

POSITION OF NPA IN BANKING SECTOR

Dr. Sangeeta Gupta*
Dilip Gupta**

ABSTRACT

Nonperforming assets now a day is not an uncommon phenomenon even for a man of ordinary prudence. The disaster in banking through NPA is being seen by public in last 1 year, probably never seen in last 5 decades. Specially in the context when public (Specially business group) is trying come out the failure policies of RBI or other agencies such as Demonetization and Implementation of GST without proper platform and planning, the occurrence of NPA in various different sectors with huge amount concentrated by few people has changed the mindset of public towards RBI Independence and its working efficiency. The position of NPA is getting worst. Well in this Article we are going to discuss the position of NPA with comparison between Public and Private Banks.

KEYWORDS: *Non Performing Assets (NPA), Demonetization, Public and Private Banks, Measures.*

Introduction

In India Banking sector is served by two different kinds of Banks. One is Public and other one is private. Although entire Banking industry is governed by RBI and Central Government to some extent, however Public Sector Banks are largely controlled by Government. Is this the reason of having worst position of NPA in Public Banks? Well before answering to this question, it shall be need of discussion that which kind of banks has large volume of NPA's. Here it shall be noted down that one of the major function of the Banks is Accept Deposit and Lend the Money. However Lending is made only out of monies provided by Depositor in form of Deposit. In case Advances given by Banks turns to be NPA, it has a direct effect on Depositors. Bank may show its inability to repay the deposits and may turn into Insolvent. Through this article we will discuss how NPA has increased (or decreased) and a comparison between Public and Private Banks as well as comparison between various years of NPA of Banks.

Non Performing Asset (NPA)

The non performing Asset means when a loan is not repaid by borrower even after its due date. In simple words default in repayment of loan is the cause of becoming NPA. Borrower may do default in repayment due to various reasons such as non availability of funds or unwillingness to repay or fraud. If the credit facility remains outstanding for considerable time (i.e. after due date), then it turns into NPA. Banks and financial institutions mainly depend upon the interest income they earn from advances. If a borrower defaults in repayment not only principal amount delayed also the interest income discontinues. Account becomes NPA in following Manner:

* Associate Professor, Department of ABST, Faculty of Commerce, University of Rajasthan, Jaipur, Rajasthan, India.

** Research Scholar, Department of ABST, Faculty of Commerce, University of Rajasthan, Jaipur, Rajasthan, India.

Type of Loan	Overdue period required to convert the Debt into NPA
Term Loan	Interest and/or principal remain overdue for a period of more than 90 days
Overdraft/Cash Credit	Remains 'out of order' for a period of more than 90 days i.e. either no credit to the Account (in case of overdraft) or interest is not sufficient to cover interest debited or Outstanding balance exceeds the sanctioned limit (in case of Cash Credit) for continuous period of 90 days.
Bills purchased and discounted	Bill remains overdue for a period of more than 90 days
Agricultural Advances	For short duration Crops: Interest and/or principal remains overdue for two harvest seasons or crop season For long duration Crops: overdue Period is one harvest or crop season Note: Long Duration Crops means where crop season is longer than 1 year. A crop which is not a long duration Crop is a short duration Crop.
Securitization Transaction	Amount of Liquidity Facility remains outstanding for more than 90 days
Derivative Transaction	Overdue receivables representing positive mark to market value of a derivative contract remains unpaid for a period of 90 days from the specified date for payment.
Cash Credit	Non submission of Stock Statements for 3 Continuous Quarters in case of Cash Credit Facility.
Any other	Any amount to be received remains overdue for a period > 90 days

Comparison of NPA in Banks

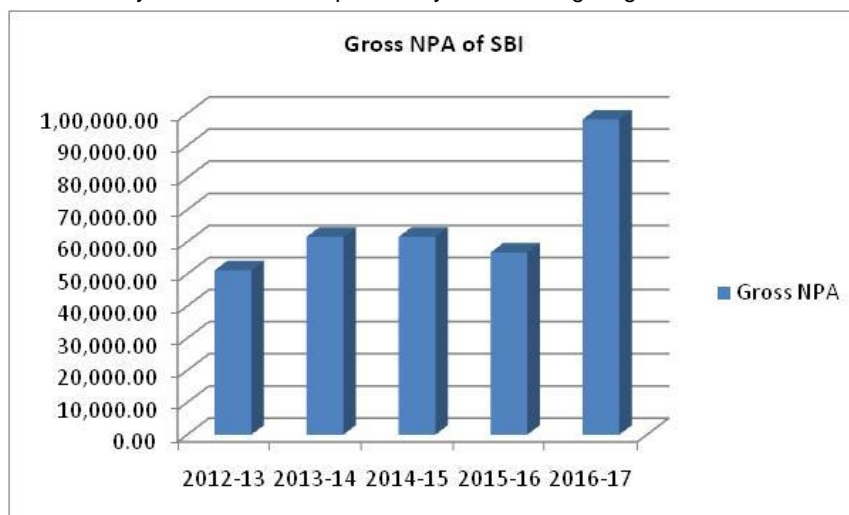
- **Analysis of Gross NPA of State Bank of India**

The analysis of gross NPA of SBI is explained in the following table:

For the Period from 2012-13 to 2016-17

Year	Gross NPA (Rs. in Crores)	Index No 2012-13 = 100
2012-13	51,189.39	100.00
2013-14	61,605.00	120.35
2014-15	56,725.00	120.35
2015-16	56,725.00	110.81
2016-17	98,172.80	191.78

It is clear from the above table that the gross NPA in SBI is marked at 51,189.39 crores in 2012-13 which is marked at lowest range and it was marked highest at 98,172.80 crores in 2016-17 forming a range of 46,983.41 crores. Similarly, the index number of gross NPA is also marked fluctuating during the period of study. It was marked 100 in 2012-13 which increased to 120.35 in 2013-14 and 2014-15; 110.81 in 2015-16 and 191.78 in 2016-17. On the while, the gross NPA is marked fluctuating trend during the period of study. It can also be explained by the following diagram:



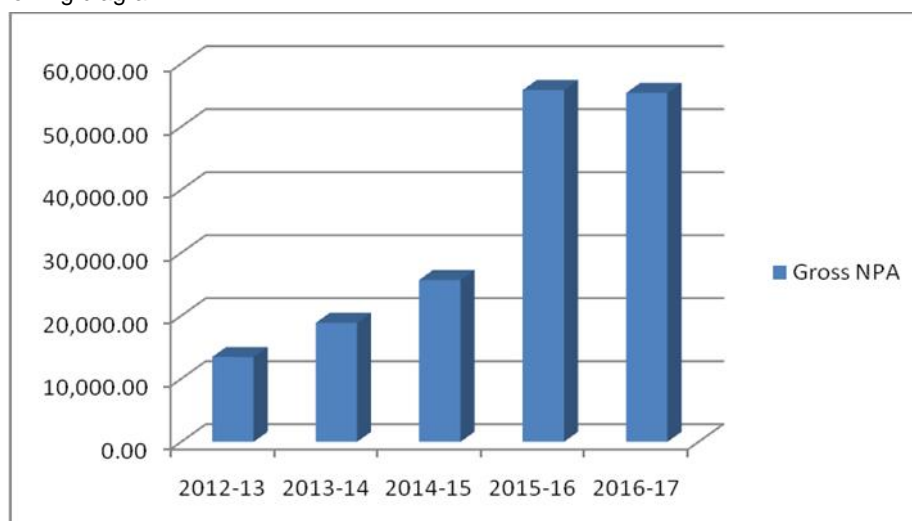
- **Analysis of Gross NPA of Punjab National Bank**

The analysis of Gross NPA is explained in the following table:

For the Period from 2012-13 to 2016-17

Year	Gross NPA (Rs. In Crores)	Index No 2012-13 = 100
2012-13	13,465.79	100.00
2013-14	18,880.06	140.21
2014-15	25,694.86	190.82
2015-16	55,818.33	414.52
2016-17	55,370.45	411.19

It is clear from the above table that the gross NPA in PUNJAB NATIONAL BANK (PNB) is marked at 13465.79 crores in 2012-13 which is marked at lowest range and it was marked highest at 55818.33 crores in 2015-16 forming a range of 42352.54 crores. Similarly, the index number of gross NPA is also marked fluctuating during the period of study. It was marked 100 in 2012-13 which increased to 140.21 in 2013-14 and 190.82 in 2014-15; 414.52 in 2015-1. It decreased to 411.19 in 2016-17. On the while, the gross NPA is marked fluctuating trend during the period of study. It can also be explained by the following diagram:



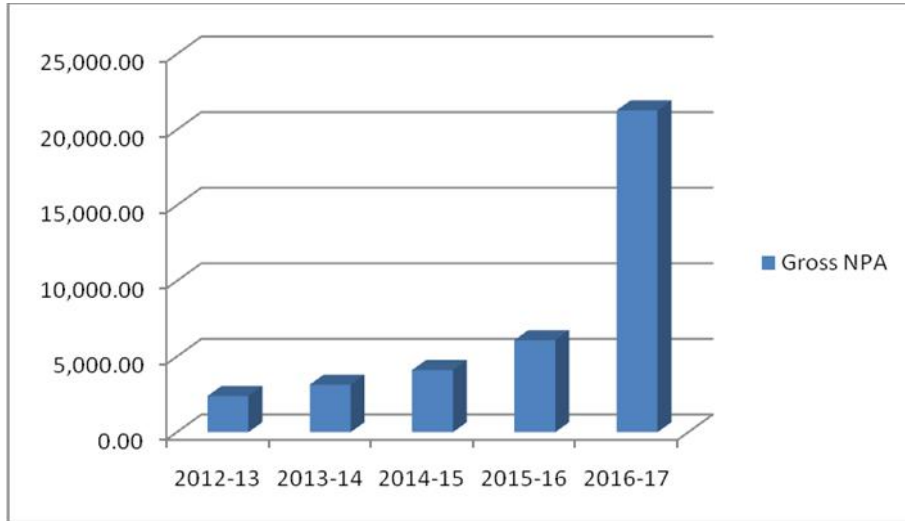
- **Analysis of Gross NPA of Axis Bank**

The analysis of Gross NPA is explained in the following table:

For the Period from 2012-13 to 2016-17

Year	Gross NPA	Index No 2012-13 = 100
2012-13	2,393.42	100.00
2013-14	3,146.41	131.46
2014-15	4,110.19	171.73
2015-16	6,087.51	254.34
2016-17	21,280.48	889.12

It is clear from the above table that the gross NPA in AXIS BANK LIMITED is marked lowest at 2393.42 crores in 2012-13 and highest at 21280.48 crores in 2016-17 forming a range of 18887.06 crores. Similarly, the index number of gross NPA is also marked fluctuating during the period of study. It was marked 100 in 2012-13 which increased to 131.46 in 2013-14; 171.73 in 2014-15; 254.34 in 2015-16 and 889.12 in 2016-17. On the while, the gross NPA is marked fluctuating trend during the period of study. It can also be explained by the following diagram:



• **Analysis of Gross NPA of HDFC Bank**

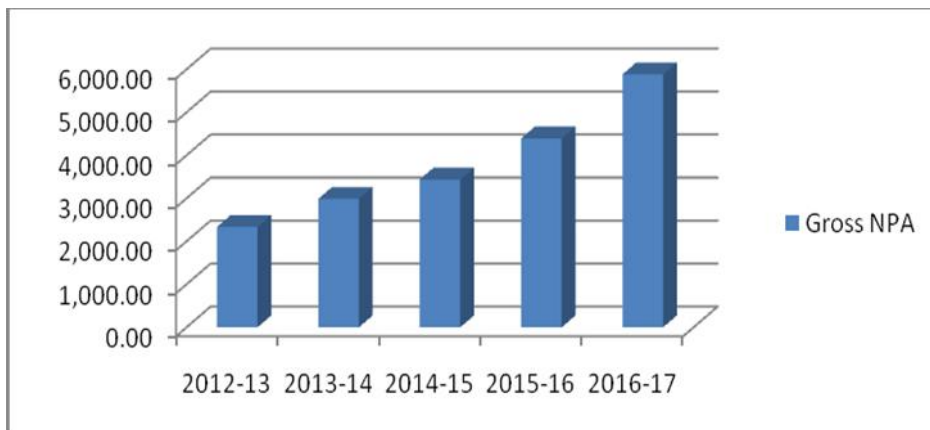
The analysis of Gross NPA is explained in the following table:

**Gross NPA of HDFC Bank
For the Period from 2012-13 to 2016-17**

Year	Gross NPA (Rs. in Crores)	Index No 2012-13 = 100
2012-13	2,334.64	100.00
2013-14	2,989.28	128.04
2014-15	3,438.38	147.28
2015-16	4,392.83	188.16
2016-17	5,885.66	252.10

It is clear from the above table that the gross NPA in HDFC Bank Limited is marked lowest at 2334.64 crores in 2012-13 and marked highest at 5885.66 crores in 2016-17 forming a range of 3551.02 crores. Similarly, the index number of gross NPA is also marked increasing during the period of study. It was marked 100 in 2012-13 which increased to 128.04 in 2013-14; 147.28 in 2014-15; 188.16 in 2015-16 and 252.10 in 2016-17. On the while, the gross NPA is marked increasing trend during the period of study. It can also be explained by the following diagram:

Gross NPA of HDFC BANK LIMITED



Comparative Analysis of Gross NPA

The detailed comparative analysis and interpretation of gross NPA is explained as follows:

For the Period from 2012-13 to 2016-17

Year	SBI	PNB	Axis	HDFC	Highest	Lowest	Range
2012-13	51,189.39	13,465.79	2,393.42	2,334.64	51,189.39	2,334.64	49,537.92
2013-14	61,605.00	18,880.06	3,146.41	2,989.28	61,605.00	2,989.28	59,485.51
2014-15	61,605.00	25,694.86	4,110.19	3,438.38	61,605.00	3,438.38	58,872.22
2015-16	56,725.00	55,818.33	6,087.51	4,392.83	58,818.33	2,945.14	53,779.86
2016-17	98,172.80	55,370.45	21,280.48	5,885.66	98,172.80	5,885.66	94,570.04
Highest	98,172.80	55,818.33	21,280.48	5,885.66	96,521.33		
Lowest	51,189.39	13,465.79	2,393.42	2,334.64			
Range	46,983.41	42,352.54	18,887.06	3,551.02			

It is clear from the above table that the gross NPA in 2012-13 is marked highest at 511189.39 crores in SBI and lowest at 2334.64 crores in HDFC forming a range of 49537.92, while in 2013-14, it was also marked highest at 31605.00 crores in SBI and lowest at 2989.28 crores in HDFC forming a range of 59485.51 crores. In 2014-15, it is marked highest at 55818.33 in PNB and lowest at 3438.38 crores in HDFC forming a range of 58872.22 crores. Similarly, in 2016-17, the gross assets was marked highest at 98172.80 crores in SBI and lowest at 5885.66 in HDFC forming a range of 94570.04 crores. Overall, the range of gross NPA is marked 96521.33 crores during the period of study.

Suggestions

Followings are the main suggestions of the study:

- The researcher feels that recovery of NPA should be mandatory in financial sector in general and in banking sector in particular.
- RNPA should be part of periodical exercise of internal audit in banking industries.
- Banks should take steps to increase the retail advances as the ratio of retail advances to total advances is decreasing all over India.
- Gone are the days when borrowers would queue up at the bank counter for a loan. Now the banks must reach out to the potential borrowers.
- Old commercial banks now take more time to process the loan application than the new generation banks. They should try to reduce the processing time to attract customers.
- Old commercial banks may improve the facilities in the bank like computerization and state-of-the-art technologies on par with new generation banks.
- Physical environment in the old commercial banks need improvement.
- Old commercial banks must ensure the quality of credit and take steps to reduce NPA.
- New generation banks should try to attract the lower income group customers more.
- It is also seen that at the time of sanctioning the loan, the proper study of customers profile is not done and non-creditworthy customers are also sanctioned the loans. This creates maximum NPAs. It is suggested that a strong system of studying customer's profile should be created and only the creditworthy customers should be given the loan.
- In this research work, it is also observed that the banks do not take proper– follow-up after sanctioning the loan. So it is suggested that a mechanism of regular post-sanction follow-up should be established.
- Generally, it is seen that the public sector banks, just to increase the business,– are more enthusiastic while sanctioning the loan. The same enthusiasm is not applied at the time of recovery of loans. This creates maximum chances of NPAs. It is suggested that the public sector banks should create a system of strict recovery of the loans.
- It is also seen that the public sector banks do not have specialized people or department for the recovery of loans and hence their recovery mechanism is less effective as compared to the private sector banks and NBFCs.
- It is suggested that the public sector banks should also appoint specialized person for the recovery or a special department of recovery should be established.

- It is also seen that there is no personal accountability of the staff members who– sanctioned the loans.
- To reduce the chances of NPAs, the sanctioning department should be made accountable for all the loans sanctioned.
- It is observed that in the financial statements the amount of Gross NPAs– Recovered/Write-off/Reduced is given together. This does not show the true financial condition of the banks because it cannot be analyzed that how much NPA was recovered, how much was write-off? And how much was reduced? So the banks are suggested to give separate amount for all the three categories.

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