

A STUDY ON NPAs OF SELECTED PRIVATE SECTOR BANKS IN INDIA

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ABSTRACT

Banks are essential parts of any financial system. It is the solid foundation of the Indian financial system. Rising bank NPAs in India have put the Indian financial system in trouble. NPA assists in evaluating a bank's performance. Rising non-performing assets (NPAs) have harmed both public and private sector banks in India. In this research three private sector banks were considered to measure the performance of NPA. The research covered the years 2015-16 to 2018-19. According to the study's findings, ICICI bank is more negatively impacted by NPA than other private banks. As shown in this study, HDFC Bank has good overall performance, while ICICI Bank has a bad record in terms of NPAs.

Keywords: NPA, private sector banks, Financial System.

INTRODUCTION

Non performing assets are like a cancer worm that has been destroying the banking system in India slowly and steadily. Banks are essential parts of any financial system. It is the solid foundation of the Indian financial system. Rising bank NPAs in India have put the Indian financial system in trouble NPA are the bad loan with banks and other financial institutions whose interest and principal amounts are overdue for a long time for the recovery of NPAs government introduce Debt Recovery Tribunal, sarfaesi act, 2002, Insolvency Bankruptcy Code 2016.

NPA categorization

- ❖ Substandard Assets: An asset that has been identified as an NPA for less than or equal to 12 months.
- ❖ Doubtful Assets: Assets that have been defined as non-performing assets for more than 12 months.
- ❖ Loss of Asset: - An asset in which a loss has been identified by the bank or RBI.

Major Causes of NPAs

- ❖ Ineffectual Recovery Tribunal
- ❖ Natural mishap
- ❖ Industrial shrinking
- ❖ intentional defaults
- ❖ ineffective lending process
- ❖ High priority sector lending
- ❖ Faulty Credit Appraisal System

Impact of NPAs

- ❖ Reduce bank profit
- ❖ Effect capital adequacy
- ❖ More concentration on risk management
- ❖ Increase fund cost

REVIEW OF LITERATURE

Singh (2013) analysed that the NPA of public sector banks was more than private sector. The NPA should be declined and controlled as a way to enhance the efficiency and financial viability of banks.

Das and Dutta (2014) analyzed the NPA performance of numerous Indian public sector banks. In this study, the NPA performance of SBI associate banks and other public sector banks was assessed. Using ANOVA, the study's findings were examined.

Mukundrao (2016) evaluated the performance, NPA, and growth position of RRBs. This study covered the period from 1995-1996 to 2004-2005 and considered many determinants to analyze the growth of banks, such as deposits, advances, loans, credit deposit ratio, and the number of branches. This study concluded a slighter improvement in NPA, credit deposit, and profit ratios. On another side, there was a more remarkable improvement in advances, number of branches, and total deposits. This research suggested that RRBs must try to upgrade the situation of RRBs income and issue finance for Self Help Groups.

Miyan (2017) banks from the public and private sectors were compared based on a variety of factors. The study was carried out between 2011–12 and 2015–2016. According to the research, private sector banks performed significantly better than public sector banks.

Sukul (2017) studied the gross and net NPA performance across various private sector banks. This study noticed a link between the private sector banks' net profit and net NPA. In accordance to this research, banks must have to take action in order to minimize NPAs

OBJECTIVES OF THE STUDY

- ❖ To know the Position of Private sector banks in respect of NPAs of four years.
- ❖ To suggest a few initiatives to lower the level of bank NPAs.

RESEARCH METHODOLOGY

This is descriptive research that is collected from secondary data. This NPAs information of private sector banks was taken from RBI publication. This study covered the time of 4 years from 2015-16 to 2018-2019.

ANALYSIS AND INTERPRETATION

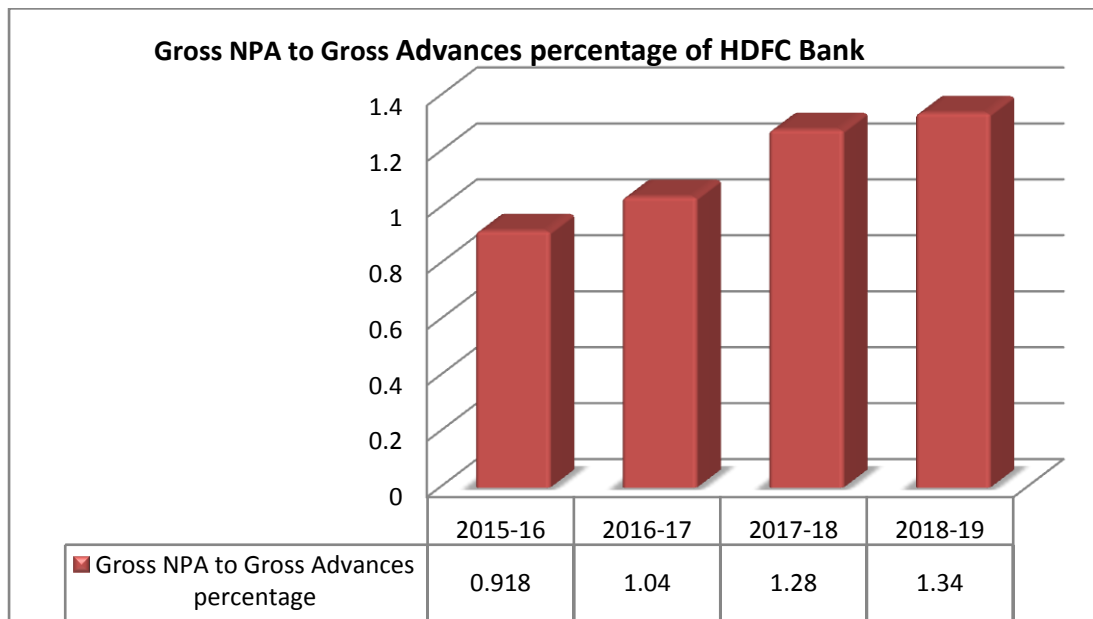
Table 1: Gross NPA to Gross Advances percentage of HDFC BANK

| Year | Gross NPAs | Gross Advances | Gross NPA to Gross Advances percentage |
|----------------|-------------------|-----------------------|---|
| 2015-16 | 4295.6 | 467579.40 | 0.918 |
| 2016-17 | 5824.88 | 558566.54 | 1.04 |
| 2017-18 | 8505.87 | 664253.63 | 1.28 |
| 2018-19 | 11135.89 | 827334.92 | 1.34 |

Sources: Annual report of RBI

According to the table and Figure 1, the Gross NPA to Gross Advances percentage is greatest in 2018-19 and lowest in 2015-16. The table also shows that the gross NPA was at its peak in 2018-19, with the highest gross advances of 827334.92. It demonstrates the bank's unfavorable position.

Figure 1: Gross NPA to Gross Advances percentage of HDFC Bank



Sources: Annual report of RBI

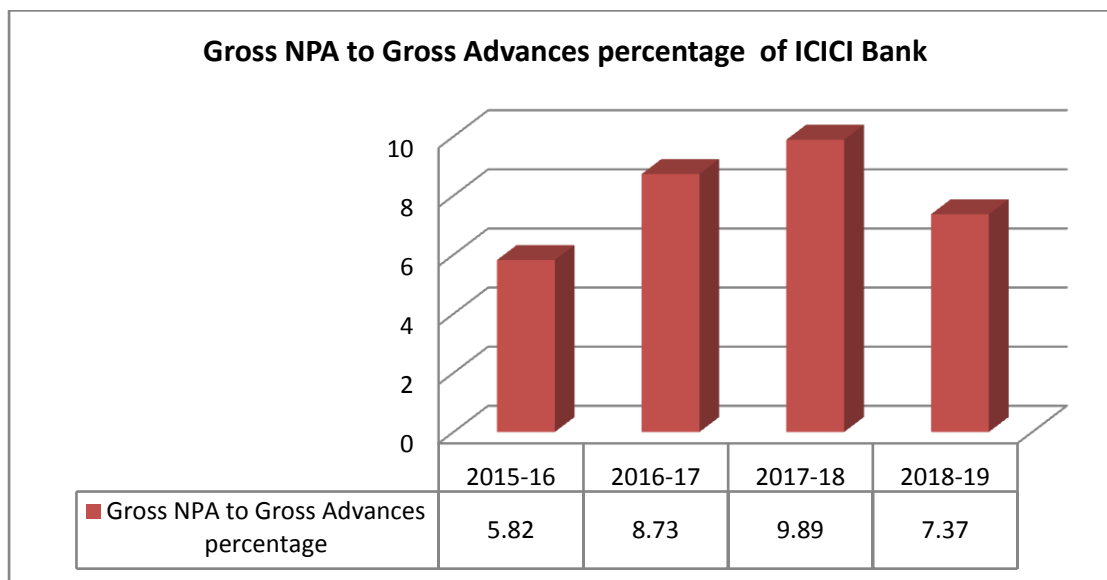
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Table 2: Gross NPA to Gross Advances percentage of ICICI BANK

| Year | Gross NPAs | Gross Advances | Gross NPA to Gross Advances percentage |
|----------------|------------|----------------|--|
| 2015-16 | 26221.35 | 450182.8 | 5.82 |
| 2016-17 | 42159.28 | 482460.5 | 8.73 |
| 2017-18 | 53240.28 | 537945.2 | 9.89 |
| 2018-19 | 45676.14 | 618985.1 | 7.37 |

Sources: Annual report of RBI

Figure 2: Gross NPA to Gross Advances percentage of ICICI Bank



Sources: Annual report of RBI

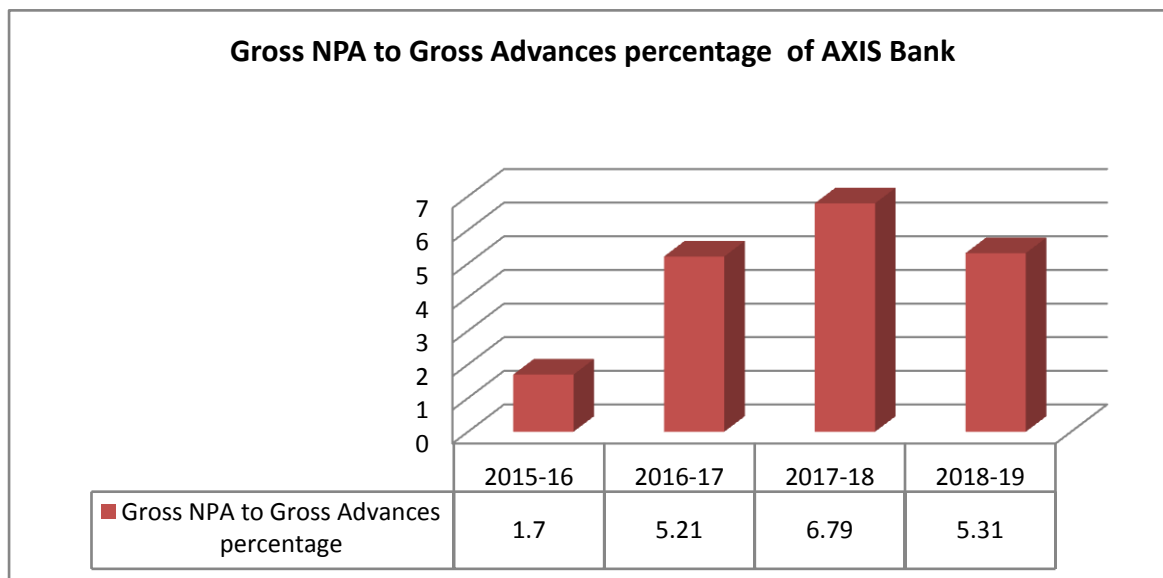
The table and Figure 2 show that the ICICI bank's Gross NPA to Gross Advances percentage is highest in 2017–18 at 9.89 and lowest in 2015–16 at 5.82. The table also reveals that the gross NPA peaked in 2017–18 at 53240.28, but that 2018–19 witnessed the highest gross advances, at 618985.1.

Table 3: Gross NPA to Gross Advances percentage of AXIS BANK

| Year | Gross NPAs | Gross Advances | Gross NPA to Gross Advances percentage |
|---------|------------|----------------|--|
| 2015-16 | 5848.50 | 342315 | 1.70 |
| 2016-17 | 20045.55 | 384723.8 | 5.21 |
| 2017-18 | 30876.22 | 454550.6 | 6.79 |
| 2018-19 | 27146.48 | 511096.2 | 5.31 |

Sources: Annual report of RBI

Figure 3: Gross NPA to Gross Advances percentage of AXIS Bank



Sources: Annual report of RBI

According to the table and Figure 3, the AXIS bank's gross NPA to gross advances percentage was 6.79 in 2017–18 and 1.70 in 2015–16. Given that the npa was low in those years, it is clear that this bank was in a strong position. The table also shows that while the gross NPA peaked in 2017–18, the highest gross advances occurred in 2018–19.

Observations

- ❖ Gross Advances of HDFC Bank is comparatively more than ICICI & Axis bank; Whereas Gross Advances of ICICI bank is comparatively more than that of Axis Bank.
- ❖ Gross NPAs of HDFC Bank is comparatively Low than that of than ICICI & Axis bank, whereas ICICI NPA is highest in comparison of other two banks.
- ❖ The financial position of HDFC in terms of Gross advances and NPAs is far better than other two banks

CONCLUSION

The study discovered that HDFC Bank's gross advances are comparably higher than those of ICICI and Axis Bank, while ICICI Bank's gross advances are comparably higher than those of Axis Bank. In terms of Gross Advances and NPAs, HDFC is in a much better financial position than the other two banks. In comparison to other banks, ICICI Bank had a higher

gross NPA to gross advances percentage. As shown in this study, HDFC Bank has good overall performance, while ICICI Bank has a bad record in terms of NPAs.

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