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INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
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RISK MANAGEMENT IN BANKING SECTOR IN INDIA

Dr. ADARSH ARORA
ASSOCIATE PROFESSOR
AMITY COLLEGE OF COMMERCE & FINANCE
AMITY UNIVERSITY
NOIDA

ABSTRACT

Risk Management is the application of proactive strategy to plan, lead, organize, and control the wide variety of risks that are rushed into the fabric of an organizations daily and long-term functioning. Like it or not, risk has a say in the achievement of our goals and in the overall success of an organization. This Research paper is to make an attempt to identify the risks faced by the banking industry in India and the process of risk management. This paper also examined the different techniques adopted by banking industry for risk management. To achieve the objectives of the study data has been collected from secondary sources i.e., from Books, journals and online publications, I have identified various risks faced by the banks, developed the process of risk management and also tried to analyze different risk management techniques. To examine the risk the NPAs with Public Sector and Private Sector banks and Net Profit of Public & Private Sector banks have been taken into consideration. Correlation and Regression analysis techniques and t Test have been used to examine the risk closely. Finally, it can be concluded that the banks should take risk more consciously, anticipates adverse changes and hedges accordingly, it becomes a source of competitive advantage, and efficient management of the banking industry.

KEYWORDS

NPAs, private sector banks, public sector banks, risk management.

JEL CODES

G21, G32, G33.

1. INTRODUCTION

1.1. RISK

Risk is defined as anything that can create hindrances in the way of achievement of certain objectives. It can be because of either internal factors or external factors, depending upon the type of risk that exists within a particular situation. Exposure to that risk can make a situation more critical. A better way to deal with such a situation, is to take certain proactive measures to identify any kind of risk that can result in undesirable outcomes. In simple terms, it can be said that managing a risk in advance is far better than waiting for its occurrence. It is always said that prevention is better than cure. Risk Management is a measure that is used for identifying, analyzing and then responding to a particular risk. It is a process that is continuous in nature and a helpful tool in decision making process. According to the Higher Education Funding Council for England (HEFCE), Risk Management is not just used for ensuring the reduction of the probability of bad happenings but it also covers the increase in likeliness of occurring good things.

1.2 RISK MANAGEMENT

In the financial world, management of risk is the process identifying, analysing improving or mitigation of unpredictability of investment decision curiously, risk management occurs where analysis of restaurant manager start to rectify the chance of losses and profits in the management then take suitable action against any doubt or error to reduce the risk and create a chance of more investment. Now a days risk occurs in everywhere in the world of Finance or everywhere else, we need to manage it through various ways of terms. It seeks investors to buy low risk bonds of government over the risk bond of government. If there is an adequate risk taker then it will directly affect company growth.

Insufficient management of risk can result to severe consequences for company, Individually, and the economically. For example, in 2007 subprime mortgage meltdown that helps triggering the great recession that stains from poor management lenders who have extended their motor gauge to their individual when of poor edit ability and investment firms who have extended and induced voltage and debt fund skills risky without any analysis.

The banking sector is characterized by intense pressure by risk and competition by opponent in terms of security, cost and product the offer. For that all reasons, bank has to push the limits to fight with their competitors to identify and adopt new and effective to resist and to gain more and more customers that will retained and loyal. By these all steps, and their efforts to make better offers and reduce caused by analysing their customer needs and screening their borrowers, adjusting the prices according to that of maximization of the profit and to minimise a loss.

Often in the past banking habits, banks are only product oriented; this means that they are as interested in their products as possible and not on the customer's return. In this way, they are interested in using market share to develop relative cost advantages and continue to grow. Despite this, in the evolution of high speeds and time, deregulation, expanding the globalisation of Business and financial activities, generating new financial products and even increasing the level of competition. This will build an effective and robust risk management process in financial institution. India's transaction to a market driven economy is no exception. This has happened all over the world both quantity and quality are at risk. To understand the successful management of address, it is necessary to clearly understand the risk involved in quantifying risk in each the project portfolio, on the loan and use of conclusion as the composite credit risk profile of bank risk. Management is now considered an important part of their management practices in today's world.

In other words, if we say it manager's management policies in a systematic way, policy and practice risk management is now considered an important part of their management practices. In today's apostrophe s business world in other words, if we say it manager's management policy systematic way policies and practices management considered as important part of their management practices in today's world broadly speaking its figure regular. It is the application of Management policies process and practices and analysing evolution, processing and monitoring risk.

1.3 TYPE OF RISK

Types of risk that banks deal with are:

- Operational risk
- Market risk
- liquidity risk
- Interest rate risk
- Credit or default risk

For banking supervision Basel board of trustees has characterized operational hazard as the danger of misfortune coming about their deficiency or fizzled interior procedures, overseeing operational is the imperative viewpoint for every one of the banks because of different reasons like. Larger amount of robotization in rendering administrations of money and the financial working framework, and another reason is that expansion in the worldwide fund between linkages.

Model: - PNB bank misrepresentation has happened because of credit hazard to operational hazard banking segment on account of their inner and outside disappointment of staff.

Exchange Risk is a section in operational danger of consistence the danger of lawful or administrative area, budgetary misfortune or notoriety misfortune that bank may endure that emerge through misrepresentation, by both ways inside and remotely. Consistence Risk, will be danger of administrative body that codes of behaviours and standard s of good practice are to held and actualized to disregard this likewise know as uprightness chance since a bank's notoriety is firmly connected its principals. Market chance is diverse in market to economic situations benefit of exchanging portfolio, due different market developments. Here value hazard happens when resources are sold before their expressed developments costs.

Liquidity Risk of banks emerges when financing of long terms resources by their short term's obligation potential outcomes, at that point we need to renegotiate the hazard for restart. These incorporates some different dangers like-

Financing Risk, it's fundamentally of not meeting the income of the organization. Time Risk most vital that you have to finish the business related questions on the time. Like performing resources moving into non-performing resources. Loan cost Risk; emerge when the net intrigue edge or estimation of values of an establishment is influenced because of progress in the financing costs. Some of the time Gap chance happens from holding resources and obligation and off offsetting sheet things with change sum. Also, some of the time Basic hazard happens when holding resources and obligation and reeling sheet things changes in an alternate stage.

1.4 TECHNIQUES USED BY INVESTORS TO MEASURE RISK

Investors use a variety of techniques to measure risk. The most common method used to measure this is a standard deviation. Static measurements around concentrated trends. If we considered the average return of the investment and the final average standard deviation of the same period, we adopt the technology adopted by the consumer. Typically, the expected return on investment is 1 standard deviation of average 76% of the time and two standard deviation of the 95% average deviation. It helps investor analyse risk digital.

2. REVIEW OF LITERATURE

***Kennetha A. Froot, David S. Scharfstein and Jeremy C. Stein (1993) risk management**: coordinating corporate investment and financing policies* paper establish a framework for analysing all business related risk in the banking system, providing financing and coordination for policy risk management, risk management and another risk management, cost benefits coordination of investment and financing policies, and the all investments in other corporate risk management. Reasons: management motivation, financial distress cost and debt capabilities, capital market deficiencies and inefficiencies Investments. This is still a problem, and the responsibility for controlling risk behaviour is where.

***A. Sinan Cebenoyan, Philip E. Strahan- (2004)**, risk management by capital structure and lending at bank.* In this regard, they exhibit various risks, such a loan sales activity, this and profits. We have long been interested in the bank that seems to Carter to many encounter demand mechanism, liquidity, profitability and solvency goals seems to intervene and largely contradictory not by actively participating in external capital markets (such as active use of derivatives), it provides a way to manage liquidity and cash flow and investment. This study was security issues which included topics related to encrypting methods, secure electronic transfer and cookies. Individual security measures such as passwords and digital signatures were also covered. The support and implementation issues covered were related to taxation, legal and privacy issues such as the data gatherer should inform consumers what data they are gathering and for what purpose they intend to use this data. Fraudulent practices prevalent in e commerce were also studied.

Karaviti Stavroula, (2009) risk management in banks of Greek connects about risk management techniques adopted in Greek banking system. Risk management is a main strategy used by many companies to minimize risk in business, avoid worst effect and assure their development and success in the organization. Risk management is a everyday strategy of process of identifying, evaluating, operating and monitoring risk. Greek banks are among that companies who are willing to adopt and follow various strategy and for profit making mind they usually invest in the new developments and innovations. Through this study they have examine whether the risk management process is adopted and Greek banks managed this all.

Galynachornous, Ganna Ursulenko, (2013) risk management in banks: new approaches to risk assessment and information support focused on improving bank's risk management, taking into account the new rules and technical requirements based on the use of modern technology, combining the latest advances in artificial intelligence, numerical mathematics, status and information technology. This paper analyses the characteristics of and risk, which is the main valuation method used in practice. On the basis of the most modern methods of data analysis the author's purpose new prospective Revolution method in the effective orientation of the improvement of the bank information system and purpose of the possibilities of implementation these methods.

***Thirupathik Anchu, M. Manoj Kumar- (2013)** risk management in banking sector- An empirical study,* this study shows that risk management is the application of proactive strategies to plan, direct, organised and control the rest that rush into the daily and long-term organisational structure of the organisation.

***Dr. G. Kotreshwar, (2014)** risk management in Indian banking and the role RBI* in the economy of a country a banking sector plays a vital role. RBI also plays major role development of banks in India. Various methods used in India to tackle risk and very heavy NPAs. Risk management profile of private bank is higher in comparison to the government bank, they able to manage it better then public banks. They also define about how RBI polices defend their banking risk in daily transaction. The difference in delivery time after the product is ordered how e technology helps in reducing search cost, compare between products and price of different these two. There is need of large information asymmetric s consumers cannot physically examine the product and the difference between the time interval of purchase and consumption. Some online purchases are immediately consumed whereas in the case of physical goods, delivery time is more in comparison.

***Suksham R. Aneja, Dr. Bhisham Kapoor, Dr. Anurag P. Ahuja, (2015)**,* risk management in Indian bank they explained that in Indian banking context that Nothing is constant in today's world even risk is also fluctuating in dynamic environment. Banks are all of risk orientated and are always covered with various types of risk as you all know in your banking terms. It is very important to handle all risk seriously to keep in mind of their consumers. This study refers to the empirical study how far Indian bank mange their counter parts. This study suggests that banks have to improve their financial health for these they have reduce the burden of NPAs from them. Department of risk management have adopted such policies and practises that will minimize the risk factor from the banks and give good return responses and make good opportunities for consumer attraction.

***Rekha Arun Kumar, (2016)** risk management in commercial banks* in this author describe about how commercial banks tackle the common problems of banking system. In this they define that risk is the fundaments element that shows behaviour of finance. When there is no risk, then financial may become simplified. However, risk is omnipresent in the real world. Future of all banking institutions will always be on risk management dynamics. But without risk in this world success is not possible and only those banks will survive who have sufficient risk management techniques will run their market in long run.

Rashwath Narayana and Mahadeva K.S – (2016) risk management in banking sector authors write research paper in 2016 about various aspects of management of risk and Proactive plan of strategies to deal with risk management. To organize, lead and control different types of risk need high level of proficiency and also show the different techniques adopted by bank to tackle the risk.

CIMA Institution, (2017) risk management in banking sector this research paper is done by the CIMA institute on the recent financial crisis, and seems to have suffered unacceptably high risk. It is easy to be sensible after an incidence. The study also explores changes in the role of Management Accountants the survey result shows us the extent to which Management Accountants are involved in risk management are the results also show us the relationship between personality traits and this participation.

***C. S. Balasubramaniam & Dr. A. A. Attarwala, (2017)**, risk management in banking and there models* here author defines about various sectors of risk in banking systems. In the various process of financial intermediation, bank faces many risks of different kinds such as of financial and non financial. E.g. Credit risk, equity risk, legal risk, operational risk, reputational risk etc. Banking sector act as a supporter for the country's economy. Banks play important role in providing financial resources to the government organization. Economy of a country a banking sector plays a vital role. RBI also plays major role development of banks in India. Various methods used in India to tackle risk and very heavy NPAs. Risk management profile of private bank is higher in comparison to the government bank, they able to manage it better then public banks.

***Turgut Turgsoy, (2018)**, risk management process in banking industry,* this paper is based on various amendments proposed in the Basel norms committee. For managing various risks of banking system like of NPAs. Bank need all these norms to protect them from all losses. Process of Basel lll norms and comparison with other norms. Basel lll norms are created and are working on ground quite well and working to develop new components into the old version by 2027. In order to achieve maximum interrelation of offline and online marketing these different have to be taken into account by the business and techniques needs to be implemented with careful coordination.

3. STATEMENT OF PROBLEM
Mostly the main discussion that all researchers done in their papers that they all find about NPA of banks, framework of banks, security advisory steps, RBI polices to major defect in our banking segments. Some paper is written on foreign banking system and some are on Indian banking standard. If we talk about loopholes in then system so it's common that there would be chances some loopholes because of the challenging environment these created by market and by consumer tastes. For to decrease the chances of risk we have to maintain our risk management system on a daily basis, because it's easy to destroy some but difficult to maintain some.

If we take a term of NPA the biggest disadvantage to the banking system to handle it, you heard about various cases of NPAs like Nirav Modi, Vijay Mallaya etc. these are the biggest drawback to our Indian banking system in history, and they all are managed to ran away after doing all frauds, but to some extent our legal policies and political also weak here, and they take advantages of that, in this manner shaping the foundation of the bank structure. Bank advances are fundamental for financing the horticultural, modern and business exercises of the nation. The quality and heartiness of the financial framework depends principally on the quality of advancement. At the end of the day, improving the nature of benefits is fundamental to fortify the Bank's the same old thing and improve its money related manageability. Open banks in many nations are relied upon to totally rescind their deficient national activity designs somewhere in the range of 2006 and 2008. National Action Plans are an unavoidable weight on the financial part.

3.1 THE PROBLEMS OF NON – PERFORMING ASSETS
The progression and globalization presented by the legislature in the mid-1990s presented numerous issues for the Indian monetary division. In addition to other things, banks are adjusting their bookkeeping norms to worldwide guidelines and worldwide players. They should survey their asset reports and make a basic investigation dependent on the proposals of the Narasimhan Committee dependent on the administrative criteria for income acknowledgment and arrangement set by the administrative specialist. Advances and receivables from bank stores assume a vital job in the Bank's gross benefit and overall gain. The offer of prepayments in the bank's absolute resources surpasses 60% & in this manner shaping the foundation of the bank structure. Bank advances are fundamental for financing the horticultural, modern and business exercises of the nation. The quality and heartiness of the financial framework depends principally on the quality of advancement. At the end of the day, improving the nature of benefits is fundamental to fortify the Bank's the same old thing and improve its money related manageability. Open banks in many nations are relied upon to totally rescind their deficient national activity designs somewhere in the range of 2006 and 2008. National Action Plans are an unavoidable weight on the financial part.

If we see Indian monetary system working, by then it watches an extension in the gross NPA level from 3% in 2014 to 4% in 2015. The lawmaking body had bank open section bank are, as it were, responsible for the NPA issue state bank of India clusters net non-performing assets (GNPA) at 5.17% and other open bank in like manner same aware of GNPA at 4.13% in 2014. WORLD GNPA to progress to net advances is at 4.3% in 2015. Notwithstanding, India GNPA is lower interestingly with various countries. As shown by the RBI report the gross non-performing assets in banking banks, explicit in open banks are around Rs. 400000 crore something around $61.5 billon US dollar which it addresses 90% of the full scale NPA in India, with private part banks its low. The short healing action banks which are guided by RBI to address their gauges of crediting in three parameters in are Allahabad Bank, United Bank of India, Corporation Bank, IDBI Bank, UCO Bank of India, Dena bank all these are locked in with NPA crises.

Credit or Default chance is all the more essentially comprehend as the capability of bank borrowers. Furthermore, can be characterized that central and intrigue both are guaranteed yet not paid on time. Explanations behind NPA ascend, from 2000-2008, our Indian economy was in a blast stage 2008 when there is finical emergencies happens then organization's benefits begin diminishing and they helpless to pay the advances they obtained from banks and after that administered restricted mining activities, and circumstances ending up most exceedingly bad. By this all RBI accompanied important corrections to changing the loaning credit rules.

3.2 RECENT WAYS TO TACKLE WITH NPAS
- Insolvency and bankruptcy code, in assets are managed properly and are controlled and the expected process is done in the quick manner.
- Credit risk management, this involve the credit appraisal and monetary accountability and credit by opening various practices.
- Tightening credit monitoring, proper and effective management information system needs to be implementing to monitor warnings.
- Amendments to Banking Law to give proper power to RBI to control whole process.
- Strict policies to recover the NPAs in short term not next line to resolve the corporate governance issue.

4. OBJECTIVES OF THE STUDY
The major objectives of this study are as follows:
1. To identify the risks faced by the banking industry.
2. To trace out the process and system of risk management.
3. To examine the techniques adopted by banking industry for risk management.

5. RESEARCH METHODOLOGY
- This paper is theoretical modal based on the extensive research for which the secondary source of information has gathered. The sources include online publications, Books and journals.
- To measure the Risk in the banking sector I have collected the data on NPAs and Net profit earned by Public and Private sector banks for a duration of 10 years starting from 2007-08 to 2016-17.
- Various Statistical tools such as Correlation, Regression and t test have been used to measure the risk with the banking industry.

6. DATA ANALYSIS
In this analysis data of 10 years have been taken from both private and public sector banks relating to their Net Profit and their total NPAs. Through correlation authors have tried to compare them that if NPA occurred then what would have happened to the state of their profit worthiness and it would give the bank risk management ability in terms of recovering NPAs in what bases and how quick they are.

Here, in this author are analysing risk management abilities of banks in terms of NPAs how they are capable of managing their bad dept for a period of 10 years and instead of having NPAs what effects are on their profit.

Firstly, the data on NPAs and their profit have been collected and later on the correlation between them was analysed to know the ability of management. There after test have been applied to check the ability by regression, to see whether the findings are relevant to our study or not.

TABLE 6.1: GROSS NPA AND NET NPA IN PUBLIC SECTOR BANKS (Rs. in crore)

Years	Gross NPA	Net NPA
2016-17	6847	3830
2015-16	5399	3203
2014-15	2784	1599
2013-14	2272	1306
2012-13	1644	900
2011-12	1124	593
2010-11	710	360
2009-10	573	296
2008-09	459	211
2007-08	406	178
Total	**22218**	**12476**

- In the above given table 6.1, I have collected the data on Gross NPA and after all deduction their Net NPA for Public sector banks.
- The data have been collected for a duration of 10 years starting from 2007-08 to 2016-17 which shows that Gross NPA which was Rs. 406 crores in the year 2007-08 has gone up to Rs. 6847 crores in the year 2016-17 with Public Sector banks and shows an increase up to Rs. 3830 crores in the year 2016-17 from Rs. 178 crore which was in the year 2007-08.
- In this table 6.1 we have seen that the total of Gross NPA in Public Sector banks for the duration of 10 years from 2007-08 which was Rs. 22218 crore and Net NPA was Rs. 12476 crores.

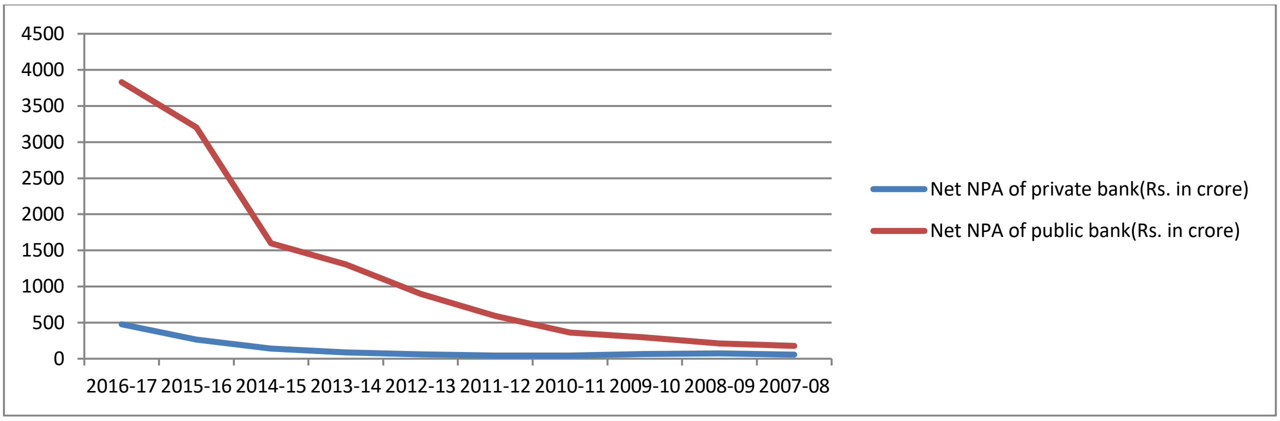
TABLE 6.2: GROSS NPA AND NET NPA OF PRIVATE SECTOR BANKS (Rs. in crore)

Year	Gross NPA	Net NPA
2016-17	919	477
2015-16	558	266
2014-15	336	141
2013-14	241	88
2012-13	203	59
2011-12	182	44
2010-11	179	44
2009-10	173	65
2008-09	167	74
2007-08	129	56
Total	**3087**	**1314**

In the above data:

- In Table 6.2 the data have been collected on Gross NPA and after all deductions the total Net NPA for Private Sector Banks for a duration of 10 years starting from 2007-08 to 2016-17.
- It shows that Gross NPA which was Rs. 129 crores in the year 2007-08 has gone up to Rs. 919 crores in the year 2016-17 with Private Sector banks.
- In this table 6.2 we have seen that the sum of Gross NPA in Private Sector banks was Rs. 3087 crore and of Net NPA was Rs. 1314 crore for a duration of 10 years of the study from 2007-08 to 2016-17.
- With this data a change of Rs. 1773 was recorded in the Gross and Net value of NPA for Private Sector banks for a duration of 10 years.

GRAPH 6.i: GRAPHICAL PRESENTATION OF NET NPA OF PRIVATE AND PUBLIC SECTOR BANKS



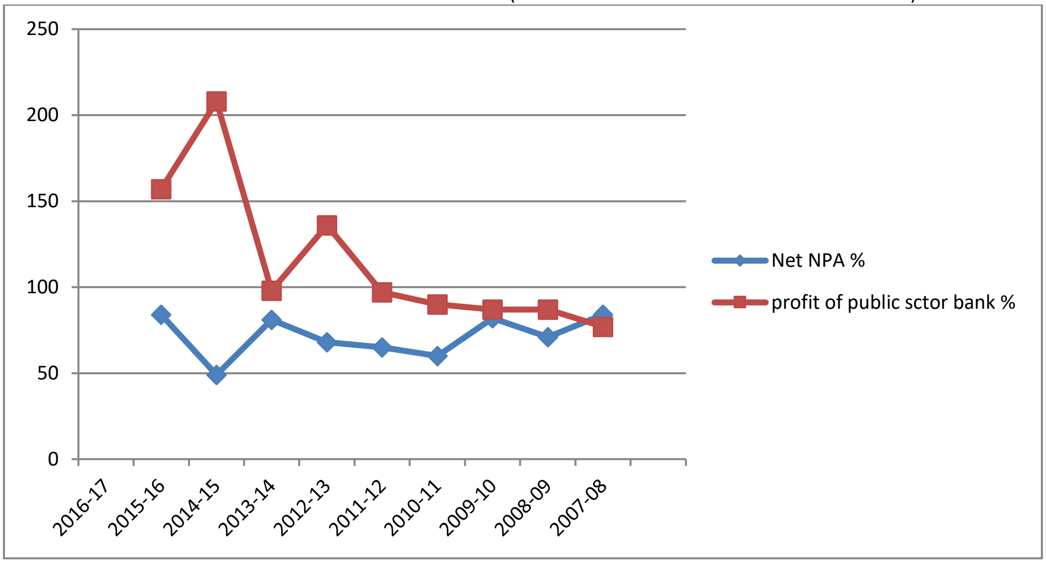
- It was clear from the above Graph 6.i that the public sector banks are dealing more burdens of NPAs in comparison of private sector banks.
- The reasons behind this could have been like political reasons as after every 5 years there will different ruling party with different work approach and sometimes less monitoring which creates loop holes in the system and polices to monitor the risk and loans lending policies.

TABLE 6.3: NET PROFIT OF PUBLIC AND PRIVATE SECTOR BANKS (Rs. in crore)

Years	Public sector bank	Private sector bank
2016-17	(113887)	422041
2015-16	(179930)	413137
2014-15	375400	387347
2013-14	370189	337541
2012-13	505827	289954
2011-12	495138	227180
2010-11	449007	177116
2009-10	392569	131114
2008-09	343726	108676
2007-08	265917	95219
Total	**2903956**	**2589325**

- An analysis has been done in Table 6.3 to examine the change in Net Profit of Public and Private Sector Banks for a duration of 10 years starting from 2007-08 to 2016-17.
- It shows that the total Net Profit of Public Sector Banks was Rs. 2903956 crore and of Private Sector banks was Rs. 2589325 crores for a duration of 10 years. It was also clear with this table that Public Sector Banks suffered a Net Loss of Rs. 179930 crore and Rs. 113887 crores during the years 2015-16 and 2016-17 respectively whereas the Private Sector banks earned a profit of Rs. 413137 crore and Rs. 422041 crores respectively for the same period which indicate that the Private Sector banks have performed exceptionally well in this duration in comparison to Public Sector banks.

GRAPH 6.ii: PERCENTAGE CHANGE GRAPH (NET NPA & PROFIT OF PUBLIC SECTOR BANKS)



- In the above graph 6.ii an attempt has been made to show the percentage change in the net NPAs and profit of the public sector banks for a duration of 10 years from 2007-08 to 2016-17.
- It shows the opposite relation between NPA and the Net profits as if in any financial year the value of NPA increases then there is an obvious chance of decrease in the profit level.
- Public sector banks have taken some steps to overcome the effect of NPAs and Basel 3 norms policies helped them in coping with heavy debts.

TABLE 6.4: CORRELATION OF NET NPA AND NET PROFIT OF PUBLIC & PRIVATE SECTOR BANKS

Years	Net NPA	Profit in public sector banks	Net NPA	Profit in private sector banks
2016-17	3830	(113887)	477	422041
2015-16	3203	(179930)	266	413137
2014-15	1599	375400	141	387347
2013-14	1306	370189	88	337541
2012-13	900	505827	59	289954
2011-12	593	495138	44	227180
2010-11	360	449007	44	177116
2009-10	296	392569	65	131114
2008-09	211	343726	74	108676
2007-08	178	265917	56	95219
correlation		**(0.854291626)**		**0.700916757**

- In the above Table 6.4 we have tried to make a Correlation between the value of Net NPA and Net Profit of Public Sector banks with Private Sector banks. The study shows that the correlation was -85% it means that net profit is negatively correlated with NPAs in public sector banks whereas correlation was +70% in case of private sector banks.

TABLE 6.5: REGRESSION ANALYSIS OF PUBLIC & PRIVATE SECTOR BANKS

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.554827138							
R Square	0.307833153							
Adjusted R Square	0.26937944							
Standard Error	908.9118666							
Observations	20							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	6613336.938	6613337	8.00529	0.01111407			
Residual	18	14870174.06	826120.8					
Total	19	21483511						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	1547.323756	365.0040386	4.239196	0.00049	780.478728	2314.1688	780.478728	2314.16878
Profit in banks	-0.003123174	0.001103844	-2.829362	0.01111	-0.0054423	-0.000804	-0.0054423	-0.00080408

Interpretation

- In this regression analysis we have combined the data of both public and private sector banks to show the positive attitude of the analysis.
- Its shows that the net profit of bank is negatively correlated with the NPAs in the bank.
- T stat value shows above the 2 which is significant and shows that if NPAs in the bank increases then there is more possibility of decrease in NPA.
- R square value shows the 0.30.
- Our main focus was on t test, p value, which matches the requirement with t statistics.

FINDINGS AND CONCLUSION

- In this study an attempt has been made to examine the Risk management in banking industry with the help of their NPAs and Net Profit of both Public & Private sector banks for a duration of 10 years from 2007-08 to 2016-17, where we found that the position of Private sector banks is much better in comparison to Public sector banks as they show significantly more profits as compared to Public sector banks.
- Risk management underscores the fact that the survival of an organization depends heavily on its capabilities to anticipate and prepare for the change rather than just waiting for the change and react to it.
- The objective of risk management is not to prohibit or prevent risk taking activity, but to ensure that the risks are consciously taken with full knowledge, clear purpose and understanding so that it can be measured and mitigated.
- Functions of risk management should actually be bank specific dictated by the size and quality of balance sheet, complexity of functions, technical/ professional manpower and the status of MIS in place in that bank.
- Risk Management Committee, Credit Policy Committee, Asset Liability Committee, etc. are such committees that handle the risk management aspects.
- This study has revealed that National activity plan are actually working on ground, the administration passed the 2002 Financial Assets and Security Enforcement Securitization and Reconstruction Act (SARFAESI) through many recommendations. The law approves monetary foundations to sell land (private land/business land) to recoup non-performing credits and also by selling the collateral securities. Be that as it may, RBI must think of more answers to stop the rising of NPA and should come up with some serious steps to overcome with this problem.
- On the basis of this analysis we suggest to the government that they should try to finish mitigation exercises; until perils are tasteful. The money related game plan of a country isn't separated from its socio-political, fiscal, definitive and real circumstances.
- In dislike of the way that different managerial, supervisory and fundamental change measures have been begun during the time to kill the issues of banking portion.
- Funding Risk; it's essentially of not meeting the income of the organization, take their securities in advances. Time Risk most essential that you have to finish the business related questions on the time and cover all bad dept in time.
- Further the effectiveness of risk measurement in banks depends on efficient Management Information System, computerization and networking of the branch activities.

LIMITATIONS OF THE STUDY

1. The project is limited in scope as the analysis was done through secondary data. So there is always a scope of more research in this area by collecting primary data.
2. Due to some limited factors it takes to lead the study in only few areas.
3. Comparative study between public sector banks and private sector banks can be done by taking into consideration more parameters.

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PERFORMANCE APPRAISAL IN PUBLIC AND PRIVATE SECTOR ORGANISATIONS: A STUDY

A. KIRAN KUMAR
ASSOCIATE PROFESSOR
DEPARTMENT OF MANAGEMENT STUDIES
DADI INSTITUTE OF ENGINEERING & TECHNOLOGY
ANAKAPALLE

ABSTRACT

Performance appraisal system plays pivotal role in evaluating job performance and setting job standards in any organisation. It not only motivates the employee but also improves the productivity level of any organization. Performance appraisal is permanently practiced in public and private sector organisations but with some differences. Arrival of new private sector organisations has given a cause to public sector organisations to be more competitive, effective and innovative in their approach. In an effort to change the behaviours and attitudes of public and private sector employees, performance appraisal systems have incorporated the new values and desired behaviours. In the present-day situation, the organisations are becoming eager to enhance the performance of their employees. For this purpose, performance appraisal system is considered to be the key instrument. As private sector is becoming more popular, there seems to be needed to compare the performance appraisal system of public and private sectors organisations. The present study therefore, aims at comparing the performance appraisal system being implemented in public and private sector organisations.

KEYWORDS

performance appraisal, private sector, public sector.

JEL CODES

J39, J33.

INTRODUCTION

Performance appraisal is the most critical human resource practice and an indispensable part of every organization; however, the practice continues to generate dissatisfaction among employees and is often viewed as unfair and ineffective. According to Peter Drucker 'an organization is like a tune; it is not constituted by individual sounds but by their synthesis. The success of an organization will therefore depend on its ability to measure accurately the performance of its members and use its objectivity to optimize them as a vital resource. The performance appraisal plays a very important role in success of any organization. It not only motivates the employee but also improves the productivity level of any organization. Eichel and Bender (1984) stated that performance appraisal can also be called as the 'A Chilles heel of management'. Although leaders of many public organizations strive to be employee focused or employee centered, a lack of emphasis is given to a process intended to assist the employee in achieving both personal and organizational goals. Cascio (1998) defined performance appraisal as a process to improve employee's work performance by helping them realize and use their full potential in carrying out the organization's missions and to provide information to employees and managers for use in making work related decisions.

The organizations are run and steered by people. It is through people that goals are set and objectives realized. The performance of an organization is thus dependent upon the sum total of the performance of its members. The performance of an employee is his resultant behavior on task which can be observed and evaluated. Performance can be measured by some combination of quantity, quality time and cost. Performance Appraisal system Provides management an opportunity to recall as well as feedback to people as to how they are doing so that they can correct their mistake and acquire new skill. Assessment of human potential is difficult, no matter how well designed and appropriates the performance planning and appraisal system. Though the need of Performance appraisal is generated in every organization but there is a difference in mechanism in public and private sector. To date, most critical studies of performance appraisal have concentrated on the both the private and public sector.

"Performance Appraisal is a process of evaluating an employee's performance in terms of its requirements." Performance Appraisal can also be defined as "the process of evaluating the performance and qualifications of the employees in terms of the requirements of the job for which he is employed, for purposes of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of a group as distinguished from actions affecting all members equally." In the past many researchers have compared public and private sector organisations and have indicated that new private sector organisations are outscoring public sector organisations in terms of technical and economic efficiency parameters. However, no study could be found that compared public and private organisations on fairness perceptions of performance appraisal system. Therefore, this research studied the differences between public and private sector organisations with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction.

OBJECTIVES OF THE STUDY

The performance appraisal system that is currently in use in both the public and private sector organisations as well as contemporary studies on performance appraisal systems both from a managerial perspective and from a critical viewpoint. The objective of this study is:

1. To ascertain the effectiveness of Performance Appraisal system used in Public Sector and Private Sector organisations.
2. To critically review the literature related to the performance appraisal system in public and private sectors.
3. To study the performance appraisal system implemented in both public and private sector organisations.

LITERATURE REVIEW

The brief literature related to the performance appraisal has been reviewed in the present study. According to Basu (1978) Performance Appraisal may be defined as a structured formal Interaction between a subordinate and supervisor, that usually take the form of periodic interview, in which the work performance of the subordinate is examined and discussed, with a view of Identifying weakness and strengths as well as opportunities for improvement and skills development. In the words of Roberts (1998) Performance appraisal is a contentious issue for many researchers, theorists and practitioners. Implementation and operational problems and the perceived subjectivity as well as validity and usability of the outcomes have been addressed in a range of studies. Despite controversy surrounding performance appraisal, this human resource technique is widely practiced in organisations in public and private sectors.

Youngcourt, Leiva and Jones (2007) suggest that the common purpose of performance appraisal tends to be aimed at the measurement of individuals, again this focus is insufficient. From the organization perspective, successful performance management is the key to achievement of corporate goals. It is argued above that performance appraisal is the central component of performance management, and so it must be that for an organization. Caruth and Humphreys (2008) add to this viewpoint by suggesting it is a business imperative that the performance appraisal system includes characteristics to meet the organizational needs and all of its stakeholders (including management and staff). The most common to almost all purposes of performance appraisal is the concept of improving performance and developing people.

Performance appraisal is the process of assessing worker's performance against their job requirements. It is a definite instrument in setting job standards, appraising worker's genuine performance comparative to those standards, and providing feedback to the workers with the drive of inspiring the workers to eradicate the insufficiencies in the performance. It also helps workers to completely comprehend the wants or criterions of a certain job which are being demanded from its workers (Varkkey, Koshy, & Oburoi, 2008). As, Fryer, Antony and Ogden, (2009) stated that performance measurement and performance evaluation are two substitutable terms. The writers like Vanci-Osam and Askit, (2000); and Lam, (2001) stated that an operative appraisal system delivers huge potential advantages to both individual and organization, because regular feedback on performance improves the ideas, expectations and quality of work.

Shrivastava & Purang (2011) studied the differences between public and private sector banks with respect to perception of fairness of the performance appraisal system and performance appraisal satisfaction. Perception of fairness of the performance appraisal system has been studied through nine factors. The study used independent samples t-test and qualitative analysis to study the mean differences between the two banks. Results indicated that private sector bank employees perceive greater fairness and satisfaction with their performance appraisal system as compared to public sector bank employees.

RESEARCH METHODOLOGY

Research Methodology is the way to solve the problem systematically; it may be understood as a science of studying how research is done scientifically. The present study mainly focuses on the performance appraisal system implemented in both the public and private sector organisations. A simple random sampling technique was adopted for the study. The research has been carried out using a combination of primary and secondary data. The primary data was collected by issuing the questionnaires to the employees of both public and private sector employees personally, through emails, by personal discussions and through telephonic interactions to know their views regarding the performance appraisal.

A sample size of 50 respondents from each sector has been collected. The statistical technique used for analyzing the data collected from the tabulated data would be analyzed with tables & charts wherever necessary, so as to draw inferences based on findings, suggestions and conclusions regarding the performance appraisal system. For this study, the secondary data was collected from the various organization's websites, project reports, past records, libraries, magazines, journals and newspaper publications.

ANALYSIS AND FINDINGS

The analysis and advice presented in this research is based on research on the performance appraisal practices by the top management in both public and private sectors. The data analysis of the research result showed that Performance Appraisal is more effective in private sector than in public sector. The employees of both the public and private sector organisations were asked whether they are satisfied with the various performance appraisal system practiced in their organisations.

The employees of public and private sector organisations were asked how frequently the performance appraisal is done in their organisations. It is observed that in public sector company's appraisal is done once in a year, where as in private sector companies it is done every 6 months. The opinion of employees on the performance appraisal system practiced by public and private sector organisations are shown in Table-1.

TABLE 1: OPINION OF EMPLOYEES ON PERFORMANCE APPRAISAL SYSTEM

Sl. No.	Factors	Public Sector		Private Sector	
		Satisfied	Not satisfied	Satisfied	Not satisfied
1	Information related Performance Appraisal system	20%	80%	95%	05%
2	Recognition of individual performance	44%	56%	80%	20%
3	Criteria of validating the performance	35%	65%	68%	32%
4	Information about goal achievement	24%	76%	72%	28%
5	Identification of individual strengths and development needs	22%	88%	82%	18%
6	Performance feedback from superiors	31%	69%	75%	25%
7	Expectations on performance appraisal system	48%	52%	51%	49%

The above analysis shows that:

1. In public sector only 20% of employees know about the performance appraisal system used in their organization when they were hired, whereas about 95% of employees in private sector were known about the performance appraisal system used in their organization when they were hired.
2. In private sector the satisfaction level for recognition of individual performance is 80% whereas in public sector it is 44%.
3. It is observed that the satisfaction level for criteria of validating the performance is public sector is 35% where as in private sector is 68%.
4. In public sector the satisfaction level is only 24% and 76% in private sector for information about goal achievement.
5. The satisfaction level for identification of individual strengths and development needs in public sector is 22% and private sector is 82%.
6. In private sector the performance feedback provided by the superiors is 75% whereas in public sector it is 31%.
7. In public sector the expectations from the performance appraisal system is 48% and in private sector is 51%.

Based on the personal interviews it is found that the:

1. Employees of public sector feels that performance appraisal model used in their organizations is complicated, whereas employees of private sector feels that performance appraisal model used in their organizations is simple.
2. Employees of public sector feels that performance appraisal model in their organization somewhat gives proper assessment of their contribution to their organization, whereas employees of private sector feels that performance appraisal model in their organization gives proper assessment of their contribution to their organization.
3. Employees of both the sectors feel that their expectations meet some times.
4. Employees of public sector somewhat feel comfortable in discussing any difference of opinion about their performance rating, whereas employees of private sector feel very comfortable in discussing their performance rating.
5. Performance appraisal in the public sector includes the systematic description of strengths and weaknesses within and between employees. On the contrary, the private sectors' organizations have already HR professionals who are responsible of monitoring how the process of appraisal and evaluating employees is applied upon the approved methods and rules.

RECOMMENDATIONS

1. Appraisals need to be directly linked to job analysis. This may be accomplished by using job dimensions as the critical behaviors on which to base the appraisal. Success is premised on the job analysis being current and an accurate reflection of the individual's job.
2. Numerical ratings may be utilized if anchored to specific job behaviors. They are speedier than narrative or MBO evaluations.
3. Performance appraisal needs to be linked to individual development and training. This can be facilitated by including space on the form to prioritize training needs.
4. Training is essential for appraiser biases to be reduced.
5. Appraisals need to be reviewed at more than one level. If an individual report to several different superiors, it is advisable to have each appraise the individual.
6. Instruments should include comment and summary sections for rater and ratee.
7. Appraisal should be done objectively, the performance appraisal should be based on yearly targets, the criterion should be measurable, there must be continuous discussion /consulting sessions between the appraiser and appraise.

8. Performance appraisal should not be used as a yard stick to determine salary movement; rather it is used as a tool for the development of employees.
9. Appraisal system should use objective and transparent measures of assessment and should reduce bias and favoritism; every employee must fully understand the system, criteria used and how marks are given.
10. Finally, and most importantly, the appraisal process must be part of a total management system which considers the needs of the agency as well as the public employee.

CONCLUSION

The nature of the appraisal problems faced by both public sector and private sector were different from each other and as a result it was very difficult to make a comparison between these organizations. It was equally difficult to measure the intensity of performance appraisal and organizational effectiveness in these enterprises. Many specialists consider that public management is somehow "different" that is the same rules that are applied to the private sector could not apply to the public, or at least not in the same way. Public sector does not have a bottom line or profit margin. Public sector build linkage between qualification and compensation and not between compensation and efforts as in private sector.

Private sector measures both tangible and intangible fields of activity. The main indicators usually are level of customer satisfaction, level of efficiency, quality, quantity such as completion characteristics, time lessens and costs. In other words, the aim of performance management system in private organization is to cover an organization total span of activity and expenditure. In public sector organization main indicators are level of collected experience which is usually substituted by seniority and accumulated skill and knowledge. In private sector, the principal measure of successful performance is profit. Public agencies, on the other hand, have no such universal and widely accepted performance measure of success. However, performance is judged against the goals of their programs and whether the desired results and outcomes have been achieved.

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NON-PERFORMING ASSETS: A STUDY ON THE STATE COOPERATIVE BANKS IN INDIA

Dr. JYOTIRMOY KOLEY
ASST. PROFESSOR
P.G. DEPARTMENT OF COMMERCE
HOOGHLY MOHSIN COLLEGE
HOOGHLY

ABSTRACT
The banking sector plays a vital role in the development of the nation. Non-performing assets (NPA) reflects the performance of banks in terms of recovery of credit. High level of NPA represents a high level of credit default that affects the profitability and net worth of the banking sector. It adversely affects the banking sector as well as the development of the nation. So, a study of the NPA is very crucial for the developing economy. The current paper is based on the study of NPA of State Cooperative Banks (StCBs) during 2014-15 to 2018-19. The aim of the study is to analyze the gross NPA, net NPA and the impact of net NPA on the net profit of the StCBs with the help of t-test and regression analysis respectively. The study has found that there is a significant difference in the mean of gross NPA and net NPA and no impact of net NPA on the net profit of the StCBs.

KEYWORDS
credit, gross NPA, net NPA, profitability.

JEL CODES
G21, G33.

INTRODUCTION
The cooperative banking sector is important for the counties' economic development. It expands its credit services to various sectors, especially the priority sector for their development and growth. The efficacy of the cooperative banking sector is evaluated on the basis of its profitability like other business concerns. If the credit recovery performance does not function well than it results non-performing assets (NPA) for the sector. It is simply the default on the loan. The NPA level is an important parameter of the bank's efficiency in resource allocation and credit management. The NPA mirrors the utilization of loan funds to unproductive sector. It represents the real economic cost and affects the lending capacity of the banks. It is an alarming threat to the on the sustainability of the cooperative banking sector of the nation. The study has been conducted to analyze the non-performing assets and their effect on the profitability of the State Cooperative Banks (StCBs) during the period 2014-15 to 2018-19.

LITERATURE REVIEW
Several studies have been conducted by many academicians and researchers on the different aspects non-performing assets in Indian banking sector including cooperative banking sector. Some of them are highlighted below.
Sumi (2020) aimed to identify the various means to manage the NPAs, the provision requiring for NPA and the effect of NPA on the profitability of banks. She revealed a negative relation between NPA and profitability of the banks.
Arasu, et al. (2019) conducted a study to understand the level of NPAs and their influence on the profitability of the banks. They found that there is a significant positive relation between gross NPA and net NPA. They also saw that there is a negative relation between net NPA and return on assets of the banks.
Preety and Maheswari (2017) attempted to show the performance of a cooperative bank in terms of performing and non-performing assets. They explicated theoretical background cooperative society and the conception of NPA.
Shiralashetti and Poojari (2016) analyzed the gross NPA, net NPA, sector wise NPA and the relation between NPA on net profit of banks. They found that the NPA has no such effect on the net profit of the banks.
Das and Dutta (2014) focused on the reasons behind the NPA and its impact on banking operations. They revealed that there is no significant difference between the means of NPA of the banks.
Rakshit and Chakrabarti (2012) studied the magnitude of NPAs in cooperative banks and major causes for an account becoming non-performing. They found that adequate finance, timely disbursement, correct end use of funds and timely recovery of loans are the absolute essential pre-conditions for preventing or minimize the occurrence of NPAs.

PROBLEM STATEMENT
If the level of the NPA has been gradually increasing then it is a threat to the survival of that financial institute as it would directly affect the profitability and net worth of the institute.

OBJECTIVES OF THE STUDY
The objectives of the study are as follows:
1. To analysis the Gross NPA and Net NPA of State Cooperative Banks in India
2. To examine the impact of Net NPA on Net Profit of State Cooperative Banks in India

RESEARCH METHODOLOGY
The study is analytical in nature based on the secondary data. The secondary data have been collected from various related articles, journals, research publications on cooperative banks, annual reports of the National Federation of State Cooperative Banks Ltd, annual reports of National Bank for Agriculture and Rural Development and web-based resources. The study period is five years from 2014-15 to 2018-19. The simple percentage, t test, regression analysis has been used to analyze the data to draw logical conclusion with the help of SPSS version 20.

HYPOTHESIS
Two sets of hypotheses have been formulated to achieve the research objectives.
Hypothesis-1 H_0: There is no significant between gross NPA and net NPA of StCBs
H_1: There is significant between gross NPA and net NPAof StCBs
Hypothesis-2 H_0: There is no impact of net NPA on the net profit of StCBs
H_1: There is an impact of net NPA on the net profit of StCBs

DATA ANALYSIS AND DISCUSSION

1. **Gross NPA and Loans & Advances of StCBs**

TABLE 1: GROSS NPA AND LOANS & ADVANCES OF StCBs

Year	Gross NPA	Loans & Advances	Gross NPA to Loans & Advances (%)
2018-19	142422	148625	95.83
2017-18	127107	131934	96.34
2016-17	122842	127048	96.69
2015-16	118307	122900	96.26
2014-15	111125	114500	97.05

Source: Compiled by the researcher from the annual reports of NABARD of various years

Observation: From the above table-1, it has been observed that there is an overall decreasing trend with slide, hiking fluctuation in amid in the gross NPA to Loans & advances ratio during the study period. The ratio was 97.05% in 2014-15. It has been reduced to 95.83% in 2018-19 with a very small increasing in 2016-17.

2. **Net NPA and Loans & Advances of StCBs**

TABLE 2: NET NPA AND LOANS & ADVANCES OF StCBs

Year	Net NPA	Loans & Advances	Net NPA to Loans & Advances (%)
2018-19	**6391**	**148625**	**4.3**
2017-18	**6201**	**131934**	**4.7**
2016-17	**5209**	**127048**	**4.1**
2015-16	**5531**	**122900**	**4.5**
2014-15	**5725**	**114500**	**5**

Source: Compiled by the researcher from the annual reports of NABARD of various years

Observation: From the above table-2, it has been found that there is also an overall down trend with slide upward fluctuation in amid in the net NPA to Loans & advances ratio during the study period. The ratio was5% in 2014-15. It has been reduced to 4.3% in 2018-19 with a very small hike in 2017-18.

3. **t-Test**

Here, t-test is used to test the equality of mean of two variables, namely gross NPA and Net NPA of StCBs.

Hypothesis-1 H_0: There is no significant between gross NPA and net NPA of StCBs.

H_1: There is significant between gross NPA and net NPA of StCBs.

TABLE 3: ONE-SAMPLE t-TEST

One-Sample T-Test						
	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Net NPA	26.851	4	.000	5811.24820	5210.3566	6412.1398
Gross NPA	23.760	4	.000	124360.60000	109828.7514	138892.4486

Source: Compiled by researcher

Interpretation: Since, the P value of the test at the 5% level of significance is 0.000 which is less than 0.05. So, the null hypothesis is rejected and the alternative hypothesis is accepted. It can be concluded that there is a significant difference between gross NPA and net NPA of StCBs.

4. **Regression Analysis**

Here, two variable simple linear regression model analyses have been used to examine the impact of net NPA on net profits of StCBs.

Regression model: Net Profit = a + b.Net NPA + e

Where, Net profit is dependent variable, Net NPA is independent variable, a = constant, b= regression coefficient, e = error term

Hypothesis-2 H_0: There is no impact of net NPA on the net profit of StCBs.

H_1: There is an impact of net NPA on the net profit of StCBs.

TABLE 4: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871[a]	.759	.679	147.99594

(Source: Compiled by researcher)

a. Predictors: (Constant), Net NPA
b. Dependent Variable: Net Profit

TABLE 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	206890.807	1	206890.807	9.446	.054[b]
	Residual	65708.393	3	21902.798		
	Total	272599.200	4			

(Source: Compiled by researcher)

a. Dependent Variable: Net Profit
b. Predictors: (Constant), Net NPA

TABLE 6: COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-907.577	891.043		-1.019	.383		
	Net NPA	.470	.153	.871	3.073	.054	1.000	1.000

a. Dependent Variable: Net Profit

(Source: Compiled by researcher)

Interpretation: In this model, P value of beta coefficient on net profit is 0.054 which is not significant at 5% significance level. So, the null hypothesis is accepted and alternative hypothesis is rejected. So, it can be concluded that net NPA has no significant impact on net profit. But, here R square value is 75% of the variation of net profit is explained by the net NPA. The regression coefficient of net NPA shows that impact of net NPA is less on net profit. It means that there are some others factors which have an impact on the net profit of the StCBs.

FINDINGS

The study has the following findings:

1. In respect of gross NPA to loans & advance ratio, the StCBs has recorded the highest percent (97.05%) during 2014-15.
2. With regard to net NPA to loans & advance ratio, the StCBs has revealed highest percent (5%) during 2014-15.

3. First hypothesis testing has shown that there a significant difference between gross NPA and net NPA of the StCBs.
4. Second hypothesis testing has revealed that there no impact of net NPA on the net profit of the StCBs.
5. There is a moderate relation between net NPA and net profit of the StCBs.

RECOMMENDATIONS

The study has the following recommendations:

1. The framework of quality credit appraisal and critical review of appraisal with follow up actions should be improved in accordance with international standard. It may reduce the NPA levels of the StCBs to a large extent.
2. The debt recovery management process should be improved and strengthen by the regulatory authorizes.
3. A project should be allowed based on the quality of the project as well as the creditworthiness of the borrowers.
4. Close follow up the NPA accounts may ensure success in the recovery of dues.
5. If possible, banks can enter into a compromise settlement with the borrowers for NPA accounts.
6. Banks may suit filed against willful defaulters under civil suit or special recovery Acts.

CONCLUSIONS

Management of the NPA is the prime need of the hour. It is the key factor for the profitability, solvency and liquidity of the banking sector. The NPA is supposed to be the erosion capital and weakening the financial strength of banks. The StCBs and other financial institutions should be more proactive to adopt a well structures NPA management policy. As a result, the Banks may be more cautious in evading any loan accounts fetching NPA by taking proper preventing measures in well-organized possible routines. So, proper management of the NPA is the prime essence of present time.

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