

THEORETICAL BACKGROUND OF THE STUDY

3.1 Introduction to Non-Performing Assets (NPA)

Banks provide Loans and Advances to borrowers, in return for the payment of principal and interest in future. In this process banks are exposed to various types of risks including credit risk arising from Non Performing of the Loans and Advances and defaults from borrowers. On the balance sheet of the banks, loans given to customers are recorded as assets. When the customers who take out loans stop assembling their payments, they cause the biggest risk to the banks which affects the value of the loan assets decline. The unavoidable burden of the banking industry is Non-Performing Assets and the financial strength of the banks is acutely affected by Non-Performing Assets. Hence it is very imperative to have a control and administration of the Non-Performing Assets. The threat on the productivity of the banks is Non Performing Assets because in order to meet the cost of funding these unremunerated assets, the banks have to make provisions.

3.2 Service Co-operative Banks (SCBs)

According to The Ministry of Community Development and Co-operation of Government of India defined “ A Service Co-operative Society is an organization of villagers who have willingly combined mutual help and co-operation in meeting their common economic requirements and increasing agricultural production.

- **AREA OF OPERATION**

A Village , Panchayat or Municipality.

- **LIABILITY**

Limited to the subscribed share capital of members.

- **MEMBERSHIP**

A class membership is issued to an individual who is resident or occupied within the area of operation.