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A COMPARATIVE STUDY OF NON-PERFORMING ASSETS OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

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ABSTRACT
A sound and healthy banking system is very important for an economy. Non-performing asset (NPA) is the best indicator to judge the health of the banking industry. Banking sector NPAs have become a major concern for the Indian economy. In this paper both gross NPA and Net NPA are considered. This paper is an attempt to correlate the NPA and ROA of Indian commercial Banks. The sample size is small. Two public sector banks and two private sector banks chosen for the study. Period for this study is 05 years (2020 to2024). It is found that in the period of 05 years gross NPA% is higher in public sector bank i.e., PNB of 10.916% and lower in private sector bank i.e., HDFC Bank with 1.222% mean value. NPA of private sector banks are well under control. Correlation between Net NPA and Net Profit of all the banks show negative correlation. Negative correlation indicates that when NPA will rise then Net profit will be decreased. There is a negative correlation shown in all the selected public and private sector banks in between Net NPA % and Return on Assets (ROA)%. It means increase in NPA leads to decrease in ROA of the banks.

KEYWORDS: Non-Performing Asset, Public banks, Private banks, Net profit, Return on assets.

INTRODUCTION
Banking sector reflects the financial and economic condition of a country. Banking is the fundamental basis of economic, industrial and agricultural development of an economy. Banks accepts deposits, makes loans, pays cheque and provides financial services. Lending money to agriculture, industry, personal and housing etc. and receive deposits from individual, industrial and institutional customers is the principal function of a bank. Deposits involves no risk but lending money always involves huge risk because there is no certainty of repayment of loan.
In recent years the banks have become very cautious while lending money because of fear of rising Non-Performing assets. Asset (Loan, advance) becomes non- performing Asset when it ceases to generate income for bank. If income on asset remains overdue or unpaid for a period of 90 days or more that asset (loan) becomes NPA (Mohanty, (2021). NPA may arise because of defaults on the part of borrowers and bad lending practices of banks to favour their near ones and friends.
Categories of Loan Assets
Banks are required to classify loan assets into four categories:
I. Standard Assets
II. Sub-standard Assets
III. Doubtful Assets
IV. Loss Assets
Standard Assets: Standard assets is one which is not a NPA
Sub-standard Assets: Substandard assets are those which have been classified as NPA for a period less than or equal to 12 months.
Doubtful Assets: Doubtful assets are those which have remained NPA for more than 12 months.
Loss Assets: Loss assets are those where loss has been identified by the bank authority, auditors or the

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RBI but the loss amount has not been written off (Singal 2020.p11.19).
Types of NPAs:
I. Gross Non-Performing Assets
II. Net Non-Performing Assets
Gross Non-Performing Assets:
Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on balance sheet date. It consists of all Non-Standard assets like as sub-standard, doubtful and loss assets. It can be calculated with the help of following ratio:
Gross NPAs Ratio=Gross NPAs/Gross Advance *100
Net Non-Performing Assets:
Net NPAs are those type of NPAs in which the bank has deducted the provision for uncertain and unpaid debts.Net NPA is obtained by reducing the provision from gross NPAs and show the actual burden of banks. It can be calculated by following:
Net NPA = Gross NPA- Provision on Gross Advances (Mohanty, (2021).

LITERATURE REVIEW

1. Borse (2016) in his research paper It is found that in the period of 4 years, NPA increase rate is higher in public sector banks than the private sector banks. NPA of private sector banks are well under control. This study shows that there is insignificant and negative correlation of NPA change and share prices change of public sector banks. But in case of private sector banks it is positive correlation. It is found that instead of NPA change, EPS change is more correlated with share prices change in case of Indian commercial banks where the correlation is positively high.
2. Amita (2020) in her study it can be seen clearly that both gross NPAs and net NPAs of public sector banks are greater than that of private sector banks, and the rationale behind this is that there are several social responsibilities for public sector banks that need to be fulfilled, and that private banks do not have such responsibilities, resulting in the creation of bad loans or NPAs in public sector banks. Public sector banks need to provide loans to those sensitive and responsible sectors of the economy, however most projects in these sectors are not in a position to repay their loans. Apart from that, the management of private sector banks is better than that of public sector banks, which appoint professionals and experts to have better control of their funds and to plan how loans can be recovered from debtors. As a result, the problem of NPAs is much more serious in public sector banks than that in private sector banks.
3. Mohanty (2021) the comparative study of NPA of Public and Private sector Banks has concluded that NPA is more in public sector banks i.e., Punjab National Bank (PNB) in India and it has negatively affected the profitability of the banks, because PNB has negative correlation between net NPA and net profit. The ROI% is more in HDFC Bank and it has also low NPA%. According to this comparison between selected public and private sector banks in India, it is cleared that HDFC bank is good for NPA because it shows low gross NPA%, low net NPA% and higher ROI% over the last 5 years study. It is difficult to completely reduce the NPA from banks but we should try to eliminate some major portion of NPA from banks
4. Kumar and Bansal (2022) in their study a comparative analysis of the private and public sectors is made based on the percentage of NPAs to total gross advances and the percentage of sector-wise average NPAs. NPAs are also categorized into priority and non-priority sectors for purpose of analysis. The study concludes that NPAs in public sector banks are higher than the private sector banks or public and private sectors Bank of India has maximum average NPAs and HDFC Bank has a minimum and Bank of India has maximum NPAs in the non-priority sector while YES Bank has minimum average NPAs in priority sector.

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5. Srivastava et al. (2022) in their research paper authors examined the NPA of top three public sector banks and three private banks in India from the year 2016-2021. It is cleared from the study that the rising NPA has had a negative impact on both public and private sector banks in India. According to the findings of this study, public sector banks are more negatively impacted than private sector banks. This research has focused on the Non -Performing Assets trends and differences in Selected Indian public and private sector banks.
6. Varma et al. (2022) in their study they found that after 2017 the government and private sector banks has increasing growth rate of GNPAs. Government sector 2016-2017 gross NPAs growth rate was 11.7 percent which increased to 14.6 percent. (RBI financial stability repost 2018) In year 2018-19 the growth rate increased 11.6 percent. In case private banks it has increasing rate from 2017 to 2020.
7. Agarwal and Magar (2023) This research paper has provided an in-depth analysis of the Non-Performing Assets (NPAs) issue in the Indian banking sector. By examining the causes, consequences, and potential solutions, this paper contributes to a better understanding of the NPA crisis and offers insights for policymakers, regulators, and banks to effectively address this challenge. The road to reducing NPAs requires a multipronged approach, involving prudent lending practices, robust risk management, and a conducive regulatory environment.
8. Jindal and Sangal (2023) considerable pointed that public sector banks like State Bank of India and Bank of India have more NPAs as compared to private banks like HDFC and ICICI Bank. Study clearly indicates that the efforts made by statutory authorities in alignment with banks are giving positive results in reduction of NPAs. However, there are certain loopholes in banking systems and adoption of the schemes which the Bank management must start working on so that the NPAs could be reduced more quickly without hampering the economic growth of the country and financial condition of banks as well.

SCOPE OF THE STUDY

The scope of the study is the comparison of NPA of two public sector banks and two private sector banks in India for the duration of 2020 to 2024

OBJECTIVES OF THE STUDY

1. To understand the concept of non-performing assets.
2. To compare the NPAs of the selected public sector and private sector banks for the study period
3. To find out the impact of NPA on Net Profit and Return on Assets (ROA) of the selected Banks
5. To provide a few suggestions for improving the banks' NPA levels.

RESEARCH METHODOLOGY

The secondary data has been used for the study. The data has been collected from the annual reports of the public and private sector banks in India. The two public (SBI & PNB) and two private (HDFC & ICICI) sector banks in India were selected and convenience sampling method used for the study. The study period is 05 years (2020 to 20204). Mean and Correlation Statistical tools has been used for the study.

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DATA ANALYSIS AND INTERPRETATION

TABLE NO. 1 Percentage of gross NPA of selected public and private sector banks in India from 2020 to 2024

Year	PUBLIC SECTOR BANKS Percentage gross NPA		PRIVATE SECTOR BANKS Percentage gross NPA	
	SBI	PNB	HDFC	ICICI
2020	6.15	14.21	1.26	5.53
2021	4.98	14.12	1.32	4.96
2022	3.97	11.78	1.17	3.60
2023	2.78	8.74	1.12	2.81
2024	2.24	5.73	1.24	2.16
Mean	4.024	10.916	1.222	3.812

SOURCE: Annual reports.

Table no.1 shows the % of Gross NPA of selected public sector and private sector banks in India. It has been observed from the table that PNB has highest mean ratio of 10.916%, followed by SBI with 4.024%. HDFC has lowest Mean ratio of 10222%. ICICI Bank has 30812% Mean ratio.
Relationship between Net profit and Net NPA of selected Public sector Banks

TABLE NO. 2 Net Profit and Net NPA of selected public sector banks in India from 2020 to 2024

Year	SBI		PNB	
	Net profit In Crore	Net NPA	Net Profit Net Crore	Net NPA
2020	14488.11	51871.30	336.20	27218.89
2021	20410.47	36809.72	2021.62	38575.70
2022	31675.98	27965.71	3456.96	34908.73
2023	50232.45	21466.64	2507.20	22585.04
2024	61076.62	21051.08	8244.62	6798.77
Mean	35576.73	31832.89	3313.32	26017.43

SOURCE: Annual reports.

Above table reveals that NPA of SBI is decreasing and Net profit is increasing. It is cleared from the above table that the NPA of SBI decreased ₹51871.30Cr to ₹21051.08 Cr from 2020 to 2024.NPA is decreased at 59.416%. In PNB Bank NPA increases Rs.27218.89 crore to Rs.38575.70 crore from 2020to2021. NPA is increased by 41.72% from 2020to 2021. After year 2021 NPA of PNB is starting decreasing from Rs.38575.70 crore to 6798.77corore from year 2021 to 2024 The mean of Net profit of SBI is more as compare to PNB Bank and Average NPA is also high in case of SBI i.e. 31832.89Crore.

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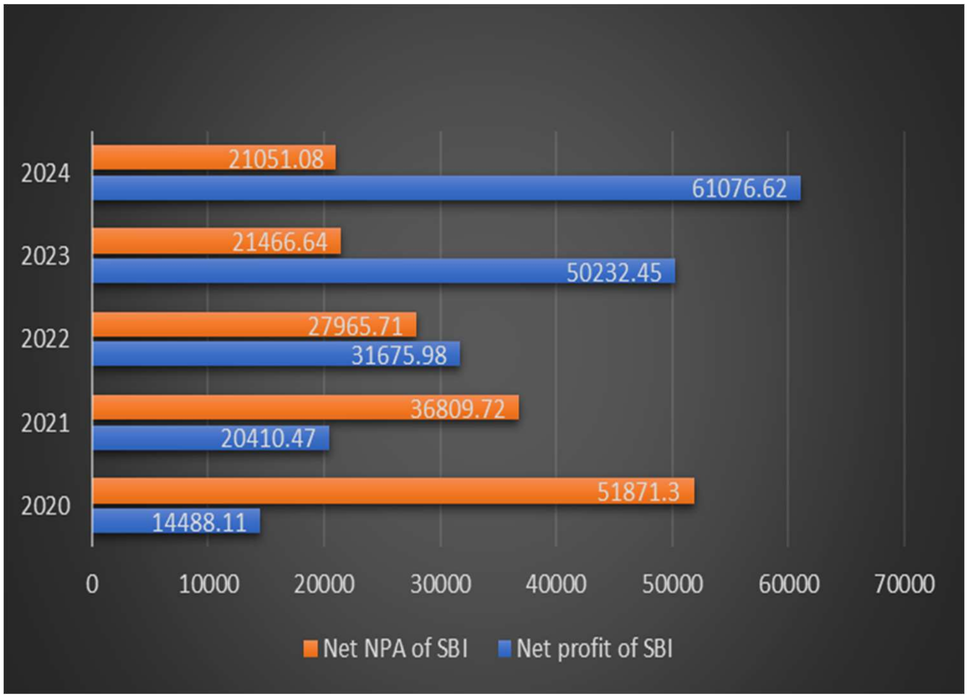

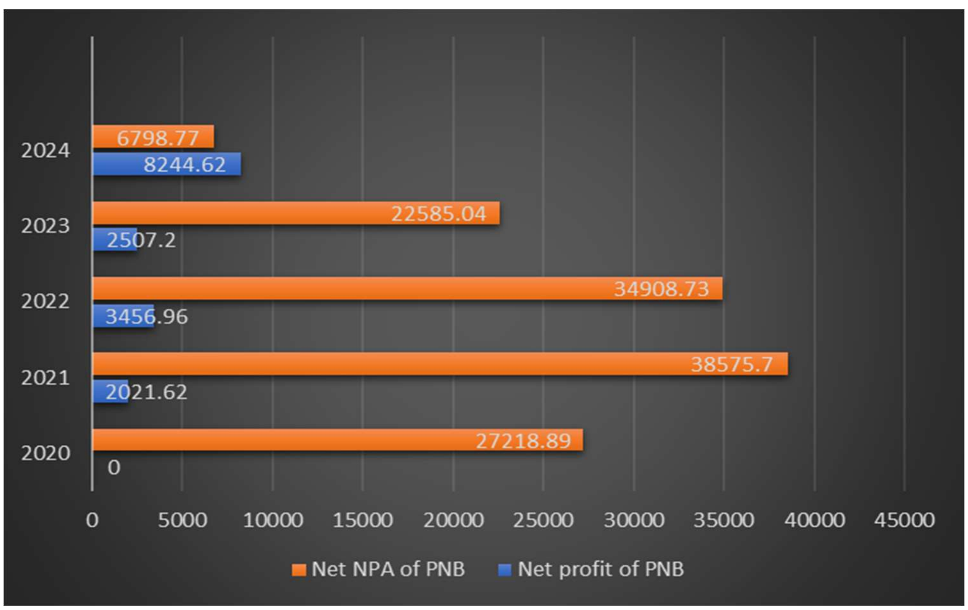

Relationship between Net profit and Net NPA of selected Private sector Banks

TABLE NO. 3 Net Profit and Net NPA of selected private sector banks in India from 2020 to 2024

Year	HDFC		ICICI	
	Net profit In Crore	Net NPA	Net Profit Net Crore	Net NPA
2020	26257.32	3542.36	7930.81	10113.86
2021	31116.53	4554.82	16192.68	9180.20
2022	36961.33	4407.68	23339.49	6960.89

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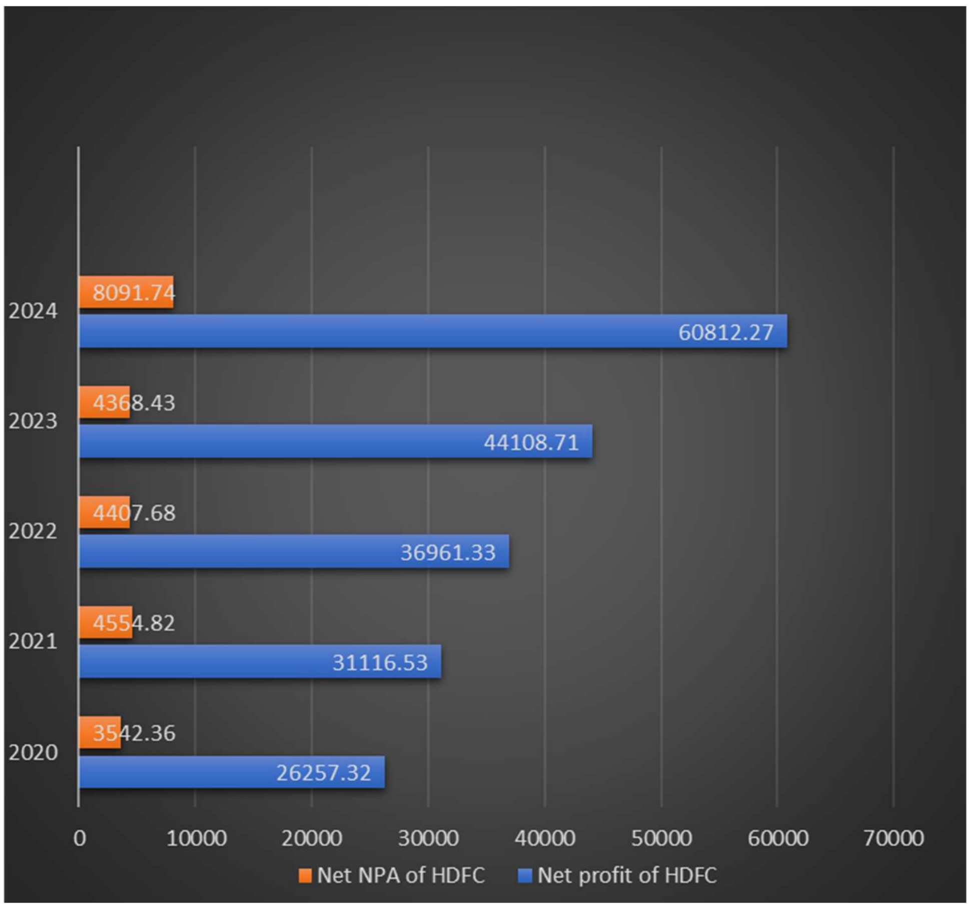
2023	44108.71	4368.43	31896.50	5155.07
2024	60812.27	8091.74	40888.27	5377.79
Mean	39851.23	4993.006	24049.55	7357.562

SOURCE: Annual reports.

Table shows the Net Profit and Net NPA of two private sector banks i.e. HDFC Bank and ICICI Bank. The data of HDFC Bank indicates that the Net NPA is fluctuating over the 5years.Initially increased then decreased then again increased but Net profit is increasing over the five years. The Net NPA of ICICI bank is also fluctuating it decreased from year 2020 to year 2023 then increased in the year 2024 but Net profit is increasing year after year over the 5 years. The Mean value of Net profit is highest in HDFC Bank with ₹39851.23Crore. and Mean value of NPA is highest in ICICI bank i.e., 7357.562 Crore



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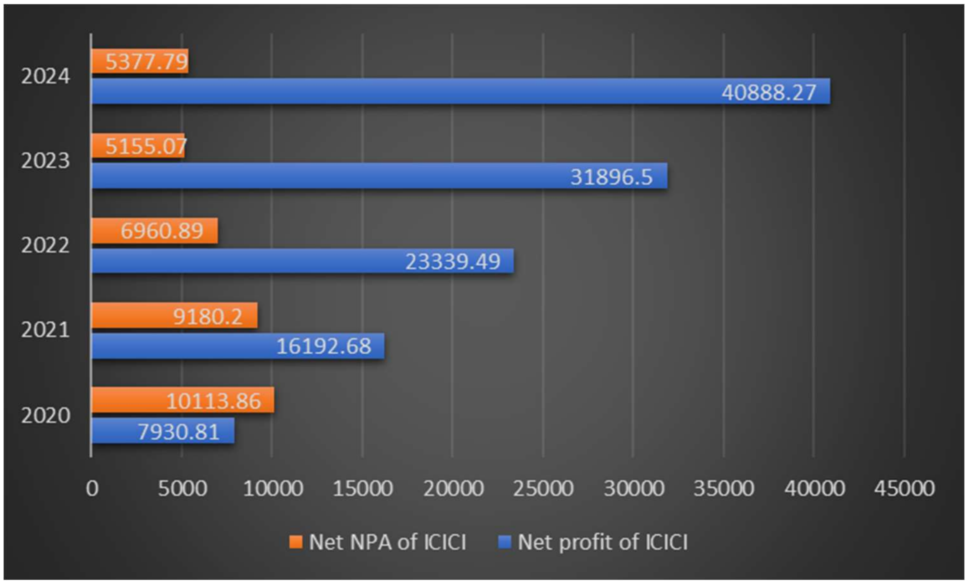

Correlation between mean of Net profit and mean of Net NPA of the selected public and private sector banks:

TABLE NO. 4 Correlation between mean of Net profit and mean Net NPsA for the study period (05 years) of the selected public and private sector banks:

Mean	Mean Net Profit	Mean Net NPA	Correlation
SBI	35576.73	31832.89	-0.89474
PNB	3313.32	26017.43	-0.74519
HDFC	39851.23	4993.006	0.60000826
ICICI	24049.55	7357.562	-0.94799

SOURCE: Annual reports.

It is depicted from the above table that correlation is negative in three banks but only HDFC bank shown positive correlation. It means there is a direct relationship between Net Profit and NPA of the HDFC bank. As NPA increases net profit of such bank also increases.
Correlation between return on Assets (ROA) and Net NPA % of selected public sector and Private sector banks in India.

TABLE NO. 5 Return on Assets (ROA) and Net NPA % of selected public sector and Private sector banks in India from 2020 to 2024

Year	PUBLIC SECTOR BANKS				PRIVATE SECTOR BANKS			
	SBI		PNB		HDFC		ICICI	
	ROA%	Net NPA%	ROA%	Net NPA%	ROA%	Net NPA%	ROA%	Net NPA%
2020	0.38	2.23	0.04	5.78	2.01	0.36	0.81	1.41
2021	0.48	1.50	0.15	5.73	1.97	0.40	1.42	1.14
2022	0.74	1.02	0.26	4.80	2.03	0.32	1.84	0.76

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2023	0.96	0.67	0.18	2.72	2.07	0.27	2.16	0.48
2024	1.04	0.57	0.54	0.73	1.98	0.33	2.37	0.42
Mean	0.72	1.198	0.234	3.952	2.012	0.336	1.72	0.842
Correlation	-0.95768		-0.85068		-0.857		-0.989110	

SOURCE: Annual reports.

The table-5 shows the data of Return on Assets (ROA)% and Net NPA % of selected public sector and private sector banks in India from the year 2020 to 2024.The ROI% of SBI increased and Net NPA% are fluctuated over the years. In PNB the NPA% is decreasing and the ROI% of PNB are fluctuated over the years. Mean value of ROA% is lowest in PNB as 0.234%. HDFC has more ROA% mean value i.e., 2.012 over the year. The mean value of Net NPA % is more in PNB i.e., 3.952 and all the banks shows negative correlation between ROA% and Net NPA%.

FINDINGS

1. It has been found from the study that gross NPA% is higher in public sector bank i.e., PNB of 10.916% and lower in private sector bank i.e., HDFC Bank with 1.222% mean value. Gross NPA% is one of the key indicators of banking sector.
2. Study revealed that mean value of Net profit is highest in HDFC bank i.e., ₹39851.23 Crore. And lowest in PNB i.e., ₹3313.32 Crore. Net Profit shows the profitability of the bank.
3. It has been observed from the study that public sector bank i.e., SBI having higher Mean NPA value of ₹ 31832.89Crore. and HDFC the private sector bank having lower Mean NPA amount of ₹4993.006 Crore. Net NPA is another key parameter for financial position of bank.
4. Study shows that ROA% is more in HDFC which has 2.012% mean ROA%. And less in SBI which has 0.72% mean ROA%.
5. It has been found in the study that Net NPA % is more in Public Sector bank i.e., PNB which has mean value of NPA % is 3.952 and less in Private sector bank i.e., HDFC Bank with 0.336% of mean Net NPA%.
6. It is depicted from the research that correlation between Net NPA and Net Profit of all the banks show negative correlation except HDFC bank. Negative correlation indicates that when NPA will rise then Net profit will be decreased. and positive correlation indicates that when NPA increases net profit of such bank also increases.
7. It has been found from the study that there is negative correlation between Net NPA % and Return on Assets (ROA)% of all the selected public and private sector banks. It means increase in NPA leads to decrease in ROA of the banks.

CONCLUSION AND SUGGESTIONS

The NPA is the one of the key parameters which indicates the financial stress and growth of bank in India. NPA is one of the biggest issues in banking sector. It is found that NPA is more in public sector banks i.e., Punjab National Bank (PNB) in India. The ROI% is more in HDFC Bank and it has also low NPA%. According to this comparison between selected public and private sector banks in India, it is cleared that HDFC bank has low Gross NPA (1.222%) low Net NPA% (0.336%) and higher ROI% (2.02%) over the last 5 years study. It is difficult to completely reduce the NPA from banks but banks should try to eliminate some major portion of NPA. NPA is one of the major issues of public sector banks. To eliminate the NPA banks should improve their credit structure and also repayment structure. It should also focus on the default risk minimization mechanism. Bank should follow all the credit policy of the government and take timely action against NPA. The bank has to improve its management

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system regarding NPA. Reserve Bank of India (RBI) should take measures and actions against NPA in banks. There is need to focus on NPA of every public sector bank in India. The study suggests that banks should continuously examine the intent of customers to whom they are lending and monitor the end use of bank credit with proper credit appraisal techniques. It is suggested that recognizing the problem at an early stage and following proper recovery methods levels of NPA may be reduced. Appoint those professionals and experts who have plans to recover loans from debtors and control the funds.

LIMITATION AND FUTURE SCOPE OF STUDY

This research is based on secondary data. Study made the conclusion on the basis of analysis from the data collected for last five years from the year 2020 to 2024. Mean and correlation methods are used for the study. The researcher can further do research on this topic by taking more year data and can use other different statistical tools.

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