International Journal of Research in Finance and Marketing (IJRFM)
Available online at: http://euroasiapub.org
Vol. 12 Issue 11, November– 2022
ISSN: 2231-5985 | Impact Factor: 8.132
RESEARCHERID
THOMSON REUTERS
(An open access scholarly, peer-reviewed, interdisciplinary, monthly, and fully refereed journal.)

ANALYSIS OF NON-PERFORMING ASSET'S IN BANKING INDUSTRY -A COMPARATIVE STUDY OF PUBLIC AND PRIVATE SECTOR BANKS

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Abstract

The present study is prepared based on secondary data. The study analyzed the non-performance assets in banking sector i.e., public, private and foreign banks. The highest frequency of 9 banks from Private sector is at the level of NPAs of 2.01 percent to 4 percent, followed by 8 Private sector banks at the level of 'Up to 2 percent' and 4.01 percent to 6 percent. When the total banking sector is concerned, the highest frequency is for Nil category with no NPAs namely 26 followed by 20 banks under the level of '8.01 percent and above'. In the sector wise analysis the highest frequency of 14 banks under the Foreign banks is at the level of Nil category with no NPAs, followed by 11 banks under the Foreign banks at the level of '8.01 percent and above'. When the total of all the sectors are consolidated the highest frequency is 25 which is at the level'8.01 percent and above', followed by 20 banks at the level of 2.01 percent to 4 percent.

Keywords: **NPAs, SBI Groups, Private sector and Foreign banks**

INTRODUCTION

Recovery of advances is the lifeline for Banks. Poor rate of recovery affects the recycling of funds. RBI introduced norms for NPAs in order to ensure discipline among Banks in case of recovery. Higher level of NPAs reflects the deficiencies in the credit delivery mechanism of Banks. They also create a negative image about the bank. There is a general feeling that the level of NPAs is more in the case of Public Sector Banks than the Private Sector Banks including Foreign Banks. As they had mounting over dues during the post nationalization period, they had to make high provisioning in the traditional years of reforms. However, Public Sector Bankshave reduced the level of NPAs in the subsequent years.

There is also a notion that Private Sector Banks including foreign Banks in India have low level of NPAs, due to their scientific pre – sanction appraisal and effective post sanction follow up of measures. But according to the latest reports, they also face the problem of rising NPAs. With this background, the researcher has made an attempt to analyses the level of NPAs in different sectors of the Indian Banking Industry. Nationalized Banks have a major share in the business of Indian banking. Their advances registered a manifold increase after nationalization and their track record in case of recovery was not good. So, when NPA norms were introduced, these Banks suffered very much.

REVIEW OF LITERATURE

Saha, M., and Zaman, A. (2021) in their study titled Management of NPAs in banks with special reference to UBI found that with the decrease in NPA level, profitability of banks increased. **Hawaldar, I.T, Spulkar, C., Lokesh, A., Birau, R., Robegen, C. (2020)** in their study analyzing non-performing assets in agriculture loans. A case study in India concluded that there is no significant difference in pre and post sanction of agriculture loans and management of non-performing assets by banks. The wilful default by borrowers and more NPAs in banks are due to debt waiver policies announced by political parties. **Jethwani, B., Dave, D., Ali, T., Phansalker, S., and Ahhirao, S. (2020)** in their study Indian agriculture GDP and NPA: A regression model found that the repayment of farm loan adversely affects as factors like rural population, low export value of crop and low crop production for the year. It should be understood that the farm loan waivers cannot solve the problem. **Selvam, P. and Premnath S., (2020)** in their study titled "Impact of coronavirus on NPA and GDP of Indian Economy" finds that the NPAs increased during the period and suggested that government should resolve pending cases quickly and stop mandatory landings which is the real problem segment. **Sharma S., Rathore D.S., and Prasad, J. (2019)** They found that both in public & private sector banks the major reason for the NPAs is miss-utilization of bank loans and poor recovery management. The NPAs are increasing in agriculture and industries. They suggested improving corporate governance for better operational and credit decisions. **Kumar, S., Singh, R., Pratibha, B. T. and Pandurang, A.K. (2019)** in their study titled "priority sector lending and NPA status, impact and issues" found that NPAs of public sector banks for twelve years (2005 to 2016), the NPA percentage in priority sector increased during 2005 to 2008 and 2012 to 2016, Whereas in no priority sector NPA's decreased from 2005 to 2009 and remain constant/stable from 2009 to 2011 and increased from 2011 to 2016. Priority & non priority NPA both contribute to the total NPAs of public sector banking. **Shiv Kumar, V. and Devenadhan, K.(2019)** Done a study analyzing the factors implication of NPAs in SBI through factor analysis to be encountered. Researchers view that implication of NPAs are at a moderate level. It can be concluded that the loan asset management of SBI has put the right measures to address the bad effects of funding mismanagement and to resolve serious adverse effects of NPA. **Rana C., (2018)** in his study titled "Management of NPA in context of Indian banking system concluded that NPA impacts profitability, liquidity and results in credit loss. There are two types of NPAs – gross NPA and net NPA. NPAs also impact low yield on advances, adverse Impact on capital adequacy. As a preventive measure, he suggested stopping multiple financing and early recognition of the problem. **Kaur, M. and Kumar, R. (2018)** In their research titled sectorial analysis of NPA's during pre and post crisis period of selected commercial banks" studied that NPA's of priority &

non priority sector, a comparison was made between public & private sector banks. They found in their study that during the pre-crisis period the level of NPA in the priority sector was higher in public & private banks, whereas after the crisis both showed a negative growth rate in NPAs. It was also evident from the study that the crisis had no impact on the banking sector as the NPA's were declined after the crisis period. The growth of NPA in private sector banks was higher than the public sector banks. It was discovered during the pre-crisis period NPA in no priority sectors was decreasing in public sector banks, but the private sector banks were showing an increase in NPA's. NPA increased at a higher rate during the post crisis period. Pre-crisis period – 2001-02 to 2007-08. post crisis period – 2008-09 to 2013-14. **Meher, B. (2018)** Impact of demonetization on NPAs of Indian banks, focus on how the demonetization would influence this most pivotal issue of banking industry. The researcher found that in the short run, a positive effect of demonetization can be seen in which current NPAs of the banks decreased a bit. **Suvitha, K. V., Gayathri, G. (2018)** Researchers studied the various papers from 2010- 2017(about 100 papers) and concluded that out of the total 100 articles analyzed, level of NPAs is higher in public sector banks than the private sector banks. The main reason for the issue is excessive landing by banks and higher demand of credit by willful defaulters. **Tripathi R. (Dr.) and Sayad A. A. (2017)** in their study titled "Study of NPA, trends and Basel norms; statistical evidence" concluded that NPAs are increasing continuously because banks are more focused on volume credit rather than focusing on quality credit. Government builds pressure to increase lending under priority sector which leads to more NPA without government's proper support for recovery. **Miyan, M. (Dr.) (2017)** He found in his study that there was a downward trend in NPAs during the study period but in public sector banks NPAs are still higher as Compared to private sector banks. **Swain, R. K., Sahu, M. and Mishra, A. P. (2017)** the researchers concluded that money blocked in NPAs has a significant influence on the effectiveness of banks. The government has made different mechanisms for recovery such as LokAdalats, DRT and SARFAESI Act. The SARFAESI act is the most effective reform for recovery of NPA than other measures. However, gross amounts recovered are very meagre in comparison to outstanding NPAs. **Mishra, A. K. (2016)** He found while comparing the NPA's of 10 years of priority and non-priority sector that NPA in priority sector are more than 50% of the total NPA's since 2006 to 2011 and thereafter non-priority NPA's increased inpercentage term since 2011 to 2015 to the maximum extent 65.2% of total NPA's. However gross NPAs were also increasing every year. All though the percentage NPA in the priority sector was decreasing but in absolute terms it is increasing continuously. The priority sector contributed to the socio-economic development of the country despite an increase in NPA's. **Dahiya, M., Bhatia, S. J. (2016)** Researchers concluded in their study that banks should make sure the proper utilization of bank loans, and reports about credit worthiness of borrowers, should be obtained from informal and formal sources. Timely corrective

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steps should be taken otherwise NPA will increase. The reduction in NPA should be a national priority while making the banking system more vibrant and geared up to meet the challenges of globalization. **Singh, V. R. (2016)** He found that NPAs are more in public sector banks despite the Government has taken many steps to reduce NPA but much more to be done in this area. The NPA level of foreign banks is less than Indian banks. NPAs cannot be made zero. The problem of NPA is more with the large borrower then the small one. It is desirable to decrease the priority landing by the Government. This is the main problematic area for recovery. NPAs have an adverse impact on profitability of banks and they are also not good for the growth of Indian economy. **Gautami, S. Tirumalaiyah, K. (Dr,) and Satish Kumar, V. (2015)** in their study titled "Factors influencing NPAs in commercial banks: an empirical study." They examined the factors influencing NPAs from borrowers and bankers in the selected banks and found that there was no significant difference between banker's and borrower's perception.

OBJECTIVE

1. To analysis of non-performing assets in state bank groups in India

RESEARCH METHODOLOGY

The present study is prepared based on secondary data. The data was collected from the annual reports of the state bank groups in various selected states.

Analysis and Interpretation

Table-1

Sl.No	**L.G, NPAs**	**SBI Group**	**Nationalized Banks**	**PrivateSector Banks**	**reign Banks**	**Total**
1	NIL	-	1	2	21	24
2	Up to 2	-	-	3	7	10
3	2.01 - 4	-	-	3	4	7
4	4.01 - 6	-	-	4	3	7
5	6.01 - 8	-	1	5	4	10
6	8.01 and Above	8	18	18	8	52
	Total	**8**	**20**	**35**	**47**	**110**

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Table -1 it is inferred that, there is no Non-Performing Asset with respect to Gross NPAs/Gross Advances for 1 Nationalized bank, 2 Private sector banks and 21 foreign banks. There are 3 banks in the Private sector and 7 foreign banks at 'Up to 2 percent'. There are about 52 banks within the '8.01 percent and above' level. The breakup of the above range is 8 banks in SBI group, 18 nationalized banks, 18 Private sector banks and 8 foreign banks. In 4.01 to 6 percent totally there are 7 banks with the breakup of 4, 3 of Private sector group and foreign banks respectively. There are only 10 banks between the category of 6.01 percent and 8 percent (1 nationalized bank, 5 banks in Private sector group and 4 foreign banks). In between 2.01 percent and 4 percent there are 7 banks out of which 3 banks are under the Private sector group and 4 foreign banks.

Table-2

L.NO	LG NPAs	SBI Group	ionalizedBanks	Private Sector Banks	reign Banks	otal
1	NIL	-	1	1	24	26
2	Up to 2	-	-	5	4	9
3	2.01 - 4	-	-	1	3	4
4	4.01 - 6	-	-	4	1	5
5	6.01 - 8	-	2	4	2	8
6	8.01 and above	8	17	20	13	58
	Total	**8**	**20**	**35**	**47**	**110**

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Table-2: it is clear that, there is no Non-Performing Asset with respect to Gross NPAs/Gross Advances for 1 Nationalised bank, 1 Private sector bank and 24 foreign banks. There are 5 banks in the Private sector and 4 foreign banks at 'Up to 2 percent'. There are about 58 banks within the '8.01 percent and above' level. The breakup of the above range is 8 banks in SBI group, 17 Nationalised banks, 20 Private sector banks and 13 foreign banks. In 4.01 to 6 percent, totally there are 5 banks with the breakup of 4, 1 of Private sector group and foreign bank respectively. There are only 8 banks between the category of 6.01 percent and 8 percent (2 Nationalised banks, 4 banks in Private sector group, 2 foreign banks). In between 2.01 percent and 4 percent there are 4 banks out of which 3 are foreign banks and 1 bank is under Private sector group.

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Table-3

Sl. No	LG NPAs	SBI Group	ionalizedBanks	Private Sector Banks	Foreign Banks	Total
1	Nil	-	1	4	14	19
2	Up To 2	-	-	2	3	5
3	2.01 - 4	-	-	-	5	5
4	4.01 - 6	-	1	3	3	7
5	6.01 -8	-	1	6	4	11
6	8.01 and Above	8	17	20	18	63
	Total	**8**	**20**	**35**	**47**	**110**

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Table-3: it is clear that, there is no Non-Performing Asset with respect to Gross NPAs /Gross Advances for 1 Nationalised bank, 4 Private sector banks and 14 foreign banks. There are 2 banks in the Private sector and 3 banks foreign banks at 'Up to 2 percent'. There are about 63 banks within the '8.01 percent and above' level. The breakup of the above range is 8 banks in SBI group, 17 Nationalised banks, 20 Private sector banks and 18 foreign banks. In 4.01 to 6 percent, totally there are 7 banks with the breakup of 1, 3, 3 of Nationalised bank, Private sector group and foreign banks respectively. There are only 11 banks between 6.01 percent and 8 percent (1 Nationalised bank, 6 banks in Private sector group and 4 foreign banks). In between percent and 4 percent, there are 5 foreign banks.

Table-4

SL. NO	LG NPAs	SBI Group	ionalizedBanks	Private Sector Banks	Foreign Banks	Total
1	NIL	-	1	4	13	18
2	Up to 2	-	-	1	2	3
3	2.01- 4	-	-	4	5	9
4	4.01- 6	-	2	1	2	5
5	6.01 – 8	-	2	6	5	13
6	8.01 and Above	8	15	19	20	62
	Total	**8**	**20**	**35**	**47**	**110**

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Table-4 it is inferred that, there is no Non-Performing Asset with respect to Gross NPAs/Gross Advances for 1 Nationalised bank, 4 Private sector banks and 13 foreign banks. There is 1 bank in the Private sector and 2 foreign banks at 'Up to 2 percent'. There are about 62 banks within the '8.01 percent and above' level. The breakup of the above range is 8 banks in SBI group, 15 Nationalised banks, 19 private sector banks and 20 foreign banks. In 4.01 to 6 percent, totally there are 5 banks with the breakup of 2, 1, 2 of

Nationalised bank, Private sector group and foreign banks respectively. There are only 13 banks between the category of 6.01 percent and 8 percent (2 Nationalised banks, 6 banks in Private sector group, 5 foreign banks). In between 2.01 percent and 4 percent there are 9 banks, out of which 4 banks are under the Private sector group and 5 foreign banks.

Table-5

SL. NO	LG NPAs	SBI Group	ionalizedBanks	Private Sector Banks	Foreign Banks	Total
1	NIL	-	1	5	12	18
2	Up to 2	-	-	-	4	4
3	2.01- 4	-	-	2	4	6
4	4.01- 6	-	2	5	4	11
5	6.01 - 8	-	3	7	7	17
6	8.01 and Above	8	14	16	16	54
	Total	**8**	**20**	**35**	**47**	**110**

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Table-5 indicates that, there is no Non-Performing Asset with respect to Gross NPAs/Gross Advances for 1 Nationalised bank, 5 Private sector banks and 12 foreign banks. There are 4 foreign banks at 'Up to 2 percent'. There are about 54 banks within the '8.01 percent and above' level. The breakup of the above range is 8 banks in SBI group, 14 Nationalised banks, 16 Private sector banks and 16 foreign banks. In 4.01 to 6 percent, totally there are 11 banks with the breakup of 2, 5, 4 of Nationalised banks, Private sector group and foreign banks respectively. There are 17 banks between 6.01 percent and 8 percent (3 Nationalised banks, 7 banks in Private sector group and 7 foreign banks). In between 2.01 percent and 4 percent there are 6 banks, out of which 2 are in the Private sector and 4 are foreign banks.

Table-6

SL. NO	LG NPAs	SBI GROUP	ionalizedBanks	Private Sector Banks	Foreign Banks	Total
1	NIL	-	1	5	19	25
2	Up to 2	-	-	-	3	3
3	2.01 - 4	-	-	3	9	12
4	4.01 - 6	-	2	4	1	7
5	6.01 - 8	2	2	1	1	6
6	8.01 and Above	6	15	22	14	57
	Total	**8**	**20**	**35**	**47**	**110**

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Table-6 it is clear that, there is no Non-Performing Asset with respect to Gross NPAs/Gross Advances for 1 Nationalised bank, 5 Private sector banks and 19 foreign banks. There are 3 foreign banks at 'Up to 2 percent'. There are about 57 banks within the '8.01 percent and above' level. The breakup of the above range is 6 banks in SBI group, 15 Nationalised banks, 22 Private sector banks and 14 foreign banks. In 4.01 to 6 percent, totally there are 7 banks with the breakup of 2, 4, 1 of Nationalised banks, Private sector group and foreign banks respectively. There are 6 banks between 6.01 percent and 8 percent (2 banks in SBI group, 2 Nationalised banks, 1 bank in Private sector group and 1 foreign bank). In between 2.01 percent and 4 percent there are 12 banks out of which 3banks are under the Private sector group and 9 banks are foreign banks.

Table-7

SL. NO	LG NPAs	SBI GROUP	ionalizedBanks	Private Sector Banks	reign Banks	TOTAL
1	NIL	-	1	7	19	27
2	Up to 2	-	-	1	4	5
3	2.01 - 4	-	-	4	4	8
4	4.01 - 6	2	3	1	2	8
5	6.01 - 8	3	2	3	2	10
6	8.01 and Above	3	14	19	16	52
	Total	**8**	**20**	**35**	**47**	**110**

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Table-7 that, there is no Non-Performing Asset with respect to Gross NPAs/Gross Advances for1 Nationalised bank, 7 Private sector banks and 19 foreign banks. There are 4 foreign banks and 1bank in the Private sector at the level of 'Up to 2 percent'. There are about 52 banks within the '8.01 percent and above' level. The breakup of the above range is 3 banks in SBI group, 14 Nationalised banks, 19 Private sector banks and 16 foreign banks. In 4.01 to 6 percent totally there are 8 banks with the breakup of 2,3,1,2 of SBI banks, Nationalised banks, Private sector group and foreign banks respectively. There are 10 banks between 6.01 percent and 8 percent (3 banks in SBI group, 2 Nationalised banks, 3 banks in Private Sector group, 2 foreign banks). In between 2.01 percent and 4 percent there are 8 banks out of which 4 banks are under the Private sector group and 4 foreign banks. The highest frequency of 52 banks is at the '8.01 percent and above' category followed by 27 banks in the Nilcategory.

CONCLUSIONS

The highest frequency of 10 banks from Foreign banks and Private sector banks are at the level of NPAs of 'Up to 2 percent' and 4.01 percent to 6 percent followed by 9 banks in Private sector group and Nationalised banks at the level of 'Up to 2 percent' and '8.01percent and above'. When the total banking sector is concerned, the highest frequency is for Nil category namely 24 banks with no NPAs followed by 19 banks at the level of 'Up to 2 percent' and 8.01 percent and

above. The highest frequency of 9 banks from Private sector is at the level of NPAs of 2.01 percent to 4 percent, followed by 8 Private sector banks at the level of 'Up to 2 percent' and 4.01 percent to 6 percent. When the total banking sector is concerned, the highest frequency is for Nil category with no NPAs namely 26 followed by 20 banks under the level of '8.01 percent and above'. In the sector wise analysis the highest frequency of 14 banks under the Foreign banks is at the level of Nil category with no NPAs, followed by 11 banks under the Foreign banks at the level of '8.01 percent and above'. When the total of all the sectors are consolidated the highest frequency is 25 which is at the level '8.01 percent and above', followed by 20 banks at the level of 2.01 percent to 4 percent. In between 2.01 percent and 4 percent there are 22 banks out of which 4 are Nationalised banks, 11 are Private sector banks and 7 are foreign banks. In the sector wise analysis the highest frequency of 12 banks under the Foreign banks is at the level of NPAs of Nil category, 10 Foreign banks at the level of 'Up to 2 percent', 11 Private sector banks at the level of 2.01 percent to 4 percent, 10 Foreign banks under the level of '8.01 percent and above', followed by 7 Foreign banks at the level of 2.01 percent to 4 percent and 6 Nationalised banks under the level of 6.01 to 8 percent. When the total of all the sectors are consolidated the highest frequency is 22 which is at the level 2.01 to 4 percent, followed by 20 banks at the level of 4.01 to 6 percent.

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