



ORIGINAL RESEARCH PAPER

Commerce

A COMPARATIVE STUDY ON NON-PERFORMING ASSETS OF SCHEDULED COMMERCIAL BANKS IN INDIA IN THE LAST DECADE

KEY WORDS: Non-Performing Assets, Gross NPAs, Net NPAs, Scheduled Commercial Banks.

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ABSTRACT

In recent years, Indian banking system witnessed a severe problem of Non-Performing Assets (NPAs). NPAs are not problematic to the banks only but it also affects the economy negatively and reduces the growth of country. One of the major reasons for the downfall of the Indian banking industry is the increasing number of Non-Performing Assets which gave a serious wound on the backbone of the Indian Economy. Growing numbers of NPAs affect profitability of banks adversely and damage their solvency. NPAs wounded public sector banks a lot among all scheduled commercial banks. The study attempts to examine the state of NPAs of public sector banks, private sector banks and foreign banks (Scheduled Commercial Banks) in India in last decade. The study of NPAs of SCBs is based on gross NPAs and net NPAs. The data has been analyzed by statistical tools such as percentage, average, and graphs. The study found that there is a huge burden of NPAs on public sector banks.

1. INTRODUCTION:

The lifeline of any modern economy is the banking sector. The success or failure of any economy is depending on how well a banking system performs. Banking institutions are creators and providers of credit. It is one of the financial institutions [intermediaries] of the financial system which performs a vital role in accepting deposits for lending to the various sectors of the economy. The performance of the bank is evaluated based on the profitability and the quality of assets. Good quality of assets refers to the efficient functioning of banks. The quality of assets has been getting worse after 1991 in the banking sector. The increasing number of non-performing assets weakens the banking sector and affects the entire economy badly. NPAs are problematic for banks since they depend on interest payments for income. The loan which is in risk of default is known as NPA.

1.1 MEANING OF NON-PERFORMING ASSETS:

According to the RBI norms, 'any interest or loan repayment delayed beyond 90 days has to be identified as a non performing asset.' (Pathak, 2018)

1.2 TYPES OF NPAs: (Saluja & Lal, 2010)

There are mainly 2 types of NPAs:

- Gross NPAs
- Net NPAs

A. Gross NPAs:

Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA indicates the quality of the advances made by banks. Gross NPA comprises of all the non-standard assets like as sub-standard, doubtful and loss assets.

B. Net NPAs:

Net NPAs are those type of NPAs from which the bank has deducted the provision regarding NPAs. Net NPA displays the real burden of banks. The provisions against the NPAs are to be made as per RBI guidelines.

2. LITERATURE REVIEW:

Saluja R. and Lal R. (2010) conducted a study of "Comparative Analysis on Non-Performing Assets (NPAs) of Public Sector, Private Sector and Foreign Banks in India". They studied that NPAs are not present in public sector banks only but are present in private banks and foreign banks also. The researchers found that there is a huge burden of NPAs in State Bank of India among public sector banks, ICICI Bank among

private sector banks and Citibank among foreign banks.

Mishra A. K. (2013) has conducted a study on NPA of Public Sector Banks in India During 1993 To 2012. The researcher highlighted the burden of NPAs in public sector banks only. In his study he found that there is a decline in Gross as well as Net NPA ratio during 2008-09 and then increase has been seen from 2009-10 to 2011-12. The levels of gross and net NPAs are very high in the public sector bank in India.

Narula S. and Singla M. (2014) highlighted the effect of NPA on Punjab National Bank (PNB). The study also analysed total advances, gross and net NPA, and profitability of PNB. In the research study they found that the Gross and Net NPA of PNB are increasing every year. Total advances given by PNB and Net Profits are increasing continuously since 2007 and they also found that there is a positive relation between Total Advances, Net Profits and NPA of bank which is not good.

Rao and Patel (2015) have conducted a study on NPA of selected scheduled commercial banks of India. They found that the Ratio of Gross NPA to Gross Advances is declining for Private Sector Banks. The researcher predicted NPA for the year 2014 is 1718.304 Billion for Public Sector Banks, for Private Sector Banks it may increase by Rs. 202.544 Billion for the year 2014 and in case of Foreign Banks it may increase by Rs. 69.062 Billion for the year 2014 with the help of Least Square Method. The Highest NPA is projected for Public Sector Banks in the year 2014.

Singh V. R. (2016) has reviewed that gross NPA and net NPA of scheduled commercial banks have increased during the study period and NPAs reduce the earning capacity banks. The study also covers the performance of different recovery channels of NPAs i.e. LokAdalat, DRT, and SARFAESI Act among which SARFAESI Act is the most effective channel of NPA recovery. He concluded that ineffective recovery, wilful defaults and defective lending process are the important factors which are responsible for the rise of NPAs in banks.

3. OBJECTIVES OF THE STUDY:

- To study growth of Gross NPAs and Net NPAs of Scheduled Commercial Banks (Public Sector Banks, Private Sector Banks and Foreign Banks) of India
- To compare the quantitative degree of NPAs among scheduled commercial banks of India.
- To suggest preventive as well as remedial measures to solve the problem of NPA.

4. RESEARCH DESIGN:

A. PERIOD OF THE STUDY:

The present research work was carried out for the period of consecutive ten years starting from 2010-11 to 2019-20.

B. TYPE OF THE STUDY:

Research is based on descriptive study because researcher has used secondary data which is collected by the researcher from various report of the RBI.

C. SAMPLE OF THE STUDY:

All scheduled commercial banks which include Public Sector Banks, Private Sector Banks and Foreign Banks are selected for the study.

D. DATA COLLECTION:

The data collected is purely secondary in nature which is collected from the website of the Reserve Bank of India.

E. TOOLS AND TECHNIQUES:

Tools like percentage analysis, average and charts are used for analysis of data.

5. SIGNIFICANCE OF THE STUDY:

- Through this study we can get information about the soundness of lending procedure and credit management of banks working in India.
- The study will help to take actions against growing number of NPAs.

6. LIMITATIONS OF THE STUDY:

- This study is based on secondary data which is collected from the website of RBI and different publications published by RBI.
- The present study focused only on selected scheduled commercial banks of India and it does not include NPAs of Region Rural Banks, Small Finance Banks and Payments Banks.

7. DATA ANALYSIS:

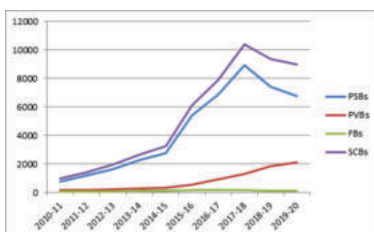
7.1 Gross NPAs of SCBs in India:

Table 1: Showing Gross NPAs of different categories of Banks [In Billions]

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	SCBs (Total)	Growth Rate
2010-11	746.64	182.41	50.69	979.73	-
2011-12	1,178.39	187.68	62.97	1,429.03	46%
2012-13	1,650.06	210.71	79.77	1,940.53	36%
2013-14	2,282.74	245.42	115.65	2,643.81	36%
2014-15	2,784.68	341.06	107.61	3,233.35	23%
2015-16	5,399.56	561.86	158.05	6,119.47	89%
2016-17	6,847.32	932.09	136.29	7,917.91	29%
2017-18	8,956.01	1,293.35	138.49	10,396.79	31%
2018-19	7,395.41	1,836.04	122.42	9,364.74	[-10%]
2019-20	6,783.17	2,095.68	102.08	8,998.03	[-4%]

Source: <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19791>

Chart 1: Growth of gross NPA in SCBs



Analysis:

The above table depicts that there is continuous rise in the amount of gross NPAs of scheduled commercial banks during 2010-11 to 2017-18. The amounts of gross NPAs are much higher in public sector banks followed by private banks and foreign banks. Private sectors banks show a continuous upward trend in gross NPAs from Rs. 182.41 billion in 2010-11 to Rs. 2095.68 billion in 2019-20. We can observe here that the percentage growth rate of gross NPAs shows that there is a drastic change i.e. from 23% in 2014-15 to 89% in 2015-16 in scheduled commercial banks. There is a negative growth rate in gross NPAs in last two years of the study i.e. (-10%) in 2018-19 and (-4%) in 2019-20 which is a good indication.

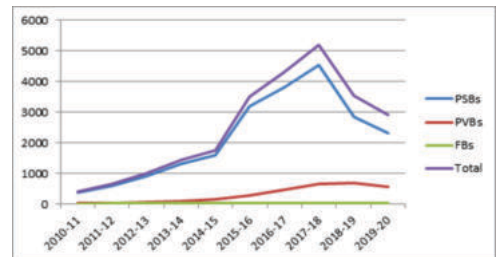
7.2 Net NPAs of SCBs in India:

Table 2: Showing Net NPAs of different categories of Banks [In Billions]

Year	Public Sector Banks	Private Sector Banks	Foreign Banks	Total	Growth Rate
2010-11	360.55	44.32	13.12	417.99	-
2011-12	593.91	44.01	14.12	652.05	56%
2012-13	900.37	59.94	26.63	986.93	51%
2013-14	1,306.35	88.62	31.60	1,426.56	45%
2014-15	1,599.51	141.28	17.62	1,758.41	23%
2015-16	3,203.76	266.77	27.62	3,498.14	99%
2016-17	3,830.89	477.80	21.37	4,331.21	24%
2017-18	4,544.73	643.80	15.48	5,208.38	20%
2018-19	2,851.23	673.09	20.50	3,550.76	[-32%]
2019-20	2,309.18	557.46	20.84	2,895.31	[-19%]

Source: <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19791>

Chart 2: Growth of net NPA in SCBs



Analysis:

The above table depicts that there is continuous rise in the amount of net NPAs of scheduled commercial banks during 2010-11 to 2017-18. The amounts of net NPAs are much higher in public sector banks followed by private banks and foreign banks. Private sectors banks show a continuous upward trend in net NPAs from Rs. 44.01 billion in 2011-12 to Rs. 673.09 billion in 2018-19. We can observe here that the percentage growth rate of gross NPAs shows that there is an extreme change i.e. from 23% in 2014-15 to 99% in 2015-16 in scheduled commercial banks. There is a negative growth rate in gross NPAs in last two years of the study i.e. (-32%) in 2018-19 and (-19%) in 2019-20 which is a good indication.

8. FINDINGS:

- There is a huge burden of NPAs on public sector banks as compared to private and foreign banks.
- The growth rate of NPAs is also increasing which is a matter of worry for the banks.

9. SUGGESTIONS:

- Public sector banks should revise and improve their lending procedure and recovery mechanisms as the amount of NPAs are highest in PSBs.
- All the public sector banks should focus on crucial steps like credit evaluation and post – loan monitoring as the level of NPAs are much higher in PSBs.
- Banks should strengthen their policies related to NPAs

and make some strict norms to reduce the level of NPAs as the current policies are inefficient and resulted in to high levels of NPAs.

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