



A STUDY ON GROWTH OF BANKING SECTORS IN INDIA WITH SPECIAL REFERENCE TO NPA AMONG PRIVATE, PUBLIC AND FOREIGN BANKS.

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Abstract

The banking sectors have been playing a predominant role all over the world in the growth of economy. The growth of investment which is based on the availability of credit which has been provided by the banking sector. In recent year the banking sectors have been facing the various problems in terms of recollecting the loan amount and as well as rate of interest from the borrowers. It is observed that the rich business people sometimes cannot repay the loan amount due to loss of business. Among the various banking sectors of public, private and foreign, the public sector bank has been affecting due to huge amount of NPA. Therefore, the public sectors banks are not in a position to create more amount of loan to the public. The research paper mainly focused on how much amount of share of NPA in Private, Public and Foreign bank.

Key Words: *Non-Performing Assets, Commercial Bank, Public, Private and Foreign Banks, Advances / Credit, Gross and Net values.*

1.1 Introduction

Non-Performing Assets (NPAs) refers to a classification for loans on the books of financial institution that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as non-performing assets when loan payments have not been made for a period of 90 days.

The following factors contributing to the NPAs formulation in banking sector of India.

| Internal Factors | External Factors | Other Factors |
|---|---|---|
| <ul style="list-style-type: none"> • Diversion of fund for expansion, diversification, modernisation or for taking up new projects. • Business failure due to product failure; failure in marketing, etc. • Inefficiency in bank management. | <ul style="list-style-type: none"> • Exchange rate fluctuations. • Change in government policies. • Price volatility of inputs. • Inputs or power shortage recession with economy as a whole. | <ul style="list-style-type: none"> • Pressures due to liberalised policies like several competitors. • Poor monitoring of credit. • Granting of loans to certain sectors of the economy on the basis of government directives. |

There are two groups of defaulters who have majority contributed to NPAs. The first groups are big companies and corporate houses. Public banks possibility under political and economic pressure gave loans to a lot of companies who defaulted and the second group is that of farmers. Since 2012, despite a lot of farm loan waiver schemes, the agricultural sector has let to high NPAs.

Former RBI Governor Raghuram Rajan had pointed out that there are many sick industries which have been repaying bank loans on time. But, the corporate sector people are dodger, even though their industries are very sound. In India, liquor baron Vijay Mallya become a wilful defaulter of Rs.9,000/- crore and Sahara's Subrata Roy failed to pay Rs.36,000/- crore back to banks.

1.2 Objectives of the Study

1. To study the growth of banking sectors in terms of advances in gross and net values in India.
2. To examine the value of NPAs of public and private sector banks in India.
3. To find out the value of NPAs of foreign banks in India.

1.3 Scope of the Study

1. The study would help to know the growth of banking sectors in terms of advances in gross and net values in India.
2. The study would help to understand the value of NPAs of public and private sector banks in India.
3. The study would help to light throw on the value of NPAs of foreign banks in India.

1.4 Limitation of the Study

The study focused only on the share of NPAs of banking sectors but it has not covered the value of NPAs raised from sector-wise like primary, secondary and territory by contributing the credit.

1.5 Statement of the Problem

The banking sectors have registered phenomenal growth both in terms of the number of branches and the amount of bank credit or advance since nationalization. The supply of money depends on the flow of funds in the economy which governed by the Central bank of India. The progress of all sectors have been achieving through proving the credit facilities by the commercial banks.

When the banks are creating more loans / advances to the society in order to bring the higher growth of all industries, they have been facing the major issue of non-performing assets that not only affecting the profitability of the banking sector but also curbing the economy as a whole. The study has focused on how much amount of NPAs is dominating in different banking sectors such as public, private and foreign banks and find out percentage share of NPAs in total amount of credit.

Hence, the study entitled, “A Study on the Role of NPAs in Banking Sectors of India”.

1.6 Review of Literature

D.K.Jain (1994), in his study on “NPA – a concept and message”, classified that the concept is that there was a greater need to pay proper attention to the management of the credit portfolio in the banks. The author found that heaping NPAs would have an adverse effect on the liquidity, profitability, profitability and ultimately very existence of the organisation.

D.P.Saradha (1998), in her study on strategies for reducing NPA highlighted that various techniques could be used for reducing NPAs. If one techniques fails while dealing with a particular NPA, banks may have to try with other techniques for that case. If proper case is taken for appraisal, supervision and follow-ups of advances, future NPAs can be avoided. Although risk is a part of lending, it can be minimised by taking necessary precautions which will help in avoiding NPAs. Author concluded that bank should not only take steps for reducing present NPAs but also necessary precautions must be taken to avoid future NPAs.

1.7 Methodology

The following methodology has been used for the present study.

i. Nature of Research Design:

As the study intends to analyse the growth of banking sectors in terms of advances / credits and value of NPAs of scheduled commercial banks, the analytical research design used for the present study.

ii. Nature of Data:

The collected data for the present study were secondary in nature.

iii. Sources of Data:

The collected data from a secondary source of Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

iv. Period of Study:

The study covered a period of twelve years i.e. from 2004-05 to 2018-19. The selection of the period of study based on recent years to find out the current trends.

v. Statistical Tools Used:

The statistical tool namely percentage analysis used for the present study.

1.8 Data Analysis and Interpretation

TABLE 1: GROWTH OF SCHEDULED COMMERCIAL BANKS IN INDIA IN TERMS OF ADVANCES

(Rupees in Billion)

| Years | Gross | Growth Rate | Net | Growth Rate |
|---------|----------|-------------|----------|-------------|
| 2004-05 | 11526.82 | --- | 11156.63 | --- |
| 2005-06 | 15513.78 | 34.59 | 15168.11 | 35.96 |
| 2006-07 | 20125.10 | 29.72 | 19812.37 | 30.62 |
| 2007-08 | 25078.85 | 24.61 | 24769.36 | 25.02 |
| 2008-09 | 30382.54 | 21.15 | 29999.24 | 21.11 |
| 2009-10 | 35449.65 | 16.68 | 34970.92 | 16.57 |
| 2010-11 | 40120.79 | 13.13 | 42987.04 | 22.92 |
| 2011-12 | 46488.08 | 15.87 | 50735.59 | 18.03 |
| 2012-13 | 59718.20 | 28.46 | 58797.73 | 15.89 |
| 2013-14 | 68757.48 | 15.14 | 67352.13 | 14.55 |
| 2014-15 | 75606.66 | 9.96 | 73881.60 | 9.69 |
| 2015-16 | 81711.14 | 8.07 | 78964.67 | 6.88 |
| 2016-17 | 84767.05 | 3.73 | 81161.09 | 2.78 |
| 2017-18 | 92662.10 | 8.52 | 87459.78 | 7.76 |

Source: Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

The growth of NPA in cross and net value of scheduled commercial banks in India is given in the table. It was found that the growth of NPA in cross value was decreasing in the following year 2015 – 2016, 2016– 2017 was 8.07 per cent and 3.73 per cent respectively and the growth of NPA in Net Advance Value was high 35.96 per cent, 30.62 per cent in the year 2005 - 2006, 2006 – 2007 respectively. It was concluded that the higher NPA was found in the year 2005 -2006.

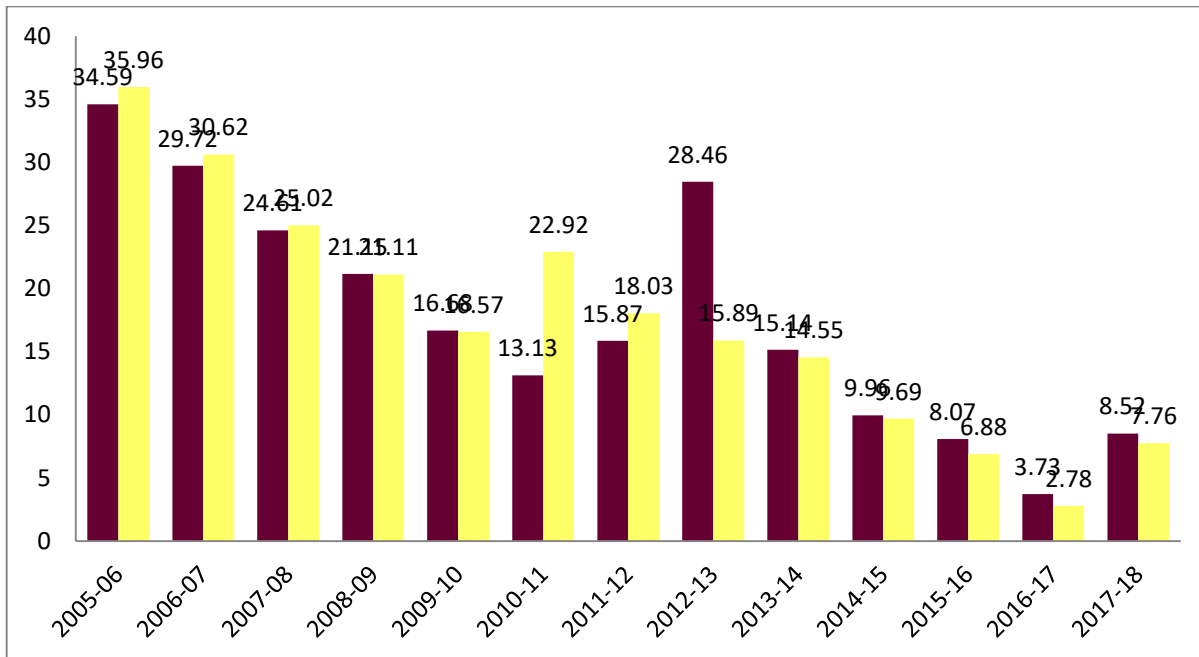


TABLE 2: GROSS AND NET NPAs OF SCHEDULED COMMERCIAL BANKS

(Rupees in Billion)

| Years | Advances of Scheduled Banks | | Non-Performing Assets (NPAs) | | | |
|---------|-----------------------------|----------|------------------------------|---------------------------------|---------|-------------------------------|
| | Gross | Net | Gross | | Net | |
| | | | Amount | As Percentage of Gross Advances | Amount | As Percentage of Net Advances |
| 2004-05 | 11526.82 | 11156.63 | 593.73 | 5.2 | 217.54 | 2.0 |
| 2005-06 | 15513.78 | 15168.11 | 510.97 | 3.3 | 185.43 | 1.2 |
| 2006-07 | 20125.10 | 19812.37 | 504.86 | 2.5 | 201.01 | 1.0 |
| 2007-08 | 25078.85 | 24769.36 | 563.09 | 2.3 | 247.30 | 1.0 |
| 2008-09 | 30382.54 | 29999.24 | 683.28 | 2.3 | 315.64 | 1.1 |
| 2009-10 | 35449.65 | 34970.92 | 846.98 | 2.4 | 387.23 | 1.1 |
| 2010-11 | 40120.79 | 42987.04 | 979.00 | 2.5 | 417.00 | 1.1 |
| 2011-12 | 46488.08 | 50735.59 | 1423.26 | 3.1 | 650.19 | 1.3 |
| 2012-13 | 59718.20 | 58797.73 | 1935.09 | 3.2 | 986.09 | 1.7 |
| 2013-14 | 68757.48 | 67352.13 | 2633.72 | 3.8 | 1423.83 | 2.1 |
| 2014-15 | 75606.66 | 73881.60 | 3233.35 | 4.3 | 1758.41 | 2.4 |
| 2015-16 | 81711.14 | 78964.67 | 6116.07 | 7.5 | 3498.20 | 4.4 |
| 2016-17 | 84767.05 | 81161.09 | 7917.91 | 9.3 | 4331.21 | 5.3 |
| 2017-18 | 92662.10 | 87459.78 | 1039.67 | 11.2 | 5206.79 | 6.0 |

Source: Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

The share of NPA in cross and net value of scheduled commercial banks is given in the table. It was found that the share of NPA in cross value was higher in the following year 2016 – 2017, 2017– 2018 was 9.3 per cent and 11.2 per cent respectively and the share of NPA in Net Advance Value was high 6.0 per cent, 5.3 percent in the year 2017 - 18, 2016 -17respectively. It was concluded that the higher NPA was found in the year 2017 -18.

Advances and NPAs of gross and net of scheduled commercial banks are given in Table 2

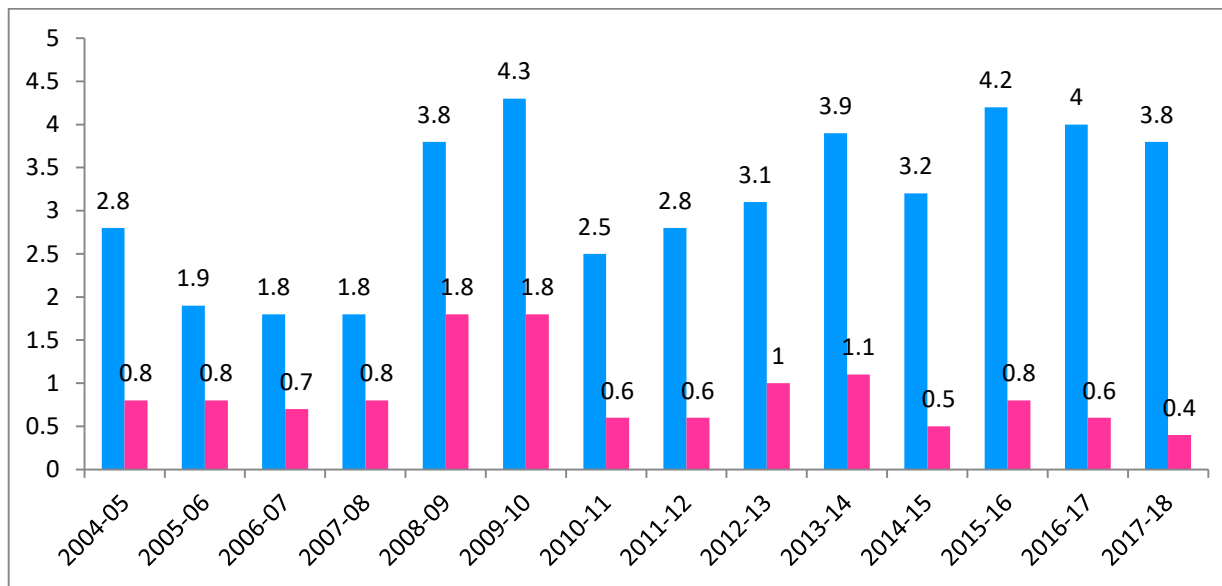


TABLE 3: GROSS AND NET NPAs OF PUBLIC SECTOR BANKS

(Rupees in Billion)

| Years | Advances of Public Sector Banks | | Non-Performing Assets (NPAs) | | | |
|---------|---------------------------------|----------|------------------------------|---------------------------------|---------|-------------------------------|
| | Gross | Net | Gross | | Net | |
| | | | Amount | As Percentage of Gross Advances | Amount | As Percentage of Net Advances |
| 2004-05 | 8778.25 | 8489.12 | 483.99 | 5.5 | 169.04 | 2.1 |
| 2005-06 | 11347.24 | 11062.88 | 413.58 | 3.6 | 145.66 | 1.3 |
| 2006-07 | 14644.93 | 14401.46 | 389.68 | 2.7 | 151.45 | 1.1 |
| 2007-08 | 18190.74 | 17974.01 | 404.52 | 2.2 | 178.36 | 1.0 |
| 2008-09 | 22834.73 | 22592.12 | 449.57 | 2.0 | 211.55 | 0.9 |
| 2009-10 | 27334.58 | 27013.00 | 599.26 | 2.2 | 293.75 | 1.1 |
| 2010-11 | 30798.04 | 33056.32 | 746.00 | 2.4 | 360.00 | 1.2 |
| 2011-12 | 35503.89 | 38773.08 | 1172.62 | 3.3 | 592.05 | 1.5 |
| 2012-13 | 45601.69 | 44728.45 | 1644.61 | 3.6 | 899.52 | 2.0 |
| 2013-14 | 52159.20 | 51011.37 | 2272.64 | 4.4 | 1303.62 | 2.6 |
| 2014-15 | 56167.18 | 54762.50 | 2784.68 | 5.0 | 1599.51 | 2.9 |
| 2015-16 | 58183.48 | 55935.77 | 5399.56 | 9.3 | 3203.76 | 5.7 |
| 2016-17 | 58663.73 | 55572.32 | 6847.32 | 11.7 | 3830.89 | 6.9 |

| | | | | | | |
|---------|----------|----------|---------|------|---------|-----|
| 2017-18 | 61416.98 | 56973.50 | 8956.01 | 14.6 | 4544.73 | 8.0 |
|---------|----------|----------|---------|------|---------|-----|

Source : Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

Gross and Net NPAs of public sector banks is given in the above table. It was found that the percentage share of NPA in cross value of public sector banks was lighten in the year 2016 – 2017, 2017-2018. 11.7 per cent, 14.6 per cent respectively. In case of the share of NPA in Net value of public sector was increased from 8.0 per cent, 6.9 per cent to 2017 – 2018 and 2017 – 2018 respectively.

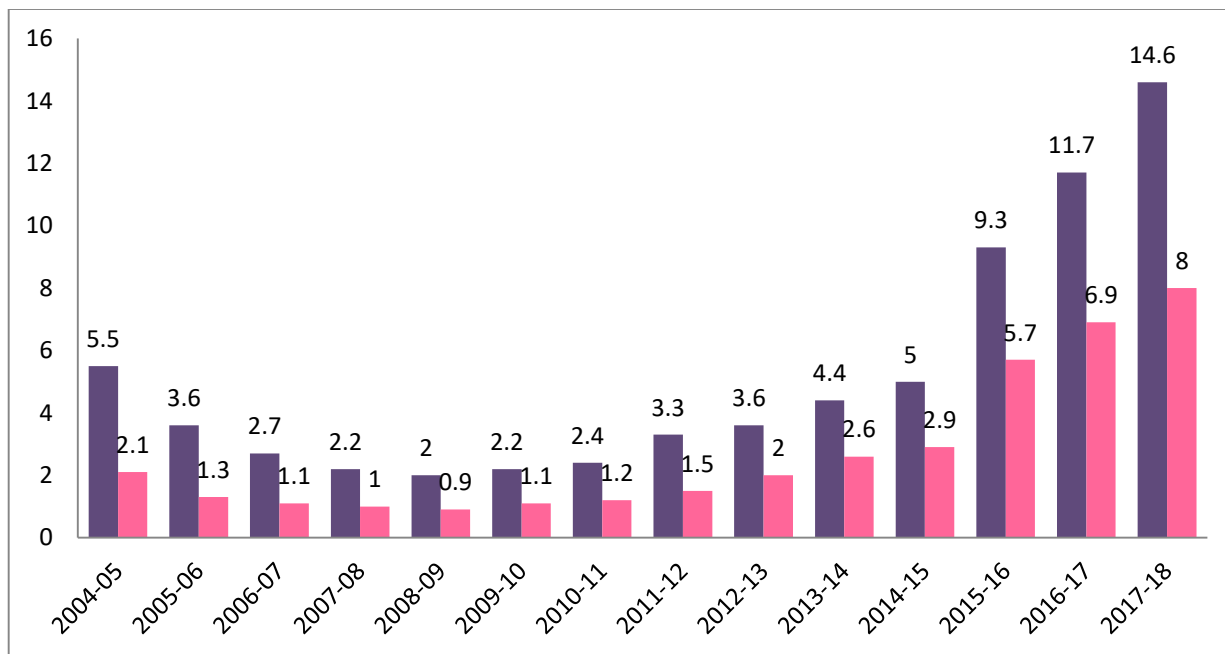


TABLE 4: GROSS AND NET NPAs OF OLD PRIVATE SECTOR BANKS

(Rupees in Billion)

| Years | Advances of Old Private Sector Banks | | Non-Performing Assets (NPAs) | | | |
|---------|--------------------------------------|---------|------------------------------|---------------------------------|--------|-------------------------------|
| | Gross | Net | Gross | | Net | |
| | | | Amount | As Percentage of Gross Advances | Amount | As Percentage of Net Advances |
| 2004-05 | 704.12 | 677.42 | 42.00 | 6.0 | 18.59 | 2.7 |
| 2005-06 | 851.54 | 829.57 | 37.59 | 4.4 | 13.75 | 1.7 |
| 2006-07 | 948.72 | 928.87 | 29.69 | 3.1 | 8.91 | 1.0 |
| 2007-08 | 1134.04 | 1116.70 | 25.57 | 2.3 | 7.40 | 0.7 |
| 2008-09 | 1303.52 | 1285.04 | 30.72 | 2.4 | 11.59 | 0.9 |
| 2009-10 | 1563.57 | 1541.36 | 36.22 | 2.3 | 12.71 | 0.8 |
| 2010-11 | 1872.96 | 1846.47 | 36.00 | 1.9 | 9.00 | 0.5 |
| 2011-12 | 2329.18 | 2300.79 | 42.00 | 1.8 | 13.00 | 0.6 |
| 2012-13 | 2731.20 | 2699.37 | 52.10 | 1.9 | 20.00 | 0.7 |

Source : Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

Cross and Net NPA s of old private sector banks is given in the table. It was found that the percentage share of NPA in cross value of old private sector was declining from 6.0 per cent to 1 – 9 per cent in 2004 – 2005 and 2012 – 2013 respectively. The percentage share of NPA in Net value of old private sector was also diminishing over the period of study from 2.7 per cent to 0.7 per cent in 2004 – 2005 and 2012 – 2013 respectively.

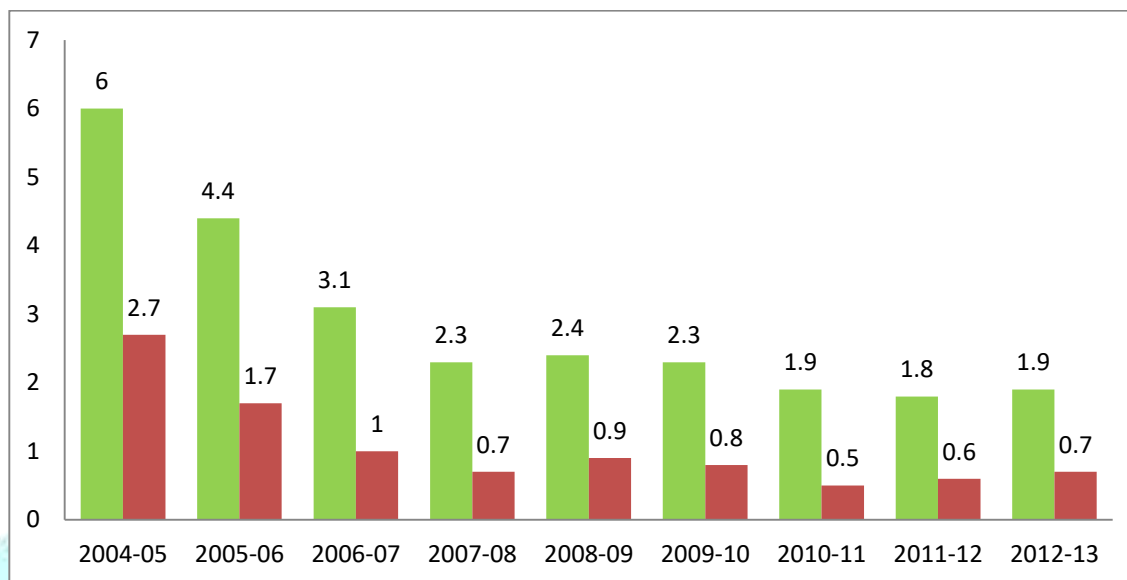


TABLE 5: GROSS AND NET NPAs OF NEW PRIVATE SECTOR BANKS

(Rupees in Billion)

| Years | Advances of New Private Sector Banks | | Non-Performing Assets (NPAs) | | | |
|---------|--------------------------------------|----------|------------------------------|---------------------------------|--------|-------------------------------|
| | Gross | Net | Gross | | Net | |
| | | | Amount | As Percentage of Gross Advances | Amount | As Percentage of Net Advances |
| 2004-05 | 1274.20 | 1236.55 | 45.82 | 3.6 | 23.53 | 1.9 |
| 2005-06 | 2325.36 | 2300.05 | 40.52 | 1.7 | 17.96 | 0.8 |
| 2006-07 | 3252.73 | 3218.65 | 62.87 | 1.9 | 31.37 | 1.0 |
| 2007-08 | 4124.41 | 4067.33 | 104.40 | 2.5 | 49.07 | 1.2 |
| 2008-09 | 4547.13 | 4468.24 | 138.54 | 3.1 | 62.52 | 1.4 |
| 2009-10 | 4877.13 | 4783.58 | 140.17 | 2.9 | 52.34 | 1.1 |
| 2010-11 | 5450.14 | 6128.86 | 145.00 | 2.7 | 34.00 | 0.6 |
| 2011-12 | 8716.41 | 7363.23 | 187.68 | 2.2 | 44.01 | 0.6 |
| 2012-13 | 11512.46 | 8733.11 | 210.71 | 1.8 | 59.94 | 0.7 |
| 2013-14 | 13602.53 | 13429.35 | 245.42 | 1.8 | 88.62 | 0.7 |
| 2014-15 | 16073.39 | 15843.12 | 341.06 | 2.1 | 141.28 | 0.9 |
| 2015-16 | 19726.59 | 19393.39 | 561.86 | 2.8 | 266.77 | 1.4 |
| 2016-17 | 22667.21 | 22194.75 | 932.09 | 4.1 | 477.80 | 2.2 |
| 2017-18 | 27258.91 | 26627.53 | 1293.35 | 4.7 | 642.22 | 2.4 |

Source: Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

It was found that the percentage share of NPA in Gross value of new private sector was also declining trend over during the period of study from 4.1 per cent to 4.7 per cent 2016 – 2017 and 2017 – 2018 respectively and similarly the percentage share of NPA in Net Value of New private sector was also increasing from 1.9 % to 2.4 % in 2004 – 2005 and 2017 – 2018 respectively.

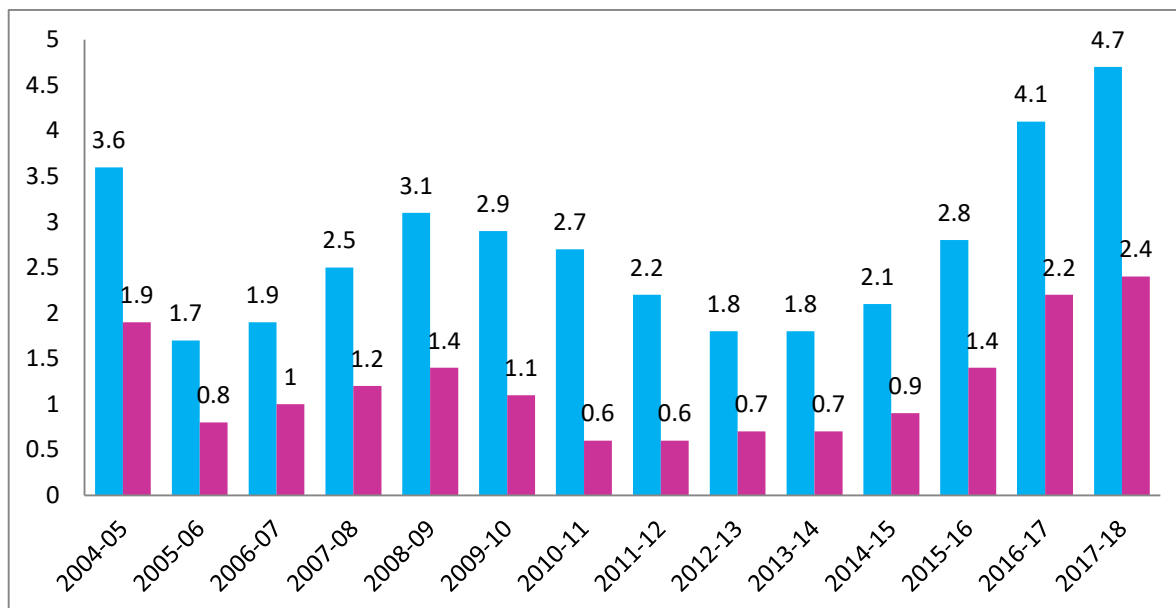


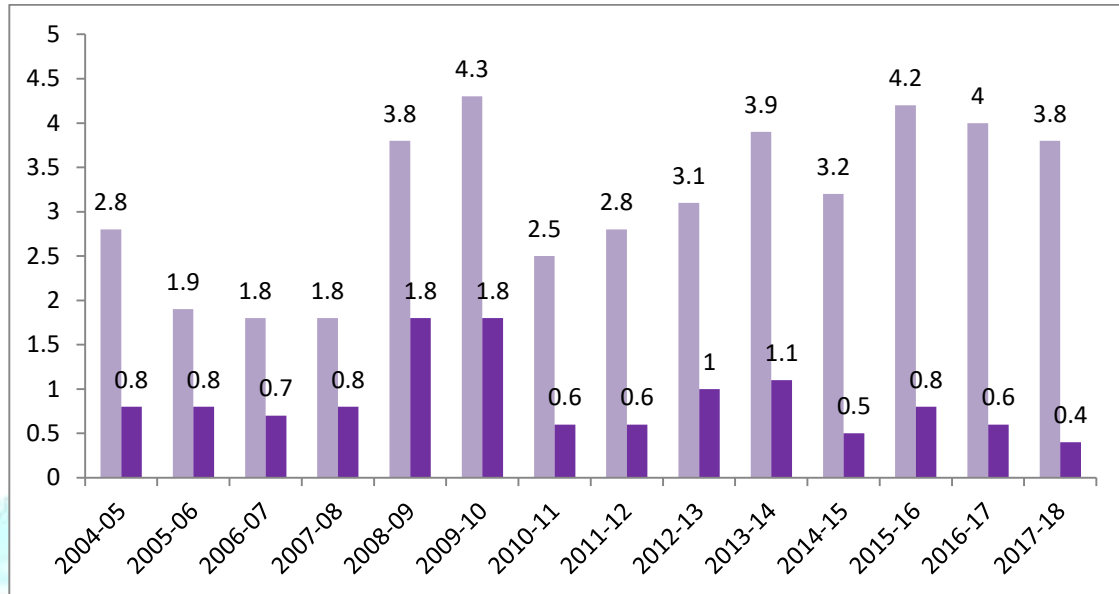
TABLE 6: GROSS AND NET NPAs OF FOREIGN BANKS IN INDIA

(Rupees in Billion)

| Years | Advances of Foreign Banks in India | | Non-Performing Assets (NPAs) | | | |
|---------|------------------------------------|---------|------------------------------|---------------------------------|--------|-------------------------------|
| | Gross | Net | Gross | | Net | |
| | | | Amount | As Percentage of Gross Advances | Amount | As Percentage of Net Advances |
| 2004-05 | 770.26 | 753.54 | 21.92 | 2.8 | 6.39 | 0.8 |
| 2005-06 | 989.65 | 975.62 | 19.28 | 1.9 | 8.08 | 0.8 |
| 2006-07 | 1278.72 | 1263.39 | 22.63 | 1.8 | 9.27 | 0.7 |
| 2007-08 | 1629.66 | 1611.33 | 28.59 | 1.8 | 12.47 | 0.8 |
| 2008-09 | 1697.16 | 1653.85 | 64.44 | 3.8 | 29.96 | 1.8 |
| 2009-10 | 1674.37 | 1632.60 | 71.33 | 4.3 | 29.77 | 1.8 |
| 2010-11 | 1993.21 | 1955.39 | 50.00 | 2.5 | 12.00 | 0.6 |
| 2011-12 | 2267.77 | 2298.49 | 62.97 | 2.8 | 14.12 | 0.6 |
| 2012-13 | 2604.05 | 2636.80 | 79.77 | 3.1 | 26.63 | 1.0 |
| 2013-14 | 2995.76 | 2911.42 | 115.65 | 3.9 | 31.60 | 1.1 |
| 2014-15 | 3366.09 | 3275.99 | 107.61 | 3.2 | 17.62 | 0.5 |
| 2015-16 | 3763.37 | 3635.51 | 158.05 | 4.2 | 27.67 | 0.8 |
| 2016-17 | 3436.11 | 3323.35 | 136.29 | 4.0 | 21.37 | 0.6 |
| 2017-18 | 3633.05 | 3510.16 | 138.50 | 3.8 | 15.48 | 0.4 |

Source: Directorate General of Employment and Training, Ministry of Labour & Employment, Government of India.

It was found that the percentage share of NPA in Gross value of foreign banks in India was also increasing trend over during the period of study from 2.8 per cent to 3.8 per cent in the year 2004 – 2005 and 2017 – 2018 respectively and similarly the percentage share of NPA in Net Value of foreign banks in India was also decreasing from 0.8 % to 0.4 % in 2004 – 2005 and 2017 – 2018 respectively. However it was merely fluctuating middle of the study period.



1.9 Findings of the Study

The followings findings have been framed from the analysis.

- It was showed that the growth of NPA in both of gross and net value of scheduled commercial banks were found decreasing trend over the study period.
- It was observed that the percentage share of NPA in both the gross and net advanced of scheduled commercial bank were found continuously increasing trend over the period of study.
- It was revealed that the percentage share of NPA in both the gross and net of public sector banks were also increasing trend throughout the study period.
- It was found that the percentage share of NPA in old private sector's gross and net value were found declining trend during the study period.
- It was showed that the percentage share of NPA in new private banking sector's gross and net value were found increasing trend during the study period.
- It was observed that the percentage share of NPA of total foreign bank's gross value was found increasing whereas; the net value was decreasing during the study period.

1.10 Conclusion

The present study has been examined that the growth of NPA of four banks like commercial schedule banks, old private banks, new private banks, public sector banks and foreign banks. Among these banks, the NPA was highly dominating position in public sector banks and as well as schedule commercial banks. While, in the case of private sector banks, (both new and old), NPA was found declining trend over the period of study and the share of NPA in gross value only was increasing trend. But the net value of NPA was highly declining trend during the study period. Authors concluded that the public sector banks have been facing tough challenges to overcome ill effect of NPA. Hence, the RBI should be framed effective policy measures for not only to control NPA in coming years but also the concrete steps to be made in promoting the growth of public sector banks in order to attain the sound economy of India.

1.11 References

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