



COMPARATIVE STUDY OF NPAs IN INDIAN BANKS

Sheetal Singh

Student

Department of Banking and Finance

Sharda University

Noida

Uttar Pradesh

ABSTRACT

The strength and soundness and efficient level of banking system can be known by the quality of the assets. NPA is one of the major serious concerns for banks in India. In this paper, I have made an attempt to analyze how efficiently NPA is managed by public and private sector banks. Our results say that public sector banks have witnessed a continuous increasing trend in gross NPA as compared to private sector banks. Lastly the technology plays a major role to combat the NPA pressure of banks.

KEYWORDS: Non-performing assets (NPAs), public sector banks, private sector banks, NPA management

INTRODUCTION

The Public Sector banks or Private sector banks both plays a very important role for the development of our country. A strong healthy and sustainable environment is very much necessary for the country overall development. Banking systems contributes in every sector of a country such as agriculture, small scale industries, development of trade and commerce, generating employment opportunities. With a view to develop efficient banking system Narsimhan Committee was constituted in 1991 with the objective of examining the whole banking system in changing environment.

A banking efficiency is checked by the amount of NPA i.e. the more NPA the worst the efficiency of bank. NPA is one of the major concerns for banking system all over the world. There are many guidelines concerned for the efficient banking system such as Narasimham committee reports I and II, Verma Committee Report, Basel I, II and III. Nowadays NPA Management is directly related to functional efficiency of Banking System.

At present, due to cut throat competition between public and private sector banks PSBs are thinking to improve themselves by technologies to survive in a globalized economy.

WHAT IS NPA?

When borrowers denied repaying their loans which they have borrowed from the banks is termed as NPA for the banks. It is also called bad loans.

RBI monitors the whole banking system in India, which is also called as central bank of India. When the payment is due for more than 90 days that loan amount is termed as Non-performing assets.

REASON FOR RISE IN NPA LEVEL

From 2000-2008, the Indian banking system was lending extensively and the economy was at the boom phase but after the 2008-2009 financial crisis corporate profits starts declining. The situation becomes so serious that affects infrastructure sectors like- power, iron and steel industry.

Another reason is relaxing norms of banks for providing loan to their clients especially to big corporate houses.

CURRENT NPA SITUATION IN INDIAN BANKS

The gross non-performing asset in Indian banks is around Rs 400,000 crore (~US\$61.5 billion) that is according to RBI. It represents 90% of the total NPA in India while remaining is represented by private sector banks



MEASURES TO COMBAT NPA

NPA is a matter of concern for entire banking system, There are some of the steps to solve NPA issues' like:-

- * Banks must see the background of a borrower and reason should be checked by banks to give loans.
- * Constant and effective monitoring and controlling is the way to minimize the NPA problem.
- * Besides it, the technology also plays an important role to solve the NPA issue.
- * Government has also implemented a comprehensive 4R' strategy which consists of recognition, resolution, recovering and recapitalizing of PSBs for a clean system.

ROLE OF TECHNOLOGY IN MANAGEMENT OF NPA

Technology can bring a revolutionary change if comes to banking industry. Automated solutions not only asset in better solution but also act as an early indicators that will alert before arrival of dangers. A core banking solution is an example of this as it can stop the manipulation of NPA manually. NPA tracker and One time settlement portal ensures both transparency and speed and it helps to tackle NPA.

RESEARCH METHODOLOGY SIGNIFICANCE OF STUDY

This study is very useful to the banks to know their non-performing assets as compared to other banks. Today every bank are facing problem of non-performing assets. This analysis of non-performing assets is very useful to know their non-performing assets and causes of non-performing assets. The main source of income for the bank is interest on loan. If any borrowers are not paying any interest amount and principle amount then it creates non-performing assets. Non-performing assets are directly affecting to the income and profitability. So this study will help the banks to improve their performance in terms of profitability. This study is very useful to the public sector bank and private sector bank to know their performance in managing their non-performing assets as compared to other and improve their performance.

RESEARCH PROBLEM

The main source of income for the bank is interest on loan. The performance of bank depends upon the income or profitability. But today's major problem in bank is non-performing assets. So non-performing assets is affecting to the performance of bank because profitability is dependent on the interest on loan, and if bank is not able to recover interest amount and principal amount then it creates non-

performing assets. Profitability is directly depended on non-performing assets. This research study is based on analysis of non-performing assets in public sector bank and private sector bank.

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OBJECTIVE

The present study is carried out by keeping these following objectives in mind -

- To compare the study of public and private sector banks in India
- To know the detailed analysis of NPA of Indian Banks.

RESEARCH DESIGN

A research design is a design in which specification of methods and procedures for acquiring the information that is needed to solve the problem. It is the overall operational pattern or framework of the project that stimulates from where and what information is to be collected, from which source and through which procedure. This research is carried out by *descriptive research* design. This research design helps us to analyze and compare non-performing assets in public sector bank and private sector bank.

SOURCES OF DATA

There are two types of data: Primary data and Secondary data. In this study I used secondary sources of data to analyze and compare non-performing assets in public sector bank and private sector bank.

POPULATION OF STUDY

In this study population includes the all public sector and private sector banks in India.

SAMPLE UNIT

In this we have taken 2 public sector bank and 2 private sector bank.



PUBLIC SECTOR BANK	PRIVATE SECTOR BANK
State bank of India	Axis bank
Punjab national bank	HDFC bank

SAMPLE SIZE

In this study i used total 3 years financial data from 2017-18 to 2019-20 from 3 public sector bank and private sector bank.

DATA COLLECTION METHOD

I use secondary data for the analysis and comparison of non-performing assets in public sector

bank and private sector bank. The secondary data used to calculate various non performing assets ratio like gross and net non-performing assets. The required data for this study will be collected from the various sources like Reports on Currency and Finance (annual reports), Monthly RBI bulletins published by RBI, Annual reports of various banks, publications and notifications of RBI, etc.

CALCULATION OF NPA OF PUBLIC SECTOR BANK

• Calculation of NPA of SBI

YEARS	GROSS NPA (AMOUNT IN CRORES)	NET NPA (AMOUNT IN CRORES)	GROSS NPA RATIO (%)	NET NPA RATIO (%)	NET PROFIT (IN CRORES)
2019-20	1,49,092	65,895	6.15	2.23	14,488
2018-19	1,72,750	66,044	7.53	2.97	14,216
2017-18	2,23,427	1,10,854	10.91	5.73	12,954

Interpretation: From the above data we can say that gross NPA ratio and net NPA ratio is decreasing

every year. Gross NPA ratio is highest in year 2018. Also amount of NPA is decreasing every year.

• Calculation of NPA of Punjab national bank

YEARS	GROSS NPA (AMOUNT IN CRORES)	NET NPA (AMOUNT IN CRORES)	GROSS NPA RATIO (%)	NET NPA RATIO (%)	NET PROFIT (IN CRORES)
2019-20	73,478.76	27,218.90	14.21	5.78	336
2018-19	78,472.70	30,037.66	15.50	6.65	(9,975)
2017-18	86,620	48,684	18.38	11.24	(12,282)

Interpretation: From the above data we can say that gross NPA ratio and net NPA ratio is decreasing

every year. Gross NPA ratio is highest in year 2018. Also amount of NPA is decreasing every year.

CALCULATION OF NPA OF PRIVATE SECTOR BANK

• Calculation of NPA of AXIS BANK:

YEARS	GROSS NPA (AMOUNT IN CRORES)	NET NPA (AMOUNT IN CRORES)	GROSS NPA RATIO (%)	NET NPA RATIO (%)	NET PROFIT (IN CRORES)
2019-20	30,233.82	13,187	4.86	1.56	1,627
2018-19	29,789.44	11,276	5.26	2.06	4,677
2017-18	34,249	16,592	6.77	3.40	276

Interpretation: From the above data we can say that gross NPA ratio and net NPA ratio is increasing

every year. Gross NPA ratio is highest in year 2018. Also amount of NPA is increasing every year.



• **Calculation of NPA of HDFC BANK:**

YEARS	GROSS NPA (AMOUNT IN CRORES)	NET NPA (AMOUNT IN CRORES)	GROSS NPA RATIO (%)	NET NPA RATIO (%)	NET PROFIT (IN CRORES)
2019-20	12,559	12,649	1.26	0.36	1,036
2018-19	11,135	11,224	1.36	0.39	1,151
2017-18	5,937.66	3,102.36	1.30	0.40	513

Interpretation: From the above data we can say that gross NPA ratio and net NPA ratio is increasing every year. Gross NPA ratio is highest in year 2019. Also amount of NPA is increasing every year.

CONCLUSION

The study says that the decline in ratio of NPAs indicates the improvement in the asset quality of Indian public sector banks and private sector banks. The huge provision amount built up over the years shows improved strength of public sector banks. The various steps initiated by banks to curb the NPAs are- Debt recovery tribunal, Lok adalats and Sarfaesi act which improves the recovery of NPAs. All these steps have improved the efficiency, profitability and strengthened the financial position of the public sector banks and private sector banks. The study also reveals that despite the huge NPA level of public sector banks, they become successful in reducing their respective gross and net NPA.

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