**CHAPTER -1**

**INTRODUCTION**

* 1. **BACKGROUND:**

Bank is an institution that accepts deposits of money from the Public. Anybody that has account in the bank can withdraw money. Bank also lends money. Bank of India are considered to be the Lifeline of the economy. They play a catalytic role in activating and sustaining economic growth.

The Indian banking system consists of 26 public sector Banks, 20 private sectors banks, 43 foreign banks, 56 regional rural Banks, 1589 urban cooperative banks and 93550 rural cooperative Banks. India’s banking sector is expanding rapidly and has the Potential to become the fifth largest banking industry in the world By 2020 and third largest by 2025.

Amidst the signs of progress, the Indian banking sector has been facing multiple challenges in recent times like rising NPA, scams and corruption, improper management etc. Out of these issues, the most critical issue is NPA in Indian Public Sector Banks.

The topic ‘NPA Problem in Indian Public Sector Banks’ includes major points and by analysing it we can Understand all the necessary aspects of NPA problem.

* 1. **OBJECTIVE OF THE STUDY:**

The objective of the project was to find how this Non-Performing Assets generate and what its impact on the profitability of the bank and how it can be reduced. The study is addressed to the following objectives:

* To understand the relationship between Gross NPA, NET NPA, ADVANCES RATIO, and NPA PROFIT.
* To understand the impact of NPAs on the operation of the bank.
* To study the trends during the last five years.
  1. **REVIEW OF LITERATURE:**

NPA is a burning topic for the banking sector and many authors tried to study the reasons of NPA, the problems created by NPA and the impact of NPA on the banking sector, and moreover came to a solution or remedies of the growing problems of NPA. A number of papers have written and gone through, and this part of this paper is attempting to present a review of all those are available.

**Swain, R. K., Sahu, M. And Mishra, A. P. (2017)** The researchers concluded that money blocked in NPAs has a significant influence on the effectiveness of banks. the government has made different mechanisms for recovery such as Lok Adalats, DRT and SARFAESI Act. The SARFAESI act is the most effective reform for recovery of NPA than other measures. However, gross amounts recovered are very meagre wein comparison to outstanding NPAs.

**Suvitha, K. V., Gayathri, G. (2018)** Researchers studied the various papers from

2010-2017(about 100 papers) and concluded that out of the total 100 articles analysed, level of NPAs is higher in public sector banks than the private sector Banks. The main reason for the issue is excessive landing by banks and higher demand of credit by will ful defaulters.

**Maher, B. (2018)** Impact of demonetization on NPAs of Indian banks, focus on how the demonetization would influence this most pivotal issue of banking industry. The researcher found that in the short run, a positive effect of demonetization can be seen in which current NPAs of the banks decreased a bit.

**Shiv Kumar, V. And Devenadhan, K.(2019)** Done a study analyzing the factors implication of NPAs in SBI through factor analysis to be encountered. Researchers view that implication of NPAs are at a moderate level. It can be concluded that the loan asset management of SBI has put the right measures to address the bad effects of funding mismanagement and to resolve serious adverse effects of NPA.

**Sharma S., Rathore D.S., and Prasad, J. (2019)** They found that both in public & private sector banks the major reason for the NPAs is miss-utilisation of bank loans and poor recovery management. The NPAs are increasing in agriculture and industries. They suggested improving corporate governance for better operational and credit decisions.

**Jethwani, B., Dave, D., Ali, T., Phansalker, S., and Ahhirao, S. (2020)** in their study Indian agriculture GDP and NPA: A regression model found that the repayment of farm loan adversely affects as factors like rural population, low export value of crop and low crop production for the year. It should be understood that the farm loan waivers cannot solve the problem.

* 1. **RESEARCH AND MYTHOLOGY:**

The study is based on secondary data. The secondary data has been collected from RBI (financial stability report), Annual report and Balance sheet of the selected public sector banks. The data of 2 public sector banks which includes SBI and CANARA BANK is collected from past 5 years. Using bar chart and pie chart the analysis has been shown of these banks.

* 1. **LIMITATIONS OF THE STUDY:**
* As NPA is descriptive concept, it was hard to explain it with word limit.
* The information collected is limited because of time constraints.
* Access of the information is limited and depends on annual report.
  1. **CHAPTER PLANNING :**

1. **INTRODUCTION** 
   1. Background
   2. Objective of the study
   3. Review of literature
   4. Research and Mythology
   5. Limitations of the study
2. **CONCEPTUAL FRAMEWORK**

2.1 Meaning of NPA

2.2. Definition of NPA

2.3. Assets classification

2.4 Types of NPA

2.5. profiles of SBI and CANARA bank.

**3. ANALYSIS OF THE STUDY & FINDING**

3.1. Relationship between GROSS NPA , NET NPA ,ADVANCES , RATIO AND

NPA PROFIT

**4.**  **CONCLUSION AND RECOMMENDATION OF THE STUDY**

4.1 conclusion

4.2 Recommendations

BIBLIOGRAPHY