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# Comparative Study on NPA of Public and Private Sector Banks

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***Abstract:*** ***Banks are the essential part of the society and play a significant role in the development of the society and overall economy as it is correct to say bank is the backbone of the country. Today, all kind of banks whether it is a public bank, private bank and foreign bank facing the problem of rising NPA (Non-Performing Assets) which affect adversely on the health of the banking system. The growth of NPA's affects not only banking practices and their profitability but the economy as a whole. The research paper is the comparative study on NPA of private and public sector banks for the period of ten years and Government actions taken for reducing NPA's. The study has considered various parameters for measuring the performance like Gross NPA%, Net NPA% and Trend %. The data of SBI, CBI are used for public sector banks and HDFC, DCB Banks are used for private banks.***

***Keywords: Banks, Non-Performing Assets (NPA), Public sector banks, Private sector banks.***

## I. INTRODUCTION

The Indian Banking sector plays a very important role in the Indian Financial System. It acts as a link between lender and borrower. Banking in India has played very important role to develop the saving habits among the masses. It helped to channelize the savings of the people into investment. In the past three decades Indian banking system has witnessed many revolutionary changes. The banking sector in India currently consist of private sector banks, public sector banks and foreign banks. In any Economy Banks plays a very major role in developing the financial system. while the primary function of banks is to lend funds as loans to various sectors such as agriculture, industry, personal loans, housing loans etc., but in recent times the banks have become very cautious in extending loans. NPA is related to banking and financing term. When bank or finance company is unable to recover its lent money from borrower in 90 days than the amount which have not been recovered will be treated as NPA. The Indian banking system is not only employed in their conventional business of accepting and lending money but have expanded their activities into advanced field of operations like merchant banking, leasing, housing finance, mutual funds and venture capital Banking institutions, now-a-days are introducing and offering a great sum of inventive and innovative schemes for mobilizing deposits. In extension, a lot of beneficial services are also being provided by banking institutions to their customers such as issuing drafts, traveler's cheques, gift cheques, accepting valuables for safe custody and modern banking facilities. Banking has undergone critical changes since the process of liberalization and reform of the financial sector were set in motion in 1991.

The underlying aim to bring reforms and changes in financial sector is to make the system more combative, able, beneficial and fruitful. For an economy to flourish, a firm and solid banking sector is very necessary. There is a lot of injurious impact on other sectors due to the breakdown of banking sector. Now-a-days non-performing asset (NPA), has become one of the leading concerns for banks in India. Sky high NPAs of banking institution advocate high possibility of a large number of credit blunders that affect the profitability and net worth of banks and also corrode the value of the asset. A non-performing asset can be elucidated as a credit facility in respect of which the interest the interest or installment of principle has remained 'past due' for a specific period of time. It refers to a classification for loans on books of financial institutions that are in default or are in arrears on scheduled payments of principal or interest.

NPAs are classified under different criteria-

1) Substandard Assets: An Asset which remains as NPA for less than or equal to 12 months.
2) Doubtful Assets: An Asset which remains as NPAs for more than 12 months.
3) Loss Assets: An asset where loss is identified by the bank or RBI. Asset whose value is uncollectible, but there may be little value remaining in it.

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## II. LITERATURE REVIEW

Murugan, et al. (2018) in their research paper titled "A Comparative Study on Non-Performing Assets of Selected Public and Private Sector Banks" highlighted that NPA also been the major concern for the banking system in India and the growth of NPA adversely affect the health of the banking system. It was observed that NPA of public sector is higher as compare to private sector. The main reason for contributing in the growth of NPA and government efforts to overcome the growth of NPA but still a lot of changes and provisions requires to curb it.

Mona (2020) in her research titled "Comparative Analysis of Non-Performing Assets in Public Sector Bank and Private Sector Bank" considers data of public sector bank and private sector bank of last five years. The research paper attempts to evaluate various ratios of non-performing assets on the basis of secondary data. This research paper gives conceptual idea about meaning of non-performing assets; various ratios related to non-performing assets and lastly, compare non-performing assets in public sector bank and private sector bank.

Infanta, et al. (2021) in their research paper titled "a comparative study on non-performing assets of selected public and private sector banks" highlighted the ratios of comparing the performance of public sector banks and private sector banks in terms of NPA. NPA affect the asset quality of the banks as well as the profitability and liquidity. It is ultimately a threat to the survival of a bank.

Javheri and gawali (2022) "a study on NPAs of selected private & public sector banks in India" highlighted the differences and trends of NPA in public and private sector. NPA works as a parameter to check the performance of the bank. Banks should focus more on quality loans to curtail the rising NPAs.

## III. OBJECTIVES

*1)* To analyze the trend of NPA of selected public sector banks.
*2)* To analyze the trend of NPA of selected private sector banks.
*3)* To study few measures taken by the government to improve the level of NPAs of banks.

## IV. RESEARCH METHODOLOGY

This study focuses on comparison of NPA level of private and public sector banks. Only selected prominent banks from each private and public sector is taken for the study. Last ten years data has been used for the meaningful study on NPAs.

Sources of data collection: The secondary data has been used for analysis which is collected from various sources such as annual reports of the company website, bank journals and government articles.

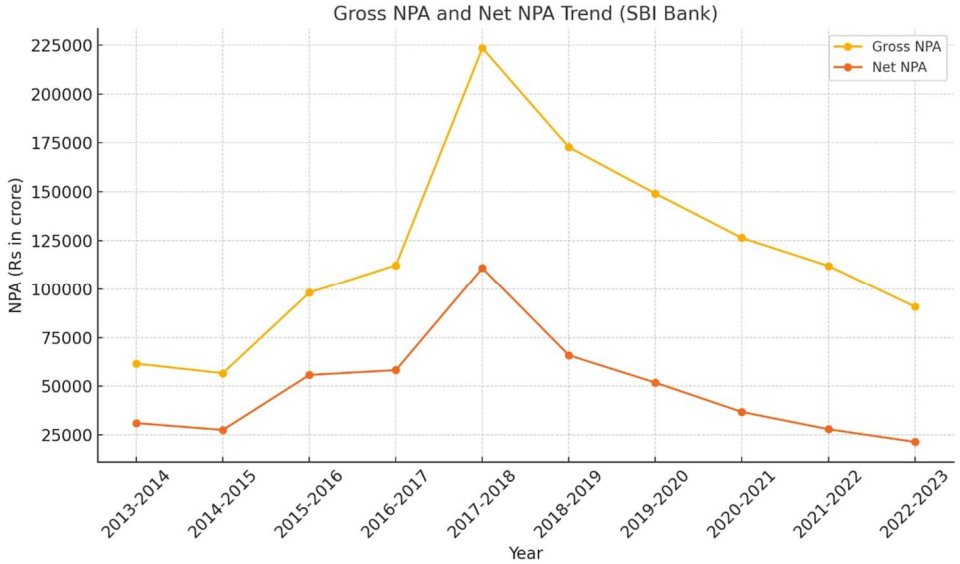
## V. DATA ANALYSIS

Public sector banks: SBI Bank

| | GROSS NPA | | | NET NPA | | |
|---|---|---|---|---|---|---|
| YEAR | GROSS NPA (Rs in crore) | GROSS NPA% of Advances | TREND% | NET NPA (Rs in crore) | NET NPA% of Advances | TREND% |
| 2013-2014 | 61605.35 | 4.95 | 100 | 31096.07 | 2.57 | 100 |
| 2014-2015 | 56725.34 | 4.25 | 85.86 | 27590.58 | 2.12 | 82.49 |
| 2015-2016 | 98172.80 | 6.50 | 131.31 | 55807.02 | 3.81 | 148.25 |
| 2016-2017 | 112342.99 | 6.90 | 139.39 | 58277.38 | 3.71 | 144.36 |
| 2017-2018 | 223427.46 | 10.91 | 220.40 | 110854.70 | 5.73 | 222.96 |
| 2018-2019 | 172750.36 | 7.53 | 152.12 | 65894.74 | 3.01 | 117.12 |
| 2019-2020 | 149091.85 | 6.15 | 124.24 | 51871.30 | 2.23 | 86.77 |
| 2020-2021 | 126389.02 | 4.98 | 100.61 | 36809.72 | 1.50 | 58.37 |
| 2021-2022 | 112023.37 | 3.97 | 80.20 | 27965.71 | 1.02 | 39.69 |
| 2022-2023 | 90927.78 | 2.78 | 56.16 | 21466.64 | 0.67 | 26.07 |
| Average | 120345.6 | 5.8 | 119.03 | 48763.4 | 2.63 | 102.61 |

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Table 1 shows the trend of SBI regarding Gros NPA and Net NPA. It shows that in the year 2017-2018 marked highest Gross NPA 10.91% due to some economic changes than the NPA starts gradually decrease to 7.53% in the year 2018-2019 and reach to 2.78% in the year 2022-2023. Accordingly, the Net NPA of SBI bank reach its highest limit 5.73% in the year 2017-2018 than starts declining to 0.67% in the year 2022-2023.

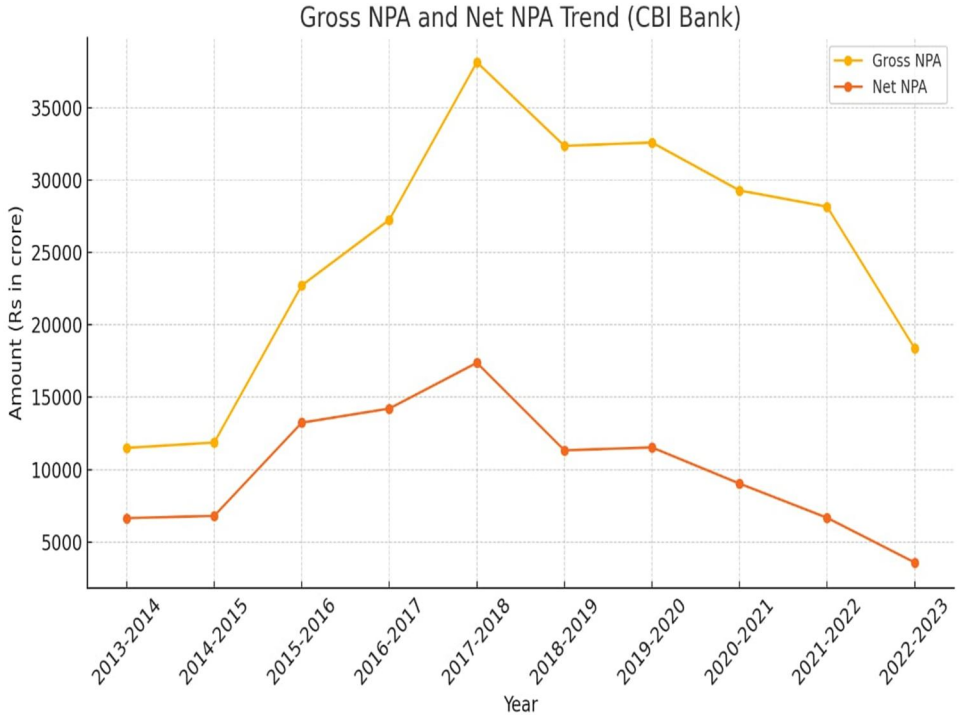



CBI Bank

| | GROSS NPA | | | NET NPA | | |
|---|---|---|---|---|---|---|
| YEAR | GROSS NPA (Rs in crore) | GROSS NPA% of Advances | TREND% | NET NPA (Rs in crore) | NET NPA% of Advances | TREND% |
| 2013-2014 | 11500.01 | 6.27 | 100.00 | 6648.56 | 3.75 | 100.00 |
| 2014-2015 | 11873.06 | 6.09 | 97.13 | 6807.45 | 3.61 | 96.27 |
| 2015-2016 | 22720.88 | 11.95 | 190.59 | 13241.80 | 7.36 | 196.27 |
| 2016-2017 | 27251.33 | 17.81 | 284.05 | 14217.83 | 10.20 | 272.00 |
| 2017-2018 | 38130.70 | 21.48 | 342.58 | 17377.87 | 11.10 | 296.00 |
| 2018-2019 | 32356.04 | 19.29 | 307.66 | 11333.24 | 7.73 | 206.13 |
| 2019-2020 | 32589.08 | 18.92 | 301.75 | 11534.46 | 7.63 | 203.47 |
| 2020-2021 | 29276.96 | 16.55 | 263.96 | 9036.46 | 5.77 | 153.87 |
| 2021-2022 | 28156.22 | 14.84 | 236.68 | 6675.17 | 3.97 | 105.87 |
| 2022-2023 | 18386.12 | 8.44 | 134.61 | 3591.72 | 1.77 | 47.20 |
| Average | 25224.02 | 14.16 | 225.9 | 10046.46 | 6.29 | 167.71 |

Table 2 shows that the trend of CBI bank regarding Gross NPA and Net NPA. This table shows that the gross NPA of central bank of India keeps on rising to 21.48% in the year 2017-2018. To improve the condition by decreasing the NPAs, a technical write-off is done by central bank of India of Rs 9514 crore (according to the report published in economic times) and it will be achieved by combination of strategies which leads to decrease the gross NPA up to 8.44% in the year 2022-2023. Similar impact is seen on Net NPA from 11.10% in the year 2017-2018 to 1.77% in the year 2022-2023.

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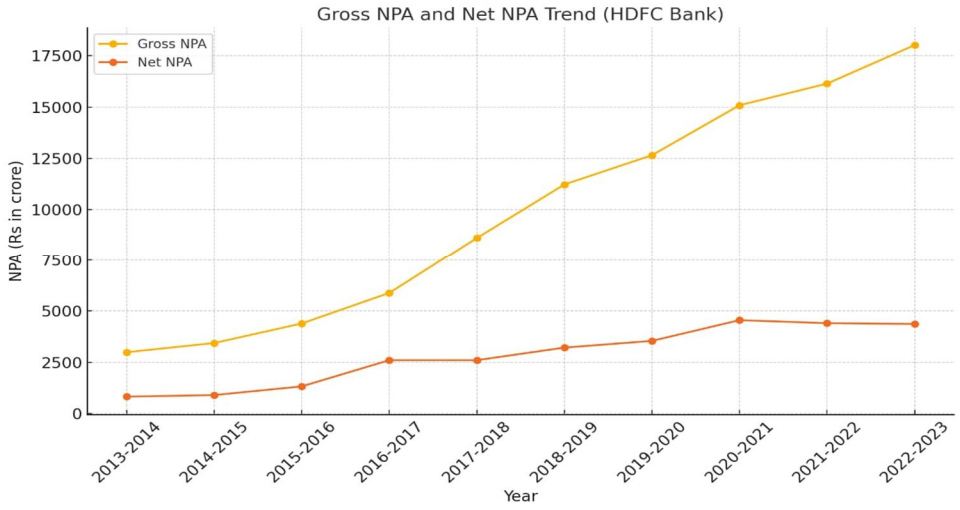



Private sector banks:
HDFC Bank

| | GROSS NPA | | | NET NPA | | |
|---|---|---|---|---|---|---|
| YEAR | GROSS NPA (Rs in crore) | GROSS NPA% of Advances | TREND% | NET NPA (Rs in crore) | NET NPA% of Advances | TREND% |
| 2013-2014 | 2989.28 | 1.00 | 100 | 820.03 | 0.30 | 100 |
| 2014-2015 | 3438.38 | 0.90 | 90 | 896.28 | 0.20 | 66.67 |
| 2015-2016 | 4392.83 | 0.94 | 94 | 1320.37 | 0.28 | 93.33 |
| 2016-2017 | 5885.66 | 1.05 | 105 | 2601.02 | 0.33 | 110.00 |
| 2017-2018 | 8606.97 | 1.30 | 130 | 2601.02 | 0.40 | 133.33 |
| 2018-2019 | 11224.16 | 1.36 | 136 | 3214.52 | 0.39 | 130.00 |
| 2019-2020 | 12649.97 | 1.26 | 126 | 3542.36 | 0.36 | 120.00 |
| 2020-2021 | 15086.00 | 1.32 | 132 | 4554.82 | 0.40 | 133.33 |
| 2021-2022 | 16140.96 | 1.17 | 117 | 4407.68 | 0.32 | 106.67 |
| 2022-2023 | 18019.03 | 1.12 | 112 | 4368.43 | 0.27 | 90.00 |
| Average | 9843.32 | 1.14 | 114.2 | 2832.65 | 0.33 | 108 |

Table 3 shows that the trend of HDFC bank regarding gross NPA and Net NPA. This table shows that the gross NPA and Net NPA of HDFC bank remains lower position as compared to public sector banks. HDFC Banks maintains fair position in dealing with NPA throughout this 10 years tenure.

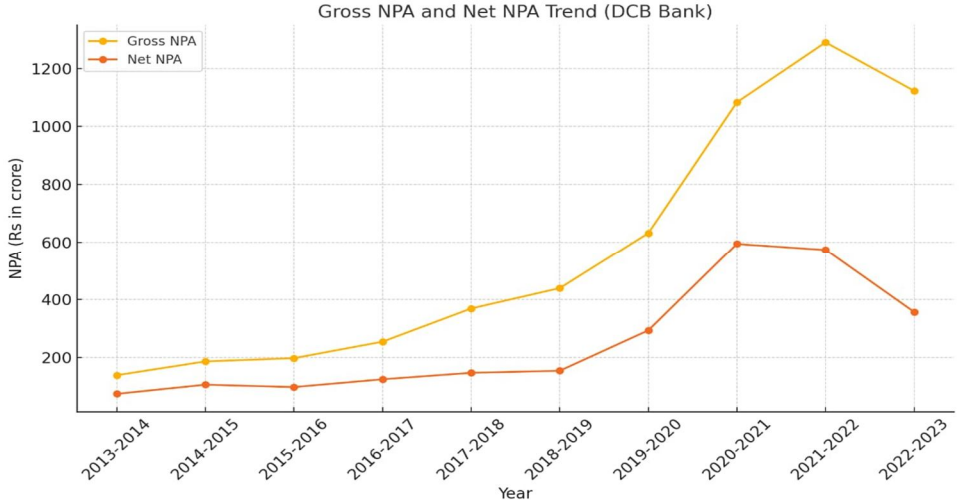
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DCB Bank

| | GROSS NPA | | | NET NPA | | |
|---|---|---|---|---|---|---|
| YEAR | GROSS NPA (Rs in crore) | GROSS NPA% of Advances | TREND% | NET NPA (Rs in crore) | NET NPA% of Advances | TREND% |
| 2013-2014 | 138.45 | 1.69 | 100.00 | 74.02 | 0.91 | 100 |
| 2014-2015 | 186.07 | 1.76 | 104.14 | 105.70 | 1.01 | 110.99 |
| 2015-2016 | 197.38 | 1.51 | 89.35 | 97.46 | 0.75 | 82.42 |
| 2016-2017 | 254.20 | 1.59 | 94.08 | 124.41 | 0.79 | 86.81 |
| 2017-2018 | 369.03 | 1.79 | 105.92 | 146.72 | 0.72 | 79.12 |
| 2018-2019 | 439.48 | 1.84 | 108.88 | 153.77 | 0.65 | 71.43 |
| 2019-2020 | 631.51 | 2.46 | 145.56 | 293.51 | 1.16 | 127.47 |
| 2020-2021 | 1083.44 | 4.09 | 242.01 | 594.15 | 2.29 | 251.65 |
| 2021-2022 | 1289.93 | 4.32 | 255.62 | 573.23 | 1.97 | 216.48 |
| 2022-2023 | 1122.84 | 3.19 | 188.76 | 356.92 | 1.04 | 114.29 |
| Average | 571.23 | 2.42 | 143.43 | 251.99 | 1.13 | 124.07 |

Table 4 shows that the trend of DCB Bank regarding Gross NPA and Net NPA. This table shows that the gross NPA is highest to 4.09% in the year 2021-2022 and net NPA also reach its highest limit to 2.29% in the year 2020-2021.




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## VI. FINDINGS

1) The gross NPA and net NPA of State Bank of India is highest among 10 years to 10.91% and 5.735 in the year 2017-2018 due to some economic changes.
2) The average gross NPA and net NPA of Central Bank of India is greater i.e., 14.16% and 6.29% and to rectify this Central bank of India did a technical write-off.
3) In this study, it is observed that HDFC bank perform well in managing NPAs as average gross NPA and net NPA are 1.14% and 0.33%.
4) DCB bank performs well but we can see a hike of gross NPA and net NPA in the year 2021-2022.
5) The gross NPA% of Central Bank of India is higher as compared to other banks.
6) Rising level of NPAs are impacting the Profitability and Liquidity of these banks.
7) Condition of Public Sector Banks is very poor due to rising NPAs.

## VII. SUGGESTIONS

1) Banks should enhance credit appraisal process to analysis borrower's credit worthiness before lending the funds.
2) Banks should identify early sign of potential defaulters and monitor at regular intervals.
3) Government should bring some provisions and plan to overcome NPA.
4) RBI should regularly monitor the bank's liquidity and asset quality.
5) Bank should work on proactive basis to recovery mechanism.
6) Legal system should be simplified for a quick action on NPAs.

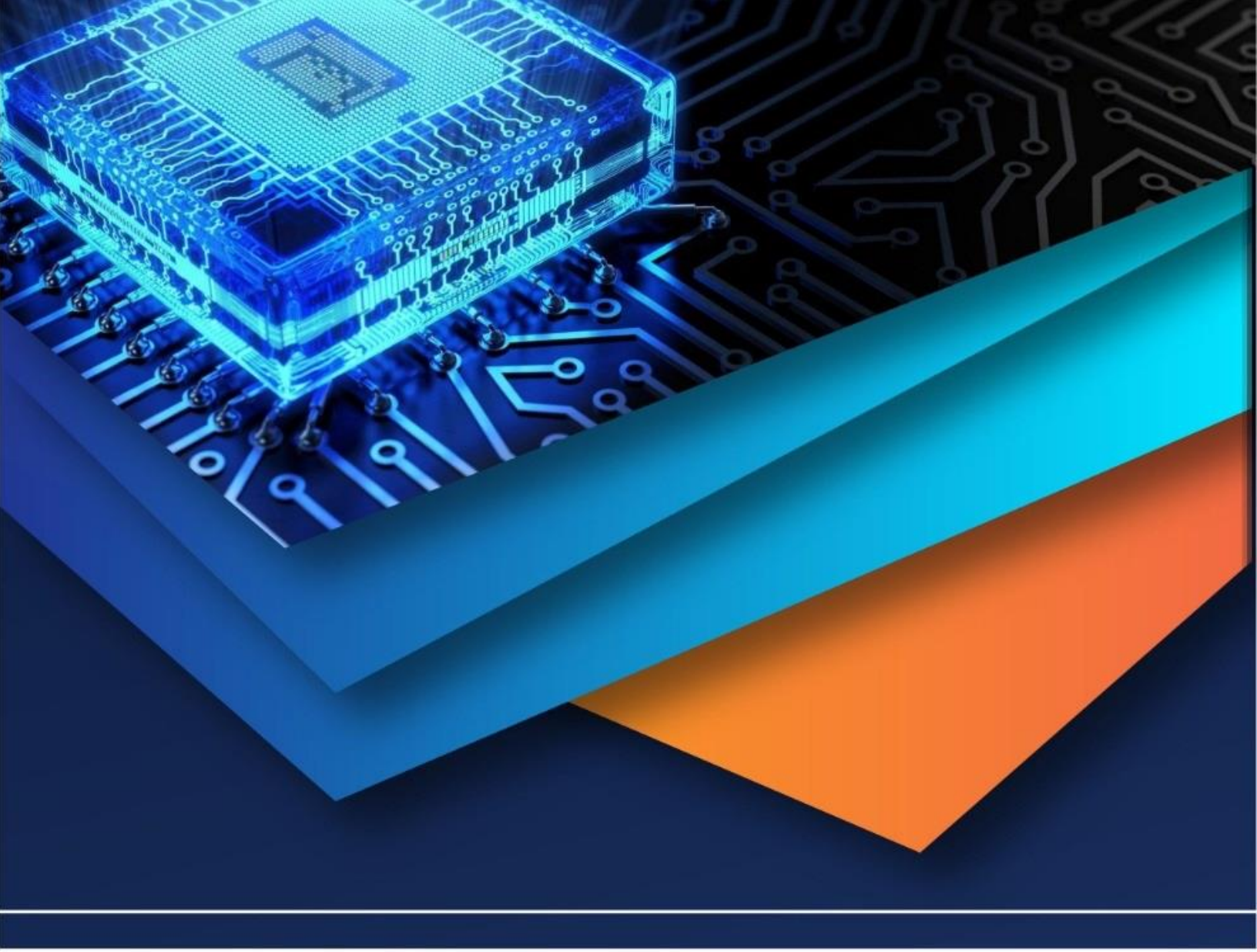
## VIII. CONCLUSION

The NPA is 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. The NPAs would destroy the current profit; interest income due to large provisions of the NPAs, and would affect the smooth functioning of the recycling of the funds. It is observed that NPA of public banks are greater than private banks due to their liberal banking policies and lack of proper security of the borrower. So, the public banks should more focus on their credit appraisal process and RBI provides assistance to all the commercial and non-commercial banks regarding debt recovery procedure.

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