

## Non-Performing Assets of Selected Private Sector Banks and Public Sector Banks-A Comparative Analysis

Safiya Begum, Assistant Professor of Commerce, Government First Grade College, Kamalapur

Dr. R.K. Patil, Professor, Department of Commerce, Faculty of Management Science, Mansarovar Global University

### Abstract

Banking Industries plays a significant role for the development of country. A healthy and a sound banking system is very essential for an economy to grow and remain in this competitive world. The best indicator for the health of banking industry in a country is its level of non-performing assets (NPAs). It reflects the performance of banks. NPAs have a major concern for Indian Banking. The non-performing assets of selected public sector banks and Private sector banks are compared for the period of 2015 to 2019. This paper aims to perform analysis of private sector banks and public sector banks of India by the means of non-performing assets. It is found in the study that efficiency to cover debt of private sector banks is better than public sector banks. Public sector banks face problem of heavy NPAs hence, Government and Regulatory authority should take corrective steps to control the NPAs of the banks.

**Keywords: Non-performing Assets, Public sector banks, Private sector banks, Significant.**

### Introduction

Lending of a bank is called as an asset. When these assets do not generate income, it becomes non-performing asset. Banking sector is an important field for the development of economy of any country. Banking sector is a keystone of any financial system and may be considered as imperative role player for Expansion of economic sector as well as development of it. The smooth functioning of the banking sector ensures the healthy condition of an entire economy. The Banks accepts the deposits and lends the loans and create credit. The funds received from the borrowers by way of interest on loan repayments of principal are recycled for raising resources. It plays a role of intermediary between savers and seekers of finance. Now days, Banking sector is facing a crucial problem of Non-Performing Assets and NPA are increasing slowly. This situation of banking sector is terrible for the whole economy of India. Banks are mainly divided into two sectors, Private sector banks and Public sector banks. Both types of banks provide loans to different classes of customers as per the rules of Reserve Bank of India. As per the rule of RBI sectors for lending are mainly divided into two parts:

- 1) Priority sector
- 2) Non priority sector

Both sectors have sub divisions i.e. Agriculture, Industry, Service and Personal loan. Priority sector lending means provides lending to those institution which face difficulties to get credit. As per the direction of RBI scheduled commercial banks have to lend 40% of their loan to Priority sectors (measured regarding Adjusted NetBank Credit)

### Review of Literature

1. Rajeev and Mahesh (2010), in their article deal with the issue of NPAs after the global financial crisis. They suggest that mere recognition of the problem and self-monitoring can help to manage the NPA problem to a great extent. Self-help groups can also play an important role in the recovery of the loans.
2. Gupta (2012) makes a comparative study of the position of NPAs of State Bank of India (SBI) and associates and other public sector banks. The researcher concludes that for evaluation of the solvency of borrowers each bank should set up a separate credit rating agency. It also suggests the need for a committee comprising of financial experts to supervise and monitor the issue of NPAs.
3. Singh (2013) in the investigation on the position of Indian commercial banks with regard to NPAs finds that these poor quality loans are a major problem for the public sector banks, which show a consistent rise over the years.
4. Shalini (2013) has analysed the causes and suggested remedies for reducing NPAs in Indian public sector banks with special reference to the agricultural sector. The analysis of



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the different problems faced by the Indian farmers deduces the conclusion that banks should follow some measures before lending the loan. Prior collection of reports regarding the goodwill of the farmers, post sanction inspection, educating the farmers regarding the effects and consequences of defaulting are some of the suggested measures.

## Objective of the Study

- To compare the NPAs percentage of selected public sector banks and private sector banks.
- To compare the NPAs of selected private sector banks.
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- To check the growth of NPAs of the banks during the study period.

## Research methodology

This paper is based on secondary data collected from websites, internet, books etc.

Scope of the study-

## Data Analysis

Table: 1 – NPA (%) of Private sector banks and Public sector banks for the period of 2015 to 2019

Year	Private Sector Banks					Public Sector Banks				
	HDFC	ICICI	AXIS	KOTAK	YES	SBI	PNB	BOB	Canara	BOI
2019	1.35	7.38	5.31	2.14	3.37	7.53	15.50	9.61	8.83	21.25
2018	1.28	9.90	6.79	2.22	1.33	10.91	18.38	12.26	11.84	23.46
2017	1.04	8.74	5.21	2.59	1.56	6.90	12.53	11.73	9.63	19.32
2016	1.10	5.82	1.71	2.36	0.77	6.50	12.90	11.93	9.40	12.66
2015	0.89	3.78	1.36	1.85	0.42	3.99	6.55	4.64	3.89	6.81
Mean	1.13	7.12	4.08	2.23	1.49	7.17	13.17	10.04	8.72	16.70
SD	0.18	2.41	2.41	0.27	1.14	2.49	4.38	3.19	2.93	6.85

The above table displayed about NPAs in percentage of total Gross Advances by banks. NPAs of public sector banks are higher than that of private sector banks. Average NPAs from 2015 to 2019 all the public sector banks have more than 5% which shows that assets quality of private sector banks are better than public sector banks of private sector banks have less than 5% while that of all the public sector banks have more than 5% which shows that assets quality of private sector banks are better than public sector banks. Among private sector banks ICICI bank has maximum average NPAs and HDFC bank has the lowest. While, among the public sector banks BOI has the highest average NPA and SBI has the lowest average NPAs.

**Table: 2 – Sector-wise average NPA (%) of Public sector banks for the period of 2015 to 2019**

	SBI	PNB	BOB	Canara	BOI
A. Priority Sector					
Agriculture and allied activities	9.06	9.73	9.79	3.86	11.37
Industry	13.47	16.15	11.95	15.70	19.54
Services	7.19	7.81	10.27	1.79	12.64
Personal loans	1.71	5.61	3.80	0.00	5.01
Total of A	7.85	10.30	9.45	5.49	13.24
B. Non Priority Sector					
Agriculture and allied activities	4.99	2.14	9.75	0.00	13.10
Industry	10.67	27.75	17.82	13.61	24.00
Services	3.19	9.27	6.26	0.00	11.17
Personal loans	0.62	3.29	3.30	0.93	7.37
Total of B	6.98	14.73	10.23	11.51	18.49
Total (A+B)	7.17	13.17	10.04	8.72	16.70

The above table shows the sector-wise average NPAs of public sector banks for the period of 2015 to 2019. On an average majority banks in public sector banks have higher NPAs in non-



priority sector as compared to priority sector. NPAs of Industry category of both priority and non-priority sector are higher in comparison to all other categories in all banks while personal loan category of both the sectors is at the lowest. Total average NPAs in both the sectors are more than 5%.

**Table: 3 – Sector-wise average NPA (%) of Private sector banks for the period of 2015 to 2019**

	HDFC	ICICI	AXIS	KOTAK	YES
<b>A. Priority Sector</b>					
Agriculture and allied activities	2.50	3.22	3.48	2.50	1.69
Industry	1.84	2.50	2.69	1.68	0.68
Services	1.58	1.81	2.36	1.37	0.47
Personal loans	0.85	1.19	0.88	1.76	1.69
Total of A	1.86	2.14	2.21	1.83	0.86
<b>B. Non Priority Sector</b>					
Agriculture and allied activities	1.57	0.00	0.00	1.78	1.21
Industry	1.01	16.32	8.93	3.43	2.07
Services	0.89	6.57	3.57	1.67	0.94
Personal loans	0.63	1.16	0.82	1.39	0.35
Total of B	0.84	8.52	4.65	2.44	1.67
Total (A+B)	1.13	7.12	4.08	2.23	1.49

The above table describes the sector-wise average NPAs of private sector banks for the period of 2015 to 2019. In priority sector Agriculture and allied activities category registered higher NPAs in comparison of other categories while in non-priority sector higher NPAs are spotted in industry category. Total average NPAs of priority and non-priority sectors are less than 5% in private sector banks.

**Table: 4 – sector-wise average NPA (%) of Private sector banks and Public sector banks for the period of 2015 to 2019**

	Name of Bank	Priority sector	Non Priority sector
Private sector banks	HDFC	1.86	0.84
	ICICI	2.14	8.52
	AXIS	2.21	4.65
	KOTAK	1.83	2.44
	YES	0.86	1.67
Public sector banks	SBI	7.85	6.98
	PNB	10.3	14.73
	BOB	9.45	10.23
	Canara	5.49	11.51
	BOI	13.24	18.49

The above table is displaying the sector-wise NPAs of different private and public banks for the period from 2015-2019. The NPAs of Public sector banks are high compared to private sector banks. Total NPAs of private sector bank is less than 5%.

## FINDINGS

- Average NPAs for the study period of all the selected private sectors banks are less than 5%.
- Average NPAs for the study period of major of all the selected Public sectors banks are more than 5%.
- In comparison to private sector banks, public sectors banks registered higher NPAs.
- Study result shows that in public sector banks category of industry of both the priority and non-priority spotted higher NPAs.



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- It is found in the present study that assets quality and efficiency of debt coverage of private sector banks are better than that of public sector banks.
- In private sector banks, NPAs of Agriculture and allied activities category of priority sectors is higher while NPAs of Industry category of non-priority sector is higher than other categories.
- Study reveals that types of banks and sector-wise NPAs do not have combine effect over total NPAs of the banks.
- ICICI bank spotted higher average NPAs among all private sector banks and BOI registered higher average NPAs among all public sector banks.

## SUGGESTIONS

1. It is suggested to improve the NPAs of private sector banks.
2. Improvement should be done in public sector banks to increase the asset quality and efficiency of debt coverage.

## CONCLUSIONS

Banking sector is a keystone of any financial system and may be considered as imperative role player for Expansion of economic sector as well as development of it. The smooth functioning of the banking sector ensures the healthy condition of an entire economy. Its very important to manage the lending process smoothly. The study displays that private banks and public banks are facing the problem of NPAs. NPAs of private is less than 5%. Lot of improvements should be done to overcome the situation. The quality of assets and debt coverage efficiency must be increased.

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