

## “A Comparative Study of NPA Of Public Sector, Private Sector Banks and Foreign Banks as On March 2022.”

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### Abstract:

*Banks' NPAs affect their finances and health. NPA loans and advances have not been repaid for 90 days or more, preventing the bank from earning interest. Increased NPAs impact the bank's balance sheet and profitability. The bank loses interest income from these bad loans, which is the biggest impact. This lowers the bank's net interest margin, a key profitability measure, and cuts earnings. High NPAs imply credit risk and asset quality. Banks must make more arrangements for NPAs. These provisions reduce the bank's net earnings, decreasing dividends and reinvestment. This can lower investor confidence, hurting the bank's stock performance and market capitalization. As the bank struggles to recover outstanding loans, it may have to allocate resources and people to resolution efforts, reducing operational efficiency and increasing costs. NPAs also threaten bank liquidity. A large NPA portfolio limits the bank's lending capacity and earning interest income. Thus, the bank's loan book growth may decelerate, harming profitability and sustainability. A high NPA ratio might also lower the bank's credit rating, making it harder to acquire cash. All these variables can create a vicious cycle of financial deterioration for the bank, affecting its ability to expand and serve customers. Thus, banks must manage and reduce NPAs to maintain financial stability. This research compares secondary data of NPA of public sector banks, Private sector banks, and Foreign banks. Descriptive and inferential statistics are used to study the objectives and testing of the hypothesis.*

**Keywords:** Non-Performing assets, Public banks, Private Banks, Foreign Banks.

### Introduction:

The banking industry is considered the “backbone” of a country’s overall financial system because of its myriad of services in maturity, liquidity, and risk management. The kind of banking system that is prevalent in a nation’s economy may be able to provide a clear reflection of the financial results of the economy. Therefore the banking sector in a country plays a pivotal role in the development of a country. The Reserve Bank of India (RBI) is India’s central bank and oversees the nation’s financial sector. The organization of India’s banking system can be broadly broken down into scheduled banks, non-scheduled banks, and development banks. Development banks are the exception to this rule.

A bank that fits this description is then qualified to receive debts or loans from the RBI at the bank rate. When a bank fits this description, it is immediately accepted as a clearing house member. Not included in the second section of the Reserve Bank of India Act, 1934 are Non-scheduled Banks. In an emergency, however, they may request a loan from the RBI even though, under normal circumstances, they are ineligible to do so. Commercial and cooperative banks are two subcategories that fall under the umbrella of scheduled banks.

**Private Bank:** Private banking refers to the individualized financial services and products made available to high-net-worth individuals (HNWI) who are customers of retail banks or other financial institutions. It provides a centralized location to administer various wealth management services. Investing and portfolio management, tax preparation

and planning, insurance, and trust and estate planning are all included in the services.

Consumer banks and brokerages of every size offer private banking services, even though private banking is designed for a very exclusive customer. Typically, this service is made available through specialized departments called “private banking” or “wealth management” divisions.

**Public Bank:** Lending and depositing institutions that are public banks are owned and operated by the government to benefit the general populace. They use the leverage of public monies to produce credit that benefits the public in some ways, ranging from loans to small businesses to financing for infrastructure projects. Public banks keep local capital by investing in community enterprises and public projects to pursue long-term economic health in their communities. It contrasts the majority of large private banks, which serve private shareholders and often seek short-term profits to maximize payoffs for out-of-state owners.

**Foreign Bank:** “Foreign Banks” are financial institutions that service customers in countries other than the one where the institution is headquartered. A branch of a Foreign Bank functions like an international bank would, subject to the rules and regulations of its home country and the country where it maintains a physical presence. According to the information provided by India’s central bank, 46 different multinational banks have already set up shops in the country as of 2022. A total of 45 multinational banks are present in India, with the

majority of their around 300 branches being located in the nation's major cities.

The presence of foreign corporations in a country may have a good effect on the country in two different ways: first, they may increase the number of the country's exports and imports, and second, they may increase the number of job opportunities available to the skilled individuals in the country. Although they comprise only 1% of India's branch network, international banks account for 11% of the country's banking sector's revenues. These banks do not engage in broad retail banking but specialize in various subfields, such as investment banking, wholesale lending, trade finance, external commercial borrowing, treasury service, and wholesale lending.

**Non-Performing Assets:** An asset that does not perform as expected is a non-performing asset (NPA). This type of debt instrument is characterized by the fact that the borrower has not repaid the designated lender any agreed-upon interest or principal over a prolonged period. After the first phase of economic liberalization in 1991, the banking industry underwent a sea change, which is why credit management entered the scene then. The fundamental purpose of a bank is to accept deposits and provide funds in the form of loans to various industries and markets, including agricultural, industrial, personal, and home markets, etc.

#### **Review of Literature:**

- **Shah, R., & Hasan, H. A. (2022)**, In the Research Titled "Study On Npa Of Selected Indian Banks," Non-performing assets, often known as NPAs, are an essential and dangerous concept in the banking system. If these assets are not effectively managed, they can substantially influence the bank's profitability and the country's economy. The money is invested in non-performing assets (NPA), the bank's primary source of income (interest and principal).
- **Rajawat A. (2022)**, In the Research Titled "Non-Performing Assets in Public and Private Sector Banks in India: A Comparative Study," Public sector banks have more non-performing assets, according to the report. Increased NPAs have several negative effects. Banking and economics. Many internal and external variables cause this issue. Internal and external factors caused bank non-performing assets. They hurt bank business and India's economy. Due to rising non-performing assets, banks cannot lend to economically vulnerable sectors. Banks and the government must take initiatives to reduce NPAs to maintain financial health and market reputation.
- **Agarwal M. (2022)**, In the Research Titled "Non-Performing Assets in Indian Banking Sector: An Analytical and Comparative Study of Selected Public and Private Sector Banks," Now is the time for the government to put in place stringent regulations to ensure that all defaulters make good on their NPAs. According to the findings of this study, nonpayment of accrued interest is not an issue for smaller borrowers; rather, it is a concern for those who owe substantial quantities of money. This problem of non-performing assets (NPA) needs to be rectified as quickly as possible; otherwise, it will negatively influence the bank's profitability, which is not good for the country's overall well-being. The Indian economy is expanding at the quickest rate among the main countries of the globe.
- **Shah S. (2022)**, In the Research Titled "A Comparative Study Of Home Loan In Public And Private Sector Banks," This analysis suggests that HDFC and SBI are good home loan options. Public sector banks are safer and offer cheaper interest rates. Thus, most consumers choose them. Both banks offer competitive services. Public sector banks are trusted and have cheaper interest rates. Therefore most individuals get home loans from them. However, private sector banks are entering our country, and teenagers prefer them since they offer more services and amenities than public sector banks. Private sector banks quickly distribute home loans without additional paperwork. Private-sector banks are more customer-satisfied than public-sector banks. Hence they dominate our country. Private sector banks offer similar services more often. Customers choose the best plan they can afford. Despite the interest rate, youths prefer private banks over public ones for their fast services and other amenities. In summary, bank offerings and plans are less important than customer happiness.
- **Jain N. (2022)**, In the Research Titled "A Comparative Study of Non-Performing Assets in State Bank of India, Punjab National Bank and Bank of India," If NPAs aren't properly managed, they can hurt a bank's profitability and the nation's economy. Banks get their money from NPA, which is interest and principal. PNB has the highest NPA of the selected banks. PNB has higher Net NPA, Problem Assets, and Net NPA to Total Assets ratios. SBI follows the provision coverage ratio best. 2017-18 was a bad year for banks because NPAs doubled. The government has amended the bill to reduce NPA and speed debt recovery. For that, the government should implement stringent laws, and bankers must work hard to reduce NPAs, which hurts bank profitability and growing nations like India.
- **Kumari, S., & Maheshwari, R. (2023)**, In the Research Titled "Assets- Liability Management: A Case Study on Comparison of Private Sector Bank with Public Sector Bank," Public sector banks are government-owned. Private sector banks are majority-owned by private enterprises or

individuals. Private banks can accept 74 percent FDI without a change of control. The SBI and HDFC comparison analysis showed that banks control their ratios well within the limitations. HDFC Bank has smaller NPAs than SBI, giving it an edge. Their three-year annual reports show that HDFC Bank has an average Gross NPAs of 1.5% and an SBI of 8.1%.

- **Mittal R. (2017)**, In the Research Titled “The Problem of Rising Non-performing Assets in Banking Sector in India: Comparative Analysis of Public and Private Sector Banks,” Non-performing assets have historically plagued Indian banks, affecting their profitability. Bank failures may hurt other industries. Thus, banks must take reasonable actions to resolve it, providing fair and effective loan recovery to keep the banking system stress-free. Public sector banks have higher NPAs than private sector banks. The government is taking various initiatives to decrease NPAs. Still, banks should be more aggressive in developing a structured NPA strategy to prevent non-performing assets and follow strict recovery processes. As prevention is better than cure, banks should assess a project’s ROI and lend to better-credit customers.
- **Tulsani s. (2022)**, In the Research Titled “A Comparative Study On The Non-Performing Assets Management Of Pnb And Hdfc Bank,” The report found that HDFC Bank and Panjab National Bank’s non-performing assets are their biggest challenge. No matter that the two financial

organizations are competitors. These assets lower banks’ liquidity balances and cause bad debts, causing the preceding effects. Over the past few years, the amount of non-performing loans has increased, lowering profitability at each of these financial institutions. PNB had more non-performing assets (NPAs) than HDFC Bank. Comparing the banks led to this result.

**Research Methodology:** The study is based on secondary data. Data is obtained from the website of RBI and also from Indiatat. Formation for ten banks in each of the three sectors is considered. Three sectors of banks considered for the study are Public, private, and foreign sector banks. Data is obtained for all banks in the identical year. For the analysis of data, descriptive and inferential statistics is used. All three sectors are compared pairwise.

Gross NPA means the total loan amount not received for more than 90 days. Gross NPA includes irrecoverable advances, and for this bank made provisions, but it is still held in the bank. It’s the quality of the loan which the bank makes.

$$\text{NPA percentage Ratio} = (\text{Gross NPA} / \text{Gross Advances}) * 100$$

Information related to Gross NPA and Total advances is obtained from the source ‘Indiatat.’ The numerical data related to gross NPA, total Advances, and the ratio of NPA to the advances for ten banks of each sector is presented as follows.

**Table no -1: Table of NPA of Public Sector banks in India as on March 2022**  
(Amounts in crores of Rupees)

Sr No.	Name of Bank	Gross NPA	Total Advances	NPA Percent
1	Bank of Baroda	54059.39	818120.5	6.61
2	Bank of India	45605.4	457013.64	9.98
3	Bank of Maharashtra	5327.21	135239.81	3.94
4	Canara Bank	54436.38	741147.15	7.34
5	Central Bank of India	28156.22	189712.2	14.84
6	Indian Bank	35214.25	415624.75	8.47
7	Indian Overseas Bank	15298.62	155800.71	9.82
8	Punjab and Sind Bank	8564.82	70387.09	12.17
9	Punjab National Bank	92448.04	785104.36	11.78
10	State Bank of India	112023.37	2818670.91	3.97

In the above table, the list of banks and their respective Non-Performing Assets (NPA) percentages. NPAs refer to loans or advances given by banks that have stopped generating income for the bank, either through interest or principal repayment, and are at risk of default. The Central Bank of India has the highest NPA percentage at 14.84%, indicating that a significant portion of its loans are at risk of default or are non-performing. Similarly, Punjab and Sind Bank has the second-

highest NPA percentage at 12.17%, showing that it also faces a relatively high level of non-performing assets. Bank of Maharashtra has the lowest NPA percentage at 3.94%, which indicates that a smaller portion of its loans are non-performing compared to other banks on the list. State Bank of India (SBI) comes next with an NPA percentage of 3.97%, indicating that it also has a relatively low level of non-performing assets.

**Table no -2: Table of NPA of Private Sector banks in India as on March 2022**  
(Amounts in crores of Rupees)

Sr No.	Name of Bank	Gross NPA	Total Advances	NPA Percent
1	Axis Bank Limited	18565.63	721519.54	2.57
2	HDFC Bank Ltd.	16100.97	1380514.22	1.17
3	ICICI Bank Limited	33294.92	885676.34	3.76
4	IDBI Bank Limited	34114.83	178206.55	19.14
5	IDFC First Bank Limited	4469.13	120944.97	3.7
6	IndusInd Bank Ltd	5517.15	243038.85	2.27
7	Kotak Mahindra Bank Ltd.	6469.74	276028.21	2.34
8	Yes Bank Ltd.	27975.62	200823.43	13.93
9	Karur Vysya Bank Ltd	3431.04	57549.52	5.96
10	Federal Bank Ltd	4136.74	147639.45	2.8

In the provided data, The list of banks and their respective Non-Performing Assets (NPA) percentages. NPAs represent the portion of loans or advances given by banks that have stopped generating income for the bank, either through interest or principal repayment, and are at risk of default. IDBI Bank Limited has the highest NPA percentage at 19.14%, indicating that a substantial portion of its loans are at risk of default or are non-

performing. Yes, Bank Ltd. comes second with an NPA percentage of 13.93%, indicating a significant level of non-performing assets for this bank. HDFC Bank Ltd. has the lowest NPA percentage at 1.17%, suggesting that only a small proportion of its loans are non-performing compared to other banks. Axis Bank Limited follows closely with an NPA percentage of 2.57%, indicating a relatively low level of non-performing assets for this bank.

**Table no -3: Data of NPA of Foreign banks in India as on March 2022**  
(Amounts in crore of Rupees)

Sr No.	Name of Bank	Gross NPA	Total Advances	NPA Percent
1	Barclays Bank Plc	111.22	8435.31	1.32
2	Bnp Paribas	6.12	11887.14	0.05
3	Citibank N.A	758.6	71166.07	1.07
4	Cooperative Rabobank U.A.	150.47	1461.64	10.29
5	Credit Agricole Corporate and Investment Bank	2.93	4940.38	0.06
6	DBS Bank India Ltd.	4533.8	47723.84	9.5
7	Deutsche Bank Ag	2731.6	59076.34	4.62
8	SBM Bank (India) Ltd.	93.24	4429.67	2.1
9	Shinhan Bank	153.67	7079.83	2.17
10	Standard Chartered Bank	3886.35	76670.02	5.07

The above table indicates the NPS Percent of foreign banks Based on the above data. The highest NPA percent is of Citibank N.A. has the highest NPA percentage at 10.29%, indicating that a significant portion of its loans is at risk of default or non-performing. Credit Agricole Corporate and Investment Bank come second with an NPA percentage of 9.5%, suggesting it also faces a relatively high level of non-performing assets. The lowest NPA Percent is of Barclays Bank Plc has the lowest NPA percentage at 0.05%, which indicates that only a very small proportion of its loans are non-performing compared to other banks in the list. Cooperative Rabobank U.A. follows closely with an

NPA percentage of 0.06%, indicating an extremely low level of non-performing assets for this bank.

**Hypothesis Testing:**

**Null Hypothesis H<sub>0</sub>:** There is no significant difference in the NPA of private sector and public sector banks.

**Alternate Hypothesis H<sub>1</sub>:** There is a significant difference in the NPA of private sector and public sector banks.

An independent sample Test is obtained, and T-test is applied to study the above null hypothesis. The results are as follows.

**Table no -4: Independent Samples Test**

NPA Percent	t-test for Equality of Means			
	t	df	p-value	Mean Difference
Equal variances assumed	1.429	18	.170	3.12800

**Interpretation:** Above results indicate that the p-value is 0.170. It is more than the standard value of 0.05. Therefore, the T-test is accepted. Hence null hypothesis is accepted, and the alternate hypothesis is rejected.

**Conclusion:** There is no significant difference in the NPA of private sector and public sector banks.

**Findings:** To understand the findings of the hypothesis, mean scores of NPA of private and public sector banks are obtained and presented in the following table.

**Table no -5: Group Statistics**

Group Statistics				
Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
Private	10	8.8920	3.54420	1.12077
Public	10	5.7640	5.94362	1.87954

Above table indicate that the mean score of private banks is 8.89%, and the mean score of public banks is 5.76%. The Mean score of private banks is significantly higher than public banks.

**Alternate Hypothesis H<sub>12</sub>:** There is a significant difference in the NPA of public sector and foreign sector banks.

**Null Hypothesis H<sub>02</sub>:** There is no significant difference in the NPA of public sector and foreign sector banks.

An independent sample Test is obtained to study the above null hypothesis, and a T-test is applied. The results are as follows.

**Table no -6: Independent Samples Test**

Independent Samples Test				
NPA Percent	t-test for Equality of Means			
	t	df	p-value	Mean Difference
Equal variances assumed	.966	18	.347	2.13900

**Interpretation:** Above results indicate that the p-value is 0.347. It is more than the standard value of 0.05. Therefore, the T-test is accepted. Hence null hypothesis is accepted, and the alternate hypothesis is rejected.

**Conclusion:** There is no significant difference in the NPA of public sector and foreign sector banks.

**Findings:** To understand the findings of the hypothesis, mean scores of NPA of public and foreign sector banks are obtained and presented in the following table.

**Table no -7: Group Statistics**

Group Statistics				
Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
Public	10	5.7640	5.94362	1.87954
Foreign	10	3.6250	3.70869	1.17279

Above table indicate that the mean score of a public bank is 5.94%, and the mean score of a foreign bank is 3.62%. The Mean score of public banks is significantly higher than foreign banks. Therefore NPA of private sector banks is significantly higher than foreign sector banks.

**Alternate Hypothesis H<sub>13</sub>:** There is a significant difference in the NPA of the Private sector and foreign sector banks.

**Null Hypothesis H<sub>03</sub>:** There is no significant difference in the NPA of Private sector and Foreign sector banks.

An independent sample Test is obtained, and T-test is applied to study the above null hypothesis. The results are as follows.

**Table no -8: Independent Samples Test**

Independent Samples Test				
NPA Percent	t-test for Equality of Means			
	t	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	3.247	18	.004	5.26700

**Interpretation:** Above results indicate that the p-value is 0.004. It is less than the standard value of 0.05. Therefore, the T-test is rejected. Hence null hypothesis is rejected, and the alternate hypothesis is accepted.

**Conclusion:** There is a significant difference in the NPA of Private and Foreign sector banks.

**Findings:** To understand the findings of the hypothesis, mean scores of the NPA ratio of private and foreign sector banks are obtained and presented in the following table.

**Table no -9: Group Statistics**

<b>Group Statistics</b>				
Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
Private	10	8.8920	3.54420	1.12077
Foreign	10	3.6250	3.70869	1.17279

Above table indicate that the mean score of a private bank is 8.89%, and the mean score of a foreign bank is 3.62%. The Mean score of private banks is significantly higher than foreign banks.

**Conclusion:** The study was conducted for the financial data on 31<sup>st</sup> March 2022. The year of study is during the pandemic situation. The significance of the study is that the NPA directly impacts the banks' financial performance. From the analysis of secondary data, conclusions are derived. The average NPA ratio is compared of private sector, public sector, and foreign sectors banks. The NPA ratio in public sector banks is very high for the Central Bank of India and Punjab & Sind Bank. In private sector bank belongs to high NPA ratios is IDBI Bank Ltd. And Yes Bank Ltd. Relatively higher NPA in foreign sector banks are observed in Cooperative Rabobank U.A. and DBS Bank India Ltd. According to statistical analysis, there is no significant difference in the NPA of private and public sector banks. At the same time, a comparison of foreign sector banks with the other two sectors reveals a significant difference in the NPA of foreign sector banks over both (Private & Public) sectors. NPA of foreign sector banks is significantly less than in comparison with private sector and public sector banks. It is suggested that private and public sector banks understand the NPA management of foreign sector banks.

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