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A STUDY AND OVERVIEW OF NON-PERFORMING ASSETS (NPAs) ON DIFFERENT SEGMENTS OF BANKING SECTOR IN INDIA

KEY WORDS: Gross Advances, Net Advances, Banking Sector, Non-performing Assets (npas), Liberalization.

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ABSTRACT

The current era is highly regulated to the concept of liberalization and so this era can rightly be called the era of transformation. This includes transformation of 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. Our study is focused on gross NPA to gross advances and net NPA to net advances. Its covers the research period after the banking sector reforms started.

INTRODUCTION

It is known to all that the process of second banking reforms was going on since 1999. It has improved the performance of banks. Also many changes have occurred due to the entry of new banks into the global market. We can say that 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. Here the major weak areas need to be further considered and some possible reforms need to be added in third reforms. The current study was concerned with the performance of Indian banking industry under reforms to analyze the efficacy of banking sector reforms. Six major bank groups as defined by RBI listed below were taken for the study as the universe for the study was Indian banking industry:

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

OBJECTIVE OF THE STUDY

The objective of our study is to study an effective overview of Non-Performing Assets (NPAs) and its impact on different segments of the banking sector in India.

RESEARCH DESIGN AND PERIOD OF THE STUDY

Our study is mainly concerned with the post-second banking sector reforms which include the period of 2 decades right from the year 1995-96 to 2004-05 and secondly from the year 2005-06 to 2014-15.

LITERATURE REVIEW

- According to Prasad and Goyal (2015), 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. As a result, its profitability was not affected.

- According to A. Joseph and M. Prakash (2014), NPAs level was more in case of substandard asset and doubtful asset as far as the NPAs levels of the private sector banks and public sector banks were concerned. But in case of standard asset, private sector banks remain high, which shows a good position of private sector banks. It proves that the private sector banks have adopted all necessary measures in order to avoid any account becoming NPAs.
- Uppal and Khanna (2015) have analyzed the primary reasons for the growth of NPAs in scheduled commercial banks of Punjab. They have also suggested the measures for controlling them. The objectives of study were to find out the factors that affect the loan repayment capacity of the bank customers.

FLUCTUATING TRENDS (GROSS NPAs TO GROSS ADVANCES)

After the study, it was quite clear that the percentage values of Gross NPAs to Gross Advances showed fluctuating trends in all the banks groups and years under study. It was 4.67%, the least in case of new private sector banks in the 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 51% in case of nationalized banks. In contradiction to that, highest increase was 102% in the case of foreign banks followed by new private sector banks with 44% where as variations in terms of CV were 47%, the highest in case of SBI and its associates. 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. 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					

FLUCTUATING TRENDS (NET NPAs TO NET ADVANCES)

The trends in Net NPAs to Net Advances reflected the fluctuating trends in all the banks groups and years under study. It was 3.18%, the least in case of new private sector banks 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 associates followed by the

nationalized banks with 46.29%. Contradictory to that, the highest increase was 54.51% in case of the foreign banks 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
								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	2.9 3	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				

FLUCTUATING TRENDS (GROSS NPAs TO GROSS ADVANCES)

The study revealed that the Gross NPAs to Gross Advances (%) showed fluctuating trends in all bank groups and years under study. It was 2.21%, the least in case of new private sector banks 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%. In contradiction to that, the highest increase was 96.52% in case of foreign banks followed by nationalized banks with 64.95%. The variation in terms of CV was 40.46%, the highest in case of nationalized banks. 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
								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				

FLUCTUATING TRENDS (NET NPAs TO NET ADVANCES)

The trends in Net NPAs to Net Advances reflected fluctuating trends in all the bank groups and years under study. It was 0.82%, the least in case of new private sector banks 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 126.74% in case of nationalized banks, 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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