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A Study on NPA Management of Selected Public Sector Banks in India

CA Hiral Shaileshkumar Parikh[1], Dr. Khyati Jagatkumar Patel[2]

[1]Research Scholar, SEMCOM, CVM University, Vallabh Vidyanagar,India
EMail:hiralparikh1988@gmail.com
[2]Assistant Professor, SEMCOM, CVM University, Vallabh Vidyanagar,India

ABSTRACT

The lending and investing activities of banks are crucial. Several risks arise as a result of banking operations, one of which is credit risk. Credit risk is a critical component of a bank's lending and investing activities. The current study will look at public sector banks gross NPA and net NPA over the course of eight years, from FY 2012–13 to FY 2019–20. The study's findings were presented here using descriptive statistics ANOVA analysis.

Key words: Non-performing assets, Gross NPA, Net NPA

INTRODUCTION:

Financial institutions classify loans and advances as non-performing assets (NPAs) if the principal is past due and no interest payments have been paid for a certain length of time. Loans become non-performing assets (NPAs) when they are past due for 90 days or more, while other lenders have a narrower window in which they consider a loan or advance past due. Any country's banking system is the lifeline or lifeblood of its economy. The Indian financial and banking sector has experienced a considerable conversion and transformation from a regulated environment to a deregulated market based economy since the Narasimham Committee recommended economic reforms. Market participants are now in a fierce battle, attempting to implement international best practises in all of their activities, including the recovery of non-performing assets (NPAs). Until 1991, the Indian banking system was more concerned with expanding its network / branches, priority sector lending, and job creation than with asset quality. As a result, asset quality has been deteriorating day by day, and the growing burden of nonperforming assets has been a key source of concern for the financial and banking sectors. The Indian economy was booming from 2002 to 2008, and banks, particularly public sector banks, began lending heavily to businesses. Corporate profits fell during the financial crisis of 2008-09..

REVIEW OF LITERATURE

R. Santhanakrishnan & Dr Ganesan (2017) In their research paper "non-performing assets," they conducted a thorough examination of SBI's non-performing assets over the years. Beginning with the financial year 2002 and ending with the financial year 2012, the goal of the researchers on this article was to look at the many sources of development and select banks. They undertook a thorough study into the bank's gross and net NPAs, as well as the impact of non-performing assets on the bank's productivity. It was also proposed that steps be taken to improve NPA.

Gupta, 2018 The study found that the number of non-performing assets (NPAs) at a selected bank increased year after year over the study period. The study's chosen banks were public sector banks, and concluded that public sector bank NPAs in India are gradually increasing.

HaraniB, Subramanyam Mutyala (DEC 2019) According to their findings, the problem of NPAs is a major concern in India and is a never-ending battle since it jeopardises the country's financial stability. This issue must be addressed in a way that does not jeopardise the bank's financial position or reputation. This study examines the NPAs and loan assets of public and private sector banks on a sector-by-sector basis. It also looks at the gross nonperforming assets, gross advances, and gross nonperforming assets ratio of India's public and private banks. This analysis also demonstrates that non-priority sector loans have exacerbated non-performing assets (NPAs), causing public sector banks headaches.

Girnara Mona Rameshbhai (JULY 2020: Five public and five private banks were investigated for nonperforming assets (NPAs). The data for this study came from both private and public sector banks over the last five years. This research article will examine different NPA ratios using secondary data. The importance of nonperforming assets (NPAs), various NPA ratios, and NPAs in public and private sector banks are all discussed in this research paper. Public-sector banks have a higher rate of nonperforming assets (NPAs) than private-sector banks, according to a comparison. Public-sector banks have more gross and net non-performing assets than private-sector banks (NPAs). A higher number of nonperforming assets (NPAs) had a negative impact on a bank's profitability, according to my research.

Sulagna Das, Abhijit Dutta a study on NPA of public sector banks in India" (iosr- jbm) Non-performing assets (NPAs) are a major source of concern for public sector banks, as they must be managed and controlled. The current article used secondary data from the RBI website to analyse the net non-performing asset data of 26 public sector banks over a six-year period (2008-2013) using ANOVA statistics and SPSS software. The study's main goal is to see if there are any significant variations in the mean variation of the banks in question. This study also examines the causes of nonperforming assets (NPAs) and their influence on banking operations.

OBJECTIVE OF THE STUDY

- To Study on NPA management of selected public sector banks in India

RESEARCH METHODOLOGY

It is known from past study NPA become major issue for any bank and the economy as a whole. So while observing several studies regarding NPA, relevant questions which strike the mind were what level of NPA in Public is. Secondary Data will be collected from various sources like websites, annual reports and research papers etc. For the purpose of the study, a period of eight Financial years from 2012-2013 to 2019-2020 will be taken into consideration and researcher has selected Top 3 banks on the basis of highest branches in India.

DATA ANALYSIS AND INTERPRETATION

Table:-1 GROSS NPA TO GROSS ADVANCES RATIO OF SELECTED PUBLIC SECTOR BANK IN INDIA

Years	SBI	BOB	PNB
2012-13	4.75	2	4.27
2013-14	4.95	3	5.25
2014-15	4.25	4	6.55
2015-16	6.5	10	12.9
2016-17	6.9	10	12.53
2017-18	10.91	12	18.38
2018-19	7.53	10	15.5
2019-20	6.15	9	14.21
AVG.	**6.49**	**7.50**	**11.20**
SD	**2.12**	**3.85**	**5.19**

Table-1 Shows that the gross NPAto gross advances ratio of selected public sector banks in India from 2012-13 to 2019-20. The gross NPA ratios show the fluctuating trend during the study period. The lowest gross NPA ratio is SBI bank which is 6.49 % followed by Bank of Baroda 7.50 % whereas PNB highest average gross NPA to gross advances is 11.20% It is observed that Punjab National Bank needs to work on reducing Gross NPA for smooth running of the operation. It is concluded that the average gross NPA of Punjab National bank is highest among all three banks and lowest in State bank of India..

H_1: There is significant difference in Gross NPA to Gross Advances ratio of selected public sector banks in India

ONE WAY ANOVA RESULT OF GROSS NPA TO GROSS ADVANCE RATIO

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	112.6725	2	56.33626	3.942751	0.031456	3.354131
Within Groups	385.7913	27	14.28857			
Total	498.4638	29				

The ANOVA result of a selected gross NPA ratio to Gross Advances for a selected public sector bank in India is shown in the table above. It shows the F and P values of the Gross NPA to Gross Advances ratio. As shown by the above ratios, the Gross NPA ratio to Gross Advances P values is less than 0.05. As a result, the null hypothesis cannot be accepted. It means that the selected gross NPA ratio differs significantly from the gross advances.

TABLE:-2 NET NPA TO GROSS ADVANCES RATIO OF SELECTED PUBLIC SECTOR BANK IN INDIA

Years	SBI	BOB	PNB
2012-13	2.1	1	2.35
2013-14	2.57	2	2.85
2014-15	2.12	2	4.06
2015-16	3.81	5	8.61
2016-17	3.71	5	7.81
2017-18	5.73	5	11.24
2018-19	3.01	3	6.56
2019-20	2.23	3	5.78
AVG.	**3.16**	**3.25**	**6.16**
SD	**1.24**	**1.58**	**3.04**

Table 2 shows the net NPA to gross advances of selected public sector banks in India from 202-13 to 2019-20.The net NPA to gross advances ratio shows the fluctuating trend during the study period. The lowest net NPA to gross advance ratio is at Bank of Baroda, which is3.25 %, followed by State Bank of India at 3.16 %, whereas PNB's highest average net NPA to gross advances is 6.16 %. It is observed that Punjab National Bank needs to work on reducing net NPA for smooth operation of the operation. It is concluded that the average net NPA of Punjab National Bank is the highest among all three banks and the lowest in the Bank of Baroda.

H_1: There is significance difference in net NPA to gross advances ratio of selected public sector bank in India.

ONE WAY ANOVA RESULT NET NPA TO GROSS ADVANCES RATIO

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	53.09103	2	26.54551	6.663847	0.004444	3.354131
Within Groups	107.5548	27	3.983512			
Total	160.6459	29				

The ANOVA result of selected net NPA ratio to gross advances of selected public sector banks in India is shown in the table. The table below describes the F value and P value of the gross NPA ratio to gross advances. From the above ratio, it is clear that the gross NPA ratio to gross advances P values is less than 0.05. So we can't accept the null hypothesis. It means there is a significant difference in the selected net NPA ratio to gross advances.

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CONCLUSION

It is found that gross NPA and net NPA ratios it is found that in beginning of study period gross NPA found in increasing trend but afterwards from 2018-19 it's gone down. It means selected bank focus on recovery of loan. But it is alarming situation for selected banks because it has an impact on interest income, bank earnings, and makes credit more expensive, while also making bankers more hesitant to provide loans. As a result it is not only a concern for the banks, but also for the economy, and a concerted effort must be made to keep it at a minimum. So we can conclude that there is no way to completely eliminate nonperforming assets from a bank. However, we should make every effort to reduce the bank's nonperforming assets (NPA). The management of nonperforming assets (NPAs) is a difficult task. It necessitates both preventive and curative measures, i.e., banks should not only take steps to reduce current nonperforming assets (NPAs), but also take precautions to avoid future NPAs.

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