AN ANALYSIS OF NONPERFORMING ASSETS:
A STUDY OF INDIAN BANKS FOR PRE AND POST CRISIS.

ABSTRACT

The financial crisis following the Lehman Brothers collapse contributed to financial losses and deterioration of assets quality leading to large non performing assets in banking sector across the world. The banking sector holds the key to economic development. The soundness of the banking sector is crucial in maintaining economic stability. This study examines the changes in the critical parameter of banks’ strength, the non performing assets of Indian banks across different ownership; public sector, old private sector and new private sector from 2005 to 2011. We find that there is gradual decrease in the NPA as a percentage of total advances till 2007, but the trend is reversed in 2007-2010 for private sector banks NPA as a percentage of total advances rose. Not surprisingly, the credit deposit ratios for banks have risen steadily indicating the greater appetite for risk by banks in India.

Keywords: nonperforming assets, advances, financial crisis