



A Comparative Study Of NPA In Selected Private And Public Sector Banks

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Abstract: Banks are critical components of every financial system. It is the financial system's backbone in India. The rising nonperforming assets (NPAs) of Indian banks has presented a serious danger to the Indian financial system during the previous five years. The NPAs of Indian banks are anticipated to remain high at 11.5 percent, according to Standard & Poor Global Ratings. NPA is a useful tool for assessing a bank's performance. It is certain that the recent Covid Pandemic has wreaked havoc on not just India, but the whole globe. The rising NPA has had a negative impact on both public and private sector banks in India. According to the findings of this study, public sector banks are more negatively impacted than private sector banks. My research focuses on the Non-Performing Assets Trends and Differences in Selected Indian Public and Private Sector Banks.

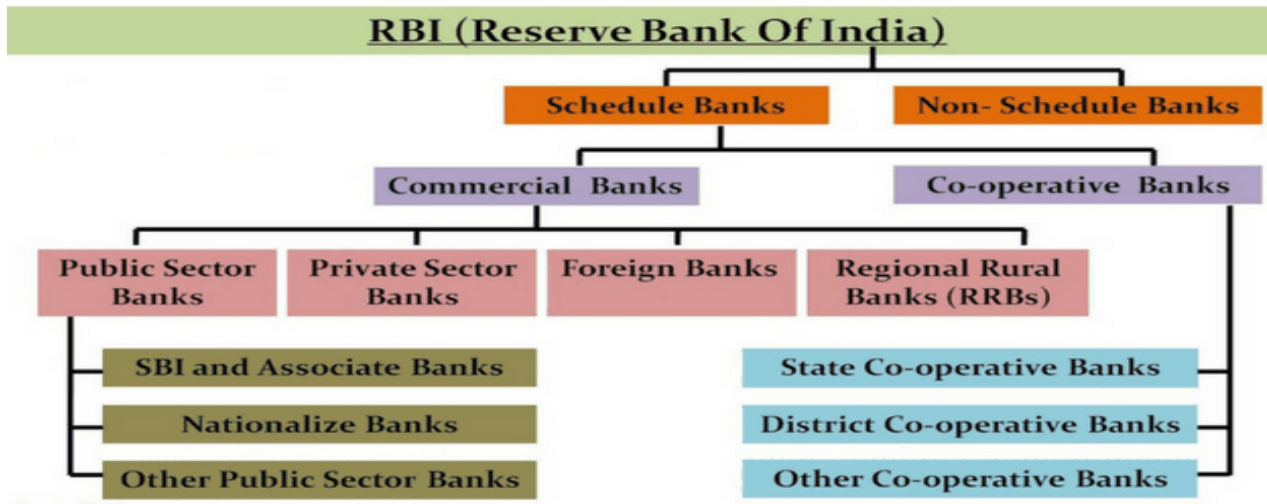
Keywords: Non-Performing assets, Public banks, Private Banks, Return on assets, Net Profit, SBI Bank

I. INTRODUCTION

The banking sector is a backbone of a nation's financial system as it performs multitudinous functions in terms of maturity, liquidity and risk management. The financial result of the economy could be clearly reflected on the kind of banking system that exists in ones nations. Therefore the banking sector in a country plays a pivotal role in the development of a country. There are two types of banks in India's banking system includes commercial banks and cooperative banks. Public sector banks have fared very well in private sectors banks in relation to financial functions. Public sector banks show good results in their financial performance. The only problem at present is public sector banks, increasing level of Non-Performing Assets .This NPA is increasing day

Introduction to banking sector

Bank means organization where people and business can invest or borrow money. Banking industry plays a important role in the development of any economy financial health of any economy depend on the banking structure that exists in one's country.



Source: <https://www.jagranjosh.com/general-knowledge/structure-of-banking-sector-in-india-1448530019-1>

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In India reserve bank of India (RBI) Manage and operate the banking system. Today bank has increased their activities into different types of products and services that include credit card, investment banking, pension fund, mutual fund, stock evaluation, private equity, saving and current account, providing credit to the borrower, fixed deposit, etc.

In the modern-day economy where people have no time to make the payment to stand in a queue, they all need an online system by the banks like Mobile banking, internet banking, rural banking, microfinance, and industrial finance which is less time consuming and speedy. Due to this system, people can save time and money.

Non-Performing Assets:

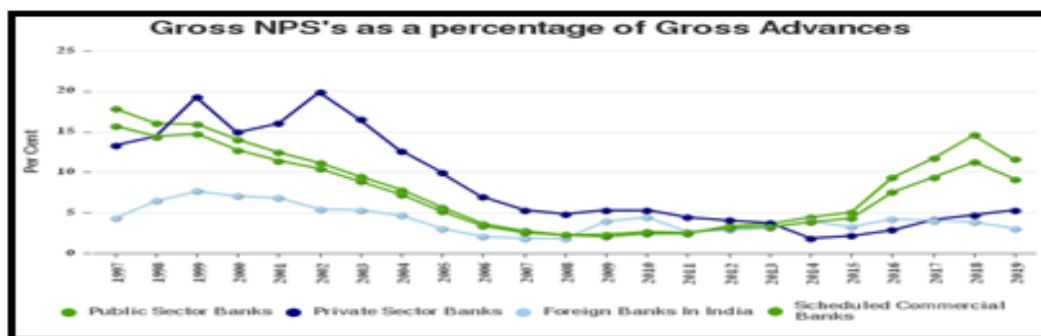
The banking industry has undergone a sea change after the first phase of economic liberalization in 1991 and hence credit management came into the picture. The primary function of a bank is to land funds as loans to various sectors such as agriculture, industry, personal and housing etc. and to receive deposits.

Types of NPA:

(1) Gross NPA

It means the total amount of loan which is not been received for more than 90 days. Gross NPA includes irrecoverable advances and for this bank made provisions but it still held in the bank. It's quality of loan which is made by the bank.

$$\text{Gross NPA} = \text{Gross NPA} / \text{Gross advances}$$

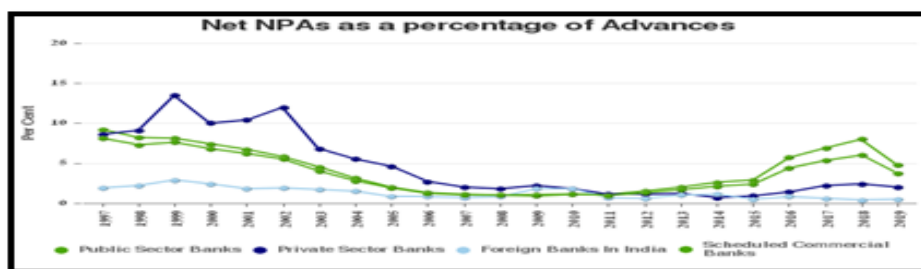


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(2) Net NPA:

Net NPA is difference between Gross NPA and Provisioning for NPA.

$$\text{Net NPAs} = \frac{\text{Gross NPA} - \text{Provisions}}{\text{Gross Advances} - \text{Provisions}}$$



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Objectives Of The Study

1. Determine the current and future trends in the number of NPAs.
2. To learn about the NPA positions of private and public sector banks over the previous decade.
3. To compare the level of non-performing assets (NPAs) in a sample of Indian private and public sector banks.
4. To provide a few ideas for improving the banks' NPA levels.

Review Of Literature

N.A.Kavitha, M.MuthuMeenakshi (2016) have investigated that the extent of NPA was relatively very high in Public Sector Banks. Although various steps have been taken by the government to reduce the NPAs still a lot needs to be done to curb this problem. To improve efficiency and profitability, the NPAs have to be scheduled; Various steps have been taken by the government to reduce the NPAs. They also mentioned in this research is that the problem of NPAs needs lot of serious efforts otherwise NPAs will keep killing the profitability of banks which is not good for the growing Indian economy at all.

K.Prasanth Kiran & T.Mary Jones (2016) their study examined the NPA of top five public sectors Banks in India from the year 2005-2014. It is cleared from the study that Public Sector Banks NPAs are going to increasing at increasing rate. They took hypothesis for this comparison. They also used correlation and regression analysis for knowing the results of NPAs in selected Public sector Banks in India.

Dr. Kapil K Dave(2016), the comparative study of NPA of Public and Private sector Banks have concluded that each Bank have its own independence credit rating agency which should evaluated the financial capacity of the borrower before than credit facility. An effective committee can be formed for management of NPA comprising of financial experts who have wide knowledge in this field. PA can be considered as a crucial rating factors for any banks; it should regularly evaluate the financial condition of the client.

VivekRajbahadurSingh (2016) this research paper found that NPA is just not only problem for the Banks but for economic too. It studies the status of NPAs of Indian scheduled commercial Banks in India. It also studies the impact of NPAs on banks and also known the recovery of NPAs through various channels. It also gives appropriate suggestions to avoid future NPAs and to manage existing NPAs in Banks. The study shows that extent of NPA is comparatively very high in Public Sector Banks. NPAs level of our banks is still high as compared to foreign Banks. It is not at all possible to have zero NPAs. The Bank management should speed up the recovery process.

HaraniB, Subramanyam Mutyala (DEC 2019) their investigations indicates that NPAs problem is a very serious concern and its an endless battle in India because it destroys the sound financial position of them. This problem has to be addressed in such a way that it should not impact on the financial position and image of the Banks. The study analysis the sector wise classification NPAs and loan Assets of public and Private sectors banks. It also examines the gross NPAs, Gross Advance and Gross NPA Ratio of Public and Private sector Banks in India. The study also reveals that non-priority sector loans have worsened NPAs which cause problem for Public Sector Banks.

RESEARCH METHODOLOGY

Research design: Descriptive research

Sample design:

In order to ensure a representative sample, both public and private sector banks were chosen for the study.

Sample procedure that is easy to use. For India's three governmental banks and its three private banks, on the basis of their market capitalization were selected for the investigation. The timeframe for this project is from 2016 till 2021.

These are the sample banks we've chosen:

1. SBI, Bank of Baroda, and the Bank of India are examples of public sector banks.
2. AXIS Bank, ICICI Bank and HDFC Bank are examples of private sector banks.

Sampling method: Non-probability technique

Sampling frame: Convenience sampling

Sample design Data has been presented with the help of bar graphs, pie- charts, etc.

Sources of data: The findings of this research are based on data that has already been published. These statistics were gathered from a variety of sources, including:

- Annual reports from SBI, ICICI, AXIS Bank, BOB, BOI, and HDFC Bank are available below.
- SBI, ICICI, AXIS Bank, BOI, BOB and HDFC Bank Press Releases.

As well as relevant information and links to bank websites from both the public and commercial sectors in India.

Primary source

The primary data for this study has been collected by approaching the salaried employees via internet (digital survey method).

Secondary source

The secondary data are collected from articles published on various websites (desk research).

Sample technique:

In this research, convenience sampling is employed as a technique. Convenience sampling is a sort of nonprobability sampling in which a sample is taken from a population segment that is near to hand.

Tools:

For the purpose of determining average performance and long-term consistency, the bank's performance to discover the link between non-performing assets (NPAs) and other important bank's specifications.

- Also, the association between Net NPA and Net Profit has been examined using correlation.
- Public and private sector banks in India's chosen financial institutions' ROAs.

Plan of analysis

- Diagrammatic representation through graphs and charts
- Suitable inferences will be made after applying necessary statistical tools.
- Findings & suggestions will be given to make the study more useful

DATA ANALYSIS AND INTERPRETATION

YEAR	PUBLIC SECTOR BANKS			PRIVATE SECTOR BANKS		
	% Gross NPA			%Gross NPA		
	SBI	BOB	BOI	AXIS	ICICI	HDFC
2016-17	6.90	10.46	13.22	5.04	7.89	1.05
2017-18	10.91	12.26	16.58	6.77	8.84	1.30
2018-2019	7.53	9.61	15.84	5.26	6.70	1.36
2019-2020	6.15	9.40	14.78	4.86	5.53	1.26
2020-21	4.98	8.87	13.77	3.70	4.96	1.32
MEAN	7.288	10.12	14.838	5.12	6.784	1.258

Interpretation

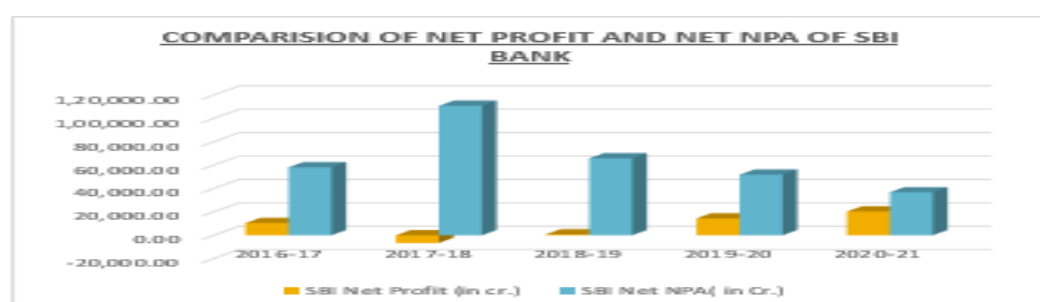
Table-1 reveals the % Gross NPA of selected Public Sector and private sector banks In India. In Selected Public sector Banks, **BOI** has highest mean ratio of **14.838%** followed by BOB and SBI i.e.**10.12%** and **7.288%**.In Selected Private Sector Banks, **HDFC** has lowest Mean ratio of **1.258%** as compared to Axis and ICICI Bank.i.e.**5.12%** and **6.784%**.

RELATIONSHIP BETWEEN NET PROFIT AND NET NPA OF SELECTED BANKS

YEAR	SBI		BOB		BOI	
	Net Profit (in cr.)	Net NPA(in Cr.)	Net Profit (in cr.)	Net NPA(in Cr.)	Net Profit (in cr.)	Net NPA(in Cr.)
2016-17	10,484.10	58277.38	1,383.14	18080.18	-1,558.34	25305.05
2017-18	-6,547.45	110854.7	-2,431.81	23482.65	-6,043.71	28207.27
2018-19	862.23	65894.74	433.52	15609.50	-5,546.90	19118.95
2019-20	14,488.11	51871.30	546.18	21576.59	-2,956.89	14320.10
2020-21	20,410.47	36809.72	828.95	21799.88	2,160.30	12262.03
MEAN	7,939.49	64741.568	152.00	20109.76	-2,789.11	19842.68

Interpretation

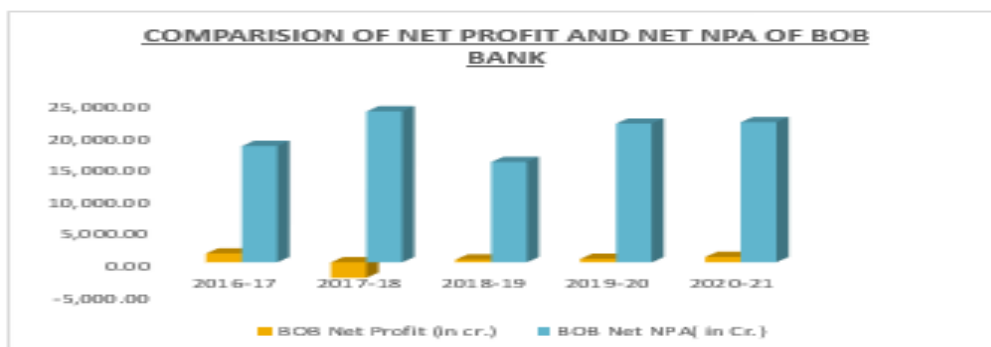
Table-2 shows that when NPA increases at increasing rate, then there will be a downfall in the Net Profit of the Banks. It is cleared from the above table that the NPA of SBI increases Rs.58277.38 Cr to 65894.74 Cr from 2017-2019 i.e.13.07% .But as compared to 2021 year NPA is decreased at 33.40%.

A.RELATIONSHIP OF NET PROFIT AND NET NPA OF SBI

Interpretation

- The above diagram shows that Net Profit and Net NPA of SBI from the period 2016-2021. It shows that when Net NPA of SBI increased then Net Profit will be decreased.
- In the year 2017-18 there is highest Net NPA of Rs.110854.7 Cr. Over all of the year. Due to highest NPA, Net Profit of this year went to negative of Rs.6547.45 CR.
- This shows that there is a negative relationship between Net NPA and Net Profit of the bank.

B. RELATIONSHIP OF NET PROFIT AND NET NPA OF BOB

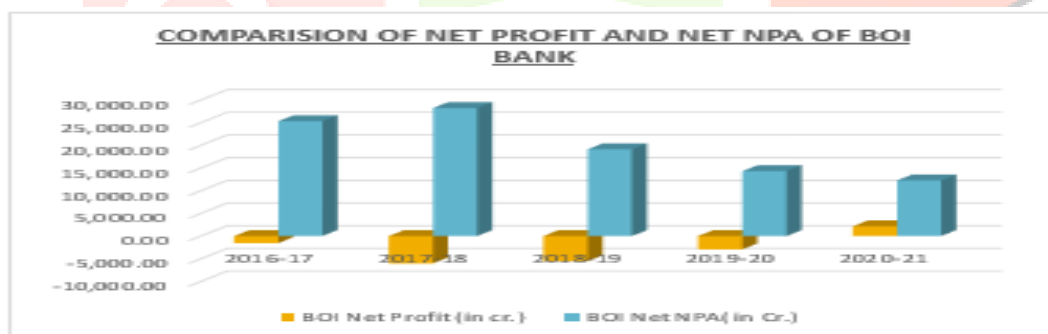


Interpretation

The above diagram indicates the relationship between Net NPA and Net Profit of the Bank of Baroda. According to the directions it shows that there is an inverse relationship between Net Profit and Net NPA of the Bank. When NPA of Bank increases, then the profit of the banks going to decrease. In the year 2017-18, Net profit showed negative figures i.e. Rs.2431.81Cr. Where as in the same year the Net NPA is showing a positive figure i.e. Rs. 23482.65 Cr.

In all the years 2016-17, 2018-19, 2019-20 and 2020-21 it shows a negative relationship between NET NPA and NET Profit.

C. RELATIONSHIP OF NET PROFIT AND NET NPA OF BOI



Interpretation

- The above diagram indicates the relationship between Net NPA and Net Profit of the Bank Of India. According to the directions it shows that there is an inverse relationship between Net Profit and Net NPA of the Bank.
- In the year 2016-17,2017-18,2018-19 and 2019-20 the Net Profit is showing negative figures where as in the year 2020-21 ,it shows a positive figure of Net profit i.e. Rs.2160.30CR.
- In the year 2016-17 to 2017-18, the Net NPA is showing positive figure which is increased and after that it is continuously decreasing.

YEAR	AXIS		ICICI		HDFC	
	Net Profit (in cr.)	Net NPA (in Cr.)	Net Profit (in cr.)	Net NPA (in Cr.)	Net Profit (in cr.)	Net NPA (in Cr.)
2016-17	3679.28	8626.55	9,801.09	25451.03	14,549.66	1843.99
2017-18	275.68	16591.71	6,777.42	27886.27	17,486.75	2601.02
2018-19	4676.61	11275.60	3363.30	13577.43	21,078.17	3214.52
2019-20	1627.22	9360.41	7,930.81	10113.86	26,257.32	3542.36
2020-21	6588.50	6993.52	16,192.68	9180.20	31,116.53	4554.82
MEAN	3369.458	10569.558	8,813.06	17241.758	22,097.69	3151.342

Interpretation

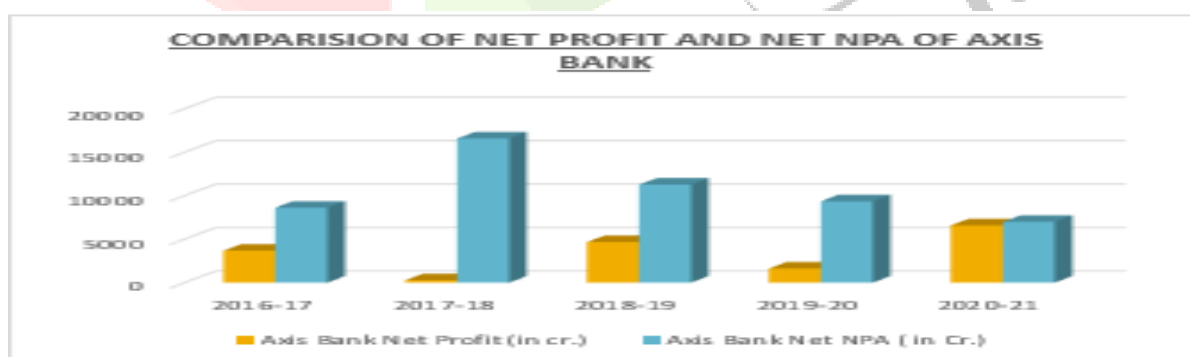
Table 3 shows that the Net Profit (in cr.) and Net NPA (in cr.) of 3 Private sectors Banks. Such as Axis, ICICI and HDFC Bank. The data of Axis Bank indicates that the net profit and net NPA are fluctuates over the 5 years. The Net profit (in cr.) firstly it is decreasing and then increasing at increasing rate. Whereas, Net NPA (in cr.) is firstly increase and then decreasing at decreasing rate.

The data of ICICI bank indicates that the net profit and Net NPA are fluctuates over the last 5 years. The Net Profit (in cr.) Firstly it decreases and then increase at increasing rate continuously for a Five years. Whereas, Net NPA (in cr.) is firstly is increase and then decrease and again increase.

The data of HDFC Bank indicates that the net profit and Net NPA (in cr.) Are increase at increasing rate over the five years.

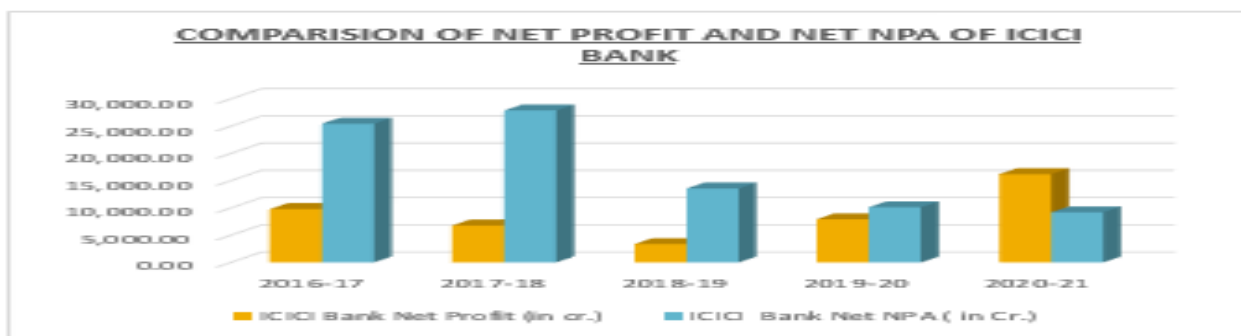
The mean value of Net Profit is highest in HDFC Banks with Rs 22,097.68 Cr. And mean value of NPA is highest in ICICI Banks with Rs 33801.76 Cr.

A) RELATIONSHIP OF NET PROFIT AND NET NPA OF AXIS



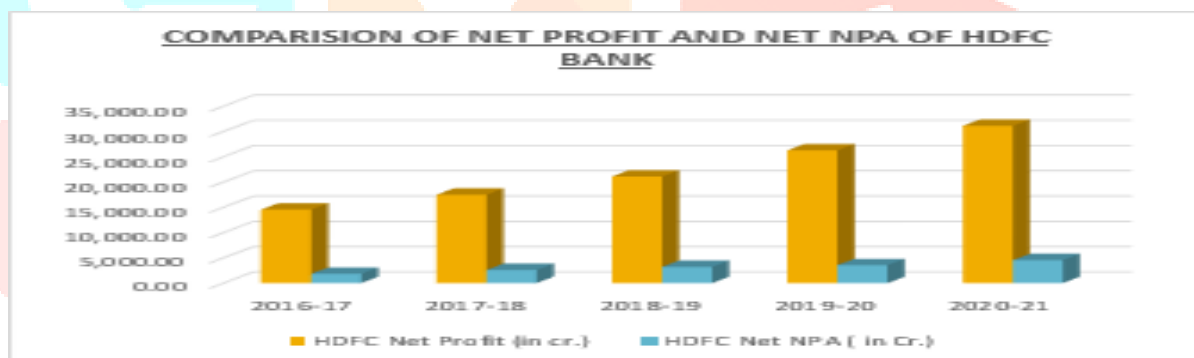
Interpretation

The above chart indicates the Net Profit and Net NPA of the AXIS Bank from the period 2016-2021. The NET NPA is increased from 2016-17 to 2017-18 and after that it decreased for the year 2018-19 and then it is continuously increased. In 2017-18 the NPA of Axis bank is Highest i.e. Rs.16591.71 Cr. Whereas in 2020-21 is Lowest i.e. Rs.6993.52 Cr. The Net Profit Of Axis Bank shows that Inverse relationship, The Net Profit is lowest i.e. Rs.275.68 Cr. in the year 2017-18 and highest in the year 2020-21 i.e. Rs. 6588.50 Cr. Thus, it shows that there is a Negative Relationship between Net NPA and Net profit of the bank.

B) RELATIONSHIP OF NET PROFIT AND NET NPA OF ICICI**Interpretation**

The above chart indicates the Net Profit and Net NPA of the ICICI Bank from the period 2016-2021. Here the Net NPA of ICICI Bank is firstly increase at increasing rate than continuously decrease at a decreasing rate over the given 5 years. Here The Net NPA of the ICICI bank is Highest in 2017-18 i.e. Rs 27886.27Cr. and lowest in the year 2020-21 i.e. Rs 9180.20Cr.

The Net Profit is continuously decreased for the first three year and then it increased at a increasing rate.

C) RELATIONSHIP OF NET PROFIT AND NET NPA OF HDFC**Interpretation**

The above chart indicates the Net Profit and Net NPA of the HDFC Bank from the period 2016-2021. Here the Net Profit of HDFC Bank is continuously increase at an increasing rate and The Net NPA of the HDFC bank is also increase but not that much increase as compared to Net Profit of the HDFC bank over the given 5 Years period of time.

CORRELATION BETWEEN MEAN NET NPA AND MEAN NET PROFIT FOR THE FIVE YEARS OF THE FOLLOWING BANKS

BANK	MEAN NET PROFIT	MEAN NET NPA	CORRELATION
SBI	7,939.49	64741.568	-0.935078
BOB	152.00	20109.76	-0.565357
BOI	-2,789.11	19842.68	-0.603701
AXIS	3369.458	10569.558	-0.752261
ICICI	8,813.06	17241.758	-0.280073
HDFC	22,097.69	3151.342	0.981204

Interpretation

Since we have calculated Correlation of all the Selected Banks and as seen the Correlation is Negative in First Five Banks but only HDFC Bank shown Positive Correlation. It means that there is a direct relationship between Net Profit and NPA of the HDFC Bank .As NPA increases, Net Profit of such bank also increases.

FINDINGS

Comparison among Public Bank and Private Bank:

1. **Gross NPA %**- It is one of the key indicators of banking Sector. According to the Comparative analysis Gross NPA% is higher in Public Sector bank i.e., BOI of 14.838% and lower in Private Sector Bank i.e. HDFC Bank with 1.258% mean value.
2. **Net Profit (in cr.)**-It shows the profitability of the Bank. The mean value of Net Profit is highest in HDFC Bank i.e., Rs 22097.69 Cr. And lowest in BOI which shows negative figures i.e., Rs.-2789.11 Cr.
3. **Net NPA Amount (in Cr.)**- It is another Key parameter of financial Position of Bank. As per the comparison Public Sector Bank i.e., SBI having higher mean NPA Value of Rs 64741.568 Cr. and HDFC the Private Sector bank having lowest mean NPA amount of Rs.3151.342 Cr.
4. **Correlation between Net NPA and Net Profit**- According to the point of correlation between Net NPA and Net Profit ,all the Banks show negative correlation except HDFC bank which shown positive Correlation 0.981204. Negative correlation indicates that when NPA will rise then Net Profit will be decreased.

LIMITATION AND FUTRE SCOPE OF STUDY

This research is based on secondary data. I just made the conclusion on the basis of analyzing data collected from last five years from the year 2017-2021.The statistical concept used is limited. The researcher can further do the research on this topic by taking past 12years data and using other different statistical tools and other different key parameters like CASA%, ROCE%, Cost of Income% etc. and their impact on NPAs of the Bank.

CONCLUSION

Here I conclude that the NPA is the One of the Key Parameters which indicates the financial stress of any Banks in India. NPA is one of the biggest issues in banking Sector. It is difficult to completely reduce the NPA from banks but we should try to eliminate some major portion of NPA from banks .After the comparison it is found that NPA is more in Public Sector banks i.e. State Bank Of India (SBI) and it has negatively affected the profitability of the Banks, because SBI has negative Correlation between Net NPA and Net Profit. Thus NPA is one of the major issues of public sector banks as well as Government. Now the Reserve Bank Of India (RBI)has been increased to take measures and actions against NPA in Banks. There is need to focus on NPA of every Public Sector

Bank in India. To eliminate NPA the Bank should improve their credit structure and also repayment structure. It also focuses on the default risk minimization mechanism. Bank should follow all the credit policy of the government and take timely action against NPA. The bank also improved its management system regarding NPA.

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