

**A**  
**REPORT ON**  
**NON-PERFORMING ASSETS IN THE INDIAN BANKING SECTOR - AN**  
**ANALYTICAL AND COMPARATIVE STUDY BETWEEN PUBLIC AND**  
**PRIVATE SECTOR BANKS**

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**UNDER THE GUIDANCE OF Dr. AKHIL MP**

A DISSERTATION REPORT SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION



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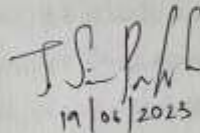
**MASTER OF BUSINESS ADMINISTRATION PROGRAMME**

**Declaration**

This is to declare that the report entitled "**NON-PERFORMING ASSETS IN THE INDIAN BANKING SECTOR - AN ANALYTICAL AND COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE SECTOR BANKS**" is prepared for the partial fulfillment of the **Dissertation** course in Semester IV of the MASTER OF BUSINESS ADMINISTRATION by me under the guidance of Prof. Dr. AKHIL MP

I confirm that this dissertation truly represents my work. This work is not a replication of work done previously by any other person. I also confirm that the contents of the report and the views contained in these have been discussed and deliberated with the faculty guide.

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## Certificate

This is to certify that Mr. SIVA PRAKASH J Registration. No. 2021MMBA07ASB261 has completed the dissertation titled NON-PERFORMING ASSETS IN THE INDIAN BANKING SECTOR - AN ANALYTICAL AND COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE SECTOR BANKS under my guidance for the partial fulfillment of the **Dissertation** course in Semester IV of the MASTER OF BUSINESS ADMINISTRATION.

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**Non-performing Assets in the Indian Banking Sector - An Analytical and  
Comparative Study Between Public and Private Sector Banks**

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## **EXECUTIVE SUMMARY**

Among the risks banks face are market risk, interest rate risk, liquidity risk, and borrower risk. One of the most significant threats the bank faces is when borrowers default on loans and advances. Most deposit funds are used for investments in loans and advances. Consequently, a new standard for evaluating financial institutions has been established. Using an empirical approach, we compare the performance of public and private sector banks in terms of NPA profitability metrics. NPAs are a sign of how well a bank is working. Banks' ability to make money is significantly impacted by the frequency of NPAs. Non-performing resources (NPAs) adversely affect a bank's productivity and net worth since they mirror a high pace of credit defaults. The NPA infection affects banks no matter how you look at it. The purpose of this article is to evaluate the operational performance of a few PSBs and private banks in India and examine how effectively they manage non-performing assets (NPA).

One of the biggest issues Indian banks are experiencing right now is non-performing assets. Nonperforming assets are an indicator of a bank's success. Banks' bottom lines and access to funds are impacted. A persistent issue for the Indian banking system is the growth of non-performing assets. The bottom line of banks suffers as nonperforming loans rise. To lower overall profitability and shareholder value, allocations are required. The nonperforming asset crisis has implications for both banks and the whole economy. Non-performing assets (NPA) of public and private Indian banks are compared over a five-year period in this article. The nature and scope of nonperforming loans in Indian financial institutions, as well as the factors that have contributed to their recent growth. The process of recovering nonperforming loans (NPLs) in both public and commercial banks has been investigated.

Non-performing assets are a big issue for Indian financial institutions. NPA is a metric used to evaluate bank efficiency. A high NPA indicates that borrowers are not paying back their loans, which may have a negative impact on a bank's bottom line and asset value. High nonperforming asset levels have an adverse effect on the liquidity and profitability of banks, threatening their very existence. The enormous and large NAPs have created serious problems for the Indian banking system. Nonperforming assets have a direct impact on a bank's bottom line.

**CHAPTER -1**  
**INTRODUCTION**

## 1.1. Background and Context

In 1991, during the first stage of financial liberalization, this was a dramatic shift in the banking industry that had repercussions for credit management. Prior to 1991, the Indian banking industry prioritized meeting performance objectives including expanding their branch networks, improving rural regions, favoring specific firms in their loans, creating more jobs, etc. above maintaining high-quality assets. Banks' principal role has always been to provide credit to a wide range of industries and markets, but in recent years, they've taken on a more conventional appearance and feel. The cause for this is the growing problem of non-performing assets (NPAs) in Indian financial institutions. In banking and finance, non-performing assets (NPAs) are a common word.

When a lender has not received payment from a borrower after 90 days, the outstanding balance is considered an NPA. Commercial banks (including public and private banks as well as international banks), regional rural banks (RRBs), cooperative banks, payments banks, etc. make up India's banking system. India is presently among the world's top 10 biggest economies thanks in significant part to the 1969 and 1980 nationalizations of 14 banks. Non-performing assets (NPAs), often known as bad loans, are the most troublesome assets for any financial institution. A loan is regarded to be in default if the borrowers fail to make at least one required payment toward the loan's principal or interest. According to the RBI's definition, nonperforming assets are loaning whose interest or principal payments are more than 90 days past due as of the end of a calendar quarter.

Branch development, deposit mobilization, and loan maximization were the primary areas of post-nationalization banking sector expansion in India. However, credit management and control were the least emphasized of the three. Banking in India dates to the latter ten years of the eighteenth century, when both public and private banks played important roles in the developing economy of the country. The Indian banking industry has expanded into areas such as commercial banking, leasing, home finance, mutual funds, and venture capital. The banking industry is presently undergoing change and has several novel deposit withdrawal options available.

Banks provide their clients with a variety of valuable services, such as the issuance of money orders, traveler's cheques, gift cheques, the protection of assets, and the use of cutting-edge banking facilities. The banking business has changed drastically since liberalization and reforms

in the financial sector began in 1991. The primary goal of the ongoing efforts to reform and strengthen the financial sector is to increase the sector's efficacy, effectiveness, convenience, and output. The expansion of every economy requires a financially secure and robust system. Many industries were hurt heavily by the financial meltdown. The problem of non-performing assets (NPA) is a major issue for Indian banks right now. Credit defaults are more likely to occur at financial institutions with significant NPAs, lowering their profits, net worth, and asset value.

Credit facilities while interest and/or repayments are "in arrears" for a certain time are an example of a non-performing asset. Loans that are in default or are late with principle or interest payments are placed in this category in the official records of financial institutions.

### **Types of Non-Performing Assets**

According to RBI guidelines, the total of all loan assets that are nonperforming as of the balance sheet date constitutes Total NPA. An institution's total NPA is indicative of the loan products it provides. All assets that are not considered "normal" fall under this category.

#### Different Assets

**Standard Assets:** The bank considers a loan to be a "Standard Asset" if the borrower consistently pays his debts on time and in full. All those resources the term "Standard Assets" refers to assets for which the bank routinely receives interest and the loan's principle from the customer. These assets are not actually NPAs because they contain regular risks. Therefore, Standard Assets do not require any extra provisions.

**Sub-standard Assets:** Sub-standard assets include any loans or advances that are still in default after a year.

**doubtful Assets:** An asset that is non-performing for more than a year must be classed as a doubtful asset.

**Loss Assets:** All those assets which cannot be recovered are called as Loss assets.

### **Reasons for NPA**

1. Diversification of finances into fraudulent or unrelated ventures.
2. Failures to exercise due care.

3. Business losses brought on by modifications to the regulatory or commercial environment.
4. Low morale, especially following government loan forgiveness programs.
5. A local, regional, or global financial crisis that strains a company's balance sheet and, ultimately, prevents it from making interest and loan payments by eroding margins and profits. (For instance, the world financial crisis of 2008).
6. A slowdown in a particular industrial sector affects businesses these and may lead to bankruptcy of some of them. For example, the Indian economy experienced a recession after 2020, which accelerated the growth of NAPs.
7. As a result of corporate malfeasance such as willful defaulters and willful incompetence.
8. Due to weak governance and policy deadlock, loans become non-performing assets, delaying project schedule and development. Using the infrastructure sector as an example.
9. Fierce competition in every sector of the market. Let us take the telecom sector in India as an example.
10. Inability to purchase property due to environmental, social, political, and cultural concerns.
11. Dishonest loan strategy involving secret money transfers.
12. As a result of natural disasters including earthquakes, tsunamis, disease outbreaks, floods, and droughts.

### **Impacts of NPA**

1. Lenders' profit margins have shrunk.
2. Stress in the banking sector reduces the amount of funds available to support othis programs, which adversely affects the overall national economy.
3. To maintain the profit margin, banks set high interest rates.
4. When it comes to public sector banks, their poor performance reduces returns to shareholders, which in turn reduces the amount of money the Indian government receives in dividends. Transfer money from valuable programs to potentially unwanted programs. Stagnation of investment may result in unemployment. Stagnation of investment may result in unemployment. Investors are not getting optimal returns, which has a negative social and political impact on infrastructure financing and general distribution of social development.

5. Investors are not getting proper returns.
6. Compressed balance sheets in the corporate and financial sectors are a hallmark of balance sheet syndrome with Indian characteristics that halt business operations.
7. The cases involving the National Assistance Assistants put additional pressure on the still ongoing legal issues. Investment based development approach.

### **Measures taken to tackle NPA.**

India's experience with NPAs is not new and the government has already made some changes in the regulatory, economic and policy environment. To address the NAPs, the Narsimha Commission issued several reform proposals in 1991. Some of them have been used in real situations.

### **1993 Debt Recovery Tribunals (DRTs)**

To speed up the case resolution process. The Banks and Financial Institutions Debt Recovery Act 1993 applies to them. However, cases may drag on for more than two to three years in many places as they are not adequate. To speed up the case resolution process. The Banks and Financial Institutions Debt Recovery Act 1993 applies to them. However, cases may drag on for more than two to three years in many places as they are not adequate.

### **2000 Credit Bureau**

To reduce the number of nonperforming loans (NPAs), a dependable information system is necessary. As a result of collecting and disseminating data on declared defaulters and willful evaders, the system aids financial institutions.

### **2001 Luke Adalat**

They are useful in managing and recovering small debts, but as per RBI regulations framed in 2001, Rs. Only up to 5 are allowed to avail loans. These are useful because those are fewer cases in the courts, which is useful.

### **2001 Settlement Settlement**

It is Rs. Provides general non-performing asset recovery (NPA) technique for loans below 10 crores. Defaults and willful fraud are excluded, although they include claims before courts and DRTs (Debt Recovery Tribunals).

## **Sarfaesi Act 2002**

Banks and this monetary associations may now gather terrible obligations without falling back on the legal framework on the grounds that to the Securitization and Recreation of Monetary Resources and Implementation of Safety Premium Demonstration (SARFAESI) of 2002. the purchase and sale of secured assets in NPA accounts that are in default and have a total of at least Rs. 1. A sign should be put up first by the bank. These are two possible outcomes for the borrower: A. Collateralize. or 2. having a say in who runs the lending company.

### **3. Name the person responsible for the problem.**

Moreover, the Act was amended last year to speed it up.

## **Property Reconstruction Works, 2002**

After the 2002 amendment of the Sarfaesi Act, the Reserve Bank of India issued licenses to 14 new ARC agencies. These companies are established to compensate for the lost value from bad loans. Prior to the implementation of this Act, creditors had to go through a lengthy court process to enforce their security interests.

## **Corporate debt restructuring in 2005.**

It attempts to pay off the obligation weight of the organization by decreasing the rates charged and broadening the period during which the organization needs to reimburse the responsibility.

## **2014 Mutual Lenders Forum**

It came clean, naming every PSB that had a hard loan. It is in place to ensure that no one borrower receives funding from more than one financial institution. It was developed to eliminate the practice of using funds from one financial institution as collateral for a loan to another.

## **2015 Asset Quality Review**

Classifying stressed assets and allocating funds to them to preserve long-term viability of banks. It is also important to catch them early, to prevent them from becoming infected.

The article Bad Banks – 2017 is about creating a distressed bank that takes all the stressed loans and manages them under receivables rules and practices. This will improve the financial statements

of financial services banks and enable them to continue to support development initiatives. Financing of new initiatives.

<b>TOP 5 PUBLIC BANKS</b>	<b>TOP 5 PRIVATE BANKS</b>
SBI	HDFC
CANARA	ICICI
BANK OF BARODA	AXIS
PUNJAB NATIONAL	KOTAK MAHINDHRA
INDIAN	IDFC

### **SBI Bank:**

Fortune 500 State Bank of India (SBI) is a law firm that provides banking and financial services to the public sector in India, headquartered in Mumbai. SBI is the most trusted bank for Indians due to its long history of over 200 years.

SBI, India's largest bank with a quarter of the market share, serves more than 45 crore customers through a massive network of over 20,000 branches and 62,600 ATMs. The Bank's continued focus on innovation and customer focus is driven by the core principles of service, transparency, ethics, civility, and sustainability.

### **Canara Bank**

Canara Bank was established in July 1906 in Mangalore, a small port city in Karnataka, by Mr. Amimbal Subba Rao Pai, a notable thinker and philanthropist. One of Canara Bank's best-known qualities is how well it serves its customers. After 100 years in business, the bank has reached every milestone along its evolution path. As a result of its rapid expansion and subsequent nationalization in 1969, Canara Bank is now a major operator on a national scale. The bank really started to expand its services in the 1980s.

### **Bank of Baroda**

Bank of Baroda (BOB) was founded on July 20, 1908, and is a government-owned bank and financial services provider based in Vadodara (formerly called Baroda), Gujarat, India. The government has declared that as of April 1, 2019, Bank Vijaya, Bank Dina, and Bank of Baroda would all be merged under the AMF scheme. Bank of Baroda, one of the major banks in India, as of September 2019 has 9,444 branches, 13,155 ATMs, and self-service channels for the circulation of cash. The Bank has a sizable international footprint because of its extensive network of local branches and affiliates in 21 different countries.

### **Punjab National Bank**

New Delhi is home to Punjab Public Bank (PNB), a public area bank. In May of 1894, the bank was established. Furthermore, presently positions second in network size and third as far as turnover among public area banks in India. Twelve thousand, two hundred and forty-eight branches and thirteen thousand or more ATMs serve more than one hundred and eighty million customers.

### **Indian Bank**

Indian Bank, which was first established on August 15th, 1907, as a part of the Swadeshi movement, has come a long way and is now regarded as one of India's top public sector banks. With our main office in Chennai, we have twenty thousand strong and diverse employees who provide you with the best in traditional and modern banking. We serve customers in the retail, agricultural, corporate, institutional, and SME domains thanks to our extensive national reach and strong international ties via correspondent banks in seventy-two countries, in addition to our branch presence in Singapore and Sri Lanka. With two subsidiary firms, Indbank Merchant Banking Services Ltd., and IndBank Housing Ltd., we have diversified our banking operations.

### **HDFC Bank**

Mumbai is home to the headquarters of the Indian financial services company HDFC Bank Limited, or HDB for short. Its market value places it as the ninth-largest bank in the world as of April 2021. It also has the most assets of any private sector bank in India. It is the third-largest company that trades on India's stock exchanges and has a market capitalization of \$127 billion. It is the fifteenth largest employer in India with just over 50,000 employees.

### **ICICI Bank**

ICICI Bank Limited, a global bank with its headquarters in Mumbai, provides financial services. It can offer a full range of banking products and financial services to both corporate and individual customers thanks to its numerous delivery channels and subsidiaries focused on investment banking, life and non-life insurance, venture capital, and asset management.

This global money bunch for improvement has 16,650 ATMs and 6,000 branches all through India.

### **Axis Bank**

Pivot Bank, one of India's driving confidential area banks, offers a full scope of banking items and administrations. Since its founding in 1993, the bank has grown to become a major player in India's banking sector. Retail banking, corporate banking, treasury management, and loan solutions are just a few of the many financial services offered by Axis Bank. The bank's wide branch and ATM network all through the nation gives advantageous admittance to its administrations for clients.

Hub Bank's overall profile has likewise developed thanks to the foundation of branches and delegate workplaces in a developing number of nations. To better serve its global clientele, it has established strategic alliances and relationships with foreign banks.

### **Kotak Mahindra Bank**

One of the top private sector banks in India, Kotak Mahindra Bank is renowned for its broad array of financial services and creative solutions. Since its establishment in 1985, the bank has expanded quickly to establish a solid reputation in the Indian banking sector.

Personal banking, corporate banking, wealth management, and investment banking are just a few of the numerous banking services that Kotak Mahindra Bank provides. It provides tailored solutions to help people, organizations, and institutions meet their financial objectives. Customer service is a priority for Kotak Mahindra Bank, and it has won praise for its dedication to excellence. Its extensive nationwide network of branches and ATMs ensures customers' accessibility and convenience.

### **IDFC**

An Indian financial organisation called IDFC (Infrastructure Development Finance Company) offers a variety of banking and financial services. It was established in 1997 with the intention of funding and supporting India's infrastructure development.

As a scheduled commercial bank, IDFC provides services like project financing, corporate banking, wholesale banking, and retail banking. The bank specialises in providing financial solutions to support the expansion and development of industries like energy, transportation, telecommunications, and urban infrastructure.

**CHAPTER: 2**  
**LITERATURE REVIEW**

## LITERATURE REVIEW

**(2014) Monica Singla and Sonia** According to the "Empirical Study on Bank's Non-Performing Assets" by Narula, the link between gross advances, net interest, and NPAs is unfavorable since it is positive. The bank has NPA because it is unable to provide loans to new clients.

**Rishabh Uday Dewanshu Yashgoyal, M.D.D.** According to research by Nizam Siddiqui and Lata Dhruv (2020), nonperforming loans have a negative impact on banks' ability to make money. Public sector banks are outperforming private sector banks in terms of nonperforming loans. Banks and this financial institutions may handle NPAs more efficiently if they place a greater emphasis on practical and methodical approaches to preventing NPAs. Steps should be taken by public sector banks to prevent any account from being NPA.

**(2014) N. Arora and N. Ostwal** This article compares the ways in which public and private banks categorize and value their loan assets. Banks and other financial institutions still worry about nonperforming loans (NPAs), and the ratio of NPAs at public sector banks is greater than at private sector banks, according to research.

**Santosh Shah and Dhruv Sharma (2019)** In the study "Non-Performing Assets: A Comprehensive Analysis," Non-Performing Assets (NPA) are thoroughly examined. A Comparative Study of SBI and HDFC," which examines the causes, effects, and historical context of NPA. Patterns of nonperforming assets from SBA and HDFC. The primary objective of this essay is to examine the factors that contribute to banks' nonperforming loans.

**(2012) Manish B. Rawal** made it easier to understand the larger composition of non-performing assets in Indian banks through research examining three types of non-performing assets among nationalized, SBI and its subsidiaries: priority class, non-preferred class, and this class. The conclusions of the study show that these are no significant differences between the three configurations of unaffected assets.

**Ganesan, Dr., and Santhanakrishnan, R. (2017)** Research study "non-performing assets" examines distressed assets of SBI over time from FY 2002 to FY 2012. That's what the researchers who worked on this paper want to examine. Sources of growth of diversified and

private banks. They investigated how NPA affects the bank's profitability and carefully examined the gross and net NPA of the bank. It also asked for steps to improve the NPA.

**(2012) Mahipal Singh Yadav** According to the author of "Impact of Non-Performing Assets on Profitability and Productivity of Public Sector Banks in India," banks may have a direct or indirect effect on economic development depending on several factors. The restrictions placed on nationalized banks raised the banks' non-performing assets (NPAs), advancing the social objective of the government.

**CHAPTER 3**  
**RESEARCH METHODOLOGY**

## **AIM**

Financial institutions can learn a lot from this study about how their non-performing assets compare to those of their peers. The issue of non-performing assets affects all modern financial institutions. Understanding non-performing assets and their underlying causes can be gained from this examination. The interest that is paid on loans is a bank's primary revenue source. A non-performing asset occurs when the principal or interest on a loan is not repaid. Profitability and revenue are directly impacted by intangible assets.

## **Research Objectives**

1. To compare non-performing assets in public sector banks and private sector banks.
2. To analyse the consequences of NPAs on the profit margin.
3. To understand various steps to tackle NPA's.

## **Type of Research**

This study's analysis was done using a descriptive research design. In this study, analysed and compared non-performing assets in public sector banks and private sector banks using secondary sources of data.

## **Scope of Research**

This paper compares private and public sector banks' non-performing assets (NPA) and examines how they impact bank profitability and the national economy. Because a bank's profitability is dependent on the interest it earns on loans, non-performing assets are created when the bank is unable to recover principal and interest payments. Non-performing resources straightforwardly influence benefit. This research study is based on an analysis of non-performing assets in both public and private banking institutions.

## **Sample unit & size**

From 2018 to 2022, a total of five years of financial data from banks in the public and private sectors were used for this study.

## **Tools for Data Collection**

1. RBI Official website
2. Bank Official website's
3. Money Control and Mint website's
4. Article and Books

## **Methodology**

The following data has been collected and analyzed to accomplish the set goals: - The research relies heavily on secondary data and descriptive analysis. , and the sources from which they come.

Reserve Bank of India and SBI websites, annual reports and others publications are the primary sources of statistical information on NPA, tangible banking and financial indicators. Branch managers who press research, research papers and published publications related to NPA get data from Accounts Office.

## **Limitation of study**

1. Since this research is based on secondary data, I haven't learned about the practical procedures that banks use to deal with NPAs.
2. Some public and private banks failed to report certain information in their financial statements, including NPA, provisions for NPA, and this items.
3. The study is based on secondary information that has been released in reports and others publications by the RBI and Official bank websites.
4. The study's limitations include its being limited to a small number of carefully chosen indicators over a five-year period and top 5 banks in Public & Private Sector banks.

**CHAPTER 4**  
**ANALYSIS AND INTERPRETATION**

To accomplish the goals of the research, some comparison analysis is presented below. To do this, we examine the relationship between net profit and net NPA, as well as this ratios.

## COMPARATIVE RATIOS

### Gross NPA's Ratio (%)

The quality of a bank's loan portfolio can be determined by looking at its gross NPA ratio. It displays the percentage of loans that are delinquent or not being properly maintained. The profitability and overall financial stability of the bank may suffer because of a higher gross NPA ratio, which denotes a higher level of bad loans.

**Gross NPA Ratio** = Gross NPA's / Gross Advances \*100

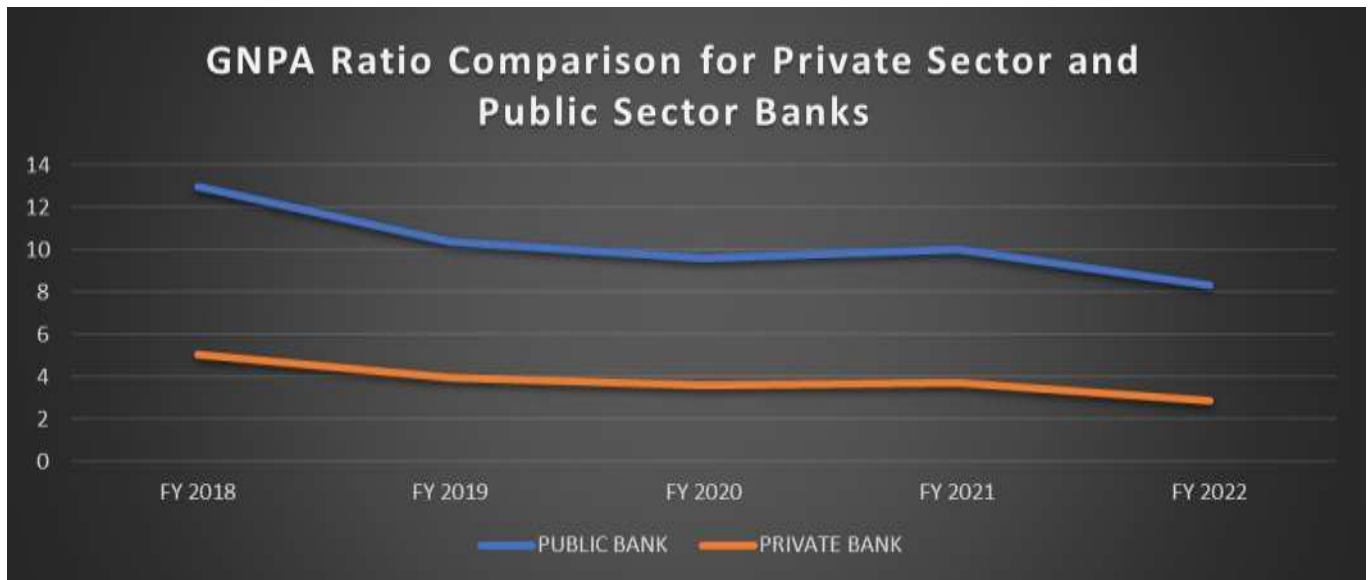
#### PUBLIC BANKS

YEAR	SBI	CANARA BANK	BANK OF BARODA	PUNJAB NATIONAL BANK	INDIAN BANK
<b>FY 2018</b>	11.55	12.44	13.21	19.97	7.66
<b>FY 2019</b>	7.90	9.17	10.29	17.12	7.37
<b>FY 2020</b>	6.41	8.57	10.05	15.57	7.15
<b>FY 2021</b>	5.16	9.43	9.44	15.49	10.56
<b>FY 2022</b>	4.10	7.91	8.24	12.70	8.61

#### PRIVATE BANKS

YEAR	HDFC	ICICI	AXIS BANK	KOTAK MAHINDRA	IDFC
<b>FY 2018</b>	1.31	10.39	7.79	2.25	3.41
<b>FY 2019</b>	1.37	7.79	6.02	2.17	2.48

<b>FY 2020</b>	1.27	6.33	5.29	2.29	2.66
<b>FY 2021</b>	1.33	5.57	4.06	3.32	4.28
<b>FY 2022</b>	1.18	3.88	3.08	2.39	3.79



### Interpretation

For the years 2018 through 2022, this report details the Gross NPA Ratio of both Public Sector Banks and Private Sector Banks. We all know that a greater ratio indicates a riskier situation for banks.

After 2019, all Public and Private Banks' GNPA will be significantly reduced. Perhaps Covid or strict loan regulations are to blame for the GNPA drop. When compared to all public and private banks, PNB has the highest GNPA. This demonstrates that the riskier the situation is, even to the point of bank failure, the higher the ratio. Private banks' highest GNPA was recorded by ICICI Bank.

In conclusion, private banks have excellent financial stability and a low GNPA ratio, whereas public banks are more vulnerable to insolvency and financial instability.

## Net NPA's Ratio

The net NPA ratio provides light on how well-rounded a bank's loan portfolio is. A higher ratio suggests that this may be greater credit risks and potential losses for the bank because it indicates a higher proportion of non-performing loans.

**Net NPA's** = Gross NPA's – Provisions

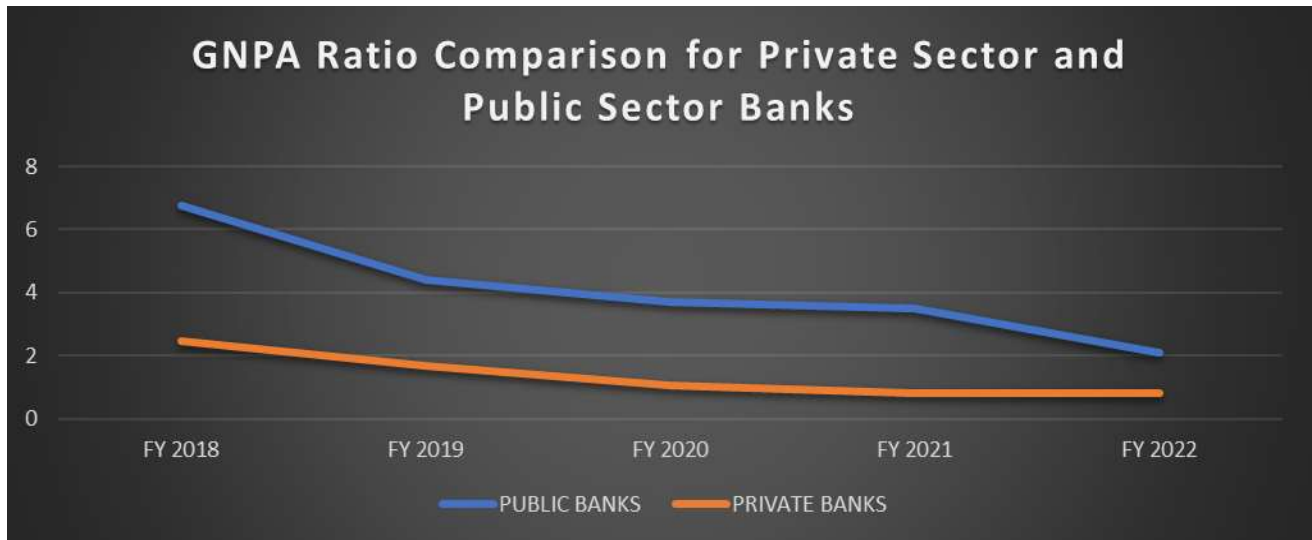
**Net NPA Ratio** = Net NPA's/ Net Advances\*100

### PUBLIC BANKS

YEAR	SBI	CANARA BANK	BANK OF BARODA	PUNJAB NATIONAL BANK	INDIAN BANK
<b>FY 2018</b>	5.73	7.48	5.49	11.24	3.81
<b>FY 2019</b>	3.01	5.37	3.33	6.56	3.75
<b>FY 2020</b>	2.23	4.22	3.13	5.78	3.13
<b>FY 2021</b>	1.50	3.82	3.09	5.73	3.37
<b>FY 2022</b>	1.02	2.65	1.72	4.8	0.23

### PRIVATE BANKS

YEAR	HDFC	ICICI	AXIS BANK	KOTAK MAHINDRA	IDFC
<b>FY 2018</b>	0.40	5.43	3.77	0.98	1.69
<b>FY 2019</b>	0.39	2.29	3.71	0.75	1.27
<b>FY 2020</b>	0.36	1.54	1.64	0.71	0.94
<b>FY 2021</b>	0.40	1.24	1.12	1.21	0.02
<b>FY 2022</b>	0.32	0.81	0.78	0.64	1.53



### Interpretation

From 2018 through 2022, the Net Non-Performing Asset Ratio of Public and Private Sector Banks is analyzed. The greater this ratio is, the riskier the banks are, which is something we are aware of.

In accordance with the above table, Public Banks attempt to lower their NNPA. The highest NNPA indicates greater financial risk for Punjab National Bank. Private banks are kept up well, have a lower NNPA ratio than public banks, and the NNPA ratio has decreased since 2018.

### Provision Coverage Ratio:

A bank reserves a certain amount of money, known as a provisioning coverage ratio, or PCR, to cover losses brought on by bad debts. For banks to protect themselves from losses if the NPAs start rising more quickly, a high PCR can be advantageous.

**Provision** = Gross NPA - Net NPA

**Provision Coverage Ratio** = Total provisions / Gross NPAs

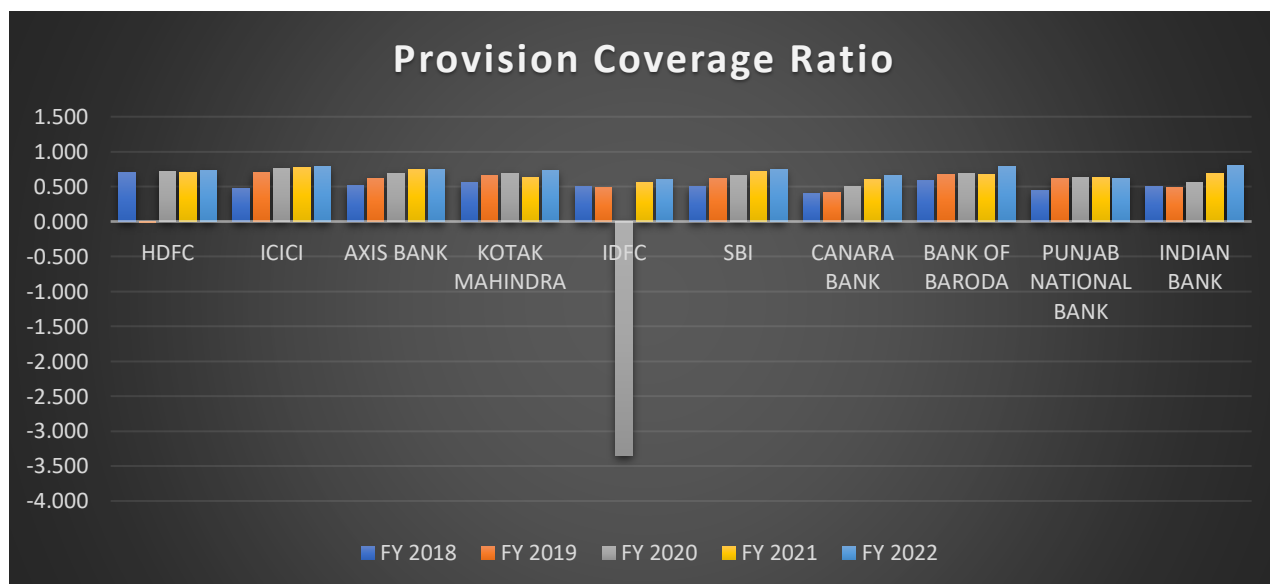
#### Public Banks

YEAR	SBI	CANARA BANK	BANK OF BARODA	PUNJAB NATIONAL BANK	INDIAN BANK

<b>FY 2018</b>	0.504	0.399	0.584	0.438	0.503
<b>FY 2019</b>	0.619	0.415	0.676	0.617	0.491
<b>FY 2020</b>	0.652	0.507	0.689	0.630	0.563
<b>FY 2021</b>	0.709	0.595	0.673	0.631	0.681
<b>FY 2022</b>	0.750	0.665	0.791	0.622	0.801

### Private Banks

<b>YEAR</b>	<b>HDFC</b>	<b>ICICI</b>	<b>AXIS BANK</b>	<b>KOTAK MAHINDRA</b>	<b>IDFC</b>
<b>FY 2018</b>	0.698	0.477	0.516	0.565	0.499
<b>FY 2019</b>	-0.005	0.706	0.621	0.654	0.482
<b>FY 2020</b>	0.720	0.757	0.690	0.690	-3.353
<b>FY 2021</b>	0.698	0.777	0.740	0.636	0.562
<b>FY 2022</b>	0.727	0.792	0.744	0.732	0.595



**Interpretation:**

This analysis shows the Public & Private Sector Banks Provision Ratios from 2018 to 2022. As is commonly known, banks are in a safer position when this ratio is higher.

This figure illustrates how banks protect themselves against the unpredictability of NPA losses, and it also shows which banks failed to set aside adequate reserves for NPA. While the rest of the banks have retained enough provisions, IDFC (2020) and HDFC (2019) banks have not. According to this analysis, public banks have made adequate plans to deal with NPA and uncertainty, while most private banks, except for IDFC (2020) and HDFC (2019), have preserved enough provisions.

### **Comparison of Gross NPAs Ratio and Net NPA's Ratio for Public Banks & Private Banks**

#### **Public Banks**

<b>YEAR</b>	<b>SBI</b>	<b>CANARA BANK</b>	<b>BANK OF BARODA</b>	<b>PUNJAB NATIONAL BANK</b>	<b>INDIAN BANK</b>
<b>FY 2018</b>	11.55	12.44	13.21	19.97	7.66
<b>FY 2019</b>	7.90	9.17	10.29	17.12	7.37
<b>FY 2020</b>	6.41	8.57	10.05	15.57	7.15
<b>FY 2021</b>	5.16	9.43	9.44	15.49	10.56
<b>FY 2022</b>	4.10	7.91	8.24	12.70	8.61

<b>YEAR</b>	<b>SBI</b>	<b>CANARA BANK</b>	<b>BANK OF BARODA</b>	<b>PUNJAB NATIONAL BANK</b>	<b>INDIAN BANK</b>
<b>FY 2018</b>	5.73	7.48	5.49	11.24	3.81
<b>FY 2019</b>	3.01	5.37	3.33	6.56	3.75

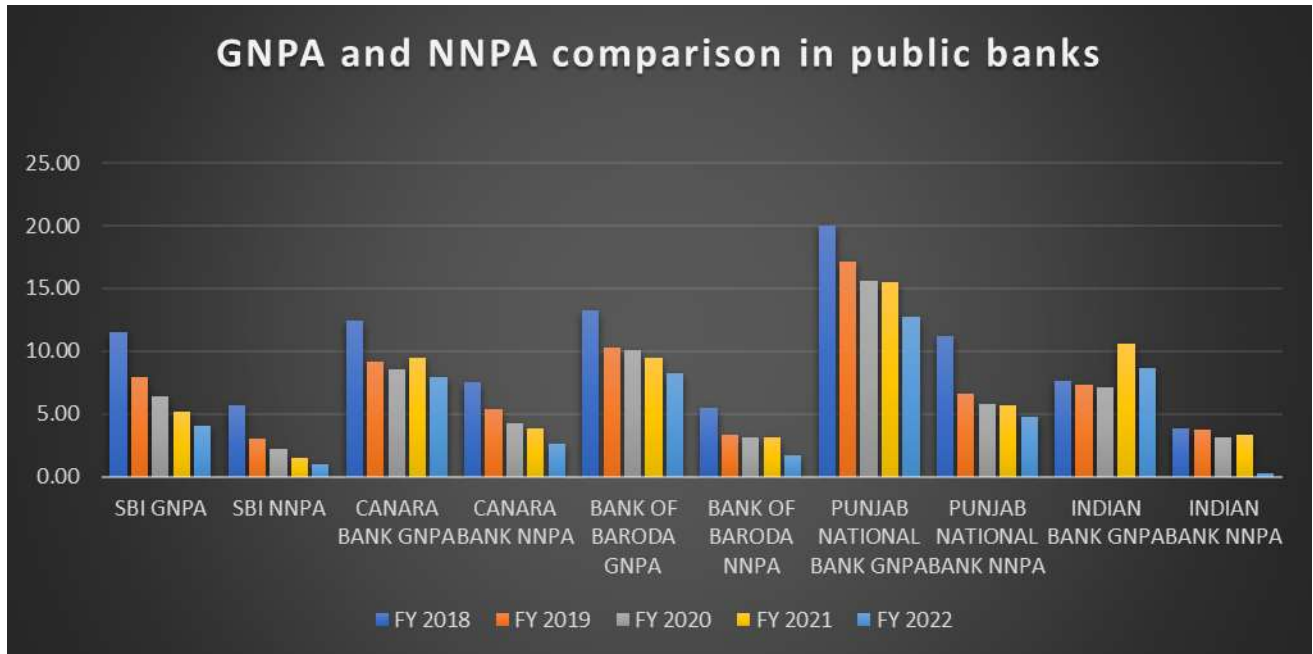
<b>FY 2020</b>	2.23	4.22	3.13	5.78	3.13
<b>FY 2021</b>	1.50	3.82	3.09	5.73	3.37
<b>FY 2022</b>	1.02	2.65	1.72	4.8	0.23

**Private Banks**

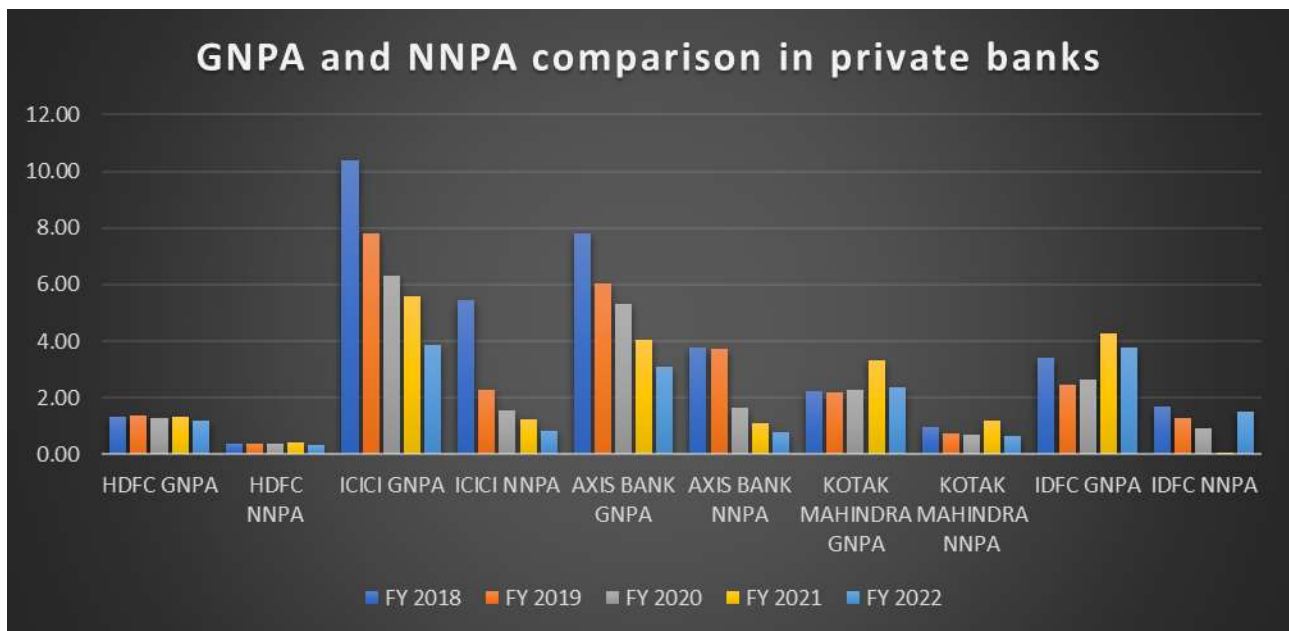
<b>YEAR</b>	<b>HDFC</b>	<b>ICICI</b>	<b>AXIS BANK</b>	<b>KOTAK MAHINDRA</b>	<b>IDFC</b>
<b>FY 2018</b>	1.31	10.39	7.79	2.25	3.41
<b>FY 2019</b>	1.37	7.79	6.02	2.17	2.48
<b>FY 2020</b>	1.27	6.33	5.29	2.29	2.66
<b>FY 2021</b>	1.33	5.57	4.06	3.32	4.28
<b>FY 2022</b>	1.18	3.88	3.08	2.39	3.79

<b>YEAR</b>	<b>HDFC</b>	<b>ICICI</b>	<b>AXIS BANK</b>	<b>KOTAK MAHINDRA</b>	<b>IDFC</b>
<b>FY 2018</b>	0.40	5.43	3.77	0.98	1.69
<b>FY 2019</b>	0.39	2.29	3.71	0.75	1.27
<b>FY 2020</b>	0.36	1.54	1.64	0.71	0.94
<b>FY 2021</b>	0.40	1.24	1.12	1.21	0.02
<b>FY 2022</b>	0.32	0.81	0.78	0.64	1.53

## Public Banks



## Private Banks



## Interpretation

According to the data shown above, Public, and Private Sector Banks have increased their provisions to deal with the higher risk of non-recovery associated with gross NPAs compared to net NPAs.

Both the private and public banks have done a great job of managing their NPA. This scenario of public and private banks' GNPA and NNPA ratio comparison shows that they have made enough provisions and collected enough NPA to maintain their financial stability in the sector.

### **Correlation between Net NPA and Net Profit for the 5 years of the following banks**

#### **Public Banks**

<b>BANK NAME</b>	<b>MEAN (NET PROFIT)</b>	<b>MEAN (NNPA)</b>	<b>CORRELATION</b>
<b>SBI</b>	12177.87	177289.766	-0.5172
<b>CANARA BANK</b>	425.01	22571.692	-0.4915
<b>BANK OF BARODA</b>	1329.83	19166.748	-0.8050
<b>PUNJAB NATIONAL BANK</b>	-3288.71	35885.056	-0.4079
<b>INDIAN BANK</b>	1856.76	6418.588	-0.1948

#### **Private Banks**

<b>BANK NAME</b>	<b>MEAN (NET PROFIT)</b>	<b>MEAN (NNPA)</b>	<b>CORRELATION</b>
<b>HDFC</b>	26580.02	3664.08	0.9388
<b>ICICI</b>	11520.74	13449.044	-0.5623

<b>AXIS BANK</b>	5238.70	11361.818	-0.6399
<b>KOTAK MAHINDRA</b>	6086.87	1841.838	0.3629
<b>IDFC</b>	-670.26	1299.542	0.5290

### **Interpretation**

To determine how Net Profit relates to Net Non-Performing Assets, the correlation method of Pearson's was used. Pearson's Correlation between Government and Private Financial Institutions.

The correlation test yielded negative results for all the public banks. It demonstrates that their NPA is greater than their profits, and a higher NPA could result in lower profits. Negative correlation outcomes It was stated this was a very strong inverse relationship between net profit and net NPA, demonstrating a decline in profits as NPA rose.

We can clearly see that, overall, private banks have lower NPA values than public banks, which has a positive impact on their profits. Private banks have shown positive results, except for ICICI and Axis Bank.

### **FINDINGS**

#### **Comparison among public bank and private bank**

##### **Gross NPA Ratio:**

The gross NPA ratio is a key statistic for the banking sector. The ratio of gross non-performing assets (GNPA) at Punjab National Bank, a public sector bank, is greater than at private banks, while at ICICI Bank is higher in private sectors banks.

##### **Net Profit (in Cr):**

Banks must recover enough NPA to increase earnings, and private banks do so because their NPA was lower than that of public banks. Profits are negatively impacted by NPA.

It displays the bank's profitability. HDFC has the highest average net profit at 26580.02 Cr. Among public sector banks, SBI has the highest mean net profit at approximately 12177.87 Cr.

**Net NPA Ratio:**

When comparing the public and private banking sectors, it becomes clear that the public sector bank, Punjab National Bank, has a higher Net NPA Ratio (around 11.24), while the private sector bank, HDFC, has the lowest NNPA Ratio (0.32), demonstrating their financial stability and competitive advantage in the market.

**Correlation between Net NPA and Net Profit:**

All public sector banks and certain private sector banks also demonstrate a negative association between net NPA and net profit. When NPA goes up, profits go down; this is shown by a negative correlation. This is a positive connection between HDFC Bank, Kotak Mahindra Bank, and IDFC Bank, with HDFC having the highest positive correlation (0.9388) among the three. Private banks are much superior to their government-run counterparts. This demonstrates that it is crucial for a public bank to prioritize NPA recovery, bottom-line growth, and NPA reduction.

**Provisions:**

According to the report, private sector banks are more likely to make provisions for nonperforming loans and advances than government-sponsored financial institutions. However, its popularity has been waning over time. The public banking industry would benefit from a rise in their reserves for unforeseen events.

## **Conclusion:**

Nonperforming assets are a big issue for Indian financial institutions today. Bank activities are at risk if NAPs are not maintained appropriately. Rejecting the idea of uncontrolled NAPs is harmful for the Indian banking industry. Large NAPs eat away at profits, reduce interest income, and prevent efficient recycling of money.

By raising interest rates, banks transfer their losses to the borrowers. The financial and savings markets are constrained by low deposit rates and high loan rates, which in turn impedes economic growth.

Indian banks have long struggled with the effects of non-performing assets. The banking industry and the economy are negatively impacted. Since Indian banks rely so largely on interest revenue from loans, funds stuck in NAPs have a direct influence on bank profitability.

NAPs in Indian banks have lately given the Reserve Bank of India (RBI) the authority to intervene. NPA is an issue that must be prioritized by every public bank in India. NAPs may be eliminated if banks improve their lending and repayment mechanisms. It also draws attention to a method for lowering default probability. The bank must act rapidly in response to NPA and adhere to all federal credit rules. The Bank's Nonperforming Asset (NPA) Management System Has Also Been Improved. NAPs in Indian banks have lately given the Reserve Bank of India (RBI) the authority to intervene. Nonperforming assets at Indian public sector banks need close monitoring.

Based on these findings, it's clear that the NPA rate among banks catering to the public sector is just as high. This has been some progress in reducing NAPs because of government initiatives like asset quality audits and bad banking programs, but more must be done. Nonperforming loans at our banks remain high. NAPs cannot be retrieved. Since NAPs continue to eat away at banks' profitability, which is detrimental for the growing Indian economy, serious and consistent effort is needed to address this issue.

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