146171	158143	0	249974	89657	93275
2009	244884	184588	163008	1033	265431	91699	102863
2010	265435	297019	120024	78482	363948	102863	168131
2011	363948	355148	157598	119269	442230	1681131	212640
2012	442711	586868	205528	133575	690476	212730	389686
2013	690476	770763	244480	199929	1016830	389686	618509
2014	1016830	1042901	400729	184527	1474474	618509	885464
2015	1474474	1326109	486914	264074	2049595	885787	1226734
2016	2049595	2951849	430255	391311	4179878	1227226	2514814
2017	4179879	2159018	721501	548183	5069213	2515681	2861567

Source: Department of Banking Supervision, RBI, 2017

The movement of NPA of Nationalized Banks, Table 7 shows the Gross NPA during the period 2005 As on March 31 (Previous Year) is 367427 Million, Addition During the year is 104145 Million, Reducing During the year 140303 Million, Write-off during the year is 3440 Million, As on March 31 (current Year)105407 Million and in 2016 As on March 31 (Previous Year) is 2049595 Million, Addition During the year is 2951849 Million, Reducing During the year 430255 Million, Write-off during the year is 391311 Million and As on March 31 (current Year)4179878 Million. The Net NPAs As on March 31 (Previous Year) is 1227226 Millionand As on March 31 (current Year) 2514814 Million. Further in 2017 As on March 31 (Previous Year) is 4179879 Million, Addition During the year is 2159018 Million, Reducing During the year 721501 Million, Write-off during the year is 548183 Million and As on March March 31 (current Year) 5069213 Million. The Net NPAs As on March 31 (Previous Year) is 2515681 Millionand As on March 31 (current Year) 2861567 Million.

Table 8 Movement of non-performing assets of Scheduled Commercial Banks in India (Foreign Banks)

(Amount in 'Million)

Year	GNON-PERFORMING ASSETS					Net NON-PERFORMING ASSETS	
	As on March 31 (Previous Year)	Addition During the year	Reducing During the year	Write-off during the year	As on March 31 (current Year)	As on March 31 (Previous Year)	As on March 31 (current Year)
2005	26494	10319	11345	3548	12919	8504	6391
2006	21913	10953	13199	391	19276	6488	8076
2007	19276	14170	9977	841	22629	8045	9275
2008	22414	32299	16969	9150	249747	9147	12466
2009	26384	81483	28277	15145	64445	12543	29967
2010	64371	99440	27970	65505	71336	29967	29772
2011	71336	35274	25100	30823	50687	29772	13125
2012	50687	44937	17603	15056	62966	12847	14124
2013	62966	41519	16060	1654	19771	14122	26626
2014	79649	67957	18565	63390	115650	26626	31596
2015	115556	40968	29030	19884	107610	31657	17617
2016	107910	79627	17896	11289	158052	17627	27669
2017	158052	66048	36368	51441	136291	27619	21406

Source: Department of Banking Supervision, RBI, 2017

The level of NPA in commercial banks in India is recognized as one of the very critical indicator for measuring efficiency in allocation of commercial banks resources, asset quality and credit risk to productive sectors. The Table 8 shows movement of NPA of foreign banks, the Gross NPA during the period 2005 As on March 31 (Previous Year) is 26494 Million, Addition During the year is 10319 Million, Reducing During the year 11345 Million, Write-off during the year is 3548 Million, As on March March 31 (current Year)12919 Million and The Net NPAs As on March 31 (Previous Year) is 8504 Millionand As on March 31 (current Year) 6391 Million. 2016 As on March 31 (Previous Year) is 107910 Million, Addition During the year is 79627 Million, Reducing During the year 17896 Million, Write-off during the year is 11289 Million and As on March 31 (current Year)158052 Million. The Net NPAs As on March 31 (Previous Year) is 17627 Millionand As on March 31 (current Year) is 27669 Million. Further in 2017 As on March 31 (Previous Year) is 158052 Million, Addition During the year is 66048 Million, Reducing During the year 36368 Million, Write-off during the year is 51441 Million and As on March 31 (current Year)136291 Million. The Net NPAs As on March 31 (Previous Year) is 27619 Millionand As on March 31 (current Year) 21406 Million.

CONCLUSION

Overall outcomes and tendencies show that Non-performing assets are having a descending trend. But Non Performing Assets of public sector banks in India are still higher than private sector banks. The growing Non-performing assets have continuously been a matter of concern for public and private sector banks in India. It was found that sensible norms and numerous regulatory actions taken by Reserve Bank of India assisted banks to reduce the level of Non-performing assets. Although Non-performing assets level of public sector banks was found to be increasing as compared to private sector banks. In order to slim down the level of Non-performing assets, banks should reinforce their credit rating mechanism to determine the reimbursing capacity of borrowers. It is need of hour that banks can also improve a system wherein they can plan the finances of customers to avoid the misappropriation of borrowed funds. The returns on the assets have also the descending trends but this is much lower in Public banks as compared to private banks. The corporate management team of private sector banks is more professional, much capable and capability than the Public banks. So, they are more capable in creating plans to recover funds from borrowers including both institutional and individuals. One of the drawback of the public sector banks to lend money to the poorer sections of the society, where the recovery process is very low. That is why, the Non-performing assets of public sector banks have very sharp decreasing trend, and still it is much higher than private sector banks. Now the countless steps have been taken by the government for recovery and reducing the Non-performing assets of Public banks.

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