



A Comparative Study of Non Performing Assets in Selected Nationalized Banks of India.

KEYWORDS

Non Performing Assets (NPA), Central Bank of India (CBI), Dena Bank, State Bank of India (SBI), Nationalized Banks.

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ABSTRACT A well organized and well managed banking sector is very important for development of economy. In present time Non-Performing Assets is a serious problem in the area of Banking. NPA reflect the performance of bank. In the present research study, researcher tries to make comparison of NPA in Nationalized Banks viz. Central Bank of India, Dena Bank and State Bank of India. Researcher has used various accounting ratios and statistical tools for analysis and comparison of data.

Introduction

A well organized and well managed banking sector is very important for development of economy. The Indian Banking Industry has faced many changes after first phase of economic liberalization in 1991. Credit creation is the primary function of bank and credit management is the modern function of bank. Bank provides credit in the form of loans and advances to various sectors of the economy. Sometimes unfortunately, bank does not get back the principle amount of credit and interest from borrowers within 180 days. It will create bad debts and this is known as Non performing assets in the context of Banking. Any asset becomes non performing for the bank when it stop to generate income.

NPA reflect the performance of bank. Higher level of NPA means high probability of credit defaults and it adversely affect the profitability and Net worth of bank. In present time increasing NPA is the critical issue in Indian Banking Sector. Because of that Banks face problems viz. declining profitability, liquidity problems, and reduction in capital assets and lending limits. It will bring unexpected attention and interference from government regulators.

During last ten years, various steps have been taken by RBI and government if India to reduce non-performing assets but their efforts haven't give any remarkable result.

What is Non Performing Assets in the context of Banking?

The primary function of bank is to create credit in the form of loans, advances, cash credit, bank overdraft etc. But unfortunately in some cases bank does not get back the amount of loan and amount of interest from the borrowers within the prescribed time limit, it will create bad debts. It is known as Non-performing assets. Reserve Bank of India classifies NPAs in three categories.

- (i) Sub-standard Assets
- (ii) Doubtful Assets
- (iii) Loss Assets

The researcher has formulated below mentioned ratios to analyze NPAs in selected Banks.

- [1] Gross NPAs to Gross Advances Ratio
- [2] Gross NPA to Total Assets Ratio
- [3] Net NPAs to Net Advances Ratio
- [4] Net NPA to Total Assets Ratio
- [5] Gross NPAs to Net NPAs Ratio
- [6] Net Profit to Total Assets Ratio
- [7] Capital Adequacy Ratio (Basel II)

Review of Literature

Krishnamurthi, C.V. (2000), gave conclusion that the rising Non-Performing Assets is serious problem for the public sector banks. It defines that the gross Non-Performing Assets of public sector banks are increasing very heavily. The Non-Performing Assets are between a gross of Rs. 39.253 crores in 1992-93 to Rs.45, 463 crores in 1997-98.

Gupta, s and kumar, s (2004) conclude that redeeming features of banking sector reforms is the continuing downfall in gross and net Non-Performing Assets as a proportion of total assets for all bank groups.

Ramkumar (2007), pays attention on the NPAs which can be recovered through legal and regulatory resources and is difficult to the sustainability of banks. so, he advised to amend the various legislations for the recovery of NPAs.

Importance of the Study

Present research will be helpful to understand the position of NPA in Indian nationalized banks. This research will be helpful to compare figures of NPAs in selected banks. Through findings and conclusion researcher gives some suggestions to overcome the problem of NPAs in Indian Nationalized Banks.

Objectives of the Study

- 1) To make comparison of NPAs in CBI, Dena Bank and SBI.
- 2) To give finding based suggestions to control NPAs in Indian Nationalized Banks.
- 3) To study general reasons for assets to become NPA.

Period of the Study

The present study has been made on the basis of the fi-

financial data for the period of last five years i.e. year 2009-10; to year 2013-14 of the sample banks.

Selection of the sample unit

Universe of the study consists of all Nationalized, private sector and foreign banks working in India. From the above mentioned universe, the researcher has randomly selected three banks viz. "Central Bank of India", "Dena Bank" and "State Bank of India"

Sources of the data collection

The present study is mainly based on the secondary data obtained from the issues of IBA bulletin, Annual Report of CBI, Dena bank and SBI and from various websites for better reliability.

Tools and Techniques for Data Analysis

Financial data is analyzed through Ratio analysis and test of hypothesis (F-Test two way ANNOVA Table). Using MS excel for calculating Test of Hypothesis.

Hypothesis of the Study

- (i) H_0 : There is no significant difference between gross NPAs to advances between the Sample Units and within the sample units.
- (ii) H_0 : There is no significant difference between gross NPAs to total Assets between the Sample Units and within the sample units.
- (iii) H_0 : There is no significant difference between Net NPAs to Advances between the Sample Units and within the sample units.
- (iv) H_0 : There is no significant difference between Net NPAs to total Assets between the Sample Units and within the sample units.
- (v) H_0 : There is no significant difference between Gross NPA to Net NPA Ratio between the Sample Units and within the sample units.
- (vi) H_0 : There is no significant difference between the Net Profit to total Assets between the Sample Units and within the sample units.
- (vii) H_0 : There is no significant difference in capital Adequacy Ratio (Basel II) between the Sample Units and within the sample units.

Data Collection and Statistical Analysis of NPA

[1] Gross NPAs to Gross Advances

Table No : 1 Ratio of Gross NPAs to Gross Advances (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	2.29	1.82	4.83	1.80	6.27
Dena Bank	1.80	1.86	1.67	2.19	3.33
SBI	3.05	3.28	4.44	4.75	4.95

Table No : 2 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	9.49744	2	4.74872	4.70	4.46
Within the Banks	13.34571	4	3.336427	3.30	3.84
Error	8.088893	8	1.011112		
Total	30.93204	14			

[2] Gross NPA to Total Assets

Table No : 3 Ratio of Gross NPAs to Total Assets (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	1.35	1.14	2.43	3.15	3.97
Dena Bank	1.12	1.19	1.09	1.28	2.09
SBI	1.85	2.07	2.97	3.27	3.44

Table No : 4 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	5.123693	2	2.561847	10.53	4.46
Within the Banks	6.533627	4	1.633407	6.72	3.84
Error	1.945773	8	0.243222		
Total	13.60309	14			

Table No : 5 Ratio of Net NPA to Net Advances (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	0.69	0.55	3.09	2.90	3.75
Dena Bank	1.21	1.22	1.01	1.39	2.35
SBI	1.72	1.63	1.82	2.10	2.57

Table No : 6 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	1.521013	2	0.760507	1.49	4.46
Within the Banks	6.303933	4	1.575983	3.09	3.84
Error	4.077387	8	0.509673		
Total	11.90233	14			

[4] Net NPA to Total Assets

Table No : 7 Ratio of Net NPAs to Total Assets (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	0.40	0.40	1.52	1.86	2.30
Dena Bank	0.74	0.77	0.65	0.81	1.46
SBI	1.03	1.01	1.18	1.40	1.74

Table No : 8 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	0.529453	2	0.264727	1.82	4.46
Within the Banks	2.61604	4	0.65401	4.50	3.84
Error	1.16268	8	0.145335		
Total	4.308173	14			

[5] % of Gross NPA to % of Net NPA

Table No : 9 Ratio of % of Gross NPAs to % of Net NPA (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	3.32	3.31	1.56	1.66	1.67

Dena Bank	1.49	1.53	1.65	1.58	1.42
SBI	1.77	2.01	2.44	2.26	1.93

Table No : 10 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	1.570813	2	0.785407	2.13	4.46
Within the Banks	0.7866	4	0.19665	0.53	3.84
Error	2.94392	8	0.36799		
Total		14			

[6] Net Profit to Total Assets

Table No : 11 Ratio of Net Profit to Total Assets (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	0.58	0.60	0.18	0.38	-0.44
Dena Bank	0.89	0.86	0.92	0.71	0.44
SBI	0.87	0.67	0.88	0.90	0.61

Table No : 12 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	0.885293	2	0.442647	10.69	4.46
Within the Banks	0.6282	4	0.15705	3.79	3.84
Error	0.33124	8	0.41405		
Total	1.844733	14			

[7] Capital Adequacy Ratio

Table No : 13 Capital Adequacy Ratio (Basel II) (in %)

Bank	2009-10	2010-11	2011-12	2012-13	2013-14
CBI	12.23	11.64	12.40	11.49	11.96
Dena Bank	12.77	13.41	11.51	11.03	-
SBI	13.39	11.98	13.86	12.92	12.96

Table No : 14 Analysis of Variances (ANOVA)

Sources of Variations	SS	DOF	MS	F _{cal}	F _{tab}
Between the Banks	27.91228	2	13.95614	1.34	4.46
Within the Banks	41.55513	4	10.38878	1.00	3.84
Error	83.28539	8	10.41067		
Total	152.7528				

Findings of the Study

Table No : 15 Findings

NPA Ratios	Fcal	Ftab	Findings
Gross NPA to Gross Advances			
• Between the Banks (Row)	4.70	4.46	Null Hypothesis H _{OR} is rejected**
• Within the Banks (Column)	3.30	3.84	Null Hypothesis H _{OC} is accepted*

Gross NPA to Total Assets			
• Between the Banks (Row)	10.53	4.46	Null Hypothesis H _{OR} is rejected**
• Within the Banks (Column)	6.72	3.84	Null Hypothesis H _{OC} is rejected**
Net NPA to Net Advances			
• Between the Banks (Row)	1.49	4.46	Null Hypothesis H _{OR} is accepted*
• Within the Banks (Column)	3.09	3.84	Null Hypothesis H _{OC} is accepted*
Net NPA to Total Assets			
• Between the Banks (Row)	1.82	4.46	Null Hypothesis H _{OR} is accepted*
• Within the Banks (Column)	4.50	3.84	Null Hypothesis H _{OC} is rejected**
Gross NPA to Net NPA			
• Between the Banks (Row)	2.13	4.46	Null Hypothesis H _{OR} is accepted*
• Within the Banks (Column)	0.53	3.84	Null Hypothesis H _{OC} is accepted*
Net Profit to Total Assets			
• Between the Banks (Row)	10.69	4.46	Null Hypothesis H ₀ is rejected**
• Within the Banks (Column)	3.79	3.84	Null Hypothesis H ₀ is accepted*
Capital Adequacy			
• Between the Banks (Row)	1.34	4.46	Null Hypothesis H ₀ is accepted*
• Within the Banks (Column)	1.00	3.84	Null Hypothesis H ₀ is accepted*

* If Null Hypothesis H₀ is accepted then there is no significant difference in concerned ratio between the sample units.

** If Null Hypothesis H₀ is rejected then there is significant difference in concerned ratio between the sample units.

Conclusion

From the data collection, statistical data analysis, and findings of Central Bank of India, Dena Bank and State Bank of India, the researcher may come to the conclusion that most of the hypothesizes are accepted and some are rejected. So, in present time it is very necessary to control growing NPAs in Nationalized Banks in India. RBI have to take some steps to control the NPAs in Banking.

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