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TREND OF NPA LEVEL IN PRIVATE SECTOR BANKS AND PUBLIC SECTOR BANKS

Dr.Rekha Patil, Associate Professor and Research guide, Department of Management, at Regional Centre: VTURO, KALABURAGI
Ravikumar D Awanti, Research Scholars, Assistant Professor, Faculty of Business Studies, Sharnbasva University, Kalaburagi

Abstract- A solid and a sound financial framework are extremely fundamental for an economy so as to develop and stay in this focused condition. RBI and other administrative bodies have taken a few strategies in the light of building up the working of the financial part. The best pointer for the soundness of the financial business in a nation is its degree of Non-performing resources (NPAs). It mirrors the exhibition of banks. NPAs in the Indian financial part have turned into a noteworthy worry for the Indian economy. NPA directly affects the benefit, liquidity and dissolvability position of the bank. Higher NPA shows wastefulness of the bank and lower NPA demonstrate better execution and the executives of assets. To improve the effectiveness and gainfulness of banks the NPA should be diminished and controlled. This paper essentially manages the patterns of NPA in banking industry, the variables that for the most part add to NPA bringing up in the financial business and furthermore gives a few proposals how to defeat this weight of NPA on banking industry.

Key words: Public sector Banks, Private sector Banks, Non- Performing Asset

I. INTRODUCTION:

The Banking framework stays, as consistently the most prevailing portion of the monetary division. Without a sound and successful Banking framework in India it can't have a solid economy. The Banking arrangement of India ought in addition to the fact that hassle be free it ought to have the option to address new difficulties presented by the innovation or some other outside and inside elements. Indian Banks keep on structure on their quality under the controller's attentive gaze and consequently has risen more grounded. For as far back as three decades India's Banking framework has a few remarkable accomplishments shockingly. The most striking is its broad reach. It is never again bound to just metropolitans or cosmopolitans in India. Truth is told, Indian Banking framework has come to even to the remote corners of the nation. This is one of the principle reasons of India's development procedure. The administration's customary strategy for Indian Bank since 1969 has paid rich profits with the nationalization of 14 noteworthy private Banks of India. In the not so distant past, a record holder needed to hang tight for a considerable length of time at the Bank counters for getting a draft or for pulling back his very own cash. Today, he has a decision. Gone are days when the most proficient Bank moved cash from one branch to other in two days. Presently it is straightforward as texting or dials a pizza. Cash has turned into the request for the day. The first Bank in Quite a while, however traditionalist, was built up in 1786. From 1786 till today, the adventure of Indian Banking System can be isolated into three unmistakable stages.

I. Phase I-Early stage from 1786 to 1969 of Indian Banks;
II. Phase II-Nationalization of Indian Banks and up to 1991 before Indian Banking division Reforms;
III. Phase III-New period of Indian Banking System with the approach of Indian Financial and Banking Sector Reforms after 1991.

NPA AND BANKS

NPAs are an unavoidable weight on the financial business. Banks need to screen their standard resource routinely so as to avoid any record turning into a NPA. Today the achievement of the bank relies on the best possible administration of NPAs and keeping them inside the resilience level.

EWS-Early Warning Signals are those which plainly demonstrate or demonstrate a few sign of credit disintegration in the advance record. They show the issues engaged with the record so medicinal activitycan be taken immediately. Most banks have EWS system.

The RBI has issued guidelines to banks for classification of assets into four categories.
(i) Standard Asset
(ii) Doubtful Asset
(iii) Sub-standard Asset
(iv) Loss Asset
Standard Asset: Standard asset are those which are not NPA. These are regular and performing and there are no adverse features. They do not disclose any credit problem.
Doubtful Asset: They are NPA which remain as such for a period exceeding two years.
Sub-standard Asset: They are those which are NPAs for a period not exceeding two years.
Loss Asset: Are those NPAs where 100% loss has been identified and it is not yet written off in the books of accounts.

Table I: Provisional Norms

Asset Classification	Provision requirements
Standard assets	a) direct advances to agricultural & SME sectors at 0.25 per cent; (b) residential housing loans beyond Rs. 20 lakh at 1 per cent; (c) advances to specific sectors, i.e., personal loans (including credit card receivables), loans and advances qualifying as Capital Market exposures, Commercial Real Estate loans etc. at 2 per cent (d) all other advances not included in (a), (b) and (c) above, at 0.40 percent
Substandard Assets	10 per cent of the total out standings for substandard
Doubtful assets (i)Doubtful up to 1 yr(NPA more than 2 yrs but upto 3 yrs) (ii)Doubtful for more than 1 yr but upto 3 yrs(NPA more than 3 yrs but upto 5 yrs) (iii)Doubtful for more than 3 yr(NPA more than 5 yrs)	100% to the extend of deficit (deficit=advance- security) 20% of tangible security available. 30% of tangible security available. 50% of tangible security available
Loss assets	100% of the outstanding

II. REVIEW OF LITERATURE:

1. Kajal Chaudhary and Monika Sharma (2011), they studied about the performance of private and public sector banks and how they manage their NPA. They have taken few of the private and public sector banks under the study. The study has shown Performance level in each sector. The study has also given some recommendations regarding how the bank should improve their performance and also managing NPA.
2. DR. Partap Singh (2012), in this paper attempts have been made to analyze trends in NPAs, Causes and Impact of NPAs. Nonperforming assets indicate the credit risk of the banks. This paper deals with the comparative analysis of advances and non performing assets in public and private sector banks in the light of mounting competitive scenario in the banking sector. The study shows improvement in the management of NPA.

3. G.V.Bhavani Prasad, D.Veena (2011), NPAs Reduction Strategies for Commercial Banks in India. This paper also deals with the concept of NPA, how an account turns into NPA and some measures to manage NPA.
4. Management of Non-Performing Assets in Indian Public Sector Banks with special reference to Jharkhand: This study was basically confined to management of NPA in Public sector banks in Jharkhand. The study outlines the reasons for NPAs through figures and graphs and few recommendations to improve NPA.
5. Dr. Mohan Kumar, Govind Singh (2012) Mounting NPAs in Indian Commercial Banks: Causes and Consequences of NPAs in Banks using tables and few suggestions for improvement of NPA level.

Objectives of the study:

1 .To discover pattern in NPA level

2. To discover the components that adds to NPA.

3. To propose the different measures for legitimate administration of NPA in banks.

III. RESEARCH METHODOLOGY:

The study is planned to be carried out with the help of secondary data for the purpose to and understand the NPA level of private and public sector Banks.

Data Collection:

The present study is mainly based on secondary data. The required data were collected from the annual reports of the Banks through their websites.

Sources of Data:

Secondary data was collected from the reports, articles, journals, documents, printed literatures, certain web sites and other online data bases etc.

Factors contributing to NPA

According to the recent study conducted by RBI, the factors contributing to NPA are divided into 3 segments
(i) Internal factors
(ii)External factors
(iii) Other factors

(i) Internal factors:

a) Diversion of store for development, broadening, modernization or for taking up new extends.
b) Diversion of store for helping or advancing partner concerns.
c) Time or cost overwhelm during the undertaking usage arrange.
d) Business disappointment because of item disappointment, disappointment in advertising and so forth.
e) In effectiveness in bank the executives.
f) Slackness in credit the executives and checking.
g) In proper innovation or issues identified with present day innovation.

ii) External factors:

a) Recession in the economy as a whole.
b) Input or power shortage.
c) Price escalation of inputs.
d) Exchange rate fluctuations
e) Change in government policies

(iii)Other factors:

a) Liberalization of the economy and the ensuing weights from advancement like a few rivalries, decrease of taxes and so forth.

b) Poor checking of credits and inability to perceive early cautioning sign appeared by standard resources.

c) Sudden slamming of capital market and failure to raise satisfactory assets.

IV. DATA ANALYSIS AND INTERPRETATION

Table II: Classification of Loan Assets of Public Sector Banks - 2011 to 2016

Bank group/Year	Standard advances		Sub-Standard Advances		Doubtful Advances	
Public Sector Banks	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
2011	32718	97.8	350	1.1	332	1.0
2012	38255	97.0	623	1.6	490	1.2
2013	43957	96.4	815	1.8	761	1.7
2014	49887	95.6	958	1.8	1216	2.3
2015	53382	95.0	1054	1.9	1630	2.9
2016	52875	90.7	2005	3.4	3232	5.5

Source: www.rbi.org.in

The above table demonstrates the characterization of loan assets of public sector banks. Over the years, there is a fluctuation of NPAs among the banks. Standard advances and doubtful advances increasing and diminishing trend. Sub-standard advances are gradually increasing over the years. Loss advances are more of constant

Table III: classification of Loan Assets of Private Sector Banks - 2011 to 2016

Bank group/Year	Standard advances		Sub-Standard Advances		Doubtful Advances	
Private Sector Banks	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
2011	7936	97.8	45	0.6	108	1.3
2012	9629	98.1	52	0.5	104	1.1
2013	11384	98.2	64	0.6	112	1.0
2014	13371	98.2	86	0.6	114	0.8
2015	15750	97.9	108	0.7	176	1.1
2016	19184	97.2	186	0.9	311	1.6

Source: www.rbi.org.in/

The above table demonstrates the characterization of loan assets of private sector banks. There has been a steady ascent in standard advances throughout the years aside from the years 2015 and 2016 when can see a decrease. There is a change in sub-standard and doubtful advances throughout the years.

When contrasted with private sector banks, public sector banks have more unacceptable and farfetched progresses however the standard advances of private segment banks stays high against Public sector banks which demonstrates a superior exhibition of private segment banks.

Table IV: Composition of NPAs of Nationalized Banks – 2011 to 2017

Bank group/Year	Priority Sector		Non Priority Sector		Public Sector		Total
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Nationalized Banks	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**
2011	246.20	55.61	194.10	43.84	2.42	0.55	442.72
2012	324.24	46.96	355.55	51.49	10.68	1.55	690.48
2013	408.34	40.16	599.01	58.91	9.48	0.93	1016.83

2014	537.50	36.45	935.67	63.46	1.30	0.09	1474.48
2015	709.34	34.61	1337.67	65.26	2.59	0.13	2049.59
2016	969.03	23.18	3210.85	76.82	17.63	0.42	4179.88
2017	1257.29	24.80	3811.93	75.20	147.20	2.90	5069.22

Source: www.rbi.org.in/ (Amount in Billion)

The above table noticed the total amount of NPAs at Nationalized banks in India as on 31st march from 2011 to 2017. And also the above table observed the composition of NPAs of different sector at nationalized banks. During 2011, priority sector share was 55.61 percent, Non-priority sector 43.84 percent and public sector share was 0.55 percent. In the year 2012 priority sector, Non-priority sector and public sector share was 46.96 percent, 51.49 percent and 1.55 percent respectively in the NPAs. In the year 2013priority sector share was 40.16 percent, Non-priority sector share was 58.91 percentand public sector share was 0.9 percent in NPAs, during year 2014 priority sector, Non-priority sector and public sector share was 36.45 percent, 63.46 percent and 0.09 percent respectively. In the year 2015priority sector share was 34.61 percent, Non-priority sector share was 65.26 percentand public sector share was 0.13 percent and in the year 2016 priority sector was 23.18 percent, Non-priority sector share was 76.82 and public sector share was 0.42 percent.In the year 2017priority sector share was 24.80 percent, Non-priority sector share was 75.20percentand public sector share was 2.90 percent in the amount of NPAs of Nationalized banks in India.

It can bededuced that during 2016 and 2017 Non-priority sector share in the amount of NPAs of Nationalized banks is more as compared to priority and public sector and during 2011,2012, 2013 and 2014. Non Priority sector share in the amount of NPAs of Nationalized banks is more as compared to public sector share and priority sector.

Table V: Composition of NPAs of SBI Group – 2011 to 2017

(Amount in Billion)

Bank group/Year	**Priority Sector**		**Non Priority Sector**		**Public Sector**		**Total**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
SBI Group	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**
2011	155.67	51.22	148.26	48.78	0.00	0.00	303.93
2012	233.56	48.44	232.71	48.27	15.88	3.29	482.15
2013	264.42	42.12	361.30	57.55	2.06	0.33	627.79
2014	261.49	32.76	536.68	67.24	0.00	0.00	798.17
2015	256.76	34.93	478.32	65.07	0.00	0.00	735.08
2016	289.06	23.70	930.62	76.30	17.18	1.41	1219.68
2017	352.13	19.80	1425.98	80.20	7.46	0.42	1778.11

Source: www.rbi.org.in/

The above table depicts total amount of NPAs at SBI Group banks in India as on 31st March from 2011 to 2017. The above table also depicts the sector wise share in the amount of NPAs of SBI Group in India. From the above table it is observed that, in the year 2011 priority sector, Non-priority sector and public sector share was 51.22 percent, 48.78 percent and 0 percent respectively. In the year 2012 priority sector, Non-priority sector and public sector share was 48.44percent, 48.27 percent and 3.29 percent respectively. During 2013priority sector share was 42.12 percent, Non-priority sector share was 57.55 percent and public sector share was 0.33 percent in the amount of NPAs of SBI Group banks. In the year 2014 priority sector, Non-priority sector and public sector share was 32.76 percent, 67.24 percent and 0 percent respectively. During the year 2015 priority sector, Non-priority sector and public sector share was 34.93 percent, 65.07 percent and 0 percent respectively. During 2016 priority sector share in the amount of NPAs of SBI Group banks was 23.70 percent, Non-priority sector share was 76.30 percent and Public sector share was 1.41 percent. In the year 2017 priority sector share in the amount of NPAs of SBI Group banks was 19.80 percent, Non-priority sector share was 80.20 percent and Public sector share was 0.42 percent only.

The above table depicts the total amount of NPAs at SBI Group Banks in India as on 31st march from 2011 to 2017. And also the above table depicts the composition of NPAs of different sector at SBI Group Banks. From the above table it can be inferred that during 2011 to 2017Non-prioritysector share was high in generation of amount of NPAs in the SBI Group banks.

Table VI: Composition of NPAs of Public Sector Banks – 2011 to 2018

(Amount in Billion)

Bank group/Year	**Priority Sector**		**Non Priority Sector**		**Public Sector**		**Total**
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**
Public Sector Banks	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**
2011	401.86	53.82	342.35	45.85	2.43	0.32	746.64
2012	557.80	47.57	588.26	50.17	26.56	2.27	1172.62
2013	672.76	40.91	960.31	58.39	11.55	0.70	1644.61
2014	798.99	35.16	1472.35	64.79	1.30	0.06	2272.64
2015	966.11	34.69	1815.98	65.21	2.59	0.09	2784.68
2016	1258.09	23.30	4141.48	76.70	34.82	0.64	5399.57
2017	1609.42	23.50	5237.91	76.50	154.66	2.26	6847.32
2018	1875.11	20.94	7080.90	79.06	173.88	1.94	8956.01

Source: www.rbi.org.in/

The above table portrays the total amount of NPAs at Public sector banks in India. And different sectors contribution to the total NPAs. During the year 2011 priority sector share was 53.82 percent, Non-priority sector share was 45.85 percent and Public sector share 0.32 percent for the total NPAs of 746.64 Billion. In the year 2012 priority sector, Non-priority sector and public sector share was 47.57 percent, 50.17 percent and 2.27 percent respectively. During the year 2013 priority sector, Non-priority sector and public sector share was 40.91 percent, 58.39 percent and 0.70 percent respectively. In the year 2014 priority sector, Non-priority sector and public sector share was 35.16 percent, 64.79 percent and 0.06 percent for the total amount of NPAs of 2272.64 Billion. During the year 2015 priority sector, Non-priority sector and public sector share was 34.69 percent, 65.21 percent and 0.09 percent for the total amount of NPAs of 2784.68 Billion. In the year 2016 priority sector, Non-priority sector and public sector share was 23.30 percent, 76.70 percent and 0.64 percent for the total amount of NPAs of 5399.57 Billion. During the year 2017 priority sector, Non-priority sector and public sector share was 23.50 percent, 76.50 percent and 2.26 percent for the total amount of NPAs of 6847.32 Billion. In the year 2018 priority sector, Non-priority sector and public sector share was 20.94 percent, 79.06 percent and 1.94 percent for the total amount of NPAs of 8956.01 Billion.
It is depicting priority sector, Non-priority sector and public sector share for the amount of NPAs from 2011 to as on 31st march 2018. From the above table it can be inferred that during 2011 to till 2018 priority sector share was high in the NPAs as compared to Non-priority and public sector.

V. CONCLUSION:

NPAs are depleting the capital of the banks and debilitating their monetary quality. It is likewise as much a political and a money related issue. The banks and money related foundations ought to be increasingly proactive to embrace a sober minded and organized non-performing assets the board arrangement where counteractive action of non execution resources gets need. Contrasted with private sector banks, Public sector banks, is more in the NPA level. Public sector banks must take more minds in staying away from any record getting to be NPA by taking legitimaspreventive measures in a proficient way.

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