A COMPARATIVE ANALYSIS OF GROSS AND NET NPA IN SELECTED PRIVATE SECTOR BANKS

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ABSTRACT

In Indian economy, banks play a specific role for the upliftment of the economy. In this case, it is important to check and measure the efficiency and profitability of the banks. So in this study one aspect of profitability is measured which is based on the Non-Performing Assets. Now a day, Indian banking sector has been facing several problems of increasing NPAs. The scope of the study is limited to comparative analysis of NPAs of selected Private Sector Banks covering the period of last financial years.

KEY WORDS - *NPAs, HDFC, ICICI, Axis, ANOVA*

INTRODUCTION

Every country's economic growth and development process depends on their financial system. This financial system mainly includes the banks i.e. Nationalised Banks, Private Banks and Foreign Banks. A well managed and organized banking sector plays an eminent role in the overall growth and development process of any economy. In Indian economy, banks play a specific role for the upliftment of the economy. In this case, it is important to check and measure the efficiency and profitability of the banks. So in this study one aspect of profitability is measured which is based on the Non-Performing Assets.

Non-Performing Assets

The primary function of the banks is to accept the deposit and lending the money. When banks lend the money to the various sectors of the economy sometimes unfortunately banks fail to recover the principal amount and interest amount from the borrowers and it remained overdue this is known as Non-Performing Assets in Banking industry. Now a day, the problem of increasing Non- Performing Assets is a burning and critical issue of today's banking sector. It reflects the performance of the banks because NPA deeply affects the efficiency and profitability of banks.

 As per the prudential norms, all the banks classify NPAs into three categories.

- Sub-standard
- Doubtful Assets
- Loss Assets

REVIEW OF LITERATURE

Aakash Kumar and Dr. G. Vasanthi concluded that profitability and efficiency of banks are majority based on the NPAs. In this study it was found that Foreign Banks are performing well in terms of NPA as they have controlled it. It

is suggested to the Public Sector Banks to adopt all such measures which are applying by the Foreign Banks to reduce the amount of NPA in order to increase the profitability and efficiency.

V. R. Singh concluded that NPA is comparatively very high in public sector banks as compared to the foreign banks. The bank management should speed up the recovery process and a strict policy should be followed for solving the problem of NPAs from the large borrowers. The government should also make more provisions for faster settlement of pending cases and also it should reduce the mandatory lending to priority sector as this is the major problem creating area. So the problem of NPA needs lots of serious efforts otherwise NPAs will keep killing the profitability of banks which is not good for the growing Indian economy at all.

Dr. Preeti Sharma concluded that with the efforts of the government in bringing in a strong backrupcy framework and various regulatory initiatives being taken by the Reserve Bank of India, the effectiveness of the SCs/RCs would improve to a great extent. Also the market participants iron out the frictions which are best resolved among themselves, without looking for regulatory solutions to such issue.

OBJECTIVE OF THE STUDY

The main objective of the present study is to analyse and compare the Gross NPA and Net NPA of the selected private sector banks during the study period of last financial years.

SCOPE OF THE STUDY

The main scope of the study is to analyse the gross and net NPA of only private sector banks. The present study analyse the NPA position through Gross and Net NPA of a limited sample consisting of only five private banks i.e. HDFC Bank, ICICI Bank, AXIS Bank, Kotak Mahindra Bank and

InduInd Bank for the period of last five financial years. As only private sector banks was studied so the findings could only be generalized to this sector.

PERIOD OF THE STUDY

The period of the present study is limited to last five financial years begin from year 2014-15 to year 2018-2019 of the sample banks.

TOOLS USED FOR DATA COLLECTION

The present study is based on secondary data. This study mainly includes the financial data for the period of last five years. This data has been collected from the Annual Reports of the Banks and various websites for the better reliability.

SELECTION OF SAMPLE UNIT

The universe of the study consists of all the banks working in India. Out of all the banks working in India, the sample size of the present study is five private sector banks from Indian Banking Industry. The researcher has randomly selected five private banks i.e. HDFC Bank, ICICI Bank, AXIS Bank, Kotak Mahindra Bank and InduInd Bank for the purpose of the study.

TOOLS AND TECHNIQUES USED FOR DATA ANALYSIS

The present study analyse the financial data with the help of Ratio Analysis and Test of Hypothesis (F-Test One-way ANOVA Table) at 5% level of significance.

HYPOTHESIS OF THE STUDY

The hypothesis of the present study is:

- There is no significant difference in Gross NPAs to Advances of selected unit.
- There is no significant difference in Gross NPAs to Total Assets of selected unit.
- There is no significant difference in Net NPAs to Net Advances of selected unit.
- There is no significant difference in Net NPAs to Total Assets of selected unit.
- There is no significant difference in Gross NPAs Ratio to Net NPAs Ratio of selected unit.

LIMITATIONS OF THE STUDY

- The study period is limited to last five years only.
- The study is limited to the comparative analysis of gross and net NPA of selected private sector banks.
- The study has randomly selected only five private sector banks.
- The findings of the study are based on the secondary data which are collected from the annual publications of banks and the various websites for the better reliability.

DATA ANALYSIS

Table-1 Gross NPAs to Gross Advances Ratio (Figures in %)

	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.9	0.94	1.05	1.3	1.36
ICICI Bank	3.78	5.21	7.89	8.84	6.7
Axis Bank	1.34	1.67	5.04	6.77	5.26
Kotak Mah Bank	1.85	2.36	2.59	2.22	2.14
InduInd Bank	0.81	0.87	0.93	1.17	2.1

Table-2 Table Showing Analysis of Variance (ANOVA) of Gross NPAs to Gross Advances

Sources of Variation	ss	Dof	MS	Fcal	Fcrit
Between Groups	19.28738	4	4.821844	0.77162	2.866081
Within Groups	124.9798	20	6.24899		
Total	144.2672	24			

Table-3 Gross NPA to Total Assets Ratio (Figures in %)

	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.58	0.62	0.68	0.81	0.9
ICICI Bank	2.34	3.71	5.51	6.15	4.8
Axis Bank	0.89	1.16	3.54	4.95	3.72
Kotak Mah Bank	1.17	1.48	1.67	1.44	1.43
InduInd Bank	0.65	0.71	0.75	0.95	1.78

Table-4 Table Showing Analysis of Variance (ANOVA) of Gross NPAs to Total Assets

Source of Variation	ss	Dof	MS	Fcal	Fcrit
Between Groups	10.67326	4	2.668314	0.865117	2.866081
Within Groups	61.68676	20	3.084338		
Total	72.36002	24			

Table-5 Net NPAs to Net Advances Ratio (Figures in %)

	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.2	0.28	0.33	0.4	0.39
ICICI Bank	1.61	2.67	4.89	4.77	2.06
Axis Bank	0.44	0.7	2.11	3.4	2.06
Kotak Mah Bank	0.92	1.06	1.26	0.98	0.75
InduInd Bank	0.31	0.36	0.39	0.51	1.21

Table-6 Table Showing Analysis of Variance (ANOVA) of Net NPAs to Net Advances

Source of Variation	ss	Dof	MS	Fcal	Fcrit
Between Groups	5.900696	4	1.475174	0.797677	2.866081
Within Groups	36.98676	20	1.849338		
Total	42.88746	24			

Table-7 Net NPAs to Total Assets Ratio (Figures in %)

	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	0.15	0.19	0.21	0.25	0.26
ICICI Bank	0.97	1.85	3.3	3.17	1.41
Axis Bank	0.29	0.48	1.43	2.4	1.41
Kotak Mah Bank	0.57	0.66	0.8	0.62	0.5
InduInd Bank	0.24	0.3	0.31	0.95	1.01

Table-8 Table Showing Analysis of Variance (ANOVA) of Net NPAs to Total Assets

Source of Variation	ss	Dof	MS	Fcal	Fcrit
Between Groups	3.339784	4	0.834946	1.0458	2.866081
Within Groups	15.9676	20	0.79838		
Total	19.30738	24			

Table-9 % of Gross NPA to % of Net NPA Ratio (Figures in %)

	2014-15	2015-16	2016-17	2017-18	2018-19
HDFC Bank	4.5	3.36	3.18	3.25	3.49
ICICI Bank	2.35	1.95	1.61	1.85	3.25
Axis Bank	3.05	2.39	2.39	2	2.55
Kotak Mah Bank	2.01	2.23	2.06	2.27	2.85
sInduInd Bank	2.62	2.42	2.39	2.29	1.74

Table-10 Table Showing Analysis of Variance (ANOVA) of Gross NPAs to Net NPAs

Source of Variation	ss	Dof	MS	Fcal	Fcrit
Between Groups	1.40596	4	0.35149	0.759122	2.866081
Within Groups	9.26044	20	0.463022		
Total	10.6664	24			

FINDINGS

The above table shows the Gross and Net NPA Ratios and test of hypothesis One-way ANOVA (F-test). The following are the findings of the study.

Ratio	Fcal	Ftab	Findings
Gross NPAs to Gross Advances Ratio	0.77	2.87	Ho: Accepted There is no significant difference in Gross NPAs to Gross Advances Ratio among the Private Banks.
Gross NPAs to Total Assets Ratio	0.87	2.87	Ho: Accepted There is no significant difference in Gross NPAs to Total Assets Ratio among the Private Banks.
Net NPAs to Net Advances Ratio	0.80	2.87	Ho: Accepted There is no significant difference in Net NPAs to Net Advances Ratio among the Private Banks.
Net NPAs to Total Assets Ratio	1.05	2.87	Ho: Accepted There is no significant difference in Net NPAs to Total Assets Ratio among the Private Banks.
Gross NPAs to Net NPAs Ratio	0.75	2.87	Ho: Accepted There is no significant difference in Gross NPAs to Net NPAs Ratio among the Private Banks.

CONCLUSION

From the above data analysis and finding, a researcher has concluded that there is no significant difference in the Gross NPAs and Net NPAs in the selected Private Sector Banks. Hence, it is suggested that bank should keep control their increasing of NPAs otherwise it will reduce the profitability and soundness of the banks.

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