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A STUDY ON NON-PERFORMING ASSETS OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS

Dr. P. SUGANYA

Associate Professor in Commerce
 CMS College of Science and Commerce, Coimbatore

Abstract

The banking system has a huge task to carry out in the quick development of the economy through arranged endeavors. Actually, banking system arrangement of any nation is the life saver or soul of the economy. A banking system foundation is key in an advanced society. The banks, in their books, have diverse sort of benefits, for example, money close by, offsets with different banks, speculation, credits and advances, settled resources and different resources. The Non-Performing Asset (NPA) idea is confined to advances, advances and ventures. Up to an advantage creates the pay anticipated from it and does not uncover any uncommon hazard other than ordinary business chance, it is treated as performing resource, and when it neglects to produce the normal pay it turns into a "Non-Performing Asset". The present study endeavors to initially analyze the dimension of NPAs in the banking sector in India and after that break down the foundations for expanding NPAs.

Key Words: Financial performance of NPA, Total Provision ratio, Problem Asset ratio of selected Public sector and Private sector Banks.

Introduction

In a basic word bank implies budgetary organization managing in cash. It acknowledges stores and leads cash. Saving money activities are performed by financier. Bank assumes a critical job in present day financial exercises. Extension of credit in monetary exercises is generally performed by banks and when it stops to create pay for the bank is known as a non-performing resource (NPA). At the point when a borrower couldn't pay intrigue or potentially portion on an advance, which stay past due for over 180 days then it progresses toward becoming non-performing. The essential factor to decide if a

record is NPA or the record of recuperation isn't the accessibility of security.

Explanations Behind The Rise In NPA Levels

From 2000-2008, the Indian economy was in a blast stage and banks, particularly open area banks, begun loaning broadly to organizations.

Nevertheless, with the money related emergency in 2008-09, corporate benefits diminished and the Government prohibited mining ventures. The circumstance ended up genuine with the considerable deferral in ecological grants, influencing the framework area - power, iron, and steel - and bringing

about instability in costs of crude materials and a deficiency of supply.

Another reason is the casual loaning standards embraced by banks, particularly to the huge corporate houses, previous examination of their financials and their FICO assessments.

Statement Of The Problem

Non-performing Assets are one of the real worries for banks in India. It is important to trim down NPAs to enhance the money related wellbeing in the banking system. The Indian banking sector is confronting a major issue of NPAs. The present study discuss about the variables adding to NPAs, purposes behind high NPAs and their effect on Indian saving money activities, the trend and magnitudes of NPAs in chosen Private and Public banks.

Objectives Of The Study

1. To examine the financial performance of NPA in Public Sector and Private sector Banks.
2. To study the magnitude of NPA in Public and Private Sector Banks.

Period Of Study

The period of 2013 to 2018 have been taken for this study. The total period covered is five years.

Data Base And Methodology

With the end goal of the investigation information was drawn from the accounting reports, pay explanations and non-performing resources points of interest of below Six Private banks and Six Public banks have been taken for the examination.

| | |
|-------------------|----------------------|
| ICICI Bank | Punjab National Bank |
| South Indian Bank | Bank of Baroda |
| YES bank | Syndicate Bank |
| IndusInd Bank | Union Bank |
| Axis Bank | IndianOverseas Bank |
| HDFC Bank | Corporation bank |

Review Of Literature

Ambuj Tiwari and Vipul Garg (2018), in their study analysed that highest NPA in Public sector banks and private sector banks are SBI and its associates followed by bank of India and IDBI, ICICI has highest NPA. The mismanagement in banks is influenced by Indian economy it's a serious issue. Certain precautions if taken from the very beginning the occurrence of borrower accounts turning bad shall be minimized to large extent. Such as pre-sanction formalities,

promptness and follow up action. The author concluded that the confidence of investors, depositors, lenders etc. will reduce due to higher NPA.

K.Subbareddy and K. Bhaskar (2018), has mentioned that compared to foreign bank, Indian banks is having high NPA it is because of bank management should speed up the recovery process. Not only with small borrowers but also with large borrowers is having recovery problem and the bank should take strict actions towards the NPA management. The government should take necessary action for faster settlement of pending cases and also it should reduce the mandatory lending to priority sector as this is the risk creating zone.

Pooja Ralhan Gulati (2018), analyzed various NPA management efficiency using the techniques of growth rate analysis and descriptive analysis. 2007-08 to 2016-17 is the time period of the study. The study denoted that, In India banking industry is facing problem against NPA. The study analysed that the highest AGR of Net NPAs is found in Kotak Mahindra Bank and HDFC Bank. Moreover the banks with lowest AGR of Net NPAs and low level of AGR of Net NPAs. The study interpreted that compared to other old private sector bank, kotak Mahindra and indusind showed higher average return on advances and banks thus it shows that they are comparatively more efficient in managing NPAs.

Sudin Bag and Sajju Islam (2017), has identified the NPA of Indian and Bangladesh bank and also measured the trend of NPA, during the period of 2010-2016. They have studied the effect of NPA using Return on Asset and Return on Equity of Indian in addition to Bangladesh Banks. As it is interpreted that banking sector of both the countries should focus on nature of its client.

Sakshi Arora Kritika Goyal (2017), studied the reasons of accumulating NPA in the present scenario. They have also analysed effect of Non Performing Assests on operations and functioning of banking institutions. Selected banks for the study is PSB'S and private sector banks , descriptive research is being used for the study. The study is made between 2011-2016. They have analysed the

net and gross NPA of both the bank and found out that private sector banks is more efficient than public sector bank.

Analysis And Interpretation

| Bank Name | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Private Banks | % | % | % | % | % | % |
| ICICI Bank | 5.4 | 5.5 | 3.1 | 1.6 | 9.7 | 5.06 |
| AXIS | 3.8 | 2.3 | 7.4 | 4.7 | 4.5 | 4.54 |
| HDFC | 4.6 | 3.3 | 2.8 | 2.5 | 2.7 | 3.18 |
| YES Bank | 7.4 | 21.4 | 28.9 | 11.6 | 25.2 | 18.9 |
| IndusInd | 4.8 | 3.9 | 3.6 | 3.1 | 3.3 | 3.74 |
| South Indian Bank | 19.2 | 39.0 | 27.3 | 49.9 | 36.4 | 34.36 |
| Public Banks | % | % | % | % | % | % |
| Bank of Baroda | 5.4 | 4.7 | 20.2 | 18.9 | 15.1 | 12.86 |
| Corporation Bank | 19.2 | 39.0 | 25.7 | 20.0 | 27.9 | 26.36 |
| Indian Overseas Bank | 14.8 | 17.0 | 9.0 | 41.7 | 3.9 | 17.28 |
| Punjab National Bank | 11.2 | 7.8 | 8.6 | 40.5 | 28.4 | 19.3 |
| Union Bank | 8.0 | 7.0 | 5.2 | 27.0 | 2.0 | 9.84 |
| Syndicate Bank | 3.9 | 12.2 | 29.8 | 29.2 | 32.1 | 21.44 |

Comparing the private and the public banks for the last 5 financial years, the average NPA Net ratio of Private Banks is lesser than the Public banks except the South Indian Bank.

Comparing both the private and the public banks for the last financial year 2017-2018, the Net NPA ratio of Private Banks

Financial performance of npa in public sector and private sector banks.
Table showing Net NPA of selected Public sector and Private sector Banks

such as Axis Bank, HDFC Bank, Indus Ind Bank, ICICI Bank and the YES Bank are having less NPA Ratio. Similarly among the Public banks such as Syndicate Bank, Bank of Baroda and Union Bank are having less NPA Ratio.

Table showing Total Provision ratio of selected Public sector and Private sector Banks

| Bank Name | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Private Banks | % | % | % | % | % | % |
| ICICI Bank | 28.1 | 40.2 | 38.5 | 55.1 | 38.8 | 40.14 |
| AXIS | 7.6 | 4.5 | 3.8 | 5.1 | 3.9 | 4.98 |
| HDFC | 25.8 | 6.5 | 12.3 | 27.9 | 3.4 | 15.18 |
| YES Bank | 23.0 | 27.0 | 1.5 | 5.0 | 7.7 | 12.84 |
| Indus ind | 1.4 | 19.0 | 25.7 | 8.9 | 11.3 | 13.26 |
| South Indian Bank | 3.9 | 33.3 | 3.7 | 17.5 | 30.6 | 17.80 |
| Public Banks | % | % | % | % | % | % |
| Bank of Baroda | 25.3 | 1.4 | 35.1 | 40.1 | 4.0 | 21.18 |
| Corporation Bank | 33.0 | 14.1 | 15.1 | 9.7 | 11.4 | 16.66 |
| Indian Overseas Bank | 3.3 | 4.7 | 5.1 | 8.5 | 5.7 | 5.46 |
| Punjab National Bank | 35.5 | 2.4 | 2.7 | 5.8 | 4.3 | 10.14 |
| Union Bank | 3.7 | 1.5 | 5.5 | 12.4 | 18.9 | 8.40 |
| Syndicate Bank | 3.5 | 2.1 | 2.1 | 3.2 | 59.0 | 13.98 |

The above Total Provision Ratio of financial year 2013 to 2018 depicts that Comparing both the private and the public banks for the last 5 financial years, the average total provision ratio of Axis Bank is Lesser in

Private Banks and Indian Overseas Bank, Union Bank are lesser in Public banks. Comparing both the private and the public banks for the last financial year 2017-2018, the total provision ratio of Private Banks such as

ICICI Bank, HDFC Bank and Yes Bank are having high total provision ratio. Similarly among the Public banks such as Punjab

National Bank, Corporation Bank and Bank of Baroda are having high total provision ratio.

Table showing Problem Asset ratio of selected Public sector and Private sector Banks

| Bank Name | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Private Banks | % | % | % | % | % | % |
| ICICI Bank | 6.1 | 55.7 | 37.5 | 2.4 | 1.9 | 20.72 |
| AXIS | 5.6 | 39.2 | 11.3 | 8.4 | 7.3 | 14.36 |
| HDFC | 11.1 | 24.6 | 12.2 | 10.8 | 10.0 | 13.74 |
| YES Bank | 20.06 | 10 | 45.3 | 23 | 16.0 | 22.87 |
| Indus ind | 20.1 | 10.0 | 45.3 | 23.0 | 16.0 | 22.88 |
| South Indian Bank | 13.9 | 21.0 | 10.2 | 7.3 | 7.8 | 12.04 |
| Public Banks | % | % | % | % | % | % |
| Bank of Baroda | 7.9 | 6.1 | 6.0 | 2.3 | 18.0 | 8.06 |
| Corporation Bank | 10.0 | 68.8 | 64.4 | 30.3 | 39.9 | 42.68 |
| Indian Overseas Bank | 15.4 | 61.1 | 109.5 | 52.2 | 32.8 | 54.20 |
| Punjab National Bank | 12.3 | 83.0 | 92.5 | 25.5 | 34.3 | 49.52 |
| Union Bank | 13.4 | 89.3 | 76.4 | 47.9 | 43.4 | 54.08 |
| Syndicate Bank | 7.8 | 5.9 | 4.5 | 2.1 | 1.8 | 4.42 |

Comparing both the private and the public banks for the last 5 financial years, the average problem asset ratio of South Indian Bank is lesser in Private Banks and Syndicate Bank and Bank of Baroda are lesser in Public banks.

2018, the problem asset ratio of Private Banks such as IndusInd, YES Bank and South Indian Bank are having high problem asset ratio. Similarly among the Public banks such as Indian Overseas Bank, Union Bank and Punjab National Bank are having problem asset ratio.

Comparing both the private and the public banks for the last financial year 2017-

Table showing Depository safety ratio of selected Public sector and Private sector Banks

| Bank Name | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Private Banks | % | % | % | % | % | |
| ICICI Bank | 84.1 | 50.3 | 64.4 | 79.0 | 66.7 | 68.90 |
| AXIS | 67.0 | 64.5 | 70.1 | 69.9 | 40.3 | 62.36 |
| HDFC | 92.6 | 66.2 | 60.8 | 76.7 | 77.4 | 74.74 |
| YES Bank | 65.3 | 126.0 | 79.7 | 77.9 | 52.6 | 80.30 |
| Indus ind | 47.5 | 85.0 | 78.1 | 68.9 | 77.4 | 71.38 |
| South Indian Bank | 71.8 | 49.3 | 58.3 | 58.5 | 80.3 | 63.64 |
| Public Banks | % | % | % | % | % | % |
| Bank of Baroda | 135.6 | 144.9 | 66.7 | 60.0 | 69.5 | 95.34 |
| Corporation Bank | 133.7 | 65.4 | 47.1 | 77.6 | 82.2 | 81.20 |
| Indian Overseas Bank | 70.6 | 46.4 | 55.5 | 66.2 | 72.5 | 62.24 |
| Punjab National Bank | 75.9 | 67.0 | 72.6 | 79.6 | 77.2 | 74.46 |
| Union Bank | 74.8 | 30.6 | 65.9 | 47.3 | 52.4 | 54.20 |
| Syndicate Bank | 149.7 | 66.8 | 53.1 | 61.6 | 69.6 | 80.16 |

Comparing the private and the public banks for the last 5 financial years, the average depositor safety ratio of Axis Bank is lesser in Private Banks and Union Bank is lesser in

public banks. Comparing both the private and the public banks for the last financial year 2017-2018, the depositor safety ratio of Private Banks such as HDFC Bank, ICICI

Banks are having high depositor safety ratio. Similarly among the Public banks such as

syndicate Banks, Corporation Bank and Bank of Baroda are having depositor safety ratio.

Table showing Substandard Asset ratio of selected Public sector and Private sector Banks

| Bank Name | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | Average |
|----------------------|---------|---------|---------|---------|---------|---------|
| Private Banks | % | % | % | % | % | % |
| ICICI Bank | 1.4 | 3.4 | 14.9 | 17.2 | 38.4 | 15.06 |
| AXIS | 9.9 | 10.0 | 2.7 | 2.6 | 10.0 | 7.04 |
| HDFC | 15.7 | 2.4 | 14.1 | 5.3 | 5.1 | 8.52 |
| YES Bank | 3.5 | 26.1 | 8.2 | 12.9 | 5.8 | 11.30 |
| Indus ind | 4.4 | 37.3 | 39.5 | 35.2 | 44.2 | 32.12 |
| South Indian Bank | 10.7 | 35.4 | 1.4 | 4.9 | 10.0 | 12.48 |
| Public Banks | % | % | % | % | % | % |
| Bank of Baroda | 2.3 | 2.1 | 2.9 | 2.7 | 3.2 | 2.64 |
| Corporation Bank | 2.6 | 3.0 | 4.4 | 3.1 | 5.6 | 3.74 |
| Indian Overseas Bank | 21.1 | 20.1 | 3.1 | 10.0 | 5.7 | 12.00 |
| Punjab National Bank | 5.7 | 32.7 | 4.7 | 8.2 | 3.9 | 11.04 |
| Union Bank | 8.3 | 3.1 | 7.5 | 4.5 | 5.8 | 5.84 |
| Syndicate Bank | 2.9 | 27.7 | 4.7 | 40.9 | 5.6 | 16.36 |

Comparing the private and the public banks for the last 5 financial years, the average substandard asset ratio of Axis Bank is lesser in Private Banks and Bank of Baroda is lesser in Public banks. Comparing both the private and the public banks for the last financial year 2017-2018, the substandard asset ratio of private banks such as HDFC Bank and South Indian Bank are having high Substandard Asset ratio. Similarly among the Public banks such as Indian Overseas Bank and Union Bank are having substandard asset ratio.

Suggestions

1. RBI should update existing credit examinations and checking frameworks.
2. Banks ought to enhance and fortify their advance recuperation techniques.
3. Personal visits ought to be made after endorse and disbursal of credit and further
4. Close checking of the tasks of the records of obtained units ought to be done intermittently.
5. While loaning the advance to borrowers, banks need to make all the important strides sincerely without avoiding any of the means in the strategy. On the off chance that
6. Brokers avoid any of the essential methodology that may prompt default of the credit.

Conclusion

The NPA is one of the most serious issues that the Indian Banks are confronting today. On the off chance that the correct administration of the NPAs isn't attempted it would hamper the matter of the banks. So the issue of NPA needs bunches of genuine endeavours generally NPAs will continue murdering the productivity of banks which isn't useful for the developing Indian economy by any means.

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