



# Comparative Study of Non-Performing Assets of Selected Indian Banks

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## ABSTRACT

Banking plays an important role for every country's economy. As on today, Electronic Banking is the most useful and important tool for common person and industrialists as well, due to which, banking has widened its scope to a great extent. Now a day, banking has reached to remote areas where no one could ever think of using banking facilities. Hence, Banking may be called as an inseparable part of Indian economy. There are several categories of banks namely private banks, public sector banks, foreign banks and regional rural banks. In this research paper, we would compare the Non-Performing Assets (NPAs) of selected banks for a period of 5 years and make a comparison amongst the increase/decrease in the figures of NPAs. This comparison and analysis have been done by using statistical tools and descriptive study has been undertaken for the same.

**Key words:** Analysis of NPAs, factors for increase in NPAs, Indian economy

## I. INTRODUCTION

Non-Performing Assets (NPAs) are those assets/loans which have stopped yielding any returns and after a certain period of time, the principal amount would also become bad debts. The main reasons behind increasing NPAs in India are high rate of inflation, low per capita income, loop holes in banking systems, wilful defaults by borrowers availing huge amount of loans, frequent change in government policies, so on and so forth. In this paper, we have suggested some remedial measures which can be followed for reducing the figures of NPAs. Although it is not possible to have "Nil" NPAs in the balance sheets of banks for next several years but some remedial measures can be adopted to make the balance sheet healthy to a certain extent. It would not just only help in reducing NPAs but it will also contribute to a positive growth to the economy as a

whole. We usually notice that the NPAs are higher in public sector banks as compared to private banks, the main reason behind this is the lack of control and certain other reasons due to which, public sector banks have bigger NPAs than private banks.

## II. LITERATURE REVIEW

There are a number of research articles published on various aspects on NPAs. Although, in this paper, we have endeavoured to make a comparative analysis of increase/decrease in NPAs of selected banks only. We have referred to the following research articles while conducting research for this paper: -

Sudarsan K., et. al, "Impact of Institutional Variables on Non-Performing Assets of Scheduled Commercial Banks during Pre and Post Crisis Period in India", used SPSS tool to analysis the relationship between NPAs and several other variables. They found that there is a significant relationship between NPAs and variables like statutory liquidity ratio, bank rate etc but there is insignificant relationship between NPAs and Cash Reverse Ratio, repo rate etc. during pre and post crisis period of COVID 19.

Subramani K., in the research paper, "A study on Non-Performing Assets Management and Its Impact on Profitability with Reference to Karnataka Bank Ltd" analysed that Reserve Bank of India, being a regulator of banks in India is coming up with many guidelines to control NPAs but the reduction of NPAs has to be treated on national priority basis so that the Indian Banking system may become more strengthened.

Vibhute Nitesh S, et. al., in their research paper titled as "Study on Non-Performing Assets of Public Sector Banks", have concluded that NPAs have become a major concern for banking sector as a whole. There is no bank in India which has got nil NPAs. Hence, NPAs should be managed in such a way that the Indian Banking Sector does not get affected more and more from these.



Das Sulagna et. al, in the research paper, “Non-Performing assets – an important parameter of measuring the financial soundness of banks”, made an analysis using ANOVA that the increasing NPAs may result in inflation, unemployment, low purchasing power of general public so on and so forth. It may also hinder the economic growth of India.

Jain Dipak has made a descriptive study for the research article “A study on Non- Performing Asset with reference to Bank of Baroda”, and found that although Bank of Baroda has good liquidity but the problem of NPA still holds important position to be dealt with. The measures initiated by RBI should be properly followed otherwise increase in NPA may take high rise in Bank of Baroda also.

Abhilash in his paper “Non-Performing Assets (NPA): A review of (NPA) mechanism and its emerging menace in Indian Public Sector Banks”, has observed and analysed that there has been an increase in average level of capital adequacy ratio during the year 2020-2021 but due to COVID 19, RBI has given moratorium which shall give relief to various sectors. RBI has recommended banks to reduce the spread in Indian and off shore currency by participating in Non-Deliverable Rupee Derivative Market.

Jethwani Bhoomika et al., “Indian agriculture GDP and Non-Performing Assets: A regression model”, used regression algorithms and found that there are some reasons like rural population, crop production in a particular year, Export value of crops etc which adversely affect the repayment of loans by farmers. This in turn affects the GDP of the country. So there is a need to identify the sectors in which risk is more.

### RESEARCH OBJECTIVES AND HYPOTHESIS

The main objective of this research paper is to compare the Non-Performing Assets of selected

banks for a period of five years. Accordingly, following objectives have been enumerated:

1. To compare the increase in net NPAs of selected banks
2. To compare the decrease in net NPAs of selected banks

To achieve the aforementioned objectives, following hypothesis have been developed:

1. H01 There is a significant impact of increase in net NPAs of selected banks
2. H02 There is a significant impact of decrease in net NPAs of selected banks

### III. RESEARCH METHODOLOGY

The present study is done to compare the increase or decrease in NPAs of selected banks in India. We have used secondary sources for collection of data and all the data has been collected from publicly available data. The only variable used under this study is Non-Performing assets as comparative analysis is done for the increase/decrease in NPAs of selected banks over a period of 5 years. The data has been analysed for a period of 5 years i.e from 2018 to 2022.

### DATA AND SAMPLE SELECTION

The data has been taken for 5 (five) years ranging from 2018-2022. The study shows that the NPAs have been increased in the selected banks over a period of time. To analyse the data, a comparative statement has been made which shall clearly show the percentage of increase of NPAs in selected banks. The gross and net Non-Performing assets of some selected banks from the year 2018 to 2022 are as follows: -

TABLE-1

	Gross NPAs			Amount in Crores'	
	HDFC Bank Ltd.	State Bank of India	Bank of India	ICICI Bank	AXIS Bank
2017-18	8,606.97	223,427.46	62,328.46	54,062.51	34,248.64
2018-19	11,224.16	172,750.36	60,661.12	46,291.63	29,789.44
2019-20	12,649.97	149,091.85	61,549.93	41,409.16	30,233.82
2020-21	15,086.00	126,389.02	56,534.95	41,373.42	25,314.84
2021-22	16,140.96	112,023.37	45,605.40	33,919.52	218.22



TABLE-2

	Net NPAs			Amount in Crores'	
	HDFC Bank Ltd.	State Bank of India	Bank of India	ICICI Bank	AXIS Bank
2017-18	4,407.68	110,854.70	28,207.27	27,886.27	16,591.71
2018-19	4,554.82	65,894.74	19,118.95	13,577.43	11,275.60
2019-20	3,542.36	51,871.30	14,320.10	10,113.86	9,360.41
2020-21	3,214.52	36,809.72	12,262.03	9,180.20	6,993.52
2021-22	2,601.02	27,965.71	9,851.93	6,960.89	55.12

Source: www.moneycontrol.com

The data for selected banks for public and private banks which have highest turnover. The reason behind selecting these banks is that the bank which has high turnover will have more NPAs also. It is already known fact that the NPAs in PSBs and higher than private banks, therefore we have taken 3 private banks and 2 PSBs so that there not may be much disparity between the category of banks. It is also important to understand here that the NPAs are mostly concentrated in PSBs and private bank only. There are very NPAs in foreign banks, co operative banks and other categories of banks.

#### IV. CONCLUSIONS AND FINDINGS

In above tables, the figures of Non-Performing Assets have been taken for the selected banks for the period from 2017-2018 to 2021-2022. In Table-1, the figures for gross NPAs have been taken and in Table-2, the figures for net NPAs have been taken. It is a considerable point that public sector banks like State Bank of India and Bank of India have more NPAs as compared to private banks like HDFC and ICICI Bank. The net NPAs of all banks have been decreased over a period of time which shows that hypothesis H02 has been accepted.

Although gross NPAs have been increase in HDFC bank only but in all other banks taken, whether private or public, there is continuous decrease in the NPAs. This clearly indicates that the efforts made by statutory authorities in alignment with banks are giving positive results in reduction of NPAs. However, there are certain loopholes in banking systems and adoption of the schemes which the Bank management must start working on so that the NPAs could be reduced more quickly without hampering the economic growth of the country and financial condition of Banks as well.

#### REASONS FOR INCREASED NON-PERFORMING ASSETS IN BANKING SECTOR IN INDIA

Below are some of the reasons which are mainly contributing to the increase in NPAs of banks day by day: -

- ❖ Wilful/intentional default by Industrialists for huge amounts of loans
- ❖ Ongoing expenses and long gestation period in recovery through legal proceeding
- ❖ Intervention of several political parties during approval/disbursement of loans
- ❖ Non dedicated team in banks for recovery of dues
- ❖ Inappropriate penal provisions in law for wilful defaulters of loans
- ❖ Loopholes in approval system of loans of Banks
- ❖ Non implementation of policies issued by Reserve Bank of India from time to time

#### REMEDIAL MEASURES TO CONTROL NPAs

- Strict norms to be followed for approval process of loans
- Adequate security/guarantee to be secured against loans provided so that maximum amount can be recovered in case of any default
- Quick legal action upon wilful defaulters
- Timely and strict adoption of policies framed by Reserve Bank of India for reducing NPAs
- Dedicated team for recovery of NPAs must be appointed in every Bank
- No referral/reference should be accepted for loans without undertaking adequate security/pledge against loan amount

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**ABBREVIATIONS:**

**NPAs:** Non-Performing Assets

**PSBs:** Public Sector Banks

**GDP:** Gross Domestic Product

**RBI:** Reserve Bank of India