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NON PERFORMING ASSETS: A COMPARATIVE STUDY

RACHANA B.S.
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
AKSHARA INSTITUTE OF MANAGEMENT STUDIES
SHIMOGA

H.R. MANJUNATHA
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
AKSHARA INSTITUTE OF MANAGEMENT STUDIES
SHIMOGA

KRISHNA M.M.
ASST. PROFESSOR
DEPARTMENT OF COMMERCE
AKSHARA INSTITUTE OF MANAGEMENT STUDIES
SHIMOGA

ABSTRACT
The present study explores the management of Non- Performance Assets (NPAs) in Public and Private Sector Banks. The Indian banking sector has been facing major obstacle of increasing NPAs. The Raising in NPAs has a direct impact on profitability of banks Management of NPA is the major problem for both Public and Private sector Banks. This comparative study on management of NPA in Public and Private Sector Banks tries to analyze the performance of both Public and Private Sectors from the year FY 2013 – 2018. The result of the study shows the higher NPA in Public Sector Bank compared to the Private Sector Bank. This shows the performance inefficiency in the Public Sector Banks compared to the Private Sector Banks. Public Sector Banks has to improve their performance efficiency by adopting proper measures or otherwise it kills the overall working ability of Public Sector Banks.

KEYWORDS
non-performing assets, financial year.

JEL CODES
G21, G29.

INTRODUCTION
Economic progress of any country and development of banking sector are invariably interrelated. The Banking sector is an indispensable financial service sector supporting the development plans through channelization of funds for productive purpose, intermediating/facilitating the flow of funds from surplus to deficit units and supporting financial and economic policies and programmes of the government. The importance of bank's stability in a developing economy is noteworthy as any distress affects the development plans thereby affecting the economic progress. Indian Banking sector accounts for a major portion of financial intermediation and acknowledged as the main vehicle for monetary policy signals, credit channel and facilitator for payment systems.

A bank is a financial institution that provides banking and other financial services to its customers. It is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans and advances. And the banks are a sub-set of financial services industry.

Indian Banking Sector consists of 21public sector banks (PSBs), 21 private sector banks (PVSBs), 46 foreign banks (FBs), 56 regional rural banks (RRBs), 1,562 urban cooperative banks (UCBs) and 94,384rural cooperative banks (RCBs) in addition to many co-operative credit institutions. PSBs control more than 70 per cent of the assets of banking system thereby leaving a comparatively smaller share for its private counter-parts. Banks are also encouraging their customers to manage their finances through mobile phones. ICRA Ltd., (an Indian independent professional Investment Information and Credit Rating Agency) estimates that credit growth in India's banking sector would be at 7-8 per cent in financial year 2017-18.

In the opinion of the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally flexible and have withstood the global downturn well.

NON-PERFORMING ASSETS
An asset, including a leased asset, becomes non-performing when it ceases to generate income for the lender banker. Non-Performing Assets are also called as Non-Performing Loans (NPLs). It is the loan provided by a bank or finance company on which repayments and/or interest payments are not being made on time. A loan is an asset for a bank as the interest receipts and the repayment of the principal create a stream of cash flows. It is from the interest receipts that a bank meets its interest cost and other non-interest costs, and earns profits. Banks usually treat assets as non-performing if they are not serviced for some time. If payments are late for a short time, a loan is classified as 'past due' and once a payment becomes really late (usually, 90 days), the loan is classified as 'non-performing'. A high level of non-performing assets (NPAs), compared to similar lenders, may be a sign of problems–bad/stressed assets.

In 1993, RBI issued guidelines based on the recommendations of the Narasimham Committee that mandated identification and reduction of NPA to be treated as 'National Priority'. Risk is inherent in banking as intermediation process involves counterparty risk. All loan portfolios of a bank do not fetch earnings in the normal course. The loans/advances are an important source of income for the banks. The financial strength and soundness of the banking system depends mostly on the quality and performance of the loan portfolios (Siti Nurain Muhmad, 2015). The asset quality is a prime concern. It has an impact on profitability, liquidity, intermediation costs, credibility, income generating capacity and overall performance of the banks (Asha Singh, 2013). The reduction in asset quality results in accumulation of Non-Performing Assets (NPAs). The level of NPA indicates the efficiency of a bank's credit risk management and allocation of resources.

CLASSIFICATION OF NPAs

Non-performing assets are classified into three categories based on the period for which the loan asset has remained non-performing and the recovery of the dues. They are Sub-Standard Assets, Doubtful Assets and Loss Assets.

(1) SUBSTANDARD ASSET: A sub-standard asset would be one which has remained NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

(2) DOUBTFUL ASSET: An asset would be classified as doubtful if it has remained in the sub-standard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full - on the basis of currently known facts, conditions and values - highly questionable and improbable.

(3) LOSS ASSET: A loss asset is one where loss has been identified by the bank or internal or external auditors or by the RBI inspection but the amount has not been written-off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Besides the classification, the amount NPAs is also determined considering amount of loan due and also the amount of loan due net of provisions as (i) Gross NPAs and (ii) Net NPAs.

(1) GROSS NPA: Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI guidelines as on Balance Sheet date. Gross NPA reflects the real NPAs and the quality of the loans made by banks. It consists of all **non-standard assets** like as sub-standard, doubtful, and loss assets. It is usually expressed as a percentage of gross advances made.

$$\left.\begin{matrix}\text{Gross NPA}\\ \text{Ratio}\end{matrix}\right] = \left[\frac{\text{Gross NPAs}}{\text{Gross Advances}} \times 100\right]$$

(2) NET NPA: Net NPAs are those NPAs in which the bank has made provision against NPAs and it is computed by deducting the amount of Provision from Gross NPAs. This is also expressed as a percentage of net advances.

Net NPA = (Gross NPA – Provision made against NPA)

$$\left.\begin{matrix}\text{Net NPA}\\ \text{Ratio}\end{matrix}\right] = \left[\frac{\text{Net NPAs}}{\text{Net Advances}} \times 100\right]$$

LITERATURE REVIEW

NPA is an important problem of banking sector and many authors and researchers examined various dimensions NPA - problems created by NPA, impact of NPA on the banking sector, resolution of growing problem of NPA, etc. A number of papers have been published by the researchers and in this section; an attempt is made to present a review of a few studies on non-performing assets of Indian Banking Sector.

Chilukuri S.S, Srinivas Rao K & Madhav V.V (2016) made an empirical analysis of asset quality of Indian Banking Industry**.** This study shows that there is a tremendous increase of advances during the last 12-year period and declining trend in NPAs showing improvement in the asset quality and financial health of Scheduled Commercial Banks in India. They suggest that in order to reduce the threat and intensity of NPA, banks should develop efficient management information system and employ the specialized and trained staff who can use their expertise/knowledge to deal with the situations carefully.

Resham Chopra & Sudeshna Chatterjee (2017) made a comparative study of NPAs with respect to public and private sector Indian banks. In this study, performance of public sector banks is compared with that of private sector banks. The study finds that the public sector banks have more NPA level compared to private sector banks. It concludes that public sector banks must take care to avoid any account becoming NPA by taking proper preventive measures in an efficient manner and also financial institutions should be more pro-active to adopt a pragmatic and structured NPA management policy. However, prevention of NPA receives priority as it helps in the reduction of NPA in public sector banks.

Ujjwal M Mishra & Jayanth R Pawaskar (2017) made a study on the impact of NPAs on Banking sector. This study shows that the banks are with increasing trend of NPA during the years 2011-12 to 2015-16. The operation of the banks is wide enough to provide the services of wide range. But most of the banks are facing the problem of NPA. Bank of Maharashtra, one of the public sector banks in India, is also facing the problem of NPA. The study suggests that the Banks of Maharashtra needs to follow better credit appraisal system to prevent NPAs from occurring and strictly follow all norms and directives given by the RBI.

Fareed Ahmed (2017) examined the problems of NPAs in PSBs and Private Sector Banks in India**.** This study shows the rising NPAs in terms of growth in GNPAs, NNPAs, NPA additions, NPA reductions, GNPA generation ratio and NNPA accretion rate besides GNPA and NNPA ratios. The results indicate that, there is no significant difference between PSBs and PVSBs in respect of annual growth rates of GNPA, NNPA, GNPA Ratio and Incremental NPA Accretion Ratio. However, significant differences are observed in respect of NNPA Ratio, Additions, Reductions and GNPA Creation Ratio.

Kavitha N. A & Muthu Meenakshi M (2016) analyzed NPA menace and showed that of NPA is comparatively high in public sector banks than in private sector banks. Though many steps have been taken by government and the RBI to reduce the NPAs, a lot needs to be done to curb this problem. To improve the efficiency and profitability, the NPAs have to be reduced. The government should also take necessary steps for faster settlements of pending cases. It should also reduce the mandatory lending to priority sector which is the major contributor to the NPA problem.

Monika Dahiya & Supreet Johal Bhatia (2016) felt that the NPA is a major problem and hurdle faced by the banking industry. To solve this problem, banker should constantly examine the borrower in order to make sure that the amount sanctioned is utilized properly for the purpose for which it was sanctioned and banker get both the formal and informal reports about the credit worthiness of the customer. If corrective actions are not taken on time, the NPAs will increase in the coming financial years. The study concludes that reduction of NPAs should be considered as national priority to make the Indian Banking system more sturdy, vibrant and geared to meet the challenges of globalization.

From the above, it is obvious that many researchers have worked on different dimensions of NPA. They focused on the following aspects of NPAs.

1. Most of the studies focused on NPA ratios (gross and net NPA ratios) to assess the asset quality and effectiveness of credit risk management.
2. A few studies were on the comparison of NPAs of Schedule Commercial Banks and with that of Public Sector Banks.
3. A very few studies were conducted on the evaluation of financial performance of Public and Private Sector Banks.
4. And a few more studies examined the dimensions of NPA and the steps taken by the banks for the purpose of addressing the NPA menace.

STATEMENT OF THE PROBLEM

The problem of non-performing assets is one of the key concerns for banks in India. NPAs indicate the degree of risk, quality of assets of bank and its profitability. A high level of NPAs suggests high prospect of a large number of credit defaults that destroy the profitability and net worth of banks and erodes the values of the assets. The present study tries to discuss the problem of NPA in select Public and Private Sector Banks, and to examine the initiatives taken by the Government of India and RBI to resolve the NPA problem.

OBJECTIVES OF THE STUDY

In this light of the above, the present paper has the following objectives:

1. To analyse the flow of NPA in public and private sector Banks.
2. To offer suggestions to address NPA problem of Indian Banking Sector.

SCOPE OF THE STUDY

The study covers the management of NPAs of select two Public Sector Banks and two Private Sector Banks. The Public Sector Banks are Syndicate Bank and Canara Bank. Private Sector Banks are Karnataka Bank and Axis Bank. The study covers a period of five years from 2013–14 to 2017-18. Further, only a few variables/parameters are used to evaluate the financial performance of select Banks and to examine the effectiveness with which these banks are managing their NPAs.

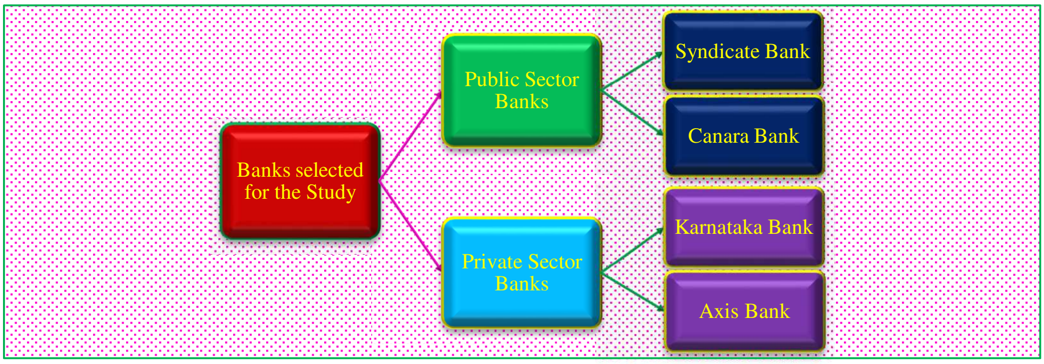
RESEARCH METHODOLOGY

The present study is purely an analytical study. For the purpose of this study, non-probability convenience method of sampling is used and the Banks are selected as per convenience. Research Design used to carry out this study is descriptive research as the study deals with the statistical data and comparison between the selected public and private sector banks. Sample size of the study is four banks-two from Public Sector and another two from Private Sector. They are, Syndicate Bank and Canara Bank from public sector, and Karnataka Bank and Axis Bank from private sector. The study is done on the basis of data for a period of five years from 2013-14 to 2017-18 and the study is mainly based on secondary data collected from the sources such as reports and websites of RBI and the Banks selected for the studies besides books, articles, reports, etc.

A BRIEF PROFILE OF BANKS SELECTED FOR THE STUDY

In the above backdrop, an attempt is made here present a brief profile of banks selected for the present study. It may be noted here that the researcher has selected four scheduled commercial banks in India – two from public sector and two from private sector. The banks selected for the study are, Syndicate Bank and Canara Bank from public sector, and Karnataka Bank and Axis Bank from private sector.

CHART 1: FIGURE: BANKS SELECTED FOR THE STUDY



PERFORMANCE OF SELECTED BANKS AT A GLANCE

In the light of the above, a few details pertaining to both physical and financial performance for all the four Banks selected for the study are presented below followed by a brief analysis of the same.

TABLE 1: SELECT PERFORMANCE INDICATORS OF BANKS SELECTED FOR THE STUDY (2017-18)

Sl. No.	Performance Indicators	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
(1)	Ownership	Public	Public	Private	Private
(2)	Year of Establishment	1925	1906	1924	1993
(3)	Number of Branches	4,013	6,300	834	3,882
(4)	Number of ATMs	4,848	6,212	1,374	12,660
(5)	Number of Employees	35,011	57,905	8,220	59,600
(6)	Deposits (Rs. crore)	2,72,776	5,24,772	56,733	4,53,623
(7)	Advances (Rs. crore)	2,23,346	3,81,703	37,004	4,39,650
(8)	Net Interest Income (Rs. crore)	6,552	12,163	488	18,618
(9)	Operating Profit (Rs. crore)	3,864	9,548	996	15,594
(10)	Net Profit (Rs. crore)	(322)	(4,222)	452	(276)
(11)	Net Interest Margin (%)	2.44	2.42	2.77	3.44
(12)	GNPA Ratio (%)	11.53	11.84	4.90	5.96
(13)	NNPA Ratio (%)	6.28	7.48	2.90	2.54
(14)	Capital Adequacy Ratio (%)	12.24	13.22	12.04	16.57
(15)	Return on Assets (%)	(1.05)	(0.75)	0.48	(0.04)

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks selected for the study, 2017-18.

ANALYSIS AND DISCUSSION

GROSS NPAS – AMOUNT AND RATIO

Amount of gross non-performing assets is a reflector of loan asset quality. Lower the amount and ratio of gross NPAs, higher is the asset quality and vice-versa. As already stated, gross NPAs represent the amount of loans and advances which has ceased to yield interest income to the lender-bankers. This also indicates that the amount of loan lent is not recovered as per the terms of credit. In this background, the details about the amount of gross NPAs and also the gross NPA Ratio are collected and presented below:

TABLE 2: GROSS NPAs

Year (ended 31 March)	Amount (Rs. millions)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2014	46,111.40	77,107.70	8,359.30	31,464.00
2015	64,423.80	1,31,736.10	9,442.10	41,102.00
2016	1,38,321.60	3,18,523.40	11,804.00	60,875.00
2017	1,76,093.00	3,44,067.40	15,815.90	2,12,805.00
2018	2,57,586.00	4,76,985.30	23,760.70	3,42,486.00

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.

It is obvious from the above that the amount of gross NPAs has registered a continuous increase year after year during the study period. This is true with respect to all the four banks. The amount of gross NPAs is highest in the case of Canara Bank among the banks selected for the study. In this case, it increased from Rs. 77,107.30 million up to 31 March 2014 to Rs. 4,76,985.30 million by 31 March 2018 accounting for an increase by Rs. 3,99,877.0 million or by 5.19 times (i.e., 518.60%). This is substantially higher than the rate of increase in the amount of loans and advances disbursed by this bank during the study period.

In the case of Axis Bank, the amount of gross NPAs increased from Rs. 31,464 million up to 31 March 2014 to Rs. 3,42,486 million by 31 March 2018. This represents an increase by Rs. 3,11,022 million or by 9.89 times (i.e., 988.50%). Again, this rate of increase in gross NPAs is substantially higher than the rate of increase in the amount of loans and advances disbursed of 89.06%.

Similarly, in the case of Syndicate Bank, the amount of gross NPAs increased from Rs. 46,111.40 million up to 31 March 2014 to Rs. 2,57,586 million by 31 March 2018 accounting for an increase by Rs. 2,11,474.6 million. This increase works out 4.59 times (i.e., 458.62%). This rate of increase is also higher than the rate of increase in the amount of loans and advances disbursed by this Bank of 21.14%.
Even in this case of smallest bank of the four banks selected for the study viz., Karnataka Bank, the amount of gross NPAs increased from Rs. 8,359.30 million up to 31 March 2014 to Rs. 23,760.70 million by 31 March 2018 representing an increase by Rs. 1,401.40 million. This increase works out 1.84 times increase (i.e., 184.24%). And this increase is lower than the rate of increase in the amount of loans and advances disbursed of 210.32%. Karnataka Bank is the only bank, among the banks selected for the study, wherein the rate of increase in gross NPAs is lower than that in the amount of loans and advances.
However, owing to difference in the size of banks selected for the study, it is not appropriate to compare their performance based on the amount of gross NPAs. Therefore, the ratio of gross NPAs to amount of gross Loans and Advances is determined. The results are presented below:

TABLE 3: GROSS NPA RATIO

Year (ended 31 March)	Gross NPA Ratio (%)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2014	2.62	2.53	2.92	1.34
2015	3.13	3.93	2.95	1.43
2016	6.70	9.44	3.44	1.75
2017	8.50	9.66	4.21	5.42
2018	11.53	11.88	4.92	7.53

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.
It can be observed from the above that even the Gross NPA Ratio (as in the case of amount of gross NPAs) has registered a continuous increase year after year during the study period. This is true in all the four banks. However, this ratio is highest in the case of Canara Bank wherein it increased from 2.53% at the end of 2013-14 to 11.88% by the end of 2017-18. And this increase in the ratio works out to 3.7 times (i.e., 369.57%).
Similarly, in the case of another public sector bank viz., Syndicate Bank, the ratio of Gross NPA Ratio increased from 2.62% at the end of 2013-14 to 11.53% by the end of 2017-18 accounting for an increase by 3.40 times (i.e., 340.08%).
On the other hand, in the Axis Bank, the Gross NPA Ratio increased from 1.34% (lowest among four banks) at the end of 2013-14 to 7.53% by the end of 2017-18. And this increase works out to 4.62 times (i.e., 461.94%) and this is the highest rate of increase among the banks selected for the study.
In the case of Karnataka Bank, the Gross NPA Ratio increased from 2.92% (highest among four banks) as at 31 March 2014 to 4.92% (lowest among four banks) by the end of 2017-18 accounting for an increase by 68.49%. This is a commendable achievement – from highest Gross NPA Ratio (among the banks selected) at the beginning of the study period to lowest by the end of the study period. Further, the rate of increase in the Gross NPA Ratio is also lowest at 69.49% as against 340.08% to 461.94% in the case of other three banks.

SUB-STANDARD ASSETS

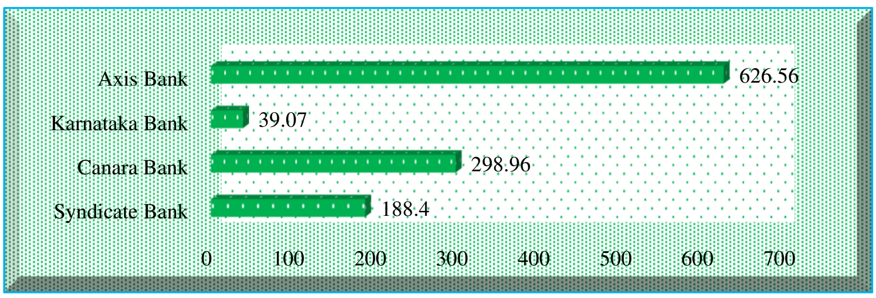
A sub-standard asset is one which has been classified as non-performing assets for period not exceeding 12 months. It may be noted here that a credit facility in respect of which interest amount and/or installment of principal loan amount has/have remained past due for a specified period of time. In this backdrop, the relevant details about the amount of sub-standard assets are presented below:

TABLE 4: SUB-STANDARD ASSETS

Year (ended 31 March)	Amount (Rs. millions)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2014	25,570.80	34,802.40	4,073.20	10,915.00
2015	26,341.90	71,441.50	4,250.90	10,584.00
2016	65,061.20	1,74,977.40	5,951.80	16,139.00
2017	48,731.00	80,819.00	7,212.70	58,394.00
2018	73,746.70	1,38,848.00	5,664.80	79,304.00

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.
As is evident from the above, the amount of sub-standard assets has been increasing continuously year after year except for one year for all banks. As the size of one bank differs from another, rate of increase in the amount of sub-standard assets is used to comment on the efficiency of banks.
In the case of Syndicate Bank, it increased from Rs. 25,570.80 million as at 31 March 2014 to Rs. 73,746.70 million by 31 March 2018 registering an increase by Rs. 48,175.90 million or by188.40% during the study period.
The amount of sub-standard assets increased, in the case of Canara Bank, from Rs. 34,802.40 million as at 31 March 2014 to Rs. 1,38,848 million by 31 March 2018. The increase amounts to Rs. 1,04,045.60 million which in turn works out to an increase by 298.96% during this period.
Karnataka Bank also experienced continuous increase in the amount of sub-standard assets except in the last year. However, overall, there is an increase in the amount of sub-standard assets. It increased from Rs. 4,073.20 million at the end of the first year of the study period to Rs. 5,664.80 million by 31 March 2018 accounting for an increase by Rs. 1,591.60 million or by 39.07%.
In the case of Axis Bank, it increased continuously year after year except for one period. However, even in this case, the amount of sub-standard assets increased from Rs. 10,915 million as at 31 March 2014 to Rs. 79,304 million by 31 March 2018. The increase amounts to Rs. 68,389 million or 626.56%.
It is obvious from the above that the rate increase is highest in Axis Bank (626.56%) and lowest in Karnataka Bank (39.07%) – both private sector banks. In the case of two public sector banks, the rate of increase is at 188.40% (Syndicate Bank) and 298.96% (Canara Bank). However, what is evident is, only Karnataka Bank has succeeded in minimizing the rate of increase in the amount of sub-standard assets, and all other three Banks have not been able to achieve the same success.

CHART 2: RATE OF INCREASE IN SUB-STANDARD ASSETS (%)



DOUBTFUL ASSETS

As is known, a loan asset is classified as doubtful if it has remained in the sub-standard category (of NPA) for a period of 12 months. The details about the amounts of doubtful loan assets are collected from the annual reports of the Banks selected for the study and the same are tabulated below.

TABLE 5: DOUBTFUL ASSETS

Year (ended 31 March)	Amount (Rs. millions)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2014	19,566.26	41,894.40	3,832.50	8,128.00
2015	37,636.60	60,294.10	4,807.10	68,999.00
2016	72,874.30	1,43,545.20	5,312.00	30,838.00
2017	6,81,265.00	2,62,661.03	8,290.60	1,01,330.00
2018	1,74,721.50	3,36,880.80	22,440.30	2,38,453.00

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.

It is obvious from the above that the amount of doubtful loan assets has registered a continuous increase in all years and for all banks except in year in the case of two banks. Though the amount of doubtful debts in unavoidable (owing to continuous increase in the amount of loans and advances), it is necessary to try to reduce the amount and also its share in the total loans and advances.

In the case of Syndicate Bank, the amount of doubtful loan assets increased from Rs. 19,566.26 million at the end of the first year of the study period toRs. 1,74,721.50 million by the end of 2017-18 accounting for an increase by Rs. 1,55,155.24 million or by 7.93 times (i.e., 793.38%).

Another public sector bank selected for the study, Canara Bank, also experienced, more or less, the same pattern. In this case, the amount of doubtful loan assets increased from Rs. 41,894.40 million as at 31 March 2014 to Rs. 3,36,880.80 million working out an increase by Rs. 2,94,986.40 million or by 7.04 times (i.e., 704.12%) during this study period.

On the other hand, in the case of Karnataka Bank, it increased from Rs. 3,832.50 million as at 31 March 2014 to Rs. 22,440.30 million by 31 March 2018. This increase amounts to Rs. 18,607.80 million which in turn works out to increase by 4.86 times (485.53%). It may be noted here that the rate of increase in the case of Karnataka Banks is much lower than that in two public sector banks.

On the other hand, in the case of Axis Bank, the amount of doubtful loan assets increased from Rs. 8,128 million as at 31 March 2014 to Rs. 2,38,453 million by 31 March 2018 which amounts to increase by Rs. 2,30,325 million or by 28.34 times (2,833.72%) which is highest among the four banks selected for the study.

Both the lowest (4.86 times, Karnataka Bank) and highest (28.34 times, Axis Bank) rates of increase in the amount of doubtful loan assets are in private sector banks. And in the case of public sector banks, it is more than 7 times (7.93 times, Syndicate Bank; and 7.04 times, Canara Bank).

PROVISION FOR NPAs

It may be noted again here that the banking companies are required to make provisions, at the rates stipulated by the Reserve Bank of India, against their gross NPAs. The amount of provision, therefore, depends upon the sub-category to which the NPAs belongs to. In this background, necessary details about the amounts of Provision made by the banks selected for the study are collected and presented below.

TABLE 6: PROVISION FOR NPAs

Year	Amount (Rs. millions)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2013-14	2,321.24	16,366.40	2,715.30	20,863.00
2014-15	24,668.70	43,008.40	3,153.50	26,923.00
2015-16	46,704.40	1,08,851.30	3,708.40	21,492.00
2016-17	70,497.00	1,25,337.80	5,816.00	2,12,805.00
2017-18	1,23,413.00	1,89,429.40	9,462.60	3,42,486.00

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.

As can be observed from the above, there has been a continuous increase in the amount of provision made against NPAs year after year. This is true with respect to all banks and for all years except marginal decline in the case of Axis Bank by 31 March 2016 as compared to that on 31 March 2015. In this case (i.e., Axis Bank), the amount of provision made increased from Rs. 20,863 crore in 2013-14 to Rs. 3,42,486 million during 2017-18. And this amount of provision is highest among the banks selected for the study and in any year of the study period. This increase amounts to Rs. 3,21,623 million which in turn works out to an increase by 15.42 times (1,541.60%).

In the case of Canara Bank, it (i.e., the amount of Provision) increased continuously year after year increasing from Rs. 16,366.40 million in the first year of the study period to Rs. 1,89,429.40 million by 2017-18 registering an increase by Rs. 1,73,063 million or by 10.57 times (1,057.43%).

Syndicate Bank provided provision against the non-performing assets (and standard loans) to the tune of Rs. 2,321.24 million in 2013-14 which registered a continuous increase and it increased to Rs. 1,23,413 million by 2017-18. The amount of increase works out to Rs. 1,21,092 million and this increase works out an increase by 52.17 times (5,217.23%).

In the case of Karnataka Bank, it (i.e. amount of provision made against of loans and advances including non-performing assets) increased from Rs. 2,715.30 million in 2013-14 to Rs. 9,462.60 million during 2017-18 representing an increase by Rs. 6,747.30 million or by 2.48 times (i.e., 248.49%).

NET NON-PERFORMING ASSETS (NET NPAs)

As already stated, Net Non-Performing Assets represent the difference between Gross Non-Performing Assets and the amount of Provisions made against the non-performing assets. That means,

Net NPAs = (Gross NPAs – Provisions)

And the Net NPA Ratio is computed by considering the net NPAs and the net Loans and Advances as presented below.

Net NPA Ratio = $\left[\frac{\text{Net NPAs}}{\text{Net Loans and Advances}} \times 100\right]$

In the light of the above, the details about the net NPAs and net NPA Ratio are collected/computed and presented in the following tables.

TABLE 7: NET NPAs

Year (ended 31 March)	Amount (Rs. millions)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2014	27,210.00	60,408.30	530.40	10,246.00
2015	38,436.50	88,265.70	6,235.50	13,167.00
2016	90,148.70	2,17,386.10	7,954.70	25,221.00
2017	1,04,109.00	2,09,672.10	9,747.30	86,266.00
2018	1,32,394.60	2,85,932.30	14,005.10	1,65,917.00

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.

It is evident from the above that the amount of net non-performing assets has registered a continuous increase year after year except for one year in the case of Karnataka Bank. In the case of Karnataka Bank, it increased from Rs. 530.40 million as at 31 March 2014 to Rs. 14,005.10 million by 31 March 2018 representing an increase by Rs. 13,474.70 million or by 25.40 times (2,540.48%) during this study period – highest rate of increase among the four banks.

In the case of Axis Bank, the amount of net non-performing assets registered a continuous increase and it increased from Rs. 10,246 million as at 31 March 2014 to Rs. 1,65,917 million by 31 March 2018 accounting for an increase by Rs. 1,55,671 million or by 15.19 times (1,519.33%) – second highest rate of increase.

The amount of net non-performing assets increased, in the case of Syndicate Bank, from Rs. 27,210 million as at 31 March 2014 to Rs. 1,32,394.60 million by 31 March 2018 representing an increase by Rs. 1,05,184.60 million or by 3.87 times (386.57%).

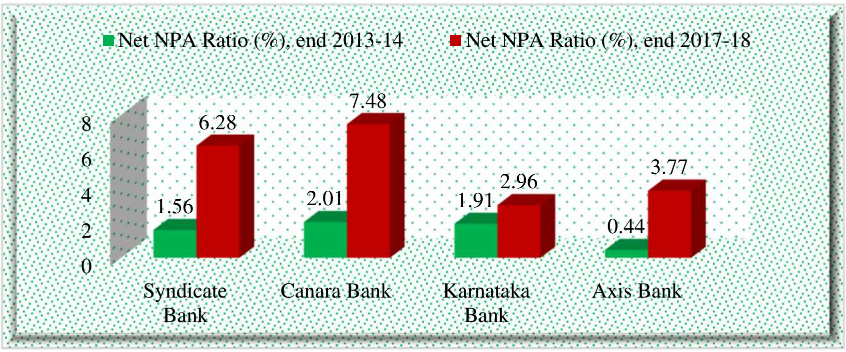
On the other hand, in the case of Canara Bank, it increased from Rs. 60,408.30 million as at 31 March 2014 to Rs. 2,85,932.30 million by 31 March 2018 registering an increase by Rs. 2,25,524 million or by 3.73 times (373.33%) – lowest rate of increase among the banks selected for the study.
What is important is the amount of net non-performing assets is positive for all years and for all banks. This indicates higher amount of gross non-performing assets than the amount of provision made. In other words, it indicates the inadequacy of provision made.
As the size differs from one bank to another selected for the present study, absolute amount of net NPAs lacks comparison. Therefore, net NPA Ratio is computed and presented below.

TABLE 8: NET NPA RATIO

Year (ended 31 March)	Net NPA Ratio (%)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2014	1.56	2.01	1.91	0.44
2015	1.90	2.67	1.98	0.46
2016	4.48	6.44	2.35	0.73
2017	5.21	6.34	2.64	2.26
2018	6.28	7.48	2.96	3.77

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.
It is obvious from the above that the net NPA Ratio has also registered a continuous increase year after year except for one year in the case of Canara Bank. In this Bank, the ratio is highest and it increased from 2.01% at the end of 2013-14 to 7.48% by the end of 2017-18.
In the case of another public sector bank, Syndicate Bank, the ratio increased continuously and it increased from 1.56% as at 31 March 2014 to 6.28% by the end of 31 March 2018. As at the end of 2017-18, the ratio is high in both the public sector banks when compared to that in private sector banks.
In the case of Axis Bank, the ratio was lowest at 0.44% at the end of the first year of the study period and it increased continuously to reach 3.77% by the end of the last year of the study period.
On the other hand, in the case of Karnataka Bank, the Net NPA Ratio increased from 1.91% (second highest) at the end of 2013-14 to 2.96% by the end of 2017-18 and this the lowest among the four banks selected for the study.

CHART 3: NET NPA RATIO - END OF 2013-14 AND 2017-18



NET PROFIT
However, and ultimately, the performance of any banking company is measured in terms of its profit and the profitability. Hence, the amount of net profit earned or net loss suffered by the banking companies is presented below followed by profitability measured in terms of Return on Assets Ratio.

TABLE 9: NET PROFIT

Year	Net Profit (Rs. millions)			
	Syndicate Bank	Canara Bank	Karnataka Bank	Axis Bank
2013-14	1,711.46	2,438.19	311.03	8,223.66
2014-15	1,522.93	2,702.62	451.45	3,679.28
2015-16	-1,643.49	-2,812.82	415.29	3,679.28
2016-17	358.95	1,121.92	452.26	275.68
2017-18	-3,222.84	-4,222.24	325.61	275.68

Source: Table compiled with the help of the relevant statistics collected from the annual reports of the Banks, 2013-14 to 2017-18.
As can be seen from the above, no bank selected for the study has succeeded in improving its net profit year after year continuously. In the case of Syndicate Bank, only during 2016-17, it improved its net profit to Rs. 358.95 million when compared to (−) Rs. 1,643.49 in the immediately preceding year, 2015-16. However, during this five-year period, the amount of net profit declined from Rs. 1,711.46 million during 2013-14 to (−) Rs. 3,222.84 million in the last year of the study period, 2017-18.
Similar is the case with Canara Bank wherein the amount of net profit declined from Rs. 2,438.19 million for 2013-14 to (−) Rs. 4,222.24 million in 2017-18.
Compared to public sector banks, the performance of private sector banks is satisfactory as they have earned net profit for all the five years though there is no consistent improvement. In the case of Karnataka Bank, it increased from Rs. 311.03 million in 2013-14 to Rs. 325.61 million in the last year of the study period.
On the other hand, in the case of Axis Bank, the amount of net profit either declined or remained constant at the level of the previous year. It declined from Rs. 8,223.66 million in 2013-14 to Rs. 275.68 million for 2017-18.

MAJOR FINDINGS OF THE STUDY
The major findings of the study based on their performance evaluation with special reference to management of NPAs using the performance statistics for a period of five years, 2013–14 to 2017-18, are presented below briefly.

- In all the four Banks, the amount of gross NPA has increased continuously year after year. Similarly, Gross NPA Ratio has also registered a continuous increase year after year in all the four cases. In the first year of the study period, both the highest and lowest Gross NPA Ratios are reported by the private sector banks viz., Karnataka Bank (2.92%) and Axis Bank (1.34%) respectively. But in the last year of study period, Karnataka Bank has achieved lowest Gross NPA Ratio (4.92%) among the four Banks selected for the study, and Canara Bank reported highest Gross NPA Ratio of 11.88%. In the case of Axis Bank, it is at 7.53% and it is at 11.53% in the case of Syndicate Bank.
- The rate increase in sub-standard assets is highest in Axis Bank (626.56%) and lowest in Karnataka Bank (39.07%) – both private sector banks. In the case of two public sector banks, the rate of increase in sub-standard assets is at 188.40% (Syndicate Bank) and 298.96% (Canara Bank). And only Karnataka Bank has succeeded in minimizing the rate of increase in the amount of sub-standard assets, and all other three Banks have not been able to achieve the same success.

- As far as doubtful assets are concerned, both the lowest (4.86 times, Karnataka Bank) and highest (28.34 times, Axis Bank) rates of increase in the amount of doubtful loan assets are in private sector banks. And in the case of public sector banks, it is more than 7 times (7.93 times, Syndicate Bank; and 7.04 times, Canara Bank).
- There has been a continuous increase in the amount of Provision made against the NPAs. This is natural as the amounts of loans and advances, and also the that of NPAs are increasing continuously. Highest amount of Provision of Rs. 3,42,486 million is made by Axis Bank followed by Canara Bank (Rs. 1,89,429.40 million), Syndicate Bank (Rs. 1,23,413 million) and Karnataka Bank (Rs. 9,462.60 million).
- The amount of net NPAs is positive for all Banks and for all years indicating higher amount of gross NPAs than the amount of Provision made. However, the Net NPA Ratio is highest and it increased from 2.01% at the end of 2013-14 to 7.48% by the end of 2017-18. In the case of Syndicate Bank, the ratio increased continuously and it increased from 1.56% as at 31 March 2014 to 6.28% by the end of 31 March 2018.In the case of Axis Bank, the ratio was lowest at 0.44% at the end of the first year of the study period and it increased continuously to reach 3.77% by the end of the last year of the study period. On the other hand, in the case of Karnataka Bank, the Net NPA Ratio increased from 1.91% (second highest) at the end of 2013-14 to 2.96% by the end of 2017-18 and this the lowest among the four banks selected for the study.
- Both the public sector banks suffered loss in two years whereas both the private sector banks have earned and reported profit for all the five years of study period. In the last year of study period, the smallest of the banks selected for the study reported highest amount of profit followed Axis Bank. And both the public sector banks suffered loss in the last year of the study period.

CONCLUSION

This study shows that extent of NPA is comparatively very high in Public Sector Banks when compared to Private Sector Banks. Of course, it is not possible to have zero NPAs. The managements of banks should speed up the recovery process. The government should also make more provisions for faster settlement. This is because of the reason that the problem of NPAs needs lot of serious efforts as otherwise NPAs will keep killing the Profitability of Banks which is not good for the growing Indian economy.

SUGGESTIONS

Keeping in mind the findings of the study, the following suggestions are offered for the banks to reduce the burden of NPAs.

(1) It is necessary for the banks to take up the credit appraisal system seriously and systematically – to evaluate the loan applications as objectively as possible. This is necessary to ascertain whether the applicant is able to generate higher income than cost so he finds no difficulty in servicing the amount borrowed from the banks.
(2) It is suggested to take adequate security while sanctioning loan. This is necessary to recover the amount due by disposing of the assets given by the loanee as security for the loan taken.
(3) Proper monitoring is essential to ensure that amount borrowed by the loanee is utilized only for the purpose for which it was taken.
(4) Further, it is suggested to monitor the progress of the project funded by the lender to ensure the progress is satisfactory and it is progressing as expected.
(5) Effective recovery system is suggested so the lender-bankers recover the amount due from the loanees as and when the amounts become due for payment.

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