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STUDY ON NPA OF SELECTED INDIAN BANKS

Ruzuta Shah, Dr. H. A. Hasan

Research Scholar,
S.D. School of Commerce,
Gujarat University, Gujarat, India

Principal (Retired),
Shree Sarvajanik College of Education,
Godhra, Gujarat University, Gujarat, India.

Abstract

The global economy is dealing with a number of complex issues, including bank and financial institution failures, debt crises in major economies around the world, and the euro zone crisis. In the current situation, nonperforming assets (NPAs) lie at the heart of the banks' financial problems. To boost recuperation performance, concrete steps must be made. There are primarily two types of actions that must be conducted. Banks should work to prevent new NPAs from being added to their books through proper presentation appraisal, and then to recover funds from accounts that have already gone bad. In this study, the researcher selected three Indian banks and examined their nonperforming assets (NPAs) from 2015-16 to 2019-20.

Keywords: Bank, NPA, Financial Performance, India

INTRODUCTION

Recent events in the global economy have shown us a range of complex situations such as bankruptcies, debt crises in key economies and a eurozone crisis. Major economies in the United States and Europe are experiencing a recession as a result of the current unsettled situation. This raises major doubts regarding the long-term viability, growth, and sustainability of the organisation.
The Indian banking industry, however, has been one of the few to weather the storm. India's banking sector has grown at a rapid pace over the past decade. India's banking sector is thriving and strong, as seen by the faster rate of loan expansion, rising profitability and productivity, decreased incidence of non-performing assets, and an emphasis on financial inclusion. To keep the economy moving, Indian banks have begun to rethink their growth strategy and reassess the options they have at their disposal.

HISTORICAL BACKGROUND

1870 saw the establishment of the Bank of Hindustan, India's first commercial bank. After that, the Presidency Banks Act of 1876 led to the establishment of the Bank of Calcutta, the Bank of Bombay, and the bank of Madras, which created the groundwork for modern Indian banking. The Imperial Bank of India was formed in 1921 after the merger of all presidential banks. Prior to the creation of the Reserve Bank of India, Imperial Bank performed a few central banking tasks. Only foreign exchange transactions were excluded from its commercial banking activities.

This act was passed in 1934, and the Reserve Bank of India was established as an apex body with no large government ownership in the Reserve Bank of India (RBI). In 1949, the Banking Regulations Act was enacted by the United States Congress. The government gained control of the RBI as a result of this rule. The RBI now has broad authority to oversee and supervise banks as a result of the statute. RBI was given jurisdiction to issue licences and perform inspections by the Act.

Imperial Bank of India was taken over by the Reserve Bank of India in 1955, and renamed the State Bank of India in its place. SBI seized possession of eight privately held banks in the former princely states in 1959 and turned them into wholly owned subsidiaries of the company.

In 1960, the Reserve Bank of India was given the authority to force the merger of weaker banks with stronger ones. Total bank numbers dropped from 566 to 85 by 1969, a considerable reduction. Fourteen banks with deposits totaling more than Rs. 50 crores were nationalised by the government in July 1969. A total of 6 additional banks with deposits of more than Rs.200 crores were purchased by the government in 1980 alone. Bank nationalisation was intended to make them catalysts for economic expansion. In 1992, the Narasimha

Committee proposed sweeping changes to the banking industry in order to bring the country into compliance with recognised international standards. New private sector banks entered the market after the Banking Regulation Act was revised in 1993.

As a foundation for economic development, the banking sector plays a crucial role. The Indian banking industry's journey has been fraught with economic crisis after economic catastrophe. In the last few years, we've witnessed the economic collapse of the United States in 2008-2009 and the current crisis in Europe. The current state of the global economy is quite precarious.

India's banking policies and regulations have kept it out of the global financial crisis. The basic context and structure of the Indian banking industry must be understood first in order to appreciate the challenges and opportunities it faces.

LITERATURE REVIEW

H. S. (2013) found in her research, when it comes to non-performing assets in Indian public sector banks, a study by the State Bank of Mysore focused on the agricultural development branch found that bankers might prevent issuing loans to untrustworthy customers by taking certain precautions. An evaluation of the project's financial viability should be carried out before the project may proceed. A banker must take into account the project's return on investment before approving a loan. He can approve the loan if the calculated return is greater than the credit amount. In the second place, he can keep a close eye on the borrower to make sure that the money he has sanctioned is being used for the intended reason. This entails the banker's post-approval inspection.

Kumar (2013) analyzed that Indian banks have been plagued with Non-performing Assets (NPAs) for several years in a paper on a Comparative analysis of NPA of Old Private Sector Banks and Foreign Banking Institutions. The massive buildup of non-performing assets posed a significant challenge to commercial banks' performance in the late 1990s (NPAs). The quality of a bank's loan portfolio is critical to its long-term viability. With a high level of (NPAs), there are various negative impacts on profitability, productivity, cash flow and liquidity, as well as the bank's capacity to meet its financial obligations.

Barot & Japee (2021) concluded that financial possibility of the RRBs (Regional Rural Banks) has, however, been a matter of concern since the 1980s, just five years after their existence. A number of committees have gone into the issue of their financial possibility and feasible restructuring. India’s economy is primarily rural in nature. Over the past few years rural India has witnessed an increase in the buying power of consumers, accompanied by their desire to upgrade their standard of living.

Parmar & Japee (2021) tried to study aimed at identifying the major factors that affects the perception of employee towards innovative banking practices carrying out in cooperative banks in Gujarat and also compares those factors with cities, age groups and education of the employees. The study employed exploratory factor analysis and found that there is major six factors like fast and secured internet banking, Advanced ATM and Mobile Banking, Availability of ECS, Customer Convenience, RTGS and NEFT Facilities, Effective Customer Care Services.

Patel & Japee (2021) their study is aimed at examining India’s banking industry for the corporate social responsibility (CSR) activities being carried out by the major players and conducting impact analysis of such activities in terms of image building and performance improvement of such players.

Selvarajan & Vadivalagan (2013) made and attempt to study on Management of Non-Performing Assets in Priority Sector, has found that Indian Bank's lending to Priority sector grew faster than that of all Public Sector Banks. In the early years of the decade, Indian Bank experienced lapses in NPA control. To prevent new NPAs from being created, banks' management must pay special attention to NPA management and take suitable measures to prevent the current NPAs from being recovered, as well. In order to ensure the Bank's long-term success, timely action is critical.

Tripathi and Japee (2020) analyzed the performance of mutual funds in India and try to identify whether the mutual funds can give reward to changeability and unpredictability with the help of statistical tools like standard deviations, beta, Sharpe ratio and Jenson’s alpha. This study concluded that from selected 15 schemes all the funds have performed well in the high volatile market movement expect SBI Blue-chip Fund, Nippon India Large cap Fund, Nippon India Growth Fund, Nippon India Small cap Fund and DSP Small cap Fund.

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Singh (2013) found that recovering NPA from Indian commercial banks claims that a system of credit risk management is to blame for the problem of rising NPA levels. Pre-sanctioning appraisal responsibility and effective post-disbursement supervision are mandatory for banks. Loans should be monitored constantly by banks in order to detect accounts that are at risk of becoming delinquent. In order to ensure that bank deposits are properly utilised, banks should be given the authority to inspect the use of loans and the loan should be issued at the time the borrower purchases the item. Recovering a debt from a guarantor is another option that banks may be provided.

RESEARCH OBJECTIVE

To analyse the NPA of selected banks of India

RESEARCH METHODOLOGY

Sources of Data
Secondary data was gathered from annual reports of banks.

Sample Size
Three banks were chosen for the research investigation.
1) IDBI Bank
2) Canara Bank
3) Central Bank of India

Period of Data Coverage
For the banks under investigation, five years of financial statements were examined. For this study, data from 2015-16 to 2019-20 was analysed.

DATA ANALYSIS

BANK	VARIABLE	2020	2019	2018	2017	2016	AVG
Canara Bank	GNPA	31639.83	13039.96	7570.21	6260.16	4031.75	12508.38
	%GNPA	9.00	4.00	2.00	3.00	2.00	4.00
	NNPA	20832.91	8740.09	5965.46	5278.07	3386.31	8840.57
	%NNPA	6.00	3.00	2.00	2.00	1.00	2.80
Central Bank of India	GNPA	22721.00	11873.00	11500.00	8456.00	7273.00	12364.60
	%GNPA	12.00	6.00	6.00	5.00	5.00	6.80
	NNPA	13242.00	6807.00	6649.00	4988.00	4557.00	7248.60
	%NNPA	7.00	4.00	4.00	3.00	3.00	4.20
IDBI Bank	GNPA	24875.07	12684.97	9960.16	6449.98	4551.37	11704.31
	%GNPA	11.00	6.00	5.00	3.00	2.00	5.40
	NNPA	14643.39	5992.52	4902.30	3100.36	2910.93	6309.90
	%NNPA	7.00	3.00	2.00	2.00	2.00	3.20

The GNPA of public sector banks is shown in the table above, with Canara bank's GNPA being lower than IDBI and the Central Bank from 2016 to 2018, but somewhat higher than the other two banks in 2019. In 2020, the combined GNP of all three banks will be more than quadruple that of today. When compared to the other two banks, Canara Bank has the greatest GNPA.

CONCLUSION

Non-performing assets (NPAs) are an important and dangerous notion in the banking system because if they are not properly managed, they can have a significant impact on the bank's profitability as well as the country's economy. The money is locked up in NPA, which is the bank's major source of income (interest and principle).

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