

Trend Analysis Non-Performing Assets at SBI and ICICI Bank in India- A Comparative Study

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ABSTRACT: The Banking industry is one of the basic instruments of economic growth of India the failure of the banking sector may have an adverse impact on another sector. Non Performing Assets is one of the major concerns for banks in India. NPAs reflect the performance of banks. The earning capacity and profitability of the banks are highly affected because of the existence of NPAs. A high level of NPAs suggests that large number of credit defaults that affect the profitability and net-worth of banks. The public sector banks have shown very good performance over the private sector banks as far as the financial operations are concerned. However the position of public sector banks is not so good in the area of Non-Performing assets as compared to private sector banks. The study is based on the secondary data retrieved from annual reports of the respective banks.

Keywords: Public and Private Banks, Gross NPA, Net NPA, Trend Analysis,

I. Introduction:

Gross NPAs: Gross NPAs are totally loan assets which are categorized as NPAs as on balance sheet date and as per guidelines of Reserve Bank of India. Gross NPAs reveals superiority of advances made by the banks. It comprises all non-standardized assets like as sub-standard asset, doubtful asset and loss asset. Gross non performing asset ratio is calculated by dividing gross NPAs with gross advances The present study analyzed Gross NPAs as percentage of net advances of Banking Sector in India

Net NPAs: Net NPAs are those in which bank have made provisions for NPAs. Net NPAs demonstrates definite load of banks. Balance Sheets of banks comprises huge amount of NPAs and procedure to recover and write off of advances is considered as time killing approach, provisions made by banks against NPAs according to guidelines given by RBI are very important. This is the reason of difference between gross NPAs and net NPAs is very higher. Net NPA Ratio is calculated by dividing Gross NPAs – provisions with gross advances – provisions The present study analyzed net NPAs as percentage of net advances of Banking Sector in India.

II. Review of Literature:

Nitin Bhasker & Palaksha Gombi (2021) have discussed the role played by banking sector and the rising NPA in a country's economy in their article "An Empirical Study on Non-Performing Assets with Special Reference to HDFC Bank Ltd.". The authors have found that even with specific policies and procedures to control NPA, high NPA rate has been noticed in HDFC Bank. After the application of reform policies, there is no instant solution that helps in controlling the rising NPA; Securitization Act plays a crucial role in bringing the NPA in control. An effective way to prevent NPA is for the banks to share/exchange information of defaulters.

Inchara Gowda (2019) conducted a study to examine the trend of NPAs, its impact on Public, Private & Foreign Banks in her article "Implications of NPAs on the Profitability of SCBs – A Comparative Study of Public, Private and Foreign Banks". It is noted that NPA has a severe negative impact on public & private sector banks & their profitability, however in the case of foreign banks, the reasons were not explained. To get a high profit level, banks need to assess the collaterals kept for loans.

Ambuj Tiwari & Vipul Garg,(2018) in their article "A Study of Non-Performing Assets of Indian Banking System and Its Impact on Economy" (2018) studied the present trends of NPA in the Indian Banking System. The rising rate of NPA in

the developing countries is a real threat to the profitability of the banks and the country's economy. Management of bad loans & keeping them under control is extremely crucial for the Indian Banking System.

Anjali Prava Mishra, Muna Sahoo and Rabindra Kumar Swain (2017) have examined the efficacy of NPA recovery mechanisms in their article "Non-Performing Assets of Scheduled Commercial Banks in India: Its Regulatory Frame Work". Out of all the measures taken by the government to control & recover NPA, SARFAESI Act- 2002 has been proven to be the most effective one. However, the money recovered is insignificant when compared to the money that was defaulted. The recovery schemes need to be upgraded so as to get the most out of them.

Performing Assets of Public Sector Banks in India" (2016) has discussed the magnitude of issue of NPA. He is of the opinion that, compared to the international standards, Indian banking sector's NPA is very high. He suggests that bank officials need to be trained better in filtering out the borrowers by their credit-worthiness.

III. Statement of the Problem:

The substance of the Banks will be threatened depending upon the level of NPA. If banks have many accounts that are turning out to NPA, the existence of the bank would be difficult. The banks which have higher NPA can lose the confidence of the customer and also it would affect the liquidity, profitability and solvency position of the bank.

IV. Need the Study:

The purpose of the study is to understand and analyze the NPA level of private and public sector Banks SBI and ICICI. To understand the trend of Gross and Net NPA in the Public and Private sector banks. To suggest some measures in order to reduce the level of NPA. This study would also in turn influence the Banks to identify the problems pertaining to the account and to avoid the occurrence of any account turning into NPA.

V. Scope of the Study:

The scope of the study is limited to the analysis the trend of Non-Performing assets Gross NPA and Net NPA of select public and private sector banks of SBI and ICICI Bank. The data has been analyzed by statistical tools such as regression and variance using the graphical trend line

VI. Objectives of the study:

1. To study the status of Non Performing assets of public and private sector banks
2. To study the trend of Non Performing assets of public and private sector banks
3. To make the appropriate suggestions to manage NPA in public and private sector banks

VII. Research Design:

The study is descriptive in nature. The present study was mainly based on secondary data which were collected from annual reports of the respective banks. The researcher has taken four major public and private sector banks in India. These two banks were purposively selected for the study, keeping in view that their role and involvement in shaping the economic condition of India. The selected banks are as under: Public Sector Banks: State Bank of India, Private Sector Banks: ICICI Bank. The study is done on the basis of data for the period of 10 years from 2013-14 to 2022-23.

VIII. Data Analysis:

Table-1 The trends of Gross Non-Performing Assets of S.B.I Bank

YEAR	Gross NPA (%)	Trend %
2013-2014	5.00	100
2014-2015	4.00	92.08
2015-2016	7.00	173.07
2016-2017	7.00	114.43
2017-2018	11.00	198.88
2018-2019	8.00	77.32
2019-2020	6.00	86.30
2020-2021	5.00	84.77
2021-2022	4.00	88.63
2022-2023	2.78	81.17

Source: Computed from the Annual reports of the SBI Banks

Interpretation: It is observed from the data provided in the above table - 1 The Gross NPA % and trend percentage of SBI Bank high in the year 2017-18 is 11.0 and low in the year 2022-23 is 2.78 the trend line is shown in the Chart-1. The trend equation shows that the Gross NPA in Corers $y = -0.218x + 7.177$ and $R^2 = 0.076$ (7.6%) shows that the fitted trend line is moderately influencing on SBI Bank.

Chart-1 The trends of Gross Non-Performing Assets of S.B.I Bank

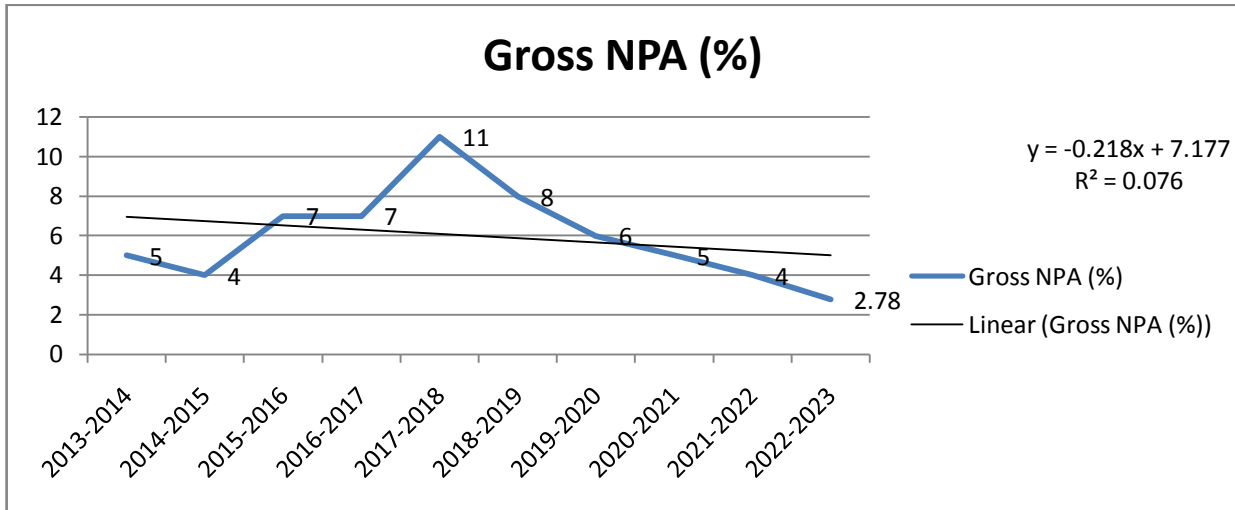


Table-2 The trends of Net Non-Performing Assets of S.B.I Bank.

YEAR	Net NPA (%)	Trend %
2013-2014	0.67	100
2014-2015	1.02	152.24%
2015-2016	1.5	147.06%
2016-2017	2.23	148.67%
2017-2018	3.01	134.98%
2018-2019	5.73	190.37%
2019-2020	3.71	64.75%
2020-2021	3.81	102.70%
2021-2022	2.12	55.64%
2022-2023	2.57	121.23%

Source: Computed from the Annual reports of the SBI Banks

Interpretation: It is observed from the data provided in the above table - 2 The Net NPA % and trend percentage of SBI Bank high in the year 2018-19 is 4.73 and low in the year 2013-14 is 0.67 the trend line is shown in the Chart-2. The trend equation shows that the Net NPA in Corers $y = 0.263x + 1.186$ and $R^2 = 0.280$ (28.0%) shows that the fitted trend line is highly influencing on SBI Bank.

The trends of Net Non-Performing Assets of S.B.I Bank.

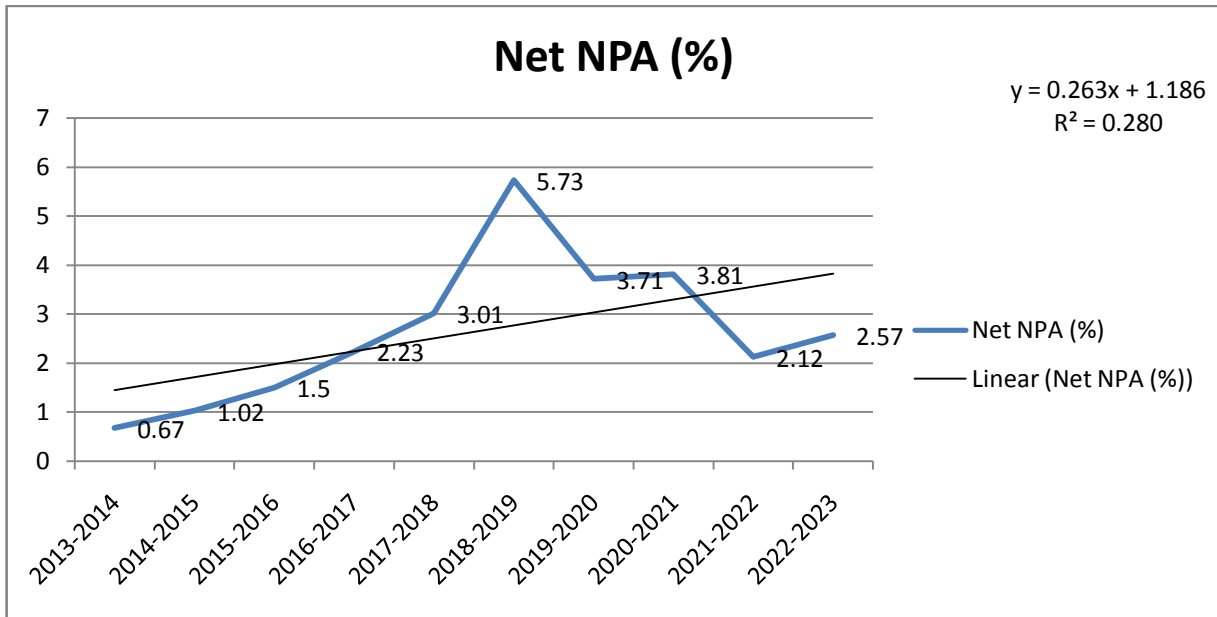


Table: - 3. The percentage of Gross Non-Performing Assets of ICICI Bank

YEAR	Gross NPA (%)	Trend %
2013-2014	0	100
2014-2015	4	0.00%
2015-2016	6	66.67%
2016-2017	9	66.67%
2017-2018	0	0.00
2018-2019	7	0.00%
2019-2020	6	116.67%
2020-2021	8	75.00%
2021-2022	4	200.00%
2022-2023	2.87	139.37%

Source: Computed from the Annual reports of the ICI CI Banks

Interpretation: It is observed from the data provided in the above table - 3 The Gross NPA % and trend percentage of ICICI Bank high in the year 2016-17 is 9.00 and low in the year 2017-18 is 0.00 the trend line is shown in the Chart-3. The trend equation shows that the Net NPA in Corers $y = 0.205x + 3.559$ and $R^2 = 0.040$ (4.0%) shows that the fitted trend line is highly influencing on ICICI Bank.

Chart-3 The percentage of Gross Non-Performing Assets of ICICI Bank

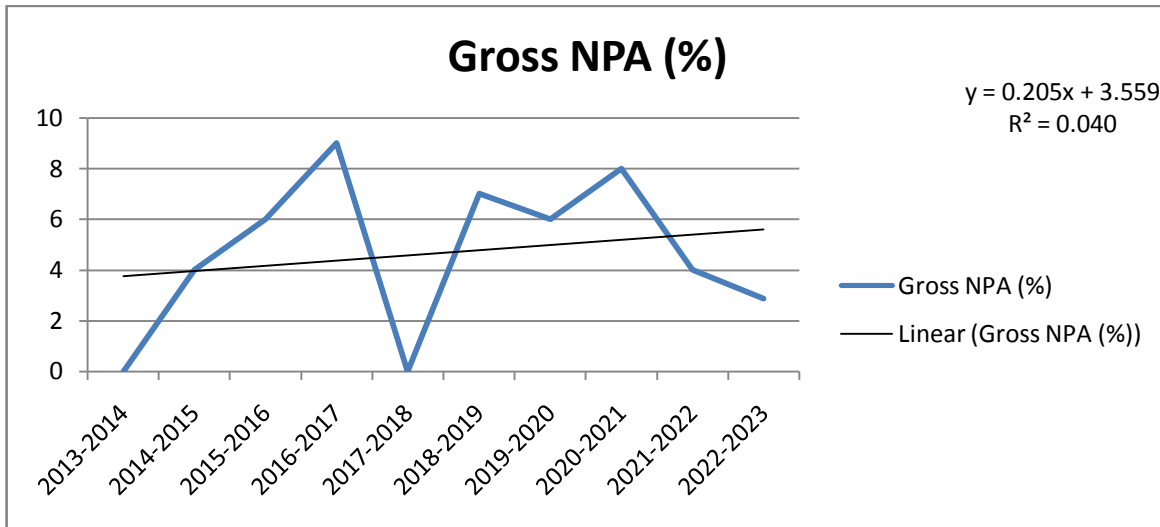


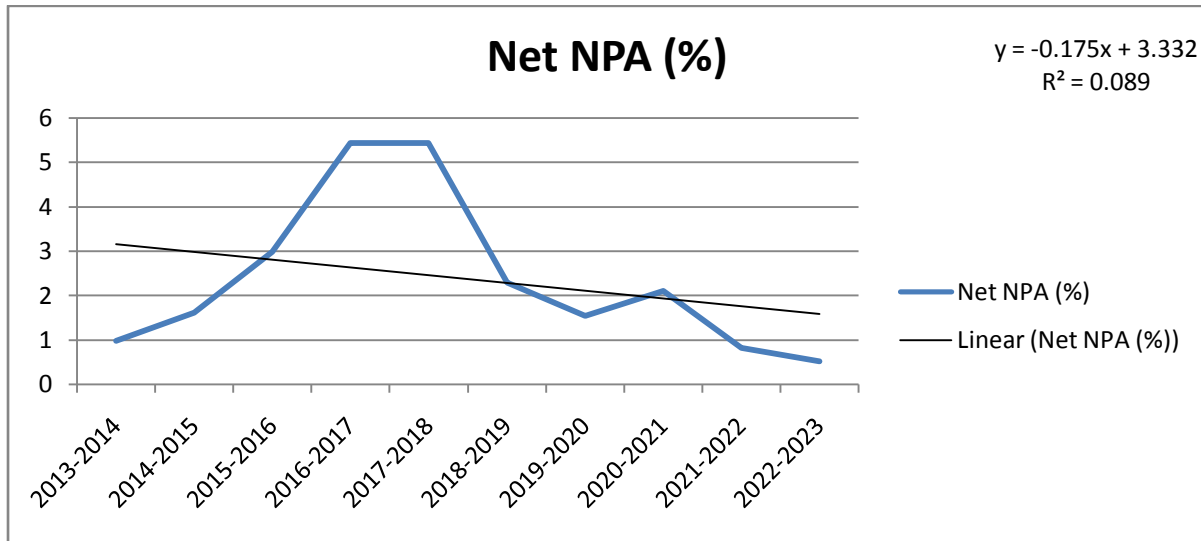
Table: -4 The percentage of Net Non-Performing Assets of ICICI Bank

YEAR	Net NPA (%)	Trend %
2013-2014	0.97	100
2014-2015	1.61	60.25%
2015-2016	2.98	54.03%
2016-2017	5.43	54.88%
2017-2018	5.43	100.00%
2018-2019	2.29	237.12%
2019-2020	1.54	148.70%
2020-2021	2.1	73.33%
2021-2022	0.81	259.26%
2022-2023	0.51	158.82%

Source: Computed from the Annual reports of the ICICI Banks

Interpretation: It is observed from the data provided in the above table - 4 The Gross NPA % and trend percentage of ICICI Bank high in the year 2017-18 is 5.43 and low in the year 2022-23 is 0.51 the trend line is shown in the Chart-3. The trend equation shows that the Net NPA in Corers $y = -0.175x + 3.332$ and $R^2 = 0.089$ (8.9%) shows that the fitted trend line is highly influencing on ICICI Bank.

Chart-4 The percentage of Net Non-Performing Assets of ICICI Bank



IX. Findings of the Study

1. The trend of NPA in Public & Private Sector Banks has declined in the study period.
2. Net NPA % of Public Sector Banks is higher than net NPA % of Private Sector Banks.
3. There is frequent rise and fall of NPA in both public & private sector banks in the study period.
4. □ In the year 2013-14 to 2022-23, rise in Gross NPA and Net NPA percentage in the banks was noted.
5. □ There is an inverse relation between NPA of banks.

X. Suggestions

- Banks should take extreme precaution during credit assessment of borrowers.
- Banks should thoroughly verify and cross check the documents submitted by the borrowers.
- Quality of assets kept as collateral should be examined thoroughly to assess their worth.
- One of the main responsibilities of banks is to carefully choose the borrowers so as to prevent loans from becoming NPAs.
- Banks should regularly ensure that the borrower is utilizing the loan for the purpose for which it was granted.

XI. Conclusion

NPA poses a threat not only to a particular bank suffering with high NPA or the banking sector, it affects the economy of a country as a whole. The Public sector banks need to pay more attention to the issue of NPA and implement proper mechanism and governance to bring this issue under control.

Eliminating NPAs completely may never be possible, but steps need to be taken to prevent it. Indian banking sector should focus on ways to prevent loans from becoming NPAs, because "prevention is better than cure". Analyzing credit-worthiness of borrowers plays a key role in prevention of loans from becoming NPAs

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