An Empirical Study to Compare Non-Performing Assets in Private Sector Banks in India

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Abstract

The private sector banks in India characterize part of the Indian financial system that is comprised of both public and private sector banks. The private sector banks are the banks in which the larger parts of stake or value are held by private investors and not by the government. The banking in India has been conquered *by public sector banks since the 1969 when every giant bank was nationalized by the government. Be that as it may, since liberalization in banking policies in 1990, new and old private sector banks have come into existence again. They have developed rapidly since liberalization over the two decades utilizing the innovation, making availed monetary tools and procedures and contemporary developments. The development of the economy relies on the proficiency and stability of the banking sector. The most critical factor which measures the wellbeing of the banking industry is the magnitude of NPAs. Non-Performing assets have put impact on the financial position of banks. This paper has made empirical study comparing level of NPAs between private sector banks under study.*

Keywords: [Non Performing Assets, Private Sector Banks, India]

Objective of the Study

To make a comparative study of Non-performing assets in Private sector banks in India.

Sources of Data

The data collected is mainly secondary in nature. The sources of data for this paper include the literature published by Indian Bank and the Reserve Bank of India, various magazines, Journals, Books dealing with the current banking scenario and research papers.

Research Methodology

Research design used to conduct this study is observational research since it manages statistical information and the fundamental point of the analysis is to compare Non-Performing Assets level in Private Sector Banks. With the end goal of this study, data identified with average of Gross NPA Ratio and Net NPA ratio has been taken for 6 private sector banks. The studyis done based on data for the time of 8 years from the private sector banks from year 2010-11 to 2017-18. Information is given the assistance of bar charts, tables and so on.

List of Banks Taken for Study

Sr.No.	Name of the Bank	Type of Bank	Abbreviations
1.	ICICI BANK	Private Sector Bank	ICICI
2.	HDFC BANK	Private Sector Bank	HDFC
3.	AXIS BANK	Private Sector Bank	AXIS
4.	JAMMU & KASHMIR BANK	Private Sector Bank	J&K
5.	KARNATAKA BANK	Private Sector Bank	KB

6.	DHANLAKSHMI BANK	Private Sector Bank	DB

Tools of Analysis

In order to achieve the above-mentioned objective, the data collected are entered, arranged and presented using Microsoft Excel and SPSS 23. All information collected for the purpose of the study has been arranged in cross sectional tables, depending upon the requirements of the analysis. The tabulation encompasses absolute figures supported by simple percentage and subjected to statistical analysis using Average, Standard Deviation, F-test using One-way ANOVA technique.

Hypothesis of the Study

H_0:   There is no significant difference between level of Non-Performing assets in between ICICI Bank, HDFC Bank, AXIS Bank, Jammu & Kashmir Bank, Karnataka Bank, Dhanlakshmi Bank.

Analysis and Interpretation

Table 1: Average NPA level of Private Sector Banks

Year	Average NPA Ratio					
	ICICI	**HDFC**	**AXIS**	**J & K**	**KB**	**DB**
2010-11	3.46	0.63	0.79	1.08	2.80	0.47
2011-12	2.78	0.57	0.73	0.85	2.69	0.79
2012-13	2.00	0.53	0.78	0.87	2.01	3.35
2013-14	2.00	0.59	0.87	0.64	2.42	4.03
2014-15	2.70	0.57	0.91	4.37	2.47	4.37
2015-16	4.40	0.60	1.23	6.32	2.90	3.96
2016-17	7.00	0.67	3.50	8.00	3.50	5.00
2017-18	7.50	0.85	5.50	7.50	4.00	5.00
Mean	**3.98**	**0.62**	**1.79**	**3.70**	**2.85**	**3.37**
St. Dev	**2.17**	**0.10**	**1.77**	**3.22**	**0.63**	**1.78**
CAGR	**11.71%**	**4.49%**	**32.06%**	**31.98%**	**5.25%**	**40.18%**

Source: RBI: Report On Trend and Progress of Banking in India

Figure 1:
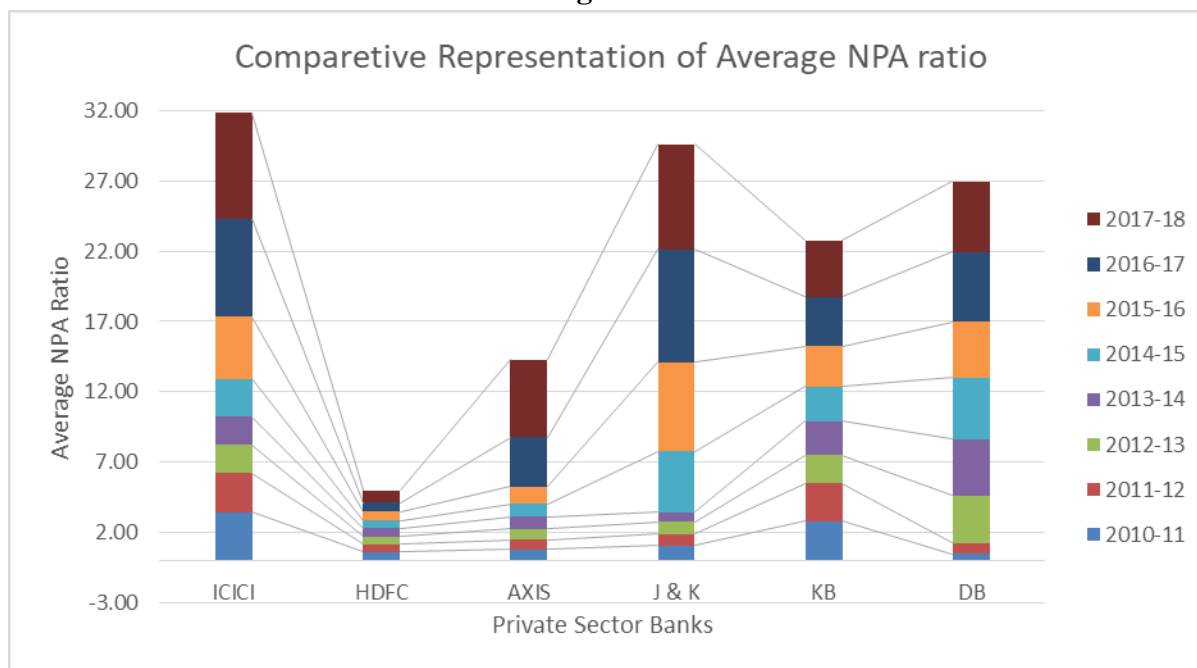
It can be seen in the Table- 1 that HDFC Bank is numerically associated with smallest mean level of Average NPA Ratio i.e. Mean = 0.62% and ICICI Bank is associated with highest mean level of Average NPA Ratio i.e. Mean = 3.98%. Further, Compound Annual Growth Rate (CAGR) of Average NPA Ratio is highest in Dhanlakshmi Bank i.e. CAGR=40.18% and lowest in HDFC Bank i.e. CAGR=4.49%. It is clear from the Bar Graph that there is a continuous increase in Average Non-Performing Assets Ratio for ICICI Bank, Axis Bank, Jammu & Kashmir Bank, Karnataka Bank and Dhanlakshmi Bank. However, HDFC Bank has shown better control over mounting NPAs on year by year basis from 2010-11 to 2017-18.

Table 2: Test of significance (One Way ANOVA)

GNPA ratio	Sum of Squares	Df	Mean Square	F Value (P. Value=2.43)	Sig.
Between Groups	65.977	5	13.195	3.639	.008
Within Groups	152.290	42	3.626		
Total	218.267	47			

*The mean difference is significant at the 0.05 level

In order to test the Hypotheses i.e. to compare the level of Average Non-Performing Asset Ratio in private sector banks under study, one-way ANOVA has been performed. There is statistically a significant difference between the groups as determined by one-way ANOVA Table 2 i.e. $F_{STAT}(5,42)=3.639> F_{CRITIC}(5,42)=2.43$, $\alpha=0.05>0.008$. Thus, null hypothesis of no significant

difference between level of Average NPA Ratio of Private Sector Banks under study is rejected. To evaluate the nature of difference between three means further, the statistically significant ANOVA was followed up with Tuckey Post hoc test in Table – 3. This table highlights that difference between level of average NPA level of ICICI Bank and HDFC Bank is significantly different i.e .α=0.05 > p = 0.013. Similarly, there is significant difference between HDFC Bank and Jammu & Kashmir Bank i.e. α =0.05 > p =0.027. These differences depict that HDFC Bank, Axis Bank, Karnataka Bank and Dhanlakshmi bank has shown better control over NPAs rather than ICICI Bank and Jammu & Kashmir Bank.

Table 3: Tukey HSD POST HOC test

(I) Private SectorBanks		Mean Difference (I-J)	Std. Error	Sig.
ICICI	HDFC	3.3538*	.9521	.013*
	AXIS	2.1913	.9521	.216
	J&K	.2763	.9521	1.00
	KB	1.1313	.9521	.840
	DB	.6088	.9521	.987
HDFC	ICICI	-3.3538*	.9521	.013*
	AXIS	-1.1625	.9521	.824
	J&K	-3.0775*	.9521	.027*
	KB	-2.2225	.9521	.203
	DB	-2.7450	.9521	.064
AXIS	ICICI	-2.1913	.9521	.216
	HDFC	1.1625	.9521	.824
	J&K	-1.9150	.9521	.353
	KB	-1.0600	.9521	.873
	DB	-1.5825	.9521	.564
J&K	ICICI	-.2763	.9521	1.00
	HDFC	3.0775*	.9521	.027*
	AXIS	1.9150	.9521	.353
	KB	.8550	.9521	.945
	DB	.3325	.9521	.999
KB	ICICI	-1.1313	.9521	.840
	HDFC	2.2225	.9521	.203
	AXIS	1.0600	.9521	.873
	J&K	-.8550	.9521	.945
	DB	-.5225	.9521	.994
DB	ICICI	-.6088	.9521	.987
	HDFC	2.7450	.9521	.064
	AXIS	1.5825	.9521	.564
	J&K	-.3325	.9521	.999
	KB	.5225	.9521	.994

*The mean difference is significant at the 0.05 level.

Conclusion

The NPAs have dependably made a major issue for the banks in India. Profitability of banks is antagonistically affected because of development in non-performing assets.though 90% of NPAs of scheduled commercial banks is occupied by Public sector banks.However in current scenario,NPAs in Private sector banks are ballooning rapidly.The study shows that HDFC Bank, Axis Bank, Karnataka Bank and Dhanlakshmi bank have managed their asset quality in a better manner than ICICI Bank and Jammu & Kashmir Bank.Thus there is a dire need to persue the stringent recovery mechanism in order to curb the inflating non-performing assets in comparatively less efficient private sector banks.

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