

IMPACT OF NON-PERFORMING ASSETS IN THE NATIONAL ECONOMY

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ABSTRACT

A 'Non-Performing Asset' (NPA) was defined as a credit facility in respect of which the interest and/ or instalment of principal has remained 'past due' for a specified period of time. An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

The Non-Performing Assets strike terror in banking sector today. The dreaded NPA increases year by year continuously. Due to this risk performance of the banking sector has been decreasing and some of them have been liquidated. The three letter black snake (NPA) is going up. Now we should think seriously about the regulator norms of our financial sector. It may be guarantor norms, recovery rules and its implementation. All banking policy has a chance of improvement. All the recommendations work in certain limitation, condition and assumption. We cannot predict about the customers perception about the loan repayment. Out of majority and big defaulters are escape from the recovery and innocent guarantor some time trap in this incident or bank may lost its assets. Therefore now there are various techniques developed by the defaulters. At the time of application their intention may be doubtful. Sometime internal employee also involved in this activity. This study focused on impact of NPA on national economy and recommendation of regulatory norms.

KEY WORDS: Banking Sector, Gross Non Performing Assets, Net Non Performing Assets, Union Expenditure Budget, Defense Budget, Banking Norms, Guarantor, Banking performance, Banking Reforms, Credit Risk.

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