A Study of Non-Performing Assets in Some Selected Private Sector Banks in India

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Abstract:
When the funds lent by the bank become doubtful or irrecoverable, it is termed as non-performing assets (NPAs). Banks are required to make provisions for such NPAs. RBI has issued guidelines for the provision for NPAs. NPAs are considered as an important measuring rod to judge the performance and financial health of banks. The level of NPAs is one of the drivers of financial stability and growth of the banking sector. It was observed that the NPA affects the banks on micro and macro level.

Keywords: *Gross NPA, Net NPA, NPA, Private Sector Banks, Total Assets*

1. Introduction

For the banking sector, efficient management of its assets is of principal importance because banks are the custodians of public funds and they lend other people's money. To protect the interest of the public as well as the banks itself, deliberate efforts are needed for efficient asset management. If the assets and liabilities of the banks are not managed in well manner, it can cause a serious problem for bank as well as for the society as a whole. Such assets are generally termed as "Non-Performing Assets‟.

2. Meaning of NPA

A non-performing asset in the banking sector was termed as an asset not contributing to the income of the bank. In other words it is a "zero-yielding asset‟. The zero-yielding assets include surplus cash and banker's balance held over the norms, amount lying in suspense account, investments in shares or debentures of companies not yielding any dividend or interest, advances where interest is not realized and even the principal amount is difficult to recover.

3. Review of Literature

Chari, P.S.V. and Narasimham, P.S. (2002) revealed that among various other aspects of performance of co-operative banks, recovery performance is the major eligibility criterion for co-operatives to obtain re-finance from the apex bank. NPAs impair their capacity to obtain re-finance. The increase in quantum of NPAs would out do the actual expansion of credit in real money terms.

Das, S. and Bose, S.K. (2005) elaborated while there have been several schemes in the past to facilitate the recovery from NPAs, the success of such efforts in terms of NPAs reduction has been far from satisfactory. It was hoped that SARFAESI Act would greatly help banks to reduce and recover money from NPAs. Nonetheless, the recent developments have also brought out the limitations of the act, thereby creating apprehensions amongst banks and financial institutions.

Jaysree, M. and Radhika, R. (2011) studied the trends in non-performing assets of Indian banks and made a comparison of public sector banks, old private sector banks, new private sector banks and foreign banks. The article attempted to establish relationship between net profit and NPAs and total advances. It was concluded that the increasing level of NPAs is a serious matter of concern for Indian banking sector.

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Raval, Manish (2015) in his book "Non-Performing Assets – An Overview of Indian Banking Sector", describes different types of risks associated with banking sector and reasons of NPAs in Indian Banking Sector. He has studied various measures to curb the NPAs in Banking Sector.

4. Objective of the Study

1. To get the idea the about Gross NPA to Total Assets among private sector banks.
2. To get the idea the about Net NPA to Total Assets among private sector banks.

5. Hypotheses

For the analysis of following two ratios:
1) Gross NPAs to Total Assets Ratio
2) Net NPAs to Total Assets Ratio
H_{0R}- There is no significant difference in Six years among two ratios.
H_{0C}- There is no significant difference in the four private sector banks among two ratios.

6. Period of the Study

The present research is focused on productivity of employees in the public sector and private sector banks for the period of 6 years from 2008-09 to 2013-14. There is no special reason to consider this period as the period of study. But to derive perfect conclusion of the study and to cover all aspects of changes in NPA in commercial banks, this period is quite fit. So, to make the present study fruitful, the researcher has selected the above mentioned period.

7. Sample Selection

To justify the research title, the researchers have selected a sample of approximately 20% from private sector banks. The researchers have used lottery method to select the sample banks for the present study. For Study 4 banks are selected by the researchers. The banks covered under the sample are viz. Axis Bank, Indusind Bank, Kotak Mahindra Bank and YES Bank.

8. Data Collection

For the present study, the data is collected from the secondary sources only. The data is collected from the IBA websites, RBI websites and Performance highlights of public sector banks and private sector banks published by IBA. The following table shows the Total Assets, Gross NPA and Net NPA of the sampled units.

Table 1: A Table Showing Total Assets

	2009	2010	2011	2012	2013	2014
Axis Bank Ltd.	147722	180648	242713	285,628	340,561	383,245
Indusind Bank Ltd.	27615	35370	45636	57,596	73,307	87,026
Kotak Mahindra Bank Ltd.	28712	37436	50851	65,667	83,694	87,585
YES Bank	22901	36383	59007	73,662	99,104	109,016

Table 2: A Table Showing Gross NPAs

	2009	2010	2011	2012	2013	2014
Axis Bank Ltd.	898	1318	1599	1,806	2,393	3,146
Indusind Bank Ltd.	255	255	266	347	458	621
Kotak Mahindra Bank Ltd.	689	767	603	614	758	1,059
YES Bank	85	60	81	84	94	175

Table 3: A Table Showing Net NPAs

	2009	2010	2011	2012	2013	2014
Axis Bank Ltd.	327	419	410	473	704	1,025

Indusind Bank Ltd.	179	102	73	95	137	184
Kotak Mahindra Bank Ltd.	397	360	211	237	311	574
YES Bank	41	13	9	17	7	26

9. Tools and Techniques

To arrive at concrete solution for the research hypothesis, the researchers have used various accounting and statistical techniques. For the purpose of present research, the researchers have taken into consideration the technique of ratio is used. The collected data transferred in to various ratios i.e. Gross NPAs to Total Assets ratio, Net NPAs to Total Assets ratio. After conversion of data in to various ratios, these ratios are tested with F test through two way ANOVA table.

10. Limitation of the Study

1. The present study is focused on the period of 6 years from 2008-09 to 2013-14, which does not reveal the effect of the other period of time measurement.
2. As the research is based on secondary sources of the data, the limitations of secondary sources of data automatically applicable to this research.
3. There are other measures of NPA too, but in the present study, the researcher has analyzed the NPA on the basis of Gross NPA to Total Asset and Net NPA to Total Asset.
4. The study is based on selected private sector banks; hence the generalization of the result of the study and universal application is not possible.

11. Data Analysis

11.1 Gross NPA to Total Assets Ratio

H_{0R}: There is no significant difference in Six years.
H_{0C}: There is no significant difference in four private sector banks as far as Gross NPAs to Total Assets Ratio are concern.

Table 4: A Table Showing Gross NPAs to Total Assets Ratio

	2009	2010	2011	2012	2013	2014
Axis Bank Ltd.	0.608	0.730	0.659	0.632	0.703	0.821
Indusind Bank Ltd.	0.923	0.721	0.583	0.602	0.625	0.714
Kotak Mahindra Bank Ltd.	2.300	2.049	1.186	0.935	0.906	1.209
YES Bank	0.371	0.165	0.137	0.114	0.095	0.161

Table 5: A Table Showing Analysis of Variances

Source of Variation	Sum of squares	Degree of freedom	Sum of squares of means	Fcal.	F tab.
Due to Banks(SSR)	4.810	3	1.603	20.647	3.287
Due to Years(SSC)	0.762	5	0.152	1.963	2.901
Due to Error	1.165	15	0.078		
Total(SST)	6.737	23			

Analysis

H_{0R} is **Rejected,** hence there is significant difference in six years at 5% level of significance.
H_{0C} is **Accepted**, hence there is no significant difference in the 4 private sector Banks at 5% level of significance.

11.2 Net NPA to Total Assets Ratio

H_{0R}: There is no significant difference in Six years.
H_{0C}: There is no significant difference in four private sector banks as far as Net

NPAs to Total Assets Ratio are concern.

Table 6: A Table Showing Net NPAs to Total Assets Ratio

	2009	2010	2011	2012	2013	2014
Axis Bank Ltd.	0.221	0.232	0.169	0.165	0.207	0.267
Indusind Bank Ltd.	0.649	0.288	0.160	0.164	0.187	0.211
Kotak Mahindra Bank Ltd.	1.382	0.962	0.415	0.361	0.372	0.655
YES Bank	0.180	0.036	0.016	0.024	0.007	0.024

Table 7: A Table Showing Analysis of Variances

Source of Variation	Sum of squares	Degree of freedom	Sum of squares of means	Fcal.	F tab.
Due to Banks(SSR)	1.352	3	0.451	13.853	3.287
Due to Years(SSC)	0.557	5	0.111	3.426	2.901
Due to Error	0.488	15	0.033		
Total(SST)	2.397	23			

Analysis

H_{0R} is **Rejected,** hence there is significant difference in six years at 5% level of significance.

H_{0C} is **Rejected,** hence there is significant difference in the 4 Private sector Banks at 5% level of significance.

12. Findings

The researcher observed significant difference in the Gross NPAs to Total Assets ratio during the period of study. In case of Net NPAs to Advances Ratio, the researcher observed that the significant difference is lies within the sample and between the samples. At present the problem of mounting NPAs is one of the critical issues for the banking sector. Some serious actions are required to curb the mounting NPAs.

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