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What are the Causes of Non-Performing Assets (NPAs) and What Preventative Measures Are in Place?

Mr. Pandurang Rathod
Assistant Professor, Basaveshwar Commerce College Bagalkote, India.
Email: *rathodbgk5@gmail.com*

Abstract

This paper looks at how Indian banks handle NPAs to help you understand the problems and possible answers for getting rid of NPAs. This paper talks about what banks and other financial companies have done to make sure that non-performing assets don't hurt their day-to-day business. Indian banks must work hard on non-performing assets in order to reach two important goals: stable money supply and steady economic growth. The study's results are useful for politicians, lawmakers, and financial companies that need to deal with assets that aren't making money. This detailed study uses secondary sources to look at how banks try to get their money back from short-term loans and payments so that their non-performing assets go down. Since banks need a steady flow of cash, they have to come up with creative ways to pay back these short-term loans. The term "non-performing assets" refers to assets that aren't working as well as they should, which hurts credit conditions and the amount of risk that is wanted. Researchers have come up with new ways to handle credit and short-term loans in order to lower the number of assets that aren't being paid back. Even so, there isn't a lot of academic writing about the broad topic of credit and short-term loans and assets that aren't being paid back. One thing that makes this problem stand out is that the study looks at non-performing assets from a new angle and is based on first-hand reports. One problem with the study is that it didn't delve deeply enough into one type of financial organization. In general, the results of this study can be used for all kinds of financial companies, whether they are personally or publicly owned.

Keywords: *Banks, Non-Performing Assets, Short-Term Loans, Credit, Economy, Reserve Bank of India, Assets.*

1. Introduction

India's banking sector is in big trouble because of non-performing assets (NPAs), which make it less efficient and less reliable. Those who borrow money and don't pay it back within a certain amount of time, usually 30 to 90 days, are said to have "non-performing assets" (NPAs). Banks need to keep their nonperforming assets (NPAs) under control so they can keep their finances in order, make sure they have enough money to pay their bills, and keep making money. Non-performing assets (NPAs) are very important to the Indian banking industry because they hurt the ability to get loans, the amount of cash available, and investor trust. The Reserve Bank of India (RBI) sets India's monetary policy and is mostly in charge of keeping the country's non-performing assets (NPAs) safe by enforcing strict rules, classification requirements, and settlement processes. It's 90 days from the date the user doesn't make a payment or interest payment by the due date for the lender to take action and get the money. It was set on that date that this era began. The account status changes from "non-performing asset" (NPA) to "non-performing" for direct farm loans until two crop seasons have passed since the due date for short-term loans and one crop season has passed since the due date for long-term loans. If someone makes a mistake on a currency credit account, they have 90 days to fix it. The main point of this piece is to help you understand how hard it is for Indian banks to handle non-performing assets (NPAs). Its goal is to help banks, regulators, and politicians deal with loans that aren't being paid back by giving them advice. Indian banks can deal with the issues brought on by non-performing assets (NPAs) and build a banking industry that will be strong and successful in the future if they work together and take preventative steps. The story goes into detail about how hard it is for banks to deal with nonperforming assets (NPAs) and what effects this might have on the economy. The paper also talks about how technology can help NPA management, how important it is to involve partners, and how important it is to build skills and capability. This piece also talks about what banks can do to lower the risks of nonperforming loans and support careful lending. Indian banks have had a hard time making money and staying strong because of non-performing assets (NPAs) that have been popping up in recent years. The Reserve Bank of India (RBI), which is the country's governing bank, has put in place a number of rules and made other actions to make the banking industry safer and lessen the issue of non-performing assets (NPAs). Measures like categorization rules, funding duties, and settlement processes have been put in place to help keep the economy stable and lessen the damage that non-performing assets (NPAs) do to bank balance sheets. Indian and other emerging countries need to make sure that their banking industry does a good job of managing non-performing assets (NPAs) if they want to keep their economies growing and their financial systems safe. Non-performing assets (NPAs), which include bad loans, are loans that are not paid back within 90 days. Having nonperforming assets (NPAs) in a bank's loan portfolio hurts their ability to make money, keep enough cash on hand, and give to useful parts of the economy. Even though new rules have been put in place to help, the problem of non-performing assets (NPAs) still exists. Because of this, it is very important to find the reasons behind nonperforming assets (NPAs) and fix them using good methods. It will be looked into how hard it is for financial institutions to deal with nonperforming assets (NPAs). This study will look at economic factors from outside the country, issues with government, and structural problems. The purpose of this academic work is to give lawmakers, regulators, and financial institutions useful suggestions on how to make the banking sector stronger and more successful and lower the risks that come with non-performing assets. These ideas will be made by looking closely at the ways Indian financial institutions deal with bad debts and discovering the best ways to do things in this area. After everything is said and done, the study's findings could be very useful in creating new rules and procedures that will help India better deal with NPA and boost long-term economic growth. A good way to describe "NPAs" is as "non-performing assets." The severity of the default and the chance of healing should both be taken into account when deciding how to classify something [1-3]. When it comes to India, non-performing assets are mostly put into three groups: poor, questionable, and loss. First, let's divide it into these groups:

1.1. Inadequate Assets

- The debtors have not paid back assets that were considered poor for more than 90 days but less than 12 months.
- There are some assets that have flaws that make it seem unlikely that they can be fully restored, even though they haven't been officially questioned yet.
- As a safety measure against possible losses, financial institutions must set aside a larger share of their assets for assets that aren't working compared to assets that are.

1.2. Assets with Doubt

- If the failure has gone on for more than a year, the assets are thought to be questionable.
- It's important to note that there is a lot of doubt about whether or not certain assets can be fully restored, and there is a big risk in getting these assets back.
- Companies that handle money have to set aside more money for questionable assets than for average ones because they are more likely to go down in value.

1.3. Loss of Assets

- Loss assets are things that have been inspected by the RBI, the bank, or both internal and external inspectors and found to have losses but have not been written off.
- It's unlikely that these assets can be fully recovered, and it's also possible that they can't be recovered at all. So, they are either taken out of the bank's assets or by lowering the book value of the asset.
- Government rules say that banks have to fully write down lost assets in order to show how much money they really have. For the simple

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reason that losing assets is the most dangerous thing that can happen. The security of loan holdings may be looked at by regulatory bodies and financial groups.

- Include dividing the resources needed and making plans for how to deal with things that aren't making money. Putting nonperforming assets (NPAs) into groups may help stakeholders get a better idea of how risky a bank's assets are and how healthy its finances are generally. Banks are required by regulators like the Reserve Bank of India (RBI) to use the above factors when identifying and classifying non-performing assets (NPA). This is done to promote open and responsible NPA management.

2. Reviews of Literature

KUMAR, D. M. D (2024): The State Bank of India (SBI) in Madurai City is very worried about its non-performing assets (NPAs). This is because of a number of factors. The economy has made it much harder for people to pay back their bills, which is a big reason why the number of non-performing loans (NPAs) has been going up. The growing number of non-performing assets (NPAs) at SBI Madurai is also caused by inadequate security and not following loan standards. A rise in the number of non-performing assets is also caused by not having enough tracking systems, not having enough ways to recover from failures, or not having enough processes for analyzing credit. Fixing these problems through strict risk management, regular checks, and quick spotting of troubled accounts will lessen the negative impact of non-performing assets on SBI Madurai's funds. For the bank to be profitable and last for a long time, it needs to take preventative steps to deal with the issues that lead to non-performing assets.

Sunita, A. K. (2023): Even though different banks have come up with different ways to make and collect on short-term loans, nonperforming assets (NPA) are still a worry. The Reserve Bank of India (RBI) says that India's state banks have non-performing assets (NPAs) worth $62 billion. This is almost 90% of all NPAs in the country. Because banks depend on moving money around, they have to come up with clever ways to get these short-term loans paid back. "Non-performing assets" in this meaning are assets that aren't doing what they're supposed to, which could affect performance and the desire to take risks. A study says that new ways of handling credit and short-term loans might help lower the number of assets that aren't being paid back.

G. Chinni Krishnudu (2022): In order to find out which banks have the most and most common non-performing assets (NPAs), the study "Analysis of Non-Performing Assets in the Banking Sector: A Case Study of the Public and Private Sector" looks at NPAs in public and private, nationalized, and foreign banks.

Shah M. and Zaman A. (2021): The study "Management of Non-Performing Assets in Banks with Special Reference to UBI" found that lowering NPA is a great way for banks to make more money and do better. His paper is only about how NPA is given and how its effects are measured. The investigation did not look into any of the ways that NPAs were managed.

Birau, and Robegen, C. (2020): This study is about loans that aren't being paid back in the farm business (NPA). The case study says that intentional customer failure doesn't change the loan decisions that financial institutions make before or after punishment. Debt forgiveness is given to banks by political groups if they collect more assets that aren't being used. Our study found that consumers purposely fail because there are so many ways to get out of debt.

Chirag Rana (2019): The author did a work on "A Study on Management of Non-Performing Assets in the Context of the Indian Banking System." The effects of non-performing assets that the author looks at are low advance yield, weak asset earning capacity, low capital adequacy ratio, high extra expenditures, exchange value averaging, and low bank profitability. Chirag Rana talked about a lot of different things when he talked about ways to stop NPAs. Prioritizing cash flow, having a wide range of financial options, responding quickly and correctly, and using early spotting methods are all important parts of these processes. She hasn't thought of any new ideas, though.

3. The Following Factors Were Chosen for "Reasons for NPA"

3.1. The Failure of the Market

When the unseen hand doesn't share resources based on how much they are worth, the market fails. There is a unique set of signs and causes for each type of loss. Market failure in a free-market economy happens when goods and services are divided in a way that makes society less than ideal. Externalities are a type of market failure that can happen when there is either too little or too much production of a good or service. An externality is when someone else indirectly pays for or benefits from something that someone else does. The free-rider problem makes it hard for private markets to provide public goods that can't be taken away and aren't competitive. Because they give businesses too much power in the market, oligopolies and monopolies can lead to inefficient allocation, big losses, and even the fall of the market. Information gaps, not enough markets, and economic inequalities can all change motivations, make it harder to get things and services that people need, and mess up how resources are allocated. The goal of government rules, taxes, and public goods is to make society better by making the market less perfect. To successfully step in, officials need to think about both the specific problems with the market and the effects that might happen that they didn't expect.

3.2. Natural Catastrophes

Two main things can be blamed for the worrying rise in non-performing assets (NPAs) in India's public sector banks (PSBs). Natural disasters that happen often and cause a lot of damage make it hard for borrowers, especially those who work in industries that depend on rain, like agriculture. If something bad happens to farmers, like their crops failing or their output going down because of unusual rainfall, they may find it hard to pay their bills. Public sector banks (PSBs) have to set aside a lot of money to protect themselves from the effects of loans that aren't being paid back. Because of this, the banks' bottom lines suffer. One more thing: the COVID-19 epidemic has had a big impact on banks, especially PSBs. Because of the effects of the disease on the economy, people who were already having trouble paying their bills had to reset and rework them. Because of this, banks had no choice but to deal with the higher risks of loan deferrals and possible failures. These events had a bad effect on the banks' asset risk management methods. Because of these things, PSBs are more likely to be affected by outside influence and natural events. These things could have a big effect on PSBs' financial health and the quality of their assets. Due to these threats, financial institutions need to set up risk management tools that can be relied on right away. As part of the above steps, strict credit evaluation methods should be put in place, loan accounts should be closely watched, and possible failures should be found quickly. Also, government and regulatory bodies may be able to help people who are deeply in debt and have been hit hard by the crisis. They can do this by enforcing rules that help keep the financial system safe during tough times. In the end, to lessen the effects of natural disasters and unplanned events like the current COVID-19 pandemic, we need smart risk management, helpful government policies, and quick actions to help borrowers with their money problems and keep the PSB stable [4-7].

3.3. Changes To Government Rules

It is possible for government policies and rules to change, which could affect how banks work and cause non-performing assets (NPAs) to build up. One industry that has had trouble is the handloom industry. Because the government stopped supporting them, many weavers' unions have broken up. As a result, the rest of the handloom sector's debts are now thought to be NPAS. Protecting wild rivers has had an effect on the leather business, which has reacted by making rules and laws stricter. Because of these events, companies in the leather industry have been having money troubles, which could cause non-performing assets (NPAs) to build up. It is very important that the government and other relevant parties step in to help these businesses deal with the problems they are currently facing. Putting in place recovery programs, giving money, and letting the government step in could help turn around failed businesses and keep past-due accounts from turning into non-performing assets (NPAs). More importantly, banks need to keep a close eye on the businesses they give money to and make sure their loan rules are right for each one.

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3.4. Unintentional Defaults

"Unintentional default" refers to people who owe money but choose not to pay it back. A different way to describe an intended defaulter is as a deadbeat who refuses to pay back a loan even though they have the money to do so. Genuine financial trouble, on the other hand, happens when debtors can't return their loans because of things they couldn't control, like unexpected medical bills, losing their job, or their business going out of business. Banks have a lot of problems with intentional failures. To fix these problems, we need strong legal solutions, ways to stop them, and strong ways to control risk. Banks can protect their own interests and stop people from purposely not paying their loans by putting in place measures like better governance, more openness, and more responsibility. This shields their financial interests and makes sure that the financing process is honest [8-11].

3.5. Lack of Being an Entrepreneur

It will be hard to promote economic growth and progress if people aren't good at being businesses. This claim is especially true for companies in developing areas and those that aren't very big. Entrepreneurship is important for boosting the economy, creating jobs, and encouraging new ideas. People who don't have the right creative skills, on the other hand, have problems that make it hard for them to start and grow businesses. This makes it harder for them to make money and for the economy as a whole. One big problem with not being creative is that it makes it harder to spot and act on business possibilities. Entrepreneurial projects allow people to see holes in the market and come up with new ways to fill them. To be successful at these projects, you need a mix of strategic intelligence, creative thinking, and a willingness to take chances. If people who want to start their own business don't have these skills, they might be afraid to go into highly competitive areas or have trouble coming up with ideas for businesses that will make money. Entrepreneurs don't start businesses because they are afraid of failing and don't want to take risks because they don't have enough skills. An effective and flexible business plan is necessary for entrepreneurs to deal with doubt and setbacks. People who want to be entrepreneurs but don't have the confidence, risk tolerance, or ability to learn from their mistakes might do better in more traditional job paths. Because of this, growth in technology and the economy will be slowed down. Some important ways to help people learn how to be entrepreneurs are through official schooling, on-the-job training, helpful teachers, and government funding. Everyone should be able to get the education, skills, and mindset they need to do well in the business world, which is always changing. This should be the first thing that people think about when they want to start their own business. Lawmakers can help entrepreneurship become the economic engine it can be by putting money into education, mentoring, and an environment that is friendly to business.

3.6. Not Enough Legal Framework

"Not enough legal framework" means that there are holes or flaws in the laws and rules that guide bankruptcy and debt collection when we talk about NPAs. The process of paying loan accounts that have been late is already hard enough without having to deal with a broken legal system. A big problem is that the debt collection agencies, civil courts, and bankruptcy processes are all very long and hard to understand. Legal processes that take too long make it take longer to settle non-performing assets (NPA), cost more to litigate, and keep lenders and customers in debt. Legal processes may take longer than they need to if police methods aren't effective because the laws aren't strong enough. This inefficiency makes it harder for creditors to get back payments that are past due from people who have not paid their bills. It also makes it harder for creditors to protect their rights. Regulators don't implement collateral security or recovery rules well enough, which means banks can't take back assets or collect on collateral as easily as they should. This is a direct cause of the failure of recovery attempts. To fix the problems that a broken legal system causes, the whole legal system needs to be changed. To make it easier to get rid of non-performing assets (NPA), legal processes need to be streamlined, enforcement methods need to be improved, bankruptcy law needs to be strengthened, and court capacity needs to be increased. Policymakers may be able to improve the financial security of the banking sector by creating strong laws that protect creditors' rights, speed up the settlement of non-performing assets (NPA), and boost public trust in the justice system.

3.7. A Lack of Supervision and Follow-Up

When it comes to NPAs, "A lack of supervision and follow-up" means that loan accounts were not properly watched and managed when signs of stress or failure showed up. Effective tracking and follow-up are needed to find problems early, fix them quickly, and keep loan failures from happening. If the NPA government doesn't keep an eye on things enough, bad things could happen. It could take longer to find NPAs if there isn't enough tracking and follow-up. People who don't keep an eye on their money and fix problems as soon as they appear could miss payments and have their financial situation get worse without anyone noticing. If institutions' nonperforming assets (NPAs) keep going up, they may lose money in the long run. Second, NPA repair might be slowed down by not enough follow-up and tracking. If financial institutions don't do regular checks, they might not talk to defaulting borrowers to find out about possible ways to adjust or solve the problem. This lack of action could make it harder for lenders to collect on loans and make borrowers' financial problems worse. Not enough tracking and follow-up is another thing that could make it harder for NPAs to get better. Follow-up with late borrowers must be done regularly and quickly in order to successfully engage them, set up payback plans, and seek legal action. Inadequate tracking could make it harder for financial institutions to collect past-due accounts, which could lead to higher funding and, in turn, financial stress.

3.8. Banks' Refusal to Work Together

If non-performing assets (NPAs) don't follow the rules, it may be hard for financial institutions to deal with loan failures. When lenders and debtors don't work together, nonperforming assets (NPA) are handled slowly and ineffectively, which costs both sides more money in the end. There are several reasons why banks aren't working together better to solve problems with nonperforming assets. If a customer is past due, banks might not want to work with them. This means they don't know what causes failures and how to fix them. If nothing is done, it gets harder to fix non-performing assets (NPAs) and failures are more likely to happen. Due to strict internal processes, banks may also find it hard to take part in payment talks that are tailored to specific borrowers. Rigidity makes it harder to both recover and fight change. Because they don't want to take chances, financial institutions may choose civil asset collection over other ways to settle claims. Using this approach to cut down on losses could lead to long court fights, higher costs, and unknown results for everyone. It's hard for people to work together at the bank because of problems with tools (both people and things) and facilities. A lack of tools makes it harder to answer questions about loaners and deal with cases of non-performing assets (NPAs). Laws and rules that govern banks affect their failure to follow the rules. Some of the problems banks may face when they try to solve non-performing assets (NPA) are limited information sharing, dealing with past-due borrowers, bankruptcy, and keeping things quiet. Misunderstandings and fights happen when people can't talk to each other, which makes it harder to solve problems. If banks don't work together, politicians, regulators, borrowers, and borrowers themselves need to work together to fix the problem. Problems caused by non-cooperation need to be solved and fears about it need to be eased through direct involvement, communication, and resources. The best way to lower non-performing assets (NPAs) and make the banking industry stable again is to work together and be open. Problems speaking and working together between different bank offices or with outside groups like regulators, lawyers, and borrowers are another thing that makes it hard for people to work together.

4. Preventative NPA (Non-Performing Asset) Measures

To keep the quality of their loan holdings and lower the risk of loan failures, banks and other financial companies put a lot of effort into avoiding non-performing assets (NPAs). Before giving NPA, here are some things you should watch out for:

4.1. Assessing Credit Risk in an Effective Manner

It is very important to carefully check a possible customer's reputation before giving them money. By checking the borrower's security, ability to pay, and reputation, the chance of failure may be lowered. For correct loan practices to happen, strict screening standards and thorough due diligence processes must be strictly enforced.

4.2. An Ongoing Process of Evaluation and Enhancement

When reviewing and making changes to policies, procedures, and practices related to managing nonperforming assets on a regular basis, you should think about best practices in the industry, new ideas, and lessons learned. To effectively reduce risks that change over time, risk management must take a proactive method. To do this, you need to be able to predict problems and make changes to your plans as needed.

4.3. Oversight of Compliance and Regulatory Compliance

If it comes to categorizing, funding, and disclosing assets, it is the job to make sure that safe standards, law requirements, and accounting principles are followed. Strong risk management processes, governance frameworks, and internal controls are needed for NPA management to be open and follow the rules set by regulators.

4.4. Diversification of Investment Inputs

Adding more different types of businesses, industries, and places to loan pools might help lower the clustering risk. It is important to be careful about where you put your money and not put too much into high-risk loans or sectors. This way, the portfolio as a whole can handle economic or industry downturns with less damage.

4.5. Systems for Early Warning and Monitoring

Setting up good ways to stop problems and keep an eye on them is important if you want to see if a borrower's credit is getting worse or if they are having trouble paying. Important performance factors must be regularly checked if you want to find any nonperforming assets (NPAs) early and take action right away. Some of these are changes in cash flow, spending habits, and financial statistics.

4.6. Strategies For Lowering Credit Risk

You can lower the risk of loan failures and make it easier to get back payments that are past due by using credit insurance, promises, and collateral replacement. You might be able to spread out your credit risk by looking into possible risk-sharing agreements with third-party partners.

4.7. Communicating and Managing Relationships in A Proactive Way

Keeping the lines of communication open with borrowers and interacting with them is important for knowing their financial needs, keeping an eye on how their loans are going, and making sure that any problems are fixed quickly. To encourage people to borrow money responsibly, you need to have good relationships with your borrowers based on trust, openness, and understanding.

5. Approaches and Methods for Getting Back NPAs

Getting nonperforming assets (NPAs) down is important for making sure that financial institutions like banks can stay open and sound. If you follow the plan to the letter, you might see better asset quality, better control of credit risk, and fewer nonperforming assets (NPAs) in your loan accounts. Here are some ideas that might help lower the number of non-performing assets (NPAs): Tools to Help Non-Profit Groups Get Better: In India, you have to go through the legal process to get back non-performing assets (NPAs). This process includes a lot of different tools and methods that can be used to quickly collect past-due debts. Some of the most important tools that India can use to get back its non-performing assets are listed below:

5.1. The SARFAESI Act of 2002, Which Deals with Securitization, Reconstruction, and Enforcement of Security Interests

A new law called the SARFAESI Act says that financial companies like banks can now pursue security interests without going to court. Lenders can use the steps spelled out in this Act to get their money back from people who owe them money. For example, they can seize the property of people who haven't paid, send demand letters, or sell protected assets at public sale.

5.2. Debt Recovery Tribunals (DRTs)

So that debt claims over a certain amount could be decided and collected more quickly, institutions that are similar to courts were set up. These are called

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Debt collection Tribunals. These courts follow specific rules and processes. Financial companies can use debt recovery courts (DRTs) to go after people who don't pay their debts.

5.3. Asset Reconstruction Companies (ARCs)

A lot of different methods are used by asset recovery companies (ARCs) to get troublesome assets back on track after they buy them from banks and other financial firms. When ARCs buy non-performing assets (NPAs) from banks, they can use a number of options, such as loan securitization, asset reconstruction, and debt restructuring.

5.4. Solutions That Use Technology

Using more advanced technologies, like digital platforms, data analytics, and artificial intelligence, could make the NPA recovery method work better and faster. Using advanced analytics, financial institutions can get the most out of their recovery efforts by figuring out how to best use their resources, how likely they are to recover, and how to prioritize their recovery actions.

5.5. Settled Through Negotiations

Financial institutions might try to make deals with clients who have fallen behind in their payments so that everyone is happy with the terms of the return. One way that agreed agreements may help with loan collection while still taking into account the borrowers' limited finances is by lowering fines, interest rates, or terms for paying back the loan. The point of these plans is to make it easy to pay back debt.

5.6. One-Time Settlement (OTS) Schemes

A user could get a delayed payment plan (OTS) from the bank if they are behind on their payments. This gives people who are in debt the chance to pay off their bills with a smaller, one-time payment. Through OTS services, people who owe money can pay it off and escape going to court. In addition, banks can get some of the costs that come with the users' loans back.

5.7. Corporate Insolvency Resolution Process (CIRP)

The bankruptcy and Bankruptcy Code (IBC) of 2016 says that business debtors who haven't paid back their loans and have non-performing assets (NPAs) that are worth more than a certain amount can be put through bankruptcy procedures. The Corporate Insolvency Resolution Process (CIRP) is an organized way to solve business problems. It is run by the National Company Law Tribunal (NCLT). Banks have the power to use the CIRP against companies that don't pay back their loans.

6. Effects of NPAs on a Bank's Power to Make Money

Putting reserves for nonperforming assets (NPAs) in the profit and loss statement not only makes it harder for banks to make money, but it also makes their holding costs go up. This makes managers pay more attention to the numbers than they need to. A bank's ability to stay in business is also threatened by having too many nonperforming assets (NPA). This is because banks have to keep their capital adequacy levels at a certain level. If they don't, they'll have to use their own money to meet the requirements, even if it means they can't make a lot of money. Because of this, the bank's net value would slowly go down. Companies that these banks lend money to won't benefit if private spending and company income slow down a lot. If they can't pay back their loans when the time comes, they won't be able to. Also, more examples of things that aren't making money are going to come up. Another controversial claim is that banks' capital income has dropped a lot because interest rates on government bonds have been going up. Because of this, banks won't be able to pay their non-performing loans with the money they come in.

Conclusion

Findings make it clear how important it is to use effective tactics and move quickly to deal with Non-Performing Assets (NPAs), showing that these actions are needed. To carry out these tasks, you need to do a full credit risk assessment, make sure there is ongoing monitoring, follow all legal rules, and use technology-based solutions. To lower the risk of loan failures and keep the quality of assets, extra safety steps must also be taken. These include spreading investments across various portfolios, using early warning systems, and putting credit risk reduction strategies into action. Important goals include making sure that financial institutions put the settlement of non-performing assets (NPAs) at the top of their list of priorities and use a variety of tools, such as the

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SARFAESI Act, Debt Recovery Tribunals, and technology-enabled solutions, to speed up the recovery process and limit financial losses. People are already using some of the many creative ideas that are possible to put into action. It is best to choose related customer profiles on a national level so that you can set up a network that can send fast alerts about assets that aren't working or risks of failure. Also, it's a good idea to keep at least two papers that are important to the whole country, like ones about microfinance and small-scale loans. To make sure you're following the law, it's also a good idea to use a unified site to get different kinds of funding. This site should work as a central system for getting credit, open to all kinds of groups and usable for both working and leisure activities.

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