

Impact of Demonetization on NPA Position of Indian Banks

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Abstract— Demonetisation affects almost all service sectors of the nation, of which banking sector is the most affected one. It brings many opportunities as well as threats to the banking sector. This demonetisation has brought huge funds into banks i.e. approximately 17 lakh crores within 30th December 2016 but on other hand it also brings few difficulties like long queue of customers at banks, overtime work for banking staff, difficulty in handling numerous accounts, idle funds due to delay in mobilisation of deposits, etc. Now one of the major threats of banking sector is rising of NPAs. The paper basically focuses on the how this demonetisation would affect this most crucial issue of banking industry. Can this demonetisation control such NPAs? Hence, both the positive and negative aspects of demonetisation related to NPAs are discussed in this paper. In addition to that the paper also elucidates the method of squaring off amount of net amount deposited by borrowers against the loan taken by them and how this demonetisation prevents diversion of funds which is also a cause for increasing wilful defaulters are also discussed in this paper. This paper is an attempt to highlight the short term as well as the long term effects of demonetisation on NPA levels of Indian Banks.

Keywords : *Demonetisation, Non-Performing Assets (NPA), Wilful defaulter, Diversion of Funds*

I INTRODUCTION

During the Modi Government, many reforms and measures have taken place to strengthen the Indian economy and among these measures Demonetisation is considered the boldest and biggest decision ever taken by any Prime Minister of India. This Demonetisation of 500 and 1000 notes on 8th November, 2016, is one of the strategic steps to uproot the parallel economy from the country and also to encourage the people to convert the present economy to a cashless economy with prime object of throwing out the black money from the money circulation of economy in future. Demonetisation not only affected the parallel economy but also the whole economy i.e. from consumers to producers, from farmers to giant industries and from manufacturing industry to service sectors.

Among the various service sectors in India, Banking Sector is one of the most affected sectors by demonetisation in both positive and negative aspects. On

one hand, after this demonetisation, there is an inflow of huge funds, increase in the number of customers, expansion of banking activities, increase in the volume of number of transactions through banks, etc. but on the other hand, it has also created a lot of problems like long queue of customers at banks, overtime work for banking staff, difficulty in handling numerous accounts, idle funds etc. In addition to that it is also necessary to know whether this demonetisation could solve the biggest problem of Indian banks i.e. rising of Non-Performing Assets (NPAs). "Since the demonetisation announcement came on 8 November, branches have been filled with customers and everyone, including the manager, has been trying to manage withdrawals and deposits."¹ Along with managing the withdrawals and deposits, the bank managers are also trying to manage the NPAs and trying to take preventive steps before the accounts get converted into NPAs. Some large and medium sized cases which were under watch for delaying or defaulting payments for more than 60 days after due date, are now being reviewed. It is quite essential to study whether there is any improvement in the management of stressed assets after this demonetisation. Hence, this study is an attempt to determine effect of demonetisation on NPA levels of Indian Banks by studying the amount deposited and the rate of repayment of loan by borrowers after demonetisation.

II REVIEW OF LITERATURE

(Chatterjee & Banerji, Dec, 2016)The authors highlighted about the demonetisation of Rs. 500 and Rs. 1000 notes announced by the Prime Minister of India on 8th Nov, 2016 along with the various ways for the proper implementation of demonetisation like exchange of old currency notes for new Rs. 500 and Rs. 1000 currency notes within 50 days, KYC requirements for depositing money into bank accounts, limited cash withdrawals, uses of old notes in specified institutions for a limited period. The authors also discussed regarding the decrease in liquidity in Indian economy for short period of time and increase in deposits of banks due to demonetisation. Demonetisation will also affect the GDP and caused a sharp

¹Mishra, H. (2016, December 12). Bankers take stock of NPA cases as demonetisation slows bad loan management. Retrieved March 2, 2017, from <http://www.livemint.com/Industry/3Kq2Pk2pYcOTWoAnkIj500/Bankers-take-stock-of-NPA-cases-as-demonetisation-slows-bad.html>

decline in the availability of disposable income, affecting spending patterns and consumption trends in the economy in the short term. It also encourages the people to use alternative methods of payments. The authors has analysed in detail the impact of Demonetisation on only two key sectors namely Real Estate and Automobiles companies.

(Bansal, Jan, 2017) According to author Demonetization can be said as a Surgical Strike on Black Money, Terrorism, Fake Currency, Unorganized trading, Real Estate, Share market etc. Within 3 days of that striking decision arbour. 35000 Crores were deposited in banks and approximate Rs. 1500 Crores of black money were destroyed. The author mentioned the various reasons behind demonetisation like fake currency, black money, more stability in economy in future, to restrict the use of black money by political parties, unorganized trading and less cash economy. The author studied the impact of demonetisation on the three sectors that contributes to GDP i.e. Agriculture, Manufacturing and Service. With the help of few data the author concluded that the demonetisation has negatively affected all these three sectors only in short run but in long run it may bring many favourable aspects to these sectors.

(Rao, Mukherjee , Kumar, Sengupta, Tandon, & Nayudu, 2017) The authors studied the impact of demonetisation on the basis of demand for cash by various agents in economy. According to authors there are four types of transactions Unaccounted Transactions (legitimate Transactions but not tax paid illegal transactions (corruption, crime etc) Informal Sector and Accounted Transactions and taking into consideration the medium of exchange and store of value the demand for cash is determined. This demonetisation affected all these transactions. The authors studied the effects of demonetisation on circulation of currency and the deposits made by people into banks. The paper discussed the short term and medium term impacts of demonetisation in which the authors mentioned that demonetisation has adversely affected the non-organised retailing like transport services, kirana, fruits and vegetables and all other perishables in short run, negligible effects on agents dealing in non-essentials and severely affected the real estate. The paper analysed in detail the effects of demonetisation on Agriculture, Automobiles and Construction companies.

(Paramahansa& Eliot, 2017) The authors portrayed a picture regarding the long-term benefits and short-term costs of demonetisation. The benefits as well as the negative face of cashless economy were presented. Moreover, the paper highlighted the effects of demonetisation on circulation of currency, GDP, black money, corruption and taxation.

Few researches have been conducted in which the general impact of demonetisation on economy has been

studied along with its short term and long term effects on many sectors. Moreover, a study has been conducted to determine its long run benefits at short term cost. No research has been conducted yet relating to the impact of demonetisation on Non-Performing Assets of banks. Hence this paper is an attempt to analysed the impact of this recent demonetisation (i.e. Nov,2016) on NPAs of Indian Banks.

Objective of the Study

- To study the Pre & Post Demonetization impact on the Balance Sheet of RBI
- To study the positive and negative aspects of demonetization on related to NPAs of Indian Banks.
- To analyse the short term and long term impact of Demonetization on future NPAs position.

Research Methodology

The research is analytical in nature. In this study only secondary data were collected from different newspapers, magazines and websites. The data collected through various sources are properly tabulated and analysed. Demonetisation affects many sectors of the Indian Economy but this paper is basically concentrated on a particular aspect related to the NPA of Indian Banks. The period of study is confined to last 4 months i.e. from November, 2016 to March, 2017.

Significance of the Study

Banking industry, one of the most important service sectors of India is the most affected sector by this decision. So it is important to study its effect especially on the NPA position which is a biggest bottleneck for Indian Banks since the world crisis of 2008. The study may make people aware about the positive as well as the negative aspects of demonetisation on banking sector to the policy makers. In addition to that, paper could also provide a futuristic situation of NPA position of Indian banks which will be helpful for further researches in this area. This paper has also pointed out few lacunas related to poor lending policy which is also responsible for increasing these NPAs.

Limitations of the Study

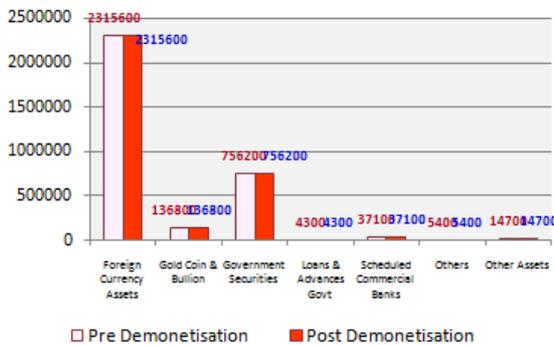
- Demonetization is a recent step taken by Government of India. Hence, it is quite difficult to analyze the impact of demonetization on NPA levels within a specific geographical area is difficult.
- The data related to the impact of demonetization is not sufficiently available on the websites of any bank or RBI. A proper picture regarding the impact of demonetization can be clearly reflected after 31st March 2017 when the banks and RBI would show
- The short run impact of demonetization can be seen on NPA levels at macro level by studying the present data available on newspapers but the exact NPA level for a long run period can only be predicted.

About the Problem

The recent demonetisation has affected many sectors of which Banking Sector is one of them. There are many

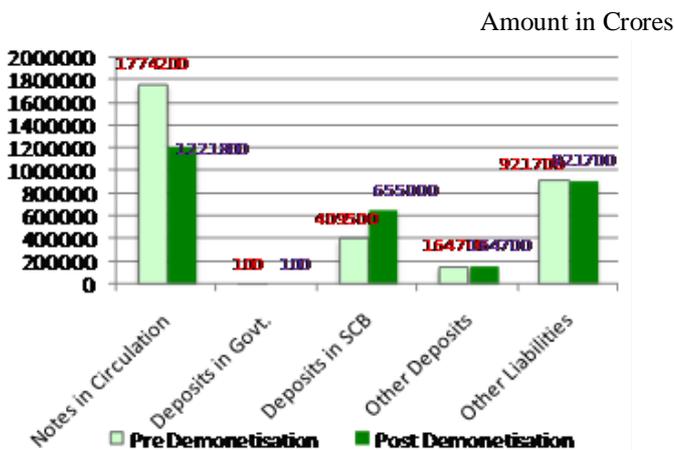
important items of balance sheet of Reserve Bank of India like Government Securities, notes in circulation, gold coin and bullion, loans and advances to government, deposits in scheduled commercial banks, foreign currency assets, etc. This demonetisation has severely affected the two major elements of RBI Balance sheet namely the Notes in Circulation and Deposits of Schedule Commercial banks. As the old Rs.500 and Rs.1000 notes have been banned a huge inflow of funds into commercial banks can be seen and circulation of value of new currency notes is less as compared to old circulation of old notes. A clear picture could be seen with the help of the bar diagrams that shows the pre and post impact of Demonetisation on the items of balance sheet of RBI.

**Pre and Post Demonetisation Effect on Asset Side of
 Balance Sheet of RBI**
 Amount in Crores



The above bar diagram depicts the various items like Foreign Currency Assets, Gold Coin & Bullion, Government Securities, Loans & Advances to Government, etc. shown on the assets side of Balance Sheet of RBI. There is no impact of demonetisation on the assets of RBI.

**Pre and Post Demonetisation Effect on Liability Side of
 Balance Sheet of RBI**



The above bar diagram reveals the various items shown on the liability side of Balance sheet of RBI. The demonetisation has significantly affected the two major item of liabilities of RBI i.e. Notes in Circulation and Deposits in

schedule commercial banks. During pre-demonetisation the amount of notes in circulation was Rs. 17,74,200 crores and after this demonetisation the amount of notes in circulation has been reduced by 31.13% and reached to Rs.12,21,800 crores. On the other hand a tremendous increase in Deposits in Scheduled Commercial banks can be seen after demonetisation. During Post-Demonetisation the deposits in Scheduled Commercial Banks are increased to 6,55,000crores which was Rs. 4,09,500 earlier.

Many steps have been taken to control the NPAs of Indian Banks but still the problem exists. The demonetisation would definitely affect the NPA levels but it is to be observed whether it affects positively or negatively. "By December 30, the last date for depositing the banned notes in bank accounts, this figure is likely to cross Rs 17 lakh crore."²Can these deposits bring a significant change in the NPA position of banks, is an important question which is to be answered soon. Therefore, the situation should be studied from both aspects to study the impact of demonetisation on NPAs.

Positive aspects of demonetisation on NPAs

Many steps have already been taken to control the NPAs but the problem has not yet been solved. Though the prime objective of demonetisation was not to eliminate the NPAs but still it affects many areas of every sector. The following mentioned points cover those e aspects regarding the positive impact of demonetisation on NPAs.

1. Eliminate one major Cause of NPAs i.e. Diversion of Funds :

There are various causes of NPAs and diversion of funds by the borrower is one of the significant cause of it. The purpose for which the amount of loan is taken by the borrower is sometimes used for other purpose due to which there is a high possibility on the part of the borrower to make default in the repayment of loan within the time limit and as a result it gets converted into NPA. After demonetisation the possibility of diversion of funds has almost become nil. The reason being is this demonetisation not only brought the rule for exchange of 500 and 1000 rupees note but also brought the technology for tracking of new notes through satellite. Even government also makes mandatory to transfer money through banks only to make valid contracts. This is the prime reason the borrowers cannot use or invest the funds taken for a particular purpose on anywhere else.

2. Possible to Square off the Excess Deposited Funds

:After this demonetisation even the borrowers if they have cash in hand have to deposit their cash into bank. The Net amount deposited by the borrower would give the opportunity to the banks to set off the deposited amount against the loan taken by the borrower. This could be properly explained with an example.

² Sharma, R. (2016, December 03). Bank deposits may touch Rs 17 lakh crore by 30/12. Retrieved March 02, 2017, from <http://www.rediff.com/business/column/bank-deposits-may-touch-rs-17-lakh-crore-by-3012/20161203.htm>



Let Mr. X is the borrower of a bank amounting to Rs. 10,00,000 and he has to pay the Rs. 42,000 quarterly for 7 years. If the borrower was a defaulter of last 2 instalments and considered as NPA but he had Rs. 2,00,000 cash with him which comes from any source, which has to be deposited within 31st December 2016, out of which he could withdraw a maximum of Rs. 1,00,000 (Rs. 20,000 per week for 5 weeks) and his net deposited amount was Rs. 1,00,000. Now the bank could square off this Rs. 1,00,000 against the total due of Rs. 1,26,000 (i.e. last 2 instalments of Rs. 42,000 each and 42,000 of current due).

Table No.1

Net Amount Deposited after Demonetisation

Date	Deposits	Withdr awal	Excha nge	Net Amount Deposited
Nov 10 - Nov 18, 2016	5,11,565	1,03,316	33,006	3,75,243
Nov 19 - Nov 27, 2016	2,99,468	1,13,301	942	1,85,225
Nov 28 - Dec 31, 2016	8,89,967 (approx.)	NA	NA	-
Total	17,00,000 (approx.)	-	-	-

(In Rs. crores)

Source: Compiled Data –RBI

The above table shows the total deposits made by the people into banks, withdrawal of cash, exchange of Rs. 500 and Rs. 1000 notes and the Net Amount Deposited after demonetisation. During 10th Nov, 2016 to 18th Nov, 2016 the Net amount deposited was Rs. 3,75,243 i.e. after deducting the amount of withdrawal and exchange. Similarly the net amount deposited during 19th Nov, 2016 to 27th Nov, 2016 was Rs. 1,85,225 and finally during 28th Nov to the end of the year 2016 the total deposits reached to 17 lakhs crores approx. Such huge amount which include amount received in borrowers account could be used to square off the NPAs and against the loan taken by them.

Table No. 2

Growth in Bank Deposits

Month	Growth in per cent
Apr-Oct-16	6.4%
Oct-16	9.3%
Nov-16	15.7%
Dec-16	14.9%
Jan-17	13.5%
Feb-17	12.6%

Source-Website of RBI

In support of the table No.1 the above table shows the growth in bank deposits. The table clearly indicates that in

the month of November, 2016 the growth rate is nearly 16% which is the highest growth rate of bank deposits among other months. It is clear that demonetisation creates a huge impact on the deposits of banks which may ultimately help the banks to set off the amount of NPAs soon.

3. Possible to provide adequate funds to Authentic Clients in Future: This demonetisation compelled the people to deposit their cash into bank. Now the banks are flushed with huge amount of funds which could also bring opportunities to the banks to provide sufficient amount of funds to more authentic clients who were deprived earlier. Such step lead to the less possibilities of occurring NPAs in future.

4. Chances of Recovery even from Wilful Defaulter : Now it would be a great opportunity for banks to make recovery even from wilful defaulters also. Moreover, many borrowers also wanted to set off their loans by giving cash after this demonetisation. At most big banks, there has been an increase in payments by defaulters in unsecured portfolios, agriculture and SME loans. Banks say that going by the trend, some corporate borrowers may pay up in cash towards the end of December. "If some customers have 3-4 pending EMIs, they want to come and settle in cash," Dipak Gupta, joint managing director at Kotak Mahindra Bank, told ET. "Customers are using this (demonetisation) as an opportunity if they have surplus cash and don't know how to dispose of it - the simple way is paying off old dues. On our unsecured loan side, we have seen this happen." Broking firm Jefferies said in a report that there will increasingly be more default paydowns by banking customers. "In the last 10days, banks have witnessed borrower willingness to clear off default positions (possibly using cash),"³ it said.

5. Provide adequate amount of loan to Primary Sector and MSMEs: "A large chunk of NPAs of banks are from large enterprises. There is higher risk involved," Ghosh said. "So, bankers might have taken aconscious decision to lend less to them."⁴ Even though most of the NPAs belong to large scale industries, the impact on loan disbursals has been felt by small and medium enterprises (SMEs). The government and Banks are soft on the corporates who have taken loans of thousands of crores of rupees, while they are very strict and merciless against the poor who have taken small loans. At least the government and banks should publish names of these big rich people, whom the government and the banks are making all .

³Shukla, S. (2016, November 23). Demonetisation: Now defaulters queue up to settle loans with old notes. The Economic Times. Retrieved March 7, 2017, from [http://economictimes.indiatimes.com/news/economy/finance/](http://economictimes.indiatimes.com/news/economy/finance/demonetisation-now-defaulters-also-queuing-up-to-settle-loans-with-old-notes/articleshow/55570019.cms)

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⁴Mulye, P. (2017, January 13). Demonetisation: After Notebandi, banks flush with money, but companies in no shape to borrow. The Economic Times. Retrieved March 11, 2017.



This demonetisation has brought an inflow of huge funds from the public which would provide more opportunities for the banks to provide adequate funding even to primary sector as well as to MSMEs. In addition to that “RBI has said it will give small borrowers additional 30 days to repay, over and above the 60 days extended repayment period announced last month. This relief applies to dues payable between November 1 and December 31, 2016 — the period when demonetisation impacted small borrowers.”⁵

Negative aspects of demonetisation on NPAs

1. Idle Fundswill lead to Overcapitalisation : Though it's a good sign for the banks that people have made huge amount of deposits due to this demonetisation which would not only help the banks in getting sufficient amount of funds but on the other hand it may also bring over capitalisation of banks. “Demonetisation, apparently, has led to a swelling number of bank deposits, but even if there is a significant thrust from the government, it may take banks between nine to 12 months to deploy such funds profitably.”⁶ Now it has become a big hurdle on the part of the bankers in deciding the proper way of utilising these idle funds.

In addition to that during Post-demonetisation, 23.3 million new accounts were opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY), bulk of which (80 per cent) were with public sector banks. Of the new Jan Dhan accounts opened, 53.6 per cent were in urban areas and 46.4 per cent in rural areas. Deposits under PMJDY accounts increased significantly post demonetisation. The total balance in PMJDY deposit accounts peaked at 746 billion as on December 7, 2016 from 456 billion as on November 9, 2016 - an increase of 63.6 per cent. As there were reports regarding the use of these accounts to convert black money into white, the Government issued a warning against the misuse of such accounts.

The Government also capped deposits into PMJDY accounts at 50,000 on November 15, 2016. Although deposits declined to 643 billion as on March 1, 2017, they were still higher by 41 per cent over the level of November 9, 2016. Jan Dhan accounts contributed 4.6 per cent in total accretion of aggregate deposits of Schedule Commercial Banks in the post-demonetisation period shown in the Table mentioned below.

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As a huge increment can be seen in the deposits in the accounts opened under PMJDY which not only indicates that a huge amount of money has been deposited by the persons having colossal amount of cash in hand, into these accounts but it would also create a big problem for banks to utilise such funds in such a manner to get an effective return.

2. Future NPA may Increase: After this demonetisation the banks are having huge amount of deposits. The banks are required to search new and more clients to lend such huge deposits as soon as possible in order to avoid the accumulation of idle funds. Such tendency of lending by banks may lead to faulty evaluation of projects and consequently the number of defaulters may rise in future which leads to further increase in NPA.

It is clear that the demonetisation has affected the NPAs in both aspects but it is also necessary to study how much time the impact of this step will linger. Hence an analysis has been done to know the whether the effects will linger for a long period or it will vanish soon.

Analysis of Short term and Long term Impact of Demonetisation on NPAs.

If short run impact on NPAs is considered then the amount of Non-Performing Assets has reduced a little. People are willing to pay in cash to repay old loans. Post-demonetisation, people have to deposit the amount in these denominations in the banks. This has surged the deposits with the banks. Consequently it would increase the amount due to CAR (Capital Adequacy Ratio) which is used to cushion the impact of NPA. With the withdrawal of old Rs. 500 and Rs 1,000 notes, defaulters are coming forward and paying cash to settle loans. At most big banks, there has been an increase in payments by defaulters in unsecured portfolios, agriculture and SME loans. Banks say that going by the trend, some corporate borrowers may pay up in cash towards the end of December.

On the other hand if long run impact of demonetisation on NPA would be considered then one of the most significant cause of NPAs has been eliminated i.e. diversion of fund. The new technology of tracking new currency notes and mandatory use of banking for transferring funds will completely check the diversion of funds. The purpose for which the loan has been taken by the borrowers will be used exclusively for that particular purpose only. But due to the huge amount of deposits by people into banks after this demonetisation has become a major challenge for the banks to mobilise these deposits on those projects which could provide them a handsome rate of return. Now the banks are searching for more clients to lend the money as soon as possible. The bankers are usually given targets of lending loan

⁵ENS Economic Bureau. (2016, December 29). Demonetisation impact: RBI eases small loan repayment norms. The Indian Express. Retrieved March 11, 2017.

⁶Mulye, P. (2017, January 13). Demonetisation has led to higher bank deposits but why won't companies borrow. Hindustan Times. Retrieved March 8, 2017, from <http://www.hindustantimes.com/business-news/demonetisation-has-led-to-higher-bank-deposits-but-why-won-t-companies-borrow/story-rqdjXOSZ1pTAqm6fkrTOYN.html>



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Table No.3
Deposits under PMJDY: Number of Accounts

(in million)

Bank-Group	As on November 9, 2016			As on March 1, 2017			Variation		
							(March 1, 2017 over November 9, 2016)		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Public Sector Banks	114.3	89.3	203.6	122.1	100.8	222.9	7.8	11.5	19.3
							(6.8)	(12.9)	(9.5)
Regional Rural Banks	37.1	6.0	43.1	40.0	6.4	46.4	2.9	0.4	3.3
							(7.8)	(6.8)	(7.7)
Private Sector Banks	5.3	3.1	8.4	5.4	3.6	9.0	0.1	0.5	0.6
							(1.3)	(16.8)	(7.0)
Scheduled Commercial Banks	156.7	98.4	255.1	167.5	110.9	278.4	10.8	12.5	23.3
							(6.9)	(12.7)	(9.1)

Table No.4
Deposits Under PMJDY: Amount Mobilised

(billion)

Bank Group	As on November 9, 2016	As on March 1, 2017	Variation	Variation in aggregate deposits of scheduled commercial banks (February 17, 2017 over November 11, 2016)	Accretion in PMJDY deposits as percentage of accretion in Aggregate deposits
Public Sector Banks	364.0	502.5	138.5 (38.0)	2733.0 (3.9)	5.1
Regional Rural Banks	76.3	118.1	41.8 (55.0)	616.0 (18.0)	6.8
Private Sector Banks	16.0	22.3	6.3 (39.0)	778.0 (3.5)	0.8
Scheduled Commercial Banks	456.4	642.9	186.5 (41.0)	4098.0 (4.1)	4.6

Source: PradhanMantri Jan DhanYojana website.

III CONCLUSION

to the clients which is to be achieved within a specified time. The banks are worried because now they are having colossal amount of deposits which means the targets of lending loan will definitely increase. This worriedness of banks in lending money may cause faulty evaluation of projects and inappropriate borrowers' appraisal which may lead to increase in the number of defaulters in future and ultimately the NPAs will increase.

Demonetisation of Rs. 500 and Rs.1000 notes on 8th Nov, 2016, is the boldest step ever taken by any government. This step is proved as a helpful tool for complete revival of banking industry. For the last few decades the public sector banks were facing a lot of problems and in the verge of economy crisis due to the problem of NPAs. But this demonetisation step followed by Indradhanush scheme, provided a big opportunity for the banks to re-organise the banking system to uplift the economy. The face of the other side

of the coin should also be studied. Though it brings many opportunities for the banking industry, many challenges have also created in front of the banks. The banks should handle these challenges tactfully. A short term positive impact of demonetisation can be seen in which the existing NPAs have reduced a little. A few amounts of recoveries have been made from wilful defaulters after this demonetisation. But in the long run, impact may be adverse if proper steps would not be taken by the banks as soon as possible. There may be more chances of faulty evaluation and improper borrowers' appraisal as the targets for bankers in lending loans will increase. The banks should use more preventive management strategies in order to control the NPAs in future. This strategic step of demonetisation will have a major contribution towards the establishment of a sound and effective banking system in the country.

IV FINDINGS AND SUGGESTIONS

1. As huge amount of deposits have made by the people into banks after this demonetisation, the banks should use such huge amount of funds optimally so that the banks could provide a reasonable rate of interest on such deposits and could also earn a handsome amount of profit in future.
2. As a major cause of NPA has been resolved i.e. diversion of funds after this demonetisation, steps should also be taken so that more recovery could be made from large wilful defaulters.
3. Now the banks are flushed with huge amount of funds. As it has been felt that due to faulty evaluation of projects and improper borrowers' appraisal the NPAs were incurred. Such kind of situation may further rise in near future because the banks are flushed with huge amount of funds which is to be utilised as soon as possible by the bankers. Hence preventive actions are necessary to check such practices.
4. Bankers are pressurised by the higher authorities to achieve the targets of lending loans. Such situations lead to lending loans to any client with the prime object of achieving the targets without prior examination of creditworthiness of borrowers in the market, without proper evaluation of project or purpose for which the loan is being taken, etc. Such tendency increases the NPAs. Hence the bankers should not be compelled to achieve the lending targets within a specific time.

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