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A Comparative Study on Trends in NPAs in Public & Private Sector Banks

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ABSTRACT :

This study explores the patterns regarding Non-Performing Assets (NPAs), mainly focusing on SBI, PNB, HDFC, and ICICI, within India's public and private sector banks. NPAs negatively affect bank profitability, credit flow, and also economic growth. This paper uses secondary data (2005–2015) coupled with primary data from 74 survey respondents. It finds that, for public sector banks, a pattern of higher NPAs is obvious since they are driven via poor credit appraisal plus political interference. Private banks are showing stronger risk controls. The study suggests legal recovery pursued proactively, credit policies that are stricter, and technology implemented to fight NPAs that are rising..

Introduction

The issue of NPAs is a major concern for the Indian banking sector since non-performing assets fail to produce revenue after 90 days. Political pressures as well as weak risk frameworks do especially threaten public sector banks (PSBs). Autonomous decision-making as well as technological integration can often improve the performance of private banks. Since over 3.3% gross NPAs were reported in 2013 and since further escalations occurred during economic disruptions like COVID-19, understanding these trends is critical for financial stability.

2. Literature Review

Research by Gopalakrishnan (2005), Bhatia (2007), and Rajeev & Mahesh (2010) reveals NPAs arise from poor credit monitoring, recession, and regulatory inefficiencies. PSBs also do have higher levels of NPA in comparison to private banks, studies highlight. Major contributors, according to Kaur and Singh (2011), do include delayed recovery as well as operational inefficiencies. Comparative studies lack literature using direct data from important private and public sector banks. This study addresses that particular area for deficiency..

3. Research Methodology

Research Design.

Descriptive and comparative research using mixed methods.

Data Collection.

- A survey was conducted with students, employees and bank customers (74 respondents).
- We also consulted the RBI publications as well as the annual publications of SBI PNB.

Sampling.

Sampling of both bank and participant purposive and based on relevancy and availability.

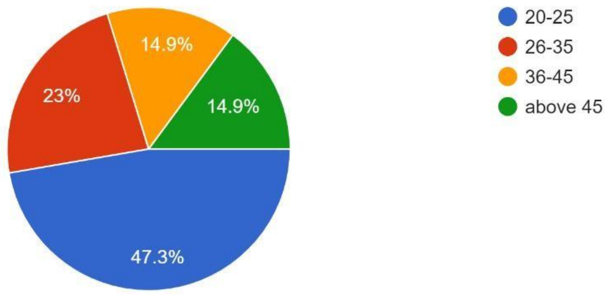
Analysis Techniques.

Responses will be analyzed using percentages, ratios and graphical representations involving measures of central tendency.

5. primary data

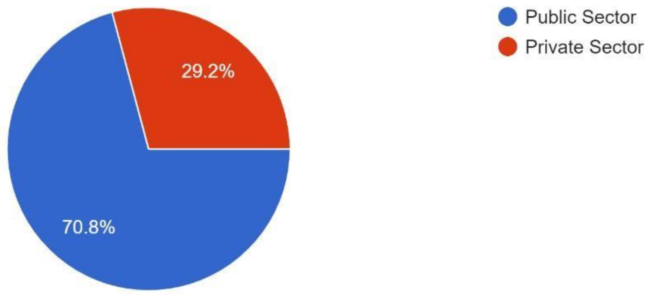
1. Which age group do you belong to?

74 responses



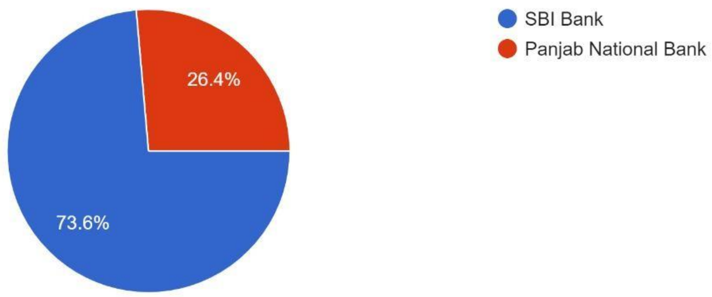
5. Which sector Contributes most to NPA?

72 responses



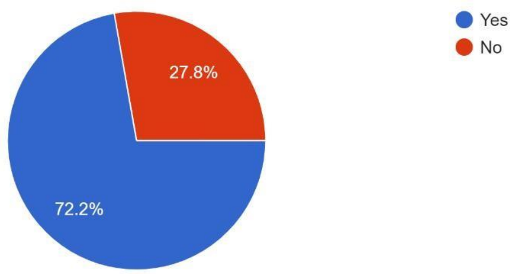
6. Which Public sector bank has the highest NPA in India?

72 responses



10. Can the public sector companies compare with the private sector in terms of profit and efficiency?

72 responses



4. Findings and Discussion

- Public Sector Banks (especially SBI and PNB) have higher gross and net NPAs than private sector banks.
- Private sector banks HDFC and ICICI do a better job because they can assess the credit properly and also have better governance.
- 70.8% people feel PSBs are more responsible for NPAs. More than 70% agree PSBs more efficient given present levels.
- The insolvency and bankruptcy code has benefited banks. Digital measures taken by banks are also helping to improve health. However, Public Sector Banks (PSBs) continue to have higher NPAs compared to the overall average.

5. Primary Data Summary

- Almost half the respondents were under 25 years old. 63% were male and 37% were female.
- Most think a Public Sector Bank has more NPAs – Study
- Two out of three people say HDFC has the highest NPAs in the private banks.
- Respondents preferred improving the credit rating process and early warning systems..

6. Theoretical and Practical Implications

Theoretical Impact: Provides a deeper insight into NPA dynamics across different banking systems and regulatory structures.
Banks and policy-makers may use these findings to draft targeted strategies for NPA reduction, particularly for PSBs.

7. Future Trends and Strategic Recommendations

- Use AI-powered credit scoring and early warning systems.
- Enhance legal recovery through the IBC
- Public Sector Banks (PSBs) ought to be given greater autonomy and induce private bank like practices . Such practices involve strict credit monitoring .
- Concentrate on retail and SME loans to diversify risk.
- The RBI must enhance compliance checks in the banking system for better transparency..

8. Limitations of the Study

- The analysis of the data is limited to 2005–2015.
- This uses mostly secondary information and primary information as per self report.
- Future research can make use of more recent data, a larger sample of banks and sophisticated econometric model..

9. Conclusion

NPAs are the biggest challenge for PSBs banks in India. Private banks have shown great resilience due to better management practices while PSBs continue to remain sub-optimal due to structural and operational weakness. Reducing NPAs requires more than just changing policies; technology must be adopted to ensure accountability and responsibility under the allotment Committees' own exposure. In the end, a multi-pronged approach is necessary to restore confidence in India's financial system.

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