



NPA: A Biggest Challenge of Indian Banking Institutions and Economy

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Abstract:

Every country's economy is depends upon their financial system and it is also depends upon the banking and financial institutions which create and generate funds for the economy. The banks and financial institutions are an accelerator of the economy. India's economy is closely related with the growth of the banking industry. India is one of the fastest growing economies in the world and is set to remain on that path for many years to come. As per KPGM-CII report; 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. But, it is possible when India's banking system is stable, sound and efficient. The financial position of India's Public Sector Banks (PSBs) has deteriorated sharply over the past financial year. In today's scenario Indian banks are facing and struggling with Non-Performing Assets (NPAs). The main purpose of this study is to know about the level of NPAs of Scheduled Commercial Banks in India over a period of sixteen years (2001-2016) and various recovery methods, which help to analyses the NPAs level in Indian banks. Least square method has been used for prediction of future value of Gross Advances (2017). For best prediction, we described the residual analysis for the given data with quadratic polynomial fitting of Gross advances with 95% prediction bounds.

Keywords: Financial System, Banks, Non-Performing Assets, Indian Economy, RBI.