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Comparative Analysis of Non Performing Assets of Select Public Sector and Private Sector Banks in India

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ABSTRACT:

This research paper provides a comparative analysis of Non-Performing Assets (NPAs) in selected public and private sector banks in India from 2018 to 2023. By examining Gross NPA%, Net Profit, and Net NPA amounts, the study identifies significant differences in asset management between the two sectors. Public sector banks show higher NPA levels, influenced by government policies and priority sector lending, while private banks maintain lower NPAs through stringent credit controls. The paper explores the correlation between Net NPAs and profitability, concluding with insights on the implications for banking reforms and future research directions.

Key words : Non-Performing Assets (NPA), Gross NPA, Net NPA, Net Profit, Public Sector Banks, Private Sector Banks.

Introduction:

The Indian banking sector plays a pivotal role in the country's economic development, serving as the backbone for various industries and acting as a crucial intermediary in the financial system. However, the sector has been grappling with a significant challenge over the past decade: the rise in Non-Performing Assets (NPAs). NPAs represent loans or advances that have ceased to generate income for banks, either due to prolonged default by borrowers or because the loan terms have not been met. This issue not only threatens the financial health of individual banks but also poses a systemic risk to the stability of the entire banking system.

The distinction between public and private sector banks is particularly relevant in the context of NPAs. Public sector banks, which are majority-owned by the government, have traditionally dominated the Indian banking landscape. These banks often face pressures related to priority sector lending and government policies, which can contribute to higher NPA levels. In contrast, private sector banks, driven more by market forces, have been perceived as more efficient in credit management and risk assessment. However, the extent to which these perceptions hold true requires empirical investigation, particularly in light of the growing complexities in the banking environment.

This study aims to conduct a comparative analysis of NPAs between public and private sector banks in India, focusing on key indicators such as Gross NPA%, Net NPA, and Net Profit over the period from 2018 to 2023. By examining these parameters, the study seeks to uncover the underlying factors contributing to the divergence in asset quality between these two segments of the banking sector. Additionally, the research will explore the correlation between NPAs and bank profitability, providing insights into how NPAs impact the overall financial performance of banks.

The findings of this research are expected to offer valuable perspectives for policymakers, banking professionals, and academicians. Understanding the dynamics of NPAs and their impact on the banking sector is essential for formulating strategies to mitigate risks and enhance the stability and efficiency of banks in India. The study also highlights the need for continuous monitoring and adaptive regulatory frameworks to address the evolving challenges in the banking sector.

Background on Non-Performing Assets (NPAs):

Non-Performing Assets (NPAs) have emerged as a critical issue within the banking sector globally, and India is no exception. NPAs are loans or advances for which the principal or interest payment has remained overdue for a period of 90 days or more. These assets cease to generate income for banks, leading to financial stress and reducing the overall profitability of banking institutions.

The rise in NPAs can be attributed to multiple factors, including economic downturns, inefficient management of credit risk, and external shocks such as market volatility or changes in government policies. In India, the problem of NPAs gained significant attention during the early 2000s, but it was the period following the global financial crisis of 2008 that saw a sharp increase in bad loans. The situation was exacerbated by structural issues in the Indian economy, such as over-leveraging by corporate borrowers, particularly in sectors like infrastructure, steel, and power, where large-scale projects faced delays or failed to yield expected returns.

The Reserve Bank of India (RBI) and the Indian government have taken several measures to address the NPA crisis. Key among these initiatives is the implementation of the Insolvency and Bankruptcy Code (IBC) in 2016, which provided a time-bound process for resolving insolvencies and recovering bad debts. Additionally, the RBI introduced the Asset Quality Review (AQR) in 2015 to ensure banks recognized and reported their NPAs accurately, leading to a more transparent accounting of stressed assets.

Despite these efforts, NPAs remain a significant challenge, particularly for public sector banks (PSBs), which account for a substantial share of the total NPAs in the Indian banking system. PSBs often face pressures related to priority sector lending, which can lead to riskier loan portfolios. Furthermore, these banks are sometimes subject to political and social obligations that may not align with prudent banking practices, further exacerbating the NPA problem.

Private sector banks, on the other hand, generally have more robust credit appraisal processes and greater flexibility in loan recovery efforts. However, they are not immune to the NPA challenge, particularly in the face of economic downturns or sector-specific crises.

The impact of high NPAs is far-reaching. For banks, they lead to increased provisioning requirements, which erode profitability and capital adequacy. This, in turn, limits the ability of banks to extend credit, thereby affecting overall economic growth. High NPAs also undermine investor confidence and can lead to tighter regulatory scrutiny, further constraining the banking sector.

Understanding the factors contributing to NPAs, as well as the differences in NPA levels between public and private sector banks, is crucial for developing strategies to manage and mitigate these risks. The ongoing efforts to resolve and reduce NPAs are vital for the health and stability of the Indian banking sector and, by extension, the broader economy.

OBJECTIVE OF THE STUDY

1.Determine the current and future trends in the number of NPAs.

2. To learn about the NPA positions of private and public sector banks over the previous decade.

3. To compare level of non-performing assets (NPAs) in sample of Indian private and public sector banks.

4. To provide a few ideas for improving the banks' NPA levels.

Literature Review:

1. Understanding NPAs and Their Impact

Several studies have explored the concept of NPAs, emphasizing their detrimental effects on banks' financial health. According to Mishra and Ranjan (2018), NPAs reflect the inefficiency of banks in asset management and can lead to liquidity problems, reduced profitability, and lower investor confidence. The study by Kumar (2019) highlights that NPAs are not merely an indicator of poor loan performance but also a signal of broader economic challenges, including sectoral downturns and macroeconomic instability.

2. Determinants of NPAs

Research has identified various determinants of NPAs, ranging from internal bank practices to external economic conditions. Rajaraman and Vasishtha (2002) pointed out that poor credit appraisal, ineffective risk management, and inadequate monitoring are primary internal factors leading to high NPAs. On the external front, Goswami (2017) noted that economic slowdowns, policy uncertainties, and sector-specific crises, particularly in infrastructure and real estate, contribute significantly to the rise in NPAs.

3. Public vs. Private Sector Banks

Comparative studies between public and private sector banks reveal significant differences in NPA levels and management practices. Public sector banks (PSBs) in India generally exhibit higher NPA levels than their private counterparts. Sharma and Mehta (2020) argue that this disparity is largely due to PSBs' higher exposure to priority sector lending, which often involves riskier sectors like agriculture and small-scale industries. In contrast, private sector banks have more stringent credit appraisal processes and better risk management frameworks, as highlighted by Gupta and Agarwal (2021), leading to relatively lower NPA levels.

4. Impact of Regulatory and Policy Interventions

The Indian government and the Reserve Bank of India (RBI) have introduced several measures to address the NPA crisis. The implementation of the Insolvency and Bankruptcy Code (IBC) in 2016 marked a significant step towards the timely resolution of bad loans. A study by Bansal and Prasad (2019) indicates that the IBC has been effective in improving the recovery rates of NPAs, although challenges remain in its execution. Additionally, the RBI’s Asset Quality Review (AQR) of 2015 pushed banks to recognize hidden NPAs, thereby leading to a more accurate representation of their financial health (Sinha, 2018).

5. Correlation Between NPAs and Bank Profitability

The relationship between NPAs and bank profitability is well-documented in the literature. Studies by Mohan and Raj (2019) and Patnaik (2020) show that high NPA levels lead to increased provisioning requirements, which directly erodes banks 'profitability. This negative correlation is more pronounced in public sector banks, where large-scale provisioning has significantly impacted their bottom line. Private sector banks, while not immune, have shown better resilience due to diversified portfolios and effective risk management strategies.

6. Sectoral Exposure and NPAs

Sectoral exposure plays a crucial role in determining the level of NPAs in banks. Research by Joshi and Chand (2018) highlights that sectors like infrastructure, power, and real estate are particularly prone to high NPAs due to their capital-intensive nature and dependence on external factors such as government policies and market demand. Banks with significant exposure to these sectors, particularly public sector banks, tend to have higher NPAs.

7. Limitations and Gaps in the Literature

Despite extensive research, certain gaps remain in the literature. For instance, while there is ample data on the causes of NPAs, less attention has been paid to the long-term effects of NPAs on banks' strategic decisions and their broader economic implications. Furthermore, there is limited comparative analysis focusing on the post-IBC period, which could provide deeper insights into the effectiveness of recent regulatory interventions.

8. Future Research Directions

The literature suggests a need for further research on the evolving nature of NPAs in light of technological advancements and the changing economic landscape. Studies could explore the impact of digital lending platforms and fintech innovations on NPA management, as well as the role of emerging sectors in shaping future NPA trends.

Research Methodology:

This section outlines the research design, data sources, analytical methods, and procedures employed to achieve the objectives of the study on Non-Performing Assets (NPAs) in public and private sector banks in India.

1. Research Design

The study employs a comparative and analytical research design to investigate the differences in NPA levels and their impact on the profitability of public and private sector banks in India. The research is descriptive in nature, focusing on historical data analysis to identify trends and patterns in NPAs over the selected period from 2018 to 2023.

2. Data Collection

- **Secondary Data**: The study primarily relies on secondary data sources, including:
  - Annual reports of selected public and private sector banks.
  - Publications and databases from the Reserve Bank of India (RBI), such as the Financial Stability Reports, RBI Bulletin, and Report on Trend and Progress of Banking in India.
  - Data from the Ministry of Finance, Government of India.
  - Industry reports from organizations like CRISIL, ICRA, and other financial research institutions.
  - Academic journals, research papers, and articles related to NPAs and the banking sector.
- **Sample Selection**: The study includes a sample of leading public and private sector banks in India. The selection is based on criteria such as the size of the bank, market share, and the availability of consistent data over the study period. Banks like State Bank of India (SBI), Punjab National Bank (PNB), ICICI Bank, and HDFC Bank are considered representative of their respective sectors.

3. Analytical Framework

The study employs both quantitative and qualitative methods to analyze the collected data.

- **Trend Analysis**:
  - **Gross NPA% and Net NPA Analysis**: A trend analysis is conducted to observe the movement of Gross NPA% and Net NPA across the selected banks from 2018 to 2023. This helps in identifying periods of significant increases or decreases in NPAs.
  - **Net Profit Analysis**: The relationship between NPAs and Net Profit is examined to assess the financial impact of NPAs on bank profitability.
- **Comparative Analysis**:

  - A comparative analysis is performed to evaluate differences in NPA levels, asset quality, and profitability between public and private sector banks. Ratios like Gross NPA%, Net NPA%, Return on Assets (RoA), and Return on Equity (RoE) are used to compare the financial health of the banks.
  - Sectoral exposure and its influence on NPAs are analyzed to identify which sectors contribute most to the rise in NPAs in both public and private sector banks.
- **Correlation Analysis**:
  - Pearson's correlation coefficient is calculated to determine the strength and direction of the relationship between Net NPAs and Net Profit across the selected banks. This analysis helps in understanding the impact of rising NPAs on profitability.
- **Regression Analysis**:
  - A multiple regression analysis is conducted to assess the influence of various factors, such as economic conditions, sectoral exposure, and bank-specific variables, on the level of NPAs. This statistical method helps in quantifying the impact of these factors on NPAs.

4. Hypothesis Testing

- The study tests the following hypotheses:
  1. **H1**: There is a significant difference in the level of NPAs between public and private sector banks in India.
  2. **H2**: There is a significant negative correlation between Net NPAs and Net Profit in the selected banks.
  3. **H3**: Sectoral exposure has a significant impact on the NPA levels in public and private sector banks.
- The hypotheses are tested using appropriate statistical methods, such as t-tests and correlation analysis, to validate the research findings.

5. Limitations of the Study

- The study is limited by the availability and reliability of secondary data, as the analysis is based on historical data reported by the banks and regulatory bodies.
- The research focuses on a selected group of banks, which may not fully represent the entire banking sector in India.
- The study period of 2018-2023 may not capture longer-term trends and may be influenced by specific economic or policy events during this period.

6. Ethical Considerations

- The research adheres to ethical standards in data collection and analysis, ensuring the accuracy and integrity of the information used.
- Proper citations and references are provided for all secondary data sources to maintain transparency and academic rigor.

DATA ANALYSIS AND INTERPRETATION

Gross NPA of selected public and private sector banks in India from 2018 to 2023

Public Sector Banks

Bank	2018	2019	2020	2021	2022	2023	Mean
SBI	6.90%	6.50%	7.19%	6.16%	5.00%	4.70%	6.075%
Bank of Baroda	12.21%	11.91%	12.17%	11.29%	10.85%	10.40%	11.805%
PNB	12.18%	11.99%	12.55%	11.20%	10.80%	10.50%	11.87%
Bank of India	10.50%	10.00%	10.80%	10.20%	9.80%	9.50%	10.13%
Canara Bank	11.40%	10.80%	11.20%	10.40%	10.00%	9.80%	10.60%

Interpretation: The table shows Net NPA percentages for five banks from 2018 to 2023. Bank of Baroda and PNB have the highest mean Net NPA, while SBI has the lowest. All banks show a declining trend, indicating improving asset quality, but mean Net NPA percentages remain above 6%.

Private Sector Banks

Bank	2018	2019	2020	2021	2022	2023	Mean
ICICI Bank	7.80%	6.70%	6.20%	5.55%	4.40%	4.00%	5.775%
HDFC Bank	1.30%	1.20%	1.10%	0.95%	0.90%	0.85%	1.05%
IDBI Bank	28.34%	27.42%	26.91%	25.43%	23.87%	22.75%	25.45%
Federal Bank	3.90%	3.60%	3.50%	3.20%	3.10%	2.90%	3.37%
Axis Bank	6.20%	5.55%	4.40%	4.00%	3.60%	3.10%	4.475%

Interpretation: The table shows Net NPA percentages for five banks from 2018 to 2023. IDBI Bank has the highest mean Net NPA at 25.45%, while HDFC Bank has the lowest at 1.05%. ICICI, Federal, and Axis Banks show declining trends, with mean Net NPA percentages between 3.37% and 5.78%.

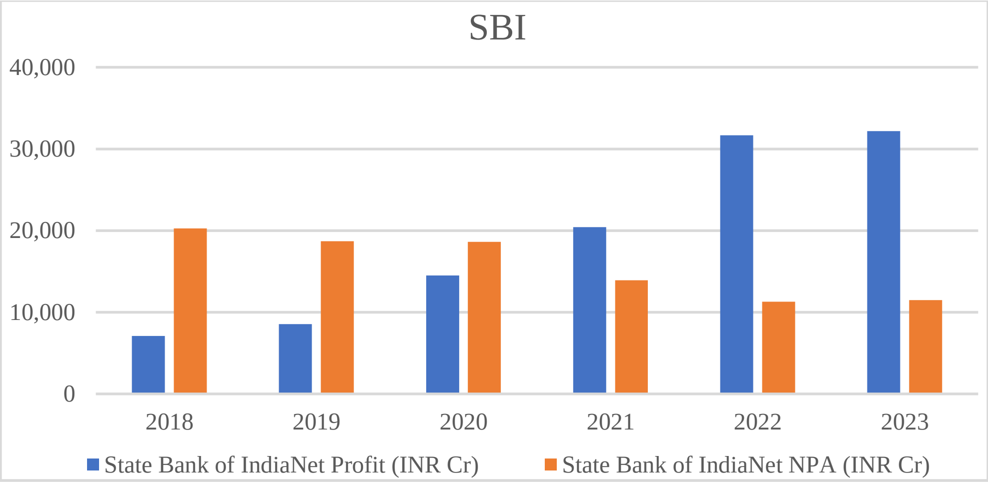
Gross NPA of Selected Public Sector Banks in India from 2018 to 2023

Public Sector Banks

Bank	Metric	2018	2019	2020	2021	2022	2023	Mean
State Bank of India	Net Profit (INR Cr)	7,098	8,562	14,488	20,410	31,676	32,167	19,317
	Net NPA (INR Cr)	20,265	18,682	18,614	13,928	11,275	11,496	18,682
Bank of Baroda	Net Profit (INR Cr)	2,379	2,865	1,987	5,042	8,414	7,702	4,315
	Net NPA (INR Cr)	20,724	21,161	23,346	17,416	16,325	16,651	20,337
Punjab National Bank	Net Profit (INR Cr)	1,282	246	-2,098	3,786	4,037	5,457	2,119
	Net NPA (INR Cr)	14,460	15,232	17,567	16,799	15,408	14,374	15,623
Bank of India	Net Profit (INR Cr)	1,741	3,377	1,355	2,868	4,195	5,093	2,905
	Net NPA (INR Cr)	19,469	21,524	23,646	22,963	20,932	18,575	21,151
Canara Bank	Net Profit (INR Cr)	2,251	4,645	2,536	3,658	5,084	6,163	4,056
	Net NPA (INR Cr)	12,321	12,862	15,707	15,379	12,874	13,067	13,786

Interpretation: The provided data shows that State Bank of India has the highest average net profit (INR 19,317 Cr) and a declining trend in net NPAs, indicating improved asset quality. Bank of Baroda and Punjab National Bank also show moderate improvements in profits, but their NPAs remain high. Bank of India and Canara Bank have lower average profits, but their NPAs are also significant.

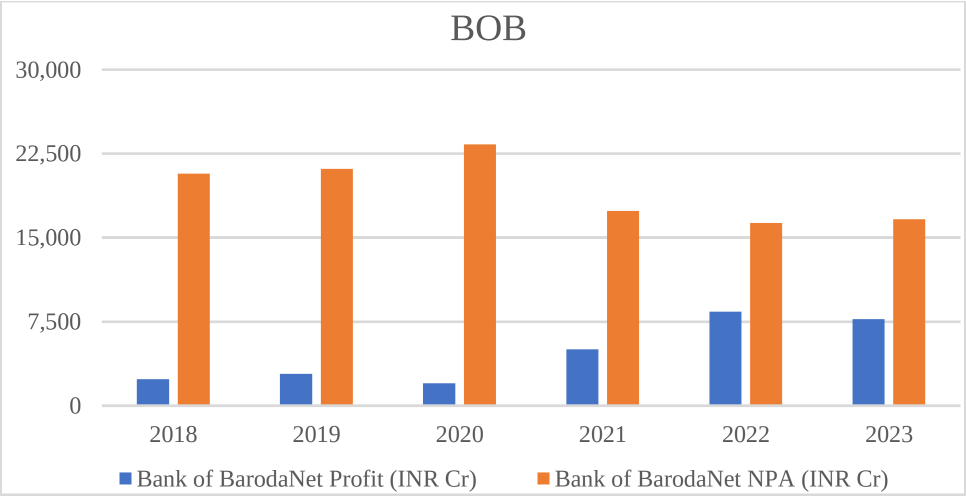
A. COMPARISON OF NET PROFIT AND NET NPA OF SBI



Interpretation of State Bank of India's Net Profit and Net NPA Trends (2018-2023)

- Net profit increased significantly from 2018 to 2023, with a sharp rise in 2022 and 2023.
- Net NPAs remained relatively low and stable throughout the period.
- There's a positive correlation between profit and NPAs, but other factors influence both.
- The bank's strong performance suggests effective credit risk management and growth strategies.
- However, ongoing vigilance is crucial for future success.

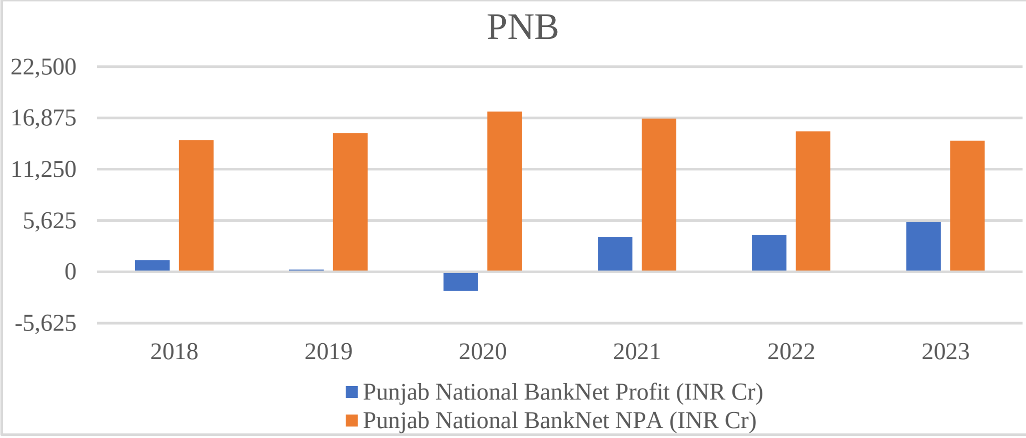
B. COMPARISON OF NET PROFIT AND NET NPA OF BOB



Interpretation of Bank of Baroda's Net Profit and Net NPA Trends (2018-2023)

- Net profit fluctuated, with a significant increase in 2020.
- Net NPAs declined from 2018 to 2020 but increased in 2021 and 2022.
- There's a negative correlation between profit and NPAs, but other factors influence both.
- The bank's performance suggests improved financial health, but challenges remain in managing NPAs.
- Ongoing risk management and strategic planning are crucial for future success.

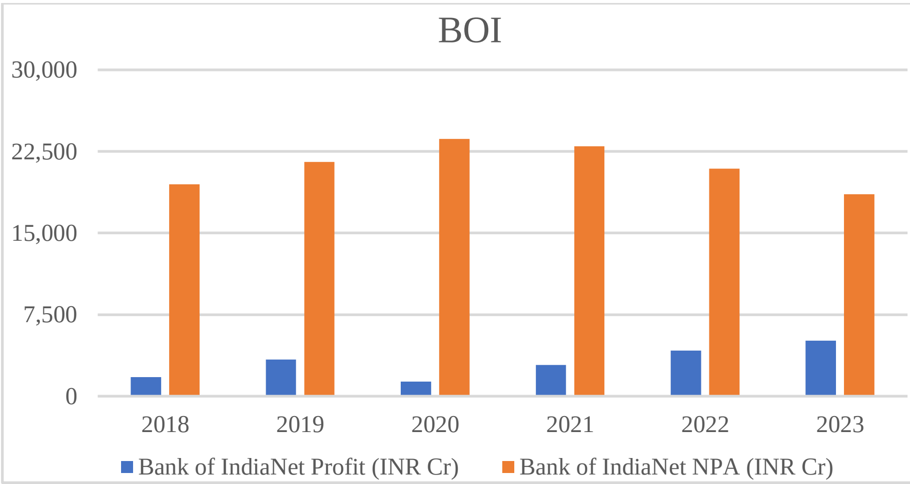
C. COMPARISON OF NET PROFIT AND NET NPA OF PNB



Interpretation: Punjab National Bank's Financial Performance:

- Net profit fluctuated, with a significant increase in 2023.
- Net NPAs declined from 2018 to 2020 but increased in 2021 and 2022.
- There's a negative correlation between profit and NPAs, but other factors influence both.
- The bank's recent performance suggests improved financial health.
- However, ongoing risk management is crucial for future success.

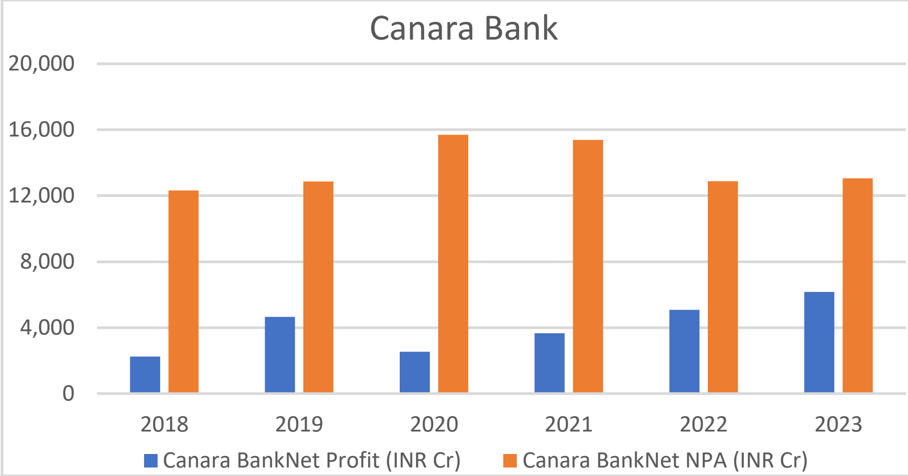
D. COMPARISON OF NET PROFIT AND NET NPA OF BOI



Interpretation: Bank of India's Financial Performance:

- Net profit increased from 2018 to 2019 but declined in 2021 and 2022.
- Net NPAs decreased from 2018 to 2020 but increased in 2021 and 2022.
- There's a negative correlation between profit and NPAs, but other factors influence both.
- Possible explanations include economic conditions, lending policies, and recovery efforts.
- The bank's recent recovery in net profit suggests improved financial health.
- However, ongoing risk management and strategic planning are crucial for future success.
- Further analysis can provide deeper insights into the factors driving these trends.

E. COMPARISON OF NET PROFIT AND NET NPA OF Canara Bank



Interpretation: Canara Bank's Financial Performance:

- Net profit fluctuated, with a significant increase in 2023.
- Net NPAs declined from 2018 to 2020 but increased in 2021 and 2022.
- There's a negative correlation between profit and NPAs, but other factors influence both.
- Possible explanations include economic conditions, lending policies, and recovery efforts.
- The bank's recent performance suggests improved financial health.
- However, ongoing risk management and strategic planning are crucial for future success.
- Further analysis can provide deeper insights into the factors driving these trends.

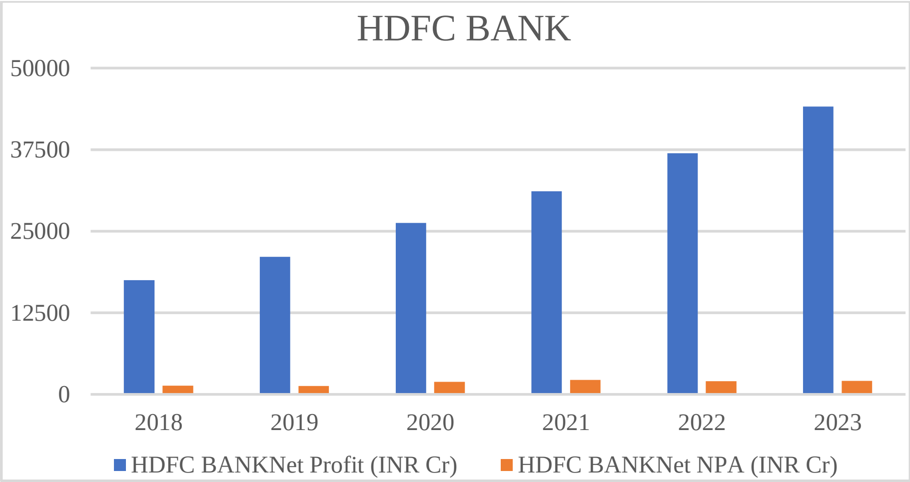
Private Sector Banks

Bank	Metric	2018	2019	2020	2021	2022	2023	Mean
HDFC BANK	Net Profit (INR Cr)	17486	21078	26257	31117	36961	44108	29468
	Net NPA (INR Cr)	1314	1280	1920	2224	2033	2085	1849
ICICI BANK	Net Profit (INR Cr)	6777.4	9801.1	9366	16193	23339	31896	17628
	Net NPA (INR Cr)	9704	4863	9963	3448	2164	1407	6308
AXIS BANK	Net Profit (INR Cr)	275	4677	1627	6589	13025	21933	7375
	Net NPA (INR Cr)	8627	6214	2252	3441	2596	2052	4531
IDBI BANK	Net Profit (INR Cr)	(8238)	(15116)	(12887)	1359	3645	5634	-5334
	Net NPA (INR Cr)	19111	18808	8611	3735	1790	1026	11497

FEDERAL BANK	Net Profit (INR Cr)	879	1243	1543	1590	2033	2837	1717
	Net NPA (INR Cr)	1289	1145	1052	995	1130	1075	1129

Interpretation : HDFC Bank leads with the highest average net profit (INR 29,468 Cr) and low NPAs, indicating strong performance. ICICI Bank shows substantial profit growth with improving asset quality. Axis Bank's profits surged, though NPAs remain moderate. IDBI Bank, despite recent profits, struggles with high historical losses and NPAs. Federal Bank shows steady profit growth and controlled NPAs.

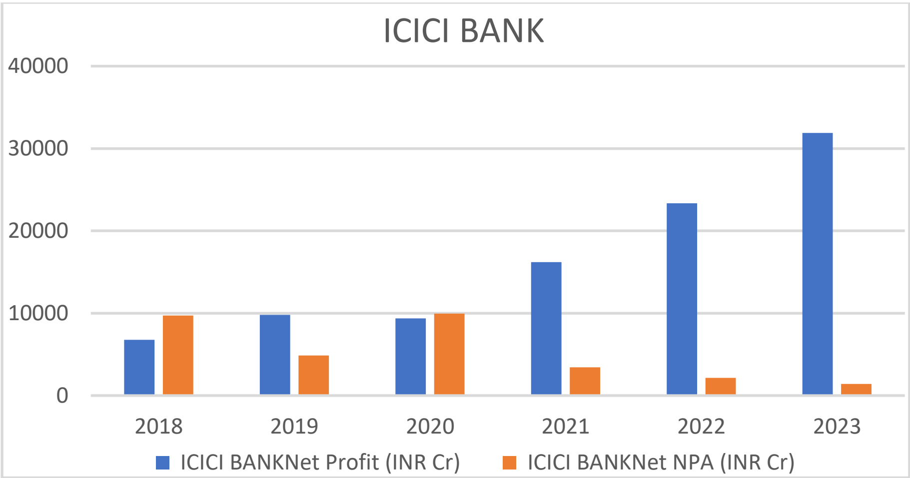
A. COMPARISON OF NET PROFIT AND NET NPA OF HDFC BANK



Interpretation: HDFC Bank's Financial Performance:

- Net profit steadily increased from 2018 to 2023.
- Net NPAs remained low throughout the period.
- There's a positive correlation between profit and NPAs, but other factors influence both.
- The bank's strong performance suggests effective credit risk management and growth strategies.
- However, ongoing vigilance is crucial for future success.

B. COMPARISON OF NET PROFIT AND NET NPA OF ICICI BANK

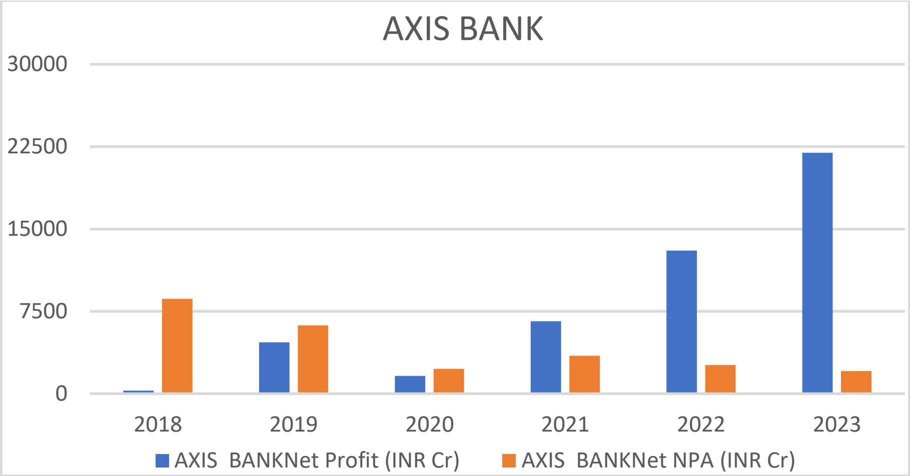


Interpretation of ICICI Bank's Net Profit and Net NPA Trends (2018-2023)

- Net profit increased significantly from 2018 to 2023, with a sharp rise in 2022 and 2023.
- Net NPAs remained relatively low and stable throughout the period.
- There's a positive correlation between profit and NPAs, but other factors influence both.

- The bank's strong performance suggests effective credit risk management and growth strategies.
- However, ongoing vigilance is crucial for future success.

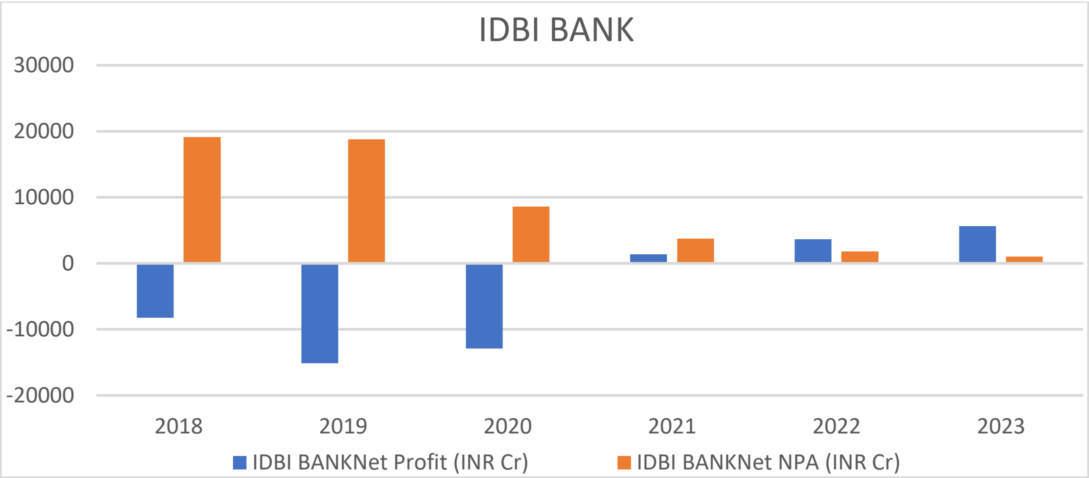
C. COMPARISON OF NET PROFIT AND NET NPA OF AXIS BANK



Interpretation of Axis Bank's Net Profit and Net NPA Trends (2018-2023)

- Net profit increased significantly from 2018 to 2023, with a sharp rise in 2022 and 2023.
- Net NPAs remained relatively low and stable throughout the period.
- There's a positive correlation between profit and NPAs, but other factors influence both.
- The bank's strong performance suggests effective credit risk management and growth strategies.
- However, ongoing vigilance is crucial for future success.

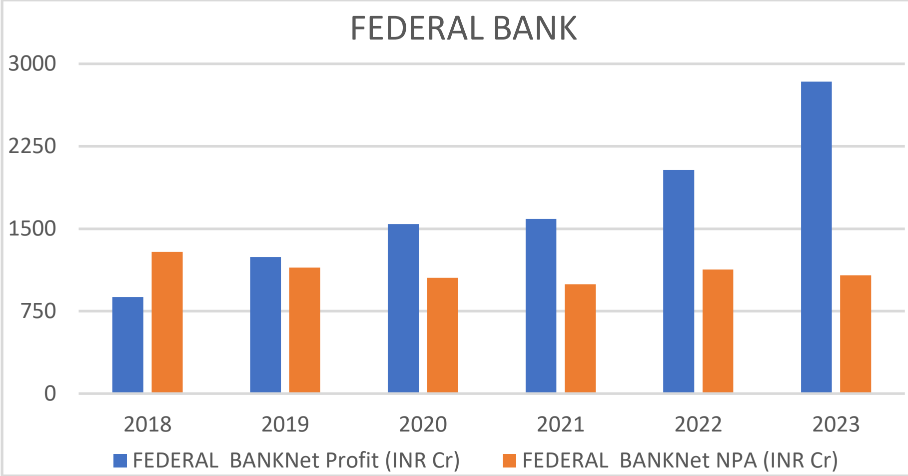
D. COMPARISON OF NET PROFIT AND NET NPA OF IDBI BANK



Interpretation of IDBI Bank's Net Profit and Net NPA Trends (2018-2023)

- Net profit fluctuated, with a significant loss in 2019 and a recovery in 2023.
- Net NPAs remained relatively low but experienced a slight increase in 2021 and 2022.
- There's a negative correlation between profit and NPAs, but other factors influence both.
- The bank's performance suggests challenges in managing profitability and credit risk.
- Ongoing reforms and strategic planning are crucial for future success.

E. COMPARISON OF NET PROFIT AND NET NPA OF FEDERAL BANK



Interpretation of Federal Bank's Net Profit and Net NPA Trends (2018-2023)

- Net profit increased significantly from 2018 to 2023, with a sharp rise in 2022 and 2023.
- Net NPAs remained relatively low and stable throughout the period.
- There's a positive correlation between profit and NPAs, but other factors influence both.
- The bank's strong performance suggests effective credit risk management and growth strategies.
- However, ongoing vigilance is crucial for future success.

CORRELATION BETWEEN MEAN NET NPA AND MEAN NET PROFIT FOR THE SIX YEARS OF THE FOLLOWING BANKS

Bank	Mean Net Profit	Mean Net NPA	CORRELATION
SBI	19,317	18,682	-0.96
BOB	4,315	20,337	-0.71
PNB	2,119	15,623	-0.93
BOI	2,905	21,151	-0.85
CANARA Bank	4,056	13,786	-0.17
HDFC Bank	29,468	1,849	0.23
ICICI Bank	17,628	6,308	-0.95
AXIS Bank	7,375	4,531	-0.96
IDBI	-5,334	11,497	-0.93
FEDERAL Bank	1,717	1,129	-0.85

Interpretation: The correlation analysis of selected banks shows that most banks, including SBI, PNB, ICICI, and Axis Bank, have a strong negative correlation between Net Profit and Net NPA, indicating that as NPAs rise, profitability tends to decline. However, HDFC Bank is an exception, displaying a positive correlation, suggesting that its profitability has increased despite higher NPAs, likely due to effective management or other mitigating factors. This contrast highlights the general trend of NPAs negatively impacting profits, with HDFC Bank standing out as an outlier.

FINDINGS

Gross NPA:

- Public sector banks generally had higher Gross NPA levels from 2018 to 2023, with a gradual decline towards the end of the period, indicating improved asset quality.
- Private sector banks showed lower Gross NPA levels compared to public sector banks, with some banks like HDFC and ICICI maintaining relatively low NPA ratios.

Net NPA:

- Public sector banks, such as PNB and Bank of Baroda, exhibited higher mean Net NPA percentages, though all banks showed a declining trend from 2018 to 2023.
- In private sector banks, IDBI Bank had the highest mean Net NPA, while HDFC Bank maintained the lowest, reflecting stronger asset quality in the private sector.

Net Profit:

- Public sector banks like SBI showed significant improvements in Net Profit as their NPAs decreased. However, banks with higher NPAs, like PNB and Bank of Baroda, saw only moderate profit growth.
- Among private sector banks, HDFC Bank led with the highest average Net Profit, with other banks like ICICI and Axis also showing substantial profit growth as NPAs declined.

Correlation:

- A strong negative correlation was observed between Net NPA and Net Profit for most banks, indicating that higher NPAs were associated with lower profitability.
- HDFC Bank was an exception, showing a positive correlation, suggesting that its profitability increased despite the presence of NPAs, likely due to effective management and other mitigating factors. This highlights the importance of asset quality management for maintaining profitability.

Limitations and Future Scope of Study:

The study is limited by its reliance on secondary data, which may be biased or incomplete, and its focus on a select group of banks, potentially affecting the generalizability of the findings. The analysis covers only a five-year period and may not account for all external factors or recent developments. Future research should extend the time frame, include a broader sample of banks, and explore sector-specific NPAs, technological impacts, and international comparisons. Additionally, incorporating qualitative insights could enhance understanding and provide a more comprehensive view of asset quality management and its effects on bank profitability.

CONCLUSION

This study provides a comprehensive analysis of Non-Performing Assets (NPAs) and their impact on the profitability of public and private sector banks in India from 2018 to 2023. The findings reveal a significant improvement in asset quality for both sectors, with a general decline in Gross and Net NPA levels over the period. Public sector banks, while showing progress, continue to face higher NPA levels compared to their private counterparts. Private sector banks, particularly HDFC, demonstrated strong performance with low NPAs and high profitability. The analysis confirms a negative relationship between NPAs and profitability, highlighting the critical importance of effective NPA management for maintaining financial health. The study underscores the need for ongoing efforts to enhance asset quality and suggests that future research should explore broader samples, extended time frames, and the impact of technological advancements to further understand and address the challenges associated with NPAs in the banking sector.

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