



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## A COMPARATIVE ANALYSIS OF NPA OF IDBI AND SBI BANK IN INDIA

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**Abstract:** In the present scenario, the role of banking is considered to be focal to the development of an economy. Its lending function adds on to creation of demand which is the prerequisite of growth for every nation. This study only focusses on the health parameter of advances created by two major banks in India i.e. IDBI Bank Ltd. and SBI by ascertaining their non performing assets for the 10 year period ranging from 2013-14 to 2022-23. Also efforts were made to effectualize that do both the banks have the same NPA trend but the results revealed that SBI's NPA share was less as compared to that of IDBI Bank Ltd. and there was a significant difference seen in their gross NPA share to total advances.

**Keywords:** Non Performing Assets, RBI, IDBI Bank Ltd., State Bank of India

### I. INTRODUCTION

Banking sector has always played a pivotal role in the development of any economy. The growth in economic activities can only be possible through the continuous increase in financial resources. This is well managed by the strong framework of banking sector. The core work of banks is the mobilisation of resources effectively by converting savings into investments. If we look at the other side of the coin then we can well make out that through increasing the supply of money in the economy there is an increase in the expenditure i.e. creation of more demand.

But considering the major activities of commercial banks that are considered as the 'producers of credit' not only their acceptance of deposit function is important but also the lending of advances plays a crucial role. Finally concentrating on their lending function various reports of central banks has revealed that banks are not able to recover their complete disbursed funds. These funds are known as "Non-Performing Advances".

#### Defining NPA

As per the Reserve Bank of India, a non-performing asset is that loan or advance where

- Interest and / or installment of principal remains overdue for a period of more than 90 days in case of Term Loans
- The account remains "out of order" in case of loan products being offered as an overdraft facility, including those accounts which entail interest repayments as the only credits
- Any amount remains overdue for a period of more than 90 days in respect of other accounts
- In case of agricultural advances:
  - a.) Loan granted for short duration crops remains overdue if the principal or interest thereon remains overdue for two crop cycles
  - b.) Loan granted for long duration crops remains overdue if the principal or interest thereon remains overdue for one crop cycle.

(Long duration crops have a crop season longer than one year. Crops which are not long duration crops are treated as short duration crops.)

An increasing level of NPAs can affect the economy badly in numerous ways. It leads to a credit shortfall, drastically reducing future credit availability. This further leads to a decrease in investment in core sectors of the economy and a resulting fall in GDP with reverse multiplier effect. This eventually leads to inflation, causing a general unemployment in the economy and a slump in the stock market, also known as a bear market. Banks, in turn are forced to increase their lending rates to maintain their profit margins. Along with this, banks decrease their interest rates on deposits to increase their profit margin. This results in banks deposits becoming less popular as instruments of savings and investment, as compared to PPF and other post – office saving schemes and also to mutual funds, which claim a higher yeild as compared to bank deposits. This diversion of funds from the banking sector to other non – banking sectors leads to erosion of capital with the banks, causing a major dent in their capacity for credit creation. Apart from this, an increase in NPAs badly affects the balance sheet of the banks. It also causes a negative impact on the overall return on assets. To manage the NPAs, large proportions of profits are provisioned against these bad loans. This reduces the profitability of the banks. The banks are expected to maintain a certain capital adequacy level to ensure a positive net worth, which is affected if there is an increase in the bad loans.

### ***RBI initiative for Recovering NPAs***

Some measures with regards to control and mitigation of NPAs have been taken by the RBI and Central Government. These measures include creation of Debt Recovery Tribunals (DRTs) & Asset Reconstruction Companies (ARCs). Some other measures for the resolution of the problems of NPAs include Lok Adalats, the SARFAESI (Securitation and Reconstruction of Financial Assets and Enforcement of Security Interest) Act, 2002 and Insolvency and Bankruptcy Code, 2016. The RBI has also taken certain other steps in this regard, such as the recapitalization of public sector banks and setting up of stressed asset management verticles in banks. The RBI, in recent years has also introduced concepts like Special Mention Accounts (SMAs) and created categories therein like SMA 0, SMA 1 and SMA 2 which help in early detection and control of slippage of loan accounts into the NPA category. Moreover, RBI has the framework of Prompt Corrective Action (PCA) which is a structured early – intervention mechanism for banks with weak financial records due to loss of profitability or poor asset quality. The corrective measures under PCA include restructuring operations and conducting special audits. RBI places banks under PCA framework after they breach certain limitations placed on them.

## **II. Literature Review**

1. Dutta, A. (2014): The paper deals with the growing NPA in Public and Private sector banks in India. Data has been collected from secondary sources, mostly from the data available on the RBI website.
2. Das, S. (2010): An analysis of the reasons of NPAs viz. poor follow-up and supervision, non-cooperation among banks, wilful defaulters, poor legal framework etc. has been done.
3. Prasad, G.V.B., & Veena, D (2011): This study has attributed NPAs as the best indicator for the overall health of the banking industry and also suggested NPA mitigation strategies for banks in India.
4. Ahmad, Z., & Jegadeeshwaran, M. (2013): The paper has been written on NPAs and their causes. Secondary data has been analysed for a period of five years. Statistical measures mean and ANOVA have been used to analyse the NPA management efficiency of nationalised banks.
5. Rajeev, M. & Mahesh, H.P. (2010): The article deals with the issue of NPAs as a result of the global financial crisis. They suggested self – monitoring and recognition of the problem of NPA can help mitigate it to a great extent. They also suggested the involvement of self help groups in loan recovery.
6. Arora, N., & Ostwal, N. (2014): The study analyses and compares asset quality of private and public sector banks. It attributes NPAs as major threat for banks and states that in comparison to private banks, public sector banks have a higher level of NPAs.
7. Agarwala, V., & Agarwala, N. (2019): The study points out that NPAs best indicate the soundness of the banking industry of the country. It shows that the problem of NPAs is pretty evident with large banks as it is with small banks.

8. Das, J.K., & Dey, S. (2017): The paper studies the growth of priority and non – priority sector NPA and their contribution in building up of aggregate NPA. Correlation analysis has been used to check the relationship between NPAs and economic factors.

9. Das, S. & Dutta, A. (2014): In this study, secondary data from RBI website has been used to analyse six years (2008-2013) Net NPA data of 26 public sector banks. Statistical tool ANOVA has been used to find if there exists any significant difference in the mean variation between the NPAs of the banks

10. Joseph, A. L. (2014): This paper indicates the trend of NPA in the banks and the factors contributing to the rise of NPA. It also provides suggestions to handle the stress of NPAs.

### III. Objectives of the Study

- To analyse the growth rate of Non Performing Assets (NPAs) of IDBI Bank Ltd. and State Bank of India from FY 2013-14 to FY 2022-2023.
- To make a comparative analysis of the percentage share of NPAs to Total Advances of IDBI Bank Ltd. and State Bank of India FY 2013-14 to FY 2022-2023.

### IV. Methodology Used

The study has been conducted using secondary data extracted from journals, research papers and from the websites of RBI and the concerned banks. The NPA data has been collected for both banks for the financial year range 2013-14 to 2022-23. Simple statistical tools such as percentage and growth rate have been used whereas to test the hypothesis paired t-test has been applied.

### V. Hypothesis

H<sub>0</sub>: There is no significant difference in the Gross NPA share to Total Advances of IDBI Bank Ltd. and State Bank of India.

H<sub>1</sub>: There is significant difference in the Gross NPA share to Total Advances of IDBI Bank Ltd. and State Bank of India.

### VI. Data Analysis and Interpretation

In order to analyse the NPA of IDBI and SBI the data was collected for the given time period and has been worked on as such:

Table 1: Year-on-year growth rate in Gross NPA in IDBI Bank Ltd. and SBI

F.Y. Ending	IDBI Bank Ltd.		SBI	
	Gross NPA (Rs. Crores)	Gross NPA Growth Rate	Gross NPA (Rs. Crores)	Gross NPA Growth Rate
Mar-13	6449.98	-	51189.39	-
Mar-14	9960.16	54.42	61605.35	20.35
Mar-15	12684.97	27.36	56725.34	-7.92
Mar-16	24875.07	96.10	98172.80	73.07
Mar 17	44752.59	79.91	112342.99	14.43
Mar-18	55588.25	24.21	223427.46	98.88
Mar-19	50027.94	-10.00	172753.60	-22.68
Mar 20	47272.37	-5.51	149091.85	-13.70
Mar-21	36211.95	-23.40	126389.00	-15.23
Mar-22	34115.00	-5.79	112023.00	-11.37
Mar-23	10969.00	-67.85	90927.78	-18.83

Source: 1. Gross NPA Data taken from RBI Website.

2. Author's own calculation of Gross NPA Growth Rate.

From the above table, it can be inferred that the Gross NPA of IDBI Bank Ltd. has initially increased on year-on-year basis between the financial years 2013-14 and 2017-18. There have been significant spurts in the NPA growth rate in the financial years 2013-14, 2015-16 and 2016-17. The Gross NPA of IDBI Bank Ltd. however has shown a considerable decrease over the period between the financial years 2018-19 and 2022-23. Significant dips in the NPA growth rate have been seen in the financial years 2022-21 and 2022-23.

For State Bank of India, the Gross NPA has increased initially between the financial years 2013-14 and 2017-18. The financial year 2014-15 however, is an exception as it shows a decrease in Gross NPA as compared to the previous financial year. Significant spurts in the NPA growth rate have been seen in the financial years 2015-16 and 2017-18. The Gross NPA of State Bank of India has shown a considerable decrease over the period between the financial years 2018-19 and 2022-12. Significant dips have been seen in the financial years 2018-19 and 2022-23.

Table 2: Share of Gross NPA to Total Advances (Gross NPA %)

F.Y. Ending	IDBI Bank Ltd.			SBI		
	Advances (Rs. Crores)	Gross NPA (Rs. Crores)	Gross NPA %	Advances (Rs. Crores)	Gross NPA (Rs. Crores)	Gross NPA %
Mar-13	196306.45	6449.98	-	1045616.55	51189.39	-
Mar-14	197686.00	9960.16	5.04	1209828.72	61605.35	5.09
Mar-15	208376.87	12684.97	6.09	1300026.39	56725.34	4.36
Mar-16	215893.45	24875.07	11.52	1463700.42	98172.80	6.71
Mar-17	190825.93	44752.59	23.45	1571078.38	112342.99	7.15
Mar-18	171739.95	55588.25	32.37	1934880.19	223427.46	11.55
Mar-19	146790.44	50027.94	34.08	2185876.92	172753.60	7.90
Mar-20	129841.79	47272.37	36.41	2325289.56	149091.85	6.41
Mar-21	128149.94	36211.95	28.26	2449497.79	126389.00	5.16
Mar-22	145771.84	34115.00	23.40	2733966.59	112023.00	4.10
Mar-23	162567.73	10969.00	6.75	3199269.30	90927.78	2.84

Source: 1. Gross NPA Data taken from RBI Website.  
2. Author's own calculation of Gross NPA %.

As our study was only limited to the NPAs of IDBI Bank Ltd. and State Bank of India, the comparative results revealed that initially the share of gross NPAs to total advances for IDBI Bank Ltd. was increasing during the financial years 2013-14 and 2019-20. However, in the past few years, i.e. financial years 2020-21 to 2022-23, the share of gross NPAs to total advances for IDBI Bank Ltd. has converted into decline rate and has been consistently decreasing.

For SBI also, there was an initial increase in the share of gross NPAs to total advances during the period between financial years 2013-14 and 2017-18. In the recent years, i.e. between financial years 2018-19 and 2022-23 the share of gross NPAs to total advances has shown a consistent decline.

The major reasons for the decline in the share of gross NPAs to total advances for both banks under study can be the effective monitoring of RBI and recovery initiatives undertaken by the respective banks. It is also pointed out that the loan waiver / write off provided by the Central and State Governments have resulted in a decrease in gross NPA.

Further as our study was of a comparative nature, comparing IDBI Bank Ltd. with SBI, we can see a significant difference in the share of gross NPA to total advances. This is because of their relative sizes and asset quality.



Table 3: Results of paired sample t – test conducted

Hypothesis	Calculated Test Statistics	Result
H0: There is no significant difference in the Gross NPA share to Total Advances of IDBI Bank Ltd. and State Bank of India.	t - test statistic = 4.1837 d.f. = 9 p value = 0.0024	As the p value (0.0024) < 0.05  <b>H0 Rejected</b>

In the table give above, the hypothesis set for the study directed towards identifying whether there is a significant difference in the gross NPA share to the total advances of the two banks. The test reveals that as the calculated p value is less than 0.05, thus the null hypothesis is rejected stipulating that there is a significant difference in the gross NPA share to the total advances of IDBI Bank Ltd. and SBI.

## VII. Conclusion

The mounting NPAs of commercial banks pose a major threat to the respective banks and the economy as a whole. The non recovery of principal and interest is affecting the lending capacity of the banks; as a result there is risk of leakages in investment flows in key sectors of the economy. This will eventually lead to low levels of income and productivity. The rise of NPAs is a major challenge and should be dealt with due dilligence in the process of sanction and disbursement of loans. Serious efforts of recovery should be undertaken so as to mitigate further slippages, once the loans come under SMA 0, SMA 1 and SMA 2 category.

The main objective of the study was to find out whether there exists any significant difference in the Gross NPA share to Total Advances of IDBI Bank Ltd. and State Bank of India in the time period between the financial years 2013-14 and 2022-23. The study finds out that there is significant difference in the Gross NPA share to Total Advances of IDBI Bank Ltd. and State Bank of India in the above mentioned time period.

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