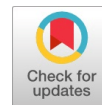


A Comparative study of Non Performing Assets in State Bank of India, Punjab National Bank and Bank of India



Neetu Jain

Abstract: *The incidence of NPA is the focal threat of banking sector. The Non-Performing Assets (NPAs) problem is one of the foremost and the most formidable problems that have shaken the whole banking sector in India like an earthquake. Like a cancer worm, it has been eating the banking system from within, since long. It has grown like a cancer and has infected every limb of the banking system. It has an effect on profitability and liquidity along posing threat on asset quality and survival of banks. The NPAs are considered as an important parameter to judge the performance and financial health of banks. The growing NPAs have been a cause of concern for the entire banking industry. Researcher has tried to study the status of NPA in selected public sector banks SBI, PNB and BOI.*

Keywords: *Gross NPA, Non Performing Assets, Public Sector Banks, Risk Management*

I. INTRODUCTION

This NPA (Non-performing Asset) issue is plaguing the entire banking sector since last few years. Almost every Indian bank is dealing with severe NPA problem. Providing loans to the borrowers is important part of the business. The borrowers could be an individual, organization or company. The loans which are released by the banks are known as the assets of a bank as they earn interest on loan. However there is a risk of default on the payment of interest or the principal amount by the borrower. Subsequently asset will become non-performing as it is unable to generate any income. NPA is an important financial element to stare at while doing analysis of a bank. It informs about the quality of the asset of the bank.

A. Non Performing Assets

Concept

An account is stated as NPA as per RBI norms which is based on the recovery of instalments and interest on loans and advances and other aspects.

Banks are mandatory to classify their loan account into two categories with the intention of Income Recognition :

- (a) Performing Assets [PA]
- (b) Non-performing Assets [NPA]

The income is recognized on an **accrual basis** when the asset is a 'Performing'. If the asset is a 'Performing Asset'. But interest on 'Non-Performing Assets' is to be recorded only on **cash basis**.

B. Types Of Npas

NPAs are broadly divided into two types:

1. Gross NPAs and
 2. Net NPAs
1. **Gross NPA:** Gross NPAs are the summation of all loan assets that are categorised as NPAs as on Balance Sheet date as per RBI guidelines. Gross NPA reflects the quality of the advances made by banks. It comprises of all the non performing assets like sub-standard, doubtful and loss assets.
 2. **Net NPA :** Net NPAs are those NPAs in which the bank has subtracted the provision of NPAs. Net NPAs are the actual burden of banks. Since in India, Bank Balance Sheets hold a huge amount of NPAs and the process of recovery and write off of advances is very time consuming. The provisions against the NPAs of the banks have to be made according to the guidelines of RBI. This is why the difference between gross and net NPA is very high.

II. OBJECTIVES OF THE STUDY

The present study is done to make a comparative study of the magnitude and dimensions of Gross NPAs of the Scheduled Commercial banks and Punjab National Bank.

A. Hypotheses of the study:

1. **H₀₁** – There is no significant difference between Gross NPA Ratio among the selected banks.
2. **H₀₂** – There is no significant difference between Net NPA Ratio among the selected banks.
3. **H₀₃** – There is no significant difference between Problem Assets Ratio among the selected banks.
4. **H₀₄** – There is no significant difference between Net NPA to Total Assets Ratio among the selected banks.
5. **H₀₅** – There is no significant difference between Provision Coverage Ratio among the selected banks.

B. Research Design

Research design is descriptive and empirical. The present study is an analytical study. The study is designed to be a narrative study with appropriate analytical discussions presented in tune with the proposed objectives.

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The study tries to look to what extent NPA had influenced in selected banks. The study has been done to throw light on the Concept of NPA, its reasons and its impact on Banks.

C. Banks Under Study

Public Sector Banks Punjab National Bank (PNB), State Bank of India (SBI) and Bank of India (BOI) is taken into consideration for the study

D. Data Design

In the present study, research data was secondary in nature which is taken from the year 2016-17 to 2020-21. Information have been collected from government statistics website, available published literatures being various reports such as annual reports of PNB, SBI and BOI, Reports on statistical Tables Relating to Banks in India etc., journals, articles, newspapers and relevant government websites.

E. Statistical Tools And Techniques

The data obtained has been analyzed using appropriate statistical measures/ techniques like percentages, averages, Standard Deviation and other statistical calculations. In the present study, ANOVA was used to determine the significance of difference in NPA of selected banks. Statistical Calculations are made with the help of statistical software SPSS.

III. REVIEW OF LITERATURE

Bhatia, (2007) [1], in his research paper, “Non-Performing Assets of Indian Public, Private and Foreign Sector Banks: An Empirical Assessment”, discussed an empirical method to the analyze the NPAs of private, public and foreign sector banks in India. In his paper he intended to find the fundamental factors which impacted NPAs of banks. According to him, a model comprising of two factors, viz., bank-specific parameters and macroeconomic factors, is developed and the behavior of NPAs in the three categories of banks can observed.

Meenakshi Rajeev, H P Mahesh (2010 [2]), conducted a study on banking sector reforms and NPAs in Indian commercial banks. With this research, they intended to examine the trends of NPAs in India from various dimensions and explain how several factors such as immediate recognition and self monitoring have been able to reduce it to a certain extent. The study also analyzed NPAs of India in comparison with other countries, NPAs of Indian banks as per the different sectors and their recovery channels. It was found that NPA is a contributory factor for crisis in economy and the root cause of the global financial crisis. It was observed that NPAs in priority sector was comparatively higher than that of the non priority sector due to various reasons such as socio economic objectives of banks.

Ashok Khurana and Mandeep Singh(2010) [3], in their study stated that issue of mounting NPAs is a challenging to public sector banks. The study found that the asset wise classification of PSBs is in right direction and there is significant variation in the recovery of NPAs in the different sector. The research observed that PSBs should not be loaded with the twin object of profitability and social welfare.

Kaur and Saddy (2011 [4]), in their research paper entitled

“A Comparative Study of Non-Performing Assets of Public and Private Sector Banks” made an attempt to clarify the concept of NPA, the magnitude of NPAs, the factors contributing to NPAs, reasons contributing to high NPAs and its impact on Indian banking operations. Besides this, they have also discussed capital to RWA ratio of Private and Public sector banks, management of credit risk and suggestions for controlling the threat of NPAs [5] [6].

IV. DATA ANALYSIS AND INTERPRETATION

Gross NPA Ratio

Gross NPA is the sum total of all loan assets which are classified under NPA according to RBI guidelines.

Gross Advances: Advances are taken as per the amounts shown in the assets side of the Balance sheet. It comprises of Bills rediscounted with RBI, IDBI, EXIM Bank other approved financial institutions and inter-bank participations.

Gross NPA Ratio is the relation of Gross NPA with Gross Advances which is expressed in percentage. Lower GNPA ratio indicates better performance of the bank and vice versa.

$$\text{Gross NPA Ratio} = \frac{\text{Gross NPA}}{\text{Gross Advances}} * 100$$

Information relating to the Gross NPAs computed as percentage of Gross Advances for the selected banks during the reference period is shown in Table – 1

Table – 1. Gross NPA Ratio (in percentage)

Year	Gross NPA Ratio of Banks		
	PNB	SBI	BOI
2016-17	12.53	9.04	16.93
2017-18	18.38	10.85	16.58
2018-19	15.50	7.43	15.84
2019-20	14.21	6.07	14.78
2020-21	14.12	4.95	13.77
Mean	14.95	7.67	15.58
Std. Deviation	2.19	2.35	1.30

Source: Annual Report of PNB, SBI and BOI, Various issues
 Gross NPA Ratio of PNB was at its highest in the year 2017-18. Gross NPA Ratio of PNB ranges from 12.53 % (2016-17) to 18.38% in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Gross NPA Ratio was 14.95 % with S.D of 2.19 %.
 Gross NPA Ratio of SBI was the highest in the year 2017-18 i.e. 10.85 %. Gross NPA Ratio of SBI ranges from 4.95 % (2020-21) to 10.85 % in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Gross NPA Ratio was 7.67 % with S.D of 2.35 %.
 Gross NPA Ratio of BOI was the highest in the year 2018-19 i.e. 16.93 %. Gross NPA Ratio of PNB ranges from 13.77 % (2020-21) to 16.93 % in the year 2018-19. It showed a declining trend of ratio which signifies that recovery measures are followed and NPA is recovered and written off. Average Gross NPA Ratio was 3.35 % with S.D of 1.3 %. Among the three banks, GNPA Ratio was lowest in SBI which showed its better position [7-14].

H₀₁ -There is no significant difference in Gross NPA Ratio among the selected banks (PNB, SBI, BOI) .



Table – 1.1. Test of significance of Net NPA Ratio of selected Banks

Descriptive			Test of Homogeneity of Variances		ANOVA				
Banks	Mean	Std. Deviation	Levene's Statistic	Sig.	Sum of Squares	d.f.	Mean Square	F	Sig.
PNB	14.948	2.18862	0.724	0.505	193.329	2	96.665	24.18	0
SBI	7.668	2.34549			47.972	12	3.998		
BOI	15.58	1.30443			241.301	14			
Group Differences									
Banks	Mean Difference	Sig	Lower Limit at 95% Confidence Level		Upper Limit at 95% Confidence Level				
PNB-SBI	7.28	0	-10.6536		-3.9064				
BOI-SBI	7.91	0	-11.2856		-4.5384				

The Hypothesis I tests whether Gross NPA among the selected banks (PNB, SBI, BOI) are significantly different. One Way ANOVA results signifies that Gross NPA of the banks are significantly different (Table – 1.1).

Since Levene's Statistic shows that homogeneity of variances is not significant therefore equal variances were assumed (Table – 1.1). As result of One Way ANOVA showed a significant difference among the banks so to check for individual difference between groups Post-Hoc comparisons were assessed using Tukey HSD (Table – 1.1). The test specifies that mean of PNB (Mean = 14.9480, S.D. = 2.18862) was significantly different from Mean of SBI (Mean = 7.6680, S.D. = 2.34549). In the same manner, Mean of BOI (Mean = 15.58, S.D. = 1.30443) was significantly different from Mean of SBI.

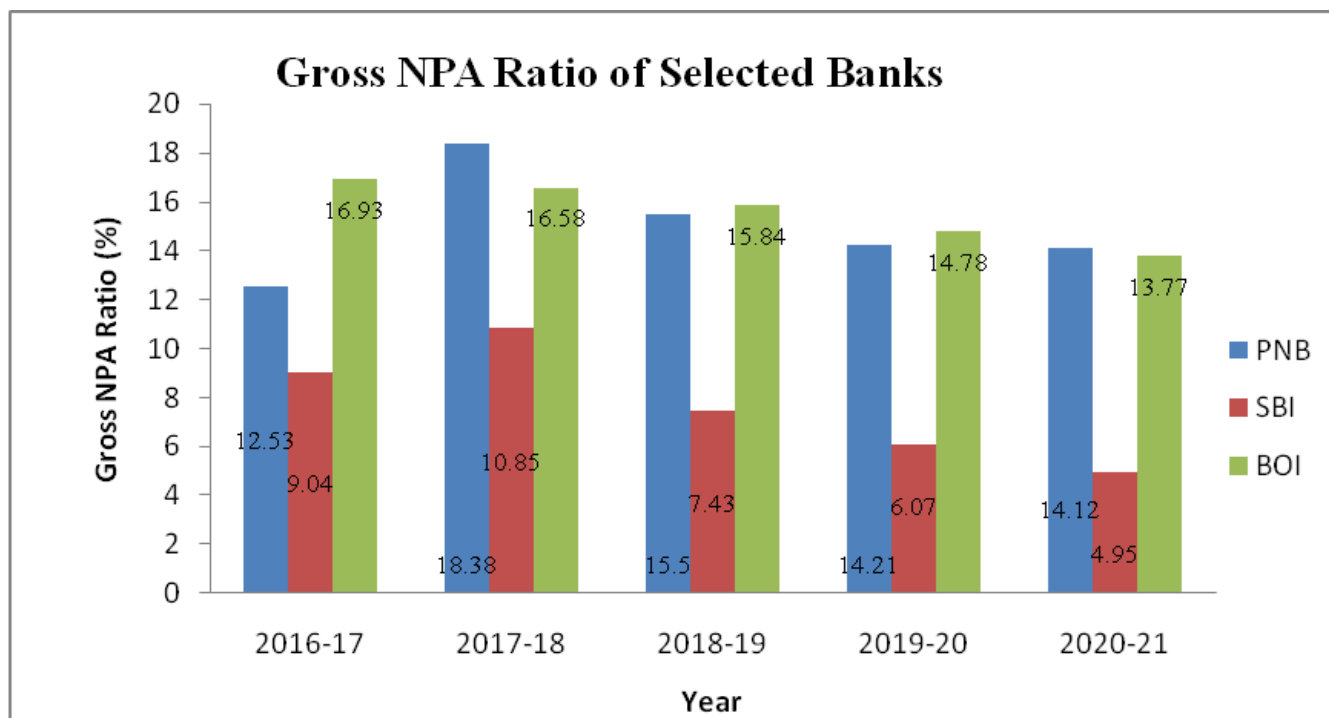


Figure -1

Net NPA Ratio

Net NPA is derived by subtracting provisions on NPAs and interest in suspense account from Gross NPAs. Net Advances are the advances exclusive of bills rediscounted with RBI, IDBI, EXIM bank and other approved financial institutions and Inter-bank participations. Net NPA Ratio is the percentage of Net NPA with Net Advances. Lower the ratio better it is.

Net NPA

$$\text{Net NPA Ratio} = \frac{\text{Net Advances}}{\text{Net NPA}} * 100$$

Information relating to the 'Net NPAs' computed as percentage of Net Advances for the selected banks during the reference period is shown in Table – 2



Table – 2. Net NPA Ratio (in percentage)

Year	PNB	SBI	BOI
2016-17	7.81	5.15	6.9
2017-18	11.24	5.69	8.26
2018-19	6.56	2.97	5.61
2019-20	5.78	2.23	3.88
2020-21	5.73	1.5	3.35
Average	7.42	3.51	5.6
Standard Deviation	2.29	1.83113	2.04857

Source: Annual Report of PNB, SBI and BOI, Various issues

Net NPA Ratio of PNB was at its highest in the year 2017-18. Net NPA Ratio of PNB ranges from 5.73 % (2020-21) to 11.24% in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Net NPA Ratio was 7.42% with S.D of 2.29 %.

Net NPA Ratio of SBI was the highest in the year 2017-18 i.e. 5.69 %. Net NPA Ratio of SBI ranges from 1.56 % (2020-21) to 5.69 % in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Net

NPA Ratio was 1.5 % with S.D of 3.51 %.

Net NPA Ratio of BOI was the highest in the year 2017-18 i.e. 8.26 %. Net NPA Ratio of BOI ranges from 3.35 % (2020-21) to 8.26% in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Net NPA Ratio was 3.35 % with S.D of 5.6 %.

Among the three banks, NNPA Ratio was lowest in SBI which showed its better position.

H₀₂ - There is no significant difference in Net NPA Ratio among the selected banks (PNB, SBI, BOI).

Table – 2.1. Test of significance of Net NPA Ratio of selected Banks

Test of Homogeneity of Variances					ANOVA				
NNPA Ratio	Levene Statistic	df1	df2	Sig.	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	0.027	2	12	0.973	38.397	2	19.199	4.497	0.035
Within Groups					51.228	12	4.269		
Total					89.626	14			

Group Differences				
Banks	Mean Difference	Sig.	95% Confidence Interval	
			Lower Limit	Upper Limit
PNB-SBI	3.91600*	0.028	0.4298	7.4022

The Hypothesis II tests whether Net NPA Ratio among the selected banks (PNB, SBI, BOI) are significantly different. One Way ANOVA results signifies that Net NPA of the banks are significantly different ($F_{2,12} = 4.497, p = .035$).

Since Levene’s Statistic shows that homogeneity of variances is significant therefore equal variances was not assumed. As result of One Way ANOVA showed a significant difference among the banks So to check for individual difference between groups Post-Hoc comparisons were assessed using Tukey HSD. The test specifies that mean of PNB (Mean = 7.424 , S.D. = 2.292) was significantly different from Mean of SBI (Mean = 3.508, S.D. = 1.131) ($p = .028$). The mean difference were significant between SBI and PNB at .05 level ($.028 < .05$).

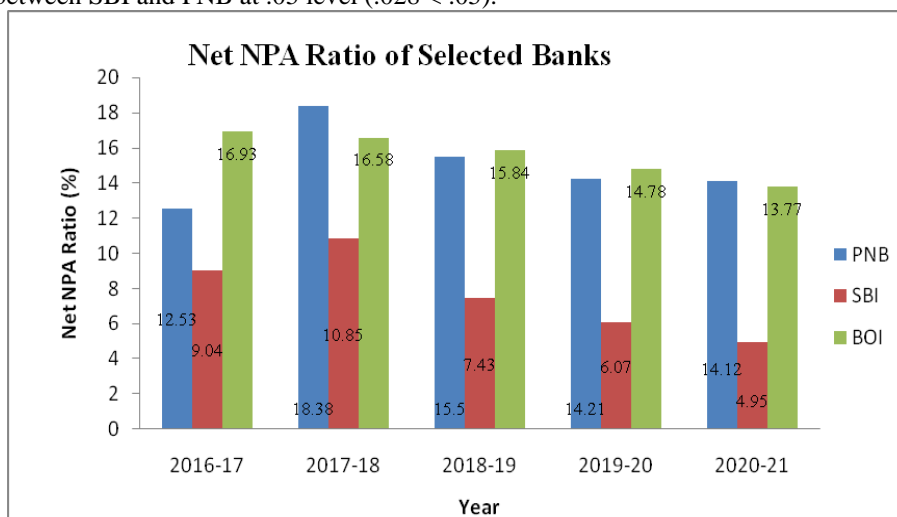


Figure – 2

3. Problem Assets Ratio

Problem Assets Ratio is a ratio relating to Problem Assets (Gross NPA) with Total Assets expressed in percentage. Lower the ratio better it is. Information relating to the Problem Assets Ratio for selected banks is shown in Table – 4.5

Gross NPA

$$\text{Problem Assets Ratio} = \frac{\text{Total Assets}}{\text{Gross NPA}} * 100$$

Table- 3. Problem Assets Ratio of Selected Banks (Amount in crore except percentage)

Year	PNB			SBI			BOI		
	Gross NPA (Rs.)	Total Assets (Rs.)	Problem Assets Ratio (%)	Gross NPA (Rs.)	Total Assets (Rs.)	Problem Assets Ratio (%)	Gross NPA (Rs.)	Total Assets (Rs.)	Problem Assets Ratio (%)
2016-17	55370	720331	7.69	179166.62	2705966	6.62	52044.52	626309.27	8.31
2017-18	86620	765830	11.31	225104.51	3454752	6.52	62328.46	609574.83	10.22
2018-19	78743	774949	10.16	173588.54	3680914	4.72	60661	625222.84	9.7
2019-20	73478.76	830666	8.85	150130.73	3951394	3.8	61550	656995.48	9.37
2020-21	104423	1279725	8.16	128168.54	4534430	2.83	56535	725856.45	7.79
Mean			9.234			4.898			9.078
S.D.			1.487			1.667			1.003

Source: Annual Report of PNB,SBI and BOI, Various issues

Table – 3 showed that Problem Assets Ratio of PNB was the highest in the year 2017-18 i.e. 11.31 %. Net NPA Ratio of PNB ranges from 7.69 % (2016-17) to 11.31 % in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off.

Average Net NPA Ratio was 9.23 % with S.D of 1.49%.

Problem Assets Ratio of SBI was the highest in the year 2017-18 i.e. 6.52 %. Net NPA Ratio of PNB ranges from 2.83 % (2020-21) to 6.62 % in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Net NPA Ratio was 4.9 % with S.D of 1.67%.

Problem Assets Ratio of BOI was the highest in the year 2017-18 i.e. 10.22%. Net NPA Ratio of PNB ranges from 7.79 % (2020-21) to 10.22% in the year 2017-18. There is a fall in the year 2018-19 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Net NPA Ratio was 9.08 % with S.D of 1.0%.

Among the three selected banks, PAR was lowest in SBI which shows better position of SBI.

H03 - There is no significant difference in Problem Assets Ratio among the selected banks (PNB, SBI, BOI).

Table – 3.1. Test of significance of Problem Assets Ratio of Selected Banks

PAR	Test of Homogeneity of Variances				ANOVA				
	Levene Statistic	df1	df2	Sig.	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	0.96	2	12	0.41	60.496	2	30.248	15.132	0.001
Within Groups					23.987	12	1.999		
Total					84.483	14			

Banks	Mean Difference	Sig.	95% Confidence Interval	
			Lower Limit	Upper Limit
	PNB- SBI	4.33600*	0.001	1.9504
SBI-BOI	-4.18000*	0.001	-6.5656	-1.7944

*. The mean difference is significant at the 0.05 level.

The Hypothesis 3 tests whether Problem Assets Ratio among the selected banks (PNB, SBI, BOI) are significantly different. One Way ANOVA results signifies that Net NPA of the banks are significantly different ($F_{2,12} = 15.132; p = .001 < .05$)

Since Levene’s Stastic shows that homogeneity of variances (.41 > .05) is not significant therefore equal variances was assumed. As result of One Way ANOVA showed a significant difference among the banks (.001 < .05) so to check for individual difference between groups Post-Hoc comparisons were assessed using Tukey HSD. The test specifies that mean PAR of PNB (Mean = 9.234, S.D. = 1488) was significantly different from Mean of SBI (Mean = 4.898, S.D. = 1.667). The mean difference were significant at .05 level (.001 < .05).



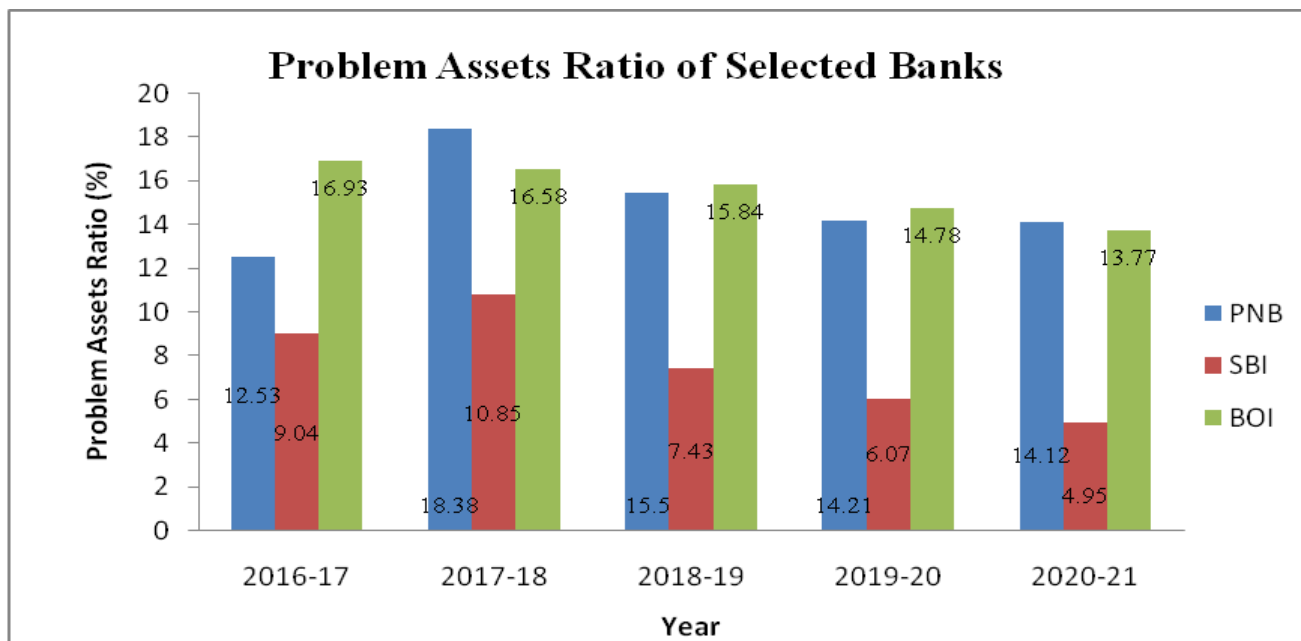


Figure – 3

3. Net NPA to Total Assets Ratio

This ratio expresses the relationship between Net NPA and Total Assets of banks. Lower the ratio better it is as it indicates the soundness of assets.

$$\text{Net NPA to Total Assets Ratio} = \frac{\text{Net NPA}}{\text{Total Assets}} * 100$$

Table – 4. Net NPA to Total Assets Ratio of PNB (Amount in crore except percentage)

Year	PNB			SBI			BOI		
	Net NPA (Rs.)	Total Assets (Rs.)	Net NPA to Total Assets Ratio (%)	Net NPA (Rs.)	Total Assets (Rs.)	Net NPA to Total Assets Ratio (%)	Net NPA (Rs.)	Total Assets (Rs.)	Net NPA to Total Assets Ratio (%)
2016-17	32702.10	720331	4.54	97656.82	2705966	3.61	25305.03	626309.27	4.04
2017-18	48684.29	765830	6.36	111523.3	3454752	3.23	28207.27	609574.83	4.63
2018-19	30037.66	774949	3.88	66044.07	3680914	1.79	19167.6	625222.84	3.07
2019-20	27218.90	830666	3.28	52126.72	3951394	1.32	14311	656995.48	2.18
2020-21	38575.7	1279725	3.01	37119.1	4534430	0.82	12287.95	725856.45	1.69
Mean			4.21			2.15			1.23
S.D.			1.34			1.21			0.55

Source: Annual Report of PNB, SBI and BOI, Various issues

Table- 4 showed that Net NPA to Total Assets Ratio of PNB was at its highest in the year 2017-18. Net NPA to Total Assets Ratio of PNB ranges from 3.01 % (2020-21) to 6.36 % in the year 2017-18. There is a fall in the year 2018-19 onwards. Average Net NPA to Total Assets Ratio was 4.21% with S.D of 1.34 %.

Net NPA to Total Assets Ratio of SBI was the highest in the year 2016-17 i.e. 3.61 %. Net NPA to Total Assets Ratio of PNB ranges from 0.82 % (2020-21) to 3.61 % in the year 2016-17. There is a fall in the year 2017-18 onwards which showed that recovery measures are followed and NPA is recovered and written off. Average Net NPA to Total Assets Ratio was 2.15 % with S.D of 1.21 %.

Net NPA to Total Assets Ratio of BOI was the highest in the year 2017-18 i.e. 8.26 %. Net NPA to Total Assets Ratio of PNB ranges from 1.69 % (2020-21) to 4.63% in the year 2017-18. There is a fall in the year 2018-19 onwards. Average Net NPA to Total Assets Ratio was 3.12 % with S.D of 1.23 %.

Among the three banks, Net NPA to Total Assets Ratio was lowest in SBI which showed its better position.

H₀₄- There is no significant difference in Net NPA to Total Assets Ratio among the selected banks (PNB, SBI, BOI) .

Table – 4.1. Test of significance of Net NPA to Total Assets Ratio of Selected Banks

	Test of Homogeneity of Variances				ANOVA				
	Levene Statistic	df1	df2	Sig.	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.006	2	12	.994	10.622	2	5.311	3.339	.070
Within Groups					19.088	12	1.591		
Total					29.710	14			

The Hypothesis IV tests whether Net NPA to Total Assets Ratio among the selected banks (PNB, SBI, BOI) are significantly different. One Way ANOVA results signifies that Net NPA to Total Assets Ratio of the banks are significantly different. Since Levene’s Stastic shows that homogeneity of variances (.006 < .05) is not significant therefore equal variances was not assumed. As result of One Way ANOVA, there is no significant difference among the banks (.07>.05).

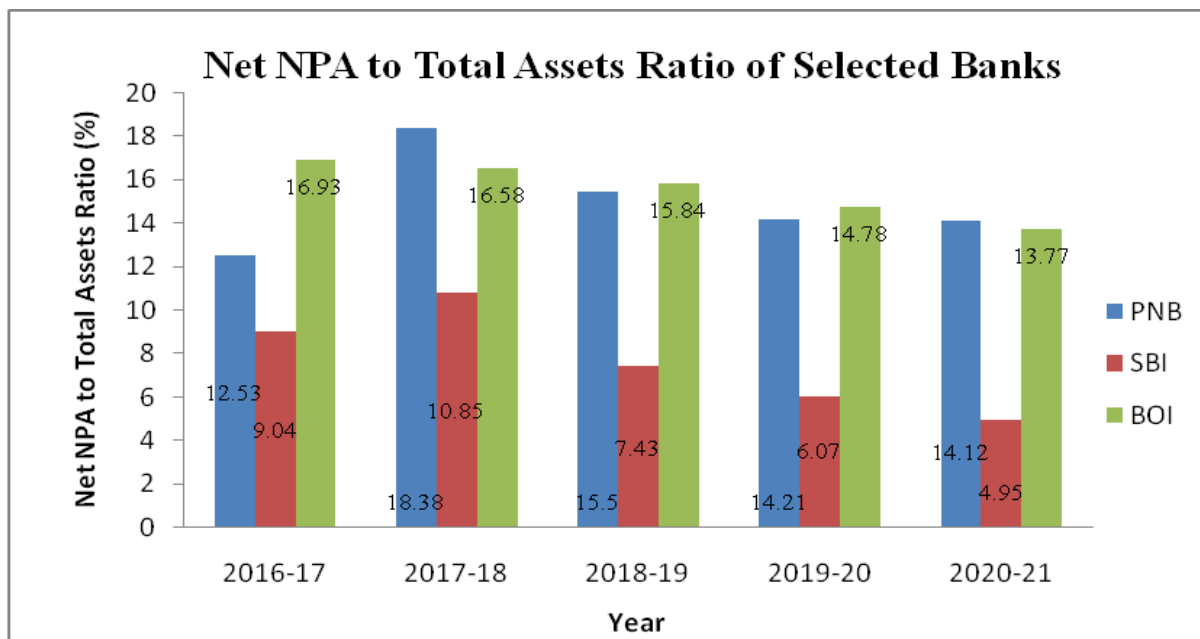


Figure – 4

Provision Coverage Ratio

Provision coverage ratio measures the provisioning for bad loans. The provision coverage ratio (PCR) is an indication of the provision created against bad loans from the profit. Higher the Provision coverage ratio, lower is the unexplored portion of the bad debts.

$$\text{Provision Coverage Ratio} = \frac{\text{Provision for NPA}}{\text{Gross NPA}} * 100$$

The information regarding Provision Coverage Ratio of PNB, SBI and BOI is provided in Table – 5 :

Table – 5. Provision Coverage Ratio (Amount in crore except percentage)

Year	PNB			SBI			BOI		
	Provision for NPA (Rs.)	Gross NPA (Rs.)	Provision coverage Ratio (%)	Provision for NPA (Rs.)	Gross NPA (Rs.)	Provision coverage Ratio (%)	Provision for NPA (Rs.)	Gross NPA (Rs.)	Provision coverage Ratio (%)
2016-17	12703.49	55370.00	22.94	54065.61	179166.62	30.18	24681.76	52044.52	47.42
2017-18	24452.73	86620.00	28.23	113581.21	225104.51	50.46	31871.97	62328.46	51.14
2018-19	24434.59	78743.00	31.03	107544.47	173588.54	61.95	39391.69	60661	64.94
2019-20	45843.48	73478.76	62.39	150130.72	150130.73	100.0	45081.34	61550	73.24
2020-21	65127.85	104423	62.37	91049.44	128168.54	71.04	42073.88	56535	74.42
Mean			41.39			62.72			62.23
S.D.			19.38			25.83			12.45

Source: Annual Report of PNB, SBI and BOI, Various issues

All the three selected banks are showing an increasing trend. Average Provision coverage ratio of PNB,SBI and BOI were 41.39%, 62.72% and 62.23% respectively which showed that ratio of SBI is the highest showing better position whereas PNB is at the least. PCR of PNB ranges from 22.94% to 62.39%.

PCR of SBI ranges from 30.18% to 100% whereas PCR of BOI ranges from 47.42% to 74.42%.

H05 - There is no significant difference in Provision Coverage Ratio among the selected banks (PNB, SBI, BOI) .



Table – 5.1. Test of Significance of Provision Coverage Ratio of selected Banks

PCR	Test of Homogeneity of Variances				ANOVA				
	Levene Statistic	df1	df2	Sig.	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.892	2	12	.435	1482.815	2	741.408	1.857	.198
Within Groups					4790.335	12	399.195		
Total					6273.151	14			

The Hypothesis V tests whether Provision Coverage Ratio among the selected banks (PNB, SBI, BOI) are significantly different. One Way ANOVA results signifies that Net NPA to Total Assets Ratio of the banks are significantly different.

Since Levene’s Statistic shows that homogeneity of variances (.435 > .05) is not significant therefore equal variances was assumed. As result of One Way ANOVA, there is no significant difference among the banks (.198 > .05).

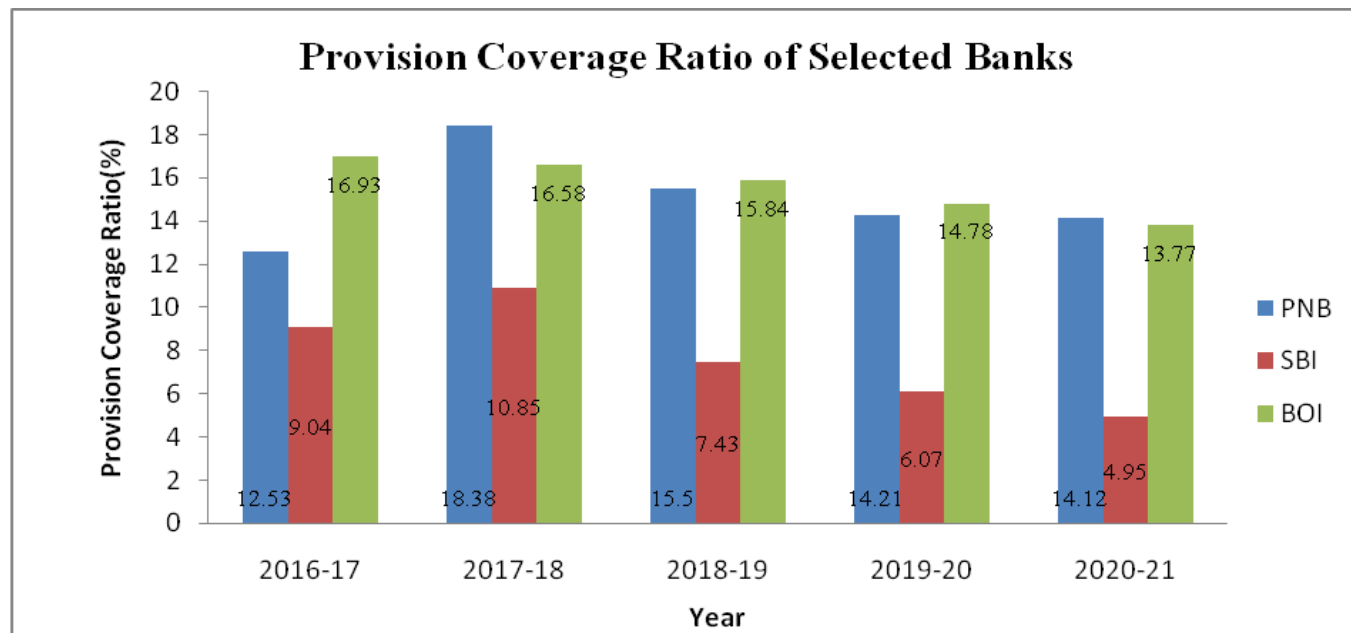


Figure – 5

V. CONCLUSION

The non-performing assets is one of the important and a dangerous concept of the banking system if the NPA is not maintained properly that is get a serious affect on the profitability of the bank and also on the economy of the country. The money is locked up in NPA i.e., interest and principle, that is the main source of bank.

The study shows that the NPA of PNB is highest among the selected banks. Net NPA Ratio, Problem Assets Ratio, Net NPA to Total Assets Ratio is higher in PNB. Provision coverage ratio is highest in SBI which indicates that it is better followed in SBI.

The year 2017-18 is the black mark for the banks the percentage of the NPA is almost double from the previous year. For that various steps have been taken by the government to reduce NPA by amendment of the bill for the fastest recovery of loan. For solving that strict policies should be followed by the government and bankers has to take serious effort for reducing the NPA otherwise it completely damages the profitability of the banker and also is not good for the developing countries like India.

Hence, it is the high time for the banks to take solemn steps to curb NPA. If the banks do not take effective measures even now, the condition of NPA will turn out to be hazardous for

the economy as the problem of NPA is related to supply of money and its circulation. So, the role of banking sector is of immense significance to make India more prosperous and self reliant.

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