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title: Need to frame a new policy to deal with Non-Performing Assets of both Public and Private Sector Banks.

SHRI K.N. RAMACHANDRAN (SRIPERUMBUDUR): Non-Performing Assets are a major concern for banks in India, since they reflect the performance of the banks and they affect the liquidity and profitability of banks. In addition, they pose a threat to the quality of asset and also threaten the very survival of the banks. It would not just affect the banks, but also the whole Indian economy.

Indian banking industry plays a pivotal role in the country's socio-economic development. Presently, the NPAs of PSU banks are expected to be at about 4.4% this year, despite revival of the Indian economy. Moreover, the NPAs of private banks also increased to 2% in the first quarter of this year alone. This does not augur well for the developing nation.

Hence, there is a dire necessity for the Government and the banks to ponder over this issue for the sake of the nation.

As a solution, I would suggest that the Government needs to arrest fresh addition of NPAs by monitoring them closely and by taking other measures to control. The Government can think of a settlement mechanism with the borrowers, be it farmers and others. Here, I would like to say that the Government may bring forth a new policy by which the repayment period or the recovery period may be extended and the interest rates may be re-negotiated and cut so that the genuine borrowers could fall in line, which will be a win-win situation for both the banks and the borrowers, and ultimately, it would benefit the Government.