International Journal of Engineering Technology and Management Sciences
Website: ijetms.in Issue: 3 Volume No.8May - June – 2024
DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

An Analysis of NPA of Public Sector and Private Sector Banks in India

Tanmay Sarker
Assistant Professor, Maharani Kasiswari College, 20, Ramkanto Bose Street, Kolkata-700 003

ABSTRACT
Non-performing assets (NPAs) have plagued the Indian banking sector for long. NPAs refer to a classification for loans or advances that are in default and it is assumed that banks will not be able to recover anything from these accounts. The Indian banking sector has been facing a serious problem of raising Non-Performing Assets (NPAs). The NPAs growth has a direct impact on profitability of banks. Non-Performing assets are one of the major concerns for scheduled commercial banks in India. Many Indian banks have been controlled their non-performing assets up to a level, but some banks still have been failed to control their NPA's status, as a result, NPA hitting the profitability of these banks. There seems to be no unanimity in the proper policies to be followed in resolving this problem. NPAs reflect the performance of banks. Through this paper I have examined the trend of NPA's over the past few years and the relationship between NPA's and profitability of public sector banks and private sector banks.
Keywords: Non-performing assets; Profitability; Private sector banks; Public sector banks

1.INTRODUCTION:

Indian economy is going through a recurrent slowdown. To uplift the economy, the banking sector has a crucial role to play in terms of lending. The major problem of the Indian banking system is lack of available funds which has created a situation of liquidity crisis in the country as borrowers are not able to get funds. India aims to become a $5 trillion economy by the year 2024-25 – and for this purpose it needs to expand its infrastructure capabilities exponentially. To support its infrastructure growth, a healthy financial sector – in particular a healthy banking sector is needed. The growth of any economy largely depends on its banking sector (Liang & Reichert, 2006). An efficient banking system has to achieve three goals: profit, high-quality service to customers, and sufficient funds lend to borrowers. Furthermore, a profitable banking sector also has more capacity to absorb shocks and provide relative stability to the economy. The RBI data indicates that the public sector banks are a significant contributor towards non-performing assets as compared to the private banks. Due to this, the financial health of public sector banks is at higher risk. As a result, the credit growth of banks has been severely impacted. India's rate of conversion of advances to NPA is more significant when compared with other emerging economies like China.

The situation worsened further during the year 2011 as RBI took stringent measures to deal with the problems caused by the crisis that happened earlier. Also, there was depreciation in the rupee value, which profoundly affected the debt servicing ability of the corporate sector. From 2015 through 2017, the quantum of NPAs kept on rising, and the extent of gross NPAs reached at Rs.6,84,732 crores in March 2017 from Rs.2,79,016 crores in March 2015 (Kumar, 2020). The paper aims to study the impact of NPAs and other bank specific characteristics on profitability of Indian public sector banks and private sector banks over the period.

2. REVIEW OF LITERATURE:

Prashanth K Reddy (2002) has done the study of NPAs in banks in international context in Asian country, India, China, Thailand, Korea and Japan that given a lot of importance to the economic variables. He has done a comparative study by taking nine years gross NPAs and Net NPAs. He

Website: ijetms.in Issue: 3 Volume No.8May - June – 2024
DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

conjointly nominative the similarities, dissimilarities and remedial measures of NPAs in international context.

Krishna Murari (2014) has discovered NPAs of 39 banks i.e., 13 public sector banks, 13 old private sector banks, 13 new private sector banks, that there is increase in gross and net NPAs for general public and personal sectors over the amount of study. It found on the idea of the study that there is vital improvement within the management of NPAs of public sector banks in India because the quantitative relation of gross NPAs to total advances declined. This study 3 finally discovered that the prudent and provisioning norms and their initiatives taken by the regulative bodies have pressurized banks to boost their performance and consequently resulted in reduction in NPAs

Vivek Rajbahadur Singh (2016) This research paper found that NPA is just not only problem for the banks but for economy 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 know 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

Mr. Abid Husain, G.Kadiw and Dr. Rasikbhai,I. Prajapati (Feb 2020) There is difference among the NPAs in both the public and private sector banks. This study reveals that types of banks and sector-wise NPAs do not have combine effect over total NPAs of the banks. Study result shows that in public sector banks category of industry of both the priority and non-priority spotted higher NPAs. Average NPAs for the study period of all the selected private banks are less than 5% and average NPAs for the study period of major all the selected public sector banks are more than 5%. It is found in the present study that asset quality and efficiency of debt coverage of private sector banks are better than public sector banks. In comparison to private sector banks, public sector banks registered higher NPAs.

Rishabh Adey, Deevanshu Yash Goyal, MD. Nizam Siddiqui, Lata dhruw (2020) This study found that NPAs drain the banks' capital and weaken its financial power. Public sector banks are more on the NPAs basis relative to private sector banks. The bank and financial institutions should be more constructive in pursuing a realistic and systematic strategy of NPA management where priority is given to prevention of NPAs. Public sector banks must be cautious in preventing any account being an NPAs by effectively taking adequate preventive steps.

Gupta and Kesari (2016) found that global economic slowdown and its impact on Indian economy was the primary reason for rising of the NPAs.

Kalara (2012) observed that the significant factors responsible for NPAs are legal system, change in government policies, poor selection of borrowers, misallocation of credit, socio-political pressures, lack of information on borrowers and willful defaults.

Bhatia (2007) after considering the NPA level of private, public and foreign banks with a Model, comprising two factors (Bank parameters and macroeconomic factor) conveyed that to evaluate the financial health and work performance of the Indian Banks NPA is addressed as very important factor. Financial soundness and growth of Indian banking sector affected by the percentage of NPA level in the banks.

Bihari (2012) highlighted that the steps for conversion of non-performing assets in performing assets. These following steps are helpful to reduce and control NPA level: -banks must be aware of Right kind of borrower at the time of selection, banks must have adequate finance at the time of need and this must be disbursed within time, they have to see the funds used in the right manner, loans must be recovered timely to reduce NPA level.

Kumar (2005) Focused that by scheduling the non performing asset level efficiency and profitability of banks can be improved. The highest percentage of nap is observed in public sector banks as compared to private sector banks. Attaining Zero level NPAs of the banks is very tough even if they

DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

followed the steps given by the Indian government but to compete with foreign banks as regard to international standards, Indian banks have to work hard to control NPAs

Karunakar (2008) M. Karunakar, Mrs. K.Vasuki and Mr. S. Saravanan talk about economic reform and impact of NPA on banking sector operations. Besides capital to risk weighted assets ratio of public sector banks, management of credit risk and measures to control the menace of NPAs are also discussed

3.OBJECTIVES OF THE STUDY:

- To study the position of NPA of public sector and private sector banks **(SBI, Indian Bank, ICICI Bank, Axis Bank).**
- To find out the impact of NPA on Net profit of the selected Banks.
- To check the growth of NPAs of the banks during the study period.

4. RESEARCH METHODOLOGY:

4.1 SOURCES OF DATA: The present study based on secondary data. These data are collected from different sources such as:

- Annual reports of SBI, Axis Bank, Indian Bank RBI, ICICI Bank
- Press Release Report of SBI, Axis Bank, ICICI Bank
- And related subject matter and related website of public and private sector banks in India.

4.2 SAMPLE DESIGN: The public and private sector banks for the study were selected. For these 2 public sectors (SBI & Indian Bank) and 2 private sector (ICICI Bank & Axis Bank) banks in India are taken for the study on the basis of market capitalization. The study period is from 2019 to 2023.

4.3 STATISTICAL TOOLS USED:

- Mean has been calculated to know the average performance and to know the stability in the performance of the banks to find out the relationship between NPA and other key parameters of bank.
- simple relation has also used to check the relationship between Net NPA and Net Profit of the selected public and private sector banks in India.

5. TYPES OF NPAs:

I. Gross Non-Performing Assets
II.Net Non-Performing Assets

Gross Non-Performing Assets:

- Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on balance sheet date.
- It consists of all Non-Standard assets like as sub-standard, doubtful and loss assets.
- It can be calculated with the help of following ratios:

Gross NPAs Ratio=Gross NPAs/Gross Advance *100

Net Non-Performing Assets:

Net NPAs are those type of NPAs in which the bank has deducted the provision for uncertain and unpaid debts.

- Net NPA is obtained by reducing the provision from gross NPAs and show the actual burden of banks. It can be calculated by following:
- Net NPAs=Gross NPAs-Provision on Gross Advances

CATEGORIES OF NON-PERFORMING ASSETS:

On the periods basis Non-Performing Assets are classified into 3 categories:

I. Sub-standard Assets
II. Doubtful Assets
III. Loss Assets

DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

Sub-standard Assets:
A substandard asset is asset of NPA for a period less than or equal to 12 months.
Doubtful Assets:
A Doubtful asset is asset of NPA for more than 12 months.
Loss Assets:
A loss asset is type of asset of NPA which losses has been identified by the bank authority, auditors or the RBI but the loss amount has not been written off fully.
Basel Norms:
lend different types of borrowers and everyone at their own risk. They lend from the public deposits, as Banks well as money raised from the market – equity and debt. The mediation activity exposes the bank to various risks. Cases of major bank collapse due to their inability to maintain risk exposures are readily available. Therefore, banks must keep aside a certain percentage of the capital as collateral against the risk of non-recovery. The Basel Committee has drafted norms called Basel norms for banking to deal with risk.
Basel is a city in Switzerland. It is the headquarters of the BIS, which promotes cooperation between central banks with a common goal of financial stability and common banking regulations. Every two months the BIS hosts a meeting of the governor and senior officials of the central banks of the member states.
The Basel guidelines refer to broad supervisory standards formulated by these groups of central banks – the Basel Committee on Banking Supervision (BCBS). The set of the BCBS Agreement, which focuses mainly on the risks to banks and the financial system, is called the Basel/Basel norm. The purpose of the agreement is to ensure that financial institutions have sufficient capital at the expense of the liabilities and incur unexpected losses. India has adopted the Basel Banking Rules. In fact, according to several parameters, the RBI has set stringent norms compared to the norms prescribed by the BCBS.
Basel I: In 1988 BCBS introduced a capital measurement system called the Basel Capital Accord, also called Basel I. It focuses almost entirely on credit risk. It defines the capital and the structure of risk weights for banks. The minimum capital requirement is fixed at 8% of risk-weighted assets (RWA). RWA means assets with different risk profiles. Assets of banks were classified and grouped into five categories according to credit risk, carrying risk weights of: – 0% (for example cash, a home country debt like treasuries); – 20% (securitizations such as MBS rated AAA); – 50%; – 100%; – some assets are given no rating.
Basel II: In 2004 Basel II guidelines from the BCBS were published, which were considered as improved and reformed versions of the Basel Agreement. The guidelines were based on three parameters:
i. Banks should maintain a minimum capital adequacy requirement of 8% of risky assets.
ii. It is necessary for banks to develop and use better risk management techniques in monitoring and managing all three types of risks.
iii. Banks must necessarily disclose their exposure to risk, and so on of the central bank.
Basel III: Basel III published in December 2010, is the third in the Basel series of agreements. These guidelines were introduced in response to the 2008 financial crisis. These agreements address the risk management aspects of the banking sector. In short, we can say that Basel III is the global regulatory standard for banks‟ capital adequacy, stress tests, and market liquidity risk. It improves the ability of the banking sector to absorb shocks arising from financial and economic stress, regardless of source; improves risk management and governance; strengthens bank transparency and disclosure.

6. DATA ANALYSIS AND INTERPRETATION:
Public Sector Bank

International Journal of Engineering Technology and Management Sciences
Website: ijetms.in Issue: 3 Volume No.8May - June – 2024
DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

Status of NPA of SBI from 2019 to 2023
Table no.1

YEAR	Gross NPA	Net NPA	% of Gross NPA	% OF Net NPA
2019	172753	658947	8	3.01
2020	149091	51871	6	2.23
2021	126389	36809	5	1.5
2022	112023	27965	4	1.02
2023	90927	21466	2.78	0.67

Interpretation:
From the above table no.1, it is observed that gross NPA and net NPA of SBI for the year 2019 are Rs.172753 crores and Rs. 658947 crores respectively. In term of percentage gross NPA 8% and net NPA 3.01%. In the next year 2020 both gross as well as net NPA decline to 6% and 2.23%. There is a steady declining rate of gross NPA and net NPA from 2019 to 2023. So, it is observed that State Bank of India has try to manage their gross NPA and net NPA during the last five years.

Status of NPA of Indian Bank from 2019 to 2023
Table no.2

YEAR	Gross NPA	Net NPA	% of Gross NPA	% of Net NPA
2019	13353	6793	7.00	3.75
2020	14175	6184	7.00	3.13
2021	38479	12271	10.00	3.37
2022	35214	8848	8.00	2.27
2023	28179	4043	6.00	0.9

Interpretation:
From the above table no.2, it is observed that gross NPA and net NPA of Indian Bank for the year 2019 are Rs.13353 crores and Rs.6793 crores respectively. In term of percentage gross NPA 7% and net NPA 3.75%. In the next year 2020 gross NPA was same 7% but net NPA decline to 3.13%. There is a steady declining rate of net NPA from 2019 to 2023. So, it is observed that Indian Bank has try to manage their gross NPA and net NPA during the last five years.

Private sector bank:

Status of NPA of ICICI Bank from 2019 to 2023
Table no.3

YEAR	Gross NPA	Net NPA	% of Gross NPA	% of Net NPA
2019	45676	13449	7.00	2.29
2020	40829	9923	6.00	1.54
2021	40841	9117	8.00	2.1
2022	34551	7640	4.00	0.76
2023	299860	51500	2.87	0.51

International Journal of Engineering Technology and Management Sciences
Website: ijetms.in Issue: 3 Volume No.8May - June – 2024
DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

Interpretation: From the above table no.3, it is observed that gross NPA and net NPA of ICICI Bank for the year 2019 are Rs.45676 crores and Rs.13449 crores respectively. In term of percentage gross NPA 7% and net NPA 2.29%. In the next year 2020 both gross NPA as well as net NPA decline to 6% to 1.54%. There is a steady declining rate of gross NPA and net NPA from 2019 to 2023. So, it is observed that ICICI Bank has try to manage their gross NPA and net NPA during the last five years.

Status of NPA of Axis Bank from 2019 to 2023
Table no.4

YEAR	Gross NPA	Net NPA	% of Gross NPA	% of Net NPA
2019	29789	18351	5.00	2.06
2020	30233	9360	5.00	1.56
2021	25314	6993	4.00	1.05
2022	21822	5512	3.00	0.73
2023	36467	3558	2.00	0.39

Interpretation:
From the above table no.4, it is observed that gross NPA and net NPA of Indian Bank for the year 2019 are Rs.29789 crores and Rs.18351 crores respectively. In term of percentage gross NPA 5% and net NPA 2.06%. In the next year 2020 gross NPA was same 5% but net NPA decline to 1.56%. There is a steady declining rate of net NPA from 2019 to 2023. So, it is observed that Axis Bank has try to manage their gross NPA and net NPA during the last five years.

Average % of Gross NPA among the banks from 2019 to 2023
Table no.5

Year	2019	2020	2021	2022	2023	Average
SBI	8.00	6.00	5.00	4.00	2.78	5.16
Indian Bank	7.00	7.00	10.00	8.00	6.00	7.60
ICICI Bank	7.00	6.00	8.00	4.00	2.87	5.57
Axis Bank	5.00	5.00	4.00	3.00	2.00	3.80

Interpretation:
The above table (table no.5) reveals the % of Gross NPA among the selected Public and Private Sector Banks over 5 years of the study starting from 2019 to 2023.Indian Bank has the highest Mean ratio of 7.60 %, followed by SBI with 5.16 %. Axis Bank has the lowest mean ratio of 3.80 %, followed by ICICI Bank with 5.57 %. This shows that private sector banks are in good position compare with public sector banks during the study period.

Average % of Net NPA among the banks from 2019 to 2023
Table no.6

International Journal of Engineering Technology and Management Sciences
Website: ijetms.in Issue: 3 Volume No.8May - June – 2024
DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

Year	2019	2020	2021	2022	2023	Average
SBI	3.01	2.23	1.50	1.02	0.67	1.69
Indian Bank	3.75	3.13	3.37	2.27	0.90	2.68
ICICI Bank	2.29	1.54	2.10	0.76	0.51	1.44
Axis Bank	2.06	1.56	1.05	0.73	0.39	1.16

Interpretation:

The above table reveals the % of Net NPA among the selected Public and Private Sector Banks over 5 years of the study starting from 2019 to 2023.Indian Bank has the highest Mean Net NPA ratio of 2.68 %, followed by SBI with 1.69 %. Axis Bank has the lowest Mean Net NPA ratio of 1.16 %, followed by ICICI Bank with 1.44 %. This shows that the average Net NPA ratio of private sector bank is lower than the average Net NPA ratio of public sector banks.

Relationship Between Net Profit & Net NPA:
Public Sector Banks:

Table no.7

Year	SBI		Indian bank	
	Net Profit (in crore)	Net NPA	Net Profit (in crore)	Net NPA
2019	3085	658947	321	6793
2020	43775	51871	758	6184
2021	22912	36809	3016	12271
2022	43775	27965	3994	8848
2023	56558	21466	5330	4043

Interpretation:
The above table (table no.7) shows that there is an increasing trend in Net Profit in the last five years of SBI as well as Indian Bank also. Where it is clear and steady declining trend of Net NPA of SBI during the study period. It is cleared from the above Table no.7 that NPA of SBI decreased Rs.658947 crore to Rs.21466 crore from 2019 to 2023. NPA of Indian Bank is also decline from 2019 to 2020 after that it increase to Rs.12271 crore in 2021. Further NPA of Indian Bank shows a declining trend in 2022 and 2023. So, it is observed from the table that there is adverse relationship between Net profit and Net NPA of public sector banks.

Relationship Between Net Profit & Net NPA:
Private Sector Banks:

Table no.8

DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

Year	ICICI Bank		Axis Bank	
	Net Profit (in crore)	Net NPA	Net Profit (in crore)	Net NPA
2019	5689	13449	4677	18351
2020	11050	9923	1879	9360
2021	20377	9117	7252	6993
2022	25784	7640	14164	5512
2023	34463	51500	23342	3558

Interpretation:

The above table (table no.8) shows that there is an increasing trend in Net Profit in the last five years of ICICI Bank as well as Axis Bank also, but in case of Axis Bank there is fall of Net Profit of in 2020. Where it is clear and steady declining trend of Net NPA of ICICI Bank during the study period. It is cleared from the above Table that NPA of ICICI Bank decreased Rs.13449 crore to Rs.7640 crore from 2019 to 2022 after that it increase to Rs.51500 in 2023. NPA of Axis Bank is also decline from Rs.18351 crore to Rs.3558 crore from 2019 to 2023. So, it is observed from the table that if a bank can reduce its Non-Performing Assets (NPA) then Net profit of the bank will be increase. So, there is an adverse relationship between Net profit and Net NPA of private sector banks.

7. CONCLUSION:

Here I conclude that 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. Indian Bank has the highest Mean Net NPA ratio of 2.68 %, followed by SBI with 1.69 %. Axis Bank has the lowest Mean Net NPA ratio of 1.16 %, followed by ICICI Bank with 1.44 %. This shows that the average Net NPA ratio of private sector bank is lower than the average Net NPA ratio of public sector banks. It is cleared from the above Table no.7 that NPA of SBI decreased Rs.658947 crore to Rs.21466 crore from 2019 to 2023. NPA of Indian Bank is also decline from 2019 to 2020 after that it increase to Rs.12271 crore in 2021. Further NPA of Indian Bank shows a declining trend in 2022 and 2023. So, it is observed from the table (table no.7) that there is adverse relationship between Net profit and Net NPA of public sector banks. It is cleared from the above Table no.8 NPA of ICICI Bank decreased Rs.13449 crore to Rs.7640 crore from 2019 to 2022 after that it increase to Rs.51500 in 2023. NPA of Axis Bank is also decline from Rs.18351 crore to Rs.3558 crore from 2019 to 2023. So, it is observed from the table that if a bank can reduce its Non-Performing Assets (NPA) then Net profit of the bank will be increase. It is also found that NPA of SBI is highest compare with all other banks among the study period. After the comparison it is found that NPA is more in public sector banks.

References:

1. Prashannth K Reddy. (2002).”A comparative study of Non-Performing Assets in India in the global context-similarities and dissimilarities, remedial measures’’. SSRN Journal, Volume-02, Issue No-09.

2. Murari Krishna. (2014).” Comparative evaluation of Non-Performing Assets of Indian banks: A study of public and private sector banks”. AJRBF Journal. Volume No.4.Issue No.5

3. Singh Vivek Rajbahadur. (2016),”A study of Non-Performing Assets of Commercial Banks and it’s recovery in India. Annual Research Journal of SCMS, Volume No.4.

International Journal of Engineering Technology and Management Sciences
Website: ijetms.in Issue: 3 Volume No.8May - June – 2024
DOI:10.46647/ijetms.2024.v08i03.046 ISSN: 2581-4621

4. .Mr. AbidHusain G Kadiwala ,Rasikbhai I Prajapati. (2020),"Sector-wise comparative analysis of Non-performing Assets of selected private sector and public sector banks of India",IGCRT Journal, Volume No.08,Issue No.04 .
5. Kalara, R., 2012, Non-performing assets of commercial banks, IUP Journal of Monetary Economics, 10 (1), 6-15.
6. Bhatia (2007), "Non-Performing Assets of Indian Public, Private and Foreign Sector Banks: An Empirical Assessment ", Icfai Journal of Bank Management, Vol. 6, No. 3, pp. 7-28.
7. Bihari J.K (2012): "A Study on NPA Management in Indian Banking Industry" Asian Journal of Research in Business Economics and Management, Vol.2, No.6, June 2012
8. Karunakar, M. (2008). Are non - Performing Assets Gloomy or Greedy from Indian Perspective? Research Journal of Social Sciences, 3, 4-12.
9. Boyazny, M. (2005). Taming the Asian Tiger: Revival of Non-Performing Assets on the Asian Continent, The Journal of Private Equity in EPW, Vol. 8, No. 2, pp. 104- 109
10. Gupta, N., & Kesari, M. (2016). A Study of Non-Performing Assets of Public and Private Sectors Banks India, International Journal of Engineering Technology, Management and Applied Sciences, Vol. 4, Issue. 9, pp. 174-180.
11. Press Release of SBI
12. Press Release of ICICI Bank
13. State Bank of India Yearly Results, State Bank of India Financial Statement & Accounts (moneycontrol.com)
14. Indian Bank Yearly Results, Indian Bank Financial Statement & Accounts (moneycontrol.com)
15. ICICI Bank Yearly Results, ICICI Bank Financial Statement & Accounts (moneycontrol.com)
16. Axis Bank Yearly Results, Axis Bank Financial Statement & Accounts (moneycontrol.com)