



NON-PERFORMING ASSETS (NPA) AND ITS IMPACT ON DIFFERENT SEGMENTS OF BANKING SECTOR: A COMPARATIVE STUDY

Neelam S. Pandya

Department of Commerce, Maharaja Krishnakumarsinhji Bhavnagar University, Bhavnagar, Gujarat, India.

ABSTRACT This is the era of transformation highly regulated to liberalization, public sector to private sector and closed economy to globalized economy. This is the new starting era of new private sector banks and foreign banks. The study is focused on gross NPA to gross advances and net NPA to net advances. Its covers the research period of 20 years after banking sector reforms started.

KEYWORDS : Non-Performing Assets (NPA), Liberalization, Gross Advances, Net Advances

INTRODUCTION

As the process of second banking reforms was going on since 1999, it has proved improvement in the performance of banks and on the other side; many changes have occurred due to the entry of new banks into the global market. Since a decade of banking sector reforms has been completed, it was essential to review the various issues of banking sector reforms, especially its post reforms impact on NPAs. This study was mainly concerned with the efficacy of banking sector reforms, major weak area need to be further considered and some possible reforms need to be added in third reforms. The present study was concerned with the performance of Indian banking industry under reforms to analyze the efficacy of banking sector reforms. The universe for the study was Indian banking industry. Six major bank groups as defined by RBI were taken for the study, which are as under:

- SBI and its Associates
- Nationalized Banks
- Old Private Sector Banks
- New Private Sector Banks
- Foreign Banks

OBJECTIVE OF THE STUDY

An effective review of Non-Performing Assets (NPAs) and its impact on different segments of the banking sector.

RESEARCH DESIGN AND PERIOD OF THE STUDY

The present study was concerned mainly with post-second banking sector reforms. The period includes 20 years, i.e. from 1995-96 to 2004-05 and 2005-06 to 2014-15.

LITERATURE REVIEW

- A. Joseph and M. Prakash, 2014 have studied the NPAs levels of the private sector banks and public sector banks. They found that

NPAs level was more in case of substandard asset and doubtful asset. But in case of standard asset, private sector banks remain high, which shows a good position of private sector banks. Also it shows that they have adopted all necessary measures in order to avoid any account becoming NPAs.

- The study by S.S. Prasad and P. Goyal, 2015 revealed that NPA was not the factor which significantly affected the ROCE, ROA and RONW of Vijaya Bank. The study concluded that Vijaya Bank was effectively able to manage its NPAs resulted in not affecting its profitability.
- The study by R.K. Uppal and P. Khanna, 2015 has analyzed the primary reasons for the growth of NPAs in scheduled commercial banks of Punjab and also suggested the measures for controlling the same. The objectives of study were to find out the factors that affect the loan repayment capacity of the bank customers.

GROSS NPAs TO GROSS ADVANCES

It was examined that the Gross NPAs to Gross Advances (%) showed fluctuating trends in all the banks groups and years under study. It was the least in case of new private sector banks, i.e. 4.67% in entire period. The highest average decrease was by about 56% in the year of 2000-01 to 2004-05 as compared to the years 1995-96 to 1999-2000 in case of SBI and its associates followed by nationalized banks with 51%. In contradiction to that, highest increase was in the case of foreign banks, i.e. 102% followed by new private sector banks with 44% where as variations in terms of CV were highest in case of SBI and its associates, i.e. 47%. In the year of 1995-96, an average percentage of Gross NPAs to Gross Advances were 9.64%, which decreased to 6.59% in 2004-05, whereas a variation in terms of CV was highest in the year of 1995-96, i.e. 75.67%. All the figures are in the Table No. 1 shown below.

Table 1: Gross NPAs to Gross Advances (% Rs. In Lakh)

Sr. No	Year	SBI and its associates	Nationalised Banks	Old Private Banks	New Private Banks	Foreign Banks	RRB	Mean	SD	CV
1	2	3	4	5	6	7	8	10(3 to 9)	11	
1	1995-96	13.97	19.86	8.29	2.53	3.54	NA	9.64	7.29	75.67
2	1996-97	15.3	19.89	8.98	3.75	8.33	NA	11.25	6.34	56.39
3	1997-98	15.52	17.69	10.66	4.89	13.35	NA	12.42	4.95	39.86
4	1998-99	NA	NA	NA	NA	NA	NA	NA	NA	NA
5	1999-2000	NA	NA	NA	NA	NA	NA	NA	NA	NA
6	2000-01	NA	NA	NA	NA	NA	NA	NA	NA	NA
7	2001-02	9.35	12.25	12.26	7.24	18.97	NA	12.01	4.43	36.85
8	2002-03	7.55	10.85	10.48	6.06	20.39	NA	11.07	5.58	50.47
9	2003-04	5.44	8.48	8.28	4.17	15.97	NA	8.47	4.58	54.10
10	2004-05	3.95	5.71	6.54	4.05	12.07	NA	6.59	3.59	54.46
Average	Mean	10.15	13.53	9.36	4.67	13.3				
	1995-96 to 1999-2000	14.93	19.15	9.31	3.72	8.41				
	2000-01 to 2004-05	6.57	9.32	9.39	5.38	17.01				
Growth Rate	-8.36	-9.82	0.08	1.66	8.60					
SD	4.80	5.68	1.90	1.56	5.91					
CV	47.23	41.94	20.36	33.46	44.40					

NET NPAs TO NET ADVANCES

It showed the trends in Net NPAs to Net Advances reflecting fluctuating trends in all the banks groups and years under study. It was

the least in case of new private sector banks, i.e. 3.18% in entire period. The highest average decreased by about 57.01% in 2000-01 to 2004-05 as compared to 1995-96 to 1999-2000 in case of SBI and its

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associates followed by the nationalized banks with **46.29%**. Opposite to that, the highest increase was in case of the foreign banks, i.e. **54.51%** whereas variations in terms of C.V. were highest in case of SBI and its associates with **50.61%**. Further, we note that in **1995-96**,

average ratio was **5.01%** with **78.13%** co-efficient of variations, which was reduced to half, i.e. **2.47%** in **2004-05**. All the figures are in the **Table No. 2** shown below.

Table 2: Net NPAs to Net Advances (% Rs. In Lakh)

Sr. No	Year	SBI and its associates	Nationalised Banks	Old Private Banks	New Private Banks	Foreign Banks	RRB	Mean	SD	CV
1	2	3	4	5	6	7	8	10 (3 to 9)	11	
1	1995-96	7.57	10.23	4.56	1.05	1.62	NA	15.01	3.91	78.12
2	1996-97	8.71	10.41	5.29	2.83	5.52	NA	56.55	3.00	45.82
3	1997-98	8.95	9.21	6.25	3.40	6.10	NA	86.78	2.39	35.19
4	1998-99	9.22	8.67	8.02	4.45	6.40	NA	57.35	1.94	26.34
5	1999-2000	7.68	7.47	6.78	3.77	7.33	NA	16.61	1.62	24.52
6	2000-2001	6.90	7.56	7.47	3.49	7.98	NA	86.68	1.82	27.31
7	2001-2002	5.11	6.60	7.22	4.49	13.04	NA	97.29	3.40	46.57
8	2002-2003	3.48	5.04	5.87	4.00	9.30	NA	45.54	2.30	41.48
9	2003-2004	1.22	3.31	4.04	2.25	7.57	NA	83.68	2.42	65.89
10	2004-2005	1.40	2.19	2.93	2.06	3.78	NA	2.47	0.91	36.85
Average	Mean	6.02	7.07	5.84	3.18	6.86	NA			
	1995-96 to 1999-2000	8.43	9.20	6.18	3.10	5.39	NA			
	2000-01 to 2004-05	3.62	4.94	5.51	3.26	8.33	NA			
Growth Rate	57.01	-46.29	-10.91	5.10	54.51	NA				
SD	3.05	2.81	1.63	1.12	3.08	NA				
CV	50.61	39.73	27.96	35.20	44.94	NA				

GROSS NPAs TO GROSS ADVANCES

It was examined that the **Gross NPAs to Gross Advances (%)** showed fluctuating trends in all bank groups and years under study. It was the least in case of new private sector banks, i.e. **2.21%** in entire period. The highest negative growth rate was about **28.22%** in the year **2010-11 to 2014-15** as compared to the year of **2005-06 to 2009-10** in case of old private sector banks followed by new private sector banks with **7.62%**. Opposite to that, the highest increase was in case of foreign

banks, i.e. **96.52%** followed by nationalized banks with **64.95%** where as variations in terms of CV was highest in case of nationalized banks, i.e. **40.46%**. In the year **2005-06**, an average percentage of **Gross NPAs to Gross Advances** were **3.08%**, which increased to **3.57%** in **2014-15**, whereas variations in terms of CV was maximum in the year of **2013-14**, i.e. **42.80%**. All the figures are in the **Table No. 3** shown below.

Table 3: Gross NPAs to Gross Advances (% Amount in Millions)

Sr. No	Year	SBI and its associates	Nationalised Banks	Old Private Banks	New Private Banks	Foreign Banks	RRB	Mean	SD	CV
1	2	3	4	5	6	7	8	10	11	
1	2005-2006	3.37	3.92	4.45	1.67	1.98	2.50	3.08	1.21	39.42
2	2006-2007	2.63	2.74	3.21	1.92	1.79	2.23	2.46	0.59	24.12
3	2007-2008	2.61	2.07	2.28	2.54	1.77	2.51	2.25	0.34	15.1
4	2008-2009	2.49	1.75	2.34	3.10	3.90	2.94	2.71	0.82	30.11
5	2009-2010	2.74	1.97	2.25	2.93	4.37	2.79	2.85	0.93	32.56
6	2010-2011	3.06	1.92	1.97	2.37	2.59	2.29	2.38	0.47	19.82
7	2011-2012	4.19	2.55	1.83	1.98	2.74	1.94	2.66	0.94	35.23
8	2012-2013	4.55	3.30	2.26	1.82	3.03	1.84	2.99	1.05	35.22
9	2013-2014	5.10	4.20	1.97	1.79	3.97	1.83	3.41	1.46	42.80
10	2014-2015	4.39	5.42	2.78	1.99	3.29	2.15	3.57	1.35	37.77
Average	2005-06 to 2014-15	3.51	2.99	2.53	2.21	2.94	2.30			
	2005-06 to 2009-10	2.77	2.91	3.31	2.04	1.85	2.41			
	2010-11 to 2014-15	4.26	4.81	2.38	1.89	3.63	1.99			
Growth	1.49	1.89	-0.94	-0.16	1.78	-0.42				
Growth Rate (%)	53.78	-64.95	-28.22	7.62	96.52	-17.47				
SD	0.96	1.21	0.79	0.50	0.94	0.38				
CV	1.49	1.89	-0.94	-0.16	1.78	-0.42				

NET NPAs TO NET ADVANCES

It showed the trends in **Net NPAs to Net Advances** reflecting fluctuating trends in all the bank groups and years under study. It was the least in case of new private sector banks, i.e. **0.82%** in entire period. The highest negative growth rate was about **49.10%** in **2010-11 to 2014-15** as compared to **2005-06 to 2009-10** in case of new private sector banks followed by foreign banks with **34.40%**. Contradictory to

that, the highest increase was in case of nationalized banks, i.e. **126.74%** whereas a variation in terms of CV was highest in case of nationalized banks with **58.75%**. In the year **2005-06**, an average percentage of **Net NPAs to Net Advances** were **1.22%**, which increased to **1.63%** in **2014-15**, whereas variations in terms of CV was maximum in the year **2014-15**, i.e. **68.04%**. All the figures are in the **Table No. 4** shown below.

Table 4: Net NPAs to Net Advances (% Amount in Millions)

Sr. No	Year	SBI and its associates	Nationalised Banks	Old Private Banks	New Private Banks	Foreign Banks	RRB	Mean	SD	CV
1	2	3	4	5	6	7	8	10	11	
1	2005-2006	1.63	1.16	1.73	0.77	0.83	1.01	1.22	0.45	36.37
2	2006-2007	1.32	0.94	0.95	0.96	0.73	0.97	0.98	0.21	21.54
3	2007-2008	1.43	0.77	0.65	1.19	0.77	1.09	0.96	0.33	34.44
4	2008-2009	1.47	0.68	0.87	1.40	1.81	1.29	1.24	0.46	37.29

5	2009-2010	1.50	0.91	0.76	1.09	1.82	1.03	1.22	0.44	36.00
6	2010-2011	1.49	0.92	0.49	0.56	0.67	0.56	0.83	0.40	48.87
7	2011-2012	1.76	1.44	0.58	0.42	0.61	0.46	0.96	0.60	62.02
8	2012-2013	2.04	2.00	0.91	0.45	1.01	0.52	1.28	0.71	55.22
9	2013-2014	2.67	2.51	0.96	0.57	1.09	0.66	1.56	0.96	61.68
10	2014-2015	2.23	3.23	1.41	0.76	0.54	0.89	1.6	1.11	68.00
Average	2005-06 to 2014-15	1.75	1.46	0.93	0.82	0.99	0.85			
	2005-06 to 2009-10	1.47	0.89	0.99	1.08	1.19	1.08			
	2010-11 to 2014-15	2.04	2.02	0.87	0.55	0.78	0.62			
Growth	0.57	1.13	-0.12	-0.53	-0.41	-0.46				
Growth Rate (%)	38.51	126.74	-12.25	-49.10	-34.40	42.73				
SD	0.43	0.86	0.38	0.33	0.47	0.28				
CV	24.60	58.75	40.94	40.82	47.28	33.10				

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