

A Comparative Study Of NPA in Public And Private Sector Banks

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Abstract

The banking sector is the backbone of economic development. When a bank fails in a country, it has a negative impact on other sectors. NPA stands for Non-Performing Assets and refers to loans that are not generating income for the bank. High levels of NPA can negatively impact bank profits. This paper aims to compare the non-performing assets (NPA) of private and public banks over the last six years. And show the bank with the highest and lowest NPA compared to others. It also seeks to identify the extent of control banks have over their NPAs. The study is descriptive in nature, and secondary data is used for analysis.

Keywords: Gross NPA, Net NPA, Public sector banks, Private sector banks.

Introduction

After the liberalization of 1991, the banking sector underwent significant changes. The introduction of new technologies in the industry also had an impact on all banks, necessitating the development of new parameters for evaluating their performance. The primary activity associated with banking is still lending, even though modern banking encompasses a wide range of financial activities. Banking is helpful for the mobilization of savings and economic development. According to this mobilization, banks face a deficit when they provide loans to persons, organizations, financial institutions, govt.

These deficits create NPA for banks. So Non-Performing Assets (NPA) are related to the principle is past due and no payment of interest amount for a predetermined period. The loan is regarded as a non-performing asset when the debtor fails to pay 90 days of interest or principal payments. When a borrower deliberately skips a loan payment or is unable to make loan repayments because of adverse company economic conditions, so result is non-performing assets. When any assets have not been returned to the banks so they transferred this to NPA. Non-recovery or partial recovery of loans has an effect on the bank's balance sheet and income statement items in the form of decreased interest received on loan assets, increased provision for NPAs, increased capital need, and decreased profits. The methods used to manage NPAs are essential to banks' performance.

Non Performing Assets:

NPA stands for Non-Performing Asset which refers to a situation where the borrower has not paid interest and principal amount to the banks for a prolonged period of time.

Gross NPA:

Based on the criteria set by the Reserve Bank of India (RBI) as of the balance sheet date, gross NPAs refer to the total of all loan assets designated as NPAs. The quality of bank loans is reflected in the gross NPA, which is the total amount of unpaid loans by customers to banks. This figure represents the entire loan amount but does not reflect the result after provisions are deducted.

Net NPA:

When a bank accounts for non-performing loans, its actual financial loss is reflected in its Net Non-Performing Assets (Net NPA). This figure is calculated by subtracting the full provision amount from the Gross NPA. Net NPA provides a more accurate assessment of the bank's financial position and the quality of its assets.

What is mean?

The term "mean" refers to the average of all data sets, which shows how the values are distributed equally. This

makes it easier to compare one mean value with another.

What is coefficient of variation?

Even when the means of two data series are quite different from one another, the coefficient of variation, which measures the standard deviation in relation to the mean, may be used to compare the degree of variation between the two data sets.

What is standard deviation?

The standard deviation provides information on how much deviation exists in the data from the mean value. A low standard deviation number suggests that the data is closer to the mean value, while a high standard deviation number indicates that the data is more widely dispersed from the mean value.

Literature Review

Richa Dixit(2023), A Study OnProblem Of NPA In Select Public Sector Banks,

The level of non-performing assets (NPAs) in Indian banks is considered higher compared to other countries. This issue has gained attention from international financial institutions, and the Reserve Bank of India (RBI) has taken steps to improve transparency and disclosure related to NPAs. The NPA Management Policy document of State Bank of India (SBI) aims to keep net NPAs to less than 5% of the bank's total loan assets, aligning with international standards. It emphasizes the need for concerted efforts at all levels to reduce NPAs, as outlined in the policy guidelines. Vigilance over non-performing assets should begin from the first day of default. Close monitoring, rigorous follow-ups, and visits to borrowers can help prevent accounts from slipping into the NPA category. In cases where prevention is not possible, various measures should be taken to remove NPAs from the branch's books. NPAs have adverse effects on the branch's asset quality and profitability. Reasons for this include the inability to apply interest on NPA accounts, the need to pay interest to the central office on outstanding NPAs, costs incurred in supervising and following up on such advances (including payments to recovery agents and transportation charges), and the

provisioning requirements at the bank level. NPAs are classified as sub-standard, doubtful, or loss assets under the Income Recognition, Asset Classification, and Provisioning norms. Once assets are classified as NPAs, the Branch Manager should take necessary steps to recover the dues to maintain the health of advances and improve branch profitability. Effective management of NPAs through planned and scientific approaches can help minimize the percentage of NPAs to total advances. The study concludes that NPAs in public sector banks can be attributed to various factors, including customer defaults, lack of borrower inspection, insufficient expertise, inventory imbalances, poor credit allocation, inadequate trained staff, lack of commitment to recovery, and changes in consumer preferences. The authors aim to focus on the impact of NPAs in the MSME segment on the performance factors of a selected public sector bank and propose preventive measures to reduce NPAs.

Nilesh R. Kharche, Ushmita Gupta (2023), Study On Comparative Analysis Of Rising Non Performing Assets Of Bank Of Maharashtra And ICICI Bank

Managing nonperforming assets (NPAs) is a significant challenge for banks in the banking industry. NPAs have a multi-dimensional effect on the operations, performance, and position of banks, making it crucial for banks to effectively manage them. The findings of the study highlight the status of NPAs for Bank of Maharashtra (BOM) and ICICI Bank. The study concludes that NPAs are a major challenge for both ICICI Bank and BOM, as they can lead to a decrease in liquidity balance and create bad debts for the banks. Fluctuations in NPA levels over the years can also affect profitability. Comparing the two banks, ICICI Bank has higher NPAs compared to BOM, and one possible reason for this could be a sharp rise in provisioning for bad loans. However, BOM has managed to keep its profits consistent, indicating relatively better overall management of resources. On the other hand, ICICI Bank has seen a continuous increase in net NPAs since 2014, but the situation is relatively better compared to BOM. ICICI Bank's profits have not experienced sharp rises or falls. The correlation coefficient for BOM

between net profit and net NPA is -0.37, indicating a high degree of negative correlation, while ICICI Bank has a strong positive correlation of -0.5679. However, since these coefficients were found to be insignificant, further detailed studies can be conducted to identify the impact of various other factors on bank profits. In conclusion, managing NPAs is crucial for banks to maintain their profitability and financial stability. Further research and analysis can provide insights into the complex dynamics of NPAs and their impact on banks' performance. Bank of Maharashtra has been taking measures to address the issue of rising NPAs. These measures include strengthening credit appraisal and monitoring processes, implementing recovery mechanisms, improving risk management practices, and focusing on resolution and recovery of stressed assets. The bank has also been working on strategies to diversify its loan portfolio and reduce concentration risk.

ICICI Bank has implemented various measures to address the issue of NPAs. These measures include robust credit appraisal and monitoring processes, proactive identification and resolution of stressed assets, effective risk management practices, and strengthening recovery mechanisms. The bank has also been focusing on diversifying its loan portfolio across various sectors and segments to manage risk effectively.

Swapnilsingh Thakur, Shailesh Rastogi, Neha Parashar, Pracheta Tejasmayee, and Jyoti Mehndiratta Kappal(2023), The Impact of ICT on the Profitability of Indian Banks: The Moderating Role of NPA

Technological advancement plays a vital role in the modern banking system. This study examines the ICT's impact on banks' profitability in India. Through the empirical investigation, it can thus be concluded that ICT significantly impacts the profitability of banks in India and that the Net of Non-Performing Assets significantly impacts the ICT and profitability of the banks. It implies that the importance of ICT cannot be ignored in organizations, even if it is not a technological firm. The current study significantly contributes to related literature in banking through its novel evidence on the association between ICT and profitability. The findings

also give important implications to all stakeholders, including managers, investors, and policymakers, that ICT should be treated critically for a bank's profitability in India. Thus, findings have considerable policy implications for concerned stakeholders. The influential stakeholders in the decision-making should give due importance to ICT in boosting the quality of assets and sales by continuing to invest in employee education related to sales processes, developing products, building strong asset classes, and minimizing the NPAs. The findings signal to policymakers that ICT helps the bank maintain transparency, accountability, and even the reach of financial services increases. This situation, again, leads to the enhancement of the country's economy. Hence, ICT should be given an important place in policy designs. This study has the limitation of its scope in Indian banking. However, we believe the current findings provide insights into the banking system in other economies. This study is performed on the sample period until 2019 due to missing data during COVID-19 and later. Future studies may consider the data from 2019 onwards (per the data availability) in a similar model. The undesirable event of the COVID-19 pandemic also requires an event-based study comparing ICT's pre- and post-pandemic effects on profitability. Other variants of profitability should be investigated in future studies. From a methodological perspective, GMM (generalized method of moments) can be applied in future studies. Banks in other economies should be investigated for such associations.

NavjotKaur(2023),Effect of NPA(non performing assets)onbank profitability

The banking sector in India is largely dominated by public sector banks. Globalization has encouraged many countries and foreign banks to set up their business in India. There have been substandard assets, debatable assets and losses of selected banks. In this research find the net significant because significant value lies between 0.01 to 0.05. $P > 0.0$. The impact of the NPA on its return on net worth. In this study we find that the Regression, ANOVA, Coefficient of non-performing Assets show the negative impact. It means that the total nonperforming

assets have a non-significant /negative impact on the total return on net worth.

Research Methodology

1.Statement of the problem

In order to conduct this study, we have collected various components of the literature on non-performing assets that have been developed by researchers over the years. However, there is a significant time gap. The study will focus on conducting a comparative analysis of NPAs between public and private sector banks.

2.Scope of the study

The research should include the Non-Performing Assets (NPA) of both public and private sector banks, along with the Gross NPA and Net NPA data for the past six years. It has been observed that there are very few studies comparing the NPA of public and private sector banks in the literature.

3.Research Type

The study is descriptive in nature. It includes secondary data from RBI reports, bank websites, and research papers. Regression and correlation analysis will be used to determine the connections.

4.Objective

1. To know about the NPA and comparison of public and privatebanks NPA of six years.
2. The current study's objective is to examine thetrends in NPAs in terms of values, gross NPA, and net NPA.
3. To suggest the banks how to managing current NPA, these helpful for minimizing future NPAs.
4. To know the impact of NPA on profitability of banks.

5. Data Collection

The data on Gross NPA and Net NPA of banks is collected annually from 2018 to 2023 through the banks' website.

**Analysis and Interpretation of Private sector banks
Gross NPA(in Rs. Cr.)**

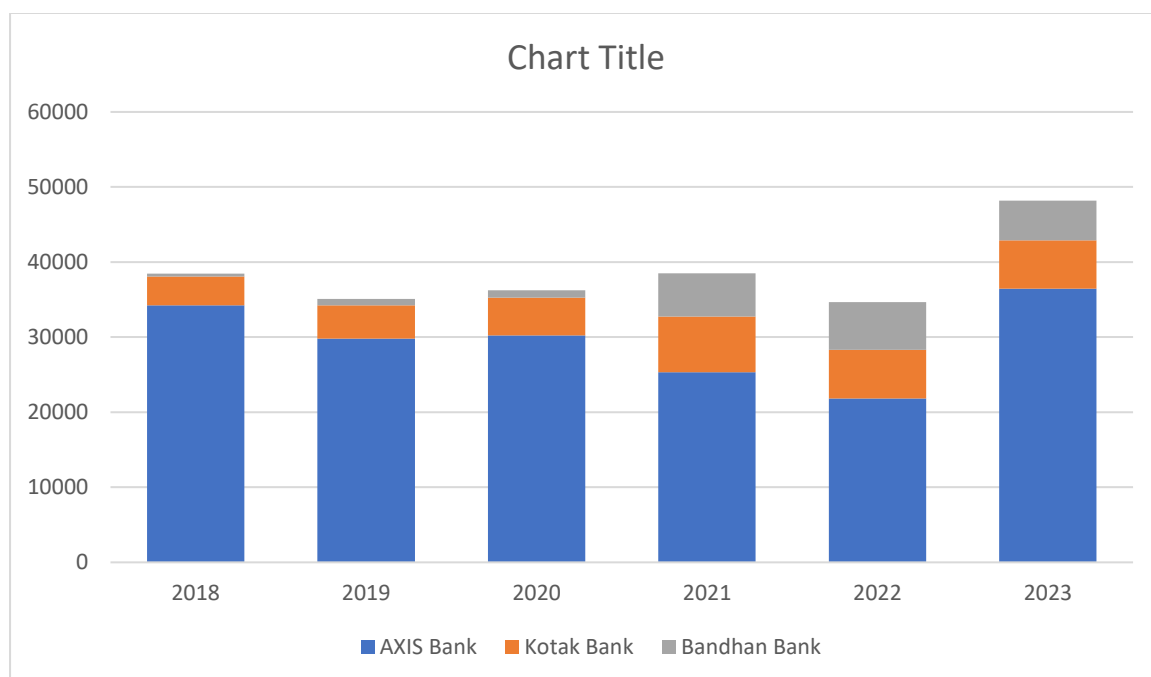
Year	AXIS Bank			Kotak Bank			Bandhan Bank		
	Gross NPA	Advances	% Share	Gross NPA	Advances	% Share	Gross NPA	Advances	% Share
2018	34,248.64	439,650.30	7.78	3,825.38	169,717.92	2.25	373.14	29,713.04	1.25
2019	29,789.00	494,797.97	6.02	4,467.94	205,694.81	2.17	819.56	39,643.39	2.06
2020	30,233.82	571,424.16	5.29	5,026.89	219,748.19	2.28	992.78	66,629.95	1.48
2021	25,314.84	623,720.19	4.05	7,425.51	223,688.62	3.31	5,757.76	81,612.88	7.05
2022	21,822.32	707,695.95	3.08	6,469.74	271,253.60	2.38	6,380.00	93,974.93	6.78
2023	36,467.35	845,302.84	4.31	6,419.00	319,861.21	2.00	5,298.62	104,756.77	5.05

Interpretation

Based on the data, Axis Bank had the highest percentage share of gross NPA in 2018, which was 7.78%. However, over the period of the research, the value of Gross NPA has consistently decreased. In 2022, the lowest amount of gross NPA reported was 3.08%(21822.32 Crore). But in 2023, gross NPA increased again.

Based on the data provided, it appears that Kotak Bank experienced a decrease in gross NPA 2.17% in 2019 after a slight increase in 2020. However, it is projected that the bank will experience its highest gross NPA in 2021 and its lowest in 2023 is 2.00%. It is important for the bank to closely monitor its NPA levels and make any necessary adjustments to maintain financial stability.

In 2018, Bandhan Bank's lowest gross NPA was at 1.25%, but it continued to increase over the years. However, in 2021, the highest gross NPA reached 7.05%. Over the years, the gross non-performing assets (NPA) have continued to decrease.



**Analysis and Interpretation of Private sector banks Net
NPA(in Rs. Cr.)**

Year	AXIS Bank			Kotak Bank			Bandhan Bank		
	Net NPA	Advances	% Share	Net NPA	Advances	% Share	Net NPA	Advances	% Share
2018	16,592.00	439,650.30	3.77	1,665.05	169,717.92	0.98	172.90	29,713.04	0.58
2019	18,351.00	494,797.97	3.70	1,544.37	205,694.81	0.75	228.32	39,643.39	0.57
2020	9,360.41	571,424.16	1.63	1,557.89	219,748.19	0.70	389.40	66,629.95	0.58
2021	6,993.52	623,720.19	1.12	2,705.17	223,688.62	1.20	2,861.03	81,612.88	3.50
2022	5,512.16	707,695.95	0.77	1,736.71	271,253.60	0.64	1,564.23	93,974.93	1.66
2023	3,558.92	845,302.84	0.42	1,479.00	319,861.21	0.46	1,228.27	104,756.77	1.17
Mean	10061.335			1781.365			1074.025		
S.D	6070.3758			461.8379			1044.36		
C.V	0.5507688			0.236672			0.887657		

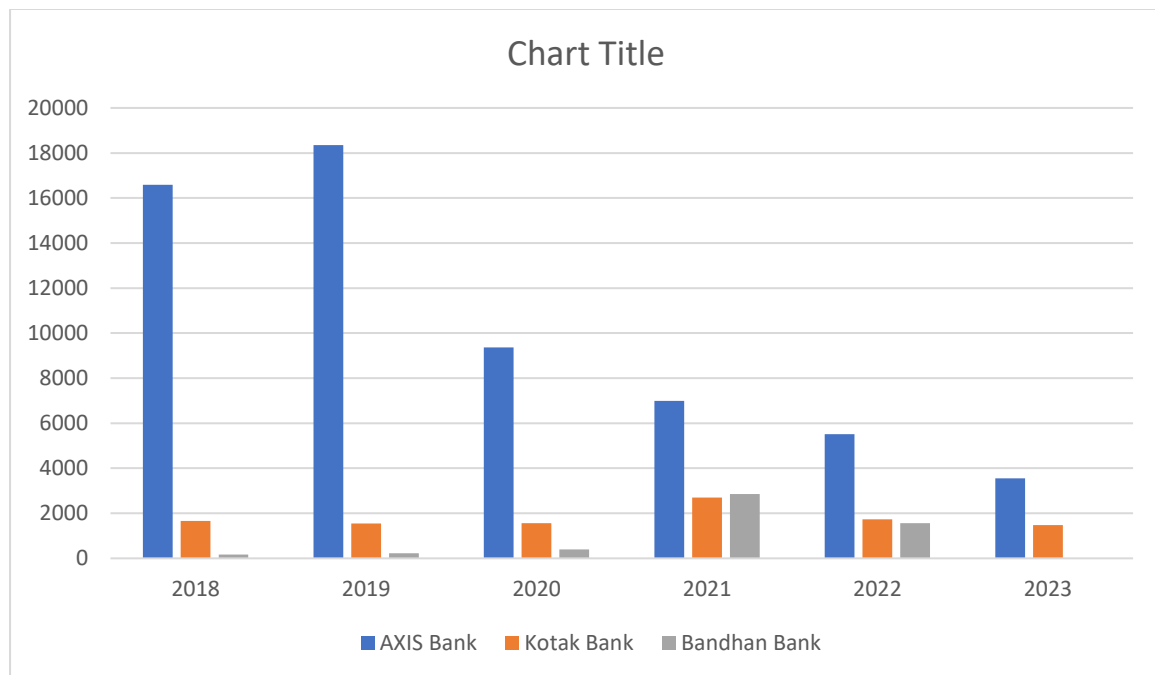
Interpretation

The table presented above displays the percentage, mean, and standard deviation of the Net NPA for three private sector banks.

Based on the percentage, In 2018, AXIS Bank had the highest Net NPA percentage of 3.77%. However, this percentage has continuously decreased and reached 0.42% in 2023. As per the information provided, it seems that Kotak Bank had the highest percentage of Net NPA in 2021, which was 1.20%. However, it continued 0.46%. Bandhan Bank had the lowest percentage of Net NPA in 2019 at 0.57% and the highest percentage in 2021 at 3.50%.

Axis bank has the highest mean value (10061.335) compared to other banks, while Bandhan bank has the lowest mean value (1074.025).

Based on the data provided, it seems that Axis bank has the highest standard deviation of net NPA, while Kotak bank has the lowest. Additionally, Bandhan bank has the highest coefficient of variation (0.887657), and Kotak bank has the lowest (0.236672). It's important to consider all of these factors when evaluating the performance and stability of different banks.



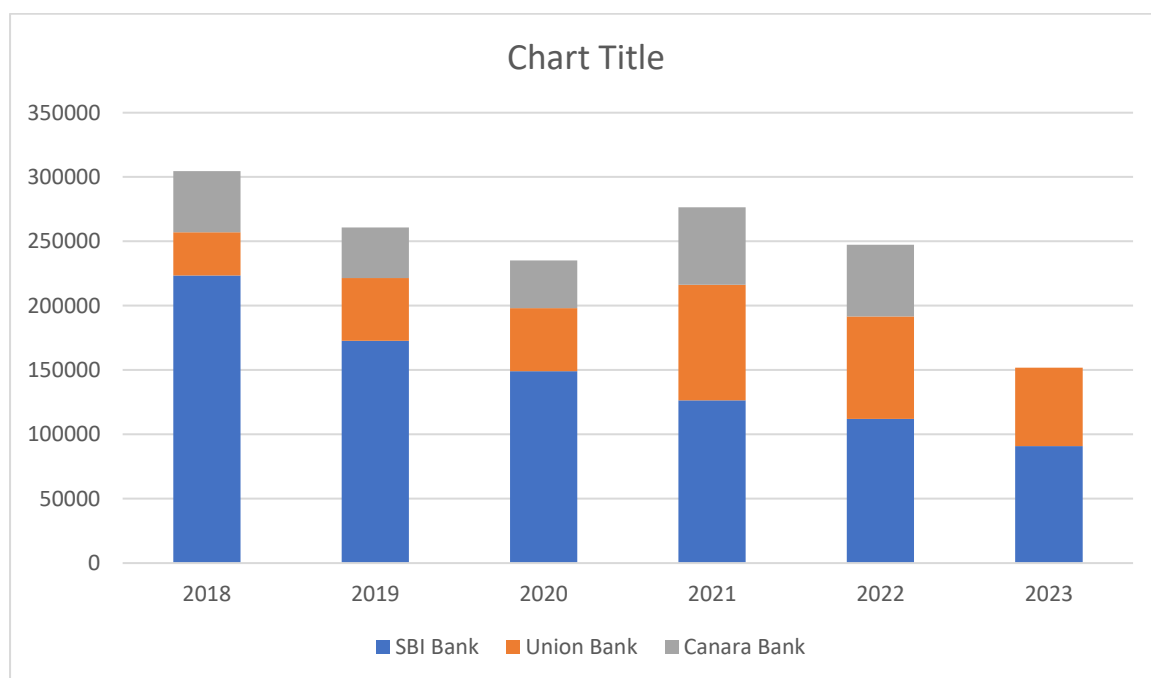
Analysis and Interpretation of Public sector banks
Gross NPA(in Rs. Cr.)

Year	SBI Bank			Union Bank			Canara Bank		
	Gross NPA	Advances	% Share	Gross NPA	Advances	% Share	Gross NPA	Advances	% Share
2018	223,427.46	1,934,880.19	11.54	33,712.00	288,760.58	12.07	47,468.47	381,702.99	12.43
2019	172,753.60	2,185,876.92	8.00	48,729.00	296,932.15	16.41	39,224.12	427,727.27	9.17
2020	149,091.85	2,325,289.56	6.41	49,085.30	315,049.41	15.26	37,041.15	432,175.20	8.57
2021	126,389.00	2,449,497.79	5.16	89,788.20	590,982.88	15.19	60,288.00	639,048.99	9.43
2022	112,023.00	2,733,966.59	4.09	79,587.07	661,004.66	12.04	55,652.00	703,601.82	8.00
2023	90,927.78	3,199,269.30	2.78	60,987.29	761,845.46	8.00	46,160.00	830,672.55	5.55

Interpretation

Based on the data, SBI Bank had the highest percentage share of gross NPA in 2018, which was 11.54%. However, over the period of the research, the value of Gross NPA has consistently decreased. It has been reported that in the year 2023, the gross NPA has reached its lowest point at 2.78% (90927.78 Crore).

According to the data, Union Bank's highest Gross NPA in 2019 was 16.41%. It gradually decreased over time and reached its lowest point in 2023 at 8.00%(60,987.29 Crore). Canara Bank had the highest Gross NPA in 2018 at 12.43%. It decreased, then increased to 9.43% in 2021, but has since decreased again and reached 5.55%(46,160 Crore).



Analysis and Interpretation of Private sector banks Net NPA(in Rs. Cr.)

Year	SBI Bank			Union Bank			Canara Bank		
	Net NPA	Advances	% Share	Net NPA	Advances	% Share	Net NPA	Advances	% Share
2018	110,854.70	1,934,880.19	5.72	24,326.00	288,760.58	8.42	28,542.40	381,702.99	7.48
2019	658,947.40	2,185,876.92	30.14	20,332.00	296,932.15	6.84	22,955.11	427,727.27	5.37
2020	51,871.30	2,325,289.56	2.23	17,303.14	315,049.41	5.49	18,250.95	432,175.20	4.22

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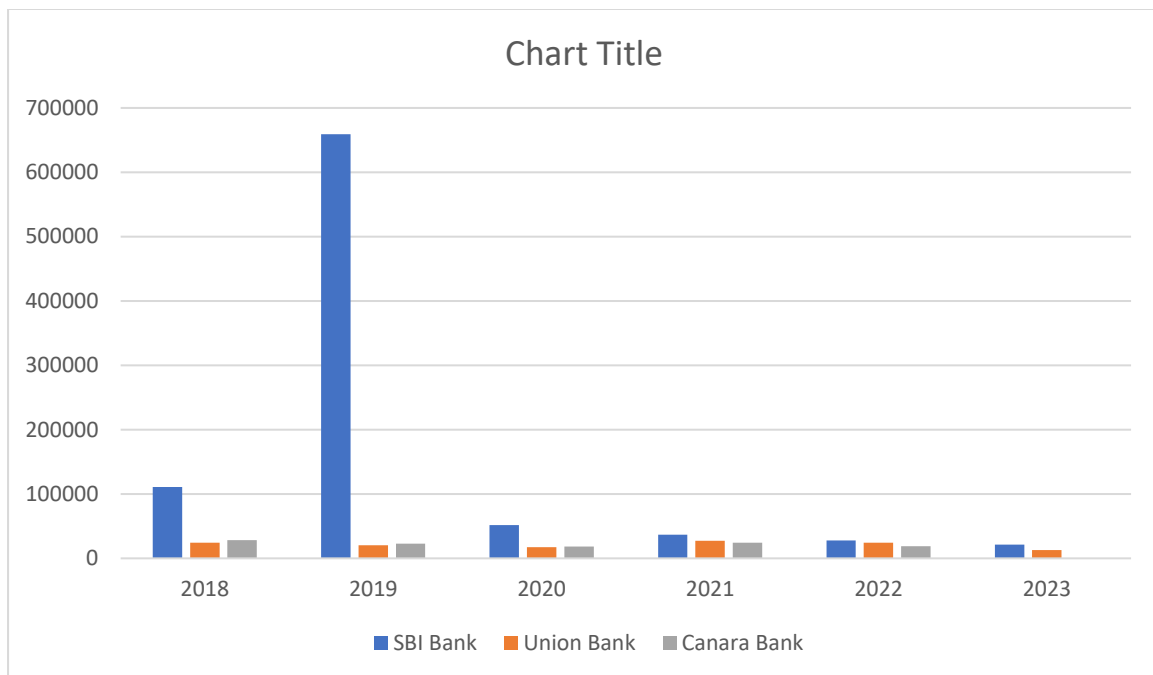
2021	36,809.72	2,449,497.79	1.50	27,280.52	590,982.88	4.61	24,442.00	639,048.99	3.82
2022	27,965.71	2,733,966.59	1.02	24,303.30	661,004.66	3.67	18,668.00	703,601.82	2.65
2023	21,466.64	3,199,269.30	0.67	12,927.44	761,845.46	1.69	14,349.00	830,672.55	1.72
Mean	151319.245			21078.73			21201.24		
S.D	250760.38			5303.98			5090.107		
C.V	1.5127743			0.229703			0.2191669		

Interpretation

The following table show data about three public sector banks: SBI, Union, and Canara Bank. The analysis includes percentages, means, and standard deviations of these banks.

SBI had the highest percentage of Net NPA in 2019 at 30.14%, but it rapidly decreased and reached 0.67% in 2023. Union Bank had the highest Net NPA of 8.42% in 2018, which decreased to the lowest of 1.69% in 2023. According to data, Canara Bank had the highest Net NPA (Non-Performing Assets) rate of 7.48% in 2018, while the lowest rate was recorded as 1.72% in 2023.

According to the mean value, SBI bank has the highest mean value (151319.245) compared to other banks, while Union Bank has the lowest mean value (21078.73). According to the data provided, SBI Bank has the highest standard deviation of 250760.38, while Canara Bank has the lowest standard deviation of 5090.107. The table show data on the Coefficient of Variation (C.V) for various banks. SBI has the highest C.V (1.5127743), while Canara bank has the lowest.



Conclusion

According to data analysis, Bandhan Bank had the lowest Gross NPA ratio in 2018 with just 1.25%, compared to other private and public sector banks. In 2019, Bandhan Bank still had the lowest gross NPA at 2.06% compared to other banks. In 2020, Bandhan Bank maintained its position with the lowest gross NPA at 1.48% among all banks. However, in 2021, Kotak Bank claimed the lowest gross NPA ratio with 3.31%. In 2022 and 2023, Kotak Bank continued to have the lowest gross NPA ratio with 2.38% and 2.00%, respectively.

Based on the data provided, the lowest net NPA of Bandhan Bank in 2018 was 0.58%. In 2019, it was 0.57%. Similarly, in 2020, it remained the same at 0.58%. In 2021, the lowest net NPA was observed in Axis Bank, which was 1.12%. In 2022, the lowest net NPA was reported in Kotak Bank, which was 0.64%. Finally, in 2023, the lowest net NPA was recorded in Axis Bank again, which was 0.42%.

Based on the mean value, Bandhan Bank has the lowest mean value of 1074, while the highest mean value belongs to SBI Bank with a value of 151319. In terms of standard deviation, the lowest value belongs to Kotak Bank with a value of 461.8, while the highest standard deviation value belongs to SBI Bank with a value of 250760. When it comes to the coefficient of variation,

the lowest value belongs to Union Bank with a C.V of 0.229, while the highest C.V value belongs to SBI Bank with a value of 1.512.

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