IJARSCT

ISSN (Online) 2581-9429

International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

IJARSCT

Impact Factor: 6.252

Volume 2, Issue 1, September 2022

Analysis of the Growth of Non-Performing Assets (NPAs) and Factors Influencing the Restructuring of Indian Financial Institutions

Ms. Namrata Bhalerao[1], Mr. Ashish Singh[2], Mr. Shikhar Yadav[3]

Assistant Professor, Lilavati Lalji Dayal Night College of Commerce, Charni Road, Mumbai[1]

FYBMS, Lilavati Lalji Dayal Night College of Commerce, Charni Road, Mumbai[3]

FYBCOM, Lilavati Lalji Dayal Night College of Commerce, Charni Road, Mumbai[4]

Abstract*:* *The recent restructuring of Public Sector Financial institutes (PSBs) has generated significant interest among various economic stakeholders, including as investors, depositors, borrowers, financial institute staff, and the executive teams of the merging organizations. Depositors aim to ensure their financial stability, while borrowers from merging companies are looking for alternative loans that provide cheaper interest rates and faster processing. Investors will prioritize a higher rate of dividend payments and an appreciation in the value of their assets, while employees would prioritize the enhancement of their working conditions. The senior leadership will seek greater independence to effectively oversee and operate their multiple institutions, with the aim of expanding and maximizing profitability. The initial Narasimham Committee proposed in 1991 that robust financial institutes should merge. After an extensive period of 28 years, the Indian government finally acted upon the vital recommendation from the committee. The significant accumulation of non-performing assets (NPAs) in public sector financial institutes and the subsequent need for recurrent recapitalization are commonly believed to be the reasons for this slow response. Any government that regularly provides more capital to public sector financial institutes (PSBs), while also being the majority shareholder and having full administrative control over their boards and senior management, is participating in a moral hazard and practicing poor economics. The utilization of taxpayer funds, which are earned to promote the economic development of the country, for the purpose of enabling Public Sector Financial institutes (PSBs) to meet the regulatory capital requirements set by international standards and the provisioning needs mandated by the Reserve Financial institute of India, is questionable. The government's objective behind the merger is to enhance the size and global competitiveness of PSBs, while also improving their access to financial markets for funding purposes. The need to restructure Public Sector Financial institutes can be assessed by examining the growth of Non-Performing Assets (NPAs) and the financial deterioration of PSBs over time, as similar government interventions may be necessary in the future. The establishment of "too big to fail financial institutes" with worldwide influence, as a result of the Government of India's restructuring law, would depend on the enhancement of financial performance indicators of PSBs in the next years*

Keywords: stakeholders, recapitalisation, government, financial institutes, restructuring, Non-performing assets (NPA)