A COMPARATIVE STUDY ON NPAS OF NATIONALIZED, SBI GROUP AND PUBLIC SECTOR BANKS IN INDIA FROM THE PERSPECTIVE OF LOAN RECOVERY

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ABSTRACT:

The impact of NPAs on performance of banking sector had been analyzed in this paper. The gross NPAs of public sector banks, nationalized banks and SBI group between the years 2004 to 2013 had been analyzed by using statistical tools. It is found from this study that NPAs had increased during 2004 to 2013. NPAs not only have negative impact on banking sector but also on society at large. Efficient loan recovery strategies help banks to minimize NPAs or NPLs.

Keywords: **nonperforming assets (NPAs), nonperforming loans (NPLs), loan recovery, banking sector, public sector banks.**

INTRODUCTION:

Non performing assets (NPAs) and Nonperforming loans (NPLs) are obstacles for smooth functioning of banking or financial system. Loan recovery is more important for recycling of funds so that it helps in sustainability of financial system. NPAs can be defined as loans of advances are not paid by borrowers as per schedule of payment for at least 90 days. The defaulters cannot pay the loan in time then their loan becomes nonperforming asset because it further increases additional interest and moves them into troubles. In this study the NPAs of nationalized banks, SBI group and public sector banks.

LITERATURE REVIEW:

Das and Dutta (2014) had explained that all the banks are having similar NPAs and every bank needs to adopt a strategy for minimization of NPAs. They have also explained the impact of NPAs on concerned banks. Dhar (2013) had conducted in depth interviews with defaulters and explained the importance of social process and government support for collecting bad debts from borrowers. Bad loans can be categorized as doubtful, in distress and in default so that customized loan recovery strategy can be implemented.

Sharma (2005) had stated that NPAs not only harm the banks but entire economy. The banking variables like productivity, funds mobilization and deployment policy are influenced by NPAs. According to Karunakar et al (2008) that a lasting solution to the problem of NPAs can be achieved only with proper credit assessment and risk management mechanism. In a situation of liquidity overhang, the enthusiasm of the banking system to increase lending may compromise on asset quality, raising concern about their adverse selection and potential danger of addition to the stock of NPAs.

Non-performing Assets (NPAs) in the loan portfolio affect the operational efficiency which in turn influences profitability, liquidity and solvency position of co-operative banks . Yadav (2014) had explained about recent trends of NPAs in banking sector mentioned the classification of assets which are standard assets, substandard assets, doubtful assets and loss assets. Some of the reasons for constant growth of NPAs are directed loan system, micro loans and various schemes.

Ramu (2009) had explained that UCBs are compelled to maintain superior asset quality in the competitive market for their survival. In the wake of large scale defaults of UCBs in India, this study is an attempt to analyze the asset quality in select UCBs in Tamil Nadu. The NPAs can be analyzed by using various dimensions like classification of assets, preventive measures and asset quality. Selvarajan and Vadivalagan (2013) had explained that a loan is an asset for a bank as the interest payments and the repayment of the principal create a stream of cash flows. It is from the interest payments that a bank makes its profits. The problem of NPA is not limited to only Indian public sector banks, but it prevails in the entire banking industry.

RESEARCH OBJECTIVES:

1. To compare gross NPAs among nationalized banks, SBI group and public sector banks

2. To compare priority sector NPAs among nationalized banks, SBI group and public sector banks.

3. To compare non-priority sector NPAs among nationalized banks, SBI group and public sector banks.

4. To understand the relationship between bank category and gross NPA.

RESEARCH METHODOLOGY:

Secondary data had been collected from journals, RBI website and other electronic sources. The non performing assets details of banks which belong three categories like nationalized banks, SBI group and public sector banks have been collected from RBI website. The NPAs of three categories have been collected by using three dimensions like priority sector, non-priority sector and gross NPA. The table related to NPAs between 2004 and 2013 is available in Table 9 of this research paper in Appendix section. SPSS version 20.0 had been used for conducting data analysis.

DATA ANALYSIS:

Hypothesis 1: There is significant difference of Gross NPAs between nationalized, SBI Group and Public Sector Banks in India between 2004 and 2013.

Table 1: Ranks			
	BANKTY	N	Mean Rank
GROSS	Nationalized	10	15.40
	SBI Group	10	8.50
	Public Sector	10	22.60
	Total	30	

Table 2: Test Statisticsa,b	
	GROSS
Chi-Square	12.828
df	2
Asymp. Sig.	0.002
a. Kruskal Wallis Test	
b. Grouping Variable: BANKTY	

(Source: SPSS Output)

Result: According to Table 1 the mean rank of public sector banks is high compared to nationalized and SBI group. Hypothesis 1 is accepted because 'p' value in table 2 is less than 0.05. Therefore there is significant difference gross NPAs of three categories of banks.

Hypothesis 2: There is significant difference among nationalized, public sector and SBI group with regard to NPAs of priority sector during 2004 and 2013.

Table 3: Ranks			
	BANKTY	N	Mean Rank
PRIOR	Nationalized	10	15.90
	SBI Group	10	8.10
	Public Sector	10	22.50
	Total	30	

Table 4: Test Statisticsa,b	
	PRIOR
Chi-Square	13.409
df	2
Asymp. Sig.	0.001
a. Kruskal Wallis Test	
b. Grouping Variable: BANKTY	

(Source: SPSS Output)

Result: According to Table 3 in priority sector the mean rank of public sector is high compared to nationalized and SBI group with regard to NPAs. Hypothesis H2 is accepted because 'p' value is less than 0.05 according to Table 4. Hence there is significant difference between NPAs among different categories of banks in priority sector.

Hypothesis 3: There is significant difference among nationalized, public sector and SBI group with regard to NPAs of non-priority sector during 2004 and 2013.

Table 5: Ranks			
	BANKTY	N	Mean Rank
NONPRIO SBI Group 10 9.20	Nationalized	10	15.40
	Public Sector	10	21.90
	Total	30	

Table 6: Test Statisticsa,b	
	NONPRIO
Chi-Square	10.40
df	2
Asymp. Sig.	0.005
a. Kruskal Wallis Test	
b. Grouping Variable: BANKTY	

(Source: SPSS Output)

Result: According to Table 5 the means rank of public sector banks is high compared to nationalized and SBI group which is similar to priority sector. Hypothesis H3 is accepted because 'p' value is less than 0.05 according to Table 6.

Hypothesis 4: There is an association between bank type and gross NPAs with regard to NPA.

Result: Hypothesis 4 is accepted because 'p' value is less than 0.05 according to Table 7. Hence there is an association between bank type and its gross NPAs. The various bank types in this study are nationalized banks, SBI group and public sector banks.

Table 7: ANOVA					
GROSS					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	860853.831	2	430426.91	5.65	0.009
Within Groups	2054926.856	27	76108.40		
Total	2915780.688	29			

(Source: SPSS Output)

Table 8: Descriptive Statistics

BANKTYPE		N	Min.	Max.	Mean	Std. Deviation
Nationalized	GROSS	10	243.80	959.22	412.59	229.14
	Valid N (listwise)	10				
SBI Group	GROSS	10	125.56	599.67	244.44	160.17
	Valid N (listwise)	10				
Public Sector	GROSS	10	383.05	1558.90	657.03	387.50
	Valid N (listwise)	10				

(Source: SPSS Output)

According to Table 8 the mean value of gross NPAs for nationalized banks is 412.59, for SBI group 244.44 and for public sector banks is 657.03. The standard deviation for public sector is 387.50. For public sector banks gross NPAs value is high and for SBI group the gross NPA is less.

DISCUSSION:

Gross NPAs and mean value of public sector banks in high. Nationalized banks have mediocre NPAs. Both in priority and non priority sector the NPAs of public sector banks is high. According to Table 9 the NPAs of banks had drastically increased between 2004 and 2013. From the perspective of NPAs the performance of nationalized banks is better compared to SBI group and public sector banks. However the overall performance of all the categories of banks is similar because NPAs have increased for all the banks between 2004 and 2013.

CONCLUSION:

Implementing effective loan recovery strategies should be given high priority to reduce gross NPAs. The constant increases in NPAs have negative impact on sustainability of banks. The effective loan recovery strategy also gives competitive advantage for banks irrespective of type of bank. It is also better that mergers and acquisitions need to be implemented in banking sector for competing with international banks in the era of globalization. Overall loan recovery strategy helps in reduction of NPAs.

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Appendix

Table 9: COMPOSITION OF NPAs OF PUBLIC SECTOR BANKS - 2004 TO 2013

(Rs.Billion)

Bank Name	Year	Priority Sector		Non Priority Sector		Public Sector		Gross NPAs
		Amount	Percent Share	Amount	Percent Share	Amount	Percent Share	Amount
		1	2	3	4	5	6	7
Nationalized Banks	2004	167.05	47.74	178.95	51.14	3.90	1.11	349.90
	2005	163.81	51.17	153.46	47.94	2.83	0.88	320.09
	2006	151.24	53.66	122.53	43.48	8.08	2.87	281.85
	2007	157.79	61.28	96.68	37.55	3.02	1.17	257.49
	2008	163.85	67.21	77.93	31.96	2.02	0.83	243.80
	2009	157.21	60.10	101.40	38.76	2.97	1.13	261.58
	2010	199.06	56.13	152.77	43.08	2.80	0.79	354.62
	2011	257.21	59.90	169.47	39.47	2.73	0.64	429.40
	2012	322.90	48.34	343.13	51.37	1.92	0.29	667.95
	2013	404.86	42.21	553.59	57.71	0.78	0.08	959.22
SBI Group	2004	71.36	47.07	78.03	51.48	2.20	1.45	151.59
	2005	70.17	47.39	76.24	51.48	1.68	1.13	148.08
	2006	72.50	54.95	58.19	44.10	1.25	0.95	131.93
	2007	71.75	57.15	51.93	41.36	1.88	1.50	125.56
	2008	89.02	58.49	62.22	40.88	0.97	0.63	152.20
	2009	84.47	47.26	92.50	51.75	1.77	0.99	178.74
	2010	109.40	50.11	106.46	48.77	2.44	1.12	218.31
	2011	155.67	55.32	125.67	44.66	0.06	0.02	281.40
	2012	239.11	52.33	217.59	47.62	0.25	0.05	456.94
	2013	264.42	44.09	334.94	55.85	0.31	0.05	599.67
Public Sector Banks	2004	238.40	47.54	256.98	51.24	6.10	1.22	501.48

2005	233.97	49.98	229.69	49.06	4.50	0.96	468.17
2006	223.74	54.07	180.72	43.68	9.32	2.25	413.78
2007	229.54	59.92	148.61	38.80	4.90	1.28	383.05
2008	252.87	63.85	140.15	35.39	2.99	0.75	396.00
2009	241.68	54.89	193.90	44.04	4.74	1.08	440.32
2010	308.46	53.84	259.23	45.25	5.24	0.91	572.93
2011	412.87	58.09	295.15	41.52	2.78	0.39	710.80
2012	562.01	49.96	560.71	49.85	2.17	0.19	1,124.89
2013	669.28	42.93	888.53	57.00	1.08	0.07	1,558.90

Source: Department of Banking Supervision,RBI