



“A Study of Non-Performing Assets and its impacts on different Segment of Banking Sector”

Abstract:-

This the era of transformation of highly regulated to liberalization, public sector to private sector and closed economy to globalized economy. This is the new starting era of new private sector banks and foreign banks.

The study is focused on gross npa to gross advances and net npa to net advances. Its covers the research period of 20 years after banking sector reforms started.

Introduction:-

As the process of second banking reforms was going on since 1999, it has proved improvement in the performance of banks and on the other side; many changes have come occurred due to the entry of new banks into the global market.

Since a decade of banking sector reforms has been completed, it was essential to review the various issues of banking sector reforms, especially its post reforms' impact on NPAs. This study was mainly concerned with the efficacy of banking sector reforms, major weak area need to be further considered and some possible reforms need to be added in third reforms.

The present study was concerned with the performance of Indian banking industry under reforms to analyze the efficacy of banking sector reforms. The universe for the study was Indian banking industry. Six major bank groups as defined by RBI were taken for the study. These bank groups were:

- SBI and its associates
- Old private sector banks
- Foreign banks
- Nationalized banks
- New private sector banks

Literature Review:-

Study by (A. Joseph, M. Prakash 2014) has studied to private sector banks, public sector banks NPAs level was more in case of substandard asset and doubtful asset. But in case of standard asset private sector banks remain high which shows a good position of private sector banks and also it show that they have adopted all necessary measures in order to avoid any account becoming NPAs.

The study by (S.S. Prasad, P. Goyal. 2015) revealed that NPA was not the factors which significantly affect the ROCE, ROA and RONW of Vijaya bank. The study concluded that Vijaya bank was effectively able to manage its NPAs resulted in not affecting its profitability.

The study by (R.K. Uppal, P. Khanna, 2015) has analyzed the primary reasons for the growth of NPAs in scheduled commercial banks of Punjab and also suggested the measures for controlling the same. The objectives of study were, to find out the factors that affects the loan repayment capacity of the bank customers.

Objectives of the Study:-

- A Review of Non-Performing Assets and its impacts on different Segment of Banking Sector.

Research Design & Period of the Study:-

The present study was concerned mainly with post-second banking sector reforms period covers 20 years i.e. from 95-96 to 2004-05 and 2005-06 to 2014-15

Gross NPAs to Gross Advances (Percent)

(Rs. In Lakh)

No	YEAR	SBI & ITS ASSOCIATES	NATIONALIZED BANKS	OLD PRIVATE BANKS	NEW PRIVATE BANKS	FOREIGN BANKS	Mean (INCLRRBS)	Mean (3 to 7)	STDEV	C.V.
1	2	3	4	5	6	7	9 (3 to 8)	10 (3 to 7)	11	12
1	95-96	13.97	19.86	8.29	2.53	3.54	9.64	9.64	7.29	75.67
2	96-97	15.3	19.89	8.98	3.75	8.33	11.25	11.25	6.34	56.39
3	97-98	15.52	17.69	10.66	4.89	13.35	12.42	12.42	4.95	39.86
4	98-99	NA	NA	NA	NA	NA	NA	NA	NA	NA
5	99-2000	NA	NA	NA	NA	NA	NA	NA	NA	NA
6	2000-2001	NA	NA	NA	NA	NA	NA	NA	NA	NA
7	2001-2002	9.35	12.25	12.26	7.24	18.97	12.01	12.01	4.43	36.85
8	2002-2003	7.55	10.85	10.48	6.06	20.39	11.07	11.07	5.58	50.47
9	2003-2004	5.44	8.48	8.28	4.17	15.97	8.47	8.47	4.58	54.10
10	2004-2005	3.95	5.71	6.54	4.05	12.7	6.59	6.59	3.59	54.46
AVERAGE	Mean	10.15	13.53	9.36	4.67	13.32				
	95-96 to 99-2000	14.93	19.15	9.31	3.72	8.41				
	2000-01 to 04-05	6.57	9.32	9.39	5.38	17.01				
Growth		-8.36	-9.82	0.08	1.66	8.60				
Growth Rate (%)		-55.98	-51.31	0.86	44.49	102.31				
STDEV		4.80	5.68	1.90	1.56	5.91				
C.V.		47.23	41.94	20.36	33.46	44.40				

Source:-

<http://rbidocs.rbi.org.in/rdocs/Publications/DOCs/HS230211FS.xls> (Accessed on Date:- 17/08/15)

N.A.:- Not Available

(Data compiled and calculated)

Gross NPAs to Gross Advances: It was examined that the gross NPAs to gross advances (percent) showed fluctuating trends in all the banks groups and years under study. It was the least in case of new private sector banks i.e. 4.67 % in entire period. The highest average decreasing by about 56 % in the year of 2000-01 to 04-05 in relation to the year of 95-96 to 99-2000 in case of SBI & its associates followed by nationalized banks with 51%, opposite highest increasing in the case of

foreign banks i.e. 102 % followed by new private sector banks with 44 % where as variations in terms of c.v. was maximum in case of SBI & its associates i.e. 47 %.

In the year of 1995-96 an average percentage of gross NPAs to gross advances were 9.64 %, which decreasing to 6.59 % in 2004-05, whereas variations in terms of c.v. was maximum in the year of 1995-96 i.e. 75.67 %.

Table No:- 2

Net NPAs to Net Advances (Percent)

(Rs. In Lakh)

No	YEAR	SBI & ITS ASSOCIATES	NATIONALISED BANKS	OLD PRIVATE BANKS	NEW PRIVATE BANKS	FOREIGN BANKS	RRB	Mean (INCLRRBS)	Mean	ST DEV	C.V.
1	2	3	4	5	6	7	8	9(3 to 8)	10(3 to 7)	11	12
1	95-96	7.57	10.23	4.56	1.05	1.62	NA	5.01	5.01	3.91	78.12
2	96-97	8.71	10.41	5.29	2.83	5.52	NA	6.55	6.55	3.00	45.82
3	97-98	8.95	9.21	6.25	3.40	6.10	NA	6.78	6.78	2.39	35.19
4	98-99	9.22	8.67	8.02	4.45	6.40	NA	7.35	7.35	1.94	26.34
5	99-2000	7.68	7.47	6.78	3.77	7.33	NA	6.61	6.61	1.62	24.52
6	2000-2001	6.90	7.56	7.47	3.49	7.98	NA	6.68	6.68	1.82	27.31
7	2001-2002	5.11	6.60	7.22	4.49	13.04	NA	7.29	7.29	3.40	46.57
8	2002-2003	3.48	5.04	5.87	4.00	9.30	NA	5.54	5.54	2.30	41.48
9	2003-2004	1.22	3.31	4.04	2.25	7.57	NA	3.68	3.68	2.42	65.89
10	2004-2005	1.40	2.19	2.93	2.06	3.78	NA	2.47	2.47	0.91	36.85
AVERAGE	Mean	6.02	7.07	5.84	3.18	6.86	NA				
	95-96 to 99-2000	8.43	9.20	6.18	3.10	5.39	NA				
	2000-01 to 04-05	3.62	4.94	5.51	3.26	8.33	NA				
Growth		-4.80	-4.26	-0.67	0.16	2.94	NA				
Growth Rate (%)		-57.01	-46.29	-10.91	5.10	54.51	NA				

STDEV	3.05	2.81	1.6 3	1.12	3.08	NA				
C.V.	50.61	39.7 3	27. 96	35.2 0	44.94	NA				

Source:-

<http://rbidocs.rbi.org.in/rdocs/Publications/DOCs/HS230211FS.xls>, Date:-17/08/15
(Data compiled and calculated)

N.A.:- Data not available

Net NPAs to Net Advances: Its showed the trends in Net NPAs to net advances reflecting fluctuating trends in all the banks groups and years under study. It was the least in case of new private sector banks i.e. 3.18 % in entire period. The highest average decreasing by about 57.01 % in 2000-01 to 04-05 in relation to 95-96 to 99-2000 in the case of SBI & its associates followed by nationalized banks with 46.29 %. Opposite the highest increasing in the case of foreign banks i.e. 54.51 % whereas variations in terms of C.V. was maximum in case of SBI & its associates with 50.61 %.

In 1995-96 average ratio was 5.01 % with 78.13 % co-efficient of variations, and decreased half to 2.47 % in 2004-05.

Table No:- 3

Gross NPAs to Gross Advances (Percent)

(Amount In ` Million)

No	YEAR	SBI & ITS ASSOCIATES	NATIONALISED BANKS	OLD PRIVATE BANKS	NEW PRIVATE BANKS	FOREIGN BANKS	private	Mean	ST DEV	C.V.
1	2	3	4	5	6	7	8	10 (3 to 7)	11	12
1	2005-2006	3.37	3.92	4.45	1.67	1.98	2.50	3.08	1.21	39.42
2	2006-2007	2.63	2.74	3.21	1.92	1.79	2.23	2.46	0.59	24.12
3	2007-2008	2.61	2.07	2.28	2.54	1.77	2.51	2.25	0.34	15.14
4	2008-2009	2.49	1.75	2.34	3.10	3.90	2.94	2.71	0.82	30.11
5	2009-2010	2.74	1.97	2.25	2.93	4.37	2.79	2.85	0.93	32.56
6	2010-2011	3.06	1.92	1.97	2.37	2.59	2.29	2.38	0.47	19.82
7	2011-2012	4.19	2.55	1.83	1.98	2.74	1.94	2.66	0.94	35.23
8	2012-2013	4.55	3.30	2.26	1.82	3.03	1.84	2.99	1.05	35.22
9	2013-2014	5.10	4.20	1.97	1.79	3.97	1.83	3.41	1.46	42.80
10	2014-2015	4.39	5.42	2.78	1.99	3.29	2.15	3.57	1.35	37.77
AVERAGE	05-06 to 14-15	3.51	2.99	2.53	2.21	2.94	2.30			
	05-06 to 09-10	2.77	2.91	3.31	2.04	1.85	2.41			

	10-11 to 14-15	4.26	4.81	2.38	1.89	3.63	1.99			
Growth		1.49	1.89	-0.94	-0.16	1.78	-0.42			
Growth Rate (%)		53.78	64.95	-28.22	-7.62	96.52	-17.47			
STDEV		0.96	1.21	0.79	0.50	0.94	0.38			
C.V.		27.33	40.46	31.12	22.67	31.88	16.63			

Source: <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4>

(accessed on Date:-31/12/15) (For advances)

<http://dbie.rbi.org.in/OpenDocument/opendoc/openDocument.jsp>

(accessed on Date:-31/12/15) (For GNPA)

(Data compiled and calculated)

Gross NPAs to Gross Advances: It was examined that the gross NPAs to gross advances (percent) showed fluctuating trends in all the banks groups and years under study. It was the least in case of new private sector banks i.e. 2.21% in entire period. The highest negative growth rate about 28.22% in the year of 10-11 to 14-15 in relation to the year of 05-06 to 09-10 in case of old private sector banks followed by new private sector banks with 7.62%, opposite highest increasing in the case of foreign banks i.e. 96.52% followed by nationalized banks with 64.95% where as variations in terms of c.v. was maximum in case of nationalized banks i.e. 40.46%.

In the year of 2005-06 an average percentage of gross NPAs to gross advances were 3.08%, which was increasing to 3.57% in 2014-15, whereas variations in terms of c.v. was maximum in the year of 2013-14 i.e. 42.80%.

Table No:- 4

Net NPAs to Net Advances (Percent)

(Amount In ` Million)

No	YEAR	SBI & ITS ASSOCIATES	NATIONALISED BANKS	OLD PRIVATE BANKS	NEW PRIVATE BANKS	FOREIGN BANKS	PRIVATE	Mean	ST DEV	C.V.
1	2	3	4	5	6	7	8	10 (3 to 7)	11	12
1	2005-2006	1.63	1.16	1.73	0.77	0.83	1.01	1.22	0.45	36.37
2	2006-2007	1.32	0.94	0.95	0.96	0.73	0.97	0.98	0.21	21.54
3	2007-2008	1.43	0.77	0.65	1.19	0.77	1.09	0.96	0.33	34.44
4	2008-2009	1.47	0.68	0.87	1.40	1.81	1.29	1.24	0.46	37.29
5	2009-2010	1.50	0.91	0.76	1.09	1.82	1.03	1.22	0.44	36.00
6	2010-2011	1.49	0.92	0.49	0.56	0.67	0.56	0.83	0.40	48.87
7	2011-2012	1.76	1.44	0.58	0.42	0.61	0.46	0.96	0.60	62.02
8	2012-2013	2.04	2.00	0.91	0.45	1.01	0.52	1.28	0.71	55.22

9	2013-2014	2.67	2.51	0.96	0.57	1.09	0.66	1.56	0.96	61.68
10	2014-2015	2.23	3.23	1.41	0.76	0.54	0.89	1.63	1.11	68.04
AVERAGE	05-06 to 14-15	1.75	1.46	0.93	0.82	0.99	0.85			
	05-06 to 09-10	1.47	0.89	0.99	1.08	1.19	1.08			
	10-11 to 14-15	2.04	2.02	0.87	0.55	0.78	0.62			
Growth		0.57	1.13	-0.12	-0.53	-0.41	-0.46			
Growth Rate (%)		38.51	126.74	-12.25	-49.10	-34.40	-42.73			
STDEV		0.43	0.86	0.38	0.33	0.47	0.28			
C.V.		24.60	58.75	40.94	40.82	47.28	33.10			

Source:-

<http://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!4>

(Accessed on Date:-31/12/15) (for advances)

<http://dbie.rbi.org.in/OpenDocument/opendoc/openDocument.jsp>

(Accessed on Date:-31/12/15) (for NNPA)

(Data compiled and calculated)

Net NPAs to Net Advances: It's showed the trends in net NPAs to net advances reflecting fluctuating trends in all the banks groups and years under study. It was the least in case of new private sector banks i.e. 0.82 % in entire period. The highest negative growth rate about 49.10 % in 10-11 to 14-15 in relation to 05-06 to 09-10 in the case of new private sector banks followed by foreign banks with 34.40 %. Opposite the highest increasing in the case of nationalized banks i.e. 126.74 % whereas variations in terms of C.V. was maximum in case of nationalized banks with 58.75 %.

In the year of 2005-06 an average percentage of net NPAs to net advances were 1.22%, which increasing to 1.63% in 2014-15, whereas variations in terms of c.v. was maximum in the year of 2014-15 i.e. 68.04%.

References

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