IMPACT OF NON-PERFORMING ASSETS (NPA) ON BANKS

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ABSTRACT

Non-performing assets have traditionally worried Indian banks (NPAs). This burdens the organisation as well as financial institutions. Banks lose money because non-performing assets (NPAs) cannot be used productively. Public sector banks have more NPAs. NPAs must be designed to maximise corporate efficiency and profit. The government has taken several steps to reduce NPAs. Our banks' level has fallen, but they're still high compared to worldwide standards. NPAs are unlikely to disappear. Indian banks can compete with foreign banks to meet international standards. Banks writing off bad loans contributed to the drop in non-performing assets (NPAs). Since prevention is better than cure, Indian banks must take steps to lend to creditworthy borrowers.

This paper examines the causes of banks' rising non-performing assets (NPA), their effects, recent government initiatives, Reserve Bank of India proposals, sector-by-sector NPA analysis, a comparative study of public and private sector banks, and various NPA control measures, such as monitoring loans, strengthening the recovery department, releasing a list of wi NPAs show banks' overall performance. High nonperforming assets (NPAs) reduce asset value and imply a high bank probability and net worth. The growth in NPA requires provisions, which lowers overall profits and shareholder value. Branch managers must use extreme care and study before lending to consumers. This is crucial for priority financing.

Key Words: *Financial Stability, Profitability, Risk Management, Capital Adequacy Credit worthiness, Regulatory Compliance*

INTRODUCTION

Because of the several services it provides in terms of maturity, liquidity, and risk management, the banking sector is considered to be the backbone of a nation's financial system. There is a strong correlation between the kind of banking system that is present in a country and the state of the economy in that country. Because of this, the financial system of a nation is an extremely important factor in the overall growth of that country. In the process of the growth of all the many sectors of our economy, it is of tremendous importance. India is the biggest independent democracy in the world, and it is also a rising massive economic powerhouse. As a result, it requires great support and a successful financial system that delivers wonderful prosperity in all parts of the economy. Over the course of the last three decades, the banking system has been witness to a remarkable metamorphosis, which has contributed to the extensive list of accomplishments that it has to its credit. India's expansion may be attributed, in part, to the fact that its activities are no longer restricted to urban areas or metropolitan areas; rather, they have expanded to include exceedingly remote and distant regions of our nation. However, it is essential to take note that following the implementation of LPG in India, despite the fact that the government has relaxed its policies in order to provide assistance to the banking sector, the post-economic reforms revealed a terrifying obstacle to the development of the banking sector, which is a Non-performing Assets. When the Reserve Bank of India applied the prudential regulations in accordance with the suggestion brought forth by the Narasimhan Committee during the financial year 1992-1993, the idea of non-performing assets (NPA) emerged as a current concern in the banking landscape.

As a result of its several duties in terms of maturity, liquidity, and risk management, the banking sector is considered to be the backbone of a nation's financial system. It is possible that the kind of banking system that is in place in a country accurately reflects the state of the economy in that country. As a result, the national financial system is an essential component in the overall growth of a nation. The growth of each and every sector of our economy is profoundly impacted by its importance. Due to the fact that India is the biggest independent democracy in the world and also a rising massive economic powerhouse, it need a substantial amount of assistance and a banking system that is effective in order to bring about immense prosperity in all parts of the economy. The financial system has seen a remarkable metamorphosis over the course of the previous three decades, which has contributed to the many accomplishments that it has accumulated to its credit. Among the factors that have contributed to India's expansion is the fact that its activities are no longer restricted to metropolitan areas or urban areas; rather, they have expanded to include exceedingly remote and distant regions of our nation. In spite of the fact that the government of India has relaxed its policies in order to provide assistance to the banking sector, the post-economic reforms have revealed a terrifying obstacle to the sector's development, which is a non-performing asset. It is important to note that this occurred after the implementation of LPG in India. When the Reserve Bank of India applied the prudential regulations in accordance with the suggestion brought forth by the Narasimhan Committee during the financial year 1992-1993, the idea of non-performing assets (NPA) emerged as a current concern in the banking sphere.

OBJECTIVES

1. Examine the significance of quantum non-performing assets (NPAs) and non-performing assets (NPAs) in the Indian banking system.
2. Assess the factors contributing to the escalating NPAs in the Indian banking sector.
3. Determine how NPAs have affected the Indian economy.
4. Is it possible to provide strategies and actions to mitigate the extent of non-performing assets (NPAs) in Indian banks?
5. Determine preventative and corrective steps that banks may use to mitigate current NPAs.

REVIEW OF LITERATURE

This section of the study provides an overview of the existing research work which is done on the present study as well as gaps to be fulfilled in the process of research study.

Two banking crisis experiences have been contrasted by **Sengupta and Vardhan (2017)** in the wake of liberalisation: one occurred in the late 1990s, and the other emerged subsequent to the 2008 global financial crisis, which brought attention to the problem of non-performing assets (NPAs). Strong governance, aggressive banking regulations, and a robust legal framework for the resolution of non-performing assets (NPAs) will aid in resolving the issue of NPAs, according to the authors. Conversely, regulatory restraint would have a detrimental impact on the financial crisis.

Barge (2012) finds that early monitoring and management of loaned cash is essential. To prevent the asset from becoming a non-performing asset, the research recommends greater monitoring of fund usage, credit history information, and helping borrowers build entrepreneurial abilities.

C.M. Patnaik, Satpathy, and A.K. Mohapatra (2011) C.M. Patnaik, Satpathy, and A.K. Mohapatra (2011) investigated commercial bank house loan NPAs in demystifying NPAs on Educational Loan: A Survey (with particular Reference to Selected Urban, Rural Areas and Bank Officials of Odisha). Researchers sent questionnaires to loan borrowers to gather data and provide final proposals to solve this problem.

Rajeev and Mahesh (2010) Their paper addresses NPAs following the global financial crisis. They recommend recognising and self-monitoring the NPA issue to handle it effectively. Self-help organisations may also assist recover debts.

Kaur (2012) In her empirical study on the performance assessment of Public Sector Banks in India, she attempted to identify the impact of NPA on bank finances and the causes of high NPAs. In her analysis, she stated that RBI and government must reduce NPA since it is an alarming trend that affects the Indian economy.

Shalini (2013) She studied the reasons and solutions for lowering NPAs in Indian public sector banks, focusing on agriculture. The research of Indian farmers' difficulties suggests that banks should take certain precautions before lending. Prior reporting of farmer goodwill, post-sanction inspection, and training farmers against defaulting are advised.

Bhaskaran, R., Bhalla, L., Sarin, V., Kaur, S., Rahman, A., Singh, G., Bhattacharya, A.M., Jha, A.K. and Verma, P. (2016) Their article compares governmental and private sector NPAs across 10 years (2004-2013). Their analysis shows that private banks reduce NPAs better than state banks. The authors recommend that banks develop a systematic NPA management strategy that prioritises prevention.

Mohammed Arif Pasha & T. Sri Venkataramana (2014) A research titled Non-Performing Assets of Indian Commercial Banks: A Critical Evaluation found that nonperforming assets threaten the banking system. Thus, NPA demands the greatest attention since it hinders our economy.

Vivek Raj Bahadur Singh (2016) titled He claimed in his research report on non-performing assets of commercial banks and their recovery in India that NPA has always been a big challenge for banks and the economy. Indian banks rely on interest on funds given to clients, hence NPAs would affect their profitability and liquidity. His analysis also found substantial NPA in public sector banks. Even if the government has made initiatives to minimise NPA, more has to be done to eliminate it. Finally, his analysis finds that bank NPAs are still large relative to overseas banks and that zero NPAs are unachievable. To fix this, the government and RBI should act.

Dr. Mohammed Miyan (2017) titled His study, A Comparative Statistical Approach towards NPA of PSU and Private Sector Banks in India, found that Public Sector Banks have larger non-performing assets than Private Sector Banks, even if NPA is declining. The study found that Private Sector Banks' core management is more efficient, professional, and competent than PSU Banks'. Thus, private sector banks are better at planning and recovering cash from individual and institutional borrowers. Public sector banks must help the poor, which impacts recovery. This is why public sector bank NPAs are falling sharply in recovery. Thus, government recovery tactics include one-time settlement schemes, compromise schemes, Debt Recovery Tribunals, Lok Adalats, Securitization and reconstruction of financial assets and enforcement of security interests Act 2022, Corporate Reconstruction businesses, and Information on defaulters and how credit information helps public sector banks minimise NPA. The Supreme Court's order upholding the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, helps banks recover loans and reduce NPAs. Finally, the government should reconsider privatising PSU banks and allow them compete in the market.

Sengupta and Vardhan (2017) Their research compares two banking crisis situations post-liberalization: one in the late 1990s and one following the 2008 global financial crisis that boosted NPAs. The authors believe that good governance, aggressive banking regulations, and a solid legal framework for NPA resolution may help solve NPAs. However, regulatory forbearance would hurt the financial crisis.

DATA COLLECTION METHODS

Primary Data Collection

An inquiry into people's perspectives on non-performing assets (NPAs) is being carried out. Data obtained from first-hand experiences through the use of a structured questionnaire consisting of forty individuals as the sample size. The data that has been gathered from a sample is composed in a form that is objective. The data that were acquired are quite precise, and they are only being used for the purpose of research study.

Secondary Data Collection

The collection of secondary data on people's opinions of the influence that non-performing loans have on banks may be accomplished via the use of academic publications and reliable online sites such as Google Scholar. It is important to do research on the variables that are leading to the increasing amount of bad loans in the banking sector of India.

Conduct an analysis of previous research in order to gain a better understanding of the factors that influence people's perceptions in this research regarding the level of satisfaction that respondents have regarding the various ways in which non-performing assets (NPA) are being accumulated on the Indian economic sector.

DATA ANALYSIS

When doing analysis, it is important to make use of both quantitative and qualitative methods. The use of statistical techniques is recommended for the aim of evaluating survey data and reviewing the survey itself. For the purpose of obtaining qualitative questionnaire data, you should make use of a questionnaire.

DEMOGRAPHIC FACTORS

FREQUENCY TABLE			
		FREQUENCY	**PERCENTAGE**
	18 to 30	28	70%
	30 to 50	11	27.50%
	50 and above	1	2.50%
AGE	**TOTAL**	40	100%
	Female	27	66.70%
	Male	13	33.30%
GENDER	**TOTAL**	40	100%
	Undergraduate	9	23.10%
	Postgraduate	13	33.30%
	Professional	18	43.60%
EDUCATION LEVEL	**TOTAL**	40	100%
	working professional	23	57.50%
	Non-working professional	17	42.50%
EMPLOYMENT STATUS	**TOTAL**	40	100%
	Marriage	14	35%
	Bachelor	26	65%
MARITAL STATUS	**TOTAL**	40	100%

The frequency table that has been supplied contains information on a variety of demographic factors, including age, gender, education level, employment status, and marital status. The data will be analysed and interpreted as follows:

The bulk of respondents, which accounts for seventy percent of the entire sample, are between the ages of 18 and 30, with the majority falling within this age range. People between the ages of 30 and 50 make up 27.50 percent of the population. In terms of the sample, those who are fifty years old or older make up a lesser share, accounting for 2.50 percent of the total.

Men make up 33.30 percent of the sample, while females make up 66.70 percent. This indicates that females are more prevalent in the sample than males.

Level of Education: The distribution of education levels reveals that 43.60 percent of respondents had a professional education, making it the group with the greatest percentage of educational attainment. Students who are enrolled in undergraduate programmes make up 23.10 percent of the total, while postgraduate students make up 33.30 percent.

Relationship to Employment: The majority of respondents, which accounts for 57.50 percent, are employed professionals. 42.50 percent of the sample is comprised of professionals who are not currently employed.

In terms of marital status, the majority of respondents are single without children, accounting for sixty-five percent of the sample. People who are married make up the remaining 35 percent of the population.

ANALYSIS

Government schemes of debt waivers, debt restructuring increase the chances of being NPA		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	03	7.90%
Agree	14	34.20%
Moderately Agree	12	28.90%
Disagree	09	23.70%
Strongly disagree	02	5.30%
Total	**40**	**100%**

Interpretation

Responses to a statement on the influence of government programmes that include debt restructuring or debt waivers on the possibility of loans becoming non-performing assets are shown in the table. Seventy percent of respondents, including seventy percent who strongly agree, thirty-four and a half percent who agree, and twenty-eight and a half percent who somewhat agree, have shown some degree of agreement with the statement. A total of 29 percent of respondents have expressed their disapproval with the remark, with 23.70 percent disagreeing and 5.30 percent strongly disagreeing. Within the agreement spectrum, which includes Strongly Agree, Agree, and Moderately Agree, the majority of respondents (63.00 percent) fell within the agreement spectrum. The interpretation is based on the assumption that respondents have a comprehensive comprehension of the ideas of debt restructuring, debt waivers, and non-performing assets (NPAs).

Recovery measures should be enhanced and strengthened to reduce NPA		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	02	5.30%
Agree	14	34.20%
Moderately Agree	16	39.50%
Disagree	06	15.80%
Strongly disagree	02	5.30%
Total	**40**	**100%**

Interpretation

The following table contains answers to a statement that was related to the idea that recovery methods need to be improved and reinforced in order to decrease the amount of non-performing assets (NPAs). There is a total of 79 percent of respondents who indicate some degree of agreement with the statement. Of those respondents, 5.30 percent strongly agree, 34.20 percent agree, and 39.50 percent somewhat agree. Twenty-one percent of those who participated in the survey expressed dissatisfaction with the statement, with 15.80 percent disagreeing and 5.30 percent strongly disagreeing. The vast majority of responders, which accounts for 73% of the total, are in agreement with the statement (Strongly Agree, Agree, and Moderately Agree). A total of 21 percent of the respondents are members of the minority view, which is comprised of those who disagree and strongly disagree with the statement.

CIBIL score has been ineffective in controlling NPAs		
RESPONSES	**FREQUENCY**	**PERCENTAGE**

Strongly Agree	09	21.10%
Agree	13	31.60%
Moderately Agree	09	23.70%
Disagree	08	21.10%
Strongly disagree	01	2.60%
Total	40	100%

Interpretation

Responses to a statement about the efficiency of the CIBIL score in managing non-performing assets are shown in the table (NPAs). There is a total of 76.40 percent of respondents who express some degree of agreement with the assertion that the CIBIL score has not been efficient in limiting NPAs. Of these respondents, 21.10 percent strongly agree, 31.60 percent agree, and 23.70 percent somewhat agree with the statement. A total of 23.70 percent of respondents have expressed their dissatisfaction with the statement, with 21.10 percent disagreeing and 2.60 percent strongly disagreeing. Seventy-six and forty percent of those who participated in the survey are in agreement with the statement (Strongly Agree, Agree, and Moderately Agree). A total of 23.70 percent of the respondents are members of the minority view, which is comprised of those who disagree and strongly disagree with the statement.

Training regarding credit risk management to banks staff inadequate		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	04	10.50%
Agree	15	36.80%
Moderately Agree	14	34.20%
Disagree	06	15.80%
Strongly disagree	01	2.60%
Total	**40**	**100%**

Interpretation

The following table contains participants' answers to a statement that inquired about the appropriateness of training for bank employees about credit risk management. Seventy-five percent of respondents (10.50 percent strongly agree, 36.80 percent agree, and 34.20 percent moderately agree) express some level of agreement with the statement that training for credit risk management for bank staff is inadequate. This represents a total of 81.50 percent of respondents. A total of 18.40 percent of the respondents are members of the minority view, which is comprised of those who disagree and strongly disagree with the statement. 81.50 percent of respondents expressed some degree of agreement with the statement that training about credit risk management for bank staff is insufficient. This indicates that a substantial number of respondents hold this belief. On the other hand, a significant proportion of respondents, namely 18.40 percent, are not in agreement with this viewpoint.

Fixing pre sanctioning appraisal responsibility and having effective post disbursement supervisor can put a check on NPA		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	05	13.20%

Agree	15	36.80%
Moderately Agree	13	31.60%
Disagree	6	15.80%
Strongly disagree	1	2.60%
Total	**40**	**100%**

Interpretation

Responses to a statement about the possible efficacy of establishing pre-sanctioning appraisal responsibility and having an effective post-disbursement supervisor in the management of non-performing assets are shown in the table (NPAs). In terms of the effectiveness of implementing measures such as fixing pre-sanctioning appraisal responsibility and having an effective post-disbursement supervisor to control non-performing assets (NPAs), the responses indicate that the respondents have varying opinions regarding the effectiveness of these measures. There are a total of 18.40 percent of respondents that disagree with the statement, with 15.80 percent of them strongly disagreeing and 2.60 percent disagreeing with it. An overwhelming majority of responders, which accounts for 81.60 percent, are in agreement with the statement (Strongly Agree, Agree, and Moderately Agree). A total of 18.40 percent of the respondents are members of the minority view, which is comprised of those who disagree and strongly disagree with the statement.

Strict legal action must be taken against wilful defaulters		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	11	26.30%
Agree	13	31.60%
Moderately Agree	13	31.60%
Disagree	3	10.50%
Strongly disagree	0	0%
Total	**40**	**100%**

Interpretation

The following table contains replies to a statement that questions the need of taking stringent legal action against those who willfully fail on their obligations. Over the course of the survey, 89.50 percent of respondents expressed some level of agreement with the statement that strict legal action must be taken against willful defaulters. Of those respondents, 26.30 percent strongly agreed, 31.60 percent agreed, and 31.60 percent moderately agreed with the statement. In sum, 10.50 percent of those who responded are of the opinion that the statement is incorrect. The overwhelming majority of responders, which accounts for 89.50 percent, are in agreement with the statement (Strongly Agree, Agree, and Moderately Agree). On the other hand, just a tiny fraction of respondents (10.50 percent) disagree with the statement, and there are no respondents who strongly disagree (Strongly Disagree). With 89.50 percent of respondents indicating some degree of agreement, a substantial and overwhelming majority of respondents are of the opinion that intentional defaulters should be subjected to stringent legal punishment.

Proper training should be given to staff for effective supervision, follow up and risk management		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	13	31.60%
Agree	16	39.50%

Moderately Agree	8	21.10%
Disagree	3	7.90%
Strongly disagree	0	0%
Total	**40**	**100%**

Interpretation

A statement was made emphasising the significance of giving appropriate training to workers in order to ensure effective supervision, follow-up, and risk management. The replies to this statement are shown throughout the table. A total of 92.10 percent of respondents (31.60 percent strongly agree, 39.50 percent agree, and 21.10 percent moderately agree) have indicated that they are in some degree of agreement with the statement that appropriate training should be provided to staff in order to ensure effective supervision, follow-up, and risk management. Out of the total number of responders, 7.90 percent are in disagreement with the statement. Within the range of agreement, the great majority of respondents (92.10 percent) are found to be in agreement (Strongly Agree, Agree, and Moderately Agree). There is not a single responder who has expressed significant disagreement (Strongly Disagree), and just 7.90 percent of respondents have expressed disagreement about the statement.

Maintaining a continuous report/communication with the borrowers can reduce NPA		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	6	15.80%
Agree	18	44.70%
Moderately Agree	11	26.30%
Disagree	1	2.60%
Strongly disagree	4	10.50%
Total	**40**	**100%**

Interpretation

The following table contains replies to a remark that was made expressing the view that reducing the amount of non-performing assets may be accomplished by keeping continuous report and communication with borrowers (NPAs). A total of 86.60 percent of respondents, with 15.80 percent strongly agreeing, 44.70 percent agreeing, and 26.30 percent moderately agreeing, have expressed some level of agreement with the statement that maintaining continuous report/communication with borrowers can reduce non-performing assets (NPAs). A total of 13.10 percent of respondents, including 2.60 percent who disagree and 10.50 percent who strongly disagree, have expressed their displeasure with the statement. The vast majority of responders, which accounts for 86.60 percent, are on the spectrum of agreement (Strongly Agree, Agree, and Moderately Agree). A total of 13.10 percent of the respondents are members of the minority view, which is comprised of those who disagree and strongly disagree with the statement.

Effective corporate governance corporate bodies itself may be helpful in reducing NPA		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	7	18.40%
Agree	15	36.80%
Moderately Agree	14	34.20%
Disagree	1	2.60%
Strongly disagree	3	7.90%

Total	**40**	**100%**

Interpretation

A statement was made on the idea that good corporate governance within corporate entities may be useful in lowering non-performing assets. The replies to this statement are shown in the table (NPAs). A total of 89.40 percent of respondents express some level of agreement with the statement that effective corporate governance within corporate bodies may be helpful in reducing non-performing assets (NPAs). Of those respondents, 18.40 percent strongly agree, 36.80 percent agree, and 34.20 percent moderately agree with the statement. A total of 10.50 percent of respondents, including 2.60 percent who disagree and 7.90 percent who strongly disagree, have expressed their displeasure with the statement. Eighty-nine point forty percent of those who participated in the survey are in agreement with the statement (Strongly Agree, Agree, and Moderately Agree).

Banks should be given liberty to reduce rate of interest for economically weaker section		
RESPONSES	**FREQUENCY**	**PERCENTAGE**
Strongly Agree	7	18.40%
Agree	12	28.90%
Moderately Agree	14	34.20%
Disagree	4	10.50%
Strongly disagree	3	7.90%
Total	**40**	**100%**

Interpretation

Presented in the table are comments to a statement that suggests financial institutions need to be granted the authority to lower the interest rate for the economically disadvantaged segment of the population. Out of the total number of respondents, 81.50 percent express some degree of agreement with the statement. Of those respondents, 18.40 percent strongly agree, 28.90 percent agree, and 34.20 percent somewhat agree. A total of 18.40 percent of respondents, with 10.50 percent disagreeing and 7.90 percent strongly disagreeing, have expressed their disapproval with the statement. The majority of responders, which accounts for 81.50 percent of the total, are on the spectrum of agreement (Strongly Agree, Agree, and Moderately Agree). A total of 18.40 percent of the respondents are members of the minority view, which is comprised of those who disagree and strongly disagree with the statement.

FINDINGS

1. The replies reveal a diversity of viewpoints among the participants about the correlation between government debt reduction initiatives and the likelihood of loans defaulting into non-performing assets (NPAs).
2. The replies reveal that respondents have a range of views about the need of bolstering and improving recovery strategies in order to decrease non-performing assets (NPAs).
3. The results reveal a diversity of viewpoints among the participants with respect to the efficacy of the CIBIL score in managing non-performing assets (NPAs).
4. The results demonstrate that the majority of respondents agree that stringent legal action is required against intentional defaulters.
5. The results suggest that there is a range of viewpoints among the participants about the efficacy of consistent contact with borrowers in mitigating non-performing assets (NPAs).
6. The replies indicate that the respondents have a variety of views about the sufficiency of credit risk management training for bank personnel.

7. The replies reveal a diversity of viewpoints among the participants over the extent to which banks ought to be permitted to decrease interest rates for the economically disadvantaged segment.

CONCLUSION

Non-Performing Assets (NPAs) and their management in the banking industry are complex topics, and the replies show that. The complexity of the problems at hand is shown by the range of viewpoints among responders.

There seems to be no universal agreement on the effectiveness of government debt relief programmes based on the diversity of views on the correlation between these programmes and the probability of loans becoming nonperforming assets. The complex nature of the problems surrounding NPA recovery is shown by the differing views on the need of improving and reinforcing recovery strategies in order to decrease NPAs.

There has to be a more in-depth investigation of the elements impacting these viewpoints due to the divergent views on the CIBIL score's efficacy in managing NPAs.

It is clear that respondents believe in the value of a strong legal framework since there is a solid agreement that intentional defaulters must face stern legal punishment.

Economic, regulatory, and ethical factors all play a role in the varied views on whether or not banks should be permitted to lower interest rates for the economically disadvantaged part.

Essentially, the results highlight how important it is to tackle the problems caused by NPAs with a holistic and situationally appropriate strategy. If the banking industry is serious about improving its nonperforming asset management practises, it must do more studies and work together with other relevant parties, such as regulators and lawmakers.

FUTURE STUDY

This detailed research examines NPAs' diverse effects on a nation's macroeconomic well-being. I examine the complex link between banking sector NPA levels and economic health, including their effects on GDP growth and possible barriers to economic development. Financial institutions' risk management strategies to limit NPA effect are evaluated, with an emphasis on credit risk model efficacy and proposed improvements. This report also examines how blockchain, artificial intelligence, and machine learning may improve NPA detection and management, operational efficiency, and fintech's involvement in NPA reduction. To understand how NPAs affect social welfare, economic inequality, and financial inclusion, their social and ethical aspects are examined. To fully comprehend NPAs, the research emphasises the global viewpoint, taking into account cultural, economic, and regulatory differences in banking systems.

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