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Public, Private and Foreign Banks: A Comparative Study on the Basis of NPA

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ABSTRACT *Now many types of banks are operating in india which provide many type of facility to people like providing loans, accepting deposits, e- banking, credit cards and ATM and Many types of norms have been made for banks like income recognition, BASEL 1, BASEL2, BASEL3, on the basis of which performance of banks is measured. Only number of branches and outstanding loans does not show the quality of banks because three words NPA is a virus because of which banks can liquidate .This study aims to compare the performance of private sector, public sector, foreign banks and scheduled commercial banks on the basis of NPA. For this advances are classified into different types and then comparison is made .From this study it is concluded that private sector banks are performing their job more efficiently than other banks.*

KEYWORDS : NPA, Standard Assets, Substandard assets, Doubtful Assets and Losses Assets.

INTRODUCTION

The first bank in India was General Bank of India established in 1786. After that many banks have been established. Between 1913 and 1948 there were approximately 1100 small banks in India. So for the better functioning of banks Banking Regulation Act, 1949 was created. RBI was vested with extensive powers for supervision of banks in India as acentral banking authority. IN-1955,Imperial bank of Indiawas nationalized and was given the name State bank of India. In 1969,14 major Indiancommercial banks were nationalized and in 1980 major six banks were nationalized. Afterliberalization.many banks like AXIS, ICICI &HDFC entered into Indian market .This move revolutionizedthe banking sector in India which has seen rapid growth by entry of government banks, private banks.NPA is a big threat for all banks because NPA have outpaced the credit growth over last couple of years and urged the industry to tighten its belt.AS in 2008-09 financial crisis occurred in the United States due to excessive buildup of subprime assets and foreign banks. Then FDI entered into banking sector and now many banks like commercial banks, global banks, community banks, saving banks, credit unions, Federal Reserve Bank,money banks are working there. So there is need to know the performance of all these banks and now India is also facing this serious challenge of burgeoning NPA on its home turf which effects its economic growth.

NON PERFORMING ASSETS

Performing assets are those which generate income periodically but non-performing assets are those which should generate income but do not. NPA can be further classified into four types such as standard assets, substandard assets, doubtful assets and losses assets.

CLASSIFICATION OF NON PERFORMING ASSETS

T.N.Gurumoorthy {2012}stated that "Non-performing assets can be further classified by bank as standard, substandard, doubtful and loss asset in accordance with guidelines related to asset classification issued by RBI."

Standard Assets: Standard assets generate continuous income and repayments as and when they fall due. So a standard asset is a performing asset. Such assets carry a normal risk and are not NPAs in the real sense. Hence, no special provisions are required for Standard Assets.

Sub Standard Assets: A sub-standard asset is one, which is considered as non-performing for a period of 12 months.

Doubtful Assets: All those assets which are considered as non-performing for period of more than 12 months are called as Doubtful assets.

Loss Assets:A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

REVIEW OF LITERATURE

1. Virender Koundal(2012) "found that despite reforms in public sector banks performance is still lagging behind foreign banks and private sector banks o there is need to adopt strict measures for increasing productivity and profitability."
2. Samir et.al (2013) "concluded that increase in NPA effect performance of credit institutions both financially and psychologically so there is need to develop credit skills management."
3. Suresh patidar (2012) "reported that priority sector lending has significant impact on total NPA of public sector bank rather than private sector banks and there is significant difference between NPA of nationalized banks, SBI group, private sector banks."
4. Puneet et.al (2010) "revealed that during 2008 global turmoil foreign banks and private sector banks saw sharp rise in NPA whereas SBI and nationalized bank showed resilience in NPA."
5. Kajal et.al (2011) "revealed that public sector banks must pay attention in their functioning to face competition from private sector banks and proper analysis of borrower should be done before sanctioning loans."
6. Zahoor et.al (2013) "concluded that level of NPA both gross and net shares an average upward trend for all nationalized banks but growth rate is different. There is significant difference between gross and net NPA of nationalized banks."

OBJECTIVE OF THE STUDY

1. To clarify the meaning and classification of non-performing assets.
2. To make comparison between public sector, private sector and foreign sector on the basis of non-performing assets.
3. To explain measures for reducing non-performing assets.

RESEARCH METHODOLOGY

The study is descriptive in nature. For this study NPA of public sector, private sector and foreign banks has been evaluated between 2008 to 2013.Secodary data is used for this study and it is collected from RBI website and various published journals. The data so collected is tabulated and analysed by making graphs.

ANALSIS AND INTERPRETATION

TABLE 1

CLASSIFICATION OF ADVANCES OF PUBLIC SECTOR BANK FROM 2008-2013(Amount in billions)

	STANDARD ADVANCES		SUBSTANDA RD ADVANCES		DOUBTFUL ADVANCES		LOSSES ADVANCES		GROSS NPAs		TOTAL GROSS ADVANCE
YEAR	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT
2008	16,564.51	97.67	168.46	.99	190.83	1.13	36.72	0.22	396.00	2.33	16,960.51
2009	20,546.01	97.90	195.21	.93	207.08	0.99	38.03	0.18	440.32	2.10	20,986.33
2010	24,551.47	97.72	276.85	1.1	246.79	0.98	49.28	0.20	572.93	2.28	25,124.39
2011	29,888.72	97.68	336.12	1.10	319.55	1.04	55.14	0.18	710.80	2.32	30,599.53
2012	34,379	96.83	603.76	1.70	470.75	1.33	50.37	0.14	1124.89	3.17	35,503.89
2013	38,999.95	96.16	765.89	1.89	734.35	1.81	58.15	0.14	1558.90	3.84	40,558.74

SOURCE :(DEPARMENT OF BANKING SUPERVISION,RBI)

As it is depicted from thetable that standard advances have been increased from 16,564.51 billion to 38999.95 , substandard advances have been increased from 168.46 billion to 765.89 billion, doubtful advances have been increased from 190.83 billion to 734.35 billion and losses advances have been increased from 36.72 billion to 58.15 billion in public sector banks.

TABLE 2

CLASSIFICATION OF ADVANCES OF PRIVATE SECTOR BANKS FROM 2008-2013(Amount in billions)

	STANDARD ADVANCES		SUBSTAND ARD ADVANCES		DOUBTFUL ADVANCES		LOSSES ADVANCES		GROSS NPAs		TOTAL GROSS ADVANCES
YEAR	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT
2008	4597.22	97.25	72.81	1.54	44.53	0.94	12.44	0.26	129.78	2.75	4727.00
2009	5031.87	96.75	105.27	2.02	50.18	0.96	13.45	0.26	168.90	3.25	5200.77
2010	5677.23	97.03	86.78	1.48	65.43	1.12	21.66	0.37	173.87	2.97	5851.10
2011	7149.78	97.55	44.00	0.60	107.36	1.46	28.39	0.39	179.75	2.45	7329.53
2012	8628.96	97.92	51.33	0.58	103.16	1.17	28.72	0.33	183.21	2.08	8812.16
2013	10266.73	98.09	58.33	0.56	110.69	1.06	30.69	0.29	199.92	1.91	10466.65

SOURCE:(DEPARTMENT OF BANKING SUPERVISION,RBI)

As it is depicted from the table that standard advances have been increased from 4,597.22 billion to 10266.73 billion,substandard advances have been decreased from 72.81 billion to 58.33 billion,doubtful advances have been increased from 44.53 billion to 110.69 billion and losses advances have been increased from 12.44 to 30.69 billion from 2008 to 2013 in private sector banks.

TABLE 3

CLASSIFICATIONOF ADVANCES IN FOREIGN SECTOR FROM 2008-2013(Amount in billions)

	STANDARD ADVANCES		SUBSTANDARD ADVANCES		DOUBTFUL ADVANCES		LOSSES ADVANCES		GROSS NPAs		TOTAL GROSS ADVANCES
YEAR	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT
2008	1598.82	98.09	19.63	1.2	7.68	0.47	3.87	0.24	31.17	1.91	1629.99
2009	1624.20	95.7	58.74	3.46	10.04	0.59	4.16	0.25	72.94	4.30	1697.14
2010	1603.11	95.74	49.3	2.94	14.41	0.86	7.57	0.45	71.28	4.26	1674.39
2011	1942.57	97.46	18.65	0.94	21.13	1.06	10.87	0.55	50.65	2.54	1993.21
2012	2284.40	97.32	20.78	0.89	22.32	0.95	19.82	0.84	62.92	2.68	2347.21
2013	2606.39	97.03	28.82	1.07	27.51	1.02	23.39	0.87	79.72	2.97	2686.12

SOURCE:(DEPARTMENT OF BANKING SUPERVISION,RBI)

As it is depicted from the table that standard advances have been increased from 1598.82 billion to 2606.06 billion ,substandard advances have been increased from 19.63 billion to 28.82 billion ,doubtful advances have been increased from 7.68 billion to 27.51 billion and losses advances have been increased from 3.87 billion to 23.39 billion from 2008-2013 in case of foreign banks.

It is revealed from the table that in the beginning doubtful advances of private sector banks were increasing but after 2011 these are consistently decreasing and in case of public sector banks after 2008 doubtful advances are consistently increasing.% of foreign banks doubtful advances oncedecreased in 2012 otherwise these are increasing consistently.

CONCLUSION

From study it is concluded that private sector banks are performing better than other banks because it's substandard, doubtful, losses advances are increasing but their share in total gross advances are decreasing.

Foreign banks Performance is better than scheduled commercial banks and public sector banks .public sector banks are not performing well because their % share of standard advances are consistently decreasing and % share of substandard and doubtful advances in total gross advances are consistently increasing. And gross NPA of public sector banks are also increasing. They should decrease their NPA by adopting different measures.

MEASURES

1. RBI mandates that banks must follow an objective policy of income recognition based on actual recovery which means recognize income only when it is received so bank should follow it.
2. Bank must establish an appropriate credit assessment and risk management mechanism to ensure proper assessment of credit before sanctioning loans.
3. Early remedial measures should be taken to prevent them turning delinquent.
4. Bank can take help from various institutions like asset reconstruction companies, debt recovery tribunals, corporate debt restructuring and CIBIL.
5. Technology will also help banks in managing NPAs.so technology should be used in banks.

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