

ANALYSIS OF NPA'S OF PUBLIC SECTOR BANKS IN INDIA

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ABSTRACT

Profit is main objective of any business, without which no business will survive. Like other businesses banks also run with an objective of earning profit. Banking activities are concerned with accepting money as deposit and lending money as loans. These loans when remain overdue for a period turns into non performing asset (NPA). High NPAs directly affect the liquidity, profitability, and solvency of banks. NPAs indicate the financial health of banks. The Indian banking sector has been facing higher NPAs from last few years.

Keywords: NPA, Banking Sector, Public Sector Bank.

I. INTRODUCTION

The judicious financial framework is firmly identified with quality and prosperous of economy. Economy of a country altogether relies on its financial framework. A solid financial framework and budgetary segment are most extreme significant for development and improvement of the nation. The disappointment of same will bring about horrible consequences for the various segments. In the process of accepting deposits and lending loans, when the borrower of these money fail to repay the loan then the loan is treated as Non performing asset (NPA). Building up a high NPA will disrupt the flow of credit of banks. It will affect the profitability of the banks as well. NPAs are the indicators of performance of the banks. In other words, if for a period of more than 90 days, the premium or portion sum is delayed then that credit record can be said to be an NPA (Non-Performing Asset). The extension in the non-performing assets in Indian Banks is expected deficient improvement in budgetary strength of the institutions.

II. METHODOLOGY

Need of the study: Financial segment of India comprises of public division banks, private part banks, co-employable banks & unfamiliar banks. Be that as it may, amongst these public division banks actually overwhelm financial business, by estimated 82% piece of the pie in absolute store & advances of business. Public part banks assume pivotal function in Indian economy, in providing straightforwardly to GDP, & assembling reserve funds & channelizing ventures. In any case, subsequent to dealing with each challenge effectively & by providing standard administrations to clients, NPA turns into greatest everything being equal and overseeing NPA is probably the hardest errand for these banks, as expanding NPA has antagonistic effect upon advancement of the Indian economy & Indian monetary framework. Then again, NPA is proficiently overseen by private part banks, & is regulated. Current study attempts to view status of NPA in various public division banks, as well as SBI & its Associates, & other public segment banks.

III. OBJECTIVES OF THE STUDY

1. To have an overview of Non-performing Assets (NPA).
2. To recognize Non-performing Assets of public sector banks in India.
3. To analyze trend of the NPA in Public Sector Banks in India.
4. To suggest measures for the efficient and effective management of NPA.

Scope of the study: This study is restricted to NPA's of only public sector banks in India. The reading is limited for a period of 4 years from 2016-2020 on the public sector banks mentioned in the study.

Research design: Present study is done on public sector banks. Public sector banks include State Bank of India, Bank of Baroda, and Bank of India, IDBI Bank Limited & Punjab National Bank. Net Non-Performing Assets for five years, from 2016 - 2020, is analyzed. This study is done on basis of secondary data, which is extracted from published report of RBI & journals & other articles.

Net Non-Performing Assets = Gross NPA - (Balance in Interest Suspense account + DICGC/ECGC claims received and held pending adjustment + Part payment received and kept in suspense account + Total provisions held) (rbi.org.in)

Data collection methods: For this study secondary data has been gathered. Information are gathered from yearly report of RBI publications including Statistical Tables identifying with Banks in India, Articles & Papers concerning to NPAs published in various journal & magazines were examined and information accessible on web & different sources have likewise been utilized. Information collected has been broke down & arranged & drawn proper tables & utilized percentage as well. Translations were made dependent on table.

Limitations of the study: The study is concerned with all the published NPA of mentioned Banks in the study by RBI. It will not probe into NPA management nor will try to find causation for these factors.

IV. ANALYSIS AND INTERPRETATION

The information gathered has been broke down & organized & drawn suitable tables:

Table 4.1: Net NPA of Public Sector Banks for period 2016-2020 (Rs. In Crore):

Year	SBI	PNB	BOB	CB	BOI
2016	55,807.02	35,422.56	19,046.46	20,832.91	27,996.40
2017	58,277.38	32,702.10	18,080.00	21,648.98	25,305.03
2018	1,10,854.70	48,684.29	23,483.00	28,542.40	28,207.27
2019	6,58,947.40	30,037.66	15,609.50	22,955.11	19,118.96
2020	51,871.30	27,218.90	21,576.60	18,250.95	14,311.00
Mean	55,318.57	34,813.10	19,559.11	22,446.07	22,987.73
SD	30385.23	8332.38	3062.56	3816.44	6081.80

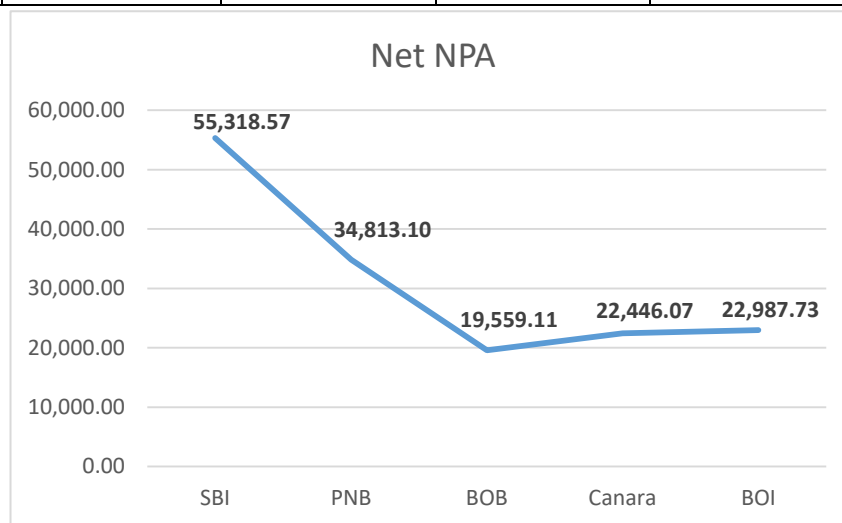


Figure 4.1.1: Net NPA of Public Sector Banks for period 2016-2020 (Rs. in Crore)

The table 4.1 with the graph above shows the data of Net non-performing assets of public sector banks for the period of 2016-2020. From the above table it is found that SBI has the highest mean Net NPA when compared to other banks. During 2018 the Net NPA was increased due to external factors such as decreases in global commodity prices leading to slower exports.

Table 4.2: Gross NPA of Public Sector Banks for period 2016-2020 (Rs. in Crore):

Year	SBI	PNB	BOB	CB	BOI
2016	98,172.80	55,818.33	40,521.04	31,637.83	49,879.13
2017	1,12,342.99	55,370.45	42,719.00	34,202.04	52,044.52
2018	2,23,427.46	86,620.05	56,480.00	47,468.47	62,328.46
2019	1,72,753.60	78,472.70	48,232.76	39,224.12	60,661.12
2020	1,49,091.85	73,478.76	69,381.43	37,041.15	61,550.00

Mean	98,172.80	69,952.06	51,466.85	37,914.72	57,292.65
SD	43904.21	13921.62	11756.47	6060.84	5859.48

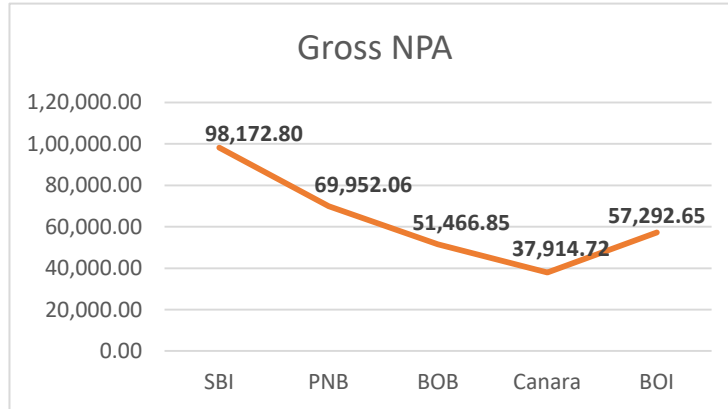


Figure 4.2.1: Gross NPA of Public Sector Banks for period 2016-2020 (Rs. in Crore):

Gross NPA of public sector banks for period 2016-2020 are shown above in the table 4.2 with the graph. It is found that SBI has the highest mean gross NPA followed by Punjab National Bank when compared to other banks.

Table 4.3: Net NPA (%) of top five Public sector banks for period 2016-2020:

Year	SBI	PNB	BOB	CB	BOI
2016	4.00	9.00	5.00	6.00	8.00
2017	4.00	8.00	5.00	6.00	7.00
2018	6.00	11.00	5.00	7.00	8.00
2019	3.00	6.56	3.33	5.00	5.61
2020	2.23	5.78	3.13	4.22	3.88
Mean	3.84	8.06	4.29	5.64	6.49
SD	1.41	2.06	0.97	1.06	1.76

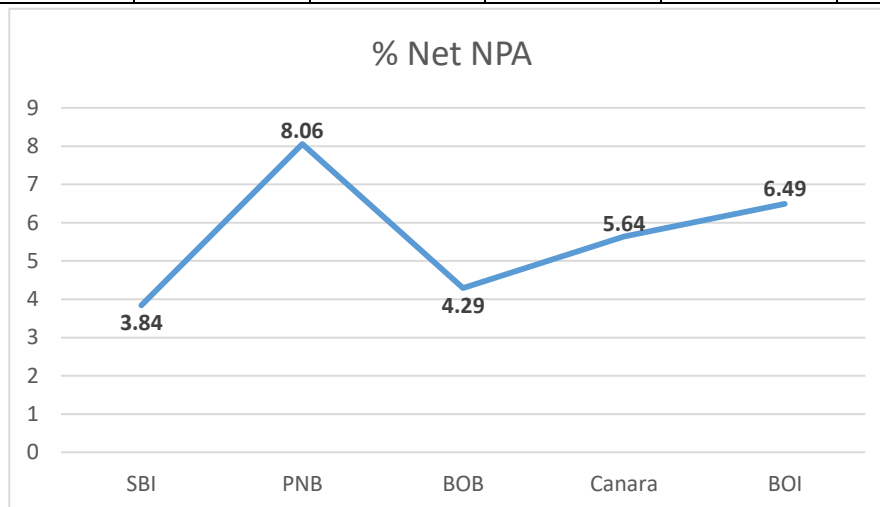


Figure 4.3.1: Net NPA (%) of top five Public sector banks for the period of 2016-2020.

Table 4.3 with graph shows the % Net NPA of public sector banks for period 2016-2020. It is revealed that Punjab National Bank (8.06%) has highest % of Net NPA followed by Bank of India (6.49%), Canara Bank (5.64%), Bank of Baroda (4.29%) and SBI (3.84%).

Table 4.4: Gross NPA (%) of top five Public sector banks for period 2016-2020:

Year	SBI	PNB	BOB	CB	BOI
2016	7.00	13.00	10.00	9.00	13.00
2017	7.00	13.00	10.00	10.00	13.00
2018	11.00	18.00	12.00	12.00	17.00
2019	8.00	16.00	10.00	9.00	16.00
2020	6.00	14.00	9.00	8.00	15.00
Mean	7.8	14.8	10.2	9.6	14.8
SD	1.92	2.16	1.09	1.51	1.78

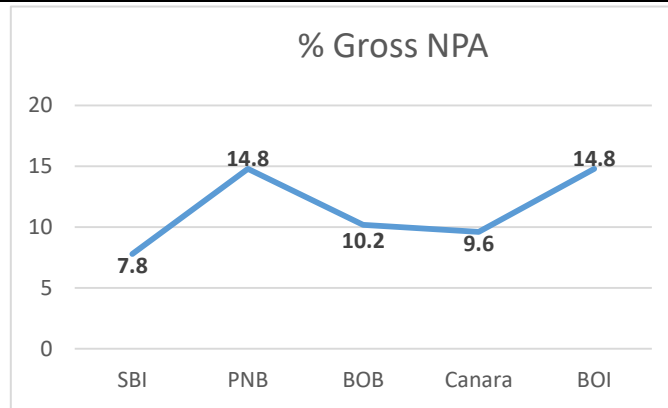


Figure 4.4.1: Gross NPA (%) of top five Public sector banks for the period of 2016-2020.

Table 4.4 with graph shows the % Gross NPA of public sector banks for period 2016-2020. It is revealed that Punjab National Bank and Bank of India (14.8%) have highest % of Gross NPA followed by Bank of Baroda (10.2%), Canara Bank (9.6%), and SBI (7.8%).

Table 4.5: Comparison of % Net and % Gross NPA of major public sector banks for period 2016-2020:

	SBI	PNB	BOB	CB	BOI
% Net NPA	3.84	8.06	4.29	5.64	6.49
% Gross NPA	7.8	14.8	10.2	9.6	14.8

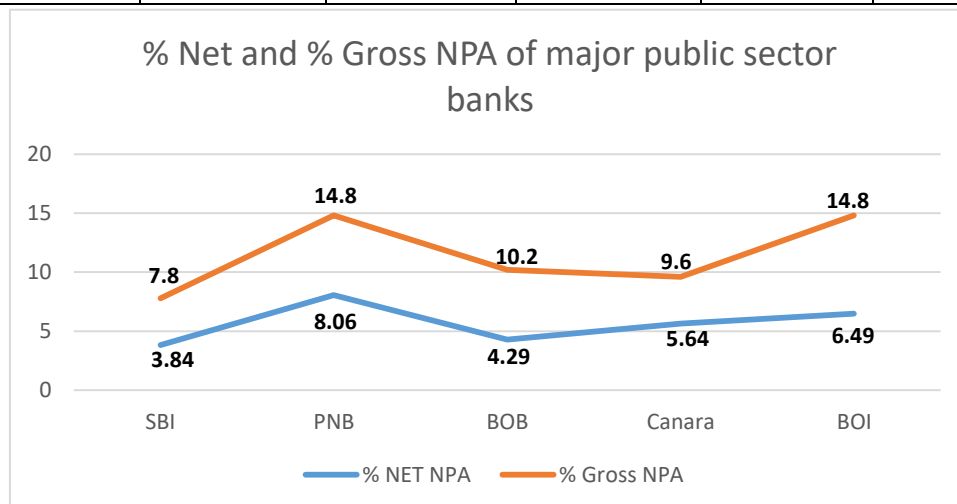


Figure 4.5.1: Comparison of % NET and % Gross NPA of major public sector banks for period 2016-2020.

Table 4.5 with graph shows the comparison of % Net and Gross NPA of major public sector banks for the period of 2016-2020. It is found that % of Gross NPA is higher for all the banks when compared to its % Net NPA.

Year wise comparison of % Net NPA of selected public sector banks for period 2016-2020:

% Net NPA of State Bank of India:

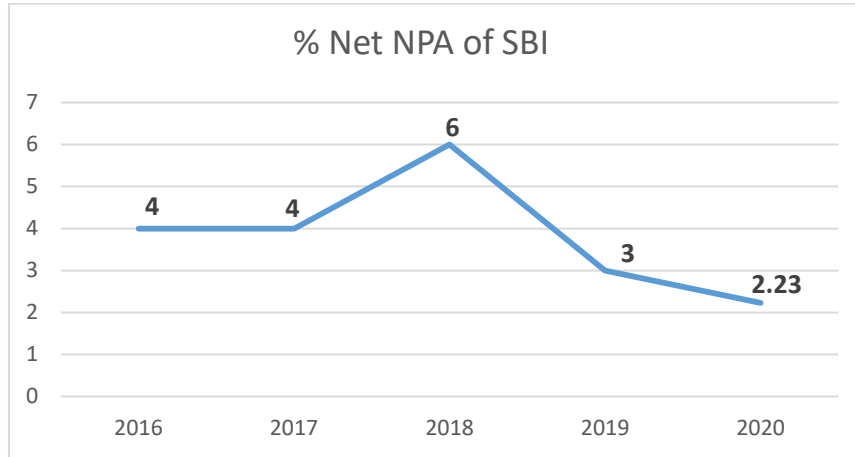


Figure 4.5.2 (a): Net NPA of SBI

- The figure 4.5.2 (a) represents the % Net NPA of State Bank of India.
- The year 2018 had higher % Net NPA.
- In the year 2020 the % Net NPA reduced to 2.23 %.

% Net NPA of Punjab National Bank:

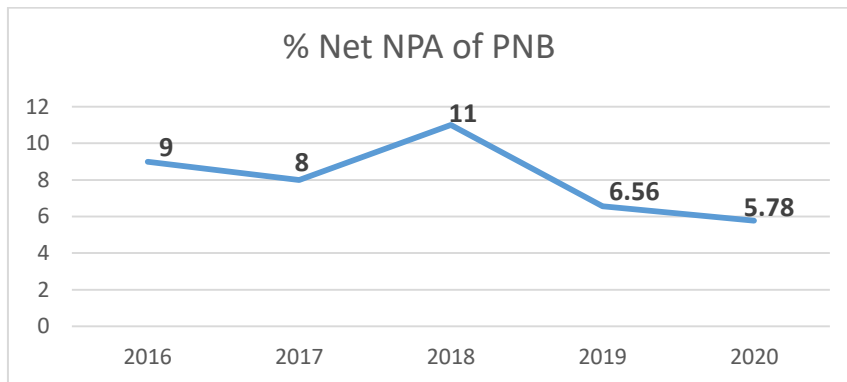


Figure 4.5.2 (b): Net NPA of PNB

- The figure 4.5.2 (b) shows the % Net NPA of Punjab National Bank.
- The year 2018 had higher % Net NPA.
- In the year 2020 the % Net NPA reduced to 5.78 %.

% Net NPA of Bank of Baroda:

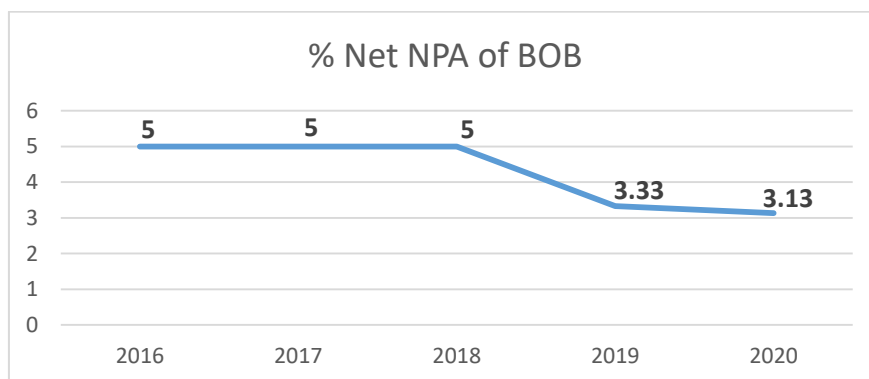


Figure 4.5.2 (c): Net NPA of BOB

- The figure 4.5.2 (c) represents the % Net NPA of Bank of Baroda.
- The % Net NPA was 5% in a row for three years i.e., 2016, 2017 and 2018.
- In the year 2019 the % Net NPA reduced to 3.33 %.

% Net NPA of Canara Bank:

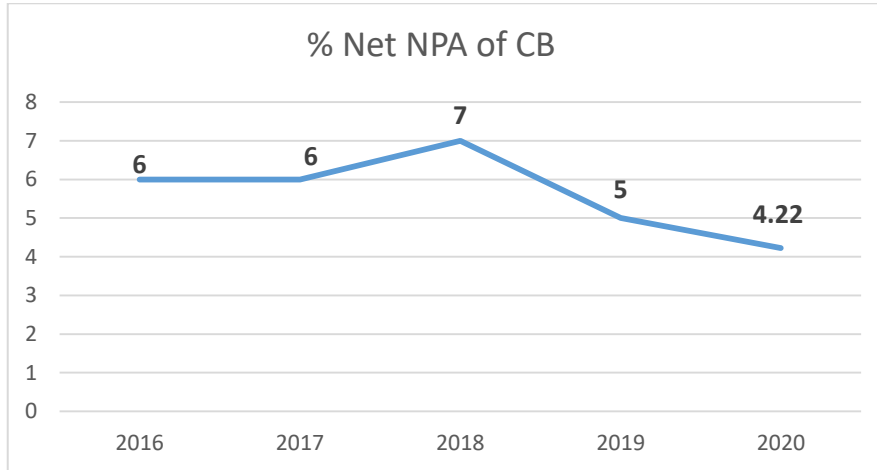


Figure 4.5.2 (d): Net NPA of CB

- The figure 4.5.2 (d) gives the % Net NPA of Canara Bank.
- During the year 2016 and 2017 it was 6% and then it raised to 7% in 2018.
- Later the years the % Net NPA was reduced for 2019 and 2020.

% Net NPA of Bank of India:

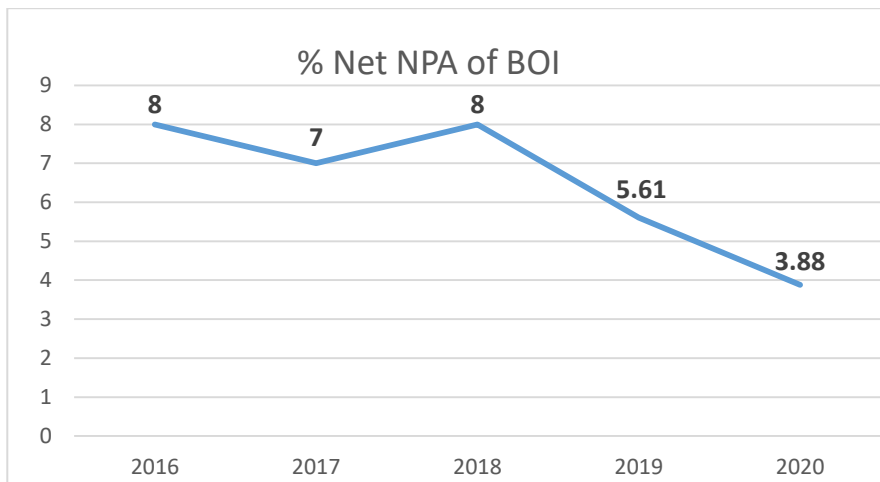


Figure 4.5.2 (e): Net NPA of BOI

- The figure 4.5.2 (e) depicts the % Net NPA of Bank of India.
- The year 2016 and 2018 had higher % Net NPA (8%).
- In the year 2020 the % Net NPA reduced to 3.88 %.

The reason for reduction in NPA is due to conducive policy environment and the insolvency and Bankruptcy Code (IBC).

Year wise comparison of % Gross NPA of selected public sector banks for period 2016-2020:

% Gross NPA of State Bank of India:

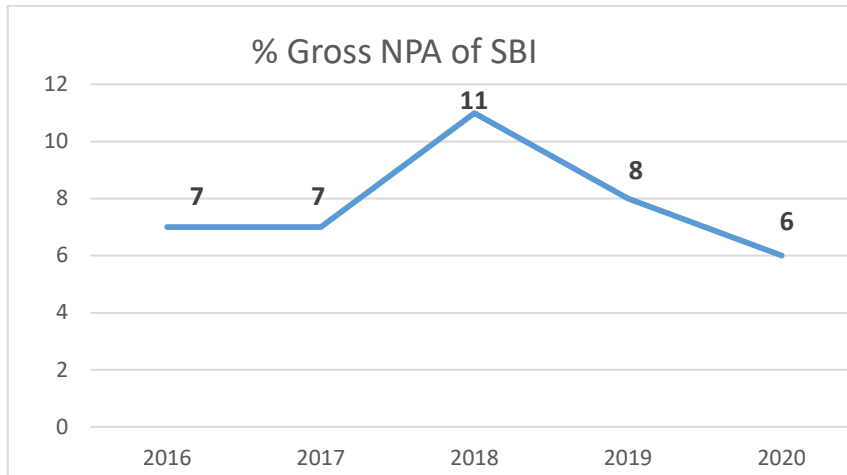


Figure 4.5.3 (a): Gross NPA of SBI

- The figure 4.5.3 (a) represents the % Gross NPA of State Bank of India.
- The year 2018 had higher % Gross NPA.
- In the year 2020 the % Gross NPA reduced to 6 %.

% Gross NPA of Punjab National Bank:

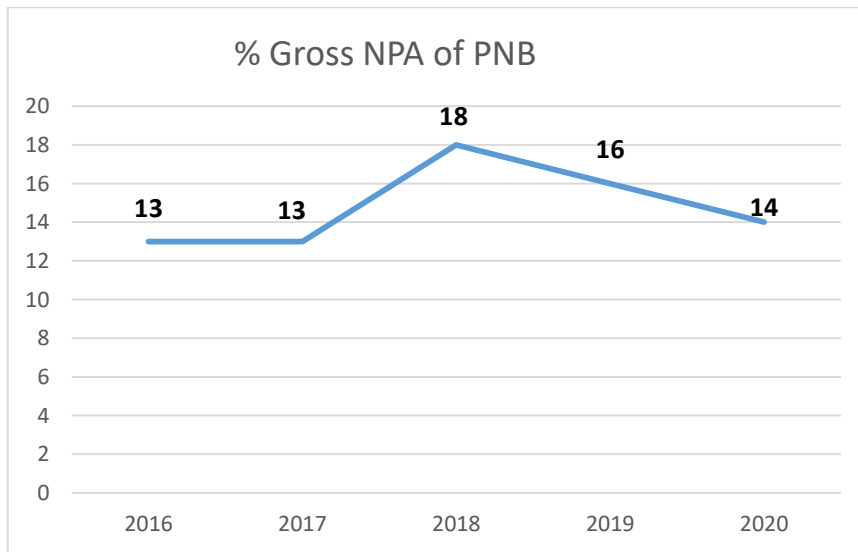


Figure 4.5.3 (b): Gross NPA of PNB

- The figure 4.5.3 (b) shows the % Gross NPA of Punjab National Bank.
- The year 2018 had higher % Gross NPA.
- In the year 2020 the % Net NPA reduced to 14 %.

% Gross NPA of Bank of Baroda:

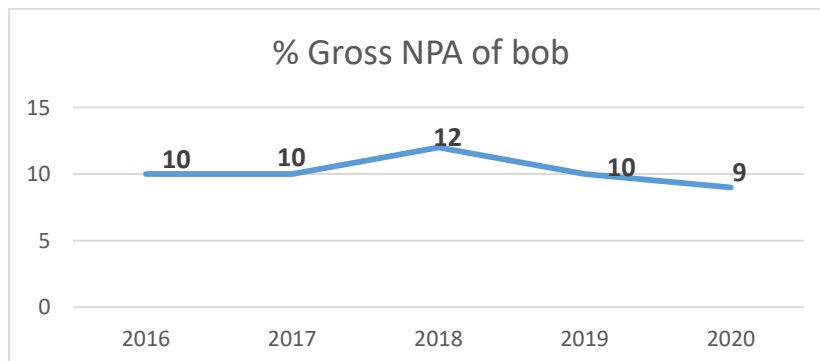


Figure 4.5.3 (c): Gross NPA of BOB

- The figure 4.5.3 (c) represents the % Gross NPA of Bank of Baroda.
- The % Gross NPA was 10 % in a row for two years i.e., 2016 and 2017.
- In the year 2018 the % Gross NPA increased to 12 %.
- In the year 2020 the % Gross NPA reduced to 9 %.

% Gross NPA of Canara Bank:

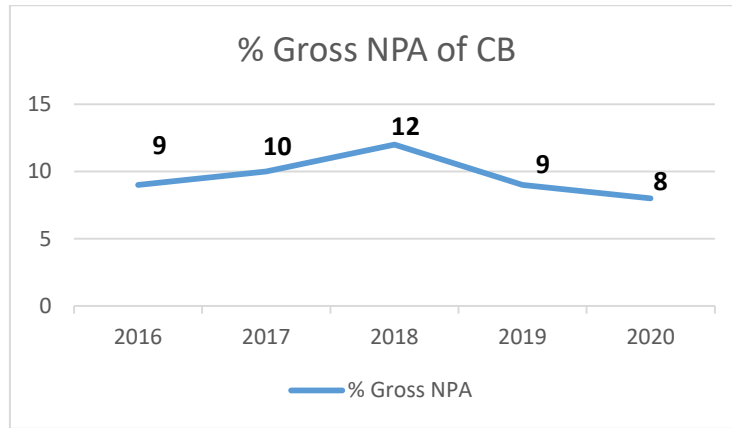


Figure 4.5.3 (d): Gross NPA of CB

- The figure 4.5.3 (d) gives the % Gross NPA of Canara Bank.
- During the year 2018 it was raised to 12 %.
- Later the years the % Gross NPA was reduced for 2019 and 2020.

% Gross NPA of Bank of India:

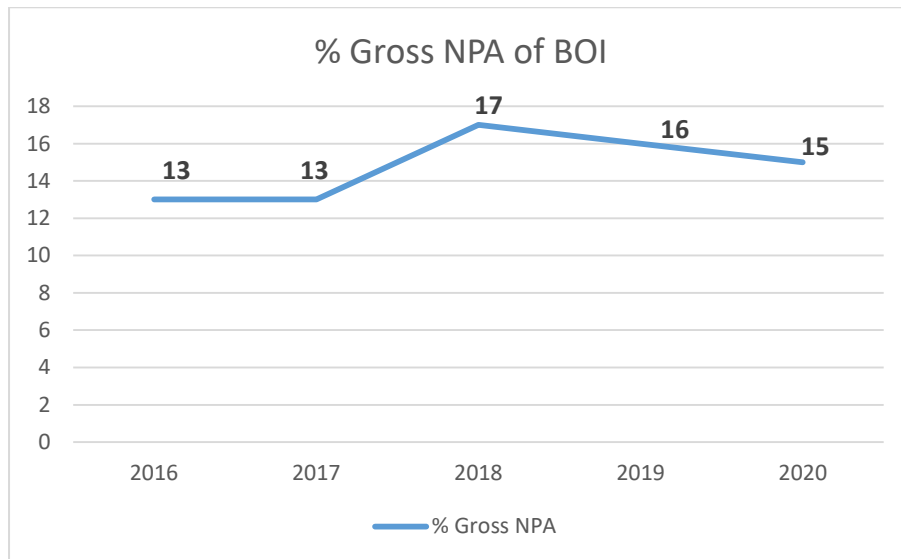


Figure 4.5.3 (e): Gross NPA of BOI

- The figure 4.5.3 (e) depicts the % Gross NPA of Bank of India.
- The year 2018 it had higher % Gross NPA i.e., 17 %.
- In the year 2019 and 2020 the % Gross NPA reduced to 16 % and 15% respectively.

From the above figures it is evident that in all the banks during the year 2018 the % Gross NPA was higher. In the year 2020 the % Gross NPA was reduced from the previous years. The reason for this reduction in the NPA is mainly due to implying of policies and efficient management of banks in recovering the loans at various sectors.

V. RESULTS AND FINDINGS

Summary of Findings:

- Average NPAs for study period of selected public sectors banks is more than 5%.

- The public sectors banks have registered higher NPAs during the previous years but it was reduced during the year 2020 it is attributed to the implement of the policies and proper management.
- Punjab National Bank has high % net NPA among the selected banks for the period of 2016-2020.
- PNB and BOI have equal & higher % of gross NPA among the selected banks for the period of 2016-2020.
- The comparison between the % net and % gross NPA revealed that the % gross NPA of all the selected banks are higher than % net NPA.

Suggestions:

- Banks must progress upon & strengthen loan recovery techniques.
- Credit appraisal & post – loan monitoring are crucial steps that need to be concentrated by all public sector banks.
- Public sector banks face difficulty of heavy NPAs for this reason; Government & Regulatory authority must take remedial steps to manage NPAs.
- Current credit appraisals methods & monitoring systems are responsible for NPAs; RBI must modify current credit appraisals methods & monitoring systems.
- It is advisable for banks that they must avoid NPAs at beginning point of credit consideration by putting careful & suitable credit appraisal mechanisms.

VI. CONCLUSION

Asset nature of banks is a significant marker of their monetary wellbeing and furthermore it considers the adequacy of their credit hazard the board and recuperation condition. At present NPAs decrease a central point of interest in banking sector. It's additionally the well-established reality that, for prosper of whichever economy function of banking sector is extremely fundamental. To offer a superior budgetary type of assistance or items at the less expensive rate to the distraught or more vulnerable segments of the general public the public segment banks to take right measures to decrease the NPAs.

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